



AS “LPB Bank”

*Interim condensed financial statements
for the six-month period ended 30 June 2019*

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MANAGEMENT REPORT

1. GENERAL INFORMATION

JSC “LPB Bank” (until 15 December 2017 JSC “Latvijas pasta banka”) (hereinafter – the Bank) is a joint stock company registered in the Republic of Latvia and operates according to the laws of the Republic of Latvia and the licence issued by the Financial and Capital Markets Commission on 12 September 2008.

JSC “LPB Bank” legal address is Brivibas street 54, Riga, LV-1011, Latvia.

The Bank has a head office and two customer service centres. The Bank has no branches or representative offices abroad.

2. ECONOMICAL OVERVIEW

As of 30 June 2019, the amount of the Bank assets was EUR 195.5 million, experiencing minimum changes since the beginning of the year. High liquidity is characteristic to the Bank asset structure. Investments in the debt securities during half a year increased by EUR 12 million or 13.2%, proportion in assets reaching 47% of which 96% have an investment-level credit rating. 18% of the Bank assets are formed by the claims against banks, including the Bank of Latvia. Volume of deposits reduced by EUR 7 million or 4.7%. The ratio of the liquidity coverage as of 30 June 2019 was 187.44% (regulatory minimum -100%).

As the negative Euro base rate period and the ECB bond purchase programme continued, the Bank counts on lower coupon rates and, accordingly, a smaller return in its interest income when planning its investments in the security portfolio. Its net interest income in the first half of 2019 was by 16% less than in an analogue period a year before. The reduction of the interest income was partially compensated by the increase of the net commission income by 8%. A positive dynamic was shown also by the result of financial instrument trade and reevaluation which, if compared to the previous period, increased by 18%.

In 2019, the Bank continues to strengthen the risk management capacity by attracting highly qualified specialists, at the same time having minimum impact on the administrative expenses of the Bank. The net profit during the reporting period in general was by 12% less than a year before, reaching EUR 3.1 million. Thus, in the first half of 2019, the Bank maintained a high earning capacity the profitability index of the assets slightly exceeding 3%. The profit source structure of the Bank stays balanced - proportion of the net interest income after provisions for financial assets reaches 27%, net commission income forms 41.5%, net profit from the financial instruments - 30%, while other income - 1.5%.

The capital sufficiency indicator characterizing the Bank exposure to credit, operational and market risk as of 30 June 2019 was 22.44% (on 31 December 2018 – 22.28%). The Bank has not created the trade portfolio, thus the market risk is mostly related to the foreign currency risk.

The Bank started the year 2019 with the total credit portfolio amount of almost EUR 59 million. As forecasted before, a slow-down of the economics growth speed could be felt in the first half of 2019, leaving a negative impact on the overall credit portfolio decreasing to EUR 57 million. Based on the division of sectors at the end of the first half of 2019, the majority of the

MANAGEMENT REPORT (continued)

total credit portfolio - 39.65% - was still formed by the funding granted to the sector of Transactions with Real Estate. It was followed by the loans granted for Accommodation and Catering Services (8.36%) and Processing Industry (7.99%).

Similarly to 2018, funding of merchants and economic operators remained the main crediting priority without setting the sectors of strategic priority, however concentrating on the quality of credit portfolio and funding of new low/moderate-risk projects for SME clients.

Between the period of 1 February 2019 and 28 June 2019, the Bank has performed an independent efficiency audit of the money laundering and terrorism financing risk and sanction risk management, including also the assessment of functionality conformity and operational efficiency of the used information systems, as well as fulfilment of the action plan coordinated with the FCMC. On 1 July 2019, the Bank submitted to the FCMC the assessment results of the independent audit together with the plan for elimination of the identified deficiencies. The plan in general includes continuation of the initiated automation and information transmission processes. In accordance with the information provided by the FCMC, the Bank shall continue providing information on the accomplishment on a quarterly basis.

The Bank continues the initiated processes improvement and automatization projects for the implementation of which appropriate staff, technological and financial resources have been allocated.

In the first half of 2019 the Bank performed active work on the improvement of the Bank's regulatory documents and operational conformity to ensure conformity with the regulatory external laws, regulations and standards of the Bank:

- The Bank has set requirements arising from the Whistleblowing Law coming into effect on 01.05.2019, including creation of the internal whistleblowing system and informing the employees on the rights to submit a report on potential violations, if those can cause harm to public interests.
- The Bank in accordance with the Commission Implementing Regulation (EU) 2018/33 of 28 September 2017 laying down implementing technical standards with the regard to the standardized presentation format of the statement of fees and its common symbol according to Directive 2014/92/EU of the European Parliament and of the Council, and the Regulations of the Financial Capital and Market Commission No. 90 of 29.05.2018 “Normative Regulations on Establishing Minimum Requirements for the Service Price List and Service Fee Report” in the Online banking has provided the access to the Reports on Rates applied to the relevant Client, as well as the information on the interest rates in respect of the services related to the payment account.
- Measures are taken to introduce the requirements arising from the amendments to the Law on Payment Service and Electronic Money announced on 12.04.2019, providing a prohibition to make remote payments by using a payment card issued to the resident of the Republic of Latvia, to a payment service recipient - an organizer of the interactive gambling and interactive lotteries not licensed in the Republic of Latvia.

MANAGEMENT REPORT (continued)

- Internal regulations on prevention of money laundering and terrorism and proliferation funding are constantly being revised and improved.
- The Bank has introduced and actively continues to work on the improvement of the Bank internal regulations to meet the requirements arising from the Regulation (EU) 2016/679 of the European Parliament and of the Council (General Data Protection Regulation) applicable from 25 May 2018.
- The internal regulations of the Bank have been improved to fulfil the requirements of other laws and regulations.

More than 200 qualified specialists are currently employed by the Bank. By developing in the fintech area, the Bank is glad to provide more opportunities to the domestic companies and service providers, developing opportunities also in the market of the European Union. In order to expand the business opportunities and exchange the experience, during the first six months of 2019 the Bank employees have participated in various events of experience exchange, including in the White Nights Berlin'19 conference and “Money 20/20” exhibition in Amsterdam.

The Bank has renewed the cooperation with the Latvian Chamber of Commerce and Industry as well, allowing to attend various seminars and trainings for the Bank staff organized by the LCCI, as well as facilitating popularity of the brand in the broad communication network of the LCCI.

Following the latest market trends the Bank in 2019 is working on the introduction of the Corporate and Business Preferred contactless Payment Cards.

By implementing the set of measures necessary for the transformation of the Bank, changes were made to the composition of the Board of the Bank in April 2019. The Board Member Baiba Preise joined the Bank.

Starting from March 2019 the Bank has introduced the portal for the software developers, including not only the opportunities of PSD2 (Second Directive on Payment Services), but also the Payment Card issuing API; and the e-commerce API shall be introduced shortly.

In March 2019 the Bank received the Silver Level granted by the State Revenue Service within the framework of the In-Depth Cooperation Programme, attesting to the honest fulfilment of the tax obligations.

The Bank actively offers loans for the company and investment projects. A successful cooperation has been started with SIA Raganas Ķēķis Bistro and SIA Art Hotel Roma.

A renovated special teachers' room “Moment of Rest” at the Children's Clinical University Hospital was opened at the beginning of April 2019. Since the Bank deeply appreciates the importance of social responsibility, the Bank is planning to continue cooperation and support to the Children's Hospital Fund.

By continuing the initiated cooperation with the art exhibitions, an active work has been done in the creation of a new art exhibition “Development of the Bank Building Through the Historic Prism”.

MANAGEMENT REPORT (continued)

In care and appreciation of its clients and staff, the Bank continues supplementing the offers of the Loyalty Programme - in such areas as services, fitness and recreation.

To unify the Bank's staff even more, a photo competition "Let's Get to Know Each Other" was organized with an opportunity to tell about the hobbies and leisure activities.

The Bank has started working on the draft calendar for 2020, within the framework of which the employees of the Bank participated in the creation of the calendar and instead of the usual business style appeared in a totally different image - as the goddesses and inspirers of beauty.

Participation of the Bank's staff in the grand jogging event of Latvia - Tet Riga Marathon has already become a tradition. We are glad that unity and orientation towards the achievements unite the Bank's staff not only at work, but also in the sporting events!

We express our gratitude to the Bank's shareholder and Clients for their loyalty and to all employees for their contribution to the Bank's growth!

3. THE COUNCIL AND THE BOARD

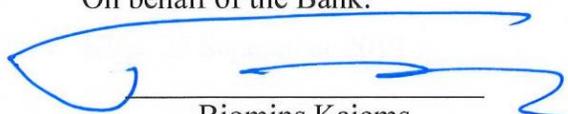
The Council of the Bank as of 30 June 2019

Name, Last name	Position	Date of appointment
Biomins Kajems	Chairman of the Council	13/10/2008
Mihails Uļmans	Deputy Chairman of the Council	20/09/2013
Aleksandr Plotkin	Council Member	14/10/2015
Julija Kozlova	Council Member	03/10/2018

The Board of the Bank as of 30 June 2019

Name, Last name	Position	Date of appointment
Boriss Ulmans	Chairman of the Board	05/09/2008
Arnis Kalveršs	Board Member	05/09/2008
Jurijs Svirčenkovs	Board Member	29/04/2014
Antons Kononovs	Board Member	03/10/2018
Baiba Preise	Board Member	29/04/2019

On behalf of the Bank:



Biomins Kajems
Chairman of the Council



Boriss Ulmans
Chairman of the Board



Jurijs Svirčenkovs
Board Member

Riga, 27 September 2019

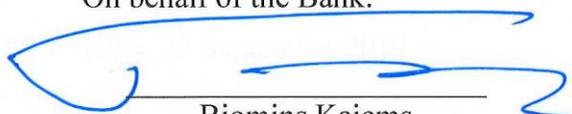
STATEMENT OF MANAGEMENT’S RESPONSIBILITY

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

The Bank’s financial statements set out on pages 9 to 40 are prepared in accordance with the source documents and present fairly the financial position of the Bank as of 30 June 2019 and the results of its operations and cash flows for the six-month period ended 30 June 2019.

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

On behalf of the Bank:



Biomins Kajems
Chairman of the Council



Boriss Ulmans
Chairman of the Board



Jurijs Svirčenkovs
Board Member

Riga, 27 September 2019

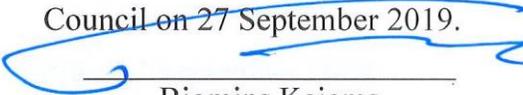
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in thousands of euro (000'EUR))

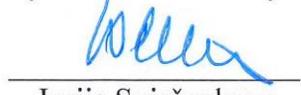
	Notes	Six-month period ended	
		30.06.2019	30.06.2018
Interest income	5	2 527	3 060
Interest expense	5	(466)	(620)
Net interest income	5	2 061	2 440
Result of making provisions for doubtful debts	10	(152)	369
Net interest income after provision for loan impairment		1 909	2 809
Commission and fee income	6	7 952	8 525
Commission and fee expense	6	(5 035)	(5 824)
Net commission and fee income	6	2 917	2 701
Income from dividends		12	9
Net gain/(loss) on financial assets not at fair value through profit or loss	8	1	466
Net gain/(loss) on financial assets at fair value through profit or loss	8	114	1 199
Net gain on foreign exchange	8	1 983	110
Other income	7	95	62
Administrative expense	9	(3 368)	(3 203)
Depreciation		(164)	(178)
Other expense	7	(392)	(440)
Profit before tax		3 107	3 535
Corporate income tax		-	(9)
Net profit for the year		3 107	3 526
Profit attributable to owners of the Bank		3 107	3 526
Other comprehensive income / (expense)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Accumulated result from other comprehensive income / expense)		1 141	(379)
Total other comprehensive income / (expense)		4 248	3 147
Total other comprehensive income attributable to owners of the Bank		4 248	3 147
Earnings per share (EUR)	20	0.239	0.271

The accompanying notes on pages 13 to 40 form an integral part of these financial statements.

The Bank's financial statements set out on pages 9 to 40 were approved by the Board and by the Council on 27 September 2019.


Biomins Kajems
Chairman of the Council


Boriss Ulmans
Chairman of the Board

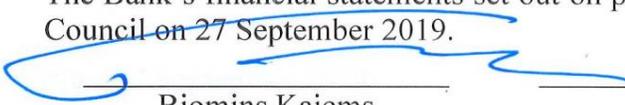

Jurijs Svirčenkovs
Board Member

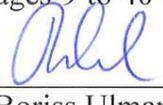
Riga, 27 September 2019

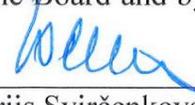
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
(All amounts are expressed in thousands of euro (000'EUR))

	Notes	30.06.2019	31.12.2018
ASSETS			
Cash and balances with the Bank of Latvia	11	27 282	17 606
Due from credit institutions	12	7 360	30 207
Financial assets measured at fair value through profit or loss		1 971	1 546
- derivatives		-	35
- shares		1 971	1 511
Financial assets measured at fair value through other comprehensive income		45 737	34 130
- debt securities	14	45 737	34 130
Financial assets measured at amortised cost		97 094	98 476
- loans and receivables due from customers	13	50 950	52 889
- debt securities	14	46 144	45 587
Property, plant and equipment		6 475	6 569
Intangible assets		440	462
Other financial assets	15	8 311	7 347
Overpaid corporate income tax		394	394
Other non-financial assets	15	437	360
Total assets		195 501	197 097
LIABILITIES			
Financial liabilities measured at fair value through profit or loss		-	-
Liabilities measured at amortised cost		149 124	156 554
Deposits from customers	17	149 124	156 554
Other financial liabilities	18	13 429	11 876
Other non-financial liabilities	18	400	367
Total liabilities		162 953	168 797
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK			
Paid-in share capital	19	13 000	13 000
Financial assets measured at fair value through other comprehensive income revaluation reserve		230	(911)
Retained earnings		19 318	16 211
Total equity attributable to equity holders of the Bank		32 548	28 300
Total equity		32 548	28 300
Total liabilities and equity		195 501	197 097

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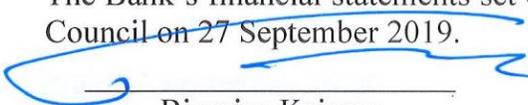

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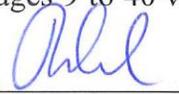
Riga, 27 September 2019

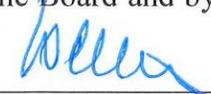
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
(All amounts are expressed in thousands of euro (000'EUR))

	Paid-in share capital	Financial assets at fair value through other comprehensive income revaluation reserve	Retained earnings	Total
Balance as at 31 December 2017	13 000	938	14 365	28 303
<i>Impact of IFRS 9 first day implementation</i>	-	-	(693)	(693)
<i>Effects of reclassification in the implementation of the IFRS 9</i>	-	(1 249)	1 249	-
Impact of implementation IFRS 9, total	-	(1 249)	556	(693)
<i>Other comprehensive income</i>	-	(379)	-	(379)
<i>Net profit for the year</i>	-	-	3 526	3 526
Total income for the year	-	(379)	3 526	3 147
Dividends paid	-	-	(2 000)	(2 000)
Balance as at 30 June 2018	13 000	(690)	16 447	28 757
<i>Other comprehensive income</i>	-	(221)	-	(221)
<i>Net profit for the year</i>	-	-	(236)	(236)
Total income for the year	-	(221)	(236)	(457)
Balance as at 31 December 2018	13 000	(911)	16 211	28 300
<i>Other comprehensive income</i>	-	1 141	-	1 141
<i>Net profit for the year</i>	-	-	3 107	3 107
Total income for the year	-	1 141	3 107	4 248
Balance as at 30 June 2019	13 000	230	19 318	32 548

The accompanying notes on pages 13 to 40 form an integral part of these financial statements.
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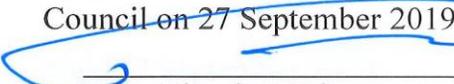

Jurijs Svirčēnkovs
Board Member

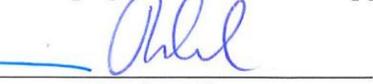
Riga, 27 September 2019

INTERIM CONDENSED STATEMENT OF CASH FLOWS
(All amounts are expressed in thousands of euro (000'EUR))

	Six-month period ended	
	30.06.2019	30.06.2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3 107	3 535
Amortisation / depreciation	164	178
(Decrease) / increase in impairment allowance for financial assets	152	(369)
Interest income	(2 527)	(3 060)
Interest expense	466	620
Unrealised foreign exchange (profit) / loss	(719)	960
Increase in cash and cash equivalents from operating activities before changes in assets and liabilities	643	1 864
(Increase) / decrease in loans and receivables	1 743	251
(Increase) / decrease in other assets	(1 440)	1 905
Increase / (decrease) in deposits from customers	(7 349)	(34 302)
Increase in other liabilities	1 586	1 191
Change in cash and cash equivalents from operating activities before income tax	(4 817)	(29 091)
Interest received	2 462	3 098
Interest paid	(547)	(167)
Corporate income tax paid	-	169
Change in cash and cash equivalents from operating activities	(2 902)	(25 991)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(48)	(72)
(Increase) / decrease of financial assets at fair value through other comprehensive income	(10 361)	9 214
Settlement / (increase) of financial assets at fair value through profit or loss	(586)	32 895
Change in cash and cash equivalents from investing activities	(10 995)	42 037
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(2 000)
Change in cash and cash equivalents from financing activities	-	(2 000)
Net cash flows for the year	(13 897)	14 046
Cash and cash equivalents at the beginning of the year	47 830	58 345
Foreign exchange profit / (loss)	719	(960)
Cash and cash equivalents at the end of the year	34 652	71 431

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Biomins Kajems
Chairman of the Council


Boriss Ulmans
Chairman of the Board


Jurijs Svirčēnkovs
Board Member

Riga, 27 September 2019

NOTE 1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Statement of compliance

These interim condensed financial statements of JSC “LPB Bank” are prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. These interim condensed financial statements do not include all the information and disclosures required in the complete financial statements and should be read in conjunction with the 2018 full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”).

(b) Going concern

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

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

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

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

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

- Priority line of business is FinTech, in particular the acquiring. The Bank’s service is formed in accordance with the requirements and standards of MasterCard and Visa. The Bank holds MasterCard acquiring license for Europe and Visa acquiring license for Europe, thus the Bank provides and intends to provide services to Internet sellers throughout Europe;
- In relation to the priority line of business to offer services to legal persons creating a Client portfolio based on personalised service provision;
- Offer personalised services to natural persons with high and ultra-high income on an equal basis with legal persons;
- Continue expanding provision of its services in Latvia and outside Latvia, developing the communication of the Bank’s new Brand and name “LPB Bank” with the core communication message as “Dynamic, innovative and goal-oriented Bank that respects tradition and is a reliable, long-lasting and valuable partner to every Client of the Bank in pursuit of their business objectives”;
- Actively attract potential Clients through classic and digital marketing channels;
- Continue placement of raised funds;

- in financial instruments,
- in lending to legal persons, in particular – for current assets and business development investments;
- Priority areas of business – Latvia, EEA countries, NATO member countries, OECD member countries and other countries that do not pose an increased reputational risk to the Bank.

The Financial and Capital Market Commission (FCMC) has conducted an on-site inspection of ML/TF risk management effectiveness in the Bank from January 2017 till March 2017. The results afterwards were supplemented by the results of off-site inspections conducted by the FCMC between March 2016 and August 2018. As a result, on October 16, 2018, the FCMC made a decision to fine the Bank with EUR 2.2 million and legal obligations, as well as the obligation to carry out an independent audit of the ML/TF risk management effectiveness. The Bank has appealed the fine imposed and legal proceedings have been initiated against the FCMC. As the timing of the litigation process is uncertain and the expected end result is related with some uncertainty, the financial results for 2018 have been adjusted accordingly. The Bank's management has the opinion that these processes have no impact on the continuation of Bank's operations.

On November 30, 2018, the Bank's Supervisory Council approved the action plan agreed with the FCMC to improve the internal control system in the field of ML/TF risk management and to ensure its efficiency with the deadline of March 31, 2019 and carrying the independent audit with the deadline of June 30, 2019. In accordance with the action plan, the Bank has established an electronic customer information database, launched several information flow automation projects, improved internal regulatory documents and introduced several additional internal control mechanisms. As of January 15, 2019, the Bank has provided monthly information to the FCMC on the progress made in accordance with the Action Plan. From February 1, 2019 till June 28, 2019, the Bank has conducted an independent audit of the ML/TF risk management and sanction risk management effectiveness, including the assessment of the adequacy and operational effectiveness of the information systems used and implementation of the action plan previously agreed with the FCMC. On 1 July 2019, the Bank has submitted the results of an independent audit together with the plan to address the identified deficiencies to the FCMC. Basically, the plan covers the continuation of the automation and information transfer processes which already have been started. According to the FCMC request, the Bank will continue to provide quarterly progress reports.

Currently, the Bank continues the ongoing process improvement and automation projects, with adequate staff, technological and financial resources devoted by the management. The next independent audit of the ML/TF and proliferation financing and sanctions risk management is planned for the second half of 2020.

The Bank has set a target capital adequacy ratio for 2019 of at least 16 percent.

(c) Functional and presentation currency

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

The principal year-end rates of exchange (amount of foreign currency to one EUR) used in the preparation of these financial statements are as follows:

European Central Bank official exchange rate		
	30 June 2019	31 December 2018
USD	1.1380	1.1450
RUB	71.5975	79.7153
PLN	4.2496	4.3014

(d) Basis of presentation

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

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income.

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

Income and expense are not offset in the financial statements unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Bank.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed below, in preparing these interim condensed financial statements, the Bank consistently applied accounting policies in line with those used for preparing the 2018 financial statements.

New Standards and Interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. Those, which may be relevant to the Bank, are set out below.

- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS

17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The management of the Bank has assessed the impact of the implementation of the new standard and has found that as of 01/01/2019, the lease agreements in force are short-term and have no effect on the total value of assets and liabilities.
- IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019). The IAS 12 explains how to account for current and deferred tax, but not how to represent the impact of uncertainty related to tax. This interpretation explains how to apply the recognition and estimation requirements provided in the IAS 12 in the events when uncertainty about application of income tax exists.
 - Amendments to IFRS 9 “Financial instruments” – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).
 - Annual improvements to IFRS’s 2017 (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU). The amendments include changes that affect 4 standards:
 - o IFRS 3 - “Business Combinations”,
 - o IFRS 11 - “Joint Arrangements”
 - o IAS 12 - “Income taxes”
 - o IAS 23 - “Borrowing costs”.

Forthcoming requirements

Certain new standards, amendments to standards and interpretations have been published that become endorsed for the accounting periods beginning after 1 January 2019 or are not yet effective in the EU and have not been applied in preparing these financial statements.

- IFRS 17 - Insurance Contracts;
- Amendments to IFRS 3 – Definition of a Business;
- Amendments to IAS 1 and IAS 8 – Definition of Material;
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Bank has taken the decision not to introduce these standards, revisions and interpretations in advance of their effective dates. The Bank anticipates that the introduction of all other standards, revisions and interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

NOTE 3 RISK MANAGEMENT

All the aspects of the Bank’s risk management objectives and policies are consistent with those disclosed in the Bank’s 2018 financial statements.

NOTE 4 JUDGMENTS AND ESTIMATES

The preparation of interim condensed financial statements requires the management to make judgments, estimates and assumptions that affect the adoption of accounting policies, the reported

amounts of assets, liabilities, income and expense. Accordingly, actual results could differ from those estimates.

The significant areas of judgment regarding the adoption of accounting policies and the key sources of estimate uncertainty used in preparing these interim condensed financial statements are consistent with those used in the 2018 financial statements.

NOTE 5 NET INTEREST INCOME

	Six-month period ended	
	30.06.2019	30.06.2018
Interest income		
Due from credit institutions	213	586
Loans and receivables	1 527	1 322
<i>incl. impaired loans</i>	282	173
Securities	787	1 152
<i>incl. at amortized cost</i>	446	634
<i>incl. at FVOCI</i>	341	518
Total interest income:	2 527	3 060
Interest expense		
Due to credit institutions	(57)	(54)
Non-bank deposits	(308)	(415)
Payments to the Deposit Guarantee Fund	(101)	(151)
Total interest expense:	(466)	(620)
Net interest income	2 061	2 440

NOTE 6 NET COMMISSION AND FEE INCOME

	Six-month period ended	
	30.06.2019	30.06.2018
Commission and fee income		
Payment card transactions	6 604	6 968
Service fee for account maintenance and cash transactions	1 146	1 322
Other bank transactions	202	235
Total commission and fee income:	7 952	8 525
Commission and fee expense		
Payment card transactions	(4 007)	(4 857)
Agents commission	(946)	(883)
Other bank transactions	(82)	(84)
Total commission and fee expense:	(5 035)	(5 824)
Net commission and fee income	2 917	2 701

NOTE 7 OTHER INCOME AND EXPENSE

	Six-month period ended	
	30.06.2019	30.06.2018
Other income		
Penalties collected	76	44
<i>incl. past due loan payments</i>	75	33
Other income	19	18
Total other income	95	62
Other expense		
Membership fees to various organisations	(66)	(65)
Payment card project implementation and servicing	(295)	(316)
Other expenses	(31)	(59)
Total other expenses	(392)	(440)

NOTE 8 NET INCOME FROM FINANCIAL INSTRUMENTS

	Six-month period ended	
	30.06.2019	30.06.2018
Net gain on financial assets at fair value through profit or loss	114	1 199
<i>incl. net trading gain</i>	(340)	991
<i>net revaluation result</i>	454	208
Net gain from transactions with other currency	1 983	110
<i>incl. net trading gain</i>	1 265	1 070
<i>net revaluation result</i>	718	(960)
Net gain on financial assets not at fair value through profit or loss		
loss	1	466
<i>incl. from fair value through other comprehensive income debts</i>	1	-
<i>from amortized cost debts</i>	-	466
Net trading gain	2 098	1 775

NOTE 9 ADMINISTRATIVE EXPENSE

	Six-month period ended	
	30.06.2019	30.06.2018
Remuneration expense		
Remuneration to the Council and the Board	170	117
Remuneration to personnel	2 138	2 117
State compulsory social security contributions of personnel	513	510
State compulsory social security contributions of the Council and the Board	41	28
Total remuneration expense:	2 862	2 772
Lease and maintenance of premises	59	59
Non-deductible input tax	83	75
Telephone, communications and mail	41	45
Software maintenance	86	72
Professional and legal fees	80	32
Stationery and other office expense	18	20
Other personnel expense (ex. loyalty expense)	60	57
Property tax	23	23
Penalty	1	-
Representation expense	11	11
Personnel loyalty expense	1	1
Advertising expense	25	14
Other administrative expense	18	22
Total other expense:	506	431
Administrative expense	3 368	3 203

As at 30 June 2019, the Bank had 191 employees (31.12.2018: 194 employees).

NOTE 10 IMPAIRMENT PROVISIONS

	Loans	Off- balance	Other assets	Total
Balance as at 31 December 2017	641	-	-	641
Impact of implementation IFRS 9	41	13	639	693
Increase	131	41	92	264
Decrease	(101)	(41)	(491)	(633)
Write-offs	(29)	-	(35)	(64)
Exchange rate difference	-	-	(16)	(16)
Balance as at 30 June 2018	683	13	189	885
Increase	130	17	94	241
Decrease	(90)	(23)	(45)	(158)
Write-offs	(3)	-	(7)	(10)
Exchange rate difference	-	-	25	25
Balance as at 31 December 2018	720	7	256	983
Increase	413	11	71	495
Decrease	(244)	(16)	(83)	(343)
Write-offs	-	-	(1)	(1)
Exchange rate difference	-	-	25	25
Balance as at 30 June 2019	889	2	268	1 159

NOTE 11 CASH AND BALANCES WITH THE BANK OF LATVIA

	30.06.2019.	31.12.2018.
Cash	3 087	2 425
Balances with the Bank of Latvia	24 195	15 181
Total	27 282	17 606

Balances with the Bank of Latvia include cash on the correspondent account and a short-term deposit with the Bank of Latvia. According to the instructions of the Bank of Latvia, the Bank's average monthly balance on its correspondent account may not be less than the compulsory reserve calculated for the balance of liabilities included in the reserve basis on the last day of the month. As at 30 June 2019, the Bank's compulsory reserve requirement was 1 326 thousand EUR (31 December 2018: EUR 1 495 thousand).

NOTE 12 DUE FROM CREDIT INSTITUTIONS

	30.06.2019.	31.12.2018.
Amounts due on demand	7 370	24 742
Credit institutions registered in Latvia	110	110
Credit institutions registered in the EU	582	2 807
Credit institutions of other countries	6 678	21 825
Term deposits	-	5 482
Credit institutions registered in Latvia	-	5 482
Total due from credit institutions	7 370	30 224
Provisions	(10)	(17)
Net due from credit institutions	7 360	30 207

The Bank's average interest rates applicable for the balances due from credit institutions in first half of 2019 are as follows: EUR -0.04%, RUB 5.36%. (first half of 2018: USD 1.21%, EUR 0.12%, RUB 4.84%).

NOTE 13 LOANS

(a) By customer profile

	30.06.2019.	31.12.2018.
Private non-financial companies	41 384	43 291
Financial institutions	1 626	1 562
Households	8 829	8 756
Total loans	51 839	53 609
Provisions	(889)	(720)
Net loans	50 950	52 889

(b) By geographical profile

	30.06.2019.	31.12.2018.
Residents of Latvia	47 482	49 102
Residents of EU Member States	281	272
Residents of other countries	4 076	4 235
Total loans	51 839	53 609
Provisions	(889)	(720)
Net loans	50 950	52 889

(c) By type

	30.06.2019.	31.12.2018.
Mortgage loans	27 235	27 196
Commercial loans	7 879	7 628
Industrial loans	3 945	5 705
Finance leases	365	452
Factoring	448	802
Credit card loans	91	86
Other loans	11 705	11 589
Cash in financial institutions reserved for operations	171	151
Total loans	51 839	53 609
Provisions	(889)	(720)
Net loans	50 950	52 889

(d) Loans and advances to customers by quality

30.06.2019.

	Loans	Finance leases	Factoring	Credit card loans	Total
Loans and advances to customers neither past due nor impaired	44 742	301	22	69	45 134
Private non-financial companies	36 084	297	22	8	36 411
Financial institutions	819	-	-	-	819
Private individuals	7 839	4	-	61	7 904
Loans and advances to customers past due but not impaired	6 193	64	426	22	6 705
Past due up to 30 days	4 339	22	-	14	4 375
Past due 30-60 days	76	-	-	-	76
Past due 60-90 days	227	-	-	-	227
Past due over 90 days	1 551	42	426	8	2 027
Total gross loans and advances to customers	50 935	365	448	91	51 839
Provisions	(398)	(43)	(426)	(22)	(889)
Total net loans and advances to customers	50 537	322	22	69	50 950

31.12.2018.

	Loans	Finance leases	Factori ng	Credit card loans	Total
Loans and advances to customers neither past due nor impaired	41 530	336	376	59	42 301
Private non-financial companies	32 111	336	376	7	32 830
Financial institutions	1 557	-	-	-	1 557
Private individuals	7 862	-	-	52	7 914
Loans and advances to customers past due but not impaired	10 739	116	426	27	11 308
Past due up to 30 days	7 232	74	-	19	7 325
Past due 30-60 days	88	-	-	-	88
Past due 60-90 days	272	-	-	-	272
Past due over 90 days	3 147	42	426	8	3 623
Total gross loans and advances to customers	52 269	452	802	86	53 609
Provisions	(226)	(42)	(433)	(19)	(720)
Total net loans and advances to customers	52 043	410	369	67	52 889

(e) Significant credit risk concentration

As at 30 June 2019 the Bank had 4 borrowers or groups of borrowers, whose aggregate liabilities exceeded 10% of the Bank's equity (as at 31 December 2018, the Bank had 4 borrowers or groups of borrowers).

The Bank's credit risk concentration to one customer or a group of related customers may not exceed 25% of the Bank's equity. If a customer is a credit institution or an investment brokerage firm, or a group of related customers including one or several credit institutions or investment brokerage firms, established in the country comparable to the European Union country (Implementation decision No 2014/908 of European Union and the European Commission of 12 December 2014 / EU on equivalence third countries' and territories' supervisory and regulatory requirements to apply the approach to risk tantamount according to the European Parliament and Council Regulation (EU) Nr.575 / 2013), total exposure to the customer shall not exceed 95 per cent of the Bank's equity. On 30 June 2019 and 31 December 2018, the Bank was in compliance with these requirements.

NOTE 14 INVESTMENTS INTO SECURITIES

a) Securities by portfolios

	30.06.2019.	31.12.2018.
Financial assets at fair value through other comprehensive income		
Debt securities issued by EU central government	3 071	3 025
Debt securities issued by other central government	882	2 538
Debt securities issued by EU credit institutions	5 027	4 905
Debt securities issued by credit institutions of other countries	6 143	6 609
Debt securities issued by EU financial institutions	12 397	1 917
Debt securities issued by other countries financial institutions	2 348	6 572
Debt securities issued by EU non-financial companies	12 337	7 541
Debt securities issued by other countries non-financial companies	3 643	1 127
Financial assets at fair value through other comprehensive income, total	45 848	34 234
Provisions	(111)	(104)
Financial assets at fair value through other comprehensive income, net	45 737	34 130
Financial assets at amortised cost		
Debt securities issued by the Latvian government	15 760	15 572
Debt securities issued by EU central governments	6 353	6 320
Debt securities issued by EU credit institutions	4 156	4 193
Debt securities issued by credit institutions of other countries	9 662	9 640
Debt securities issued by EU financial companies	3 244	2 842
Debt securities issued by EU non-financial companies	7 081	7 123
Financial assets at amortised cost, total	46 256	45 690
Provisions	(112)	(103)
Financial assets at amortised cost, net	46 144	45 587

b) Securities by countries

	30.06.2019		31.12.2018	
	Carrying amount	% of equity	Carrying amount	% of equity
Central governments debt securities	26 065	x	27 455	x
Latvia	15 760	54.87	15 572	56.01
Lithuania	4 220	14.69	4 194	15.09
Finland	3 071	10.69	3 025	10.88
Other countries	3 014	10.49	4 664	16.78
Credit institutions debt securities	24 988	x	25 347	x
USA	8 326	28.99	8 313	29.90
Other countries	16 662	58.01	17 034	61.27
Other financial institution debt securities	17 988	x	11 331	x
USA	2 348	8.17	6 572	23.64
Luxembourg	10 564	36.78	4 759	17.21
Other countries	5 076	17.67	-	-
Private non-financial institutions debt securities	23 063	x	15 791	x
Estonia	3 100	10.79	3 070	11.04
Netherlands	3 012	10.48	2 994	10.77
Germany	5 292	18.42	2 954	10.63
Other countries	11 659	40.59	6 773	24.36
Financial investments, total	92 104	x	79 924	x
Provisions	(223)	x	(207)	x
Financial investments, net	91 881	x	79 717	x

c) Financial investment qualitative rating

	30.06.2019.	31.12.2018.
Financial assets at fair value through other comprehensive income by risk classes		
AAA to AA-	25 504	21 410
BBB+ to BBB-	16 675	9 311
BB+ to BB-	3 669	3 513
Financial assets at fair value through other comprehensive income, total	45 848	34 234
Provisions	(111)	(104)
Financial assets at fair value through other comprehensive income, net	45 737	34 130
Financial assets at amortised cost by risk classes		
AAA to A-	41 163	41 021
BBB+ to BBB-	5 093	4 669
Financial assets at amortised cost, total	46 256	45 690
Provisions	(112)	(103)
Financial assets at amortised cost, net	46 144	45 587

Investments are made in securities according to the “Investment strategy for portfolio of financial instruments evaluated at fair value through other comprehensive income (FVTOCI)” and “Investment Strategy for portfolio of financial instruments to be accounted at amortised value” approved by the Bank. To avoid high risk exposure, the Bank has set sub-limits for new investments in securities and determined that only investments in securities of Latvia central government are allowed and whereby only investments in low-risk instruments, i.e., having at least a credit rating of BBB- and a stable outlook (according to *Moody's*, or equivalent rating of *Fitch* or *Standard & Poor's*), are allowed. It is possible, within the limit, to supplement financial assets measured at fair value through other comprehensive income with financial instruments whose credit rating is not lower than BB- (by *Moody's* scale, or its equivalent by *Fitch* or *Standard & Poor's*).

To identify, in a timely manner, any changes that could produce an adverse effect on the ability and/ or willingness of a particular country’s government and/ or residents to meet their financial liabilities towards the Bank, the Bank keeps pace with the latest news and information about events occurring in the respective countries. For monitoring purposes, credit ratings assigned by three international rating agencies Moody’s Investors Service, Standard & Poor’s, Fitch Ratings are used. Average rating used by the Bank is calculated as follows: if risk rating is available only from one risk rating agency – this rating is applied; if two risk rating agencies have published risk ratings and risk ratings are different, the rating with higher degree of risk is applied; if all three risk rating agencies have published different risk ratings, the Bank first selects two risk ratings with the lowest degree of risk and then from those chooses the one with highest degree of risk. Additional sources of information used in analysis are mass media, economic analysis reports by international organisations and data from rating agencies.

Whenever any events that are likely to produce a material impact on the solvency of any country’s government and/ or residents are identified, the Risk Control Department:

- Informs the Asset and liability committee accordingly,

- Performs closer monitoring of the country and, if necessary, makes suggestions to the Resource Department that no additional investments should be made or country exposure limits for transactions with residents of the respective country should be reduced.

If the Bank's exposure to residents of the respective country cannot be reduced within the nearest three months, the Bank considers and initiates risk mitigation measures, such as allowances and requests for financial collateral.

NOTE 15 OTHER ASSETS

	30.06.2019.	31.12.2018.
Other financial assets	8 311	7 347
Card operations	3 174	1 797
<i>incl.provisions</i>	(1)	(1)
Security deposit for transactions	5 137	5 092
<i>incl.provisions</i>	(34)	(32)
Deferred payment for VISA Europe shares sale	-	447
Accrued commission income	-	11
Other non-financial assets	437	360
VAT input tax	2	1
Inventory (digipass and card blanks)	33	40
Future period expenses	142	167
Other receivables	260	152

NOTE 16 FUNDS UNDER TRUST MANAGEMENT

	30.06.2019.	31.12.2018.
Assets	30 204	30 110
Loans to private companies	12 503	11 546
Loans to financial intermediaries and auxiliary firms	17 005	18 150
Clients' financial instruments cash accounts	524	271
Clients' financial instruments under management	172	143
Liabilities	30 204	30 110
Credit institutions	67	179
Private companies	29 960	29 779
Households	177	152

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

NOTE 17 DEPOSITS FROM CUSTOMERS

(a) By customer profile:

	30.06.2019.	31.12.2018.
Demand deposits	116 152	123 569
Financial institutions	21 999	21 937
Public non-financial corporations	3	-
Private companies	70 641	76 684
Households and non-profit organisations servicing them	23 509	24 948
Term deposits	32 972	32 985
Financial institutions (2 nd pillar pension funds)	819	1 168
Private companies	5	5
Households and non-profit organisations servicing them	32 148	31 812
Total	149 124	156 554

(b) By geographical profile

	30.06.2019.	31.12.2018.
Demand deposits	116 152	123 569
Residents of Latvia	49 560	42 152
Residents of EU Member States	48 708	62 215
Residents of other countries	17 884	19 202
Term deposits	32 972	32 985
Residents of Latvia	30 453	30 339
Residents of EU Member States	53	68
Residents of other countries	2 466	2 578
Total	149 124	156 554

The Bank's average interest rates for the first half of 2019 are as follows: 1.451% (USD), 1.554% (EUR) (for the first half of 2018: 1.435% (USD), 1.458% (EUR)).

NOTE 18 OTHER LIABILITIES

	30.06.2019.	31.12.2018.
Other financial liabilities	13 429	11 876
Payment for transactions with payment cards	10 329	8 382
Liabilities under clarification	29	3
Accrued expenses related to financial transaction servicing	-	234
Third-party funds held as collateral	521	544
Accrued expenses for payments to the Deposit Guarantee Fund and the FCMC	59	51
Accrued payments to agents	227	312
Other financial liabilities and accrued expenses	59	145
Accrued payments to penalty in accordance with the FCMC decision	2 205	2 205
Other non-financial liabilities	400	367
Taxes payable	11	20
Vacation pay reserve	343	292
Deferred income	23	20
Other non-financial liabilities	23	35

NOTE 19 PAID-IN SHARE CAPITAL

As at 30 June 2019, the Bank's registered and paid-in share capital was EUR 13 million (31.12.2018: EUR 13 million). In the first half 2019 there were no changes in share capital.

The Bank's share capital consists of only ordinary voting shares. The par value of each share is EUR 1 as at 30 June 2019, all shares were fully paid and the Bank did not hold any of its own shares.

As at 30 June 2019 and 31 December 2018, the Bank's sole shareholder was SIA Mono, registration No.40003004625, legal address Riga, Katlakalna iela 1, which is also the ultimate parent of the Bank. The sole shareholder has three ultimate beneficiaries, who individually do not control the Bank.

NOTE 20 EARNINGS PER SHARE

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

	Six-month period ended	
	30.06.2019	30.06.2018
Net profit	3 107	3 526
Number of ordinary shares at reporting date ('000)	13 000	13 000
Earnings per share (EUR)	0.239	0.271

NOTE 21 CASH AND CASH EQUIVALENTS

	30.06.2019.	31.12.2018.
Cash and demand deposits with the Bank of Latvia	27 282	17 606
Balances due from other credit institutions with original maturities of less than three months	7 360	30 224
Total	34 642	47 830

NOTE 22 OFF-BALANCE SHEET ITEMS

	30.06.2019.	31.12.2018.
Contingent liabilities	1 248	1 283
Guarantees	1 248	1 283
Financial commitments	3 554	3 706
Unutilised credit lines	3 074	3 227
Credit card commitments	480	479
Total off-balance sheet items, gross	4 802	4 989
Provisions	(2)	(8)
Total off-balance sheet items, net	4 800	4 981

In the ordinary course of business, the Bank issues loans and guarantees. The main purpose of these financial instruments is to ensure that adequate funds are available to customers.

Guarantees that comprise irrevocable commitments are assigned the same risk as loans because those commit the Bank to paying in the event of a customer's default. Liabilities arising from credit lines represent the undrawn balances of credit lines. As regards credit risk, the Bank is potentially exposed to loss arising also from loan commitments.

NOTE 23 RELATED PARTY DISCLOSURES

Related parties are defined as shareholders that have the ability to control or exercise significant influence over the Bank's management policy, Council and Board members, close members of their families, and entities in which these persons have a controlling interest and a qualifying holding.

In the ordinary course of business, the Bank enters into transactions with related parties. All loans are issued to and financial transactions are made with related parties on an arm's length basis. As at 30 June 2019, there were no loans issued to related parties that would have been past due.

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

	30.06.2019.			31.12.2018.		
	Carrying amount	Off-balance sheet items	Total	Carrying amount	Off-balance sheet items	Total
Assets	1 257	221	1 478	1 260	225	1 485
Loans and receivables, net	1 257	221	1 478	1 260	225	1 485
Council and Board	119	128	247	114	133	247
Other related companies and individuals	1 138	93	1 231	1 146	92	1 238
Assets under management	-	4 990	4 990	-	3 535	3 535
Other related companies and individuals	-	4 990	4 990	-	3 535	3 535
Liabilities	33 821	-	33 821	34 502	-	34 502
Deposits	33 821	-	33 821	34 502	-	34 502
Parent company	1 394	-	1 394	714	-	714
Council and Board	7 598	-	7 598	7 516	-	7 516
Other related companies and individuals	24 829	-	24 829	26 272	-	26 272
Liabilities under management	-	29 680	29 680	-	29 665	29 665
Council and Board	-	86	86	-	77	77
Other related companies and individuals	-	29 594	29 594	-	29 588	29 588

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

	Six-month period ended	
	30.06.2019	30.06.2018
Interest income	42	36
Interest expense	(95)	(43)
Net interest expense	(53)	(7)
Commission and fee income	77	103

NOTE 24 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The fair value of liquid financial assets has been determined using bid prices, while offer prices have been used to determine the fair value of financial liabilities.

For illiquid financial assets and liabilities, including loans, there are, by definition, no active markets. Accordingly, fair value has been estimated using appropriate valuation techniques. The methods used to determine the fair value of assets and liabilities not carried at fair value are as follows:

Cash and balances with central banks

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

Balances due from credit institutions

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

Loans

The fair value of loans is calculated by discounting expected future cash flows. The discount rates consist of money market rates as at the end of year and credit spread margins, which are adjusted for current market conditions.

Securities at amortised cost

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

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income assets are revalued on a daily basis applying Bloomberg quotations, so that the fair value does not differ from book value.

Financial assets and liabilities measured at fair value through profit or loss

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

Exception is VISA Europe Limited shares included into available for sale financial assets. According to VISA Inc. information, as a result of sale of VISA Europe Limited, ratio of Visa Inc. preference shares to Visa Inc. ordinary shares is 1:13,952. Given the fact that the preference shares are not traded in free trade, and the exchange of preference shares to ordinary shares will take place over a long period of the time, the Bank determines the value of preference shares using Bloomberg price for ordinary share, applying a 50% discount.

Deposits from customers

It is assumed that the fair value of customer deposits repayable on demand and short-term deposits is their carrying amount. The fair value of other deposits is calculated by discounting expected cash flows using average market interest rates or rates offered at year-end. The fair value as at 30 June 2019 and 31 December 2018 is calculated by discounting expected cash flows and using average interest rates.

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

	30.06.2019.			31.12.2018.		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
<i>Financial assets at amortised cost</i>						
Cash and balances with the Bank of Latvia	27 282	27 282	-	17 606	17 606	-
Due from credit institutions	7 360	7 360	-	30 207	30 207	-
Debt securities	46 144	48 288	(2 144)	45 587	46 377	(790)
Loans and receivables	50 950	51 650	(700)	52 889	52 220	669
Other financial assets	8 705	8 705	-	7 741	7 741	-
<i>Financial assets measured at fair value through other comprehensive income</i>						
Debt securities	45 737	45 737	-	34 130	34 130	-
<i>Financial assets measured at fair value through profit or loss</i>						
Shares	1 971	1 971	-	1 511	1 511	-
Derivatives	-	-	-	35	35	-
Financial liabilities						
<i>Financial liabilities at amortised cost</i>						
Deposits from customers	149 124	148 980	144	156 554	156 027	527
Other financial liabilities	13 429	13 429	-	11 876	11 876	-
Total difference			(2 700)			406

30.06.2019.

	Carrying amount	Level 1 input	Level 2 input	Fair value Level 3 input	Total
Financial assets					
<i>Financial assets at amortised cost</i>					
Due from credit institutions	7 360	-	-	7 360	7 360
Debt securities	46 144	-	48 288	-	48 288
Loans and receivables	50 950	-	-	51 650	51 650
Other financial assets	8 705	-	-	8 705	8 705
<i>Financial assets measured at fair value through other comprehensive income</i>					
Debt securities	45 737	45 737	-	-	45 737
<i>Financial assets measured at fair value through profit or loss</i>					
Shares	1 971	-	-	1 971	1 971
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
Deposits from customers	149 124	-	-	148 980	148 980
Other financial liabilities	13 429	-	-	13 429	13 429

31.12.2018.

	Carrying amount	Level 1 input	Level 2 input	Fair value Level 3 input	Total
Financial assets					
<i>Financial assets at amortised cost</i>					
Due from credit institutions	30 207	-	-	30 207	30 207
Debt securities	45 587	-	46 377	-	46 377
Loans and receivables	52 889	-	-	52 220	52 220
Other financial assets	7 741	-	-	7 741	7 741
<i>Financial assets measured at fair value through other comprehensive income</i>					
Debt securities	34 130	34 130	-	-	34 130
<i>Financial assets measured at fair value through profit or loss</i>					
Shares	1 511	-	-	1 511	1 511
Derivatives	35	35	-	-	35
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
Deposits from customers	156 554	-	-	156 027	156 027
Other financial liabilities	11 876	-	-	11 876	11 876
<i>Financial liabilities measured at fair value through profit or loss</i>					
Derivatives	-	-	-	-	-

The following table shows the movements in financial assets measured at fair value through profit or loss valued using level 3 input data:

	Financial assets measured at fair value through profit or loss
Balance as at 31.12.2017.	1 249
Net revaluation result	243
Balance as at 30.06.2018.	1 492
Net revaluation result	19
Balance as at 31.12.2018.	1 511
Net revaluation result	460
Balance as at 30.06.2019.	1 971

Considering the short-term nature of cash and cash equivalents, as well as other financial assets and liabilities, their fair value approximately equals their carrying amount.

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

- Level 1: Quoted prices in active markets;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable;
- Level 3: Other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The methods employed in classifying the assets by the levels of the fair value hierarchy as at 30 June 2019 are consistent with those of 31 December 2018.

NOTE 25 CAPITAL MANAGEMENT

The primary objective of the Bank's capital management is to ensure that the Bank complies with externally imposed capital requirements (i.e. European Parliament and Council, Financial and Capital Market Commission's regulations and IFRS) and that the Bank maintains healthy capital ratios and equity, both in terms of elements and composition, to an extent sufficient for covering significant risks inherent in the Bank's current and planned operations.

Capital adequacy refers to the sufficiency of the Bank's capital resources to cover credit risk, operational risk and market risks. The Bank applies the standardised approach and the basic indicator approach to calculate the capital requirement for credit risk and operational risk respectively.

In assessing its overall capital adequacy, the Bank calculates the capital adequacy for the following risks:

- Credit risk. The Bank has estimated that in 2019 - 2021 the capital required to cover credit risk should be at least in line with the results of stress tests performed under the pessimistic scenario.
- Operational risk. In determining the required capital level, the Bank considers the capital requirement calculated according to European Parliament and of the Council Regulation (EU) No.575/2013 (26 June 2013) on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No.648/2012, described fundamentals approach to calculate their capital requirements, as well as the results of the internal operational risk assessment and stress testing.
- Market risks:
 - In order to assess total capital required for foreign currency risk coverage in 2019 - 2021, comparison between capital requirement calculated used standardised approach and capital requirement under base case scenario with fluctuations of currency position by 12 percent against euro was made and currency position was calculated as a result of currency fluctuations. Capital requirement for foreign currency risk coverage should be at least in line with the results under the base case scenario;
 - The Bank on a monthly basis analyses how the market risk exposure is affected by liquidity of the market for financial instruments. All instruments included into the Bank's financial assets measured at fair value through other comprehensive income portfolio were traded on liquid markets without applying any significant discounts. Taking into consideration plans of the Bank not to increase significantly the financial assets measured at fair value through other comprehensive income portfolio, without major changes to the term structure and quality of portfolio and assuming that new investments (replacing those that were sold or expired) will be made into financial instruments with similar maturity and making prudent assumptions about the quality of these investments, the Bank has modelled the amount of capital requirements;
 - Capital required for settlement risk purposes in accordance with the European Parliament and of the Council Regulation (EU) No 575/2013 (26 June 2013) on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No.648/2012, as at 31.12.2018 was 0 EUR, and the Bank assesses that there is no need to maintain separate capital to cover this risk.
- Interest rate risk in the banking book. The Bank assumes that for interest rate risk in the banking book the Bank will have to maintain capital at least in line with the results of stress

tests performed under the pessimistic scenario (1.37% of the Bank's equity);

- Concentration risk. The Bank applies the simplified approach according to Regulations No. 199 on the Internal Capital Adequacy Assessment Process issued by the Financial and Capital Market Commission on 29 November 2016 to determine the relevant adequate capital.

The analysis of concentration risk for the loan portfolio includes:

- Individual concentration risk analysis,
- Sector concentration risk analysis,
- Collateral concentration risk analysis,
- Currency mismatch risk analysis.

The total capital needed to cover concentration risk is determined by aggregating the results of all individual calculations. In analysing separate concentration risks, the Bank assesses the exposure concentration for the entire loan portfolio, securities portfolio and deposits with other financial institutions.

- For anti-money laundering and terrorism and proliferation financing prevention (AML) risk – as part of capital adequacy process, the Bank evaluates AML risk and evaluated capital requirement for coverage of this risk using two methods, namely, the simplified approach described in the Regulations No. 199 on the Internal Capital Adequacy Assessment Process issued by the Financial and Capital Market Commission on 29 November 2016 and the internal calculation method. Capital requirement for AML risk is set as largest of two;
- For reputation risk – with the aid of reputation risk assessment model, it is determined to keep capital requirement as 0.75% of the Bank's equity;
- For business model risk – based on the results of business model risk assessment model, it was determined that required capital level is 0.50% of the Bank's equity;
- For other risks – other risks requiring additional capital requirement analysis based on the Bank's assessment of significant risks are country risk, residual risk, compliance risk, excessive leverage risk and systemic risk. Pursuant to Regulations No. 199 on the Internal Capital Adequacy Assessment Process issued by the Financial and Capital Market Commission on 29 November 2016, the Bank applies the simplified approach to define the capital requirements and total capital requirement to cover other risks is determined as 5% of the total minimum capital requirements

Total capital requirement for the Bank is determined by summarising all individual capital requirements for risks that are determined during capital adequacy evaluation process. Additional capital requirements are determined for potential risks ensuring that capital of the Bank is sufficient in case of adverse economic developments; to ensure that capital of the Bank is sufficient throughout the economic cycle, i.e. during economic upturn the Bank creates capital reserve for coverage of losses that may arise during period of economic downturn. Amount of additional capital reserve is determined based on stress testing results performed by the Bank.

The regulations of the European Parliament and Council require that Latvian banks maintain a capital adequacy ratio based on financial statements prepared under IFRS as adopted by the EU of 8% of risk-weighted assets. As at 30 June 2019, the Bank's capital adequacy ratio calculated in accordance with the above requirements was 22.44% (31.12.2018: 22.28%)

The Bank's eligible capital also exceeds the adequate capital to cover all significant risks defined during the capital adequacy assessment process, as well as the Bank capital target set in 2019 as of 16%.

The Bank applies the definitions set out in European Parliament and Council Regulation (EU) No. 575/2013 (26 June 2013) on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 related to equity and equity calculation methodology, which is included in the Bank's equity capital and equity requirements calculation procedure according to the instruments held by the Bank. Namely, the equity capital in the calculation is comprised of the first-level elements, which include paid-in capital, capital reserves, retained earnings, including current year profit, not subject to dividend payment, net of negative revaluation reserve of available-for-sale financial assets and intangible assets, and the second-level element, namely subordinated capital.

Capital adequacy assessment is governed by a Bank's internal document named the Capital Adequacy Assessment Policy.

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

	30.06.2019.	31.12.2018.
1. Equity (1.1.+1.2.)	28 724	27 802
1.1. 1. level capital (1.1.1.+1.1.2.)	28 724	27 802
1.1.1. First level base capital	28 724	27 802
1.1.2. First level additional capital	-	-
1.2. 2. level capital	-	-
2. Total risk exposure value (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	128 001	124 794
Risk- weighted exposure amount for credit risk,		
2.1. counterparty credit risk, dilution risk and unpaid delivery risk (2.1.1.+2.1.2.+2.1.3.+2.1.4.+2.1.5.)	99 050	95 793
2.1.1. Central governments and central banks	1 589	1 914
2.1.2. Institutions	11 003	14 419
2.1.3. Companies	40 888	42 349
2.1.4. Secured by real estate mortgage	23 568	23 118
2.1.5. Other assets	22 002	13 993
2.2. Total exposure value of settlement / delivery	-	-
2.3. Total exposure value for position risk, foreign exchange risk and commodity risk	1 147	1 566
2.4. Total exposure value for operational risk	27 804	27 432
2.5. Total exposure value of credit value adjustments	-	3
2.6. Total exposure value associated with large exposures in the trading portfolio	-	-
2.7. Other risk values	-	-
3. Ratio of capital and capital levels		
3.1. 1.level base capital ratio (1.1.1./2.*100)	22.44%	22.28%
3.2. 1.level base capital surplus (+)/ deficit (-) (1.1.1.-2.*4.5%)	22 964	22 186
3.3. 1. level ratio (1.1./2.*100)	22.44%	22.28%
3.4. 1. level surplus (+)/deficit (-) (1.1.-2.*6%)	21 044	20 314
3.5. Total capital ratio (1./2.*100)	22.44%	22.28%
3.6. Total capital surplus (+)/ deficit (-) (1.-2.*8%)	18 484	17 818
4. Total requirement of capital reserve (4.1.+4.2.+4.3.+4.4.+4.5.)	3 323	3 236
4.1. Capital conservation reserve (%)	3 200	3 120
4.2. Specific countercyclical capital reserve for institution (%)	-	-
4.3. Systemic risk capital reserve (%)	65	59
4.4. Systemically important institution's capital reserve (%)	58	57
4.5. Other systemically important institution's capital reserve (%)	-	-
5. Capital ratios taking into account corrections made		
5.1. Correction related to provisions or value of assets, arising from application of special policy for capital adequacy calculation purposes	-	-
5.2. First level base capital ratio, taking into account correction made in line 5.1	22.44%	22.28%
5.3. First level capital ratio, taking into account correction made in line 5.1	22.44%	22.28%
5.4. Total capital ratio, taking into account correction made in line 5.1	22.44%	22.28%

NOTE 26 EVENTS AFTER REPORTING DATE

During the period between the last day of the reporting period and the date of signing the financial statements there have been no events that would require adjustment to the financial statements.

* * *



Independent Auditor's Report

To "LPB Bank" AS shareholders

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Our Opinion on the interim condensed Financial Statements

Translation from Latvian

We have audited the accompanying interim condensed financial statements for the six-month period ended 30 June 2019 of LPB Bank AS (the Bank), set out on pages 9 to 40 of the accompanying interim condensed financial statements, which comprise: the interim condensed financial statement of comprehensive income for the period ended 30 June 2019, the interim condensed financial statement of financial position as at 30 June 2019, the interim condensed financial statement of changes in equity and reserves, the cash flow statement and the notes to the interim condensed financial statements for the six month period ended 30 June 2019.

In our opinion, the accompanying interim condensed financial statements give a true and fair view of the "LPB Bank" AS financial position as of June 30, 2019 and of its operating results and cash flows for the six month period ended 30 June 2019, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

Basis for Opinion

In accordance with the Law of Audit Services of the Republic of Latvia ("Audit Services Law"), we conducted our audit in accordance with International Standards on Auditing (hereinafter – ISA), recognized in the Republic of Latvia. Our responsibilities under these standards are described below in the Auditor's Responsibility for Auditing the interim condensed Financial Statements section of our report.

We are independent of the Bank in accordance with the requirements of the Professional Accountant's Code of Ethics (IASB) and the Independence Requirements of the Audit Services Law applicable to our audit of our interim condensed financial statements in the Republic of Latvia. We have also complied with the other principles of professional ethics and objectivity as set forth in the Audit Services Act.

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

Emphasis of matter

We draw attention to note 1 section b) of the notes of the interim condensed financial statements. During year 2017 and 2018 the Finance and Capital Market Commission (FCMC) performed review of Anti Money Laundering (AML) system in the Bank and applied administrative penalty due to issues identified and additionally to other requirements, required the Bank to perform independent external AML audit. In 2019 external AML audit was performed which resulted in action plan to resolve AML issues, which was submitted to FCMC. Bank's compliance with AML laws and regulations, which can impact going concern applicability, depends on its ability to successfully implement the abovementioned action plan and to address weaknesses in the AML area.

We do not qualify our opinion regarding this matter.

Key Audit Matters

Key audit matters are those matters that, based on our professional judgement, were most significant in the audit of the current interim condensed financial statements. These issues were generally addressed in the context of the audit of the interim condensed financial statements and the drafting of an opinion on the interim condensed financial statement, so we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report:



The key audit matter	Measures taken
Assumptions and estimates concerning the valuation of loans	
<p>The recognition and measurement of financial instruments under IFRS 9 Financial instruments is a relatively new and complex area requiring significant consideration in order to determine the required amount of provisions for the reduction of the value of loans.</p> <p>The main areas of consideration are:</p> <ul style="list-style-type: none"> • Interpretation of the requirements for the reduction in the value of loans established in accordance with IFRS 9 "Financial instruments", as reflected in the Bank's expected credit loss model (CLM) • Identification of loans that have a significant deterioration in the quality of the credit. • Assumptions to be used in the CLM model, such as expected future cash flows and future macro-economic factors. 	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> • We have involved the verification of the correctness of the methodology for evaluating financial instruments and the related calculations applied by IFRS experts. • We assessed whether the Bank's accounting policy for the classification and measurement of financial assets complies with IFRS. • We conducted interviews with specialists involved in evaluating the Bank's management and evaluation of financial instruments. • We assessed whether the Bank correctly classifies loans at amortized cost with a business model "Held solely for principal and interest" when handling loan agreements on sample basis and assessing the associated commissions ' ability to be commensurate with this business model. • We have assessed whether the Bank classifies loans in categories according to their credit risk. • We evaluated the compliance of loss given default (LGD) and Exposure at Default (EAD) calculations with IFRS. • On sample basis we dealt in detail with individual loans individually and assessed the management assessment of the recoverable amount of these loans. We examined the underlying assumptions for the reduction of loan value, including future cash flow forecasts, the valuation of the underlying collateral and the assessment of recoverable amount in the event of default.

The key audit matter	Measures taken
Compliance with laws and regulations – compliance with AML requirements	
<p>As mentioned in the paragraph "Emphasis of Matter" and the interim condensed financial statement note 1 section b), during year 2017 and 2018 the Finance and Capital Market Commission (FCMC) performed review of Anti Money Laundering (AML) system in the Bank and applied administrative penalty due to issues identified and additionally to other requirements, required the Bank to perform independent external AML audit. In 2019 external AML audit was performed which resulted in action plan to resolve AML issues, which was submitted to FCMC.</p>	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> • We have get familiar with the procedures and controls used to prevent money laundering. • We tested the controls used in establishing relationships with new customers and ensuring compliance with the legal requirements for anti-money laundering. • We examined the application of the Bank's procedures for the prevention of money laundering and terrorist financing relating to sample of depositors and their transactions.



<p>Audits of supervisory authorities and any subsequent actions related to the prevention of money laundering and terrorist financing should be considered as a key audit issue not only in relation to the management estimates for existing and possible future fines, but also in the context of the eventual impact on the going concern principle.</p>	<ul style="list-style-type: none">• We discussed with the Bank's representatives the strategy used to terminate the business relationship with customers immediately after the changes of AML law.• We checked the FCMC report on the weaknesses in the anti-money laundering and terrorist financing shortcomings identified in its review.• We checked the Bank's and the FCMC correspondence, including the FCMC decision to impose sanctions and measures for the Bank.• We checked the external AML audit report and related remediation action plan and associated correspondence with the FCMC.• We compared our observations with FCMC and external AML audit observations.• We discussed these issues with the Bank's responsible employees for the enforcement of the anti-money laundering requirements, the plan for improvement in this area and its implementation.• We reviewed the observations made by the FCMC and met with the FCMC representatives to discuss the results of the inspection and their impact on the Bank's operations.
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Reporting on Other Information

The Bank's management is responsible for other information. Other information consists of:

- The management report provided on page 3-7 of the accompanying interim condensed financial statements;
- Statement of management responsibility provided on page 8 of the accompanying interim condensed financial statements.

Our opinion on the interim condensed financial statements does not cover the other information contained in the interim condensed financial statements and we do not provide any proof of it except as stated in our report under other reporting requirements under the Law of the Republic of Latvia Requirements.

In the context of the audit of the interim condensed financial statements, we are obliged to look at other information and, in doing so, to assess whether this other information is materially different from the information in the interim condensed financial statements or from our knowledge that we obtained in the course of the audit, and whether it contains other major discrepancies.

If, on the basis of the work carried out and taking into account the information and understanding of the Bank and its operating environment gained during the audit, we conclude that other information contains significant discrepancies, it is our duty to report such circumstances. There are no circumstances in our attention that should be reported.

Other reporting requirements under the legislation of the Republic of Latvia

In addition, under the Audit Services Act, we are obliged to give an opinion on whether the management report has been prepared in accordance with the provisions of its Regulatory Act, the financial and Capital Market Commission Regulation No. 46. "Requirements of the annual accounts of credit institutions, investment firms and investment management companies and of the consolidated Annual report".

Based solely on the procedures conducted under our audit, we believe that:

- The information provided in the management report for the reporting year for which the interim condensed financial statement is drawn up is consistent with the interim condensed financial statements, and



- The management notice is drawn up in accordance with the provisions of the interim condensed financial and capital market 46. "Requirements for the annual accounts of credit institutions, investment firms and investment management companies, and for regulatory provisions for the consolidated Annual report".

Responsibility of the management and persons entrusted with the supervision of the Bank for the interim condensed financial statements

The management is responsible for the preparation of interim condensed financial statement giving a true and fair view in accordance with the International Financial Reporting Standards, as endorsed by the European Union, and for such internal control as management determines is necessary to enable the preparation of interim condensed financial statements that are free from material misstatement, whether due to fraud or error

In preparing its interim condensed financial statement, management is responsible for evaluating the ability of the Bank to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The persons entrusted with the supervision of the Bank are responsible for supervising the financial reporting process of the Bank.

Auditor's responsibility for auditing the interim condensed financial statements

Our objective is to obtain reasonable assurance that the interim condensed financial statements do not contain material misstatement, as a whole, and to provide the auditor with a report on the opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim condensed financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim condensed financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim condensed financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the interim condensed financial statements, including the disclosures, and whether the interim condensed financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the interim condensed financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other notices and approvals to be included in the auditor's report in accordance with the requirements of regulatory acts of the Republic of Latvia and the European Union in the provision of audit services to companies that are public-interest entities

On 5 September 2019 we were appointed to carry out the audit of the interim condensed financial statements of AS "LPB Bank" for the period ended on 30 June 2019. The total continuous uninterrupted period of engagement is 1 year and 6 months and includes reference periods starting with the year ending 31 December 2018.

We confirm that:

- Our auditor's opinion is consistent with the additional report submitted to the Audit Committee of the Bank;
- As stated in article 37.6 of the Latvian Audit Service Law, we did not provide to the Bank non-audit-related prohibited services (NASs) referred to in article ES (1) of Regulation (ES) No 537/2014. We also maintained independence from the Bank during our audit.

The sworn auditor responsible for the audit project, which results in an independent auditor's report, is Raivis Irbītis.

SIA „Grant Thornton Baltic Audit”
License No. 183

Silvija Gulbe
Member of the Board

Raivis Irbītis
Sworn Auditor
Certificate No 205

Riga,
27 September, 2019