



ABLV

BANKING / INVESTMENTS \ ADVISORY

ABLV Bank, AS

Interim condensed consolidated and separate financial
statements

for the six-month period ended 30 June 2014

Together with independent auditors' report

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Bank's Management Report

Ladies and gentlemen, dear shareholders of ABLV Bank, AS,

During the reporting period, the bank and other companies of ABLV Group continued to grow, due to consistent implementation of the group's development strategy. Although the situation in several our target markets was complex and strained, we managed to achieve planned results due to our thoroughly chosen business model, risk management, and cautious policy.

The most significant events in the reporting period were the change of the currency in which ABLV Bank, AS, share capital is denominated from lats to euro, following Latvia's joining to eurozone, and also issue of shares, under which voting shares and employee shares were issued. After changing the currency and completing the issue, the bank's share capital is equal to EUR 32 400 770 and consists of 29 385 000 registered shares providing voting rights and rights to receive dividends and 3 015 770 employee shares. The total paid amount of applications for voting shares substantially exceeded the offer, and therefore some of the applications were satisfied partly. The sale price of one newly issued share were EUR 12.05 and 66 current shareholders of the bank participated in acquisition of the shares. The results of the issue once again show that we have many loyal shareholders willing to personally participate in the bank's development. The funds obtained from share issue will be invested in the bank's development.

Continuing the bond issue programme, this year we have performed four new issues of coupon bonds: two of them under the Third Bond Offer Programme, and two other – under the Fourth Bond Offer Programme. The total size of the bond issues amounted to USD 150 000 000 and EUR 40 000 000 at face value respectively. Following these bond issues, there are 18 bond issues included in the NASDAQ OMX Riga list of debt securities. The bank initiated gradual replacement of long-term deposits with bonds at the end of 2011. Including new bonds and those already redeemed, we have performed 22 public bond issues so far.

On 25 April 2014, ABLV Bank, AS, entered into primary dealer agreement with the Treasury, thus joining Latvian Primary dealers group. Primary dealers are cooperation partners of the Treasury entitled to take part in the domestic bond issues and auctions arranged by the Treasury. They provide liquidity and bid and ask prices on the secondary market for government debt securities, which are an important part of Latvia's central government borrowing. Primary dealers system was established with an aim to develop Latvia's government securities market. During this period we have also acquired substantial amount of Latvian government securities, and currently we have Latvian government securities worth EUR 182.9 million in our portfolio.

Financial results

The bank's major financial indicators in the first half of 2014 indicate stable growth of the bank. ABLV Bank, AS, is the largest bank in Latvia with local capital and is ranked third in terms of the amount of assets.

- The bank's profit in H1 2014 amounted to EUR 32.9 million. Whereas in H1 2013 it was equal to EUR 21.6 million.
- The bank's operating income before allowances for credit losses totalled EUR 59.6 million. Compared with H1 2013, operating income has increased by 13.6%.
- The amount of the customers' deposits equalled EUR 2.98 billion as at the end of the reporting period.
- The amount of issued debt securities reached EUR 352.0 million.
- As at 30 June 2014, the amount of the bank's assets totalled EUR 3.58 billion. Since the beginning of the year, the amount of assets has grown by 7.9%, the total assets increasing by EUR 263.0 million.
- The bank's loan portfolio equalled EUR 743.8 million as at the end of June.
- The bank's capital and reserves amounted to EUR 204.4 million.
- As at 30 June 2014, the bank's capital adequacy ratio was 16.82%, whereas liquidity equalled 81.01%.
- ROE reached 35.41%, and ROA – 1.87%, as at 30 June 2014.

The bank continued investing in securities. The total amount of the securities portfolio was equal to EUR 1.74 billion, as at 30 June 2014. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 68.7% of the portfolio is constituted by securities having credit rating AA- and higher. In terms of the major countries, securities are allocated as follows: USA – 25.0%, Latvia – 11.9%, Germany – 11.7%, Canada – 11.6%, Russia – 11.1%, Sweden – 9.4%, Netherlands – 2.2%, and Norway – 2.2%. Whereas 3.4% is constituted by securities issued by international institutions – the European Commission, EBRD, etc. In the reporting period, annual yield of the securities portfolio amounted to 1.9%.

Bank's Management Report

In the reporting period we have implemented several new products and services for the convenience of our customers. Those include Internetbank for iPad tablet computers, improved main Internetbank, and Internetbank for iPhone smart phones.

Since there are many notifications on events concerning bonds and shares of our bank, and their number is also growing, we offer a simple and convenient way of receiving necessary information to our investors – holders of bonds and shares. We have added 'Investor Calendar' to the bank's home page www.ablv.com, where most important news about our bonds and shares are published – information on public offering, issue results, dates of coupon payments, bond redemption, meetings of shareholders, financial performance, etc.

Whereas from July 2014 we offer our customers debit and credit cards with new elegant design. The new design of payment cards is based on ABLV brand graphic image and its stylistic elements, which form a special pattern.

In February 2014, the bank's Mortgage Loans Division moved back to the premises at 21a Elizabetes Street in Riga, after reconstruction and repair works had been completed there. Concentrating all customer service in one place, at 21a Elizabetes Street, we ensure new service level for mortgage borrowers.

Quality of ABLV Bank services was also appreciated at 'Gold Coin 2014' – innovative banking service competition arranged by the Association of Commercial Banks of Latvia. ABLV Bank subsidiary bank in Luxembourg, ABLV Bank Luxembourg, S.A., was awarded the main prize – 'Gold Coin' – in the category 'Export of Financial Services'.

Investments

The first half of 2014 was successful for open-end mutual funds: at the end of June this year the total value of their assets reached EUR 95.7 million. Since the beginning of the year, the total value of funds has increased by 8.8%, i.e., approximately by EUR 7.7 million. The growth of the funds' value was due to increasing interest in financial markets and customers more and more willing to diversify their investment portfolios by acquiring shares of ABLV funds.

As at the end of June 2014, total assets under ABLV Asset Management, IPAS management amounted to EUR 101.1 million, of which EUR 95.7 million were customers' investments in mutual funds managed by the company, and EUR 5.4 million were customers' funds invested in individual investment programmes.

The first half of 2014 was also successful for ABLV Capital Markets, IBAS, which executes customers' instructions for purchasing and selling all types of financial instruments in the world's major securities markets. In the first half of the year, profit of ABLV Capital Markets, IBAS amounted to EUR 1.0 million. As at 30 June 2014, total assets of the company's customers invested in financial instruments were equal to EUR 874.3 million.

For our customers who wish to use trading opportunities ensured by Russian stock exchanges on their own, we offer trading platform Quik Trader ABLV. Using this platform, customers get access to online trading at Moscow Exchange (MOEX), performing settlement in Russian roubles. Quik Trader ABLV is an addition to two other trading platforms: J-Trader ABLV (for trading in derivative financial instruments at the US and European stock exchanges) and Orbis Trader ABLV (for trading in the US securities).

In the reporting period, first increase of AmberStone Group, AS, share capital has been successfully completed, and thus the company's capital has been increased by EUR 9.1 million, reaching EUR 14.0 million in total. ABLV Bank, AS, as well as several customers and shareholders of the bank took part in the share capital increase. ABLV Bank ensured significant support to performance of this share issue and can also arrange other issues of AmberStone Group, AS, securities in future. Increase of the capital will allow AmberStone Group, AS to secure the position of one of the leading holding companies in Latvia and also make new investments in capital of promising companies this year. Holding company AmberStone Group, AS, was established to separate the business not related to rendering financial and banking services from ABLV Group. It is planned that till the end of 2015 the share capital of new company will be increased to EUR 25 million, also due to attracting new shareholders from ABLV Bank, AS shareholders, customers, and partners.

Another affiliate company of the bank, real estate development and trading group Pillar, in the first half of 2014 achieved the highest amount of trades in its history. During the first six months of the year, Pillar group concluded transactions on sale of 350 properties, which is 48% more than during the respective period last year. The total amount of transactions reached EUR 18.3 million.

There was sustainably high activity in the market of uniform apartments, and 218 sale transactions were made during six-month period. Whereas in H1 2013 there were 169 uniform apartments sold. The demand for premium class housing and new projects remains high. The total number of transactions in new projects made this year reached 104,

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as well as two premium class apartments in Elizabetes Park House were sold. Also, there were made 14 transactions on sale of private houses.

To meet growing customer demand, Pillar continued active work on managing the existing property portfolio, developing new projects, and implementing the renovation programme. At the beginning of the year, Pillar completed all interior finishing works in the new modern apartment block Dārza Apartment House, as well as commissioned new apartment block Lielzemes Apartment House. Whereas in June Pillar completed reconstruction of 10 new apartments in the apartment block at 13A Akadēmiķa M.Keldiša Street in Riga.

Currently, reconstruction is continued in premium class apartment block Miera Park House, applying modern technologies that meet high quality living requirements. Sale of apartments in this apartment block is supposed to be started in the first half of 2015.

Advisory

In the reporting period the bank's affiliate company ABLV Corporate Services, SIA, started offering new service – assistance in obtaining citizenship of Malta. From 2014, the Republic of Malta offers foreigners the opportunity to obtain citizenship under investment programme. Citizenship of Malta allows investors and their families to enjoy all rights of the EU residents, including the possibility to travel and permanently live in all countries of the European Union.

ABLV Corporate Services, SIA, also offers advice on obtaining residence permits and citizenship of Latvia, Great Britain, and Saint Kitts and Nevis. The company's customers also use other advisory services – advice on establishing holding structures (also in Latvia) and assistance in changing tax residency.

It should be mentioned that in the first half of the year specialists of ABLV Group took part in several international conferences, exhibitions and seminars, including the international conference and exhibition CIS Wealth Yekaterinburg, as well as ABLV Conference Banking/Investments/Advisory arranged by the bank in Cyprus, and other. During those events, ABLV Group services were presented to existing and prospective customers.

ABLV Group has 12 representative offices in 8 countries – in Russia, Ukraine, Belarus, Kazakhstan, Tajikistan, Azerbaijan, Uzbekistan, and Cyprus.

Luxembourg

Having received the permission from financial sector supervisory authorities of Latvia and Luxembourg, ABLV mutual funds were admitted to Luxembourg securities market. Thus our open-end mutual funds are now available to customers of ABLV Bank Luxembourg, S.A.

After successful completion of service testing, in summer ABLV Bank Luxembourg started offering new fiduciary services to its customers: fiduciary deposits provide unique opportunities of placing term deposits with banks of the CIS and European states, while fiduciary loans allow lending to third parties.

The subsidiary bank in Luxembourg was established in order to develop the existing customer base and strengthen their loyalty, providing larger range of investment and fiduciary services, as well as to attract new customers. ABLV Bank, AS, is the first bank from the Baltic countries to establish subsidiary bank in Luxembourg. The bank started offering services to wide range of customers in September 2013, and as at 30 June 2014 the amount of investments of the bank's customers and customers' assets under management has reached EUR 80.8 million.

Taking into account increasing business volume and activities in customer acquisition, we are planning that by the end of 2014, the amount of new customers' investments and the total of existing customers' assets under management will be increased more than twice, amounting to EUR 180.0 million.

For society

In 2014, ABLV Bank, AS, in cooperation with ABLV Charitable Foundation, continued supporting various socially important projects.

In January, traditional fund drive arranged by ABLV Charitable Foundation and ABLV Bank, AS, was completed; under this fund drive, the bank's customers and officers made donations for the foundation to ensure purchase of digital hearing devices for hearing-impaired children, and also to allow poor children to spend time in rehabilitation and development summer camps, as well as to support people who suffered in Zolitude tragedy. The donations made under the fund drive reached the incredible amount of EUR 334 865, of which EUR 90 738 were donated to the 'Help Hear!'

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programme, EUR 43 910 – to the 'Help grow up!' programme, and EUR 200 217 – to the 'Help 21.11' programme. ABLV Charitable Foundation, in cooperation with ABLV Bank, doubled the amounts donated to the 'Help hear!' and 'Help grow up!' programmes, making those EUR 181 476 and EUR 87 820 respectively.

It should be mentioned that in May this year there was reception held in Rundāle for 278th anniversary of Rundāle Palace and completion of renovation works in the museum complex. The renovation of Rundāle Palace lasted 50 years, and ABLV Bank took part in financing the works. We supported renovation of the palace library. The bank gave Rundāle Palace a present on the anniversary – all volumes of Voltaires collected articles, historically first edition.

We express our gratitude to our shareholders and customers for their loyalty and to all officers for their contribution to the bank's and group's growth!



Deputy Chairman of the Council
Jānis Krīgers



Chairman of the Board
Ernests Bernis

Riga, 15 August 2014

The council and the board

The council of the bank:

Chairman of the Council: Oļegs Fiļs	Date of re-election: 01/04/2013
Deputy Chairman of the Council: Jānis Krīgers	Date of re-election: 01/04/2013
Council Member: Igoris Rapoportš	Date of re-election: 01/04/2013

The board of the bank:

Chairman of the Board: Ernests Bernis - Chief Executive Officer (CEO)	Date of re-election: 01/05/2014
Deputy Chairman of the Board: Vadims Reinfelds – Deputy Chief Executive Officer (dCEO)	Date of re-election: 01/05/2014
Board Members:	Date of re-election:
Aleksandrs Pāže – Chief Compliance Officer (CCO)	01/05/2014
Edgars Pavlovičš – Chief Risk Officer (CRO)	01/05/2014
Māris Kannenieks – Chief Financial Officer (CFO)	01/05/2014
Rolands Citajevs – Chief IT Officer (CIO)	01/05/2014
Romans Surnačovš – Chief Operating Officer (COO)	01/05/2014

There were no changes in the council of the bank during the reporting period.

Statement of management's responsibility

The council and the board of ABLV Bank, AS (hereinafter – the bank) are responsible for the preparation of the interim condensed financial statements of the bank as well as for the preparation of the consolidated interim condensed financial statements of the bank and its subsidiaries (hereinafter – the group).

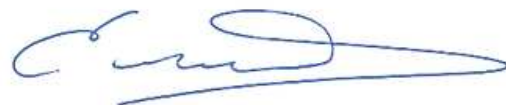
The interim condensed financial statements and notes thereto set out on pages 9 to 40 are prepared in accordance with the source documents and present truly and fairly the financial position of the bank and the group as at 30 June 2014 and 31 December 2013, and results of their operations, changes in the shareholders' equity and cash flows for the six-month periods ended 30 June 2014 and 30 June 2013.

The aforementioned interim condensed financial statements are prepared on a going concern basis in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. Prudent and reasonable judgements and estimates have been made by the management in the preparation of the financial statements.

The council and the board of the bank (hereinafter – the management) are 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. The management of the bank are also responsible for operating the group and the bank in compliance with the Law of the Republic of Latvia on Credit Institutions, Regulations of the Bank of Latvia and the Financial and Capital Market Commission, and other laws of the Republic of Latvia applicable to credit institutions.



Deputy Chairman of the Council
Jānis Krīgers



Chairman of the Board
Ernests Bernis

Riga, 15 August 2014

Interim condensed statements of comprehensive income

	Notes	EUR'000			
		Group		Bank	
		01/01/2014- 30/06/2014	01/01/2013- 30/06/2013	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013
Interest income	3	32,288	29,025	32,035	28,999
Interest expense	3	(7,954)	(8,132)	(7,862)	(8,132)
Net interest income		24,334	20,893	24,173	20,867
Commission and fee income	4	30,271	28,614	27,734	24,880
Commission and fee expense	4	(5,097)	(4,465)	(7,165)	(6,350)
Net commission and fee income		25,174	24,149	20,569	18,530
Net gain on transactions with financial instruments and foreign exchange	5	9,218	10,030	9,209	10,148
Net gain on non-financial assets held for sale	6	3,057	312	-	-
Other income		10,598	10,168	1,828	1,013
Income from dividends		65	28	3,786	1,874
Impairment allowance for loans	7	(246)	(7,635)	(246)	(7,636)
Operating income		72,200	57,945	59,319	44,796
Administrative expense		(28,009)	(24,859)	(20,836)	(19,272)
Amortisation and depreciation		(2,611)	(1,727)	(1,482)	(1,076)
Other expense		(4,924)	(1,256)	(459)	(416)
Impairment of financial instruments		(621)	(11)	(621)	(11)
Impairment of other assets		-	1,007	-	1,094
Total operating expense		(36,165)	(26,846)	(23,398)	(19,681)
Profit before corporate income tax		36,035	31,099	35,921	25,115
Corporate income tax	8	(2,907)	(4,774)	(2,985)	(3,553)
Net profit for the period		33,128	26,325	32,936	21,562
Attributable to:					
Equity holders of the bank		32,831	25,774		
Non-controlling interests		297	551		
Other comprehensive income					
Other comprehensive income which has been or is to be reclassified to profit or loss					
Changes in fair value revaluation reserve of available-for-sale financial assets		104	(2,936)	111	(2,936)
Charge to income statement as a result of sale of available-for-sale securities		251	(47)	251	(47)
Charge to income statement due to recognised impairment of available-for-sale securities		621	6	621	6
Change in deferred corporate income tax		(148)	445	(148)	445
Other comprehensive income, total		828	(2,532)	835	(2,532)
Total comprehensive income		33,956	23,793	33,771	19,030
Attributable to:					
Equity holders of the bank		33,659	23,242		
Non-controlling interests		297	551		
Earnings per share attributable to the equity holders of the bank, EUR	17	1.04	165.34		

Deputy Chairman of the Council
Jānis Krīgers



Riga, 15 August 2014

Chairman of the Board
Ernestis Bernis



Interim condensed statements of financial position

		EUR'000			
		Group		Bank	
Assets	Notes	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Cash and deposits with central banks	9	154,181	356,768	152,708	356,747
Balances due from credit institutions	10	821,032	640,325	772,018	619,037
Derivatives		54	451	54	451
Financial assets at fair value through profit or loss		16,742	16,794	16,742	16,794
Available-for-sale financial assets	11	957,769	738,655	949,094	731,659
Loans		743,315	750,097	743,764	761,268
Held-to-maturity investments	12	793,166	653,037	776,298	651,411
Investments in subsidiaries and associates	13	3	6,635	123,487	132,829
Investment properties		32,441	33,358	24,321	24,330
Tangible fixed assets		35,218	32,672	10,229	9,745
Intangible fixed assets		5,699	5,639	4,870	5,016
Current corporate income tax receivables		537	124	338	-
Deferred corporate income tax	8	750	710	-	-
Non-financial assets held for sale		68,379	72,157	-	622
Other assets		8,757	8,655	4,467	5,457
Total assets		3,638,043	3,316,077	3,578,390	3,315,366
Liabilities					
Derivatives		60	2,046	60	2,046
Demand deposits from credit institutions		6,883	10,654	13,580	14,491
Term deposits from credit institutions		7,764	3,633	4,282	-
Deposits	14	3,039,198	2,768,169	2,977,547	2,776,457
Current corporate income tax liabilities		73	5,303	-	5,125
Other liabilities		19,126	17,348	13,982	11,098
Deferred corporate income tax	8	1,142	795	536	169
Provisions		373	408	373	408
Issued securities	15	337,407	308,386	351,981	308,386
Subordinated deposits	16	11,641	10,149	11,641	10,149
Other liabilities		3,423,667	3,126,891	3,373,982	3,128,329
Shareholders' equity					
Paid-in share capital	17	32,401	30,003	32,401	30,003
Share premium		66,270	41,485	66,270	41,485
Reserve capital and other reserves		2,134	2,134	2,134	2,134
Fair value revaluation reserve of available-for-sale financial assets		1,811	983	1,818	983
Retained earnings brought forward		66,822	60,381	68,849	68,756
Retained earnings for the period		32,831	50,304	32,936	43,676
Attributable to the equity holders of the bank		202,269	185,290	204,408	187,037
Non-controlling interests		12,107	3,896	-	-
Total shareholders' equity		214,376	189,186	204,408	187,037
Total liabilities and shareholders' equity		3,638,043	3,316,077	3,578,390	3,315,366
Memorandum items					
Contingent liabilities		10,881	7,681	10,974	7,689
Financial commitments		77,789	60,648	77,930	61,008

Deputy Chairman of the Council
Jānis Krīgers



Riga, 15 August 2014



Chairman of the Board
Ernests Bernis

Interim condensed statements of changes in shareholders' equity of the group

	EUR'000							
	Paid-in share capital	Share premium	Reserve capital	Fair value revaluation reserve	Retained earnings	Attributable to the equity holders of the bank	Non- controlling interests	Total shareholders' equity
As at 1 January 2013	28,087	26,481	2,134	2,639	84,517	143,858	3,712	147,571
Total comprehensive income for the six-month period ended 30 June 2013	-	-	-	(2,532)	25,774	23,242	551	23,792
Dividends paid	-	-	-	-	(23,560)	(23,560)	-	(23,560)
Issue of personnel shares	512	-	-	-	(576)	(64)	64	-
Issue of shares	1,404	15,004	-	-	-	16,408	-	16,408
(Decrease) of non-controlling interests	-	-	-	-	-	-	(575)	(575)
As at 30 June 2013	30,003	41,485	2,134	107	86,155	159,884	3,752	163,636
As at 1 January 2014	30,003	41,485	2,134	983	110,685	185,290	3,896	189,186
Total comprehensive income for the six-month period ended 30 June 2014	-	-	-	828	32,831	33,659	297	33,956
Dividends paid	-	-	-	-	(43,656)	(43,656)	(130)	(43,786)
Issue of personnel shares	156	-	-	-	(207)	(51)	51	-
Issue of shares	2,242	24,785	-	-	-	27,027	-	27,027
Increase of non-controlling interests	-	-	-	-	-	-	7,993	7,993
As at 30 June 2014	32,401	66,270	2,134	1,811	99,653	202,269	12,107	214,376

Interim condensed statements of changes in shareholders' equity of the bank

	EUR'000						
	Paid-in share capital	Share premium	Reserve capital	Fair value revaluation reserve	Retained earnings	Total shareholders' equity	
As at 1 January 2013	28,088	26,481	2,134	2,639	92,625	151,966	
Total comprehensive income for the six-month period ended 30 June 2013	-	-	-	(2,532)	21,562	19,030	
Dividends paid	-	-	-	-	(23,356)	(23,356)	
Issue of personnel shares	512	-	-	-	(512)	-	
Issue of shares	1,403	15,004	-	-	-	16,407	
As at 30 June 2013	30,003	41,485	2,134	107	90,319	164,047	
As at 1 January 2014	30,003	41,485	2,134	983	112,432	187,037	
Total comprehensive income for the six-month period ended 30 June 2014	-	-	-	835	32,936	33,771	
Dividends paid	-	-	-	-	(43,427)	(43,427)	
Issue of personnel shares	156	-	-	-	(156)	-	
Issue of shares	2,242	24,785	-	-	-	27,027	
As at 30 June 2014	32,401	66,270	2,134	1,818	101,785	204,408	

Interim condensed cash flow statements

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013
Cash flow from operating activities				
Profit before corporate income tax	36,035	31,099	35,921	25,115
Amortisation and depreciation of fixed assets and investment properties	2,611	1,727	1,482	1,076
Impairment allowance for loans	246	7,635	246	7,636
(Increase)/ decrease in value of other assets	-	(1,007)	-	(1,094)
Impairment of financial instruments	621	11	621	11
Interest (income)	(32,288)	(29,025)	(32,035)	(28,999)
Interest expense	7,954	8,132	7,862	8,132
Other non-cash items	8,410	798	417	32
Net cash flow from operating activities before changes in assets and liabilities	23,589	19,370	14,514	11,909
(Increase)/ decrease in balances due from credit institutions	(12,719)	47,781	(14,248)	50,054
Decrease/ (increase) in loans	6,686	(7,040)	17,428	(7,228)
Decrease/ (increase) in financial assets at fair value through profit or loss	870	(10,825)	870	(10,825)
Decrease in other assets	2,583	15,768	1,069	15,492
Increase/ (decrease) in balances due to credit institutions	4,131	4,100	4,282	(10,199)
Increase/ (decrease) in deposits	271,839	(25,758)	201,874	(22,012)
(Decrease) in derivatives	(2,040)	(5,888)	(2,040)	(5,888)
Increase/ (decrease) in other liabilities	1,968	(3,115)	2,871	377
Net cash flow from operating activities before corporate income tax	296,907	34,393	226,620	21,680
Interest received in the reporting period	37,755	29,221	37,755	29,714
Interest (paid) in the reporting period	(8,170)	(9,074)	(7,920)	(9,082)
Corporate income tax (paid)	(8,563)	(2,241)	(8,135)	(2,241)
Net cash flow from operating activities	317,929	52,299	248,320	40,071
Cash flow from investing activities				
(Purchase) of held-to-maturity investments	(170,734)	(116,360)	(155,645)	(116,360)
Sale of held-to-maturity investments	23,857	4,674	23,857	4,674
(Purchase) of available-for-sale financial assets	(402,308)	(186,755)	(400,702)	(186,755)
Sale of available-for-sale financial assets	183,889	304,800	183,889	304,799
(Purchase) of intangible and tangible fixed assets and investment properties	(3,330)	(6,552)	(1,282)	(2,928)
Sale of intangible and tangible fixed assets	36	27	15	27
(Increase) in investments in subsidiaries and associates	-	(28)	(1,704)	(36)
Decrease in investments in subsidiaries	6,632	-	11,047	-
Net cash flow from investing activities	(361,958)	(194)	(340,525)	3,421
Cash flow from financing activities				
Increase in subordinated loans	1,486	2,338	1,486	2,338
(Repayment) of subordinated loans	-	(159)	-	(159)
Sale of issued securities	55,202	161,614	69,574	161,614
(Repurchase) of issued securities	(28,130)	(30,596)	(28,130)	(30,596)
Dividends (paid)	(43,545)	(23,554)	(43,415)	(23,349)
Issue of shares	27,027	16,407	27,027	16,407
Net cash flow from financing activities	12,040	126,050	26,542	126,255
Net cash flow	(31,989)	178,155	(65,663)	169,747
Cash and cash equivalents at the beginning of the period	961,829	772,467	943,129	766,848
Result from revaluation of foreign currency positions	1,390	2,645	1,407	2,647
Cash and cash equivalents at the end of the period	931,230	953,267	878,873	939,242

	EUR'000			
	Group	Group	Bank	Bank
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Cash and cash equivalents				
Cash and deposits with central banks	154,181	355,022	152,708	355,004
Balances due from credit institutions	783,932	600,554	739,745	594,941
Balances due to credit institutions	(6,883)	(2,309)	(13,580)	(10,703)
Total cash and cash equivalents	931,230	953,267	878,873	939,242

Information about balances due from credit institutions other than cash equivalents is presented in Note 10.

Notes to the interim condensed financial statements for the six-month period ended 30 June 2014

Note 1

General information

ABLV Bank, AS was registered in Aizkraukle, Republic of Latvia, on 17 September 1993, as a joint stock company. At present, the legal address of the bank is Elizabetes Street 23, Riga.

The bank operates in accordance with the laws and regulations of the Republic of Latvia and the licence issued by the Bank of Latvia that allows the bank to render all the financial services specified in the Law on Credit Institutions.

The group's and bank's main scope of activity is financial and investment services, asset management, financial consultations and real estate management.

The group and the bank operate the central office and one lending centre in Riga, as well as a subsidiary bank in Luxembourg and foreign representation offices/ territorial structural units in Azerbaijan (Baku), in Belarus (Minsk), in Kazakhstan (Almaty), in Cyprus (Limassol), in Russia (Moscow, St. Petersburg, Yekaterinburg and Vladivostok), in Ukraine (Kyiv with its branch in Odessa), in Uzbekistan (Tashkent) and Tajikistan (Dushanbe).

The following abbreviations are used in the notes to these interim condensed financial statements: International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Accounting Standards Board (IASB), International Financial Reporting Interpretations Committee (IFRIC), Financial and Capital Market Commission (FCMC), European Monetary Union (EMU), European Union (EU), Organisation for Economic Cooperation and Development (OECD), European Central Bank (ECB).

These consolidated and separate interim condensed financial statements contain the financial information about the bank and its subsidiaries as well as separately about the bank. The bank's separate interim condensed financial statements are included in these consolidated interim condensed financial statements to comply with legal requirements. The bank is the parent of the group.

The interim condensed consolidated financial statements of the group and separate interim condensed financial statements of the bank for the six-month period ended 30 June 2014 were approved by the bank's board on 15 August 2014.

Note 2

Information on principal accounting policies

a) Basis of Preparation

These consolidated and separate interim condensed financial statements are based on the accounting records made pursuant to the legislative requirements and prepared in conformity with IAS 34 as adopted by the European Union, on a going concern basis.

These interim condensed financial statements are prepared on a historical cost basis, except for financial assets and liabilities (available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, and derivatives) which are reported at fair value.

During the six-month period ended 30 June 2014, the group and the bank consistently applied accounting policies in line with those disclosed in the prior-period financial statements, except for the changes listed below in *Adoption of new and/or changed IFRSs and IFRIC interpretations in the reporting period*.

The accounting policies are applied consistently by all entities of the group.

On 1 January 2014, Latvia became a member of the European Monetary Union. Starting from 1 January 2014, the functional currency of the bank and its subsidiaries has been EUR. The presentation currency of the group and the bank is EUR.

These consolidated and separate interim condensed financial statements are reported in thousands of the euro (EUR'000), unless otherwise stated. Information given herein in brackets represents comparative figures for the year ended 31 December 2013 and the six-month period ended 30 June 2013. All historical comparative figures have been converted from LVL to EUR applying the conversion rate fixed by the Council of the EU (EUR 1 = LVL 0.702804).

b) Adoption of New and/ or Changed IFRSs and IFRIC Interpretations in the Reporting Period

During the period the group and the bank has adopted the following IFRS amendments:

- IAS 28 Investments in Associates and Joint Ventures (Revised),
- IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities,
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements,
- IFRS 11 Joint Arrangements,
- IFRS 12 Disclosures of Interests in Other Entities,
- IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting,
- IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets,
- IFRIC Interpretation 21: Levies.

When the adoption of the standard or interpretation is deemed to have an impact on the interim condensed financial statements or performance of the group/bank, its impact is described below.

IAS 28 Investments in Associates and Joint Ventures (Revised).

As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. These amendments have not impact on the Group and the Bank.

IAS 32 Offsetting Financial Assets and Financial Liabilities.

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have not impact on the Group and the Bank.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in IFRIC 12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are

controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. These amendments have not impact on the Group and the Bank.

IFRS 11 Joint Arrangements.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and IFRIC 13 Jointly-controlled Entities — Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. These amendments have not impact on the Group and the Bank, because there are no such agreements.

IFRS 12 Disclosures of Interests in Other Entities.

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. These amendments have not impact on the Group and the Bank.

IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets.

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments have not impact on the Group and the Bank.

IFRIC Interpretation 21: Levies.

The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. These amendments have not impact on the Group and the Bank.

c) Standards issued, but not yet effective and not early adopted

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

IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization.

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendment has not yet been endorsed by the EU.

IFRS 9 Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7-Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39. IFRS 9 reflects the IASBs work on the replacement of IAS 39 and is being published in three phases. Phase 1 applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. In phases 2 and 3, the IASB will address hedge accounting and impairment of financial assets. The second package of amendments issued in November 2013 initiate further accounting requirements for financial instruments. These amendments a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; b) allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. The IASB is currently working on drafting the final requirements on impairment. This standard and subsequent amendments have not yet been endorsed by the EU.

IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations.

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of

an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendment has not yet been endorsed by the EU.

IFRS 15 Revenue from Contracts with Customers.

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU.

The group and the bank are in the process of assessing the impact of the guidance on the financial position or performance of the group and the bank.

The group and the bank plan to adopt the above mentioned standards and interpretations on their effectiveness date.

d) Significant Estimates and Assumptions

The preparation of interim condensed financial statements in accordance with IFRS as adopted by the EU requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. Such estimates and assumptions are based on most reliable information available to the management in respect to specific events and actions. The effect of any changes in estimates will be recorded in the financial statements when determinable.

The significant areas of estimation and assumptions relate to the calculation of deferred corporate income tax, determining the allowance for credit losses and the collateral (pledge) value, estimation of impairment of other assets and the fair value of assets and liabilities.

e) Basis of Consolidation

At the year end, the bank had investments in subsidiaries in which the bank owned, directly or indirectly, more than 50% of the share capital and voting power and, therefore, obtained control over these entities. The bank is the parent of the group. These consolidated interim condensed financial statements include all subsidiaries controlled by the parent. Subsidiaries are consolidated from the date on which control is transferred to the parent and are no longer consolidated from the date that control ceases. The entities of the group are listed in Note 13.

Investments in subsidiaries are presented in the bank's separate interim condensed financial statements in accordance with the cost method.

The bank's and its subsidiaries' financial statements are consolidated in the group's interim condensed financial statements using the full consolidation method, by adding together like items of assets and liabilities at the period end, as well as income and expenses. For the purposes of consolidation, intragroup balances and intragroup transactions, including interest income and expense, and unrealised profit and loss resulting from intragroup transactions are eliminated, unless there exists any indication of impairment. Non-controlling interests represent the portion of profit or loss, as well as the equity in a subsidiary not attributable, directly or indirectly, to the bank. The profit or loss attributable to non-controlling interests is separately disclosed in the consolidated statement of comprehensive income. Non-controlling interests are also presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

The bank's subsidiaries comply with the bank's policies and risk management methods.

In the consolidated interim condensed financial statements, the cost of acquisition of a subsidiary acquired from a business combination is attributed to the fair values of the acquiree's identifiable assets, liabilities, and contingent liabilities at the acquisition date. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the difference (discount on acquisition) is recognised directly in the statement of comprehensive income in the year of acquisition. Following initial recognition by the group, goodwill arising from the business combination is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at each reporting date.

f) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into EUR at the exchange rate set by the ECB (the Bank of Latvia by 31 December 2013 (inclusive)) at the end of the reporting period, while REUTERS exchange rates are applied to the foreign currencies having no EUR foreign exchange reference rates published by the ECB.

Transactions denominated in foreign currencies are recorded in EUR at exchange rates set by the ECB or REUTERS (the Bank of Latvia by 31 December 2013 (inclusive)) at the date of the transaction. Any gain or loss resulting from a change in exchange rates subsequent to the transaction date is included in the statement of comprehensive income as profit or loss from revaluation of foreign currency positions.

x) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and balances due from central banks and other credit institutions with a contractual original maturity of three months or less. The cash balance is reduced by the amount of demand deposits from the above institutions. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

y) Subsequent Events

Post-year-end events that provide additional information about the group's/bank's position at the reporting date (adjusting events) are reflected in the interim condensed financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

z) Reclassification

1. During the previous reporting periods, the group recognised default penalties in profit or loss as other income. From 2013, this income has been included in the effective interest rate calculation and recognised in profit or loss as interest income.
2. During the previous reporting periods, the group recognised customer acquisition costs in profit or loss as other expense. From 2013, such expense has been recognised in profit or loss as commission and fee expense.
3. During the previous reporting periods, the group recognised income and expense from transactions with non-financial assets held for sale in profit or loss as other income or expense. From 2013, all income and expense items related to these assets have been recognised in profit or loss as net gain on non-financial assets held for sale.
4. During the previous reporting periods, the group recognised impairment of accrued income from financial instruments and other assets in profit or loss as impairment allowance. From 2013, impairment has been reclassified in profit or loss based on the asset category.

Table of reclassification effect:

	Refe- rence	EUR'000					
		Group			Bank		
		01/01/2013-30/06/2013			01/01/2013-30/06/2013		
	After reclassificaton	Change	Before reclassificaton	After reclassificaton	Change	Before reclassificaton	
Interest income	1.	29,025	246	28,779	28,999	246	28,753
Commission and fee expense	2.	(4,465)	(1,336)	(3,129)	(6,350)	(3,803)	(2,547)
Net gain on assets held for sale	3.	312	312	-	-	-	-
Gain on disposal of tangible and intangible fixed assets		-	(23)	23	-	(24)	24
Other income	1., 3.	10,168	(20,668)	30,836	1,013	(222)	1,235
Impairment allowance for loans	4.	(7,635)	(1,090)	(6,545)	(7,636)	(1,089)	(6,547)
Other expense	2., 3.	(1,256)	21,469	(22,725)	(416)	3,803	(4,219)
Impairment of financial instruments	4.	(11)	(5)	(6)	(11)	(5)	(6)
Impairment of other assets	4.	1,007	1,095	(88)	1,094	1,094	-

Note 3

Interest income and expense

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013
Interest income				
Interest income on financial assets at fair value				
on financial assets at fair value	14	-	14	-
Total interest income on financial assets at fair value	14	-	14	-
Interest income on available-for-sale financial assets at amortised cost				
on loans and advances to customers	15,973	14,951	15,786	14,930
on held-to-maturity securities	11,672	10,191	11,626	10,191
on available-for-sale securities	3,323	2,740	3,318	2,740
on balances due from credit institutions and central banks	1,306	1,143	1,291	1,138
Total interest income on available-for-sale financial assets at amortised cost	32,274	29,025	32,021	28,999
Total interest income	32,288	29,025	32,035	28,999
Interest expense				
on the deposit guarantee fund	3,139	3,047	3,139	3,047
on subordinated liabilities	2,351	2,875	2,351	2,875
on ordinary bonds issued	1,952	1,263	1,976	1,263
on deposits from non-bank customers	184	817	174	861
other interest expense	222	52	165	52
on balances due to credit institutions and central banks	106	78	57	34
Total interest expense	7,954	8,132	7,862	8,132

Note 4

Commission and fee income and expense

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013
Commission and fee income				
commission on payment transfer handling on behalf of customers	15,583	14,159	15,572	14,187
commission on account service	5,112	4,668	5,073	4,663
commission on handling of settlement cards	4,419	4,331	4,420	4,335
commission on brokerage operations	2,078	3,246	-	-
commission on asset management	1,129	1,043	455	292
commission on documentary transactions	630	350	630	350
other commission and fee income	1,320	817	1,584	1,053
Total commission and fee income	30,271	28,614	27,734	24,880
Commission and fee expense				
correspondent bank service charges	2,555	1,541	2,547	1,534
commission on customer attraction	1,063	1,336	3,576	3,803
commission on transactions with settlement cards	1,016	986	1,016	986
commission on brokerage operations	390	558	-	-
other commission and fee expense	73	44	26	27
Total commission and fee expense	5,097	4,465	7,165	6,350

Note 5

Net gain on transactions with financial instruments and foreign exchange

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013
Financial instruments at fair value through profit or loss				
Gain/ (loss) from revaluation of financial instruments at fair value through profit or loss	420	7	420	7
Derivatives	(17)	54	(17)	54
Securities	437	(47)	437	(47)
Gain/ (loss) from trading with financial instruments at fair value through profit or loss	9	97	9	97
Derivatives	(8)	83	(8)	83
Securities	17	14	17	14
Net gain/ (loss) from financial instruments at fair value through profit or loss	429	104	429	104
Available-for-sale financial instruments				
Gain from sale of available-for-sale securities	(244)	47	(251)	47
Net realised gain from available-for-sale financial instruments	(244)	47	(251)	47
Held-to-maturity financial instruments				
(Loss) from held-to-maturity financial instruments	(1,030)	-	(1,030)	-
Net realised (loss) from held-to-maturity financial instruments	(1,030)	-	(1,030)	-
Foreign exchange				
Profit from foreign currency exchange	9,431	9,932	9,426	10,048
(Loss)/ gain from revaluation of foreign currency positions	632	(53)	635	(51)
Net result from foreign exchange trading and revaluation	10,063	9,879	10,061	9,997
Net gain on transactions with financial instruments and foreign exchange	9,218	10,030	9,209	10,148

In the reporting period, the bank's management decided to sell held-to-maturity securities issued by Ukrainian issuers totalling EUR 6.6 million, considering the uncertain situation persisting in Ukraine. The bank's management has concluded that the Ukrainian situation should be viewed as a single non-recurring event, which was outside the bank's control and could not be anticipated. Therefore, the rest of the bank's portfolio of held-to-maturity financial instruments should be retained.

Note 6

Net gain on non-financial assets held for sale

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013
Proceeds from disposal of assets held for sale	19,774	17,992	-	-
Cost of acquisition of assets held for sale	(16,394)	(16,523)	-	-
Net profit form sales	3,380	1,469	-	-
Proceeds from lease of assets held for sale	342	122	-	-
Expense related to disposal of assets held for sale	(182)	(395)	-	-
Expense related to management of assets held for sale	(483)	(884)	-	-
Net gain on real estate held for trade	3,057	312	-	-

Note 7

Impairment allowance for loans

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013
Loans - individual allowances	(677)	(205)	(677)	(379)
Loans - portfolio allowances	1,349	8,062	1,349	8,237
Increase/ (decrease) in allowances for the period	672	7,857	672	7,858
(Recovery) of write-offs/ loss from asset write-off	(426)	(222)	(426)	(222)
Impairment allowances established during the reporting period, net	246	7,635	246	7,636

Changes in loan impairment allowances of the group in the six-month period ended 30 June 2014:

	EUR'000				
	Mortgage	Business	Consumer	Other	Total
Allowances at the beginning of the period	39,545	6,693	58	3,789	50,085
Increase/ (decrease) in allowances for the period	298	190	17	167	672
(Decrease) in allowances for the period due to currency fluctuations	-	(2)	-	-	(2)
(Elimination) of allowances for the period due to write-offs	(8,210)	(615)	(33)	(884)	(9,742)
Allowances at the end of the period	31,633	6,266	42	3,072	41,013
Individual allowances	392	5,571	-	548	6,511
Portfolio allowances	31,241	695	42	2,524	34,502
Total gross loans	382,478	386,488	854	14,508	784,328

As at 30 June 2014, the impairment allowances for loans formed 5.5% (6.4%) of the group's loan portfolio.

Changes in loan impairment allowances of the group in the six-month period ended 30 June 2013:

	EUR'000				
	Mortgage	Business	Consumer	Other	Total
Allowances at the beginning of the period	53,574	10,143	77	3,681	67,475
Increase/ (decrease) in allowances for the period	6,236	1,049	30	542	7,857
Increase in allowances for the period due to currency fluctuations	6	13	-	-	19
(Elimination) of allowances for the period due to write-offs	(11,235)	(1,313)	(27)	(203)	(12,778)
Allowances at the end of the period	48,581	9,892	80	4,020	62,573
Individual allowances	1,353	8,868	-	542	10,763
Portfolio allowances	47,228	1,024	80	3,478	51,810
Total gross loans	431,881	333,823	1,732	11,932	779,368

Changes in loan impairment allowances of the bank in the six-month period ended 30 June 2014:

	EUR'000				
	Mortgage	Business	Consumer	Other	Total
Allowances at the beginning of the period	39,545	6,693	58	3,789	50,085
Increase/ (decrease) in allowances for the period	298	190	17	167	672
(Decrease) in allowances for the period due to currency fluctuations	-	(2)	-	-	(2)
(Elimination) of allowances for the period due to write-offs	(8,210)	(615)	(33)	(884)	(9,742)
Allowances at the end of the period	31,633	6,266	42	3,072	41,013
Individual allowances	392	5,571	-	548	6,511
Portfolio allowances	31,241	695	42	2,524	34,502
Total gross loans	382,478	386,937	854	14,508	784,777

Changes in loan impairment allowances of the bank in the six-month period ended 30 June 2013:

	EUR'000				
	Mortgage	Business	Consumer	Other	Total
Allowances at the beginning of the period	53,574	10,143	77	3,681	67,475
Increase/ (decrease) in allowances for the period	6,237	1,049	30	542	7,858
Increase in allowances for the period due to currency fluctuations	6	13	-	-	19
(Elimination) of allowances for the period due to write-offs	(11,235)	(1,313)	(27)	(203)	(12,778)
Allowances at the end of the period	48,582	9,892	80	4,020	62,574
Individual allowances	1,353	8,868	-	542	10,763
Portfolio allowances	47,229	1,024	80	3,478	51,811
Total gross loans	432,005	333,823	1,732	11,932	779,492

Note 8

Taxation

	EUR'000			
	Group		Bank	
	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013	01/01/2014- 30/06/2014	01/01/2013- 30/06/2013
Profit before corporate income tax	36,035	31,099	35,921	25,115
Theoretical corporate income tax	5,405	4,665	5,387	3,767
Non taxable income on public debt securities issued in EU and EEA	(1,941)	-	(1,941)	-
Permanent differences	(601)	(44)	(505)	(367)
Actual corporate income tax expense for the reporting period	2,863	4,621	2,941	3,400
Adjustments to prior-year corporate income tax	(24)	63	(24)	63
Tax rebate	18	-	18	-
Tax paid abroad	50	90	50	90
Total corporate income tax expense	2,907	4,774	2,985	3,553

Deferred corporate income tax calculation:

	EUR'000			
	Group 30/06/2014	Group 31/12/2013	Bank 30/06/2014	Bank 31/12/2013
	Amounts subject to temporary differences	Amounts subject to temporary differences	Amounts subject to temporary differences	Amounts subject to temporary differences
Accumulated excess of tax depreciation over accounting depreciation	14,495	14,927	7,080	7,345
Fair value revaluation reserve of available-for-sale financial assets	2,134	1,157	2,141	1,157
Revaluation of derivatives and securities	526	(1,598)	526	(1,598)
Revaluation of assets and accrual for vacation pay	(13,019)	(13,547)	(6,173)	(5,771)
Deferred tax asset on intra-group transactions	(753)	2,075	-	-
Tax loss	(14,386)	(16,081)	-	-
Unrecognised tax asset	13,619	13,630	-	-
Basis for calculation of deferred corporate income tax	2,616	563	3,574	1,133
Tax rate	15%	15%	15%	15%
Deferred corporate income tax (asset)/ liability at the end of the period	(750)	(710)	-	-
	1,142	795	536	169

	EUR'000			
	Group 01/01/2014- 30/06/2014	Group 01/01/2013- 30/06/2013	Bank 01/01/2014- 30/06/2014	Bank 01/01/2013- 30/06/2013
Deferred corporate income tax at the beginning of the period	(710)	(575)	-	(105)
Deferred corporate income tax (asset)/ liability at the end of the period	795	101	169	-
Increase charged to the statement of comprehensive income	231	1,242	219	879
Increase/ (decrease) attributable to fair value revaluation reserve under equity	148	(445)	148	(445)
Adjustments attributable to retained earnings/ (accumulated deficit)	(72)	65	-	-
Deferred corporate income tax (asset)/ liability at the end of the period	(750)	(555)	-	-
	1,142	943	536	329

Note 9

Cash and deposits with central banks

	EUR'000			
	Group 30/06/2014	Group 31/12/2013	Bank 30/06/2014	Bank 31/12/2013
Demand deposits with the Bank of Latvia	145,348	348,641	145,348	348,641
Cash on hand	7,393	8,117	7,360	8,106
Demand deposits with Banque de Luxembourg	1,440	10	-	-
Total cash and deposits with central banks	154,181	356,768	152,708	356,747

Note 10

Balances due from credit institutions

As at 30 June 2014, the bank had established correspondent relationships with 29 (28) credit institutions registered in the EU and OECD area, 5 (5) credit institutions registered in Latvia, and 30 (28) credit institutions incorporated in other countries.

As at 30 June 2014, the group's and bank's major balances due from credit institutions registered in the EU and OECD area were as follows: EUR 107.5 (56.7) million due from Nordea Bank Finland Plc, EUR 104.6 (27.9) million due from Euroclear bank SA/NV, EUR 88.5 (41.9) million due from UBS AG, and EUR 84.2 (55.0) million due from SMBC Europe Ltd.

	EUR'000			
	Group 30.06.2014	Group 31.12.2013	Bank 30.06.2014	Bank 31.12.2013
Demand deposits with credit institutions				
Correspondent account balances	519,976	349,566	516,290	340,775
Overnight deposits	71,223	-	30,722	-
Total demand deposits with credit institutions	591,199	349,566	547,012	340,775
Other balances due from credit institutions				
Term deposits	183,811	259,326	179,416	247,262
Other balances	46,022	31,433	45,590	31,000
Total other balances due from credit institutions	229,833	290,759	225,006	278,262
Total balances due from credit institutions	821,032	640,325	772,018	619,037

As at 30 June 2014, part of the group's and bank's balances due from credit institutions totalling EUR 29.0 (18.6) million and EUR 28.6 (18.2) million respectively were pledged to secure transactions with financial instruments other than cash equivalents. Cash equivalents do not include the group's and bank's term deposits of EUR 8.1 (6.0) million and EUR 3.7 (0) million respectively.

As at 30 June 2014 and 31 December 2013, the group's and bank's balances due from credit institutions were neither past due nor impaired. The maximum credit risk exposure of the balances due from credit institutions is equal to the carrying amount of these assets.

Note 11

Available-for-sale financial assets

Issuer	EUR'000			
	Group 30/06/2014	Group 31/12/2013	Bank 30/06/2014	Bank 31/12/2013
Fixed-income debt securities				
Central governments and central banks	638,343	429,317	635,694	429,317
Credit institutions	258,960	230,692	255,184	230,692
State-owned enterprises	30,994	11,225	30,994	11,225
Financial auxiliaries and other financial intermediaries	8,352	7,513	7,588	7,513
International organisations	7,538	40,245	7,538	40,245
Corporate companies	7,218	6,919	6,485	6,919
Municipalities	5,098	4,276	4,345	4,276
Total fixed-income debt securities	956,503	730,187	947,828	730,187
Equity shares				
Financial auxiliaries and other financial intermediaries	139	139	139	139
Total investments in equity shares	139	139	139	139
Investments in funds	1,127	8,329	1,127	1,333
Total available-for-sale financial instruments	957,769	738,655	949,094	731,659

The maximum credit risk exposure of available-for-sale securities is equal to the carrying amount of these assets. Most of the debt securities' portfolio – 94.5% (92.2%) of assets - has been invested by the bank in investment-grade securities. At the end of the reporting period, the weighted average duration of the bank's securities portfolio was 2.7 (2.5) years.

Ten major exposures as at 30 June 2014 amounted to 87.7% (81.6%) of the group's total available-for-sale financial assets.

Note 12

Held-to-maturity financial instruments

Issuer	EUR'000			
	Group 30/06/2014	Group 31/12/2013	Bank 30/06/2014	Bank 31/12/2013
Fixed-income debt securities				
Central governments and central banks	362,658	243,285	358,784	243,285
Credit institutions	189,522	173,105	183,139	172,027
Corporate companies	134,018	133,295	132,035	132,747
International organisations	53,966	52,843	52,534	52,843
Municipalities	43,156	43,107	42,425	43,107
State-owned enterprises	7,962	7,402	7,381	7,402
Financial auxiliaries and other financial intermediaries	1,884	-	-	-
Total held-to-maturity financial instruments	793,166	653,037	776,298	651,411

Ten major exposures as at 30 June 2014 amounted to 50.1% (42.6%) of the group's total held-to-maturity financial instruments.

Note 13

Investments in subsidiaries and associates

The group's investments:

Company	EUR'000							
	30/06/2014				31/12/2013			
Country of incorporation	Share capital	Equity	Group's share of total share capital, %	Carrying amount under equity method	Share capital	Equity	Group's share of total share capital, %	Carrying amount under equity method
Traumatoloģijas un ortopēdijas klīnika Ādaži	LV	2	9	30	3	3	13	4
DEPO DIY, SIA	LV	-	-	-	-	7,501	22,829	6,631
Total investments in associates		2	9	x	3	7,504	22,842	6,635

The bank's investments:

Company	EUR'000								
	30/06/2014					31/12/2013			
Country of incorporation	Share capital	Equity	Bank's share of total share capital, %	Carrying amount	Share capital	Equity	Bank's share of total share capital, %	Carrying amount	
Pillar Holding Company, KS	LV	85,000	87,264	100	85,000	90,000	91,815	90,000	
ABLV Bank Luxembourg, S.A.	LU	20,000	12,997	100	20,000	20,000	15,361	20,000	
AmberStone Group, AS	LV	14,000	13,797	40.9	5,726	4,900	4,900	4,900	
New Hanza City, SIA	LV	10,500	10,237	100	10,500	9,818	9,661	9,818	
ABLV Private Equity Fund 2010, KS	LV	3,300	12,015	100	3,300	10,000	12,245	10,000	
Hanzas 14c, SIA	LV	778	313	100	778	-	-	-	
ABLV Consulting services, AS	LV	711	628	100	711	711	886	711	
ABLV Capital Markets, IBAS	LV	640	1,615	90	576	640	3,973	576	
ABLV Asset Management, IPAS	LV	620	686	91.7	569	569	935	569	
ABLV Private Equity Mangement, SIA	LV	171	207	100	171	171	304	171	
ABLV Corporate Services Holding Company, SIA	LV	100	100	100	100	-	-	-	
Pillar, SIA	LV	3	3	100	6	3	3	6	
ABLV Corporate Services, SIA	LV	-	-	-	-	28	191	28	
Total bank's investments in subsidiaries and associates, gross		135,823	139,862		127,437	136,840	140,274	136,779	
Impairment expense					(3,950)			(3,950)	
Total bank's investments in subsidiaries and associates, net					123,487			132,829	

In the reporting period, ABLV Asset Management, IPAS issued registered non-voting shares (personnel shares) totalling EUR 51.2 thousand.

To ensure further steady operations of the subsidiary bank, in the reporting period the bank's board resolved to increase the share capital of ABLV Bank Luxembourg, S.A. by EUR 5 million. The capital increase was paid up in July 2014.

As at 30 June 2014, funds of the customers of ABLV Asset Management, IPAS managed by the said company based on the customers' authorisation amounted to EUR 101.1 (93.2) million. The value of financial instruments of the ABLV Capital Markets, IBAS customers as at 30 June 2014 was EUR 874.3 (780.4) million.

Movements in investments in subsidiaries and associates:

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2014 - 30/06/2014	01/01/2013 - 30/06/2013	01/01/2014 - 30/06/2014	01/01/2013 - 30/06/2013
Investments at the beginning of the year, gross	6,635	3,796	136,779	129,026
New subsidiaries established	-	-	878	-
Disposal of associates	(6,632)	-	-	-
Increase in investments in associates under equity method	-	1,184	-	-
Increase in investments in associates consolidated in the reporting period	-	-	826	-
(Decrease)/ increase in investments in existing subsidiaries	-	-	(11,018)	68
Disposal of subsidiaries	-	-	(28)	-
Investments at the end of the period, gross	3	4,980	127,437	129,094
Impairment allowance	-	-	(3,950)	(1,569)
Investments at the end of the period, net	3	4,980	123,487	127,525

As at 30 June 2014, the group comprised the following entities:

ABLV Bank, AS
Notes to the interim condensed financial statements for the six-month period ended 30 June 2014

No	Company	Country of incorporation	Registration number	Business profile	Share in the entity's capital (%)
1	ABLV Bank, AS	LV	50003149401	Financial services	100
2	ABLV Bank Luxembourg, S.A.	LU	B 162048	Financial services	100
3	ABLV Consulting Services, AS	LV	40003540368	Consulting services	100
4	ABLV Corporate Services Holding Company, SIA	LV	40103799987	Holding company	100
5	ABLV Corporate Services, SIA	LV	40103283479	Consulting services	100
6	ABLV Corporate Services, LTD	CY	HE273600	Consulting services	100
7	Pillar Holding Company, KS	LV	40103260921	Holding company	100
8	Pillar, SIA	LV	40103554468	Real estate transactions	100
9	Pillar Management, SIA	LV	40103193211	Real estate transactions	100
10	Pillar 2, SIA	LV	40103193033	Real estate transactions	100
11	Pillar 3, SIA	LV	40103193067	Real estate transactions	100
12	Pillar 4, SIA	LV	40103210494	Real estate transactions	100
13	Pillar 6, SIA	LV	40103237323	Real estate transactions	100
14	Pillar 7, SIA	LV	40103237304	Real estate transactions	100
15	Pine Breeze, SIA	LV	40103240484	Real estate transactions	100
16	Pillar 9, SIA	LV	40103241210	Real estate transactions	100
17	Pillar 10, SIA	LV	50103247681	Real estate transactions	100
18	Pillar 11, SIA	LV	40103258310	Real estate transactions	100
19	Pillar 12, SIA	LV	40103290273	Real estate transactions	100
20	Liezezeres Apartment House, SIA	LV	50103313991	Real estate transactions	100
21	Pillar 18, SIA	LV	40103492079	Real estate transactions	100
22	Pillar 19, SIA	LV	40103766952	Real estate transactions	100
23	Elizabetes Park House, SIA	LV	50003831571	Real estate transactions	91.6
24	Schaller Kyncl Architekten Riga, SIA	LV	40103437217	Designing and designer's supervision	100
25	Pillar Parking, SIA	LV	40103731804	Parking lot management	100
26	New Hanza City, SIA	LV	40103222826	Real estate transactions	100
27	Hanzas 14c, SIA	LV	40003918290	Real estate lease and management	100
28	ABLV Asset Management, IPAS	LV	40003814724	Financial services	91.7
29	ABLV Capital Markets, IBAS	LV	40003814705	Financial services	90
30	AmberStone Group, AS	LV	40103736854	Holding company	40.9
31	ABLV Private Equity Management, SIA	LV	40103286757	Investment project management	100
32	ABLV Private Equity Fund 2010, KS	LV	40103307758	Investment activities	100
33	Vaiņode Agro Holding, SIA	LV	40103503851	Holding company	70
34	Vaiņodes Agro, SIA	LV	40103484940	Agriculture	70
35	Vaiņodes Bekons, SIA	LV	42103019339	Agriculture	70
36	Gas Stream, SIA	LV	42103047436	Electricity generation	70
37	Bio Future, SIA	LV	42103047421	Electricity generation	70
38	IZ SPV, SIA	LV	40103551480	Electricity generation	70
39	NR SPV, SIA	LV	40103551353	Electricity generation	70
40	Orto klīnika, SIA	LV	40103175305	Medical services	60
41	Orto māja, SIA	LV	40103446845	Real estate transactions	60

Note 14

Deposits

Customer type	EUR'000			
	Group 30/06/2014	Group 31/12/2013	Bank 30/06/2014	Bank 31/12/2013
Corporate companies				
current accounts	2,537,765	2,313,818	2,494,416	2,309,579
term deposits	46,586	37,756	38,569	37,756
Total corporate companies	2,584,351	2,351,574	2,532,985	2,347,335
Other financial intermediaries				
current accounts	7,468	5,481	10,614	20,148
term deposits	-	-	-	-
Total other financial intermediaries	7,468	5,481	10,614	20,148
Other customers				
current accounts	1,267	3,318	1,267	1,478
term deposits	-	-	-	-
Total other customers	1,267	3,318	1,267	1,478
Total deposits from corporate customers	2,593,086	2,360,373	2,544,866	2,368,961
Private individuals				
current accounts	430,883	382,347	417,452	382,047
term deposits	15,229	25,449	15,229	25,449
Total deposits from private individuals	446,112	407,796	432,681	407,496
Total deposits	3,039,198	2,768,169	2,977,547	2,776,457

The group's/ bank's top 20 customers in terms of the deposit amount account for 12.1% (12.0%) of the total deposits.

Of the total deposits placed with the group and the bank, 71.7% (88.3%) are from customers whose beneficiaries are CIS residents.

Note 15

Issued securities

Securities issued by the bank:

EUR'000									
ISIN	Currency	Initial security emission	Par value	Date of issue	Date of maturity	Discount/ coupon rate, %	Group		
							30.06.2014	30.06.2014	31.12.2013
Subordinated bonds									
LV0000800845	USD	200,000	100	15.09.2010	15.09.2020	6.5	13,540	13,540	13,120
LV0000800936	EUR	150,000	100	22.12.2011	22.12.2021	4.8	13,329	13,329	13,016
LV0000800977	EUR	50,000	100	25.06.2012	25.06.2022	4.5	4,367	4,367	4,276
LV0000800985	USD	200,000	100	27.06.2012	27.06.2022	4.5	14,651	14,651	14,663
LV0000801124	USD	200,000	100	18.03.2013	18.03.2023	4.5	12,285	12,285	12,029
LV0000801173	USD	200,000	100	27.06.2013	27.06.2023	4.3	12,378	12,378	12,133
LV0000801181	EUR	200,000	100	27.06.2013	27.06.2023	4.3	15,800	15,801	12,419
LV0000801223	USD	150,000	100	23.10.2013	23.10.2018	4.3	10,881	10,881	10,891
Subordinated bonds, total							97,231	97,232	92,547
Ordinary bonds									
LV0000800969	USD	50,000	1,000	30.07.2012	30.07.2014	1.2+Libor 6m	22,053	22,053	33,742
LV0000801041	EUR	15,000	1,000	05.11.2012	05.11.2014	1.55	12,740	14,936	13,674
LV0000801058	USD	50,000	1,000	06.11.2012	06.11.2014	1.45	31,274	31,274	31,405
LV0000801108	EUR	20,000	1,000	25.02.2013	25.02.2015	1.68	9,893	19,170	12,918
LV0000801116	USD	50,000	1,000	25.02.2013	25.02.2015	1.70	32,943	32,943	34,021
LV0000801199	USD	50,000	1,000	21.06.2013	21.06.2015	1.73	33,884	33,884	35,556
LV0000801207	EUR	20,000	1,000	21.06.2013	21.06.2015	1.73	18,271	19,860	18,472
LV0000801215	USD	50,000	1,000	16.10.2013	16.10.2015	1.90	33,510	33,510	36,051
LV0000801298	USD	75,000	1,000	17.02.2014	17.02.2016	1.98	32,259	32,259	-
LV0000801306	EUR	20,000	1,000	17.02.2014	17.02.2016	1.98	13,349	14,860	-
Ordinary bonds, total							240,176	254,749	215,839
Issued securities, total							337,407	351,981	308,386

The group/ bank retains the right to exercise early redemption of subordinated bonds according to the information provided in the base prospectuses of the respective programmes.

Note 16

Subordinated liabilities

As at 30 June 2014, the group's and bank's subordinated liabilities of EUR 108.8 (102.7) million comprised subordinated bonds amounting to EUR 97.2 (92.6) million and subordinated deposits amounting to EUR 11.6 (10.1) million. Subordinated deposits by currencies amount to USD 10.2 (9.3) million and EUR 4.2 (3.3) million.

The basic conditions of the subordinated bonds issued by the bank are disclosed in Note 15.

The analysis of subordinated deposits as at 30 June 2014:

Lenders	Deposit amount, EUR'000	Accumulated interest, EUR'000	Interest rate, %	Currency
non-residents	7,355	83	1.75 - 3.15	USD
non-residents	4,195	8	3.00 - 3.90	EUR
Total subordinated deposits	11,550	91		

The analysis of subordinated deposits as at 31 December 2013:

Other lenders*	Deposit amount, EUR'000	Accumulated interest, EUR'000	Interest rate, %	Currency
non-residents	6,774	73	1.75 - 3.15	USD
non-residents	3,295	7	3.00 - 3.90	EUR
Total subordinated deposits	10,069	80		

*The proportionate share of other lenders (for each individual lender) does not exceed 10% of the total amount of the subordinated liabilities. The remaining weighted average maturity of subordinated deposits from other lenders is 5.83 (5.98) years.

Subordinated deposits are included in the second tier of equity calculation. According to the provisions of the subordinated loan agreements, the lenders have no right to demand anticipatory repayment of the loans and capitalise the subordinated loans into the bank's share capital.

Note 17

Paid-in share capital

In the reporting period, on 14 March 2014, the general shareholders' meeting of the bank resolved to denominate the share capital of ABLV Bank, AS in EUR instead of LVL. As a result, the share capital of ABLV Bank, AS is EUR 30 001 899, consisting of 30 001 899 shares, each share having the par value of EUR 1. Before the denomination the share capital was 21 085 500 LVL and was comprised from 140 570 shares, with per share denomination of LVL 150 or EUR 213.40.

As at 30 June 2014, the paid-in share capital of the bank amounted to EUR 32.4 million (30.0 million). The par value of each share is EUR 1.0 (213.4). The bank's share capital consists of 29 385 000 (127 170) ordinary registered voting shares and 3 015 770 (13 400) registered non-voting shares (personnel shares).

As at 30 June 2014, the bank had 127 (118) voting shareholders.

The major shareholders of the bank and the groups of related shareholders are as follows:

	30/06/2014		31/12/2013	
	Share of the bank's share capital, EUR'000	Share of the bank's voting capital (%)	Share of the bank's share capital, EUR'000	Share of the bank's voting capital (%)
Group of shareholders related to Ernests Bernis				
Ernests Bernis	1,450	4.93	1,430	5.27
Nika Berne	250	0.85	246	0.90
Cassandra Holding Company, SIA	10,970	37.33	9,996	36.83
Group of shareholders related to Ernests Bernis, total	12,670	43.11	11,672	43.00
Group of shareholders related to Olegs Fijs				
SIA OF Holding	12,670	43.12	11,672	43.00
Group of shareholders related to Olegs Fijs, total	12,670	43.12	11,672	43.00
Other shareholders, total	4,045	13.77	3,799	14.00
Total voting shares	29,385	100.00	27,143	100.00
Non-voting shares (personnel shares)	3,016		2,860	
Total share capital	32,401		30,003	

In the reporting period, the bank issued 2 243 062 ordinary registered voting shares and 155 809 personnel shares. The issue was intended to ensure steady development of the group/ bank in the future. As a result of the issue, the bank's share capital consists of 29 385 000 ordinary registered voting shares and 3 015 770 personnel shares. All the issued shares had the par value of EUR 1.0 each, while the share premium of each ordinary registered voting share was EUR 11.05. Most of the issued voting shares have been acquired by the existing shareholders of the bank - Cassandra Holding Company, SIA and OF Holding, SIA.

The registered non-voting shares (personnel shares) are as follows:

	30.06.2014			31.12.2013		
	Number of employee	Number of personnel shares	Share of the bank's share capital, EUR'000	Number of employees	Number of personnel shares	Share of the bank's share capital, EUR'000
Chairman of the council and council members	3	-	-	3	-	-
Chairman of the board	1	-	-	1	-	-
Board members	6	1,550,528	1,551	6	7,250	1,547
Heads and deputy heads of divisions	18	1,465,242	1,465	17	6,150	1,313
Registered non-voting shares (personnel shares), total		3,015,770	3,016		13,400	2,860

Dividends declared and paid:

	EUR'000	
	Group/ bank	Group/ bank
	01/01/2014 - 30/06/2014	01/01/2013 - 30/06/2013
Dividends declared	43,427	23,356
Dividends paid	43,415	23,349
	EUR	
	Group/ bank	Group/ bank
	01/01/2014 - 30/06/2014	01/01/2013 - 30/06/2013
Dividends declared per share	1.44	174
Dividends paid per share	1.44	174

Earnings per share attributable to the equity holders of the bank:

	EUR'000	
	Group/ bank	Group/ bank
	01/01/2014 - 30/06/2014	01/01/2013 - 30/06/2013
Comprehensive income attributable to the equity holders of the bank for the reporting period, EUR'000	33,772	23,242
Number of shares	32,400,770	140,570
Earnings per share attributable to the equity holders of the bank, EUR	1.04	165.34

Note 18

Funds under trust management

As at 30 June 2014, funds under trust management by the group amounted to EUR 160.0 (146.3) million, while funds under trust management by the bank amounted to EUR 56.6 (52.6) million. The bank's funds under trust management comprise loans issued from the funds specifically assigned by customers to the bank. Meanwhile, the group's funds under trust management also include funds of the customers of ABLV Asset Management, IPAS managed by the said company based on the customers' authorisation and the funds under trust management of ABLV Bank Luxembourg, S.A. For more detailed information on the funds of the customers of ABLV Asset Management, IPAS see Note 13.

The related credit risk and other risks remain fully with the customer, which provided these funds to the group and/or the bank.

Note 19

Related party disclosures

Related parties of the group and the bank are defined as shareholders who have a qualifying holding in the bank, and chairman and members of the bank's council and board, staff of the Internal Audit Department, key management personnel of the group and the bank that are authorised to plan, manage and control group's/ bank's operations and are responsible for these functions, and spouses, parents and children of the individuals referred to previously, bank's subsidiaries and companies in which the group/ bank has an interest, companies in which these individuals have a qualifying holding as well as other legal entities.

Group's transactions with related parties:

	30/06/2014				31/12/2013			
	Share-holders	Management	Related companies	Other related individuals	Share-holders	Management	Related companies	Other related individuals
Assets								
Loans	-	1,308	477	551	-	1,725	410	857
Liabilities								
Deposits	4,800	3,793	7,209	2,300	359	2,517	7,827	2,023
Ordinary bonds	-	50	379	43	-	-	-	43
Subordinated bonds	42	3,151	1,118	3,010	83	1,757	1,093	1,801
Memorandum items								
Undrawn credit facilities and payment card	-	164	242	83	-	165	300	94
Guarantees	-	125	-	-	-	188	-	-
	01/01/2014 - 30/06/2014				01/01/2013 - 30/06/2013			
Interest income	-	30	11	5	-	34	36	10
Interest expense	(1)	(51)	(28)	(48)	-	(25)	(8)	(35)
Commission and fee income	-	7	10	4	-	9	9	3
Net result from assets held for sale	-	-	-	14	-	-	-	-

Bank's transactions with related parties:

	30/06/2014					31/12/2013				
	Share-holders	Management	Related companies	Subsidiaries	Other related individuals	Share-holders	Management	Related companies	Subsidiaries	Other related individuals
Assets										
Loans	-	1,308	328	21,094	532	-	1,725	293	15,358	552
Liabilities										
Deposits	4,800	3,674	7,209	9,066	2,300	359	2,517	7,817	28,466	1,776
Ordinary bonds	-	50	379	14,571	43	-	-	-	20	43
Subordinated bonds	42	3,011	1,118	3	2,769	83	1,757	1,093	-	1,532
Memorandum items										
Undrawn credit facilities and payment card limits	-	164	242	141	83	-	165	300	360	84
Guarantees	-	125	-	93	-	-	188	-	7	-
	01/01/2014 - 30/06/2014					01/01/2013 - 30/06/2013				
Interest income	-	29	11	530	5	-	34	34	488	6
Interest expense	(1)	(49)	(28)	(28)	(43)	-	(25)	(8)	-	(23)
Income from dividends	-	-	-	3,721	-	-	-	-	1,845	-
Commission and fee income	-	7	10	135	4	-	9	7	18	3
Commission and fee expense	-	-	-	(2,871)	-	-	-	-	(2,467)	-
Other operating income	-	-	-	1,595	-	-	-	-	690	-

Remuneration paid to the management of the group for the reporting period was EUR 1.1 (1.08) million, but to the management of the bank – EUR 1.0 (0.9) million. Information on registered non-voting shares (personnel shares) is presented in Note 17. Meanwhile, information on changes in investments in subsidiaries and associates is disclosed in Note 13.

Note 20

Segment information

The group and the bank believe that the group's operations can be organised into four segments based on the core business activities as follows: banking services, advisory services, investment management services, and management of repossessed properties and investments in real estate.

The group defines its operating segments based on its organisational structure. The bank views its operations as one single segment, without making any separate disclosures, while at the group level the bank and all its subsidiaries are attributed to the group's operating segments as follows:

- banking services: ABLV Bank, AS, ABLV Bank Luxembourg, S.A;
- advisory services: ABLV Consulting Services, AS, ABLV Corporate Services Holding Company, SIA, ABLV Corporate Services, SIA, ABLV Corporate Services, LTD;
- investment management services: ABLV Asset Management, IPAS, ABLV Capital Markets, IBAS, ABLV Private Equity Management, SIA, ABLV Private Equity Fund 2010, KS, Vaiņode Agro Holding, SIA, Vaiņodes Agro, SIA, Vaiņodes bekons, SIA, Gas Stream, SIA, Bio Future, SIA, Orto klīnika, SIA, Orto māja, SIA, AmberStone Group, AS, IZ SPV, SIA, NR SPV, SIA.
- management of repossessed properties and investments in real estate: Pillar Holding Company, KS, Pillar, SIA, Pillar Management, SIA, Pillar 2, SIA, Pillar 3, SIA, Pillar 4, SIA, Pillar 6, SIA, Pillar 7, SIA, Pine Breeze, SIA, Pillar 9, SIA, Pillar 10, SIA, Pillar 11, SIA, Pillar 12, SIA, Lielezeres Apartment House, SIA, Pillar 18, SIA, Pillar 19, SIA, Pillar Parking, SIA, Elizabetes Park House, SIA, New Hanza City, SIA, Hanzas 14c, SIA, Schaller Kyncl Architekten Rīga, SIA.

Operating segment information is prepared on the basis of internal reports.

Analysis of the operating segments of the group:

	EUR'000			
	30/06/2014			
	Banking	Investment management	Advisory	Management of repossessed properties and investments in real estate
Assets				
Cash and deposits with central banks	154,148	29	-	4
Balances due from credit institutions	820,668	308	56	-
Securities and derivatives	1,767,872	-	-	-
Loans	763,630	20,698	-	-
Investments in subsidiaries and associates	-	3	-	-
Tangible and intangible fixed assets, investment properties	40,066	21,628	402	11,262
Other assets	5,255	3,637	521	69,380
Total assets per internal reporting	3,551,639	46,303	979	80,646
Impairment allowance*	(41,460)	-	-	(64)
Total assets per IFRS	3,510,179	46,303	979	80,582
Liabilities				
Balances due to credit institutions	11,165	3,482	-	-
Derivatives	60	-	-	-
Deposits and issued securities	3,387,448	797	-	1
Impairment allowances and other provisions	41,833	-	-	64
Other liabilities	14,125	3,388	869	1,959
Total liabilities per internal reporting	3,454,631	7,667	869	2,024
Total liabilities and shareholders' equity	3,651,099	34,354	1,110	(6,996)
Impairment allowance*	(41,460)	-	-	(64)
Total liabilities per IFRS	3,609,639	34,354	1,110	(7,060)
Profit/ loss				
	01/01/2014- 30/06/2014			
Net interest income	23,703	631	-	-
Net commission and fee income	22,910	2,269	(5)	-
Net result of transactions with securities and foreign exchange	9,230	(2)	(10)	-
Net other income/ expense	(469)	5,400	630	178
Net gain on assets held for sale	-	-	-	3,057
Administrative expense and depreciation	(23,879)	(2,708)	(2,414)	(1,619)
Impairment allowances and other provisions	(246)	-	-	-
Impairment of financial instruments	(621)	-	-	-
Corporate income tax	(2,996)	155	3	(69)
Total profit/ (loss)	27,632	5,745	(1,796)	1,547

* - for internal reporting purposes the impairment allowance is disclosed separately as a liability rather than impairment of the respective assets.

	EUR'000			
	31/12/2013			
	Banking	Investment management	Advisory	Management of repossessed properties and investments in real estate
Assets				
Cash and deposits with central banks	356,757	11	-	-
Balances due from credit institutions	640,115	169	41	-
Securities and derivatives	1,409,172	-	-	-
Loans	795,981	4,193	-	6
Investments in subsidiaries and associates	-	6,635	-	-
Tangible and intangible fixed assets, investment properties	39,837	22,072	434	9,326
Other assets	3,880	3,532	383	74,337
Total assets per internal reporting	3,245,742	36,612	858	83,669
Impairment allowance*	(50,740)	-	-	(64)
Total assets per IFRS	3,195,002	36,612	858	83,605
Liabilities				
Balances due to credit institutions	10,654	3,633	-	-
Derivatives	2,046	-	-	-
Deposits and issued securities	3,085,950	753	-	1
Impairment allowances and other provisions	51,148	-	-	64
Other liabilities	15,750	3,825	975	2,896
Total liabilities per internal reporting	3,165,548	8,211	975	2,961
Total liabilities and shareholders' equity	3,349,775	21,992	1,315	(6,201)
Impairment allowance*	(50,740)	-	-	(64)
Total liabilities per IFRS	3,299,035	21,992	1,315	(6,265)

	01/01/2013- 30/06/2013			
Profit/ loss				
Net interest income	20,379	509	-	5
Net commission and fee income	20,783	3,370	(4)	-
Net result of transactions with securities and foreign exchange	10,143	(100)	(13)	-
Net other income/ expense	2,401	3,698	824	2,017
Net gain on assets held for sale	-	-	-	312
Administrative expense and depreciation	(21,733)	(1,634)	(2,484)	(735)
Impairment allowances and other provisions	(7,636)	1	-	-
Impairment of financial instruments	(11)	-	-	-
Impairment of other assets	1,095	-	-	(88)
Corporate income tax	(3,904)	(794)	(46)	(30)
Total profit/ (loss)	21,517	5,050	(1,723)	1,481

* - for internal reporting purposes the impairment allowance is disclosed separately as a liability rather than impairment of the respective assets.

Note 21

Fair value

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability settled in a current transaction between knowledgeable, willing parties in an arm's length transaction, other than in a forced or liquidation sale. The group and the bank disclose the fair values of the assets and liabilities in such a manner so as to be able to compare the fair values with the carrying amounts.

Fair value of financial instruments, such as available-for-sale financial assets, financial assets at fair value through profit or loss and held-to-maturity investments, are mostly valued based on quoted prices in an active market. For some of these financial instruments for which no price is observable, fair value is determined based on observable prices in a market, where no active trading is done – this is applicable to several debt securities and open-ended investment funds. Finally, other valuation techniques are used for some financial assets which are not quoted in the market and for which no quoted prices for similar financial assets in active markets are available. Fair value of such financial instruments is estimated based on valuation models which are based on the assumptions and estimates regarding the potential future financials of the

investment property, and the industry and geographical area risks in which the respective investment property operates. Fair value of derivatives is calculated based on the net present value method, where all inputs in the valuation model are observable, while exchanged traded derivatives, such as futures, as valued based on quoted prices.

The management of the bank and the group believe that the most credible market value of real estate was identified based on the evaluations presented by both external real estate appraisers and bank's real estate experts. Investment properties are valued on the basis of discounted cash flows. According to this approach, fair value is calculated based on assumptions regarding expected future cash flows from income and expense resulting from the holding of real estate during its life cycle, including the value of the property at the date of sale. These cash flows are discounted at a discount rate, which is equal to the market return from similar assets, to arrive at the present value. The selling value of the investment properties may differ from the market value as defined, as the market of such kind of properties is not properly developed in Latvia. As regards other assets and liabilities for which fair value is disclosed and which have a short maturity (less than three months), except for loans and receivables, the group and the bank assume that the fair value approximates to their carrying amount. This assumption also applies to demand deposits and savings accounts. The fair value of loans and advances to customers is estimated by discounting the expected cash flows at a discount rate calculated according to the money market rates at the end of the year and loan interest margins. The fair value of term deposits is estimated by discounting the expected cash flows at the average market interest rates prevailing at the end of the year.

The carrying amounts and fair values of the group's assets and liabilities are as follows:

	EUR'000			
	30/06/2014		31/12/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets at fair value				
Derivatives	54	54	451	451
At fair value through profit or loss				
Financial assets at fair value through profit or loss	16,742	16,742	16,794	16,794
Available-for-sale				
Available-for-sale financial assets	957,769	957,769	738,655	738,655
Total assets at fair value	974,565	974,565	755,900	755,900
Assets at amortised cost				
Cash and deposits with central banks	154,181	154,181	356,768	356,768
Balances due from credit institutions	821,032	821,032	640,325	640,325
Loans	743,315	742,415	750,097	748,441
Held-to-maturity investments	793,166	810,790	653,037	657,747
Investment properties	32,441	33,115	33,358	34,032
Total assets at amortised cost	2,544,135	2,561,533	2,433,585	2,437,313
Liabilities at fair value				
Derivatives	60	60	2,046	2,046
Total liabilities at fair value	60	60	2,046	2,046
Liabilities at amortised cost				
Demand deposits from credit institutions	6,883	6,883	10,654	10,654
Financial liabilities at amortised cost	3,396,010	3,394,437	3,090,337	3,089,501
Total liabilities at amortised cost	3,402,893	3,401,320	3,100,991	3,100,155

The carrying amounts and fair values of the bank's assets and liabilities are as follows:

	30/06/2014		EUR'000 31/12/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets at fair value				
Derivatives	54	54	451	451
At fair value through profit or loss				
Financial assets at fair value through profit or loss	16,742	16,742	16,794	16,794
Available-for-sale				
Available-for-sale financial assets	949,094	949,094	731,659	731,659
Total assets at fair value	965,890	965,890	748,904	748,904
Assets at amortised cost				
Cash and deposits with central banks	152,708	152,708	356,747	356,747
Balances due from credit institutions	772,018	772,018	619,037	619,037
Loans	743,764	742,864	761,268	759,611
Held-to-maturity investments	776,298	794,021	651,411	656,120
Investment properties	24,321	25,257	24,330	25,266
Total assets at amortised cost	2,469,109	2,486,868	2,412,793	2,416,781
Liabilities at fair value				
Derivatives	60	60	2,046	2,046
Total liabilities at fair value	60	60	2,046	2,046
Liabilities at amortised cost				
Demand deposits from credit institutions	13,580	13,580	14,491	14,491
Financial liabilities at amortised cost	3,345,451	3,343,878	3,094,992	3,094,157
Total liabilities at amortised cost	3,359,031	3,357,458	3,109,483	3,108,648

Hierarchy of input data for determining the fair value of assets and liabilities

The group and the bank use the following hierarchy of three levels of input data for determining and disclosing the fair value of 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.

Level 1 instruments may contain liquid securities and exchange traded derivatives. Level 2 instruments may contain securities that do not have an active market, standardised OTC derivatives and foreign exchange transactions as well as certain open-ended investment funds. Level 3 instruments contain certificates of venture capital funds, investment properties, term deposits and loans. For valuation methods and assumptions, please see the description above.

In the reporting period, the bank's management decided to transfer debt securities of Ukrainian issuers totalling EUR 1.46 million from Level 1 to Level 2 because of the considerable drop in liquidity established for the securities of these issuers.

The group's assets and liabilities according to the hierarchy of input data for determining the fair value:

	30/06/2014				31/12/2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Derivatives	-	54	-	54	21	430	-	451
Financial assets at fair value through profit or loss	3,285	13,225	232	16,742	3,903	12,863	28	16,794
Available-for-sale financial assets	939,454	17,000	1,315	957,769	717,479	19,656	1,520	738,655
Total assets at fair value	942,739	30,279	1,547	974,565	721,403	32,949	1,548	755,900
Assets at amortised cost								
Cash and deposits with central banks	154,181	-	-	154,181	356,768	-	-	356,768
Balances due from credit institutions	812,945	8,087	-	821,032	637,875	2,450	-	640,325
Loans	-	-	743,315	743,315	-	-	750,097	750,097
Held-to-maturity investments	709,313	83,853	-	793,166	640,829	12,208	-	653,037
Investment properties	-	-	32,441	32,441	-	-	33,358	33,358
Total assets at amortised cost	1,676,439	91,940	775,756	2,544,135	1,635,472	14,658	783,455	2,433,585
Liabilities at fair value								
Derivatives	17	43	-	60	-	2,046	-	2,046
Total liabilities at fair value	17	43	-	60	-	2,046	-	2,046
Liabilities at amortised cost								
Demand deposits from credit institutions	6,883	-	-	6,883	10,654	-	-	10,654
Financial liabilities at amortised cost	3,314,790	7,764	73,456	3,396,010	3,010,031	3,633	76,673	3,090,337
Total liabilities at amortised cost	3,321,673	7,764	73,456	3,402,893	3,020,685	3,633	76,673	3,100,991

The bank's assets and liabilities according to the hierarchy of input data for determining the fair value:

	30/06/2014				31/12/2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Derivatives	-	54	-	54	21	430	-	451
Financial assets at fair value through profit or loss	3,285	13,225	232	16,742	3,903	12,863	28	16,794
Available-for-sale financial assets	930,779	17,000	1,315	949,094	710,483	19,656	1,520	731,659
Total assets at fair value	934,064	30,279	1,547	965,890	714,407	32,949	1,548	748,904
Assets at amortised cost								
Cash and deposits with central banks	152,708	-	-	152,708	356,747	-	-	356,747
Balances due from credit institutions	768,327	3,691	-	772,018	619,024	13	-	619,037
Loans	-	-	743,764	743,764	-	-	761,268	761,268
Held-to-maturity investments	692,445	83,853	-	776,298	639,203	12,208	-	651,411
Investment properties	-	-	24,321	24,321	-	-	24,330	24,330
Total assets at amortised cost	1,613,480	87,544	768,085	2,469,109	1,614,974	12,221	785,598	2,412,793
Liabilities at fair value								
Derivatives	17	43	-	60	-	2,046	-	2,046
Total liabilities at fair value	17	43	-	60	-	2,046	-	2,046
Liabilities at amortised cost								
Demand deposits from credit institutions	13,580	-	-	13,580	14,491	-	-	14,491
Financial liabilities at amortised cost	3,275,730	4,282	65,439	3,345,451	3,021,637	-	73,355	3,094,992
Total liabilities at amortised cost	3,289,310	4,282	65,439	3,359,031	3,036,128	-	73,355	3,109,483

Analysis of the changes of the group's/ bank's financial instruments classified at Level 3:

	EUR'000					
Assets at fair value	30/06/2014	Repayment	Impairment	Purchase	Reclassification	31/12/2013
Financial assets at fair value through profit or loss	232	-	-	204	-	28
Available-for-sale financial assets	1,315	(74)	(180)	-	49	1,520
Total assets at fair value	1,547	(74)	(180)	204	49	1,548

Note 22

Capital management and capital adequacy

The primary objective of the group's and bank's capital management is to ensure that the group and the bank comply with externally imposed capital requirements and maintain healthy capital ratios in order to support their business and maximise the shareholders' value.

The goals of the group's and bank's capital management are consistent with those of the previous years. A new banking supervisory regulation has taken effect and has been applicable in the EU Member States, including Latvia, starting from 1 January 2014. This regulation is Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC as well as Regulation (EU) No 575/2013 of the European Parliament and of the Council (hereinafter – Regulation) on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, which implement into EU law the international supervisory framework (Basel III). According to the rules of the Regulation, the group and the bank apply the standardised approach to calculate the capital requirements for credit risk and market risks and the basic indicator approach to calculate the capital requirement for operational risk.

Capital adequacy refers to the sufficiency of the group's and bank's capital resources to cover credit risk, operational risk, and market risks.

As at 30 June 2014, the group's capital adequacy ratio in accordance with Directive 2013/36/EU of the European Parliament and of the Regulation was 17.14%, while the bank's capital adequacy ratio was 16.82%. The minimum capital requirement defined for the bank is 11.50%, and the bank is in compliance with it.

The reserve capital is the value of the group's and bank's property, which, following the defined procedure, is accrued to cover unexpected losses or for other financing needs, based on the decision of the shareholders' meeting. There are no legal restrictions on utilisation of the reserves.

Apart from the calculation of the minimum capital adequacy ratio, the bank documents and assesses internal capital adequacy. The internal capital adequacy assessment (ICAAP) procedure performed by the bank comprises both quantitative capital adequacy assessment and qualitative aspects, including long-term business planning and formulation of the development strategy, identification of material risks, determination of acceptable risk exposure, development and improvement of risk management systems, as well as identification and control of risks inherent in the bank's business (risk profile) on an ongoing basis.

The methods employed for the ICAAP purposes and the calculation procedure are detailed in the Statement on Information Disclosure published on the bank's homepage www.ablv.com.

Calculation of equity and minimum capital requirements:

	EUR'000			
	Group 30/06/2014	Group 31/12/2013	Bank 30/06/2014	Bank 31/12/2013
Tier 1				
paid-in share capital	32,401	30,003	32,401	30,003
share premium	66,270	41,485	66,270	41,485
reserve capital	2,134	2,134	2,134	2,134
retained earnings	66,822	60,381	68,849	68,756
intangible fixed assets	(5,699)	(5,639)	(4,870)	(5,016)
non-controlling interests	9,495	3,324	-	-
current year's profit/ (loss)	-	50,304	-	43,676
Tier 1 adjustments according to Pillar II	(104)	(911)	(2,308)	(2,735)
Total Tier 1	171,319	181,081	162,476	178,303
Tier 2				
Tier 2 adjustments according to Pillar II	(104)	(911)	(2,308)	(2,735)
subordinated capital (proportional to remaining maturity)	99,226	95,456	99,226	95,456
Total Tier 2	99,122	94,545	96,918	92,721
Total equity	270,441	275,626	259,394	271,024
Capital charge for credit risk on banking book	101,549	102,435	102,787	104,383
Total capital charge for market risks on trading book	6,391	12,370	6,344	7,387
incl. capital charge for foreign currency risk	1,472	6,753	1,463	1,769
incl. capital charge for position risk	4,911	5,563	4,873	5,564
incl. capital charge for counterparty risk	8	54	8	54
Capital charge for operational risk	18,299	15,185	14,234	12,210
Total capital charge	126,239	129,990	123,365	123,980
Capital adequacy ratio (%)	17.14	16.96	16.82	17.49

Note 23

Litigation and claims

In the ordinary course of business, the bank has been involved in a number of legal proceedings to recover outstanding credit balances and maintain collateral, as well as other proceedings related to specific transactions. The management believe that any legal proceedings pending as at 30 June 2014 will not result in material losses for the bank and/ or the group.

Note 24

Events after reporting date

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



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INDEPENDENT AUDITORS' REPORT

To the shareholders of ABLV bank AS

Report on the Financial Statements

We have audited the interim condensed consolidated financial statements of ABLV bank AS and its subsidiaries (hereinafter – the Group) and the accompanying interim condensed financial statements of ABLV bank AS (hereinafter - the Bank), which are set out on pages 9 through 40 and which comprise the statements of financial position as at 30 June 2014, the statements of comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2014, and explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the EU 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the interim condensed financial statements of the Group and the Bank have been prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the EU.

Ernst & Young Baltic SIA
Licence No. 17

Iveta Vimba
Member of the Board
Latvian Certified Auditor
Certificate No 153

Rīga,
15 August 2014