



ABLV

BANKING / INVESTMENTS \ ADVISORY

ABLV Bank, AS

Interim condensed consolidated and separate financial
statements

for the six-month period ended 30 June 2015

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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 situation in several our target markets remained complex and strained, we managed to achieve planned results due to our thoroughly chosen business model and prudent risk management.

At the beginning of the year, another issue of ABLV Bank shares was performed. Under the issue, there were 2 385 000 registered shares issued, added to 29 385 000 shares that constituted the bank's voting share capital before the new issue. Following the issue, the bank's share capital is comprised of 31 770 000 ordinary voting shares and 3 265 000 employee shares without voting rights attached. The newly issued shares constitute 7.5% of the bank's voting share capital. The issue of shares was performed in the form of non-public offering, and only current shareholders of the bank participated in the offering. There were 82 applicants in total, which is 64% of the total number of shareholders having voting rights. The sale price of one share was EUR 13.85.

On 31 March, the ordinary meeting of the bank's shareholders also made an important decision to pay EUR 58.4 million out of the profit for 2014 in the form of dividends. The payment per share amounted to EUR 1.79. Payment of the dividends allowed the bank's shareholders to re-invest the profit derived from dividends in the bank's further growth by acquiring the bank's newly issued shares.

Continuing the bond issue programme, in this year the bank performed four new issues of coupon bonds: two of them under the Fourth Bond Offer Programme, and the other two – under the Fifth 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 19 bond issues included in the Nasdaq Riga Baltic 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 29 public bond issues so far.

Financial results

The bank's major financial indicators in the first half of 2015 demonstrate stable growth of the bank. ABLV Bank, AS is the largest bank in Latvia with local capital and is ranked second in terms of the amount of assets. These Interim condensed consolidated and separate financial statements does not audited.

- The bank's profit in H1 2015 amounted to EUR 43.5 million. Whereas in H1 2014 it was equal to EUR 32.9 million.
- The bank's operating income before allowances for credit losses totalled EUR 73.0 million. Compared with H1 2014, operating income has increased by 22.6%.
- The amount of the customers' deposits equalled EUR 3.65 billion as at the end of the reporting period.
- The amount of issued debt securities reached EUR 476.0 million.
- As at 30 June 2015, the amount of the bank's assets totalled EUR 4.55 billion. Since the beginning of the year, the amount of assets has grown by 9.1%, the total assets increasing by EUR 378.4 million.
- The bank's loan portfolio equalled EUR 833.3 million as at the end of June.
- The bank's capital and reserves amounted to EUR 249.3 million.
- As at 30 June 2015, the bank's capital adequacy ratio was 17.66%, whereas liquidity equalled 76.63%.
- ROE reached 38.10%, and ROA – 1.91%, as at 30 June 2015.

The bank continued investing in securities. The total amount of the securities portfolio was equal to EUR 2.60 billion, as at 30 June 2015. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 75.0% of the portfolio is constituted by securities having credit rating AA- and higher. In terms of major countries, the securities are allocated as follows: USA – 30.5%, Germany – 14.5%, Latvia – 9.1%, Canada – 9.1%, Russia – 8.7%, Sweden – 7.4%, Netherlands – 3.2%, and Norway – 1.9%. Whereas 3.9% 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 2.4%.

In the reporting period, we have implemented several new products and services for the convenience of our customers. From 1 April 2015 the bank's customers will be able to make payments in five new currencies: THB (Thai baht), TRY (Turkish lira), HKD (Hong Kong dollar), AMD (Armenian dram), and GEL (Georgian lari).

Expanding the range of our financing services, the bank resumed offering cargo ship financing that meets the market demand. The bank offers financing of the ships having the cargo capacity above 3 000 DWT (deadweight tonnes). These are mostly general cargo vessels, bulk carriers, and reefer cargo. Maximum amount of financing of one ship is EUR 10 million, and the ship's maximum age – 25 years as at the moment of the loan repayment. Financing of finished ships can be granted to companies from the Baltic states, the Black Sea and Mediterranean region, as well as Russian East. The company should have at least 10-year experience in ship transport area and impeccable reputation.

Whereas on 16 June this year ABLV Bank signed an agreement with the development finance institution ALTUM on cooperation within the programme of providing guarantees under housing loans. ABLV Bank is the fifth commercial bank joining the programme implemented by ALTUM. Within the programme, ALTUM provides guarantees under loans for housing acquisition or construction granted by commercial banks to families with children. Although our bank primarily focuses on private banking services, mortgage lending is an important line of business, and we will continue its development by offering new competitive products. Currently, we offer six different mortgage lending programmes.

Under development of remote account management services, we pay great attention to security of using our Internetbank and therefore introduced considerable changes in customer recognition, which form a part of large remote service improvement project. Now two-factor authentication (recognition) will be applied to customers who have one representative, one Internetbank user, and one authorization tool – when logging in to the Internetbank those customers will need to provide not just user ID and password (the first factor that the customer knows) but also code card or Digipass value (the other factor that the customer owns). The transition to two-factor authentication will be implemented gradually – from May to the end of August this year.

To ensure even more convenient and secure use of Internetbank, in May we began implementation of new code cards – electronic code cards Digipass GO 100, which generate unique codes for authorization of each transaction. Well-known multifunctional devices Digipass 270 and large Digipass 300 Comfort will be also available upon the customer's request.

From March, we offer new Internetbank version (version 1.2) for iPad tablets. There are both functional and visual innovations introduced in this version in order to facilitate the application use. The major ones include new section 'Locations and Contacts' available at the start page, the possibility to send account details via SMS or e-mail, and displaying of payment cards linked to the card account in the list of accounts.

Investments

Despite instability still prevailing in global financial markets and occasional strong price fluctuations, open-end mutual funds managed by ABLV Asset Management, IPAS demonstrated good results. As at the end of June this year, their total asset value amounted to EUR 122.5 million. Since the beginning of the year, the total value of funds has increased by 14.9%, i.e., approximately by EUR 15.9 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.

It should be noted that from 17 February this year we offer an eleventh fund – ABLV Multi-Asset Total Return USD Fund. Taking into account growing demand for our products, we plan to expand the range of offered funds in future by adding at least one new fund each year, so that customers have wider opportunities of investing in financial instruments.

As at the end of June 2015, total assets under ABLV Asset Management, IPAS management amounted to EUR 124.1 million, of which EUR 122.5 million were the customers' investments in mutual funds managed by the company, and EUR 1.6 million were the customers' funds invested in individual investment programmes.

The first half of 2015 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 3.3 million. As at 30 June 2015, total assets of the company's customers invested in financial instruments were equal to EUR 1.05 billion.

In the reporting period, issue of AmberStone Group, AS shares arranged by ABLV Bank was completed successfully. The Bank provided support to the issuer – AmberStone Group by arranging subscription to newly issued shares.

Following the issue of shares, share capital of AmberStone Group has been increased by EUR 21.0 million, reaching EUR 35.0 million in total. The issue was aimed at raising additional funds for the company's development and also at increasing the number of the company's shareholders. 96 applicants took part in the share capital increase – they were

current shareholders of AmberStone Group, including ABLV Bank, as well as third parties – particular customers, shareholders, and officers of the bank.

Share capital of AmberStone Group has been increased by issuing 21 000 000 ordinary registered shares. The initial placement price of a new share was EUR 1.05, and it included nominal value of EUR 1.00 and share premium of EUR 0.05. There was no public offering, and shares were offered individually. After the issue completion, the number of AmberStone Group shareholders reached 103, and the largest one is ABLV Bank holding 24.64% of the company's shares.

AmberStone Group, AS is a holding company established in 2013 and managing its affiliate companies operating in different sectors. Its major long-term financial objective is to increase the value of the whole holding and to ensure sustainable operations of its affiliate companies. The holding company owns 70% of Vaiņode Agro Holding, SIA, 60% of Orto klīnika, SIA, and 100% of ASG 1, SIA.

Real estate

At the beginning of the year, stagnation prevailed in real estate market, which was due to negative effect of new normative acts – amendments to the programme of granting residence permits, introduction of 'hand keys back' principle, etc. However, in the second quarter the situation changed and positive trends returned to the market – the demand for housing was gradually resumed, which was facilitated by attractive property prices, decreasing prices of credit resources, and new mortgage lending programmes.

During the first six months of the year, Pillar group made transactions on sale of 180 properties, which is twice less than in the respective period last year, when the company's sales reached historical maximum. The total amount of transactions over six months of this year reached EUR 7.7 million.

Local buyers still are more active, and they prefer purchasing uniform apartments. During six months, Pillar made 121 sale transactions in this segment. Whereas in H1 2014 there were 218 uniform apartments sold.

There was significant increase observed in private house segment. In this year, 34 private houses have already been sold, which is almost 3 times more than in the first half of 2014. There were 13 transactions in new projects made, as well as 7 land plots and 1 commercial property sold.

It should be mentioned that in the first half of the year Pillar started to make reservations for apartments in the premium-class apartment block Miera Park House, at 57a Miera Street in Riga. There are 38 apartments available for those interested in excellent housing, the apartment area being from 62 sq m to 238 sq m.

New building Miera Park House was acquired at the beginning of 2013 for EUR 2.4 million. The amount of investments in reconstruction and finishing works will reach approximately EUR 5.6 million.

Advisory

In the reporting period, the bank's affiliate company ABLV Corporate Services, SIA improved its range of services by starting to offer accounting services of new quality to the customers. There is a team of professional accountants working in ABLV Corporate Services and having the experience of rendering services in such jurisdictions as Latvia, Cyprus, and Singapore. The company's specialists can render accounting services to the companies during the whole year, making monthly and quarterly reports, providing profound advice on taxes and legislation amendments, etc. Currently, the team of ABLV Corporate Services includes 15 accountants, and almost 100 customers use their services.

Besides the said services, 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.

To expand into new target regions and to be closer to its customers, in the reporting period ABLV group company ABLV Consulting Services, AS has opened new representative office – in global financial centre of Hong Kong. The representative office has obtained the registration certificate and started its operations. Its main task is to inform prospective and current customers about financial, investment, and advisory services offered by ABLV group. Major advantages of Hong Kong are liberal tax system and developed sector of financial services. Moreover, many customers from Russia and CIS states register companies in Hong Kong to establish their business.

At the same time, following assessment of customer activity and for the sake of optimizing the network of representative offices, on 1 April this year ABLV Consulting Services closed two representative offices – the ones in Yekaterinburg (Russia) and Dushanbe (Tajikistan).

Currently, ABLV group has 11 representative offices in 8 countries – Russia, Ukraine, Belarus, Kazakhstan, Azerbaijan, Uzbekistan, Hong Kong, and Cyprus.

Luxembourg

In the reporting period, Risk Committee of the international payment system VISA Europe has approved assignment of VISA Associate Membership status to ABLV Bank Luxembourg, S.A. Thus ABLV Bank Luxembourg will be able to offer payment cards to its customers on its own – from debit cards to premium cards VISA Platinum and Infinite. At the beginning, it is planned to offer Visa Gold and Visa Gold Business payment cards to the customers.

Currently, design of ABLV Bank Luxembourg payment cards is being developed and other required technological preparatory works are performed, so that customers can use the advantages ensured by the bank's payment cards and accompanying services like those rendered to customers of ABLV Bank. For example, travel insurance policy and coverage will be the same as those in Riga, and it will be provided by Seesam Insurance AS Latvia branch.

Since ABLV Bank acquired VISA Principal Member status at the beginning of 2009, it will ensure support (act as sponsor) under issue of cards by the Luxembourg bank.

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 its services to broad range of customers in September 2013.

As at 30 June 2015, ABLV Bank Luxembourg assets and assets under management reached EUR 181.5 million.

For society

In 2015, ABLV Bank, in cooperation with ABLV Charitable Foundation, continued supporting various socially important projects.

In January, results of the fund drive arranged by ABLV Charitable Foundation and ABLV Bank, AS were summarized; 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 Riga urban development.

The donations made under the fund drive reached the incredible amount of EUR 1 323 097, of which EUR 157 531 were donated to the 'Help Hear!' programme, EUR 43 941 – to the 'Help grow up!' programme, and EUR 1 121 625 – to the new programme 'New Riga'. ABLV Charitable Foundation, in cooperation with ABLV Bank, doubled the amounts donated to the 'Help hear!' and 'Help grow up!' programmes.

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



Chairman of the Board
Ernests Bernis



Deputy Chairman of the Board
Vadims Reinfelds

Riga, 24 August 2015

The Statement of Corporate Governance is published at the bank's website www.ablv.com.

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 Citajevš – Chief IT Officer (CIO)	01/05/2014
Romans Surnačovš – Chief Operating Officer (COO)	01/05/2014

There were no changes in the council and in the board 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 36 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 2015 and 31 December 2014, and results of their operations, changes in the shareholders' equity and cash flows for the six-month periods ended 30 June 2015 and 30 June 2014.

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 as well as European Union Regulations applicable to credit institutions.



Chairman of the Board
Ernests Bernis



Deputy Chairman of the Board
Vadims Reinfelds

Riga, 24 August 2015

Interim condensed statements of comprehensive income

		EUR'000			
		Group		Bank	
		01/01/2015- 30/06/2015	01/01/2014- 30/06/2014	01/01/2015- 30/06/2015	01/01/2014- 30/06/2014
	Notes				
Interest income	3	41,778	32,288	40,667	32,035
Interest expense	3	(10,843)	(7,954)	(10,800)	(7,862)
Net interest income		30,935	24,334	29,867	24,173
Commission and fee income	4	33,560	30,271	27,962	27,734
Commission and fee expense	4	(5,413)	(5,097)	(7,862)	(7,165)
Net commission and fee income		28,147	25,174	20,100	20,569
Net gain on transactions with financial instruments and foreign exchange		12,715	9,218	12,097	9,209
Net gain on non-financial assets held for sale		130	3,057	-	-
Other income		1,550	10,598	1,911	1,828
Income from dividends		106	65	9,057	3,786
Impairment allowance for loans	5	(587)	(246)	(587)	(246)
Operating income		72,996	72,200	72,445	59,319
Administrative expense		(30,165)	(28,009)	(24,106)	(20,836)
Amortisation and depreciation		(2,055)	(2,611)	(1,663)	(1,482)
Other expense		(1,362)	(4,924)	(780)	(459)
Impairment of financial instruments		(95)	(621)	(95)	(621)
Total operating expense		(33,677)	(36,165)	(26,644)	(23,398)
Profit before corporate income tax		39,319	36,035	45,801	35,921
Corporate income tax		(2,968)	(2,907)	(2,348)	(2,985)
Net profit for the period		36,351	33,128	43,453	32,936
Attributable to:					
Equity holders of the bank		36,039	32,831		
Non-controlling interests		312	297		
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		5,862	104	5,688	111
Charge to income statement as a result of sale of available-for-sale securities		(1,195)	251	(1,138)	251
Charge to income statement due to recognised impairment of available-for-sale securities		629	621	629	621
Change in deferred corporate income tax		(848)	(148)	(848)	(148)
Other comprehensive income, total		4,448	828	4,331	835
Total comprehensive income		40,799	33,956	47,784	33,771
Attributable to:					
Equity holders of the bank		40,487	33,659		
Non-controlling interests		312	297		
Earnings per share attributable to the equity holders of the bank, EUR		1.03	1.04		

Chairman of the Board
Ernestis Bernis

Riga, 24 August 2015



Deputy Chairman of the Board
Vadims Reinfelds



Interim condensed statements of financial position

		EUR'000			
		Group		Bank	
Assets	Notes	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Cash and deposits with central banks	6	341,595	259,872	340,421	258,908
Balances due from credit institutions	7	645,678	816,936	595,525	795,282
Derivatives		223	4,079	223	4,079
Financial assets at fair value through profit or loss	8	19,283	21,165	16,747	14,884
Available-for-sale financial assets	9	1,655,290	1,271,227	1,604,036	1,209,073
Loans	11	837,783	790,113	833,309	790,247
Held-to-maturity investments	10	1,033,198	958,423	983,786	930,579
Investments in subsidiaries and associates	12	8,911	2	121,803	115,099
Investment properties		40,912	30,057	25,023	25,033
Tangible fixed assets		16,260	37,877	10,060	10,606
Intangible fixed assets		6,154	6,309	5,807	5,700
Current corporate income tax receivables		3,403	3,596	3,334	3,257
Deferred corporate income tax		598	2,300	313	1,457
Non-financial assets held for sale		46,380	59,774	-	-
Other assets		6,590	8,356	7,854	5,640
Total assets		4,662,258	4,270,086	4,548,241	4,169,844
Liabilities					
Derivatives		122	5,630	122	5,630
Deposits from central banks		116,819	16,797	116,819	16,797
Demand deposits from credit institutions		22,676	23,869	31,594	28,962
Term deposits from credit institutions		-	6,319	-	2,971
Deposits	13	3,771,393	3,488,516	3,646,256	3,406,032
Current corporate income tax liabilities		258	423	-	-
Other liabilities		18,130	29,510	12,113	13,205
Deferred corporate income tax		17	524	-	-
Provisions		346	352	346	352
Issued securities	14	471423.00	441598.00	475950.00	454581.00
Subordinated deposits	15	15767.00	14413.00	15767.00	14413.00
Other liabilities		4,416,951	4,027,951	4,298,967	3,942,943
Shareholders' equity					
Paid-in share capital	16	35,035	32,650	35,035	32,650
Share premium		96,918	66,270	96,918	66,270
Reserve capital and other reserves		2,230	2,174	2,134	2,134
Fair value revaluation reserve of available-for-sale financial assets		2,944	(1,504)	2,904	(1,427)
Retained earnings brought forward		71,676	66,855	68,830	68,600
Retained earnings for the period		36,039	63,353	43,453	58,674
Attributable to the equity holders of the bank		244,842	229,798	249,274	226,901
Non-controlling interests		465	12,337	-	-
Total shareholders' equity		245,307	242,135	249,274	226,901
Total liabilities and shareholders' equity		4,662,258	4,270,086	4,548,241	4,169,844
Memorandum items					
Contingent liabilities		10,761	9,531	10,768	9,444
Financial commitments		73,395	61,318	71,906	60,228



Chairman of the Board
Ernests Bernis



Deputy Chairman of the Board
Vadims Reinfelds

Riga, 24 August 2015

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 2014	30,003	41,485	2,134	983	110,685	185,290	3,896	189,186
Net profit for the period	-	-	-	-	32,831	32,831	297	33,128
Other comprehensive income for the period	-	-	-	828	-	828	-	828
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 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
As at 1 January 2015	32,650	66,270	2,174	(1,504)	130,208	229,798	12,337	242,135
Net profit for the period	-	-	-	-	36,039	36,039	312	36,351
Other comprehensive income for the period	-	-	-	4,448	-	4,448	-	4,448
Total comprehensive income for the six-month period ended 30 June 2015	-	-	-	4,448	36,039	40,487	312	40,799
Increase of reserves	-	-	56	-	-	56	-	56
Dividends paid	-	-	-	-	(58,496)	(58,496)	(257)	(58,753)
Issue of personnel shares	-	-	-	-	(36)	(36)	36	-
Issue of shares	2,385	30,648	-	-	-	33,033	-	33,033
(Decrease) of non-controlling interests	-	-	-	-	-	-	(11,963)	(11,963)
As at 30 June 2015	35,035	96,918	2,230	2,944	107,715	244,842	465	245,307

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 2014	30,003	41,485	2,134	983	112,432	187,037
Net profit for the period	-	-	-	-	32,936	32,936
Other comprehensive income for the period	-	-	-	835	-	835
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
As at 1 January 2015	32,650	66,270	2,134	(1,427)	127,274	226,901
Net profit for the period	-	-	-	-	43,453	43,453
Other comprehensive income for the period	-	-	-	4,331	-	4,331
Total comprehensive income for the six-month period ended 30 June 2015	-	-	-	4,331	43,453	47,784
Dividends paid	-	-	-	-	(58,444)	(58,444)
Issue of shares	2,385	30,648	-	-	-	33,033
As at 30 June 2015	35,035	96,918	2,134	2,904	112,283	249,274

Interim condensed cash flow statements

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2015- 30/06/2015	01/01/2014- 30/06/2014	01/01/2015- 30/06/2015	01/01/2014- 30/06/2014
Cash flow from operating activities				
Profit before corporate income tax	39,319	36,035	45,801	35,921
Amortisation and depreciation of fixed assets and investment properties	2,055	2,611	1,663	1,482
Impairment allowance for loans	587	246	587	246
Impairment of financial instruments	38	621	95	621
Interest (income)	(41,778)	(32,288)	(40,667)	(32,035)
Interest expense	10,843	7,954	10,800	7,862
Other non-cash items	3,816	8,410	374	417
Net cash flow from operating activities before changes in assets and liabilities	14,880	23,589	18,653	14,514
Decrease/ (increase) in balances due from credit institutions	2,566	(12,719)	(2,469)	(14,248)
(Increase)/ decrease in loans	(32,080)	6,686	(27,472)	17,428
Decrease/ (increase) in financial assets at fair value through profit or loss	2,427	870	(1,319)	870
Decrease/ (increase) in other assets	4,962	2,583	(2,214)	1,069
Increase/ (decrease) in balances due to credit institutions	93,681	4,131	97,029	4,282
Increase/ (decrease) in deposits	71,176	271,839	28,523	201,874
(Decrease) in derivatives	(1,652)	(2,040)	(1,652)	(2,040)
(Decrease) / increase in other liabilities	(11,703)	1,968	(1,182)	2,871
Net cash flow from operating activities before corporate income tax	144,257	296,907	107,897	226,620
Interest received in the reporting period	42,187	37,755	41,076	37,755
Interest (paid) in the reporting period	(10,555)	(8,170)	(10,512)	(7,920)
Corporate income tax (paid)	(2,309)	(8,563)	(2,047)	(8,135)
Net cash flow from operating activities	173,580	317,929	136,414	248,320
Cash flow from investing activities				
(Purchase) of held-to-maturity investments	(77,769)	(170,734)	(56,312)	(155,645)
Sale of held-to-maturity investments	65,145	23,857	65,145	23,857
(Purchase) of available-for-sale financial assets	(943,005)	(402,308)	(917,527)	(400,702)
Sale of available-for-sale financial assets	662,020	183,889	623,977	183,889
(Purchase) of intangible and tangible assets and investment properties	(2,110)	(3,330)	(1,256)	(1,282)
Sale of intangible and tangible assets	41	36	41	15
(Increase) in investments in subsidiaries and associates	(3,185)	-	(6,704)	(1,704)
Decrease in investments in subsidiaries	-	6,632	-	11,047
Net cash flow from investing activities	(298,863)	(361,958)	(292,636)	(340,525)
Cash flow from financing activities				
Increase in subordinated loans	601	1,486	601	1,486
Sale of issued securities	114,369	55,202	116,174	69,574
(Repurchase) of issued securities	(114,313)	(28,130)	(124,574)	(28,130)
Dividends (paid)	(58,752)	(43,545)	(58,443)	(43,415)
Issue of shares	33,033	27,027	33,033	27,027
Net cash flow from financing activities	(25,062)	12,040	(33,209)	26,542
Net cash flow	(150,345)	(31,989)	(189,431)	(65,663)
Cash and cash equivalents at the beginning of the period	1,009,756	961,829	987,436	943,129
Result from revaluation of foreign currency positions	64,696	1,390	66,297	1,407
Cash and cash equivalents at the end of the period	924,107	931,230	864,302	878,873

	EUR'000			
	Group	Group	Bank	Bank
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
Cash and cash equivalents				
Cash and deposits with central banks	341,595	154,181	340,421	152,708
Balances due from credit institutions	605,188	783,932	555,475	739,745
Balances due to credit institutions	(22,676)	(6,883)	(31,594)	(13,580)
Total cash and cash equivalents	924,107	931,230	864,302	878,873

Information about balances due from credit institutions other than cash equivalents is presented in Note 7.

Notes to the interim condensed financial statements for the six-month period ended 30 June 2015

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, Latvia, LV-1010.

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

The group's and bank's main activities are financial and investment services, asset management, financial consultations and real estate management.

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

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.

During the reporting period, the group and the bank continued consistent application of risk management methods and principles disclosed in ABLV Bank, AS consolidated financial statements for 2014. The information on risk management is available at bank's website <http://www.ablv.com/lv/about/financial-reports> in Notes 34 to 37 to ABLV Bank, AS consolidated financial statements for 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. The financial statements give a structured view of the financial position of the group and the bank and their financial performance.

During the six-month period ended 30 June 2015, the group and the bank consistently applied accounting policies in line with those disclosed in the prior-period financial statements, except for the changes in IFRSs and IFRIC interpretations in the reporting period.

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

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 2014 and the six-month period ended 30 June 2014.

b) 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 and on the assumptions regarding the power bank has over open-ended investment funds.

c) Basis of Consolidation

At the end of period, 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 12. 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.

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.

Note 3

Interest income and expense

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2015- 30/06/2015	01/01/2014- 30/06/2014	01/01/2015- 30/06/2015	01/01/2014- 30/06/2014
Interest income				
Total interest income on financial assets at fair value	146	14	-	14
Interest income on available-for-sale financial assets at amortised cost				
on loans and advances to customers	17,292	15,973	16,908	15,786
on held-to-maturity securities	15,748	11,672	15,315	11,626
on available-for-sale securities	7,414	3,323	7,280	3,318
on balances due from credit institutions and central banks	1,178	1,306	1,164	1,291
Total interest income on available-for-sale financial assets at amortised cost	41,632	32,274	40,667	32,021
Total interest income	41,778	32,288	40,667	32,035
Interest expense				
on the deposit guarantee fund	3,798	3,139	3,753	3,139
on ordinary bonds issued	3,566	1,952	3,606	1,976
on subordinated liabilities	3,044	2,351	3,044	2,351
other interest expense	280	222	270	165
on balances due to credit institutions and central banks	80	106	52	57
on deposits from non-bank customers	75	184	75	174
Total interest expense	10,843	7,954	10,800	7,862

Note 4

Commission and fee income and expense

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2015- 30/06/2015	01/01/2014- 30/06/2014	01/01/2015- 30/06/2015	01/01/2014- 30/06/2014
Commission and fee income				
commission on payment transfer handling on behalf of customers	15,211	15,583	15,134	15,572
commission on account service	5,694	5,112	5,579	5,073
commission on brokerage operations	4,907	2,078	-	-
commission on handling of settlement cards	4,448	4,419	4,449	4,420
commission on asset management	1,295	1,129	408	455
commission on documentary transactions	562	630	562	630
other commission and fee income	1,443	1,320	1,830	1,584
Total commission and fee income	33,560	30,271	27,962	27,734
Commission and fee expense				
correspondent bank service charges	1,940	2,555	1,912	2,547
commission on customer attraction	1,428	1,063	4,691	3,576
commission on transactions with settlement cards	1,230	1,016	1,230	1,016
commission on brokerage operations	784	390	-	-
other commission and fee expense	31	73	29	26
Total commission and fee expense	5,413	5,097	7,862	7,165

Note 5

Impairment allowance for loans

	EUR'000			
	Group	Group	Bank	Bank
Category	01/01/2015- 30/06/2015	01/01/2014- 30/06/2014	01/01/2015- 30/06/2015	01/01/2014- 30/06/2014
Loans - individual allowances	(344)	(677)	(343)	(677)
Loans - portfolio allowances	1,471	1,349	1,470	1,349
Increase/ (decrease) in allowances for the period	1,127	672	1,127	672
(Recovery) of write-offs/ loss from asset write-off	(540)	(426)	(540)	(426)
Impairment allowances established during the reporting period, net	587	246	587	246

As at 30 June 2015, the impairment allowances for loans formed 3.1% (3.8%) of the group's loan portfolio.

Note 6

Cash and deposits with central banks

	EUR'000			
	Group	Group	Bank	Bank
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Demand deposits with the Bank of Latvia	332,878	250,796	332,878	250,796
Cash on hand	7,547	8,116	7,543	8,112
Demand deposits with Banque de Luxembourg	1,170	960	-	-
Total cash and deposits with central banks	341,595	259,872	340,421	258,908

Note 7

Balances due from credit institutions

As at 30 June 2015, the bank had established correspondent relationships with 31 (31) credit institutions registered in the EU and OECD area, 5 (5) credit institutions registered in Latvia, and 35 (32) credit institutions incorporated in other countries.

As at 30 June 2015, the group's and bank's major balances due from credit institutions registered in the EU and OECD area were as follows: EUR 69.6 (67.3) million due from UBS Switzerland AG, EUR 62.0 (31.5) million due from Deutsche Bank Trust Company Americas, EUR 49.2 (33.0) million due from Raiffeisen Schweiz Genossenschaft, EUR 44.5 (0) million due from Bank of China Ltd and EUR 44.7 (74.1) million due from SMBC Europe Ltd.

	EUR'000			
	Group 30/06/2015	Group 31/12/2014	Bank 30/06/2015	Bank 31/12/2014
Demand deposits with credit institutions				
Correspondent account balances	377,971	594,627	345,693	579,343
Overnight deposits	20,361	-	2,486	-
Total demand deposits with credit institutions	398,332	594,627	348,179	579,343
Other balances due from credit institutions				
Term deposits	225,285	199,775	225,285	193,405
Other balances	22,061	22,534	22,061	22,534
Total other balances due from credit institutions	247,346	222,309	247,346	215,939
Total balances due from credit institutions	645,678	816,936	595,525	795,282

As at 30 June 2015, part of the group's and bank's balances due from credit institutions totalling EUR 30.1 (33.9) million and EUR 27.7 (33.5) 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 12.6 (9.3) million and EUR 12.2 (4.3) million respectively.

Note 8

Financial assets at fair value through profit or loss

Issuer	EUR'000			
	Group 30/06/2015	Group 31/12/2014	Bank 30/06/2015	Bank 31/12/2014
Fixed-income debt securities				
Corporate companies	4,612	6,966	-	-
Central governments and central banks	634	23	-	-
Credit institutions	627	1,765	-	-
Financial auxiliaries and other financial intermediaries	62	277	-	-
Municipalities	15	14	-	-
Total fixed-income debt securities	5,950	9,045	-	-
Equity shares				
Corporate companies	1,470	1,186	1,381	1,186
Credit institutions	1,246	1,001	1,246	1,001
Total investments in equity shares	2,716	2,187	2,627	2,187
Investments in funds	10,617	9,933	14,120	12,697
Total financial instruments at fair value	19,283	21,165	16,747	14,884

Ten largest exposures as at 31 December 2015 amounted to 58.0% (33.5%) of the total group's financial assets at fair value through profit or loss.

Note 9

Available-for-sale financial assets

Issuer	EUR'000			
	Group	Group	Bank	Bank
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Fixed-income debt securities				
Central governments and central banks	1,259,021	933,582	1,233,137	914,085
Credit institutions	273,620	225,932	255,145	202,952
International organisations	68,008	57,767	68,008	57,767
Corporate companies	27,205	8,241	24,243	6,279
Municipalities	19,127	16,107	16,223	12,441
Financial auxiliaries and other financial intermediaries	7,557	8,382	6,528	6,303
State-owned enterprises	-	8,127	-	8,127
Total fixed-income debt securities	1,654,538	1,258,138	1,603,284	1,207,954
Equity shares				
Corporate companies	231	231	231	231
Financial auxiliaries and other financial intermediaries	124	139	124	139
Total investments in equity shares	355	370	355	370
Investments in funds	397	12,719	397	749
Total available-for-sale financial instruments	1,655,290	1,271,227	1,604,036	1,209,073

Most of the debt securities' portfolio – 90.4% (95.4%) 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 (2.6) years.

Ten major exposures as at 30 June 2015 amounted to 76.9% (77.1%) of the group's total available-for-sale financial assets.

Note 10

Held-to-maturity financial instruments

Issuer	EUR'000			
	Group	Group	Bank	Bank
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Fixed-income debt securities				
Central governments and central banks	584,877	523,596	570,124	512,352
Credit institutions	186,076	170,164	172,526	162,632
Corporate companies	158,253	135,513	141,529	130,589
Municipalities	67,576	70,588	65,318	68,502
International organisations	35,882	58,030	34,289	56,504
Financial auxiliaries and other financial intermediaries	534	532	-	-
Total held-to-maturity financial instruments	1,033,198	958,423	983,786	930,579

As at 31 December 2015, part of the held-to-maturity financial instruments totalling EUR 9.3 (21.4) million were pledged for securing transactions with financial instruments and held-to-maturity financial instruments totalling EUR 117.8 (22.3) million for securing targeted longer-term refinancing operations

Ten major exposures as at 30 June 2015 amounted to 55.7% (54.5%) of the group's total held-to-maturity financial instruments.

Note 11

Loans

The breakdown of loans issued by the group and the bank by customer profile:

Customer profile	EUR'000			
	Group 30/06/2015	Group 31/12/2014	Bank 30/06/2015	Bank 31/12/2014
Private individuals	382,572	399,121	382,562	399,114
Corporate companies	465,070	397,446	465,063	397,549
Other financial entities	16,772	24,921	12,311	24,961
Total gross loans	864,414	821,488	859,936	821,624
Impairment allowance	(26,631)	(31,375)	(26,627)	(31,377)
Total net loans	837,783	790,113	833,309	790,247

More detailed information about impairment allowances for loans is disclosed in Note 5.

Ten largest exposures as at 30 June 2015 amounted to 23.1% (21.9%) of the total group's/ bank's net loan portfolio. No individual impairment allowances have been established for these loans.

Credit quality analysis for the group:

						EUR'000	
	Mortgage	Business	Consumer	Other	Total gross loans	Fair value of collateral	
							30/06/2015
Neither past due nor impaired loans	281,710	456,836	897	12,542	751,985	1,318,523	
Past due but not impaired loans, incl.:	37,394	20,652	130	-	58,176	71,641	
less than 30 days	30,048	9,196	90	-	39,334	49,359	
31 to 59 days	5,056	4,466	31	-	9,553	11,228	
60 to 89 days	1,132	287	-	-	1,419	1,136	
more than 90 days	1,158	6,703	9	-	7,870	9,918	
Impaired loans	42,023	10,209	62	1,959	54,253	38,471	
Total gross loans	361,127	487,697	1,089	14,501	864,414	1,428,635	
Impairment allowance	(19,587)	(5,100)	(38)	(1,906)	(26,631)		
Total net loans	341,540	482,597	1,051	12,595	837,783		
							31/12/2014
Neither past due nor impaired loans	271,494	418,412	784	19,795	710,485	854,360	
Past due but not impaired loans, incl.:	39,214	5,460	128	-	44,802	40,843	
less than 30 days	27,200	3,044	82	-	30,326	27,644	
31 to 59 days	10,811	2,029	17	-	12,857	11,559	
60 to 89 days	1,203	387	29	-	1,619	1,640	
more than 90 days	-	-	-	-	-	-	
Impaired loans	51,481	12,654	44	2,022	66,201	50,963	
Total gross loans	362,189	436,526	956	21,817	821,488	946,166	
Impairment allowance	(23,936)	(5,442)	(34)	(1,963)	(31,375)		
Total net loans	338,253	431,084	922	19,854	790,113		

Credit quality analysis for the bank:

						EUR'000	
	Mortgage	Business	Consumer	Other	Total gross loans	Fair value of collateral	
						30/06/2015	
Neither past due nor impaired loans	281,710	453,164	888	12,542	748,304	1,311,048	
Past due but not impaired loans, incl.:	37,394	19,855	130	-	57,379	71,641	
less than 30 days	30,048	8,399	90	-	38,537	49,359	
31 to 59 days	5,056	4,466	31	-	9,553	11,228	
60 to 89 days	1,132	287	-	-	1,419	1,136	
more than 90 days	1,158	6,703	9	-	7,870	9,918	
Impaired loans	42,023	10,209	62	1,959	54,253	38,471	
Total gross loans	361,127	483,228	1,080	14,501	859,936	1,421,160	
Impairment allowance	(19,587)	(5,098)	(36)	(1,906)	(26,627)		
Total net loans	341,540	478,130	1,044	12,595	833,309		
						31/12/2014	
Neither past due nor impaired loans	271,494	419,733	777	19,795	711,799	883,348	
Past due but not impaired loans, incl.:	39,214	5,460	128	-	44,802	40,843	
less than 30 days	27,200	3,044	82	-	30,326	27,644	
31 to 59 days	10,811	2,029	17	-	12,857	11,559	
60 to 89 days	1,203	387	29	-	1,619	1,640	
more than 90 days	-	-	-	-	-	-	
Impaired loans	51,481	11,476	44	2,022	65,023	40,771	
Total gross loans	362,189	436,669	949	21,817	821,624	964,962	
Impairment allowance	(23,936)	(5,446)	(32)	(1,963)	(31,377)		
Total net loans	338,253	431,223	917	19,854	790,247		

Note 12

Investments in subsidiaries and associates

The group's investments:

	EUR'000									
	30/06/2015					31/12/2014				
Company	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	
AmberStone Group, AS	LV	35,000	35,860	24.64	8,911	-	-	-	-	-
Traumatoloģijas un ortopēdijas klīnika Ādaži	LV	-	-	-	-	2	8	30	2	
Total investments in associates		35,000	35,860	x	8,911	2	8	x	2	

ABLV Bank, AS
Notes to the interim condensed financial statements for the six-month period ended 30 June 2015

The bank's investments:

Company	Country of incorporation	30/06/2015				31/12/2014			
		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	81,802	100	85,000	80,000	76,836	100	80,000
ABLV Bank Luxembourg, S.A.	LU	25,000	15,581	100	25,000	25,000	16,315	100	25,000
New Hanza City, SIA	LV	12,300	11,571	100	12,300	10,500	10,039	100	10,500
AmberStone Group, AS	LV	35,000	35,860	24.64	8,770	14,000	13,863	40.89	5,725
ABLV Capital Markets, IBAS	LV	1,000	4,260	90	900	784	3,834	91.83	720
ABLV Consulting services, AS	LV	711	717	100	711	711	817	100	711
ABLV Asset Management, IPAS	LV	650	796	90	585	650	894	90	585
ABLV Private Equity Mangement, SIA	LV	100	44	100	100	171	201	100	171
ABLV Corporate Services Holding Company, SIA	LV	100	373	100	100	100	98	100	100
ABLV Private Equity Fund 2010, KS	LV	50	2,436	100	50	3,300	11,318	100	3,300
Pillar, SIA	LV	3	2	100	6	3	2	100	6
Total bank's investments in subsidiaries and associates, gross		159,914	153,390	x	133,522	135,219	134,217	x	126,818
	Impairment expense				(11,719)				(11,719)
Total bank's investments in subsidiaries and associates, net					121,803				115,099

In the reporting period, ABLV Capital Markets, IBAS issued registered non-voting shares (personnel shares) totalling EUR 36.0 thousand.

In the reporting period, share capital of holding company AmberStone Group, AS was increased by issuing new shares amounting to EUR 21.0 million. Due to attraction of new investors the bank's share in AmberStone Group, AS share capital was decreased from 40.89% to 24.64%, and after the issue holding company AmberStone Group, AS and its subsidiaries are recognized in the financial statements as the group's/bank's associates and are not included in the group.

As at 30 June 2015, funds of the customers of ABLV Asset Management, IPAS managed by the said company based on the customers' authorisation amounted to EUR 124.1 (107.2) million. The value of financial instruments of the ABLV Capital Markets, IBAS customers as at 30 June 2015 was EUR 1.05 (0.93) billion.

Movements in investments in subsidiaries and associates:

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2015 - 30/06/2015	01/01/2014 - 30/06/2014	01/01/2015 - 30/06/2015	01/01/2014 - 30/06/2014
Investments at the beginning of the year, gross	2	6,635	126,818	136,779
Established/ (disposal) of subsidiaries	-	-	-	850
Established/ (disposal) of associates	-	(6,632)	-	-
Reclassification of subsidiary to associate	5,725	-	-	-
Increase in investments in associates under equity method	139	-	-	-
(Decrease)/ increase in investments in existing associates	3,045	-	3,045	826
(Decrease)/ increase in investments in existing subsidiaries	-	-	3,659	(11,018)
Investments at the end of the period, gross	8,911	3	133,522	127,437
Impairment allowance	-	-	(11,719)	(3,950)
Investments at the end of the period, net	8,911	3	121,803	123,487

ABLV Bank, AS
Notes to the interim condensed financial statements for the six-month period ended 30 June 2015

As at 30 June 2015, the group comprised the following entities:

No	Company	Country of incorporation	Registration number	Business profile	Share in the entity's capital (%)	Share in the entity's capital with voting rights (%)
1	ABLV Bank, AS	LV	50003149401	Financial services	100	100
2	ABLV Bank Luxembourg, S.A.	LU	B 162048	Financial services	100	100
3	ABLV Consulting Services, AS	LV	40003540368	Consulting services	100	100
4	ABLV Corporate Services Holding Company, SIA	LV	40103799987	Holding company	100	100
5	ABLV Corporate Services, SIA	LV	40103283479	Consulting services	100	100
6	ABLV Corporate Services, LTD	CY	HE273600	Consulting services	100	100
7	Pillar Holding Company, KS	LV	40103260921	Holding company	100	100
8	Pillar, SIA	LV	40103554468	Real estate transactions	100	100
9	Pillar Management, SIA	LV	40103193211	Real estate transactions	100	100
10	Pillar 2, 12& 14, SIA	LV	50103313991	Real estate transactions	100	100
11	Pillar 3, SIA	LV	40103193067	Real estate transactions	100	100
12	Pillar 4 & 6, SIA	LV	40103210494	Real estate transactions	100	100
13	Pillar 7 & 8, SIA	LV	40103240484	Real estate transactions	100	100
14	Pillar 9, SIA	LV	40103241210	Real estate transactions	100	100
15	Pillar 10, SIA	LV	50103247681	Real estate transactions	100	100
16	Pillar 11, SIA	LV	40103258310	Real estate transactions	100	100
17	Pillar 18, SIA	LV	40103492079	Real estate transactions	100	100
18	Pillar 19, SIA	LV	40103766952	Real estate transactions	100	100
19	Pillar 20, SIA	LV	40103903056	Real estate transactions	100	100
20	Elizabetes Park House, SIA	LV	50003831571	Real estate transactions	91.6	91.6
21	Schaller Kyncl Architekten Riga, SIA	LV	40103437217	Designing and designer's supervision	100	100
22	Pillar Parking, SIA	LV	40103731804	Parking lot management	100	100
23	New Hanza City, SIA	LV	40103222826	Real estate transactions	100	100
24	GP Electro, SIA	LV	40103693339	Real estate transactions	100	100
25	ABLV Asset Management, IPAS	LV	40003814724	Financial services	90	100
26	ABLV Capital Markets, IBAS	LV	40003814705	Financial services	90	100
27	ABLV Private Equity Management, SIA	LV	40103286757	Investment project management	100	100
28	ABLV Private Equity Fund 2010, KS	LV	40103307758	Investment activities	100	100

Open-ended mutual funds included in the group:

No	Open-end mutual fund	Country of registration	ISIN	Fund type	Share in the entity's capital (%)
1	ABLV High Yield CIS RUB Bond Fund	LV	LV0000400778	Corporate bond fund	67.7
2	ABLV Multi-Asset Total Return USD Fund	LV	LV0000400919	Total return fund	78.6
3	ABLV European Industry EUR Equity Fund	LV	LV0000400844	Equity fund	59.6

Note 13

Deposits

Customer type	EUR'000			
	Group 30/06/2015	Group 31/12/2014	Bank 30/06/2015	Bank 31/12/2014
Corporate companies				
current accounts	3,055,317	2,865,778	2,978,342	2,824,266
term deposits	29,773	41,458	29,781	40,766
Total corporate companies	3,085,090	2,907,236	3,008,123	2,865,032
Other financial entities				
current accounts	53,442	7,668	56,282	20,493
term deposits	547	-	547	-
Total other financial intermediaries	53,989	7,668	56,829	20,493
Other customers				
current accounts	871	1,075	871	1,075
term deposits	-	-	-	-
Total other customers	871	1,075	871	1,075
Total deposits from corporate customers	3,139,950	2,915,979	3,065,823	2,886,600
Private individuals				
current accounts	603,197	536,949	563,082	502,086
term deposits	28,246	35,588	17,351	17,346
Total deposits from private individuals	631,443	572,537	580,433	519,432
Total deposits	3,771,393	3,488,516	3,646,256	3,406,032

The group's/ bank's top 20 customers in terms of the deposit amount account for 7.5% (8.2%) of the total deposits.

Of the total deposits placed with the group and the bank, 83.8% (88.1%) are from customers whose beneficiaries are CIS residents.

Note 14

Issued securities

Securities issued by the bank:

ISIN	Currency	Initial security emission amount	Par value	Date of issue	Date of maturity	Discount/coupon rate, %	EUR'000			
							Group		Bank	
							30/06/2015	31/12/2014	30/06/2015	31/12/2014
Subordinated bonds										
LV0000800845	USD	200,000	100	15/09/2010	15/09/2020	6.5	17,637	15,733	17,637	15,733
LV0000800936	EUR	150,000	100	22/12/2011	22/12/2021	4.8	13,978	13,650	13,978	13,650
LV0000800977	EUR	50,000	100	25/06/2012	25/06/2022	4.5	4,566	4,458	4,566	4,465
LV0000800985	USD	200,000	100	27/06/2012	27/06/2022	4.5	17,884	16,482	17,884	16,482
LV0000801124	USD	200,000	100	18/03/2013	18/03/2023	4.5	15,677	14,130	15,677	14,130
LV0000801173	USD	200,000	100	27/06/2013	27/06/2023	4.3	15,756	14,219	15,756	14,219
LV0000801181	EUR	200,000	100	27/06/2013	27/06/2023	4.3	17,572	17,010	17,572	17,211
LV0000801223	USD	150,000	100	23/10/2013	23/10/2018	4.3	13,281	12,294	13,281	12,294
LV0000801520	EUR	200,000	100	27/10/2014	27/10/2024	4.1	13,402	5,191	13,402	5,191
Subordinated bonds, total							129,753	113,167	129,753	113,375
Ordinary bonds										
LV0000801108	EUR	20,000	1,000	25/02/2013	25/02/2015	1.68	-	9,893	-	18,566
LV0000801116	USD	50,000	1,000	25/02/2013	25/02/2015	1.70	-	36,824	-	36,824
LV0000801199	USD	50,000	1,000	21/06/2013	21/06/2015	1.73	-	34,830	-	34,830
LV0000801207	EUR	20,000	1,000	21/06/2013	21/06/2015	1.73	-	17,971	-	19,559
LV0000801215	USD	50,000	1,000	16/10/2013	16/10/2015	1.90	39,399	36,810	39,399	36,810
LV0000801298	USD	75,000	1,000	17/02/2014	17/02/2016	1.98	36,071	30,830	36,071	30,830
LV0000801306	EUR	20,000	1,000	17/02/2014	17/02/2016	1.98	12,995	13,036	14,506	14,547
LV0000801421	USD	75,000	1,000	08/07/2014	08/07/2016	2.00	64,646	59,996	64,646	59,996
LV0000801439	EUR	20,000	1,000	08/07/2014	08/07/2016	2.05	19,705	19,747	19,705	19,747
LV0000801504	USD	75,000	1,000	28/10/2014	28/10/2016	2.10	64,592	51,010	64,592	51,010
LV0000801512	EUR	20,000	1,000	28/10/2014	28/10/2016	1.90	18,619	17,484	19,622	18,487
LV0000801645	USD	75,000	1,000	23/02/2015	23/02/2017	2.20	67,528	-	67,528	-
LV0000801652	EUR	20,000	1,000	23/02/2015	23/02/2017	1.80	18,115	-	20,128	-
Ordinary bonds, total							341,670	328,431	346,197	341,206
Issued securities, total							471,423	441,598	475,950	454,581

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 15

Subordinated liabilities

As at 30 June 2015, the group's and bank's subordinated liabilities of EUR 145.5 (127.8) million comprised subordinated bonds amounting to EUR 129.8 (113.2) million and subordinated deposits amounting to EUR 15.8 (14.4) million. Subordinated deposits by currencies amount to USD 10.6 (10.6) million and EUR 6.3 (5.7) million. The basic conditions of the subordinated bonds issued by the bank are disclosed in Note 14.

The analysis of subordinated deposits as at 30 June 2015:

	Deposit amount, EUR'000	Accumulated interest, EUR'000	Total subordinated loans, EUR'000	Interest rate, %	Currency
Lenders					
non-residents	9,335	127	9,462	1.75 - 3.15	USD
non-residents	6,295	10	6,305	3.00 - 3.90	EUR
Total subordinated deposits	15,630	137	15,767		

The analysis of subordinated deposits as at 31 December 2014:

	Deposit amount, EUR'000	Accumulated interest, EUR'000	Total subordinated loans, EUR'000	Interest rate, %	Currency
Lenders					
non-residents	8,603	106	8,709	1.75 - 3.15	USD
non-residents	5,695	9	5,704	3.00 - 3.90	EUR
Total subordinated deposits	14,298	115	14,413		

*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 3.9 (3.8) years.

Subordinated loans are included in the second tier of equity calculation and are stated at amortised cost. 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. Discount/ coupon rates and payment frequency are indicated in the final issue regulations, and no solvent issuers may annul coupon payments. If an issuer is dissolved, the payments are made in accordance with statutory requirements. More detailed information about the conditions of issues is available on the bank's website and relevant final bond issue regulations.

Note 16

Paid-in share capital

As at 30 June 2015, the paid-in share capital of the bank amounted to EUR 35.0 million (32.7 million). The par value of each share is EUR 1.0 (1.0).

The bank's share capital consists of 31 770 000 (29 385 000) ordinary registered voting shares and 3 265 000 (3 265 000) registered non-voting shares (personnel shares).

As at 30 June 2015, the bank had 134 (128) voting shareholders.

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

	30/06/2015		31/12/2014	
	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	1,568	4.93	1,450	4.93
Nika Berne	270	0.85	250	0.85
Cassandra Holding Company, SIA	11,864	37.34	10,970	37.33
Group of shareholders related to Ernests Bernis, total	13,702	43.12	12,670	43.11
Group of shareholders related to Olegs Fijs				
SIA OF Holding	13,702	43.13	12,670	43.12
Group of shareholders related to Olegs Fijs, total	13,702	43.13	12,670	43.12
Other shareholders, total	4,366	13.75	4,045	13.77
Total voting shares	31,770	100.00	29,385	100.00
Non-voting shares (personnel shares)	3,265		3,265	
Total share capital	35,035		32,650	

In the reporting period, the bank issued 2 385 000 ordinary shares with voting rights (based on the decisions of the ordinary shareholders' meeting of 31 March 2015). All issued shares par value was EUR 1.0. Issue price of the each ordinary share with voting rights was EUR 13.85, which comprised of the par value of EUR 1.0 and the share premium of EUR 12.85. 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 31 770 000 ordinary registered voting shares and 3 265 000 personnel shares. All registered voting shares grant equal rights to receive dividends and liquidation quotas and vote at the shareholders' meetings. All personnel shares grant equal rights to dividends. Personnel shares do not grant any right to vote or receive liquidation quotas. 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:

	30/06/2015				31/12/2014	
	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	1,633,800	1,634	6	1,550,528	1,551
Heads and deputy heads of divisions	22	1,631,200	1,631	18	1,465,242	1,465
Non-distributed	-	-	-	-	249,230	249
Registered non-voting shares (personnel shares), total	x	3,265,000	3,265	x	3,265,000	3,265

Dividends declared and paid:

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2015 - 30/06/2015	01/01/2014 - 30/06/2014	01/01/2015 - 30/06/2015	01/01/2014 - 30/06/2014
Dividends declared	58,753	43,786	58,444	43,427
Dividends paid	58,752	43,545	58,443	43,415
	EUR			
	Bank		Bank	
	01/01/2015 - 30/06/2015	01/01/2014 - 30/06/2014	01/01/2015 - 30/06/2015	01/01/2014 - 30/06/2014
Bank's share par value			1.00	1.00
Dividends declared per bank's share			1.79	1.44
Dividends paid per bank's share			1.79	1.44

Note 17

Funds under trust management

As at 30 June 2015, funds under trust management by the group amounted to EUR 191.6 (160.6) million, while funds under trust management by the bank amounted to EUR 47.5 (48.2) 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 12.

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

Note 18

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, head 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 and as well as other persons running joint household with the said officers (related parties), 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:

	30/06/2015				31/12/2014			
	Share-holders	Management	Related companies	Other related individuals	Share-holders	Management	Related companies	Other related individuals
Assets								
Loans	-	2,293	5,931	152	14	1,705	217	187
Liabilities								
Deposits	5,529	2,106	33,263	1,427	948	2,517	7,978	1,510
Ordinary bonds	-	45	4,820	10	-	30	411	18
Subordinated bonds	44	4,974	1,762	912	43	3,219	1,156	1,004
Memorandum items								
Undrawn credit facilities and payment card	-	181	475	34	-	149	43	20
Guarantees	-	125	-	-	-	125	-	-
	01/01/2015 - 30/06/2015				01/01/2014 - 30/06/2014			
Interest income	12	33	150	1	-	30	11	5
Interest expense	(1)	(77)	(69)	(14)	(1)	(51)	(28)	(48)
Commission and fee income	4	12	300	2	-	7	10	4
Net result from assets held for sale	-	-	-	-	-	-	-	14

Bank's transactions with related parties:

	EUR'000									
	30/06/2015					31/12/2014				
	Share-holders	Management	Related companies	Subsidiaries	Other related individuals	Share-holders	Management	Related companies	Subsidiaries	Other related individuals
Assets										
Loans	-	2,293	5,931	3,909	152	14	1,705	668	13,026	169
Liabilities										
Deposits	5,529	2,088	33,223	20,238	1,427	948	2,517	7,978	14,765	1,374
Ordinary bonds	-	45	4,820	4,527	10	-	30	411	12,775	18
Subordinated bonds	44	4,974	1,762	-	912	43	3,219	1,156	36	564
Memorandum items										
Undrawn credit facilities and payment card limits	-	181	475	66	34	-	149	43	330	20
Guarantees	-	125	-	8	-	-	125	-	8	-
	01/01/2015 - 30/06/2015					01/01/2014 - 30/06/2014				
Interest income	12	33	150	136	1	-	29	11	530	5
Interest expense	(1)	(77)	(69)	(33)	(14)	1	(49)	(28)	(28)	(43)
Income from dividends	-	-	-	8,971	-	-	-	-	3,721	-
Commission and fee income	-	8	277	441	2	-	7	10	135	4
Commission and fee expense	-	-	-	(3,274)	-	-	-	-	(2,871)	-
Other operating income	-	-	-	1,765	-	-	-	-	1,595	-

Remuneration paid to the management of the group for the reporting period was EUR 1.1 (1.1) million, but to the management of the bank – EUR 1.1 (1.0) million.

Information on registered non-voting shares (personnel shares) is presented in Note 16. Meanwhile, information on changes in investments in subsidiaries and associates is disclosed in Note 12.

Note 19

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, for investment funds included please see note 12.
- management of repossessed properties and investments in real estate: Pillar Holding Company, KS, Pillar, SIA, Pillar Management, SIA, Pillar 3, SIA, Pillar 4 & 6, SIA, Pillar 7 & 8, SIA, Pine Breeze, SIA, Pillar 9, SIA Pillar 10, SIA, Pillar 11, SIA, Pillar 2,12 & 14, SIA, Pillar 18, SIA, Pillar 19, SIA , Pillar 20, SIA, Pillar Parking, SIA, Elizabetes Park House, SIA, New Hanza City, SIA, GP Electro, SIA, Schaller Kyncl Architekten Riga, SIA.

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

Analysis of the operating segments of the group:

	EUR'000			
	30/06/2015			
	Banking	Investment management	Advisory	Management of repossessed properties and investments in real estate
Assets				
Cash and deposits with central banks	341,591	-	-	4
Balances due from credit institutions	645,628	-	47	3
Securities and derivatives	2,699,023	10,648	-	-
Loans	856,045	8,366	-	-
Investments in subsidiaries and associates	8,911	-	-	-
Tangible and intangible fixed assets, investment properties	41,396	237	385	21,308
Other assets	8,615	190	683	47,776
Total assets per internal reporting	4,601,209	19,441	1,115	69,091
Impairment allowance*	(28,504)	-	-	(94)
Total assets per IFRS	4,572,705	19,441	1,115	68,997
Liabilities				
Balances due to credit institutions	139,495	-	-	-
Derivatives	122	-	-	-
Deposits and issued securities	4,258,583	-	-	-
Impairment allowances and other provisions	28,850	-	-	94
Other liabilities	11,987	3,252	1,303	1,863
Total liabilities per internal reporting	4,439,037	3,252	1,303	1,957
Total liabilities and shareholders' equity	4,690,543	9,810	1,637	(11,134)
Impairment allowance*	(28,504)	-	-	(94)
Total liabilities per IFRS	4,662,039	9,810	1,637	(11,228)
Profit/ loss				
	01/01/2015- 30/06/2015			
Net interest income	30,292	643	-	-
Net commission and fee income	23,433	4,719	(5)	-
Net result of transactions with securities and foreign	12,176	521	18	-
Net other income/ expense	(600)	(237)	814	317
Net gain on assets held for sale	-	-	-	130
Administrative expense	(25,744)	(1,022)	(2,347)	(1,052)
Depreciation	(1,781)	(26)	(51)	(197)
Impairment allowances and other provisions	(587)	-	-	-
Impairment of financial instruments	(95)	-	-	-
Corporate income tax	(2,348)	(601)	(30)	11
Total profit/ (loss)	34,746	3,997	(1,601)	(791)

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

	EUR'000			
	31/12/2014			
	Banking	Investment management	Advisory	Management of repossessed properties and investments in real estate
Assets				
Cash and deposits with central banks	259,868	1	-	3
Balances due from credit institutions	816,516	380	40	-
Securities and derivatives	2,242,572	14,445	-	-
Loans	808,538	12,950	-	-
Investments in subsidiaries and associates	-	2	-	-
Tangible and intangible fixed assets, investment properties	41,929	21,366	389	10,559
Other assets	7,956	4,725	556	61,054
Total assets per internal reporting	4,177,379	53,869	985	71,616
Impairment allowance*	(33,670)	-	-	(93)
Total assets per IFRS	4,143,709	53,869	985	71,523
Liabilities				
Balances due to credit institutions	43,637	3,348	-	-
Derivatives	5,630	-	-	-
Deposits and issued securities	3,943,825	701	-	1
Impairment allowances and other provisions	34,022	-	-	93
Other liabilities	12,833	14,688	1,267	1,762
Total liabilities per internal reporting	4,039,947	18,737	1,267	1,856
Total liabilities and shareholders' equity	4,267,659	44,686	1,670	(10,166)
Impairment allowance*	(33,670)	-	-	(93)
Total liabilities per IFRS	4,233,989	44,686	1,670	(10,259)
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	(22,288)	(1,793)	(2,361)	(1,567)
Depreciation	(1,591)	(915)	(53)	(52)
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.

Note 20

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The group and the bank disclose the fair values of 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, is mostly defined based on quoted prices in an active market. Where no price is observable for some of these financial instruments, 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, if 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			
	30/06/2015		31/12/2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets at fair value				
Derivatives	223	223	4,079	4,079
At fair value through profit or loss				
Financial assets at fair value through profit or loss	19,283	19,283	21,165	21,165
Available-for-sale				
Available-for-sale financial assets	1,655,290	1,655,290	1,271,227	1,271,227
Total assets at fair value	1,674,796	1,674,796	1,296,471	1,296,471
Assets at amortised cost				
Cash and deposits with central banks	341,595	341,595	259,872	259,872
Balances due from credit institutions	645,678	645,678	816,936	816,936
Loans	837,783	837,563	790,113	789,850
Held-to-maturity investments	1,033,198	1,051,645	958,423	959,298
Investment properties	40,912	40,912	30,057	30,057
Total assets at amortised cost	2,899,166	2,917,393	2,855,401	2,856,013
Liabilities at fair value				
Derivatives	122	122	5,630	5,630
Total liabilities at fair value	122	122	5,630	5,630
Liabilities at amortised cost				
Financial liabilities at amortised cost	4,398,078	4,391,213	3,991,512	3,988,282
Total liabilities at amortised cost	4,398,078	4,391,213	3,991,512	3,988,282

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

	30/06/2015		EUR'000 31/12/2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets at fair value				
Derivatives	223	223	4,079	4,079
At fair value through profit or loss				
Financial assets at fair value through profit or loss	16,747	16,747	14,884	14,884
Available-for-sale				
Available-for-sale financial assets	1,604,036	1,604,036	1,209,073	1,209,073
Total assets at fair value	1,621,006	1,621,006	1,228,036	1,228,036
Assets at amortised cost				
Cash and deposits with central banks	340,421	340,421	258,908	258,908
Balances due from credit institutions	595,525	595,525	795,282	795,282
Loans	833,309	833,089	790,247	789,984
Held-to-maturity investments	983,786	1,002,355	930,579	929,894
Investment properties	25,023	25,023	25,033	25,033
Total assets at amortised cost	2,778,064	2,796,413	2,800,049	2,799,101
Liabilities at fair value				
Derivatives	122	122	5,630	5,630
Total liabilities at fair value	122	122	5,630	5,630
Liabilities at amortised cost				
Financial liabilities at amortised cost	4,286,386	4,282,557	3,923,756	3,922,378
Total liabilities at amortised cost	4,286,386	4,282,557	3,923,756	3,922,378

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.

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

	30/06/2015				31/12/2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Derivatives	9	214	-	223	5	4,074	-	4,079
Financial assets at fair value through profit or loss	13,799	5,483	1	19,283	17,318	3,847	-	21,165
Available-for-sale financial assets	1,612,525	41,918	847	1,655,290	1,267,246	2,859	1,122	1,271,227
Total assets at fair value	1,626,333	47,615	848	1,674,796	1,284,569	10,780	1,122	1,296,471
Assets at amortised cost								
Cash and deposits with central banks	341,595	-	-	341,595	259,872	-	-	259,872
Balances due from credit institutions	625,405	20,273	-	645,678	783,397	33,539	-	816,936
Loans	-	-	837,783	837,783	-	-	790,113	790,113
Held-to-maturity investments	1,010,261	21,735	1,202	1,033,198	873,611	84,002	810	958,423
Investment properties	-	-	40,912	40,912	-	-	30,057	30,057
Total assets at amortised cost	1,977,261	42,008	879,897	2,899,166	1,916,880	117,541	820,980	2,855,401
Liabilities at fair value								
Derivatives	-	122	-	122	-	5,630	-	5,630
Total liabilities at fair value	-	122	-	122	-	5,630	-	5,630
Liabilities at amortised cost								
Financial liabilities at amortised cost	3,735,503	588,242	74,333	4,398,078	3,441,658	458,395	91,459	3,991,512
Total liabilities at amortised cost	3,735,503	588,242	74,333	4,398,078	3,441,658	458,395	91,459	3,991,512

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

	30/06/2015				31/12/2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Derivatives	9	214	-	223	5	4,074	-	4,079
Financial assets at fair value through profit or loss	3,564	13,182	1	16,747	2,939	11,945	-	14,884
Available-for-sale financial assets	1,561,271	41,918	847	1,604,036	1,205,092	2,859	1,122	1,209,073
Total assets at fair value	1,564,844	55,314	848	1,621,006	1,208,036	18,878	1,122	1,228,036
Assets at amortised cost								
Cash and deposits with central banks	340,421	-	-	340,421	258,908	-	-	258,908
Balances due from credit institutions	575,691	19,834	-	595,525	767,133	28,149	-	795,282
Loans	-	-	833,309	833,309	-	-	790,247	790,247
Held-to-maturity investments	960,850	21,734	1,202	983,786	845,767	84,002	810	930,579
Investment properties	-	-	25,023	25,023	-	-	25,033	25,033
Total assets at amortised cost	1,876,962	41,568	859,534	2,778,064	1,871,808	112,151	816,090	2,800,049
Liabilities at fair value								
Derivatives	-	122	-	122	-	5,630	-	5,630
Total liabilities at fair value	-	122	-	122	-	5,630	-	5,630
Liabilities at amortised cost								
Financial liabilities at amortised cost	3,630,171	592,769	63,446	4,286,386	3,379,853	471,378	72,525	3,923,756
Total liabilities at amortised cost	3,630,171	592,769	63,446	4,286,386	3,379,853	471,378	72,525	3,923,756

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

	EUR'000					
	30/06/2015	Sale	Impairment	Reclassification	Effect of foreign exchange	31/12/2014
Assets at fair value						
Financial assets at fair value through profit or loss	1	-	-	1	-	-
Available-for-sale financial assets	847	(17)	(415)	96	61	1,122
Total assets at fair value	848	(17)	(415)	97	61	1,122

Note 21

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.

In reporting period, the goals of the group's and bank's capital management are consistent with those of the previous years. According to the Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (hereinafter – the Regulation), the group and the bank apply the standardised approach to calculate the capital requirements for credit risk and market risks, the basic indicator approach to calculate the capital requirement for operational risk and own funds requirements for Credit Valuation Adjustment risk for OTC derivatives are calculated according to standardised method.

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

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	Group	Bank	Bank
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Tier 1				
paid-in share capital	32,650	32,650	32,650	32,650
share premium	66,270	66,270	66,270	66,270
reserve capital and other reserves	30,665	2,134	30,665	2,134
retained earnings	72,749	68,257	68,831	68,600
current year's profit	-	32,936	-	32,936
intangible assets	(6,147)	(6,072)	(5,807)	(5,699)
revaluation reserve of available-for-sale financial assets	1,178	(1,504)	1,162	(1,427)
non-controlling interests	356	8,661	-	-
Total Tier 1	197,721	203,332	193,771	195,464
Tier 2				
subordinated capital (in proportion to the remaining maturity)	127,547	114,458	127,547	114,458
Total Tier 2	127,547	114,458	127,547	114,458
Total equity	325,268	317,790	321,318	309,922
Capital requirement for credit risk	123,673	112,904	123,960	112,060
Total capital requirement for market risks	5,700	5,479	5,726	5,174
incl. capital requirement for foreign currency risk	723	1,023	749	718
incl. capital requirement for position risk	4,977	4,456	4,977	4,456
Capital requirement for counterparty credit risk	12	340	12	340
CVA	7	92	7	92
Capital requirement for operational risk	20,907	17,609	15,867	14,234
Total capital requirement	150,299	136,424	145,572	131,900
CET 1 Capital ratio (%)	10.52	11.92	10.65	11.86
Minimum CET 1 capital ratio (%)	7.00	7.00	7.00	7.00
Capital adequacy ratio (%)	17.31	18.64	17.66	18.80
Minimum capital adequacy ratio (%)	10.50	10.50	10.50	10.50

* the group composition conforms to the Regulation requirements; the differences from the IFRS requirements are indicated in the Statement of Information Disclosure available at the bank's website www.ablv.com.

The minimum common equity Tier 1 ratio set for the bank 8%, the minimum capital adequacy ratio set for the bank - 13.20%.

In the reporting year, the bank complied with the requirements of supervisory authorities.

Note 22

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 2015 will not result in material losses for the bank and/ or the group.

Note 23

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.