



ABLV

BANKING / INVESTMENTS \ ADVISORY

ABLV Bank, AS

public quarterly report
January – June 2013

Bank 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. The growth was also facilitated by favourable overall economic conditions and upswing in our customers' areas of operations.

One of the most significant events during the reporting period was another issue of ABLV Bank, AS, shares performed, under which there were 6,570 ordinary voting shares issued, and the bank's equity was increased by LVL 11.5 million (EUR 16.4 million) consequently. Also there were 2,400 employee shares issued. After completing the issue, the bank's share capital is comprised of 127,170 ordinary voting shares and 13 400 employee shares without voting rights attached. The sale price of one newly issued share equalled LVL 1,755 (EUR 2,499), and 38 current shareholders of the bank participated in the issue. Compared to the share issue performed in 2010, the price of one share of the bank increased 2.7 times. This clearly evidences financial return ensured by the shareholders' contribution. The funds obtained as a result of the share issue will be invested in the bank's further development.

Continuing gradual replacement of long-term deposits with bonds, there were several new bond issues performed during the reporting period. In total, this year we have already performed three issues of subordinated 10-year bonds for the sake of raising the capital, their amount being USD 40 million and EUR 20 million, as well as four issues of straight 2-year bonds, amounting to USD 100 million and EUR 40 million. These bonds have been also included in the NASDAQ OMX Riga stock exchange list of debt securities. After the issues, the investors own ABLV Bank, AS, bonds worth LVL 217.5 million (EUR 309.5 million). Since the end of 2011, we have already performed 16 public bond issues in total. Our achievements were also appraised by NASDAQ OMX Riga presenting Stock Exchange Annual Award 2012 to ABLV Bank, AS, for important contribution to formation of Latvian securities market by expanding the range of available financial instruments and services.

The efficiency of the business strategy chosen by us is also evidenced by research performed by one of the most influential publications in the field of global capital and financial markets, Euromoney, which named ABLV Bank, AS, the best bank in Latvia. The appraisal was given to our bank under Euromoney Awards for Excellence 2013. According to Euromoney, ABLV Bank, AS, is one of the strongest banks in the region in terms of capital, and it maintains steady growth and works with proportionate profit.

Due to constant expansion of ABLV Bank, AS, and affiliate companies' business, the ABLV Group staff was increased by 56 officers in 2013, and 43 of those started their work at the bank's units. As at 30 June 2013, there were 664 officers working in ABLV Group, and 556 of those – in the bank. The office building that the bank rented before – at 4a Mednieku Street – became insufficient. Therefore, a decision on moving part of the bank's structural units to new business centre Jupiter Centre, at 7 Skanstes Street, was taken. Now moving is completed, and the bank has two administrative buildings in Riga – at 23 Elizabetes Street and 7 Skanstes Street.

In the building at 7 Skanstes Street, there are workplaces for 430 officers, and at 23 Elizabetes Street – for 280 officers. Customer servicing will remain in the office at 23 Elizabetes Street, where modern customer service area was equipped. Whereas major part of other bank's units, which mainly ensure support functions, will be located in Jupiter Centre. In Jupiter Centre, ABLV Bank, AS, is the anchor tenant and occupies most of the building. In total, there are 9 floors rented, the floor area being 5,677 square meters. This is one of the largest office rent agreements in Riga made in recent years.

Currently, intensive preparation takes place to ensure that ABLV Bank, AS, subsidiary bank in Luxembourg begins active offering of its services. ABLV Luxembourg, S.A. has already obtained banking licence, equipped office premises and employed key specialists.

Financial results

The bank's major financial indicators for the first half of 2013 reached historic maximum, and those evidence stable growth. 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 2013 amounted to LVL 15.2 million (EUR 21.6 million). Whereas in H1 2012 it was equal to LVL 5.7 million (EUR 8.1 million).
- The bank's operating income before allowances for credit losses totalled LVL 39.5 million (EUR 56.2 million). Compared to H1 2012, operating income has increased by 24.4%.
- The amount of the customers' deposits equalled LVL 1.86 billion (EUR 2.65 billion) as at the end of the reporting period.
- The amount of issued debt securities reached LVL 217.5 million (EUR 309.5 million).
- As at 30 June 2013, the amount of the bank's assets was LVL 2.23 billion (EUR 3.18 billion). Since the beginning of the year, the amount of assets has grown by 4.4%, the total assets increasing by LVL 93.8 million (EUR 133.5 million).

- The bank's loan portfolio equalled LVL 503.9 million (EUR 716.9 million), as at the end of June.
- The bank's capital and reserves amounted to LVL 115.3 million (EUR 164.0 million).
- As at 30 June 2013, the bank's capital adequacy ratio was 13.91%, whereas liquidity equalled 79.69%. ROE reached 27.32%, and ROA – 1.35%, as at 30 June 2013.

The bank continued investing in securities. The total amount of the securities portfolio was equal to LVL 914.7 million (EUR 1.30 billion), as at 30 June 2013. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 68.3% of the portfolio is constituted by securities having credit rating AA- and higher. Investments by countries are allocated as follows: USA – 20.5%, Russia – 16.2%, Canada – 14.8%, Germany – 12.0%, Sweden – 7.3%, Latvia – 6.8%, Netherlands – 4.2%, Norway – 2.2%, Great Britain – 1.6%, and Kazakhstan – 1.2%. Whereas 7.1% is constituted by securities issued by international institutions – the European Commission, ERAB, etc. In the reporting period, annual yield of the securities portfolio amounted to 1.5%.

In the reporting period we have introduced a new service: completion of applications and payments in the Internetbank instead of customers. Following an order given by the customer by phone or verbally, the private banker will complete any type of payment or application form instead of the customer. The customer will be able to see the prepared document in the Internetbank and will just need to sign it to pass the same to execution. This service became even more convenient after we launched special ABLV Bank, AS, Internetbank application for iPhone. Using this application, customers can monitor their accounts, sign previously prepared payment and application forms, including those completed by private bankers following the customers' order, and send the same to the bank.

Investments

In the first six months of 2013, ABLV Bank, AS, affiliate companies ABLV Capital Markets, IBAS, and ABLV Asset Management, IPAS, worked hard on launching new products and improving existing ones.

Starting from June 2013, the range of our open-end mutual funds was expanded by adding two new corporate bond funds: ABLV European Corporate EUR Bond Fund and ABLV Global Corporate USD Bond Fund. Just like six existing mutual funds (4 bond funds and 2 stock funds), the new funds are also managed by ABLV Asset Management, IPAS.

We continue expanding the opportunities of obtaining financing against pledge of investment portfolio, and starting from February this year we offer it not just in USD and EUR, but in RUB as well. Also, the customers are now offered the opportunity to choose their investment portfolio revaluation currency on their own. The chosen currency will be used in reports on the investment portfolio sent to customers and also for displaying the portfolio status in the Internetbank.

The first half of 2013 was especially successful for open-end mutual funds: at the end of June this year the total value of their assets reached EUR 84.0 million. Since the beginning of the year, the total value of funds has increased by 64%, i.e., approximately by EUR 32.9 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.

As at the end of June 2013, total assets under ABLV Asset Management, IPAS management amounted to LVL 62.8 million (EUR 89.3 million), of which LVL 59.0 million (EUR 84.0 million) were customers' investments in mutual funds managed by the company, and LVL 3.8 million (EUR 5.3 million) were customers' funds invested in individual investment programmes.

Beginning of 2013 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 stock markets. In the first half of the year, profit of ABLV Capital Markets, IBAS amounted to LVL 1.4 million (EUR 2.0 million). As at 30 June 2013, total assets of the company's customers invested in financial instruments were equal to LVL 526.6 million (EUR 749.3 million).

The bank's affiliate company ABLV Private Equity Management, SIA, continued its development; this company establishes and manages risk capital investment funds for making investments in share capital of promising Latvian and foreign companies. ABLV Private Equity Management, SIA manages direct investment fund ABLV Private Equity Fund 2010, KS, established in July 2010.

In the reporting period, ABLV Private Equity Fund 2010, KS contributed to development of new modern medical centre – ORTO clinic – that was opened in Riga, at 1a Bukultu Street. This is the first newly built private medical facility since the Republic of Latvia independence was restored. The overall investments in the project amounted to LVL 3.5 million (EUR 5.0 million), and those were covered by members' contribution and the loan from other banks. Earlier, ABLV Private Equity Fund 2010, KS has invested in the building materials retail chain, agricultural holding, and pharmaceutical company.

Another affiliate company of the bank – real estate development and trade group Pillar – also continued successful development. The sales amounted to EUR 19.3 million. Whereas during the whole 2012, Pillar sold properties for EUR 15.7 million. In total, there were 237 property sale transactions made during the first six months.

It should be also noted that Pillar group has sold all shares of capital of Pillar 17, SIA, in the reporting period. The total transaction amount reached EUR 1.4 million, and this was already the fourth transaction over the last years under which both properties constituting the company's assets and the affiliate company of Pillar Holding Company, KS, have been sold together.

Continuing work on the project important for Pillar and the whole ABLV Group – development of financial and business centre New Hanza City, in May 2013 there were first construction works started in the project territory in Riga, at 28a Pulkveža Brieža Street, namely, construction of Pillar office building. It will be a fully finished wood-frame two-storey building with built utility systems, appropriate for office needs.

In the reporting period, renovation of one of the most exclusive real estate projects in Riga – Elizabetes Park House – was completed. The building renovation project was developed in 2007 under the leadership of architect Andrejs Ģelzis. Whereas the interior of common areas and the building design concept were developed under the leadership of architect Reinis Liepiņš. Under the project development, a thorough historical research has been performed. The building was constructed in 1910, and its project was developed by architect Mārtiņš Nukša. It is located in UNESCO area in Riga centre, therefore all requirements regarding preservation of cultural and historical heritage in the building interior and exterior were observed during the renovation. The renovation of the building began in June 2010 and was completed in January 2013. The total amount of almost EUR 11.0 million was invested in the building acquisition and renovation.

In the reporting period, Pillar also initiated special real estate renovation programme to improve some of the properties included in the company's portfolio and advance their sale. Under the programme, apartments in prestigious buildings located in Riga centre and nearby will be renovated, alongside several newly built private houses in Riga environs. Currently, renovation of two properties has been completed, and it is planned to increase their number to 50 by the end of 2014. The total investments in renovation programme in 2013–2014 are planned to amount to EUR 2.5 million.

Advisory

The service of obtaining residence permit in Latvia remains to be the most popular one among those rendered by ABLV Corporate Services, SIA. We have assisted several tens of customers and their family members in obtaining residence permits.

During the reporting period, the customers also used other advisory services – advice on establishing holding structures and assistance in changing tax residency.

Since we always try to stay close to our customers, in the first half of 2013 preparation for opening ABLV Consulting Services, AS representative office in Vladivostok was performed. Vladivostok is an important transportation hub at the Russian Far East, which services huge flow of goods transported by sea and railroad. The city has been rapidly developing during recent years, and volumes of goods turnover are increasing, therefore our presence in the city will be a substantial support to our existing customers whose business is related to Vladivostok, their cooperation partners, and other entrepreneurs from all over Far East. Having opened the representative office in Vladivostok, ABLV Group now has 11 representative offices in 7 countries – in Russia, Ukraine, Belarus, Kazakhstan, Tajikistan, Azerbaijan, and Uzbekistan.

It should be also noted that during the first half of the year specialists of ABLV Group have participated in various international conferences, exhibitions, and seminars: the largest Russian transport and logistics exhibition TransRussia, conference Intax Forums, and other events. During those, ABLV Group services were presented to existing and prospective customers.

For society

In 2013, ABLV Bank, AS, in cooperation with ABLV Charitable Foundation, continued supporting various socially important projects.

At the beginning of the year, the ABLV Bank, AS, collection supposed for future Latvian Contemporary Art Museum that is being created in cooperation with ABLV Charitable Foundation has been considerably increased. Due to acquiring new works, the collection became more diverse, comprising art of various genres: paintings, graphics, photos and videos, special artworks, and sculptures.

It should be noted that in January 2013 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. This time 203 donators participated in the fund drive. ABLV Charitable Foundation together with ABLV Bank, AS, doubled the donated amount. The overall amount raised under the fund drive reached EUR 132,210.

Under the fund drive 'Help hear!' there was the amount of EUR 76,738 donated. In 2013, the funds will be used to acquire digital hearing devices at least for 35 children.

Whereas under the fund drive 'Help grow up!' there was the amount of EUR 55,472 donated. In summer 2013, the funds will be used to ensure that about 500 children go to camps organized by the foundation partner. At the end of June, children to whom ABLV Charitable Foundation has already given digital hearing devices, using the funds donated by ABLV Bank, AS officers and customers, together with their families went to summer camps, the total amount of participants being almost 70 persons. This was the second time the foundation met families of hearing-impaired children.

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

General information

ABLV Bank, AS (hereinafter – the bank) was registered in Aizkraukle, Republic of Latvia, on 17 September 1993, as a joint stock company, under unified registration number 50003149401. At present, the legal address of the bank is Elizabetes Street 23, Riga.

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

As at 30 June 2013 the group and the bank operate the central office and one lending center in Riga, as well as foreign representation offices in Azerbaijan – Baku, in Belarus - Minsk, in Kazakhstan - Almaty, in Russia – Moscow, St.Petersburg and Yekaterinburg, in Ukraine – Kyiv with its branch in Odessa, in Uzbekistan - Tashkent and Tajikistan – Dushanbe. Organizational structure of ABLV Bank, AS is shown on page 10 at this public quarterly report.

This quarterly report is prepared in accordance with the Regulations on Preparation of Public Quarterly Reports of Banks approved by the Financial and Capital Market Commission for the purpose of providing information on the financial standing and performance indicators of the bank for the period started 1 January 2013 till 30 June 2013.

Financial statements are reported in thousands of lats (LVL '000) and in thousands of euro (EUR '000), unless otherwise stated.

Shareholders and groups of related shareholders of the bank

	30.06.2013.			31.12.2012.		
	Amount of voting shares	Paid-in the Bank's share capital	% of the total paid-in the Bank's share capital with voting rights	Amount of voting shares	Paid-in the Bank's share capital	% of the total paid-in the Bank's share capital with voting rights
	amount	LVL'000	(%)	amount	LVL'000	(%)
Shareholders						
Ernests Bernis and Nika Berne (direct and indirect interest)	54,683	8,203	43.00	51,862	7,779	43.01
Oļegs Fiļs (indirect interest)	54,686	8,203	43.00	51,861	7,779	43.00
Other shareholders total	17,801	2,670	14.00	16,877	2,532	13.99
Total shares with voting rights	127,170	19,076	100.00	120,600	18,090	100.00
Shares without voting rights	13,400	2,010		11,000	1,650	
Paid-in share capital total	140,570	21,086		131,600	19,740	

	30.06.2013.			31.12.2012.		
	Amount of voting shares	Paid-in the Bank's share capital	% of the total paid-in the Bank's share capital with voting rights	Amount of voting shares	Paid-in the Bank's share capital	% of the total paid-in the Bank's share capital with voting rights
	amount	EUR'000	(%)	amount	EUR'000	(%)
Shareholders						
Ernests Bernis and Nika Berne (direct and indirect interest)	54,683	11,672	43.00	51,862	11,069	43.01
Oļegs Fiļs (indirect interest)	54,686	11,672	43.00	51,861	11,069	43.00
Other shareholders total	17,801	3,799	14.00	16,877	3,602	13.99
Total shares with voting rights	127,170	27,143	100.00	120,600	25,740	100.00
Shares without voting rights	13,400	2,860		11,000	2,348	
Paid-in share capital total	140,570	30,003		131,600	28,088	

Each share's par value is LVL150 (EUR 213).

Performance indicators

Title of entry	01.01.2013. - 30.06.2013.	01.01.2012. - 30.06.2012.
	(audited)	(audited)
Return on equity (ROE) (%)	27.32	12.05
Return on assets (ROA) (%)	1.35	0.59

Indicators are calculated according to principles of the Regulations on Preparation of Public Quarterly Reports of Banks approved by the Financial and Capital Market Commission.

Risk management

The information about Risk management is available in 2012 Annual Report from Note 31 till Note 34 on ABLV Bank, AS web page <http://www.ablv.com/en/about/financial-reports>. Since 31 December 2012 there are no any essential changes in Risk management.

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: Igors Rapoport	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: 17/10/2011
Deputy Chairman of the Board: Vadims Reinfelds – Deputy Chief Executive Officer (dCEO)	Date of re-election: 17/10/2011
Board Members: Aleksandrs Pāže – Chief Compliance Officer (CCO) Edgars Pavlovičs – Chief Risk Officer (CRO) Māris Kannenieks – Chief Financial Officer (CFO) Rolands Citajevs – Chief IT Officer (CIO)	Date of re-election: 17/10/2011 17/10/2011 17/10/2011 17/10/2011
Romans Surnačovs – Chief Operating Officer (COO)	Date of election: 17/10/2011

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

Strategy and aim of the bank's activities

The group's and bank's main scope of activity are investment services, settlement products, asset management, financial consultations, and real estate management. The business model aimed at supplying individual services to wealthy individuals and their businesses.

Bank' vision

The bank offer the most highly valued private banking experience, based on a unique understanding of our clients.

Bank's mission

The bank mission is to preserve and increase your capital, providing financial and advisory services necessary for achieving this aim.

Bank's values

Collaborative

We listen attentively and respond intelligently. We are always ready for a change. We don't rest, we act.

Intuitive

We know what's important to our customers. We understand peculiarities of their business, law and culture of their countries, and offer tailored solutions.

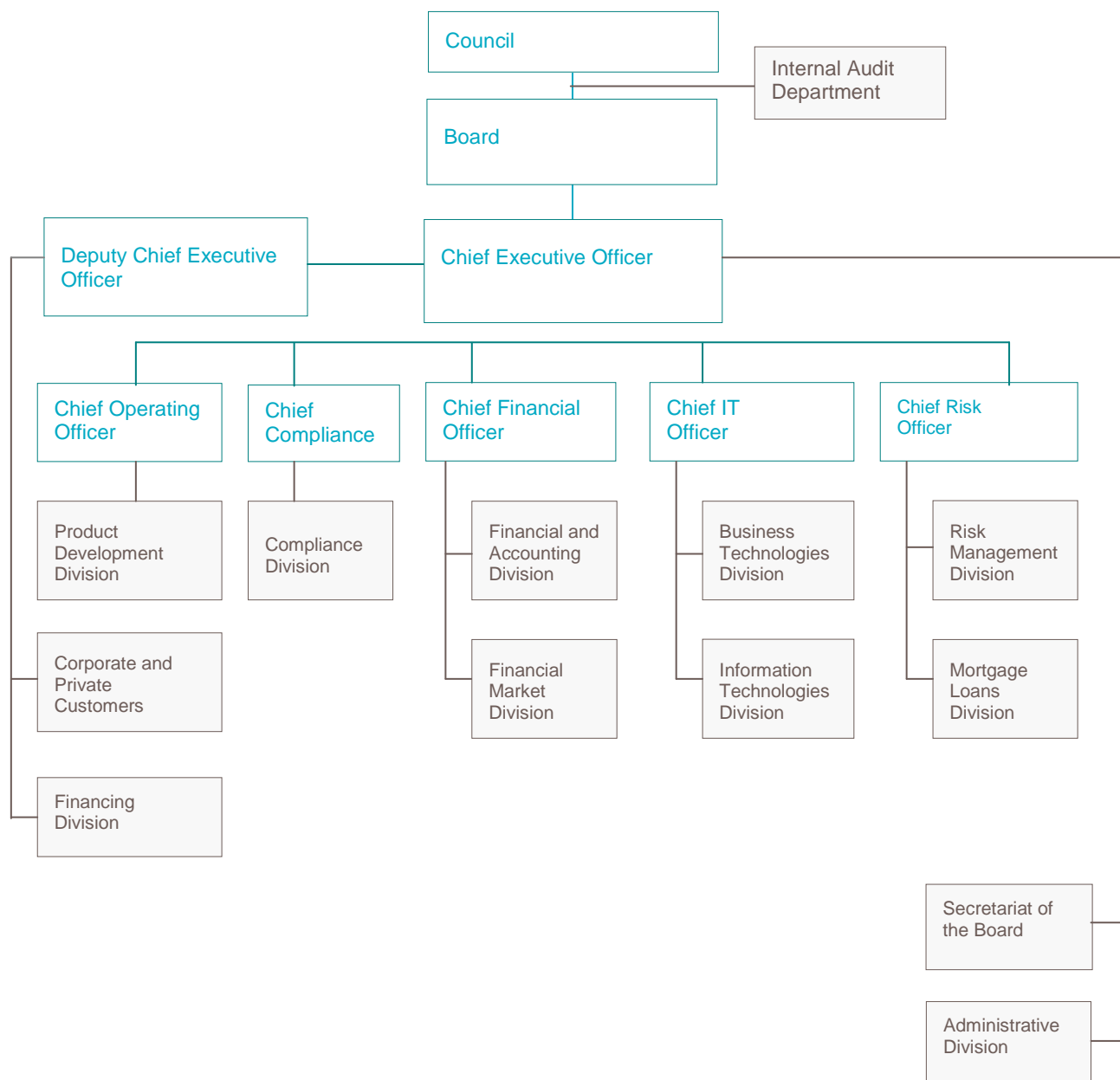
Valued

We work to bring success to our customers. Our key target is to be useful for our customers.

Bank's aim

According to the strategy approved in 2008, ABLV Bank, AS aim is to become a leader in rendering banking services, private wealth management, and financial advisory in Eastern Europe.

Bank's structure*



* More detailed information about the customer's service offices are available on the bank's website <http://www.ablv.com/lv/about/offices>.

Consolidation group

Information disclosed in the report is prepared in accordance with the principles of the Regulations on Preparation of Public Quarterly Reports of Banks approved by the Financial and Capital Market Commission. The bank is the parent entity of the group.

Members of the consolidation group as at 30 June 2013:

No	Name of the company	Registration number	Code of registration state and address	Type of activities ¹	Interest in share capital (%)	Share of voting rights (%)	Motivation for inclusion in the group ²
1	ABLV Bank, AS	50003149401	LV, Elizabetes iela 23, Rīga, LV-1010	BNK	100	100	MAS
2	ABLV Asset Management, IPAS	40003814724	LV, Elizabetes iela 23, Rīga, LV-1010	IPS	100	100	MS
3	ABLV Capital Markets, IBAS	40003814705	LV, Elizabetes iela 23, Rīga, LV-1010	IBS	90	100	MS
4	ABLV Consulting Services, AS	40003540368	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
5	ABLV Corporate Services, SIA	40103283479	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
6	ABLV Corporate Services, LTD	HE273600	CY, 1 Apriliou, 52, P.C.7600, Larnaca, Athienou	CKS	100	100	MS
7	ABLV Bank Luxembourg, S.A.	B 162048	LU, Boulevard Royal, 26a, L-2449, Luxembourg	CKS	100	100	MS
8	Pillar Holding Company, KS	40103260921	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	99.9997	99.9997	KS
9	Pillar, SIA	40103554468	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
10	Pillar Management, SIA	40103193211	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
11	Pillar 2, SIA	40103193033	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
12	Pillar 3, SIA	40103193067	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
13	Pillar 4, SIA	40103210494	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
14	Pillar 6, SIA	40103237323	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
15	Pillar 7, SIA	40103237304	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
16	Pine Breeze, SIA	40103240484	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
17	Pillar 9, SIA	40103241210	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
18	Pillar 10, SIA	50103247681	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
19	Pillar 11, SIA	40103258310	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
20	Pillar 12, SIA	40103290273	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
21	Pillar 13, SIA	40103300849	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
22	Lielezeres Apartment House, SIA	50103313991	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
23	Pillar 18, SIA	40103492079	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
24	Elizabetes Park House, SIA	50003831571	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	91.6	91.6	MS
25	New Hanza City, SIA	40103222826	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
26	ABLV Private Equity Management, SIA	40103286757	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
27	ABLV Private Equity Fund 2010, KS	40103307758	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	100	100	KS

¹ - BNK – bank, IBS – investment brokerage company, IPS – asset management company, CFI – other financial institution, CKS – other corporate company.

² - MS – subsidiary; KS – joint venture company; MAS – parent company.

In June 2013, the group sold Pillar 17, SIA, which was a subsidiary of Pillar Holding Company, KS, to third parties.

Income statements of the bank

	01.01.2013. - 30.06.2013. (audited)	01.01.2012. - 30.06.2012. (audited)	01.01.2013. - 30.06.2013. (audited)	01.01.2012. - 30.06.2012. (audited)
Title of entry	LVL '000	LVL '000	EUR '000	EUR '000
Interest income	20,208	18,876	28,753	26,858
Interest expense	(5,715)	(8,114)	(8,132)	(11,545)
Dividends received	1,317	1,401	1,874	1,993
Commission and fee income	17,486	13,570	24,880	19,308
Commission and fee expense	(1,790)	(1,641)	(2,547)	(2,335)
Net realised gain/ (loss) from financial assets and liabilities at amortised cost	-	-	-	-
Net realised gain/ (loss) from available-for-sale financial assets	33	(17)	47	(24)
Net realised gain/ (loss) from financial assets and liabilities held for trading	-	-	-	-
Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss	73	(24)	104	(34)
Changes in fair value hedge accounting	-	-	-	-
Net result from foreign exchange trading and revaluation	7,026	7,075	9,997	10,066
Gain/ (loss) from sale of tangible and intangible fixed assets	17	17	24	24
Other income	868	629	1,235	895
Other expense	(2,965)	(2,475)	(4,219)	(3,522)
Administrative expense	(13,546)	(11,806)	(19,272)	(16,798)
Depreciation	(756)	(737)	(1,076)	(1,049)
Impairment allowance	(4,601)	(8,795)	(6,547)	(12,514)
Impairment of financial instruments and non-financial assets	(4)	(564)	(6)	(802)
Profit/ (loss) before corporate income tax	17,651	7,395	25,115	10,521
Corporate income tax	(2,497)	(1,697)	(3,553)	(2,415)
Net profit/ (loss) for the period	15,154	5,698	21,562	8,106

*- Information has been prepared based on data that are available at financial statements for the six-month period ended 30 June 2013 and for the six-month period ended 30 June 2012 audited by SIA Ernst & Young Baltic (No 40003593454).

Balance sheet of the bank

		At 30 June 2013 (audited)	At 31 December 2012 (audited)	At 30 June 2013 (audited)	At 31 December 2012 (audited)
	Notes	LVL '000	LVL '000	EUR '000	EUR '000
Assets					
Cash and demand deposits with central banks		249,498	216,074	355,004	307,446
Demand deposits from credit institutions		398,222	249,995	566,619	355,712
Financial assets held for trading		534	81	760	115
Financial assets at fair value through profit or loss		10,837	3,333	15,420	4,742
Available-for-sale financial assets		466,502	547,757	663,773	779,388
Loans and receivables	1	550,955	642,281	783,938	913,882
Held to maturity investments		437,351	351,832	622,294	500,612
Change of fair value of hedge portfolio		-	-	-	-
Prepaid expense and accrued income		323	480	460	683
Tangible fixed assets		6,090	4,906	8,665	6,981
Investment properties		17,299	17,303	24,614	24,620
Intangible fixed assets		3,487	3,384	4,962	4,815
Investments in subsidiaries		89,602	89,577	127,492	127,457
Tax assets		75	74	107	105
Other assets		2,260	12,139	3,215	17,271
Total assets		2,233,035	2,139,216	3,177,323	3,043,829
Liabilities					
Liabilities due to central banks		-	-	-	-
Demand deposits from credit institutions		7,522	2,406	10,703	3,423
Financial liabilities held for trading		894	4,579	1,272	6,515
Financial liabilities at fair value through profit or loss		-	-	-	-
Financial liabilities at amortised cost	2	2,098,190	2,015,026	2,985,455	2,867,123
Financial liabilities arising from financial asset transfer		-	-	-	-
Change of fair value of hedge portfolio		-	-	-	-
Deferred income and accrued expense		5,614	5,537	7,988	7,879
Provisions		330	338	470	481
Tax liabilities		1,529	1,057	2,176	1,504
Other liabilities		3,662	3,470	5,211	4,937
Total liabilities		2,117,741	2,032,413	3,013,275	2,891,862
Total shareholders' equity		115,294	106,803	164,048	151,967
Total liabilities and shareholders' equity		2,233,035	2,139,216	3,177,323	3,043,829
Memorandum items					
Contingent liabilities		5,648	7,052	8,036	10,034
Financial commitments		43,549	30,276	61,965	43,079

*- Information has been prepared based on data that are available at financial statements for the six-month period ended 30 June 2013 and at annual report for the year ended 31 December 2012 audited by SIA Ernst & Young Baltic (No 40003593454).

Bank's summary report of equity and minimum capital requirements

	At 30 June 2013 (audited)	At 31 December 2012 (audited)	At 30 June 2013 (audited)	At 31 December 2012 (audited)
Title of entry	LVL '000	LVL '000	EUR '000	EUR '000
Total equity	144,742	153,052	205,949	217,773
Tier 1	96,578	101,564	137,418	144,513
Tier 2	48,288	51,516	68,707	73,300
Decrease in Tier 1 and Tier 2	(124)	(28)	(176)	(40)
Tier 1 total applying decrease	96,516	101,550	137,330	144,493
Tier 2 total applying decrease	48,226	51,502	68,619	73,280
Used Tier 3	-	-	-	-
Total capital charge	83,268	76,337	118,480	108,618
Total of capital requirements for credit risk, counterparty credit risk, dilution risk and free deliveries risk	69,481	66,831	98,862	95,092
Capital charge for settlement/ deliveries risk	-	-	-	-
Capital charge for position risk, foreign currency risk and commodity risk	5,206	2,242	7,407	3,190
Capital charge for operational risk	8,581	7,264	12,210	10,336
Capital charge for other risk and transition period	-	-	-	-
Additional information				
Capital requirements covered by own funds (surplus/ (shortfall)) excluding capital charge for other risk and transition period	61,474	76,715	87,469	109,155
Capital adequacy ratio (%) excluding capital charge for other risk and transition period	13.91%	16.04%	13.91%	16.04%
Capital requirements covered by own funds (surplus/ (shortfall))	61,474	76,715	87,469	109,155
Capital adequacy ratio (%)	13.91%	16.04%	13.91%	16.04%

*- Information has been prepared based on data that are available at financial statements for the six-month period ended 30 June 2013 and at annual report for the year ended 31 December 2012 audited by SIA Ernst & Young Baltic (No 40003593454).

Note 1

Loans and receivables

	At 30 June 2013 (audited)	At 31 December 2012 (audited)	At 30 June 2013 (audited)	At 31 December 2012 (audited)
Title of entry	LVL '000	LVL '000	EUR '000	EUR '000
Loans	503,853	503,611	716,918	716,574
Loans to credit institutions	47,102	138,670	67,020	197,308
Total	550,955	642,281	783,938	913,882

Note 2

Financial liabilities at amortized cost

	At 30 June 2013 (audited)	At 31 December 2012 (audited)	At 30 June 2013 (audited)	At 31 December 2012 (audited)
Title of entry	LVL '000	LVL '000	EUR '000	EUR '000
Deposits	1,864,816	1,868,890	2,653,394	2,659,191
Issued securities	217,527	124,819	309,513	177,601
Subordinated deposits	14,613	12,912	20,792	18,372
Term deposits from credit institutions	1,234	8,405	1,756	11,959
Total	2,098,190	2,015,026	2,985,455	2,867,123

*- Information has been prepared based on data that are available at financial statements for the six-month period ended 30 June 2013 and at annual report for the year ended 31 December 2012 audited by SIA Ernst & Young Baltic (No 40003593454).

Note 3

The bank's investments in financial assets, except derivatives

The bank's investments in financial assets break downs by countries of issuers as at 30 June 2013, except derivatives:

LVL '000				
Issuer state	Securities of central governments	Other issuers securities	Total	% of shareholders' equity
United States of America	182,788	4,545	187,333	129.4
Russia	24,234	123,710	147,944	102.2
Canada	52,637	83,170	135,807	93.8
Germany	7,106	102,529	109,635	75.7
Sweden	46,890	19,557	66,447	45.9
Latvia	46,929	15,388	62,317	43.1
Netherlands	-	38,384	38,384	26.5
Norway	14,690	5,465	20,155	13.9
Securities of other countries *	33,939	48,029	81,968	56.6
Securities of international organizations	-	64,700	64,700	44.7
Total securities, net	409,213	505,477	914,690	

* Each country's issuers' total exposure is less than 10% from the eligible capital used for capital adequacy ratio calculation purposes.

EUR '000				
Issuer state	Securities of central governments	Other issuers securities	Total	% of shareholders' equity
United States of America	260,084	6,467	266,551	129.4
Russia	34,482	176,023	210,505	102.2
Canada	74,896	118,340	193,236	93.8
Germany	10,111	145,886	155,997	75.7
Sweden	66,718	27,827	94,545	45.9
Latvia	66,774	21,895	88,669	43.1
Netherlands	-	54,616	54,616	26.5
Norway	20,902	7,776	28,678	13.9
Securities of other countries *	48,291	68,339	116,630	56.6
Securities of international organizations	-	92,060	92,060	44.7
Total securities, net	582,258	719,229	1,301,487	

* Each country's issuers' total exposure is less than 10% from the eligible capital used for capital adequacy ratio calculation purposes.

The bank's investments in financial assets break downs by countries of issuers as at 31 December 2012, except derivatives:

LVL'000				
Issuer state	Securities of central governments	Other issuers securities	Total	% of shareholders' equity
United States of America	213,232	2,985	216,217	158.8
Russia	25,656	113,236	138,892	102.0
Canada	55,011	68,890	123,901	91.0
Germany	7,131	101,454	108,585	79.7
Sweden	38,964	21,175	60,139	44.2
Netherlands	-	31,583	31,583	23.2
Latvia	26,860	2,646	29,506	21.7
United Kingdom	8,089	14,301	22,390	16.4
Norway	9,880	5,388	15,268	11.2
Securities of other countries *	38,755	28,286	67,041	49.2
Securities of international organizations	-	89,400	89,400	65.6
Total securities, net	423,578	479,344	902,922	

* Each country's issuers' total exposure is less than 10% from the eligible capital used for capital adequacy ratio calculation purposes.

EUR'000				
Issuer state	Securities of central governments	Other issuers securities	Total	% of shareholders' equity
United States of America	303,402	4,247	307,649	158.8
Russia	36,505	161,121	197,626	102.0
Canada	78,274	98,022	176,296	91.0
Germany	10,146	144,356	154,502	79.7
Sweden	55,441	30,129	85,570	44.2
Netherlands	-	44,939	44,939	23.2
Latvia	38,218	3,765	41,983	21.7
United Kingdom	11,510	20,348	31,858	16.4
Norway	14,058	7,666	21,724	11.2
Securities of other countries *	55,143	40,247	95,390	49.2
Securities of international organizations	-	127,205	127,205	65.6
Total securities, net	602,697	682,045	1,284,742	

* Each country's issuers' total exposure is less than 10% from the eligible capital used for capital adequacy ratio calculation purposes.

In the reporting period, impairment by LVL 4 thousand (EUR 6 thousand) was recognized for the securities of the available-for-sale portfolio.

At the end of reporting period has not been made provisions for financial assets at amortized cost.



ABLV Bank, AS

Interim condensed consolidated annual report
for the six-month period ended 30 June 2013

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. The growth was also facilitated by favourable overall economic conditions and upswing in our customers' areas of operations.

One of the most significant events during the reporting period was another issue of ABLV Bank, AS, shares performed, under which there were 6,570 ordinary voting shares issued, and the bank's equity was increased by LVL 11.5 million (EUR 16.4 million) consequently. Also there were 2,400 employee shares issued. After completing the issue, the bank's share capital is comprised of 127,170 ordinary voting shares and 13 400 employee shares without voting rights attached. The sale price of one newly issued share equalled LVL 1,755 (EUR 2,499), and 38 current shareholders of the bank participated in the issue. Compared to the share issue performed in 2010, the price of one share of the bank increased 2.7 times. This clearly evidences financial return ensured by the shareholders' contribution. The funds obtained as a result of the share issue will be invested in the bank's further development.

Continuing gradual replacement of long-term deposits with bonds, there were several new bond issues performed during the reporting period. In total, this year we have already performed three issues of subordinated 10-year bonds for the sake of raising the capital, their amount being USD 40 million and EUR 20 million, as well as four issues of straight 2-year bonds, amounting to USD 100 million and EUR 40 million. These bonds have been also included in the NASDAQ OMX Riga stock exchange list of debt securities. After the issues, the investors own ABLV Bank, AS, bonds worth LVL 217.5 million (EUR 309.5 million). Since the end of 2011, we have already performed 16 public bond issues in total. Our achievements were also appraised by NASDAQ OMX Riga presenting Stock Exchange Annual Award 2012 to ABLV Bank, AS, for important contribution to formation of Latvian securities market by expanding the range of available financial instruments and services.

The efficiency of the business strategy chosen by us is also evidenced by research performed by one of the most influential publications in the field of global capital and financial markets, Euromoney, which named ABLV Bank, AS, the best bank in Latvia. The appraisal was given to our bank under Euromoney Awards for Excellence 2013. According to Euromoney, ABLV Bank, AS, is one of the strongest banks in the region in terms of capital, and it maintains steady growth and works with proportionate profit.

Due to constant expansion of ABLV Bank, AS, and affiliate companies' business, the ABLV Group staff was increased by 56 officers in 2013, and 43 of those started their work at the bank's units. As at 30 June 2013, there were 664 officers working in ABLV Group, and 556 of those – in the bank. The office building that the bank rented before – at 4a Mednieku Street – became insufficient. Therefore, a decision on moving part of the bank's structural units to new business centre Jupiter Centre, at 7 Skanstes Street, was taken. Now moving is completed, and the bank has two administrative buildings in Riga – at 23 Elizabetes Street and 7 Skanstes Street.

In the building at 7 Skanstes Street, there are workplaces for 430 officers, and at 23 Elizabetes Street – for 280 officers. Customer servicing will remain in the office at 23 Elizabetes Street, where modern customer service area was equipped. Whereas major part of other bank's units, which mainly ensure support functions, will be located in Jupiter Centre. In Jupiter Centre, ABLV Bank, AS, is the anchor tenant and occupies most of the building. In total, there are 9 floors rented, the floor area being 5,677 square meters. This is one of the largest office rent agreements in Riga made in recent years.

Currently, intensive preparation takes place to ensure that ABLV Bank, AS, subsidiary bank in Luxembourg begins active offering of its services. ABLV Luxembourg, S.A. has already obtained banking licence, equipped office premises and employed key specialists.

Financial results

The bank's major financial indicators for the first half of 2013 reached historic maximum, and those evidence stable growth. 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 2013 amounted to LVL 15.2 million (EUR 21.6 million). Whereas in H1 2012 it was equal to LVL 5.7 million (EUR 8.1 million).
- The bank's operating income before allowances for credit losses totalled LVL 39.5 million (EUR 56.2 million). Compared to H1 2012, operating income has increased by 24.4%.

- The amount of the customers' deposits equalled LVL 1.86 billion (EUR 2.65 billion) as at the end of the reporting period.
- The amount of issued debt securities reached LVL 217.5 million (EUR 309.5 million).
- As at 30 June 2013, the amount of the bank's assets was LVL 2.23 billion (EUR 3.18 billion). Since the beginning of the year, the amount of assets has grown by 4.4%, the total assets increasing by LVL 93.8 million (EUR 133.5 million).
- The bank's loan portfolio equalled LVL 503.9 million (EUR 716.9 million), as at the end of June.
- The bank's capital and reserves amounted to LVL 115.3 million (EUR 164.0 million).
- As at 30 June 2013, the bank's capital adequacy ratio was 13.91%, whereas liquidity equalled 79.69%.
- ROE reached 27.32%, and ROA – 1.35%, as at 30 June 2013.

The bank continued investing in securities. The total amount of the securities portfolio was equal to LVL 914.7 million (EUR 1.30 billion), as at 30 June 2013. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 68.3% 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 – 20.5%, Russia – 16.2%, Canada – 14.8%, Germany – 12.0%, Sweden – 7.3%, Latvia – 6.8%, Netherlands – 4.2%, Norway – 2.2%, Great Britain – 1.6%, and Kazakhstan – 1.2%. Whereas 7.1% is constituted by securities issued by international institutions – the European Commission, ERAB, etc. In the reporting period, annual yield of the securities portfolio amounted to 1.5%.

In the reporting period we have introduced a new service: completion of applications and payments in the Internetbank instead of customers. Following an order given by the customer by phone or verbally, the private banker will complete any type of payment or application form instead of the customer. The customer will be able to see the prepared document in the Internetbank and will just need to sign it to pass the same to execution. This service became even more convenient after we launched special ABLV Bank, AS, Internetbank application for iPhone. Using this application, customers can monitor their accounts, sign previously prepared payment and application forms, including those completed by private bankers following the customers' order, and send the same to the bank.

Investments

In the first six months of 2013, ABLV Bank, AS, affiliate companies ABLV Capital Markets, IBAS, and ABLV Asset Management, IPAS, worked hard on launching new products and improving existing ones.

Starting from June 2013, the range of our open-end mutual funds was expanded by adding two new corporate bond funds: ABLV European Corporate EUR Bond Fund and ABLV Global Corporate USD Bond Fund. Just like six existing mutual funds (4 bond funds and 2 stock funds), the new funds are also managed by ABLV Asset Management, IPAS.

We continue expanding the opportunities of obtaining financing against pledge of investment portfolio, and starting from February this year we offer it not just in USD and EUR, but in RUB as well. Also, the customers are now offered the opportunity to choose their investment portfolio revaluation currency on their own. The chosen currency will be used in reports on the investment portfolio sent to customers and also for displaying the portfolio status in the Internetbank.

The first half of 2013 was especially successful for open-end mutual funds: at the end of June this year the total value of their assets reached EUR 84.0 million. Since the beginning of the year, the total value of funds has increased by 64%, i.e., approximately by EUR 32.9 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.

As at the end of June 2013, total assets under ABLV Asset Management, IPAS management amounted to LVL 62.8 million (EUR 89.3 million), of which LVL 59.0 million (EUR 84.0 million) were customers' investments in mutual funds managed by the company, and LVL 3.8 million (EUR 5.3 million) were customers' funds invested in individual investment programmes.

Beginning of 2013 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 stock markets. In the first half of the year, profit of ABLV Capital Markets, IBAS amounted to LVL 1.4 million (EUR 2.0 million). As at 30 June 2013, total assets of the company's customers invested in financial instruments were equal to LVL 526.6 million (EUR 749.3 million).

The bank's affiliate company ABLV Private Equity Management, SIA, continued its development; this company establishes and manages risk capital investment funds for making investments in share capital of promising Latvian and foreign companies. ABLV Private Equity Management, SIA manages direct investment fund ABLV Private Equity Fund 2010, KS, established in July 2010.

In the reporting period, ABLV Private Equity Fund 2010, KS contributed to development of new modern medical centre – ORTO clinic – that was opened in Riga, at 1a Bukultu Street. This is the first newly built private medical facility since the Republic of Latvia independence was restored. The overall investments in the project amounted to LVL 3.5 million (EUR 5.0 million), and those were covered by members' contribution and the loan from other banks. Earlier, ABLV Private Equity Fund 2010, KS has invested in the building materials retail chain, agricultural holding, and pharmaceutical company.

Another affiliate company of the bank – real estate development and trade group Pillar – also continued successful development. The sales amounted to EUR 19.3 million. Whereas during the whole 2012, Pillar sold properties for EUR 15.7 million. In total, there were 237 property sale transactions made during the first six months.

It should be also noted that Pillar group has sold all shares of capital of Pillar 17, SIA, in the reporting period. The total transaction amount reached EUR 1.4 million, and this was already the fourth transaction over the last years under which both properties constituting the company's assets and the affiliate company of Pillar Holding Company, KS, have been sold together.

Continuing work on the project important for Pillar and the whole ABLV Group – development of financial and business centre New Hanza City, in May 2013 there were first construction works started in the project territory in Riga, at 28a Pulkveža Brieža Street, namely, construction of Pillar office building. It will be a fully finished wood-frame two-storey building with built utility systems, appropriate for office needs.

In the reporting period, renovation of one of the most exclusive real estate projects in Riga – Elizabetes Park House – was completed. The building renovation project was developed in 2007 under the leadership of architect Andrejs Ģelzis. Whereas the interior of common areas and the building design concept were developed under the leadership of architect Reinis Liepiņš. Under the project development, a thorough historical research has been performed. The building was constructed in 1910, and its project was developed by architect Mārtiņš Nukša. It is located in UNESCO area in Riga centre, therefore all requirements regarding preservation of cultural and historical heritage in the building interior and exterior were observed during the renovation. The renovation of the building began in June 2010 and was completed in January 2013. The total amount of almost EUR 11.0 million was invested in the building acquisition and renovation.

In the reporting period, Pillar also initiated special real estate renovation programme to improve some of the properties included in the company's portfolio and advance their sale. Under the programme, apartments in prestigious buildings located in Riga centre and nearby will be renovated, alongside several newly built private houses in Riga environs. Currently, renovation of two properties has been completed, and it is planned to increase their number to 50 by the end of 2014. The total investments in renovation programme in 2013–2014 are planned to amount to EUR 2.5 million.

Advisory

The service of obtaining residence permit in Latvia remains to be the most popular one among those rendered by ABLV Corporate Services, SIA. We have assisted several tens of customers and their family members in obtaining residence permits.

During the reporting period, the customers also used other advisory services – advice on establishing holding structures and assistance in changing tax residency.

Since we always try to stay close to our customers, in the first half of 2013 preparation for opening ABLV Consulting Services, AS representative office in Vladivostok was performed. Vladivostok is an important transportation hub at the Russian Far East, which services huge flow of goods transported by sea and railroad. The city has been rapidly developing during recent years, and volumes of goods turnover are increasing, therefore our presence in the city will be a substantial support to our existing customers whose business is related to Vladivostok, their cooperation partners, and other entrepreneurs from all over Far East. Having opened the representative office in Vladivostok, ABLV Group now has 11 representative offices in 7 countries – in Russia, Ukraine, Belarus, Kazakhstan, Tajikistan, Azerbaijan, and Uzbekistan.

It should be also noted that during the first half of the year specialists of ABLV Group have participated in various international conferences, exhibitions, and seminars: the largest Russian transport and logistics exhibition TransRussia, conference Intax Forums, and other events. During those, ABLV Group services were presented to existing and prospective customers.

For society

In 2013, ABLV Bank, AS, in cooperation with ABLV Charitable Foundation, continued supporting various socially important projects.

At the beginning of the year, the ABLV Bank, AS, collection supposed for future Latvian Contemporary Art Museum that is being created in cooperation with ABLV Charitable Foundation has been considerably increased. Due to acquiring new works, the collection became more diverse, comprising art of various genres: paintings, graphics, photos and videos, special artworks, and sculptures.

It should be noted that in January 2013 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. This time 203 donators participated in the fund drive. ABLV Charitable Foundation together with ABLV Bank, AS, doubled the donated amount. The overall amount raised under the fund drive reached EUR 132,210.

Under the fund drive 'Help hear!' there was the amount of EUR 76,738 donated. In 2013, the funds will be used to acquire digital hearing devices at least for 35 children.

Whereas under the fund drive 'Help grow up!' there was the amount of EUR 55,472 donated. In summer 2013, the funds will be used to ensure that about 500 children go to camps organized by the foundation partner. At the end of June, children to whom ABLV Charitable Foundation has already given digital hearing devices, using the funds donated by ABLV Bank, AS officers and customers, together with their families went to summer camps, the total amount of participants being almost 70 persons. This was the second time the foundation met families of hearing-impaired children.

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



Deputy Chairman of the Council
Jānis Krīgers



Chairman of the Board
Ernests Bernis

Riga, 15 August 2013

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: Igors Rapoport	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: 17/10/2011
Deputy Chairman of the Board: Vadims Reinfelds – Deputy Chief Executive Officer (dCEO)	Date of re-election: 17/10/2011
Board Members: • Aleksandrs Pāže – Chief Compliance Officer (CCO) Edgars Pavlovičs – Chief Risk Officer (CRO) Māris Kannenīeks – Chief Financial Officer (CFO) Rolands Citajevs – Chief IT Officer (CIO)	Date of re-election: 17/10/2011 17/10/2011 17/10/2011 17/10/2011
Romans Surnačovs – Chief Operating Officer (COO)	Date of election: 17/10/2011

There were no changes 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 financial statements of the bank as well as for the preparation of the consolidated financial statements of the bank and its subsidiaries (hereinafter – the group).

The financial statements 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 2013 and 31 December 2012, and results of their operations, changes in the shareholders' equity and cash flows for the six-month periods ended 30 June 2013 and 30 June 2012.

The aforementioned 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 2013

Interim consolidated income statements and other statements of comprehensive income for the six-month periods ended 30 June 2013 and 30 June 2012

		LVL'000			
		Group	Group	Bank	Bank
		01/01/2013-30/06/2013	01/01/2012-30/06/2012	01/01/2013-30/06/2013	01/01/2012-30/06/2012
	Notes				
Interest income	3	20,226	18,887	20,208	18,876
Interest expense	3	(5,715)	(8,101)	(5,715)	(8,114)
Net interest income		14,511	10,786	14,493	10,762
Commission and fee income	4	20,110	15,153	17,486	13,570
Commission and fee expense	4	(2,199)	(1,836)	(1,790)	(1,641)
Net commission and fee income		17,911	13,317	15,696	11,929
Net gain on transactions with financial instruments and foreign exchange	5	7,049	7,001	7,132	7,034
Other income	6	21,672	7,459	868	629
Income from dividends		20	4	1,317	1,401
Impairment allowance	7	(4,600)	(8,785)	(4,601)	(8,795)
Operating income		56,563	29,782	34,905	22,960
Administrative expense		(17,472)	(14,436)	(13,546)	(11,806)
Amortisation and depreciation		(1,214)	(994)	(756)	(737)
Other expense	6	(15,971)	(7,155)	(2,965)	(2,475)
Gain/ (loss) from sale of tangible and intangible fixed assets		16	17	17	17
Provisions		-	-	-	-
Impairment of financial instruments		(4)	(306)	(4)	(306)
Impairment of non-financial assets		(62)	(135)	-	(258)
Total operating expense		(34,707)	(23,009)	(17,254)	(15,565)
Profit before corporate income tax		21,856	6,773	17,651	7,395
Corporate income tax	8	(3,355)	(1,869)	(2,497)	(1,697)
Net profit for the period		18,501	4,904	15,154	5,698
Attributable to:					
Equity holders of the bank		18,114	5,075		
Non-controlling interests		387	(171)		
Other comprehensive income					
Other comprehensive income that are or may be reclassified to profit or loss					
Changes in fair value revaluation reserve of available-for-sale financial assets		(2,064)	2,396	(2,064)	2,396
Charge to income statement as a result of sale of available-for-sale securities		(33)	17	(33)	17
Charge to income statement due to recognised impairment of available-for-sale securities		4	306	4	306
Change in deferred corporate income tax		313	(408)	313	(408)
Other comprehensive income, total		(1,780)	2,311	(1,780)	2,311
Total comprehensive income		16,721	7,215	13,374	8,009
Attributable to:					
Equity holders of the bank		16,334	7,386		
Non-controlling interests		387	(171)		
Earnings per share attributable to the equity holders of the bank, LVL		116.20	38.56		

Deputy Chairman of the Council
Jānis Krīgers

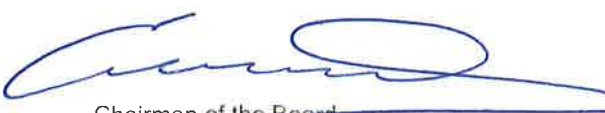
Riga, 15 August 2013

Chairman of the Board
Ernests Bernis

Interim consolidated statements of financial position as at 30 June 2013 and 31 December 2012

					LVL'000
		Group	Group	Bank	Bank
Assets	Notes	30/06/2013	31/12/2012	30/06/2013	31/12/2012
Cash and deposits with the Bank of Latvia		249,511	216,078	249,498	216,074
Balances due from credit institutions	9	451,225	392,905	445,324	388,665
Derivatives		534	81	534	81
Financial assets at fair value through profit or loss		10,837	3,333	10,837	3,333
Shares and other non-fixed income securities		10,837	3,333	10,837	3,333
Available-for-sale financial assets		466,502	547,757	466,502	547,757
Debt securities and other fixed income securities	10	464,223	545,510	464,223	545,510
Shares and other non-fixed income securities		2,279	2,247	2,279	2,247
Loans		500,178	499,787	503,853	503,611
Held-to-maturity investments		437,351	351,832	437,351	351,832
Debt securities and other fixed income securities	10	437,351	351,832	437,351	351,832
Investments in subsidiaries and associates		3,521	2,668	89,602	89,577
Investment properties		21,424	20,856	17,299	17,303
Tangible fixed assets		22,306	19,610	6,090	4,906
Intangible fixed assets		3,929	3,821	3,487	3,384
Current corporate income tax receivables		66	71	-	-
Deferred corporate income tax	8	390	404	-	74
Other assets		59,386	70,006	2,658	12,619
Total assets		2,227,160	2,129,209	2,233,035	2,139,216
Liabilities					
Derivatives		894	4,579	894	4,579
Demand deposits from credit institutions		1,623	967	7,522	2,406
Term deposits from credit institutions		3,669	2,230	1,234	8,405
Deposits	12	1,867,646	1,862,391	1,864,816	1,868,890
Current corporate income tax liabilities		1,465	1,273	1,298	1,057
Other liabilities		13,726	15,915	9,276	9,007
Deferred corporate income tax	8	663	71	231	-
Provisions		330	338	330	338
Issued securities	13	217,527	124,819	217,527	124,819
Subordinated deposits	14	14,613	12,912	14,613	12,912
Total liabilities		2,112,156	2,025,495	2,117,741	2,032,413
Shareholders' equity					
Paid-in share capital	15	21,086	19,740	21,086	19,740
Share premium		29,725	19,180	29,156	18,611
Reserve capital and other reserves		1,500	1,500	1,500	1,500
Fair value revaluation reserve of available-for-sale financial assets		75	1,855	75	1,855
Retained earnings brought forward		42,436	43,293	48,323	48,643
Retained earnings for the period		18,114	16,106	15,154	16,454
Attributable to the equity holders of the bank		112,936	101,674	115,294	106,803
Non-controlling interests		2,068	2,040	-	-
Total shareholders' equity		115,004	103,714	115,294	106,803
Total liabilities and shareholders' equity		2,227,160	2,129,209	2,233,035	2,139,216
Memorandum items					
Funds under trust management		161,775	137,840	98,917	99,668
Contingent liabilities		5,648	7,052	5,648	7,052
Financial commitments		43,549	30,276	43,549	30,276


 Deputy Chairman of the Council
Jānis Krīgers


 Chairman of the Board
Ernests Bernis

Riga, 15 August 2013

Statements of changes in shareholders' equity of the group for the six-month periods ended 30 June 2013 and 30 June 2012

	LVL'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 2012	16,500	5,255	1,500	(2,480)	64,049	84,824	503	85,327
Total comprehensive income for the six-month period ended 30 June 2012	-	-	-	2,311	5,075	7,386	(171)	7,215
Dividends paid	-	-	-	-	(19,106)	(19,106)	-	(19,106)
Issue of personnel shares	1,650	-	-	-	(1,650)	-	-	-
Issue of shares	1,590	13,356	-	-	-	14,946	-	14,946
Increase of non-controlling interests	-	-	-	-	-	-	182	182
As at 30 June 2012	19,740	18,611	1,500	(169)	48,368	88,050	514	88,564
As at 1 January 2013	19,740	19,180	1,500	1,855	59,399	101,674	2,040	103,714
Total comprehensive income for the six-month period ended 30 June 2013	-	-	-	(1,780)	18,114	16,334	387	16,721
Dividends paid	-	-	-	-	(16,558)	(16,558)	-	(16,558)
Issue of personnel shares	360	-	-	-	(405)	(45)	45	-
Issue of shares	986	10,545	-	-	-	11,531	-	11,531
Increase of non-controlling interests	-	-	-	-	-	-	(404)	(404)
As at 30 June 2013	21,086	29,725	1,500	75	60,550	112,936	2,068	115,004

Statements of changes in shareholders' equity of the bank for the six-month periods ended 30 June 2013 and 30 June 2012

	LVL'000					
	Paid-in share capital	Share premium	Reserve capital	Fair value revaluation reserve	Retained earnings	Total shareholders' equity
As at 1 January 2012	16,500	5,255	1,500	(2,480)	69,399	90,174
Total comprehensive income for the six-month period ended 30 June 2012	-	-	-	2,311	5,698	8,009
Dividends paid	-	-	-	-	(19,106)	(19,106)
Issue of personnel shares	1,650	-	-	-	(1,650)	-
Issue of shares	1,590	13,356	-	-	-	14,946
As at 30 June 2012	19,740	18,611	1,500	(169)	54,341	94,023
As at 1 January 2013	19,740	18,611	1,500	1,855	65,098	106,804
Total comprehensive income for the six-month period ended 30 June 2013	-	-	-	(1,780)	15,154	13,374
Dividends paid	-	-	-	-	(16,415)	(16,415)
Issue of personnel shares	360	-	-	-	(360)	-
Issue of shares	986	10,545	-	-	-	11,531
As at 30 June 2013	21,086	29,156	1,500	75	63,477	115,294

Cash flow statements of the group and the bank for the six-month periods ended 30 June 2013 and 30 June 2012

	LVL'000			
	Group	Group	Bank	Bank
	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012
Cash flow from operating activities				
Profit before corporate income tax	21,856	6,773	17,651	7,395
Amortisation and depreciation of fixed assets and investment properties	1,214	994	756	737
Allowance for impairment of assets	4,600	8,785	4,601	8,795
Impairment of non-financial assets	62	135	-	258
Decrease/ (increase) in financial instruments	90	323	36	323
Interest (income)	(20,226)	(18,887)	(20,208)	(18,876)
Interest expense	5,715	8,101	5,715	8,114
Other non-cash items	475	(11)	(9)	(195)
Net cash flow from operating activities before changes in assets and liabilities	13,786	6,213	8,542	6,551
Decrease in balances due from credit institutions	33,581	12,605	35,178	14,309
(Increase)/ decrease in loans	(4,948)	2,482	(5,080)	3,509
(Increase) in financial assets at fair value through profit or loss	(7,608)	(1,191)	(7,608)	(1,191)
(Increase)/ decrease in other assets	11,082	(11)	10,888	4,782
(Decrease) in balances due to credit institutions	(3,018)	(171)	(7,168)	-
(Decrease)/ increase in deposits	(18,103)	208,603	(15,470)	209,664
Increase/ (decrease) in derivatives	(4,138)	129	(4,138)	129
(Decrease)/ increase in other liabilities	(2,189)	90	265	(786)
Net cash flow from operating activities before corporate income tax	18,445	228,749	15,409	236,967
Interest received in the reporting period	20,364	17,124	20,710	17,480
Interest (paid) in the reporting period	(6,377)	(7,138)	(6,383)	(7,138)
Corporate income tax (paid)	(1,575)	(120)	(1,575)	-
Net cash flow from operating activities	30,857	238,615	28,161	247,309
Cash flow from investing activities				
(Purchase) of held-to-maturity investments	(81,778)	(105,869)	(81,778)	(105,869)
Sale of held-to-maturity investments	3,285	-	3,285	-
(Purchase) of available-for-sale financial assets	(131,251)	(556,217)	(131,251)	(556,217)
Sale of available-for-sale financial assets	214,214	240,643	214,214	240,643
(Purchase) of intangible and tangible fixed assets and investment properties	(4,605)	(1,293)	(2,058)	(553)
Sale of intangible and tangible fixed assets	19	19	19	-
(Purchase) of investments in other entities	(20)	(1,954)	(25)	(6,620)
Net cash flow from investing activities	(136)	(424,671)	2,406	(428,616)
Cash flow from financing activities				
Increase in subordinated loans	1,643	-	1,643	-
(Repayment) of subordinated loans	(112)	(9,907)	(112)	(9,907)
Sale of issued securities	113,583	25,156	113,583	25,156
(Repurchase) of issued securities	(21,503)	(7,724)	(21,503)	(12,475)
Dividends (paid)	(16,554)	(19,095)	(16,410)	(19,095)
Issue of shares	11,531	14,945	11,531	14,945
Net cash flow from financing activities	88,588	3,375	88,732	(1,376)
Net cash flow	119,309	(182,681)	119,299	(182,683)
Cash and cash equivalents at the beginning of the period	542,893	637,416	538,944	637,007
Gain from revaluation of foreign currency positions	1,859	12,702	1,860	12,704
Cash and cash equivalents at the end of the period	664,061	467,437	660,103	467,028

	LVL'000			
	Group	Group	Bank	Bank
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
Cash and cash equivalents				
Cash and deposits with the Bank of Latvia	249,511	88,855	249,498	88,855
Balances due from credit institutions	422,072	380,819	418,127	380,410
Balances due to credit institutions	(7,522)	(2,237)	(7,522)	(2,237)
Total cash and cash equivalents	664,061	467,437	660,103	467,028

Notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2013

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 23 Elizabetes street, 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 the bank's main scope of activity are investment services, settlement products, 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 foreign representation offices in Azerbaijan – Baku, in Belarus – Minsk, in Kazakhstan – Almaty, in Russia – Moscow, St. Petersburg and Yekaterinburg, in Ukraine – Kyiv with its branch in Odessa, in Uzbekistan – Tashkent and Tajikistan – Dushanbe.

The following abbreviations are used in the notes to these 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).

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

The consolidated financial statements of the group and the separate financial statements of the bank for the six-month period ended 30 June 2013 were approved by the bank's board on 15 August 2013.

The group comprises the following subsidiaries as at 30 June 2013:

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 Asset Management, IPAS	LV	40003814724	Financial services	100
3	ABLV Capital Markets, IBAS	LV	40003814705	Financial services	90
4	ABLV Consulting Services, AS	LV	40003540368	Consulting services	100
5	ABLV Corporate Services, SIA	LV	40103283479	Consulting services	100
6	ABLV Corporate Services, LTD	CY	HE273600	Consulting services	100
7	ABLV Bank Luxembourg, S.A.	LU	B 162048	Financial services	100
8	Pillar Holding Company, KS	LV	40103260921	Holding company	99,9997
9	Pillar, SIA	LV	40103554468	Real estate transactions	100
10	Pillar Management, SIA	LV	40103193211	Real estate transactions	100
11	Pillar 2, SIA	LV	40103193033	Real estate transactions	100
12	Pillar 3, SIA	LV	40103193067	Real estate transactions	100
13	Pillar 4, SIA	LV	40103210494	Real estate transactions	100
14	Pillar 6, SIA	LV	40103237323	Real estate transactions	100
15	Pillar 7, SIA	LV	40103237304	Real estate transactions	100
16	Pine Breeze, SIA	LV	40103240484	Real estate transactions	100
17	Pillar 9, SIA	LV	40103241210	Real estate transactions	100
18	Pillar 10, SIA	LV	50103247681	Real estate transactions	100
19	Pillar 11, SIA	LV	40103258310	Real estate transactions	100
20	Pillar 12, SIA	LV	40103290273	Real estate transactions	100
21	Pillar 13, SIA	LV	40103300849	Real estate transactions	100
22	Lielezeres Apartment House, SIA	LV	50103313991	Real estate transactions	100
23	Pillar 18, SIA	LV	40103492079	Real estate transactions	100
24	Elizabetes Park House, SIA	LV	50003831571	Real estate transactions	91.6
25	New Hanza City, SIA	LV	40103222826	Real estate transactions	100
26	ABLV Private Equity Management, SIA	LV	40103286757	Investment project management	100
27	ABLV Private Equity Fund 2010, KS	LV	40103307758	Investment activities	100
28	Vaiņode Agro Holding, SIA	LV	40103503851	Agriculture	70
29	Vaiņodes Agro, SIA	LV	40103484940	Agriculture	70
30	Vaiņodes Bekons, SIA	LV	42103019339	Agriculture	70
31	Gas Stream, SIA	LV	42103047436	Electricity generation	70
32	Bio Future, SIA	LV	42103047421	Electricity generation	70
33	Orto klīnika, SIA	LV	40103175305	Medical services	60
34	Orto māja, SIA	LV	40103446845	Medical services	60

Note 2

Information on principal accounting policies

a) Basis of Preparation

These consolidated and separate financial statements are based on the accounting records made pursuant to the legislative requirements and prepared in conformity with International Financial Reporting Standards and IFRIC Interpretations as adopted by the European Union, on a going concern basis.

These 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 2013, 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 year*.

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

The functional currency of the bank and its Latvian subsidiaries is the monetary unit of the Republic of Latvia (LVL). Transactions of the bank's foreign subsidiaries are accounted for in the currency of their economic environment. The presentation currency of the group and the bank is the lat (LVL).

These consolidated and separate financial statements are reported in thousands of lats (LVL'000), unless otherwise stated. Information given herein in brackets represents comparative figures for the year ended 31 December 2012 and the six-month period ended 30 June 2012.

The principal rates of exchange (LVL for one foreign currency unit) fixed by the Bank of Latvia and used in the preparation of the bank's and group's financial statements were as follows:

Reporting date	USD	EUR	RUB
30 June 2013	0.539	0.702804	0.0164
31 December 2012	0.531	0.702804	0.0174

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

In the reporting period, the group/ bank has adopted the following new and amended IFRS and IFRIC interpretations, which do not have a significant impact on the financial statements:

- IAS 1 *Financial Statement Presentation* (Amended) – *Presentation of Items of Other Comprehensive Income*
- IAS 19 *Employee Benefits* (Revised)
- IFRS 7 *Financial Instruments: Disclosures* (Amended) - *Offsetting Financial Assets and Financial Liabilities*
- IFRS 13 *Fair Value Measurement*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Annual Improvements to IFRSs – 2009 – 2011 Cycle

IAS 1 *Financial Statement Presentation* (Amended) – *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognising or settlement) would be presented separately from items that will never be reclassified.

IAS 19 *Employee Benefits* (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

IFRS 7 *Financial Instruments: Disclosures* (Amended) - *Offsetting Financial Assets and Financial Liabilities*

The amendment introduces common disclosure requirements. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the group/ the bank. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal (stripping costs) incurred in surface mining activity, during the production phase of the mine. This interpretation will not have any impact on the group's and the bank's financial statements because neither the group nor the bank are engaged in mining.

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS.

- IAS 1 *Presentation of Financial Statements*: This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.
- IAS 16 *Property, Plant and Equipment*: This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- IAS 32 *Financial Instruments, Presentation*: This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.
- IAS 34 *Interim Financial Reporting*: Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment and disclosures in interim financial statements.

c) Standards issued but not yet effective

Standards issued but not yet effective or not endorsed by the EU and not early adopted

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

IAS 27 *Separate Financial Statements* (Revised)

The standard is effective for annual periods beginning on or after 1 January 2013. As a result of the new standards IFRS 10 and IFRS 12, this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 *Separate Financial Statements* requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*.

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

The standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 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.

IAS 32 *Financial Instruments: Presentation* (Amended) - *Offsetting Financial Assets and Financial Liabilities*

The amendment is effective for annual periods beginning on or after 1 January 2014. This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

IFRS 9 *Financial Instruments - Classification and Measurement*

The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued will eventually replace IAS 39 and it applies to classification and measurement of financial assets and financial liabilities. Phase 1 of IFRS 9 will have an impact on the classification and measurement of financial assets, while it will not impact on the classification and measurement of financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. This standard has not yet been endorsed by the EU.

IFRS 10 *Consolidated Financial Statements*

The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements as well as SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes will require management to exercise significant judgment to determine which entities are required to be consolidated by a parent.

IFRS 11 *Joint Arrangements*

The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Instead, jointly controlled entities that are classified as joint ventures must be accounted for using the equity method.

IFRS 12 *Disclosures of Involvement with Other Entities*

The new standard is effective for annual periods beginning on or after 1 January 2014. 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, jointly controlled entities, associates and special purpose entities. A number of new disclosures are also required.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2014. The IASB issued amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*. The amendments change the transition guidance to provide further relief from full retrospective application. 'The date of initial application' in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* to provide transition relief.

Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment Entities*

The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment applies to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds and other investment funds. Under IFRS 10 *Consolidated Financial Statements*, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The *Investment Entities* amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. This amendment has not yet been endorsed by the EU. The implementation of this amendment will not have any impact on the financial statements of the group, as the parent entity of the group is not an investment entity.

IFRIC 21 *Levies*

The interpretation is effective for annual periods beginning on or after 1 January 2014. 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). This Interpretation has not yet been endorsed by the EU.

IAS 36 *Impairment of Assets*

This amendment is effective for annual periods beginning on or after 1 January 2014. In developing IFRS 13 the IASB decided to amend IAS 36 to require the disclosure of information about the recoverable amount of impaired assets, particularly if that amount is based on fair value less costs of disposal. In particular, instead of requiring an entity to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit for which a material impairment loss was recognised or reversed during the reporting period, the amendment made to IAS 36 required an entity to disclose the recoverable amount of each cash generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or of intangible assets with indefinite useful lives. This amendment has not yet been endorsed by the EU.

IAS 39 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (amendment)

This amendment is effective for annual periods beginning on or after 1 January 2014. Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. This amendment has not yet been endorsed by the EU.

The group/ the bank is in the process of assessing the impact of these standards on the financial position or performance of the group/ the bank.

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

d) Significant estimates and assumptions

The preparation of 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 depreciation rates of tangible fixed assets and intangible fixed assets, valuation and depreciation rates of investment properties, calculation of deferred corporate income tax, determining the allowance for credit losses and the collateral value and the fair value of financial assets and liabilities.

Note 3

Interest income and expense

	LVL'000			
	Group	Group	Bank	Bank
	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012
Interest income				
on loans and advances to customers	10,335	11,270	10,320	11,260
on held-to-maturity securities	7,162	4,113	7,162	4,113
on available-for-sale securities	1,926	2,865	1,926	2,865
on balances due from credit institutions and central banks	803	639	800	638
Total interest income	20,226	18,887	20,208	18,876
Interest expense				
on the deposit guarantee fund	2,178	2,832	2,178	2,832
on debt securities issued	2,620	1,531	2,620	1,545
on deposits from non-bank customers	574	3,044	605	3,084
on subordinated deposits	288	634	288	634
on balances due to credit institutions and central banks	55	60	24	19
Total interest expense	5,715	8,101	5,715	8,114

Note 4

Commission and fee income and expense

	LVL'000			
	Group	Group	Bank	Bank
	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012
Commission and fee income				
commission on payment transfer handling on behalf of customers	9,951	7,661	9,971	7,661
service fees	3,281	1,904	3,277	1,904
commission on handling of settlement cards	3,044	2,656	3,047	2,656
commission on brokerage operations	2,281	1,555	166	177
commission on trust transactions	733	481	205	276
commission on documentary transactions	246	320	246	320
other commission and fee income	574	576	574	576
Total commission and fee income	20,110	15,153	17,486	13,570
Commission and fee expense				
correspondent bank service charges	1,083	1,009	1,078	1,009
commission on transactions with settlement cards	693	625	693	625
other commission and fee expense	423	202	19	7
Total commission and fee expense	2,199	1,836	1,790	1,641

Note 5

Net gains/ losses on financial assets

	LVL'000			
	Group	Group	Bank	Bank
	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012
Financial instruments at fair value through profit or loss				
Gain/ (loss) from revaluation of financial instruments at fair value through profit or loss	5	24	5	(17)
Derivatives	38	10	38	10
Securities	(33)	14	(33)	(27)
Gain/ (loss) from trading with financial instruments at fair value through profit or loss	68	(7)	68	(7)
Derivatives	58	(9)	58	(9)
Securities	10	2	10	2
Net gain/ (loss) from financial instruments at fair value through profit or loss	73	17	73	(24)
Available-for-sale financial instruments				
Gain from sale of available-for-sale securities	33	(17)	33	(17)
Net realised gain from available-for-sale financial instruments	33	(17)	33	(17)
Foreign exchange				
Profit from foreign currency exchange	6,980	6,808	7,062	6,880
(Loss)/ gain from revaluation of foreign currency positions	(37)	193	(36)	195
Net result from foreign exchange trading and revaluation	6,943	7,001	7,026	7,075
Net gain on transactions with financial instruments and foreign exchange	7,049	7,001	7,132	7,034

Note 6

Other operating income and expense

	LVL'000			
	Group	Group	Bank	Bank
	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012
Other income				
sale of assets taken over for sale	14,369	5,356	17	-
other income from the sale of products of associates	4,246	1,597	-	-
assignment of liabilities	2,039	-	-	-
penalties received	209	249	209	254
real estate management and lease	230	99	6	12
sale of subsidiaries	155	-	-	-
sale of services to associates	-	-	562	243
other operating income	424	158	74	120
Total other income	21,672	7,459	868	629
Other expense				
sale of assets taken over for sale	11,691	4,311	-	-
other expense related to the sale of products of associates	2,459	1,443	-	-
customer attraction	939	1,002	2,673	2,303
membership fees	253	194	221	172
other expense	629	205	71	-
Total other expense	15,971	7,155	2,965	2,475

Note 7

Allowances for impairment of financial assets

The table below presents allowances for impairment of financial assets of the group in the six-month period ended 30 June 2013:

	LVL'000							
	Mortgage loans	Business loans	Consumer loans	Other loans	Available-for-sale securities	Held-to- maturity securities	Other assets	Total
Individual allowances	966	6,719	-	385	80	173	1,376	9,699
Portfolio allowances	36,686	410	54	2,202	-	-	-	39,352
Total allowances at the beginning of the period	37,652	7,129	54	2,587	80	173	1,376	49,051
Increase/ (decrease) in allowances for the period	4,383	737	21	381	-	5	(927)	4,600
(Recovery) of write-offs/ asset write-off expense for the period	-	-	-	-	-	-	156	156
Increase in allowances for the period due to currency fluctuations	4	9	-	-	1	5	(25)	(6)
(Elimination) of allowances for the period due to write-offs	(7,896)	(923)	(19)	(143)	-	(183)	(224)	(9,388)
Individual allowances	951	6,232	-	381	81	-	356	8,001
Portfolio allowances	33,192	720	56	2,444	-	-	-	36,412
Total allowances at the end of the period	34,143	6,952	56	2,825	81	-	356	44,413

The table below presents allowances for impairment of financial assets of the group in the six-month period ended 30 June 2012:

LVL'000

	Mortgage loans	Business loans	Consumer loans	Other loans	Available-for-sale securities	Held-to- maturity securities	Other assets	Total
Individual allowances	1,570	14,190	-	694	120	972	370	17,916
Portfolio allowances	41,387	163	63	597	-	-	-	42,210
Total allowances at the beginning of the period	42,957	14,353	63	1,291	120	972	370	60,126
Increase/ (decrease) in allowances for the period	7,755	(727)	20	(65)	-	4	1,798	8,785
(Recovery) of write-offs/ asset write-off expense for the period	-	-	-	-	-	-	(118)	(118)
(Decrease) in allowances for the period due to currency fluctuations	11	17	-	-	4	33	23	88
(Elimination) of allowances for the period due to write-offs	(9,112)	(3,581)	(12)	(31)	-	-	-	(12,736)
Individual allowances	961	9,710	-	385	124	1,009	2,073	14,262
Portfolio allowances	40,650	352	71	810	-	-	-	41,883
Total allowances at the end of the period	41,611	10,062	71	1,195	124	1,009	2,073	56,145

The table below presents allowances for impairment of financial assets of the bank in the six-month period ended 30 June 2013:

LVL'000

	Mortgage loans	Business loans	Consumer loans	Other loans	Available-for- sale securities	Held-to- maturity securities	Other assets	Total
Individual allowances	966	6,719	-	385	80	173	1,338	9,661
Portfolio allowances	36,686	410	54	2,202	-	-	-	39,352
Total allowances at the beginning of the period	37,652	7,129	54	2,587	80	173	1,338	49,013
Increase/ (decrease) in allowances for the period	4,383	737	21	381	-	5	(926)	4,601
(Recovery) of write-offs/ asset write-off expense for the period	-	-	-	-	-	-	156	156
Increase in allowances for the period due to currency fluctuations	4	9	-	-	1	5	(25)	(6)
(Elimination) of allowances for the period due to write-offs	(7,896)	(923)	(19)	(143)	-	(183)	(224)	(9,388)
Individual allowances	951	6,232	-	381	81	-	319	7,964
Portfolio allowances	33,192	720	56	2,444	-	-	-	36,412
Total allowances at the end of the period	34,143	6,952	56	2,825	81	-	319	44,376

The table below presents allowances for impairment of financial assets of the bank in the six-month period ended 30 June 2012:

	LVL'000							
	Mortgage loans	Business loans	Consumer loans	Other loans	Available-for-sale securities	Held-to- maturity securities	Other assets	Total
Individual allowances	1,570	14,364	-	694	120	972	343	18,063
Portfolio allowances	41,387	163	63	597	-	-	-	42,210
Total allowances at the beginning of the period	42,957	14,527	63	1,291	120	972	343	60,273
Increase/ (decrease) in allowances for the period	7,754	(716)	20	(65)	-	4	1,798	8,795
(Recovery) of write-offs/ asset write-off expense for the period	-	-	-	-	-	-	(118)	(118)
Increase in allowances for the period due to currency fluctuations	11	17	-	-	4	33	23	88
(Elimination) of allowances for the period due to write-offs	(9,111)	(3,581)	(12)	(31)	-	-	-	(12,735)
Individual allowances	961	9,895	-	385	124	1,009	2,046	14,420
Portfolio allowances	40,650	352	71	810	-	-	-	41,883
Total allowances at the end of the period	41,611	10,247	71	1,195	124	1,009	2,046	56,303

Note 8

Taxation

	LVL'000			
	Group	Group	Bank	Bank
	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012
Profit before corporate income tax	21,856	6,773	17,651	7,395
Theoretical corporate income tax	3,278	1,016	2,648	1,110
Permanent differences	(30)	788	(258)	482
Actual corporate income tax expense for the reporting period	3,248	1,804	2,390	1,592
Adjustments to prior-year corporate income tax	44	-	44	-
Adjustments to prior-year deferred tax	-	(10)	-	30
Tax paid abroad	63	75	63	75
Total corporate income tax expense	3,355	1,869	2,497	1,697

Deferred corporate income tax calculation:

	LVL'000			
	Group	Group	Bank	Bank
	30/06/2013	31/12/2012	30/06/2013	31/12/2012
	Amounts	Amounts	Amounts	Amounts
	subject to	subject to	subject to	subject to
	temporary	temporary	temporary	temporary
	differences	differences	differences	differences
Accumulated excess of tax depreciation over accounting depreciation	9,505	8,592	4,600	4,328
Fair value revaluation reserve of available-for-sale financial assets	89	2,183	89	2,183
Revaluation of derivatives and securities	(414)	383	(414)	383
Revaluation of assets and accrual for vacation pay	(8,182)	(12,638)	(2,733)	(7,380)
Deferred tax (liability)/ asset on intra-group transactions	1,457	(2,235)	-	-
Tax loss	(8,410)	(8,424)	-	-
Unrecognised tax asset	7,770	9,923	-	-
Basis for calculation of deferred corporate income tax	1,815	(2,216)	1,542	(486)
Tax rate	15%	15%	15%	15%
Deferred corporate income tax (asset)/ liability at the end of the period	(390)	(404)	-	(74)
	663	71	231	-

	LVL'000			
	Group	Group	Bank	Bank
	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012	01/01/2013- 30/06/2013	01/01/2012- 30/06/2012
Deferred corporate income tax at the beginning of the period	(404)	(3,386)	(74)	(3,359)
	71	186	-	-
Increase charged to the statement of comprehensive income	873	1,604	618	1,592
Increase/ (decrease) attributable to fair value revaluation reserve under equity	(313)	408	(313)	408
Adjustments attributable to retained earnings/ (accumulated deficit)	46	(293)	-	-
Adjustment for the previous periods	-	(10)	-	30
Deferred corporate income tax (asset)/ liability at the end of the period	(390)	(1,503)	-	(1,329)
	663	12	231	-

Note 9

Balances due from credit institutions

As at 30 June 2013, the bank had established correspondent relationships with 27 (27) credit institutions registered in the EU and OECD area, 5 (6) credit institutions registered in Latvia, and 16 (16) credit institutions incorporated in other countries.

As at 30 June 2013, the group's and bank's major balances due from credit institutions registered in the EU and OECD area were as follows: LVL 57.9 (47.8) million due from the Bank of Montreal, LVL 53.2 (20.9) million due from JPMorgan Chase bank, and LVL 40.3 (41.1) million due from UBS AG.

Balances due from credit institutions to the group by geographical area and structure as at 30 June 2013:

	LVL'000					
	Latvia	EMU countries	Other EU Member States	Other OECD countries	Other countries	Total
Demand deposits with credit institutions						
Correspondent account balances	341	100,068	1,917	67,358	24,101	193,785
Overnight deposits	-	26,950	83,716	37,730	10,257	158,653
Total demand deposits with credit institutions	341	127,018	85,633	105,088	34,358	352,438
Other balances due from credit institutions						
Security deposits	-	302	191	27,006	-	27,499
Term deposits	-	20,390	30,932	-	-	51,322
Other balances	345	-	-	-	19,621	19,966
Total other balances due from credit institutions	345	20,692	31,123	27,006	19,621	98,787
Total balances due from credit institutions	686	147,710	116,756	132,094	53,979	451,225

Balances due from credit institutions to the group by geographical area and structure as at 31 December 2012:

	LVL'000					
	Latvia	EMU countries	Other EU Member States	Other OECD countries	Other countries	Total
Demand deposits with credit institutions						
Correspondent account balances	689	94,369	1,712	79,516	29,336	205,622
Overnight deposits	-	-	-	-	331	331
Total demand deposits with credit institutions	689	94,369	1,712	79,516	29,667	205,953
Other balances due from credit institutions						
Security deposits	-	295	111	33,620	-	34,026
Term deposits	2,657	15,931	115,886	-	3,865	138,339
Other balances	-	-	-	-	14,587	14,587
Total other balances due from credit institutions	2,657	16,226	115,997	33,620	18,452	186,952
Total balances due from credit institutions	3,346	110,595	117,709	113,136	48,119	392,905

Balances due from credit institutions to the bank by geographical area and structure as at 30 June 2013:

	LVL'000				
	Latvia	EMU countries	Other EU Member States	Other OECD countries	Other countries
Demand deposits with credit institutions					
Correspondent account balances	-	99,072	1,917	67,358	24,059
Overnight deposits	-	26,950	83,716	37,730	10,257
Total demand deposits with credit institutions	-	126,022	85,633	105,088	34,316
Other balances due from credit institutions					
Security deposits	-	-	191	27,006	-
Term deposits	-	16,170	30,932	-	-
Other balances	345	-	-	-	19,621
Total other balances due from credit institutions	345	16,170	31,123	27,006	19,621
Total balances due from credit institutions	345	142,192	116,756	132,094	53,937

Balances due from credit institutions to the bank by geographical area and structure as at 31 December 2012:

	LVL'000				
	Latvia	EMU countries	Other EU Member States	Other OECD countries	Other countries
Demand deposits with credit institutions					
Correspondent account balances	-	91,139	1,712	79,516	29,310
Overnight deposits	-	-	-	-	331
Total demand deposits with credit institutions	-	91,139	1,712	79,516	29,641
Other balances due from credit institutions					
Security deposits	-	-	111	33,620	-
Term deposits	2,657	15,931	115,886	-	3,865
Other balances	-	-	-	-	14,587
Total other balances due from credit institutions	2,657	15,931	115,997	33,620	18,452
Total balances due from credit institutions	2,657	107,070	117,709	113,136	48,093

Note 10

Debt securities and other fixed income securities

The group's and bank's investments in debt securities are classified by the investment type as follows:

Issuer	Group/ bank			LVL'000		
	30/06/2013			31/12/2012		
	Available- for- sale	Held-to- maturity	Total	Available- for- sale	Held-to- maturity	Total
Latvia						
Central governments	1,751	45,178	46,929	-	26,860	26,860
Corporate companies	1,028	7,109	8,137	1,061	-	1,061
Municipalities	-	191	191	-	186	186
Other financial intermediaries	-	-	-	36	-	36
Total	2,779	52,478	55,257	1,097	27,046	28,143
EMU countries						
Credit institutions	103,492	37,269	140,761	102,407	30,474	132,881
Central governments	-	17,184	17,184	11,313	15,933	27,246
Corporate companies	-	2,118	2,118	-	1,027	1,027
Total	103,492	56,571	160,063	113,720	47,434	161,154
Other EU Member States						
Central governments and central banks	50,325	11,506	61,831	55,702	3,812	59,514
Credit institutions	11,248	24,069	35,317	12,961	23,859	36,820
Total	61,573	35,575	97,148	68,663	27,671	96,334
Other OECD countries						
Central governments	197,226	39,120	236,346	223,144	38,634	261,778
Credit institutions	42,060	20,120	62,180	41,735	19,869	61,604
Municipalities	-	30,474	30,474	-	22,062	22,062
State-owned enterprises	8,313	5,456	13,769	10,960	5,386	16,346
Corporate companies	-	5,994	5,994	-	-	-
Other financial intermediaries	2,691	-	2,691	2,099	-	2,099
Total	250,290	101,164	351,454	277,938	85,951	363,889
Other countries						
Corporate companies	2,352	80,334	82,686	2,773	66,438	69,211
Credit institutions	7,836	47,885	55,721	8,800	47,185	55,985
Central governments and central banks	8,813	24,340	33,153	9,771	22,064	31,835
Municipalities	344	1,007	1,351	361	978	1,339
Financial auxiliary	41	-	41	50	-	50
Total	19,386	153,566	172,952	21,755	136,665	158,420
International organisations	26,703	37,997	64,700	62,337	27,065	89,402
Net fixed income securities	464,223	437,351	901,574	545,510	351,832	897,342

In the reporting period, the annual yield of the bank's securities portfolio was 1.5% (2.4%).

Most of these assets – 91.2% (93.8%) - have 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 2.5 (2.3).

Most significant investments of the group and the bank in debt securities are as follows:

Issuer	LVL'000					
	Group/ bank			Group/ bank		
	30/06/2013			31/12/2012		
	Available-for-sale	Held-to-maturity	Total	Available-for-sale	Held-to-maturity	Total
USA						
Central government	161,436	21,352	182,788	192,210	21,022	213,232
Other issuers	2,691	525	3,216	2,099	-	2,099
Total	164,127	21,877	186,004	194,309	21,022	215,331
Russia						
Central government	8,295	15,939	24,234	9,263	16,393	25,656
Other issuers	8,392	111,686	120,078	9,695	100,805	110,500
Total	16,687	127,625	144,312	18,958	117,198	136,156
Canada						
Central government	32,220	20,417	52,637	34,761	20,250	55,011
Other issuers	41,785	41,385	83,170	41,464	27,427	68,891
Total	74,005	61,802	135,807	76,225	47,677	123,902
Germany						
Central government	-	7,106	7,106	-	7,131	7,131
Other issuers	82,559	19,816	102,375	81,711	19,588	101,299
Total	82,559	26,922	109,481	81,711	26,719	108,430
Sweden						
Central government	41,492	5,398	46,890	38,964	-	38,964
Other issuers	11,248	8,309	19,557	12,961	8,214	21,175
Total	52,740	13,707	66,447	51,925	8,214	60,139
Latvia						
Central government	1,751	45,178	46,929	-	26,860	26,860
Other issuers	1,028	7,300	8,328	1,098	186	1,284
Total	2,779	52,478	55,257	1,098	27,046	28,144
International organisations	26,703	37,997	64,700	62,337	27,063	89,400
Other countries	44,623	94,943	139,566	58,947	76,893	135,840
Net securities portfolio	464,223	437,351	901,574	545,510	351,832	897,342

Note 11

Investments in subsidiaries

The bank has shares in the following subsidiaries:

Company	Country of incorporation	Share capital	Equity	30/06/2013		31/12/2012	
				Bank's share of total share capital, %	Share capital	Equity	Bank's share of total share capital, %
Pillar Holding Company, KS	LV	63,252	64,577	99.9997	63,252	63,731	99.9997
ABLV Bank Luxembourg, S.A.	LU	14,056	11,689	100	14,056	12,767	100
ABLV Private Equity Fund 2010, KS	LV	7,028	8,031	100	7,028	7,872	100
New Hanza City, SIA	LV	4,400	4,331	100	4,400	4,352	100
ABLV Consulting services, AS	LV	500	650	100	500	540	100
Pillar Management, SIA	LV	500	244	100	500	391	100
ABLV Capital Markets, IBAS	LV	450	1,876	90	400	1,886	100
ABLV Asset Management, IPAS	LV	400	620	100	400	391	100
ABLV Private Equity Management, SIA	LV	120	188	100	120	150	100
ABLV Corporate Services, SIA	LV	20	201	100	20	140	100
Pillar, SIA	LV	2	2	100	2	2	100
Total, gross		90,728	92,409		90,678	92,222	
	Impairment expense	(1,103)			(1,103)		
Total, net		89,625			89,575		

During the reporting period, the bank increased its investment in ABLV Capital Markets, IBAS by LVL 5 thousand. In the reporting period, ABLV Capital Markets, IBAS also issued registered non-voting shares (personnel shares) totalling LVL 45 thousand.

During the reporting period, no impairment indications in respect of the bank's investments in subsidiaries were established.

In June 2013, the group sold Pillar 17, SIA, which was a subsidiary of Pillar Holding Company, KS, to third parties.

As at 30 June 2013, funds of the customers of ABLV Asset Management, IPAS managed by the said company based on the customers' authorisation amounted to LVL 62.8 (38.2) million. The value of financial instruments of the ABLV Capital Markets, IBAS customers as at 30 June 2013 was LVL 526.6 (425.5) million.

Note 12

Deposits

Customer profile	LVL'000			
	Group	Group	Bank	Bank
	30/06/2013	31/12/2012	30/06/2013	31/12/2012
Corporate companies	1,566,960	1,609,345	1,574,130	1,615,844
Private individuals	276,605	233,101	276,605	233,101
Financial institutions	13,323	18,479	13,323	18,479
Non-profit institutions serving private individuals	713	1,441	713	1,441
Municipalities	45	25	45	25
Total deposits	1,857,646	1,862,391	1,864,816	1,868,890

The group's/ the bank's top 20 customers in terms of the deposit amount account for 16.1% (17.3%) of the total deposits.

	LVL'000			
	Group	Group	Bank	Bank
Geographical profile of customer residence	30/06/2013	31/12/2012	30/06/2013	31/12/2012
Other countries	1,228,882	1,159,614	1,228,882	1,159,614
Other EU Member States	329,795	384,906	329,795	384,906
EMU countries	221,625	228,800	221,625	228,800
Latvia	57,899	66,313	65,069	72,812
Other OECD countries	19,445	22,758	19,445	22,758
Total deposits	1,857,646	1,862,391	1,864,816	1,868,890

Of the total deposits placed with the group and the bank, 88.9% (88.0%) are from customers whose beneficiaries are CIS residents.

Note 13

Issued securities

Securities issued by the bank are as follows:

								LVL'000	
ISIN	Currency	Number	Par value	Date of issue	Date of maturity	Discount/ coupon rate, %	Group/ bank	Group/ bank	
							30/06/2013	31/12/2012	
Subordinated bonds									
LV0000800712	EUR	125,000	100	01/10/2008	01/10/2018	10.0	3,152	7,516	
LV0000800720	USD	200,000	100	01/10/2008	01/10/2018	9.5	4,532	9,508	
LV0000800845	USD	200,000	100	15/09/2010	15/09/2020	6.5	9,217	8,931	
LV0000800936	EUR	150,000	100	22/12/2011	22/12/2021	4.8	8,934	8,729	
LV0000800977	EUR	50,000	100	25/06/2012	25/06/2022	4.5	2,869	1,555	
LV0000800985	USD	200,000	100	27/06/2012	27/06/2022	4.5	10,785	10,620	
LV0000801124	USD	200,000	100	18/03/2013	18/03/2023	4.5	8,620	-	
LV0000801173	USD	200,000	100	27/06/2013	27/06/2023	4.3	8,740	-	
LV0000801181	EUR	200,000	100	27/06/2013	27/06/2023	4.3	7,825	-	
Subordinated bonds, total							64,674	46,859	
Ordinary bonds									
LV0000800910	EUR	10,000	1,000	20/12/2011	20/12/2013	1.5+Euribor 6m	6,800	6,792	
LV0000800928	USD	30,000	1,000	21/12/2011	21/12/2013	1.5+Libor 6m	16,179	15,813	
LV0000800969	USD	50,000	1,000	30/07/2012	30/07/2014	1.2+Libor 6m	25,859	26,759	
LV0000801033	USD	25,000	1,000	15/10/2012	15/10/2013	1.15	13,508	12,422	
LV0000801041	EUR	15,000	1,000	05/11/2012	05/11/2014	1.55	9,695	8,713	
LV0000801058	USD	50,000	1,000	06/11/2012	06/11/2014	1.45	23,824	7,461	
LV0000801108	EUR	20,000	1,000	25/02/2013	25/02/2015	1.68	8,985	-	
LV0000801116	USD	50,000	1,000	25/02/2013	25/02/2015	1.70	25,189	-	
LV0000801199	USD	50,000	1,000	21/06/2013	21/06/2015	1.73	18,964	-	
LV0000801207	EUR	20,000	1,000	21/06/2013	21/06/2015	1.73	3,850	-	
Ordinary bonds, total							152,853	77,960	
Issued securities, total							217,527	124,819	

Note 14

Subordinated liabilities

As at 30 June 2013, the group's and bank's subordinated liabilities of LVL 79.3 (59.8) million comprised subordinated bonds amounting to LVL 64.7 (46.9) million and subordinated loans amounting to LVL 14.6 (12.9) million. Subordinated loans consist from the total amount of USD 23.5 (20.7) million and EUR 2.7 (2.7) million.

The analysis of subordinated loans as at 30 June 2013:

	Loan amount, LVL'000	Accumulated interest, LVL'000	Interest rate, %	Currency	Date of the agreement	Date of maturity
Harpic group Ltd	8,085	34	5.03	USD	14/08/2008	19/08/2018
Other lenders*						
non-residents	4,552	44	1.75 - 3.15	USD		
non-residents	1,894	4	3.15 - 3.90	EUR		
Other lenders in total	6,446	48				
Total subordinated deposits	14,531	82				

The analysis of subordinated loans as at 31 December 2012:

	Loan amount, LVL'000	Accumulated interest, LVL'000	Interest rate, %	Currency	Date of the agreement	Date of maturity
Harpic group Ltd	7,965	34	5.11	USD	14/08/2008	19/08/2018
Other lenders*						
non-residents	2,979	37	1.75 - 8.39	USD		
non-residents	1,894	3	3.15 - 3.90	EUR		
Other lenders in total	4,873	40				
Total subordinated deposits	12,838	74				

The proportionate share of other lenders (for each individual lender) does not exceed 10% of the total amount of the subordinated capital/ The remaining weighted average maturity of subordinated deposits from other lenders is 4.73 (4.58) years.

Subordinated loans 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. The basic conditions of the subordinated bonds issued by the bank are disclosed in Note 13.

Note 15

Paid-in share capital

In the reporting period, the bank issued 6,570 (10,600) voting shares in addition to the existing 120,600 (110,000) voting shares. The issue of the bank's share capital was intended to ensure steady development of the group/ the bank in the future. The par value of each such new share was LVL 150 (150), while the premium per share was LVL 1,605 (1,260). Most of the newly issued shares have been acquired by the existing shareholders of the bank - Cassandra Holding Company, SIA and OF Holding, SIA.

As at 30 June 2013, the paid-in share capital of the bank amounted to LVL 21.1 million (19.7 million). All the shares have the par value of LVL 150 (150) each. The bank's share capital consists of 127,170 (120,600) ordinary registered voting shares and 13,400 (11,000) registered non-voting shares (personnel shares).

As at 30 June 2013, the bank had 118 (119) voting shareholders.

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

	30/06/2013		31/12/2012	
	Share of the bank's share capital, LVL'000	Share of the bank's voting capital (%)	Share of the bank's share capital, LVL'000	Share of the bank's voting capital (%)
Group of shareholders related to Ernests Bernis				
Ernests Bernis	1,005	5.27	1,004	5.55
Nika Berne	173	0.90	169	0.94
Cassandra Holding Company, SIA	7,025	36.83	6,606	36.52
Group of shareholders related to Ernests Bernis, total	8,203	43.00	7,779	43.01
Group of shareholders related to Olegs Fijls				
OF Holding, SIA	8,203	43.00	7,779	43.00
Olegs Fijls	-	-	-	-
Group of shareholders related to Olegs Fijls, total	8,203	43.00	7,779	43.00
Other shareholders, total	2,670	14.00	2,532	13.99
Total voting shares	19,076	100.00	18,090	100.00
Non-voting shares (personnel shares)	2,010		1,650	
Total share capital	21,086		19,740	

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

	30/06/2013		31/12/2012	
	Number of employees	Personnel shares	Number of employees	Personnel shares
Chairman of the Council and Council members	3	-	3	-
Chairman of the Board	1	-	1	-
Board members	6	7,250	6	5,850
Heads and deputy heads of divisions	17	6,150	15	5,150
Registered non-voting shares (personnel shares), total	x	13,400	x	11,000

Dividends declared and paid:

	LVL'000	
	Group/ bank	Group/ bank
	01/01/2013 - 30/06/2013	01/01/2012 - 30/06/2012
Dividends declared	16,415	19,106
Dividends paid	16,410	19,095

	LVL	
	Group/ bank	Group/ bank
	01/01/2013 - 30/06/2013	01/01/2012 - 30/06/2012
Dividends declared per share	123	158
Dividends paid per share	123	158

Note 16

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 the board, head and members of the Internal Audit Department, key management personnel that are authorised to plan, manage and control 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 bank has an interest as well as companies in which these individuals have a qualifying holding.

The group's transactions with related parties:

								LVL'000
				30/06/2013				31/12/2012
	Shareholders	Management	Related companies	Other related individuals	Shareholders	Management	Related companies	Other related individuals
Assets								
Loans	-	1,253	1,470	637	-	678	1,136	490
Liabilities								
Deposits	100	1,907	2,377	1,661	137	1,098	2,076	1,064
Ordinary bonds	-	-	-	21	-	-	-	1
Subordinated bonds	342	1,205	509	1,180	-	707	105	787
Memorandum items								
Undrawn credit facilities	-	118	187	70	-	118	60	58
Guarantees	-	134	-	-	-	133	-	-
				01/01/2013 - 30/06/2013				01/01/2012 - 30/06/2012
	Shareholders	Management	Related companies	Other related individuals	Shareholders	Management	Related companies	Other related individuals
Income/ expense								
Interest income	-	24	25	7	-	18	53	12
Commission and fee income	-	6	6	2	-	7	18	4
Interest expense	-	-	-	-	-	(1)	(1)	(1)

The bank's transactions with related parties:

LVL'000										
30/06/2013						31/12/2012				
	Shareholders	Management	Related companies	Subsidiaries	Other related individuals	Shareholders	Management	Related companies	Subsidiaries	Other related individuals
Assets										
Loans	-	1,253	1,327	10,936	402	-	678	1,136	11,831	420
Liabilities										
Deposits	100	1,907	2,373	7,732	1,390	137	1,098	2,076	9,238	904
Ordinary bonds	-	-	-	14	21	-	-	-	-	1
Subordinated bonds	342	1,205	509	-	1,017	-	707	105	-	635
Memorandum items										
Undrawn credit facilities	-	118	186	39	60	-	118	60	114	56
Guarantees	-	134	-	5	-	-	133	-	5	-
01/01/2013 - 30/06/2013						01/01/2012 - 30/06/2012				
	Shareholders	Management	Related companies	Subsidiaries	Other related individuals	Shareholders	Management	Related companies	Subsidiaries	Other related individuals
Income/ expense										
Interest income	-	24	24	343	4	-	18	53	366	7
Commission and fee	-	6	5	13	2	-	7	18	44	2
Interest expense	-	-	-	(6)	-	-	(1)	(1)	(2)	(1)
Other operating income	-	-	-	562	-	-	-	-	243	-
Other operating expense	-	-	-	(1,768)	-	-	-	-	(1,202)	-
Impairment allowances	-	-	-	-	-	-	-	-	(11)	-

The Latvian banking legislation requires that the total credit exposure to related parties may not exceed 15% of credit institution's equity. As at 30 June 2013, the bank was in compliance with the above statutory requirements.

Note 17

Segment information

The group and the bank believe that they are organised into three segments based on the core business activities as follows: banking, investments, and advisory. 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: ABLV Bank, AS, ABLV Asset Management, IPAS, and ABLV Capital Markets, IBAS, ABLV Bank Luxembourg, S.A;
- Advisory: ABLV Consulting Services, AS, ABLV Corporate Services, SIA, ABLV Corporate Services, LTD;
- Investments: Pillar Holding Company, KS, Pillar, SIA, Pillar Management, SIA, Pillar 2, SIA, Pillar 3, SIA, Pillar 4, SIA, Pillar 6, SIA, Pillar 7, SIA, Pina Breeze, SIA, Pillar 9, SIA, Pillar 10, SIA, Pillar 11, SIA, Pillar 12, SIA, Pillar 13, SIA, Lielezeres Apartment House, Pillar 18, SIA, Elizabetes Park House, SIA, New Hanza City, SIA, 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.

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

	Group 30/06/2013			Group 31/12/2012			Bank 30/06/2013	Bank 31/12/2012
	Banking	Investments	Advisory	Banking	Investments	Advisory	Banking	Banking
Assets								
Cash and deposits with the Bank of Latvia	249,505	6	-	216,074	4	-	249,498	216,074
Balances due from credit institutions	450,841	341	43	392,189	689	27	445,324	388,665
Securities and derivatives	915,305	-	-	903,256	-	-	915,305	903,256
Loans	536,888	7,267	-	539,202	8,007	-	547,829	551,033
Investments in subsidiaries and associates	20	3,501	-	-	2,668	-	89,602	89,577
Tangible and intangible fixed assets, investment properties	27,605	19,840	215	26,322	17,730	235	26,876	25,593
Other assets	2,726	57,214	257	14,439	57,229	189	2,977	14,031
Total assets per internal reporting	2,182,890	88,169	515	2,091,482	86,327	451	2,277,411	2,188,229
Impairment allowance*	44,376	38	-	49,013	38	-	44,376	49,013
Total assets per IFRS	2,138,514	88,131	515	2,042,469	86,289	451	2,233,035	2,139,216
Liabilities								
Balances due to credit institutions	2,857	2,435	-	2,198	999	-	8,756	10,811
Derivatives	894	-	-	4,579	-	-	894	4,579
Deposits and issued securities	2,089,577	209	-	1,997,612	2,510	-	2,096,956	2,006,621
Impairment allowances and other provisions	44,714	38	-	49,351	38	-	44,706	49,351
Other liabilities	11,114	4,363	377	9,670	7,159	430	10,805	10,064
Total liabilities per internal reporting	2,149,156	7,045	377	2,063,410	10,706	430	2,162,117	2,081,426
Total liabilities and shareholders' equity	2,262,483	8,370	721	2,170,470	7,233	557	2,277,411	2,188,229
Impairment allowance*	44,376	38	-	49,013	38	-	44,376	49,013
Total liabilities per IFRS	2,218,107	8,332	721	2,121,457	7,195	557	2,233,035	2,139,216

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

	Group 01/01/2013 - 30/06/2013			Group 01/01/2012 - 30/06/2012			Bank 01/01/2013 - 30/06/2013	Bank 01/01/2012 - 30/06/2012
	Banking	Investments	Advisory	Banking	Investments	Advisory	Banking	Banking
Profit/ loss								
Net interest income	14,150	361	-	10,378	408	-	14,493	10,762
Net commission and fee income	17,914	-	(3)	13,317	-	-	15,696	11,929
Net result of transactions with financial instruments and foreign exchange	7,128	(70)	(9)	7,031	(30)	-	7,132	7,034
Net other income/ expense	786	4,336	579	(1,044)	1,121	227	(2,097)	(1,846)
Income from dividends	20	-	-	4	-	-	1,317	1,401
Administrative expense and depreciation	(15,789)	(1,135)	(1,746)	(13,449)	(719)	(1,245)	(14,285)	(12,526)
Impairment allowances and provisions	(4,601)	1	-	(8,785)	-	-	(4,601)	(8,795)
Impairment of financial instruments	(4)	-	-	(306)	-	-	(4)	(306)
Impairment of non-financial assets	-	(62)	-	(135)	-	-	-	(258)
Corporate income tax	(3,038)	(285)	(32)	(1,804)	(65)	-	(2,497)	(1,697)
Net profit/ (loss) for the year	16,566	3,146	(1,211)	5,207	715	(1,018)	15,154	5,698

Note 18

Fair value of financial instruments

Fair value of a financial instrument is the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction. The group and the bank disclose the fair values of the financial assets and liabilities in such a manner so as to be able to compare the fair values with the carrying amounts. The group and the bank assume that the fair value of liquid financial assets and liabilities or financial assets and liabilities with a short maturity (less than three months) approximates to their carrying amount. This assumption also applies to demand deposits and savings accounts.

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

	30/06/2013		31/12/2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and deposits with central banks	249,511	249,511	216,078	216,078
Balances due from credit institutions	451,225	451,225	392,905	392,905
Derivatives	534	534	81	81
Financial assets at fair value through profit or loss	10,837	10,837	3,333	3,333
Available-for-sale financial assets	466,502	466,502	547,757	547,757
Loans and receivables	500,178	498,987	499,787	493,729
Held-to-maturity investments	437,351	437,968	351,832	363,321
Total financial assets	2,116,138	2,115,564	2,011,773	2,017,204
Financial liabilities				
Demand deposits from credit institutions	1,623	1,623	967	967
Derivatives	894	894	4,579	4,579
Financial liabilities at amortised cost	2,093,455	2,093,760	2,002,352	2,006,382
Total financial liabilities	2,095,972	2,096,277	2,007,898	2,011,928

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

	30/06/2013		31/12/2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and deposits with central banks	249,498	249,498	216,074	216,074
Balances due from credit institutions	445,324	445,324	388,665	388,665
Derivatives	534	534	81	81
Financial assets at fair value through profit or loss	10,837	10,837	3,333	3,333
Available-for-sale financial assets	466,502	466,502	547,757	547,757
Loans and receivables	503,853	502,629	503,611	497,553
Held-to-maturity investments	437,351	437,968	351,832	363,321
Total financial assets	2,113,899	2,113,292	2,011,353	2,016,784
Financial liabilities				
Demand deposits from credit institutions	7,522	7,522	2,406	2,406
Derivatives	894	894	4,579	4,579
Financial liabilities at amortised cost	2,098,190	2,098,495	2,015,026	2,019,056
Total financial liabilities	2,106,606	2,106,911	2,022,011	2,026,041

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

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

Level 3 inputs, i.e. other valuation techniques, are used for available-for-sale financial assets not quoted in the market and for which no quoted prices for similar assets in active markets are available. In determining the fair value for such financial

assets, valuation models 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.

The group's and the bank's financial assets defined at fair value and as available-for-sale according to the hierarchy of input data for determining the fair value:

LVL'000				
30/06/2013				
Financial assets	Level 1	Level 2	Level 3	Total
Derivatives	38	496	-	534
Financial assets at fair value through profit or loss	10,837	-	-	10,837
incl. shares and other non-fixed income securities	10,837	-	-	10,837
Available-for-sale financial assets	464,164	-	2,338	466,502
incl. fixed income securities	464,164	-	59	464,223
incl. shares and other non-fixed income securities	-	-	2,279	2,279
Total financial assets	475,039	496	2,338	477,873
Financial liabilities				
Derivatives	-	894	-	894
Total financial liabilities	-	894	-	894

Note 19

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 2013 will not result in material losses for the bank and/ or the group.

Note 20

Events after reporting date

As of the last day of the reporting period until the date of signing these interim condensed consolidated financial statements there have been no events requiring adjustment of or disclosure in these interim condensed consolidated 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 36 and which comprise the statements of financial position as at 30 June 2013, the statements of comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2013, 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.

SIA Ernst & Young Baltic
Licence No. 17

Iveta Vimba
Latvian Certified Auditor
Certificate No. 153
Member of the board

Armands Podolskis
Latvian Certified Auditor
Certificate No. 191

Riga, 15 August 2013