



ABLV

BANKING / INVESTMENTS \ ADVISORY

ABLV Bank, AS

Interim condensed consolidated annual report
for the year ended 31 December 2013

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Bank's Management Report

Dear shareholders of ABLV Bank, AS,

Due to consequent implementation of the group's development strategy, ABLV Bank, AS, and other ABLV Group companies continued to grow in the reporting period. The growth was also facilitated by favourable overall economic conditions and upswing in our customers' areas of operations.

In 2013 the global economy growth continued to slow down: the global GDP increase is estimated to be less than 3.0% in 2013, whereas in 2012 it amounted to 3.5%. Growth pace decrease affected the world's largest economies: USA, China, Japan, and Germany. Furthermore, the major problem of the global economy – public debt increase in developed countries – was not solved in 2013.

However, Latvian economy continued to grow. In 2013, Latvia still was the leader in terms of GDP increase among all countries of the European Union. During the first three quarters of the year, Latvian GDP grew by 3.8%, 4.3%, and 4.5% respectively. This increase also boosted the optimism among local businessmen and investors, which is essential for further economic upturn. Such economic growth allowed decreasing the public debt to GDP ratio from 41.0% to 35.0%.

Overall Latvian investment environment and public debt servicing were positively influenced by Latvian credit rating upgrade by the leading rating agencies in 2013. The current rating is only one notch lower than during the period from 2004 to 2007. Whereas, Standard&Poor's decided to upgrade Latvian outlook from stable to positive at the end of 2013, preserving the current rating of BBB+, and thus in 2014 the country will be able to regain its highest rating so far.

Latvian economy is also positively affected by the programme of granting residence permits for investments in real estate and companies. It is difficult to calculate the exact economic effect of this programme, however according to approximate estimates the overall amount of funds attracted to the economy reaches several hundred million euros. For example, the programme directly affected the real estate sector, which grew by 11.6% in Q3, and construction of residential properties rose by 83.0% compared with the previous year. The programme also stimulated personal consumption.

Long-awaited implementation of single European currency, the euro, was also important for Latvian economy and financial market. This will definitely make Latvian economy more attractive for investors from both the West and the East. It is supposed to ensure considerable benefits for the country in the long term. Whereas establishment of the European Central Bank direct supervision over three largest banks – including ABLV Bank, AS, – will increase the stability, safety and reliability of those banks and Latvian banking system in general.

In autumn 2013, we celebrated ABLV Bank 20-year anniversary. We started operations being one of the smallest banks, and due to the steadily pursuing elaborated strategy our bank managed to successfully overcome all crisis situations, meanwhile retaining its independence, and became the largest private bank and one of the three biggest banks in Latvia.

One of the most significant events during the reporting period was another issue of ABLV Bank, AS, shares, 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 with 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 were 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, there were four issues of subordinated 10-year bonds for the sake of raising the capital performed in 2013, their size being USD 55.0 million and EUR 20.0 million, as well as six issues of straight 2-year bonds, amounting to USD 175.0 million and EUR 40.0 million. These bonds have been also included in the NASDAQ OMX Riga stock exchange list of debt securities. As at the end of 2013, investors held ABLV Bank, AS, bonds worth LVL 216.7 million (EUR 308.4 million), and 15 bond issues were included in the NASDAQ OMX Riga list of debt securities.

The efficiency of the business strategy chosen by us is also evidenced by the 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

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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.

Since ABLV Bank, AS, and other ABLV Group companies are constantly developing, both business volume and number of officers are growing. In 2013, ABLV Group staff was increased by 90 officers, and 58 of those started their work at the bank's structural units. As at 31 December 2013, there were 698 officers working in ABLV Group, and 571 of those – in the bank. Therefore, a decision on moving part of the bank's structural units to new premises – the business centre Jupiter Centre, at 7 Skanstes Street – was taken. Now the bank has two administrative buildings in Riga – at 23 Elizabetes Street and 7 Skanstes Street.

Financial results

The bank's major financial indicators for 2013 reached their 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 2013 amounted to LVL 30.7 million (EUR 43.7 million). Whereas the profit for 2012 was equal to LVL 16.5 million (EUR 23.4 million).
- The bank's operating income before allowances for credit losses totalled LVL 77.5 million (EUR 110.2 million). Compared with 2012, operating income has increased by 27.3%.
- The amount of customers' deposits equalled LVL 1.95 billion (EUR 2.78 billion) as at the end of the reporting period.
- The amount of the issued debt securities reached LVL 216.7 million (EUR 308.4 million).
- As at 31 December 2013, the amount of the bank's assets equalled LVL 2.33 billion (EUR 3.32 billion). Over the year, the amount of assets has grown by 8.9 %, the total assets increased by LVL 190.8 million (EUR 271.5 million).
- The bank's loan portfolio equalled LVL 535.0 million (EUR 761.3 million), as at the end of December.
- The bank's capital and reserves amounted to LVL 131.4 million (EUR 187.0 million).
- Assets under management and customers' financial instruments amounted to LVL 651.3 million (EUR 926.7 million).
- As at 31 December 2013, the bank's capital adequacy ratio was 17.53%, whereas liquidity equalled 79.20%.
- ROE reached 26.29%, and ROA – 1.36%, as at 31 December 2013.

The bank continued investing in securities. The total amount of the securities portfolio was equal to LVL 983.8 million (EUR 1.40 billion), as at 31 December 2013. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 69.1% 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 – 21.8%, Russia – 13.8%, Germany – 12.3%, Canada – 11.6%, Sweden – 8.8%, Latvia – 7.9%, Netherlands – 3.5%, Norway – 2.2%, Switzerland – 1.6%, and Great Britain – 1.4%. Whereas, 6.6% is constituted by securities issued by international institutions – the European Commission, EBRD, etc. In the reporting period, annual yield of the bank's securities portfolio amounted to 1.8%.

In 2013, Internetbank application for iPhone was made available to customers. Using the Internetbank for iPhone, customers will be able to view an account report and information on blocked amounts, payment card data, with an option to change the card status, as well as to make intrabank payments, to send currency exchange orders, and to perform other transactions.

In 2014, we will also offer Internetbank for iPad. Its functionality will be similar to that of standard Internetbank, from viewing account balances to managing of investment portfolios. Accounts, payment cards, deposits, investments, and credits will always be at hand, whereas convenient mailbox will keep customers informed of messages and reports sent by the bank. In order to facilitate the application use in different lightening conditions, the application is developed in accordance with our corporate style and it will be allowed to choose between two high-contrast versions — dark and light ones, as well as between landscape and portrait layout.

Improving work of our Client Line, from December 2013 we ensure the possibility to contact us any time — 24/7, calling at +371 6777 5555. Recognizing the growing significance of data protection, we implemented a number of new technologies and procedures for improving security in our Internetbank. For the utmost convenience, the new service implying the remote preparation of applications and payments for customers was launched.

It should be noted that under the euro implementation in Latvia on 1 January 2014 we also successfully switched the bank's systems, products and services to the new currency.

Investments

In 2013, ABLV Bank, AS, affiliate companies ABLV Capital Markets, IBAS, and ABLV Asset Management, IPAS, worked hardily on launching new products and improving existing ones.

During 2013, the range of our open-end mutual funds was expanded by four new funds. Those include two corporate bond funds, ABLV European Corporate EUR Bond Fund and ABLV Global Corporate USD Bond Fund, which have moderate investment strategy and balanced risk level, and are aimed at achieving capital growth considerably higher than that ensured by deposit interest rates, by investing the funds' assets in corporate bonds with high coupon yield and high liquidity. There were also two new stock funds added, ABLV European Industry EUR Equity Fund and ABLV US Industry USD Equity Fund, with moderately aggressive investment strategy and increased risk level, which are aimed at achieving long-term capital growth. Just like existing mutual funds, the new funds are also managed by ABLV Asset Management, IPAS.

As at the end of 2013, the total asset value of the open-end mutual funds reached LVL 61.8 million (EUR 87.9 million). Since the beginning of the year, the total value of funds has increased by 72.4%, i.e., approximately by LVL 26.0 million (EUR 36.9 million). The growth of the funds' value was due to the high interest in financial markets and customers' willingness to diversify their investment portfolios by acquiring shares of ABLV funds, as well as due to establishment of four new funds mentioned before.

As at the end of 2013, the total assets under ABLV Asset Management, IPAS, management amounted to LVL 65.5 million (EUR 93.2 million), of which LVL 61.8 million (EUR 87.9 million) were customers' investments in mutual funds managed by the company, and LVL 3.7 million (EUR 5.3 million) were customers' funds invested in individual investment programmes.

ABLV Capital Markets, IBAS, which executes customers' instructions for purchasing and selling all types of financial instruments in the world's major stock markets, gained profit of LVL 2.3 million (EUR 3.3 million) in 2013. As at 31 December 2013, the total assets of the company's customers invested in financial instruments were equal to LVL 548.5 million (EUR 780.4 million).

We continued expanding the opportunities of obtaining financing against pledge of investment portfolio, and we offer it not just in USD and EUR currencies, but in RUB currency as well.

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

Due to the contribution of ABLV Private Equity Fund 2010, KS, Orto clinic was opened in Riga in 2013 which is the first newly built private traumatology and orthopedics centre in Latvia. The total project costs were about LVL 3.5 million (EUR 5.0 million), where LVL 2.7 million (EUR 3.8 million) were spent on the building construction, and LVL 0.8 million (EUR 1.2 million) – on acquiring medical and other necessary equipment. The project financing was ensured by ABLV Private Equity Fund 2010, KS, investments in the share capital of Orto klīnika, SIA, and by the bank loan. Earlier, ABLV Private Equity Fund 2010, KS, made investments in Depo DIY, SIA (construction materials retail chain), Vaiņode Agro Holding, SIA (agricultural holding) and Grindeks, AS (pharmaceutical company).

At the beginning of December 2013, ABLV Bank, AS, established a new company – AmberStone Group, AS, investing LVL 3.4 million (EUR 4.9 million) in its share capital. This will be a holding company, managing own investments. The objective of establishing AmberStone Group, AS, is to separate the business not related to rendering financial and banking services from ABLV Group. It is planned that till the end of 2015 the share capital of the new company will be increased to EUR 25.0 million, also due to attracting new shareholders from ABLV Bank, AS, shareholders, customers, and partners. The members of the company's board will be Agris Grīnbergs, who is appointed the Chairman of the Board, and Kārlis Kavass and Māris Kannenieks. Whereas ABLV Bank, AS, Chief Executive Officer, CEO, Ernests Bernis will be the Chairman of the company's council.

Real estate management

Other companies of ABLV Group also continued to grow. The year 2013 was successful for the whole Latvian real estate sector, but real estate development and trading group Pillar outperformed the market in 2013, achieving great results. Its sales increased 2.5 times, i.e., by 141.0%. According to different estimates, the overall market growth is estimated 30.0%. In 2013, the company made the total of 613 property sale transactions, amounting to LVL 27.1 million (EUR 38.6 million). Whereas, during 2012 Pillar sold 254 properties for LVL 11.0 million (EUR 15.7 million).

The customers' activity has considerably grown in respect of all residential property segments – premium class, new projects, and especially existing homes. Among sold properties, 134 were the apartments in new and renovated projects, including 14 premium class apartments in Elizabetes Park House project. There were 476 apartments sold in existing homes (in 2012 – 125 apartments), as well as 2 commercial property sale transactions and one private house

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sale transaction made. During last year the number of transactions with apartments in existing homes increased by 280.0%, whereas price growth in this sector was approximately up to 10.0%.

Pillar real estate development and renovation line of business continues to advance. By taking over and performing complete renovation of apartment blocks, private houses, and individual apartments, Pillar ensures their high-quality interior finishing. Totally, EUR 14.0 million has been invested in property renovation. Our renovated real estate development portfolio includes such special projects highly appreciated by customers as Elizabethes Park House, Saules Rasa, Pine Breeze, Mārtiņa Nams 2, Liesmas Apartment House, Dārza Apartment House, Lielezeres Apartment House, etc. The quality of our work is evidenced by the fact that most of the properties have already been sold off.

Active development of the project important for the whole ABLV Group – the financial and business centre New Hanza City, where ABLV Bank main building will be constructed in future – was continued. At the beginning of 2013, first construction works were started in Riga, at 28a Pulkveža Brieža Street, and Pillar will be able to move to its new office building at the project territory already in February 2014. Till now, more than LVL 20.0 million (EUR 28.5 million) have been invested in the project.

Advisory

We always try to stay close to our customers, and therefore in 2013 we continued expanding the network of our representative offices abroad. The representative office of ABLV Consulting Services, AS, was opened in Vladivostok (Russia), as well as territorial structural unit in Limassol (Cyprus) started its operations.

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 is a significant support to the customers whose business is related to Vladivostok, their cooperation partners, and other businessmen from all over Far East.

Whereas Cyprus was chosen since many customers from Russia and CIS states making business in Cyprus, also use the services rendered by companies registered there.

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

The service of obtaining residence permit in Latvia remains to be the most popular one among those rendered by ABLV Corporate Services, SIA. For convenience of foreign legal entities and to ensure cost reduction, in 2013 ABLV Corporate Services, SIA, started offering the opportunity of establishing a company in Latvia. Foreign legal entities can reduce their expenses by using tax benefits allowed for Latvian holding companies, as well as obtain more favourable lending conditions and payment fees.

Customers of ABLV Corporate Services, SIA, are also enthusiastic about getting advice on establishment of holding structures and assistance in changing their tax residence.

It should be noted that during the year specialists of ABLV Group participated in various international conferences, exhibitions and seminars: the largest Russian transport and logistics exhibition TransRussia, conference Intax Forums, Intax Expo, conference Inter Legal in Kiev, Kazakhstan conference Invest Pro – Kazakhstan 2013, as well as international conference and exhibition Intax Wealth Latvia, which was held in Riga for the first time. During those events, ABLV Group services were presented to existing and prospective customers.

Luxembourg

In September 2013, which is the month of ABLV Bank 20-year anniversary celebration, ABLV Bank subsidiary bank in Luxembourg, ABLV Bank Luxembourg, S.A., started rendering services to customers. Alongside traditional banking products, customers are also offered services, developed especially for customers of the Luxembourg bank: fiduciary deposits, overnight deposits, advisory investment management, etc. ABLV Bank Luxembourg, S.A., combines the high level of ABLV customer service and traditions of the largest European investment centre.

The subsidiary bank in Luxembourg was established in order to develop the existing customer base and strengthen their loyalty, providing larger range of investment and fiduciary services, as well as to attract new customers. ABLV Bank, AS, is the first bank from the Baltic countries to establish a subsidiary bank in Luxembourg.

Plans for 2014

Given the understanding that pressure of various unfavourable factors and complications in banking business are constantly growing, as well as requirements of supervisory authorities are increasing, the most important in such situation is to ensure stable growth and development of the bank, meanwhile constantly improving risk management and taking care of protection of the customers' interests.

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In 2014, we plan to increase the bank's operating income at least by 15.0%. Due to expansion of the operations, 147 new jobs are supposed to be created in ABLV Group.

For society

On 27 November 2013, ABLV Bank, AS, became a member of the Latvian Employers' Confederation. Joining the Confederation, we want to highlight that we are a socially responsible company, with high sense of responsibility to the state and willing to develop in a long term. The status of the Confederation member allows participating in development and adoption of the state policy planning documents and normative acts both domestically and internationally, thus bringing the changes that will have beneficial effect on development of the whole banking sector. In the Confederation, ABLV Bank, AS, will work on such issues as finance, operations of credit institutions, financial and investment services, securities and real estate transactions, and tax matters.

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 artworks, the collection became more diverse, comprising art of various genres: paintings, graphics, photos and videos, special artworks, and sculptures. Currently, the collection includes 204 works by 31 artists. On the 20th of September, the exhibition "...for an occurrence to become an adventure..." was opened in Riga Art Space, and works of all those artists were presented there. The exhibition aroused great public interest, and there were more than 5 600 visitors in total. We have also issued the art album "No Walls", which includes all the acquired artworks.

In July, we supported fifth exhibition of the dress collection brought by fashion historian Alexandre Vassiliev, which took place in the Museum of Decorative Arts and Design. This time the exhibition was named "From war to peace. Fashion of the 1940s and 1950s". Our customers had an opportunity to view the exhibition accompanied by Alexandre Vassiliev.

At the end of August, the bank's traditional golf tournament, ABLV Invitation Golf Tournament 2013, took place in Ozo Golf Club. There were 93 golfers participating in the tournament – they were our customers from Latvia and abroad, cooperation partners, bank's officers, and also prospective customers of the bank.

On 17 September 2013, the bank celebrated its 20th anniversary – during these 20 years of operations we have gained valuable experience. Celebrating this, there was a bronze bull sculpture placed in the territory of the future financial and business centre New Hanza City in Riga. The sculpture motto is Labor Omnia Vincit (Work conquers all), and it stands for the power of work, determination, self-belief, and confidence about the chosen path. The sculpture was created by famous artist Gļebs Panteļejevs.

At the end of 2013, ABLV Charitable Foundation in cooperation with ABLV Bank, AS, for the seventh time arranged Christmas fund drive, during which our customers and officers made donations to two main social programmes of the fund: "Help hear!" (for acquiring hearing devices) and "Help grow up!" (for children camps). The fund together with ABLV Bank, AS, doubled the amount donated to both programmes – "Help hear!" and "Help grow up!". Besides these programmes, ABLV Charitable Foundation launched a new one – "Help 21.11" – to ensure a long-term support for children whose parents died or were severely injured in a result of the tragedy in Zolitude. ABLV Bank, AS also made the first donation to the programme equal to LVL 50.0 thousand (EUR 71.1 thousand).

In January 2014, after the fund drive was completed, we discovered that the total amount of donations under this fund drive reached incredibly high level exceeding EUR 333 thousand. Therefore, this year we will be able to make dreams of even more children willing to hear or go to a summer camp come true.

In 2013, the bank allocated the total of LVL 1.2 million (EUR 1.7 million) to charity.

Statement of corporate governance is published at the bank's home page www.ablv.com.

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!

Chairman of the Council
Oļegs Fiļs

Chairman of the Board
Ernests Bernis

Riga, 24 February 2014

The council and the board

The council of the bank:

Chairman of the Council: Oļegs Fiļs	Date of re-election: 01/04/2013
Deputy Chairman of the Council: Jānis Krīgers	Date of re-election: 01/04/2013
Council Member: Igoris Rapoportis	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)	Date of re-election: 17/10/2011
Edgars Pavlovičs – Chief Risk Officer (CRO)	17/10/2011
Māris Kanneniēks – Chief Financial Officer (CFO)	17/10/2011
Rolands Citajevs – Chief IT Officer (CIO)	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 year.

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 set out on pages 10 to 38 are prepared in accordance with the source documents and present truly and fairly the financial position of the bank and the group as at 31 December 2013 and 2012, and the results of their operations, changes in the shareholders' equity and cash flows for the years then ended.

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, as well as consistently applying accounting policies in conformity with International Financial Reporting Standards 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.

Chairman of the Council
Oļegs Fiļs

Chairman of the Board
Ernests Bernis

Riga, 24 February 2014

Income statements and other statements of comprehensive income for the years ended 31 December 2013 and 2012*

	Notes	EUR'000			
		Group	Group	Bank	Bank
		01/01/2013- 31/12/2013	01/01/2012- 31/12/2012	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Interest income	3	58,877	55,159	58,679	54,707
Interest expense	3	(16,235)	(21,865)	(15,936)	(21,840)
Net interest income		42,642	33,294	42,743	32,867
Commission and fee income	4	61,687	45,987	55,363	41,549
Commission and fee expense	4	(10,775)	(8,845)	(15,283)	(12,442)
Net commission and fee income		50,912	37,142	40,080	29,107
Net gain on transactions with financial instruments and foreign exchange	5	21,993	20,790	22,200	20,997
Gains on sale of non-financial assets held for sale		4,769	1,330	24	-
Other income	6	18,403	8,315	3,089	1,625
Income from dividends		105	10	2,079	1,998
Impairment allowance for loans	7	(9,466)	(17,698)	(9,466)	(17,450)
Operating income		129,358	83,183	100,749	69,144
Administrative expense		(55,573)	(43,042)	(42,445)	(34,099)
Amortisation and depreciation		(4,744)	(2,908)	(2,800)	(2,039)
Other expense	6	(8,214)	(4,380)	(841)	(741)
Provisions		-	(481)	-	(481)
Impairment of financial instruments		(1,218)	(458)	(1,218)	(458)
Impairment of other assets		635	(3,707)	(2,002)	(2,588)
Operating expense		(69,114)	(54,976)	(49,306)	(40,406)
Profit before corporate income tax		60,244	28,207	51,443	28,738
Corporate income tax	8	(9,246)	(5,633)	(7,767)	(5,326)
Net profit for the year		50,998	22,574	43,676	23,412
Attributable to:					
Equity holders of the bank		50,304	22,917	-	-
Non-controlling interests		694	(341)	-	-
Other comprehensive income:					
Other comprehensive income which already is or could be recognised in profit or loss					
Changes in fair value revaluation reserve of available-for-sale financial assets		(3,061)	6,791	(3,061)	6,791
Charge to income statement as a result of sale of available-for-sale securities		18	(23)	18	(23)
Charge to income statement due to recognised impairment of available-for-sale securities		1,095	487	1,095	487
Change in deferred corporate income tax		292	(1,087)	292	(1,087)
Other comprehensive income, total		(1,656)	6,168	(1,656)	6,168
Total comprehensive income		49,342	28,742	42,020	29,580
Attributable to:					
Equity holders of the bank		48,648	29,085	-	-
Non-controlling interests		694	(341)	-	-
Earnings per share attributable to the equity holders of the bank, EUR		346.08	230.78		

* - Information has been prepared based on data that are available in the annual report for the year ended 31 December 2013 and in the annual report for the year ended 31 December 2012 audited by SIA Ernst & Young Baltic (No 40003593454).

Statements of financial position as at 31 December 2013 and 31 December 2012*

		EUR'000			
		Group	Group	Bank	Bank
Assets	Notes	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Cash and deposits with central banks		356,768	307,461	356,747	307,446
Balances due from credit institutions	9	640,325	559,043	619,037	553,020
Derivatives		451	115	451	115
Financial assets at fair value through profit or loss	10	16,794	4,742	16,794	4,742
Available-for-sale financial assets	11	738,655	779,388	731,659	779,388
Loans		750,097	711,133	761,268	716,574
Held-to-maturity financial assets	12	653,037	500,612	651,411	500,612
Investments in subsidiaries and associates	13	6,635	3,796	132,829	127,457
Investment properties		33,358	29,675	24,330	24,620
Tangible fixed assets		32,672	27,903	9,745	6,981
Intangible fixed assets		5,639	5,437	5,016	4,815
Current corporate income tax receivables		124	101	-	-
Deferred corporate income tax	8	710	575	-	105
Non-financial assets held for sale		72,157	79,745	622	1,217
Other assets		8,655	19,863	5,457	16,736
Total assets		3,316,077	3,029,589	3,315,366	3,043,828
Liabilities					
Derivatives		2,046	6,515	2,046	6,515
Demand deposits from credit institutions		10,654	1,376	14,491	3,423
Term deposits from credit institutions		3,633	3,173	-	11,959
Deposits	14	2,768,169	2,649,944	2,776,457	2,659,191
Current corporate income tax liabilities		5,303	1,811	5,125	1,504
Other liabilities		17,348	22,645	11,098	12,816
Deferred corporate income tax	8	795	101	169	-
Provisions		408	481	408	481
Issued securities	15	308,386	177,601	308,386	177,601
Subordinated deposits	16	10,149	18,372	10,149	18,372
Total liabilities		3,126,891	2,882,019	3,128,329	2,891,862
Shareholders' equity					
Paid-in share capital	17	30,003	28,088	30,003	28,088
Share premium		41,485	26,480	41,485	26,480
Reserve capital and other reserves		2,134	2,134	2,134	2,134
Fair value revaluation reserve of available-for-sale financial assets		983	2,639	983	2,639
Retained earnings brought forward		60,381	61,600	68,756	69,213
Retained earnings for the period		50,304	22,917	43,676	23,412
Attributable to the equity holders of the bank		185,290	143,858	187,037	151,966
Non-controlling interests		3,896	3,712	-	-
Total shareholders' equity		189,186	147,570	187,037	151,966
Total liabilities and shareholders' equity		3,316,077	3,029,589	3,315,366	3,043,828
Memorandum items					
Contingent liabilities		7,890	10,027	7,898	10,034
Financial commitments		60,439	42,915	60,799	43,079

* - Information has been prepared based on data that are available in the annual report for the year ended 31 December 2013 and in the annual report for the year ended 31 December 2012 audited by SIA Ernst & Young Baltic (No 40003593454).

Statement of changes in shareholders' equity of the group for the years ended 31 December 2013 and 31 December 2012

EUR'000

	Paid-in share capital	Share premium	Reserve capital	Fair value revaluation reserve	Retained earnings	Attributable to the equity holders of the Bank	Non- controlling interests	Total shareholders' equity
As at 1 January 2012	23,478	7,476	2,134	(3,529)	91,133	120,692	715	121,407
Total comprehensive income for the reporting year	-	-	-	6,168	22,917	29,085	(341)	28,744
Dividends paid	-	-	-	-	(27,185)	(27,185)	-	(27,185)
Issue of personnel shares	2,348	-	-	-	(2,348)	-	-	-
Issue of shares	2,262	19,004	-	-	-	21,266	-	21,266
Increase of non-controlling interests	-	-	-	-	-	-	3,338	3,338
As at 31 December 2012	28,088	26,480	2,134	2,639	84,517	143,858	3,712	147,570
As at 1 January 2013	28,088	26,480	2,134	2,639	84,517	143,858	3,712	147,570
Total comprehensive income for the reporting year	-	-	-	(1,656)	50,304	48,648	694	49,342
Dividends paid	-	-	-	-	(23,560)	(23,560)	-	(23,560)
Issue of personnel shares	512	-	-	-	(576)	(64)	64	-
Issue of shares	1,403	15,005	-	-	-	16,408	-	16,408
Decrease of non-controlling interests	-	-	-	-	-	-	(574)	(574)
As at 31 December 2013	30,003	41,485	2,134	983	110,685	185,290	3,896	189,186

Statement of changes in shareholders' equity of the bank for the years ended 31 December 2013 and 31 December 2012

EUR'000

	Paid-in share capital	Share premium	Reserve capital	Fair value revaluation reserve	Retained earnings	Total shareholders' equity
As at 1 January 2012	23,478	7,476	2,134	(3,529)	98,746	128,305
Total comprehensive income for the reporting year	-	-	-	6,168	23,412	29,580
Dividends paid	-	-	-	-	(27,185)	(27,185)
Issue of personnel shares	2,348	-	-	-	(2,348)	-
Issue of shares	2,262	19,004	-	-	-	21,266
As at 31 December 2012	28,088	26,480	2,134	2,639	92,625	151,966
As at 1 January 2013	28,088	26,480	2,134	2,639	92,625	151,966
Total comprehensive income for the reporting year	-	-	-	(1,656)	43,676	42,020
Dividends paid	-	-	-	-	(23,356)	(23,356)
Issue of personnel shares	512	-	-	-	(512)	-
Issue of shares	1,403	15,005	-	-	-	16,408
As at 31 December 2013	30,003	41,485	2,134	983	112,433	187,038

Cash flow statements of the group and the bank for the years ended 31 December 2013 and 31 December 2012

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Cash flow from operating activities				
Profit before corporate income tax	60,243	28,208	51,444	28,738
Amortisation and depreciation of fixed assets and investment properties	4,744	2,908	2,800	2,039
Allowance for impairment of assets	9,466	17,698	9,466	17,450
Impairment of other assets	(635)	3,707	2,002	2,588
Decrease in financial instruments	1,218	458	1,218	458
Interest (income)	(58,877)	(55,159)	(58,679)	(54,707)
Interest expense	16,235	21,865	15,936	21,840
Other non-cash items	195	7,130	1,101	(995)
Net cash flow from operating activities before changes in assets and liabilities	32,589	26,815	25,288	17,411
Decrease/ (increase) in balances due from credit institutions	4,705	(27,642)	10,532	(27,224)
(Increase) in loans	(54,587)	(59,055)	(60,515)	(63,499)
(Increase) in financial assets at fair value through profit or loss	(11,632)	(16,066)	(11,632)	(16,066)
Decrease/ (increase) in other assets	18,395	(14,331)	12,967	2,188
Increase/ (decrease) in balances due to credit institutions	269	(1,861)	(11,951)	10,259
Increase in deposits	186,924	409,948	188,433	408,237
(Decrease)/ increase in derivatives	(4,804)	17,824	(4,804)	17,824
(Decrease)/ increase in other liabilities	(5,310)	4,069	(2,437)	(433)
Net cash flow from operating activities before corporate income tax	166,549	339,701	145,881	348,697
Interest received in the reporting year	70,887	47,003	70,887	47,505
Interest (paid) in the reporting year	(22,566)	(17,972)	(22,278)	(17,972)
Corporate income tax (paid)	(4,229)	(582)	(3,381)	-
Net cash flow from operating activities	210,641	368,150	191,109	378,230
Cash flow from investing activities				
(Purchase) of held-to-maturity financial assets	(181,749)	(350,482)	(180,124)	(350,482)
Redemption of held-to-maturity financial assets	13,985	20,824	13,985	20,824
(Purchase) of available-for-sale financial assets	(926,238)	(1,090,224)	(919,241)	(1,090,224)
Sale of available-for-sale financial assets	929,734	905,942	929,734	905,942
(Purchase) of intangible and tangible fixed assets and investment properties	(13,513)	(23,941)	(5,841)	(3,173)
Sale of intangible and tangible fixed assets	649	7,779	364	75
(Purchase) of investments in other entities	(912)	(3,348)	(8,465)	(33,739)
Decrease in participation in subsidiaries	219	-	55	6,919
Net cash flow from investing activities	(177,825)	(533,450)	(169,533)	(543,858)
Cash flow from financing activities				
Increase in subordinated loans	3,459	3,322	3,459	3,322
(Repayment) of subordinated loans	(11,446)	(15,481)	(11,446)	(15,481)
Sale of issued securities	200,725	128,556	200,725	128,556
(Repurchase) of issued securities	(61,619)	(25,723)	(61,619)	(32,481)
Dividends (paid)	(23,554)	(27,177)	(23,349)	(27,177)
Issue of shares	16,407	21,266	16,407	21,266
Net cash flow from financing activities	123,972	84,763	124,177	78,005
Net cash flow	156,788	(80,537)	145,753	(87,623)
Cash and cash equivalents at the beginning of the year	812,932	906,961	805,267	906,379
Gain from revaluation of foreign currency positions	(7,891)	(13,492)	(7,891)	(13,489)
Cash and cash equivalents at the end of the year	961,829	812,932	943,129	805,267

	EUR'000			
	Group	Group	Bank	Bank
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Cash and cash equivalents				
Cash and deposits with central banks	356,768	307,451	356,747	307,446
Balances due from credit institutions	615,715	506,857	600,873	501,244
Balances due to credit institutions	(10,654)	(1,376)	(14,491)	(3,423)
Total cash and cash equivalents	961,829	812,932	943,129	805,267

Information about balances due from credit institutions, that does not cash equivalents, is shown at Note 13.

Notes to the financial statements for the year ended 31 December 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 Elizabetes Street 23, Riga.

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

The group's and bank's main scope of activity is 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, subsidiary bank in Luxembourg, as well as foreign representation offices/ territorial structural units in Azerbaijan (Baku), in Belarus (Minsk), in Kazakhstan (Almaty), in Cyprus (Limassol), in Russia (Moscow, St. Petersburg, Yekaterinburg and Vladivostok), in Ukraine (Kyiv with a 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 of the group.

Note 2

Information on principal accounting policies

a) Basis of Preparation

These consolidated and separate financial statements are prepared with IAS 34 Interim Financial Reporting 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 year ended 31 December 2013, the group and the bank consistently applied accounting policies in line with those disclosed in the prior-year 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).

From 1 January 2014 Latvia became a member of European Monetary Union. Starting from 1 January 2014 the bank's and its subsidiaries' functional currency is EUR.

These consolidated and separate financial statements are reported in thousands of lats (LVL'000), unless otherwise stated. Information given herein in brackets represent comparative figures as at 31 December 2012 or for the year ended 31 December 2012 respectively.

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
31 December 2013	0.515	0.702804	0.0156
31 December 2012	0.531	0.702804	0.0174

b) Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

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

- Amendment to IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI).
- Amendments to IAS 19 Employee Benefits.
- Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities.
- IFRS 13 Fair Value Measurement.
- IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine.

Amendment to IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI).

This amendment changes the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's and the Bank's financial position or performance. Since the Group has just one OCI item, the change to its presentation is minimal.

Amendments to IAS 19 Employee Benefits.

These amendments 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. This amendment did not impact the financial statements of the Group and the Bank, because the Group and the Bank does not have material defined benefit obligations.

Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities.

The amendment introduces common disclosure requirements. These 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. This amendment did not impact the financial statements of the Group and the Bank, because the Group and the Bank does not have netting arrangements.

IFRS 13 Fair Value Measurement.

The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It 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 by IFRS. The implementation of this standard did not have a material impact on the amounts recognised in these financial statements, however it resulted in additional disclosures (see Note 31).

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

This interpretation applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). This interpretation had no impact on the Group's and the Bank's financial statements, as the Group and the Bank is not involved in mining activity.

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 Financial Statement Presentation. 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. 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. 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 disclosure at interim financial reports.

c) Standards issued but not yet effective

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

IAS 19 Employee Benefits (Amended)

Amendment is effective for financial years beginning on or after 1 July 2014. The amendments address accounting for the employee contributions to a defined benefit plan. This amendment has not yet been endorsed by the EU. Since the group's and the bank's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the group and the bank.

IAS 27 Separate Financial Statements (Amended)

Amendment is effective for financial years beginning on or after 1 January 2014. As a result of the new standards IFRS 10, IFRS 11 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. The implementation of this amendment will not have any impact on the financial statements of the group and the bank.

IAS 28 Investments in Associates and Joint Ventures (Amended)

Amendment is effective for financial years beginning on or after 1 January 2014. As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment will not have any impact on the financial statements of the group and the bank.

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

Amendment is effective for financial years 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. The group and the bank have not yet evaluated the impact of the implementation of this amendment.

IAS 36 Impairment of Assets (Amended)

Amendment is effective for financial years beginning on or after 1 January 2014. This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment will not have any impact on the financial position or performance of the group and the bank, however may result in additional disclosures.

IAS 39 Financial Instruments: Recognition and Measurement (Amended)

Amendment is effective for financial years beginning on or after 1 January 2014. The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment will not have any impact on the financial position or performance of the group and the bank, since it does not apply hedge accounting.

IFRS 9 Financial Instruments

The new standard is effective for financial years beginning on or after 1 January 2015. IFRS 9 will eventually replace IAS 39. The IASB has issued the first three parts of the standard, establishing a new classification and measurement framework for financial assets, requirements on the accounting for financial liabilities and hedge accounting. This standard has not yet been endorsed by the EU. The group and the bank has not yet evaluated the impact of the implementation of this standard.

IFRS 10 Consolidated Financial Statements

The new standard is effective for financial years beginning on or after 1 January 2014. IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. The group and the bank have not yet evaluated the impact of the implementation of this standard.

IFRS 11 Joint Arrangements

The new standard is effective for financial years beginning on or after 1 January 2014. IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. The group and the bank have not yet evaluated the impact of the implementation of this standard.

IFRS 12 Disclosures of Interests in Other Entities

The new standard is effective for financial years beginning on or after 1 January 2014. IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity. The group and the bank have not yet evaluated the impact of the implementation of this standard.

IFRS 14 Regulatory Deferral Accounts

The new standard is effective for financial years beginning on or after 1 January 2016. It is an interim standard that provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. This standard has not yet been endorsed by the EU. The implementation of this standard will not have any impact on the group and the bank.

IFRS 10, IFRS 12 and IAS 27 - Investment Entities (Amended)

The amendments are effective for financial years beginning on or after 1 January 2014. The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The implementation of this amendment will not have any impact on the financial statements of the group, as the parent of the group is not an investment entity.

IFRIC Interpretation 21 Levies

Interpretation is effective for financial years beginning on or after 1 January 2014. This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. This amendment has not yet been endorsed by the EU. The group and the bank have not yet evaluated the impact of the implementation of this interpretation.

Notes to the financial statements for the year ended 31 December 2013

In December 2013 IASB issued a number of amendments of standards. Therefore, the adoptions of amendments are subject to change in accounting policy or disclosure. The applying of amendments is mandatory, but non-urgent. Amendments to the following standards have been made:

- IFRS 1 First-time adoption of IFRS;
- IFRS 2 Share-based Payment;
- IFRS 3 Business Combinations;
- IFRS 8 Operating Segments;
- IFRS 13 Fair value Measurement;
- IAS 16 Property, Plant and Equipment;
- IAS 24 Related Party Disclosures;
- IAS 38 Intangible Assets;
- IAS 40 Investment property.

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

The group and the bank plan to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

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 calculation of deferred corporate income tax, determining the allowance for credit losses and the collateral (pledge) value, estimation of impairment of other assets, and the fair value of financial assets and liabilities.

e) Reclassification

1. During the previous reporting periods, the group recognised penalties related to late repayment of loans in profit or loss as other income. From 2013, such penalties are included in the effective interest rate calculation for respective loans and recognised in profit or loss as interest income.
2. During the previous reporting periods, the group recognised customer attraction costs in profit or loss as other expense. From 2013, such expense is recognised in profit or loss as commission and fee expense.
3. During the previous reporting periods, the group recognised income and expense from transactions with non-financial assets held for sale in profit or loss as other income or expense, respectively. From 2013, all income and expense related to operations with non-financial assets held for sale are reported separately in Income Statement as Gains on sales of non-financial assets held for sale.
4. During the previous reporting periods, the group recognised impairment of accrued income from financial instruments and other assets in profit or loss as impairment allowance. From 2013, impairment has been reclassified in line with the asset category.

Table of reclassification effect:

	Reference	EUR'000					
		Group			Bank		
		After reclassification	Change	Before reclassification	After reclassification	Change	Before reclassification
Interest income	1.	55,159	659	54,500	54,707	655	54,052
Commission and fee expense	2.	(8,845)	(3,257)	(5,588)	(12,442)	(7,429)	(5,013)
Gain on non-financial assets held for sale	3.	1,330	1,330	-	-	-	-
Gain on disposal of tangible and intangible fixed assets		-	(33)	33	-	(26)	26
Other income	1., 3.	8,315	(15,435)	23,751	1,625	(629)	2,254
Impairment allowance for loans	4.	(17,698)	1,403	(19,101)	(17,450)	1,387	(18,837)
Other expense	2., 3.	(4,380)	16,736	(21,115)	(741)	7,429	(8,170)
Impairment of financial instruments	4.	(458)	28	(487)	(458)	28	(487)
Impairment of other assets	4.	(3,707)	(1,431)	(2,275)	(2,588)	(1,416)	(1,172)

Note 3

Interest income and expense

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Interest income				
Interest income on available-for-sale financial assets at amortised cost				
on loans and advances to customers	30,537	31,819	30,359	31,379
on held-to-maturity securities	20,442	14,266	20,440	14,266
on available-for-sale securities	5,343	7,234	5,343	7,234
on balances due from credit institutions and central banks	2,555	1,840	2,537	1,828
Total interest income on available-for-sale financial assets at amortised cost	58,877	55,159	58,679	54,707
Total interest income	58,877	55,159	58,679	54,707
Interest expense				
on the deposit guarantee fund	6,164	8,438	6,152	8,438
on subordinated liabilities	5,488	5,485	5,488	5,485
on debt securities issued	3,093	1,057	3,093	1,120
on deposits from non-bank customers	1,343	6,736	1,160	6,746
on balances due to credit institutions and central banks	147	149	43	51
Total interest expense	16,235	21,865	15,936	21,840

The group's and the bank's interest income on impaired assets totalled EUR 2.3 (3.8) million.

Note 4

Commission and fee income and expense

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Commission and fee income				
commission on payment transfer handling on behalf of customers	31,406	23,219	31,399	23,220
commission on account service	10,454	5,754	10,512	5,754
commission on handling of settlement cards	8,971	7,934	8,971	7,934
commission on brokerage operations	5,691	3,842	-	-
commission on asset management	2,156	1,668	817	1,060
commission on documentary transactions	845	946	845	946
other commission and fee income	2,164	2,624	2,819	2,635
Total commission and fee income	61,687	45,987	55,363	41,549
Commission and fee expense				
commission on customer attraction	2,971	3,257	8,557	7,429
correspondent bank service charges	4,542	3,058	4,543	3,058
commission on transactions with settlement cards	2,110	1,928	2,110	1,928
commission on brokerage operations	968	545	-	-
other commission and fee expense	184	57	73	27
Total commission and fee expense	10,775	8,845	15,283	12,442

Note 5

Net gain on transactions with financial instruments and foreign exchange

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Financial assets at fair value through profit or loss				
Gain/(loss) from revaluation of financial assets at fair value through profit or loss	616	290	616	275
Derivatives	21	27	21	27
Securities	595	263	595	248
Gain/(loss) from trading with financial assets at fair value through profit or loss	462	(47)	462	(47)
Derivatives	115	(64)	115	(64)
Securities	347	17	347	17
Net gain/ (loss) from financial assets at fair value through profit or loss	1,078	243	1,078	228
Available-for-sale financial instruments				
Gain from sale of available-for-sale securities	(18)	23	(18)	23
Net realised gain from available-for-sale financial assets	(18)	23	(18)	23
Foreign exchange				
Profit from foreign currency exchange	21,521	20,076	21,713	20,295
(Loss)/gain from revaluation of foreign currency positions	(588)	448	(573)	451
Net result from foreign exchange trading and revaluation	20,933	20,524	21,140	20,746
Net gain on transactions with financial assets and foreign exchange	21,993	20,790	22,200	20,997

Note 6

Other operating income and expense

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Other income				
other income from the sale of products by related companies	9,471	3,789	-	-
repurchase of liabilities	2,901	-	-	-
recognition of associates under the equity method	2,496	1,295	-	-
financial consulting, legal and accounting services	1,665	1,148	-	-
sale of companies	312	820	642	240
sale of services to subsidiaries	-	-	2,012	982
other operating income	1,558	1,263	435	403
Total other income	18,403	8,315	3,089	1,625
Other expense				
other expense related to the sale of products by related companies	6,958	3,129	-	-
membership fees	802	696	655	596
other expense	454	555	186	145
Total other expense	8,214	4,380	841	741

Note 7

Allowances for loan impairment

Category	EUR'000			
	Group	Group	Bank	Bank
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Loans - individual allowances	(265)	2,153	(265)	1,905
Loans - portfolio allowances	10,286	15,189	10,286	15,189
(Recovery) of write-offs/ loss during write-offs	(555)	356	(555)	356
Impairment allowances established during the reporting year, net	9,466	17,698	9,466	17,450

The table below presents changes in impairment allowances of the group in 2013:

	EUR'000				
	Mortgage loans	Business loans	Consumer loans	Other loans	Total
Allowances at the beginning of the year	53,574	10,143	77	3,681	67,475
Increase/ (decrease) in allowances for the year	9,873	(751)	31	868	10,021
(Decrease) in allowances for the year due to currency fluctuations	(7)	(40)	-	-	(47)
(Elimination) of allowances for the year due to write-offs	(23,895)	(2,659)	(50)	(760)	(27,364)
Allowances at the end of the year	39,545	6,693	58	3,789	50,085
Individual allowances	1,224	6,178	-	545	7,947
Portfolio allowances	38,321	515	58	3,244	42,138
Total gross loans	404,646	366,168	1,521	27,847	800,182

As at 31 December 2013, the impairment allowances formed 6.4% (8.6%) of the group's loan portfolio.

The table below presents changes in the impairment allowances of the group in 2012:

	EUR'000				
	Mortgage loans	Business loans	Consumer loans	Other loans	Total
Allowances at the beginning of the year	61,121	20,422	90	1,837	83,470
Increase/ (decrease) in allowances for the year	17,137	(2,237)	23	2,419	17,342
(Decrease) in allowances for the year due to currency fluctuations	(10)	(24)	-	-	(34)
(Elimination) of allowances for the year due to write-offs	(24,674)	(8,018)	(36)	(575)	(33,303)
Allowances at the end of the year	53,574	10,143	77	3,681	67,475
Individual allowances	1,374	9,560	-	548	11,482
Portfolio allowances	52,200	583	77	3,133	55,993
Total gross loans	458,930	294,583	1,797	23,298	778,608

The table below presents changes in impairment allowances of the bank in 2013:

	EUR'000				
	Mortgage loans	Business loans	Consumer loans	Other loans	Total
Allowances at the beginning of the year	53,574	10,143	77	3,681	67,475
Increase/ (decrease) in allowances for the year	9,873	(751)	31	868	10,021
(Decrease) in allowances for the year due to currency fluctuations	(7)	(40)	-	-	(47)
(Elimination) of allowances for the year due to write-offs	(23,895)	(2,659)	(50)	(760)	(27,364)
Allowances at the end of the year	39,545	6,693	58	3,789	50,085
Individual allowances	1,224	6,178	-	545	7,947
Portfolio allowances	38,321	515	58	3,244	42,138
Total gross loans	404,647	377,338	1,521	27,847	811,353

Notes to the financial statements for the year ended 31 December 2013

The table below presents changes in impairment allowances of the bank in 2012:

	EUR'000				
	Mortgage loans	Business loans	Consumer loans	Other loans	Total
Allowances at the beginning of the year	61,121	20,669	90	1,837	83,717
Increase/ (decrease) in allowances for the year	17,137	(2,484)	23	2,419	17,095
(Decrease) in allowances for the year due to currency fluctuations	(10)	(24)	-	-	(34)
(Elimination) of allowances for the year due to write-offs	(24,674)	(8,018)	(36)	(575)	(33,303)
Allowances at the end of the year	53,574	10,143	77	3,681	67,475
Individual allowances	1,374	9,560	-	548	11,482
Portfolio allowances	52,200	583	77	3,133	55,993
Total gross loans	458,930	300,024	1,797	23,298	784,049

Note 8

Taxation

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Profit before corporate income tax	60,244	28,207	51,443	28,738
Theoretical corporate income tax	9,037	4,232	7,715	4,311
Permanent differences	(151)	1,251	(316)	737
Actual corporate income tax expense for the reporting year	8,886	5,483	7,399	5,048
Adjustments to prior-year corporate income tax	164	(128)	163	-
Adjustments to prior-year deferred tax	(9)	43	-	43
Tax paid abroad	205	235	205	235
Total corporate income tax expense	9,246	5,633	7,767	5,326

Deferred corporate income tax calculation:

	EUR'000			
	Group	Group	Bank	Bank
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	Amounts subject to temporary differences	Amounts subject to temporary differences	Amounts subject to temporary differences	Amounts subject to temporary differences
Accumulated excess of tax depreciation over accounting depreciation	14,927	12,225	7,345	6,158
Fair value revaluation reserve of available-for-sale financial assets	1,157	3,106	1,157	3,106
Revaluation of derivatives and securities	(1,598)	545	(1,598)	545
Revaluation of assets and accrual for vacation pay	(13,547)	(17,982)	(5,771)	(10,501)
Deferred tax asset on intra-group transactions	2,075	(3,180)	-	-
Tax loss	(16,081)	(11,986)	-	-
Unrecognised tax asset	13,630	14,119	-	-
Basis for calculation of deferred corporate income tax	563	(3,153)	1,133	(692)
Tax rate	15%	15%	15%	15%
Deferred corporate income tax (asset)/ liability at the end of the year	(710)	(575)	-	(105)
	795	101	169	-

	EUR'000			
	Group	Group	Bank	Bank
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Deferred corporate income tax at the beginning of the year	(575)	(4,818)	(105)	(4,779)
	101	265	-	-
Increase charged to the statement of comprehensive income	785	3,351	566	3,587
Increase/ (decrease) attributable to fair value revaluation reserve under equity	(292)	1,087	(292)	1,087
Adjustments attributable to retained earnings/ (accumulated deficit)	66	(359)	-	-
Deferred corporate income tax (asset)/ liability at the end of the year	(710)	(575)	-	(105)
	795	101	169	-

Note 9

Balances due from credit institutions

As at 31 December 2013, the Bank had established correspondent relationships with 28 (27) credit institutions registered in the EU and OECD area, 5 (6) credit institutions registered in Latvia, and 28 (16) credit institutions incorporated in other countries.

As at 31 December 2013, the group's and bank's major balances due from credit institutions registered in the EU and OECD area were as follows: EUR 74.7 (68.0) million due from the Bank of Montreal, EUR 63.5 (5.8) million due from Deutsche Bank AG, and EUR 57.2 (33.6) million due from Commerzbank AG.

	EUR'000			
	Group	Group	Bank	Bank
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Demand deposits with credit institutions				
Correspondent account balances	349,567	292,564	340,775	286,961
Overnight deposits	-	471	-	471
Total demand deposits with credit institutions	349,567	293,035	340,775	287,432
Other balances due from credit institutions				
Term deposits	259,326	196,839	247,262	196,839
Other balances	31,433	69,170	31,000	68,750
Total other balances due from credit institutions	290,759	266,009	278,262	265,589
Total balances due from credit institutions	640,325	559,043	619,037	553,020

Note 10

Financial assets at fair value through profit or loss

	EUR'000	
	Group/ bank	Group/ bank
	31/12/2013	31/12/2012
Equity shares securities		
Credit institutions	1,872	650
Corporate companies	1,369	1,154
Total investments in equity shares	3,241	1,804
Investments in funds	13,553	2,938
Total financial assets at fair value through profit or loss	16,794	4,742

Note 11

Available-for-sale financial assets

Issuer	EUR'000			
	Group 31/12/2013	Group 31/12/2012	Bank 31/12/2013	Bank 31/12/2012
Fixed-income debt securities				
Central governments and central banks	429,317	426,761	429,317	426,761
Credit institutions	230,692	236,059	230,692	236,059
International organisations	40,245	88,698	40,245	88,698
State-owned enterprises	11,225	15,595	11,225	15,595
Financial auxiliaries and other financial intermediaries	7,513	3,109	7,513	3,109
Corporate companies	6,919	5,455	6,919	5,455
Municipalities	4,276	514	4,276	514
Total fixed-income debt securities	730,187	776,191	730,187	776,191
Equity shares				
Financial auxiliaries and other financial intermediaries	139	139	139	139
Total investments in equity shares	139	139	139	139
Investments in funds	8,329	3,058	1,333	3,058
Total available-for-sale financial assets	738,655	779,388	731,659	779,388

Note 12

Held-to-maturity financial assets

Issuer	EUR'000			
	Group 31/12/2013	Group 31/12/2012	Bank 31/12/2013	Bank 31/12/2012
Fixed-income debt securities				
Central governments and central banks	243,285	152,678	243,285	152,678
Credit institutions	173,105	172,718	172,027	172,718
Corporate companies	133,295	95,994	132,747	95,994
International organisations	52,843	38,510	52,843	38,510
Municipalities	43,107	33,048	43,107	33,048
State-owned enterprises	7,402	7,664	7,402	7,664
Total held-to-maturity financial assets	653,037	500,612	651,411	500,612

Note 13

Investments in subsidiaries and associates

The group has shares in the following companies:

Company	Country of incorporation	Share capital	Equity	Group's share of total share capital, %	31/12/2013		31/12/2012		
					Carrying amount under equity method	Share capital	Equity	Group's share of total share capital, %	Carrying amount under equity method
DEPO DIY, SIA	LV	7,501	22,829	25	6,631	7,501	15,790	25	3,796
Traumatoloģijas un ortopēdijas klīnika Ādaži	LV	3	13	30	4	-	-	-	-
Investments in associates		7,504	22,842	x	6,635	7,501	15,790	x	3,796

Notes to the financial statements for the year ended 31 December 2013

The bank has equity investments in the following companies:

Company	Country of incorporation	31/12/2013				31/12/2012			
		Share capital	Equity	Bank's share of total share capital, %	Carrying amount	Share capital	Equity	Bank's share of total share capital, %	Carrying amount
Pillar Holding Company, KS	LV	90,000	91,815	100	90,000	90,000	90,681	99.9997	90,000
ABLV Bank Luxembourg, S.A.	LU	20,000	15,361	100	20,000	20,000	18,166	100	20,000
ABLV Private Equity Fund 2010, KS	LV	10,000	12,245	100	10,000	10,000	11,201	100	10,000
New Hanza City, SIA	LV	9,818	9,661	100	9,818	6,261	6,192	100	6,261
AmberStone Group, AS	LV	4,900	4,900	100	4,900	-	-	-	-
ABLV Consulting services, AS	LV	711	886	100	711	711	768	100	711
ABLV Capital Markets, IBAS	LV	640	3,973	90	576	569	2,684	100	569
ABLV Asset Management, IPAS	LV	569	935	100	569	569	556	100	569
ABLV Private Equity Mangement, SIA	LV	171	304	100	171	171	213	100	171
ABLV Corporate Services, SIA	LV	28	191	100	28	28	199	100	28
Pillar, SIA	LV	3	3	100	6	3	3	100	6
Pillar Management, SIA	LV	-	-	-	-	711	556	100	711
Total investments in subsidiaries and associates		136,840	140,274		136,779	129,023	131,219		129,026
Impairment allowance					(3,950)				(1,569)
Total investments in subsidiaries and associates, net					132,829				127,457

During the reporting year, the bank increased its investment in ABLV Capital Markets, IBAS by EUR 7.1 thousand; during the reporting year, ABLV Capital Markets, IBAS, issued registered non-voting shares (personnel shares) amounting to EUR 64.0 thousand.

The increase in the share capital of New Hanza City, SIA, of EUR 1.4 million that at the end of the reporting period was paid according to the capital increase rules was not registered with the Enterprise Register of the Republic of Latvia after the year end.

The movements in investments in subsidiaries and associates:

	EUR'000			
	Group 01/01/2013- 31/12/2013	Group 01/01/2012- 31/12/2012	Bank 01/01/2013- 31/12/2013	Bank 01/01/2012- 31/12/2012
Investments at the beginning of the year	3,796	448	129,026	102,266
New subsidiaries established	-	-	4,900	6
Investments in associates	912	2,500	-	-
Increase in investments in associates under equity method	2,496	1,295	-	-
Dividend payout from associates	(569)	-	-	-
(Decrease) in investments in associates consolidated during the reporting year	-	(447)	-	-
Investments in existing subsidiaries	-	-	3,564	30,311
Disposal of subsidiaries	-	-	(711)	(3,557)
Investments at the end of the year	6,635	3,796	136,779	129,026
Impairment allowance	-	-	(3,950)	(1,569)
Investments at the end of the year, net	6,635	3,796	132,829	127,457

As at 31 December 2013, funds of the customers of ABLV Asset Management, IPAS, managed by the said company based on the customers' authorisation amounted to EUR 93.2 (54.4) million. The value of financial instruments of the ABLV Capital Markets, IBAS, customers as at 31 December 2013 was EUR 780.4 (605.4) million.

Notes to the financial statements for the year ended 31 December 2013

As at 31 December 2013, the group comprises of the following subsidiaries:

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

Note 14

Deposits

Customer type	EUR'000			
	Group 31/12/2013	Group 31/12/2012	Bank 31/12/2013	Bank 31/12/2012
Corporate companies				
current accounts	2,313,818	2,091,941	2,309,579	2,095,172
term deposits	37,756	203,082	37,756	203,967
Total corporate companies	2,351,574	2,295,023	2,347,335	2,299,139
Other financial intermediaries				
current accounts	5,481	21,162	20,148	26,293
term deposits	-	-	-	-
Total other financial intermediaries	5,481	21,162	20,148	26,293
Other customers				
current accounts	3,318	1,087	1,478	1,087
term deposits	-	999	-	999
Total other customers	3,318	2,086	1,478	2,086
Total deposits from corporate customers	2,360,373	2,318,271	2,368,961	2,327,518
Retail customers				
current accounts	382,347	305,196	382,047	305,196
term deposits	25,449	26,477	25,449	26,477
Total deposits from retail customers	407,796	331,673	407,496	331,673
Total deposits	2,768,169	2,649,944	2,776,457	2,659,191

The group's/ bank's top 20 customers in terms of the deposit amount account for 12.0% (17.3%) of the total deposits.

Of the total deposits placed with the group and the bank, 88.3% (88.0%) are from customers whose beneficiaries are CIS residents.

Note 15

Issued securities

Securities issued by the bank are as follows:

ISIN	Currency	Initial security emission amount	Par value	Date of issue	Date of maturity	Discount/ coupon rate, %	EUR'000	
							Group/ bank 31/12/2013	Group/ bank 31/12/2012
Subordinated bonds								
LV0000800712	EUR	125,000	100	01/10/2008	01/10/2018	10.0	-	10,694
LV0000800720	USD	200,000	100	01/10/2008	01/10/2018	9.5	-	13,529
LV0000800845	USD	200,000	100	15/09/2010	15/09/2020	6.5	13,120	12,708
LV0000800936	EUR	150,000	100	22/12/2011	22/12/2021	4.8	13,016	12,420
LV0000800977	EUR	50,000	100	25/06/2012	25/06/2022	4.5	4,276	2,213
LV0000800985	USD	200,000	100	27/06/2012	27/06/2022	4.5	14,663	15,111
LV0000801124	USD	200,000	100	18/03/2013	18/03/2023	4.5	12,029	-
LV0000801173	USD	200,000	100	27/06/2013	27/06/2023	4.3	12,133	-
LV0000801181	EUR	200,000	100	27/06/2013	27/06/2023	4.3	12,419	-
LV0000801223	USD	150,000	100	23/10/2013	23/10/2023	4.3	10,891	-
Subordinated bonds, total							92,547	66,675
Ordinary bonds								
LV0000800910	EUR	10,000	1,000	20/12/2011	20/12/2013	1.5+Euribor 6m	-	9,664
LV0000800928	USD	30,000	1,000	21/12/2011	21/12/2013	1.5+Libor 6m	-	22,500
LV0000800969	USD	50,000	1,000	30/07/2012	30/07/2014	1.2+Libor 6m	33,742	38,075
LV0000801033	USD	25,000	1,000	15/10/2012	15/10/2013	1.15	-	17,675
LV0000801041	EUR	15,000	1,000	05/11/2012	05/11/2014	1.55	13,674	12,397
LV0000801058	USD	50,000	1,000	06/11/2012	06/11/2014	1.45	31,405	10,615
LV0000801108	EUR	20,000	1,000	25/02/2013	25/02/2015	1.68	12,918	-
LV0000801116	USD	50,000	1,000	25/02/2013	25/02/2015	1.70	34,021	-
LV0000801199	USD	50,000	1,000	21/06/2013	21/06/2015	1.73	35,556	-
LV0000801207	EUR	20,000	1,000	21/06/2013	21/06/2015	1.73	18,472	-
LV0000801215	USD	50,000	1,000	16/10/2013	16/10/2015	1.90	36,051	-
Ordinary bonds, total							215,839	110,926
Issued securities, total							308,386	177,601

The group and the bank retain the right to exercise early redemption of subordinated bonds according to the information provided in base prospectus of the respective programmes.

Note 16

Subordinated liabilities

As at 31 December 2013, the group's and bank's subordinated liabilities of EUR 102.7 (85.1) million comprised subordinated bonds amounting to EUR 92.5 (66.7) million and subordinated deposits amounting to EUR 10.1 (18.4) million. Subordinated deposits consist from the total amount of USD 9.3 (20.7) million and EUR 3.3 (2.7) million.

The analysis of subordinated deposits as at 31 December 2013:

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

Notes to the financial statements for the year ended 31 December 2013

The analysis of subordinated deposits as at 31 December 2012:

	Deposit amount EUR'000	Accumulated interest EUR'000	Interest rate, %	Currency	Date of the agreement	Date of maturity
Harpic group Ltd	11,333	48	5.11	USD	14/08/2008	19/08/2018
Other lenders*						
non-residents	4,239	53	1.75 - 8.39	USD		
non-residents	2,695	4	3.15 - 3.90	EUR		
Other lenders in total	6,934	57				
Total subordinated deposits	18,267	105				

*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 5.98 (4.58) years.

Subordinated deposits are included in the second tier of equity calculation. According to the provisions of the subordinated loan agreements, the lenders have no right to demand anticipatory repayment of the loans and capitalise the subordinated loans into the bank's share capital. The basic conditions of the subordinated bonds issued by the Bank are disclosed in Note 15.

Note 17

Paid-in share capital

In the reporting year, 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/ bank in the future. All the newly issued shares had the par value of EUR 213.4 (213.4) each, while the share premium totalled EUR 2,284 (1,793). 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 31 December 2013 the paid-in share capital of the bank amounted to EUR 30.0 million (28.1 million). All the shares have the par value of EUR 213.4 (213.4) 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 31 December 2013, the bank had 118 (119) voting shareholders.

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

	31/12/2013		31/12/2012	
	Share of the bank's share capital, EUR'000	Share of the bank's voting capital (%)	Share of the bank's share capital, EUR'000	Share of the bank's voting capital (%)
Group of shareholders related to Ernests Bernis				
Ernests Bernis	1,430	5.27	1,429	5.55
Nika Berne	246	0.90	240	0.94
Cassandra Holding Company, SIA	9,996	36.83	9,399	36.52
Group of shareholders related to Ernests Bernis, total	11,672	43.00	11,068	43.01
Group of shareholders related to Olegs Fijs				
SIA OF Holding	11,672	43.00	11,069	43.00
Group of shareholders related to Olegs Fijs, total	11,672	43.00	11,069	43.00
Other shareholders, total	3,799	14.00	3,603	13.99
Total voting shares	27,143	100.00	25,740	100.00
Non-voting shares (personnel shares)	2,860		2,348	
Total share capital	30,003		28,088	

Notes to the financial statements for the year ended 31 December 2013

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

	31/12/2013		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
Non-voting shares (personnel shares), total	x	13 400	x	11 000

Dividends declared and paid:

	EUR'000	
	Group/ bank	Group/ bank
	01/01/2013 - 31/12/2013	01/01/2012 - 31/12/2012
Dividends declared	23,356	27,185
Dividends paid	23,349	27,177

	EUR	
	Group/ bank	Group/ bank
	01/01/2013 - 31/12/2013	01/01/2012 - 31/12/2012
Dividends declared per share	174	225
Dividends paid per share	174	225

Note 18

Related party disclosures

Related parties of the group and the bank are defined as shareholders who have a qualifying holding in the bank, and chairman and members of the bank's council and board, staff of the Internal Audit Department, key management personnel of the group and the bank 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, companies in which these individuals have a qualifying holding as well as other legal entities.

Group's transactions with related parties:

	EUR'000							
	31/12/2013				31/12/2012			
	Share-holders	Management	Related companies	Other related individuals	Share-holders	Management	Related companies	Other related individuals
Assets								
Loans	-	1,725	410	857	-	965	1,616	697
Liabilities								
Deposits	359	2,517	7,827	2,023	195	1,562	2,954	1,514
Ordinary bonds	-	-	-	43	-	-	-	1
Subordinated bonds	83	1,757	1,093	1,801	-	1,006	149	1,120
Memorandum items								
Undrawn credit facilities	-	165	300	94	-	168	85	83
Guarantees	-	188	-	-	-	189	-	-
Income/ expense								
			01/01/2013 - 31/12/2013				01/01/2012 - 31/12/2012	
Interest income	-	77	97	10	-	47	118	24
Interest expense	(7)	(101)	(31)	(53)	-	(50)	(14)	(28)
Commission and fee income	-	20	21	7	-	24	44	10
Net result of non-financial assets held for sale	-	(238)	(243)	(27)	-	-	-	-

Notes to the financial statements for the year ended 31 December 2013

Analysis of the operating segments of the group as at 31 December 2013:

EUR'000

	Banking	Investment management	Advisory	Management of non-financial assets held for sale and investments in real estate
Assets				
Cash and deposits with central banks	356,757	11	-	-
Balances due from credit institutions	640,115	169	41	-
Securities and derivatives	1,409,172	-	-	-
Loans	795,981	4,193	-	6
Investments in subsidiaries and associates	-	6,635	-	-
Tangible and intangible fixed assets, investment properties	39,837	22,072	434	9,326
Other assets	3,880	3,532	383	74,337
Total assets per internal reporting	3,245,742	36,612	858	83,669
Impairment allowance*	(50,740)	-	-	(64)
Total assets per IFRS	3,195,002	36,612	858	83,605
Liabilities				
Balances due to credit institutions	10,654	3,633	-	-
Derivatives	2,046	-	-	-
Deposits and issued securities	3,085,950	753	-	1
Impairment allowances and other provisions	51,148	-	-	64
Other liabilities	15,750	3,825	975	2,896
Total liabilities per internal reporting	3,165,548	8,211	975	2,961
Total liabilities and shareholders' equity	3,349,775	21,992	1,315	(6,201)
Impairment allowance*	(50,740)	-	-	(64)
Total liabilities per IFRS	3,299,035	21,992	1,315	(6,265)
Profit/ loss				
Net interest income	41,946	689	-	7
Net commission and fee income	44,957	5,965	(10)	-
Net result of transactions with financial instruments and foreign exchange	22,010	(3)	(14)	-
Net other income/ expense	(121)	8,416	1,625	269
Net gain/(loss) on disposal of assets taken over	24	-	-	4,745
Income from dividends	105	-	-	-
Administrative expense and depreciation	(47,913)	(4,658)	(5,713)	(2,033)
Impairment allowances and provisions	(9,466)	-	-	-
Impairment of financial instruments	(1,218)	-	-	-
Impairment of other assets	1,091	1	-	(457)
Corporate income tax	(8,122)	(956)	(58)	(110)
Net profit/ (loss) for the year	43,293	9,454	(4,170)	2,421

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

Notes to the financial statements for the year ended 31 December 2013

Analysis of the operating segments of the group as at 31 December 2012:

	EUR'000			
	Banking	Investment management	Advisory	Management of non- financial assets held for sale and investments in real estate
Assets				
Cash and deposits with central banks	307,455	6	-	-
Balances due from credit institutions	558,025	980	38	-
Securities and derivatives	1,285,218	-	-	-
Loans	767,212	11,315	-	80
Investments in subsidiaries and associates	-	3,796	-	-
Tangible and intangible fixed assets, investment properties	37,207	20,310	334	5,164
Other assets	16,594	3,294	269	82,085
Total assets per internal reporting	2,971,711	39,701	641	87,329
Impairment allowance*	(69,739)	-	-	(54)
Total assets per IFRS	2,901,972	39,701	641	87,275
Liabilities				
Balances due to credit institutions	3,128	1,421	-	-
Derivatives	6,515	-	-	-
Deposits and issued securities	2,842,346	3,571	-	-
Impairment allowances and other provisions	70,220	-	-	54
Other liabilities	13,728	3,921	612	6,296
Total liabilities per internal reporting	2,935,937	8,913	612	6,350
Total liabilities and shareholders' equity	3,084,945	16,518	793	(2,874)
Impairment allowance*	(69,739)	-	-	(54)
Total liabilities per IFRS	3,015,206	16,518	793	(2,928)
Profit/ loss				
Net interest income	31,827	1,562	-	(95)
Net commission and fee income	32,761	4,381	-	-
Net result of transactions with financial instruments and foreign exchange	20,782	(141)	(36)	185
Net other income/ expense	575	2,410	815	135
Net gain/(loss) on disposal of assets taken over	-	-	-	1,330
Income from dividends	10	-	-	-
Administrative expense and depreciation	(37,878)	(2,504)	(4,316)	(1,252)
Impairment allowances and provisions	(18,179)	-	-	-
Impairment of financial instruments	(458)	-	-	-
Impairment of other assets	(1,556)	-	-	(2,151)
Corporate income tax	(5,327)	(169)	(60)	(77)
Net profit/ (loss) for the year	22,557	5,539	(3,597)	(1,925)

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

Note 20

Fair value of financial instruments

Fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The group and the bank disclose the fair values of the assets and liabilities in such a manner so as to be able to compare the fair values with the carrying amounts.

Fair value of financial instruments, such as financial assets at fair value through profit and loss, available for sale financial assets and hold to maturity financial assets are mostly valued based on quoted price in active market. For some of the above mentioned financial instruments such price is not observable, as a result these instruments are valued based on observable price in market, where no active trading is done – this is applicable for several bonds and open ended investments funds which are redeemable at net asset value. Finally other valuation techniques are used for some available-for-sale financial assets not quoted in the market and for which no quoted prices for similar assets in active markets are available. For such financial instruments the fair value is estimated based on valuation models which are based on the assumptions and estimates regarding the potential future income generated by the investment by taking into consideration the industry and geographical area risks in which the respective investment operates. Fair value of derivatives is calculated based on net present value method, where all inputs in the valuation model are observable, while exchanged traded derivatives, such as futures, are valued based on quoted price.

The management of the bank and the group believe that the most credible market value of investment properties was identified based on the evaluations presented by both external real estate appraisers and bank's real estate experts. Such experts use discounted cash flow method ("DCF") for valuation of its investment property. Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The selling value of the investment properties may differ from the market value as defined, as the market of such kind of properties is not properly developed in Latvia. For other assets and liabilities for which fair value is disclosed and with a short remaining maturity (less than three months), except for loans and receivables, the group and the bank assume that the fair value approximates to their carrying amount. This assumption also applies to demand deposits and savings accounts.

The fair value of loans and advances to customers is estimated by discounting the expected cash flows at the discount rate calculated according to the money market rates at the end of the year and the loan interest margins. The fair value of deposits is estimated by discounting the expected cash flows at the average market interest rates at the end of the year.

Notes to the financial statements for the year ended 31 December 2013

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

	31/12/2013		EUR'000 31/12/2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets at fair value				
Derivatives	451	451	115	115
At fair value through profit or loss				
Financial assets at fair value through profit or loss	16,794	16,794	4,742	4,742
Available-for-sale				
Available-for-sale financial assets	738,655	738,655	779,388	779,388
Total assets at fair value	755,900	755,900	784,245	784,245
Assets at amortised cost				
Cash and deposits with central banks	356,768	356,768	307,461	307,451
Balances due from credit institutions	640,325	640,325	559,043	559,053
Loans	750,097	748,441	711,133	702,513
Held-to-maturity financial assets	653,037	657,747	500,612	516,959
Investment properties	33,358	34,032	29,675	32,101
Total assets at amortised cost	2,433,585	2,437,313	2,107,924	2,118,077
Liabilities at fair value				
Derivatives	2,046	2,046	6,515	6,515
Total liabilities at fair value	2,046	2,046	6,515	6,515
Liabilities at amortised cost				
Demand deposits from credit institutions	10,654	10,654	1,376	1,376
Liabilities at amortised cost	3,090,337	3,089,501	2,849,090	2,854,824
Total liabilities at amortised cost	3,100,991	3,100,155	2,850,466	2,856,200

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

	31/12/2013		EUR'000 31/12/2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets at fair value				
Derivatives	451	451	115	115
At fair value through profit or loss				
Financial assets at fair value through profit or loss	16,794	16,794	4,742	4,742
Available-for-sale				
Available-for-sale financial assets	731,659	731,659	779,388	779,388
Total assets at fair value	748,904	748,904	784,245	784,245
Assets at amortised cost				
Cash and deposits with central banks	356,747	356,747	307,446	307,446
Balances due from credit institutions	619,037	619,037	553,020	553,020
Loans	761,268	759,611	716,574	707,954
Held-to-maturity financial assets	651,411	656,120	500,612	516,959
Investment properties	24,330	25,266	24,620	26,632
Total assets at amortised cost	2,412,793	2,416,781	2,102,272	2,112,011
Liabilities at fair value				
Derivatives	2,046	2,046	6,515	6,515
Total liabilities at fair value	2,046	2,046	6,515	6,515
Liabilities at amortised cost				
Demand deposits from credit institutions	14,491	14,491	3,423	3,423
Liabilities at amortised cost	3,094,992	3,094,157	2,867,123	2,872,858
Total liabilities at amortised cost	3,109,483	3,108,648	2,870,546	2,876,281

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

The group and the bank use the following hierarchy of three levels of input data for determining and disclosing the fair value of 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 1 instruments contain liquid securities and exchange traded derivatives. Level 2 instruments contain securities that do not have an active market, standardised OTC derivatives as well as certain open ended investment funds. Level 3 instruments contain private equity funds with no market price quotes, investment properties, term deposits and loans. For valuation methods and assumptions please see description above.

The group and the bank has made retrospective reclassification of certain fixed income securities classified as financial instruments as available for sale in amount of EUR 1,7 million and certain non-fixed income securities classified as fair value through profit or loss in amount of EUR 1,8 million from Level 1 to Level 2.

There are changes in Level 3 assets that are recognised in financial statements at fair value, of which EUR 1,1 million is due to partial repayment and EUR 0,6 million is recognised through profit and loss as impairment expenses.

Notes to the financial statements for the year ended 31 December 2013

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

	31/12/2013				31/12/2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Derivatives	21	430	-	451	27	88	-	115
Financial assets at fair value through profit or loss	3,903	12,863	28	16,794	2,851	1,891	-	4,742
Available-for-sale financial assets	717,479	19,656	1,520	738,655	774,442	1,749	3,197	779,388
Total assets at fair value	721,403	32,949	1,548	755,900	777,320	3,728	3,197	784,245
Assets at amortised cost								
Cash and deposits with central banks	356,768	-	-	356,768	307,461	-	-	307,461
Balances due from credit institutions	637,875	2,450	-	640,325	558,575	468	-	559,043
Loans	-	-	750,097	750,097	-	-	711,133	711,133
Held-to-maturity financial assets	640,829	12,208	-	653,037	498,150	2,462	-	500,612
Investment properties	-	-	33,358	33,358	-	-	29,675	29,675
Total assets at amortised cost	1,635,472	14,658	783,455	2,433,585	1,364,186	2,930	740,808	2,107,924
Liabilities at fair value								
Derivatives	-	2,046	-	2,046	-	6,515	-	6,515
Total liabilities at fair value	-	2,046	-	2,046	-	6,515	-	6,515
Liabilities at amortised cost								
Demand deposits from credit institutions	10,654	-	-	10,654	1,376	-	-	1,376
Liabilities at amortised cost	3,010,031	3,633	76,673	3,090,337	2,596,987	3,173	248,930	2,849,090
Total liabilities at amortised cost	3,020,685	3,633	76,673	3,100,991	2,598,363	3,173	248,930	2,850,466

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

	31/12/2013				31/12/2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Derivatives	21	430	-	451	27	88	-	115
Financial assets at fair value through profit or loss	3,903	12,863	28	16,794	2,851	1,891	-	4,742
Available-for-sale financial assets	710,483	19,656	1,520	731,659	774,442	1,749	3,197	779,388
Total assets at fair value	714,407	32,949	1,548	748,904	777,320	3,728	3,197	784,245
Assets at amortised cost								
Cash and deposits with central banks	356,747	-	-	356,747	307,446	-	-	307,446
Balances due from credit institutions	619,024	13	-	619,037	552,972	48	-	553,020
Loans	-	-	761,268	761,268	-	-	716,574	716,574
Held-to-maturity financial assets	639,203	12,208	-	651,411	498,150	2,462	-	500,612
Investment properties	-	-	24,330	24,330	-	-	24,620	24,620
Total assets at amortised cost	1,614,974	12,221	785,598	2,412,793	1,358,568	2,510	741,194	2,102,272
Liabilities at fair value								
Derivatives	-	2,046	-	2,046	-	6,515	-	6,515
Total liabilities at fair value	-	2,046	-	2,046	-	6,515	-	6,515
Liabilities at amortised cost								
Demand deposits from credit institutions	14,491	-	-	14,491	3,423	-	-	3,423
Liabilities at amortised cost	3,021,637	-	73,355	3,094,992	2,605,349	11,959	249,815	2,867,123
Total liabilities at amortised cost	3,036,128	-	73,355	3,109,483	2,608,772	11,959	249,815	2,870,546

Note 21

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

Note 22

Events after reporting date

As of the last day of the reporting year until the date of signing these consolidated financial statements there have been no events requiring adjustment of or disclosure in the consolidated financial statements or notes thereto, except below mentioned.

From 1 January 2014, Latvia has joined the European Monetary Union and from 15 January 2014 the Latvian lats ceased to be a legal tender.