BANKING / INVESTMENTS \ ADVISORY

ABLV

ABLV Bank, AS

Interim Condensed Non-audited Consolidated and Separate Financial Statements

for the six-month period ended 30 June 2017

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Bank's Management Report

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

At the beginning of the year, optimism mostly prevailed in global economy, boosted by published macroeconomic reports as well. The euro area has been developing more rapidly than expected. The growth pace of Latvian national economy has increased, and the Bank of Latvia raised Latvian GDP forecast for 2017 to 3.3% (growth by 3% had been anticipated earlier).

ABLV Bank results in H1 2017 allow expecting achievement of the objectives set for this year. All the bank's major performance indicators remain high, including capital adequacy and liquidity ratios. To ensure further stable development, we gradually decrease the share of settlement business in the bank's income structure, since this line entails higher risks, and we will focus even more on high-quality wealth management with high added value – the services like arrangement of securities issues, lending to businesses, support under complex trade transactions, and investment services. Our employees possess necessary expert qualification and considerable experience, and this is a substantial advantage under rendering those services.

During the last year and a half, we have considerably reduced the AML and reputational risks associated with the clients' transactions. Consistent review of the client base is performed, and as at 30 June 2017 the client base has been decreased by almost 20%, compared with the end of 2015. We have refrained from cooperation with the clients whose activities might cause unacceptably high risk or the clients unwilling to cooperate in terms of supplying sufficient amount of information on their transactions.

To fulfil the commitments under the administrative agreement made with the Financial and Capital Market Commission (FCMC) on 26 May 2016, investments of EUR 6.6 million have been made in improvement of the IT systems and business processes concerning the client and transaction control since then. Now the resources spent on compliance verification per transaction are on average at least one third higher than in last year. The overall capacity of structural units engaged in risk management and financial crime prevention has been increased considerably: now job duties of one in six employees of the bank, i.e., about 16%, are related to compliance. Special AML training was also held for employees whose everyday work does not involve client servicing and transaction processing directly.

In the reporting period, the bank concluded the agreement with the US company Financial Integrity Network (FIN), engaging it to be a major strategic advisor on compliance matters in the field of anti-money laundering. Financial Integrity Network provides advice on strengthening the risk management and financial crime prevention systems, based on the independent risk assessment.

On 21 April this year, ordinary meeting of shareholders made the decision on paying the profit for 2016 in the form of dividends. The payments per share amounted to EUR 1.91, and their total amount equalled EUR 73.2 million. At the same time, another issue of ABLV Bank shares was performed, so that the bank's shareholders were provided the opportunity to re-invest the profit derived from dividends in the bank's further growth. There were 3 780 000 registered shares issued to the total amount of EUR 50.7 million. The sale price of one share was EUR 13.40. Following the issue, the bank's share capital is comprised of 38 250 000 ordinary voting shares and 3 830 000 employee shares without voting rights. Only current shareholders of the bank participated in the issue of shares. There were 78 applicants in total.

Legal address of ABLV Bank, AS (reg. No. 50003149401) is at 23 Elizabetes Street, Riga, LV-1010, Latvia. The bank's license was issued on 9 September 1993 and is registered with the FCMC licence register under No. 06.01.05.001/313.

On 15 June 2017, the meeting of ABLV Bank shareholders approved new Council of the bank. During the following 5 years, Oļegs Fiļs, Jānis Krīgers, Jānis Butkevičs, and Aivis Ronis will hold the positions of the Members of the Council. Oļegs Fiļs and Jānis Krīgers were the members of the bank's Council previously, and now Oļegs Fiļs will be the Chairman of the Council and Jānis Krīgers will be the Deputy Chairman of the Council again. Whereas two newly elected Members of the Council will strengthen the Council capacity in the field of corporate governance and international relations.

Having received the approval from the European Central Bank, ABLV Bank Council re-elected current members of the bank's Board for the following 5-year term of office. The following persons were re-elected to the bank's Board: Chairman of the Board, Chief Executive Officer (CEO) Ernests Bernis, Deputy Chairman of the Board, Deputy Chief Executive Officer (dCEO) Vadims Reinfelds, Member of the Board, Chief Compliance Officer (CCO) Aleksandrs Pāže, Member of the Board, Chief Information Officer (CIO) Rolands Citajevs, Member of the Board, Chief Risk Officer (CRO) Edgars Pavlovičs, Member of the Board, Chief Financial Officer (CFO) Māris Kannenieks, and Member of the Board, Chief Operating Officer (COO) Romans Surnačovs.

Financial results

ABLV bank's major financial indicators of H1 2017 evidence stable operations in accordance with the previously adopted plan. ABLV Bank, AS is the largest bank in Latvia with local capital and is ranked second in terms of the amount of assets.

- The bank's profit in H1 2017 amounted to EUR 26.3 million.
- The bank's operating income[1] totalled EUR 55.3 million.
- The amount of the clients' deposits equalled EUR 2.81 billion as at the end of the reporting period.
- The amount of issued debt securities reached EUR 459.3 million.
- As at 30 June 2017, the amount of the bank's assets totalled EUR 3.72 billion.
- The bank's loan portfolio equalled EUR 1.00 billion as at the end of June.
- The bank's capital and reserves amounted to EUR 326.9 million.
- As at 30 June 2017, the bank's total capital ratio was 21.96%, whereas liquidity ratio equalled 76.78%.
- ROE reached 16.46%, and ROA – 1.38%, as at 30 June 2017.

Continuing the bond issue programme, this year the bank performed four new issues of coupon bonds: two of them under the Sixth Bond Offer Programme, and two other – under the Seventh Bond Offer Programme. The total size of the bond issues amounted to USD 150.0 million and EUR 40.0 million at face value respectively. The bank initiated gradual replacement of long-term deposits with bonds at the end of 2011. Including new bonds and those already redeemed, we have performed 43 public bond issues so far.

We continue granting the commercial loans. In H1, new loan agreements to the total amount of EUR 62.1 million were made, mostly on lending to the companies in Latvia. As at 30 June 2017, the commercial loan portfolio amounted to EUR 639.9 million.

The total amount of the bank's securities portfolio was equal to EUR 1.59 billion, as at 30 June 2017. Part of the securities, amounting to EUR 7.7 million, are classified as loans and receivables. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 88.5% of the portfolio is constituted by securities having credit rating AA- and higher. In terms of major countries, the securities are allocated as follows: USA – 21.5%, Germany – 17.7%, Latvia – 14.0%, Russia – 11.0%, Canada – 7.4%, Sweden – 5.7%, Netherlands – 3.7%, Austria – 2.4%, and Finland – 2.2%. Whereas 4.4% is constituted by securities issued by international institutions. In the reporting period, annual yield[2] of the securities portfolio amounted to 2.5%.

From the beginning of this year, we have expanded the lending opportunities offered to individual clients by providing financing for their business secured by mortgage. The individuals having stable income (salary, dividends, business revenues) will be able to obtain loans in EUR or USD for up to 15 years. The loans can be secured by property – apartment or private house.

Expanding our insurance offer and specially designed by us and ABLV insurance products, now besides ABLV Apartment Insurance and ABLV House Insurance we also offer ABLV CASCO and MTPL insurance programmes to the clients. Those insurance policies have been developed together with our cooperation partners – Latvian branches of Seesam Insurance AS and ERGO Insurance SE insurance companies. Our successful long-term cooperation with these insurance companies allows offering advantageous conditions of the insurance services, which are available to our clients only.

Continuing the sequence of Internetbank development projects, in the reporting period we implemented new Internetbank functionality concerning the Internetbank use by the clients having several representatives and the users representing several clients. There were 40 other improvements made to ensure simpler and faster use of Internetbank, including its versions for iPhone and iPad. Those improvements included the opportunity to choose some of previously made incoming or outgoing payments in the account report and easily made a new outgoing payment using the details of the chosen one.

Investments

As at the end of June 2017, total assets under ABLV Asset Management, IPAS management amounted to EUR 123.5 million, of which EUR 122.9 million were the clients' investments in mutual funds managed by the company, and EUR 0.6 million were the clients' funds invested in individual investment programmes.

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[1] Operating income is calculated as the total of net interest income, net commission and fee income, net gain from transactions with financial instruments and foreign exchange, dividend income, net other income and expense, minus expenses of impairment of financial assets.

[2] Yield of the securities portfolio is calculated as the ratio of income gained from the securities to the average securities balance in the reporting period. The result is annualized and expressed as a percentage. The income gained from the securities is constituted by coupon income, securities revaluation reserve, securities trading result, and changes in the allowances.

The first half of 2017 was also successful for ABLV Capital Markets, IBAS, which executes clients' instructions for purchasing and selling all types of financial instruments. In the first half of the year, profit of ABLV Capital Markets, IBAS amounted to EUR 1.4 million. As at 30 June 2017, total assets of the company's clients invested in financial instruments were equal to EUR 1.40 billion.

From 1 February 2017, we offer more attractive possibilities of financing against pledge of investment portfolio to the clients, since we have expanded the range of bond categories that can be pledged, as set forth in the rates and charges 'Financing Against Pledge of Investment Portfolio'. The category 'Government bonds' has been expanded to include the bonds of central banks and supranational organizations. Therefore, the credit limit under these bonds has been increased to 65–96% of their market value. Moreover, new category has been introduced, in which government-guaranteed corporate bonds the issue size of which is USD 100 million and more are included – the financing conditions of government bonds are applied to these instruments.

Developing the range of services intended for children of our clients, from February we offer two new services for making savings for the child's future – investment portfolios and savings accounts for children, allowing savings in the form of financial instruments or funds accordingly. Clients are able to form an investment portfolio for their children by transferring the shares of ABLV mutual funds to the portfolio. The transfers can be performed by the child's parents or guardians, provided they hold a current account and investment portfolio with ABLV Bank. Just like an investment portfolio, the child's (EXTRA) savings account enables protection of the funds intended for the child's future. The child will be able to withdraw funds from the savings account upon reaching the age of 18 years. Before that, the child's parents or guardians will manage the account and deposit funds to the same.

In the reporting period, ABLV group company operating in the field of investments in commercial properties acquired new name – New Hanza Capital, AS – and began working on achievement of new business goals. The company was established in 2006 for the sake of managing the development of Elizabetes Park House real estate project. In 2015, new goals were set: to invest own funds and funds of third parties in commercial properties, ensuring long-term capital growth, to achieve sustainable increase in income from renting the premises, and to enlarge the value of properties in the long term. At the beginning of 2017, the company acquired new name – New Hanza Capital, AS, and its goal was set to be the composition of long-term commercial property portfolio, engaging a team of professionals for managing the same.

Having started the operations, in February 2017 New Hanza Capital, AS acquired 30% of the shares of capital of alternative mutual fund manager SIA SG Capital Partners AIFP. SIA SG Capital Partners AIFP was registered with the FCMC as alternative mutual fund manager in November 2016, and therefore is entitled to render the fund investment management and risk management services. Its objective is to attract and to invest the funds of institutional clients in real estate.

As early as in May 2017, SIA SG Capital Partners AIFP established a mutual fund worth EUR 80 million to acquire commercial properties in the Baltics. The fund's activity will be focused on office and retail assets in the Baltics generating the cash flow. First close equity commitments of the fund equal EUR 41 million, and ABLV Bank, which plans to invest EUR 10 million, as well as SEB and Swedbank pension funds, and INVL Latvia pension fund are among its investors. The fund is expected to hold subsequent closes in 2017 and 2018.

Real estate

In H1 2017, Pillar group companies continued implementation of large-scale project – development of modern New Hanza area in Riga. Investments in New Hanza development made by Pillar so far exceed EUR 21 million, and those were allocated to placemaking, development of building designs, renovation of existing buildings, construction of Pillar administrative building, infrastructure equipment, construction of roads, as well as other projects under territory development.

The construction of stage 1 of New Hanza infrastructure is nearing completion, which includes construction of water supply, sewage, heating and electricity supply networks, as well as unique large rainwater collection and accumulation system, and street layout development. Due to rapid work progress, it will be possible to begin construction of ABLV headquarters in the second half of the year.

During the first six months of the year, Pillar group made the transactions on sale of more than 50 properties, and the total amount of transactions reached EUR 4.5 million. Most transactions are still performed with regard to uniform apartments, and those amounted to 22 this year. There were 4 apartments in new projects sold, as well as 9 private houses, 11 land plots, and 5 commercial properties.

Advisory

In the reporting period, new company was added to ABLV group – ABLV Corporate Finance, SIA, which will offer professional support to the group's current and prospective clients by arranging and performing capital raising and company merge and acquisition transactions.

ABLV group has substantial experience in rendering services to corporate clients, including advice on business structuring, arrangement and performance of bond issues, as well as other similar services requiring involvement of highly qualified experts in this field. The Chairman of the Board Arvīds Kostomārovs is experienced advisory manager.

Luxembourg

In the reporting period, subsidiary bank ABLV Bank Luxembourg began offering new service to its clients – fixed-term loan secured by investment portfolio. This is an alternative solution to Lombard loans in the form of current account overdraft, which have been available for several years already. The loan with the repayment term of up to 1 year can be obtained in USD and EUR.
ABLV Bank, AS is the first bank from the Baltic countries to establish subsidiary bank in Luxembourg. The bank in Luxembourg started offering its services to broad range of clients in September 2013. As at 30 June 2017, the assets of ABLV Bank Luxembourg reached EUR 222.8 million, and assets under management amounted to EUR 107.1 million.

For society

In 2017, ABLV Bank, in cooperation with ABLV Charitable Foundation, continued supporting various socially important projects.

In January, the results of charity fund drive timed to coincide with the 10th anniversary of ABLV Charitable Foundation were summarized, and under the same record-high amount of donations was achieved – EUR 1 046 173, including EUR 127 116 donated to the programme 'Help Hear!' (each euro donated to this programme has been doubled by the foundation, and thus the total amount of funds allocated to this programme constituted EUR 254 232); donations to the programme 'Help grow up!' equalled EUR 108 062, and to the programme 'New Riga' – EUR 810 995. The bank's employees, clients, and general public were called to take part in the fund drive. The number of donators constituted 196 individuals and 69 legal entities.

Whereas in February, ABLV Bank gave 300 copies of the art album 'No Walls' to Latvian libraries through the intermediary of the National Library of Latvia Foundation. Art album 'No Walls' was issued in 2013, and the same includes the works of contemporary art then acquired by the bank to form the collection of the future Latvian Museum of Contemporary Art, according to the agreement made with the Republic of Latvia Ministry of Culture. The album also comprises the articles on the collection and work authors written by reputable art experts. One copy of the album 'No Walls' bearing a dedication was placed on the 'People's Bookshelf' at the National Library of Latvia.

Since blood bank shortage is permanent in Latvia and the State Blood Donor Centre regularly appeals to the public to help people, on 8 June second ABLV group Blood Donation Day was held. 63 employees donated blood, thus increasing the blood bank of the State Blood Donor Centre almost by 30 litres, which will enable blood transfusion to more than 180 people.

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

Chairman of the Council
Oļegs Fiļs

Deputy Chairman of the Board
Vadims Reinfelds

Riga, 28 August 2017

The Bank’s Council and the Board

The Council of the Bank:	Term of office:
Chairman of the Council: Oļegs Fiļs	15/06/2017 – 14/06/2022
Deputy Chairman of the Council: Jānis Krīgers	15/06/2017 – 14/06/2022
Council Member: Jānis Butkevičs	15/06/2017 – 14/06/2022
Council Member: Aivis Ronis	15/06/2017 – 14/06/2022
	Term of office expired:
Council Member: Igors Rapoports	02/05/2016 – 15/06/2017

During the reporting period, the Council of the Bank elected anew for the term of office from 15 June 2017 to 14 June 2022. The duties of the members of the Council will be performed by Oļegs Fiļs, Jānis Krīgers, Jānis Butkevičs and Aivis Ronis, whereas Igors Rapoports ceased his duties on 15 June 2017.
Oļegs Fiļs and Jānis Krīgers already acted in the Council of the Bank previously. Oļegs Fiļs has been re-elected as the Chairman of the Council, but Jānis Krīgers - as Deputy Chairman of the Council.

The Board of the Bank:	Term of office:
Chairman of the Board: Ernests Bernis - Chief Executive Officer (CEO)	02/05/2017 – 01/05/2022
Deputy Chairman of the Board: Vadims Reinfelds – Deputy Chief Executive Officer (dCEO)	02/05/2017 – 01/05/2022
Board Members:	
Aleksandrs Pāže – Chief Compliance Officer (CCO)	02/05/2017 – 01/05/2022
Edgars Pavlovičs – Chief Risk Officer (CRO)	02/05/2017 – 01/05/2022
Māris Kannenieks – Chief Financial Officer (CFO)	02/05/2017 – 01/05/2022
Rolands Citajevs – Chief IT Officer (CIO)	02/05/2017 – 01/05/2022
Romans Surnačovs – Chief Operating Officer (COO)	02/05/2017 – 01/05/2022

During the reporting period, the Board of the Bank has been elected as mentioned above, setting a new term of office.

Statement of Management's Responsibility

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

The interim condensed financial statements for six-month period and notes thereto set out on pages 9 to 42 are prepared in accordance with the source documents and present truly and fairly the financial position of the bank and the group as at 30 June 2017 and 31 December 2016, and the results of their operations, changes in the shareholders' equity and cash flows for the six-month periods ended 30 June 2017 and 30 June 2016.

The aforementioned interim condensed financial statements for the six-month period are prepared on a going concern basis in conformity with IAS 34 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 interim condensed financial statements for the six-month period.

The council and the board of the bank (hereinafter – the management) are responsible for the maintenance of proper accounting records, the safeguarding of the group's assets, and the prevention and detection of fraud and other irregularities in the group. The management of the bank are also responsible for operating the group and the bank in compliance with the Law of the Republic of Latvia on Credit Institutions, Regulations of the Bank of Latvia and the Financial and Capital Market Commission, and other laws of the Republic of Latvia as well as European Union Regulations applicable to credit institutions.

Chairman of the Council
Oļegs Fiļs

Deputy Chairman of the Board
Vadims Reinfelds

Riga, 28 August 2017

Interim Condensed Statements of Comprehensive Income

EUR'000

	Notes	Group 01.01.2017-30.06.2017	Group 01.01.2016-30.06.2016	Bank 01.01.2017-30.06.2017	Bank 01.01.2016-30.06.2016
Interest income	3	42,248	43,495	39,998	42,758
Interest expense	3	(10,647)	(12,161)	(9,595)	(12,190)
Net interest income		**31,601**	**31,334**	**30,403**	**30,568**
Commision and fee income	4	22,195	27,668	18,270	24,067
Commision and fee expense	4	(3,606)	(4,413)	(5,927)	(6,797)
Net commision and fee income		**18,589**	**23,255**	**12,343**	**17,270**
Net gain on transactions with financial instruments and foreign exchange	5	8,817	30,972	8,899	30,236
Net gain on non-financial assets held for sale		(497)	(3,338)	-	-
Other income		1,613	1,758	1,922	1,878
Other expense		(888)	(351)	(758)	(770)
Income from dividends		54	50	3,274	5,293
Impairment allowance for loans	6	918	193	927	76
Provisions for impairment of investments in subsidiaries		-	-	(1,838)	(5,983)
Provisions for impairment of financial instruments		128	(884)	128	(884)
Operating income		**60,335**	**82,989**	**55,300**	**77,684**
Personnel expense		(24,790)	(23,723)	(19,909)	(19,175)
Other administrative expense		(7,916)	(11,875)	(6,492)	(10,225)
Amortisation and depreciation		(2,086)	(2,031)	(1,554)	(1,609)
Profit before corporate income tax		**25,543**	**45,360**	**27,345**	**46,675**
Corporate income tax		(1,307)	(948)	(1,002)	(1,374)
Net profit for the year		**24,236**	**44,412**	**26,343**	**45,301**
Attributable to:					
Equity holders of the bank		24,197	44,289		
Non-controlling interests		39	123		
Other comprehensive income which has been or is to be reclassified to profit or loss					
Changes in fair value revaluation reserve of available-for-sale financial assets		1,898	16,079	1,740	15,861
Change to income statement as a result of sale of available-for-sale securities		(465)	(16,441)	(423)	(16,360)
Change to income statement due to recognised impairment of available-for-sale securities		-	96	-	96
Changes in deferred corporate income tax		(53)	(116)	(53)	(116)
Other comprehensive income, total		**1,380**	**(382)**	**1,264**	**(519)**
Total comprehensive income		**25,616**	**44,030**	**27,607**	**44,782**
Attributable to:					
Equity holders of the bank		25,577	43,907		
Non-controlling interests		39	123		

Chairman of the Council
Oļegs Fiļs

Deputy Chairman of the Board
Vadims Reinfelds

Riga, 28 August 2017

Interim Condensed Statements of Financial Position

EUR'000

Assets	Notes	Group 30.06.2017	Group 31.12.2016	Bank 30.06.2017	Bank 31.12.2016
Cash and deposits with central banks	7	442,770	414,431	433,785	413,047
Balances due from credit institutions	8	513,170	272,520	519,195	281,504
Derivatives		1,715	624	118	80
Financial assets at fair value through profit or loss	9	21,998	28,416	14,992	21,010
Available-for-sale financial assets	10	840,811	1,042,574	755,562	957,094
Loans and receivables	12	1,046,506	1,029,944	1,009,062	1,012,146
Held-to-maturity investments	11	871,652	1,053,987	809,136	989,710
Investments in subsidiaries	13	-	-	127,114	119,945
Investments in associates and joint venture	13	9,263	9,117	8,635	8,635
Investment properties		34,565	34,690	25,052	25,058
Property and equipment		30,178	27,267	9,235	9,461
Intangible assets		5,505	6,060	5,328	5,826
Current corporate income tax receivables		3,044	3,134	2,159	2,360
Deferred corporate income tax		1,417	1,401	-	-
Repossessed real estate		39,973	41,276	-	-
Other assets		11,320	7,882	4,716	3,710
Total assets		**3,873,887**	**3,973,323**	**3,724,089**	**3,849,586**

Liabilities					
Derivatives		10	42	10	42
Balances held with Bank of Latvia		50,000	50,000	50,000	50,000
Demand deposits from credit institutions		29,111	16,463	46,586	20,375
Deposits	14	2,972,600	3,027,772	2,812,004	2,901,824
Current corporate income tax liabilities		70	334	-	-
Other liabilities		28,048	22,922	15,166	11,082
Deferred corporate income tax		1,416	1,366	1,387	1,346
Issued securities	15	453,722	521,281	459,335	528,304
Subordinated deposits	16	12,692	14,810	12,692	14,810
Total liabilities		**3,551,602**	**3,654,990**	**3,397,180**	**3,527,783**
Shareholders' equity					
Paid-in share capital	17	42,080	38,300	42,080	38,300
Share premium		179,295	132,423	179,295	132,423
Reserve capital and other reserves		2,222	2,217	2,134	2,134
Fair value revaluation reserve of available-for-sale financial assets		2,507	1,127	2,403	1,139
Retained earnings brought forward		68,806	63,401	74,654	68,469
Retained earnings for the period		24,197	78,594	26,343	79,337
Attributable to the equity holders of the bank		**319,107**	**316,062**	**326,909**	**321,803**
Non-controlling interests		**3,178**	**2,271**	**-**	**-**
Total shareholders' equity		**322,285**	**318,333**	**326,909**	**321,803**
Total liabilities and shareholders' equity		**3,873,887**	**3,973,323**	**3,724,089**	**3,849,586**
Memorandum items					
Contingent liabilities		11,433	10,015	11,346	9,928
Financial commitments		149,390	132,405	140,580	126,632

Chairman of the Council
Oļegs Fiļs

Deputy Chairman of the Board
Vadims Reinfelds

Riga, 28 August 2017

The accompanying notes set out on pages 14 through 42 form an integral part of these interim condensed financial statements bank for the six-month period ended 30 June 2017.

Interim Condensed Statement of Changes in Shareholders' Equity of the Group

EUR'000

	Paid-in share capital	Share premium	Reserve capital and other reserves	Fair value revaluation reserve of available-for-sale financial assets	Retained earnings	Attributable to the equity holders of the bank	Non-controlling interests	Total shareholders' equity
01.01.2016	**35,300**	**96,918**	**2,238**	**9,461**	**132,536**	**276,453**	**876**	**277,329**
Net profit for the year	-	-	-	-	44,289	44,289	123	44,412
Other comprehensive income/(expense) for the year	-	-	-	(382)	-	(382)	-	(382)
Total comprehensive income	**-**	**-**	**-**	**(382)**	**44,289**	**43,907**	**123**	**44,030**
Increase in reserves	-	-	(21)	-	-	(21)	-	(21)
Dividends paid (see Note 17)	-	-	-	-	(68,835)	(68,835)	(579)	(69,414)
Issue of shares (see Note 17)	2,700	35,505	-	-	-	38,205	474	38,679
Increase in non-controlling interests (see Note 13)	-	-	-	-	-	-	30	30
30.06.2016	**38,000**	**132,423**	**2,217**	**9,079**	**107,990**	**289,709**	**924**	**290,633**
01.01.2017	**38,300**	**132,423**	**2,217**	**1,127**	**141,995**	**316,062**	**2,271**	**318,333**
Net profit for the year	-	-	-	-	24,197	24,197	39	24,236
Other comprehensive income/(expense) for the year	-	-	-	1,380	-	1,380	-	1,380
Total comprehensive income	**-**	**-**	**-**	**1,380**	**24,197**	**25,577**	**39**	**25,616**
Increase in reserves	-	-	5	-	(36)	(31)	-	(31)
Dividends paid (see Note 17)	-	-	-	-	(73,153)	(73,153)	(332)	(73,485)
Issue of shares (see Note 17)	3,780	46,872	-	-	-	50,652	1,200	51,852
30.06.2017	**42,080**	**179,295**	**2,222**	**2,507**	**93,003**	**319,107**	**3,178**	**322,285**

The accompanying notes set out on pages 14 through 42 form an integral part of these interim condensed financial statements for the six-month period ended 30 June 2017.

Interim Condensed Statement of Changes in Shareholders' Equity of the Bank

EUR'000

	Paid-in share capital	Share premium	Reserve capital and other reserves	Fair value revaluation reserve	Retained earnings	Total shareholders' equity
01.01.2016	**35,300**	**96,918**	**2,134**	**9,497**	**137,604**	**281,453**
Net profit for the year	-	-	-	-	45,301	45,301
Other comprehensive income/(expense) for the year	-	-	-	(519)	-	(519)
Total comprehensive income for the year	**-**	**-**	**-**	**(519)**	**45,301**	**44,782**
Dividends paid (see Note 17)	-	-	-	-	(68,835)	(68,835)
Issue of shares (see Note 17)	2,700	35,505	-	-	-	38,205
30.06.2016	**38,000**	**132,423**	**2,134**	**8,978**	**114,070**	**295,605**

01.01.2017	**38,300**	**132,423**	**2,134**	**1,139**	**147,807**	**321,803**
Net profit for the year	-	-	-	-	26,343	26,343
Other comprehensive income/(expense) for the year	-	-	-	1,264	-	1,264
Total comprehenisve income for the year	**-**	**-**	**-**	**1,264**	**26,343**	**27,607**
Dividends paid (see Note 17)	-	-	-	-	(73,153)	(73,153)
Issue of shares (see Note 17)	3,780	46,872	-	-	-	50,652
30.06.2017	**42,080**	**179,295**	**2,134**	**2,403**	**100,997**	**326,909**

The accompanying notes set out on pages 14 through 42 form an integral part of these interim condensed financial statements bank for the six-month period ended 30 June 2017.
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Interim Condensed Cash Flow Statements

EUR'000

Cash flows from operating activities	Group 01.01.2017.– 30.06.2017	Group 01.01.2016– 30.06.2016	Bank 01.01.2017– 30.06.2017	Bank 01.01.2016– 30.06.2016
Profit before corporate income tax	25,543	45,360	27,345	46,675
Dividend income	(54)	(50)	(3,274)	(5,293)
Amortisation and depreciation of fixed assets and investment properties	2,086	2,031	1,554	1,609
Impairment allowance for loans	(918)	(193)	(927)	(76)
Impairment of financial instruments	(128)	884	(128)	884
Interest (income)	(42,248)	(43,495)	(39,998)	(42,758)
Interest expense	10,647	12,161	9,595	12,190
Other non-cash items	(1,247)	(16,762)	767	(10,694)
Net cash flows from operating activities before changes in assets and liabilities	**(6,319)**	**(64)**	**(5,066)**	**2,537**
Decrease/ (increase) in balances due from credit institutions	13,751	(23,085)	7,857	(23,083)
(Increase) in loans	(36,390)	(115,975)	(18,041)	(117,982)
Decrease in financial assets at fair value through profit or loss	5,922	4,579	5,522	3,256
(Increase)/ decrease in other assets	(2,295)	2,750	(1,006)	(4,183)
Increase/ (decrease) in balances due to credit institutions	3,933	(130,000)	-	(130,000)
(Decrease)/ increase in deposits	80,683	(449,578)	46,035	(502,530)
(Decrease) in derivatives	(1,124)	(289)	(70)	(289)
Increase/ (decrease) in other liabilities	5,263	(19,246)	4,227	(21,321)
Net cash flows from operating activities before corporate income tax	**63,424**	**(730,908)**	**39,458**	**(793,595)**
Interest received in the reporting period	48,017	49,104	44,600	48,366
Interest (paid) in the reporting period	(11,048)	(12,254)	(9,996)	(12,283)
Corporate income tax (paid)	(1,341)	(2,370)	(747)	(1,553)
Net cash flows from operating activities	**99,052**	**(696,428)**	**73,315**	**(759,065)**
Cash flows from investing activities				
(Purchase) of held-to-maturity investments	(6,791)	(63,149)	(1,875)	(48,958)
Redemption of held-to-maturity investments	120,499	41,880	118,423	38,980
(Purchase) of available-for-sale financial assets	(133,220)	(206,840)	(101,333)	(160,888)
Sale of available-for-sale financial assets	263,591	777,185	237,887	730,304
(Purchase) of intangible and tangible fixed assets and investment properties	(4,599)	(10,157)	(1,064)	(1,511)
Sale of intangible and tangible fixed assets and investment properties	282	129	240	87
Dividends received	54	50	3,274	5,293
(Increase) in investments in subsidiaries and associates	(8)	-	(9,007)	(3,303)
Net cash flows from investing activities	**239,808**	**539,098**	**246,545**	**560,004**
Cash flows from financing activities				
Increase in subordinated loans	-	300	-	300
(Repayment) of subordinated loans	(1,732)	-	(1,732)	-
Sale of issued securities	81,875	93,733	82,973	95,738
(Repurchase) of issued securities	(116,387)	(80,180)	(118,896)	(81,691)
Dividends (paid)	(73,485)	(69,419)	(73,126)	(68,840)
Increase in non-controlling interest	1,200	-	-	-
Issue of shares	50,652	38,679	50,652	38,205
Net cash flows from financing activities	**(57,877)**	**(16,887)**	**(60,129)**	**(16,288)**
Increase/ (decrease) in cash and cash equivalents	**280,983**	**(174,217)**	**259,731**	**(215,349)**
Cash and cash equivalents at the beginning of the period	**594,637**	**1,014,984**	**598,762**	**1,002,126**
Result from revaluation of foreign currency positions	(7,045)	2,861	(15,746)	(1,577)
Cash and cash equivalents at the end of the period	**868,575**	**843,628**	**842,747**	**785,200**

EUR'000

Cash and cash equivalents	Group 30.06.2017	Group 30.06.2016	Bank 30.06.2017	Bank 30.06.2016
Cash and deposits with central banks	442,770	230,259	433,785	226,631
Balances due from credit institutions	454,916	651,074	455,548	609,067
Balances due to credit institutions	(29,111)	(37,705)	(46,586)	(50,498)
Total cash and cash equivalents	**868,575**	**843,628**	**842,747**	**785,200**

Information about balances due from credit institutions other than cash equivalents is presented in Note 8.

Notes to the Interim Condensed Financial Statements
for the six-month period ended 30 June 2017

Note 1

General Information

ABLV Bank, AS (hereinafter - the bank) 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, LV-1010, Latvia.

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

These consolidated and separate interim condensed financial statements for the six-month period contain the financial information about ABLV Bank, AS and its subsidiaries (hereinafter - the group). The separate financial statements of the bank are included in these consolidated and separate interim condensed financial statements to comply with legal requirements for the six-month period. The bank is the parent entity of the group.

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

The bank operates the central office and one lending centre in Riga. The most important subsidiaries of the bank are: ABLV Bank, Luxembourg S.A., ABLV Asset Management, IPAS, ABLV Capital Markets, IBAS, Pillar Holding Company, KS. The list of all group's subsidiaries is presented in Note 13.
The group operates foreign territorial structural units in Azerbaijan (Baku), in Belarus (Minsk), in Kazakhstan (Almaty), in Cyprus (Limassol), in Russia (Moscow, St. Petersburg and Vladivostok), in Ukraine (Kyiv and a separate office in Odessa), in Uzbekistan (Tashkent), New York (USA) and in Hong Kong.

The following abbreviations are used in the notes to these interim condensed financial statements for the six-month period: 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 of the Republic of Latvia (FCMC), European Monetary Union (EMU), European Union (EU), Organisation for Economic Cooperation and Development (OECD), European Central Bank (ECB).

These interim consolidated financial statements of the group and separate financial statements of the bank are non-audited.

During the reporting period, the group and the bank continued consistent application of risk management methods and principles disclosed in ABLV Bank, AS consolidated financial statements for 2016. The information on risk management is available at bank's website http://www.ablv.com/lv/about/financial-reports in Notes 34 to 37 to ABLV Bank, AS consolidated financial statements for 2016.

Performance Indicators of the Bank

Performance Indicators		30.06.2017	31.12.2016	Changes, %	31.12.2015
Total assets	EUR'000	3,724,089	3,849,586	(3.26)	4,928,121
Loans	EUR'000	1,009,062	1,012,146	(0.30)	873,499
Deposits	EUR'000	2,812,004	2,901,824	(3.10)	3,793,192
Total shareholders' equity	EUR'000	326,908	321,802	1.59	281,453
Liquidity ratio***	%	76.78	78.40	(2.07)	82.68
Common equity tier 1 capital ratio (CET 1)	%	16.14	12.90	25.08	10.79
Capital adequacy ratio (CAR)	%	21.96	19.58	12.13	17.27

Performance Indicators		01.01.2017–30.06.2017	01.01.2016–30.06.2016	Changes, %	01.01.2015–30.06.2015
Operating income **	EUR'000	55,302	77,684	(28.81)	71,570
Profit for the reporting period	EUR'000	26,343	45,301	(41.85)	43,453
Return on equity (ROE)*	%	16.46	33.27	(50.52)	38.10
Return on assets (ROA)*	%	1.38	1.97	(30.29)	1.91

* - Indicators are calculated according to principles of the Regulations on Preparation of Public Quarterly Reports of Credit Institutions approved by the Financial and Capital Market Commission.
** - Indicator is calculated as the total of net interest income, net commission and fee income, net gain from transactions with financial instruments and foreign exchange, dividend income, net other income and expense, minus expenses of impairment of financial assets.
*** - indicator are calculated according to principles of the Regulations on Liquidity Requirements, Compliance procedures and Liquidity Risk Management approved by the Financial and Capital Market Commission.

Note 2

Information on Principal Accounting Policies

a) Basis of Preparation

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

These consolidated and separate interim condensed financial statements for the six-month period are prepared on a historical cost basis, except for certain financial assets and liabilities (available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and derivatives) which are reported at fair value. The financial statements give a structured view of the financial position of the group and the bank and their financial performance and cash flows.

During the six-month period, the group and the bank consistently applied accounting policies in line with those disclosed in the prior-period financial statements, except for the changes in IFRS that came effective in the reporting period.

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

The functional currency of the bank and its subsidiaries is EUR. The presentation currency of the group and the bank is EUR.

These consolidated and separate interim condensed financial statements for the six-month period are reported in thousands of the euro (EUR’000), unless otherwise stated. Information given herein in brackets represents comparative figures for the year ended 31 December 2016 and the financial indicators for the six-month period ended 30 June 2016.

b) Significant Estimates and Assumptions

The preparation of interim condensed financial statements for the six-month period 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 of specific events and actions. The effect of any changes in estimates will be recorded in the interim condensed financial statements for the six-month period when determinable.

The significant areas of estimation and assumptions relate to the calculation of deferred corporate income tax, determining the impairment allowance for loans value, estimation of impairment of other assets and the fair value of assets and liabilities, assumptions regarding control and material impact on subsidiaries and associations, as well as assumptions regarding the power that bank has over open-ended investment funds.

c) Implementation of IFRS 9

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018).

In the reporting period, a working group created for IFRS 9 implementation, which involves also two Board members of the bank – the CRO and CFO and bank employees of the Risk Management Division, Financial Accounting Division, Operational Accounting Department, Business Technologies Department, in order to ensure IFRS 9 implementation according to the plan as approved by the management. In order to ensure a successful implementation of the changes in the internal normative documents and supervision of the processes related to IFRS 9, in the working group were included the responsible employees of the Product Development Division.

At this moment definition of the business model for financial instruments has been finished, developed accounting principles for the expected asset value decrease expenses, defined business requirements for loans classification by quality levels and for allowances accounting in the bank information systems, as well as the work is ongoing on the development of the bank/group internal normative documents. The next steps include approval of the internal normative documents by the relevant decision-making bodies, as well as testing and assessment of the developed models.

Classification and measurement

From classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.
The IAS 39 measurement categories will be replaced by:

- Fair value through profit or loss (FVPL);
- fair value through other comprehensive income (FVOCI); and
- amortised cost.

IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instrument that is not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated as FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statements, except the cases when accounting mismatch this way would arise.

Financial assets will be classified based on the cash flow defined in the agreement and business models according to which these are managed. Business models will be defined based on several criteria, among which the most significant will be the investment objective, e.g. cash flow from trade, credit quality of held-to-maturity and sale or only held-to-maturity financial assets, liquidity, term left to maturity.

Having completed its initial assessment, the group/bank has concluded that:

- Loans and balances due from credit institutions that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9;
- Financial assets and liabilities held for trading and financial assets and liabilities designated at FVPL are expected to continue to be measured at FVPL;
- The majority of the debt securities classified as available for sale under IAS 39 are expected to be measured at FVOCI.
- It is expected that the majority of the debt securities classified as held to maturity will remain recognised at amortised cost, while the remaining part will be measured at FVOCI.
- some securities, however, which are classified as available-for-sale or held to maturity under IAS 39, will be classified as FVPL, because of their contractual cash flow characteristics.

Impairment of financial assets

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The group/bank will be required to record an allowance for expected loss for all loans and other debt financial assets not held at FVPL, together with loan commitments

and financial guarantee contracts. The allowance is based on the expected credit loss associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.
The group/bank is developing a methodology to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For identification of a significant credit risk increase both quantitative (for example, loans past due above 30 days) and qualitative criteria (for example, significant financial difficulties of the borrower, not-fulfilling the agreement conditions, agreement changes due to financial difficulties of the borrower, decrease of collateral value in case the loan repayment depends on the collateral value and other loss events that increase the credit risk).
For separate asset groups (for example, unsecured overdrafts, and unsecured card loans) more strict quantitative criteria will be set for identification of a significant credit risk increase. The bank is planning to apply also a low credit risk assumption for debt securities, which issuer or issue credit rating matching the investment level.

In comparison to IAS 39, the group/bank expects the impairment charge under IFRS 9 to be more volatile and result in an increase in the total level of current impairment allowances.
The group/bank is planning to group its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing loans, for which initial assessment the credit risk has not significantly increased. For such loans the group/ bank will recognize impairments based on the twelve months expected losses. Under IAS 39 the group/bank has been recording an allowance for Incurred But Not Identified (IBNI) impairment losses. The change is expected to increase the impairment allowance compared to the current IBNI approach, as in accordance with the IAS 39 foresees application of estimate for the loss-incurred period that could be less than 12 months. In order to identify the expected within 12 months losses, the bank/group will apply the internal statistics of the last 5 years on the loans movement among the quality levels during 12 months, current collateral value, by making additional adjustments on the expected events in the future.
- Stage 2 – Loans with significant increase in credit risk: detecting when a loan shows a significant increase in credit risk since initial recognition, the group/bank records an allowance for the lifetime expected credit loss. Since this is a new concept compared to IAS 39, then the management of the group/the bank foresees that it will result into significant increase in allowances for impairments. Expected losses for credit value decrease within the lifetime will be calculated by applying the internal statistics on the loans movement among the quality levels during 12 months, current collateral value, by making additional adjustments on the expected events in the future, as well as the repayment schedule laid down in the agreement and loans effective ratio. Expected losses within the loans lifetime will reflect the probability of the weighted foreseen loss at present value.
- Stage 3 – Impaired loans. Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired or payments have been overdue for more than 90 days. In order to identify the default, the bank/group is planning to apply both quantitative (for example, loans past due over 90 days), and qualitative criteria (for example, a high probability the loan recovery process will be initiated or due to loss event the loan value will decrease). For separate asset groups (for example, unsecured overdrafts, unsecured cards) more strict quantitative criteria will be defined. The group/bank recognizes the lifetime expected credit losses for these loans and the bank accrues interest income on the loan amortised acquisition cost, minus allowances. As objective evidence criteria are similar to IAS 39 methodology, then the group/the bank does not foresee a significant increase in impairment allowances. Allowance for losses from separate loan value decrease also further will be calculated on the same basis as in accordance with IAS 39, and the collateral value will be adjusted in order to reflect the sum foreseen to get from the pledge realization. The group/bank will apply the statistics of the external rating agencies and own statistics of the group/the bank for the default cases of the debt financial instruments for the previous years.

The group/bank will record impairment for FVOCI debt securities depending on whether they are classified as Stage 1, 2, or 3, as explained above. The expected credit losses will not reduce the carrying amount of these financial assets in the statements of financial position which remain at fair value. An amount equal to the allowance will be recognized in OCI as an accumulated impairment, with a corresponding amounts will be presented to profit or loss.
For FVOCI debt securities considered to be 'low risk', the group/bank intends to apply a policy which assumes that the credit risk on the instrument has not increased significantly since initial recognition and will calculate ECL as explained in Stage 1 above. Such instruments will generally include trade, investment grade securities where the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Transition

According to the conditions of IFRS 9, the group and the bank do not plan to apply full retrospective adjustment when introducing the standard. The adjustments in carrying amount of financial assets as a result from applying the IFRS 9 will be recognized in retained earnings and reserves as at January 1, 2018. The group and the bank expects that it will be possible to disclose the impact stemming from the implementation of IFRS9 and corresponding quantitative information in the annual financial reports of 2017.

d) Basis of Consolidation

These consolidated interim condensed financial statements include the bank and all subsidiaries controlled by the bank (the parent entity), i.e. the bank has the power to govern the financial and operating policies of an entity so as to obtain economic benefits. Subsidiaries are consolidated from the date on which control is transferred to the parent and are no longer consolidated from the date that control ceases.
The entities of the group are listed in Note 13.

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

Associates are companies over which the group has significant influence, however, there is no control over their financial and business policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and OCI in equity-accounted investees, until the date on which significant ceases.
Join ventures are companies that were established on the basis of common agreement, where none of the members has control over this company, but there is a joint control of all members. Joint control is a division of mutual control division documented in the agreement that arises only when, if, by taking decisions on important actions, there is a need of unanimous consent of the control-sharing parties. Interests in join ventures are accounted by using the equity method.

Goodwill represents the excess of the cost of a business combination over the group's interest in the fair value of the net identifiable assets and contingent liabilities of the acquired subsidiary at the acquisition date. Goodwill on acquisitions of business operation is included in intangible assets. The carrying amount of associates' goodwill in equity is included in the carrying amount of investment in associate.
Goodwill is allocated to cash-generating units and is stated at cost less impairment losses.
Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a business acquisition include the carrying amount of goodwill relating to assets sold.
Negative goodwill arising on an acquisition is recognised immediately in the income statement.

The bank's and its subsidiaries' interim condensed financial statements are consolidated in the group's financial statements using the full consolidation method, by adding together like items of assets and liabilities at the period end, as well as income and expenses. For the purposes of consolidation, intragroup balances and intragroup transactions, including interest income and expense, and unrealised profit and loss resulting from intragroup transactions are eliminated, unless there exists any indication of impairment. Non-controlling (minority) interests represent the portion of profit or loss and equity not owned, directly or indirectly, by the bank. Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent entity shareholders' equity.
The bank's subsidiaries comply with the bank's policies and risk management methods.
The bank's investments in open-ended investment funds as structured entities are disclosed in the separate interim condensed financial statements (Note 9) as investments in open-ended investment funds.

Meanwhile, in the consolidated financial statements the investments in open-ended investment funds, which the bank has the power to govern and in which the bank owns the major part (at least 30 % or above) of net assets, are consolidated according to the full consolidation method. The shares of funds owned by third parties are recognised in the consolidated financial statements as other liabilities.

e) Cash and Cash Equivalents

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

f) Subsequent Events

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

Note 3

Interest Income and Expense

EUR'000

	Group	Group	Bank	Bank
	01.01.2017.– 30.06.2017	01.01.2016.– 30.06.2016	01.01.2017.– 30.06.2017	01.01.2016.– 30.06.2016
Interest income				
Total interest income on financial assets at fair value through profit or loss	**5**	**-**	**5**	**-**
Interest income on available-for-sale financial assets at amortised cost				
on loans and receivables	19,777	17,843	18,602	17,859
on held-to-maturity securities	14,831	15,579	14,022	14,953
on available-for-sale securities	6,052	8,708	5,746	8,624
on balances due from credit institutions and central banks	1,583	1,365	1,623	1,322
Total interest income on available-for-sale financial assets at amortised cost	**42,243**	**43,495**	**39,993**	**42,758**
Total interest income	**42,248**	**43,495**	**39,998**	**42,758**
Interest expense				
on ordinary bonds issued	2,991	3,832	3,016	3,867
on subordinated liabilities	2,893	2,894	2,893	2,894
financial stability fee costs	1,015	2,778	1,015	2,778
Single Resolution Fund expense	1,065	1,009	1,065	1,009
on the deposit guarantee fund	710	886	710	886
on balances due to credit institutions and central banks	795	677	745	671
on deposits from non-bank customers	1,178	85	151	85
Total interest expense	**10,647**	**12,161**	**9,595**	**12,190**

Note 4

Commission and Fee Income and Expense

EUR'000

Commission and fee income	Group 01.01.2017.– 30.06.2017	Group 01.01.2016.– 30.06.2016	Bank 01.01.2017.– 30.06.2017	Bank 01.01.2016.– 30.06.2016
commission on payment transfer handling on behalf of customers	7,828	11,870	7,739	11,788
commission on account service	5,027	6,368	4,842	6,187
commission on handling of settlement cards	3,689	4,244	3,692	4,242
commission on brokerage operations	2,455	2,646	-	-
commission on assets management	1,347	1,312	207	280
commission on documentary operations	608	646	608	646
other commission and fee income	1,241	582	1,182	924
Total commission and fee income	**22,195**	**27,668**	**18,270**	**24,067**
Commission and fee income				
correspondent bank service charges	898	1,488	899	1,465
commission on payment cards	1,121	1,220	1,122	1,220
commission on customer attraction	684	769	3,699	3,809
commission on brokerage operations	644	601	-	-
other commission and fee expense	259	335	207	303
Total commission and fee expense	**3,606**	**4,413**	**5,927**	**6,797**

As it was foreseen in the financial plan for 2017 of the group/bank, the commission income amount has decreased in the reporting period that is mainly due to the decrease of commission income on the client payments handling.

Note 5

Net Gain on Transactions with Financial Instruments and Foreign Exchange

EUR'000

Financial instruments at fair value through profit or loss	Group 01.01.2017.– 30.06.2017	Group 01.01.2016.– 30.06.2016	Bank 01.01.2017.– 30.06.2017	Bank 01.01.2016.– 30.06.2016
Gain/ (loss) from revaluation of financial instruments at fair value through profit or loss	648	1,037	648	432
Derivatives	(6)	(13)	(6)	(13)
Securities	654	1,050	654	445
Gain/ (loss) from trading with financial instruments at fair value through profit or loss	78	(154)	78	(153)
Derivatives	(25)	(82)	(25)	(82)
Securities	103	(72)	103	(71)
Net gain/ (loss) from financial instruments at fair value through profit or loss	**726**	**883**	**726**	**279**
Available-for-sale financial instruments				
Gain from sale of available-for-sale securities	465	19,738	423	19,657
Net realised gain from available-for-sale financial instruments	**465**	**19,738**	**423**	**19,657**
Financial instruments at amortised cost				
(Loss) from sale of held-to-maturity investments	(10)	-	(10)	-
Net realised (loss) from sale of financial instruments	**(10)**	**-**	**(10)**	**-**
Net result from foreign exchange trading and revaluation	**7,636**	**10,351**	**7,760**	**10,300**
Net gain on transactions with financial instruments and foreign exchange	**8,817**	**30,972**	**8,899**	**30,236**

The profit was recognised in the H1 2016 from share buyback transaction of VISA Europe Ltd. sold to VISA Inc. totalling to EUR 16,4 million that made up a significant increase of extraordinary profit from available-for-sale securities transactions.

Note 6

Impairment Allowance for Loans

EUR'000

Category	Group 01.01.2017.– 30.06.2017.	Group 01.01.2016.– 30.06.2016.	Bank 01.01.2017.– 30.06.2017.	Bank 01.01.2016.– 30.06.2016.
Loans - individual allowances, net	143	(150)	143	(21)
Loans - portfolio allowances, net	(595)	381	(604)	369
Increase/ (decrease) in allowances for the reporting period	**(452)**	**231**	**(461)**	**348**
(Recovery) of write-offs/ loss from asset write-off	(466)	(424)	(466)	(424)
Impairment allowances established during the reporting period, net	**(918)**	**(193)**	**(927)**	**(76)**

Changes in loan impairment allowances of the group for the six-month period ended 30 June 2017:

EUR'000

	Mortgage	Business	Consumer	Other	**Total**
Allowances at the beginning of the period	**7,811**	**7,110**	**1,365**	**81**	**16,367**
Increase	1,077	548	219	50	1,894
(Decrease)	(1,384)	(753)	(209)	-	(2,346)
Total allowances for the period	**(307)**	**(205)**	**10**	**50**	**(452)**
(Decrease) in allowances for the period due to currency fluctuations	(9)	(258)	-	(30)	(297)
(Decrease) of allowances for the period due to write-offs	(1,259)	(332)		(42)	(1,633)
Allowances at the end of the period	**6,236**	**6,315**	**1,375**	**59**	**13,985**
Individual allowances	279	3,924	-	-	4,203
Portfolio allowances	5,957	2,391	1,375	59	9,782
Total gross loans	**314,095**	**683,610**	**61,347**	**1,439**	**1,060,491**

Changes in loan impairment allowances of the group for the six-month period ended 30 June 2016:

EUR'000

	Mortgage	Business	Consumer	Other	**Total**
Allowances at the beginning of the period	**14,451**	**7,759**	**69**	**1,676**	**23,955**
Increase	1,952	1,685	13	114	3,764
(Decrease)	(2,739)	(665)	-	(129)	(3,533)
Total allowances for the period	**(787)**	**1,020**	**13**	**(15)**	**231**
(Decrease) in allowances for the period due to currency fluctuations	9	(33)	3	-	(21)
(Decrease) of allowances for the period due to write-offs	(2,524)	(1,529)	(10)	(269)	(4,332)
Allowances at the end of the period	**11,149**	**7,217**	**75**	**1,392**	**19,833**
Individual allowances	13	5,306	-	-	5,319
Portfolio allowances	11,136	1,911	75	1,392	14,514
Total gross loans	**335,523**	**625,855**	**1,378**	**41,119**	**1,003,875**

Changes in loan impairment allowances of the bank for the six-month period ended 30 June 2017:

EUR'000

	Mortgage	Business	Consumer	Other	Total
Allowances at the beginning of the period	**7,811**	**7,104**	**1,365**	**73**	**16,353**
Increase	1,077	548	219	39	1,883
(Decrease)	(1,385)	(750)	(209)	-	(2,344)
Total allowances for the period	**(308)**	**(202)**	**10**	**39**	**(461)**
(Decrease) in allowances for the period due to currency fluctuations	(9)	(259)	-	(30)	(298)
(Decrease) of allowances for the period due to write-offs	(1,259)	(332)	-	(33)	(1,624)
Allowances at the end of the period	**6,235**	**6,311**	**1,375**	**49**	**13,970**
Individual allowances	278	3,924	-	-	4,202
Portfolio allowances	5,957	2,387	1,375	49	9,768
Total gross loans	**314,095**	**646,244**	**61,347**	**1,346**	**1,023,032**

Changes in loan impairment allowances of the bank for the six-month period ended 30 June 2016:

EUR'000

	Mortgage	Business	Consumer	Other	Total
Allowances at the beginning of the period	**14,451**	**7,380**	**69**	**1,675**	**23,575**
Increase	1,952	1,677	10	114	3,753
(Decrease)	(2,741)	(535)		(129)	(3,405)
Total allowances for the period	**(789)**	**1,142**	**10**	**(15)**	**348**
(Decrease) in allowances for the period due to currency fluctuations	9	(34)	2	-	(23)
(Decrease) of allowances for the period due to write-offs	(2,522)	(1,445)	(10)	(268)	(4,245)
Allowances at the end of the period	**11,149**	**7,043**	**71**	**1,392**	**19,655**
Individual allowances	13	5,140	-	-	5,153
Portfolio allowances	11,136	1,903	71	1,392	14,502
Total gross loans	**335,523**	**627,140**	**1,301**	**41,119**	**1,005,083**

Note 7

Cash and Deposits with Central Banks

EUR'000

	Group	Group	Bank	Bank
	30.06.2017.	31.12.2016.	30.06.2017.	31.12.2016.
Demand deposits with the Bank of Latvia	420,082	398,719	420,082	398,719
Cash on hand	13,703	14,331	13,703	14,328
Demand deposits with Banque de Luxembourg	8,985	1,381	-	-
Total cash and deposits with central banks	**442,770**	**414,431**	**433,785**	**413,047**

Note 8

Balances Due from Credit Institutions

As at 30 June 2017, the bank had established correspondent relationships with 28 (32) credit institutions registered in the EU and OECD area, 4 (4) credit institutions registered in Latvia, and 37 (36) credit institutions registered in other countries.

As at 30 June 2017, the group's and bank's major balances due from credit institutions registered in the EU and OECD area were as follows: EUR 106,6 (114,7) million due from Landesbank Baden-Wuerttemberg, EUR 87,6 (68,9) million due from Sumitomo Mitsui Banking Corporation Brussels Branch, EUR 44,4 (46,1) million due from Deutsche Bank Trust Company Americas.

EUR'000

	Group	Group	Bank	Bank
Demand deposits with credit institutions	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Correspondent account balances	176,065	178,833	172,451	175,484
Overnight deposits	164,327	3,734	173,966	16,067
Total demand deposits with credit institutions	**340,392**	**182,567**	**346,417**	**191,551**
Other balances due from credit institutions				
Term deposits	170,995	79,189	170,995	79,189
Other balances	1,783	10,764	1,783	10,764
Total other balances due from credit institutions	**172,778**	**89,953**	**172,778**	**89,953**
Total balances due from credit institutions	**513,170**	**272,520**	**519,195**	**281,504**

As at 30 June 2017, part of the group's and bank's balances due from credit institutions totalling EUR 14,3 (24,8) million and EUR 13,9 (24,3) million respectively were pledged to secure transactions with financial instruments other than cash equivalents.
Cash equivalents do not include the group's and bank's term deposits of EUR 43,9 (51,1) million.

Note 9

Financial Assets at Fair Value through Profit or Loss

EUR'000

Issuer	Group 30.06.2017	Group 31.12.2016	Bank 30.06.2017	Bank 31.12.2016
Fixed-income debt securities				
Corporate companies	12,994	12,352	-	-
Credit institutions	1,588	6,647	-	4,671
Central governments and central banks	1,956	2,483	-	-
Financial auxillaries and other financial intermediaries	401	229	-	-
Municipalities	122	112	-	-
Total fixed-income debt securities	17,061	21,823	-	4,671
Equity shares				
Corporate companies	301	272	301	272
Total investments in equity shares	301	272	301	272
Investments in funds	4,636	6,321	14,691	16,067
Total financial instruments at fair value	**21,998**	**28,416**	**14,992**	**21,010**

Ten largest exposures as at 30 June 2017 amounted to 25,4% (42,6%) of the total group's financial assets at fair value through profit or loss, whereas ten largest exposures of the total bank's financial assets at fair value through profit or loss, amounted to 98,0% (90,6%).

Note 10

Available-For-Sale Financial Assets

EUR'000

Issuer	Group 30.06.2017	Group 31.12.2016	Bank 30.06.2017	Bank 31.12.2016
Fixed-income debt securities				
Central governments	566,889	630,171	541,470	608,301
Credit institutions	132,949	237,546	103,435	214,832
International organisations	43,985	67,092	43,985	67,092
Corporate companies	65,554	64,766	41,783	41,776
Municipalities	20,164	22,760	15,742	17,013
Financial auxillaries and other financial intermediaries	6,749	6,974	4,626	4,806
Total fixed-income debt securities	836,290	1,029,309	751,041	953,820
Equity shares				
Financial auxillaries and other financial intermediaries	3,266	2,974	3,266	2,974
Credit institutions	925	-	925	-
Corporate companies	300	300	300	300
Total investments in equity shares	4,491	3,274	4,491	3,274
Investments in funds	30	9,991	30	-
Total available-for-sale financial instruments	**840,811**	**1,042,574**	**755,562**	**957,094**

An essential part of available-for-sale securities portfolio of the group totalling 95,8% (88,9%) is invested into securities with the investment-grade credit rating. Whereas the bank has invested in investment-grade securities the available-for-sale securities portfolio part totalling 95,3% (88,9%).

Ten largest exposures amounted to 69,9% (62,2%) from total available-for-sale financial assets of the group as at 30 June 2017, whereas ten largest exposures from total available-for-sale financial assets of the bank amounted to 76,4% (66,5%).

Note 11

Held-To-Maturity Financial Instruments

EUR'000

Issuer	Group 30.06.2017	Group 31.12.2016	Bank 30.06.2017	Bank 31.12.2016
Fixed-income debt securities				
Central governments and central banks	577,668	645,800	556,076	623,428
Corporate companies	152,745	185,403	127,362	159,001
Credit institutions	78,375	120,197	67,553	109,754
Municipalities	34,120	71,615	31,907	69,214
International organisations	28,059	30,322	26,479	28,667
Financial auxillaries and other financial intermediaries	1,828	1,982	902	978
Total held-to-maturity financial instruments, gross	**872,795**	**1,055,319**	**810,279**	**991,042**
Impairment allowance	(1,143)	(1,332)	(1,143)	(1,332)
Total held-to-maturity financial instruments, net	**871,652**	**1,053,987**	**809,136**	**989,710**

An essential part of held-to-maturity securities portfolio of the group amounting to 85,4% (84,9%) is invested into securities with the investment-grade credit rating. Whereas the bank has invested in investment-grade securities the held-to-maturity securities portfolio part amounting to 84,4% (84,1%).

As at 30 June 2017, part of the held-to-maturity financial instruments totalling EUR 4,3 (4,6) million were pledged for securing transactions with financial instruments and held-to-maturity financial instruments totalling EUR 53,1 (53,2) million for securing targeted longer-term refinancing operations (TLTRO).

Ten largest exposures as at 30 June 2017 amounted to 63,7% (59,6%),of the total group's held-to-maturity financial instruments, whereas ten largest exposures of the total bank's held-to-maturity financial instruments amounted to 67,5% (62,5%).

Note 12

Loans

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

EUR'000

Customer profile	Group 30.06.2017	Group 31.12.2016	Bank 30.06.2017	Bank 31.12.2016
Corporate companies	519,245	483,065	486,872	465,337
Private individuals	345,813	348,924	340,727	348,840
Financial auxiliaries and other financial intermediaries	187,976	204,382	187,976	204,382
Credit institutions	7,457	9,940	7,457	9,940
Total gross loans	1,060,491	1,046,311	1,023,032	1,028,499
Impairment allowance	(13,985)	(16,367)	(13,970)	(16,353)
Total net loans	**1,046,506**	**1,029,944**	**1,009,062**	**1,012,146**

As at 30 June 2017, part of the group's and bank's balances due from other financial intermediaries totalling EUR 14,3 (22,8) million respectively were pledged to secure transactions with financial instruments.
More detailed information about impairment allowances for loans is disclosed in Note 6.

Ten largest exposures as at 30 June 2017 amounted to 20,7% (22,9%) of the total group's net loan portfolio, whereas for the bank net loan portfolio - 21,5% (23,3%). For these loans individual impairment allowances were not made.

The breakdown of loans issued by the group and the bank by 5 largest countries of borrowers:

EUR'000

Country	Group 30.06.2017	Group 31.12.2016	Bank 30.06.2017	Bank 31.12.2016
Latvia	732,459	721,342	736,727	726,057
Russian Federation	135,767	135,441	99,552	113,008
United States of America	40,525	51,366	40,525	51,366
Great Britain	25,244	30,832	25,242	30,831
Cyprus	23,340	17,484	18,346	17,484
Total other countries	89,171	73,479	88,670	73,400
Total net loans	**1,046,506**	**1,029,944**	**1,009,062**	**1,012,146**

Credit quality analysis for the group:

EUR'000

	Mortgage	Business	Other	Consumer	Total gross loans	Fair value of collateral
						30.06.2017
Neither past due nor impaired loans	264,230	651,878	59,928	1,124	977,160	1,546,249
Past due but not impaired loans, incl.:	30,247	21,578	-	230	52,055	67,646
less than 30 days	25,861	18,610	-	170	44,641	59,460
31 to 59 days	3,006	1,223	-	4	4,233	3,985
60 to 89 days	619	-	-	56	675	984
more than 90 days	761	1,745	-	-	2,506	3,217
Impaired loans	19,618	10,154	1,419	85	31,276	23,638
Total gross loans	**314,095**	**683,610**	**61,347**	**1,439**	**1,060,491**	**1,637,533**
Impairment allowance	(6,236)	(6,315)	(1,375)	(59)	(13,985)	
Total net loans	**307,859**	**677,295**	**59,972**	**1,380**	**1,046,506**	
						31.12.2016
Neither past due nor impaired loans	269,227	622,659	80,607	1,055	973,548	1,557,791
Past due but not impaired loans, incl.:	30,607	7,254	-	124	37,985	41,868
less than 30 days	24,852	3,571	-	54	28,477	30,872
31 to 59 days	4,472	3,403	-	26	7,901	9,106
60 to 89 days	505	6	-	23	534	416
more than 90 days	778	274	-	21	1,073	1,474
Impaired loans	22,075	11,205	1,408	90	34,778	23,794
Total gross loans	**321,909**	**641,118**	**82,015**	**1,269**	**1,046,311**	**1,623,453**
Impairment allowance	(7,811)	(7,110)	(1,365)	(81)	(16,367)	
Total net loans	**314,098**	**634,008**	**80,650**	**1,188**	**1,029,944**	

Credit quality analysis for the bank:

EUR'000

	Mortgage	Business	Other	Consumer	Total gross loans	Fair value of collateral
						30.06.2017
Neither past due nor impaired loans	264,230	614,527	59,928	1,050	939,735	1,510,582
Past due but not impaired loans, incl.:	30,247	21,578	-	230	52,055	67,646
less than 30 days	25,861	18,610	-	170	44,641	59,460
31 to 59 days	3,006	1,223	-	4	4,233	3,985
60 to 89 days	619	-	-	56	675	984
more than 90 days	761	1,745	-	-	2,506	3,217
Impaired loans	19,618	10,139	1,419	66	31,242	23,638
Total gross loans	**314,095**	**646,244**	**61,347**	**1,346**	**1,023,032**	**1,601,866**
Impairment allowance	(6,235)	(6,311)	(1,375)	(49)	(13,970)	
Total net loans	**307,860**	**639,933**	**59,972**	**1,297**	**1,009,062**	
						31.12.2016
Neither past due nor impaired loans	269,227	604,945	80,607	982	955,761	1,548,410
Past due but not impaired loans, incl.:	30,607	7,255	-	123	37,985	41,868
less than 30 days	24,852	3,571	-	53	28,476	30,872
31 to 59 days	4,472	3,404	-	26	7,902	9,106
60 to 89 days	505	6	-	23	534	416
more than 90 days	778	274	-	21	1,073	1,474
Impaired loans	22,075	11,190	1,408	80	34,753	23,794
Total gross loans	**321,909**	**623,390**	**82,015**	**1,185**	**1,028,499**	**1,614,072**
Impairment allowance	(7,811)	(7,104)	(1,365)	(73)	(16,353)	
Total net loans	**314,098**	**616,286**	**80,650**	**1,112**	**1,012,146**	

Note 13

Investments in Subsidiaries, Associates and Joint Ventures

The group's investments in associates and joint ventures:

EUR'000

Company	30.06.2017 Country of incor-poration	Share capital	Equity	Group's share of total share capital, %	Carrying amount under equity method	31.12.2016 Share capital	Equity	Group's share of total share capital, %	Carrying amount under equity method
AmberStone Group, AS	LV	35,000	41,325	24.28	9,253	35,000	40,886	24.28	9,117
SIA SG Capital Partners AIFP	LV	25	37	26.40	10	-	-	-	-
Total investments in associates and joint ventures		**35,025**	**41,362**	**x**	**9,263**	**35,000**	**40,886**	**x**	**9,117**

The bank's investments in associates:

EUR'000

Company	30.06.2017 Country of incor-poration	Share capital	Equity	Bank's share of total share capital, %	Carrying amount under cost method	31.12.2016 Share capital	Equity	Bank's share of total share capital, %	Carrying amount under cost method
AmberStone Group, AS	LV	35,000	41,325	24.28	8,635	35,000	40,886	24.28	8,635
Total investments in associates		**35,000**	**41,325**	**x**	**8,635**	**35,000**	**40,886**	**x**	**8,635**

Movements in the investments in subsidiaries and associates:

EUR'000

	Group 01.01.2017–30.06.2017	Group 01.01.2016–30.06.2016	Bank 01.01.2017–30.06.2017	Bank 01.01.2016–30.06.2016
Investments at the beginning of the period	**9,117**	**9,068**	**8,635**	**8,770**
Establishment/(disposal) of associates	8	-	-	-
Change in investments in associates under equity method	138	34	-	-
Investments at the end of the period	**9,263**	**9,102**	**8,635**	**8,770**

Changes in non-controlling interest:

EUR'000

	Group 01.01.2017.–30.06.2017.	Group 01.01.2016.–30.06.2016.
Non-controlling interest at the beginning of the period	**2,271**	**876**
Increase in non-controlling share investment	1,200	504
Part of profit related to the non-controlling share	39	123
Dividends paid	(332)	(579)
Non-controlling interest at the end of the period	**3,178**	**924**

As at 30 June 2017, the group comprised the following entities:

				30.06.2017		31.12.2016	
Company	Country of incorpo-ration	Registration number	Business profile	Share in the entity's capital (%)	Share in the entity's capital with voting rights (%)	Share in the entity's capital (%)	Share in the entity's capital with voting rights (%)
ABLV Bank, AS	LV	50003149401	Financial services	100	100	100	100
ABLV Bank Luxembourg, S.A.	LU	B 162048	Financial services	100	100	100	100
ABLV Consulting Services, AS	LV	40003540368	Consulting services	100	100	100	100
ABLV Advisory Services, SIA	LV	40103964811	Consulting services	100	100	100	100
ABLV Corporate Services Holding Company, SIA	LV	40103799987	Holding company	100	100	100	100
ABLV Corporate Services, SIA	LV	40103283479	Consulting services	100	100	100	100
ABLV Corporate Services, LTD	CY	HE273600	Consulting services	100	100	100	100
ABLV Corporate Finance, SIA	LV	40203042916	Consulting services	100	100	-	-
ABLV Capital Markets, IBAS	LV	40003814705	Financial services	90	100	90	100
ABLV Capital Markets USA LLC*	US	6399457	Financial services	90	100	-	-
ABLV Asset Management, IPAS	LV	40003814724	Financial services	90	100	90	100
PEM, SIA	LV	40103286757	Investment project management	51	51	51	51
PEM 1, SIA	LV	40103551353	Wholesale of other machinery and equipment	51	51	51	51
New Hanza Capital, AS	LV	50003831571	Holding company	88	88	88	88
NHC 1, SIA	LV	50103247681	Investments in real estate	88	88	88	88
NHC 2, SIA	LV	40103963977	Investments in real estate	88	88	88	88
NHC 3, SIA	LV	50103994841	Investments in real estate	88	88	88	88
NHC 4, SIA	LV	40203032424	Investments in real estate	88	88	88	88
NHC 5, SIA	LV	50203032411	Investments in real estate	88	88	88	88
NHC 6, SIA	LV	40203032439	Investments in real estate	88	88	88	88
Pillar, SIA	LV	40103554468	Holding company	100	100	100	100
Pillar Holding Company, KS	LV	40103260921	Holding company	100	100	100	100
Pillar 3, SIA	LV	40103193067	Real estate transactions	100	100	100	100
Pillar 4 & 6, SIA	LV	40103210494	Real estate transactions	100	100	100	100
Pillar 7 & 8, SIA	LV	40103240484	Real estate transactions	100	100	100	100
Pillar 9, SIA	LV	40103241210	Real estate transactions	100	100	100	100
Pillar 11, SIA	LV	40103258310	Real estate transactions	100	100	100	100
Pillar 2, 12 & 14, SIA	LV	50103313991	Real estate transactions	100	100	100	100
Pillar 18, SIA	LV	40103492079	Real estate transactions	100	100	100	100
Pillar 19, SIA	LV	40103766952	Real estate transactions	100	100	100	100
Pillar 20, SIA	LV	40103903056	Real estate transactions	100	100	100	100
Pillar 21, SIA	LV	40103929286	Real estate transactions	100	100	100	100
Pillar 22, SIA	LV	50103966301	Real estate transactions	100	100	100	100
Pillar Management, SIA	LV	40103193211	Real estate management and administration	100	100	100	100
Pillar RE Services, SIA	LV	40103731804	Parking management	100	100	100	100
Pillar Contractor, SIA	LV	40103929498	Management and coordination of construction processes	100	100	100	100
Pillar Architekten, SIA	LV	40103437217	Designing and designer's supervision	100	100	100	100
Pillar Development, SIA	LV	40103222826	Infrastructure maintenance	100	100	100	100
Pillar Utilities, SIA	LV	40103693339	Infrastructure management	100	100	100	100
Hanzas Dārzs, SIA	LV	40203078059	Territory management	100	100	-	-
ABLV Building Complex, SIA	LV	40203037667	Investments in real estate	100	100	100	100

* - Subsidiary company is registered, but licence for rendering investment services has not been received yet, as well as payment of paid-in share capital has not been made, that being compliant with the registration country legislative requirements.

Open-end mutual funds included in the group:

No	Open-end mutual fund	Country of registration	ISIN	Fund type	30.06.2017 Share in the entity's capital (%)	31.12.2016 Share in the entity's capital (%)
1	ABLV High Yield CIS RUB Bond Fund	LV	LV0000400778	Corporate bond fund	69.3	69.3
2	ABLV Multi-Asset Total Return USD Fund	LV	LV0000400919	Total return fund	68.7	70.6
3	ABLV European Industry EUR Equity Fund	LV	LV0000400844	Equity fund	55.2	54.6
4	ABLV Emerging Markets Corporate USD Bond Fund	LV	LV0000400935	Corporate bond fund	51.1	58.4

The bank’s investments in subsidiaries:

EUR'000

		30.06.2017				31.12.2016			
Company	Country of incor-poration	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	75,000	52,326	100	75,000	75,000	54,373	100	75,000
ABLV Bank Luxembourg, S.A.	LU	25,000	15,449	100	25,000	25,000	15,191	100	25,000
New Hanza Capital, AS	LV	25,000	24,806	88	22,000	15,000	14,904	88	13,200
Pillar Development, SIA	LV	15,600	13,753	100	15,600	15,600	14,087	100	15,600
ABLV Building Complex, SIA	LV	8,500	8,459	100	8,500	8,500	8,497	100	8,500
Pillar Management, SIA	LV	1,000	1,111	100	1,073	1,000	991	100	1,073
ABLV Capital Markets, IBAS	LV	1,000	2,362	90	900	1,000	4,173	90	900
ABLV Consulting services, AS	LV	711	843	100	711	711	907	100	711
ABLV Asset Management, IPAS	LV	650	743	90	585	650	830	90	585
ABLV Corporate Finance, SIA	LV	200	222	100	200	-	-	-	-
ABLV Corporate Services Holding Company, SIA	LV	100	571	100	100	100	211	100	100
PEM, SIA	LV	100	852	51	51	100	849	51	51
Pillar, SIA	LV	10	7	100	13	3	(2)	100	6
ABLV Advisory Services, SIA	LV	3	24	100	3	3	26	100	3
Total bank's investments in subsidiaries, gross		**152,874**	**121,528**	**x**	**149,736**	**142,667**	**115,037**	**x**	**140,729**
Allowance for impairment					(22,622)				(20,784)
Total bank's investments in subsidiaries, net					**127,114**				**119,945**

In the reporting period the bank has established an affiliate company ABLV Corporate Finance, SIA with the capital EUR 200 thousand. A new affiliate company will offer to the group current and potential clients professional assistance by preparing and carrying out the attraction of capital, acquisition, merger and division transactions of the companies, business assessment and restructuring.
In the reporting period the Bank has increased its investment in the capital of New Hanza Capital, AS for EUR 8,8 million.

Client assets under trust management by ABLV Asset Management, IPAS and assets of the open-end investment funds managed by ABLV Asset Management, IPAS at the end of the reporting period amount to EUR 123,5 (127,2) million. Client financial instruments of ABLV Capital Markets, IBAS at the end of the reporting period amount to EUR 1,40 (1,27) billion. The bank and ABLV Capital Markets, IBAS provide investments services to clients jointly: ABLV Capital Markets, IBAS accepts client orders for transactions with financial instruments and the bank executes these orders and acts as the custodian of client financial instruments. Credit risk and other risks related to these assets are borne by the client, who provided these assets to the group and/or the bank for trust management.

Movements in the bank's investment in subsidiaries:

EUR'000

	Bank 01.01.2017-30.06.2017	Bank 01.01.2016-30.06.2016
Investments at the beginning of period, gross	**140,729**	**125,825**
Established/ (dispossessed) subsidiaries	200	3
Increase in investments in subsidiaries	8,807	3,300
Investments at the end of the period, gross	**149,736**	**129,128**
Allowance for impairment	(22,622)	(20,542)
Investments at the end of the period, net	**127,114**	**108,586**

Note 14

Deposits

EUR'000

Customer type	Group 30.06.2017	Group 31.12.2016	Bank 30.06.2017	Bank 31.12.2016
Corporate companies				
current accounts	2,152,879	2,201,391	2,051,344	2,124,978
term deposits	79,710	73,929	44,939	52,206
Total corporate companies	2,232,589	2,275,320	2,096,283	2,177,184
Other financial intermediaries				
current accounts	199,452	210,779	212,225	221,356
term deposits	9,872	19,196	9,958	19,196
Total other financial intermediaries	209,324	229,975	222,183	240,552
Other customers				
current accounts	660	629	660	629
term deposits	2	-	2	-
Total other customers	662	629	662	629
Total deposits from corporate customers	**2,442,575**	**2,505,924**	**2,319,128**	**2,418,365**
Private individuals				
current accounts	506,464	500,331	475,576	466,820
term deposits	23,561	21,517	17,300	16,639
Total deposits from private individuals	**530,025**	**521,848**	**492,876**	**483,459**
Total deposits	**2,972,600**	**3,027,772**	**2,812,004**	**2,901,824**

The group's top 20 clients in terms of the deposit amount account 15,1% (14,0%) of the total group's deposits. Whereas the Bank's top 20 clients in terms of the deposit amount make out 15,2% (14,3%) of the total bank deposits. Of the total deposits placed with the group and the bank, 83,9% (85,9%) are from clients whose beneficiaries are CIS residents.

Note 15

Issued Securities

EUR'000

ISIN	Currency	Number of initially issued securities	Par value	Date of emission	Date of maturity	Discount/ coupon rate, %	Group 30.06.2017	Group 31.12.2016	Bank 30.06.2017	Bank 31.12.2016
Subordinated bonds										
LV0000800985	USD	200,000	100	27.06.2012.	27.06.2022.	4.5	-	18,983	-	18,983
LV0000800977	EUR	50,000	100	25.06.2012.	25.06.2022.	4.5	4,995	4,883	4,995	4,883
LV0000801124	USD	200,000	100	18.03.2013.	18.03.2023.	4.5	16,806	17,792	16,806	17,792
LV0000801173	USD	200,000	100	27.06.2013.	27.06.2023.	4.3	16,806	17,815	16,806	17,815
LV0000801181	EUR	200,000	100	27.06.2013.	27.06.2023.	4.3	19,120	18,723	19,120	18,723
LV0000801223	USD	150,000	100	23.10.2013.	23.10.2023.	4.3	13,022	14,098	13,022	14,098
LV0000801520	EUR	200,000	100	27.10.2014.	27.10.2024.	4.1	17,948	17,592	17,948	17,592
LV0000801835	EUR	200,000	100	26.10.2015.	26.10.2025.	3.8	17,673	17,348	17,673	17,348
LV0000802189	EUR	200,000	100	31.10.2016.	31.10.2026.	3.8	10,088	2,685	10,088	2,685
Subordinated bonds, total							**116,458**	**129,919**	**116,458**	**129,919**
Ordinary bonds										
LV0000801645	USD	75,000	1,000	23.02.2015.	23.02.2017.	2.20	-	62,671	-	62,671
LV0000801652	EUR	20,000	1,000	23.02.2015.	23.02.2017.	1.80	-	16,902	-	18,411
LV0000801751	USD	75,000	1,000	07.07.2015.	07.07.2017.	1.55	27,689	50,234	27,689	50,234
LV0000801769	EUR	20,000	1,000	07.07.2015.	07.07.2017.	0.80	9,003	11,291	10,509	12,797
LV0000801850	USD	75,000	1,000	26.10.2015.	26.10.2017.	1.65	35,357	42,498	35,357	42,498
LV0000801868	EUR	20,000	1,000	26.10.2015.	26.10.2017.	0.80	5,365	5,365	7,368	7,368
LV0000801991	USD	75,000	1,000	22.02.2016.	22.02.2018.	1.85	54,301	60,328	54,301	60,328
LV0000802007	EUR	20,000	1,000	22.02.2016.	22.02.2018.	0.70	5,869	6,273	7,874	8,278
LV0000802072	USD	75,000	1,000	11.07.2016.	11.07.2018.	1.85	47,108	57,310	47,108	57,310
LV0000802080	EUR	20,000	1,000	11.07.2016.	11.07.2018.	0.70	8,473	8,572	8,572	8,572
LV0000802163	USD	75,000	1,000	31.10.2016.	31.10.2018.	1.85	58,383	56,039	58,383	56,039
LV0000802171	EUR	20,000	1,000	31.10.2016.	31.10.2018.	0.70	12,568	13,879	12,568	13,879
LV0000802239	USD	75,000	1,000	27.02.2017.	27.02.2019.	2.25	64,490	-	64,490	-
LV0000802247	EUR	20,000	1,000	27.02.2017.	27.02.2019.	0.75	8,658	-	8,658	-
Ordinary bonds, total							**337,264**	**391,362**	**342,877**	**398,385**
Issued securities, total							**453,722**	**521,281**	**459,335**	**528,304**

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

At the end of the reporting period 71,3% (76,0%) of the group/bank issued securities holders were legal persons, but 28,7% (24,0%) – physical persons, whereas 91,3% (93,0%) of the bond holders were non-residents, and 8,7% (7,0%) – residents.

Note 16

Subordinated Liabilities

As at 30 June 2017, the group's and bank's subordinated liabilities of EUR 129,2 (144,7) million comprised subordinated bonds amounting to EUR 116,5 (129,9) million and subordinated deposits amounting to EUR 12,7 (14,8) million. Subordinated deposits by currencies amount to USD 8,3 (9,8) million and EUR 5,5 (5,5) million.

The information on the subordinated bonds issued by the bank are disclosed in Note 15.

The analysis of subordinated deposits as at 30 June 2017:

Lenders	Loan amount, EUR'000	Accumulated interest, EUR'000	Total subordinated loans, EUR'000	Interest rate, %	Currency
non-residents	5,823	8	5,831	3.00 - 3.15	USD
non-residents	5,450	8	5,458	3.00 - 3.76	EUR
residents	1,402	1	1,403	3.15	USD
Total subordinated deposits	**12,675**	**17**	**12,692**		

The analysis of subordinated deposits as at 31 December 2016:

Lenders	Loan amount, EUR'000	Accumulated interest, EUR'000	Total subordinated loans, EUR'000	Interest rate, %	Currency
non-residents	7,442	12	7,454	1.75 - 3.15	USD
non-residents	5,450	7	5,457	3.00 - 3.76	EUR
residents	1,898	1	1,899	1.99 - 3.15	USD
Total subordinated deposits	**14,790**	**20**	**14,810**		

The proportionate share of lenders (for each individual lender) does not exceed 10% of the total amount of the subordinated liabilities.
The remaining weighted average maturity of subordinated deposits from lenders is 2,6 (2,9) years.

Subordinated bonds and subordinated loans are included in the second tier of equity calculation and are stated at amortised cost. According to the provisions of the subordinated loan agreements, the lenders have no right to demand anticipatory repayment of the loans and capitalise the subordinated loans into the bank’s share capital. Discount/ coupon rates and payment frequency are indicated in the final issue regulations, and no solvent issuers may annul coupon payments. If an issuer is dissolved, the payments are made in accordance with statutory requirements. More detailed information about the conditions of issues is available on the bank’s website www.ablv.com and relevant final bond issue regulations.

Note 17

Paid-in Share Capital

As at 30 June 2017, the paid-in share capital of the bank amounted to EUR 42,1 (38,3) million.
The par value of each share is EUR 1.0 (1.0). The bank's share capital consists of 38 250 000 (34 470 000) ordinary registered voting shares and 3 830 000 (3 830 000) registered non-voting shares (personnel shares).
As at 30 June 2017, the bank had 138 (138) voting shareholders.

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

	30.06.2017		31.12.2016	
	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, (%)
Ernests Bernis and Nika Berne (direct and indirect interest)				
Ernests Bernis	1,887	4.93	1,701	4.93
Nika Berne	325	0.85	293	0.85
Cassandra Holding Company, SIA	14,433	37.73	12,924	37.49
Ernests Bernis and Nika Berne (direct and indirect interest), total	**16,645**	**43.51**	**14,918**	**43.27**
Oļegs Fiļs (indirect interest)				
OF Holding, SIA	16,645	43.52	14,918	43.28
Oļegs Fiļs (indirect interest), total	**16,645**	**43.52**	**14,918**	**43.28**
Other shareholders, total	4,960	12.97	4,634	13.45
Total voting shares	**38,250**	**100.00**	**34,470**	**100.00**
Non-voting shares (personnel shares)	3,830		3,830	
Total share capital	**42,080**		**38,300**	

In the reporting period, the bank issued 3 780 000 ordinary registered voting shares. The par value of all the issued shares was EUR 1.0, while the emission price of each ordinary registered voting share was EUR 13.40, comprised of the par value of EUR 1.0 and the share premium of EUR 12.40. The issue was intended to ensure steady development of the group/ bank in the future.

After this issue, share capital of the bank consisted of 38 250 000 name shares with voting rights and 3 830 000 personnel shares. All ordinary registered voting shares rank equal with respect to dividends, liquidation quota and voting rights in the Shareholders meeting. All personnel shares grant equal rights to dividends. Personnel shares do not grant any right to vote or receive liquidation quotas. Most of the issued voting shares have been acquired by the existing shareholders of the bank - Cassandra Holding Company, SIA and OF Holding, SIA.

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

	30.06.2017			31.12.2016		
	Number of employees	Number of personnel shares	Share of the bank's share capital, EUR'000	Number of employees	Number of personnel shares	Share of the bank's share capital, EUR'000
Chairman of the council and council members	4	-	-	3	-	-
Chairman of the board and board members	7	1,930,000	1,930	7	1,705,000	1,705
Heads and deputy heads of divisions	26	1,825,000	1,825	26	1,775,000	1,775
Heads of departments	3	75,000	75	1	50,000	50
Non-distributed	-	-	-	-	300,000	300
Registered non-voting shares (personnel shares), total	**x**	**3,830,000**	**3,830**	**x**	**3,830,000**	**3,830**

Dividends declared and paid:

		EUR'000
	Bank	Bank
	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Dividends declared	73,153	68,835
Dividends paid	(73,126)	(68,840)

		EUR
	Bank	Bank
	01.01.2017-30.06.2017	01.01.2016-30.06.2016
Bank's share par value	1.00	1.00
Dividends declared per bank's share value	1.91	1.95
Dividends paid per bank's share value	1.91	1.95

Note 18

Funds under Trust Management

As at 30 June 2017, funds under trust management by the group amounted to EUR 256,1 (279,8) million, while funds under trust management by the bank amounted to EUR 25,5 (25,4) million. The bank's funds under trust management comprise loans issued from the funds specifically assigned by clients to the bank. Meanwhile, the group's funds under trust management also include funds of the clients of ABLV Asset Management, IPAS managed by the said company based on the clients' authorisation and the funds under trust management of ABLV Bank Luxembourg, S.A.
More detailed information on the funds of the clients of ABLV Asset Management, IPAS is disclosed in Note 13.
The related credit risk and other risks remain fully with the client, which provided these funds to the group and/or the bank.

Note 19

Related Party Disclosures

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

Group’s transactions with related parties:

EUR'000

	30.06.2017					31.12.2016				
Assets	Sharehol-ders	Manage-ment	Related companies	Associated companies	Other related individuals	Sharehol-ders	Manage-ment	Related companies	Associated companies	Other related individuals
Loans	196	1,843	-	6,908	147	1,438	1,873	9,252	8,726	29
Liabilities										
Deposits	8,486	3,154	3,044	9,398	828	5,698	2,037	7,036	8,306	940
Subordinated deposits	-	-	-	-	-	380	-	-	-	-
Ordinary bonds	-	-	-	4,015	31	-	15		6,665	33
Subordinated bonds	2,407	8,290	884	2,422	1,314	49	6,919	865	2,453	849
Memorandum items										
Undrawn credit facilities and payment card limits	-	134	-	503	26	-	167	78	703	20
Guarantees	-	50	-	160	-	-	125	-		-

	01.01.2017 - 30.06.2017					01.01.2016 - 30.06.2016				
Income/ expense	Sharehol-ders	Manage-ment	Related companies	Associated companies	Other related individuals	Sharehol-ders	Manage-ment	Related companies	Associated companies	Other related individuals
Interest income	22	24	2	135	1	60	25	93	16	2
Interest expense	(16)	(140)	(19)	(75)	(18)	(1)	(106)	(35)	(119)	(14)
Commission and fee incom	28	10	14	20	4	17	12	25	29	2
Other operating Income	-	-	-	18	-	-	-		15	-

Bank’s transactions with related parties:

EUR'000

	30.06.2017					31.12.2016				
Assets	Sharehol-ders	Manage-ment	Related companies	Subsi-diaries	Other related individuals	Sharehol-ders	Manage-ment	Related companies	Subsi-diaries	Other related individuals
Due from credit institutions	-	-	-	9,639	-	-	-	-	12,333	-
Loans	196	1,843	-	11,576	147	1,438	1,873	9,252	13,445	29
Liabilities										
Due to credit institutions	-	-	-	17,475	-	-	-	-	3,913	-
Deposits	8,486	3,144	3,044	45,439	828	5,698	1,974	7,036	35,186	940
Subordinated deposits	-	-	-	-	-	380	-	-	-	-
Ordinary bonds	-	-	-	16,028	31	-	15	-	13,689	33
Subordinated bonds	2,407	8,290	884	2,422	1,314	49	6,919	865	2,453	849
Memorandum items										
Undrawn credit facilities and payment card limits	-	134	-	572	26	-	167	78	773	20
Guarantees	-	50	-	168	-	-	125	-	168	-

	01.01.2017 - 30.06.2017					01.01.2016 - 30.06.2016				
Income/ expense	Sharehol-ders	Manage-ment	Related companies	Subsi-diaries	Other related individuals	Sharehol-ders	Manage-ment	Related companies	Subsi-diaries	Other related individuals
Interest income	22	24	2	219	1	60	25	93	170	2
Interest expense	(16)	(140)	(19)	(100)	(18)	(1)	(106)	(35)	(154)	(14)
Income from dividends	-	-	-	3,220	-	-	-	-	5,243	-
Commission and fee income	-	8	4	434	2	-	8	4	405	1
Commission and fee expense	-	-	-	(3,097)	-	-	-	-	(3,040)	-
Other operating income	-	-	-	1,880	-	-	-	-	1,585	-
Other administrative expense	-	-	-	(583)	-	-	-	-	(336)	-
Recognised impairment, net	-	-	-	(1,838)	-	-	-	-	(5,893)	-

Remuneration paid to the management of the group and the bank for the reporting period was EUR 1,7 (1,8) million.

Information on registered non-voting shares (personnel shares) is presented in Note 17. Meanwhile, information on changes in investments in subsidiaries and associates is disclosed in Note 13.

Note 20

Segment Information

The group and the bank believe that the group's operations can be organised into four segments based on the core business activities as follows: banking services, advisory services, investment management services, and management of repossessed properties and investments in real estate. In the reporting period the group and the bank applied the main business lines classification into segments, comparing to the classification that was used for the previous periods financial statements, has not changed.

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

- banking services: ABLV Bank, AS, ABLV Bank Luxembourg, S.A.;
- investment management services: ABLV Asset Management, IPAS, ABLV Capital Markets, IBAS, ABLV Capital Markets USA LLC *, PEM, SIA, PEM 1, SIA, New Hanza Capital, AS, NHC 1, SIA, NHC 2, SIA, NHC 3, SIA, NHC 4, SIA, NHC 5, SIA, NHC 6, SIA, open-end mutual funds included in the group (please see Note 13).
- advisory services: ABLV Consulting Services, AS, ABLV Corporate Services Holding Company, SIA, ABLV Corporate Services, SIA, ABLV Corporate Services, LTD, ABLV Advisory Services, SIA, ABLV Corporate Finance, SIA;
- real estate development: ABLV Building Complex, SIA, Pillar Holding Company, KS, Pillar, SIA, Pillar 3, SIA, Pillar 4 & 6, SIA, Pillar 7 & 8, SIA, Pillar 9, SIA, Pillar 11, SIA, Pillar 2, 12 & 14 SIA, Pillar 18, SIA, Pillar 19, SIA, Pillar 20, SIA, Pillar 21, SIA, Pillar 22, SIA, Pillar Development, SIA, Pillar Utilities, SIA, Hanzas Dārzs, SIA, Pillar Management, SIA, Pillar RE Services, SIA, Pillar Contractor, SIA, Pillar Architekten, SIA.

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

Analysis of the operating segments of the group:

EUR'000

	01.01.2017-30.06.2017					
	Banking	Investment management	Consultation services	Real estate development	Excluded or corrected on consolidation	Group, total
Net interest income	31,642	(66)	-	25	-	31,601
incl. external transactions	31,632	-	-	(31)		
incl. Internal transactions	10	(66)	-	56		
Net commission income	13,495	3,380	(10)	(4)	1,728	18,589
incl. external transactions	16,241	2,353	(5)	-		
incl. Internal transactions	(2,746)	1,027	(5)	(4)		
Net result of transactions with securities and foreign exchange	12,184	(13)	435	5	(3,740)	8,871
incl. external transactions	8,897	(5)	(22)	1		
incl. Internal transactions	3,287	(8)	457	4		
Net other income/expenses	1,098	4	3,549	379	(4,802)	228
incl. external transactions	(616)	267	961	(384)		
incl. Internal transactions	1,714	(263)	2,588	763		
Personnel expense and other administrative expenses	(28,390)	(1,795)	(3,217)	(2,088)	2,784	(32,706)
Depreciation	(1,666)	(151)	(69)	(200)	-	(2,086)
Impairment allowance and other provisions	1,046		-	-	-	1,046
Corporate income tax	(1,003)	(308)	(39)	43	-	(1,307)
Total segment profit/ (loss)	**28,406**	**1,051**	**649**	**(1,840)**	**(4,030)**	**24,236**
Acquisition of property and equipment, intangible assets and investment properties	1,087	79	1	3,432	-	**4,599**
						30.06.2017
Total segment assets	**3,948,605**	**62,849**	**3,308**	**120,893**	**(261,768)**	**3,873,887**
Total segment liabilities	**3,604,445**	**32,032**	**1,493**	**7,537**	**(93,905)**	**3,551,602**

*- Subsidiary will start rendering the investment services after receiving licence.

EUR'000

					01.01.2016-30.06.2016	
	Banking	Investment management	Consultation services	Real estate development	Excluded or corrected on consolidation	Group, total
Net interest income	31,316	(10)	-	40	(12)	31,334
incl. external transactions	31,334	-	-	-		
incl. Internal transactions	(18)	(10)	-	40		
Net commission income	18,085	3,655	(9)	(7)	1,531	23,255
incl. external transactions	20,850	2,411	(5)	(1)		
incl. Internal transactions	(2,765)	1,244	(4)	(6)		
Net result of transactions with securities and foreign exchange	35,673	234	405	51	(5,341)	31,022
incl. external transactions	30,787	239	(5)	1		
incl. Internal transactions	4,886	(5)	410	50		
Net other income/expenses	1,129	(88)	2,802	(2,508)	(3,266)	(1,931)
incl. external transactions	(406)	589	837 -	2,951		
incl. Internal transactions	1,535	(677)	1,965	443		
Personnel expense and other administrative expenses	(31,285)	(1,693)	(2,959)	(2,215)	2,554	(35,598)
Depreciation	(1,722)	(31)	(72)	(206)	-	(2,031)
Impairment allowance and other provisions	(6,793)	130	-	-	5,972	(691)
Corporate income tax	(875)	(279)	29	177	-	(948)
Total segment profit/ (loss)	**45,528**	**1,918**	**196**	**(4,668)**	**1,438**	**44,412**
Acquisition of property and equipment, intangible assets and investment properties	1,656	549	77	7,875	-	**10,157**
						30.06.2016.
Total segment assets	**4,411,809**	**25,627**	**2,695**	**161,580**	**(240,279)**	**4,361,432**
Total segment liabilities	**4,101,429**	**18,520**	**1,534**	**16,710**	**(67,394)**	**4,070,799**

Note 21

Fair Values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The group and the bank disclose the fair values of assets and liabilities in such a manner so as to be able to compare the fair values with the carrying amounts.

Fair value of financial instruments, such as available-for-sale financial assets, financial assets at fair value through profit or loss and held-to-maturity investments, is mostly defined based on quoted prices in an active market. Where no price is observable for some of these financial instruments, fair value is determined based on observable prices in a market, where no active trading is done – this is applicable to several debt securities and open-ended investment funds.

Different valuation methods are used by the group and the bank for those financial assets which are not quoted in the market and for which no quoted prices for similar financial assets in active markets are available. Fair value of such financial instruments is estimated based on valuation models which are based on the assumptions and estimates regarding the potential future financials of the investment property, and the industry and geographical area risks in which the respective investment property operates. Fair value of derivatives is calculated based on the net present value method, where all inputs in the valuation model are observable, while exchanged traded derivatives, such as futures, as valued based on quoted prices.

The management of the bank and the group believe that the most credible market value of real estate was identified based on the evaluations presented by both external real estate appraisers and bank's real estate experts. In order to define the value of investment properties, assumption method is used by experts, as well as a discounted cash flow method. Investment properties are valued on the basis of discounted cash flows. According to this approach, fair value is calculated based on assumptions regarding expected future cash flows from income and expense resulting from the holding of real estate during its life cycle, including the value of the property at the date of sale. These cash flows are discounted at a discount rate, which is equal to the market return from similar assets, to arrive at the present value. The selling value of the investment properties may differ from the market value as defined, if the market of such kind of properties is not properly developed in Latvia.

As regards other assets and liabilities for which fair value is disclosed and which have a short maturity (less than three months), except for loans and receivables, the group and the bank assume that the fair value approximates to their carrying amount. This assumption also applies to demand deposits and savings accounts. The fair value of loans and advances to clients is estimated by discounting the expected cash flows at a discount rate calculated according to the money market rates at the end of the reporting period and loan interest margins.

The fair value of term deposits is estimated by discounting the expected cash flows at the average market interest rates prevailing at the end of the reporting period.

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

EUR'000

Assets at fair value	30.06.2017		31.12.2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives	1,715	1,715	624	624
At fair value through profit or loss				
Financial assets at fair value through profit or loss	21,998	21,998	28,416	28,416
Available-for-sale				
Available-for-sale financial assets	840,811	840,811	1,042,574	1,042,574
Total assets at fair value	**864,524**	**864,524**	**1,071,614**	**1,071,614**
Assets at amortised cost				
Cash and deposits with central banks	442,770	442,770	414,431	414,431
Balances due from credit institutions	513,170	513,170	272,520	272,520
Loans	1,046,506	1,045,828	1,029,944	1,029,081
Held-to-maturity investments	871,652	903,441	1,053,987	1,084,140
Investment properties	34,565	42,915	34,690	43,040
Other financial assets	1,549	1,549	1,465	1,465
Total assets at amortised cost	**2,910,212**	**2,949,673**	**2,807,037**	**2,844,677**
Liabilities at fair value				
Derivatives	10	10	42	42
Group's consolidated fund shares owned by 3rd parties	8,375	8,375	6,541	6,541
Total liabilities at fair value	**8,385**	**8,385**	**6,583**	**6,583**
Liabilities at amortised cost				
Financial liabilities at amortised cost	3,528,895	3,524,317	3,635,800	3,631,082
Total liabilities at amortised cost	**3,528,895**	**3,524,317**	**3,635,800**	**3,631,082**

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

EUR'000

Assets at fair value	30.06.2017		31.12.2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives	118	118	80	80
At fair value through profit or loss				
Financial assets at fair value through profit or loss	14,992	14,992	21,010	21,010
Available-for-sale				
Available-for-sale financial assets	755,562	755,562	957,094	957,094
Total assets at fair value	**770,672**	**770,672**	**978,184**	**978,184**
Assets at amortised cost				
Cash and deposits with central banks	433,785	433,785	413,047	413,047
Balances due from credit institutions	519,195	519,195	281,504	281,504
Loans	1,009,062	1,008,621	1,012,146	1,011,445
Held-to-maturity investments	809,136	841,221	989,710	1,020,884
Investment properties	25,052	34,307	25,058	34,306
Other financial assets	1,330	1,330	663	663
Total assets at amortised cost	**2,797,560**	**2,838,459**	**2,722,128**	**2,761,849**
Liabilities at fair value				
Derivatives	10	10	42	42
Total liabilities at fair value	**10**	**10**	**42**	**42**
Liabilities at amortised cost				
Financial liabilities at amortised cost	3,383,820	3,379,233	3,517,592	3,512,838
Total liabilities at amortised cost	**3,383,820**	**3,379,233**	**3,517,592**	**3,512,838**

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

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

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

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

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

EUR'000

Assets at fair value	30.06.2017 Level 1	Level 2	Level 3	Total	31.12.2016 Level 1	Level 2	Level 3	Total
Derivatives	-	1,715	-	1,715	59	565	-	624
Financial assets at fair value through profit or loss	19,471	2,526	1	21,998	21,519	6,897	-	28,416
Available-for-sale financial assets	834,223	2,923	3,665	840,811	989,277	49,955	3,342	1,042,574
Total assets at fair value	**853,694**	**7,164**	**3,666**	**864,524**	**1,010,855**	**57,417**	**3,342**	**1,071,614**
Assets at amortised cost								
Loans	-	-	1,046,506	1,046,506	-	-	1,029,944	1,029,944
Held-to-maturity investments	859,943	11,336	373	871,652	1,035,724	17,905	358	1,053,987
Investment properties	-	-	34,565	34,565	-	-	34,690	34,690
Total asets at amortised cost	**859,943**	**11,336**	**1,081,444**	**1,952,723**	**1,035,724**	**17,905**	**1,064,992**	**2,118,621**
Liabilities at fair value								
Derivatives	6	4	-	10	-	42	-	42
Group's consolidated fund shares owned by 3rd parties	-	8,374	-	8,374	-	6,541	-	6,541
Total liabilities at fair value	**6**	**8,378**	**-**	**8,384**	**-**	**6,583**	**-**	**6,583**
Liabilities at amortised cost								
Financial liabilities at amortised cost	-	530,745	102,747	633,492	-	603,941	96,792	700,733
Total liabilities at amortised cost	**-**	**530,745**	**102,747**	**633,492**	**-**	**603,941**	**96,792**	**700,733**

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

EUR'000

Assets at fair value	30.06.2017 Level 1	Level 2	Level 3	Total	31.12.2016 Level 1	Level 2	Level 3	Total
Derivatives	-	118	-	118	59	21	-	80
Financial assets at fair value through profit or loss	-	14,991	1	14,992	1,117	19,893	-	21,010
Available-for-sale financial assets	749,858	2,039	3,665	755,562	919,764	33,988	3,342	957,094
Total assets at fair value	**749,858**	**17,148**	**3,666**	**770,672**	**920,940**	**53,902**	**3,342**	**978,184**
Assets at amortised cost								
Loans	-	-	1,009,062	1,009,062	-	-	1,012,146	1,012,146
Held-to-maturity investments	797,427	11,336	373	809,136	971,447	17,905	358	989,710
Investment properties	-	-	25,052	25,052	-	-	25,058	25,058
Total asets at amortised cost	**797,427**	**11,336**	**1,034,487**	**1,843,250**	**971,447**	**17,905**	**1,037,562**	**2,026,914**
Liabilities at fair value								
Derivatives	6	4	-	10	-	42	-	42
Total liabilities at fair value	**6**	**4**	**-**	**10**	**-**	**42**	**-**	**42**
Liabilities at amortised cost								
Financial liabilities at amortised cost	-	532,511	61,715	594,226	-	610,964	70,191	681,155
Total liabilities at amortised cost	**-**	**532,511**	**61,715**	**594,226**	**-**	**610,964**	**70,191**	**681,155**

The analysis of fair value measurement‘s hierarchy of assets does not include cash on hands, deposits with central banks, balances due from credit institutions and other financial assets, due to the fact that these assets have not differences between the carrying amount and fair value in terms of short residual maturity. The analysis of fair value measurement‘s hierarchy of liabilities, which are not recognized at fair value, does not include demand deposits amounted to 2.88 (2.95) billion EUR in the group and demand deposits amounted to 2.79 (2.85) billion EUR in the bank, as these liabilities do not have differences between carrying amount and fair value.
In the reporting period and in the previous period the reclassification of the financial instruments between Level 1 and 2 at fair value was insignificant.

Analysis of changes in the group’s/ bank’s financial instruments of Level 3:

EUR'000

Assets at fair value	30.06.2017	Recognition	Change of revaluation reserve	Effect of foreign exchange	31.12.2016
Available-for-sale financial assets	3,665	30	499	(206)	3,342
Total assets at fair value	**3,665**	**30**	**499**	**(206)**	**3,342**

Level 3 available-for-sale assets discounted value as at 30 June 2017 amounted to 0.44% (0.32%) from total available-for-sale portfolio, which insignificant, therefore group/bank did not conduct a sensitivity analysis.

EUR'000

Assets at fair value	30.06.2016	Redemption	Recognition	Change of revaluation reserve	31.12.2015
Available-for-sale financial assets	2,784	(12,274)	2,214	147	12,697
Total assets at fair value	**2,784**	**(12,274)**	**2,214**	**147**	**12,697**

Neither in the reporting period nor in the previous period a reclassification of the financial instruments at fair value between Level 2 and Level 3 was not carried out.

Note 22

Capital Management and Capital Adequacy

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

The capital management objectives of the group and the bank during six-month period from 1 January to 30 June 2017 comparing to the previous periods have not changed.

Pursuant to the Regulation provisions, the group and the bank use the Standardised Approach for credit risk and market risk capital requirements, the Basic Indicator Approach for operational risk capital requirement, and the Standardised Approach to calculate the capital requirement for credit valuation adjustment (CVA) risk of OTC derivatives and a Simplified Approach to determine the additional valuation adjustment, and this additional valuation adjustment is calculated as 0.1% of the sum of the absolute value of assets at fair value and liabilities.

It is specified in the Regulation that Common equity Tier 1 capital ratio (CET1) should be 4.5%, Tier 1 capital ratio should be 6.0% and the total capital ratio should be at least 8.0%. In accordance with the stipulated in the Regulation the group/the bank the total capital has to match the grand total of credit risk, market risk and operational risk capital requirements, including the capital reserves and possible Pillar II capital increase.

Pursuant to the provisions of the Credit Institution Law the group and the bank shall ensure the capital conservation buffer at 2,5% from total exposures value that limit the dividend pay-out and redemption of separate instruments of Tier 1, therefore determining a well capitalised bank Tier 1 ratio at 8,5% and total capital adequacy ratio at 10,5%.

At the end of 2016, the FCMC made the decision on identifying the bank as other systemically important institution again, setting that from 30 June 2017 the group/bank is required to maintain the other systemically important institution capital buffer equal to 1.0% of the total exposure value, whereas from 30 June 2018 - equal to 2.0%.

In addition to the before-mentioned, the FCMC requirements on countercyclical capital buffer became effective on 1 January 2016, based on the transaction division by the geographical areas.
The group and the bank ensure that common equity Tier 1 capital (CET1) is sufficient also for covering capital conservation buffer, countercyclical capital buffer and for the capital reserve of an other-systemic important institution.

The group and the bank have complied with the Regulation provisions and at the end of the reporting period the group CET 1 ratio was 15,44% (12,31%), total capital ratio – 21,11% (18,81%), therefore, the capitalisation of the group was maintained at the level that exceed the capital requirement pursuant to the Regulation.

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

Own funds and capital requirements:

EUR'000

	Group*	Group*	Bank	Bank
Tier 1	30.06.2017	31.12.2016	30.06.2017	31.12.2016
paid-in share capital	42,080	38,300	42,080	38,000
share premium	179,295	132,423	179,295	132,423
reserve capital and other reserves	2,172	2,134	2,134	2,134
retained earnings	68,648	62,805	74,653	68,770
current year`s profit	-	6,000	-	6,000
intangible assets	(5,477)	(6,029)	(5,328)	(5,827)
revaluation reserve of available-for-sale financial assets	2,005	676	1,923	683
non-controlling interests	784	1,010	-	-
additional valuation adjustment	(712)	(647)	(644)	(595)
Total Tier 1	**288,795**	**236,672**	**294,113**	**241,588**
Common equity tier 1 capital (CET1)	**288,795**	**236,672**	**294,113**	**241,588**
Additional Tier 1 capital	**-**	**-**	**-**	**-**
Tier 2				
subordinated capital	106,049	125,063	106,049	125,063
Total Tier 2 capital	**106,049**	**125,063**	**106,049**	**125,063**
Total own funds	**394,844**	**361,735**	**400,162**	**366,651**
Capital requirement				
Capital requirement for credit risk	122,219	126,178	121,455	124,879
Total capital requirement for market risks	6,265	7,353	6,024	7,289
incl. capital requirement for foreign currency risk	1,364	1,671	1,266	1,686
incl. capital requirement for position risk	4,901	5,682	4,758	5,603
Capital requirement for counterparty credit risk	206	63	28	5
CVA	30	12	6	1
Capital requirement for operational risk	20,896	20,229	18,265	17,601
Total capital requirement	**149,616**	**153,835**	**145,778**	**149,775**
Common equity Tier 1 capital ratio (CET1) (%)	15.44	12.31	16.14	12.90
Total capital ratio (%)	21.11	18.81	21.96	19.58

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

Note 23

Litigation and claims

In the ordinary course of business, the bank has been involved in a number of legal proceedings to recover outstanding credit balances and maintain collateral, as well as other proceedings related to specific transactions. The management believe that any legal proceedings pending as at 30 June 2017 will not result in material losses for the bank and/ or the group.

Note 24

Events after the reporting date

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