



ABLV

BANKING / INVESTMENTS \ ADVISORY

# ABLV Bank, AS

Public Quarterly Report  
January – June 2014

## Bank's Management Report

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

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

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

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

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

### Financial results

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

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

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

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

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

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

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

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

## Investments

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

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

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

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

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

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

There was sustainably high activity in the market of uniform apartments, and 218 sale transactions were made during six-month period. Whereas in H1 2013 there were 169 uniform apartments sold. The demand for premium class housing and new projects remains high. The total number of transactions in new projects made this year reached 104, as well as two premium class apartments in Elizabetes Park House were sold. Also, there were made 14 transactions on sale of private houses.

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

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

### **Advisory**

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

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

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

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

### **Luxembourg**

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

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

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

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

### **For society**

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

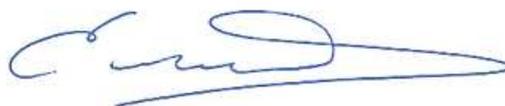
In January, traditional fund drive arranged by ABLV Charitable Foundation and ABLV Bank, AS, was completed; under this fund drive, the bank's customers and officers made donations for the foundation to ensure purchase of digital hearing devices for hearing-impaired children, and also to allow poor children to spend time in rehabilitation and development summer camps, as well as to support people who suffered in Zolitude tragedy. The donations made under the fund drive reached the incredible amount of EUR 334 865, of which EUR 90 738 were donated to the 'Help Hear!' programme, EUR 43 910 – to the 'Help grow up!' programme, and EUR 200 217 – to the 'Help 21.11' programme. ABLV Charitable Foundation, in cooperation with ABLV Bank, doubled the amounts donated to the 'Help hear!' and 'Help grow up!' programmes, making those EUR 181 476 and EUR 87 820 respectively.

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

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



Deputy Chairman of the Council  
**Jānis Krīgers**



Chairman of the Board  
**Ernests Bernis**

Riga, 15 August 2014

## General information

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

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

As at 30 June 2014 the group and the bank operate the central office and one lending centre in Riga, subsidiary bank in Luxembourg, as well as foreign representation offices/ territorial structural units in Azerbaijan (Baku), in Belarus (Minsk), in Kazakhstan (Almaty), in Cyprus (Limassol), in Russia (Moscow, St. Petersburg, Yekaterinburg and Vladivostok), in Ukraine (Kyiv with a branch in Odessa), in Uzbekistan (Tashkent) and Tajikistan (Dushanbe).

Organizational structure of ABLV Bank, AS is shown on page 7 at this public quarterly report.

This quarterly report is prepared in accordance with the Regulations on Preparation of Public Quarterly Reports of Credit Institutions approved by the Financial and Capital Market Commission for the purpose to providing information on the financial standing and performance indicators of the bank for the period started 1 January 2014 till 30 June 2014.

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

## Shareholders and groups of related shareholders of the bank

|  | 30/06/2014                |                       |                                  |  |
|--|---------------------------|-----------------------|----------------------------------|--|
|  | Amount of voting shares * | Par value of shares * | Paid-in the Bank's share capital | % of the total paid-in the Bank's share capital with voting rights |
| <b>Shareholders</b>  | amount                    | EUR                   | EUR'000                          | (%)  |
| Ernests Bernis and Nika Berne (direct and indirect interest) | 12,670,030                | 1                     | 12,670                           | 43.11  |
| Oļegs Fiļs (indirect interest)                               | 12,670,030                | 1                     | 12,670                           | 43.12  |
| Other shareholders total                                     | 4,044,940                 | 1                     | 4,045                            | 13.77  |
| <b>Total shares with voting rights</b>                       | <b>29,385,000</b>         | <b>x</b>              | <b>29,385</b>                    | <b>100.00</b>  |
| Shares without voting rights                                 | 3,015,770                 |                       | 3,016                            |  |
| <b>Paid-in share capital total</b>                           | <b>32,400,770</b>         |                       | <b>32,401</b>                    |  |

|  | 31/12/2013              |                     |                                  |  |
|--|-------------------------|---------------------|----------------------------------|--|
|  | Amount of voting shares | Par value of shares | Paid-in the Bank's share capital | % of the total paid-in the Bank's share capital with voting rights |
| <b>Shareholders</b>  | amount                  | EUR                 | EUR'000                          | (%)  |
| Ernests Bernis and Nika Berne (direct and indirect interest) | 54,683                  | 213                 | 11,672                           | 43.00  |
| Oļegs Fiļs (indirect interest)                               | 54,686                  | 213                 | 11,672                           | 43.00  |
| Other shareholders total                                     | 17,801                  | 213                 | 3,799                            | 14.00  |
| <b>Total shares with voting rights</b>                       | <b>127,170</b>          | <b>x</b>            | <b>27,143</b>                    | <b>100.00</b>  |
| Shares without voting rights                                 | 13,400                  |                     | 2,860                            |  |
| <b>Paid-in share capital total</b>                           | <b>140,570</b>          |                     | <b>30,003</b>                    |  |

\* Information about the bank's shares denomination is disclosed at Bank's Management Report of this public quarterly report.

## Performance indicators

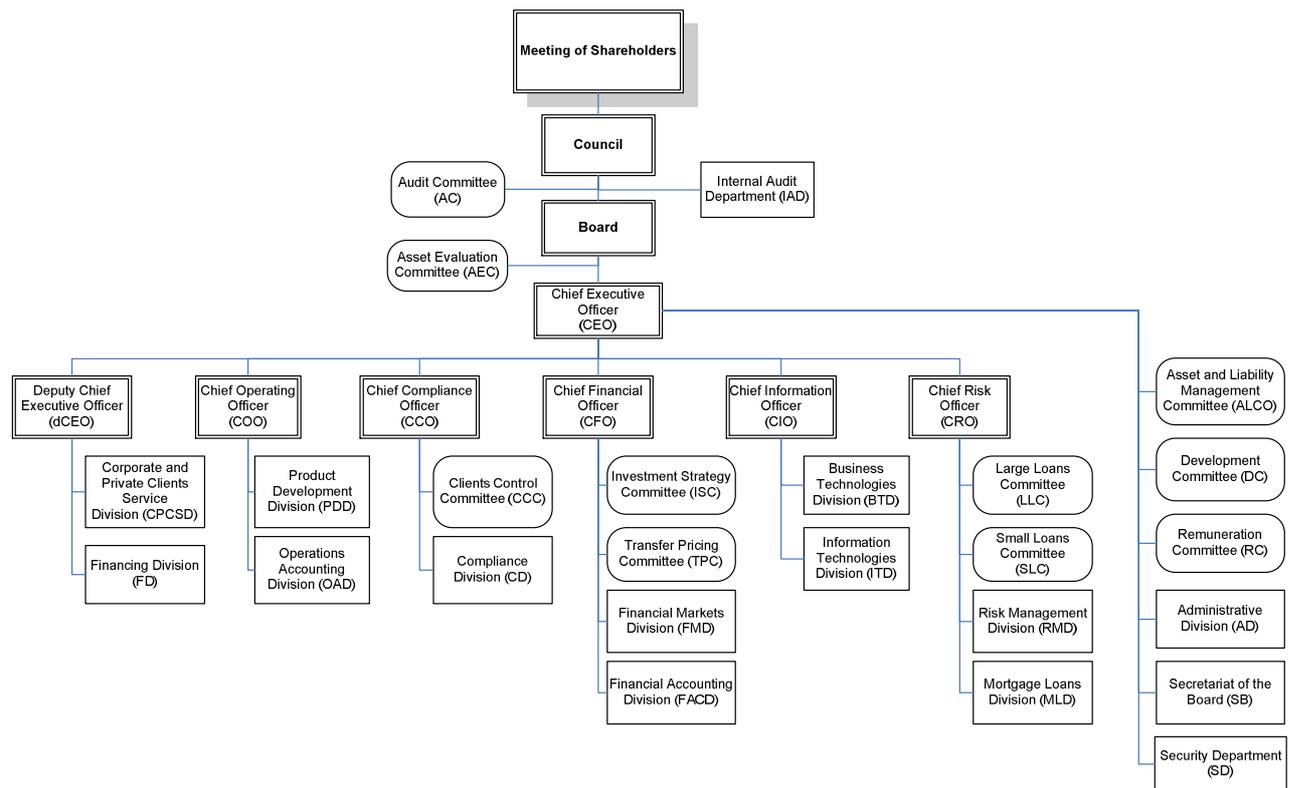
| Title of entry             | 01/01/2014 - 30/06/2014<br>(audited)* | 01/01/2013 - 30/06/2013<br>(audited)* |
|----------------------------|---------------------------------------|---------------------------------------|
| Return on equity (ROE) (%) | 35.41                                 | 27.32                                 |
| Return on assets (ROA) (%) | 1.87                                  | 1.35                                  |

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.

## Risk management

The information about Risk management is available in 2013 Annual Report from Note 33 till Note 36 on ABLV Bank, AS web page <http://www.ablv.com/en/about/financial-reports>. Since 31 March 2013 there are no any essential changes in Risk management.

## Bank's structure\*\*



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

\*\* - Information has been prepared based on data that are available at financial statements for the six-month period ended 30 June 2014 and for the six-month period ended 30 June 2013 audited by SIA Ernst & Young Baltic (No 40003593454).

## The council and the board

### The council of the bank:

|  |                                    |
|--|------------------------------------|
| Chairman of the Council:<br>Oļegs Fiļs           | Date of re-election:<br>01/04/2013 |
| Deputy Chairman of the Council:<br>Jānis Krīgers | Date of re-election:<br>01/04/2013 |
| Council Member:<br>Igoris Rapoportis             | Date of re-election:<br>01/04/2013 |

### The board of the bank:

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

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

## Strategy and aim of the bank's activities

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

### Bank' vision

Bank's vision is to become the leading independent private bank in Eastern Europe and to be the first bank, which combines traditional banking services, asset management and advisory services in a single client-tailored service offer.

### Bank's mission

Bank's mission is to preserve and increase capital of our clients, providing them financial and advisory services necessary for that.

### Bank's values

#### Collaborative

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

#### Intuitive

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

#### Valued

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

### Bank's aim

Bank's goal is to achieve that medium-size private companies and wealthy individuals in the Baltic States and CIS countries choose us as the primary financial partner and advisor.

## Consolidation group

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

Members of the consolidation group as at 30 June 2014:

| No | Name of the company                          | Registration number | Code of country of incorporation and address | Type of activities <sup>1</sup> | Interest in share capital (%) | Share of voting rights (%) | Motivation for inclusion in the group <sup>2</sup> |
|----|--|---------------------|--|---------------------------------|-------------------------------|----------------------------|--|
| 1  | ABLV Bank, AS                                | 50003149401         | LV, Elizabetes iela 23, Rīga, LV-1010        | BNK                             | 100                           | 100                        | MT   |
| 2  | ABLV Bank Luxembourg, S.A.                   | B 162048            | LU, Boulevard Royal, 26a, L-2449, Luxembourg | BNK                             | 100                           | 100                        | MS   |
| 3  | ABLV Consulting Services, AS                 | 40003540368         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MS   |
| 4  | ABLV Corporate Services Holding Company, SIA | 40103799987         | LV, Elizabetes iela 23, Rīga, LV-1010        | CFI                             | 100                           | 100                        | MS   |
| 5  | ABLV Corporate Services, SIA                 | 40103283479         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 6  | ABLV Corporate Services, LTD                 | HE273600            | CY, 15 Karaiskaki Street, 3032, Limassol     | PLS                             | 100                           | 100                        | MMS  |
| 7  | Pillar Holding Company, KS                   | 40103260921         | LV, Elizabetes iela 23, Rīga, LV-1010        | CFI                             | 100                           | 100                        | MS   |
| 8  | Pillar, SIA                                  | 40103554468         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MS   |
| 9  | Pillar Management, SIA                       | 40103193211         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 10 | Pillar 2, SIA                                | 40103193033         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 11 | Pillar 3, SIA                                | 40103193067         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 12 | Pillar 4, SIA                                | 40103210494         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 13 | Pillar 6, SIA                                | 40103237323         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 14 | Pillar 7, SIA                                | 40103237304         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 15 | Pine Breeze, SIA                             | 40103240484         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 16 | Pillar 9, SIA                                | 40103241210         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 17 | Pillar 10, SIA                               | 50103247681         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 18 | Pillar 11, SIA                               | 40103258310         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 19 | Pillar 12, SIA                               | 40103290273         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 20 | Lielezeres Apartment House, SIA              | 50103313991         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 21 | Pillar 18, SIA                               | 40103492079         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 22 | Pillar 19, SIA                               | 40103766952         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 23 | Elizabetes Park House, SIA                   | 50003831571         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 91.6                          | 91.6                       | MMS  |
| 24 | Schaller Kyncl Architekten Riga, SIA         | 40103437217         | LV, Pulkveža brieža iela 28A, Rīga, LV1045   | PLS                             | 100                           | 100                        | MMS  |
| 25 | Pillar Parking, SIA                          | 40103731804         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MMS  |
| 26 | New Hanza City, SIA                          | 40103222826         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MS   |
| 27 | Hanzas 14c, SIA                              | 40003918290         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MS   |
| 28 | ABLV Asset Management, IPAS                  | 40003814724         | LV, Elizabetes iela 23, Rīga, LV-1010        | IPS                             | 91.7                          | 100                        | MS   |

<sup>1</sup> - BNK – bank, IBS – investment brokerage company, IPS – asset management company, CFI – other financial institution, PLS – ancillary subsidiary company.

<sup>2</sup> - MS – subsidiary company, MMS – subsidiary company of subsidiary company, MT – parent company.

Continuation of table:

| No | Name of the company                 | Registration number | Code of country of incorporation and address | Type of activities <sup>1</sup> | Interest in share capital (%) | Share of voting rights (%) | Motivation for inclusion in the group <sup>2</sup> |
|----|-------------------------------------|---------------------|--|---------------------------------|-------------------------------|----------------------------|--|
| 29 | ABLV Capital Markets, IBAS          | 40003814705         | LV, Elizabetes iela 23, Rīga, LV-1010        | IBS                             | 90                            | 100                        | MS   |
| 30 | AmberStone Group, AS                | 40103736854         | LV, Elizabetes iela 23, Rīga, LV-1010        | CFI                             | 40.9                          | 40.9                       | MS   |
| 31 | ABLV Private Equity Management, SIA | 40103286757         | LV, Elizabetes iela 23, Rīga, LV-1010        | PLS                             | 100                           | 100                        | MS   |
| 32 | ABLV Private Equity Fund 2010, KS   | 40103307758         | LV, Elizabetes iela 23, Rīga, LV-1010        | CFI                             | 100                           | 100                        | MS   |
| 33 | Vaiņode Agro Holding, SIA           | 40103503851         | LV, Elizabetes iela 23, Rīga, LV-1010        | CFI                             | 70                            | 70                         | MMS  |

<sup>1</sup> - BNK – bank, IBS – investment brokerage company, IPS – asset management company, CFI – other financial institution, PLS – ancillary subsidiary company.

<sup>2</sup> - MS – subsidiary company, MMS – subsidiary company of subsidiary company, MT – parent company.

## Income statements of the bank

| Title of entry  | EUR'000                    |                            |
|---|----------------------------|----------------------------|
|   | 01/01/2014 -<br>30/06/2014 | 01/01/2013 -<br>30/06/2013 |
|   | (audited)*                 | (audited)*                 |
| Interest income   | 32,035                     | 28,999                     |
| Interest expense  | (7,862)                    | (8,132)                    |
| Dividends received  | 3,786                      | 1,874                      |
| Commission and fee income   | 27,734                     | 24,880                     |
| Commission and fee expense  | (7,165)                    | (6,350)                    |
| Net realised gain/ (loss) from financial assets and liabilities at amortised cost           | (1,030)                    | -                          |
| Net realised gain/ (loss) from available-for-sale financial assets                          | (251)                      | 47                         |
| Net realised gain/ (loss) from financial assets and liabilities held for trading            | 429                        | 104                        |
| Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss | -                          | -                          |
| Changes in fair value hedge accounting  | -                          | -                          |
| Net result from foreign exchange trading and revaluation                                    | 10,061                     | 9,997                      |
| Gain/ (loss) from sale of tangible and intangible fixed assets                              | 80                         | -                          |
| Other income  | 1,748                      | 1,013                      |
| Other expense   | (459)                      | (416)                      |
| Administrative expense  | (20,836)                   | (19,272)                   |
| Depreciation  | (1,482)                    | (1,076)                    |
| Impairment allowance  | (246)                      | (7,636)                    |
| Impairment of financial instruments and non-financial assets                                | (621)                      | 1,083                      |
| <b>Profit/ (loss) before corporate income tax</b>   | <b>35,921</b>              | <b>25,115</b>              |
| Corporate income tax  | (2,985)                    | (3,553)                    |
| <b>Net profit/ (loss) for the period</b>  | <b>32,936</b>              | <b>21,562</b>              |

\*- Information has been prepared based on data that are available at financial statements for the six-month period ended 30 June 2014 and for the six-month period ended 30 June 2013 audited by SIA Ernst & Young Baltic (No 40003593454).

## Balance sheet of the bank

|   |       | EUR'000          |                  |
|---|-------|------------------|------------------|
|   |       | 30/06/2014       | 31/12/2013       |
| <b>Assets</b>   | Notes | (audited)*       | (audited)*       |
| Cash and demand deposits with central banks                 |       | 152,708          | 356,747          |
| Demand deposits from credit institutions                    |       | 547,012          | 340,775          |
| Financial assets held for trading                           |       | 16,796           | 17,245           |
| Financial assets at fair value through profit or loss       |       | -                | -                |
| Available-for-sale financial assets                         |       | 949,094          | 731,659          |
| Loans and receivables                                       | 1     | 968,770          | 1,039,530        |
| Held to maturity investments                                |       | 776,298          | 651,411          |
| Change of fair value of hedge portfolio                     |       | -                | -                |
| Prepaid expense and accrued income                          |       | 746              | 1,107            |
| Tangible fixed assets                                       |       | 10,229           | 9,745            |
| Investment properties                                       |       | 24,321           | 24,330           |
| Intangible fixed assets                                     |       | 4,870            | 5,016            |
| Investments in subsidiaries                                 |       | 123,487          | 132,829          |
| Tax assets  |       | 338              | 1                |
| Other assets  |       | 3,721            | 4,971            |
| <b>Total assets</b>   |       | <b>3,578,390</b> | <b>3,315,366</b> |
| <b>Liabilities</b>  |       |                  |                  |
| Liabilities due to central banks                            |       | -                | -                |
| Demand deposits from credit institutions                    |       | 13,580           | 14,491           |
| Financial liabilities held for trading                      |       | 60               | 2,046            |
| Financial liabilities at fair value through profit or loss  |       | -                | -                |
| Financial liabilities at amortised cost                     | 2     | 3,345,451        | 3,094,992        |
| Financial liabilities arising from financial asset transfer |       | -                | -                |
| Change of fair value of hedge portfolio                     |       | -                | -                |
| Deferred income and accrued expense                         |       | 8,842            | 7,376            |
| Provisions  |       | 373              | 408              |
| Tax liabilities   |       | 1,531            | 6,199            |
| Other liabilities   |       | 4,145            | 2,817            |
| <b>Total liabilities</b>                                    |       | <b>3,373,982</b> | <b>3,128,329</b> |
| Total shareholders' equity                                  |       | 204,408          | 187,037          |
| <b>Total liabilities and shareholders' equity</b>           |       | <b>3,578,390</b> | <b>3,315,366</b> |
| <b>Memorandum items</b>                                     |       |                  |                  |
| Contingent liabilities                                      |       | 10,974           | 7,689            |
| Financial commitments                                       |       | 77,930           | 61,008           |

\*- Information has been prepared based on data that are available at financial statements for the six-month period ended 30 June 2014 and at annual report for the year ended 31 December 2013 audited by SIA Ernst & Young Baltic (No 40003593454).

## Capital base and minimum capital requirement summary

|           |   | EUR'000          |
|-----------|---|------------------|
|           |   | 30/06/2014       |
| Code      | Position description  | (audited)*       |
| <b>1.</b> | <b>Own funds</b>  | <b>264,011</b>   |
| 1.1.      | Tier 1 capital  | 164,785          |
| 1.1.1.    | Common equity Tier 1 capital  | 164,785          |
| 1.1.2.    | Additional Tier 1 capital   | -                |
| 1.2.      | Tier 2 capital  | 99,226           |
| <b>2.</b> | <b>Total risk exposure amount</b>   | <b>1,542,069</b> |
| 2.1.      | Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries | 1,284,934        |
| 2.2.      | Total risk exposure amount for settlement/ delivery   | -                |
| 2.3.      | Total risk exposure amount for position, foreign exchange and commodities risks                       | 79,209           |
| 2.4.      | Total risk exposure amount for operational risk (OpR )  | 177,926          |
| 2.5.      | Total risk exposure amount for credit valuation adjustment  | -                |
| 2.6.      | Total risk exposure amount related to large exposures in the trading book                             | -                |
| 2.7.      | Other risk exposure amounts   | -                |
| <b>3.</b> | <b>Capital ratio and capital levels</b>   |                  |
| 3.1.      | CET1 Capital ratio  | 10.69%           |
| 3.2.      | Surplus(+)/Deficit(-) of CET1 capital   | 95,392           |
| 3.3.      | T1 Capital ratio  | 10.69%           |
| 3.4.      | Surplus(+)/Deficit(-) of T1 capital   | 72,261           |
| 3.5.      | Total capital ratio   | 17.12%           |
| 3.6.      | Surplus(+)/Deficit(-) of total capital  | 140,646          |
| <b>4.</b> | <b>Total capital buffers</b>  | <b>2.50</b>      |
| 4.1.      | Capital conservation buffer (%)   | 2.50             |
| 4.2.      | Institution specific countercyclical capital buffer (%)   | -                |
| 4.3.      | Systemic risk buffer (%)  | -                |
| 4.4.      | Systemically important institution buffer (%)   | -                |
| 4.5.      | Other Systemically Important Institution buffer (%)   | -                |
| <b>5.</b> | <b>Capital ratio including adjustments</b>  |                  |
| 5.1.      | Own funds adjustments related to Pillar II  | (4,616)          |
| 5.2.      | Common equity Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.             | 10.54%           |
| 5.3.      | Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.                           | 10.54%           |
| 5.4.      | Total capital ratio including Pillar II adjustments mentioned in line 5.1.                            | 16.82%           |

\*- Information has been prepared based on data that are available at financial statements for the six-month period ended 30 June 2014 audited by SIA Ernst & Young Baltic (No 40003593454).

## Liquidity ratio calculation

|   | EUR'000          |                  |
|---|------------------|------------------|
|   | 30/06/2014       | 31/12/2013       |
|   | (audited)*       | (audited)*       |
| <b>Liquid assets</b>  |                  |                  |
| Cash  | 7,360            | 8,105            |
| Deposits with central banks                                     | 145,348          | 348,642          |
| Deposits with credit institutions                               | 746,591          | 606,035          |
| Securities  | 1,529,293        | 1,232,166        |
| <b>Total liquid assets</b>                                      | <b>2,428,592</b> | <b>2,194,948</b> |
| <b>Current liabilities (with maturity no more than 30 days)</b> |                  |                  |
| Deposits from credit institutions                               | 13,580           | 14,490           |
| Deposits  | 2,915,144        | 2,703,192        |
| Issued debt securities  | 21,919           | -                |
| Cash in transit   | 989              | 4,211            |
| Other current liabilities                                       | 33,501           | 37,869           |
| Off-balance liabilities   | 12,815           | 11,474           |
| <b>Total current liabilities</b>                                | <b>2,997,948</b> | <b>2,771,236</b> |
| <b>Liquidity ratio (%)</b>                                      | <b>81.01</b>     | <b>79.20</b>     |
| Minimum liquidity ratio (%)                                     | 30.00            | 30.00            |

\*- Information has been prepared based on data that are available at financial statements for the six-month period ended 30 June 2014 and at annual report for the year ended 31 December 2013 audited by SIA Ernst & Young Baltic (No 40003593454).

Note 1

Loans and receivables

| Title of entry               | EUR'000                  |                          |
|------------------------------|--------------------------|--------------------------|
|                              | 30/06/2014<br>(audited)* | 31/12/2013<br>(audited)* |
| Loans                        | 743,764                  | 761,268                  |
| Loans to credit institutions | 225,006                  | 278,262                  |
| <b>Total</b>                 | <b>968,770</b>           | <b>1,039,530</b>         |

Note 2

Financial liabilities at amortized cost

| Title of entry                         | EUR'000                  |                          |
|--|--------------------------|--------------------------|
|  | 30/06/2014<br>(audited)* | 31/12/2013<br>(audited)* |
| Deposits                               | 2,977,547                | 2,776,457                |
| Issued ordinary bonds                  | 254,749                  | 215,839                  |
| Issued subordinated bonds              | 97,232                   | 92,547                   |
| Subordinated deposits                  | 11,641                   | 10,149                   |
| Term deposits from credit institutions | 4,282                    | -                        |
| <b>Total</b>                           | <b>3,345,451</b>         | <b>3,094,992</b>         |

\*- Information has been prepared based on data that are available at financial statements for the six-month period ended 30 June 2014 and at annual report for the year ended 31 December 2013 audited by SIA Ernst & Young Baltic (No 40003593454).

Note 3

## The bank's investments in financial assets, except derivatives

The bank's investments in financial assets break downs by countries of issuers as at 30 June 2014, except derivatives:

| Issuer state                              |                                   |                             |                  | EUR'000                   |
|---|-----------------------------------|-----------------------------|------------------|---------------------------|
|   | Securities of central governments | Securities of other issuers | Total            | % of shareholders' equity |
| United States of America                  | 430,342                           | 4,381                       | 434,723          | 167.6                     |
| Latvia                                    | 182,933                           | 23,900                      | 206,833          | 79.7                      |
| Germany                                   | 10,067                            | 193,967                     | 204,034          | 78.7                      |
| Canada                                    | 101,236                           | 100,917                     | 202,153          | 77.9                      |
| Russia                                    | 27,098                            | 165,593                     | 192,691          | 74.3                      |
| Sweden                                    | 129,491                           | 33,659                      | 163,150          | 62.9                      |
| Netherlands                               | -                                 | 38,787                      | 38,787           | 15.0                      |
| Norway                                    | 30,785                            | 7,412                       | 38,197           | 14.7                      |
| Denmark                                   | 29,972                            | 3,708                       | 33,680           | 13.0                      |
| Lithuania                                 | 25,999                            | -                           | 25,999           | 10.0                      |
| Securities of other countries*            | 64,930                            | 76,885                      | 141,815          | 54.7                      |
| Securities of international organizations | -                                 | 60,072                      | 60,072           | 23.2                      |
| <b>Total securities, net</b>              | <b>1,032,853</b>                  | <b>709,281</b>              | <b>1,742,134</b> |                           |

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

The bank's investments in financial assets break downs by countries of issuers as at 31 December 2013, except derivatives:

| Issuer state                              |                                   |                             |                  | EUR'000                   |
|---|-----------------------------------|-----------------------------|------------------|---------------------------|
|   | Securities of central governments | Securities of other issuers | Total            | % of shareholders' equity |
| United States of America                  | 301,102                           | 4,395                       | 305,497          | 114.6                     |
| Russia                                    | 31,857                            | 160,779                     | 192,636          | 72.3                      |
| Germany                                   | 10,102                            | 162,048                     | 172,150          | 64.6                      |
| Canada                                    | 56,047                            | 106,489                     | 162,536          | 61.0                      |
| Sweden                                    | 93,111                            | 30,215                      | 123,326          | 46.3                      |
| Latvia                                    | 86,161                            | 24,702                      | 110,863          | 41.6                      |
| Netherlands                               | -                                 | 48,884                      | 48,884           | 18.3                      |
| Norway                                    | 23,398                            | 7,425                       | 30,823           | 11.6                      |
| Securities of other countries*            | 70,824                            | 89,238                      | 160,062          | 60.1                      |
| Securities of international organizations | -                                 | 93,087                      | 93,087           | 34.9                      |
| <b>Total securities, net</b>              | <b>672,602</b>                    | <b>727,262</b>              | <b>1,399,864</b> |                           |

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

As at 30 June 2014 the securities portfolio weighted average modified duration was 2.7 (2.5).

In the reporting period, impairment by EUR 621,2 thousand was recognized for the securities of the available-for-sale portfolio.

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