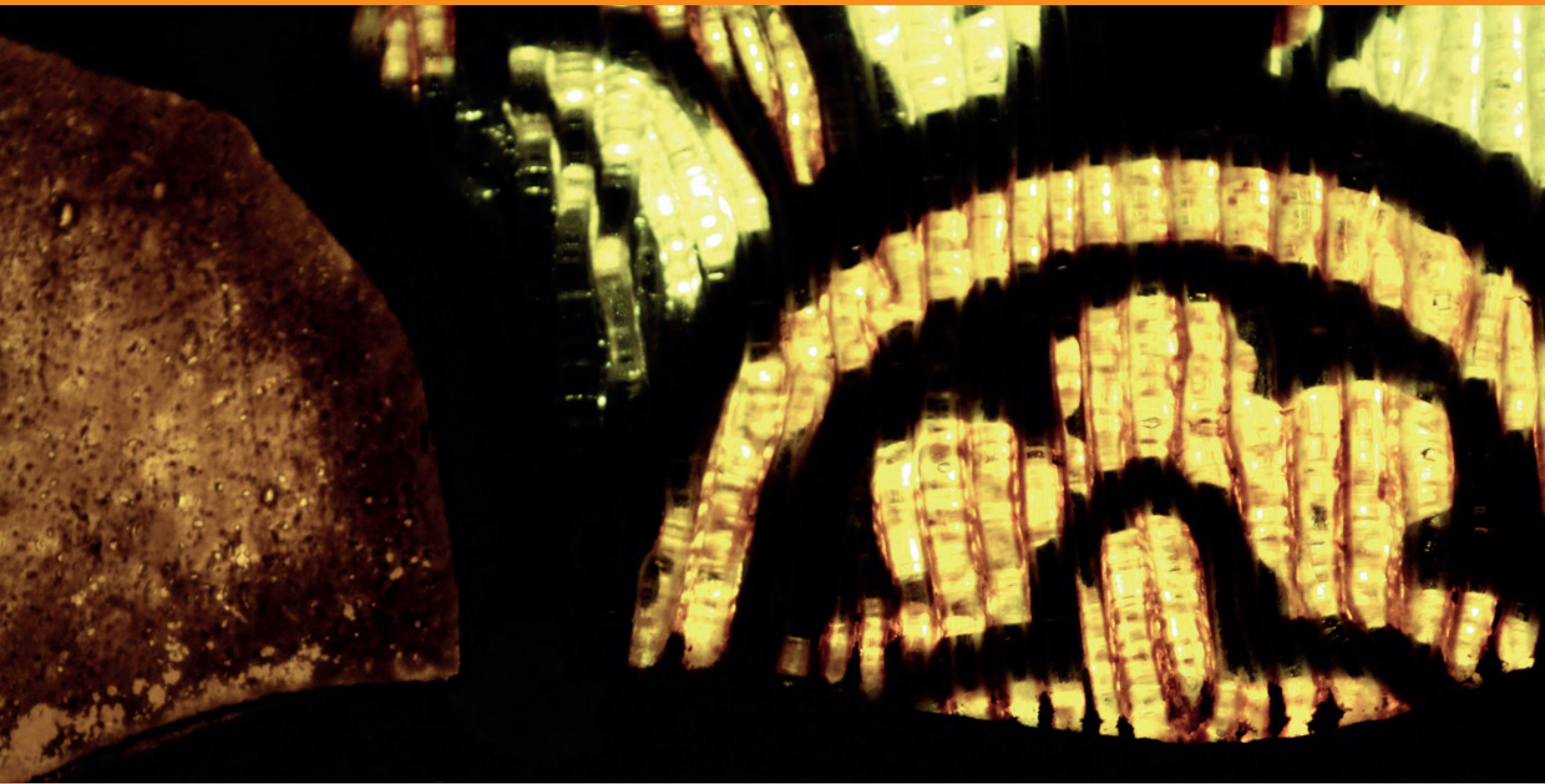
Baltikums Bank



BALTIKUMS BANK AS

CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS

for the six month period ended
30 June 2013

CONTENTS

Dear customers and partners!

Baltikums Bank AS (Baltikums Bank, the Bank) provides for your attention the condensed Group consolidated and Bank's interim financial statements for the six month period ended 30 June 2013.

In the first half of 2013, the Bank continued its stable development across all core lines of business, making a number of serious management decisions and implementing a series of important projects related to development of the Bank's infrastructure.

Key financial indicators of Baltikums Bank as of 30 June 2013:

- Net profit of more than LVL 4 million (EUR 5.7 million), a year-on-year increase of 14%;
- Income from the primary line of business before establishing reserves constituted LVL 9.9 million (EUR 14.1 million), or 8% higher than for the first six months of 2012;
- The Bank's assets, including assets under management, have increased by 28.9% to reach LVL 521.2 million (EUR 741.6 million) in the past six months, including a 45.7% increase in the amount of assets under management (by LVL 36.1 million, or EUR 51.4 million);
- Deposits totalled LVL 367.9 million (EUR 523.5 million), a 26.8% increase since the beginning of the year;
- The volume of the Bank's net credit portfolio at the end of the half-year period constituted LVL 27.6 million (EUR 39.3 million);
- The Bank's capital adequacy ratio as of 30 June 2013 was 18%, whereas its liquidity ratio was 79.83%;
- ROA at the end of June was 1.97%, with a ROE of 25.44%;
- The capital and reserves of Baltikums Bank grew in the past six months to LVL 32.4 million (EUR 46.1 million), with a 10% increase from 31 December 2012.

The first six months of 2013 were full of financial and economic developments that have prompted us to make some complex strategic choices. For instance, with reducing business activity on Cyprus, we have decided to restructure our Cyprus Branch as a representative office. We have also implemented the plan to restructure our asset management activities, transferring the entire customer portfolio management business to the Bank and closing our subsidiary Baltikums Asset Management. We also strengthened our leadership in the asset management sector and continued to develop an international network by opening a Baltikums International representative office in Kyrgyzstan. Highly efficient solutions targeted at preserving capital, objective advisory on private wealth management, long-term assistance with gradual development of our customer's businesses, and impeccable customer service – these are our bank's key competitive advantages and corporate values. During the reporting period, we have reaffirmed these values, ensuring continued growth of our core customers' wealth.

We are grateful to all our customers and partners for their loyalty and productive cooperation. We also note that the results of the first half-year lay a good foundation for delivering on our annual financial plan and sustaining the growth tempo that we have achieved.

Baltikums Bank is an independent private bank with a Head Office in Riga (Latvia); it is a subsidiary of Latvian financial group BBG AS.

The Baltikums Bank group includes Baltikums International, SIA; Pils Pakalpojumi, SIA, Baltikums Luxembourg S.A., the Baltikums AAS insurance company, and other companies. The group maintains representative offices in Almaty, Kyiv, Limassol, Moscow and St. Petersburg (via BBG AS), and in Baku and Bishkek (represented via subsidiary Baltikums International).

Aleksandrs Peškovs	Dmitrijs Latiševs
Chairman of the Council	Chairman of the Board

26 August 2013

Council as at 30 June 2013

Name, surname	**Position**	**Date of appointment**
Aleksandrs Peškovs	Chairman of the Council	22 June 2001
Sergejs Peškovs	Deputy Chairman of the Council	25 July 2002
	Council Member	22 June 2001
Andrejs Kočetkovs	Council Member	22 June 2001

There have been no changes in the Council during the reporting period.

Board as at 30 June 2013

Name, surname	**Position**	**Date of appointment**
Dmitrijs Latiševs	Chairman of the Board	21 April 2011
	Deputy of the Chairman of the Board	25 April 2003
	Board Member	1 July 2002
Leonarda Višņevska	Board Member	25 April 2003
Aleksandrs Halturins	Board Member	30 April 2008
Inga Mukāne	Board Member	6 March 2013

Tatjana Drobina ceased to perform her duties within the Board as of 18 June 2013.

On behalf of the management of the Bank:

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

26 August 2013

Riga

The management of the Baltikums Bank AS (the Bank) is responsible for the preparation of the condensed consolidated interim financial statements of the Bank and its subsidiaries (the Group) as well as for the preparation of the condensed interim financial statements of the Bank. The condensed Group consolidated and Bank's separate interim financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting* on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the condensed interim financial statements.

Condensed Group consolidated and Bank's separate interim financial statements on pages 8 - 36 are prepared in accordance with the source documents and present the financial position of the Group and the Bank as at 30 June 2013 and the results of its performance and cash flows for the six month period ended 30 June 2013.

The management of the Bank is responsible for the maintenance of proper accounting records, the safeguarding of the Group's and the Bank's assets and the prevention and detection of fraud and other irregularities. The management is also responsible for operating the Bank in compliance with the Law on Credit Institutions, the regulations of the Financial and Capital Markets Commission, and other legislation of the Republic of Latvia applicable to credit institutions.

On behalf of the Bank's management:

Aleksandrs Peškovs	Dmitrijs Latiševs
Chairman of the Council	Chairman of the Board

26 August 2013

KPMG Baltics SIA
Vesetas iela 7
Riga LV 1013
Latvia

Phone +371 670 380 00
Fax +371 670 380 02
Internet: www.kpmg.lv

Independent Auditors' Report

To the shareholder of Baltikums Bank AS

We have audited the accompanying condensed separate interim financial information of Baltikums Bank AS (the "Bank"), which comprises the condensed separate interim statement of financial position as at 30 June 2013, the related condensed separate interim income statement and condensed separate interim statements of other comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2013, and condensed notes to the condensed separate interim financial information, comprising a condensed summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 37. We have also audited the accompanying condensed consolidated interim financial information of Baltikums Bank AS and its subsidiaries ("the Group"), which comprise the condensed consolidated interim statement of financial position as at 30 June 2013, the related condensed consolidated interim income statement and condensed consolidated interim statements of other comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2013, and condensed notes to the condensed consolidated interim financial information, comprising a condensed summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 37.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this condensed separate and consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting* and for such internal controls as management determines are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this condensed separate and consolidated interim financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial information is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed separate and consolidated interim financial information. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the condensed separate and consolidated interim financial information, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation and fair presentation of the condensed separate and consolidated interim financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the condensed separate and consolidated interim financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the condensed separate interim financial information of Baltikums Bank AS as at and for the six month period ended 30 June 2013 is prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

In our opinion, the condensed consolidated interim financial information of Baltikums Bank AS and its subsidiaries as at and for the six month period ended 30 June 2013 is prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Management Report, as set out on page 3, the preparation of which is the responsibility of management, is consistent with the condensed interim separate and consolidated financial statements. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the condensed interim separate and consolidated financial statements. In our opinion, the management report is consistent with the condensed interim separate and consolidated financial statements.

KPMG Baltics SIA
License No 55

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
26 August 2013

Valda Užāne
Sworn Auditor
Certificate No 4

CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM INCOME STATEMENT

	Note	6 month period ended 30 June 2013		6 month period ended 30 June 2012	
		Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Interest income		2 439	2 439	2 529	2 634
Interest expenses		(521)	(521)	(507)	(475)
Net interest income	7	**1 918**	**1 918**	**2 022**	**2 159**
Commission and fee income		6 549	6 548	5 186	5 172
Commission and fee expense		(544)	(544)	(500)	(500)
Net commission and fee income	8	**6 005**	**6 004**	**4 686**	**4 672**
Gain/(loss) from financial assets and liabilities at fair value through profit or loss		(141)	(141)	552	552
Net foreign exchange gains		1 989	1 988	1 646	1 646
Other operating income		136	92	301	48
Share of profit/(loss) of equity accounted associated companies		(142)	36	54	90
Operating income		**9 765**	**9 897**	**9 261**	**9 167**
Administrative expenses		(4 668)	(4 593)	(3 644)	(3 584)
Other operating expenses		(268)	(173)	(286)	(213)
Net impairment losses	18	(339)	(339)	(1 215)	(1 248)
Recovery of assets written off		-	-	1	1
Total operating expenses		**(5 275)**	**(5 105)**	**(5 144)**	**(5 044)**
Profit before income tax		**4 490**	**4 792**	**4 117**	**4 123**
Corporate income tax	9	(779)	(779)	(595)	(595)
Net profit for the period		**3 711**	**4 013**	**3 522**	**3 528**
Attributable to:					
Equity holders of the Bank		*3 740*	*4 013*	*3 577*	*3 528*
Non-controlling interest		*(29)*	*-*	*(55)*	*-*
Net profit for the period		**3 711**	**4 013**	**3 522**	**3 528**

The accompanying notes on pages 15 to 37 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve for issue to shareholders these condensed Group consolidated and Bank's separate interim financial statements as presented on pages 8 - 37. The condensed Group consolidated and Bank's separate interim financial statements are signed on behalf of the Council and Board of the Bank by:

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

26 August 2013

CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	6 month period ended 30 June 2013		6 month period ended 30 June 2012	
		Group	Bank	Group	Bank
		LVL'000	LVL'000	LVL'000	LVL'000
Net profit for the period		**3 711**	**4 013**	**3 522**	**3 528**
Other comprehensive income:					
Other comprehensive income that might be reclassified to statement of comprehensive income in the future					
Revaluation reserve – Available-for-sale financial assets	14	-	-	10	10
Total other comprehensive income		**-**	**-**	**10**	**10**
Total comprehensive income for the period		**3 711**	**4 013**	**3 532**	**3 538**
Attributable to:					
Equity holders of the Bank		*3 740*	*4 013*	*3 587*	*3 538*
Non-controlling interest		*(29)*	-	*(55)*	-

The accompanying notes on pages 15 to 37 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve for issue to shareholders these condensed Group consolidated and Bank's separate interim financial statements as presented on pages 8 - 37. The condensed Group consolidated and Bank's separate interim financial statements are signed on behalf of the Council and Board of the Bank by:

Aleksandrs Peškovs Chairman of the Council	Dmitrijs Latiševs Chairman of the Board

26 August 2013

CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION

		30 June 2013		31 December 2012	
Assets	**Note**	**Group LVL'000**	**Bank LVL'000**	**Group LVL'000**	**Bank LVL'000**
Cash and demand deposits with central bank	10	65 515	65 515	34 690	34 690
Due from credit institutions	12	244 453	244 388	200 987	200 971
Demand deposits with credit institutions		*142 944*	*142 879*	*133 413*	*133 397*
Term deposits with credit institutions		*86 194*	*86 194*	*58 038*	*58 038*
Loans issued to credit institutions		*15 315*	*15 315*	*9 536*	*9 536*
Financial assets at fair value through profit or loss		23 111	23 111	10 299	10 299
Fixed income securities	*13*	*22 224*	*22 224*	*10 080*	*10 080*
Non-fixed income securities	*13*	*9*	*9*	*218*	*218*
Derivatives	*24*	*878*	*878*	*1*	*1*
Available-for-sale financial assets	14	647	63	63	63
Fixed income securities		*584*	*-*	*-*	*-*
Non-fixed income securities		*63*	*63*	*63*	*63*
Loans and receivables	15	21 830	26 054	19 776	24 004
Held-to-maturity financial assets	16	25 377	25 377	37 988	37 988
Investments in associates	17	2 350	1 100	2 528	1 100
Investments in subsidiary undertakings	17	-	6 826	-	6 091
Investment property	19	4 894	3 420	4 897	3 423
Property and equipment		8 198	234	8 203	237
Intangible assets		876	383	671	184
Prepayments and accrued income		141	136	67	67
Other assets	20	9 988	9 345	6 771	6 046
Total assets		**407 380**	**405 952**	**326 940**	**325 163**

The accompanying notes on pages 15 to 37 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve for issue to shareholders these condensed Group consolidated and Bank's separate interim financial statements as presented on pages 8 - 37. The condensed Group consolidated and Bank's separate interim financial statements are signed on behalf of the Council and Board of the Bank by:

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

26 August 2013

CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION

Liabilities and Equity	Note	30 June 2013		31 December 2012	
		Group	**Bank**	**Group**	**Bank**
Liabilities		**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Due to credit institutions on demand	21	2 402	2 402	2 211	2 211
Derivatives	24	84	84	79	79
Financial liabilities carried at amortized cost		369 630	370 174	292 049	292 306
Deposits	*22*	*365 836*	*366 380*	*288 406*	*288 663*
Deposits (subordinated)	*22*	*1 477*	*1 477*	*1 464*	*1 464*
Debt securities issued (subordinated)	*23*	*2 317*	*2 317*	*2 179*	*2 179*
Deferred income and accrued expenses		273	273	304	304
Provisions		285	281	220	216
Current tax liabilities		238	238	440	441
Other liabilities		173	140	403	259
Total liabilities		**373 085**	**373 592**	**295 706**	**295 816**
Equity					
Share capital	29	27 756	27 756	19 756	19 756
Reserve capital	29	17	17	17	17
Revaluation reserve – Available-for-sale financial assets		10	10	10	10
Retained earnings		4 585	4 577	9 846	9 564
Total equity attributable to equity holders of the Bank		**32 368**	**32 360**	**29 629**	**29 347**
Non-controlling interest		1 927	-	1 605	-
Total equity		**34 295**	**32 360**	**31 234**	**29 347**
Total capital and reserves and liabilities		**407 380**	**405 952**	**326 940**	**325 163**
Contingent liabilities and commitments	27	11 251	11 254	7 371	7 371

The accompanying notes on pages 15 to 37 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve for issue to shareholders these condensed Group consolidated and Bank's separate interim financial statements as presented on pages 8 - 37. The condensed Group consolidated and Bank's separate interim financial statements are signed on behalf of the Council and Board of the Bank by:

Aleksandrs Peškovs Chairman of the Council	Dmitrijs Latiševs Chairman of the Board

26 August 2013

CONDENSED GROUP CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital LVL`000	Reserve LVL`000	Fair value reserve LVL`000	Retained earnings LVL`000	Total equity attributable to equity holders of the parent LVL`000	Non-controlling interest LVL`000	Total equity LVL`000
Balance as at 31 December 2011	**19 756**	**17**	**-**	**2 740**	**22 513**	**1 605**	**24 118**
Total comprehensive income for the reporting period							
Net profit/(loss) of the reporting year	-	-	-	3 577	**3 577**	(55)	**3 522**
Revaluation reserve of available for sale financial assets	-	-	10	-	**10**	-	**10**
Total comprehensive income for the period	**-**	**-**	**10**	**3 577**	**3 587**	**(55)**	**3 532**
Balance as at 30 June 2012	**19 756**	**17**	**10**	**6 317**	**26 100**	**1 550**	**27 650**
Total comprehensive income for the reporting period							
Net profit for the period	-	-	-	3 528	**3 528**	55	**3 583**
Prior year adjustments	-	-	-	1	**1**	-	**1**
Total comprehensive income for the reporting period	**-**	**-**	**-**	**3 529**	**3 529**	**55**	**3 584**
Balance as at 31 December 2012	**19 756**	**17**	**10**	**9 846**	**29 629**	**1 605**	**31 234**
Total comprehensive income for the reporting period							
Net profit/(loss) of the reporting year	-	-	-	3 740	**3 740**	(29)	**3 711**
Prior year adjustments	-	-	-	(1)	**(1)**	-	**(1)**
Total comprehensive income for the reporting period	**-**	**-**	**-**	**3 739**	**3 739**	**(29)**	**3 710**
Transactions with shareholders, recorded directly in equity							
Share capital increase	8 000	-	-	-	**8 000**	351	**8 351**
Dividends paid	-	-	-	(9 000)	**(9 000)**	-	**(9 000)**
Balance as at 30 June 2013	**27 756**	**17**	**10**	**4 585**	**32 368**	**1 927**	**34 295**

The accompanying notes on pages 15 to 37 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve for issue to shareholders these condensed Group consolidated and Bank's separate interim financial statements as presented on pages 8 - 37. The condensed Group consolidated and Bank's separate interim financial statements are signed on behalf of the Council and Board of the Bank by:

Aleksandrs Peškovs	Dmitrijs Latiševs
Chairman of the Council	Chairman of the Board

26 August 2013

CONDENSED BANK'S SEPARATE INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve	Fair value reserve	Retained earnings	Total capital and reserves
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Balance as at 31 December 2011	**19 756**	**17**	**-**	**2 448**	**22 221**
Comprehensive income for the period					
Net profit for the reporting period	-	-	-	3 528	**3 528**
Revaluation reserve – Available-for-sale financial assets	-	-	10	-	**10**
Balance as at 30 June 2012	**19 756**	**17**	**10**	**5 976**	**25 759**
Comprehensive income for the period					
Net profit for the period	-	-	-	3 588	**3 588**
Balance as at 31 December 2012	**19 756**	**17**	**10**	**9 564**	**29 347**
Comprehensive income for the period					
Net profit for the period	-	-	-	4 013	**4 013**
Total comprehensive income for the period	**-**	**-**	**-**	**4 013**	**4 013**
Transactions with shareholders, recorded directly in equity					
Share capital increase	8 000	-	-	-	**8 000**
Dividends paid	-	-	-	(9 000)	**(9 000)**
Balance as at 30 June 2013	**27 756**	**17**	**10**	**4 577**	**32 360**

The accompanying notes on pages 15 to 37 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve for issue to shareholders these condensed Group consolidated and Bank's separate interim financial statements as presented on pages 8 - 37. The condensed Group consolidated and Bank's separate interim financial statements are signed on behalf of the Council and Board of the Bank by:

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

26 August 2013

CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM STATEMENT OF CASH FLOW

		6 month period ended 30 June 2013		6 month period ended 30 June 2012	
		Group LVL'000	**Bank LVL'000**	**Group LVL'000**	**Bank LVL'000**
Cash flows from operating activities					
Profit before income tax		4 490	4 792	4 117	4 123
Amortization and depreciation, and write-off		113	107	111	109
(Increase) / decrease in allowance for possible credit losses		339	339	886	918
Foreign exchange loss		8	8	10	11
Revaluation of assets		499	-	37	-
(Gain)/losses from disposal of subsidiaries		-	-	(164)	-
Unrealized losses on available-for-sale investments revaluation		-	-	10	10
Increase/(decrease) in cash and cash equivalents from operating activities before changes in assets and liabilities		**5 449**	**5 246**	**5 007**	**5 171**
(Increase)/decrease in loans and receivables		(2 385)	(2 391)	4 246	4 121
(Increase)/ decrease in available for sale financial assets		(584)	-	(29)	(29)
(Increase)/decrease in financial assets at fair value through profit or loss		(12 810)	(12 810)	1 600	1 600
(Increase)/decrease of held-to-maturity investments		1 457	1 457	5 930	5 656
(Increase)/decrease in prepayments and accrued income		(74)	(69)	2	(12)
(Increase)/ decrease in other assets		(1 636)	(1 718)	(1 091)	(1 080)
Increase of customer deposits		77 389	77 675	32 388	32 386
Increase/(decrease) in held for trading financial liabilities		5	5	(95)	(95)
Increase/(decrease) in other liabilities and current tax liabilities		(624)	(511)	906	(97)
Increase/(decrease) in deferred income and accrued expense		(31)	(31)	81	81
Net cash from operating activities before taxes		**66 156**	**66 853**	**48 945**	**47 702**
Corporate income tax paid		(525)	(525)	(292)	(292)
Net cash from operating activities		**65 631**	**66 328**	**48 653**	**47 410**
Cash flow from investing activities					
Purchase of property and equipment and intangible assets		(322)	(317)	(111)	(83)
Disposal of property and equipment and intangible assets		19	17	25	12
Cash paid as a result of financing activities		(1 581)	(1 581)	-	-
(Acquisition) of equity investments		(15)	(735)	-	-
Sales of associated companies and subsidiaries		-	-	2 116	2 116
Sales/(acquisition) of investment properties		-	-	(1 225)	-
Net cash (used in)/received from investing activities		**(1 899)**	**(2 616)**	**805**	**2 045**
Cash flow from financing activities					
Issue of shares		8 000	8 000	-	-
Issued bonds		138	138	-	-
Dividends paid		(9 000)	(9 000)	-	-
Net cash used in financing activities		**(862)**	**(862)**	-	-
Net change in cash and cash equivalents		**62 870**	**62 850**	**49 458**	**49 455**
Cash and cash equivalents at the beginning of the reporting year		**220 751**	**220 735**	**124 702**	**124 700**
Effects of exchange rates fluctuations on cash held		(8)	(8)	(10)	(11)
Cash and cash equivalents, end of the reporting period	11	**283 613**	**283 577**	**174 150**	**174 144**

The accompanying notes on pages 15 to 37 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve for issue to shareholders these condensed Group consolidated and Bank's separate interim financial statements as presented on pages 8 - 37. The condensed Group consolidated and Bank's separate interim financial statements are signed on behalf of the Council and Board of the Bank by:

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

26 August 2013

1. GENERAL INFORMATION

Baltikums Bank AS ("the Bank") was established on 22 June 2001, when it was registered in the Latvian Enterprise Register as a joint stock company. The Bank's address is Smilsu iela 6, Riga, LV -1050, Republic of Latvia. The Bank has a banking licence according to which the Bank is allowed to provide services of credit institution in accordance with the normative acts of the Republic of Latvia and the European Union. The Bank's key lines of business are servicing the corporate clients, wealthy private individuals, and management of investments and finance.

The Bank's sole shareholder is BBG AS holding 100% of voting shares of the Bank. AS "BBG" is finance management company registered in the Republic of Latvia, its shareholders are four entities registered in the Republic of Latvia and two private individuals.

The Bank has several subsidiaries in Latvia, for specific projects companies abroad have been established, and the Bank has investments in associated companies. Representative offices of the Bank do not perform any operating activities. The above companies form Baltikums Bank AS Group and it consists of the following companies:

Name of the company	Country of incorporation	Line of business	Holding as at 30 June 2013 %	Holding as at 30 June 2012 %
AS IPS „Baltikums Asset Management"	Latvia	Financial services	100	100
SIA „Baltikums International"	Latvia	Financial services	100	100
Rostman Ltd	Belize	Cargo shipment	100	100
SIA CityCap Service	Latvia	Real estate development	100	100
SIA Zapdvina Development	Latvia	Real estate development	100	100
KamalyDevelopment EOOD	Bulgaria	Real estate development	100	100
UAB Kamaly Development	Lithuania	Management of repossessed loan collaterals	100	-
SIA Pils pakalpojumi	Latvia	Real estate development	61	61
SIA Mateli Estate	Latvia	Real estate development	-	100
SIA Darzciems Estate	Latvia	Real estate development	-	100
SIA Mazirbe Estate	Latvia	Real estate development	-	100
SIA Pulkarne Entity	Latvia	Real estate development	-	100
SIA Lielie Zaķi	Latvia	Real estate development	-	100
Foxtran Management Ltd.	Belize	Management of repossessed loan collaterals	100	-
Enarlia International Inc	Belize	Management of repossessed loan collaterals	100	-
Baltikums Luxembourg S.A	Luxembourg	Advisory services	100	-
BB Broker Systems SIA	Latvia	Insurance brokerage services	100	-

Investments in the associated companies (the Bank and the Group):

Company	Country of incorporation	Line of business	Holding as at 30 June 2013 %	Holding as at 30 June 2012 %
AAS Baltikums	Latvia	Insurance services	19.45	19.45
AS Termo biznesa Centrs	Latvia	Real estate development	26.15	26.15

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed consolidated and Bank's interim financial statements of Baltikums Bank AS (the Bank) and its subsidiaries (the Group) are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These condensed interim financial statements do not include all of the information required for the complete set of annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group and separate financial statements of the Bank for the year ended 31 December 2012.

The audited Group consolidated and Bank's separate financial statements as at and for the year ended 31 December 2012 are available at the Bank's web site: www.baltikums.eu.

These condensed Group consolidated and Bank's separate interim financial statements were authorized for issue by the Board on 26 August 2013. The financial statements may be amended by the shareholders.

(b) Functional and Presentation Currency

The financial statements are presented in thousands of lats (LVL 000's), unless otherwise stated. Lats are the Bank's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group and Bank in these condensed consolidated and Bank's interim financial statements are the same as those applied by the Group and Bank in its consolidated and Bank financial statements as at and for the year ended 31 December 2012.

Taxes on income in the interim periods are accrued using the effective tax rate that would be applicable to expected total annual earnings.

New Standards and Interpretations

The Group and Bank have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*
- Amendments to IFRS 7 *Financial Instruments: Disclosures*
- IFRS 13 *Fair Value Measurement*
- Amendments to IAS 12: *Deferred Tax: Recovery of Underlying Assets*
- IAS 19 (2011) *Employee Benefits*

(a) Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*

As a result of the amendments to IAS 1, the Group and Bank have not modified the presentation of items of other comprehensive income in their condensed statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. The Group and Bank currently have only items of other comprehensive income that in the future would be reclassified to profit or loss. Therefore, comparative information has not been represented. The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group and Bank.

(b)* Amendments to IFRS 7 *Financial Instruments: Disclosures* and initial application of IFRS 13 *Fair Value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group and Bank have included additional disclosures in this regard in the condensed interim financial statements. Notwithstanding the above, the change had no significant impact on the measurements of the Group's and Bank's assets and liabilities.

(c)* Amendments to IAS 12: *Deferred Tax: Recovery of Underlying Assets

The amendments are not relevant to the Group's and Bank's condensed interim financial statements, since the Group and Bank do not have any investment properties measured using the fair value model in IAS 40.

(d)* IAS 19 (2011) *Employee Benefits

The amendments are not relevant to the Group's and Bank's condensed interim financial statements, since the Group and Bank do not have any defined benefit plans.

4. RISK MANAGEMENT

All aspects of the Bank's and Group's risk management objectives and policies are consistent with those disclosed in the consolidated and Bank's financial statements as at and for the year ended 31 December 2012.

5. CAPITAL MANAGEMENT

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Financial and Capital Market Commission (FCMC) determines and supervises the Bank's capital requirements.

Under the current capital requirements provided by the FCMC banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. Although as at 30 June 2013 the minimum level is 8%, in accordance with the specific FCMC requirement, the Bank shall ensure a higher capital adequacy ratio - 14% in the period as of 1 October 2012 to 30 September 2013. As at 31 December 2012 and 30 June 2013 the Bank and Group complied with requirements of the law "On Credit Institutions" and FCMC requirements regarding capital adequacy and minimum equity, as well as the highest index set by FCMC. For the calculation of capital adequacy refer to Note 28.

The Bank's risk based capital adequacy ratio as at 30 June 2013 was 18% (as at 31 December 2012: 20%; as at 30 June 2012: 20%).

6. USE OF ESTIMATES AND JUDGMENT

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates

In preparing these condensed consolidated and Bank's separate interim financial statements, the significant judgements made by management in applying the Bank's and Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2012.

These are:

- Doubtful debt allowance;
- Valuation of financial instruments;
- Impairment of financial instruments (other than loans);
- Goodwill impairment;
- Valuation of repossessed collateral;
- Valuation of investment property;
- Fair value of assets and liabilities at acquisition.

Sensitivity of the estimates was assessed, however, it is not disclosed in these condensed financial statements, as there have not been any significant changes in comparison to the financial statements of the previous reporting period.

7. NET INTEREST INCOME

	6 month period ended 30 June 2013		6 month period ended 30 June 2012	
	Group	**Bank**	**Group**	**Bank**
Interest income	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Interest income from assets carried at amortized cost:	1 431	1 431	1 317	1 422
Deposits with credit institutions	*623*	*623*	*260*	*260*
Loans and receivables	*808*	*808*	*1 012*	*1 117*
Impaired assets	-	-	*45*	*45*
Interest income from financial assets and liabilities carried at fair value through profit or loss	427	427	507	507
Interest income from held-to-maturity securities	581	581	705	705
Total interest income	**2 439**	**2 439**	**2 529**	**2 634**
Interest expenses				
Interest expenses on liabilities at amortized cost:	(146)	(146)	(99)	(88)
Due to credit institutions	-	-	*(7)*	-
Deposits	*(82)*	*(82)*	*(92)*	*(88)*
Debt securities issued (subordinated)	*(64)*	*(64)*	-	-
Other interest expense	(375)	(375)	(408)	(387)
Total interest expenses	**(521)**	**(521)**	**(507)**	**(475)**
Net interest income	**1 918**	**1 918**	**2 022**	**2 159**

8. NET COMMISSION AND FEE INCOME

	6 month period ended 30 June 2013		6 month period ended 30 June 2012	
	Group	**Bank**	**Group**	**Bank**
Commission and fee income	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Payments	3 593	3 593	2 656	2 656
Corporate banking fee income	259	259	64	64
Securities transactions	802	802	997	997
Trust transactions	773	773	652	652
Account servicing	581	581	400	400
Management of investment funds and plans	3	-	14	-
Other	538	540	403	403
Total commission and fee income	**6 549**	**6 548**	**5 186**	**5 172**
Commission and fee expense				
Correspondent accounts	(362)	(362)	(259)	(259)
Cash transactions and payment card transactions	(116)	(116)	(61)	(61)
Securities transactions	(65)	(65)	(179)	(179)
Other	(1)	(1)	(1)	(1)
Total commission and fee expense	**(544)**	**(544)**	**(500)**	**(500)**
Net commission and fee income	**6 005**	**6 004**	**4 686**	**4 672**

9. CORPORATE INCOME TAX

	6 month period ended 30 June 2013		6 month period ended 30 June 2012	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Current income tax expense	779	779	595	595
Corporate income tax	**779**	**779**	**595**	**595**

The table below shows the reconciliation between the current tax expense and the theoretically calculated tax amount applying the statutory rate 15% on 30 June 2013 and 30 June 2012:

	6 month period ended 30 June 2013		6 month period ended 30 June 2012	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Profit before tax	4 490	4 792	4 117	4 123
Theoretically calculated tax at rate 15%	674	719	618	618
Non-deductible expenses and exempt income, net	105	60	(23)	(23)
Corporate income tax	**779**	**779**	**595**	**595**

10. CASH AND DEMAND DEPOSITS WITH CENTRAL BANK

	30 June 2013		31 December 2012	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Cash	542	542	539	539
Due from the central banks (including minimum reserve deposit)	64 973	64 973	34 151	34 151
Total cash and demand deposits with central banks	**65 515**	**65 515**	**34 690**	**34 690**

11. CASH AND CASH EQUIVALENTS

	30 June 2013		30 June 2012	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Cash and due from central banks	65 515	65 515	18 632	18 632
Due from credit institutions with initial maturity under 3 months	220 625	220 519	156 609	156 603
Due to credit institutions with initial maturity under 3 months	(2 457)	(2 457)	(1 091)	(1 091)
Total cash and cash equivalents	**283 683**	**283 577**	**174 150**	**174 144**

12. DUE FROM CREDIT INSTITUTIONS

	30 June 2013		31 December 2012	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Demand deposits with credit institutions				
Credit institutions registered in Latvia	3 341	3 276	2 534	2 534
Credit institutions registered in OECD countries	109 453	109 453	112 015	112 015
Other foreign credit institutions	30 748	30 748	19 456	19 440
Allowance for impairment losses	(598)	(598)	(592)	(592)
Total demand deposits with credit institutions	**142 944**	**142 879**	**133 413**	**133 397**
Loans issued to credit institutions	15 315	15 315	9 536	9 536
Term deposits with credit institutions	86 194	86 194	58 038	58 038
Total due from credit institutions	**244 453**	**244 388**	**200 987**	**200 971**

On 30 June 2013, the Bank did not have any outstanding claims against credit institutions and other financial institutions whose balances exceeded 10% of total claims against credit institutions.

As at 30 June 2013 the Bank had correspondent accounts in 46 banks. The largest balances were with AS SEB PANK (Estonia) – LVL 21 277 thousand and NORDEA BANK FINLAND PLC – LVL 17 065 thousand.

As at 31 December 2012 the Bank had correspondent accounts in 45 banks. The largest balances were with CREDIT SUISSE (Switzerland) – LVL 20 238 thousand and NORDEA BANK FINLAND PLC – LVL 21 213 thousand. On 31 December 2012, the Bank had outstanding claims against 2 credit institutions and other financial institutions whose balances exceeded 10% of total claims against credit institutions. Total value of these balances as at 31 December 2012 was LVL 41 451 thousand.

On 30 June 2013 LVL 88 thousand were pledged as a collateral for unlisted forward foreign currency contract. On 31 December 2012 balances with banks were not pledged as collateral for unlisted forward foreign currency contracts.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2013		31 December 2012	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Fixed income securities				
Eurobonds issued by OECD countries	3 386	3 386	-	-
Eurobonds issued by companies and credit institutions of OECD countries	976	976	599	599
Eurobonds issued by non-OECD countries	8 423	8 423	-	-
Securities of international development banks and credit institutions of non-OECD countries	9 439	9 439	9 481	9 481
Total	**22 224**	**22 224**	**10 080**	**10 080**
Shares and other non-fixed income securities				
Shares issued by companies and credit institutions of OECD countries	-	-	78	78
Shares issued by companies and credit institutions of non-OECD countries	9	9	140	140
Total	**9**	**9**	**218**	**218**
Total securities at fair value through profit or loss	**22 233**	**22 233**	**10 298**	**10 298**

Credit quality analysis of financial assets at fair value through profit or loss according to ratings applied by rating agencies is the following:

	30 June 2013 LVL'000	31 December 2012 LVL'000
Fixed income securities and non-fixed income securities		
Government and municipality bonds		
From AAA to A-	11 471	-
From BB+ to BB-	-	599
Lower than BB-	338	-
Total government and municipality bonds	**11 809**	**599**
Securities of companies and credit institutions		
From AAA to A-	4 509	-
From BBB+ to BBB-	261	2 067
From BB+ to BB-	2 050	1 635
Lower than BB-	3 211	5 779
No rating	393	218
Total securities of companies and credit institutions	**10 424**	**9 699**
Total fixed income securities and non-fixed income securities	**22 233**	**10 298**

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2013		31 December 2012	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Fixed income securities				
Bonds issued by Latvian financial undertaking	584	-	-	-
Total	**584**	**-**	**-**	**-**
Shares and other non-fixed income securities				
SWIFT shares	63	63	63	63
Total	**63**	**63**	**63**	**63**
Total available-for-sale financial assets	**647**	**63**	**63**	**63**

15. LOANS AND RECEIVABLES

(a) Loans and receivables

	30 June 2013		31 December 2012	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Corporate clients	20 355	24 579	20 624	24 852
Individuals	2 991	2 991	1 341	1 341
Total loans and receivables	**23 346**	**27 570**	**21 965**	**26 193**
Allowance for impairment losses	(1 516)	(1 516)	(2 189)	(2 189)
Loans and receivables, net	**21 830**	**26 054**	**19 776**	**24 004**

(b) Loan analysis by types (classified according to statutory requirements)

	30 June 2013		31 December 2012	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Loan portfolio				
Loans to corporates	7 738	11 962	7 676	11 904
Industrial loans	4 384	4 384	5 389	5 389
Payment cards loans	345	345	202	202
Mortgage loans	7 365	7 365	5 200	5 200
Factoring	-	-	1 276	1 276
Other loans	589	589	247	247
Total loan portfolio	**20 421**	**24 645**	**19 990**	**24 218**
Securities loans				
Reverse repo	2 925	2 925	1 975	1 975
Total securities loans	**2 925**	**2 925**	**1 975**	**1 975**
Total loans and receivables	**23 346**	**27 570**	**21 965**	**26 193**
Allowance for impairment losses	(1 516)	(1 516)	(2 189)	(2 189)
Loans and receivables, net	**21 830**	**26 054**	**19 776**	**24 004**

(c) Geographical segmentation of the loans

	30 June 2013		31 December 2012	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Loans to residents of Latvia	11 954	16 178	9 239	13 467
Loans to residents of OECD countries	232	232	1 214	1 214
Loans to residents of other non-OECD countries	11 160	11 160	11 512	11 512
Total loans and receivables	**23 346**	**27 570**	**21 965**	**26 193**
Allowance for impairment losses	(1 516)	(1 516)	(2 189)	(2 189)
Loans and receivables, net	**21 830**	**26 054**	**19 776**	**24 004**

(d) Ageing structure of credit portfolio

Bank	Total LVL'000	Of which not past due on the reporting date	Of which past due by the following terms: Less than 30 days	31-90 days	91-180 days	More than 180 days	Net carrying value of overdue loans
30 June 2013							
Net carrying amount	**26 054**	24 765	-	647	-	642	1 289
Out of which impaired	**642**	-	-	-	-	642	642
31 December 2012							
Net carrying amount	**24 004**	23 210	67	-	-	727	794
Out of which impaired	**969**	247	-	-	-	722	722

Group's ageing structure does not significantly differ from ageing structure of the Bank disclosed above.

(e) Impaired loans

	30 June 2013 LVL '000		31 December 2012 LVL '000	
	Group	**Bank**	**Group**	**Bank**
Impaired loans, gross	2 158	2 158	3 158	3 158
Allowance for impairment losses	(1 516)	(1 516)	(2 189)	(2 189)
Loans and receivables, net	**642**	**642**	**969**	**969**

(f) Movements in the impairment allowance

	30 June 2013		31 December 2012	
	Group LVL '000	**Bank LVL '000**	**Group LVL '000**	**Bank LVL '000**
Allowance for impairment losses				
Balance as at the beginning of the period	**2 189**	**2 189**	**1 235**	**1 235**
Increase in the loan and receivables loss allowances	341	341	2 159	2 159
Reversals of impairment	-	-	(5)	(5)
Loan write offs	(1 046)	(1 046)	(1 136)	(1 136)
Profit or loss from foreign exchange fluctuations;	32	32	(64)	(64)
Balance at the end of period	**1 516**	**1 516**	**2 189**	**2 189**

(g) The Bank's loan portfolio analysis by sector

	30 June 2013 LVL '000	31 December 2012 LVL '000
Storage and other transportation services	5 523	5 548
Wholesales	4 300	4 761
Real estate	4 224	4 224
Private individuals	2 757	1 161
Financial services	2 753	1 825
Metal production	1 760	1 352
Water transport	1 745	2 141
Entertainment, leisure, sport	1 011	1 018
Other services	1 981	1 974
Loans and receivables, net	**26 054**	**24 004**

(h) Analysis of loans by type of collateral (Bank)

LVL'000	**30 June 2013**	**% of loan portfolio**	**31 December 2012**	**% of loan portfolio**
Commercial buildings	11 637	45	11 748	49
Real estate:				
First house mortgage	3 181	12	2 359	10
Commercial assets pledge	2 871	11	3 115	13
Commercial assets:				
Water transport	1 653	6	1 961	8
Traded securities	2 925	11	1 975	8
Other	3 787	15	2 846	12
Loans and receivables, net	**26 054**	**100**	**24 004**	**100**

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral. Fair value of the collateral is not less than net book value of loans.

(i) Restructured loans

LVL'000	30 June 2013	31 December 2012
Reduced interest rate	-	328
Total restructured loans	**-**	**328**

(j) Repossessed assets

In 2011 the Bank overtook a loan collateral (a vessel) with the value of LVL 1 789 thousand and in 2012 in the amount of LVL 2 900 thousand (see Note 20).

(k) Significant credit risk concentration

On 30 June 2013 the Bank had one borrower whose total liabilities exceeded 10% of the total loans issued. The borrower's loan balance was LVL 6 961 thousand.

As at 31 December 2012 the Bank had one borrower or group of related borrowers, whose loan balances exceeded 10% of loans and receivables. The borrower's loan balance was LVL 4 826 thousand.

According to the regulating requirements, the Bank's credit risk exposure with one client or a group of related clients must not exceed 25% of the Bank's equity. As at 30 June 2013 and 31 December 2012, the Bank was in compliance with the above requirement.

16 HELD-TO-MATURITY FINANCIAL ASSETS

	30 June 2013		31 December 2012	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Debt securities and other fixed income securities				
Bonds issued by OECD countries	-	-	8 044	8 044
Bonds issued by companies and credit institutions of non-OECD countries	25 382	25 382	29 951	29 951
Total other securities	**25 382**	**25 382**	**37 995**	**37 995**
Allowance for impairment losses	(5)	(5)	(7)	(7)
Debt securities, net	**25 377**	**25 377**	**37 988**	**37 988**

Credit quality analysis of financial assets held-to-maturity according to ratings applied by rating agencies is the following:

	30 June 2013 LVL'000	31 December 2012 LVL'000
Debt securities and other fixed income securities		
Government and municipality bonds		
From AAA to A-	-	3 487
From BBB+ to BBB-	-	4 557
Total government and municipality bonds	-	**8 044**
Securities of companies and credit institutions		
From AAA to A-	-	2 904
From BBB+ to BBB-	13 845	14 489
From BB- to BB+	8 351	10 440
Lower than BB-	3 181	2 111
Total debt securities of companies and credit institutions	**25 377**	**29 944**
Debt securities and other fixed income securities	25 377	**37 988**

Movements in the impairment allowance

Bank and Group	**30 June 2013 LVL'000**	**31 December 2012 LVL'000**
Balance at the beginning of the reporting period	**7**	**10**
Adjustment of previously recognized allowances	(2)	(3)
Balance at the end of period	**5**	**7**

Reclassification of financial instruments held for sale

According to amendments to IAS 39 and IFRS 7 in 2008 the Bank reclassified selected trade assets to financial assets held-to-maturity.

Under IAS 39 as amended, the reclassifications were made with effect from 1 July 2008 at fair value at that date. The table below sets out the financial assets reclassified and their carrying and fair values:

	1 July 2008		**30 June 2013**	
LVL'000	**Book value**	**Fair value**	**Book value**	**Fair value**
Assets held for sale reclassified to financial assets held-to-maturity	5 755	5 755	786	816
	5 755	**5 755**	**786**	**816**

The table below sets out the amounts actually recognised in income and equity in 2008 in respect of financial assets reclassified out of trading assets:

LVL'000	**Net income**	**Shareholders' equity**
Period before reclassification		
Net losses from financial assets carried at fair value through profit or loss reclassified to financial assets held-to-maturity	-	-
After reclassification		
Financial instruments reclassified to financial assets held-to-maturity		
Amortization	(1)	-
Coupon income	68	-
Net profit from increase of the value	2	-

The table below sets out the amounts that would have been recognised in the period following reclassification during 2013 if the reclassifications had not been made:

LVL'000	**Profit**
Net profit from financial assets carried at fair value through profit or loss reclassified to financial assets held-to-maturity	30

Under IAS 39, the reclassifications were made with effect from 9 September 2011 at fair value at that date. The table below sets out the financial assets reclassified and their carrying and fair values:

	9 September 2011		**30 June 2013**	
LVL'000	**Book value**	**Fair value**	**Book value**	**Fair value**
Assets held for sale reclassified to financial assets held-to-maturity	5 475	5 475	3 900	4 011
	5 475	**5 475**	**3 900**	**4 011**

The table below sets out the amounts actually recognised in income and equity in 2013 in respect of financial assets reclassified out of trading assets:

LVL'000	Net income	Shareholders' equity
Period before reclassification		
Net losses from financial assets carried at fair value through profit or loss reclassified to financial assets held-to-maturity	-	-
After reclassification		
Financial instruments reclassified to financial assets held-to-maturity		
Amortization	(28)	-
Coupon income	165	-

The table below sets out the amounts that would have been recognised in the period following reclassification during 2013 if the reclassifications had not been made:

LVL'000	Profit
Net profit from financial assets carried at fair value through profit or loss reclassified to financial assets held-to-maturity	71

17 INVESTMENTS IN SUBSIDIARY UNDERTANKINGS

(a) Investment in subsidiary

Bank

Company	Capital contributions	Balance as at 30 June 2013 LVL'000	Balance as at 31 December 2012 LVL'000
SIA Baltikums International	100%	2 070	1 930
AS IPS Baltikums Asset Management	100%	136	136
UAB Kamaly Development	100%	2	2
SIA Zapdvina Development	100%	694	690
SIA CityCap Service	100%	380	380
Rostman Ltd	100%	703	703
Rostman Ltd *(impairment)*		(250)	(250)
Baltikums Luxembourg S.A	100%	22	-
BB Broker Systems SIA	100%	20	-
SIA Pils pakalpojumi	61%	3 049	2 500
		6 826	**6 091**

In May 2013 the Bank increased share capital of SIA Zapdvina Development by 400 shares with nominal value of LVL 10.00 for the total amount of LVL 4 000. After share capital increase, share capital of SIA Zapdvina Development consists of 32 400 shares with nominal value of LVL 10.00 for the total amount of LVL 324 000.

In March 2013 the Bank increased share capital of SIA Pils pakalpojumi by 5 490 shares with nominal value of LVL 100 for the total amount of LVL 549 000. After share capital increase, share capital of SIA Pils pakalpojumi consists of 18 470 shares with nominal value of LVL 100 for the total amount of LVL 1 847 000.

In April 2013 the Bank purchased 100% shares in the amount of 15 500 of Baltikums Luxembourg S.A. with nominal value of EUR 2 for one share in the total amount of EUR 31 000 or LVL 21 787 (according to exchange rate 0.702804 of the Bank of Latvia).

In May 2013 the Bank established subsidiary BB Broker Systems SIA. Share capital of BB Broker Systems SIA consists of 200 shares with nominal value of LVL 100 for the total amount of LVL 20 000.

In June 2013 the Bank increased share capital of SIA Baltikums International by 1 400 shares with nominal value of LVL 100.00 for the total amount of LVL 140 000. After share capital increase, share capital of SIA Baltikums International consists of 20 550 shares with nominal value of LVL 100.00 for the total amount of LVL 2 055 000.

Bank's subsidiaries' investments in other subsidiaries

Company	Capital contributions	Balance at 30 June 2013 LVL'000	Balance as at 31 December 2012 LVL'000
Foxtran Management Ltd (Belize)	100%	96.5	26.5
Enarlia International Inc (Belize)	100%	96.5	26.5
KamalyDevelopment EOOD (Bulgaria)	100%	486	486
		679	**539**

In June 2013 SIA Baltikums International increased share capital of subsidiaries Foxtran Management Ltd and Enarlia International Inc. for 132 170 shares with nominal value of USD 1 for the total amount of USD 132 179 or LVL 70 thousand (according to exchange rate 0.539 of the Bank of Latvia) each. After share capital increase, share capital of each subsidiary Foxtran Management Ltd and Enarlia International Inc. consists of 182 170 shares with nominal value of USD 1 for the total amount of USD 182 170 or LVL 96.5 thousand (according to exchange rate 0.539 of the Bank of Latvia).

(b) Acquisition of subsidiaries in 2013

Acquisition of shares in 2013:	Shareholding acquired	Fair value of net assets at the acquisition date LVL'000	Consideration paid LVL'000	Goodwill LVL'000
BB Broker Systems SIA	100%	20	20	-
Baltikums Luxembourg S.A	100%	15	22	7
Total		**35**	**42**	**7**

The Bank's management has reviewed the recoverable amounts of assets at the acquisition date and believes that the recoverable amount is not materially different from the carrying amount.

	Pre-acquisition carrying amounts						
	Current assets						
	Cash LVL'000	Receivables LVL'000	Current liabilities LVL'000	Net identifiable assets LVL'000	Goodwill on acquisition LVL'000	Acquisition cost LVL'000	Net cash paid LVL'000
BB Broker Systems SIA	20	-	-	20	-	20	-
Baltikums Luxembourg S.A.	7	10	(2)	15	7	22	15
Total	**27**	**10**	**(2)**	**35**	**7**	**42**	**15**

(c) Investments in the equity of associated companies (Bank and Group)

Company	Capital contributions	Balance as at 30 June 2013 LVL'000		Balance as at 31.12.2012 LVL'000	
		Group	Bank	Group	Bank
AAS Baltikums	19.45%	1 051	1 100	1 229	1 100
AS Termo biznesa Centrs	26.15%	1 299	-	1 299	-
Total		**2 350**	**1 100**	**2 528**	**1 100**

Although the Bank owns 19.45% of AAS Baltikums shares, it is exercising significant influence in another way, i.e., through representation in the Council of the associated company.

	AS Termo biznesa Centrs	AAS Baltikums	Total
Value as at 31 December 2011	**1 299**	**1 269**	**2 568**
Dividends received	-	(91)	**(91)**
Interest in net profit of associated companies	-	51	**51**
Value as at 31 December 2012	**1 299**	**1 229**	**2 528**
Dividends received	-	(36)	**(36)**
Interest in net losses of associated companies	-	(142)	**(142)**
Value as at 30 June 2013	**1 299**	**1 051**	**2 350**

Financial position of significant associated companies

	Current assets LVL'000	Long-term investments LVL'000	Total assets LVL'000	Current liabilities LVL'000	Long-term liabilities LVL'000	Total liabilities LVL'000	Income LVL'000	Expenses LVL'000	Net profit LVL'000	Group's share of net assets LVL '000	Group's share of profit LVL'000
31 December 2011											
AAS Baltikums	4 951	11 552	16 503	(1 005)	(9 307)	(10 312)	2 613	(2 387)	226	1 204	44
31 December 2012											
AAS Baltikums	3 587	13 033	16 620	(1 132)	(9 531)	(10 663)	1 493	(1 235)	258	1 159	51
30 June 2013											
AAS Baltikums	6 250	11 331	17 581	(1 450)	(11 162)	(12 612)	199	(928)	(729)	966	(142)

18 NET IMPAIRMENT LOSSES

(a) Impairment of assets (Bank)

	6 month period ended 30 June 2013 LVL'000	6 month period ended 30 June 2012 LVL'000	For the year ended 31 December 2012 LVL'000
Total allowance as at the beginning of the period	**3 038**	**1 846**	**1 846**
Increase in loan loss allowance	341	1 254	2 159
Loss allowance for investment in subsidiaries	-	-	250
Release of previously established allowance for financial assets held-to-maturity	**(2)**	**(6)**	(8)
Change for the period	**339**	**1 248**	**2 401**
Decrease of previously established allowance as a result of write-off of assets	(1 046)	(330)	(1 136)
Change in impairment allowance due to currency fluctuations	38	47	(73)
Total allowance as at the end of the period	**2 369**	**2 811**	**3 038**

(b) Impairment of assets (Group)

	6 month period ended 30 June 2013	6 month period ended 30 June 2012	For the year ended 31 December 2012
	LVL'000	LVL'000	LVL'000
Total allowance as at the beginning of the period	**3 006**	**1 846**	**1 846**
Increase in the loan loss allowances	341	1 221	2 159
Provision for other assets	-	-	218
Release of previously established allowance for financial assets held-to-maturity	(2)	(6)	(8)
Change for the period	**339**	**1 215**	**2 369**
Decrease of previously established allowance as a result of write-off of assets	(1 046)	(330)	(1 136)
Change in impairment allowance due to currency fluctuations	38	47	(73)
Total allowance as at the end of the period	**2 337**	**2 778**	**3 006**

19 INVESMENT PROPERTY

The investment property consists of the following property:

	30 June 2013		31 December 2012	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Real estate in Latvia	2 472	1 364	2 472	1 364
Real estate in Estonia	83	83	86	86
Real estate in Lithuania	1 973	1 973	1 973	1 973
Real estate in Bulgaria	366	-	366	-
Total	**4 894**	**3 420**	**4 897**	**3 423**

	Group LVL'000	Bank LVL'000
31 December 2011	**8 049**	**3 435**
Disposed (property in Latvia)	(3 140)	-
Depreciation of buildings	(5)	(5)
Adjustment of value (property in Lithuania)	(7)	(7)
31 December 2012	**4 897**	**3 423**
Depreciation of buildings	(3)	(3)
30 June 2013	**4 894**	**3 420**

The management has appraised fair value of investment property as at 30 June 2013 and 31 December 2012, using market data and, where possible, discounted cash flow method. The management concluded that fair value of investment property is not significantly different from its net book value as at 30 June 2013 and 31 December 2012.

20. OTHER ASSETS

	30 June 2013		31 December 2012	
	Group LVL'000	**Bank LVL'000**	**Group LVL'000**	**Bank LVL'000**
Repossessed collaterals – movable property	4 698	4 698	4 698	4 698
Property for lease transaction	1 581	1 581	-	-
Security transactions in progress	1 575	1 575	-	-
Security deposit (MasterCard Europe, VISA Card)	1 067	1 067	898	898
Overpaid VAT	103	88	42	42
Receivables from credit card transactions with MasterCard Europe	26	26	36	36
Receivables from SPOT deals	18	18	13	13
Advance for increase of share capital of subsidiary	-	-	200	200
Other receivables	1 138	292	1 102	159
Total other assets	**10 206**	**9 345**	**6 989**	**6 046**
Provision for other assets	(218)	-	(218)	-
Other assets, net	**9 988**	**9 345**	**6 771**	**6 046**

21. DUE TO CREDIT INSTITUTIONS ON DEMAND

	30 June 2013		31 December 2012	
	Group LVL'000	**Bank LVL'000**	**Group LVL'000**	**Bank LVL'000**
Credit institutions registered in the Republic of Latvia	424	424	399	399
Credit institutions registered in OECD countries	50	50	265	265
Credit institutions registered in other countries (non-OECD)	1 928	1 928	1 547	1 547
Total	**2 402**	**2 402**	**2 211**	**2 211**

As at 30 June 2013 the Bank had account balance of 2 credit institutions exceeding 10% of total deposits on demand in other credit institutions. Total balances of these two credit institutions as at 30 June 2013 amounted to LVL 1 458 thousand.

As at 31 December 2012 the Bank had account balance of 4 credit institutions exceeding 10% of total deposits on demand in other credit institutions. Total balances of these two credit institutions as at 31 December 2012 amounted to LVL 1 754 thousand.

22. FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST: DEPOSITS FROM CUSTOMERS

	30 June 2013		31 December 2012	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Current accounts:				
Financial institutions	9 467	9 630	5 398	5 398
Corporate entities	320 344	320 725	248 763	249 020
Individuals	31 821	31 821	25 733	25 733
	361 632	**362 176**	**279 894**	**280 151**
Term deposits:				
Credit institutions	55	55	-	-
Deposits (subordinated)	1 477	1 477	1 464	1 464
Other financial institutions	-	-	4 625	4 625
Corporate entities	3 422	3 422	2 474	2 474
Individuals	727	727	1 413	1 413
	5 681	**5 681**	**9 976**	**9 976**
Total deposits	**367 313**	**367 857**	**289 870**	**290 127**

As at 30 June 2013, the Bank maintained customer deposit balances of LVL 2 145 thousand that were blocked by the Bank as collateral for loans and other credit instruments granted by the Bank. (as at 31 December 2012 - LVL 2 029 thousand.)

As at 30 June 2013 the Bank had no customer/group of customers, whose deposits exceeded 10% of total customer current deposits. (On 31 December 2012 there was none.)

23. FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST: SUBORDINATED DEBT SECURITIES ISSUED

In November 2012 the Bank conducted the fifth issue of debt securities. The issue amounted to EUR 10 million (LVL 7 028 thousand) with the coupon rate of 6% and USD 10 million (LVL 5 310 thousand) with the coupon rate of 6%.

In 2013 EUR 100 thousand were sold at nominal value (LVL 71 thousand). In 2012 EUR 3 million were sold at nominal value (LVL 2 108 thousand) and USD 100 thousand (LVL 53 thousand) were sold at nominal value.

The bonds mature on 12 November 2019.

This issue of debt securities is offered to limited amount of investors and it is not a public offer for purposes of Law on Financial Instruments Market of the Republic of Latvia.

	30 June 2013		31 December 2012	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Subordinated bonds issued	2 233	2 233	2 162	2 162
Payable interest accrued	84	84	17	17
Total	**2 317**	**2 317**	**2 179**	**2 179**

24. *DERIVATIVES*

	The Group and the Bank 30 June 2013 LVL'000		The Group and the Bank 31 December 2012 LVL'000	
	Book value	**Notional amount**	**Book value**	**Notional amount**
Assets				
Forward contracts	878	52 519	1	38 523
Total derivative financial assets	**878**	**52 519**	**1**	**38 523**
Liabilities				
Forward contracts	84	51 725	79	38 601
Total derivative liabilities	**84**	**51 725**	**79**	**38 601**

As at 30 June 2013 the Bank had 36 futures in foreign currencies (2012: 20 agreements).

As at 30 June 2013 fair value of derivatives of related parties amounted to LVL 2 thousand (in 2012 there were no such transactions).

25. *RELATED PARTY TRANSACTIONS*

Related parties are defined as shareholders who have significant influence over the Bank, companies in which they have a controlling interest, members of the Council and Board of Directors, key management personnel, their close relatives and companies in which they have a controlling interest, as well as associated companies. All transactions with related parties were performed on the basis of market prices.

Loans, deposits and other claims and liabilities to related parties include the following:

	30 June 2013		**31 December 2012**	
	Group LVL'000	**Bank LVL'000**	**Group LVL'000**	**Bank LVL'000**
Loans to related parties				
to subsidiaries	-	*4 224*	-	*4 228*
to Council and Board members	*13*	*13*	*5*	*5*
to others	*261*	*261*	*180*	*180*
Derivatives	2	2	-	-
Total loans and other claims	**276**	**4 500**	**185**	**4 413**
Term and demand deposits and loans				
from the parent company	*411*	*411*	*1 076*	*1 076*
from subsidiaries of the parent company	*116*	*116*	*10*	*10*
from subsidiaries	-	*543*	-	*260*
from associated companies	*1 810*	*1 810*	*3 770*	*3 770*
from Council and Board members	*107*	*107*	*227*	*227*
from others	*765*	*765*	*249*	*249*
Total deposits and liabilities	**3 209**	**3 752**	**5 332**	**5 592**
Contingent liabilities and commitments	**327**	**330**	**403**	**403**

	6 month period ended 30 June 2013		**6 month period ended 30 June 2012**	
	Group Interest rate %	**Bank Interest rate %**	**Group Interest rate %**	**Bank Interest rate %**
Loans to related parties	4.60	4.60	4.70	4.70
Term and demand deposits	0.10	0.10	0.58	0.58

The Council and Board remuneration in six months of year 2013 was LVL 141 thousand (6 months of 2012: LVL 111 thousand).

	6 month period ended 30 June 2013		6 month period ended 30 June 2012	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Income from related party transactions				
Commission and fee income	3	4	4	4
Interest income	-	-	65	170
Dividends	-	36	-	90
Expenses from related party transactions				
Interest expenses	1	1	2	2
Other expenses	19	99	14	50
Rent expenses	153	229	153	225

26. ASSETS UNDER MANAGEMENT

	30 June 2013		31 December 2012	
	Group	Bank	Group	Bank
Assets under management	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Balances due from Latvian credit institutions	24 025	24 025	6 623	6 623
Balances due from foreign credit institutions	8 945	8 945	8 641	8 641
Loans	1 055	1 055	1 026	1 026
Non-fixed income securities	10 894	10 894	9 120	9 120
Fixed income securities	61 539	61 539	47 842	47 842
Out of which: Pledged in repurchase transactions	-	-	*249*	*249*
Other assets	8 781	8 781	5 864	5 864
Total assets under management	**115 239**	**115 239**	**79 116**	**79 116**
Liabilities under management				
Non-residents' trust liabilities	113 704	113 704	77 578	77 578
Residents' trust liabilities	1 535	1 535	1 538	1 538
Total liabilities under management	**115 239**	**115 239**	**79 116**	**79 116**

As at 30 June 2013 assets of related companies under trust management amounted to LVL 154 thousand. As at 31 December 2012 assets under management include transactions with related parties of the Bank in the amount of LVL 283 thousand.

27. CONTINGENT LIABILITIES AND COMMITMENTS

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum exposure that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

	30 June 2013		31 December 2012	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Letter of credit	833	833	-	-
Unused credit facilities	9 402	9 402	5 923	5 923
Unused credit card facilities	748	751	906	906
Guarantees	268	268	542	542
	11 251	**11 254**	**7 371**	**7 371**

Total contractual and above amounts of commitments to issue loans may not be equal to the cash flow required in the future as such commitments may expire before they are used.

28. CAPITAL ADEQUACY CALCULATION (BANK)

	30 June 2013 LVL'000	31 December 2012 LVL'000
Tier 1 capital		
Share capital	27 756	19 756
Reserve capital	17	17
Retained earnings for the previous periods	564	2 448
Profit for the reporting period	4 013	7 116
Intangible assets	(383)	(184)
Other deductions	(35)	-
Total Tier 1 capital	**31 932**	**29 153**
Tier 2 capital	**3 115**	**3 134**
Reduction of Tier 1 and Tier 2 capital	(1 075)	(734)
Shareholders' equity	**33 972**	**31 553**
Risk weighted value		
Bank's portfolio	153 617	124 048
Trading portfolio	8 987	13 725
Operational risk	24 601	18 641
Total risk weighted assets	**187 205**	**156 414**
Total capital as percentage of risk weighted assets (total capital ratio)	**18%**	**20%**
Total Tier 1 capital, as percentage of risk weighted assets (Tier 1 capital ratio)	**17%**	**19%**

As at 30 June 2013 the Bank's capital adequacy ratio was 18% (in 2012: 20%), which exceeds the above minimum requirement of 8% according to Basle Accord and regulations issued by the Financial and Capital Market Commission.

29. SHAREHOLDERS' EQUITY

In May 2013 the share capital was increased issuing shares in the amount of LVL 8 million with nominal value of LVL 1. As at 30 June 2013 the registered share capital consisted of 27 756 200 ordinary shares (2012: 19 756 200). The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at shareholders' meetings. All shareholders rank equally with regard to the Company's residual assets.

	30 June 2013		31 December 2012	
	Amount	**LVL'000**	**Amount**	**LVL'000**
Share capital				
Ordinary shares with voting rights	27 756 200	27 756	19 756 200	19 756
	27 756 200	**27 756**	**19 756 200**	**19 756**

Reserves in the amount of LVL 17 thousand (in 2012: LVL 17 thousand) were created from retained earnings in accordance with the laws of the Republic of Latvia. These reserves are not limited and can be paid out upon decision of shareholders.

Dividends

Amount of dividends payable is limited and does not exceed the amount of the Bank's retained earnings determined by the laws of the Republic of Latvia. According to applicable laws of the Republic of Latvia the amount of retained earnings available for payment is LVL 564 thousand (in 2012: LVL 9 564 thousand). On 10 May 2013 dividends in the amount of LVL 9 million were paid out.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank and the Group have performed an assessment of its financial instruments, as required by IFRS 7 Financial Instruments: Disclosures, to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

The estimated fair values of financial instruments at fair value through profit or loss and quoted available-for-sale securities are based on quoted market prices at the reporting date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for a similar instrument at the reporting date.

The estimates of fair value are intended to approximate the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or settlement of liabilities.

The estimated fair values of all financial instruments approximate their carrying amounts at 30 June 2013 and 31 December 2012.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and Bank can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: unobservable inputs for the asset or liability. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Group

30 June 2013	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Valuation techniques using unobservable inputs (3)	Total
Financial assets				
Financial assets at fair value through profit and loss				
Fixed income securities	21 659	565	-	**22 224**
Non-fixed income securities	-	9	-	**9**
Derivatives	-	878	-	**878**
Available-for-sale assets				
Non-fixed income securities	-	63	584	**647**
	21 659	**1 515**	**584**	**23 758**
Financial liabilities				
Derivatives	-	84	-	**84**
	-	**84**	-	**84**

31 December 2012	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Total
Financial assets			
Financial assets at fair value through profit and loss			
Fixed income securities	10 080	-	**10 080**
Non-fixed income securities	218	-	**218**
Derivatives	-	1	**1**
Available-for-sale assets			
Non-fixed income securities	-	63	**63**
	10 298	**64**	**10 362**
Financial liabilities			
Derivatives	-	79	**79**
	-	**79**	**79**

Bank

30 June 2013	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Total
Financial assets			
Financial assets at fair value through profit and loss			
Fixed income securities	21 659	565	**22 224**
Non-fixed income securities	-	9	**9**
Derivatives	-	878	**878**
Available-for-sale assets			
Non-fixed income securities	-	63	**63**
	21 659	**1 515**	**23 174**
Financial liabilities			
Derivatives	-	84	**84**
	-	**84**	**84**

Bank

31 December 2012	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Total
Financial assets			
Financial assets at fair value through profit and loss			
Fixed income securities	10 080	-	**10 080**
Non-fixed income securities	218	-	**218**
Derivatives	-	1	**1**
Available-for-sale assets			
Non-fixed income securities	-	63	**63**
	10 298	**64**	**10 362**
Financial liabilities			
Derivatives	-	79	**79**
	-	**79**	**79**

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instruments and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

The Group and Bank recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels of the fair value hierarchy during six months ended 30 June 2013.

Level 3 financial instruments were purchased in 2013 and there have been no gains or losses recognised in the profit or loss or other comprehensive income. Changing one or more of the significant unobservable inputs used to reasonably possible alternative assumptions would not significantly change the assessed fair value.