



ABLV

BANKING / INVESTMENTS \ ADVISORY

**ABLV Bank, AS**  
public quarterly report  
for the period ended on  
31 March 2012

## Bank's management report

Ladies and Gentlemen, dear Shareholders of ABLV Bank, AS!

The first quarter of 2012 evidenced continuing economic rise in Latvia. This also had positive effect on the financial sector and performance of ABLV Bank, AS plans.

Our major task for 2012 is to expand operations, and to increase profitability, meanwhile improving methods of risk management. Results of the first quarter of 2012 stand for successful implementation of this task.

All the bank's major performance indicators remain high, including capital adequacy and liquidity ratios.

On 1 March 2012, ABLV Bank, AS was approved to become a member of NASDAQ OMX Riga stock exchange. Membership provides us and our customers with direct access to trading in companies' stocks, debt securities and shares of investment funds included in Latvian securities market.

Whereas on 19 March the bonds issued by our bank were included in the NASDAQ OMX Baltic list of debt securities. This ensured additional liquidity and clearness of transactions for our investors. We will continue issuing bonds and offering those in stock exchange in future. Thus, securities issued by ABLV Bank, AS are available not just to our customers, but to other investors as well.

### Financial results

The bank's financial performance in the first quarter of 2012 evidences stable growth:

- The Bank's profit in Q1 2012 amounted to EUR 7.5 million. Whereas in Q1 2011 it was equal to EUR 5.6 million.
- The bank's operating income before allowances for credit losses totalled EUR 21.6 million. Compared with Q1 2011, operating income has increased by 14,3%.
- The bank's amount of deposits and assets continued to grow. Since the beginning of 2012, the amount of deposits with the bank has increased by EUR 82.5 million, i.e. 3.6%, to reach EUR 2.36 billion. The bank holds leading position among Latvian credit institutions in terms of attracted deposits since the beginning of 2012.
- As at the end of March, the amount of subordinated deposits totalled EUR 30.7 million, but the amount of issued debt securities reached EUR 78.4 million.
- As at 31 March 2012, the amount of the bank's assets totalled EUR 2.69 billion. Since the beginning of the year, the amount of assets has grown by 5.4%, the total assets increasing by EUR 137.7 million.
- The bank's gross loan portfolio equalled EUR 773.9 million, as at the end of March.
- The bank's capital and reserves amounted to EUR 129.1 million.
- As at 31 March 2012, the bank's capital adequacy ratio was 14.18%, whereas liquidity equalled 70.99%.
- ROE reached 22.65%, and ROA – 1.08%, as at 31 March 2012.

During the reporting period, the bank has gained extraordinary income of EUR 2.0 million in the form of dividends from affiliate companies ABLV Asset Management, IPAS and ABLV Capital Markets, IBAS.

The bank continued investing in securities. The total amount of the securities portfolio was equal to EUR 1.27 billion, as at 31 March 2012. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 75.4% of the portfolio is constituted by securities having credit rating AA- and higher. Breakdown by major countries is as follows: USA – 33.3%, Russia – 15.5%, Canada – 10.4%, Germany – 9.2%, Sweden – 3.9%, Netherlands – 3.9%, Great Britain – 3.6%, Latvia – 2%, Norway – 1.7%. Additionally 10.4% is constituted by securities issued by international institutions – European Commission, ERAB, etc. In the reporting period, annual yield of the securities portfolio amounted to 3.49%.

We express our gratitude to our shareholders and customers for their loyalty and to employees for their contribution in the growth of the bank and the group!

## 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. The Group's and Bank's main scope of activity is investment services, settlement products, asset management, financial consultations, and real estate management.

As at 31 March 2012 the Group and the Bank operate the central office and two lending centers in Riga, as well as foreign representation offices in Azerbaijan – Baku, in Belarus - Minsk, in Kazakhstan - Almaty, in Russia – Moscow, St.Petersburg and Yekaterinburg, in Ukraine – Kyiv with its branch in Odessa, in Uzbekistan - Tashkent and Tajikistan – Dushanbe.

The Group's and the Bank's financial statements, who are prepared in consistently applying IFRS as adopted in the EU and the FCMC Regulations on the Preparation of Annual Reports and Consolidated Annual Reports of Banks, Investment Brokerage Companies, and Investment Management Companies, are audited by Ernst & Young Baltic SIA, unified registration number Nr. 40003593454, Latvijas Republika, Muitas str.1.

This quarterly report is prepared in accordance with the Regulations on Preparation of Public Quarterly Reports of Banks approved by the Financial and Capital Market Commission for the purpose of providing information on the financial standing and performance indicators of the Group and the Bank.

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

## Shareholders and groups of related shareholders of the Bank

As at 31 March 2012 the shareholders of the Bank and the groups of related shareholders are as follows:

Shareholders	Number of voting shares	Par value of shares in lats	% of the total paid-in the Bank's share capital with voting rights	Paid-in the Bank's share capital in lats
<b>Oļegs Fiļs` group of related shareholders</b>				
SIA "OF Holding"	47,411	213	43.10	10,118,966
<b>Oļegs Fiļs` group of related shareholders total</b>	<b>47,411</b>	<b>213</b>	<b>43.10</b>	<b>10,118,966</b>
<b>Ernests Bernis` group of related shareholders</b>				
Ernests Bernis	6,211	213	5.65	1,325,619
Nika Berne	1,030	213	0.94	219,834
Cassandra Holding Company, SIA	40,171	213	36.52	8,573,728
<b>Ernests Bernis` group of related shareholders total</b>	<b>47,412</b>	<b>213</b>	<b>43.10</b>	<b>10,119,180</b>
<b>Other shareholders total</b>	<b>15,177</b>	<b>213</b>	<b>13.80</b>	<b>3,239,239</b>
<b>Total shares with voting rights</b>	<b>110,000</b>		<b>100.00</b>	<b>23,477,385</b>
Shares without voting rights	11,000	213		2,347,738
<b>Paid-in share capital total</b>	<b>121,000</b>			<b>25,825,123</b>

## Performance indicators\*

<b>Title of entry</b>	01.01.2012. - 31.03.2012. (unaudited)	01.01.2011. - 31.03.2011. (unaudited)
Return on equity (ROE) (%)	22.65	20.03
Return on assets (ROA) (%)	1.08	1.05

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

## Risk management

Information about Risk management is available on ABLV Bank, AS web page <http://www.ablv.com/en/about/financial-reports> in Annual Report 2011. Since 31 December 2011 there are no any essential changes in Risk management.

## The Council and the Board

### The Council of the Bank:

Chairman of the Council:  
Oleg Fil

Date of election:  
04.10.2011.

Deputy Chairman of the Council:  
Janis Krigers

Date of re-election:  
04.10.2011.

Council Member:  
Igor Rapoport

Date of re-election:  
04.10.2011.

### The Board of the Bank:

Chairman of the Board:  
Ernest Bernis - Chief Executive Officer (CEO)

Date of re-election:  
17.10.2011.

Deputy Chairman of the Board:  
Vadim Reinfeld - Deputy Chief Executive Officer (dCEO)

Date of re-election:  
17.10.2011.

Board Members:  
Aleksander Pazhe – Chief Compliance Officer (CCO)  
Edgar Pavlovich – Chief Risk Officer (CRO)  
Maris Kannenieks – Chief Financial Officer (CFO)  
Roland Citajev – Chief IT Officer (CIO)

Date of re-election:  
17.10.2011.  
17.10.2011.  
17.10.2011.  
17.10.2011.

Roman Surnachov – Chief Operating Officer (COO)

Date of election:  
17.10.2011.

## 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.

The Bank operates in accordance with the laws of the Republic of Latvia and the license issued by the Bank of Latvia, which allows the Bank to provide all financial services specified in the Law on Credit Institutions.

### Bank' vision

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

### Bank's mission

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

### Bank's values

#### Collaborative

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

#### Intuitive

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

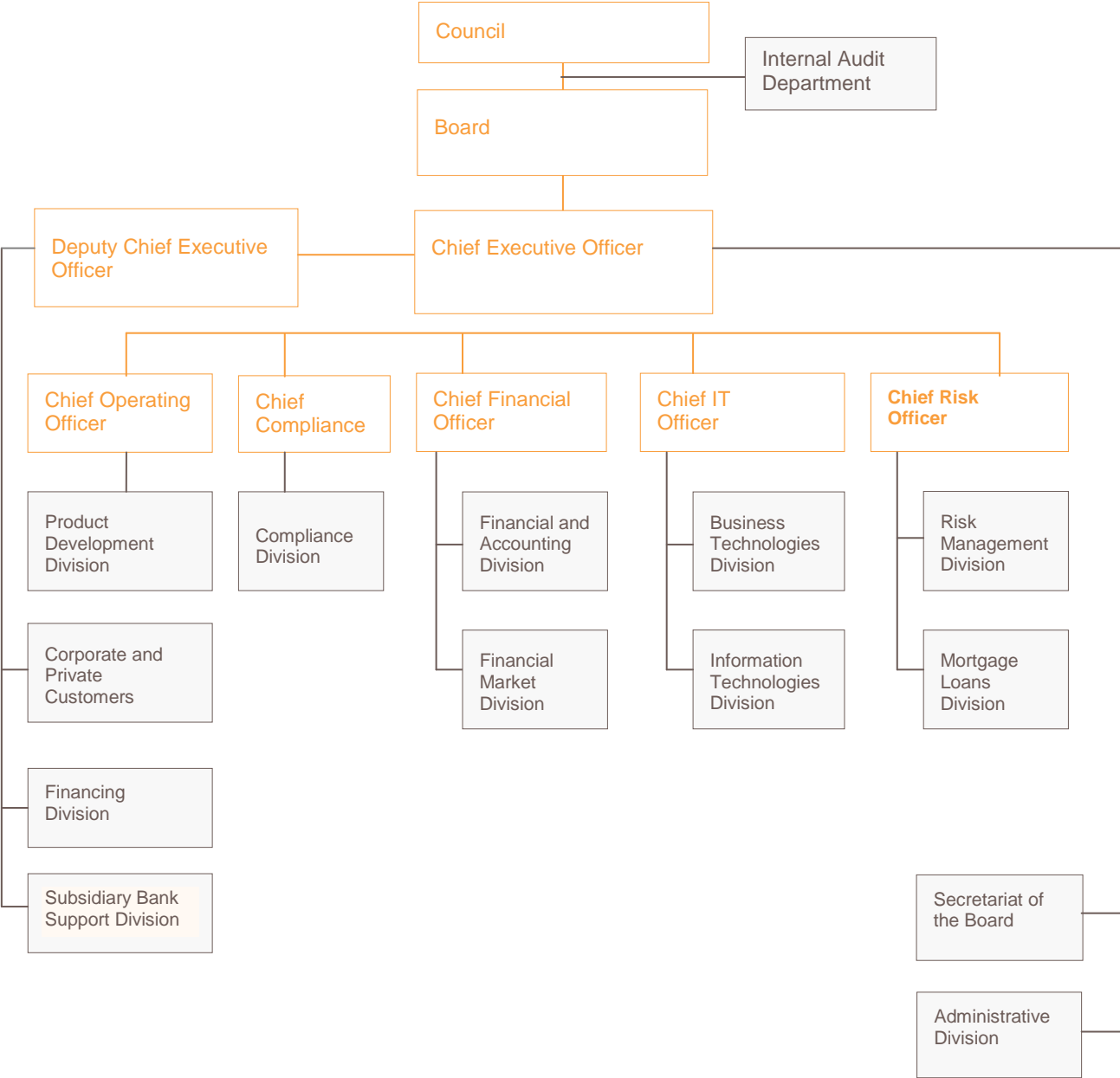
#### Valued

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

### Bank's aim

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

## Bank's structure\*



\* Structure of the Bank is valid from 17 October 2011. More detailed information about the customer's service offices are available on the Bank's website <http://www.ablv.com/lv/about/offices>.

## Members of the consolidation group

This public quarterly report contain the financial information about the Bank and its subsidiaries (jointly – the Group), as well as separately about the Bank. The Bank is the parent entity of the Group.

Members of the consolidation group as at 31 March 2012:

No	Name of the company	Registration number	Code of registration state and address	Type of activities*	Interest in share capital (%)	Share of voting rights (%)	Motivation for inclusion in the group**
1	ABLV Bank, AS	50003149401	LV, Elizabetes iela 23, Rīga, LV-1010	BNK	100	100	MAS
2	ABLV Asset Management, IPAS	40003814724	LV, Elizabetes iela 23, Rīga, LV-1010	IPS	100	100	MS
3	ABLV Capital Markets, IBAS	40003814705	LV, Elizabetes iela 23, Rīga, LV-1010	IBS	100	100	MS
4	ABLV Consulting Services, AS	40003540368	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
5	ABLV Corporate Services, SIA	40103283479	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
6	ABLV Corporate Services, LTD	HE273600	CY, 1 Apriliou, 52, P.C.7600, Larnaca, Athienou	CKS	100	100	MS
7	ABLV Luxembourg, S.A.	B 162048	LU, Montee du Grund, 6, L-1645, Luxembourg	CKS	100	100	MS
8	ABLV Transform Partnership, KS	40103260921	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	99.9997	99.9997	KS
9	AB.LV Transform Investments, SIA	40103191969	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
10	Transform 1, SIA	40103193211	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
11	Transform 2, SIA	40103193033	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
12	Transform 3, SIA	40103193067	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
13	Transform 4, SIA	40103210494	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
14	Transform 6, SIA	40103237323	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
15	Transform 7, SIA	40103237304	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
16	Transform 8, SIA	40103240484	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
17	Transform 9, SIA	40103241210	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
18	Transform 10, SIA	50103247681	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
19	Transform 11, SIA	40103258310	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
20	Transform 12, SIA	40103290273	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
21	Transform 13, SIA	40103300849	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
22	Transform 14, SIA	50103313991	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
23	Transform 17, SIA	40103424617	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
24	Transform 18, SIA	40103492079	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
25	Elizabetes 21a, SIA	50003831571	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	91.6	91.6	MS
26	New Hanza City, SIA	40103222826	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
27	ABLV Private Equity Management, SIA	40103286757	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
28	ABLV Private Equity Fund 2010, KS	40103307758	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	100	100	KS
29	Vaiņode Agro Holding, SIA	40103503851	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
30	Vaiņodes Agro, SIA	40103484940	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	100	100	MS
31	Gas Stream, SIA	42103047436	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	49	49	MS
32	Bio Future, SIA	42103047421	LV, Elizabetes iela 23, Rīga, LV-1010	CKS	49	49	MS

\*BNK – bank, APS – insurance company , IBS – investment brokerage company, IPS – asset management company, CFI – other financial institution, CKS – other corporate company.

\*\* MS – subsidiary; KS – joint venture company; MAS – parent company



## Income statements

Title of entry	Notes	01.01.2012. - 31.03.2012.		01.01.2011. - 31.03.2011.	
		(unaudited)		(unaudited)	
		Group	Bank	Group	Bank
		EUR '000	EUR '000	EUR '000	EUR '000
Interest income		12,921	13,152	13,089	13,031
Interest expense		(5,976)	(5,963)	(6,037)	(6,005)
Income from dividends		-	1,988	1	1
Commission and fee income		10,477	9,281	8,954	7,785
Commission and fee expense		(1,198)	(1,054)	(1,086)	(916)
Net realised gain/ (loss) from financial assets at amortised cost		-	-	1	1
Net realised gain/ (loss) from available-for-sale financial assets		(31)	(31)	33	33
Net realised gain/ (loss) from financial assets and liabilities held for trading		-	-	-	-
Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss		(195)	(239)	(8,174)	(8,174)
Changes in fair value hedge accounting		-	-	-	-
Net result from foreign exchange trading and revaluation		4,037	4,098	12,725	12,745
Gain/ (loss) from sale of tangible and intangible fixed assets		84	83	990	(17)
Other income		4,378	400	775	440
Other expense		(4,316)	(1,306)	(1,061)	(1,194)
Administrative expense	1	(10,094)	(8,608)	(7,759)	(6,888)
Depreciation		(699)	(519)	(592)	(553)
Change in allowances for credit losses		(3,695)	(3,694)	(4,008)	(4,008)
Impairment expenses		(73)	(73)	(645)	(645)
<b>Net profit/ (loss) for the period</b>		<b>5,620</b>	<b>7,513</b>	<b>7,207</b>	<b>5,635</b>
<b>Attributable to:</b>					
Equity holders of the Bank		5,734		7,247	
Non-controlling interests		(114)		(40)	

## Balance sheet

	Notes	31 March 2012		31 December 2011	
		(unaudited)		(audited)*	
		Group	Bank	Group	Bank
<b>Assets</b>		EUR '000	EUR '000	EUR '000	EUR '000
Cash and demand deposits with central banks		146,432	146,432	204,414	204,414
Demand deposits from credit institutions		316,206	316,068	567,017	566,830
Financial assets held for trading		-	-	-	-
Financial assets at fair value through profit or loss		10,542	10,542	12,695	12,695
Available-for-sale financial assets		950,086	950,086	530,740	530,740
Loans and receivables	2	785,380	784,294	839,215	840,497
Held to maturity		305,464	305,464	237,304	237,304
Change of fair value of hedge portfolio		-	-	-	-
Prepaid expense and accrued income		1,106	602	976	477
Tangible fixed assets		14,010	6,797	14,330	7,049
Investment properties		30,492	23,705	30,652	23,708
Intangible fixed assets		4,899	4,723	4,970	4,792
Investments in subsidiaries		448	105,172	448	101,431
Current taxes receivables		4,131	4,061	4,839	4,779
Other assets		100,967	25,367	82,693	11,032
<b>Total assets</b>		<b>2,670,161</b>	<b>2,683,311</b>	<b>2,530,292</b>	<b>2,545,747</b>
<b>Liabilities</b>					
Liabilities due to central banks		-	-	-	-
Demand deposits from credit institutions		3,762	3,763	2,531	2,531
Financial liabilities held for trading		-	-	-	-
Financial liabilities at fair value through profit or loss		1,682	1,682	201	201
Financial liabilities at amortised cost	3	2,469,448	2,480,383	2,387,257	2,401,469
Financial liabilities arising from financial asset transfer		-	-	-	-
Change of fair value of hedge portfolio		-	-	-	-
Deferred income and accrued expense		9,173	7,856	8,709	7,373
Reserves		-	-	-	-
Deferred income tax		386	-	511	-
Other liabilities		65,563	60,485	9,849	5,867
<b>Total liabilities</b>		<b>2,550,014</b>	<b>2,554,169</b>	<b>2,409,059</b>	<b>2,417,441</b>
Total shareholders' equity		120,147	129,143	121,233	128,306
<b>Total liabilities and shareholders' equity</b>		<b>2,670,161</b>	<b>2,683,311</b>	<b>2,530,292</b>	<b>2,545,747</b>
<b>Memorandum items</b>					
Contingent liabilities		16,636	16,636	17,153	17,153
Financial commitments		17,285	17,285	29,795	29,795

\* - information has been prepared based on data that are available at audited financial statements for period ended 31 December 2011.

## Note 1

### Administrative expense

In accordance with the Regulations on the Preparation of Public Quarterly Reports of Banks, approved by the Financial and Capital Market Commission, in this public quarterly report the corporate income tax is included in the administrative expenses:

Title of entry	01.01.2012. - 31.03.2012.		01.01.2011. - 31.03.2011.	
	(unaudited)		(unaudited)	
	Group	Bank	Group	Bank
	EUR '000	EUR '000	EUR '000	EUR '000
Corporate income tax	(1,345)	(1,367)	(205)	(205)
Other administrative expenses	(8,749)	(7,241)	(7,554)	(6,683)
<b>Total</b>	<b>(10,094)</b>	<b>(8,608)</b>	<b>(7,759)</b>	<b>(6,888)</b>

## Note 2

### Loans and receivables

Title of entry	31.03.2012.		31.12.2011.	
	(unaudited)		(audited) *	
	Group	Bank	Group	Bank
	EUR '000	EUR '000	EUR '000	EUR '000
Loans	695,134	694,444	667,930	669,608
Loans to credit institutions	90,246	89,850	171,284	170,889
<b>Total</b>	<b>785,380</b>	<b>784,294</b>	<b>839,215</b>	<b>840,497</b>

## Note 3

### Financial liabilities at amortized cost

Title of entry	31.03.2012.		31.12.2011.	
	(unaudited)		(audited) *	
	Group	Bank	Group	Bank
	EUR '000	EUR '000	EUR '000	EUR '000
Deposits	2,349,638	2,363,945	2,270,104	2,281,067
Issued securities	78,352	78,352	73,288	80,048
Subordinated deposits	30,679	30,679	30,822	30,822
Term deposits from credit institutions	10,780	7,407	13,043	9,532
<b>Total</b>	<b>2,469,448</b>	<b>2,480,383</b>	<b>2,387,257</b>	<b>2,401,469</b>

\* - information has been prepared based on data that are available at audited financial statements for period ended 31 December 2011.

Note 4

**Analysis of concentration of the Group's/ Bank's securities portfolio**

The Group's and the Bank's securities portfolio break downs by countries of issuers:

Issuer	Group/ Bank 31.03.2012. (unaudited)				
	At fair value	Available-for-sale	Held-to-maturity	Total	% of sareholders' equity
	EUR'000	EUR'000	EUR'000	EUR'000	%
<b>United States</b>					
Central governments	-	415,950	-	415,950	
Other issuers	-	5,888	-	5,888	
<b>Total</b>	-	<b>421,837</b>	-	<b>421,837</b>	241.12
<b>Russia</b>					
Central governments	-	14,129	24,759	38,889	
Other issuers	4,311	55,580	96,976	156,867	
<b>Total</b>	<b>4,311</b>	<b>69,709</b>	<b>121,735</b>	<b>195,756</b>	111.89
<b>Canada</b>					
Central governments	-	22,035	21,171	43,206	
Other issuers	-	80,640	7,669	88,309	
<b>Total</b>	-	<b>102,674</b>	<b>28,840</b>	<b>131,515</b>	75.17
<b>Germany</b>					
Central governments	-	19,042	10,240	29,283	
Other issuers	36	82,741	4,001	86,778	
<b>Total</b>	<b>36</b>	<b>101,784</b>	<b>14,242</b>	<b>116,061</b>	66.34
<b>Sweden</b>					
Central governments	-	46,908	-	46,908	
Other issuers	-	2,503	-	2,503	
<b>Total</b>	-	<b>49,411</b>	-	<b>49,411</b>	28.24
<b>Netherlands</b>					
Other issuers	-	45,096	3,870	48,967	
<b>Total</b>	-	<b>45,096</b>	<b>3,870</b>	<b>48,967</b>	27.99
<b>United Kingdom</b>					
Other issuers	5,987	11,406	28,270	45,663	
<b>Total</b>	<b>5,987</b>	<b>11,406</b>	<b>28,270</b>	<b>45,663</b>	26.10
<b>Latvia</b>					
Central governments	-	-	22,851	22,851	
Other issuers	1,897	24	498	2,419	
<b>Total</b>	<b>1,897</b>	<b>24</b>	<b>23,349</b>	<b>25,270</b>	14.44
<b>Norway</b>					
Central governments	-	5,340	-	5,340	
Other issuers	-	4,775	11,535	16,310	
<b>Total</b>	-	<b>10,115</b>	<b>11,535</b>	<b>21,650</b>	12.38
<b>Securities of international organizations</b>	-	<b>94,806</b>	<b>36,332</b>	<b>131,138</b>	74.96
<b>Securities of other countries</b>	<b>454</b>	<b>40,923</b>	<b>37,291</b>	<b>78,668</b>	44.97
<b>Total securities, net</b>	<b>12,685</b>	<b>947,786</b>	<b>305,464</b>	<b>1,265,935</b>	

In the reporting period, impairment by 73 thousand euro was recognized for the securities of the available-for-sale portfolio.

At the end of reporting period provision was made to the following securities of the hold-to-maturity portfolio:

- securities of one company - totaling EUR 225 thousand, which market value was EUR 0 at 31 March 2012;
- securities of one credit institution - totaling EUR 1.1 million, which market value was EUR 186 thousand at 31 March 2012.

As at 31 March 2012, 75.40% of all the Group's/ Bank's portfolio of financial instruments consist from securities with emission country rating AA- or higher. The Bank's / Group's weighted average maturity of securities portfolio (*modified duration*) was 1.71 years as at 31 March 2012.