



ABLV

BANKING / INVESTMENTS \ ADVISORY

ABLV Bank, AS

Public Quarterly Report
January - September 2016

Bank's Management Report

Dear shareholders of ABLV Bank, AS,

Q3 2016 was favourable for ABLV Bank, AS and the group. All major efficiency indicators remained high. The bank's profit amounted to EUR 61.4 million.

Varying trends were observed in the world economy, including economic growth slowdown in some countries. Given relatively poor economic indicators, the International Monetary Fund once again decreased the world GDP forecast for 2016 – to 3.1%.

Whereas good news for Latvian financial market came from the City of London's leading commercial think-tank "Z/Yen", which published the new Global Financial Centres Index. The capital of Latvia - Riga - has been ranked 52nd in the index. Compared with the previous index, Riga is now ranked 19 places higher. Listing Riga among the leading global financial centres is an important sign for further development of the financial sector and the evidence of current achievements. According to the said index, Riga can be considered one of the largest financial centres in Eastern Europe, since it is ranked 3rd in this region after Warsaw and Tallinn.

Luxembourg, where our subsidiary bank ABLV Bank Luxembourg, S. A. is located, also demonstrates improving results - it is ranked 12th in the Global Financial Centres Index. Compared with the previous index, Luxembourg is now ranked 2 places higher. It is also the 3rd best among cities in Western Europe. The experts see the potential of Luxembourg to become even more significant player on the global financial stage, especially given the results of the UK referendum.

ABLV Bank, AS continued issuing bonds. Under the Sixth Bond Offer Programme, from July to October there were four new coupon bond issues performed, their total amount being USD 150 million and EUR 40 million at face value, as well as one subordinated bond issue performed, the size of which amounted to EUR 20 million. Including the redeemed bonds, we have performed 39 public bond issues so far, their amount exceeding EUR 1 billion.

Bank

ABLV Bank, AS profit for the nine months period of 2016 reached EUR 61.4 million.

All major indicators remain high.

- The bank's operating income¹ for the nine months period of 2016 amounted to EUR 115.0 million.
- As at 30 September 2016, the amount of deposits with the bank was equal to EUR 3.04 billion, and the amount of the bank's assets – to EUR 4.01 billion.
- The bank's loan portfolio amounts to EUR 1.01 billion, and the amount of commercial loans has increased to reach EUR 635.9 million.
- The bank's capital and reserves amounted to EUR 307.7 million.
- As at 30 September 2016, the bank's capital adequacy ratio was 18.72%, whereas liquidity equalled 78.04%.
- ROE reached 28.94%, and ROA –1.86%.

The total amount of the securities portfolio was equal to EUR 2.04 billion, as at 30 September 2016. The bank's securities portfolio is mostly composed of fixed-income debt securities. Securities having credit rating AA- and higher constitute 68.2% of the total securities portfolio. In terms of the countries, the investments are allocated as follows: USA – 18.9%, Germany – 16.1%, Latvia – 12.2%, Russia – 11.0%, Canada – 10.3%, Sweden – 7.4%, Netherlands – 3.4%, Finland – 2.4%, Norway – 2.0% and Austria – 2.0%. Whereas 4.4% is constituted by securities issued by international institutions. In the reporting period, annual yield² of the securities portfolio amounted to 2.9%.

Improving our range of payment services, from 1 October 2016 especially favourable conditions under payments in euro are offered to individuals and Latvian legal entities. Outgoing standard and urgent payments in euro within the European Economic Area are performed free of charge, provided those are made via Internetbank and their amount does not exceed EUR 1 000. The bank has also cancelled express payments in US dollars and simplified the rates and charges of dollar payments for foreign legal entities: instead of several rates and charges set before, now we offer single fee – regardless of the country of the beneficiary bank and other parameters of the payment.

To promote the financial literacy of youngsters, we offer our clients to open card accounts and obtain payment cards for their children above seven years of age. This is a great opportunity for children to gain experience in finance matters and begin communicating with the bank, which will help them learn to plan their expenses, and parents will be able to manage their spending.

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

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

Taking into account the increasing number of institutional clients, to make their cooperation with us more convenient, the bank has introduced dedicated regulation of such relationships. Now cooperation with those clients will be regulated by the General Terms of Business for Credit Institutions and the General Terms of Business for Investment Companies. Particular regulation of the relationship with institutional clients has been introduced since their activity and services needed are different from those of the most of other our clients. The new terms contain more detailed procedures for rendering specific services, e.g., the credit institution's correspondent account opening and maintenance, and the provision of investment services to the clients of those credit institutions and investment companies.

Investments

As at the end of September 2016, total assets under ABLV Asset Management, IPAS management amounted to EUR 121.6 million, of which EUR 120.1 million were the clients' investments in mutual funds managed by the company, and EUR 1.5 million were the clients' funds invested in individual investment programmes.

The first nine months of 2016 were also successful for ABLV Capital Markets, IBAS, which executes clients' instructions for purchasing and selling all types of financial instruments. Profit of ABLV Capital Markets, IBAS amounted to EUR 2.3 million. As at 30 September 2016, total assets of the company's clients invested in financial instruments were equal to EUR 1.17 billion.

Real estate

Due to relatively positive trends on the real estate market and consistent implementation of the company's business strategy, Pillar group continued decreasing its property portfolio. This year, 150 properties have been sold for EUR 9.3 million. Over nine months, 82 uniform apartments have been sold by Pillar: 58 of those in Riga and 24 – outside Riga. In new projects, 12 apartments have been sold in total. 30 private houses, 22 land plots, and other properties have been sold as well.

Thus, Pillar allocates increasingly more resources to the development of the large-scale New Hanza City (NHC) project. On 4 July this year, Pillar started the construction of NHC infrastructure, which includes the first stage of laying the streets and necessary engineering systems, incl. water supply, sewage, heat, and electricity supply systems. These works are planned to be completed by spring 2017. The functions of the general contractor of this project are carried out by Pillar Contractor, SIA. Following the installation of engineering systems – in Q2 2017 – the construction of ABLV central office and additional office building is planned to be started.

In the second half of the year, the best idea for reconstruction of the warehouse building of former Riga railway goods station, located on the NHC territory, was chosen – the solution proposed by the architecture bureau "Sudraba arhitektūra", the author of which is architect Reinis Liepiņš. Two more residential buildings on NHC territory are currently being designed – these will be premium-class and middle-class apartment blocks, consisting approximately of 100 apartments each.

Outside work

Following the best traditions of arranging ABLV summer events, the annual ABLV Invitational Golf Tournament took place in Ozo Golf Club on 23 July. There were more than 100 players participating in the tournament, including Latvian and foreign clients, business partners, and employees of ABLV group, as well as members of Ozo Golf Club. A new trophy, "Flying Ball" sculpture, was the biggest surprise for players this year. The trophy was made by Aleksandrs Makarenko, a Latvian sculptor. While working on the sculpture, the author aimed at implementing the concept that would differ from the existing ones and would reflect the individual style of the bank.

In July, the exhibition of collection brought by famous fashion historian Alexandre Vassiliev was opened with our support. The name of the exhibition was "Tamed Nature", and this is the eighth project arranged by the Latvian National Museum of Art in cooperation with ABLV Bank and Alexandre Vassiliev Foundation. The exhibition was devoted to eternal symbiosis of nature and fashion in different combinations during three centuries – from 18th century to the present day. Such exhibition of dresses collected by Alexandre Vassiliev has never taken place before.

We express our gratitude to our shareholders and clients for their loyalty and to all employees of ABLV Group for their important everyday contribution in achievement of the company's targets!



Chairman of the Council
Oļegs Fijs



Chairman of the Board
Ernests Bernis

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

As at 30 September 2016, the group and the bank operate the central office and one lending centre in Riga. The bank's most significant bank's subsidiaries are ABLV Bank Luxembourg S.A., ABLV Asset Management, IPAS, ABLV Capital Markets, IBAS, Pillar Holding Company, KS. The group has representation offices/ territorial structural units in Azerbaijan (Baku), in Belarus (Minsk), in Kazakhstan (Almaty), in Cyprus (Limassol), in Russia (Moscow, St. Petersburg and Vladivostok), in Ukraine (Kiev with separate office in Odessa), in Uzbekistan (Tashkent), New York (USA) and in Hong Kong.

The organizational structure of the bank is shown on page 5 at this public quarterly report.

This public quarterly report is prepared in accordance with the Regulations on Preparation of Public Quarterly Reports of Credit Institutions approved by the Financial and Capital Market Commission for providing information on the financial standing and performance indicators of the bank for the period from 1 January 2016 until 30 September 2016.

Financial statements are reported in thousands of euro (EUR'000), unless otherwise stated. Information given herein in brackets represents comparative figures for the period ended 31 December 2015 or the financial indicators for the nine-month period ended 30 September 2015 respectively.

Shareholders and Groups of Related Shareholders of the Bank

	30/09/2016		31/12/2015	
	Par value of shares	Amount of voting shares	Par value of shares	Amount of voting shares
	EUR	amount	EUR	amount
Shareholders				
Ernests Bernis and Nika Berne (direct and indirect interest)	1	14,918,210	1	13,702,131
Oļegs Fiļs (indirect interest)	1	14,918,210	1	13,702,131
Other shareholders total	1	4,633,580	1	4,365,738
Total shares with voting rights	x	34,470,000	x	31,770,000
Shares without voting rights (personnel shares)	1	3,530,000	1	3,530,000
Paid-in share capital total	x	38,000,000	x	35,300,000

Performance Indicators

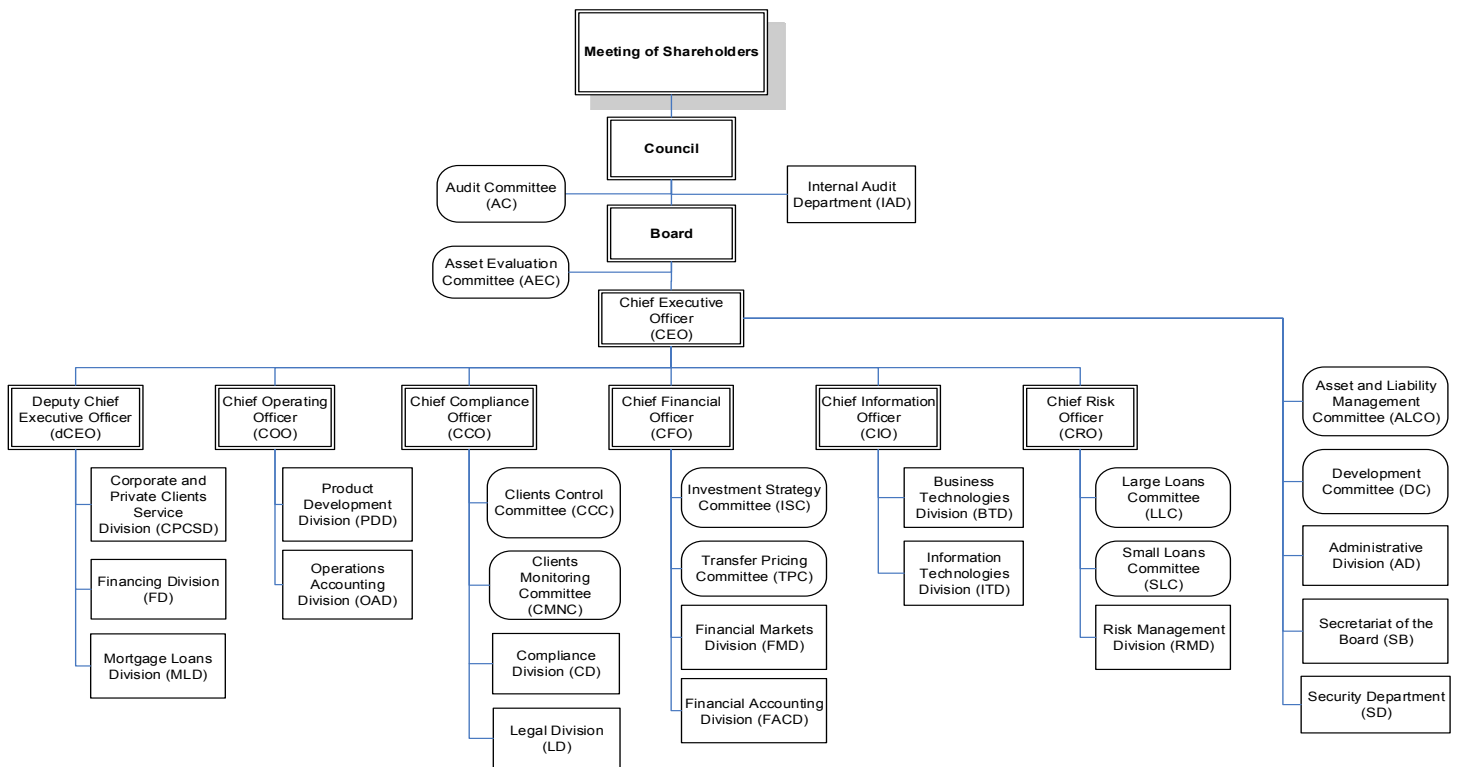
Title of entry	01/01/2016 - 30/09/2016	01/01/2015 - 30/09/2015
	(non-audited)	(non-audited)
Return on equity (ROE) (%)	28.94	33.66
Return on assets (ROA) (%)	1.86	1.76

Indicators are calculated according to principles of the Regulations on Preparation of Public Quarterly Reports of Credit Institutions approved by the Financial and Capital Market Commission.

Risk Management

The information about Capital and Risk management is available in the 2015 Annual Report from Note 33 to Note 37 on the ABLV Bank, AS website <http://www.ablv.com/en/about/financial-reports>.

Bank's Structure*



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

The Council and the Board

The Council of the Bank:

Chairman of the Council: Oļegs Fiļs	Date of re-election: 02/05/2016
Deputy Chairman of the Council: Jānis Krīgers	Date of re-election: 02/05/2016
Council Member: Igoris Rapoport	Date of re-election: 02/05/2016

The Board of the Bank:

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

There were no changes in the council and the board of the bank during the reporting period, except for the mentioned above.

Strategy and Aim of the Bank's Activities

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

Bank's Vision

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

Bank's Mission

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

Bank's Values

Collaborative

We listen attentively and respond intelligently. We are always ready for changes. We do not rest, we act.

Intuitive

We know what is 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

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

Consolidation Group

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

Members of the consolidation group* as at 30 September 2016:

No	Name of the company	Registration number	Code of country of incorporation and address	Type of activities ¹	Interest in share capital (%)	Share of voting rights (%)	Motivation for inclusion in the group ²
1	ABLV Bank, AS	50003149401	LV, Elizabetes iela 23, Rīga, LV-1010	BNK	100	100	MT
2	ABLV Bank Luxembourg, S.A.	B 162048	LU, Boulevard Royal, 26a, L-2449, Luxembourg	BNK	100	100	MS
3	ABLV Capital Markets, IBAS	40003814705	LV, Elizabetes iela 23, Rīga, LV-1010	IBS	90	100	MS
4	ABLV Asset Management, IPAS	40003814724	LV, Elizabetes iela 23, Rīga, LV-1010	IPS	90	100	MS
5	PEM, SIA	40103286757	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	51	51	MS
6	PEM 1, SIA	40103551353	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	51	51	MMS
7	ABLV Private Equity Fund 2010, KS	40103307758	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	100	100	MS
8	ABLV Corporate Services Holding Company, SIA	40103799987	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MS
9	Pillar, SIA	40103554468	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MS
10	Pillar Holding Company, KS	40103260921	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	100	100	MS
11	Pillar 3, SIA	40103193067	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
12	Pillar 4 & 6, SIA	40103210494	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
13	Pillar 7 & 8, SIA	40103240484	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
14	Pillar 9, SIA	40103241210	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
15	Pillar 11, SIA	40103258310	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
16	Pillar 2, 12 & 14, SIA	50103313991	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
17	Pillar 18, SIA	40103492079	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
18	Pillar 19, SIA	40103766952	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
19	Pillar 20, SIA	40103903056	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
20	Pillar 21, SIA	40103929286	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
21	Pillar 22, SIA	50103966301	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
22	Pillar Investment Group, AS	50003831571	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	88	88	MMS
23	New Hanza City, SIA	40103222826	LV, Pulkvēža Brieža iela 28, Rīga, LV-1045	PLS	100	100	MS
24	NHC Utilities, SIA	40103693339	LV, Pulkvēža Brieža iela 28, Rīga, LV-1045	PLS	100	100	MMS

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

² - MS – subsidiary company, MMS – subsidiary company of subsidiary company, MT – parent company.

*- The consolidation group conform to Regulation (EU) No 575/2013 requirements, differences with IFRS are set out in Statement of Information Disclosure on bank's website www.ablv.com.

Income Statements

Title of entry	EUR'000	
	01/01/2016 - 30/09/2016 (non-audited)	01/01/2015 - 30/09/2015 (non-audited)
Interest income	63,705	62,075
Interest expense	(17,209)	(17,089)
Dividends received	5,383	9,333
Commission and fee income	34,487	41,922
Commission and fee expense	(9,820)	(11,607)
Net realised gain/ (loss) from financial assets and liabilities at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	21,765	1,305
Net realised gain/ (loss) from financial assets and liabilities held for trading	1,055	(254)
Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss	-	-
Changes in fair value hedge accounting	-	-
Net result from foreign exchange trading and revaluation	15,131	14,690
Gain/ (loss) from sale of tangible and intangible fixed assets	4	-
Other income	2,731	2,979
Other expense	(1,159)	(795)
Administrative expense	(43,833)	(34,791)
Depreciation	(2,381)	(2,518)
Provisions	-	-
Impairment on financial assets	(7,041)	(1,295)
Profit/ (loss) before corporate income tax	62,818	63,955
Corporate income tax	(1,461)	(3,602)
Net profit/ (loss) for the period	61,357	60,353

Balance Sheet

	EUR'000	
	30/09/2016	31/12/2015
	(non-audited)	(audited)*
Assets		
Cash and demand deposits with central banks	305,695	448,187
Demand deposits from credit institutions	255,543	364,850
Financial assets held for trading	20,228	22,407
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	1,089,005	1,780,554
Loans and receivables	1,242,740	1,180,421
<i>Loans</i>	<i>1,013,374</i>	<i>873,499</i>
<i>Loans to credit institutions</i>	<i>229,366</i>	<i>306,922</i>
Held to maturity investments	927,269	965,253
Change of fair value of hedge portfolio	-	-
Prepaid expense and accrued income	1,607	1,238
Tangible fixed assets	9,652	9,529
Investment properties	25,060	25,069
Intangible fixed assets	5,633	6,036
Investments in subsidiaries	117,307	120,036
Tax assets	2,758	3,042
Other assets	4,895	1,499
Total assets	4,007,392	4,928,121
Liabilities		
Liabilities due to central banks	50,000	180,072
Demand deposits from credit institutions	33,103	63,294
Financial liabilities held for trading	195	482
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	3,603,241	4,366,864
<i>Deposits</i>	<i>3,036,721</i>	<i>3,793,192</i>
<i>Issued ordinary bonds</i>	<i>417,123</i>	<i>437,293</i>
<i>Issued subordinated bonds</i>	<i>130,848</i>	<i>121,118</i>
<i>Subordinated deposits</i>	<i>14,587</i>	<i>15,261</i>
<i>Term deposits from credit institutions</i>	<i>3,962</i>	-
Financial liabilities arising from financial asset transfer	-	-
Change of fair value of hedge portfolio	-	-
Deferred income and accrued expense	8,120	8,816
Provisions	-	-
Tax liabilities	675	1,001
Other liabilities	4,315	26,139
Total liabilities	3,699,649	4,646,668
Total shareholders' equity	307,743	281,453
Total liabilities and shareholders' equity	4,007,392	4,928,121
Memorandum items		
Contingent liabilities	9,868	9,516
Financial commitments	89,515	68,907

* - Information has been prepared based on data that are available in the annual report for the year ended 31 December 2015 audited by SIA KPMG Baltics (No 40003235171).

Own Funds and Capital Adequacy Ratios Summary

		EUR'000	
		30/09/2016	31/12/2015
Code	Position description	(non-audited)	(audited)*
1.	Own funds	361,065	321,003
1.1	Tier 1 capital	238,056	200,680
1.1.1.	Common equity Tier 1 capital	238,056	200,680
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	123,009	120,323
2.	Total risk exposure amount	1,928,984	1,859,071
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,620,711	1,570,282
2.2.	Total risk exposure amount for settlement/ delivery	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	88,244	90,417
2.4.	Total risk exposure amount for operational risk (OpR)	220,011	198,336
2.5.	Total risk exposure amount for credit valuation adjustment	18	36
2.6.	Total risk exposure amount related to large exposures in the trading book	-	-
2.7.	Other risk exposure amounts	-	-
3.	Capital ratio and capital levels		
3.1.	CET1 Capital ratio	12.34%	10.79%
3.2.	Surplus(+)/Deficit(-) of CET1 capital	151,252	117,022
3.3.	T1 Capital ratio	12.34%	10.79%
3.4.	Surplus(+)/Deficit(-) of T1 capital	122,317	89,136
3.5.	Total capital ratio	18.72%	17.27%
3.6.	Surplus(+)/Deficit(-) of total capital	206,746	172,278
4.	Total capital buffers	2.50	2.50
4.1.	Capital conservation buffer (%)	2.50	2.50
4.2.	Institution specific countercyclical capital buffer (%)	0.00	-
4.3.	Systemic risk buffer (%)	-	-
4.4.	Systemically important institution buffer (%)	-	-
4.5.	Other Systemically Important Institution buffer (%)	-	-
5.	Capital ratio including adjustments		
5.1.	Own funds adjustments related to Pillar II	-	-
5.2.	Common equity Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	12.34%	10.79%
5.3.	Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	12.34%	10.79%
5.4.	Total capital ratio including Pillar II adjustments mentioned in line 5.1.	18.72%	17.27%

* - Information has been prepared based on data that are available in the annual report for the year ended 31 December 2015 audited by SIA KPMG Baltics (No 40003235171).

Liquidity Ratio Calculation

	EUR'000	
	30/09/2016	31/12/2015
	(non-audited)	(audited)*
Liquid assets		
Cash	10,594	9,659
Deposits w ith central banks	261,790	398,018
Deposits w ith credit institutions	433,766	633,344
Liquid securities	1,742,914	2,150,033
Total liquid assets	2,449,064	3,191,054
Current liabilities (with maturity no more than 30 days)		
Deposits from credit institutions	33,103	61,461
Deposits	2,999,900	3,748,369
Issued debt securities	77,240	-
Cash in transit	633	3,247
Other current liabilities	19,635	40,868
Off-balance liabilities	7,827	5,725
Total current liabilities	3,138,338	3,859,670
Liquidity ratio (%)	78.04	82.68
Minimum liquidity ratio (%)	30.00	30.00

* - Information has been prepared based on data that are available in the annual report for the year ended 31 December 2015 audited by SIA KPMG Baltics (No 40003235171).

The Bank's Investments in Financial Instruments, Except Derivatives

The bank's investments in financial instruments break downs by countries of issuers as at 30 September 2016, except derivatives:

	EUR'000			
Issuer state	Securities of central governments	Securities of other issuers	Total	% of shareholders' equity
United States of America	375,665	9,251	384,916	106.6
Germany	4,888	323,711	328,599	91.0
Latvia	218,836	27,905	246,741	68.3
Russia	24,475	198,778	223,253	61.8
Canada	94,412	114,329	208,741	57.8
Sweden	105,297	44,509	149,806	41.5
Netherlands	-	69,842	69,842	19.3
Finland	36,018	13,507	49,525	13.7
Norway	32,430	9,110	41,540	11.5
Austria	-	40,530	40,530	11.2
Securities of other countries*	116,942	85,601	202,543	56.1
Securities of international organizations	-	90,389	90,389	25.0
Total securities, net	1,008,963	1,027,462	2,036,425	

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

As at 30 September 2016, the securities portfolio weighted average modified duration³ was 2.3 (2.5).

In the reporting period, impairment of the available-for-sale financial instruments was recognized, and the same amounted to EUR 96.4 (3.3) thousand.

In the reporting period, collective impairment of EUR 946.0 (0) thousand were made for the financial instruments measured at amortized cost, whereas individual impairment were decreased by EUR 172.1 (278.0) thousand.

³ Average weighted modified duration of the securities portfolio is calculated as the total of modified duration of each security multiplied by this security position and divided by total amount of the whole securities portfolio. Modified duration is only calculated for securities sensitive to interest rate risk. Modified duration represents changes in the securities market value in case of market interest rates decreasing by one percentage point.

As at the end of the reporting period, the collective impairment made for the financial instruments at amortized cost amounted to EUR 946.0 (0) thousand and the market value of these financial instruments was EUR 187.4 (0) million as at 30 September 2016. Whereas the individual impairment for the financial instruments at amortized cost amounted to EUR 1.3 (2.6) million as at the end of the reporting period, and the market value of these financial instruments was EUR 2.6 (2.8) million as at 30 September 2016.

The bank's investments in financial instruments break downs by countries of issuers as at 31 December 2015, except derivatives:

Issuer state	EUR'000			% of shareholders' equity
	Securities of central governments	Securities of other issuers	Total	
United States of America	972,810	16,848	989,658	308.3
Germany	10,015	384,181	394,196	122.8
Latvia	241,024	31,047	272,071	84.8
Russia	25,095	198,071	223,166	69.5
Canada	96,500	118,395	214,895	66.9
Sweden	95,365	62,067	157,432	49.0
Netherlands	-	58,537	58,537	18.2
Norway	41,355	9,277	50,632	15.8
Finland	32,201	9,220	41,421	12.9
Securities of other countries*	110,566	162,143	272,709	85.0
Securities of international	-	93,376	93,376	29.1
Total securities, net	1,624,931	1,143,162	2,768,093	

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

Litigation and claims

At the end of 2015, the FCMC initiated an administrative matter, and on 26 May this year, the FCMC and ABLV Bank, AS entered into the administrative agreement, reaching the amicable settlement to terminate the initiated matter.

According to the administrative agreement, a fine was applied to the bank and warning was given to the responsible member of the bank's board. Determining the amount of fine to be applied, the FCMC took into account that bank complies with all regulatory requirements and continues improvement of its internal control system, and therefore the fine amount was set to be a minor one, i.e., EUR 3.17 million, which corresponds to 2.5% of the bank's total income for the year. Pursuant to the Credit Institution Law, the FCMC was able to apply the fine of up to 10% of the bank's total net income for the previous financial year.

The parties to the administrative agreement have agreed upon further measures that the bank committed to take in full within the set terms in order to improve the internal control system and to strengthen its efficiency. In turn, the FCMC will monitor the bank's performance of assumed obligations within the terms and to the extent set forth in the agreement.

At third quarter, the bank continued its work on obligations agreed under the administrative agreement and improved the internal control system within the set terms.

In the ordinary course of business, the bank has been involved in a number of legal proceedings to recover outstanding credit balances and maintain collateral, as well as other proceedings related to specific transactions. The management believe that any legal proceedings pending as at 30 September 2016 will not result in material losses for the bank and/ or the group.

Events after the reporting date

As of the signing date of these statements, there have been no events since the last day of the reporting period requiring adjustment of or disclosure in this Public Quarterly Report.