



ABLV

BANKING / INVESTMENTS \ ADVISORY

# ABLV Bank, AS

Public Quarterly Report  
January – June 2017

## Bank's Management Report

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

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

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

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

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

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

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

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

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

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

## Financial results

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

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

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

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

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

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

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

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

## Investments

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

<sup>1</sup> 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.

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

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

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

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

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

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

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

## **Real estate**

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

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

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

## **Advisory**

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

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

## Luxembourg

In the reporting period, subsidiary bank ABLV Bank Luxembourg began offering new service to its clients – fixed-term loan secured by investment portfolio. This is an alternative solution to Lombard loans in the form of current account overdraft, which have been available for several years already. The loan with the repayment term of up to 1 year can be obtained in USD and EUR.

ABLV Bank, AS is the first bank from the Baltic countries to establish subsidiary bank in Luxembourg. The bank in Luxembourg started offering its services to broad range of clients in September 2013. As at 30 June 2017, the assets of ABLV Bank Luxembourg reached EUR 222.8 million, and assets under management amounted to EUR 107.1 million.

## For society

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

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

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

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

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

This public quarterly report is non-audited.



Deputy Chairman of the Board  
**Vadims Reinfelds**



Member of the Board  
**Aleksandrs Pāže**

Riga, 28 August 2017

## General Information

ABLV Bank, AS reg. No. 50003149401 (hereinafter - the bank) was registered in Aizkraukle, Republic of Latvia, on 17 September 1993, as a joint stock company. At present, the legal address of the bank is Elizabetes Street 23, Riga, LV - 1010, Latvia.

The bank operates in accordance with the current laws and regulations of the Republic of Latvia and the licence 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. The bank was issued licence on 9 September 1993 by the Bank of Latvia, it was later re-registered with the Financial and Capital Market Commission under No. 06.01.05.001/313.

The bank operates the central office and one mortgage lending centre in Riga. The most important subsidiaries of the bank are: ABLV Bank, Luxembourg S.A. (Luxembourg), ABLV Asset Management, IPAS, ABLV Capital Markets, IBAS, Pillar Holding Company, KS.

The Group operates foreign territorial structural units in Azerbaijan (Baku), in Belarus (Minsk), in Kazakhstan (Almaty), in Cyprus (Limassol), in Russia (Moscow, St. Petersburg and Vladivostok), in Ukraine (Kyiv and a separate office in Odessa), in Uzbekistan (Tashkent), United States of America (New York) and Hong Kong.

The organizational structure of the bank is shown on page 7 of this public quarterly report.

This public quarterly report is prepared in accordance with the Regulations No 145 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 2017 until 30 June 2017.

Financial statements are reported in thousands of euros (EUR'000), unless otherwise stated. Information given herein in brackets represents comparative figures for the period ended 31 December 2016 or for the six-month period ended 30 June 2016 respectively.

## Shareholders and Groups of Related Shareholders of the Bank

	30/06/2017		31/12/2016	
	Par value of shares EUR	Voting shares amount	Par value of shares EUR	Voting shares amount
<b>Shareholders</b>				
Ernests Bernis and Nika Berne (direct and indirect interest)	1	16,644,999	1	14,918,210
Oļegs Fiļs (indirect interest)	1	16,644,998	1	14,918,210
Other shareholders total	1	4,960,003	1	4,633,580
<b>Total shares with voting rights</b>	<b>x</b>	<b>38,250,000</b>	<b>x</b>	<b>34,470,000</b>
Shares without voting rights (personnel shares)	1	3,830,000	1	3,830,000
<b>Paid-in share capital total</b>	<b>x</b>	<b>42,080,000</b>	<b>x</b>	<b>38,300,000</b>

## Performance Indicators\*

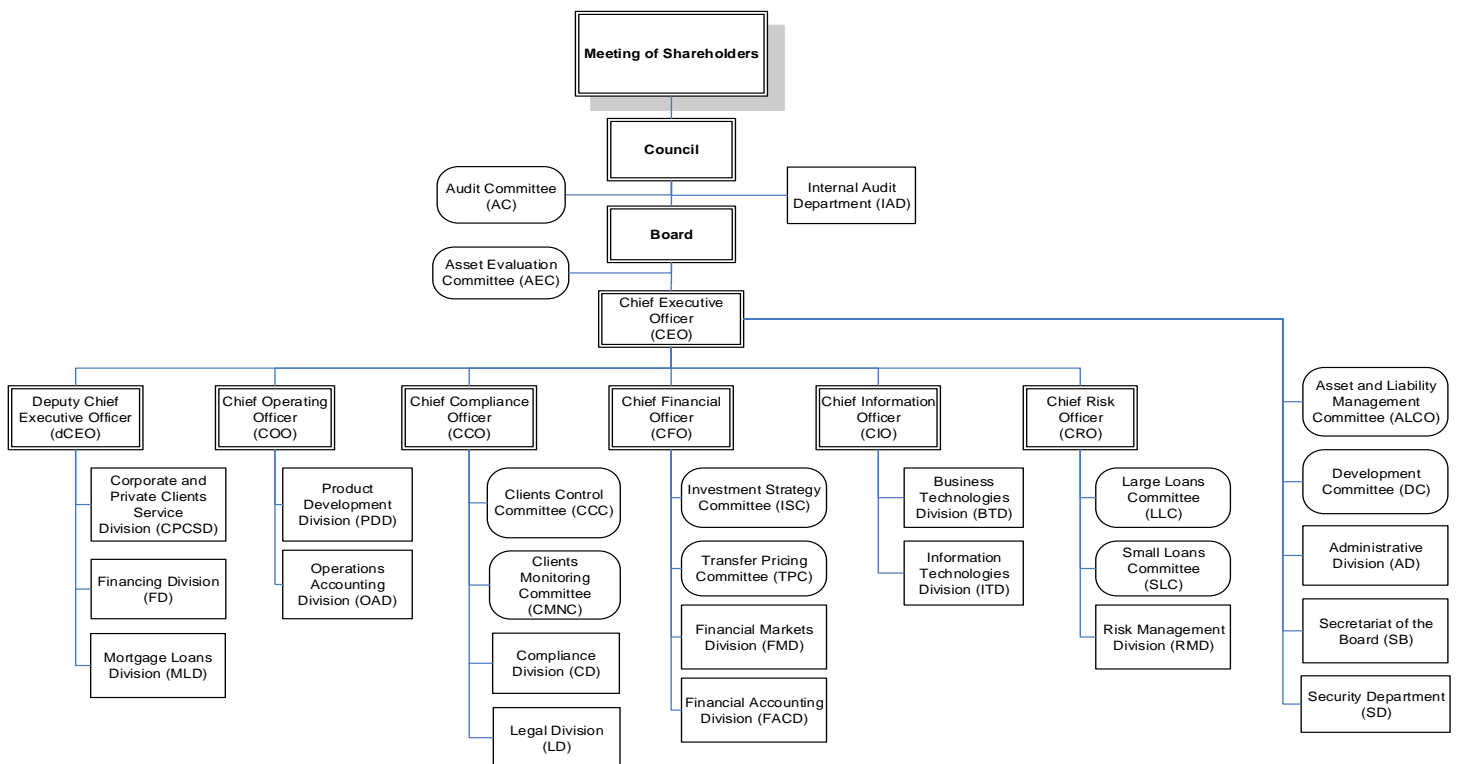
Title of entry	01/01/2017 – 30/06/2017	01/01/2016 – 30/06/2016
	(non-audited)	(non-audited)
Return on equity (ROE) (%)	16.46	33.27
Return on assets (ROA) (%)	1.38	1.97

\* - 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 2016 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

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

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

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

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



## 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 bank of preferred choice for entrepreneurs in the Baltics and CIS countries, combining traditional banking services, asset management and advisory in a single service offering tailored to the needs of our clients.

Our goal is for the medium large private companies in our target markets as well as their owners and executives to choose us as their primary financial partner and adviser.

We offer a personalized approach to client servicing with our valuable experience in banking services and asset management that is based on a unique understanding of our clients and their changing needs at different stages of life.

### Bank's Mission

Our mission is to preserve and increase capital of our clients by providing them financial and advisory services necessary for achieving this.

### Bank's Values

#### Collaborative

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

#### Intuitive

We know what is important to our clients. We understand the peculiarities of their business, the law and culture of their countries, and offer tailored solutions.

#### Valued

We work to bring success to our clients. Our key objective is to be useful and add value for our clients.

## Consolidation Group

The information disclosed in the report is prepared in accordance with the principles of the Regulations No 145 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 June 2017:

No	Name of the company	Registration number	Code of country of incorporation and address	Type of activities <sup>1</sup>	Interest in share capital (%)	Share of voting rights (%)	Motivation for inclusion in the group <sup>2</sup>
1	ABLV Bank, AS	50003149401	LV, Elizabetes iela 23, Rīga, LV-1010	BNK	100	100	MT
2	ABLV Bank Luxembourg, S.A.	B 162048	LU, Boulevard Royal, 26a, L-2449, Luxembourg	BNK	100	100	MS
3	ABLV Capital Markets, IBAS	40003814705	LV, Elizabetes iela 23, Rīga, LV-1010	IBS	90	100	MS
4	ABLV Capital Markets USA LLC**	6399457	US, 52 Vanderbilt Avenue, Suite 1501, New York, NY 10017	IBS	90	100	MMS
5	ABLV Asset Management, IPAS	40003814724	LV, Elizabetes iela 23, Rīga, LV-1010	IPS	90	100	MS
6	PEM, SIA	40103286757	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	51	51	MS
7	PEM 1, SIA	40103551353	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	51	51	MMS
8	New Hanza Capital, AS	50003831571	LV, Pulkveža Brieža iela 28A, Rīga, LV-1045	PLS	88	88	MS
9	ABLV Corporate Services Holding Company, SIA	40103799987	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MS
10	Pillar, SIA	40103554468	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MS
11	Pillar Holding Company, KS	40103260921	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	100	100	MS
12	Pillar 3, SIA	40103193067	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
13	Pillar 4 & 6, SIA	40103210494	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
14	Pillar 7 & 8, SIA	40103240484	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
15	Pillar 9, SIA	40103241210	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
16	Pillar 11, SIA	40103258310	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
17	Pillar 2, 12 & 14, SIA	50103313991	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
18	Pillar 18, SIA	40103492079	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
19	Pillar 19, SIA	40103766952	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
20	Pillar 20, SIA	40103903056	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
21	Pillar 21, SIA	40103929286	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
22	Pillar 22, SIA	50103966301	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
23	Pillar Development, SIA	40103222826	LV, Pulkveža Brieža iela 28A, Rīga, LV-1045	PLS	100	100	MS
24	Pillar Utilities, SIA	40103693339	LV, Pulkveža Brieža iela 28A, Rīga, LV-1045	PLS	100	100	MMS
25	ABLV Building Complex, SIA	40203037667	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MS

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

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

\*- The consolidation group conforms 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](http://www.ablv.com).

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

## Income Statements

Title of entry	EUR'000	
	01/01/2017 – 30/06/2017 (non-audited)	01/01/2016 – 30/06/2016 (non-audited)
Interest income	39,998	42,758
Interest expense	(9,595)	(12,190)
Dividends received	3,274	5,293
Commission and fee income	18,270	24,067
Commission and fee expense	(5,927)	(6,797)
Net realised gain/ (loss) from financial assets and liabilities at amortised cost	(10)	-
Net realised gain/ (loss) from available-for-sale financial assets	422	19,657
Net realised gain/ (loss) from financial assets and liabilities held for trading	726	279
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	7,761	10,300
Gain/ (loss) from sale of tangible and intangible fixed assets	16	7
Other income	1,906	1,871
Other expense	(758)	(770)
Administrative expense	(26,401)	(29,400)
Depreciation	(1,554)	(1,609)
Provisions	-	-
Impairment on financial assets	(783)	(6,791)
<b>Profit/ (loss) before corporate income tax</b>	<b>27,345</b>	<b>46,675</b>
Corporate income tax	(1,002)	(1,374)
<b>Net profit/ (loss) for the period</b>	<b>26,343</b>	<b>45,301</b>

## Balance Sheet

	EUR'000	
	30/06/2017	31/12/2016
	(non-audited)	(audited)*
<b>Assets</b>		
Cash and demand deposits w ith central banks	433,785	413,047
Demand deposits from credit institutions	332,522	191,551
Financial assets held for trading	15,110	21,090
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	755,562	957,094
Loans and receivables	1,195,735	1,102,099
<i>Loans</i>	1,001,329	1,001,929
<i>Loans to credit institutions</i>	186,673	89,953
<i>Debt securities</i>	7,733	10,217
Held to maturity investments	809,136	989,710
Change of fair value of hedge portfolio	-	-
Prepaid expense and accrued income	2,665	1,636
Tangible fixed assets	9,235	9,461
Investment properties	25,052	25,058
Intangible fixed assets	5,328	5,826
Investments in subsidiaries	135,749	128,580
Tax assets	2,159	2,360
Other assets	2,051	2,074
<b>Total assets</b>	<b>3,724,089</b>	<b>3,849,586</b>
<b>Liabilities</b>		
Liabilities due to central banks	50,000	50,000
Demand deposits from credit institutions	46,586	20,375
Financial liabilities held for trading	239	441
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	3,284,031	3,444,938
<i>Deposits</i>	2,812,004	2,901,824
<i>Issued ordinary bonds</i>	342,877	398,385
<i>Issued subordinated bonds</i>	116,458	129,919
<i>Subordinated deposits</i>	12,692	14,810
Financial liabilities arised from financial asset transfer	-	-
Change of fair value of hedge portfolio	-	-
Deferred income and accrued expense	10,021	7,068
Provisions	-	-
Tax liabilities	1,387	1,346
Other liabilities	4,916	3,615
<b>Total liabilities</b>	<b>3,397,180</b>	<b>3,527,783</b>
Total shareholders' equity	326,909	321,803
<b>Total liabilities and shareholders' equity</b>	<b>3,724,089</b>	<b>3,849,586</b>
<b>Memorandum items</b>		
Contingent liabilities	11,346	9,928
Financial commitments	140,580	126,632

\* - Information has been prepared based on data that are available in the annual report for the year ended 31 December 2016 audited by SIA KPMG Baltics (No 40003235171).

## Own Funds and Capital Adequacy Ratios Summary

		EUR'000	
Code Position description		30/06/2017 (non-audited)	31/12/2016 (audited)*
<b>1.</b>	<b>Own funds</b>	<b>400,162</b>	<b>366,651</b>
1.1	Tier 1 capital	294,113	241,588
1.1.1.	Common equity Tier 1 capital	294,113	241,588
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	106,049	125,063
<b>2.</b>	<b>Total risk exposure amount</b>	<b>1,822,237</b>	<b>1,872,174</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,518,546	1,561,043
2.2.	Total risk exposure amount for settlement/ delivery	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	75,303	91,111
2.4.	Total risk exposure amount for operational risk	228,308	220,011
2.5.	Total risk exposure amount for credit valuation adjustment	80	9
2.6.	Total risk exposure amount related to large exposures in the trading book	-	-
2.7.	Other risk exposure amounts	-	-
<b>3.</b>	<b>Capital ratio and capital levels</b>		
3.1.	CET1 Capital ratio	16.14%	12.90%
3.2.	Surplus(+)/Deficit(-) of CET1 capital	212,113	157,341
3.3.	T1 Capital ratio	16.14%	12.90%
3.4.	Surplus(+)/Deficit(-) of T1 capital	184,779	129,258
3.5.	Total capital ratio	21.96%	19.58%
3.6.	Surplus(+)/Deficit(-) of total capital	254,383	216,877
<b>4.</b>	<b>Total capital buffers</b>	<b>2.50</b>	<b>2.50</b>
4.1.	Capital conservation buffer (%)	2.50	2.50
4.2.	Institution specific countercyclical capital buffer (%)	0.00	0.00
4.3.	Systemic risk buffer (%)	-	-
4.4.	Systemically important institution buffer (%)	-	-
4.5.	Other Systemically Important Institution buffer (%)	-	-
<b>5.</b>	<b>Capital ratio including adjustments</b>		
5.1.	Own funds adjustments related to Pillar II	-	-
5.2.	Common equity Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	16.14%	12.90%
5.3.	Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	16.14%	12.90%
5.4.	Total capital ratio including Pillar II adjustments mentioned in line 5.1.	21.96%	19.58%

\* - Information has been prepared based on data that are available in the annual report for the year ended 31 December 2016 audited by SIA KPMG Baltics (No 40003235171).

## Liquidity Ratio Calculation

	EUR'000	
	30/06/2017	31/12/2016
	(non-audited)	(audited)*
<b>Liquid assets</b>		
Cash	13,703	14,328
Deposits with central banks	390,962	365,041
Deposits with credit institutions	499,338	260,342
Liquid securities	1,302,949	1,630,479
<b>Total liquid assets</b>	<b>2,206,952</b>	<b>2,270,190</b>
<b>Current liabilities (with maturity no more than 30 days)</b>		
Deposits from credit institutions	46,428	20,271
Deposits	2,759,578	2,843,435
Issued debt securities	37,952	-
Cash in transit	694	5,920
Other current liabilities	23,217	18,660
Off-balance liabilities	6,584	7,499
<b>Total current liabilities</b>	<b>2,874,453</b>	<b>2,895,785</b>
<b>Liquidity ratio (%)</b>	<b>76.78</b>	<b>78.40</b>
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 2016 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 and types of issuers as at 30 June 2017, except derivatives:

	EUR'000			
Issuer state	Securities of central governments	Securities of other issuers	Total	% of shareholders' equity
United States of America	329,557	11,817	341,374	85.3
Germany	278,750	2,627	281,377	70.3
Latvia	187,399	35,205	222,604	55.6
Russia	23,557	150,405	173,962	43.5
Canada	48,275	68,445	116,720	29.2
Sweden	63,146	26,691	89,837	22.5
Netherlands	-	58,884	58,884	14.7
Austria	38,417	-	38,417	9.6
Finland	21,856	13,114	34,970	8.7
China	-	28,287	28,287	7.1
Norway	21,880	-	21,880	5.5
Securities of other countries*	83,921	24,726	108,647	27.2
Securities of international organizations	-	70,464	70,464	17.6
<b>Total securities, net</b>	<b>1,096,758</b>	<b>490,665</b>	<b>1,587,423</b>	

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

As at 30 June 2017, the securities portfolio weighted average modified duration<sup>3</sup> was 2.5 (2.5).

For available-for-sale financial instruments, an impairment has not been recognized during the reporting period, but during the first half a year of 2016 an impairment of available-for-sale financial instruments was recognized at EUR 96.4 thousand.

<sup>3</sup> 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.

In the reporting period, collective impairment made for the financial instruments measured at amortized cost were decreased by EUR 144.3 thousand, whereas in H1 2016 were made collective impairment for EUR 980.6 thousand. In the reporting period, individual impairment for the financial instruments measured at amortized cost were increased by EUR 16.3 thousand, whereas in H1 2016 – decreased by EUR 192.9 thousand.

As at the end of the reporting period, the collective impairment made for the financial instruments at amortized cost amounted to EUR 401.2 (545.5) thousand and the market value of these financial instruments was EUR 131.8 (177.8) million as at 30 June 2017. Whereas the individual impairment for the financial instruments at amortized cost amounted to EUR 742.1 thousand (786.5) as at the end of the reporting period, and the market value of these financial instruments was EUR 795.2 thousand (912.7) as at 30 June 2017.

The bank's investments in financial instruments break downs by countries and types of issuers as at 31 December 2016, except derivatives:

Issuer state	EUR'000			
	Securities of central governments	Securities of other issuers	Total	% of shareholders' equity
United States of America	309,550	14,767	324,317	88.5
Germany	4,924	294,829	299,753	81.8
Latvia	227,400	42,556	269,956	73.6
Russia	26,081	198,292	224,373	61.2
Canada	99,770	119,533	219,303	59.8
Sweden	87,253	46,391	133,644	36.4
Netherlands	-	73,750	73,750	20.1
Finland	37,878	14,155	52,033	14.2
Norway	33,154	9,566	42,720	11.7
Austria	-	41,497	41,497	11.3
Securities of other countries*	112,879	88,047	200,926	54.8
Securities of international organizations	-	95,759	95,759	26.1
<b>Total securities, net</b>	<b>938,889</b>	<b>1,039,142</b>	<b>1,978,031</b>	

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

## Litigation and Claims

In the ordinary course of business, the bank has been involved in a number of legal proceedings to recover outstanding credit balances and maintain collateral, as well as other proceedings related to specific transactions. The management believes that any legal proceedings pending as at 30 June 2017 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.