



ABLV

BANKING / INVESTMENTS \ ADVISORY

ABLV Bank, AS

Public Quarterly Report
January – December 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 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 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 (office in 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 3 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 31 December 2017.

This public quarterly report is non-audited.

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 twelve-month period ended 31 December 2016 respectively.

Shareholders and Groups of Related Shareholders of the Bank

	31/12/2017		31/12/2016	
	Par value of shares EUR	Amount of voting shares amount	Par value of shares EUR	Amount of voting shares amount
Shareholders				
Ernestis Bernis and Nika Berne (direct and indirect interest)	1	16,646,066	1	14,918,210
Oļegs Fijs (indirect interest)	1	16,646,065	1	14,918,210
Other shareholders total	1	4,957,869	1	4,633,580
Total shares with voting rights	x	38,250,000	x	34,470,000
Shares without voting rights (personnel shares)	1	3,830,000	1	3,830,000
Paid-in share capital total	x	42,080,000	x	38,300,000

Performance Indicators*

Title of entry	01/01/2017– 31/12/2017	01/01/2016– 31/12/2016
	(non-audited)	(audited)**
Return on equity (ROE) (%)	15.43	27.26
Return on assets (ROA) (%)	1.37	1.85

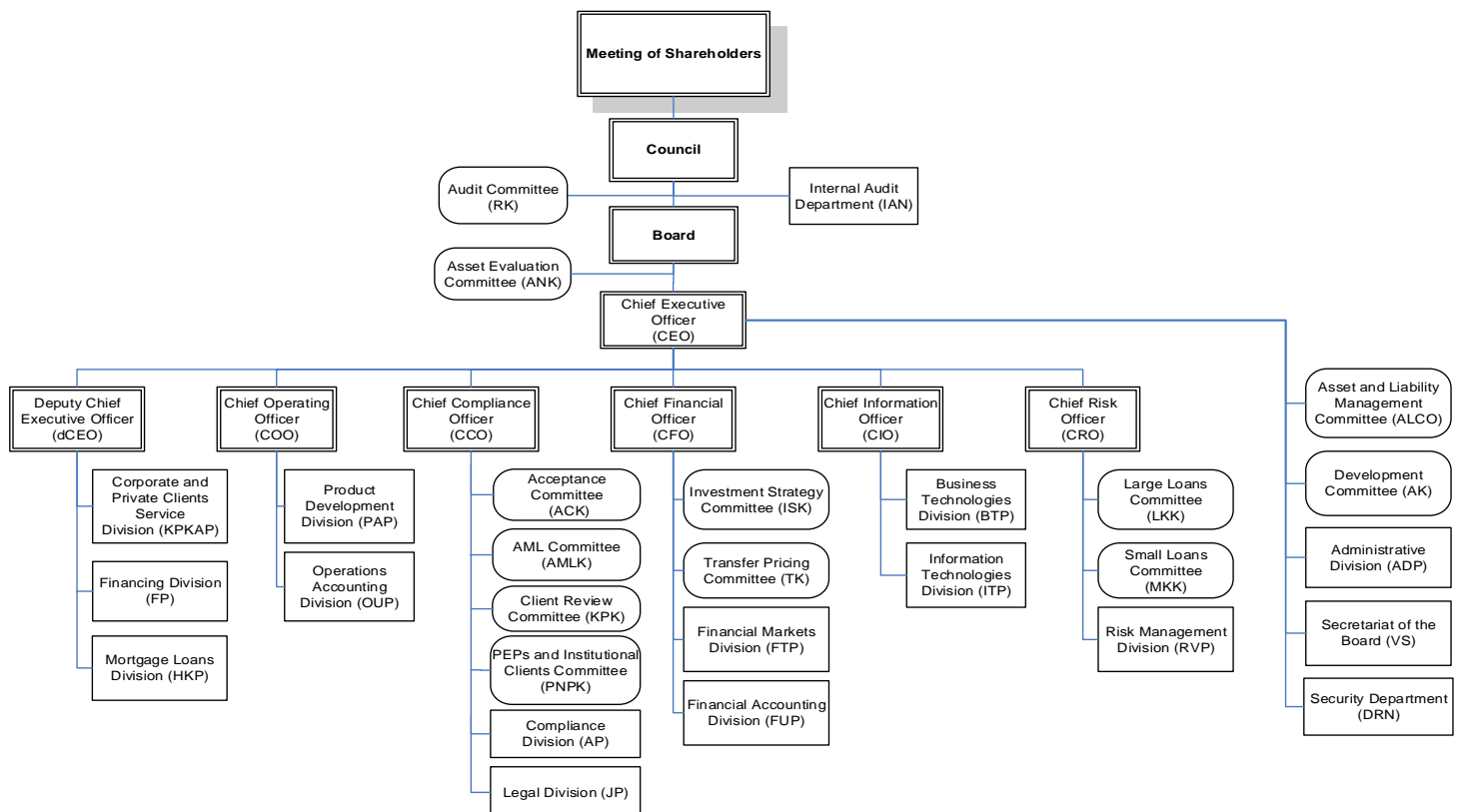
* - indicators are calculated according to principles of the Regulations on Preparation of Public Quarterly Reports of Credit Institutions approved by the Financial and Capital Market Commission.

** - 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).

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

The Council of the Bank:	Term of office:
Chairman of the Council: Oļegs Fiļs	29/09/2017 – 28/09/2022
Deputy Chairman of the Council: Jānis Krīgers	29/09/2017 – 28/09/2022
Council Member: Jānis Butkevičs	29/09/2017 – 28/09/2022
Council Member: Aivis Ronis	29/09/2017 – 28/09/2022
Council Member: Aleksandrs Rjabovs	29/09/2017 – 28/09/2022
Council Member: Igoris Rapoportis	Term of office has expired: 02/05/2016 – 15/06/2017

During the reporting period, the Council of the Bank elected anew on 15 June 2017 for the term of office from 15 June 2017 to 14 June 2022 as following: Oļegs Fiļs, Jānis Krīgers, Jānis Butkevičs and Aivis Ronis, whereas Igoris Rapoportis ceased his duties on 15 June 2017.

On 29 September 2017 the Council of the Bank elected for the term of office from 29 September 2017 to 28 September 2022 as following: Oļegs Fiļs, Jānis Krīgers, Jānis Butkevičs, Aivis Ronis and Aleksandrs Rjabovs.

Oļegs Fiļs has been elected as the Chairman of the Council also in the new Council of the Bank, but Jānis Krīgers - as the Deputy Chairman of the Council.

The Board of the Bank:	Term of office:
Chairman of the Board: Ernestis 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 and Regulation (EU) No 575/2013 requirements, differences with IFRS are set out in Statement of Information Disclosure on bank's website www.ablv.com.

ABLV Bank, AS is the parent entity of the group.

Members of the consolidation group* as at 31 December 2017:

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 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	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 11, SIA	40103258310	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
15	Pillar 2, 12 & 14, SIA	50103313991	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
16	Pillar 18, SIA	40103492079	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
17	Pillar 19, SIA	40103766952	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
18	Pillar 20, SIA	40103903056	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
19	Pillar 21, SIA	40103929286	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
20	Pillar 22, SIA	50103966301	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
21	Pillar 23, SIA	40203107574	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
22	Pillar Development, SIA	40103222826	LV, Pulkveža Brieža iela 28A, Rīga, LV-1045	PLS	100	100	MS
23	Pillar Utilities, SIA	40103693339	LV, Pulkveža Brieža iela 28A, Rīga, LV-1045	PLS	100	100	MMS
24	ABLV Building Complex, SIA	40203037667	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MS

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.

Income Statements

Title of entry	EUR'000	
	01/01/2017– 31/12/2017 (non-audited)	01/01/2016– 31/12/2016 (audited)*
Interest income	78,516	84,208
Interest expense	(19,619)	(21,493)
Dividends received	3,694	6,274
Commission and fee income	36,659	45,403
Commission and fee expense	(11,907)	(14,115)
Net realised gain/ (loss) from financial assets and liabilities at amortised cost	38	-
Net realised gain/ (loss) from available-for-sale financial assets	661	21,950
Net realised gain/ (loss) from financial assets and liabilities held for trading	1,105	1,993
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	15,836	21,247
Gain/ (loss) from sale of tangible and intangible fixed assets	28	(3)
Other income	3,753	4,081
Other expense	(1,573)	(1,449)
Administrative expense	(53,963)	(56,772)
Depreciation	(3,127)	(3,142)
Provisions	-	-
Impairment on financial assets	231	(6,221)
Profit/ (loss) before corporate income tax	50,332	81,961
Corporate income tax	877	(2,624)
Net profit/ (loss) for the period	51,209	79,337

* - 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).

Balance Sheet

	EUR'000	
	31/12/2017	31/12/2016
	(non-audited)	(audited)*
Assets		
Cash and demand deposits with central banks	402,514	413,047
Demand deposits from credit institutions	233,086	191,551
Financial assets held for trading	13,225	21,090
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	995,796	957,094
Loans and receivables	1,056,461	1,102,099
<i>Loans</i>	997,450	1,001,929
<i>Loans to credit institutions</i>	52,047	89,953
<i>Debt securities</i>	6,964	10,217
Held to maturity investments	772,656	989,710
Change of fair value of hedge portfolio	-	-
Prepaid expense and accrued income	1,932	1,636
Tangible fixed assets	9,405	9,461
Investment properties	20,875	25,058
Intangible fixed assets	5,390	5,826
Investments in subsidiaries	171,032	128,580
Tax assets	1,468	2,360
Other assets	1,551	2,074
Total assets	3,685,391	3,849,586
Liabilities		
Liabilities due to central banks	50,000	50,000
Demand deposits from credit institutions	31,394	20,375
Financial liabilities held for trading	230	441
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	3,231,419	3,444,938
<i>Deposits</i>	2,679,950	2,901,824
<i>Issued ordinary bonds</i>	403,134	398,385
<i>Issued subordinated bonds</i>	126,193	129,919
<i>Subordinated deposits</i>	12,341	14,810
<i>Term deposits from credit institutions</i>	9,801	-
Financial liabilities arising from financial asset transfer	-	-
Change of fair value of hedge portfolio	-	-
Deferred income and accrued expense	9,776	7,068
Provisions	-	-
Tax liabilities	-	1,346
Other liabilities	5,592	3,616
Total liabilities	3,328,411	3,527,784
Total shareholders' equity	356,980	321,802
Total liabilities and shareholders' equity	3,685,391	3,849,586
Memorandum items		
Contingent liabilities	7,227	9,928
Financial commitments	145,904	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	
		31/12/2017	31/12/2016
Code	Title of entry	(non-audited)	(audited)*
1.	Own funds	377,609	366,651
1.1.	Tier 1 capital	291,642	241,588
1.1.1.	Common equity Tier 1 capital	291,642	241,588
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	85,967	125,063
2.	Total risk exposure amount	1,793,377	1,872,174
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and	1,488,223	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	76,793	91,111
2.4.	Total risk exposure amount for operational risk (OpR)	228,308	220,011
2.5.	Total risk exposure amount for credit valuation adjustment	53	9
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	16.26%	12.90%
3.2.	Surplus(+)/Deficit(-) of CET1 capital	210,940	157,341
3.3.	T1 Capital ratio	16.26%	12.90%
3.4.	Surplus(+)/Deficit(-) of T1 capital	184,040	129,258
3.5.	Total capital ratio	21.06%	19.58%
3.6.	Surplus(+)/Deficit(-) of total capital	234,139	216,877
4.	Total capital buffers	3.50	2.50
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 (%)	1.00	-
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.	16.26%	12.90%

* - 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	
	31/12/2017	31/12/2016
	(non-audited)	(audited)*
Liquid assets		
Cash	13,522	14,328
Deposits with central banks	358,701	365,041
Deposits with credit institutions	249,929	260,342
Liquid securities	1,558,064	1,630,479
Total liquid assets	2,180,216	2,270,190
Current liabilities (with maturity no more than 30 days)		
Deposits from credit institutions	31,356	20,271
Deposits	2,626,266	2,843,435
Issued debt securities	-	-
Cash in transit	1,309	5,920
Other current liabilities	22,646	18,660
Off-balance liabilities	8,350	7,499
Total current liabilities	2,689,927	2,895,785
Liquidity ratio (%)	81.05	78.40
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 31 December 2017, except derivatives:

	EUR'000			
	Securities of central governments	Securities of other issuers	Total	% of shareholders' equity
Issuer state				
United States of America	707,688	12,772	720,460	190.8
Germany	213,136	2,515	215,651	57.1
Latvia	186,899	25,277	212,176	56.2
Russia	21,872	141,145	163,017	43.2
Sweden	83,134	17,731	100,865	26.7
Canada	37,620	29,167	66,787	17.7
Finland	41,381	16,586	57,967	15.4
Securities of other countries*	119,201	103,018	222,247	58.9
Securities of international organizations	-	29,374	29,374	7.8
Total securities, net	1,410,931	377,585	1,788,544	

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

As at 31 December 2017, the securities portfolio weighted average modified duration¹ was 2.6 (2.5).

For available-for-sale financial instruments, an impairment has not been recognized during the reporting period, but during the 2016, an impairment of available-for-sale financial instruments was recognized at EUR 286.3 thousand.

¹ 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 were decreased by EUR 237.8 thousand for the financial instruments measured at amortized cost, whereas in the 2016 collective impairment was made amounting to EUR 545.5 thousand.

In the reporting period, the individual impairment made for the financial instruments at amortized cost increased to EUR 394.3 thousand, whereas in the 2016 – decreased by EUR 778.4 thousand.

As at the end of the reporting period, collective impairment made for the financial instruments at amortized cost was EUR 307.7 (545.5) thousand, and the market value of these financial instruments was EUR 104.6 (177.8) million as at 31 December 2017.

Whereas the individual impairment for the financial instruments at amortized cost amounted to EUR 1.1 million (786.5 thousand) as at the end of the reporting period, and the market value of these financial instruments was EUR 429.3 (912.7) thousand as at 31 December 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	Securities of central governments	Securities of other issuers	Total	EUR'000
				% 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
Total securities, net	938,889	1,039,142	1,978,031	

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