



ABLV

BANKING / INVESTMENTS \ ADVISORY

# ABLV Bank, AS

Public Quarterly Report  
January – December 2014

## Bank's Management Report

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

During 2014, the bank and other companies of ABLV Group continued to grow, due to consistent implementation of the group's development strategy. Although several our target markets were considerably affected by political and economic instability, we managed to achieve the planned results because of our thoroughly chosen business model, risk management, and cautious policy. According to the business model, we remained focused on rendering services to private and corporate customers in Latvia, as well as on exporting high-class financial services, provided mostly to customers from the abroad, especially from the CIS states.

On 4 November 2014, the single supervisory mechanism became effective, and the Eurozone largest banks came under direct supervision of the European Central Bank (ECB). By performing this supervision, the ECB monitors whether the strategy, procedures, and measures implemented by a credit institution ensure sufficient risk management and whether the credit institution's equity is adequate for covering current and possible risks inherent in its operations. In Latvia, ABLV Bank, AS, being one of the three largest banks in terms of the amount of assets, is also subject to joint supervision by ECB and the Financial and Capital Market Commission (FCMC). The ECB single supervision guarantee better availability of information on the banks' situation and thus boosts confidence in the financial sector.

Before ECB started performing supervisory functions, the banks underwent in-depth review of their balance sheets and stress testing – the comprehensive assessment, in which local supervisory authorities of each country and the European Banking Authority (EBA) were involved. Under the assessment, the ECB also applied correlation between asset quality review and stress test results in order to ensure even more critical evaluation of the banks' risky assets.

The assessment included the review of ABLV Bank, AS, exposures related to corporate financing in Latvia, real estate financing in Latvia and Russia, lending to large companies in Russia and mortgage loans granted in Latvian private sector, as well as the group's real estate portfolio, which altogether constitute the most considerable part of ABLV Bank risky assets. Conservative interpretation of the currently effective International Financial Reporting Standards was used for asset quality review.

Our bank has successfully passed the comprehensive assessment. Our strict adherence to the conservative strategy of lending and asset evaluation played a big role. We are glad that ABLV Bank, AS, together with its subsidiary bank in Luxembourg, is the only private bank from the Baltics that has fallen under direct supervision of the ECB among the largest and famous European banks. This supervision ensures additional sense of safety for our customers, and us and it will also stimulate bank's further development.

Significant events of the reporting period were: the change of the currency in which ABLV Bank, AS, share capital is denominated from lats to euro, following Latvia's accession to Eurozone, and also regular issues of shares, including the issue of voting shares and employee shares. As the currency was changed and issues were completed, the bank's share capital consisted of 29 385 000 registered voting shares and 3 265 000 employee shares without voting rights attached.

Continuing the bond issue programme, in 2014 we performed six new issues of coupon bonds: two of them under the Third Bond Offer Programme, and four – under the Fourth Bond Offer Programme. There was also one issue of subordinated bonds performed under the Fourth Bond Offer Programme. The total amount of all issues conducted in 2014, constituted USD 225 million and EUR 80 million. 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 25 public bond issues until the end of 2014. As at the end of 2014, there were 19 bond issues included in the NASDAQ Riga list of debt securities.

On 25 April 2014, ABLV Bank, AS, entered into primary dealer agreement with the Treasury of Latvia, thus joining Primary dealers group. Primary dealers are cooperation partners of the Treasury entitled to take part in placement auctions of domestic sovereign debt securities arranged by the Treasury. During 2014, we have also acquired substantial amount of Latvian government securities, and currently we have Latvian government securities worth EUR 182.6 in our portfolio.

ABLV Bank, AS, and other ABLV Group companies are considered being significant employers and taxpayers. In 2014, there were 47 new jobs created in the bank only; and various tax payments made by the group to the state budget amounted to EUR 33.3 million, which is by 59.6% more than in 2013.

## Financial results

The bank's major financial indicators of 2014 evidence stable growth. 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 2014 amounted to EUR 58.7 million. Whereas in 2013 it equalled EUR 43.7 million.
- The bank's operating income before allowances for credit losses totalled EUR 122.4 million. Compared with 2013, operating income has increased by 11.1%.
- The amount of the customers' deposits equalled EUR 3.41 billion as at the end of the reporting period.
- The amount of issued debt securities reached EUR 454.6 million.
- As at 31 December 2014, the amount of the bank's assets was EUR 4.17 billion. Over the year, the amount of assets has grown by 25.8%, the total assets increasing by EUR 854.5 million.
- The bank's loan portfolio equalled EUR 790.2 million, as at the end of December.
- The bank's capital and reserves amounted to EUR 226.9 million.
- As at 31 December 2014, the bank's capital adequacy ratio was 18.80%, whereas liquidity equalled 74.74%.
- ROE reached 28.82%, and ROA – 1.60%, as at 31 December 2014.

The bank continued to invest available funds in securities. The total amount of the securities portfolio was equal to EUR 2.15 billion, as at 31 December 2014. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 72.8% of the portfolio is constituted by securities having credit rating AA- and higher. In terms of the major countries, securities are allocated as follows: USA – 26.4%, Germany – 13.1%, Canada – 9.7%, Russia – 9.7%, Latvia – 9.3%, Sweden – 9.2%, Netherlands – 3.5%, Denmark – 1.8%, and Norway – 1.7%. Whereas 5.3% is constituted by securities issued by international institutions – the European Commission, EBRD, etc. In the reporting period, average annual yield of the securities portfolio amounted to 1.4%.

In 2014, we paid considerable attention to development of corporate lending. At the end of August 2014, with the participation of ABLV Bank, AS, the deal of selling capital shares of Ventamonjaks terminal, working with transshipment of liquid ammonia at Ventspils Free Port, was successfully completed. This was one of the most significant deals in the transit and cargo transportation area recently – the deal amount equalled EUR 55 million, with the financing of ABLV Bank constituting EUR 33 million. Whereas in September, LNK Group used ABLV Bank, AS, financing of EUR 8.1 million to acquire modern office building in Riga, at 15 J.Daliņa Street, for more than EUR 10.5 million.

During the reporting period, intense work was performed to improve the customer service quality. Internetbank for iPad tablet computers was developed; main Internetbank and Internetbank for iPhone smart phones were improved. Additionally starting from July 2014, we offer our customers debit and credit cards with the new, even more exquisite design. The new design of payment cards is based on ABLV brand graphic image and its stylistic elements.

In February 2014, the bank's Mortgage Loans Division moved back to the renovated premises at 21a Elizabetes Street in Riga. As for now, we will ensure the highest level of service in Latvia for mortgage customers.

## Investments

Performance of open-end mutual funds managed by ABLV Asset Management, IPAS, was influenced by complicated geopolitical and macroeconomic situation caused by strong price fluctuations in financial markets during the year. Nevertheless, the investors' interest in our funds continued to grow, and as at the end of the reporting period more than 180 of our customers owned shares in our funds.

As at the end of the year 2014, the total value of assets of open-end mutual funds exceeded EUR 106.6 million. Since the beginning of the year, the total value of funds has increased by 21.2%, i.e., approximately by EUR 18.7 million. Such a growth is mainly caused by the frequently expressed wish of our customers to diversify their investment portfolios by acquiring shares of ABLV mutual funds, given low interest rates in the USA and Europe. This approach to investments enable substantial increase of the portfolio overall yield, compared with deposits.

We started offering mutual funds to our customers in April 2007. As at the end of 2014, there were 10 mutual funds available to our customers, including 4 stock funds, 2 emerging markets bond funds, 2 CIS corporate bond funds, and 2 global market corporate bond funds. The first ones of those – ABLV Emerging Markets USD Bond Fund, ABLV Emerging Markets EUR Bond Fund, ABLV High Yield CIS USD Bond Fund, ABLV Global USD Stock Index Fund, and ABLV Global EUR Stock Index Fund – have been operating for 7 years already.

Taking into account the growing demand for our products, we are planning to expand the range of offered funds by adding at least one new fund each year, so that customers have wider opportunities of investing in financial instruments. Therefore, in 2014, necessary preparation for establishing of the new mutual fund ABLV Multi-Asset Total Return USD Fund was performed, and the new fund was registered on 9 January 2015.

The year 2014 was also successful for ABLV Capital Markets, IBAS, which executes the customers' instructions for purchasing and selling all types of financial instruments in the world's major securities markets. In the past year, profit of

ABLV Capital Markets, IBAS, amounted to EUR 2.9 million. As at 31 December 2014, the total assets of the company's customers invested in financial instruments were equal to EUR 925.5 million.

For our customers who prefer using trading opportunities provided by Russian stock exchanges on their own, we offer trading platform Quik Trader ABLV. By using this platform, customers get access to online trading at Moscow Exchange (MOEX), performing settlement in Russian roubles. Quik Trader ABLV is an addition to two other trading platforms: J-Trader ABLV (for trading in derivative financial instruments at the US and European stock exchanges) and Orbis Trader ABLV (for trading in the US securities).

Given the high interest in the securities issued by ABLV Bank, AS, and the growing number of notifications on events concerning bonds and shares of our bank, we offer to our investors a simple and convenient way of receiving necessary information. We have added 'Investor Calendar' to the bank's home page [www.ablv.com](http://www.ablv.com), where most important news about our bonds and shares are published – information on public offering, issue results, dates of coupon payments, bond redemption, meetings of shareholders, financial performance, etc.

During the reporting period, limited partnership dealing with investments, ABLV Private Equity Fund 2010, KS, gained profit of EUR 8.0 million. The greatest part of the profit was generated in a result of selling of DEPO DIY, SIA, company shares – the largest company in Latvia, operating at the sphere of retail of construction and finishing materials.

In the reporting period, first increase of AmberStone Group, AS, share capital has been successfully completed, and thus the company's capital has been increased by EUR 9.1 million, reaching EUR 14.0 million in total. ABLV Bank, AS, as well as several customers and shareholders of the bank participated in the share capital increase. ABLV Bank provided substantial support to arrangement of this share issue. Increase of the capital will allow AmberStone Group, AS, to secure the position of one of the leading holding companies in Latvia and also make new investments in capital of promising companies.

The holding company AmberStone Group, AS, was established to separate the business not related to rendering financial and banking services from ABLV Group. The company will also take over the investments of limited partnership ABLV Private Equity Fund 2010, KS. Therefore, shares of SIA Orto klīnika and SIA Vaiņode Agro Holding, previously owned by ABLV Private Equity 2010, KS, were sold to AmberStone Group, AS, at the end of December 2014. It is planned that till the end of 2015 the share capital of AmberStone Group, AS, will be increased to EUR 35 million, also due to attracting new shareholders from ABLV Bank, AS, shareholders, customers, and partners.

## Real estate

For the real estate development group Pillar, the year 2014 was productive and full of intense work. In 2014, local buyers continued to demonstrate stable demand for uniform apartments in secondary market. Whereas foreigners' interest in property purchase was affected by government decisions regarding amendments to the programme of granting residence permits – during the last third of the year the interest of these customers was much more reserved. Overall, Pillar managed to retain sales in 2014 at the level of 2013 and even slightly increase those. Pillar managed to conclude 626 sale transactions, the total amount of which reached EUR 33.5 million. Compared with 2013, the number of sales transactions has grown by 2%. The portfolio of uniform real estate has decreased from 836 to 583 properties over the year. The results of new projects sales were also good, since just about 8% of apartments in new projects developed by Pillar remained unsold as at the end of the year. There were 126 apartments in new and renovated projects sold, including 5 premium class apartments in Elizabetes Park House project. In addition, 48 transactions on sale of private houses and 11 transactions on sale of land plots were made in 2014.

In order to meet customer demand, Pillar continued active work on managing the existing property portfolio, developing new projects, and implementing the renovation programme. At the beginning of 2014, Pillar completed all interior finishing works in the new modern apartment block Dārza Apartment House, as well as commissioned new apartment block Lielzemes Apartment House. Whereas in June reconstruction of 10 new apartments in the apartment block at 13A Akadēmiķa M.Keldiša Street in Riga was completed. Construction works at premium-class apartment block Miera Park Hous are also nearing completion. Sale of apartments in this building is planned to begin in Q2 2015.

There were also investments made in development of the project important for Pillar and the whole ABLV Group – New Hanza City (NHC) financial and business centre. In August 2014, after taking the charge of developing NHC territory basic design, Pillar acquired Riga office of German architect bureau Schaller Architekten Stuttgart. Thus, new company was added to Pillar group – Schaller Kyncl Architekten Riga. The aim of acquiring the architect bureau is to concentrate all processes related to NHC project development at one place, which will allow structuring and optimizing Pillar work within this large-scale project. The task of Schaller Kyncl Architekten Riga is to develop all technical documentation necessary for the project, so that construction works in NHC territory can be started already in 2015.

## Advisory

ABLV Corporate Services, SIA, offers advice on obtaining residence permits and citizenship of Latvia, Great Britain, and Saint Kitts and Nevis. The company's customers also use other advisory services – advice on establishing holding structures (also in Latvia) and assistance in changing tax residency.

Specialists of ABLV Group took part in several international conferences, exhibitions and seminars, including the international conference and exhibition CIS Wealth Yekaterinburg, conference on tax planning and asset structuring INTAX EXPO 2014 in Moscow, as well as ABLV Conference Banking/Investments/Advisory arranged by the bank in Cyprus, and other. During those events, ABLV Group services were presented to existing and prospective customers.

ABLV Group has 12 representative offices and territorial structural units in 8 countries – in Russia, Ukraine, Belarus, Kazakhstan, Tajikistan, Azerbaijan, Uzbekistan, and Cyprus.

## **Luxembourg**

The subsidiary bank in Luxembourg was established in order to develop the existing customer base, by providing wider range of investment and fiduciary services, as well as to attract new customers. ABLV Bank, AS, is the first bank from the Baltic countries to establish subsidiary bank in Luxembourg. The bank in Luxembourg started offering services to customers already in September 2013, and as at 31 December 2014 the bank's assets and assets under management amounted to EUR 129.3 million.

After successful completion of service testing, in summer ABLV Bank Luxembourg, S.A., started offering new fiduciary services to its customers: fiduciary deposits, which provide unique opportunities of placing term deposits with banks of the CIS and European states, and fiduciary loans, which allow lending to third parties.

The number of customers preferring one of the main services offered by Luxembourg – active investment advisory – is increasing. In 2015, the bank will also start offering discretionary portfolio management.

Having received the permission from financial sector supervisory authorities of Latvia and Luxembourg, ABLV mutual funds were admitted to Luxembourg securities market in 2014. Thus, our open-end mutual funds are available to customers of ABLV Bank Luxembourg, S.A.

These achievements were also appreciated at 'Gold Coin 2014' – innovative banking service competition arranged by the Association of Commercial Banks of Latvia and we were awarded the main prize – 'Gold Coin' – in the category 'Export of Financial Services'.

## **For society**

In 2014, ABLV Bank, AS, in cooperation with ABLV Charitable Foundation, continued supporting various socially important projects.

The most important event of the year definitely was the protocol of intent signed on 30 October 2014, regarding construction of Latvian Contemporary Art Museum. Pursuant to this document, signed by the Republic of Latvia Minister of Culture Dace Melbārde and the members of the Council of Latvian Contemporary Art Museum Foundation Ernests Bernis, Oļegs Fiļs, Ināra and Boriss Teterev, until 18 November 2021 the Latvian Contemporary Art Foundation, established by ABLV Charitable Foundation and Boris and Ināra Teterev Charity Foundation, will perform construction of Latvian Contemporary Art Museum, using the funds of the founders and donations, as well as will ensure the Museum operations, management and development, including creation, maintenance, and increase of the Museum art collection. The Museum will be open to public. Founders of the foundation will ensure the necessary financing of EUR 30 million for the Museum construction. The decision on construction of the Latvian Contemporary Art Museum is a logical continuation of the agreement on compiling the contemporary art collection made between the bank and the Ministry of Culture in 2005.

At the end of December, the traditional Christmas charitable action arranged by ABLV Charitable Foundation and ABLV Bank, AS, was completed. In the previously mentioned action took part hundreds of Bank employees and customers. The amount of donations under this fund drive was considerable – EUR 278 830. The donations under the fund drive were as follows: EUR 157 531 to the programme 'Help hear!', EUR 43 941 to the programme 'Help grow up!', and EUR 77 358 to the programme 'New Riga'. In addition to the donations of the Christmas charitable action, ABLV Bank, AS, donated EUR 1 044 267 to the programme "New Riga". As previously ABLV Charitable Foundation doubled the amounts donated to the 'Help hear!' and 'Help grow up!' programmes.

In May 2014, there was a reception held in Rundāle for 278th anniversary of Rundāle Palace and completion of renovation works in the museum complex. The renovation of Rundāle Palace lasted 50 years, and ABLV Bank, AS, took part in financing of the works. We supported renovation of the palace library. The bank presented the original edition of complete works of Voltaire on the palace anniversary.

At the beginning of July, ABLV Invitation Golf Tournament 2014 was held in Ozo Golf Club. 96 golfers participated in the tournament – ABLV customers from Latvia and foreign countries, the bank's partners and officers, as well as some members of Ozo Golf Club. The tournament was held according to the rules of the Royal and Ancient Golf Club of

St.Andrews, separately for women and men. The winners of the tournament were awarded bronze glass cups created by glass artist and designer Anda Munkevica.

At the end of November, ABLV Bank, AS, concluded the agreement with Daugavpils city council and gifted apartment block at 7 Gaismas Street and the respective land plot to the city. There are 105 apartments in the building, and its area is 8.7 thousand square meters. The total value of the gift was almost EUR 380 000. The considerable number of new apartments will allow Daugavpils city council to solve the critical problem of providing housing to people who need social support.

### Plans for 2015

Positions of our bank are strong and stable, main indicators are demonstrating their historical maximum, therefore our aim for 2015 is to keep the net revenue from commission fees and the net profit at the level of the previous year. This is an ambitious, however achievable aim, that will require the cohesive and well thought-out work of each structural unit and the input of each employee.

In 2015, we are planning average growth of deposits for 10%, meaning that at the year the amount of deposits could reach EUR 4.1 milliards. Additionally, in 2015, we are planning to conduct several issues of bonds and to issue new commercial loans with the total amount of approximately EUR 130 million for financing of large-scale business projects. Therefore, the amount of net profit in 2015 is planned to be at the level of 2014.

We express our gratitude to our shareholders and customers for their loyalty and to all officers for their contribution to the bank's and the group's growth!



Chairman of the Council  
**Oļegs Fijs**



Chairman of the Board  
**Ernests Bernis**

Riga, 25 February 2015

## 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.

As at 31 December 2014 the group and the bank operate the central office and one lending centre in Riga, subsidiary bank in Luxembourg, as well as foreign representation offices/ territorial structural units in Azerbaijan (Baku), in Belarus (Minsk), in Kazakhstan (Almaty), in Cyprus (Limassol), in Russia (Moscow, St. Petersburg, Yekaterinburg and Vladivostok), in Ukraine (Kyiv with a branch in Odessa), in Uzbekistan (Tashkent) and Tajikistan (Dushanbe).

Organizational structure of ABLV Bank, AS is shown on page 8 at this public quarterly report.

This 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 the purpose to providing information on the financial standing and performance indicators of the bank for the period started 1 January 2014 till 31 December 2014.

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

## Shareholders and groups of related shareholders of the bank

In the reporting period, the currency of denomination of the bank's shares was changed due to accession of Latvia to Eurozone.

	31/12/2014			
	Amount of voting shares	Par value of shares	Paid-in the Bank's share capital	% of the total paid-in the Bank's share capital with voting rights
<b>Shareholders</b>	amount	EUR	EUR'000	(%)
Ernests Bernis and Nika Berne (direct and indirect interest)	12,669,930	1	12,670	43.11
Oļegs Fiļs (indirect interest)	12,669,930	1	12,670	43.12
Other shareholders total	4,045,140	1	4,045	13.77
<b>Total shares with voting rights</b>	<b>29,385,000</b>	<b>x</b>	<b>29,385</b>	<b>100.00</b>
Shares without voting rights (personnel shares)	3,265,000		3,265	
<b>Paid-in share capital total</b>	<b>32,650,000</b>		<b>32,650</b>	

	31/12/2013			
	Amount of voting shares	Par value of shares	Paid-in the Bank's share capital	% of the total paid-in the Bank's share capital with voting rights
<b>Shareholders</b>	amount	EUR	EUR'000	(%)
Ernests Bernis and Nika Berne (direct and indirect interest)	54,683	213	11,672	43.00
Oļegs Fiļs (indirect interest)	54,686	213	11,672	43.00
Other shareholders total	17,801	213	3,799	14.00
<b>Total shares with voting rights</b>	<b>127,170</b>	<b>x</b>	<b>27,143</b>	<b>100.00</b>
Shares without voting rights (personnel shares)	13,400		2,860	
<b>Paid-in share capital total</b>	<b>140,570</b>		<b>30,003</b>	

## Performance indicators

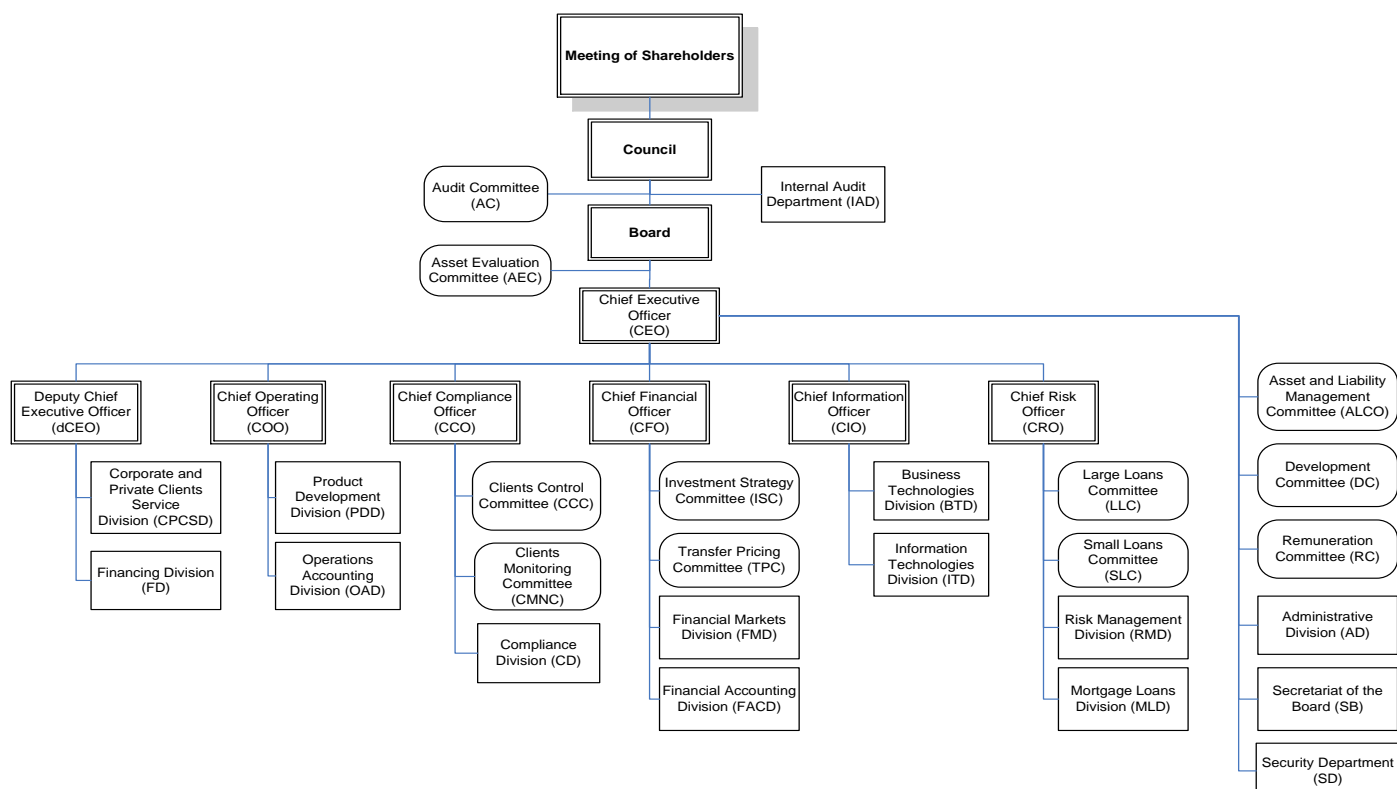
Title of entry	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013
	(audited)*	(audited)*
Return on equity (ROE) (%)	28.82	26.29
Return on assets (ROA) (%)	1.60	1.36

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 Risk management is available in 2014 Annual Report from Note 34 till Note 37 on ABLV Bank, AS web page <http://www.ablv.com/en/about/financial-reports>.

## Bank's structure\*\*



\* - Information has been prepared based on data that are available in the annual report for the year ended 31 December 2014 and in the annual report for the year ended 31 December 2013 audited by SIA Ernst & Young Baltic (No 40003593454).

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



## The council and the board

### The council of the bank:

Chairman of the Council: Oļegs Fiļs	Date of re-election: 01/04/2013
Deputy Chairman of the Council: Jānis Krīgers	Date of re-election: 01/04/2013
Council Member: Igoris Rapoportis	Date of re-election: 01/04/2013

There were no changes in the council of the bank during the reporting period.

### 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

## 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.

### Bank' vision

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

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 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

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

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 31 December 2014:

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-2440, Luxembourg	BNK	100	100	MS
3	ABLV Corporate Services Holding Company, SIA	40103799987	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	100	100	MS
4	Pillar Holding Company, KS	40103260921	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	100	100	MS
5	Pillar Management, SIA	40103193211	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
6	Pillar 2 & 14, SIA	50103313991	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
7	Pillar 3, SIA	40103193067	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
8	Pillar 4 & 6, SIA	40103210494	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
9	Pillar 7 & 8, SIA	40103240484	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
10	Pillar 9, SIA	40103241210	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
11	Pillar 10, SIA	50103247681	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
12	Pillar 11, SIA	40103258310	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
13	Pillar 12, SIA	40103290273	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
14	Pillar 18, SIA	40103492079	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
15	Pillar 19, SIA	40103766952	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
16	Elizabetes Park House, SIA	50003831571	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	91.6	91.6	MMS
17	Schaller Kyncl Architekten Riga, SIA	40103437217	LV, Pulkveža brieža iela 28A, Rīga, LV1045	PLS	100	100	MMS
18	Pillar Parking, SIA	40103731804	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MMS
19	New Hanza City, SIA	40103222826	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MS
20	ABLV Asset Management, IPAS	40003814724	LV, Elizabetes iela 23, Rīga, LV-1010	IPS	90	100	MS
21	ABLV Capital Markets, IBAS	40003814705	LV, Elizabetes iela 23, Rīga, LV-1010	IBS	91.8	100	MS
22	AmberStone Group, AS	40103736854	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	40.9	40.9	MS
23	ABLV Private Equity Management, SIA	40103286757	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	100	100	MS
24	ABLV Private Equity Fund 2010, KS	40103307758	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	100	100	MS
25	Vaiņode Agro Holding, SIA	40103503851	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	70	70	MMS

<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.

During the reporting period was carried out reorganization of several ABLV group`s companies:

- Lielezeres Apartment House, SIA, registration No. 50103313991, as the acquiring company, acquired Pillar 2, SIA, registration No. 40103193033, as the target company;
- Pillar 4, SIA, registration No. 40103210494, as the acquiring company, acquired Pillar 6, SIA, registration No. 40103237323, as the target company;
- Pine Breeze, SIA, registration No. 40103240484, as the acquiring company, acquired Pillar 7, SIA, registration No. 40103237304, as the target company.
- Hanzas 14C, SIA, registration No. 40003918290, was liquidated

## Income statements of the bank

Title of entry	EUR'000	
	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013
	(audited)*	(audited)*
Interest income	68,618	58,679
Interest expense	(16,983)	(15,936)
Dividends received	6,111	2,079
Commission and fee income	57,944	55,363
Commission and fee expense	(16,443)	(15,283)
Net realised gain/ (loss) from financial assets and liabilities at amortised cost	(1,030)	-
Net realised gain/ (loss) from available-for-sale financial assets	237	(18)
Net realised gain/ (loss) from financial assets and liabilities held for trading	(866)	1,078
Net gain/ (loss) from financial assets and liabilities at fair value through profit or	-	-
Changes in fair value hedge accounting	-	-
Net result from foreign exchange trading and revaluation	20,974	21,140
Gain/ (loss) from sale of tangible and intangible fixed assets	48	87
Other income	3,787	3,026
Other expense	(1,000)	(841)
Administrative expense	(43,420)	(42,445)
Depreciation	(2,992)	(2,800)
Impairment allowance	(8,768)	(11,468)
Impairment of financial instruments and non-financial assets	(3,670)	(1,218)
<b>Profit/ (loss) before corporate income tax</b>	<b>62,547</b>	<b>51,443</b>
Corporate income tax	(3,873)	(7,767)
<b>Net profit/ (loss) for the period</b>	<b>58,674</b>	<b>43,676</b>

\* - Information has been prepared based on data that are available in the annual report for the year ended 31 December 2014 and in the annual report for the year ended 31 December 2013 audited by SIA Ernst & Young Baltic (No 40003593454).

## Balance sheet of the bank

		EUR'000	
		31/12/2014	31/12/2013
<b>Assets</b>	Notes	(audited)*	(audited)*
Cash and demand deposits w ith central banks		258,908	356,747
Demand deposits from credit institutions		568,373	340,775
Financial assets held for trading		18,963	17,217
Financial assets at fair value through profit or loss		-	-
Available-for-sale financial assets		1,209,073	731,687
Loans and receivables	1	1,017,156	1,039,530
Held to maturity investments		930,579	651,411
Change of fair value of hedge portfolio		-	-
Prepaid expense and accrued income		1,185	1,107
Tangible fixed assets		10,606	9,745
Investment properties		25,033	24,330
Intangible fixed assets		5,700	5,016
Investments in subsidiaries		115,099	132,829
Tax assets		4,719	-
Other assets		4,450	4,972
<b>Total assets</b>		<b>4,169,844</b>	<b>3,315,366</b>
<b>Liabilities</b>			
Liabilitie due to central banks		16,797	-
Demand deposits from credit institutions		28,962	14,491
Financial liabilities held for trading		5,630	2,046
Financial liabilities at fair value through profit or loss		-	-
Financial liabilities at amortised cost	2	3,877,997	3,094,992
Financial liabilities arrised from financial asset transfer		-	-
Change of fair value of hedge portfolio		-	-
Deferred income and accured expense		6,758	7,376
Provisions		352	408
Tax liabilities		-	6,199
Other liabilities		6,447	2,817
<b>Total liabilities</b>		<b>3,942,943</b>	<b>3,128,329</b>
Total shareholders' equity		226,901	187,037
<b>Total liabilities and shareholders' equity</b>		<b>4,169,844</b>	<b>3,315,366</b>
<b>Memorandum items</b>			
Contingent liabilities		9,444	7,689
Financial commitments		60,228	61,008

\* - Information has been prepared based on data that are available in the annual report for the year ended 31 December 2014 and in the annual report for the year ended 31 December 2013 audited by SIA Ernst & Young Baltic (No 40003593454).

## Own funds and capital adequacy ratios summary

		EUR'000
		31/12/2014
Code	Position description	(audited)*
<b>1.</b>	<b>Own funds</b>	<b>309,920</b>
1.1.	Tier 1 capital	195,463
1.1.1	Common equity Tier 1 capital	195,463
1.1.2	Additional Tier 1 capital	-
1.2.	Tier 2 capital	114,457
<b>2.</b>	<b>Total risk exposure amount</b>	<b>1,648,617</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,404,853
2.2.	Total risk exposure amount for settlement/ delivery	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	64,685
2.4.	Total risk exposure amount for operational risk (OpR)	177,926
2.5.	Total risk exposure amount for credit valuation adjustment	-
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	11.86%
3.2.	Surplus(+)/Deficit(-) of CET1 capital	121,276
3.3.	T1 Capital ratio	11.86%
3.4.	Surplus(+)/Deficit(-) of T1 capital	96,547
3.5.	Total capital ratio	18.80%
3.6.	Surplus(+)/Deficit(-) of total capital	178,032
<b>4.</b>	<b>Total capital buffers</b>	<b>2.50</b>
4.1.	Capital conservation buffer (%)	2.50
4.2.	Institution specific countercyclical capital buffer (%)	-
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.	11.86%
5.3.	Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	11.86%
5.4.	Total capital ratio including Pillar II adjustments mentioned in line 5.1.	18.80%

\* - Information has been prepared based on data that are available in the annual report for the year ended 31 December 2014 audited by SIA Ernst & Young Baltic (No 40003593454).

## Liquidity ratio calculation

	EUR'000	
	31/12/2014	31/12/2013
<b>Liquid assets</b>	(audited)*	(audited)*
Cash	8,112	8,105
Deposits w ith central banks	250,796	348,642
Deposits w ith credit institutions	738,444	606,035
Securities	1,557,633	1,232,166
<b>Total liquid assets</b>	<b>2,554,985</b>	<b>2,194,948</b>
<b>Current liabilities (with maturity no more than 30 days)</b>		
Deposits from credit institutions	28,962	14,490
Deposits	3,338,007	2,703,192
Issued debt securities	-	-
Cash in transit	23	4,211
Other current liabilities	41,662	37,869
Off-balance liabilities	9,712	11,474
<b>Total current liabilities</b>	<b>3,418,366</b>	<b>2,771,236</b>
<b>Liquidity ratio (%)</b>	<b>74.74</b>	<b>79.20</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 2014 and in the annual report for the year ended 31 December 2013 audited by SIA Ernst & Young Baltic (No 40003593454).



## Note 1

### Loans and receivables

Title of entry	EUR'000	
	31/12/2014	31/12/2013
	(audited)*	(audited)*
Loans	790,247	761,268
Loans to credit institutions	226,909	278,262
<b>Total</b>	<b>1,017,156</b>	<b>1,039,530</b>

## Note 2

### Financial liabilities at amortized cost

Title of entry	EUR'000	
	31/12/2014	31/12/2013
	(audited)*	(audited)*
Deposits	3,406,032	2,776,457
Issued ordinary bonds	341,206	215,839
Issued subordinated bonds	113,375	92,547
Subordinated deposits	14,413	10,149
Term deposits from credit institutions	2,971	-
<b>Total</b>	<b>3,877,997</b>	<b>3,094,992</b>

\* - Information has been prepared based on data that are available in the annual report for the year ended 31 December 2014 and in the annual report for the year ended 31 December 2013 audited by SIA Ernst & Young Baltic (No 40003593454).

## Note 3

### The bank's investments in financial instruments, except derivatives

The bank's investments in financial instruments break downs by countries of issuers as at 31 December 2014, except derivatives:

Issuer state	Securities of central governments	Securities of other issuers	Total	EUR'000
				% of shareholders' equity
United States of America	558,014	11,968	569,982	183.9
Germany	10,059	272,505	282,564	91.2
Canada	86,666	123,401	210,067	67.8
Russia	27,576	179,952	207,528	67.0
Latvia	178,789	22,822	201,611	65.1
Sweden	144,668	53,980	198,648	64.1
Netherlands	-	74,919	74,919	24.2
Denmark	33,658	4,148	37,806	12.2
Norway	29,237	8,332	37,569	12.1
Finland	24,859	8,295	33,154	10.7
Securities of other countries*	77,046	109,371	186,417	60.1
Securities of international organizations	-	114,271	114,271	36.9
<b>Total securities, net</b>	<b>1,170,572</b>	<b>983,964</b>	<b>2,154,536</b>	

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

The bank's investments in financial instruments break downs by countries of issuers as at 31 December 2013, except derivatives:

	EUR'000			
<b>Issuer state</b>	Securities of central governments	Securities of other issuers	Total	% of shareholders' equity
United States of America	301,102	4,395	305,497	114.6
Russia	31,857	160,779	192,636	72.3
Germany	10,102	162,048	172,150	64.6
Canada	56,047	106,489	162,536	61.0
Sweden	93,111	30,215	123,326	46.3
Latvia	86,161	24,702	110,863	41.6
Netherlands	-	48,884	48,884	18.3
Norway	23,398	7,425	30,823	11.6
Securities of other countries*	70,824	89,238	160,062	60.1
Securities of international organizations	-	93,087	93,087	34.9
<b>Total securities, net</b>	<b>672,602</b>	<b>727,262</b>	<b>1,399,864</b>	

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

As at 31 December 2014 the securities portfolio weighted average modified duration was 2.6 (2.5).

In the reporting period, impairment by EUR 1.7 million was recognized for the securities of the available-for-sale portfolio. At the end of reporting period provisions for financial instruments at amortized cost amounted to EUR 2.0 million and the market value of those securities amounted to EUR 2.4 million.

Note 4

### Events after reporting date

As of the last day of the reporting period until the date of signing this Public Quarterly Report there have been no events requiring adjustment of or disclosure in this Public Quarterly Report besides those stated below.