



ABLV

BANKING / INVESTMENTS \ ADVISORY

ABLV Bank, AS

Public Quarterly Report
January – December 2016

Bank's Management Report

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

In 2016, development of the bank and other companies of ABLV Group continued. We managed to achieve and surpass major financial indicators planned, and the bank's profit reached EUR 79.3 million.

Last year, economic growth slowed down globally, including in the bank's target markets. In 2016, financial markets were marked by several surprises, price fluctuations that were hard to explain, and historic turns. Latvian economy demonstrated relatively weak economic indicators and grew just by 2.2% last year. New Global Financial Centres Index brought some positive news for the Latvian financial market. The capital of Latvia – Riga – was ranked 52nd in the index. Compared with the previous index, Riga was ranked 19 places higher. Luxembourg, where our subsidiary bank is located, also demonstrates improving results – it was ranked 12th in the Global Financial Centres Index.

In the reporting period, regulatory requirements in the banking sector became even more stringent. Their implementation required a lot of time and resources, and therefore the business development was hindered. At the end of May, ABLV Bank and the Financial and Capital Market Commission (FCMC) made the administrative agreement to settle the differences and agree upon further measures to be taken by the bank to improve the bank's internal control system and strengthen its efficiency. Since the position regarding acceptable risk level has changed, the bank refused cooperation with some clients and continues thorough assessment of its client base. Therefore, the amount of deposits decreased by 23.5% over the year, which conforms to the planned values. The importance of settlement business is gradually declining, and even higher value is placed on business project financing, including structured financing involving raising of risk capital, operating capital and trade financing, as well as arrangement of securities issues. The bank possesses high competence in this area, has the necessary expert resources, cooperation partner network, and accumulated significant experience. In the field of lending to business in Latvia, ABLV Bank currently is one of the most important banks.

Following the initiative of the FCMC, Latvian banks that mostly render services to foreign clients, including ABLV Bank, underwent an independent audit performed by US advisory firms regarding compliance with the US regulatory requirements; the audit was started in April 2016 and was intended for strengthening the internal control systems and processes in the banks. In our bank, the audit was performed by Navigant Consulting, Inc. This was one of the largest projects in our bank lately, which required considerable efforts and financial investments. In general, we are satisfied with the audit results: the bank's strengths were evaluated, and the recommendations given can be implemented without substantial investments in technologies and process modifications. During the audit, we acquired new experience in terms of differing compliance requirements in the European Union and the US.

To improve the capital adequacy and ensure funds required for development, another issue of ABLV Bank shares was performed at the beginning of 2016 for the sake of share capital increase. Under the issue, there were 2 700 000 registered shares issued to the amount of EUR 38.2 million. Following the increase, the ABLV Bank, AS share capital amounts to EUR 38.3 million and consists of 34 470 000 registered voting shares and 3 830 000 employee shares. Continuing the bond issue programme, we performed 7 bond issues in 2016: six issues of straight bonds and one issue of subordinated bonds. The total amount of issues performed last year constituted USD 225 million and EUR 80 million. As at the end of 2016, there were 21 bond issues included in the Nasdaq Riga Baltic Bond List.

In 2016, the number of jobs grew in both the bank and the group: by 11 in the bank and by 30 – in the group in total. As at 31 December, the number of the bank's employees reached 665, and the total number of employees of ABLV Group companies – 827.

Financial results

ABLV Bank, AS remains the largest bank in Latvia with local capital and is ranked second in terms of the amount of assets:

- The bank's profit for 2016 amounted to EUR 79.3 million, which is historically the highest one so far and exceeds the profit for 2015 by EUR 10.3 million.
- The bank's operating income¹ totalled EUR 141.9 million. Compared with 2015, operating income has increased by 12.3%.
- The amount of the clients' deposits equalled EUR 2.90 billion as at the end of the reporting period.
- The amount of issued debt securities reached EUR 528.3 million.
- As at 31 December 2016, the amount of the bank's assets was EUR 3.85 billion.
- The bank's loan portfolio equalled EUR 1.00 billion, as at the end of December.

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

- The bank's capital and reserves amounted to EUR 321.8 million.
- As at 31 December 2016, common equity Tier 1 capital adequacy ratio was equal to 12.84%, the bank's capital adequacy ratio was 19.49%, and liquidity – 78.40%.
- ROE reached 27.26%, and ROA – 1.85%, as at 31 December 2016.
- Taxes paid by the group to the state budget amounted to EUR 22.0 million.

The total amount of the securities portfolio was equal to EUR 1.98 billion, as at 31 December 2016. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 65.5% 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 – 16.4%, Germany – 15.2%, Latvia – 13.7%, Russia – 11.3%, Canada – 11.1%, Sweden – 6.8%, Netherlands – 3.7%, Finland – 2.6%, Norway – 2.2%, and Austria – 2.1%. Whereas 4.8% is constituted by securities issued by international institutions. In the reporting period, average annual yield of the securities portfolio amounted to 2.68%².

In Q2 2016, the VISA Europe Ltd. share buyback transaction was completed, under which the share owned by the bank was sold to VISA Inc. Following the performed transaction, the income gained by ABLV Bank from selling the said share amounted to approximately EUR 16.4 million. The transaction also affected the profit for 2016. Additionally, 4 750 class C preferred shares of Visa Inc. were allocated to the bank, and their fair value amounted to EUR 2.7 million.

Various improvements to the bank's services have been performed. From 1 October 2016, individuals and Latvian legal entities are ensured performance of outgoing standard and urgent payments in euro within the European Economic Area free of charge, provided those are made via Internetbank and their amount does not exceed EUR 1 000. We have also cancelled express payments in US dollars and simplified the rates and charges on USD payments for foreign legal entities. From June 2016, we offer the clients to perform payments in three new currencies: United Arab Emirates dirham (AED), New Zealand dollar (NZD), and South Africa rand (ZAR). Following this innovation, our clients can perform payments in 27 different currencies.

From June 2016, all the client's Forward transactions are combined in one portfolio, to which a multicurrency security account is linked. The funds held in this account and the total revaluation result of all concluded Forward transactions serve as single collateral of all Forward transactions in the portfolio. In the reporting period, we introduced payment cards enabling contactless authorization. To promote the financial literacy of youngsters, we started offering our clients to open card accounts and obtain payment cards for their children from seven years of age. Thus, children can acquire experience in financial matters, and their parents are able to manage the children's spending.

Given the bank's long-term experience and knowledge of debt securities issuing, in the reporting period we launched a new service – arrangement of bond issues for the clients. Bond issues enable companies to raise additional financing both with and without collateral, as well as for a longer term than it is possible in the case of loans. The costs of such raising of resources are relatively lower, and diversification of investor base is possible as well. Using the new service, our client – real estate holding company Baltic RE Group – performed the issue of straight bonds amounting to EUR 4 million. ABLV Bank arranged the initial offering and ensured complete underwriting. ABLV Bank provided advice to AS Citadele banka on subordinated bond issue program, ensuring the underwriting to EUR 20 million within the initial placement.

Investments

In 2016, intense instability was still observed at global financial markets, regularly causing strong price fluctuations. Nevertheless, open-end mutual funds managed by ABLV Asset Management, IPAS demonstrated good results. As at the end of 2016, their total asset value amounted to EUR 125.6 million. The year 2016 was also successful for ABLV Capital Markets, IBAS, which executes clients' instructions for purchasing and selling all types of financial instruments. Profit of ABLV Capital Markets, IBAS amounted to EUR 3.1 million. As at 31 December 2016, total assets of the company's clients invested in financial instruments were equal to EUR 1.3 billion.

Developing the investment services, we offer the clients to obtain financing secured by pledge of investment portfolio in two new currencies. In addition to USD, EUR, and RUB currencies, now clients can obtain financing in the UK pounds (GBP) and Swiss francs (CHF). The obtained financing secured by pledge of investment portfolio can be used by the clients to acquire new financial instruments or for other activities, without the need to sell the securities held in the portfolio. As at 31 December 2016, the total amount of loans granted by the bank against the pledge of financial instruments constituted EUR 88.9 million.

Last year we began offering the new trading platform QTrader to the clients, wishing to independently explore the trading opportunities provided by futures exchanges. This platform ensures direct access to major futures exchanges — Chicago Mercantile Exchange (CME), Chicago Board of Trade (CBOT), New York Mercantile Exchange (NYMEX), Commodity Exchange, Inc. (COMEX), ICE Futures Europe Commodities.

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

Real estate

In 2016, the real estate group Pillar continued selling its property portfolio. In uniform buildings, 106 apartments were sold: 77 of those in Riga and 29 outside Riga, as well as 13 apartments in new and renovated projects were sold. Good results were also achieved in the sales of private houses and land plots – there were 38 private houses and 37 land plots sold. During 2016, Pillar sold 6 commercial properties of different sizes. Overall, Pillar made more than 200 sale transactions in 2016, their total amount being EUR 12.9 million.

Due to decreasing the property portfolio, resources become available, and Pillar is able to allocate those to the large-scale future project – construction of New Hanza area. On 4 July 2016, construction of the first stage of New Hanza infrastructure was started. On 9 December 2016, ABLV Bank established a new company – ABLV Building Complex, SIA. The new company will be the customer of the construction of the group of buildings for ABLV Bank headquarters.

Advisory

Expanding the offer, in 2016, the ABLV Group company ABLV Corporate Services actively developed the accounting services rendered. The accounting services are rendered in accordance with the International Financial Reporting Standards (IFRS), ensuring transparent, high-quality, and internationally-comparable financial statements, thus also enabling the companies to raise financial resources from various sources.

Expanding to new regions and building closer relationships with the business partners, in the reporting period the ABLV Group company ABLV Advisory Services, SIA opened the representative office in the United States of America. The representative office works on establishing mutually beneficial international business contacts for the companies of ABLV Group and on studying the US regulatory environment.

Currently, ABLV Group is represented in 10 foreign countries.

Luxembourg

Our subsidiary bank in Luxembourg, ABLV Bank Luxembourg, S.A., renders services to the clients for more than three years already. The bank was established for the sake of ensuring wider range of investment services to the clients. As at 31 December 2016, ABLV Bank Luxembourg assets and assets under management reached EUR 310.2 million.

In the reporting period, ABLV Bank Luxembourg started issuing payment cards to its clients. Currently, the bank issues VISA Gold and VISA Gold Business cards in euros and US dollars.

For society

According to the bank's policy, ABLV Bank does not make direct donations to particular charity projects. All funds intended for charity are transferred to charitable organizations, which ensure professional and methodical administration of these funds according to their objectives and programmes.

Besides donating its funds, the bank encourages the employees and clients to do so as well. Under the charitable fund drive timed to coincide with the 10th anniversary of ABLV Charitable Foundation, the amount of donations exceeded EUR 1 million, and a considerable part of the same was provided by the bank's foreign clients as well.

The social commitment of the bank's and the group's employees goes beyond monetary donations to the charitable programmes of ABLV Charitable Foundation. On 3 June 2016, Blood Donation Day was held in the bank for the first time in the history of ABLV Group. 86 employees donated blood, and this means we helped about 250 people.

On 10 November 2016, the export support movement Red Jackets, together with the Minister for Culture Dace Melbārde presented the book *'Treasures of Latvia – Outstanding Export Brands and Inspiring Talents'*. The book publishing was supported by ABLV Bank, and the book presents information on the most prominent Latvian export brands that won The Red Jackets title in 2015, as well as The Rising Stars.

ABLV Bank provides support to the social organizations that strive to improve the banking sector and the overall business environment in Latvia, as well as engage in their operations. Among those, it is worth mentioning the Association of Commercial Banks of Latvia, the Latvian Chamber of Commerce and Industry, the Employers' Confederation of Latvia, and other organizations. We supported the activity of Certus think tank and plan to continue the same, since we believe that such an authoritative research centre with a large potential is vital for Latvian development.

Plans for 2017

To ensure stable growth in the future, the focus on different lines of business will be gradually changed. The share of settlement business is decreased, since the same is associated with higher risks, and we will pay increasingly more attention to proficient wealth management services with high added value, such as arrangement of securities issues, lending to companies, support under complex trade transactions, and investment services. Our employees possess the necessary expert qualification and experience, and this is our advantage.

In connection with the client base assessment and refusal of cooperation with the clients that are associated with a high-risk level, the fee income from account opening and maintenance, as well as performance of payments, especially in US dollars, will decrease for a short term. The profit is also planned to be lower than in 2016. Nevertheless, we intend to implement all development projects as previously planned. Stable increase in the amount of deposits and number of clients of the bank is planned to be resumed approximately in three years.

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

Chairman of the Board
Ernests Bernis

Member of the Board
Māris Kannenieks

Riga, 24 February 2017

General Information

ABLV Bank, AS (hereinafter – the bank) was registered in Aizkraukle, Republic of Latvia, on 17 September 1993, as a joint stock company, under unified registration number 50003149401. At present, the legal address of the bank is Elizabetes Street 23, Riga.

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

As at 31 December 2016, the group and the bank operate the central office and one lending centre in Riga. The bank's most significant subsidiaries are ABLV Bank Luxembourg S.A., ABLV Asset Management, IPAS, ABLV Capital Markets, IBAS, Pillar Holding Company, KS. The group has representation offices/ territorial structural units in Azerbaijan (Baku), in Belarus (Minsk), in Kazakhstan (Almaty), in Cyprus (Limassol), in Russia (Moscow, St. Petersburg and Vladivostok), in Ukraine (Kyiv with separate office in Odessa), in Uzbekistan (Tashkent), United States of America (New York) and in Hong Kong.

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

This public quarterly report is prepared in accordance with the Regulations on Preparation of Public Quarterly Reports of Credit Institutions approved by the Financial and Capital Market Commission for providing information on the financial standing and performance indicators of the bank for the period from 1 January 2016 until 31 December 2016.

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 2015 or for the twelve-month period ended 31 December 2015 respectively.

Shareholders and Groups of Related Shareholders of the Bank

	31.12.2016				42,369
	Par value of shares		Voting shares		Voting shares
	EUR	amount	EUR	amount	
Shareholders					
Ernests Bernis and Nika Berne (direct and indirect interest)	1	14,918,210	1	13,702,131	
Oļegs Fiļs (indirect interest)	1	14,918,210	1	13,702,131	
Other shareholders total	1	4,633,580	1	4,365,738	
Total shares with voting rights	x	34,470,000	x	31,770,000	
Shares without voting rights (personnel shares)	1	3,830,000	1	3,530,000	
Paid-in share capital total	x	38,300,000	x	35,300,000	

Performance Indicators

Title of entry	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
	(non-audited)	(audited)*
Return on equity (ROE) (%)	27.26	27.76
Return on assets (ROA) (%)	1.85	1.49

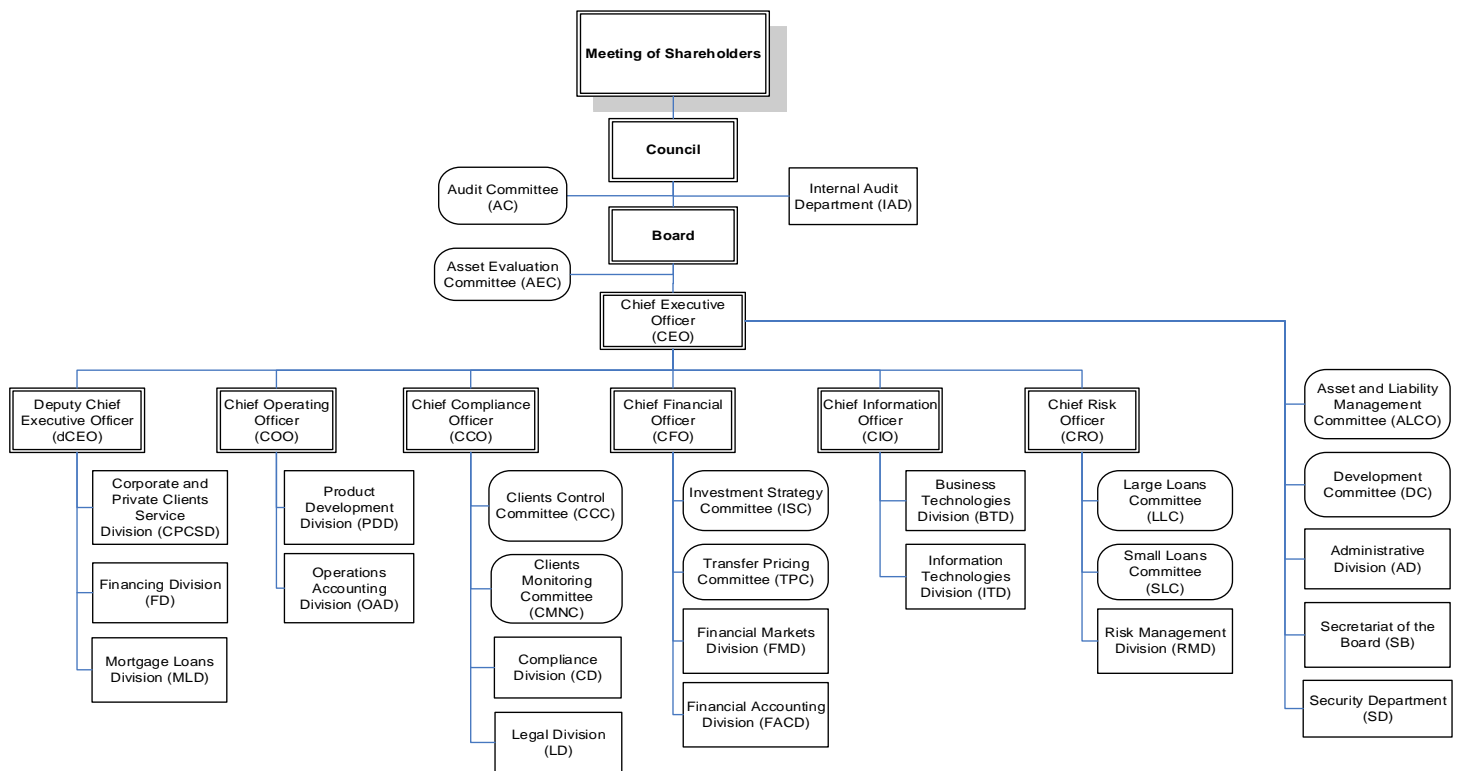
Indicators are calculated according to principles of the Regulations on Preparation of Public Quarterly Reports of Credit Institutions approved by the Financial and Capital Market Commission.

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

Risk Management

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

Bank's Structure*



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

The Council and the Board

The Council of the Bank:	Term of office:
Chairman of the Council: Oļegs Fiļs	02/05/2016 – 01/05/2019
Deputy Chairman of the Council: Jānis Krīgers	02/05/2016 – 01/05/2019
Council Member: Igoris Rapoport	02/05/2016 – 01/05/2019

The Board of the Bank:	Term of office:
Chairman of the Board: Ernests Bernis - Chief Executive Officer (CEO)	01/05/2014 – 01/05/2017
Deputy Chairman of the Board: Vadims Reinfelds – Deputy Chief Executive Officer (dCEO)	01/05/2014 – 01/05/2017
Board Members:	
Aleksandrs Pāže – Chief Compliance Officer (CCO)	01/05/2014 – 01/05/2017
Edgars Pavlovičs – Chief Risk Officer (CRO)	01/05/2014 – 01/05/2017
Māris Kanneņieks – Chief Financial Officer (CFO)	01/05/2014 – 01/05/2017
Rolands Citajevs – Chief IT Officer (CIO)	01/05/2014 – 01/05/2017
Romans Surnačovs – Chief Operating Officer (COO)	01/05/2014 – 01/05/2017

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

Strategy and Aim of the Bank's Activities

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

Bank's Vision

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

Bank's Mission

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

Bank's Values

Collaborative

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

Intuitive

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

Valued

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

Bank's Aim

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

Consolidation Group

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

Members of the consolidation group* as at 31 December 2016:

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

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

Income Statements

Title of entry	EUR'000	
	01/01/2016 – 31/12/2016 (non-audited)	01/01/2015 – 31/12/2015 (audited)*
Interest income	84,208	83,547
Interest expense	(21,493)	(20,508)
Dividends received	6,274	9,352
Commission and fee income	45,403	55,778
Commission and fee expense	(14,115)	(15,543)
Net realised gain/ (loss) from financial assets and liabilities at amortised cost	-	(52)
Net realised gain/ (loss) from available-for-sale financial assets	21,950	1,711
Net realised gain/ (loss) from financial assets and liabilities held for trading	1,993	(124)
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	21,247	19,769
Gain/ (loss) from sale of tangible and intangible fixed assets	(3)	48
Other income	4,081	3,598
Other expense	(1,449)	(1,264)
Administrative expense	(56,772)	(48,616)
Depreciation	(3,142)	(3,377)
Provisions	-	237
Impairment on financial assets	(6,221)	(9,993)
Profit/ (loss) before corporate income tax	81,961	74,563
Corporate income tax	(2,624)	(5,524)
Net profit/ (loss) for the period	79,337	69,039

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

Balance Sheet

	EUR'000	
	31/12/2016	31/12/2015
Assets	(non-audited)	(audited)*
Cash and demand deposits with central banks	413,047	448,187
Demand deposits from credit institutions	191,551	364,850
Financial assets held for trading	21,090	22,407
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	957,094	1,780,554
Loans and receivables	1,102,099	1,180,421
<i>Loans</i>	1,001,929	873,499
<i>Loans to credit institutions</i>	89,953	306,922
<i>Debt Securities</i>	10,217	-
Held to maturity investments	989,710	965,253
Change of fair value of hedge portfolio	-	-
Prepaid expense and accrued income	1,636	1,238
Tangible fixed assets	9,461	9,529
Investment properties	25,058	25,069
Intangible fixed assets	5,826	6,036
Investments in subsidiaries	128,580	120,036
Tax assets	2,360	3,042
Other assets	2,074	1,499
Total assets	3,849,586	4,928,121
Liabilities		
Liabilities due to central banks	50,000	180,072
Demand deposits from credit institutions	20,375	63,294
Financial liabilities held for trading	441	482
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	3,444,938	4,366,864
<i>Deposits</i>	2,901,824	3,793,192
<i>Issued ordinary bonds</i>	398,386	437,293
<i>Issued subordinated bonds</i>	129,918	121,118
<i>Subordinated deposits</i>	14,810	15,261
<i>Term deposits from credit institutions</i>	-	-
Financial liabilities arising from financial asset transfer	-	-
Change of fair value of hedge portfolio	-	-
Deferred income and accrued expense	7,068	8,816
Provisions	-	-
Tax liabilities	1,346	1,001
Other liabilities	3,616	26,139
Total liabilities	3,527,784	4,646,668
Total shareholders' equity	321,802	281,453
Total liabilities and shareholders' equity	3,849,586	4,928,121
Memorandum items		
Contingent liabilities	9,928	9,516
Financial commitments	126,632	68,907

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

Own Funds and Capital Adequacy Ratios Summary

		EUR'000	
Code Position description		31/12/2016 (non-audited)	31/12/2015 (audited)*
1.	Own funds	366,656	321,003
1.1	Tier 1 capital	241,593	200,680
1.1.1.	Common equity Tier 1 capital	241,593	200,680
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	125,063	120,323
2.	Total risk exposure amount	1,682,291	1,859,071
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,565,699	1,570,282
2.2.	Total risk exposure amount for settlement/ delivery	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	95,523	90,417
2.4.	Total risk exposure amount for operational risk (OpR)	21,069	198,336
2.5.	Total risk exposure amount for credit valuation adjustment	-	36
2.6.	Total risk exposure amount related to large exposures in the trading book	-	-
2.7.	Other risk exposure amounts	-	-
3.	Capital ratio and capital levels		
3.1.	CET1 Capital ratio	12.84%	10.79%
3.2.	Surplus(+)/Deficit(-) of CET1 capital	156,937	117,022
3.3.	T1 Capital ratio	12.84%	10.79%
3.4.	Surplus(+)/Deficit(-) of T1 capital	128,719	89,136
3.5.	Total capital ratio	19.49%	17.27%
3.6.	Surplus(+)/Deficit(-) of total capital	216,157	172,278
4.	Total capital buffers	2.50	2.50
4.1.	Capital conservation buffer (%)	2.50	2.50
4.2.	Institution specific countercyclical capital buffer (%)	0.00	-
4.3.	Systemic risk buffer (%)	-	-
4.4.	Systemically important institution buffer (%)	-	-
4.5.	Other Systemically Important Institution buffer (%)	-	-
5.	Capital ratio including adjustments		
5.1.	Own funds adjustments related to Pillar II	-	-
5.2.	Common equity Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	12.84%	10.79%
5.3.	Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	12.84%	10.79%
5.4.	Total capital ratio including Pillar II adjustments mentioned in line 5.1.	19.49%	17.27%

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

Liquidity Ratio Calculation

	EUR'000	
	31/12/2016	31/12/2015
	(non-audited)	(audited)*
Liquid assets		
Cash	14,328	9,659
Deposits with central banks	365,041	398,018
Deposits with credit institutions	260,342	633,344
Liquid securities	1,630,479	2,150,033
Total liquid assets	2,270,190	3,191,054
Current liabilities (with maturity no more than 30 days)		
Deposits from credit institutions	20,271	61,461
Deposits	2,843,435	3,748,369
Issued debt securities	-	-
Cash in transit	5,920	3,247
Other current liabilities	18,660	40,868
Off-balance liabilities	7,499	5,725
Total current liabilities	2,895,785	3,859,670
Liquidity ratio (%)	78.40	82.68
Minimum liquidity ratio (%)	30.00	30.00

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

The Bank's Investments in Financial Instruments, Except Derivatives

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

	EUR'000			
	Securities of central governments	Securities of other issuers	Total	% of shareholders' equity
Issuer state				
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.

As at 31 December 2016, the securities portfolio weighted average modified duration³ was 2.5 (2.5).

In the reporting period, impairment of the available-for-sale financial instruments was recognized, and the same amounted to EUR 286.3 thousand (1.1 million).

In the reporting period, collective impairment of EUR 545.5 thousand were made for the financial instruments measured at amortized cost, whereas individual impairment were decreased by EUR 778.4 thousand (increased by 559.4).

As at the end of the reporting period, the collective impairment made for the financial instruments at amortized cost amounted to EUR 545.5 thousand and the market value of these financial instruments was EUR 177.8 million as at 31 December 2016. Whereas the individual impairment for the financial instruments at amortized cost amounted to

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

EUR 786.5 thousand (2.6 million) as at the end of the reporting period, and the market value of these financial instruments was EUR 912.7 thousand (2.8 million) as at 31 December 2016.

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

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

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

Litigation and Claims

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

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

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

The bank continues to work on obligations agreed under the administrative agreement and improved the internal control system within the set terms.

In the ordinary course of business, the bank has been involved in a number of legal proceedings to recover outstanding credit balances and maintain collateral, as well as other proceedings related to specific transactions. The management believes that any legal proceedings pending as at 31 December 2016 will not result in material losses for the bank and/or the group.

Events after the Reporting Date

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