



ABLV

BANKING / INVESTMENTS \ ADVISORY

# ABLV Bank, AS

Interim condensed consolidated and separate financial  
statements

for the twelve-month period ended 31 December 2016

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# 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 income<sup>1</sup> 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.

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

## Bank's Management Report

- 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%<sup>2</sup>.

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.

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

## Bank's Management Report

### 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.

## Bank's Management Report

### 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!

These interim condensed consolidated and separate financial statements have not been audited.

Chairman of the Board  
**Ernests Bernis**

Member of the Board  
**Māris Kannenieks**

Riga, 24 February 2017

## The Council and the Board

### The Council of the Bank:

Chairman of the Council:

Oļegs Fiļs

### Term of office:

02/05/2016 – 01/05/2019

Deputy Chairman of the Council:

Jānis Krīgers

02/05/2016 – 01/05/2019

Council Member:

Igors Rapoportš

02/05/2016 – 01/05/2019

### The Board of the Bank:

Chairman of the Board:

Ernestš Bernis - Chief Executive Officer (CEO)

### Term of office:

01/05/2014 – 01/05/2017

Deputy Chairman of the Board:

Vadims Reinfeldš – 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 Pavlovičš – Chief Risk Officer (CRO)

01/05/2014 – 01/05/2017

Māris Kannenieks – Chief Financial Officer (CFO)

01/05/2014 – 01/05/2017

Rolands Čitajevš – Chief IT Officer (CIO)

01/05/2014 – 01/05/2017

Romans Surnačovš – 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.

## Statement of Management's Responsibility

The Council and the Board of ABLV Bank, AS (hereinafter – the bank) are responsible for the preparation of bank's the interim condensed financial statements for the twelve-month period as well as for the preparation of the consolidated interim condensed financial statements of the bank and its subsidiaries (hereinafter – the group).

The interim condensed financial statements for the twelve-month period and the notes thereto set out on pages 9 to 40 are prepared in accordance with the source documents and present truly and fairly the financial position of the bank and the group as at 31 December 2016 and 31 December 2015, as well as the results of their operations, changes in the shareholders' equity and cash flows for the twelve-month periods ended 31 December 2016 and 31 December 2015.

The aforementioned interim condensed financial statements for the twelve-month period are prepared on a going concern basis in conformity with IAS 34 International Financial Reporting Standards as adopted by the European Union. Prudent and reasonable judgements and estimates have been made by the management in the preparation of the interim condensed financial statements for the twelve-month period.

The Council and the Board of the bank (hereinafter – the management) are responsible for the maintenance of proper accounting records, the safeguarding of the group's assets, and the prevention and detection of fraud and other irregularities in the group. The management of the bank are also responsible for operating the group and the bank in compliance with the Credit Institutions Law of the Republic of Latvia, Regulations of the Bank of Latvia and the Financial and Capital Market Commission, and other laws of the Republic of Latvia as well as European Union Regulations applicable to credit institutions.

Chairman of the Board  
**Ernests Bernis**

Member of the Board  
**Māris Kanneņieks**

Riga, 24 February 2017



# Interim Condensed Statements of Comprehensive Income

		EUR'000			
		Group		Bank	
		01.01.2016- 31.12.2016	01.01.2015- 31.12.2015	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
	Notes				
Interest income	3	85,937	85,548	84,208	83,547
Interest expense	3	(21,442)	(20,589)	(21,493)	(20,508)
<b>Net interest income</b>		<b>64,495</b>	<b>64,959</b>	<b>62,715</b>	<b>63,039</b>
Commission and fee income	4	53,082	65,564	45,403	55,778
Commission and fee expense	4	(8,475)	(10,431)	(14,115)	(15,543)
<b>Net commission and fee income</b>		<b>44,607</b>	<b>55,133</b>	<b>31,288</b>	<b>40,235</b>
Net gain on transactions with financial instruments and foreign exchange	5	45,397	21,499	45,190	21,304
Net gain on transactions with repossessed real estate		(3,531)	(2,272)	-	-
Other income		5,792	9,581	4,078	3,646
Other expense		(389)	(6,522)	(1,449)	(1,264)
Income from dividends		169	259	6,274	9,352
Impairment allowance for loans	6	332	(5,888)	57	(5,483)
Provisions for impairment of investments in subsidiaries	13	-	-	(6,225)	(2,840)
Provisions for impairment of financial instruments		(53)	(1,670)	(53)	(1,670)
<b>Operating income</b>		<b>156,819</b>	<b>135,079</b>	<b>141,875</b>	<b>126,319</b>
Personnel expense		(47,103)	(43,099)	(36,866)	(33,955)
Other administrative expense		(24,354)	(18,952)	(19,906)	(14,661)
Amortisation and depreciation		(4,059)	(5,019)	(3,142)	(3,377)
Impairment reversal		-	237	-	237
<b>Profit before corporate income tax</b>		<b>81,303</b>	<b>68,246</b>	<b>81,961</b>	<b>74,563</b>
Corporate income tax		(2,487)	(6,372)	(2,624)	(5,524)
<b>Net profit for the year</b>		<b>78,816</b>	<b>61,874</b>	<b>79,337</b>	<b>69,039</b>
<b>Attributable to:</b>					
Equity holders of the bank		78,519	61,277		
Non-controlling interests		297	597		
<b>Other comprehensive income which has been or is to be reclassified to profit or loss</b>					
Changes in fair value revaluation reserve of available-for-sale financial assets		10,192	11,921	10,087	11,828
Change to income statement as a result of sale of available-for-sale securities		(18,734)	(1,763)	(18,653)	(1,711)
Change to income statement due to recognised impairment of available-for-sale securities		286	1,111	286	1,111
Changes in deferred corporate income tax		(78)	(304)	(78)	(304)
<b>Other comprehensive income, total</b>		<b>(8,334)</b>	<b>10,965</b>	<b>(8,358)</b>	<b>10,924</b>
<b>Total comprehensive income</b>		<b>70,482</b>	<b>72,839</b>	<b>70,979</b>	<b>79,963</b>
<b>Attributable to:</b>					
Equity holders of the bank		70,185	72,242		
Non-controlling interests		297	597		

Chairman of the Board  
**Ernests Bernis**

Member of the Board  
**Māris Kanneieks**

Riga, 24 February 2017

## Interim Condensed Statements of Financial Position

						EUR'000
		Group	Group	Bank	Bank	
<b>Assets</b>	Notes	31.12.2016	31.12.2015	31.12.2015	31.12.2015	
Cash and deposits with central banks	7	414,431	449,136	413,047	448,187	
Balances due from credit institutions	8	272,520	669,980	281,504	671,772	
Derivatives		624	121	80	121	
Financial assets at fair value through profit or loss	9	28,416	26,121	21,010	22,286	
Available-for-sale financial assets	10	1,042,574	1,833,073	957,094	1,780,554	
Loans and receivables	12	1,029,944	874,003	1,012,146	873,499	
Held-to-maturity financial instruments	11	1,053,987	1,015,047	989,710	965,253	
Investments in subsidiaries	13	-	-	119,945	111,266	
Investments in associates	13	9,117	9,068	8,635	8,770	
Investment properties		34,690	22,976	25,058	25,069	
Property and equipment		27,267	23,867	9,461	9,529	
Intangible assets		6,060	6,365	5,826	6,036	
Current corporate income tax receivables		3,134	3,148	2,360	3,042	
Deferred corporate income tax		1,401	379	-	-	
Repossessed real estate		42,270	52,312	-	-	
Other assets		6,888	5,992	3,710	2,737	
<b>Total assets</b>		<b>3,973,323</b>	<b>4,991,588</b>	<b>3,849,586</b>	<b>4,928,121</b>	
<b>Liabilities</b>						
Derivatives		42	365	42	365	
Balances held with Bank of Latvia		50,000	180,072	50,000	180,072	
Demand deposits from credit institutions		16,463	49,154	20,375	63,294	
Deposits	14	3,025,842	3,875,455	2,901,824	3,793,192	
Current corporate income tax liabilities		334	322	-	-	
Other liabilities		24,851	41,737	11,083	35,072	
Deferred corporate income tax		1,366	1,016	1,346	1,001	
Issued securities	15	521,281	550,877	528,304	558,411	
Subordinated deposits	16	14,810	15,261	14,810	15,261	
<b>Total liabilities</b>		<b>3,654,989</b>	<b>4,714,259</b>	<b>3,527,784</b>	<b>4,646,668</b>	
<b>Shareholders' equity</b>						
Paid-in share capital	17	38,300	35,300	38,300	35,300	
Share premium		132,423	96,918	132,423	96,918	
Reserve capital and other reserves		2,217	2,238	2,134	2,134	
Fair value revaluation reserve of available-for-sale financial assets		1,127	9,461	1,139	9,497	
Retained earnings brought forward		63,401	71,259	68,469	68,565	
Retained earnings for the period		78,519	61,277	79,337	69,039	
<b>Attributable to the equity holders of the bank</b>		<b>315,987</b>	<b>276,453</b>	<b>321,802</b>	<b>281,453</b>	
<b>Non-controlling interests</b>		<b>2,347</b>	<b>876</b>	<b>-</b>	<b>-</b>	
<b>Total shareholders' equity</b>		<b>318,334</b>	<b>277,329</b>	<b>321,802</b>	<b>281,453</b>	
<b>Total liabilities and shareholders' equity</b>		<b>3,973,323</b>	<b>4,991,588</b>	<b>3,849,586</b>	<b>4,928,121</b>	
<b>Memorandum items</b>						
Contingent liabilities		10,015	9,949	9,928	9,516	
Financial commitments		132,405	75,610	126,632	68,907	

Chairman of the Board  
Ernests Bernis

Member of the Board  
Māris Kanneniēks

Riga, 24 February 2017

## Interim Condensed Statement of Changes in Shareholders' Equity of the Group

EUR'000

	Paid-in share capital	Share premium	Reserve capital and other reserves	Fair value revaluation reserve	Retained earnings	Attributable to the equity holders of the bank	Non- controlling interests	Total shareholders' equity
<b>01.01.2015</b>	<b>32,650</b>	<b>66,270</b>	<b>2,174</b>	<b>(1,504)</b>	<b>130,115</b>	<b>229,705</b>	<b>12,337</b>	<b>242,042</b>
Net profit for the period	-	-	-	-	61,277	61,277	597	61,874
Other comprehensive income/(expense) for the period	-	-	-	10,965	-	10,965	-	10,965
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,965</b>	<b>61,277</b>	<b>72,242</b>	<b>597</b>	<b>72,839</b>
Increase in reserves	-	-	64	-	-	64	-	64
Dividends paid (see Note 17)	-	-	-	-	(58,555)	(58,555)	(292)	(58,847)
Issue of personnel shares (see Note 17)	265	-	-	-	(301)	(36)	36	-
Issue of shares (see Note 17)	2,385	30,648	-	-	-	33,033	126	33,159
Decrease in non-controlling interests (see Note 13)	-	-	-	-	-	-	(11,928)	(11,928)
<b>31.12.2015</b>	<b>35,300</b>	<b>96,918</b>	<b>2,238</b>	<b>9,461</b>	<b>132,536</b>	<b>276,453</b>	<b>876</b>	<b>277,329</b>
<b>01.01.2016</b>	<b>35,300</b>	<b>96,918</b>	<b>2,238</b>	<b>9,461</b>	<b>132,536</b>	<b>276,453</b>	<b>876</b>	<b>277,329</b>
Net profit for the period	-	-	-	-	78,519	78,519	297	78,816
Other comprehensive income/(expense) for the period	-	-	-	(8,334)	-	(8,334)	-	(8,334)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,334)</b>	<b>78,519</b>	<b>70,185</b>	<b>297</b>	<b>70,482</b>
Decrease in reserves	-	-	(21)	-	-	(21)	-	(21)
Dividends paid (see Note 17)	-	-	-	-	(68,835)	(68,835)	(549)	(69,384)
Issue of personnel shares (see Note 17)	300	-	-	-	(300)	-	-	-
Issue of shares (see Note 17)	2,700	35,505	-	-	-	38,205	1,674	39,879
Increase in non-controlling interests (see Note 13)	-	-	-	-	-	-	49	49
<b>31.12.2016</b>	<b>38,300</b>	<b>132,423</b>	<b>2,217</b>	<b>1,127</b>	<b>141,920</b>	<b>315,987</b>	<b>2,347</b>	<b>318,334</b>

The accompanying notes set out on pages 14 through 40 form an integral part of these interim condensed financial statements for the twelve-month period ended 31 December 2016.

## Interim Condensed Statement of Changes in Shareholders' Equity of the Bank

	EUR'000					
	Paid-in share capital	Share premium	Reserve capital and other reserves	Fair value revaluation reserve	Retained earnings	Total shareholders' equity
<b>01.01.2015</b>	<b>32,650</b>	<b>66,270</b>	<b>2,134</b>	<b>(1,427)</b>	<b>127,274</b>	<b>226,901</b>
Net profit for the period	-	-	-	-	69,039	69,039
Other comprehensive income/(expense) for the period	-	-	-	10,924	-	10,924
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,924</b>	<b>69,039</b>	<b>79,963</b>
Dividends paid (see Note 17)	-	-	-	-	(58,444)	(58,444)
Issue of personnel shares (see Note 17)	265	-	-	-	(265)	-
Issue of shares (see Note 17)	2,385	30,648	-	-	-	33,033
<b>31.12.2015</b>	<b>35,300</b>	<b>96,918</b>	<b>2,134</b>	<b>9,497</b>	<b>137,604</b>	<b>281,453</b>
<b>01.01.2016</b>	<b>35,300</b>	<b>96,918</b>	<b>2,134</b>	<b>9,497</b>	<b>137,604</b>	<b>281,453</b>
Net profit for the period	-	-	-	-	79,337	79,337
Other comprehensive income/(expense) for the period	-	-	-	(8,358)	-	(8,358)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,358)</b>	<b>79,337</b>	<b>70,979</b>
Dividends paid (see Note 17)	-	-	-	-	(68,835)	(68,835)
Issue of personnel shares (see Note 17)	300	-	-	-	(300)	-
Issue of shares (see Note 17)	2,700	35,505	-	-	-	38,205
<b>31.12.2016</b>	<b>38,300</b>	<b>132,423</b>	<b>2,134</b>	<b>1,139</b>	<b>147,806</b>	<b>321,802</b>

## Interim Condensed Cash Flow Statements

	EUR'000			
	Group	Group	Bank	Bank
	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
<b>Cash flows from operating activities</b>				
Profit before corporate income tax	81,303	68,246	81,961	74,563
Amortisation and depreciation of fixed assets and investment properties	4,059	5,019	3,142	3,377
Impairment allowance for loans	(332)	5,888	(57)	5,483
Impairment of financial instruments	53	1,670	53	1,670
Interest (income)	(85,937)	(85,548)	(84,208)	(83,547)
Interest expense	21,442	20,589	21,493	20,508
Other non-cash items	(20,294)	(1,737)	(13,850)	1,546
<b>Net cash flows from operating activities before changes in assets and liabilities</b>	<b>294</b>	<b>14,127</b>	<b>8,534</b>	<b>23,600</b>
(Increase)/ decrease in balances due from credit institutions	(19,292)	(7,878)	(19,292)	(12,831)
(Increase) in loans	(147,145)	(70,698)	(131,823)	(69,656)
Decrease/ (increase) in financial assets at fair value through profit or loss	314	(4,901)	3,885	(7,063)
Decrease/ (increase) in other assets	8,988	9,879	(971)	2,902
(Decrease)/ increase in balances due to credit institutions	(129,895)	156,890	(129,895)	160,238
(Decrease)/ increase in deposits	(904,607)	175,238	(946,362)	175,459
(Decrease) in derivatives	(826)	(1,307)	(282)	(1,307)
(Decrease) in other liabilities	(17,186)	11,837	(24,269)	21,747
<b>Net cash flows from operating activities before corporate income tax</b>	<b>(1,209,355)</b>	<b>283,187</b>	<b>(1,240,475)</b>	<b>293,089</b>
Interest received in the reporting year	87,326	87,170	87,295	85,170
Interest (paid) in the reporting year	(21,921)	(19,937)	(21,973)	(19,857)
Corporate income tax (paid)	(2,987)	(3,237)	(1,612)	(2,952)
<b>Net cash flows from operating activities</b>	<b>(1,146,937)</b>	<b>347,183</b>	<b>(1,176,765)</b>	<b>355,450</b>
<b>Cash flows from investing activities</b>				
(Purchase) of held-to-maturity investments	(97,680)	(118,729)	(81,925)	(97,391)
Redemption of held-to-maturity investments	83,890	141,209	80,990	140,009
(Purchase) of available-for-sale financial assets	(313,809)	(1,373,698)	(266,403)	(1,288,302)
Sale of available-for-sale financial assets	1,143,893	957,295	1,128,577	859,890
(Purchase) of intangible and tangible fixed assets and investment properties	(19,448)	(4,435)	(2,926)	(3,718)
Sale of intangible and tangible fixed assets and investment properties	580	122	73	1,046
Decrease in investments in subsidiaries and associates	135	-	10,234	3,321
(Decrease) in cash and cash equivalents due to loss of control	-	(282)	-	-
(Increase) in investments in subsidiaries and associates	-	-	(25,003)	(11,098)
<b>Net cash flows from investing activities</b>	<b>797,561</b>	<b>(398,518)</b>	<b>843,617</b>	<b>(396,243)</b>
<b>Cash flows from financing activities</b>				
Increase in subordinated loans	600	1,560	600	1,560
(Repayment) of subordinated loans	(1,345)	(1,600)	(1,345)	(1,600)
Sale of issued securities	239,533	239,691	241,533	239,691
(Repurchase) of issued securities	(281,654)	(168,522)	(284,163)	(173,972)
Dividends (paid)	(69,384)	(58,847)	(68,840)	(58,443)
Increase in non-controlling interests	1,674	126	-	-
Issue of shares	38,205	33,033	38,205	33,033
<b>Net cash flows from financing activities</b>	<b>(72,371)</b>	<b>45,441</b>	<b>(74,010)</b>	<b>40,269</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(421,747)</b>	<b>(5,894)</b>	<b>(407,158)</b>	<b>(524)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,014,984</b>	<b>1,009,756</b>	<b>1,002,126</b>	<b>987,436</b>
Result from revaluation of foreign currency positions	1,506	11,122	3,899	15,214
<b>Cash and cash equivalents at the end of the period</b>	<b>594,743</b>	<b>1,014,984</b>	<b>598,867</b>	<b>1,002,126</b>

	EUR'000			
	Group	Group	Bank	Bank
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
<b>Cash and cash equivalents</b>				
Cash and deposits with central banks	414,431	449,136	413,047	448,187
Balances due from credit institutions	196,669	615,002	206,090	617,233
Balances due to credit institutions	(16,357)	(49,154)	(20,270)	(63,294)
<b>Total cash and cash equivalents</b>	<b>594,743</b>	<b>1,014,984</b>	<b>598,867</b>	<b>1,002,126</b>

Information about balances due from credit institutions other than cash equivalents is presented in Note 8.

## Notes to the Interim Condensed Financial Statements for the twelve-month period ended 31 December 2016

### Note 1

#### General Information

ABLV Bank, AS (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 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.

These consolidated and separate interim condensed financial statements for the twelve-month period contain the financial information about ABLV Bank, AS and its subsidiaries (hereinafter - the group). The separate financial statements of the bank are included in these consolidated and separate interim condensed financial statements to comply with legal requirements for the twelve-month period. The bank is the parent entity of the group.

The group's and bank's main scope of activity is financial and investment services, asset management, financial consultations and real estate management.

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., ABLV Asset Management, IPAS, ABLV Capital Markets, IBAS, Pillar Holding Company, KS. The list of all group's subsidiaries is presented in Note 13.

The group operates foreign 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 (representative office in Kyiv and a separate representative office in Odessa), in Uzbekistan (Tashkent), United States of America (New York) and in Hong Kong.

The following abbreviations are used in the notes to these interim condensed financial statements for the twelve-month period: International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Accounting Standards Board (IASB), International Financial Reporting Interpretations Committee (IFRIC), Financial and Capital Market Commission of the Republic of Latvia (FCMC), European Monetary Union (EMU), European Union (EU), Organisation for Economic Cooperation and Development (OECD), European Central Bank (ECB).

The consolidated and separate interim condensed financial statements of the group and the separate financial statements of the bank for the twelve-month period ended 31 December 2016 were approved by the bank's Board and Council on 24 February 2016.

During the reporting period, the group and the bank continued consistent application of risk management methods and principles disclosed in ABLV Bank, AS consolidated financial statements for 2015. The information on risk management is available on the bank's website <http://www.ablv.com/lv/about/financial-reports> in Notes 33 to 37 to ABLV Bank, AS consolidated financial statements for 2015.

#### Performance Indicators

Title of entry		01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Return on equity (ROE)*	%	27.26	27.76	28.82
Return on assets (ROA)*	%	1.85	1.49	1.60
Operating income **	EUR'000	141,875	126,319	108,959
Profit for the reporting period	EUR'000	79,337	69,039	58,674
		31.12.2016	31.12.2015	31.12.2014
Liquidity ratio***	%	78.40	82.68	74.74

\* - 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.

\*\* - Indicator 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.

\*\*\* - indicator are calculated according to principles of the Regulations on Liquidity Requirements, Compliance procedures and Liquidity Risk Management approved by the Financial and Capital Market Commission.

## Note 2

### Information on Principal Accounting Policies

#### a) Basis of Preparation

These consolidated and separate interim condensed financial statements for the twelve-month period are based on the accounting records made pursuant to the legislative requirements and prepared in conformity with IAS 34 as adopted by the European Union, on a going concern basis.

These consolidated and separate interim condensed financial statements for the twelve-month period are prepared on a historical cost basis, except for certain financial assets and liabilities (available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and derivatives) which are reported at fair value. The financial statements give a structured view of the financial position of the group and the bank and their financial performance and cash flows.

During the twelve-month period, the group and the bank consistently applied accounting policies in line with those disclosed in the prior-period financial statements, except for the changes in IFRS that came effective in the reporting period.

The accounting policies are applied consistently by all entities of the group.

The functional currency of the bank and its subsidiaries is EUR. The presentation currency of the group and the bank is EUR.

These consolidated and separate interim condensed financial statements for the twelve-month period are reported in thousands of euros (EUR'000), unless otherwise stated. Information given herein in brackets represents comparative figures for the year ended 31 December 2015 and the twelve-month period ended 31 December 2015.

#### b) Significant Estimates and Assumptions

The preparation of interim condensed financial statements for the twelve-month period in accordance with IFRS as adopted by the EU requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events may cause the assumptions used in arriving at the estimates to change. Such estimates and assumptions are based on the most reliable information available to the management in respect of specific events and actions. The effect of any changes in estimates will be recorded in the interim condensed financial statements for the twelve-month period when determinable.

The significant areas of estimation and assumptions relate to the calculation of deferred corporate income tax, determining the impairment allowance for loans value, estimation of impairment of other assets and the fair value of assets and liabilities, assumptions regarding control and material impact on subsidiaries and associations, as well as assumptions regarding the power that the bank has over open-ended investment funds.

#### c) Basis of Consolidation

These consolidated interim condensed financial statements include the bank and all subsidiaries controlled by the bank (the parent entity), i.e. the bank has the power to govern the financial and operating policies of an entity so as to obtain economic benefits. Subsidiaries are consolidated from the date on which control is transferred to the parent and are no longer consolidated from the date that control ceases.

The entities of the group are listed in Note 13.

Investments in subsidiaries are presented in the bank's separate interim condensed financial statements in accordance with the cost method.

Associates are companies over which the group has significant influence, however, there is no control over their financial and business policies. Investments in associates and the joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and OCI in equity-accounted investees, until the date on which significant influence or joint control ceases.

Goodwill represents the excess of the cost of a business combination over the group's interest in the fair value of the net identifiable assets and contingent liabilities of the acquired subsidiary at the acquisition date. Goodwill on acquisitions of business operation is included in intangible assets. The carrying amount of associates' goodwill in equity is included in the carrying amount of investment in the associate.

Goodwill is allocated to cash-generating units and is stated at cost less impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a business acquisition include the carrying amount of goodwill relating to assets sold.

Negative goodwill arising on an acquisition is recognised immediately in the income statement.

The bank's and its subsidiaries' interim condensed financial statements are consolidated in the group's financial statements using the full consolidation method, by adding together similar items of assets and liabilities at the end of the period, as well as income and expenses. For the purposes of consolidation, intragroup balances and intragroup transactions, including interest income and expense, and unrealised profit and loss resulting from intragroup transactions are eliminated, unless there exists any indication of impairment. Non-controlling (minority) interests represent the portion of profit or loss and equity not owned, directly or indirectly, by the bank. Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent entity shareholders' equity.

The bank's subsidiaries comply with the bank's policies and risk management methods.

The bank's investments in open-ended investment funds as structured entities are disclosed in the separate interim condensed financial statements (Note 9) as investments in open-ended investment funds.

Meanwhile, in the consolidated financial statements the investments in open-ended investment funds, which the bank has the power to govern and in which the bank owns the major part (at least 30 % or above) of net assets, are consolidated according to the full consolidation method. The shares of funds owned by third parties are recognised in the consolidated financial statements as other liabilities.

d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and balances due from central banks and other credit institutions with a contractual original maturity of three months or less. The cash balance is reduced by the amount of demand deposits from the above institutions. Cash and cash equivalents are short-term, highly liquid assets that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

e) Subsequent Events

Post-period-end events that provide additional information about the group's/ bank's position at the reporting date (adjusting events) are reflected in these interim condensed financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.



Note 3

Interest Income and Expense

	EUR'000			
	Group	Group	Bank	Bank
	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
<b>Interest income</b>				
<b>Total interest income on financial assets at fair value through profit or loss</b>	<b>37</b>	<b>403</b>	<b>37</b>	<b>-</b>
<b>Interest income on available-for-sale financial assets and financial assets at amortised cost</b>				
on loans and advances to customers	36,448	34,904	36,447	34,579
on held-to-maturity securities	31,512	31,827	30,127	30,831
on available-for-sale securities	15,229	16,076	14,936	15,820
on balances due from credit institutions and central banks	2,711	2,338	2,661	2,317
<b>Total interest income on available-for-sale financial assets and financial assets at amortised cost</b>	<b>85,900</b>	<b>85,145</b>	<b>84,171</b>	<b>83,547</b>
<b>Total interest income</b>	<b>85,937</b>	<b>85,548</b>	<b>84,208</b>	<b>83,547</b>
<b>Interest expense</b>				
on ordinary bonds issued	7,042	7,304	7,141	7,361
on subordinated liabilities	5,716	5,892	5,716	5,892
financial stability fee costs	3,566	4,690	3,566	4,690
Single Resolution Fund expense	2,019	1,337	2,019	1,337
on the deposit guarantee fund	1,606	802	1,606	674
on balances due to credit institutions and central banks	1,306	425	1,289	425
on deposits from non-bank customers	187	139	156	129
<b>Total interest expense</b>	<b>21,442</b>	<b>20,589</b>	<b>21,493</b>	<b>20,508</b>

Note 4

Commission and Fee Income and Expense

	EUR'000			
	Group	Group	Bank	Bank
	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
<b>Commission and fee income</b>				
commission on payment transfer handling on behalf of customers	21,200	30,001	21,054	29,894
commission on account service	12,342	12,325	11,995	12,087
commission on handling of settlement cards	8,354	9,034	8,356	9,037
commission on brokerage operations	4,650	8,310	-	-
commission on assets management	3,301	2,363	407	628
commission on documentary operations	1,387	1,189	1,387	1,189
other commission and fee income	1,848	2,342	2,204	2,943
<b>Total commission and fee income</b>	<b>53,082</b>	<b>65,564</b>	<b>45,403</b>	<b>55,778</b>
<b>Commission and fee income</b>				
correspondent bank service charges	2,675	4,065	2,668	4,010
commission on payment cards	2,313	2,436	2,314	2,436
commission on customer attraction	1,571	2,385	8,584	9,036
commission on brokerage operations	1,297	1,409	-	-
other commission and fee expense	619	136	549	61
<b>Total commission and fee expense</b>	<b>8,475</b>	<b>10,431</b>	<b>14,115</b>	<b>15,543</b>

Note 5

Net Gain on Transactions with Financial Instruments and Foreign Exchange

	EUR'000			
	Group	Group	Bank	Bank
	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
<b>Financial instruments at fair value through profit or loss</b>				
Gain/ (loss) from revaluation of financial instruments at fair value through profit or loss	1,693	(699)	1,693	(654)
Derivatives	59	4	59	4
Securities	1,634	(703)	1,634	(658)
Gain/ (loss) from trading with financial instruments at fair value through profit or loss	300	660	300	530
Derivatives	(87)	44	(87)	44
Securities	387	616	387	486
<b>Net gain/ (loss) from financial instruments at fair value through profit or loss</b>	<b>1,993</b>	<b>(39)</b>	<b>1,993</b>	<b>(124)</b>
<b>Available-for-sale financial instruments</b>				
Gain from sale of available-for-sale securities	22,031	1,763	21,950	1,711
<b>Net realised gain from available-for-sale financial instruments</b>	<b>22,031</b>	<b>1,763</b>	<b>21,950</b>	<b>1,711</b>
<b>Financial instruments at amortised cost</b>				
(Loss) from sale of held-to-maturity investments	-	(52)	-	(52)
<b>Net realised (loss) from sale of financial instruments</b>	<b>-</b>	<b>(52)</b>	<b>-</b>	<b>(52)</b>
<b>Foreign exchange</b>				
Profit from foreign currency exchange	26,495	28,888	26,665	28,803
(Loss)/ gain from revaluation of foreign currency positions	(5,122)	(9,061)	(5,418)	(9,034)
<b>Net result from foreign exchange trading and revaluation</b>	<b>21,373</b>	<b>19,827</b>	<b>21,247</b>	<b>19,769</b>
<b>Net gain on transactions with financial instruments and foreign exchange</b>	<b>45,397</b>	<b>21,499</b>	<b>45,190</b>	<b>21,304</b>

Note 6

Impairment Allowance for Loans

	EUR'000			
	Group	Group	Bank	Bank
Category	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Loans - individual allowances	27	3,811	322	3,431
Loans - portfolio allowances	379	2,979	359	2,942
<b>Increase/ (decrease) in allowances for the reporting period</b>	<b>406</b>	<b>6,790</b>	<b>681</b>	<b>6,373</b>
(Recovery) of write-offs/ loss from asset write-off	(738)	(902)	(738)	(890)
<b>Impairment allowances established during the reporting period, net</b>	<b>(332)</b>	<b>5,888</b>	<b>(57)</b>	<b>5,483</b>

**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

Changes in loan impairment allowances of the group for the twelve-month period ended 31 December 2016:

	EUR'000				
	Mortgage	Business	Other	Consumer	Total
<b>Allowances at the beginning of the period</b>	<b>14,451</b>	<b>7,759</b>	<b>1,676</b>	<b>69</b>	<b>23,955</b>
Increase	3,027	3,243	720	42	7,032
(Decrease)	(4,033)	(1,831)	(762)		(6,626)
<b>Total allowances for the period</b>	<b>(1,006)</b>	<b>1,412</b>	<b>(42)</b>	<b>42</b>	<b>406</b>
(Decrease) in allowances for the period due to currency fluctuations	16	86	-	-	102
(Elimination) of allowances for the period due to write-offs	(5,650)	(2,147)	(269)	(30)	(8,096)
<b>Allowances at the end of the period</b>	<b>7,811</b>	<b>7,110</b>	<b>1,365</b>	<b>81</b>	<b>16,367</b>
Individual allowances	281	4,490	-	-	4,771
Portfolio allowances	7,530	2,620	1,365	81	11,596
<b>Total gross loans</b>	<b>321,909</b>	<b>641,118</b>	<b>82,015</b>	<b>1,269</b>	<b>1,046,311</b>

Changes in loan impairment allowances of the group for the twelve-month period ended 31 December 2015:

	EUR'000				
	Mortgage	Business	Other	Consumer	Total
<b>Allowances at the beginning of the period</b>	<b>23,936</b>	<b>5,442</b>	<b>1,963</b>	<b>34</b>	<b>31,375</b>
Increase	7,131	7,097	486	440	15,154
(Decrease)	(5,778)	(1,899)	(285)	(402)	(8,364)
<b>Total allowances for the period</b>	<b>1,353</b>	<b>5,198</b>	<b>201</b>	<b>38</b>	<b>6,790</b>
(Decrease) in allowances for the period due to currency fluctuations	46	(14)	-	-	32
(Elimination) of allowances for the period due to write-offs	(10,884)	(2,867)	(488)	(3)	(14,242)
<b>Allowances at the end of the period</b>	<b>14,451</b>	<b>7,759</b>	<b>1,676</b>	<b>69</b>	<b>23,955</b>
Individual allowances	234	6,164	-	-	6,398
Portfolio allowances	14,217	1,595	1,676	69	17,557
<b>Total gross loans</b>	<b>345,728</b>	<b>529,836</b>	<b>21,242</b>	<b>1,152</b>	<b>897,958</b>

**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

Changes in loan impairment allowances of the bank for the twelve-month period ended 31 December 2016:

EUR'000					
	Mortgage	Business	Other	Consumer	Total
<b>Allowances at the beginning of the period</b>	<b>14,451</b>	<b>7,380</b>	<b>1,675</b>	<b>69</b>	<b>23,575</b>
Increase	3,012	3,237	734	34	7,017
(Decrease)	(4,018)	(1,543)	(775)		(6,336)
<b>Total allowances for the period</b>	<b>(1,006)</b>	<b>1,694</b>	<b>(41)</b>	<b>34</b>	<b>681</b>
(Decrease) in allowances for the period due to currency fluctuations	16	93	-	-	109
(Elimination) of allowances for the period due to write-offs	(5,650)	(2,063)	(269)	(30)	(8,012)
<b>Allowances at the end of the period</b>	<b>7,811</b>	<b>7,104</b>	<b>1,365</b>	<b>73</b>	<b>16,353</b>
Individual allowances	281	4,490	-	-	4,771
Portfolio allowances	7,530	2,614	1,365	73	11,582
<b>Total gross loans</b>	<b>321,909</b>	<b>623,390</b>	<b>82,015</b>	<b>1,185</b>	<b>1,028,499</b>

Changes in loan impairment allowances of the bank for the twelve-month period ended 31 December 2015:

EUR'000					
	Mortgage	Business	Other	Consumer	Total
<b>Allowances at the beginning of the period</b>	<b>23,936</b>	<b>5,446</b>	<b>1,963</b>	<b>32</b>	<b>31,377</b>
Increase	7,131	6,681	484	440	14,736
(Decrease)	(5,778)	(1,899)	(284)	(402)	(8,363)
<b>Total allowances for the period</b>	<b>1,353</b>	<b>4,782</b>	<b>200</b>	<b>38</b>	<b>6,373</b>
(Decrease) in allowances for the period due to currency fluctuations	46	(15)	-	-	31
(Elimination) of allowances for the period due to write-offs	(10,884)	(2,833)	(488)	(1)	(14,206)
<b>Allowances at the end of the period</b>	<b>14,451</b>	<b>7,380</b>	<b>1,675</b>	<b>69</b>	<b>23,575</b>
Individual allowances	234	5,785	-	-	6,019
Portfolio allowances	14,217	1,595	1,675	69	17,556
<b>Total gross loans</b>	<b>345,728</b>	<b>528,953</b>	<b>21,241</b>	<b>1,152</b>	<b>897,074</b>

## Note 7

### Cash and Deposits with Central Banks

	EUR'000			
	Group		Bank	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Demand deposits with the Bank of Latvia	398,719	438,528	398,719	438,528
Cash on hand	14,331	9,662	14,328	9,659
Demand deposits with Banque de Luxembourg	1,381	946	-	-
<b>Total cash and deposits with central banks</b>	<b>414,431</b>	<b>449,136</b>	<b>413,047</b>	<b>448,187</b>

## Note 8

### Balances Due from Credit Institutions

As at 31 December 2016, the bank had established correspondent relationships with 32 (32) credit institutions registered in the EU and OECD area, 4 (4) credit institutions registered in Latvia, and 36 (38) credit institutions registered in other countries.

As at 31 December 2016, the group's and bank's major balances due from credit institutions registered in the EU and OECD area were as follows: EUR 48.0 (46.1) million due from Bank of China Limited (Singapore Branch), EUR 45.5 (114.6) million due from Landesbank Baden-Wuerttemberg, EUR 27.0 (18.5) million due from UBS Switzerland AG.

	EUR'000			
	Group 31.12.2016	Group 31.12.2015	Bank 31.12.2016	Bank 31.12.2015
<b>Demand deposits with credit institutions</b>				
Correspondent account balances	178,833	363,058	175,484	359,850
Overnight deposits	3,734	-	16,067	5,000
<b>Total demand deposits with credit institutions</b>	<b>182,567</b>	<b>363,058</b>	<b>191,551</b>	<b>364,850</b>
<b>Other balances due from credit institutions</b>				
Term deposits	79,189	296,893	79,189	296,893
Other balances	10,764	10,029	10,764	10,029
<b>Total other balances due from credit institutions</b>	<b>89,953</b>	<b>306,922</b>	<b>89,953</b>	<b>306,922</b>
<b>Total balances due from credit institutions</b>	<b>272,520</b>	<b>669,980</b>	<b>281,504</b>	<b>671,772</b>

As at 31 December 2016, part of the group's and bank's balances due from credit institutions totalling EUR 24.8 (49.7) million and EUR 24.3 (49.2) million respectively were pledged to secure transactions with financial instruments other than cash equivalents.

Cash equivalents do not include the group's and bank's term deposits of EUR 51.3 (5.3) million.

## Note 9

### Financial Assets at Fair Value through Profit or Loss

Issuer	EUR'000			
	Group 31.12.2016	Group 31.12.2015	Bank 31.12.2016	Bank 31.12.2015
<b>Fixed-income debt securities</b>				
Corporate companies	12,352	9,322	-	-
Credit institutions	6,647	1,479	4,671	-
Central governments and central banks	2,483	511	-	-
Financial auxiliaries and other financial intermediaries	229	162	-	-
Municipalities	112	13	-	-
<b>Total fixed-income debt securities</b>	<b>21,823</b>	<b>11,487</b>	<b>4,671</b>	<b>-</b>
<b>Equity shares</b>				
Corporate companies	272	1,506	272	1,506
Credit institutions	-	1,100	-	1,100
<b>Total investments in equity shares</b>	<b>272</b>	<b>2,606</b>	<b>272</b>	<b>2,606</b>
Investments in funds	6,321	12,028	16,067	19,680
<b>Total financial instruments at fair value</b>	<b>28,416</b>	<b>26,121</b>	<b>21,010</b>	<b>22,286</b>

Ten largest exposures as at 31 December 2016 amounted to 42.6% (46.6%) of the total group's financial assets at fair value through profit or loss, whereas ten largest exposures of the total bank's financial assets at fair value through profit or loss, amounted to 99.9% (87.9%).

Note 10

Available-for-Sale Financial Assets

Issuer	EUR'000			
	Group	Group	Bank	Bank
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Fixed-income debt securities				
Central governments	630,171	1,447,424	608,301	1,425,277
Credit institutions	237,546	238,795	214,832	223,449
International organisations	67,092	64,864	67,092	64,864
Corporate companies	64,766	33,008	41,776	31,094
Municipalities	22,760	19,510	17,013	16,590
Financial auxiliaries and other financial intermediaries	6,974	6,651	4,806	6,651
<b>Total fixed-income debt securities</b>	<b>1,029,309</b>	<b>1,810,252</b>	<b>953,820</b>	<b>1,767,925</b>
Equity shares				
Financial auxiliaries and other financial intermediaries	2,974	12,398	2,974	12,398
Corporate companies	300	231	300	231
<b>Total investments in equity shares</b>	<b>3,274</b>	<b>12,629</b>	<b>3,274</b>	<b>12,629</b>
Investments in funds	9,991	10,192	-	-
<b>Total available-for-sale financial instruments</b>	<b>1,042,574</b>	<b>1,833,073</b>	<b>957,094</b>	<b>1,780,554</b>

Ten largest exposures as at 31 December 2016 amounted to 62.2% (78.1%) of the total group's available-for-sale financial assets, whereas ten largest exposures of the total bank's available-for-sale financial assets amounted to 66.5% (79.3%).

Most of the debt securities' portfolio – 88.9% (90.9%) of assets - has been invested by the bank in investment-grade securities. At the end of the reporting period, the average weighted modified duration<sup>†</sup> of the bank's securities portfolio was 2.5 (2.5).

Note 11

Held-to-Maturity Financial Instruments

Issuer	EUR'000			
	Group	Group	Bank	Bank
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Fixed-income debt securities				
Central governments and central banks	645,800	602,613	623,428	587,571
Corporate companies	185,403	164,235	159,001	147,119
Credit institutions	120,197	150,774	109,754	137,603
Municipalities	71,615	69,339	69,214	67,014
International organisations	30,322	30,136	28,667	28,512
Financial auxiliaries and other financial intermediaries	1,982	516	978	-
<b>Total held-to-maturity financial instruments, gross</b>	<b>1,055,319</b>	<b>1,017,613</b>	<b>991,042</b>	<b>967,819</b>
Impairment allowance	(1,332)	(2,566)	(1,332)	(2,566)
<b>Total held-to-maturity financial instruments, net</b>	<b>1,053,987</b>	<b>1,015,047</b>	<b>989,710</b>	<b>965,253</b>

As at 31 December 2016, part of the held-to-maturity financial instruments totalling EUR 4.6 (9.4) million were pledged for securing transactions with financial instruments and held-to-maturity financial instruments totalling EUR 53.2 (143.4) million for securing targeted longer-term refinancing operations (TLTRO).

Ten largest exposures as at 31 December 2016 amounted to 59.6% (58.0%) of the total group's held-to-maturity financial instruments, whereas ten largest exposures of the total bank's held-to-maturity financial instruments amounted to 62.5% (60.1%).

\* - 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.

Note 12

Loans and Receivables

The breakdown of loans issued by the group and the bank by customer profile:

Customer profile	EUR'000			
	Group 31.12.2016	Group 31.12.2015	Bank 31.12.2016	Bank 31.12.2015
Corporate companies	483,065	406,752	465,337	405,868
Private individuals	348,924	372,906	348,840	372,906
Financial auxiliaries and other financial intermediaries	204,382	118,300	204,382	118,300
Credit institutions	9,940	-	9,940	-
<b>Total gross loans</b>	<b>1,046,311</b>	<b>897,958</b>	<b>1,028,499</b>	<b>897,074</b>
Impairment allowance	(16,367)	(23,955)	(16,353)	(23,575)
<b>Total net loans</b>	<b>1,029,944</b>	<b>874,003</b>	<b>1,012,146</b>	<b>873,499</b>

As at 31 December 2016, part of the group's and bank's balances due from other financial intermediaries totalling EUR 22.8 (6.8) million respectively were pledged to secure transactions with financial instruments.

More detailed information about impairment allowances for loans is disclosed in Note 6.

Ten largest exposures as at 31 December 2016 amounted to 22.9% (23.1%) of the total group's net loan portfolio, whereas the ten largest exposures of the bank constituted 23.3% (23.1%) of the net loan portfolio.

The breakdown of loans issued by the group and the bank by 5 largest countries of borrowers:

Country	EUR'000			
	Group 31.12.2016	Group 31.12.2015	Bank 31.12.2016	Bank 31.12.2015
Latvia	721,342	639,138	726,057	638,634
Russian Federation	135,441	111,867	113,008	111,867
United States of America	51,366	11,611	51,366	11,611
Great Britain	30,832	19,285	30,831	19,285
Ukraine	17,961	18,001	17,961	18,001
Total other countries	73,002	74,101	72,923	74,101
<b>Total net loans</b>	<b>1,029,944</b>	<b>874,003</b>	<b>1,012,146</b>	<b>873,499</b>

**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

Credit quality analysis for the group:

	EUR'000					
	Mortgage	Business	Other	Consumer	Total gross loans	Fair value of collateral
	31.12.2016					
Neither past due nor impaired loans	269,228	622,730	80,607	1,056	973,621	1,557,791
Past due but not impaired loans, incl.:	30,606	7,254	-	123	37,983	41,140
less than 30 days	24,851	3,571	-	53	28,475	30,872
31 to 59 days	4,472	3,403	-	26	7,901	9,106
60 to 89 days	505	6	-	23	534	416
more than 90 days	778	274	-	21	1,073	746
Impaired loans	22,075	11,134	1,408	90	34,707	23,794
<b>Total gross loans</b>	<b>321,909</b>	<b>641,118</b>	<b>82,015</b>	<b>1,269</b>	<b>1,046,311</b>	<b>1,622,725</b>
Impairment allowance	(7,811)	(7,110)	(1,365)	(81)	(16,367)	
<b>Total net loans</b>	<b>314,098</b>	<b>634,008</b>	<b>80,650</b>	<b>1,188</b>	<b>1,029,944</b>	
	31.12.2015.					
Neither past due nor impaired loans	280,325	510,619	19,523	912	811,379	1,221,800
Past due but not impaired loans, incl.:	30,948	4,445	-	126	35,519	33,667
less than 30 days	26,448	697	-	76	27,221	24,454
31 to 59 days	3,107	1,325	-	26	4,458	4,731
60 to 89 days	414	1,159	-	12	1,585	1,866
more than 90 days	979	1,264	-	12	2,255	2,616
Impaired loans	34,455	14,772	1,719	114	51,060	33,422
<b>Total gross loans</b>	<b>345,728</b>	<b>529,836</b>	<b>21,242</b>	<b>1,152</b>	<b>897,958</b>	<b>1,288,889</b>
Impairment allowance	(14,451)	(7,759)	(1,676)	(69)	(23,955)	
<b>Total net loans</b>	<b>331,277</b>	<b>522,077</b>	<b>19,566</b>	<b>1,083</b>	<b>874,003</b>	

Credit quality analysis for the bank:

	EUR'000					
	Mortgage	Business	Other	Consumer	Total gross loans	Fair value of collateral
	31.12.2016					
Neither past due nor impaired loans	269,228	605,016	80,607	982	955,833	1,548,410
Past due but not impaired loans, incl.:	30,606	7,254	-	123	37,983	41,140
less than 30 days	24,851	3,571	-	53	28,475	30,872
31 to 59 days	4,472	3,403	-	26	7,901	9,106
60 to 89 days	505	6	-	23	534	416
more than 90 days	778	274	-	21	1,073	746
Impaired loans	22,075	11,120	1,408	80	34,683	23,794
<b>Total gross loans</b>	<b>321,909</b>	<b>623,390</b>	<b>82,015</b>	<b>1,185</b>	<b>1,028,499</b>	<b>1,613,344</b>
Impairment allowance	(7,811)	(7,104)	(1,365)	(73)	(16,353)	
<b>Total net loans</b>	<b>314,098</b>	<b>616,286</b>	<b>80,650</b>	<b>1,112</b>	<b>1,012,146</b>	
	31.12.2015.					
Neither past due nor impaired loans	280,325	510,620	19,523	912	811,380	1,213,960
Past due but not impaired loans, incl.:	30,948	4,445	-	126	35,519	33,667
less than 30 days	26,448	697	-	76	27,221	24,454
31 to 59 days	3,107	1,325	-	26	4,458	4,731
60 to 89 days	414	1,159	-	12	1,585	1,866
more than 90 days	979	1,264	-	12	2,255	2,616
Impaired loans	34,455	13,888	1,718	114	50,175	33,422
<b>Total gross loans</b>	<b>345,728</b>	<b>528,953</b>	<b>21,241</b>	<b>1,152</b>	<b>897,074</b>	<b>1,281,049</b>
Impairment allowance	(14,451)	(7,380)	(1,675)	(69)	(23,575)	
<b>Total net loans</b>	<b>331,277</b>	<b>521,573</b>	<b>19,566</b>	<b>1,083</b>	<b>873,499</b>	



Note 13

Investments in Subsidiaries and Associates

The group's investments in associates:

Company	Country of incorporation	Share capital	Equity	31.12.2016		31.12.2015		EUR'000	
				Group's share of total share capital, %	Carrying amount under equity method	Group's share of total share capital, %	Carrying amount under equity method	31.12.2016	31.12.2015
AmberStone Group, AS	LV	35,000	40,886	24.28	9,117	35,000	40,158	24.64	9,068
<b>Total investments in associates</b>		<b>35,000</b>	<b>40,886</b>	<b>x</b>	<b>9,117</b>	<b>35,000</b>	<b>40,158</b>	<b>x</b>	<b>9,068</b>

The bank's investments in associates:

Company	Country of incorporation	Share capital	Equity	31.12.2016		31.12.2015		EUR'000	
				Bank's share of total share capital, %	Carrying amount	Bank's share of total share capital, %	Carrying amount	31.12.2016	31.12.2015
AmberStone Group, AS	LV	35,000	40,886	24.28	8,635	35,000	40,158	24.64	8,770
<b>Total investments in associates</b>		<b>35,000</b>	<b>40,886</b>	<b>x</b>	<b>8,635</b>	<b>35,000</b>	<b>40,158</b>	<b>x</b>	<b>8,770</b>

Movements in the investments in subsidiaries and associates:

	EUR'000			
	Group	Group	Bank	Bank
	01.01.2016-31.12.2016	01.01.2015-31.12.2015	01.01.2016-31.12.2016	01.01.2015-31.12.2015
<b>Investments at the beginning of the period</b>	<b>9,068</b>	<b>2</b>	<b>8,770</b>	<b>-</b>
Establishment/(disposal) of associates	(135)	(2)	(135)	-
Change in investments in associates under equity method	184	12	-	-
Increase in investments in associates as a result of loss of control	-	9,056	-	8,770
<b>Investments at the end of the period</b>	<b>9,117</b>	<b>9,068</b>	<b>8,635</b>	<b>8,770</b>

**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

As at 31 December 2016, the group comprised the following entities:

No	Company	Country of incorporation	Registration number	Business profile	31.12.2016	31.12.2016	31.12.2015	31.12.2015
					Share in the entity's capital (%)	Share in the entity's capital with voting rights (%)	Share in the entity's capital (%)	Share in the entity's capital with voting rights (%)
1	ABLV Bank, AS	LV	50003149401	Financial services	100	100	100	100
2	ABLV Bank Luxembourg, S.A.	LU	B 162048	Financial services	100	100	100	100
3	ABLV Consulting Services, AS	LV	40003540368	Consulting services	100	100	100	100
4	ABLV Advisory Services, SIA	LV	40103964811	Consulting services	100	100	100	100
5	ABLV Corporate Services Holding Company, SIA	LV	40103799987	Holding company	100	100	100	100
6	ABLV Corporate Services, SIA	LV	40103283479	Consulting services	100	100	100	100
7	ABLV Corporate Services, LTD	CY	HE273600	Consulting services	100	100	100	100
8	ABLV Asset Management, IPAS	LV	40003814724	Financial services	90	100	90	100
9	ABLV Capital Markets, IBAS	LV	40003814705	Financial services	90	100	90	100
10	PEM, SIA	LV	40103286757	Investment project management	51	51	100	100
11	PEM 1, SIA		40103551353	Wholesale of other machinery and equipment	51	51	100	100
12	ABLV Private Equity Fund 2010, KS	LV	40103307758	Investment activities	-	-	100	100
13	New Hanza Capital, AS	LV	50003831571	Holding company	88	88	91.6	91.6
14	NHC 1, SIA	LV	50103247681	Investments in real estate	88	88	100	100
15	NHC 2, SIA	LV	40103963977	Investments in real estate	88	88	-	-
16	NHC 3, SIA	LV	50103994841	Investments in real estate	88	88	-	-
17	NHC 4, SIA	LV	40203032424	Investments in real estate	88	88	-	-
18	NHC 5, SIA	LV	50203032411	Investments in real estate	88	88	-	-
19	NHC 6, SIA	LV	40203032439	Investments in real estate	88	88	-	-
20	Pillar, SIA	LV	40103554468	Holding company	100	100	100	100
21	Pillar Holding Company, KS	LV	40103260921	Holding company	100	100	100	100
23	Pillar 3, SIA	LV	40103193067	Real estate operations	100	100	100	100
24	Pillar 4 & 6, SIA	LV	40103210494	Real estate operations	100	100	100	100
25	Pillar 7 & 8, SIA	LV	40103240484	Real estate operations	100	100	100	100
26	Pillar 9, SIA	LV	40103241210	Real estate operations	100	100	100	100
27	Pillar 11, SIA	LV	40103258310	Real estate operations	100	100	100	100
22	Pillar 2, 12 & 14, SIA	LV	50103313991	Real estate operations	100	100	100	100
28	Pillar 18, SIA	LV	40103492079	Real estate operations	100	100	100	100
29	Pillar 19, SIA	LV	40103766952	Real estate operations	100	100	100	100
30	Pillar 20, SIA	LV	40103903056	Real estate operations	100	100	100	100
31	Pillar 21, SIA	LV	40103929286	Real estate operations	100	100	100	100
32	Pillar 22, SIA	LV	50103966301	Real estate operations	100	100	-	-
33	Pillar Management, SIA	LV	40103193211	Real estate operations	100	100	100	100
34	Pillar RE Services, SIA	LV	40103731804	Parking place services	100	100	100	100
35	Pillar Contractor, SIA	LV	40103929498	Management and coordination of construction processes	100	100	100	100
36	Pillar Architekten, SIA	LV	40103437217	Designing and authorship supervision	100	100	100	100
37	Pillar Development, SIA	LV	40103222826	Infrastructure maintenance	100	100	100	100
38	Pillar Utilities, SIA	LV	40103693339	Infrastructure management	100	100	100	100
39	ABLV Building Complex, SIA	LV	40203037667	Investments in real estate	100	100	-	-

**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

Open-end mutual funds included in the group:

No	Open-end mutual fund	Country of registration	ISIN	Fund type	31.12.2016	31.12.2015
					Share in the entity's capital (%)	Share in the entity's capital (%)
1	ABLV Multi-Asset Total Return USD Fund	LV	LV0000400919	Total return fund	70.6	76.0
2	ABLV High Yield CIS RUB Bond Fund	LV	LV0000400778	Corporate bond fund	69.3	69.3
3	ABLV Emerging Markets Corporate USD Bond Fund	LV	LV0000400935	Corporate bond fund	58.4	86.6
4	ABLV European Industry EUR Equity Fund	LV	LV0000400844	Equity fund	54.6	57.5

The bank's investments in subsidiaries:

Company	Country of incorporation	31.12.2016		31.12.2015		EUR'000				
		Share capital	Equity	Bank's share of total share capital, %	Carrying amount	Share capital	Equity	Bank's share of total share capital, %	Carrying amount	
Pillar Holding Company, KS	LV	75,000	71,085	100	75,000	85,000	81,639	100	85,000	
ABLV Bank Luxembourg, S.A.	LU	25,000	15,191	100	25,000	25,000	14,430	100	25,000	
Pillar Development, SIA	LV	15,600	14,087	100	15,600	12,300	11,275	100	12,300	
New Hanza Capital, AS	LV	15,000	14,904	88	13,200	-	-	-	-	
ABLV Building Complex, SIA	LV	8,500	8,497	100	8,500	-	-	-	-	
Pillar Management, SIA	LV	1,000	991	100	1,073	1,000	975	100	1,073	
ABLV Capital Markets, IBAS	LV	1,000	4,173	90	900	1,000	6,423	90	900	
ABLV Consulting services, AS	LV	711	907	100	711	711	802	100	711	
ABLV Asset Management, IPAS	LV	650	830	90	585	650	1,032	90	585	
PEM, SIA	LV	100	849	51	51	100	(256)	100	100	
ABLV Corporate Services Holding Company, SIA	LV	100	211	100	100	100	141	100	100	
Pillar, SIA	LV	3	-	2	100	6	3	2	100	6
ABLV Advisory Services, SIA	LV	3	26	100	3	-	-	-	-	
ABLV Private Equity Fund 2010, KS	LV	-	-	-	-	50	2,492	100	50	
<b>Total bank's investments in subsidiaries, gross</b>		<b>142,667</b>	<b>131,749</b>	<b>x</b>	<b>140,729</b>	<b>125,914</b>	<b>118,955</b>	<b>x</b>	<b>125,825</b>	
Allowance for impairment					(20,784)				(14,559)	
<b>Total bank's investments in subsidiaries, net</b>					<b>119,945</b>				<b>111,266</b>	

During the reporting period the bank established a new subsidiary ABLV Building Complex, SIA with a share capital of EUR 8.5 million. The new subsidiary will be the ordering party in the bank's headquarters building complex construction.

Customer assets under trust management by ABLV Asset Management, IPAS and assets of the open-end investment funds managed by ABLV Asset Management, IPAS at the end of the reporting period amount to EUR 127.2 (131.2) million. Customer financial instruments of ABLV Capital Markets, IBAS at the end of the reporting period amount to EUR 1.27 (1.15) billion. The bank and ABLV Capital Markets, IBAS provide investment services to customers jointly: ABLV Capital Markets, IBAS accepts customer orders for transactions with financial instruments and the bank executes these orders and acts as the custodian of customer financial instruments.

Credit risk and other risks related to these assets are borne by the customer, who entrusted these assets to the group and/or the bank for trust management.

Movements in the allowance for impairment of subsidiaries:

	EUR'000			
	Group	Group	Bank	Bank
	01.01.2016-31.12.2016	01.01.2015-31.12.2015	01.01.2016-31.12.2016	01.01.2015-31.12.2015
<b>Allowance for impairment at the beginning of the period</b>	-	-	<b>14,559</b>	<b>11,719</b>
Increase in allowance for impairment	-	-	6,225	2,840
<b>Allowance for impairment at the end of the period</b>	-	-	<b>20,784</b>	<b>14,559</b>

**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

Movements in the bank's investment in subsidiaries:

	EUR'000	
	Bank	Bank
	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
<b>Investments at the beginning of period, gross</b>	<b>125,825</b>	<b>126,818</b>
Established/ (dispossessed) subsidiaries	21,703	1,073
(Decrease) in investments due to the loss of control	-	(5,725)
Increase in investments in subsidiaries	3,300	6,980
Decrease in investments in subsidiaries	(10,099)	(3,321)
<b>Investments at the end of the period, gross</b>	<b>140,729</b>	<b>125,825</b>
Allowance for impairment	(20,784)	(14,559)
<b>Investments at the end of the period, net</b>	<b>119,945</b>	<b>111,266</b>

## Note 14

### Deposits

Customer type	EUR'000			
	Group	Group	Bank	Bank
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Corporate companies				
current accounts	2,198,360	2,850,172	2,124,978	2,797,758
term deposits	73,928	37,516	52,206	37,465
<b>Total corporate companies</b>	<b>2,272,288</b>	<b>2,887,688</b>	<b>2,177,184</b>	<b>2,835,223</b>
Other financial intermediaries				
current accounts	211,881	330,460	221,356	338,620
term deposits	19,196	778	19,196	778
<b>Total other financial intermediaries</b>	<b>231,077</b>	<b>331,238</b>	<b>240,552</b>	<b>339,398</b>
Other customers				
current accounts	629	1,796	629	1,796
term deposits	-	-	-	-
<b>Total other customers</b>	<b>629</b>	<b>1,796</b>	<b>629</b>	<b>1,796</b>
<b>Total deposits from corporate customers</b>	<b>2,503,994</b>	<b>3,220,722</b>	<b>2,418,365</b>	<b>3,176,417</b>
Private individuals				
current accounts	500,331	639,554	466,820	601,596
term deposits	21,517	15,179	16,639	15,179
<b>Total deposits from private individuals</b>	<b>521,848</b>	<b>654,733</b>	<b>483,459</b>	<b>616,775</b>
<b>Total deposits</b>	<b>3,025,842</b>	<b>3,875,455</b>	<b>2,901,824</b>	<b>3,793,192</b>

The group's top 20 customers in terms of the deposit amount account 14.0% (14.4%) of the total deposits, whereas the bank's top 20 customers in terms of the deposit amount comprise 14.3% (14.4%) of the total deposits. Of the total deposits placed with the group and the bank, 85.9% (85.7%) are from customers whose beneficiaries are CIS residents.

## Note 15

### Issued Securities

ISIN	Curren- cy	Number of initially issued securities	Par value	Date of emission	Date of maturity	Discount / coupon rate, %	EUR'000			
							Group		Bank	
							31.12.2016	31.12.2015	31.12.2016	31.12.2015
<b>Subordinated bonds</b>										
LV0000800936	EUR	150,000	100	22.12.2011	22.12.2021	4.8	-	14,316	-	14,316
LV0000800977	EUR	50,000	100	25.06.2012	25.06.2022	4.5	4,883	4,669	4,883	4,669
LV0000800985	USD	200,000	100	27.06.2012	27.06.2022	4.5	18,983	18,380	18,983	18,380
LV0000801124	USD	200,000	100	18.03.2013	18.03.2023	4.5	17,792	16,474	17,792	16,474
LV0000801173	USD	200,000	100	27.06.2013	27.06.2023	4.3	17,815	16,537	17,815	16,537
LV0000801181	EUR	200,000	100	27.06.2013	27.06.2023	4.3	18,723	17,948	18,723	17,948
LV0000801223	USD	150,000	100	23.10.2013	23.10.2023	4.3	14,098	13,650	14,098	13,650
LV0000801520	EUR	200,000	100	27.10.2014	27.10.2024	4.1	17,592	16,844	17,592	16,844
LV0000801835	EUR	200,000	100	26.10.2015	26.10.2025	3.8	17,348	2,299	17,348	2,299
LV0000802189	EUR	200,000	100	31.10.2016	31.10.2026	3.8	2,685	-	2,685	-
<b>Subordinated bonds, total</b>							<b>129,919</b>	<b>121,117</b>	<b>129,919</b>	<b>121,117</b>
<b>Ordinary bonds</b>										
LV0000801298	USD	75,000	1,000	17.02.2014	17.02.2016	1.98	-	34,795	-	34,795
LV0000801306	EUR	20,000	1,000	17.02.2014	17.02.2016	1.98	-	12,811	-	14,322
LV0000801421	USD	75,000	1,000	08.07.2014	08.07.2016	2.00	-	60,734	-	60,734
LV0000801439	EUR	20,000	1,000	08.07.2014	08.07.2016	2.05	-	19,705	-	19,705
LV0000801504	USD	75,000	1,000	28.10.2014	28.10.2016	2.10	-	66,437	-	66,437
LV0000801512	EUR	20,000	1,000	28.10.2014	28.10.2016	1.90	-	17,143	-	18,147
LV0000801645	USD	75,000	1,000	23.02.2015	23.02.2017	2.20	62,671	68,031	62,671	68,031
LV0000801652	EUR	20,000	1,000	23.02.2015	23.02.2017	1.80	16,901	17,763	18,411	19,273
LV0000801751	USD	75,000	1,000	07.07.2015	07.07.2017	1.55	50,234	50,636	50,234	50,636
LV0000801769	EUR	20,000	1,000	07.07.2015	07.07.2017	0.80	11,291	17,768	12,797	19,274
LV0000801850	USD	75,000	1,000	26.10.2015	26.10.2017	1.65	42,498	57,579	42,498	57,579
LV0000801868	EUR	20,000	1,000	26.10.2015	26.10.2017	0.80	5,365	6,358	7,368	8,361
LV0000801991	USD	75,000	1,000	22.02.2016	22.02.2018	1.85	60,329	-	60,328	-
LV0000802007	EUR	20,000	1,000	22.02.2016	22.02.2018	0.70	6,273	-	8,278	-
LV0000802072	USD	75,000	1,000	11.07.2016	11.07.2018	1.85	57,310	-	57,310	-
LV0000802080	EUR	20,000	1,000	11.07.2016	11.07.2018	0.70	8,572	-	8,572	-
LV0000802163	USD	75,000	1,000	31.10.2016	31.10.2018	1.85	56,039	-	56,039	-
LV0000802171	EUR	20,000	1,000	31.10.2016	31.10.2018	0.70	13,879	-	13,879	-
<b>Ordinary bonds, total</b>							<b>391,362</b>	<b>429,760</b>	<b>398,385</b>	<b>437,294</b>
<b>Issued securities, total</b>							<b>521,281</b>	<b>550,877</b>	<b>528,304</b>	<b>558,411</b>

The group/ bank retains the right to exercise early redemption of subordinated bonds according to the information provided on the base prospectuses of the respective programmes.

## Note 16

### Subordinated Liabilities

As at 31 December 2016, the group's and bank's subordinated liabilities of EUR 144.7 (136.4) million comprised subordinated bonds amounting to EUR 129.9 (121.1) million and subordinated deposits amounting to EUR 14.8 (15.3) million.

Subordinated deposits by currencies amount to USD 9.8 (9.9) million and EUR 5.5 (6.2) million.

The information on the subordinated bonds issued by the bank are disclosed in Note 15.

**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

The analysis of subordinated deposits as at 31 December 2016:

<b>Lenders</b>	Loan amount, EUR'000	Accumulated interest, EUR'000	Total subordinated loans, EUR'000	Interest rate, %	Currency
non-residents	7,442	12	7,454	1.75 - 3.15	USD
non-residents	5,450	7	5,457	3.00 - 3.76	EUR
residents	1,898	1	1,899	1.99 - 3.15	USD
<b>Total subordinated deposits</b>	<b>14,790</b>	<b>20</b>	<b>14,810</b>		

The analysis of subordinated loans as at 31 December 2015:

<b>Lenders</b>	Loan amount, EUR'000	Accumulated interest, EUR'000	Total subordinated loans, EUR'000	Interest rate, %	Currency
non-residents	9,043	12	9,055	1.75 - 3.15	USD
non-residents	6,195	11	6,206	3.00 - 3.90	EUR
<b>Total subordinated deposits</b>	<b>15,238</b>	<b>23</b>	<b>15,261</b>		

The proportionate share of lenders (for each individual lender) does not exceed 10% of the total amount of the subordinated liabilities.

The remaining weighted average maturity of subordinated deposits from lenders is 2.9 (3.4) years.

Subordinated loans are included in the second tier of equity calculation and are stated at amortised cost. According to the provisions of the subordinated loan agreements, the lenders have no right to demand anticipatory repayment of the loans and capitalise the subordinated loans into the bank's share capital. Discount/ coupon rates and payment frequency are indicated in the final issue regulations, and no solvent issuers may annul coupon payments. If an issuer is dissolved, the payments are made in accordance with statutory requirements. More detailed information about the conditions of issues is available on the bank's website [www.ablv.com](http://www.ablv.com) and relevant final bond issue regulations.

## Note 17

### Paid-in Share Capital

As at 31 December 2016, the paid-in share capital of the bank amounted to EUR 38.3 (35.3) million. The par value of each share is EUR 1.0 (1.0).

The bank's share capital consists of 34 470 000 (31 770 000) ordinary registered voting shares and 3 830 000 (3 530 000) registered non-voting shares (personnel shares).

As at 31 December 2016, the bank had 138 (135) voting shareholders.

**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

The major shareholders of the bank and groups of related shareholders are as follows:

	31.12.2016		31.12.2015	
	Share of the bank's share capital, EUR'000	Share of the bank's voting capital, (%)	Share of the bank's share capital, EUR'000	Share of the bank's voting capital, (%)
<b>Group of shareholders related to Ernests Bernis</b>				
Ernests Bernis	1,701	4.93	1,568	4.93
Nika Berne	293	0.85	270	0.85
Cassandra Holding Company, SIA	12,924	37.49	11,864	37.34
<b>Group of shareholders related to Ernests Bernis, total</b>	<b>14,918</b>	<b>43.27</b>	<b>13,702</b>	<b>43.12</b>
<b>Group of shareholders related to Ojlegs Fijs</b>				
OF Holding, SIA	14,918	43.28	13,702	43.13
<b>Group of shareholders related to Ojlegs Fijs, total</b>	<b>14,918</b>	<b>43.28</b>	<b>13,702</b>	<b>43.13</b>
Other shareholders, total	4,634	13.45	4,366	13.75
<b>Total voting shares</b>	<b>34,470</b>	<b>100.00</b>	<b>31,770</b>	<b>100.00</b>
Non-voting shares (personnel shares)	3,830		3,530	
<b>Total share capital</b>	<b>38,300</b>		<b>35,300</b>	

In the reporting period, the bank issued 2 700 000 ordinary registered voting shares (based on the decisions of the ordinary shareholders' meeting of 7 April 2016). The par value of all the issued shares was EUR 1.0, while the emission price of each ordinary registered voting share was EUR 14.15, comprised of the par value of EUR 1.0 and the share premium of EUR 13.15. The issue was intended to ensure steady development of the group/ bank in the future.

During the reporting period, the bank issued 300,000 personnel shares (from the previous years retained earnings) with a nominal value pf EUR 1.0 (based on the decision of the Extraordinary Shareholders' Meeting of 29 December 2016).

After this issue, the share capital of the bank consisted of 34 470 000 name shares with voting rights and 3 830 000 personnel shares. All ordinary registered voting shares rank equal with respect to dividends, liquidation quota and voting rights in the Shareholders meeting. All personnel shares grant equal rights to dividends. Personnel shares do not grant any right to vote or receive liquidation quotas. Most of the issued voting shares have been acquired by the existing shareholders of the bank - Cassandra Holding Company, SIA and OF Holding, SIA.

The registered non-voting shares (personnel shares) are as follows:

	31.12.2016			31.12.2015		
	Number of employees	Number of personnel shares	Share of the bank's share capital, EUR'000	Number of employees	Number of personnel shares	Share of the bank's share capital, EUR'000
Chairman of the council and council members	3	-	-	3	-	-
Chairman of the board	1	-	-	1	-	-
Board members	6	1,705,000	1,705	6	1,633,800	1,634
Heads and deputy heads of divisions	26	1,775,000	1,775	21	1,566,200	1,566
Heads of departments	1	50,000	50	-	-	-
Non-distributed	-	300,000	300	-	330,000	330
<b>Registered non-voting shares (personnel shares), total</b>	<b>x</b>	<b>3,830,000</b>	<b>3,830</b>	<b>x</b>	<b>3,530,000</b>	<b>3,530</b>

Dividends declared and paid:

	EUR'000			
	Group	Group	Bank	Bank
	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Dividends declared	69,384	58,753	68,835	58,444
Dividends paid	(69,384)	(58,752)	(68,840)	(58,443)
				EUR
			Bank	Bank
			01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Bank's share par value			1.00	1.00
Dividends declared per bank's value			1.95	1.79
Dividends paid per bank's value			1.95	1.79

## Note 18

### Funds under Trust Management

As at 31 December 2016, funds under trust management by the group amounted to EUR 279.8 (226.3) million, while funds under trust management by the bank amounted to EUR 25.4 (39.7) million. The bank's funds under trust management comprise loans issued from the funds specifically assigned by customers to the bank. Meanwhile, the group's funds under trust management also include funds of the customers of ABLV Asset Management, IPAS managed by the said company based on the customers' authorisation and the funds under trust management of ABLV Bank Luxembourg, S.A. More detailed information on the funds of the customers of ABLV Asset Management, IPAS is disclosed in Note 13. The related credit risk and other risks remain fully with the customer, which provided these funds to the group and/or the bank.

## Note 19

### Related Party Disclosures

Related parties of the group and the bank are defined as shareholders who have a qualifying holding in the bank, and chairman and members of the bank's Council and Board, staff of the Internal Audit Department, key management personnel of the group and the bank that are authorised to plan, manage and control group's/ bank's operations and are responsible for these functions, and spouses, parents and children of the individuals referred to previously, bank's subsidiaries and companies in which the group/ bank has an interest, companies in which these individuals have a qualifying holding as well as other legal entities.



**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

Group's transactions with related parties:

	31.12.2016					31.12.2015				
	Shareholders	Management	Related companies	Associated companies	Other related individuals	Shareholders	Management	Related companies	Other related individuals	
<b>Assets</b>										
Loans	1,438	1,873	9,252	8,726	29	29	2,318	9,263	9,838	
<b>Liabilities</b>										
Deposits	5,698	2,037	7,036	8,306	940	3,111	2,255	9,988	7,737	
Subordinated deposits	380	-	-	-	-	-	-	-	-	
Ordinary bonds	-	15	-	6,665	33	150	45	1,139	14,063	
Subordinated bonds	49	6,919	865	3,691	849	-	5,081	1,096	1,748	
<b>Memorandum items</b>										
Undrawn credit facilities and payment card limits	-	167	78	703	20	-	167	78	703	
Guarantees	-	125	-	-	-	-	125	-	160	
	01.01.2016 - 31.12.2016					01.01.2015 - 31.12.2015				
	Shareholders	Management	Related companies	Associated companies	Other related individuals	Shareholders	Management	Related companies	Other related individuals	
<b>Income/ expense</b>										
Interest income	104	42	196	345	-	20	65	173	298	
Interest expense	(2)	(228)	(61)	(300)	(28)	(2)	(167)	(71)	(127)	
Commission and fee income	36	19	40	44	5	1	16	268	4	
Net result from assets held for sale	-	-	-	-	-	-	-	-	72	

Bank's transactions with related parties:

	31.12.2016					31.12.2015				
	Shareholders	Management	Related companies	Subsidiaries	Other related individuals	Shareholders	Management	Related companies	Subsidiaries	Other related individuals
<b>Assets</b>										
Due from credit institutions	-	-	-	12,333	-	-	-	-	5,000	-
Loans	1,438	1,873	9,252	13,445	29	29	2,318	9,263	9,838	109
<b>Liabilities</b>										
Due to credit institutions	-	-	-	3,913	-	-	-	-	14,663	-
Subordinated deposits	5,698	1,974	7,036	35,186	940	3,111	2,245	9,988	26,317	1,884
Deposits	380	-	-	-	-	-	-	-	-	-
Ordinary bonds	-	15	-	13,689	33	150	45	1,139	21,596	28
Subordinated bonds	49	6,919	865	2,453	849	-	5,081	1,096	1,748	820
<b>Memorandum items</b>										
Undrawn credit facilities and payment card limits	-	167	78	773	20	-	150	198	1,004	29
Guarantees	-	125	-	168	-	-	125	-	8	-
	01.01.2016 - 31.12.2016					01.01.2015 - 31.12.2015				
	Shareholders	Management	Related companies	Subsidiaries	Other related individuals	Shareholders	Management	Related companies	Subsidiaries	Other related individuals
<b>Income/ expense</b>										
Interest income	104	42	196	401	-	20	65	173	521	2
Interest expense	(2)	(228)	(61)	(419)	(28)	(2)	(167)	(71)	(207)	(28)
Income from dividends	-	-	-	6,104	-	-	-	-	9,201	-
Commission and fee income	1	16	7	728	4	1	16	268	853	3
Commission and fee expense	-	-	-	(7,013)	-	-	-	-	(6,651)	-
Other operating income	-	-	-	435	-	-	-	-	3,222	-
Recognised impairment, net	-	-	-	(6,225)	-	-	-	-	(2,840)	-

Remuneration paid to the management of the group and the bank for the reporting period was EUR 3.6 (2.2) million.

Information on registered non-voting shares (personnel shares) is presented in Note 17. Meanwhile, information on changes in investments in subsidiaries and associates is disclosed in Note 13.

## Note 20

### Segment Information

The group and the bank believe that the group's operations can be organised into four segments based on the core business activities as follows: banking services, advisory services, investment management services, and management of repossessed properties and investments in real estate.

The group defines its operating segments based on its organisational structure.

The bank views its operations as one single segment, without making any separate disclosures, while at the group level the bank and all its subsidiaries are attributed to the group's operating segments as follows:

- banking services: ABLV Bank, AS, ABLV Bank Luxembourg, S.A.;
- advisory services: ABLV Consulting Services, AS, ABLV Corporate Services Holding Company, SIA, ABLV Corporate Services, SIA, ABLV Corporate Services, LTD, ABLV Advisory Services, SIA;
- investment management services: ABLV Asset Management, IPAS, ABLV Capital Markets, IBAS, PEM SIA, PEM 1, SIA, New Hanza Capital, AS, NHC 1, SIA, NHC 2, SIA, NHC 3, SIA, NHC 4, SIA, NHC 5, SIA, NHC 6, SIA, open-end mutual funds included in the group (see Note 13).
- management of repossessed properties and investments in real estate: ABLV Building Complex, SIA, Pillar Holding Company, KS, Pillar, SIA, Pillar 3, SIA, Pillar 4 & 6, SIA, Pillar 7 & 8, SIA, Pillar 9, SIA, Pillar 11, SIA, Pillar 2, 12 & 14 SIA, Pillar 18, SIA, Pillar 19, SIA, Pillar 20, SIA, Pillar 21, SIA, Pillar 22, SIA, Pillar Development, SIA, Pillar Utilities, SIA, Pillar Management, SIA, Pillar RE Services, SIA, Pillar Contractor, SIA, Pillar Architekten, SIA.

Operating segment information is prepared on the basis of internal reports.

Analysis of the operating segments of the group:

	EUR'000					
	01.01.2016-31.12.2016					
	Banking	Investment management	Consultation services	Management of repossessed properties and investments in real estate	Excluded or corrected on consolidation	Group, total
Net interest income	64,452	(117)	-	134	26	64,495
incl. external transactions	64,495	-	-	-	-	
incl. Internal transactions	(43)	(117)	-	134		
Net commission income	33,258	7,468	(18)	(8)	3,907	44,607
incl. external transactions	39,763	4,853	(9)	-		
incl. Internal transactions	(6,505)	2,615	(9)	(8)		
Net result of transactions with securities and foreign exchange	51,684	(5)	402	57	(6,572)	45,566
incl. external transactions	45,546	(3)	23	-		
incl. Internal transactions	6,138	(2)	379	57		
Net other income/expenses	2,485	2,722	6,973	(946)	(9,362)	1,872
Personnel expense and other administrative expenses	(60,608)	(3,860)	(6,545)	(4,502)	4,058	(71,457)
Depreciation	(3,368)	(162)	(144)	(385)	-	(4,059)
Impairment allowance and other provisions	(6,243)	32	-	-	6,490	279
Corporate income tax	(1,566)	(672)	(81)	(168)	-	(2,487)
<b>Total segment profit/ (loss)</b>	<b>80,094</b>	<b>5,406</b>	<b>587</b>	<b>(5,818)</b>	<b>(1,453)</b>	<b>78,816</b>
						31.12.2016
<b>Total segment assets</b>	<b>4,032,562</b>	<b>58,542</b>	<b>3,011</b>	<b>141,810</b>	<b>(262,602)</b>	<b>3,973,323</b>
<b>Total segment liabilities</b>	<b>3,695,568</b>	<b>32,834</b>	<b>1,459</b>	<b>10,228</b>	<b>(85,100)</b>	<b>3,654,989</b>

**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

	EUR'000						
	01.01.2015 -31.12.2015						
	Banking	Investment management	Investment management excluded due to loss of control	Consultation services	Management of repossessed properties and investments in real estate	Excluded or corrected on consolidation	Group, total
Net interest income	64,217	849	(46)	5	83	(149)	64,959
incl. external transactions	63,840	955	-	-	-	-	
incl. Internal transactions	377	(106)	(46)	5	83		
Net commission income	41,228	10,230	(7)	(20)	(8)	3,710	55,133
incl. external transactions	47,213	7,929	-	(9)	-		
incl. Internal transactions	(5,985)	2,301	(7)	(11)	(8)		
Net result of transactions with securities and foreign exchange	30,841	(175)	(1)	202	(15)	(9,094)	21,758
incl. external transactions	21,776	(166)	-	(38)	-		
incl. Internal transactions	9,065	(9)	(1)	240	(15)		
Net other income/expenses	2,155	(262)	1,777	6,437	(1,398)	(7,922)	787
Personnel expense and other administrative expenses	(52,457)	(3,659)	(437)	(5,932)	(3,908)	4,342	(62,051)
Depreciation	(3,606)	(52)	(860)	(101)	(400)	-	(5,019)
Impairment allowance and other provisions	(12,782)	(296)	-	-	-	5,757	(7,321)
Corporate income tax	(5,547)	(841)	(19)	(50)	85	-	(6,372)
<b>Total segment profit/ (loss)</b>	<b>64,049</b>	<b>5,794</b>	<b>407</b>	<b>541</b>	<b>(5,561)</b>	<b>(3,356)</b>	<b>61,874</b>
							31.12.2015.
<b>Total segment assets</b>	<b>5,047,508</b>	<b>22,253</b>	<b>-</b>	<b>2,961</b>	<b>152,743</b>	<b>(233,877)</b>	<b>4,991,588</b>
<b>Total segment liabilities</b>	<b>4,754,624</b>	<b>10,240</b>	<b>-</b>	<b>1,562</b>	<b>5,742</b>	<b>(57,909)</b>	<b>4,714,259</b>

## Note 21

### Fair Values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The group and the bank disclose the fair values of assets and liabilities in such a manner so as to be able to compare the fair values with the carrying amounts.

Fair value of financial instruments, such as available-for-sale financial assets, financial assets at fair value through profit or loss and held-to-maturity investments, is mostly defined based on quoted prices in an active market. Where no price is observable for some of these financial instruments, fair value is determined based on observable prices in a market, where no active trading is done – this is applicable to several debt securities and open-ended investment funds.

Finally, other valuation techniques are used for some financial assets, which are not quoted in the market and for which no quoted prices for similar financial assets in active markets are available. Fair value of such financial instruments is estimated based on valuation models, which are established on the assumptions and estimates regarding the potential future financials of the investment property, and the industry and geographical area risks in which the respective investment property operates. Fair value of derivatives is calculated based on the net present value method, where all inputs in the valuation model are observable, while exchanged traded derivatives, such as futures, are valued based on quoted prices.

The management of the bank and the group believe that the most credible market value of real estate was identified based on the evaluations presented by both external real estate appraisers and bank's real estate experts. Investment properties are valued on the basis of discounted cash flows. According to this approach, fair value is calculated based on assumptions regarding expected future cash flows from income and expense, resulting from the holding of real estate during its life cycle, including the value of the property at the date of sale. These cash flows are discounted at a discount rate, which is equal to the market return from similar assets, to arrive at the present value. The selling value of the investment properties may differ from the market value as defined, if the market of such kind of properties is not properly developed in Latvia.

As regards other assets and liabilities for which fair value is disclosed and which have a short maturity (less than three months), except for loans and receivables, the group and the bank assume that the fair value approximates to their carrying amount. This assumption also applies to demand deposits and savings accounts. The fair value of loans and advances to customers is estimated by discounting the expected cash flows at a discount rate calculated according to the money market rates at the end of the period and loan interest margins.

**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

The fair value of term deposits is estimated by discounting the expected cash flows at the average market interest rates prevailing at the end of the period.

The carrying amounts and fair values of the group's assets and liabilities are as follows:

	31.12.2016		31.12.2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets at fair value</b>				
Derivatives	624	624	121	121
<b>At fair value through profit or loss</b>				
Financial assets at fair value through profit or loss	28,416	28,416	26,121	26,121
<b>Available-for-sale</b>				
Available-for-sale financial assets	1,042,574	1,042,574	1,833,073	1,833,073
<b>Total assets at fair value</b>	<b>1,071,614</b>	<b>1,071,614</b>	<b>1,859,315</b>	<b>1,859,315</b>
<b>Assets at amortised cost</b>				
Cash and deposits with central banks	414,431	414,431	449,136	449,136
Balances due from credit institutions	272,520	272,520	669,980	669,980
Loans	1,029,944	1,029,081	874,003	873,744
Held-to-maturity investments	1,053,987	1,084,140	1,015,047	1,029,737
Investment properties	34,690	34,690	22,976	22,976
Other financial assets	1,501	1,501	1,465	1,465
<b>Total assets at amortised cost</b>	<b>2,807,073</b>	<b>2,836,363</b>	<b>3,032,607</b>	<b>3,047,038</b>
<b>Liabilities at fair value</b>				
Derivatives	42	42	365	365
Group's consolidated fund shares owned by 3rd parties	6,541	6,541	4,088	4,088
<b>Total liabilities at fair value</b>	<b>6,583</b>	<b>6,583</b>	<b>4,453</b>	<b>4,453</b>
<b>Liabilities at amortised cost</b>				
Financial liabilities at amortised cost	3,636,759	3,632,041	4,696,695	4,692,565
<b>Total liabilities at amortised cost</b>	<b>3,636,759</b>	<b>3,632,041</b>	<b>4,696,695</b>	<b>4,692,565</b>

The carrying amounts and fair values of the bank's assets and liabilities are as follows:

	31.12.2016		31.12.2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets at fair value</b>				
Derivatives	80	80	121	121
<b>At fair value through profit or loss</b>				
Financial assets at fair value through profit or loss	21,010	21,010	22,286	22,286
<b>Available-for-sale</b>				
Available-for-sale financial assets	957,094	957,094	1,780,554	1,780,554
<b>Total assets at fair value</b>	<b>978,184</b>	<b>978,184</b>	<b>1,802,961</b>	<b>1,802,961</b>
<b>Assets at amortised cost</b>				
Cash and deposits with central banks	413,047	413,047	448,187	448,187
Balances due from credit institutions	281,504	281,504	671,772	671,772
Loans	1,012,146	1,011,445	873,499	873,240
Held-to-maturity investments	989,710	1,020,884	965,253	980,771
Investment properties	25,058	25,058	25,069	25,069
Other financial assets	663	663	606	606
<b>Total assets at amortised cost</b>	<b>2,722,128</b>	<b>2,752,601</b>	<b>2,984,386</b>	<b>2,999,645</b>
<b>Liabilities at fair value</b>				
Derivatives	42	42	365	365
<b>Total liabilities at fair value</b>	<b>42</b>	<b>42</b>	<b>365</b>	<b>365</b>
<b>Liabilities at amortised cost</b>				
Financial liabilities at amortised cost	3,517,287	3,512,533	4,634,963	4,630,767
<b>Total liabilities at amortised cost</b>	<b>3,517,287</b>	<b>3,512,533</b>	<b>4,634,963</b>	<b>4,630,767</b>

Hierarchy of input data for determining the fair value of assets and liabilities.

**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

The group and the bank use the following hierarchy of three levels of input data for determining and disclosing the fair value of assets and liabilities:

- Level 1: Quoted prices in active markets;
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable;
- Level 3: Other techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Level 1 instruments may contain liquid securities and exchange traded derivatives. Level 2 instruments may contain securities that do not have an active market, standardised OTC derivatives and foreign exchange transactions as well as certain open-ended investment funds. Level 3 instruments contain certificates of venture capital funds, investment properties, term deposits and loans. For valuation methods and assumptions, please see the description above.

The group's assets and liabilities according to the hierarchy of input data for determining the fair value:

	31.12.2016				31.12.2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets at fair value</b>								
Derivatives	59	565	-	624	4	117	-	121
Financial assets at fair value through profit or loss	1,116	27,299	1	28,416	19,504	6,617	-	26,121
Available-for-sale financial assets	989,277	49,955	3,342	1,042,574	1,760,689	59,687	12,697	1,833,073
<b>Total assets at fair value</b>	<b>990,452</b>	<b>77,819</b>	<b>3,343</b>	<b>1,071,614</b>	<b>1,780,197</b>	<b>66,421</b>	<b>12,697</b>	<b>1,859,315</b>
<b>Assets at amortised cost</b>								
Loans	-	-	1,029,944	1,029,944	-	-	874,003	874,003
Held-to-maturity investments	1,035,724	17,905	358	1,053,987	996,477	18,240	330	1,015,047
Investment properties	-	-	34,690	34,690	-	-	22,976	22,976
<b>Total assets at amortised cost</b>	<b>1,035,724</b>	<b>17,905</b>	<b>1,064,992</b>	<b>2,118,621</b>	<b>996,477</b>	<b>18,240</b>	<b>897,309</b>	<b>1,912,026</b>
<b>Liabilities at fair value</b>								
Derivatives	-	42	-	42	-	365	-	365
Group's consolidated fund shares owned by 3rd parties	-	6,541	-	6,541	-	4,088	-	4,088
<b>Total liabilities at fair value</b>	<b>-</b>	<b>6,583</b>	<b>-</b>	<b>6,583</b>	<b>-</b>	<b>4,453</b>	<b>-</b>	<b>4,453</b>
<b>Liabilities at amortised cost</b>								
Financial liabilities at amortised cost	-	571,281	129,451	700,732	-	741,687	68,734	810,421
<b>Total liabilities at amortised cost</b>	<b>-</b>	<b>571,281</b>	<b>129,451</b>	<b>700,732</b>	<b>-</b>	<b>741,687</b>	<b>68,734</b>	<b>810,421</b>

The bank's assets and liabilities according to the hierarchy of input data for determining the fair value:

	31.12.2016				31.12.2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets at fair value</b>								
Derivatives	59	21	-	80	4	117	-	121
Financial assets at fair value through profit or loss	1,117	19,892	1	21,010	3,545	18,741	-	22,286
Available-for-sale financial assets	919,764	33,988	3,342	957,094	1,718,362	49,495	12,697	1,780,554
<b>Total assets at fair value</b>	<b>920,940</b>	<b>53,901</b>	<b>3,343</b>	<b>978,184</b>	<b>1,721,911</b>	<b>68,353</b>	<b>12,697</b>	<b>1,802,961</b>
<b>Assets at amortised cost</b>								
Loans	-	-	1,012,146	1,012,146	-	-	873,499	873,499
Held-to-maturity investments	971,447	17,905	358	989,710	946,683	18,240	330	965,253
Investment properties	-	-	25,058	25,058	-	-	25,069	25,069
<b>Total assets at amortised cost</b>	<b>971,447</b>	<b>17,905</b>	<b>1,037,562</b>	<b>2,026,914</b>	<b>946,683</b>	<b>18,240</b>	<b>898,898</b>	<b>1,863,821</b>
<b>Liabilities at fair value</b>								
Derivatives	-	42	-	42	-	365	-	365
<b>Total liabilities at fair value</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>365</b>	<b>-</b>	<b>365</b>
<b>Financial liabilities at amortised cost</b>								
Financial liabilities at amortised cost	-	610,964	70,191	681,155	-	749,221	68,683	817,904
<b>Total liabilities at amortised cost</b>	<b>-</b>	<b>610,964</b>	<b>70,191</b>	<b>681,155</b>	<b>-</b>	<b>749,221</b>	<b>68,683</b>	<b>817,904</b>

The analysis of the fair value measurement's hierarchy of assets does not include cash on hands, deposits with central banks, balances due from credit institutions and other financial assets, due to the fact that these assets do not have

differences between the carrying amount and fair value in terms of short residual maturity. The analysis of the fair value measurement's hierarchy of liabilities, which are not recognized at fair value, does not include demand deposits amounted to 2.93 (3.89) billion EUR in the group and demand deposits amounted to 2.83 (3.82) billion EUR in the bank, as these liabilities do not have differences between carrying amount and fair value.

Analysis of changes in the group's/ bank's financial instruments of Level 3:

EUR'000					
Assets at fair value	31.12.2016	Redemption	Recognition	Change of revaluation reserve	31.12.2015
Available-for-sale financial assets	3,342	(12,274)	2,401	518	12,697
<b>Total assets at fair value</b>	<b>3,342</b>	<b>(12,274)</b>	<b>2,401</b>	<b>518</b>	<b>12,697</b>

EUR'000							
Assets at fair value	31.12.2015	Redemption	Impairment	Change in revaluation reserve	Reclassifi- cation	Effect of foreign exchange	31.12.2014
Available-for-sale financial assets	12,697	(16)	(1,053)	12,274	284	86	1,122
<b>Total assets at fair value</b>	<b>12,697</b>	<b>(16)</b>	<b>(1,053)</b>	<b>12,274</b>	<b>284</b>	<b>86</b>	<b>1,122</b>

## Note 22

### Capital Management and Capital Adequacy

The primary objective of the group's and bank's capital management is to ensure that the group and the bank comply with externally imposed capital requirements and maintain healthy capital ratios in order to support their business and maximise the shareholders' value. Capital adequacy reflects group's and bank's ability to cover possible losses from credit, operational and market risks materialization.

In reporting period, the goals of the group's and bank's capital management were consistent with those of the previous years. According to Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment companies (hereinafter referred to as "the Regulation") the group and the bank use the Standardised Approach for credit risk and market risk capital requirements, the Basic Indicator Approach for operational risk capital requirement, and the Standardised Approach to calculate the capital requirement for credit valuation adjustment (CVA) risk of OTC derivatives.

Pursuant to the provisions of the Credit Institution Law, the group and the bank ensures capital conservation buffer in amount of 2.5% of the total risk exposure. The requirements on countercyclical capital buffer became effective on 1 January 2016. The group and the bank calculate the countercyclical capital buffer requirement and ensure that common equity Tier 1 capital (CET1) is sufficient for covering it.

In the reporting period, EC Delegated Regulation (EU) 2016/101, determining the principles for calculating the additional valuation adjustment (AVA), became effective. The group and the bank apply simplified approach to determine the additional valuation adjustment. According to this approach, the additional valuation adjustment is calculated as 0.1% of the sum of the absolute value of fair-valued assets and liabilities.

Apart from the calculation of the minimum capital adequacy ratio, the bank documents and assesses internal capital adequacy. The internal capital adequacy assessment (ICAAP) procedure performed by the bank comprises both quantitative capital adequacy assessment and qualitative aspects, including long-term business planning and formulation of the development strategy, identification of material risks, determination of acceptable risk exposure, development and improvement of risk management systems, as well as identification and control of risks inherent in the bank's business (risk profile) on an ongoing basis.

The methods employed for the ICAAP purposes and the calculation procedure are detailed in the Statement on Information Disclosure published on the bank's website [www.ablv.com](http://www.ablv.com).

It is specified in the Regulation that Common equity Tier 1 capital ratio (CET1) should be 4.5%, Tier 1 capital ratio should be 6.0% and the Total capital ratio should be at least 8.0%.

The group and the bank are in compliance with the requirements of the Regulation.

**ABLV Bank, AS Notes to the interim condensed consolidated and separate financial statements for the twelve-month period ended 31 December 2016**

Own funds and capital requirements:

	EUR'000			
	Group*	Group*	Bank	Bank
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
<b>Tier 1</b>				
paid-in share capital	38,000	35,300	38,000	35,300
share premium	132,423	96,918	132,423	96,918
reserve capital and other reserves	2,134	2,134	2,134	2,134
retained earnings	63,105	72,188	68,770	68,565
current year's profit	6,000	-	6,000	-
intangible assets	(6,029)	(6,333)	(5,827)	(6,036)
revaluation reserve of available-for-sale financial assets	676	3,784	683	3,799
non-controlling interests	1,006	558	-	-
additional valuation adjustment	(642)	-	(590)	-
<b>Total Tier 1</b>	<b>236,673</b>	<b>204,549</b>	<b>241,593</b>	<b>200,680</b>
<b>Common equity tier 1 capital (CET1)</b>	<b>236,673</b>	<b>204,549</b>	<b>241,593</b>	<b>200,680</b>
<b>Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 2</b>				
subordinated capital	125,063	120,323	125,063	120,323
<b>Total Tier 2 capital</b>	<b>125,063</b>	<b>120,323</b>	<b>125,063</b>	<b>120,323</b>
<b>Total own funds</b>	<b>361,736</b>	<b>324,872</b>	<b>366,656</b>	<b>321,003</b>
<b>Capital requirement</b>				
Capital requirement for credit risk	128,364	125,680	125,251	125,612
Total capital requirement for market risks	7,627	7,240	7,642	7,240
incl. capital requirement for foreign currency risk	1,671	496	1,686	496
incl. capital requirement for position risk	5,956	6,744	5,956	6,744
Capital requirement for counterparty credit risk	5	11	5	11
CVA	1	3	1	3
Capital requirement for operational risk	20,229	20,907	17,601	15,867
<b>Total capital requirement</b>	<b>156,226</b>	<b>153,841</b>	<b>150,500</b>	<b>148,733</b>
Common equity tier 1 capital ratio (CET1) (%)	12.12	10.64	12.84	10.79
Total capital ratio (%)	18.52	16.89	19.49	17.27

\* the group composition conforms to the Regulation requirements; the differences from the IFRS requirements are indicated in the Statement of Information Disclosure available at the bank's website [www.ablv.com](http://www.ablv.com).

## Note 23

### 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.

## Note 24

### 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 these interim condensed consolidated financial statements, except those stated below.