



ABLV

BANKING / INVESTMENTS \ ADVISORY

ABLV Bank, AS

Public Quarterly Report
January – March 2017

Bank's Management Report

Dear shareholders of ABLV Bank, AS,

The first quarter of this year was dominated by optimism in the global economy, which was supported also by the published macroeconomic reports. According to operative data, gross domestic product (GDP) of Eurozone grew by 1.7% in Q1. Latvian economy continues to show stable growth as well. According to Eurostat data, Latvian GDP increased by 3.9% in Q1, being the fourth biggest GDP increase among European Union Member-States.

Q1 results enable us to predict that the targets set forth for 2017 are going to be reached. All significant indicators of the bank's operation remain high, including capital adequacy and liquidity indicators. In order to ensure stable growth for upcoming years we are gradually shifting emphasis to various business lines of the bank. We are decreasing the share of settlement business due to its higher risk profile, while focusing on quality servicing of capital with high value added, such as arranging issue of securities, lending to companies, supporting complex trade transactions, investment services. Our employees possess the necessary expertise and broad experience, which is a significant advantage upon rendering such services.

Continuing our bond issue programme, earlier in 2017 we performed two new coupon bond issues, their total size amounting to USD 75 million and EUR 20 million at face value. During initial placement, bonds were acquired by 119 investors. The issues were performed under the Sixth Bond Offer Programme, and the bonds are included in the regulated market — Baltic Bond List of Nasdaq Riga.

On March 31 2017 an extraordinary ABLV Bank, AS shareholders meeting took place, where a decision was made on share capital increase, offering the shareholders to reinvest the gained profit into the development of the bank. Share capital of ABLV Bank, AS is going to be increased by an issue of 3,780,000 new registered voting shares. Following the share capital increase, the bank's new subscribed share capital will amount to EUR 42.1 million, and the same will consist of 38,250,000 registered voting shares and 3,830,000 employee non-voting shares.

Bank continues active operation in commercial lending. There were new loan agreements signed in Q1 amounting to EUR 45.9 million in total, mainly lending to the companies in Latvia. By the end of the reporting period, the amount of commercial loans portfolio reached EUR 659.6 million.

Within the reporting period, ABLV Group grew bigger by one new company ABLV Corporate Finance, SIA, which is going to offer professional assistance to existing and potential clients upon preparing and performing capital raising and company acquisition transactions. ABLV Group is highly experienced in servicing corporate clients, including consultations on business structuring, preparing and performing bond issues, as well as on other similar services that require highly professional experts of the field. The board of the new company consists of Arvīds Kostomārovs – an experienced manager in the field of consulting on transactions, and Vadims Reinfelds – Deputy Chief Executive Officer of ABLV Bank, AS.

Financial results

Financial results of the bank for Q1 2017 prove its stability and development:

- bank's profit for Q1 2017 amounted to EUR 14.8 million;
- bank's operating income¹ totalled EUR 28.2 million;
- amount of the clients' deposits equalled EUR 2.89 billion as at the end of the reporting period;
- amount of issued debt securities reached EUR 520.2 million;
- as of March 31 2017, amount of the bank's assets was EUR 3.90 billion;
- at the end of Q1, bank's loan portfolio equalled EUR 1.03 billion;
- bank's capital and reserves amounted to EUR 337.7 million;
- as of March 31 2017, bank's capital adequacy ratio was equal to 19.24%, while liquidity – 79.12%;
- ROE reached 17.75%, and ROA – 1.52%, as of March 31 2017.

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

As at 31 March 2017, the amount of bank's securities portfolio was equal to EUR 1.86 billion. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 66.8% of the portfolio is constituted by securities having investment level AA- and higher. In terms of major countries, the securities allocated as follows: USA – 18.4%, Germany – 15.9%, Latvia – 12.4%, Russia – 11.4%, Canada – 10.9%, Sweden – 5.8%, Netherlands – 3.6%. Whereas 5.0% was constituted by securities issued by international institutions. In the reporting period, average annual yield² of the securities portfolio amounted to 2.60%.

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



Chairman of the Board
Ernests Bernis



Member of the Board
Māris Kannenieks

Riga, 26 May 2017

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

General Information

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

The bank operates in accordance with the laws and regulations of the Republic of Latvia and the licence issued by the Financial and Capital Market Commission that allows the bank to render all the financial services specified in the Law on Credit Institutions. The bank was issued licence on 9 September 1993 by the Bank of Latvia, it was later re-registered with the Financial and Capital Market Commission under No. 06.01.05.001/313.

The bank operates the central office and one lending centre in Riga.

The most important subsidiaries of the bank are: ABLV Bank, Luxembourg S.A. (Luxembourg), ABLV Asset Management, IPAS, ABLV Capital Markets, IBAS, Pillar Holding Company, KS.

The Group operates foreign 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 Hong Kong.

The organizational structure of the bank is shown on page 5 of this public quarterly report.

This public quarterly report is prepared in accordance with the Regulations No 145 on Preparation of Public Quarterly Reports of Credit Institutions approved by the Financial and Capital Market Commission for providing information on the financial standing and performance indicators of the bank for the period from 1 January 2017 until 31 March 2017.

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

Shareholders and Groups of Related Shareholders of the Bank

	31/03/2017		31/12/2016	
	Par value of shares	Voting shares	Par value of shares	Voting shares
	EUR	amount	EUR	amount
Shareholders				
Ernests Bernis and Nika Berne (direct and indirect interest)	1	14,918,210	1	14,918,210
Olegs Fijs (indirect interest)	1	14,918,210	1	14,918,210
Other shareholders total	1	4,633,580	1	4,633,580
Total shares with voting rights	x	34,470,000	x	34,470,000
Shares without voting rights (personnel shares)	1	3,830,000	1	3,830,000
Paid-in share capital total	x	38,300,000	x	38,300,000

Performance Indicators*

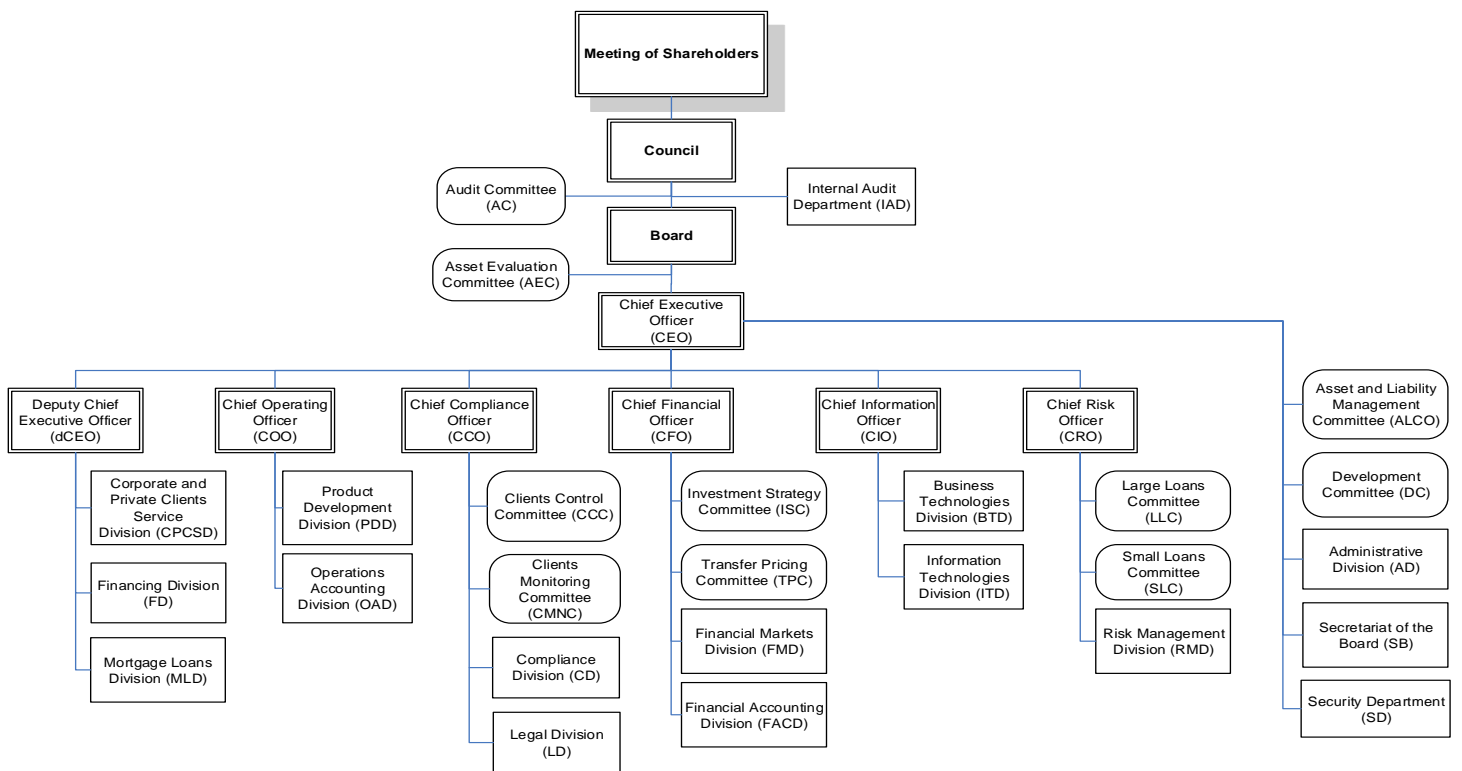
Title of entry	01/01/2017 – 31/03/2017	01/01/2016 – 31/03/2016
	(non-audited)	(non-audited)
Return on equity (ROE) (%)	17.75	30.83
Return on assets (ROA) (%)	1.52	1.80

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

Risk Management

The information about Capital and Risk management is available in the 2016 Annual Report from Note 33 to Note 37 on the ABLV Bank, AS website <http://www.ablv.com/en/about/financial-reports>.

Bank's Structure*



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

The Council and the Board

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

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

There were no changes in the Council and the Board of the bank during the reporting period.

Strategy and Aim of the Bank's Activities

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

Bank's Vision

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

Bank's Mission

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

Bank's Values

Collaborative

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

Intuitive

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

Valued

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

Bank's Aim

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

Consolidation Group

The information disclosed in the report is prepared in accordance with the principles of the Regulations Nr. 145 on Preparation of Public Quarterly Reports of Credit Institutions approved by the Financial and Capital Market Commission.

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

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

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

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

² - MS – subsidiary company, MMS – subsidiary company of subsidiary company, MT – parent company.

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

Income Statements

Title of entry	EUR'000	
	01/01/2017 – 31/03/2017 (non-audited)	01/01/2016 – 31/03/2016 (non-audited)
Interest income	20,286	21,441
Interest expense	(4,853)	(6,415)
Dividends received	307	5,218
Commission and fee income	9,170	11,730
Commission and fee expense	(2,932)	(3,225)
Net realised gain/ (loss) from financial assets and liabilities at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	93	(68)
Net realised gain/ (loss) from financial assets and liabilities held for trading	494	1,346
Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss	-	-
Changes in fair value hedge accounting	-	-
Net result from foreign exchange trading and revaluation	4,381	4,740
Gain/ (loss) from sale of tangible and intangible fixed assets	(5)	3
Other income	864	908
Other expense	(331)	(337)
Administrative expense	(12,039)	(12,342)
Depreciation	(787)	(829)
Provisions	-	-
Impairment on financial assets	682	220
Profit/ (loss) before corporate income tax	15,330	22,390
Corporate income tax	(569)	(884)
Net profit/ (loss) for the period	14,761	21,506

Balance Sheet

	EUR'000	
	31/03/2017	31/12/2016
	(non-audited)	(audited)*
Assets		
Cash and demand deposits with central banks	365,790	413,047
Demand deposits from credit institutions	321,057	191,551
Financial assets held for trading	15,706	21,090
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	909,724	957,094
Loans and receivables	1,174,967	1,102,099
<i>Loans</i>	1,032,183	1,001,929
<i>Loans to credit institutions</i>	134,930	89,953
<i>Debt Securities</i>	7,854	10,217
Held to maturity investments	931,413	989,710
Change of fair value of hedge portfolio	-	-
Prepaid expense and accrued income	1,730	1,636
Tangible fixed assets	9,221	9,461
Investment properties	25,055	25,058
Intangible fixed assets	5,562	5,826
Investments in subsidiaries	128,787	128,580
Tax assets	2,234	2,360
Other assets	5,348	2,074
Total assets	3,896,594	3,849,586
Liabilities		
Liabilities due to central banks	50,000	50,000
Demand deposits from credit institutions	67,830	20,375
Financial liabilities held for trading	2,366	441
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	3,424,026	3,444,938
<i>Deposits</i>	2,889,909	2,901,824
<i>Issued ordinary bonds</i>	388,147	398,385
<i>Issued subordinated bonds</i>	132,040	129,919
<i>Subordinated deposits</i>	13,930	14,810
Financial liabilities arising from financial asset transfer	-	-
Change of fair value of hedge portfolio	-	-
Deferred income and accrued expense	9,045	7,068
Provisions	-	-
Tax liabilities	1,408	1,346
Other liabilities	4,252	3,616
Total liabilities	3,558,927	3,527,784
Total shareholders' equity	337,667	321,802
Total liabilities and shareholders' equity	3,896,594	3,849,586
Memorandum items		
Contingent liabilities	11,711	9,928
Financial commitments	135,177	126,632

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

Own Funds and Capital Adequacy Ratios Summary

		EUR'000	
Code Position description		31/03/2017 (non-audited)	31/12/2016 (audited)*
1.	Own funds	368,173	366,651
1.1	Tier 1 capital	242,999	241,588
1.1.1.	Common equity Tier 1 capital	242,999	241,588
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	125,174	125,063
2.	Total risk exposure amount	1,913,813	1,872,174
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,613,025	1,561,043
2.2.	Total risk exposure amount for settlement/ delivery	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	72,467	91,111
2.4.	Total risk exposure amount for operational risk	228,308	220,011
2.5.	Total risk exposure amount for credit valuation adjustment	13	9
2.6.	Total risk exposure amount related to large exposures in the trading book	-	-
2.7.	Other risk exposure amounts	-	-
3.	Capital ratio and capital levels		
3.1.	CET1 Capital ratio	12.70%	12.90%
3.2.	Surplus(+)/Deficit(-) of CET1 capital	156,878	157,341
3.3.	T1 Capital ratio	12.70%	12.90%
3.4.	Surplus(+)/Deficit(-) of T1 capital	128,170	129,258
3.5.	Total capital ratio	19.24%	19.58%
3.6.	Surplus(+)/Deficit(-) of total capital	215,068	216,877
4.	Total capital buffers	2.50	2.50
4.1.	Capital conservation buffer (%)	2.50	2.50
4.2.	Institution specific countercyclical capital buffer (%)	0.00	0.00
4.3.	Systemic risk buffer (%)	-	-
4.4.	Systemically important institution buffer (%)	-	-
4.5.	Other Systemically Important Institution buffer (%)	-	-
5.	Capital ratio including adjustments		
5.1.	Own funds adjustments related to Pillar II	-	-
5.2.	Common equity Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	12.70%	12.90%
5.3.	Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	12.70%	12.90%
5.4.	Total capital ratio including Pillar II adjustments mentioned in line 5.1.	19.24%	19.58%

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

Liquidity Ratio Calculation

	EUR'000	
	31/03/2017	31/12/2016
	(non-audited)	(audited)*
Liquid assets		
Cash	13,829	14,328
Deposits with central banks	319,879	365,041
Deposits with credit institutions	430,329	260,342
Liquid securities	1,551,998	1,630,479
Total liquid assets	2,316,035	2,270,190
Current liabilities (with maturity no more than 30 days)		
Deposits from credit institutions	67,830	20,271
Deposits	2,826,980	2,843,435
Issued debt securities	-	-
Cash in transit	1,952	5,920
Other current liabilities	21,173	18,660
Off-balance liabilities	9,422	7,499
Total current liabilities	2,927,357	2,895,785
Liquidity ratio (%)	79.12	78.40
Minimum liquidity ratio (%)	30.00	30.00

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

The Bank's Investments in Financial Instruments, Except Derivatives

The bank's investments in financial instruments break downs by countries and types of issuers as at 31 March 2017, except derivatives:

	EUR'000			
	Securities of central governments	Securities of other issuers	Total	% of shareholders' equity
Issuer state				
United States of America	328,699	14,089	342,788	93.1
Germany	292,885	2,830	295,715	80.3
Latvia	194,712	36,089	230,801	62.7
Russia	25,219	187,501	212,720	57.8
Canada	84,381	118,116	202,497	55.0
Sweden	67,494	41,199	108,693	29.5
Netherlands	-	67,835	67,835	18.4
Finland	37,442	13,994	51,436	14.0
Norway	32,738	9,502	42,240	11.5
Austria	41,089	-	41,089	11.2
Securities of other countries*	90,357	84,716	175,073	47.6
Securities of international organizations	-	93,751	93,751	25.5
Total securities, net	1,195,016	669,622	1,864,638	

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

As at 31 March 2017, the securities portfolio weighted average modified duration³ was 2.4 (2.5).

There were no impairments recognised for the available-for-sale financial instruments neither in the reporting period, nor at the end of 1Q 2016.

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

In the reporting period, a decrease of 22.8 (increase of 545.5) thousand EUR has been recognised for the collective impairments for the financial instruments at amortised cost, whereas individual impairments were increased by 8.2 (decreased by 778.4) thousand EUR. At the end of the reporting period collective impairments for financial instruments at amortised cost amounted to 522.7 (545.5) thousand EUR, and the market value of these financial instruments at 31 March 2017 was 171.0 (177.8) million EUR. Whereas, individual impairments amount at the end of the reporting period for the financial instruments at amortised cost was 783.7 (786.5) thousand EUR, the market value of these financial instruments at 31 March 2017 was 964.8 (912.7) thousand EUR.

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

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

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

Litigation and Claims

In the ordinary course of business, the bank has been involved in a number of legal proceedings to recover outstanding credit balances and maintain collateral, as well as other proceedings related to specific transactions. The management believes that any legal proceedings pending as at 31 March 2017 will not result in material losses for the bank and/ or the group.

Events after the Reporting Date

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