



ABLV

BANKING / INVESTMENTS \ ADVISORY

ABLV Bank, AS

Public Quarterly Report
January – March 2016

Bank's Management Report

Dear shareholders of ABLV Bank, AS,

In Q1, waiting mood and moderate optimism mostly prevailed in the global economy. According to the forecasts of the European Commission, the economic growth in the euro area will rise to 1.7% this year (that of last year equalled 1.6%) and may reach 1.9% in 2017. Whereas the economic growth of the whole European Union will remain at the stable level of 1.9% this year and will increase to 2.0% next year.

Latvian economy keeps demonstrating stable growth, exceeding the initial forecasts. In 2015, the economy of Latvia grew by 2.7%, instead of expected increase by 2.4%. This year, Latvian growth is expected to reach 3.1%. The more rapid growth pace is due to taking advantage of the global situation – small energy prices and low interest rates on international financial markets. The sector of commercial banks intensified lending to both companies and households, which is important for national economy stimulation. The main drives for the economy are internal demand and investments.

The results of Q1 allow to predict that the objectives set for 2016 will be achieved. All the bank's major performance indicators remain high, including capital adequacy and liquidity ratios.

Continuing the bond issue programme, at the beginning of 2016, we performed two more coupon bond issues, their total size amounting to USD 75 000 000 and EUR 20 000 000 at face value. During the initial placement, the bonds were acquired by more than 190 investors. The issues were performed under the Fifth Bond Offer Programme, and the bonds are admitted to the regulated market – NASDAQ Riga list of debt securities.

The bank actively continued issuing commercial loans. In Q1 2016, as opposed to Q1 2015, the average amount of the commercial loan portfolio increased by 21% and the total amount of the commercial loan portfolio reached EUR 462.6 million at the end of the quarter. In the first quarter of 2016, the bank also signed several loan agreements for the total amount of EUR 49.9 million, mostly with Latvian enterprises.

Expanding to new regions and willing to build much closer relationships with the business partners, in the reporting period, ABLV Group company ABLV Advisory Services, SIA opened a representative office in the world financial power – the United States of America. The representative office in New York will work 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 – it has 12 representative offices in different cities of the world and the subsidiary bank in Luxembourg ABLV Bank Luxembourg, S.A.

The overall situation on financial markets and in our target regions, as well as growing requirements of different supervisory institutions do not allow to hope for the business development this year to be as rapid as in previous years, but since our business model is efficient and risk management – strong and elaborate, we can forecast the results to be similar to those in 2015. In 2016, we plan to retain net fee income and profit at the level of the previous year. We plan to grant new commercial loans for financing large business projects. Net profit in 2016 is planned to be approximately the same as that in 2015.

Financial results

The bank's financial performance in the first quarter of 2016 evidences continued growth.

- The bank's profit in Q1 2016 amounted to EUR 21.5 million, whereas in Q1 2015 it equalled EUR 20.1 million.
- The bank's operating income totaled EUR 35.6 million. Compared with Q1 2015, operating income has increased by 4.7%.
- As at 31 March 2016, deposits with the bank amounted to EUR 3.56 billion.
- The amount of issued debt securities reached EUR 562.6 million.
- As at 31 March 2016, the amount of the bank's assets totalled EUR 4.68 billion.
- The bank's loan portfolio equalled EUR 899.8 million, as at the end of March.
- The bank's capital and reserves amounted to EUR 243.8 million.
- As at 31 March 2016, the bank's capital adequacy ratio was 16.31%, whereas liquidity equalled 81.61%.
- ROE reached 30.83%, and ROA – 1.80%, as at 31 March 2016.

An ordinary meeting of the bank's shareholders was held 7 April 2016. At the meeting, the bank's annual report and consolidated annual report for 2015 were approved. The meeting of shareholders approved the board's proposal on distribution of profit for 2015, according to which the amount of EUR 68.8 million was paid in the form of dividends, and the dividends per one share of the bank amounted to EUR 1.95.

The bank continued investing in securities. The total amount of the securities portfolio was equal to EUR 2.51 billion, as at 31 March 2016. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 70.6% of the portfolio is constituted by securities having credit rating AA- and higher. In terms of the major countries, securities are allocated as follows: USA – 31.0%, Germany – 14.7%, Latvia – 11.7%, Russia – 8.9%, Canada – 8.2%, Sweden – 5.7%, and Netherlands – 2.2%. In addition, 3.8% is constituted by securities issued by international institutions. In the reporting period, annual yield of the securities portfolio amounted to 3.5%.

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



Chairman of the Council
Oļegs Fiļs



Chairman of the Board
Ernests Bernis

Riga, 27 May 2016

General Information

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

The bank operates in accordance with the laws and regulations of the Republic of Latvia and the 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.

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

The organizational structure of ABLV Bank, AS is shown on page 5 at this public quarterly report.

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

Financial statements are reported in thousands of euro (EUR'000), unless otherwise stated. Information given herein in brackets represents comparative figures for the period ended 31 December 2015 or for the three-month period ended 31 March 2015 respectively.

Shareholders and Groups of Related Shareholders of the Bank

	31/03/2016		31/12/2015	
	Par value of shares	Amount of voting shares	Par value of shares	Amount of voting shares
	EUR	amount	EUR	amount
Shareholders				
Ernests Bernis and Nika Berne (direct and indirect interest)	1	13,702,131	1	13,702,131
Oļegs Fiļs (indirect interest)	1	13,702,131	1	13,702,131
Other shareholders total	1	4,365,738	1	4,365,738
Total shares with voting rights	x	31,770,000	x	31,770,000
Shares without voting rights (personnel shares)	1	3,530,000	1	3,530,000
Paid-in share capital total	x	35,300,000	x	35,300,000

Performance Indicators

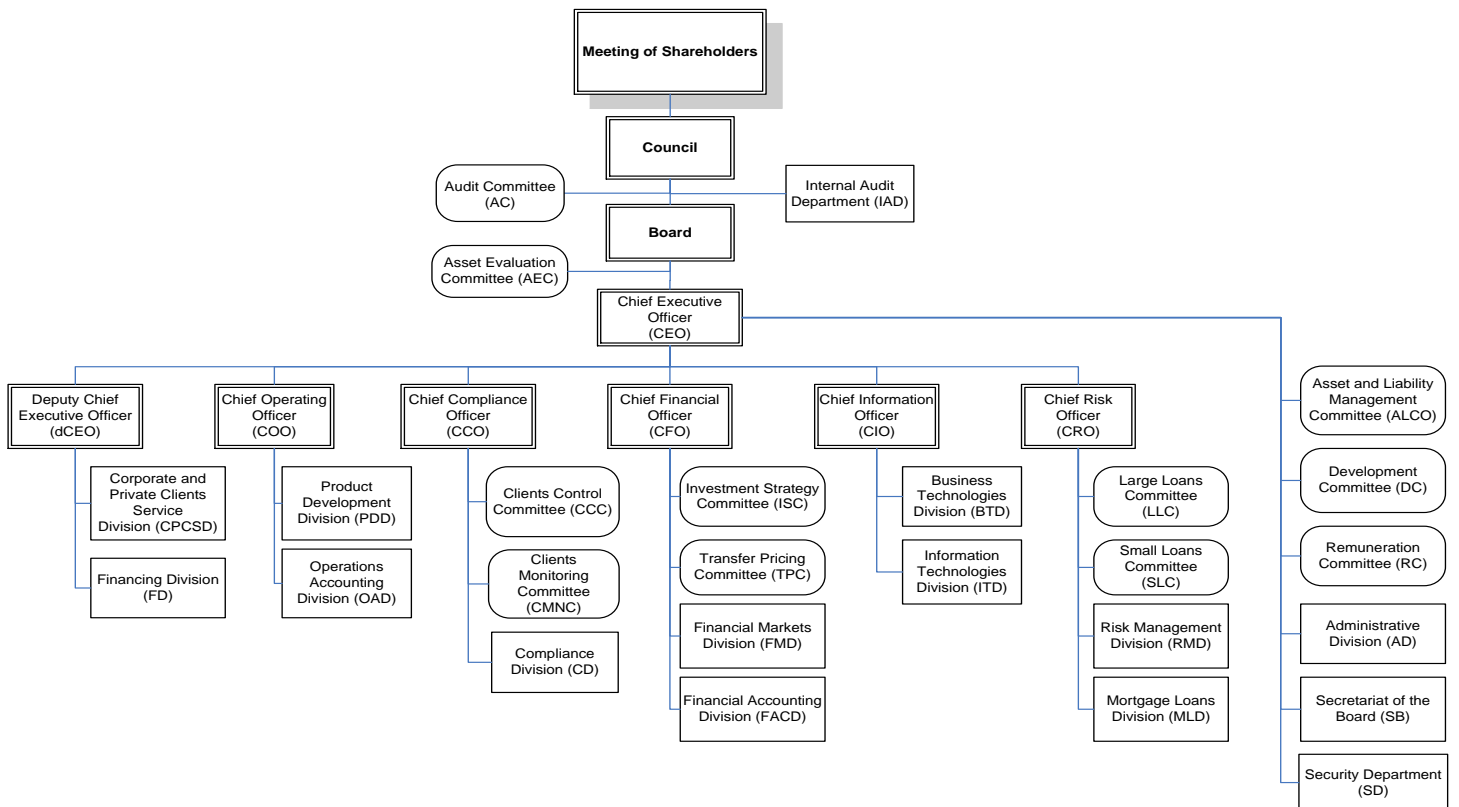
Title of entry	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
	(non-audited)	(non-audited)
Return on equity (ROE) (%)	30.83	36.05
Return on assets (ROA) (%)	1.80	1.78

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

Risk Management

The information about Risk management is available in the 2015 Annual Report from Note 34 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/lv/about/offices>.

The Council and the Board

The Council of the Bank:

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

The Board of the Bank:

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

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 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 2016:

No	Name of the company	Registration number	Code of country of incorporation and address	Type of activities ¹	Interest in share capital (%)	Share of voting rights (%)	Motivation for inclusion in the group ²
1	ABLV Bank, AS	50003149401	LV, Elizabetes iela 23, Rīga, LV-1010	BNK	100	100	MT
2	ABLV Bank Luxembourg, S.A.	B 162048	LU, Boulevard Royal, 26a, L-2449, Luxembourg	BNK	100	100	MS
3	ABLV Capital Markets, IBAS	40003814705	LV, Elizabetes iela 23, Rīga, LV-1010	IBS	90	100	MS
4	ABLV Asset Management, IPAS	40003814724	LV, Elizabetes iela 23, Rīga, LV-1010	IPS	90	100	MS
5	ABLV Private Equity Management, SIA	40103286757	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	100	100	MS
6	PEM 1, SIA	40103551353	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	100	100	MMS
7	ABLV Private Equity Fund 2010, KS	40103307758	LV, Elizabetes iela 23, Rīga, LV-1010	CFI	100	100	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	PLS	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 Investment Group, SIA	50003831571	LV, Elizabetes iela 23, Rīga, LV-1010	PLS	91.6	91.6	MMS
23	New Hanza City, SIA	40103222826	LV, Pulkvēža Brieža iela 28, Rīga, LV-1045	PLS	100	100	MS
24	NHC Utilities, SIA	40103693339	LV, Pulkvēža Brieža iela 28, Rīga, LV-1045	PLS	100	100	MMS

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

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

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

Income Statements

Title of entry	EUR'000	
	01/01/2016 - 31/03/2016 (non-audited)	01/01/2015 - 31/03/2015 (non-audited)
Interest income	21,441	19,903
Interest expense	(6,415)	(5,266)
Dividends received	5,218	2,831
Commission and fee income	11,730	13,114
Commission and fee expense	(3,225)	(3,669)
Net realised gain/ (loss) from financial assets and liabilities at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	(68)	722
Net realised gain/ (loss) from financial assets and liabilities held for trading	1,346	802
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	4,740	5,337
Gain/ (loss) from sale of tangible and intangible fixed assets	3	6
Other income	908	1,006
Other expense	(337)	(333)
Administrative expense	(12,342)	(11,995)
Depreciation	(829)	(812)
Provisions	-	-
Impairment on financial assets	220	(486)
Profit/ (loss) before corporate income tax	22,390	21,160
Corporate income tax	(884)	(1,085)
Net profit/ (loss) for the period	21,506	20,075

Balance Sheet

	EUR'000	
	31/03/2016	31/12/2015
	(non-audited)	(audited)*
Assets		
Cash and demand deposits with central banks	368,808	448,187
Demand deposits from credit institutions	545,014	325,653
Financial assets held for trading	20,013	22,407
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	1,563,044	1,780,554
Loans and receivables	1,060,022	1,219,618
<i>Loans</i>	899,758	873,499
<i>Loans to credit institutions</i>	160,264	346,119
Held to maturity investments	926,281	965,253
Change of fair value of hedge portfolio	-	-
Prepaid expense and accrued income	1,485	1,238
Tangible fixed assets	9,870	9,529
Investment properties	25,066	25,069
Intangible fixed assets	5,802	6,036
Investments in subsidiaries	120,039	120,036
Tax assets	3,735	3,042
Other assets	26,727	1,499
Total assets	4,675,906	4,928,121
Liabilities		
Liabilities due to central banks	180,099	180,072
Demand deposits from credit institutions	31,646	63,294
Financial liabilities held for trading	256	482
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	4,134,845	4,366,864
<i>Deposits</i>	3,557,366	3,793,192
<i>Issued ordinary bonds</i>	441,983	437,293
<i>Issued subordinated bonds</i>	120,631	121,118
<i>Subordinated deposits</i>	14,865	15,261
<i>Term deposits from credit institutions</i>	-	-
Financial liabilities arising from financial asset transfer	-	-
Change of fair value of hedge portfolio	-	-
Deferred income and accrued expense	10,661	8,816
Provisions	-	-
Tax liabilities	1,076	1,001
Other liabilities	73,547	26,139
Total liabilities	4,432,130	4,646,668
Total shareholders' equity	243,776	281,453
Total liabilities and shareholders' equity	4,675,906	4,928,121
Memorandum items		
Contingent liabilities	8,412	9,516
Financial commitments	71,987	68,907

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

Own Funds and Capital Adequacy Ratios Summary

		EUR'000	
Code Position description		31/03/2016 (non-audited)	31/12/2015 (audited)*
1.	Own funds	325,704	321,003
1.1	Tier 1 capital	207,850	200,680
1.1.1.	Common equity Tier 1 capital	207,850	200,680
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	117,854	120,323
2.	Total risk exposure amount	1,997,211	1,859,071
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,684,102	1,570,282
2.2.	Total risk exposure amount for settlement/ delivery	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	92,972	90,417
2.4.	Total risk exposure amount for operational risk (OpR)	220,011	198,336
2.5.	Total risk exposure amount for credit valuation adjustment	126	36
2.6.	Total risk exposure amount related to large exposures in the trading book	-	-
2.7.	Other risk exposure amounts	-	-
3.	Capital ratio and capital levels		
3.1.	CET1 Capital ratio	10.41%	10.79%
3.2.	Surplus(+)/Deficit(-) of CET1 capital	117,976	117,022
3.3.	T1 Capital ratio	10.41%	10.79%
3.4.	Surplus(+)/Deficit(-) of T1 capital	88,018	89,136
3.5.	Total capital ratio	16.31%	17.27%
3.6.	Surplus(+)/Deficit(-) of total capital	165,928	172,278
4.	Total capital buffers	2.50	2.50
4.1.	Capital conservation buffer (%)	2.50	2.50
4.2.	Institution specific countercyclical capital buffer (%)	0	-
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.	10.41%	10.79%
5.3.	Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	10.41%	10.79%
5.4.	Total capital ratio including Pillar II adjustments mentioned in line 5.1.	16.31%	17.27%

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

Liquidity Ratio Calculation

	EUR'000	
	31/03/2016	31/12/2015
	(non-audited)	(audited)*
Liquid assets		
Cash	10,703	9,659
Deposits w ith central banks	318,460	398,018
Deposits w ith credit institutions	666,369	633,344
Liquid securities	1,921,299	2,150,033
Total liquid assets	2,916,831	3,191,054
Current liabilities (with maturity no more than 30 days)		
Deposits from credit institutions	31,646	61,461
Deposits	3,498,478	3,748,369
Issued debt securities	-	-
Cash in transit	555	3,247
Other current liabilities	36,265	40,868
Off-balance liabilities	7,342	5,725
Total current liabilities	3,574,286	3,859,670
Liquidity ratio (%)	81.61	82.68
Minimum liquidity ratio (%)	30.00	30.00

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

The Bank's Investments in Financial Instruments, Except Derivatives

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

	EUR'000			
Issuer state	Securities of central governments	Securities of other issuers	Total	% of shareholders' equity
United States of America	764,993	12,120	777,113	238.6
Germany	10,066	358,554	368,620	113.2
Latvia	266,437	27,050	293,487	90.1
Russia	23,455	199,587	223,042	68.5
Canada	92,616	113,894	206,510	63.4
Sweden	93,535	48,384	141,919	43.6
Netherlands	-	56,400	56,400	17.3
Norway	35,225	8,937	44,162	13.6
Finland	26,497	8,809	35,306	10.8
Securities of other countries*	115,981	149,862	265,843	81.6
Securities of international organizations	-	96,305	96,305	29.6
Total securities, net	1,428,805	1,079,902	2,508,707	

* - 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 2016 the securities portfolio weighted average modified duration was 2.4 (2.5).

For available for sale financial assets, an impairment has not been recognized during the reporting period, nor in 1Q 2015.

During the reporting period, an impairment amounted to EUR 25,7 thousand has been recognized for the financial instruments at amortized cost, while an impairment has not been recognized for the financial instruments at amortized cost in the 1Q 2015.

At the end of reporting period allowances for financial instruments at amortized cost amounted to EUR 2,4 (2,6) million and the market value of those securities amounted to EUR 2,3 (2,8) million.

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

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

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

Events after Reporting Date

On 26 May 2016, ABLV Bank and the Financial and Capital Market Commission (FCMC) concluded an administrative agreement. Upon the results of the inspection, the FCMC concluded that in previous years in separate cases the bank had not paid sufficient attention to the supervision of the transactions executed by its clients, legal purpose and documentation thereof. ABLV Bank and the FCMC have agreed on reconciliation and closing of the administrative case. The FCMC imposed a reduced fine of EUR 3.17 million on the bank and issued a warning to the corresponding member of the board, as well as concluded that the activity of ABLV Bank now fully complies with all regulating provisions and the bank has significantly improved its internal control system. The bank, in its turn, undertook to keep upgrading its internal control system as per the recommendations of the FCMC and is about to spend at least EUR 6.5 million to achieve the aim. The bank refused cooperation with some clients which might cause inadequate risk in terms of the current requirements, and strong assessment of the clients is continued.