



ABLV

BANKING / INVESTMENTS \ ADVISORY

ABLV Bank, AS

Public Quarterly Report
January – June 2016

Bank's Management Report

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

The reporting period was marked by complex and nervous economic situation on some of the bank's target markets, meanwhile the requirements of international and local regulatory institutions concerning examination and documentation of transactions have increased, as well as the overall international banking policy has become more stringent. We managed to achieve and surpass the planned financial indicators, although the bank's business model is adjusted to ensure long-term stability and sustainability of the bank's operations in the given conditions.

The bank will continue improving the internal control system, complying with the regulatory requirements, which were not detailed enough in previous years. Since the position regarding acceptable risk level had changed, the bank refused cooperation with some clients that might cause inadequate risk and continued thorough assessment of its client base. Further on, the importance of settlement business will be lower, and even higher value will be 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 necessary human resources, cooperation partner network, and accumulated significant experience. In the field of lending to business in Latvia, ABLV Bank currently is one of the three most important banks.

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 performed by the bank in order to improve the bank's internal control system and strengthening its efficiency (more detailed information available on page 15 at this public quarterly report).

On 7 April, ordinary meeting of shareholders made the decision on paying the profit for 2015 in the form of dividends. The payment per share amounted to EUR 1.95, and the total paid amount constituted EUR 68.8 million. At the same time, another issue of ABLV Bank shares was performed, so that the bank's shareholders were provided the opportunity to re-invest the profit derived from dividends in the bank's further growth. Under the issue, there were 2 700 000 registered shares issued, amounting to EUR 38.2 million in total. The sale price of one share was EUR 14.15. Following the issue, the bank's share capital is comprised of 34 470 000 ordinary voting shares and 3 530 000 employee shares without voting rights attached. The shares were issued in the form of non-public offering, and only current shareholders of the bank participated in the same. There were 86 applicants in total.

Financial results

The bank's major financial indicators of H1 2016 indicate stable operations in accordance with the previously adopted plan. ABLV Bank, AS is the largest bank in Latvia with local capital and is ranked second in terms of the amount of assets.

- The bank's profit in H1 2016 amounted to EUR 45.3 million. The increase in the profit was also due to VISA Europe Ltd. share buyback transaction performed.
- The bank's operating income¹ totalled EUR 83.7 million. Compared with H1 2015, operating income has increased by 16.9%.
- The amount of the clients' deposits equalled EUR 3.25 billion as at the end of the reporting period. Since the beginning of the year, the amount of deposits has declined by 14.3%, which is due to changes in the bank's model of rendering services to foreign clients.
- The amount of issued debt securities reached EUR 565.8 million.
- As at 30 June 2016, the amount of the bank's assets totalled EUR 4.24 billion.
- The bank's loan portfolio equalled EUR 985.4 million as at the end of June. Since the beginning of the year, the amount of the loan portfolio has increased by EUR 111.9 million, i.e., 12.8%.
- The bank's capital and reserves amounted to EUR 295.6 million.
- As at 30 June 2016, the bank's capital adequacy ratio was 16.22%, whereas liquidity equalled 79.27%.
- ROE reached 33.27%, and ROA – 1.97%, as at 30 June 2016.

Continuing the bond issue programme, this year the bank performed four new issues of coupon bonds: two of them under the Fifth Bond Offer Programme, and two other – under the Sixth Bond Offer Programme. The total size of the bond issues amounted to USD 150.0 million and EUR 40.0 million at face value respectively. Including these bond

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.

issues, there are 21 bond issues put in the Nasdaq Riga Baltic list of debt securities. The bank initiated gradual replacement of long-term deposits with bonds at the end of 2011. Including new bonds and those already redeemed, the bank has performed 36 public bond issues so far.

In the middle of 2014, the European Central Bank (ECB) launched the targeted longer-term refinancing operations (TLTRO) aimed at stimulation of lending. In 2014 and 2015, under the TLTRO programme, ABLV Bank raised the resources amounting to EUR 180.0 million to develop lending. In March 2016, the ECB announced new TLTRO series – TLTRO II, under which the interest rate is even lower and the maturity equals 4 years, as well the possibility to perform early repayment of prior obligations was offered. Having assessed current need for long-term resources, the bank used this opportunity to perform early repayment of EUR 180.0 million borrowed before and raised EUR 50.0 million under TLTRO II in order to increase the term of using the resources and to decrease the interest expense.

The total amount of the bank's securities portfolio was equal to EUR 2.18 billion, as at 30 June 2016. The bank's securities portfolio is mostly composed of fixed-income debt securities, and 67.0% 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 – 20.9%, Germany – 15.6%, Latvia – 12.9%, Russia – 11.1%, Canada – 9.7%, Sweden – 6.5%, Finland – 2.5%, Netherlands – 2.2%, Norway – 1.9%, and Austria – 1.9%. Whereas 4.5% is constituted by securities issued by international institutions. In the reporting period, annual yield² of the securities portfolio amounted to 3.35%.

In Q2 2016, VISA Europe Ltd. share buyback transaction was completed, under which the shares owned by the bank were sold to VISA Inc. ABLV Bank obtained VISA Principal Member status and acquired VISA Europe Ltd. shares in December 2008. In November 2015, VISA Inc. announced the intention to purchase all shares of VISA Europe Ltd., thus forming single global company. Under the performed transaction, the income of ABLV Bank from selling of the above mentioned shares amounted approximately to EUR 16.4 million, which included money transfer of EUR 13.1 million, deferred payment of EUR 1.1 million, and additionally 4 750 class C preferred shares of Visa Inc. were allocated to the bank; those shares are accounted in the available-for-sale portfolio, amounting to EUR 2.2 million at fair value.

Developing our settlement services, from June 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.

Taking into account the latest global trends in the field of payment cards, in the reporting period we introduced payment cards enabling contactless authorization. New ABLV cards, issued from May 2016, enable making payments both in the common way – by using the card's chip or magnetic strip – and by touching the card on a reader, under which there is no need to enter a PIN in case of small amounts. For the convenience of our payment card holders, travel insurance certificates, alongside the insurance description, coverage limits, and insurer's contact information, will be available in the Internetbank – both in the ordinary one and in the Internetbank applications for iPad and iPhone.

From June 2016, conclusion of Forward currency transactions is even more convenient and clear for our clients. Now, all the client's Forward transactions are combined in one portfolio, to which multicurrency security account is linked. The funds held in this account and the total revaluation result of all concluded Forward transactions will serve as single collateral of all Forward transactions in the portfolio. The information about concluded Forward transactions – confirmations, market value of the transactions, current and required collateral amount, and portfolio report – is available to the clients in Internetbank.

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 the collateral and without collateral, as well as bond issues usually allow raising the financing for the term exceeding that possible in case of loans. The costs of such raising of resources are relatively lower, and diversification of investor base is possible as well. Bond issues also form positive credit history and improve the company's reputation, as the company goes public.

Investments

As at the end of June 2016, total assets under ABLV Asset Management, IPAS management amounted to EUR 125.8 million, of which EUR 124.4 million were the clients' investments in mutual funds managed by the company, and EUR 1.4 million were the clients' funds invested in individual investment programmes.

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.

The first half of 2016 was also successful for ABLV Capital Markets, IBAS, which executes clients' instructions for purchasing and selling all types of financial instruments. In the first half of the year, profit of ABLV Capital Markets, IBAS amounted to EUR 1.5 million. As at 30 June 2016, total assets of the company's clients invested in financial instruments were equal to EUR 1.17 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.

Real estate

In H1 2016, Pillar continued to sell the properties included in its real estate portfolio and prepare for beginning the construction works at the territory of finance and leisure centre New Hanza City (NHC), located at the modern centre of Riga in Skanstes Street area.

During the first six months of the year, Pillar group made transactions on sale of 108 properties, and the total amount of transactions was EUR 6.5 million. The largest portion of transactions is still in the segment of uniform apartments – this year, there were 63 transactions made, of which 48 were on selling the apartments in Riga and 15 – outside Riga. There were also 18 private houses, 15 land plots, and 2 commercial objects sold this year. Great results under sale of private houses and land plots were facilitated by the sale campaign run in Q2.

In new projects, 9 apartments were sold in total. Currently, Pillar portfolio contains last apartments available for sale in Pine Breeze and Liesmas Apartment House projects, as well as 27 premium apartments in Miera Park House apartment block. Miera Park House building was commissioned at the end of 2015, and this project was named the best new residential building in the competition 'Annual Latvian Construction Award 2015'.

By the end of June, the preparation for starting the first phase of NHC infrastructure construction has been completed. This phase includes construction of streets and necessary engineering systems – water supply, sewage, heat and electricity supply systems. The works are planned to be completed by spring 2017. The total costs of the first phase of infrastructure project are supposed to amount to EUR 9.28 million. Pillar Contractor, SIA, carries out the functions of the general contractor of this project.

In H1 2016, the project of the building of the Latvian Museum of Contemporary Art, planned to be built at NHC territory, was chosen. The Latvian Museum of Contemporary Art Foundation, in cooperation with London-based company Malcolm Reading Consultants, held the museum design competition, under which the jury has named the design of the future museum proposed by the UK architecture bureau Adjaye Associates – working with their Latvian partner AB3D – as the winner.

At the end of June, the architecture vision competition of reconstruction of warehouse building of former Riga Goods railway station was completed. The warehouse will be the only historical building preserved at NHC territory, and it will turn into a multifunctional cultural centre. The concept proposed by architecture bureau Sudraba arhitektūra was named the competition winner.

Advisory

Expanding its offer, ABLV Corporate Services, which is a part of ABLV group, started offering accounting services to companies in new jurisdictions. Alongside Latvia, Cyprus, and Singapore, now accounting services are also rendered to the companies from Hong Kong, the United Arab Emirates, the British Virgin Islands, the Seychelles, and the Marshall Islands.

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.

Further on, ABLV Corporate Services will provide advice on obtaining citizenship and residence permits of the United Arab Emirates as well. So far, the advice on this matter has been provided with regard to Latvia, UK, and Malta.

Expanding to new regions and building closer relationships with the business partners, in the reporting period ABLV group company ABLV Advisory Services, SIA opened the representative office in the world financial power – the United

States of America. The representative office in New York 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 – it has representative offices in 12 cities of the world and the subsidiary bank in Luxembourg.

Luxembourg

In the reporting period, subsidiary bank in Luxembourg, ABLV Bank Luxembourg, started issuing payment cards to its clients. Having obtained the status VISA Associate Membership in summer 2015, ABLV Bank Luxembourg currently issues VISA Gold and VISA Gold Business cards.

The cards of Luxembourg bank have the design and functionality similar to those of ABLV Bank payment cards, including the possibility of contactless authorization. The accounts are maintained by ABLV Bank Luxembourg, whereas card personalization, authorization, processing, risk monitoring, complaint handling, and round-the-clock cardholder telephone support are ensured by ABLV Bank pursuant to the outsourcing agreement.

The subsidiary bank in Luxembourg was established in order to develop the existing client base and strengthen their loyalty, providing larger range of investment and fiduciary services, as well as to attract new clients. ABLV Bank, AS is the first bank from the Baltic countries to establish subsidiary bank in Luxembourg. The bank started offering its services to broad range of clients in September 2013. As at 30 June 2016, ABLV Bank Luxembourg assets and assets under management reached EUR 236.3 million.

For society

In 2016, ABLV Bank, in cooperation with ABLV Charitable Foundation, continued supporting various socially important projects.

In January, the results of charity fund drive arranged by ABLV Charitable Foundation and ABLV Bank, AS were summarized. Under the fund drive, the donations were especially welcomed to the charity programmes 'Help grow up!' and 'New Riga', and it was also possible to donate to the programme 'Help Hear!'.


233 donors participated in the fund drive, and thus the amount of EUR 482 534 was added to the charity programmes in 2016, out of which the amount of EUR 177 170 was donated to the programme 'Help grow up!', EUR 290 253 – to the programme 'New Riga', EUR 5 111 – to the programme 'Help Hear!', and EUR 10 000 – to the programme 'Support to contemporary art exhibitions'.

In the reporting period, ABLV Bank donated EUR 279 thousand to ABLV Charitable Foundation programme 'New Riga'.

On 3 June, 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 help will be provided to more than 250 people. In recent years, blood bank shortage is frequent in Latvia, and the State Blood Donor Centre regularly appeals to the public to help people needing blood transfusion. Therefore, we decided to answer this call, and positive response from the representatives of the State Blood Centre confirmed how useful it was.

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!


Deputy Chairman of the Council
Jānis Krīgers


Chairman of the Board
Ernests Bernis

Riga, 30 August 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 license 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 30 June 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 7 at this public quarterly report.

This public quarterly report is prepared in accordance with the Regulations on Preparation of Public Quarterly Reports of Credit Institutions approved by the Financial and Capital Market Commission for providing information on the financial standing and performance indicators of the bank for the period from 1 January 2016 until 30 June 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 the financial indicators for the six-month period ended 30 June 2015 respectively.

Shareholders and Groups of Related Shareholders of the Bank

	30/06/2016		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	14,918,210	1	13,702,131
Oļegs Fiļs (indirect interest)	1	14,918,210	1	13,702,131
Other shareholders total	1	4,633,580	1	4,365,738
Total shares with voting rights	x	34,470,000	x	31,770,000
Shares without voting rights (personnel shares)	1	3,530,000	1	3,530,000
Paid-in share capital total	x	38,000,000	x	35,300,000

Performance Indicators

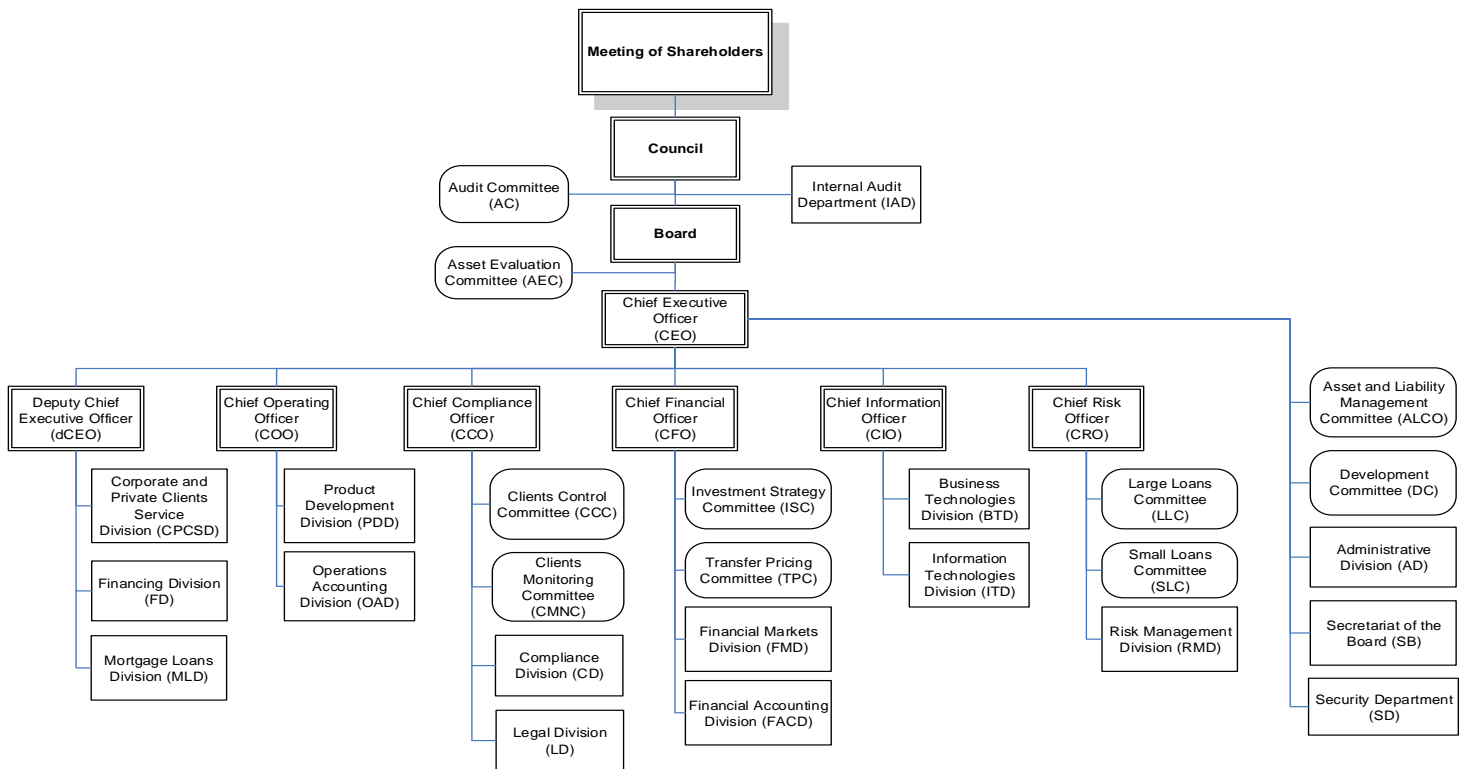
Title of entry	01/01/2016 - 30/06/2016	01/01/2015 - 30/06/2015
	(non-audited)	(non-audited)
Return on equity (ROE) (%)	33.27	38.10
Return on assets (ROA) (%)	1.97	1.91

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 2015 Annual Report from Note 33 to Note 37 on the ABLV Bank, AS website <http://www.ablv.com/en/about/financial-reports>.

Bank's Structure*



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

The Council and the Board

The Council of the Bank:

Chairman of the Council: Oļegs Fiļs	Date of re-election: 02/05/2016
Deputy Chairman of the Council: Jānis Krīgers	Date of re-election: 02/05/2016
Council Member: Igoris Rapoport	Date of re-election: 02/05/2016

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, except for the mentioned above.

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 30 June 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	PLS	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	88	88	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 - 30/06/2016 (non-audited)	01/01/2015 - 30/06/2015 (non-audited)
Interest income	42,758	40,667
Interest expense	(12,190)	(11,062)
Dividends received	5,293	9,057
Commission and fee income	24,067	27,962
Commission and fee expense	(6,797)	(7,862)
Net realised gain/ (loss) from financial assets and liabilities at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	19,657	1,138
Net realised gain/ (loss) from financial assets and liabilities held for trading	279	808
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	10,300	10,151
Gain/ (loss) from sale of tangible and intangible fixed assets	7	21
Other income	1,871	1,890
Other expense	(770)	(518)
Administrative expense	(29,400)	(24,106)
Depreciation	(1,609)	(1,663)
Provisions	-	-
Impairment on financial assets	(6,791)	(682)
Profit/ (loss) before corporate income tax	46,675	45,801
Corporate income tax	(1,374)	(2,348)
Net profit/ (loss) for the period	45,301	43,453

Balance Sheet

	EUR'000	
	30/06/2016	31/12/2015
	(non-audited)	(audited)*
Assets		
Cash and demand deposits with central banks	226,631	448,187
Demand deposits from credit institutions	477,264	364,850
Financial assets held for trading	19,507	22,407
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	1,200,373	1,780,554
Loans and receivables	1,194,666	1,180,421
<i>Loans</i>	985,428	873,499
<i>Loans to credit institutions</i>	209,238	306,922
Held to maturity investments	957,329	965,253
Change of fair value of hedge portfolio	-	-
Prepaid expense and accrued income	2,206	1,238
Tangible fixed assets	9,667	9,529
Investment properties	25,063	25,069
Intangible fixed assets	5,719	6,036
Investments in subsidiaries	117,356	120,036
Tax assets	2,804	3,042
Other assets	4,716	1,499
Total assets	4,243,301	4,928,121
Liabilities		
Liabilities due to central banks	50,000	180,072
Demand deposits from credit institutions	50,498	63,294
Financial liabilities held for trading	365	482
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	3,832,549	4,366,864
<i>Deposits</i>	3,251,345	3,793,192
<i>Issued ordinary bonds</i>	437,110	437,294
<i>Issued subordinated bonds</i>	128,707	121,117
<i>Subordinated deposits</i>	15,387	15,261
<i>Term deposits from credit institutions</i>	-	-
Financial liabilities arising from financial asset transfer	-	-
Change of fair value of hedge portfolio	-	-
Deferred income and accrued expense	7,317	8,816
Provisions	-	-
Tax liabilities	652	1,001
Other liabilities	6,315	26,139
Total liabilities	3,947,696	4,646,668
Total shareholders' equity	295,605	281,453
Total liabilities and shareholders' equity	4,243,301	4,928,121
Memorandum items		
Contingent liabilities	9,300	9,516
Financial commitments	83,716	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		30/06/2016 (non-audited)	31/12/2015 (audited)*
1.	Own funds	325,222	321,003
1.1	Tier 1 capital	202,049	200,680
1.1.1.	Common equity Tier 1 capital	202,049	200,680
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	123,173	120,323
2.	Total risk exposure amount	2,004,754	1,859,071
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,704,957	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	79,767	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	19	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	10.08%	10.79%
3.2.	Surplus(+)/Deficit(-) of CET1 capital	111,836	117,022
3.3.	T1 Capital ratio	10.08%	10.79%
3.4.	Surplus(+)/Deficit(-) of T1 capital	81,765	89,136
3.5.	Total capital ratio	16.22%	17.27%
3.6.	Surplus(+)/Deficit(-) of total capital	164,843	172,278
4.	Total capital buffers	2.50	2.50
4.1.	Capital conservation buffer (%)	2.50	2.50
4.2.	Institution specific countercyclical capital buffer (%)	0.00	-
4.3.	Systemic risk buffer (%)	-	-
4.4.	Systemically important institution buffer (%)	-	-
4.5.	Other Systemically Important Institution buffer (%)	-	-
5.	Capital ratio including adjustments		
5.1.	Own funds adjustments related to Pillar II	-	-
5.2.	Common equity Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	10.08%	10.79%
5.3.	Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	10.08%	10.79%
5.4.	Total capital ratio including Pillar II adjustments mentioned in line 5.1.	16.22%	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	
	30/06/2016	31/12/2015
	(non-audited)	(audited)*
Liquid assets		
Cash	8,994	9,659
Deposits with central banks	181,568	398,018
Deposits with credit institutions	664,433	633,344
Liquid securities	1,803,344	2,150,033
Total liquid assets	2,658,339	3,191,054
Current liabilities (with maturity no more than 30 days)		
Deposits from credit institutions	50,498	61,461
Deposits	3,192,482	3,748,369
Issued debt securities	76,534	-
Cash in transit	533	3,247
Other current liabilities	26,858	40,868
Off-balance liabilities	6,446	5,725
Total current liabilities	3,353,351	3,859,670
Liquidity ratio (%)	79.27	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 30 June 2016, except derivatives:

	EUR'000			
Issuer state	Securities of central governments	Securities of other issuers	Total	% of shareholders' equity
United States of America	445,842	9,262	455,104	139.9
Germany	4,965	334,052	339,017	104.2
Latvia	253,247	27,407	280,654	86.3
Russia	25,426	215,997	241,423	74.2
Canada	95,024	116,578	211,602	65.1
Sweden	87,745	53,973	141,718	43.6
Finland	36,224	18,134	54,358	16.7
Netherlands	-	47,825	47,825	14.7
Norway	32,630	9,090	41,720	12.8
Austria	-	40,751	40,751	12.5
Securities of other countries*	119,412	104,515	223,927	68.9
Securities of international organizations	-	99,047	99,047	30.5
Total securities, net	1,100,515	1,076,631	2,177,146	

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

As at 30 June 2016 the securities portfolio weighted average modified duration³ was 2.5 (2.5).

In the reporting period, impairment of the available-for-sale financial instruments was recognized, and the same amounted to EUR 96.4 (3.3) thousand.

In the reporting period, collective impairment of EUR 980.6 (0) thousand were made for the financial instruments measured at amortized cost, whereas individual impairment were decreased by EUR 192.9 (537.5) thousand.

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.

As at the end of the reporting period, the collective impairment made for the financial instruments at amortized cost amounted to EUR 980.6 (0) thousand and the market value of these financial instruments was EUR 193.2 (0) million as at 30 June 2016. Whereas the individual impairment for the financial instruments at amortized cost amounted to EUR 1.3 (2.6) million as at the end of the reporting period, and the market value of these financial instruments was EUR 1.9 (2.8) million as at 30 June 2016.

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

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

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

Litigation and claims

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

According to the administrative agreement, a fine was applied to the bank and 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 improvement of 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 committed to take in full 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.

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 believe that any legal proceedings pending as at 30 June 2016 will not result in material losses for the bank and/ or the group.

Events after the reporting date

As of the signing date of these statements, there have been no events since the last day of the reporting period requiring adjustment of or disclosure in this Public Quarterly Report, except those stated below. On 13 July 2016, the bank obtained the ECB's permit to qualify the par value and respective share premium of shares issued in the reporting period as CET 1. The bank's equity was increased by EUR 38.2 million and respectively common equity Tier 1 capital (CET1) increased by 1.9 %.