BANKING / INVESTMENTS \ ADVISORY

ABLV

ABLV Bank, AS

Statement of Information Disclosure for 2016

Riga,
16 March 2017

Contents

General Information

Complying with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, which sets forth the procedure for disclosing the information on the risks pertaining to operations of banks and investment firms, on purposes, methods, and policies of risk management, on own funds requirements, and internal capital adequacy assessment, as well as the remuneration policy and practices, this Statement of Information Disclosure is provided.

Statement of Information Disclosure is provided at the consolidation group level. ABLV Bank, AS (hereinafter referred to as the bank) is the parent company of the consolidation group, to which information disclosure requirements apply.

All data in this Statement of Information Disclosure are provided as at 31 December 2016, in thousands of euros (EUR'000), unless stated otherwise.

Information about Consolidated Group

The list of the entities constituting the consolidation group, conforming to the International Financial Reporting Standards as adopted in the European Union, as well as basic information on risk management and capital management, is disclosed in the bank's Annual report 2016 available at the bank's website www.ablv.com.

The bank and its affiliate companies (hereinafter referred to as the group) are consolidated using the full consolidation method. Proportional consolidation methods are not applied. There is no current or foreseen practical or legal impediment to the prompt transfer of the elements of own funds or repayment of liabilities between the parent company and affiliate companies of the group.

For the supervision purposes pursuant to the Financial and Capital Market Commission (hereinafter referred to as the FCMC) regulations No. 51 – Regulations on the Methods for Consolidation and Consolidated Reports, dated 26 March 2014, the entities constituting the group are as follows:

Company	Country of incorporation	Registration number
ABLV Bank, AS	LV	50003149401
ABLV Bank Luxembourg, S.A.	LU	B 162048
ABLV Capital Markets, IBAS	LV	40003814705
ABLV Asset Management, IPAS	LV	40003814724
PEM, SIA	LV	40103286757
PEM 1, SIA	LV	40103551353
New Hanza Capital, AS	LV	50003831571
ABLV Corporate Services Holding Company, SIA	LV	40103799987
Pillar, SIA	LV	40103554468
Pillar Holding Company, KS	LV	40103260921
Pillar 3, SIA	LV	40103193067
Pillar 4 & 6, SIA	LV	40103210494
Pillar 7 & 8, SIA	LV	40103240484
Pillar 9, SIA	LV	40103241210
Pillar 11, SIA	LV	40103258310
Pillar 2, 12 & 14, SIA	LV	50103313991
Pillar 18, SIA	LV	40103492079
Pillar 19, SIA	LV	40103766952
Pillar 20, SIA	LV	40103903056
Pillar 21, SIA	LV	40103929286
Pillar 22, SIA	LV	50103966301
Pillar Development, SIA	LV	40103222826
Pillar Utilities, SIA	LV	40103693339
ABLV Building Complex, SIA	LV	40203037667

Non-consolidated affiliate companies the investments made in the share capital of which do not constitute a decrease in the bank's own funds when calculating the same:

Company	Country of incorporation	Registration number
ABLV Consulting Services, AS	LV	40003540368
ABLV Advisory Services, SIA	LV	40103964811
ABLV Corporate Services, SIA	LV	40103283479
ABLV Corporate Services, LTD	CY	HE273600
NHC 1, SIA	LV	50103247681
NHC 2, SIA	LV	40103963977
NHC 3, SIA	LV	50103994841
NHC 4, SIA	LV	40203032424
NHC 5, SIA	LV	50203032411
NHC 6, SIA	LV	40203032439
Pillar Management, SIA	LV	40103193211
Pillar RE Services, SIA	LV	40103731804
Pillar Contractor, SIA	LV	40103929498
Pillar Architekten, SIA	LV	40103437217

The actual amount of own funds of the affiliate companies not included in the group for the supervision purposes corresponds to or exceeds the required amount.

Information on governance activities

The governance of the group/bank is ensured by the bank's council consisting of 3 (three) members of the council and the board consisting of 7 (seven) members of the board. The members of the board simultaneously hold the positions of Chief Executive Officer (CEO), Deputy Chief Executive Officer (dCEO), Chief Operating Officer (COO), Chief Compliance Officer (CCO), Chief Risk Officer (CRO), Chief Information Officer (CIO), and Chief Financial Officer (CFO).

The group ensures diversity policy with regard to the competences of the members of the board. Each director is an expert in the respective professional area. Before appointment of the director or in case of changes in the powers, duties performed, or the competences required for the performance of those, the suitability of the candidate for the position of the director is assessed by the council, taking into account the professional competence, previous experience, including the experience outside the particular area and international experience, education, and reputation. The assessment of suitability of the directors and management personnel is performed in accordance with the normative document Policy on the Assessment of the Suitability of Officials and the Provision of Diversity in the Structure of Council and Board.
The Policy stipulates the organization of the implementation of the assessment of the suitability of members of the bank's board and council (hereinafter referred to as the management) and the provision of diversity in the management composition, frequency and procedure of assessing the management suitability, and the procedure for making the decisions on suitability.

If suitability assessment results in the conclusion that a member of the council, member of the board, or head of the Internal Audit Department is not suitable for the position, the same is immediately reported to the FCMC.
The Policy has been developed and is implemented in accordance with the FCMC regulations No. 112 the Regulations for Granting the Licenses for Operations of Credit Institutions and Credit Unions, Obtaining the Particular Permits Regulating the Operations of Credit Institutions and Credit Unions, Approving the Documents, and Providing the Information, the FCMC regulations No. 233 the Regulations for Establishing the Internal Control System, the FCMC recommendations No. 166 the Recommendations for the Assessment of the Suitability of the Members of the Board and Council and Key Function Holders, and the guidelines of the Personnel Policy.

Own funds, compliance with the capital requirements, and internal capital assessment

Basic information on capital management, including summarized information on all elements of own funds and their constituents, as well as capital adequacy, is disclosed in Note 33 of the bank's Annual report 2016 available at the bank's website www.ablv.com.

Internal capital assessment is a component of maintaining capital adequacy, and it is regulated by the group's/bank's Capital Adequacy Maintenance Policy, developed in accordance with the Credit Institution Law and taking into account the requirements of Regulation of the European Union (hereinafter – EU) No 575/2013, the Regulations for Establishing the Internal Control System and the Regulations on the Internal Capital Adequacy Assessment Process issued by the FCMC.

Within the process of internal capital assessment, the group/bank ensures that its own funds, in terms of their amount, elements and share, are sufficient for covering existing and possible risks pertaining to the group's/bank's current and planned operations.

Internal capital assessment process includes several stages, namely:
- estimating the amount of capital at the group's/bank's disposal;
- determining the amount of capital required for covering risks;
- determining the capital buffer;
- determining the total amount of the required capital;
- planning the capital at least for three following years and determining the desired level of capital:
    - capital adequacy planning, as a component of the group's/bank's overall planning process, is performed based on the financial plan for the following three years, approved by the bank's board;
    - making the forecast, both expected market changes (external factors) and changes in the bank (internal factors) are considered, including changes in main strategic areas;
    - during planning, the need for additional capital and its raising possibilities are considered.

The group/bank applies the following approach for internal capital assessment:
- to determine the amount of capital required for covering the risks for which regulatory minimum capital requirements are set, the group/bank follows Regulation (EU) No 575/2013, making adjustments in accordance with the FCMC Regulations on the Internal Capital Adequacy Assessment Process, if necessary;
- to determine the amount of capital and the amount of capital buffer required for covering other material risks for which no regulatory minimum capital requirements are set, the group/bank follows simplified methods of the Regulations on the Internal Capital Adequacy Assessment Process, additionally assessing the applicability of those methods to the group's/bank's operations, or using internal models or methods developed.

Own funds items for financial reporting purposes and for supervisory reporting purposes:

EUR'000

Equity	For financial reporting purposes	For supervisory purposes
Paid-in share capital	38,300	38,300
Share premium	132,423	132,423
Reserve capital and other reserves	2,134	2,134
Fair value revaluation reserve of available-for-sale financial assets	676	676
Retained earnings brought forward	63,401	62,805
Retained earnings for the period	6,000	6,000
Non-controlling interests	1,010	1,010
Intangible assets	(6,060)	(6,029)
Value adjustments due to the requirements for prudent valuation	(647)	(647)
Capital instruments and share premium accounts related to those	125,063	125,063
Total capital	**362,300**	**361,735**

The difference between the own funds items of the group for financial reporting purposes and the group for supervisory purposes arises due to different scope of consolidation. The applied consolidation methods used in both the group for financial reporting purposes and the group for supervisory purposes are the same.

Transitional own funds disclosure template pursuant to Regulation No 1423/2013 is as follows:

	EUR'000
Common equity Tier 1 capital	
Capital instruments and share premium accounts related to those	170,723
of which: shares	34,470
of which: personnel shares	3,830
of which: share premium	132,423
Retained earnings	68,805
Accumulated other comprehensive income (ant other reserves to report unrealised gains and losses in accordance with applicable accounting standards)	2,810
Minority interests (the amount that qualifies for inclusion in consolidated Common Equity Tier 1 capital)	1,010
Independently reviewed interim profits less any foreseeable charge or dividend	-
Common equity Tier 1 capital: regulatory adjustments	(647)
Intangible assets	(6,029)
Total regulatory adjustments to common equity Tier 1 capital	**(6,676)**
Common equity Tier 1 capital	**236,672**
Tier 1 capital	**236,672**
Tier 2 capital: reserves and instruments	
Capital instruments and share premium accounts related to those	125,063
Tier 2 capital	**125,063**
Total capital	**361,735**
Total risk-weighted assets	**1,922,930**
Capital ratios and reserves	
Common equity Tier 1 capital (percentage of exposure value)	12.31%
Tier 1 capital (percentage of exposure value)	12.31%
Total capital (percentage of exposure value)	18.81%
Institution's specific buffer requirement (percentage of exposure value)	7.00%
of which: the requirement for the capital conservation buffer	2.50%
of which: the countercyclical capital buffer	0.00%
Common equity Tier 1 capital available for meeting the buffer requirement (percentage of exposure value)	7.81%
Direct and indirect holdings in capital of the financial sector entities in which the institution has no significant investment (the amount does not exceed the threshold of 10% and the appropriate short positions are deducted)	2,974
Deferred tax assets that arise from temporary differences (the amount does not exceed the threshold of 1(	1,142

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer, according to Regulation No 2015/1555

EUR'000

Credit exposure breakdown by country relevant for calculation of the countercyclical capital buffer rate	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights (%)	Counter-cyclical capital buffer rate (%)
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value IRB	of which: General credit exposures	of which: Trading book exposures	of which: Securitisation exposures	Total		
Sweden	4,861	-	-	-	-	-	81	-	-	81	0.07%	1.50%
Hong Kong	3,137	-	-	-	-		52	-	-	52	0.05%	0.625%
Norway	1,055	-	-	-	-		45	-		45	0.04%	1.50%
Total all countries	**1,752,474**	**-**	**-**	**-**	**-**	**-**	**110,234**	**-**	**-**	**110,234**	**100.00%**	

Amount of institution-specific countercyclical capital buffer, according to Regulation No 2015/1555:

	EUR'000
Total risk exposure amount	1,922,930
Institution specific countercyclical buffer rate (%)	0.002%
Institution specific countercyclical buffer requirement	39

Capital requirement for credit risk exposures by the following exposure categories:

Exposure category	EUR'000
Corporates	74,687
Retail	15,444
Institutions	8,950
Other items	7,737
Items associated with particularly high risk	6,053
Central governments or central banks	5,351
Regional governments or local authorities	2,619
Equity Exposures	2,510
Exposures in default	1,364
Secured by mortgages on immovable property	729
Covered bonds	541
Multilateral development banks	212
Claims in the form of CIU	-
Public sector entities	-
Total capital requirement for credit risk	**126,197**

The information on the main features characteristic of all CET1 and Tier 2 capital instruments issued by the group/bank is disclosed in the capital instruments' main features template at the bank's website https://www.ablv.com/en/about/financial-reports/cap

Risk management

Basic information on risk management is disclosed in Notes 34–37 of the bank’s Annual report 2016 available at the bank's website www.ablv.com.

Risk management of the bank’s affiliate companies is completely integrated in the bank’s risk management process, thus ensuring unified approach and use of single methods within the group.

For the risk management purposes, there are risk management policies developed, alongside other internal normative documents that set forth the basic principles and procedures of risk management, functions and responsibility of the structural units/officials, hedging limits, as well as their control and reporting system. The risk management policies are approved by the bank’s council, and their introduction and efficiency are supervised by the board and the Chief Risk Officer (CRO), whereas their implementation is ensured by respective structural units.

The bank’s council approves the risk management strategy and policies, reviews the report on risk management prepared by the board, and assesses the risk management efficiency, as well as permanently supervises the board’s work.

The bank’s board is in charge of developing and approving the risk management policies and other internal normative documents that set forth the basic principles and procedures of risk management, as well as in charge of controlling the compliance with those.
The risk management policies and other internal normative documents are regularly reviewed and improved, and the implemented risk management systems are considered appropriate for the group’s/bank’s risk profile, sufficient, and facilitating the achievement of strategic objectives.

There are several collegiate bodies functioning in the group for the sake of ensuring the risk management efficiency and control, and those are the following:
- the Loans Committee ensures credit risk assessment, introduction of restrictions, and control over credit risk limits, as well as makes decisions on granting or refusing the loans;
- the Asset and Liability Management Committee ensures efficient management of resources, assessment of the risks pertaining to these operations, and introduction of the restrictions, as well as control over the set risk limits;
- the Investment Committee ensures efficient management of the financial assets of the clients of the bank’s affiliate companies, assessment of the risks pertaining to these operations, and introduction of the restrictions, as well as control over the set risk limits;
- the Asset Evaluation Committee ensures assessment of the assets and off-balance sheet obligations of the bank and the bank’s affiliate companies, determines the amount of provisions, supervises debt recovery, and also ensures supervision of the compliance with the set asset evaluation, classification, and provisioning guidelines;
- the Clients Control Committee ensures supervision of the clients’ activities in order to prevent the attempts of using the bank for money laundering and terrorism financing;
- the Clients Monitoring Committee ensures reviewing of the reports made on the basis of the supervision (monitoring) of the clients’ activities and makes the decisions on those.
- the Development Committee takes the decisions on initiating strategic IS development projects and supervises their implementation, determines and monitors the up-to-dateness, competitiveness, and profitability of the line of development of the bank's products and channels;
- the Audit Committee, the main task of which is the supervision of the control functions and their arrangement at the bank and its affiliate companies.

The group identifies and controls the risks associated with its operations and management of those.
The risk control is ensured by several particular structural units, namely:
- departments of the Compliance Division (compliance risk, and money laundering and terrorism financing risk);
- departments of the Information Technologies Division (IT/IS security);
- Public Relations Department of the Product Development Division (reputational risk);
- Financial Control Department (strategy and business risk, including fee income/expense volatility risk);
- departments of the Risk Management Division (financial risks and operational risk).

The Internal Audit Department, subordinated directly to the council, assesses the efficiency of the risk control function, performs independent supervision of the internal control system, alongside assessment of its adequacy and efficiency, in order to aid the bank's/affiliate company's council, board, and heads of structural units to perform their functions more efficiently.

Reporting procedure

In risk management and risk control processes various reports are used, which are supplied to the management, decision-making bodies, and heads of the structural units involved in risk management with respective frequency – daily, weekly, monthly, quarter, semi-annual, and annual reports.
The report on achievement of strategic objectives and compliance with indicators is supplied to the management once per quarter, and the same contains quantitative indicators on credit risk, foreign exchange risk, interest rate risk, liquidity risk, operational risk, and capital adequacy set in the Risk Management Strategy.
Quarterly the reports on management of all material risks and their amount are supplied to the management, once every six months are supplied to the management reports on results of internal capital assessment, and once per year -on functioning of the internal control system.

The group performs stress tests and reports their results to the bank's management. Stress tests are performed twice a year for liquidity risk and credit risk, and at least once a year – for operational risk, market risk, money laundering and terrorism financing risk and determining of the capital buffers. The liquidity stress test scenarios also cover market risk and reputational risk. The report on compliance with the limits and restrictions for liquidity risk, foreign exchange risk, operational risk, country risk, and exposures applying different breakdowns, as well as report on the financial plan fulfilment (strategy and business risk management), is supplied to the board once per quarter.
For the sake of operational control and decision-making, the reports are sent to the committees involved in risk management, members of the board, and heads of the structural units involved in risk management.

The following monthly reports are provided: the report on early warning indicators for liquidity risk, calculation of the reduction in economic value for interest rate risk management, report on the financial plan fulfilment for strategy and business risk management, report on operational risk events, and report on capital adequacy.
Weekly and daily reports and notices are used for foreign exchange risk, liquidity risk, exposure limitation, operational, reputational, and compliance risk management, as well as for ensuring capital adequacy.

Material risks are determined based on identifying the major types of operations and analyzing their associated risks.

The most material risks associated with the group's operations are the following:
- credit risk,
- market risk,
- operational risk,
- money laundering and terrorism financing risk,
- liquidity risk,
- other non-quantifiable risks of operations.

The group constantly assesses and controls the risks – both each one separately according to the risk type and by means of comprehensive assessment performed under capital adequacy assessment, and capital adequacy report is made on the basis of the group's risk profile.

The group considers that major credit risk pertains to credits, investments in debt securities, and claims on credit institutions. To assess the credit risk impact on the group's operations, stress tests are performed with regard to the loan portfolio, claims on credit institutions, and debt securities, as well as the bank's investments in affiliate companies related to real estate. Stress test results are taken into account when planning the group's further operations – implementation of new crediting products, determination of limits on existing and new crediting products, exposure amount broken down by countries and regions, investment activities, as well as determination of other restrictions.

The group maintains cautious approach to market risk under the securities positions that are also associated with the liquidity risk, interest rate risk, and credit risk.
Operational risk pertains to all business activities. The historically small amount of operational risk losses evidences efficient operational risk management at the group.
The liquidity risk profile is affected by the structure of financing. The short-term funds raised by the bank are invested in highly liquid assets only, and the sources of financing are diversified by issuing medium-term debt securities.

The risk profile is managed and supervised on the basis of the established risk management system. Risk management departments permanently supervise the bank's operations taking into account the limits and restrictions set on the risks, as well as determined target levels.

Credit risk

Credit risk assessment is performed for loan portfolio, debt securities, claims on credit institutions, and other assets. The amount of capital required for covering credit risk is determined by applying the standardised approach described in Regulation (EU) No 575/2013 and adjusting the amount of capital required for covering credit risk based on results of the stress test pessimistic scenario – taking into account the increase in calculated provisions in accordance with the stress test pessimistic scenario, as well as planned changes in the minimum capital requirements within the stress test period pursuant to the financial plan and the stress test pessimistic scenario.
Credit risk assessment for the group's/bank's loan portfolio is performed based on the scenario analysis, assessing the probability of counterparties' insolvency, loan recoverable amount, and their possible changes following possible changes in macroeconomic indicators.
The amount of capital required for covering credit risk is determined based on assessing the following parts of the loan portfolio:

- mortgage loans;
- loans granted for real estate development and investments;
- business loans to legal entities, not related to real estate development and investments;
- loans secured by pledge of investment portfolio.

Card credits, consumer loans, debit balance, brokerage accounts, and security deposits are not accounted for in stress tests due to their small portion in the total loan portfolio. Sensitivity analysis is performed on each portfolio part. The group's/bank's possible losses arising out of the loan portfolio are calculated defining 2 possible scenarios: basic and pessimistic ones. The scenarios should reflect possible impact of negative events on the group's/bank's risk level, financial and capital indicators. A negative event is considered to be an event the probability of which is extremely small but yet possible, and such event causes additional losses for the group/bank.
Considering the defined scenarios, their impact on minimum capital requirements for the loan portfolio as at the end date of examination period is determined. Calculation takes account of loans' shifts between degrees of risk due to increasing insolvency and decreasing real estate prices, and also of lower net loan balance due to making allowances.

Possible losses under claims on credit institutions and securities portfolio are calculated based on assessing the probability of insolvency occurrence in accordance with ratings assigned by external credit assessment institutions (credit rating agencies) and the summarized statistics on the possible amount of defaulted obligations in each rating group.
The group's/bank's possible losses arising out of claims on credit institutions and securities portfolio are calculated defining 2 possible scenarios: basic and pessimistic ones. Considering the defined scenarios, their impact on minimum capital requirements is determined. Calculation takes account of the claims on credit institutions and securities portfolio shifts between degrees of risk due to degraded rating, as well as portfolio net balance changes due to making allowances.

The group/bank applies the standardised approach to calculate minimum capital requirements under credit risk. From August 2016, the financial collateral comprehensive method is used, applying the same to the results of H1 2016.
The bank nominated the rating agency Standard & Poor's Ratings Services for credit assessment, and ratings assigned by this agency are used to determine the risk degree of the securities of all exposure categories and of the claims on credit institutions.
Credit rating of the issue (if any) is considered the primary one for debt securities, otherwise the rating of this issuer's similar issue is used, but if there is no such, then the respective issuer's credit rating is applied.
To ensure more efficient management of the credit risk related to assessment of current and prospective cooperation with credit institutions, the bank has developed an internal credit institution assessment model. Using this model, the group/bank determines the limits for cooperation with credit institutions and controls compliance with the set limits pursuant to internal regulations.

Exposure values applying the credit risk mitigation substitution approach and the average amount of exposures are as follows:

EUR'000

Exposure class	Exposure value	Exposure value after risk transfer	Average amount of exposures over the reporting period
Central governments or central banks	1,277,781	1,677,692	1,372,323
Regional governments or local authorities	63,656	94,372	60,385
Public sector entities	101,531	-	102,872
Multilateral developments banks	96,708	96,708	96,279
International organisations	705	705	705
Institutions	787,146	490,417	1,061,085
Corporates	1,192,702	1,160,335	1,087,595
Retail	257,790	257,790	248,546
Secured by mortgages on immovable property	26,020	26,020	31,519
Exposures in default	15,174	15,174	17,097
Items associated w ith particularly high risk	53,511	53,511	53,344
Covered bonds	67,569	67,569	68,654
Claims in the form of CIU	9,991	9,991	2,498
Equity Exposures	18,428	18,428	17,796
Other items	111,290	111,290	167,703
Total	**4,080,002**	**4,080,002**	**4,388,401**

Credit risk weighted exposure amount by the following exposure categories:

EUR'000

Exposure category	Risk w eighted exposure amount
Corporates	924,367
Retail	193,045
Institutions	111,899
Other items	96,511
Items associated w ith particularly high risk	75,663
Central governments or central banks	66,849
Regional governments or local authorities	32,731
Equity Exposures	31,381
Exposures in default	17,054
Claims in the form of CIU	9,991
Secured by mortgages on immovable property	9,107
Covered bonds	6,757
Multilateral development banks	2,652
Public sector entities	-
Total creditrisk weighted exposure amount	**1,578,007**

Categories of exposures and the amount of collaterals:

EUR'000

Exposure class	Exposure value after risk transfer	Protection via guarantees and credit derivatives	Protection via pledged collaterals	of w hich, financial collateral
Central governments or central banks	1,677,692	-	-	-
Regional governments or local authorities	94,372	-	-	-
Public sector entities	-	-	-	-
Multilateral developments banks	96,708	-	-	-
International organisations	705	-	-	-
Institutions	490,417	-	-	-
Corporates	1,160,335	176	1,234,935	399,656
Retail	257,790	142	275,347	60
Secured by mortgages on immovable property	26,020	59	31,869	-
Exposures in default	15,174	-	17,875	204
Items associated w ith particularly high risk	53,511	-	68,408	-
Covered bonds	67,569	-	-	-
Claims in the form of CIU	9,991	-	-	-
Equity Exposures	18,428	-	-	-
Other items	111,290	-	74	74
Total	**4,080,002**	**377**	**1,628,508**	**399,994**

Concentration risk

Concentration risk is analyzed following simplified method, additionally assessing suitability of the applied method and the impact of the stress test results.

Under loan portfolio concentration risk analysis, the following is performed:
- individual concentration analysis;
- sector concentration risk analysis;
- collateral concentration risk analysis;
- currency mismatch risk analysis.

Under claims on credit institutions, individual concentration is assessed as well, and individual concentration and currency mismatch concentration risk is assessed for securities.
Overall amount of capital required for covering concentration risk is calculated as total of the said constituents.
For credit risk and concentration risk limitation, loan portfolio target levels and limits are set, the basic information on which is disclosed in Note 35 of the bank's Annual report 2016 available at the bank's website www.ablv.com.

The categories of the exposures broken down by counterparty type:

EUR'000

Counterparty type	Central governments or central banks	Regional governments or local authorities	Institutions	Corporates	Retail	Covered bonds	Equity exposures	Other items	Total
Central banks	400,100	-	-	-	-	-	-	-	**400,100**
General government	878,190	60,207	-	-	-	-	-	793	**939,190**
of which: Impaired	-	-	-	-	-	-	-	793	**793**
of which: Past due but not impaired	-	-	-	-	-	-	-	-	-
Institutions	292,919	3,810	450,097	122,312	-	67,569	-	96,708	**1,033,415**
Other financial	-	14,155	40,320	127,455	1	-	12,327	11,799	**206,057**
of which: SME	-	-	-	77,144	1	-	9,347	-	**86,492**
of which: Impaired	-	-	-	-	-	-	-	-	-
of which: Past due but not impaired	-	-	-	-	1	-	-	-	**1**
Non financial	103,543	16,200	-	858,244	15	-	1,376	52,715	**1,032,093**
of which: SME	-	-	-	426,796	15	-	1,076	44,663	**472,550**
of which: Impaired	-	-	-	575	-	-	-	5,185	**5,760**
of which: Past due but not impaired	-	-	-	2,863	14	-	-	2,843	**5,720**
Households	-	-	-	50,205	257,774	-	-	40,170	**348,149**
of which: Impaired	-	-	-	1,579	7,004	-	-	7,221	**15,804**
of which: Past due but not impaired	-	-	-	3,378	26,274	-	-	2,393	**32,045**
Other	2,940	-	-	2,117	-	-	4,725	111,216	**120,998**
Total	**1,677,692**	**94,372**	**490,417**	**1,160,333**	**257,790**	**67,569**	**18,428**	**313,401**	**4,080,002**

The amount of the impaired exposures and exposures past due, but not impaired, broken down by significant geographical areas:

EUR'000

	Latvia	EMU countries	Other EU member states	Other OECD countries	International organisations	CIS countries	Other countries	Total
Impaired	17,557	1	1	1	-	4,002	795	**22,357**
Past due, but not impaired	32,728	481	2	6	-	4,538	11	**37,766**
Total	**50,285**	**482**	**3**	**7**	**-**	**8,540**	**806**	**60,123**

Breakdown of loans by significant industries:

EUR'000

Loans	Mortgage loans to private individuals	Other loans to private individuals	Construction	Energy	Financial and insurance activities	Real estate management	Agriculture and forestry	Manufacturing	Trading	Transportation and logistics	Other industries	**Total**
Impaired loans	14,834	952	1	-	-	1,218	-	764	3,292	462	5	21,528
Past due but not impaired loans, incl.:	29,739	2,193	278	-	2	2,088	-	1	2,341	12	701	37,355
less than 30 days	24,146	2,049	9	-	1	1	-	1	1,121	7	683	28,018
31 to 59 days	4,325	100	-	-	1	2,087	-	-	1,213	2	16	7,744
60 to 89 days	491	23	-	-	-	-	-	-	6	-	1	521
more than 90 days	777	21	269	-	-	-	-	-	1	3	1	1,072
Neither past due nor impaired loans	263,199	27,769	13,093	3,831	213,967	279,130	3,781	29,193	53,239	27,625	66,145	980,972
Total net loans	**307,772**	**30,914**	**13,372**	**3,831**	**213,969**	**282,436**	**3,781**	**29,958**	**58,872**	**28,099**	**66,851**	**1,039,855**
Allowances												
Allowances for impaired loans	6,928	2,510	4	-	8	672	1	202	2,709	179	34	13,247
Changes over the year	(6,244)	(833)	(3)		(5)	(1,151)	-	(180)	528	(60)	(374)	(8,322)
Allowances for not impaired loans	738	64	-	3	345	781	3	108	121	279	682	3,124
Changes over the year	(225)	12		(13)	147	3	(11)	72	56	263	433	737

Breakdown of loans by significant geographical areas:

EUR'000

Loans	Latvia	EMU countries	Other EU member states	Other OECD countries	International organisations	CIS countries	Other countries	**Total**
Impaired loans	17,549	1	1	-	-	3,975	2	21,528
Past due but not impaired loans, incl.:	32,727	480	1	3	-	4,137	7	37,355
less than 30 days	25,587	478	1	3	-	1,943	6	28,018
31 to 59 days	5,600	1	-	-	-	2,143	1	7,745
60 to 89 days	491	-	-	-	-	30	-	521
more than 90 days	1,049	1	-	-	-	21	-	1,071
Neither past due nor impaired loans	680,977	41,172	30,853	57,864	-	148,064	22,042	980,972
Total net loans	**731,253**	**41,653**	**30,855**	**57,867**	-	156,176	**22,051**	**1,039,855**

Breakdown of assets by risk categories and significant countries:

EUR'000

Country	Central governments or central banks	Regional governments or local authorities	Institutions	Corporates	Retail	Covered bonds	Equity exposures	Other items	Total
Latvia	640,377	358	9,941	436,429	257,776	-	15,447	180,868	1,541,196
United States	314,300	-	45,260	43,922	-	-	2,709	-	406,191
Russian Federation	27,052	-	-	363,381	6	-	-	12,393	402,832
Germany	300,819	3,810	50,007	2,382	-	-	-	-	357,018
Canada	100,720	65,513	16,465	22,933	-	40,905	-	-	246,536
Sweden	87,253	4,781	51,876	20	-	-	-	-	143,930
Netherlands	-	-	75,789	10,174	-	-	-	-	85,963
Switzerland	-	-	41,787	25,809	-	-	-	-	67,596
Austria	-	-	59,646	9	-	-	-	-	59,655
Finland	37,878	14,155	2,855	15	-	-	-	-	54,903
Singapore	-	-	47,523	19	-	-	-	-	47,542
China	-	-	24,240	22,863	-	-	-	-	47,103
Norway	34,100	-	10,037	915	-	-	-	-	45,052
Lithuania	20,064	-	5,496	15,268	-	-	-	3	40,831
United Kingdom	-	-	906	38,920	-	-	-	382	40,208
Australia	-	-	4,775	-	-	26,664	-	-	31,439
Poland	23,269	-	3,025	944	-	-	-	-	27,238
Estonia	-	-	-	23,624	-	-	-	975	24,599
Slovakia	19,878	-	-	-	-	-	-	-	19,878
Luxembourg	1,381	-	12,009	974	-	-	-	352	14,716
Other countries	70,601	5,755	28,780	151,732	8	-	272	118,428	375,576
Total	**1,677,692**	**94,372**	**490,417**	**1,160,333**	**257,790**	**67,569**	**18,428**	**313,401**	**4,080,002**

Breakdown of assets by risk categories and remaining term to maturity:

EUR'000

Exposure class	Carrying amount and up to 1 month	1-3 months	3-12 months	1-5 years	5-10 years	More than 10 years and undated	Total
Central governments or central banks	400,100	60,665	236,981	685,068	280,965	13,913	1,677,692
Regional governments or local authorities	958	-	36,602	41,212	15,600	-	94,372
Public sector entities	-	-	-	-	-	-	-
Multilateral developments banks	-	-	62,343	15,293	19,072	-	96,708
International organisations	-	-	-	705	-	-	705
Institutions	250,432	12,160	98,165	103,843	25,818	-	490,418
Corporates	223,905	48,357	224,462	507,624	138,704	17,283	1,160,335
Retail	3,037	4,985	18,069	73,086	59,462	99,152	257,791
Secured by mortgages on immovable property	82	247	1,170	11,313	8,551	4,656	26,019
Exposures in default	385	729	2,478	4,668	509	6,405	15,174
Items associated with particularly high risk	1,300	1,815	11,112	38,635	48	600	53,510
Covered bonds	-	-	67,569	-	-	-	67,569
Claims on institutions and corporate with a short-term	-	-	-	-	-	-	-
Claims in the form of CIU	-	9,991	-	-	-	-	9,991
Equity Exposures	-	-	2,703	-	-	15,725	18,428
Other items	17,217	-	-	-	-	94,073	111,290
Total	**897,416**	**138,949**	**761,654**	**1,481,447**	**548,729**	**251,807**	**4,080,002**

Market risks

The group and the bank determine the following constituents of the market risk:
- securities price risk;
- interest rate risk;
- foreign exchange risk;
- commodities risk.

Securities price risk

To determine the amount of capital required for covering the market risk under the securities included in the group's and the bank's available-for-sale portfolio, the Value at Risk (VaR) and Stressed Value at Risk (SVaR) internal models are used given the confidence of 99% and the holding period of 10 days.

Non-fixed income securities are held in the group's/bank's trading portfolio. The amount of capital required for covering the market risk under capital securities included in the trading portfolio is determined by comparing the minimum capital requirements under position risk of trading portfolio capital securities with the risk value of these securities, which is calculated using the Value at Risk (VaR) internal model given the confidence of 99%, taking into account the changes in the securities market value over the reporting year and the average securities holding period in the trading portfolio.

Interest rate risk of non-trading portfolio

The amount of capital required for covering the interest rate risk of non-trading portfolio is determined by the group and the bank in accordance with the internal duration method, under which the reduction in economic value given the specific interest rate shock scenario is used as the amount of capital required for covering the risk.

Foreign exchange risk

The amount of capital required for covering the currency risk is calculated by the group and the bank by comparing the minimum capital requirements under foreign exchange risk with the aggregate value subject to foreign exchange risk, which is calculated using the internal model, and the larger of these values is used. Each value subject to foreign exchange risk is calculated using the internal model, given the confidence of 99% and the position holding period of one year. When calculating the aggregate value subject to foreign exchange risk, exchange rate intercorrelation is taken into account.

Commodities risk

Group of commodities that puts the group/bank under commodities risk is precious metals, except gold. In order to cover commodities risk the necessary amount of capital is calculated using terms division approach.

Operational risk

The capital requirements for covering operational risk are determined by the group/bank as equal to the minimum capital requirements calculated applying the basic indicator approach. Assessing their adequacy, the group/bank considers the following:
- the group's/bank's actual operational risk losses since establishment of the operational risk event database;
- internal audit evaluation of operational risk management system efficiency;
- available information on operational risk events within the sector;
- additional possible risks not covered by minimum requirements;
- results of the performed operational risk stress test.

For performing the stress test, VaR (Value at Risk) concept – OpVaR is used, the value of which represents potential unexpected losses.
The parameters used for OpVaR calculated are the following:
- confidence level – 99.9%;
- time horizon (holding period) – one year;
- historical data (risk event database);
- information on external events registered in the operational risk event database;
- operations development projected within the time horizon in accordance with the financial plan for the year.

Money laundering and terrorism financing risk

The amount of capital required for covering money laundering and terrorism financing risk is determined by the group/bank according to the internal model based on the simplified method, using the following:

- portion of non-residents' deposits in the total deposits;
- portion of deposits placed by clients to which enhanced due diligence should be applied in the total deposits;
- changes in the amount of non-residents' deposits during the last calendar year;
- amount of trust operations;
- amount of capital required for covering money laundering and terrorism financing risk.

The clients to which enhanced due diligence should be applied are identified in accordance with the FCMC Regulations for Enhanced Customer Due Diligence.
In addition to the determined amount of capital required for covering money laundering and terrorism financing risk, the share of capital based on the assessment of the group's/bank's internal control system efficiency is calculated.
For assessing internal control system quality (ICSQ) under prevention of money laundering and terrorism financing, expert evaluation method is applied, where the following persons are considered experts: Chief Compliance Officer (CCO), Head of Compliance Division, Head of Corporate and Private Clients Service Division, Head of Financial Control Department, and Head of Internal Audit Department. For assessing ICSQ under prevention of money laundering and terrorism financing, the average of evaluations provided by the experts is used.
For assessing ICSQ under prevention of money laundering and terrorism financing, the average of evaluations provided by the experts is used, and adjustment factor and capital required for ICSQ are calculated based on the same. The calculated amount of capital for ISCQ is added to the required amount of capital calculated applying the simplified method.

Liquidity risk

The amount of capital required for covering liquidity risk is determined by the group and the bank based on the results of liquidity risk stress tests.
The required amount of capital is determined according to the detected most negative impact on the capital produced by the available-for-sale securities portfolio losses from the securities sold to ensure liquidity during market drop (including negative revaluation reserve for securities not being sold), expenses on pledging the securities under the loans to ensure liquidity in the held-to-maturity securities portfolio, price decline of the securities included in the trading portfolio during the market crisis, possible losses from securities default during the market crisis in the held-to-maturity securities portfolio, as well as making additional assumptions, if necessary.
The bank calculates liquidity costs that emerge in order to ensure the necessary liquidity reserves in accordance with the results of liquidity stress test. The result is taken into account upon determining the desirable yield for products offered by the bank.

Other risks

Since some risks are difficult to assess in quantitative terms, the group and the bank establishes qualitative and efficient environment for managing those risks.

The following risks are included in other non-quantifiable risks:

- reputational risk;
- compliance risk;
- strategy and business risk;
- fee income/expense volatility risk.

The amount of capital required for covering other risks is determined based on the simplified method, additionally assessing the suitability of this method to the group's/bank's operations.
The assessment of the method suitability is based on qualitative and quantitative assessment of respective risks, and estimation of possible losses. The group and the bank perform quantitative assessment of expenses on material and known reputational risk events in order to determine additional capital requirements for covering the reputational risk.

Determination of capital buffer

For determining the amount of capital buffer, the group/bank analyses and evaluates possible group/bank development scenarios for the following two years depending on different macroeconomic situation development scenarios, events, or market changes, and also assesses the impact of such scenarios, events, or market changes on the group's/bank's overall financial status, amount of the capital at the group's/bank's disposal, capital requirements, and capital adequacy.
Determining the buffer amount, the group/bank takes into account assumptions and results of performed stress tests of particular risks.

Determination of the total amount of required capital

The total amount of required capital is equal to the aggregate amount of capital required for covering all risks. If different assumptions (e.g., different holding periods) are used for calculating the amount of capital required for covering various risks, then the group/bank ensures comparability of the obtained results when calculating the total amount of required capital.

Leverage ratio

The leverage ratio is the ratio representing the percentage of Tier 1 capital to the total amount of non-risk weighted exposures (including off-balance sheet business), and the same ensures additional protection against the risks associated with errors in models and assessment under calculation of capital requirements. According to the proposed amendments to Regulation (EU) No 575/2013, the binding leverage ratio for credit institutions is supposed to be set to 3%. The target level of the leverage ratio set internally within the group is more cautious – it is set to be 4%.

The leverage ratio is calculated as the simple arithmetic mean of the monthly leverage ratios over a quarter. The capital measure is the Tier 1 capital, whereas the total exposure measure is the sum of the exposure values of all assets and off-balance sheet items.

According to the International Financial Reporting Standards, fiduciary assets are not recognized on balance sheet, and therefore those are excluded from the total exposure measure under calculation of the leverage ratio.

The leverage ratio is one of strategic indicators of the group, and the same is quarterly controlled against the target level. The ratio target level was complied with in all quarters of 2016. The board of the group is regularly informed about the leverage ratio dynamics, and in case of necessity the board can take the decision on correcting the leverage ratio movements by increasing the Tier 1 capital or restricting the growth of exposure value.

In 2016, compared to the previous year, the leverage ratio increased from 4.06% to 5.8%. The increase of this ratio was triggered by lowering the amount of risk transactions due to reviewing client pool of the group/bank (in accordance with the stricter regulatory requirements) and increase of Tier 1 capital due to issuing shares.

Summary reconciliation of accounting assets and leverage ratio exposures

EUR'000

Position	Applicable Amount
Total assets as per published financial statements	4,080,002
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
Adjustments for derivative financial instruments	-
Adjustment for securities financing transactions (SFTs)	-
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet	-
(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
Other adjustments	(7,126)
Leverage ratio total exposure measure	**4,072,876**

Leverage ratio common disclosure	CRR leverage ratio expo- sures
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	3,941,316
(Asset amounts deducted in determining Tier 1 capital)	(7,126)
Total on-balance sheet exposures (excluding derivatives, SFTs and fidu-ciary assets)	**3,934,190**
Replacement cost associated with all derivatives transactions (ie net of eligi- ble cash variation margin)	-
Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	-
Exposure determined under Original Exposure Method	832
Gross-up for derivatives collateral provided where deducted from the bal- ance sheet assets pursuant to the applicable accounting framework	-
(Deductions of receivables assets for cash variation margin provided in deri- vatives transactions)	-
(Exempted CCP leg of client-cleared trade exposures)	-
Adjusted effective notional amount of written credit derivatives	-
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
Total derivatives exposures	**832**
Gross SFT assets (with no recognition of netting), after adjusting for sales ac- counting transactions	-
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
Counterparty credit risk exposure for SFT assets	-
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
Agent transaction exposures	-
(Exempted CCP leg of client-cleared SFT exposure)	-
Total securities financing transaction exposures	
Off-balance sheet exposures at gross notional amount	137,854
(Adjustments for conversion to credit equivalent amounts)	-
Other off-balance sheet exposures	**137,854**
(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Tier 1 capital	**236,274**
Leverage ratio total exposure measure	**4,072,876**
Leverage ratio	**0.0580**
Choice on transitional arrangements for the definition of the capital mea- sure	-
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	CRR leverage ratio expo- sures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	-
Trading book exposures	-
Banking book exposures, of which:	1,447,586
of which: covered bonds	67,569
of which: exposures treated as sovereigns	1,380,017
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	160,364
Institutions	787,127
Secured by mortgages of immovable properties	26,020
Retail exposures	256,994
Corporate	1,061,129
Exposures in default	14,824
Other exposures (eg equity, securitisations, and other non-credit obliga- tion assets)	187,272

Non-encumbered assets

The information on encumbered and non-encumbered assets is compiled in accordance with the requirements of Regulation 575/2013, Regulation 2015/79 provisions and regulations No. 24 “Regulations for the Disclosure Encumbered and Unencumbered Assets” issued by FCMC on 25 February 2015.

Encumbered and non-encumbered assets:

EUR'000

Position	Encumbered assets	Fair value of encumbered assets	Non-encumbered assets	Fair value of non-encumbered assets	**Total assets**	Fair value of total assets
Loans on demand	-	-	699,816	-	699,816	-
Equity instruments	-	-	26,657	26,657	26,657	26,657
Debt securities	96,406	102,878	2,173,164	2,209,539	2,269,570	2,312,417
of which: issued by general governments	82,779	89,267	1,409,763	1,436,694	1,492,542	1,525,961
of which: issued by financial corporations	2,643	2,707	537,948	542,032	540,591	544,739
of which: issued by non-financial corporations	10,984	10,905	225,453	230,813	236,437	241,718
Loans and advances other than loans on demand	35,255	-	1,134,795	-	1,170,050	-
of which: mortgage loans	-	-	746,203	-	746,203	-
Other assets	-	-	143,449	-	143,449	-
Total	**131,661**	**102,878**	**4,177,881**	**2,236,196**	**4,309,542**	**2,339,074**

Information on collateral received:

EUR'000

Position	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the institution	851,092	665,429
incl. capital instruments	-	-
incl. debt securities	-	-
incl. other collateral received	851,092	665,429
Own debt securities issued other than own covered bonds or asset-backed securities	-	-

Information on encumbered assets and received collateral, for securing financial liabilities:

EUR'000

Position	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and or asset-backed securities encumbered
Carrying amount of financial liabilities	83,515	989,225

The major sources of encumbrance assets are the following:
- participation in the targeted longer-term refinancing operations (TLTRO) programme;
- required collateral for transactions in financial instruments;
- collateral for settlements under the transactions performed by the clients using VISA cards;
- collateral for trade finance transactions.

In 2016, the group/bank continued participation in the targeted longer-term refinancing operations (TLTRO) programme, and the amount of encumbered assets under the programme was reduced from EUR 183 million to EUR 53 million in 2016. The asset pledging transactions are concentrated in the bank.

Remuneration policy and practices

The remuneration policy ensures unified approach and use of single methods within the group.
Existing remuneration policy is based on the business objectives, long-term interests, and performance results. The remuneration policy establishes the remuneration system, which ensures recruitment of officers possessing appropriate qualifications and their motivation, meanwhile not encouraging assumption of excessive risks, as well as includes evaluation of long-term impact of the transactions performed by the officers.
The remuneration policy is subordinated to fulfilment of the financial plan, which in turn is subordinated to the strategy and risk management policies.

The bank's council approves the bank's Personnel Policy, which determines the powers of the group's/bank's institutions under personnel management, remuneration system, bonus scheme, etc.; remuneration to the board is determined by the bank's council. Regularly, at least once per year, the council reviews the core principles of remuneration policy to ensure their appropriateness to the group's/bank's current operations and development strategy, as well as to changes in external factors.

The remuneration policy provides for variable remuneration part, which depends on compliance with values and ethical standards, cooperation between structural units, and also performance over a quarter, a half of the year, or a year. Variable remuneration part is expressed in monetary form (bonuses). When determining the variable remuneration part, it is ensured that the same does not exceed the fixed remuneration part set for the particular officer during the reporting period. At the group's level, variable part of the whole remuneration system is determined and paid out on the basis of the performance results over a quarter, a half of the year, or a year. The deferred part of the variable remuneration part is set to be between 25% and 60%, and the same is applied towards the officer's endowment life insurance or is invested in subordinated bonds.

Currently, there are three bonus schemes in the group/bank: initiative bonus, cooperation and quality of work performance bonus, and efficiency bonus, and those apply to and cover all staff of the bank and its affiliate companies. In 2016, there were 21 types of efficiency bonuses. Variable remuneration part (bonuses) includes incentives for the officers to maintain acceptable level of risk in their work. The remuneration policy takes into account assessment of the assets' quality, which applies both to an individual officer and to the whole structural unit.
The group's remuneration policy stipulates that for assessing the performance of the companies constituting the group and separate structural units both financial and non-financial indicators are used.

Major non-financial indicators included in performance evaluation:
- quality of cooperation between structural units and of work performance;
- client service quality ensured by structural units;
- compliance with normative documents and internal code of conduct, including those on anti-money laundering.

Major financial indicators included in performance evaluation:
- return on assets and their quality;
- amount and quality of investments;
- fee income;
- trading result;
- reporting period profit.

The officers have not acquired irrevocable rights to unpaid deferred part of the variable remuneration part.

In 2016, employment relations with 3 risk profile affecting employees according to quantitative criteria were terminated, and severance pay was paid to those; two of them had been holding risk profile affecting positions. The amount of paid severance pay equalled EUR 38 400 (14 399). The largest amount of severance pay paid in 2016 equalled EUR 30 800.

Information on remuneration to the officers in 2016:

EUR

Position	Council	Board	Investment services [1]	Services to individuals or small and medium-sized enterprises [2]	Asset management [3]	Corporate support function [4]	Internal control function [5]	Other types of operations [6]
Number of officers as at the end of the year	3	7	12	177	26	302	171	7
Profit/(loss) after tax	79,033,930							
Total remuneration	135,641	2,504,500	2,980,014	9,561,256	1,642,540	10,916,843	5,922,323	449,122
Including: variable remuneration part		673,479	1,157,061	2,838,124	265,608	3,168,214	1,641,494	50,529

Information on remuneration to the officers holding risk profile affecting positions in 2016:

EUR

Position		Council	Board	Investment services [1]	Services to individuals or small and medium-sized enterprises [2]	Asset management [3]	Corporate support function [4]	Internal control function [5]	Other types of operations [6]
	Number of officers affecting the institution's risk profile as at the end of the year	3	7	11	60	13	52	25	-
	including the number of risk profile affecting officers who hold senior management positions	-	-	3	6	4	10	7	-
Fixed remuneration part	Total fixed remuneration part	135,641	1,831,022	1,795,830	4,152,337	946,469	2,485,222	1,379,217	-
	including monetary funds and other means of payment	135,641	1,831,022	1,795,830	4,152,337	946,469	2,485,222	1,379,217	-
	including shares and instruments related to those	-	-	-	-	-	-	-	-
	including other instruments	-	-	-	-	-	-	-	-
Variable remuneration part	Total variable remuneration part	-	673,479	1,140,301	1,922,362	194,790	868,744	412,986	-
	including monetary funds and other means of payment	-	673,479	1,140,301	1,922,362	194,790	868,744	412,986	-
	including shares and instruments related to those	-	-	-	-	-	-	-	-
	including other instruments	-	-	-	-	-	-	-	-
Deferred variable remuneration part	Total deferred variable remuneration part that is deferred in the reporting year	-	404,087	587,626	1,037,416	72,837	206,568	83,116	-
	including deferred part in the form of monetary funds and other means of payment	-	404,087	587,626	1,037,416	72,837	206,568	83,116	-
	including deferred part in the form of shares and instruments related to those	-	-	-	-	-	-	-	-
	including deferred part in the form of other instruments	-	-	-	-	-	-	-	-
	Total unpaid deferred variable remuneration part that is awarded before the reporting year	-	535,713	1,659,093	4,452,586	400,392	679,009	291,315	-
	including the part to which irrevocable rights have been acquired	-	-	-	-	-	-	-	-
	including the part to which irrevocable rights have not been acquired	-	535,713	1,659,093	4,452,586	400,392	679,009	291,315	-
	Total deferred variable remuneration part paid out in the reporting year	-	484,527	731,967	744,490	40,813	164,284	51,056	-
Adjustments to the variable remuneration part	During the reporting year, adjustments have been made to the variable remuneration part with regard to the variable remuneration part awarded in previous years	-	-	-	-	-	-	15,528	-
Guaranteed variable remuneration part	Number of payees of the guaranteed variable remuneration part (sign-on payments)	-	-	-	-	-	-	-	-
	Amount of guaranteed variable remuneration part (sign-on)	-	-	-	-	-	-	-	-
Severance pay	Number of payees of severance pay	-	-	-	3	-		-	-
	Amount of severance pay in the reporting year	-	-	-	38,400	-	-	-	-
	Largest amount of severance pay to one person	-	-	-	30,800	-	-	-	-
Discretionary pension benefits	Number of payees of discretionary pension benefits	-	-	-	-	-	-	-	-
	Amount of discretionary pension benefits	-	-	-	-	-	-	-	-

[1] advisory on corporate finance, transactions in financial instruments traded on a regulated market or not traded on a regulated market, as well services related to financial instruments trading and sale;
[2] lending to individuals and corporates;
[3] management of individual investment portfolios, management of investments made in mutual funds complying with the requirements of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), and management of other types of assets;
[4] all functions the performance of which is related to the whole credit institution/consolidation group, e.g., IT, human resources management;
[5] internal audit, compliance control function, and risk control function;
[6] officers the professional activity of which cannot be attributed to the abovementioned activities. The institution appends additional explanations to the report, stating the types of operations within which the professional activity of the officers is carried out.

Non-financial and diversity information

This section of the Statement of Information Disclosure is provided in accordance with Directive 2014/95/EU of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and Groups.

Business model of the Group

For the group, corporate social responsibility means not just reasonable use of resources and equal possibilities for both gender balance at the companies of the group but, first of all, taking care of the clients' needs, well-being of the employees and their families, as well as development of the export capacity of the country. We take progressive attitude and approach to both client service and internal work organization.

As at 31 December 2016, ABLV Group included 24 companies rendering banking services, investment management and advisory services, ancillary services, as well as engaged in real estate development and management.

Sustainable development

Constant development, search for new areas, innovative ideas on optimization of existing processes – all these guarantee successful operations, excellent results, and therefore, stability. Stable development is also evidenced by other indicators, such as amount of taxes paid to the state budget, large and constantly growing team of employees, salary size, and other ones.

- amount of paid taxes
- in 2016, taxes paid by the group to the state budget amounted to EUR 22.0 million.
- constantly growing team of employees
- the group is one of the largest employers in Riga and Latvia. As at 31 December 2016, there were more than 800 employees working at the companies of our group, 38% of them men and 61% women.
- competitive remuneration

Average salary at the group considerably exceeds average salary in the country. According to the data of the Central Statistical Bureau, in the first three quarters of 2016, the average expenses per employee in Latvian finance and insurance sector amounted to EUR 15.74/h[1], whereas in the group the average expenses per employee in 2016 were at least 80% higher.

Corporate social responsibility

Contribution to the export capacity of the country.

On 10 November 2016, The Red Jackets movement supporting exporting brands presented Treasures of Latvia — Outstanding Export Brands and Inspiring Talents book in cooperation with Dace Melbārde, Minister for Culture. The book supported by ABLV Bank features companies which received The Red Jackets title in 2015, i.e., the most significant Latvian exporting brands and The Rising Stars of export.

Riga development and popularization.

The group actively develops the project of New Hanza, a new business and leisure area. This will be a unique area in the city, where office and residential buildings, urban infrastructure facilities, Latvian Museum of Contemporary Art, park area, etc., will be located. It will definitely enable attraction of new investments and increased interest in Riga as a place for economic activities. In 2016, the first stage of infrastructure construction was launched; it includes laying the streets and engineering systems, like water supply, sewage, heat, and electricity supply systems. In 2016, the best idea for reconstruction of the warehouse building of the former Riga railway goods station was chosen, too. This building, to be the only one historically preserved on the territory of New Hanza, is supposed to become a multifunctional cultural centre.

The group also contributes to preservation and restoration of the architectural heritage of the capital city. The building at 23 Elizabetes Street, in which ABLV Bank headquarters are currently located, is an excellent example of Art Nouveau, successfully renovated by the bank. The neighbouring building at 21a Elizabetes Street has been also thoroughly renovated, preserving all details that make it unique.

In August 2015, Pillar Group, which is a part of the group, became a major sponsor of the tour-closing concert of the band Brainstorm, which took place at New Hanza territory. More than 45 000 spectators visited the event, and it ensured good publicity for Riga in neighbouring countries.

[1] http://www.csb.gov.lv/en/statistikas-temas/labour-costs-key-indicators-30616.html

Professional business environment

Vision of the group:

- We offer the most highly valued experience in tailored banking services, based on a unique understanding of our clients and close relationships that we build with them.
- To make this vision come true, ABLV Bank also strictly adheres to the standards set by the state and local regulatory authority, FCMC, as well as by international organizations: the European Central Bank and the Organization for Economic Cooperation and Development (OECD).
- ABLV Bank, AS supports non-governmental organizations aiming at improving the banking sector and business environment in Latvia in general, as well as actively participates in their activities. Among the above mentioned there are the Association of Commercial Banks of Latvia, Latvian Chamber of Commerce and Industry, Employers' Confederation of Latvia and others. We have been supporting Certus think tank and are going to keep doing it as we believe an authoritative research centre with high potential is ultimately needed for further development of Latvia.

Sound work environment and social well-being.

Management has always stressed that people are the most important asset. This attitude is supported by a number of measures and principles aimed not only at ensuring compliance of work conditions with the standards set forth by laws but also at increasing employees' well-being, at making work environment comfortable, and at growing the feeling of being a part of the organization:

- The "Personnel Policy" applied at the group is developed in accordance with current legal acts of the Republic of Latvia, FCMC regulations, internal normative documents, and international legal provisions, thus ensuring complete observance of human rights.
- The group is traditionally being ranked among the employers in Latvian financial sector paying the biggest amount of labour taxes[2], which highlights the transparency of the group/bank and care about social guarantees for its employees at the same time.
- The employee satisfaction survey is carried out on a regular basis. According to the latest survey 'ABLV Group employee satisfaction index for 2015', in which 571 respondents participated, the level of employee involvement is among the highest ones in Latvia and substantially exceeds average indicators in the Baltics and Europe both in the financial sector and in general. This evidences high level of employee satisfaction, motivation, positive opinion, which provides competitive advantages and represents a sufficient resource for further business development: 89% of employees would definitely recommend the group as an employer. Almost all employees — 99% — believe that the company is undergoing steady upward development. Moreover, the company's reputation among the employees is growing every year: our specialists are proud to be a part of the group and are highly loyal. The above mentioned is supported by the average working life in the group, 6 years. Moreover, on 31 December 2016, 222 employees' experience in the group exceeded 10 years, while 49 employees have been working in the group for more than 20 years.
- In confirmation of the values concerning employees and the personnel policy being well thought trough, the leading recruitment portal in Latvia and Kapitāls magazine has named the bank one of the best employers in the financial sector by for several years in a row.
- Each employee of the group follows an internal code of ethics, 'ABLV Code' – the normative document describing the essence of our corporate culture and also containing everything that is important with regard to our values, procedures, culture, work environment, relations between employees, and client service.
- Health insurance is available for every employee. The group covers 75% of the insurance policy price.
- In 2010, to promote long-term loyalty and motivation of the employees, the decision on endowment life insurance was made. In 2015, first payments under the same were made.
- Corporate events (New Year's party for employees, special event for employees' children) are arranged at the group on a regular basis, which encourages team consolidation and positively affects work performance and group atmosphere.
- In addition to annual paid vacation, employees of the group are granted the possibility to use additional holidays depending on the duration of employment at the group.

Care for nature.

Affiliate companies of the group, making farsighted plans for future operations, try to take as much care about the environment as possible.

- The group support departments are situated in a 'smart building' — the multi-storey building, which ensures optimal electricity and heat consumption, almost preventing losses. The building is equipped with everything necessary for access by people with special needs.
- In the building, sensor water taps are used, which allows reducing water consumption.
- The companies of the group use virtual data warehouse and workstations, thus enabling lower paper consumption, less equipment and cables.
- Proper technical condition of cars of the group is maintained, ensuring compliance with the emission standards. Moreover, the group has received DHL Latvia logistics company certificates for offsetting greenhouse gas emissions several years in a row.

[2] State Revenue Service 2015 data

Care for society.

Being a socially responsible organization, the group tends to care not only about its employees but also about Latvian society in general. In 2016, we kept implementing and launched new initiatives of significant importance for the wider public:

- Christmas charitable campaign.
- Each year the group invites its employees, clients and partners to participate in the annual Christmas charitable campaign by ABLV Charitable Foundation. In 2016, a historical maximum was achieved when the total amount of donations exceeded EUR 1 million.
- Blood Donor Day.
- In 2016, 86 the group employees participated in a centralized blood donation, thus providing help to roughly 258 people in danger.
- Shadow Day.
- The group hosted upper secondary school pupils in order to let them get acquainted with the daily activities of the representatives of their desired professions on-the-spot and evaluate the preliminary choice they have made.

Given the growing significance of corporate social responsibility in the modern business environment, each company that operates reasonably and with best intentions will definitely add to its priorities not just mere achievement of financial indicators, but also work process optimization in terms of both saving resources and improving work environment. A company caring about sustainable development, long-term performance, and interests of its employees and the society will always enjoy stability, which ensures confidence about the future.

Developing export capacity of our country, paying considerable amount of taxes to the state budget, and increasing popularity of Riga, the group makes important contribution to the stability of Latvian economy and its future. Whereas high employee satisfaction evidences that our employer’s responsibility towards the society is growing every year. Taking the leading position in the Association of Commercial Banks of Latvia, the bank is involved in making decisions important for the whole banking sector in our country. All this makes corporate social responsibility an integral and essential part of operations of the group.