

ABLV Bank, AS

registration No.:	5 000 314 940 1
legal address:	Riga, 23 Elizabetes Street
Internet address:	www.ablv.com
phone:	6777 5222

Base Prospectus of the Second Bond Offer Programme

Securities:	Bonds
Amount of the offer programme:	LVL 150 000 000.00 (one hundred fifty million Latvian lats) or equivalent in EUR or USD
Maturity period:	from 1 to 10 years

31 May 2012

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Appendix 1: AS Aizkraukles Banka consolidated annual report 2010 (77 pages)

Appendix 2: ABLV Bank, AS consolidated annual report 2011 (78 pages)

1. Explanation of the terms and abbreviations used

Issuer – pursuant to the Financial Instrument Market Law, a person transferrable securities of which are admitted to a regulated market, as well as a person which issues or plans to issue transferrable securities or other financial instruments in this person's own name.

In this Base Prospectus – ABLV Bank, AS, registration No.: 50003149401, legal address: Riga, 23 Elizabetes Street, or also **ABLV Bank**.

ABLV Group – ABLV Group consists of ABLV Bank, AS; ABLV Capital Markets, IBAS; ABLV Asset Management, IPAS; ABLV Transform Partnership, KS; ABLV Consulting Services, AS; ABLV Corporate Services, SIA; New Hanza City, SIA, ABLV Luxembourg, S.A., and other related companies of ABLV Bank, AS.

Base Prospectus of the Second Bond Offer Programme, or the Base Prospectus – this prospectus, which contains detailed information on the Issuer and the Bonds that will be offered to the public under the Second Programme. The Base Prospectus has been produced to make a public offer of the Bonds and admit those to trading on a regulated market. The Issuer has not included the information on the Final Terms of offer of each particular Bond Issue Series in this Base Prospectus.

Bonds – transferrable securities issued by ABLV Bank, which enable their owners to receive Interest Income and Face Value following the procedure and within the term set in this Base Prospectus, those securities being issued in accordance with provisions of this Base Prospectus and the Final Terms.

Face Value – value of a single Bond set by the Issuer and stated in the Final Terms of each particular Bond Issue Series.

Second Offer Programme or the Second Programme – a set of activities intended for repeated issue of the Bonds within the period of this Base Prospectus being effective.

Final Terms – terms of offer of each particular Bond Issue Series under the Second Programme described in this Base Prospectus.

Bond Issue Series or the Series – an issue of securities of the same class, which are issued by performing at least two separate issues within 12 months after the public offer start date, where single Final Terms apply to the Series. Separate Final Terms are approved and published for each Series.

Annual Interest Rate – annual rate of the Bonds' yield in percentage terms, which the Issuer shall calculate and determine on the dates and according to the procedures set in this Base Prospectus and the Final Terms.

Interest Income – interest income under the Bonds, which the Issuer shall pay to the owner of the Bonds on the dates and according to the procedures set in the Final Terms.

Investor – an individual or a legal entity that expressed a wish or plans to acquire the Bonds in accordance with the procedures set in the Base Prospectus and the Final Terms.

Investment Company – a credit institution or investment brokerage company that is duly licensed to render investment services and related services, and where the Investor has a financial instruments account opened with the same.

DVP – settlement principle *Delivery vs Payment*.

Financial Statements – ABLV Bank audited annual reports 2010 and 2011.

ISIN – *International Securities Identification Number* assigned to the Bonds, issued under the programme described in the Base Prospectus, by the Latvian Central Depository as a member of the Association of National Numbering Agencies.

Applicable Legal Acts – legal acts of the Republic of Latvia, regulations published by the Bank of Latvia, FCMC, LCD.

FCMC – the Financial and Capital Market Commission, registration No. 40003167049, legal address: Riga, 1 Kungu Street.

Pursuant to the Law on the Financial and Capital Market Commission, the FCMC shall enjoy full rights of an independent/autonomous public institution and, in compliance with its goals and objectives, shall regulate and monitor the functioning of the financial and capital market and its participants.

Stock Exchange or NASDAQ OMX Riga – joint stock company NASDAQ OMX Riga, registration No. 40003167049, legal address: Riga, 1 Valņu Street.

LCD – joint stock company Latvian Central Depository, registration No. 40003242879, legal address: Riga, 1 Valņu Street.

2. Issue of the Bonds

2.1. Second Programme description

Under the Second Offer Programme, the Issuer will issue one or several Series of the Bonds.

Issue of the Bonds shall be regulated by the Financial Instrument Market Law, the Base Prospectus, and the Final Terms.

Objective of each Bond Issue Series shall be raising of funds that the Issuer will use for financing its operating activities, including without limitation:

- improvement of the ABLV Bank assets' and liabilities' distribution into maturity bands;
 - increase and maintenance of the liquidity level required for activities of ABLV Bank;
- or
- raising of funds for formation or increase of the ABLV Bank subordinated capital.

Objective of each Bond Issue Series shall be stated in the Final Terms applicable to the particular Series. For example, the Issuer, inter alia, may state that the funds raised will be used for increasing subordinated capital of ABLV Bank, in accordance with requirements of the Credit Institution Law and regulations published by the FCMC.

The Base Prospectus shall be effective for 12 months after registration of the same with the FCMC.

2.2. Final Terms

Before issuing each Bond Issue Series, the Issuer shall publish the Final Terms of the respective issue, providing the following information therein:

- public offer start and end date;
- information on the Bonds' ISIN;
- number of issued Bonds;
- Face Value of issued Bonds;
- total value of issued Bonds;
- currency of issued Bonds;
- Annual Interest Rate;
- frequency and dates of Interest Income payments to be made within the Series;
- maturity date of the Bonds.

Information on the Annual Interest Rate of the Bond issue, provided in the Final Terms, shall contain the following data:

- rate type (fixed or floating);
 - in case of fixed rate set, the rate value;
 - in case of floating rate set, the base rate and risk premium;
- method of calculating accrued interest.

Several fixed rates may be set within single Bond Issue Series, where each of those shall be applicable to particular period of the Bond term.

In the Final Terms, the Issuer shall also state its right of premature redemption of the Bonds issued within the Series (*call option*).

It will be stated in the Final Terms whether the Investor is entitled to claim the Face Value and accrued interest to be repaid by the Issuer before maturity (*put option*) within the Series.

Before the end of the public offer period, but not later than 4 (four) days prior to the public offer end date, the Issuer may increase the Issue Series size. Changes in the Series Final Terms shall be approved by the Board, and those shall be submitted to the FCMC together with the order to the LCD for posting additional number of the Bonds applying the ISIN code previously used for posting initial Bonds. After the public offer end date, the Issuer may not increase the Issue Series size. If amendments to the Final Terms are made, those are published in the same way as the Final Terms.

In case of issuing new Series under the Second Programme, the Issuer shall also include the following information in the Final Terms:

- main terms and conditions of public placement of previous Bond Issue Series performed under the Second Programme:
 - the Bonds' ISIN;
 - number of issued Bonds;
 - Face Value of issued Bonds;
 - total value of issued Bonds;
 - currency of issued Bonds;
 - Annual Interest Rate;
 - frequency and dates of Interest Income payments to be made within the Series;
 - maturity date of the Bonds.

- other terms and conditions, provided those do not contradict the Base Prospectus and Applicable Legal Acts.

To make a new common Series, the Issuer may produce new Final Terms and issue additional Bonds under the terms and conditions equal to those of some of the previous Bond Series issued within the Second Programme described in this Base Prospectus. A different ISIN code shall be assigned to such new Series.

2.3. Methods of publishing the Final Terms

The Final Terms of the Bond issues shall be published by the Issuer on its Internet home page **www.ablv.com** at least 4 (four) working days before starting the initial public offering.

Changes related to increase of the Issue Series size may be published by the Issuer within the public offer period, but not later than 4 (four) days prior to the public offer end date.

3. Responsible persons

3.1. Representations of the responsible persons

We, ABLV Bank, AS,
 Chairman of the Board Ernests Bernis,
 Deputy Chairman of the Board Vadims Reinfelds,
 Member of the Board Māris Kanneņieks,
 Member of the Board Edgars Pavlovičs,
 Member of the Board Aleksandrs Pāže,
 Member of the Board Rolands Citajevs, and
 Member of the Board Romans Surnačovs,
 hereby confirm the information provided in the Base Prospectus and represent that according to the data available to us the information provided in the Base Prospectus is true and there are no concealed facts that might affect meaning of the information provided in the Base Prospectus .

3.2. Information about the responsible persons

Name, surname	Position held	Signature
Ernests Bernis	Chairman of the Board, Chief Executive Officer (CEO)	
Vadims Reinfelds	Deputy Chairman of the Board, Deputy Chief Executive Officer (dCEO)	
Māris Kanneņieks	Member of the Board, Chief Financial Officer (CFO)	
Edgars Pavlovičs	Member of the Board, Chief Risk Officer (CRO)	
Aleksandrs Pāže	Member of the Board, Chief Compliance Officer (CCO)	
Rolands Citajevs	Member of the Board, Chief Information Officer (CIO)	
Romans Surnačovs	Member of the Board, Chief Operating Officer (COO)	

3.3. Auditors

Consolidated financial statements of ABLV Bank, AS, and its affiliate companies for the years 2010 and 2011, included in this Base Prospectus, have been audited by:

SIA Ernst & Young Baltic (licence No. 17)
 registration No.: 4 000 359 345 4
 legal address: Riga, 1A Muiņas Street

Chairperson of the Board

LR certified auditor: Diāna Krišjāne (certificate No. 124) for the year 2010

LR certified auditor: Iveta Vimba (certificate No. 153) for the year 2011

4. Summary

Notice

- The summary shall be deemed the introduction of the Base Prospectus.
- Any decision on investing in the Bonds shall be based on the Investor's judgement on the whole Base Prospectus.
- Should any claim be lodged to a court regarding the information provided in the Base Prospectus, if necessary, the Investor lodging the claim to a court in accordance with normative acts of the respective member state shall cover the costs of translating the Base Prospectus before starting the proceedings.
- The persons responsible for the information provided in the Base Prospectus, including persons that translated the same and applied for distribution of the same, may be held civilly liable only where the summary is misleading, incorrect, or inconsistent with other sections of the Base Prospectus.

4.1. Information on the Second Offer Programme

Issuer:	ABLV Bank, AS
Securities:	Bonds
Type of securities:	In bearer form
Class of securities:	Without restraint on alienation
Collateral:	Not secured with pledge
Total amount of the Second Programme:	150 000 000.00 LVL (one hundred fifty million Latvian lats) or equivalent in EUR or USD
Currency:	LVL, or EUR, or USD
Objective of the issue:	Objective of each Bond Issue Series shall be stated in the Final Terms. ¹
Maturity period:	Maturity period of each Bond Issue Series shall not exceed 10 years and shall be stated in the Final Terms of offer.
Premature redemption:	The Issuer's right to redeem the Bonds before maturity shall be stated in the Final Terms.
Depository:	Joint stock company Latvian Central Depository
Regulated market:	Joint stock company NASDAQ OMX Riga List of debt securities

¹If objective of the Bond Issue Series is raising of funds that the Issuer will use as subordinated capital, the Investor shall be informed that in case of the Issuer's insolvency the Investor's claims to the Issuer arising out of the Bonds will be satisfied after claims of all other creditors, but before satisfying claims of the shareholders.

4.2. Risks

Risks are inherent to operations in the financial instruments market and those of the market participants. It is important for the Investor to assess both risks associated with the Issuer and risks associated with the Bonds.

Normative acts of the European Union and the Republic of Latvia provide for strong supervision of credit institutions that is performed by the FCMC and minimizes the Investor's risk compared to investing in securities issued by companies operating in other sectors. Implemented banking sector control ensures the possibility of identifying risk level changes related to performance of the banks' obligations, also with regard to payment of accrued bond interest and redemption of bonds.

In carrying out its operating activities, ABLV Bank, AS, is subject to various risks, the most significant of which are credit risk, liquidity risk, and risks associated with currency exchange and money markets, including interest rate and currency exchange rate fluctuation risks. ABLV Bank, AS, is also subject to operational risk. For the sake of risk management, ABLV Bank has developed risk management policies, providing for risk identification, assessment and control. Implementation and efficiency of the procedures is supervised by ABLV Bank, AS, Board and Chief Risk Officer (CRO), whereas applying those in practice lies with the corresponding structural units of ABLV Bank, AS, including Risk Management Division.

Major risk factors associated with the Bonds are the following:

- price risk;
- liquidity risk;
- interest rate fluctuation risk.

Since the risks mentioned in the Base Prospectus may decrease the Issuer's ability to perform the undertaken obligations, the Investor shall assess the risks independently before making a decision. Detailed description of the risks mentioned in the summary is provided in section 5 of the Base Prospectus.

4.3. Issuer

Issuer of the Bonds: ABLV Bank, AS
 registration No.: 5 000 314 940 1
 legal form: joint stock company
 legal address: Riga, 23 Elizabetes Street
 registration date: 17 September 1993

ABLV Bank, AS, carries out its operations in accordance with the Republic of Latvia normative acts and the licence issued by the Bank of Latvia, which allows rendering all financial services stated in the Credit Institution Law.

ABLV Bank, AS, major lines of business are settlement products, investment services, asset management, and crediting.

Central office of ABLV Bank, AS, is located in Riga, at 23 Elizabetes Street,
 phone + 371 6777 5222,
 fax: + 371 6777 5200,
 e-mail: **info@ablv.com**.

ABLV Bank, AS, has one loan centre in Riga, at Marijas Street.

ABLV Bank, AS, and companies constituting ABLV Group have the following representative offices:

- in Azerbaijan – Baku;
- in Belarus – Minsk;
- in Kazakhstan – Almaty;
- in Russia – Moscow, St. Petersburg, and Yekaterinburg;
- in Ukraine – Kiev, with a branch in Odessa;
- in Uzbekistan – Tashkent;
- in Tajikistan – Dushanbe.

According to the chosen strategy, services offered by ABLV Bank are intended for affluent individuals and their related companies operating in markets of the European Union and the Commonwealth of Independent States.

ABLV Bank, AS, performance indicators, according to the audited financial status report for the year 2011 **as at 31 December 2011 (in thousand LVL)**

Paid-in share capital	16,500 (sixteen million five hundred thousand)
Equity	90,174 (ninety million one hundred seventy-four thousand)
Total value of assets	1,789,161 (one billion seven hundred eighty-nine million one hundred sixty-one thousand)

ABLV Bank, AS, Members of the Board:

Name, surname	Position held	Appointment to the Board approved on
Ernests Bernis	Chairman of the Board, Chief Executive Officer (CEO)	17 October 2011 (<i>reappointed</i>)
Vadims Reinfelds	Deputy Chairman of the Board, Deputy Chief Executive Officer (dCEO)	17 October 2011 (<i>reappointed</i>)
Māris Kanneieks	Member of the Board, Chief Financial Officer (CFO)	17 October 2011 (<i>reappointed</i>)
Edgars Pavlovičs	Member of the Board, Chief Risk Officer (CRO)	17 October 2011 (<i>reappointed</i>)
Aleksandrs Pāže	Member of the Board, Chief Compliance Officer (CCO)	17 October 2011 (<i>reappointed</i>)
Rolands Citajevs	Member of the Board, Chief Information Officer (CIO)	17 October 2011 (<i>reappointed</i>)
Romans Surnačovs	Member of the Board, Chief Operating Officer (COO)	17 October 2011

ABLV Bank, AS, majority shareholders:

**Interest in ABLV Bank, AS, in percentage terms
of the voting shares, as at 7 May 2012**

Ernests Bernis (direct and indirect interest) and Nika Berne	43.01%
Oļegs Fiļs (indirect interest)	43.00%
14 legal entities and 102 individuals	13.99%

As at 7 May 2012, there are 120 shareholders of the Bank. Share capital of ABLV Bank, AS equals LVL 19.74 million.

Consolidated financial statements of ABLV Bank, AS, and its affiliate companies for the years 2010 and 2011, included in this Base Prospectus, have been audited by:

SIA Ernst & Young Baltic (licence No. 17)
 registration No.: 4 000 359 345 4
 legal address: Riga, 1A Muiņas Street

4.4. Financial information

The financial information for the years 2010 and 2011 provided in the Base Prospectus completely conforms with ABLV Bank, AS, audited consolidated reports. The indicators provided in this paragraph refer to ABLV Bank, AS and do not include results of ABLV Group.

Statement of comprehensive income for the years 2010 and 2011

	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010
	LVL '000	LVL '000
Interest income	37 725	36 375
Interest expense	(15 566)	(18 808)
Net interest income	22 159	17 567
Commission and fee income	23 521	20 146
Commission and fee expense	(2 994)	(2 979)
Net commission and fee income	20 527	17 167
Net (loss)/ gain from financial assets and liabilities at fair value through profit or loss	(5 598)	12 589
Net realised gain from available-for-sale financial assets	1 827	418
Net realised gain from financial assets at amortised cost	9 480	(1 823)
Net result from foreign exchange trading and revaluation	20 963	(1 209)
Other income	1 349	1 440
Income from dividends	707	52
Change in allowances for credit losses	(17 138)	(28 917)
Operating income	54 276	17 284
Administrative expense	(24 081)	(20 186)
Depreciation	(1 516)	(1 587)
Other expense	(4 954)	(2 499)
(Loss)/ gain from sale of tangible and intangible fixed assets	16	7
Impairment of financial instruments	(1 756)	(14)
Impairment of non-financial assets	355	(832)
Total operating expense	(31 936)	(25 111)
Profit/ (loss) before corporate income tax	22 340	(7 827)
Corporate income tax	(3 234)	880
Net profit/ (loss) for the period	19 106	(6 947)
Net profit/ (loss) for the period attributable to:		
Equity holders of the Bank		
Non-controlling interests		
Other comprehensive income for the period:		
Changes in fair value revaluation reserve of available-for-sale financial assets	(4 996)	627
Charge to income statement as a result of sale of available-for-sale securities	(1 827)	1 405
Charge to income statement due to recognised impairment of available-for-sale securities	1 756	14
Change in deferred corporate income tax	758	(305)
Other comprehensive income for the period, total	(4 309)	1 741
Total comprehensive income	14 797	(5 206)

4.4.1. Statements of financial position as at 31 December 2011 and 2010

	31.12.2011	31.12.2010
	LVL '000	LVL '000
Assets		
Cash and deposits with the Bank of Latvia	143 663	82 120
Balances due from credit institutions	518 472	325 326
Financial assets at fair value through profit or loss	8 922	23 372
Debt securities and other fixed income securities	–	19 367
Shares and other non-fixed income securities	753	674
Derivatives	8 169	3 331
Available-for-sale financial assets	373 006	168 657
Debt securities and other fixed income securities	370 744	166 431
Shares and other non-fixed income securities	2 262	2 226
Loans and receivables	470 603	528 561
Loans	470 603	517 500
Debt securities and other fixed income securities	–	11 061
Held-to-maturity investments	166 778	155 112
Debt securities and other fixed income securities	166 778	155 112
Prepaid expense and accrued income	335	292
Investments in subsidiaries and associates	71 286	58 661
Investment properties	16 662	16 670
Tangible fixed assets	4 954	5 253
Intangible fixed assets	3 368	3 548
Current corporate income tax receivables	–	176
Deferred corporate income tax	3 359	5 718
Other assets	7 753	5 099
Total assets	1 789 161	1 378 565
	31.12.2011	31.12.2010
	LVL '000	LVL '000
Liabilities		
Demand deposits from credit institutions	1 779	1 906
Financial liabilities at fair value through profit or loss	141	226
Derivatives	141	226
Term deposits from credit institutions	6 699	550
Deposits	1 603 143	1 248 190
Deferred income and accrued expense	5 182	2 460
Current corporate income tax liabilities	–	–
Other liabilities	4 123	2 973
Deferred corporate income tax	–	–
Issued securities	56 258	22 921
Subordinated deposits	21 662	23 962
Total liabilities	1 698 987	1 303 188
Shareholders' equity		
Paid-in share capital	16 500	16 500
Share premium	5 255	5 255
Reserve capital and other reserves	1 500	1 500
Fair value revaluation reserve of available-for-sale financial assets	(2 480)	1 829
Retained earnings brought forward	50 293	57 240
Retained earnings/ (accumulated deficit) for the period	19 106	(6 947)
Attributable to the equity holders of the Bank	90 174	75 377
Non-controlling interests	–	–
Total shareholders' equity	90 174	75 377
Total liabilities and shareholders' equity	1 789 161	1 378 565
Memorandum items		
Funds under trust management	87 492	84 167
Contingent liabilities	12 055	21 125
Financial commitments	20 940	12 934

5. Risk factors associated with the Issuer and the type of securities being issued

Notice

The Investor shall thoroughly assess risks listed in this section of the Base Prospectus. Those may decrease the Issuer's ability to perform its obligations or affect the possibility of executing transactions in the Bonds. The Base Prospectus may contain incomplete list of all possible risks that might affect the Issuer's operations or trading of the Bonds.

Normative acts of the European Union and the Republic of Latvia provide for strong supervision of credit institutions that minimizes the Investor's risk compared to investing in securities issued by companies operating in other sectors. In the Republic of Latvia, such supervision is performed by the FCMC. Nevertheless, before making a decision on investing in the Bonds, any Investor shall independently assess risks associated with the investment, engaging an advisor, if necessary.

Risks that might adversely affect the Issuer and cause the Issuer's insolvency at worst are mentioned and described below.

5.1. Overall risk factors

5.1.1. Macroeconomic risks associated with Latvia

Rapid changes that made global corrections after the end of 2008 were concurrent with economic crisis in the Republic of Latvia. Both processes had negative effect on the banking sector, including the Issuer. Investors also became less active, due to declining availability of funds in both individual and corporate customers' sector.

As at the moment of producing this Base Prospectus, the situation in Latvian banking sector has improved significantly, the state economy has stabilized, and international rating agencies appreciated those achievements by gradually increasing the country's ratings, following their rapid drop in 2009.

Agency	Rating	Date of last changes	Last changes made
Standard & Poor's	BBB-/stable	2 May 2012	Rating: from BB+/positive to BBB-/stable
Fitch	BBB-/stable	13 December 2011	Future outlook: from positive to stable
Moody's	BBB-/positive	6 June 2011	Future outlook: from stable to positive

Based on evaluations given by rating agencies and macroeconomic indicators, it can be said that currently the Republic of Latvia economy is slowly growing. Nevertheless, the Investors should take into account the experience gained in previous years, which evidences that global economic processes may have considerable effect on economy of the state, including banking sector.

5.1.2. Political risks

- The Republic of Latvia is a unitary multiparty republic, placing high value on democracy principles.
- The Republic of Latvia is a member of the European Union since May 2004.
- The Republic of Latvia joined NATO in March 2004.

Based on the above facts, it can be concluded that the possibility of significant changes in political risks is relatively small. Following elections, parties present in the parliament may change, as well composition of the government, though it has no significant effect neither on operations of the banking sector set in compliance with the European Union law and banking traditions, nor on the securities market.

5.2. Risk factors associated with the Issuer

In carrying out its operating activities, ABLV Bank is subject to various risks. The Base Prospectus does not list all of those, but mentions most significant ones that may decrease the Issuer's ability to perform its obligations.

5.2.1. Credit risk

Credit risk is exposure to potential losses in case of ABLV Bank counterparty or debtor being unable to pay the contractual obligations to ABLV Bank.

Requirements regulating credit institutions are set forth in the Credit Institution Law. For example, the law contains the following provisions:

- section 34 stipulates that a credit institution shall perform crediting in accordance with its credit policy;
- section 39 (1) stipulates that the exposure in a transaction shall be qualified as large, if the amount of the transaction is equal to or exceeds 10 per cent of the credit institution's equity. The Issuer shall inform the Investors of such transactions by making information publicly available, also by providing it in the Stock Exchange NASDAQ OMX Riga information system in accordance with requirements of the Financial Instrument Market Law;
- in section 42 (1), a limit on the amount of transactions with exposure with one customer or a group of mutually related customers is set to be 25 per cent of the credit institution's equity;

- in section 43 (2), it is specifically stipulated that the amount of transactions with exposure with persons that are associated with the credit institution may not in total exceed 15 per cent of the credit institution's equity.

To acquire comprehensive understanding of regulation of the banks', including the Issuer's, operations provided for by the Credit Institution Law, the Investor should read the complete text of the law and receive legal advice, if necessary.

ABLV Bank ensures credit risk management according to its Credit Policy. Before entering into any cooperation with a prospective partner, ABLV Bank performs a comprehensive review of the solvency and collateral provided. Decision on granting a particular credit is made by a collegiate body specially established for credit risk management – the Loans Committee.

ABLV Bank has set up the permanent Asset Evaluation Committee, which performs a regular analysis of assets and memorandum items, i.e., determines their recoverability. Depending on the results of such analysis, the amount of the allowance for credit losses (impairment) is determined.

5.2.2. Liquidity risk

Liquidity is ABLV Bank ability to maintain or ensure sufficient cash flow to meet the expected (everyday) or sudden (critical) need for the same in order to provide financing for asset growth or discharge the financial obligations in a due time. This means the ability to turn assets into cash with minimal loss or ensure reasonably priced credit facilities.

ABLV Bank management pays great attention to liquidity risk supervision. Owing to the adequate liquidity risk management policy and internal control and communication system, ABLV Bank managed to ensure and maintain a high liquidity ratio – as at the end of 2011 the liquidity ratio was equal to 73.26%. Currently, in accordance with the FCMC requirements, ABLV Bank has to maintain the sufficient amount of liquid assets to meet its contractual liabilities, but no less than 30% of the ABLV Bank total current liabilities.

5.2.3. Currency exchange rate fluctuation risk

ABLV Bank is exposed to negative effects of fluctuations in the foreign currency exchange rates on their financial position and cash flows. The exposure to currency risk is calculated for each separate currency and includes assets and liabilities denominated in foreign currencies, as well as cash flows arising from derivatives. ABLV Bank has major open positions in EUR and USD. Considering that the lat is pegged to the euro, the currency risk related to the ABLV Bank open position in EUR is minimal. The ABLV Bank open position in USD is also rather small as it is hedged by using currency forwards/futures. As at the end of 2011, ABLV Bank open position in USD was 0.1% of ABLV Bank equity and, therefore, the effect of changes in the USD exchange rate is insignificant, and ABLV Bank does not conduct more detailed sensitivity analysis, only controlling this risk by applying the limits specified in the Limits Policy of ABLV Bank. All the above limits are complied with on a daily basis, and it is also evidenced by audited results as at the end of the financial period.

5.2.4. Interest rate risk

Interest rate risk represents the adverse effect of the market interest rate fluctuations on ABLV Bank financial performance. ABLV Bank performs assessment of interest rate risk striving to cover all risk elements – repricing risk, yield curve risk, basis risk, and option risk. Interest rate risk is assessed both in terms of income and economic value. The term 'economic value' means the equity's economic value that is the difference between the economic value of assets and that of liabilities.

For the purposes of hedging interest rate risk, ABLV Bank sets limits of acceptable reduction in economic value and modified duration of the investments' held for undefined period portfolio. Derivative financial instruments may be utilised to hedge interest rate risk.

5.2.5. Non-financial risks

During the course of its operations, ABLV Bank encounters also non-financial risks (including operational risk, reputational risk, etc.) with exposure to sudden loss. The cause of such risks may be, for instance, clerical errors or fraud, break-downs in information systems, insufficient internal control and procedures, etc. ABLV Bank makes every effort to maintain the lowest possible risk level, meanwhile striving at not exceeding a reasonable level of expense. Internal control within ABLV Bank structural units and the control exercised by the Risk Management Division are one of the measures taken to prevent the potential loss.

Since ABLV Bank is actively engaged in rendering services to foreign customers, the Issuer thoroughly adheres to "Know Your Customer" principle and abides by requirements of the Law on the Prevention of Money Laundering and Terrorism Financing. Direct duties of more than 30 officers involve customer acceptance and control over customers' transactions. Moreover, ABLV Bank ensures regular trainings for all officers on anti-money laundering requirements and practices.

5.2.6. Competition risk

There are 20 banks operating in the Republic of Latvia, as well as 8 branches of foreign banks are registered, and most of those are actively rendering services to customers in the local market.

According to data of the Association of Commercial Banks of Latvia, as at 31 March 2012, ABLV Bank, AS, is ranked 4th in terms of the amount of assets, following the banks of Scandinavian origin. Therefore, ABLV Bank, AS, is the largest commercial bank with local capital.

More than 85% of total deposits with ABLV Bank are placed by foreign customers. Consequently, operations of the Issuer are only partly subject to competition risk in the local market. The banks that have larger amount of assets than the Issuer are not actively offering services to foreign customers. Nevertheless, the Issuer recognizes the competition risk and is continuously improving quality of services rendered to the customers.

5.3. Risk factors associated with the type of securities being issued

5.3.1. Liquidity risk

The Bonds will be placed by means of public offering and will be included in the Stock Exchange NASDAQ OMX Riga List of Debt Securities, which is an official listing. Nevertheless, listing of the Bonds does not guarantee liquidity of the Bonds, and the Investor should assess potential risk of limited possibilities of selling the Bonds in the secondary market due to insufficient interest of other market players. If there is no sufficient interest in the secondary market (liquidity shortfall), it may be difficult for the Investor to sell the Bonds at adequate market price. At the same time, ABLV Bank may purchase the Bonds in the secondary market. To purchase the Bonds issued for the sake of raising subordinated capital, the Issuer has to obtain consent from the FCMC.

5.3.2. Price risk

Price of the Bonds in the secondary market may fluctuate in accordance with the Investors' interest, which can be affected by macroeconomic processes, events concerning one or several Investors, and also, inter alia, events concerning the Issuer. The Investors' opportunities of gaining profit may vary accordingly from time to time.

5.3.3. Interest rate fluctuation risk

Within single Bond Issue Series, interest rate of only one type may be set. The rate may be fixed (constant until maturity of the Bonds) or floating. Where calculation of the Annual Interest Rate under the offered Bonds involves floating rate, the Investor shall take into account that the Bonds' yield will be floating, depending on changes in the base interest rate in the interbank market. Where fixed rate is applied, the Bonds' yield will remain constant, regardless fluctuations in financial markets.

5.3.4. Legislative risk

The Investor shall also take into account the risk of possible losses due to amendments in legislation, regulations and other legal acts or due to implementation of new legal acts, which may cause additional expenses or reduce return on investment. This risk also covers possible changes in applicable tax assessment and withholding procedures.

6. Information on offered securities

This section of the Base Prospectus contains information on the Bonds that will be issued under the single Second Programme described in this Base Prospectus. For each Bond Issue Series performed under the Second Programme, there will be the Final Terms produced, providing comprehensive information on terms and conditions applied to particular Bond Issue Series.

Objective of each Bond Issue Series shall be raising of funds that the Issuer will use for financing its operating activities, including without limitation:

- improvement of the ABLV Bank assets' and liabilities' distribution into maturity bands;
 - increase and maintenance of the liquidity level required for activities of ABLV Bank;
- or
- raising of funds for increase of the ABLV Bank subordinated capital.

Objective of each Bond Issue Series shall be stated in the Final Terms applicable to the particular Series. For example, the Issuer, inter alia, may state that the funds raised will be used for increasing subordinated capital of ABLV Bank, in accordance with requirements of the Credit Institution Law and regulations published by the FCMC.

6.1. Issue size and securities identification number

Under the Second Programme described in this Base Prospectus, the Issuer may issue the Bonds the total value of which is equal to 150 000 000.00 LVL (one hundred fifty million Latvian lats), or equivalent amount in EUR or USD.

In the Final Terms of each Bond Issue Series, the Issuer shall set forth the particular issue size and number of the Bonds. Issue size of a single Bond Issue Series may not be less than 1 000 000 LVL (one million lats), or equivalent amount in EUR or USD.

Before initial public offering of the respective issue is started and after the documents stipulated in the LCD rules are received from the Issuer, the LCD will register each Bond Issue Series performed under the Second Programme and assign ISIN to the Bonds, as well as will ensure posting and accounting of the outstanding Bonds.

For clear identification of each new Bond Issue Series, the title of the Final Terms will contain the sequence number of the programme, as well as sequence number and currency of the series. Under each Bond Issue Series, securities of only one class may be issued. Therefore, each Series will have one single ISIN, different from that of other Bond Issue Series.

The Issue Series size may be increased before the public offer end date, but not later than 4 (four) days prior to the public offer end date, by amending the Series Final Terms and submitting the order to the LCD for posting additional number of the Bonds applying the ISIN code previously used for posting initial Bonds. After the public offer end date, the Issuer may not increase the Issue Series size. If amendments to the Final Terms are made, those are published in the same way as the Final Terms.

6.2. Securities details, type and form

Under the Second Programme described in this Base Prospectus, the Issuer will issue the Bonds.

The Bonds are freely transferrable securities that represent the Issuer's debt to the owners of the Bonds without additional collateral. All Bonds issued under the Second Programme are supposed to be admitted to the regulated market, ensuring their public trading.

The Bonds are dematerialized bearer securities without restraint on alienation – transferrable securities.

According to the Financial Instrument Market Law, in the Republic of Latvia, posting and accounting of dematerialized securities admitted to trading on a regulated market shall be ensured by the LCD.

Pursuant to the Financial Instrument Market Law, the Bonds are held by credit institutions and investment brokerage companies. The LCD performs accounting of financial instruments, including the Bonds, owned by a credit institution or an investment brokerage company, as well as overall accounting of financial instruments owned by customers of the respective credit institution or investment brokerage company and held thereby.

6.3. Issue currency

Under the Second Programme, the Bonds may be issued in LVL, EUR, or USD. Currency of each Bond Issue Series under the Second Programme shall be specified in the Final Terms.

6.4. Issue and single Bond face value

Size of each Bond Issue Series is equal to the total number of Bonds issued within the particular series multiplied by face value of a single Bond. The number and face value of the Bonds shall be stated in the Final Terms accordingly.

6.5. Legal acts regulating the issue

Issue of the Bonds shall be performed in accordance with the following:

- the Commercial Law;
- the Financial Instrument Market Law;
- the LCD rules;

and other effective Applicable Legal Acts.

6.6. Annual Interest Rate

Annual Interest Rate of each Bond Issue Series under the Second Programme shall be specified in the Final Terms.

The Annual Interest Rate may be fixed or floating.

In case of fixed rate set, the Interest Income shall be determined and stated in the Final Terms of each Bond Issue Series. Several fixed rates may be set within single Bond Issue Series, where each of those shall be applicable to particular period of the Bond term.

In case of floating rate set, variable money market index (base rate) and risk premium shall be stated in the Final Terms of the Bond Issue Series. Interest Income for the following periods shall be calculated in accordance with the formula provided in paragraph 6.9 of the Base Prospectus. The base rate: Rigibor (LVL), Euribor (EUR) or Libor (USD) shall be published at the Bank of Latvia home page. The Interest Income rate for the following interest income period shall be set 5 (five) working days prior to the next date of the Interest Income payment. The Interest Income rate shall be rounded off to 1/8 (one-eighth) of a per cent, and this rate shall be effective throughout the following Interest Income period.

In case of floating rate set, the Issuer shall publish a notice on the Interest Income rate set for the following period at the home page www.ablv.com at least 4 (four) working days prior to the next date of the Interest Income payment. This Interest Income rate shall be also published in the Stock Exchange NASDAQ OMX Riga information system.

6.7. Conditions of the Interest Income payment

The Investor shall be entitled to receive the Interest Income.

The dates of calculating and paying the Interest Income accrued under the Bonds shall be stated in the Final Terms of each Series. Since it may be possible that tax should be withheld from the Interest Income, the Issuer shall determine the payment date to be not earlier than the second working day and not later than the fifth working day after the calculation date.

The Issuer may issue the Bonds at a discount from the Face Value, meaning that no interest income will be paid during some period (no coupon payment).

The procedure of paying the Bond Interest Income is stipulated by the LCD rules No. 8 On Payment of Dividends, Coupons, Principal, and Other Cash Proceeds. When paying the interest income, ABLV Bank shall credit all payable amount to the LCD cash account. The LCD shall transfer the funds to the account holders on the Interest Income payment date in accordance with the number of the Bonds present in correspondent accounts on the Interest Income calculation date. The Interest Income amount shall be credited to the cash accounts of the Bond owners by the account holder (that the securities account of the Bond owner is opened with) within one working day after the funds are received.

Should the Interest Income payment date appear to be a holiday, the Issuer shall pay the Interest Income on the next working day following the holiday.

6.8. Redemption of the Bonds

The Investor shall be entitled to receive the Face Value of the Bonds. The Face Value of the Bonds shall be repaid at the Bonds maturity by making a lump-sum payment.

For each Bond Issue Series under the Second Programme, the Face Value and maturity of the Bond shall be set forth in the Final Terms, but the latter shall not exceed 10 (ten) years.

The Issuer shall pay the Face Value on the Bonds maturity date in accordance with the LCD rules No. 8 On Payment of Dividends, Coupons, Principal, and Other Cash Proceeds.

Should the Bonds maturity date appear to be a holiday, the Issuer shall pay the Face Value of the Bonds on the next working day following the holiday. Should the Issuer fail to make settlement under redemption of the Bonds on the date set forth in the Final Terms, the Investor shall be entitled to lodge a claim to the Issuer demanding payment of the Face Value not earlier than in 4 (four) working days after the set Bonds maturity date.

The Issuer shall be entitled to prematurely redeem the part of the Bond issue the initial placement of which was not performed, as well as the Bonds that the Issuer purchased in the secondary securities market or acquired otherwise in compliance with provisions of the normative acts, provided that normative acts contain no limitations with regard to such redemption.

The Issuer shall not be entitled to prematurely redeem the Bonds owned by the Investor, unless the Final Terms of the Bond Issue Series provide otherwise.

It will be stated in the Final Terms whether the Investor is entitled to claim the Face Value and accrued interest to be repaid by the Issuer before maturity (*put option*) within the Series.

Should the Bonds, or a part of those, be redeemed prematurely, the Issuer shall make a corresponding notice in the Stock Exchange NASDAQ OMX Riga information system, the Central Storage of Regulated Information (ORICGS), and at home page www.ablv.com at least 4 (four) working days in advance, stating the number of the Bonds being redeemed, their amount at face value, the date of premature redemption and the issue size that remains outstanding in the secondary market.

Other rights and obligations of the Investors arising out of the Bonds and not mentioned in this Base Prospectus shall be exercised in accordance with effective laws of the Republic of Latvia and subordinate legislation.

6.9. Method of calculating accrued Interest Income under interest-bearing Bonds

Interest Income under a single Bond for each interest income period is calculated considering the following:

- the Face Value of the Bond;
- the Annual Interest Rate in the corresponding Interest Income period;
- number of days in the Interest Income period.

It is assumed that a single Interest Income period consists of 180 (one hundred eighty) days, and one year consists of 360 (three hundred sixty) days (30E/360 principle, where E – number of full months).

The Interest Income amount shall be calculated as follows:

$CPN = F * C / 2$, where

CPN – the amount of accrued Interest Income payable in the issue currency per one Bond;

F – face value of a single Bond;

C – Annual Interest Rate.

Between the payment dates, the amount of Interest Income shall be calculated as follows:

$AI = F * C / 360 * D$, where

AI – accrued interest;

F – face value of a single Bond;

C – Annual Interest Rate;

D – number of days since the beginning of the interest accrual period.

6.10. Method of calculating the Bond price of the Bonds issued at a discount from the Face Value

The Bond price shall be calculated as discounted price to the Bond Face Value, using the following formula:

$$P = \frac{F}{\left(1 + \frac{Y}{2}\right)^{\frac{D_1}{D_2}}}, \text{ where}$$

P – Bond price;

F – Bond Face Value;

Y – yield expressed as interest rate p.a. till the end date of the period during which the Interest Income is not supposed to be paid;

D1 – number of days from the settlement day till the end date of the period during which the Interest Income is not supposed to be paid;

D2 – number of days in a year.

After the end of the period during which the Interest Income is not supposed to be paid, the Interest Income shall be calculated according to the formula provided in paragraph 6.9 of the Base Prospectus.

According to Day Count Convention, a year is assumed to consist of 360 days.

6.11. Decisions on the Bond issue

The Bonds are issued and public offering is performed pursuant to the following decisions of ABLV Bank:

- decision on the bond issue of the ordinary meeting of shareholders, dated 30 March 2012 (Minutes No. 3, paragraph 5.6);
- decision of the Board, dated 31 May 2012 (Minutes No. V-32, paragraph 3):
 - on the Bond issue;
 - on approval of the Base Prospectus of the Second Bond Offer Programme.

The Final Terms of each Bond Issue Series shall be approved by a decision of ABLV Bank Board.

6.12. Restrictions on free transferability of the bonds

The Bonds are freely transferrable securities. Therefore, there are no restrictions on transferability of securities.

6.13. Subordination of the Bonds

Objective of each Bond Issue Series shall be stated in the Final Terms.

Only if objective of the Bond Issue Series is raising of funds that the Issuer will use as subordinated capital, the Investor shall be informed that in case of the Issuer's insolvency the Investor's claims to the Issuer arising out of the Bonds will be satisfied after claims of all other creditors, but before satisfying claims of the shareholders.

According to the FCMC Regulations on Calculating Minimum Capital Requirements, subordinated capital means funds borrowed by an institution for a period of not less than five years, where the lending agreement provides for the lender's right to demand early repayment of the loan only in case the institution is liquidated, and the lender's claim is to be satisfied after claims of all other creditors, but before satisfying claims of the shareholders. Nevertheless, the institution may perform early repayment of such loan following its own initiative, provided that after such loan repayment the institution's equity meets the requirements set forth in the said Regulations and the FCMC has no objections. For the purposes of this Base Prospectus, the Issuer shall be an institution that borrows funds by issuing the Bonds. If provided for in the Final Terms of the Issue Series, the Issuer may borrow funds by issuing the Bonds for the sake of raising subordinated capital.

6.14. Representation of the Investors

Under the Second Programme described in this Base Prospectus, there are no provisions for, or restrictions on, rights to establish an organization of the Investors' representatives. In case of the Issuer's insolvency, each Investor shall be entitled to represent its interests at the meetings of creditors. In case of the Issuer's insolvency, any Investor's rights to get back its investment shall be equal to those of other similar creditors.

7. Taxation of income derived from the Bonds

Notice

- The information provided in this Base Prospectus section shall not be treated as legal or tax advice.
- This Base Prospectus section does not contain complete information on all taxes applicable to the Investor and investment in the Bonds.
- Tax rates and payment conditions may change during the period from approval of this Base Prospectus till redemption of the Bonds.
- Before making a decision on investing in the Bonds, the Investor should independently and, if necessary, engaging a tax advisor, estimate taxes applicable to the investment, pursuant to the provisions of both the Republic of Latvia legal acts and foreign legal acts, in case the Investor is not a resident of the Republic of Latvia.

7.1. Determination of the Investor's residence for tax purposes

For tax purposes, an individual shall be considered a resident of the Republic of Latvia where:

- it permanently resides in the Republic of Latvia, or
- it stays in the Republic of Latvia for more than 183 days within any 12-month period, or
- it is a citizen of the Republic of Latvia employed abroad by the Republic of Latvia government.

If an individual does not meet the above criteria, it shall not be considered a resident of the Republic of Latvia for tax purposes.

A legal entity shall be considered a resident of the Republic of Latvia for tax purposes where it is or should have been established and registered in the Republic of Latvia pursuant to provisions of the Republic of Latvia legal acts. Other legal entities shall be considered non-residents of the Republic of Latvia for tax purposes.

If there is a tax treaty made with the residence country of a non-resident, the tax reliefs set in the treaty shall be complied with. The procedures for application of reliefs are set in the Republic of Latvia Cabinet Regulations No. 178 Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion, adopted on 30 April 2001.

7.2. Tax amount

	Interest Income tax rate	Withholding of the tax
Residents:		
Individuals	10%	Tax on Interest Income is withheld by the payer of income.
Legal entities	15%	The Interest Income is included in the taxable income that is subject to payment of enterprise income tax.
Non-residents:		
Individuals	10%	Tax on Interest Income is withheld by the payer of income.
Legal entities	–	The Interest Income is included in the taxable income that is subject to payment of enterprise income tax. ¹

¹Should the Issuer and the recipient of the Interest Income appear to be related companies as defined in the Republic of Latvia Law on Enterprise Income Tax, than tax of 10% (5% for legal entities registered in the European Union member states) shall be withheld by the payer of interest.

Should a legal entity be registered in a low-tax or tax-free country or territory mentioned in the Republic of Latvia Cabinet Regulations, than tax of 15% shall be withheld by the payer of interest.

7.3. Responsibility of the Issuer

The Issuer shall be responsible for withholding and payment of taxes in compliance with the procedures and amount stated in the Republic of Latvia normative acts.

The Issuer shall not be responsible for payment of taxes where the Republic of Latvia normative acts do not stipulate the Issuer's duty to assess and withhold the tax amount before making Interest Income payments.

8. Terms and conditions of the offer

Under the Second Bond Offer Programme, the Issuer will issue one or several Series of the Bonds. The Investors are offered to acquire the Bonds denominated in LVL, EUR, or USD. The Bonds are bearer debt securities without restraint on alienation. The Face Value of a single Bond and the total face value of a single Series shall be stated in the Final Terms, whereas overall face value of the Bonds issued under the Second Programme described in this Base Prospectus will not exceed 150 000 000.00 LVL (one hundred fifty million Latvian lats) or equivalent amount in EUR or USD.

8.1. Issue size

Issue size of each Bond Issue Series shall be stated in the Final Terms. Each issue of the Bonds shall be deemed performed to the amount of the placed Bonds. Not placed Bonds will be redeemed before being admitted to trading on the regulated market. Only Bonds actually placed will be admitted to trading on the regulated market. The Issuer will inform on the total amount of actually placed Bonds by publishing this information at the home page www.ablv.com within 10 (ten) working days after the public offer end date.

8.2. Determination of the securities' price for initial placement transactions

During the initial placement, the Bonds will be sold at the price determined by ABLV Bank Board at least 4 (four) working days prior to the start date of the Bonds' initial placement, and this price will be stated in the Final Terms and at ABLV Bank home page www.ablv.com. The information will be also published in the Central Storage of Regulated Information (ORICGS).

ABLV Bank Board will determine the Bonds' price depending on the situation in secondary market of similar securities then present, and, in particular, based on evaluation of the demand in the securities market and yield of comparable market instruments. The price determined by ABLV Bank for the Bond Issue Series will be the same for all Investors and will remain constant throughout the whole initial placement period.

ABLV Bank Board shall determine the Face Value and the price of the Bonds' initial placement expressed as percentage of the Face Value.

Purchasing the Bonds during the initial placement period, the Investor will have to transfer just set Bond sale price to the Issuer for each Bond unit being purchased.

Additional expenses under the transaction, which might include, without limitation, fees for account opening, for transaction conclusion and execution, may vary in different Investment Companies, and the Investor can find those out in the respective Investment Company engaged by the Investor in concluding the Bonds' purchase transaction as intermediary. ABLV Bank will not receive the said additional payments and shall not be responsible for those additional expenses.

8.3. Term of the public offering and application process

The public offer start date shall be the next day after receiving the FCMC permission for making public offer or the date specifically stated in the Final Terms of the Bond Issue Series under the Second Programme.

The public offer end date shall be stated in the Final Terms of each Bond Issue Series under the Second Programme. Initially planned public offer period is a period of time within which the Investor or the Investment Company may submit an order for purchasing the Bonds, and it will be stated in the Final Terms of the Bond Issue Series.

The Issuer shall perform initial placement of the Bonds by means of their direct sale.

8.4. Procedure of the Bonds' initial placement

Under initial placement, the Issuer sells the Bonds to the Investors, following the procedure indicated below.

- The transactions shall be executed at the price set forth in the Final Terms of the Bond Issue Series, which will be expressed as percentage of the Face Value.
- The transactions shall be concluded during the initial distribution period stated in the Final Terms of offer of the Bond Issue Series and within size of the Bond Issue Series.
- The Investor shall submit an order for purchasing the Bonds to the chosen Investment Company.
- Representative of the Investment Company or the Investor itself, if it has a financial instruments account opened with ABLV Bank, AS, shall contact the Issuer. The time of executing the transaction, phone number and contact person shall be stated in the Final Terms of the Bond Issue Series.
- The date or dates of selling the Bonds shall be stated in the Final Terms of the Bond Issue Series.
- The Final Terms of the Bond Issue Series shall state the date or dates on which ABLV Bank Board shall make a decision on concluding the transactions in accordance with the sequence in which orders have been submitted, although ABLV Bank shall retain the right to partly execute an order or to deny conclusion of the transaction, also for the sake of limiting possible reputational risk.
- The transactions shall be concluded pursuant to the order completed by the Investor or the Investment Company. The order form will be provided as appendix to the Final Terms of the Bond Issue Series.

There are no restrictions on applying for purchase of the Bonds.

Maximum number of the Bonds that a single Investor may apply for is not set.

The only restriction shall be the remaining number of not placed Bonds (with regard to which no purchase transactions have been concluded) as at the moment of the Investor applying for purchase of the Bonds.

The Investor may not apply for purchasing less than 1 (one) Bond.

Secondary trading in the Bonds shall be allowed after the Bonds being admitted to the regulated market, which is supposed to happen not later than within 3 (three) months after completion of the initial placement.

8.5. Settlement under initial placement transactions

Settlement under the Bonds' initial placement transactions shall be performed applying the DVP principle, regulated by the corresponding LCD rules of DVP settlement, or not applying the DVP principle, if agreed so by the underwriter and the other party to the transaction. If the transaction parties agree on not applying the DVP principle, the moment of the Bonds' delivery and the moment of payment may be different, but not exceeding T+10, where 'T' stands for the day of concluding the Bond purchase transaction, and '10' is the 10th (tenth) working day after the day of concluding the Bond purchase transaction.

DVP shall be executed on the T+3 day, where 'T' stands for the day of concluding the Bond purchase transaction, and '3' is the 3rd (third) working day after the day of concluding the Bond purchase transaction. In case of applying the DVP principle, on the 3rd (third) working day after the day of concluding the Bond purchase transaction, the Investor shall ensure funds necessary for paying for purchase of the Bonds in the Investor's account opened with the Investment Company that acted as intermediary in concluding the Bond purchase transaction. On this day, executing DVP, the purchased Bonds shall be credited to the Investor's account provided that the Investor ensured the required amount of funds for paying for the Bonds.

If the parties agree on not applying the DVP principle, the Investor shall ensure funds in the respective account on the day agreed upon by the transaction parties, whereas the Bonds shall be credited to the Investor's account on the day agreed upon by the transaction parties.

The settlement method chosen by the Issuer to be applied to initial placement transactions shall be specifically stated in the Final Terms of each Bond Issue Series.

8.6. Information on the initial placement results

The information on the initial placement results will be published at the Issuer's home page www.ablv.com not later than within 10 (ten) working days after the public offer end date, stated in the Final Terms of the offer.

Information on results of the initial placement of the Bond Issue Series will be also published in the Central Storage of Regulated Information (ORICGS).

8.7. Placement of the Bonds

Under the Second Programme, placing of the Bonds shall be performed by the Issuer in accordance with the Bonds' selling procedure during the initial placement.

8.8. Depository

Functions of the depository shall be performed by the LCD.

9. Admission to the market

9.1. Application for admitting the Bonds to the regulated market

The regulated market maker to which application for including debt securities in the official listing will be submitted is:

Joint stock company NASDAQ OMX Riga
 registration No.: 4 000 316 704 9
 legal address: Riga, 1 Valņu Street

The application shall be submitted for including respective Bonds in the NASDAQ OMX Riga List of Debt Securities, which is an official listing pursuant to the Financial Instrument Market Law. The application for admitting the Bonds to the regulated market shall be prepared in accordance with the Stock Exchange requirements and submitted not later than within 3 (three) months after completion of the initial placement, and there will be all documents and information on the Bond issue attached thereto, as set forth in the Financial Instrument Market Law.

9.2. Previous issues performed by the Issuer and admitted to the regulated market

As at the day of registering the Base Prospectus of the Second Bond Offer Programme, the following issues performed by ABLV Bank under the First Offer Programme are included to securities lists of NASDAQ OMX Riga regulated market:

	Straight coupon bonds in EUR	Straight coupon bonds in USD	Subordinated discount bonds in EUR
ISIN	LV0000800910	LV0000800928	LV0000800936
Issue name	ABLV FRN EUR 201213	ABLV FRN USD 211213	ABLV SUB EUR 221221
Discount rate (p.a.)	–	–	4.80%
Coupon rate (p.a.)	Floating, EURIBOR 6M + 1.50%	Floating, LIBOR 6M + 1.50%	8.00% (starting from the 6th year, if th Bank does not exercise its premature redemption right)
Date of setting coupon rate	13.12.2011	14.12.2011	
Interest income period	20.12.2011 – 19.06.2012	21.12.2011 – 20.06.2012	
Final coupon rate (p.a.)	3.173%	2.2785%	
Issue date	20.12.2011	21.12.2011	22.12.2011
Maturity date	20.12.2013	21.12.2013	22.12.2021

10. Basic information about the issuer

10.1. Basic information about the issuer

10.1.1. Issuer's name

ABLV Bank, AS

10.1.2. Issuer's place of registration and registration number

ABLV Bank, AS
 registration No.: 5 000 314 940 1
 place of registration: Riga, the Republic of Latvia Register of Enterprises
 registration date: 17 September 1993

10.1.3. Issuer's address, type of business, country of incorporation, and legal acts pursuant to which issuer operates

ABLV Bank, AS
 legal address: Riga, 23 Elizabetes Street
 type of business: joint stock company
 country of incorporation: the Republic of Latvia

The Issuer operates pursuant to the following legal acts:

- the Credit Institution Law;
 - the Commercial Law;
- and other Applicable Legal Acts.

10.1.4. Issuer's history and development

The Bank was founded on 17 September 1993. In 1995, there were changes made to the Bank's shareholding structure. Ernests Bernis and Oļegs Fiļs became the Bank's shareholders and executives, and have been working solely in this field since then.

In 1995, the Bank started expanding its activities and founded a branch in Riga. In the following years, the Bank actively worked in the field of providing services to foreign customers, offering them various bank products, mainly related to making payments, and became a notable player in the financial market. The Bank was one of the first to start development of different remote service channels, thus improving service level and ensuring rapid growth.

In 2004, the Bank focused on developing a second line to its primary activities – investment management. There were two subsidiary companies founded: ABLV Asset Management, IPAS, dealing with investment management, and ABLV Capital Markets, IBAS, which provided brokerage services.

In 2008, the Bank adopted new strategy, emphasizing the development of bespoke financial solutions for customers.

Since 2009, the Bank offers a third line of services – advisory on asset protection and structuring.

In 2011, the Bank's name was changed to ABLV Bank, AS.

Alongside with the change of name and visual identity, the Issuer has completed the process of changing its business line, which is aimed at rendering tailored financial services in accordance with the highest standards.

According to the strategy adopted in 2008, ABLV Bank will become a leader in banking, wealth management, and financial advisory in the region. The new brand was intended for increasing association with the chosen lines of business, strengthening ABLV Bank reputation internationally, meanwhile retaining links to the former brand. Change of ABLV Bank trade name and brand did not entail changes in ABLV Bank holding structure. ABLV Bank management remained the same, as well as terms and conditions of cooperation with existing customers and partners.

10.1.5. Recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency

Since the day of publishing the last audited financial report, the Issuer has no available information on events that might significantly affect the Issuer's solvency in the current or the following financial periods.

10.2. Business overview

10.2.1. Issuer's principal activities

Alongside implementation of the new brand and change of the legal name performed on 23 May 2011, ABLV Bank focuses on the following lines of business:

- financial services;
- investments;

- advisory.

The structure of the Issuer's group is presented in paragraph 10.3.

10.2.2. Financial services

Major services related to ABLV Bank operating activities are the following:

- **Settlements**

- ABLV Bank target is to ensure efficient settlements. Therefore, funds in major currencies are credited to a customer's account on the day of their receipt. Whereas cut-off time for receipt of outgoing payments is particularly extended, and transactions are processed as soon as possible.
- Most customers of ABLV Bank submit payment orders using rational and convenient Internetbank solution.
- To ensure faster processing of payments, ABLV Bank maintains well-considered wide correspondent network.
- ABLV Bank customers are also offered regular automatic payments, which allow saving time when preparing payment orders and facilitate settlements control, enabling monitoring of execution dates and customer's account balance.

- **Currency exchange**

- Alongside transfers in EUR and USD, ABLV Bank also offers transfers in Russian roubles and other currencies.
- Due to continual execution of currency exchange transactions and wide partner network, ABLV Bank can ensure favourable exchange rates.
- Dealing Department also offers customers an opportunity to conclude SWAP and Forward transactions.

- **Payment cards**

- Wide choice of payment cards provided by the world's largest payment systems – VISA, MasterCard and American Express – enables the customer to obtain proper set of cards.
- Besides common credit and debit cards, ABLV Bank also offers elite cards like VISA Platinum and VISA Infinite.

- **Loans**

Depending on the customer's needs, business and income peculiarities, ABLV Bank offers suitable type of financing and corresponding repayment schedule.

ABLV Bank offers the following:

- overdrafts – for short-term financing, including that secured by pledge of financial instruments;
 - credit lines – for increasing current assets of the company;
 - trade finance opportunities – for export and import transactions;
 - long-term loans – for acquiring fixed assets, developing business, or for purchasing real estate.
- Already since 2008, ABLV Bank strategy does not suppose active lending to individuals for dwelling purchase.

- **Documentary operations**

Mainly to increase safety of customers' export and import transactions, ABLV Bank offers using the following documentary operations:

- letters of credit;
- documentary collection;
- bank guarantees;
- escrow account.

- **Fiduciary transactions**

By fiduciary transactions ABLV Bank means agreements on management of customer's funds performed by ABLV Bank pursuing the customer's interests and following the customer's instructions.

- **Safe deposit boxes**

ABLV Bank offers individual safe deposit box rental for ensuring safe storage of important documents, jewellery, or other valuables of businessmen and wealthy persons. A safe deposit box can only be accessed after mandatory customer identification. Just one person at a time can stay in the vault. Thus, the highest level of security and confidentiality is ensured.

10.2.3. Investment services

ABLV Group companies provide services for preserving and increasing customers' capital.

- **Deposits and bonds**

For accrual of savings and capital growth, ABLV Bank offers the following options to conservative customers:

- savings accounts;
- term deposits;
- bonds.

- **Asset management**

If customer is ready to assume reasonable risk in order to receive additional profit, ABLV Group companies offer the following:

- investments in open-end investment funds;
- investments in private capital of non-public companies;
- brokerage services.

ABLV Group companies recommend the following options:

- investment management services, if:
 - the customer considers its background to be not sufficient for making independent decisions on purchasing and selling securities in stock markets;
 - the customer plans long-term investment of assets and is willing to delegate their management to experts;
- brokerage services, if:
 - the customer has sufficient background for making independent decisions when operating in stock markets and is ready to assume reasonable risk;
 - the customer is able and ready to actively engage in investment management.

- **Brokerage services**

Brokerage services ensure the following for the customer:

- possibility to develop individual investment strategies;
- trading in financial instruments from any place in the world;
- submitting orders by phone, fax or Internetbank from 09:00 till 23:00 (Riga time);
- using electronic trading platforms to independently make transactions in stock markets;
- opportunities to receive financing secured by pledge of securities.

- **Securities custody**

- ABLV Bank provides opportunities of safe financial instruments custody to its customers. Securities owned by the customers are kept separately from those belonging to ABLV Bank. When opening accounts with cooperation partners, ABLV Bank ensures clear identification of the accounts in which customers' securities are held.
- For customers' convenience, they are offered to hold all types of financial instruments in a single account. Record-keeping of all financial instruments, regardless their type, currency, or country of issue, ensures that comprehensive information on investments is available at any time.
- Besides safe and convenient custody of financial instruments, customers are also offered an opportunity to receive financing secured by pledge of securities.

10.2.4. Advisory services

Based on the experience gained from customer service in Latvia and abroad during the period since 1993, ABLV Group companies offer their customers advice on the following issues:

- **Asset protection**

Asset protection is a complex solution primarily intended for securing family wealth against business and political risks. This kind of protection can be ensured by using special structures and solutions, alongside establishing proper accounting of assets within those structures. Customers are offered such solutions as trusts or foundations, also for the sake of investments and charity.

- **Legal advice**

Experience of ABLV Group lawyers, as well as wide network of cooperation partners worldwide, allows offering different solutions to customers, from drawing up of simple agreements to complex project management. Availability of professional advice on international law issues together with strong confidentiality maintained ensure necessary comfort level for the customers.

- **Tax advice**

For providing tax advice, ABLV Group recommends specialists that are experts in both local regulatory requirements as well as those of other countries. This service rendered by ABLV Group companies covers the following issues:

- change of tax residence;
- tax planning;
- accounting services;
- and others.

- **Administrative services**

Business administration is a service that is interesting for customers needing a fully featured office abroad, e.g., a representative office, holding company or a support centre for company's partners.

10.2.5. Major markets

As far as local and foreign markets are concerned, the Issuer's operations are best characterized by analysis of the largest balance item – Deposits.

The information provided below completely matches that presented in ABLV Bank, AS, consolidated report for the year 2011. The table of deposits contains information provided in Note 23 of the said report.

	31.12.2011	31.12.2010
Customer profile	LVL'000	LVL'000
Corporate companies	1 418 181	1 102 801
Private individuals	173 983	122 476
Financial institutions	4 785	4 417
State-owned enterprises	4 331	16 596
Non-profit institutions serving private individuals	1 841	1 500
Municipalities	22	400
Total deposits	1 603 143	1 248 190

In 2010, the amount of attracted deposits exceeded LVL 1 billion, for the first time in the Bank's history.

	31.12.2011	31.12.2010
Geographical profile of customer residence	LVL'000	LVL'000
Other countries	1 056 560	737 982
Other EU member states	318 820	222 754
EMU countries	106 252	96 802
Latvia	66 462	65 117
Other OECD countries	55 049	125 535
Total deposits	1 603 143	1 248 190

10.3. Structure of the Issuer's group

The information provided in the table below completely matches that presented in ABLV Bank, AS, consolidated report for the year 2011.

No.	Company	Country of incorporation	Registration number	Business profile	Bank's share (% of total share capital)
1.	ABLV Asset Management, IPAS	LV	40003814724	Financial services	100
2.	ABLV Capital Markets, IBAS	LV	40003814705	Financial services	100
3.	ABLV Consulting Services, AS	LV	40003540368	Consulting services	100
4.	ABLV Corporate Services, SIA	LV	40103283479	Consulting services	100
5.	ABLV Corporate Services, LTD	CY	HE273600	Consulting services	100
6.	ABLV Luxembourg, S.A.	LU	B 162048	Investment activities	100
7.	ABLV Transform Partnership, KS	LV	40103260921	Holding company	99.9997
8.	AB.LV Transform Investments, SIA	LV	40103191969	Real estate transactions	100
9.	Transform 1, SIA	LV	40103193211	Real estate transactions	100
10.	Transform 2, SIA	LV	40103193033	Real estate transactions	100
11.	Transform 3, SIA	LV	40103193067	Real estate transactions	100
12.	Transform 4, SIA	LV	40103210494	Real estate transactions	100
13.	Transform 6, SIA	LV	40103237323	Real estate transactions	100
14.	Transform 7, SIA	LV	40103237304	Real estate transactions	100
15.	Transform 8, SIA	LV	40103240484	Real estate transactions	100
16.	Transform 9, SIA	LV	40103241210	Real estate transactions	100
17.	Transform 10, SIA	LV	50103247681	Real estate transactions	100
18.	Transform 11, SIA	LV	40103258310	Real estate transactions	100
19.	Transform 12, SIA	LV	40103290273	Real estate transactions	100
20.	Transform 13, SIA	LV	40103300849	Real estate transactions	100
21.	Transform 14, SIA	LV	50103313991	Real estate transactions	100
22.	Transform 17, SIA	LV	40103424617	Real estate transactions	100
23.	Transform 18, SIA	LV	40103492079	Real estate transactions	100
24.	Elizabetes 21a, SIA	LV	50003831571	Real estate transactions	91.6
25.	New Hanza City, SIA	LV	40103222826	Real estate transactions	100

No.	Company	Country of incorporation	Registration number	Business profile	Bank's share (% of total share capital)
26.	ABLV Private Equity Management, SIA	LV	40103286757	Investment project management	100
27.	ABLV Private Equity Fund 2010, KS	LV	40103307758	Investment activities	100
28.	PEF Investments, SIA	LV	40103484940	Agriculture	100
29.	Gas Stream, SIA	LV	42103047436	Electricity generation	49
30.	Bio Future, SIA	LV	42103047421	Electricity generation	49

10.4. Issuer's administrative, management and supervisory bodies

The information provided below completely matches that presented in ABLV Bank, AS, consolidated report for the year 2011.

Bank's structure

- **Council**
 - **Board**
 - **Chief Executive Officer**
 - Administrative Division
 - Secretariat of the Board
 - **Deputy Chief Executive Officer**
 - Corporate and Private Customers Service Division
 - Subsidiary Bank Support Division
 - Financing Division
 - **Chief Operating Officer**
 - Product Development Division
 - **Chief Compliance Officer**
 - Compliance Division
 - **Chief Financial Officer**
 - Financial Market Division
 - Finances and Accounts Division
 - **Chief Information Officer**
 - Business Technologies Division
 - Information Technologies Division
 - **Chief Risk Officer**
 - Risk Management Division
 - Mortgage Loans Division

10.4.1. ABLV Bank Board:

Name, surname	Position held
Ernests Bernis	Chairman of the Board, Chief Executive Officer (CEO)
Vadims Reinfelds	Deputy Chairman of the Board, Deputy Chief Executive Officer (dCEO)
Māris Kānenieks	Member of the Board, Chief Financial Officer (CFO)
Edgars Pavlovičs	Member of the Board, Chief Risk Officer (CRO)
Aleksandrs Pāže	Member of the Board, Chief Compliance Officer (CCO)
Rolands Citājevs	Member of the Board, Chief Information Officer (CIO)
Romans Surnačovs	Member of the Board, Chief Operating Officer (COO)

10.4.2. ABLV Bank Council:

Name, surname	Position held
Oļegs Fiļs	Chairman of the Council
Jānis Krīgers	Deputy Chairman of the Council
Igors Rapoportš	Member of the Council

10.4.3. Heads of ABLV Bank divisions:

Name, surname	Position held
Aija Daugavvanaga	Head of Internal Audit Department
Oļegs Sirotins	Head of Financing Division
Sandra Korna	Head of Finances and Accounts Division
Aleksejs Savko	Head of Corporate and Private Customers Service Division
Jeļena Kasatkina	Head of Risk Management Division
Igors Rogovs	Head of Compliance Division
Jurijs Dorofejevs	Head of Information Technologies Division
Romans Surnačovs	Head of Product Development Division
Zigmārs Bērziņš	Head of Mortgage Loans Division
Aleksandrs Teplihš	Head of Business Technologies Division
Armands Rozenbahs	Head of Administrative Division
Andris Riekstiņš	Head of Subsidiary Bank Support Division

Members of ABLV Bank Council and Board, as well as heads of ABLV Bank divisions do not engage in operations outside ABLV Group that are material with relation to the Issuer.

Members of ABLV Bank Council and Board, as well as heads of ABLV Bank divisions have no conflicts of interests between their personal interests and their duties performed with relation to the Issuer.

10.5. Issuer's shareholding structure

ABLV Bank, AS, majority shareholders:

Interest in ABLV Bank, AS, in percentage terms of the voting shares, as at 7 May 2012

Ernests Bernis (direct and indirect interest) and Nika Berne	43.01%
Oļegs Fiļs (indirect interest)	43.00%
14 legal entities and 102 individuals	13.99%

As at 7 May 2012, there are 120 shareholders of the Bank. Share capital of ABLV Bank, AS equals LVL 19.74 million.

10.6. Information about operations development trends

10.6.1. Significant changes in the Issuer's financial position

Since ABLV Bank, AS consolidated annual report 2011 has been published, there were no significant changes in ABLV Bank financial indicators. The Issuer decided not to include profit forecasts or estimates in the Base Prospectus.

10.6.2. Legal and arbitration proceedings

In the ordinary course of business, ABLV Bank is involved in a number of legal proceedings both as a claimant and a defendant, but those legal proceedings pending cannot significantly affect the Issuer's financial position and solvency.

10.6.3. Material contracts

ABLV Bank and other companies comprising ABLV Group have not entered into any material contracts stipulating such responsibilities or liabilities of ABLV Group members which might affect ABLV Bank ability to meet its liabilities to Investors under the Bond issue described in this Base Prospectus.

The Issuer is not assigned credit ratings.

10.7. Available documents of the Issuer

The following documents of the Issuer are available to the Investors:

- ABLV Bank incorporation documents and articles of association – at the Republic of Latvia Register of Enterprises, in Riga, 2 Pērses Street;
- the Bank's financial information for two financial years preceding publishing of the Base Prospectus – at ABLV Bank Internet home page www.ablv.com.

Appendixes:

Financial information on the Issuer's assets and liabilities, financial position, profits or losses

Appendix 1: AS Aizkraukles Banka consolidated annual report 2010 (77 pages)

Appendix 2: ABLV Bank, AS consolidated annual report 2011 (78 pages)