BANKING / INVESTMENTS \ ADVISORY

ABLV

ABLV Bank, AS

Statement of Information Disclosure for 2015

(with amendments to 15 September 2016)

Riga, 26 February 2016 (amended 15 September 2016)

Statement of Information Disclosure

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.

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 consolidated annual report 2015 available at the bank's website www.ablv.com.

All data in this Statement of Information Disclosure are provided as at 31 December 2015, in thousands of euros (EUR'000), unless stated otherwise.

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.

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.

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	Notes*
ABLV Bank, AS	LV	50003149401	
ABLV Bank Luxembourg, S.A.	LU	B 162048	
ABLV Corporate Services Holding Company, SIA	LV	40103799987	
Pillar Holding Company, KS	LV	40103260921	
Pillar, SIA	LV	40103554468	
Pillar 2, 12 & 14, SIA	LV	50103313991	
Pillar 3, SIA	LV	40103193067	
Pillar 4 & 6, SIA	LV	40103210494	
Pillar 7 & 8, SIA	LV	40103240484	
Pillar 9, SIA	LV	40103241210	
Pillar 10, SIA	LV	50103247681	Alienated to other company of the group
Pillar 11, SIA	LV	40103258310	
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	New ly established company
Pillar Investment Group, AS	LV	50003831571	
ABLV Asset Management, IPAS	LV	40003814724	
ABLV Capital Markets, IBAS	LV	40003814705	
PEM, SIA	LV	40103286757	Name of the company changed
PEM 1, SIA	LV	40103551353	New ly established company
ABLV Private Equity Fund 2010, KS	LV	40103307758	
New Hanza City, SIA	LV	40103222826	
NHC Utilities, SIA	LV	40103693339	

*- amended 15 September 2016

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	Notes*
ABLV Consulting Services, AS	LV	40003540368	
ABLV Corporate Services, SIA	LV	40103283479	
ABLV Corporate Services, LTD	CY	HE273600	
ABLV Advisory Services, SIA	LV	40103964811	Newly established company
Pillar Management, SIA	LV	40103193211	
Pillar Investment 1,SIA	LV	50103247681	Acquired from other company of the group
Pillar Investment 2,SIA	LV	40103963977	Newly established company
Pillar Investment 3,SIA	LV	50103994841	Newly established company
Pillar RE Services, SIA	LV	40103731804	
Pillar Contractor, SIA	LV	40103929498	
Pillar Architekten, SIA	LV	40103437217	Name of the company changed

*- amended 15 September 2016

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 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 (POL.011).

Risk management

Basic information on risk management is disclosed in Notes 34–37 of the bank's consolidated annual report 2015 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 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.

*- amended 15 September 2016

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 once per year – for operational 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.

*amended 15 September 2016

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 consolidated annual report 2015 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 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 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 bank's current and planned operations.

Internal capital assessment process includes several stages, namely:
- estimating the amount of capital at the 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 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 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 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 bank follows simplified methods of the Regulations on the Internal Capital Adequacy Assessment Process, additionally assessing the applicability of those methods to the bank's operations, or using internal models or methods developed by the bank.

Own funds items of the group for financial reporting purposes and the group for supervisory purposes:

EUR'000

Equity	Group, for financial reporting purposes	Group, for supervisory purposes
Paid-in share capital	35,300	35,300
Share premium	96,918	96,918
Reserve capital and other reserves	2,134	2,134
Fair value revaluation reserve of available-for-sale financial assets	3,784	3,784
Retained earnings brought forward	71,233	72,188
Non-controlling interests	558	558
Intangible assets	(6,365)	(6,333)
Capital instruments and share premium accounts related to those	120,323	120,323
Total capital	**323,885**	**324,872**

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.

Capital instruments' main features template is the following:

Issue	Increase of ABLV Bank, AS share capital by issuing registered shares, dated 31.03.2015	Increase of ABLV Bank, AS share capital by issuing personnel shares, dated 30.10.2015
Applicant	ABLV Bank, AS, registration No. 50003149401, hereinafter referred to as the Bank	ABLV Bank, AS, registration No. 50003149401, hereinafter referred to as the Bank
Unique identifier	N/A	N/A
Legislation governing the instrument	The Commercial Law of the Republic of Latvia, hereinafter referred to as the Commercial Law	The Commercial Law of the Republic of Latvia, hereinafter referred to as the Commercial Law
Regulatory procedure		
CRR provisions during transitional period	Common equity Tier 1 capital	Common equity Tier 1 capital
CRR provisions after transitional period	Common equity Tier 1 capital	Common equity Tier 1 capital
Respective solo/(sub-) consolidated/ solo and (sub-)consolidated	Solo	Solo
Instrument type	Shares	Personnel shares
Amount recognized in the regulatory capital	EUR 33 032 250 (thirty-three million thirty-two thousand two hundred fifty euro)	EUR 265 000 (two hundred sixty-five thousand euro)
Nominal amount of the instrument	EUR 2 385 000 (two million three hundred eighty-five thousand euro)	EUR 265 000 (two hundred sixty-five thousand euro)
Issue price of the instrument	Sale price of one share equals EUR 13.85 (thirteen euro and 85 cents), including the share's nominal value of EUR 1.00 (one euro) and the share premium of EUR 12.85 (twelve euro and 85 cents)	Newly issued personnel shares are completely paid for by the Bank out of the Bank's retained earnings brought forward to the amount of EUR 265 000 (two hundred sixty-five thousand euro)
Redemption price of the instrument	N/A	N/A
Accounting classification	Shareholders' own funds	Shareholders' own funds
Initial issue date	31.03.2015	30.10.2015
Perpetual or with maturity	Perpetual	Perpetual
Original maturity date	Perpetual	Perpetual
Call option subject to prior approval by supervisory authorities	NO	NO
Discretional call date, possible call dates, and redemption amount	N/A	N/A
Later call dates on respective instances	N/A	N/A
Coupons/dividends		
Fixed or floating dividends/coupons	Floating rates	Floating rates
Coupon rate and any index related to the same	N/A	N/A
Existence of dividend stopper arrangements	NO	NO
Fully discretionary, partially discretionary, or mandatory (in terms of time)	Pursuant to provisions of the Commercial Law, the meeting of shareholders is competent to determine the terms and procedure of dividend payments, and those are approved by the decision of the meeting of the Bank's shareholders	
Fully discretionary, partially discretionary, or mandatory (in terms of amount)	The amount of dividends is determined by the meeting of the Bank's shareholders by making the decision on distribution of the Bank's profit of the previous year	
Existence of step up arrangements or other incentive to redeem	NO	NO
Non-cumulative or cumulative	N/A	N/A
Convertible or non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger	N/A	N/A
If convertible, fully or partially	N/A	N/A
If convertible, conversion rate	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A
If convertible, specify the type of the instrument to be converted into	N/A	N/A
If convertible, specify the issuer of the instrument to be converted into	N/A	N/A
Reduction features	NO	NO

Table (continued):

Issue	Increase of ABLV Bank, AS share capital by issuing registered shares, dated 31.03.2015	Increase of ABLV Bank, AS share capital by issuing personnel shares, dated 30.10.2015
If reducible, reduction trigger	N/A	N/A
If reducible, complete write off or partial reduction	N/A	N/A
If reducible, permanently or temporarily	N/A	N/A
If reduced temporarily, restoration mechanism	N/A	N/A
Position in the subordination hierarchy in case of liquidation (specify the type of the instrument standing above the instrument in the hierarchy)	N/A	N/A
Non-compliant features during transitional period	NO	NO
If yes, specify the non-compliant features	N/A	N/A

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	132,218
of which: shares	31,770
of which: personnel shares	3,530
of which: share premium	96,918
Retained earnings	72,188
Accumulated other comprehensive income (ant other reserves to report unrealised gains and losses in accordance with applicable accounting standards)	5,918
Minority interests (the amount that qualifies for inclusion in consolidated Common Equity Tier 1 capital)	558
Independently reviewed interim profits less any foreseeable charge or dividend	-
Common equity Tier 1 capital: regulatory adjustments	-
Intangible assets	(6,333)
Total regulatory adjustments to common equity Tier 1 capital	**(6,333)**
Common equity Tier 1 capital	**204,549**
Tier 1 capital	**204,549**
Tier 2 capital: reserves and instruments	
Capital instruments and share premium accounts related to those	120,323
Tier 2 capital	**120,323**
Total capital	**324,872**
Total risk-weighted assets	**1,923,013**
Capital ratios and reserves	
Common equity Tier 1 capital (percentage of exposure value)	10.64%
Tier 1 capital (percentage of exposure value)	10.64%
Total capital (percentage of exposure value)	16.89%
Institution's specific buffer requirement (percentage of exposure value)	48,075
of which: the requirement for the capital conservation buffer	48,075
Common equity Tier 1 capital available for meeting the buffer requirement (percentage of exposure value)	6.14%
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)	13,498
Deferred tax assets that arise from temporary differences (the amount does not exceed the threshold of 10%)	245

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

*- amended 15 September 2016

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 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, overdrafts, 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 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 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 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 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 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 bank determines the limits for cooperation with credit institutions and controls compliance with the set limits pursuant to internal regulations.

*- amended 15 September 2016

The group's 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	amount of exposures over the reporting period
Central governments or central banks	1,998,676	2,491,724	1,789,240
Regional governments or local authorities	58,865	88,848	59,626
Public sector entities	114,908	-	120,977
Multilateral developments banks	94,292	94,292	102,954
International organisations	706	706	706
Institutions	1,230,380	845,475	1,221,974
Corporates	906,546	876,628	870,331
Retail	255,024	255,024	258,265
Secured by mortgages on immovable property	30,046	30,046	21,238
Exposures in default	19,445	19,445	27,489
Items associated with particularly high risk	51,737	51,737	40,149
Covered bonds	84,814	84,814	93,849
Claims in the form of CIU	10,195	10,195	2,741
Equity Exposures	11,916	11,916	154,950
Other items	177,013	183,713	51,901
Total	**5,044,563**	**5,044,563**	**4,816,390**

Categories of the group's exposures and the amount of collateral:

EUR'000

Exposure class	Exposure value after risk transfer as at the end of the reporting period	Protection via guarantees and credit derivatives	Protection via pledged collaterals	of which, financial collateral
Central governments or central banks	2,491,724	-	-	-
Regional governments or local authorities	88,848	-	-	-
Public sector entities	-	-	-	-
Multilateral developments banks	94,292	-	-	-
International organisations	706	-	-	-
Institutions	845,475	-	-	-
Corporates	876,628	-	764,578	269,434
Retail	255,024	2	267,153	7
Secured by mortgages on immovable property	30,046	25	42,427	-
Exposures in default	19,445	-	22,962	653
Items associated with particularly high risk	51,737	-	66,352	350
Covered bonds	84,814	-	-	-
Claims in the form of CIU	10,195	-	2,641	2,641
Equity Exposures	11,916	-	-	-
Other items	183,713	73	122,676	66,601
Total	**5,044,563**	**100**	**1,288,789**	**339,686**

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 consolidated annual report 2015.Breakdown of the group's assets by types of counterparties:

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	439,474	-	-	-	-	-	-	-	**439,474**
General government	1,563,803	56,378	-	-	-	-	-	665	**1,620,846**
Institutions	382,146	2,760	834,300	139,352	-	84,814	-	95,000	**1,538,372**
Other financial corporations	-	9,220	11,175	127,964	-	-	9,482	11,565	**169,406**
Non financial corporations	105,661	20,490	-	609,312	-	-	1,428	53,504	**790,395**
Households	-	-	-	-	255,024	-	-	110,516	**365,540**
Other	639	-	-	-	-	-	1,007	118,884	**120,530**
Total	**2,491,723**	**88,848**	**845,475**	**876,628**	**255,024**	**84,814**	**11,917**	**390,134**	**5,044,563**

Breakdown of the group's 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	20,550	1,424	-	-	-	1,607	-	794	4,134	472	510	29,491
Past due but not impaired loans, incl.:	29,991	658	44	-	2	1,018	1,255	2	1,641	12	221	34,844
less than 30 days	25,645	528	6	-	1	244	-	2	45	7	201	26,679
31 to 59 days	2,969	100	-	-	1	1	1,255	-	18	1	4	4,349
60 to 89 days	400	12	-	-	-	773	-	-	377	1	5	1,568
more than 90 days	977	18	38	-	-	-	-	-	1,201	3	11	2,248
Neither past due nor impaired loans	274,194	28,565	15	5,148	118,085	252,485	3,495	9,168	42,175	9,428	66,910	809,668
Total net loans	**324,735**	**30,647**	**59**	**5,148**	**118,087**	**255,110**	**4,750**	**9,964**	**47,950**	**9,912**	**67,641**	**874,003**
Allowances												
Allowances for impaired loans	13,172	3,343	7	-	13	1,823	1	382	2,181	239	408	21,569
Changes over the year	(8,421)	(1,849)	6	(1)	3	1,180	-	(65)	1,039	104	383	(7,621)
Allowances for not impaired loans	963	52	-	16	198	778	14	36	65	16	249	2,387
Changes over the year	(841)	(51)	(71)	14	156	698	11	34	3	12	234	199

Breakdown of the group's loans by significant geographical areas:

EUR'000

Loans	Latvia	EMU countries	Other EU member states	Other OECD countries	International organisations	Other countries	Total
Impaired loans	25,072	4	-	1	-	4,414	29,491
Past due but not impaired loans, incl.:	34,544	13	79	46	-	162	34,844
less than 30 days	26,509	10	22	34	-	101	26,676
31 to 59 days	4,297	3	14	9	-	27	4,350
60 to 89 days	1,551	-	1	3	-	15	1,570
more than 90 days	2,187	-	42	-	-	19	2,248
Neither past due nor impaired loans	579,522	22,991	19,220	33,747	-	154,188	809,668
Total net loans	**639,138**	**23,008**	**19,299**	**33,794**	**-**	**158,764**	**874,003**

Breakdown of the group's 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	686,841	330	4,567	339,368	253,183	-	11,793	233,020	1,529,102
United States	996,330	-	85,135	20,531	128	-	124	15	1,102,263
Germany	395,088	4,764	120,172	1,297	8	-	-	200	521,529
Russian Federation	26,039	-	-	245,437	885	-	-	22,821	295,182
Canada	97,419	63,446	15,174	2,034	-	40,373	-	17	218,463
Sweden	95,365	4,637	58,316	-	56	4,648	-	2	163,024
Switzerland	-	-	83,972	-	-	13,880	-	1	97,853
United Kingdom	-	-	53,798	34,875	243	-	-	5,815	94,731
Japan	-	-	74,113	-	-	-	-	-	74,113
Australia	-	-	50,365	-	-	25,912	-	73	76,350
China	-	-	63,219	12,867	-	-	-	10	76,096
Cyprus	-	-	-	62,385	-	-	-	187	62,572
Netherlands	-	-	61,624	10	-	-	-	-	61,634
Austria	-	-	55,333	2,509	170	-	-	445	58,457
Luxembourg	1,052	-	29,577	-	-	-	-	1,124	31,753
Norway	42,267	-	1,338	9,277	-	-	-	-	52,882
Belgium	482	-	48,512	1,831	-	-	-	10,193	61,018
Lithuania	25,133	-	21,870	701	208	-	-	22	47,934
Finland	32,201	9,220	1,925	14	-	-	-	1	43,361
Denmark	22,983	5,533	2,031	9	-	-	-	1	30,557
Other countries	70,523	918	14,434	143,483	143	1	-	116,187	345,689
Total	**2,491,723**	**88,848**	**845,475**	**876,628**	**255,024**	**84,814**	**11,917**	**390,134**	**5,044,563**

Breakdown of the group's 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	475,406	20,707	202,031	1,471,989	306,569	15,022	2,491,724
Regional governments or local	-	-	11,236	62,521	15,092	-	88,849
Public sector entities	-	-	-	-	-	-	-
Multilateral developments banks	-	-	755	75,079	18,458	-	94,292
International organisations	-	-	-	706	-	-	706
Institutions	624,359	16,081	51,296	132,304	21,434	-	845,474
Corporates	170,157	34,415	63,827	525,702	70,993	11,535	876,629
Retail	5,835	4,624	15,055	64,216	58,307	106,986	255,023
Secured by mortgages on immovable property	11,396	645	1,823	9,097	3,344	3,740	30,045
Exposures in default	299	667	1,796	6,247	1,020	9,417	19,446
Items associated with particularly high risk	2,193	5,474	11,616	31,413	63	979	51,738
Covered bonds	-	4,648	13,880	66,285	-	-	84,813
Claims on institutions and corporate with a short-term credit assessment	-	-	-	-	-	-	-
Claims in the form of CIU	2	10,192	-	-	-	-	10,194
Equity Exposures	-	124	-	-	-	11,793	11,917
Other items	63,252	1,932	11,101	36,583	5,250	65,595	183,713
							5,044,563

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 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.

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.

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.

Operational risk

The capital requirements for covering operational risk are determined by the bank as equal to the minimum capital requirements calculated applying the basic indicator approach. Assessing their adequacy, the bank considers the following:

- the 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 by the bank 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 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 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.

Other risks

Since some risks are difficult to assess in quantitative terms, 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 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 bank analyses and evaluates possible 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 bank's overall financial status, amount of the capital at the bank's disposal, capital requirements, and capital adequacy.
Determining the buffer amount, the 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 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. This ratio observation period will last until 31 December 2016, and the components included in the ratio calculation might be changed, therefore the bank follows the changes and corrections to the ratio calculation and works on establishing the system for managing the risk of excessive leverage. The leverage ratio is planned to be implemented as a regulatory requirement from 1 January 2018 if the monitoring results prove the necessity of the same.

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 ABLV Group, and the same is quarterly controlled against the target level, which is set to be 4% within the group. The ratio target level was complied with in all quarters of 2015. The board of ABLV 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.

Summary reconciliation of accounting assets and leverage ratio exposures	Applicable Amount
Total assets as per published financial statements	5,044,563
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 exposures)	-
(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	(6,333)
Leverage ratio total exposure measure	**5,038,230**
Leverage ratio common disclosure	CRR leverage ratio expo- sures
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4,966,042
(Asset amounts deducted in determining Tier 1 capital)	(6,333)
Total on-balance sheet exposures (excluding derivatives, SFTs and fidu-ciary assets)	**4,959,709**
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	138
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	**138**
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	78,383
(Adjustments for conversion to credit equivalent amounts)	-
Other off-balance sheet exposures	**78,383**
(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	**204,549**
Leverage ratio total exposure measure	**5,038,230**
Leverage ratio	**0.0406**
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:	2,189,858
of which: covered bonds	84,814
of which: exposures treated as sovereigns	2,105,044
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	162,404
Institutions	1,230,380
Secured by mortgages of immovable properties	30,045
Retail exposures	255,005
Corporate	839,439
Exposures in default	19,191
Other exposures (eg equity, securitisations, and other non-credit obliga- tion assets)	239,719

Non-encumbered assets

The information on non-encumbered assets is compiled in accordance with the requirements of Regulation 575/2013 and Regulation 2015/79.

EUR'000

Position	Encumbered assets	Fair value of encumbered assets	Unencumbered assets	Fair value of unencumbered assets	Total assets	Fair value of total assets
Loans on demand	-	-	755,990	-	755,990	-
Equity instruments	-	-	27,228	27,228	27,228	27,228
Debt securities	164,817	182,104	2,542,565	2,547,513	2,707,382	2,729,617
of which: issued by general governments	158,599	175,806	1,429,887	1,433,377	1,588,486	1,609,183
of which: issued by financial corporations	-	-	815,143	820,233	815,143	820,233
of which: issued by non-financial corporations	6,218	6,299	297,535	293,903	303,753	300,202
Loans and advances other than loans on demand	27,247	-	1,103,553	-	1,130,800	-
of which: mortgage loans	-	-	701,190	-	701,190	-
Other assets	94	-	145,444	-	145,538	-
Total	**192,158**	**182,104**	**4,574,780**	**2,574,741**	**4,766,938**	**2,756,845**

The major sources of encumbrance on the bank's assets are the following:

- participation in the targeted longer-term refinancing operations (TLTRO) programme;
- required collateral for transactions in financial instruments;
- securities lending transactions;
- collateral for settlements under the transactions performed by the clients using VISA cards;
- collateral for trade finance transactions.

In 2015, the bank continued increasing the amount of encumbered assets under the targeted longer-term refinancing operations (TLTRO) programme, as well as first securities lending transaction was made. The asset pledging transactions are concentrated in ABLV Bank, AS.

Remuneration policy and practices*

The bank's 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 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 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 3 bonus schemes in the 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 2015, there were 22 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.

*- amended 15 September 2016

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 2015, severance pay was received by 2 persons holding risk profile affecting positions at the group, and the same equalled EUR 14 399 (45 578), including 1 person holding risk profile affecting position at the bank, the severance pay to whom amounted to EUR 1 303.

Information on remuneration to the officers in 2015:

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	183	25	301	161	8
Profit/(loss) after tax				69,039,104				
Total remuneration	50,070	1,930,444	2,648,914	10,429,984	1,657,193	10,044,935	5,334,204	446,310
Including: variable remuneration part		347,927	919,118	4,211,608	518,309	2,791,116	1,426,034	34,445

Information on remuneration to the officers holding risk profile affecting positions in 2015:

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	5	7	11	9	80	-
	including the number of risk profile affecting officers who hold senior management positions	-	-	3	6	4	9	5	-
Fixed remuneration part	Total fixed remuneration part	50,070	1,582,517	1,282,950	828,115	780,431	721,355	2,356,731	-
	including monetary funds and other means of payment	50,070	1,582,517	1,282,950	828,115	780,431	721,355	2,356,731	-
	including shares and instruments related to those	-	-	-	-	-	-	-	-
	including other instruments	-	-	-	-	-	-	-	-
Variable remuneration part	Total variable remuneration part	-	347,927	586,879	345,464	411,733	-	821,014	-
	including monetary funds and other means of payment	-	347,927	586,879	345,464	411,733	-	821,014	-
	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	-	150,371	218,183	158,900	197,067	-	186,608	-
	including deferred part in the form of monetary funds and other means of payment	-	150,371	218,183	158,900	197,067	-	186,608	-
	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	-	859,432	1,552,962	399,553	258,362	2,881	506,633	-
	including the part to which irrevocable rights have been acquired	-	-	-	-	-	-	-	-
	including the part to which irrevocable rights have not been acquired	-	859,432	1,552,962	399,553	258,362	2,881	506,633	-
	Total deferred variable remuneration part paid out in the reporting year	-	72,724	97,237	17,337	19,454	2,541	66,130	
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	-	-	-	1,460	14,642	-	13,284	-
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	-	-	-	1	1	-	-	-
	Amount of severance pay in the reporting year	-	-	-	1,303	13,097	-	-	-
	Largest amount of severance pay to one person	-	-	-	1,303	13,097	-	-	-
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.

Disclosure of 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 ABLV Group, corporate social responsibility means not just reasonable use of the resources and gender balance in the companies included in the group but, first of all, taking care of the clients' needs, well-being of the officers and their families, as well as development of the export capacity of the country. We take progressive attitude and approach to both the client service and internal work organization.
As at 31 December 2015, ABLV Group included 30 companies rendering banking services, investment management and advisory 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 officers, salary size, and other ones.

- Amount of paid taxes
  ABLV Bank, AS is the largest taxpayer in the banking sector, and in 2015 the taxes paid by the same to the state budget amounted to EUR 17.0 million.
- Constantly growing team of officers
  ABLV Group is one of the largest employers in Riga and Latvia. As at 31 December 2015, there were more than 800 officers working at the companies of our group, 42% of them – men and 58% – women.
- Competitive remuneration
  Average salary at ABLV Group considerably exceeds average salary in the country. According to the data of the Central Statistical Bureau, in first three quarters of 2015 average expenses per employee in Latvian finance and insurance sector amounted to EUR 14.76/h[1], whereas in ABLV Group average expenses per employee in 2015 were 86.3% higher.

Corporate social responsibility

- Contribution to the export capacity of the country
  Operations of ABLV Group increase Latvian export capacity, and there were several awards granted for this. In October 2015, ABLV Bank was named one of the best exporting brands, according to the assessment performed by the movement The Red Jackets, and also reached the final in the category 'Entrepreneur with the Best Export Capabilities in the Group of Medium and Large Commercial Companies' of the competition 'Export and Innovation Award 2015' arranged by the Ministry of Economics of the Republic of Latvia and the Investment and Development Agency of Latvia.

- Riga development and popularization
  - ABLV Group performs active development of New Hanza City territory – 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 the place for economic activities. On 31 December 2015, the construction projects of ABLV Bank central building, multifunctional office building, and engineering systems were approved.
  - ABLV 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 ABLV Group, became the major sponsor of the final concert of the tour of the band Prāta Vētra, which took place at New Hanza City territory. More than 45 000 spectators visited the event, and it ensured good publicity for Riga in neighbouring countries.

- Care for nature
  Companies of ABLV Group, making farsighted plans for future operations, try to take as much care about the environment as possible.
  - ABLV Bank 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 ABLV Group use virtual data warehouse and workstations, thus enabling lower paper consumption, less equipment and cables.
  - Proper technical condition of the cars of ABLV Group is maintained, ensuring compliance with the emission standards.

[1] Source: Central Statistical Bureau: http://www.csb.gov.lv/statistikas-temas/darbaspeka-izmaksas-galvenie-raditaji-30319.html.

- Professional business environment
  Vision of ABLV Group:
  - We offer the most highly valued experience in tailored banking services, based on a unique understanding of our clients and the 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 – the FCMC, as well as by international organizations – the European Central Bank and the Organization for Economic Cooperation and Development (OECD).
  - ABLV Group actively cooperates with the Association of Commercial Banks of Latvia, municipality of Riga, and other state institutions and non-governmental organizations.

- Sound work environment and social well-being
  Management of ABLV Group 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 the compliance of work conditions with the standards set forth by laws but also at increasing the officers' well-being, at making the work environment comfortable, and at growing the feeling of being the part of the organization.
  - The Personnel Policy applied at the group is developed in accordance with current legal acts of the Republic of Latvia, the FCMC regulations, internal normative documents, and international legal provisions, thus ensuring complete observance of human rights.
  - The officer satisfaction survey is carried out on a regular basis. According to the latest survey 'ABLV Group officer satisfaction index for 2015', in which 571 respondents participated, the level of the officer involvement is among the highest ones in Latvia and substantially exceeds the average indicators in the Baltics and Europe both in the financial sector and in general. This evidences high level of officer satisfaction, motivation, positive opinion, which provides competitive advantages and represents a sufficient resource for further business development: 89% of the officers would definitely recommend ABLV Group as the employer. Almost all officers – 99% – believe that the company is undergoing steady upward development. Moreover, the company's reputation among the officers is growing every year: our specialists are proud to be a part of ABLV Group and are highly loyal.
  - Each officer of the group follows the 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 officers, and client service.
  - Health insurance is available for every officer. The group covers 75% of the insurance policy price.
  - In 2010, to promote long-term loyalty and motivation of the officers, the decision on endowment life insurance was made. In 2015, first payments under the same were made.
  - Corporate events (New Year party for officers, special event for officers' children) are arranged at ABLV Group on a regular basis, which encourages team consolidation and positively affects the work performance and group atmosphere.
  - In addition to annual paid vacation, officers of ABLV Group are granted the possibility to use additional holidays depending on the duration of employment at the group.

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 the resources and improving the work environment. The company caring about sustainable development, long-term performance, and the interests of its officers and the society will always enjoy stability, which ensures confidence about the future.

Developing the export capacity of our country, paying considerable amount of taxes to the state budget, and increasing the popularity of Riga, ABLV Group makes important contribution to the stability of Latvian economy and its future. Whereas high officer 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, ABLV Bank is involved in making the decisions important for the whole banking sector in our country. All this makes the corporate social responsibility an integral and essential part of operations of ABLV Group.