



# ABLV Bank, AS in liquidation

## Consolidated and Separate Annual Report for 2018

and the independent auditor's report

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# Liquidation Committee Report

Ladies and Gentlemen, Shareholders, Creditors and Employees of ABLV Bank, AS in liquidation,

In order to protect the interests of our clients and creditors, following the announcement by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (hereinafter – the FinCEN) on 13 February 2018 and the subsequent decision on 23 February 2018 by the Council of the Financial and Capital Market Commission (hereinafter – the FCMC) "On Unavailability of Deposits", on 26 February 2018 there was a decision made by the extraordinary meeting of shareholders of ABLV Bank, AS on voluntary liquidation. This decision was made after the European Central Bank and the Single Resolution Board ruled that ABLV Bank, AS must be liquidated in accordance with the local legislation, i.e., legislation of the Republic of Latvia. The application for voluntary liquidation was approved by the FCMC on 12 June 2018, and this date is considered to be the day of commencement of the liquidation of ABLV Bank, AS in liquidation (hereinafter – the Company).

After the voluntary liquidation of the Company was approved by the FCMC, the application for withdrawal of the Company's credit institution license was submitted to the European Central Bank (hereinafter – the ECB). Withdrawal of the license was one of the steps set in the liquidation plan of the Company, and on 11 July 2018 the ECB made decision to withdraw the license. Following this decision by the ECB, the Company terminated rendering financial services for which credit institution license is required.

On the day of the commencement of the liquidation, all members of the Management Board and the Council of the Company lost their power, and the Liquidation Committee became the sole decision-making body. Initially, the Liquidation Committee was composed of four liquidators, but since 6 February 2019 – of five. Two of the liquidators have former experience and knowledge in finance and commercial activities, while the other three are sworn attorneys. Currently the Liquidators are Andris Kovalčuks, Arvīds Kostomārovs, Eva Berlaus, Lauma Bērziņa and Ringolds Balodis. Elvijs Vēbers was part of the Liquidation Committee until 6 February 2019.

On 18 June 2018, the Company published notification on liquidation in the official publisher "Latvijas Vēstnesis", which marked the beginning of a three-month period for accepting creditor claims. During this period, 98% of creditors lodged their claims. The creditors can submit their claims even after the said deadline, yet, pursuant to the Credit Institution Law, such claims will be included in lower-ranked group of claims.

After the above-mentioned three-month period, Liquidators reviewed creditors' claims. During this labour-intensive process, the claims and supporting documents submitted by creditors were assessed and subsequently the claims were recognized, rejected and/ or deficiencies were indicated where necessary. It should be noted that recognizing of creditor's claim means that the documents submitted are sufficient for the creditor to be included in the creditor list. This phase will be followed by the creditor assessment in accordance with the Methodology for AML/CTF/IS Compliance Monitoring Process approved by the FCMC on 6 March 2019.

The Methodology developed by a team of consultants from the international consulting company EY sets forth the requirements for creditor compliance review in accordance with the best international AML/CTF practices and legislation. Payouts to creditors will only commence after compliance reviews, and will begin with the creditors ranked in the second group. Creditors with deposits up to EUR 100 000 are ranked in the first group and have been able to access their deposits since 3 March 2018 through the Deposit Guarantee Fund.

The aim of the liquidation process is to satisfy the claims of all creditors of the Company to full extent, unless there are legal obstacles, as the assets of the Company significantly exceed its liabilities. By the end of 2021, the Company expects to pay out the majority of all deposits as well as commence settlement of other creditor claims, including those related to bonds and subordinated claims.

Since having taken over the management of the Company, the Liquidation Committee has paid special attention to the recovery of assets. By the end of 2018, assets in amount of EUR 355 million have been recovered, including more than EUR 150 million from loans and EUR 190 million from securities. The Company has sufficient amount of assets to satisfy all creditor claims in full.

Key financial indicators of the Company as of 31 December 2018:

- total assets: EUR 2.4 billion, including EUR 1 billion with the Bank of Latvia;
- capital and reserves: EUR 295.8 million;
- assets recovered during the liquidation: EUR 355 million;
- amount of taxes paid to the state budget in 2018: EUR 15.6 million;
- number of employees: 313.

Furthermore, on 17 April 2018 attorneys from the U.S. office of WilmerHale law firm submitted a letter to FinCEN regarding the Proposal released by FinCEN on 13 February. In their letter the attorneys request FinCEN to revoke the Proposal; they believe that FinCEN has failed to take into consideration a number of significant circumstances, and Company's decision to

enter voluntary liquidation leaves no legal or practical grounds to proceed to the final rule. As of the day of signing this report, FinCEN has still not published its decision.

In addition, in May 2018 the Company and its largest shareholders filed claims to the European Court of Justice asking it to assess the decisions made by the ECB and the Single Resolution Board on 23 February 2018. The filed claims do not recall Company's decision on liquidation, yet filing such claims was important for the reputation of the Company, its employees and partners, as well as for compensation of losses if the Court rules in favour of the Company and/or its shareholders.


In the framework of the liquidation, the structure of the Company was changed in the second half of 2018, and the Company continued terminating employment relations with the employees whose functions were no longer required.

We would like to thank the creditors, employees and shareholders of the Company for the understanding and support during this complicated liquidation process.

Corporate Management Report is available at [www.ablv.com](http://www.ablv.com)



**Arvīds Kostomārovs**  
Liquidator of ABLV Bank, AS in liquidation



**Andris Kovaļčuks**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 22 March 2019

# Non-Financial Report

## Corporate Governance

### Operation Model and Members of the Group

In 2018, the Group consisted of ABLV Bank, AS in liquidation and its subsidiaries. The full list of companies of the Group as at the end of 2018 is provided in Note 12.

The business model of the Company changed significantly during the reporting period as stated in the Liquidation Committee Report. On 12 June 2018, the Financial and Capital Market Commission (hereinafter – the FCMC) approved the voluntary liquidation application, therefore 12 June 2018 is to be considered the day of commencement of the liquidation of the Company.

The aim of the liquidation process is to fully satisfy all claims of the creditors of the Company; during the process there will be various measures undertaken to ensure that all claims are satisfied unless there are any legal obstacles to do so.

### Management Structure

Management structure of the Company is provided in “Information about Management” on page 7.

The main task of the Liquidation Committee is to ensure lawful and efficient process of the voluntary liquidation of the Company that would ensure considering interests of all creditors, as well as ensure compliance of the Company's operations with the legislation of the Republic of Latvia, including those of AML/CTF and sanctions.

The model of operation of the Liquidation Committee implies that its decisions are valid if at least three liquidators vote. The Liquidators have also engaged consultants from international consulting company EY with a team of specialists from Poland, Baltic States and the USA to provide support during the liquidation process.

### Risk Management

The key risks related to the operation and corporate social responsibility of the Group are the following: credit risk, liquidity risk, money laundering and terrorism financing and sanction risk and operational risk. More information about management of these risks is provided in Note 27 of the financial report.

Along with the general risk management strategy, the Group has also managed risks related to corporate social responsibility. These risks have been managed in line with other non-financial risks related to the operation of the Group.

### Professional Acts and Business Ethics

Matters related to daily work are described in the “Code of Conduct”, a document binding to all employees of the Group, and also covering measures for prevention of bribery, e.g., it is prohibited to accept any material values, goods of tangible or any other nature, including gifts, money or gift certificates from the clients, creditors, business partners of the Group and any persons acting on their behalf.

All Group companies are consistent in adhering to the code of professional ethics. The Group undertakes all necessary measures to ensure non-disclosure of information and prevent it from being used for personal or any other purposes not related to the operations of the Company and ensures management of conflict of interests, confidentiality and protection of personal data.

### Management of Conflict of Interest

The Group has developed a policy for managing conflict of interest that it is binding to all employees. The purpose of the policy and other related internal documents is to ensure preventive measures enabling to identify the cause of conflict of interest and eliminate or mitigate its negative impact on the interests of the clients and creditors.

In order to ensure timely identification, assessment and management of conflicts of interests, the Group has developed Rules for Conflict of Interest Management providing procedure for reporting, reviewing of reports and decision making.

### Confidentiality

In its operations, the Group strictly adheres to confidentiality requirements with respect to the information at its disposal, including non-disclosable information as provided by the Credit Institutions Law. Employees are prohibited to disclose any

confidential information to any third party. Any information related to operations of the Group and that is not publicly available is deemed confidential. The Group provides information about its clients and creditors only in the way and to extent provided in the legislation. Only authorised employees are entitled to provide such information in line with their duties and following procedures.

All and any information and information resources at disposal of the Group have a definite level of confidentiality assigned. When classifying information, degree of confidentiality and level of access rights are determined.

### **Personal Data Protection**

In line with the European Union's General Data Protection Regulation, Group companies are processing personal data in accordance with the requirements of Personal Data Processing Law by implementing appropriate technical and organisational measures to ensure that management and protection of personal data is compliant with the legislation in force, as well as information protection procedures of the Group, such as Information Security Policy.

### **Responsibility to Employees**

The Group has implemented a list of measures and principles to ensure that work conditions are compliant with the legislation. Being a responsible employer, the Group has always ensured its employees all the social guarantees provided by the law.

After the decision on voluntary liquidation of the Company made by the shareholders, in April 2018, the Company started gradual termination of employment relations with employees whose services are no longer required. Termination of employment relations is being carried out according to the schedule and/or upon agreement of the parties. Information on the number of employees in the Group/Company is provided in Note 7.

### **Social Responsibility**


The Group has shown good care of its employees as well as the society. The key initiatives in 2018 were ABLV Donor Day, when the employees of the Group participated in blood donation event, as well as Shadow Day, which was an opportunity for senior high school students to spend one day observing the daily activities of Group employees.

### **Group's Contribution to Environment Protection**

When planning their operations and caring about sustainable development, Group companies are doing their best to protect the environment and use the resources wisely.



**Arvīds Kostomārovs**  
Liquidator of ABLV Bank, AS in liquidation



**Andris Kovaļčuks**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 22 March 2019

# Information about the Management

## Structure of the Liquidation Committee

### Liquidators

	<b>term of office:</b>
Eva Berlaus	since 13.06.2018.
Arvīds Kostomārovs	since 13.06.2018.
Andris Kovaļčuks	since 13.06.2018.
Lauma Bērziņa	since 06.02.2019.
Ringolds Balodis	since 06.02.2019.

### Term of office from 13.06.2018 to 06.02.2019:

Elvijs Vēbers

On the grounds of the decision as 14 June 2018 made in the Register of Enterprises of the Republic of Latvia, information regarding the appointment of four liquidators of the Company was registered with the Commercial Register.

On 5 February 2019, shareholders of the Company at their extraordinary meeting decided to remove from office liquidator Elvijs Vēbers as of 6 February 2019 and to appoint Lauma Berzina and Ringolds Balodis as liquidators of the Company.

In the reporting period, starting with from 13 June 2018 the date of approval of Company's liquidation, the Board and the Council (i.e. Supervision Board) of ABLV Bank, AS in liquidation lost their power.

## Information on composition and powers of the Council and the Board during the reporting period:

### The Council:

#### Term of office from 29.09.2017 to 12.06.2018 (including):

Chairman of the Council:

Oļegs Fijs

Deputy Chairman of the Council:

Jānis Krīgers

Members of the Council:

Jānis Butkevičs

Aivis Ronis

Aleksandrs Rjabovs

### The Board:

#### Term of office from 02.05.2017 to 12.06.2018 (including):

Chairman of the Board:

Ernestis Bernis - Chief Executive Officer (CEO)

Deputy Chairman of the Board:

Vadims Reinfelds – Deputy Chief Executive Officer (dCEO)

Members of the Board:

Edgars Pavlovičs – Chief Risk Officer (CRO)

Māris Kannenieks – Chief Financial Officer (CFO)

Rolands Citajevs – Chief IT Officer (CIO)

Romans Surnačovs – Chief Operating Officer (COO)

#### Term of office effective from 02.05.2017 to 21.02.2018:

Aleksandrs Pāže – Chief Compliance Officer (CCO)

On 21 February 2018 Aleksandrs Pāže Chief Compliance Director (CCO) submitted from the position of the Board Member.

## Statement of the Management's (Liquidators) Responsibility

The liquidators of the Company are responsible for preparation of the separate financial statements of the Company, as well as for preparation of the consolidated financial statements of the Group.

The liquidators are responsible for ensuring of an appropriate accounting system, maintenance, preservation and protection of the Company's and the Group's assets and property, the development of policies for the Company's and the Group's operations, personnel, asset recovery as well as detection and prevention of violations committed within the Company and the Group. The liquidators are also responsible for supervision of compliance with the Credit Institutions Law of the Republic of Latvia, regulations of the Bank of Latvia, FCMC and other legislation of the Republic of Latvia applicable to the credit institution in liquidation, as well as binding European Union legislation.

The financial statements and Notes thereto set out on pages 14 to 57 are prepared in accordance with the source documents: they present truly and fairly the financial position of the Group and the Company as of 31 December 2018 and 31 December 2017, and the results of operations of the Group and the Company, changes in the shareholder's equity and cash flows in 2018 and 2017.

These consolidated and separate financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, with the assumptions that the Company and accordingly the Group will not continue their operations in the future. The gone concern principle is applied due to the Company's voluntary liquidation approved by the FCMC on 12 June 2018. Meanwhile many Company's subsidiaries which are a part of the Group continue their operations and are included in these consolidated financial statements based on going concern principle. Explanatory information on recognition principles of all subsidiaries is provided in Note 12. Decisions taken by the liquidators in the preparation of these financial statements and estimates made to determine the financial position as of 31 December 2018 have been prudent and reasonable.



**Arvīds Kostomārovs**  
Liquidator of ABLV Bank, AS in liquidation



**Andris Kovaļčuks**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 22 March 2019

# Statements of Comprehensive Income

EUR'000

		Group	Group	Group	Company	Company	Company
	Note	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017. (restated)	01.01.2017.– 31.12.2017.	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017. (restated)	01.01.2017.– 31.12.2017.
Interest income	3	47,084	83,324	83,324	44,669	78,516	78,516
Interest expense	3	(12,290)	(22,102)	(22,102)	(10,084)	(19,627)	(19,627)
<b>Net interest income</b>	3	<b>34,794</b>	<b>61,222</b>	<b>61,222</b>	<b>34,585</b>	<b>58,889</b>	<b>58,889</b>
Commission and fee income		10,035	44,648	44,648	5,272	36,659	36,659
Commission and fee expense		(1,891)	(7,541)	(7,541)	(1,977)	(11,929)	(11,929)
<b>Net commission and fee income</b>		<b>8,144</b>	<b>37,107</b>	<b>37,107</b>	<b>3,295</b>	<b>24,730</b>	<b>24,730</b>
Net gain/(loss) from transactions with financial instruments	4	(1,034)	19,658	17,581	(433)	19,716	17,639
Net result from transaction with repossessed real estate		(1,360)	(2,035)	(2,035)	-	-	-
Other income	5	8,199	25,319	15,615	2,899	13,486	3,781
Other expenses	5	(11,445)	(5,866)	(5,866)	(896)	(1,581)	(1,580)
Dividend income		86	80	80	86	3,694	3,694
Impairment allowance for loans	6	(9,114)	852	852	(9,085)	880	880
Impairment allowance for investments in subsidiaries	12	-	-	-	(12,454)	(27,001)	(6,491)
Impairment allowance for other assets		(1,606)	(1,025)	-	(841)	(1,925)	-
Impairment allowance for financial instruments		(208)	-	(157)	-	-	(157)
<b>Operating income</b>		<b>26,456</b>	<b>135,312</b>	<b>124,399</b>	<b>17,156</b>	<b>90,888</b>	<b>101,385</b>
Personnel expense	7	(31,131)	(62,360)	(49,398)	(23,610)	(50,866)	(38,857)
Other administrative expense	7	(20,831)	(20,461)	(19,261)	(18,266)	(16,694)	(15,496)
Amortisation and depreciation	15	(3,714)	(4,350)	(3,868)	(2,947)	(3,601)	(3,119)
<b>(Loss)/profit before corporate income tax</b>		<b>(29,220)</b>	<b>48,141</b>	<b>51,872</b>	<b>(27,667)</b>	<b>19,727</b>	<b>43,913</b>
Corporate income tax		150	131	36	154	877	790
<b>Net (loss)/profit for the reporting period</b>		<b>(29,070)</b>	<b>48,272</b>	<b>51,908</b>	<b>(27,513)</b>	<b>20,604</b>	<b>44,703</b>
Net (loss)/profit for the reporting period attributable to:							
Shareholders of the Company		(29,321)	47,317	50,953			
Non-controlling interests		251	955	955			
<b>Other comprehensive income which has been or is to be reclassified to profit or loss</b>							
Changes in revaluation reserve of debt securities at fair value through other comprehensive income		469	(787)	(787)	-	(932)	(932)
Reclassification result of debt securities at fair value through other comprehensive income		(469)	3,087	-	-	3,086	-
Change to income statement as a result of sale of financial assets at fair value through other comprehensive income		-	(742)	(742)	-	(661)	(661)
Changes in deferred corporate income tax		-	88	88	-	88	88
<b>Other comprehensive income which has been or is to be reclassified to profit or loss, total</b>		<b>-</b>	<b>1,646</b>	<b>(1,441)</b>	<b>-</b>	<b>1,581</b>	<b>(1,505)</b>
<b>Other comprehensive income in the reporting period not recognized through profit / loss</b>							
Changes in revaluation reserve of capital securities measured at fair value through other comprehensive income		353	-	-	353	-	-
<b>Total other comprehensive income in the reporting period not recognized through profit / loss</b>		<b>353</b>	<b>-</b>	<b>-</b>	<b>353</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income, total</b>		<b>353</b>	<b>1,646</b>	<b>(1,441)</b>	<b>353</b>	<b>1,581</b>	<b>(1,505)</b>
<b>Total comprehensive income</b>		<b>(28,717)</b>	<b>49,918</b>	<b>50,467</b>	<b>(27,160)</b>	<b>22,185</b>	<b>43,198</b>
Attributable to:							
Shareholders of the Company		(28,968)	48,963	49,512			
Non-controlling interest		251	955	955			



**Arvīds Kostomārovs**  
Liquidator of ABLV Bank, AS in liquidation



**Andris Kovalčuks**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 22 March 2019

# Statements of Financial Position

EUR'000						
		Group	Group	Group	Company	Company
		31.12.2018.	31.12.2017. (restated)	31.12.2017.	31.12.2018.	31.12.2017. (restated)
Assets	Note					
Cash on hand		9,335	13,521	13,521	9,332	13,521
Balances due from credit institutions	9	1,391,389	662,918	662,918	1,378,915	674,102
Investments in financial instruments	10	94,996	1,952,403	1,940,121	107,446	1,793,912
Loans	11	664,387	1,037,956	1,044,920	668,464	996,098
Investments in subsidiaries and associates	12	9,180	9,528	9,528	160,469	145,876
Investment property	13	101,289	63,951	55,857	-	28,969
Property and equipment	15	6,516	41,509	45,261	2,398	5,653
Intangible assets	15	3,386	5,056	5,538	3,362	4,908
Corporate income tax asset		3,186	2,093	1,757	2,606	1,468
Deferred corporate income tax asset		-	1,096	1,096	-	-
Reposessed real estate		28,436	33,570	33,570	-	-
Other assets	16	7,362	4,451	10,138	14,484	2,284
Non-current investments held for sale	14	174,378	-	-	9,362	-
<b>Total assets</b>		<b>2,493,840</b>	<b>3,828,052</b>	<b>3,824,225</b>	<b>2,356,838</b>	<b>3,666,791</b>
<b>Liabilities</b>						
Creditors' claims	17	1,985,708	-	-	2,041,512	-
Balances due to credit institutions, Bank of Latvia		6,844	85,890	85,890	396	91,195
Deposits	18	-	2,819,332	2,819,332	-	2,679,950
Issued securities	19	9,850	515,842	515,842	-	529,327
Subordinate deposits	20	-	12,341	12,341	-	12,341
Corporate income tax liabilities		1	86	86	-	-
Other liabilities	22	23,541	43,684	28,645	19,134	23,591
Liabilities directly related to non-current investments held for sale	14	153,423	-	-	-	-
<b>Total liabilities</b>		<b>2,179,367</b>	<b>3,477,175</b>	<b>3,462,136</b>	<b>2,061,042</b>	<b>3,336,404</b>
<b>Shareholders' equity</b>						
Paid-in share capital	21	42,080	42,080	42,080	42,080	42,080
Share premium		179,295	179,295	179,295	179,295	179,295
Reserve capital		2,134	2,222	2,222	2,134	2,134
Revaluation reserve		3,072	2,773	(314)	3,073	2,720
Retained earnings		112,868	73,096	83,759	96,727	83,554
Profit/(loss) for the reporting period		(29,321)	47,317	50,953	(27,513)	20,604
<b>Attributable to the shareholders of the Company</b>		<b>310,128</b>	<b>346,783</b>	<b>357,995</b>	<b>295,796</b>	<b>330,387</b>
<b>Non-controlling interest</b>		<b>4,345</b>	<b>4,094</b>	<b>4,094</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' equity</b>		<b>314,473</b>	<b>350,877</b>	<b>362,089</b>	<b>295,796</b>	<b>330,387</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,493,840</b>	<b>3,828,052</b>	<b>3,824,225</b>	<b>2,356,838</b>	<b>3,666,791</b>



**Arvīds Kostomārovs**  
Liquidator of ABLV Bank, AS in liquidation



**Andris Kovalčuks**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 22 March 2019

# Statement of Changes in Shareholders' Equity of the Group

EUR'000

	Paid-in share capital	Share premium	Reserve capital	Revaluation reserve	Retained earnings	Attributable to Company's shareholders	Non- controlling interest	Total shareholder's equity
<b>01.01.2017.</b>	<b>38,300</b>	<b>132,423</b>	<b>2,217</b>	<b>1,127</b>	<b>155,975</b>	<b>330,042</b>	<b>2,271</b>	<b>332,313</b>
Net profit for the reporting period	-	-	-	-	50,953	50,953	955	51,908
Other comprehensive income/(expense) for the reporting period	-	-	-	(1,441)	-	(1,441)	-	(1,441)
<b>Total comprehensive income for the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,441)</b>	<b>50,953</b>	<b>49,512</b>	<b>955</b>	<b>50,467</b>
Increase in reserves	-	-	5	-	(36)	(31)	-	(31)
Dividends	-	-	-	-	(73,153)	(73,153)	(332)	(73,485)
Allocation of personnel shares	-	-	-	-	973	973	-	973
Issue of shares	3,780	46,872	-	-	-	50,652	1,200	51,852
<b>31.12.2017.</b>	<b>42,080</b>	<b>179,295</b>	<b>2,222</b>	<b>(314)</b>	<b>134,712</b>	<b>357,995</b>	<b>4,094</b>	<b>362,089</b>
<b>31.12.2017.</b>	<b>42,080</b>	<b>179,295</b>	<b>2,222</b>	<b>(314)</b>	<b>134,712</b>	<b>357,995</b>	<b>4,094</b>	<b>362,089</b>
Adjustments (paragraph cc))	-	-	-	3,087	(14,299)	(11,212)	-	(11,212)
<b>31.12.2017. (restated)</b>	<b>42,080</b>	<b>179,295</b>	<b>2,222</b>	<b>2,773</b>	<b>120,413</b>	<b>346,783</b>	<b>4,094</b>	<b>350,877</b>
Result of IFRS 9 implementation	-	-	-	(142)	(7,551)	(7,693)	-	(7,693)
<b>01.01.2018.</b>	<b>42,080</b>	<b>179,295</b>	<b>2,222</b>	<b>2,631</b>	<b>112,862</b>	<b>339,090</b>	<b>4,094</b>	<b>343,184</b>
Net profit/(loss) for the reporting period	-	-	-	-	(29,321)	(29,321)	251	(29,070)
Other comprehensive income/(expense) for the reporting period	-	-	-	359	-	359	-	359
<b>Total comprehensive income for the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>359</b>	<b>(29,321)</b>	<b>(28,962)</b>	<b>251</b>	<b>(28,711)</b>
Decrease in reserves	-	-	(88)	88	-	-	-	-
Trade result for equity securities measured at fair value through other comprehensive income	-	-	-	(6)	6	-	-	-
<b>31.12.2018.</b>	<b>42,080</b>	<b>179,295</b>	<b>2,134</b>	<b>3,072</b>	<b>83,547</b>	<b>310,128</b>	<b>4,345</b>	<b>314,473</b>



**Arvīds Kostomārovs**  
Liquidator of ABLV Bank, AS in liquidation



**Andris Kovalčuks**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 22 March 2019

## Statement of Changes in Shareholders' Equity of the Company

	EUR'000					
	Paid-in share capital	Share premium	Reserve capital	Revaluation reserve	Retained earnings	Total shareholder' s equity
<b>01.01.2017.</b>	<b>38,300</b>	<b>132,423</b>	<b>2,134</b>	<b>1,139</b>	<b>165,319</b>	<b>339,315</b>
Net profit for the reporting period	-	-	-	-	44,703	44,703
Other comprehensive income/(expense) for the reporting period	-	-	-	(1,505)	-	(1,505)
<b>Total comprehensive income for the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,505)</b>	<b>44,703</b>	<b>43,198</b>
Dividends	-	-	-	-	(73,153)	(73,153)
Allocation of personnel shares	-	-	-	-	973	973
Issue of shares	3,780	46,872	-	-	-	50,652
<b>31.12.2017.</b>	<b>42,080</b>	<b>179,295</b>	<b>2,134</b>	<b>(366)</b>	<b>137,842</b>	<b>360,985</b>
<b>31.12.2017.</b>	<b>42,080</b>	<b>179,295</b>	<b>2,134</b>	<b>(366)</b>	<b>137,842</b>	<b>360,985</b>
Restatements (paragraph cc))	-	-	-	3,086	(33,684)	(30,598)
<b>31.12.2017. (restated)</b>	<b>42,080</b>	<b>179,295</b>	<b>2,134</b>	<b>2,720</b>	<b>104,158</b>	<b>330,387</b>
Result of IFRS 9 implementation	-	-	-	-	(7,437)	(7,437)
<b>01.01.2018.</b>	<b>42,080</b>	<b>179,295</b>	<b>2,134</b>	<b>2,720</b>	<b>96,721</b>	<b>322,950</b>
Net profit/(loss) for the reporting period	-	-	-	-	(27,513)	(27,513)
Other comprehensive income/(expense) for the reporting period	-	-	-	359	-	359
<b>Total comprehensive income for the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>359</b>	<b>(27,513)</b>	<b>(27,154)</b>
Trading result for equity securities measured at fair value through other comprehensive income	-	-	-	(6)	6	-
<b>31.12.2018.</b>	<b>42,080</b>	<b>179,295</b>	<b>2,134</b>	<b>3,073</b>	<b>69,214</b>	<b>295,796</b>



**Arvīds Kostomārovs**  
Liquidator of ABLV Bank, AS in liquidation



**Andris Kovaļčuks**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 22 March 2019

# Statements of Cash Flows

	EUR'000					
	Group	Group	Group	Company	Company	Company
	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017. (restated)	01.01.2017.– 31.12.2017.	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017. (restated)	01.01.2017.– 31.12.2017.
<b>Cash flows from operating activities</b>						
Profit before corporate income tax	(29,220)	48,141	51,872	(27,667)	19,727	43,913
Dividend income	(86)	(80)	(80)	(86)	(3,694)	(3,694)
Amortisation and depreciation	3,714	4,350	3,868	2,947	3,601	3,119
Revaluation of investment property	7,617	(12,550)	(8,208)	-	(4,342)	-
Impairment of other assets	1,606	2,421	496	841	1,925	-
Impairment of investments in subsidiaries	-	-	-	12,454	27,001	6,491
(Income) / expenses on investment based on equity method	348	(403)	(403)	-	-	-
Impairment of financial assets	10,116	(852)	(330)	9,085	(880)	(723)
Realised income/(expense) on transactions with financial assets	(469)	(2,778)	(1,362)	1,249	(2,697)	(1,281)
Interest (income)	(47,084)	(83,324)	(83,324)	(44,669)	(78,516)	(78,516)
Interest expense	12,290	22,102	22,102	10,084	19,627	19,627
<b>Net cash flows from operating activities before changes in assets and liabilities</b>	<b>(41,168)</b>	<b>(22,973)</b>	<b>(15,369)</b>	<b>(35,762)</b>	<b>(18,248)</b>	<b>(11,064)</b>
Decrease in amounts due from credit institutions	19,872	50,355	50,355	9,363	50,361	50,361
Decrease/(increase) in loans	274,728	(50,561)	(50,561)	278,932	(21,479)	(21,479)
Decrease in financial assets at fair value through profit or loss	1,607,665	1,541	1,541	1,566,601	7,091	7,091
Decrease/(increase) in other assets	2,041	11,348	11,348	(7,579)	2,081	2,081
Increase/(decrease) in balances due to credit institutions	(41,281)	5,798	5,798	(33,328)	1,997	1,997
Increase/(decrease) in deposits from other customers	(962,222)	13,436	13,436	(956,012)	(9,955)	(9,955)
Increase/(decrease) in other liabilities	(17,445)	18,155	10,551	(3,387)	9,374	2,190
<b>Net cash flows from operating activities before corporate income tax</b>	<b>842,190</b>	<b>27,099</b>	<b>27,099</b>	<b>818,828</b>	<b>21,222</b>	<b>21,222</b>
Interest received in the reporting period	57,913	87,286	87,286	55,498	80,201	80,201
Interest (paid) in the reporting period	(12,737)	(22,005)	(22,005)	(10,531)	(19,530)	(19,530)
(Corporate income tax paid)	(889)	(1,331)	(1,331)	(889)	(747)	(747)
<b>Net cash flows from operating activities</b>	<b>886,477</b>	<b>91,049</b>	<b>91,049</b>	<b>862,906</b>	<b>81,146</b>	<b>81,146</b>
<b>Cash flows from investing activities</b>						
(Purchase) of financial assets at amortised cost	-	(35,401)	(35,401)	-	(27,901)	(27,901)
Redemption/sale of financial assets at amortised cost	-	147,105	147,105	-	147,105	147,105
(Purchase) of financial assets at fair value through other comprehensive income	-	(792,468)	(792,468)	-	(707,373)	(707,373)
Redemption/sale of financial assets at fair value through other comprehensive income	85	646,502	646,502	917	559,927	559,927
(Purchase) of intangible and tangible assets and investment properties	(15,425)	(30,551)	(30,551)	(309)	(2,701)	(2,701)
Sale of intangible and tangible assets	970	291	291	738	48	48
Dividends received	86	80	80	86	3,694	3,694
Decrease in investments in subsidiaries and associated companies	-	-	-	600	5,000	5,000
(Increase) in investments in subsidiaries and associated companies	-	(8)	(8)	(11,739)	(35,866)	(35,866)
<b>Net cash flows from investing activities</b>	<b>(14,284)</b>	<b>(64,450)</b>	<b>(64,450)</b>	<b>(9,707)</b>	<b>(58,067)</b>	<b>(58,067)</b>
<b>Cash flows from financing activities</b>						
Increase in subordinated loans	-	300	300	-	300	300
(Repayment) of subordinated loans	-	(2,108)	(2,108)	-	(2,108)	(2,108)
Sale of issued securities	-	333,682	333,682	-	340,144	340,144
(Repurchase) of issued securities	(93,701)	(293,623)	(293,623)	(107,969)	(293,623)	(293,623)
Dividends (paid)	-	(73,485)	(73,485)	-	(73,126)	(73,126)
Increase in non-controlling interest	-	1,200	1,200	-	-	-
Issue of shares	-	51,625	51,625	-	51,625	51,625
<b>Net cash flows from financing activities</b>	<b>(93,701)</b>	<b>17,591</b>	<b>17,591</b>	<b>(107,969)</b>	<b>23,212</b>	<b>23,212</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>778,492</b>	<b>44,190</b>	<b>44,190</b>	<b>745,230</b>	<b>46,291</b>	<b>46,291</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>623,342</b>	<b>594,637</b>	<b>594,637</b>	<b>625,863</b>	<b>598,762</b>	<b>598,762</b>
<b>Result from revaluation of foreign currency positions</b>	<b>(2,025)</b>	<b>(15,485)</b>	<b>(15,485)</b>	<b>16,239</b>	<b>(19,190)</b>	<b>(19,190)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,399,809</b>	<b>623,342</b>	<b>623,342</b>	<b>1,387,332</b>	<b>625,863</b>	<b>625,863</b>



**Arvīds Kostomārovs**  
Liquidator of ABLV Bank, AS in liquidation



**Andris Kovalčuks**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 22 March 2019

## Notes to the Financial Statements

### Note 1

#### General information

ABLV Bank, AS in liquidation Reg. No. 50003149401 was registered in Aizkraukle, Republic of Latvia, on 17 September 1993, as a joint stock company. At present, the legal address of the Company is Elizabetes Street 23, Riga, LV-1010, Latvia.

As described in Liquidation committee report, the financial data of the reporting period was affected by the announcement by FinCEN of 13 February 2018 that resulted in the Company's operation being hampered. Although in a week's time the Company accumulated more than EUR 1.36 billion of funds to strengthen its liquidity position in order to resume its operations, the Company received the FCMC Board Decision "On the Unavailability of Deposits" in the Company on 23 February 2018.

For protection of clients and creditors, on 26 February 2018 shareholders of the Company made the decision to go into the voluntary liquidation and on 12 June 2018, the FCMC approved the Company's voluntary liquidation.

During the reporting period up to July 11 (inclusive), the Company operated in accordance with a license issued by FCMC, which allowed to perform all financial services provided for in the Law on Credit Institutions. The Bank of Latvia issued a license for the operation of a credit institution on 9 September 1993, later it was re-registered with the FCMC under No.06.01.05.001 / 313.

On 11 July 2018, the ECB adopted a decision to cancel the license of ABLV Bank, AS in liquidation, for the operation of a credit institution. This decision came into force on 12 July 2018.

Information on the Company's business activity is included in the Liquidation Committee Report, as well as on the Company's website <https://www.ablv.com/lv/legal-latest-news/ablv-bank-self-liquidation>.

These consolidated and separate financial statements contain the financial information about the Company and its subsidiaries. The Company is the parent entity of the Group.

During the reporting period, the Company did not perform the usual business operations and not offer a full range of services to its clients, therefore the operating income decreased significantly during the reporting period. Changes in assets and liabilities are related to the start of liquidation process.

To ensure disbursement of the guaranteed compensation, on 27 February 2018 the Company transferred EUR 480.0 million to the Deposit Guarantee Fund. On 3 March 2018, the payment of the guaranteed compensation was started at Citadele banka, AS.

Prior to the liquidation, the Group/ Company operated the central office and one lending centre in Riga, representative offices/ territorial structural units in Azerbaijan (Baku), Belarus (Minsk), Kazakhstan (Almaty), Cyprus (Limassol), Russia (Moscow, St. Petersburg and Vladivostok), Ukraine (representative office in Kiev, as well as a separate representative office in Odessa), Uzbekistan (Tashkent), United States of America (New York) and Hong Kong. During the reporting period, a decision was made to close all representative offices / territorial structural units. Composition of the Group is presented in Note 12.

Information about creditors and mortgage loans service locations is disclosed on the Company's website <https://www.ablv.com/lv/about/offices>.

The following abbreviations are used in the notes to these financial statements: International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Accounting Standards Board (IASB), International Financial Reporting Interpretations Committee (IFRIC), Financial and Capital Market Commission of the Republic of Latvia (FCMC), European Monetary Union (EMU), European Union (EU), Organisation for Economic Cooperation and Development (OECD), European Central Bank (ECB).

## Note 2

### Information on principal accounting policies

#### a) Basis of Preparation

These consolidated financial statements for 2018 are based on the accounting records made pursuant to the legislative requirements and prepared in accordance with IFRS as adopted by the European Union, given that after the commencement of the liquidation of the Company on 12 June 2018 neither the Company, nor the Group is subject to going concern principle, which affects the principles of presentation of the financial data in these financial reports for 2018.

The financial statements for 2018 are prepared in accordance with IFRS as adopted by the European Union, as long as upon applying them the information provided in the financial report can be assessed with maximum precision in accordance with the going concern principle, where the financial assets and financial liabilities of the Company are presented in accordance with the IFRS 9 requirement, while other assets and liabilities – in accordance with the historical cost, deducting the recognised impairment losses in order to present the estimated recoverable value of the assets that is planned to be recovered under normal market conditions assuming that the process of sale of the assets is open, transparent and participated by several parties. The value of assets is not recognized as fire sale value.

The financial data of the Company's subsidiaries regarding which there is a sale decision made are presented in this Group's consolidated report for 2018 as non-current investments held for sale in accordance with the IFRS 5 requirements as provided in paragraph n). Separate financial reports of other subsidiaries of the Company are included in these Group's consolidated financial reports for 2018 in accordance with provisions of paragraph d) and Note 12.

The financial statements provide a structured overview of the financial position and financial results of the Group and the Company.

Reserve capital is a value of Group's/Company's property to cover according to a procedure previously unexpected accumulated losses and to fund other needs as they arise. There are no legal restrictions on utilisation of the reserves. Decision on the use of reserve capital can be made by a shareholders' meeting.

The comparative financial data as of 31 December 2017 or financial indicators for the year 2017 which are presented in these financial reports are prepared in accordance with the provisions of report of the year 2017 and are adjusted based on going concern principle, as described in paragraph cc).

The accounting and functional currency of the Company and its subsidiaries is EUR. The reporting currency of the Group's and the Company's financial statements is EUR.

These consolidated financial statements and separate financial statements of the Company are prepared in thousands of euros (EUR'000) unless otherwise stated. The information in the brackets in the notes to the financial statements represents comparative figures as at 31 December 2017 or financial indicators for 2017.

#### b) Significant Estimates and Assumptions

The preparation of financial statements in accordance with IFRS approved in the EU requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events may impact assumptions that were used as the basis for estimates. Such estimates and assumptions are based on most reliable information available to the management in respect of specific events and actions. The effect of any changes in estimates will be recorded in the financial statements when determinable.

The main objective of the liquidators is to ensure in the liquidation process that the claims and interests of all the creditors of ABLV Bank, AS in liquidation are satisfied. During the liquidation process, various measures will be taken to ensure that the Company fully fulfils its obligations to all creditors. In order to ensure the above, liquidators take strategic and operational decisions to sell or hold assets in order to recover them in the best possible way by restructuring or refinancing, depending on the expected recoverable amount of each type of recovery. The amounts actually recovered may not differ materially from the value initially estimated at market conditions at the time of recovery.

The significant areas of estimation and assumptions relate to determining the value of non-current investments held for sale (see paragraph n)), determining the value of assets repossessed for sale (see paragraph k)), commission income / expenses included in the calculation of the effective interest rate (see paragraph q)), determining fair value of investment property (see paragraph f h)), determining the impairment allowance for financial assets, determining the value of collateral (pledge), estimation of impairment of other assets, including investments in subsidiaries, calculation of the fair value of assets and liabilities (see paragraph f)), assumptions regarding control and material impact on subsidiaries and associations (see paragraph (d)), as well as assumptions regarding the power that the Group has over

open-end investment funds (see paragraph d)). Taking into account the commenced liquidation of the Company, the assets which the liquidators are planning to sell within upcoming 12 months shall be presented in accordance with IFRS 5 requirements.

c) Foreign Currency Revaluation

Monetary assets and liabilities denominated in foreign currencies as at the period end are translated into functional currency EUR at the exchange rate set by the ECB, while non-monetary assets in foreign currencies are translated into EUR at the official exchange rate set by the ECB at the transaction date. REUTERS exchange rates are applied to the foreign currencies having no EUR foreign exchange reference rates published by the ECB.

Transactions denominated in foreign currencies are recorded in EUR at exchange rates set by the ECB or REUTERS at the date of the transaction. Any gain or loss resulting from a change in exchange rates subsequent to the transaction date is included in the statement of comprehensive income as gain or loss from revaluation of foreign currency positions.

d) Consolidation

These consolidated financial statements include the financial reports of the Company separately and its subsidiaries listed in Note 12 controlled by the Company (the parent company of the Group), i.e. the Company has the power to govern the financial and operating policies of an entity so as to obtain economic benefits. Subsidiaries are consolidated from the date on which control is transferred to the parent and are no longer consolidated from the date that control ceases.

The Company's and its subsidiaries' financial statements are consolidated in the Group's financial statements using the full consolidation method, by adding together like items of assets and liabilities at the period end, as well as income and expenses. The assets and liabilities of the subsidiaries upon which there is a sale decision made, after completion of all procedures of full consolidation, are presented in the Group's consolidated financial reports for 2018 as non-current investments held for sale in accordance with IFRS 5 requirements.

The Company's subsidiaries comply with the Company's policies and risk management methods.

Investments in subsidiaries that are not subject to sell are presented in the Company's separate financial statements in accordance with the cost method, while the investment in subsidiaries that one is planning to sell is in accordance with IFRS 5 measured as non-current investments held for sale that complies to net sale revenue (see paragraph n)). Non-controlling interest represents the portion of profit or loss and equity not owned, directly or indirectly, by the Company. Non-controlling interest is measured according to its proportionate interest in net assets.

Associates are the companies over which the Group has significant influence, however, there is no control over their financial and business policies. Investments in associates are presented in the Company's separate financial statements in accordance with the cost method, while the Group's interests in associates are accounted for using the equity method. They are initially recognised at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI in equity-accounted investees, until the date on which significant influence ceases to exist.

Company's investments in open-end investment funds as structured companies established as collective property and not recognized as a company, are presented in the separate financial statements in Note 10 as financial assets at fair value through profit or loss.

However, in the consolidated financial statements of the Group the investments in open-ended investment funds, managed by the Company's subsidiary ABLV Asset Management, IPAS, thus ensuring the Company's ability to exercise significant control over it and in which the Company owns a major part (at least 30% or above) of net assets, are consolidated according to the full consolidation method. Due to the fact that in the reporting period Company's subsidiary ABLV Asset Management, IPAS which manages open-end investment funds, is classified as non-current investments held for sale, thus those open-end investment funds, in which the Company owns significant part, are reported as non-current investments held for sale in Group's consolidated financial statements.

e) Recognition and Derecognition of Financial Assets and Liabilities

Financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments are not itself agreements to receive or deliver equity instruments in the future.

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially

unfavourable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments are not itself agreements to receive or deliver equity instruments in the future.

The group recognises financial assets and liabilities in its statement of financial position when, and only when, the Group or the Company becomes contractual party pursuant to the provisions of the instrument.

A financial asset is derecognised only when the contractual rights to receive cash flows from the asset have expired, or the Group and the Company have transferred the financial asset and substantially all the risks and rewards of the asset to the counterparty.

Financial liabilities are derecognised only when the contractual obligations are discharged, cancelled or expire.

All purchases and sales of financial assets are recognised and derecognised on the settlement date.

f) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value of financial assets and liabilities is quoted prices in an active market. If the market for a financial asset or liability is inactive, fair value is established by using a valuation technique, including discounted cash flow analysis, recent transactions that are substantially the same, as well as management estimates and assumptions.

Fair value of financial instruments is mostly defined based on quoted prices in an active market. The Group and the Company use other valuation techniques for some financial assets which are not quoted in the market and for which no quoted prices for similar financial assets in active markets are available. Fair value of such assets is estimated based on valuation models which are based on the assumptions and estimates regarding the potential future financials of the investment subject, and the industry and geographical area risks in which investment subject operates.

Fair value of collateral is mainly determined based on publicly available information on prices of possible realization of real estate to third parties in the market.

The most credible market value of investment property was identified based on the evaluations presented by external real estate appraisers and/or Company's real estate experts. Investment properties are valued applying market approach and/ or on the basis of discounted cash flows with a terminal value component at the end of the cash flow forecast period, as well as cost substitution method. According to this approach, fair value is calculated based on assumptions regarding expected future cash flows from income and expense resulting from the holding of real estate during its life cycle, including the value of the property at the date of sale. These cash flows are discounted at a discount rate, which is equal to the market return from similar assets, to determine the present value.

The gross value of investment property is derived by applying market yields to the estimated value of lease. Where the actual lease payment is significantly different from the estimated payment adjustments are made to reflect the actual lease payment. Comparable transaction approaches are based on the estimated market value for which property could be exchanged on the valuation date between a buyer and a seller in conditions of the transaction after proper marketing wherein the parties had each acted knowledgeably. The selling value of the investment properties may differ from the market value as defined, if the market of such kind of properties is not properly developed in Latvia.

Fair value of non-current investments held for sale is measured based on the estimated market price of the particular asset. The fair value of loans is estimated by discounting the expected cash flows at a discount rate calculated according to the money market rates at the end of the year and loan interest margins

Fair value of the creditors' claims is the value approved by the Liquidation Committee that shall not be discounted.

Regarding other assets and liabilities the Group/the Company assumes the fair value to be close to carrying amount.

Hierarchy of input data for determining the fair value of assets and liabilities.

The Group and the Company use the following hierarchy of three levels of input data for determining and disclosing the fair value of assets and liabilities:

Level 1: Quoted prices in active markets;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable;

Level 3: Other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The comparison of carrying amounts and fair values of the Group's and Company's financial assets and liabilities is presented in Note 26.

g) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

h) Financial Instruments

IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The financial instruments are grouped into three assessment categories:

- fair value through profit/ loss (hereinafter – FVTPL);
- fair value through other comprehensive income (hereinafter – FVOCI);
- at amortised cost.

The Group/Company measure financial assets at amortised cost if the both of the following conditions have been performed:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group/Company measure financial asset FVOCI if the both of the following conditions have been performed:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets;
- contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Regarding specific investments in equity securities otherwise measured at fair value through profit / loss statement, the Group/Company may at initial recognition irrevocably designate instruments at FVOCI. This designation is individually assessed for each investment in equity securities.

All other financial assets are designated at FVTPL. The Group/Company may irrevocably designate financial asset at fair value through profit/ loss, regardless of the fact that the asset qualifies for amortised cost or FVOCI, if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would incur if financial assets or liabilities would be measured or profit / loss incurred by them would be recognised by applying different methods.

Based on the above, the financial assets held at 1 January 2018 were reclassified and measured as follows:

- measurement of financial assets and derivatives classified as held-for-trading under IAS 39 unchanged and these financial assets are measured at FVTPL;
- balances due to credit institutions and loans classified as loans and receivables in accordance with IAS 39 and measured at amortised cost, in accordance with IFRS 9 are measured at amortised cost;
- the majority of held-to-maturity investment securities that were measured at amortised cost in accordance with IAS 39, are also measured at amortised cost according to IFRS 9, but an insignificant part was reclassified to FVOCI;
- most of the debt securities classified as available-for-sale securities under IAS 39 were measured at FVOCI and an insignificant part – FVTPL
- equity securities classified under IAS 39 as available-for-sale securities were measured at FVOCI because they are held for long-term strategic objectives.

In these financial statements an impact from application of IFRS 9 was adjusted according to gone concern principle applied on financial data of 2017 (see paragraph cc)).

As a result of implementation of IFRS 9 a recognized decrease in the value of financial asset value is presented in the Statement of Changes in Shareholders' Equity on pages 11 and 12.

i) Finance Lease – Where the Group/Company is Lessor

Finance lease is a long-term arrangement, which transfers substantially all the rights and duties incidental to the use of a leased item to the lessee. Finance lease receivables are recognised as assets at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Income from finance leases is recognised over the lease term to produce a constant periodic return on the remaining balance of the liability.

Lease payments are charged to the statement of comprehensive income on a straight-line basis over the lease term.

j) Investment Property

Investment properties comprise land and buildings, as well as costs of the investment property development project in progress that are not used by the Group, and are held with the main purpose to earn rentals, as well as gain on value appreciation.

Investment properties are carried in the statement of financial position at their cost value when the property rights are registered with the Land Registry or after the confirmation of the real estate acceptance act, and are subsequently measured at fair value, where any changes in fair value are recognised as profit and loss through comprehensive income. The historical cost includes expenses directly connected with the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour and any other costs directly attributable to bringing the investment property to its working condition for the intended use, and capitalized borrowing costs. See paragraph f) for fair value of investment properties.

If the Group acquires investment property with effective rent agreements, based on criteria provided by IFRS 3 "Business Combinations" the Group analyses and determines, whether acquired investment property with the related agreements is a business activity. Investment properties acquired during the reporting year do not qualify as businesses as these properties were acquired with rent agreements but without any agreements that determine processes such as real estate management.

k) Repossessed Real Estate / Inventories

Reposessed real estate represent real estate taken over by the Group/Company for the purpose of selling as collateral for the outstanding loans or acquired in the ordinary course of business. Repossessed real estate and other assets held for trading are accounted as inventories and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price for which the property would be transferred from one owner to another in a transaction between non-related parties, less the estimated costs necessary to make the sale. The Management of the Group estimates the value of inventories on a regular basis, and where the recoverable amount of inventories is lower than cost of inventories, cost is reduced to a value reflecting maintenance related costs expected to be incurred and cost to make the sale.

l) Intangible Assets

Intangible assets comprise the purchased software that does not constitute an integral part of hardware, and licences. Intangible assets are recognised at fair value on acquisition date and further on amortisation is provided using the straight-line method over the period of acquired rights or over the estimated useful life of the asset. Taking into account the process of liquidation, in the reporting period the Company has changed the annual amortisation rates of intangible assets owned by it. The term of amortisation of all Company's intangible assets is the intended term of liquidation of the Company, which is 31 December 2022. All the intangible assets no longer in daily use by the Company under liquidation are being written off. Subsidiaries have applied the annual rates ranging from 10% (10%) to 20% (20%) to amortise their intangible assets.

m) Property and equipment

Property and equipment are accounted at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight line basis over the useful life of the asset. When calculating depreciation of the buildings that are classified as tangible fixed assets, the buildings are divided in separate parts (components). Each component is depreciated separately over its estimated useful life. Those assets, including leasehold improvements under construction and preparation, are not depreciated. Land is not subject to depreciation

Taking into account the process of liquidation, in the reporting period the Company has changed the annual amortisation rates of fixed assets owned by it. The term of amortisation of all Company's fixed assets is the intended term of liquidation of the Company, which is 31 December 2022.

The subsidiaries have applied the following depreciation rates:

Position	Annual rate
Buildings and property improvements	1,25% – 20%
Vehicles	14%
Office equipment and IT hardware	10% – 50%

Costs of maintenance and repair are charged to profit and loss as incurred. Leasehold improvements are capitalised and amortised over the remaining period of lease contracts on a straight-line basis.

n) Non-current Investments held for sale

The assets are reclassified as non-current investments held for sale only if it is not intended to use them in long-term and there is a decision made about starting the sale process of these assets. Non-current assets are recognized at value below carrying amount or net sale revenue, except the financial assets which in accordance to IFRS 5 should be recognised at value that corresponds to IFRS 9 requirements. Net sale revenue is the estimated sale value/fair value of the asset minus the estimated cost to make the sale. For methods of determining fair values of the non-current investments held for sale see paragraph f).

o) Creditors' Claims

The principal aim of the liquidators of the Company is to ensure that under the liquidation interests and claims of all creditors of ABLV Bank, AS in liquidation are satisfied to 100%. In accordance with Section 192 and 193 of the Credit Institutions Law (taking into account Clause 78 of Transitional Provisions), the liabilities to credit institutions, deposits, liabilities regarding issued bonds, subordinated liabilities and a part of other liabilities are recognised as creditors' claims, which are categorised in groups in accordance with the Credit Institutions Law as provided on the website of the Company: <https://www.ablv.com/lv/legal-latest-news/ablv-bank-self-liquidation/questions-and-answers-on-voluntary-liquidation-process>.

p) Off-balance Sheet Financial Commitments and Contingent Liabilities

Off-balance sheet financial commitments and contingent liabilities are the Group's/Company's liabilities under issued loans, financial guarantees in accordance with the concluded agreements that cannot be withdrawn unilaterally.

These financial liabilities to issue a loan are presented in the financial statements as off-balance sheet commitments upon the conclusion of the respective agreements, while financial guarantees when a commission fee for issuing the guarantee is received. Accruals for off-balance financial commitments and contingent liabilities are recognized in accordance with paragraph t).

q) Income and Expense Recognition

Income items are recognised in the financial reports in the amount, at which the economic goods arrive to the Group and the Company. All major income and expense items are recognised on an accrual basis, including:

- Interest income/ expense is recognised in the statement of comprehensive income for financial assets/ liabilities measured at amortised cost using the effective interest method. Interest income also comprises coupon payments, accrued discount/premium, which are recognised for fixed income securities. The effective interest rate is a method of calculating the amortised cost of a financial asset or liability, which is based on the recognition of interest income and expenses over a specific period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. Interest income on loans whose recoverability is doubtful is recognised using the effective interest rate, which is the rate that exactly discounts estimated future cash flows to the recoverable amount of loans.
- Commission and fee income and expense are included in the statement of comprehensive income over the period or at a specific time, except for commission and fee income/ expense directly attributable to financial assets/ liabilities measured at amortised cost. For these assets/ liabilities the respective commission and fee income/ expense form an integral part of the effective interest rate. Since on 12 July 2018 the Company lost its license of credit institution, since then the Company has been gradually terminating rendering financial services and thus does not receive commission income.

Other income/expense are recognised through profit and loss upon the carrying out the transaction. Commission and fee income received once in a year for the whole reporting period is recognised in the statement of comprehensive income systematically on a straight-line basis during the period.

r) Taxation

As of 1 January 2018, the order of application of enterprise income tax has been amended in the Republic of Latvia. In accordance with the Enterprise Income Tax Law, the EIT is not applied to the gained profit, it is applied to the profits gained under distributed dividends or conditional dividends.

There is a 20% tax from gross amount applied to distributed and conditionally distributed profit, i.e., 20/80 of net disbursements. In the profit and loss calculation EIT is recognised as expenses in the reporting period when the said dividends were calculated, whereas for other objects of conditionally distributed profit – at the moment when the expenses occurred within the reporting period.

s) Provisions

Provisions are recognised when the Group or the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount of provisions is based on the best management's estimate and assumptions at the year-end concerning economic benefits required to settle the present obligation, considering the likelihood of the outflow and recovery of resources from related sources.

t) Impairment of Financial Assets and Off-balance Liabilities

At the end of each reporting period, the Group/Company performs an assessment of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To identify significant increase in credit risk both quantitative (for example, loans past due for more than 30 days) and qualitative indicators (for example, significant financial difficulties of the borrower, default on contractual obligations, changes in contractual obligations due to financial difficulties of the borrower, impairment of collateral if loan repayment depends on the value of collateral and other loss events likely to increase credit risk) are used. Stricter quantitative criteria will be determined for individual asset groups (for example, consumer loans, unsecured overdrafts, etc.) to identify significant credit risk increase.

The Group/Company believes that an event of default has occurred if the loan is past due for more than 90 days or there is objective evidence that the debtor will not be able to settle his/her liabilities in full towards the institution if the institution does not perform auxiliary measures, for example, realisation of collateral.

According to the existing methodology, the provisions are accumulated for the expected losses in upcoming 12 months if since the initial recognition the credit risk has not increased significantly, or for the expected losses during the lifetime of the loan if the credit risk has significantly grown since the initial recognition. Based on the methodology, the loans are divided in three quality stages:

- Stage 1 – Performing loans for which credit risk has not significantly increased since initial recognition. The Group / Company recognizes an allowance based on twelve months expected credit losses. To determine 12-month expected credit losses the Group/Company will apply internally summarised 5-year statistics for 12-month credit movement among credit quality stages, current value of collateral by additionally adjusting expenses related to collection and expected future events.
- Stage 2 – Loans with significant increase in credit risk: when a loan shows a significant increase in credit risk since initial recognition, the Group/Company records an allowance for the lifetime expected credit loss. Lifetime expected credit loss for impairment are calculated, using internally summarised statistics on 12-month credit movement among credit quality stages and current value of collateral by additionally adjusting expenses related to collection and expected future events, as well as contractual payment schedule and effective credit rate. Lifetime expected credit loss presents the present value of probability-weighted estimated loss.
- Stage 3 – default event has occurred. The Company recognizes the lifetime expected credit losses for these loans calculated in line with expected loss from collection and realisation of collateral.

To calculate the amount of allowance, the Group/Company uses:

- internal statistics on credit movement between quality stages will be used, developing credit movement matrices for each significant credit group
- internal statistics on loss arising from the realisation of collateral will be used, as well as opinion from internal and external experts on the quick realisable value of collateral, collection expenses and other significant information;
- to determine the effect of the expected future events on the amount of expected loss, the Group/Company analyses effect of macroeconomic indicators, including changes in GDP and unemployment rates on PD and value of collateral. To determine lifetime expected credit losses, 2 scenarios were developed: one is a basic scenario based on EC forecast on changes in macroeconomic indicators, the other one is an adverse scenario based on prior period experience and the Group / Company's estimates on the likelihood of realisation of prior period experience in subsequent periods.

The above estimates are reviewed periodically. As changes to the allowance become necessary as a result of the review made, respective allowance changes are taken to the statement of comprehensive income of the reporting period. The Group/Company have made their best estimates of losses and believe the estimates presented in the financial statements to be reasonable in the light of the available facts and information

When loans cannot be recovered, they are written off and charged against allowances for credit losses. They are not written off until all the necessary legal procedures have been completed and the ultimate amount of the loss is determined.

#### u) Impairment of Non-financial Assets

It is assessed at each reporting date if events indicate that there is an indication that a non-financial asset may be impaired. This assessment is carried out more often, if there are events or changes in circumstances that indicate that a non-financial asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. This written down amount constitutes an impairment loss

A previously recognised impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase constitutes to reversal of impairment losses. The recoverable amount of investments in subsidiaries is their fair value minus costs to sell or the value in use depending on which of these is higher. The fair value of investments is based on binding sales agreements and best information available about similar transactions on the market. The value in use of investments is determined by discounting future estimated cash flows derived from continuing operations of the entity, applying the current market

discount rate that reflects current market assessments of the time value of money and the risks specific to the investment.

v) Employee Benefits and Share Based Payments

Short-term employee benefits, including salary, statutory social insurance contributions, bonuses and benefits, as well as life insurance premiums are charged to the statement of comprehensive income as administrative expense in the period when the services are provided. The accrual for employee vacation pay is estimated for the Group's or Company's personnel based on the total number of vacation days earned but not taken, multiplied by the average daily remuneration expense pursuant to the Latvian Labour Law, and adding the related statutory social insurance contributions payable by the employer.

Severance benefits are paid when the Group/Company terminates employment relations before the intended pensioning date. Given the liquidation of the Company in the reporting period, there are EUR 5.4 million allowance recognised in these financial reports for severance benefits.

w) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and balances due from central banks and other credit institutions with a contractual original maturity of three months or less. The cash balance is reduced by the amount of demand deposits from the above institutions. Cash and cash equivalents are highly liquid short term assets that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

x) Adjustments to Financial Statements after Their Publication

These financial reports were approved by the liquidators on 22 March 2019. The Commercial Law of the Republic of Latvia provides that the full meeting of the shareholders has the right to make decision about approval of these financial reports.

y) Subsequent Events

Post-year-end events that provide additional information about the Group's/Company's position at the reporting date (adjusting events) are reflected in these financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

z) Adoption of New and/ or Changed IFRS and IFRIC Interpretations in the Reporting Year

During the reporting period year no new standards have come into effect that would be applicable to the Group/Company. The Group has adopted the following amendments to standards, including any consequential amendments to other standards, with a date of initial application of 01 January 2018.

The application of amendments did not have any impact on these consolidated and separate financial statements, excluding below mentioned regarding introduction of IFRS 9:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment;
- Amendments to IFRS 4: Insurance Contracts, applied together with IFRS 9 Financial Instruments
- Amendments to IAS 40: Investment Property;
- Amendments to IFRS 1 and IAS 28 (annual improvements to IFRS standards for 2014-2016);
- IFRIC 22 interpretation Foreign Currency Transactions and Advance Consideration;
- Clarification to IFRS 15 Revenue from Contracts with Customers.

On 01 January 2018, the Group/Company implemented IFRS 9: Financial Instruments replacing the IAS 39: Financial Instruments: Recognition and Measurement.

IFRS 9 implementation project was carried out all across the Group. The essential changes were related to classification, assessment and determining impairment of financial assets; they were applied retrospectively. The IAS 39 measurement categories will be replaced by these three measurement categories in IFRS 9:

- fair value through profit/ loss (hereinafter – FVTPL);
- fair value through other comprehensive income (hereinafter – FVOCI);
- amortised cost.

According to IFRS 9 the Group/Company did not apply full retrospective adjustment when implementing the standard. Changes in the carrying amounts of financial assets caused by the implementation of IFRS 9 are charged to retained earnings and reserves as at 1 January 2018. Quantitative effect of the implementation of IFRS 9 is disclosed in Note 33 of 2017 annual report.

On 01 January 2018 the IFRS 15 – Revenue from Contracts with Customers entered into effect.

IFRS 15 establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer, as well as how much and when to recognise the revenue. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Given the liquidation commenced in the reporting period, the Company no longer renders the services and gains revenue presenting which in the financial reports could affect IFRS 15.

On 1 January 2019 the improvements to IFRS 2: Classification and Measurement of Share-based Payment Transactions enter into effect. The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations;
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

Given the liquidation commenced in the reporting period, the Company no longer assumes to have share-based payments.

IAS 40 is amended by updating in which cases it is possible to transfer investment property. IFRIC 22 'Foreign Currency Transactions and Advance Consideration' is issued to update which exchange rate should be applied in transactions that include advance considerations paid and received in foreign currency. These amendments and interpretations are applicable as of 1 January 2018. The above changes will not have material impact on the financial statements of the Group/Company.

When the adoption of the amendments of standards or interpretation is deemed to have an impact on the consolidated and separate financial statements or performance of the Group/Company, its impact is described below.

aa) Standards, amendments and interpretations issued and adopted in EU but Not Yet Effective

Standards that are issued and adopted in EU, but not yet effective, and which are not applied prior to their official date of validity.

The Group/Company has not applied the following IFRS and IFRIC interpretations that have been issued to the date of these financial statements, but which are not yet effective:

IFRS 16 Leases (effective from 01 January 2019. Earlier application is permitted if a company applies also IFRS 15).

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group/Company have carried out assessment of the impact of the IFRS on its consolidated and separate financial statements. So far, the most significant impact identified is that the Group/Company will recognise new assets and liabilities for its operating leases of office premises. In addition, the nature of expenses related to those leases will now change because IFRS 16 replaces the linear operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Implementation of the new standard should not impact the recognition of the lessor and the difference between the operating and financial lease will be retained for the lessor.

Application of the new standard could have impact on the financial reports of the Group. At this moment different options for further actions with active lease agreements on premises are considered. Exact calculation depends on the long-term premises' area occupied in the process of liquidation.

IFRIC 23 Uncertainty over Income Tax Treatments interpretation is in force for the reporting period starting on 01 January 2019 and later. Earlier application is permitted. This interpretation explains application of IAS 12 recognition and measurement requirements upon uncertainty over income tax treatments. In this case a company recognises and measures its reporting period tax or deferred tax assets or liabilities applying IAS 12 requirements and based on the taxable profit (tax losses), tax bases, unused tax losses, unused tax loans and tax rates set under this interpretation. The Group/Company has not assessed the impact of the IFRIC 23 interpretation implementation yet, but it is deemed to have no significant impact on the consolidated and separate financial statements of the Group/Company.

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Investments in Associates and Joint Ventures Effective from 01 January 2019. Earlier application is permitted.

The amendments review, whether the measurement of long-term investment in associates and joint ventures basically forming “net share” in the associate or joint venture, especially in relation to the recognition of impairment, should be carried out in accordance with IFRS 9, IAS 28 or both of these standards. The amendments explain that for the long-term investments that are not recognised through equity method the company applies IFRS 9 Financial Instruments before it applied IAS 28. Upon application of IFRS 9 no long-term investment recognition value corrections arising from IAS 28 should be taken into consideration.

The Group/Company has not evaluated the impact of the IAS 28 implementation yet, but it is deemed to have no significant impact on the financial reports of the Group/Company.

IFRS 9 Financial Instruments amendments enter into effect on 01 January 2019, allowing early application. The Amendments specify that assets containing premature repayment elements with negative compensation can be presented at fair value through profit and loss or using amortised cost method if they are in line with other IFRS 9 provisions.

It is deemed that implementation of IFRS 9 amendments shall not have no significant impact on the financial reports of the Group/Company.

bb) Standards, amendments and interpretations issued and not adopted in EU

Amendments to IAS 19 “Employee benefits”. Amendments of the standard “Plan Amendments, Curtailment or Settlement” effective from 01 January 2019. Earlier application is permitted. The aim of the amendments is to specify that after amendment or realise of the benefit plan a company is required to use the assumptions updated along with amendment or realise of its net defined benefit liability or asset regarding the remainder of the reporting period after the change to the plan.

The Group/Company has not evaluated the impact of the IAS 19 implementation yet, but it is deemed to have no impact on the financial reports of the Group/Company.

Annual improvements to IFRSs 2015-2015 cycle were issued in December 2017 and they are implementing improvements to two IFRSs, as well as improvements to two IASs and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes:

- Improvements to IFRS 3 Business Combinations;
- IFRS 11 Joint Arrangements;
- IAS 12 Income Taxes;
- IAS 23 Borrowing Costs.
- Amendments to references to the conceptual framework in IFRS;
- Amendments to IAS 1 “Presentation of financial statements” and IAS 8 “Accounting policies”: definition of significance was clarified.

It is not planned for any of these amendments to have significant impact on the financial reports of the Group/Company. The Group/Company is planning to implement the said standards and interpretations on the day they enter into force.

# Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2018

## cc) Restatements in comparable figures for 2017 applying gone concern principle

EUR'000									
Group									
31.12.2017									
	Total change	Derecognition of deferred long-term employee benefits	Derecognition of accrued long-term employee benefits	Reclassification of financial instruments	Severance pay	Reclassification of property and equipment	Termination fee of payment card service agreement	Write-offs of intangible assets	Write-offs of accrued expenses
<b>Assets</b>									
Financial assets at fair value through profit or loss	1,771,971	-	-	1,771,971	-	-	-	-	-
Available for sale financial assets	(987,006)	-	-	(987,006)	-	-	-	-	-
Held to maturity financial assets	(772,683)	-	-	(772,683)	-	-	-	-	-
Loans	(6,964)	-	-	(6,964)	-	-	-	-	-
Investments in associates and subsidiaries	-	-	-	-	-	-	-	-	-
Investment property	8,094	-	-	-	-	8,094	-	-	-
Property and equipment	(3,752)	-	-	-	-	(3,752)	-	-	-
Intangible assets	(482)	-	-	-	-	-	-	(482)	-
Other assets	(5,351)	(4,152)	-	-	-	-	-	-	(1,199)
<b>Total change in assets</b>	<b>3,827</b>	<b>(4,152)</b>	<b>-</b>	<b>5,318</b>	<b>-</b>	<b>4,342</b>	<b>-</b>	<b>482</b>	<b>(1,199)</b>
<b>Liabilities</b>									
Other liabilities	15,039	7,049	(5,362)	-	12,327	-	1,025	-	-
<b>Total change in liabilities</b>	<b>15,039</b>	<b>7,049</b>	<b>(5,362)</b>	<b>-</b>	<b>12,327</b>	<b>-</b>	<b>1,025</b>	<b>-</b>	<b>-</b>
<b>Capital and reserves</b>									
Revaluation reserve	3,087	-	-	3,087	-	-	-	-	-
Retained earnings	(10,663)	(10,663)	-	-	-	-	-	-	-
<b>Net profit for the reporting period</b>	<b>(3,636)</b>	<b>(538)</b>	<b>5,362</b>	<b>2,231</b>	<b>(12,327)</b>	<b>4,342</b>	<b>(1,025)</b>	<b>(482)</b>	<b>(1,199)</b>
incl. net profit from transactions with financial instruments	2,077	-	-	2,077	-	-	-	-	-
incl. other income	9,704	-	5,362	-	-	4,342	-	-	-
incl. Impairment allowances for investments in subsidiaries	-	-	-	-	-	-	-	-	-
incl. Impairment allowances for financial assets and other impairment allowances	(871)	-	-	154	-	-	(1,025)	-	-
incl. personnel expenses	(12,960)	(633)	-	-	(12,327)	-	-	-	-
incl. other administrative expenses	(1,199)	-	-	-	-	-	-	-	1,199
incl. depreciation	(482)	-	-	-	-	-	-	(482)	-
incl. corporate income tax	95	95	-	-	-	-	-	-	-
Attributable to Company's shareholders	(11,212)	(11,201)	5,362	5,318	(12,327)	4,342	(1,025)	(482)	(1,199)
<b>Total change in capital and reserves</b>	<b>(11,212)</b>	<b>(11,201)</b>	<b>5,362</b>	<b>5,318</b>	<b>(12,327)</b>	<b>4,342</b>	<b>(1,025)</b>	<b>(482)</b>	<b>(1,199)</b>
<b>Total change in liabilities and capital and reserves</b>	<b>3,827</b>	<b>(4,152)</b>	<b>-</b>	<b>5,318</b>	<b>-</b>	<b>4,342</b>	<b>-</b>	<b>(482)</b>	<b>(1,199)</b>

EUR'000										
Company										
31.12.2017										
	Total change	Derecognition of deferred long-term employee benefits	Derecognition of accrued long-term employee benefits	Reclassification of financial instruments	Severance pay	Reclassification of property and equipment	Termination fee of payment card service agreement	Write-offs of intangible assets	Write-offs of accrued expenses	Impairment allowances for investments in subsidiaries
<b>Assets</b>										
Financial assets at fair value through profit or loss	1,771,971	-	-	1,771,971	-	-	-	-	-	-
Available for sale financial assets	(987,006)	-	-	(987,006)	-	-	-	-	-	-
Held to maturity financial assets	(772,683)	-	-	(772,683)	-	-	-	-	-	-
Loans	(6,964)	-	-	(6,964)	-	-	-	-	-	-
Investments in associates and subsidiaries	(20,510)	-	-	-	-	-	-	-	-	(20,510)
Investment property	8,094	-	-	-	-	8,094	-	-	-	-
Property and equipment	(3,752)	-	-	-	-	(3,752)	-	-	-	-
Intangible assets	(482)	-	-	-	-	-	-	(482)	-	-
Other assets	(5,353)	(4,154)	-	-	-	-	-	-	(1,199)	-
<b>Total change in assets</b>	<b>(16,685)</b>	<b>(4,154)</b>	<b>-</b>	<b>5,318</b>	<b>-</b>	<b>4,342</b>	<b>-</b>	<b>(482)</b>	<b>(1,199)</b>	<b>(20,510)</b>
<b>Liabilities</b>										
Other liabilities	13,913	5,923	(5,362)	-	12,327	-	1,025	-	-	-
<b>Total change in liabilities</b>	<b>13,913</b>	<b>5,923</b>	<b>(5,362)</b>	<b>-</b>	<b>12,327</b>	<b>-</b>	<b>1,025</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital and reserves</b>										
Revaluation reserve	3,087	-	-	3,087	-	-	-	-	-	-
Retained earnings	(9,585)	(9,585)	-	-	-	-	-	-	-	-
<b>Net profit for the reporting period</b>	<b>(24,100)</b>	<b>(492)</b>	<b>5,362</b>	<b>2,231</b>	<b>(12,327)</b>	<b>4,342</b>	<b>(1,025)</b>	<b>(482)</b>	<b>(1,199)</b>	<b>(20,510)</b>
incl. net profit from transactions with financial instruments	2,077	-	-	2,077	-	-	-	-	-	-
incl. other income	9,704	-	5,362	-	-	4,342	-	-	-	-
incl. Impairment allowances for investments in subsidiaries	(20,510)	-	-	-	-	-	-	-	-	(20,510)
incl. Impairment allowances for financial assets and other impairment allowances	(1,771)	-	-	154	(900)	-	(1,025)	-	-	-
incl. personnel expenses	(12,006)	(579)	-	-	(11,427)	-	-	-	-	-
incl. other administrative expenses	(1,199)	-	-	-	-	-	-	-	(1,199)	-
incl. depreciation	(482)	-	-	-	-	-	-	(482)	-	-
incl. corporate income tax	87	87	-	-	-	-	-	-	-	-
Attributable to Company's shareholders	(30,598)	(10,077)	5,362	5,318	(12,327)	4,342	(1,025)	(482)	(1,199)	(20,510)
<b>Total change in capital and reserves</b>	<b>(30,598)</b>	<b>(10,077)</b>	<b>5,362</b>	<b>5,318</b>	<b>(12,327)</b>	<b>4,342</b>	<b>(1,025)</b>	<b>(482)</b>	<b>(1,199)</b>	<b>(20,510)</b>
<b>Total change in liabilities and capital and reserves</b>	<b>(16,685)</b>	<b>(4,154)</b>	<b>-</b>	<b>5,318</b>	<b>-</b>	<b>4,342</b>	<b>-</b>	<b>(482)</b>	<b>(1,199)</b>	<b>(20,510)</b>

## Note 3

## Interest income and expenses

	EUR'000			
	Group	Group	Company	Company
	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017.	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017.
<b>Interest income</b>				
On financial assets at fair value through profit and loss	14,511	6	14,446	6
On financial assets at fair value through other comprehensive income	33	-	-	-
On financial assets at amortised cost	699	-	-	-
On loans	31,403	39,532	29,751	36,887
On held-to-maturity securities	-	27,679	-	26,039
On available-for-sale securities	-	13,017	-	12,400
On balances due from credit institutions and central banks	438	3,090	472	3,184
<b>Total interest income</b>	<b>47,084</b>	<b>83,324</b>	<b>44,669</b>	<b>78,516</b>
<b>Interest expense</b>				
On ordinary bonds issued	3,559	6,377	2,848	6,322
On subordinated liabilities	849	5,663	849	5,663
On non-bank deposits	4,551	2,685	3,285	377
Single Resolution Fund expense	826	2,298	826	2,298
On financial stability fee cost	454	2,036	454	2,036
On balances due to credit institutions and central banks	1,746	1,651	1,517	1,539
On the deposit guarantee fund	305	1,392	305	1,392
<b>Total interest expense</b>	<b>12,290</b>	<b>22,102</b>	<b>10,084</b>	<b>19,627</b>
<b>Net interest income</b>	<b>34,794</b>	<b>61,222</b>	<b>34,585</b>	<b>58,889</b>

The Group's/Company's interest income on impaired assets totalled EUR 4.0 (1.7) million.

In the reporting period the Company terminated interest calculation on deposits (see Note 18), issued bonds (see Note 19) and subordinated liabilities (see Note 20).

## Note 4

## Net gain from transactions with financial instruments

	EUR'000			
	Group	Group	Company	Company
	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017. (restated)	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017. (restated)
<b>Category</b>				
Gain/ (loss) from revaluation of financial instruments at fair value through profit or loss	(735)	4,657	(1,249)	2,697
Gain/ (loss) from trading with financial instruments at fair value through profit or loss	(210)	(73)	(152)	485
Net gain/(loss) from transactions with foreign currency	858	14,294	968	15,835
Net realized gain/ (loss) from transactions with financial instruments at fair value through other comprehensive income	(116)	-	-	-
Net realised gain from sale of financial instruments at amortised cost	(831)	38	-	38
Net realised gain from available-for-sale financial instruments	-	742	-	661
<b>Net gain on transactions with financial instruments</b>	<b>(1,034)</b>	<b>19,658</b>	<b>(433)</b>	<b>19,716</b>

In the reporting period, both in the February 2018 and after the commencement of the liquidation, the Company sold significant amount of its securities portfolio with the aim to accumulate cash to cover the creditors' claims.

## Note 5

## Other operating income and expense

	EUR'000			
	Group	Group	Company	Company
	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017. (restated)	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017. (restated)
<b>Other income</b>				
Income from derecognition of accrued long-term employee benefits	-	5,362	-	5,362
Income from increase in fair value of investment property	-	12,550	-	4,342
Income from financial consulting, legal, accounting and IT services	67	2,777	1,802	3,137
Other income from sale of goods/services of related companies	5,184	3,550	-	-
Income from insurance services	80	327	80	327
Income from recognition of associates under the equity method	97	110	-	-
Other operating income	2,771	643	1,017	318
<b>Total other income</b>	<b>8,199</b>	<b>25,319</b>	<b>2,899</b>	<b>13,486</b>
<b>Other expense</b>				
Losses from a decrease in fair value of investment property	7,617	-	-	-
Membership fees	758	1,621	546	1,381
Other expense related to the sale of goods/services of related companies	548	2,869	-	-
Losses incurred to the group due to loss of control	446	696	-	-
Other expense	2,076	680	350	200
<b>Total other expense</b>	<b>11,445</b>	<b>5,866</b>	<b>896</b>	<b>1,581</b>

## Note 6

## Impairment allowances for loans

Category	EUR'000			
	Group	Group	Company	Company
	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017.	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017.
Change in individual allowances, net	8,631	143	12,878	397
incl. Stage 1	2,126	-	1,748	-
incl. Stage 2	(253)	-	1,690	-
incl. Stage 3	6,758	-	9,440	-
Change in portfolio allowances, net	1,277	(87)	(2,999)	(369)
incl. Stage 1	(958)	-	(734)	-
incl. Stage 2	1,151	-	2,352	-
incl. Stage 3	1,084	-	(4,617)	-
<b>Increase/(decrease) in allowances for the reporting period</b>	<b>9,908</b>	<b>56</b>	<b>9,879</b>	<b>28</b>
(Recovery) of written-off assets/loss from asset write-offs	(794)	(908)	(794)	(908)
<b>Decrease of impairment allowances during the reporting period, net</b>	<b>9,114</b>	<b>(852)</b>	<b>9,085</b>	<b>(880)</b>

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2018

Changes in loan impairment allowances of the Group in 2018:

	EUR'000				
	Mortgage	Business	Other	Consumer	Total
<b>Impairment allowances at 31.12.2017.</b>	<b>6,016</b>	<b>6,122</b>	<b>1,226</b>	<b>44</b>	<b>13,408</b>
Result of IFRS 9 implementation	3,573	3,586	88	6	7,253
<b>Impairment allowances at 01.01.2018.</b>	<b>9,589</b>	<b>9,708</b>	<b>1,314</b>	<b>50</b>	<b>20,661</b>
Increase	7,140	11,493	212	246	19,091
(Decrease)	(6,272)	(2,418)	(261)	(232)	(9,183)
<b>Total changes in impairment allowances for the year</b>	<b>868</b>	<b>9,075</b>	<b>(49)</b>	<b>14</b>	<b>9,908</b>
(Decrease)/ increase in allowances for the year due to currency fluctuations	(6)	(72)	-	-	(78)
(Elimination) in allowances for the year due to asset write-offs	(1,117)	(563)	-	(5)	(1,685)
<b>Impairment allowances at the end of the year</b>	<b>9,334</b>	<b>18,148</b>	<b>1,265</b>	<b>59</b>	<b>28,806</b>
Individual allowances	314	17,480	-	-	17,794
Portfolio allowances	9,020	668	1,265	59	11,012
<b>Total gross assets, on which impairment allowances are attributable</b>	<b>275,195</b>	<b>410,047</b>	<b>7,693</b>	<b>258</b>	<b>693,193</b>

As at 31 December 2018, the impairment allowances for loans represent 4.1% (1.3%) of the Group's/Company's loan portfolio.

Changes in loan impairment allowances of the Group in 2017:

	EUR'000				
	Mortgage	Business	Other	Consumer	Total
<b>Impairment allowances at the beginning of the reporting period</b>	<b>7,811</b>	<b>7,110</b>	<b>1,365</b>	<b>81</b>	<b>16,367</b>
Increase	2,014	2,202	307	103	4,626
(Decrease)	(1,915)	(2,329)	(326)	-	(4,570)
<b>Total changes in impairment allowances for the reporting period</b>	<b>99</b>	<b>(127)</b>	<b>(19)</b>	<b>103</b>	<b>56</b>
(Decrease)/ increase in allowances for the reporting period due to currency fluctuations	(14)	(308)	-	(68)	(390)
(Elimination) in allowances for the year due to asset write-offs	(1,880)	(553)	(120)	(72)	(2,625)
<b>Impairment allowances at the end of the reporting period</b>	<b>6,016</b>	<b>6,122</b>	<b>1,226</b>	<b>44</b>	<b>13,408</b>
Individual allowances	276	5,538	-	-	5,814
Portfolio allowances	5,740	584	1,226	44	7,594
<b>Total gross assets, on which impairment allowances are attributable</b>	<b>306,209</b>	<b>671,459</b>	<b>72,396</b>	<b>1,300</b>	<b>1,051,364</b>

Changes in loan impairment allowances of the Company in 2018:

	EUR'000				
	Mortgage	Business	Other	Consumer	Total
<b>Impairment allowances at 31.12.2017.</b>	<b>6,016</b>	<b>6,111</b>	<b>1,226</b>	<b>34</b>	<b>13,387</b>
Result of IFRS 9 implementation	3,573	3,586	88	6	7,253
<b>Impairment allowances at 01.01.2018.</b>	<b>9,589</b>	<b>9,697</b>	<b>1,314</b>	<b>40</b>	<b>20,640</b>
Increase	7,140	11,454	212	231	19,037
(Decrease)	(6,272)	(2,418)	(261)	(207)	(9,158)
<b>Total changes in impairment allowances for the year</b>	<b>868</b>	<b>9,036</b>	<b>(49)</b>	<b>24</b>	<b>9,879</b>
(Decrease)/ increase in allowances for the year due to currency fluctuations	(6)	(19)	-	-	(25)
(Elimination) in allowances for the year due to asset write-offs	(1,117)	(563)	-	(5)	(1,685)
<b>Impairment allowances at the end of the year</b>	<b>9,334</b>	<b>18,151</b>	<b>1,265</b>	<b>59</b>	<b>28,809</b>
Individual allowances	314	17,483	-	-	17,797
Portfolio allowances	9,020	668	1,265	59	11,012
<b>Total gross assets, on which impairment allowances are attributable</b>	<b>275,195</b>	<b>414,127</b>	<b>7,693</b>	<b>258</b>	<b>697,273</b>

Changes in loan impairment allowances of the Company in 2017:

	EUR'000				
	Mortgage	Business	Other	Consumer	Total
<b>Impairment allowances at the beginning of the reporting period</b>	<b>7,811</b>	<b>7,104</b>	<b>1,365</b>	<b>73</b>	<b>16,353</b>
Increase	2,013	2,204	308	71	4,596
(Decrease)	(1,915)	(2,327)	(326)	-	(4,568)
<b>Total changes in impairment allowances for the reporting period</b>	<b>98</b>	<b>(123)</b>	<b>(18)</b>	<b>71</b>	<b>28</b>
(Decrease)/ increase in allowances for the reporting period due to currency fluctuations	(14)	(311)	-	(68)	(393)
(Elimination) in allowances for the year due to asset write-offs	(1,879)	(559)	(121)	(42)	(2,601)
<b>Impairment allowances at the end of the reporting period</b>	<b>6,016</b>	<b>6,111</b>	<b>1,226</b>	<b>34</b>	<b>13,387</b>
Individual allowances	276	5,537	-	-	5,813
Portfolio allowances	5,740	574	1,226	34	7,574
<b>Total gross assets, on which impairment allowances are attributable</b>	<b>306,209</b>	<b>629,606</b>	<b>72,396</b>	<b>1,274</b>	<b>1,009,485</b>

## Note 7

### Administrative expenses

	EUR'000			
	Group	Group	Company	Company
	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017. (restated)	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017. (restated)
<b>Category</b>				
Remuneration to personnel, incl. severance pay	29,469	58,210	21,948	46,716
Remuneration to liquidators and liquidators' assistants	751	-	751	-
Remuneration to management	911	4,150	911	4,150
<b>Total personnel expense</b>	<b>31,131</b>	<b>62,360</b>	<b>23,610</b>	<b>50,866</b>
Sworn auditor statutory audit	167	263	105	80
Sworn auditor other auditing tasks	3	5	3	3
Sworn auditor consultations	-	22	-	9
Office maintenance	1,868	3,747	1,063	2,564
Consulting and professional services	4,278	3,342	3,265	3,673
IT system maintenance and development	961	3,893	388	3,233
Communications and information resources	541	1,857	390	1,716
Non-deductible VAT	1,047	1,108	1,031	1,069
Other administrative expenses (till the beginning of liquidation process)	2,900	6,224	2,954	4,347
Expenses for the maintenance of the property and work premises during the process of liquidation	2,174	-	2,505	-
Expenses for the placement of publications in media during the process of liquidation	19	-	19	-
Supervisory and regulatory expenses during the process of liquidation	2,059	-	2,059	-
Expenses related to safekeeping of cash and financial instruments during the process of liquidation	2,779	-	2,779	-
Other liquidation expenses	2,035	-	1,705	-
<b>Other administrative expense, total</b>	<b>20,831</b>	<b>20,461</b>	<b>18,266</b>	<b>16,694</b>
<b>Total administrative expense</b>	<b>51,962</b>	<b>82,821</b>	<b>41,876</b>	<b>67,560</b>

As at 31 December 2018, the Group employed 421 (847) persons, whereas the Company employed 313 (685) persons. In 2018, the Group employed an average of 601 (821) persons, whereas the Company employed an average of 472 (676) persons (full-time equivalent).

Significant decrease in the number of employees in the Group/Company is due to the liquidation of the Company commenced in the reporting period.

## Note 8

## Taxes

Taxes paid by the Group and the Company:

Type of tax	EUR'000			
	Group	Group	Company	Company
	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017.	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017.
State compulsory social insurance contributions	10,765	10,664	9,213	9,409
Personal income tax	5,601	7,887	4,763	7,147
Corporate income tax	1,060	1,331	895	747
Real estate tax	709	728	289	383
Value added tax	1,074	317	424	107
Risk duty	1	3	1	3
Natural resource tax	5	3	-	-
<b>Total</b>	<b>19,215</b>	<b>20,933</b>	<b>15,585</b>	<b>17,796</b>

## Note 9

## Balances due from credit institutions

	EUR'000			
	Group	Group	Company	Company
	31.12.2018.	31.12.2017.	31.12.2018.	31.12.2017.
Balances held with the Bank of Latvia	1,012,630	388,993	1,012,630	388,993
Balances held with the Banque de Luxembourg	-	2,022	-	-
Balances held with other credit institutions registered in Latvia	364,858	62	352,646	3
Balances held with other credit institutions registered in the EU	7,351	91,936	7,351	105,311
Balances held with credit institutions registered in other countries	6,550	138,288	6,288	138,619
Term deposits	-	41,617	-	41,176
<b>Total balances held with credit institutions</b>	<b>1,391,389</b>	<b>662,918</b>	<b>1,378,915</b>	<b>674,102</b>

In the reporting period cash amounts in the Bank of Latvia significantly increased. In the Bank of Latvia there was deliberately accumulated available cash of high liquidity for the estimated satisfaction of the creditors' claims, therefore the amounts of cash in other credit institutions have significantly decreased in the reporting period.

As of 31 December 2018 a part of Group's cash held with credit institutions in the amount of EUR 6.6 (11.4) EUR and a part of Company's cash held with credit institutions in the amount of EUR 6.6 (10.9) million were pledged in order to secure transactions financial instruments. These pledged funds are not included in cash equivalents.

## Note 10

## Financial instruments

	EUR'000			
	Group	Group	Company	Company
	31.12.2018.	31.12.2017. (restated)	31.12.2018.	31.12.2017. (restated)
<b>Financial assets at fair value through profit or loss</b>				
Fixed-income debt securities	86,874	1,791,383	87,161	1,772,316
Equity shares	15	280	1	273
Derivatives	-	1,942	-	96
Investments in funds	-	5,082	12,177	12,484
<b>Total financial instruments at fair value through profit or loss</b>	<b>86,889</b>	<b>1,798,687</b>	<b>99,339</b>	<b>1,785,169</b>
<b>Financial instruments at fair value through other comprehensive income</b>				
Equity shares	8,107	-	8,107	-
<b>Total financial instruments at fair value through profit or loss</b>	<b>8,107</b>	<b>-</b>	<b>8,107</b>	<b>-</b>
<b>Available-for-sale financial assets</b>				
Fixed-income debt securities	-	69,046	-	-
Equity shares	-	8,730	-	8,730
Investments in funds	-	10,009	-	13
<b>Total available-for-sale financial instruments</b>	<b>-</b>	<b>87,785</b>	<b>-</b>	<b>8,743</b>
<b>Held-to-maturity financial assets</b>				
Fixed-income debt securities	-	65,931	-	-
<b>Total held-to-maturity financial assets</b>	<b>-</b>	<b>65,931</b>	<b>-</b>	<b>-</b>
<b>Total investments in financial instruments</b>	<b>94,996</b>	<b>1,952,403</b>	<b>107,446</b>	<b>1,793,912</b>

As another step for stabilisation of the situation in February 2018, the Company pledged a part of its securities portfolio against a loan from the Bank of Latvia. After 23 February 2018, when the Company was received a decision On Unavailability of Deposits issued by the Council of the FCMC, the loan was repaid in full. On 31 December 2018, the Group and the Company had none of securities own by it pledged. In the reporting period after the commencement of the voluntary liquidation, the Company continued selling securities owned by it in order to accumulate cash for covering the creditors' claims.

At the end of the reporting period, the largest investments of the Company were in the securities of Russian 54.4% (9.1%) and Latvian 34.9% (11.9%) issuers; investments in securities of issuers of other countries were constituting a minor share.

At the end of the reporting year, the weighted average modified duration of the Company's securities portfolio was 3.5 (2.6) years.

The maximum credit risk exposure of investments in financial instruments is equal to the carrying amount of these assets.

## Note 11

### Loans

The breakdown of loans by customer profile:

Type of borrower	EUR'000			
	Group 31.12.2018.	Group 31.12.2017. (restated)	Company 31.12.2018.	Company 31.12.2017. (restated)
Private companies	321,268	554,323	325,348	517,133
Private individuals	286,261	332,271	286,261	327,583
Other financial companies	85,664	164,770	85,664	164,769
<b>Total loans, gross</b>	<b>693,193</b>	<b>1,051,364</b>	<b>697,273</b>	<b>1,009,485</b>
Impairment allowances	(28,806)	(13,408)	(28,809)	(13,387)
<b>Total loans, net</b>	<b>664,387</b>	<b>1,037,956</b>	<b>668,464</b>	<b>996,098</b>

Decrease in loans in the reporting period is due to substantial amount of early repayments.

The maximum credit risk exposure of loans issued to customers is equal to the carrying amount of these assets.

As at 31 December 2018, a part of liabilities of the Group and the Company to other financial intermediaries in the amount of EUR 6.2 (27.4) million was pledged to secure final settlements for VISA payment cards. More detailed information about impairment allowances for loans is disclosed in Note 6.

Ten largest exposures of the Group as at 31 December 2018 amounted to 26.2% (21.9%) of the total Group's net loan portfolio, however, those of the Company amounted to 26.0% (22.6%) of the total Company's net loan portfolio. No individual impairment allowances has been established for these loans.

The breakdown of loans issued by the Group/Company by 5 largest countries of borrowers:

Country	EUR'000			
	Group 31.12.2018.	Group 31.12.2017. (restated)	Company 31.12.2018.	Company 31.12.2017. (restated)
Latvia	578,585	725,729	582,662	730,352
Russia	50,128	88,808	50,128	88,805
Lithuania	14,365	57,278	14,365	15,023
Ukraine	14,356	41,297	14,356	20,249
Great Britain	5,130	20,720	5,130	19,463
Total other countries	1,823	104,124	1,823	122,206
<b>Total net loans</b>	<b>664,387</b>	<b>1,037,956</b>	<b>668,464</b>	<b>996,098</b>

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2018

### Credit type structure:

EUR'000										
Category	31.12.2018.					31.12.2017. (restated)				
	Mortgage	Business	Other	Consumer	Total gross loans	Mortgage	Business	Other	Consumer	Total gross loans
	Group									
Ordinary loans	275,195	394,703	1,266	210	671,374	306,209	554,754	1,265	244	862,472
Credit lines	-	14,393	-	-	14,393	-	113,485	-	-	113,485
Receivables from financial intermediaries	-	-	276	-	276	-	-	63,548	-	63,548
Security deposits for executing financial transactions	-	-	6,151	-	6,151	-	-	7,583	-	7,583
Balances on current accounts	-	922	-	32	954	-	2,577	-	43	2,620
Balances on payments cards	-	29	-	16	45	-	643	-	1,013	1,656
<b>Total gross loans</b>	<b>275,195</b>	<b>410,047</b>	<b>7,693</b>	<b>258</b>	<b>693,193</b>	<b>306,209</b>	<b>671,459</b>	<b>72,396</b>	<b>1,300</b>	<b>1,051,364</b>
Impairment allowance	(9,334)	(18,148)	(1,265)	(59)	(28,806)	(6,016)	(6,122)	(1,226)	(44)	(13,408)
<b>Total net loans</b>	<b>265,861</b>	<b>391,899</b>	<b>6,428</b>	<b>199</b>	<b>664,387</b>	<b>300,193</b>	<b>665,337</b>	<b>71,170</b>	<b>1,256</b>	<b>1,037,956</b>
Company										
Ordinary loans	275,195	398,783	1,266	210	675,454	306,209	520,473	1,265	244	828,191
Credit lines	-	14,393	-	-	14,393	-	105,945	-	-	105,945
Receivables from financial intermediaries	-	-	276	-	276	-	-	63,548	-	63,548
Security deposits for executing financial transactions	-	-	6,151	-	6,151	-	-	7,583	-	7,583
Balances on current accounts	-	922	-	32	954	-	2,545	-	20	2,565
Balances on payments cards	-	29	-	16	45	-	643	-	1,010	1,653
<b>Total gross loans</b>	<b>275,195</b>	<b>414,127</b>	<b>7,693</b>	<b>258</b>	<b>697,273</b>	<b>306,209</b>	<b>629,606</b>	<b>72,396</b>	<b>1,274</b>	<b>1,009,485</b>
Impairment allowance	(9,334)	(18,151)	(1,265)	(59)	(28,809)	(6,016)	(6,111)	(1,226)	(34)	(13,387)
<b>Total net loans</b>	<b>265,861</b>	<b>395,976</b>	<b>6,428</b>	<b>199</b>	<b>668,464</b>	<b>300,193</b>	<b>623,495</b>	<b>71,170</b>	<b>1,240</b>	<b>996,098</b>

### The breakdown of allowances established by the Group and the Company by loan category:

								EUR'000
31.12.2018.					31.12.2017.			
Category	Collective allowances				Collective allowances			
	Individual allowances	allowances for impaired loans	allowances for not impaired loans	Total	Individual allowances	allowances for impaired loans	allowances for not impaired loans	Total
Group								
Mortgage	314	6,029	2,991	9,334	276	5,314	426	6,016
Business	17,480	668	-	18,148	5,538	247	337	6,122
Other	-	1,265	-	1,265	-	1,226	-	1,226
Consumer	-	48	11	59	-	44	-	44
<b>Total impairment allowances for loans</b>	<b>17,794</b>	<b>8,010</b>	<b>3,002</b>	<b>28,806</b>	<b>5,814</b>	<b>6,831</b>	<b>763</b>	<b>13,408</b>
Company								
Mortgage	314	6,029	2,991	9,334	276	5,314	426	6,016
Business	17,483	668	-	18,151	5,537	235	339	6,111
Other	-	1,265	-	1,265	-	1,226	-	1,226
Consumer	-	48	11	59	-	34	-	34
<b>Total impairment allowances for loans</b>	<b>17,797</b>	<b>8,010</b>	<b>3,002</b>	<b>28,809</b>	<b>5,813</b>	<b>6,809</b>	<b>765</b>	<b>13,387</b>

As loans, for which the impairment is recognised, are regarded those loans, which the Group/Company classified in stage 3 quality category or loans which are past due for more than 90 days or there is objective evidence that the debtor will not be able to settle his/her liabilities in full towards the institution if the institution does not perform additional measures, for example, realisation of collateral. For other loans provisions have been made either for expected losses over the 12-month period, if no significant increase of credit risk has occurred since initial recognition of a loan, or for a lifetime expected losses, if a significant increase of credit risk has occurred since initial recognition of a loan.

# Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2018

The breakdown of loans issued by the Group and the Company by industry profile:

Industry	EUR'000			
	Group 31.12.2018.	Group 31.12.2017. (restated)	Company 31.12.2018.	Company 31.12.2017. (restated)
Mortgage loans to private individuals	261,500	294,309	261,500	294,309
Real estate management	208,662	302,066	212,739	304,201
Financial and insurance activities	83,912	164,612	83,912	164,612
Transportation and logistics	26,612	38,909	26,612	38,908
Manufacturing	18,070	25,301	18,070	25,300
Other loans to private individuals	13,263	29,945	13,263	25,267
Trading	8,306	49,228	8,306	46,338
Energy	6,463	7,797	6,463	7,797
Agriculture and forestry	1,652	2,894	1,652	2,894
Construction	-	37,749	-	1,330
Other industries	35,947	85,146	35,947	85,142
<b>Total net loans</b>	<b>664,387</b>	<b>1,037,956</b>	<b>668,464</b>	<b>996,098</b>

Collateral analysis for the Group's loans:

Category	EUR'000					
	Total gross loans	Deposits	Securities	Real estate	Other collateral	Fair value of collateral, total* 31.12.2018.
<b>Mortgage</b>	<b>275,195</b>	-	-	<b>233,399</b>	<b>515</b>	<b>233,914</b>
LTV up to 100%	127,474	-	-	126,959	515	127,474
LTV over 100%	147,721	-	-	106,440	-	106,440
<b>Business</b>	<b>410,047</b>	-	<b>4,329</b>	<b>331,411</b>	<b>44,836</b>	<b>380,576</b>
LTV up to 100%	358,402	-	4,329	311,301	42,772	358,402
LTV over 100%	51,645	-	-	20,110	2,064	22,174
<b>Other</b>	<b>7,693</b>	-	-	-	<b>1</b>	<b>1</b>
LTV up to 100%	-	-	-	-	-	-
LTV over 100%	7,693	-	-	-	1	1
<b>Consumer</b>	<b>258</b>	-	-	-	-	-
LTV up to 100%	-	-	-	-	-	-
LTV over 100%	258	-	-	-	-	-
<b>Total gross loans</b>	<b>693,193</b>	-	<b>4,329</b>	<b>564,810</b>	<b>45,352</b>	<b>614,491</b>
Impairment allowances	(28,806)					
<b>Total net loans</b>	<b>664,387</b>					
Category	31.12.2017. (restated)					
	Total gross loans	Deposits	Securities	Real estate	Other collateral	Fair value of collateral, total* 31.12.2017. (restated)
<b>Mortgage</b>	<b>306,209</b>	-	-	<b>248,974</b>	<b>469</b>	<b>249,443</b>
LTV up to 100%	130,059	-	-	129,590	469	130,059
LTV over 100%	176,150	-	-	119,384	-	119,384
<b>Business</b>	<b>671,459</b>	<b>43,938</b>	<b>73,708</b>	<b>412,394</b>	<b>122,074</b>	<b>652,114</b>
LTV up to 100%	644,049	43,019	73,558	406,855	120,617	644,049
LTV over 100%	27,410	919	150	5,539	1,457	8,065
<b>Other</b>	<b>72,396</b>	-	-	-	<b>1</b>	<b>1</b>
LTV up to 100%	-	-	-	-	-	-
LTV over 100%	72,396	-	-	-	1	1
<b>Consumer</b>	<b>1,300</b>	<b>457</b>	-	-	-	<b>457</b>
LTV up to 100%	457	457	-	-	-	457
LTV over 100%	843	-	-	-	-	-
<b>Total gross loans</b>	<b>1,051,364</b>	<b>44,395</b>	<b>73,708</b>	<b>661,368</b>	<b>122,544</b>	<b>902,015</b>
Impairment allowances	(13,408)					
<b>Total net loans</b>	<b>1,037,956</b>					

\*For purpose of these financial statements, for loans whose gross carrying amount is less than fair value of collateral, fair value of collateral is disclosed as the gross value of the loan.

LTV<sup>1</sup> above 100% does not create significant risk as impairment allowances recognised.

For the loans having no substantial increase in credit risk since their initial recognition, impairment allowances are recognised for the expected losses within 12 months, while for the loans having significant increase of credit risk since their initial recognition the allowances are recognised for the expected losses within the life time of the loan. For mortgages and consumer loans, the need for allowances is assessed by taking into account the unsecured portion of a loan and the statistics collected on loan movements to lower quality groups. Allowances for corporate loans are recognised if the primary source of repayment or cash flows from operating activities of the customer and the secondary source of repayment, or potential income from the sale of collateral are insufficient for repayment of the loan.

Collateral analysis for the Company's loans:

EUR'000						
	Total gross loans	Deposit	Securities	Real estate	Other collateral	Fair value of collateral, total*
<b>Category</b>	<b>31.12.2018.</b>					
<b>Mortgage</b>	<b>275,195</b>	-	-	<b>233,399</b>	<b>515</b>	<b>233,914</b>
LTV up to 100%	127,474	-	-	126,959	515	127,474
LTV over 100%	147,721	-	-	106,440	-	106,440
<b>Business</b>	<b>414,127</b>	-	<b>4,329</b>	<b>335,494</b>	<b>44,836</b>	<b>384,659</b>
LTV up to 100%	362,485	-	4,329	315,384	42,772	362,485
LTV over 100%	51,642	-	-	20,110	2,064	22,174
<b>Other</b>	<b>7,693</b>	-	-	-	<b>1</b>	<b>1</b>
LTV up to 100%	-	-	-	-	-	-
LTV over 100%	7,693	-	-	-	1	1
<b>Consumer</b>	<b>258</b>	-	-	-	-	-
LTV up to 100%	-	-	-	-	-	-
LTV over 100%	258	-	-	-	-	-
<b>Total gross loans</b>	<b>697,273</b>	-	<b>4,329</b>	<b>568,893</b>	<b>45,352</b>	<b>618,574</b>
Impairment allowances	(28,809)					
<b>Total net loans</b>	<b>668,464</b>					
<b>Category</b>	<b>31.12.2017. (korigēts)</b>					
<b>Mortgage</b>	<b>306,209</b>	-	-	<b>248,974</b>	<b>469</b>	<b>249,443</b>
LTV up to 100%	130,059	-	-	129,590	469	130,059
LTV over 100%	176,150	-	-	119,384	-	119,384
<b>Business</b>	<b>629,606</b>	<b>7,808</b>	<b>66,163</b>	<b>417,019</b>	<b>122,074</b>	<b>613,064</b>
LTV up to 100%	605,173	6,913	66,163	411,480	120,617	605,173
LTV over 100%	24,433	895	-	5,539	1,457	7,891
<b>Other</b>	<b>72,396</b>	-	-	-	<b>1</b>	<b>1</b>
LTV up to 100%	-	-	-	-	-	-
LTV over 100%	72,396	-	-	-	1	1
<b>Consumer</b>	<b>1,274</b>	<b>457</b>	-	-	-	<b>457</b>
LTV up to 100%	457	457	-	-	-	457
LTV over 100%	817	-	-	-	-	-
<b>Total gross loans</b>	<b>1,009,485</b>	<b>8,265</b>	<b>66,163</b>	<b>665,993</b>	<b>122,544</b>	<b>862,965</b>
Impairment allowances	(13,387)					
<b>Total net loans</b>	<b>996,098</b>					

\*For the purpose of these financial statements, for loans whose gross carrying amount is less than fair value of collateral, fair value of collateral is disclosed as the gross value of the loan.

The principles for determining the fair value of collateral are described in paragraph f).

Since the Group had limited access to its cash in the reporting period, the real estate was not taken over. During the reporting year, the Company took over the real estate with a total value of EUR 1.3 (0.3) million.

<sup>1</sup> LTV- loan carrying amounts to the fair value of collateral, where LTV < 100%, if the carrying amount of the loan is lower than fair value of collateral, but LTV > 100%, if the carrying amount of the loan is higher than the fair value of collateral or loans are unsecured.

## Note 12

### Investments in subsidiaries and associates

The Group's investments in associates:

Name of the company	31.12.2018.					31.12.2017.			
	Country of incorp.	Share capital	Equity (non-audited)	Group's share of total share capital, (%)	Carrying amount under equity method	Share capital	Equity* (audited)	Group's share of total share capital, (%)	Carrying amount under equity method
AmberStone Group, AS	LV	35,000	38,293	24.28	9,180	35,000	37,298	24.28	9,076
ABLV Corporate Services Holding Company, SIA	LV	-	-	-	-	250	1,201	40.00	439
SIA SG Capital Partners AIFP	LV	-	-	-	-	25	48	26.40	13
<b>Total investments in associates</b>		<b>35,000</b>	<b>38,293</b>	<b>x</b>	<b>9,180</b>	<b>35,275</b>	<b>38,547</b>	<b>x</b>	<b>9,528</b>

\* - referred to the Company's shareholders

The Company's investments in associates:

Name of the company	31.12.2018.					31.12.2017.			
	Country of incorp.	Share capital	Equity (non-audited)	Group's share of total share capital, (%)	Carrying amount under cost method	Share capital	Equity* (audited)	Group's share of total share capital, (%)	Carrying amount under cost method
AmberStone Group, AS	LV	35 000	38 293	24.28	8 635	35 000	37 298	24.28	8 635
ABLV Corporate Services Holding Company, SIA	LV	-	-	-	-	250	1 201	40.00	100
<b>Total investments in associates</b>		<b>35 000</b>	<b>38 293</b>	<b>x</b>	<b>8 635</b>	<b>35 250</b>	<b>38 499</b>	<b>x</b>	<b>8 735</b>

\* - referred to the Company's shareholders

Movements in the investments in associates:

	EUR'000			
	Group	Group	Company	Company
	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017.	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017.
<b>Gross investments at the beginning of the year</b>	<b>9,528</b>	<b>9,117</b>	<b>8,735</b>	<b>8,635</b>
Acquired share in associates	-	8	-	-
(Dispossessed) shares in associates	-	-	(100)	-
Change in investments in associates under equity method	97	110	-	-
Dividends paid by associates	-	(145)	-	-
Increase/(decrease) in investments in associates as a result of loss of control over subsidiary	(445)	438	-	100
<b>Total investments at the end of the year</b>	<b>9,180</b>	<b>9,528</b>	<b>8,635</b>	<b>8,735</b>

Consolidated assets/liabilities and operating results of associated company Amberstone Group, AS:

Position	EUR'000	
	31.12.2018.	31.12.2017.
	(unaudited)	(audited)
Non-current assets	44,305	41,012
Current assets	11,763	12,395
<b>Total assets</b>	<b>56,068</b>	<b>53,407</b>
Non-current liabilities	6,122	8,492
Current liabilities	8,843	4,582
<b>Total liabilities</b>	<b>14,965</b>	<b>13,074</b>
Capital and reserves	38,293	37,298
incl. profit/(loss) for the reporting period	994	(65)
Non-controlling interest	2,810	3,035
<b>Total liabilities, capital and reserves</b>	<b>56,068</b>	<b>53,407</b>
<b>Net turnover</b>	<b>20,038</b>	<b>14,537</b>

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2018

### Group entities (Company's direct and indirect ownership):

Name	Country of incorporation	Registration number	Business profile	31.12.2018.		31.12.2017.	
				Share in capital, (%)	Voting share, (%)	Share in capital, (%)	Voting share, (%)
ABLV Bank, AS in Liquidation*	LV	50003149401	Financial services	100.00	100.00	100.00	100.00
ABLV Bank Luxembourg, S.A.**	LU	B 162048	Financial services	100.00	100.00	100.00	100.00
ABLV Consulting Services, AS*	LV	40003540368	Consulting services	100.00	100.00	100.00	100.00
REDDebitum, SIA (ex ABLV Advisory Services, SIA)	LV	40103964811	Other activities auxiliary to financial services	100.00	100.00	100.00	100.00
ABLV Capital Markets, IBAS*	LV	40003814705	Financial services	90.00	100.00	90.00	100.00
ABLV Asset Management, IPAS**	LV	40003814724	Financial services	90.00	100.00	90.00	100.00
PEM, SIA	LV	40103286757	Investment project management	51.00	51.00	51.00	51.00
PEM 1, SIA	LV	40103551353	Wholesale trade services of other machinery and equipment	51.00	51.00	51.00	51.00
New Hanza Capital, AS	LV	50003831571	Holding company	88.00	88.00	88.00	88.00
NHC 1, SIA	LV	50103247681	Investments in real estate	88.00	88.00	88.00	88.00
NHC 2, SIA	LV	40103963977	Investments in real estate	88.00	88.00	88.00	88.00
NHC 3, SIA	LV	50103994841	Investments in real estate	88.00	88.00	88.00	88.00
NHC 4, SIA	LV	40203032424	Investments in real estate	88.00	88.00	88.00	88.00
NHC 6, SIA	LV	40203032439	Investments in real estate	88.00	88.00	88.00	88.00
NHC 5, SIA	LV	50203032411	Investments in real estate	99.84	99.84	88.00	88.00
Hanzas Dārzs, SIA	LV	40203078059	Territory maintenance	99.99	99.99	100.00	100.00
Pillar, SIA	LV	40103554468	Holding company	100.00	100.00	100.00	100.00
Pillar Holding Company, KS***	LV	40103260921	Holding company	100.00	100.00	100.00	100.00
Pillar 3, SIA (merged with Pillar 7 & 8, SIA)***	LV	40103193067	Operations with real estate	100.00	100.00	100.00	100.00
Pillar 4 & 6, SIA***	LV	40103210494	Operations with real estate	100.00	100.00	100.00	100.00
Pillar 11, SIA***	LV	40103258310	Operations with real estate	100.00	100.00	100.00	100.00
Pillar 2, 12 & 14, SIA***	LV	50103313991	Operations with real estate	100.00	100.00	100.00	100.00
Pillar Technologies, SIA (ex. Pillar 18, SIA)***	LV	40103492079	Operations with real estate	100.00	100.00	100.00	100.00
Pillar 19, SIA***	LV	40103766952	Operations with real estate	100.00	100.00	100.00	100.00
Pillar 20, SIA***	LV	40103903056	Operations with real estate	100.00	100.00	100.00	100.00
Pillar 21, SIA***	LV	40103929286	Operations with real estate	100.00	100.00	100.00	100.00
Pillar 22, SIA***	LV	50103966301	Operations with real estate	100.00	100.00	100.00	100.00
Pillar 23, SIA***	LV	40203107574	Operations with real estate	100.00	100.00	100.00	100.00
Pillar Management, SIA	LV	40103193211	Real estate management and administration	100.00	100.00	100.00	100.00
Pillar RE Services, SIA	LV	40103731804	Parking management	100.00	100.00	100.00	100.00
Pillar Contractor, SIA	LV	40103929498	Management and coordination of construction processes	100.00	100.00	100.00	100.00
Pillar Architekten, SIA	LV	40103437217	Designing and designers supervision	100.00	100.00	100.00	100.00
Pillar Development, SIA	LV	40103222826	Infrastructure management	99.97	99.97	100.00	100.00
Pillar Energy, SIA (ex. Pillar Utilities, SIA)	LV	40103693339	Infrastructure maintenance	99.97	99.97	100.00	100.00
New Hanza Centre, SIA (ex ABLV Building Complex, SIA)	LV	40203037667	Investments in real estate	99.97	99.97	100.00	100.00
ABLV Capital Markets USA LLC****	US	6399457	Financial services	-	-	90.00	100.00

\* - gone concern principle is applied; \*\* - non-current investments held for sale; \*\*\* - principal activity is related to the realization of company's assets; \*\*\*\* - liquidated in 2018; all other subsidiaries are included in these consolidated financial statements are included based on going concern principle.

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2018

The Company's investments in subsidiaries:

		31.12.2018.					31.12.2017. (restated)		
Name	Country of incorporation	Share capital	Equity	Company's share of total share capital, (%)	Gross carrying amount	Share capital	Equity	Company's share of total share capital, (%)	Gross carrying amount
Pillar Holding Company, KS	LV	65,000	38,605	100.0	65,000	70,000	29,822	100.0	70,000
Pillar Development, SIA	LV	39,550	30,469	99.8	39,450	33,700	31,501	100.0	33,700
New Hanza Centre, SIA (ex ABLV Building Complex, SIA)	LV	35,200	27,290	99.7	35,100	30,200	30,149	100.0	30,200
New Hanza Capital, AS	LV	25,000	29,603	88.0	22,000	25,000	24,175	88.0	22,000
Pillar 23, SIA	LV	21,075	20,906	99.1	20,875	-	-	-	-
NHC 5, SIA	LV	8,200	8,425	98.7	8,094	-	-	-	-
ABLV Consulting services, AS	LV	1,800	312	100.0	1,800	711	784	100.0	711
Pillar Management, SIA	LV	1,000	1,117	100.0	1,073	1,000	741	100.0	1,073
ABLV Capital Markets, IBAS	LV	1,000	3,342	90.0	900	1,000	3,105	90.0	900
Hanzas Dārzs, SIA	LV	990	971	69.7	690	990	982	69.7	690
PEM, SIA	LV	100	572	51.0	51	100	659	51.0	51
Pillar, SIA	LV	10	4	100.0	13	10	6	100.0	13
REDDebitum SIA (ex ABLV Advisory Services, SIA)	LV	3	(3)	100.0	3	3	26	100.0	3
ABLV Bank Luxembourg, S.A.	LU	-	-	-	-	25,000	15,949	100.0	25,000
ABLV Asset Management, IPAS	LV	-	-	-	-	650	690	90.0	585
<b>Total investments in subsidiaries, gross</b>		<b>198,928</b>	<b>161,613</b>	<b>x</b>	<b>195,049</b>	<b>188,364</b>	<b>138,589</b>	<b>x</b>	<b>184,926</b>
Impairment allowances					(43,215)				(47,785)
<b>Total investments in subsidiaries, net</b>					<b>151,834</b>				<b>137,141</b>

Customers' financial instruments of ABLV Capital Markets, IBAS at the end of the reporting period amounted to EUR 0.6 (1.34) billion. Until the commencement of the liquidation of the Company, the Company and ABLV Capital Markets, IBAS provided investments services to customers jointly: ABLV Capital Markets, IBAS accepted customer orders for transactions with financial instruments and the Company executed these orders and acted as the custodian of customer financial instruments. The related credit risk and other risks remained fully with the customer, which entrusted these funds to the Group and/or the Company.

Customers' assets under management by ABLV Asset Management, IPAS and assets of the open investment funds managed by ABLV Asset Management, IPAS at the end of the reporting period amounted to EUR 130.9 (130.6) million. The Company is the main shareholder of ABLV Asset Management, IPAS and ABLV Capital Markets, IBAS. In the reporting period the Company made a decision to sell the shares of ABLV Asset Management, IPAS owned by it.

In the reporting period the investment in ABLV Asset Management, IPAS is classified in other assets as non-current investment held for sale.

In May 2018 ABLV Asset Management, IPAS signed a new custodian agreement with Citadele banka, AS in order to normalise operation of the pension plan, while a custodian agreement was concluded with Baltic International Bank, AS about other investment funds.

On 9 March 2018, the Luxembourg Commercial Court has ruled to reject Luxembourg regulator's request to place ABLV Bank Luxembourg, S.A. in liquidation and appointed two external administrators, as well as kept the protection status of ABLV Bank Luxembourg, S.A. with the suspension of payments for six months. In the reporting period, there were options looked for to sell ABLV Bank Luxembourg, S.A., and on 8 January 2019 the Company and Duet Group Limited signed an agreement about acquisition of 100% of shares of ABLV Bank Luxembourg, S.A. Taken into account the above mentioned, investment in ABLV Bank Luxembourg, S.A. is reclassified as non-current investment held for sale.

In order to ensure efficient and optimal investment property management, in the reporting period the Company made tangible investment of investment property in the share capital of Pillar 23, SIA in the amount of EUR 20.9 million, as well as tangible investment of buildings and land plots at 23 Elizabetes St., and 21A Elizabetes St., Riga, in share capital of NHC 5, SIA in the amount of EUR 8.1 million.

In order to maintain the value of the assets of the Company, in the reporting period the Company additionally invested EUR 5.8 million in Pillar Development, SIA and EUR 4.9 million in New Hanza Centre, SIA (previously known as ABLV Building Complex, SIA).

In April 2018 it was decided to increase the share capital of ABLV Consulting Services, AS by EUR 1.1 million in order to ensure gradual closure of all the foreign representative offices of the Group.

Changes in non-controlling interest:

	EUR'000	
	Group	Group
	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017.
<b>Non-controlling interest at the beginning of the period</b>	<b>4,094</b>	<b>2,271</b>
Share issue	-	1,200
Profit share attributable to non-controlling interest	251	955
Dividends paid	-	(332)
<b>Non-controlling interest at the end of the period</b>	<b>4,345</b>	<b>4,094</b>

Movements in the impairment allowances for Company's investments in subsidiaries:

	EUR'000	
	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017. (restated)
<b>Impairment allowance at the beginning of the reporting period</b>	<b>47,785</b>	<b>20,784</b>
Increase in impairment allowances	12,548	27,001
incl. Pillar Holding Company, KS	4,857	1,837
incl. ABLV Bank Luxembourg, S.A.	4,099	13,825
incl. ABLV Consulting services, AS	-	587
incl. New Hanza Centre, SIA	-	7,860
incl. REDDebitum, SIA	3	-
incl. Pillar Development, SIA	3,589	2,764
incl. Pillar Management, SIA	-	121
incl. Pillar, SIA	-	7
(Decrease) in impairment allowances	(94)	-
incl. Pillar Management, SIA	(94)	-
<b>Impairment allowance for investments in subsidiaries</b>	<b>12,454</b>	<b>27,001</b>
Reclassified to non-current assets held for sale	(17,924)	-
Reclassified from other liabilities, attributable to ABLV Consulting services, AS	900	-
<b>Impairment allowance at the end of the reporting period</b>	<b>43,215</b>	<b>47,785</b>

Impairment recognised in the reporting period is due to the impairment of predicted cash flow generated in the course of operations of the subsidiaries. The recoverable value of the investment is measured as its use value estimated by discounting the expected cash flows from the sale of the properties owned by the subsidiaries in accordance with their expected market value at the day of sale minus the costs of sale and maintenance of these properties, and by estimating the recoverable value of the net assets of the subsidiaries.

Movements in the Company's investments in subsidiaries:

	EUR'000	
	01.01.2018.– 31.12.2018.	01.01.2017.– 31.12.2017. (restated)
<b>Investments at the beginning of period, gross</b>	<b>184,926</b>	<b>140,729</b>
Established / acquired subsidiaries	-	690
(Decrease) in investments due to the loss of control	-	(100)
Reclassified to investments held for sale	(25,585)	-
Increase in investments in existing subsidiaries' capital	11,739	35,176
Increase in investments in existing subsidiaries' capital by tangible investment	28,969	13,431
(Decrease) in investments in existing subsidiaries' capital	(5,000)	(5,000)
<b>Investments at the end of the period, gross</b>	<b>195,049</b>	<b>184,926</b>
Impairment allowances	(43,215)	(47,785)
<b>Investments at the end of the period, net</b>	<b>151,834</b>	<b>137,141</b>

## Note 13

## Investment property

	EUR'000	
	Group	Company
<b>Carrying amount as at 01.01.2017.</b>	<b>44,016</b>	<b>34,384</b>
Acquisitions	13,382	-
Reclassification	(5,770)	3,752
Disposals and write offs	(227)	(78)
Tangible investment	-	(13,431)
Revaluation result of investment property	12,550	4,342
<b>Carrying amount as at 31.12.2017.</b>	<b>63,951</b>	<b>28,969</b>
Acquisitions during the reporting period	14,895	-
Reclassification	30,060	-
Tangible investment	-	(28,969)
Revaluation result of investment property	(7,617)	-
<b>Carrying amount as at 31.12.2018.</b>	<b>101,289</b>	<b>-</b>

Valuation methods applied by investment property appraiser to measure the fair value of investment property, as well as key unobservable data:

Type	Types of appraiser	Valuation methods applied	Leased	Address	Significant unobservable data	EUR'000			
						Group	Group	Company	Company
						31.12.2018.	31.12.2017. (restated)	31.12.2018.	31.12.2017. (restated)
Commercial premises	External independent appraiser, real estate valuation expert	Discounted cash flow model with a terminal value component at the end of the cash flow, and comparable transaction method	100%	Rīga, Elizabetes St. 21A, room Nr.101 and Nr.103	Monthly rental income during the estimation of cash flows – from 24.2 to 31.3 in the first year, in the following years 19.0-20.0 (30.0) EUR/m2; estimation period of cash flows - 5 (5) years.	689	277	-	-
Administrative buildings	External independent appraiser, real estate valuation expert	Discounted cash flow model with a terminal value component at the end of the cash flow	100%	Tehnikas St. 3, Rīga airport	Monthly rental income – 6.82 (6.56) EUR/m2 for office premises and 3.42 (3.29) EUR/m2 for auxiliary premises; occupancy – 98% (98%); Cash flow estimation period - 8 (9) years.	6,920	6,750	-	-
Office building	External independent appraiser, real estate valuation expert	Discounted cash flow model with a terminal value component at the end of the cash flow	100%	Rīga, Brīvības St. 275	Monthly rental income – 9 EUR/m2 for office premises and 2.0 EUR/m2 for external premises; Occupancy – 98%; Cash flow estimation period – 10 years.	1,510	-	-	-
Office buildings	External independent appraiser, real estate valuation expert	Discounted cash flow model with a terminal value component at the end of the cash flow	55%	Rīga, Brīvības St. 214B and 214M	Before reconstruction in 2018: Area for lease – 19 532 (17 043) m2 Monthly rental income – 5.18 (4.95) EUR/m2; Occupancy during the first period – 66.35% (95%). Planned after reconstruction in 2023: Area for lease – 27 141 (23 264) m2; Total reconstruction period – 3 (3) years; Average reconstruction expenses – 317 (304) EUR/m2; Monthly rental income – 5.27 (5.24) EUR/m2 (according to the current lease agreement and rates for premises not yet leased); Occupancy during the fifth period – 85.6% (85%); Cash flow estimation period – 5 years.	12,808	10,142	-	-
			78%	Rīga, Bērzaunes St. 1 and 7					

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2018

(continuation)									
Office building and warehouse complex	Entity's valuer real estate valuation expert	Discounted cash flow model with a terminal value component at the end of the cash flow	88%	Krustkalni, Ķekavas pagasts, Piepilsētas	Monthly rental income – 4.44 (4.39) EUR/m2 for warehouse premises and 5.4 (5.4) EUR/m2 for office premises and 4.0 (5.4) EUR/m2 for premises not yet leased; Occupancy of office premises leased - 95% (98%); Occupancy of warehouse premises leased – 95% (98%); Average load of free premises – 35%; Cash flow estimation period - 4 (1) years.	7,560	7,176	-	-
Warehouse complex	External independent valuer real estate valuation expert	Discounted cash flow model with a terminal value component at the end of the cash flow	93% (lease agreement effective from 01.01. 2018)	Rīga, Maskavas St. 462 and Maskavas St. 464A	Monthly rental income – 3.1 (3.1) EUR/m2; Occupancy – 99% (97%); Cash flow estimation period – 5 (5) years; It is assumed that the part of the territory to be developed (~7.5 ha with low value buildings) is being sold. Sales price is determined using the sales comparison method. Assumed price per square meter – 16.2 (15.9) EUR/m2.	10,758	10,637	-	-
Commercial building	Company's real estate valuation expert	Discounted cash flow model with a terminal value component at the end of the cash flow, cost substitution method	50%	Rīga, Hanzas St. 16A	1. When evaluating the land plots, the real estate valuation expert used four comparable sales transactions, applying adjustment coefficients (the size of the land plots (area), available utilities and other). 2. Commercial premises, were evaluated by cost substitution method (35%), based on comparable object construction expenses, using discounted cash flow model (65%), relied on income from business activities (event organisation / lease of premises); Cash flow estimation period – 10 gadi.	21,674	-	-	-
Office buildings	External independent appraiser, real estate valuation expert	Discounted cash flow model with a terminal value component at the end of the cash flow	15% (in force from 01.01. 2019.)	Rīga, Elizabetes St. 23	Monthly rental income – 14.5 EUR/m2 for office premises and 7.0 EUR/m2 for basement premises (according to appraiser market lease rates); Occupancy – 97%; Cash flow estimation period – 5 years.	7,025	-	-	-
			100%	Rīga, Elizabetes St. 21A, room Nr.102		1,209	-	-	-
Commercial building	External independent appraiser, real estate valuation expert	Comparable transaction method and cost substitution method		Rīga, Mihaila Tāla St. 3	1. When evaluating the land plots, the appraiser used four comparable sales transactions, applying adjustment coefficients (the size of the land plots (area), available utilities and other). 2. Investments were valued based on construction works done.	10,671	-	-	-
Building plots	External independent appraiser, real estate valuation expert	Comparable transaction method		Rīga, Mihaila Tāla St. 2; 4; 5; 7 un 12	When evaluating the land plots, the appraiser used four comparable sales transactions, additionally applying adjustment coefficients, incl. the size of the land plots (area), development potential and encumbrances.	8,010	8,169	-	8,169
				Rīga, Skanstes St. 2B		3,576	3,648	-	3,648
				Gustava Kluča St. 6		577	589	-	589
				Rīga, Hanzas St. 14C and 16C		381	389	-	389
				Rīga, Sporta St. 14, 16 and 19		4,183	4,267	-	4,267
				Aleksandra Laimas St. 1; 3 and 5		3,738	3,813	-	3,813
Total						101,289	63,951	-	28,969

Other non-observable data which appraisers of investment property are applying:

- discount rates: 7.5% (7.5%) - 9.25% (9.5%);
- capitalization rate: 6.5% - 8.5%;
- annual income increase: 2% (0%) - 4% (4%).

EUR'000				
Period	Group	Group	Company	Company
	31.12.2018.	31.12.2017.	31.12.2018.	31.12.2017.
Up to 1 year	1,984	1,675	-	-
1 to 5 years	2,851	2,931	-	-
5 years to maturity	1,758	1,780	-	-

## Note 14

**Non-current investments held for sale and liabilities directly related to non-current investments held for sale**

In the reporting period the Group/Company reclassified those non-current assets, which the Group/Company had no intention to use in the long-term, to non-current investments held for sale.

Company's investments in subsidiaries in the amount of EUR 7.7 million and other assets in the amount of EUR 1.7 million were reclassified to non-current investments held for sale.

Company's subsidiaries that in the reporting period were reclassified as non-current investments held for sale:

Name	Country of incorp.	Registration number	Business profile	31.12.2018.		31.12.2017.	
				Share in capital, (%)	Voting share, (%)	Share in capital, (%)	Voting share, (%)
ABLV Bank Luxembourg, S.A.	LU	B 162048	Financial services	100.0	100.0	100.0	100.0
ABLV Asset Management, IPAS	LV	40003814724	Financial services	90.0	100.0	90.0	100.0

Open-end mutual funds included in the Group and reclassified to non-current investments held for sale in the reporting period:

Nr.	Open-end mutual fund	Country of registration	ISIN	Fund type	31.12.2018.		31.12.2017.	
					Group's share (%)	Group's share (%)	Group's share (%)	Group's share (%)
1	ABLV Multi-Asset Total Return USD Fund	LV	LV0000400919	Total return fund	61.9	61.6		
2	ABLV Emerging Markets Corporate USD Bond Fund	LV	LV0000400935	Corporate bond fund	41.3	40.7		
3	ABLV European Industry EUR Equity Fund	LV	LV0000400844	Equity fund	38.3	41.5		

Non-current investments held for sale:

Position	EUR'000	
	Group	Company
	31.12.2018.	31.12.2018.
Balances due from credit institutions	25,267	-
Investments in financial instruments	132,264	-
Investments in subsidiaries	-	7,661
Loans	14,640	-
Other assets	2,207	1,701
<b>Total assets</b>	<b>174,378</b>	<b>9,362</b>
Deposits	131,343	-
Other liabilities	22,080	-
<b>Total liabilities</b>	<b>153,423</b>	<b>-</b>

Additional information on financial result of the Company's subsidiaries, which in the reporting period were reclassified to non-current investments held for sale, is provided in Note 25.

## Note 15

## Intangible assets, property and equipment

	EUR'000			
	Group	Group	Company	Company
	31.12.2018.	31.12.2017. (restated)	31.12.2018.	31.12.2017. (restated)
Intangible assets	3,386	4,466	3,362	4,327
Prepayments for intangible assets	-	590	-	581
<b>Total intangible assets</b>	<b>3,386</b>	<b>5,056</b>	<b>3,362</b>	<b>4,908</b>
Construction in progress	941	17,539	-	-
Land	697	13,566	-	-
Buildings and property improvements	1,362	2,153	-	-
Office equipment and IT hardware	2,307	3,638	1,540	2,793
Vehicles	1,010	1,684	659	1,035
Art objects	-	1,105	-	1,105
Leasehold improvements	199	318	199	318
Prepayments for property and equipment	-	1,506	-	402
<b>Total property and equipment</b>	<b>6,516</b>	<b>41,509</b>	<b>2,398</b>	<b>5,653</b>

As at 31 December 2018, the Group had intangible assets, property and equipment with the carrying amount of 0, and acquisition cost of EUR 8.4 (7.3) million, whereas the cost of the Company's intangible assets, property and equipment was EUR 8.2 (7.0) million.

## Movements in the Group's intangible assets, property and equipment in 2018:

	EUR'000						
	Intangible assets	Land	Construction in progress and leasehold improvements	Buildings and property improvements	Vehicles	Office equipment, IT and other	Total, excl. prepayments
<b>Value as at 01.01.2018.</b>	<b>14,329</b>	<b>13,566</b>	<b>18,962</b>	<b>3,832</b>	<b>2,530</b>	<b>15,498</b>	<b>68,717</b>
Additions	541	-	832	97	450	706	2,626
Reclassification	(385)	(12,869)	(17,499)	(574)	(95)	(4,548)	(35,970)
Disposals	(504)	-	(258)	-	(1,608)	(959)	(3,329)
<b>Value as at 31.12.2018.</b>	<b>13,981</b>	<b>697</b>	<b>2,037</b>	<b>3,355</b>	<b>1,277</b>	<b>10,697</b>	<b>32,044</b>
<b>Accumulated depreciation/amortisation as at 01.01.2018.</b>	<b>9,863</b>	<b>-</b>	<b>1,105</b>	<b>1,679</b>	<b>846</b>	<b>10,755</b>	<b>24,248</b>
Depreciation calculated for the reporting period	1,551	-	281	314	271	1,297	3,714
Reclassification	(350)	-	-	-	(24)	(3,087)	(3,461)
Write-off of depreciation	(469)	-	(489)	-	(826)	(575)	(2,359)
<b>Accumulated depreciation/amortisation as at 31.12.2018.</b>	<b>10,595</b>	<b>-</b>	<b>897</b>	<b>1,993</b>	<b>267</b>	<b>8,390</b>	<b>22,142</b>
<b>Net carrying amount 01.01.2018.</b>	<b>4,466</b>	<b>13,566</b>	<b>17,857</b>	<b>2,153</b>	<b>1,684</b>	<b>4,743</b>	<b>44,469</b>
<b>Net carrying amount 31.12.2018.</b>	<b>3,386</b>	<b>697</b>	<b>1,140</b>	<b>1,362</b>	<b>1,010</b>	<b>2,307</b>	<b>9,902</b>

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Movements in the Group's intangible assets, property and equipment in 2017:

	Intangible assets	Land	Construction in progress and leasehold improvements	Buildings and property improvement	Vehicles	Office equipment, IT and other	Total, excl. prepayments
	EUR'000						
<b>Value as at 01.01.2017.</b>	<b>13,420</b>	<b>3,123</b>	<b>12,607</b>	<b>11,197</b>	<b>2,396</b>	<b>14,127</b>	<b>56,870</b>
Additions	914	1,102	11,497	645	588	1,556	16,302
Reclassification	-	9,341	-	(8,010)	-	-	1,331
Disposed due to loss of control	(5)	-	-	-	(36)	-	(41)
Disposals	-	-	(5,142)	-	(418)	(185)	(5,745)
<b>Value as at 31.12.2017. (restated)</b>	<b>14,329</b>	<b>13,566</b>	<b>18,962</b>	<b>3,832</b>	<b>2,530</b>	<b>15,498</b>	<b>68,717</b>
<b>Accumulated depreciation/amortisation as at 01.01.2017.</b>	<b>7,820</b>	<b>-</b>	<b>997</b>	<b>5,553</b>	<b>750</b>	<b>9,643</b>	<b>24,763</b>
Depreciation calculated for the reporting period	2,038	-	109	568	356	1,279	4,350
Reclassification	-	-	-	(4,442)	-	-	(4,442)
Disposed due to loss of control	5	-	-	-	10	-	15
Write-off of depreciation	-	-	(1)	-	(270)	(167)	(438)
<b>Accumulated depreciation/amortisation as at 31.12.2017. (restated)</b>	<b>9,863</b>	<b>-</b>	<b>1,105</b>	<b>1,679</b>	<b>846</b>	<b>10,755</b>	<b>24,248</b>
<b>Net carrying amount 01.01.2017.</b>	<b>5,600</b>	<b>3,123</b>	<b>11,610</b>	<b>5,644</b>	<b>1,646</b>	<b>4,484</b>	<b>32,107</b>
<b>Net carrying amount 31.12.2017. (restated)</b>	<b>4,466</b>	<b>13,566</b>	<b>17,857</b>	<b>2,153</b>	<b>1,684</b>	<b>4,743</b>	<b>44,469</b>

Movements in the Company's intangible assets, property and equipment in 2018:

	Intangible assets	Buildings and property improvements	Vehicles	Office equipment, IT and other	Total, excl. prepayments
	EUR'000				
<b>Value as at 01.01.2018.</b>	<b>13,351</b>	<b>1,166</b>	<b>1,667</b>	<b>13,217</b>	<b>29,401</b>
Additions	512	-	369	411	1,292
Reclassification	-	-	(53)	(3,741)	(3,794)
Disposals	-	(70)	(1,064)	(525)	(1,659)
<b>Value as at 31.12.2018.</b>	<b>13,863</b>	<b>1,096</b>	<b>919</b>	<b>9,362</b>	<b>25,240</b>
<b>Accumulated depreciation/amortisation as at 01.01.2018.</b>	<b>9,024</b>	<b>848</b>	<b>632</b>	<b>9,319</b>	<b>19,823</b>
Depreciation calculated for the reporting period	1,477	93	179	1,198	2,947
Reclassification	-	-	(13)	(2,311)	(2,324)
Disposals at the reporting period	-	(44)	(538)	(384)	(966)
<b>Accumulated depreciation/amortisation as at 31.12.2018.</b>	<b>10,501</b>	<b>897</b>	<b>260</b>	<b>7,822</b>	<b>19,480</b>
<b>Net carrying amount as at 01.01.2018.</b>	<b>4,327</b>	<b>318</b>	<b>1,035</b>	<b>3,898</b>	<b>9,578</b>
<b>Net carrying amount as at 31.12.2018.</b>	<b>3,362</b>	<b>199</b>	<b>659</b>	<b>1,540</b>	<b>5,760</b>

Movements in the Company's intangible assets, property and equipment in 2017:

	Intangible assets	Land	Construction in progress and leasehold improvements	Buildings and property improvement	Vehicles	Office equipment, IT and other	Total, excl. prepayments
	EUR'000						
<b>Value as at 01.01.2017.</b>	<b>12,491</b>	<b>173</b>	<b>7,921</b>	<b>1,164</b>	<b>1,608</b>	<b>12,400</b>	<b>35,757</b>
Additions	889	-	97	8	264	983	2,241
Disposals	(29)	-	-	(6)	(205)	(166)	(406)
<b>Value as at 31.12.2017. (restated)</b>	<b>13,351</b>	<b>-</b>	<b>-</b>	<b>1,166</b>	<b>1,667</b>	<b>13,217</b>	<b>29,401</b>
<b>Accumulated depreciation/amortisation as at 01.01.2017.</b>	<b>7,125</b>	<b>-</b>	<b>4,136</b>	<b>740</b>	<b>554</b>	<b>8,439</b>	<b>20,994</b>
Depreciation calculated for the reporting period	1,929	-	303	109	228	1,032	3,601
Write-off of depreciation	(30)	-	-	(1)	(150)	(152)	(333)
<b>Accumulated depreciation/amortisation as at 31.12.2017. (restated)</b>	<b>9,024</b>	<b>-</b>	<b>-</b>	<b>848</b>	<b>632</b>	<b>9,319</b>	<b>19,823</b>
<b>Net carrying amount 01.01.2017.</b>	<b>5,366</b>	<b>173</b>	<b>3,785</b>	<b>424</b>	<b>1,054</b>	<b>3,961</b>	<b>14,763</b>
<b>Net carrying amount 31.12.2017. (restated)</b>	<b>4,327</b>	<b>-</b>	<b>-</b>	<b>318</b>	<b>1,035</b>	<b>3,898</b>	<b>9,578</b>

## Note 16

## Other assets

	EUR'000			
	Group	Group	Company	Company
	31.12.2018.	31.12.2017. (restated)	31.12.2018.	31.12.2017. (restated)
Receivables	1,705	1,126	1,688	565
Receivables from subsidiaries	-	-	9,603	446
Settlements for payment card transactions	1,171	-	1,171	-
Settlements for financial instruments	282	148	282	148
<b>Total other financial assets</b>	<b>3,158</b>	<b>1,274</b>	<b>12,744</b>	<b>1,159</b>
Deferred expenses and accrued income	455	999	88	733
Inventory	2,628	1,568	994	-
Precious metals	419	447	419	447
Overpaid tax	1,252	314	33	27
Other assets	487	583	785	24
<b>Total other non-financial assets</b>	<b>5,241</b>	<b>3,911</b>	<b>2,319</b>	<b>1,231</b>
Impairment allowances	(1,037)	(734)	(579)	(106)
<b>Total other assets, net</b>	<b>7,362</b>	<b>4,451</b>	<b>14,484</b>	<b>2,284</b>

## Note 17

## Creditors' claims

	EUR'000			
	Group	Group	Company	Company
Category	31.12.2018.	31.12.2017.	31.12.2018.	31.12.2017.
<b>Reclassified from balances due to credit institutions</b>	<b>5,859</b>	<b>85,890</b>	<b>8,734</b>	<b>91,195</b>
<b>Reclassified from deposits</b>				
Corporates	1,231,544	2,291,330	1,275,299	2,195,296
Private individuals	314,409	528,002	314,409	484,654
<b>Total reclassified from deposits</b>	<b>1,545,953</b>	<b>2,819,332</b>	<b>1,589,708</b>	<b>2,679,950</b>
<b>Reclassified from ordinary bonds</b>				
Corporates	225,302	286,664	234,349	310,247
Private individuals	66,856	92,887	66,856	92,887
<b>Total reclassified from ordinary bonds</b>	<b>292,158</b>	<b>379,551</b>	<b>301,205</b>	<b>403,134</b>
<b>Reclassified from subordinated bonds</b>				
Corporates	75,873	75,225	75,873	75,225
Private individuals	51,780	50,968	51,780	50,968
<b>Total reclassified from subordinated bonds</b>	<b>127,653</b>	<b>126,193</b>	<b>127,653</b>	<b>126,193</b>
<b>Reclassified from subordinated deposits</b>				
Corporates	949	634	949	634
Private individuals	11,702	11,707	11,702	11,707
<b>Total reclassified from subordinated deposits</b>	<b>12,651</b>	<b>12,341</b>	<b>12,651</b>	<b>12,341</b>
<b>Reclassified from other liabilities</b>				
Corporates	1,434	-	1,561	-
<b>Total reclassified from other liabilities</b>	<b>1,434</b>	<b>-</b>	<b>1,561</b>	<b>-</b>
<b>Total creditors' claims</b>	<b>1,985,708</b>	<b>3,423,307</b>	<b>2,041,512</b>	<b>3,312,813</b>

Information on the order of satisfaction of creditors' claims that takes place in accordance with the Company's liquidation plan approved by the FCMC is available on the website of the Company:

<https://www.ablv.com/lv/legal-latest-news/ablv-bank-self-liquidation/questions-and-answers-on-voluntary-liquidation-process>.

## Note 18

### Deposits

On 23 February 2018, the Company received a decision On Unavailability of Deposits issued by the Council of the FCMC. In order to ensure disbursement of the guaranteed compensation, on 27 February 2018 the Company transferred EUR 480.0 million to the Deposit Guarantee Fund. On 3 March 2018 disbursement of guaranteed compensations started in Citadele banka, AS.

On 12 June 2018, the FCMC approved the decision of ABLV Bank, AS shareholders' meeting on the voluntary liquidation. Consequently, all client deposits are reclassified to the creditors' claims and shall be disbursed within the framework of certain groups of creditors, in compliance with the requirements set out in the Credit Institution Law regarding the settlement procedure with creditors. Thus, the maturity dates for all term deposits are not relevant. Interest accrual was stopped as of 13 June 2018 to all the deposits.

Even though the unavailability of deposits occurred on 23 February 2018 in the Company, for the purposes of data comparison, the Group's/Company's deposits as of 31 December are presented as creditors' claims (see Note 17).

## Note 19

### Issued securities

On 12 June 2018, the FCMC approved the decision of ABLV Bank, AS shareholders' meeting on the voluntary liquidation. Consequently, all the Company's securities issues will be subject to redemption at the same time as the claims of the respective creditors (see Note 17), and the principal will be paid to all securities holders within the framework of certain groups of creditors, in compliance with the requirements set out in the Credit Institution Law regarding the settlement procedure with creditors.

Thus, no redemption terms set by the Company for issued securities are relevant.

As from 13 June 2018, the accrual of an interest for ordinary bonds issued by the Company was suspended.

Starting from 19 February 2018 accrual of discount accrual, calculation of interest income and disbursement of coupons was terminated for the Company's subordinated bonds. The principal information about the bonds issued by the Company is available here: <https://www.ablv.com/lv/services/investments/bonds>.

On 25 September in the reporting period the Liquidation Committee of the Company decided on the redenomination of the initial currency of bonds ABLV FXD USD 030719 (ISIN: LV0000802270), ABLV FXD USD 271019 (ISIN: LV0000802320) and ABLV SUB USD 171127 (ISIN: LV0000802361) from USD to EUR. The currency of other bonds issued in USD was not changed. Upon the redenomination of the bonds the exchange rate set by the ECB on 24 September 2018 was applied, namely: USD 1.1773 for EUR 1. Additional information about this redenomination is available here: <https://www.ablv.com/lv/press/2018-09-25-obligaciju-emisiju-redenominacija>.

Even though the unavailability of deposits occurred on 23 February 2018 in the Company, for the purposes of data comparison, the bonds issued by the Group's/Company's as of 31 December 2017 are presented as creditors' claims (see Note 17).

In 2017 New Hanza Capital, AS, the subsidiary of the Group, issued straight bonds ISIN LV0000802312 in the amount of EUR 10.0 million. The annual interest rate of the bonds is fixed: 4.9% with semi-annual interest income payment. The issue date was 16 October 2017, and the maturity date is 16 October 2022. The issuer may redeem the bonds before maturity starting from 16 October 2019.

On 19 October 2017, these bonds were admitted to regulated market — included in the Baltic Bond List of Nasdaq Riga. Their initial placement price is 100% of the face value. The principles of recognition and accounting of these bonds have not changed in the reporting period.

At the end of the reporting period the value of the securities issued by New Hanza Capital, AS amounted to EUR 10.1 (10.1) million, but in the Group – EUR 9.6 (10.1) million.

## Note 20

### Subordinated liabilities

On 12 June 2018, the FCMC upheld the decision of ABLV Bank, AS shareholders' meeting on the voluntary liquidation. Consequently, all subordinated liabilities will be disbursed to depositors within the framework of certain groups of

creditors (see Note 17), in compliance with the requirements set out in the Credit Institution Law regarding the settlement procedure with creditors. Thus, the maturity dates for all subordinated deposits are not relevant.

Accrual of interest income on subordinated liabilities was suspended since 19 February 2018. Information on the subordinated bonds issued by the Company is presented in Note 19.

Even though the unavailability of deposits occurred on 23 February 2018 in the Company, for the purposes of data comparison, the subordinated liabilities of the Company as of 31 December are presented as creditors' claims (see Note 17).

## Note 21

### Paid-in share capital

As at 31 December 2018, the paid-in share capital of the Company amounted to EUR 42.1 million (42.1 million). The par value of each share is EUR 1.0 (1.0).

The Company's share capital consists of 38,250,000 (38,250,000) ordinary registered voting shares and 3,830,000 (3,830,000) registered non-voting shares (personnel shares).

All registered voting shares ensure equal rights to dividends, liquidation quota and voting rights at the shareholders' meeting. All personnel shares ensure equal rights to dividends. Holders of personnel shares have no voting rights and no rights to liquidation quota.

As at 31 December 2018, the Company had 137 (138) voting shareholders.

The major shareholders of the Company are as follows:

Shareholders	31.12.2018.		31.12.2017.	
	Share of capital, EUR'000	Share of voting rights, %	Share of capital, EUR'000	Share of voting rights, %
<b>Ernests Bernis and Nika Berne (direct and indirect ownership)</b>				
ASG Resolution Capital, AS	11,000	28.76	-	-
Cassandra Holding Company, SIA	5,646	14.76	14,433	37.73
Ernests Bernis	-	-	1,887	4.93
Nika Berne	-	-	325	0.85
<b>Ernests Bernis and Nika Berne (direct and indirect ownership) total</b>	<b>16,646</b>	<b>43.52</b>	<b>16,645</b>	<b>43.51</b>
<b>Oļegs Fiļs (indirect ownership)</b>				
OF Holding, SIA	16,646	43.52	16,646	43.52
<b>Oļegs Fiļs (indirect ownership) total</b>	<b>16,646</b>	<b>43.52</b>	<b>16,646</b>	<b>43.52</b>
Other shareholders, total	4,958	12.96	4,959	12.97
<b>Total voting shares</b>	<b>38,250</b>	<b>100.00</b>	<b>38,250</b>	<b>100.00</b>
Non-voting shares (personnel shares)	3,830		3,830	
<b>Total share capital</b>	<b>42,080</b>		<b>42,080</b>	

## Note 22

## Other liabilities

	EUR'000			
	Group	Group	Company	Company
	31.12.2018.	31.12.2017. (restated)	31.12.2018.	31.12.2017. (restated)
Group's consolidated fund shares owned by third parties	-	13,272	-	-
Other liabilities	827	1,839	607	1,839
Settlements of transactions with financial instruments	384	1,396	384	1,379
Funds for repayment of liabilities	2,087	-	2,087	-
Liabilities for settlements of deposit guarantees	5,883	-	5,883	-
Settlements with subsidiaries	-	-	126	635
Payables to suppliers	2,771	4,990	570	20
<b>Total other financial liabilities</b>	<b>11,952</b>	<b>21,497</b>	<b>9,657</b>	<b>3,873</b>
Deferred expenses and accrued income	8,564	19,097	7,742	17,767
Accrued employees vacation pay	1,055	1,783	914	1,570
Other liabilities	1,970	1,307	821	381
<b>Total other non-financial liabilities</b>	<b>11,589</b>	<b>22,187</b>	<b>9,477</b>	<b>19,718</b>
<b>Total other liabilities</b>	<b>23,541</b>	<b>43,684</b>	<b>19,134</b>	<b>23,591</b>

## Note 23

## Off-balance sheet items

	EUR'000			
	Group	Group	Company	Company
	31.12.2018.	31.12.2017. (restated)	31.12.2018.	31.12.2017. (restated)
Off-balance sheet item type				
Loan commitments	10,221	26,905	10,114	22,527
Agreements signed on non-financial asset acquisitions	5,901	2,536	-	-
Guarantees	2,877	7,314	2,782	7,227
Undrawn credit lines	-	1,864	-	1,863
Credit letters	-	4,091	-	4,091
Unused limits for payments cards	-	12,423	-	-
<b>Contingent liabilities and other off-balance sheet items, total</b>	<b>18,999</b>	<b>55,133</b>	<b>12,896</b>	<b>35,708</b>

## Note 24

## Related party disclosures

Related parties of the Group and the Company are defined as shareholders who have a significant ownership share, and before 12 June 2018 chairman and members of the Company's council and board, and since 13 June 2018 – liquidators, head of Internal Audit Department, key management personnel of the Group and the Company that are authorised to plan, manage and control Group's/Company's operations and are responsible for these functions, and spouses, children and other persons of the individuals referred to previously, Company's subsidiaries and companies in which the Group/Company has an interest, companies in which abovementioned individuals have a significant ownership share as well as other legal entities.

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2018

### Group's transactions with related parties:

	31.12.2018.										EUR'000
	31.12.2017.										
	Shareholders	Liquidators	Management	Related companies	Associated companies	Other related individuals	Shareholders	Management	Related companies	Associated companies	Other related individuals
<b>Assets</b>											
Loans	-	-	526	-	6,011	-	498	1,607	181	7,223	153
<b>Liabilities</b>											
Creditors' claims	2,757	-	3,915	237	3,872	78	-	-	-	-	-
Deposits	-	-	-	-	-	-	4,048	2,148	3,099	6,471	499
Ordinary bonds	-	-	-	-	-	-	404	116	909	-	99
Subordinated bonds	-	-	-	-	-	-	1,381	7,530	2,398	2,118	1,289
<b>Memorandum items</b>											
Loan commitments	-	-	-	-	2,310	-	-	109	8	4,594	18
<b>Income/expense</b>											
	01.01.2018.–31.12.2018.						01.01.2017.–31.12.2017.				
Interest income	5	-	11	-	229	1	27	43	3	263	2
Interest expense	(8)	-	(28)	-	(21)	-	(62)	(307)	(57)	(130)	(45)
Commission income	58	-	6	3	90	-	64	17	17	26	4
Commission expense	-	-	-	-	-	-	(15)	-	-	-	-
Other ordinary income	8	-	17	-	9	-	-	-	-	-	-
Net gain from transactions with financial instruments	1	-	1	-	422	-	-	-	-	538	-
Other administrative expense	-	-	-	(9)	(2)	-	-	-	-	(205)	-
Impairment allowances, net	-	-	(4)	-	(1)	-	-	(1)	-	(3)	-

### Company's transactions with related parties:

	31.12.2018.										EUR'000
	31.12.2017.										
	Shareholders	Liquidators	Management	Related companies	Subsidiaries and associated companies	Other related individuals	Shareholders	Management	Related companies	Subsidiaries and associated companies	Other related individuals
<b>Assets</b>											
Balances due to credit institutions	-	-	-	-	-	-	-	-	-	15,845	-
Investments in financial instruments	-	-	-	-	289	-	-	-	-	-	-
Loans	-	-	526	-	10,124	-	498	1,607	181	11,846	153
<b>Liabilities</b>											
Creditors' claims	2,757	-	3,915	237	65,006	78	-	-	-	-	-
Balances due to credit institutions	-	-	-	-	-	-	-	-	-	9,104	-
Deposits	-	-	-	-	-	-	4,048	2,148	5,260	41,871	499
Ordinary bonds	-	-	-	-	-	-	-	-	-	23,583	34
Subordinated bonds	-	-	-	-	-	-	1,381	7,530	2,398	2,118	1,289
<b>Memorandum items</b>											
Loan commitments	-	-	-	-	2,310	-	-	109	8	4,661	18
Guarantees	-	-	-	-	179	-	-	-	-	8	-
<b>Income/ expense</b>											
	01.01.2018.–31.12.2018.						01.01.2017.–31.12.2017. (restated)				
Interest income	5	-	11	-	342	1	27	43	3	459	2
Interest expense	(9)	-	(28)	-	(69)	-	(58)	(306)	(48)	(313)	(44)
Dividend income	-	-	-	-	-	-	-	-	-	3,614	-
Commission income	-	-	4	-	162	-	1	14	11	701	2
Commission expenses	-	-	-	-	(777)	-	-	-	-	(5,776)	-
Net gain from transactions with financial instruments	8	-	17	-	73	-	-	-	-	-	-
Other ordinary income	1	-	1	-	2,022	-	-	-	-	3,065	-
Other administrative expense	-	-	-	(9)	(1,272)	-	-	-	-	(1,287)	-
Impairment allowances, net	-	-	(4)	-	(12,455)	-	-	(1)	-	(27,006)	-

Information on registered non-voting shares (personnel shares) is presented in Note 21, information on remuneration to the council and board members of the Group and the Company is presented in Note 7. Meanwhile, information on changes in investments in subsidiaries and associates is disclosed in Note 12 and for other assets – in Note 16.

## Note 25

### Segment information

The management of the Group believes that the Group's operations can be organised into four segments based on the core business activities as follows: financial (ex banking) services (in the reporting period rendering this service was terminated/limited), advisory services, investment management services, and real estate development.

In the reporting period, given the commenced procedure of liquidation of the Company and that a credit institution's license has been withdrawn from the Company, the Company suspended rendering financial (ex. banking) services, while ABLV Bank Luxembourg, S.A. financial (ex banking) services were restricted. During the reporting period the Group did not change classification of primary lines of business into segments compared to classification used in the preparation of prior period financial statements.

The Group defines its operating segments based on its organisational structure. The Company views its operations as one single segment, without making any separate disclosures, while at the Group level the Company and all its subsidiaries are attributed to the Group's operating segments as follows:

- financial (ex banking) services (in the reporting period rendering of these services was terminated/limited): ABLV Bank, AS in liquidation;
- financial (ex banking) services, which were reclassified to non-current investments held for sale in the reporting period: ABLV Bank Luxembourg, S.A.;
- investment management services: ABLV Capital Markets, IBAS, PEM, SIA, PEM 1, SIA, New Hanza Capital, AS, NHC 1, SIA, NHC 2, SIA, NHC 3, SIA, NHC 4, SIA, NHC 5, SIA, NHC 6, SIA;
- investment management services, which were reclassified to non-current investments held for sale in the reporting period: ABLV Asset Management, IPAS, open-end investment fund included in the Group consolidation (see Note 12);
- advisory services: ABLV Consulting Services, AS, REDDebitum, SIA (previously known as ABLV Advisory Services, SIA);
- real estate development: New Hanza Centre, SIA (previously known as ABLV Building Complex, SIA), Pillar Holding Company, KS, Pillar, SIA, Pillar 3 (merged with Pillar 7 & 8, SIA), SIA, Pillar 4 & 6, SIA, SIA, Pillar 11, SIA, Pillar 2, 12 & 14 SIA, Pillar Technologies, SIA (previously known as Pillar 18, SIA), Pillar 19, SIA, Pillar 20, SIA, Pillar 21, SIA, Pillar 22, SIA, Pillar 23, SIA, Pillar Development, SIA, Pillar Energy, SIA (previously known as Pillar Utilities, SIA), Hanzas Dārzs, SIA, Pillar Management, SIA, Pillar RE Services, SIA, Pillar Contractor, SIA, Pillar Architekten, SIA.

Operating segment information is prepared on the basis of internal reports.

# Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2018

## Analysis of the operating segments of the Group:

EUR'000

	01.01.2018.-31.12.2018								
	Financial services	Financial services*	Investment management	Investment management*	Advisory services	Real estate development	Total group before consolidated adjustments	Eliminated or corrected on consolidation	Group, total
Net interest income	34 585	1 022	(636)	-	77	-	35 048	(254)	34 794
External transactions	34 329	1 059	(594)	-	-	-	-	-	-
Internal transactions	256	(37)	(42)	-	77	-	-	-	-
Net commission income	3 295	1 111	2 511	1 399	(29)	(8)	8 279	(135)	8 144
External transactions	4 085	1 122	1 580	1 399	(26)	(16)	-	-	-
Internal transactions	(790)	(11)	931	-	(3)	8	-	-	-
Net result of transactions with securities and foreign exchange, dividends received	(347)	(568)	4 059	-	(21)	(765)	2 358	(3 306)	(948)
External transactions	(293)	(593)	(43)	6	-	(25)	-	-	-
Internal transactions	(54)	25	4 102	(6)	(21)	(740)	-	-	-
Net other income/expenses	2 003	(1 003)	4 487	(453)	484	(9 331)	(3 813)	(793)	(4 606)
External transactions	78	(913)	5 375	(453)	(281)	(8 412)	-	-	-
Internal transactions	1 925	(90)	(888)	-	765	(919)	-	-	-
Personnel and other administrative expenses	(41 876)	(4 793)	(2 955)	(943)	(1 972)	(4 960)	(57 499)	5 537	(51 962)
Depreciation	(2 947)	(42)	(91)	(6)	(43)	(348)	(3 477)	(237)	(3 714)
Impairment allowance and other provisions	(22 380)	(237)	-	-	-	(4 103)	(26 720)	15 792	(10 928)
Corporate income tax	154	-	(1)	-	(2)	(1)	150	-	150
<b>Total segment profit/(loss)</b>	<b>(27 513)</b>	<b>(4 510)</b>	<b>7 374</b>	<b>(3)</b>	<b>(1 506)</b>	<b>(19 516)</b>	<b>(45 674)</b>	<b>16 604</b>	<b>(29 070)</b>

Additions of property and equipment, intangible assets and investment property	1 292	-	3 651	-	1	12 577	17 521	-	17 521
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31.12.2018.

<b>Total segment assets</b>	<b>2 356 838</b>	<b>150 058</b>	<b>93 604</b>	<b>27 877</b>	<b>988</b>	<b>174 637</b>	<b>2 804 002</b>	<b>(310 162)</b>	<b>2 493 840</b>
<b>Total segment liabilities</b>	<b>2 061 042</b>	<b>138 553</b>	<b>41 345</b>	<b>26 588</b>	<b>675</b>	<b>27 868</b>	<b>2 296 071</b>	<b>(116 704)</b>	<b>2 179 367</b>

\* - which in the reporting period reclassified to non-current investments held for sale

EUR'000

	01.01.2017.-31.12.2017.(restated)							
	Financial services	Investment management	Advisory services	Advisory services terminated due to the loss of control	Real estate development	Total group before consolidated adjustments	Eliminated or corrected on consolidation	Group, total
Net interest income	61,445	(268)	-	-	56	61,233	(11)	61,222
External transactions	61,403	(181)	-	-	-	-	-	-
Internal transactions	42	(87)	-	-	56	-	-	-
Net commission income	27,255	6,279	(15)	(3)	(8)	33,508	3,599	37,107
External transactions	32,411	4,704	(8)	-	-	-	-	-
Internal transactions	(5,156)	1,575	(7)	(3)	(8)	-	-	-
Net result of transactions with securities and foreign exchange, dividends received	23,433	(66)	(54)	2	4	23,319	(3,581)	19,738
External transactions	19,790	(17)	(37)	2	-	-	-	-
Internal transactions	3,643	(49)	(17)	-	4	-	-	-
Net other income/expenses	12,006	7,306	4,693	2,648	2,752	29,405	(11,987)	17,418
External transactions	6,588	7,432	106	2,595	697	-	-	-
Internal transactions	5,418	(126)	4,587	53	2,055	-	-	-
Personnel and other administrative expenses	(71,931)	(4,566)	(5,278)	(2,196)	(4,537)	(88,508)	5,687	(82,821)
Depreciation	(3,819)	(76)	(120)	(10)	(402)	(4,427)	77	(4,350)
Impairment allowance and other provisions	(27,001)	(289)	-	-	(18,781)	(46,071)	45,898	(173)
Corporate income tax	923	(464)	(125)	(70)	(69)	195	(64)	131
Total segment profit/(loss)	22,311	7,856	(899)	371	(20,985)	8,654	39,618	48,272
Additions of property and equipment, intangible assets and investment property	2,713	14,567	1	-	13,269	30,550	-	30,550
								31.12.2017.
Total segment assets	3,876,744	102,474	2,690	-	154,473	4,136,381	(308,329)	3,828,052
Total segment liabilities	3,544,304	59,391	1,267	-	10,531	3,615,493	(138,318)	3,477,175

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2018

Information on geographical segments of Group's financial instruments and issued loans is provided in Note 10 and Note 11, respectively.

### Note 26

#### Fair value

The carrying amounts and fair values of the Group's assets and liabilities are as follows:

	31.12.2018.		31.12.2017.(restated)	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets at fair value</b>				
Derivatives	-	-	1,942	1,942
Investment property	101,289	101,289	63,951	63,951
Financial assets at fair value through profit or loss	86,889	86,889	1,798,687	1,798,687
Available-for-sale financial assets	-	-	87,785	87,785
Financial assets at fair value through other comprehensive income	8,107	8,107	-	-
<b>Total assets at fair value</b>	<b>196,285</b>	<b>196,285</b>	<b>1,952,365</b>	<b>1,952,365</b>
<b>Assets not measured at fair value</b>				
Cash	9,335	9,335	13,521	13,521
Balances due from credit institutions	1,391,389	1,391,389	662,918	662,918
Loans	664,387	664,453	1,037,956	1,037,360
Held-to-maturity investment	-	-	65,931	65,187
Other financial assets	3,158	3,158	1,274	1,274
<b>Total assets not measured at fair value</b>	<b>2,068,269</b>	<b>2,068,335</b>	<b>1,781,600</b>	<b>1,780,260</b>
<b>Liabilities at fair value</b>				
Derivatives	-	-	29	29
Group's consolidated fund shares owned by 3rd parties	-	-	13,272	13,272
<b>Total liabilities at fair value</b>	<b>-</b>	<b>-</b>	<b>13,301</b>	<b>13,301</b>
<b>Liabilities not valued at fair value</b>				
Liabilities not valued at fair value	2,014,482	2,014,482	3,441,601	3,437,666
<b>Total liabilities not valued at fair value</b>	<b>2,014,482</b>	<b>2,014,482</b>	<b>3,441,601</b>	<b>3,437,666</b>

The carrying amounts and fair values of the Company's assets and liabilities are as follows:

	31.12.2018.		31.12.2017.(restated)	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets at fair value</b>				
Derivatives	-	-	96	96
Investment property	-	-	28,969	28,969
Financial assets at fair value through profit or loss	99,339	99,339	1,785,169	1,785,169
Available-for-sale financial assets	-	-	8,743	8,743
Financial assets at fair value through other comprehensive income	8,107	8,107	-	-
<b>Total assets at fair value</b>	<b>107,446</b>	<b>107,446</b>	<b>1,822,977</b>	<b>1,822,977</b>
<b>Assets not measured at fair value</b>				
Cash and demand deposits with central banks	9,332	9,332	13,521	13,521
Balances due from credit institutions	1,378,915	1,378,915	674,102	674,102
Loans	668,464	668,530	996,098	995,692
Other financial assets	8,244	8,244	1,159	1,159
<b>Total assets not measured at fair value</b>	<b>2,064,955</b>	<b>2,065,021</b>	<b>1,684,880</b>	<b>1,684,474</b>
<b>Liabilities at fair value</b>				
Derivatives	-	-	12	12
<b>Total liabilities at fair value</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>12</b>
<b>Liabilities not valued at fair value</b>				
Liabilities not valued at fair value	2,051,565	2,051,565	3,316,674	3,312,700
<b>Total liabilities not valued at fair value</b>	<b>2,051,565</b>	<b>2,051,565</b>	<b>3,316,674</b>	<b>3,312,700</b>

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2018

The Group's assets and liabilities according to the hierarchy of input data for determining the fair value:

EUR'000							
31.12.2018.				31.12.2017.(restated)			
Assets at fair value	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Total
Derivatives	-	-	-	-	-	1,942	1,942
Financial assets at fair value through profit or loss	76,088	10,732	69	86,889	1,784,263	6,630	1,798,687
Available-for-sale financial assets	-	-	-	-	69,046	13,568	87,785
Financial assets at fair value through other comprehensive income	-	2,174	5,933	8,107	-	-	-
Investment property	-	-	101,289	101,289	-	-	63,951
<b>Total assets at fair value</b>	<b>76,088</b>	<b>12,906</b>	<b>107,291</b>	<b>196,285</b>	<b>1,853,309</b>	<b>22,140</b>	<b>1,952,365</b>
<b>Assets not measured at fair value</b>							
Loans	-	-	664,387	664,387	-	-	1,037,956
Held-to-maturity investments	-	-	-	-	65,931	-	65,931
<b>Total assets not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>664,387</b>	<b>664,387</b>	<b>65,931</b>	<b>-</b>	<b>1,103,887</b>
<b>Liabilities at fair value</b>							
Derivatives	-	-	-	-	6	23	29
Group's consolidated fund shares owned by third parties	-	-	-	-	-	13,272	13,272
<b>Total liabilities at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>13,295</b>	<b>13,301</b>
<b>Liabilities not valued at fair value</b>							
Liabilities not valued at fair value	-	-	-	-	-	611,294	698,953
<b>Total liabilities not valued at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>611,294</b>	<b>698,953</b>

This analysis of input data hierarchy for determining the fair value does not include cash on hand, deposits with central banks, balances due from credit institutions and other financial assets, because of the short residual maturity no difference exists between the carrying amount and fair value for these assets.

This analysis of input data hierarchy for determining the fair value does not include Group's liabilities in the amount of EUR 2.0 (2.72) billion and Company's liabilities in the amount of EUR 2.0 (2.64) billion, because the Group and the Company believe that no difference exists between the carrying amount and fair value for these liabilities.

The Company's assets and liabilities according to the hierarchy of input data for determining the fair value:

EUR'000							
31.12.2018.				31.12.2017.(restated)			
Assets at fair value	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Total
Derivatives	-	-	-	-	-	96	96
Financial assets at fair value through profit or loss	88,249	10,732	358	99,339	1,758,413	18,962	1,785,169
Available-for-sale	-	-	-	-	-	3,572	8,743
Financial assets at fair value through other comprehensive income	-	2,174	5,933	8,107	-	-	-
Investment property	-	-	-	-	-	-	28,969
<b>Total assets at fair value</b>	<b>88,249</b>	<b>12,906</b>	<b>6,291</b>	<b>107,446</b>	<b>1,758,413</b>	<b>22,630</b>	<b>1,822,977</b>
<b>Assets not measured at fair value</b>							
Loans	-	-	668,464	668,464	-	-	1,003,062
<b>Total assets not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>668,464</b>	<b>668,464</b>	<b>-</b>	<b>-</b>	<b>1,003,062</b>
<b>Liabilities at fair value</b>							
Derivatives	-	-	-	-	6	6	12
<b>Total liabilities at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>6</b>	<b>12</b>
<b>Liabilities not valued at fair value</b>							
Liabilities not valued at fair value	-	-	-	-	-	622,313	665,548
<b>Total liabilities not valued at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>622,313</b>	<b>665,548</b>

Reclassifications of financial instruments between Level 1 and 2 of the hierarchy for sources of determining the fair value in the reporting period and previous reporting period was insignificant.

Analysis of changes in the Group's/Company's financial instruments of hierarchy Level 3:

EUR'000

	31.12.2018.	Derecognition	Recogni tion	Change in revaluation reserve	Reclassificati on	31.12.2017.
<b>Assets at fair value</b>						
Group						
Financial assets at fair value through other comprehensive income	5,933	(172)	-	934	-	5,171
Financial assets at fair value through profit or loss	69	(7,639)	-	-	(86)	7,794
<b>Total assets at fair value</b>	<b>6,002</b>	<b>(7,811)</b>	<b>-</b>	<b>934</b>	<b>(86)</b>	<b>12,965</b>
Company						
Financial assets at fair value through other comprehensive income	5,933	(172)	-	934	-	5,171
Financial assets at fair value through profit or loss	358	(7,639)	289	-	(86)	7,794
<b>Total assets at fair value</b>	<b>6,291</b>	<b>(7,811)</b>	<b>289</b>	<b>934</b>	<b>(86)</b>	<b>12,965</b>

Analysis of change in the amount of investment property disclosed under Note 13.

During the reporting period securities amounting to EUR 7.2 (0) million issued by one credit institution registered in Latvia were reclassified from Level 2 to Level 3, while in the previous reporting period securities amounting to EUR 0.4 (0) million of one credit institution registered in Latvia were reclassified from Level 2 to Level 3 during the reporting period.

EUR'000

	31.12.2017.	Recognition	Change in revaluation reserve	Reclassification	31.12.2016.
<b>Assets at fair value</b>					
Available-for-sale	5,171	60	1,837	(68)	3,342
Financial assets at fair value through profit or loss	7,794	-	-	7,794	-
<b>Total assets at fair value</b>	<b>12,965</b>	<b>60</b>	<b>1,837</b>	<b>7,726</b>	<b>3,342</b>

The Company did not conduct a sensitivity analysis for securities portfolio, because investments in securities comprised insignificant part of Group's/Company's total assets at the end of the reporting period.

Sensitivity of investment property value against market fluctuations was assessed by the discounted cash flow method and it matches changes in lease payments, i.e., when income from lease payments decrease by 5.0% (5.0%), the asset value decrease by 5.53% (5.26%).

## Note 27

### Risk management

Since the Company received a decision of the Board of FCMC "On Unavailability of deposits" on 23 February 2018, the Company's ability to manage certain risk, in particular, interest rate risk and credit risk is limited. Nevertheless, the Company is working on limiting those risks. Significant risks the Company is exposed to are credit risk, liquidity risk, money laundering, terrorism financing and sanction risk and operational risk.

Liquidation Committee is responsible for supervision of risk management practices for risks inherent to the Group/Company, and Executive Committee – for risk identification and management.

### Credit risk

Credit risk is an exposure to potential loss in the situation when the Group's or Company's counterparty, borrower or debtor is unable to fulfil its contractual obligations to the Group or the Company or pledged assets are not sufficient to cover the Group's or Company's claims.

Within the Group and the Company credit risk is inherent to loans, investments in fixed-income debt securities and amounts due from credit institutions.

In order to measure and manage a credit risk, the Group and the Company regularly assesses borrower's creditworthiness and collateral, asset quality, performs quality assessment of loan portfolio; analysis of debt securities, its issuers and custodians of financial instruments, as well as credit risk monitoring of those credit institutions which hold current accounts for the Group and the Company.

In order to assess solvency of private individuals, the Company has developed an internal rating system which divides customers into categories on the basis of their income level and quality of their credit histories. To manage credit risk related to private individuals, the Company monitors loan payment delays and changes in collateral value, as well as evaluates adequacy of customer's income on a sample basis. The Group and the Company assess creditworthiness of corporate customers by conducting financial due diligence; subsequently, borrower's financial position is reviewed on a regular basis. Corporate customers are also assigned monitoring/ risk factors, and any instances of non-compliance with these factors indicate that credit risk might have increased before the financial position of such customer is reviewed.

Real estate is appraised by an independent appraiser accepted by the Group and the Company. The Group/the Company may adjust (reduce) the value determined by the independent appraiser if, in the Company's opinion, the appraiser has not accounted for certain risk factors in its appraisal.

Liquidation committee regularly performs assessments of assets and off-balance sheet items, i.e. estimating their recovery values.

Past due loans are loans with delayed contractual interest and/or principal payments. Specific loan categories (mortgage loans, corporate loans, consumer loans, etc.) have different aging criteria (8 to 90 days) which are defined by assessing and considering risks inherent to the respective loan categories. Information on delayed loan payments is disclosed starting from the first day of delay. Impaired loans are loans which are included in stage 3 quality category or loans, which are past due more than 90 days or objective arguments exist that a borrower would not be able to repay its liabilities towards institution, provided that the entity would not implement additional actions, for example, realization of collateral.

Cash limits are set for current accounts in credit institutions, which are used to ensure Group's/Company's operations, in order to limit Group's/Company's exposure to credit risk of corresponding credit institutions. By gradually terminating cooperation with remaining credit institutions, assets are recovered and cash is accumulated in the Bank of Latvia.

#### Credit quality analysis for the Group:

	EUR'000					Fair value of collateral
	Mortgage	Business	Other	Consumer	Total	31.12.2018.
Neither past due nor impaired loans	218,451	324,865	6,427	174	549,917	488,210
Past due but not impaired loans, incl.:	42,981	35,393	-	36	78,410	70,989
less than 30 days	35,067	21,853	-	24	56,944	51,169
from 31 to 59 days	6,522	13,540	-	12	20,074	18,766
from 60 to 89 days	1,392	-	-	-	1,392	1,054
more than 90 days	-	-	-	-	-	-
Impaired loans	13,763	49,789	1,266	48	64,866	55,292
<b>Total gross loans</b>	<b>275,195</b>	<b>410,047</b>	<b>7,693</b>	<b>258</b>	<b>693,193</b>	<b>614,491</b>
Impairment allowance	(9,334)	(18,148)	(1,265)	(59)	(28,806)	
<b>Total net loans</b>	<b>265,861</b>	<b>391,899</b>	<b>6,428</b>	<b>199</b>	<b>664,387</b>	
31.12.2017. (restated)						
Neither past due nor impaired loans	257,575	651,423	71,131	1,095	981,224	849,922
Past due but not impaired loans, incl.:	29,631	2,701	-	106	32,438	25,116
less than 30 days	23,624	2,662	-	80	26,366	20,274
from 31 to 59 days	4,441	33	-	18	4,492	3,474
from 60 to 89 days	678	6	-	8	692	480
more than 90 days	888	-	-	-	888	888
Impaired loans	19,003	17,335	1,265	99	37,702	26,977
<b>Total gross loans</b>	<b>306,209</b>	<b>671,459</b>	<b>72,396</b>	<b>1,300</b>	<b>1,051,364</b>	<b>902,015</b>
Impairment allowance	(6,016)	(6,122)	(1,226)	(44)	(13,408)	
<b>Total net loans</b>	<b>300,193</b>	<b>665,337</b>	<b>71,170</b>	<b>1,256</b>	<b>1,037,956</b>	

Credit quality analysis for the Company:

	EUR'000					
	Mortgage	Business	Other	Consumer	Total	Fair value of collateral
	31.12.2018.					
Neither past due nor impaired loans	218,451	328,945	6,427	174	553,997	492,293
Past due but not impaired loans, incl.:	42,981	35,393	-	36	78,410	70,989
less than 30 days	35,067	21,853	-	24	56,944	51,169
from 31 to 59 days	6,522	13,540	-	12	20,074	18,766
from 60 to 89 days	1,392	-	-	-	1,392	1,054
more than 90 days	-	-	-	-	-	-
Impaired loans	13,763	49,789	1,266	48	64,866	55,292
<b>Total gross loans</b>	<b>275,195</b>	<b>414,127</b>	<b>7,693</b>	<b>258</b>	<b>697,273</b>	<b>618,574</b>
Impairment allowance	(9,334)	(18,151)	(1,265)	(59)	(28,809)	
<b>Total net loans</b>	<b>265,861</b>	<b>395,976</b>	<b>6,428</b>	<b>199</b>	<b>668,464</b>	
	31.12.2017.(restated)					
Neither past due nor impaired loans	257,575	609,602	71,131	1,094	939,402	810,872
Past due but not impaired loans, incl.:	29,631	2,702	-	106	32,439	25,116
less than 30 days	23,624	2,663	-	80	26,367	20,274
from 31 to 59 days	4,441	33	-	18	4,492	3,474
from 60 to 89 days	678	6	-	8	692	480
more than 90 days	888	-	-	-	888	888
Impaired loans	19,003	17,302	1,265	74	37,644	26,977
<b>Total gross loans</b>	<b>306,209</b>	<b>629,606</b>	<b>72,396</b>	<b>1,274</b>	<b>1,009,485</b>	<b>862,965</b>
Impairment allowance	(6,016)	(6,111)	(1,226)	(34)	(13,387)	
<b>Total net loans</b>	<b>300,193</b>	<b>623,495</b>	<b>71,170</b>	<b>1,240</b>	<b>996,098</b>	

As at 31 December 2018, the gross amount of loans with modified maturity date for principal or interest amounted to EUR 76.0 (85.0) million.

### Liquidity risk

Liquidity risk is a risk that legal payment obligations to creditors are not met. The purpose of Company's liquidity risk management is to ensure the availability of liquid assets in the amount that is sufficient to meet obligations to creditors. The Company manages liquidity risk by implementing steps specified in Company's voluntary liquidation plan, recovering assets and accumulating cash in the Bank of Latvia.

Insufficient market liquidity could negatively affect payments to creditors by selling asset positions at discount and not reaching planned market prices. As of December 31, 2018 Company's exposure to liquidity risk is limited, major portion of Company's securities portfolio assets had been sold during the reporting period.

### Interest rate risk

Interest rate risk represents the adverse effect of market interest rate fluctuations on the Company's financial position. By implementing steps specified in Company's voluntary liquidation plan, recovering assets and accumulating cash in the Bank of Latvia, the Company decreased its exposure to yield curve risk, which defined as possibility of facing losses due to unforeseen changes in yield curve slope and shape, and to basis risk, a possibility of facing losses due to changes in interest rates of financial instruments with equal repricing terms, but different basis rates. As interest accrual on all Company's liabilities has been suspended, the Company is no longer exposed to repricing risk, which realizes from changes in interest rates when a mismatch in remaining maturity or repricing terms of assets, liabilities and off-balance sheet items exists.

Optionality risk is a chance of facing losses, if a financial instrument directly or indirectly provides its holder a choice among available options. Realization of optionality risk by recovering assets before their legal final maturities is beneficial for the Company in the process of voluntary liquidation.

### Currency risk

Currency risk is related to mismatch in asset and liability positions denominated in foreign currencies that impact the Group's cash flows and financial results via fluctuations in currency exchange rates.

Company's largest open currency positions are in EUR and USD (US dollars). Company restricts its USD open position by performing marginal trading operations. Open positions in other currencies mostly consist of Company's assets denominated in those currencies. The Company reduces its currency risk exposure by gradually recovering those assets and converting them to EUR.

## Operational risk

Operational risk is a risk of direct or indirect loss caused by non-complying or incomplete internal processes, human error or systems failure, as well as external factors. Operational risk comprises legal risk but excludes strategic and reputational risk.

Given that businesses and processes for which operational risk is being assessed are various and specific, management of each operational risk event is a responsibility of the respective process analyst.

Information on operational risk events resulting in actual losses as well as on those events for which no actual losses have been identified is registered and classified in Group's/Company's operational risk event database. This enables Group/Company to identify potential losses and take all necessary measures to prevent such losses.

During the reporting period, 264 (951) operational risk events were registered in the database, of which only 12 (63) events resulted in actual losses amounting to EUR 27.9 (229.5) thousand. The considerable number of the identified and registered events and, at the same time, relatively small amount of losses indicates on active involvement of the Group's and Company's employees in the operational risk management and efficiency of the control environment.

## Money laundering, terrorism financing and sanction risk

Money laundering and terrorism financing (hereinafter – AML/CTF) and sanction risk is an exposure and likelihood that a person may be used in the laundering of proceeds derived from criminal activity, in terrorism financing or in violating sanctions vis-a-vis the services it provides, its customer base, the geographic operational profile of its customers, and the supply channels of products and services.

Following the release of notice of proposed rulemaking by FinCEN on 13 February 2018, employees of Compliance division assisted Company's attorneys from WilmerHale US office, who on 17 April 2018 submitted a commentary letter to FinCEN regarding the proposed rulemaking.

Taking into account that on 18 February 2018 the FCMC decided to temporarily restrict payments of the Company preventing the Company from performing debit transactions in customer accounts in any currency and the decision adopted by ECB on the annulment of the licence of the Company, the scope of assignments related to AML/CTF and sanctions compliance decreased, which resulted in significant staff reduction in Compliance department. Staff was retained in the amount, which would enable the Company to comply with AML/CTF and sanction risk requirements, which are relevant to the Company according to the FCMC's approved liquidation plan.

In the reporting period, including the period since the beginning of liquidation, the Company continued to perform AML/CTF and sanction risk management and prevention activities not related to settlement of creditor claims, in order to preclude the situations that the Company is exploited in money laundering, terrorism financing and sanctions violations and to facilitate crime detection, including:

- performed due diligence;
- performed screening against terrorist and sanctions lists;
- reported unusual and suspicious transactions to Control Service (FIU of Latvia), as well as unusual transactions in the tax field to the State Revenue Service;
- provided information on inquiries from state institutions and officials, including the FCMC, the Control Service and the State Revenue Service;
- continued to execute orders and decisions of state institutions and officials.

For purposes of liquidation the international consulting company EY was hired to develop a methodology for money laundering, terrorism financing and sanction risk checks of creditors, to review the creditors and to monitor the payouts.

## Note 28

### Litigation and claims

In the ordinary course of business, the Company has been involved in a number of legal proceedings to recover outstanding credit balances and maintain collateral in specific loan agreements. The management believes that any legal proceedings pending as at 31 December 2018 will not result in material losses for the Company and/or the Group.

## Note 29

### Subsequent events

As of the last day of the reporting year until the date of signing of these consolidated and separate financial statements there have been no events requiring adjustment of or disclosure in these consolidated and separate financial statements or notes thereto, except the ones mentioned below.

On 8 January 2019 the Company and Duet Group Limited entered into share purchase agreement to acquire 100% of the shares of ABLV Bank Luxembourg, S. A.

On 5 February 2019 Company's shareholders at the extraordinary meeting decided to appoint two new liquidators – Lauma Bērziņa and Ringolds Balodis, who were approved by the FCMC on 4 March 2019, and decided to accept the resignation of liquidator Elvijs Vēbers, determining 6 February 2018 to be the last day in the office.

In January 2019, the Company sold its share in NHC5, SIA to New Hanza Capital, AS.

On 6 March 2019, the Council of the FCMC approved the Methodology for AML/CTF/IS Compliance Monitoring Process, which is envisaged in the Company's liquidation plan.

## **INDEPENDENT AUDITOR'S REPORT**

**To the stockholders of  
ABLV Bank, AS in liquidation**

### **Report on the Audit of the Separate and Consolidated Financial Statements**

#### **Our Qualified Opinion on the Separate and Consolidated Financial Statements**

We have audited the accompanying separate financial statements of ABLV Bank, AS in liquidation, reg.No. 50003149401 ("the Company") and accompanying consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 9 to 57 of the accompanying separate and consolidated annual report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2018,
- the separate and consolidated statement of comprehensive income for the year then ended,
- the separate and consolidated statement of changes in shareholders' equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to the separate and consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying Company's separate and Group's consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group, respectively, as at 31 December 2018, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### **Basis for Qualified Opinion**

We were appointed as auditors of the Company's separate and the Group's consolidated financial statements for the year ended 31 December 2018 in December 2018. We were not asked and did not carry out an audit of the separate and consolidated financial statements for the year ended 31 December 2017 and we were unable to obtain reasonable assurance about the balances in the separate and consolidated statement of financial position at that date with other audit procedures. Opening balances have an important role in determining performance, and we were unable to determine whether adjustments might have been necessary in respect of the performance and cash flows for the year ended 31 December 2018, as well as the amount of capital and reserves at that date.

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements* section of our report.

We are independent of the Company and Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the separate and consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Emphasis of Matter – Non-application of the Going Concern Principle**

We draw attention to Note 2 "Information on principal accounting policies" item a) "Basis of Preparation" of the separate and consolidated financial statements, which indicates that on 12 June 2018 the liquidation of the Company was commenced, therefore neither the Company, nor the Group is subject to going concern principle, which in turn affects the principles of presentation of the financial data in the Company's separate and the Group's consolidated financial statements for 2018. The information provided in these financial statements is measured on a non-going concern basis, where the financial assets and financial liabilities of the Company and the respective Group companies are disclosed in accordance with IFRS 9, while the remaining assets and liabilities are measured at historical cost less recognized impairment losses in order to reflect the estimated recoverable amount of the assets expected to be recovered under normal market conditions, assuming that the process of sale of the assets is open, transparent, involves several parties. Our opinion is not further modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the *Basis for Qualified Opinion* and *Emphasis of Matter - Non-application of the Going Concern Principle* section, we have determined the matters described below to be the key audit matters to be communicated in our report:

Key audit matter	Our response
<b>Corrections for the application of the non-going concern principle to comparable figures (separate and consolidated financial statements)</b>	
The Company's separate and the Group's consolidated financial statements for 2017 were prepared on a going concern basis and did not include any adjustments that were necessary if the Company and the Group were not able to continue as a going concern.	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> <li>discussed with the previous auditor their working papers;</li> <li>discussed our audit plan with the audit committee, as well as the progress of the</li> </ul>

Key audit matter	Our response
<p>As stated in the Company's separate and the Group's consolidated financial statements for the year ended 31 December 2018, the comparative financial data as at 31 December 2017 and financial indicators for 2017 were adjusted according to the non-going concern principle.</p> <p><i>Reference to the Notes to the Company's separate and the Group's consolidated financial statements: Note 2 "Information on principal accounting policies" item a) "Basis of Preparation", item cc) "Restatements in comparable figures for 2017 applying gone concern principle".</i></p> <p>We identified the carrying out of audit procedures for the corrections for the application of the non-going concern principle to comparable figures as key audit matter, as it involves additional planning activities and the considerations needed to establish an appropriate audit plan and strategy.</p>	<p>audit process and key conclusions;</p> <ul style="list-style-type: none"> <li>assessed whether the end-of-period balances of the previous period were correctly reflected in the current period and whether they were restated;</li> <li>performed our audit procedures to obtain audit evidence regarding prior period corrections.</li> </ul>
Impairment of loans (separate and consolidated financial statements)	
<p><i>The carrying amount of the loans in the Company's separate financial statements as at 31 December 2018: EUR 668 464 thousand; impairment losses recognized in 2018: EUR 9 085 thousand; total impairment losses as at 31 December 2018: EUR 28 809 thousand.</i></p> <p><i>The carrying amount of the loans in the Group's consolidated financial statements as at 31 December 2018: EUR 664 387 thousand; impairment losses recognized in 2018: EUR 9 114 thousand; total impairment losses as at 31 December 2018: EUR 28 806 thousand.</i></p> <p><i>Reference to the Notes to the Company's separate and the Group's consolidated financial statements: Note 2 "Information on principal accounting policies" item t) "Impairment of Financial Assets and Off-balance Liabilities", Note 6 "Impairment allowances for loans", Note 11 "Loans".</i></p> <p>Considering also that the loans in the Company's statement of financial position as at 31 December 2018 amount to 28.4% of total assets, but in the Group's statement of financial position as at</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> <li>assessed whether the Company's and the Group's accounting policies for impairment of loans correspond to IFRS, including the assessment of the modeling techniques and methodology against the requirements of IFRS 9;</li> <li>tested the relevant controls over the loan portfolio supervision, including impairment calculations for individual loans, analysing and testing them on a sample basis. Our sample included controls over regular loans reviews, credit rating reviews, as well as collateral value considerations;</li> <li>selected a sample of loans with high risk features, such as loans from the list of highly problematic loans, overdue loans with borrowers in foreign jurisdictions, and by discussing with representatives of the credit department and credit analysis department assessed key assumptions made, such as loan quality group, impairment rates, expected performance indicators;</li> </ul>

Key audit matter	Our response
<p>31 December 2018 the loans amount to 26.6% of total assets, we considered this issue to be one of our key audit matters.</p> <p>In addition, as described in the notes to the Company's separate and the Group's consolidated financial statements, impairment losses are determined in accordance with IFRS 9 "Financial Instruments"; IFRS 9 is a new and complex financial reporting standard which requires significant judgment to determine impairment losses.</p> <p>Key areas of judgment included:</p> <ul style="list-style-type: none"> <li>the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the expected credit loss model;</li> <li>assumptions used in the expected credit loss model, such as the financial condition of the client, expected future cash flows and forward looking macroeconomic factors (e.g. changes in gross domestic product and unemployment rates).</li> </ul>	<ul style="list-style-type: none"> <li>reviewed the information on impairment of loans disclosed in the Company's separate and the Group's consolidated financial statements.</li> </ul>
Valuation of investments in subsidiaries (separate financial statements)	
<p><i>The carrying amount of the investments in subsidiaries in the Company's separate financial statements as at 31 December 2018: EUR 151 834 thousand; related impairment losses recognized in 2018: EUR 8 355 thousand (do not include EUR 4 099 thousand, which is the impairment loss of investment in subsidiaries, which relates to the Company, that as at 31 December 2018 is presented in the statement of financial position under item "Non-current assets held for sale"); total impairment losses as at 31 December 2018: EUR 43 215 thousand.</i></p> <p><i>Reference to the Notes to the Company's separate financial statements: Note 2 "Information on principal accounting policies" item d) "Consolidation", Note 12 "Investments in subsidiaries and associates".</i></p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> <li>evaluating the reasonableness of liquidators' judgments as to the existence of impairment indicators, and consequently, the requirement to perform related impairment tests. This included, but was not limited to, examining the subsidiaries' financial information as at and for the year ended 31 December 2018, discussing the subsidiaries' performance with the liquidators, and assessing their strategy and cash flows forecasts.</li> </ul>

Key audit matter	Our response
<p>Investments in subsidiaries are carried at cost less any accumulated impairment losses.</p> <p>The determination of the recoverable amounts of investments in subsidiaries is a complex process and requires the liquidators to make subjective judgements. Taking into account also that in the Company's statement on financial position as at 31 December 2018 the investments in subsidiaries amount to 6.4% of total assets, we have determined participation in the equity of subsidiaries as one of our key audit matters.</p>	
Measurement of investment property (consolidated financial statements)	
<p><i>The carrying amount of the investment property in the Group's consolidated financial statements as at 31 December 2018: EUR 101 289 thousand.</i></p> <p><i>Reference to the Notes to the Group's consolidated financial statements: Note 2 "Information on principal accounting policies" item j) "Investment Property", Note 13 "Investment properties".</i></p> <p>Investment property is property held either to earn rental income or for capital appreciation or for both. The Group's investment property is represented by investments in real estate, which it measures at its fair value, with all changes therein recorded in profit or loss of the statement of comprehensive income.</p> <p>The valuation of the Group's investment properties requires to apply significant judgement and produce complex estimates, using the input obtained from external certified valuers, particularly in relation to the key assumptions, being those relating to discount rates, cash flow projections and comparable market transactions.</p> <p>Due to the above factors, we considered this issue to be one of our key audit matters.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> <li>• analysing the reports of the external certified valuers and, through discussions with the board members of selected Group's subsidiaries, obtaining an understanding of the Group's approach to estimating the fair value of investment property;</li> <li>• based on our in-depth understanding of the Group's approach to measurement of investment properties, assessing the measurement methodology applied by the Group in comparison with the relevant IFRSs as adopted by the European Union and the valuation practice adopted in the market;</li> <li>• considering the relevance of the Group's information to the assumptions and significant judgments used to estimate the fair value of the investment property.</li> </ul>

### **Other matter**

ABLV Bank, AS in liquidation separate and consolidated financial statements for the year ended 31 December 2017 were audited by another auditor who issued a disclaimer of opinion on 17 September 2018 for these financial statements.

### **Reporting on Other Information**

The Company's and the Group's liquidators are responsible for the other information. The other information comprises:

- Liquidation Committee Report, as set out on pages 3-4 of the accompanying Annual Report,
- Non-Financial Report, as set out on pages 5-6 of the accompanying Annual Report,
- Information about the Management, as set out on page 7 of the accompanying Annual Report,
- Statement of the Management's (Liquidators) Responsibility, as set out on page 8 of the accompanying Annual Report,
- the Statement on Corporate Governance, prepared as a separate part of the annual report, indicating in the Liquidation Committee Report the website address on the Internet, where the Statement on Corporate Governance is available to the public in electronic form.

Our opinion on the separate and consolidated financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except for the matter described in the *Basis for Qualified Opinion* section of our report.

### **Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information**

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Liquidation Committee Report, our responsibility is to consider whether the Liquidation Committee Report is prepared in accordance with the requirements of the regulatory enactment regulating its preparation, the Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Liquidation Committee Report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- the Liquidation Committee Report has been prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement on Corporate Governance, our responsibility is to consider whether the Statement on Corporate

Governance includes the information required in section 56.<sup>2</sup>, third paragraph of the Financial Instruments Market Law of the Republic of Latvia.

In our opinion, the Statement on Corporate Governance includes the information required in section 56.<sup>2</sup>, third paragraph of the Financial Instruments Market Law of the Republic of Latvia.

Furthermore, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Non-Financial Report, our responsibility is to report whether the Group has prepared the Non-Financial Report and whether Non-Financial Report is included in the Liquidation Committee Report or prepared as a separate element of the Annual Report.

We hereby report that the Group has prepared the Non-Financial Report as a separate element of the Annual Report.

### **Responsibilities of Liquidators and Those Charged with Governance for the Separate and Consolidated Financial Statements**

Liquidators are responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and for such internal control as liquidators determine is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, liquidators are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless liquidators either intend to liquidate the Company and Group or to cease operations, or have no realistic alternative but to do so.

Liquidators and those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

### **Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by liquidators;
- conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with liquidators and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide liquidators and those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with liquidators and those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

## **Report on Other Legal and Regulatory Requirements**

### **Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities**

We were appointed by the extraordinary shareholder's meeting on 27 December 2018 to audit the separate and consolidated financial statements of ABLV Bank, AS in liquidation for the year ended 31 December 2018. Our total uninterrupted period of engagement is 1 year, covering the period ending 31 December 2018.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in paragraph 37.<sup>6</sup> of the Law on Audit Services of the Republic of Latvia we have not provided to the Company and Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No. 537/2014. We also remained independent of the audited entity and group in conducting the audit.

For the period to which our statutory audit relates, in addition to the audit, we have not provided any services to the Company and the Group other than those disclosed in the Liquidation Committee Report or the Company's separate and consolidated financial statements.

The responsible certified auditor on the audit resulting in this independent auditors' report is Marija Jansone.

SIA "Nexia Audit Advice"

The Firm of Sworn Auditors, Licence No. 134



**Marija Jansone**  
Member of the Board,  
The responsible Certified Auditor,  
Certificate No. 25



**Andrejs Ponomarjovs**  
Chairman of the Board,  
Director General

Riga, Latvia  
22 March 2019