



# ABLV Bank, AS in liquidation

## Consolidated and Separate Annual Report for 2019

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,

Since 12 June 2018, the voluntary liquidation (hereinafter – liquidation) of ABLV Bank, AS is managed by the Liquidation Committee, which currently consists of five liquidators. In 2019, the Liquidation Committee of ABLV Bank, AS in liquidation (hereinafter – the Company) continued the liquidation process in close cooperation with the stakeholders, including state institutions, thus ensuring professional management, transparency and openness of the liquidation process under the supervision of the Financial and Capital Market Commission (hereinafter – the FCMC).

In accordance with the Commercial Law, the Liquidation Committee has all the rights and obligations of the management board and the council of the Company, which do not contradict with the purpose of liquidation. The liquidators collect debts, sell the Company's property and satisfy creditor claims. The liquidators are only allowed to carry out transactions that are necessary for the liquidation of the Company.

The objective of liquidation process remains unchanged – to satisfy the claims of all recognized creditors of the Company to full extent, unless there are legal obstacles precluding the payout.

Creditor review process was commenced in the reporting period. The Company is obligated to carry out creditor review in accordance with the applicable statutory requirements in the field of prevention of money laundering, as well as terrorism and proliferation financing. The reviews are carried out by a team of Ernst&Young consultants (hereinafter – EY) comprised of experts from five countries. In order to fulfil its tasks, EY introduced appropriate IT tools, developed necessary procedures, as well as formed and trained a team of specialists. The Company implemented support procedures. In 2019, 488 creditor reviews have been initiated with the total amount of creditor claims exceeding EUR 100 million. By the end of the reporting period, EY has completed review of transactions of creditors and their affiliated parties in the amount of EUR 243 million.

On the grounds of the initial results of the review, in October 2019, first payouts were made to creditors falling into the groups 2 to 6 (inclusive) in accordance with Clauses 1<sup>1</sup> to 5 of Section 192 of the Credit Institutions Law (the wording of the Law that was in force until 14 November 2018). At the end of the reporting period 858 creditors were ranked in these groups with EUR 352 million of admitted claims. These groups are comprised of depositors that are natural persons, small and medium-sized enterprises, as well as state institutions.

Meanwhile, until the end of 2019 the guaranteed compensations were paid to more than 13 800 clients. So far, EUR 444.6 million have been disbursed to clients in the form of guaranteed compensations, which is 92.6% of the total amount transferred by the Company to the Deposit Guarantee Fund.

From the commencement of its operation until 31 December 2019, the Liquidation Committee has recovered assets in the amount of EUR 749.2 million, including EUR 444 million from issued loans and EUR 273 million from securities, thus reducing the size of securities portfolio to EUR 33 million.

The amount of Company's assets is sufficient to cover all creditor claims in full, which was the most significant prerequisite for the regulators (the European Central Bank and the FCMC) to approve the liquidation. At the end of the reporting period, 83.5% of all creditor claims were covered by the recovered assets held with Latvijas Banka (Central Bank of Latvia) (incl. assets in fiduciary accounts).

In order to recover the remaining assets necessary for satisfying creditor claims, professional management of the EUR 397 million loan portfolio and the EUR 144 million investments in subsidiaries will remain critical. In order to improve investment management, operational efficiency and value of recoverable amount of assets, in the reporting period subsidiaries operating in real estate-related industry were restructured and the subsidiary New Hanza Capital, AS became a holding company.

As a result of successful management of assets and professional work under the leadership of the Liquidation Committee, during the first 18 months of liquidation, the capital of the Company's shareholders has decreased only by 6.5%, namely, from EUR 310 million to EUR 290 million; that was mainly ensured by making provisions, which reflect the decrease in the value of the Company's assets in accordance with the IFRS requirements.

The key financial indicators as of 31 December 2019 are the following:

- total amount of assets: EUR 2.35 billion;
- creditor claims filed: EUR 2.01 billion;
- available cash: EUR 1.71 billion
- capital and reserves: EUR 289.8 million.

Due to significant financial losses over extensive period, during the reporting period, Company made decision to support commencement of liquidation of its subsidiary ABLV Bank Luxembourg, S.A.. Subsequently, on 2 July 2019, the

Luxembourg Commercial Court decided to lift the protection mechanism previously imposed on ABLV Bank Luxembourg, S.A. and to commence its liquidation. In accordance with the court decision, creditors could submit their claims against ABLV Bank Luxembourg, S.A. by 10 January 2020.

The liquidation process of Company's subsidiary ABLV Capital Markets, AS was commenced and completed during the reporting period.

During the reporting period, further changes in Company's organizational structure were made, and employment was terminated with more employees whose functions are no longer necessary in the liquidation process. At the end of December 2019, the number of the Company's employees was 266 (676 employees at the beginning of 2018).

On behalf of the Liquidation Committee, we would like to thank Company's creditors, shareholders and employees for their patience, understanding and support during this complicated liquidation process!

Report on corporate governance is available on Company's website [www.ablv.com](http://www.ablv.com).

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

**Lauma Bērziņa**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 6 March 2020

# Non-Financial Report

## Corporate Governance

### Operation Model and Members of the Group

In 2019, the Group consisted the Company and its subsidiaries. The full list of companies of the Group as at the end of 2019 is provided in Note 12.

Since 12 June 2018 the Company has been in the process of liquidation in accordance with the decision made by the FCMC.

The aim of the liquidation process is to fully satisfy all claims of the creditors of the Company; during the process, various measures will be 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 the section Information about Management on page 7.

The principal task of the Liquidation Committee is to ensure lawful and efficient process of the liquidation of the Company that would comply with the common 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/CTPF and sanctions.

The operation model of the Liquidation Committee implies that its decisions are valid if more than 50%, but no less than three of the Liquidation Committee members vote.

The Liquidators have also engaged consultants from international consulting company EY with a team of specialists from Poland, the 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 26 of the financial report.

Within 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 the companies of the Group are consistent in adhering to the code of professional ethics. The Group undertakes a series of 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 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 order and to the extent provided by the legislation. Only authorised employees are entitled to provide such information in line with their duties and by following procedures.

A definite level of confidentiality is determined for all and any information and information resources at the Group's disposal. When classifying information, it is assigned with a degree of confidentiality and a level of access rights.

### **Personal Data Protection**

The Companies of the Group process personal data in compliance with the Regulation (EU) 2016/679 of the European Parliament and the Council of 27 April 2016 on the protection of natural persons with regards to processing personal data and on the free movement of such data (repealing Directive 95/46/EC), as well as requirements of the Personal Data Processing Law and other applicable normative acts in the field of data processing.

Compliance with the mentioned requirements is ensured by realizing corresponding technical and organizational measures for the management and protection of personal data to comply with the applicable normative acts in force, as well as with the information security regulations and procedures of the Group, for example, the 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.

In 2019, gradual termination of employment relations with employees, whose services were no longer required in the liquidation process, continued. 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 not only take good care of its employees but also of the society as a whole. The most important activity in 2019 was the ABLV Donor Day initiative, during which the employees of the Group participated in the corporate centralized blood donation event.

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

When planning their operations the companies of the Group are doing their best to protect the environment and use the resources wisely.

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

**Lauma Bērziņa**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 6 March 2020

## Information about the Management

### Structure of the Liquidation Committee

#### Liquidators

	<b>term of office:</b>
Andris Kovaļčuks	since 13.06.2018.
Lauma Bērziņa	since 06.02.2019.
Ringolds Balodis	since 06.02.2019.
Vineta Čukste-Jurjeva	since 26.11.2019.
Armands Smans	since 26.11.2019.

#### **Term of office from 13.06.2018 to 06.02.2019:**

Elvijs Vēbers

#### **Term of office from 13.06.2018 to 31.05.2019:**

Eva Berlaus

#### **Term of office from 13.06.2018 to 30.12.2019:**

Arvīds Kostomārovs

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.

On 28 May 2019, shareholders of the Company at their extraordinary meeting decided to remove from office liquidator Eva Berlaus as of 31 May 2019.

On 26 November 2019 the extraordinary meeting of shareholders of the Company took a decision on changes in the Liquidation Committee. The meeting approved two new liquidators: sworn attorney Vineta Čukste-Jurjeva and assistant sworn attorney Armands Smans.

On 2 December 2019, the Company received a resignation notice from liquidator Arvīds Kostomārovs effective as of 31 December 2019.

## 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 52 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 2019 and 31 December 2018, and the results of operations of the Group and the Company, changes in the shareholder's equity and cash flows in 2019 and 2018.

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 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 2019 have been prudent and reasonable.

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

**Lauma Bērziņa**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 6 March 2020



# Statements of Comprehensive Income

EUR'000					
		Group	Group	Company	Company
	Note	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.
Interest income	3	21,943	47,084	21,605	44,669
Interest expense	3	(1,042)	(12,290)	-	(10,084)
<b>Net interest income</b>	<b>3</b>	<b>20,901</b>	<b>34,794</b>	<b>21,605</b>	<b>34,585</b>
Commission and fee income		2,991	10,035	1,534	5,272
Commission and fee expense		(305)	(1,891)	(83)	(1,977)
<b>Net commission and fee income</b>		<b>2,686</b>	<b>8,144</b>	<b>1,451</b>	<b>3,295</b>
Net gain(loss) from transactions with financial instruments	4	4,252	(1,034)	3,420	(433)
Net result from transaction with repossessed real estate		(83)	(1,360)	-	-
Other income	5	14,681	8,199	9,642	2,899
Other expense	5	(7,985)	(11,445)	(118)	(896)
Dividend income		62	86	345	86
Impairment allowance for loans	6	3,197	(9,114)	3,210	(9,085)
Impairment allowance for investments in subsidiaries	12	-	-	(9,538)	(12,454)
Other impairment		(1,809)	(1,814)	(777)	(841)
Personnel expense	7	(24,749)	(31,131)	(17,681)	(23,610)
Other administrative expense	7	(21,313)	(20,831)	(18,837)	(18,266)
Amortisation and depreciation	15	(2,425)	(3,714)	(1,414)	(2,947)
<b>(Loss)/profit before corporate income tax</b>		<b>(12,585)</b>	<b>(29,220)</b>	<b>(8,692)</b>	<b>(27,667)</b>
Corporate income tax		(18)	150	(13)	154
<b>Net (loss)/profit for the reporting period</b>		<b>(12,603)</b>	<b>(29,070)</b>	<b>(8,705)</b>	<b>(27,513)</b>
Attributable to:					
Shareholders of the Company		(10,557)	(29,321)		
Non-controlling interests		(2,046)	251		
<b>Other comprehensive income which has been or is to be reclassified to profit or loss</b>					
Changes in revaluation reserve of financial assets at fair value through other comprehensive income		4	469	-	-
Reclassification result of financial assets at fair value through other comprehensive income		(23)	(469)	-	-
Change to income statement as a result of sale of financial assets at fair value through other comprehensive income		19	-	-	-
<b>Other comprehensive income which has been or is to be reclassified to profit or loss, total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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		2,662	353	2,662	353
<b>Total other comprehensive income in the reporting period not recognized through profit / loss</b>		<b>2,662</b>	<b>353</b>	<b>2,662</b>	<b>353</b>
<b>Total amount of other comprehensive income</b>		<b>2,662</b>	<b>353</b>	<b>2,662</b>	<b>353</b>
<b>Total amount of comprehensive income</b>		<b>(9,941)</b>	<b>(28,717)</b>	<b>(6,043)</b>	<b>(27,160)</b>
Attributable to:					
Shareholders of the Company		(7,895)	(28,968)		
Non-controlling interests		(2,046)	251		

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

**Lauma Bērziņa**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 6 March 2020

# Statements of Financial Position

EUR'000						
		Group	Group	Group	Company	Company
		31.12.2019.	31.12.2018.	31.12.2018.	31.12.2019.	31.12.2018.
			(restated)			(restated)
<b>Assets</b>	<b>Note</b>					
Cash on hand		14,406	9,335	9,335	14,404	9,332
Balances due from credit institutions and central banks	9	1,843,625	1,391,389	1,391,389	1,720,836	1,378,915
Investments in financial instruments	10	70,742	94,996	94,996	33,470	107,446
Loans	11	393,447	657,960	664,387	397,325	662,037
Investments in subsidiaries and associates	12	9,507	9,180	9,180	144,084	160,469
Investment property	13	83,885	101,289	101,289	-	-
Property and equipment	15	16,528	6,516	6,516	1,442	2,398
Intangible assets	15	2,519	3,386	3,386	2,475	3,362
Corporate income tax asset		2,575	3,186	3,186	2,541	2,606
Reposessed real estate		19,821	28,436	28,436	-	-
Other assets	16	12,560	13,789	7,362	32,446	20,911
Non-current investments held for sale	14	17,872	174,378	174,378	1,573	9,362
<b>Total assets</b>		<b>2,487,487</b>	<b>2,493,840</b>	<b>2,493,840</b>	<b>2,350,596</b>	<b>2,356,838</b>
<b>Liabilities</b>						
Creditors' claims	17	2,130,746	1,991,591	1,985,708	2,048,089	2,041,512
Balances due to credit institutions		3,050	6,844	6,844	-	396
Issued securities	18	9,813	9,850	9,850	-	-
Corporate income tax liabilities		1	1	1	-	-
Other liabilities	21	35,588	17,658	23,541	12,684	13,251
Liabilities directly related to non-current investments held for sale	14	3,786	153,423	153,423	-	-
<b>Total liabilities</b>		<b>2,182,984</b>	<b>2,179,367</b>	<b>2,179,367</b>	<b>2,060,773</b>	<b>2,061,042</b>
<b>Shareholders' equity</b>						
Paid-in share capital	20	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	2,134	2,134	2,134	2,134
Revaluation reserve		5,735	3,072	3,072	5,735	3,073
Retained earnings		83,617	112,868	112,868	69,284	96,727
(Loss)/profit for the reporting period		(10,557)	(29,321)	(29,321)	(8,705)	(27,513)
<b>Attributable to the shareholders of the Company</b>		<b>302,304</b>	<b>310,128</b>	<b>310,128</b>	<b>289,823</b>	<b>295,796</b>
<b>Non-controlling interest</b>		<b>2,199</b>	<b>4,345</b>	<b>4,345</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' equity</b>		<b>304,503</b>	<b>314,473</b>	<b>314,473</b>	<b>289,823</b>	<b>295,796</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,487,487</b>	<b>2,493,840</b>	<b>2,493,840</b>	<b>2,350,596</b>	<b>2,356,838</b>

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

**Lauma Bērziņa**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 6 March 2020

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

	EUR'000							
	Paid-in share capital	Share premium	Reserve capital	Other reserves	Retained earnings	Attributable to the shareholders of the Company	Non- controlling interest	Total shareholders' equity
<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 (loss) / profit for the reporting period	-	-	-	-	(29,321)	(29,321)	251	(29,070)
Other comprehensive income/(expense) for 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>
Reclassification in reserves	-	-	(88)	88	-	-	-	-
Trade result of 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>
<b>01.01.2019.</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>
Net profit/(loss) for the reporting period	-	-	-	-	(10,557)	(10,557)	(2,046)	(12,603)
Other comprehensive income/(expense) for the reporting period	-	-	-	2,733	-	2,733	-	2,733
<b>Total comprehensive income for the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,733</b>	<b>(10,557)</b>	<b>(7,824)</b>	<b>(2,046)</b>	<b>(9,870)</b>
Changes of non-controlling interest	-	-	-	-	-	-	(100)	(100)
Trade result of equity securities measured at fair value through other comprehensive income	-	-	-	(70)	70	-	-	-
<b>31.12.2019.</b>	<b>42,080</b>	<b>179,295</b>	<b>2,134</b>	<b>5,735</b>	<b>73,060</b>	<b>302,304</b>	<b>2,199</b>	<b>304,503</b>

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

**Lauma Bērziņa**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 6 March 2020

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

	EUR'000					
	Paid-in share capital	Share premium	Reserve capital	Other reserves	Retained earnings	Total shareholders' equity
<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 (loss) / profit for the reporting period	-	-	-	-	(27,513)	(27,513)
Other comprehensive income/(expense) for 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>
Trade result of 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>
<b>01.01.2019.</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>
Net (loss) / profit for the reporting period	-	-	-	-	(8,705)	(8,705)
Other comprehensive income/(expense) for the reporting period	-	-	-	2,732	-	2,732
<b>Total comprehensive income for the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,732</b>	<b>(8,705)</b>	<b>(5,973)</b>
Trade result for equity securities measured at fair value through other comprehensive income	-	-	-	(70)	70	-
<b>31.12.2019.</b>	<b>42,080</b>	<b>179,295</b>	<b>2,134</b>	<b>5,735</b>	<b>60,579</b>	<b>289,823</b>

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

**Lauma Bērziņa**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 6 March 2020

## Statements of Cash Flows

	EUR'000			
	Group	Group	Company	Company
	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.
<b>Cash flows from operating activities</b>				
(Loss)/profit before corporate income tax	(12,585)	(29,220)	(8,692)	(27,667)
Dividend income	(62)	(86)	(345)	(86)
Amortisation and depreciation	2,425	3,714	1,414	2,947
Impairment of assets	(1,388)	10,928	7,105	22,380
(Income) / expense on investment based on equity method	(581)	348	-	-
Los/(profit) on financial assets at fair value	309	7,942	(6,905)	1,249
Interest (income)	(21,943)	(47,084)	(21,605)	(44,669)
Interest expense	1,042	12,290	-	10,084
<b>Net cash flows from operating activities before changes in assets and liabilities</b>	<b>(32,783)</b>	<b>(41,168)</b>	<b>(29,028)</b>	<b>(35,762)</b>
Decrease/(increase) in due from credit institutions	953	19,872	953	9,363
Decrease/(increase) in loans	289,579	274,728	275,150	278,932
Decrease/(increase) in financial assets at fair value through profit or loss	157,530	1,607,665	74,406	1,566,601
Decrease/(increase) in other assets	1,389	2,041	(8,799)	(7,579)
Increase/(decrease) in balances due to credit institutions	(527)	(41,281)	(396)	(33,328)
Increase/(decrease) in creditors claims	(2,930)	(962,222)	(974)	(956,012)
Increase/(decrease) in other liabilities	1,744	(17,445)	(936)	(3,387)
<b>Net cash flows from operating activities before corporate income tax</b>	<b>414,955</b>	<b>842,190</b>	<b>310,376</b>	<b>818,828</b>
Interest received in the reporting period	23,525	57,913	22,305	55,498
Interest (paid) in the reporting period	(1,034)	(12,737)	-	(10,531)
Corporate income tax received/(paid)	632	(889)	-	(889)
<b>Net cash flows from operating activities</b>	<b>438,078</b>	<b>886,477</b>	<b>332,681</b>	<b>862,906</b>
<b>Cash flows from investing activities</b>				
Sale of financial assets at fair value through other comprehensive income	2,502	85	2,502	917
(Purchase) of intangible and tangible assets and investment properties	(9,621)	(15,425)	(2)	(309)
Sale of intangible and tangible assets	299	970	659	738
Dividends received	62	86	345	86
Decrease in investments in subsidiaries and associated companies	-	-	8,094	600
(Increase) in investments in subsidiaries and associated companies	-	-	-	(11,739)
<b>Net cash flows from investing activities</b>	<b>(6,758)</b>	<b>(14,284)</b>	<b>11,598</b>	<b>(9,707)</b>
<b>Cash flows from financing activities</b>				
(Repurchase) of issued securities	-	(93,701)	-	(107,969)
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>(93,701)</b>	<b>-</b>	<b>(107,969)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>431,320</b>	<b>778,492</b>	<b>344,279</b>	<b>745,230</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,399,809</b>	<b>623,342</b>	<b>1,387,332</b>	<b>625,863</b>
Result from revaluation of foreign currency positions	2,080	(2,025)	3,629	16,239
Increase of cash and cash equivalents related to reclassification result of non-current investments held for sale	24,822	-	-	-
<b>Cash and cash equivalents at the end of the period*</b>	<b>1,858,031</b>	<b>1,399,809</b>	<b>1,735,240</b>	<b>1,387,332</b>

\*- information about amounts due from credit institutions not included in cash equivalents see Note 9.

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

**Lauma Bērziņa**  
Liquidator of ABLV Bank, AS in liquidation

Riga, 6 March 2020

## Notes to the Financial Statements

### Note 1

#### General information

ABLV Bank, AS in liquidation Reg. No. 50003149401 (hereinafter – the Company) was registered in Aizkraukle, Republic of Latvia, on 17 September 1993, as a joint stock company. In the reporting period the legal address of the Company was changed from Elizabetes Street 23, Riga, LV-1010, Latvia to Building 1 at 7 Skanstes St., Riga, LV-1013 which is the actual address of the Company as well.

FinCEN announcement of 13 February 2018 resulted in the Company's operation being hampered. FCMC Board made Decision "On the Unavailability of Deposits" 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 liquidation and on 12 June 2018, the FCMC approved the Company's liquidation. On 11 July 2018, the ECB adopted a decision to cancel the license of the Company. This decision came into force on 12 July 2018.

On 6 March 2019, the Council of FCMC approved review procedure of the creditors of the Company and the measures aimed at AML/CTPF and sanctions risk management.

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. 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 2019 are based on the accounting records made pursuant to the legislative requirements, 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 2019.

The financial statements for 2019 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 gone concern principle. Taken into account the gone concern principle 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 2019 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 2019 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.

Other reserves are fair value changes of the Group and Company's financial assets that are measured as fair value through other comprehensive income. These reserves can be recognised/transferred to retained earnings in the subsequent periods at the moment when the asset will be derecognised.

The comparative financial data as of 31 December 2018 or financial indicators for the year 2018 which are presented in these financial reports are prepared in accordance with the provisions of report of the year 2018.

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 2018 or financial indicators for 2018.

**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. Estimates and assumptions made by the liquidators 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 liquidation process is to ensure that the claims and interests of all the creditors of the Company 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 / expense included in the calculation of the effective interest rate (see paragraph q)), determining fair value of investment property (see paragraph f)) 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



expense. 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 2019 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.

The 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.

**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 the 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 25.

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.

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

Repossessed 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. The term of amortisation of all the 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.

The term of amortisation of all the 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%
Vehicle, machinery and equipment	14% – 20%
Infrastructure engineering structures	5% – 20%
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 (Note 14). 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 liquidation process of the Company is to ensure that under the liquidation interests and claims of all creditors of the Company are satisfied to 100% unless there are legal obstacles precluding the disbursements. The admitted creditors' claims of the Company are satisfied in accordance with Section 192 and 193 of the Credit Institutions Law (taking into account Clause 78 of Transitional Provisions). More information can be found 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 expense 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 decreased commission income. Currently have suspended most of financial services which the Company rendered while had a credit institution's license.

Other income/expense are recognised through profit and loss upon the carrying out the transaction. Expense paid once in a year for the whole reporting period and can be recovered if the corresponding contract is terminated during the reporting period are recognised systematically in the Company's profit / loss statement on a straight-line basis during the period.

r) Taxation

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 liquidator'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

Short-term employee benefits, including salary, statutory social insurance contributions and benefits 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 the 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.

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 06 March 2020. The Commercial Law provides that the 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 the Group/Company has adopted the following amendments to standards, including any consequential amendments to other standards, with a date of initial application of 01 January 2019, excluding IFRS 16 Leases.

The application of amendments did not have any impact on these consolidated and separate financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IAS 28 Investments in Associates and Joint Ventures;
- Amendments to IFRS 9 Financial Instruments;
- Amendments to IAS 19 Employee benefits;
- Annual improvements to IFRS standards for 2015-2017.



IFRIC 23 Uncertainty over Income Tax Treatments. 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 above changes have no material impact on the financial statements of the Group/Company.

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Investments in Associates and Joint Ventures. 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. These changes have no material impact on the financial statements of the Group/Company.

IFRS 9 Financial Instruments amendments. 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. These changes of IFRS 9 have no impact on the financial statements of the Group/Company.

Amendments to IAS 19 Employee benefits. 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. These changes have no impact on the financial statements of the Group/Company.

Annual improvements to IFRSs 2015-2017 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.

Considering that these Consolidated Statements of the Group and Separate Financial Statements of the Company for 2019, as explained in section a), have been prepared based on the gone concern principle, then neither the Group, nor the Company have applied the IFRS 16 Leases. Carrying out additional assessments of the IFRS 16 introduction effect on financial statements, it was concluded that, by recognising additional assets and liabilities, users of these statements may get a misleading idea about the Group's/Company's amount of the potentially recoverable assets, which could be used for settlement of creditors' liabilities, and would not be ensured true and fair view about the Company's recoverable assets.

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

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021).

The new IFRS 17 Insurance Contracts fully replaced IFRS 4 Insurance Contracts. The nature of the new standard is a single accounting approach for all insurance companies, as opposed to possible interpretations within IFRS 4. The new standard will apply all insurance and reinsurance contracts, as well as investment contracts with the characteristics of estimated membership, as well as the publisher also signs insurance contracts. The Group / Company has not yet evaluated the impact of IFRS 17 implementation, but believes there is no significant impact on the financial reports of the Group/Company.

Amendments to IFRS 3 Business Combinations to improve (effective for annual periods beginning on or after 1 January 2020, earlier application is permitted). These amendments improve the definition of a business that will help companies determine whether an acquisition made is of a business or a group of assets. The Group/Company has evaluated the impact of these amendments on financial statements, but believes there is no significant impact on the financial reports of the Group/Company.

Amendments IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2020, earlier application is permitted). These amendments clarify criteria for classifying a liability as current or non-current. Henceforth, in financial statements it will be necessary to disclose the criteria for classification of liabilities. The Group/Company has not yet evaluated the impact of these amendments, but believes that, if necessary, this information will be disclosed in the financial statements.

bb) 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:

Amendments The Conceptual Framework (effective for annual periods beginning on or after 1 January 2020). These amendments assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, add a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance and clarifications applicable to financial statement.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, clarified definition of material (effective from 1 January 2020).

IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (effective from 1 January 2020). The amendments modify some hedge accounting requirements, and additional requirements to disclose information about hedge relationships.

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

#### cc) Reclassification

In order to provide users of the financial statements with more accurate information on the structure of assets and liabilities, in these the following the Group's consolidated and the Company separate financial statements as at 31 December 2018 have been reclassified as follows:

- assets: receivables from financial institutions amounting to EUR 6,4 million have been reclassified from loans to other assets;
- liabilities: liabilities for settlements of deposit guarantees of EUR 5,9 million have been reclassified from other liabilities to creditors' claims.

### Note 3

#### Interest income and expenses

	EUR'000			
	Group	Group	Company	Company
	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.
<b>Interest income</b>				
On loans	20,154	31,403	19,896	29,751
On financial assets at fair value through profit and loss	1,694	14,511	1,374	14,446
On financial assets at amortised cost	152	699	290	-
On balances due from credit institutions and central banks	45	438	45	472
On financial assets at fair value through other comprehensive income	(102)	33	-	-
<b>Total interest income</b>	<b>21,943</b>	<b>47,084</b>	<b>21,605</b>	<b>44,669</b>
<b>Interest expense</b>				
On ordinary bonds issued	476	3,559	-	2,848
On non-bank deposits	399	4,551	-	3,285
On balances due to credit institutions and central banks	168	1,746	-	1,517
On subordinated liabilities	-	849	-	849
Single Resolution Fund expense	-	826	-	826
On financial stability fee cost	-	454	-	454
On the deposit guarantee fund	-	305	-	305
<b>Total interest expense</b>	<b>1,042</b>	<b>12,290</b>	<b>-</b>	<b>10,084</b>
<b>Net interest income</b>	<b>20,901</b>	<b>34,794</b>	<b>21,605</b>	<b>34,585</b>

The Group's/Company's interest income on impaired assets totalled EUR 2.8 (4.0) million.

## Note 4

## Net gain from transactions with financial instruments

Category	EUR'000			
	Group	Group	Company	Company
	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.
Gain/ (loss) from revaluation of financial instruments at fair value through profit or loss	200	(735)	390	(1,249)
Gain/ (loss) from trading with financial instruments at fair value through profit or loss	2,868	(210)	1,852	(152)
Net gain/(loss) from transactions with foreign currency	1,259	858	1,178	968
Net realized gain/ (loss) from transactions with financial instruments at fair value through other comprehensive income	(20)	(116)	-	-
Net realised gain from sale of financial instruments at amortised cost	(55)	(831)	-	-
<b>Net gain/ (loss) on transactions with financial instruments</b>	<b>4,252</b>	<b>(1,034)</b>	<b>3,420</b>	<b>(433)</b>

## Note 5

## Other operating income and expense

Other income	EUR'000			
	Group	Group	Company	Company
	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.
Other income from sale of goods/services of related companies	10,538	5,184	-	-
Recovery of other written-off assets	1,305	-	1,305	-
Income from assignment of claim	622	-	622	-
Income from recognition of associates under the equity method	582	97	-	-
Income from insurance services	220	80	220	80
Income from financial consulting, legal, accounting and IT services	36	67	506	1,802
Income from disposal of subsidiaries	-	-	6,885	-
Other operating income	1,378	2,771	104	1,017
<b>Total other income</b>	<b>14,681</b>	<b>8,199</b>	<b>9,642</b>	<b>2,899</b>
<b>Other expense</b>				
Other expense related to the sale of goods/services of related companies	6,511	548	-	-
Losses from a decrease in fair value of investment property	594	7,617	-	-
Membership fees	165	758	-	546
Losses from disposal of other property and equipment	11	-	101	-
Losses from disposal of subsidiaries	-	-	8	-
Losses incurred to the group due to loss of control	-	446	-	-
Other expense	704	2,076	9	350
<b>Total other expense</b>	<b>7,985</b>	<b>11,445</b>	<b>118</b>	<b>896</b>

## Note 6

## Impairment allowances for loans

Category	EUR'000			
	Group	Group	Company	Company
	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.
Change in individual allowances, net	(1,237)	8,631	(1,237)	12,878
incl. Stage 1	(1,576)	2,126	(1,576)	1,748
incl. Stage 2	346	(253)	346	1,690
incl. Stage 3	(7)	6,758	(7)	9,440
Change in portfolio allowances, net	(1,216)	1,277	(1,229)	(2,999)
incl. Stage 1	(1,382)	(958)	(1,382)	(734)
incl. Stage 2	15	1,151	15	2,352
incl. Stage 3	151	1,084	138	(4,617)
<b>Increase/(decrease) in allowances for the reporting period</b>	<b>(2,453)</b>	<b>9,908</b>	<b>(2,466)</b>	<b>9,879</b>
(Recovery) of written-off assets/loss from asset write-offs	(744)	(794)	(744)	(794)
<b>Changes of impairment allowances during the reporting period, net</b>	<b>(3,197)</b>	<b>9,114</b>	<b>(3,210)</b>	<b>9,085</b>



Changes in loan impairment allowances of the Group in 2019:

	EUR'000				
	Mortgage	Business	Other	Consumer	Total
Impairment allowances at the beginning of the reporting period	9,334	18,148	1,265	59	28,806
Increase	4,653	4,236	431	274	9,594
(Decrease)	(6,012)	(5,558)	(468)	(9)	(12,047)
Total changes in impairment allowances for the year	(1,359)	(1,322)	(37)	265	(2,453)
(Decrease)/ increase in allowances for the year due to currency fluctuations	3	253	-	-	256
(Elimination) in allowances for the year due to asset write-offs	(1,911)	(982)	(274)	(244)	(3,411)
Impairment allowances at the end of the reporting period	6,067	16,097	954	80	23,198
Individual allowances	83	15,485	-	-	15,568
Portfolio allowances	5,984	612	954	80	7,630
Total gross assets, on which impairment allowances are attributable	245,053	170,447	955	190	416,645

As at 31 December 2019, the impairment allowances for loans represent 5.6% (4.1%) of the Group's/Company's loan portfolio.

Decrease of impairment allowances in the reporting is due to substantial amount of repayments including early repayments and irrecoverable loan write-offs.

Changes in loan impairment allowances of the Group in 2018:

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

Changes in loan impairment allowances of the Company in 2019:

	EUR'000				
	Mortgage	Business	Other	Consumer	Total
Impairment allowances at the beginning of the reporting period	9,334	18,151	1,265	59	28,809
Increase	4,653	4,229	431	269	9,582
(Decrease)	(6,013)	(5,558)	(468)	(9)	(12,048)
Total changes in impairment allowances for the reporting period	(1,360)	(1,329)	(37)	260	(2,466)
(Decrease)/ increase in allowances for the reporting period due to currency fluctuations	4	253	-	-	257
(Elimination) in allowances for the year due to asset write-offs	(1,911)	(982)	(274)	(244)	(3,411)
Impairment allowances at the end of the reporting period	6,067	16,093	954	75	23,189
Individual allowances	83	15,488	-	-	15,571
Portfolio allowances	5,984	605	954	75	7,618
Total gross assets, on which impairment allowances are attributable	245,052	174,365	955	142	420,514

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2019

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 reporting period</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 reporting period</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>

## Note 7

### Administrative expenses

	EUR'000			
	Group	Group	Company	Company
	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.*	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.*
<b>Category</b>				
Remuneration to personnel invariable part	15,328	21,865	11,071	16,149
State compulsory social insurance contributions to personnel	3,896	5,482	2,945	4,333
Remuneration to liquidators (incl. SCSIC)	2,237	569	1,745	569
Remuneration to personnel variable part	1,568	2,052	681	1,425
Remuneration to liquidators' assistants	1,093	182	770	182
Severance pay**	627	71	469	42
Remuneration to management (incl.SCSIC)***	-	910	-	910
<b>Total personnel expense</b>	<b>24,749</b>	<b>31,131</b>	<b>17,681</b>	<b>23,610</b>
Sworn auditor statutory audit	233	423	122	105
Sworn auditor other auditing tasks	9	3	9	3
Sworn auditor consultations	-	-	-	-
Expense for the maintenance of the property and work premises	4,749	7,594	3,762	6,036
incl. rent and maintenance of work premises	2,610	3,573	2,182	2,871
incl. IT system maintenance	1,106	2,095	808	1,674
incl. maintenance of the property	669	1,510	440	1,188
incl. communications resources	178	300	153	248
incl. other expense for the maintenance of the property and work premises	186	116	179	55
Supervisory and regulatory expense	5,564	2,501	5,201	2,374
Expense related to safekeeping of cash and financial instruments	8,230	3,059	8,196	3,059
Other liquidation expense	2,528	7,251	1,547	6,689
incl. consulting and professional services	1,258	5,302	959	4,472
incl. expense for the placement of publications in media	588	415	324	415
incl. information resources	165	468	65	338
incl. expense for monetary operation	138	69	77	62
incl. other personnel expense	5	117	5	117
incl. other expense	374	880	117	1,285
<b>Other administrative expense, total</b>	<b>21,313</b>	<b>20,831</b>	<b>18,837</b>	<b>18,266</b>
<b>Total administrative expense</b>	<b>46,062</b>	<b>51,962</b>	<b>36,518</b>	<b>41,876</b>

\* for comparison purposes, the data over the period from 01.01.2018. to 12.06.2018. are classified according to the structure applied in the reporting period.

\*\* on a non-going concern basis, the severance payments have been recognized in profit/loss for 2017 (see the information in explanation cc) of the Group's consolidated and the Company's separate financial statements of ABLV Bank, AS in liquidation for 2018), whereas additional adjustments under severance payments have been recognized in profit/loss for the reporting period.

\*\*\* the remuneration to members of the Company's Board and Council for the period from 01.01.2018. to 12.06.2018. has been recognized as remuneration to management.

As at 31 December 2019, the Group employed 381 (421) persons, whereas the Company employed 266 (313) persons. In 2019, the Group employed an average of 396 (601) persons, whereas the Company employed an average of 288 (472) persons (full-time equivalent).

## Note 8

## Taxes

Taxes paid by the Group and the Company:

Type of tax	EUR'000			
	Group	Group	Company	Company
	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.
State compulsory social insurance contributions	6,038	10,765	4,658	9,213
Personal income tax	3,225	5,601	2,492	4,763
Value added tax	1,631	1,074	1,068	424
Risk duty	1	1	1	1
Corporate income tax	1	1,060	-	895
Real estate tax	711	709	-	289
Natural resource tax	12	5	-	-
<b>Total</b>	<b>11,619</b>	<b>19,215</b>	<b>8,219</b>	<b>15,585</b>

## Note 9

## Balances due from credit institutions and central banks

	EUR'000			
	Group	Group	Company	Company
	31.12.2019.	31.12.2018.	31.12.2019.	31.12.2018.
Balances held with the Bank of Latvia	1,008,323	1,012,630	1,008,323	1,012,630
Demand deposits with other credit institutions registered in Latvia*	712,536	364,858	707,449	352,646
Demand deposits with other credit institutions registered in the EU	31,447	7,351	4,204	7,351
Demand deposits with credit institutions registered in other countries	867	6,550	860	6,288
<b>Total balances held with credit institutions and central banks</b>	<b>1,753,173</b>	<b>1,391,389</b>	<b>1,720,836</b>	<b>1,378,915</b>
Term deposits with other credit institutions registered in the EU	90,452	-	-	-
<b>Total term deposits with credit institutions</b>	<b>90,452</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net balances held with credit institutions and central banks</b>	<b>1,843,625</b>	<b>1,391,389</b>	<b>1,720,836</b>	<b>1,378,915</b>

\* - EUR 702.1 (345.9) millions are in custody with other banks with funds placement in Bank of Latvia.

In the Bank of Latvia there was deliberately accumulated available cash of high liquidity for the estimated satisfaction of the creditors' claims.

As of 31 December 2019 a part of Group's/Company's cash held with credit institutions in the amount of EUR 4.7 (6.6) million were pledged in order to secure transactions financial instruments.

In the reporting period in cash equivalents is not included balances due from one credit institution registered in other country amounted EUR 5.2 (5.1) million and was reclassified from balances due from credit institutions and central banks to other assets. This amount was included in cash equivalents in the previous reporting period, additional information is provided in Note 16.

## Note 10

## Financial instruments

	EUR'000			
	Group	Group	Company	Company
	31.12.2019.	31.12.2018.	31.12.2019.	31.12.2018.
<b>Financial assets at fair value through profit or loss</b>				
Fixed-income debt securities	55,237	86,874	11,025	87,161
Investments in funds	7,146	-	14,108	12,177
Equity shares	22	15	-	1
<b>Total financial instruments at fair value through profit or loss</b>	<b>62,405</b>	<b>86,889</b>	<b>25,133</b>	<b>99,339</b>
<b>Financial instruments at fair value through other comprehensive income</b>				
Equity shares	8,337	8,107	8,337	8,107
incl. VISA INC	7,718	5,321	7,718	5,321
incl. Kredītinformācijas birojs, AS	463	463	463	463
incl. SWIFT SCRL	156	150	156	150
incl. Siaulių bankas AB	-	2,173	-	2,173
<b>Total financial instruments at fair value through profit or loss</b>	<b>8,337</b>	<b>8,107</b>	<b>8,337</b>	<b>8,107</b>
<b>Total investments in financial instruments</b>	<b>70,742</b>	<b>94,996</b>	<b>33,470</b>	<b>107,446</b>

In the reporting period 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 Group were in the securities of German 26.2% (0%), Latvian 16.9% (26.0%) and USA 12.2% (5.6%) issuers; investments in securities of issuers of other countries were constituting a minor share.

At the end of the reporting period, the largest investments of the Company were in the securities of Latvian issuers 82.1% (34.9%), investments in securities of issuers of other countries were constituting a minor share.

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:

	EUR'000			
	Group	Group	Company	Company
	31.12.2019.	31.12.2018. (restated)	31.12.2019.	31.12.2018. (restated)
<b>Type of borrower</b>				
Private companies	134,495	321,068	138,415	325,146
Private individuals	251,660	286,261	251,609	286,263
Other financial companies	30,490	79,437	30,490	79,437
<b>Total loans, gross</b>	<b>416,645</b>	<b>686,766</b>	<b>420,514</b>	<b>690,846</b>
Impairment allowances	(23,198)	(28,806)	(23,189)	(28,809)
<b>Total loans, net</b>	<b>393,447</b>	<b>657,960</b>	<b>397,325</b>	<b>662,037</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.

More detailed information about impairment allowances for loans is disclosed in Note 6.

Ten largest exposures of the Group as at 31 December 2019 amounted to 23.8% (26.2%) of the total Group's net loan portfolio, however, those of the Company amounted to 23.6% (26.0%) of the total Company's net loan portfolio. Individual impairment allowances EUR 7.9 (0.7) million has been established for these loans.

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2019

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

Country	Group		Company	
	31.12.2019.	31.12.2018. (restated)	31.12.2019.	31.12.2018. (restated)
Latvia	354,195	578,385	358,179	582,462
Russia	27,033	50,128	27,021	50,128
Ukraine	11,430	14,356	11,427	14,356
Great Britain	337	270	314	270
Belarus	290	341	288	341
Total other countries	162	14,480	96	14,480
<b>Total net loans</b>	<b>393,447</b>	<b>657,960</b>	<b>397,325</b>	<b>662,037</b>

Credit type structure:

Category	31.12.2019.					31.12.2018. (restated)				
	Mortgage	Business	Other	Consumer	Total gross loans	Mortgage	Business	Other	Consumer	Total gross loans
Ordinary loans	245,053	164,352	955	78	410,438	275,195	394,703	1,266	210	671,374
Credit lines	-	5,130	-	-	5,130	-	14,393	-	-	14,393
Balances on current accounts	-	923	-	89	1,012	-	922	-	32	954
Balances on payments cards	-	42	-	23	65	-	29	-	16	45
<b>Total gross loans</b>	<b>245,053</b>	<b>170,447</b>	<b>955</b>	<b>190</b>	<b>416,645</b>	<b>275,195</b>	<b>410,047</b>	<b>1,266</b>	<b>258</b>	<b>686,766</b>
Impairment allowance	(6,067)	(16,097)	(954)	(80)	(23,198)	(9,334)	(18,148)	(1,265)	(59)	(28,806)
<b>Total net loans</b>	<b>238,986</b>	<b>154,350</b>	<b>1</b>	<b>110</b>	<b>393,447</b>	<b>265,861</b>	<b>391,899</b>	<b>1</b>	<b>199</b>	<b>657,960</b>

  

Category	31.12.2019.					31.12.2018. (restated)				
	Mortgage	Business	Other	Consumer	Total gross loans	Mortgage	Business	Other	Consumer	Total gross loans
Ordinary loans	245,052	168,343	955	79	414,429	275,195	398,783	1,266	210	675,454
Credit lines	-	5,128	-	-	5,128	-	14,393	-	-	14,393
Balances on current accounts	-	852	-	40	892	-	922	-	32	954
Balances on payments cards	-	42	-	23	65	-	29	-	16	45
<b>Total gross loans</b>	<b>245,052</b>	<b>174,365</b>	<b>955</b>	<b>142</b>	<b>420,514</b>	<b>275,195</b>	<b>414,127</b>	<b>1,266</b>	<b>258</b>	<b>690,846</b>
Impairment allowance	(6,067)	(16,093)	(954)	(75)	(23,189)	(9,334)	(18,151)	(1,265)	(59)	(28,809)
<b>Total net loans</b>	<b>238,985</b>	<b>158,272</b>	<b>1</b>	<b>67</b>	<b>397,325</b>	<b>265,861</b>	<b>395,976</b>	<b>1</b>	<b>199</b>	<b>662,037</b>

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

Category	31.12.2019.				31.12.2018.			
	Collective allowances			Total	Collective allowances			Total
	Individual allowances	allowances for impaired loans	allowances for not impaired loans		Individual allowances	allowances for impaired loans	allowances for not impaired loans	
Group								
Mortgage	83	4,497	1,487	6,067	314	6,029	2,991	9,334
Business	15,485	612	-	16,097	17,480	668	-	18,148
Other	-	954	-	954	-	1,265	-	1,265
Consumer	-	75	5	80	-	48	11	59
<b>Total impairment allowances for loans</b>	<b>15,568</b>	<b>6,138</b>	<b>1,492</b>	<b>23,198</b>	<b>17,794</b>	<b>8,010</b>	<b>3,002</b>	<b>28,806</b>
Company								
Mortgage	83	4,497	1,487	6,067	314	6,029	2,991	9,334
Business	15,488	605	-	16,093	17,483	668	-	18,151
Other	-	954	-	954	-	1,265	-	1,265
Consumer	-	70	5	75	-	48	11	59
<b>Total impairment allowances for loans</b>	<b>15,571</b>	<b>6,126</b>	<b>1,492</b>	<b>23,189</b>	<b>17,797</b>	<b>8,010</b>	<b>3,002</b>	<b>28,809</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.

The breakdown of allowances established by the Group/Company by 3 largest countries of borrowers:

Country	EUR'000			
	Group 31.12.2019.	Group 31.12.2018.	Company 31.12.2019.	Company 31.12.2018.
Latvia	11,547	15,902	11,549	15,905
Russia	10,427	12,317	10,426	12,317
Ukraine	467	89	466	89
Total other countries	757	498	748	498
<b>Total impairment allowances for loans</b>	<b>23,198</b>	<b>28,806</b>	<b>23,189</b>	<b>28,809</b>

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

Industry	EUR'000			
	Group 31.12.2019.	Group 31.12.2018. (restated)	Company 31.12.2019.	Company 31.12.2018. (restated)
Mortgage loans to private individuals	235,387	261,500	235,387	261,500
Real estate management	77,308	208,468	81,296	212,544
Financial and insurance activities	30,056	77,684	30,056	77,685
Transportation and logistics	9,425	26,612	9,423	26,612
Other loans to private individuals	8,267	13,263	8,222	13,263
Trading	6,183	8,301	6,132	8,301
Manufacturing	5,632	18,070	5,632	18,070
Energy	4,208	6,463	4,208	6,463
Agriculture and forestry	-	1,652	-	1,652
Other industries	16,981	35,947	16,969	35,947
<b>Total net loans</b>	<b>393,447</b>	<b>657,960</b>	<b>397,325</b>	<b>662,037</b>

Collateral analysis for the Group's loans:

Category	Total gross loans	Securities	Real estate	Other collateral	EUR'000
					Fair value of collateral, total* 31.12.2019.
<b>Mortgage</b>	<b>245,053</b>	<b>-</b>	<b>222,192</b>	<b>454</b>	<b>222,646</b>
LTV up to 100%	137,643	-	137,189	454	137,643
LTV over 100%	107,410	-	85,003	-	85,003
<b>Business</b>	<b>170,447</b>	<b>629</b>	<b>125,046</b>	<b>36,494</b>	<b>162,169</b>
LTV up to 100%	155,351	629	118,228	36,494	155,351
LTV over 100%	15,096	-	6,818	-	6,818
<b>Other</b>	<b>955</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
LTV up to 100%	-	-	-	-	-
LTV over 100%	955	-	-	1	1
<b>Consumer</b>	<b>190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
LTV up to 100%	-	-	-	-	-
LTV over 100%	190	-	-	-	-
<b>Total gross loans</b>	<b>416,645</b>	<b>629</b>	<b>347,238</b>	<b>36,949</b>	<b>384,816</b>
Impairment allowances	(23,198)				
<b>Total net loans</b>	<b>393,447</b>				
Category	31.12.2018. (restated)				
<b>Mortgage</b>	<b>275,195</b>	<b>-</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>1,266</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
LTV up to 100%	-	-	-	-	-
LTV over 100%	1,266	-	-	1	1
<b>Consumer</b>	<b>258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
LTV up to 100%	-	-	-	-	-
LTV over 100%	258	-	-	-	-
<b>Total gross loans</b>	<b>686,766</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>657,960</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.

<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.

Collateral analysis for the Company's loans:

	EUR'000				
	Total gross loans	Securities	Real estate	Other collateral	Fair value of collateral, total*
Category	31.12.2019.				
<b>Mortgage</b>	<b>245,052</b>	<b>-</b>	<b>222,192</b>	<b>454</b>	<b>222,646</b>
LTV up to 100%	137,643	-	137,189	454	137,643
LTV over 100%	107,409	-	85,003	-	85,003
<b>Business</b>	<b>174,365</b>	<b>629</b>	<b>129,037</b>	<b>36,494</b>	<b>166,160</b>
LTV up to 100%	159,342	629	122,219	36,494	159,342
LTV over 100%	15,023	-	6,818	-	6,818
<b>Other</b>	<b>955</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
LTV up to 100%	-	-	-	-	-
LTV over 100%	955	-	-	1	1
<b>Consumer</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
LTV up to 100%	-	-	-	-	-
LTV over 100%	142	-	-	-	-
<b>Total gross loans</b>	<b>420,514</b>	<b>629</b>	<b>351,229</b>	<b>36,949</b>	<b>388,807</b>
Impairment allowances	(23,189)				
<b>Total net loans</b>	<b>397,325</b>				
<b>Category</b>	31.12.2018. (restated)				
<b>Mortgage</b>	<b>275,195</b>	<b>-</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>1,266</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
LTV up to 100%	-	-	-	-	-
LTV over 100%	1,266	-	-	1	1
<b>Consumer</b>	<b>258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
LTV up to 100%	-	-	-	-	-
LTV over 100%	258	-	-	-	-
<b>Total gross loans</b>	<b>690,846</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>662,037</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).

During the reporting period, the Company took over the real estate with a total value of EUR 0.2 (1.3) million.

## Note 12

### Investments in subsidiaries and associates

At the end of the reporting period, the Group had investments in associates amounted to EUR 9.5 (9.2) million. The Company's investments in subsidiaries and associates amounted to EUR 144.1 (160.4) million, including investments in associates of EUR 8.6 (8.6) million and investments in subsidiaries of EUR 135.5 (151.8) million.



## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2019

The Group / Company have investment in associated company AmberStone Group, AS:

	EUR'000			
	Group	Group	Company	Company
	31.12.2019.	31.12.2018.	31.12.2019.	31.12.2018.
Share capital	37,000	35,000	37,000	35,000
Equity	41,845	38,293	39,543	38,293
Share of total share capital, (%)*	22.96	24.28	22.96	24.28
<b>Carrying amount under cost method</b>	<b>x</b>	<b>x</b>	<b>8,635</b>	<b>8,635</b>
<b>Carrying amount under equity method</b>	<b>9,507</b>	<b>9,180</b>	<b>x</b>	<b>x</b>

\* - referred to the Company

Movements in the investments in associates:

	EUR'000			
	Group	Group	Company	Company
	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.
<b>Gross investments at the beginning of the year</b>	<b>9,180</b>	<b>9,528</b>	<b>8,635</b>	<b>8,735</b>
(Dispossessed) shares in associates	-	-	-	(100)
Change in investments in associates under equity method	581	97	-	-
Dividends paid by associates	(254)	-	-	-
Increase/(decrease) in investments in associates as a result of loss of control over subsidiary	-	(445)	-	-
<b>Total investments at the end of the year</b>	<b>9,507</b>	<b>9,180</b>	<b>8,635</b>	<b>8,635</b>

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

	EUR'000	
	31.12.2019.	31.12.2018.
Position	(unaudited)	(audited)
Non-current assets	50,161	42,984
Current assets	10,467	11,170
<b>Total assets</b>	<b>60,628</b>	<b>54,154</b>
Non-current liabilities	8,283	5,546
Current liabilities	7,358	7,668
<b>Total liabilities</b>	<b>15,641</b>	<b>13,214</b>
Capital and reserves	41,845	38,335
incl. profit/(loss) for the reporting period	2,590	1,036
Non-controlling interest	3,142	2,605
<b>Total liabilities, capital and reserves</b>	<b>60,628</b>	<b>54,154</b>
<b>Net turnover</b>	<b>18,438</b>	<b>19,792</b>

Open-end investment funds included in the Group:

				31.12.2019.	31.12.2018.
Open-end investment fund	Country of registration	ISIN	Fund type	Group's share (%)	Group's share (%)
ABLV Multi-Asset Total Return USD Fund	LV	LV0000400919	Total return fund	59.1	59.1
ABLV Emerging Markets Corporate USD Bond Fund	LV	LV0000400935	Corporate bond fund	39.4	39.4
ABLV European Industry EUR Equity Fund	LV	LV0000400844	Equity fund	38.3	38.3

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2019

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

Company	Country of incorporation	Registration number	Business profile	31.12.2019.		31.12.2018.	
				Share in the entity's capital (%)	Share in the entity's capital with voting rights (%)	Share in the entity's capital (%)	Share in the entity's capital with voting rights (%)
ABLV Bank, AS in liquidation*	LV	50003149401	Financial services	100.00	100.00	100.00	100.00
ABLV Bank Luxembourg, S.A.in judicial liquidation (prev.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
ABLV Asset Management, IPAS	LV	40003814724	Financial services	90.00	100.00	90.00	100.00
REDDebitum, SIA	LV	40103964811	Other activities auxiliary to financial services	100.00	100.00	100.00	100.00
PEM, SIA	LV	40103286757	Investment project management	51.00	51.00	51.00	51.00
PEM 1, SIA	LV	40103551353	Wholesale of other machinery and equipment	51.00	51.00	51.00	51.00
New Hanza Capital, AS	LV	50003831571	Holding company	97.40	97.40	88.00	88.00
NHC 1, SIA****	LV	50103247681	Investments in real estate	97.40	97.40	88.00	88.00
NHC 2, SIA	LV	40103963977	Investments in real estate	97.40	97.40	88.00	88.00
NHC 3, SIA****	LV	50103994841	Investments in real estate	97.40	97.40	88.00	88.00
NHC 4, SIA	LV	40203032424	Investments in real estate	97.40	97.40	88.00	88.00
NHC 5, SIA	LV	50203032411	Investments in real estate	97.40	97.40	99.84	99.84
Hanzas perons, SIA (prev.NHC 6, SIA)	LV	40203032439	Investments in real estate	97.40	97.40	88.00	88.00
Hanzas Dārzs, SIA	LV	40203078059	Territory management	97.40	97.40	99.99	99.99
Pillar, SIA	LV	40103554468	Holding company	97.40	97.40	100.00	100.00
Pillar Holding Company, KS**	LV	40103260921	Holding company	97.40	97.40	100.00	100.00
Pillar 3, SIA**	LV	40103193067	Real estate transactions	97.40	97.40	100.00	100.00
Pillar 4 & 6, SIA**	LV	40103210494	Real estate transactions	97.40	97.40	100.00	100.00
Pillar 11, SIA**	LV	40103258310	Real estate transactions	97.40	97.40	100.00	100.00
Pillar 2, 12 & 14, SIA**	LV	50103313991	Real estate transactions	97.40	97.40	100.00	100.00
Pillar Technologies, SIA**	LV	40103492079	Real estate transactions	97.40	97.40	100.00	100.00
Pillar 19, SIA**	LV	40103766952	Real estate transactions	97.40	97.40	100.00	100.00
Pillar 20, SIA**	LV	40103903056	Real estate transactions	97.40	97.40	100.00	100.00
Pillar 21, SIA**	LV	40103929286	Real estate transactions	97.40	97.40	100.00	100.00
Pillar 22, SIA	LV	50103966301	Real estate transactions	97.40	97.40	100.00	100.00
Pillar 23, SIA**	LV	40203107574	Renting and operating of own or leased real estate	97.40	97.40	100.00	100.00
Pillar Management, SIA	LV	40103193211	Real estate management and administration	97.40	97.40	100.00	100.00
Pillar RE Services, SIA	LV	40103731804	Parking management	97.40	97.40	100.00	100.00
Pillar Contractor, SIA	LV	40103929498	Management and coordination of construction processes	97.40	97.40	100.00	100.00
Pillar Architekten, SIA	LV	40103437217	Designing and designer's supervision	97.40	97.40	100.00	100.00
Pillar Development, SIA	LV	40103222826	Infrastructure maintenance	97.40	97.40	99.97	99.97
New Hanza Centre, SIA	LV	40203037667	Investments in real estate	97.40	97.40	99.97	99.97
ABLV Capital Markets, AS in liquidation (prev.ABLV Capital Markets, IBAS)***	LV	40003814705	Financial services	-	-	90.00	100.00
Senargo, SIA (prev. Pillar Energy, SIA)	LV	40103693339	Infrastructure management	-	-	99.97	99.97

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

The Company's investments in subsidiaries:

Name	Country of incorporation	Share capital	Equity	Company's share of total share capital, (%)	31.12.2019.		31.12.2018.	
					Gross carrying amount	Share capital	Equity	Gross carrying amount
ABLV Bank Luxembourg, S.A.in judicial liquidation (prev.ABLV Bank Luxembourg, S.A.)*	LU	25,000	8,168	100.0	25,000	-	-	-
New Hanza Capital, AS	LV	115,317	139,967	97.4	132,187	25,000	29,603	22,000
ABLV Consulting services, AS	LV	1,800	284	100.0	1,800	1,800	312	1,800
ABLV Asset Management, IPAS*	LV	650	1,321	90.0	585	-	-	-
PEM, SIA	LV	100	321	51.0	51	100	572	51
REDDebitum SIA	LV	3	(3)	100.0	3	3	(3)	3
Pillar Holding Company, KS	LV	-	-	-	-	65,000	38,605	65,000
Pillar Development, SIA	LV	-	-	-	-	39,550	30,469	39,450
New Hanza Centre, SIA	LV	-	-	-	-	35,200	27,290	35,100
Pillar 23, SIA	LV	-	-	-	-	21,075	20,906	20,875
Pillar Management, SIA	LV	-	-	-	-	1,000	1,117	1,073
Lkvidējamā ABLV Capital Markets, AS	LV	-	-	-	-	1,000	3,342	900
Hanzas Dārzs, SIA	LV	-	-	-	-	990	971	690
Pillar, SIA	LV	-	-	-	-	10	4	13
NHC 5, SIA	LV	-	-	-	-	8,200	8,425	8,094
<b>Total investments in subsidiaries, gross</b>		<b>142,870</b>	<b>150,058</b>	<b>x</b>	<b>159,626</b>	<b>198,928</b>	<b>161,613</b>	<b>195,049</b>
Impairment allowances					(24,177)			(43,215)
<b>Total investments in subsidiaries, net</b>					<b>135,449</b>			<b>151,834</b>

\* - classified as non-current investments held for sale in the previous reporting period.

Based on the request by ABLV Capital Markets, IBAS, on 28 May 2019 the FCMC withdrew its licence on rendering investment services. On 18 June 2019, the Register of Enterprises of the Republic of Latvia made entry to the Commercial Register on change of company's name of ABLV Capital Markets, IBAS to ABLV Capital Markets, AS and on 3 July 2019, the Register of Enterprises of the Republic of Latvia made entry to the Commercial Register about commencement of liquidation process of ABLV Capital Markets and during the reporting period the liquidation process was successfully completed.

During the reporting period in April 2019 ABLV Capital Markets, AS in liquidation ceased to provide its services to the customers. Thus, according to the provisions of the Credit Institutions Law on returning property of third parties, the Company is independently executing orders on outgoing transfers of securities that are in its custody. Customers' financial instruments held by Company at the end of reporting period amounted to EUR 459.5 (573.1) million, including bonds issued by Company amounting to EUR 303.0 (377.3) million and ABLV Asset Management, IPAS open investment funds amounting to EUR 21.4 (48.7) million.

Customers' assets of the open investment funds managed by ABLV Asset Management, IPAS at the end of the reporting period amounted to EUR 150.0 (130.9) million.

In the reporting period the assets of the open-end investment funds of ABLV Asset Management, IPAS were not fully transferred to the new custodian, the Company made a decision not to sell ABLV Asset Management, IPAS.

Having taken into account the above mentioned, ABLV Asset Management, IPAS and its open-end investment funds are no longer recognized as non-current investments held for sale by the Company.

Due to significant financial losses over extensive period, the Company made a decision within reporting period to support commencement of liquidation of its subsidiary ABLV Bank Luxembourg, S.A.. Subsequently, on 2 July 2019, the Luxembourg Commercial Court decided to lift the protection mechanism previously imposed on ABLV Bank Luxembourg, S.A. and to commence its liquidation.

Having taken into account the above mentioned, investment in ABLV Bank Luxembourg, S.A. in judicial liquidation is no longer recognized as non-current investment held for sale.

In December 2019 there were changes in investment restructuring to simplify and optimise the investment structure of the Company and to ensure efficient management. In the result of restructuring New Hanza Capital, AS, the subsidiary of the Company, is becoming a holding company for the part of the Company's group of companies operating in the field of real estate.

In the course of restructuring, fixed capital of the Company's subsidiary New Hanza Capital, AS was increased by EUR 90.3 million through issue of new registered ordinary voting shares and the face value of one share at EUR 1. The shares of the new issue are paid up by material investment in the fixed capital of New Hanza Capital, AS – capital shares owned by the Company in the following limited liability companies: Pillar 23, SIA, Pillar Management, SIA, Pillar, SIA, Pillar Development, SIA, Hanzas Dārzs, SIA, New Hanza Centre, SIA, as well as investment in the limited partnership Pillar Holding Company, KS owned by the Company as a limited partner.

On 5 December 2019 the increase of the fixed capital of New Hanza Capital, AS is registered in the commercial register. After the increase of the fixed capital, the total fixed capital of New Hanza Capital, AS is EUR 115.3 million. The Company's share in the fixed capital of New Hanza Capital, AS has grown from 88% to 97.4%.

During the reporting period was made a decision to sell the Group's investments in subsidiaries NHC 1, SIA and NHC 3, SIA and accordingly reclassify these investments as non-current investments held for sale.

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2019

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

	EUR'000	
	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.
<b>Impairment allowances at the beginning of the reporting period</b>	<b>43,215</b>	<b>47,785</b>
Increase in impairment allowances	9,538	12,548
incl. Pillar Development, SIA	2,453	3,589
incl. New Hanza Centre, SIA	2,174	-
incl. ABLV Bank Luxembourg, S.A. in judicial liquidation	4,733	4,099
incl. Hanzas Dārzs, SIA	148	-
incl. ABLV Consulting services, AS	30	-
incl. Pillar Holding Company, KS	-	4,857
incl. REDDebitum, SIA	-	3
(Decrease) in impairment allowances	-	(94)
incl. Pillar Management, SIA	-	(94)
<b>Total impairment allowances recognized through profit/loss for the reporting period</b>	<b>9,538</b>	<b>12,454</b>
Reclassified from/to non-current assets held for sale	17,924	(17,924)
Reclassified from other liabilities	-	900
(Decrease) in impairment allowances due to tangible investments	(19,709)	-
incl. New Hanza Centre, SIA	(10,033)	-
incl. Pillar Development, SIA	(8,806)	-
incl. Pillar Holding Company, KS	(688)	-
incl. Hanzas Dārzs, SIA	(148)	-
incl. Pillar Management, SIA	(27)	-
incl. Pillar, SIA	(7)	-
(Decrease) in impairment allowances by capitalizing losses of Pillar Holding Company, KS	(26,791)	-
<b>Impairment allowances at the end of the reporting period</b>	<b>24,177</b>	<b>43,215</b>

Movements in the Company's investments in subsidiaries:

	EUR'000	
	Group	Group
	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.
<b>Investments at the beginning of period, gross</b>	<b>195,049</b>	<b>184,926</b>
Liquidated subsidiaries	(900)	-
(Decrease) in investments due to the loss of control	(8,094)	-
Reclassified from/to investments held for sale	25,585	(25,585)
Increase in investments in existing subsidiaries' capital	-	11,739
Changes in investments in existing subsidiaries' capital by tangible investment	(15,351)	28,969
(Decrease) in investments due to accumulated losses	(26,791)	-
(Decrease) in investments in existing subsidiaries' capital	(9,872)	(5,000)
<b>Investments at the end of the period, gross</b>	<b>159,626</b>	<b>195,049</b>
Impairment allowances	(24,177)	(43,215)
<b>Investments at the end of the period, net</b>	<b>135,449</b>	<b>151,834</b>

Changes in non-controlling interest:

	EUR'000	
	Group	Group
	01.01.2019.– 31.12.2019.	01.01.2018.– 31.12.2018.
<b>Non-controlling interest at the beginning of the period</b>	<b>4,345</b>	<b>4,094</b>
Dispossessed non-controlling interest and profit share due to liquidation	(359)	-
Dispossessed profit share due to decrease of non-controlling interest	(1,843)	-
Profit share attributable to non-controlling interest	56	251
<b>Non-controlling interest at the end of the period</b>	<b>2,199</b>	<b>4,345</b>

## Note 13

## Investment property

	EUR'000	
	Group	Company
<b>Carrying amount as at 01.01.2018.</b>	<b>63,951</b>	<b>28,969</b>
Acquisitions	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>
Acquisitions during the reporting period	8,138	-
Reclassification	(24,948)	-
Revaluation result of investment property	(594)	-
<b>Carrying amount as at 31.12.2019.</b>	<b>83,885</b>	<b>-</b>

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

						EUR'000	
Type	Types of appraiser	Valuation methods applied	Leased	Address	Significant unobservable data	Group	Group
						31.12.2019.	31.12.2018.
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 19.0 to 32.14 (from 24.2 to 31.3) in the first year, in the following years 19.4 - 21.2 (19.0-20.0) EUR/m <sup>2</sup> ; estimation period of cash flows - 5 (5) years.	700	689
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 – 9.0 (9.0) EUR/m <sup>2</sup> for office premises and 3.15 (2.0) EUR/m <sup>2</sup> for external premises; Occupancy – 98% (98%); Cash flow estimation period – 9 (10) years.	1,561	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	42% (55%)	Rīga, Brīvības St. 214B and 214M	Bērzaunes St.1 and 7 and Brīvības St.214B - monthly rental income – 5.02 (5.82) EUR/m <sup>2</sup> ; Occupancy – 75%-99% (84%). Bērzaunes St.7 reconstruction expense 300 EUR/m <sup>2</sup> . Planned after reconstruction: Brīvības St.214M area for lease – 14 674 (12 828) m <sup>2</sup> ; Total reconstruction period – 3 (3) years; Average reconstruction expense – 800 (317) EUR/m <sup>2</sup> ; Monthly rental income – 11.0 (4.92) EUR/m <sup>2</sup> ; Occupancy during the last period – 95.0% (85.6%); Cash flow estimation period – 4 (5) years.	14,108	12,808
			69% (78%)	Rīga, Bērzaunes St. 1 and 7			
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	100% (93%)	Rīga, Maskavas St. 462 and Maskavas St. 464A	Monthly rental income – 3.24 (3.1) EUR/m <sup>2</sup> ; Occupancy – 95%-100% (99%); Cash flow estimation period – 6 (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 – 16.9 (16.2) EUR/m <sup>2</sup> .	12,002	10,758
Commercial building (Hanzas perons)	External independent valuer, real estate valuation expert (the Company's real estate valuation expert)	Construction cost substitution approach and comparable transaction approach (Discounted cash flow model with a terminal value component at the end of the cash flow, cost substitution method)	68% (50%)	Rīga, Hanzas St. 16A	Replacement costs of the building construction - 2,640 EUR / m <sup>2</sup> ; (commercial premises assessed by a cost-replacement approach (35%) based on construction cost of similar objects (using external (economic) depreciation of improvement - 50%) and the discounted cash flow approach (65%) based on operating income (organisation of measures/ rental of premises); Cash flow estimated period - 10 (10) years	7,061	21,674
Commercial object				Rīga, Hanzas St. 16A	When evaluating the land plots, the real estate valuation expert used three comparable sales transactions, applying adjustment coefficients (the size of the land plots (area), available utilities and other).	9,012	

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2019

(continuation)							
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	76% (15%)	Rīga, Elizabetes St. 23	Monthly rental income – 12.32 (14.5) EUR/m2 for office premises and 12.32 (7.0) EUR/m2 for basement premises (according to appraiser market lease rates); Occupancy – 97% (97%); Cash flow estimation period – 6 (5) years.	8,382	7,025
			96% (100%)	Rīga, Elizabetes St. 21A, room Nr.102			1,209
Commercial building	External independent appraiser, real estate valuation expert	Comparable transaction method and discounted cash flow model	-	Rīga, Mihaila Tāla St. 3	When evaluating the land plots, the appraiser used three comparable objects, additionally applying adjustment coefficients (the size of the land plots (area), available utilities and other, investments were valued based on construction works done. monthly rental income – 16 EUR/m2; occupancy – 80% - 95%; cash flow estimation period – 6 years; construction expense - 1181 EUR/m2, construction period - 3 years.	8,174	10,671
Building plots	External independent appraiser, real estate valuation expert	Comparable transaction method		Rīga, Mihaila Tāla St. 4	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.	1,291	8,010
				Rīga, Mihaila Tāla St.7		2,567	
				Rīga, Mihaila Tāla St. 12		1,090	
				Rīga, Mihaila Tāla St. 2; 5		4,420	
				Rīga, Aleksandra Laimes St. 2		904	3,576
				Rīga, Aleksandra Laimes St. 4		1,132	
				Gustava Kluča St. 10		1,421	
				without address		176	
				Gustava Kluča St. 6		476	577
				Rīga, Hanzas St. 14C and 16C		427	381
				Rīga, Sporta St. 14, 16 and 19		4,586	4,183
				Rīga, Aleksandra Laimes St. 1; 3 and 5		4,264	3,738
				without address		129	-
Administrative buildings*	Sales transaction (External independent appraiser, real estate valuation expert)	Fair value method is measured based on the estimated market price of the particular asset. (Discounted cash flow model with a terminal value component at the end of the cash flow)	100%	Tehnikas St. 3, Rīga airport	Value determined on the basis of the purchase price agreed between the two unrelated parties in the purchase-sales transaction for the real estate concerned (monthly rental income – (6.82) EUR/m2 for office premises and (3.42) EUR/m2 for auxiliary premises; occupancy – (98%); Cash flow estimation period - (8) years.)	-	6,920
Office building and warehouse complex*	Sales transaction (Entity's valuer real estate valuation expert)	Fair value method is measured based on the estimated market price of the particular asset. Discounted cash flow model with a terminal value component at the end of the cash flow	99% (88%)	Krustkalni, Ķekavas pagasts, Piepilsētas	Value determined on the basis of the purchase price agreed between the two unrelated parties in the purchase-sales transaction for the real estate concerned (monthly rental income (4.44) EUR/m2 for warehouse premises and (5.4) EUR/m2 for office premises and (4.0) EUR/m2 for premises not yet leased; Occupancy of office premises leased (95%); Occupancy of warehouse premises leased (95%); Average load of free premises (35%); Cash flow estimation period (4) years).	-	7,560
<b>Total</b>						<b>83,885</b>	<b>101,289</b>

\*- during the reporting period reclassified to non-current investments held for sale.

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

- discount rates: 7.3% (7.5%) - 9.25% (9.5%);
- capitalization rate: 6.5% (6.5%) - 8.5% (8.5%);
- annual income increase: 2% (2%) - 3% (4%).

Period	EUR'000	
	Group	Group
	31.12.2019.	31.12.2018.
Up to 1 year	2,611	1,984
1 to 5 years	4,583	2,851
5 years to maturity	586	1,758

## Note 14

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

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.

During the reporting period was made a decision to sell the Group's investments in subsidiaries NHC 1, SIA and NHC 3, SIA. According to the decision taken, the assets of those subsidiaries in these financial statements are classified as non-current investments held for sale, but liabilities as liabilities directly related to non-current investments held for sale.

Non-current investments held for sale:

Position	EUR'000			
	Group 31.12.2019.	Group 31.12.2018.	Company 31.12.2019.	Company 31.12.2018.
Balances due from credit institutions	134	25,267	-	-
Investments in financial instruments	-	132,264	-	-
Investments in subsidiaries	-	-	-	7,661
Loans	-	14,640	-	-
Investment property	15,800	-	-	-
Real estate	2,019	1,819	2,019	1,819
Other tangible assets	409	865	44	359
<b>Total assets, gross</b>	<b>18,362</b>	<b>174,855</b>	<b>2,063</b>	<b>9,839</b>
Impairment allowances	(490)	(477)	(490)	(477)
<b>Total assets, net</b>	<b>17,872</b>	<b>174,378</b>	<b>1,573</b>	<b>9,362</b>
Liabilities to credit institutions	3,267	-	-	-
Deposits	-	131,343	-	-
Other liabilities	519	22,080	-	-
<b>Total liabilities</b>	<b>3,786</b>	<b>153,423</b>	<b>-</b>	<b>-</b>

Additional information on the Company's subsidiaries, which in the reporting period were reclassified to non-current investments held for sale, is provided in Note 12.

## Note 15

**Intangible assets, property and equipment**

	EUR'000			
	Group 31.12.2019.	Group 31.12.2018.	Company 31.12.2019.	Company 31.12.2018.
Intangible assets	2,519	3,386	2,475	3,362
<b>Total intangible assets</b>	<b>2,519</b>	<b>3,386</b>	<b>2,475</b>	<b>3,362</b>
Infrastructure engineering structures	6,773	-	-	-
Construction in progress and leasehold improvements	2,223	1,140	149	199
Office equipment and IT hardware	2,176	2,307	860	1,540
Land	1,936	697	-	-
Buildings and property improvements	1,049	1,362	-	-
Other assets	999	-	-	-
Vehicles	749	1,010	433	659
Machinery and equipment	623	-	-	-
<b>Total property</b>	<b>16,528</b>	<b>6,516</b>	<b>1,442</b>	<b>2,398</b>
<b>Total property and equipment</b>	<b>19,047</b>	<b>9,902</b>	<b>3,917</b>	<b>5,760</b>

As at 31 December 2019, the Group had intangible assets, property and equipment with the carrying amount of 0, and acquisition cost of EUR 6.4 (8.4) million, whereas the cost of the Company's intangible assets, property and equipment was EUR 6.3 (8.2) million.



# Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2019

Movements in the Group's intangible assets, property and equipment in 2019:

	EUR'000								
	Intangible assets	Land	Construction in progress	Buildings and leasehold improvements	Infrastructure engineering structures	Machinery and equipment	Vehicles	Office equipment, IT and other	Total, excl. prepayments
<b>Value as at 01.01.2019.</b>	<b>13,981</b>	<b>697</b>	<b>2,037</b>	<b>3,355</b>	<b>-</b>	<b>-</b>	<b>1,277</b>	<b>10,697</b>	<b>32,044</b>
Additions	35	-	324	1	-	648	78	409	1,495
Reclassification	-	1,239	809	-	6,994	-	(72)	761	9,731
Disposals	(895)	-	-	-	-	-	(102)	(2,301)	(3,298)
<b>Value as at 31.12.2019.</b>	<b>13,121</b>	<b>1,936</b>	<b>3,170</b>	<b>3,356</b>	<b>6,994</b>	<b>648</b>	<b>1,181</b>	<b>9,566</b>	<b>39,972</b>
<b>Accumulated depreciation/amortisation as at 01.01.2019.</b>	<b>10,595</b>	<b>-</b>	<b>897</b>	<b>1,993</b>	<b>-</b>	<b>-</b>	<b>267</b>	<b>8,390</b>	<b>22,142</b>
Depreciation calculated for the reporting period	902	-	50	314	221	25	212	701	2,425
Reclassification	-	-	-	-	-	-	(8)	(441)	(449)
Write-off of depreciation	(895)	-	-	-	-	-	(39)	(2,259)	(3,193)
<b>Accumulated depreciation/amortisation as at 31.12.2019.</b>	<b>10,602</b>	<b>-</b>	<b>947</b>	<b>2,307</b>	<b>221</b>	<b>25</b>	<b>432</b>	<b>6,391</b>	<b>20,925</b>
<b>Net carrying amount 01.01.2019.</b>	<b>3,386</b>	<b>697</b>	<b>1,140</b>	<b>1,362</b>	<b>-</b>	<b>-</b>	<b>1,010</b>	<b>2,307</b>	<b>9,902</b>
<b>Net carrying amount 31.12.2019.</b>	<b>2,519</b>	<b>1,936</b>	<b>2,223</b>	<b>1,049</b>	<b>6,773</b>	<b>623</b>	<b>749</b>	<b>3,175</b>	<b>19,047</b>

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 improvement	Vehicles	Office equipment, IT and other	Total, excl. prepayments
Value as at 01.01.2018.	14,329	13,566	18,962	3,832	2,530	15,498	68,717
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)
Value as at 31.12.2018.	13,981	697	2,037	3,355	1,277	10,697	32,044
Accumulated depreciation/amortisation as at 01.01.2018.	9,863	-	1,105	1,679	846	10,755	24,248
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)
Accumulated depreciation/amortisation as at 31.12.2018.	10,595	-	897	1,993	267	8,390	22,142
Net carrying amount 01.01.2018.	4,466	13,566	17,857	2,153	1,684	4,743	44,469
Net carrying amount 31.12.2018.	3,386	697	1,140	1,362	1,010	2,307	9,902

Movements in the Company's intangible assets, property and equipment in 2019:

	EUR'000				
	Intangible assets	Leasehold improvements	Vehicles	Office equipment, IT and other	Total, excl. prepayments
<b>Value as at 01.01.2019.</b>	<b>13,863</b>	<b>1,096</b>	<b>919</b>	<b>9,362</b>	<b>25,240</b>
Additions	-	-	-	2	2
Reclassification	-	-	-	(475)	(475)
Disposals	(895)	-	(101)	(2,238)	(3,234)
<b>Value as at 31.12.2019.</b>	<b>12,968</b>	<b>1,096</b>	<b>818</b>	<b>6,651</b>	<b>21,533</b>
<b>Accumulated depreciation/amortisation as at 01.01.2019.</b>	<b>10,501</b>	<b>897</b>	<b>260</b>	<b>7,822</b>	<b>19,480</b>
Depreciation calculated for the reporting period	887	50	150	327	1,414
Reclassification	-	-	-	(447)	(447)
Disposals at the reporting period	(895)	-	(25)	(1,911)	(2,831)
<b>Accumulated depreciation/amortisation as at 31.12.2019.</b>	<b>10,493</b>	<b>947</b>	<b>385</b>	<b>5,791</b>	<b>17,616</b>
<b>Net carrying amount as at 01.01.2019.</b>	<b>3,362</b>	<b>199</b>	<b>659</b>	<b>1,540</b>	<b>5,760</b>
<b>Net carrying amount as at 31.12.2019.</b>	<b>2,475</b>	<b>149</b>	<b>433</b>	<b>860</b>	<b>3,917</b>



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

	EUR'000				
	Intangible assets	Leashold improvements	Vehicles	Office equipment, IT and other	Total, excl. prepayments
<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)
Write-off of depreciation	-	(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 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 31.12.2018.</b>	<b>3,362</b>	<b>199</b>	<b>659</b>	<b>1,540</b>	<b>5,760</b>

## Note 16

### Other assets

	EUR'000			
	Group	Group	Company	Company
	31.12.2019.	31.12.2018. (restated)	31.12.2019.	31.12.2018. (restated)
Receivables	1,956	1,626	1,255	1,609
Receivables from financial institutions	6,401	6,305	6,383	6,305
Uncompleted settlements for payment card transactions	489	1,171	489	1,171
Settlements for financial instruments	215	282	215	282
Other financial assets	158	201	158	201
Settlements for subsidiaries	-	-	9,866	5,103
<b>Total other financial assets</b>	<b>9,219</b>	<b>9,585</b>	<b>18,366</b>	<b>14,671</b>
Inventory	2,457	2,628	994	994
Deferred expenses and accrued income	1,224	455	165	88
Overpaid tax	1,004	1,252	761	33
Other assets	127	487	133	785
Settlements with subsidiaries	-	-	13,372	4,500
Precious metals	-	419	-	419
<b>Total other non-financial assets</b>	<b>4,812</b>	<b>5,241</b>	<b>15,425</b>	<b>6,819</b>
Impairment allowances	(1,471)	(1,037)	(1,345)	(579)
<b>Total other assets, net</b>	<b>12,560</b>	<b>13,789</b>	<b>32,446</b>	<b>20,911</b>

In the reporting period one credit institution registered in other country amounted EUR 5.2 (5.1) million was reclassified from balances due from credit institutions and central banks to other assets, for which the impairment is recognised amounted EUR 0.4 (0) million. The impairment is not related to the creditworthiness of the credit institution itself, but is recognised by the assessment of the ability of the Group/Company to recover funds from that credit institution.

## Note 17

## Creditors' claims

	EUR'000			
	Group	Group	Company	Company
	31.12.2019.	31.12.2018. (restated)	31.12.2019.	31.12.2018. (restated)
<b>Lodged creditors' claims</b>				
<b>Total lodged creditors' claims</b>	<b>2,083,250</b>	<b>-</b>	<b>2,012,257</b>	<b>-</b>
<b>Other creditors' claims, which previously disclosed as</b>				
as balances due to credit institutions	1	5,859	1	8,734
as deposits	39,769	1,551,836	28,105	1,595,591
as ordinary bonds	706	292,158	706	301,205
as subordinated liabilities	6,215	140,304	6,215	140,304
as other liabilities	805	1,434	805	1,561
<b>Total other creditors' claims</b>	<b>47,496</b>	<b>1,991,591</b>	<b>35,832</b>	<b>2,047,395</b>
<b>Total creditors' claims</b>	<b>2,130,746</b>	<b>1,991,591</b>	<b>2,048,089</b>	<b>2,047,395</b>

Information on the order of satisfaction of creditors' claims 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>.

October 2019, payouts began to creditors falling into the groups 2 to 6 (inclusive) in accordance with Clauses 1<sup>1</sup> to 5 of Section 192 of the Credit Institutions Law (the wording of the Law that was in force until 14 November 2018). At the end of the reporting period 858 creditors were ranked in these groups with EUR 352 million of admitted claims.

Information about ABLV Bank Luxembourg S.A. in judicial liquidation creditors' statements of claim is available on the website: <https://www.ablv.lu/en/legal-latest-news/legal-latest-news-liq>.

## Note 18

## Issued securities

On 12 June 2018, the FCMC decided to approve the liquidation. Consequently, all the Company's securities issues will be subject to redemption at the same time as the claims of the respective creditors 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, additional information is available on Nasdaq Riga AS website

<https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=847392&messageId=1065862>.

The principal information about the bonds issued by the Company is available here:  
<https://www.ablv.com/lv/services/investments/bonds>.

In order to successfully settle liabilities with its creditors and satisfy the claims of Company's creditors arising from the securities issued by the Company, the nominal value of each bond issued by the Company was changed to 0.01 EUR per bond during the reporting period, denominated in EUR, and USD 0.01 denominated in USD. The aforementioned change in the nominal value of the bonds issued by the Company was made in accordance with Article 139 of the Law on Credit Institutions, which stipulates that the liquidators shall determine the procedures for the coverage of other costs and debts. The change in the nominal value of the bonds in no way affects the claims made by the creditors and the process for their approval.

Information on changing face value of issued bonds is available on website: <https://www.ablv.com/en/press/2019-07-12-on-changing-face-value-of-ablv-bonds>.

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 9.8 (9.8) million.

## Note 19

### Subordinated liabilities

On 12 June 2018, the FCMC decided to approve the decision of the liquidation of the Company. Consequently, all subordinated liabilities will be disbursed to depositors within the framework of 10<sup>th</sup> group of creditors (see Note 17), in compliance with the requirements mentioned in paragraph o). 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 18.

## Note 20

### Paid-in share capital

As at 31 December 2019, the paid-in share capital of the Company amounted to EUR 42.1 (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 2019, the Company had 137 (137) voting shareholders.

The major shareholders of the Company are as follows:

Shareholders	31.12.2019.		31.12.2018.	
	Share of capital, EUR'000	Share of voting rights, %	Share of capital, EUR'000	Share of voting rights, %
<b>Ernests Bernis and Nika Berne (indirect ownership)</b>				
ASG Resolution Capital, AS	11,000	28.76	11,000	28.76
Cassandra Holding Company, SIA	5,646	14.76	5,646	14.76
<b>Ernests Bernis and Nika Berne (indirect ownership) total</b>	<b>16,646</b>	<b>43.52</b>	<b>16,646</b>	<b>43.52</b>
<b>Olegs Fiļs (indirect ownership)</b>				
OF Holding, SIA	16,646	43.52	16,646	43.52
<b>Olegs 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	4,958	12.96
<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 21

## Other liabilities

	EUR'000			
	Group	Group	Company	Company
	31.12.2019.	31.12.2018. (restated)	31.12.2019.	31.12.2018. (restated)
Group's consolidated fund shares owned by third parties	17,228	-	-	-
Settlements of transactions with financial instruments	1,728	384	1,728	384
Payables to suppliers	1,692	2,771	49	570
Other liabilities	804	827	537	607
Settlements with subsidiaries	-	-	-	126
<b>Total other financial liabilities</b>	<b>21,452</b>	<b>3,982</b>	<b>2,314</b>	<b>1,687</b>
Deferred expenses and accrued income	8,579	8,564	6,930	7,742
Funds for repayment of liabilities	2,409	2,087	2,409	2,087
Other liabilities	2,461	1,970	359	821
Accrued employees vacation pay	687	1,055	672	914
<b>Total other non-financial liabilities</b>	<b>14,136</b>	<b>13,676</b>	<b>10,370</b>	<b>11,564</b>
<b>Total other liabilities</b>	<b>35,588</b>	<b>17,658</b>	<b>12,684</b>	<b>13,251</b>

## Note 22

## Off-balance sheet items

	EUR'000			
	Group	Group	Company	Company
	31.12.2019.	31.12.2018	31.12.2019.	31.12.2018.
Off-balance sheet item type				
Agreements signed on non-financial asset acquisitions	3,130	5,901	-	-
Guarantees	806	2,877	980	2,782
Loan commitments	-	10,221	-	10,114
<b>Contingent liabilities and other off-balance sheet items, total</b>	<b>3,936</b>	<b>18,999</b>	<b>980</b>	<b>12,896</b>

## Note 23

## Related party disclosures

Related parties of the Group and the Company are defined as shareholders who have a significant ownership share, liquidators, head of Internal Audit Department 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.

Group's transactions with related parties:

	EUR'000										
	31.12.2019.					31.12.2018.					
	Share-holders	Liquidators	Related companies	Associated companies	Other related individuals	Share-holders	Liquidators	Key management personnel*	Related companies	Associated companies	Other related individuals
<b>Assets</b>											
Loans	-	-	-	5,146	-	-	-	-	-	6,011	-
<b>Liabilities</b>											
Creditors' claims	2,757	-	252	3,891	43	2,757	-	-	237	3,872	43
<b>Memorandum items</b>											
Loan commitments	-	-	-	-	-	-	-	-	-	2,310	-
<b>Income/expense</b>											
	01.01.2019.-31.12.2019.					01.01.2018.-31.12.2018.					
Interest income	-	-	-	379	-	-	-	6	-	229	1
Interest expense	-	-	-	-	-	(8)	-	(28)	-	(21)	-
Dividend income	-	-	-	255	-	-	-	-	-	-	-
Commission income	65	-	-	14	1	58	-	6	3	90	-
Commission expense	-	-	-	-	-	-	-	-	-	-	-
Net gain from transactions with financial instruments	-	-	-	-	-	8	-	17	-	9	-
Other ordinary income	14	3	64	25	-	1	-	1	-	422	-
Other administrative expense	-	-	-	(2)	-	-	-	-	(9)	(2)	-
Impairment allowances, net	-	-	-	-	-	-	-	(4)	-	(1)	-

\*- in the previous reporting period, until the starting of the liquidation process of the Company, the key management personnel that were recognized as related parties of the Company were members of Company's council and board and spouses, children and other persons of the individuals referred to previously, entities in which abovementioned individuals have a significant ownership share.

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2019

In the process of recognition of creditor claims, excluding those that have been admitted with a suspensive condition, in the reporting period the Company has registered assignments of creditor claims in favour of the Company's shareholders in the amount of EUR 392.0 (0) million on the grounds of agreements concluded between the creditors and the Company's shareholders.

Company's transactions with related parties:

	31.12.2019.						31.12.2018.					
	Share-holders	Liqui-dators	Related companies	Subsidiaries and associated companies	Other related individuals	Share-holders	Liqui-dators	Key management personnel*	Related companies	Subsidiaries and associated companies	Other related individuals	
<b>Assets</b>												
Investments in financial instruments	-	-	-	14,397	-	-	-	-	-	12,467	-	-
Loans	-	-	-	9,135	-	-	-	-	-	10,124	-	-
Other assets	-	-	-	23,620	-	-	-	-	-	9,603	-	-
<b>Liabilities</b>												
Creditors' claims	2,757	-	252	56,159	43	2,757	-	-	237	65,006	43	-
<b>Memorandum items</b>												
Loan commitments	-	-	-	-	-	-	-	-	-	2,310	-	-
Guarantees	-	-	-	174	-	-	-	-	-	179	-	-
<b>Income/ expense</b>				01.01.2019.–31.12.2019.						01.01.2018.–31.12.2018.		
Interest income	-	-	-	761	-	5	-	6	-	342	1	-
Interest expense	-	-	-	-	-	(9)	-	(28)	-	(69)	-	-
Dividend income	-	-	-	283	-	-	-	-	-	-	-	-
Commission income	65	-	-	169	1	-	-	4	-	162	-	-
Commission expense	-	-	-	-	-	-	-	-	-	(777)	-	-
Net gain from transactions with financial instruments	-	-	-	-	-	8	-	17	-	73	-	-
Other ordinary income	14	3	64	7,439	-	1	-	1	-	2,022	-	-
Other ordinary expense	-	-	-	(82)	-	-	-	-	-	-	-	-
Other administrative expense	-	-	-	(152)	-	-	-	-	(9)	(1,272)	-	-
Impairment allowances, net	-	-	-	(9,538)	-	-	-	(4)	-	(12,455)	-	-

\* - in the previous reporting period, until starting the liquidation process of the Company, as key management personnel classified as related parties of the Company were defined members of Company's council and board and spouses, children and other persons of the individuals referred to previously, entities in which abovementioned individuals have a significant ownership share.

Information on registered non-voting shares (personnel shares) is presented in Note 20, information on remuneration 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 24

### Segment information

During the reporting period, the Group/Company's management has changed the classification of the Group's business activities into segments due to the commencement of liquidation of the Company and in order to manage its subsidiaries more effectively.

During the reporting period, ABLV Bank Luxembourg in judicial liquidation, S.A, ABLV Asset Management, IPAS and open-ended investment funds included in the Group were reclassified from non-current investments held for sale and included in the financial services business segment.

During the reporting period REDDebitum, SIA (previously included in the investment management services segment) are also classified in the financial services business segment.

Changed real estate development operating segment to real estate development and management segment, to which reclassified New Hanza Capital, AS, NHC 1, SIA, NHC 2, SIA, NHC 3, SIA, NHC 4, SIA, NHC 5, SIA, Hanzas perons, SIA (prev. NHC 6, SIA) previously included in the investment management services segment.

The activities of ABLV Consulting Services, AS (previously included advisory services), PEM, SIA and PEM 1, SIA (previously included investment management services) are not separately classified and presented as other subsidiaries.

The results of operations of ABLV Capital Markets, AS liquidated during the reporting period are reported separately.

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:

- financial services (services was terminated/limited): ABLV Bank, AS in liquidation, ABLV Bank Luxembourg, S.A. in judicial liquidation, REDDebitum, SIA, ABLV Asset Management, IPAS, open-end investment fund included in the Group consolidation;
- real estate development: New Hanza Centre, SIA, Pillar Holding Company, KS, Pillar, SIA, Pillar 3, SIA, Pillar 4 & 6, SIA, Pillar 11, SIA, Pillar 2, 12 & 14 SIA, Pillar Technologies, SIA, Pillar 19, SIA, Pillar 20, SIA, Pillar 21, SIA, Pillar 22, SIA, Pillar 23, SIA, Pillar Development, SIA, Hanzas Dārzs, SIA, Pillar Management, SIA, Pillar RE Services,

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2019

SIA, Pillar Contractor, SIA, Pillar Architekten, SIA and New Hanza Capital, AS, NHC 1, SIA, NHC 2, SIA, NHC 3, SIA, NHC 4, SIA, NHC 5, SIA, Hanzas Perons, SIA (prev. NHC 6, SIA);  
 - other subsidiaries: ABLV Consulting Services AS, PEM, SIA, PEM 1, SIA.  
 Operating segment information is prepared on the basis of internal reports.

Analysis of the operating segments of the Group:

EUR'000

	01.01.2019.-31.12.2019.										
	Financial services	Financial services *	Financial services **	Financial services ***	Real estate development and management	Real estate development and management**	Other activities **	Other activities ***	Total Group before consolidated adjustments	Eliminated or corrected on consolidation	Group, total
Net interest income	21,606	321	-	-	(125)	(888)	-	-	20,914	(13)	20,901
External transactions	21,248	321	-	-	(25)	(643)	-	-			
Internal transactions	358	-	-	-	(100)	(245)	-	-			
Net commission income	1,451	1,653	(9)	-	(26)	(31)	(1)	-	3,037	(351)	2,686
External transactions	1,306	1,447	(9)	-	(26)	(31)	(1)	-			
Internal transactions	145	206	-	-	-	-	-	-			
Net result of transactions with securities and foreign exchange, dividends received	3,766	1,082	-	-	-	5	-	5	4,858	(544)	4,314
External transactions	3,484	820	-	-	-	5	-	5			
Internal transactions	282	262	-	-	-	-	-	-			
Net other income/expense	9,521	(295)	12	35	831	4,470	(9)	-	14,565	(7,952)	6,613
External transactions	2,815	(232)	-	35	(234)	4,238	(9)	-			
Internal transactions	6,706	(63)	12	-	1,065	232	-	-			
Personnel and other administrative expense	(36,517)	(5,697)	(3)	(380)	(4,610)	(1,178)	(45)	(33)	(48,463)	2,401	(46,062)
Depreciation	(1,413)	(31)	-	-	(868)	(89)	-	-	(2,401)	(24)	(2,425)
Impairment allowance and other provisions	(7,105)	(4)	-	-	(1,449)	-	(202)	-	(8,760)	10,148	1,388
Corporate income tax	(14)	-	-	-	-	(1)	(3)	-	(18)	-	(18)
<b>Total segment profit/(loss)</b>	<b>(8,705)</b>	<b>(2,971)</b>	<b>-</b>	<b>(345)</b>	<b>(6,247)</b>	<b>2,288</b>	<b>(260)</b>	<b>(28)</b>	<b>(16,268)</b>	<b>3,665</b>	<b>(12,603)</b>
Additions of property and equipment, intangible assets and investment property	2	27	-	-	8,940	979	-	-	9,948	(327)	9,621
31.12.2019.											
<b>Total segment assets</b>	<b>2,350,596</b>	<b>177,165</b>	<b>8</b>	<b>-</b>	<b>161,608</b>	<b>208,768</b>	<b>585</b>	<b>954</b>	<b>2,899,684</b>	<b>(412,197)</b>	<b>2,487,487</b>
<b>Total segment liabilities</b>	<b>2,060,772</b>	<b>167,808</b>	<b>11</b>	<b>-</b>	<b>39,089</b>	<b>48,061</b>	<b>172</b>	<b>670</b>	<b>2,316,583</b>	<b>(133,599)</b>	<b>2,182,984</b>

\* - which in the reporting period reclassified from non-current investments held for sale; \*\* - previously classified as investment management;

\*\*\* - previously classified as advisory services; \*\*\*\*- liquidated in the reporting period.

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, and 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 expense	(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
Total segment profit/(loss)	(27,513)	(4,510)	7,374	(3)	(1,506)	(19,516)	(45,674)	16,604	(29,070)
Additions of property and equipment, intangible assets and investment property	1,292	-	3,651	-	1	12,577	17,521	-	17,521
31.12.2018.									
Total segment assets	2,356,838	150,058	93,604	27,877	988	174,637	2,804,002	(310,162)	2,493,840
Total segment liabilities	2,061,042	138,553	41,345	26,588	675	27,868	2,296,071	(116,704)	2,179,367

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

Information on geographical segments of Group's financial instruments and issued loans is provided in Note 10 and Note 11, major part (90%) of other Group's assets are located in Latvia.

## Note 25

### Fair value

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

	31.12.2019.		31.12.2018.	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets at fair value</b>				
Investment property	83,885	83,885	101,289	101,289
Financial assets at fair value through profit or loss	62,405	62,405	86,889	86,889
Financial assets at fair value through other comprehensive income	8,337	8,337	8,107	8,107
<b>Total assets at fair value</b>	<b>154,627</b>	<b>154,627</b>	<b>196,285</b>	<b>196,285</b>
<b>Assets not measured at fair value</b>				
Cash	14,406	14,406	9,335	9,335
Balances due from credit institutions	1,843,625	1,843,625	1,391,389	1,391,389
Loans	393,447	393,614	657,960	658,026
Other financial assets	9,219	9,219	9,585	9,585
<b>Total assets not measured at fair value</b>	<b>2,260,697</b>	<b>2,260,864</b>	<b>2,068,269</b>	<b>2,068,335</b>
<b>Liabilities at fair value</b>				
Derivatives	576	576	-	-
Group's consolidated fund shares owned by 3rd parties	17,228	17,228	-	-
<b>Total liabilities at fair value</b>	<b>17,804</b>	<b>17,804</b>	<b>-</b>	<b>-</b>
<b>Liabilities not valued at fair value</b>				
Liabilities not valued at fair value	2,151,045	2,151,045	2,167,363	2,167,363
<b>Total liabilities not valued at fair value</b>	<b>2,151,045</b>	<b>2,151,045</b>	<b>2,167,363</b>	<b>2,167,363</b>

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

	31.12.2019.		31.12.2018.	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets at fair value</b>				
Financial assets at fair value through profit or loss	25,133	25,133	99,339	99,339
Financial assets at fair value through other comprehensive income	8,337	8,337	8,107	8,107
<b>Total assets at fair value</b>	<b>33,470</b>	<b>33,470</b>	<b>107,446</b>	<b>107,446</b>
<b>Assets not measured at fair value</b>				
Cash	14,404	14,404	9,332	9,332
Balances due from credit institutions	1,720,836	1,720,836	1,378,915	1,378,915
Loans	397,325	397,492	662,037	662,103
Other financial assets	18,029	18,121	14,671	14,671
<b>Total assets not measured at fair value</b>	<b>2,150,594</b>	<b>2,150,853</b>	<b>2,064,955</b>	<b>2,065,021</b>
<b>Liabilities at fair value</b>				
Derivatives	576	576	-	-
<b>Total liabilities at fair value</b>	<b>576</b>	<b>576</b>	<b>-</b>	<b>-</b>
<b>Liabilities not valued at fair value</b>				
Liabilities not valued at fair value	2,049,827	2,049,827	2,049,859	2,049,859
<b>Total liabilities not valued at fair value</b>	<b>2,049,827</b>	<b>2,049,827</b>	<b>2,049,859</b>	<b>2,049,859</b>

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2019

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

EUR'000								
Assets at fair value	31.12.2019.				31.12.2018.			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	50,509	11,827	69	62,405	76,088	10,732	69	86,889
Financial assets at fair value through other comprehensive income	-	-	8,337	8,337	-	2,173	5,934	8,107
Investment property	-	-	83,885	83,885	-	-	101,289	101,289
<b>Total assets at fair value</b>	<b>50,509</b>	<b>11,827</b>	<b>92,291</b>	<b>154,627</b>	<b>76,088</b>	<b>12,905</b>	<b>107,292</b>	<b>196,285</b>
<b>Assets not measured at fair value</b>								
Loans	-	-	393,447	393,447	-	-	657,960	657,960
<b>Total assets not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>393,447</b>	<b>393,447</b>	<b>-</b>	<b>-</b>	<b>657,960</b>	<b>657,960</b>
<b>Liabilities at fair value</b>								
Derivatives	-	576	-	576	-	-	-	-
Group's consolidated fund shares owned by third parties	-	17,228	-	17,228	-	-	-	-
<b>Total liabilities at fair value</b>	<b>-</b>	<b>17,804</b>	<b>-</b>	<b>17,804</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities not valued at fair value</b>								
Liabilities not valued at fair value	-	-	2,151,045	2,151,045	-	-	2,167,363	2,167,363
<b>Total liabilities not valued at fair value</b>	<b>-</b>	<b>-</b>	<b>2,151,045</b>	<b>2,151,045</b>	<b>-</b>	<b>-</b>	<b>2,167,363</b>	<b>2,167,363</b>

This analysis of input data hierarchy for determining the fair value does not include cash on hand, 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.

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

EUR'000								
Assets at fair value	31.12.2019.				31.12.2018.			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	24,775	358	25,133	88,249	10,732	358	99,339
Financial assets at fair value through other comprehensive income	-	-	8,337	8,337	-	2,173	5,934	8,107
<b>Total assets at fair value</b>	<b>-</b>	<b>24,775</b>	<b>8,695</b>	<b>33,470</b>	<b>88,249</b>	<b>12,905</b>	<b>6,292</b>	<b>107,446</b>
<b>Assets not measured at fair value</b>								
Loans	-	-	397,325	397,325	-	-	662,037	662,037
<b>Total assets not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>397,325</b>	<b>397,325</b>	<b>-</b>	<b>-</b>	<b>662,037</b>	<b>662,037</b>
<b>Liabilities at fair value</b>								
Derivatives	-	576	-	576	-	-	-	-
<b>Total liabilities at fair value</b>	<b>-</b>	<b>576</b>	<b>-</b>	<b>576</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities not valued at fair value</b>								
Liabilities not valued at fair value	-	-	2,049,827	2,049,827	-	-	2,049,859	2,049,859
<b>Total liabilities not valued at fair value</b>	<b>-</b>	<b>-</b>	<b>2,049,827</b>	<b>2,049,827</b>	<b>-</b>	<b>-</b>	<b>2,049,859</b>	<b>2,049,859</b>

There have been no 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.

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

EUR'000						
	31.12.2019.	Derecognition	Recognition	Change in revaluation reserve	Reclassification	31.12.2018.
<b>Assets at fair value</b>						
<b>Group</b>						
Financial assets at fair value through profit or loss	69	-	-	-	-	69
Financial assets at fair value through other comprehensive income	8,337	-	-	2,403	-	5,934
Investment property	83,885	-	8,138	(594)	(24,948)	101,289
<b>Total assets at fair value</b>	<b>92,291</b>	<b>-</b>	<b>8,138</b>	<b>1,809</b>	<b>(24,948)</b>	<b>107,292</b>
<b>Company</b>						
Financial assets at fair value through profit or loss	358	-	-	-	-	358
Financial assets at fair value through other comprehensive income	8,337	-	-	2,403	-	5,934
<b>Total assets at fair value</b>	<b>8,695</b>	<b>-</b>	<b>-</b>	<b>2,403</b>	<b>-</b>	<b>6,292</b>



## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2019

During the reporting period there have been no reclassifications of financial instruments between Level 2 and 3 of the hierarchy for sources of determining the fair value. While in the previous reporting period securities amounting to EUR 7.2 (0) million issued by one credit institution registered in Latvia were reclassified from Level 3 to Level 2.

							EUR'000
	31.12.2018.	Derecognition	Redemption	Recognition	Change in revaluation reserve	Reclassification	31.12.2017.
<b>Assets at fair value</b>							
<b>Group</b>							
Financial assets at fair value through profit or loss	69	-	(400)	-	12	(7,336)	7,793
Financial assets at fair value through other comprehensive income	5,934	(172)	-	-	934	-	5,172
Investment property	101,289	-	-	14,895	(7,617)	30,060	63,951
<b>Total assets at fair value</b>	<b>107,292</b>	<b>(172)</b>	<b>(400)</b>	<b>14,895</b>	<b>(6,671)</b>	<b>22,724</b>	<b>76,916</b>
<b>Company</b>							
Financial assets at fair value through profit or loss	358	-	(400)	289	12	(7,336)	7,793
Financial assets at fair value through other comprehensive income	5,934	(172)	-	-	934	-	5,172
Investment property	-	-	-	-	-	(28,969)	28,969
<b>Total assets at fair value</b>	<b>6,292</b>	<b>(172)</b>	<b>(400)</b>	<b>289</b>	<b>946</b>	<b>(36,305)</b>	<b>41,934</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 7.60% (5.53%).

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

## Note 26

### 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 and proliferation 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.

## Notes to the consolidated and separate financial statements of ABLV Bank, AS in liquidation for 2019

Asset management and evaluation 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 Company's operations, in order to limit 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	31.12.2019.
Neither past due nor impaired loans	207,059	124,302	-	57	331,418	312,388
Past due but not impaired loans, incl.:	25,514	10,501	-	15	36,030	32,923
less than 30 days	20,142	1,216	-	9	21,367	19,018
from 31 to 59 days	4,834	9,285	-	6	14,125	13,431
from 60 to 89 days	538	-	-	-	538	474
more than 90 days	-	-	-	-	-	-
Impaired loans	12,480	35,644	955	118	49,197	39,505
<b>Total gross loans</b>	<b>245,053</b>	<b>170,447</b>	<b>955</b>	<b>190</b>	<b>416,645</b>	<b>384,816</b>
Impairment allowance	(6,067)	(16,097)	(954)	(80)	(23,198)	-
<b>Total net loans</b>	<b>238,986</b>	<b>154,350</b>	<b>1</b>	<b>110</b>	<b>393,447</b>	-
31.12.2018. (restated)						
Neither past due nor impaired loans	218,451	324,865	-	174	543,490	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>1,266</b>	<b>258</b>	<b>686,766</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>1</b>	<b>199</b>	<b>657,960</b>	-

### Credit quality analysis for the Company:

	EUR'000					Fair value of collateral
	Mortgage	Business	Other	Consumer	Total	31.12.2019.
Neither past due nor impaired loans	207,058	128,294	-	57	335,409	316,380
Past due but not impaired loans, incl.:	25,514	10,501	-	15	36,030	32,923
less than 30 days	20,142	1,216	-	9	21,367	19,018
from 31 to 59 days	4,834	9,285	-	6	14,125	13,431
from 60 to 89 days	538	-	-	-	538	474
more than 90 days	-	-	-	-	-	-
Impaired loans	12,480	35,570	955	70	49,075	39,504
<b>Total gross loans</b>	<b>245,052</b>	<b>174,365</b>	<b>955</b>	<b>142</b>	<b>420,514</b>	<b>388,807</b>
Impairment allowance	(6,067)	(16,093)	(954)	(75)	(23,189)	-
<b>Total net loans</b>	<b>238,985</b>	<b>158,272</b>	<b>1</b>	<b>67</b>	<b>397,325</b>	-
31.12.2018. (korigēts)						
Neither past due nor impaired loans	218,451	328,945	-	174	547,570	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>1,266</b>	<b>258</b>	<b>690,846</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>1</b>	<b>199</b>	<b>662,037</b>	-

As at 31 December 2019, the gross amount of loans with modified maturity date for principal or interest amounted to EUR 42.0 (76.0) million.

### Liquidity risk

Liquidity risk is a risk of legitimate creditor claims are not satisfied. The Company manages liquidity risk by implementing steps specified in Company's 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.

During the reporting period Company continued asset recovery from securities portfolio, loans and other assets.

### Interest rate risk

Interest rate risk represents the adverse effect of market interest rate fluctuations on the Company's financial position. Interest accrual on all Company's liabilities has been suspended. The Company no longer engages in active lending and does not acquire debt securities, which means that upon maturity all rate sensitive assets were not reinvested in similar assets but were recognized as recovered assets.

The Company reduced its exposure of interest rate risk by following the steps provided in the Company's liquidation plan, such as, asset recovery, accumulation of funds in the Central Bank of Latvia and payouts to creditors.

As interest accrual on all Company's liabilities has been suspended, the Company is no longer exposed to repricing risk.

Realization of optionality risk by recovering assets before their legal final maturities is beneficial for the Company in the process of 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.

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, 306 (264) operational risk events were registered in the database, of which only 6 (12) events resulted in actual losses amounting to EUR 22.6 (27.9) thousand.

### Money laundering, terrorism and proliferation financing and sanction risk

Money laundering, terrorism and proliferation financing 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.

On 6 March 2019, the Council of the FCMC approved the Company's creditor review process and measures aimed at managing the money laundering, terrorism and proliferation financing and sanctions risk. The creditor reviews are carried out by an international team of EY consultants hired by the Company.

In the reporting period the Company continued to perform AML/CTPF 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 and proliferation 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 and cases of threshold declarations to Financial Intelligence Unit of Latvia (FIU 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 Financial Intelligence Unit of Latvia (FIU Latvia), the State Revenue Service, law enforcement authorities;
- continued to execute orders and decisions of state institutions and officials.

## Note 27

### Litigation and claims

The Company has been involved in a number of legal proceedings to recover outstanding credit balances for good to the Company and maintain collateral in specific Company loan agreements with the Company borrower's. The liquidators believes that any legal proceedings pending as at 31 December 2019 will not result in material losses for the Company and/or the Group exceeding recognized provisions in these financial statements.

## Note 28

### 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 or disclosure in these consolidated and separate financial statements or notes thereto.

## **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 52 of the accompanying separate and consolidated annual report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2019,
- 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 effect of the matters 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 2019, 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**

Company's separate and the Group's consolidated financial statements for the year ended 31 December 2017 were audited by another auditor who issued a disclaimer of opinion on these Company's separate and the Group's consolidated financial statements. 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 statement of financial position as at 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, cash flows and changes in capital and reserves for the

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year ended 31 December 2018. For this reason, our audit opinion on the Company's separate and the Group's consolidated financial statements for the year ended 31 December 2018 was modified accordingly. Our opinion on the current year's Company's separate and the Group's consolidated financial statements is also modified because of the possible effect of respective matter on the comparability of the current year's figures and the corresponding figures in respect of performance, cash flows and changes in capital and reserves.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) 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 International Code of Ethics for Professional Accountants (including International Independence Standards) 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 2019. 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>Impairment of loans (separate and consolidated financial statements)</b>	
<p><i>The carrying amount of the loans in the Company's separate financial statements as at 31 December 2019: EUR 397 325 thousand; total impairment losses as at 31 December 2019: EUR 23 189 thousand.</i></p> <p><i>The carrying amount of the loans in the Group's consolidated financial statements as at 31 December 2019: EUR 393 447 thousand; total impairment losses as at 31 December 2019: EUR 23 198 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 2019 amount to 16.9% of total assets, but in the Group's statement of financial position as at 31 December 2019 the loans amount to 15.8% 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", 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>	<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> <li>reviewed the information on impairment of loans disclosed in the Company's separate and the Group's consolidated financial statements.</li> </ul>



Key audit matter	Our response
<b>Valuation of investments in subsidiaries (separate financial statements)</b>	
<p><i>The carrying amount of the investments in subsidiaries in the Company's separate financial statements as at 31 December 2019: EUR 135 449 thousand; related impairment losses recognized in 2019: EUR 9 538 thousand; total impairment losses as at 31 December 2019: EUR 24 177 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>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.</p> <p>Taking into account also that the Company's investments were restructured in December 2019 and that in the Company's statement on financial position as at 31 December 2019 the investments in subsidiaries amount to 5.8% of total assets, we have determined participation in the equity of subsidiaries as one of our key audit matters.</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 2019, discussing the subsidiaries' performance with the liquidators, and assessing their strategy and cash flows forecasts.</li> </ul>
<b>Measurement of investment property (consolidated financial statements)</b>	
<p><i>The carrying amount of the investment property in the Group's consolidated financial statements as at 31 December 2019: EUR 83 885 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>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 Group, 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</li> </ul>



Key audit matter	Our response
<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>the investment property.</p>

### 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, and it is prepared 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 26 November 2019 to audit the separate and consolidated financial statements of ABLV Bank, AS in liquidation for the year ended 31 December 2019. Our total uninterrupted period of engagement is 2 years, covering the period ending 31 December 2019.

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 the Group's 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  
6 March 2020