

Public
Quarterly Report
January - March
2017

BASIC PRINCIPLES OF THE REPORT PREPARATION

This report has been prepared in accordance with "Regulations on Preparation of Public Quarterly Reports for Credit Institutions" approved by the Financial and Capital Market Commission (FCMC).

All amounts are reported in thousands of euro (EUR'000).

OVERVIEW, OWNERSHIP AND MANAGEMENT

Shareholders

As at 31 March 2017, Igor Kim was the sole shareholder of AS Expobank (hereinafter – the Bank) with 100% of the Bank's paid-in share capital.

As at 31 March 2017, the fully paid-in share capital of the Bank was EUR 11,644 thousand and consisted of 820,000 voting ordinary registered shares with the nominal value of EUR 14,20 each.

On 31.03.2017 the structure of the Board of Directors of the Bank was as follows:

Name, surname	Position	Date of appointment
Andrew Sergio Gazitua	Chairman of the Board of Directors	11.04.2013
Kirill Nifontov	Deputy Chairman of the Board of Directors	09.02.2012
Igor Kim	Member of the Board of Directors	09.02.2012
Ingrīda Blūma	Member of the Board of Directors	01.11.2014

During the 3 months of the year 2017 no changes have been made as to the structure of the Board of Directors of the Bank.

On 31.03.2017 the structure of the Management Board of the Bank was as follows:

Name, surname	Position	Date of appointment
Ilya Mitelman	Chairman of the Management Board	01.08.2014
Gints Čakāns	Deputy Chairman of the Management Board	01.09.2011
Evija Sloka	Member of the Management Board	02.11.2012

On 5 April 2017 at the meeting of Board of Directors of the Bank the decision was taken to accept the Mr. Ilya Mitelman's resignation from position of the Member (Chairman) of the Management Board and appoint Mr. Rolands Legzdiņš as Member of the Management Board. Considering changes in Management Board on 5 April 2017 Mr. Gints Čakāns was elected as the Chairman of the Management Board and Mrs. Evija Sloka elected as Deputy Chairperson of the Management Board.

CONSOLIDATION GROUP

Members of Consolidation Group as at 31 March 2017:

No	Subsidiaries	Registration number	Address	Business profile*	Share	Voting power	Status**
1	SIA „Axi Invest“	40103360551	Valdemāra street 19, Rīga, LV-1010	PLS	100%	100%	MS
2	SIA „Kappa Capital“	40103360547	Valdemāra street 19, Rīga, LV-1010	PLS	100%	100%	MS
3	Walbrook Capital Markets Limited	2926252	Northern & Shell building 10Lower Thames Street London EC3R 6AD	IBS	100%	100%	MS
4	Walbrook Capital Markets Nominees Limited	4027520	Northern & Shell building 10Lower Thames Street London EC3R 6AD	CT	100%	100%	MMS

* PLS – supporting enterprise; IBS – broker, CT – Other entity.

** MS – subsidiary; MMS – Second tier subsidiary.

RATINGS ASSIGNED BY RATING AGENCIES

On 30 December 2016 Moody's updated Expobank rating at B1/Negative

- Outlook Negative
- Bank Deposits B1/NP
- Baseline Credit Assessment b1
- Adjusted Baseline Credit Assessment b1
- Counterparty Risk Assessment (CR Assessments) of Ba3(cr) / Not Prime(cr).

Bank ceased cooperation with Moody's. As the result on 12 May 2017 Moody's published press release that it withdraw its rating to Bank.

MAIN ACTIVITY AND STRUCTURE

Information about Banks main Activity and Structure can be found [here](#).

VISION, MISSION, STRATEGY AND OBJECTIVES

Information about Banks Vision, Mission, Strategy and Objectives can be found [here](#).

FINANCIAL RESULTS

Balance sheet

EUR'000	Group 31.03.2017	Bank 31.03.2017	Group 31.12.2016 Audited*	Bank 31.12.2016 Audited*
Assets				
Cash and demand deposits with central banks	60,585	60,585	66,872	66,872
Due on demand from credit institutions	92,046	36,169	142,085	63,725
Financial assets held-for-trading	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	39,483	39,483	35,778	35,778
Loans and receivables	149,200	155,657	110,376	122,772
Term deposits due from credit institutions	144,502	144,502	104,039	110,499
Loans to customers	4,698	11,155	6,337	12,273
Financial assets held-to-maturity	-	-	-	-
Changes in fair value of portfolio proportion limited to interest risk	-	--	-	-
Prepaid expense and accrued income	439	385	470	311
Fixed assets	798	722	821	755
Investment properties	3,790	-	3,761	-
Intangible assets	579	572	496	492
Investments in subsidiaries	-	6,909	-	6,158
Tax assets	233	233	838	838
Other assets	9,774	4,014	17,040	2,667
Total assets	356,927	304,729	378,537	300,368
Liabilities				
Due to central banks	-	-	-	-
Due on demand to credit institutions	1,683	1,683	5,534	5,534
Financial liabilities held-for-trading	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities at amortised cost	316,446	260,574	311,424	230,117
Term deposits due to credit institutions	-	-	-	-
Deposits from customers	316,446	260,574	311,424	230,117
Financial liabilities resulting from transfer of financial assets	-	-	-	-
Changes in fair value of portfolio proportion limited to interest risk	-	-	-	-
Deferred income and accrued expense	368	363	607	396
Provisions	346	346	457	457
Tax liabilities	284	65	2,217	2,040
Other liabilities	1,177	150	1,203	1,086
Total liabilities	320,304	263,181	321,442	239,630
Shareholders' equity and reserves	36,623	41,548	57,095	60,738
Total liabilities, shareholders' equity and reserves	356,927	304,729	378,537	300,368
Assets and liabilities under trust management	114,251	114,251	107,704	107,704
Off-balance sheet items				
Contingent liabilities	13	13	15	15
Off-balance sheet commitments to customers	235	5,004	259	1212

*Auditors: PricewaterhouseCoopers SIA

The breakdown of Group's/Bank's owned financial instruments by countries:

Country	Book value, EUR '000
Russia	22,607
Others	16,876

Income statement

EUR'000	Group For 3 months 2017	Bank For 3 months 2017	Group For 3 months 2016	Bank For 3 months 2016
Interest revenue	798	903	1,058	1,224
Interest expense	(242)	(230)	(583)	(530)
Income from dividends	-	-	-	-
Commission and fee revenue	1,779	1,438	2,270	1,812
Commission and fee expense	(105)	(98)	(90)	(90)
Net realized profit/loss from financial assets and liabilities held at amortized cost	-	-	-	-
Net realized profit/loss from available-for-sale financial assets	24	24	207	207
Net profit/loss from financial assets and liabilities held-for-trading	1	1	2	2
Net profit/loss from financial assets and liabilities at fair value through profit or loss	-	-	-	-
Changes in fair value due to risk minimization accounting	-	-	-	-
Net profit from dealing and revaluation of foreign currencies	562	566	1,504	1,401
Profit/loss from derecognition of property, plant and equipment, investment property and intangible assets	-	-	-	-
Other revenue	133	22	2,790	19
Other expense	(461)	(267)	(1,993)	(283)
Administrative expense	(2,811)	(1,392)	(3,250)	(2,062)
Depreciation	(104)	(102)	(71)	(71)
Allowance for impairment	-	-	-	-
Impairment losses	-	-	-	-
Profit before income tax	(426)	865	1,844	1,629
Corporate income tax	(130)	(130)	(260)	(260)
Profit for the reporting period	(556)	735	1,584	1,369

Performance indicators in accordance with FCMC regulations*

Key ratios	Group For 3 months 2017	Bank For 3 months 2017	Group For 3 months 2016	Bank For 3 months 2016
Return on equity (ROE)*, (%)	-4.75	5.75	8.52	7.27
Return on assets (ROA)**, (%)	-0.60	0.97	1.23	1.18

* **Return on equity (ROE).** The return on equity ratio is calculated as the ratio of profit/loss¹ of the reporting period (after tax) to the average value of the Bank's capital and reserves;

** **Return on assets (ROA).** The return on assets ratio is calculated as the ratio of profit/loss¹ of the reporting year (after tax) to the average value of the Bank's assets;

¹ Profit/loss is calculated as follows: profit/loss (p/l) (after tax) as of the end of the reporting period is multiplied by the number of months of the year and related to the number of months from the beginning of the year to the end of the reporting period; for example, I quarter: p/l*12/3; II quarter: p/l*12/6; III quarter = p/z*12/9; IV quarter: = p/z *12/12.

RISK AND CAPITAL MANAGEMENT

AS Expobank has provided the renewed information on 31.03.2017 about its risk and capital management policies, including management of credit risk, concentration risk, liquidity risk, foreign exchange risk and interest rate risk, as well as about compliance with capital requirements and internal capital assessment at the Bank's Internet site:

<http://www.expobank.eu/eng/left/about-us/risk-management>

Since above mentioned renewal no significant change in risk and capital management policies.

AS Expobank has provided quantitative information about risk indicators, as well as capital adequacy indicator in line with regulatory requirements and internal capital adequacy indicator for other periods at the Bank's Internet site:

<http://www.expobank.eu/eng/left/about-us/financial-statements>

CAPITAL ADEQUACY CALCULATION

N.p.k.	EUR'000	Group 31.03.2017	Bank 31.03.2017	Group 31.03.2016	Bank 31.03.2016
1.	Own funds (1.1.+1.2.)	35,819	37,262	74,226	74,226
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	35,689	37,132	74,037	74,037
1.1.1.	Common equity Tier 1 capital	35,689	37,132	74,037	74,037
1.1.2.	Additional Tier 1 capital	-	-	-	-
1.2.	Tier 2 capital	130	130	189	189
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	138,601	144,228	180,965	178,208
2.1.	Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries	110,154	117,005	152,094	154,615
2.2.	Total settlement / delivery risk exposure amount	-	-	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	-	-	5,278	-
2.4.	Total risk exposure amount for operational risk	28,447	27,223	23,593	23,593
2.5.	Total risk exposure amount for credit valuation adjustments	-	-	-	-
2.6.	Total risk exposure amount related to large exposures in the trading book	-	-	-	-
2.7.	Other risk exposure amounts	-	-	-	-
3.	Capital ratios and capital levels				
3.1.	CET1 Capital ratio (1.1.1./2.*100)	25.75	25.75	40.91	41.55
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	29,452	30,642	65,894	66,018
3.3.	T1 Capital ratio (1.1./2.*100)	25.75	25.75	40.91	41.55
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	27,373	28,479	63,179	63,345
3.5.	Total capital ratio (1./2.*100)	25.84	25.84	41.02	41.65
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	24,731	25,724	59,749	59,969
4	Combined buffer requirement (%) (4.1.+4.2.+4.3.+4.4.+4.5.)	2.5	2.5	2.5	2.5
4.1.	Capital conservation buffer (%)	2.5	2.5	2.5	2.5
4.2.	Institution specific countercyclical capital buffer (%)	-	-	-	-
4.3.	Systemic risk buffer (%)	-	-	-	-
4.4.	Systemically important institution buffer (%)	-	-	-	-
4.5.	Other Systemically Important Institution buffer (%)	-	-	-	-
5	Capital ratios due to Pillar II adjustments				
5.1.	Own funds requirements related to Pillar II adjustments	-	-	-	-
5.2.	CET1 capital ratio including Pillar II adjustments	25.75	25.75	40.91	41.55
5.3.	Tier 1 capital ratio including Pillar II adjustments	25.75	25.75	40.91	41.55
5.4.	Total capital ratio including Pillar II adjustments	25.84	25.84	41.02	41.65

LIQUIDITY RATIO CALCULATION

N.p.k.	EUR'000	Bank 31.03.2017
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	277,304
1.1.	Cash	137
1.2.	Demand deposits with central banks	40,406
1.3.	Due on demand from credit institutions	197,447
1.4.	Liquid securities	39,314
2.	Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	261,008
2.1.	Due on demand to credit institutions	1,682
2.2.	Deposits	241,222
2.3.	Issued debt securities	-
2.4.	Cash in transit	11,090
2.5.	Other current liabilities	2,034
2.6.	Off-balance sheet liabilities	4,980
3.	Liquidity ratio(1.:2.) (%)	106.24%
4.	Minimum liquidity ratio	30%