

Public
Quarterly Report
January - June
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 30 June 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 30 June 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 31.06.2017 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 6 months of the year 2017 no changes have been made as to the structure of the Board of Directors of the Bank.

On 30.06.2017 the structure of the Management Board of the Bank was as follows:

Name, surname	Position	Date of appointment
Gints Čakāns	Chairman of the Management Board	01.08.2014
Evija Sloka	Deputy Chairman of the Management Board	01.09.2011
Rolands Legzdiņš	Member of the Management Board	05.04.2017

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
5	SIA “BLLV”	40203074729	Baznīcas iela 18A - 21, Rīga, LV-1010	CT	100%	100%	MMS

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

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

RATINGS ASSIGNED BY RATING AGENCIES

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 30.06.2017	Bank 30.06.2017	Group 31.12.2016 Audited*	Bank 31.12.2016 Audited*
Assets				
Cash and demand deposits with central banks	71,795	71,795	66,872	66,872
Due on demand from credit institutions	93,085	40,167	142,085	63,725
Financial assets held-for-trading	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	33,486	33,486	35,778	35,778
Loans and receivables	85,670	93,482	110,376	122,772
Term deposits due from credit institutions	85,631	85,631	104,039	110,499
Loans to customers	39	7,851	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	392	352	470	311
Fixed assets	730	663	821	755
Investment properties	4,710	-	3,761	-
Intangible assets	602	581	496	492
Investments in subsidiaries	-	6,909	-	6,158
Tax assets	95	95	838	838
Other assets	7,596	2,633	17,040	2,667
Total assets	298,161	250,163	378,537	300,368
Liabilities				
Due to central banks	-	-	-	-
Due on demand to credit institutions	787	787	5,534	5,534
Financial liabilities held-for-trading	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities at amortised cost	259,417	206,275	311,424	230,117
Term deposits due to credit institutions	-	-	-	-
Deposits from customers	259,417	206,275	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	445	443	607	396
Provisions	155	155	457	457
Tax liabilities	305	92	2,217	2,040
Other liabilities	1,228	384	1,203	1,086
Total liabilities	262,337	208,136	321,442	239,630
Shareholders' equity and reserves	35,824	42,027	57,095	60,738
Total liabilities, shareholders' equity and reserves	298,161	250,163	378,537	300,368
Assets and liabilities under trust management				
Off-balance sheet items				
Contingent liabilities	14	14	15	15
Off-balance sheet commitments to customers	210	3,492	259	1,212

*Auditors: PricewaterhouseCoopers SIA

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

Country	Book value, EUR '000
Russia	24,722
Others	8,764

Income statement

EUR'000	Group For 6 months 2017	Bank For 6 months 2017	Group For 6 months 2016	Bank For 6 months 2016
Interest revenue	1,567	1,784	2,270	2,467
Interest expense	(423)	(407)	(1,265)	(1,228)
Income from dividends	-	-	-	-
Commission and fee revenue	3,600	2,938	4,771	3,933
Commission and fee expense	(211)	(189)	(202)	(202)
Net realized profit/loss from financial assets and liabilities held at amortized cost	-	-	-	-
Net realized profit/loss from available-for-sale financial assets	192	192	1,285	1,285
Net profit/loss from financial assets and liabilities held-for-trading	1	1	7	7
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	1,185	1,192	2,603	2,439
Profit/loss from derecognition of property, plant and equipment, investment property and intangible assets	-	-	-	-
Other revenue	234	43	3,680	44
Other expense	(1,171)	(743)	(2,645)	(574)
Administrative expense	(5,397)	(2,834)	(6,821)	(4,391)
Depreciation	(211)	(206)	(142)	(142)
Allowance for impairment	-	-	-	-
Impairment losses	-	-	-	(3)
Profit before income tax	(634)	1,771	3,541	3,635
Corporate income tax	(266)	(266)	(545)	(545)
Profit for the reporting period	(900)	1,505	2,996	3,090

Performance indicators in accordance with FCMC regulations*

Key ratios	Group For 6 months 2017	Bank For 6 months 2017	Group For 6 months 2016	Bank For 6 months 2016
Return on equity (ROE)*, (%)	-3.87	5.86	7.99	8.10
Return on assets (ROA)**, (%)	-0.53	1.09	1.12	1.28

* **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

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.

year (after tax) to the average value of the Bank's assets;
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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 30.06.2017	Bank 30.06.2017	Group 30.06.2016	Bank 30.06.2016
1.	Own funds (1.1.+1.2.)	35,195	36,985	73,579	74,265
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	35,080	36,870	73,404	74,090
1.1.1.	Common equity Tier 1 capital	35,080	36,870	73,404	74,090
1.1.2.	Additional Tier 1 capital	-	-	-	-
1.2.	Tier 2 capital	115	115	175	175
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	120,713	126,086	184,380	186,256
2.1.	Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries	92,266	98,862	160,787	162,663
2.2.	Total settlement / delivery risk exposure amount	-	-	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	-	-	-	-
2.4.	Total risk exposure amount for operational risk	28,447	27,224	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)	29.06	29.24	39.81	39.78
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	29,648	31,197	65,107	65,708
3.3.	T1 Capital ratio (1.1./2.*100)	29.06	29.24	39.81	39.78
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	27,837	29,305	62,341	62,915
3.5.	Total capital ratio (1./2.*100)	29.16	29.33	39.91	39.87
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	25,538	26,898	58,829	59,365
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 adjust- ments				
5.1.	Own funds requirements related to Pillar II adjustments	-	-	-	-
5.2.	CET1 capital ratio including Pillar II adjustments	29.06	29.24	39.81	39.78
5.3.	Tier 1 capital ratio including Pillar II adjustments	29.06	29.24	39.81	39.78
5.4.	Total capital ratio including Pillar II adjustments	29.16	29.33	39.91	39.87

LIQUIDITY RATIO CALCULATION

N.p.k.	EUR'000	Bank 30.06.2017
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	227,572
1.1.	Cash	91
1.2.	Demand deposits with central banks	51,663
1.3.	Due on demand from credit institutions	142,552
1.4.	Liquid securities	33,266
2.	Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	210,574
2.1.	Due on demand to credit institutions	787
2.2.	Deposits	191,176
2.3.	Issued debt securities	-
2.4.	Cash in transit	13,737
2.5.	Other current liabilities	1,406
2.6.	Off-balance sheet liabilities	3,468
3.	Liquidity ratio(1.:2.) (%)	108.07%
4.	Minimum liquidity ratio	30%