

Public  
Quarterly Report  
January - September  
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 September 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 September 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 31.09.2017 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 9 months of the year 2017 no changes have been made as to the structure of the Board of Directors of the Bank.

#### On 30.09.2017 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	01.09.2011
Evija Sloka	Deputy Chairman of the Management Board	02.11.2012
Rolands Legzdīņš	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 Legzdīņš 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 30 September 2017:

No	Subsidiaries	Registration number	Address	Business profile*	Share	Voting power	Status**
1	SIA „Kappa Capital”	40103360547	Valdemāra street 19, Rīga, LV-1010	PLS	100%	100%	MS

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

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

On 9 August 2017 the subsidiary company of the Bank, Kappa Capital LLC, sold all its shares (100%) of its wholly owned subsidiaries SIA BLLV (reg. No 40203074729, Latvia).

On 10 August 2017, the Bank sold all the shares (100%) of its wholly-owned subsidiary, Waldrook Capital Markets Limited (reg. No. 2926252, United Kingdom), and a subsidiary of the investment brokerage company Walbrook Capital Markets Nominees Limited (Reg. No. 4027520, Great Britain) parts (100%).

On 29 September 2017, the Bank sold all the shares (100%) of its subsidiaries SIA Axi Invest (reg. No 40103360551, Latvia).

## RATINGS ASSIGNED BY RATING AGENCIES

Bank ceased cooperation with Moody's Investors Service Ltd (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 30.09.2017	Bank 30.09.2017	Group 31.12.2016 Audited*	Bank 31.12.2016 Audited*
<b>Assets</b>				
Cash and demand deposits with central banks	75,555	75,555	66,872	66,872
Due on demand from credit institutions	39,196	39,196	142,085	63,725
Financial assets held-for-trading	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	29,035	29,035	35,778	35,778
Loans and receivables	110,724	110,724	110,376	122,772
Term deposits due from credit institutions	108,301	108,301	104,039	110,499
Loans to customers	2,423	2,423	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	320	319	470	311
Fixed assets	612	600	821	755
Investment properties	-	-	3,761	-
Intangible assets	583	583	496	492
Investments in subsidiaries	-	-	-	6,158
Tax assets	105	105	838	838
Other assets	3,405	2,824	17,040	2,667
<b>Total assets</b>	<b>259,535</b>	<b>258,941</b>	<b>378,537</b>	<b>300,368</b>
<b>Liabilities</b>				
Due to central banks	-	-	-	-
Due on demand to credit institutions	1,268	1,268	5,534	5,534
Financial liabilities held-for-trading	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities at amortised cost	220,298	220,794	311,424	230,117
Term deposits due to credit institutions	-	-	-	-
Deposits from customers	220,298	220,794	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	502	499	607	396
Provisions	122	122	457	457
Tax liabilities	110	58	2,217	2,040
Other liabilities	321	319	1,203	1,086
<b>Total liabilities</b>	<b>222,621</b>	<b>223,060</b>	<b>321,442</b>	<b>239,630</b>
Shareholders' equity and reserves	36,914	35,881	57,095	60,738
<b>Total liabilities, shareholders' equity and reserves</b>	<b>259,535</b>	<b>258,941</b>	<b>378,537</b>	<b>300,368</b>
Assets and liabilities under trust management	134,057	134,057	107,704	107,704
<b>Off-balance sheet items</b>				
Contingent liabilities	15	15	15	15
Off-balance sheet commitments to customers	1,293	1,293	259	1,212

\*Auditors: PricewaterhouseCoopers SIA

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

Country	Book value, EUR '000
Russia	20,681
Others	8,354

**Income statement**

EUR'000	Group For 9 months 2017	Bank For 9 months 2017	Group For 9 months 2016	Bank For 9 months 2016
Interest revenue	2,195	2,510	3,214	3,505
Interest expense	(619)	(594)	(1,537)	(1,486)
Income from dividends	-	-	-	-
Commission and fee revenue	5,154	4,357	7,399	6,200
Commission and fee expense	(300)	(273)	(319)	(319)
Net realized profit/loss from financial assets and liabilities held at amortized cost	-	-	-	-
Net realized profit/loss from available-for-sale financial assets	259	259	1,637	1,637
Net profit/loss from financial assets and liabilities held-for-trading	1	1	1	1
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	1,803	1,803	3,652	3,450
Profit/loss from derecognition of property, plant and equipment, investment property and intangible assets	-	-	-	-
Other revenue	791	299	3,994	67
Other expense	(2,577)	(7,974)	(3,086)	(848)
Administrative expense	(7,370)	(4,148)	(10,296)	(6,564)
Depreciation	(313)	(305)	(238)	(238)
Allowance for impairment	-	-	-	-
Impairment losses	-	-	-	-
<b>Profit before income tax</b>	<b>(976)</b>	<b>(4,065)</b>	<b>4,421</b>	<b>5,405</b>
Corporate income tax	(426)	(426)	(811)	(811)
<b>Profit for the reporting period</b>	<b>(1,402)</b>	<b>(4,491)</b>	<b>3,610</b>	<b>4,594</b>

**During the 3rd quarter Bank has one-off loss 6,908 thousand EUR due to sale of its subsidiary Walbrook Capital Markets Limited.**

## Performance indicators in accordance with FCMC regulations\*

Key ratios	Group For 9 months 2017	Bank For 9 months 2017	Group For 9 months 2016	Bank For 9 months 2016
Return on equity (ROE)*, (%)	-3.98	-12.40	6.41	7.97
Return on assets (ROA)**, (%)	-0.59	-2.14	1.02	1.47

\* **Return on equity (ROE).** The return on equity ratio is calculated as the ratio of profit/loss<sup>1</sup> 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/loss<sup>1</sup> of the reporting year (after tax) to the average value of the Bank's assets;

## 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>

<sup>1</sup> 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.

## CAPITAL ADEQUACY CALCULATION

N.p.k.	EUR'000	Group	Bank	Group	Bank
		30.09.2017	30.09.2017	30.09.2016	30.09.2016
1.	Own funds (1.1.+1.2.)	35,290	35,290	73,262	74,054
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	35,190	35,190	73,102	73,894
1.1.1.	Common equity Tier 1 capital	35,190	35,190	73,102	73,894
1.1.2.	Additional Tier 1 capital	-	-	-	-
1.2.	Tier 2 capital	100	100	160	160
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	99,338	99,338	171,804	174,005
2.1.	Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries	72,115	72,115	147,012	149,213
2.2.	Total settlement / delivery risk exposure amount	-	-	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	-	-	1,199	1,199
2.4.	Total risk exposure amount for operational risk	27,223	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				
<b>3.1.</b>	<b>CET1 Capital ratio (1.1.1./2.*100)</b>	<b>35.43</b>	<b>35.43</b>	<b>42.55</b>	<b>42.47</b>
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	30,720	30,720	65,371	66,064
<b>3.3.</b>	<b>T1 Capital ratio (1.1./2.*100)</b>	<b>35.43</b>	<b>35.43</b>	<b>42.55</b>	<b>42.47</b>
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	29,230	29,230	62,794	63,454
<b>3.5.</b>	<b>Total capital ratio (1./2.*100)</b>	<b>35.53</b>	<b>35.53</b>	<b>45.64</b>	<b>42.56</b>
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	27,343	27,343	59,518	60,134
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	-	-	-	-
<b>5.2.</b>	<b>CET1 capital ratio including Pillar II adjustments</b>	<b>35.43</b>	<b>35.43</b>	<b>42.55</b>	<b>42.47</b>
5.3.	Tier 1 capital ratio including Pillar II adjustments	35.43	35.43	42.55	42.47
<b>5.4.</b>	<b>Total capital ratio including Pillar II adjustments</b>	<b>35.53</b>	<b>35.53</b>	<b>45.64</b>	<b>42.56</b>

## LIQUIDITY RATIO CALCULATION

<b>N.p.k.</b>	<b>EUR'000</b>	<b>Bank 30.09.2017</b>
<b>1.</b>	<b>Liquid assets (1.1.+1.2.+1.3.+1.4.)</b>	<b>248,602</b>
1.1.	Cash	85
1.2.	Demand deposits with central banks	55,429
1.3.	Due on demand from credit institutions	164,268
1.4.	Liquid securities	28,820
<b>2.</b>	<b>Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)</b>	<b>222,812</b>
2.1.	Due on demand to credit institutions	1,268
2.2.	Deposits	211,663
2.3.	Issued debt securities	-
2.4.	Cash in transit	8,356
2.5.	Other current liabilities	256
2.6.	Off-balance sheet liabilities	1,269
<b>3.</b>	<b>Liquidity ratio(1.:2.) (%)</b>	<b>111.57%</b>
<b>4.</b>	<b>Minimum liquidity ratio</b>	<b>30%</b>