

Public
Quarterly Report
January - December
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 December 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 December 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 31.12.2017 the structure of the Board of Directors of the Bank was as follows:

Name, surname	Position	Date of appointment
Ilya Mitelman	Chairman of the Board of Directors	01.11.2017
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

The Bank's shareholder accepted a notice submitted by Mr. Andrew Sergio Gazitua in subject of withdraw his candidacy for being re-elected as a Member of the Board of Directors of the Bank, and starting from 1 November 2017 Ilya Mitelman was elected as a new Member of the Board of Directors. Taking into account changes in the composition of the Board of Directors, Ilya Mitelman was elected as a Chairman of the Board of Directors on 1 November 2017.

On 31.12.2017 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

On 10 August 2017 the Bank sold all the shares (100 %) of the subsidiary company Walbrook Capital Markets Limited (reg. No. 2926252, United Kingdom) which is an investment broker company owned by the Bank, including its subsidiary company's Walbrook Capital Markets Nominees Limited (reg. No. 4027520, United Kingdom).

On 9 August 2017 the Bank's subsidiary company SIA "Kappa Capital" sold all the shares (100 %) owned in its subsidiary company SIA BLLV (reg. No 40203074729, Latvia).

On 29 September 2017, the Bank sold all the shares (100 %) of the subsidiary company SIA "Axi Invest" (reģ. Nr.40103360551, Latvia) owned by the Bank.

On 5 October 2017, the Bank sold all the shares (100 %) of the subsidiary company SIA "SIA "Kappa Capital" (reģ.Nr. 40103360547, Latvia) owned by the Bank.

As result of the sale transaction of the first and second level of subsidiary, there is no consolidation (group of companies) in further.

RATINGS ASSIGNED BY RATING AGENCIES

Bank ceased cooperatoim 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	Bank 31.12.2017	Group 31.12.2016 Audited*	Bank 31.12.2016 Audited*
Assets			
Cash and demand deposits with central banks	73,724	66,872	66,872
Due on demand from credit institutions	69,010	142,085	63,725
Financial assets held-for-trading	-	-	-
Financial assets at fair value through profit or loss	-	-	-
Available- for-sale financial assets	28,223	35,778	35,778
Loans and receivables	53,618	110,376	122,772
Term deposits due from credit institutions	53,610	104,039	110,499
Loans to customers	8	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	301	470	311
Fixed assets	492	821	755
Investment properties	-	3,761	-
Intangible assets	456	496	492
Investments in subsidiaries	-	-	6,158
Tax assets	269	838	838
Other assets	1,160	17,040	2,667
Total assets	227,253	378,537	300,368
Liabilities			
Due to central banks	-	-	-
Due on demand to credit institutions	3,191	5,534	5,534
Financial liabilities held-for-trading	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-
Financial liabilities at amortised cost	186,321	311,424	230,117
Term deposits due to credit institutions	-	-	-
Deposits from customers	186,321	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	463	607	396
Provisions	97	457	457
Tax liabilities	88	2,217	2,040
Other liabilities	239	1,203	1,086
Total liabilities	190,399	321,442	239,630
Shareholders' equity and reserves	36,854	57,095	60,738
Total liabilities, shareholders' equity and reserves	227,253	378,537	300,368
Assets and liabilities under trust management	120,913	107,704	107,704
Off-balance sheet items			
Contingent liabilities	15	15	15
Off-balance sheet commitments to customers	192	259	1,212

*Auditors: PricewaterhouseCoopers SIA

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

Country	Book value, EUR '000
Russia	19,989
Others	8,234

Income statement

EUR'000	Group For 12 months 2017	Bank For 12 months 2017	Group For 12 months 2016	Bank For 12 months 2016
Interest revenue	2,745	3,291	4,171	4,571
Interest expense	(882)	(857)	(1,818)	(1,740)
Income from dividends	-	-	-	-
Commission and fee revenue	6,536	5,740	9,826	8,146
Commission and fee expense	(385)	(359)	(441)	(442)
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	1,716	1,716
Net profit/loss from financial assets and liabilities held-for- trading	1	1	(4)	(4)
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	2,576	2,576	4,648	4,400
Profit/loss from derecognition of property, plant and equipment, investment property and intangible assets	-	-	-	-
Other revenue	1,130	636	4,599	103
Other expense*	(2,923)	(8,278)	(6,826)	(1,147)
Administrative expense	(8,719)	(5,497)	(10,522)	(8,298)
Depreciation	(604)	(596)	(345)	(335)
Allowance for impairment	-	-	-	-
Impairment losses	-	-	-	-
Profit before income tax	(266)	(3,084)	5,004	6,970
Corporate income tax	(345)	(345)	(848)	(672)
Profit for the reporting period	(611)	(3,429)	4,156	6,298
Profit from operating activities	(611)	3,474	4,156	6,298

*In other expense position Bank represents 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	Bank For 12 months 2017	Group For 12 months 2016	Bank For 12 months 2016
Return on equity (ROE)*, (%)	-9.37	6.36	9.32
Return on assets (ROA)**, (%)	-1.73	0.90	1.61

* **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;

RISK AND CAPITAL MANAGEMENT

AS Expobank has provided the 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>

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.

CAPITAL ADEQUACY CALCULATION

N.p.k.	EUR'000	Bank 31.12.2017	Group 31.12.2016	Bank 31.12.2016
1.	Own funds (1.1.+1.2.)	36,439	56,237	59,320
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	36,355	56,093	59,176
1.1.1.	Common equity Tier 1 capital	36,355	56,093	59,176
1.1.2.	Additional Tier 1 capital	-	0	0
1.2.	Tier 2 capital	84	144	144
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	95,165	147,500	157,900
2.1.	Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries	67,942	123,913	134,313
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	27,223	23,588	23,588
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)	38.20	38.03	37.48
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	32,073	49,456	52,071
3.3.	T1 Capital ratio (1.1./2.*100)	38.20	38.03	37.48
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	30,645	47,243	49,702
3.5.	Total capital ratio (1./2.*100)	38.29	38.13	37.57
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	28,826	44,437	46,688
4	Combined buffer requirement (%) (4.1.+4.2.+4.3.+4.4.+4.5.)	2.5	2.5	2.5
4.1.	Capital conservation buffer (%)	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	38.20	38.03	37.48
5.3.	Tier 1 capital ratio including Pillar II adjustments	38.20	38.03	37.48
5.4.	Total capital ratio including Pillar II adjustments	38.29	38.13	37.57

LIQUIDITY RATIO CALCULATION

N.p.k.	EUR'000	Bank 31.12.2017
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	224,313
1.1.	Cash	134
1.2.	Demand deposits with central banks	43,549
1.3.	Due on demand from credit institutions	152,617
1.4.	Liquid securities	28,013
2.	Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	190,301
2.1.	Due on demand to credit institutions	3,188
2.2.	Deposits	151,759
2.3.	Issued debt securities	-
2.4.	Cash in transit	34,171
2.5.	Other current liabilities	1,017
2.6.	Off-balance sheet liabilities	166
3.	Liquidity ratio(1.:2.) (%)	117.87%
4.	Minimum liquidity ratio	30%