

Public
Quarterly Report
January - September
2018

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 2018, 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 2018, 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 30.09.2018 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

On 30.09.2018 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 Chairperson of the Management Board	02.11.2012
Rolands Legzdīņš	Member of the Management Board	05.04.2017

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 30.09.2018	Bank 31.12.2017 Audited*
Assets		
Cash and demand deposits with central banks	19,586	73,724
Due on demand from credit institutions	7,319	69,010
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	37,216	28,223
Financial assets at amortised cost	4	53,618
Term deposits due from credit institutions	-	53,610
Loans to customers	4	8
Derivatives – Hedge accounting	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-
Investments in subsidiaries, joint ventures and associates	-	-
Tangible assets	388	492
Intangible assets	365	456
Tax assets	286	269
Other assets	1,601	1,461
Total assets	66,765	227,253
Liabilities		
Due to central banks	-	-
Due on demand to credit institutions	1	3,191
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost	28,446	186,321
Term deposits due to credit institutions	-	-
Deposits from customers	28,446	186,321
Derivatives – Hedge accounting	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-
Provisions	111	97
Tax liabilities	78	88
Other liabilities	600	702
Total liabilities	29,236	190,399
Shareholders' equity and reserves	37,529	36,854
Total liabilities, shareholders' equity and reserves	66,765	227,253
Assets and liabilities under trust management	106,021	120,913
Off-balance sheet items		
Contingent liabilities	1	15
Off-balance sheet commitments to customers	49	192

*Auditors: PricewaterhouseCoopers SIA

Income statement

EUR'000	Bank For 9 months 2018	Bank For 9 months 2017
Interest revenue	957	2,510
Interest expense	(326)	(594)
Dividend income	-	-
Fee and commission income	3,348	4,357
Fee and commission expenses	(121)	(273)
Gains or losses on financial assets & liabilities not measured at fair value through profit or loss, net	-	-
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	41	260
Gains or losses from hedge accounting, net	-	-
Exchange differences (gain or loss), net	833	1,803
Gains or losses on derecognition of non financial assets other than held for sale, net	-	-
Other operating income	222	299
Other operating expenses	(597)	(7,974)
Administrative expense	(3,175)	(4,148)
Depreciation	(251)	(305)
Modification gains or losses, net	-	-
Provisions or reversal of provisions	-	-
Impairment or reversal of impairment on financial assets	5	-
Profit or loss before tax from continuing operations	936	(4,065)
Tax Expenses related to profit or loss from continuing operations	(19)	(426)
Profit or loss after tax from continuing operations	917	(4,491)

Securities investments

Investments in securities by country of the AS Expobank was as follows (exceeding 10% of equity):

Issuer`s country	Value, EUR '000
Czech Republic	5,765
incl. central governments	5,765
Poland	11,323
incl. central governments	11,323
Russia	12,069
Other	8,003
Value, EUR '000	37,160

Performance indicators in accordance with FCMC regulations*

Key ratios	Bank For 9 months 2018	Bank For 9 months 2017
Return on equity (ROE)*, (%)	3.29	-12.40
Return on assets (ROA)**, (%)	0.83	-2.14

* **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;

Expected credit losses of financial instruments in accordance with IFRS 9

Title of the position	EUR'000 Stage 1 ²	EUR'000 Stage 2 ³	EUR'000 Stage 3 ⁴
Cash and demand deposits with central banks	-	-	-
Due on demand from credit institutions	3	-	-
Financial assets at fair value through other comprehensive income	-	-	-
Financial assets at amortised cost	1	-	-
Other assets	-	-	-
Value, EUR`000	4	-	-

RISK AND CAPITAL MANAGEMENT

AS Expobank has provided the information 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 in accordance with regulatory requirements and is available at the Bank's Internet site:

<http://www.expobank.eu/eng/left/about-us/risk-management> and on 30.09.2018 there has not been 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>

¹Profit/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: = $p/z * 12/12$.

² Includes financial instruments for which significant increase of credit risk has not been identified since its initial recognition.

³ Includes financial instruments, which after initial recognition have significantly increased credit risk (contractual maturity over 30 days).

⁴ Includes financial instruments that have objective evidence of impairment at the date of valuation, i.e. they detect default and / or non-performing transaction status.

CAPITAL ADEQUACY CALCULATION

N.p.k.	EUR'000	Bank 30.09.2018	Bank 30.09.2017
1.	Own funds (1.1.+1.2.)	36,233	35,290
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	36,193	35,190
1.1.1.	Common equity Tier 1 capital	36,193	35,190
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	40	100
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	54,709	99,338
2.1.	Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries	25,829	72,115
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	28,880	27,223
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)	66.16	35.43
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	33,731	30,720
3.3.	T1 Capital ratio (1.1./2.*100)	66.16	35.43
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	32,910	29,230
3.5.	Total capital ratio (1./2.*100)	66.23	35.53
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	31,856	27,343
4.	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	1,368	2,486
4.1.	Capital conservation buffer	1,368	2,483
4.2.	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	-	-
4.3.	Institution specific countercyclical capital buffer	-	3
4.4.	Systemic risk 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	66.16	35.43
5.3.	Tier 1 capital ratio including Pillar II adjustments	66.16	35.43
5.4.	Total capital ratio including Pillar II adjustments	66.23	35.53

AS Expobank does not apply a transitional period to mitigate the effect of IFRS 9 on Equity and Capital Adequacy Indicators.

LIQUIDITY COVERAGE RATIO CALCULATION

N.p.k.	EUR'000	Bank 30.09.2018
1.	Liquidity buffer	42,250
2.	Total net cash outflows	4,556
3.	Liquidity coverage ratio (%)	927%