

Public
Quarterly Report
January - June
2019

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 2019, 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 2019, 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 30.06.2019 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 30.06.2019 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

On 20 May, 2019 the Board of Directors of the Bank elected new members of the Management Board of the Bank - Vasily Karpov and Valda Knauere who took position on 15 July 2019. Similarly, on 20 May 2019 the Board of Directors of the Bank approved Ingrīda Bluma's resignation as a Member of the Board of Directors with effect as of 1 July 2019. Taken into account the aforementioned changes, Gints Čakāns as of 15 July 2019 has been appointed as a Member of the Board of Directors and Rolands Legzdīņš - as the Chairman of the Management Board of the 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 30.06.2019	Bank 31.12.2018 Audited*
Assets		
Cash and demand deposits with central banks	10,442	13,566
Due on demand from credit institutions	9,822	7,309
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	29,296	33,667
Financial assets at amortised cost	15,664	25,893
Term deposits due from credit institutions	15,575	25,889
Loans to customers	89	4
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	1,075	381
Intangible assets	421	343
Tax assets	73	452
Other assets	626	639
Total assets	67,419	82,250
Liabilities		
Due to central banks	-	-
Due on demand to credit institutions	1	1
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost	29,731	44,631
Term deposits due to credit institutions	-	-
Deposits from customers	29,731	44,631
Derivatives – Hedge accounting	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-
Provisions	129	110
Tax liabilities	2	4
Other liabilities	901	516
Total liabilities	30,764	45,262
Shareholders' equity and reserves	36,655	36,988
Total liabilities, shareholders' equity and reserves	67,419	82,250
Assets and liabilities under trust management	79,892	74,149
Off-balance sheet items		
Contingent liabilities	-	-
Off-balance sheet commitments to customers	3,340	49

*Auditors: PricewaterhouseCoopers SIA

Income statement

EUR'000	Bank For 6 months 2019	Bank For 6 months 2018
Interest revenue	448	838
Interest expense	(151)	(275)
Dividend income	-	-
Fee and commission income	1,176	2,394
Fee and commission expenses	(47)	(84)
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	9	23
Gains or losses from hedge accounting, net	-	-
Exchange differences (gain or loss), net	49	753
Gains or losses on derecognition of non financial assets other than held for sale, net	-	-
Other operating income	41	191
Other operating expenses	(350)	(412)
Administrative expense	(1,502)	(2,347)
Depreciation	(218)	(165)
Modification gains or losses, net	-	-
Provisions or reversal of provisions	(4)	-
Impairment or reversal of impairment on financial assets	3	5
Profit or loss before tax from continuing operations	(546)	921
Tax Expenses related to profit or loss from continuing operations	(6)	(17)
Profit or loss after tax from continuing operations	(552)	904

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	5,619
incl. central governments	5,619
Poland	10,940
incl. central governments	10,940
Russia	4,674
Other	8,000
incl. central governments	4,403
Value, EUR '000	29,233

Performance indicators in accordance with FCMC regulations*

Key ratios	Bank For 6 months 2019	Bank For 6 months 2018
Return on equity (ROE)*, (%)	-3.00	3.24
Return on assets (ROA)**, (%)	-1.48	0.77

* **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 1²	EUR'000 Stage 2³	EUR'000 Stage 3⁴
Cash and demand deposits with central banks	-	-	-
Due on demand from credit institutions	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-
Financial assets at amortised cost	1	-	-
Other assets	2	-	-
Value, EUR ` 000	3	-	-

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 30.06.2019 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>

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: $p/1 \cdot 12/3$; II quarter: $p/1 \cdot 12/6$; III quarter = $p/z \cdot 12/9$; IV quarter: = $p/z \cdot 12/12$.

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 30.06.2019	Bank 30.06.2018
1.	Own funds (1.1.+1.2.)	36,169	36,299
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	36,169	36,245
1.1.1.	Common equity Tier 1 capital	36,169	36,245
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	-	55
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	47,086	62,480
2.1.	Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries	27,107	33,600
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	19,979	28,880
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)	76.82	58.01
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	34,050	33,433
3.3.	T1 Capital ratio (1.1./2.*100)	76.82	58.01
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	33,344	32,496
3.5.	Total capital ratio (1./2.*100)	76.82	58.10
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	32,402	31,301
4.	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	1,218	1,574
4.1.	Capital conservation buffer	1,177	1,562
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	41	12
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	76.82	58.01
5.3.	Tier 1 capital ratio including Pillar II adjustments	76.82	58.01
5.4.	Total capital ratio including Pillar II adjustments	76.82	58.10

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 30.06.2019
1.	Liquidity buffer	32,623
2.	Total net cash outflows	4,479
3.	Liquidity coverage ratio (%)	728.35%