

Public
Quarterly Report
January - September
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 September 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 September 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 30.09.2019 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
Gints Čakāns	Member of the Board of Directors	15.07.2019

On 30.09.2019 the structure of the Management Board of the Bank was as follows:

Name, surname	Position	Date of appointment
Rolands Legzdīņš	Chairman of the Management Board	05.04.2017
Evija Sloka	Deputy Chairperson of the Management Board	02.11.2012
Vasilijs Karpovs	Member of the Management Board	15.07.2019
Valda Knauere	Member of the Management Board	15.07.2019

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 Ingrida Bluma's resignation as a Member of the Board of Directors with effect as of 1 July 2019. Gints Čakāns as of 15 July 2019 has been appointed as a Member of the Board of Directors and Rolands Legzdīns - 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 30.09.2019	Bank 31.12.2018 Audited*
Assets		
Cash and demand deposits with central banks	5,654	13,566
Due on demand from credit institutions	2,673	7,309
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	31,833	33,667
Financial assets at amortised cost	30,628	25,893
Term deposits due from credit institutions	20,095	25,889
Loans to customers	10,533	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	1,001	381
Intangible assets	417	343
Tax assets	29	452
Other assets	642	639
Total assets	72,877	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	35,046	44,631
Term deposits due to credit institutions	-	-
Deposits from customers	35,046	44,631
Derivatives – Hedge accounting	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-
Provisions	112	110
Tax liabilities	1	4
Other liabilities	848	516
Total liabilities	36,008	45,262
Shareholders' equity and reserves	36,869	36,988
Total liabilities, shareholders' equity and reserves	72,877	82,250
Assets and liabilities under trust management	80,772	74,149
Off-balance sheet items	31	49
Contingent liabilities	-	-
Off-balance sheet commitments to customers	31	49

*Auditors: PricewaterhouseCoopers SIA

Income statement

EUR'000	Bank For 9 months 2019	Bank For 9 months 2018
Interest revenue	726	957
Interest expense	(222)	(326)
Dividend income	-	-
Fee and commission income	1,902	3,348
Fee and commission expenses	(74)	(121)
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	41
Gains or losses from hedge accounting, net	-	-
Exchange differences (gain or loss), net	147	833
Gains or losses on derecognition of non financial assets other than held for sale, net	-	-
Other operating income	68	222
Other operating expenses	(531)	(597)
Administrative expense	(2,175)	(3,175)
Depreciation	(322)	(251)
Modification gains or losses, net	-	-
Provisions or reversal of provisions	-	-
Impairment or reversal of impairment on financial assets	(93)	5
Profit or loss before tax from continuing operations	(565)	936
Tax Expenses related to profit or loss from continuing operations	(6)	(19)
Profit or loss after tax from continuing operations	(571)	917

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	5,635
incl. central governments	5,635
Poland	10,934
incl. central governments	10,934
Russia	7,200
Other	8,002
incl. central governments	4,409
Value, EUR `000	31,771

Performance indicators in accordance with FCMC regulations*

Key ratios	Bank For 9 months 2019	Bank For 9 months 2018
Return on equity (ROE)*, (%)	-2.06	3.29
Return on assets (ROA)**, (%)	-0.98	0.83

* **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 IFRS9

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	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-
Financial assets at amortised cost	67	-	-
Other assets	5	-	-
Value, EUR ` 000	72	-	-

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 30.09.2019 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: $p/l * 12/3$; 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 30.09.2019	Bank 30.09.2018
1.	Own funds (1.1.+1.2.)	36,389	36,233
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	36,389	36,193
1.1.1.	Common equity Tier 1 capital	36,389	36,193
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	-	40
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	54,836	54,709
2.1.	Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries	34,857	25,829
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)	66.36	66.16
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	33,921	33,731
3.3.	T1 Capital ratio (1.1./2.*100)	66.36	66.16
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	33,099	32,910
3.5.	Total capital ratio (1./2.*100)	66.36	66.23
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	32,002	31,856
4.	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	1,398	1,368
4.1.	Capital conservation buffer	1,371	1,368
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	27	-
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	66.36	66.16
5.3.	Tier 1 capital ratio including Pillar II adjustments	66.36	66.16
5.4.	Total capital ratio including Pillar II adjustments	66.36	66.23

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 30.09.2019
1.	Liquidity buffer	27,770
2.	Total net cash outflows	4,486
3.	Liquidity coverage ratio (%)	619,04%