

Public
Quarterly Report
January - December
2015

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 2015, 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 2015, the fully paid-in share capital of the Bank was LVL 8,200 thousand and consisted of 820,000 voting ordinary registered shares with the nominal value of LVL 10 each.

As at 31 December 2015 the Members of the Board of Directors of the Bank was as follows:

Name, surname	Position	Date of appointment
Igor Kim	Chairman of the Board of Directors	09.02.2012
Kirill Nifontov	Deputy Chairman of the Board of Directors	09.02.2012
Andrew Sergio Gazitua	Member of the Board of Directors	11.04.2013
Ingrīda Blūma	Member of the Board of Directors	01.11.2014

During the year 2015 no changes have been made as to the structure of the Board of Directors of the Bank.

As at 31 December 2015 the Members of the Management Board of the Bank was as follows:

Name, surname	Position	Date of appointment
Ilya Mitelman	Chairman of the Management Board	01.08.2014
Gints Čakāns	Deputy Chairman of the Management Board	01.09.2011
Evija Sloka	Member of the Management Board	02.11.2012

On 19 October 2015 at the meeting of Board of Directors of the Bank the decision was taken to accept Mr. Sandris Straume's resignation from position of Member of the Management Board effective from 2 November 2015.

GROUP CONSOLIDATION

Members of Consolidation Group as at 31 December 2015:

No	Subsidiaries	Registration number	Address	Business profile*	Share	Voting power	Status**
1	SIA "Axi Invest"	40103360551	Valdemāra iela 19, Rīga, LV-1010	PUZ	100%	100%	MS
2	SIA "Kappa Capital"	40103360547	Valdemāra iela 19, Rīga, LV-1010	PUZ	100%	100%	MS
3	SIA „EGR 1”	40103931774	Valdemāra street 19, Rīga, LV-1010	PLS	100%	100%	MS
4	SIA „EGR 2”	40103931721	Valdemāra street 19, Rīga, LV-1010	PLS	100%	100%	MS
5	Walbrook Capital Markets Limited	2926252	Northern & Shell building 10 Lower Thames Street London EC3R 6AD	IBS	100%	100%	MS
6	Walbrook Capital Markets Nominees Limited	4027520	Northern & Shell building 10 Lower Thames Street London EC3R 6AD	CT	100%	100%	MMS

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

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

RATINGS ASSIGNED BY RATING AGENCIES

On 23 September 2015 Moody's reapproved Expobank rating at B1/Stable (assigned on 20 December 2015)

- Outlook Stable
- Bank Deposits B1/NP
- Baseline Credit Assessment b1
- Adjusted Baseline Credit Assessment b1

On 11 August 2015 Moody's Investors Service assigned Expobank a long and short-term Counterparty Risk Assessment (CR Assessments) of Ba3(cr) / Not Prime(cr).

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 31.12.2015 Audited*	Bank 31.12.2015 Audited*	Group 31.12.2014 Audited*	Bank 31.12.2014 Audited*
Assets				
Cash and demand deposits with central banks	91,404	91,404	2,748	2,748
Due on demand from credit institutions	246,895	201,330	314,178	314,176
Financial assets held-for-trading	-	-	28,893	28,893
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	37,941	37,941	30,886	30,886
Loans and receivables	133,675	142,664	105,132	110,580
Term deposits due from credit institutions	109,481	109,481	83,941	83,941
Loans to customers	24,194	33,183	21,191	26,639
Financial assets held-to-maturity	-	-	-	-
Changes in fair value of portfolio proportion limited to interest risk	-	-	-	-
Prepaid expense and accrued income	922	832	372	371
Fixed assets	326	326	269	269
Investment properties	3,682	-	5,999	-
Intangible assets	422	422	485	485
Investments in subsidiaries	-	5,272	-	-
Tax assets	51	51	70	70
Other assets	24,875	1,938	1,354	1,130
Total assets	540,193	482,180	490,386	489,608
Liabilities				
Due to central banks	-	-	-	-
Due on demand to credit institutions	4,549	4,549	5,086	5,086
Financial liabilities held-for-trading	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities at amortised cost	455,594	397,762	414,031	414,057
Term deposits due to credit institutions	3,719	3,719	1,001	-
Deposits from customers	451,875	394,043	414,031	414,057
Financial liabilities resulting from transfer of financial assets	-	-	-	-
Changes in fair value of portfolio proportion limited to interest risk	-	-	-	-
Deferred income and accrued expense	16	16	49	47
Provisions	566	566	135	135
Tax liabilities	1,560	1,560	40	40
Other liabilities	4,361	3,282	2,063	2,036
Total liabilities	466,646	407,735	422,405	421,401
Shareholders' equity and reserves	73,547	74,445	67,981	68,207
Total liabilities, shareholders' equity and reserves	540,193	482,180	490,386	489,608
Assets and liabilities under trust management	179,113	179,113	170,219	170,219
Off-balance sheet items				
Contingent liabilities	118	118	3	3
Off-balance sheet commitments to customers	317	2,111	1,315	2,036

*Auditors: KPMG Baltics SIA

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

Country	Book value, EUR '000
Russia	25,247
USA	9,210
Others	3,484

Income statement

EUR'000	Group For 12 months 2015	Bank For 12 months 2015	Group For 12 months 2014	Bank For 12 months 2014
Interest revenue	7,535	8,017	4,421	4,586
Interest expense	(1,789)	(1,782)	(986)	(986)
Income from dividends	-	-	-	-
Commission and fee revenue	7,587	7,425	4,708	4,708
Commission and fee expense	(418)	(393)	(298)	(298)
Net realized profit/loss from financial assets and liabilities held at amortized cost	-	-	(15)	(15)
Net realized profit/loss from available-for-sale financial assets	2,257	2,257	(74)	(74)
Net profit/loss from financial assets and liabilities held-for-trading	2,539	2,539	(3,373)	(3,373)
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	5,774	5,737	5,709	5,709
Profit/loss from derecognition of property, plant and equipment, investment property and intangible assets	340	-	-	-
Other revenue	354	91	104	46
Other expense	(1,503)	(1,246)	(897)	(815)
Administrative expense	(6,263)	(5,854)	(5,087)	(5,077)
Depreciation	(330)	(257)	(254)	(236)
Allowance for impairment	(7)	(7)	(3)	(3)
Impairment losses	-	-	-	-
Profit before income tax	16,076	16,527	3,955	4,172
Corporate income tax	(1,137)	(1,137)	(631)	(631)
Profit for the reporting period	14,939	15,390	3,324	3,541

Performance indicators in accordance with FCMC regulations*

Key ratios	Group For 12 months 2015	Bank For 12 months 2015	Group For 12 months 2014	Bank For 12 months 2014
Return on equity (ROE), (%)	19.92	20.48	4.57	4.91
Return on assets (ROA), (%)	3.22	3.38	0.86	0.95

* **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 average² 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 average² value of the Bank's assets.

¹ Profit/loss is calculated as follows: profit/loss (p/z) (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 Average value is calculated as the arithmetic mean of the balance sheet assets or residual capital and reserves of the respective months (on the last business day of the month) as from the beginning of the year to the end of the reporting period.

RISK AND CAPITAL MANAGEMENT

AS Expobank has provided the renewed information on 30.04.2015 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>

CAPITAL ADEQUACY CALCULATION

No	EUR'000	Group 31.12.2015	Bank 31.12.2015	Group 31.12.2014	Bank 31.12.2014
1.	Own funds (1.1.+1.2.)	73,621	73,817	67,761	67,987
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	73,416	73,612	67,496	67,722
1.1.1.	Common equity Tier 1 capital	73,416	73,612	67,496	67,722
1.1.2.	Additional Tier 1 capital	-	-	-	-
1.2.	Tier 2 capital	205	205	265	265
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	166,553	165,031	188,869	191,358
2.1.	Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries	147,063	148,612	142,560	145,049
2.2.	Total settlement / delivery risk exposure amount	-	-	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	3,071	-	30,960	30,960
2.4.	Total risk exposure amount for operational risk	16,419	16,419	15,349	15,349
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)	44.08	44.60	35.74	35.39
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	65,921	66,185	58,997	59,111
3.3.	T1 Capital ratio (1.1./2.*100)	44.08	44.60	35.74	35.39
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	63,422	63,710	56,164	56,241
3.5.	Total capital ratio (1./2.*100)	44.20	44.73	35.88	35.53
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	60,296	60,614	52,651	52,678
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	-	-	-	-
5.2.	CET1 capital ratio including Pillar II adjustments	44.08	44.60	35.74	35.39
5.3.	Tier 1 capital ratio including Pillar II adjustments	44.08	44.60	35.74	35.39
5.4.	Total capital ratio including Pillar II adjustments	44.20	44.73	35.88	35.53

LIQUIDITY RATIO CALCULATION

No	EUR'000	Bank 31.12.2015
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	436,565
1.1.	Cash	163
1.2.	Demand deposits with central banks	91,241
1.3.	Due on demand from credit institutions	307,368
1.4.	Liquid securities	37,793
2.	Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	404,228
2.1.	Due on demand to credit institutions	8,260
2.2.	Deposits	381,682
2.3.	Issued debt securities	-
2.4.	Cash in transit	6,481
2.5.	Other current liabilities	5,694
2.6.	Off-balance sheet liabilities	2,111
3.	Liquidity ratio(1.:2.) (%)	108.00%
4.	Minimum liquidity ratio	30.00%