

Public
Quarterly Report
January - September
2016

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 2016, 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 2016, 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 30.09.2016 the structure of the Board of Directors of the Bank was as follows:

Name, surname	Position	Date of appointment
Andrew Sergio Gazitua	Chairman of the Board of Directors	11.04.2013
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

Starting from 1 March 2016 Andrew Sergio Gazitua was elected as Chairman of the Board of Directors and Igor Kim continue as member of the Board of Directors.

During the first 9 months of the year 2016 no other changes have been made as to the structure of the Board of Directors of the Bank.

On 30.09.2016 the structure 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

During the first 9 months of the year 2016 no changes have been made as to the structure of the Management Board of the Bank.

CONSOLIDATION GROUP

Members of Consolidation Group as at 30 September 2016:

No	Subsidiaries	Registration number	Address	Business profile*	Share	Voting power	Status**
1	SIA „Axi Invest”	40103360551	Valdemāra street 19, Rīga, LV-1010	PLS	100%	100%	MS
2	SIA „Kappa Capital”	40103360547	Valdemāra street 19, Rīga, LV-1010	PLS	100%	100%	MS
3	Walbrook Capital Markets Limited	2926252	Northern & Shell building 10Lower Thames Street London EC3R 6AD	IBS	100%	100%	MS
4	Walbrook Capital Markets Nominees Limited	4027520	Northern & Shell building 10Lower 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 11 May 2016 Moody's updated Expobank rating at B1/Stable

- Outlook Stable
- Bank Deposits B1/NP
- Baseline Credit Assessment b1
- Adjusted Baseline Credit Assessment b1
- 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 30.09.2016	Bank 30.09.2016	Group 31.12.2015 Audited*	Bank 31.12.2015 Audited*
Assets				
Cash and demand deposits with central banks	89,215	89,215	91,404	91,404
Due on demand from credit institutions	122,581	71,595	246,895	201,330
Financial assets held-for-trading	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	35,109	35,109	37,941	37,941
Loans and receivables	138,853	144,411	133,675	142,664
Term deposits due from credit institutions	117,660	117,660	109,481	109,481
Loans to customers	21,193	26,751	24,194	33,183
Financial assets held-to-maturity	-	-	-	-
Changes in fair value of portfolio proportion limited to interest risk	-	-	-	-
Prepaid expense and accrued income	678	448	922	832
Fixed assets	845	742	326	326
Investment properties	3,415	-	3,682	-
Intangible assets	413	413	422	422
Investments in subsidiaries	-	5,267	-	5,272
Tax assets	1,029	1,029	51	51
Other assets	7,741	3,214	24,875	1,938
Total assets	399,879	351,443	540,193	482,180
Liabilities				
Due to central banks	-	-	-	-
Due on demand to credit institutions	1,963	1,963	4,549	4,549
Financial liabilities held-for-trading	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities at amortised cost	318,924	268,267	455,594	397,762
Term deposits due to credit institutions			3,719	3,719
Deposits from customers	318,924	268,267	451,875	394,043
Financial liabilities resulting from transfer of financial assets	-	-	-	-
Changes in fair value of portfolio proportion limited to interest risk	-	-	-	-
Deferred income and accrued expense	708	472	16	16
Provisions	426	426	566	566
Tax liabilities	721	721	1,560	1,560
Other liabilities	547	234	4,361	3,282
Total liabilities	323,289	272,083	466,646	407,735
Shareholders' equity and reserves	76,590	79,360	73,547	74,445
Total liabilities, shareholders' equity and reserves	399,879	351,443	540,193	482,180
Assets and liabilities under trust management	247,290	247,290	179,113	179,113
Off-balance sheet items				
Contingent liabilities	32	32	118	118
Off-balance sheet commitments to customers	245	1795	317	2,111

*Auditors: KPMG Baltics SIA

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

Country	Book value, EUR '000
Russia	18,477
Others	16,632

Income statement

EUR'000	Group For 9 months 2016	Bank For 9 months 2016	Group For 9 months 2015	Bank For 9 months 2015
Interest revenue	3,214	3,505	6,247	6,604
Interest expense	(1,537)	(1,486)	(1,473)	(1,473)
Income from dividends	-	-	-	-
Commission and fee revenue	7,399	6,200	5,434	5,439
Commission and fee expense	(319)	(319)	(260)	(260)
Net realized profit/loss from financial assets and liabilities held at amortized cost	-	-	-	-
Net realized profit/loss from available-for-sale financial assets	1,637	1,637	3,141	3,141
Net profit/loss from financial assets and liabilities held-for-trading	1	1	903	903
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	3,652	3,450	3,855	3,855
Profit/loss from derecognition of property, plant and equipment, investment property and intangible assets	-	-	-	-
Other revenue	3,994	67	98	70
Other expense	(3,086)	(848)	(960)	(759)
Administrative expense	(10,296)	(6,564)	(3,929)	(3,914)
Depreciation	(238)	(238)	(189)	(189)
Allowance for impairment	-	-	(5)	(5)
Impairment losses	-	-	-	-
Profit before income tax	4,421	5,405	12,862	13,412
Corporate income tax	(811)	(811)	(2,012)	(2,012)
Profit for the reporting period	3,610	4,594	10,850	11,400

Performance indicators in accordance with FCMC regulations*

Key ratios	Group For 9 months 2016	Bank For 9 months 2016	Group For 9 months 2015	Bank For 9 months 2015
Return on equity (ROE)*, (%)	6.41	7.97	19.93	20.61
Return on assets (ROA)**, (%)	1.02	1.47	3.33	3.48

* **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 renewed information on 31.03.2016 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	Group 30.09.2016	Bank 30.09.2016	Group 30.09.2015	Bank 30.09.2015
1.	Own funds (1.1.+1.2.)	73,262	74,054	68,274	68,504
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	73,102	73,894	68,054	68,284
1.1.1.	Common equity Tier 1 capital	73,102	73,894	68,054	68,284
1.1.2.	Additional Tier 1 capital	-	-	-	-
1.2.	Tier 2 capital	160	160	220	220
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	171,804	174,005	206,685	208,348
2.1.	Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries	147,012	149,213	187,369	189,032
2.2.	Total settlement / delivery risk exposure amount	-	-	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	1,199	1,199	2897	2,897
2.4.	Total risk exposure amount for operational risk	23,593	23,593	16,419	16,419
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)	42.55	42.47	32.93	32.77
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	65,371	66,064	58,753	58,908
3.3.	T1 Capital ratio (1.1./2.*100)	42.55	42.47	32.93	32.77
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	62,794	63,454	55,563	55,783
3.5.	Total capital ratio (1./2.*100)	45.64	42.56	33.03	32.88
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	59,518	60,134	51,739	51,836
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	42.55	42.47	32.93	32.77
5.3.	Tier 1 capital ratio including Pillar II adjustments	42.55	42.47	32.93	32.77
5.4.	Total capital ratio including Pillar II adjustments	45.64	42.56	33.03	32.88

LIQUIDITY RATIO CALCULATION

N.p.k.	EUR'000	Bank 30.09.2016
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	310,181
1.1.	Cash	95
1.2.	Demand deposits with central banks	89,120
1.3.	Due on demand from credit institutions	186,011
1.4.	Liquid securities	34,955
2.	Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	266,469
2.1.	Due on demand to credit institutions	1,963
2.2.	Deposits	254,108
2.3.	Issued debt securities	-
2.4.	Cash in transit	7,311
2.5.	Other current liabilities	1,315
2.6.	Off-balance sheet liabilities	1,772
3.	Liquidity ratio(1.:2.) (%)	116.40%
4.	Minimum liquidity ratio	30%