

Public  
Quarterly Report  
January - December  
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 31 December 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 31 December 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 31.12.2016 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 12 months of the year 2016 no other changes have been made as to the structure of the Board of Directors of the Bank.

#### On 31.12.2016 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 12 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 31 December 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 30 December 2016 Moody's updated Expobank rating at B1/Negative

- Outlook Negative
- 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 31.12.2016	Bank 31.12.2016	Group 31.12.2015 Audited*	Bank 31.12.2015 Audited*
<b>Assets</b>				
Cash and demand deposits with central banks	66,872	66,872	91,404	91,404
Due on demand from credit institutions	142,085	63,725	246,895	201,330
Financial assets held-for-trading	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	35,778	35,778	37,941	37,941
Loans and receivables	110,376	122,772	133,675	142,664
Term deposits due from credit institutions	104,039	110,499	109,481	109,481
Loans to customers	6,337	12,273	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	470	311	922	832
Fixed assets	821	755	326	326
Investment properties	3,761	-	3,682	-
Intangible assets	496	492	422	422
Investments in subsidiaries	-	6,158	-	5,272
Tax assets	838	838	51	51
Other assets	17,040	2,667	24,875	1,938
<b>Total assets</b>	<b>378,537</b>	<b>300,368</b>	<b>540,193</b>	<b>482,180</b>
<b>Liabilities</b>				
Due to central banks	-	-	-	-
Due on demand to credit institutions	5,534	5,534	4,549	4,549
Financial liabilities held-for-trading	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities at amortised cost	311,424	230,117	455,594	397,762
Term deposits due to credit institutions	-	-	3,719	3,719
Deposits from customers	311,424	230,117	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	607	396	16	16
Provisions	457	457	566	566
Tax liabilities	2,217	2,040	1,560	1,560
Other liabilities	1,203	1,086	4,361	3,282
<b>Total liabilities</b>	<b>321,442</b>	<b>239,630</b>	<b>466,646</b>	<b>407,735</b>
Shareholders' equity and reserves	57,095	60,738	73,547	74,445
<b>Total liabilities, shareholders' equity and reserves</b>	<b>378,537</b>	<b>300,368</b>	<b>540,193</b>	<b>482,180</b>
Assets and liabilities under trust management	107,704	107,704	179,113	179,113
<b>Off-balance sheet items</b>				
Contingent liabilities	15	15	118	118
Off-balance sheet commitments to customers	259	1212	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	18,043
Others	17,735

**Income statement**

EUR'000	Group For 12 months 2016	Bank For 12 months 2016	Group For 12 months 2015	Bank For 12 months 2015
Interest revenue	4,171	4,571	7,535	8,017
Interest expense	(1,818)	(1,740)	(1,789)	(1,782)
Income from dividends	-	-	-	-
Commission and fee revenue	9,826	8,146	7,587	7,425
Commission and fee expense	(441)	(442)	(418)	(393)
Net realized profit/loss from financial assets and liabilities held at amortized cost	-	-	-	-
Net realized profit/loss from available-for-sale financial assets	1,716	1,716	2,257	2,257
Net profit/loss from financial assets and liabilities held-for-trading	(4)	(4)	2,539	2,539
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	4,648	4,400	5,774	5,737
Profit/loss from derecognition of property, plant and equipment, investment property and intangible assets	-	-	340	-
Other revenue	4,599	103	354	91
Other expense	(6,826)	(1,147)	(1,503)	(1,246)
Administrative expense	(10,522)	(8,298)	(6,263)	(5,854)
Depreciation	(345)	(335)	(330)	(257)
Allowance for impairment	-	-	(7)	(7)
Impairment losses	-	-	-	-
<b>Profit before income tax</b>	<b>5,004</b>	<b>6,970</b>	<b>16,076</b>	<b>16,527</b>
Corporate income tax	(848)	(672)	(1,137)	(1,137)
Profit for the reporting period	4,156	6,298	14,939	15,390

## Performance indicators in accordance with FCMC regulations\*

Key ratios	Group For 12 months 2016	Bank For 12 months 2016	Group For 12 months 2015	Bank For 12 months 2015
Return on equity (ROE)*, (%)	6.36	9.32	19.92	20.48
Return on assets (ROA)**, (%)	0.90	1.61	3.22	3.38

\* **Return on equity (ROE).** The return on equity ratio is calculated as the ratio of profit/loss<sup>1</sup> 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/loss<sup>1</sup> 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>

<sup>1</sup> 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

No	EUR'000	31.12.2016		31.12.2015	
		Group	Bank	Group	Bank
1.	Own funds (1.1.+1.2.)	56,237	59,320	73,621	73,817
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	56,093	59,176	73,416	73,612
1.1.1.	Common equity Tier 1 capital	56,093	59,176	73,416	73,612
1.1.2.	Additional Tier 1 capital	0	0	-	-
1.2.	Tier 2 capital	144	144	205	205
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	147,500	157,900	166,553	165,031
2.1.	Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries	123,913	134,313	147,063	148,612
2.2.	Total settlement / delivery risk exposure amount	-	-	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	-	-	3,071	-
2.4.	Total risk exposure amount for operational risk	23,588	23,588	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				
<b>3.1.</b>	<b>CET1 Capital ratio (1.1.1./2.*100)</b>	<b>38.03</b>	<b>37.48</b>	<b>44.08</b>	<b>44.6</b>
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	49,456	52,071	65,921	66,185
<b>3.3.</b>	<b>T1 Capital ratio (1.1./2.*100)</b>	<b>38.03</b>	<b>37.48</b>	<b>44.08</b>	<b>44.6</b>
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	47,243	49,702	63,422	63,710
<b>3.5.</b>	<b>Total capital ratio (1./2.*100)</b>	<b>38.13</b>	<b>37.57</b>	<b>44.2</b>	<b>44.73</b>
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	44,437	46,688	60,296	60,614
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	-	-	-	-
<b>5.2.</b>	<b>CET1 capital ratio including Pillar II adjustments</b>	<b>38.03</b>	<b>37.48</b>	<b>44.08</b>	<b>44.6</b>
<b>5.3.</b>	<b>Tier 1 capital ratio including Pillar II adjustments</b>	<b>38.03</b>	<b>37.48</b>	<b>44.08</b>	<b>44.6</b>
<b>5.4.</b>	<b>Total capital ratio including Pillar II adjustments</b>	<b>38.13</b>	<b>37.57</b>	<b>44.2</b>	<b>44.73</b>

## LIQUIDITY RATIO CALCULATION

No	EUR'000	Bank 31.12.2016
<b>1.</b>	<b>Liquid assets (1.1.+1.2.+1.3.+1.4.)</b>	<b>273,458</b>
1.1.	Cash	110
1.2.	Demand deposits with central banks	66,762
1.3.	Due on demand from credit institutions	170,986
1.4.	Liquid securities	35,600
<b>2.</b>	<b>Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)</b>	<b>234,467</b>
2.1.	Due on demand to credit institutions	5,534
2.2.	Deposits	211,493
2.3.	Issued debt securities	-
2.4.	Cash in transit	12,307
2.5.	Other current liabilities	3,946
2.6.	Off-balance sheet liabilities	1,187
<b>3.</b>	<b>Liquidity ratio(1.:2.) (%)</b>	<b>116.63%</b>
<b>4.</b>	<b>Minimum liquidity ratio</b>	<b>30%</b>