

Public
Quarterly Report
January - June
2014

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 2014, Igor Kim, citizen of the Russian Federation, was the sole shareholder of AS Expobank (hereinafter – the Bank) with 100% of the Bank's paid-in share capital.

The Bank's paid-in share capital amounts to 11 668 thousand EUR and consists of 820 000 voting ordinary registered shares with the nominal value of 14.23 EUR each.

On 30.06.2014 the structure of the Council of the Bank was as follows:

Name, surname	Position	Date of appointment
Igor Kim	Chairman of the Council	09.02.2012
Kirill Nifontov	Deputy Chairman of the Council	09.02.2012
Jyrki Ilmari Koskelo	Member of the Council	06.11.2012
Andrew Sergio Gazitua	Member of the Council	11.04.2013

On 30.06.2014 the structure of the Board of the Bank was as follows:

Name, surname	Position	Date of appointment
Māris Avotiņš	Chairman of the Board	01.09.2011
Gints Čakāns	Deputy Chairman of the Board	01.09.2011
Sandris Straume	Member of the Board	02.11.2012
Evija Sloka	Member of the Board	02.11.2012
Ilya Mitelman	Member of the Board	22.04.2014

On 21 April 2014, in the Extraordinary Shareholders' Meeting a decision to revoke Ilya Mitelman from the position of the Council of the Bank has been made and in accordance with The Commercial Law the Council of the Bank has been reappointed, in result were elected: Mr.Igor Kim (Chairman of the Council), Mr.Kirill Nifontov (Deputy Chairman of the Council), Mr.Jyrki Ilmari Koskelo (Member of the Council), Mr.Andrew Sergio Gazitua (Member of the Council). The changes in the Council were registered with the Enterprise Register of the Republic of Latvia on 23 April 2014.

On 21 April 2014 the Council of the Bank elected new member of the Board Mr.Ilya Mitelman. The changes in the Board of the Bank were registered with the Enterprise Register of the Republic of Latvia on 23 April 2014.

GROUP CONSOLIDATION

From 2 July 2012 the Bank has two subsidiaries:

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

* PUZ – supporting enterprise, ** MS – subsidiary

RATINGS ASSIGNED BY RATING AGENCIES

Rating agency	Long-term rating	Short-term rating	Financial strength rating	Rating's outlook	Rating assignment date
Moody's Investors Service	B1	Not prime	E+	Stable	20.12.2013

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 30.06.2014	Bank 30.06.2014	Group 31.12.2013 Audited*	Bank 31.12.2013 Audited*
Assets				
Cash and demand deposits with central banks	1 720	1 720	71 257	71 257
Due on demand from credit institutions	168 004	168 003	283 019	283 019
Financial assets held-for-trading	23 315	23 315	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	29 892	29 892	33 281	33 281
Loans and receivables	84 325	85 370	10 376	10 600
Term deposits due from credit institutions	73 834	73 834	719	719
Loans to customers	10 491	11 536	9 657	9 881
Financial assets held-to-maturity	-	-	-	-
Changes in fair value of portfolio proportion limited to interest risk	-	-	-	-
Prepaid expense and accrued income	360	359	129	129
Fixed assets	293	293	302	302
Investment properties	1 779	-	-	-
Intangible assets	513	513	420	420
Investments in subsidiaries	-	-	-	-
Tax assets	191	6	-	-
Other assets	592	579	950	744
Total assets	310 984	310 050	399 734	399 752
Liabilities				
Due to central banks	-	-	-	-
Due on demand to credit institutions	434	434	343	343
Financial liabilities held-for-trading	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities at amortised cost	234 674	233 669	323 662	323 673
Term deposits due to credit institutions	1 012	-	-	-
Deposits from customers	233 662	233 669	323 662	323 673
Financial liabilities resulting from transfer of financial assets	-	-	-	-
Changes in fair value of portfolio proportion limited to interest risk	-	-	-	-
Deferred income and accrued expense	210	210	275	275
Provisions	144	144	107	107
Tax liabilities	325	325	128	128
Other liabilities	1 596	1 588	985	985
Total liabilities	237 383	236 370	325 500	325 511
Shareholders' equity and reserves	73 601	73 680	74 234	74 241
Total liabilities, shareholders' equity and reserves	310 984	310 050	399 734	399 752
Assets and liabilities under trust management	180 898	180 898	44 327	44 327
Off-balance sheet items				
Contingent liabilities	46	46	46	46
Off-balance sheet commitments to customers	645	1 532	643	2 322

*Auditors: KPMG Baltics SIA

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

Country	Book value, EUR '000
Russia	53 190
Others	17

Income statement

EUR'000	Group For 6 months 2014	Bank For 6 months 2014	Group For 6 months 2013	Bank For 6 months 2013
Interest revenue	1 993	2 020	814	814
Interest expense	(525)	(523)	(202)	(202)
Income from dividends	-	-	-	-
Commission and fee revenue	1 865	1 865	939	939
Commission and fee expense	(117)	(112)	(88)	(88)
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	63	63	(20)	(20)
Net profit/loss from financial assets and liabilities held-for-trading	1 212	1 212	(408)	(408)
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	2 783	2 783	2 388	2 388
Profit/loss from derecognition of property, plant and equipment, investment property and intangible assets	-	-	-	-
Other revenue	19	19	18	11
Other expense	(432)	(399)	(359)	(359)
Administrative expense	(2 648)	(2 648)	(1 989)	(1 989)
Depreciation	(117)	(117)	(97)	(97)
Allowance for impairment	(3)	(3)	-	-
Impairment losses	-	-	-	-
Profit before income tax	4 078	4 145	996	989
Corporate income tax	(622)	(622)	(148)	(148)
Profit for the reporting period	3 456	3 523	848	841

Performance indicators in accordance with FCMC regulations*

Key ratios	Group For 6 months 2014	Bank For 6 months 2014	Group For 6 months 2013	Bank For 6 months 2013
Return on equity (ROE), (%)	10,31	10,31	2,42	2,42
Return on assets (ROA), (%)	2,23	2,24	0,57	0,57

* **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 03.04.2014 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 30.06.2014	Bank 30.06.2014
1.	Own funds (1.1.+1.2.)	69 625	69 625
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	69 330	69 330
1.1.1.	Common equity Tier 1 capital	69 330	69 330
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	295	295
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	144 461	144 706
2.1.	Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries	104 676	104 921
2.2.	Total settlement / delivery risk exposure amount	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	24 436	24 436
2.4.	Total risk exposure amount for operational risk	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)	47,99	47,91
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	62 829	62 818
3.3.	T1 Capital ratio (1.1./2.*100)	47,99	47,91
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	60 662	60 648
3.5.	Total capital ratio (1./2.*100)	48,20	48,11
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	58 068	58 049

LIQUIDITY RATIO CALCULATION

No	EUR'000	Bank 30.06.2014
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	296 546
1.1.	Cash	102
1.2.	Demand deposits with central banks	1 618
1.3.	Due on demand from credit institutions	241 636
1.4.	Liquid securities	53 190
2.	Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	236 486
2.1.	Due on demand to credit institutions	634
2.2.	Deposits	216 240
2.3.	Issued debt securities	-
2.4.	Cash in transit	17 515
2.5.	Other current liabilities	565
2.6.	Off-balance sheet liabilities	1 532
3.	Liquidity ratio(1.:2.) (%)	125,40%
4.	Minimum liquidity ratio	30%