

Public
Quarterly Report
January - September
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 September 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 30.09.2014 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 30.09.2014 the structure of the Board of the Bank was as follows:

Name, surname	Position	Date of appointment
Ilya Mitelman	Chairman of the Board	01.08.2014
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

On 21 June 2014 in the Extraordinary Council Meeting a decision to revoke Māris Avotiņš from the position of the Chairman of the Board of the Bank and to appoint Member of the Board Ilya Mitelman to the position of the Chairman of the Board of the Bank starting from 1 August 2014 has been made. The changes in the Board of the Bank were registered with the Enterprise Register of the Republic of Latvia on 1 August 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 30.09.2014	Bank 30.09.2014	Group 31.12.2013 Audited*	Bank 31.12.2013 Audited*
Assets				
Cash and demand deposits with central banks	3 652	3 652	71 257	71 257
Due on demand from credit institutions	434 021	434 019	283 019	283 019
Financial assets held-for-trading	21 114	21 114	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	33 990	33 990	33 281	33 281
Loans and receivables	24 080	29 058	10 376	10 600
Term deposits due from credit institutions	20 878	20 878	719	719
Loans to customers	3 202	8 180	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	320	319	129	129
Fixed assets	274	274	302	302
Investment properties	5 577	-	-	-
Intangible assets	517	517	420	420
Investments in subsidiaries	-	-	-	-
Tax assets	17	5	-	-
Other assets	1 288	1 074	950	744
Total assets	524 850	524 022	399 734	399 752
Liabilities				
Due to central banks	-	-	-	-
Due on demand to credit institutions	424	424	343	343
Financial liabilities held-for-trading	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities at amortised cost	448 605	447 619	323 662	323 673
Term deposits due to credit institutions	1 012	-	-	-
Deposits from customers	447 593	447 619	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	315	315	275	275
Provisions	142	142	107	107
Tax liabilities	314	314	128	128
Other liabilities	1 613	1 609	985	985
Total liabilities	451 413	450 423	325 500	325 511
Shareholders' equity and reserves	73 437	73 599	74 234	74 241
Total liabilities, shareholders' equity and reserves	524 850	524 022	399 734	399 752
Assets and liabilities under trust management	168 465	168 465	44 327	44 327
Off-balance sheet items				
Contingent liabilities	31	31	46	46
Off-balance sheet commitments to customers	2 724	3 820	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	55 087
Others	17

Income statement

EUR'000	Group For 9 months 2014	Bank For 9 months 2014	Group For 9 months 2013	Bank For 9 months 2013
Interest revenue	3 059	3 133	814	814
Interest expense	(772)	(770)	(202)	(202)
Income from dividends	-	-	-	-
Commission and fee revenue	3 134	3 155	939	939
Commission and fee expense	(203)	(198)	(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	287	287	(20)	(20)
Net profit/loss from financial assets and liabilities held-for-trading	8	8	(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	4 235	4 235	2 388	2 388
Profit/loss from derecognition of property, plant and equipment, investment property and intangible assets	-	-	-	-
Other revenue	37	35	18	11
Other expense	(625)	(577)	(359)	(359)
Administrative expense	(3 764)	(3 762)	(1 989)	(1 989)
Depreciation	(178)	(178)	(97)	(97)
Allowance for impairment	(3)	(3)	-	-
Impairment losses	-	-	-	-
Profit before income tax	5 200	5 350	996	989
Corporate income tax	(803)	(803)	(148)	(148)
Profit for the reporting period	4 397	4 547	848	841

Performance indicators in accordance with FCMC regulations*

Key ratios	Group For 9 months 2014	Bank For 9 months 2014	Group For 9 months 2013	Bank For 9 months 2013
Return on equity (ROE), (%)	8,34	8,39	5,23	5,23
Return on assets (ROA), (%)	1,64	1,65	1,16	1,16

* **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 30.09.2014	Bank 30.09.2014
1.	Own funds (1.1.+1.2.)	68 808	68 813
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	68 528	68 533
1.1.1.	Common equity Tier 1 capital	58 528	58 533
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	280	280
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	182 181	184 665
2.1.	Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries	143 858	146 342
2.2.	Total settlement / delivery risk exposure amount	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	22 974	22 974
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)	37,62	37,11
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	60 330	60 223
3.3.	T1 Capital ratio (1.1./2.*100)	37,62	37,11
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	57 597	57 453
3.5.	Total capital ratio (1./2.*100)	37,77	37,26
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	54 234	54 040

LIQUIDITY RATIO CALCULATION

No	EUR'000	Bank 30.09.2014
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	507 237
1.1.	Cash	149
1.2.	Demand deposits with central banks	3 503
1.3.	Due on demand from credit institutions	449 018
1.4.	Liquid securities	54 567
2.	Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	452 908
2.1.	Due on demand to credit institutions	623
2.2.	Deposits	433 928
2.3.	Issued debt securities	-
2.4.	Cash in transit	12 816
2.5.	Other current liabilities	1 721
2.6.	Off-balance sheet liabilities	3 820
3.	Liquidity ratio(1.:2.) (%)	112%
4.	Minimum liquidity ratio	30%