

Translated from Latvian

AS EXPOBANK

**PUBLIC REPORT
FOR THE 6 MONTHS PERIOD
ENDED 30 JUNE 2012
(UNAUDITED)**

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1. OVERVIEW, OWNERSHIP AND MANAGEMENT**1.1. SHAREHOLDERS**

As at 30 June 2012, 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 8 200 thousand LVL and consists of 820 000 voting ordinary registered shares with the nominal value of 10 LVL each.

On 9 February 2012, when the transfer of the shares and respective changes were made by Bank in the Register of shareholders, Igor Kim became the owner of the 100% shares of the Bank, as the result of the share disposal agreement signed between MDM Bank and Igor Kim.

1.2. THE COUNCIL

As of the date of this report 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 |
| Ilya Mitelman | Member of the Council | 09.02.2012 |

During the first 6 months of the year 2012 the following Members of the Council resigned:

| <i>Name</i> | <i>Position</i> | <i>Date of appointment</i> | <i>Date of resignation</i> |
|---------------------|--------------------------------|----------------------------|----------------------------|
| Nikita Ryauzov | Chairman of the Council | 08.10.2010 | 09.02.2012 |
| Anna Arkhangelskaya | Deputy Chairman of the Council | 11.05.2010 | 09.02.2012 |
| Anton Savushkin | Member of the Council | 11.05.2010 | 09.02.2012 |
| Artem Kirillov | Member of the Council | 24.01.2011 | 09.02.2012 |

On 9 February 2012, in the Extraordinary Shareholders' Meeting, a decision to revoke Nikita Ryauzov, Anna Arkhangelskaya, Anton Savushkin and Artem Kirillov from the Council of the Bank has been made by appointing Igor Kim, Kirill Nifontov and Ilya Mitelman as the new members of the Bank's Council. The changes in the Council were registered in the Enterprise Register of the Republic of Latvia on 15 February 2012.

1.3. THE BOARD

As of the date of this report 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 |
| Inna Harčenko | Deputy Chairman of the Board | 23.12.2005 |
| Gints Čakāns | Member of the Board | 01.09.2011 |

During the first 6 months of the year 2012 no changes have been made as to the structure of the Board of the Bank.

1.4. PRINCIPAL ACTIVITY, STRATEGY AND OBJECTIVES

The Bank's principal activity consists of customer cash flow servicing, including servicing of checking accounts, cash transfers (wire transfers), trade finance transactions, foreign exchange, servicing of debit and credit cards and trust management services.

Organisational structure of the Bank is based on functionality and comprises nine departments, each accountable to and supervised by a specific member of the Board. In addition, there are three committees and two commissions accountable to the Board. The Bank has one branch in the Republic of Cyprus. The Bank has no branches in Latvia.

The Bank's business plan for the year 2012 is mainly geared towards the continuation of the Bank's existing business, maintaining a diversified business model focussed on customers, as well as developing business relationships with the customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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).

The scope and assessment methods of the balance sheet and income statement comply with "Regulations on the Preparation of Annual Reports and Annual Consolidated Accounts for Banks, Investment Brokerage Firms and Investment Management Companies" of the Financial and Capital Market Commission and with International Financial Reporting Standards (IFRSs) adopted by the European Union.

All amounts are reported in thousands of lats (LVL'000), which is the official currency of the Republic of Latvia and the Bank's functional currency.

3. FINANCIAL RESULTS AND PERFORMANCE

3.1. BALANCE SHEET

| Item | 30.06.2012 LVL'000 <i>Unaudited</i> | 31.12.2011 LVL'000 <i>Audited*</i> |
|--|---|--|
| Assets | | |
| Cash and demand deposits with central banks | 25 891 | 12 975 |
| Due on demand from credit institutions | 210 817 | 182 474 |
| Financial assets held-for-trading | - | - |
| Financial assets at fair value through profit or loss | - | - |
| Available-for-sale financial assets | 9 067 | 12 |
| Loans and receivables | 19 634 | 46 325 |
| <i>Term deposits due from credit institutions</i> | <i>19 618</i> | <i>46 308</i> |
| <i>Loans to customers</i> | <i>16</i> | <i>17</i> |
| Financial assets held-to-maturity | - | - |
| Changes in fair value of portfolio proportion limited to interest risk | - | - |
| Prepaid expense and accrued income | 114 | 52 |
| Fixed assets | 140 | 165 |
| Investment properties | - | - |
| Intangible assets | 313 | 289 |
| Investments in subsidiaries | - | - |
| Tax assets | - | 10 |
| Other assets | 464 | 2 |
| Total assets | 266 440 | 242 318 |
| Liabilities | | |
| Due to central banks | - | - |
| Due on demand to credit institutions | 463 | 397 |
| Financial liabilities held-for-trading | - | - |
| Financial liabilities at fair value through profit or loss | - | - |
| Financial liabilities at amortised cost | 218 125 | 195 667 |
| <i>Term deposits due to credit institutions</i> | | |
| <i>Deposits from customers</i> | <i>218 125</i> | <i>195 667</i> |
| Financial liabilities resulting from transfer of financial assets | - | - |
| Changes in fair value of portfolio proportion limited to interest risk | - | - |
| Deferred income and accrued expense | 168 | 149 |
| Provisions | 182 | 172 |
| Tax liabilities | 57 | 22 |
| Other liabilities | 829 | 85 |
| Total liabilities | 219 824 | 196 492 |
| Shareholders' equity and reserves | 46 616 | 45 826 |
| Total liabilities, shareholders' equity and reserves | 266 440 | 242 318 |
| Assets and liabilities under trust management | 17 563 | 272 |
| Off-balance sheet items | | |
| Contingent liabilities | 214 | 234 |
| Off-balance sheet commitments to customers | 635 | 466 |

*Auditors: SIA „KPMG Baltics”

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

| Country | Book value, LVL '000 |
|----------------|-----------------------------|
| Russia | 7 642 |
| Lithuania | 1 413 |
| Others | 12 |

3.2. INCOME STATEMENT

| Item | For 6 months 2012 LVL'000 <i>Unaudited</i> | For 6 months 2011 LVL'000 <i>Audited*</i> |
|--|---|--|
| Interest revenue | 722 | 716 |
| Interest expense | (308) | (249) |
| Income from dividends | - | - |
| Commission and fee revenue | 396 | 379 |
| Commission and fee expense | (42) | (37) |
| Net realized profit/loss from financial assets and liabilities held at amortized cost | - | - |
| Net realized profit/loss from available-for-sale financial assets | - | - |
| Net profit/loss from financial assets and liabilities held-for-trading | - | - |
| 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 | 1 529 | 1 146 |
| Profit/loss from derecognition of property, plant and equipment, investment property and intangible assets | - | - |
| Other revenue | 5 | 10 |
| Other expense | (150) | (136) |
| Administrative expense | (1 135) | (1 205) |
| Depreciation | (73) | (59) |
| Allowance for impairment | - | - |
| Impairment losses | - | - |
| Profit before income tax | 944 | 565 |
| Corporate income tax | (142) | (82) |
| Profit for the reporting period | 802 | 483 |

*Auditors: SIA „KPMG Baltics”

3.3. PERFORMANCE INDICATORS IN ACCORDANCE WITH FCMC REGULATIONS*

| Entry | First 6 months 2012 | First 6 months 2011 |
|----------------------------|------------------------|------------------------|
| Return on equity (ROE) (%) | 3,47 | 2,16 |
| Return on assets (ROA) (%) | 0,64 | 0,40 |

* **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;

4. RISK AND CAPITAL MANAGEMENT

AS Expobank has provided the renewed information on 30.06.2012 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.

Liquidity, open foreign currency position and capital adequacy are characterised by the following indicators:

| Entry | As at 30 June 2012 | As at 30 June 2011 |
|---|-----------------------|-----------------------|
| Liquidity indicator (%) | 122,44 | 113,32 |
| Open Foreign Currency position (%) | 6,65 | 3,42 |
| Capital adequacy indicator in line with regulatory requirements (%) | 57,69 | 54,00 |
| Internal capital adequacy indicator (%) | 37,66 | 35,00 |

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: = $p/z * 12/12$.

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.

5. CAPITAL ADEQUACY CALCULATION

| Nr. | Item | As at 30 June 2012 |
|-------|---|--------------------------|
| 1 | Capital base (1.1+1.2+1.3+1.6) or (1.4+1.5+1.6) | 45 495 |
| 1.1 | Original own funds (Tier 1) | 45 822 |
| 1.2 | Additional own funds (Tier 2) | |
| 1.3 | Decrease of Tier 1 and Tier 2 (-) | (327) |
| 1.4 | Original own funds after decrease | 45 495 |
| 1.5 | Additional own funds after decrease | |
| 1.6 | Tier 3 | |
| 2 | Capital requirements (2.1+2.2+2.3+2.4+2.5) | 6 309 |
| 2.1 | Total capital requirements for credit, counterparty credit and dilution risks and free deliveries | 4 929 |
| 2.2 | Total capital requirements for settlement risk | |
| 2.3 | Total capital requirements for position, foreign exchange and commodity risks | 420 |
| 2.4 | Total capital requirements for operational risks | 960 |
| 2.5 | Total other and transitional capital requirements | |
| | Memorandum items | |
| 3.1 | Surplus (+) / deficit (-) of own funds, before other and transitional capital requirements = 1-(2-2.5) | 39 186 |
| 3.1.a | Capital adequacy ratio (%), before other and transitional capital requirements = $1/(2-2.5)*8\%$ | 57,69 |
| 3.2 | Surplus (+) / deficit (-) of own funds = 1-2 | 39 186 |
| 3.2.a | Capital adequacy ratio (%) = $1/2*8\%$ | 57,69 |

On behalf of the Bank,



Māris Avotiņš
Chairman of the Board

16 August 2012

The report has been approved by the Management Board of AS Expobank on 16 August 2012 (protocol Nr.40).