

Public
Quarterly Report
January – September
2013



(previously AS LTB Bank)

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 lats (LVL'000), which is the official currency of the Republic of Latvia and the Bank's functional currency.

OVERVIEW, OWNERSHIP AND MANAGEMENT

Shareholders

As at 30 September 2013, 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 30.09.2013 the structure of the Council of the Bank was as follows:

Name, surname	Position	Date of appointment
Igors Kims	Chairman of the Council	09.02.2012.
Kirills Nifontovs	Deputy Chairman of the Council	09.02.2012.
Ilja Mitelmans	Member 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 11 April 2013 the extraordinary shareholders' meeting of the Bank made a decision to appoint Andrew Sergio Gazitua as a member of the Council of the Bank. The changes in the Council of the Bank were registered with the Enterprise Register of the Republic of Latvia on 17 April 2013.

On 30.09.2013 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.

During the first 9 months of the year 2013 no changes have been made as to the structure of the Board of the Bank.

GROUP CONSOLIDATION

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

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**

LVL'000	Group 30.09.2013	Bank 30.09.2013	Bank 31.12.2012 Audited*
Assets			
Cash and demand deposits with central banks	27 915	27 915	24 750
Due on demand from credit institutions	91 973	91 973	188 149
Financial assets held-for-trading	11 326	11 326	-
Financial assets at fair value through profit or loss	-	-	-
Available-for-sale financial assets	23 047	23 047	12
Loans and receivables	12 347	12 494	16 364
Term deposits due from credit institutions	10 651	10 651	16 350
Loans to customers	1 696	1 843	14
Financial assets held-to-maturity	-	-	-
Changes in fair value of portfolio proportion limited to interest risk	-	-	-
Prepaid expense and accrued income	106	106	66
Fixed assets	222	222	123
Investment properties	141	-	-
Intangible assets	275	275	289
Investments in subsidiaries	-	-	-
Tax assets	7	7	8
Other assets	310	310	113
Total assets	167 669	167 675	229 874
Liabilities			
Due to central banks	-	-	-
Due on demand to credit institutions	550	550	622
Financial liabilities held-for-trading	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-
Financial liabilities at amortised cost	115 723	115 729	179 162
Term deposits due to credit institutions			
Deposits from customers	115 723	115 729	179 162
Financial liabilities resulting from transfer of financial assets	-	-	-
Changes in fair value of portfolio proportion limited to interest risk	-	-	-
Deferred income and accrued expense	171	171	186
Provisions	61	61	247
Tax liabilities	59	59	386
Other liabilities	361	361	323
Total liabilities	116 925	116 931	180 926
Shareholders' equity and reserves	50 744	50 744	48 948
Total liabilities, shareholders' equity and reserves	167 669	167 765	229 874
Assets and liabilities under trust management	19 168	19 168	51 986
Off-balance sheet items			
Contingent liabilities	22	22	214
Off-balance sheet commitments to customers	1 665	1 665	422

*Auditors: KPMG Baltics SIA

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

Country	Book value, LVL '000
Russia	34 361
Others	12

Income statement

LVL'000	Group For 9 months 2013	Bank For 9 months 2013	Bank For 9 months 2012
Interest revenue	1 021	1 021	1 169
Interest expense	(242)	(242)	(464)
Income from dividends	-	-	-
Commission and fee revenue	1 109	1 117	629
Commission and fee expense	(102)	(102)	(71)
Net realized profit/loss from financial assets and liabilities held at amortized cost	-	-	-
Net realized profit/loss from available-for-sale financial assets	11	11	429
Net profit/loss from financial assets and liabilities held-for-trading	(210)	(210)	-
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	3 422	3 422	2 422
Profit/loss from derecognition of property, plant and equipment, investment property and intangible assets	-	-	-
Other revenue	18	12	8
Other expense	(396)	(396)	(233)
Administrative expense	(2 242)	(2 242)	(1 651)
Depreciation	(115)	(115)	(113)
Allowance for impairment	-	-	-
Impairment losses	-	-	-
Profit before income tax	2 275	2 276	2 125
Corporate income tax	(341)	(341)	(319)
Profit for the reporting period	1 934	1 935	1 806

Performance indicators in accordance with FCMC regulations*

Key ratios	Group For 9 months 2013	Bank For 9 months 2013	Bank For 9 months 2012
Return on equity (ROE), (%)	5,23	5,23	5,16
Return on assets (ROA), (%)	1,16	1,16	1,02

* **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 04.04.2013 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. Group's/Bank's liquidity, open foreign currency position and capital adequacy are characterised by the following indicators:

	Group / Bank 30.09.2013	Bank 30.09.2012
Liquidity indicator (%)	136,78	130,84
Open Foreign Currency position (%)	7,37	13,14
Capital adequacy indicator in line with regulatory requirements (%)	68,98	59,78
Internal capital adequacy indicator (%)	40,00	42,52

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.	LVL'000	Group 30.09.2013	Bank 30.09.2013
1	Capital base (1.1+1.2+1.3+1.6) or (1.4+1.5+1.6)	48 370	48 370
1.1	Original own funds (Tier 1)	48 645	48 645
1.2	Additional own funds (Tier 2)	-	-
1.3	Decrease of Tier 1 and Tier 2 (-)	(275)	(275)
1.4	Original own funds after decrease	48 370	48 370
1.5	Additional own funds after decrease	-	-
1.6	Tier 3	-	-
2	Capital requirements (2.1+2.2+2.3+2.4+2.5)	5 574	5 610
2.1	Total capital requirements for credit, counterparty credit and dilution risks and free deliveries	3 644	3 680
2.2	Total capital requirements for settlement risk	-	-
2.3	Total capital requirements for position, foreign exchange and commodity risks	1 184	1 184
2.4	Total capital requirements for operational risks	746	746
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)	42 796	42 760
3.1.a	Capital adequacy ratio (%), before other and transitional capital requirements = 1/(2-2.5)*8%	69,43	68,98
3.2	Surplus (+) / deficit (-) of own funds =1-2	42 796	42 760
3.2.a	Capital adequacy ratio (%) = 1/2*8%	69,43	68,98