

## Contents

2	General information
3	The structure of JSC “Rietumu Banka”
4	Shareholders of the Bank
4	The Council of JSC “Rietumu Banka”
4	The Board of Directors
5	Members of the consolidation group
5	Financial performance
	Income statement
	Condensed Balance Sheet
	Profitability ratios
	Regulatory requirements and ratios
	Financial ratios
	Report of equity and minimum capital requirements
8	Risk management
9	Attachments

## General Information

### Mission

The Bank offers qualitative and professional financial services for the dynamically growing enterprises and high-net-worth individuals from Latvia, the CIS, Europe and other world regions.

The Bank aims at providing premium quality service, our personalised and customer-oriented approach allows to devise and offer tailored financial solutions for every customer meeting his/her business needs and personal requirements.

### Vision

The Bank endeavors to strengthen its leading positions in wealth management and corporate client service in Latvia and beyond.

The Bank aspires to increase its efficiency ratios and strengthen its market position aiming at ensuring stable profitability. The Bank seeks the stable development achieved by means of effective internal technology and administrative infrastructure.

The Bank is also planning to foster the improvement of risks and control management systems, staff training and professional growth of all its employees.

Rietumu is a socially responsible Latvian bank rendering support for those in need through our Rietumu Bank Charity Fund.

### Strategy

For achieving the set goals, the Bank has worked out and has been effectively implementing its corporate strategy focusing on the following areas:

/Cooperation with customers working on international scale, customers who own production companies, distribution networks, retail chains, transportation and real estate enterprises, import and export oriented companies, as well as customers with cross-border business requirements, etc.

/Assets and wealth management, brokerage services for stock exchange, investment and corporate finance, provision of loans to corporate entities, interbank lending and investment in securities, attraction of interbank loans, corporate and private deposits attraction.

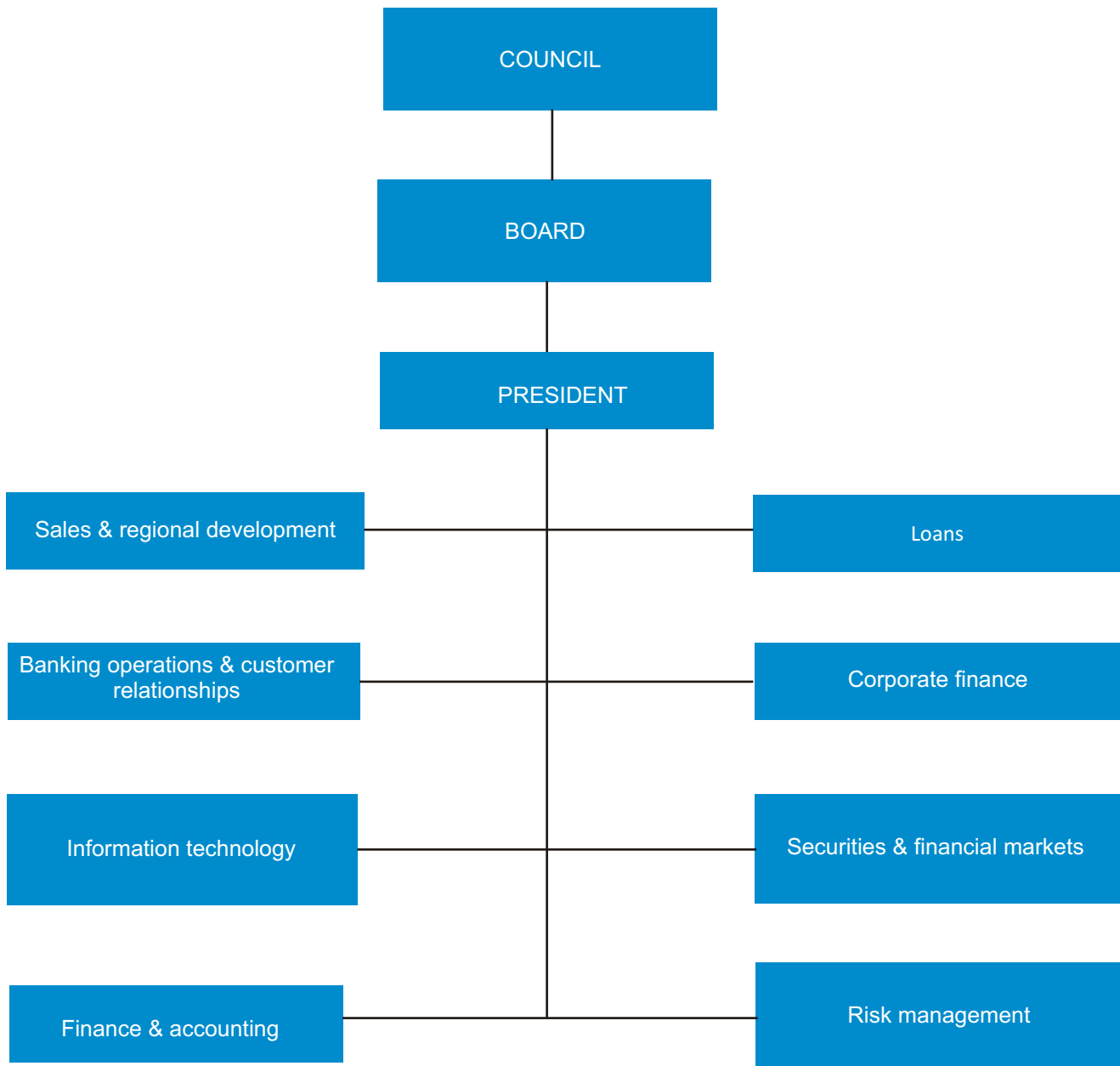
/Constantly raising customer service quality by improving and expanding the existing product range according to the current market situation and the Bank's technological capabilities.

/Continually improving the internal processes and information technologies.

## Bank offices

The information about Rietumu Bank Worldwide offices can be found: <http://www.rietumu.com/bank-offices>

## The structure of JSC “Rietumu Banka”



## Shareholders of the Bank

Shareholders of the Bank	Number of voting shares	Par value of Shares in lats	Paid-in share capital	% of total share capital
<b>Companies non-residents, total</b>	<b>33 110 000</b>		<b>33 110 000</b>	<b>33.11%</b>
Boswell (International) Consulting Limited	33 110 000	1	33 110 000	33.11%
<b>Private persons, total</b>	<b>66 890 000</b>		<b>66 890 000</b>	<b>66.89%</b>
Leonid Esterkin	33 119 553	1	33 119 553	33.12%
Arkady Suharenko	17 335 000	1	17 335 000	17.34%
Others	16 435 447	1	16 435 447	16.44%
<b>Total</b>	<b>100 000 000</b>		<b>100 000 000</b>	<b>100.00%</b>

## The Council of Rietumu Bank

Name	Position	Date of appointment
Leonid Esterkin	Chairman of the Council	25/09/97(25/03/11-25/03/14)
Arkady Suharenko	Deputy Council Chairman	25/09/97(25/03/11-25/03/14)
Brendan Thomas Murphy	Deputy Council Chairman	07/09/05(25/03/11-25/03/14)
Dermot Fachtna Desmond	Member of the Council	07/09/05(25/03/11-25/03/14)
Alexander Gafin	Member of the Council	25/03/10(25/03/11-25/03/14)
Alexander Kalinovsky	Member of the Council	05/11/10(25/03/11-25/03/14)
Valentin Bluger	Member of the Council	25/03/11(25/03/11-25/03/14)

## The Board of Directors

Name	Position	Date of appointment
Alexander Pankov	Chairman of the Board, President	18/10/10(18/10/10-18/10/13)
Ruslans Stecjuks	Member of the Board, First Vice President	18/10/10(18/10/10-18/10/13)
Dmitry Pyshkin	Member of the Board, Senior Vice President	02/07/01(18/10/10-18/10/13)
Jevgenijs Djugajevs	Member of the Board, Senior Vice President	18/10/10(18/10/10-18/10/13)
Iļja Suharenko	Member of the Board, Senior Vice President	18/10/10(18/10/10-18/10/13)
Rolf Paul Fuls	Member of the Board, Senior Vice President	26/11/10(26/11/10-26/11/13)

## Members of the consolidation group

No	Company name	Registration number	Registration location code and address	Commercial activity *	Share capital (%)	Voiting shares (%)	Justification for inclusion in the group**
1	RB Securities Limited	HE 78731	CY, 1 Stasinou Street, 1 Mitsi Building, 2nd Floor, Office 5, Plateia Eleftherias, P.C. 1060, Nicosia, Cyprus	CFI	99.99	99.99	MS
2	SIA "RB Investments"	40003669082	LV, Vesetas iela 7, 10.stāvs, Rīga, Latvija, LV-1013	CFI	100	100	MS
3	AS "RB Asset Management"	40003764029	LV, Vesetas iela 7, 11.stāvs, Rīga, Latvija, LV-1013	IPS	100	100	MS
4	SIA "RB Drošība"	40003780752	LV, Vesetas iela 7, Rīga, Latvija, LV-1013	CKS	100	100	MS
5	SIA "Westtransinvest"	100188077	BY, 8 Fabricius Street, 4th floor, room No 18, Minsk, Belarus, 220007	CFI	50	51	MS
6	SIA "Westleasing"	190510668	BY, 8 Fabricius Street, 4th floor, room No 42, Minsk, Belarus, 220007	CFI	50	51	MS
7	SIA "Westleasing-M"	1047796934206	RU, 10 Kostjakova Street, Moscow, Russia, 127422	CFI	50	51	MS
8	SIA "RB Namu serviss"	40103169629	LV, Vesetas iela 7, 10.stāvs, Rīga, Latvija, LV-1013	CKS	100	100	MS
9	SIA "InCREDIT GROUP"	40103307404	LV, Krišjāna Barona iela 130, Rīga, Latvija, LV-1012	CFI	51	51	MS
10	SIA "OVERSEAS Estates"	40003943207	LV, Vesetas iela 7, 3.stāvs, Rīga, Latvija, LV-1013	CKS	100	100	MS
11	SIA "RB BAKI"	1701269651	AZ, Istiglalijat iela 7-1, Baku, Azerbaidžāna	CKS	100	100	MS

\* BNK - bank, ISP - the insurance company, offer - the reinsurer, APP - the insurance company, IBC - an investment firm, IPS - an investment management firm, PFO - pension fund, CFI - other financial institution, FPS - financial company, CKS - other company.

\*\* MS - subsidiary; KS - joint-venture company, MAS - parent company.

## Financial performance

### Income

	September 2012 Non-audited	September 2011 Non-audited	000'LVL
Interest income	32,315	24,318	
Interest expense	-10,433	-9,453	
Divident income	477	17	
Commission and fee income	18,960	13,080	
Commission and fee expense	-4,140	-2,696	
Net realised gain/ (loss) from financial assets at amortised cost	0	0	
Net realised gain/ (loss) from available-for-sale financial assets	0	0	
Net realised gain/ (loss) from financial assets and liabilities held for trading	1,701	-2,074	
Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss	0	0	
Changes in fair value hedge accounting	0	0	
Net result from foreign exchange trading and revaluation	8,613	8,153	
Gain/ (loss) from sale of tangible and intangible fixed assets	74	5	
Other income	915	747	
Other expense	-50	-842	
Administrative expense	-23,302	-17,799	
Depreciation	-1,222	-1,567	
Impairment expenses	-7,447	-6,810	
Change in allowances for credit losses	0	0	
<b>PROFIT / LOSS BEFORE CORPORATE INCOME TAX</b>	<b>16,464</b>	<b>5,079</b>	
Corporate income tax	-3,406	-1,157	
<b>NET PROFIT / LOSS</b>	<b>13,058</b>	<b>3,921</b>	

## Condensed Balance Sheet

	September 2012 Non-audited	September 2011 Non-audited	000'LVL
<b>ASSETS</b>			
Cash and balances with central bank	178,719	61,634	
Demand balances due from credit institutions	384,652	488,574	
Financial assets held for trading	-	-	
Financial instruments at fair value through profit or loss	36,650	52,647	
Available-for-sale financial assets	84,234	106,835	
Loans and receivables	775,300	643,648	
Held-to-maturity investments	<b>100,339</b>	<b>27,720</b>	
	<i>Incl. from central banks</i>	9,800	10,000
	<i>from credit institutions</i>	74,846	2,192
	<i>investments in securities</i>	15,693	15,528
Change of fair value of hedge portfolio	-	-	
Prepaid expense and accrued income	7,395	6,570	
Fixed assets	3,768	4,236	
Investment property	6,239	6,926	
Intangible assets	1,813	2,239	
Investments in subsidiaries and associates	22,549	22,549	
Tax assets	446	212	
Other assets	16,442	14,295	
<b>Total assets</b>	<b>1,618,546</b>	<b>1,438,084</b>	
<b>LIABILITIES AND SHAREHOLDERS'S EQUITY</b>			
Balances due to central banks	-	-	
Demand deposits due to credit institutions	13,392	12,844	
Financial liabilities held for trading (derivative financial liabilities)	141	186	
Financial instruments at fair value through profit or loss	-	-	
Financial liabilities at amortised value	1,370,387	1,223,359	
	<i>Incl. deposits</i>	1,357,339	1,222,487
	<i>term deposits due to credit institutions</i>	-	873
	<i>debt securities issued</i>	13,048	-
Financial liabilities arising from financial asset transfer	-	-	
Change of fair value of hedge portfolio	-	-	
Deferred income and accrued expense	12,200	7,530	
Provisions	54,936	48,183	
Tax liabilities	1,167	1,528	
Other liabilities	15,820	9,361	
<b>Total liabilities</b>	<b>1,468,042</b>	<b>1,302,992</b>	
<b>Shareholders' equity</b>	<b>150,504</b>	<b>135,092</b>	
	<i>Incl. paid-in share capital</i>	100,000	100,000
	<i>share premium</i>	4,809	4,809
	<i>reserve capital</i>	10,016	10,016
	<i>previous years profit/loss</i>	19,289	11,329
	<i>retained profit / loss</i>	13,058	10,083
	<i>fixed asset revaluation reserve</i>	1,754	1,754
	<i>available for sale financial assets revaluation reserve</i>	1,578	-2,900
<b>Total liabilities and shareholder's equity</b>	<b>1,618,546</b>	<b>1,438,084</b>	
	<i>Contingent liabilities</i>	8,202	9,593
	<i>Off-balance sheet liabilities to customers</i>	38,291	63,857

## Profitability ratios

	September 2012	September 2011
ROE <sup>1</sup>	12.14%	3.89%
ROA <sup>2</sup>	1.15%	0.45%
Net interest margin <sup>3</sup>	2.13%	2.16%
Cost/income ratio <sup>4</sup>	50.63%	61.96%

## Regulatory requirements and ratios

	September 2012	September 2011
Liquidity ratio <sup>5</sup>	63.92%	65.23%
<i>note: mimum allowed by FCMC</i>	30.00%	30.00%
Capital adequacy ratio	19.07%	16.20%
<i>note: mimum allowed by FCMC</i>	15.10%	8.00%

## Financial ratios

	September 2012	September 2011
Equity to loan portfolio ratio	19.41%	20.99%
Loan portfolio to total assets ratio	47.90%	44.76%
Equity to total assets ratio	9.30%	9.39%
Deposits to loans ratio	175.07%	189.93%

<sup>1</sup>Annualised profit/loss for the reporting period over average equity

<sup>2</sup>Annualised profit/loss for the reporting period over average assets

<sup>3</sup>Annualised net interest income over average total assets

<sup>4</sup>Expenses over income (Administrative expenses + depreciation and amortization of intangible assets and fixed assets cost) / (net interest income + dividend income + net commission and gain/loss arising from dealing in financial instruments + result of financial instrument revaluation + other ordinary income - other ordinary expenses + financial assets available for sale negative revaluation reserve) \* 100

<sup>5</sup>Liquidity ratio = Liquid assets/current liabilities (with maturity up to 30 days), where Liquid assets = vault cash + claims on central banks and other credit institutions + fixed-income debt securities of central governments, while Current liabilities – claim liabilities and liabilities with a residual maturity not exceeding 30 days.

## Own capital and minimum capital requirements' summary report 9/30/2012

No.	Position name	September 2012
1	Total equity	183,629
1.1	Tier 1	139,834
1.2	Tier 2	56,580
1.3	Decrease in Tier 1 and Tier 2*	-12,785
1.4	Tier 1 total applying decrease	133,442
1.5	Tier 2 total applying decrease	50,187
1.6	Used Tier 3	-
2	Total capital charge	77,014
2.1	Total of capital requirements for credit risk, counterparty credit risk, dilution risk and free deliveries risk	68,986
2.2	Capital charge for settlement/ deliveries risk	-
2.3	Capital charge for position risk, foreign currency risk and commodity	899
2.4	Capital charge for operational risk	7,129
2.5	Capital charge for other risk and transition period	-
	<b>Additional information</b>	-
3.1	Capital requirements covered by own funds (surplus/ (shortfall)) excluding capital charge for other risk and transition period	106,615
3.1.a	Capital adequacy ratio (%) excluding capital charge for other risk and transition period	19,07
3.2	Capital requirements covered by own funds (surplus/ (shortfall))	106,615
3.2.a	Capital adequacy ratio (%)*	19,07

\*Decrease according to FCMC requirements to hold additional capital to cover credit risk for loans which are not impaired.

## Risk management

Risk management can be found in the last annual report:

<http://www.rietumu.com/bank-finance-audited>



## 1. Attachment

### Analysis of the Bank's securities portfolio distribution

Bank's securities portfolio breakdown by country in which the total book value of the securities issued exceeds 10% of the Bank's shareholders equity.

September 2012					000'LVL
Issuer	For trading	For sale	Held to maturity	TOTAL:	% to shareholders equity
<b>Latvia</b>					
Government obligations	2,996	-	-	2,996	
Investment funds	-	22,216	-	22,216	
Financial institutions	-	44	-	44	
Private institutions	187	-	-	187	
<b>Total:</b>	<b>3,183</b>	<b>22,260</b>	<b>-</b>	<b>25,443</b>	<b>13.86%</b>
<b>USA</b>					
Government obligations	-	-	-	-	
Banks	-	2,750	4,525	7,275	
Financial institutions	-	772	10,190	10,962	
Private institutions	6,522	-	-	6,522	
<b>Total:</b>	<b>6,522</b>	<b>3,522</b>	<b>14,716</b>	<b>24,760</b>	<b>13.48%</b>
<b>Holand</b>					
Government obligations	-	-	-	-	
Banks	-	5,992	-	5,992	
Financial institutions	2,203	-	-	2,203	
Private institutions	7,007	4,291	-	11,298	
<b>Total:</b>	<b>9,210</b>	<b>10,283</b>	<b>-</b>	<b>19,493</b>	<b>10.62%</b>
<b>Securities of other countries:</b>	<b>17,526</b>	<b>48,170</b>	<b>781</b>	<b>66,476</b>	<b>36.20%</b>
<b>Total securities portfolio:</b>	<b>36,442</b>	<b>84,234</b>	<b>15,496</b>	<b>136,172</b>	

In the reporting period for the securities available-for-sale impairment were not recognized.

At the end of the reporting period the total volume of the Bank's securities portfolio amounted to 136.2 billion LVL. Majority of that – 121.4 billion LVL – was invested in government and corporate obligations in Europe, US and Asia. 95.68% of the investment was made in securities with investment grade credit ratings. The biggest concentration of investment by county was in the US (13.48% of Bank's shareholders' equity) and Latvia (13.86% of Bank's shareholders' equity). At the same time, Bank's investments in individual government obligations do not exceed 10% of Bank's shareholders equity.