

Public report

for the 3rd quarter 2015

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 RIETUMU

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Mission

The Bank offers qualitative and intellectual financial services for dynamically growing enterprises and high net worth individuals from Latvia, CIS and Europe as well as from other countries worldwide.

The Bank aims to provide premium quality service, hear and understand each client, his/her needs and specificity and offer the most suitable, and effective solution.

Vision

The Bank has to strengthen leading positions in the area of capital management and corporate client service in Latvia and regional level.

The Bank plans to increase efficiency ratios and to strengthen its market position with an aim to ensure stable profitability. Bank aims on stable growth, supported by efficient internal technological and administrative infrastructure.

The Bank plans to continue to improve the control and risk management systems, personnel training and professional development of all employees.

Rietumu is a Latvian bank with social responsibility towards its home country through operations of dedicated Rietumu Labdarības Fonds.

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"

Council of the bank

Internal audit

Executive board

President

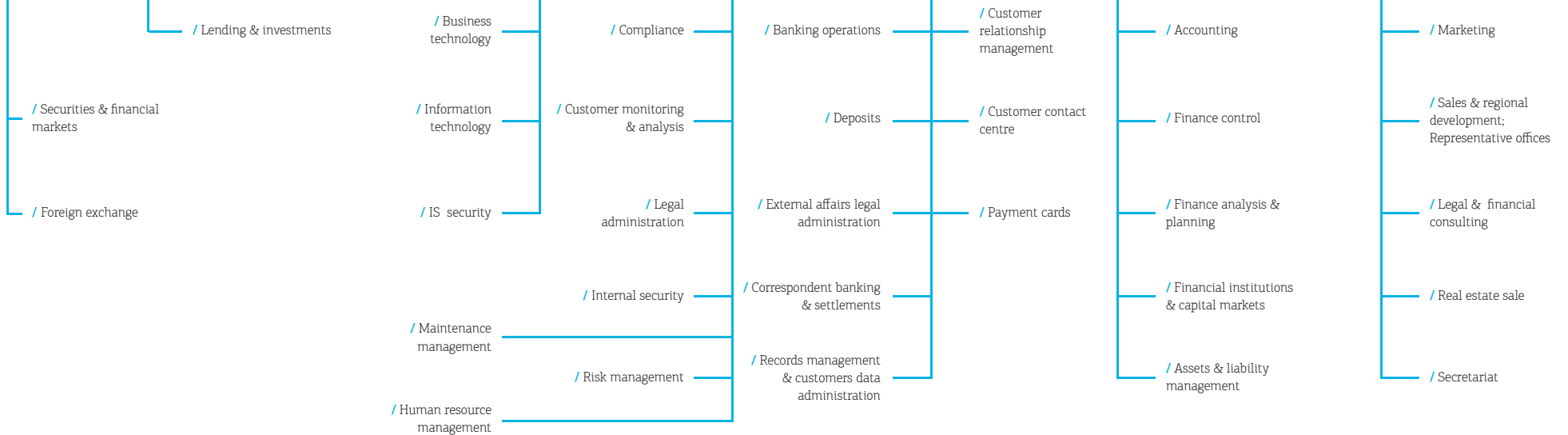
Member of the board
Responsible for lending and investments

Member of the board
Responsible for IT and business technology

Member of the board
Responsible for client service and e-commerce

Member of the board
Responsible for treasury, financial planning and control

Member of the board
Responsible for sales and advertising



Shareholders of the Bank	Number of shares	The nominal value of shares in EUR	EUR Paid-in share capital	% of total share capital
Companies non-residents, total	33 650 918		47 111 285	33,11%
Boswell (International) Consulting Limited	33 650 918	1,4	47 111 285	33,11%
Companies residents, total	51 278 829		71 790 361	50,45%
SIA "Esterkin Family Investments"	33 660 627	1,4	47 124 878	33,12%
SIA "Suharenko Family Investments"	17 618 202	1,4	24 665 483	17,34%
Others	16 703 953	1,4	23 385 534	16,44%
Total shares with voting rights	101 633 700		142 287 180	100,00%
Shares without voting rights	19 020 308	1,4	26 628 431	
Paid-in share capital total	120 654 008		168 915 611	

The Council of Rietumu Bank

Name	Position	Date of appointment
Leonid Esterkin	Chairman of the Council	25/09/97(27/03/15-27/03/18)
Arkady Suharenko	Deputy Chairman of the Council	25/09/97(27/03/15-27/03/18)
Brendan Thomas Murphy	Deputy Chairman of the Council	07/09/05(27/03/15-27/03/18)
Dermot Fachtna Desmond	Member of the Council	07/09/05(27/03/15-27/03/18)
Alexander Gafin	Member of the Council	25/03/10(27/03/15-27/03/18)
Valentin Bluger	Member of the Council	25/03/11(27/03/15-27/03/18)

The Board of Directors

Name	Position	Date of appointment
Alexander Pankov	Chairman of the Board, President	18/10/10(10/10/13-10/10/16)
Ruslans Stecjuks	Member of the Board, First Vice President	18/10/10(10/10/13-10/10/16)
Jevgenijs Djugajevs	Member of the Board, Senior Vice President	18/10/10(10/10/13-10/10/16)
Ilja Suharenko	Member of the Board, Senior Vice President	18/10/10(10/10/13-10/10/16)
Rolf Paul Fuls	Member of the Board, Senior Vice President	26/11/10(10/10/13-10/10/16)
Renats Lokomets	Member of the Board, Senior Vice President	10/12/12(10/10/13-10/10/16)



No	Name of company	Registration number	Registration location code	Registration address	Type of activities*	Interest in share capital (%)	Voiting shares (%)	Basis for inclusion in the group**
1.	RB Securities Ltd	HE-78731	CY	Cyprus, Nicosia, Stasinou 1, Mitsi Building 1, 2nd floor, Flat/Office 5, Plateia Eleftherias	CFI	99,99	99,99	MS
2.	Vangažu Nekustamie Īpašumi-2 SIA	40103449678	LV	Latvija, Rīga, Vešetas ielā 7, 3.st.	PLS	100	100	MMS
3.	RB Lending Services Limited	HE149825	CY	Cyprus, Nicosia, Stasinou 1, Mitsi Building 1 floor, Flat/Office 4, Plateia Eleftherias	CFI	100	100	MMS
4.	RB Investments SIA	40003669082	LV	Latvija, Rīga, Vešetas ielā 7	CFI	100	100	MS
5.	FRB Elektro SIA	40103182896	LV	Latvija, Rīga, Vešetas ielā 7, 3.st.	CFI	85	85	MMS
6.	KI Zeme SIA	40103161381	LV	Latvija, Rīga, Vešetas ielā 7	PLS	100	100	MMS
7.	KI Nekustamie Īpašumi SIA	40103182129	LV	Latvija, Rīga, Vešetas ielā 7	PLS	100	100	MMS
8.	Miera 30C SIA	40103267845	LV	Latvija, Rīga, Vešetas iela 7	PLS	100	100	MMS
9.	RB Consulting (Shanghai) Co. Ltd.	310000400679524	CN	Ķīna, Šanhaja, Huangpu District, 555 Xujiahui Road, Office Building, Room 7G	CFI	100	100	MMS
10.	RB Opportunity Fund I	06.03.05.252/45	LV	Latvija, Rīga, Vešetas iela 7, 11.st.	CFI	100	100	CT
11.	Lilijas 28 SIA	40103252765	LV	Latvija, Rīga, Vešetas iela 7	PLS	100	100	MMS
12.	M322 SIA	40103247406	LV	Latvija, Rīga, Vešetas iela 7	PLS	100	100	MMS
13.	Aristīda Briāna SIA	40003780729	LV	Latvija, Rīga, Aristīda Briāna 9	PLS	100	100	MMS
14.	H-Blok SIA	40003839376	LV	Latvija, Rīga, Vešetas iela 7	PLS	100	100	MMS
15.	Deviņdesmit seši SIA	40003492087	LV	Latvija, Jūrmala, Jomas iela 86	PLS	100	100	MMS
16.	Ventio SIA	41203010746	LV	Latvija, Jūrmala, Jūras iela 56	PLS	100	100	MMS
17.	Route 96 SIA	40003856126	LV	Latvija, Rīgas rajons, Mārupes pagasts, Zilītes iela 1	PLS	100	100	MMS
18.	Vangažu Nekustamie Īpašumi SIA	40103463243	LV	Latvija, Inčukalna novads, Vangaži, Gaujas iela 24/34	PLS	100	100	MMS
19.	D 47 SIA	40103458986	LV	Latvija, Rīga, Vešetas iela 7	PLS	100	100	MMS
20.	Vešetas 7 SIA	40103182735	LV	Latvija, Rīga, Vešetas iela 7	PLS	100	100	MS
21.	Rietumu Lizing OOO	100188077	BY	Baltkrievija, Minska, Odojevska iela 117, 6.st., 9.birojs	LIZ	100	100	MS
22.	Westleasing Limited joint company	190510668	BY	Baltkrievija, Minska, Odojevska iela 117, 6.st., 19.birojs	LIZ	100	100	MS
23.	InCREDIT GROUP SIA	40103307404	LV	Latvija, Rīga, Kr.Barona iela 130	LIZ	51	51	MS
24.	Elektro bizness SIA	40003614811	LV	Latvija, Rīga, Vešetas iela 7	PLS	100	100	MMS
25.	Green Energy Trio SIA	55403023741	LV	Latvija, Jēkabpils, Madonas iela 6	PLS	100	100	MMS
26.	Interrent OOO	190816938	BY	Baltkrievija, Minska, Kuļmana iela 5B, 4.stāvs, 6.kab.	PLS	100	100	MMS
27.	Īlūkstes siltums SIA	41503060271	LV	Latvija, Rīga, Vešetas iela 7	PLS	100	100	MMS
28.	U-10 SIA	50103841951	LV	Latvija, Rīga, Garozes iela 25-1	PLS	67	67	MMS

* BNK - bank; ENI - e-commerce company; IBS - investment brokerage company; IPS - investment management company; PFO - pension fund; LIZ - leasing company; CFI - other financial institution; PLS - company providing various support services.

** MS - subsidiary company; MMS - subsidiary of the subsidiary company; MT - parent company; CT - other company.



Income Statement

	000'EUR	
	30/09/15 Non-audited	30/09/14 Non-audited
Interest income	72 056	62 211
Interest expenses	-16 011	-14 336
Dividend income	2 332	2 227
Commission and fee income	50 987	50 746
Commission and fee expense	-19 178	-11 866
Net realised gain/ (loss) from financial assets and financial liabilities measured at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	128	529
Net realised gain/ (loss) from financial assets and liabilities held for trading	-	-
Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss	45	-
Changes in fair value hedge accounting	-	-
Net result from foreign exchange trading and revaluation	18 495	16 644
Gain/ (loss) from sale of tangible and intangible fixed assets	9	553
Other income	2 613	2 099
Other expense	-124	-170
Administrative expense	-33 232	-34 528
Depreciation	-1 317	-1 069
Net allowances	-	-
Impairment losses	-10 532	-6 062
PROFIT / (LOSS) BEFORE CORPORATE INCOME TAX	66 271	66 978
Corporate income tax	-9 940	-9 882
PROFIT / LOSS BEFORE INTERIM DIVIDENDS	56 331	57 096
Interim dividends*	-	-18 382
NET PROFIT / LOSS	56 331	38 714

*Interim dividends paid according to the 29th August 2014 shareholder's meeting decision



Balance Sheet

		30/09/15 Non-audited	30/06/15 Audited*
000'EUR			
ASSETS			
CCash and demand deposits with central banks		810 913	832 823
Demand deposits from credit institutions		894 864	645 088
Financial assets held for trading		-	-
Financial instruments at fair value through profit or loss		1 273	4 713
Available-for-sale financial assets		388 619	514 139
Loans and receivables		1 106 948	1 153 662
	incl. loans gross	1 204 520	1 249 168
	Specific impairment allowance	-97 572	-95 506
Held-to-maturity investments		236 957	211 869
Reverse repo loans		128 454	199 420
Change of fair value of hedge portfolio		-	-
Prepaid expense and accrued income		1 639	1 943
Fixed assets		8 196	6 359
Investment property		5 769	7 403
Intangible assets		2 857	2 404
Investments in subsidiaries and associates		28 902	28 870
Tax assets		128	420
Other assets		21 584	20 006
Total assets		3 637 103	3 629 119
LIABILITIES AND SHAREHOLDERS' EQUITY			
Balances due to central banks		-	-
Demand deposits due to credit institutions		25 104	26 214
Financial liabilities held for trading (derivative financial liabilities)		-	-
Financial instruments at fair value through profit or loss		83	80
Financial liabilities at amortised value		3 203 277	3 210 311
	incl. deposits	3 182 549	3 189 229
	term deposits due to credit institutions	800	795
	debt securities issued	19 928	20 287
Financial liabilities arising from financial asset transfer		-	-
Change of fair value of hedge portfolio		-	-
Tax liabilities		772	645
Deferred income and accrued expense		16 399	29 353
Provisions		-	-
Other liabilities		342	134
Total liabilities		3 245 977	3 266 737
Shareholders' equity		391 126	362 382
	incl. paid-in share capital	168 915	165 296
	share premium	52 543	43 623
	reserve capital	23	23
	retained profit / loss	113 803	113 803
	profit for the period	56 331	37 617
	fixed asset revaluation reserve	-	-
	available for sale financial assets revaluation reserve	-489	2 020
Total liabilities and shareholders' equity		3 637 103	3 629 119
	Contingent liabilities	8 369	8 814
	Financial commitments	48 092	56 864

*Information has been prepared based on data from the audited report for the period ended 30 June 2015



Profitability ratios

	30/09/15 Non-audited	30/06/15 Audited*
ROE ¹	20.85%	21.94%
ROA ²	2.06%	2.12%
Profit margin ³	59.51%	58.14%
Cost/income ratio ⁴	31.03%	30.61%

Regulatory requirements and ratios

	30/09/15 Non-audited	30/06/15 Audited*
Liquidity ratio ⁵	78.39%	76.59%
<i>note: mimum allowed by FCMC</i>	60.00%	60.00%
Capital adequacy ratio*	18.15%	19.04%
<i>note: mimum allowed by FCMC</i>	15.80%	15.80%

Financial ratios

	30/09/15 Non-audited	30/06/15 Audited*
Equity to loan portfolio ratio	35.33%	31.41%
Loan portfolio to total assets ratio	30.43%	31.79%
Equity to total assets ratio	10.75%	9.99%
Deposits to loans ratio	287.51%	276.44%

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

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

³ Profit before corporate income tax over operating income

⁴ 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

⁵ 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.

*Information has been prepared based on data from the audited report for the period ended 30 June 2015



Report of equity and minimum capital requirements

		000'EUR
Code	Position description	30/09/15
1.	Own funds (1.1.+1.2.)	381 036
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	243 028
1.1.1.	Common equity tier 1 capital	243 028
1.1.2.	Additional tier 1 capital	-
1.2.	Tier 2 capital	138 008
2.	Total risk exposure amount(2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	2 098 839
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 860 009
2.2.	Settlement/delivery risk exposure amount	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	8 008
2.4.	Total risk exposure amount for operational risk	230 707
2.5.	Total risk exposure amount or credit valuation adjustment	115
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.	CET 1 Capital ratio (%) (1.1.1./2.*100)	11.58
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	148 580
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	11.58
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	117 098
3.5.	Total capital ratio %(1./2.*100)	18.15
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	213 129
4.	Combined buffer requirement (%) (4.1.+4.2.+4.3.+4.4.+4.5.)	2.5
4.1.	Capital conservation buffer (%)	2.5
4.2.	Institution specific countercyclical capital buffer (%)	-
4.3.	Systemic risk buffer (%)	-
4.4.	Systemically important institution buffer (%)	-
4.5.	Other Systemically Important Institution buffer (%)	-
5.	Capital ratios due to Pillar II adjustments	
5.1.	Own funds requirements related to Pillar II adjustments	-
5.2.	CET1 capital ratio including Pillar II adjustments mentioned in line 5.1.	11.58%
5.3.	Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	11.58%
5.4.	Total capital ratio including Pillar II adjustments mentioned in line 5.1.	18.15%

Liquidity ratio calculation

		000'EUR
Code	Position description	30/09/15
1.	Liquid assets(1.1.+1.2.+1.3.+1.4.)	2 252 956
1.1.	Cash	6 469
1.2.	Balances with Latvian Central Bank	804 445
1.3.	Loans to credit institutions	926 160
1.4.	Liquid securities	515 883
2.	Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	2 873 890
2.1.	Deposits from credit institutions	24 997
2.2.	Deposits	2 760 900
2.3.	Issued debt securities	-
2.4.	Money in transit	29 519
2.5.	Other current liabilities	13 592
2.6.	Off-balance sheet liabilities	44 881
3.	Liquidity ratio (%) (1.:2.) (%)	78.39
4.	Minimum liquidity ratio (%)	30%



Risk management can be found in the last annual report:

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



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.

000'EUR

30.09.2015 Non-audited Issuer	At fair value	Available-for-sale	Held to maturity	TOTAL	% of shareholders' equity
Latvia					
Government obligations	-	-	1 772	1 772	
Investment funds	-	45 645	-	45 645	
Financial institutions	-	62	-	62	
Private institutions	123	-	-	123	
Total:	123	45 708	1 772	47 602	12,49%
USA					
Government obligations	-	89 262	-	89 262	
Investment funds	-	-	-	-	
Financial institutions	-	13 786	12 972	26 758	
Private institutions	-	29 735	39 357	69 091	
Total:	0	132 781	52 329	185 110	48,58%
Russia					
Government obligations	-	-	12 571	12 571	
Investment funds	-	-	-	-	
Financial institutions	-	18 838	14 392	33 229	
Private institutions	-	19 085	30 214	49 297	
Total:	0	37 921	57 176	95 097	24,96%
Securities of other countries:	341	172 209	85 952	258 502	67,84%
Total securities portfolio:	464	388 619	197 228	586 311	

At the end of the reporting period recognized impairment allowance for available for sale assets is EUR 5.95 m.

At the end of the reporting period the total volume of the Bank's securities portfolio amounted to EUR 586.3 m. Majority of that – EUR 449.5 m – was invested in government and corporate obligations in Europe, Russia and USA. 57.62% of the investment was made in securities with investment grade credit ratings. The biggest concentration of investments by country was in Latvia, USA and Russia (12.49%, 48.58% and 24.96% of Bank's shareholders' equity). Bank's investments in USA government obligations constituted 23.43% of Bank's shareholders equity.

