

# Public report

for the period ended on 31 December 2015

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15

 RIETUMU

# Contents

/ 3	Report of Board of Directors
/ 4	Statement of Management Responsibility
/ 5	General information
/ 6	The structure of JSC "Rietumu Banka"
/ 7	Shareholders of the Bank
/ 7	The Council of Rietumu Bank
/ 7	The Board of Directors
/ 8	Members of the consolidation group
/ 9-14	Financial performance
	Income statement
	Condensed Balance Sheet
	Profitability ratios
	Regulatory requirements and ratios
	Financial ratios
	Statement of Changes in Shareholders' Equity
	Statement of Cash Flows
/ 15	Risk management
/ 16	Attachments



2015 was another very successful year for the Rietumu Banka with profits of EUR 72 million and assets growing by 8.9%. Despite the low interest rate environment the Bank continued to operate very efficiently with a cost to income ratio of 31% and operating income per employee of EUR 197 thousand.

"During 2015 the Bank issued preference shares that were purchased by the Bank's customers.

The Bank also significantly increased its bond portfolio during 2015 to reach a total of EUR 674 million (2014: EUR 193 million). The income from this portfolio in 2015 was EUR 13 million with an annualized income of the newly created portfolio of 5.4 m. The bond portfolio is invested in a widely diversified range of bonds with an average maturity of 2.17 years."

In April 2015 the Bank hosted the first Rietumu Fintech Challenge in which a number of financial technology start-up companies participated. Two companies that participated in the challenge have since launched their products and one of these was supported financially by the Bank. The Bank plans to continue to promote the annual Fintech Challenge.

RB Investments Group, owns most of the significant real estate that the Bank repossessed as well as other assets that the Bank took over on defaulted loans. Most of the repossessed assets are located in Riga and the Riga region. RB Investments Group is renting out a portion of these assets and plans to sell most of its portfolio of assets in the coming years. As of 31 December 2015 RB Investments had total assets of EUR 52 m, shareholders' equity of EUR 17.6 million.

After tax profit attributable to the equity holders for the year 2015 was EUR 72 m (2014: 71.5 m). The Bank generated an after tax return on equity of 19.1% (2014: 24%) and an after tax return on assets of 2% (2014: 2.2%).

Operating income reached EUR 151.2 m which represents an increase of 3.3% from 2014. Net interest income increased to EUR 76.3 m (2014: EUR 69.9 m) due to growth in the bond portfolio. Net fee and commission income was EUR 43.7 m (2014: EUR 45.75 m). Customers transacting more per card but spending less per transaction resulted in a significant increase in commission expense of 25%. The Bank's cost to income ratio was 31% for the year ended 31 December 2015 (2014: 29%). The Bank's goal is to continue to maintain a cost income ratio of less than 40%. As a result of increasing tax exempt income such as income from listed securities, the effective income tax rate for the 2015 year was 14% (2014: 15%).

As at 31 December 2015 the Bank's total assets were EUR 3,785 m. This represents an increase of 8.9% compared to 2014. The Bank follows a conservative approach to asset allocation and about 50% of the Bank's assets invested in liquidity management portfolios. About 73% of the liquidity management portfolio is invested in short term money market placement with large mainly European banks. The tenure of these placements is up to 7 days. The remaining 27% of the liquidity management portfolios are invested in collateralized instruments with large and stable financial institutions and a short term bond portfolio. The Bank increased its available for sale bond portfolio from EUR 99.5 m as at 31 December 2014 to EUR 456.1 m at the end of 2015.

Loans and receivables due from customers represent about 30% of total assets. Since 2010 this ratio has not exceeded 45% and the Bank does not plan that this ratio exceeds 45% in the nearest future. Loans and receivable to customers were EUR 1,152 m compared to the balance of 2014 of EUR 1,088 m due to a conservative approach to Russian lending exposure. The commercial loan portfolio represents about 89% of the total Bank's loans of EUR 1,152 m and the effective average interest rate for 2015 was 6.3%. Latvia, Russia and Belarus represent the largest commercial lending markets with real estate management, financial services and transport representing the largest industries in the commercial loan portfolio. The second largest category of lending is margin lending to customers against liquid securities as collateral and this represents about 8% of the total loan portfolio. The effective average interest rate for 2015 for margin loans was 3.9%.

Current accounts and deposits due to customers reached EUR 3,231 m and increased by 4% compared to 2014. Current accounts represented EUR 2,828 m or 88.3% of total current accounts and customer deposits. Term deposits amounted to EUR 376 m as at 31 December 2015 and included in this are EUR 123 m of subordinated deposits. The average remaining tenor of term deposits is 2.2 years with the average effective interest rate in 2015 of 2.2%. The average effective interest rate for subordinated deposits in 2015 was 5%. During 2015, the Bank raised 35 m in issued senior bonds that are listed on the NASDAQ OMX Riga Stock Exchange. These bonds were sold to the Bank's customers to diversify the funding base of the Bank.

In 2015 the Bank raised additional capital of EUR 8.1 m in form of preference shares to be used for the general development of the Bank. In 2016 the Bank plans to continue to issue additional tranches of preference shares to support the general activities of the Bank.

Bank total shareholders' equity reached EUR 433 m as of 31 December 2015 representing a 34% increase from 2014. Total capital adequacy ratios was 19.4% (2014: 18.9%). The Bank plans continue its dividend policy of paying a dividend equal to 50% of the annual profit.

2015 presented many new opportunities to the Bank and we believe that 2016 will also prove to be very successful. We achieved our results while maintaining a conservative asset allocation which we believe is the basis to continue our stable development. We owe our success to our customers and business partners and the trust that they have placed in us. We are looking forward to continue developing the Bank in 2016 successfully.

On behalf of the Management of Rietumu Bank AS:

Alexander Pankov

Chairman of the Board



# Statement of Management Responsibility

The management of Rietumu Bank (the Bank) is responsible for the preparation of the financial statements of the Bank. The financial statements on pages 8 to 15 are prepared in accordance with source documents and present fairly the financial position of the Bank as of 31 December 2014 and the results of their operations and cash flows for the year ended 31 December 2014. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. In the preparation of the financial statements the Management has made prudent and reasonable judgments and estimates. The Management of Rietumu Bank AS is responsible for the maintenance of proper accounting records, the safeguarding of the Bank's assets and the prevention and detection of fraud and other irregularities in the Bank. The Management is also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Finance and Capital Markets Commission and other legislation of the Republic of Latvia applicable institutions.

On behalf of the Management of Rietumu Bank AS:  
Alexander Pankov  
Chairman of the Board



## 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.

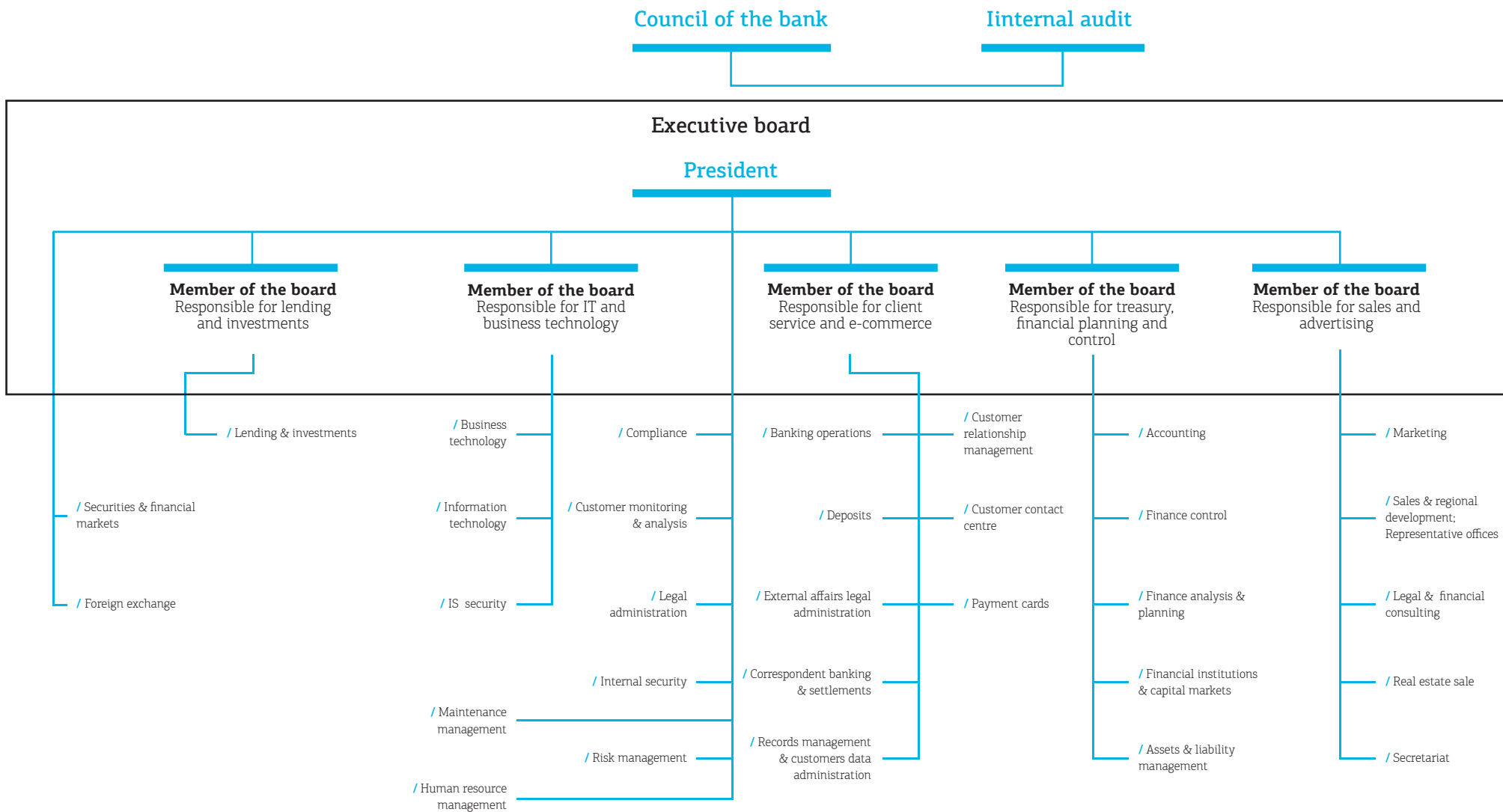
## Bank offices

The information about Rietumu Bank Worldwide offices can be found:

<http://www.rietumu.com/bank-offices>



# The structure of JSC "Rietumu Banka"



Shareholders of the Bank	Number of shares	The nominal value of shares in EUR	EUR Paid-in share capital	% of total share capital
<b>Companies non-residents, total</b>	<b>33 650 918</b>		<b>47 111 285</b>	<b>33.11%</b>
Boswell (International) Consulting Limited	33 650 918	1,4	47 111 285	33.11%
<b>Private persons, total</b>	<b>67 982 782</b>		<b>95 175 895</b>	<b>66.89%</b>
Leonid Esterkin	33 660 627	1,4	47 124 878	33.12%
Arkady Suharenko	17 618 202	1,4	24 665 483	17.34%
<b>Others</b>	<b>16 703 953</b>	<b>1,4</b>	<b>23 385 534</b>	<b>16.44%</b>
<b>Total shares with voting rights</b>	<b>101 633 700</b>		<b>142 287 180</b>	<b>100.00%</b>
Shares without voting rights	19 020 308	1,4	26 628 431	
<b>Paid-in share capital total</b>	<b>120 654 008</b>		<b>168 915 611</b>	

## 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 Council Chairman	25/09/97(27/03/15-27/03/18)
Brendan Thomas Murphy	Deputy Council Chairman	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(04/10/13-04/10/16)
Ruslans Stecjuks	Member of the Board, First Vice President	18/10/10(04/10/13-04/10/16)
Jevgenijs Djugajevs	Member of the Board, Senior Vice President	18/10/10(04/10/13-04/10/16)
Ilja Suharenko	Member of the Board, Senior Vice President	18/10/10(04/10/13-04/10/16)
Rolf Paul Fuls	Member of the Board, Senior Vice President	26/11/10(04/10/13-04/10/16)
Renats Lokomets	Member of the Board, Senior Vice President	10/12/12(04/10/13-04/10/16)



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 Limited"	HE-78731	CY	Cyprus, Nicosia, Stasinou 1, Mitsi Building 1, 2nd floor, Flat/Office 5, Plateia Eleftherias	CFI	99.99	99.99	MS
2.	RB Lending Services Limited	HE-149825	CY	Cyprus, Nicosia, Stasinou 1, Mitsi Building 1 floor, Flat/Office 4, Plateia Eleftherias	CFI	100	100	MMS
3.	Vangažu Nekustamie Īpašumi-2 SIA	LV-40103449678	LV	Latvija, Rīga, Vesetas ielā 7, 3.st.	PLS	100	100	MMS
4.	SIA "RB Investments"	LV-40003669082	LV	Latvija, Rīga, Vesetas ielā 7	CFI	100	100	MS
5.	SIA "Frb Elektro"	LV-40103182896	LV	Latvija, Rīga, Vesetas ielā 7, 3.st.	CFI	85	85	MMS
6.	SIA "KI Zeme"	LV-40103161381	LV	Latvija, Rīga, Vesetas ielā 7	PLS	100	100	MMS
7.	SIA "KI Nekustamie Īpašumi"	LV-40103182129	LV	Latvija, Rīga, Vesetas ielā 7	PLS	100	100	MMS
8.	RB Opportunity Fund I	06030525245	LV	Latvija, Rīga, Vesetas iela 7	CFI	100	100	MS
9.	SIA "Lilijas 28"	LV-40103252765	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
10.	SIA "M322"	LV-40103247406	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
11.	SIA "Aristīda Briāna 9"	LV-40003780729	LV	Latvija, Rīga, Aristīda Briāna iela 9	PLS	100	100	MMS
12.	SIA "H-Blok"	LV-40003839376	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
13.	SIA "Deviņdesmit seši"	LV-40003492087	LV	Latvija, Jūrmala, Jūras iela 56	PLS	100	100	MMS
14.	SIA "Ventio"	LV-41203010746	LV	Latvija, Jūrmala, Jūras iela 56	PLS	100	100	MMS
15.	SIA "Route 96"	LV-40003856126	LV	Latvija, Mārupes nov., Zīlītes iela 1	PLS	100	100	MMS
16.	SIA "Vangažu Nekustamie Īpašumi"	LV-40103463243	LV	Latvija, Inčukalna novads, Vangaži, Gaujas iela 24/34	PLS	100	100	MMS
17.	SIA "D 47"	LV-40103458986	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
18.	SIA "Vesetas 7"	LV-40103182735	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MS
19.	SIA "Rietumu leasing"	100188077	BY	Baltkrievija, Minska, Odojevskogo iela 117, 6.st., 9.kab.	LIZ	100	100	MS
20.	SIA "InCREDIT GROUP"	LV-40103307404	LV	Latvija, Rīga, Kr.Barona iela 130	CFI	51	51	MS
21.	SIA "Elektrobizness"	LV-40003614811	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
22.	SIA "Green Energy Trio"	LV-55403023741	LV	Latvija, Jēkabpils, Madonas iela 6	PLS	100	100	MMS
23.	IOOO "Interrent"	190816938	BY	Baltkrievija, Minska, Kuļmana iela 5B, 4.stāvs, 6.kab.	PLS	100	100	MMS
24.	SIA "Ilukstes siltums"	LV-41503060271	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
25.	SIA Ekosil	LV-40103791625	LV	Latvija, Rīga, Garozes iela 25-1	PLS	100	100	MMS
26.	U-10 SIA	50103841951	LV	Latvija, Rīga, Garozes iela 25-1	PLS	67	67	MMS
27.	SIA KINI LAND	40103703726	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
28.	SIA ESP European Steel Production	40103266905	LV	Latvija, Olaine, Rūpnīcu iela 4	PLS	100	100	MMS
29.	RAM Fund-Fixed Income Investment Grade USD	20.08.2014/166	LV	Latvija, Rīga, Vesetas iela 7	CFI	35.58	35.58	CT

\* 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.





## Income Statement

	000'EUR	
	31/12/15 Audited*	31/12/14 Audited**
Interest income	98 965	89 350
Interest expenses	-22 635	-19 448
Dividend income	2 334	2 266
Commission and fee income	69 172	65 820
Commission and fee expense	-25 488	-20 332
Net realised gain/ (loss) from financial assets at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	458	762
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	-187	250
Changes in fair value hedge accounting	-	-
Net result from foreign exchange trading and revaluation	24 386	23 412
Gain/ (loss) from sale of tangible and intangible fixed assets	-	561
Other income	6 182	5 337
Other expense	-203	-194
Administrative expense	-46 244	-40 564
Depreciation	-1 820	-1 448
Impairment expenses	-22 980	-21 986
Change in allowances for credit losses	-	-
<b>PROFIT / LOSS BEFORE CORPORATE INCOME TAX</b>	<b>81 940</b>	<b>83 786</b>
Corporate income tax	-9 761	-12 286
<b>PROFIT / LOSS BEFORE INTERIM DIVIDENDS</b>	<b>72 179</b>	<b>71 500</b>

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2015

\*\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2014



## Balance Sheet

		000'EUR	
		31/12/15 Audited*	31/12/14 Audited**
<b>ASSETS</b>			
Cash and demand deposits with central banks		881 816	158 552
Demand deposits from credit institutions		840 803	1 536 839
Financial assets held for trading			
Financial instruments at fair value through profit or loss		1 166	5 141
Available-for-sale financial assets		529 789	144 666
Loans and receivables		1 151 789	1 087 989
	<i>incl. loans gross</i>	1 243 437	1 174 802
	<i>Specific impairment allowance</i>	-91 648	-86 813
Held-to-maturity investments		217 901	310 718
Reverse repo loans		88 566	153 235
Change of fair value of hedge portfolio		-	-
Prepaid expense and accrued income		14 953	8 663
Fixed assets		8 150	6 470
Investment property		8 447	5 406
Intangible assets		2 910	2 458
Investments in subsidiaries and associates		28 882	28 854
Tax assets		3 218	398
Other assets		7 377	25 652
<b>Total assets</b>		<b>3 785 767</b>	<b>3 475 041</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Balances due to central banks		-	-
Demand deposits due to credit institutions		49 710	10 988
Financial liabilities held for trading (derivative financial liabilities)		-	-
Financial instruments at fair value through profit or loss		19	161
Financial liabilities at amortised value		3 288 343	3 128 205
	<i>incl. deposits</i>	3 231 558	3 107 957
	<i>term deposits due to credit institutions</i>	0	750
	<i>debt securities issued</i>	56 785	19 498
Financial liabilities arising from financial asset transfer		-	-
Change of fair value of hedge portfolio		-	-
Tax liabilities		191	2 196
Provisions		8 791	6 114
Other liabilities		5 872	3 997
<b>Total liabilities</b>		<b>3 352 926</b>	<b>3 151 661</b>
<b>Shareholders' equity</b>		<b>432 841</b>	<b>323 380</b>
	<i>incl. paid-in share capital</i>	168 916	160 843
	<i>share premium</i>	52 543	33 882
	<i>reserve capital</i>	23	23
	<i>previous years profit/loss</i>	113 803	78 331
	<i>retained profit / loss</i>	72 179	52 959
	<i>fixed asset revaluation reserve</i>	-	-
	<i>available for sale financial assets revaluation reserve</i>	25 377	-2 658
<b>Total liabilities and shareholder's equity</b>		<b>3 785 767</b>	<b>3 475 041</b>
Contingent liabilities		9 661	15 608
Off-balance sheet liabilities to customers		39 096	64 726

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2015

\*\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2014



## Profitability ratios

	31/12/15 Audited*	31.12.2014 Audited**
ROE <sup>1</sup>	20.31%	24.01%
ROA <sup>2</sup>	2.05%	2.24%
Profit margin <sup>3</sup>	1.99%	2.21%
Cost/income ratio <sup>4</sup>	30.84%	28.29%

## Regulatory requirements and ratios

	31/12/15 Audited*	31.12.2014 Audited**
Liquidity ratio <sup>5</sup>	80.46%	77.65%
<i>note: mimum allowed by FCMC</i>	60.00%	60.00%
Capital adequacy ratio*	19.43%	18.91%
<i>note: mimum allowed by FCMC</i>	15.60%	15.80%

## Financial ratios

	31/12/15 Audited*	31.12.2014 Audited**
Equity to loan portfolio ratio	37.58%	29.72%
Loan portfolio to total assets ratio	30.42%	31.31%
Equity to total assets ratio	11.43%	9.31%
Deposits to loans ratio	280.57%	285.66%

<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> Profit before corporate income tax over operating income

<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.

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2015

\*\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2014



## Statement of Changes in Shareholders' Equity

	000'EUR						
	Share capital	Share premium	Revaluation reserve	Fair value reserve	Other reserves	Retained earnings	Audited total equity
Balance at 1 January 2014	142 287	6 843	0	3 717	14 251	105 103	272 201
Profit for the current year						71 500	71 500
Dividends paid						-45 313	-45 313
Decrease of reserve					-14 228		-14 228
Share issue	18 556						18 556
Share premium		27 039					27 039
Changes in fair value of available-for-sale financial assets				-6 375			-6 375
Balance at 31 December 2014	160 843	33 882	0	-2 658	23	131 290	323 380
Dividends paid						-17 487	-17 487
Profit for the current year						72 179	72 179
Share issue	8 073						8 073
Share premium		18 661					18 661
Changes in fair value of available-for-sale financial assets				28 035			28 035
Balance at 31 December 2015	<b>168 916</b>	<b>52 543</b>	<b>0</b>	<b>25 377</b>	<b>23</b>	<b>185 982</b>	<b>432 841</b>

## Statement of Cash Flows

	31/12/15 Audited*	31/12/14 Audited**
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	81 940	83 786
Amortisation and depreciation	1 820	1 449
Revaluation of investment property	-1 626	-619
(Gain)/loss on disposal of property and equipment	-75	-112
Profit from sale of investment property	-	-443
(Gain)/loss on sale of subsidiary	-	80
Impairment losses	22 980	21 986
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations	105 039	106 127
(Increase)/Decrease in loans and receivables from banks - term deposits	197 311	-93 684
(Increase)/decrease in loans and receivables from non-banking customers	-84 619	73 389
(Increase)/Decrease in reverse repo	64 669	-2 927
(Increase)/decrease in assets available-for-sale investments	-356 899	-41 901
(Increase)/Decrease in financial instruments at fair value through profit or loss	3 975	12 692
Increase/(decrease) in derivative liabilities	-142	-454
Decrease in provisions	-	-
(Increase)/Decrease in other assets	-5 043	-2 732
Increase/(Decrease) in deposit from banks - term deposits	-	-279
Increase in deposits from non-banking customers	123 086	528 336
Decrease in amounts payable under repurchase agreements	-	-
Decrease in other liabilities	3 855	-2 935
*Increase in cash and cash equivalents from operating activities before corporate income tax	51 232	575 632
Corporate income tax paid	-14 315	-14 014
Net cash and cash equivalents from/(used in) operating activities	36 917	561 618
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-1 722	-2 720
(Increase)/decrease in equity investments in other entities and acquisition of subsidiaries	-48	-5 214
Proceeds from sale of subsidiary	-	-
(Increase)/Decrease in held-to-maturity investments	-128 093	-61 230
Proceeds from sale of property, plant and equipment (and other assets)	-	50
(Increase) /Decrease in Investment property	-1 415	-332
(Decrease)/Increase in cash and cash equivalents from investing activities	-131 278	-69 446
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase of share capital	8 073	18 556
Increase of share premium	18 661	27 039
(Increase)/ Decrease in borrowed funds- issued debt securities	37 287	1 024
Decrease of Other reserves	-	-14 228
Dividends paid	-17 487	-26 773
Interim dividends paid	-	-18 382
Decrease in cash and cash equivalents from financing activities	46 534	-12 764
Net cash flow for the period	-47 827	479 408
Cash and cash equivalents at the beginning of the year	1 699 103	1 219 695
Cash and cash equivalents at the end of the year	1 651 276	1 699 103

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2015

\*\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2014



## Report of equity and minimum capital requirements

		000'EUR
Code	Position description	31/12/15 Audited
<b>1</b>	<b>Own funds (1.1.+1.2.)</b>	<b>382 560</b>
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	241 622
1.1.1.	Common equity tier 1 capital	241 622
1.1.2.	Additional tier 1 capital	
1.2.	Tier 2 capital	140 938
<b>2</b>	<b>Total risk exposure amount(2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>2 150 505</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 917 228
2.2.	Settlement/delivery risk exposure amount	
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	2 426
2.4.	Total risk exposure amount for operational risk	230 707
2.5.	Total risk exposure amount or credit valuation adjustment	144
2.6.	Total risk exposure amount related to large exposures in the trading book	
2.7.	Other risk exposure amounts	
<b>3</b>	<b>Capital ratios and capital levels</b>	
3.1.	CET 1 Capital ratio (%) (1.1.1./2.*100)	11.24
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	144 849
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	11.24
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	112 592
3.5.	Total capital ratio (%) (1./2.*100)	17.79
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	210 520
<b>4</b>	<b>Combined buffer requirement (%) (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>2.5</b>
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 (%)	
<b>5</b>	<b>Capital ratios due to Pillar II adjustments</b>	
5.1.	Own funds requirements related to Pillar II adjustments	-
5.2.	CET1 capital ratio including Pillar II adjustments	11.24%
5.3.	Tier 1 capital ratio including Pillar II adjustments	11.24%
5.4.	Total capital ratio including Pillar II adjustments	17.79%

## Liquidity ratio calculation

		000'EUR
Code	Position description	31/12/15 Audited
<b>1.</b>	<b>Liquid assets(1.1.+1.2.+1.3.+1.4.)</b>	<b>2 390 735</b>
1.1.	Cash	4 618
1.2.	Balances with Latvian Central Bank	877 197
1.3.	Loans to credit institutions	822 492
1.4.	Liquid securities	686 428
<b>2.</b>	<b>Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)</b>	<b>2 971 464</b>
2.1.	Deposits from credit institutions	49 710
2.2.	Deposits	2 837 626
2.3.	Issued debt securities	
2.4.	Money in transit	19 897
2.5.	Other current liabilities	27 488
2.6.	Off-balance sheet liabilities	36 743
<b>3.</b>	<b>Liquidity ratio (%) (1.:2.) (%)</b>	<b>80.46</b>
<b>4.</b>	<b>Minimum liquidity ratio (%)</b>	<b>30%</b>



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

31.12.2015 Audited Issuer	At fair value	Available-for-sale	Held to maturity	TOTAL	% of shareholders' equity
<b>Latvia</b>					
Government obligations	-	-	1 837	1 837	
Investment funds	-	45 916	-	45 916	
Financial institutions	-	62	-	62	
Private institutions	115	-	-	115	
<b>Total:</b>	<b>115</b>	<b>45 978</b>	<b>1 837</b>	<b>47 930</b>	<b>12.53%</b>
<b>USA</b>					
Government obligations	-	188 307	-	188 307	
Investment funds	-	-	-	0	
Financial institutions	-	25 427	15 204	40 631	
Private institutions	-	41 848	44 560	86 408	
<b>Total:</b>	<b>0</b>	<b>255 582</b>	<b>59 764</b>	<b>315 346</b>	<b>82.43%</b>
<b>Russia</b>					
Government obligations	-	-	13 153	13 153	
Investment funds	-	-	-	-	
Financial institutions	-	16 372	14 720	31 092	
Private institutions	-	19 535	31 168	50 703	
<b>Total:</b>	<b>0</b>	<b>35 907</b>	<b>59 041</b>	<b>94 948</b>	<b>24.82%</b>
<b>Securities of other countries:</b>	<b>351</b>	<b>165 047</b>	<b>97 241</b>	<b>262 638</b>	<b>68.65%</b>
<b>Total securities portfolio:</b>	<b>466</b>	<b>502 515</b>	<b>217 883</b>	<b>720 863</b>	

During the reporting, there has not been recognized impairment of the securities available-for-sale.

At the end of the reporting period the total volume of the Bank's securities portfolio amounted to EUR 720.9 m. Majority of that – EUR 371 m – was invested in government and corporate obligations in Europe, Australia, Asia and USA. The biggest concentration of investments by country was in Latvia, USA and Russia (12.53%, 82.43% and 24.82% of Bank's shareholders' equity). Bank's investments in USA government obligations constituted 49% of Bank's shareholders equity.

