

2016

Public quarterly report
2nd Quarter 2016



RIETUMU
BANK

Contents

/ 3	General information
/ 4	The structure of JSC "Rietumu Banka"
/ 5	Shareholders of the Bank
/ 5	The Council of Rietumu Bank
/ 5	The Board of Directors
/ 6	Members of the consolidation group
/ 7	Bank's Financial performance
/ 7-10	Income statement
	Condensed Balance Sheet
	Profitability ratios
	Regulatory requirements and ratios
	Financial ratios
	Report of equity and minimum capital requirements
	Liquidity ratio calculation
/ 11	Risk management
/ 12	Attachments



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"

Council of the bank

Internal audit

Executive board

President

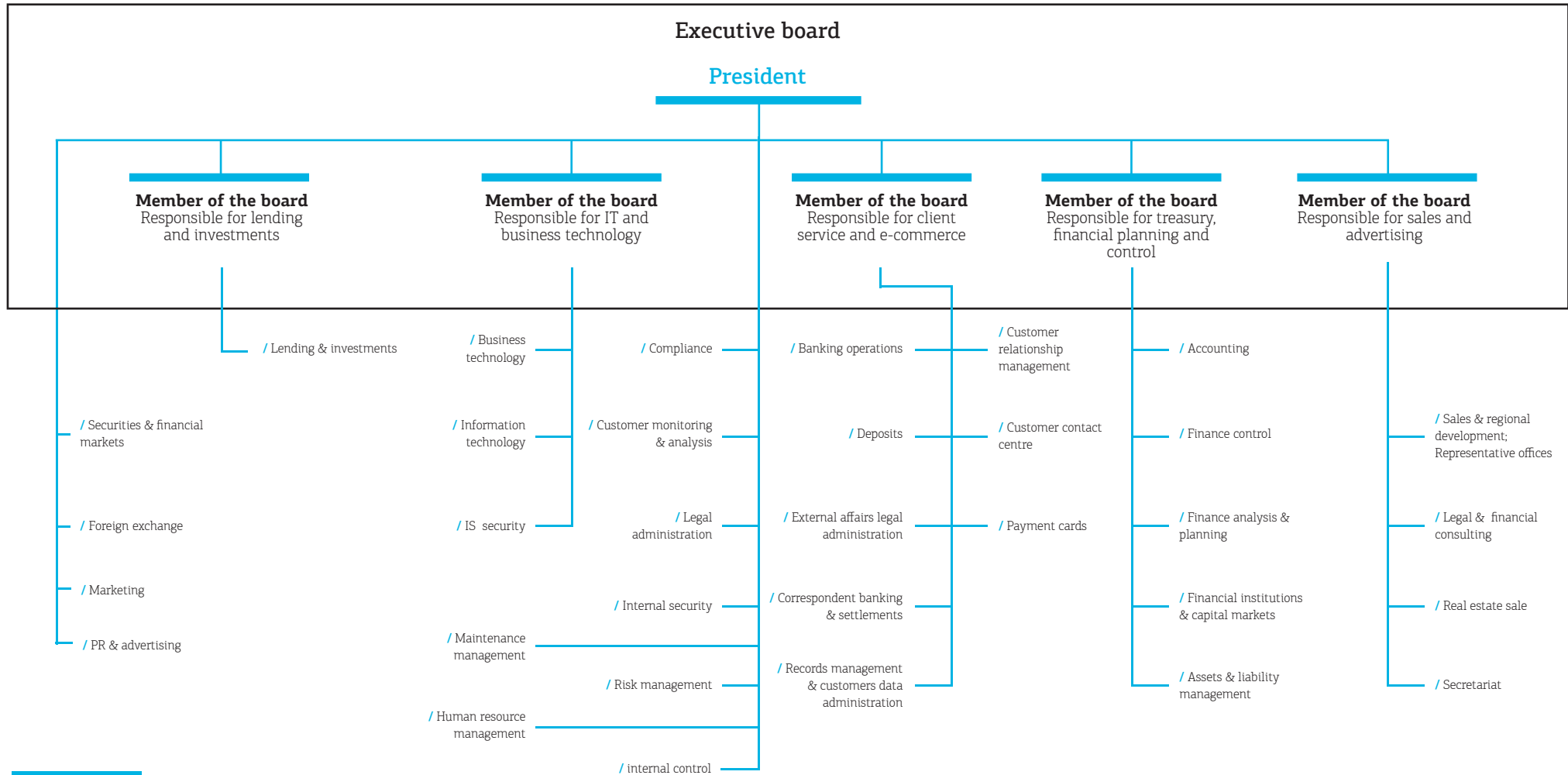
Member of the board
Responsible for lending and investments

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 voting shares	Par value of shares in lats	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	04/07/06(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.	SIA "RB Investments"	LV-40003669082	LV	Latvija, Rīga, Vesetas ielā 7	CFI	100	100	MS
4.	SIA "FRB Elektro"	LV-40103182896	LV	Latvija, Rīga, Vesetas ielā 7, 3.st.	CFI	85	85	MMS
5.	SIA "KI Zeme"	LV-40103161381	LV	Latvija, Rīga, Vesetas ielā 7	PLS	100	100	MMS
6.	SIA "KI Nekustamie īpašumi"	LV-40103182129	LV	Latvija, Rīga, Vesetas ielā 7	PLS	100	100	MMS
7.	RB Opportunity Fund I	06030525245	LV	Latvija, Rīga, Vesetas iela 7	CFI	100	100	MS
8.	SIA "Lilijas 28"	LV-40103252765	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
9.	SIA "M322"	LV-40103247406	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
10.	SIA "Aristīda Briāna 9"	LV-40003780729	LV	Latvija, Rīga, Aristīda Briāna iela 9	PLS	100	100	MMS
11.	SIA "H-Blok"	LV-40003839376	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
12.	SIA "Deviņdesmit seši"	LV-40003492087	LV	Latvija, Jūrmala, Jūras iela 56	PLS	100	100	MMS
13.	SIA "Ventio"	LV-41203010746	LV	Latvija, Jūrmala, Jūras iela 56	PLS	100	100	MMS
14.	SIA "Route 96"	LV-40003856126	LV	Latvija, Mārupes novads, Zilītes 1	PLS	100	100	MMS
15.	SIA "Vangažu Nekustamie īpašumi"	LV-40103463243	LV	Latvija, Inčukalna novads, Vangaži, Gaujas iela 24/34	PLS	100	100	MMS
16.	SIA "D 47"	LV-40103458986	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
17.	SIA "Vesetas 7"	LV-40103182735	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MS
18.	SIA "Rietumu leasing"	100188077	BY	Baltkrievija, Minska, Odojevskogo iela 117, 6.st., 9.kab.	LIZ	100	100	MS
19.	SIA "InCREDIT GROUP"	LV-40103307404	LV	Latvija, Rīga, Kr.Barona iela 130	CFI	51	51	MS
20.	SIA "Elektro Bizness"	LV-40003614811	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
21.	SIA "Green Energy Trio"	LV-55403023741	LV	Latvija, Jēkabpils, Madonas iela 6	PLS	100	100	MMS
22.	IOOO "Interrent"	190816938	BY	Baltkrievija, Minska, Kuļmana iela 5B, 4.stāvs, 6.kab."	PLS	100	100	MMS
23.	SIA "Ilukstes siltums"	LV-41503060271	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
24.	SIA Ekosil	LV- 40103791625	LV	Latvija, Rīga, Garozes iela 25-1	PLS	100	100	MMS
25.	U-10 SIA	50103841951	LV	Latvija, Rīga, Garozes iela 25-1	PLS	67	67	MMS
26.	SIA KINI LAND	40103703726	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
27.	SIA ESP European Steel Production	40103266905	LV	Latvija, Olaine, Rūpniču iela 4	PLS	100	100	MMS
28.	RAM Fund-Fixed Income Investment Grade USD	20.08.2014/166	LV	Latvija, Rīga, Vesetas iela 7	CFI	37.26	37.26	CT
29.	TC Gaiļezers SIA	40103794744	LV	Latvija, Rīga, Vesetas ielā 7, 3.st.	PLS	100	100	MMS
30.	Penrox Petroleum	40003970050	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	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.*



Bank's Income Statement

	000'EUR	
	30.06.2016 Audited*	30.06.2015 Audited**
Interest income	47 024	48 138
Interest expenses	-12 877	-10 563
Dividend income	959	2 330
Commission and fee income	33 305	33 433
Commission and fee expense	-13 144	-12 626
Net realised gain/ (loss) from financial assets and financial liabilities measured at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	31 137	119
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	15	65
Changes in fair value hedge accounting	-	-
Net result from foreign exchange trading and revaluation	10 750	12 114
Gain/ (loss) from sale of tangible and intangible fixed assets	1	6
Other income	1 364	1 082
Other expense	-170	-87
Administrative expense	-27 419	-21 777
Depreciation	-918	-875
Impairment expenses	-	-
Change in allowances for credit losses	-15 882	-8 330
PROFIT / (LOSS) BEFORE CORPORATE INCOME TAX	54 145	43 029
Corporate income tax	-2 851	-5 412
NET PROFIT / (LOSS)	51 294	37 617

*Information has been prepared based on data from the audited annual report for the year ended 30 June 2016.

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



Bank's Condensed Balance Sheet

		30.06.2016 Audited*	31.12.2015 Audited**
000'EUR			
ASSETS			
Cash and demand deposits with central banks		718 846	881 816
Demand deposits from credit institutions		589 532	840 803
Financial assets held for trading		-	-
Financial instruments at fair value through profit or loss		1 044	1 166
Available-for-sale financial assets		609 939	529 789
Loans and receivables		1 077 979	1 151 789
	<i>t.sk.</i>		
	<i>loans gross</i>	1 164 459	1 243 437
	<i>Specific impairment allowance</i>	-86 480	-91 648
Held-to-maturity investments		387 016	217 901
Reverse repo loans		134 102	88 566
Change of fair value of hedge portfolio		-	-
Prepaid expense and accrued income		1 963	14 953
Fixed assets		7 840	8 150
Investment property		10 260	8 447
Intangible assets		2 584	2 910
Investments in subsidiaries and associates		29 945	28 882
Tax assets		4 409	3 218
Other assets		19 374	7 377
Total assets		3 594 833	3 785 767
LIABILITIES AND SHAREHOLDERS' EQUITY			
Balances due to central banks		120 000	-
Demand deposits due to credit institutions		38 623	49 710
Financial liabilities held for trading (derivative financial liabilities)		-	-
Financial instruments at fair value through profit or loss		274	19
Financial liabilities at amortised value		2 969 472	3 288 343
	<i>incl.</i>		
	<i>deposits</i>	2 912 301	3 231 558
	<i>term deposits due to credit institutions</i>	1 093	0
	<i>debt securities issued</i>	56 078	56 785
Financial liabilities arising from financial asset transfer		-	-
Change of fair value of hedge portfolio		-	-
Tax liabilities		811	191
Accrued expenses and deferred income		22 860	8 791
Provisions		-	-
Other liabilities		280	5 872
Total liabilities		3 152 320	3 352 926
Shareholders' equity		442 513	432 841
	<i>incl.</i>		
	<i>paid-in share capital</i>	168 915	168 916
	<i>share premium</i>	52 543	52 543
	<i>reserve capital</i>	23	23
	<i>previous years profit/loss</i>	165 030	113 803
	<i>retained profit / loss</i>	51 294	72 179
	<i>fixed asset revaluation reserve</i>	-	-
	<i>available for sale financial assets revaluation reserve</i>	4 708	25 377
Total liabilities and shareholders' equity		3 594 833	3 785 767
Contingent liabilities		7 411	9 661
Financial commitments		42 475	39 096

*Information has been prepared based on data from the audited annual report for the year ended 30 June 2016.

**Information has been prepared based on data from the audited annual report for the year ended 31 December 2015.



Bank's Profitability ratios

	30.06.2016 Audited*	31.12.2015 Audited**
ROE ¹	23.44%	20.31%
ROA ²	2.78%	2.05%
Profit margin ³	0.91%	1.99%
Cost/income ratio ⁴	28.81%	30.84%

Bank's Regulatory requirements and ratios

	30.06.2016 Audited*	31.12.2015 Audited**
Liquidity ratio ⁵	79.51%	80.46%
<i>note: mimum allowed by FCMC</i>	60.00%	60.00%
Capital adequacy ratio*	20.30%	19.43%
<i>note: mimum allowed by FCMC</i>	15.80%	15.80%

Bank's Financial ratios

	30.06.2016 Audited*	31.12.2015 Audited**
Equity to loan portfolio ratio	41.05%	37.58%
Loan portfolio to total assets ratio	29.99%	30.42%
Equity to total assets ratio	12.31%	11.43%
Deposits to loans ratio	270.16%	280.57%

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 annual report for the year ended 30 June 2016.

**Information has been prepared based on data from the audited annual report for the year ended 31 December 2015.



Report of equity and minimum capital requirements

Code	Position description	000'EUR 30.06.2016
1	Own funds (1.1.+1.2.)	433 935
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	297 848
1.1.1.	Common equity tier 1 capital	297 848
1.1.2.	Additional tier 1 capital	-
1.2.	Tier 2 capital	136 087
2	Total risk exposure amount(2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	2 138 919
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 869 007
2.2.	Settlement/delivery risk exposure amount	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	5 379
2.4.	Total risk exposure amount for operational risk	264 403
2.5.	Total risk exposure amount or credit valuation adjustment	130
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)	13.93
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	201 597
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	13.93
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	169 513
3.5.	Total capital ratio (%) (1./2.*100)	20.29
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	262 822
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.	Systemic 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	13.93%
5.3.	Tier 1 capital ratio including Pillar II adjustments	13.93%
5.4.	Total capital ratio including Pillar II adjustments	20.29%

Liquidity ratio calculation

Code	Position description	000'EUR 30.06.2016
1.	Liquid assets(1.1.+1.2.+1.3.+1.4.)	2 118 714
1.1.	Cash	3 079
1.2.	Balances with Latvian Central Bank	715 767
1.3.	Loans to credit institutions	698 532
1.4.	Liquid securities	701 336
2.	Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	2 664 822
2.1.	Deposits from credit institutions	38 623
2.2.	Deposits	2 530 111
2.3.	Issued debt securities	-
2.4.	Money in transit	41 643
2.5.	Other current liabilities	15 123
2.6.	Off-balance sheet liabilities	39 322
3.	Liquidity ratio (%) (1.:2.) (%)	79.51
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
30.06.2016 Non-audited Issuer	At fair value	For sale	Held to maturity	TOTAL:	% of shareholders' equity
Latvia					
Government obligations	-		1 804	1 804	
Investment funds	-	44 701	-	44 701	
Financial institutions	-	62	-	62	
Private institutions	117	-	-	117	
Total:	117	44 763	1 804	46 684	10.76%
USA					
Government obligations	-	4 541	-	4 541	
Investment funds	-	-	-	-	
Financial institutions	-	41 990	23 691	65 681	
Private institutions	-	60 048	63 496	123 544	
Total:	0	106 579	87 187	193 766	44.65%
Russia					
Government obligations	-	-	12 901	12 901	
Investment funds	-	-	-	-	
Financial institutions	-	16 856	14 516	31 372	
Private institutions	-	18 839	30 945	49 784	
Total:	0	35 695	58 362	94 057	21.68%
Spain					
Government obligations	-	50 025	-	50 025	
Investment funds	-	-	-	-	
Financial institutions	-	946	-	946	
Private institutions	-	1 799	-	1 799	
Total:	0	52 770	0	52 770	12.16%
Italy					
Government obligations	-	100 012	-	100 012	
Investment funds	-	-	-	-	
Financial institutions	-	469	-	469	
Private institutions	-	-	-	-	
Total:	0	100 481	0	100 481	23.16%
International financial corporations	67	268 041	119 505	387 613	89.33%
Total securities portfolio:	184	608 329	266 858	875 371	

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 875,4 m. Majority of that – EUR 529,1 m – was invested in government and corporate obligations in Europe, Russia and USA. 79,23% of the investment was made in securities with investment grade credit ratings. The biggest concentration of investments by country was in Latvia, USA, Russia, Spain and Italy (10,76%, 44,65%, 21,68%, 12,16% and 23,16% of Bank's shareholders' equity). Bank's investments in Spain and Italy government obligations constituted 11,53% and 23,05% of Bank's shareholders equity.

