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## Report of Board of Directors

For Rietumu Bank, the year 2012 was very successful and promising from an operational, financial and strategic point of view. The Bank has continued to enhance its reputation as one of the best managed and stable financial institutions in the Baltic States. The Bank is one of the largest privately owned banks in the Baltic States offering a comprehensive range of banking products and services for corporate customers and high net worth individuals. The Bank has extensive experience in the EU and CIS countries and the Group sees itself as a bridge between East and West as many of its customers operate in Latvia, the Baltic States, Western Europe, Russia and other CIS countries.

The Bank understands business environments in both Western and Eastern Europe. Financial results of the Bank were very positive and return on assets and return on equity increased in comparison with the year 2011. One of the cornerstones of our development has always been conservatism and safety and we achieved this year's financial results while maintaining a very liquid balance sheet with relatively high capital ratios. Total assets have increased funded by customer deposits which have continued to grow during 2012 proving underlying confidence depositors hold in the Bank as well the competitiveness of the Bank's products.

The Bank considers that relationship banking is one of the keys to its success. Customers receive an individual and tailor-made approach to decision making, exceptional professionalism, integrity and confidentiality. All customers have access to the Bank remotely through internet banking, phone banking, private bankers, regional managers and a 24 h customer support service.

In 2012, as before, the Bank focused its lending on medium sized projects in Latvia as well as in the Baltic States, Russia and CIS countries. The Bank's lending is split between corporate lending in Latvia, private lending, international lending and trade finance. As in 2011, much of the focus and success has been on the finance of international trade supporting raw materials that are exported from CIS countries as well as consumer goods that are imported into these countries. Another key component to the relationship with our customer has been in the areas of wealth protection, asset management and brokerage. In the 2012 these businesses continued to be very successful and offering customers opportunities for trading on global markets and a comprehensive range of asset management services.

The Bank also has a wide range of credit cards including the exclusive World Signia card which features exceptional functionality coupled with concierge service in various languages. E-commerce is a priority and continues to expand offering services to corporate customers allowing for payments with credit and debit cards through the internet.

In 2012, Rietumu Charity Fund continued to support charity and arts patronage, with the focus on supporting projects in medical and child care, and social sphere. The Bank is celebrating its 20th anniversary in 2012 and launched a cultural events support program to celebrate this anniversary.

The Bank's total assets increased in the year 2012 to LVL 1,639 bn (EUR 2,332 bn) compared to LVL 1,388 bn (EUR 1,976 bn) in the year 2011. This growth is due to a significant increase in customer balances during this period. Customer deposits increased by 17% to LVL 1,442 bn (EUR 2,051 bn), compared to LVL 1,235 bn (EUR 1,757 bn) as at 31 December 2011 again reaching record levels.

Loans and advances to customers grew to LVL 705 m (EUR 1,002 bn) or by 20% when compared to LVL 605 m (EUR 861 m) December 2011. The Bank's policy of keeping high liquid ratios remained the same and excess funding was invested primarily into short term money market instruments as well as liquid investment grade sovereign and corporate bonds.

Net profit after tax has increased to LVL 20,2 m (EUR 28,8 m) as compared to LVL 10,6 m (EUR 15,1 m) for the period ended 31 December 2012. The Bank's total shareholders' equity increased to LVL 157,578 m (EUR 224,214 m).

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 7 to 13 are prepared in accordance with source documents and present fairly the financial position of the Bank as of 31 December 2012 and the results of their operations and cash flows for the year ended 31 December 2012.

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

## 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.

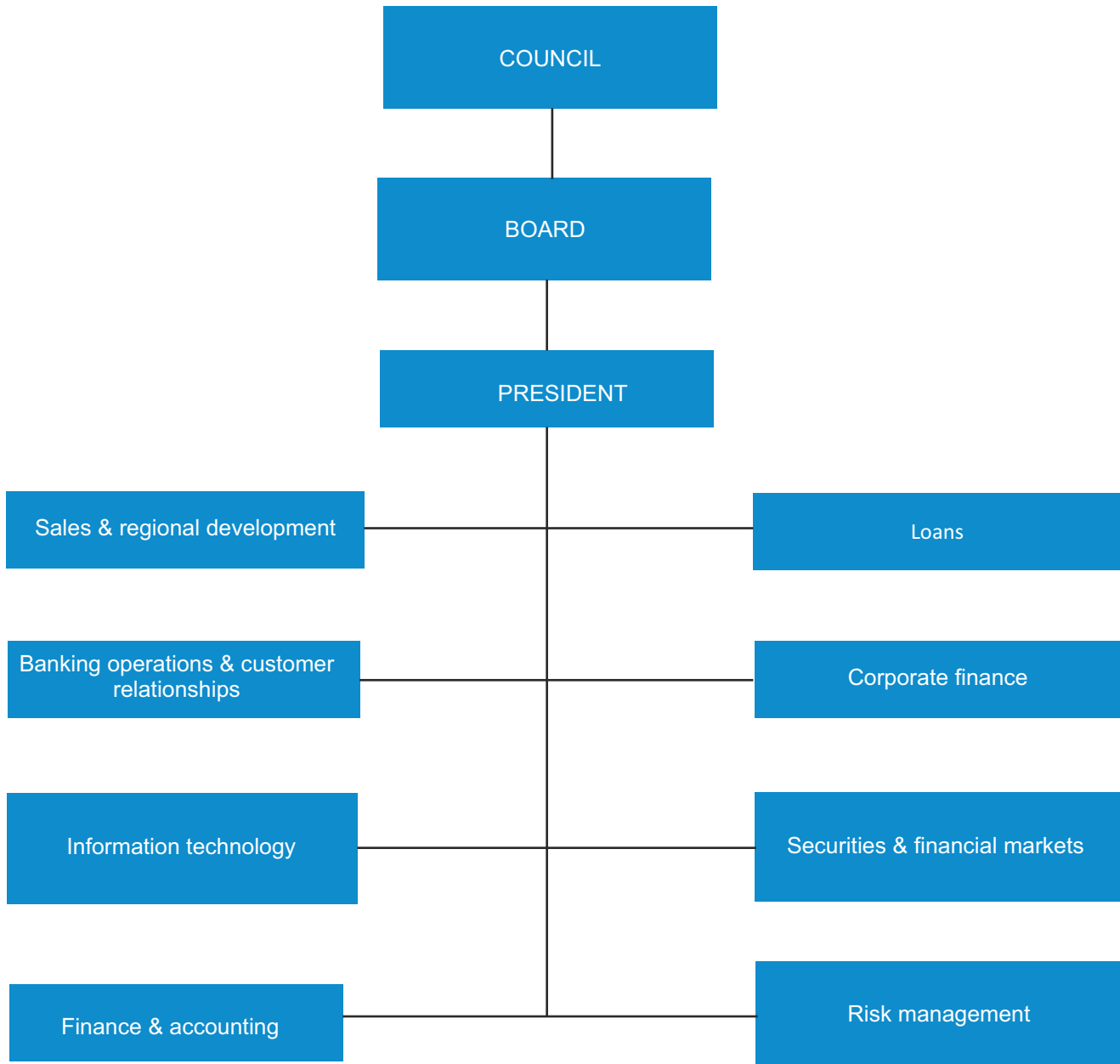
/Constantly raising customer service quality by improving and expanding the existing product range according to the current market situation and the Bank's technological capabilities.

/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(26/11/10-18/10/13) |
| Renats Lokomets     | Member of the Board, Senior Vice President | 10/12/12(10/12/12-18/10/13) |

## 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             | 100                | 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, Neftchiler avenue 24 b/c „Daiga Plaza", Baku, Azerbaijan  | 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 Statement

|   | December<br>2012<br>Non-Audited | 000'LVL<br>December<br>2011<br>Audited* | December<br>2012<br>Non-Audited | 000'EUR<br>December<br>2011<br>Audited* |
|---|---------------------------------|---|---------------------------------|---|
| Interest income   | 45 483                          | 35 290                                  | 64 716                          | 50 213                                  |
| Interest expenses   | -14 072                         | -12 730                                 | -20 022                         | -18 113                                 |
| Dividend income   | 477                             | 17                                      | 679                             | 25                                      |
| Commission and fee income   | 25 597                          | 17 998                                  | 36 421                          | 25 609                                  |
| Commission and fee expense  | -6 814                          | -3 944                                  | -9 695                          | -5 612                                  |
| Net realised gain/ (loss) from financial assets at amortised cost                           | 0                               | 0                                       | 0                               | 0                                       |
| Net realised gain/ (loss) from available-for-sale financial assets                          | -292                            | 0                                       | -415                            | 0                                       |
| Net realised gain/ (loss) from financial assets and liabilities held for trading            | 2 863                           | -1 845                                  | 4 074                           | -2 625                                  |
| Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss | 0                               | 0                                       | 0                               | 0                                       |
| Changes in fair value hedge accounting  | 0                               | 0                                       | 0                               | 0                                       |
| Net result from foreign exchange trading and revaluation                                    | 12 815                          | 11 040                                  | 18 234                          | 15 709                                  |
| Gain/ (loss) from sale of tangible and intangible fixed assets                              | 96                              | 75                                      | 137                             | 107                                     |
| Other income  | 2 194                           | 1 545                                   | 3 122                           | 2 198                                   |
| Other expense   | 0                               | -35                                     | 0                               | -50                                     |
| Administrative expense  | -29 506                         | -22 935                                 | -41 983                         | -32 634                                 |
| Depreciation  | -1 547                          | -2 068                                  | -2 201                          | -2 943                                  |
| Impairment expenses   | -13 621                         | -9 351                                  | -19 381                         | -13 305                                 |
| Change in allowances for credit losses  | 0                               | 0                                       | 0                               | 0                                       |
| PROFIT / LOSS BEFORE CORPORATE INCOME TAX   | 23 674                          | 13 057                                  | 33 685                          | 18 578                                  |
| Corporate income tax  | -3 458                          | -2 444                                  | -4 920                          | -3 477                                  |
| NET PROFIT / LOSS   | 20 216                          | 10 613                                  | 28 765                          | 15 101                                  |

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2011

## Condensed Balance Sheet

|   | December<br>2012<br>Non-audited | 000'LVL<br>December<br>2011<br>Audited* | December<br>2012<br>Non-audited | 000'EUR<br>December<br>2011<br>Non-audited* |
|---|---------------------------------|---|---------------------------------|---|
| <b>ASSETS</b>   |                                 |   |                                 |   |
| Cash and demand deposits with central banks                               | 215 757                         | 71 634                                  | 306 995                         | 101 926                                     |
| Demand deposits from credit institutions                                  | 462 012                         | 491 833                                 | 675 384                         | 699 815                                     |
| Financial assets held for trading   | 0                               | 0                                       | 0                               | 0   |
| Financial instruments at fair value through profit or loss                | 37 439                          | 52 592                                  | 53 271                          | 74 832                                      |
| Available-for-sale financial assets                                       | 74 487                          | 106 835                                 | 105 985                         | 152 013                                     |
| Loans and receivables   | 704 505                         | 605 432                                 | 1 002 420                       | 861 452                                     |
| Held-to-maturity investments  | 15 373                          | 15 302                                  | 21 874                          | 21 773                                      |
| Reverse repo loans  | 82 780                          | 0                                       | 117 785                         | 0   |
| Change of fair value of hedge portfolio                                   | 0                               | 0                                       | 0                               | 0   |
| Prepaid expense and accrued income  | 4 684                           | 6 570                                   | 6 665                           | 9 348                                       |
| Fixed assets  | 3 629                           | 4 234                                   | 5 164                           | 6 024                                       |
| Investment property   | 7 499                           | 6 926                                   | 10 671                          | 9 855                                       |
| Intangible assets   | 1 595                           | 2 047                                   | 2 269                           | 2 913                                       |
| Investments in subsidiaries and associates                                | 18 729                          | 18 759                                  | 26 649                          | 26 692                                      |
| Tax assets  | 261                             | 95                                      | 371                             | 135   |
| Other assets  | 10 076                          | 6 142                                   | 14 337                          | 8 740                                       |
| <b>Total assets</b>   | <b>1 638 826</b>                | <b>1 388 401</b>                        | <b>2 331 840</b>                | <b>1 975 517</b>                            |
| <b>LIABILITIES AND SHAREHOLDERS'S EQUITY</b>                              |                                 |   |                                 |   |
| Balances due to central banks   | 0                               | 0                                       | 0                               | 0   |
| Demand deposits due to credit institutions                                | 18 636                          | 12 844                                  | 26 517                          | 18 275                                      |
| Financial liabilities held for trading (derivative financial liabilities) | 101                             | 186                                     | 143                             | 265   |
| Financial instruments at fair value through profit or loss                | 0                               | 0                                       | 0                               | 0   |
| Financial liabilities at amortised value                                  | 1 455 478                       | 1 235 703                               | 2 070 959                       | 1 758 247                                   |
| <i>incl. deposits</i>   | 1 441 730                       | 1 234 827                               | 2 051 397                       | 1 757 001                                   |
| <i>Term deposits due to credit institutions</i>                           | 585                             | 876                                     | 832                             | 1 246                                       |
| <i>debt securities issued</i>   | 13 163                          | 0                                       | 18 729                          | 0   |
| Financial liabilities arisen from financial asset transfer                | 0                               | 0                                       | 0                               | 0   |
| Change of fair value of hedge portfolio                                   | 0                               | 0                                       | 0                               | 0   |
| Tax liabilities   | 586                             | 551                                     | 834                             | 784   |
| Other liabilities   | 6 447                           | 3 060                                   | 9 173                           | 4 354                                       |
| <b>Total liabilities</b>  | <b>1 481 248</b>                | <b>1 252 344</b>                        | <b>2 107 626</b>                | <b>1 781 925</b>                            |
| Shareholders' equity  | <b>157 578</b>                  | <b>136 057</b>                          | <b>224 214</b>                  | <b>193 592</b>                              |
| <i>incl. paid-in share capital</i>  | 100 000                         | 100 000                                 | 142 287                         | 142 287                                     |
| <i>share premium</i>  | 4 809                           | 4 809                                   | 6 843                           | 6 843                                       |
| <i>reserve capital</i>  | 10 016                          | 10 016                                  | 14 252                          | 14 251                                      |
| <i>previous years profit/loss</i>   | 19 289                          | 11 330                                  | 27 446                          | 16 121                                      |
| <i>retained profit / loss</i>   | 20 216                          | 10 613                                  | 28 765                          | 15 101                                      |
| <i>fixed asset revaluation reserve</i>                                    | 1 754                           | 1 754                                   | 2 496                           | 2 496                                       |
| <i>available for sale financial assets revaluation reserve</i>            | 1 492                           | -2 465                                  | 2 126                           | -3 507                                      |
| <b>Total liabilities and shareholder's equity</b>                         | <b>1 638 826</b>                | <b>1 388 401</b>                        | <b>2 331 840</b>                | <b>1 975 517</b>                            |
| <i>Contingent liabilities</i>   | 6 590                           | 9 593                                   | 9 376                           | 13 649                                      |
| <i>Off-balance sheet liabilities to customers</i>                         | 32 437                          | 63 857                                  | 46 153                          | 90 860                                      |

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2011



## Profitability ratios

|                                  | December<br>2012<br>Non-audited | December<br>2011<br>Audited* |
|----------------------------------|---------------------------------|------------------------------|
| ROE <sup>1</sup>                 | 13.51%                          | 7.75%                        |
| ROA <sup>2</sup>                 | 1.29%                           | 0.85%                        |
| Net interest margin <sup>3</sup> | 2.28%                           | 2.52%                        |
| Cost/income ratio <sup>4</sup>   | 45.43%                          | 52.74%                       |

## Regulatory requirements and ratios

|                                    | December<br>2012 | December<br>2011 |
|------------------------------------|------------------|------------------|
| Liquidity ratio <sup>5</sup>       | 62.00%           | 65.23%           |
| <i>note: mimum allowed by FCMC</i> | 30.00%           | 30.00%           |
| Capital adequacy ratio             | 18.92%           | 16.20%           |
| <i>note: mimum allowed by FCMC</i> | 16.80%           | 8.00%            |

## Financial ratios

|                                      | December<br>2012<br>Non-audited | December<br>2011<br>Audited* |
|--------------------------------------|---------------------------------|------------------------------|
| Equity to loan portfolio ratio       | 22.37%                          | 22.47%                       |
| Loan portfolio to total assets ratio | 42.99%                          | 43.61%                       |
| Equity to total assets ratio         | 9.62%                           | 9.80%                        |
| Deposits to loans ratio              | 204.64%                         | 203.96%                      |

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2011

<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.

## Risk management

Risk management can be found in the last annual report:

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

## Report of equity and minimum capital requirements

| No.   | Position name  | 000'LVL<br>December<br>2012<br>Non-audited | 000'EUR<br>December<br>2012<br>Non-audited |
|-------|--|--|--|
| 1     | Total equity   | 185 568                                    | 264 039                                    |
| 1.1   | Tier 1   | 139 899                                    | 199 059                                    |
| 1.2   | Tier 2   | 58 495                                     | 83 231                                     |
| 1.3   | Decrease in Tier 1 and Tier 2*   | -12 827                                    | -18 251                                    |
| 1.4   | Tier 1 total applying decrease   | 133 486                                    | 189 933                                    |
| 1.5   | Tier 2 total applying decrease   | 52 082                                     | 74 106                                     |
| 1.6   | Used Tier 3  | 0  | 0  |
| 2     | Total capital charge   | 78 454                                     | 111 631                                    |
| 2.1   | Total of capital requirements for credit risk, counterparty credit risk, dilution risk and free deliveries risk                | 69 869                                     | 99 415                                     |
| 2.2   | Capital charge for settlement / deliveries risk  | 0  | 0  |
| 2.3   | Capital charge for position risk, foreign currency risk and commodity  | 1 456                                      | 2 071                                      |
| 2.4   | Capital charge for operational risk  | 7 129                                      | 10 144                                     |
| 2.5   | Capital charge for other risk and transition period  | 0  | 0  |
| 3     | <b>Additional information</b>  | 0  | 0  |
| 3.1   | Capital requirements covered by own funds (surplus/ (shortfall)) excluding capital charge for other risk and transition period | 107 114                                    | 152 409                                    |
| 3.1.a | Capital adequacy ratio (%) excluding capital charge for other risk and transition period                                       | 18.92                                      | 18.92                                      |
| 3.2   | Capital requirements covered by own funds (surplus/ (shortfall))   | 107 114                                    | 152 409                                    |
| 3.2.a | Capital adequacy ratio (%)   | 18.92                                      | 18.92                                      |

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

## Statement of Changes in Shareholders' Equity

|  | Share capital<br>000'LVL | Share<br>premium<br>000'LVL | Revaluation<br>reserve<br>000'LVL | Fair value<br>reserve<br>000'LVL | Other<br>reserves<br>000'LVL | Retained<br>earnings<br>000'LVL | Non-audited<br>Total equity<br>000'LVL |
|--|--------------------------|-----------------------------|-----------------------------------|----------------------------------|------------------------------|---------------------------------|--|
| <b>Balance at 1 January 2011</b>                             | 100 000                  | 4 809                       | 1 754                             | -                                | 20 016                       | 11 330                          | 137 909                                |
| Total Comprehensive Income                                   |                          |                             |                                   |                                  |                              |                                 |  |
| Profit for the current year                                  |                          |                             |                                   |                                  |                              | 10 613                          | 10 613                                 |
| Changes in fair value of available-for-sale financial assets |                          |                             |                                   | -2 465                           |                              |                                 | -2 465                                 |
| Decrease of reserve capital                                  |                          |                             |                                   |                                  | -10 000                      |                                 | -10 000                                |
| Total Comprehensive Income                                   | -                        | -                           | -                                 | -2 465                           | -10 000                      | 10 613                          | -1 852                                 |
| <b>Balance at 31 December 2011</b>                           | 100 000                  | 4 809                       | 1 754                             | -2 465                           | 10 016                       | 21 943                          | 136 057                                |
| Dividends paid   |                          |                             |                                   |                                  |                              | -2 654                          | -2 654                                 |
| Profit for the current year                                  |                          |                             |                                   |                                  |                              | 20 216                          | 20 216                                 |
| Changes in fair value of available-for-sale financial assets |                          |                             |                                   | 3 959                            |                              |                                 | 3 959                                  |
| <b>Balance at 31 December 2012</b>                           | 100 000                  | 4 809                       | 1 754                             | 1 494                            | 10 016                       | 39 505                          | 157 578                                |
| Total Comprehensive Income                                   |                          |                             |                                   |                                  |                              |                                 |  |

## Statement of Changes in Shareholders' Equity

|  | Share capital<br>000'EUR | Share<br>premium<br>000'EUR | Revaluation<br>reserve<br>000'EUR | Fair value<br>reserve<br>000'EUR | Other<br>reserves<br>000'EUR | Retained<br>earnings<br>000'EUR | Non-audited<br>Total equity<br>000'EUR |
|--|--------------------------|-----------------------------|-----------------------------------|----------------------------------|------------------------------|---------------------------------|--|
| <b>Balance at 1 January 2011</b>                             | 142 287                  | 6 843                       | 2 496                             | -                                | 28 480                       | 16 121                          | 196 227                                |
| Total Comprehensive Income                                   |                          |                             |                                   |                                  |                              |                                 |  |
| Profit for the current year                                  |                          |                             |                                   |                                  |                              | 15 101                          | 15 101                                 |
| Changes in fair value of available-for-sale financial assets |                          |                             |                                   | -3 507                           |                              |                                 | -3 507                                 |
| Decrease of reserve capital                                  |                          |                             |                                   |                                  | -14 229                      |                                 | -14 229                                |
| Total Comprehensive Income                                   | -                        | -                           | -                                 | -3 507                           | -14 229                      | 15 101                          | -2 635                                 |
| <b>Balance at 31 December 2011</b>                           | 142 287                  | 6 843                       | 2 496                             | -3 507                           | 14 251                       | 31 222                          | 193 592                                |
| Dividends paid   |                          |                             |                                   |                                  |                              | -3 776                          | -3 776                                 |
| Profit for the current year                                  |                          |                             |                                   |                                  |                              | 28 765                          | 28 765                                 |
| Changes in fair value of available-for-sale financial assets |                          |                             |                                   | 5 633                            |                              |                                 | 5 633                                  |
| <b>Balance at 31 December 2012</b>                           | 142 287                  | 6 843                       | 2 496                             | 2 126                            | 14 251                       | 56 211                          | 224 213                                |
| Total Comprehensive Income                                   |                          |                             |                                   |                                  |                              |                                 |  |

## Statement of Cash Flows

|  | December<br>2012<br>Non-audited | 000'LVL<br>December<br>2011<br>Audited* | December<br>2012<br>Non-audited | 000'EUR<br>December<br>2011<br>Audited* |
|--|---------------------------------|---|---------------------------------|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                 |   |                                 |   |
| Profit before income tax   | 23 674                          | 13 057                                  | 33 685                          | 18 578                                  |
| Amortisation and depreciation  | 1 547                           | 2 068                                   | 2 201                           | 2 942                                   |
| Revaluation of investment property   | 0                               | -320                                    | 0                               | -455                                    |
| Loss from disposal of property   | 15                              | -75                                     | 21                              | -107                                    |
| Profit from sale of investment property  | -8                              | 0                                       | -11                             | 0                                       |
| (Gain)/loss on sale of subsidiary  | -20                             | 34                                      | -28                             | 48                                      |
| Impairment losses  | 13 621                          | 9 351                                   | 19 381                          | 13 305                                  |
| Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations | 38 829                          | 24 115                                  | 55 249                          | 34 313                                  |
| (Increase)/Decrease in loans and receivables from banks - term deposits  | 238 298                         | -195 127                                | 339 068                         | -277 641                                |
| (Increase)/decrease in loans and receivables from non-banking customers  | -112 707                        | -76 772                                 | -160 368                        | -109 237                                |
| (Increase)/Decrease in reverse repo  | -82 780                         | 50 726                                  | -117 785                        | 72 177                                  |
| (Increase)/decrease in assets available-for-sale investments   | 37 017                          | -87 364                                 | 52 670                          | -124 308                                |
| Decrease in financial instruments at fair value through profit or loss   | 15 153                          | -11 274                                 | 21 561                          | -16 041                                 |
| Increase/(decrease) in derivative liabilities  | -85                             | -309                                    | -121                            | -440                                    |
| Decrease in provisions   | 0                               | 0                                       | 0                               | 0                                       |
| Decrease in other assets   | -3 934                          | 1 294                                   | -5 598                          | 1 841                                   |
| Increase/(Decrease) in deposit from banks - term deposits  | -291                            | 868                                     | -414                            | 1 235                                   |
| Increase in deposits from non-banking customers  | 206 903                         | 263 823                                 | 294 396                         | 375 386                                 |
| Decrease in amounts payable under repurchase agreements  | 0                               | 0                                       | 0                               | 0                                       |
| Decrease in other liabilities  | 3 387                           | 923                                     | 4 819                           | 1 313                                   |
| Increase in cash and cash equivalents from operating activities before corporate income tax                        | 339 790                         | -29 097                                 | 483 478                         | -41 401                                 |
| Corporate income tax paid  | -3 766                          | -1 935                                  | -5 359                          | -2 753                                  |
| Net cash and cash equivalents from/(used in) operating activities  | 336 024                         | -31 032                                 | 478 119                         | -44 155                                 |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   |                                 |   |                                 |   |
| Purchase of property, plant and equipment  | -390                            | -565                                    | -555                            | -804                                    |
| Proceeds from sale of property, plant and equipment  | 40                              | 103                                     | 57                              | 147                                     |
| (Increase)/decrease in equity investments in other entities and acquisition of subsidiaries                        | 0                               | -450                                    | 0                               | -640                                    |
| Proceeds from sale of subsidiary   | 50                              | 395                                     | 71                              | 562                                     |
| (Increase)/Decrease in held-to-maturity investments  | -108                            | -14 633                                 | -154                            | -20 821                                 |
| Sale of Investment property  | 687                             | -76                                     | 978                             | -108                                    |
| (Decrease)/Increase in cash and cash equivalents from investing activities   | 279                             | -15 226                                 | 397                             | -21 665                                 |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>   |                                 |   |                                 |   |
| Increase of reserves   | 0                               | -10 000                                 | 0                               | -14 229                                 |
| Increase/(Decrease) in borrowed funds  | 13 163                          | 0                                       | 18 729                          | 0                                       |
| Dividends paid   | -2 654                          | 0                                       | -3 776                          | 0                                       |
| Decrease in cash and cash equivalents from financing activities  | 10 509                          | -10 000                                 | 14 953                          | -14 229                                 |
| Net cash flow for the period   | 346 812                         | -56 258                                 | 493 469                         | -80 048                                 |
| Cash and cash equivalents at the beginning of the year   | 244 933                         | 301 191                                 | 348 508                         | 428 556                                 |
| Cash and cash equivalents at the end of the year   | 591 745                         | 244 933                                 | 841 977                         | 348 508                                 |

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2011

## 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.

| December 2012<br>Audited<br>Issuer    | For trading   | For sale      | Held to maturity | TOTAL:         | 000'LVL<br>% to shareholders equity |
|---------------------------------------|---------------|---------------|------------------|----------------|-------------------------------------|
| <b>Latvia</b>                         |               |               |                  |                |                                     |
| Government obligations                | 3 000         | 0             | 0                | 3 000          |                                     |
| Investment funds                      | 0             | 22 431        | 0                | 22 431         |                                     |
| Financial institutions                | 0             | 44            | 0                | 44             |                                     |
| Private institutions                  | 170           | 0             | 0                | 170            |                                     |
| <b>Total:</b>                         | <b>3 170</b>  | <b>22 475</b> | <b>0</b>         | <b>25 645</b>  | <b>13.82%</b>                       |
| <b>USA</b>                            |               |               |                  |                |                                     |
| Government obligations                | 0             | 0             | 0                | 0              |                                     |
| Banks                                 | 0             | 2 677         | 4 533            | 7 210          |                                     |
| Financial institutions                | 0             | 1 437         | 10 157           | 11 594         |                                     |
| Private institutions                  | 7 500         | 0             | 0                | 7 500          |                                     |
| <b>Total:</b>                         | <b>7 500</b>  | <b>4 114</b>  | <b>14 690</b>    | <b>26 304</b>  | <b>14,18%</b>                       |
| <b>Holand</b>                         |               |               |                  |                |                                     |
| Government obligations                | 0             | 0             | 0                | 0              |                                     |
| Banks                                 | 2 444         | 5 867         | 0                | 8 311          |                                     |
| Financial institutions                | 4 018         | 0             | 0                | 4 018          |                                     |
| Private institutions                  | 7 386         | 1 391         | 0                | 8 777          |                                     |
| <b>Total:</b>                         | <b>13 848</b> | <b>7 258</b>  | <b>0</b>         | <b>21 106</b>  | <b>11,37%</b>                       |
| <b>Securities of other countries:</b> | <b>15 419</b> | <b>40 640</b> | <b>683</b>       | <b>56 742</b>  | <b>33,70%</b>                       |
| <b>Total securities portfolio:</b>    | <b>39 937</b> | <b>74 487</b> | <b>15 373</b>    | <b>129 797</b> |                                     |

| December 2012<br>Audited<br>Issuer    | For trading   | For sale       | Held to maturity | TOTAL:         | 000'EUR<br>% to shareholders equity |
|---------------------------------------|---------------|----------------|------------------|----------------|-------------------------------------|
| <b>Latvia</b>                         |               |                |                  |                |                                     |
| Government obligations                | 4 269         | 0              | 0                | 4 269          |                                     |
| Investment funds                      | 0             | 31 916         | 0                | 31 916         |                                     |
| Financial institutions                | 0             | 63             | 0                | 63             |                                     |
| Private institutions                  | 242           | 0              | 0                | 242            |                                     |
| <b>Total:</b>                         | <b>4 511</b>  | <b>31 979</b>  | <b>0</b>         | <b>36 490</b>  | <b>13.82%</b>                       |
| <b>USA</b>                            |               |                |                  |                |                                     |
| Government obligations                | 0             | 0              | 0                | 0              |                                     |
| Banks                                 | 0             | 3 809          | 6 450            | 10 259         |                                     |
| Financial institutions                | 0             | 2 045          | 14 452           | 16 497         |                                     |
| Private institutions                  | 10 672        | 0              | 0                | 10 672         |                                     |
| <b>Total:</b>                         | <b>10 672</b> | <b>5 854</b>   | <b>20 902</b>    | <b>37 428</b>  | <b>14,18%</b>                       |
| <b>Holand</b>                         |               |                |                  |                |                                     |
| Government obligations                | 0             | 0              | 0                | 0              |                                     |
| Banks                                 | 3 477         | 8 348          | 0                | 11 825         |                                     |
| Financial institutions                | 5 717         | 0              | 0                | 5 717          |                                     |
| Private institutions                  | 10 509        | 1 979          | 0                | 12 488         |                                     |
| <b>Total:</b>                         | <b>19 703</b> | <b>10 327</b>  | <b>0</b>         | <b>30 030</b>  | <b>11,37%</b>                       |
| <b>Securities of other countries:</b> | <b>21 939</b> | <b>57 825</b>  | <b>972</b>       | <b>80 736</b>  | <b>33,70%</b>                       |
| <b>Total securities portfolio:</b>    | <b>56 825</b> | <b>105 985</b> | <b>21 874</b>    | <b>184 684</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 129.8 m LVL. Majority of that – 123.4 m 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 (14.18% of Bank's shareholders' equity) and Latvia (13.82% 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.