

**2016** Public quarterly report  
1st Quarter 2016



**RIETUMU**  
BANK

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## 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

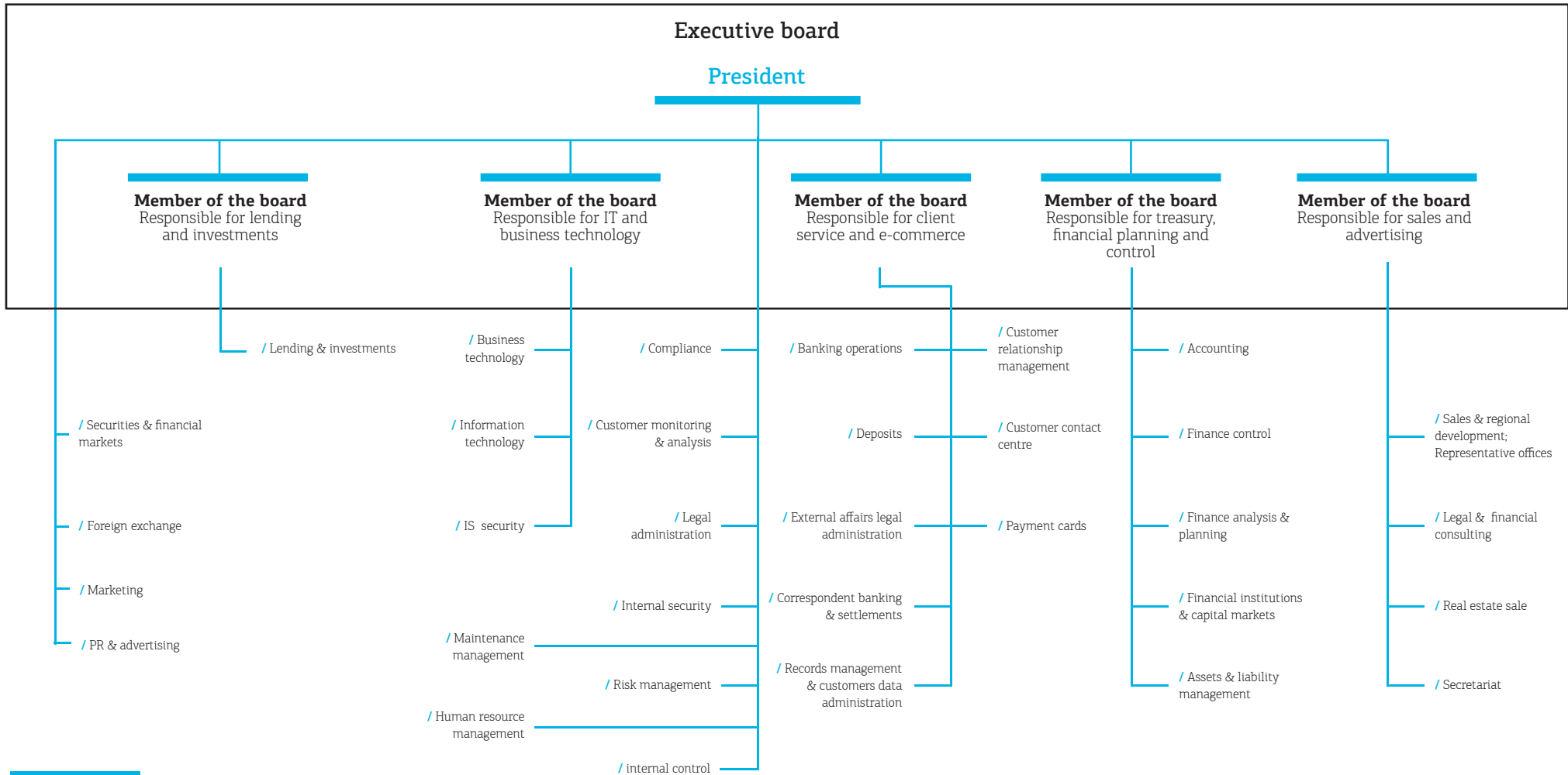
**Member of the board**  
Responsible for lending and investments

**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
<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>Companies residents, total</b>	<b>51 278 829</b>		<b>71 790 361</b>	<b>50.45%</b>
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%
<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 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.	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 novads, Zīlītes 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, Rūpniču 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
30.	TC Gaiļezers SIA	40103794744	LV	Latvija, Rīga, Vesetas ielā 7, 3.st.	PLS	100	100	MMS
31.	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.\*



## Income Statement

	000'EUR	
	31.03.2016 Non-audited	31.03.2015 Non-audited
Interest income	23 720	23 515
Interest expenses	-5 303	-5 210
Dividend income	68	-
Commission and fee income	16 784	17 615
Commission and fee expense	-6 535	-6 114
Net realised gain/ (loss) from financial assets and financial liabilities measured at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	41	14
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	14	73
Changes in fair value hedge accounting	-	-
Net result from foreign exchange trading and revaluation	5 203	5 757
Gain/ (loss) from sale of tangible and intangible fixed assets	13	-
Other income	723	1 181
Other expense	-443	-92
Administrative expense	-10 191	-13 474
Depreciation	-467	-431
Impairment expenses	-3 611	418
Change in allowances for credit losses	-	-
<b>PROFIT / (LOSS) BEFORE CORPORATE INCOME TAX</b>	<b>20 016</b>	<b>23 251</b>
Corporate income tax	-3 129	-3 762
<b>NET PROFIT / (LOSS)</b>	<b>16 887</b>	<b>19 489</b>



## Condensed Balance Sheet

		000'EUR	
			31.03.2016 Non-audited
			31.12.2015 Audited*
<b>ASSETS</b>			
Cash and demand deposits with central banks			781 566
Demand deposits from credit institutions			586 269
Financial assets held for trading			-
Financial instruments at fair value through profit or loss			925
Available-for-sale financial assets			582 953
Loans and receivables			1 083 546
	incl.	<i>loans gross</i>	1 167 258
		<i>Specific impairment allowance</i>	-83 712
Held-to-maturity investments			363 240
Reverse repo loans			128 551
Change of fair value of hedge portfolio			-
Prepaid expense and accrued income			2 037
Fixed assets			8 073
Investment property			8 453
Intangible assets			2 820
Investments in subsidiaries and associates			28 882
Tax assets			3 583
Other assets			17 591
<b>Total assets</b>			<b>3 598 489</b>
			<b>3 785 767</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Balances due to central banks			-
Demand deposits due to credit institutions			50 815
Financial liabilities held for trading (derivative financial liabilities)			-
Financial instruments at fair value through profit or loss			423
Financial liabilities at amortised value			3 097 829
	incl.	<i>deposits</i>	3 041 989
		<i>term deposits due to credit institutions</i>	807
		<i>debt securities issued</i>	55 033
Financial liabilities arising from financial asset transfer			-
Change of fair value of hedge portfolio			-
Tax liabilities			191
Accrued expenses and deferred income			15 405
Provisions			-
Other liabilities			1 094
<b>Total liabilities</b>			<b>3 165 757</b>
<b>Shareholders' equity</b>			<b>432 732</b>
	incl.	<i>paid-in share capital</i>	168 915
		<i>share premium</i>	52 543
		<i>reserve capital</i>	23
		<i>previous years profit/loss</i>	165 030
		<i>retained profit / loss</i>	16 887
		<i>fixed asset revaluation reserve</i>	-
		<i>available for sale financial assets revaluation reserve</i>	29 334
<b>Total liabilities and shareholders' equity</b>			<b>3 598 489</b>
			<b>3 785 767</b>
Contingent liabilities			8 063
Financial commitments			53 378

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





## Profitability ratios

	31.03.2016 Non-audited	31.12.2015 Audited*
ROE <sup>1</sup>	15.39%	20.31%
ROA <sup>2</sup>	1.84%	2.05%
Profit margin <sup>3</sup>	1.93%	1.99%
Cost/income ratio <sup>4</sup>	31.09%	30.84%

## Regulatory requirements and ratios

	31.03.2016 Non-audited	31.12.2015 Audited*
Liquidity ratio <sup>5</sup>	79.67%	80.46%
<i>note: mimum allowed by FCMC</i>	60.00%	60.00%
Capital adequacy ratio*	21.11%	19.43%
<i>note: mimum allowed by FCMC</i>	15.80%	15.80%

## Financial ratios

	31.03.2016 Non-audited	31.12.2015 Audited*
Equity to loan portfolio ratio	39.94%	37.58%
Loan portfolio to total assets ratio	30.11%	30.42%
Equity to total assets ratio	12.03%	11.43%
Deposits to loans ratio	280.74%	280.57%

<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 annual report for the year ended 31 December 2015.



## Report of equity and minimum capital requirements

		000'EUR
Code	Position description	000'EUR 31.03.2016
<b>1</b>	<b>Own funds (1.1.+1.2.)</b>	<b>451 038</b>
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	312 471
1.1.1.	Common equity tier 1 capital	312 471
1.1.2.	Additional tier 1 capital	-
1.2.	Tier 2 capital	138 567
<b>2</b>	<b>Total risk exposure amount(2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>2 136 268</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 869 609
2.2.	Settlement/delivery risk exposure amount	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	2 147
2.4.	Total risk exposure amount for operational risk	264 403
2.5.	Total risk exposure amount or credit valuation adjustment	109
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)	14.63
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	216 339
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	14.63
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	184 295
3.5.	Total capital ratio %(1./2.*100)	21.11
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	280 137
<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.	Systemical 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	14.63%
5.3.	Tier 1 capital ratio including Pillar II adjustments	14.63%
5.4.	Total capital ratio including Pillar II adjustments	21.11%

## Liquidity ratio calculation

		000'EUR
Code	Position description	000'EUR 31.03.2016
<b>1.</b>	<b>Liquid assets(1.1.+1.2.+1.3.+1.4.)</b>	<b>2 240 038</b>
1.1.	Cash	4 294
1.2.	Balances with Latvian Central Bank	777 272
1.3.	Loans to credit institutions	695 018
1.4.	Liquid securities	763 454
<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>2 811 676</b>
2.1.	Deposits from credit institutions	50 690
2.2.	Deposits	2 650 939
2.3.	Issued debt securities	-
2.4.	Money in transit	37 396
2.5.	Other current liabilities	21 869
2.6.	Off-balance sheet liabilities	50 782
<b>3.</b>	<b>Liquidity ratio (%) (1.:2.) (%)</b>	<b>79.67</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
31.03.2016 Non-audited Issuer	At fair value	For sale	Held to maturity	TOTAL:	% of shareholders' equity
<b>Latvia</b>					
Government obligations	-		1 746	1 746	
Investment funds	-	45 550	-	45 550	
Financial institutions	-	62	-	62	
Private institutions	116	-	-	116	
<b>Total:</b>	<b>116</b>	<b>45 612</b>	<b>1 746</b>	<b>47 474</b>	<b>11.95%</b>
<b>USA</b>					
Government obligations	-	4 413	-	4 413	
Investment funds	-	-	-	-	
Financial institutions	-	42 143	20 450	62 593	
Private institutions	-	56 133	55 821	111 954	
<b>Total:</b>	<b>0</b>	<b>102 689</b>	<b>76 271</b>	<b>178 960</b>	<b>45.06%</b>
<b>Russia</b>					
Government obligations	-	-	12 371	12 371	
Investment funds	-	-	-	-	
Financial institutions	-	16 117	14 200	30 317	
Private institutions	-	19 106	30 092	49 198	
<b>Total:</b>	<b>0</b>	<b>35 223</b>	<b>56 663</b>	<b>91 886</b>	<b>23.13%</b>
<b>Spain</b>					
Government obligations	-	50 008	-	50 008	
Investment funds	-	-	-	-	
Financial institutions	-	946	-	946	
Private institutions	-	528	-	528	
<b>Total:</b>	<b>0</b>	<b>51 482</b>	<b>0</b>	<b>51 482</b>	<b>12.96%</b>
<b>Great Britain</b>					
Government obligations	-	-	-	-	
Investment funds	-	-	-	-	
Financial institutions	-	34 058	7 181	41 239	
Private institutions	-	5 127	2 346	7 473	
<b>Total:</b>	<b>0</b>	<b>39 185</b>	<b>9 527</b>	<b>48 712</b>	<b>12.26%</b>
<b>Italy</b>					
Government obligations	-	45 003	-	45 003	
Investment funds	-	-	-	-	
Financial institutions	-	-	-	-	
Private institutions	-	-	-	-	
<b>Total:</b>	<b>0</b>	<b>45 003</b>	<b>0</b>	<b>45 003</b>	<b>11.33%</b>
<b>International financial corporations</b>	-	<b>33 325</b>	<b>10 611</b>	<b>43 936</b>	<b>11.06%</b>
<b>Securities of other countries:</b>	<b>65</b>	<b>230 443</b>	<b>86 980</b>	<b>317 488</b>	<b>79.94%</b>
<b>Total securities portfolio:</b>	<b>181</b>	<b>582 962</b>	<b>241 798</b>	<b>824 941</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 824,9 m. Majority of that – EUR 620,8 m – was invested in government and corporate obligations in Europe, Russia and USA. 66.61% 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, Great Britain and Italy (11.95%, 45.06%, 23.13%, 12.96%, 12.26% and 11.33% of Bank's shareholders' equity). Bank's investments in Spain government obligations constituted 12.59% of Bank's shareholders equity.

