

Rietumu was the first of the former "non-resident" banks to publicly announce the fundamental transformation of its business. As one of the primary focuses of the new strategy was mentioned lending to Latvian entrepreneurs.

In an interview with Dianas bizness, the head of the Rietumu Credit Department Arthur Juksh talks about how the bank sees itself in this market and what kind of original solutions it is ready to offer to local companies.

Chairman of the Board of Rietumu, Rolf Fuls, said in an interview that one of the priorities of Rietumu will be lending to local businesses. Does your bank have any know-how that will help in implementing this strategy?

Rietumu has always evolved as a corporate bank; we have our own clearly defined distinctiveness. Its main feature has always been a personal approach – we strive to understand the essence of the client's business deeply, understand and assess its risks, opportunities and prospects.

In practice, this means that we are willing to consider non-standard projects. We assess, on the one hand, the business idea itself, and on the other – the entrepreneur's experience and readiness to implement it. If both these key moments are evaluated positively, then we start working on the project and at each stage of its development. Bank specialists develop an optimal lending scheme, and at the same time, the bank can not only be a creditor, but also act as an investor, as well as to attract third-party investors.

Until now, Rietumu was not particularly noticeable in the domestic lending market. How do you assess your experience available so far?

We have, in fact, been operating in the Latvian market for a long time, for decades, just not in the segment of mass lending, and therefore, perhaps, appear less noticeable. The bank has a number of both completed and ongoing projects in real estate, energy, manufacturing, as well as financial technology areas. Those are both classical loans, and loans with an investment component.

We are supported by our expertise and a good team of specialists, as well as by our flexibility and independence. There is no need to be guided by templates, follow directives and orders received "from above". We can afford to go into details, conduct additional negotiations. All decisions are made here, in Riga, by the specialists with good knowledge of the local market. Therefore, the outcome, as a rule, is successful for both the bank and the client.

Is such "tailored" financing in demand in our market?

Certainly. After all, the classical, or more precisely – the standard loan implies clear conditions. For instance, an entrepreneur must provide at least 30-40% of his own funding. If one does not have such funds, then the loan is incredibly difficult to obtain. Accordingly, the idea, which, perhaps, is very good, remains on paper or is late with the implementation.

In the case of complex financing, an entrepreneur can invest in the implementation of the project, say, 10-15% of their own funds. Both sides win: the author of the idea – the entrepreneur, and the bank that receives income higher than the standard one. Of course, such projects require much more "in-depth study" from us, but we are ready for this.

What business segments in Latvia are developing most rapidly?

One of the most interesting is FinTech, new companies in the area of financial technology. Thanks to innovative solutions, they are very quickly gaining popularity all over the world. This trend is also evident in Latvia. In recent years, we have had real brands in this industry, which quickly entered the international market and became recognised in many other countries of Europe.

This is a completely new business perspective, a new reality that we all need to get used to. The progress here is rapid, and the bank is very interested in this segment.

What other businesses are doing well in Latvia?

Take, for example, the development of residential real estate in Riga, especially in the mid-range category: housing prices in new buildings go up, new projects are developing, new apartments are being sold.

I would describe what is happening now in this market as the effect of deferred demand. During the crisis, according to some sources, in Riga only, there were about 30 thousand units of unsold new property. And it could take years until all these apartments and houses find new owners. We all remember how almost nothing was built for several years, and gradually the trend has changed in the opposite direction. Today we see a lot of new buildings, and these new projects are in high demand.

There is a whole combination of factors: an increase in the income level of the population, an increase in salaries, the inflow of funds from our expats abroad, who work there. By the way, another interesting trend has emerged. We have noticed that some of those Latvians, who at some point left for work, are now looking out for a suitable property for themselves to return to Latvia and spend their "Third Age" here.

So, we as a bank participate with pleasure in development projects. Apartments are now sold in several new residential complexes in Riga and the Greater Riga Region, where Rietumu acted as co-investor. At the same time, we remember well the overheating in the housing market in 2007-2008, and we evaluate the business plan of each project with a certain degree of conservatism.

How do you feel about the segment of commercial real estate?

We feel positive about all segments that have both growth and earnings potential for the bank, and commercial real estate is not an exception here.

This segment of real estate accounts for the lion's share of the bank's loan portfolio, and there are ongoing projects not only in Latvia, but also in neighbouring Estonia,

where the bank finances the construction of the residential and office complex Kadrioru Plaza in the centre of Tallinn.

Are you planning to extend the lending activities outside Latvia as well?

We have extensive lending experience in a dozen different regions – from the United Kingdom and Ireland to Kazakhstan and Azerbaijan. It would be unwise not to use it. But again, we are now looking at these markets primarily through a lens of our own, the Latvian business.

I mean the so-called cross-border lending, financing of projects of local companies with which they enter new, foreign markets. To issue such a loan, the bank must have experience in this market, understand its features and relations. We have it all, and in this again, we differ from many others.

Are there any other specific areas?

One of the most interesting areas is the financing of deals on buying the company's shares by management. It is a fairly common format in the West, called a management buyout. For Latvia, it is still a new phenomenon, and it has all the prerequisites for development.

Our economy is becoming more mature, the culture of doing business is changing. While in the formative years of entrepreneurship it was natural that almost all decisions in the company were taken by its owner, now more and more considerable authority is delegated to hired management. And the consequence of this will be that, at a certain stage, business owners will decide to retire, and hired managers who already have excellent management experience will have a desire to buy out the business.

Now this process, according to our observations, is right in its initial phase: some entrepreneurs who started in the 90s are ready to sell the shares in their companies, and the management is interested in buying them. We are quite interested in such transactions from the point of view of financing.

What, in your opinion, makes you mainly attractive as a lending bank and as an investment bank?

Above all else, our mission is to help local businesses develop. To expand business here in Latvia, to realise bold new plans, to enter new markets.

We live in interesting times, when the most unusual idea can "make a hit". And we, for our part, are ready to provide the means for its implementation. For this, we have the experience, the resources, and the aspiration.