

2016 Public quarterly report
3rd 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>



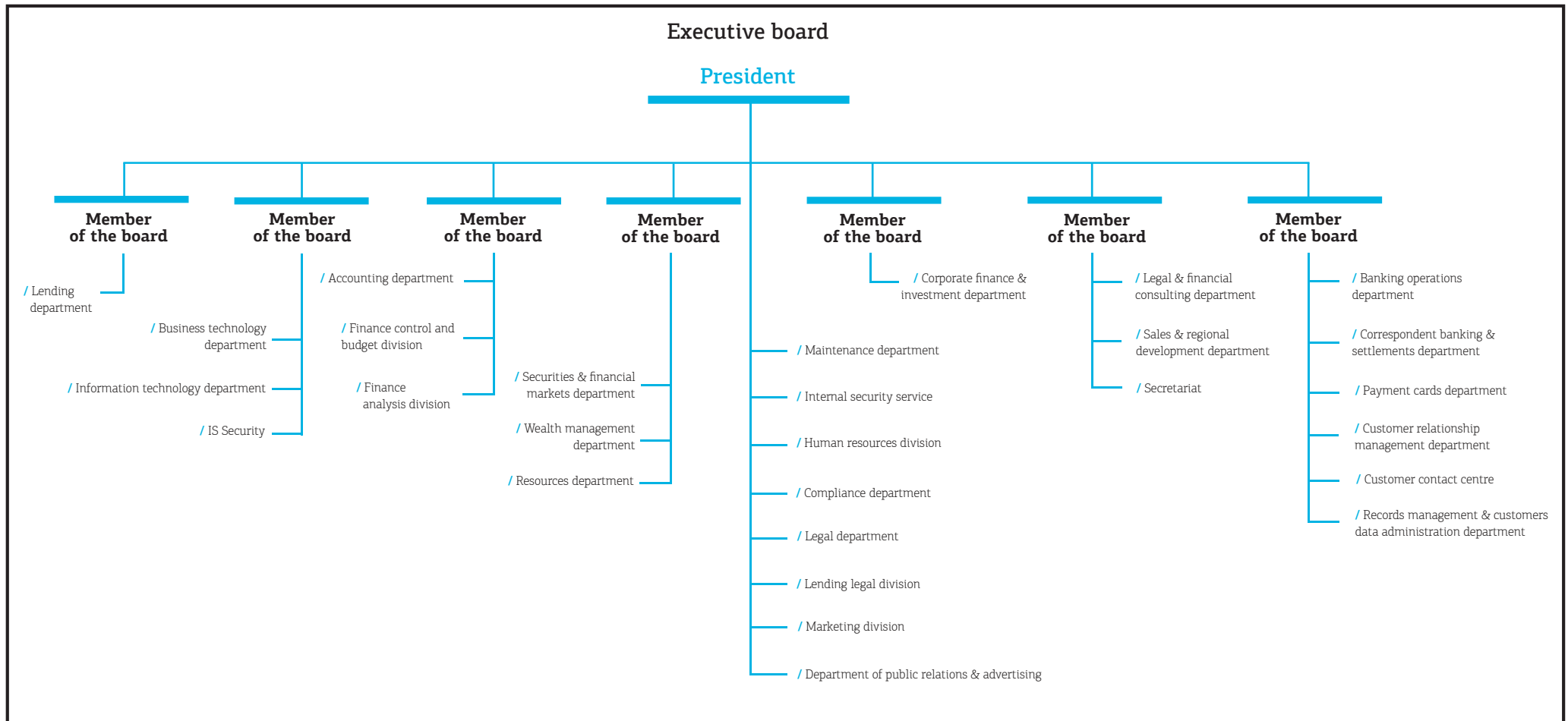
The structure of JSC "Rietumu Banka"

Council of the bank

Internal audit

Executive board

President



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(05/10/16-05/10/19)
Ruslans Stecjuks	Member of the Board, First Vice President	18/10/10(05/10/16-05/10/19)
Rolf Paul Fuls	Member of the Board, First Vice President	26/11/10(05/10/16-05/10/19)
Jevgenijs Djugajevs	Member of the Board, Senior Vice President	18/10/10(05/10/16-05/10/19)
Ilja Suharenko	Member of the Board, Senior Vice President	18/10/10(05/10/16-05/10/19)
Natalia Perhova	Member of the Board, Senior Vice President	05/10/16(05/10/16-05/10/19)
Jelena Buraja	Member of the Board, Senior Vice President	05/10/16(05/10/16-05/10/19)
Aleksandrs Voloshins	Member of the Board, Senior Vice President	05/10/16(05/10/16-05/10/19)



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.	SIA "RB Investments"	LV-40003669082	LV	Latvija, Rīga, Vesetas ielā 7	CFI	100	100	MS
2.	SIA "FRB Elektro"	LV-40103182896	LV	Latvija, Rīga, Vesetas ielā 7, 3.st.	CFI	85	85	MMS
3.	SIA "KI Zeme"	LV-40103161581	LV	Latvija, Rīga, Vesetas ielā 7	PLS	100	100	MMS
4.	SIA "KI Nekustamie īpašumi"	LV-40103182129	LV	Latvija, Rīga, Vesetas ielā 7	PLS	100	100	MMS
5.	RB Opportunity Fund I	06030525245	LV	Latvija, Rīga, Vesetas iela 7	CFI	100	100	MS
6.	SIA "Lilijas 28"	LV-40103252765	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
7.	SIA "M322"	LV-40103247406	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
8.	SIA "Aristīda Briāna 9"	LV-40003780729	LV	Latvija, Rīga, Aristīda Briāna iela 9	PLS	100	100	MMS
9.	SIA "H-Blok"	LV-40003839376	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
10.	SIA "Deviņdesmit seši"	LV-40003492087	LV	Latvija, Jūrmala, Jūras iela 56	PLS	100	100	MMS
11.	SIA "Ventio"	LV-41203010746	LV	Latvija, Jūrmala, Jūras iela 56	PLS	100	100	MMS
12.	SIA "Route 96"	LV-40003856126	LV	Latvija, Mārupes novads, Zilītes 1	PLS	100	100	MMS
13.	SIA "Vangažu Nekustamie īpašumi"	LV-40103463243	LV	Latvija, Inčukalna novads, Vangaži, Gaujas iela 24/34	PLS	100	100	MMS
14.	SIA "D 47"	LV-40103458986	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
15.	SIA "Vesetas 7"	LV-40103182735	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MS
16.	SIA "Rietumu leasing"	100188077	BY	Baltkrievija, Minska, Odojevskogo iela 117, 6.st., 9.kab.	LIZ	100	100	MS
17.	SIA "InCREDIT GROUP"	LV-40103307404	LV	Latvija, Rīga, Kr.Barona iela 130	CFI	51	51	MS
18.	SIA "Elektro Bizness"	LV-40003614811	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
19.	SIA "Green Energy Trio"	LV-55403023741	LV	Latvija, Jēkabpils, Madonas iela 6	PLS	100	100	MMS
20.	IOOO "Interrent"	190816938	BY	Baltkrievija, Minska, Kuļmana iela 5B, 4.stāvs, 6.kab."	PLS	100	100	MMS
21.	SIA "Ilukstes siltums"	LV-41503060271	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
22.	SIA Ekosil	LV-40103791625	LV	Latvija, Rīga, Garozes iela 25-1	PLS	100	100	MMS
23.	U-10 SIA	50103841951	LV	Latvija, Rīga, Garozes iela 25-1	PLS	67	67	MMS
24.	SIA KINI LAND	40103703726	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
25.	SIA ESP European Steel Production	40103266905	LV	Latvija, Olaine, Rūpnīcu iela 4	PLS	100	100	MMS
26.	RAM Fund-Fixed Income Investment Grade USD	20.08.2014/166	LV	Latvija, Rīga, Vesetas iela 7	CFI	37.26	37.26	CT
27.	Penrox Petroleum	40003970050	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
28.	SIA Ekoagro	40003741971	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	
	30.09.2016 Non-audited	30.09.2015 Non-audited
Interest income	69 189	72 056
Interest expenses	-17 479	-16 011
Dividend income	959	2 332
Commission and fee income	49 766	50 987
Commission and fee expense	-19 135	-19 178
Net realised gain/ (loss) from financial assets and financial liabilities measured at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	31 479	128
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	68	45
Changes in fair value hedge accounting	-	-
Net result from foreign exchange trading and revaluation	16 543	18 495
Gain/ (loss) from sale of tangible and intangible fixed assets	-	9
Other income	2 829	2 613
Other expense	-179	-124
Administrative expense	-33 379	-33 232
Depreciation	-1 384	-1 317
Net allowance for impairment loss	-	-
Impairment losses	-14 603	-10 532
PROFIT / (LOSS) BEFORE CORPORATE INCOME TAX	84 674	66 271
Corporate income tax	-5 784	-9 940
NET PROFIT / (LOSS)	78 890	56 331



Bank's Condensed Balance Sheet

	000'EUR	
	30.09.2016 Non-audited	31.12.2015 Audited*
ASSETS		
Cash and demand deposits with central banks	733 910	881 816
Demand deposits from credit institutions	427 919	840 803
Financial assets held for trading	-	-
Financial instruments at fair value through profit or loss	1 052	1 166
Available-for-sale financial assets	581 134	529 789
Loans and receivables	1 085 304	1 151 789
	<i>t.sk.</i>	<i>loans gross</i>
	1 170 961	1 243 437
	<i>Specific impairment allowance</i>	-91 648
Held-to-maturity investments	390 723	217 901
Reverse repo loans	131 960	88 566
Change of fair value of hedge portfolio	-	-
Prepaid expense and accrued income	1 555	14 953
Fixed assets	8 024	8 150
Investment property	10 315	8 447
Intangible assets	2 496	2 910
Investments in subsidiaries and associates	29 962	28 882
Tax assets	3 158	3 218
Other assets	17 155	7 377
Total assets	3 424 667	3 785 767
LIABILITIES AND SHAREHOLDERS' EQUITY		
Balances due to central banks	120 000	-
Demand deposits due to credit institutions	25 240	49 710
Financial liabilities held for trading (derivative financial liabilities)	-	-
Financial instruments at fair value through profit or loss	338	19
Financial liabilities at amortised value	2 791 861	3 288 343
	<i>incl.</i>	<i>deposits</i>
	2 735 106	3 231 558
	<i>term deposits due to credit institutions</i>	0
	<i>debt securities issued</i>	55 734
Financial liabilities arising from financial asset transfer	-	-
Change of fair value of hedge portfolio	-	-
Tax liabilities	710	191
Accrued expenses and deferred income	14 469	8 791
Provisions	-	-
Other liabilities	393	5 872
Total liabilities	2 953 011	3 352 926
Shareholders' equity	471 656	432 841
	<i>incl.</i>	<i>paid-in share capital</i>
	168 915	168 916
	<i>share premium</i>	52 543
	52 543	52 543
	<i>reserve capital</i>	23
	23	23
	<i>previous years profit/loss</i>	165 030
	165 030	113 803
	<i>retained profit / loss</i>	78 890
	78 890	72 179
	<i>fixed asset revaluation reserve</i>	-
	-	-
	<i>available for sale financial assets revaluation reserve</i>	6 255
	6 255	25 377
Total liabilities and shareholders' equity	3 424 667	3 785 767
Contingent liabilities	7 303	9 661
Financial commitments	34 727	39 096

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



Bank's Profitability ratios

	30.09.2016 Non-audited	31.12.2015 Audited*
ROE ¹	23.54%	20.31%
ROA ²	2.95%	2.05%
Profit margin ³	2.10%	1.99%
Cost/income ratio ⁴	25.93%	30.84%

Bank's Regulatory requirements and ratios

	30.09.2016 Non-audited	31.12.2015 Audited*
Liquidity ratio ⁵	78.27%	80.46%
<i>note: mimum allowed by FCMC</i>	60.00%	60.00%
Capital adequacy ratio*	20.45%	19.43%
<i>note: mimum allowed by FCMC</i>	15.80%	15.80%

Bank's Financial ratios

	30.09.2016 Non-audited	31.12.2015 Audited*
Equity to loan portfolio ratio	43.46%	37.58%
Loan portfolio to total assets ratio	31.69%	30.42%
Equity to total assets ratio	13.77%	11.43%
Deposits to loans ratio	252.01%	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 Annualised net interest income over average total assets

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 31 December 2015.



Report of equity and minimum capital requirements

Code	Position description	000'EUR 30.09.2016
1	Own funds (1.1.+1.2.)	432 655
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	299 878
1.1.1.	Common equity tier 1 capital	299 878
1.1.2.	Additional tier 1 capital	-
1.2.	Tier 2 capital	132 777
2	Total risk exposure amount(2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	2 116 041
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 845 131
2.2.	Settlement/delivery risk exposure amount	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	6 378
2.4.	Total risk exposure amount for operational risk	264 403
2.5.	Total risk exposure amount or credit valuation adjustment	128
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)	14.17
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	204 657
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	14.17
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	172 916
3.5.	Total capital ratio (%) (1./2.*100)	20.45
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	263 372
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	14.17%
5.3.	Tier 1 capital ratio including Pillar II adjustments	14.17%
5.4.	Total capital ratio including Pillar II adjustments	20.45%

Liquidity ratio calculation

Code	Position description	000'EUR 30.09.2016
1.	Liquid assets(1.1.+1.2.+1.3.+1.4.)	1 943 734
1.1.	Cash	3 282
1.2.	Balances with Latvian Central Bank	730 627
1.3.	Loans to credit institutions	524 608
1.4.	Liquid securities	685 217
2.	Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	2 483 441
2.1.	Deposits from credit institutions	25 240
2.2.	Deposits	2 374 371
2.3.	Issued debt securities	-
2.4.	Money in transit	32 610
2.5.	Other current liabilities	18 600
2.6.	Off-balance sheet liabilities	32 621
3.	Liquidity ratio (%) (1.:2.) (%)	78.27
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
30.09.2016 Non-audited Issuer	At fair value	For sale	Held to maturity	TOTAL:	% of shareholders' equity
Latvia					
Government obligations	-		1 784	1 784	
Investment funds	-	44 842	-	44 842	
Financial institutions	-	62	-	62	
Private institutions	153	-	-	153	
Total:	153	44 904	1 784	46 841	10.83%
USA					
Government obligations	-	4 496	-	4 496	
Investment funds	-	-	-	-	
Financial institutions	-	30 193	24 170	54 363	
Private institutions	-	58 443	70 085	128 528	
Total:	0	93 132	94 255	187 387	43.31%
Russia					
Government obligations	-	-	12 622	12 622	
Investment funds	-	-	-	-	
Financial institutions	-	16 863	14 527	31 390	
Private institutions	-	16 977	31 011	47 988	
Total:	0	33 840	58 160	92 000	21.26%
Spain					
Government obligations	-	50 046	-	50 046	
Investment funds	-	-	-	-	
Financial institutions	-	959	-	959	
Private institutions	-	1 788	-	1 788	
Total:	0	52 793	0	52 793	21.20%
Italy					
Government obligations	-	100 029	-	100 029	
Investment funds	-	-	-	-	
Financial institutions	-	461	-	461	
Private institutions	-	-	-	-	
Total:	0	100 490	0	100 490	23.23%
International financial corporations	-	43 476	14 225	57 701	13.34%
Securities of other countries	67	212 497	110 758	323 322	74.73%
Total securities portfolio:	220	581 132	279 182	860 534	

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 860.5 m. Majority of that – EUR 514.8 m – was invested in government and corporate obligations in Europe, Russia and USA. 77.67% 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 (10,83%, 43,31%, 21,26%, 12,20% and 23,23% of Bank's shareholders' equity). Bank's investments in Spain and Italy government obligations constituted 11,56% and 23,20% of Bank's shareholders equity.

