

Public report

for the 2nd quarter 2015

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 RIETUMU

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Mission

The Bank offers qualitative and intellectual financial services for dynamically growing enterprises and high net worth individuals from Latvia, CIS and Europe as well as from other countries worldwide.

The Bank aims to provide premium quality service, hear and understand each client, his/her needs and specificity and offer the most suitable, and effective solution.

Vision

The Bank has to strengthen leading positions in the area of capital management and corporate client service in Latvia and regional level.

The Bank plans to increase efficiency ratios and to strengthen its market position with an aim to ensure stable profitability. Bank aims on stable growth, supported by efficient internal technological and administrative infrastructure.

The Bank plans to continue to improve the control and risk management systems, personnel training and professional development of all employees.

Rietumu is a Latvian bank with social responsibility towards its home country through operations of dedicated Rietumu Labdarības Fonds.

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.

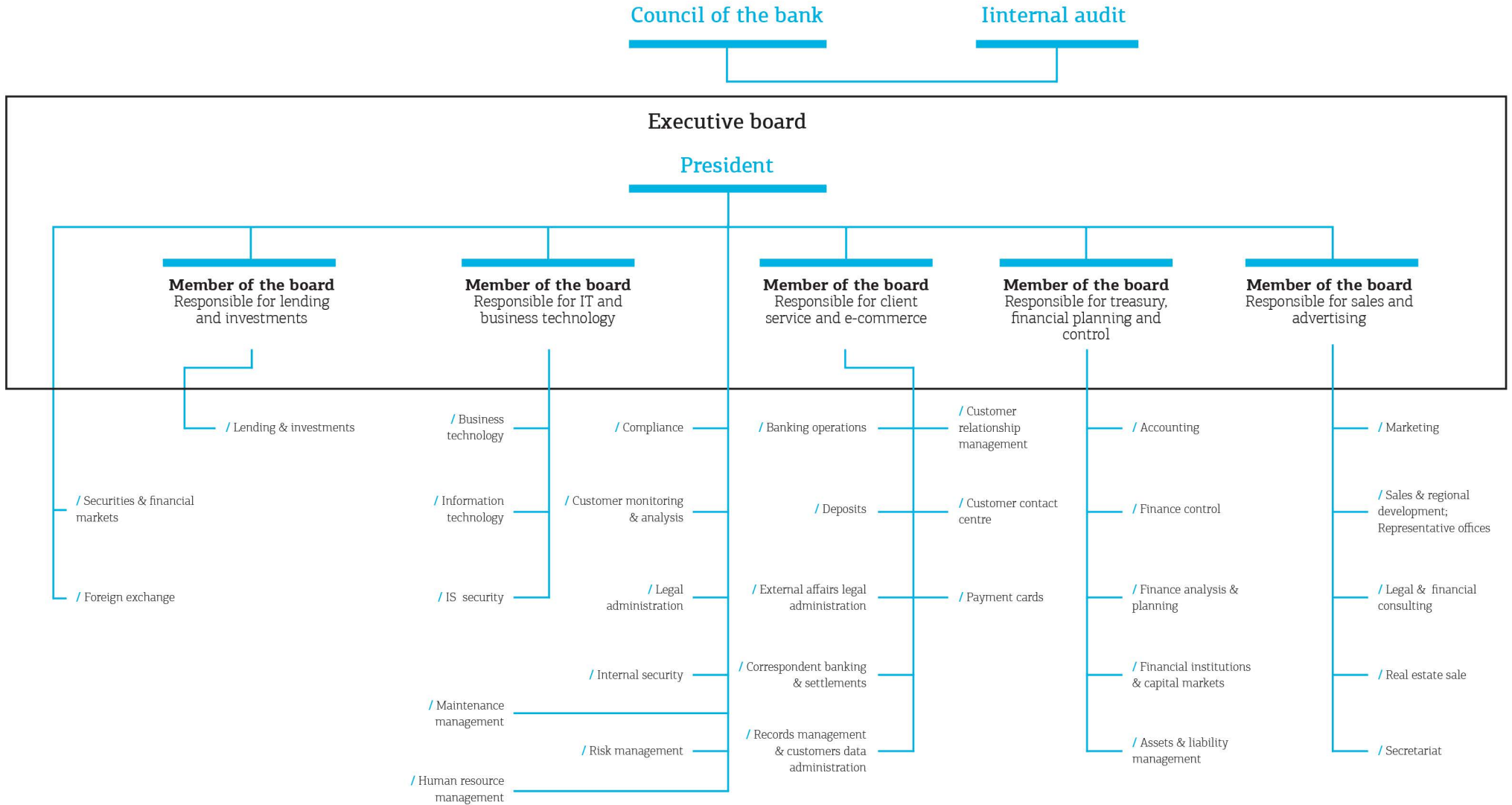
Bank offices

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	Number of voting shares	The nominal value of shares in EUR	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	16 434 863	1,4	23 008 808	
Paid-in share capital total	118 068 563		165 295 988	

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	18/10/10(10/10/13-10/10/16)
Ruslans Stecjuks	Member of the Board, First Vice President	18/10/10(10/10/13-10/10/16)
Jevgenijs Djugajevs	Member of the Board, Senior Vice President	18/10/10(10/10/13-10/10/16)
Ilja Suharenko	Member of the Board, Senior Vice President	18/10/10(10/10/13-10/10/16)
Rolf Paul Fuls	Member of the Board, Senior Vice President	26/11/10(10/10/13-10/10/16)
Renats Lokomets	Member of the Board, Senior Vice President	10/12/12(10/10/13-10/10/16)



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 Ltd	HE-78731	CY	Cyprus, Nicosia, Stasinou 1, Mitsi Building 1, 2nd floor, Flat/Office 5, Plateia Eleftherias	CFI	99,99	99,99	MS
2.	Oschadna Company LLC	35159882	UA	Ukraina, Kijeva, Vozdvizenskaja 52-54 A Nr.13	CFI	67	67	MMS
3.	Aleksandra Muiža SIA	40103892782	LV	Latvija, Rīga, Brīvības iela 91-23	PLS	100	100	MMS
4.	Vangažu Nekustamie Īpašumi-2 SIA	40103449678	LV	Latvija, Rīga, Vesetas iela 7, 3.st.	PLS	100	100	MMS
5.	RB Lending Services Limited	HE149825	CY	Cyprus, Nicosia, Stasinou 1, Mitsi Building 1 floor, Flat/Office 4, Plateia Eleftherias	CFI	100	100	MMS
6.	RB Investments SIA	40003669082	LV	Latvija, Rīga, Vesetas iela 7	CFI	100	100	MS
7.	FRB Elektro SIA	40103182896	LV	Latvija, Rīga, Vesetas iela 7, 3.st.	CFI	85	85	MMS
8.	KI Zeme SIA	40103161381	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
9.	KI Nekustamie īpašumi SIA	40103182129	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
10.	Miera 30C SIA	40103267845	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
11.	RB Commercial Consulting (Shanghai) Co. Ltd.	310000400679524	CN	Ķīna, Šanhaja, Huangpu District, 555 Xujiahui Road, Office Building, 5F Room A	CFI	100	100	MMS
12.	RB Opportunity Fund I	06030525245	LV	Latvija, Rīga, Vesetas iela 7	CFI	100	100	CT
13.	Lilijas 28 SIA	40103252765	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
14.	M322 SIA	40103247406	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
15.	Aristīda Briāna SIA	40003780729	LV	Latvija, Rīga, Aristīda Briāna iela 9	PLS	100	100	MMS
16.	H-Blok SIA	40003839376	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
17.	Devīpdesmit seši SIA	40003492087	LV	Latvija, Jūrmala, Jomas iela 86	PLS	100	100	MMS
18.	Ventio SIA	41203010746	LV	Latvija, Ventspils, Skolas iela 6	PLS	100	100	MMS
19.	Route 96 SIA	40003856126	LV	Latvija, Rīgas rajons, Mārupes pagasts, Ziltes iela 1	PLS	100	100	MMS
20.	Vangažu Nekustamie īpašumi SIA	40103463243	LV	Latvija, Inčukalna novads, Vangaži, Gaujas iela 24/34	PLS	100	100	MMS
21.	D 47 SIA	40103458986	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
22.	Euro Textile Group SIA	40003660929	LV	Latvija, Rīga, Ganību dambis 30	PLS	100	100	MS
23.	Vesetas 7 SIA	40103182735	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MS
24.	Overseas Estates SIA	40003943207	LV	Latvija, Ventspils, Dzintaru iela 3A	PLS	100	100	MS
25.	Rietumu Lizing OOO	100188077	BY	Baltkrievija, Minska, Odojevska iela 117, 6.st., 9.birojs	LIZ	100	100	MS
26.	Westleasing Limited joint company	190510668	BY	Baltkrievija, Minska, Odojevska iela 117, 6.st., 19.birojs	LIZ	100	100	MS
27.	RB Drošība SIA	40003780752	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MS
28.	INCREDIT GROUP SIA	40103307404	LV	Latvija, Rīga, Kr.Barona iela 130	LIZ	51	51	MS



/ 7 Bankas Konsolidācijas grupas sastāvs

Continuation

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**
29.	RB Baki SIA	1701269651	AZ	Ataturka prospekts 2-9, Baku, Azerbaidžāna	CFI	100	100	MS
30.	Rietumu Asset Management AS IPS	40103753360	LV	Latvija, Rīga, Veetas iela 7	IPS	100	100	MS
31.	SBD SIA	40003868002	LV	Latvija, Rīga, Veetas iela 7	PLS	66.89	66.89	MS
32.	Langervaldes 2 SIA	40103701960	LV	Latvija, Rīga, Veetas iela 7	PLS	100	100	MS
33.	Elektro bizness SIA	40003614811	LV	Latvija, Rīga, Veetas iela 7	PLS	85	85	MMS
34.	Green Energy Trio SIA	55403023741	LV	"Latvija, Jēkabpils, Madonas iela 6"	PLS	85	85	MMS
35.	Interrent OOO	190816938	BY	"Baltkrievija, Minska, Kuļmana iela 5B, 4.stāvs, 6.kab."	PLS	100	100	MMS
36.	Ilūkstes siltums SIA	41503060271	LV	Latvija, Rīga, Veetas iela 7	PLS	85	85	MMS
37.	RB Namu Serviss SIA	40103169629	LV	Latvija, Rīga, Veetas iela 7	PLS	100	100	MS
38.	Multi Pluss SIA	40003636787	LV	Latvija, Rīga, Veetas iela 7	PLS	100	100	MMS
39.	Ekosil SIA	40103791625	LV	Latvija, Rīga, Garozes iela 25-1	PLS	85	85	MMS
40.	U-10 SIA	50103841951	LV	Latvija, Rīga, Garozes iela 25-1	PLS	67	67	MMS
41.	KI Invest SIA	1157746168007	RU	Krievija, Maskava, Nauchnyi šķērsiela, 19-12, 8.stāvs	PLS	100	100	MS
42.	Rietumu Consulting Ltd.	515239549	IL	34rd floor Moshe Aviv Tower, No. 7 Zabutinski St and No. 2 Abba, Israel	PLS	100	100	MMS
43.	Rietumu Bankas labdarības fonds	40008114048	LV	Latvija, Rīga, Veetas iela 7	PLS	100	100	CT
44.	RAM Cash Reserve Fund USD	23.07.2014/148	LV	Latvija, Rīga, Veetas iela 7	CFI	99.56		CT
45.	RAM Fund-Fixed Income High Yield USD	20.08.2014/166	LV	Latvija, Rīga, Veetas iela 7	CFI	59.50		CT
46.	RAM Fund-Fixed Income Investment Grade USD	20.08.2014/166	LV	Latvija, Rīga, Veetas iela 7	CFI	33.60		CT
47.	RAM Fund-Global Equity USD	20.08.2014/166	LV	Latvija, Rīga, Veetas iela 7	CFI	58.93		CT

* 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	
	30/06/15 Audited*	30/06/14 Audited*
Interest income	48 138	42 420
Interest expenses	-10 563	-9 367
Dividend income	2 330	2 224
Commission and fee income	33 433	30 481
Commission and fee expense	-12 626	-9 330
Net realised gain/ (loss) from financial assets and financial liabilities measured at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	119	407
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	65	192
Changes in fair value hedge accounting	-	-
Net result from foreign exchange trading and revaluation	12 114	10 427
Gain/ (loss) from sale of tangible and intangible fixed assets	6	3
Other income	1 082	975
Other expense	-87	-65
Administrative expense	-21 777	-16 243
Depreciation	-875	-699
Net allowances	-	-
Impairment losses	-8 330	-7 095
PROFIT / (LOSS) BEFORE CORPORATE INCOME TAX	43 029	44 330
Corporate income tax	-5 412	-6 687
NET PROFIT / (LOSS)	37 617	37 643

*Information has been prepared based on data from the audited reports for the period ended 30 June 2014 and 30 June 2015.



Balance Sheet

		000'EUR	
			30/06/15 Audited*
			31/12/14 Audited*
ASSETS			
Cash and demand deposits with central banks			832 823
Demand deposits from credit institutions			645 088
Financial assets held for trading			-
Financial instruments at fair value through profit or loss			4 713
Available-for-sale financial assets			514 139
Loans and receivables			1 153 662
	<i>t.sk.</i>	<i>loans gross</i>	1 249 168
		<i>Specific impairment allowance</i>	-95 506
Held-to-maturity investments			211 869
Reverse repo loans			199 420
Change of fair value of hedge portfolio			-
Prepaid expense and accrued income			1 943
Fixed assets			6 359
Investment property			7 403
Intangible assets			2 404
Investments in subsidiaries and associates			28 870
Tax assets			420
Other assets			20 006
Total assets			3 629 119
			3 475 041
LIABILITIES AND SHAREHOLDERS' EQUITY			
Balances due to central banks			-
Demand deposits due to credit institutions			26 214
Financial liabilities held for trading (derivative financial liabilities)			-
Financial instruments at fair value through profit or loss			80
Financial liabilities at amortised value			3 210 311
	<i>incl.</i>	<i>deposits</i>	3 189 229
		<i>term deposits due to credit institutions</i>	795
		<i>debt securities issued</i>	20 287
Financial liabilities arising from financial asset transfer			-
Change of fair value of hedge portfolio			-
Tax liabilities			645
Deferred income and accrued expense			29 353
Provisions			-
Other liabilities			134
Total liabilities			3 266 737
Shareholders' equity			362 382
	<i>incl.</i>	<i>paid-in share capital</i>	165 296
		<i>share premium</i>	43 623
		<i>reserve capital</i>	23
		<i>previous years profit/loss</i>	113 803
		<i>retained profit / loss</i>	37 617
		<i>fixed asset revaluation reserve</i>	-
		<i>available for sale financial assets revaluation reserve</i>	2 020
Total liabilities and shareholders' equity			3 629 119
			3 475 041
		<i>Contingent liabilities</i>	8 814
		<i>Financial commitments</i>	56 864

*Information has been prepared based on data from the audited reports for the period ended 31 December 2014 and 30 June 2015



Profitability ratios

	30/06/15 Audited*	31/12/14 Audited*
ROE ¹	21,94%	24,01%
ROA ²	2,12%	2,24%
Profit margin ³	58,14%	57,26%
Cost/income ratio ⁴	30,61%	27,72%

Regulatory requirements and ratios

	30/06/15 Audited*	31/12/14 Audited*
Liquidity ratio ⁵	76,59%	77,65%
<i>note: mimum allowed by FCMC</i>	60,00%	60,00%
Capital adequacy ratio*	19,04%	18,91%
<i>note: mimum allowed by FCMC</i>	15,80%	15,80%

Financial ratios

	30/06/15 Audited*	31/12/14 Audited*
Equity to loan portfolio ratio	31,41%	29,72%
Loan portfolio to total assets ratio	31,79%	31,31%
Equity to total assets ratio	9,99%	9,31%
Deposits to loans ratio	276,44%	285,66%

¹ Annualised profit/loss for the reporting period over average equity

² Annualised profit/loss for the reporting period over average assets

³ Profit before corporate income tax over operating income

⁴ Expenses over income (Administrative expenses + depreciation and amortization of intangible assets and fixed assets cost) / (net interest income + dividend income + net commission and gain/loss arising from dealing in financial instruments + result of financial instrument revaluation + other ordinary income - other ordinary expenses + financial assets available for sale negative revaluation reserve)*100

⁵ Liquidity ratio = Liquid assets/current liabilities (with maturity up to 30 days), where Liquid assets = vault cash + claims on central banks and other credit institutions + fixed-income debt securities of central governments, while Current liabilities – claim liabilities and liabilities with a residual maturity not exceeding 30 days.

*Information has been prepared based on data from the audited reports for the period ended 31 December 2014 and 30 June 2015



Report of equity and minimum capital requirements

		000'EUR
Code	Position description	30/06/15
1	Own funds (1.1.+1.2.)	392 784
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	254 336
1.1.1.	Common equity tier 1 capital	254 336
1.1.2.	Additional tier 1 capital	-
1.2.	Tier 2 capital	138 448
2	Total risk exposure amount(2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	2 063 284
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 827 876
2.2.	Settlement/delivery risk exposure amount	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	4 580
2.4.	Total risk exposure amount for operational risk	230 707
2.5.	Total risk exposure amount or credit valuation adjustment	121
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)	12,33
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	161 488
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	12,33
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	130 539
3.5.	Total capital ratio (%) (1./2.*100)	19,04
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	227 721
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.	Systemical 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 mentioned in line 5.1.	12,33%
5.3.	Tier 1 capital ratio including Pillar II adjustments mentioned in line 5.1.	12,33%
5.4.	Total capital ratio including Pillar II adjustments mentioned in line 5.1.	19,04%

Liquidity ratio calculation

		000'EUR
Code	Position description	30/06/15
1.	Liquid assets(1.1.+1.2.+1.3.+1.4.)	2 206 642
1.1.	Cash	4 408
1.2.	Balances with Latvian Central Bank	828 415
1.3.	Loans to credit institutions	738 551
1.4.	Liquid securities	635 268
2.	Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	2 881 212
2.1.	Deposits from credit institutions	25 947
2.2.	Deposits	2 732 910
2.3.	Issued debt securities	-
2.4.	Money in transit	59 347
2.5.	Other current liabilities	15 130
2.6.	Off-balance sheet liabilities	47 878
3.	Liquidity ratio (%) (1.:2.) (%)	76,59
4.	Minimum liquidity ratio (%)	30%



Risk management can be found in the last annual report:

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



Analysis of the Bank's securities portfolio distribution

Bank's securities portfolio breakdown by country in which the total book value of the securities issued exceeds 10% of the Bank's shareholders equity.

000'EUR

30.06.2015 Non-audited Issuer	At fair value	Available-for-sale	Held to maturity	TOTAL	% of shareholders' equity
Latvia					
Government obligations	-		1 785	1 785	
Investment funds	-	45 965	-	45 965	
Financial institutions	-	62	-	62	
Private institutions	112	-	-	112	
Total:	112	46 028	1 785	47 925	12,20%
USA					
Government obligations	-	268 118	-	268 118	
Investment funds	-	-	-	-	
Financial institutions	-	6 094	13 093	19 186	
Private institutions	-	17 093	30 461	47 553	
Total:	0	291 304	43 553	334 858	85,25%
Russia					
Government obligations	-	-	12 796	12 796	
Investment funds	-	-	-	-	
Financial institutions	918	20 203	14 510	35 631	
Private institutions	-	18 970	30 037	49 007	
Total:	918	39 174	57 344	97 435	24,81%
Securities of other countries:	2 778	137 633	85 251	225 662	57,45%
Total securities portfolio:	3 808	514 139	187 932	705 879	

During the reporting period, 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 705,9 m. Majority of that – EUR 573,4 m – was invested in government and corporate obligations in Europe, Russia and USA. 68.60% of the investment was made in securities with investment grade credit ratings. The biggest concentration of investments by country was in Latvia, USA and Russia (12.20%, 85.25% and 24.81% of Bank's shareholders' equity). Bank's investments in USA government obligations constituted 68.26% of Bank's shareholders equity.

