

**2016** Public quarterly report  
4th Quarter 2016



RIETUMU  
BANK

# Contents

/ 3	Report of Board of Directors
/ 5	Statement of Management Responsibility
/ 6	General information
/ 7	The structure of JSC Rietumu Banka
/ 8	Shareholders of the Bank The Council of Rietumu Bank The Board of Directors
/ 9	Consolidation group
/ 11-16	Bank's Financial performance
	Income statement
	Condensed Balance Sheet
	Profitability ratios
	Regulatory requirements and ratios
	Financial ratios
	Statement of Changes in Shareholders' Equity
	Statement of Cash Flows
	Report of equity and minimum capital requirements
	Liquidity ratio calculation
/ 17	Risk management
/ 18	Attachments



Rietumu Bank AS continued its successful development in 2016 and with a net profit after tax of EUR 80.3 million. The Bank's revenues are diversified between interest and commission and despite the low interest rate environment the Bank continued to operate very efficiently with a cost to income ratio of 27% and operating income per employee of EUR 218 thousand. The successful financial results were supported by a major internal reorganization that resulted in three new board members joining our management team. In addition, we made significant changes to the type of customer we target and adjusted the existing customer portfolio in accordance to new customer policy adopted by the Bank.

In 2016 Latvian anti money laundering legislation has been significantly expanded and the complexity of vetting new and existing customers' profiles and transactions has dramatically increased. Given the time and effort involved with new compliance reality the Bank has decided to refocus our customer policy. Under the new policy the Bank has been focusing on larger privately owned businesses to which we can offer a broader range of products. The number of staff in compliance has increased significantly during 2016 while the number of clients has fallen due to new customer policy.

Lending is supervised by a new board member and another new board member has been given the responsibility of supervising problem exposures, collections and sale of repossessed collateral. By making these changes we believe that employees involved in lending will focus more on new business development opportunities.

As a result of the uncertain environment in the region the Bank has scaled down its commercial lending in the CIS. The Bank focussed on industries that have not been significantly affected in times of crises and made significant efforts to grow its trade finance, leasing and consumer finance businesses. By focussing on these industries the Bank also offered its customers new opportunities to develop their international expansion.

The Bank also appointed a board member that will be responsible to develop wealth management packages that we offer to our client. We have combined the supervision of customer securities trading, asset management and sales under the umbrella of the new board member. Total assets under management reached EUR 729,710 thousand up from EUR 520,462 thousand in 2015. In addition the treasury function will be the responsibility of this new board member. The Bank also continued to increase its bond portfolio during 2016 to reach a total of EUR 778 million (2015: EUR 674 million). The income from this portfolio in 2016 was EUR 17 million. The bond portfolio is invested in a widely diversified range of bonds with an average maturity of 1.67 years.

RB Investments Group, owns most of the significant real estate that the Bank repossessed as well as other assets that the Bank took over on defaulted loans. Most of the repossessed assets are located in Riga and the Riga region. RB Investments Group is renting out a portion of these assets and plans to sell most of its portfolio of assets in the coming years.

The after tax profit of the Bank for the year 2016 was EUR 80,3 million (2015: 72,2 million). The Bank generated an after tax return on equity of 17.76% (2015: 19.1%) and an after tax return on assets of 2.2% (2015: 2%). Operating income reached EUR 170,2 million (2015: EUR 151,2 million) which represents an increase of 13% from 2015. Net fee and commission income was EUR 40,8 million (2015: EUR 43,7 million). The Bank's cost to income ratio was 27% for the year ended 31 December 2016 (2015: 31%). The goal is to continue to maintain a cost income ratio of less than 40%. As a result of increasing tax exempt income such as income from listed securities, the effective income tax rate for the 2016 year was 7% (2015: 14%). The cumulative result of the above is that the Bank reached a profit margin of 51% compared to 54% in 2015.

As at 31 December 2016 the Bank's total assets were EUR 3,466 million. This represents a decrease of 8.5% compared to 2015. The Bank follows a conservative approach to asset allocation and about 42% of the Bank's assets invested in liquidity management portfolios. About 82% of the liquidity management portfolio is invested in short term money market placement with large mainly European banks. The tenure of these placements is up to 7 days. The remaining 18% of the liquidity management portfolios are invested in collateralized instruments with large and stable financial institutions and a short term bond portfolio. The held to maturity portfolio was EUR 316 million as at 31 December 2016 compared to 2015 balance of EUR 218 million. The bond portfolio is primarily invested in corporate investment grade securities.



Loans and receivables due from customers represent about 32% of total assets. Since 2010 this ratio has not exceeded 45% and the Bank does not plan that this ratio exceeds 45% in the nearest future. Loans and receivables to customers have fallen to EUR 1,117 million compared to the balance of 2015 of EUR 1,152 million. This decrease is due to decreases in Russian lending exposure. The commercial loan portfolio represents about 89% of the total Bank's loans of EUR 1,117 million and the effective average interest rate for 2016 was 5.7%. Latvia, Russia and Belarus represent the largest commercial lending markets with real estate management, financial services and transport representing the largest industries in the commercial loan portfolio. The second largest category of lending is margin lending to customers against liquid securities as collateral and this represents about 8% of the total loan portfolio. The effective average interest rate for 2016 for margin loans was 4%.

Current accounts and deposits due to customers in amount of EUR 2,768 million decreased by 14% compared to 2015. The fall in deposits occurred due to the economic downturn primarily in Russia as well as a result of the new customer policy adopted by the Bank. Current accounts represented EUR 2,425 million or 87.6% of total current accounts and customer deposits. Current accounts can be withdrawn at any time but they can be considered a relatively stable funding source. Term deposits amounted to EUR 343 million as at 31 December 2016 including EUR 111 million of subordinated deposits. The average remaining tenor of term deposits is 2.3 years with the average effective interest rate in 2016 of 2%. The average effective interest rate for subordinated deposits in 2016 was 5%.

Bank's total shareholders' equity reached EUR 472 million as of 31 December 2016 representing an 8.9% increase from 2015. Bank's Tier I and total capital adequacy ratios were 16.45% (2015: 13.06%) and 22.61% (2015: 19.43%) respectively.

We believe that 2017 will continue to be very successful. We achieved our results while maintaining a conservative asset allocation which we believe is the basis to continue our stable development. We owe our success to our customers and business partners and the trust that they have placed in us. We are looking forward to continue developing the Bank in 2017 successfully.

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 11 to 18 are prepared in accordance with source documents and present fairly the financial position of the Bank as of 31 December 2016 and the results of their operations and cash flows for the year ended 31 December 2016.

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.

On behalf of the Management of Rietumu Bank AS:

Alexander Pankov

Chairman of the Board



## 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.

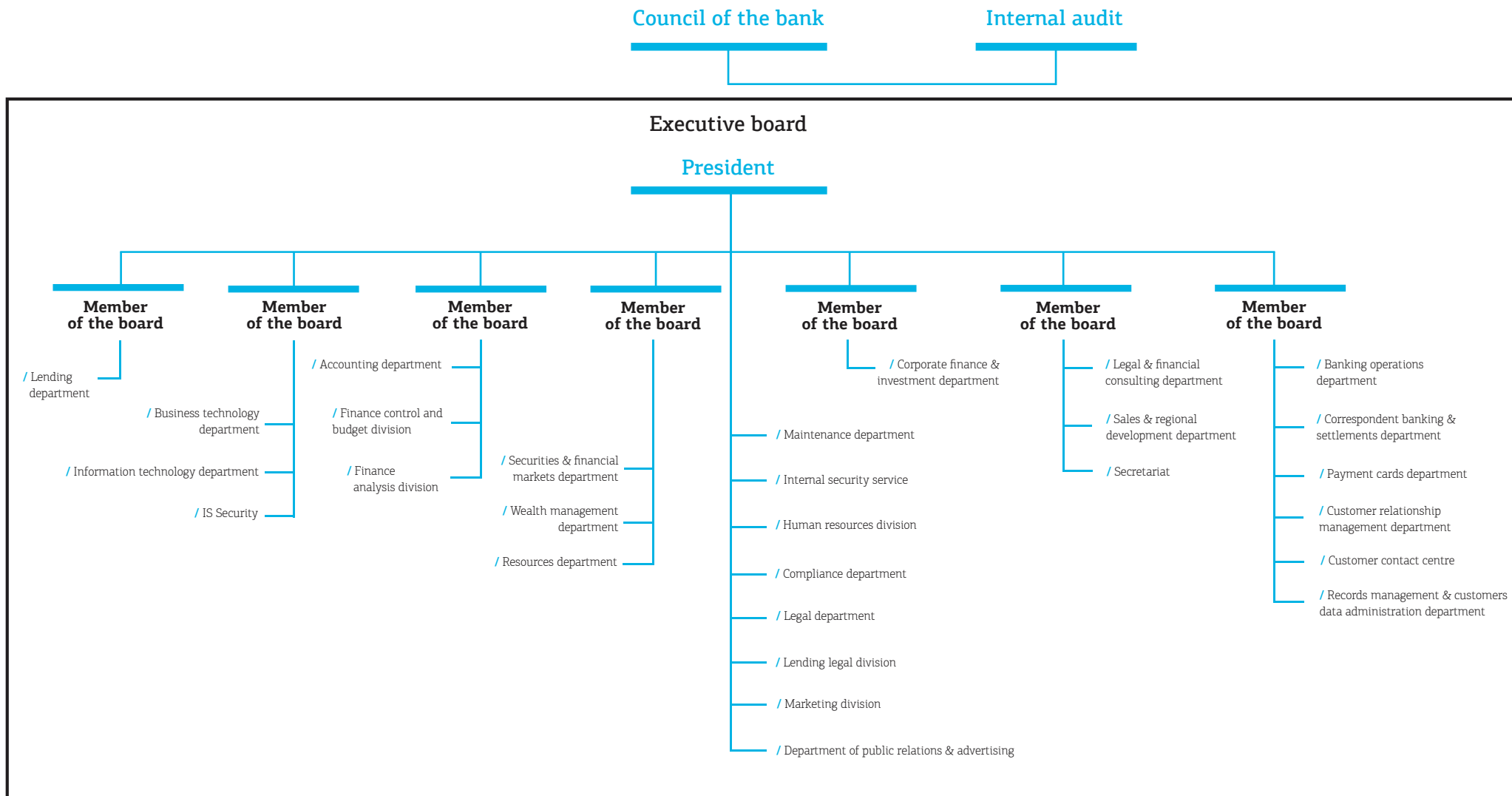
## Bank offices

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	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(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 "Aleksandra Muiža"	LV-40103892782	LV	Latvija, Rīga, Brīvības iela 91-23	PLS	100	100	MMS
3.	SIA "KI Zeme"	LV-40103161381	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, Zīlītes 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.	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 "Vangažu nekustamie īpašumi-2"	LV-40103449678	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
19.	SIA "Multi Pluss"	LV-40003636787	LV	Latvija, Rīga, Vesetas iela 7	PLS	100	100	MMS
20.	SIA "TC Gaļezers"	LV-40103794744	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.



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**
21.	SIA "Miera 30C"	LV-40103267845	LV	Latvija, Rīga, Vešetas iela 7	PLS	100	100	MMS
22.	SIA "KI-135"	LV-40003970065	LV	Latvija, Rīga, Brīvības iela 109	PLS	100	100	MMS
23.	SIA "U-10"	50103841951	LV	Latvija, Rīga, Garozes iela 25-1	PLS	67	67	MMS
24.	SIA "KINI LAND"	40103703726	LV	Latvija, Rīga, Vešetas 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, Vešetas iela 7	CFI	36.70	36.70	CT
27.	SIA "Penrox Petroleum"	40003970050	LV	Latvija, Rīga, Vešetas iela 7	PLS	100	100	MMS
28.	SIA "Ekoagro"	40003741971	LV	Latvija, Rīga, Vešetas iela 7	PLS	100	100	MMS
29.	SIA "Hotel Jūrnieks"	LV-40003623566	LV	Latvija, Rīga, Sofijas iela 8	PLS	100	100	MMS
30.	SIA "Bērzaunes 13"	LV-40103839137	LV	Latvija, Rīga, Sofijas iela 8	PLS	100	100	MMS
31.	SIA "SBD"	LV-40003868002	LV	Latvija, Rīga, Vešetas iela 7	PLS	66.89	66.89	MS
32.	SIA "Langervaldes 2"	LV-40103701960	LV	Latvija, Rīga, Vešetas iela 7	PLS	100	100	MS
33.	AS Rietumu Asset Management IPS	LV-40103753360	LV	Latvija, Rīga, Vešetas iela 7	CFI	100	100	MS
34.	SIA "Overseas Estates"	LV-40003943207	LV	Dzintaru iela 3A, Ventspils, Latvija	PLS	100	100	MS
35.	KI Invest OOO	1157746168007	RU	Krievija, Maskava, 117246. Nauchnij pr. 19	PLS	100	100	MS
36.	RAM Cash Reserve Fund-USD	23.07.2014/148	LV	Latvija, Rīga, Vešetas iela 7	CFI	92.66	92.66	CT
37.	RAM Fixed Income High Yield USD	20.08.2014/166	LV	Latvija, Rīga, Vešetas iela 7	CFI	70.42	70.42	CT
38.	RAM Global Equity USD	20.08.2014/166	LV	Latvija, Rīga, Vešetas iela 7	CFI	72.13	72.13	CT
39.	SIA "Euro Textile Group"	LV-40003660929	LV	Latvija, Rīga, Ganību dambis 30	PLS	100	100	MS

\* 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	
	31.12.2016 Audited*	31.12.2015 Audited**
Interest income	90 854	98 965
Interest expenses	-21 405	-22 635
Dividend income	2 263	2 334
Commission and fee income	68 646	69 172
Commission and fee expense	-27 817	-25 488
Net realised gain/ (loss) from financial assets and financial liabilities measured at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	32 385	458
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	8	-187
Changes in fair value hedge accounting	-	-
Net result from foreign exchange trading and revaluation	22 662	24 386
Gain/ (loss) from sale of tangible and intangible fixed assets	-4	-
Other income	3 232	4 362
Other expense	-612	-203
Administrative expense	-43 932	-44 424
Depreciation	-1 852	-1 820
Net allowance for impairment loss	-	-
Impairment losses	-37 919	-22 980
<b>PROFIT / (LOSS) BEFORE CORPORATE INCOME TAX</b>	<b>86 509</b>	<b>81 940</b>
Corporate income tax	-6 209	-9 761
<b>NET PROFIT / (LOSS)</b>	<b>80 300</b>	<b>72 179</b>

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2016

\*\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2015



## Bank's Condensed Balance Sheet

		31.12.2016 Audited*	31.12.2015 Audited**
<b>000'EUR</b>			
<b>ASSETS</b>			
Cash and demand deposits with central banks		836 920	881 816
Deposits from credit institutions		521 721	840 803
Financial assets held for trading		-	-
Financial instruments at fair value through profit or loss		1 333	1 166
Available-for-sale financial assets		510 978	529 789
Loans and receivables		1 116 873	1 151 789
	<i>incl.</i>	<i>loans gross</i>	<i>1 224 412</i>
		<i>Specific impairment allowance</i>	<i>-107 539</i>
Held-to-maturity investments		315 848	217 901
Reverse repo loans		93 435	88 566
Change of fair value of hedge portfolio		-	-
Prepaid expense and accrued income		2 195	14 953
Fixed assets		7 943	8 150
Investment property		10 687	8 447
Intangible assets		2 822	2 910
Investments in subsidiaries and associates		28 381	28 882
Tax assets		5 699	3 218
Other assets		10 769	7 377
<b>Total assets</b>		<b>3 465 604</b>	<b>3 785 767</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Balances due to central banks		120 000	-
Deposits due to credit institutions		33 957	49 710
Financial liabilities held for trading (derivative financial liabilities)		-	-
Financial instruments at fair value through profit or loss		442	19
Financial liabilities at amortised value		<b>2 825 724</b>	<b>3 288 343</b>
	<i>incl.</i>	<i>deposits</i>	<i>2 767 739</i>
		<i>term deposits due to credit institutions</i>	<i>-</i>
		<i>debt securities issued</i>	<i>57 985</i>
Financial liabilities arising from financial asset transfer		-	-
Change of fair value of hedge portfolio		-	-
Tax liabilities		933	191
Accrued expenses and deferred income		12 804	8 791
Provisions		-	-
Other liabilities		198	5 872
<b>Total liabilities</b>		<b>2 994 058</b>	<b>3 352 926</b>
<b>Shareholders' equity</b>		<b>471 546</b>	<b>432 841</b>
	<i>incl.</i>	<i>paid-in share capital</i>	<i>168 916</i>
		<i>share premium</i>	<i>52 543</i>
		<i>reserve capital</i>	<i>23</i>
		<i>previous years profit/loss</i>	<i>165 030</i>
		<i>retained profit / loss</i>	<i>80 300</i>
		<i>fixed asset revaluation reserve</i>	<i>-</i>
		<i>available for sale financial assets revaluation reserve</i>	<i>4 734</i>
<b>Total liabilities and shareholders' equity</b>		<b>3 465 604</b>	<b>3 785 767</b>
Contingent liabilities		7 383	9 661
Financial commitments		28 796	39 096

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2016

\*\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2015



## Bank's Profitability ratios

	31.12.2016 Audited*	31.12.2015 Audited**
ROE <sup>1</sup>	19.13%	21.67%
ROA <sup>2</sup>	2.39%	2.26%
Profit margin <sup>3</sup>	1.91%	1.99%
Cost/income ratio <sup>4</sup>	26.90%	30.59%

## Bank's Regulatory requirements and ratios

	31.12.2016 Audited*	31.12.2015 Audited**
Liquidity ratio <sup>5</sup>	80.29%	80.46%
<i>note: minimum allowed by FCMC</i>	60.00%	60.00%
Capital adequacy ratio*	22.61%	19.43%
<i>note: minimum allowed by FCMC</i>	11.60%	15.60%

## Bank's Financial ratios

	31.12.2016 Audited*	31.12.2015 Audited**
Equity to loan portfolio ratio	42.22%	37.58%
Loan portfolio to total assets ratio	32.23%	30.42%
Equity to total assets ratio	13.61%	11.43%
Deposits to loans ratio	247.81%	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> 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.

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2016

\*\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2015



## Statement of Changes in Shareholders' Equity

	Share capital	Share premium	Revaluation reserve	Fair value reserve	Other reserves	Retained earnings	Audited Total equity
	000'EUR	000'EUR	000'EUR	000'EUR	000'EUR	000'EUR	000'EUR
<b>Balance at 1 January 2015</b>	<b>160 843</b>	<b>33 882</b>	<b>0</b>	<b>-2 658</b>	<b>23</b>	<b>131 290</b>	<b>323 380</b>
Profit for the period						72 179	72 179
Dividends paid						-17 487	-17 487
Decrease of reserve							0
Share issue	8 073						8 073
Share premium		18 661					18 661
Changes in fair value of available-for-sale financial assets				28 035			28 035
<b>Balance at 31 December 2015</b>	<b>168 916</b>	<b>52 543</b>	<b>0</b>	<b>25 377</b>	<b>23</b>	<b>185 982</b>	<b>432 841</b>
Dividends paid						-20 952	-20 952
Profit for the current year						80 300	80 300
Share issue							0
Share premium							0
Changes in fair value of available-for-sale financial assets				-20 643			-20 643
<b>Balance at 31 December 2016</b>	<b>168 916</b>	<b>52 543</b>	<b>0</b>	<b>4 734</b>	<b>23</b>	<b>245 330</b>	<b>471 546</b>

## Statement of Cash Flows

	000'EUR 31.12.2016 Audited*	000'EUR 31.12.2015 Audited**
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	86 509	81 940
Amortisation and depreciation	1 850	1 820
Revaluation of investment property	-217	-1 626
(Gain)/loss on disposal of property and equipment	-13	-75
Profit from sale of investment property	-	-
(Gain)/loss on sale of subsidiary	-	-
Impairment losses	37 919	22 980
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations	<b>126 048</b>	<b>105 039</b>
(Increase)/Decrease in loans and receivables from banks - term deposits	2 187	197 311
(Increase)/decrease in loans and receivables from non-banking customers	2 087	-84 619
(Increase)/Decrease in reverse repo	-4 869	64 669
(Increase)/decrease in assets available-for-sale investments	-5 092	-356 899
(Increase)/Decrease in financial instruments at fair value through profit or loss	-167	3 975
Increase/(decrease) in derivative liabilities	423	-142
Decrease in provisions	-	-
(Increase)/Decrease in other assets	7 621	-5 043
Increase/(Decrease) in deposit from banks - term deposits	846	-
Increase in deposits from non-banking customers	-463 819	123 086
Increase/Decrease in amounts payable under repurchase agreements	120 000	-
Decrease in other liabilities	-1 660	3 855
Increase in cash and cash equivalents from operating activities before corporate income tax	<b>-216 395</b>	<b>51 232</b>
Corporate income tax paid	-8 292	-14 315
Net cash and cash equivalents from/(used in) operating activities	<b>-224 687</b>	<b>36 917</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-2 523	-1 722
(Increase)/decrease in equity investments in other entities and acquisition of subsidiaries	-82	-48
Proceeds from sale of subsidiary	-	-
(Increase)/Decrease in held-to-maturity investments	-97 947	-128 093
Proceeds from sale of property, plant and equipment (and other assets)	-	-
(Increase) /Decrease in Investment property	-201	-1 415
(Decrease)/Increase in cash and cash equivalents from investing activities	<b>-100 753</b>	<b>-131 278</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase of share capital	-	8 073
Increase of share premium	-	18 661
(Increase)/ Decrease in borrowed funds- issued debt securities	1 200	37 287
Decrease of Other reserves	-	-
Dividends paid	-20 952	-17 487
Interim dividends paid	-	-
<b>Decrease in cash and cash equivalents from financing activities</b>	<b>-19 752</b>	<b>46 534</b>
<b>Net cash flow for the period</b>	<b>-345 192</b>	<b>-47 827</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1 651 276</b>	<b>1 699 103</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1 306 084</b>	<b>1 651 276</b>

\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2016

\*\*Information has been prepared based on data from the Audited Financial Statements for the year ended 31 December 2015



## Report of equity and minimum capital requirements

Code	Position description	000'EUR 31.12.2016 Audited
<b>1</b>	<b>Own funds</b> (1.1.+1.2.)	484 605
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	352 585
1.1.1.	Common equity tier 1 capital	352 585
1.1.2.	Additional tier 1 capital	
1.2.	Tier 2 capital	132 020
<b>2</b>	<b>Total risk exposure amount</b> (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	2 143 538
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 846 978
2.2.	Settlement/delivery risk exposure amount	
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	4 135
2.4.	Total risk exposure amount for operational risk	292 320
2.5.	Total risk exposure amount or credit valuation adjustment	104
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)	16.45
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	256 126
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	16.45
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	223 973
3.5.	Total capital ratio (1./2.*100)	22.61
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	313 122
<b>4</b>	<b>Combined buffer requirement (%)</b> (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.	Systemically 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	16.45%
5.3.	Tier 1 capital ratio including Pillar II adjustments	16.45%
5.4.	Total capital ratio including Pillar II adjustments	<b>22.61%</b>

## Liquidity ratio calculation

Code	Position description	000'EUR 31.12.2016 Audited
<b>1.</b>	<b>Liquid assets</b> (1.1.+1.2.+1.3.+1.4.)	<b>2 001 227</b>
1.1.	Cash	2 809
1.2.	Balances with Latvian Central Bank	834 111
1.3.	Loans to credit institutions	514 163
1.4.	Liquid securities	650 144
<b>2.</b>	<b>Current liabilities</b> (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	<b>2 492 408</b>
2.1.	Deposits from credit institutions	32 971
2.2.	Deposits	2 387 464
2.3.	Issued debt securities	
2.4.	Money in transit	26 382
2.5.	Other current liabilities	18 762
2.6.	Off-balance sheet liabilities	26 829
<b>3.</b>	<b>Liquidity ratio (%)</b> (1.:2.) (%)	<b>80.29</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.

31.12.2016 Audited Issuer					000'EUR
	At fair value	For sale	Held to maturity	TOTAL:	% to shareholders equity
<b>Italy</b>					
Government obligations	-	100 047	-	100 047	
Investment funds	-	-	-	-	
Financial institutions	-	489	-	489	
Private institutions	-	-	-	-	
<b>Total:</b>	0	100 536	0	100 536	20.75%
<b>USA</b>					
Government obligations	-	4 764	-	4 764	
Investment funds	-	-	-	-	
Financial institutions	-	25 057	24 619	49 676	
Private institutions	-	46 356	79 648	126 004	
<b>Total:</b>	0	76 177	104 267	180 444	37.24%
<b>Russia</b>					
Government obligations	-	-	13 589	13 589	
Investment funds	-	-	-	-	
Financial institutions	-	17 428	15 261	32 689	
Private institutions	-	17 773	32 810	50 583	
<b>Total:</b>	0	35 201	61 660	96 861	19.99%
Securities of other countries:	209	300 898	149 921	451 028	93.07%
Total securities portfolio:	209	512 812	315 848	828 869	

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 828,9 m. Majority of that – EUR 488,6 m – was invested in government and corporate obligations in Europe, Russia and USA. 80,04% of the investment was made in securities with investment grade credit ratings. The biggest concentration of investments by country was in USA, Russia and Italy (37,24%, 19,99% and 20,75% of Bank's shareholders' equity). Bank's investments in Italy government obligations constituted 20,65% of Bank's shareholders equity.

