

# Public quartely report for the period ended on 31 march 2011

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#### **General Information**

#### **Mission**

The Bank offers qualitative and professional financial services for the dynamically growing enterprises and high-networth 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

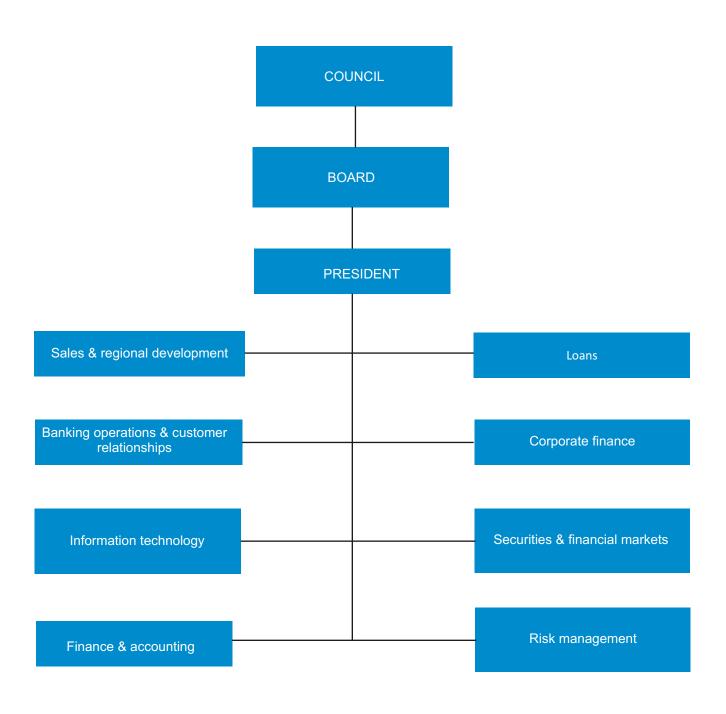
For achieving the set goals, the Bank has worked out and has been effectively implementing its corporate strategy focusing on the following areas:

- 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: www.rietumu.com/bank-offices

# The structure of JSC "Rietumu Banka"



### **Shareholders of the Bank**

| Shareholders of the Bank                   | Number of voting shares | Par value of<br>Shares in lats | Paid-in share capital | % of total share capital |  |
|--|-------------------------|--------------------------------|-----------------------|--------------------------|--|
| Companies non-residents, total             | 33 110 000              |                                | 33 110 000            | 33.11%                   |  |
| Boswell (International) Consulting Limited | 33 110 000              | 1                              | 33 110 000            | 33.11%                   |  |
| Private persons, total                     | 66 890 000              |                                | 66 890 000            | 66.89%                   |  |
| Leonid Esterkin                            | 33 119 553              | 1                              | 33 119 553            | 33.12%                   |  |
| Arkady Suharenko                           | 17 335 000              | 1                              | 17 335 000            | 17.34%                   |  |
| Others                                     | 16 435 447              | 1                              | 16 435 447            | 16.44%                   |  |
| Total                                      | 100 000 000             |                                | 100 000 000           | 100.00%                  |  |

# The Council of Rietumu Bank

| Name                   | Position                | Date of appointment         |
|------------------------|-------------------------|-----------------------------|
| Leonid Esterkin        | Chairman of the Council | 25/09/97(25/03/11-25/03/14) |
| Arkady Suharenko       | Deputy Council Chairman | 25/09/97(25/03/11-25/03/14) |
| Brendan Thomas Murphy  | Deputy Council Chairman | 07/09/05(25/03/11-25/03/14) |
| Dermot Fachtna Desmond | Member of the Council   | 07/09/05(25/03/11-25/03/14) |
| Alexander Gafin        | Member of the Council   | 25/03/10(25/03/11-25/03/14) |
| Alexander Kalinovsky   | Member of the Council   | 05/11/10(25/03/11-25/03/14) |
| Valentin Bluger        | Member of the Council   | 25/03/11(25/03/11-25/03/14) |

### **The Board of Directors**

| Name                | Position                                   | Date of appointment         |
|---------------------|--|-----------------------------|
| Alexander Pankov    | Chairman of the Board, President           | 18/10/10(18/10/10-18/10/13) |
| Ruslans Stecjuks    | Member of the Board, First Vice President  | 18/10/10(18/10/10-18/10/13) |
| Dmitry Pyshkin      | Member of the Board, Senior Vice President | 02/07/01(18/10/10-18/10/13) |
| Jevgenijs Djugajevs | Member of the Board, Senior Vice President | 18/10/10(18/10/10-18/10/13) |
| Ilja Suharenko      | Member of the Board, Senior Vice President | 18/10/10(18/10/10-18/10/13) |
| Rolf Paul Fuls      | Member of the Board, Senior Vice President | 26/11/10(26/11/10-26/11/13) |

# Members of the consolidation group

| No | Company name             | Registration number | Registration location code and address  | Commercial activity * | Share capital (%) | Voiting shares (%) | Justification<br>for inclusion<br>in the group** |
|----|--------------------------|---------------------|---|-----------------------|-------------------|--------------------|--|
|    |                          |                     | CY, 1 Stasinou Street, 1 Mitsi<br>Building, 2nd Floor, Office 5,<br>Plateia Eleftherias, P.C. 1060, |                       |                   |                    |  |
| 1  | RB Securities Limited    | HE 78731            | Nicosia, Cyprus   | CFI                   | 99.99             | 100                | MS   |
| 2  | AS "RB Securities" IBS   | 40003344762         | LV, 7 Vesetas Street, 11th floor,<br>Riga, Latvia, LV-1013  | IBS                   | 100               | 100                | MS   |
| 3  | SIA "RB Investments"     | 40003669082         | LV, 7 Vesetas Street, 10th floor,<br>Riga, Latvia, LV-1013  | CFI                   | 100               | 100                | MS   |
| 4  | SIA "RB Vidzeme"         | 40003682292         | LV, 7 Vesetas Street, 10th floor,<br>Riga, Latvia, LV-1013  | CFI                   | 100               | 100                | MS   |
| 5  | AS "RB Asset Management" | 40003764029         | LV, 7 Vesetas Street, 11th floor,<br>Riga, Latvia, LV-1013  | IPS                   | 100               | 100                | MS   |
| 6  | SIA "RB Drošība"         | 40003780752         | LV, 7 Vesetas Street, Riga, Latvia,<br>LV-1013  | CKS                   | 100               | 100                | MS   |
| 7  | SIA "Westtransinvest"    | 100188077           | BY, 8 Fabricius Street,<br>4th floor, room No 18, Minsk,<br>Belarus, 220007                         | CFI                   | 50                | 51                 | MS   |
| 8  | SIA "Westleasing"        | 190510668           | BY, 8 Fabricius Street,<br>4th floor, room No 42, Minsk,<br>Belarus, 220007                         | CFI                   | 50                | 51                 | MS   |
| 9  | SIA "Westleasing-M"      | 1047796934206       | RU, 10 Kostjakova Street,<br>Moscow, Russia, 127422   | CFI                   | 50                | 51                 | MS   |
| 10 | SIA "RB Namu serviss"    | 40103169629         | LV, 7 Vesetas Street, 10th floor,<br>Riga, Latvia, LV-1013  | CKS                   | 100               | 100                | MS   |
| 11 | SIA "Parex leasing"      | 190567618           | BY, 23 Libavoromenskaja Street,<br>room No 7, Minsk, Belarus, 220028                                | B CFI                 | 100               | 100                | MS   |
| 12 | SIA "InCREDIT GROUP"     | 40103307404         | LV, 130 Krišjāņa Barona Street,<br>Riga, Latvia, LV-1012  | CFI                   | 51                | 51                 | MS   |
| 13 | SIA "OVERSEAS Estates"   | 40003943207         | LV, 7 Vesetas Street, 3th floor,<br>Riga, Latvia, LV-1013   | CKS                   | 100               | 100                | MS   |

<sup>\*</sup> BNK - bank, ISP - the insurance company, offer - the reinsurer, APP - the insurance company, IBC - an investment firm, IPS - an investment management firm, PFO - pension fund, CFI - other financial institution, FPS - financial company, CKS - other company.

\*\* MS - subsidiary; KS - joint-venture company, MAS - parent company.

# **Financial performance**

#### **Income**

|  | March<br>2011 | March<br>2010 | 000'LVL |
|--|---------------|---------------|---------|
|  | Non-audited   | Non-audited   |         |
| Interest income                              | 7 388         | 7 547         |         |
| Interest expenses                            | -3 146        | -3 110        |         |
| Net interest income                          | 4 243         | 4 437         |         |
| Commission and fee income                    | 3 806         | 3 091         |         |
| Commission and fee expense                   | -648          | -563          |         |
| Net commission and fee income                | 3 157         | 2 528         |         |
| Profit from trading with fin.instruments     | 2 360         | 2 249         |         |
| Dividend income                              | -             | 457           |         |
| Other operating income                       | 225           | 780           |         |
| Operating income                             | 9 986         | 10 450        |         |
| Administrative expenses                      | -5 456        | -3 483        |         |
| Depreciation of fixed assets                 | -533          | -523          |         |
| Other operating expenses                     | -6            | -10           |         |
| Impairment profit/losses                     | -1 987        | -6 047        |         |
| Profit/loss from disposal of assets          | 18            | 827           |         |
| Profit from sale and revaluation of property | 100           | 0             |         |
| PROFIT BEFORE TAXATION                       | 2 122         | 1 214         |         |
| Taxes  | -587          | -249          |         |
| NET PROFIT                                   | 1 535         | 965           |         |

# **Condensed Balance Sheet**

| ndensed Balance Sneet   |                     |                     |    |
|---|---------------------|---------------------|----|
|   | March               | March               | 00 |
|   | 2011<br>Non-audited | 2010<br>Non-audited |    |
| ASSETS  | Non-addited         | Non-addited         |    |
| Cash and balances with central bank   | 54 367              | 40 168              |    |
| Demand balances due from credit institutions                                  | 215 903             | 150 850             |    |
| Financial assets held for trading   | 110 143             | 51 604              |    |
|   |                     |                     |    |
| Financial assets available for sale   | 22 746              | 22 540              |    |
| Loans and advances to customers   | 596 366             | 507 097             |    |
| Held-to-maturity investments  | 113 755             | 173 755             |    |
| incl. from central banks  | 37 000              | 0                   |    |
| from credit institutions investments in securities                            | 75 888<br>866       | 167 186<br>6 570    |    |
|   | 0.447               |                     |    |
| Accrued income and prepaid expenses   | 6 147               | 6 246               |    |
| Fixed assets  | 4 559               | 5 312               |    |
| Investment property   | 6 165               | 5 803               |    |
| Non-material assets   | 2 541               | 2 906               |    |
| NOT-Material assets   | 2 541               | 2 906               |    |
| Investments in subsidiaries and associated entities                           | 23 349              | 16 497              |    |
| Tax assets  | 234                 | 2 542               |    |
| Other assets  | 16 370              | 23 672              |    |
| Outor assets  | 1 172 645           | 1 008 993           |    |
| Balances due to central banks   | 0                   | 0                   |    |
| Demand deposits due to credit institutions                                    | 5 183               | 4 422               |    |
| Financial liabilities held for trading (derivative financial liabilities)     | 210                 | 421                 |    |
| Finalicial ilabilities field for trading (derivative ilitaricial ilabilities) | 210                 | 421                 |    |
| Financial liabilities at amortised value                                      | 966 672             | 777 672             |    |
| incl. deposits<br>term of credit  | 966 430<br>242      | 692 297<br>84 462   |    |
| debt securities issued  | 0                   | 913                 |    |
| Amounts payable under repurchase agreements                                   | 0                   | 52 376              |    |
|   | 6 015               | 4 913               | -  |
| Deferred income and accrued expense   |                     |                     |    |
| Provisions  | 44 599              | 28 112              |    |
| Tax liabilities   | 1 163               | 1 028               |    |
| Other liabilities   | 9 359               | 6 289               |    |
| Shareholders' equity  | 139 444             |                     |    |
| incl. paid-in share capital   | 100 000             | 133 760<br>100 000  |    |
| share premium   | 4 809               | 4 809               |    |
| reserve capital   | 20 016              | 20 016              |    |
| previous years profit/loss<br>retained profit / loss                          | 11 329<br>1 535     | 9 376<br>16         |    |
| fixed asset revaluation reserve   | 1 754               | 1 754               |    |
| available for sale financial assets revaluation reserve                       | 0                   | -2 211              |    |
| Tatal liabilities and above haldeds assoits                                   | 4 470 645           | 4 000 000           |    |
| iotal liabilities and snareholder's equity                                    | 1 172 645           | 1 008 993           |    |
| Contingent liabilities  | 13 592              | 4 552               |    |
| Total liabilities and shareholder's equity  Contingent liabilities            | <b>1 172 645</b>    | 1 008 993<br>4 552  |    |
| Off-balance sheet liabilities to customers                                    | 42 006              | 48 987              |    |

#### **Profitability ratios**

|                     | March<br>2011 | March<br>2010 |
|---------------------|---------------|---------------|
| ROE                 | 4.43%         | 2.12%         |
| ROA                 | 0.55%         | 0.26%         |
| Net interest margin | 1.80%         | 2.12%         |
| Cost/income ratio   | 60.03%        | 62.30%        |

#### Regulatory requirements and ratios

|                             | March  | March  |  |
|-----------------------------|--------|--------|--|
|                             | 2011   | 2010   |  |
| Liquidity ratio             | 62.65% | 58.92% |  |
| note: mimum allowed by FCMC | 30.00% | 30.00% |  |
| Capital adequacy ratio      | 18.56% | 16.16% |  |
| note: mimum allowed by FCMC | 8.00%  | 8.00%  |  |

#### **Financial ratios**

|                                      | March<br>2011 | March<br>2010 |
|--------------------------------------|---------------|---------------|
| Equity to loan portfolio ratio       | 23.38%        | 26.38%        |
| Loan portfolio to total assets ratio | 50.86%        | 50.26%        |
| Equity to total assets ratio         | 11.89%        | 13.26%        |
| Deposits to loans ratio              | 162.09%       | 153.36%       |

# **Risk management**

Risk management can be found in the last annual report: <a href="https://www.rietumu.com/bank-finance-audited">www.rietumu.com/bank-finance-audited</a>