

**2017** Public quarterly report  
3rd Quarter 2017



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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.

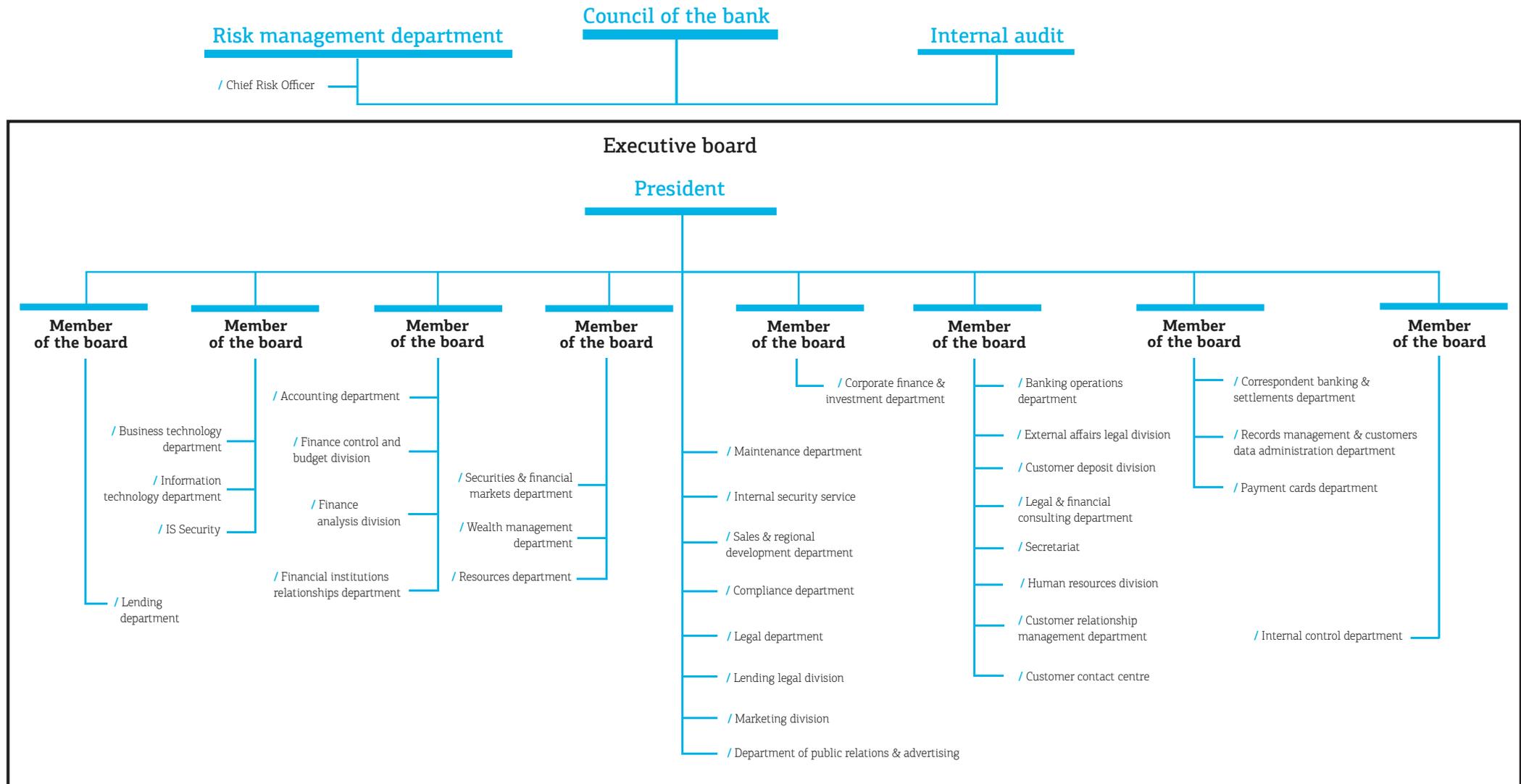
## Bank offices

The information about Rietumu Bank Worldwide offices can be found:

<http://www.rietumu.com/bank-offices>



# The structure of JSC "Rietumu Banka"



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 the 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 of the Bank

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)
Ilja Suharenko	Member of the Board, First Vice President	18/10/10(05/10/16-05/10/19)
Jevgenijs Djugajevs	Member of the Board, Senior Vice President	18/10/10(05/10/16-05/10/19)
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)
Natalija Ignatjeva	Member of the Board, Senior Vice President	17/05/17(17/05/17-17/05/20)



The information disclosed in the report is prepared in accordance with the principles of the Regulations on Preparation of Public Quarterly Reports of Credit Institutions approved by the Financial and Capital Market Commission. JSC "Rietumu Banka" is the parent entity of the group.

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.	AS "Rietumu Banka"	40003074497	LV	Latvia, Riga, Vesetas str. 7	BNK	100	100	MT
2.	SIA "RB Investments"	40003669082	LV	Latvia, Riga, Vesetas str. 7	CFI	100	100	MS
3.	SIA "Aleksandra muiža"	40103892782	LV	Latvia, Riga, Brivibas str. 91-23	PLS	100	100	MMS
4.	SIA "KI Zeme"	40103161381	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
5.	SIA "KI Nekustamie īpašumi"	40103182129	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
6.	RB Opportunity Fund I	06030525245	LV	Latvia, Riga, Vesetas str. 7	CFI	100	100	MS
7.	SIA "Lilijas 28"	40103252765	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
8.	SIA "M322"	40103247406	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
9.	SIA "Aristīda Briāna 9"	40003780729	LV	Latvia, Riga, Aristida Briana str. 9	PLS	100	100	MMS
10.	SIA "H-Blok"	40003839376	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
11.	SIA "Devīdsmit seši"	40003492087	LV	Latvia, Jurmala, Juras str. 56	PLS	100	100	MMS
12.	SIA "Ventio"	41203010746	LV	Latvia, Jurmala, Juras str. 56	PLS	100	100	MMS
13.	SIA "Route 96"	40003856126	LV	Latvia, Marupes region, Zilites str. 1	PLS	100	100	MMS
14.	SIA "Vangažu Nekustamie īpašumi"	40103463243	LV	Latvia, Incukalna region, Vangazi, Gaujas str. 24/34	PLS	100	100	MMS
15.	SIA "D 47"	40103458986	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
16.	SIA "Vesetas 7"	40103182735	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MS
17.	Rietumu leasing OOO	100188077	BY	Belarus, Minsk, Odoevskogo str. 117, 6th floor, office 9	LIZ	100	100	MS
18.	SIA "InCREDIT GROUP"	40103307404	LV	Latvia, Riga, Kr.Barona str. 130	CFI	51	51	MS
19.	SIA "Vangažu Nekustamie īpašumi-2"	40103449678	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
20.	SIA "Multi Pluss"	40003636787	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
21.	SIA "TC Gaīlezers"	40103794744	LV	Latvia, Riga, Vesetas str. 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**
22.	SIA 'KI-135'	40003970065	LV	Latvia, Riga, Brivibas str. 109	PLS	100	100	MMS
23.	SIA 'U-10'	50103841951	LV	Latvia, Riga, Garozes str. 25-1	PLS	67	67	MMS
24.	SIA 'KINI LAND'	40103703726	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
25.	SIA 'ESP European Steel Production'	40103266905	LV	Latvia, Olaine, Rupnicu str. 4	PLS	100	100	MMS
26.	RAM Fund-Fixed Income Investment Grade USD	20.08.2014/166	LV	Latvia, Riga, Vesetas str. 7	CFI	36.7	36.7	CT
27.	SIA 'Penrox Petroleum'	40003970050	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
28.	SIA 'Ekoagro'	40003741971	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
29.	SIA 'Hotel Jūrnīeks'	40003623566	LV	Latvia, Riga, Sofijas str. 8	PLS	100	100	MMS
30.	SIA 'Bērzaunes 13'	40103839137	LV	Latvia, Riga, Sofijas str. 8	PLS	100	100	MMS
31.	SIA 'SBD'	40003868002	LV	Latvia, Riga, Vesetas str. 7	PLS	66.89	66.89	MS
32.	SIA 'Langervaldes 2'	40103701960	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MS
33.	AS Rietumu Asset Management IPS	40103753360	LV	Latvia, Riga, Vesetas str. 7	CFI	100	100	MS
34.	SIA 'Overseas Estates'	40003943207	LV	Latvia, Ventspils, Dzintaru str. 3A	PLS	100	100	MS
35.	KI Invest OOO	1157746168007	RU	Russia, Moscow, 117246. Nauchnij pr. 19	PLS	100	100	MS
36.	RAM Cash Reserve Fund-USD	23.07.2014/148	LV	Latvia, Riga, Vesetas str. 7	CFI	92.66	92.66	CT
37.	RAM Fixed Income High Yield USD	20.08.2014/166	LV	Latvia, Riga, Vesetas str. 7	CFI	70.42	70.42	CT
38.	RAM Global Equity USD	20.08.2014/166	LV	Latvia, Riga, Vesetas str. 7	CFI	72.13	72.13	CT
39.	SIA 'Euro Textile Group'	40003660929	LV	Latvia, Riga, Ganību dambis 30	PLS	100	100	MS
40.	SIA 'KI FUND'	40203088127	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS

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## Bank's Income Statement

000'EUR

	30.09.2017 Non-audited	30.09.2016 Non-audited
Interest income	59 462	69 189
Interest expenses	-15 924	-17 479
Dividend income	2 939	959
Commission and fee income	53 133	49 766
Commission and fee expense	-27 513	-19 135
Net realised gain/ (loss) from financial assets and financial liabilities measured at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	112	31 479
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	39	68
Changes in fair value hedge accounting	-	-
Net result from foreign exchange trading and revaluation	16 645	16 543
Gain/ (loss) from sale of tangible and intangible fixed assets	-7	0
Other income	2 030	2 829
Other expense	-799	-179
Administrative expense	-57 933	-33 379
Depreciation	-1 684	-1 384
Net allowance for impairment loss	-	-
Impairment losses	-3 381	-14 603
<b>PROFIT / (LOSS) BEFORE CORPORATE INCOME TAX</b>	<b>27 119</b>	<b>84 674</b>
Corporate income tax	-5 737	-5 784
<b>NET PROFIT / (LOSS)</b>	<b>21 382</b>	<b>78 890</b>



## Bank's Condensed Balance Sheet

	000'EUR	
	30.09.2017 Non-audited	31.12.2016 Audited*
<b>ASSETS</b>		
Cash and demand deposits with central banks	762 509	836 920
Demand deposits from credit institutions	356 712	521 126
Financial assets held for trading	-	-
Financial instruments at fair value through profit or loss	515	1 333
Available-for-sale financial assets	358 502	510 978
Loans and receivables	1 045 844	1 116 873
	<i>incl. loans gross</i>	1 224 412
	<i>Specific impairment allowance</i>	-107 539
Held-to-maturity investments	283 018	316 443
Reverse repo loans	84 730	93 435
Change of fair value of hedge portfolio	-	-
Prepaid expense and accrued income	2 112	2 195
Fixed assets	7 956	7 943
Investment property	10 682	10 687
Intangible assets	2 452	2 822
Investments in subsidiaries and associates	27 316	28 381
Tax assets	431	5 699
Other assets	34 396	10 769
<b>Total assets</b>	<b>2 977 175</b>	<b>3 465 604</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Balances due to central banks	120 000	120 000
Demand deposits due to credit institutions	22 200	33 111
Financial liabilities held for trading (derivative financial liabilities)	-	-
Financial instruments at fair value through profit or loss	51	442
Financial liabilities at amortised value	2 321 331	2 826 570
	<i>incl. deposits</i>	2 767 739
	<i>term deposits due to credit institutions</i>	846
	<i>debt securities issued</i>	57 985
Financial liabilities arising from financial asset transfer	-	-
Change of fair value of hedge portfolio	-	-
Tax liabilities	1 020	933
Accrued expenses and deferred income	15 506	12 804
Provisions	20 000	-
Other liabilities	876	198
<b>Total liabilities</b>	<b>2 500 984</b>	<b>2 994 058</b>
<b>Shareholders' equity</b>	<b>476 191</b>	<b>471 546</b>
	<i>incl. paid-in share capital</i>	168 916
	<i>share premium</i>	52 543
	<i>reserve capital</i>	23
	<i>previous years profit/loss</i>	226 469
	<i>retained profit / loss</i>	80 300
	<i>fixed asset revaluation reserve</i>	-
	<i>available for sale financial assets revaluation reserve</i>	4 734
<b>Total liabilities and shareholders' equity</b>	<b>2 977 175</b>	<b>3 465 604</b>
	<i>Contingent liabilities</i>	7 383
	<i>Financial commitments</i>	28 796

\* Information has been prepared based on data from the audited annual report for the year ended 31 December 2016.



## Bank's Profitability ratios

	30.09.2017 Non-audited	31.12.2016 Audited*
ROE <sup>1</sup>	6.01%	17.76%
ROA <sup>2</sup>	0.87%	2.21%
Net interest margin <sup>3</sup>	1.80%	1.91%
Cost/income ratio <sup>4</sup>	66.16%	26.90%

## Bank's Regulatory requirements and ratios

	30.09.2017 Non-audited	31.12.2016 Audited*
Liquidity ratio <sup>5</sup>	77.22%	80.29%
<i>note: minimum allowed by FCMC</i>	60.00%	60.00%
Capital adequacy ratio*	23.22%	22.61%
<i>note: minimum allowed by FCMC</i>	11.60%	11.60%

## Bank's Financial ratios

	30.09.2017 Non-audited	31.12.2016 Audited*
Equity to loan portfolio ratio	45.53%	42.22%
Loan portfolio to total assets ratio	35.13%	32.23%
Equity to total assets ratio	15.99%	13.61%
Deposits to loans ratio	218.62%	247.81%

<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 annual report for the year ended 31 December 2016.



## Report of equity and minimum capital requirements

		000'EUR
Code	Position description	30.09.2017 Non-audited
<b>1</b>	<b>Own funds (1.1.+1.2.)</b>	<b>456 969</b>
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	343 788
1.1.1.	Common equity tier 1 capital	343 788
1.1.2.	Additional tier 1 capital	-
1.2.	Tier 2 capital	113 181
<b>2</b>	<b>Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>1 968 095</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 690 537
2.2.	Settlement/delivery risk exposure amount	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	4 582
2.4.	Total risk exposure amount for operational risk	272 971
2.5.	Total risk exposure amount or credit valuation adjustment	5
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)	17.47
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	255 224
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	17.47
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	225 703
3.5.	Total capital ratio (1./2.*100)	23.22
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	299 522
<b>4</b>	<b>Combined buffer requirement (%) (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>2.5</b>
4.1.	Capital conservation buffer (%)	2.5
4.2.	Institution specific countercyclical capital buffer (%)	0.0
4.3.	Systemic risk buffer (%)	0.0
4.4.	Systemically important institution buffer (%)	0.0
4.5.	Other Systemically Important Institution buffer (%)	0.8
<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	17.47%
5.3.	Tier 1 capital ratio including Pillar II adjustments	17.47%
5.4.	Total capital ratio including Pillar II adjustments	<b>23.22%</b>

## Liquidity ratio calculation

		000'EUR
Code	Position description	30.09.2017 Non-audited
<b>1.</b>	<b>Liquid assets (1.1.+1.2.+1.3.+1.4.)</b>	<b>1 581 801</b>
1.1.	Cash	2 267
1.2.	Balances with Latvian Central Bank	760 243
1.3.	Loans to credit institutions	354 340
1.4.	Liquid securities	464 952
<b>2.</b>	<b>Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)</b>	<b>2 048 311</b>
2.1.	Deposits from credit institutions	21 602
2.2.	Deposits	1 923 908
2.3.	Issued debt securities	-
2.4.	Money in transit	68 152
2.5.	Other current liabilities	12 977
2.6.	Off-balance sheet liabilities	21 671
<b>3.</b>	<b>Liquidity ratio (%) (1.:2.) (%)</b>	<b>77.22</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.

					000'EUR
30.09.2017 Non-audited Issuer	At fair value	For sale	Held to maturity	TOTAL:	% to shareholders equity*
<b>Italy</b>					
Government obligations	-	50 010	-	50 010	
Investment funds	-	-	-	-	
Financial institutions	-	429	-	429	
Private institutions	-	-	-	-	
<b>Total:</b>	<b>0</b>	<b>50 439</b>	<b>-</b>	<b>50 439</b>	<b>11.04%</b>
<b>USA</b>					
Government obligations	-	-	-	-	
Investment funds	-	-	-	-	
Financial institutions	-	19 709	25 219	44 928	
Private institutions	-	31 886	71 976	103 862	
<b>Total:</b>	<b>0</b>	<b>51 595</b>	<b>97 195</b>	<b>148 790</b>	<b>32.56%</b>
<b>Russia</b>					
Government obligations	-	-	11 938	11 938	
Investment funds	-	-	-	-	
Financial institutions	-	10 915	9 607	20 522	
Private institutions	-	12 510	28 537	41 047	
<b>Total:</b>	<b>0</b>	<b>23 425</b>	<b>50 082</b>	<b>73 507</b>	<b>16.09%</b>
<b>Spain</b>					
Government obligations	-	50 042	-	50 042	
Investment funds	-	-	-	-	
Financial institutions	-	982	-	982	
Private institutions	-	-	-	-	
<b>Total:</b>	<b>0</b>	<b>51 024</b>	<b>-</b>	<b>51 024</b>	<b>11.17%</b>
<b>Securities of other countries:</b>	<b>203</b>	<b>182 019</b>	<b>135 741</b>	<b>317 963</b>	<b>69.58%</b>
<b>Total securities portfolio:</b>	<b>203</b>	<b>358 502</b>	<b>283 018</b>	<b>641 723</b>	

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 641.7 m. Majority of that – EUR 463.5 m – was invested in government and corporate obligations in Europe, Russia and USA. 61.90% of the investment was made in securities with investment grade credit ratings. The biggest concentration of investments by country was in USA, Russia, Spain and Italy (32.56%, 16.09%, 11.17% and 11.04% of Bank's shareholders' equity). Bank's investments in Italy and Spain government obligations constituted 10.94% and 10.95% of Bank's shareholders equity accordingly.

\* - Each country's issuers' total exposure in percentages from the own funds used for capital adequacy ratio calculation purposes

