

**2018** Public quarterly report  
3rd Quarter 2018



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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.

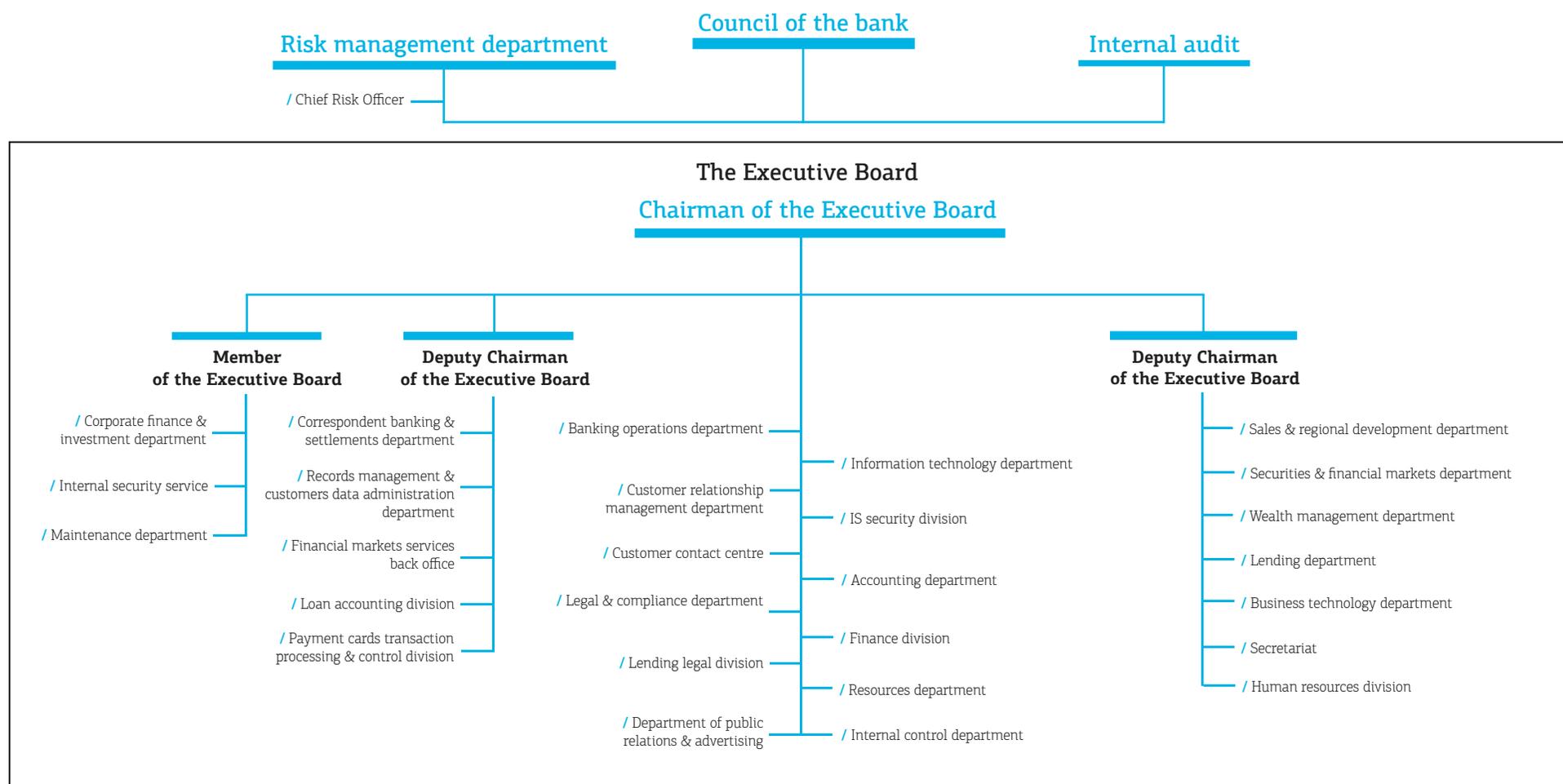
## Bank offices

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
Leonids Esterkins	Chairman of the Council	25/09/97(04/04/18-04/04/21)
Arkadijs Suharenko	Deputy Chairman of the Council	25/09/97(04/04/18-04/04/21)
Brendan Thomas Murphy	Deputy Chairman of the Council	07/09/05(04/04/18-04/04/21)
Dermot Fachtna Desmond	Member of the Council	07/09/05(04/04/18-04/04/21)
Valentins Blugers	Member of the Council	25/03/11(04/04/18-04/04/21)

## The Board of Directors of the Bank

Name	Position	Date of appointment
Rolf Paul Fuls	Member of the Board, First Vice President Chairman of the Executive Board	26/11/10(05/10/16-04/10/19) from 24/04/18
Ruslans Stecjuks	Member of the Board, First Vice President Member of the Executive Board, Deputy Chairman	18/10/10(05/10/16-04/10/19) from 24/04/18
Ilija Suharenko	Member of the Board, First Vice President Member of the Executive Board, Deputy Chairman	18/10/10(05/10/16-04/10/19) from 24/04/18
Jelena Buraja	Member of the Board, Senior Vice President Member of the Executive Board	05/10/16(05/10/16-04/10/19) from 24/04/18



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.

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No.	Name of company	Registration number	Registration location code	Registration address	Type of activities*	Interest in share capital (%)	Voting 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.	SIA "Lilijas 28"	40103252765	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
7.	SIA "M322"	40103247406	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
8.	SIA "Aristīda Briāna 9"	40003780729	LV	Latvia, Riga, Aristida Briana str. 9	PLS	100	100	MMS
9.	SIA "H-Blok"	40003839376	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
10.	SIA "Deviņdesmit seši"	40003492087	LV	Latvia, Jurmala, Juras str. 56	PLS	100	100	MMS
11.	SIA "Ventio"	41203010746	LV	Latvia, Jurmala, Juras str. 56	PLS	100	100	MMS
12.	SIA "Route 96"	40003856126	LV	Latvia, Marupes region, Zilites str. 1	PLS	100	100	MMS
13.	SIA "Vangažu Nekustamie īpašumi"	40103463243	LV	Latvia, Incukalna region, Vangazi, Gaujas str. 24/34	PLS	100	100	MMS
14.	SIA "D 47"	40103458986	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
15.	SIA "Vesetas 7"	40103182735	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MS
16.	Rietumu leasing OOO	100188077	BY	Belarus, Minsk, Odoevskogo str. 117, 6th floor, office 9	LIZ	100	100	MS
17.	SIA "InCREDIT GROUP"	40103507404	LV	Latvia, Riga, Kr.Barona str. 130	CFI	51	51	MS
18.	SIA "Vangažu Nekustamie īpašumi-2"	40103449678	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
19.	SIA "Multi Pluss"	40003636787	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
20.	SIA "Cabinet Holding"	40103814913	LV	Latvia, Riga, Brivibas str. 109	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 "KI-135"	40003970065	LV	Latvia, Riga, Brivibas str. 109	PLS	100	100	MMS
22.	SIA "U-10"	50103841951	LV	Latvia, Riga, Garozes str. 25-1	PLS	67	67	MMS
23.	SIA "KINI LAND"	40103703726	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
24.	SIA "ESP European Steel Production"	40103266905	LV	Latvia, Olaine, Rupnicu str. 4	PLS	100	100	MMS
25.	SIA "Penrox Petroleum"	40003970050	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
26.	SIA "Ekoagro"	40003741971	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
27.	SIA "Hotel Jūrnīeks"	40003623566	LV	Latvia, Riga, Sofijas str. 8	PLS	100	100	MMS
28.	SIA "Bērzaunes 13"	40103839137	LV	Latvia, Riga, Sofijas str. 8	PLS	100	100	MMS
29.	SIA "SBD"	40003868002	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MS
30.	SIA "Langervaldes 2"	40103701960	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MS
31.	AS Rietumu Asset Management IPS	40103753360	LV	Latvia, Riga, Vesetas str. 7	CFI	100	100	MS
32.	SIA "Overseas Estates"	40003943207	LV	Latvia, Ventspils, Dzintaru str. 3A	PLS	100	100	MS
33.	KI Invest OOO	1157746168007	RU	Russia, Moscow, 117246. Nauchnij pr. 19	PLS	100	100	MS
34.	RAM Cash Reserve Fund-USD	23.07.2014/148	LV	Latvia, Riga, Vesetas str. 7	CFI	99.07	99.07	CT
35.	RAM Global Equity USD	20.08.2014/166	LV	Latvia, Riga, Vesetas str. 7	CFI	57.69	57.69	CT
36.	SIA "Euro Textile Group"	40003660929	LV	Latvia, Riga, Ganību dambis 30	PLS	100	100	MS
37.	SIA "KI FUND"	40203088127	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.



## Income Statement

	000'EUR			
	Bank 30.09.2018 Non-audited	Group 30.09.2018 Non-audited	Bank 30.09.2017 Non-audited	Group 30.09.2017 Non-audited
Interest income	36 410	45 606	59 462	67 488
Interest expenses	-10 801	-11 247	-15 924	-16 419
Dividend income	633	75	2 939	1 721
Commission and fee income	57 473	57 831	53 133	53 581
Commission and fee expense	-25 811	-26 183	-27 513	-27 742
Net gain/(loss) on derecognition of financial assets and financial liabilities not measured at fair value through profit or loss	-1 726	-1 726	112	80
Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss	1 915	1 888	39	837
Net result from foreign exchange trading and revaluation	11 932	11 830	16 645	16 218
Net gain/(loss) from derecognition of non-financial assets	-10	1 378	-7	323
Other income	2 550	10 502	2 030	8 700
Other expense	-15	-1 830	-799	-2 688
Administrative expense	-37 050	-46 063	-57 933	-67 691
Depreciation	-996	-1 842	-1 684	-2 045
Impairment losses	-3 310	-4 407	-3 381	-2 463
<b>PROFIT / (LOSS) BEFORE CORPORATE INCOME TAX</b>	<b>31 194</b>	<b>35 811</b>	<b>27 119</b>	<b>29 900</b>
Corporate income tax	-1 483	-1 781	-5 737	-6 074
<b>NET PROFIT / (LOSS)</b>	<b>29 711</b>	<b>34 030</b>	<b>21 382</b>	<b>23 826</b>
Other comprehensive income for the reporting period	-3 805	-3 197	1 956	2 449



## Condensed Balance Sheet

	000'EUR			
	Bank 30.09.2018 Non-audited	Group 30.09.2018 Non-audited	Bank 31.12.2017 Audited*	Group 31.12.2017 Audited*
<b>ASSETS</b>				
Cash and demand deposits with central banks	526 521	526 536	875 856	875 868
Demand deposits from credit institutions	107 964	108 744	461 442	462 146
Financial assets at fair value through profit or loss	16 071	16 091	445	15 556
Financial assets at fair value through other comprehensive income**	75 199	75 360	342 861	329 699
Financial assets at amortised costs	774 359	698 456	1 235 129	1 154 662
Loans and receivables, net	747 889	671 986	916 987	836 323
incl.				
loans, gross	827 248	733 859	1 007 297	913 123
expected credit losses***	-79 359	-61 873	-90 310	-76 800
stage 1	-2 533	-2 770	-	-
stage 2	-843	-892	-	-
stage 3	-75 983	-58 211	-	-
Debt securities, net	26 470	26 470	277 317	277 514
incl.				
debt securities, gross	27 034	27 034	-	-
expected credit losses	-564	-564	-	-
stage 1	-564	-564	-	-
Reverse repo loans	-	-	40 825	40 825
Tangible assets	18 240	129 250	18 374	130 523
fixed assets	8 267	40 548	7 904	40 978
investment property	9 973	88 702	10 470	89 545
Intangible assets	2 626	2 627	2 632	2 633
Investments in subsidiaries and associates	34 002	3 221	34 002	3 220
Tax assets	2 098	2 642	-	59
Other assets	15 346	23 677	27 879	37 551
Long-term assets and disposal groups classified as held for sale	-	87	-	220
<b>Total assets</b>	<b>1 572 426</b>	<b>1 586 691</b>	<b>2 998 620</b>	<b>3 012 137</b>
<b>LIABILITIES AND SHAREHOLDERS'S EQUITY</b>				
Balances due to central banks	-	-	120 000	120 000
Demand deposits due to credit institutions	1 012	1 060	26 459	27 187
Financial instruments at fair value through profit or loss	1 063	1 063	30	30
Financial liabilities at amortised value	1 053 258	1 046 166	2 359 783	2 348 396
Tax liabilities	-	281	316	877
Provisions	20 122	20 066	20 000	20 000
Other liabilities	28 863	37 753	12 418	21 222
<b>Total liabilities</b>	<b>1 104 318</b>	<b>1 106 389</b>	<b>2 539 006</b>	<b>2 537 712</b>
<b>Shareholders' equity</b>	<b>468 108</b>	<b>480 302</b>	<b>459 614</b>	<b>474 425</b>
incl.				
paid-in share capital	168 916	168 916	168 916	168 916
share premium	52 543	52 543	52 543	52 543
reserve capital	23	88	23	88
retained earnings of previous years	216 744	223 504	201 122	207 931
profit for the period	29 711	32 505	33 034	32 141
fixed asset revaluation reserve	-	1 835	-	1 381
revaluation reserve for financial assets at fair value****	171	172	3 976	3 409
currency translation reserve	-	-2 798	-	-2 383
non-controlling interest	-	3 537	-	10 399
<b>Total liabilities and shareholder's equity</b>	<b>1 572 426</b>	<b>1 586 691</b>	<b>2 998 620</b>	<b>3 012 137</b>
Contingent liabilities, net	4 421	4 421	6 627	6 627
incl.				
contingent liabilities, gross	4 422	4 422	-	-
expected credit losses	-1	-1	-	-
stage 1	-1	-1	-	-
Financial commitments, net	18 267	10 093	27 410	19 407
incl.				
financial commitments, gross	18 389	10 158	-	-
expected credit losses	-122	-65	-	-
stage 1	-108	-61	-	-
stage 2	-11	-1	-	-
stage 3	-3	-3	-	-

\*Information has been prepared based on data from the audited annual report for the year ended 31 December 2017.

\*\*In 2017 'Available-for-sale financial assets' in accordance with IAS 39

\*\*\* In 2017 'Specific impairment allowance' in accordance with IAS 39

\*\*\*\* In 2017 'Available for sale financial assets revaluation reserve' in accordance with IAS 39



## Profitability ratios

	Bank 30.09.2018 Non-audited	Group 30.09.2018 Non-audited	Bank 31.12.2017 Audited*	Group 31.12.2017 Audited*
ROE <sup>1</sup>	8.51%	9.11%	7.02%	6.89%
ROA <sup>2</sup>	1.99%	2.16%	1.03%	1.03%
Cost/income ratio <sup>3</sup>	52.44%	54.36%	55.97%	44.31%

## Regulatory requirements and ratios

	Bank 30.09.2018 Non-audited	Group 30.09.2018 Non-audited	Bank 31.12.2017 Audited*	Group 31.12.2017 Audited*
Capital adequacy ratio	34.00%	33.56%	24.36%	24.08%
Note: minimum allowed by FCMC	12.10%	12.10%	12.10%	12.10%

## Financial ratios

	Bank 30.09.2018 Non-audited	Group 30.09.2018 Non-audited	Bank 31.12.2017 Audited*	Group 31.12.2017 Audited*
Equity to loan portfolio ratio	62.59%	71.47%	50.12%	56.73%
Loan portfolio to total assets ratio	47.56%	42.35%	30.58%	27.77%
Equity to total assets ratio	29.77%	30.27%	15.33%	15.75%
Deposits to loans ratio	140.81%	155.68%	257.28%	280.80%

<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>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

\*Information has been prepared based on data from the audited annual report for the year ended 31 December 2017.



## Report of equity and minimum capital requirements

Code	Position description	Bank 000'EUR 30.09.2018	Group 000'EUR 30.09.2018
<b>1</b>	<b>Own funds (1.1.+1.2.)</b>	<b>439 426</b>	<b>439 834</b>
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	327 111	327 519
1.1.1.	Common equity tier 1 capital	327 111	327 519
1.1.2.	Additional tier 1 capital	-	-
1.2.	Tier 2 capital	112 315	112 315
<b>2</b>	<b>Total risk exposure amount(2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>1 292 585</b>	<b>1 310 783</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 030 948	1 027 981
2.2.	Settlement/delivery risk exposure amount	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	3 598	5 403
2.4.	Total risk exposure amount for operational risk	258 039	277 399
2.5.	Total risk exposure amount or credit valuation adjustment	-	-
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)	25.31	24.99
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	268 945	268 534
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	25.31	24.99
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	249 556	248 872
3.5.	Total capital ratio %(1./2.*100)	34.00	33.56
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	336 019	334 971
<b>4</b>	<b>Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>51 839</b>	<b>52 579</b>
4.1.	Capital conservation buffer	32 315	32 770
4.2.	Conservation buffer connected with at country level detected macroprudential or systemic risk	-	-
4.3.	Institution specific countercyclical capital buffer	135	147
4.4.	Systemic risk buffer	-	-
4.5.	Other Systemically Important Institution buffer	19 389	19 662
<b>5</b>	<b>Capital ratios due to Pillar II adjustments</b>		
5.1.	Amount of asset value adjustment appropriate for prudential purposes	-	-
5.2.	CET1 capital ratio including Pillar II adjustments	25.31%	24.99%
5.3.	Tier 1 capital ratio including Pillar II adjustments	25.31%	24.99%
5.4.	Total capital ratio including Pillar II adjustments	<b>34.00%</b>	<b>33.56%</b>

## Information on equity and capital adequacy ratios if a credit institution applies a transitional period to mitigate the effect of IFRS 9 on equity

Code	Position description	Bank 000'EUR 30.09.2018	Group 000'EUR 30.09.2018
1.A	Own funds if the transitional period of IFRS 9 would not apply	432 301	433 541
1.1.A	Tier 1 capital if the transitional period of IFRS 9 would not apply	319 986	321 226
1.1.1.A	Tier 1 core capital if the transitional period of IFRS 9 would not apply	319 986	321 226
2.A	Total exposure value if the transitional period of IFRS 9 would not apply	1 284 282	1 303 737
3.1.A	Tier 1 core capital ratio if the transitional period of IFRS 9 would not apply	24.92%	24.64%
3.3.A	Tier 1 capital ratio if the transitional period of IFRS 9 would not apply	24.92%	24.64%
3.5.A	Total capital ratio if the transitional period of IFRS 9 would not apply	33.66%	33.25%

## Liquidity coverage ratio calculation

Code	Position description	Bank 000'EUR 30.09.2018	Group 000'EUR 30.09.2018
1	Liquidity buffer	530 500	531 180
2	Net liquidity outflow	43 501	43 467
3	Liquidity coverage ratio (%)	1219.52%	1222.04%

Risk management can be found in the last annual report:

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

