

**2019** Public quarterly report  
3rd Quarter 2019



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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.

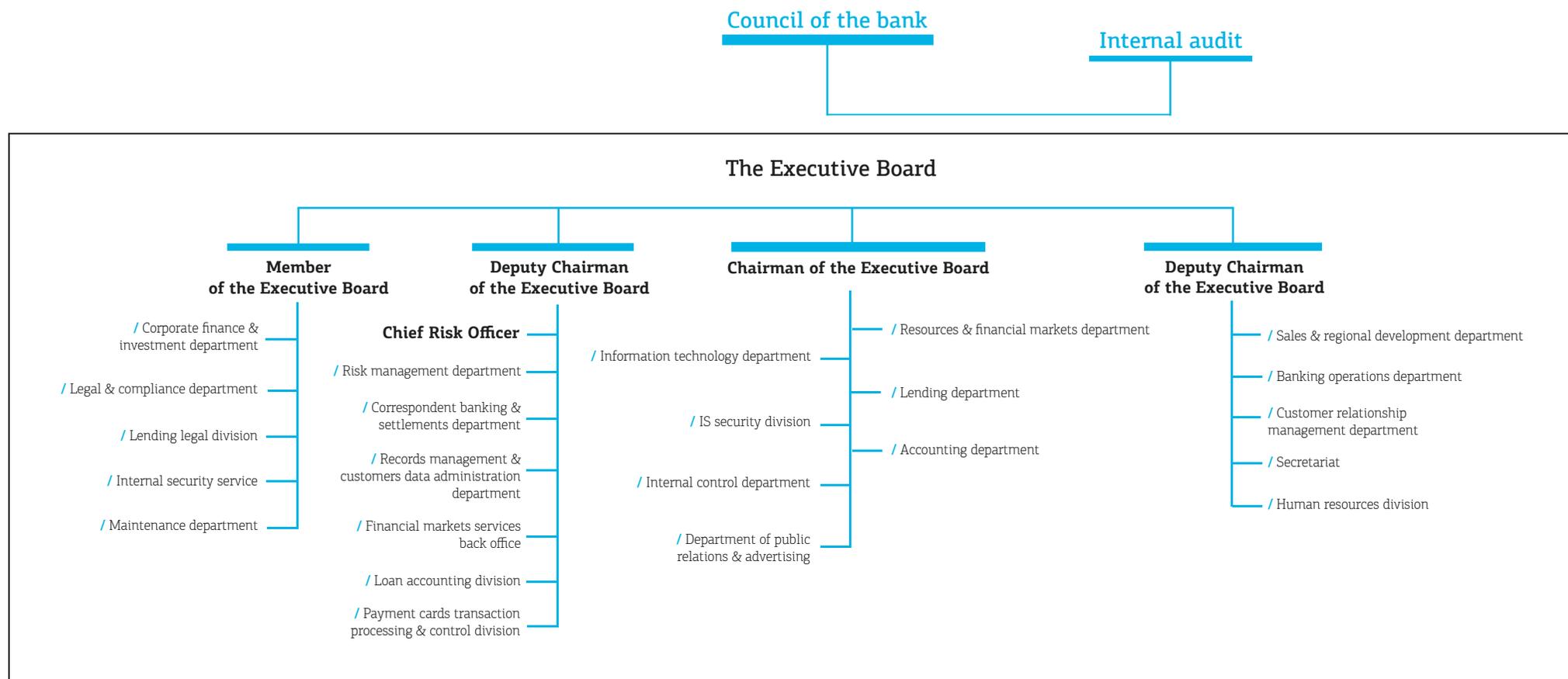
## Bank offices

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	The nominal value of shares	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>50.46%</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>16.43%</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(14/05/18-14/05/21)
Arkadijs Suharenko	Deputy Chairman of the Council	25/09/97(14/05/18-14/05/21)
Brendan Thomas Murphy	Deputy Chairman of the Council	07/09/05(14/05/18-14/05/21)
Dermot Fachtna Desmond	Member of the Council	07/09/05(14/05/18-14/05/21)
Valentins Blugers	Member of the Council	25/03/11(14/05/18-14/05/21)

## The Executive Board of the Bank

Name	Position	Date of appointment
Rolf Paul Fuls	Chairman of the Executive Board	24/04/2018 - 23/09/2022
Ruslans Stecjuks	Member of the Executive Board, Deputy Chairman	24/04/2018 - 23/09/2022
Ilja Suharenko	Member of the Executive Board, Deputy Chairman	24/04/2018 - 23/09/2022
Jelena Buraja	Member of the Executive Board	24/04/2018 - 23/09/2022



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 "D 47"	40103458986	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
12.	SIA "Vesetas 7"	40103182735	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MS
13.	Rietumu leasing OOO	100188077	BY	Belarus, Minsk, Odoevskogo str. 117, 6th floor, office 9	LIZ	100	100	MS
14.	SIA "InCREDIT GROUP"	40103307404	LV	Latvia, Riga, Kr.Barona str. 130	CFI	51	51	MS
15.	SIA "KI-135"	40003970065	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**
16.	SIA "U-10"	50103841951	LV	Latvia, Riga, Garozes str. 25-1	PLS	67	67	MMS
17.	SIA "KINI LAND"	40103703726	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
18.	SIA "ESP European Steel Production"	40103266905	LV	Latvia, Olaine, Rupnicu str. 4	PLS	100	100	MMS
19.	SIA "Ekoagro"	40003741971	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
20.	SIA "Bērzaunes 13"	40103839137	LV	Latvia, Riga, Sofijas str. 8	PLS	100	100	MMS
21.	SIA "SBD"	40003868002	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MS
22.	AS Rietumu Asset Management IPS	40103753360	LV	Latvia, Riga, Vesetas str. 7	CFI	100	100	MS
23.	SIA "Overseas Estates"	40003943207	LV	Latvia, Ventspils, Dzintaru str. 3A	PLS	100	100	MS
24.	KI Invest OOO	1157746168007	RU	Russia, Moscow, 117246. Nauchnij pr. 19	PLS	100	100	MS
25.	PH Servis OOO	1147746132820	RU	Russia, Moscow, 117246. Nauchnij pr. 20	PLS	100	100	MMS
26.	SIA "Euro Textile Group"	40003660929	LV	Latvia, Riga, Ganibu dambis 30	PLS	100	100	MS
27.	SIA "KI FUND"	40203088127	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS

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## Income Statement

	000'EUR			
	Bank 30.09.2019 Non-audited	Group 30.09.2019 Non-audited	Bank 30.09.2018 Non-audited	Group 30.09.2018 Non-audited
Interest income	29 962	37 336	36 410	45 606
Interest expenses	-12 987	-13 324	-10 801	-11 247
Dividend income	3 225	118	633	75
Commission and fee income	26 554	26 925	57 473	57 831
Commission and fee expense	-18 464	-18 894	-25 811	-26 183
Net gain/(loss) on derecognition of financial assets and financial liabilities not measured at fair value through profit or loss	1 315	951	-1 726	-1 726
Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss	92	28	1 915	1 888
Net result from foreign exchange trading and revaluation	8 581	9 606	11 932	11 830
Net gain/(loss) from derecognition of non-financial assets	24	-39	-10	1 378
Other income	2 280	7 740	2 550	10 502
Other expense	-9	-137	-15	-1 830
Administrative expense	-18 643	-26 552	-37 050	-46 063
Depreciation	-2 175	-2 996	-996	-1 842
Provisions or reversal of provisions	-18	-29	84	84
Impairment losses	1 085	378	-3 394	-4 492
<b>PROFIT / (LOSS) BEFORE CORPORATE INCOME TAX</b>	<b>20 822</b>	<b>21 111</b>	<b>31 194</b>	<b>35 811</b>
Corporate income tax	-224	-960	-1 483	-1 781
<b>NET PROFIT / (LOSS)</b>	<b>20 598</b>	<b>20 151</b>	<b>29 711</b>	<b>34 030</b>
Other comprehensive income for the reporting period	5 627	5 914	-3 805	-3 197



## Condensed Balance Sheet

	000'EUR			
	Bank 30.09.2019 Non-audited	Group 30.09.2019 Non-audited	Bank 31.12.2018 Audited*	Group 31.12.2018 Non-audited
<b>ASSETS</b>				
Cash and demand deposits with central banks	549 818	549 840	466 444	466 465
Demand deposits from credit institutions	80 599	81 247	91 828	92 443
Financial assets at fair value through profit or loss	9 302	9 408	11 671	11 815
Financial assets at fair value through other comprehensive income	216 698	216 698	159 405	159 405
Financial assets at amortised costs	727 190	646 411	730 881	656 861
Loans and receivables, net	683 744	602 965	695 344	621 324
incl.				
loans, gross	768 324	673 008	782 015	693 135
expected credit losses	-84 580	-70 043	-86 671	-71 811
stage 1	-1 655	-1 950	-2 363	-2 509
stage 2	-256	-299	-679	-721
stage 3	-82 669	-67 794	-83 629	-68 581
Debt securities, net	43 446	43 446	35 537	35 537
incl.				
debt securities, gross	44 078	44 078	36 127	36 127
expected credit losses	-632	-632	-590	-590
stage 1	-576	-576	-590	-590
stage 2	-56	-56	-	-
Tangible assets	47 816	131 431	17 729	125 512
fixed assets	38 773	40 971	8 386	41 139
investment property	9 043	90 460	9 343	84 373
Intangible assets	2 168	2 188	2 498	2 499
Investments in subsidiaries and associates	29 466	3 253	32 809	3 215
Tax assets	474	745	2 835	3 398
Other assets	14 083	20 545	26 306	33 195
Long-term assets and disposal groups classified as held for sale	-	-	-	1 160
<b>Total assets</b>	<b>1 677 614</b>	<b>1 661 766</b>	<b>1 542 406</b>	<b>1 555 968</b>
<b>LIABILITIES AND SHAREHOLDERS'S EQUITY</b>				
Demand deposits due to credit institutions	1 675	1 694	2 190	2 245
Financial liabilities at amortised value	1 243 258	1 240 716	1 033 697	1 026 828
Tax liabilities	-	122	-	243
Provisions	34 156	34 105	34 138	34 076
Other liabilities	46 785	24 563	14 871	24 027
<b>Total liabilities</b>	<b>1 325 874</b>	<b>1 301 200</b>	<b>1 084 896</b>	<b>1 087 419</b>
<b>Shareholders' equity</b>	<b>351 740</b>	<b>360 566</b>	<b>457 510</b>	<b>468 549</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	23	23	88
retained earnings of previous years	106 279	113 874	216 791	223 099
profit for the period	20 598	19 041	21 483	22 750
fixed asset revaluation reserve	-	1 893	-	1 914
revaluation reserve for financial assets at fair value	3 381	3 381	-2 246	-2 246
currency translation reserve	-	-2 571	-	-2 879
non-controlling interest	-	3 466	-	4 364
<b>Total liabilities and shareholder's equity</b>	<b>1 677 614</b>	<b>1 661 766</b>	<b>1 542 406</b>	<b>1 555 968</b>
Contingent liabilities, net	6 512	6 512	4 274	4 274
incl.				
contingent liabilities, gross	6 513	6 513	4 275	4 275
expected credit losses	-1	-1	-1	-1
stage 1	-1	-1	-1	-1
Financial commitments, net	132 262	87 573	17 533	8 841
incl.				
financial commitments, gross	132 418	87 677	17 670	8 917
expected credit losses	-156	-104	-137	-76
stage 1	-86	-67	-126	-75
stage 2	-70	-37	-11	-1

\*Information has been prepared based on data from the audited annual report for the year ended 31 December 2018.



## Profitability ratios

	Bank 30.09.2019 Non-audited	Group 30.09.2019 Non-audited	Bank 31.12.2018 Audited*	Group 31.12.2018 Non-audited
ROE <sup>1</sup>	6.80%	6.40%	4.62%	4.80%
ROA <sup>2</sup>	1.64%	1.53%	1.14%	1.20%
Cost/income ratio <sup>3</sup>	51.31%	58.73%	45.99%	50.40%

## Regulatory requirements and ratios

	Bank 30.09.2019 Non-audited	Group 30.09.2019 Non-audited	Bank 31.12.2018 Audited*	Group 31.12.2018 Non-audited
Capital adequacy ratio	24.68%	24.85%	36.62%	36.01%
Note: minimum allowed by FCMC	12.30%	12.30%	12.10%	12.10%

## Financial ratios

	Bank 30.09.2019 Non-audited	Group 30.09.2019 Non-audited	Bank 31.12.2018 Audited*	Group 31.12.2018 Non-audited
Equity to loan portfolio ratio	51.44%	59.80%	65.80%	75.41%
Loan portfolio to total assets ratio	40.76%	36.28%	45.08%	39.93%
Equity to total assets ratio	20.97%	21.70%	29.66%	30.11%
Deposits to loans ratio	181.83%	205.77%	148.63%	165.26%

<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 2018.



## Report of equity and minimum capital requirements

Code	Position description	Bank 000'EUR 30.09.2019	Group 000'EUR 30.09.2019
<b>1</b>	<b>Own funds (1.1.+1.2.)</b>	<b>329 337</b>	<b>329 913</b>
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	224 615	225 191
1.1.1.	Common equity tier 1 capital	224 615	225 191
1.1.2.	Additional tier 1 capital	-	-
1.2.	Tier 2 capital	104 722	104 722
<b>2</b>	<b>Total risk exposure amount(2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>1 334 692</b>	<b>1 327 638</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 115 804	1 080 317
2.2.	Settlement/delivery risk exposure amount	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	351	4 596
2.4.	Total risk exposure amount for operational risk	218 518	242 706
2.5.	Total risk exposure amount or credit valuation adjustment	19	19
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)	16.83	16.96
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	164 554	165 447
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	16.83	16.96
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	144 533	145 533
3.5.	Total capital ratio %(1./2.*100)	24.68	24.85
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	222 562	223 702
<b>4</b>	<b>Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>50 617</b>	<b>50 355</b>
4.1.	Capital conservation buffer	33 367	33 191
4.2.	Conservation buffer connected with at country level detected macroprudential or systemic risk	-	-
4.3.	Institution specific countercyclical capital buffer	566	569
4.4.	Systemic risk buffer	-	-
4.5.	Other Systemically Important Institution buffer	16 684	16 595
<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	16.83%	16.96%
5.3.	Tier 1 capital ratio including Pillar II adjustments	16.83%	16.96%
5.4.	Total capital ratio including Pillar II adjustments	<b>24.68%</b>	<b>24.85%</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 30.09.2019	Group 000'EUR 30.09.2019
1.A	Own funds if the transitional period of IFRS 9 would not apply	322 962	324 283
1.1.A	Tier 1 capital if the transitional period of IFRS 9 would not apply	218 240	219 561
1.1.1.A	Tier 1 core capital if the transitional period of IFRS 9 would not apply	218 240	219 561
2.A	Total exposure value if the transitional period of IFRS 9 would not apply	1 327 298	1 321 396
3.1.A	Tier 1 core capital ratio if the transitional period of IFRS 9 would not apply	16.44%	16.62%
3.3.A	Tier 1 capital ratio if the transitional period of IFRS 9 would not apply	16.44%	16.62%
3.5.A	Total capital ratio if the transitional period of IFRS 9 would not apply	24.33%	24.54%

## Liquidity coverage ratio calculation

Code	Position description	Bank 000'EUR 30.09.2019	Group 000'EUR 30.09.2019
1	Liquidity buffer	588 289	588 310
2	Net liquidity outflow	39 447	38 372
3	Liquidity coverage ratio (%)	1491.33%	1533.16%

Risk management can be found in the last annual report:

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

