

Interim report

January-December 2023



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Mission

The mission of Rietumu Banka is to support and promote the development of Latvian and Baltic economy in a sustainable way by giving a hand to small, medium and large companies in terms of lending and operational infrastructure, while providing investment and asset management services to owners of these companies.

Vision

The Bank is in the leading position in the area of corporate client service and wealth management in Latvia and at regional level.

The Bank plans to consolidate its market position with an aim to ensure stable profit and improve efficiency ratios. Continuation of stable growth, improvement of the technological base and supporting of rational administrative infrastructure are among the Bank's priorities.

The Bank plans to continue to improve the control and risk management systems, personnel training and professional development of all employees.

Rietumu Group has zero-tolerance towards bribery, corruption, and money laundering. We are proud to have one of the most numerous and skilled teams in the region that stands ready to fight unfair business practices.

We at Rietumu Banka understand the importance of doing business in a way that for having profit today one does not have to take from tomorrow. Each business has to make its own contribution towards achieving long-term sustainability and banks as the ones controlling the flows of funds have even greater responsibility for this mission to be successful.

Rietumu Banka considers important sharing and promoting social responsibility by providing support and assistance to those in need through operations Nākotnes Atbalsta fonds (Fund for support of future).

Strategy

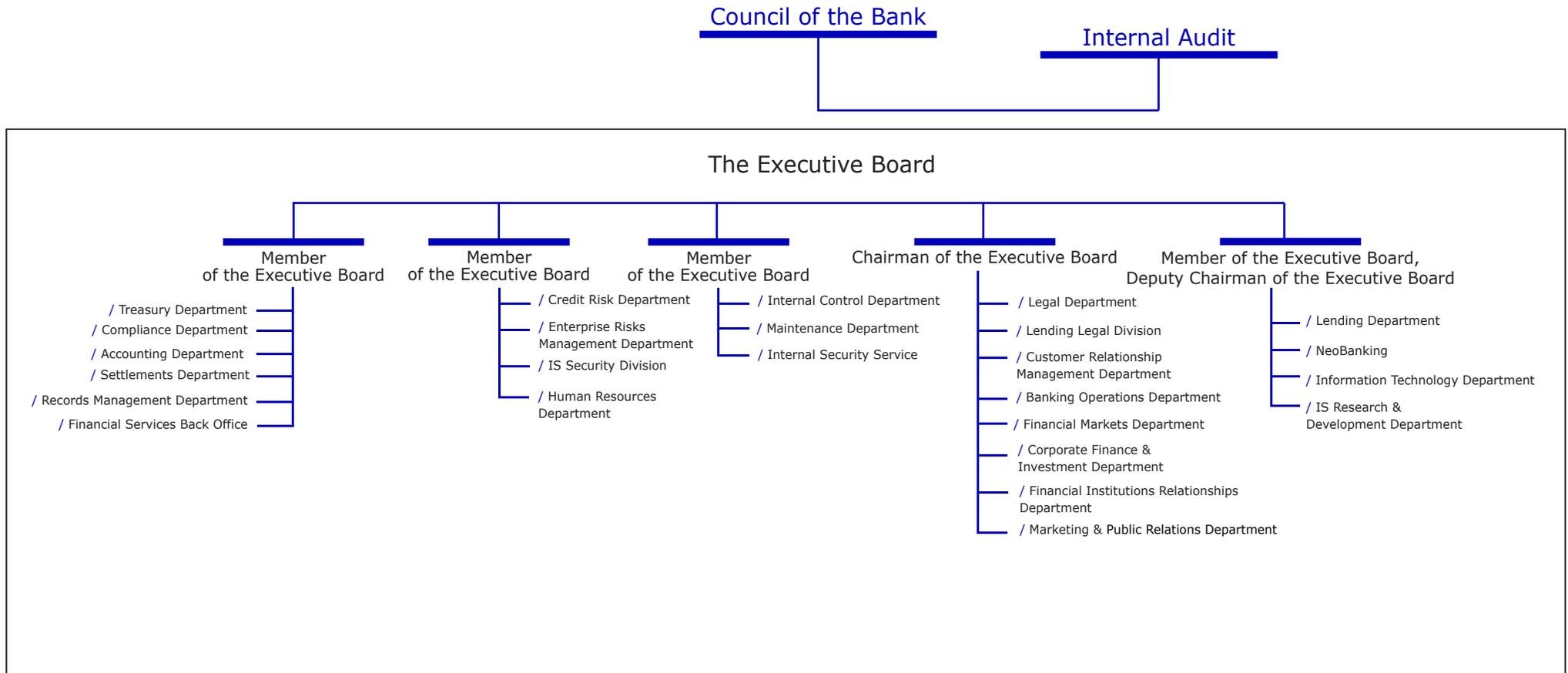
For achieving the set goals, the Bank has worked out and has been effectively implementing its corporate strategy focusing on the following areas:

- 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:
<https://www.rietumu.com/en/about-bank/bank-details>

The structure of JSC "Rietumu Banka"



Shareholders of the Bank

Shareholders of the Bank	Number of shares	EUR The nominal value of shares	EUR Paid-in share capital	% of share capital with voting rights
Companies non-residents, total	33 650 918		47 111 285	33.11%
Boswell (International) Consulting Limited	33 650 918	1.4	47 111 285	33.11%
Companies residents, total	51 278 829		71 790 361	50.46%
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%
Others	16 703 953	1.4	23 385 534	16.43%
Shares with voting rights	101 633 700		142 287 180	100.00%
Shares without voting rights	19 020 308	1.4	26 628 431	
Paid-in share capital total	120 654 008		168 915 611	

The Council of the Bank

Name	Position	Date of appointment
Leonids Esterkins	Chairman of the Council	03/05/2023 - 02/05/2026
Arkadijs Suharenko	Deputy Chairman of the Council	03/05/2023 - 02/05/2026
Dermot Fachtna Desmond	Deputy Chairman of the Council	03/05/2023 - 02/05/2026
Valentins Blugers	Member of the Council	03/05/2023 - 02/05/2026
Iļja Suharenko	Member of the Council	03/05/2023 - 02/05/2026

The Executive Board of the Bank

Name	Position	Date of appointment
Jelena Buraja	Chairman of the Executive Board	14/10/2022 - 13/10/2025
Ruslan Stecyuk	Member of the Executive Board, Deputy Chairman	14/10/2022 - 13/10/2025
Mihails Birzgars	Member of the Executive Board	19/08/2021 - 19/08/2024
Vladlens Topcijans	Member of the Executive Board	29/08/2023 - 28/09/2026
Sandris Straume	Member of the Executive Board, Risk Director	21/10/2022 - 20/10/2025

The information disclosed in the report is prepared in accordance with the principles of the Regulations No 231 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 (%)	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 "KI Zeme"	40103161381	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
4	SIA "KI Nekustamie īpašumi"	40103182129	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MMS
5	SIA "Vesetas 7"	40103182735	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MS
6	Rietumu leasing OOO	100188077	BY	Belarus, Minsk, Odoevskogo str. 117, 6th floor, office 9	LIZ	100	100	MS
7	SIA "InCREDIT GROUP"	40103307404	LV	Latvia, Riga, Kr.Barona str. 130	CFI	51	51	MS
8	SIA "OVERSEAS Estates"	40003943207	LV	Latvia, Ventspils, Dzintaru str. 3A	PLS	100	100	MS
9	KI Invest OOO	1157746168007	RU	Russia, Moscow, 117246. Nauchnij pr. 19	PLS	100	100	MMS
10	SIA "Euro Textile Group"	40003660929	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MS
11	SIA "KI FUND"	40203088127	LV	Latvia, Riga, Vesetas str. 7	PLS	100	100	MS
12	SIA "COCHERA DEVELOPMENT GROUP"	40003968198	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.

Income Statement

	000'EUR			
	Bank	Group	Bank	Group
	01.01.2023-	01.01.2023-	01.01.2022-	01.01.2022-
	31.12.2023	31.12.2023	31.12.2022	31.12.2022
	Non-audited	Non-audited	Audited*	Non-audited
Interest income	60 505	67 965	39 604	48 667
Interest expenses	-16 212	-16 095	-11 089	-11 548
Dividend income	1 672	652	8 278	116
Commission and fee income	9 483	9 485	10 637	11 205
Commission and fee expense	-1 786	-2 103	-2 441	-2 471
Net gain/(loss) on derecognition of financial assets and financial liabilities not measured at fair value through profit or loss	-1 848	-1 848	1 185	1 185
Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss	247	246	2 746	2 746
Net result from foreign exchange trading and revaluation	332	-4 448	1 102	3 608
Net gain/(loss) from derecognition of non-financial assets	241	328	497	1 323
Other income	9 010	17 393	10 448	22 797
Other expense	-811	-2 194	-638	-4 625
Administrative expense	-27 220	-35 697	-28 360	-41 169
Depreciation	-2 220	-1 495	-1 677	-1 555
Provisions or reversal of provisions	311	310	-661	-675
Impairment losses	-14 457	-10 281	-10 241	-7 951
Profit or loss arising from investments in subsidiaries, joint ventures and associates recognised using the equity method	-881	-882	-	-1 177
PROFIT BEFORE CORPORATE INCOME TAX	16 366	21 336	19 390	20 476
Corporate income tax	-3 983	-4 109	-279	-1 728
NET PROFIT	12 383	17 227	19 111	18 748
Other comprehensive income for the reporting period	14 134	15 177	-26 812	-22 747

Financial performance

Condensed Balance Sheet

000'EUR

	Bank 31.12.2023 Non-audited	Group 31.12.2023 Non-audited	Bank 31.12.2022 Audited*	Group 31.12.2023 Non-audited
ASSETS				
Cash and demand deposits with central banks	350 330	350 366	248 584	248 618
Demand deposits from credit institutions	13 528	14 060	13 757	14 490
Financial assets at fair value through profit or loss	6 225	6 718	5 522	5 966
Financial assets at fair value through other comprehensive income	268 399	268 399	351 038	351 038
Financial assets at amortised cost	714 441	680 000	670 469	630 787
Loans, net	656 367	621 926	604 332	564 650
<i>incl.</i>				
	<i>loans, gross</i>	692 155	651 761	629 070
	<i>expected credit losses</i>	-35 788	-29 835	-24 738
	<i>stage 1</i>	-4 799	-4 194	-2 973
	<i>stage 2</i>	-2 940	-2 944	-5 479
	<i>stage 3</i>	-28 049	-22 697	-16 286
Debt securities, net	58 074	58 074	66 137	66 137
<i>incl.</i>				
	<i>debt securities, gross</i>	61 390	61 390	68 394
	<i>expected credit losses</i>	-3 316	-3 316	-2 257
	<i>stage 1</i>	-921	-921	-1 008
	<i>stage 2</i>	-107	-107	-326
	<i>stage 3</i>	-2 288	-2 288	-923
Tangible assets	69 413	129 959	59 215	121 882
	<i>fixed assets</i>	28 900	27 790	22 957
	<i>investment property</i>	40 513	102 169	36 258
Intangible assets	1 557	1 564	1 246	1 255
Investments in subsidiaries and associates	78 009	56 794	40 262	18 584
Tax assets	-	1 068	5	567
Other assets	16 378	15 093	11 135	7 658
Long-term assets and disposal groups classified as held for sale	300	304	1 343	1 377
Total assets	1 518 580	1 524 325	1 402 576	1 402 222
LIABILITIES AND SHAREHOLDERS'S EQUITY				
Due to Bank of Latvia	51 479	51 479	49 811	49 811
Demand deposits due to credit institutions	4 828	4 828	1 679	1 679
Financial instruments at fair value through profit or loss	10 466	10 466	551	551
Financial liabilities at amortised cost	1 048 214	1 032 351	978 929	961 712
<i>incl.</i>				
	<i>Deposits</i>	1 012 215	1 011 078	951 824
Tax liabilities	3 664	4 515	-	862
Provisions	33 418	33 408	33 729	33 719
Other liabilities	6 195	7 895	4 079	5 886
Total liabilities	1 158 264	1 144 942	1 068 778	1 054 220
Shareholders' equity	360 316	379 383	333 798	348 002
<i>incl.</i>				
	<i>paid-in share capital</i>	168 916	168 916	168 916
	<i>share premium</i>	52 543	52 543	52 543
	<i>reserve capital</i>	23	23	23
	<i>retained earnings of previous years</i>	141 446	149 455	122 335
	<i>profit for the period</i>	12 383	16 055	19 111
	<i>fixed asset revaluation reserve</i>	-	6 670	-
	<i>revaluation reserve for financial assets at fair value</i>	-14 995	-14 995	-29 130
	<i>currency translation reserve</i>	-	-3 319	-
	<i>non-controlling interest</i>	-	4 035	-
Total liabilities and shareholder's equity	1 518 580	1 524 325	1 402 576	1 402 222
Commitments and guarantees, net	144 554	114 174	188 288	147 328
<i>incl.</i>				
	<i>Commitments and guarantees, gross</i>	145 044	114 655	189 090
	<i>expected credit losses</i>	-490	-481	-802
	<i>stage 1</i>	-359	-350	-797
	<i>stage 2</i>	-131	-131	-5

*Information has been prepared based on data from the audited annual report for the year ended 31 December 2022.

After the annual audit, there are significant changes in the position Financial assets at amortised costs, Debt securities, and in the position Financial assets at fair value through other comprehensive income. Reasons for the changes - cancellation of reclassification of securities.

Profitability ratios

	Bank 31.12.2023 Non-audited	Group 31.13.2023 Non-audited	Bank 31.12.2022 Audited*	Group 31.12.2022 Non-audited
ROE ¹	4.68%	4.34%	5.66%	4.96%
ROA ²	1.19%	1.13%	1.29%	1.18%

Regulatory requirements and ratios

	Bank 31.12.2023 Non-audited	Group 31.12.2023 Non-audited	Bank 31.12.2022 Audited*	Group 31.12.2022 Non-audited
Capital adequacy ratio	24.42%	24.53%	24.66%	24.85%

Financial ratios

	Bank 31.12.2023 Non-audited	Group 31.12.2023 Non-audited	Bank 31.12.2022 Audited*	Group 31.12.2022 Non-audited
Equity to loan portfolio ratio	54.90%	61.00%	55.23%	61.63%
Loan portfolio to total assets ratio	43.22%	40.80%	43.09%	40.27%
Equity to total assets ratio	23.73%	24.89%	23.80%	24.82%
Deposits to loans ratio	154.21%	162.57%	157.50%	168.21%

¹Annualised profit/loss for the reporting period over average equity

²Annualised profit/loss for the reporting period over average assets

*Information has been prepared based on data from the audited annual report for the year ended 31 December 2022.

Report of equity and minimum capital requirements

No.	Position	Bank 000'EUR 31.12.2023	Group 000'EUR 31.12.2023
1	Own funds (1.1.+1.2.)	299 535	301 756
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	284 190	286 411
1.1.1.	Common equity tier 1 capital	284 190	286 411
1.1.2.	Additional tier 1 capital	-	-
1.2.	Tier 2 capital	15 345	15 345
2	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	1 226 362	1 230 044
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 098 653	1 082 430
2.2.	Settlement/delivery risk exposure amount	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	8 543	6 348
2.4.	Total risk exposure amount for operational risk	119 027	141 127
2.5.	Total risk exposure amount or credit valuation adjustment	139	139
2.6.	Total risk exposure amount related to large exposures in the trading book	-	-
2.7.	Other risk exposure amounts	-	-
3	Capital ratios and capital levels		
3.1.	CET 1 Capital ratio (%) (1.1.1./2.*100)	23.17	23.28
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	229 004	231 059
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	23.17	23.28
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	210 608	212 608
3.5.	Total capital ratio (%) (1./2.*100)	24.42	24.53
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	201 426	203 352
4	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	42 966	43 144
4.1.	Capital conservation buffer	30 659	30 751
4.2.	Conservation buffer connected with at country level detected macroprudential or systemic risk	-	-
4.3.	Institution specific countercyclical capital buffer	3 109	3 168
4.4.	Systemic risk buffer	-	-
4.5.	Other Systemically Important Institution buffer	9 198	9 225
5	Capital ratios due to Pillar II adjustments		
5.1.	Amount of asset value adjustment appropriate for prudential purposes	-	-
5.2.	CET1 capital ratio including Pillar II adjustments	23.17%	23.28%
5.3.	Tier 1 capital ratio including Pillar II adjustments	23.17%	23.28%
5.4.	Total capital ratio including Pillar II adjustments	24.42%	24.53%

Starting from 2023, transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds applied to the Group and the Bank according to Regulation (EU) 2017/2395 had expired.

JSC Rietumu Banka does not apply a temporary treatment set out in Article 468 of the Regulation (EC) No. 575/2013 regarding unrealised gains from financial assets measured at fair value through other comprehensive income usage in equity and capital adequacy ratios calculation.

Liquidity coverage ratio calculation

No.	Position	Bank 000'EUR 31.12.2023	Group 000'EUR 31.12.2023
1	Liquidity buffer	409 672	409 709
2	Net liquidity outflow	102 908	104 283
3	Liquidity coverage ratio (%)	398.10%	392.88%

Information on risk management can be found in the last annual report:

<https://www.rietumu.com/en/about-bank/bank-finance/bank-finance-audited>

Analysis of the Bank's and Group's securities portfolio distribution

Bank's and Group'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

31.12.2023 Non-audited Issuer	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments at amortised costs	TOTAL	% of shareholders' equity*
Luxembourg					
Other financial corporations	-	1 920	24 936	26 856	
Non-financial corporations	-	6 882	589	7 471	
Total:	-	8 802	25 525	34 327	9.53%
USA					
Credit institutions	-	1 665	-	1 665	
Other financial corporations	3 842	16 317	497	20 656	
Non-financial corporations	-	34 321	2 477	36 798	
Total:	3 842	52 303	2 974	59 119	16.41%
Securities of other countries:	350	207 294	29 575	237 219	
Total securities portfolio:	4 192	268 399	58 074	330 665	

* - Each country's issuers' total exposure in percentages from the Bank's shareholders equity.