

2017 Public quarterly report
1st Quarter 2017



RIETUMU
BANK

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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.

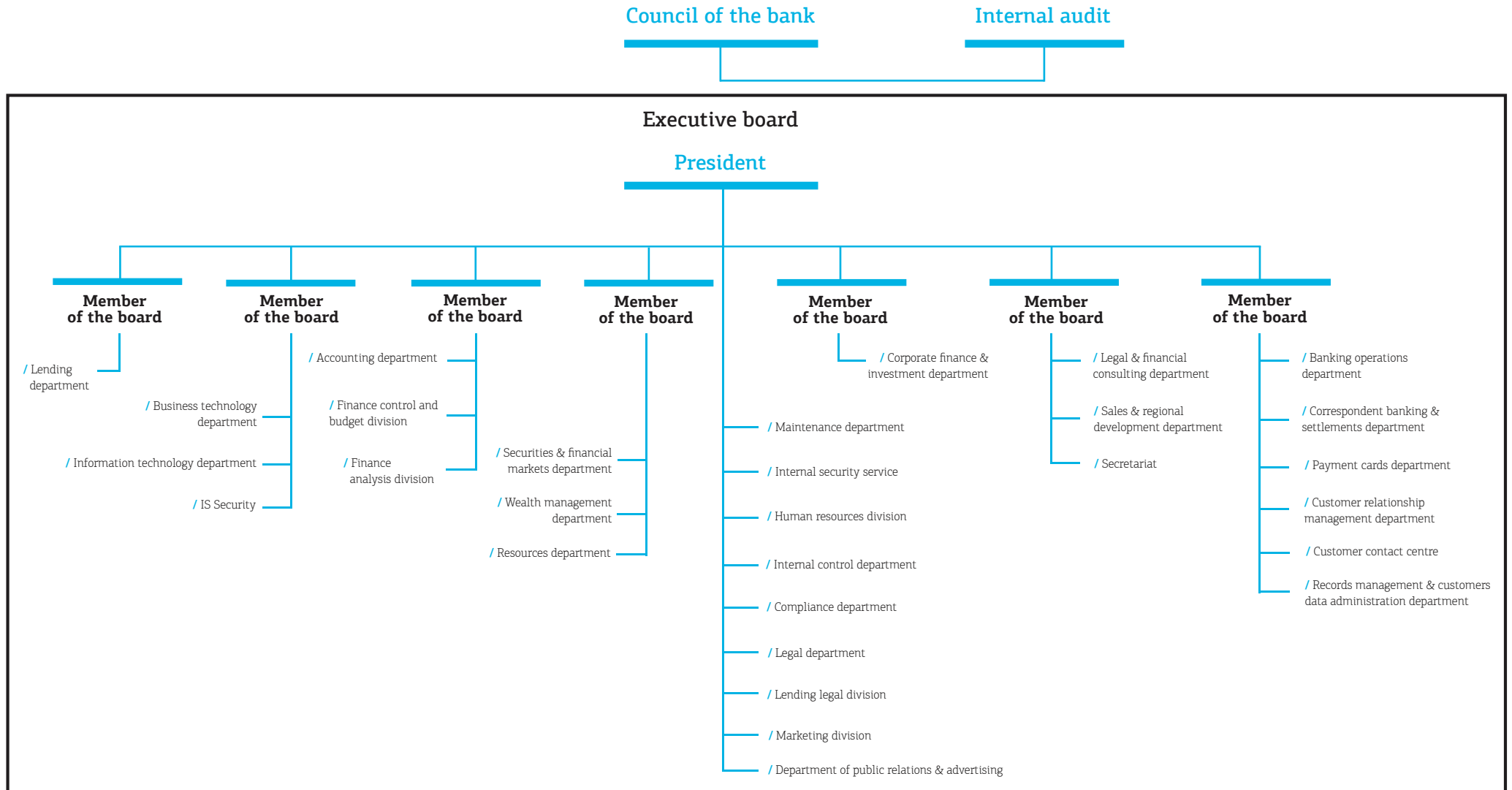
Bank offices

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
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	50.45%
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	16.44%
Total 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 Rietumu 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

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



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.	SIA "RB Investments"	LV-40003669082	LV	Latvija, Rīga, Vešetas ielā 7	CFI	100	100	MS
2.	SIA "Aleksandra muiža"	LV-40103892782	LV	Latvija, Rīga, Brīvības iela 91-23	PLS	100	100	MMS
3.	SIA "KI Zeme"	LV-40103161381	LV	Latvija, Rīga, Vešetas ielā 7	PLS	100	100	MMS
4.	SIA "KI Nekustamie īpašumi"	LV-40103182129	LV	Latvija, Rīga, Vešetas ielā 7	PLS	100	100	MMS
5.	RB Opportunity Fund I	06030525245	LV	Latvija, Rīga, Vešetas ielā 7	CFI	100	100	MS
6.	SIA "Lilijas 28"	LV-40103252765	LV	Latvija, Rīga, Vešetas ielā 7	PLS	100	100	MMS
7.	SIA "M322"	LV-40103247406	LV	Latvija, Rīga, Vešetas ielā 7	PLS	100	100	MMS
8.	SIA "Aristīda Briāna 9"	LV-40003780729	LV	Latvija, Rīga, Aristīda Briāna iela 9	PLS	100	100	MMS
9.	SIA "H-Blok"	LV-40003839376	LV	Latvija, Rīga, Vešetas ielā 7	PLS	100	100	MMS
10.	SIA "Deviņdesmit seši"	LV-40003492087	LV	Latvija, Jūrmala, Jūras iela 56	PLS	100	100	MMS
11.	SIA "Ventio"	LV-41203010746	LV	Latvija, Jūrmala, Jūras iela 56	PLS	100	100	MMS
12.	SIA "Route 96"	LV-40003856126	LV	Latvija, Mārupes novads, Zīlītes iela 1	PLS	100	100	MMS
13.	SIA "Vangažu Nekustamie īpašumi"	LV-40103463243	LV	Latvija, Inčukalna novads, Vangaži, Gaujas iela 24/34	PLS	100	100	MMS
14.	SIA "D 47"	LV-40103458986	LV	Latvija, Rīga, Vešetas ielā 7	PLS	100	100	MMS
15.	SIA "Vešetas 7"	LV-40103182735	LV	Latvija, Rīga, Vešetas ielā 7	PLS	100	100	MS
16.	Rietumu leasing OOO	100188077	BY	Baltkrievija, Minska, Odojevskogo iela 117, 6.st., 9.kab.	LIZ	100	100	MS
17.	SIA "InCREDIT GROUP"	LV-40103307404	LV	Latvija, Rīga, Kr.Barona iela 130	CFI	51	51	MS
18.	SIA "Vangažu Nekustamie īpašumi-2"	LV-40103449678	LV	Latvija, Rīga, Vešetas ielā 7	PLS	100	100	MMS
19.	SIA "Multi Pluss"	LV-40003636787	LV	Latvija, Rīga, Vešetas ielā 7	PLS	100	100	MMS
20.	SIA "TC Gaiļezers"	LV-40103794744	LV	Latvija, Rīga, Vešetas ielā 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 (%)	Voting shares (%)	Basis for inclusion in the group**
21.	SIA "Miera 30C"	LV-40103267845	LV	Latvija, Rīga, Vesetas ielā 7	PLS	100	100	MMS
22.	"KI-135" SIA	LV-40003970065	LV	Latvija, Rīga, Brīvības ielā 109	PLS	100	100	MMS
23.	SIA "U-10"	LV-50103841951	LV	Latvija, Rīga, Garozes iela 25-1	PLS	67	67	MMS
24.	SIA "KINI LAND"	40103703726	LV	Latvija, Rīga, Vesetas ielā 7	PLS	100	100	MMS
25.	SIA "ESP European Steel Production"	LV-40103266905	LV	Latvija, Olaine, Rūpniecību iela 4	PLS	100	100	MMS
26.	RAM Fund-Fixed Income Investment Grade USD	20.08.2014/166	LV	Latvija, Rīga, Vesetas ielā 7	CFI	36.7	36.7	CT
27.	SIA "Penrox Petroleum"	LV-40003970050	LV	Latvija, Rīga, Vesetas ielā 7	PLS	100	100	MMS
28.	SIA "Ekoagro"	LV-40003741971	LV	Vesetas iela 7, Rīga, LV-1013	PLS	100	100	MMS
29.	SIA "Hotel Jūrmieks"	LV-40003623566	LV	Sofijas ielā 8, Rīga, LV-1005, Latvija	PLS	100	100	MMS
30.	SIA "Bērzaunes 13"	LV-40103839137	LV	Sofijas ielā 8, Rīga, LV-1005, Latvija	PLS	100	100	MMS
31.	SIA "SBD"	LV-40003868002	LV	Latvija, Rīga, Vesetas ielā 7	PLS	66.89	66.89	MS
32.	SIA "Langervaldes 2"	LV-40103701960	LV	Latvija, Rīga, Vesetas ielā 7	PLS	100	100	MS
33.	AS Rietumu Asset Management IPS	LV-40103753360	LV	Latvija, Rīga, Vesetas ielā 7	CFI	100	100	MS
34.	SIA "Overseas Estates"	LV-40003943207	LV	Dzintaru iela 3A, Ventspils, Latvija	PLS	100	100	MS
35.	KI Invest OOO	1157746168007	RU	Krievija, Maskava, 117246, Nauchnij pr. 19	PLS	100	100	MS
36.	RAM Cash Reserve Fund-USD	23.07.2014/148	LV	Latvija, Rīga, Vesetas iela 7	CFI	92.66	92.66	CT
37.	RAM Fixed Income High Yield USD	20.08.2014/166	LV	Latvija, Rīga, Vesetas iela 7	CFI	70.42	70.42	CT
38.	RAM Global Equity USD	20.08.2014/166	LV	Latvija, Rīga, Vesetas iela 7	CFI	72.13	72.13	CT
39.	SIA "Euro Textile Group"	LV-40003660929	LV	Latvija, Rīga, Ganību dambis 30	PLS	100	100	MS

* 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.



Bank's Income Statement

000'EUR

	31.03.2017 Non-audited	31.03.2016 Non-audited
Interest income	21 339	23 720
Interest expenses	-5 153	-5 303
Dividend income	235	68
Commission and fee income	17 631	16 784
Commission and fee expense	-9 210	-6 535
Net realised gain/ (loss) from financial assets and financial liabilities measured at amortised cost	-	-
Net realised gain/ (loss) from available-for-sale financial assets	15	41
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	10	14
Changes in fair value hedge accounting	-	-
Net result from foreign exchange trading and revaluation	5 500	5 203
Gain/ (loss) from sale of tangible and intangible fixed assets	10	13
Other income	431	723
Other expense	-2	-443
Administrative expense	-12 189	-10 191
Depreciation	-648	-467
Net allowance for impairment loss	-	-3 611
Impairment losses	141	-
PROFIT / (LOSS) BEFORE CORPORATE INCOME TAX	18 110	20 016
Corporate income tax	-2 679	-3 129
NET PROFIT / (LOSS)	15 431	16 887



Bank's Condensed Balance Sheet

	31.03.2017 Non-audited	31.12.2016 Audited*
000'EUR		
ASSETS		
Cash and demand deposits with central banks	845 596	836 920
Deposits from credit institutions	485 910	521 721
Financial assets held for trading	-	-
Financial instruments at fair value through profit or loss	1 047	1 333
Available-for-sale financial assets	487 159	510 978
Loans and receivables	1 092 874	1 116 873
	<i>incl. loans gross</i>	1 199 509
	<i>Specific impairment allowance</i>	-106 635
		-107 539
Held-to-maturity investments	315 233	315 848
Reverse repo loans	93 165	93 435
Change of fair value of hedge portfolio	-	-
Prepaid expense and accrued income	2 177	2 195
Fixed assets	8 087	7 943
Investment property	10 690	10 687
Intangible assets	2 648	2 822
Investments in subsidiaries and associates	28 381	28 381
Tax assets	6 003	5 699
Other assets	14 634	10 769
Total assets	3 393 604	3 465 604
LIABILITIES AND SHAREHOLDERS' EQUITY		
Balances due to central banks	120 000	120 000
Deposits due to credit institutions	26 074	33 957
Financial liabilities held for trading (derivative financial liabilities)	-	-
Financial instruments at fair value through profit or loss	98	442
Financial liabilities at amortised value	2 757 179	2 825 724
	<i>incl. deposits</i>	2 699 879
	<i>term deposits due to credit institutions</i>	-
	<i>debt securities issued</i>	57 300
		57 985
Financial liabilities arising from financial asset transfer	-	-
Change of fair value of hedge portfolio	-	-
Tax liabilities	1 108	933
Accrued expenses and deferred income	15 363	12 804
Provisions	-	-
Other liabilities	531	198
Total liabilities	2 920 353	2 994 058
Shareholders' equity	473 251	471 546
	<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>	230 085
	<i>retained profit / loss</i>	15 431
	<i>fixed asset revaluation reserve</i>	-
	<i>available for sale financial assets revaluation reserve</i>	6 253
		4 734
Total liabilities and shareholders' equity	3 393 604	3 465 604
	<i>Contingent liabilities</i>	5 483
	<i>Financial commitments</i>	26 626
		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

	31.03.2017 Non-audited	31.12.2016 Audited*
ROE ¹	12.86%	17.76%
ROA ²	1.72%	2.21%
Net interest margin ³	1.86%	1.91%
Cost/income ratio ⁴	41.67%	26.90%

Bank's Regulatory requirements and ratios

	31.03.2017 Non-audited	31.12.2016 Audited*
Liquidity ratio ⁵	79.98%	80.29%
<i>note: minimum allowed by FCMC</i>	60.00%	60.00%
Capital adequacy ratio*	22.52%	22.61%
<i>note: minimum allowed by FCMC</i>	11.60%	11.60%

Bank's Financial ratios

	31.03.2017 Non-audited	31.12.2016 Audited*
Equity to loan portfolio ratio	43.30%	42.22%
Loan portfolio to total assets ratio	32.20%	32.23%
Equity to total assets ratio	13.95%	13.61%
Deposits to loans ratio	247.04%	247.81%

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

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

³ Annualised net interest income over average total assets

⁴ 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

⁵ 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

Code	Position description	000'EUR 31.03.2017 Audited
1	Own funds (1.1.+1.2.)	471 854
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	342 733
1.1.1.	Common equity tier 1 capital	342 733
1.1.2.	Additional tier 1 capital	-
1.2.	Tier 2 capital	129 121
2	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	2 095 471
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 799 585
2.2.	Settlement/delivery risk exposure amount	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	3 475
2.4.	Total risk exposure amount for operational risk	292 320
2.5.	Total risk exposure amount or credit valuation adjustment	91
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)	16.36
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	248 437
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	16.36
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	217 005
3.5.	Total capital ratio (1./2.*100)	22.52
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	304 216
4	Combined buffer requirement (%) (4.1.+4.2.+4.3.+4.4.+4.5.)	2.5
4.1.	Capital conservation buffer (%)	2.5
4.2.	Institution specific countercyclical capital buffer (%)	-
4.3.	Systemic risk buffer (%)	-
4.4.	Systemically important institution buffer (%)	-
4.5.	Other Systemically Important Institution buffer (%)	-
5	Capital ratios due to Pillar II adjustments	
5.1.	Own funds requirements related to Pillar II adjustments	
5.2.	CET1 capital ratio including Pillar II adjustments	16.36%
5.3.	Tier 1 capital ratio including Pillar II adjustments	16.36%
5.4.	Total capital ratio including Pillar II adjustments	22.52%

Liquidity ratio calculation

Code	Position description	000'EUR 31.03.2017 Audited
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	1 946 679
1.1.	Cash	3 973
1.2.	Balances with Latvian Central Bank	841 623
1.3.	Loans to credit institutions	478 778
1.4.	Liquid securities	622 305
2.	Current liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	2 434 059
2.1.	Deposits from credit institutions	25 207
2.2.	Deposits	2 330 280
2.3.	Issued debt securities	-
2.4.	Money in transit	31 149
2.5.	Other current liabilities	23 009
2.6.	Off-balance sheet liabilities	24 414
3.	Liquidity ratio (%) (1.:2.) (%)	79.98
4.	Minimum liquidity ratio (%)	30%



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
31.03.2017 Non-audited Issuer	At fair value	For sale	Held to maturity	TOTAL:	% to shareholders equity
Italy					
Government obligations	-	50 020	-	50 020	
Investment funds	-	-	-	-	
Financial institutions	-	477	-	477	
Private institutions	-	-	-	-	
Total:	0	50 497	-	50 497	10.70%
USA					
Government obligations	-	4 682	-	4 682	
Investment funds	-	-	-	-	
Financial institutions	-	29 486	27 942	57 428	
Private institutions	-	45 570	80 936	126 506	
Total:	0	79 738	108 878	188 616	39.97%
Russia					
Government obligations	-	-	13 179	13 179	
Investment funds	-	-	-	-	
Financial institutions	-	13 641	12 337	25 978	
Private institutions	-	15 618	32 539	48 157	
Total:	0	29 259	58 055	87 314	18.50%
Securities of other countries:	190	327 666	148 300	476 156	100.91%
Total securities portfolio:	190	487 160	315 233	802 583	

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 802.6 m. Majority of that – EUR 455.5 m – was invested in government and corporate obligations in Europe, Russia and USA. 78.94% of the investment was made in securities with investment grade credit ratings. The biggest concentration of investments by country was in USA, Russia and Italy (39.97%, 18.50% and 10.70% of Bank's shareholders' equity). Bank's investments in Italy government obligations constituted 10.60% of Bank's shareholders equity.

