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General Information

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.

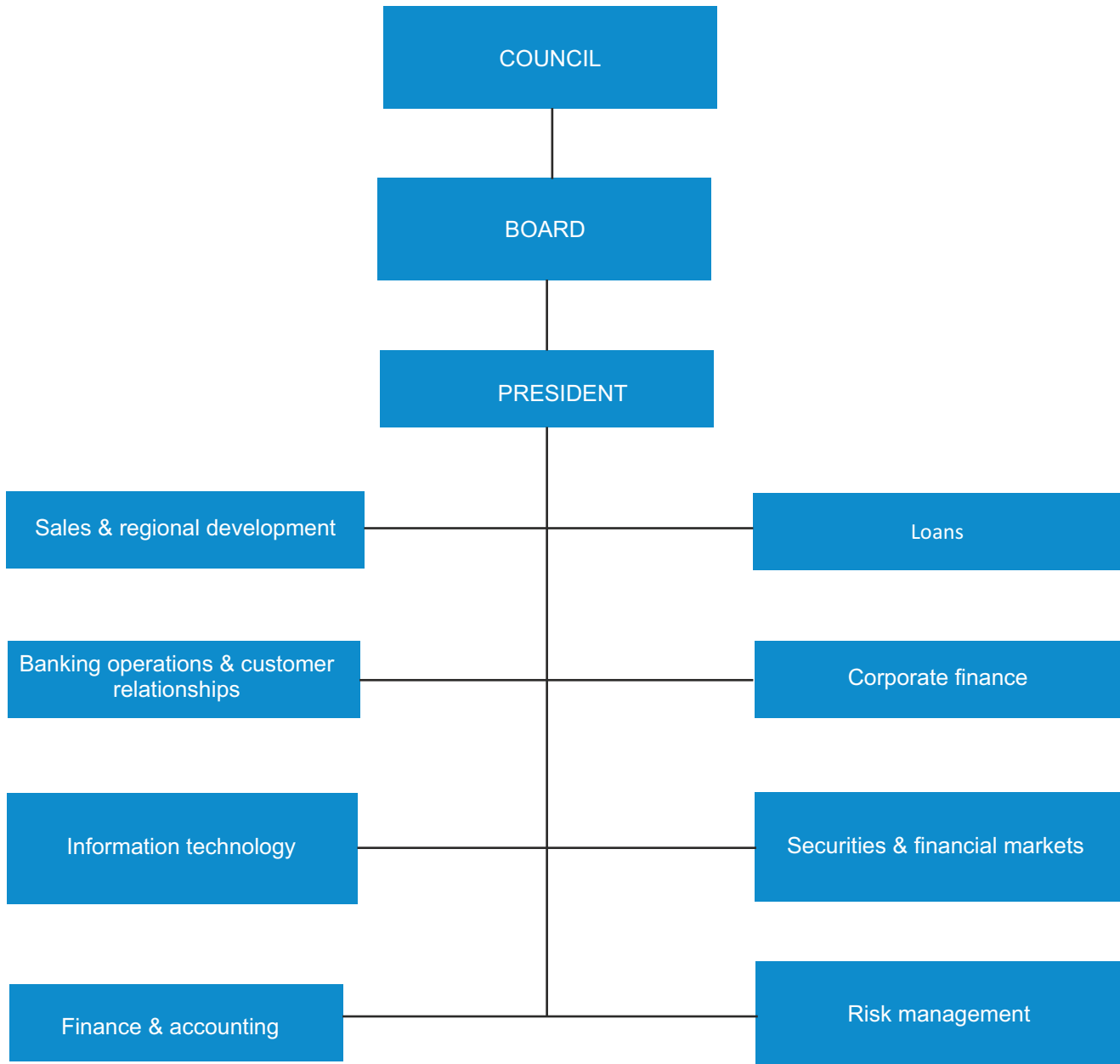
/Constantly raising customer service quality by improving and expanding the existing product range according to the current market situation and the Bank's technological capabilities.

/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

Shareholders of the Bank	Number of voting shares	Par value of Shares in lats	Paid-in share capital	% of total share capital
Companies non-residents, total	33 110 000		33 110 000	33.11%
Boswell (International) Consulting Limited	33 110 000	1	33 110 000	33.11%
Private persons, total	66 890 000		66 890 000	66.89%
Leonid Esterkin	33 119 553	1	33 119 553	33.12%
Arkady Suharenko	17 335 000	1	17 335 000	17.34%
Others	16 435 447	1	16 435 447	16.44%
Total	100 000 000		100 000 000	100.00%

The Council of Rietumu Bank

Name	Position	Date of appointment
Leonid Esterkin	Chairman of the Council	25/09/97(25/03/11-25/03/14)
Arkady Suharenko	Deputy Council Chairman	25/09/97(25/03/11-25/03/14)
Brendan Thomas Murphy	Deputy Council Chairman	07/09/05(25/03/11-25/03/14)
Dermot Fachtna Desmond	Member of the Council	07/09/05(25/03/11-25/03/14)
Alexander Gafin	Member of the Council	25/03/10(25/03/11-25/03/14)
Alexander Kalinovsky	Member of the Council	05/11/10(25/03/11-25/03/14)
Valentin Bluger	Member of the Council	25/03/11(25/03/11-25/03/14)

The Board of Directors

Name	Position	Date of appointment
Alexander Pankov	Chairman of the Board, President	18/10/10(18/10/10-18/10/13)
Ruslans Stecjuks	Member of the Board, First Vice President	18/10/10(18/10/10-18/10/13)
Dmitry Pyshkin	Member of the Board, Senior Vice President	02/07/01(18/10/10-18/10/13)
Jevgenijs Djugajevs	Member of the Board, Senior Vice President	18/10/10(18/10/10-18/10/13)
Ilja Suharenko	Member of the Board, Senior Vice President	18/10/10(18/10/10-18/10/13)
Rolf Paul Fuls	Member of the Board, Senior Vice President	26/11/10(26/11/10-18/10/13)
Renats Lokomets	Member of the Board, Senior Vice President	10/12/12(10/12/12-18/10/13)

Members of the consolidation group

No	Company name	Registration number	Registration location code and address	Commercial activity *	Share capital (%)	Voiting shares (%)	Justification for inclusion in the group**
1	RB Securities Limited	HE 78731	CY, 1 Stasinou Street, 1 Mitsi Building, 2nd Floor, Office 5, Plateia Eleftherias, P.C. 1060, Nicosia, Cyprus	CFI	99.99	100	MS
2	SIA "RB Investments"	40003669082	LV, Vesetas iela 7, 10.stāvs, Rīga, Latvija, LV-1013	CFI	100	100	MS
3	AS "RB Asset Management"	40003764029	LV, Vesetas iela 7, 11.stāvs, Rīga, Latvija, LV-1013	IPS	100	100	MS
4	SIA "RB Drošība"	40003780752	LV, Vesetas iela 7, Rīga, Latvija, LV-1013	CKS	100	100	MS
5	SIA "Westtransinvest"	100188077	BY, 8 Fabricius Street, 4th floor, room No 18, Minsk, Belarus, 220007	CFI	99.5	51	MS
6	SIA "Westleasing"	190510668	BY, 8 Fabricius Street, 4th floor, room No 42, Minsk, Belarus, 220007	CFI	99.5	51	MS
7	SIA "Westleasing-M"	1047796934206	RU, 10 Kostjakova Street, Moscow, Russia, 127422	CFI	50	51	MS
8	SIA "RB Namu serviss"	40103169629	LV, Vesetas iela 7, 10.stāvs, Rīga, Latvija, LV-1013	CKS	100	100	MS
9	SIA "InCREDIT GROUP"	40103307404	LV, Krišjāna Barona iela 130, Rīga, Latvija, LV-1012	CFI	51	51	MS
10	SIA "OVERSEAS Estates"	40003943207	LV, Vesetas iela 7, 3.stāvs, Rīga, Latvija, LV-1013	CKS	100	100	MS
11	SIA "RB BAKI"	1701269651	AZ, Neftchiler avenue 24 b/c „Daiga Plaza", Baku, Azerbaijan	CKS	100	100	MS

* BNK - bank, ISP - the insurance company, offer - the reinsurer, APP - the insurance company, IBC - an investment firm, IPS - an investment management firm, PFO - pension fund, CFI - other financial institution, FPS - financial company, CKS - other company.

** MS - subsidiary; KS - joint-venture company, MAS - parent company.

Financial performance

Income Statement

	June 2013 Audited	000'LVL June 2012 Audited	June 2013 Audited	000'EUR June 2012 Audited
Interest income	25 791	21 569	36 697	30 690
Interest expenses	-6 514	-6 902	-9 269	-9 821
Dividend income	189	400	269	569
Commission and fee income	15 438	11 079	21 966	15 764
Commission and fee expense	-4 391	-2 472	-6 248	-3 517
Net realised gain/ (loss) from financial assets at amortised cost	0	0	0	0
Net realised gain/ (loss) from available-for-sale financial assets	447	(434)	636	(618)
Net realised gain/ (loss) from financial assets and liabilities held for trading	874	1 595	1 244	2 269
Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss	0	0	0	0
Changes in fair value hedge accounting	0	0	0	0
Net result from foreign exchange trading and revaluation	7 410	5 055	10 543	7 193
Gain/ (loss) from sale of tangible and intangible fixed assets	-106	8	-151	11
Other income	694	117	987	166
Other expense	0	0	0	0
Administrative expense	-16 354	-12 793	-23 270	-18 203
Depreciation	-614	-880	-874	-1 252
Impairment expenses	-5 124	-6 881	-7 291	-9 791
Change in allowances for credit losses	0	0	0	0
PROFIT / LOSS BEFORE CORPORATE INCOME TAX	17 740	9 461	25 242	13 462
Corporate income tax	-2 456	-1 634	-3 495	-2 325
NET PROFIT / LOSS	15 284	7 827	21 747	11 137

Condensed Balance Sheet

	June 2013 Audited	000'LVL December 2012 Audited*	June 2013 Audited	000'EUR December 2012 Audited*
ASSETS				
Cash and demand deposits with central banks	294 216	215 757	418 632	306 995
Demand deposits from credit institutions	470 707	462 012	669 756	657 384
Financial assets held for trading	0	0	0	0
Financial instruments at fair value through profit or loss	19 049	37 439	27 104	53 271
Available-for-sale financial assets	80 246	74 487	114 180	105 985
Loans and receivables	755 291	704 505	1 074 682	1 002 420
<i>incl. loans gross</i>	812 358	756 702	1 155 881	1 076 690
<i>Specific impairment allowance</i>	-57 067	-52 197	-81 199	-74 270
Held-to-maturity investments	14 845	15 373	21 123	21 874
Reverse repo loans	70 086	82 780	99 723	117 785
Change of fair value of hedge portfolio	0	0	0	0
Prepaid expense and accrued income	3 459	4 616	4 922	6 568
Fixed assets	3 927	3 629	5 588	5 164
Investment property	1 574	7 499	2 240	10 670
Intangible assets	1 642	1 595	2 336	2 269
Investments in subsidiaries and associates	20 104	18 729	28 605	26 649
Tax assets	388	402	552	572
Other assets	9 757	10 144	13 883	14 434
Total assets	1 745 291	1 638 967	2 483 325	2 332 040
LIABILITIES AND SHAREHOLDERS'S EQUITY				
Balances due to central banks	0	0	0	0
Demand deposits due to credit institutions	25 295	18 636	35 992	26 517
Financial liabilities held for trading (derivative financial liabilities)	0	0	0	0
Financial instruments at fair value through profit or loss	88	101	125	144
Financial liabilities at amortised value	1 539 118	1 455 478	2 189 968	2 070 959
<i>incl. deposits</i>	1 525 864	1 441 730	2 171 109	2 051 397
<i>Term deposits due to credit institutions</i>	0	585	0	832
<i>debt securities issued</i>	13 254	13 163	18 859	18 729
Financial liabilities arising from financial asset transfer	0	0	0	0
Change of fair value of hedge portfolio	0	0	0	0
Tax liabilities	1 681	586	2 392	834
Provisions	6 990	3 994	9 946	5 683
Other liabilities	4 569	2 553	6 501	3 633
Total liabilities	1 577 741	1 481 348	2 244 923	2 107 768
Shareholders' equity	167 550	157 619	238 402	224 272
<i>incl. paid-in share capital</i>	100 000	100 000	142 287	142 287
<i>share premium</i>	4 809	4 809	6 843	6 843
<i>reserve capital</i>	10 016	10 016	14 252	14 251
<i>previous years profit/loss</i>	36 545	19 289	51 999	27 446
<i>retained profit / loss</i>	15 284	20 257	21 747	28 823
<i>fixed asset revaluation reserve</i>	0	1 754	0	2 496
<i>available for sale financial assets revaluation reserve</i>	896	1 494	1 275	2 126
Total liabilities and shareholder's equity	1 745 291	1 638 967	2 483 326	2 332 040
<i>Contingent liabilities</i>	6 679	6 589	9 503	9 375
<i>Off-balance sheet liabilities to customers</i>	38 934	32 437	55 398	46 154

*Information has been prepared based on data from the Audited Financial Statements for the year ended 30 June 2013 and 31 December 2012

Profitability ratios

	June 2013 Audited	December 2012 Audited*
ROE ¹	20.32%	13.80%
ROA ²	1.94%	1.34%
Net interest margin ³	2.57%	2.28%
Cost/income ratio ⁴	40.88%	44.06%

Regulatory requirements and ratios

	June 2013	December 2012
Liquidity ratio ⁵	67.02%	62.05%
<i>note: mimum allowed by FCMC</i>	60.00%	30.00%
Capital adequacy ratio	18.52%	19.51%
<i>note: mimum allowed by FCMC</i>	16.80%	16.80%

Financial ratios

	June 2013 Audited	December 2012 Audited*
Equity to loan portfolio ratio	22.18%	21.52%
Loan portfolio to total assets ratio	43.28%	42.98%
Equity to total assets ratio	9.60%	9.59%
Deposits to loans ratio	202.02%	194.11%

*Information has been prepared based on data from the Audited Financial Statements for the year ended 30 June 2013 and 31 December 2012

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

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

³Annualised net interest income over average total assets

⁴Expenses 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

⁵Liquidity 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.

Risk management

Risk management can be found in the last annual report:

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

Report of equity and minimum capital requirements

No.	Position name	000'LVL June 2013	000'EUR June 2013
1	Total equity	197 090	280 433
1.1	Tier 1	147 370	209 689
1.2	Tier 2	61 711	87 807
1.3	Decrease in Tier 1 and Tier 2*	-11 992	-17 063
1.4	Tier 1 total applying decrease	141 374	201 157
1.5	Tier 2 total applying decrease	55 715	79 276
1.6	Used Tier 3	0	0
2	Total capital charge	85 130	121 129
2.1	Total of capital requirements for credit risk, counterparty credit risk, dilution risk and free deliveries risk	76 507	108 860
2.2	Capital charge for settlement / deliveries risk	0	0
2.3	Capital charge for position risk, foreign currency risk and commodity	612	871
2.4	Capital charge for operational risk	8 011	11 399
2.5	Capital charge for other risk and transition period	0	0
3	Additional information	0	0
3.1	Capital requirements covered by own funds (surplus/ (shortfall)) excluding capital charge for other risk and transition period	111 960	159 304
3.1.a	Capital adequacy ratio (%) excluding capital charge for other risk and transition period	18.52	18.52
3.2	Capital requirements covered by own funds (surplus/ (shortfall))	111 960	159 304
3.2.a	Capital adequacy ratio (%)	18.52	18.52

*Decrease according to FCMC requirements to hold additional capital to cover credit risk for loans which are not impaired.

1. Attachment

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.

June 2013 Audited	At fair value	For sale	Held to maturity	TOTAL:	000'LVL % to shareholders equity
Latvia					
Government obligations	0	0	0	0	
Investment funds	0	21 995	0	21 995	
Financial institutions	0	44	0	44	
Private institutions	146	0	0	146	
Total:	146	22 039	0	22 185	11.26%
Securities of other countries:	18 903	58 207	14 845	91 955	46.66%
Total securities portfolio:	19 049	80 246	14 845	114 140	

June 2013 Audited	At fair value	For sale	Held to maturity	TOTAL:	000'EUR % to shareholders equity
Latvia					
Government obligations	0	0	0	0	
Investment funds	0	31 296	0	31 296	
Financial institutions	0	63	0	63	
Private institutions	208	0	0	208	
Total:	208	31 359	0	31 566	11.26%
Securities of other countries:	26 897	82 821	21 123	130 840	46.66%
Total securities portfolio:	27 104	114 180	21 123	162 407	

In the reporting period for the securities available-for-sale impairment were not recognized.

At the end of the reporting period the total volume of the Bank's securities portfolio amounted to 124,1 m LVL. Majority of that – 122,7 m LVL – was invested in government and corporate obligations in Europe, US and Asia. 97% of the investment was made in securities with investment grade credit ratings. The biggest concentration of investment by country was in the US (11,06% of Bank's shareholders' equity) and Latvia (11,26% of Bank's shareholders' equity). At the same time, Bank's investments in individual government obligations do not exceed 10% of Bank's shareholders equity.