

2023

Interim report
January-June 2023



RIETUMU
BANK

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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.

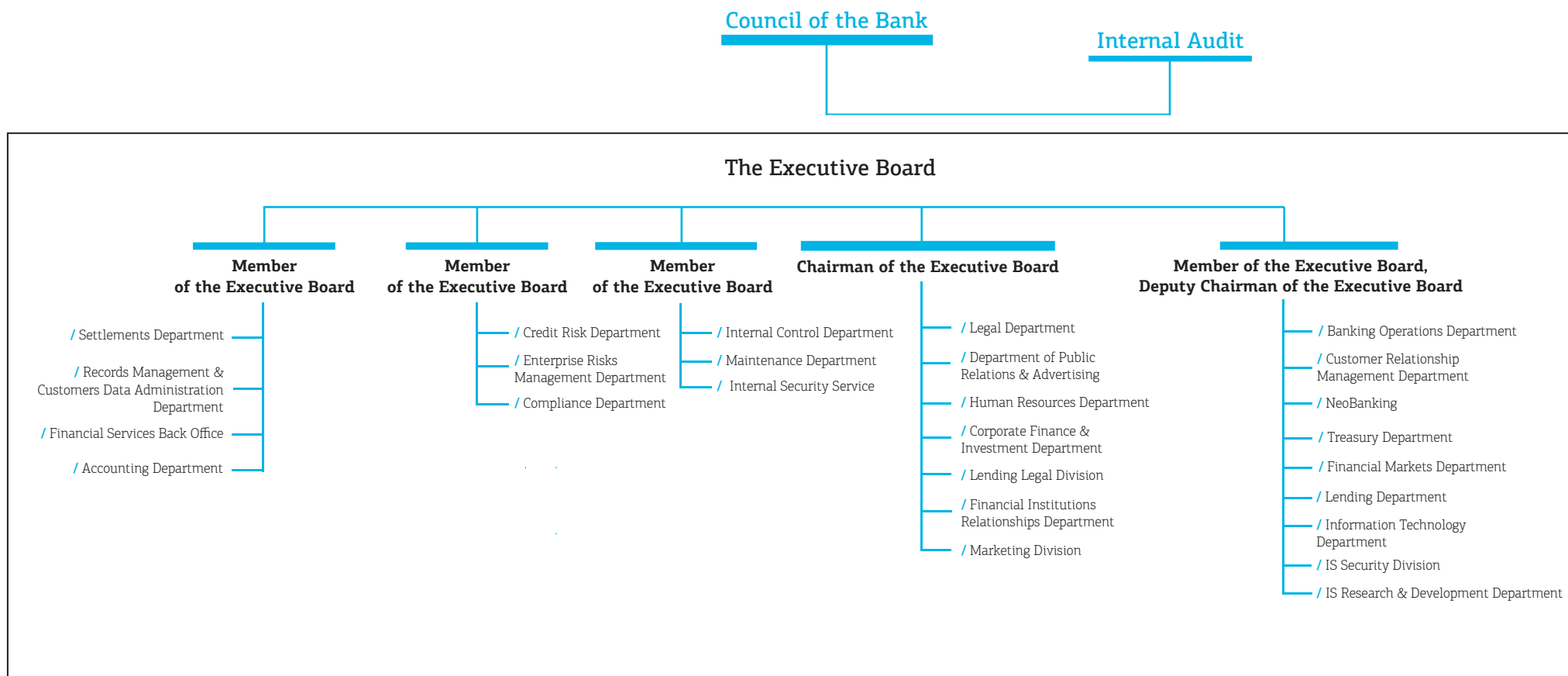
Bank offices

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	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
Ilja 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 Bircgals	Member of the Executive Board	19/08/2021 - 19/08/2024
Vladlens Topcijans	Member of the Executive Board	02/09/2020 - 02/09/2023
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 ģpašumi"	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 01.01.2023- 30.06.2023 Non-audited	Group 01.01.2023- 30.06.2023 Non-audited	Bank 01.01.2022- 30.06.2023 Non-audited	Group 01.01.2022- 30.06.2023 Non-audited
Interest income	26 935	30 354	18 586	22 947
Interest expenses	-5 541	-5 635	-5 699	-5 885
Dividend income	143	143	28	28
Commission and fee income	4 563	4 565	5 472	5 688
Commission and fee expense	-775	-942	-1 337	-1 496
Net gain/(loss) on derecognition of financial assets and financial liabilities not measured at fair value through profit or loss	-288	-288	2 014	2 014
Net gain/ (loss) from financial assets and liabilities at fair value through profit or loss	-121	-121	-809	-809
Net result from foreign exchange trading and revaluation	-5	-4 524	962	8 209
Net gain/(loss) from derecognition of non-financial assets	255	254	436	1 253
Other income	868	2 381	450	4 266
Other expense	-28	-317	-8	-8
Administrative expense	-14 408	-18 950	-12 811	-18 757
Depreciation	-864	-751	-894	-949
Provisions or reversal of provisions	99	97	-124	-121
Impairment losses	-3 585	-1 011	-4 142	-4 490
Profit or loss arising from investments in subsidiaries, joint ventures and associates recognised using the equity method	-	599	-	-
PROFIT BEFORE CORPORATE INCOME TAX	7 248	5 854	2 124	11 890
Corporate income tax	-184	675	-333	-2 545
NET PROFIT	7 064	6 529	1 791	9 345
Other comprehensive income for the reporting period	5 141	9 351	1 907	-5 842



Condensed Balance Sheet

	000'EUR			
	Bank 30.06.2023 Non-audited	Group 30.06.2023 Non-audited	Bank 31.12.2022 Audited*	Group 31.12.2022 Non-audited
ASSETS				
Cash and demand deposits with central banks	149 800	149 815	248 584	248 618
Demand deposits from credit institutions	28 953	29 375	13 757	14 490
Financial assets at fair value through profit or loss	4 423	4 867	5 522	5 966
Financial assets at fair value through other comprehensive income	314 625	314 625	351 038	351 038
Financial assets at amortised costs	703 725	667 595	670 469	630 787
Loans, net	638 244	602 114	604 332	564 650
incl. loans, gross	667 520	627 090	629 070	587 662
expected credit losses	-29 276	-24 976	-24 738	-23 012
stage 1	-4 143	-3 428	-2 973	-2 291
stage 2	-2 304	-1 972	-5 479	-1 621
stage 3	-22 829	-19 576	-16 286	-19 100
Debt securities, net	65 481	65 481	66 137	66 137
incl. debt securities, gross	67 498	67 498	68 394	68 394
expected credit losses	-2 017	-2 017	-2 257	-2 257
stage 1	-936	-936	-1 008	-1 008
stage 2	-280	-280	-326	-326
stage 3	-801	-801	-923	-923
Tangible assets	59 196	123 019	59 215	121 882
fixed assets	22 652	28 266	22 957	28 286
investment property	36 544	94 753	36 258	93 596
Intangible assets	1 388	1 396	1 246	1 255
Investments in subsidiaries and associates	37 162	15 984	40 262	18 584
Tax assets	5	1 367	5	567
Other assets	12 593	9 973	11 135	7 658
Long-term assets and disposal groups classified as held for sale	303	332	1 343	1 377
Total assets	1 312 173	1 318 348	1 402 576	1 402 222
LIABILITIES AND SHAREHOLDERS'S EQUITY				
Due to Bank of Latvia	50 497	50 497	49 811	49 811
Demand deposits due to credit institutions	1 988	1 988	1 679	1 679
Financial instruments at fair value through profit or loss	2	2	551	551
Financial liabilities at amortised value	872 475	857 747	978 929	961 712
incl. Deposits	843 297	842 928	951 824	949 801
Tax liabilities	-	832	-	862
Provisions	33 630	33 621	33 729	33 719
Other liabilities	7 577	9 882	4 079	5 886
Total liabilities	966 169	954 569	1 068 778	1 054 220
Shareholders' equity	346 004	363 779	333 798	348 002
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	23
retained earnings of previous years	141 446	149 395	122 335	131 838
profit for the period	7 064	5 888	19 111	17 660
fixed asset revaluation reserve	-	6 675	-	6 735
revaluation reserve for financial assets at fair value	-23 988	-23 988	-29 130	-29 130
currency translation reserve	-	-157	-	-4 426
non-controlling interest	-	4 484	-	3 843
Total liabilities and shareholder's equity	1 312 173	1 318 348	1 402 576	1 402 222
Commitments and guarantees, net	213 024	169 626	188 288	147 328
incl. Commitments and guarantees, gross	213 726	170 320	189 090	148 120
expected credit losses	-702	-694	-802	-792
stage 1	-698	-690	-797	-787
stage 2	-4	-4	-5	-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 30.06.2023 Non-audited	Group 30.06.2023 Non-audited	Bank 31.12.2022 Audited*	Group 31.12.2022 Non-audited
ROE ¹	4.12%	3.27%	5.66%	4.96%
ROA ²	1.07%	0.90%	1.29%	1.18%

Regulatory requirements and ratios

	Bank 30.06.2023 Non-audited	Group 30.06.2023 Non-audited	Bank 31.12.2022 Audited*	Group 31.12.2022 Non-audited
Capital adequacy ratio	24.54%	24.81%	24.66%	24.85%

Financial ratios

	Bank 30.06.2023 Non-audited	Group 30.06.2023 Non-audited	Bank 31.12.2022 Audited*	Group 31.12.2022 Non-audited
Equity to loan portfolio ratio	54.21%	60.42%	55.23%	61.63%
Loan portfolio to total assets ratio	48.64%	45.67%	43.09%	40.27%
Equity to total assets ratio	26.37%	27.59%	23.80%	24.82%
Deposits to loans ratio	132.13%	139.99%	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 30.06.2023	Group 000'EUR 30.06.2023
1	Own funds (1.1.+1.2.)	291 909	296 884
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	274 389	279 364
1.1.1.	Common equity tier 1 capital	274 389	279 364
1.1.2.	Additional tier 1 capital	-	-
1.2.	Tier 2 capital	17 520	17 520
2	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	1 189 304	1 196 718
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1 061 997	1 045 267
2.2.	Settlement/delivery risk exposure amount	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	8 163	10 207
2.4.	Total risk exposure amount for operational risk	119 027	141 127
2.5.	Total risk exposure amount or credit valuation adjustment	117	117
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)	23.07	23.34
3.2.	Surplus(+)/Deficit(-) of CET 1 capital (1.1.1.-2.*4.5%)	220 870	225 512
3.3.	Tier 1 Capital ratio (%) (1.1./2.*100)	23.07	23.34
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital(-) (1.1.-2.*6%)	203 031	207 561
3.5.	Total capital ratio (%) (1./2.*100)	24.54	24.81
3.6.	Surplus(+)/Deficit(-) of total capital (-) (1.-2.*8%)	196 765	201 147
4	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	43 773	44 082
4.1.	Capital conservation buffer	29 733	29 918
4.2.	Conservation buffer connected with at country level detected macroprudential or systemic risk	-	-
4.3.	Institution specific countercyclical capital buffer	2 147	2 197
4.4.	Systemic risk buffer	-	-
4.5.	Other Systemically Important Institution buffer	11 893	11 967
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	23.07%	23.34%
5.3.	Tier 1 capital ratio including Pillar II adjustments	23.07%	23.34%
5.4.	Total capital ratio including Pillar II adjustments	24.54%	24.81%

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 30.06.2023	Group 000'EUR 30.06.2023
1	Liquidity buffer	232 836	232 850
2	Net liquidity outflow	76 460	76 511
3	Liquidity coverage ratio (%)	304.52%	304.34%



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.

30.06.2023 Non-audited	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments at amortised costs	TOTAL	000'EUR % of shareholders' equity*
Issuer					
Luxembourg					
Other financial corporations	-	1 827	24 936	26 763	
Non-financial corporations	-	8 972	1 328	10 300	
Total:	-	10 799	26 264	37 063	10.71%
USA					
Credit institutions	-	1 646	-	1 646	
Other financial corporations	3 120	19 278	489	22 887	
Non-financial corporations	-	41 976	3 007	44 983	
Total:	3 120	62 900	3 496	69 516	20.09%
Securities of other countries:	426	240 926	35 721	277 073	
Total securities portfolio:	3 546	314 625	65 481	383 652	

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

