

Contents

2	General information
3	The structure of JSC “Rietumu Banka”
4	Shareholders of the Bank
4	The Council of JSC “Rietumu Banka”
4	The Board of Directors
5	Members of the consolidation group
5	Financial performance
	Income statement
	Condensed Balance Sheet
	Profitability ratios
	Regulatory requirements and ratios
	Financial ratios
7	Risk management

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.

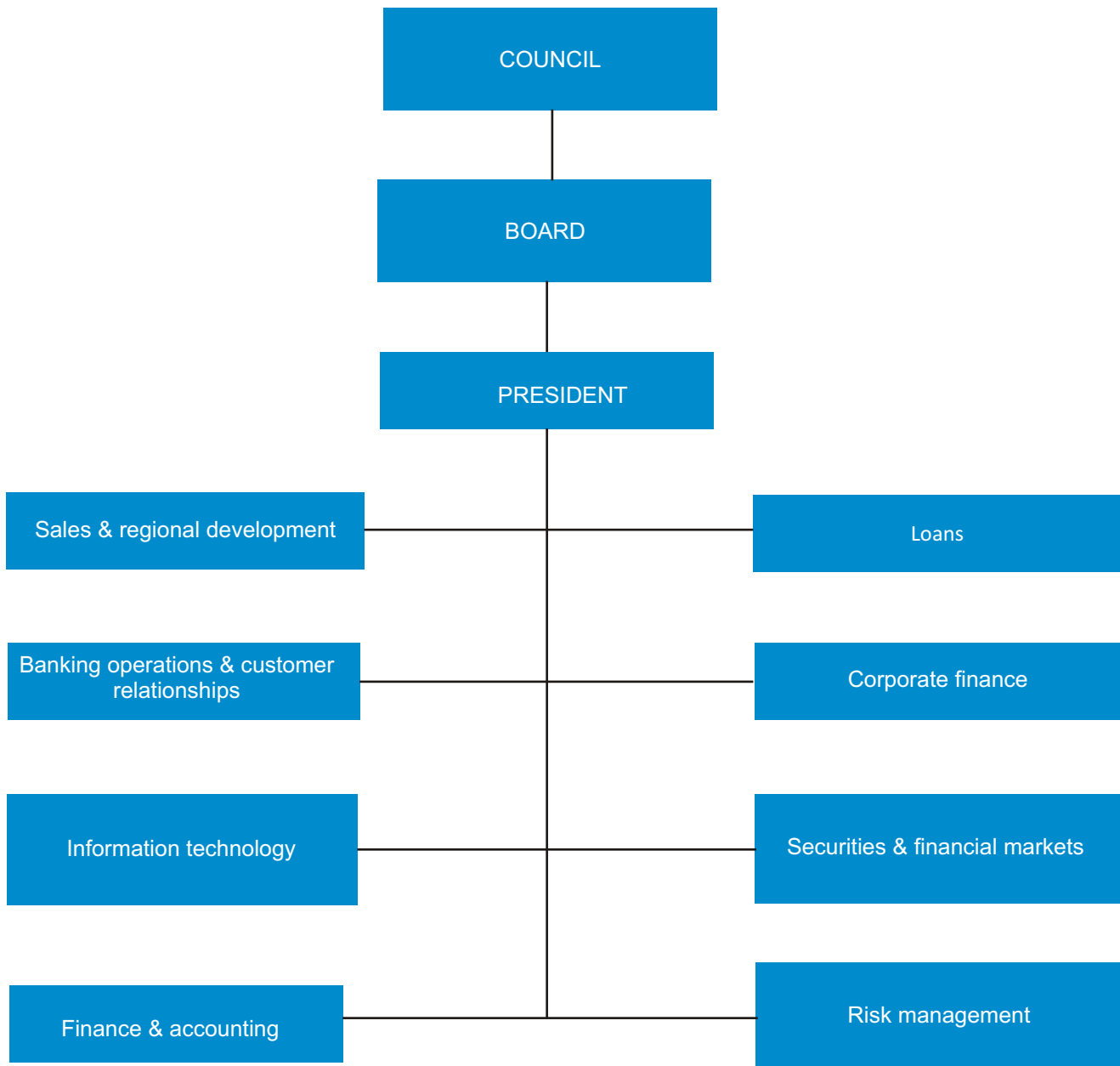
/Constantly raising customer service quality by improving and expanding the existing product range according to the current market situation and the Bank's technological capabilities.

/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)
Iļja 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(26/11/10-26/11/13)

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	99.99	MS
2	SIA "RB Investments"	40003669082	LV, Vesetas iela 7, 10.stāvs, Rīga, Latvija, LV-1013	CFI	100	100	MS
3	SIA "RB Vidzeme"	40003682292	LV, Vesetas iela 7, 10.stāvs, Rīga, Latvija, LV-1013	CFI	100	100	MS
4	AS "RB Asset Management"	40003764029	LV, Vesetas iela 7, 11.stāvs, Rīga, Latvija, LV-1013	IPS	100	100	MS
5	SIA "RB Drošība"	40003780752	LV, Vesetas iela 7, Rīga, Latvija, LV-1013	CKS	100	100	MS
6	SIA "Westtransinvest"	100188077	BY, 8 Fabricius Street, 4th floor, room No 18, Minsk, Belarus, 220007	CFI	50	51	MS
7	SIA "Westleasing"	190510668	BY, 8 Fabricius Street, 4th floor, room No 42, Minsk, Belarus, 220007	CFI	50	51	MS
8	SIA "Westleasing-M"	1047796934206	RU, 10 Kostjakova Street, Moscow, Russia, 127422	CFI	50	51	MS
9	SIA "RB Namu serviss"	40103169629	LV, Vesetas iela 7, 10.stāvs, Rīga, Latvija, LV-1013	CKS	100	100	MS
10	SIA "InCREDIT GROUP"	40103307404	LV, Krišjāna Barona iela 130, Rīga, Latvija, LV-1012	CFI	51	51	MS
11	SIA "OVERSEAS Estates"	40003943207	LV, Vesetas iela 7, 3.stāvs, Rīga, Latvija, LV-1013	CKS	100	100	MS
12	SIA "RB BAKI"	1701269651	AZ, Istiglalijat iela 7-1, Baku, Azerbaidžāna	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

	June 2012 Non-audited	June 2011 Non-audited	000'LVL
Interest income	20 788	15 226	
Interest expense	-6 902	-6 270	
Divident income	400	17	
Comission income	11 860	8 098	
Comission expense	- 2 377	-1 581	
Net recognised gain/loss on financial assets and financial liabilities at amortised acquisition value	-	-	
Net realized profit/loss from financial assets and liabilities available for sale	-	-	
Net realized profit/loss from financial assets and liabilities for trade	1 204	88	
Net profit/loss on financial assets and financial liabilities classified at fair value with reflection thereof in the income statement	-	-	
Changes in fair value in risk mitigation accounts	-	-	
Profit/loss from foreign currency trade and revaluation	5 056	4 883	
Property, plant and equipment, investment property and intangible assets derecognition profit / loss	43	4	
Other income	645	477	
Other expense	-24	-831	
Administrative expense	-13 771	-10 635	
Depreciation	-880	-1 050	
Provisions for doubtful debts	-6 508	-5 040	
Depreciation loss	-	-	
Profit/loss before income tax	9 534	3 386	
Income tax	-1 707	-821	
Profit/loss for the year	7 827	2 565	

Condensed Balance Sheet

	June 2012 Non-audited	2011 Non-audited	000'LVL
ASSETS			
Cash and balances with central bank	61 671	61 634	
Demand balances due from credit institutions	540 281	488 574	
Financial assets held for trading	39 200	52 647	
Financial assets available for sale	88 508	106 835	
Loans and advances to customers	777 414	643 648	
Held-to-maturity investments	81 517	27 720	
<i>incl.</i>			
<i>from central banks</i>	4 500	10 000	
<i>from credit institutions</i>	61 268	2 192	
<i>investments in securities</i>	15 749	15 528	
Accrued income and prepaid expenses	6 745	6 570	
Fixed assets	3 908	4 235	
Investment property	6 239	6 926	
Non-material assets	1 949	2 239	
Investments in subsidiaries and associated entities	22 549	22 549	
Tax assets	853	212	
Other assets	16 892	14 295	
Total assets	1 647 725	1 438 084	
LIABILITIES AND SHAREHOLDERS'S EQUITY			
Balances due to central banks	-	-	
Demand deposits due to credit institutions	16 798	12 844	
	215	186	
Financial liabilities at amortised value	1 330 851	1 223 360	
<i>incl.</i>			
<i>deposits</i>	1 330 851	1 222 487	
<i>term of credit</i>	-	872 576	
<i>debt securities issued</i>	-	-	
Amounts payable under repurchase agreements	77 709	-	
Deferred income and accrued expense	8 502	7 530	
Provisions	55 360	48 183	
Tax liabilities	622	1 528	
Other liabilities	14 111	9 361	
	<i>Total liabilities</i>	<i>1 504 169</i>	<i>1 302 992</i>
Shareholders' equity	143 556	135 092	
<i>incl.</i>			
<i>paid-in share capital</i>	100 000	100 000	
<i>share premium</i>	4 809	4 809	
<i>reserve capital</i>	10 016	10 016	
<i>previous years profit/loss</i>	19 289	11 329	
<i>retained profit / loss</i>	7 827	10 083	
<i>fixed asset revaluation reserve</i>	1 754	1 754	
<i>available for sale financial assets revaluation reserve</i>	-140	-2 899	
Total liabilities and shareholder's equity	1 647 725	1 438 084	
	<i>Contingent liabilities</i>	<i>7 193</i>	<i>9 593</i>
	<i>Off-balance sheet liabilities to customers</i>	<i>49 915</i>	<i>63 857</i>

Profitability ratios

	June 2012	June 2011
ROE ¹	11.10%	3.77%
ROA ²	1.06%	0.45%
Net interest margin ³	2.14%	1.91%
Cost/income ratio ⁴	46.34%	55.09%

Regulatory requirements and ratios

	June 2012	June 2011
Liquidity ratio ⁵	58.48%	60.86%
<i>note: mimum allowed by FCMC</i>	30.00%	30.00%
Capital adequacy ratio	16.59%	18.52%
<i>note: mimum allowed by FCMC</i>	8.00%	8.00%

Financial ratios

	June 2012	June 2011
Equity to loan portfolio ratio	21.26%	23.60%
Loan portfolio to total assets ratio	42.42%	48.99%
Equity to total assets ratio	9.02%	11.56%
Deposits to loans ratio	196.71%	175.49%

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>

Own capital and minimum capital requirements' summary report
6/30/2012

No.	Position name	June 2012
1	Total equity (1.1+1.2+1.3+1.6) or (1.4+1.5+1.6)	161 065
1.1	Tier 1	131 731
1.2	Tier 2	40 910
1.3	Decrease in Tier 1 and Tier 2	-11 577
1.4	Tier 1 total applying decrease	125 943
1.5	Tier 2 total applying decrease	35 122
1.6	Used Tier 3	
2	Total capital charge (2.1+2.2+2.3+2.4+2.5)	77 661
2.1	Total of capital requirements for credit risk, counterparty credit risk, dilution risk and free deliveries risk	69 691
2.2	Capital charge for settlement/ deliveries risk	
2.3	Capital charge for position risk, foreign currency risk and commodity risk	841
2.4	Capital charge for operational risk	7 129
2.5	Capital charge for other risk and transition period	
Additional information		
3.1	Capital requirements covered by own funds (surplus/ (shortfall)) excluding capital charge for other risk and transition period	83 404
3.1.a	Capital adequacy ratio (%) excluding capital charge for other risk and transition period	16.59
3.2	Capital requirements covered by own funds (surplus/ (shortfall))	83 404
3.2.a	Capital adequacy ratio (%) (%) = ½*8%	16.59

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 2012 Issuer	For trading	For sale	Held to maturity	TOTAL:	000'LVL % to shareholders equity
Latvia					
Government obligations	4 579	-	-	4 579	
Investment funds	-	22 245	-	22 245	
Financial institutions	-	44	-	44	
Private institutions	174	-	-	174	
Total:	4 753	22 289	-	27 042	16.79%
USA					
Government obligations	-	-	-	0	
Banks	-	2 809	4 519	7 328	
Financial institutions	-	791	10 221	11 012	-
Private institutions	5 977	-	-	5 977	
Total:	5 977	3 600	14 740	24 317	15.10%
Holand					
Government obligations	-	-	-	-	
Banks	-	6 134	-	6 134	
Financial institutions	2 253	-	-	2 253	
Private institutions	7 159	4 291	-	11 450	
Total:	9 412	10 425	-	19 837	12.32%
Securities of other countries:	18 565	52 194	1 024	71 783	44.57%
Total securities portfolio:	38 707	88 508	15 764	142 979	

At the end of the reporting period the total volume of the Bank's securities portfolio amounted to 143.0 billion LVL. Majority of that – 137.5 billion LVL – was invested in government and corporate obligations in Europe, US and Asia. 96.5% of the investment was made in securities with investment grade credit ratings. The biggest concentration of investment by county was in the US (15.10% of Bank's shareholders' equity) and Latvia (16.79% 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.

The amount of accruals for held-to-maturity investments made 329 061 LVL at the end of the accounting period.