



Baltic International Bank

JSC “BALTIC INTERNATIONAL BANK”
PUBLICLY AVAILABLE
QUARTERLY FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019



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Report from the Bank's (Group's) Senior Management

In Q2 2019, Baltic International Bank significantly improved its operating results closing the first half-year with a profit of EUR 295 thousand. Compared to Q1 2018, the Bank increased operating income, reduced operating expenses, as well as due to support of the Bank's shareholders and work of the Bank's Management Board and team, the Bank significantly improved its capital adequacy ratio to 14.16% (12.9% as of 31.12.2018), ensuring compliance with all minimum requirements of the Financial and Capital Market Commission and maintaining a high liquidity ratio of 212%.

The Bank closed the first half-year of 2019 (data on the Group is given in brackets) with the following financial results:

- Profit: EUR 295 thousand (EUR 200 thousand);
- Capital adequacy ratio: 14,16% (14,26%);
- Liquidity coverage ratio: 212% (212%);
- Assets: EUR 304,44 million (EUR 304,30 million).

Continuing its successful transition to a new business model, the Bank is developing its privately-owned bank strategy, focusing on providing investment services and asset management services to customers, developing new services and products with high added value, implementing changes in the Bank's positioning and customer demand. The Bank transforms its income structure and strengthens internal control systems by giving priority to servicing customers from Latvia, Baltic States and European Economic Area (EEA).

	1 st half-year of 2019	1 st half-year of 2018	
Operating income	6 920 TEUR	5 590 TEUR	+24%
Administrative expenses	5 608 TEUR	7 776 TEUR	-27%
Net profit/loss	295 TEUR profit	-2 326 TEUR loss	+ 2 621 TEUR
Capital adequacy ratio	14,16%	13,02%	+1,14 percentage points
Assets	304 436 TEUR	274 421 TEUR	+11%
Deposits	252 349 TEUR	219 871 TEUR	+15%
Assets under management	96 838 TEUR	72 683 TEUR	+33%
Customers' financial instruments in custody	167 764 TEUR	144 995 TEUR	+15%

As of 30 June 2019, the total customer assets amounted to EUR 527 million (Annex 1), assets under management reached EUR 96.84 million (EUR 96.84 million), demonstrating growth by 30% year-on-year. The value of financial instruments in brokerage service was EUR 168 million (EUR 168 million).

Operating income for the first half of 2019 increased by 24% (26%) compared to the same period of the last year and amounted to EUR 6.92 million (EUR 7.08 million). Net commission income increased to 60.6% (59.2%). The specific weight of net interest income was 20.8% (20.3%). Administrative expenses amounted to EUR 5.62 million (EUR 5.68 million) and were reduced for 27.9% (27.1%) in comparison with the previous year.

The Bank's high-quality liquid assets (assets carrying investment grade rating and claims on the Bank of Latvia) amounted to EUR 181.95 million (EUR 181.95 million) or 60% (60%) of the total assets. Investments in government bonds accounted for EUR 20 million (EUR 20 million) or 6.7% (6.7%) of the total assets.



The structure of liquid assets is well diversified: 11% – bonds, 6% – claims on credit institutions, 82% – claims on the Bank of Latvia and 1% – cash. The Liquidity Coverage Ratio (LCR) was 212%. The Net Stable Funding Ratio (NSFR), which describes the availability of stable funding for assets and off-balance sheet liabilities, reached 162% (162%).

As of 30 June 2019, the Bank's own funds totalled EUR 24.27 million (EUR 24.34 million). The Bank's Tier I capital ratio (CET1) was 10.03% (10.11%). The Total Capital Ratio reached 14.16% (14.26%).

On its way to becoming a strong investment bank, Baltic International Bank organized a high-level Investment Forum for its customers, business partners and key stakeholders in the first half of the year. The Investment Forum was one of the important events in the region for investment banks. The purpose of the forum is to provide a platform for discussing and sharing world-class experience and the latest investment management strategies and creating future business prospects for the Bank's customers, as well as fostering international investor interest in the Baltic market.

The Bank continues to work on new digital tools and channels – an improved version of the Internet Banking, started offering the Open Banking API Sandbox solution to launch the Open Banking solution in September, and launched an Investment Opportunities platform, on which existing and potential customers can choose their investment portfolio using an interactive calculator.

In March 2019, Sigma Ratings, a New York-based rating agency, assigned BBB+ financial crime compliance (FCC) rating to Baltic International Bank placing it among industry leaders. This is a high appreciation of the Bank's work, as Sigma's report covers both the financial crime prevention processes already implemented by the Bank, also in the field of prevention of money laundering and terrorism financing, and gives a positive assessment of the Bank's future development.

Owing to the business model of Baltic International Bank and its high corporate governance and sustainable business principles as well as its social initiatives, in 2019, Baltic International Bank has significantly improved its performance in the Sustainability Index to the highest Platinum category, and the Bank was awarded Family Friendly Company Status by the Ministry of Welfare for the third year in a row.

In the first half of this year, the Bank supported the Latvian Literature Awards Ceremony and continued implementation of the reading promotion project 'Library'. The project aims to educate the public regarding the importance of literature in people's lives and to tell people about private libraries and collections held in private libraries. The next stage of the project has been started and it will introduce Latvian dynasties and treasures of their libraries as well as coats of arms.



Members of the consolidation group

№	Company name and registration number	Code of registration state and address	Institution type ¹	Ownership interest (%)	Percentage of voting rights (%)	Rationale behind the inclusion within the group ²
1	AS "Baltic International Bank", 40003127883	LV, Kalēju iela 43, Rīga	BNK	100	100	PC
2	SIA "CLAIM MANAGEMENT", 40103681310	LV, Kalēju iela 47-1, Rīga	OFI	100	100	PCS
3	AS "BIB Alternative Investment Management", 40203036638	LV, Kalēju iela 43-4, Rīga	OFI	100	100	PCS
4	SIA "BIB real Estate", 40003868021	LV, Kalēju iela 41, Rīga	OFI	100	100	PCS
5	SIA "Gaujas ģipšumi", 40103249888	LV, Kalēju iela 41, Rīga	OFI	100	100	SCS
6	SIA "Global Investments", 40003785660	LV, Merķeļa iela 6-11, Rīga	OFI	100	100	SCS
7	CREMENTUM CAPITAL SICAV P.L.C., SV502	MT, 16/1 SANDRA FLATS, WINDSOR TERRACE, SLIEMA SLM 1858	OFI	100	100	PCS

¹ BNK - Bank, OFI - Other Financial Institution, SE - Supporting Enterprise

² PC - Parent Company, PCS - Parent Company Subsidiary company, SCS - Subsidiary Company Subsidiary company

Bank's shareholders

The Bank's registered, signed and paid-in share capital totals EUR 33 626 395.20 and is divided into 4 736 112 shares. All of the shares are dematerialised registered voting shares. Each share has a par value of EUR 7.10.

Of the Bank's 92 shareholders, 27 are corporate entities and 65 are private individuals.

Listed below are the shareholders who control more than 10 percent of the shares in the shareholders' equity:

- Valeri Belokon – 66.94873%
- Vilori Belokon – 32.99998%.

Bank's senior management

Supervisory Board (30.06.2019.)

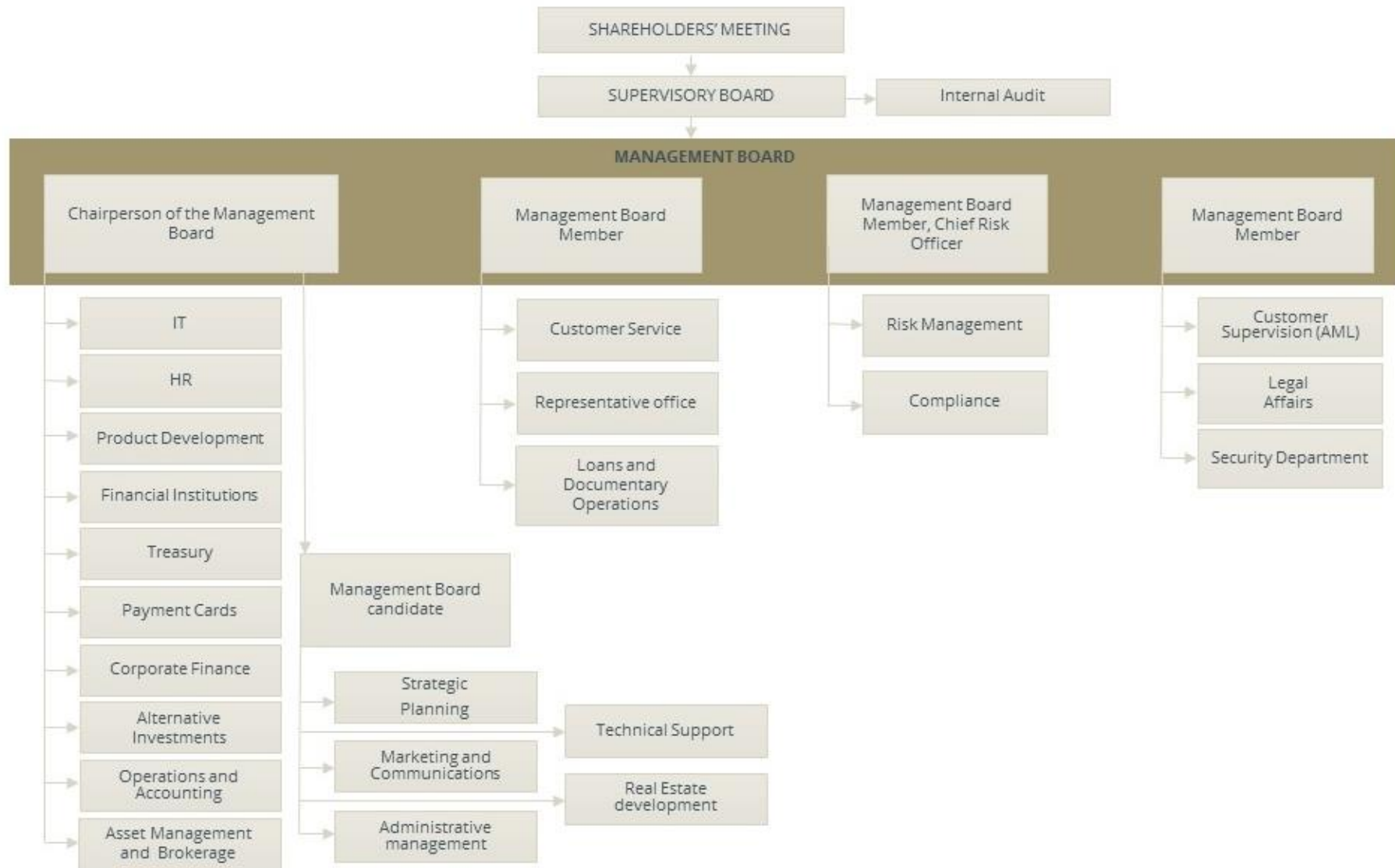
Full name	Position
Valeri Belokon	Chairperson of the Supervisory Board
Ilona Gulchak	Deputy Chairperson of the Supervisory Board
Hans-Friedrich Von Ploetz	Member of the Supervisory Board
Joseph Cofer Black	Member of the Supervisory Board

Management Board (30.06.2019.)

Full name	Position
Viktors Bolbats	Chairperson of the Management Board
Bogdan Andrushchenko	Member of the Management Board
Anda Saukane	Member of the Management Board
Guntars Reidzans	Member of the Management Board



The organizational structure of the Bank





Bank's operational strategy and operational objectives

Bank's strategy is to provide bespoke services to HNWIs and corporate clients, managing clients' wealth responsibly, and offering excellent top-level personalised service. The banking sector both in Latvia and around the world changing rapidly. To ensure sustainable operations and development in the ever-changing market circumstances, the Bank is focusing on implementation of its *Strategy 2030*.

Strategy based on ESG concept

One of the major **goals** of the *Bank's Strategy 2030* is to become a bank which, together with its clients, through generations, invests in environmentally-friendly and sustainable projects and companies which are dedicated to similar environmental values and which exert a positive long-term impact on the future.

The Bank's operational strategy is based on ESG concept. ESG refers to considering the environmental, social and governance issues. The ESG concept focuses on environmental protection, social responsibility and principles of good governance.

Clients

The Bank's **clients** are individuals for whom socially responsible investment is an integral and essential part of capital allocation decision-making. By seizing Bank-offered opportunities, our clients not only realise their intention to earn money from investing but also positively shape the world around and acquire new experience and knowledge.

The Bank's objective is to maintain geographically diversified client base, to focus more intensely on clients from Europe and Asia and to pinpoint new market segments. We help our clients safeguard and grow their wealth, pass the wealth on to future generations, and create harmonious future environment.

Team

The Bank employ highly professional and competent team of experts to provide personalised services to the clients and ensure safety, security, accessibility and growth of their money. We purposefully enhance our knowledge and expertise and strengthen our competences in environmentally friendly and sustainable investment. Bank's corporate values include knowledge & expertise, confidence, and succession.



Risk management

The information about risk management is available in 2018 Annual Report from page 33 till page 39 on JSC "Baltic International Bank" web page www.bib.eu/en/financial-performance. Since 31 December 2018 there are no any material changes in risk management.

The Bank's performance ratios

Item	30.06.2019 (unaudited)	30.06.2018 (unaudited)
Return on Equity (ROE) (%)	2.45	-18.01
Return on Assets (ROA) (%)	0.20	-1.63
Total capital ratio (%)	14.16	13.02
Liquidity coverage ratio (%)	212	208
Operational income* (in thousands euro)	6 920	5 590

*Operational income = net interest income + net fee and commission income + other income

Annex 1. Total of client funds

	Group EUR'000	Bank EUR'000
Deposits	252 152	252 349
Subordinated liabilities	10 458	10 458
Debt securities in issue	0	0
Financial instruments in brokerage service	167 764	167 764
The assets under management	96 838	96 838
TOTAL of customer funds	527 212	527 409



Income statement

Item	01.01.2019 - 30.06.2019		01.01.2018 - 30.06.2018	
	(unaudited)		(audited)	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income	2 218	2 219	2 141	2 146
Interest expense	-783	-783	-913	-913
Dividend income	16	16	24	24
Fee and commission income	4 716	4 717	3 617	3 617
Fee and commission expense	-525	-526	-553	-553
Gains or (-) losses on financial assets & liabilities not measured at fair value through profit or loss, net (+/-)	-3	-3	-12	-12
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	1 298	1 298	1 398	1 398
Gains or (-) losses from hedge accounting, net (+/-)	0	0	0	0
Exchange differences [gain or (-) loss], net (+/-)	-183	-183	-301	-301
Gains or (-) losses on derecognition of non financial assets other than held for sale, net (+/-)	0	0	0	0
Other operating income	325	165	204	184
Other operating Expenses (-)	-672	-478	-238	-205
Administrative Expenses (-)	-5 678	-5 608	-7 793	-7 776
Depreciation (-)	-661	-661	-760	-760
Profit / Loss recognized as a result of changes in contractual cash flows of a financial asset (+/-)	0	0	0	0
Provisions or (-) reversal of provisions (-/+)	0	0	0	0
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss (-/+)	138	128	724	825
Negative goodwill recognised in profit or loss	0	0	0	0
Share of the profit or (-) loss of investments insubsidiaries, joint ventures and associates accounted for using the equity method (+/-)	0	0	0	0
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (+/-)	0	0	0	0
Profit or (-) loss before tax from continuing operations (+/-)	206	301	-2 462	-2 326
Tax Expenses or (-) income related to profit or loss from continuing operations	-6	-6	0	0
Profit / Loss for the reporting period (+/-)	200	295	-2 462	-2 326
TOTAL comprehensive loss for the reporting period (+/-)	151	246	-2 707	-2 570



Balance sheet statement

Item	30.06.2019 (unaudited)		31.12.2018 (audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and due from central banks repayable on demand	143 403	143 403	119 858	119 858
Due from credit institutions repayable on demand	12 801	12 800	11 878	11 878
Financial assets at fair value through profit or loss	21 215	21 215	20 693	20 693
<i>Loans</i>	15 396	15 396	15 204	15 204
<i>other financial assets</i>	5 819	5 819	5 489	5 489
Financial assets at fair value through other comprehensive income	7 256	7 256	8 599	8 599
Financial assets at amortised cost	69 979	70 832	79 982	81 000
<i>Due from credit institutions</i>	474	474	802	802
<i>Debt securities</i>	30 296	30 296	31 209	31 209
<i>Loans</i>	39 209	40 062	47 971	48 989
Derivatives – Hedge accounting	0	0	0	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Investments in subsidiaries, joint ventures and associates	858	3 134	858	2 999
Tangible assets	25 696	22 960	25 604	22 682
Intangible assets	4 074	4 074	4 181	4 181
Tax assets	0	0	0	0
Other assets	19 019	18 762	13 954	13 724
Non-current assets and disposal groups classified as held for sale	0	0	0	0
Total assets	304 301	304 436	285 607	285 614
Liabilities to central banks	12 250	12 250	12 250	12 250
Due to credit institutions repayable on demand	427	427	825	825
Financial liabilities designated at fair value through profit or loss	27	27	16	16
Financial liabilities measured at amortised cost	262 610	262 807	243 093	243 238
<i>Deposits</i>	252 152	252 349	229 457	229 602
<i>Subordinated liabilities</i>	10 458	10 458	13 636	13 636
<i>Debt securities in issue</i>	0	0	0	0
Derivatives – Hedge accounting	0	0	0	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	28	72	47	96
Tax liabilities	0	0	11	11
Other liabilities	5 515	5 385	6 072	5 956
Liabilities included in disposal groups classified as held for sale	0	0	0	0
Total liabilities	280 857	280 968	262 314	262 392
Shareholders' equity	23 444	23 468	23 293	23 222
Total liabilities and shareholders' equity	304 301	304 436	285 607	285 614
Memorandum items				
Contingent liabilities	1 274	1 274	914	914
Commitments to customers	4 175	4 281	4 240	4 354



Overview of own funds and capital ratios

No	Item	30.06.2019	
		(unaudited)	
		Group	Bank
		EUR'000	EUR'000
1.	Own funds (1.1.+1.2.)	24 343	24 272
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	17 271	17 200
1.1.1.	Common equity Tier 1 capital (CET1 capital)	17 271	17 200
1.1.2.	Additional Tier 1 capital	0	0
1.2.	Tier 2 capital	7 072	7 072
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	170 747	171 423
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	135 560	136 294
2.2.	Total risk exposure amount for settlement/delivery risk	0	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	1 432	1 432
2.4.	Total risk exposure amount for operational risk	33 755	33 697
2.5.	Total risk exposure amount for credit valuation adjustment	0	0
2.6.	Total risk exposure amount related to large exposures in the trading book	0	0
2.7.	Other risk exposure amounts	0	0
3.	Capital ratios and capital levels		
3.1.	CET1 capital ratio (1.1.1./2.*100)	10.11	10.03
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	9 587	9 486
3.3.	T1 capital ratio (1.1./2.*100)	10.11	10.03
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	7 026	6 915
3.5.	Total capital ratio (1./2.*100)	14.26	14.16
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	10 683	10 558
4.	Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	4 736	4 753
4.1.	Capital conservation buffer	4 269	4 286
4.2.	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	0	0
4.3.	Institution specific countercyclical capital buffer	467	467
4.4.	Systemic risk buffer	0	0
4.5.	Other Systemically Important Institution buffer	0	0
5.	Capital ratios due to adjustments		
5.1.	Assets value adjustments applying for the prudential purposes	0	0
5.2.	CET1 capital ratio due to adjustments defined in row No 5.1. (%)	0	0
5.3.	Tier 1 capital ratio due to adjustments defined in row No 5.1. (%)	0	0
5.4.	Total capital ratio due to adjustments defined in row No 5.1. (%)	0	0



The information about own funds and capital ratios, if a credit institution applies transitional arrangements for the purpose of mitigating the impact of the introduction of IFRS 9 on the level of own funds

No	Item	30.06.2019 (unaudited)	
		Group EUR'000	Bank EUR'000
1.A	Own funds without the application of IFRS 9 transitional arrangements	24 185	24 114
1.1.A	Tier 1 capital without the application of IFRS 9 transitional arrangements	17 113	17 042
1.1.1.A	Common Equity Tier 1 capital without the application of IFRS 9 transitional arrangements	17 113	17 042
2.A	Total risk exposure amount without the application of IFRS 9 transitional arrangements	170 705	171 381
3.1.A	Common Equity Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	10.03	9.94
3.3.A	Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	10.03	9.94
3.5.A	Total capital ratio without the application of IFRS 9 transitional arrangements	14.17	14.07

Liquidity coverage ratio

No	Item	30.06.2019 (unaudited)	
		Group EUR'000	Bank EUR'000
1	Liquidity buffer (in thousands euro)	152 135	152 135
2	Net liquidity outflow (in thousands euro)	71 756	71 847
3	Liquidity coverage ratio (%)	212%	212%



Annex 2. Securities portfolio

The Bank's securities portfolio breaks down by country:

	30.06.2019			
	(unaudited)			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Lithuania	-	-	4 657	4 657
United Kingdom	23	354	3 208	3 585
Netherlands	-	885	3 484	4 369
Poland	-	2 265	1 571	3 836
Denmark	-	-	4 441	4 441
Latvia	809	3 726	4 632	9 167
Germany	3 597	-	-	3 597
Other countries*	1 389	26	8 305	9 720
Total	5 818	7 256	30 298	43 372
Allowances (IFRS 9)	0	0	(2)	(2)
Book value	5 818	7 256	30 296	43 370

* Each country's issuers' total carrying value is less than 10% from own funds

	31.12.2018			
	(audited)			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Lithuania	-	-	4 712	4 712
United Kingdom	23	350	3 201	3 574
Netherlands	-	874	3 454	4 328
Poland	-	2 295	1 639	3 934
Denmark	-	4 428	4 363	8 791
Latvia	828	181	4 660	5 669
Germany	3 005	-	-	3 005
Other countries*	1 628	472	9 186	11 286
Total	5 484	8 600	31 215	45 299
Allowances (IFRS 9)	0	(1)	(6)	(7)
Book value	5 484	8 599	31 209	45 292

* Each country's issuers' total carrying value is less than 10% from own funds

**Annex 3. Debt securities of central governments**

The Bank's debt securities of central governments break down by country:

	30.06.2019.	31.12.2018
	(unaudited)	(audited)
	Carrying value	Carrying value
	EUR'000	EUR'000
Poland	3 836	3 934
Lithuania	4 658	4 712
Latvia	8 177	4 660
Other countries*	3 703	4 176
Total	20 374	17 482
Allowances (IFRS 9)	(1)	(3)
Carrying value	20 373	17 479

* Each country's issuers' total carrying value is less than 10% from own funds

The amount of expected credit losses according to IFRS 9 breakdown by the Stages:

Financial assets	30.06.2019		
	EUR'000		
	Stage 1	Stage 2	Stage 3
Debt securities	2		
Due from credit institutions	2		
Loans	52	139	10 492
Financial guarantees and other commitments	24		49