



Baltic International Bank

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



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

In Q3 2019, Baltic International Bank continued to show positive operating results closing this quarter with a profit of EUR 184 thousand. Compared to the same period of 2018, the Bank increased operating income and decreased operating expenses, and the work of the Bank's Management Board and team helped achieve a 30% increase in assets and a 31.4% increase in net fee and commission income (compared to the same period last year).

The Bank closed the first nine months of 2019 with the financial results as follows (data on the Group is given in brackets):

- Profit: EUR 184 thousand (EUR 76 thousand);
- Capital adequacy ratio: 13.35% (13.43%);
- Liquidity coverage ratio: 166%;
- Assets: EUR 293.24 million (EUR 293.12 million).

Continuing its successful transition to the new business model, the Bank is gradually moving towards the goal and developing its privately-owned bank strategy with an emphasis on sustainable development prioritising lending to Latvian SMEs, provision of investment services and asset management services to customers in Latvia and abroad promoting foreign investment as well as developing new services and products with high added value.

	Q3 2019	Q3 2018	
Operating income	TEUR 9,832	TEUR 9,363	+5%
Administrative expenses	TEUR 8,492	TEUR 11,084	-23%
Net profit	TEUR 184 profit	-TEUR 2,350 loss	+TEUR 2,166
Capital adequacy ratio	13.35%	12.66%	+0.69 percentage points
Assets, total	TEUR 293,242	TEUR 272,338	+8%
Deposits	TEUR 238,075	TEUR 216,666	+10%
Assets under management	TEUR 101,431	TEUR 77,915	+30%

As of 30 September 2019, the Bank's total customer assets amounted to EUR 498 million (Annex 1), assets under management reached EUR 101 million (EUR 101 million) which is 36% more than at the end of 2018. The value of financial instruments in brokerage service was EUR 149 million (EUR 149 million).

In Q3 2019, net commission income increased by 31.4% (31.4%) year-on-year to EUR 6.46 million (EUR 6.46 million). The share of net commission income increased to 65.7% (64.6%). The share of net interest income was 15.6% (15.3%). Administrative expenses amounted to EUR 8.49 million (EUR 8.62 million) which is a decrease of 23.4% (22.4%) over 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 164.63 million (EUR 164.63 million) or 56.1% (56.2%) of the total assets. Investments in government bonds accounted for EUR 18.57 million (EUR 18.57 million) or 6.7% (6.3%) of the total assets.

The structure of liquid assets is well diversified: 10% – bonds, 9.75% – claims on credit institutions, 78% – claims on the Bank of Latvia and 2% – cash. The Liquidity Coverage Ratio (LCR) was 166%. The Net Stable Funding Ratio (NSFR) which describes the availability of stable funding for assets and off-balance sheet liabilities reached 1138.4%.

As of 30 September 2019, the Bank's own funds totalled EUR 24.04 million (EUR 24.11 million). The Bank's Tier I capital ratio (CET1) was 9.62% (9.68%). The Total Capital Ratio reached 13.35% (13.43%).



The Bank continues to work on new digital tools and channels – the open cooperation platform Open Banking which allows the Bank to fully comply with the requirements of the EU Payment Services Directive 2 (PSD2) is available from 14 September. The Bank is also working on a new Internet banking platform.

During the third quarter, the Bank focused on promoting sustainability and sharing good practice. Baltic International Bank has set the Sustainable Development Goals under the United Nations (UN) Environment Programme Financial Initiative; the Bank will focus its activities on seven of the 17 United Nations Sustainable Development Goals: 'Good Health and Wellbeing', 'No Poverty', 'Affordable and Clean Energy', 'Decent Work and Economic Growth', 'Industry, innovation and Infrastructure', 'Responsible Consumption and Production', and 'Climate Action'.

The Bank has also published its first Corporate Social Responsibility Report presented at a non-financial reporting seminar organised by the Institute for Corporate Sustainability and Responsibility.

As a local capital bank, Baltic International Bank wants to contribute to the development of the local region, so it has launched a dialogue in cooperation with the State and industry representatives to improve the current situation. In September this year, Kristaps Soms, Director of the Entrepreneurship Competitiveness Department of the Ministry of Economy, visited the Bank within the 'Official Becomes the Entrepreneur's Shadow' initiative. At the media breakfast held in October, the local capital banks working group of the Finance Latvia Association (Association), represented by Viktors Bolbats, Co-Chairman of the Association's Strategic Development Committee, Chairman of the Board of Baltic International Bank, raised issues about the transformation of business models of the local capital banks as well as their place in the financial market and contribution to the Latvian economy.

In the 3<sup>rd</sup> quarter of this year, the Bank continued to support publicly and socially significant projects demonstrating its care of different social groups. The TERESA HOUSE day care centre was opened with the Bank's support in the form of a financial donation and assistance in the improvement of the centre's area. Promoting the development of Latvian literature, a collection of memoirs 'My 20<sup>th</sup> Century' by Marina Kosteņecka was published; it consists of two books: 'My 20<sup>th</sup> Century' and 'Letters from the 20<sup>th</sup> Century' in Latvian and Russian. The author calls it the work of her whole life and, in the books, shares her life story, memories of crucial events in the recent history of Latvia and unique evidence of the era, i.e. letters received from readers and supporters during Atmoda. Georgs Stražnovs is the co-author of 'My 20<sup>th</sup> Century' while the introduction to the book was written by Dainis Īvāns and Knuts Skujenieks. Meanwhile, in the 3<sup>rd</sup> quarter, within the framework of the reading and literature promotion project 'Library', residents of Latvia were given the opportunity to apply for participation in the creation of a unique exhibition of family and genealogy books.



## Members of the consolidation group

No	Company name and registration number	Code of registration state and address	Institution type <sup>1</sup>	Ownership interest (%)	Percentage of voting rights (%)	Rationale behind the inclusion within the group <sup>2</sup>
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
8	DARZKOPIBAS 19 SIA, 40203227247	LV, Grecinieku iela 6, Rīga	OFI	100	100	PCS

<sup>1</sup> BNK - Bank, OFI - Other Financial Institution, SE - Supporting Enterprise

<sup>2</sup> 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 (30.09.2019.)

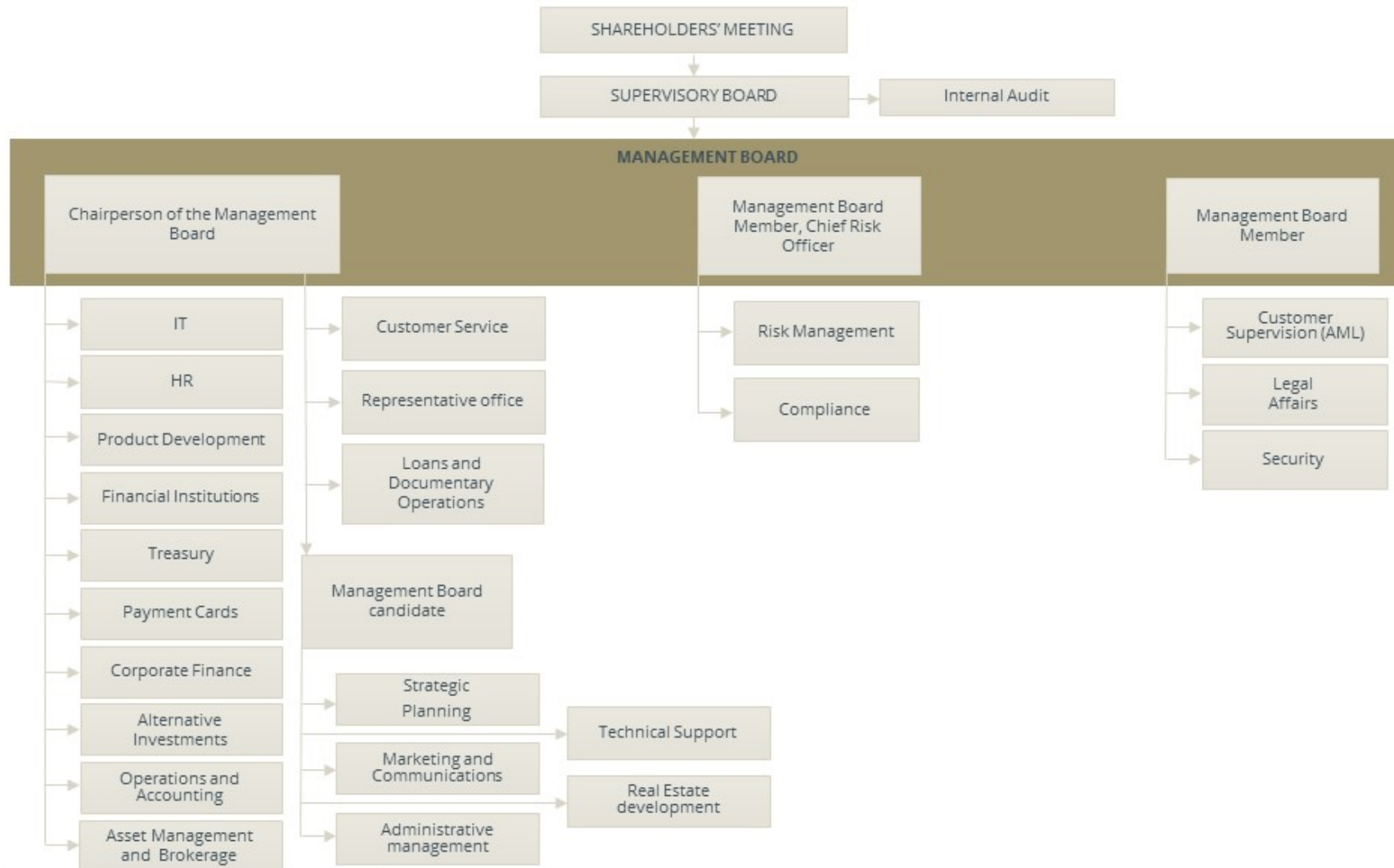
Full name	Position
Valeri Belokon	Chairperson of the Supervisory Board
Ilona Gulchak	Deputy Chairperson of the Supervisory Board
Hans-Friedrich Von Ploetz	Member of the Supervisory Board
Joseph Cofer Black	Member of the Supervisory Board

### Management Board (30.09.2019.)

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



## 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](http://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	30.09.2019 (unaudited)	30.09.2018 (unaudited)
Return on Equity (ROE) (%)	1.03	-12.65
Return on Assets (ROA) (%)	0.08	-1.11
Total capital ratio (%)	13.35	12.66
Liquidity coverage ratio (%)	166	194
Operational income* (in thousands euro)	9 832	9 363

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

## Annex 1. Total of client funds

	Group	Bank
	EUR'000	EUR'000
Deposits	237 904	238 075
Subordinated liabilities	9 445	9 445
Debt securities in issue	0	0
Financial instruments in brokerage service	148 986	148 986
The assets under management	101 431	101 431
<b>TOTAL of customer funds</b>	<b>497 766</b>	<b>497 937</b>





## Income statement

Item	01.01.2019 - 30.09.2019		01.01.2018 - 30.09.2018	
	(unaudited)		(unaudited)	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income	3 132	3 134	3 187	3 191
Interest expense	-1 602	-1 602	-1 320	-1 320
Dividend income	17	17	37	37
Fee and commission income	7 325	7 325	5 869	5 869
Fee and commission expense	-869	-869	-954	-954
Gains or (-) losses on financial assets & liabilities not measured at fair value through profit or loss, net (+/-)	-137	-137	-24	-24
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	2 512	2 512	2 651	2 651
Gains or (-) losses from hedge accounting, net (+/-)	0	0	0	0
Exchange differences [gain or (-) loss], net (+/-)	-793	-793	-346	-346
Gains or (-) losses on derecognition of non financial assets other than held for sale, net (+/-)	0	0	0	0
Other operating income	408	245	303	259
Other operating Expenses (-)	-434	-220	-481	-446
Administrative Expenses (-)	-8 622	-8 492	-11 116	-11 084
Depreciation (-)	-986	-986	-1 090	-1 090
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 (-/+)	134	59	763	931
Negative goodwill recognised in profit or loss	0	0	0	0
Share of the profit or (-) loss of investments in subsidiaries, 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
<b>Profit or (-) loss before tax from continuing operations (+/-)</b>	<b>85</b>	<b>193</b>	<b>-2 521</b>	<b>-2 326</b>
Tax Expenses or (-) income related to profit or loss from continuing operations	-9	-9	24	24
<b>Profit / Loss for the reporting period (+/-)</b>	<b>76</b>	<b>184</b>	<b>-2 545</b>	<b>-2 350</b>
TOTAL comprehensive loss for the reporting period (+/-)	158	266	-2 529	-2 335



## Balance sheet statement

Item	30.09.2019		31.12.2018	
	(unaudited)		(audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and due from central banks repayable on demand	128 525	128 525	119 858	119 858
Due from credit institutions repayable on demand	17 918	17 917	11 878	11 878
Financial assets at fair value through profit or loss	22 060	22 060	20 693	20 693
<i>Loans</i>	16 159	16 159	15 204	15 204
<i>other financial assets</i>	5 901	5 901	5 489	5 489
Financial assets at fair value through other comprehensive income	4 689	4 689	8 599	8 599
Financial assets at amortised cost	69 000	69 823	79 982	81 000
<i>Due from credit institutions</i>	449	449	802	802
<i>Debt securities</i>	31 511	31 511	31 209	31 209
<i>Loans</i>	37 040	37 863	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	3 199	858	2 999
Tangible assets	25 689	23 364	25 604	22 682
Intangible assets	4 068	4 068	4 181	4 181
Tax assets	0	0	0	0
Other assets	20 312	19 597	13 954	13 724
Non-current assets and disposal groups classified as held for sale	0	0	0	0
<b>Total assets</b>	<b>293 119</b>	<b>293 242</b>	<b>285 607</b>	<b>285 614</b>
Liabilities to central banks	12 250	12 250	12 250	12 250
Due to credit institutions repayable on demand	526	526	825	825
Financial liabilities designated at fair value through profit or loss	16	16	16	16
Financial liabilities measured at amortised cost	247 349	247 520	243 093	243 238
<i>Deposits</i>	237 904	238 075	229 457	229 602
<i>Subordinated liabilities</i>	9 445	9 445	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	22	75	47	96
Tax liabilities	0	0	11	11
Other liabilities	9 505	9 367	6 072	5 956
Liabilities included in disposal groups classified as held for sale	0	0	0	0
<b>Total liabilities</b>	<b>269 668</b>	<b>269 754</b>	<b>262 314</b>	<b>262 392</b>
<b>Shareholders' equity</b>	<b>23 451</b>	<b>23 488</b>	<b>23 293</b>	<b>23 222</b>
<b>Total liabilities and shareholders' equity</b>	<b>293 119</b>	<b>293 242</b>	<b>285 607</b>	<b>285 614</b>
<b>Memorandum items</b>				
Contingent liabilities	1 212	1 212	914	914
Commitments to customers	4 077	4 191	4 240	4 354



## Overview of own funds and capital ratios

No	Item	30.09.2019	
		(unaudited)	
		Group	Bank
		EUR'000	EUR'000
<b>1.</b>	<b>Own funds (1.1.+1.2.)</b>	<b>24 107</b>	<b>24 036</b>
<b>1.1.</b>	<b>Tier 1 capital (1.1.1.+1.1.2.)</b>	<b>17 385</b>	<b>17 314</b>
1.1.1.	Common equity Tier 1 capital (CET1 capital)	17 385	17 314
1.1.2.	Additional Tier 1 capital	0	0
<b>1.2.</b>	<b>Tier 2 capital</b>	<b>6 722</b>	<b>6 722</b>
<b>2.</b>	<b>Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>179 534</b>	<b>180 028</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	145 537	146 089
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	242	242
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
<b>3.</b>	<b>Capital ratios and capital levels</b>		
3.1.	CET1 capital ratio (1.1.1./2.*100)	9.68	9.62
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	9 306	9 213
3.3.	T1 capital ratio (1.1./2.*100)	9.68	9.62
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	6 613	6 512
3.5.	Total capital ratio (1./2.*100)	13.43	13.35
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	9 744	9 634
<b>4.</b>	<b>Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>4 959</b>	<b>4 972</b>
4.1.	Capital conservation buffer	4 488	4 501
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	471	471
4.4.	Systemic risk buffer	0	0
4.5.	Other Systemically Important Institution buffer	0	0
<b>5.</b>	<b>Capital ratios due to adjustments</b>		
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	30.09.2019 (unaudited)	
		Group EUR'000	Bank EUR'000
<b>1.A</b>	<b>Own funds without the application of IFRS 9 transitional arrangements</b>	<b>23 861</b>	<b>23 790</b>
1.1.A	Tier 1 capital without the application of IFRS 9 transitional arrangements	17 139	17 068
1.1.1.A	Common Equity Tier 1 capital without the application of IFRS 9 transitional arrangements	17 139	17 068
<b>2.A</b>	<b>Total risk exposure amount without the application of IFRS 9 transitional arrangements</b>	<b>179 475</b>	<b>179 969</b>
3.1.A	Common Equity Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	9.55	9.48
3.3.A	Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	9.55	9.48
<b>3.5.A</b>	<b>Total capital ratio without the application of IFRS 9 transitional arrangements</b>	<b>13.30</b>	<b>13.22</b>

### Liquidity coverage ratio

No	Item	30.09.2019 (unaudited)
		Bank EUR'000
1	Liquidity buffer (in thousands euro)	137 482
2	Net liquidity outflow (in thousands euro)	82 929
3	Liquidity coverage ratio (%)	166%



## Annex 2. Securities portfolio

The Bank's securities portfolio breaks down by country:

<b>30.09.2019</b> (unaudited)				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	<b>Total</b>
	EUR'000	EUR'000	EUR'000	<b>EUR'000</b>
Lithuania	-	-	4 746	<b>4 746</b>
United Kingdom	24	-	3 347	<b>3 371</b>
Netherlands	-	930	3 662	<b>4 592</b>
Poland	-	-	1 568	<b>1 568</b>
Denmark	-	-	4 668	<b>4 668</b>
Latvia	805	3 734	4 871	<b>9 410</b>
Germany	3 597	-	-	<b>3 597</b>
Other countries*	1 475	25	8 651	<b>10 151</b>
<b>Total</b>	<b>5 901</b>	<b>4 689</b>	<b>31 513</b>	<b>42 103</b>
Allowances ( IFRS 9 )	0	0	(2)	<b>(2)</b>
<b>Book value</b>	<b>5 901</b>	<b>4 689</b>	<b>31 511</b>	<b>42 101</b>

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

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

\* 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:

	<b>30.09.2019.</b> (unaudited) Carrying value EUR'000	<b>31.12.2018</b> (audited) Carrying value EUR'000
Poland	1 568	3 934
Lithuania	4 746	4 712
Latvia	8 424	4 660
Other countries*	3 837	4 176
<b>Total</b>	<b>18 575</b>	<b>17 482</b>
Allowances ( IFRS 9 )	(1)	(3)
<b>Carrying value</b>	<b>18 574</b>	<b>17 479</b>

\* 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	<b>30.09.2019</b> EUR'000		
	Stage 1	Stage 2	Stage 3
Debt securities	2		
Due from credit institutions	3	45	
Loans	50	168	10 555
Financial guarantees and other commitments	21		54