



Baltic International Bank

BALTIC INTERNATIONAL BANK SE
PUBLICLY AVAILABLE
QUARTERLY FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2020



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

In Q4 2020, Baltic International Bank SE (hereinafter referred to as the Bank) continued to implement the chosen business strategy, proving itself as a stable domestic capital bank and a significant player in the financial sector, maintaining a high Liquidity Coverage Ratio at 139% and keeping a high Capital Adequacy Ratio at 16.32%.

Baltic International Bank SE closed Q4 2020 with the following financial results (data on the Group is given in brackets):

- Assets: EUR 216.74 million (EUR 221.87 million);
- Total Capital Ratio (TCR): 16.32% (14.37%);
- Liquidity Coverage Ratio (LCR): 139%;
- Loss: EUR 1.46 million (EUR 3.42 million);

As of 31 December 2020, the total customer funds in the Bank amounted to EUR 358 million (EUR 357 million) (Annex 1) and assets under management reached EUR 66 million (EUR 66 million). The value of financial instruments in brokerage service was EUR 109 million (EUR 109 million).

The Bank's high-quality liquid assets (assets carrying investment-grade credit rating and claims on the Bank of Latvia) totalled EUR 109 million (EUR 109 million) or 50% (49%) of the total assets. Investments in government bonds amounted to EUR 22.86 million (EUR 22.86 million) or 10% (10%) of the total assets.

The Bank maintains a well-diversified structure of liquid assets represented by bonds (20%), claims on credit institutions (2%), claims on the Bank of Latvia (73%) cash (4%) and shares (1%). The Liquidity Coverage Ratio (LCR) was 139%. The Net Stable Funding Ratio (NSFR), characterising the availability of a stable funding profile in relation to the composition of assets and off-balance sheet activities, reached 137%.

As the Bank continued to implement its asset quality improvement and capital strengthening programme, the Bank's Tier 1 Capital Ratio reached 14.41% (12.49%) as of 31 December 2020, while the Total Capital Ratio (TCR) was 16.32% (14.37%), which substantially exceeds the Total SREP Capital Requirement Ratio of 11% set by the Financial and Capital Market Commission. The reached Total Capital Ratio also exceeds the level of the Overall Capital Requirement Ratio, which amounted to 13.50%.

As of 31 December 2020, the Bank's own funds totalled EUR 23.60 million (EUR 21.12 million).

Q4 2020 was also marked by conversion of the Bank from a joint stock company into a European Company (*Societas Europaea*) with a view to reinforcing the international dimension of the Company and promoting its international recognition in the European Union among existing and potential clients of the Company as well as among other international providers of banking and financial services.

In Q4 2020, the Bank continued lending, focusing its operations on lending to small and medium-sized enterprises in accordance with the priorities set out in the Bank's strategy, proving itself as an important player in the national economy and providing support to the business sector at a time when it was most needed.

In Q4 2020, the Bank's ESG (Environmental. Social. Governance.) Report was published.

In Q4 of last year, within the project Bibliotēka (Library) aimed at promoting reading, a cultural-historical heraldry edition Family Coats of Arms in Contemporary Latvia was published, dedicated to family coats of arms registered in Latvia.

In Q4, the Bank also continued work on the renovation of the Kalēju Quarter in Old Riga.



Members of the consolidation group

No	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	Baltic International Bank SE	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	CREMENTUM CAPITAL SICAV P.L.C., SV502	MT, 16/1 SANDRA FLATS, WINDSOR TERRACE, SLIEMA SLM 1858	OFI	100	100	PCS
6	SIA Augšvoleri, 40103314868	LV, Beķergrāvja iela 5, Rīga	SE	95	95	SCS
7	AS Krēmeri, 40003044223	LV, Beķergrāvja iela 5, Rīga	SE	95	95	SCS
8	SIA Komunikācijas un Projekti, 40003425103	LV, Ieriķu iela 15, Rīga	SE	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 36 399 229,20 and is divided into 5 126 652 shares. All of the shares are dematerialised registered voting shares. Each share has a par value of EUR 7.10.

Of the Bank's 93 shareholders, 27 are corporate entities and 66 are private individuals.

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

- Valeri Belokon – 62,08219%
- Vilori Belokon – 32,99990%.

Bank's senior management

Supervisory Board (31.12.2020.)

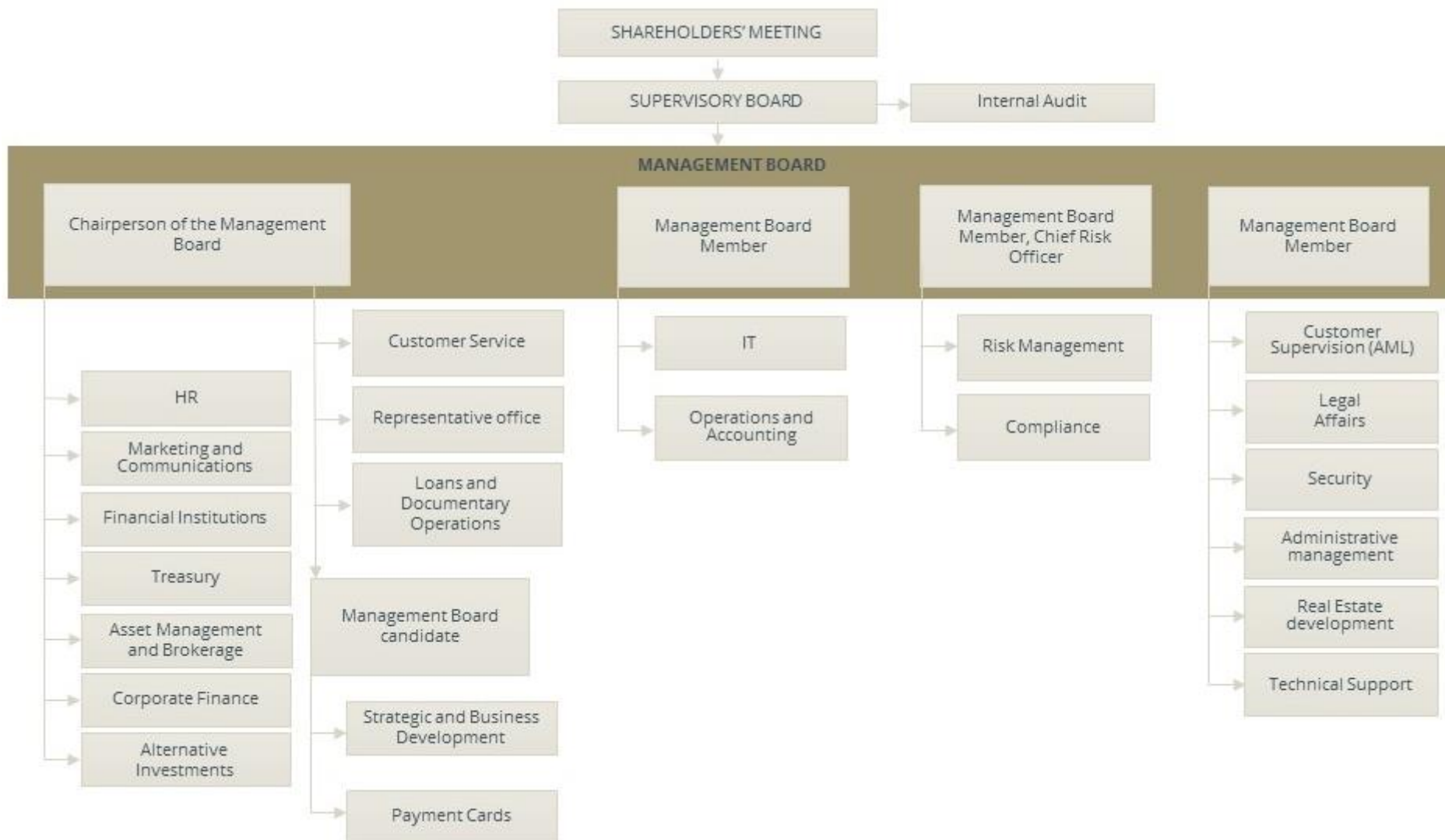
Full name	Position
Valeri Belokon	Chairperson of the Supervisory Board
Ilona Gulchak	Deputy Chairperson of the Supervisory Board
Hans-Friedrich Von Ploetz	Member of the Supervisory Board
Joseph Cofer Black	Member of the Supervisory Board

Management Board (31.12.2020.)

Full name	Position
Viktors Bolbats	Chairperson of the Management Board
Bogdan Andrushchenko	Member of the Management Board
Anda Saukane	Member of the Management Board
Edgars Vojskis	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 2019 Annual Report from page 29 till page 35 on Baltic International Bank SE web page www.bib.eu/en/financial-performance. Since 31 December 2019 there are no any material changes in risk management.

The Bank's performance ratios

Item	31.12.2020		31.12.2019
	(unaudited)		(audited)
	Group	Bank	Bank
Return on Equity (ROE) (%)	-15,09	-6,43	-13,48
Return on Assets (ROA) (%)	-1,60	-0,68	-1,10
Total capital ratio (%)	14,37	16,32	14,84
Liquidity coverage ratio (%)		139	157
Operational income* (in thousands euro)	13 259	12 846	14 143

*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	176 695	176 838
Subordinated liabilities	5 476	5 476
Debt securities in issue	0	0
Financial instruments in brokerage service	109 060	109 060
The assets under management	66 242	66 242
TOTAL of customer funds	357 473	357 616



Income statement

Item	01.01.2020 - 31.12.2020		01.01.2019 - 31.12.2019	
	(unaudited)		(audited)	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income	2 197	2 373	4 264	4 268
Interest expense	-1 406	-1 407	-2 077	-2 077
Dividend income	0	0	17	17
Fee and commission income	8 810	8 811	9 942	9 943
Fee and commission expense	-1 535	-1 535	-1 302	-1 302
Gains or (-) losses on financial assets & liabilities not measured at fair value through profit or loss, net (+/-)	383	383	-110	-110
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	-1 748	-1 748	2 910	2 910
Gains or (-) losses from hedge accounting, net (+/-)	0	0	0	0
Exchange differences [gain or (-) loss], net (+/-)	4 490	4 490	-297	-297
Gains or (-) losses on derecognition of non financial assets other than held for sale, net (+/-)	0	0	0	0
Other operating income	2 068	1 479	803	791
Other operating Expenses (-)	-798	-1 411	-175	-130
Administrative Expenses (-)	-13 708	-13 632	-13 470	-13 286
Depreciation (-)	-1 521	-1 517	-1 341	-1 341
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 (-/+)	-586	2 319	-2 585	-2 528
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 (+/-)	-37	-37	0	0
Profit or (-) loss before tax from continuing operations (+/-)	-3 391	-1 432	-3 421	-3 142
Tax Expenses or (-) income related to profit or loss from continuing operations	-31	-31	-19	-19
Profit / Loss for the reporting period (+/-)	-3 422	-1 463	-3 440	-3 161
TOTAL comprehensive loss for the reporting period (+/-)	-412	1 548	-3 370	-3 091



Balance sheet statement

Item	31.12.2020 (unaudited)		31.12.2019 (audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and due from central banks repayable on demand	89 974	89 974	98 685	98 685
Due from credit institutions repayable on demand	3 999	3 996	10 276	10 275
Financial assets at fair value through profit or loss	9 544	9 544	12 481	12 481
<i>Loans</i>	0	0	5 630	5 630
<i>other financial assets</i>	9 544	9 544	6 851	6 851
Financial assets at fair value through other comprehensive income	2 660	2 660	3 551	3 551
Financial assets at amortised cost	53 333	54 838	59 022	59 854
<i>Due from credit institutions</i>	766	766	435	435
<i>Debt securities</i>	17 552	17 552	30 412	30 412
<i>Loans</i>	35 015	36 520	28 175	29 007
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	0	4 121	858	3 946
Tangible assets	40 105	33 070	26 144	23 908
Intangible assets	4 083	4 083	4 152	4 152
Tax assets	0	0	0	0
Other assets	15 466	12 147	11 213	9 803
Non-current assets and disposal groups classified as held for sale	2 705	2 307	0	0
Total assets	221 869	216 740	226 382	226 655
Liabilities to central banks	0	0	12 088	12 088
Due to credit institutions repayable on demand	4 614	4 614	7 061	7 061
Financial liabilities designated at fair value through profit or loss	223	223	27	27
Financial liabilities measured at amortised cost	182 171	182 314	183 291	183 429
<i>Deposits</i>	176 695	176 838	174 106	174 244
<i>Subordinated liabilities</i>	5 476	5 476	9 185	9 185
<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	58	60	21	61
Tax liabilities	14	14	6	6
Other liabilities	12 451	5 063	3 965	3 852
Liabilities included in disposal groups classified as held for sale	0	0	0	0
Total liabilities	199 531	192 288	206 459	206 524
Shareholders' equity	22 338	24 452	19 923	20 131
Total liabilities and shareholders' equity	221 869	216 740	226 382	226 655
Memorandum items				
Contingent liabilities	1 400	709	750	750
Commitments to customers	5 575	4 524	2 496	2 585



Overview of own funds and capital ratios

No	Item	31.12.2020	
		(unaudited)	
		Group EUR'000	Bank EUR'000
1.	Own funds (1.1.+1.2.)	21 118	23 596
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	18 352	20 830
1.1.1.	Common equity Tier 1 capital (CET1 capital)	18 352	20 830
1.1.2.	Additional Tier 1 capital	0	0
1.2.	Tier 2 capital	2 766	2 766
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	146 922	144 547
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	119 242	116 923
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	2 827	2 827
2.4.	Total risk exposure amount for operational risk	24 635	24 579
2.5.	Total risk exposure amount for credit valuation adjustment	218	218
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)	12,49	14,41
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	11 741	14 326
3.3.	Tier 1 capital ratio (1.1./2.*100)	12,49	14,41
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	9 537	12 157
3.5.	Total capital ratio (1./2.*100)	14,37	16,32
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	9 365	12 033
4.	Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	3 673	3 614
4.1.	Capital conservation buffer	3 673	3 614
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	0	0
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	31.12.2020 (unaudited)	
		Group EUR'000	Bank EUR'000
1.A	Own funds without the application of IFRS 9 transitional arrangements	20 992	23 596
1.1.A	Tier 1 capital without the application of IFRS 9 transitional arrangements	18 226	20 639
1.1.1.A	Common Equity Tier 1 capital without the application of IFRS 9 transitional arrangements	18 226	20 830
2.A	Total risk exposure amount without the application of IFRS 9 transitional arrangements	146 864	144 448
3.1.A	Common Equity Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	12,41	14,29
3.3.A	Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	12,41	14,29
3.5.A	Total capital ratio without the application of IFRS 9 transitional arrangements	14,29	16,20

Liquidity coverage ratio

No	Item	31.12.2020 (unaudited)
		Bank EUR'000
1	Liquidity buffer (in thousands euro)	111 412
2	Net liquidity outflow (in thousands euro)	80 170
3	Liquidity coverage ratio (%)	139%



Annex 2. Securities portfolio

The Bank's securities portfolio breaks down by country:

	31.12.2020 (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	3 260	1 340	6 513	11 113
Latvia	816	418	8 776	10 010
Germany	3 755	-	-	3 755
Other countries*	1 674	903	2 267	4 844
Total	9 505	2 661	17 556	29 722
Allowances (IFRS 9)	(1)	(1)	(4)	(6)
Book value	9 504	2 660	17 552	29 716

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

	31.12.2019 (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	-	-	4 633	4 633
United Kingdom	893	-	3 238	4 131
Netherlands	-	-	3 537	3 537
Denmark	-	-	4 451	4 451
Latvia	820	3 525	4 634	8 979
Germany	3 597	-	-	3 597
Other countries*	1 535	27	9 925	11 487
Total	6 845	3 552	30 418	40 815
Allowances (IFRS 9)	0	(1)	(6)	(7)
Book value	6 845	3 551	30 412	40 808

* 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:

	31.12.2020 (unaudited) Carrying value EUR'000	31.12.2019 (audited) Carrying value EUR'000
Lithuania	11 113	4 633
Latvia	9 194	8 159
Other countries*	2 554	5 268
Total	22 861	18 060
Allowances (IFRS 9)	(5)	(6)
Carrying value	22 856	18 054

* 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	31.12.2020 EUR'000		
	Stage 1	Stage 2	Stage 3
Debt securities	6		
Due from credit institutions	2	3	
Loans	199	15	8 485
Financial guarantees and other commitments	50	1	9