



Baltic International Bank

Private banking & Wealth management

**JSC “Baltic International Bank”**  
**Publicly Available Quarterly Financial Statements**  
**for the period ended 31 December, 2015**



# Baltic International Bank

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

In 2015, JSC „Baltic International Bank” (here referred to as the *Bank*; the Group-related financials are enclosed within the parentheses) performed its tasks while facing serious external challenges. The intensifying geopolitical tensions, coupled with the deterioration in the external economic conditions, required rapid response and making non-standard decisions regarding all aspects of the Bank's business. In 2015, the focus was placed primarily on business profitability and sustainability of the financial model developed by the Bank. Risk management was a special emphasis area. The Bank's liquidity position remained stable; as at 31 December, the liquidity ratio was 91.88 percent and significantly exceeded the minimum internal requirement of 60 percent. The Bank's liquidity coverage ratio (LCR) reached a record high of 530 percent. The Bank continued to maintain strong capital adequacy ratios: common equity tier 1 (CET1) ratio of 12.69 percent (12.47 percent) and total capital ratio of 17.60 percent (17.41 percent). The leverage ratio was 4.80 percent (4.74 percent).

Remarkably, the Bank saw an increase in non-interest income, namely, the net fee and commission income and income from forex transactions. The aforesaid income, as a percentage of the operating income, made up 79.9 percent (79.3 percent). Income from assets under management increased by 65 percent and reached EUR 1.14 million. Income from servicing customer payments and customer accounts increased by 23.6 percent and reached EUR 4.87 million. In 2015, the Bank's operating income increased by 37.9 percent and reached EUR 19.78 (19.92) million.

The key ratios of the Bank's balance sheet showed organic growth: the Bank's assets grew by 3.7 percent (3.6 percent) to reach EUR 550.39 (549.97) million. The volume of customers' funds (including assets under management, brokerage portfolio, debt securities issued,

deposits, and subordinated deposits) increased by 7.6 percent to reach EUR 728.19 (728.17) million.

The Bank's loan portfolio and securities portfolio are fully financed through customers' funds. The total deposits accounted for EUR 473.26 (473.25) million or 91.3 percent of the total liabilities as at 31 December 2015. The Bank continued to actively boost its securities portfolio; over the year, the investments increased by EUR 133.58 million or 138.3 percent. As at 31 December 2015, the Bank's securities portfolio totalled EUR 230.14 million or 41.8 percent of the total assets. Practically the whole portfolio consists of fixed-income debt securities issued by the issuers carrying high credit ratings. As a result, the portfolio generates a stable rate of return. Bonds of multilateral development banks (MDBs) and government bonds make up 54.6 percent of the portfolio. Sovereign bonds make up 38.8 percent of the total portfolio.

The volume of the loan portfolio totalled EUR 72.10 (70.27) million or 13.1 percent (12.8 percent) of the total assets as at 31 December 2015. The volume of the loan portfolio decreased by 26.2 percent (26.9 percent) as a result of repayment of the outstanding loans and because the Bank has shifted its geographical priorities towards financing projects in Western Europe.

Throughout the entire year, the Bank continued to issue bonds which proved conducive to the diversification of sources of business financing. The customers viewed the bonds as an attractive long-term investment vehicle. In December 2015, the Bank successfully completed its *Bond Offering Programme No 2* EUR 10 million worth. Under the Programme, the Bank launched 4 issues of EUR- and USD-denominated fixed-income bonds. The volume of bonds in public circulation totalled EUR 10.01 million as at 31 December 2015. The total volume of bonds issued by the Bank made up EUR 16.43 million.



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During the 3Q, the Bank focused its attention on important financial events. In October 2015, Baltic International Bank joined the „Social Charter of Banks”, self-regulation guidelines for Latvia’s banking sector.

In the beginning of November, conference titled „10th Commercialization Reactor Ignition Event” was held. Cosponsored by the Bank, the conference brought together scientists and potential entrepreneurs for the purpose of establishing high tech start-ups to be able to compete on the global market. Acquisition of Latvian company Naco Technologies by Schaeffler Group (a leading global integrated automotive and industrial supplier) was the first tangible result of efforts that Commercialization Reactor had been making.

As a socially responsible entity, the Bank remains committed to acting responsibly at all times. The Bank not only pays attention to its

employees but also supports cultural initiatives. At the end of October, a presentation of the ninth novel included within the series of Latvian historical novels “Mēs. Latvija, XX gadsimts” (*We. Latvia, 20<sup>th</sup> century*) was held. The ninth novel titled “Mātes piens” (*Mother’s Milk*) was written by Nora Ikstena. The National Culture Capital Foundation (*Valsts kultūrkapitāla fonds*) of the Republic of Latvia, a patron of arts Valeri Belokon, and Baltic International Bank cosponsored the publication of the novel. In October, the international tournament *Baltic International Bank Tennis Cup 2015* for U14 age group was arranged. Baltic International Bank is striving for and pursuing operational excellence. The Bank therefore supports excellent events geared towards spurring professional growth, such as the U14 European-level tennis tournament placed by Tennis Europe on the European Tennis Calendar.



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### Members of the consolidation group

№	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 "BIB Consulting", 50103457291	LV, Grēcinieku iela 6, Rīga	SE	100	100	PCS
3	SIA "BIB real Estate", 40003868021	LV, Kalēju iela 41, Rīga	OFI	100	100	PCS
4	SIA "Gaujas īpašumi", 40103249888	LV, Kalēju iela 41, Rīga	OFI	100	100	SCS
5	SIA "Global Investments", 40003785660	LV, Merķeļa iela 6 - 11, Rīga	OFI	100	100	SCS

<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 share capital totals EUR 29 496 389 and is divided into 4 154 421 ordinary shares carrying identical voting rights. All shares are registered. Each share carries the right to one vote at the meetings of shareholders, a right to receive dividends as declared from time to time and a right to residual assets. Each share has a par value of EUR 7,1.

Of the Bank's 93 shareholders, 28 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 – 69,89467%
- Vilorii Belokon – 30,00969%.



## Bank's senior management

### Supervisory Council (31.12.2015)

Name and surname	Position
Valeri Belokon	Chairperson of the Council
Albert Reznik	Deputy Chairperson of the Council
Vlada Belokon	Member of the Council

### Management Board (31.12.2015)

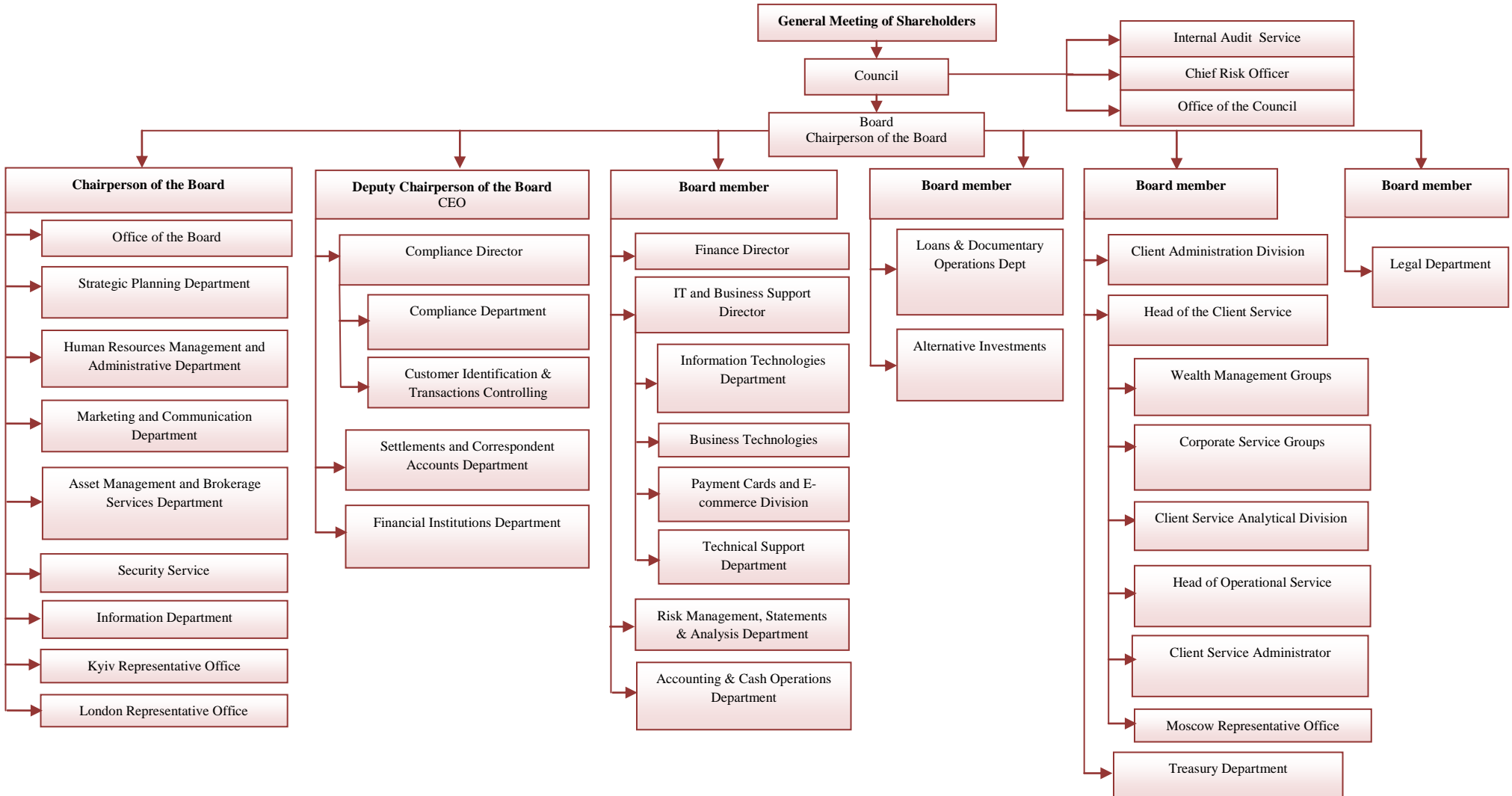
Name and surname	Position
Ilona Gulchak	Chairperson of the Board
Natalja Tkachenko	Deputy Chairperson of the Board
Alon Nodelman	Member of the Board
Dinars Kolpakovs	Member of the Board
Inese Lazdovska	Member of the Board
Martins Neibergs	Member of the Board



# Baltic International Bank

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## Bank's organisational structure





## Bank's Operational Strategy and Operational Objectives

Since its foundation in 1993, Bank's strategy has remained unchanged: to provide high-net-worth individuals (HNWIs) and their family members a high level of bespoke customer service traditionally offered by private banks in Western Europe. Taking into account the global changes while still staying committed to our chosen path, Bank has devised a new operational strategy. Under the new strategy, our **vision** is **to be a sustainable** Latvia-based bank that provides HNWIs with a **superb** level of personalised **service** and **socially responsible** wealth management **tailored to suit** both their personal and business needs.

The things falling under the concept of 'Bank's **sustainable** development' include to:

1. Ensure long-term profitability for our shareholders.
2. Invest in sustainable assets and manage the assets in a socially responsible manner.
3. Ensure **corporate governance** in Bank in accordance with the Corporate Governance Guidance and Principles for Unlisted Companies in the Baltics [*Biržā nekotētu uzņēmumu korporatīvās pārvaldības vadlīnijas un principi Baltijas valstīs*] for the purpose of maintaining a framework for interaction among the shareholders, Council member, Board members and other stakeholders and a framework of Bank's processes and attitudes that add value to the business, help build its reputation and ensure transparency of the business, long-term continuity and success; actively co-participate in the banking association.
4. Ensure that **work arrangement and workplace environment** motivate an employee to establish long-term relationship with Bank, work effectively and achieve work-life balance.
5. Ensure **fair commercial practices** through supporting a fair competition, preventing interest of conflict, adhering to high ethical standards of conduct, building up self-respect and respect towards the co-workers and shareholders, customers and partners, and demonstrating a strong sense of responsibility for work done and decisions made.
6. Communicate with our **customers** in a transparent language by providing fair, clear and non-misleading information about our performance, results, products, services, and fees charged, thus helping the customers make informed decisions; handle and resolve all customer complaints and grievances.
7. Offer our **customers** opportunities to invest in socially responsible and sustainable projects.
8. Ensure the **development of the local community and involvement of the community members** in today's programs and initiatives by encouraging the protection of cultural and historical heritage in the Baltic States, supporting national conservation efforts, and integrating modern urban features into Riga's historic centre.

When choosing representative gifts for our customers and partners, we give preference to articles (goods) made in Latvia.

**Socially responsible** and **customised** wealth management implies that we:

1. elicit customer's specific wishes and needs and risk tolerance; offer customer a range of suitable banking products and services.
2. ensure transparency at any stage of wealth management.
3. invest funds in sustainable sectors and business projects.
4. ensure customer privacy.





A focus on **customer service excellence** means to:

1. strive to create added value that meets and even exceeds the expectations of our customers.
2. maintain excellent long-term results

## Risk management

The information about risk management is available in 2014 Annual Report from page 36 till page 42 on JSC “Baltic International Bank” web page <http://www.bib.lv/en/about-bank/reports>. Since 31 December 2014 there are no any material changes in risk management.

## The Bank’s performance ratios

Item	01.01.2015.- 31.12.2015. (unaudited)	01.01.2014.- 31.12.2014. (audited)
Return on Equity (ROE) (%)	2.14	-4.98
Return on Assets (ROA) (%)	0.13	-0.38



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## Income statement

Item	01.01.2015.-31.12.2015.		01.01.2014.-31.12.2014.	
	(unaudited)		(audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Interest income	6 333	6 400	7 338	7 398
Interest expense	-2 968	-2 889	-2 695	-2 695
Dividend income	2	2	7	7
Fee and commission income	11 107	11 108	7 681	7 682
Fee and commission expense	-3 881	-3 881	-1 705	-1 704
Net realised gain/loss on financial assets and financial liabilities carried at amortised cost	0	0	0	0
Net realised gain/loss on available for sale financial assets	0	0	0	0
Net gain/loss on financial assets and financial liabilities held for trading	34	34	-327	-327
Net gain/loss on financial assets and financial liabilities at fair value through profit or loss	0	0	0	0
Changes in fair value of the hedged items	0	0	0	0
Gain/loss on trade in and revaluation of foreign currencies	8 559	8 573	3 902	3 913
Gain/loss on derecognition of property, plant and equipment, investment property and intangible assets	0	0	0	0
Other income	729	428	239	67
Other expenses	-1 450	-1 332	-184	-181
Administrative expenses	-12 487	-12 343	-11 760	-11 582
Depreciation	-1 362	-1 362	-1 261	-1 261
Result of provisions for doubtful debts	-3 883	-3 937	-2 922	-2 922
Impairment losses	0	0	0	0
<b>Profit/loss before corporate income tax</b>	<b>733</b>	<b>801</b>	<b>-1 687</b>	<b>-1 605</b>
Corporate income tax	-85	-85	130	131
<b>Profit/loss for the current year</b>	<b>648</b>	<b>716</b>	<b>-1 557</b>	<b>-1 474</b>



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## Balance sheet statement

Item	31.12.2015		31.12.2014	
	(unaudited)		(audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and due from central banks repayable on demand	48 928	48 926	23 530	23 525
Due from credit institutions repayable on demand	163 167	163 167	267 010	267 010
Financial assets held for trading	581	581	2 882	2 882
Financial assets at fair value through profit or loss	0	0	0	0
Financial assets available for sale	219 967	219 967	87 357	87 357
Loans and receivables	73 042	74 871	106 668	108 335
<i>Other due from credit institutions</i>	2 776	2 776	10 581	10 581
<i>Loans</i>	70 266	72 095	96 087	97 754
Investments held to maturity	9 624	9 624	8 731	8 731
Change in fair value of a hedged portion of the portfolio attributable to the interest rate risk	0	0	0	0
Deferred expenses and accrued income	2 565	2 565	2 386	2 388
Fixed assets	17 325	17 325	17 401	17 401
Investment property	6 461	2 969	7 476	3 918
Intangible assets	3 882	3 882	4 321	4 321
Investments in associated and related companies	1 145	3 088	1 145	3 088
Current tax assets	17	17	285	285
Other assets	3 370	3 407	1 769	1 626
<b>Total assets</b>	<b>550 074</b>	<b>550 389</b>	<b>530 961</b>	<b>530 867</b>
Liabilities to central banks	3 787	3 787	3 782	3 782
Due to credit institutions repayable on demand	2 693	2 693	277	277
Financial liabilities held for trading	3	3	1 965	1 965
Financial liabilities at fair value through profit or loss	0	0	0	0
Financial liabilities valued at depreciated cost	506 391	506 407	489 355	489 366
<i>Term liabilities due to credit institutions</i>	0	0	6 178	6 178
<i>Deposits</i>	473 246	473 262	448 233	448 244
<i>Subordinated liabilities</i>	16 715	16 715	16 702	16 702
<i>Debt securities in issue</i>	16 430	16 430	18 242	18 242
Financial liabilities arising from the transfer of financial assets	0	0	0	0
Change in fair value of a hedged portion of the portfolio attributable to the interest rate risk	0	0	0	0
Deferred income and accrued expenses	2 013	2 012	1 488	1 483
Provisions	0	0	0	0
Tax liabilities	1 224	1 224	1 139	1 139
Other liabilities	2 177	2 070	1 617	1 177
<b>Total liabilities</b>	<b>518 288</b>	<b>518 196</b>	<b>499 623</b>	<b>499 189</b>
<b>Shareholders' equity</b>	<b>31 786</b>	<b>32 193</b>	<b>31 338</b>	<b>31 678</b>
<b>Total liabilities and shareholders' equity</b>	<b>550 074</b>	<b>550 389</b>	<b>530 961</b>	<b>530 867</b>
<b>Memorandum items</b>				
Contingent liabilities	5 967	5 967	2 961	2 961
Commitments to customers	2 861	2 943	12 040	12 135



## Overview of own funds and capital ratios

No	Item	31.12.2015	
		(unaudited)	
		Group	Bank
		EUR'000	EUR'000
<b>1.</b>	<b>Own funds (1.1.+1.2.)</b>	<b>36 201</b>	<b>36 804</b>
<b>1.1.</b>	<b>Tier 1 capital (1.1.1.+1.1.2.)</b>	<b>25 925</b>	<b>26 528</b>
1.1.1.	Common equity Tier 1 capital (CET1 capital)	25 925	26 528
1.1.2.	Additional Tier 1 capital	0	0
<b>1.2.</b>	<b>Tier 2 capital</b>	<b>10 276</b>	<b>10 276</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>207 940</b>	<b>209 061</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	176 088	177 380
2.2.	Total risk exposure amount for settlement/delivery	0	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities	1 872	1 872
2.4.	Total risk exposure amount for operational risk	29 980	29 809
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)	12.47	12.69
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	16 567	17 120
3.3.	T1 capital ratio (1.1./2.*100)	12.47	12.69
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	13 448	13 984
3.5.	Total capital ratio (1./2.*100)	17.41	17.60
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	19 567	20 080
<b>4.</b>	<b>Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>2.5</b>	<b>2.5</b>
4.1.	Capital conservation buffer (%)	2.5	2.5
4.2.	Institution specific countercyclical capital buffer (%)	0.0	0.0
4.3.	Systemic risk buffer (%)	0.0	0.0
4.4.	Systemically important institution buffer (%)	0.0	0.0
4.5.	Other Systemically Important Institution buffer (%)	0.0	0.0
<b>5.</b>	<b>Capital ratios due to adjustments</b>		
5.1.	Provisions or assets value adjustments applying specific policy for the purpose of own funds calculation	0	0
5.2.	CET1 capital ratio due to adjustments defined in row No 5.1. (%)	12.47	12.69
5.3.	Tier 1 capital ratio due to adjustments defined in row No 5.1. (%)	12.47	12.69
5.4.	Total capital ratio due to adjustments defined in row No 5.1. (%)	17.41	17.60



## Liquidity ratio calculation

No	Item	31.12.2015 (unaudited) <b>Bank</b> EUR'000
<b>1</b>	<b>Liquid assets</b>	<b>406 457</b>
1.1.	Vault cash	1 903
1.2.	Balances due from Bank of Latvia	47 023
1.3.	Balances due from solvent credit institutions	153 488
1.4.	Liquid securities	204 043
<b>2</b>	<b>Current liabilities (residual maturity of up to 30 days)</b>	<b>442 359</b>
2.1.	Balances due to credit institutions	2 692
2.2.	Deposits	428 417
2.3.	Debt securities in issue	0
2.4.	Money in transit	578
2.5.	Other current liabilities	5 186
2.6.	Off-balance sheet items	5 486
<b>3</b>	<b>Liquidity ratio (1:2) (%)</b>	<b>91.88</b>
4	Minimum liquidity ratio (%)	30.00



## Baltic International Bank

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### Note 1. Securities portfolio

The Bank's securities portfolio breaks down by country:

	<b>31.12.2015</b>			
	(unaudited)			
	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	<b>Total</b>
	EUR'000	EUR'000	EUR'000	<b>EUR'000</b>
Multilateral development banks	0	87 892	0	<b>87 892</b>
USA	30	27 555	0	<b>27 585</b>
Spain	0	21 521	0	<b>21 521</b>
Italy	0	20 751	0	<b>20 751</b>
Germany	0	18 398	0	<b>18 398</b>
Denmark	0	9 248	0	<b>9 248</b>
Sweden	0	9 179	0	<b>9 179</b>
Lithuania	0	4 967	2 602	<b>7 569</b>
Latvia	2	4 564	2 821	<b>7 387</b>
United Kingdom	0	6 419	0	<b>6 419</b>
Brazil	0	5 375	0	<b>5 375</b>
Turkey	0	4 061	0	<b>4 061</b>
Other countries*	521	37	4 201	<b>4 759</b>
<b>total</b>	<b>553</b>	<b>219 967</b>	<b>9 624</b>	<b>230 144</b>

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

During the reporting period has not been recognized an impairment for financial assets available for sale.



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<b>31.12.2014</b>				
(audited)				
	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Multilateral development banks	0	50 040	0	<b>50 040</b>
Germany	0	8 289	0	<b>8 289</b>
Sweden	0	8 248	0	<b>8 248</b>
Lithuania	0	4 541	2 374	<b>6 915</b>
United Kingdom	0	6 419	0	<b>6 419</b>
Latvia	1	3 245	2 550	<b>5 796</b>
Denmark	0	4 149	0	<b>4 149</b>
Other countries*	476	2 426	3 807	<b>6 709</b>
<b>total</b>	<b>477</b>	<b>87 357</b>	<b>8 731</b>	<b>96 565</b>

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

## Note 2. Debt securities of central governments

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

	<b>31.12.2015</b>	<b>31.12.2014</b>
	(unaudited)	(audited)
	Carrying value	Carrying value
	EUR'000	EUR'000
USA	27 555	0
Italy	20 726	0
Spain	21 464	0
Lithuania	7 569	6 915
Latvia	6 735	5 254
Turkey	4 061	0
Other countries*	1 068	987
<b>total</b>	<b>89 178</b>	<b>13 156</b>

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