



Baltic International Bank

JSC “BALTIC INTERNATIONAL BANK”
PUBLICLY AVAILABLE
QUARTERLY FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018



Content

Report from the Bank's (Group's) Senior Management	3
Members of the consolidation group	4
Bank's shareholders	4
Bank's senior management	4
The organizational structure of the Bank	5
Bank's operational strategy and operational objectives	6
Risk management	7
The Bank's performance ratios	7
Note1. Total of customer funds	7
Income statement	8
Balance sheet statement	9
Overview of own funds and capital ratios	10
Liquidity coverage ratio	11
Note2. Securities portfolio	12
Note3. Debt securities of central governments	13



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

The Bank (the Group-related financials are enclosed within the parentheses) posted the following financial results for 2Q 2018:

- Loss: EUR 2.33 million (EUR 2.46 million)
- Capital adequacy ratio: 13.02% (13.10%)
- Liquidity ratio: 76.80%
- Assets: EUR 274.42 million (EUR 274.42 million)

In 2Q 2018, the total customer funds reached EUR 452 million (Note 1). By the end of 2Q 2018, the assets under management reached EUR 72.68 million (EUR 72.68 million). The volume of financial instruments in brokerage service has also shown a positive dynamics: by the end of 2Q 2018, the volume reached EUR 145 million (EUR 145 million), a 20.11-percent increase from the end of 2017.

By the end of 2Q 2018, the operating income totalled EUR 5.59 million (EUR 5.61 million). The percentage of the net fee and commission income surged up to 54.8 percent (54.7 percent) compared to the same period last year when the net fee and commission income totalled 19.3 percent (19.3 percent). The net interest income totalled 22.1 percent (21.9 percent). Administrative expenses reached EUR 7.78 million (EUR 7.79 million).

The Bank's high-quality liquid assets (assets carrying investment-grade credit rating and balances due from the Bank of Latvia) made up EUR 153.63 million (EUR 153.63 million) or 56 percent (56 percent) of the total assets. Investments in government bonds accounted for EUR 17.4 million (EUR 17.4 million) or 6.3 percent (6.3 percent) of the total assets.

The Bank maintains a well-diversified structure of liquid assets represented by bonds (17 percent), due from credit institutions (4 percent), due from the Bank of Latvia (78 percent) and cash (1 percent). The liquidity coverage ratio (LCR) was 208 percent. The net stable funding ratio (NSFR), characterizing the availability of a stable funding profile in relation to the composition of assets and off-balance sheet activities, reached 144.63 percent (145.86 percent).

As of 30 June 2018, the Bank's own funds totalled EUR 23.59 million (EUR 23.64 million). The Bank's Tier I capital ratio (CET1) was 9.67 percent (9.73 percent). The total SREP ratio (TSCR ratio) reached 13.02 percent (13.10 percent).

Regardless of the Bank's enhanced focus on risk management practices (largely due to the situation faced by the banking sector in the first half-year of 2018), the Bank has succeeded to strengthen income items in all of the priority areas, such as customer service, brokerage services, cards, and asset management. The Bank has resumed providing custodian-bank services to licensed investment firms and has embarked on providing bond-issue services. The aforesaid services are viewed as new income sources for the next quarters.

While staying focused on risk management, during the first six months of 2018 the Bank still continued to diversify its customer base and to build a more robust revenue structure, both with respect to the Bank's balance sheet and the customers' portfolios.

For the second consecutive year, the Bank has received the Gold Award from the 2018 Sustainability Index in recognition of the Bank's progress in its sustainability as an approach to its business, employees and processes.



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	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 īpašumi", 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

¹ BNK – bank; OFI – other financial institution; SE – supporting enterprise

² PC – parent company; PCS – subsidiary company of parent company; SCS – subsidiary company of subsidiary company

Bank's shareholders

The Bank's 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 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 7,10.

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

Bank's senior management

Supervisory Board (30.06.2018.)

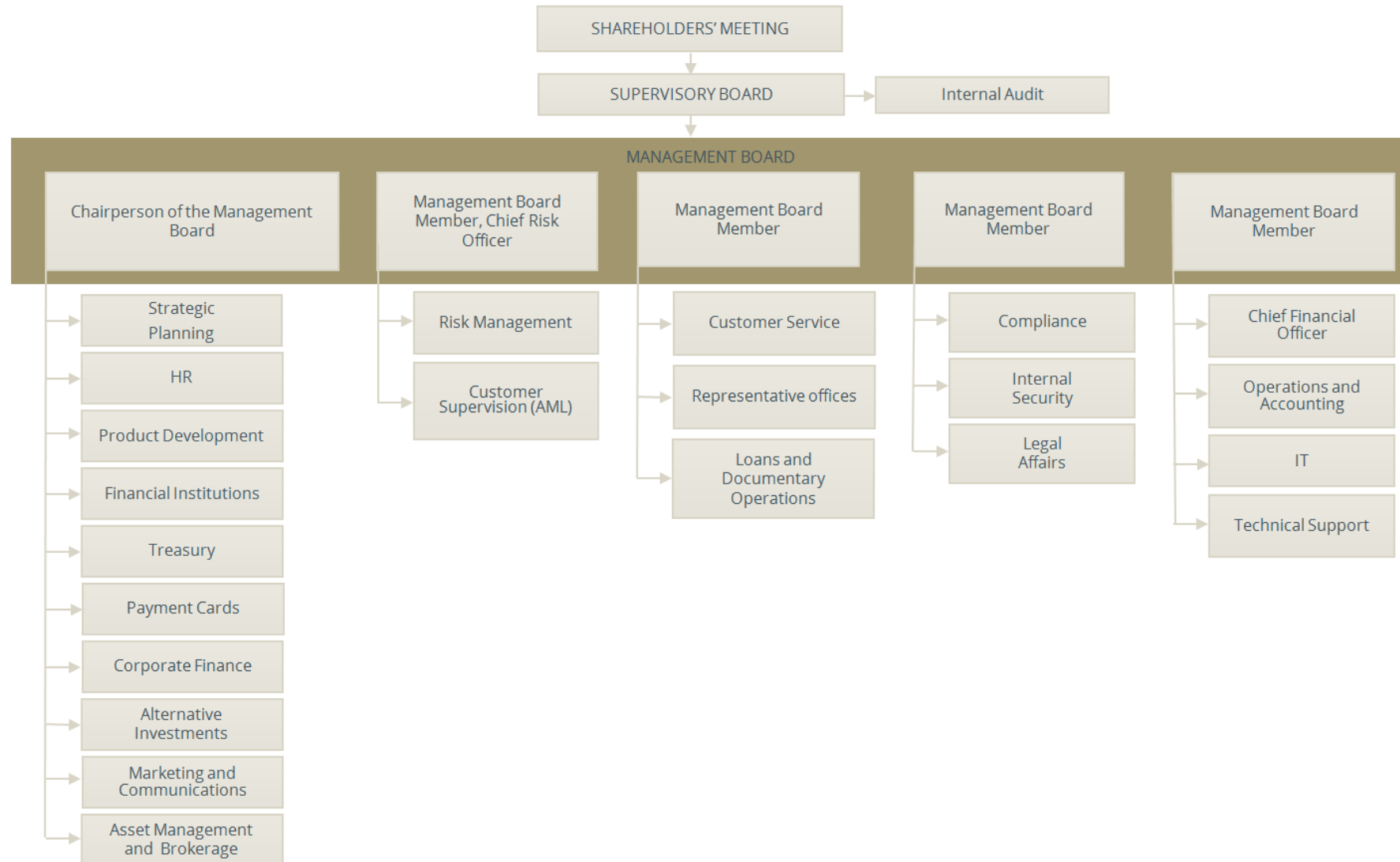
Name and surname	Position
Valeri Belokon	Chairperson of the Council
Ilona Gulchak	Deputy Chairperson of the Council
Hans-Friedrich Von Ploetz	Member of the Council
Joseph Cofer Black	Member of the Council

Management Board (30.06.2018.)

Name and surname	Position
Viktors Bolbats	Chairperson of the Management Board
Alon Nodelman	Member of the Board, Authorised Signatory
Bogdan Andrushchenko	Member of the Board
Anda Saukane	Member of the Board
Guntars Reidzans	Member of the Board



The organizational structure of the Bank





Bank's operational strategy and operational objectives

Bank's strategy has always been geared towards providing bespoke services to HNWIs and corporate customers, managing customers' wealth responsibly, and offering excellent top-level personalised service. Over the past few years, the banking sector both in Latvia and around the world experienced drastic changes. To ensure sustainable operations and development in the ever-changing market circumstances, the Bank adopted its new *Strategy 2030* in autumn 2016.

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 customers, 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.

Customers

The Bank's **customers** are individuals for whom socially responsible investment is an integral and essential part of capital allocation decision-making. By seizing Bank-offered opportunities, our customers 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 customer base, to focus more intensely on customers from Europe and Asia and to pinpoint new market segments. We help our customers safeguard and grow their wealth, pass the wealth on to future generations, and create harmonious future environment.

Team

The Bank's objective is to employ a highly professional team of experts to be able to provide personalised services to the customers 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 2016 Annual Report from page 50 till page 59 on JSC "Baltic International Bank" web page www.bib.eu/en/financial-performance. Since 31 December 2016 there are no any material changes in risk management.

The Bank's performance ratios

Item	30.06.2018	30.06.2017
	(unaudited)	(unaudited)
Return on Equity (ROE) (%)	-18.01	1.13
Return on Assets (ROA) (%)	-1.63	0.14
Total capital ratio (%)	13.02	14.77
Liquidity coverage ratio (%)	208	244
Operational income* (in thousands euro)	5 590	9 757

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

Note1. Total of customer funds

	30.06.2018	
	Group EUR'000	Bank EUR'000
Deposits	219 708	219 871
Subordinated liabilities	14 189	14 189
Debt securities in issue	0	0
Financial instruments in brokerage service	144 995	144 995
The assets under management	72 683	72 683
TOTAL of customer funds	451 575	451 738



Income statement

Item	01.01.2018 - 30.06.2018		01.01.2017 - 30.06.2017	
	(unaudited)		(audited)	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income	2 141	2 146	2 362	2 374
Interest expense	-913	-913	-802	-802
Dividend income	24	24	5	5
Fee and commission income	3 617	3 617	2 868	2 868
Fee and commission expense	-553	-553	-989	-989
Gains or (-) losses on financial assets & liabilities not measured at fair value through profit or loss, net (+/-)	-12	-12	37	37
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	1 398	1 398	4 388	4 388
Gains or (-) losses from hedge accounting, net (+/-)	0	0	0	0
Exchange differences [gain or (-) loss], net (+/-)	-301	-301	1 802	1 802
Gains or (-) losses on derecognition of non financial assets other than held for sale, net (+/-)	0	0	0	0
Other operating income	204	184	79	74
Other operating Expenses (-)	-238	-205	-1 989	-1 987
Administrative Expenses (-)	-7 793	-7 776	-6 916	-6 839
Depreciation (-)	-760	-760	-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 (-/+)	724	825	25	33
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 (+/-)	-2 462	-2 326	110	204
Tax Expenses or (-) income related to profit or loss from continuing operations	0	0	-18	-18
Profit / Loss for the reporting period (+/-)	-2 462	-2 326	92	186
TOTAL comprehensive loss for the reporting period (+/-)	-2 707	-2 570	272	366



Balance sheet statement

Item	30.06.2018		31.12.2017	
	(unaudited)		(audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and due from central banks repayable on demand	110 072	110 072	105 915	105 915
Due from credit institutions repayable on demand	9 099	9 099	24 323	24 323
Financial assets at fair value through profit or loss	26 447	26 447	15 989	15 989
<i>Loans</i>	20 774	20 774	5 447	5 447
<i>other financial assets</i>	5 673	5 673	10 542	10 542
Financial assets at fair value through other comprehensive income	13 614	13 614	16 328	16 328
Financial assets at amortised cost	79 839	80 737	100 650	101 499
<i>Loans</i>	48 918	49 816	61 885	62 734
<i>Debt securities</i>	30 921	30 921	38 765	38 765
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	1 145	2 934	1 145	2 934
Tangible assets	24 963	22 454	23 940	21 409
Intangible assets	4 149	4 149	4 184	4 184
Tax assets	14	14	14	14
Other assets	5 073	4 901	5 549	5 352
Non-current assets and disposal groups classified as held for sale	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
Total assets	274 415	274 421	298 037	297 947
Liabilities to central banks	12 250	12 250	14 160	14 160
Due to credit institutions repayable on demand	1 249	1 249	279	279
Financial liabilities designated at fair value through profit or loss	0	0	462	462
Financial liabilities measured at amortised cost	233 897	234 060	255 248	255 415
<i>Term liabilities due to credit institutions</i>	0	0	0	0
<i>Deposits</i>	219 708	219 871	238 941	239 108
<i>Subordinated liabilities</i>	14 189	14 189	14 638	14 638
<i>Debt securities in issue</i>	0	0	1 669	1 669
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	169	197	0	0
Tax liabilities	0	0	0	0
Other liabilities	3 938	3 881	3 445	3 365
Liabilities included in disposal groups classified as held for sale	0	0	0	0
	0	0	0	0
Total liabilities	251 503	251 637	273 594	273 681
Shareholders' equity	22 912	22 784	24 443	24 266
Total liabilities and shareholders' equity	274 415	274 421	298 037	297 947
Memorandum items				
Contingent liabilities	780	780	210	210
Commitments to customers	6 593	6 666	6 293	6 378



Overview of own funds and capital ratios

No	Item	30.06.2018 (unaudited)	
		Group EUR'000	Bank EUR'000
1.	Own funds (1.1.+1.2.)	23 638	23 593
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	17 557	17 512
1.1.1.	Common equity Tier 1 capital (CET1 capital)	17 557	17 512
1.1.2.	Additional Tier 1 capital	0	0
1.2.	Tier 2 capital	6 081	6 081
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	180 444	181 161
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	142 409	143 163
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	593	593
2.4.	Total risk exposure amount for operational risk	37 374	37 337
2.5.	Total risk exposure amount for credit valuation adjustment	68	68
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)	9.73	9.67
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	9 437	9 360
3.3.	T1 capital ratio (1.1./2.*100)	9.73	9.67
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	6 731	6 643
3.5.	Total capital ratio (1./2.*100)	13.10	13.02
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	9 203	9 101
4.	Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	4 511.0	4 529.0
4.1.	Capital conservation buffer	4 511.0	4 529.0
4.2.	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	0.0	0.0
4.3.	Institution specific countercyclical capital buffer	0.0	0.0
4.4.	Systemic risk buffer	0.0	0.0
4.5.	Other Systemically Important Institution buffer	0.0	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. (%)	9.73	9.67
5.3.	Tier 1 capital ratio due to adjustments defined in row No 5.1. (%)	9.73	9.67
5.4.	Total capital ratio due to adjustments defined in row No 5.1. (%)	13.10	13.02



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	30.06.2018 (unaudited)	
		Group EUR'000	Bank EUR'000
1.A	Own funds without the application of IFRS 9 transitional arrangements	22 732	22 604
1.1.A	Tier 1 capital without the application of IFRS 9 transitional arrangements	16 651	16 523
1.1.1.A	Common Equity Tier 1 capital without the application of IFRS 9 transitional arrangements	16 651	16 523
2.A	Total risk exposure amount without the application of IFRS 9 transitional arrangements	179 388	179 987
3.1.A	Common Equity Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	9.28	9.18
3.3.A	Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	9.28	9.18
3.5.A	Total capital ratio without the application of IFRS 9 transitional arrangements	12.67	12.56

Liquidity coverage ratio

No	Item	30.06.2018 (unaudited)	
		Group EUR'000	Bank EUR'000
1	Liquidity buffer	125 339	125 339
2	Net liquidity outflow	60 331	60 352
3	Liquidity coverage ratio (%)	208%	208%

**Note2. Securities portfolio**

The Bank's securities portfolio breaks down by country:

30.06.2018				
(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
Multilateral development banks	-	4 285	1 703	5 988
Lithuania	-	-	4 708	4 708
United Kingdom	1 014	342	3 155	4 511
Netherlands	-	857	3 385	4 242
Poland	-	2 288	1 644	3 932
Denmark	-	4 298	4 331	8 629
Latvia	462	181	4 631	5 274
Other countries*	3 213	1 365	7 373	11 951
Total	4689	13616	30930	49235
allowances (IFRS 9)	0	-3	-10	-13
book value	4 689	13 613	30 920	49 222

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

31.12.2017				
(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
Multilateral development banks	0	12 504	1 653	14 157
Denmark	0	0	4 147	4 147
Latvia	4 874	181	6 541	11 596
Other countries*	5 668	3 643	19 375	28 686
Total	10 542	16 328	31 716	58 586

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

**Note3. Debt securities of central governments**

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

	30.06.2018.	31.12.2017
	(unaudited)	(audited)
	Carrying value	Carrying value
	EUR'000	EUR'000
Poland	3 931	2 673
Spain	0	20 762
Lithuania	4 708	7 579
Latvia	4 631	6 777
Turkey	0	4 034
Other countries*	4 155	5 268
Total	17 425	47 093
Allowances (IFRS 9)	(6)	0
Carrying value	17 419	47 093

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

The amount of expected credit losses according to IFRS 9 on March 31, 2018, breakdown by the Stages:

	30.06.2018		
	EUR'000		
Financial assets	Stage 1	Stage 2	Stage 3
Debt securities	12		
Due from credit institutions	4		
Loans	189	130	13 804
Financial guarantees and other commitments	164		33