



Baltic International Bank

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



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

In 3Q 2018, Baltic International Bank succeeded to attain the highest level of performance compared to the figures posted for the first two quarters, regardless of that the 2018 continues to be a challenging year for the Bank and for the entire banking sector in Latvia. The total amount of client funds held with Bank rose by 12% to reach EUR 507 million (Annex 1). The fact increases the senior management's confidence that the Bank has set the right strategic direction as the strategy centres around delivering personalised client service with a strong focus on socially responsible, sustainable investing. The strategy also provides for boosting the volumes associated with custody services for securities and brokerage services. Those volumes have been growing dynamically since the beginning of the year.

The operating income totalled EUR 9.36 million (EUR 9.40 million) at the end of 3Q 2018. The Bank's fee and commission income skyrocketed more than 150% compared to 1Q 2018. The percentage of the net fee and commission income surged up to 52.5% (52.3%) on a year-over-year basis; the then-current income totalled 22.4% (22.4%). The net interest income totalled 20% (19.9%). Administrative expenses reached EUR 11.08 million (EUR 11.11 million).

Bank has achieved its target to end 3Q 2018 without incurring operating loss and hence absorb the loss suffered during the first half-year. In the first half-year, the Bank intensely embarked on increasing income, driving down expenses, and enhancing effectiveness at all levels. This factor contributed to the high performance indicators.

In 3Q 2018, the total client funds held with the Bank reached EUR 507 million (Annex 1). Assets under management reached EUR 77.92 million (EUR 77.92 million) by the end of 3Q 2018. The volume of financial instruments in brokerage service also showed a positive dynamics: by the end of 3Q 2018, the volume reached EUR 199 million (EUR 199 million), up 65% from the end of 2017.

The Bank (see the Group-related financials within the parentheses) posted the following financial results for 3Q 2018:

- The total client funds held with the Bank: EUR 507 million
- Assets: EUR 272.34 million (EUR 272.09 million)
- Assets under management: EUR 77.92 million (EUR 77.92 million)
- The value of financial instruments in brokerage service: EUR 199 million (EUR 199 million)
- Loss: EUR 2.35 million (EUR 2.55 million)
- Liquidity ratio: 72.96%

As far as the balance sheet is concerned, the Bank still applies the conservatism principle and maintains a high liquidity ratio. The liquidity coverage ratio (LCR) was 194%. The net stable funding ratio (NSFR), which characterizes the availability of a stable funding profile in relation to the composition of assets and off-balance sheet activities, reached 139.07% (138.95%). The Bank's high-quality liquid assets (assets carrying investment-grade credit rating and balances due from the Bank of Latvia) made up EUR 147.43 million (EUR 147.43 million) or 54% (54%) of the total assets. Investments in government bonds accounted for EUR 17.4 million (EUR 17.4 million) or 6.4% (6.4%) of the total assets. The Bank maintains a well-diversified structure of liquid assets represented by bonds (13%), due from credit institutions (7%), due from the Bank of Latvia (79%), and cash (1%).

The Bank issued new exclusive contactless-enabled payment cards. Baltic International Bank also has become the first Latvian bank whose uniquely designed credit cards carry fragments of artworks of the outstanding Latvian artist and scenic designer Ilmārs Blumbergs.

The Bank launched an ambitious refurbishment and regeneration of the Old Riga quarter situated between Kalēju Street and Vecpilsētas Square. The Bank allocated nearly EUR 12 million towards the project. The architectural ensemble comprising five intra-quarter buildings will include covered shopping arcades, known as passages or galleries, the Money Museum, and the Bank's office premises wherein the employees will enjoy modern workplace environment.

The Chairperson of the Bank's Management Board Viktor Bolbat took up the post of a Co-chair of the Strategic Development Committee of the Finance Latvia Association. As the newly appointed Co-chair, Viktor Bolbat intends to make his own contribution. He is strongly determined to search for and find effective mechanisms of repairing the reputation of Latvia's financial sector internationally and of creating a new economic value added for the country.

As the Bank continues to support Latvian literature and its development, it has initiated a project titled "Bibliotēka" (Library) in 3Q 2018. 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, as well as emotional and educational attributes of the collections.

In cooperation with the Ministry of Culture of the Republic of Latvia, Bank started the preparatory work undertaken to publish a unique book "Coats of Arms in Modern Latvia".



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 - Parent Company Subsidiary company, SCS - Subsidiary Company 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 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 (30.09.2018.)

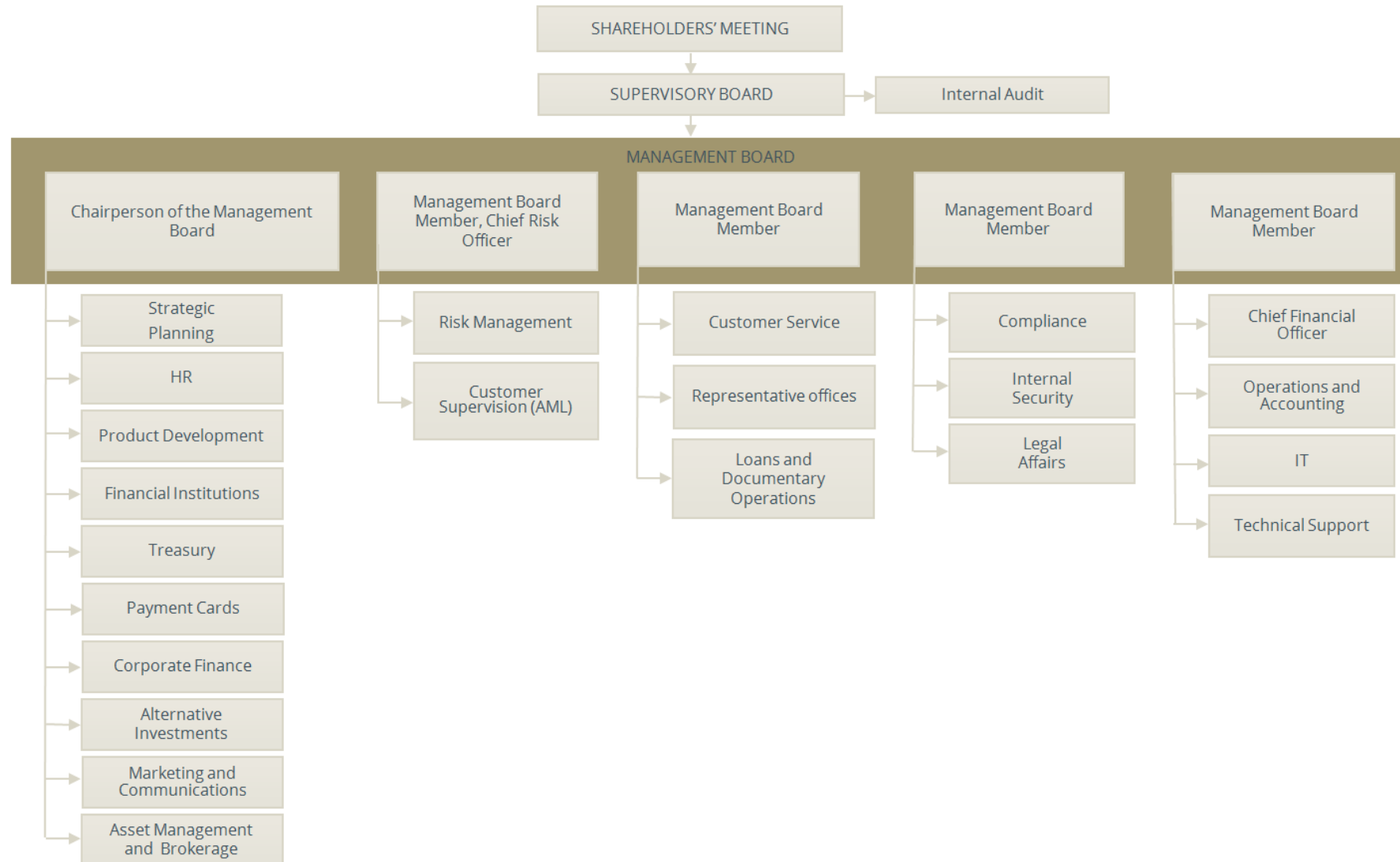
Name and surname	Position
Valeri Belokon	Chairperson of the Council
Ilona Gulchak	Deputy Chairperson of the Council
Hans-Friedrich Von Ploetz	Member of the Council
Joseph Cofer Black	Member of the Council

Management Board (30.09.2018.)

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 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 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	30.09.2018 (unaudited)	30.09.2017 (unaudited)
Return on Equity (ROE) (%)	-12.65	-2.33
Return on Assets (ROA) (%)	-1.11	-0.27
Total capital ratio (%)	12.66	15.91
Liquidity coverage ratio (%)	194	290
Operational income* (in thousands euro)	9 363	12 663

*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	216 452	216 666
Subordinated liabilities	14 082	14 082
Debt securities in issue	0	0
Financial instruments in brokerage service	198 708	198 708
The assets under management	77 915	77 915
TOTAL of customer funds	507 157	507 371



Income statement

Item	01.01.2018 - 30.09.2018		01.01.2017 - 30.09.2017	
	(unaudited)		(audited)	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income	3 187	3 191	3 354	3 371
Interest expense	-1 320	-1 320	-1 239	-1 239
Dividend income	37	37	8	8
Fee and commission income	5 869	5 869	4 118	4 118
Fee and commission expense	-954	-954	-1 287	-1 287
Gains or (-) losses on financial assets & liabilities not measured at fair value through profit or loss, net (+/-)	-24	-24	37	37
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	2 651	2 651	5 393	5 393
Gains or (-) losses from hedge accounting, net (+/-)	0	0	0	0
Exchange differences [gain or (-) loss], net (+/-)	-346	-346	2 167	2 167
Gains or (-) losses on derecognition of non financial assets other than held for sale, net (+/-)	0	0	0	0
Other operating income	303	259	103	95
Other operating Expenses (-)	-481	-446	-2 072	-2 070
Administrative Expenses (-)	-11 116	-11 084	-10 184	-10 024
Depreciation (-)	-1 090	-1 090	-1 138	-1 138
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 (-/+)	763	931	40	25
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
Profit or (-) loss before tax from continuing operations (+/-)	-2 521	-2 326	-700	-544
Tax Expenses or (-) income related to profit or loss from continuing operations	24	24	-27	-27
Profit / Loss for the reporting period (+/-)	-2 545	-2 350	-727	-571
TOTAL comprehensive loss for the reporting period (+/-)	-2 529	-2 335	-425	-269



Balance sheet statement

Item	30.09.2018 (unaudited)		31.12.2017 (audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and due from central banks repayable on demand	106 705	106 705	105 915	105 915
Due from credit institutions repayable on demand	12 672	12 672	24 323	24 323
Financial assets at fair value through profit or loss	21 899	21 899	15 989	15 989
<i>Loans</i>	15 510	15 510	5 447	5 447
<i>other financial assets</i>	6 389	6 389	10 542	10 542
Financial assets at fair value through other comprehensive income	8 472	8 472	16 328	16 328
Financial assets at amortised cost	80 238	81 022	100 650	101 499
<i>Loans</i>	49 176	49 960	61 885	62 734
<i>Debt securities</i>	31 062	31 062	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	1 144	3 234	1 145	2 934
Tangible assets	25 180	22 717	23 940	21 409
Intangible assets	4 153	4 153	4 184	4 184
Tax assets	0	0	14	14
Other assets	11 630	11 464	5 549	5 352
Non-current assets and disposal groups classified as held for sale	0	0	0	0
Total assets	272 093	272 338	298 037	297 947
Liabilities to central banks	12 250	12 250	14 160	14 160
Due to credit institutions repayable on demand	194	194	279	279
Financial liabilities designated at fair value through profit or loss	0	0	462	462
Financial liabilities measured at amortised cost	230 534	230 748	255 248	255 415
<i>Deposits</i>	216 452	216 666	238 941	239 108
<i>Subordinated liabilities</i>	14 082	14 082	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	71	221	0	0
Tax liabilities	0	0	0	0
Other liabilities	6 202	6 152	3 445	3 365
Liabilities included in disposal groups classified as held for sale	0	0	0	0
Total liabilities	249 251	249 565	273 594	273 681
Shareholders' equity	22 842	22 773	24 443	24 266
Total liabilities and shareholders' equity	272 093	272 338	298 037	297 947
Memorandum items				
Contingent liabilities	1 143	1 143	210	210
Commitments to customers	4 972	5 297	6 293	6 378



Overview of own funds and capital ratios

No	Item	30.09.2018	
		(unaudited)	
		Group	Bank
		EUR'000	EUR'000
1.	Own funds (1.1.+1.2.)	23 254	23 267
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	15 521	15 534
1.1.1.	Common equity Tier 1 capital (CET1 capital)	15 521	15 534
1.1.2.	Additional Tier 1 capital	0	0
1.2.	Tier 2 capital	7 733	7 733
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	182 878	183 860
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	144 686	145 705
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	809	809
2.4.	Total risk exposure amount for operational risk	37 374	37 337
2.5.	Total risk exposure amount for credit valuation adjustment	9	9
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)	8.49	8.45
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	7 292	7 261
3.3.	T1 capital ratio (1.1./2.*100)	8.49	8.45
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	4 549	4 503
3.5.	Total capital ratio (1./2.*100)	12.72	12.66
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	8 624	8 559
4.	Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	4 572	4 597
4.1.	Capital conservation buffer	4 572	4 597
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	30.09.2018 (unaudited)	
		Group EUR'000	Bank EUR'000
1.A	Own funds without the application of IFRS 9 transitional arrangements	22 347	22 277
1.1.A	Tier 1 capital without the application of IFRS 9 transitional arrangements	14 614	14 544
1.1.1.A	Common Equity Tier 1 capital without the application of IFRS 9 transitional arrangements	14 614	14 544
2.A	Total risk exposure amount without the application of IFRS 9 transitional arrangements	181 785	182 661
3.1.A	Common Equity Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	8.04	7.96
3.3.A	Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	8.04	7.96
3.5.A	Total capital ratio without the application of IFRS 9 transitional arrangements	12.29	12.20

Liquidity coverage ratio

No	Item	30.09.2018 (unaudited)	
		Group EUR'000	Bank EUR'000
1	Liquidity buffer	117 550	117 550
2	Net liquidity outflow	60 388	60 448
3	Liquidity coverage ratio (%)	195%	194%



Annex 2. Securities portfolio

The Bank's securities portfolio breaks down by country:

30.09.2018 (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	-	-	1 725	1 725
Lithuania	-	-	4 629	4 629
United Kingdom	969	343	3 172	4 484
Netherlands	-	869	3 429	4 298
Poland	-	2 250	1 641	3 891
Denmark	-	4 353	4 387	8 740
Latvia	849	181	4 693	5 723
Germany	2 715	-	-	2 715
Other countries*	1 775	477	7 396	9 648
Total	6 308	8 473	31 072	45 853
Allowances (IFRS 9)	0	(1)	(10)	(11)
Book value	6 308	8 472	31 062	45 842

* 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	-	12 504	1 653	14 157
Denmark	-	-	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

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

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

	30.09.2018. (unaudited) Carrying value EUR'000	31.12.2017 (audited) Carrying value EUR'000
Poland	3 891	2 673
Spain	0	20 762
Lithuania	4 629	7 579
Latvia	4 693	6 777
Turkey	0	4 034
Other countries*	4 158	5 268
Total	17 371	47 093
Allowances (IFRS 9)	(6)	0
Carrying value	17 365	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:

Financial assets	30.09.2018 EUR'000		
	Stage 1	Stage 2	Stage 3
Debt securities	11		
Due from credit institutions	3		
Loans	229	174	11 884
Financial guarantees and other commitments	58		163