



Baltic International Bank

JSC “BALTIC INTERNATIONAL BANK”
PUBLICLY AVAILABLE
QUARTERLY FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2019



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

In 1Q 2019, the performance results of Baltic International Bank continued to demonstrate a positive trend. This year, the Bank has embarked on investing in new digital solutions. The Bank continues to develop new digital tools and channels. The Bank is also working towards improving its Internet Banking facility. Committed to providing convenience to its clients, the Bank will offer new functionality, security enhancements and a wider array of improved services. The new Internet Banking will serve as a platform for developing new products and services in the future. As a part of the new Internet Banking project, the Bank offers its sandbox solution for Open Banking. In March 2019, Bank rolled out Application Programming Interface (API). Open Banking is an open banking platform for cooperation with financial technology companies and other partners. Sandbox is a safe isolated environment where third-party service providers are able to test their ideas and innovations in the financial sector in general and in asset management in particular. The solution is suitable for large companies and independent developers, especially for those interested in new digital products, services and innovations. In 1Q 2019, the Bank opened the "Investment Opportunity" platform where its current and potential clients can use an interactive calculator to choose the most suitable investment portfolio.

In 1Q 2019, the Bank has substantially improved its performance results, compared to 1Q 2018. While continuing to implement its new business model, the Bank achieved a 64.9-percent rise in the net fee and commission income, compared to 1Q 2018. In 1Q 2019, the total customer funds reached EUR 508 million (Annex 1), and the assets under management grew by 23% to attain the level of EUR 91.23 million (EUR 91.23 million). The value of financial instruments in brokerage service was EUR 168 million (EUR 168 million).

The loss incurred in the reporting period is associated with setting aside allowances for doubtful debts. In this case, the allowances are set aside concurrently with trimming the number of clients posing high risk. In 1Q 2019, the operating income increased by 30% (35%) on a year-over-year basis and totalled EUR 3.34 million (EUR 3.50 million). The net fee and commission income surged up to 59.0% (56.4%). The net interest income totalled 19.8% (18.9%). Administrative expenses reached EUR 2.67 million (EUR 2.70 million).

The Bank's high-quality liquid assets (assets carrying investment-grade credit rating and balances due from the Bank of Latvia) totalled EUR 169.41 million (EUR 169.41 million) or 58% (58%) of the total assets. Investments in government bonds totalled EUR 21 million (21 million) or 7.2% (7.2%) of the total assets.

The Bank maintains a well-diversified structure of liquid assets represented by bonds (12 percent), due from credit institutions (7 percent), due from the Bank of Latvia (80 percent) and cash (1 percent). The liquidity coverage ratio (LCR) was 226 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 158 percent (158 percent).

As of 31 March 2019, the Bank's own funds totalled EUR 23.59 million (EUR 23.44 million). The Bank's Tier I capital ratio (CETI) was 9.46% (9.41%). The total SREP ratio (TSCR ratio) reached 13.36% (13.32%).

In 1Q 2019, the Bank (the Group-related financials are enclosed within the parentheses) posted the following financial results:

	31.03.2018.	31.03.2019.
Loss:	EUR 696 thousand (EUR 727 thousand)	EUR 160 thousand (EUR 232 thousand)
Liquidity ratio:	80,86%	77,63%
Assets:	EUR 279,91 million (EUR 279,96 million)	EUR 294,77 million (EUR 294,64 million)
Capital adequacy ratio:	13.06% (13.17%)	13.36% (13.32%)

At the beginning of this year, several external stakeholders evaluated the Bank's efforts. The Ministry of Finance and the Latvian tax authority [VID] have admitted Baltic International Bank to the Gold Level of the In-depth Cooperation Programme (aka White List) administered by the VID, in recognition of transparency of the Bank's operations and fiscal discipline.



Baltic International Bank

Sigma Ratings, a New York-based rating agency, assigned BBB+ financial crime compliance (FCC) rating to Baltic International Bank placing it among industry leaders. Sigma's report also noted that the Bank's outlook is positive. Sigma Ratings reviewed Baltic International Bank's inherent risk environment and control effectiveness around FCC. The review included FCC factors specific to AML, CFT, sanctions, and aspects of other non-credit risk issues such as geo-political risk and national-level regulatory proficiency.

In 1Q 2019, the Bank continued to support Latvian literature and to implement a project titled "Library". 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. The project involves Latvian literati and other active shapers of the literary life in 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 ģipšumi", 40103249888	LV, Kalēju iela 41, Rīga	OFI	100	100	SCS
6	SIA "Global Investments", 40003785660	LV, Merkeļa 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 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 (31.03.2019.)

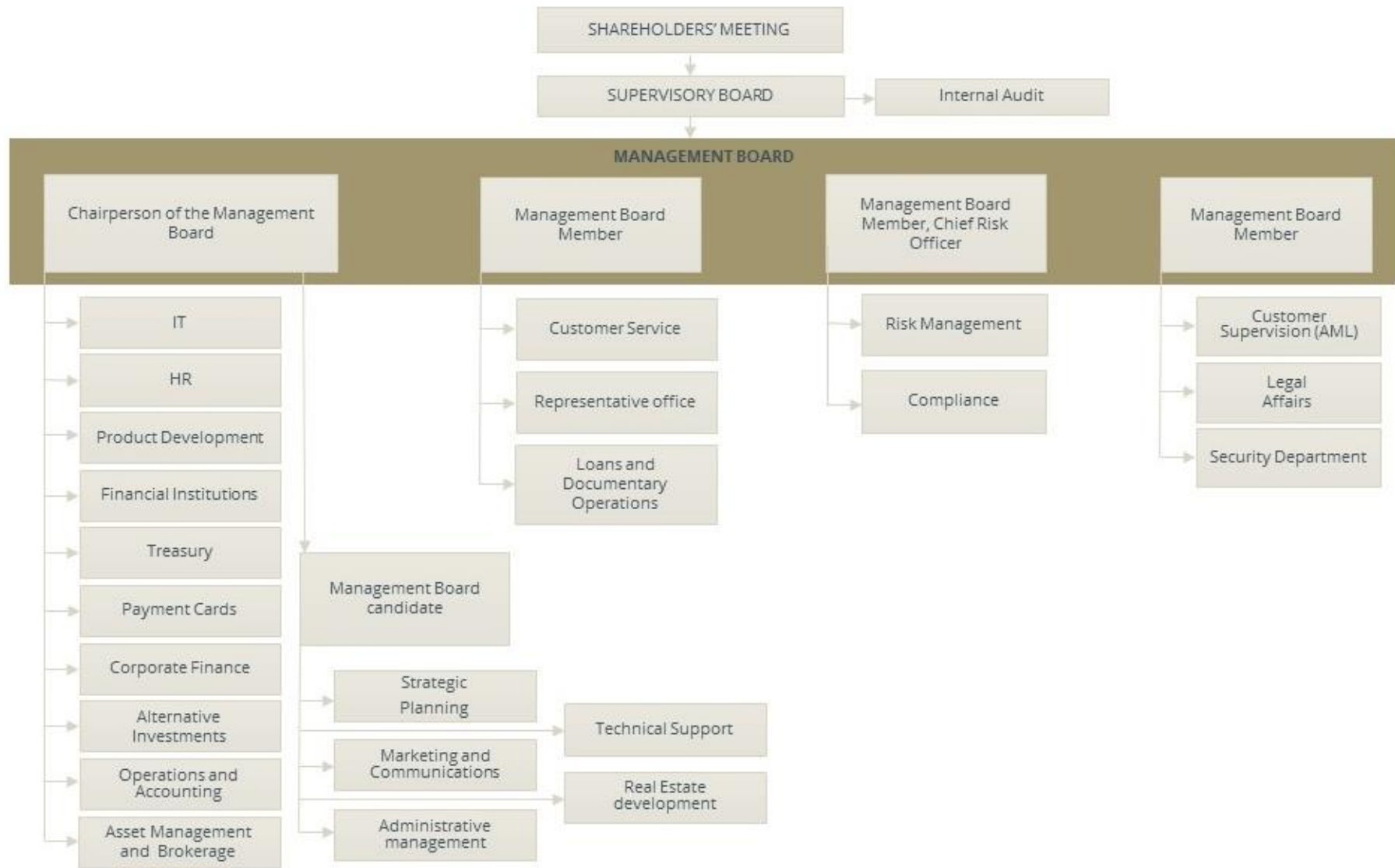
Full name	Position
Valeri Belokon	Chairperson of the Supervisory Board
Ilona Gulchak	Deputy Chairperson of the Supervisory Board
Hans-Friedrich Von Ploetz	Member of the Supervisory Board
Joseph Cofer Black	Member of the Supervisory Board

Management Board (31.03.2019.)

Full name	Position
Viktors Bolbats	Chairperson of the Management Board
Bogdan Andrushchenko	Member of the Management Board
Anda Saukane	Member of the Management Board
Guntars Reidzans	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 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	31.03.2019 (unaudited)	31.03.2018 (unaudited)
Return on Equity (ROE) (%)	-2.60	-9.80
Return on Assets (ROA) (%)	-0.22	-0.96
Total capital ratio (%)	13.36	13.06
Liquidity coverage ratio (%)	226	245
Operational income* (in thousands euro)	3 344	2 582

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

Annex 1. Total of client funds

	Group EUR'000	Bank EUR'000
Deposits	235 168	235 389
Subordinated liabilities	12 664	12 664
Debt securities in issue	0	0
Financial instruments in brokerage service	168 274	168 274
The assets under management	91 229	91 229
TOTAL of customer funds	507 335	507 556



Income statement

Item	01.01.2019 - 31.03.2019		01.01.2018 - 31.03.2018	
	(unaudited)		(audited)	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income	1 050	1 051	1 137	1 139
Interest expense	-388	-388	-455	-455
Dividend income	13	13	11	11
Fee and commission income	2 175	2 175	1 426	1 426
Fee and commission expense	-203	-203	-230	-230
Gains or (-) losses on financial assets & liabilities not measured at fair value through profit or loss, net (+/-)	21	21	-19	-19
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	777	777	-218	-218
Gains or (-) losses from hedge accounting, net (+/-)	0	0	0	0
Exchange differences [gain or (-) loss], net (+/-)	-168	-168	878	878
Gains or (-) losses on derecognition of non financial assets other than held for sale, net (+/-)	0	0	0	0
Other operating income	218	66	59	50
Other operating Expenses (-)	-379	-185	-162	-134
Administrative Expenses (-)	-2 696	-2 666	-3 538	-3 528
Depreciation (-)	-336	-336	-411	-411
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 (-/+)	-314	-315	795	795
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 (+/-)	-230	-158	-727	-696
Tax Expenses or (-) income related to profit or loss from continuing operations	-2	-2	0	0
Profit / Loss for the reporting period (+/-)	-232	-160	-727	-696
TOTAL comprehensive loss for the reporting period (+/-)	-281	-208	-949	-918



Balance sheet statement

Item	31.03.2019 (unaudited)		31.12.2018 (audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and due from central banks repayable on demand	128 620	128 620	119 858	119 858
Due from credit institutions repayable on demand	12 046	12 046	11 878	11 878
Financial assets at fair value through profit or loss	21 883	21 883	20 693	20 693
<i>Loans</i>	16 172	16 172	15 204	15 204
<i>other financial assets</i>	5 711	5 711	5 489	5 489
Financial assets at fair value through other comprehensive income	7 746	7 746	8 599	8 599
Financial assets at amortised cost	78 335	79 203	79 982	81 000
<i>Due from credit institutions</i>	945	945	802	802
<i>Debt securities</i>	31 707	31 707	31 209	31 209
<i>Loans</i>	45 683	46 551	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	1 145	3 376	858	2 999
Tangible assets	26 294	23 558	25 604	22 682
Intangible assets	4 115	4 115	4 181	4 181
Tax assets	0	0	0	0
Other assets	14 453	14 220	13 954	13 724
Non-current assets and disposal groups classified as held for sale	0	0	0	0
Total assets	294 637	294 767	285 607	285 614
Liabilities to central banks	12 250	12 250	12 250	12 250
Due to credit institutions repayable on demand	1 251	1 251	825	825
Financial liabilities designated at fair value through profit or loss	0	0	16	16
Financial liabilities measured at amortised cost	247 832	248 053	243 093	243 238
<i>Deposits</i>	235 168	235 389	229 457	229 602
<i>Subordinated liabilities</i>	12 664	12 664	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	50	92	47	96
Tax liabilities	0	0	11	11
Other liabilities	8 715	8 580	6 072	5 956
Liabilities included in disposal groups classified as held for sale	0	0	0	0
Total liabilities	270 098	270 226	262 314	262 392
Shareholders' equity	24 539	24 541	23 293	23 222
Total liabilities and shareholders' equity	294 637	294 767	285 607	285 614
Memorandum items				
Contingent liabilities	934	934	914	914
Commitments to customers	4 190	4 291	4 240	4 354



Overview of own funds and capital ratios

No	Item	31.03.2019	
		(unaudited)	
		Group	Bank
		EUR'000	EUR'000
1.	Own funds (1.1.+1.2.)	23 444	23 585
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	16 566	16 707
1.1.1.	Common equity Tier 1 capital (CET1 capital)	16 566	16 707
1.1.2.	Additional Tier 1 capital	0	0
1.2.	Tier 2 capital	6 878	6 878
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	176 009	176 565
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	141 079	141 692
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	578	578
2.4.	Total risk exposure amount for operational risk	34 350	34 293
2.5.	Total risk exposure amount for credit valuation adjustment	2	2
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)	9.41	9.46
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	8 645	8 762
3.3.	T1 capital ratio (1.1./2.*100)	9.41	9.46
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	6 005	6 113
3.5.	Total capital ratio (1./2.*100)	13.32	13.36
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	9 364	9 461
4.	Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	4 848	4 862
4.1.	Capital conservation buffer	4 400	4 414
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	448	448
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	31.03.2019 (unaudited)	
		Group EUR'000	Bank EUR'000
1.A	Own funds without the application of IFRS 9 transitional arrangements	22 992	23 133
1.1.A	Tier 1 capital without the application of IFRS 9 transitional arrangements	16 113	16 255
1.1.1.A	Common Equity Tier 1 capital without the application of IFRS 9 transitional arrangements	16 113	16 255
2.A	Total risk exposure amount without the application of IFRS 9 transitional arrangements	175 466	176 008
3.1.A	Common Equity Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	9.18	9.24
3.3.A	Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	9.18	9.24
3.5.A	Total capital ratio without the application of IFRS 9 transitional arrangements	13.10	13.14

Liquidity coverage ratio

No	Item	31.03.2019 (unaudited)	
		Group	Bank
1	Liquidity buffer (in thousands euro)	139 795	139 795
2	Net liquidity outflow (in thousands euro)	61 858	61 970
3	Liquidity coverage ratio (%)	226%	226%



Annex 2. Securities portfolio

The Bank's securities portfolio breaks down by country:

31.03.2019 (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	-	-	4 685	4 685
United Kingdom	24	356	3 256	3 636
Netherlands	-	900	3 541	4 441
Poland	-	2 283	1 636	3 919
Denmark	-	-	4 472	4 472
Latvia	806	3 724	4 779	9 309
Germany	3 597	-	-	3 597
Other countries*	1 271	484	9 342	11 097
Total	5 698	7 747	31 711	45 156
Allowances (IFRS 9)	0	(1)	(4)	(5)
Book value	5 698	7 746	31 707	45 151

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

31.12.2018 (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	-	-	4 712	4 712
United Kingdom	23	350	3 201	3 574
Netherlands	-	874	3 454	4 328
Poland	-	2 295	1 639	3 934
Denmark	-	4 428	4 363	8 791
Latvia	828	181	4 660	5 669
Germany	3 005	-	-	3 005
Other countries*	1 628	472	9 186	11 286
Total	5 484	8 600	31 215	45 299
Allowances (IFRS 9)	0	(1)	(6)	(7)
Book value	5 484	8 599	31 209	45 292

* 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:

	31.03.2019.	31.12.2018
	(unaudited)	(audited)
	Carrying value	Carrying value
	EUR'000	EUR'000
Poland	3 919	3 934
Lithuania	4 685	4 712
Latvia	8 322	4 660
Other countries*	4 227	4 176
Total	21 153	17 482
Allowances (IFRS 9)	(2)	(3)
Carrying value	21 151	17 479

* 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	31.03.2019		
	EUR'000		
	Stage 1	Stage 2	Stage 3
Debt securities	5		
Due from credit institutions	2		
Loans	93	132	11 066
Financial guarantees and other commitments	45		47