



Baltic International Bank

**JSC “BALTIC INTERNATIONAL BANK”**  
**PUBLICLY AVAILABLE**  
**QUARTERLY FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**



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

In 2Q 2020, Baltic International Bank JSC continued to work actively while successfully implementing the strategy previously articulated by the Bank, powerfully strengthening its position as a locally owned bank and improving its financial performance. The Bank posted first-half profit of EUR 274 thousand.

The Bank has boosted the level of capital adequacy ratio over the reporting period. The total capital ratio (TCR) reached 17.37%. The Bank also has maintained the high liquidity coverage ratio (LCR) of 145%.

The Bank (the Group-related financials are enclosed within the parentheses) posted the following financial results for 1H 2020:

- Profit: EUR 274 thousand (EUR 217 thousand);
- Total capital ratio: 17.37% (17.09%);
- Liquidity coverage ratio: 145%;
- Assets: EUR 201.05 million (EUR 200.72 million).

The total customer funds reached EUR 367 million (Note 1) as of 30 June 2020. The assets under management totalled EUR 70 million (EUR 70 million). The value of financial instruments in brokerage service totals EUR 132 million (EUR 132 million).

In 2Q 2020, the net fee and commission income surged by 0.6% (0.6%) on a YoY basis and totalled EUR 4.22 million (EUR 4.22 million). In percentage terms, the net fee and commission income rose up to 64.6% (64.7%).

The Bank's high-quality liquid assets (assets carrying investment-grade credit rating and balances due from the Bank of Latvia) totalled EUR 108 million (EUR 108 million) or 54% (54 %) of the total assets. Investments in government bonds totalled EUR 15.26 million (EUR 15.26 million) or 8% (8%) of the total assets.

The Bank maintains a well-diversified structure of liquid assets represented by bonds (14%), due from credit institutions (6%), due from the Bank of Latvia (77%), and cash (3%). The LCR stood at the level of 145%. 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 160%.

As of 30 June 2020, the Bank's Tier 1 capital ratio attained the level of 14.66% (14.33%). The TCR reached 17.37% (17.09%) and substantially exceeds the OCR Ratio of 13.50%. The higher figures are largely attributable to the Bank's asset quality improvement and capital-strengthening programme that is still underway.

As of 30 June 2020, the Bank's own funds totalled EUR 21.33 million (EUR 20.68 million).

During the reporting period, the Bank has resumed its lending activities in accordance with the approved business strategy. The Bank has signed loans EUR 5 million worth. The Bank disbursed a portion of the loans to local companies just at the right time to give Latvia's economy a much-needed stimulus.

In 2Q 2020, the Bank successfully completed a phase of the project aimed at implementing digital tools and channels (digitalisation) and launched the new Internet Banking facility. The top page of the Internet Banking contains information about payment accounts and products. To meet their unique needs, the users can personalise the Internet Banking according to their individual preferences. The new Internet Banking offers multilevel signing of payments and multilevel approval of applications as well as the function of instant payments, which can be selected from the list of the beneficiaries. The Bank also has rolled out a smart payment form that adapts itself depending on the information entered by the customer. To process several payments in a quick and easy manner, the Bank has implemented payment import and payment summaries export, a search function and simultaneous approval of several payments. The innovations and improvements will make it possible to prepare financial statements and execute transactions in a simple and convenient



manner and avail of enhanced security solutions. The new Internet Banking has entered the contest “World’s Best Digital Bank Awards” arranged by Global Finance, both in the main category and in two subcategories.

In 2Q 2020, the Bank joined a temporary moratorium on loan repayments, as developed by the Finance Latvia Association (FLA). For performing bank clients (obligors) affected by COVID-19 and facing short-term financial difficulties in timely payment of their financial commitments, the moratorium postpones payments of principal for residential mortgage loans up to 12 months and for leasing and consumer loans – up to 6 months. The Bank also joined the FLA’s moratorium for legal entities.

For the second consecutive year, the Bank has been honoured with the highest score Platinum Award from the Sustainability Index in 1H 2020. The Award is a testimony of the Bank’s dedicated commitment to the principles of sustainability. The Platinum Category is awarded to companies which have fully integrated corporate governance in their business activity and in which responsible persons have been appointed both at managerial and executive levels. The companies systematically collect data and assess impact. They maintain a high level of reporting transparency to the public and engage stakeholders, and their published data are approved by the statutory auditor. The Sustainability Index is a strategic management tool based on the globally recognised methodology that helps companies to assess the sustainability of their operations and the level of corporate responsibility in five areas: strategy, market relations, work environment, environment and society.

In 1H 2020, the Bank traditionally supported the Annual Latvian Literary Award ceremony to honour the most outstanding Latvian litterateurs. The presentation of the Annual Latvian Literary Award (LALIGABA) is the most notable event in the country’s literary world. The event is arranged to evaluate the literary works, which have been published during the respective year, from a professional point of view and to provide recognition of excellence.

The Bank continued to participate in the social initiative “Library” aimed at promoting reading. As part of the initiative, the Bank continued to familiarise all interested with Latvia’s old families and the values pursued by them. The Bank also worked towards publishing the heraldic edition “Family Coats of Arms in Modern Latvia”.

In 1H 2020, the Bank also continued to implement a large-scale renovation and reconstruction project in Kalēju Kvartāls. Kalēju Kvartāls (Kaleju Quarter) is a quarter in the Old Riga situated between Kalēju Street and Vecpilsētas Square where refurbishment of the architectural ensemble is underway.



## Members of the consolidation group

No	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 "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

<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 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 (30.06.2020.)

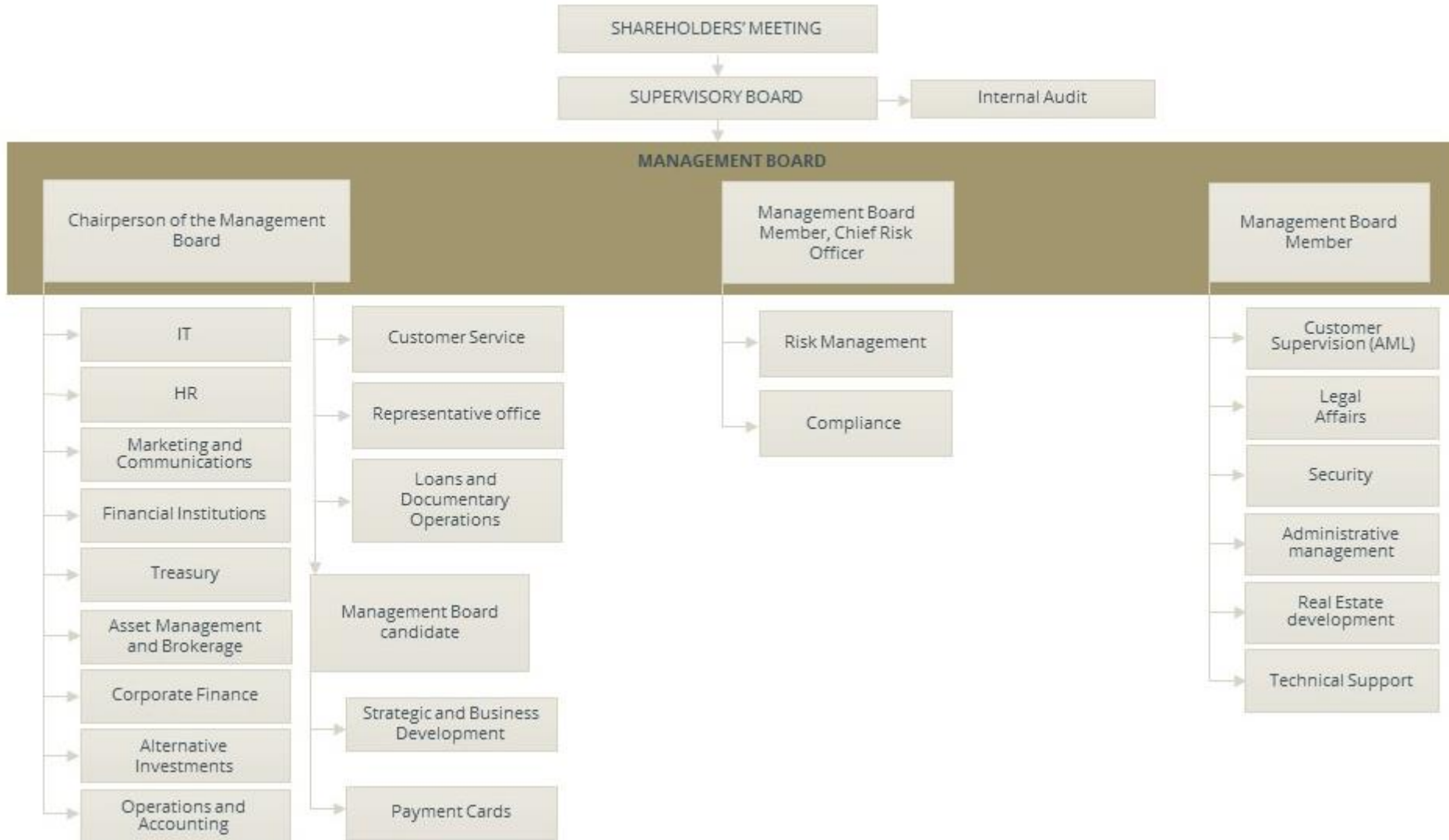
Full name	Position
Valeri Belokon	Chairperson of the Supervisory Board
Ilona Gulchak	Deputy Chairperson of the Supervisory Board
Hans-Friedrich Von Ploetz	Member of the Supervisory Board
Joseph Cofer Black	Member of the Supervisory Board

### Management Board (30.06.2020.)

Full name	Position
Viktors Bolbats	Chairperson of the Management Board
Bogdan Andrushchenko	Member of the Management Board
Anda Saukane	Member of the Management Board



### 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 JSC "Baltic International Bank" web page [www.bib.eu/en/financial-performance](http://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	30.06.2020 (unaudited)		30.06.2019 (unaudited)
	Group	Bank	Bank
Return on Equity (ROE) (%)	1.92	2.48	2.45
Return on Assets (ROA) (%)	0.21	0.25	0.20
Total capital ratio (%)	17.09	17.37	14.16
Liquidity coverage ratio (%)		145	212
Operational income* (in thousands euro)	6 519	6 520	6 920

\*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	158 953	159 088
Subordinated liabilities	5 904	5 904
Debt securities in issue	0	0
Financial instruments in brokerage service	131 662	131 662
The assets under management	70 043	70 043
<b>TOTAL of customer funds</b>	<b>366 562</b>	<b>366 697</b>





## Income statement

Item	01.01.2020 - 30.06.2020		01.01.2019 - 30.06.2019	
	(unaudited)		(unaudited)	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income	1 102	1 105	2 218	2 219
Interest expense	-688	-689	-783	-783
Dividend income	0	0	16	16
Fee and commission income	4 778	4 778	4 716	4 717
Fee and commission expense	-563	-563	-525	-526
Gains or (-) losses on financial assets & liabilities not measured at fair value through profit or loss, net (+/-)	424	424	-3	-3
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	36	36	1 298	1 298
Gains or (-) losses from hedge accounting, net (+/-)	0	0	0	0
Exchange differences [gain or (-) loss], net (+/-)	856	856	-183	-183
Gains or (-) losses on derecognition of non financial assets other than held for sale, net (+/-)	0	0	0	0
Other operating income	574	573	325	165
Other operating Expenses (-)	-24	-24	-672	-478
Administrative Expenses (-)	-5 798	-5 772	-5 678	-5 608
Depreciation (-)	-701	-701	-661	-661
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 (-/+)	237	267	138	128
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 (+/-)	-8	-8	0	0
<b>Profit or (-) loss before tax from continuing operations (+/-)</b>	<b>225</b>	<b>282</b>	<b>206</b>	<b>301</b>
Tax Expenses or (-) income related to profit or loss from continuing operations	-8	-8	-6	-6
<b>Profit / Loss for the reporting period (+/-)</b>	<b>217</b>	<b>274</b>	<b>200</b>	<b>295</b>
TOTAL comprehensive loss for the reporting period (+/-)	352	409	151	246



## Balance sheet statement

Item	30.06.2020 (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	93 880	93 880	98 685	98 685
Due from credit institutions repayable on demand	8 129	8 128	10 276	10 275
Financial assets at fair value through profit or loss	5 992	5 992	12 481	12 481
<i>Loans</i>	100	100	5 630	5 630
<i>other financial assets</i>	5 892	5 892	6 851	6 851
Financial assets at fair value through other comprehensive income	6 483	6 483	3 551	3 551
Financial assets at amortised cost	42 149	42 942	59 022	59 854
<i>Due from credit institutions</i>	436	436	435	435
<i>Debt securities</i>	9 457	9 457	30 412	30 412
<i>Loans</i>	32 256	33 049	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	858	3 169	858	3 946
Tangible assets	26 939	24 768	26 144	23 908
Intangible assets	4 156	4 156	4 152	4 152
Tax assets	0	0	0	0
Other assets	10 289	10 034	11 213	9 803
Non-current assets and disposal groups classified as held for sale	1 849	1 502	0	0
<b>Total assets</b>	<b>200 724</b>	<b>201 054</b>	<b>226 382</b>	<b>226 655</b>
Liabilities to central banks	0	0	12 088	12 088
Due to credit institutions repayable on demand	7 937	7 937	7 061	7 061
Financial liabilities designated at fair value through profit or loss	35	35	27	27
Financial liabilities measured at amortised cost	164 857	164 992	183 291	183 429
<i>Deposits</i>	158 953	159 088	174 106	174 244
<i>Subordinated liabilities</i>	5 904	5 904	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	34	75	21	61
Tax liabilities	0	0	6	6
Other liabilities	4 813	4 702	3 965	3 852
Liabilities included in disposal groups classified as held for sale	0	0	0	0
<b>Total liabilities</b>	<b>177 676</b>	<b>177 741</b>	<b>206 459</b>	<b>206 524</b>
<b>Shareholders' equity</b>	<b>23 048</b>	<b>23 313</b>	<b>19 923</b>	<b>20 131</b>
<b>Total liabilities and shareholders' equity</b>	<b>200 724</b>	<b>201 054</b>	<b>226 382</b>	<b>226 655</b>
<b>Memorandum items</b>				
Contingent liabilities	702	702	750	750
Commitments to customers	1 406	1 497	2 496	2 585



## Overview of own funds and capital ratios

No	Item	30.06.2020 (unaudited)	
		Group EUR'000	Bank EUR'000
<b>1.</b>	<b>Own funds (1.1.+1.2.)</b>	<b>20 681</b>	<b>21 328</b>
<b>1.1.</b>	<b>Tier 1 capital (1.1.1.+1.1.2.)</b>	<b>17 349</b>	<b>17 996</b>
1.1.1.	Common equity Tier 1 capital (CET1 capital)	17 349	17 996
1.1.2.	Additional Tier 1 capital	0	0
<b>1.2.</b>	<b>Tier 2 capital</b>	<b>3 332</b>	<b>3 332</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>121 041</b>	<b>122 770</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	93 377	95 164
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	951	951
2.4.	Total risk exposure amount for operational risk	26 698	26 640
2.5.	Total risk exposure amount for credit valuation adjustment	15	15
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)	14.33	14.66
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	11 903	12 472
3.3.	Tier 1 capital ratio (1.1./2.*100)	14.33	14.66
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	10 087	10 630
3.5.	Total capital ratio (1./2.*100)	17.09	17.37
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	10 998	11 507
<b>4.</b>	<b>Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>3 026</b>	<b>3 069</b>
4.1.	Capital conservation buffer	3 026	3 069
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
<b>5.</b>	<b>Capital ratios due to adjustments</b>		
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	30.06.2020 (unaudited)	
		Group EUR'000	Bank EUR'000
<b>1.A</b>	<b>Own funds without the application of IFRS 9 transitional arrangements</b>	<b>20 603</b>	<b>21 250</b>
1.1.A	Tier 1 capital without the application of IFRS 9 transitional arrangements	17 271	17 918
1.1.1.A	Common Equity Tier 1 capital without the application of IFRS 9 transitional arrangements	17 271	17 918
<b>2.A</b>	<b>Total risk exposure amount without the application of IFRS 9 transitional arrangements</b>	<b>121 010</b>	<b>122 739</b>
3.1.A	Common Equity Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	14.27	14.60
3.3.A	Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	14.27	14.60
<b>3.5.A</b>	<b>Total capital ratio without the application of IFRS 9 transitional arrangements</b>	<b>17.03</b>	<b>17.31</b>

### Liquidity coverage ratio

No	Item	30.06.2020 (unaudited)
		Bank EUR'000
1	Liquidity buffer (in thousands euro)	107 738
2	Net liquidity outflow (in thousands euro)	74 108
3	Liquidity coverage ratio (%)	145%



## Annex 2. Securities portfolio

The Bank's securities portfolio breaks down by country:

<b>30.06.2020</b> (unaudited)				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	<b>Total</b>
	EUR'000	EUR'000	EUR'000	<b>EUR'000</b>
Lithuania	-	1 498	2 819	<b>4 317</b>
Latvia	612	3 988	4 131	<b>8 731</b>
Germany	3 694	-	-	<b>3 694</b>
Other countries*	1 568	998	2 510	<b>5 076</b>
<b>Total</b>	<b>5 874</b>	<b>6 484</b>	<b>9 460</b>	<b>21 818</b>
Allowances ( IFRS 9 )	0	(1)	(3)	<b>(4)</b>
<b>Book value</b>	<b>5 874</b>	<b>6 483</b>	<b>9 457</b>	<b>21 814</b>

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

<b>31.12.2019</b> (audited)				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	<b>Total</b>
	EUR'000	EUR'000	EUR'000	<b>EUR'000</b>
Lithuania	-	-	4 633	<b>4 633</b>
United Kingdom	893	-	3 238	<b>4 131</b>
Netherlands	-	-	3 537	<b>3 537</b>
Denmark	-	-	4 451	<b>4 451</b>
Latvia	820	3 525	4 634	<b>8 979</b>
Germany	3 597	-	-	<b>3 597</b>
Other countries*	1 535	27	9 925	<b>11 487</b>
<b>Total</b>	<b>6 845</b>	<b>3 552</b>	<b>30 418</b>	<b>40 815</b>
Allowances ( IFRS 9 )	0	(1)	(6)	<b>(7)</b>
<b>Book value</b>	<b>6 845</b>	<b>3 551</b>	<b>30 412</b>	<b>40 808</b>

\* 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:

	<b>30.06.2020.</b>	<b>31.12.2019</b>
	(unaudited)	(audited)
	Carrying value	Carrying value
	EUR'000	EUR'000
Lithuania	4 317	4 633
Latvia	8 119	8 159
Other countries*	2 830	5 268
<b>Total</b>	<b>15 266</b>	<b>18 060</b>
Allowances ( IFRS 9 )	(3)	(6)
<b>Carrying value</b>	<b>15 263</b>	<b>18 054</b>

\* 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	<b>30.06.2020</b>		
	EUR'000		
	Stage 1	Stage 2	Stage 3
Debt securities	3		1
Due from credit institutions	2	3	
Loans	53	27	11 955
Financial guarantees and other commitments	21	1	53