



Baltic International Bank

**BALTIC INTERNATIONAL BANK SE
THE INTERIM CONDENSED FINANCIAL
STATEMENTS FOR THE NINE-MONTH PERIOD
ENDED 30 SEPTEMBER 2021**



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

In 2021 in general and in 3Q 2021 in particular, Baltic International Bank SE (the Bank) operated in the context of its strategy. The strategy envisages reorientation of the Bank's business segments and redirection of its services towards Latvia- and Baltic States-based clients as well as optimisation of the structure of the Bank's financial positions (items). Through the strategy, the number of Latvia- and Baltic States-based clients at the Bank surged by 19% (19%) in 2021 compared to 31 December 2020, and the percentage of non-performing loans (NPL) dropped by 7%.

Baltic International Bank SE (the Group-related financials are enclosed within the parentheses) posted the following financial results as of 30 September 2021:

- Assets: EUR 205.94 million (EUR 207.33 million);
- Deposits: EUR 174.40 million (EUR 174 million);
- Loan portfolio: EUR 36.43 million (EUR 35.68 million).

The Bank's highly liquid assets (assets carrying investment-grade credit rating and balances due from the Bank of Latvia) made up EUR 85 million (EUR 85 million) or 41% (41%) of the total assets. Investments in government bonds made up EUR 11.65 million (EUR 11.65 million) or 6% (6%) of the total assets.

The Bank maintains a well-diversified structure of liquid assets represented by bonds (12%), due from credit institutions (5%), balances due from the Bank of Latvia (76%), cash (5%), and equities (2%).

The volume of customer funds totalled EUR 326 million (EUR 326 million) (Note 1) as of 30 September 2021. The amount of assets under management totalled EUR 63 million (EUR 62 million). The value of financial instruments in brokerage service totalled EUR 89 million (EUR 89 million).

The liquidity coverage ratio (LCR) stood at the level of 139%. 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 113%.

As of 30 September 2021, the Bank's Tier 1 capital ratio (R) after regulatory own-funds adjustments dipped to a temporary low of 4.81% (3.57%) after regulatory own-funds adjustments, and the total capital ratio (TCR) fell to 6.69% (5.48%). To stabilise the Bank's position and continue implementing its long-term strategy, the Bank's shareholders announced the new-share issue EUR 12 million worth on 8 October 2021. On 24 November 2021, the Bank completed the share issue successfully. As a result, the Bank's paid-up share capital increased by EUR 12 million. The share-issue deal involved investors from Switzerland and the United Arab Emirates. The share-capital increase will enable the Bank to meet all its regulatory capital requirements. The Financial and Capital Market Commission's permission is required to include the funds resulting from the share issue into the own funds calculation.

The Bank succeeded to attract investors oriented towards further strengthening of the Bank's capital and Bank's development in line with its strategy. To ensure the Bank's sustainable development, the Bank's shareholders announced an additional share issue EUR 8 million worth at their meeting held on 25 November 2021.

While continuing to improve the Bank's services technologically, the Bank successfully completed its strategic IT project. The Bank joined the Bank of Latvia's Instant payment service and was included on the list of the EU banks having joined the SEPA Instant Credit Transfer (SCT Inst), a scheme for pan-European instant payments.

Sigma Ratings Inc., a New York-based rating agency, reaffirmed the Bank's BBB+ rating with neutral outlook in 3Q 2021. The agency characterised the Bank as a high-performing bank adhering to international best practice. This evidences that the Bank's internal control system (ICS) designed to thwart money laundering, terrorist financing and WMD proliferation



financing is compliant with the statutory requirements and that the Bank is committed to continuous improvement of its ICS.

During the reporting period, the Bank continued to implement the renovation and reconstruction project in Kalēju Kvartāls (Kaleju Quarter) as well as to participate in the social initiative "Library" aimed at promoting Latvian literature and reading.

Members of the consolidation group

№	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	Baltic International Bank SE, 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
6	SIA Augšvoleri, 40103314868	LV, Beķergrāvja iela 5, Rīga	SE	95	95	SCS
7	AS Krēmeri, 40003044223	LV, Beķergrāvja iela 5, Rīga	SE	95	95	SCS
8	SIA Komunikācijas un Projekti, 40003425103	LV, Ieriķu iela 15, Rīga	SE	100	100	PCS

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, subscribed and paid-in share capital totals EUR 36,399,229.20. The total share capital is represented by 5 126 652 shares. All of the shares are dematerialised registered shares carrying identical voting rights. Each share has a par value of EUR 7.10.

Of the Bank's 93 shareholders, 27 are legal entities and 66 are individuals.

Listed below are the shareholders who control more than 10 percent of the paid-in share capital:

- Valeri Belokon: 62.08219%;
- Vilori Belokon: 32.99990%.



Bank's senior management

Supervisory Board (30.09.2021.)

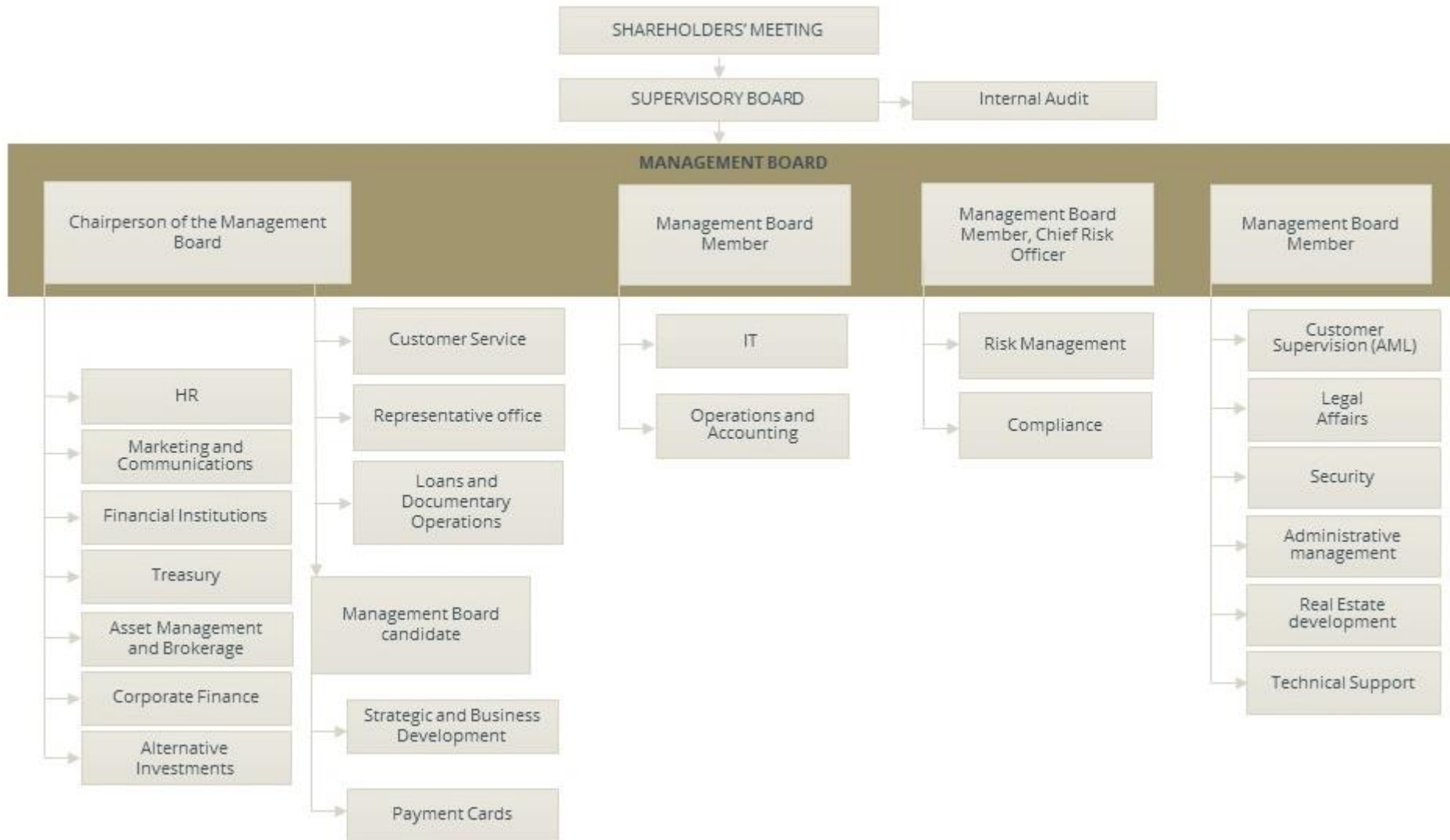
Full name	Position
Valeri Belokon	Chairperson of the Supervisory Board
Ilona Gulchak	Deputy Chairperson of the Supervisory Board
Hans-Friedrich Von Ploetz	Member of the Supervisory Board
Joseph Cofer Black	Member of the Supervisory Board

Management Board (30.09.2021.)

Full name	Position
Viktors Bolbats	Chairperson of the Management Board
Bogdan Andrushchenko	Member of the Management Board
Anda Saukane	Member of the Management Board
Edgars Vojskis	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 2020 Annual Report from page 35 till page 43 on Baltic International Bank SE web page www.bib.eu/en/financial-performance. Since 31 December 2020 there are no any material changes in risk management.

The Bank's performance ratios

Item	30.09.2021		30.09.2020	
	(unaudited)		(unaudited)	
	Group	Bank	Group	Bank
Return on Equity (ROE) (%)	-9.88	-11.42	-7.81	-6.98
Return on Assets (ROA) (%)	-0.97	-1.19	-0.84	-0.73
Total capital ratio (%)	5.48	6.69	15.99	16.39
Liquidity coverage ratio (%)		139		149
Operational income* (in thousands euro)	10 374	9 754	9 280	9 284

*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	168 401	168 552
Subordinated liabilities	5 850	5 850
Debt securities in issue	0	0
Financial instruments in brokerage service	89 308	89 308
The assets under management	62 402	62 702
TOTAL of customer funds	325 961	326 412



Income statement

Item	01.01.2021 - 30.09.2021		01.01.2020 - 30.09.2020	
	(unaudited)		(unaudited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Interest income	1 724	1 710	1 652	1 656
Interest expense	-992	-977	-886	-886
Dividend income	2	2	0	0
Fee and commission income	8 506	8 509	6 679	6 679
Fee and commission expense	-1 303	-1 303	-902	-902
Gains or (-) losses on financial assets & liabilities not measured at fair value through profit or loss, net (+/-)	-1	-1	424	424
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	2 030	2 030	-1 387	-1 387
Gains or (-) losses from hedge accounting, net (+/-)	0	0	0	0
Exchange differences [gain or (-) loss], net (+/-)	-672	-672	2 981	2 981
Gains or (-) losses on derecognition of non financial assets other than held for sale, net (+/-)	0	0	0	0
Other operating income	1 080	456	719	719
Other operating Expenses (-)	-493	-385	-50	-36
Administrative Expenses (-)	-10 672	-10 097	-9 368	-9 321
Depreciation (-)	-1 284	-1 241	-1 073	-1 073
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 (-/+)	21	80	-99	-7
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 (+/-)	546	0	0	0
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (+/-)	-110	-110	-13	-13
Profit or (-) loss before tax from continuing operations (+/-)	-1 618	-1 999	-1 323	-1 166
Tax Expenses or (-) income related to profit or loss from continuing operations	-23	-23	-13	-13
Profit / Loss for the reporting period (+/-)	-1 641	-2 022	-1 336	-1 179
TOTAL comprehensive loss for the reporting period (+/-)	2	-378	466	622



Balance sheet statement

Item	30.09.2021 (unaudited)		31.12.2020 (audited)	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and due from central banks repayable on demand	75 478	75 478	89 974	89 974
Due from credit institutions repayable on demand	4 648	4 646	3 999	3 996
Financial assets at fair value through profit or loss	7 448	7 448	9 686	9 686
<i>Loans</i>	0	0	0	0
<i>other financial assets</i>	7 448	7 448	9 686	9 686
Financial assets at fair value through other comprehensive income	3 980	3 980	2 660	2 660
Financial assets at amortised cost	45 118	45 871	53 289	54 794
<i>Due from credit institutions</i>	17	17	766	766
<i>Debt securities</i>	9 424	9 424	17 552	17 552
<i>Loans</i>	35 677	36 430	34 971	36 476
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	0	4 121	0	4 121
Tangible assets	39 108	35 165	36 875	33 243
Intangible assets	3 978	3 978	4 083	4 083
Tax assets	0	0	0	0
Other assets	22 980	20 664	15 424	11 963
Non-current assets and disposal groups classified as held for sale	4 587	4 587	2 674	2 326
Total assets	207 325	205 938	218 664	216 846
Liabilities to central banks	0	0	0	0
Due to credit institutions repayable on demand	1 153	853	4 614	4 614
Financial liabilities designated at fair value through profit or loss	0	0	224	224
Financial liabilities measured at amortised cost	174 251	174 402	182 170	182 313
<i>Deposits</i>	168 401	168 552	176 694	176 837
<i>Subordinated liabilities</i>	5 850	5 850	5 476	5 476
<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	102	102	60	62
Tax liabilities	0	0	14	14
Other liabilities	8 115	5 218	8 911	4 877
Liabilities included in disposal groups classified as held for sale	0	0	0	0
Total liabilities	183 621	180 575	195 993	192 104
Shareholders' equity	23 704	25 363	22 671	24 742
Total liabilities and shareholders' equity	207 325	205 938	218 664	216 846
Memorandum items				
Contingent liabilities	1 943	1 943	1 400	1 400
Commitments to customers	2 420	2 420	5 575	5 604



Overview of own funds and capital ratios

No	Item	30.09.2021	
		(unaudited)	
		Group	Bank
		EUR'000	EUR'000
1.	Own funds (1.1.+1.2.)	7 314	9 021
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	4 769	6 476
1.1.1.	Common equity Tier 1 capital (CET1 capital)	4 769	6 476
1.1.2.	Additional Tier 1 capital	0	0
1.2.	Tier 2 capital	2 545	2 545
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	133 550	134 780
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	106 489	107 512
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	1 762	1 762
2.4.	Total risk exposure amount for operational risk	25 299	25 506
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
3.	Capital ratios and capital levels		
3.1.	CET1 capital ratio (1.1.1./2.*100)	3.57	4.81
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	-1 240	411
3.3.	Tier 1 capital ratio (1.1./2.*100)	3.57	4.81
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	-3 243	-1 611
3.5.	Total capital ratio (1./2.*100)	5.48	6.69
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	-3 370	-1 761
4.	Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	3 339	3 370
4.1.	Capital conservation buffer	3 339	3 370
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	30.09.2021 (unaudited)	
		Group EUR'000	Bank EUR'000
1.A	Own funds without the application of IFRS 9 transitional arrangements	7 157	8 816
1.1.A	Tier 1 capital without the application of IFRS 9 transitional arrangements	4 613	6 271
1.1.1.A	Common Equity Tier 1 capital without the application of IFRS 9 transitional arrangements	4 613	6 271
2.A	Total risk exposure amount without the application of IFRS 9 transitional arrangements	133 164	134 322
3.1.A	Common Equity Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	3.46	4.67
3.3.A	Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	3.46	4.67
3.5.A	Total capital ratio without the application of IFRS 9 transitional arrangements	5.37	6.56

Liquidity coverage ratio

No	Item	30.09.2021 (unaudited)
		Bank EUR'000
1	Liquidity buffer (in thousands euro)	85 277
2	Net liquidity outflow (in thousands euro)	61 567
3	Liquidity coverage ratio (%)	139%



Annex 2. Securities portfolio

The Bank's securities portfolio breaks down by country:

30.09.2021 (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
USA	1 993	1 729	-	3 722
Lithuania	-	1 337	4 389	5 726
Latvia	968	-	5 037	6 005
Germany	3 799	-	-	3 799
Other countries*	581	914	-	1 495
Total	7 341	3 980	9 426	20 747
Allowances (IFRS 9)	0	0	(2)	(2)
Book value	7 341	3 980	9 424	20 745

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

31.12.2020 (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	3 260	1 340	6 513	11 113
Latvia	959	418	8 776	10 153
Germany	3 755	-	-	3 755
Other countries*	1 674	903	2 267	4 844
Total	9 648	2 661	17 556	29 865
Allowances (IFRS 9)	(1)	(1)	(4)	(6)
Book value	9 647	2 660	17 552	29 859

* 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:

	30.09.2021 (unaudited) Carrying value EUR'000	31.12.2020 (audited) Carrying value EUR'000
Lithuania	5 726	11 113
Latvia	5 037	9 194
Other countries*	884	2 554
Total	11 647	22 861
Allowances (IFRS 9)	(1)	(5)
Carrying value	11 646	22 856

* 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	30.09.2021 EUR'000		
	Stage 1	Stage 2	Stage 3
Debt securities	2		
Due from credit institutions	2	9	
Loans	160	144	7 575
Financial guarantees and other commitments	92	1	6