



Baltic International Bank

**JSC “Baltic International Bank”**  
**Publicly Available Quarterly Financial Statements**  
**for the period ended 31 March 2018**



## Table of contents

Report from the Bank's (Group's) Senior Management	3
Members of the consolidation group	5
Bank's shareholders	5
Bank's senior management	6
The organizational structure of the Bank	7
Bank's operational strategy and operational objectives	8
Risk management	9
The Bank's performance ratios	9
Note 1. Total of customer funds 31.03.2018	9
Income statement	10
Balance sheet statement	11
Overview of own funds and capital ratios	12
Liquidity coverage ratio	13
Note 2. Securities portfolio	14
Note 3. Debt securities of central governments	15



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

In 1Q 2018, Latvia's banking sector was hit by severe shocks which in turn adversely affected the performance of the banks and tarnished the reputation of the financial sector and the country. Over the past years, Baltic International Bank has already implemented substantial re-risking measures. The Bank consistently continues to decrease its exposure to high-risk customers. Simultaneously, the Bank continues to implement its strategy whose key aspects are wealth management solutions and sustainable investments (aka socially responsible investing or impact investing).

In 1Q 2018, Baltic International Bank continued to reshape its income structure and to trim down risk level in the light of the Bank's strategy and the new legislative initiatives of the Republic of Latvia. The Bank's efforts manifest themselves in its performance variables for the first three months of 2018.

In 1Q 2018, the Bank (the Group-related financials are enclosed within the parentheses) posted the following financial results:

- Loss: EUR 727 thousand (EUR 696 thousand)
- Capital adequacy ratio: 13.06 percent (13.17 percent)
- Liquidity ratio: 80.86 percent
- Assets: EUR 279.91 million (EUR 279.96 million);

Baltic International Bank pays particular attention to priority areas of its business by offering its customers socially responsible investing (SRI) opportunities and by investing in sustainable projects together with the customers. In 1Q 2018, the total of customer funds reached EUR 432 million. By the end of 1Q 2018, the assets under management reached EUR 63.37 million (EUR

63.37) million. The volume of financial instruments in brokerage service has also showed a positive dynamics. By the end of 1Q 2018, the volume reached EUR 132.09 million (EUR 132.09 million), a 9.4-percent increase from the end of 2017.

By the end of 1Q 2018, the operating income totalled EUR 2.59 million (EUR 2.58 million). The structure of the Bank's operating income was heavily dominated by the net fee and commission income totalling 46.2 percent (46.3 percent). In 1Q 2018, the percentage of the net fee and commission income increased by 16.6 percent (16.6 percent) compared to the same period last year. The net interest income totalled 26.3 percent (26.5 percent). Administrative expenses reached EUR 3.54 million (EUR 3.53 million).

The Bank's high-quality liquid assets (assets carrying investment-grade credit rating and balances due from the Bank of Latvia) totalled EUR 145.29 million (EUR 145.29 million) or 51.9 percent (51.9 percent) of the total assets. Investments in government bonds totalled EUR 16.7 million (EUR 16.7 million) or 5.97 percent (5.97 percent) of the total assets.

The Bank maintains a well-diversified structure of liquid assets represented by bonds (16 percent), due from credit institutions (12 percent), due from the Bank of Latvia (71 percent) and cash (1 percent). The liquidity coverage ratio (LCR) totalled 245.42 percent (245.47 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 135.76 percent (135.76 percent).

As of 31 March 2018, the Bank's own funds totalled EUR 25.73 million (EUR 25.88 million). The Bank's Tier I capital ratio (CET1) was 9.78 percent (9.88 percent). The total SREP ratio (TSCR ratio) reached 13.06 percent (13.17 percent).



Baltic International Bank

While actively supporting the strategy implemented by Baltic International Bank, the switch-over to the new business model and diversification of target markets, in the beginning of 2018 the Bank's shareholders decided to increase the Bank's share capital by EUR 6 million.

In 1Q 2018, Baltic International Bank continued to support the projects of national significance specifically embracing Latvia's literature, culture and arts. The Bank sponsored the publication of the book „Kā gūt panākumus Latvijā” (*How to*

*Prosper in Latvia*) whose authors are Kārlis Ozols and Laura Vanaga – Mickeviča. The book tells the readers about 14 outstanding Latvians who have accomplished great things in their life and their success stories.

Baltic International Bank also supported the presentation of the Annual Latvian Literary Award (LALIGABA) arranged to honour the most outstanding Latvian litterateurs.



## 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	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

<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 share capital totals EUR 31 496 395.20 and is divided into 4 436 112 shares. The Bank's subscribed 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 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.

Listed below are the shareholders who control more than 10 percent of the shares in the shareholders' equity:

- Valeri Belokon – 65.47130%
- Vilori Belokon –34.47742%.



## Bank's senior management

### Supervisory Board (31.03.2018)

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

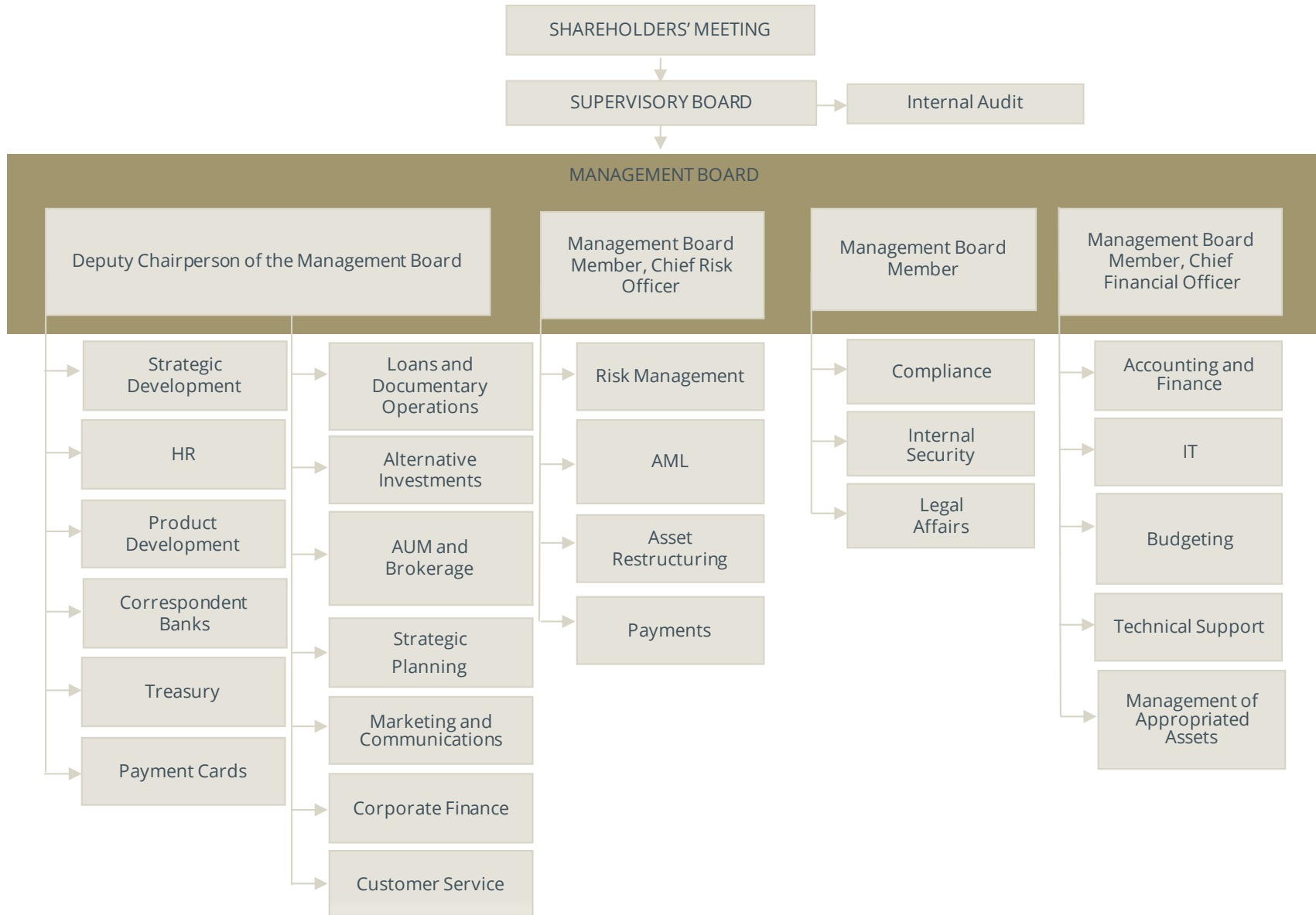
### Management Board (31.03.2018)

Name and surname	Position
Viktors Bolbats	Member of the Board, Deputy 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



Baltic International Bank

## 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](http://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	<b>31.03.2018</b>	<b>31.03.2017</b>
	(unaudited)	(unaudited)
Return on Equity (ROE) (%)	-9.80	26.63
Return on Assets (ROA) (%)	-0.96	3.03
Total capital ratio (%)	13.06	14.77
Liquidity coverage ratio (%)	245.42	380.18
Operational income* (in thousands euro)	2 589	5 962

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

## Note 1. Total of customer funds 31.03.2018

	<b>Group</b>	<b>Bank</b>
	EUR'000	EUR'000
Deposits	219 823	219 988
Subordinated liabilities	14 688	14 688
Debt securities in issue	1 633	1 633
Financial instruments in brokerage service	132 089	132 089
The assets under management	63 371	63 371
<b>TOTAL of customer funds</b>	<b>431 604</b>	<b>431 769</b>



## Income statement

Item	01.01.2018 - 31.03.2018		01.01.2017 - 31.03.2017	
	(unaudited)		(audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Interest income	1 139	1 137	1 283	1 277
Interest expense	-455	-455	-369	-369
Dividend income	11	11	1	1
Fee and commission income	1 426	1 426	1 441	1 441
Fee and commission expense	-230	-230	-415	-415
Gains or (-) losses on financial assets & liabilities not measured at fair value through profit or loss, net (+/-)	-19	-19	0	0
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	-218	-218	3 348	3 348
Gains or (-) losses from hedge accounting, net (+/-)	0	0	0	0
Exchange differences [gain or (-) loss], net (+/-)	878	878	616	616
Gains or (-) losses on derecognition of non financial assets other than held for sale, net (+/-)	0	0	0	0
Other operating income	50	59	58	61
Other operating Expenses (-)	-134	-162	-89	-92
Administrative Expenses (-)	-3 528	-3 538	-3 266	-3 332
Depreciation (-)	-411	-411	-386	-386
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 (-/+)	795	795	6	6
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
<b>Profit or (-) loss before tax from continuing operations (+/-)</b>	<b>-696</b>	<b>-727</b>	<b>2 228</b>	<b>2 156</b>
Tax Expenses or (-) income related to profit or loss from continuing	0	0	-85	-85
<b>Profit / Loss for the reporting period (+/-)</b>	<b>-696</b>	<b>-727</b>	<b>2 143</b>	<b>2 071</b>
TOTAL comprehensive loss for the reporting period (+/-)	-918	-949	2 277	2 205



## Balance sheet statement

Item	31.03.2018		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	101 120	101 120	105 915	105 915
Due from credit institutions repayable on demand	18 510	18 510	24 323	24 323
Financial assets at fair value through profit or loss	10 021	10 022	15 989	15 989
Financial assets at fair value through other comprehensive income	12 863	12 863	16 328	16 328
Financial assets at amortised cost	103 170	104 015	100 650	101 499
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	23 746	21 237	23 940	21 409
Intangible assets	4 072	4 072	4 184	4 184
Tax assets	14	14	14	14
Other assets	5 294	5 126	5 549	5 352
Non-current assets and disposal groups classified as held for sale	0	0	0	0
<b>Total assets</b>	<b>279 955</b>	<b>279 913</b>	<b>298 037</b>	<b>297 947</b>
Liabilities to central banks	14 160	14 160	14 160	14 160
Due to credit institutions repayable on demand	220	220	279	279
Financial liabilities designated at fair value through profit or loss	286	286	462	462
Financial liabilities measured at amortised cost	236 144	236 309	255 248	255 415
<i>Deposits</i>	<i>219 823</i>	<i>219 988</i>	<i>238 941</i>	<i>239 108</i>
<i>Subordinated liabilities</i>	<i>14 688</i>	<i>14 688</i>	<i>14 638</i>	<i>14 638</i>
<i>Debt securities in issue</i>	<i>1 633</i>	<i>1 633</i>	<i>1 669</i>	<i>1 669</i>
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	74	74	0	0
Tax liabilities	0	0	0	0
Other liabilities	4 481	4 420	3 445	3 365
Liabilities included in disposal groups classified as held for sale	0	0	0	0
<b>Total liabilities</b>	<b>255 365</b>	<b>255 469</b>	<b>273 594</b>	<b>273 681</b>
<b>Shareholders' equity</b>	<b>24 590</b>	<b>24 444</b>	<b>24 443</b>	<b>24 266</b>
<b>Total liabilities and shareholders' equity</b>	<b>279 955</b>	<b>279 913</b>	<b>298 037</b>	<b>297 947</b>
<b>Memorandum items</b>				
Contingent liabilities	8	8	210	210
Commitments to customers	5 979	6 066	6 293	6 378



## Overview of own funds and capital ratios

No	Item	31.03.2018	
		(unaudited)	
		Group	Bank
		EUR'000	EUR'000
<b>1.</b>	<b>Own funds (1.1.+1.2.)</b>	<b>25 878</b>	<b>25 733</b>
<b>1.1.</b>	<b>Tier 1 capital (1.1.1.+1.1.2.)</b>	<b>19 426</b>	<b>19 281</b>
1.1.1.	Common equity Tier 1 capital (CET1 capital)	19 426	19 281
1.1.2.	Additional Tier 1 capital	0	0
<b>1.2.</b>	<b>Tier 2 capital</b>	<b>6 452</b>	<b>6 452</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>196 533</b>	<b>197 072</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	158 201	158 777
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	944	944
2.4.	Total risk exposure amount for operational risk	37 374	37 337
2.5.	Total risk exposure amount for credit valuation adjustment	14	14
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)	9.88	9.78
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	10 582	10 412
3.3.	T1 capital ratio (1.1./2.*100)	9.88	9.78
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	7 634	7 456
3.5.	Total capital ratio (1./2.*100)	13.17	13.06
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	10 156	9 967
<b>4.</b>	<b>Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>4 913.0</b>	<b>4 927.0</b>
4.1.	Capital conservation buffer	4 913.0	4 927.0
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
<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. (%)	9.88	9.78
5.3.	Tier 1 capital ratio due to adjustments defined in row No 5.1. (%)	9.88	9.78
5.4.	Total capital ratio due to adjustments defined in row No 5.1. (%)	13.17	13.06



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	31.03.2018 (unaudited)	
		Group	Bank
		EUR'000	EUR'000
<b>1.A</b>	<b>Own funds without the application of IFRS 9 transitional arrangements</b>	<b>24 896</b>	<b>24 750</b>
1.1.A	Tier 1 capital without the application of IFRS 9 transitional arrangements	18 444	18 298
1.1.1.A	Common Equity Tier 1 capital without the application of IFRS 9 transitional arrangements	18 444	18 298
<b>2.A</b>	<b>Total risk exposure amount without the application of IFRS 9 transitional arrangements</b>	<b>195 426</b>	<b>195 854</b>
3.1.A	Common Equity Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	9.44	9.34
3.3.A	Tier 1 capital ratio without the application of IFRS 9 transitional arrangements	9.44	9.34
<b>3.5.A</b>	<b>Total capital ratio without the application of IFRS 9 transitional arrangements</b>	<b>12.74</b>	<b>12.64</b>

## Liquidity coverage ratio

No	Item	31.03.2018 (unaudited)	
		Koncerns	Banka
		EUR'000	EUR'000
1	Liquidity buffer	115 957	115 957
2	Net liquidity outflow	47 239	47 248
3	Liquidity coverage ratio (%)	245.47%	245.42%

**Note 2. Securities portfolio**

The Bank's securities portfolio breaks down by country:

<b>31.03.2018</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>
Multilateral development banks	0	4 034	1 619	<b>5 653</b>
Denmark	0	4 047	4 074	<b>8 121</b>
Latvia	436	181	4 461	<b>5 078</b>
Other countries*	4 056	4 604	20 268	<b>28 928</b>
<b>Total</b>	<b>4 492</b>	<b>12 866</b>	<b>30 422</b>	<b>47 780</b>
allowances ( IFRS 9 )	0	(3)	(17)	<b>(20)</b>
<b>book value</b>	<b>4 492</b>	<b>12 863</b>	<b>30 405</b>	<b>47 760</b>

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

During the reporting period has not been recognized an impairment for financial assets available for sale.

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

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

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

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

	<b>31.03.2018</b>	<b>31.12.2017</b>
	(unaudited)	(audited)
	Carrying value	Carrying value
	EUR'000	EUR'000
Poland	3 863	2 673
Spain	0	20 762
Lithuania	4 424	7 579
Latvia	4 461	6 777
Turkey	0	4 034
Other countries*	3 959	5 268
<b>Total</b>	<b>16 707</b>	<b>47 093</b>
Allowances ( IFRS 9 )	(7)	0
<b>Carrying value</b>	<b>16 700</b>	<b>47 093</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 on March 31, 2018;  
breakdown by the Stages:**

Financial assets	EUR'000		
	Stage 1	Stage 2	Stage 3
Debt securities	15	5	0
Due from credit institutions	7	0	0
Loans	352	115	19 290
Financial guarantees and other commitments	29	0	45