



Baltic International Bank

**JSC "BALTIC INTERNATIONAL BANK"**  
**PUBLICLY AVAILABLE QUARTERLY FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER, 2017**



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

In 3Q 2017, the Bank (the Group-related financials are enclosed within the parentheses) posted the following financial results:

- Assets – EUR 281,14 million (EUR 280,64 million);
- Capital adequacy ratio – 15,91 percent (15,77 percent);
- Liquidity ratio – 85,83 percent;
- Loss – EUR 571 thousand (EUR 727 thousand);
- Assets under management – EUR 70,56 million (EUR 70,56 million);
- The value of financial instruments in brokerage service – EUR 113,75 million (EUR 113,75 million).

In the third quarter of 2017, the Bank's assets rose by 5,2% up to EUR 281,1 million, and the total of customer funds grew by 10% and reached EUR 414 million.

The amount of deposits attracted by Baltic International Bank went up by 10% during the reporting period.

The operating income totalled EUR 12,66 million (EUR 12,65 million). The structure of the Bank's operating income was dominated by income from trade transactions totalling 59,7 percent (59,7 percent). The percentage of fee and commission income increased to 22,4 percent (22,4 percent) compared to the same period last year when the fee and commission income totalled 20,1% (20,1%). The net interest income increased by 6,1 percent (25,4 percent) and reached EUR 2,13 million (EUR 2,12 million), largely due to the reduction of interest expense.

However, an increase in lending to companies and private individuals has also exerted a certain impact. The lending volume surged by 2% (2,5%) since the beginning of the year.

The Bank's loan portfolio totalled EUR 72,43 million (EUR 71,12 million) or 25,8 percent (25,3 percent) of the total assets as of 30 September 2017.

The financial asset structure is still predominantly represented by investments in available-for-sale financial assets: EUR 56,60 million (EUR 56,60 million) or 20,1 percent (20,1 percent) of the total assets. High-quality liquid assets (assets carrying investment-grade credit rating and balances due from the Bank of Latvia) amounted to EUR 144,40 million (EUR 144,40 million) or 51,50 percent (51,40 percent) of the total assets. Investments in government bonds totalled EUR 25,54 million (EUR 25,54 million) or 9,1 percent (9,1 percent) of the total assets.

The liquidity ratios exceed the regulatory thresholds. As of 30 September 2017, the liquidity ratio was 85,83 percent. The structure of liquid assets is well diversified, as represented by bonds 35 percent, due from credit institutions 7 percent, due from the Bank of Latvia 57 percent and cash 1 percent. The liquidity coverage ratio (*LCR*) totalled 289,72 percent (290,56 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 152,88 percent (152,48 percent).

Administrative costs reached EUR 10,02 million (EUR 10,18 million), which is 2,0 percent (1,5 percent) below the level of the previous year. As a result of an increase in investments for the upgrade of information systems and fixed assets, the depreciation and amortization costs grew by 4,8 percent (4,8 percent) up to EUR 1,14 million (EUR 1,14 million). Other expense amounted to EUR 2,07 million (EUR 2,07 million), of which EUR 1,79 million (EUR 1,79 million) are one-time expenses, related to changes in the terms of sale of the real property owned by the Bank.

As of 30 September 2017, the Bank's own funds totalled EUR 32,39 million (EUR 31,93 million). The Bank's Tier I capital ratio (CET1) totalled 12,58 percent (12,42 percent). Having reached 15,91 percent (15,77 percent), the total capital ratio by 5,71 percentage points exceeds the individual ratio set for the Bank by the Financial and Capital Market Commission.

While continuing to implement the Bank's operational strategy geared towards sustainable investing, Baltic International Bank established its subsidiary "BIB Alternative Investment Management" (joint stock company) in 3Q 2017. This will enable the Bank's current and potential customers to engage in private equity deals, thus supporting development of sustainable business projects and generating capital gains on investments.



## Members of the consolidation group

№	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 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

<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 subscribed and paid-in share capital totals EUR 31 496 395 and is divided into 4 436 112 ordinary shares carrying identical voting rights. All shares are registered. 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 7,1.

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 – 69,89891 %
- Vilori Belokon – 30,04633 %.



## Bank's senior management

### **SUPERVISORY COUNCIL (30.09.2017)**

Name and surname	Position
Valeri Belokon	Chairperson of the Council
Vlada Belokon	Deputy Chairperson 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 (30.09.2017)**

Name and surname	Position
Ilona Gulchak	Chairperson of the Board
Alon Nodelman	Member of the Board Authorised Signatory
Martins Neibergs	Member of the Board
Bogdan Andrushchenko	Member of the Board
Anda Saukane	Member of the Board

During the period from 1 October 2017 to the date of the announcement of these financial statements, the following changes have been made in the composition of JSC "Baltic International Bank" Management Board:

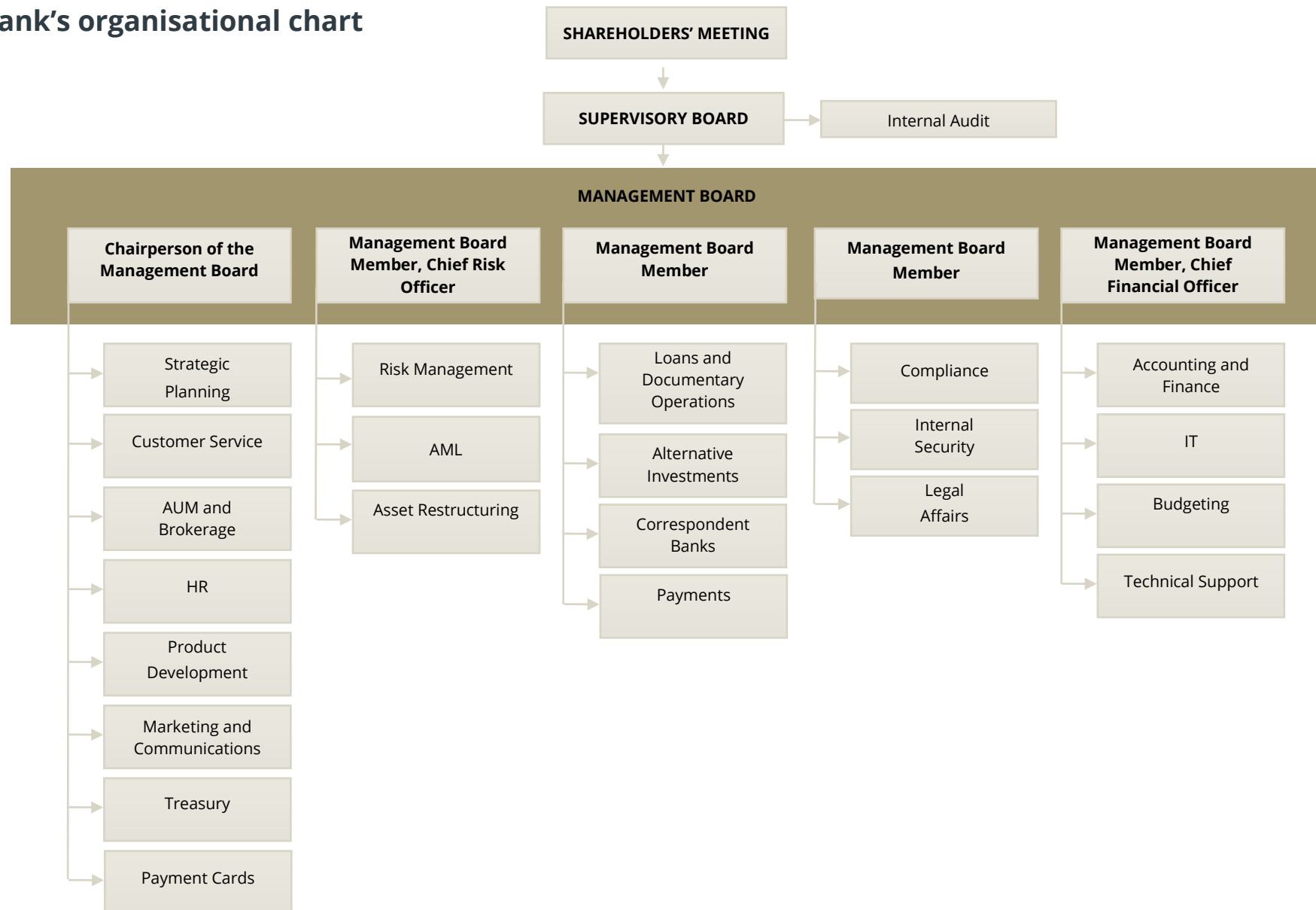
Viktors Bolbats has been elected to serve as a member of the Management Board (14.11.2017).

Martins Neibergs has withdrawn his membership from the Management Board (17.10.2017).



Baltic International Bank

## Bank's organisational chart





## 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	30.09.2017 (unaudited)	30.09.2016 (unaudited)
Return on Equity (ROE) (%)	-2.33	14.20
Return on Assets (ROA) (%)	-0.27	1.13
Total capital ratio (%)	15.91	18.25
Liquidity ratio (%)	85.83	78.59
Operational income* (in thousands euro)	12 663	21 703
Operational expences** (in thousands euro)	13 232	11 639
Financial result before specific provisions and corporate income tax*** (in thousands euro)	-569	10 064

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

\*\*Operational expences = administrative expences + amortisation + other operational expences

\*\*\*Financial result before specific provisions and corporate income tax = operational income - operational expences



## Income statement

Item	01.01.2017 - 30.09.2017		01.01.2016 - 30.09.2016	
	(unaudited)		(unaudited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Interest income	3 354	3 371	3 447	3 464
Interest expense	-1 239	-1 239	-1 760	-1 455
Dividend income	8	8	5	5
Fee and commission income	4 118	4 118	6 357	6 358
Fee and commission expense	-1 287	-1 287	-2 005	-2 005
Net realised gain/loss on financial assets and financial liabilities carried at amortised cost	0	0	0	0
Net realised gain/loss on available for sale financial assets	37	37	2 717	2 717
Net gain/loss on financial assets and financial liabilities held for trading	-1 040	-1 040	-40	-40
Net gain/loss on financial assets and financial liabilities at fair value through profit or loss	0	0	0	0
Changes in fair value of the hedged items	0	0	0	0
Gain/loss on trade in and revaluation of foreign currencies	8 600	8 600	12 504	12 504
Gain/loss on derecognition of property, plant and equipment, investment property and intangible assets	0	0	0	0
Other income	103	95	469	155
Other expenses	-2 072	-2 070	-330	-329
Administrative expenses	-10 184	-10 024	-10 343	-10 224
Depreciation	-1 138	-1 138	-1 086	-1 086
Result of provisions for doubtful debts	48	25	-5 850	-6 182
Impairment losses	-8	0	0	0
<b>Profit/loss before corporate income tax</b>	<b>-700</b>	<b>-544</b>	<b>4 085</b>	<b>3 882</b>
Corporate income tax	-27	-27	-251	-251
<b>Profit/loss for the current year</b>	<b>-727</b>	<b>-571</b>	<b>3 834</b>	<b>3 631</b>



## Balance sheet statement

Item	30.09.2017		31.12.2016	
	(unaudited)		(audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and due from central banks repayable on demand	78 153	78 153	70 152	70 152
Due from credit institutions repayable on demand	9 742	9 742	1 182	1 182
Financial assets held for trading	710	710	1 178	1 178
Financial assets at fair value through profit or loss	7 839	7 839	8 074	8 074
Financial assets available for sale	56 597	56 597	85 746	85 746
Loans and receivables	78 678	79 988	86 188	87 793
<i>Other due from credit institutions</i>	7 556	7 556	16 793	16 793
<i>Loans</i>	71 122	72 432	69 395	71 000
Investments held to maturity	16 563	16 563	16 692	16 692
Change in fair value of a hedged portion of the portfolio attributable to the interest rate risk	0	0	0	0
Deferred expenses and accrued income	2 263	2 262	2 431	2 434
Fixed assets	16 869	16 869	17 250	17 249
Investment property	5 433	2 355	5 885	2 355
Intangible assets	4 009	4 009	4 108	4 108
Investments in associated and related companies	1 145	3 250	1 145	3 210
Current tax assets	0	0	15	15
Other assets	2 644	2 803	8 044	8 202
<b>Total assets</b>	<b>280 645</b>	<b>281 140</b>	<b>308 090</b>	<b>308 390</b>
Liabilities to central banks	14 160	14 160	14 160	14 160
Due to credit institutions repayable on demand	1 322	1 322	1 797	1 797
Financial liabilities held for trading	46	46	0	0
Financial liabilities at fair value through profit or loss	0	0	0	0
Financial liabilities valued at depreciated cost	229 697	229 871	256 089	256 224
<i>Term liabilities due to credit institutions</i>	0	0	0	0
<i>Deposits</i>	209 512	209 686	229 939	230 074
<i>Subordinated liabilities</i>	15 002	15 002	16 026	16 026
<i>Debt securities in issue</i>	5 183	5 183	10 124	10 124
Financial liabilities arising from the transfer of financial assets	0	0	0	0
Change in fair value of a hedged portion of the portfolio attributable to the interest rate risk	0	0	0	0
Deferred income and accrued expenses	1 301	1 301	1 613	1 613
Provisions	0	0	0	0
Tax liabilities	1 049	1 049	1 037	1 037
Other liabilities	1 639	1 587	1 537	1 485
<b>Total liabilities</b>	<b>249 214</b>	<b>249 336</b>	<b>276 233</b>	<b>276 316</b>
<b>Shareholders' equity</b>	<b>31 431</b>	<b>31 804</b>	<b>31 857</b>	<b>32 074</b>
<b>Total liabilities and shareholders' equity</b>	<b>280 645</b>	<b>281 140</b>	<b>308 090</b>	<b>308 390</b>
<b>Memorandum items</b>				
Contingent liabilities	262	262	1 550	1 550
Commitments to customers	6 980	7 047	9 717	9 803



## Overview of own funds and capital ratios

No	Item	30.09.2017	
		(unaudited)	
		Group	Bank
		EUR'000	EUR'000
<b>1.</b>	<b>Own funds (1.1.+1.2.)</b>	<b>31 930</b>	<b>32 387</b>
<b>1.1.</b>	<b>Tier 1 capital (1.1.1.+1.1.2.)</b>	<b>25 140</b>	<b>25 597</b>
1.1.1.	Common equity Tier 1 capital (CET1 capital)	25 140	25 597
1.1.2.	Additional Tier 1 capital	0	0
<b>1.2.</b>	<b>Tier 2 capital</b>	<b>6 790</b>	<b>6 790</b>
<b>2.</b>	<b>Total risk exposure amount</b>	<b>202 460</b>	<b>203 546</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	161 023	162 224
2.2.	Total risk exposure amount for settlement/delivery	0	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	3 919	3 919
2.4.	Total risk exposure amount for operational risk	37 493	37 378
2.5.	Total risk exposure amount for credit valuation adjustment	25	25
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)	12.42	12.58
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	16 029	16 437
3.3.	T1 capital ratio (1.1./2.*100)	12.42	12.58
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	12 992	13 384
3.5.	Total capital ratio (1./2.*100)	15.77	15.91
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	15 733	16 103
<b>4.</b>	<b>Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>2.5</b>	<b>2.5</b>
4.1.	Capital conservation buffer (%)	2.5	2.5
4.2.	Institution specific countercyclical capital buffer (%)	0.0	0.0
4.3.	Systemic risk buffer (%)	0.0	0.0
4.4.	Systemically important institution 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.	Provisions or assets value adjustments applying specific policy for the purpose of own funds calculation	0	0
5.2.	CET1 capital ratio due to adjustments defined in row No 5.1. (%)	12.42	12.58
5.3.	Tier 1 capital ratio due to adjustments defined in row No 5.1. (%)	12.42	12.58
5.4.	Total capital ratio due to adjustments defined in row No 5.1. (%)	15.77	15.91



## Liquidity ratio calculation

No	Item	<b>30.09.2017</b> (unaudited) <b>Bank</b> EUR'000
<b>1</b>	<b>Liquid assets</b>	<b>133 175</b>
1.1.	Vault cash	1 835
1.2.	Balances due from Bank of Latvia	76 318
1.3.	Balances due from solvent credit institutions	8 908
1.4.	Liquid securities	46 114
<b>2</b>	<b>Current liabilities (residual maturity of up to 30 days)</b>	<b>155 158</b>
2.1.	Balances due to credit institutions	1 322
2.2.	Deposits	142 199
2.3.	Debt securities in issue	0
2.4.	Money in transit	1 626
2.5.	Other current liabilities	4 209
2.6.	Off-balance sheet items	5 802
<b>3</b>	<b>Liquidity ratio (1:2) (%)</b>	<b>85.83</b>
4	Minimum liquidity ratio (%)	30.00

**Note 1. Securities portfolio**

The Bank's securities portfolio breaks down by country:

	<b>30.09.2017</b>			
	(unaudited)			
	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	<b>Total</b>
	EUR'000	EUR'000	EUR'000	<b>EUR'000</b>
Multilateral development banks	0	25 400	0	<b>25 400</b>
USA	255	816	0	<b>1 071</b>
Poland	0	5 647	2 293	<b>7 940</b>
Germany	97	8 532	0	<b>8 629</b>
Denmark	0	4 266	0	<b>4 266</b>
Lithuania	0	0	2 291	<b>2 291</b>
Latvia	2	6 525	5 342	<b>11 869</b>
United Kingdom	11	3 145	0	<b>3 156</b>
Other countries*	296	2 266	6 637	<b>9 199</b>
<b>Total</b>	<b>661</b>	<b>56 597</b>	<b>16 563</b>	<b>73 821</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>31.12.2016</b>			
	(audited)			
	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	<b>Total</b>
	EUR'000	EUR'000	EUR'000	<b>EUR'000</b>
Multilateral development banks	0	28 497	0	<b>28 497</b>
USA	3	681	0	<b>684</b>
Spain	0	20 762	0	<b>20 762</b>
Germany	50	9 474	0	<b>9 524</b>
Denmark	0	9 575	0	<b>9 575</b>
Lithuania	0	4 940	2 639	<b>7 579</b>
Latvia	2	4 601	2 889	<b>7 492</b>
United Kingdom	71	3 145	0	<b>3 216</b>
Turkey	0	4 034	0	<b>4 034</b>
Other countries*	503	37	11 164	<b>11 704</b>
<b>Total</b>	<b>629</b>	<b>85 746</b>	<b>16 692</b>	<b>103 067</b>

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



## Note 2. Debt securities of central governments

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

	<b>30.09.2017</b>	<b>31.12.2016</b>
	(unaudited)	(audited)
	Carrying value	Carrying value
	EUR'000	EUR'000
Poland	7 940	2 673
Spain	0	20 762
Lithuania	2 291	7 579
Latvia	11 128	6 777
Turkey	0	4 034
Other countries*	4 180	5 268
<b>Total</b>	<b>25 539</b>	<b>47 093</b>

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