

Baltikums Bank



BALTIKUMS BANK AS

IV Quarter  
2015 Interim Report

(translated from Latvian)

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# Background

Baltikums Bank AS (hereinafter referred to as Baltikums Bank or the Bank) is a credit institution regulated by the Finance and Capital Markets Commission (Kungu iela 1, Rīga, LV-1050, Latvija) and registered with the Register of Enterprises of the Republic of Latvia on 22 June 2001, registration No. 4000351060.

The registered office is at Smilšu iela 6, Rīga, LV 1050, Latvija.

Baltikums Bank operates in accordance with the applicable legislation of the Republic of Latvia and a license issued by the Financial and Capital Market Commission.

Its shareholders (beneficial owners) are individuals resident within the Republic of Latvia. The Bank was founded in Latvia and is a European and international financial institution. The Bank's primary lines of business are managing the capital of high net worth individuals, banking, investment and lending services.

Baltikums Bank maintains representative office and a worldwide network of partnerships, servicing clients in more than 90 countries. Product sales and client service leverage remote-access systems to operate quickly and effortlessly regardless of the client's location.

The Group's consolidated and the Bank's separate financial statements for the 12 months of the year 2015 have been prepared in accordance with International Accounting (Financial Reporting) Standards adopted by the European Union, on a going concern basis.

The audit was conducted by KPMG Baltics SIA, registration No. 40003235171, registered office: Vesetas iela 7, Rīga, LV-1013, Latvija.

This interim report has been prepared in accordance with Financial and Capital Market Commission regulation No. 145, "Regulations on preparation of public quarterly reports by credit institutions", and is intended for disclosing the Bank's financial standing and the results of its operations.

Amounts in financial statements are indicated in thousands of euros (EUR '000), unless specified otherwise.

# Share Capital of the Bank

The sole shareholder of Baltikums Bank is AS "BBG", holding 100% of the Bank's voting shares.

The Bank's share capital is EUR 39 493 514,20 composed of 28 209 653 shares.

The nominal value per share is EUR 1.4.

# Council and Board

## Council

Aleksandrs Peškova (Chairman of the Council)

Sergejs Peškova (Deputy Chairman of the Council)

Andrejs Kočetkova (Member of the Council)

## Board

Dmitrijs Latiševa, Chairman of the Board, CEO

Mihails Kuzņecova, Member of the Board, Chief Customer Officer (CCO) (from 09.10.2015)

Inga Mukāne, Member of the Board, CCO

Leonarda Višņeva, Member of the Board, EO (to 09.10.2015)

# Strategy and Mission

Baltikums Bank is an international bank that provides a wide range of financial services to individuals and businesses. Its private bankers and client service specialists are supported by a solid operations infrastructure, an extensive range of wealth management services, an international network of partners, and representation in major business hubs throughout Europe and worldwide. The Bank operates efficiently and generates considerable operational income while keeping expenditures at a level that is competitive in Latvia. The Bank offers banking, investment, and financing services of the highest quality and consumer value to high net worth private persons who want to trust us with their financial solutions and are interested in developing sustainable business relations.

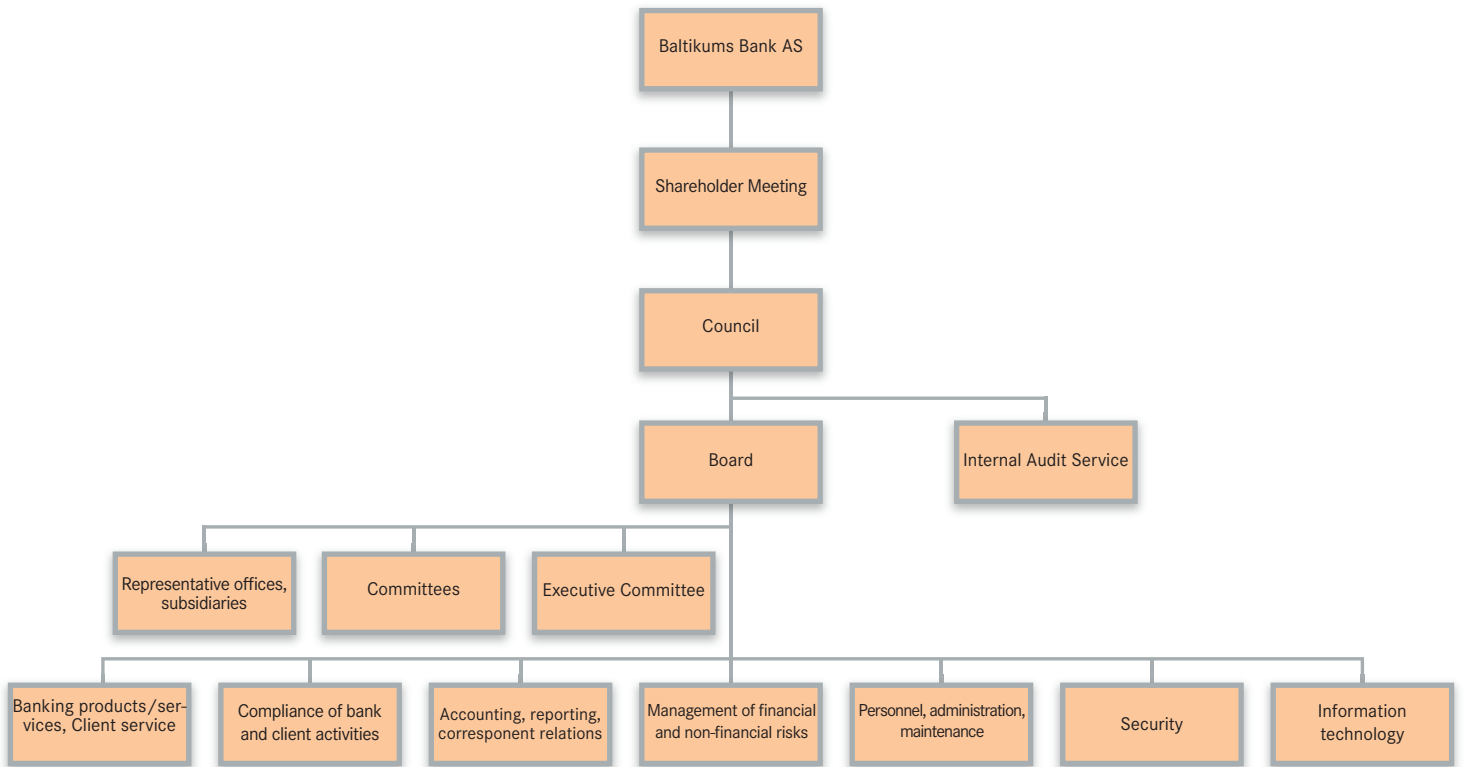
The Bank provides high-quality banking products and services to its target clients. As a priority, the Bank develops lines of business that correspond to its commercial model and core competencies, allowing it to leverage its strengths on highly competitive markets while taking on acceptable levels of risk.

The Bank's long-term business priorities are banking, investment service, and lending.

The target client base of the Bank is aligned to its key development goals:

- High net worth individuals, medium-sized and large companies that require a wide range of services for capital and asset management;
- Corporate entities and merchants engaged in international trade and services;
- Financial organisations and institutional investors that require highly professional service for settlement and financial market operations.

# Bank Structure



# Consolidated Group Companies

No.	Company name and registration No.	Registration country code, address	Type of business*	Equity/share of voting rights in company (%)	Reason for inclusion
1.	BBG AS 40003234829	LV Mazā Pils iela 13, Rīga, LV-1050, Latvia	FPS		MT
2.	Baltikums Bank AS 40003551060	LV Smilšu iela 6, Rīga, LV-1050, Latvia	BNK	100%	MTM
3.	Baltikums International SIA 40003444941	LV Mazā Pils iela 13, Rīga, LV-1050, Latvia.	CFI	100%	MS
4.	CityCap Service SIA 40003816087	LV Krišjāņa Valdemāra iela 149, Rīga, LV-1013, Latvia	PLS	100%	MS
5.	ZapDvina Development SIA 40003716809	LV Krišjāņa Valdemāra iela 149, Rīga, LV-1013, Latvia	PLS	100%	MS
6.	Kamaly Development EOOD 147093418	BG Etiera k-s 1/2B - 18, Sveti Vlas, Burgas obl., Nesebier 8256, Bulgaria	PLS	100%	MMS
7.	Mateli Estate SIA 50103482941	LV Krišjāņa Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MTM
8.	Darziems Entity SIA 40103492740	LV Krišjāņa Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MTM
9.	Mazirbe Estate SIA 40103492721	LV Krišjāņa Valdemāra iela 149- 405, Rīga, LV-1013, Latvia	PLS	100%	MTM
10.	Lielie Zaķi SIA 40103493765	LV Krišjāņa Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MTM
11.	Pulkarne Entity SIA 40103481018	LV Krišjāņa Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MTM
12.	Pils Pakalpojumi SIA 40103170308	LV Smilšu iela 6, Rīga, LV-1050, Latvia	PLS	100%	MS
14.	Foxtran Management Ltd. № 113,276	BZ Suite 102, Ground Floor, Blake Building, Corner Eyre & Huston Streets, Belize City, Belize	PLS	100%	MMS
15.	Enarlia International Inc. № 113,273	BZ Suite 102, Ground Floor, Blake Building, Corner Eyre & Huston Streets, Belize City, Belize	PLS	100%	MMS



# Consolidated Group

(continued)

No.	Company name and registration No.	Registration country code, registered office	Type of business*	Equity/share of voting rights in company (%)	Reason for inclusion
15.	Kamaly Development UAB №300558022	LT Klaipėdos m. sav. Klaipėdos m., Karklu g. 12, Lithuania	PLS	100%	MS
19.	Jēkaba 2 SIA 40103293621	LV Jēkaba iela 2, Rīga, LV-1050, Latvia	PLS	100%	MS
17.	Baltikums E-Centre Limited (Reg. No. 9690775, England and Wales)	GB 55 Park Lane - Suite 14, London W1 1NR, Great Britain	PLS	100%	MMS
18.	Baltikums E-Centre Limited (Cert. No. 2270200, Hong Kong)	HK Suite 2405, Progress Commercial Building 9 Irving Street, Causeway Bay Hong Kong	PLS	100%	MMS

\* FPS – financial management company; BNK – credit institution; CFI – other financial institution; PLS – auxiliary service company.

\*\* MS – subsidiary company; MMS – subsidiary of subsidiary company; MT – parent company; MTM – subsidiary of parent company.

# Analysis of Risks

In its activities, Baltikums Bank pays great attention to risk identification and management. The Bank considers the following risks to be substantial for its operations:

- Credit risk;
- Market risks (securities price risk, interest rate risk in the non-trading portfolio, currency risk);
- Liquidity risk;
- Operational risk;
- Compliance risk, including money laundering and terrorist financing risk;
- Reputational risk, strategy and business risk.

The Bank's risk management principles are laid out in its risk management policies, which have been approved and supervised by its Council. Risk management policies define qualitative and quantitative criteria for identification of risks related to the Bank's activities, risk management and control elements, the procedure for making decisions on risky transactions, limits and other measures for risk mitigation and minimisation, and the obligations of structural divisions with regard to controlling risky transactions. Enforcement of the policies is supervised by the Bank's internal control units:

- Internal Audit;
- Financial Analysis and Financial Risk Management Department;
- Operational Risk Management Department;
- Client Activity Compliance Department;
- Compliance Control Department.

Risk management is ensured by the following committees:

- Credit Committee;
- Investment Committee;
- Client Activity Compliance Control Committee;
- Non-financial Risk Management Committee.

During the reporting period, Baltikums Bank had no significant changes in risk management. Information about risk management is available on the Bank's website: <http://www.baltikums.eu/lv/about-us/financial-information/financial-statements/> and <http://www.baltikums.eu/lv/about-us/financial-information/information-disclosure/>. (Latvian).

# Profit and Loss Account

31 December 2015

Item	31.12.2015, EUR'000	31.12.2014, EUR'000
Interest income	9 137	7 807
Interest expenses	(2 457)	(1 417)
Dividend income	2	7
Fee and commission income	18 997	18 461
Fee and commission expenses	(4 061)	(1 512)
Net realised gain/loss from financial assets and financial liabilities carried at amortised cost	0	0
Net gain/loss from available-for-sale financial assets and financial liabilities	0	0
Net gain/loss from held-for-trading financial assets and financial liabilities	755	(2 200)
Net realised gain/loss from financial assets and financial liabilities carried at fair value through profit or loss	0	0
Changes in fair value in risk mitigation accounts	0	0
Gain/loss from trading and revaluing foreign currencies	7 525	8 089
Gain/loss from ceasing recognition of property, equipment and appliances, investments in property and intangible assets	0	0
Other income	517	488
Other expenses	(2 474)	(891)
Administrative expenses	(15 228)	(14 270)
Depreciation	(284)	(227)
Net result of creating reserves	(3 956)	(4 434)
Recovery of written-off assets	0	9
<b>Profit before corporate income tax</b>	<b>8 473</b>	<b>9 910</b>
Corporate income tax	(1 041)	(1 924)
<b>Profit for reporting period</b>	<b>7 432</b>	<b>7 986</b>

# Balance Overview

31 December 2015

Item	31.12.2015, EUR'000 (Audited data)	31.12.2014, EUR'000 (Audited data)
Cash and on-demand claims on central banks	146 784	123 673
On-demand claims on credit institutions	164 970	161 881
Financial assets held for sale	13 811	54 203
Financial assets classified as carried at fair value through profit or loss	0	0
Financial assets available for sale	57 443	89
Loans and claims, including interbank loans	253 059	218 843
Investments held to maturity	83 861	32 000
Changes in fair value of risk-hedged portfolio	0	0
Accrued income and expenses for subsequent periods	165	161
Fixed assets	2 592	1 058
Investment properties	2 527	4 098
Intangible assets	884	737
Investment in the stock capital of related and associated companies	15 315	17 106
Tax assets	998	0
Other assets	10 284	7 470
<b>Total assets</b>	<b>752 693</b>	<b>621 319</b>
Due to central banks	0	0
Due on-demand to credit institutions	2 725	2 759
Financial liabilities held for trading	60	591
Financial liabilities classified as carried at fair value through profit or loss	0	0
Financial liabilities carried at amortised purchase cost	689 751	565 090
Financial liabilities due to transfer of financial assets	0	0
Liabilities due to changes in the fair value of interest-hedged portfolio	0	0
Accrued expenses and income for subsequent periods	376	342
Reserves	495	510
Tax liabilities	0	12
Other liabilities	4 361	396
<b>Total liabilities</b>	<b>697 768</b>	<b>569 700</b>
<b>Capital and reserves</b>	<b>54 925</b>	<b>51 619</b>
<b>Total capital, reserves and liabilities</b>	<b>752 693</b>	<b>621 319</b>
<b>Off-balance items</b>		
Potential liabilities	244	369
Off-balance liabilities to clients	34 108	25 623

# Equity and Capital Adequacy Calculation Overview

31 December 2015

No.	Item name	COREP item	Reporting period EUR'000
1	<b>Equity (1.1.+1.2.)</b>	C 01.00 1	71 930
1.1.	Tier I capital (1.1.1.+1.1.2.)	C 01.00 1.1.	53 254
1.1.1.	Tier I fixed capital	C 01.001.1.1.	53 254
1.1.2.	Tier I added capital	C 01.00 1.1.2.	0
1.2.	Tier II capital	C 01.00 1.2.	18 676
2.	<b>Total value of risky transactions (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	C 02.00 1.	332 204
2.1.	Total risk-weighted value of risky transactions for credit risk, counterparty credit risk, recovered value reduction risk and unpaid delivery risk	C 02.00 1.1.	267 177
2.2.	Total value of risky transactions for settlements/deliveries	C 02.00 1.2.	0
2.3.	Total value of risky transactions for position risk, currency risk, goods risk	C 02.00 1.3.	11 316
2.4.	Total value of risky transactions for operational risk	C 02.00 1.4.	53 711
2.5.	Total value of risky transactions for loan value adjustment	C 02.00 1.6.	0
2.6.	Total value of risky transactions related to large risky transactions in the trading portfolio	C 02.00 1.7.	0
2.7.	Value of other risky transactions	C 02.00 1.8.	0
3.	<b>Capital indicators and capital levels</b>		
3.1.	Tier I fixed capital indicator (1.1.1./2.*100)	C 03.00 1.	16.03
3.2.	Tier I fixed capital surplus (+)/ deficit(-) (1.1.1.-2.*4.5%)	C 03.00 2.	38 305
3.3.	Tier I capital indicator (1.1./2.*100)	C 03.00 3.	16.03
3.4.	Tier I capital surplus (+)/deficit (-) (1.1.-2.*6%)	C 03.00 4.	33 322
3.5.	Total capital indicator (1./2.*100)	C 03.00 5.	21.65
3.6.	Total capital surplus (+)/ deficit (-) (1.-2.*8%)	C 03.00 6.	45 354
4.	<b>Total capital reserve requirement (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	C 04.00 27.	2.5%
4.1.	Capital preservation reserve (%)		2.5%
4.2.	Institution-specific counter-cyclical capital reserve (%)		-
4.3.	Systemic risk capital reserve (%)		-
4.4.	Systemically important institution capital reserve (%)		-
4.5.	Other systemically important institution capital reserve (%)		-

# Equity and Capital Adequacy Calculation Overview

(continued)

No.	Item name	COREP item	Reporting period EUR'000
5.	<b>Capital indicators with adjustment</b>		
5.1.	Adjustment for reserve or asset value with special policy for capital adequacy purposes	C 04.00 28.	0
5.2.	Tier I fixed capital indicator with adjustment specified in row 5.1	C 03.00 7.	16.03
5.3.	Tier I capital indicator with adjustment specified in row 5.1	C 03.00 9.	16.03
5.4.	Total capital indicator with adjustment specified in row 5.1	C 03.00 11."	21.65

# Liquidity Indicator Calculation

31 December 2015

No.	Item name	Reporting period EUR'000
1	<b>Liquid assets (1.1.+1.2.+1.3.+1.4.)</b>	533 811
1.1	Cash	686
1.2	Demands on the Bank of Latvia	146 098
1.3	Demands on solvent credit institutions	319 415
1.4	Liquid securities	67 612
2	<b>Current obligations with less than 30 days to maturity (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)</b>	689 769
2.1	Obligations to credit institutions	2 725
2.2	Deposits	648 013
2.3	Issued bonds and notes	0
2.4	Cash in transit	0
2.5	Other obligations	5 293
2.6	Off-balance obligations	33 738
3	<b>Liquidity ratio (1.:2.) (%)</b>	<b>77.39%</b>
4	<b>Minimum liquidity indicator</b>	<b>30%</b>

# Performance Indicators

31 December 2015

Item	31.12. 2015	31.12. 2014
Return on equity (ROE) (%)	14.00	14.79
Return on assets (ROA) (%)	1.10	1.50

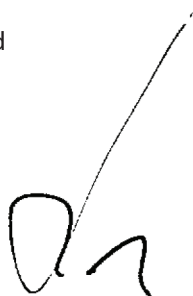


# Securities Investments

## Investments in securities by country (exceeding 10% of equity)

Issuer's country	Value EUR'000	Coupon EUR'000	Savings EUR'000	Subtotal EUR'000	Market value of financial instruments held to maturity	Depreciation recognised in accounts of financial instruments available for sale
Sweden	29 947	600	0	30 547	29 956	0
<i>incl. central government</i>	<i>9 086</i>	<i>11</i>	<i>0</i>	<i>9 098</i>	<i>9 054</i>	<i>0</i>
International organisations	29 368	96	0	29 465	1 873	(122)
USA central government	25 321	0	0	25 321	0	1
Russia	16 684	276	0	16 960	15 222	0
Germany	9 313	10	0	9 323	4 689	(23)
Brazil	7 511	153	0	7 664	5 557	0
Other countries	34 525	671	(133)	35 062	25 031	77
<i>incl. central governments</i>	<i>5 289</i>	<i>142</i>	<i>0</i>	<i>5 431</i>	<i>0</i>	<i>65</i>
<b>TOTAL</b>	<b>152 669</b>	<b>1 806</b>	<b>(133)</b>	<b>154 342</b>	<b>82 328</b>	<b>(67)</b>

**Dmitrijs Latiševs**  
Chairman of the Board  
CEO



# Contact details

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