

Baltikums Bank

# BALTIKUMS BANK AS

III Quarter  
2016 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 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

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

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The Bank's share capital is EUR 39,493,514.20 composed of 28,209,653 shares.

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The nominal value per share is EUR 1.4.

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## The Council

Name and surname	Position	Date of appointment
Aleksandrs Peškova	Chairman of the Council	11.08.2014
Sergejs Peškova	Deputy Chairman of the Council	11.08.2014
Andrejs Kočetkova	Member of the Council	11.08.2014

## The Board

Name and surname	Position	Date of appointment
Dmitrijs Latiševa	Chairman of the Board, Chief Executive Officer (CEO)	09.10.2015
Mihails Kuzņecova	Member of the Board, Chief Client Service Officer (CCSO)	09.10.2015
Inga Preimane	Member of the Board, Chief Risk Officer (CRO)	11.01.2016
Ēriks Zaics	Member of the Board, Chief Security Officer (CSO)	11.01.2016

# 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.

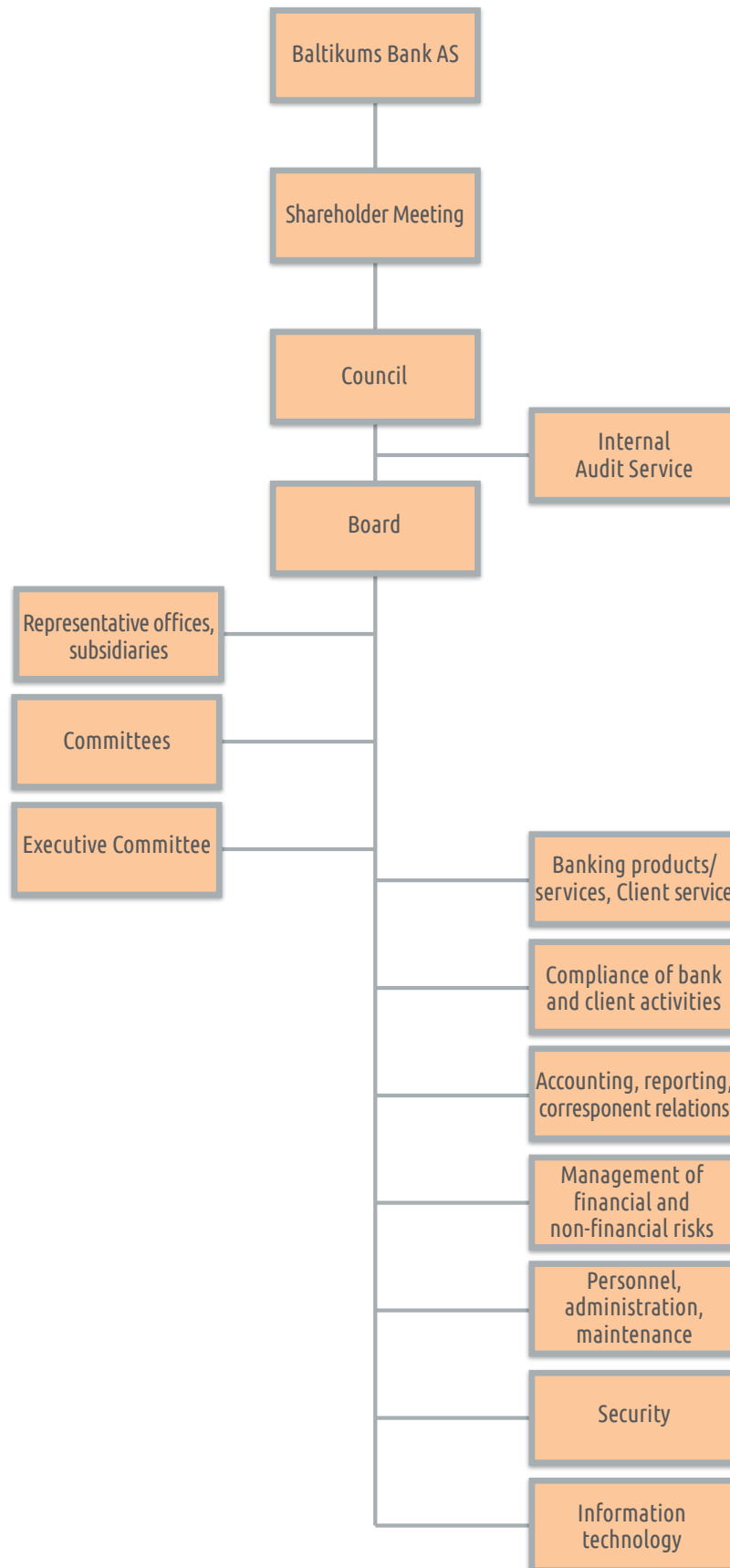
The Bank provides high-quality banking products and services to its target clients. As a priority, the Bank develops lines of business that correspond to its commercial model and core competencies, allowing it to leverage its strengths on highly competitive markets while taking on acceptable levels of 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.	Name of company	Registration number	Registration location code	Registration address	Type of activities*	Interest in share capital (%)/ Voiting shares (%)	PBasis for inclusion in the group**
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.	SIA "Baltikums International"	40003444941	LV	Mazā Pils iela 13, Rīga, LV-1050, Latvia	CFI	100%	MS
4.	SIA „CityCap Service”	40003816087	LV	Kr.Valdemāra iela 149, Rīga, LV-1013, Latvia	PLS	100%	MS
5.	SIA „ZapDvina Development”	40003716809	LV	Kr.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	Kr. Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MTM
8.	Darziems Entity SIA	40103492740	LV	Kr. Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MTM
9.	Mazirbe Estate SIA	40103492721	LV	Kr. Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MTM
10.	Lielie Zaķi SIA	40103493765	LV	Kr. Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MTM
11.	Pulkarne Entity SIA	40103481018	LV	Kr. 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
13.	Foxtran Management Ltd.	№ 113,276	BZ	Suite 102, Ground Floor, Blake Building, Corner Eyre & Huston Streets, Belize City, Belize	PLS	100%	MMS
14.	Enarlia International Inc.	№ 113,273	BZ	Suite 102, Ground Floor, Blake Building, Corner Eyre & Huston Streets, Belize City, Belize	PLS	100%	MMS
15.	Kamaly Development UAB	№300558022	LT	Klaipėdos m. sav. Klaipėdos m., Karklu g. 12, Lithuania	PLS	100%	MS
16.	Jēkaba 2 SIA	40103293621	LV	Jēkaba iela 2, Rīga, LV-1050, Latvia	PLS	100%	MS
17.	Baltikums E-Centre Limited	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

EUR'000

Item	30.09.2016	30.09.2015
Interest income	8 178	6 755
Interest expenses	(2 148)	(1 873)
Dividend income	2	2
Fee and commission income	17 734	12 963
Fee and commission expenses	(6 182)	(2 354)
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	2 072	1 388
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	5 318	5 600
Gain/loss from ceasing recognition of property, equipment and appliances, investments in property and intangible assets	0	0
Other income	209	377
Other expenses	(1 606)	(1 403)
Administrative expenses	(11 491)	(11 294)
Depreciation	(226)	(214)
Net result of creating reserves	(8 228)	(1 020)
Recovery of written-off assets	0	0
<b>Profit before corporate income tax</b>	<b>3 632</b>	<b>8 927</b>
Corporate income tax	(25)	(830)
<b>Profit for reporting period</b>	<b>3 607</b>	<b>8 097</b>

# Balance Overview

	<i>EUR'000</i>	
<b>Item</b>	<b>30.09.2016 Non-Audited</b>	<b>31.12.2015 Audited</b>
Cash and on-demand claims on central banks	122 460	146 784
On-demand claims on credit institutions	164 199	164 970
Financial assets held for sale	3 631	13 811
Financial assets classified as carried at fair value through profit or loss	0	0
Financial assets available for sale	72 273	57 443
Loans and claims, including interbank loans	178 469	253 059
Investments held to maturity	95 592	83 861
Changes in fair value of risk-hedged portfolio	0	0
Accrued income and expenses for subsequent periods	239	165
Fixed assets	3 774	2 592
Investment properties	2 578	2 527
Intangible assets	1 224	884
Investment in the stock capital of related and associated companies	18 105	15 315
Tax assets	841	998
Other assets	17 090	10 284
<b>Total assets</b>	<b>680 475</b>	<b>752 693</b>
Due to central banks	0	0
Due on-demand to credit institutions	880	2 725
Financial liabilities held for trading	0	60
Financial liabilities classified as carried at fair value through profit or loss	0	0
Financial liabilities carried at amortised purchase cost	619 590	689 751
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	345	376
Reserves	663	495
Tax liabilities	0	0
Other liabilities	1 404	4 361
<b>Total liabilities</b>	<b>622 882</b>	<b>697 768</b>
<b>Capital and reserves</b>	<b>57 593</b>	<b>54 925</b>
<b>Total capital, reserves and liabilities</b>	<b>680 475</b>	<b>752 693</b>
<b>Off-balance items</b>		
Potential liabilities	133	244
Off-balance liabilities to clients	60 263	34 108

# Equity and Capital Adequacy Calculation Overview

EUR'000

No.	Item	COREP item	Reporting period
<b>1</b>	<b>Equity (1.1.+1.2.)</b>	<b>C 01.00 1</b>	<b>72 552</b>
1.1.	Tier I capital (1.1.1.+1.1.2.)	C 01.00 1.1.	52 117
1.1.1.	Tier I fixed capital	C 01.001.1.1.	52 117
1.1.2.	Tier I added capital	C 01.00 1.1.2.	0
1.2.	Tier II capital	C 01.00 1.2.	20 435
<b>2.</b>	<b>Total value of risky transactions (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>C 02.00 1.</b>	<b>385 200</b>
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.	320 910
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.	8 315
2.4.	Total value of risky transactions for operational risk	C 02.00 1.4.	55 975
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
<b>3.</b>	<b>Capital indicators and capital levels</b>		
3.1.	Tier I fixed capital indicator (1.1.1./2.*100)	C 03.00 1.	13.53
3.2.	Tier I fixed capital surplus (+)/ deficit(-) (1.1.1.-2.*4.5%)	C 03.00 2.	34 783
3.3.	Tier I capital indicator (1.1./2.*100)	C 03.00 3.	13.53
3.4.	Tier I capital surplus (+)/deficit (-) (1.1.-2.*6%)	C 03.00 4.	29 005
3.5.	Total capital indicator (1./2.*100)	C 03.00 5.	18.83
3.6.	Total capital surplus (+)/ deficit (-) (1.-2.*8%)	C 03.00 6.	41 736
<b>4.</b>	<b>Total capital reserve requirement (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>C 04.00 27.</b>	<b>2.545</b>
4.1.	Capital preservation reserve (%)		2.5
4.2.	Institution-specific counter-cyclical capital reserve (%)		0.045
4.3.	Systemic risk capital reserve (%)		-
4.4.	Systemically important institution capital reserve (%)		-
4.5.	Other systemically important institution capital reserve (%)		-
<b>5.</b>	<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.	13.53
5.3.	Tier I capital indicator with adjustment specified in row 5.1	C 03.00 9.	13.53
5.4.	Total capital indicator with adjustment specified in row 5.1	C 03.00 11."	18.83

# Liquidity Indicator Calculation

EUR'000

No.	Item	Reporting period
<b>1.</b>	<b>Liquid assets (1.1.+1.2.+1.3.+1.4.)</b>	<b>445 201</b>
1.1.	Cash	936
1.2.	Demands on the Bank of Latvia	121 523
1.3.	Demands on solvent credit institutions	201 673
1.4.	Liquid securities	121 069
<b>2.</b>	<b>Current obligations with less than 30 days to maturity (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)</b>	<b>647 455</b>
2.1.	Obligations to credit institutions	880
2.2.	Deposits	573 189
2.3.	Issued bonds and notes	0
2.4.	Cash in transit	562
2.5.	Other obligations	12 561
2.6.	Off-balance obligations	60 263
<b>3.</b>	<b>Liquidity ratio (1.:2.) (%)</b>	<b>68.76%</b>
<b>4.</b>	<b>Minimum liquidity indicator</b>	<b>30%</b>

# Performance Indicators

Item	30.09.2016	30.09.2015
Return on equity (ROE) (%)	8.40	19.5
Return on assets (ROA) (%)	0.7	1.5

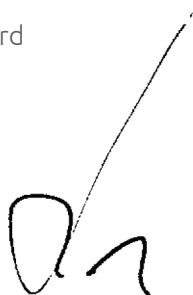
# Securities Investments

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

EUR'000

Issuer's country	Value	Coupon	Savings	Subtotal	Market value of financial instruments held to maturity	Depreciation recognised in accounts of financial instruments available for sale
International organisations	42 277	111	0	42 388	-	-104
Sweden	29 176	436	0	29 612	29 206	0
<i>incl. central government</i>	<i>8 831</i>	<i>33</i>	<i>0</i>	<i>8 864</i>	<i>8 829</i>	<i>0</i>
Germany	25 853	150	0	26 003	11 764	-14
Russia	16 456	343	0	16 799	16 310	0
Switzerland	8 207	171	0	8 378	8 258	0
Other countries	47 522	723	-130	48 115	29 621	-13
<i>incl. central governments</i>	<i>5 201</i>	<i>95</i>	<i>0</i>	<i>5 296</i>	<i>-</i>	<i>0</i>
<b>TOTAL</b>	<b>169 491</b>	<b>1 934</b>	<b>-130</b>	<b>171 295</b>	<b>95 159</b>	<b>-131</b>

Dmitrijs Latiševs  
Chairman of the Board  
CEO



## Contact details

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