

Baltikums Bank



BALTIKUMS BANK AS

III Quarter
2015 Interim Report

(translated from Latvian)

www.baltikums.eu

Contents

Background	3
Share Capital of the Bank	4
Council and Board.....	5
Strategy and Mission.....	6
Bank Structure.....	7
Consolidated Group Companies	8
Analysis of Risks	10
Profit and Loss Account	11
Balance Overview.....	12
Equity and Capital Adequacy Calculation Overview.....	13
Liquidity Indicator Calculation	15
Performance Indicators.....	16
Securities Investments	17
Contact details	18

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 has its Head Office in Riga (Latvia), with representative offices in Kyiv (Ukraine), Tallinn (Estonia) and Vilnius (Lithuania). The shareholder of Baltikums Bank also operates related companies in Limassol (Cyprus), Luxemburg, Moscow and St. Petersburg (Russia).

The Group's consolidated and the Bank's separate financial statements for the 12 months of the year 2014 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: Vešetas 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

Inga Mukāne – member of the Board, CCO

Leonarda Višņeva – member of the Board, EO

No changes in the composition of the Baltikums Bank Council or Board took place during the reporting period.

Strategy and Mission

Baltikums Bank is a technological financial institution, offering state of the art financial and advisory services to individuals and businesses worldwide, with exceptional client service by its Client Relationship Directors (CRDs). The Bank's Head Office is situated in Riga. It is represented in a number of European Union member-states and works with a global network of loyal partners.

CRDs and their teams are supported by a well-developed operations infrastructure, a wide array of wealth management services, an international network of partners and representation at major business and finance centres in Europe and throughout the world. The Bank operates at high efficiency, generating significant operational income while keeping expenses moderate.

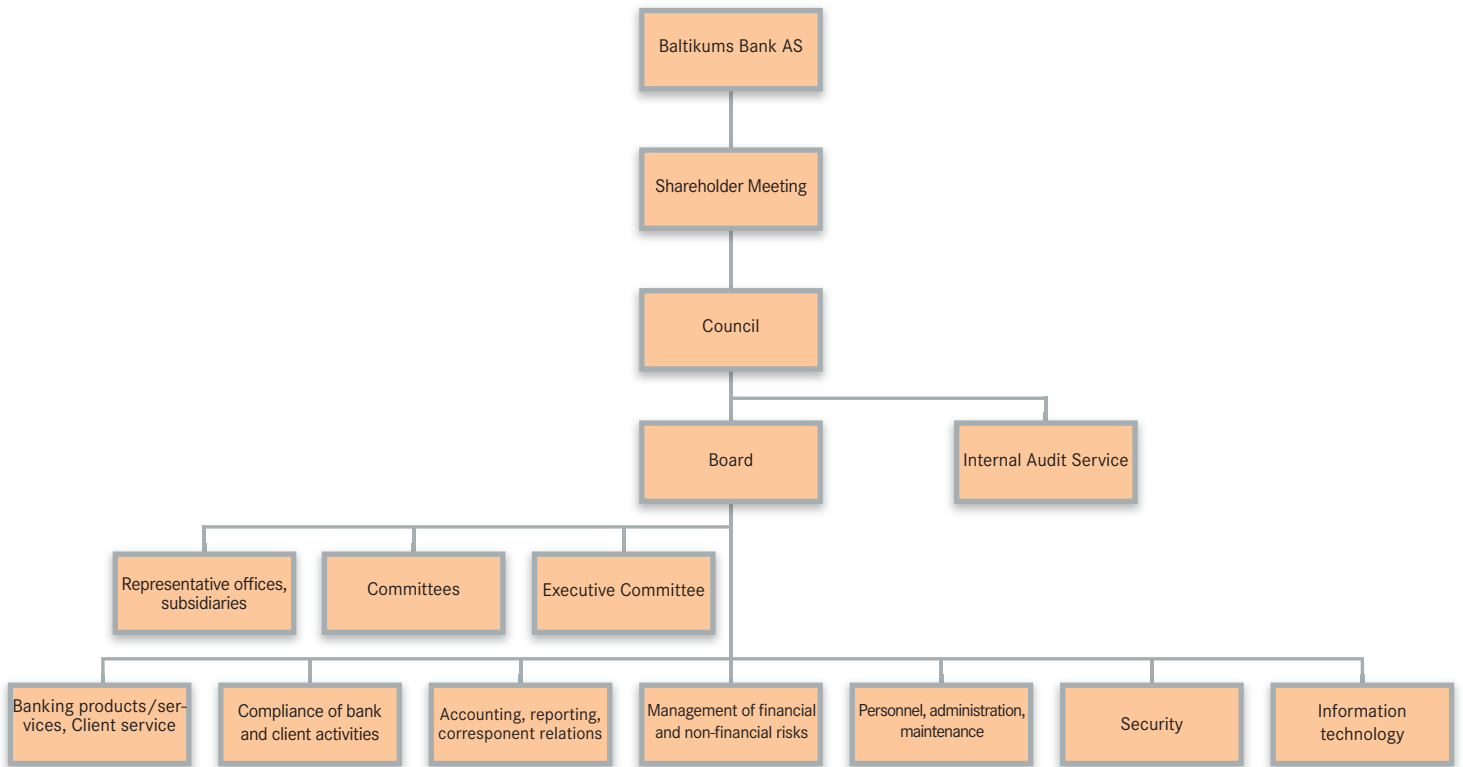
The Bank provides high-quality banking products and services to its target clients. As a priority, the Bank develops lines of business that correspond to its commercial model and core competencies, allowing it to leverage its strengths on highly competitive markets while taking on acceptable levels of 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
13.	Baltikums Luxembourg S.A. № B 171575	LU 42, rue de la Vallee, L-2661, Luxembourg	PLS	100%	MS

Consolidated Group Companies

(continued)

No.	Company name and registration No.	Registration country code, address	Type of business*	Equity/share of voting rights in company (%)	Reason for inclusion
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
16.	Kamaly Development UAB №300558022	LT Klaipėdos m. sav. Klaipėdos m., Karklu g. 12, Lithuania	PLS	100%	MS
17.	Baltikums AAS 40003387032	LV Ūdens iela12 -115, Rīga LV-1007, Latvia	CFI	99,72%	MTM
18.	Jēkaba 2 SIA 40103293621	LV Jēkaba iela 2, Rīga, LV-1050, Latvia	PLS	100%	MS
19.	Baltikums E-Centre Limited (№9690775, England and Wales)	GB 55 Park Lane - Suite 14, London W1 1NR, Great Britain	PLS	100%	MMS
20.	Baltikums E-Centre Limited (Cert. № 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:

Financial Analysis and Financial Risk Management Department and Operational Risk Management Department;

- ▶ Operational Risk Management Department;
- ▶ Internal Audit Service;
- ▶ Client Activity Compliance Department;
- ▶ Client Monitoring Department;
- ▶ Internal Audit Service.

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

30 September 2015

Item	30.09.2015, EUR'000	31.09.2014, EUR'000
Interest income	6 755	5 549
Interest expenses	-1 873	-953
Dividend income	2	6
Fee and commission income	12 963	14 165
Fee and commission expenses	-2 354	-1 084
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	1 388	-122
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	5 600	5 921
Gain/loss from ceasing recognition of property, equipment and appliances, investments in property and intangible assets	0	0
Other income	377	280
Other expenses	-1 403	-324
Administrative expenses	-11 294	-10 961
Depreciation	-214	-166
Net result of creating reserves	-1 020	-522
Recovery of written-off assets	0	2
Profit before corporate income tax	8 927	11 791
Corporate income tax	-830	-1 777
Profit for reporting period	8 097	10 014

Balance Overview

30 September 2015

Item	30.09.2015, EUR'000	31.12.2014, EUR'000 (Audited data)
Cash and on-demand claims on central banks	126 184	123 673
On-demand claims on credit institutions	168 255	161 881
Financial assets held for sale	17 951	54 203
Financial assets classified as carried at fair value through profit or loss	0	0
Financial assets available for sale	32 248	89
Loans and claims, including interbank loans	259 374	218 843
Investments held to maturity	80 146	32 000
Changes in fair value of risk-hedged portfolio	0	0
Accrued income and expenses for subsequent periods	171	161
Fixed assets	2 688	1 058
Investment properties	3 990	4 098
Intangible assets	906	737
Investment in the stock capital of related and associated companies	17 187	17 106
Tax assets	670	0
Other assets	9 229	7 470
Total assets	718 999	621 319
Due to central banks	0	0
Due on-demand to credit institutions	4 166	2 759
Financial liabilities held for trading	17	591
Financial liabilities classified as carried at fair value through profit or loss	0	0
Financial liabilities carried at amortised purchase cost	657 570	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	306	342
Reserves	628	510
Tax liabilities	0	12
Other liabilities	604	396
Total liabilities	663 291	569 700
Capital and reserves	55 708	51 619
Total capital, reserves and liabilities	718 999	621 319
Off-balance items		
Potential liabilities	322	369
Off-balance liabilities to clients	28 485	25 623

Equity and Capital Adequacy Calculation Overview

30 September 2015

No.	Item name	COREP item	Reporting period EUR'000
1	Equity (1.1.+1.2.)	C 01.00 1	61 588
1.1.	Tier I capital (1.1.1.+1.1.2.)	C 01.00 1.1.	46 040
1.1.1.	Tier I fixed capital	C 01.001.1.1.	46 040
1.1.2.	Tier I added capital	C 01.00 1.1.2.	0
1.2.	Tier II capital	C 01.00 1.2.	15 548
2.	Total value of risky transactions (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	C 02.00 1.	353 787
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.	284 592
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.	15 484
2.4.	Total value of risky transactions for operational risk	C 02.00 1.4.	53 710
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.	Capital indicators and capital levels		
3.1.	Tier I fixed capital indicator (1.1.1./2.*100)	C 03.00 1.	13.01
3.2.	Tier I fixed capital surplus (+)/ deficit(-) (1.1.1.-2.*4.5%)	C 03.00 2.	30 120
3.3.	Tier I capital indicator (1.1./2.*100)	C 03.00 3.	13.01
3.4.	Tier I capital surplus (+)/deficit (-) (1.1.-2.*6%)	C 03.00 4.	24 813
3.5.	Total capital indicator (1./2.*100)	C 03.00 5.	17.41
3.6.	Total capital surplus (+)/ deficit (-) (1.-2.*8%)	C 03.00 6.	33 285
4.	Total capital reserve requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	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.	Capital indicators with adjustment		
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.	13.01
5.3.	Tier I capital indicator with adjustment specified in row 5.1	C 03.00 9.	13.01
5.4.	Total capital indicator with adjustment specified in row 5.1	C 03.00 11."	17.41

Liquidity Indicator Calculation

30 September 2015

No.	Item name	Reporting period EUR'000
1	Liquid assets (1.1.+1.2.+1.3.+1.4.)	498 319
1.1	Cash	752
1.2	Demands on the Bank of Latvia	125 432
1.3	Demands on solvent credit institutions	321 851
1.4	Liquid securities	50 284
2	Current obligations with less than 30 days to maturity (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	654 943
2.1	Obligations to credit institutions	3 162
2.2	Deposits	612 434
2.3	Issued bonds and notes	0
2.4	Cash in transit	2 676
2.5	Other obligations	8 975
2.6	Off-balance obligations	27 696
3	Liquidity ratio (1.:2.) (%)	76.09%
4	Minimum liquidity indicator	30%

Performance Indicators

30 September 2015

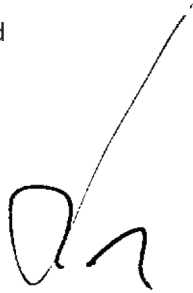
Item	30.09. 2015	30.09. 2014
Return on equity (ROE) (%)	19.5	25.00
Return on assets (ROA) (%)	1.5	2.60

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
U.S. central government	35 614			35 614
Sweeden	29 875	435		30 310
<i>Including central governments</i>	<i>8 841</i>	<i>33</i>		<i>8 874</i>
Russia	22 039	462		22 502
Other countries	41 187	766	-129	41 824
<i>Including central governments</i>	<i>5 310</i>	<i>95</i>		<i>5 404</i>
TOTAL	128 715	1 663	-129	130 250

Dmitrijs Latiševs
Chairman of the Board
CEO



Contact details

Address: Smilšu iela 6, Riga, LV-1050, Latvia

Phone: +371 67 031 333

Fax: +371 67 031 300

E-mail: info@baltikums.eu

Internet: www.baltikums.eu

SWIFT code: CBBRLV22