



BALTIKUMS BANK AS

I 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 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 (from 11.08.2014)

Sergejs Peškova, Deputy Chairman of the Council (from 11.08.2014)

Andrejs Kočetkova, Member of the Council (from 11.08.2014)

Board

Dmitrijs Latiševa, Chairman of the Board, Chief Executive Officer (CEO) (from 09.10.2015)

Mihails Kuzņecova, Member of the Board, Chief Client Service Officer (CCSO)(from 09.10.2015)

Inga Preimane, Member of the Board, Chief Risk Officer (CRO) (from 11.01.2016)

Ēriks Zaics, Member of the Board, Chief Security Officer (CSO) (from 11.01.2016)

Inga Mukāne, Member of the Board, Chief Compliance Officer (CCO) (to 10.01.2016)

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.

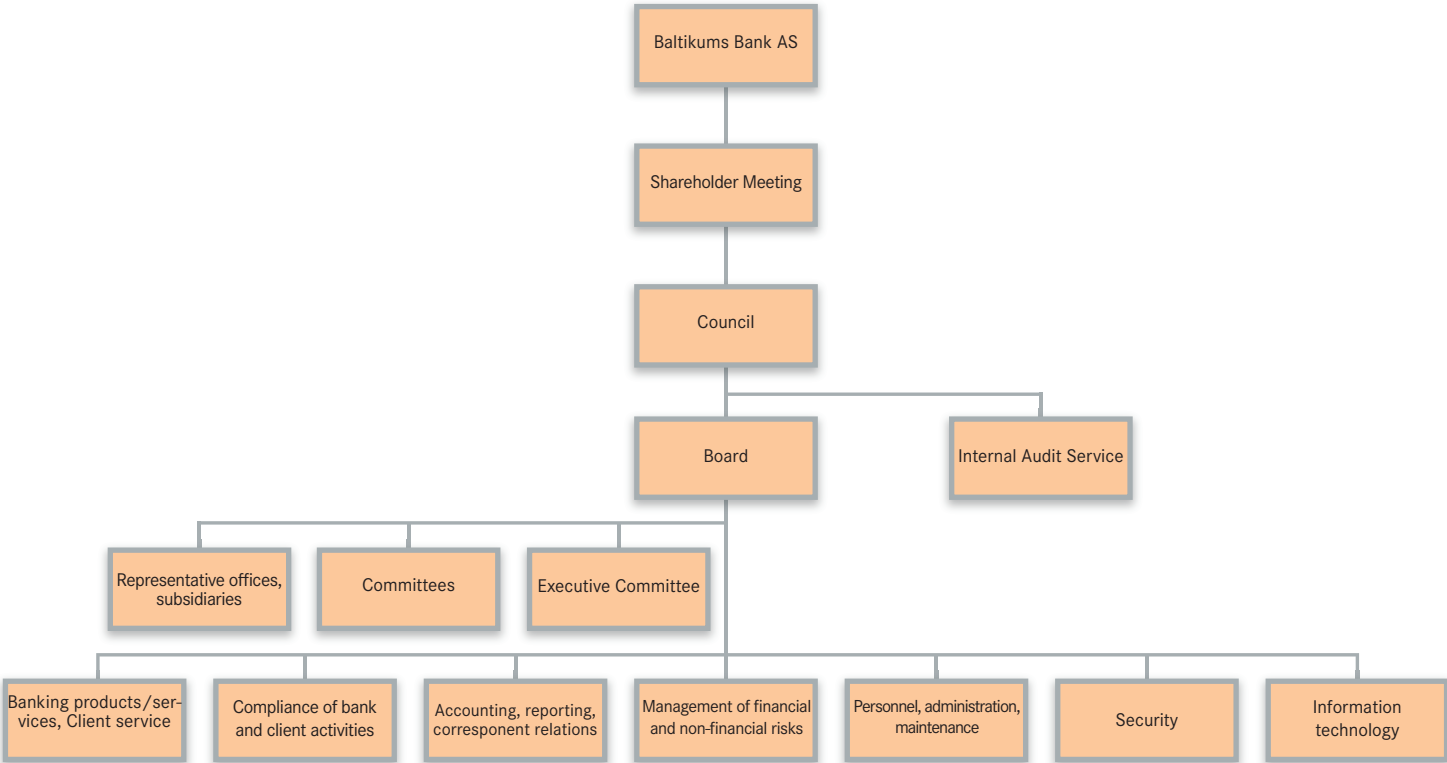
The Bank provides high-quality banking products and services to its target clients. As a priority, the Bank develops lines of business that correspond to its commercial model and core competencies, allowing it to leverage its strengths on highly competitive markets while taking on acceptable levels of 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.	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 March 2015

Item	31.03.2016, EUR'000	31.03.2015, EUR'000
Interest income	2 457	2 281
Interest expenses	(641)	(643)
Dividend income	1	1
Fee and commission income	6 234	3 378
Fee and commission expenses	(2 117)	(421)
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	254	1 051
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	1 781	1 484
Gain/loss from ceasing recognition of property, equipment and appliances, investments in property and intangible assets	0	0
Other income	73	76
Other expenses	(606)	(246)
Administrative expenses	(3 483)	(3 969)
Depreciation	(69)	(66)
Net result of creating reserves	(1 423)	(389)
Recovery of written-off assets	0	0
Profit before corporate income tax	2 461	2 537
Corporate income tax	(227)	(70)
Profit for reporting period	2 234	2 467

Balance Overview

31 March 2015

Item	31.05.2016, EUR'000	31.05.2015, EUR'000 (Audited data)
Cash and on-demand claims on central banks	131 382	146 784
On-demand claims on credit institutions	97 084	164 970
Financial assets held for sale	7 211	13 811
Financial assets classified as carried at fair value through profit or loss	0	0
Financial assets available for sale	94 280	57 443
Loans and claims, including interbank loans	230 628	253 059
Investments held to maturity	84 531	83 861
Changes in fair value of risk-hedged portfolio	0	0
Accrued income and expenses for subsequent periods	261	165
Fixed assets	2 999	2 592
Investment properties	2 527	2 527
Intangible assets	921	884
Investment in the stock capital of related and associated companies	15 845	15 315
Tax assets	204	998
Other assets	16 121	10 284
Total assets	683 994	752 693
Due to central banks	0	0
Due on-demand to credit institutions	4 818	2 725
Financial liabilities held for trading	24	60
Financial liabilities classified as carried at fair value through profit or loss	0	0
Financial liabilities carried at amortised purchase cost	617 836	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	468	376
Reserves	477	495
Tax liabilities	0	0
Other liabilities	3 072	4 361
Total liabilities	626 695	697 768
Capital and reserves	57 299	54 925
Total capital, reserves and liabilities	683 994	752 693
Off-balance items		
Potential liabilities	67	244
Off-balance liabilities to clients	32 113	34 108

Equity and Capital Adequacy Calculation Overview

31 March 2015

No.	Item name	COREP item	Reporting period EUR'000
1	Equity (1.1.+1.2.)	C 01.00 1	74 000
1.1.	Tier I capital (1.1.1.+1.1.2.)	C 01.00 1.1.	53 377
1.1.1.	Tier I fixed capital	C 01.001.1.1.	53 377
1.1.2.	Tier I added capital	C 01.00 1.1.2.	0
1.2.	Tier II capital	C 01.00 1.2.	20 623
2.	Total value of risky transactions (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	C 02.00 1.	327 095
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.	260 122
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.	10 998
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
3.	Capital indicators and capital levels		
3.1.	Tier I fixed capital indicator (1.1.1./2.*100)	C 03.00 1.	16.32
3.2.	Tier I fixed capital surplus (+)/ deficit(-) (1.1.1.-2.*4.5%)	C 03.00 2.	38 658
3.3.	Tier I capital indicator (1.1./2.*100)	C 03.00 3.	16.32
3.4.	Tier I capital surplus (+)/deficit (-) (1.1.-2.*6%)	C 03.00 4.	33 751
3.5.	Total capital indicator (1./2.*100)	C 03.00 5.	22.62
3.6.	Total capital surplus (+)/ deficit (-) (1.-2.*8%)	C 03.00 6.	47 832
4.	Total capital reserve requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	C 04.00 27.	2.543
4.1.	Capital preservation reserve (%)		2.5
4.2.	Institution-specific counter-cyclical capital reserve (%)		0.043
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.	16.32
5.3.	Tier I capital indicator with adjustment specified in row 5.1	C 03.00 9.	16.32
5.4.	Total capital indicator with adjustment specified in row 5.1	C 03.00 11."	22.62

Liquidity Indicator Calculation

31 March 2015

No.	Item name	Reporting period EUR'000
1	Liquid assets (1.1.+1.2.+1.3.+1.4.)	451 737
1.1	Cash	1 187
1.2	Demands on the Bank of Latvia	130 196
1.3	Demands on solvent credit institutions	219 834
1.4	Liquid securities	100 520
2	Current obligations with less than 30 days to maturity (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	616 097
2.1	Obligations to credit institutions	4 893
2.2	Deposits	572 581
2.3	Issued bonds and notes	0
2.4	Cash in transit	2 909
2.5	Other obligations	4 106
2.6	Off-balance obligations	31 608
3	Liquidity ratio (1.:2.) (%)	73.32%
4	Minimum liquidity indicator	30%

Performance Indicators

31 March 2015

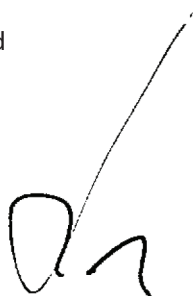
Item	31.03. 2016	31.03. 2015
Return on equity (ROE) (%)	15,74	17,00
Return on assets (ROA) (%)	1,2	1,50

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
International organisations	45 771	134	0	45 905	1 775	(16)
USA central government	31 604	0	0	31 604	0	12
Sweden	29 368	166	0	29 534	29 409	0
<i>incl. central government</i>	<i>8 678</i>	<i>32</i>	<i>0</i>	<i>8 710</i>	<i>8 665</i>	<i>0</i>
Germany	19 793	159	0	19 952	6 627	(4)
Russia	16 120	341	0	16 461	14 788	0
Brazil	7 639	119	0	7 758	5 970	0
Other countries	34 286	414	(127)	34 573	25 497	82
<i>incl. central governments</i>	<i>5 249</i>	<i>1</i>	<i>0</i>	<i>5 250</i>	<i>0</i>	<i>70</i>
TOTAL	184 581	1 333	-127	185 787	84 066	74

Dmitrijs Latiševs
Chairman of the Board
CEO



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