



Baltic International Bank

JSC “Baltic International Bank”

Publicly Available Quarterly Financial Statements
for the period ended 30 June, 2015

Table of contents

3	Report from the Bank's (Group's) Senior Management
5	Members of the consolidation group
5	Bank's shareholders
6	Bank's senior management
7	Bank's organisational structure
8	Bank's Operational Strategy And Operational Objectives
9	Risk management
9	The Bank's performance ratios
10	Income statement
11	Balance sheet statement
12	Overview of own funds and capital ratios
13	Liquidity ratio calculation
14	Note 1. Securities portfolio
15	Note 2. Debt securities of central governments

Publicly Available Quarterly Financial Statements for the period ended 30 June, 2015

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

For financial market participants, 2Q 2015 was associated with the risks posed by the situation surrounding Greece, a sharp slowdown in Chinese economic growth, the reaching of the agreement over Iran's nuclear programme and a step-by-step lifting of sanctions on Iran, and a further reinforcement of the U.S. dollar and decline in the euro's value. The global economy continued to pick up at a moderate pace. The world economy will grow 3.3 percent in 2015, a little bit less than in 2014, according to the IMF. Latvia's economy also demonstrates moderate growth (up 2.6% compared with 2Q 2014). This may lead to greater optimism among businesspeople and hence to greater investor activity. However, the geopolitical tensions still jeopardize robust growth prospects.

In 2Q 2015, assets of Baltic International Bank (Bank) (the Group's figures are shown within the brackets) surpassed the half-million mark to stand at EUR 521.60 (521.73) million. The Bank recorded a profit of EUR 2.58 (2.57) million. The Bank's operating income exceeded EUR 10 million. The net fee and commission income rose 32.7 percent from the same period last year, a record level boosted by a surge in the customer base and a more intense use of banking services. Payments and settlements, e-commerce and payment cards, brokerage services, margin trading and asset management contributed largely to the growth of fee and commission income. Forex transactions showed excellent results. Income from forex trading grew four-fold compared with the same period in 2014. The net interest income declined amid negative interest rates in the eurozone.

The Bank continued to diversify its assets, reduce its holdings of correspondent account balances and invest in riskless bonds. In 2Q 2015, the portfolio of available-for-sale securities increased by 91.58% or EUR 80.00 million. The volume of the

securities portfolio reached EUR 177.30 million, or 33.99% (33.98%) of the total assets as at 30 June 2015. Fixed-income debt securities of the issuers carrying high-grade credit ratings represent the major holding within the securities portfolio. The securities generate a stable rate of return. The percentage of securities rated 'A-' and higher made up 90.54% of the total portfolio. Investments in sovereign debt securities issued by the governments of the USA, Poland, Lithuania, Latvia and Turkey make up 34.35% of the portfolio. Bonds issued by multilateral development banks (MDBs) account for 42.13% of the portfolio.

In line with the Bank's wealth preservation strategy, the main portion of the assets (41.68% (41.67%)), apart from risk-free bonds, was predominantly represented by investment-grade 'due from credit institutions' (more than 80 percent of the total 'due from credit institutions'). This enabled the Bank to maintain its liquidity ratio higher than 90% (30 June 2015: 91.35%). The Bank's liquidity coverage ratio (LCR) many-fold exceeded 100 percent.

Measures aimed at establishing a stable funding base and long-term partner relationships with customers enabled the Bank to increase the volume of subordinated deposits by 11.32% to reach EUR 18.59 million. The newly-acquired deposits spurred the reinforcement of the Bank's capital base. As at 30 June 2015, the capital adequacy ratio (CAR) was 16.3% (16.1%). This is a 2.2-percentage point increase over the figure recorded at the end of 2014. The growth of the CAR is expected to foster the growth of business volumes and to serve as a safety buffer to protect against external shocks and depreciation of the assets, thus guaranteeing the Bank's financial soundness.

The total customer funds, including assets under management, brokerage portfolio, debt securities issued, customer deposits and subordinated

Publicly Available Quarterly Financial Statements for the period ended 30 June, 2015

deposits totalled EUR 674.91 (674.88) million) as at 30 June 2015, virtually the same volume as at the end of 2014. A slight decrease in the deposits (-1.18%) was caused by redistribution of the customer funds and their transfer to the brokerage portfolio (a 25.71-percent increase in the volume).

While continuing to develop the area of alternative investments, the Bank replenished its product-and-service portfolio with new projects available for co-financing by customers. The portfolio comprises projects related to real estate development in Latvia and the UK. The first half-year results point to a growing activity of customers: the volume of customer funds to be invested in co-financing business projects increased threefold over then first six months of 2015.

In 2Q 2015, the Bank focused specifically on distressed assets. As a result, the Bank reduced its exposures in Ukraine. The loan portfolio therefore shrank by 13.12% (13.53%). The loan portfolio totalled EUR 84.93 (83.09) million as at 30 June 2015 and made up 16.28% (15.92%) of the total assets.

In 2Q 2015, the Bank continued to support cultural and social projects. The Bank sponsored the presentation of the Annual Latvian Literary Award (LALIGABA) to the outstanding Latvian literati. This was the year's most notable literary event in Latvia.

The Chairperson of the Bank's Board and a member of the Council of the Association of Commercial

Banks of Latvia (ACBL) Ilona Gulchak participated in the Eurofi High Level Seminar 2015 organised in Riga by Eurofi in association with the Latvian EU Council Presidency. The main topics were the evolving role of banks in the EU economy and regulation of the EU financial sector. The Bank also participated in investment conferences WealthPro 2015 held in Moscow and St Petersburg. The conferences pooled together wealth management and investment experts from Europe, the CIS, the Mid East and Asia. The Bank's representatives arranged a presentation dedicated to alternative investment solutions.

Also, the Bank kept its attention focused on significant social events. The Bank's team participated in the Riga Marathon, a major racing event in Latvia. At the end of April, the Bank's employees took part in Latvia-wide environmental cleanup. Thus, they demonstrated unwavering commitment to common values, including sustainable development and environmental protection. As the Bank's strategy and vision is to keep its business going in the context of long-term development, the Bank participated in the European Enterprises Climate Cup (EECC) competition.

The Bank once again received the Sustainability Award presented by the then newly-elected Latvia's President Raimonds Vejonis. The Bank was particularly recognised for its achievements in areas such as strategic planning, environmental protection, and co-operation with the local community.

Publicly Available Quarterly Financial Statements
for the period ended 30 June, 2015

Members of the consolidation group

No	Company name and registration number	Code of registration state and address	Institution type ¹	Ownership interest (%)	Percentage of voting rights (%)	Rationale behind the inclusion within the group ²
1	AS "Baltic International Bank", 40003127883	LV, Kalēju iela 43, Rīga	BNK	100	100	PC
2	SIA "BIB Consulting", 50103457291	LV, Grēcinieku iela 6, Rīga	SE	100	100	PCS
3	SIA "BIB Real Estate", 40003868021	LV, Kalēju iela 41, Rīga	OFI	100	100	PCS
4	SIA "Gaujas īpašumi", 40103249888	LV, Kalēju iela 41, Rīga	OFI	100	100	SCS
5	SIA "Global Investments", 40003785660	LV, Merkeļa iela 6-11, Rīga	OFI	100	100	SCS

¹ BNK – bank; OFI – other financial institution; SE – supporting enterprise.

² PC – parent company; PCS – parent company subsidiary company; SCS – subsidiary company subsidiary company.

Bank's shareholders

The Bank's share capital totals EUR 29 496 389 and is divided into 4 154 421 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 93 shareholders, 28 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 – 69.89467%
- Vilori Belokon – 30.00969%.

Publicly Available Quarterly Financial Statements
for the period ended 30 June, 2015

Bank's senior management

Supervisory Council (30.06.2015)

Name and surname	Position
Valeri Belokon	Chairperson of the Council
Albert Reznik	Deputy Chairperson of the Council
Vlada Belokon	Member of the Council

Management Board (30.06.2015)

Name and surname	Position
Ilona Gulchak	Chairperson of the Board
Natalja Tkachenko	Deputy Chairperson of the Board
Alon Nodelman	Member of the Board
Dinars Kolpakovs	Member of the Board
Inese Lazdovska	Member of the Board
Martins Neibergs	Member of the Board

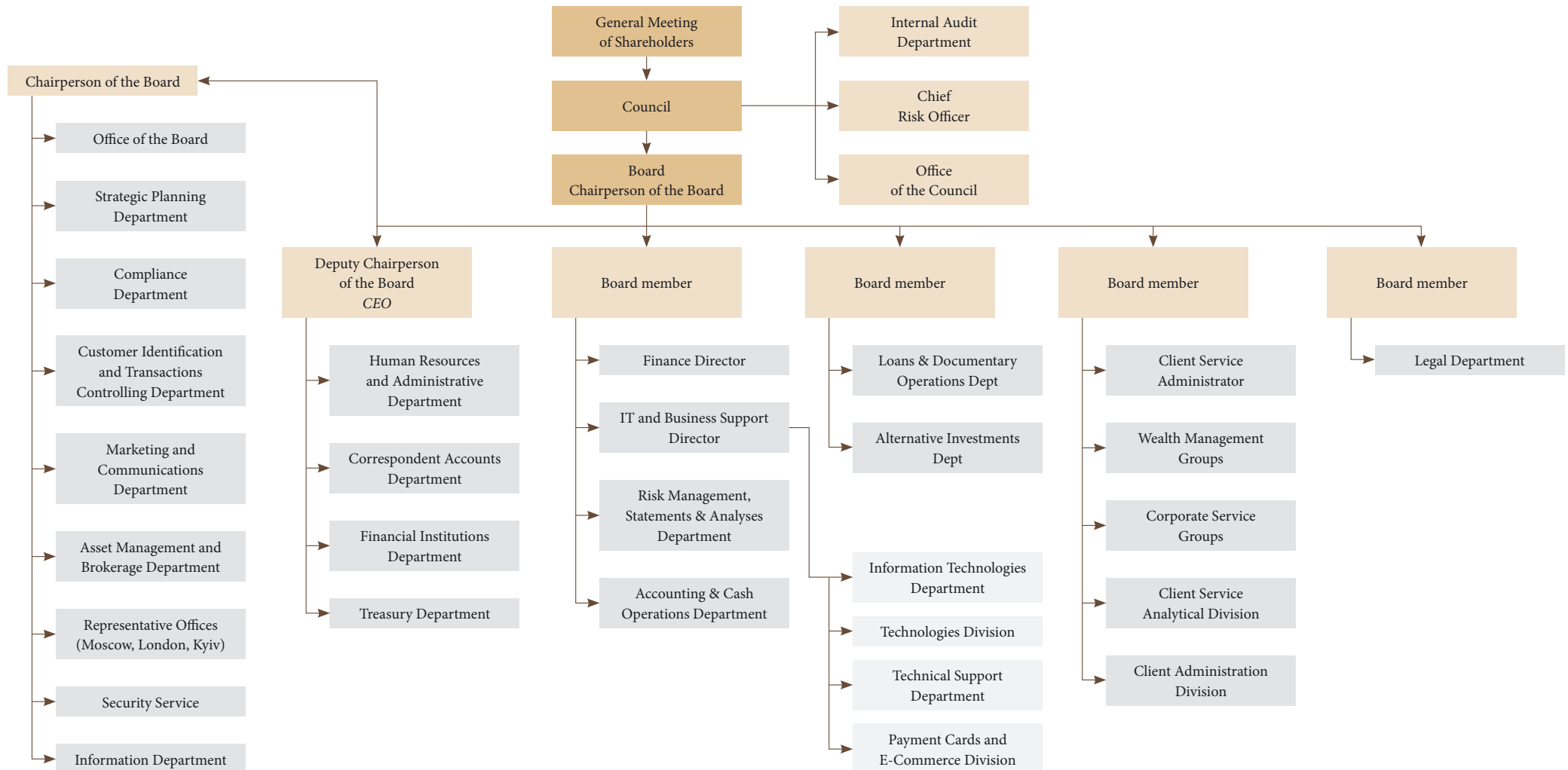
During 2Q 2015 the following changes were made in the composition of the Board:

The newly-appointed Martins Neibergs, Head of the Loan and Documentary Operations Department,

has taken on Board-related responsibilities with effect from 16 June. As a member of the Board, he will be specifically responsible for development of alternative investments, loan services and documentary operations.

Publicly Available Quarterly Financial Statements
for the period ended 31 March, 2015

Bank's organisational structure



Bank's Operational Strategy and Operational Objectives

Since its foundation in 1993, Bank's strategy has remained unchanged: to provide high-net-worth individuals (HNWIs) and their family members a high level of bespoke customer service traditionally offered by private banks in Western Europe. Taking into account the global changes while still staying committed to our chosen path, Bank has devised a new operational strategy. Under the new strategy, our **vision is to be a sustainable** Latvia-based bank that provides HNWIs with a **superb** level of personalised **service** and **socially responsible** wealth management **tailored to suit** both their personal and business needs.

The things falling under the concept of 'Bank's **sustainable** development' include to:

1. Ensure long-term profitability for our shareholders.
2. Invest in sustainable assets and manage the assets in a socially responsible manner.
3. Ensure **corporate governance** in Bank in accordance with the Corporate Governance Guidance and Principles for Unlisted Companies in the Baltics for the purpose of maintaining a framework for interaction among the shareholders, Council member, Board members and other stakeholders and a framework of Bank's processes and attitudes that add value to the business, help build its reputation and ensure transparency of the business, long-term continuity and success; actively co-participate in the banking association.
4. Ensure that **work arrangement and workplace environment** motivate an employee to establish long-term relationship with Bank, work effectively and achieve work-life balance.
5. Ensure **fair commercial practices** through supporting a fair competition, preventing

interest of conflict, adhering to high ethical standards of conduct, building up self-respect and respect towards the co-workers and shareholders, customers and partners, and demonstrating a strong sense of responsibility for work done and decisions made.

6. Communicate with our **customers** in a transparent language by providing fair, clear and non-misleading information about our performance, results, products, services, and fees charged, thus helping the customers make informed decisions; handle and resolve all customer complaints and grievances.
7. Offer our **customers** opportunities to invest in socially responsible and sustainable projects.
8. Ensure the **development of the local community and involvement of the community members** in today's programs and initiatives by encouraging the protection of cultural and historical heritage in the Baltic States, supporting national conservation efforts, and integrating modern urban features into Riga's historic centre.

When choosing representative gifts for our customers and partners, we give preference to articles (goods) made in Latvia.

Socially responsible and **customised** wealth management implies that we:

1. elicit customer's specific wishes and needs and risk tolerance; offer customer a range of suitable banking products and services.
2. ensure transparency at any stage of wealth management.
3. invest funds in sustainable sectors and business projects.
4. ensure customer privacy.

Publicly Available Quarterly Financial Statements for the period ended 30 June, 2015

A focus on **customer service excellence** means to:

1. strive to create added value that meets and even exceeds the expectations of our customers.
2. maintain excellent long-term results.

Risk management

The information about risk management is available in 2014 Annual Report from page 36 till page 42 on JSC “Baltic International Bank” web page <http://www.bib.lv/en/about-bank/reports>. Since 31 December 2014 there are no any material changes in risk management.

The Bank’s performance ratios

Item	01.01.2015–30.06.2015 (unaudited)	01.01.2014–30.06.2014 (unaudited)
Return on Equity (ROE) (%)	15.41	1.63
Return on Assets (ROA) (%)	0.94	0.15

Publicly Available Quarterly Financial Statements
for the period ended 30 June, 2015

Income statement

Item	01.01.2015–30.06.2015 (unaudited)		01.01.2014.–30.06.2014 (unaudited)	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income	3 347	3 382	3 904	3 937
Interest expense	-1 547	-1 547	-1 213	-1 213
Dividend income	1	1	1	1
Fee and commission income	4 675	4 675	3 189	3 189
Fee and commission expense	-1 201	-1 201	-572	-572
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	0	0	209	209
Net gain/loss on financial assets and financial liabilities held for trading	-15	-15	-336	-336
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	4 578	4 589	1 146	1 146
Gain/loss on derecognition of property, plant and equipment, investment property and intangible assets	0	0	0	0
Other income	249	137	308	183
Other expenses	-87	-84	-113	-106
Administrative expenses	-5 812	-5 747	-5 555	-5 448
Depreciation	-668	-668	-616	-616
Result of provisions for doubtful debts	-538	-538	-101	-101
Impairment losses	0	0	0	0
Profit/loss before corporate income tax	2 982	2 984	251	273
Corporate income tax	-408	-408	0	0
Profit/loss for the current year	2 574	2 576	251	273

Publicly Available Quarterly Financial Statements
for the period ended 30 June, 2015

Balance sheet statement

Item	30.06.2015 (unaudited)		31.12.2014 (audited)	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and due from central banks repayable on demand	7 491	7 490	23 530	23 525
Due from credit institutions repayable on demand	206 693	206 693	267 010	267 010
Financial assets held for trading	597	597	2 882	2 882
Financial assets at fair value through profit or loss	0	0	0	0
Financial assets available for sale	167 355	167 355	87 357	87 357
Loans and receivables	93 783	95 630	106 668	108 335
<i>Other due from credit institutions</i>	10 698	10 698	10 581	10 581
<i>Loans</i>	83 085	84 932	96 087	97 754
Investments held to maturity	9 419	9 419	8 731	8 731
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	385	385	2 386	2 388
Fixed assets	17 290	17 290	17 401	17 401
Investment property	7 496	3 918	7 476	3 918
Intangible assets	4 124	4 124	4 321	4 321
Investments in associated and related companies	1 144	3 088	1 145	3 088
Current tax assets	0	0	285	285
Other assets	5 950	5 613	1 769	1 626
Total assets	521 727	521 602	530 961	530 867
Liabilities to central banks	3 784	3 784	3 782	3 782
Due to credit institutions repayable on demand	275	275	277	277
Financial liabilities held for trading	75	75	1 965	1 965
Financial liabilities at fair value through profit or loss	0	0	0	0
Financial liabilities valued at depreciated cost	478 714	478 736	489 355	489 366
<i>Term liabilities due to credit institutions</i>	0	0	6 178	6 178
<i>Deposits</i>	442 932	442 954	448 233	448 244
<i>Subordinated liabilities</i>	18 592	18 592	16 702	16 702
<i>Debt securities in issue</i>	17 190	17 190	18 242	18 242
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	494	494	1 488	1 483
Provisions	0	0	0	0
Tax liabilities	1 548	1 548	1 139	1 139
Other liabilities	2 699	2 209	1 617	1 177
Total liabilities	487 589	487 121	499 623	499 189
Shareholders' equity	34 138	34 481	31 338	31 678
Total liabilities and shareholders' equity	521 727	521 602	530 961	530 867
Memorandum items				
Contingent liabilities	3 779	3 779	2 961	2 961
Commitments to customers	3 826	3 908	12 040	12 135

Publicly Available Quarterly Financial Statements
for the period ended 30 June, 2015

Overview of own funds and capital ratios

№	Item	30.06.2015 (unaudited)	
		Group EUR'000	Bank EUR'000
1.	Own funds (1.1.+1.2.)	36 772	37 393
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	25 820	26 441
1.1.1.	Common equity Tier 1 capital (CET1 capital)	25 820	26 441
1.1.2.	Additional Tier 1 capital	0	0
1.2.	Tier 2 capital	10 952	10 952
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	228 646	229 301
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	201 191	202 051
2.2.	Total risk exposure amount for settlement/delivery	0	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	1 184	1 184
2.4.	Total risk exposure amount for operational risk	26 271	26 066
2.5.	Total risk exposure amount for credit valuation adjustment	0	0
2.6.	Total risk exposure amount related to large exposures in the trading book	0	0
2.7.	Other risk exposure amounts	0	0
3.	Capital ratios and capital levels		
3.1.	CET1 capital ratio (1.1.1./2.*100)	11.29	11.53
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	15 531	16 122
3.3.	T1 capital ratio (1.1./2.*100)	11.29	11.53
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	12 102	12 683
3.5.	Total capital ratio (1./2.*100)	16.08	16.31
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	18 482	19 050
4.	Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	2.5	2.5
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
5.	Capital ratios due to adjustments		
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. (%)	11.29	11.53
5.3.	Tier 1 capital ratio due to adjustments defined in row No 5.1. (%)	11.29	11.53
5.4.	Total capital ratio due to adjustments defined in row No 5.1. (%)	16.08	16.31

Publicly Available Quarterly Financial Statements
for the period ended 30 June, 2015

Liquidity ratio calculation

		30.06.2015 (unaudited)
№	Item	Bank EUR'000
1	Liquid assets	366 626
1.1.	Vault cash	1 316
1.2.	Balances due from Bank of Latvia	6 175
1.3.	Balances due from solvent credit institutions	205 220
1.4.	Liquid securities	153 915
2	Current liabilities (residual maturity of up to 30 days)	401 353
2.1.	Balances due to credit institutions	275
2.2.	Deposits	391 587
2.3.	Debt securities in issue	0
2.4.	Money in transit	1 646
2.5.	Other current liabilities	4 028
2.6.	Off-balance sheet items	3 817
3	Liquidity ratio (1:2) (%)	91.35
4	Minimum liquidity ratio (%)	30.00

Publicly Available Quarterly Financial Statements
for the period ended 30 June, 2015

Note 1. Securities portfolio

The Bank's securities portfolio breaks down by country:

	30.06.2015 (unaudited)			
	Financial assets held for trading EUR'000	Financial assets available for sale EUR'000	Investments held to maturity EUR'000	Total EUR'000
Multilateral development banks	0	74 687	0	74 687
USA	0	44 687	0	44 687
Germany	0	13 500	0	13 500
Sweden	0	8 952	0	8 952
Lithuania	0	4 903	2 554	7 457
United Kingdom	0	7 028	0	7 028
Latvia	2	3 425	2 756	6 183
Denmark	0	4 522	0	4 522
Other countries*	520	5 651	4 109	10 280
total	522	167 355	9 419	177 296

*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.

	31.12.2014 (audited)			
	Financial assets held for trading EUR'000	Financial assets available for sale EUR'000	Investments held to maturity EUR'000	Total EUR'000
Multilateral development banks	0	50 040	0	50 040
Germany	0	8 289	0	8 289
Sweden	0	8 248	0	8 248
Lithuania	0	4 541	2 374	6 915
United Kingdom	0	6 419	0	6 419
Latvia	1	3 245	2 550	5 796
Denmark	0	4 149	0	4 149
Other countries*	476	2 426	3 807	6 709
total	477	87 357	8 731	96 565

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

Publicly Available Quarterly Financial Statements
for the period ended 30 June, 2015

Note 2. Debt securities of central governments

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

	30.06.2015 (unaudited) Carrying value EUR'000	31.12.2014 (audited) Carrying value EUR'000
USA	44 687	0
Lithuania	7 457	6 915
Latvia	5 662	5 254
Other countries*	3 093	987
total	60 899	13 156

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