



Baltic International Bank

JSC "BALTIC INTERNATIONAL BANK"
PUBLICLY AVAILABLE QUARTERLY FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH, 2017



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

In 1Q 2017, the Bank (the Group-related financials are enclosed within the parentheses) posted the following financial results:

- Profit: EUR 2.14 million (EUR 2.07 million);
- Capital adequacy ratio: 14.77 percent (14.70 percent);
- Liquidity ratio: 67.28 percent;
- Return on equity (ROE) landed at 26.63 percent;
- Assets: EUR 272.67 million (EUR 272.29 million);
- Assets under management: EUR 76.56 million (EUR 76.56 million);
- The value of financial instruments in brokerage service totalled EUR 107.14 million (EUR 107.14 million).

The operating income totalled EUR 5.96 million (EUR 5.96 million). The structure of the Bank's operating income was heavily dominated by income from trade transactions totalling 66.5 percent (66.5 percent). The percentage of fee and commission income dropped to 17.2 percent (17.2 percent) from 21.4 percent (21.3 percent) compared to the same period last year. The net interest income increased by 24.9 percent (26.6 percent) and reached EUR 0.91 million (EUR 0.91 million), largely due to the reduction of interest expense.

The Bank's operating expense saw increase of up to EUR 3.74 million (EUR 3.81 million), a 9.6 percent (10.1 percent) rise over the past year. The expense was primarily driven by: (1) personnel management policy-related costs which increased overall by 10.3 percent (10.3 percent) up to EUR 2.15 million (EUR 2.15 million) (2) expenses incurred in connection with professional services provided to the Bank, whose

amount totalled EUR 0.18 million (EUR 0.18 million).

The asset structure is still predominantly represented by investments in available-for-sale financial assets: EUR 64.80 million (EUR 64.80 million) or 23.8 percent (23.8 percent) of the total assets. High quality liquid assets: (assets carrying investment-grade credit ratings and balances due from the Bank of Latvia) totalled EUR 116.30 million (EUR 116.30 million) or 42.7 percent (42.7 percent) of the total assets. Investments in government bonds totalled EUR 37.27 million (EUR 37.27 million) or 13.7 percent (13.7 percent) of the total assets.

Compared to the figure recorded as of 31 March 2016, the Bank's loan portfolio increased by 24.07 percent (25.30 percent) to reach EUR 85.90 million (EUR 84.41 million). The portfolio's growth is mainly associated with the granting of loans to foreign borrowers. The percentage of the foreign borrowers rose therefore to 66.04 percent (72.25 percent) from 49.39 percent (50.76 percent).

The liquidity ratios exceed the regulatory thresholds. As of 31 March 2017, the liquidity ratio was 67.28 percent. The structure of liquid assets is well diversified, as represented by bonds (44 percent), due from credit institutions (21 percent), due from the Bank of Latvia (33 percent), and cash (2 percent). The liquidity coverage ratio (LCR) totalled 324.86 percent (381.34 percent). The Bank's net stable funding ratio (NSFR) reached 129.60 percent (130.78 percent). NSFR requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities.



As of 31 March 2017, the Bank's own funds totalled EUR 33.46 million (EUR 33.16 million). The Bank's Tier I capital ratio (CETI) totalled 11.51 percent (11.44 percent). Having reached 14.77 percent (14.70 percent), the total capital ratio exceeds the individual ratio, as set by the Financial and Capital Market Commission, by 4.57 percentage points. By the end of 1Q 2017, the leverage ratio¹ was 9.62 percent (9.55 percent).

¹ The calculation is based on the CET1 figures and the data relevant to the assets and off-balance sheet liabilities as of 31 March 2017.



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 "CLAIM MANAGEMENT", 40103681310	LV, Kalēju iela 47-1, Rīga	OFI	100	100	PCS
3	AS "BIB Alternative Investment Management", 40203036638	LV, Kalēju iela 43 - 4, Rīga	OFI	100	100	PCS
4	SIA "BIB real Estate", 40003868021	LV, Kalēju iela 41, Rīga	OFI	100	100	PCS
5	SIA "Gaujas īpašumi", 40103249888	LV, Kalēju iela 41, Rīga	OFI	100	100	SCS
6	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 subscribed and paid-in share capital totals EUR 31 496 395 and is divided into 4 436 112 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 92 shareholders, 27 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 – 69,89891%
- Vilori Belokon – 30,04633%.



Bank's senior management

SUPERVISORY COUNCIL (31.03.2017)

Name and surname	Position
Valeri Belokon	Chairperson of the Council
Vlada Belokon	Deputy Chairperson of the Council
Andris Ozolins	Member of the Council
Hans-Friedrich Von Ploetz	Member of the Council
Joseph Cofer Black	Member of the Council

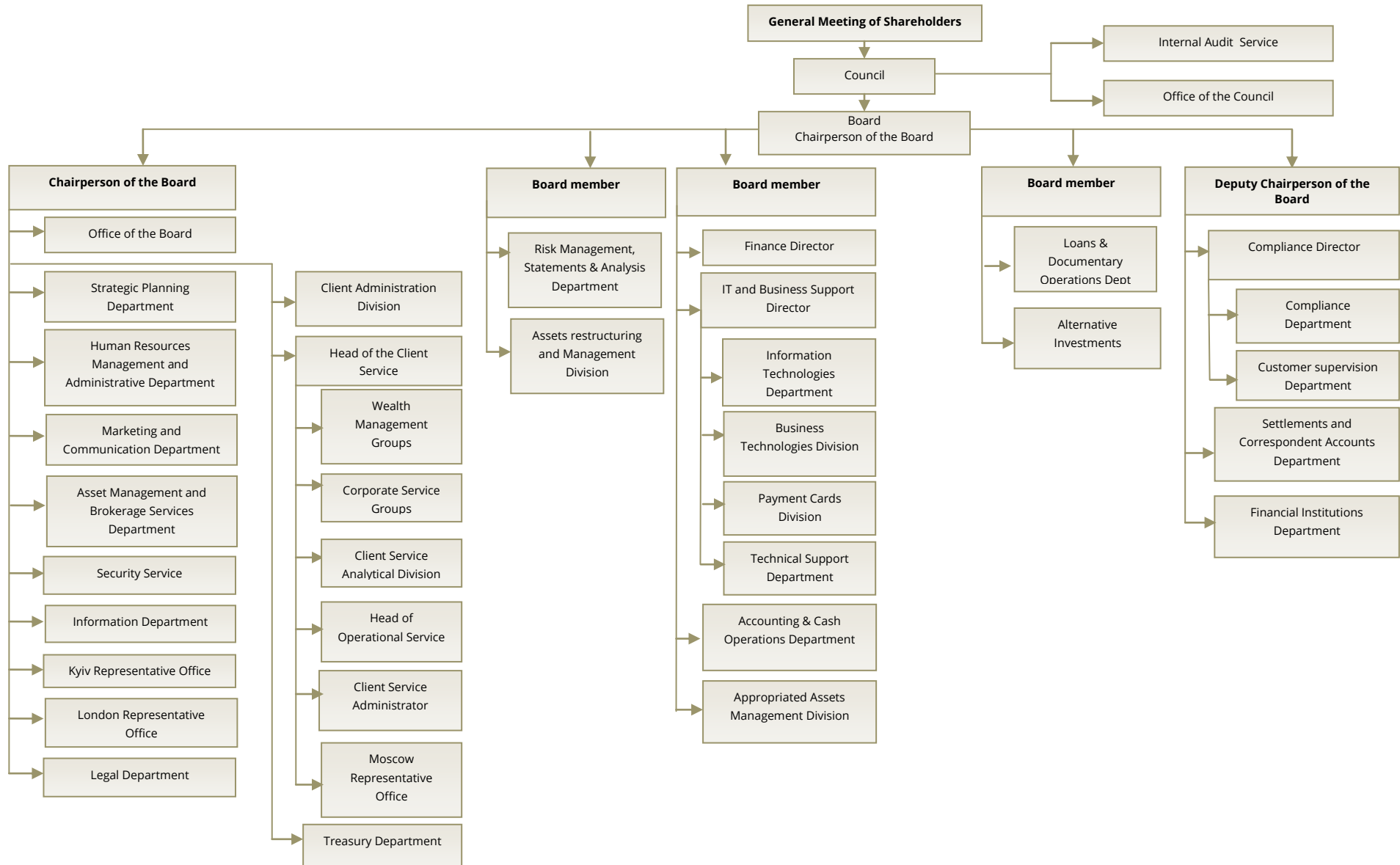
MANAGEMENT BOARD (31.03.2017)

Name and surname	Position
Ilona Gulchak	Chairperson of the Board
Natalja Tkachenko	Deputy Chairperson of the Board
Alon Nodelman	Member of the Board
Martins Neibergs	Member of the Board
Bogdan Andrushchenko	Member of the Board

During the period from 1 April 2017 to the date of the announcement of these financial statements the following changes were made in the composition of JSC "Baltic International Bank" Management Board: Natalja Tkachenko (02.05.20017) has withdrawn her membership in the Management Board of JSC "Baltic International Bank".



Bank's organisational structure





Bank's operational strategy and operational objectives

Bank's strategy has always been geared towards providing bespoke services to HNWIs and corporate customers, managing customers' wealth responsibly, and offering excellent top-level personalised service. Over the past few years, the banking sector both in Latvia and around the world experienced drastic changes. To ensure sustainable operations and development in the ever-changing market circumstances, the Bank adopted its new *Strategy 2030* in autumn 2016.

Strategy based on ESG concept

One of the major **goals** of the *Bank's Strategy 2030* is to become a bank which, together with its customers, through generations, invests in environmentally-friendly and sustainable projects and companies which are dedicated to similar environmental values and which exert a positive long-term impact on the future.

The Bank's operational strategy is based on ESG concept. ESG refers to considering the environmental, social and governance issues. The ESG concept focuses on environmental protection, social responsibility and principles of good governance.

Customers

The Bank's **customers** are individuals for whom socially responsible investment is an integral and essential part of capital allocation decision-making. By seizing Bank-offered opportunities, our customers not only realise their intention to earn money from investing but also positively shape the world around and acquire new experience and knowledge.

The Bank's objective is to maintain geographically diversified customer base, to focus more intensely on customers from Europe and Asia and to pinpoint new market segments. We help our customers safeguard and grow their wealth, pass the wealth on to future generations, and create harmonious future environment.

Team

The Bank's objective is to employ a highly professional team of experts to be able to provide personalised services to the customers and ensure safety, security, accessibility and growth of their money. We purposefully enhance our knowledge and expertise and strengthen our competences in environmentally friendly and sustainable investment. Bank's corporate values include knowledge & expertise, confidence, and succession.



Risk management

The information about risk management is available in 2016 Annual Report from page 50 till page 59 on JSC "Baltic International Bank" web page www.bib.eu/en/financial-performance. Since 31 December 2016 there are no any material changes in risk management.

The Bank's performance ratios

Item	31.03.2017 (unaudited)	31.03.2016 (unaudited)
Return on Equity (ROE) (%)	26.63	13.86
Return on Assets (ROA) (%)	3.03	0.90
Total capital ratio (%)	14.77	17.69
Liquidity ratio (%)	67.28	91.1
Operational income* (in thousands euro)	5 962	7 723
Operational expenses** (in thousands euro)	3 743	3 415
Financial result before specific provisions and corporate income tax*** (in thousands euro)	2 219	4 308

*Operational income = net interest income + net fee and commission income + other income

**Operational expenses = administrative expenses + amortisation + other operational expenses

***Financial result before specific provisions and corporate income tax = operational income - operational expenses



Income statement

Item	01.01.2017.-31.03.2017.		01.01.2016.-31.03.2016.	
	(unaudited)		(unaudited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Interest income	1 277	1 283	1 242	1 257
Interest expense	-369	-369	-525	-525
Dividend income	1	1	1	1
Fee and commission income	1 441	1 441	2 475	2 475
Fee and commission expense	-415	-415	-822	-822
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	-75	-75
Net gain/loss on financial assets and financial liabilities held for trading	-11	-11	-39	-39
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	3 975	3 975	5 363	5 363
Gain/loss on derecognition of property, plant and equipment, investment property and intangible assets	0	0	0	0
Other income	61	58	127	88
Other expenses	-92	-89	-107	-116
Administrative expenses	-3 332	-3 266	-3 000	-2 947
Depreciation	-386	-386	-352	-352
Result of provisions for doubtful debts	6	6	-3 135	-3 135
Impairment losses	0	0	0	0
Profit/loss before corporate income tax	2 156	2 228	1 153	1 173
Corporate income tax	-85	-85	0	0
Profit/loss for the current year	2 071	2 143	1 153	1 173



Balance sheet statement

Item	31.03.2017		31.12.2016	
	(unaudited)		(audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and due from central banks repayable on demand	41 503	41 503	70 152	70 152
Due from credit institutions repayable on demand	13 841	13 841	1 182	1 182
Financial assets held for trading	638	638	1 178	1 178
Financial assets at fair value through profit or loss	0	0	8 074	8 074
Financial assets available for sale	64 797	64 797	85 746	85 746
Loans and receivables	98 090	99 581	86 188	87 793
<i>Other due from credit institutions</i>	<i>13 677</i>	<i>13 677</i>	<i>16 793</i>	<i>16 793</i>
<i>Loans</i>	<i>84 413</i>	<i>85 904</i>	<i>69 395</i>	<i>71 000</i>
Investments held to maturity	20 162	20 162	16 692	16 692
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	2 580	2 580	2 431	2 434
Fixed assets	17 133	17 133	17 250	17 249
Investment property	5 689	2 355	5 885	2 355
Intangible assets	3 981	3 981	4 108	4 108
Investments in associated and related companies	1 145	3 210	1 145	3 210
Current tax assets	0	0	15	15
Other assets	2 728	2 893	8 044	8 202
Total assets	272 287	272 674	308 090	308 390
Liabilities to central banks	14 160	14 160	14 160	14 160
Due to credit institutions repayable on demand	1 623	1 623	1 797	1 797
Financial liabilities held for trading	1	1	0	0
Financial liabilities at fair value through profit or loss	0	0	0	0
Financial liabilities valued at depreciated cost	218 853	219 029	256 089	256 224
<i>Term liabilities due to credit institutions</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Deposits</i>	<i>193 186</i>	<i>193 362</i>	<i>229 939</i>	<i>230 074</i>
<i>Subordinated liabilities</i>	<i>15 633</i>	<i>15 633</i>	<i>16 026</i>	<i>16 026</i>
<i>Debt securities in issue</i>	<i>10 034</i>	<i>10 034</i>	<i>10 124</i>	<i>10 124</i>
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	1 380	1 380	1 613	1 613
Provisions	0	0	0	0
Tax liabilities	1 107	1 107	1 037	1 037
Other liabilities	1 101	1 023	1 537	1 485
Total liabilities	238 225	238 323	276 233	276 316
Shareholders' equity	34 062	34 351	31 857	32 074
Total liabilities and shareholders' equity	272 287	272 674	308 090	308 390
Memorandum items				
Contingent liabilities	1 344	1 344	1 550	1 550
Commitments to customers	7 641	7 727	9 717	9 803



Overview of own funds and capital ratios

No	Item	31.03.2017	
		(unaudited)	
		Group	Bank
		EUR'000	EUR'000
1.	Own funds (1.1.+1.2.)	33 158	33 459
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	25 792	26 093
1.1.1.	Common equity Tier 1 capital (CET1 capital)	25 792	26 093
1.1.2.	Additional Tier 1 capital	0	0
1.2.	Tier 2 capital	7 366	7 366
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	225 517	226 600
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	183 495	184 693
2.2.	Total risk exposure amount for settlement/delivery	0	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities	4 513	4 513
2.4.	Total risk exposure amount for operational risk	37 493	37 378
2.5.	Total risk exposure amount for credit valuation adjustment	16	16
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)	11.44	11.51
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	15 643	15 896
3.3.	T1 capital ratio (1.1./2.*100)	11.44	11.51
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	12 261	12 497
3.5.	Total capital ratio (1./2.*100)	14.70	14.77
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	15 116	15 330
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. (%)	11.44	11.51
5.3.	Tier 1 capital ratio due to adjustments defined in row No 5.1. (%)	11.44	11.51
5.4.	Total capital ratio due to adjustments defined in row No 5.1. (%)	14.70	14.77



Liquidity ratio calculation

No	Item	31.03.2017 (unaudited) Bank EUR'000
1	Liquid assets	119 080
1.1.	Vault cash	2 801
1.2.	Balances due from Bank of Latvia	38 702
1.3.	Balances due from solvent credit institutions	25 064
1.4.	Liquid securities	52 513
2	Current liabilities (residual maturity of up to 30 days)	177 000
2.1.	Balances due to credit institutions	1 623
2.2.	Deposits	162 462
2.3.	Debt securities in issue	0
2.4.	Money in transit	1 976
2.5.	Other current liabilities	3 388
2.6.	Off-balance sheet items	7 551
3	Liquidity ratio (1:2) (%)	67.28
4	Minimum liquidity ratio (%)	30.00

**Note 1. Securities portfolio**

The Bank's securities portfolio breaks down by country:

31.03.2017				
(unaudited)				
	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Multilateral development banks	0	25 288	0	25 288
USA	3	767	0	770
Poland	0	5 831	2 576	8 407
Germany	53	9 368	0	9 421
Denmark	0	4 681	0	4 681
Lithuania	0	4 674	2 554	7 228
Latvia	2	6 665	5 698	12 365
United Kingdom	75	3 145	0	3 220
Turkey	0	3 866	0	3 866
Other countries*	502	512	9 334	10 348
Total	635	64 797	20 162	85 594

* 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.

31.12.2016				
(audited)				
	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Multilateral development banks	0	28 497	0	28 497
USA	3	681	0	684
Spain	0	20 762	0	20 762
Germany	50	9 474	0	9 524
Denmark	0	9 575	0	9 575
Lithuania	0	4 940	2 639	7 579
Latvia	2	4 601	2 889	7 492
United Kingdom	71	3 145	0	3 216
Turkey	0	4 034	0	4 034
Other countries*	503	37	11 164	11 704
Total	629	85 746	16 692	103 067

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



Note 2. Debt securities of central governments

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

	31.03.2017.	31.12.2016
	(unaudited)	(audited)
	Carrying value	Carrying value
	EUR'000	EUR'000
Poland	8 407	2 673
Spain	0	20 762
Lithuania	7 228	7 579
Latvia	11 637	6 777
Turkey	3 866	4 034
Other countries*	6 135	5 268
Total	37 273	47 093

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