

JSC "Baltic International Bank"
Publicly Available Quarterly Financial Statements
for the period ended 31 March, 2009.

Balance Sheet Statement
as at 31 March, 2009

(in lats)

Item	31.03.2009.	31.03.2008.
Cash and due from central banks repayable on demand	21 383 861	12 099 999
Due from credit institutions repayable on demand	51 392 356	74 299 485
Financial assets held for trading	508 842	7 205 089
Financial assets available for sale	173 631	173 631
Loans and receivables	102 124 904	59 198 489
Other due from credit institutions	58 650 116	21 128 933
Loans	43 474 788	38 069 556
Investments held to maturity	10 770 209	6 149 552
Deferred expenses and accrued income	1 654 642	1 510 449
Fixed assets	10 600 078	9 891 763
Investment property	1 317 528	1 463 667
Intangible assets	1 303 861	754 577
Investments in associated and related companies	429 009	429 009
Other assets	965 356	1 378 760
Total assets	202 624 277	174 554 470
Due to credit institutions repayable on demand	462 981	742 553
Financial liabilities held for trading	639 538	225 468
Financial liabilities valued at depreciated cost	186 801 607	158 676 585
Term liabilities due to credit institutions	35 921 978	1 785 561
Deposits	150 066 399	156 080 671
Subordinated liabilities	20 170	18 293
Debt Securities in issue	793 060	792 060
Deferred income and accrued expenses	961 749	733 000
Tax liabilities	267 797	232 480
Other liabilities	815 879	1 566 162
Total liabilities	189 949 551	162 176 248
Shareholders' equity	12 674 726	12 378 222
Total liabilities and shareholders' equity	202 624 277	174 554 470
Off-balance sheet items		
Contingent liabilities	1 105 673	542 958
Commitments to customers	4 221 031	6 945 055

Profit and Loss Statement
as at 31 March, 2009

(in lats)

Item	31.03.2009.	31.03.2008.
Interest income	1 310 340	1 566 684
Interest expense	-855 417	-550 536
Dividends income	203	579
Fees and commission income	517 707	716 508
Fees and commission expense	-96 762	-135 714
Net realized profit/loss from financial assets and financial liabilities held for trading	-23 258	-143 867
Gain/loss on trade in and revaluation of foreign currencies	992 478	-235 546
Gain/loss on derecognition of property, plant and equipment, investment property and intangible assets	0	9 439
Other income	6 865	3 001
Other expenses	-25 365	-19 361
Administrative expenses	-1 180 141	-987 917
Depreciation	-146 227	-71 227
Result of provisions for doubtful debts	-63 939	18 961
Corporate income tax	-38 719	-22 308
Profit/loss for the current year	397 765	148 696

The Bank's Performance Ratios
as at 31 March, 2009

Item	31.03.2009.	31.03.2008.
Return on Equity (ROE) (%)	12.37%	4.88%
Return on Assets (ROA) (%)	0.83%	0.38%

Bank's Management

Supervisory Council and Management Board

Supervisory Council (as at 31 March, 2009)

Name	Position
Leonid Kramnoy	Chairperson of the Council
Valeri Belokon	Member of the Council
Viacheslav Kramnoy	Member of the Council

Management Board (as at 31 March, 2009)

Name	Position
Ilona Gulchak	Chairperson of the Board
Natalja Tkachenko	Member of the Board
	Deputy Chairperson of the Board
Alon Nodelman	Member of the Board
Janis Apelis	Member of the Board
Albert Reznik	Member of the Board
Bogdan Andrushchenko	Member of the Board
Dinars Kolpakovs	Member of the Board
Ilze Lase	Nominee Member of the Board

Bank's shareholders

The total authorised and paid-in share capital is represented by 1 522 257 (One million five hundred twenty two thousand two hundred fifty seven) ordinary voting shares. These are dematerialized registered shares, each having a par value of LVL 5 (five lats).

Of the Bank's 98 shareholders, 28 are corporate entities and 70 are private individuals.

Listed below are the shareholders who control more than 10 percent of the shares in the shareholders' equity:

Valeri Belokon	42.67%
Viacheslav Kramnoy	27.97%
Vilori Belokon	12.25%

Bank's Structure

The Bank has opened its representative offices in Moscow (Russian Federation), London (United Kingdom) and Kiev (Ukraine).

Bank's Organizational Structure



Bank's Strategy and Goals

Bank's Strategy

To take a prudent and conservative approach to customer acquisition and asset allocation, while abiding by the KYC principle and maintaining the same level of top-quality services provided to private banking customers.

Bank's Goals

- To enhance the Bank's value;
- To develop long-term relationships between the Bank and its customers;
- To maintain competitive advantage in terms of performance indicators within a long-term perspective.

Bank's International Credit Ratings

International credit rating agency Moody's Investors Service assigned the following ratings to JSC Baltic International Bank:

long-term foreign and local currency deposit rating – B2 (negative outlook);
short-term foreign and local currency rating - Not-Prime;
Bank financial strength rating (BFSR) - E+ (stable outlook)

On 12 December 2008, Moody's downgraded the long-term-foreign and local currency deposit ratings to B2 from B1, with a negative outlook.

The full text of the Moody's Investors Service press release is available on their website at www.moodys.com.

Risk Analysis

The Bank's financial business is exposed to various risks, of which core risk categories are credit risk, liquidity risk, currency risk, interest rate risk, market risk and operational risk. All the aforementioned risks stem from the impairment of the borrower's credit solvency, exchange rate fluctuations, interest rates fluctuations, and other factors. The Bank's risk management policies establish limits to risky exposures and set forth the procedures designed to reduce risks across all of the Bank's business areas. The Bank's Board and committees continuously verify compliance with the regulatory requirements and guidelines outlined in the Bank's internal guidance documents. In view of the expansion of the Bank's activity and the evolvement of the financial market, the Bank regularly improves its risk management system over which the Internal Audit Department maintains continuing control.

Credit Risk

Credit risk is the risk that the Bank may sustain losses through a counterparty's or debtor's failure to meet contractual obligations vis-à-vis the Bank.

Main sources of credit risk:

- Borrower's inability to meet all financial obligations in a timely fashion;
- Deterioration in the borrower's financial condition;
- Changes in the country's economic and political environment and restrictions imposed by governmental authorities.

Credit risk management and monitoring:

For the purpose of minimizing credit risk, the Bank has set operating limits on various deals and transactions, depending on the borrower's financial stability, credit solvency, registration and the region where the borrower's business is based, and depending on the amount and type of the underlying collateral. All of the said restrictions and limitations are set forth by the Bank's internal policies and guidelines. The Bank's organisational units are obligated to enforce operating limits. The Resources Supervision Committee, the Loan Committee, and the Bank's Board are charged with the control function and are responsible for ensuring the implementation of the aforementioned internal guidance documents.

Liquidity Risk

Liquidity is the Bank's ability to ensure that its unexpected or forecasted financing needs are satisfied to meet legally proven claims of the Bank's creditors. Liquidity is understood as the Bank's ability to convert assets into ready cash with the minimal losses or to borrow funds at a reasonable price.

Main sources of liquidity risk:

- Mismatching the maturities of assets and liabilities; timing differences between cash inflows from the business and cash outflows for business needs and maturing debt obligations;
- Concentrations in funding sources by relying on an individual customer or customer group;
- Unexpected reduction in funding;
- Difficulties in selling assets.

Liquidity risk management and monitoring:

The Bank meets its liquidity requirements in compliance with the Bank's Liquidity Management Policy, which sets forth terms for overall net position limits on a maturity basis. The Resource Supervision Committee has the responsibility to ensure uniform implementation of the Policy. The Committee sets appropriate liquidity net positions sub-limits on the maximum aggregate deposit amount deposited by an individual customer (a group of interlinked customers) and other restrictions. Also, the Committee ensures the enforcement of operating limits and adherence to the relevant procedures. To comply with the regulatory requirements of the Financial and Capital Market Commission, the Bank is obliged to hold sufficient liquid assets reserve to meet its financial commitments, however not less than 30 percent of the Bank's total current liabilities.

Foreign Exchange Risk

Foreign exchange risk (or foreign currency risk) is the risk associated with re-measurement of on and off balance sheet items into domestic currency and resulting from fluctuating foreign currency rates (gold is treated akin to foreign currency).

Main sources of foreign exchange risk:

- A substantial amount of the net open foreign-currency positions (NOFP);
- Foreign exchange rate fluctuations.

Foreign exchange risk management and monitoring:

To manage foreign exchange risk, the Bank has formulated and adopted the Foreign Exchange Risk Management Policy. The Resources Supervision Committee is responsible for ensuring compliance with the Policy which establishes the foreign exchange exposure limits. To meet the requirements of the Credit Institutions Act, the net

open position in any foreign currency may not exceed 10 percent, while the sum of overall foreign exchange exposure and the net position in gold may not exceed 20 percent of the Bank's equity.

Interest Rate Risk

Interest rate risk is the risk that fluctuating interest rates will adversely affect the Bank's earnings and the Bank's economic value.

Main sources of interest rate risk:

- Repricing risk;
- Yield curve risk
- Basis risk;
- Optionality risk.

Interest rate risk managements and monitoring:

To manage interest rate risk, the Bank has formulated and adopted the Interest Rate Risk Management Policy. To set interest rate risk limits, the Delta approach (Delta measures interest rate changes) is used. Given a one percent change in the interest rate under the Delta approach, the Bank calculates the affect on the annual net interest profit separately for every single currency and for the overall foreign exchange exposure. The Resources Supervision Committee is responsible for ensuring compliance with the operating limits requirements. The Bank's Board regularly resets the pre-determined interest rates based on the analysis of the current market and based on the predictions for the rise or fall of interest rates.

Market Risk

Market risk means the risk of potential loss from the revaluation (marking-to-market) the on and off-balance sheet items, largely due to the factors such as swings in market prices on financial instruments due to the effects of changes in foreign currency exchange rates and variable interest rates, and other similar factors. The standard market risk factors include: foreign exchange risk, position risk, and counterparty risk.

Main sources of market risk:

- Changes in market prices for financial instruments;
- Changes in commodity prices;
- Foreign exchange rate fluctuations;
- Interest rate variability.

Market risk management and monitoring:

The Bank focuses a lot of attention on the monitoring and analysis of market risk. The Bank has formulated and adopted the Trading Portfolio Policy designed to define the structure of the Bank's trading portfolio and to set out the maximum effective open position transacted with an individual issuer and the limits by the maturity profile of the securities. The Resources Supervision Committee is charged with the responsibility of implementing the Trading Portfolio Policy.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Main sources of operational risk:

- Internal and external fraud;
- Inadequate employment practices and workplace safety;
- Failure to meet a professional obligation to specific clients; sale of unauthorized products and improper business practices;
- Loss or damage to physical assets;
- Business disruption and system failures;
- Failed execution, delivery and process management.

Operational risk management and monitoring:

To manage operational risk, the Bank has formulated and adopted the Operational Risk Management Policy. The Bank's Board is responsible for developing an operational risk measuring and monitoring framework and for evaluating its effectiveness. To minimize operational risk, the Bank takes actions designed to enhance personnel management effectiveness, to optimise IT infrastructure, and to use insurance and outsourcing services.

Bank's Risk Ratios

Items	31.03.2009.
1. Credit Risk Ratios	
1.1. Specific loss provisions for loans extended to non-banks as percentage of total loan portfolio	1.9%
1.2. Poorly performing loans ¹ (excluding specific provisions) as a percentage of the shareholders' equity	0.0%
2. Liquidity Risk Ratios	
2.1. Liquidity ratio ²	80.43%
2.2. The ratio of loans and advances extended to non-banks to total customer deposits	29.6%
2.3. The share of demand deposits in total deposits	64.0%
3. Foreign Exchange Risk Ratios	
3.1. The overall net open foreign -currency position ³	11.17%
4. Capital adequacy ratio ⁴	10.35%

¹ Poorly performing loans: substandard, doubtful, loss or complete write-off

² FCMC requirements not less than 30%

³ Under the Law On Credit Institutions may not exceed 20%

⁴ Under the Law On Credit Institutions may not less than 8%