



Baltic International Bank

JSC “Baltic International Bank”

Publicly Available Quarterly Financial Statements

for the period ended 30 September, 2016



Table of contents

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



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

During the reporting year, the Bank has developed and approved its Strategy 2030. One of the major goals of the Strategy is to become a bank which, together with its customers, through generations, invests in projects and companies which are dedicated to similar environmental values and which exert a positive long-term impact on the future.

In light of new approaches to the assessment of customers' activities, the Bank has revised its cooperation with a portion of customers in cases where the Bank has refrained from continuing the business relationship because of the potentially high risks. At the same time, the Bank continued to strengthen its internal control system by channelling money towards raising professional qualifications of the Bank's personnel and purchasing software designed specifically to monitor transactions and identify the level of customer risk.

As of 30 September 2016, the Bank had the following key financial indicators (the Group-related financials are enclosed within the parentheses):

- Profit: EUR 3.63 million (EUR 3.84 million);
- Capital adequacy ratio: 18.25 percent (17.73 percent);
- Liquidity ratio: 78.59 percent;
- Return on equity (ROE) landed at 14.2 percent
- Assets: EUR 344.2 million (EUR 346.19 million);
- Assets under management: EUR 98.09 million (EUR 98.09 million);
- The value of financial instruments in brokerage service totalled EUR 101.38 million (EUR 101.38 million).

The operating income increased to reach EUR 21.70 million (EUR 21.70 million) having demonstrated a 45.7 percent (45.0 percent) growth over the same period last year. The positive dynamics of income growth was

primarily facilitated by trade transactions whose income increased by EUR 5.78 million (EUR 5.79 million). The income saw a positive significant impact attributed largely to a one-time gain on sale of Visa Europe Ltd shares (the sale proceeds totalled EUR 2.79million). The fee and commission income shrank by 17.1 percent, mainly because of suspension of e-commerce services and decrease in payment service fees. Income gained from brokerage operations grew by 39.3 percent (39.3 percent) and account service fees rose by 14.1 percent (14.1 percent).

The Bank's operating expense saw increase of up to EUR 11.64 million (EUR 11.76 million), a 15.5 percent (15.6 percent) rise over the past year. The expense was primarily driven by: (1) the accrual of one-time expenses incurred in connection with AML consulting services provided to the Bank; (2) increase in the staff complement plus personnel management policy-related costs which increased overall by 14.4 percent (14.4 percent) up to EUR 5.93 million (EUR 5.93 million).

Over the three-month period ended in September, 2016, the Bank's profit edged down to EUR 688 thousand; the Group's profit edged down to EUR 562 thousand. However, the Bank's operating income still significantly (2.62 times) exceeds the respective expenses. The Group's operating income 2.57 times exceeds the respective expenses. During 3Q 2016, the Bank set aside impairment allowances totalling EUR 1.65 million (EUR 1.65 million) by increasing the aforesaid 2016 expenses up to EUR 6.18 million (EUR 5.85 million). As a result of setting aside the allowances, the loan portfolio grew at a slower pace. Over the first 9 months of 2016, the Bank's loan portfolio rose by 4.7 percent while the Group's loan portfolio shrank by 0.7 percent and totalled EUR 73.66 million (EUR 68.00 million).

The asset structure is still predominantly represented by investments in available-for-sale financial assets: EUR 103.83 million (EUR 103.83 million) or 30.2% (30.0%) of the total



assets. High quality liquid assets: (assets carrying investment-grade credit ratings and balances due from the Bank of Latvia) totalled EUR 207.04 million (EUR 207.04 million) or 60.2 percent (59.8 percent) of the total assets. Investments in government bonds totalled EUR 43.54 million (EUR 43.54 million) or 12.7 percent (12.6 percent) of the total assets.

In September 2016, the Bank participated in a second series of the targeted long-term refinancing operations (TLTRO II). The Eurosystem's TLTRO II is intended to foster new lending in the euro zone. Under TLTRO II, the Bank borrowed EUR 14.16 million, at a zero- interest rate. The loan has a maturity of 4 years. If the Bank's net lending rises enough (by end January 2018 it is at least 2.5 percent above a certain benchmark) and the Bank grants loans eligible under TLTRO II, the interest can be as low as the deposit facility rate, currently set at minus 0.4 percent.

In 3Q 2016, the liquidity ratios exceeded the regulatory thresholds. As of 30 September 2016, the liquidity ratio was 78.59 percent (the minimum internal threshold is 60 percent). The liquidity coverage ratio (LCR) was 508.13 percent (470.12 percent). The regulatory threshold of 70 percent is set forth for the period from 01.01.2016 to 31.12.2016. The Bank's net stable funding ratio (NSFR) reached 197.59 percent (192.18 percent), far higher than the regulatory threshold. Banks will have to meet an NSFR of at least 100 percent in early 2018. NSFR requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

As of 30 September 2016, the Bank's own funds totalled EUR 33.18 million (EUR 32.46 million). Tier 1 capital ratio (CET1) totalled 13.85 percent (13.36 percent). The total capital ratio reached 18.25 percent (17.73 percent). By the end of 3Q 2016, the leverage ratio¹ hit new records and was 7.39 percent (7.23 percent)¹.

In 3Q 2016, the Bank continued to implement socially significant projects. The Bank published *BIB's Latvian Barometer*, a monthly survey of public opinions and attitudes. In addition to traditionally surveyed issues, the *Barometer* focused on highly topical issues such as consumption, education, and the EU Structural Funds allocations.

In August 2016, the Bank co-sponsored *Letter to a Man*, a solo theatrical work starring Mikhail Baryshnikov. The world-famous ballet dancer brought the production to Latvia. We are very proud to have had the opportunity to support such a pivotal cultural event.

¹ The calculation is based on the CET1 figures and the data relevant to the assets and off-balance sheet liabilities of as 30 September 2016.



Members of the consolidation group

№	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
2	SIA "BIB real Estate", 40003868021	LV, Kalēju iela 41, Rīga	OFI	100	100	PCS
3	SIA "Gaujas īpašumi", 40103249888	LV, Kalēju iela 41, Rīga	OFI	100	100	SCS
4	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 share capital totals EUR 31 496 395.2, of which paid-in shared capital equals EUR 30 496 389.1 and is divided into 4 295 266 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 – 69,8981%
- Vilori Belokon – 30,00092%.



Bank's senior management

Supervisory Council (30.09.2016)

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

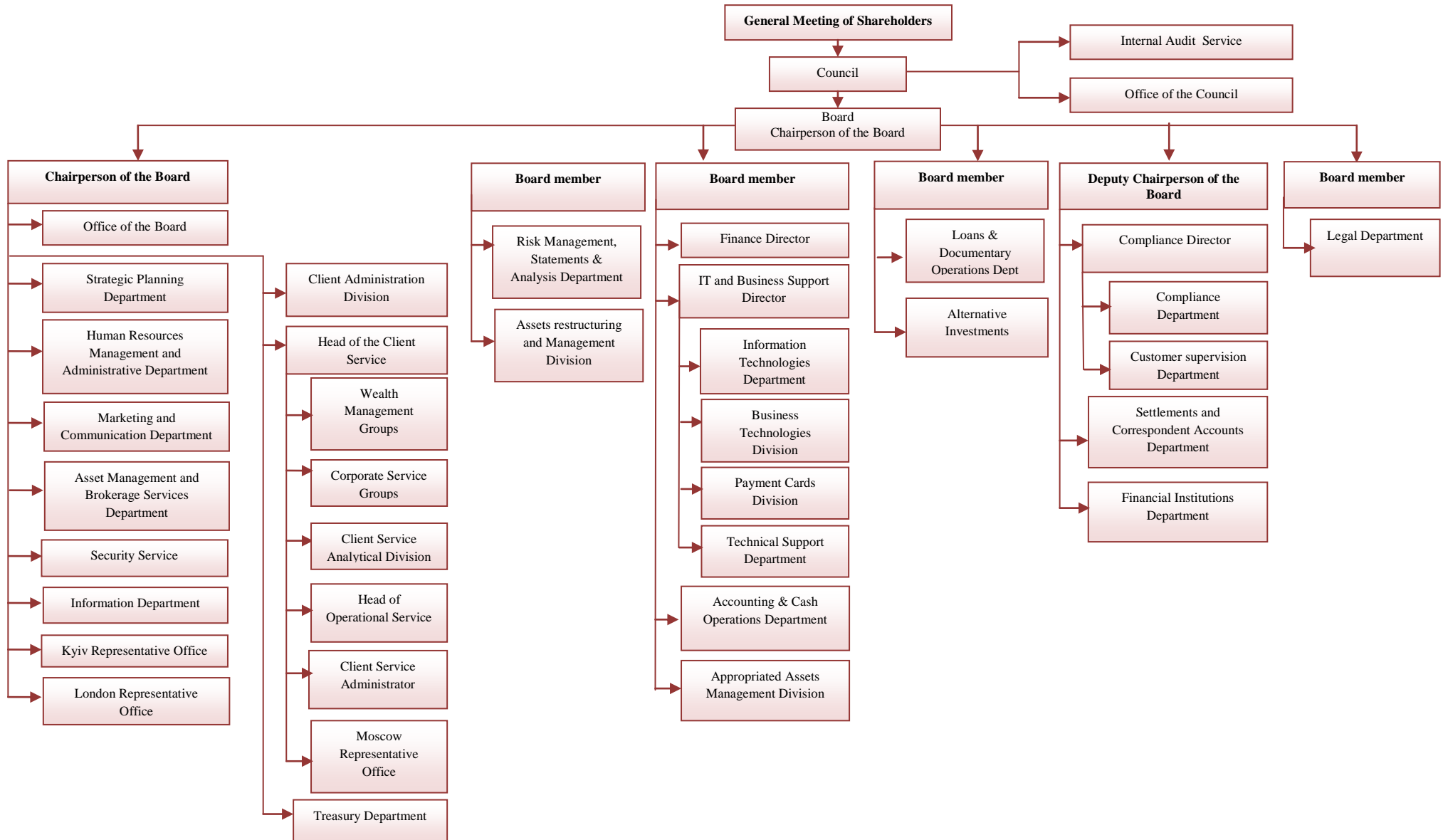
Management Board (30.09.2016)

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



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 2015 Annual Report from page 38 till page 46 on JSC “Baltic International Bank” web page <http://www.bib.lv/en/about-bank/reports>. Since 31 December 2015 there are no any material changes in risk management.

The Bank’s performance ratios

Item	30.09.2016 (unaudited)	30.09.2015 (unaudited)
Return on Equity (ROE) (%)	14.20	8.74
Return on Assets (ROA) (%)	1.13	0.53
Total capital ratio (%)	18.25	16.04
Liquidity ratio (%)	78.59	90.56
Operational income* (in thousands euro)	21 703	14 899
Operational expenses** (in thousands euro)	11 638	10 072
Financial result before specific provisions and corporate income tax*** (in thousands euro)	10 065	4 827

*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



Baltic International Bank

Income statement

Item	01.01.2016.-30.09.2016.		01.01.2015.-30.09.2015.	
	(unaudited)		(unaudited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Interest income	3 447	3 464	4 817	4 869
Interest expense	-1 760	-1 455	-2 312	-2 300
Dividend income	5	5	2	2
Fee and commission income	6 357	6 358	7 669	7 670
Fee and commission expense	-2 005	-2 005	-2 401	-2 401
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	2 717	2 717	0	0
Net gain/loss on financial assets and financial liabilities held for trading	-40	-40	-31	-31
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	12 504	12 504	6 709	6 719
Gain/loss on derecognition of property, plant and equipment, investment property and intangible assets	0	0	0	0
Other income	469	155	512	371
Other expenses	-330	-329	-128	-123
Administrative expenses	-10 343	-10 224	-9 033	-8 936
Depreciation	-1 086	-1 086	-1 013	-1 013
Result of provisions for doubtful debts	-5 850	-6 182	-2 227	-2 227
Impairment losses	0	0	0	0
Profit/loss before corporate income tax	4 085	3 882	2 564	2 600
Corporate income tax	-251	-251	-408	-408
Profit/loss for the current year	3 834	3 631	2 156	2 192



Baltic International Bank

Balance sheet statement

Item	30.09.2016		31.12.2015	
	(unaudited)		(audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and due from central banks repayable on demand	79 374	79 374	48 928	48 926
Due from credit institutions repayable on demand	35 052	35 052	163 166	163 166
Financial assets held for trading	792	792	581	581
Financial assets at fair value through profit or loss	0	0	0	0
Financial assets available for sale	103 834	103 834	221 784	221 784
Loans and receivables	72 860	78 514	71 264	73 093
<i>Other due from credit institutions</i>	4 858	4 858	2 777	2 777
<i>Loans</i>	68 002	73 656	68 487	70 316
Investments held to maturity	13 717	13 717	9 624	9 624
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	2 300	2 300	2 565	2 565
Fixed assets	17 274	17 274	17 325	17 325
Investment property	6 503	2 969	6 461	2 969
Intangible assets	4 009	4 009	3 882	3 882
Investments in associated and related companies	1 145	3 085	1 145	3 088
Current tax assets	16	16	17	17
Other assets	9 314	3 263	3 370	3 407
Total assets	346 190	344 199	550 112	550 427
Liabilities to central banks	14 160	14 160	3 787	3 787
Due to credit institutions repayable on demand	2 262	2 262	2 693	2 693
Financial liabilities held for trading	0	0	3	3
Financial liabilities at fair value through profit or loss	0	0	0	0
Financial liabilities valued at depreciated cost	288 125	288 133	506 391	506 407
<i>Term liabilities due to credit institutions</i>	0	0	0	0
<i>Deposits</i>	261 757	261 765	473 246	473 262
<i>Subordinated liabilities</i>	16 619	16 619	16 715	16 715
<i>Debt securities in issue</i>	9 749	9 749	16 430	16 430
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	1 534	1 534	3 013	3 012
Provisions	0	0	0	0
Tax liabilities	1 210	1 210	959	959
Other liabilities	4 297	2 094	2 177	2 069
Total liabilities	311 588	309 393	519 023	518 930
Shareholders' equity	34 602	34 806	31 089	31 497
Total liabilities and shareholders' equity	346 190	344 199	550 112	550 427
Memorandum items				
Contingent liabilities	3 999	3 999	3 827	3 827
Commitments to customers	3 818	3 910	5 001	5 083



Overview of own funds and capital ratios

No	Item	30.09.2016	
		(unaudited)	
		Group	Bank
		EUR'000	EUR'000
1.	Own funds (1.1.+1.2.)	32 455	33 182
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	24 449	25 176
1.1.1.	Common equity Tier 1 capital (CET1 capital)	24 449	25 176
1.1.2.	Additional Tier 1 capital	0	0
1.2.	Tier 2 capital	8 006	8 006
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	183 014	181 781
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	150 457	149 331
2.2.	Total risk exposure amount for settlement/delivery	0	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities	2 647	2 647
2.4.	Total risk exposure amount for operational risk	29 910	29 803
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)	13.36	13.85
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	16 213	16 996
3.3.	T1 capital ratio (1.1./2.*100)	13.36	13.85
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	13 468	14 269
3.5.	Total capital ratio (1./2.*100)	17.73	18.25
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	17 815	18 641
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. (%)	13.36	13.85
5.3.	Tier 1 capital ratio due to adjustments defined in row No 5.1. (%)	13.36	13.85
5.4.	Total capital ratio due to adjustments defined in row No 5.1. (%)	17.73	18.25



Liquidity ratio calculation

No	Item	30.09.2016 (unaudited) Bank EUR'000
1	Liquid assets	193 439
1.1.	Vault cash	1 644
1.2.	Balances due from Bank of Latvia	77 730
1.3.	Balances due from solvent credit institutions	30 631
1.4.	Liquid securities	83 434
2	Current liabilities (residual maturity of up to 30 days)	246 140
2.1.	Balances due to credit institutions	2 262
2.2.	Deposits	231 695
2.3.	Debt securities in issue	0
2.4.	Money in transit	1 036
2.5.	Other current liabilities	4 960
2.6.	Off-balance sheet items	6 187
3	Liquidity ratio (1:2) (%)	78.59
4	Minimum liquidity ratio (%)	30.00



Baltic International Bank

Note 1. Securities portfolio

The Bank's securities portfolio breaks down by country:

	30.09.2016			
	(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	40 530	0	40 530
USA	3	719	0	722
Spain	0	20 780	0	20 780
Italy	0	0	0	0
Germany	0	13 537	0	13 537
Denmark	0	4 514	0	4 514
Sweden	0	4 493	0	4 493
Lithuania	0	4 665	2 470	7 135
Latvia	2	4 351	2 745	7 098
United Kingdom	70	6 419	0	6 489
Brazil	0	0	0	0
Turkey	0	3 789	0	3 789
Other countries*	564	37	8 502	9 103
Total	639	103 834	13 717	118 190

* 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.

	31.12.2015			
	(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	87 892	0	87 892
USA	30	27 555	0	27 585
Spain	0	21 521	0	21 521
Italy	0	20 751	0	20 751
Germany	0	18 398	0	18 398
Denmark	0	9 248	0	9 248
Sweden	0	9 179	0	9 179
Lithuania	0	4 967	2 602	7 569
Latvia	2	4 564	2 821	7 387
United Kingdom	0	8 236	0	8 236
Brazil	0	5 375	0	5 375
Turkey	0	4 061	0	4 061
Other countries*	521	37	4 201	4 759
total	553	221 784	9 624	231 961

* 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

	30.09.2016.	31.12.2015
	(unaudited)	(audited)
	Carrying value	Carrying value
	EUR'000	EUR'000
USA	0	27 582
Italy	0	20 751
Spain	20 780	21 521
Lithuania	7 135	7 569
Latvia	6 409	6 735
Turkey	3 789	4 061
Other countries*	5 431	1 069
Total	43 544	89 288

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