



Baltic International Bank

JSC "BALTIC INTERNATIONAL BANK"
PUBLICLY AVAILABLE QUARTERLY FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE, 2017



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

The 1st half of 2017 the Bank (the Group-related financials are enclosed within the parentheses) posted the following financial results:

- Profit – EUR 186 thousand (EUR 92 thousand);
- Capital adequacy ratio – 15,05 percent (14,99 percent);
- Liquidity ratio – 65,52 percent;
- Assets – EUR 267,32 million (EUR 266,79 million);
- Assets under management – EUR 71,43 million (EUR 71,43 million);
- The value of financial instruments in brokerage service – EUR 90,86 million (EUR 90,86 million).

The operating income totalled EUR 9,76 million (EUR 9,75 million). The structure of the Bank's operating income was dominated by income from trade transactions totalling 63,4 percent (63,4 percent). The percentage of fee and commission income dropped to 19,3 percent (19,3 percent) from 20,0 percent (20,0 percent) compared to the same period last year. The net interest income increased by 16,5 percent (17,7 percent) and reached EUR 1,57 million (EUR 1,56 million), largely due to the reduction of interest expense.

Administrative costs reached EUR 6,84 million (EUR 6,92 million), which is 1,0 percent (0,2 percent) below the level of the previous year. As a result of an increase in investments for the upgrade of information systems and fixed assets, the depreciation and amortization costs grew by 7,2 percent (7,2percent) up to EUR 0,76 million (EUR 0,76 million). Other expense amounted to EUR 1,99 million (EUR 1,99 million), of which EUR 1,79 million (EUR 1,79 million) are non-

recurring expenses, related to changes in the terms of sale of the real property owned by the Bank.

The asset structure is still predominantly represented by investments in available-for-sale financial assets: EUR 62,35 million (EUR 62,35 million) or 23,3 percent (23,4 percent) of the total assets. High quality liquid assets (assets carrying investment-grade credit rating and balances due from the Bank of Latvia) amounted to EUR 111,52 million (EUR 111,52 million) or 41,7 percent (41,8 percent) of the total assets. Investments in government bonds totalled EUR 30,46 million (EUR 30,46 million) or 11,4 percent (11,4 percent) of the total assets.

Compared to the figure recorded as of 30 June 2016, the Bank's loan portfolio increased by 10,67 percent (11,05 percent) and reached EUR 74,91 million (EUR 73,41 million). The growth of the loan portfolio is mainly associated with the issue of loans to foreign borrowers. Therefore, the percentage of foreign borrowers rose to 62,17 percent (63,44 percent) from 48,89 percent (50,06 percent).

The liquidity ratios exceed the regulatory thresholds. As of 30 June 2017, the liquidity ratio was 65,52percent. The structure of liquid assets is well diversified, as represented by bonds (45 percent), due from credit institutions (19 percent), due from the Bank of Latvia (34 percent) and cash (2 percent). The Liquidity Coverage Ratio (*LCR*) totalled 243,93 percent (244,74percent). The net stable funding ratio (*NSFR*), characterizing the availability of a stable funding profile in relation to the composition of assets and off-balance sheet



activities, reached 134,90 percent (134,85 percent).

As of 30 June 2017, the Bank's own funds totalled EUR 33,17 million (EUR 32,87 million). The Bank's Tier I capital ratio (CET1) totalled 11,86 percent (11,79 percent). Having reached 15,05 percent (14,99 percent), the total capital ratio by 4,85 percentage points exceeds the individual ratio, set for the Bank by the Financial and Capital Market Commission. By the end of 1Q 2017, the leverage ratio¹ was 9,86 percent (9,80 percent).

In June 2017, the Bank for the first time received the Gold Award from the annual Sustainability Index. In the second quarter of 2017, the Bank was acknowledged for its efforts in the field of social responsibility, and for the first time the Bank received the status of a family - friendly enterprise

¹ The calculation is based on the CET1 figures and the data relevant to the assets and off-balance sheet liabilities as of 30 June 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
1	AS "Baltic International Bank",	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",	LV, Merkeļa iela 6 - 11,	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 (30.06.2017)

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 (30.06.2017)

Name and surname	Position
Ilona Gulchak	Chairperson of the Board
Alon Nodelman	Member of the Board
Martins Neibergs	Member of the Board
Bogdan Andrushchenko	Member of the Board
Anda Saukane	Member of the Board

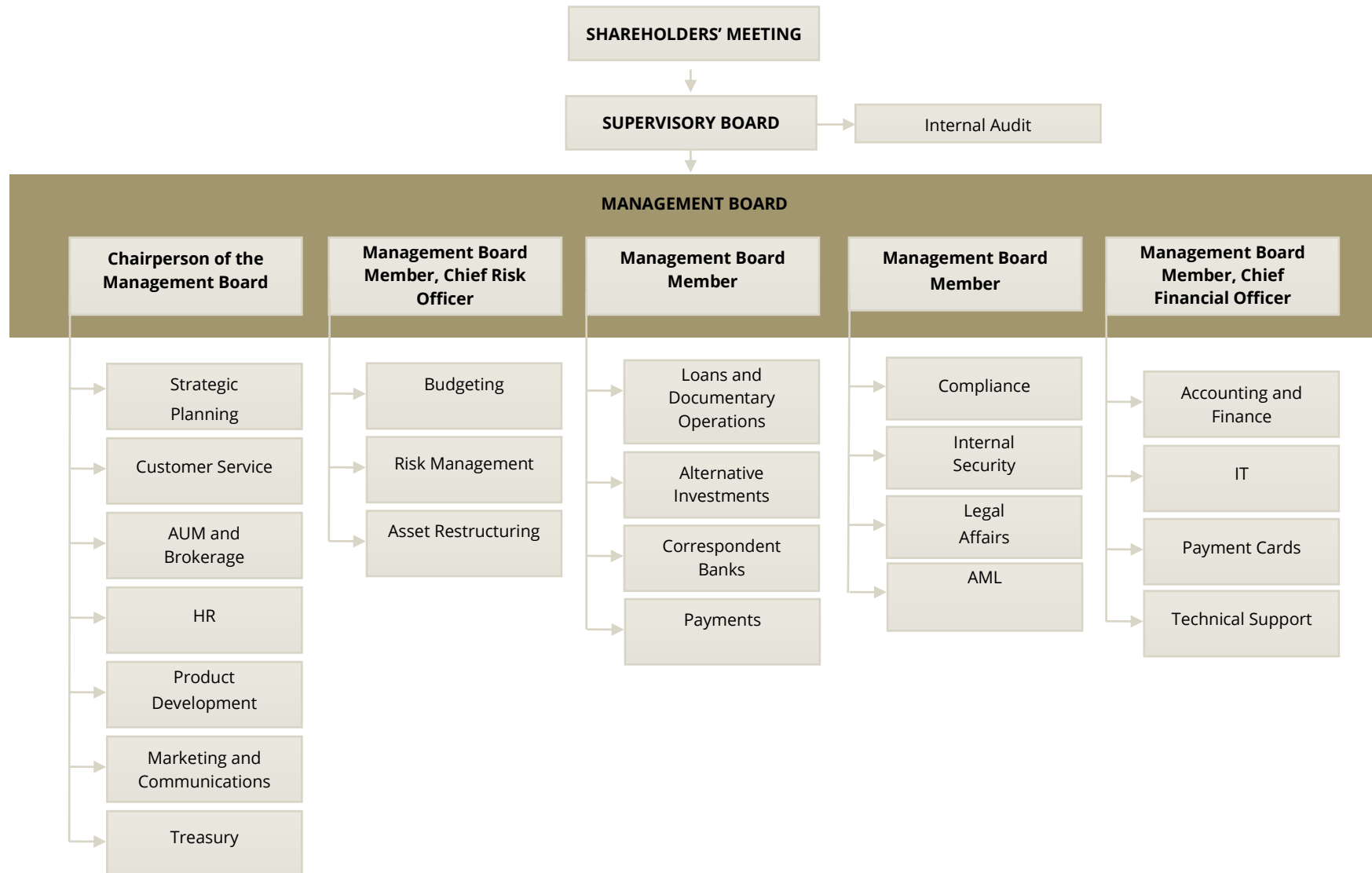
During 2Q 2017, the following changes occurred in the Board membership:

Natalja Tkachenko (02.05.20017) has withdrawn her membership in the Management Board of JSC "Baltic International Bank".

The newly-appointed Anda Saukane has taken on Board-related responsibilities with effect from 19 June.



Bank's organisational chart





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	30.06.2017 (unaudited)	30.06.2016 (unaudited)
Return on Equity (ROE) (%)	1.13	17.35
Return on Assets (ROA) (%)	0.14	1.28
Total capital ratio (%)	15.05	17.69
Liquidity ratio (%)	65.52	91.1
Operational income* (in thousands euro)	9 757	15 569
Operational expences** (in thousands euro)	9 585	7 842
Financial result before specific provisions and corporate income tax*** (in thousands euro)	172	7 727

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

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

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



Income statement

Item	01.01.2017.-30.06.2017.		01.01.2016.-30.06.2016.	
	(unaudited)		(unaudited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Interest income	2 362	2 374	2 380	2 404
Interest expense	-802	-802	-1 055	-1 055
Dividend income	5	5	1	1
Fee and commission income	2 868	2 868	4 568	4 568
Fee and commission expense	-989	-989	-1 456	-1 456
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	37	37	1 867	1 867
Net gain/loss on financial assets and financial liabilities held for trading	-435	-435	-57	-57
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	6 625	6 625	9 148	9 148
Gain/loss on derecognition of property, plant and equipment, investment property and intangible assets	0	0	0	0
Other income	79	74	200	149
Other expenses	-1 989	-1 987	-233	-225
Administrative expenses	-6 916	-6 839	-6 931	-6 908
Depreciation	-760	-760	-709	-709
Result of provisions for doubtful debts	33	33	-4 200	-4 532
Impairment losses	-8	0	0	0
Profit/loss before corporate income tax	110	204	3 523	3 195
Corporate income tax	-18	-18	-251	-251
Profit/loss for the current year	92	186	3 272	2 944



Balance sheet statement

Item	30.06.2017		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	41 255	41 255	70 152	70 152
Due from credit institutions repayable on demand	23 024	23 024	1 182	1 182
Financial assets held for trading	1 573	1 573	1 178	1 178
Financial assets at fair value through profit or loss	7 861	7 861	8 074	8 074
Financial assets available for sale	62 349	62 349	85 746	85 746
Loans and receivables	80 189	81 695	86 188	87 793
<i>Other due from credit institutions</i>	6 783	6 783	16 793	16 793
<i>Loans</i>	73 406	74 912	69 395	71 000
Investments held to maturity	17 147	17 147	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	2 482	2 481	2 431	2 434
Fixed assets	17 061	17 060	17 250	17 249
Investment property	5 689	2 355	5 885	2 355
Intangible assets	3 936	3 936	4 108	4 108
Investments in associated and related companies	1 145	3 250	1 145	3 210
Current tax assets	0	0	15	15
Other assets	3 083	3 245	8 044	8 202
Total assets	266 794	267 231	308 090	308 390
Liabilities to central banks	14 160	14 160	14 160	14 160
Due to credit institutions repayable on demand	357	357	1 797	1 797
Financial liabilities held for trading	1 610	1 610	0	0
Financial liabilities at fair value through profit or loss	0	0	0	0
Financial liabilities valued at depreciated cost	214 853	215 030	256 089	256 224
<i>Term liabilities due to credit institutions</i>	0	0	0	0
<i>Deposits</i>	190 373	190 550	229 939	230 074
<i>Subordinated liabilities</i>	14 880	14 880	16 026	16 026
<i>Debt securities in issue</i>	9 600	9 600	10 124	10 124
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	1 338	1 338	1 613	1 613
Provisions	0	0	0	0
Tax liabilities	1 040	1 040	1 037	1 037
Other liabilities	1 307	1 256	1 537	1 485
Total liabilities	234 665	234 791	276 233	276 316
Shareholders' equity	32 129	32 440	31 857	32 074
Total liabilities and shareholders' equity	266 794	267 231	308 090	308 390
Memorandum items				
Contingent liabilities	261	261	1 550	1 550
Commitments to customers	7 232	7 309	9 717	9 803



Overview of own funds and capital ratios

No	Item	30.06.2017	
		(unaudited)	
		Group	Bank
		EUR'000	EUR'000
1.	Own funds (1.1.+1.2.)	32 870	33 171
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	25 842	26 143
1.1.1.	Common equity Tier 1 capital (CET1 capital)	25 842	26 143
1.1.2.	Additional Tier 1 capital	0	0
1.2.	Tier 2 capital	7 028	7 028
2.	Total risk exposure amount	219 221	220 353
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	178 659	179 906
2.2.	Total risk exposure amount for settlement/delivery	0	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	2 888	2 888
2.4.	Total risk exposure amount for operational risk	37 493	37 378
2.5.	Total risk exposure amount for credit valuation adjustment	181	181
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)	11.79	11.86
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	15 977	16 228
3.3.	T1 capital ratio (1.1./2.*100)	11.79	11.86
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	12 689	12 922
3.5.	Total capital ratio (1./2.*100)	14.99	15.05
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	15 333	15 543
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. (%)	11.79	11.86
5.3.	Tier 1 capital ratio due to adjustments defined in row No 5.1. (%)	11.79	11.86
5.4.	Total capital ratio due to adjustments defined in row No 5.1. (%)	14.99	15.05



Liquidity ratio calculation

No	Item	30.06.2017 (unaudited) Bank EUR'000
1	Liquid assets	114 084
1.1.	Vault cash	2 472
1.2.	Balances due from Bank of Latvia	38 783
1.3.	Balances due from solvent credit institutions	21 074
1.4.	Liquid securities	51 755
2	Current liabilities (residual maturity of up to 30 days)	174 118
2.1.	Balances due to credit institutions	357
2.2.	Deposits	155 206
2.3.	Debt securities in issue	4 265
2.4.	Money in transit	3 031
2.5.	Other current liabilities	5 261
2.6.	Off-balance sheet items	5 998
3	Liquidity ratio (1:2) (%)	65.52
4	Minimum liquidity ratio (%)	30.00

**Note 1. Securities portfolio**

The Bank's securities portfolio breaks down by country:

	30.06.2017			
	(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	26 307	0	26 307
USA	24	762	0	786
Poland	0	5 629	2 428	8 057
Germany	52	8 801	0	8 853
Denmark	0	4 399	0	4 399
Lithuania	0	4 391	2 415	6 806
Latvia	2	6 550	5 425	11 977
United Kingdom	74	3 145	0	3 219
Other countries*	113	2 365	6 879	9 357
Total	265	62 349	17 147	79 761

* 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

	30.06.2017.	31.12.2016
	(unaudited)	(audited)
	Carrying value	Carrying value
	EUR'000	EUR'000
Poland	8 057	2 673
Spain	0	20 762
Lithuania	6 806	7 579
Latvia	11 249	6 777
Turkey	0	4 034
Other countries*	4 351	5 268
Total	30 463	47 093

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