JOINT STOCK COMPANY "BALTIC INTERNATIONAL BANK"
Unified Business Identifier: 40003127883
Registered address: Kalēju iela 43, Riga, LV-1050

BASE PROSPECTUS OF THE BONDS OFFER PROGRAMME NO.2

for bonds issue with total size up to EUR 10,000,000
and maturity from 1 to 10 years
denominated in EUR, USD and GBP
with fixed or floating interest rate

Riga, 2015

(approved with the Joint Stock Company "Baltic International Bank" Board decision dated 14.05.2015 (Minutes No.01-05/19/15), with amendments adopted with the Board decision dated 21 May 2015 (Minutes No.01-05/20/15), with amendments adopted with the Board decision dated 18 June 2015 (Minutes No.01-05/24/15))

Baltic International Bank

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1. Terms and abbreviations

Baltic International Bank, Issuer or the Bank - Joint Stock Company "Baltic International Bank", registered in the Commercial Register of the Republic of Latvia under Unified Business Identifier 40003127883, registered address: Kalēju iela 43, Riga, LV-1050

Group, Bank Group - the Bank and its fully or partly owned companies under the Bank's decisive influence

Bond – a non-secured bearer debt security with a fixed or floating interest rate, issued under the Baltic International Bank Bonds Offer Programme No.2, with maturity from 1 to 10 years, entitling the bondholder to Interest income and Nominal value in accordance with the Base Prospectus of the Bonds Offer Programme No.2 and Final Terms for the respective series of Bonds Offer Programme No.2

Bonds Offer Programme No.2 (or **Programme**) – a Bonds issue organised and offered by the Issuer as one or multiple series of Bonds

Bondholder – a natural person or legal entity who has purchased the Bonds and has it in ownership

Base prospectus of the Bonds Offer Programme No.2 (or **Base Prospectus**) – a document containing detailed information about the Issuer and the Bonds, except the Final Terms under Bonds Offer Programme No.2, which are set forth separately for each individual series.

Bonds issue series (or **Series**) – an issue of financial instruments of the same category under the Programme, which are subject to the same Final Terms in respect of the specifications as well as other regulatory requirements

Final Terms for the respective series under the Bonds Issue Programme No.2 (or **Final Terms**) – more specified offer rules for each individual Bonds series issued under the Programme

Interest Rate – annual income from Bonds in percentage terms, calculated and determined by the Issuer according to the procedure set forth in the Base Prospectus and the Final Terms

Interest Income – interest income from Bonds that the Issuer commits itself to pay to the Bondholder on the dates and in the procedure specified in the Final Terms

Interest Period – time period between two Interest Income payment dates, as specified in the Final Terms (e.g. 6 months, 3 months)

Nominal Value – face value of the Bond determined by the Issuer and specified in the Final Terms for each individual Series

Investor – a natural or legal entity willing to purchase the Bonds according to the procedure set forth in the Base Prospectus and Final Terms

Financial statements – Bank's audited Annual Reports for the years 2014 and 2013, approved by the meeting of shareholders

LCD - Joint Stock Company "Latvijas Centrālais depozitārijs" (Latvian Central Depository), registered in the Commercial Register of the Republic of Latvia under number 40003242879, registered address: Vaļņu iela 1, Riga, LV-1050.

STOCK EXCHANGE or **NASDAQ -** Joint Stock Company "NASDAQ OMX Riga", registered in the Commercial Register of the Republic of Latvia under number 40003167049, registered address: Vaļņu iela 1, Riga, LV-1050.

Stock exchange information system - GlobeNewswire – the official disclosure system of the Stock Exchange, used by the issuers of listed financial instruments for publishing disclosures/announcements on the Stock Exchange Internet website

CSRI – The Central Storage of Regulated Information maintained by the Financial and Capital Market Commission (https://csri.investinfo.lv)

ISIN - International Securities Identification Number, assigned to the Bonds by LCD in the capacity of a full member of the Association of National Numbering Agencies

DVP – delivery versus payment: a type of settlement for the Bonds

FCMC – Financial and Capital Market Commission, registered address: Kungu iela 1, Riga, LV-1050

Laws and regulations - legal enactments of the Republic of Latvia, Rules issued by LCD

LR – Republic of Latvia

USD – United States dollar

EUR – single currency of the European Union *euro*

GBP – British pound sterling

2. General information about the Bonds

2.1. The goal of the Bonds issue and key specifications

The goal of the Bank's Bonds issue is to:

- provide to the Bank's customers an up-to-date financial product which is a more rewarding and flexible alternative to deposits. It is an option to diversity one's investment portfolio and get involved in the Bank's development, aiming to offer innovative solutions to the Bank's customers;
- raise money to increase the Bank's subordinated capital.

The key specifications of the Bonds issued under the Bonds Offer Programme No.2 are:

Type of the Bonds issue	Primary placement of the Bonds will take place via a public offer; subsequently, to provide secondary market for the Bonds, they will be listed on a regulated market (stock exchange)
Currency of the Bonds	EUR, USD, GBP*
Nominal value of a Bond	EUR 1,000, or USD 1,000, or GBP 1,000
Total size of the Bonds Offer Programme	EUR 10,000,000, or equivalent amount in USD or GBP
Minimum purchase size per one purchase of the Bonds in primary placement	EUR 50,000, or USD 50,000, or GBP 50,000
Interest rate	Fixed or floating interest rate. The Bank may issue Bods at a discount
Maturity	Minimum maturity is 1 year and maximum maturity is 10 years. Maturity shall be set separately for each individual series in the Final Terms
Other key terms	If specified so in the Final Terms, money raised via the Bonds issue may be used for the increase of the Bank's subordinated capital.

*GBP may be a currency of the Bonds under the condition that the Stock Exchange will provide listing of GBP denominated bonds on a regulated market, and LCD will provide entering of GBP denominated bonds on its books and the servicing of corporate actions (payment of interest, redemption etc.).

2.2. Structure of the Bonds prospectus

The Bank will issue one or multiple Series of Bonds under the Bonds Offer Programme No.2.

The procedure for the Bonds issue is set forth in the Base Prospectus of the Bonds Offer Programme No.2 and the Final Terms under the Bonds Offer Programme No.2, which are drafted on a series-by-series basis.

2.2.1. Base Prospectus

Base Prospectus contains a detailed information about the Bank and general information about the Bonds, which is the same for all Series. Detailed and more specific information about each individual Series is provided in the Final Terms.

2.2.2. Final Terms

The Final Terms will set forth the below listed specifications and information for the particular series:

- ISIN code of the Bonds
- Number Bonds to be issued
- Currency of the Bonds
- Nominal value of a Bond
- Total size of the Bonds issue
- Minimum purchase size per purchase of the Bonds
- Minimum issue size to declare the issue of the Bonds Series to have taken place
- Price at primary placement
- Type of interest rate
- Interest period
- Frequency of interest payments, record date and payment date
- Bonds maturity date
- The right to retire the Bonds early
- Subscription period to the Bonds and settlement date
- Place, time and procedure for subscribing to the Bonds
- Start and end date of the primary placement of the Bonds
- Other key terms

Final Terms shall be approved by the Bank's Board no later than 4 (four) business days prior to the subscription start date to the specific Series.

The Bank will publish the Final Terms for each Series on its website www.bib.eu no later than 1 (one) business day prior to the subscription start date to the specific Series. Where Bonds of another Series are listed on the Stock Exchange at the time when the Final Terms for new the Series are being published, the Final Terms for the new Series will be published on the Stock Exchange website as well via the Stock Exchange information system and on CSRI.

3. Responsible persons

We, the below listed Board members of the Bank, are responsible for the information provided in the Base Prospectus and hereby represent that we have taken due care so that the information provided in the Base Prospectus, to our best knowledge, conforms to the facts and it does not overlook any data that might affect the meaning of the information provided therein.

Name	*Position*
Ilona Gulchak	Chairperson of the Board
Alon Nodelman	Board member and Procurist
Dinars Kolpakovs	Board Member
Inese Lazdovska	Board Member
Martins Neibergs	Board Member

4. Auditors

The Bank's consolidated financial statements for years 2014 and 2013 have been audited by KPMG Baltics SIA (Unified Business Identifier: 40003235171 license No.55, registered address: Vesetas iela 7, Riga, LV-1013). Auditor in Charge for the audit of the statements for the year 2013 is Inga Lipsane, Certificate No.112. Auditor in Charge for the audit of the statements for the year 2014 is Valda Uzane, Certificate No.4.

5. Summary

Section A. Introduction and warnings

Item	Information
A.1	This summary has to be viewed as an introduction to the Base Prospectus. When making a decision to invest in the Bonds, the investor has to consider the Base Prospectus as a whole. If a claim relating to the information contained by the Base Prospectus is brought before a court, the investor in the capacity of a claimant may be required to cover the costs of translating the Base Prospectus prior to the start of legal proceedings in accordance with the laws and regulations of the member states. Third-party liability applies only to those persons who have submitted the Summary together with its translation and have applied a communication, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or, when read together with the other parts of the Base Prospectus, it fails to provide key information in order to help the investors in making their investment decisions in respect of the Bonds.

Section B. Issuer and each guarantor

Item	Disclosure requirement	Information
B.1	Issuer's legal name and business name	Joint Stock Company "Baltic International Bank" (Baltic International Bank)
B.2	The domicile and legal form of the issuer, governing law and country of establishment	Baltic International Bank is a joint stock company established and registered in the Republic of Latvia; it is governed by the Latvian law, is licensed by the FCMC as a credit institution, and is providing financial services.
B.3	Description of the key factors relevant to the nature of the issuer's current operations and its principal activities, specifying the main categories of products sold/services delivered and the issuer's main markets	The main lines of business of Baltic International Bank is to preserve and increase capital, everyday services, solutions for financing current assets, investment projects and trade financing; services to market professionals by providing products and platforms designated for delivering services to their customers. The Bank provides its services in the Republic of Latvia, with Latvia, Russia, Ukraine, Kazakhstan, United Kingdom and other countries in Western Europe being its target markets.
B.4a	The most significant recent trends affecting the Issuer and its industry	The economic sanctions imposed by the European Union on Russia, highly volatile situation in the Eastern regions of Ukraine as well the depreciating Russian and Ukrainian national currencies against the Euro and other currencies is a direct threat to sustainable development of the business. The Bank is taking relevant measures towards mitigation of the risk in case of adverse scenario.
B.4b	Description of any known trends	Apart from the facts stated under B.4a, on the day of drafting the Base Prospectus there is no information about any other known trends that would

	affecting the Issuer and its industry	have affected Baltic International Bank or the banking industry in the Republic of Latvia in general.
B.5	Description of the Issuer's group of companies and the Issuer's position within the group	see table below

Name	Registration number	Country of registration	Basic types of operations	Interest in share capital 31.12.2014 (%)
AS "Baltic International Bank" (parent company of the Group)	40003127883	Latvia	Financial services	-
SIA "BIB Consulting" (a subsidiary undertaking in the Group)	50103457291	Latvia	Legal consultations, services related to asset protection and tax advisory services in tax application and tax planning	AS "Baltic International Bank" owns 100% of the share capital
SIA "BIB Real Estate" (a subsidiary undertaking in the Group)	40003868021	Latvia	Real estate	AS "Baltic International Bank" owns 100% of the share capital
SIA "Gaujas Īpašumi" (a subsidiary undertaking in the Group)	40103249888	Latvia	Real estate	SIA "BIB Real Estate" owns 100% of the share capital
SIA "Global Investments" (a subsidiary undertaking in the Group)	40003785660	Latvia	Real estate	SIA "BIB Real Estate" owns 100% of the share capital

B.6	Issuer's shareholders	On the Base Prospectus approval date the Bank has all in all 93 shareholders, of this 28 are legal entities and 65 are natural persons. The shareholders having control over 10 and more percent of the paid up share capital are: - Valeri Belokon – 69.89467% - Vilori Belokon – 30.00969%. The Bank's shareholders own shares with equal voting rights.
B.7	Selected historical key financial information	Key financial data as at 31 December 2014 and 31 December 2013

Item	31.12.2014	31.12.2013
	EUR	EUR
Cash and due upon demand from the Bank of Latvia	23,525,223	31,444,203
Due from credit institutions	277,591,255	154,968,015
Loans	97,753,368	103,580,577
Securities portfolio	96,564,765	11,764,155
Investments in share capital of associated companies and subsidiaries	3,087,621	3,087,621
Investment property	3,917,853	4,160,335
Fixed assets and intangible assets	21,722,278	22,070,299
Other assets	6,705,077	5,580,800
Total assets	**530,867,440**	**336,656,005**
Due to credit institutions	10,236,079	7,625,947
Deposits	448,244,286	275,288,611
Debt securities issued	18,241,785	5,053,318
Subordinate liabilities	16,701,727	11,101,637
Other liabilities	5,765,769	4,250,323
Total liabilities	**499,189,646**	**303,319,836**

		Shareholders' equity 31,677,794 / 33,336,169 **Total liabilities and shareholders' equity** 530,867,440 / 336,656,005 **Commitments and contingent liabilities** 15,096,122 / 19,335,166

Item	31.12.2014	31.12.2013
Shareholders' equity	**31,677,794**	**33,336,169**
Total liabilities and shareholders' equity	**530,867,440**	**336,656,005**
Commitments and contingent liabilities	**15,096,122**	**19,335,166**

Bank's other key financial indicators

Item	**31.12.2014**	**31.12.2013**
Operating income (EUR)	14,583,526	13,422,402
Profit for the reporting year (EUR)	(1,474,481).	28,510
Capital adequacy ratio	14.14%	14.24%
Liquidity ratio (%)	87.16%	71.53%

B.8	Selected key pro forma financial information	Not applicable
B.9	Profit forecast	Baltic International Bank has not calculated the profit forecast for the future periods
B.10	Reservations in the audit reports	There have been no reservations in the Baltic International Bank audit reports for the years 2014 and 2013. The audit report for the year 2014 was without qualifications, yet with an emphasis on the circumstances concerning the potential impact of the events in Ukraine on the business operations of the Bank and the Group and their financial standing as at 31 December 2014.
B.11	Issuer's equity capital	Baltic International Bank is compliant with the capital adequacy requirements stipulated by the laws and regulations. On 31 December 2014 the equity capital of Baltic International Bank stood at EUR 39,784,000, and the Bank's capital adequacy ratio was 14.14%, which meets both the legal requirements as well as the minimum individual requirements.
B.12	Changes in the Issuer's financial or business standing	The forecasts about the Issuer do not contain any adverse changes since the date of its last published audited financial statements. No significant changes in the financial or business standing have been identified in the Baltic International Bank operations since the end of the previous reporting period.
B.13	Events which are to a material extent relevant to the evaluation of the Issuer's solvency	Lately there have not been any events in Baltic International Bank that would be to a material extent relevant to the evaluation of the Issuer's solvency.
B.14	Issuer's dependency in the Group	Baltic International Bank is not dependent on other entities within the Baltic International Bank Group.
B.15	Issuer's main lines of business	Financial services are Baltic International Bank's main business.
B.16	Control over the Issuer	The Issuer is controlled by its shareholders with ownership interest equal to and above 10 per cent of the paid up capital: - Valeri Belokon – 69.89467% - Vilori Belokon – 30.00969%.
B.17	Issuer's credit ratings	Neither Baltic International Bank nor its issued financial instruments have been assigned a credit rating.

B.18-B.50	Not applicable

Section C. Securities

Item	Disclosure requirement	Information
C.1	Specifications of the Bonds	Specifications of the Bonds will be set forth in the Final Terms
C.2	Currencies of the Bonds issue	The bonds may be issued in EUR, USD and GDP in accordance with Final Terms. GBP may be a currency of the Bonds under the condition that the Stock Exchange will provide listing of GBP denominated bonds on a regulated market, and LCD will provide entering of GBP denominated bonds on its books and the servicing of corporate actions (payment of interest, redemption etc.).
C.3	Information about the shares to be issued	Not applicable
C.4	Rights attached to the securities	Not applicable
C.5	Limitations to free transferability of the Bonds	The Bonds are dematerialised bearer securities that are freely transferable, representing the Issuer's liability to the owners of the Bonds without any extra coverage.
C.6	Listing the shares to be issued on a regulated market	Not applicable
C.7	Dividend policy	Not applicable
C.8, C.9	Rights attached to the Bonds	*Coverage of the Bonds* The Bonds will be non-secured bearer debt securities without any extra coverage. Both normal Bonds as well as subordinated Bonds towards raising subordinated capital to the Bank may be issued in the scope of the Bonds issue. Normal Bonds are non-secured, are not subordinated and are not collateralised by any particular asset. In case of the Bank's insolvency, investors' claims against the Bank arising out of the Bonds will be satisfied simultaneously with the claims of other non-secured creditors in the procedure stipulated by the Insolvency Law and the Credit Institutions Law. Investment in the Bonds with original maturity of 1 (one) year or less is protected and guaranteed according to the Deposit Guarantee Law and in the amount stipulated by this law, however, not in excess of EUR 100,000 (one hundred thousand euro). Where the goal of the Bonds issue Series will be to raise funds to be used by the Issuer as the Bank's subordinated capital, as it will be stated in the Final Terms, in respect of these Bonds, in case of the Bank's insolvency, investors' claims against the Bank arising out of the Bonds will be satisfied after the claims of all other creditors have been satisfied, yet prior to satisfying the shareholders' claims. *Form of the Bonds* The Bonds will be issued in dematerialised form and registered with LCD,

		where each of the Bond series will be assigned a distinctive ISIN code, to be specified in the Final Terms for each specific Series. LCD will also enter the Bonds in its books, account them and provide settlement for the Bonds transactions. A book-entry in the Bond owner's financial instruments account with the custodian will be a proof of the Bonds ownership. Following primary placement, there will be no restrictions on alienation of the Bonds on secondary market. *Bond interest rate* Under the Programme, the Bank will issue Bonds with two types of interest rate: fixed or floating annual interest rate. For each of the Bonds Series, the Interest Rate and Interest Period will be specified in the Final Terms for the specific Series of the Bonds. *Redemption of the Bonds principal* The Bonds will be redeemed on maturity, to be set in the Final Terms. Simultaneously with redemption of the Bonds, on the Bonds maturity date the Bondholders will be paid the nominal value of the Bonds, i.e., the principal.
C.10	Interest payment on the securities in relation to derivative financial instruments	Not applicable
C.11	Listing of bonds on a regulated market	It is expected that the Bonds will be listed on the Baltic Bond List on the Stock Exchange.
C.12	Minimum nominal value of the issue	The Bank will determine the size of the Series and the number of Bonds to be offered in the Final Terms. Minimum purchase size for the Bonds in primary placement shall be EUR 50,000, or USD 50,000, or GPB 50,000, and nominal value of a bond shall be EUR 1000, or USD 1000, or GBP 1000.
C.13-C.22		Not applicable

Section D. Risks

Item	Disclosure requirement	Information
D.1-D.2	Key risks typical to the industry and the issuer	The Bank is exposed to a variety of risks. Key risks that might affect the Bank's ability to meet its liabilities are: credit risk, liquidity risk, market price risk (including foreign exchange risk and interest rate risk) and operational risk. *Political and macroeconomic risks* Despite the fact that the Republic of Latvia is a European Union member state as well as a NATO member country and its national currency is the euro, the complicated geopolitical situation along with economic sanctions against Russia lately have notably increased the significance of these risks.

		Credit risk Credit risk is a risk of incurring losses where the counterparty defaults on or refuses to honour its contractual obligations under the contract with the Bank. *Liquidity risk* Liquidity risk is a risk that the Bank may not be able to meet its legally sound claims in a timely manner without suffering substantial losses, and may not be able to face unexpected changes in the Bank's resources and/or market conditions due to lack of liquid assets in sufficient amount. *Market price risk* Market price risk is a risk that the Bank's income/expenses (and equity capital) may change in case of adverse developments in the market prices of financial instruments, commodities, in foreign exchange rates and interest rates. *Operational risk* Operational risk is a risk of incurring direct or indirect losses due to inadequate or failed internal processes, human actions, functioning of the systems or external circumstances, excluding compliance and strategic risks. Operational risk is inherent in all constituent elements of the Group and the Bank, i.e. processes, products and activities. *Compliance and reputation risk* Compliance and reputation risk is a risk that the Bank may incur losses or it may be imposed legal obligations or sanctions, or its reputation may get impaired, where the Bank fails to comply with or violates laws, regulations and standards; as well as a risk that the Bank's customers, business partners, shareholders and supervisory authorities may develop an unfavoured opinion about the Bank.
D.3	Key risks typical for securities	*Liquidity risk* Though the Bonds are going to be listed on a regulated market, neither the Bank nor any other entity will guarantee minimum liquidity for the Bonds trading. The Bondholders should keep in mind that it might be hard to sell the Bonds on secondary market for an adequate price; likewise, the Bondholders should keep in mind that selling of the Bonds might be limited due to the lack of interest on the buy side. *Price risk* The Bonds will be redeemed at their nominal value, yet, until the maturity, the price may be subject to significant changes on secondary market. Neither the Bank nor any other person will undertake to be a market maker for the Bonds. *Interest rate volatility risk* When the Bonds are offered at a floating interest rate where the money market index (base rate) is included in the calculations, the Investor should keep in mind that the Bond yield will fluctuate and will depend on the developments of the base rate on the interbank market. When the Bonds

		are offered at a fixed rate, the yield-to-maturity is constant and is not subject to developments in external market. *Collateral risk* The Bonds are non-secured, non-subordinated (except for subordinated bonds if set forth so in the Final Terms) and are not collateralised with any particular asset. Where the Bank fails to timely honour its obligations to the Bondholders, they will become the Bank's unsecured creditors, and their claims will be satisfied only after all secured liabilities have been satisfied. *Legislative risk* A risk that is associated with amendments to laws and regulations or implementation of new laws and regulations, and that may result in additional expenses or reduce the return from the Bonds. This risk also includes any potential changes in the tax calculation and withholding procedures.
D.4-D.6		Not applicable

Section E. Offer

Item	Disclosure requirement	Information
E.1-E.2a	Not applicable	
E.2b	The goal of the Bonds offer	The goal of the Bank's Bonds issue is to: - provide to the Bank's customers an up-to-date financial product which is a more rewarding and flexible alternative to deposits. It is an option to diversify one's investment portfolio and get involved in the Bank's development, aiming to offer innovative solutions to the Bank's customers; - raise money to increase the Bank's subordinated capital.
E.3	Terms of the offer	Terms of the Bonds offer will be set forth in the Final Terms of the Bonds issue
E.4	Potential conflict of interest	The Bank does not possess information on existence of any potential conflict of interest in respect of the Bonds issue
E.5-E.6	Not applicable	
E.7	Expense to be met by the Bondholders	The Bondholders will not be expected to meet any extra expenses.

Baltic International Bank

6. Information on risks and risk management

6.1. Disclaimer

This section lists the key risks associated with the purchase of the Bonds, yet the list is not exhaustive. The investors should carefully assess these risks, as they might potentially have an impact on the Bank's ability to meet its liabilities, or might affect the possibilities to transact in the Bonds.

Laws and regulations of the Republic of Latvia stipulate a stringent oversight of credit institutions, thereby mitigating the risks to Investors if compared to investments in securities issued by other issuers. In the Republic of Latvia, FCMC is the supervisory authority for credit institutions. Irrespective of this, prior to making his or her investment decision with regard to the Bonds, each Investor should independently, and, if necessary, by engaging professional advisers, evaluate the potential risks associated with the purchase of the Bonds.

6.2. Political and macroeconomic risks

Political risks

Latvia is a sovereign democratic republic having a multi-party system. The Republic of Latvia is a European Union member state since May 2004, and became a NATO member country in March 2004. Though the political risk should be assessed as a low one, the recent complex geopolitical situation in Ukraine nevertheless has notably increased the significance of this risk.

Macroeconomic risks

Latvia adopted the euro as of 1 January 2014, thereby becoming a full-fledged member of the European Union single financial system and significantly reducing own macroeconomic, fiscal and financial risks. Simultaneously, one should take into account the fact that Latvia's economy is not isolated; instead, it is is closely linked with macroeconomic processes elsewhere in the world, therefore the existing external uncertainties comprise the main risks to Latvia's macroeconomic development. It needs to be stressed that the economic sanctions imposed on Russia due to the geopolitical situation have a serious impact both on the economy of Latvia as well as on other economies that have close economic ties with Latvia.

6.3. Bank's most significant risks

The Bank is exposed to a variety of risks. Key risks that might affect the Bank's ability to meet its liabilities are: credit risk, liquidity risk, market price risk (including foreign exchange risk, interest rate risk) and operational risk.

Credit risk

Credit risk is a risk of incurring losses where the counterparty defaults on contract or refuses to honour its obligations under the contract with the Bank.

The main causes of credit risk are as follows:

- borrowers' (counterparties, issuers) default on contract with the Bank;
- deterioration of the financial situation of borrowers (counterparties, issuers)

- developments and limitations in the economic and political environment in the country.

Lending business

The Bank issues loans in accordance with the Loan Policy. The Bank conducts, in a timely manner, credit quality assessment, estimates potential losses, and verifies the quality of outstanding loans on a regular basis in order to prudently estimate an impairment loss on the loans and to determine the impairment loss allowance to be recognised in the financial statements as of the reporting date. At the Bank, the credit risk management process essentially involves two distinct phases: credit risk management before issuing a loan and credit risk management after issuing a loan.

The credit risk management process during the post-issuance period is carried out in accordance with the Procedure for Managing Credit Risk Inherent in the Loan Portfolio. It prescribes the procedure for identification, evaluation, measuring, management and monitoring of the sources of credit risk. The credit risk management process is divided into two steps: first, assessment of the credit risk inherent in individual loans, and second, assessment of the credit risk inherent in the entire portfolio plus stress testing of the loan portfolio.

For a more efficient credit risk management, the Bank has an Asset and Off-Balance Sheet liabilities evaluation committee, which is evaluating and monitoring the quality of the loan portfolio on a continuous basis. Depending on the evaluation results, a decision is made as to the need to build special provisions.
As at 31 December 2014, the Bank's loan portfolio stood at EUR 97.75 million, which is less than 20% of the Bank's total assets. The portfolio is dominated by mortgage loans with a 72.12% share in total loan portfolio. This reflects the Bank's conservative approach in respect to credit exposure. It should be noted that as a result of the geopolitical tensions between Russia and Ukraine, the financing projects tend to move over to Western Europe.

Securities portfolio

Securities-related credit risk (also known as default risk) is the risk that the Bank will sustain losses if the security's issuer and/or holder are unable or refuse to perform their obligations owed to the Bank, emanating from the securities issued and/or held.

The Bank-approved Procedure for Managing Securities Portfolio Risk sets forth the risk management objectives and risk assessment criteria in order to prevent the adverse effects of the securities portfolio-related credit risk on the Bank's financial standing.

The Bank conducts the credit risk analysis and control both for its trading book and non-trading (banking) book.

As part of the securities portfolio-related credit risk analysis, the Bank evaluates the creditworthiness of the actual issuers and holders by monitoring the credit ratings assigned to the issuers and their financial standing; by monitoring the political and economic environment in home countries of the issuers; and by monitoring particular sectors of the economy relevant to the issuers.

To hedge risks associated with securities-based transactions, the Bank has imposed limits to the risk inherent in the securities portfolio and limits to the concentration of the securities portfolio. In 2014, the Bank carried out sizeable investment operations to buy gilt-edged securities. Owing to this fact, the structure of the securities portfolio has improved notably in terms of quality. Investment-grade sovereign bonds, bonds issued by multilateral development banks (MDB) and government treasury bonds comprise 86.90% of total portfolio. The size of the securities portfolio totalled EUR 96.56 million or 18.19% of total assets as at 3l December 2014. The optimisation of the securities portfolio has generated stable income from the bonds portfolio.

Transactions with banks

The Bank assesses credit risk inherent in the Bank's transactions in order to assess the probability of counterparty banks' default in their obligations owed to the Bank, and that the Bank's profits might decline as resulting from deterioration of the counterparties' financial standing. Transactions with banks are conducted according to the Procedure for managing Credit Risk Inherent in Transactions with Banks and Assigning Risk Categories.

Management of risks inherent in transactions with banks encompasses:
- analysis of credit capacity of the counterparty banks;
- assessment of concentration levels;
- analysis of financial performance indicators of the counterparty banks;
- monitoring of credit ratings assigned to the counterparty banks;
- gathering non-financial information about the counterparty banks;
- limit setting.

As at 31.12.2014, 96.91% of total due from credit institutions or EUR 269.01 million were due from credit institutions with investment-grade ratings, i.e., form A3 to Baa1.

Liquidity risk

Liquidity risk is a risk that the Bank may not be able to meet its legally sound claims in a timely manner without suffering substantial losses, and may not be able to face unexpected changes in the Bank's resources and/or market conditions due to lack of liquid assets in sufficient amount.

The key principles for managing liquidity risk are laid down in the Bank's liquidity risk management strategy, policies and procedures. In accordance with the liquidity risk management strategy, the Bank is maintaining adequate liquidity reserves in order to be able to meet its current liabilities, while taking in consideration the financing liquidity risk and market liquidity risk.

For the purpose of the day-to-day management of the liquidity risk, a number of liquidity and financing structure indicators are being calculated and analysed, together with the maturity structure of assets and liabilities. Stress testing is used for risk analysis as well, where the Bank identifies the potential sources of the liquidity problems and determines the necessary amount for liquidity buffer. In order to mitigate the liquidity risk, the Bank has an efficient internal limit system in place; it is evaluating the liquidity risk level on a regular basis and analysing the reasons for any changes in the liquidity risk level.

As at 31.12.2014, the liquidity ratio was 87.16% (up from 71.5% as at 31.12.2013), which is well above the standard laid down by the FCMC (not less than 30%). In its turn, the Liquidity Coverage Ratio, calculated in accordance with the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, exceeded 100% and was 253.10%. Over 65% of the Bank's assets have been invested in the liquidity management portfolios.

Market price risk

Market price risk is a risk that the Bank's income/expenses (and equity capital) may change in case of adverse developments in the market prices of financial instruments.

Securities portfolio-related market price risk

The Bank-approved Procedure for Managing Risk Inherent in Securities Portfolio sets forth the risk management objectives and risk assessment criteria in order to prevent the adverse effects of the market price risk on the Bank's financial standing.

The Bank conducts the market price risk analysis and control both for its trading book and non-trading (banking) book. To mitigate potential loss from transactions in securities, the Bank employs various techniques that allow Bank to prevent and identify, in a timely manner, the increase of the risk inherent in securities.

The assessment of the securities portfolio market price risk comprises the analysis of the market price volatility, determination of market liquidity (for each position in a particular security and overall for the portfolio); determination of the level of concentration (by issuer, country and economic sector).

To hedge risks associated with securities-based transactions, the Bank has imposed limits to the securities risk and limits to the concentration of the securities portfolio.

Foreign exchange risk

Foreign exchange risk is a probability of suffering losses due to revaluation of foreign currency denominated balance sheet and off-balance sheet items resulting from fluctuating foreign exchange rates (gold is treated as an equal to a foreign currency).

Main sources of foreign exchange risk are:

- a substantial size of net open foreign currency positions;
- foreign exchange rate fluctuations.

To manage foreign exchange risk, the Bank has adopted the Foreign Exchange Risk Management Policy. The Bank's Risk Control Division is responsible for ensuring compliance with the Policy which establishes limits on net open foreign exchange positions for the Bank. To meet the requirements of the Credit Institutions Law, each single net open position in any foreign currency may not exceed 10% of the equity, while the aggregated net open position in all currencies may not exceed 20% of the Bank's equity.

The ratio of the Bank's net open positions in all foreign currencies and gold to equity stood at 1.34% as at 31.12.2014 (5.65% as at 31.12.2013).

Interest rate risk

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

The main reasons for interest rate risk are re-pricing risk, yield curve risk, basis risk, optionality risk.

For risk measuring purposes, the Bank would use:

- *Gap analysis techniques.* Gap analysis is applied to measure the effects of the risk on the Bank's net interest income in case of parallel interest rate increase by 1 percentage point (or 100 basis points), i.e., changes in interest rates simultaneously affect assets and liabilities appearing on the balance sheet.
- *Simplified duration method.* Simplified duration analysis is applied to estimate the impact of abrupt and unanticipated interest rate swings on the Bank's economic value.
- To evaluate emergency situations, the Bank performs *stress testing*. This is done through simulating possible scenarios based on internal and external events that have an adverse effect on the Bank's maturity structure of assets and liabilities and result in imbalances and on net interest income.

To hedge interest rate risk, the Bank has established limits for a tolerable decrease in its economic value and for potential changes in its net interest income.

As at 31.12.2014, the decrease/increase of interest rates by 100 basis points might potentially affect (reduce/increase) the Bank's net interest income for the year by EUR 283.54 thousand (by EUR 235.51 thousand in 2013).

Operational risk

Operational risk is a risk of incurring direct or indirect loss due to inadequate or failed internal processes, human actions, functioning of the systems or external circumstances, excluding compliance and strategic risks. Operational risk is inherent in all constituent elements of the Group and the Bank, i.e. processes, products and activities.

The Bank has grouped the operational risk sources into risk of system failure; risk of IT system and risk of software failure; risk of poor methodology; risk of poor organisational structure; risk of human errors; risk of internal and external fraud; risk of external interference in the processes; inappropriate employment practices and workplace safety; incorrect attitude towards customers, inappropriate products and business practices, lack of proper process management; legal documentation risk.
The Bank has adopted the Operational Risk Management Policy and Operational Risk Management Procedure which set forth operational risk management objectives and principles, and stages of risk assessment.

To measure operational risk, the Bank applies two methods: the indicator method and the 'actual loss' method due to actual adverse events.

Bank ensures that the operational risk inherent in all significant banking products, activities, processes and systems and losses stemming from adverse events are being monitored on a regular basis.

Operational risk supervision encompasses on-going control of operational risk; as a result, the Bank is updating its register of adverse events, makes decision about the Bank's readiness to take on operational risk, and determines the base level and the acceptable level for the operational risk.

In order to timely detect and prevent adverse events and their sources, the Bank records losses arising from adverse events in the Register of adverse events in the breakdown by internal collected data about actual and/or potential losses and external collected data about actual and/or potential losses.

Compliance and reputation risk

Compliance and reputation risk (Compliance risk) is a risk that the Bank may incur losses or it may be imposed legal obligations or sanctions, or its reputation may get impaired, where the Bank fails to comply with or violates laws, regulations and standards; as well as a risk that the Bank's customers, business partners, shareholders and supervisory authorities may develop an unfavoured opinion about the Bank.

Compliance risk is also referred to as integrity risk, because the Bank's reputation is closely connected with its adherence to principles of integrity and fair dealing.

In fact, compliance risk is a risk which may:

- result in lost earnings and/or may cause additional expenses (lead to a decrease in the Bank's equity);
- endanger the Bank's further business due to violations of or non-compliance with laws, rules, regulations and standards on the part of the Bank;
- result in the Bank's clients', counterparties', shareholders' and supervisory authorities' unfavoured opinion about the Bank.

Compliance risk identification is carried out according to the Bank-adopted Compliance and Reputation Risks Management Policy and Compliance and Reputation Risks Management Procedure.

6.4. Key risks inherent in the Bonds

Liquidity risk

Though it is expected that the Bonds will be listed on a regulated market, neither the Bank nor any other entity will guarantee minimum liquidity for the Bond trading. The Bondholders should keep in mind that it might be hard to sell the Bonds on secondary market for an adequate price, or selling of the Bonds might be limited due to the lack of interest on the buy side.

Price risk

The Bonds will be redeemed at their nominal value, yet, until the maturity, the price may be subject to significant changes on secondary market. Neither the Bank nor any other person will undertake to be a market maker for the Bonds.

Interest rate volatility risk

When the Bonds are offered at a floating interest rate where the money market index (base rate) is included in the calculations, the Investor should keep in mind that the Bonds yield will fluctuate and will depend on the developments of the base rate on the interbank market. When the Bonds are offered at a fixed rate, the yield-to-maturity is constant and is not subject to developments in external markets.

Collateral risk

The Bonds are non-secured, non-subordinated (except for subordinated bonds if specified so in the Final Terms) and are not collateralised with any particular asset. Where the Bank fails to timely honour its obligations to the Bondholders, they will become the Bank's unsecured creditors, and their claims will be satisfied only after all secured liabilities have been satisfied.

Investment in the Bonds with original of 1 (one) year or less is protected and guaranteed according to the Investment Guarantee Law and in the amount stipulated by this law, however, not in excess of EUR 100,000 (one hundred thousand euro).

Legislative risk

A risk that is associated with amendments to laws and regulations or implementation of new laws and regulations, and that may result in additional expenses or reduce the income from the Bonds. This risk also includes any potential changes in the tax calculation and withholding procedures.

6.5. Risk management

The elements of the risk management process are the following:
- risk identification;
- risk evaluation;
- risk management;
- risk supervision.

Risk identification provides for building a Bank-specific "risk portfolio". The identification of the risks intrinsic to the Bank is done according to the Bank's Procedure for Identifying Significant Risks.

A variety of qualitative and quantitative methods are used for risk evaluation, with the purpose of timely prevention of risk increase.

Risk management includes making decisions with regard to:
- risk mitigation (e.g., introducing limits, downsizing the operations);
- risk acceptance (e.g., forming capital reserves);
- risk transfer (e.g., insurance, hedging)

Risk supervision involves an on-going monitoring of the exposures, implementing an effective risk mitigation procedure and improving the procedure in response to developments in the market.

Risk management strategy is designed to ensure the optimal balance between anticipated risks and potential return.

The Bank’s Board and committees are monitoring the compliance with the regulatory requirements and guidelines outlined in the Bank’s internal guidance documents. The Bank has established a special-purpose organisational unit (the Risk Management Division.) whose main task is to ensure the management of risks inherent in the Bank’s (Group’s) business in order to timely prevent adverse impacts of various risks to the Bank’s (Group’s) financial standing.

The Bank’s Council approves the strategies and policies relating to the assessment and management of risks and at least once a year analyses the internal reports containing the assessment of risks inherent in the Bank’s (Group’s) business.
In view of the expansion of the Bank’s business and the evolving financial market, the Bank is continuously enhancing its risk management system, and the Bank's Internal Audit Department maintains on-going control over it.

7. Information on the Bonds issue Programme

7.1. Validity period of the Programme Base Prospectus

The Programme Base Prospectus shall be valid for 12 (twelve) months following its registration with the FCMC.

The validity period for the Final Terms for the Series shall be set forth in the Final Terms within the time limits of the Programme Base Prospectus validity period. The Final Terms shall be approved by the Bank's Board and not subject to the Council's approval for this matter.

7.2. Size of the Bonds issue under the Programme

The Bank will issue bonds in one or multiple Series with total nominal value up to EUR 10 000 000 (ten million euro) or equivalent in USD or GBP according to the exchange rate published by the European Central Bank on the date when the Final Terms for the respective Series are approved.

In the Final Terms, the Bank will specify the size of the specific Bonds issue series along with the number of Bonds to be issued.

Where the issue size determined for a Series of the Bonds has been fully or partly redeemed after primary placement of the Bonds issue (see Section 7.6.2 of the Base Prospectus), the value of the redeemed Bonds will be disregarded for the purpose of calculating total issue size of the Bonds issue under the Programme.

7.3. Description of the Bonds, their type and form

The Bonds will be non-secured bearer debt securities without any extra coverage.

The Bonds will be issued in dematerialised form and registered with LCD, where each of the Bond series will be assigned a distinctive ISIN code, to be specified in the Final Terms for each specific Series of the Bonds. LCD will also enter the Bonds in its books, account them and provide settlement for the Bonds transactions. A book-entry in the Bond owner's financial instruments account with the custodian will be a proof of the Bonds ownership.

The Bonds will be issued and placed as a public offer.

Minimum purchase size for the Bonds shall be EUR 50,000 (fifty thousand euros), or USD 50,000 (fifty thousand US dollars), or GPB 50,000 (fifty thousand British pounds).

It is expected that subsequent to primary placement, the Bonds will be listed on the Baltic Bond List on the Stock Exchange.

In the capacity of an issuer and offeror in a public offer, the Bank shall not be held liable for the obligation of Bondholders and third parties to comply with the provisions of the Financial Instruments Market Law of the Republic of Latvia and other applicable laws and regulations.

7.4. Currencies of the Bond issue

Under the Programme, the Bank will issue Bonds denominated in EUR, USD or GBP. The currency for each particular Series of the Bonds will be set forth in the Final Terms for the particular Series.

7.5. The procedure for interest rate calculation and payment of interest income

Under the Programme, the Bank will issue Bonds with two types of interest rate: fixed or floating annual interest rate. The Base Prospectus should provide for a possibility to issue the Bonds at a discount. For each of the Series of the Bonds, the Interest rate and Interest Period will be specified in the Final Terms for the respective Series.

Fixed interest rate

If the Bonds are issued with fixed interest rate, it will be specified in the Final Terms and will remain constant over the Bonds issue period up to maturity.

Floating interest rate

If the Bonds are issued with floating interest rate, the relevant money market index (base rate) and the Bank's margin will be specified in the Final Terms. Base rate: Euribor (EUR), Libor (USD), Libor (GBP), available on the Bloomberg. Interest rate for the next Interest Period will be determined 5 (five) business days before the first day of the next Interest Period and will be in effect over the entire Interest Period. The Bank will post the notification about the Interest Rate for the next Interest Period on its Internet website www.bib.eu no later than 2 (two) business days prior to the first day of the next Interest Period. In case the Bonds are listed on the Stock Exchange, the Bank will post the Interest Rate on the Stock Exchange website as well via the Stock Exchange information system and on CSRI.

Floating interest rate will be determined and rounded according to common arithmetic principles to 2 (two) digits after the decimal point.

Calculation of accrued interest

Interest Income will be paid on a semi-annual basis, i.e., 2 (twice) per year. For the purpose of interest calculation on EUR- or USD-denominated Bonds, the 30/360 principle will be applied. As to GBP-denominated Bonds, the ACT/ACT principle will be applied.

The Interest Income amount will be calculated as follows:
CPN = F x C /2, where
CPN – Interest Income amount
F – face (nominal) value of the Bonds
C – annual interest rate

Interest Income payment procedure
As the Bonds will be entered on the books of LCD, the payment procedure in respect of the Interest Income from Bonds will be regulated by LCD Rules No.8 "On Payment of Dividends, Coupons, Principal and Other Cash Proceeds".

In the capacity of an issuer, the Bank, after having withheld the taxes according to the provisions of laws and regulations, will transfer the amount to be paid as interest proceeds to the LCD cash account within the time frame stipulated by the LCD Rules. LCD shall transfer the amount to be paid as interest proceeds to the custodians on the Interest Income payment date according to the number of Bonds on the correspondent accounts as of the end by the record date.

Where the Interest Income payment date falls on a weekend or on a public holiday, the Interest Income will be disbursed on the next business day after the holiday. No interest will be calculated and paid for said weekends or public holidays.

The Bank will set the interest payment dates taking into account the below listed requirements:
- where, according to laws and regulations, the Bank has an obligation to withhold the tax from the Interest Income to be paid out, the Bank will set the payment date no earlier than on the fifth business day and no later than on the tenth business day after the record date;
- where the Bank has no obligation to withhold the tax from the Interest Income to be paid out, the Bank will set the payment date no earlier than on the second business day and no later than on the fifth business day after the record date.

The record and payment dates for each Series of the Bonds will be set forth in the Final Terms.

The taxes payable on the proceeds from the Bonds that are effective on the Programme Base Prospectus approval date, have been set forth in Section 10 of the Base Prospectus "Taxation of the proceeds from the Bonds". It is the sole responsibility of the Bondholder to follow any amendments to laws and regulations that affect income taxation.

7.6. Redemption of the Bonds

7.6.1. Redemption of the Bonds with payment of the principal according to regular procedure

The Bonds will be redeemed on maturity date, to be set forth in the Final Terms for each Series. Simultaneously with redemption of the Bonds, on the Bonds maturity date the Bondholders will be paid the nominal value of the Bonds, i.e., the principal.

Where the Bond maturity date falls on a weekend or on a public holiday, the Interest Income and the nominal value of the Bond will be disbursed on the next business day after the holiday.

As the Bonds will be entered on the books of LCD, the procedure in respect of redemption of the Bonds and payment of the nominal value will be regulated by LCD Rules No.8 "On Payment of Dividends, Coupons, Principal and Other Cash Proceeds".

The Bank, when redeeming the Bonds and paying out the nominal value of the Bonds, will transfer the full amount to the LCD cash account within the time frame set forth in the LCD Rules. LCD shall transfer the amount to be paid as interest proceeds to the custodians on the redemption date according to the number of Bonds on the correspondent accounts on the redemption date. The custodian with whom the Bondholder has a financial instruments account will transfer to the Bondholder's cash account the total nominal value of the Bonds within one business day after having received the moneys from LCD.

LCD participant, after having received the moneys from LCD towards payment of the principal, will promptly cancel the Bonds in its financial instruments accounting system. LCD, after having transferred the moneys to the LCD participant, will promptly cancel the Bonds in its financial instruments accounting system.

The taxes payable on the proceeds from the Bonds that are effective on the Programme Base Prospectus approval date, have been set forth in Section 8 of the Base Prospectus "Taxation of the proceeds from the Bonds".

7.6.2. Early retirement of the Bonds

Where the Bonds or a part thereof are going to be redeemed prior to maturity, the Bank will announce the call on its Internet website www.bib.eu, on the Stock Exchange information system and on CSRI no later than 10 (ten) business days prior to redemption, stating the number of the Bonds to be redeemed, total nominal value, the early retirement date and the remaining number of Bonds in circulation after the early retirement. The decision on early retirement of the Bonds shall be made by the Bank's Board and will not need the Council's approval.

<u>Cancellation of the Bonds on the Bank's own initiative</u>

After primary placement end date the Bank may cancel that part of the Bonds Series which has not been distributed during the primary placement. Thereby, only the issue size actually distributed during the primary placement will be deemed issued under the Programme.
The Bank is entitled to retire early the Bonds which the Bank has purchased on secondary market or in any other manner in the procedure stipulated by the Latvian law.
The Bank may not retire early the Bonds which are owned by Bondholders, unless set forth otherwise in the Final Terms for the Series.

<u>Cancellation of the Bonds on the Bondholder's own initiative</u>

The Bondholders may not request the Bank to redeem the Bonds prior to their maturity and pay out the principal and accrued interest unless set forth otherwise in the Final Terms. Where the Final Terms have a provision that the Bondholder may request the Bank to redeem the Bonds prior to maturity, and the Bondholder elects to request the Bank to redeem the Bonds from him prior to maturity, the Bondholder shall notify the Bank thereof in writing no later than 20 (twenty) business days in advance, specifying in the notification the number of the Bonds he wishes to be redeemed, total nominal value, the early retirement date, the number of Bonds held, the custodian and the account number. The decision on early retirement of the Bonds shall be made by the Bank's Board and will not need the Council's approval. The Bonds redeemed prior to maturity will be settled on DVP basis. The execution of these transactions is regulated by the LCD Rules No.5 "On DVP Settlement for OTC Transactions" for settlements in EUR and No.15 "On DVP Settlement in Foreign Currencies" for settlements in USD and GBP. On the specified early retirement date the Bank, being on the Buy side, places an OTC DVP buy order for the Bonds for an amount which equals the principal amount of the Bonds plus accrued interest, while the Bondholder, being on the Sell side, places and OTC DVP sell order for the Bonds for an amount which equals the principal amount of the Bonds plus accrued interest, and settlement is performed on the LCD system for OTC transactions on DVP basis.

7.7. Regulatory enactments

Bonds will be issued in compliance with the laws and regulations effective in the Republic of Latvia. The most essential are:

- Commercial Law;

- Financial Instruments Market Law;
- Civil Law;
- Rules and regulations issued to by the Stock Exchange;
- Rules issued by LCD.

7.8. Restrictions to free purchase and transfer of the Bonds

It is expected that subsequent to primary placement, the Bonds will be listed on the Baltic Bond List on the Stock Exchange.

At primary placement, the Bonds are made available to the Bank's customers as well as other Investors who have their financial instruments accounts with another credit institution or investment company.

Detailed procedure for purchase of the Bonds has been described in Section 8.5 of this document "Subscription to the Bonds".

7.9. Subordination of the Bonds

Regular Bonds are non-secured, are non-subordinated and are not collateralised by any particular asset. In case of the Bank's insolvency, Bondholders' claims against the Bank arising out of the Bonds will be satisfied simultaneously with the claims of other non-secured creditors in the procedure stipulated by the Insolvency Law and the Credit Institutions Law.

Investment in the Bonds with original maturity of 1 (one) year or less is protected and guaranteed according to the Investment Guarantee Law and in the amount stipulated by this law, however, not in excess of EUR 100,000 (one hundred thousand euro).

Where the goal of the Bonds issue Series will be to raise funds to be used by the Issuer as the Bank's subordinated capital, as it will be stated in the Final Terms, and, in respect of these Bonds, in case of the Bank's insolvency Investors' claims against the Bank arising out of the Bonds will be satisfied after the claims of all other creditors have been satisfied, yet prior to satisfying the shareholders' claims.

8. The procedure for the Bonds offer

8.1. Decisions made on the Bonds series for offer

The Base Prospectus is approved by the Bank's Board on the basis of the decision of the Bank's meeting of shareholders.

Decisions on bonds issuance:

- the decision of the Bank's meeting of shareholders of 30 March 2015 on the Bonds issuance (Minutes No.10-5/01/2015)
- the decision of the Bank's Board meeting of 14 May 2015 on the approval of Base Prospectus for the Bonds Offer Programme No.2 (Minutes No.01-05/09/15), with amendments introduced with the decision of the Board dated 21 May 2015 (Minutes No.01-05/20/15), with amendments adopted with the Board decision dated 18 June 2015 (Minutes No.01-05/24/15).

The Programme Base Prospectus shall be valid for 12 (twelve) months following its registration with the FCMC.

Under the Programme, the Bank will issue Bonds in one or multiple series. Final Terms shall be approved by the Bank's Board no later than 4 (four) business days prior to the subscription start date to the particular Series.

8.2. Specifications to be set forth for each Series of the Bonds

Final Terms will set forth the below listed specifications and information for the particular series:

- The goal of the Bonds offer
- ISIN code of the Bonds
- Number of the Bonds to be issued
- Currency of the Bonds
- Nominal value of a Bond
- Total size of the Bonds issue
- Minimum purchase size per purchase of the Bonds
- Minimum issue size to declare the issue of the Series of Bonds to be valid
- Price at primary placement
- Type of interest rate
- Interest period
- Frequency of interest payments, record date and payment date
- Bonds maturity date
- The right to retire the Bonds early
- Bonds subscription period and settlement date
- Place, time and procedure for subscribing to the Bonds
- Other key provisions

The Bank will publish the Final Terms for each Series on its website www.bib.eu no later than 1 (one) business day prior to the subscription start date to the specific Series. Where Bonds of another Series are listed on the Stock Exchange at the time when the Final Terms for new the Series are being published, the Final Terms for the new Series will be published on the Stock Exchange website as well via the Stock Exchange information system and on CSRI.

8.3. Bond pricing for the purpose of primary placement

The Bank's Board will price the Bonds depending on the situation in financial markets, after assessing the potential market demand for the Bonds and comparing the yields of comparable financial market instruments. In respect of one Series of the Bonds, the Bonds price throughout the primary placement period is constant and the same for all Investors. The price is determined by the Bank's Board while approving the Final Terms, and is published according to the procedure set forth in Section 8.2 of the Base Prospectus.

8.4. Time period for purchase of the Bonds

The start and end date of primary placement of the Bonds will be set forth in the Final Terms for the respective Series.

8.5. Subscription to the Bonds

At primary placement, the Bonds are made available to the Bank's customers as well as other Investors who have their financial instruments accounts with another investment company.

Where an Investor who is the Bank's customer wishes to purchase the Bonds, he should contact the Bank in one of the following ways:

- by arriving in person and filling out the Bonds Subscription Application form according to the master form appended as Appendix 1 to this Base Prospectus;
- by calling the Bank if the Investor has marked the respective communication channel in the "Application for Brokerage Services" form;
- via internet bank, if the Investor has entered into the "Customer Service Agreement", together with the relevant appendix, with the Bank;

Where an Investor other than the Bank's customer wishes to purchase the Bonds, he should take the following steps:

- the Investor should submit the Bonds buy order to the investment company where the Investor has his financial instruments account;
- The agent of the investment company where the Investor has his financial instruments account shall send the Bonds Subscription Application form via a pre-agreed channel (e.g., Bloomberg), within the time frame and according to other key terms set forth in the Final Terms.

Prior to approving the Final Terms and prior to they have taken effect, the Bank may arrange for road shows and one-on-one meetings with Investors in order to identify Investors' interest in the potential Series for the Bonds. The Bank's road shows, meetings and their contents shall not be deemed an offer, proposal to buy or preliminary agreement and shall not become binding on the Bank. The Bank may, at its sole discretion, approve the Final Terms and start the primary placement of the Bonds only after the Investors have displayed interest in buying the bonds in such amounts with matches the Bank's internally defined, yet non-published size, currency, interest rate and other terms in respect of the issue.

Where accordingly provided for by the Final Terms, the Bank may extend the subscription end date and/or increase the size of the offer. After the close of the subscription period, the Bank may cancel the non-subscribed Bonds.

Where accordingly provided for by the Final Terms, in case the minimum issue size set forth in the Final Terms for the Series has not been subscribed, the Bank may annul and declare void the Series of the Bonds.

8.6. Primary placement of the Bonds

No later than 5 (five) business days after the end date of primary placement of the Bonds the Bank's Resources Supervision Committee shall approve the Bonds subscription results and make a decision on closing a transaction with the subscribers to the Bonds. The Bank will distribute the Bonds and send a transaction confirmation to the Investors via the same channel as the Bonds buy order was received from the Investor.

Where during the primary placement period the total subscribed issue size exceeds the one set forth in the Final Terms for the Series of the Bonds, the Bonds will be distributed by proportionally reducing the amount subscribed in each individual application, yet taking into account that the minimum purchase size many not be less than EUR 50,000, or USD 50,000, or GBP 50,000. The remaining part of the Bonds that is impossible to distribute proportionally will be allocated to the Investor whose application arrived the first. The subscribed issue size of the Bonds that was not satisfied will be automatically deemed a subscription to the next Bonds Series having the same specifications. The Investor may revoke in writing the non-satisfied part of the subscribed Bonds. The Bank, for the purpose of risk management, is entitled to satisfy the Bonds buy orders only partly or not satisfy them at all.

The Bank will publish the information about the results of the Bonds primary placement in a summarised form specifying the total subscribed issue size, value of the Bonds placed, Bonds maturity date, currency, Interest Rate and its type.

8.7. Settlement in the Bonds purchased in primary placement

The Investor is obliged to assure that on the subscription signing and submitting date there are sufficient funds on his current account for purchasing the Bonds.

The transactions in Bonds purchased in primary placement will be settled on DVP basis. The execution of these transactions is regulated by the LCD Rules No.5 "On DVP Settlement for OTC Transactions" and No.15 "On DVP Settlement in Foreign Currencies". The settlement will be on the settlement date as set forth in the Final Terms.

8.8. Safe custody of the Bonds

The Bonds will be entered on the books of LCD and accounted in the LCD financial instruments accounting system according to the LCD Rules. The Investor will be free to choose a custodian with whom to open the financial instruments account and keep the Bonds.

8.9. Secondary market for the Bonds

No later than 5 (five) business days after the end date of primary placement of the Bonds and the completion of the settlement, the Bank will submit a listing application to the Stock Exchange in respect of the listing of the Series of the Bonds on the Bond List of the Stock Exchange.

The Bonds shall be freely transferable and maintained in LCD financial instruments accounting system according to the LCD Rules, however taking into account the restrictions for free purchase and alienation of the Bonds as set forth in this Base Prospectus.

8.10. Amendments to the Final Terms

The Bank is eligible to amend Final Terms where accordingly provided for by the Final Terms and under the condition that there are at least 3 (three) business days remaining till the Bonds primary placement end date. The Bank will promptly publish any amendments to the Final Terms on the Bank's website www.bib.eu. Where Bonds of another Series are listed on the Stock Exchange at the time when the amendments to the Final Terms are being published, the Final Terms for the new Series will be published on the Stock Exchange website as well via the Stock Exchange information system and on CSRI.

9. Information about the Issuer

9.1. Issuer's name, place of registration, registration number

Joint Stock Company "Baltic International Bank", registered in the Enterprise Register of the Republic of Latvia on 3 May 1993, entered in the Commercial Register on 10 June 2003, Unified Business Identifier 40003127883.

9.2. Issuer's address, type of merchant, country of incorporation and legal acts governing the Issuer's business

Registered address: Kalēju iela 43, Riga, LV-1050

Address of the Head Office in Riga:
Grēcinieku iela 6, Riga, LV-1050, Latvia
Phone: (+371) 6 7000 444
Fax: (+371) 6 7000 555
E-mail: info@bib.eu

Representative Office in Moscow
Novinskij bulvar 11A, str.1
Moscow, 121099
Russian Federation
Phone: (+7495) 380 19 14
Fax: (+7495) 380 19 13
E-mail: info.moscow@bib.eu

Representative Office in Kiev
Ul. Bogdana Hmelnickogo, 17/52 «A»,
of. 706, BC «Leonardo»
Kiev, 01030, Ukraine
Phone: (+38044) 237 02 15
Phone/fax: (+38044) 237 02 16
E-mail: info.kiev@bib.eu

Representative Office in London
24 Berkeley Square
London, W1J 6HE, United Kingdom
Phone/fax: (+4420) 6 7495 7695
E-mail: info@bib.eu

The Issuer has been established as a joint stock company, it is governed by the Latvian law, is licensed by the FCMC as a credit institution and as is providing financial services.

9.3. Issuer's history and development

Baltic International Bank started its business in Latvia in 1993. In 1994, soon after its launch, Baltic International Bank was Latvia's first ever bank to offer private banking service, which was a novelty approach to individual customer services. Since its very inception, the Bank has a clearly defined development philosophy and vision, with an orientation to provide top level individual services to high net worth customers. Up to now, the Bank's strategic lines of business have not changed.

Starting 1995, the Bank has been offering remote banking services to its customers; in 1996, the Bank was issued a licence for intermediary operations in securities market, and it launched brokerage services as well as commenced trust operations.

In 1997, the Bank was among the first in Latvia to offer its customers gold bullion (investment-grade gold), thereby laying foundation for a vast array of investment programmes that currently the Bank is making available to its customers. In 1998, the Bank joined the Bank of Latvia's Electronic Clearing System (EKS), enabling the payment processing on a more advanced level. In 1999, Baltic International Bank was among the first in Latvia to offer internet banking services to its customers.

Baltic International Bank

Late in 1999, an acquisition decision was made concerning the acquisition of Latvian Industrial Bank. As a result of the deal, the Bank's share capital increased by more than two times, amounting to LVL 5.9 million (8.4 million equivalent in euro); total assets doubled as well, to stand at LVL 20.6 million (29.3 million equivalent in euro) at the end of the year.

In 2000, Baltic International Bank was granted the right to distribute American Express Cards and also became a member of international payment organisation Europay International, thereby providing high quality services also to its overseas customers. In 2001, the Bank started issuing MasterCard-branded cards.

The implementation of the analytical reporting system in 2002 allowed to notably raise the efficiency and effectiveness of the internal control systems across all business lines within the Bank. In 2003, the Bank modernised its internet banking system, thereafter safeguarded by DigiPass.

Since 2004, the Bank has been continuously expanding its presence in the regions where its customers are domiciled and organised: in 2004, the Bank opened its representative office in Moscow, in 2006 in London, and since 2007 the Bank also has a representative office in Kiev.

In 2008, the Bank moved into new premises located at 6 Grēcinieku iela, Riga, thus marking the completion of the ambitious renovation project initiated by the Bank's shareholders. Latvian Association of Civil Engineers in its 2008 design contest declared the building to be one of the best renovation projects.

Starting 2009, the Bank has been expanding the array of its products and services with extra momentum. Family wealth management, a brand new business line for Latvia, was launched. Thus the Bank becomes a trusted partner both to the customer and his or her family members. In 2009, the Bank added MasterCard Platinum to its offer of bank cards, and also issued the prestigious MasterCard World Signia, up to then not available in the Baltic countries.

In 2009, the Bank implemented automated software system TEMENOS T24 to enhance the speed and security of the Bank's services.

While seeking effective solutions for the customer's concerns, in 2010 the Bank launched new lines of business: lifestyle management (a non-banking service) as well as advisory services, such as asset structuring, tax planning and legal advice. As a result, in 2011 the Bank established BIB Consulting, a new subsidiary undertaking, to develop the customer asset structuring and asset protection services.

The successful performance of the Bank has also won international recognition: in 2010 and 2011, Baltic International Bank was announced the winner of the SPEAR'S Russia Wealth Management Awards in the category "The best bank in the Baltic States and CIS which provides Russia's customers with private banking and wealth management services".

In 2012, Baltic International Bank complemented its offer of bank cards with VISA Infinite payment cards, which are on the very top of the hierarchy in the VISA family, and also with VISA White Card, which is a specific blank card without the holder's and the bank's name on it.

The Bank continued with advancing its technologies, and in 2012 launched a mobile application BIB DigiPass for enhanced security when using the internet banking service of the Baltic International Bank.

In 2013, the Bank expanded its product array by offering the Bank's bonds to its customers. In response to an ever-growing customer demand for higher liquidity of their investments, the Bank rolled out the new product Deposit 33. A depositor may withdraw the full amount, the principal plus accrued interest, by giving the Bank only a 33-day prior notice.

In 2013 and in early 2014 the Bank worked intensely to successfully implement the euro changeover.

In 2014, the Bank's representatives took active part in the industry-specific professional conferences in Latvia, Kazakhstan, Monaco, Russia, United Kingdom, Azerbaijan and other countries on the topics of the latest global developments in capital structuring and tax planning. In collaboration with the Ministry of Foreign Affairs of the Republic of Latvia and Ministry of Transport, the Bank's representatives participated in the conference "Bridge Europe and Asia", which is one of the key events of the year in the Latvian foreign policy and the biggest forum in the Latvia's transport sector on the matters of transport, logistics and commerce.

The Bank’s new mobile application for Baltic International Bank internet banking was launched late in 2014, bringing the customers' financial instruments management to a new mobility level.

9.4. Latest developments and trends in the Issuer's business

The Bank's major shareholders are investors from Latvia, the Belokon brothers Valeri and Vilori, between them holding 99.90 of the Bank's shares. The Bank is positioning itself as a bank for high-net-worth families, by providing custom-tailored financial solutions and developing prospective financial strategies for wealth protection to the benefit of next generations. The Bank has its representative offices in London, Moscow and Kiev.

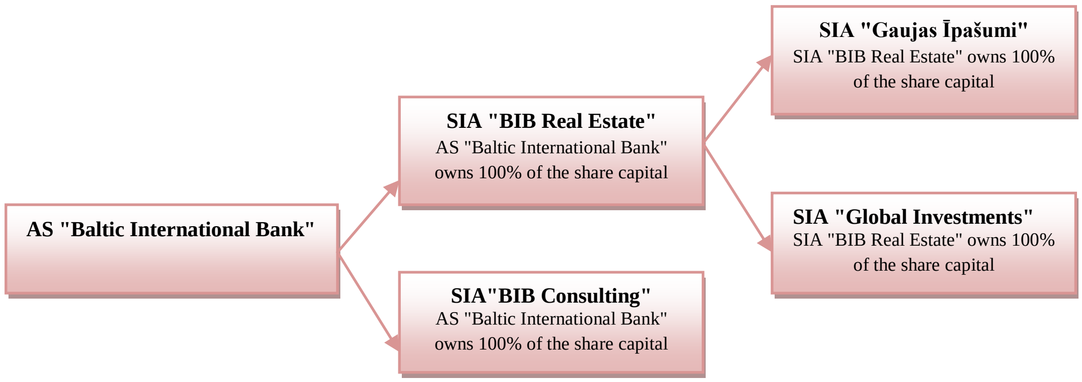
In 2015, the Bank will continue to participate in industry-specific conferences, and will also focus on building a positive reputation of the Bank itself and the overall Latvian financial sector in in the Bank's main target markets.

When working on the development of wealth management services (brokerage services and asset management services), and in view of the customers' increasing interest in alternative investment vehicles, the Bank is going to offer its customers more opportunities to invest in the projects selected by the Bank, as well as safe custody investment opportunities.

9.5. Structure of the Issuer's Group

The Bank's Group consists of a number of subsidiary undertakings, namely: a real estate agency SIA "BIB Real Estate", acquired on 11 June 2009, which, in its turn, is the owner of several subsidiary undertakings; and SIA "BIB Consulting", established on 9 September 2011, with legal consultations, asset protection services and tax advisory services being its main lines of business.

The structure of the Bank's Group features:



The information in the table below is the same as the Bank's consolidated report for the year 2014:

Name	Registration number	Country of registration	Basic types of operations	Interest in share capital 31.12.2014 (%)
AS "Baltic International Bank" (parent company of the Group)	40003127883	Latvia	Financial services	-
SIA"BIB Consulting" (a subsidiary undertaking in the Group)	50103457291	Latvia	Legal consultations, services related to asset protection and tax advisory services in tax application and tax planning	AS "Baltic International Bank" owns 100% of the share capital
SIA "BIB Real Estate" (a subsidiary undertaking in the Group)	40003868021	Latvia	Real estate	AS "Baltic International Bank" owns 100% of the share capital
SIA "Gaujas Īpašumi" (a subsidiary undertaking in the Group)	40103249888	Latvia	Real estate	SIA "BIB Real Estate" owns 100% of the share capital
SIA "Global Investments" (a subsidiary undertaking in the Group)	40003785660	Latvia	Real estate	SIA "BIB Real Estate" owns 100% of the share capital

9.6. Issuer's key financial information

This section provides the Bank's key financial information as at 31 December 2014 and 31 December 2013.

For more detailed financial information, please see Appendix 2 to the Base Prospectus, Annual Report of the Bank for the year 2014.

The Bank's BALANCE SHEET as at 31 December 2014 and 31 December 2013 is as follows:

ASSETS	Group	Bank	Group	Bank
	31.12.2014	31.12.2014	31.12.2013	31.12.2013
	EUR	**EUR**	**EUR**	**EUR**
Cash and balances due from central banks	23,529,755	23,525,223	31,445,566	31,444,203
Held-for-trading financial assets	2,881,851	2,881,851	3,135,362	3,135,362
Securities held-for-trading	*476,839*	*476,839*	*1,668,770*	*1,668,770*
Derivative financial instruments	*2,405,012*	*2,405,012*	*1,466,592*	*1,466,592*
Due from credit institutions	277,591,255	277,591,255	154,968,015	154,968,015
Loans	96,086,863	97,753,368	101,560,553	103,580,577
Available for sale instruments	87,357,267	87,357,267	4,382,272	4,382,272
Securities held to maturity	8,730,659	8,730,659	5,713,113	5,713,113
Investment in equity accounted investees	1,144,547	1,144,547	1,144,547	1,144,547
Investment in subsidiaries	-	1,943,074	-	1,943,074
Investment property	7,475,877	3,917,853	7,919,135	4,160,335
Property and equipment	17,401,095	17,401,002	17,503,120	17,502,701
Intangible assets	4,321,276	4,321,276	4,567,598	4,567,598
Current income tax assets	285,301	285,301	227,867	227,867
Deferred expenses and accrued income	2,386,334	2,388,376	2,262,261	2,261,417
Other assets	1,768,433	1,626,388	2,064,396	1,624,924
Total assets	**530,960,513**	**530,867,440**	**336,893,805**	**336,656,005**

LIABILITIES	Group	Bank	Group	Bank
	31.12.2014	31.12.2014	31.12.2013	31.12.2013
Liabilities	**EUR**	**EUR**	**EUR**	**EUR**
Derivative financial instruments	1,965,060	1,965,060	622,676	622,676
Due to credit institutions	10,236,079	10,236,079	7,625,947	7,625,947
Deposits	448,233,466	448,244,286	275,280,527	275,288,611
Debt securities issued	18,241,785	18,241,785	5,053,318	5,053,318
Accrued expenses, provision and deferred income	1,488,662	1,483,680	1,169,283	1,166,600
Deferred tax liabilities	1,139,316	1,139,316	1,270,395	1,270,395
Other liabilities	1,616,660	1,177,713	1,691,735	1,190,652
Subordinate liabilities	16,701,727	16,701,727	11,101,637	11,101,637
Total liabilities	**499,622,755**	**499,189,646**	**303,815,518**	**303,319,836**

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Shareholders' equity				
Share capital	29,496,389	29,496,389	29,556,042	29,556,042
Reserve capital	835,152	835,152	775,499	775,499
Property revaluation reserve	34,900	34,900	34,900	34,900
Available for sale instruments revaluation reserve	(183,894)	(183,894)	-	-
Retained earnings	1,155,211	1,495,247	2,711,846	2,969,728
Total shareholders' equity	**31,337,758**	**31,677,794**	**33,078,287**	**33,336,169**
Total liabilities and shareholders' equity	**530,960,513**	**530,867,440**	**336,893,805**	**336,656,005**

The Bank's INCOME STATEMENT as at 31 December 2014 and 31 December 2013 is as follows:

	Group	**Bank**	**Group**	**Bank**
	31.12.2014	31.12.2014	31.12.2013	31.12.2013
	EUR	**EUR**	**EUR**	**EUR**
Interest income	7,337,472	7,397,759	8,746,375	8,837,458
Interest expense	(2,694,816)	(2,694,651)	(2,169,976)	(2,169,976)
Net interest income	**4,642,656**	**4,703,108**	**6,576,399**	**6,667,482**
Fee and commission income	7,681,208	7,682,384	6,238,557	6,240,031
Fee and commission expense	(1,704,521)	(1,704,207)	(960,017)	(960,017)
Net fee and commission income	**5,976,687**	**5,978,177**	**5,278,540**	**5,280,014**
Dividend income	6,614	6,614	14,989	14,989
Net trading loss	(326,964)	(326,964)	(35,145)	(35,145)
Net from foreign exchange income	3,902,339	3,913,340	1,341,946	1,343,202
Other income	518,231	309,251	243,832	151,860
Total operating income	**14,719,563**	**14,583,526**	**13,420,561**	**13,422,402**
Administrative expenses	(13,021,025)	(12,843,185)	(12,494,075)	(12,386,092)
Other expenses	(184,177)	(181,499)	(300,262)	(202,364)
Net impairment loss	(2,921,920)	(2,921,920)	(937,129)	(715,757)
(Loss)/profit on revaluation of investment property	(279,329)	(242,482)	79,588	17,203
(Loss)/income before income tax	**(1,686,888)**	**(1,605,560)**	**(231,317)**	**135,392**
Income tax (expense)/benefit	130,253	131,079	(83,577)	(106,882)
(Loss)/profit for the period	**(1,556,635)**	**(1,474,481)**	**(314,894)**	**28,510**
Items that are or may be reclassified to profit or loss				
Available for sale financial assets – net change in fair value	(183,894)	(183,894)	-	-
Total comprehensive (loss)/income for the period	**(1,740,529)**	**(1,658,375)** -	**(314,894)**	**28,510**

In 2014, Baltic International Bank has assured a good growth of its key operational indicators. In a situation when the global economy is still vulnerable and the requirements imposed on credit institutions in respect of risk management (capital adequacy and liquidity standards) are becoming increasingly more stringent, the Bank has succeeded in boosting its operations across the main lines of business and in improving its financial performance. During the reporting period, the Bank's assets increased by 57.6% year-on-year to reach EUR 530.9 million as at 3l December 2014 (EUR 336.66 million as at 31 December 2013).

The Bank was very successful in expanding its customer base. The intense efforts to attract new customers enabled the Bank to increase its funding base significantly: the customer deposits, as compared with 3l December 2013, grew by 62.8% or EUR 173.0 million. As at 3l December 2014, deposits totalled EUR 448.2 million and made up 89.7% of the Bank's total liabilities. Deposits remain the primary funding source for the Bank's on-going operations. The total customer funds, including off-balance sheet assets, grew by 40.5% over the year to reach EUR 683.1 million. Throughout the reporting year, the Bank has been offering its customers effective solutions geared towards managing assets both in domestic and international market. The customers were actively interested in traditional asset management (a standard service), project financing and fiduciary (trust) transactions. The Bank has been encouraging its customers to co-finance business projects in the food and real estate sector both in Latvia and in the United Kingdom. The customers' aggregate investments in these projects amounted to EUR 3.15 million.

The significant amount of external funds raised enabled the Bank to diversify its assets. The Bank has carried out sizeable investment operations to buy gilt-edged securities. The size of the securities portfolio totalled EUR 96.56 million or 18.19% of total assets as at 3l December 2014.

The Bank has decided to boost its securities portfolio for the purposes of application of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (prudential standards for capital adequacy and liquidity). Currently, the Bank's asset-liability structure is fully compliant with the new regulatory ratios. The Bank's liquidity coverage ratio exceeded l00 per cent as at 3l December 2014; total capital ratio met both the regulatory threshold and the minimum individual level and was 14.14%.

The acquisition of new subordinated deposits fostered growth of the Bank's balance sheet. According to 2014 financial results, subordinated deposits totalled EUR 16.7 million and showed an increase at an annualised rate of 50.4%.

While carrying out product diversification to gain access to funding sources, the Bank launched several new bond issues in 2014. The customers viewed the bonds as an attractive long-term investment vehicle. In 2014, the Bank successfully closed its Bonds Offer Programme No.1 with total size of EUR 20 million.

According to 2014 financial results, the Bank's operating income grew at a moderate pace (up 8.7 %, to reach EUR 14.6 million). The Bank's efforts in increasing the proportion of stable income in the structure of operating income deserve mentioning. Owing to the customers' increasing demand for settlement and cash services, brokerage services, trust services and card products, the net fee and commission income grew by 13.2%. At the end of 2014, the percentage of the net fee and commission income within the operating income totalled 41.0%. Developments in the foreign exchange market enabled the Bank to report a threefold increase in foreign currency transaction gains. According to

2014 financial results, foreign currency transaction gains amounted to EUR 3.9 million and contributed 26.8% of the total operating income.

9.7. Issuer's material investments

Neither the Bank nor its subsidiary undertakings have made any material investments that would impose such commitments or liabilities on the Bank or its subsidiary undertaking which would have an impact on the Bank's ability to meet its obligations to the Bondholders
Material investments made by the Issuer are stated in the 2014 Annual Report (Note 18, Note 19 (h)).

9.8. Issuer's governance, management and control structure

On the Base Prospectus date, the composition of the Bank's Council is as follows:

Name, position	
Valeri Belokon	Chairperson of the Council
Albert Reznik	Deputy Chairperson of the Council
Vlada Belokon	Council Member

On the Base Prospectus date, the composition of the Bank's Board is as follows:

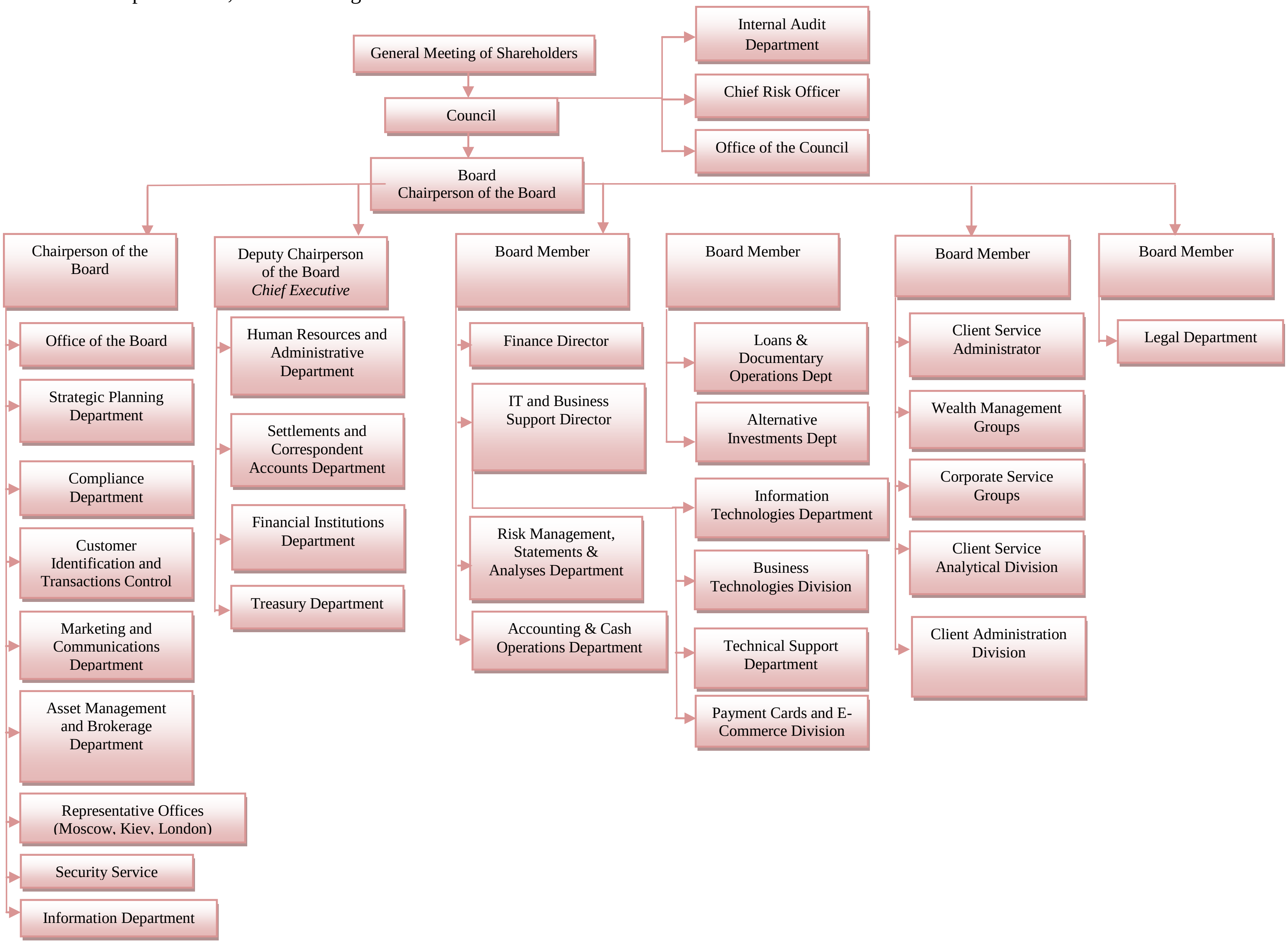
Name, position	
Ilona Gulchak	Chairperson of the Board
Natalya Tkachenko	Deputy Chairperson of the Board
Alon Nodelman	Board Member and Procurist
Dinars Kolpakovs	Board Member
Inese Lazdovska	Board Member
Martins Neibergs	Board Member

On the Base Prospectus date, the composition of the Bank's Audit Committee is as follows:

Name, position	
Ludmila Rozgina	Chairperson of the Audit Committee
Tatiana Doronina	Audit Committee Member

Baltic International Bank

On the Base Prospectus date, the Bank's organisational structure is as follows:



Control functions in the Bank are performed by an independent external auditor, appointed by the Bank's meeting of shareholders and the Bank's Internal Audit Department.

Bank's Internal Audit Department (hereinafter IAD) is an independent organisational unit which operates independently, performs independent oversight of the Bank's internal control system as well as evaluates its adequacy and efficiency. IAD is independent from the Bank's operations and does not involve itself in performing the Bank's functions, in developing individual projects and programmes or in creating the internal control system.

IAD reports to the Bank's Council. IAD operates according to the activities plan provided by the Bank's Council, which prescribes: the operational areas to be inspected during the reporting period, the frequency of inspections and the resources required; risk identification and evaluation methods in respect to the areas subject to inspection, as well as the evaluation criteria in respect of the risk control procedures; the requirements for documenting the inspection results; the procedure how the inspection results should be provided to the Bank's Council and Board, the procedure for follow up on the implementation of the recommendations.

The main goal and principal task of the IAD is to perform independent oversight of the Bank's internal control system and to evaluate its adequacy and efficiency, in order to assist the Bank's Council, Board and directors of organisational units to perform their functions with higher efficiency.

9.9. Issuer's shareholder structure

On the Base Prospectus date, the Bank's share capital stands at EUR 29,496,389 and consists of 4,154,421 ordinary shares with equal voting rights. All Bank's shares are registered shares. Each share entitles to one vote in meetings of shareholders, to the announced dividend and to the remaining part of income or assets (after the creditors' claims have been satisfied). The nominal value of each share is EUR 7.10 (7 euro, 10 cents).

The Bank has all in all 93 shareholders, of this 28 are legal entities and 65 are natural persons.

The shareholders having control over 10 and more per cent of the paid-up share capital are:

- Valeri Belokon – 69.89467%
- Vilori Belokon – 30.00969%.

9.10. Issuer's main lines of business and main markets

Bank's vision is to be a sustainable bank in Latvia ensuring wealth management and high-touch banking services.

Issuer's main lines of business:

- To preserve and increase the capital
- Everyday services
- Solutions for financing current assets, investment projects and trade financing
- Services to market professionals by providing products and platforms designated for delivering services to their customers.

Bank's target markets for attracting customers:

- Latvia
- Russia
- Ukraine
- Kazakhstan
- United Kingdom
- Other countries in Western Europe

Bank's strategic goals are:

- Profitable development
- Customer service excellence
- Custom-tailored investment solutions excellence

Bank's values

- Stability. The Bank's conservative attitude to risk-taking has enabled it to tide over difficulties arising from the global and regional financial crisis. The Bank's priority is wealth protection and capital preservation.
- Trust. Customer-centric approach, reliability, high-quality service, outstanding reputation, and confidentiality.
- Flexibility. Maximum comfort for every client's family anyplace, anytime and in any situation.
- Exclusivity. Today's readiness for tomorrow's challenges.
- Professionalism. Familiarity with the specific features of the Western and Eastern markets, experience in developing individual solutions.

9.11. Significant changes in the Issuer's financial standing

There have been no significant changes in the Bank's financials after the publishing of the Banks consolidated accounts for the year 2014. The Bank has not performed any profit forecasting or estimating, nor is going to include them in the Base Prospectus.

9.12. Litigation and arbitration

In the ordinary course of business, the Bank, from time to time, may be involved in various court proceedings both in the capacity of a claimant and defendant; this litigation, nevertheless, will not have a materially adverse effect on the Bank's financial standing and solvency.

9.13. Material contracts

Baltic International Bank

Neither the Bank nor its subsidiary undertakings have entered into any material contracts stipulating such responsibilities or liabilities which might affect the Bank’s ability to meet its obligations to the Bondholders.

9.14. Available documents

Investors can familiarise themselves with the Bank's incorporation documents and Articles of Association in the Enterprise Register of the Republic of Latvia at 2 Pērses iela, Riga.

On the Bank's website www.bib.eu , Investors can familiarise themselves with the Bank's financial statements for the last two financial years preceding the publication of the Base Prospectus.

9.15. Other essential information

The Issuer has not been assigned any credit ratings.

The information provided in the Base Prospectus (except for Appendix 2) has not been verified by the auditors.

No statements, forecasts or reports by persons deemed as experts have been used in the Base Prospectus.

The Base Prospectus was drafted engaging the services provided by SIA "Ardente".

10. Taxation of the proceeds from the Bonds

10.1. Disclaimer

The information provided in this section about the taxes payable concerning investment in the Bonds should not be treated as tax advice, and the Bank will take no responsibility for the decisions or conclusions derived by Investors on the basis of this information.

The information provided in this section about the taxes payable concerning investment in the Bonds is not complete and outlines only the most essential provisions. Therefore, prior to making a decision on investing in the Bonds, the Investor should study in detail the taxation-related laws and regulations of the Republic of Latvia, or, in case the Investor happens to be a non-resident, also the taxation laws of the country of domicile.

The information provided in the Programme as to the taxation of Interest Income and income from alienation of the Bonds is based on generally accepted effective laws and regulations on the Programme Base Prospectus approval date.

Tax rates and the procedure for settlement of tax payments may change after the Programme Base Prospectus has been approved, and after the approval of each Final Terms.

The Issuer encourages the Investors to follow the amendments in the taxation-related laws and regulations concerning the Bonds that are effective in the Republic of Latvia and their own country.

10.2. The status of resident and non-resident

According to the laws and regulations of the Republic of Latvia concerning taxation, a natural person is considered to be a resident in the Republic of Latvia, if:

- the registered place of residence of such person is the Republic of Latvia, or
- such person stays in the Republic of Latvia for 183 days or longer during any 12 month period beginning or ending in a tax year, or
- such person is a Latvian citizen, who is employed in a foreign country by the government of the Republic of Latvia.

Where a natural person does not match the above criteria, it is considered to be a non-resident.

According to the laws and regulations of the Republic of Latvia concerning taxation, a legal entity shall be considered a resident if it was established and registered or if it should have been established and registered in accordance with the laws of the Republic of Latvia.

Any other legal entities are considered to be non-residents. If the non-resident is a resident in a country with which the Republic of Latvia has entered into an international convention for the avoidance of double taxation, the tax relief stipulated by the convention shall be taken into account.

10.3. Tax rates on Interest Income

Resident:	**Tax rate**	**Withholding of the tax**
Natural person	10%	The tax is withheld by the payer
Legal entity	0%	When determining the taxable income, the taxpayer's profit is adjusted downwards for the proceeds derived from alienation of securities other than shares that are in public circulation in the European Union and European Economic Area, including for interest proceeds from bonds.
Non-resident:		
Natural person	0%	Tax is not applied. Taxable income for a non-resident shall be: interest income and equivalent income as well as income related with interest income, except for interest income and equivalent income as well as income related with interest income derived from financial instruments in public circulation.
Legal entity	0% / 5%	Where a non-resident (with an exception of legal entities registered in any of the low tax or tax-free countries or areas listed in the Cabinet of Ministers Regulations) is paid interest proceeds from securities that are in public circulation in the European Union and European Economic Area, the tax rate shall be 0%. Where the Issuer pays out interest proceeds to a legal entity that has been organised or incorporated in a low tax or tax-free countries or areas, the tax rate shall be 5%. The tax is withheld by the payer at the moment of disbursement of interest proceeds.

10.4. Tax rates on Bonds sale

Where Bonds are sold, capital gains tax shall be applicable if the Bonds are sold at a higher price than they were purchased, i.e., the Bonds are sold at a profit.

Resident:	**Tax rate**	**Withholding of the tax**
Natural person	15%	The tax is paid by the natural person on his own
Legal entity	0%	When determining the taxable income, the taxpayer's profit is adjusted downwards for the proceeds derived from alienation of securities other than shares that are in public circulation in the European Union and European Economic Area, including for interest proceeds from bonds. The taxpayer's taxable income is adjusted upwards for the loss derived from securities that are in public circulation in the European Union or European Economic Area (including for costs related to purchase, alienation or safekeeping of the securities).
Non-resident:		
Natural person	-	The tax has to settled according to the laws and regulations of the country where the person is resident
Legal entity	-	The tax payment has to settled according to the laws and regulations of the country where the person is resident

On any other type of Bonds alienation deals the tax shall be payable depending on the type of alienation deal and the tax rate, if applicable, stipulated by the laws and regulations of the Republic of Latvia in respect of the alienation deal in question.

Ilona Gulchak,
Chairperson of the Board ____________________________

Alon Nodelman,
Board Member and Procurist ____________________________

Dinars Kolpakovs,
Board Member ____________________________

Inese Lazdovska,
Board Member ____________________________

Martins Neibergs,
Board Member ____________________________

Baltic International Bank

Appendix 1

Bonds Subscription Application (master form)

Place, date, year

With this application

Customer's name, surname for a natural person or firm (name) for a legal entity

Customer's personal identity number/ date of birth (for non-residents) for a natural person or registration number for a legal entity

Customers address of residence for a natural person or registered address for a legal entity

LV__ __BLIB __ __ __ __ __ __ __ __ __ __ __ __ __

No. of investment account opened with the JSC "Baltic International Bank"

11__ __ __ __ __ __ __

No. of financial instruments account opened with the JSC "Baltic International Bank"

I/we hereby give an irrevocable instruction to purchase on my behalf in primary placement the below listed bonds issued by the JSC "Baltic International Bank" (Unified Business Identifier: 40003127883, registered address: Kalēju iela 43, Riga, LV-1050):

Bonds Offer Programme	
Series of the bonds offer	
ISIN code of the bonds to be purchased	__ __ __ __ __ __ __ __ __ __ __ __
Number of the bonds to be purchased	
Series of the bonds to be purchased	
Nominal value of a bond to be purchased	
Total purchase size for the bonds to be purchased	
Specific provisions	

I/we hereby agree to settle the payment for the purchased bonds in the amount of _________ according to the procedure and within the time frame set in the base prospectus of bonds offer programme and the Final Terms under the bonds offer programme. I/we have familiarised myself/ourselves with the provisions of said Base Prospectus and the Final Terms and agree to be bound by them.

Customer natural person signature, name legibly
Customer legal entity – signatory's position or other authority to sign, signature, name legibly.

Instruction was accepted for execution by:	Name
	Day, month, year
	:
	Latvia time
Signature of an authorised signatory	

Appendix 2

Bank's Annual Report for the year 2014

Bank's Annual Report for the year 2013