

**JSC "Baltic International Bank"**

**Unaudited Interim Condensed Group consolidated and Bank separate Financial Statements  
for the six month period ended 30 June 2016**

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## The Bank's (Group's) Management Report

Dear Ladies and Gentlemen,

In 1H 2016, JSC Baltic International Bank (Bank) posted good financial results. The Bank's profit (the Group-related financials are enclosed within the parentheses) came close to EUR 2.94 million (EUR 3.27 million). Return on equity (ROE) landed at 17.4 percent. The total capital ratio totalled 18.42 percent (18.15 percent) and hit a 12-year high. The Bank's liquidity ratio remained at stable high level at 85.68 percent.

The operating income increased to reach EUR 15.57 million (EUR 15.59 million) having demonstrated a 55.4 percent (54.5 percent) growth over the same period last year. The positive dynamics of income growth was primarily facilitated by trade transactions whose income increased by EUR 4.52 million (EUR 4.53 million). The income saw a positive significant impact attributed largely to a one-time gain on sale of Visa Europe Ltd shares (the sale proceeds totalled EUR 1.94 million). The fee and commission income shrank by 2.3 percent, mainly because the Bank ceased to provide e-commerce services (e-commerce transactions do not fit into the Bank's business profile). Income gained from brokerage operations grew by 33.3 percent (33.3 percent) and account service fees rose by 19 percent (19 percent).

The Bank's operating expense saw increase of up to EUR 7.84 million (EUR 7.86 million), a 20.7 percent (19.7 percent) rise over the past year. The expense was primarily driven by: (1) the accrual of one-time expenses incurred in connection with AML consulting services provided to the Bank; (2) increase in the staff complement plus personnel management policy-related costs which increased overall by 14.1 percent (14.1 percent) up to EUR 3.98 million (3.98 million).

The Bank's financial result shows positive quarter-over-quarter dynamics. In 1Q 2016, the Bank's profit reached EUR 1.17 million (EUR 1.15 million). In 2Q 2016, the profit figure was EUR 1.77 million (EUR 2.12 million).

In order to reduce potential losses (first of all, losses from the restructured loans and loans whose recovery is underway), the Bank set aside impairment allowances totalling EUR 4.53 million (EUR 4.20 million). As a result, the loan portfolio has shrunk by EUR 2.63 million (EUR 2.39 million) to EUR 67.69 million (EUR 66.10 million). The portfolio's credit quality has improved over the first 6 months of 2016. Decline in the past due exposures (loans that are 90 days past due) by EUR 5.19 million (EUR 5.19 million) is a testimony to the fact.

A more active use of brokerage services by the customers resulted in the increase in the volume of reverse repos by EUR 4.07 million (EUR 4.07 million).

As of 30 June 2016, the Bank's assets totalled EUR 359.55 million (EUR 359.52 million). The portfolio of customers' assets under management has reached EUR 110.67 million (EUR 110.67 million). The value of financial instruments in brokerage service totalled EUR 98.58 million (EUR 98.58 million).

The asset structure is still predominantly represented by investments in available-for-sale financial assets: EUR 143.11 million (EUR 143.11 million) or 39.8 percent (39.8 percent) of the total assets. High quality liquid assets (assets carrying investment-grade credit rating and balances due from the Bank of Latvia) accounted for EUR 231.41 million (EUR 231.41 million) or 64.4 percent (64.4 percent) of the total assets. Investments in government bonds totalled EUR 65.52 million (EUR 65.52 million) or 18.22 percent (18.22 percent) of the total assets.

In 1H 2016, the liquidity ratios continued to remain at stable high levels. As of 30 June 2016, the liquidity ratio was 85.68 percent and far exceeded the minimum internal threshold of 60 percent. The structure of liquid assets was predominantly represented by bonds (58.6 percent), due from credit institutions (23.4 percent of liquid assets), due from the Bank of Latvia (17.4 percent) and vault cash (0.6 percent). The liquidity coverage ratio (LCR) exceeded 600 percent and reached 637.36 percent (636.39 percent). The regulatory threshold of 70 percent is set forth for the period from 01.01.2016 to 31.12.2016. The Bank's net stable funding ratio (NSFR) reached 224.59 percent (223.25 percent), far higher than the regulatory threshold. Banks will have to meet an NSFR of at least 100 percent in early 2018. NSFR requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

As of 30 June 2016, the Bank's own capital totalled EUR 33.18 million (EUR 32.54 million). In 2Q 2016, the Bank issued its shares, thereby increasing the share capital by EUR 1 million. Tier 1 capital ratio (CET1) totalled 13.81 percent (13.50 percent). The total capital ratio reached 18.42 percent (18.15 percent). Over the first 6 months of 2016, the leverage ratio has shown positive dynamics and has surged by 1.59 (1.56) percentage points up to 6.34 percent (6.25 percent).

The Bank's operational strategy lays down sustainable development principles and aims to offer Bank's customers the opportunity to invest in environmentally friendly projects. In 2015, the Bank earned the Bronze Award in the annual Sustainability Index. Throughout 2016, the Bank implemented socially responsible activities and various projects important to the entire society and was therefore honoured with the Silver Award for its sustainability performance.

The Bank contributed to developing a modern interactive mobile application for the Latvian National Museum of Art (LNMA). In May 2016, the modern mobile app saw daylight and was made available to all museum visitors. The app enhances their enjoyment of the museum by giving the visitors more information and new impressions. The Bank is proud of having supported one of the most advanced museum apps in the whole Europe.

The Bank is well aware that the study of public opinions and attitudes is crucial for determining strategy in every country. In June 2016, the Bank and SKDS (Latvia-based Centre for Marketing and Opinion Research) jointly embarked on conducting BIB's Latvian Barometer, a monthly survey of public opinions and attitudes. The Barometer studies and analyses the economic and social processes in Latvia.

1 This ratio is the average value of the leverage ratio over the past 3 dates (30 April, 31 May and 30 June). The calculation is based on the CET1 figures.

Statement on Corporate Governance published on Bank's website [www.bib.eu](http://www.bib.eu).

31 August 2016

  
Ilona Gulchak  
Chairperson of the Board



## Supervisory Council and Management Board

### Supervisory Council (as of 30 June 2016)

Name	Position held	Appointed	Re- appointed
Valeri Belokon	Chairperson of the Supervisory Council	15/09/2010	30/03/2016
Vlada Belokon	Deputy Chairperson of the Supervisory Council	30/03/2016	
	Member of the Supervisory Council	19/08/2011	30/03/2016
Andris Ozolinsh	Member of the Supervisory Council	27/11/2015	30/03/2016
Dr.Hans-Friedrich von Ploetz	Member of the Supervisory Council	30/03/2016	

### Management Board (as of 31 December 2016)

Name	Position held	Appointed	Re- appointed
Ihona Gulchak	Chairperson of the Board	25/01/2008	25/01/2016
Natalya Tkachenko	Deputy Chairperson of the Board	26/02/2008	13/08/2015
	Member of the Board	01/08/2007	13/08/2015
Alon Nodelman	Member of the Board	15/08/2003	13/08/2015
Inese Lazdovska	Member of the Board	17/10/2014	-
Martins Neibergs	Member of the Board	24/04/2015	-
Bogdan Andrushchenko	Member of the Board	04/02/2016	
Dace Duklava-Kokina	Nominee Member of the Board	04/01/2016	-
Albert Reznik	Nominee Member of the Board	04/01/2016	-

In the sixmonth period ended 30 June 2016, the following changes were made in the composition of JSC "Baltic International Bank" Supervisory Council and Management Board:

#### Supervisory Council:

According to the resolution of the extraordinary General Meeting of Shareholders held on 27 November 2015, Andris Ozolinsh was elected as a new member of the Supervisory Council. According to the resolution of the General Meeting of Shareholders held on 30 March 2016, Dr. Hanss-Frīdrihs fon Ploecs was elected as a new member of the Supervisory Council.

#### Management Board:

According to the Council's resolution of 12 January 2016, Bogdan Andrushchenko was elected as a member of the Board. According to the Council's resolution of 12 January 2016, Dace Duklava-Kokina and Albert Reznik were elected as nominee members of the Board. Dinars Kolpakovs have withdrawn their membership in the Management Board of JSC "Baltic International Bank".

There were no changes in the Supervisory Council or the Management Board of the Bank during the period from 1 July 2016 to the date of the approval of these financial statements.

## Statement of Management's Responsibility

Riga

31 August 2016

The management of JSC Baltic International Bank (the Bank) is responsible for the preparation of the interim condensed consolidated financial statements of the Bank and its subsidiaries (the Group) as well as for the preparation of the interim condensed separate financial statements of the Bank. The interim condensed Group consolidated and Bank separate financial statements are prepared in accordance with IAS 34 Interim Financial Reporting on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Management in the preparation of the condensed interim financial statements.

The interim condensed Group consolidated and Bank separate financial statements on pages 7 to 27 are prepared in accordance with the source documents and present the financial position of the Group and Bank as at 30 June 2016 and the results of its performance and cash flows for the six month period ended 30 June 2016.

The Management of the Bank is responsible for the maintenance of proper accounting records, the safeguarding of the Group's and Bank's assets and the prevention and detection of fraud and other irregularities in the Group and Bank. The Management is also responsible for operating the Group and Bank in compliance with the Law on Credit Institutions, regulations of the Financial and Capital Market Commission and other legislation of the Republic of Latvia applicable to the credit institutions.

On behalf of the Management of the Bank and Group:



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Ilona Gulchak  
Chairperson of the Board

**Financial Statements**

**INTERIM CONDENSED GROUP CONSOLIDATED AND BANK SEPARATE  
STATEMENT OF COMPREHENSIVE INCOME**

	for the six month period ended 30 June 2016		for the six month period ended 30 June 2015	
	Group EUR	Bank EUR	Group EUR	Bank EUR
Interest income	2 379 525	2 404 133	3 347 249	3 382 039
Interest expense	(1 054 708)	(1 054 708)	(1 547 320)	(1 547 320)
<b>Net interest income</b>	<b>1 324 817</b>	<b>1 349 425</b>	<b>1 799 929</b>	<b>1 834 719</b>
Fee and commission income	4 567 678	4 568 304	4 674 602	4 675 123
Fee and commission expense	(1 455 689)	(1 455 629)	(1 201 146)	(1 201 147)
<b>Net fee and commission income</b>	<b>3 111 989</b>	<b>3 112 675</b>	<b>3 473 456</b>	<b>3 473 976</b>
Dividend income	632	632	1 269	1 269
Net trading profit/(loss)	1 849 943	1 849 943	(569)	(569)
Net foreign exchange income	9 148 354	9 148 354	4 578 672	4 589 169
Other operating income	160 432	109 257	234 690	122 426
<b>Total operating income</b>	<b>15 596 167</b>	<b>15 570 286</b>	<b>10 087 447</b>	<b>10 020 990</b>
Administrative expenses	(7 639 501)	(7 617 145)	(6 480 201)	(6 413 747)
Other operating expenses	(232 647)	(225 590)	(86 761)	(84 044)
Net impairment loss	3 (4 200 132)	(4 532 379)	(538 347)	(538 347)
<b>Loss before income tax</b>	<b>3 523 887</b>	<b>3 195 172</b>	<b>2 982 138</b>	<b>2 984 852</b>
Income tax benefit	(251 389)	(251 389)	(408 427)	(408 427)
<b>Profit for the period</b>	<b>3 272 498</b>	<b>2 943 783</b>	<b>2 573 711</b>	<b>2 576 425</b>
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified to profit or loss</i>				
Available for sale financial assets – net change in fair value	648 889	648 889	226 438	226 438
Available for sale financial assets, reclassified to profit or loss	(1 960 099)	(1 960 099)	-	-
<b>Total comprehensive income for the period</b>	<b>1 961 288</b>	<b>1 632 573</b>	<b>2 800 149</b>	<b>2 802 863</b>

The accompanying notes on pages 15 to 27 are an integral part of these Interim Condensed Group consolidated and Bank separate Financial Statements.

The Interim Condensed Group consolidated and Bank separate Financial Statements on pages 7 to 27 have been authorised for issue by the Council and the Board on 31 August 2016, and signed on their behalf by:

  
Iona Gulchak  
Chairperson of the Board



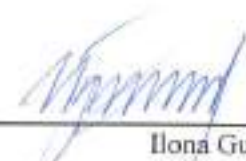
Financial Statements

INTERIM CONDENSED GROUP CONSOLIDATED AND BANK SEPARATE  
STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	Group	Bank	Group	Bank
		30.06.2016	30.06.2016	31.12.2015	31.12.2015
		EUR	EUR	EUR	EUR
Cash and due from central banks		41 737 291	41 737 291	48 927 561	48 925 707
Financial assets held-for-trading		1 023 048	1 023 048	581 338	581 338
<i>Securities held-for-trading</i>	4	627 324	627 324	553 657	553 657
<i>Derivative financial instruments</i>		395 724	395 724	27 681	27 681
Due from credit institutions	5	59 591 460	59 591 460	165 943 153	165 943 153
Loans	6	66 101 454	67 687 829	68 487 551	70 316 285
Available for sale instruments	7	143 104 671	143 104 671	221 783 703	221 783 703
Securities held-to-maturity	8	13 914 232	13 914 232	9 623 763	9 623 763
Investments					
in equity accounted investees	9	1 144 547	1 144 547	1 144 547	1 144 547
Investments in subsidiaries	10	-	1 940 228	-	1 943 074
Investment property		6 502 688	2 969 088	6 461 188	2 969 088
Property and equipment		17 298 192	17 298 192	17 324 928	17 324 901
Intangible assets		3 911 747	3 911 747	3 881 712	3 881 712
Current income tax assets		15 782	15 782	17 497	17 497
Deferred expenses and accrued income		2 368 806	2 368 442	2 565 415	2 564 851
Other assets		2 803 011	2 845 490	3 369 895	3 406 959
<b>Total assets</b>		<b>359 516 929</b>	<b>359 552 047</b>	<b>550 112 251</b>	<b>550 426 578</b>

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Ilona Gulchak  
Chairperson of the Board



**Financial Statements**

**INTERIM CONDENSED GROUP CONSOLIDATED AND BANK SEPARATE  
STATEMENT OF FINANCIAL POSITION**

LIABILITIES AND SHAREHOLDERS' EQUITY	Group	Bank	Group	Bank
	Notes	30.06.2016	30.06.2016	31.12.2015
		EUR	EUR	EUR
<b>Liabilities</b>				
Derivative financial instruments		90 624	90 624	3 056
Due to credit institutions		6 386 045	6 386 045	6 479 755
Deposits	11	284 346 786	284 353 604	473 245 931
Debt securities in issue	12	12 590 938	12 590 938	16 429 701
Accrued expenses, provisions and deferred income		1 724 397	1 723 972	3 012 928
Deferred tax liabilities		1 209 851	1 209 851	958 462
Other liabilities		2 414 698	2 365 021	2 177 855
Subordinated liabilities	13	16 703 007	16 703 007	16 715 268
<b>Total liabilities</b>		<b>325 466 346</b>	<b>325 423 062</b>	<b>519 022 956</b>
<b>Shareholders' equity</b>				
Share capital	14	30 496 389	30 496 389	29 496 389
Reserve capital	14	835 152	835 152	835 152
Property revaluation reserve		34 900	34 900	34 900
Available for sale instruments revaluation reserve		120 698	120 698	1 431 908
Retained earnings/(accumulated losses) <i>(Accumulated losses)/</i> <i>retained earnings</i>		2 563 444	2 641 846	(709 054)
<i>Profit/(loss) for the period</i>		<i>(709 054)</i>	<i>(301 937)</i>	<i>1 155 211</i>
		<i>3 272 498</i>	<i>2 943 783</i>	<i>(1 864 263)</i>
<b>Total shareholders' equity</b>		<b>34 050 583</b>	<b>34 128 985</b>	<b>31 089 295</b>
<b>Total liabilities and shareholders' equity</b>		<b>359 516 929</b>	<b>359 552 047</b>	<b>550 112 251</b>
<b>Commitments and contingencies</b>				
Sureties (guarantees)		2 618 631	2 618 631	3 827 416
Commitments to customers		5 137 208	5 229 096	5 000 762
<b>Total commitments and contingencies</b>		<b>7 755 839</b>	<b>7 847 727</b>	<b>8 828 178</b>

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 Iona Gulchak  
 Chairperson of the Board

Financial Statements

INTERIM CONDENSED GROUP CONSOLIDATED  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital EUR	Reserve capital EUR	Property revaluation reserve EUR	Available for sale instru- ments revaluation reserve EUR	Retained earnings/ (accumu- lated losses) EUR	TOTAL EUR
Balance as of 31 December 2014	<u>29 496 389</u>	<u>835 152</u>	<u>34 900</u>	<u>(183 894)</u>	<u>1 155 211</u>	<u>31 337 758</u>
Total comprehensive income						
Net income for the period	-	-	-	-	2 573 711	2 573 711
Available for sale instruments revaluation reserve	-	-	-	226 438	-	226 438
Total comprehensive income	-	-	-	226 438	2 573 711	2 800 149
Balance as of 30 June 2015	<u>29 496 389</u>	<u>835 152</u>	<u>34 900</u>	<u>42 544</u>	<u>3 728 922</u>	<u>34 137 907</u>
Total comprehensive income						
Net income for the period	-	-	-	-	(4 437 976)	(4 437 976)
Available for sale instruments revaluation reserve	-	-	-	1 289 364	-	1 289 364
Total comprehensive income	-	-	-	1 289 364	(4 437 976)	(3 648 612)
Balance as of 31 December 2015	<u>29 496 389</u>	<u>835 152</u>	<u>34 900</u>	<u>1 431 908</u>	<u>(709 854)</u>	<u>31 689 295</u>
Total comprehensive income						
Net income for the period	-	-	-	-	3 272 499	3 272 499
Available for sale instruments revaluation reserve	-	-	-	(3 311 210)	-	(3 311 210)
Total comprehensive income	-	-	-	(3 311 210)	3 272 499	3 961 289
Transactions with owners, recorded directly in equity						
Increase in share capital	1 000 000	-	-	-	-	1 000 000
Total transactions with owners, recorded directly in equity	<u>1 000 000</u>	-	-	-	-	<u>1 000 000</u>
Balance as of 30 June 2016	<u>30 496 389</u>	<u>835 152</u>	<u>34 900</u>	<u>120 698</u>	<u>2 563 445</u>	<u>34 929 284</u>

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Ilona Gulchak  
Chairperson of the Board

**Financial Statements**


**INTERIM CONDENSED BANK SEPARATE**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital EUR	Reserve capital EUR	Property revaluation reserve EUR	Available for sale instru- ments revaluation reserve EUR	Retained earnings/ (accrued losses) EUR	TOTAL EUR
<b>Balance as of 31 December 2014</b>	<u>29 496 389</u>	<u>825 152</u>	<u>24 999</u>	<u>(162 894)</u>	<u>1 495 247</u>	<u>31 677 794</u>
<b>Total comprehensive income</b>						
Net income for the period	-	-	-	-	2 576 425	2 576 425
Available for sale instruments revaluation reserve	-	-	-	226 438	-	226 438
<b>Total comprehensive income</b>	-	-	-	<u>226 438</u>	<u>2 576 425</u>	<u>2 802 863</u>
<b>Balance as of 30 June 2015</b>	<u>29 496 389</u>	<u>825 152</u>	<u>24 999</u>	<u>42 544</u>	<u>4 071 672</u>	<u>34 480 157</u>
<b>Total comprehensive income</b>						
Net income for the period	-	-	-	-	(4 373 609)	(4 373 609)
Available for sale instruments revaluation reserve	-	-	-	1 389 364	-	1 389 364
<b>Total comprehensive income</b>	-	-	-	<u>1 389 364</u>	<u>(4 373 609)</u>	<u>(2 984 245)</u>
<b>Balance as of 31 December 2015</b>	<u>29 496 389</u>	<u>825 152</u>	<u>24 999</u>	<u>1 431 908</u>	<u>(391 937)</u>	<u>31 496 412</u>
<b>Total comprehensive income</b>						
Net income for the period	-	-	-	-	1 943 784	1 943 784
Available for sale instruments revaluation reserve	-	-	-	(1 311 216)	-	(1 311 216)
<b>Total comprehensive income</b>	-	-	-	<u>(1 311 216)</u>	<u>1 943 784</u>	<u>632 568</u>
<b>Transactions with owners, recorded directly in equity</b>						
Increase in share capital	1 000 000	-	-	-	-	1 000 000
<b>Total transactions with owners, recorded directly in equity</b>	<u>1 000 000</u>	-	-	-	-	<u>1 000 000</u>
<b>Balance as of 30 June 2016</b>	<u>30 496 389</u>	<u>825 152</u>	<u>24 999</u>	<u>126 692</u>	<u>2 641 547</u>	<u>34 128 580</u>

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Ilona Gulchak  
Chairperson of the Board

Financial Statements

INTERIM CONDENSED CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS

	for the six month period ended 30 June 2016		for the six month period ended 30 June 2015	
	Group 30.06.2016 EUR	Bank 30.06.2016 EUR	Group 30.06.2015 EUR	Bank 30.06.2015 EUR
<b>Cash flows from operating activities</b>				
Profit before income tax	3 523 887	3 195 172	2 982 138	2 984 852
Amortisation and depreciation	709 003	709 003	668 095	668 095
Impairment loss	4 200 132	4 532 379	538 347	538 347
<b>Increase in cash and cash equivalents from operating activities before changes in assets and liabilities</b>	<b>8 433 022</b>	<b>8 436 554</b>	<b>4 188 580</b>	<b>4 191 294</b>
(Increase)/decrease in loans Decrease	(1 808 304)	(1 898 192)	14 279 649	14 098 850
in due from credit institutions	1 428 367	1 428 367	703 181	703 181
(Increase)/decrease in financial assets held-for-trading Increase	(441 710)	(441 710)	2 284 641	2 284 641
in deferred expenses and accrued income	196 608	196 408	63 133	65 429
Increase/(decrease) in other assets Increase	375 789	411 847	(2 060 664)	(2 087 597)
in due to credit institutions	2 867	2 867	2 507	2 507
Decrease in deposits	(188 899 145)	(188 908 763)	(5 301 792)	(5 290 201)
Increase/(decrease) in derivative liabilities Decrease	87 568	87 568	(1 889 799)	(1 889 799)
in accrued expenses, provisions and deferred income Increase	(1 288 531)	(1 287 626)	(332 559)	(328 177)
in other liabilities	236 843	295 062	198 852	369 556
<b>Increase in cash and cash equivalents resulting from operating activities</b>	<b>(181 676 626)</b>	<b>(181 677 618)</b>	<b>12 135 729</b>	<b>12 119 684</b>

The accompanying notes on pages 15 to 27 are an integral part of these Interim Condensed Group consolidated and Bank separate Financial Statements.



Financial Statements

INTERIM CONDENSED CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS

	for the six month period ended 30 June 2016		for the six month period ended 30 June 2015	
	Group EUR	Bank EUR	Group EUR	Bank EUR
Corporate income tax paid	1 715	1 715	285 300	285 300
<b>Increase in cash and cash equivalents from operating activities</b>	<b>(181 674 911)</b>	<b>(181 675 903)</b>	<b>12 421 029</b>	<b>12 404 984</b>
<b>Cash flow from investing activities</b>				
Acquisition of property and equipment, intangible assets and investment property	(712 329)	(712 329)	(360 804)	(359 648)
Proceeds from sale of property and equipment and investment property	-	-	19 121	-
Acquisition of shares in equity accounted investees	-	-	-	-
Purchase of available-for-sale instruments	-	-	(79 997 265)	(79 997 265)
Proceeds from available-for-sale instruments	77 511 714	77 511 714	-	-
Purchase of securities held-to-maturity	(4 290 469)	(4 290 469)	(688 560)	(688 560)
<b>Decrease in cash and cash equivalents as a result of investing activities</b>	<b>72 508 916</b>	<b>72 511 762</b>	<b>(81 027 508)</b>	<b>(81 045 473)</b>

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Financial Statements

INTERIM CONDENSED CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS

	for the six month period ended 30 June 2016		for the six month period ended 30 June 2015	
	Group EUR	Bank EUR	Group EUR	Bank EUR
<b>Cash flows from financing activities</b>				
Subordinated liabilities	-	-	1 890 613	1 890 613
Cash paid out				
to repay subordinated debt	(12 261)	(12 261)	-	-
Issuance of debt securities	-	-	-	-
Buyback of debt securities	(3 838 763)	(3 838 763)	(1 051 607)	(1 051 607)
<b>(Decrease)/increase in cash and cash equivalents as a result of financing activities</b>	<b>(2 851 024)</b>	<b>(2 851 024)</b>	<b>839 006</b>	<b>839 006</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(112 017 019)</b>	<b>(112 015 165)</b>	<b>(67 767 473)</b>	<b>(67 801 483)</b>
Cash and cash equivalents at the beginning of the period	209 400 273	209 398 419	288 265 155	288 260 623
<b>Cash and cash equivalents at the end of the period</b>	<b>97 383 254</b>	<b>97 383 254</b>	<b>220 497 682</b>	<b>220 459 140</b>

The accompanying notes on pages 15 to 27 are an integral part of these Interim Condensed Group consolidated and Bank separate Financial Statements.

The Interim Condensed Group consolidated and Bank separate Financial Statements on pages 7 to 27 have been authorised for issue by the Council and the Board on 31 August 2016, and signed on their behalf by:

  
Ilona Gulchak  
Chairperson of the Board

## Financial Statements

### Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2016

#### 1 GENERAL INFORMATION

These interim condensed Group consolidated and Bank separate financial statements comprise the financial statements of JSC „Baltic International Bank” (hereinafter referred to as the Bank) and its subsidiary, namely a real estate company “BIB Real Estate” LLC acquired on 11 June 2009 (hereinafter referred to as the “Group”).

JSC “Baltic International Bank” is a joint stock company registered in the Republic of Latvia. The registered office address is: Kalēju iela 43, Rīga, LV-1050, Latvia. On 8 April 1993, the Bank of Latvia approved JSC “Baltic International Bank” as a credit institution and issued Banking Licence No. 103. The activities of the Bank are regulated by the Bank of Latvia and the Financial and Capital Market Commission of the Republic of Latvia (“FCMC”).

Established to cater to the needs of both individuals and corporate customers, JSC “Baltic International Bank” provides a comprehensive range of financial services: personal and corporate loans, acceptance of money deposits and other funds, funds transfers, treasury and capital market services carried out according to customer instructions and for the Bank’s own trading purposes.

#### 2 BASIS OF PREPARATION

##### Statement of Compliance

These interim condensed Group consolidated and Bank separate financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. These interim condensed financial statements do not include all of the information required for a complete set of annual financial statements, and should be read in conjunction with the Group consolidated and Bank separate financial statements as at and for the year ended 31 December 2015.

The Group consolidated and Bank separate financial statements for the year ended 31 December 2015 are available at the Bank’s web site ([www.bib.eu](http://www.bib.eu)).

The interim condensed Group consolidated and Bank separate financial statements are presented in euro. Subsidiaries of the Group operate in the functional currency of euro.

The accounting policies applied by the Group and Bank in these condensed Group consolidated and Bank separate interim financial statements are consistent with those applied by the Group and Bank in the consolidated and Bank financial statements as at and for the year ended 31 December 2015.

The preparation of these interim condensed Group consolidated and Bank separate interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

## Financial Statements

### Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2016

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

### 3 ANALYSIS OF CHANGES IN IMPAIRMENT LOSS ALLOWANCE FOR ASSET EXPOSURES

Group

	Allowances for credit institutions EUR	Allowances for loans EUR	Allowances for secured finance EUR	Allowances for other assets EUR	Reversal of written-off assets EUR	Total EUR
Allowances as of 31 December 2014	-	8 808 139	6 296	365 155	(1 401)	9 178 089
Increase in allowances	1 797 721	387 774	-	608 912	-	2 894 407
Reversal of allowances	-	(1 662 045)	-	(879 092)	-	(2 541 042)
Recovery of written-off assets	-	-	-	-	(1 051)	(1 051)
Net impairment loss for the period	1 797 721	(1 274 271)	-	729 820	(1 051)	253 219
Amounts written-off	-	(1 203)	-	(18 591)	-	(19 794)
Differences due to fluctuations in foreign currency exchange rates	(15)	216 004	216	(103)	-	216 772
Allowances as of 30 June 2015	1 797 706	7 338 663	6 512	346 564	(5 612)	9 483 813
Increase in allowances	(1 796 990)	6 982 064	-	21 811	-	5 206 885
Reversal of allowances	-	(8 562)	-	(833 207)	-	(841 769)
Recovery of written-off assets	-	-	-	-	(1 409)	(1 409)
Net impairment loss for the period	(1 796 990)	6 973 502	-	(811 396)	(1 409)	4 364 107
Amounts written-off	-	(1 772 397)	-	-	-	(1 772 397)
Differences due to fluctuations in foreign currency exchange rates	-	121 904	189	(127)	-	121 966
Allowances as of 31 December 2015	1 112	5 201 205	6 512	265 167	(7 021)	5 578 075
Increase in allowances	17	4 217 378	-	6 721	-	4 231 116
Reversal of allowances	-	(12 977)	-	-	-	(12 977)
Recovery of written-off assets	-	-	-	-	(1 900)	(1 900)
Net impairment loss for the period	17	4 194 401	-	6 721	(1 900)	4 209 619
Amounts written-off	-	(189 210)	-	(1 294)	-	(190 504)
Differences due to fluctuations in foreign currency exchange rates	(8)	(181 736)	(136)	(815)	-	(182 735)
Allowances as of 30 June 2016	1 121	5 011 995	6 376	253 872	(8 900)	5 373 464



## Financial Statements

### Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2016

						Bank
	Allowances for claims on the credit institutions EUR	Allowances for loans EUR	Allowances for central income EUR	Allowances for other assets EUR	Recovery of written-off assets EUR	Total EUR
Allowances as of 31 December 2014	-	8 202 278	6 296	144 903	(4 600)	7 348 877
Increase in allowances	1 797 721	181 194	-	688 952	-	2 667 867
Reversal of allowances	-	(1 603 649)	-	(676 699)	-	(2 280 348)
Recovery of written-off assets	-	-	-	-	(1 931)	(1 931)
Net impairment loss for the period	1 797 721	(422 455)	-	112 253	-	1 487 519
Amount written-off	-	(1 500)	-	(18 703)	-	(19 903)
Differences due to fluctuations in foreign currency exchange rates	(12)	245 999	716	(105)	-	338 774
Allowances as of 30 June 2015	2 797 709	8 179 396	6 992	144 909	(5 432)	11 123 574
Increase in allowances	(1 796 590)	6 959 182	-	23 951	-	5 186 543
Reversal of allowances	-	(5 946)	-	-	-	(5 946)
Recovery of written-off assets	-	-	-	-	(1 405)	(1 405)
Net impairment loss for the period	(1 796 590)	6 953 236	-	23 846	-	5 179 992
Amount written-off	-	(1 772 997)	-	-	-	(1 772 997)
Differences due to fluctuations in foreign currency exchange rates	-	(51 864)	189	(277)	-	(51 952)
Allowances as of 31 December 2015	1 001	11 989 649	7 021	168 755	(7 437)	13 163 019
Increase in allowances	17	4 979 625	-	6 735	-	4 986 377
Reversal of allowances	-	(32 977)	-	-	-	(32 977)
Recovery of written-off assets	-	-	-	-	(1 600)	(1 600)
Net impairment loss for the period	17	4 946 648	-	6 735	-	4 953 400
Amount written-off	-	(459 257)	-	(1 254)	-	(460 511)
Differences due to fluctuations in foreign currency exchange rates	90	(191 756)	(126)	(979)	-	(182 811)
Allowances as of 30 June 2016	1 124	17 466 294	6 895	172 607	(1 000)	17 665 920

#### 4 SECURITIES-HELD-FOR-TRADING

	Group and Bank 30.06.2016 EUR	Group and Bank 31.12.2015 EUR
Debt securities of credit institutions	470 600	478 897
Debt securities of central governments	-	27 555
Debt securities of municipal authorities	31 403	31 012
<b>Total debt securities</b>	<b>502 003</b>	<b>537 464</b>
State-owned companies enterprises	10 901	10 230
Shares of private enterprises	5 756	5 963
Investment certificates	108 664	-
<b>Total shares</b>	<b>125 321</b>	<b>16 193</b>
	<b>627 324</b>	<b>553 657</b>

## Financial Statements

### Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2016

The table below shows the geographical concentration of securities:

	<b>Group and Bank 30.06.2016 EUR</b>	<b>Group and Bank 31.12.2015 EUR</b>
Debt securities of entities registered in EU countries	31 403	-
Debt securities of entities registered in OECD countries	-	27 555
Debt securities of entities registered in CIS countries	470 600	509 909
<b>Total debt securities</b>	<b>502 003</b>	<b>537 464</b>
Shares of entities registered in the Republic of Latvia	1 740	1 664
Shares of entities registered in other EU countries	108 664	-
Shares of entities registered in OECD countries	2 061	2 903
Shares of entities registered in CIS countries	12 856	11 626
<b>Total shares</b>	<b>125 321</b>	<b>16 193</b>
	<b>627 324</b>	<b>553 657</b>

## 5 DUE FROM CREDIT INSTITUTIONS

	<b>Group and Bank 30.06.2016 EUR</b>	<b>Group and Bank 31.12.2015 EUR</b>
Receivable on demand	52 010 623	153 511 915
Amounts with no stated maturity or serving as collateral and security deposits	3 810 576	11 685 178
Other deposits	3 771 383	747 172
	<b>59 592 582</b>	<b>165 944 265</b>
Allowances (Note 3)	(1 122)	(1 112)
	<b>59 591 460</b>	<b>165 943 153</b>

## Financial Statements

### Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2016

#### 6 LOANS

	Group 30.06.2016 EUR	Bank 30.06.2016 EUR	Group 31.12.2015 EUR	Bank 31.12.2015 EUR
Loans to corporate clients	58 691 301	61 060 080	54 900 349	57 179 240
Loans to financial institutions	11 478 529	11 478 529	10 536 875	10 536 875
Loans to individuals	12 615 514	12 615 514	16 100 819	16 100 819
	<u>82 785 344</u>	<u>85 154 123</u>	<u>81 538 043</u>	<u>83 816 934</u>
Allowances (Note 3)	(16 683 890)	(17 466 294)	(13 050 492)	(13 500 649)
	<u>66 101 454</u>	<u>67 687 829</u>	<u>68 487 551</u>	<u>70 316 285</u>

#### 7 AVAILABLE FOR SALE INSTRUMENTS

	Group and Bank 30.06.2016 EUR	Group and Bank 31.12.2015 EUR
Debt securities of central governments (Moody's ratings)	53 670 579	82 769 787
Debt securities of credit institutions (Moody's ratings)	32 576 078	37 747 455
Debt securities of financial institutions (Moody's ratings)	49 722 193	87 892 181
Debt securities of public non-financial Corporations (Moody's ratings)	-	4 452 392
Shares and other variable income securities	7 135 821	8 921 888
<i>Tamar Energy, Ltd</i>	6 419 309	6 419 309
<i>Visa Europe</i>	-	1 816 207
<i>Imprimatur Capital Technology Venture Fund, LP</i>	498 729	468 589
<i>Capital, JSC</i>	180 863	180 863
<i>S.W.I.F.T., SCRL</i>	36 920	36 920
	<u>143 104 671</u>	<u>221 783 703</u>

Tamar Energy is a renewable energy business focusing entirely on anaerobic digestion. Investment Tamar Energy is measured at cost as there is no readily available active market to determine the fair value. The entity is still in its start up phase and is expanding operations as per its operational plans. Management has assessed the investment and no impairment was identified.

Imprimatur Capital Technology Venture Fund makes seed investments in SMEs which become its portfolio companies. The Fund's purpose is to invest in technology-related SMEs, develop their business potential and then sell its ownership interests in such SMEs at a profit and for the benefit of the Fund and its Investors.

Investment in Capital is measured at cost less impairment as the Bank believes there is no readily available active market to determine the fair value.

## Financial Statements

### Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2016

The fair value of S.W.I.F.T. SCRL is reported according to a defined withdrawal price as of 30 June 2016 and 31 December 2015.

#### 8 SECURITIES HELD-TO-MATURITY

	Group and Bank 30.06.2016 EUR	Group and Bank 31.12.2015 EUR
Government bonds	10 848 225	6 490 840
Bonds and other fixed-income securities	3 066 007	3 132 923
	<u>13 914 232</u>	<u>9 623 763</u>

#### 9 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

	Ownership %	Country of incorporation	Purpose	Group and Bank 30.06.2016 EUR	Group and Bank 31.12.2015 EUR
LLC "Komunikācijas un projekti"	50	Latvia	Investments	1 144 547	1 144 547
				<u>1 144 547</u>	<u>1 144 547</u>

The management assessed future cash flows to be generated by the investee and as a result of this assessment concluded that there is no objective evidence of impairment of the investment.

#### 10 INVESTMENTS IN SUBSIDIARIES

The subsidiaries of the Bank are as follows:

Name	Country of incorporation	Principal Activities	Carrying amount of investment EUR	Ownership 30.06.2016 %	Ownership 30.06.2015 %
"BIB Real Estate" LLC	Latvia	Real estate	1 940 228	100	100
"Gaujas Ipašumi" LLC (through BIB Real Estate)	Latvia	Real estate	-	100	100
"Global Investments" LLC (through BIB Real Estate)	Latvia	Real estate	-	100	100
<b>Investments in subsidiaries</b>			<u>1 940 228</u>		

The management assessed future cash flows to be generated by the investee and as a result of this assessments concluded that there is no objective evidence of impairment of the investment.



## Financial Statements

### Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2016

#### 11 DEPOSITS

	Group 30.06.2016	Bank 30.06.2016	Group 31.12.2015	Bank 31.12.2015
	EUR	EUR	EUR	EUR
<b>Repayable on demand</b>				
Corporate customers	190 605 156	190 611 974	348 867 690	348 884 126
Financial institutions	3 181 119	3 181 119	6 883 091	6 883 091
State-owned companies	976	976	23 759	23 759
Individuals	54 890 371	54 890 371	68 094 195	68 094 195
	<u>248 677 622</u>	<u>248 684 440</u>	<u>423 868 735</u>	<u>423 885 171</u>
<b>Term deposits</b>				
Corporate customers	19 663 102	19 663 102	32 861 129	32 861 129
Financial institutions	445 412	445 412	617 780	617 780
Individuals	15 560 650	15 560 650	15 898 287	15 898 287
	<u>35 669 164</u>	<u>35 669 164</u>	<u>49 377 196</u>	<u>49 377 196</u>
<b>Total deposits</b>	<u>284 346 786</u>	<u>284 353 604</u>	<u>473 245 931</u>	<u>473 262 367</u>

#### 12 DEBT SECURITIES IN ISSUE

	Group and Bank 30.06.2016	Group and Bank 31.12.2015
	EUR	EUR
Bonds in issue	12 590 938	16 429 701
	<u>12 590 938</u>	<u>16 429 701</u>

#### 13 SUBORDINATED LIABILITIES

Subordinated deposits have a fixed term of seven years at their origination, and are repayable before maturity only on winding up or bankruptcy of the Bank and rank before shareholders' claims.

	Group and Bank 30.06.2016	Group and Bank 30.06.2015
	EUR	EUR
Residents of the Republic of Latvia		
<i>Individuals</i>	7 756 432	5 265 163
Residents of other countries		
<i>Individuals</i>	8 946 575	11 450 105
	<u>16 703 007</u>	<u>16 715 268</u>

**Notes to the Financial Statements  
for the year ended 31 December 2016**

**Financial Statements**

**14 SHAREHOLDERS' EQUITY**

On 30 March 2016, the Shareholders' Meeting of JSC „Baltic International Bank” has approved the decision to increase the share capital by EUR 2 000 006.10 through issuing 281 691 registered and dematerialised ordinary shares (with each share having a face value of EUR 7.10).

All shares are registered. Each share carries the right to one vote at the meetings of shareholders, a right to receive dividends as declared from time to time and a right to residual assets. Of the Bank's 93 shareholders, 28 are legal entities and 65 are individuals.

Reserve capital in the amount of EUR 835 152 (31 December 2015: EUR 835 152) is formed from the contributions made by the Bank's shareholders. The Bank's General Meeting of Shareholders makes the decision concerning further usage of reserve capital. Reserve capital can be used to:

- cover losses;
- increase the share capital;
- pay dividends.

	Quantity	Amount EUR
<b>Total paid-in share capital 31 December 2014</b>	<b>4 154 421</b>	<b>29 496 389</b>
<b>Total paid-in share capital 31 December 2015</b>	<b>4 154 421</b>	<b>29 496 389</b>
Increase of registered share capital	140 846	1 000 006
Increase of paid-in share capital	140 845	1 000 000
Unpaid share capital as at 30 June 2016	(140 846)	(1 000 006)
<b>Total paid-in share capital 30 June 2016</b>	<b>4 295 266</b>	<b>30 496 389</b>

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

	30.06.2016	31.12.2015
Valeri Belokon	69.90%	69.89%
Vilori Belokon	30.00%	30.01%

## Financial Statements

### Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2016

#### 15 RELATED PARTY TRANSACTIONS

The outstanding balances as of 30 June 2016 and 31 December 2015 and related income statement amounts of transactions for the six month period ended 30 June 2016 and 30 June 2015 with other related parties are as follows:

As of 30 June 2016	Group and Bank					
	Subsidiary EUR	Associate EUR	Shareholders, Members of the Supervisory Council and Management Board EUR	Other senior executives EUR	Related to shareholders and management EUR	Total EUR
<b>Loans</b>						
At the beginning of the period	1 828 734	92 213	245 020	-	1 241 898	3 407 865
<i>Gross Loans</i>	2 278 891	92 213	245 020	-	1 241 898	3 858 022
<i>Allowances</i>	(450 157)	-	-	-	-	(450 157)
Issued during the period	347 673	3 977	244 253	-	580 573	1 176 476
Repaid during the period	(257 786)	-	(256 146)	-	(51 501)	(545 433)
Differences due to fluctuations in foreign currency exchange rates	-	-	(1 466)	-	(3)	(1 467)
Changes in the group of Bank-related parties	-	-	2	-	-	2
Net impairment difference	(332 246)	-	-	-	-	(332 246)
At the end of the period	1 588 375	96 190	231 663	-	1 790 909	3 705 137
<i>Gross Loans</i>	2 368 778	96 190	231 663	-	1 790 909	4 487 540
<i>Allowances</i>	(782 403)	-	-	-	-	(782 403)
Interest income	24 608	3 978	3 978	3 978	3 978	40 520
<b>Other assets</b>						
At the beginning of the period	82 035	-	-	-	-	82 035
Issued during the period	6 225	-	-	-	-	6 225
At the end of the period	88 260	-	-	-	-	88 260
<b>Deposits</b>						
At the beginning of the period	16 457	612	565 678	-	590 166	1 172 893
Increase in balances during the period	125 056	1 328	1 968 965	-	5 309 360	7 404 709
Decline in balances during the period	(128 627)	(631)	(1 949 332)	-	(5 338 347)	(7 416 937)
Difference due to fluctuations in foreign currency exchange rates	-	-	(54)	-	(14 451)	(14 505)
Changes in the group of Bank-related parties	(6 049)	-	(489 363)	-	-	(495 412)
At the end of the period	6 817	1 309	95 894	-	546 728	650 748
Interest expense	-	-	2 227	-	468	2 695
<b>Subordinated liabilities</b>						
At the beginning of the period	-	-	10 066	-	4 907 181	4 917 247
Increase in balances during the period	-	-	2	-	-	2
Decline in balances during the period	-	-	(10 068)	-	(74)	(30 142)
Difference due to fluctuations in foreign currency exchange rates	-	-	-	-	(381 424)	(381 424)
At the end of the period	-	-	-	-	4 525 683	4 525 683
Interest expense	-	-	142	-	82 221	82 363

All related party transactions are at arm's length.

## Financial Statements

### Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2016

31 December 2015	Group and Bank					
	Subsidiary EUR	Associate EUR	Shareholders, Members of the Supervisory Council and Management Board EUR	Other senior executives EUR	Related to shareholders and management EUR	Total EUR
<b>Due from credit institutions</b>						
At the beginning of the period	-	-	-	-	65	65
Difference due to fluctuations in foreign currency exchange rates	-	-	-	-	3	3
Net impairment difference	-	-	-	-	(68)	(68)
At the end of the period	-	-	-	-	-	-
<b>Loans</b>						
At the beginning of the period	1 666 305	67 392	256 148	-	1 283 329	3 273 374
<i>Gross Loans</i>	2 062 744	67 392	256 148	-	1 283 329	3 671 613
<i>Allowances</i>	(396 239)	-	-	-	-	(396 239)
Issued during the period	229 705	24 821	534 021	-	186 870	975 417
Repaid during the period	(13 558)	-	(547 841)	-	(228 283)	(789 682)
Difference due to fluctuations in foreign currency exchange rates	-	-	692	-	-	692
Changes in the group of Bank-related parties	-	-	-	-	(18)	(18)
Net impairment difference	(53 918)	-	-	-	-	(53 918)
At the end of the period	1 828 754	92 213	245 020	-	1 241 898	3 407 865
<i>Gross Loans</i>	2 278 891	92 213	245 020	-	1 241 898	3 858 022
<i>Allowances</i>	(450 137)	-	-	-	-	(450 137)
Interest income	34 790	3 393	2 662	-	35 072	75 917
<b>Other assets</b>						
At the beginning of the period	54 289	-	-	-	-	54 289
Issued during the period	27 837	-	-	-	-	27 837
Repayment during the period	(91)	-	-	-	-	(91)
At the end of the period	82 035	-	-	-	-	82 035
<b>Due to credit institutions</b>						
At the beginning of the period	-	-	-	-	243 946	243 946
Difference due to fluctuations in foreign currency exchange rates	-	-	-	-	4 612	4 612
Changes in the group of Bank-related parties	-	-	-	-	(248 558)	-
At the end of the period	-	-	-	-	-	-
<b>Deposits</b>						
At the beginning of the period	10 822	108	318 459	-	473 480	802 869
Increase in balances during the period	493 186	18 924	2 919 980	-	10 491 673	13 923 763
Decline in balances during the period	(487 571)	(18 420)	(2 672 888)	-	(10 377 233)	(13 556 064)
Difference due to fluctuations in foreign currency exchange rates	-	-	79	-	10 210	10 289
Changes in the group of Bank-related parties	-	-	-	-	(7 964)	(7 964)
At the end of the period	16 437	612	565 678	-	590 166	1 172 893
Interest expense	-	-	5 663	-	691	6 354
<b>Subordinated liabilities</b>						
At the beginning of the period	-	-	10 064	-	4 729 644	4 739 708
Increase in balances during the period	-	-	2	-	-	2
Decline in balances during the period	-	-	-	-	(19 035)	(19 035)
Difference due to fluctuations in foreign currency exchange rates	-	-	-	-	196 572	196 572
At the end of the period	-	-	10 066	-	4 907 181	4 917 247
Interest expense	-	-	400	-	173 671	174 071

All related party transactions are at arm's length.



## Financial Statements

### Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2016

#### 16 CAPITAL ADEQUACY CALCULATION

The Financial and Capital Market Commission sets forth capital requirements for the Bank as a whole and supervises the adherence to the requirements.

According to the specific requirement of the FCMC, the Bank should maintain a capital adequacy ratio above minimum level – 16.4% for the period starting from 1 October 2015 till 30 September 2016 (from 1 October 2014 till 30 September 2015: 13.7%).

The Bank also monitors its capital adequacy levels calculated in accordance with the requirements of the New Basel Capital Accord, commonly known as Basel III.

## Financial Statements

### Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2016

	Group EUR	Bank EUR
<b>Total equity capital</b>		
Paid-in share capital	30 496 389	30 496 389
Reserve capital and other reserves	835 152	835 152
Retained earnings	(709 054)	(301 937)
Intangible assets	(3 911 747)	(3 911 747)
Deferred tax related to the intangible asset	514 765	514 765
Specific decline in Tier 1 capital, as stipulated by the applicable law	(2 665 298)	(2 711 584)
Available for sale instruments revaluation reserve	72 419	72 419
Less revaluation of investment property	(433 702)	(113 546)
<b>Tier 1 Core Capital</b>	<b>24 198 924</b>	<b>24 879 911</b>
Subordinated liabilities	11 010 478	11 010 478
Specific decline in Tier 2 capital, as stipulated by the applicable law	(2 665 298)	(2 711 584)
<b>Tier 2 Supplementary Capital</b>	<b>8 345 180</b>	<b>8 298 894</b>
<b>TOTAL CAPITAL</b>	<b>32 544 104</b>	<b>33 178 805</b>
Capital charge for credit risk inherent in the Bank's book, including the breakdown of exposures by categories:		
<i>Central governments or central banks</i>	11 746 739	11 818 517
<i>Public entities</i>	480 122	480 122
<i>Commercial companies</i>	1 076 072	1 076 072
<i>Overdue (delinquent) exposures</i> *	3 092 384	3 092 384
<i>High-risk exposures</i>	1 367 975	1 367 975
<i>Shares and other variable income securities</i>	2 344 192	2 540 071
<i>Other items</i>	622 531	777 749
The total capital charge for market risks	2 763 463	2 484 144
Capital charge for operational risk	205 089	205 089
<b>Total capital charge</b>	<b>2 392 776</b>	<b>2 384 258</b>
<b>CAPITAL ADEQUACY RATIOS</b>		
Common Equity Tier 1 capital ratio	13.50%	13.81%
Tier 1 capital ratio	13.50%	13.81%
<b>CAPITAL ADEQUACY RATIOS</b>		
<b>31 December 2015</b>	<b>18.15%</b>	<b>18.42%</b>
<b>CAPITAL ADEQUACY RATIOS</b>		
<b>31 December 2014</b>	<b>17.15%</b>	<b>17.38%</b>

\* past due exposures: exposures that are 90 days or more past due.

## **Financial Statements**

### **Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2016**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for sureties and commitments, with some adjustments to reflect the more contingent nature of the potential losses.

To calculate the required capital charge in accordance with the minimum regulatory capital requirements, Bank applies the following approaches:

- capital charge for credit risk – the Standardised Approach;
- capital charge for market risk – the Standardised Approach;
- capital charge for operational risk – the Basic Indicator Approach.

#### **17 EVENTS SUBSEQUENT TO THE REPORTING DATE**

From the last day of the reporting period to the date of signing of these consolidated financial statements, no events have occurred which would entail making adjustments to these consolidated financial statements or which ought to have been explained in these consolidated financial statements.