

JSC "Baltic International Bank"

**Unaudited Interim Condensed Group consolidated and Bank separate Financial Statements
for the six month period ended 30 June 2017**

TABLE OF CONTENTS

	Page
Interim Report from the Bank's Senior Management	3-4
Supervisory Council and Management Board	5
Statement of Management's Responsibility	6
Unaudited Interim Condensed Group consolidated and Bank separate Financial Statements	
Interim Condensed Group consolidated and Bank separate Statement of Comprehensive Income	7
Interim Condensed Group consolidated and Bank separate Statement of Financial Position	8-9
Interim Condensed Group consolidated and Bank separate Statement of Changes in Shareholders' Equity	10-11
Interim Condensed Group consolidated and Bank separate Statement of Cash Flows	12-14
Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements	15-25

Interim Report from the Bank's Senior Management

Dear Ladies and Gentlemen,

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

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

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

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

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

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

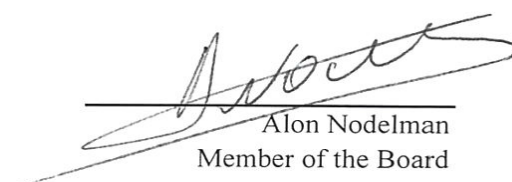
The liquidity ratios exceed the regulatory thresholds. As of 30 June 2017, the liquidity ratio was 65,52percent. The structure of liquid assets is well diversified, as represented by bonds (45 percent), due from credit institutions (19 percent), due from the Bank of Latvia (34 percent) and cash (2 percent). The Liquidity Coverage Ratio (LCR) totalled 243,93 percent (244,74percent). The net stable funding ratio (NSFR), characterizing the availability of a stable funding profile in relation to the composition of assets and off-balance sheet activities, reached 134,90 percent (134,85 percent).

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

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

* The calculation is based on the CET1 figures and the data relevant to the assets and off-balance sheet liabilities as of 30 June 2017.

28 August 2017



Alon Nodelman
Member of the Board

Supervisory Council and Management Board

Supervisory Council (as of 30 June 2017)

Name	Position held	Appointed	Re- appointed
Valeri Belokon	Chairperson of the Supervisory Council	15/09/2010	11/10/2016
Vlada Belokon	Deputy Chairperson of the Supervisory Council	11/10/2016	11/10/2016
	Member of the Supervisory Council	19/08/2011	11/10/2016
Andris Ozolinsh	Member of the Supervisory Council	27/11/2015	11/10/2016
Dr. Hans-Friedrich von Ploetz	Member of the Supervisory Council	30/03/2016	11/10/2016
Black Joseph Cofer	Member of the Supervisory Council	01/11/2016	-

Management Board (as of 30 June 2017)

Name	Position held	Appointed	Re- appointed
Ilona Gulchak	Chairperson of the Board	25/01/2008	25/01/2016
Alon Nodelman	Member of the Board	15/08/2003	13/08/2015
Martins Neiberghs	Member of the Board	24/04/2015	16/06/2015
Bogdan Andrushchenko	Member of the Board	04/03/2016	-
Anda Saukane	Member of the Board	27/07/2017	-
Dace Duklava-Kokina	Nominee Member of the Board	04/01/2016	-
	Nominee Member of the Board	04/01/2016	-

In the sixmonth period ended 30 June 2017, no changes have been made in the Supervisory Council membership.

In the sixmonth period ended 30 June 2017, the following changes were made in the composition of JSC “Baltic International Bank” Management Board:

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

There were no changes in the Supervisory Council of the Bank during the period from 1 July 2017 to the date of the approval of these financial statements.

During the period from 1 July 2017 to the date of the approval of these financial statements the following changes were made in the composition of JSC “Baltic International Bank” Management Board:

Anda Saukane was elected as a member of the Board (27.07.2017).

Statement of Management's Responsibility

Riga

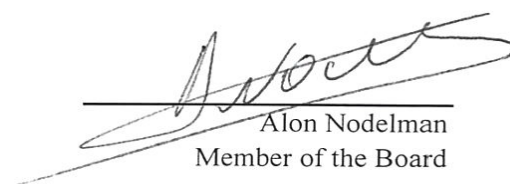
28 August 2017

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 25 are prepared in accordance with the source documents and present the financial position of the Group and Bank as at 30 June 2017 and the results of its performance and cash flows for the six month period ended 30 June 2017.

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:



Alon Nodelman
Member of the Board

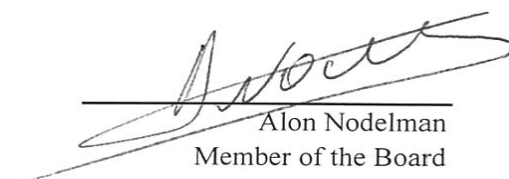
Financial Statements

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

	Notes	for the six month period ended 30 June 2017		for the six month period ended 30 June 2016	
		Group EUR	Bank EUR	Group EUR	Bank EUR
Interest income		2 362 006	2 373 733	2 379 525	2 404 133
Interest expense		(801 949)	(801 949)	(1 054 708)	(1 054 708)
Net interest income		1 560 057	1 571 784	1 324 817	1 349 425
Fee and commission income		2 868 210	2 868 273	4 567 678	4 568 304
Fee and commission expense		(988 602)	(988 602)	(1 455 689)	(1 455 629)
Net fee and commission income		1 879 608	1 879 671	3 111 989	3 112 675
Dividend income		5 065	5 065	632	632
Net gain on financial instruments		(398 035)	(398 035)	1 849 943	1 849 943
Net foreign exchange income		6 625 029	6 625 029	9 148 354	9 148 354
Other operating income		78 860	73 581	160 432	109 257
Total operating income		9 750 584	9 757 095	15 596 167	15 570 286
Administrative expenses		(7 676 103)	(7 599 556)	(7 639 501)	(7 617 145)
Other operating expenses		(1 989 048)	(1 986 071)	(232 647)	(225 590)
Net impairment loss	3	32 910	32 910	(4 200 132)	(4 532 379)
Loss on revaluation of investment property		(8 000)	-	-	-
Profit before income tax		110 343	204 378	3 523 887	3 195 172
Income tax (expense)/benefit		(18 234)	(18 234)	(251 389)	(251 389)
Profit for the period		92 109	186 144	3 272 498	2 943 783
Other comprehensive income					
<i>Items that are or may be reclassified to profit or loss</i>					
Available for sale financial assets – net change in fair value		185 046	185 046	648 889	648 889
Available for sale financial assets, reclassified to profit or loss		(4 985)	(4 985)	(1 960 099)	(1 960 099)
Total comprehensive income for the period		272 170	366 205	1 961 288	1 632 573

The accompanying notes on pages 16 to 25 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 25 have been authorised for issue by the Board on 28 August 2017, and signed on their behalf by:


 Alon Nodelman
 Member of the Board

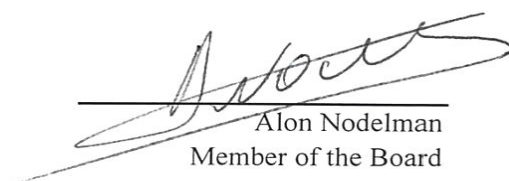
Financial Statements

**INTERIM CONDENSED GROUP CONSOLIDATED AND BANK SEPARATE
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017**

ASSETS	Notes	Group 30.06.2017 EUR	Bank 30.06.2017 EUR	Group 31.12.2016 EUR	Bank 31.12.2016 EUR
Cash and due from central banks		41 254 573	41 254 573	70 152 023	70 152 023
Financial assets held-for-trading		1 572 954	1 572 954	1 177 668	1 177 668
<i>Securities held-for-trading</i>	4	264 563	264 563	628 345	628 345
<i>Derivative financial instruments</i>		1 308 391	1 308 391	549 323	549 323
Due from credit institutions	5	29 806 997	29 806 997	17 975 622	17 975 622
Financial assets at fair value through profit or loss		7 861 099	7 861 099	8 073 653	8 073 653
Loans	6	73 407 499	74 911 994	69 395 046	70 999 468
Available for sale instruments	7	62 348 746	62 348 746	85 746 243	85 746 243
Securities held-to-maturity	8	17 147 464	17 147 464	16 691 688	16 691 688
Investments					
in equity accounted investees	9	1 144 547	1 144 547	1 144 547	1 144 547
Investments in subsidiaries	10	-	2 105 229	-	2 065 229
Investment property		5 689 429	2 355 073	5 885 430	2 355 073
Property and equipment		17 060 721	17 060 473	17 249 525	17 249 227
Intangible assets		3 935 689	3 935 689	4 107 870	4 107 870
Current income tax assets		49	49	14 943	14 943
Deferred expenses and accrued income		2 481 738	2 481 069	2 431 404	2 434 401
Other assets		3 082 550	3 244 631	8 044 283	8 201 925
Total assets		266 794 055	267 230 587	308 089 945	308 389 580

The accompanying notes on pages 16 to 25 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 25 have been authorised for issue by the Board on 28 August 2017, and signed on their behalf by:



 Alon Nodelman
 Member of the Board

Financial Statements

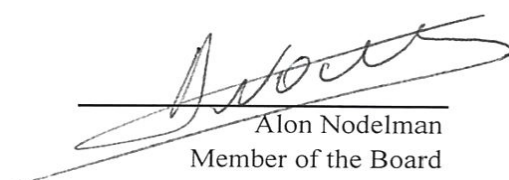
**INTERIM CONDENSED GROUP CONSOLIDATED AND BANK SEPARATE
STATEMENT OF FINANCIAL POSITION**

as at 30 June 2017

LIABILITIES AND SHAREHOLDERS' EQUITY	Group	Bank	Group	Bank	
	Notes	30.06.2017	30.06.2017	31.12.2016	31.12.2016
		EUR	EUR	EUR	EUR
Liabilities					
Derivative financial instruments		1 609 918	1 609 918	-	-
Due to credit institutions		14 517 285	14 517 285	15 956 666	15 956 666
Deposits	11	190 372 734	190 549 994	229 938 778	230 073 991
Debt securities in issue	12	9 600 264	9 600 264	10 123 468	10 123 468
Accrued expenses, provisions and deferred income		1 337 913	1 338 190	1 613 447	1 612 671
Deferred tax liabilities		1 040 182	1 040 182	1 036 657	1 036 657
Other liabilities		1 307 028	1 255 012	1 537 803	1 486 025
Subordinated liabilities	13	14 879 847	14 879 847	16 026 412	16 026 412
Total liabilities		234 665 171	234 790 692	276 233 231	276 315 890
Shareholders' equity					
Share capital	14	31 496 395	31 496 395	31 496 395	31 496 395
Reserve capital	14	835 152	835 152	835 152	835 152
Property revaluation reserve		34 900	34 900	34 900	34 900
Available for sale instruments revaluation reserve		53 890	53 890	(126 171)	(126 171)
(Accumulated losses)/retained earnings		(291 453)	19 558	(383 562)	(166 586)
<i>Accumulated losses for the previous years</i>		(383 562)	(166 586)	(709 054)	(301 937)
<i>Profit for the period</i>		92 109	186 144	325 492	135 351
Total shareholders' equity		32 128 884	32 439 895	31 856 714	32 073 690
Total liabilities and shareholders' equity		266 794 055	267 230 587	308 089 945	308 389 580
Commitments and contingencies					
Sureties (guarantees)		260 882	260 882	3 827 416	3 827 416
Commitments to customers		7 231 781	7 308 975	5 000 762	5 082 647
Total commitments and contingencies		7 492 663	7 569 857	8 828 178	8 910 063

The accompanying notes on pages 16 to 25 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 25 have been authorised for issue by the Board on 28 August 2017, and signed on their behalf by:



 Alon Nodelman
 Member of the Board

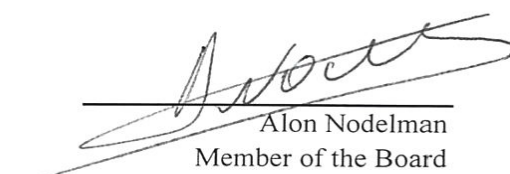
Financial Statements

INTERIM CONDENSED GROUP CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY for the six month period ended 30 June 2017

Notes	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 2015	<u>29 496 389</u>	<u>835 152</u>	<u>34 900</u>	<u>1 431 908</u>	<u>(709 054)</u>	<u>31 089 295</u>
Total comprehensive income						
Net profit for the period	-	-	-	-	3 272 498	3 272 498
Other comprehensive loss	-	-	-	(1 311 210)	-	(1 311 210)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1 311 210)</u>	<u>3 272 498</u>	<u>1 961 288</u>
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>-</u>	<u>-</u>	<u>-</u>	<u>-</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>2 563 444</u>	<u>34 050 583</u>
Total comprehensive loss						
Net profit for the period	-	-	-	-	(2 947 006)	(2 947 006)
Other comprehensive loss	-	-	-	(246 869)	-	(246 869)
Total comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(246 869)</u>	<u>(2 947 006)</u>	<u>(3 193 875)</u>
Transactions with owners, recorded directly in equity						
Increase in share capital	1 000 006	-	-	-	-	1 000 006
Total transactions with owners, recorded directly in equity	<u>1 000 006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 000 006</u>
Balance as of 31 December 2016	<u>31 496 395</u>	<u>835 152</u>	<u>34 900</u>	<u>(126 171)</u>	<u>(383 562)</u>	<u>31 856 714</u>
Total comprehensive income						
Net profit for the period	-	-	-	-	92 109	92 109
Other comprehensive loss	-	-	-	(4 985)	-	(4 985)
Other comprehensive income	-	-	-	185 046	-	185 046
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>180 061</u>	<u>92 109</u>	<u>272 170</u>
Balance as of 30 June 2017	<u>31 496 395</u>	<u>835 152</u>	<u>34 900</u>	<u>53 890</u>	<u>(291 453)</u>	<u>32 128 884</u>

The accompanying notes on pages 16 to 25 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 25 have been authorised for issue by the Board on 28 August 2017, and signed on their behalf by:

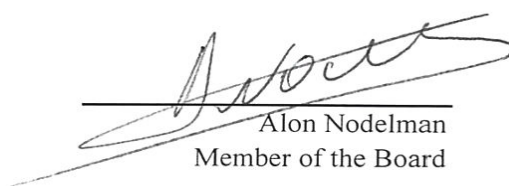

 Alon Nodelman
 Member of the Board

Financial Statements
INTERIM CONDENSED BANK SEPARATE
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the six month period ended 30 June 2017

Notes	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 2015	<u>29 496 389</u>	<u>835 152</u>	<u>34 900</u>	<u>1 431 908</u>	<u>(301 937)</u>	<u>31 496 412</u>
Total comprehensive income						
Net profit for the period	-	-	-	-	2 943 783	2 943 783
Other comprehensive loss	-	-	-	(1 311 210)	-	(1 311 210)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1 311 210)</u>	<u>2 943 783</u>	<u>1 632 573</u>
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>-</u>	<u>-</u>	<u>-</u>	<u>-</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>2 641 846</u>	<u>34 128 985</u>
Total comprehensive loss						
Net profit for the period	-	-	-	-	(2 808 432)	(2 808 432)
Other comprehensive loss	-	-	-	(246 869)	-	(246 869)
Total comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(246 869)</u>	<u>(2 808 432)</u>	<u>(3 055 301)</u>
Transactions with owners, recorded directly in equity						
Increase in share capital	1 000 006	-	-	-	-	1 000 006
Total transactions with owners, recorded directly in equity	<u>1 000 006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 000 006</u>
Balance as of 31 December 2016	<u>31 496 395</u>	<u>835 152</u>	<u>34 900</u>	<u>(126 171)</u>	<u>(166 586)</u>	<u>32 073 690</u>
Total comprehensive income						
Net profit for the period	-	-	-	-	186 144	186 144
Other comprehensive income	-	-	-	185 046	-	185 046
Other comprehensive loss	-	-	-	(4 985)	-	(4 985)
Total comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>180 061</u>	<u>186 144</u>	<u>366 205</u>
Balance as of 30 June 2017	<u>31 496 395</u>	<u>835 152</u>	<u>34 900</u>	<u>53 890</u>	<u>19 558</u>	<u>32 439 895</u>

The accompanying notes on pages 16 to 25 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 25 have been authorised for issue by the Board on 28 August 2017, and signed on their behalf by:


 Alon Nodelman
 Member of the Board

Financial Statements

INTERIM CONDENSED CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS

	for the six month period ended 30 June 2017		for the six month period ended 30 June 2016	
	Group EUR	Bank EUR	Group EUR	Bank EUR
Cash flows from operating activities				
Profit/(loss) before income tax	110 343	204 378	3 523 887	3 195 172
Amortisation and depreciation	759 449	759 449	709 003	709 003
Impairment loss	(32 910)	(32 910)	4 200 132	4 532 379
Unrealised loss on revaluation of investment property	8 000	-	-	-
Increase in cash and cash equivalents from operating activities before changes in assets and liabilities	844 882	930 917	8 433 022	8 436 554
(Increase)/decrease in loans	(4 004 680)	(3 904 753)	(1 808 304)	(1 898 192)
(Increase)/decrease in due from credit institutions	(3 056 051)	(3 056 051)	1 428 367	1 428 367
(Increase)/decrease in financial assets held-for-trading	(395 286)	(395 286)	(441 710)	(441 710)
Increase in financial assets classified as at fair value,	212 554	212 554	-	-
Decrease/(increase) in deferred expenses and accrued income	(50 723)	(46 669)	196 608	196 408
Increase in other assets	5 250 035	5 056 901	375 789	411 847
Increase in due to credit institutions	(248 970)	(248 970)	2 867	2 867
(Decrease)/increase in deposits	(39 566 044)	(39 523 997)	(188 899 145)	(188 908 763)
Decrease in derivative liabilities	1 609 918	1 609 918	87 568	87 568
Decrease/(increase) in accrued expenses, provisions and deferred income	(275 534)	(274 481)	(1 288 531)	(1 287 626)
Decrease/(increase) in other liabilities	(230 775)	(231 013)	236 843	295 062
Decrease/(increase) in cash and cash equivalents resulting from operating activities	(39 910 674)	(39 870 930)	(181 676 626)	(181 677 618)

The accompanying notes on pages 16 to 25 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 2017		for the six month period ended 30 June 2016	
	Group EUR	Bank EUR	Group EUR	Bank EUR
Corporate income tax paid	185	185	1 715	1 715
Decrease/(increase) in cash and cash equivalents from operating activities	<u>(39 910 489)</u>	<u>(39 870 745)</u>	<u>(181 674 911)</u>	<u>(181 675 903)</u>
Cash flow from investing activities				
Acquisition of property and equipment, intangible assets and investment property	(398 770)	(398 514)	(712 329)	(712 329)
Proceeds from sale of property and equipment and investment property	844	844	-	-
Acquisition of shares in equity accounted investees	-	(40 000)	-	-
Proceeds from the sale of stakes in undertakings	-	-	-	2 846
Redemption of available-for-sale instruments	23 502 245	23 502 245	77 511 714	77 511 714
Purchase of securities held-to-maturity	(455 776)	(455 776)	(4 290 469)	(4 290 469)
Increase/(decrease) in cash and cash equivalents as a result of investing activities	<u>22 648 543</u>	<u>22 608 799</u>	<u>72 508 916</u>	<u>72 511 762</u>

The accompanying notes on pages 16 to 25 are an integral part of these Interim Condensed Group consolidated and Bank separate Financial Statements.

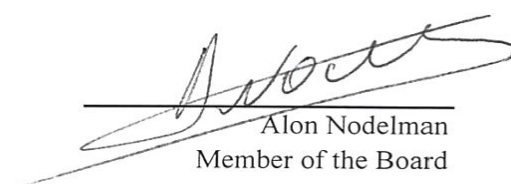
Financial Statements

INTERIM CONDENSED CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS

	for the six month period ended 30 June 2017		for the six month period ended 30 June 2016	
	Group EUR	Bank EUR	Group EUR	Bank EUR
Cash flows from financing activities				
Issuance of shares	-	-	1 000 000	1 000 000
Cash paid out				
to repay subordinated debt	(1 146 565)	(1 146 565)	(12 261)	(12 261)
Buyback of debt securities	(523 204)	(523 204)	(3 838 763)	(3 838 763)
Decrease				
in cash and cash equivalents				
as a result of financing activities	<u>(1 669 769)</u>	<u>(1 669 769)</u>	<u>(2 851 024)</u>	<u>(2 851 024)</u>
Decrease				
in cash and cash equivalents	<u>(18 931 715)</u>	<u>(18 931 715)</u>	<u>(112 017 019)</u>	<u>(112 015 165)</u>
Cash and cash equivalents				
at the beginning of the period	<u>81 076 040</u>	<u>81 076 040</u>	<u>209 400 273</u>	<u>209 398 419</u>
Cash and cash equivalents				
at the end of the period	<u><u>62 144 325</u></u>	<u><u>62 144 325</u></u>	<u><u>97 383 254</u></u>	<u><u>97 383 254</u></u>

The accompanying notes on pages 16 to 25 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 25 have been authorised for issue by the Board on 28 August 2017, and signed on their behalf by:



 Alon Nodelman
 Member 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 2017

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 subsidiaries (hereinafter together with the Bank referred to as the “Group”). The subsidiaries are as follows: real estate company “BIB Real Estate” SIA (acquired on 11 June 2009) that in turn owns several subsidiaries, „Claim Management” LLC acquired on 14 July 2016 and AS „BIB Alternative Investment Management”

JSC "Baltic International Bank" is a joint stock company registered in the Republic of Latvia. The registered office address is: Kalēju iela 43, Riga, 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 2016.

The Group consolidated and Bank separate financial statements for the year ended 31 December 2016 are available at the Bank’s web site (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 2016.

In preparing these interim condensed Group consolidated and Bank separate interim financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group consolidated and Bank separate financial statements as at and for the year ended 31 December 2016.

Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2017

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 claims on the credit institutions EUR	Allowances for loans EUR	Allowances for securities available-for- sale EUR	Allowances for accrued income EUR	Allowances for other assets EUR	Total EUR
Allowances as of 31 December 2015	1 112	13 050 492	-	7 021	286 362	13 344 987
Increase in allowances	17	4 247 378	-	-	6 723	4 254 118
Reversal of allowances	-	(52 977)	-	-	-	(52 977)
Net impairment loss for the period	17	4 194 401	-	-	6 723	4 201 141
Amounts written-off	-	(459 253)	-	-	(1 284)	(460 537)
Difference due to fluctuations in foreign currency exchange rates	(6)	(101 750)	-	(136)	(935)	(102 827)
Allowances as of 30 June 2016	1 123	16 683 890	-	6 885	290 866	16 982 764
Increase in allowances	-	3 084 156	3 274 235	-	55 889	6 414 280
Reversal of allowances	(1 123)	(20 846)	-	-	-	(21 969)
Net impairment loss for the period	(1 123)	3 063 310	3 274 235	-	55 889	6 392 311
Amounts written-off	-	(2 586 714)	-	-	(1 428)	(2 588 142)
Difference due to fluctuations in foreign currency exchange rates	-	413 933	-	367	(1 328)	412 972
Allowances as of 31 December 2016	-	17 574 419	3 274 235	7 252	343 999	21 199 905
Increase in allowances	-	5 184	-	-	258	5 442
Reversal of allowances	-	(12 957)	-	-	(25 395)	(38 352)
Net impairment loss for the period	-	(7 773)	-	-	(25 137)	(32 910)
Amounts written-off	-	(3 175)	-	-	(281)	(3 456)
Difference due to fluctuations in foreign currency exchange rates	-	(627 553)	-	(554)	(728)	(628 835)
Allowances as of 30 June 2017	-	16 935 918	3 274 235	6 698	317 853	20 534 704

Bank

	Allowances for claims on the credit institutions EUR	Allowances for loans EUR	Allowances for securities available-for- sale EUR	Allowances for accrued income EUR	Allowances for other assets EUR	Total EUR
Allowances as of 31 December 2015	1 112	13 500 649	-	7 021	168 193	13 676 975
Increase in allowances	17	4 579 625	-	-	6 723	4 586 365
Reversal of allowances	-	(52 977)	-	-	-	(52 977)
Net impairment loss for the period	17	4 526 648	-	-	6 723	4 533 388
Amounts written-off	-	(459 253)	-	-	(1 284)	(460 537)
Difference due to fluctuations in foreign currency exchange rates	(6)	(101 750)	-	(136)	(935)	(102 827)
Allowances as of 30 June 2016	1 123	17 466 294	-	6 885	172 697	17 646 999
Increase in allowances	-	3 084 156	3 274 235	-	55 889	6 414 280
Reversal of allowances	(1 123)	(20 846)	-	-	-	(21 969)
Net impairment loss for the period	(1 123)	3 063 310	3 274 235	-	55 889	6 392 311
Amounts written-off	-	(2 586 714)	-	-	(1 428)	(2 588 142)
Difference due to fluctuations in foreign currency exchange rates	-	413 933	-	367	(1 328)	412 972
Allowances as of 31 December 2016	-	18 356 823	3 274 235	7 252	225 830	21 864 140
Increase in allowances	-	5 184	-	-	258	5 442
Reversal of allowances	-	(12 957)	-	-	(25 395)	(38 352)
Net impairment loss for the period	-	(7 773)	-	-	(25 137)	(32 910)
Amounts written-off	-	(3 175)	-	-	(281)	(3 456)
Difference due to fluctuations in foreign currency exchange rates	-	(627 553)	-	(554)	(728)	(628 835)
Allowances as of 30 June 2017	-	17 718 322	3 274 235	6 698	199 684	21 198 939

Financial Statements

Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2017

4 SECURITIES-HELD-FOR TRADING

	Group and Bank 30.06.2017 EUR	Group and Bank 31.12.2016 EUR
Debt securities of credit institutions	5 345	486 159
Debt securities of state-owned companies enterprises	45 616	-
Debt securities of private enterprises	45 808	-
Total debt securities	96 769	486 159
State-owned companies enterprises	12 522	12 335
Shares of private enterprises	7 698	9 162
Investment certificates	147 574	120 689
Total shares	167 794	142 186
	264 563	628 345

The table below shows the geographical concentration of securities:

	Group and Bank 30.06.2017 EUR	Group and Bank 31.12.2016 EUR
Debt securities of entities registered in OECD countries	45 808	-
Debt securities of entities registered in CIS countries	-	486 159
Total debt securities	96 769	486 159
Shares of entities registered in the Republic of Latvia	1 705	2 080
Shares of entities registered in other EU countries	126 479	120 689
Shares of entities registered in OECD countries	24 004	3 206
Shares of entities registered in CIS countries	15 606	16 211
Total shares	167 794	142 186
	264 563	628 345

Financial Statements

Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2017

5 DUE FROM CREDIT INSTITUTIONS

	Group and Bank 30.06.2017 EUR	Group and Bank 31.12.2016 EUR
Receivable on demand	21 496 007	11 936 813
Amounts with no stated maturity or serving as collateral and security deposits	4 857 823	4 856 258
Other deposits	3 453 167	1 182 551
	<u>29 806 997</u>	<u>17 975 622</u>
Allowances (Note 3)	-	-
	<u><u>29 806 997</u></u>	<u><u>17 975 622</u></u>

6 LOANS

	Group 30.06.2017 EUR	Bank 30.06.2017 EUR	Group 31.12.2016 EUR	Bank 31.12.2016 EUR
Loans to corporate clients	59 305 279	61 592 178	54 521 824	56 908 650
Loans to financial institutions	9 357 946	9 357 946	9 740 358	9 740 358
Loans to individuals	21 680 192	21 680 192	22 707 283	22 707 283
Loans to senior management and staff members of the Bank	-	-	-	-
	<u>90 343 417</u>	<u>92 630 316</u>	<u>86 969 465</u>	<u>89 356 291</u>
Allowances (Note 3)	(16 935 918)	(17 718 322)	(17 574 419)	(18 356 823)
	<u><u>73 407 499</u></u>	<u><u>74 911 994</u></u>	<u><u>69 395 046</u></u>	<u><u>70 999 468</u></u>

Financial Statements

Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2017

7 AVAILABLE FOR SALE INSTRUMENTS

	Group and Bank 30.06.2017 EUR	Group and Bank 31.12.2016 EUR
Debt securities of central governments	15 843 407	33 624 194
Debt securities of credit institutions	14 093 349	19 048 450
Debt securities of financial institutions	26 307 311	28 497 385
Debt securities of public non-financial Corporations	1 434 129	-
Shares and other variable income securities	4 670 550	4 576 214
<i>Tamar Energy, Ltd</i>	3 145 074	3 145 074
<i>Visa Europe</i>	761 735	681 437
<i>Imprimatur Capital Technology Venture Fund, LP</i>	545 958	531 920
<i>Capital, JSC</i>	180 863	180 863
<i>S.W.I.F.T., SCRL</i>	36 920	36 920
	<u>62 348 746</u>	<u>85 746 243</u>

Tamar Energy is a renewable energy business focusing entirely on anaerobic digestion. Bank owns 5 percent of shares in Tamar Energy.

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. Please refer to note 48 on sensitivity analysis of the fair value of this exposure.

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.

The fair value of S.W.I.F.T. SCRL is reported according to a defined withdrawal price as of 30 June 2017 and 31 December 2016.

8 SECURITIES HELD-TO-MATURITY

	Group and Bank 30.06.2017 EUR	Group and Bank 31.12.2016 EUR
Government bonds	14 619 326	13 469 250
Bonds and other fixed-income securities	2 528 138	3 222 438
	<u>17 147 464</u>	<u>16 691 688</u>

Financial Statements

Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2017

9 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

	Ownership %	Country of incorporation	Purpose	Group and Bank 30.06.2017	Group and Bank 31.12.2016
				EUR	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	Ownership	Ownership	Ownership
			30.06.2017 EUR	30.06.2017 %	30.06.2016 EUR	30.06.2016 %
"BIB Real Estate" LLC	Latvia	Real estate	1 940 228	100	1 940 228	100
"Gaujas Īpašumi" LLC (through BIB Real Estate)	Latvia	Real estate	-	100	-	100
"Global Investments" LLC (through BIB Real Estate)	Latvia	Real estate	-	100	-	100
„Claim Management” LLC	Latvia	Recovery of the debt	1	100	1	100
„BIB Alternative Investment Management” JSC	Latvia		165 000	-	125 000	-
Investments in subsidiaries			<u>2 105 229</u>		<u>2 065 229</u>	

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

**Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements
for the six month period ended 30 June 2017**

11 DEPOSITS

	Group	Bank	Group	Bank
	30.06.2017	30.06.2017	31.12.2016	31.12.2016
	EUR	EUR	EUR	EUR
Repayable on demand				
Corporate customers	111 204 560	111 381 820	147 019 562	147 154 775
Financial institutions	938 965	938 965	1 123 318	1 123 318
State-owned companies	-	-	976	976
Individuals	41 599 527	41 599 527	47 923 031	47 923 031
	<u>153 743 052</u>	<u>153 920 312</u>	<u>196 066 887</u>	<u>196 202 100</u>
Term deposits				
Corporate customers	15 690 625	15 690 625	19 294 017	19 294 017
Individuals	20 939 057	20 939 057	14 577 874	14 577 874
	<u>36 629 682</u>	<u>36 629 682</u>	<u>33 871 891</u>	<u>33 871 891</u>
Total deposits	<u>190 372 734</u>	<u>190 549 994</u>	<u>229 938 778</u>	<u>230 073 991</u>

12 DEBT SECURITIES IN ISSUE

	Group and	Group and
	Bank	Bank
	30.06.2017	31.12.2016
	EUR	EUR
Bonds in issue	9 600 264	10 123 468
	<u>9 600 264</u>	<u>10 123 468</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	Group and
	Bank	Bank
	30.06.2017	30.06.2016
	EUR	EUR
Residents of the Republic of Latvia		
<i>Individuals</i>	10 217 197	10 223 372
Residents of other countries		
<i>Corporate customers</i>	500 069	500 069
<i>Individuals</i>	4 162 581	5 302 971
	<u>14 879 847</u>	<u>16 026 412</u>

Financial Statements

Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2017

14 SHAREHOLDERS' EQUITY

The Bank's share capital totals EUR 31 496 395 and is divided into 4 436 112 ordinary shares carrying identical voting rights (on 31 December 2015: 31 496 395 and 4 436 112, respectively). The nominal value of one share is 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
Total paid-in share capital 31 December 2015	4 154 421	29 496 389
Increase of registered share capital	281 691	2 000 006
Total registered share capital 30 June 2016	4 436 112	31 496 395
Unpaid share capital as at 30 June 2016	(140 846)	(1 000 006)
Total paid-in share capital 30 June 2016	4 295 266	30 496 389
Increase of paid-in share capital	140 846	1 000 006
Total paid-in share capital 31 December 2016	4 436 112	31 496 395
Total paid-in share capital 30 June 2017	4 436 112	31 496 395

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

	30.06.2017	31.12.2016
Valeri Belokon	69.90%	69.89%
Vilori Belokon	30.05%	30.01%

Financial Statements

Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2017

15 RELATED PARTY TRANSACTIONS

The outstanding balances as of 30 June 2017 and 31 December 2016 and related income statement amounts of transactions for the six month period ended 30 June 2017 and 30 June 2016 with other related parties are as follows:

30 June 2017	Group and Bank				
	Subsidiary EUR	Associate EUR	Shareholders, Members of the Supervisory Council and Management Board EUR	Related to shareholders and management EUR	Total EUR
Assets					
Loans	1 504 495	112 335	534 101	3 068 031	5 218 962
Other assets	97 031	-	-	-	97 031
Liabilities					
Deposits	177 260	1 928	74 875	271 352	525 415
Subordinated liabilities	-	-	-	4 342 230	4 342 230
Income/expenses					
Interest income	11 727	3 978	1 043	61 512	78 260
Interest expense	-	-	2 369	82 452	84 821
Remuneration expense	-	-	503 618	-	503 618
					Group and Bank
31 December 2016 and 30 June 2016	Subsidiary EUR	Associate EUR	Shareholders, Members of the Supervisory Council and Management Board EUR	Related to shareholders and management EUR	Total EUR
Assets					
Loans	1 604 422	107 999	281 954	2 879 306	4 873 681
Other assets	92 413	-	-	-	92 413
Liabilities					
Deposits	135 213	776	75 173	472 275	683 437
Subordinated liabilities	-	-	-	4 420 806	4 420 806
Income/expenses					
Interest income	24 608	3 978	3 978	3 978	40 520
Interest expense	-	-	2 369	82 689	85 058
Remuneration expense	-	-	387 091	-	387 091
Impairment loss	332 247	-	-	-	332 247

Financial Statements

Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2017

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 – 10.2% for the period starting from 1 October 2016 till 30 September 2017 (from 1 October 2015 till 30 September 2016: 16.4%).

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.

	Group EUR	Bank EUR
Total equity capital		
Paid-in share capital	31 496 395	31 496 395
Reserve capital and other reserves	835 152	835 152
Retained earnings	(383 562)	(166 586)
Intangible assets	(3 935 689)	(3 935 689)
Deferred tax related to the intangible asset	475 582	475 582
Specific decline in Tier 1 capital, as stipulated by the applicable law	(2 559 410)	(2 559 410)
Available for sale instruments revaluation reserve	43 112	43 112
Less revaluation of investment property	(129 174)	(45 094)
Tier 1 Core Capital	25 842 406	26 143 462
Subordinated liabilities	9 587 480	9 587 480
Specific decline in Tier 2 capital, as stipulated by the applicable law	(2 559 410)	(2 559 410)
Tier 2 Supplementary Capital	7 028 070	7 028 070
TOTAL CAPITAL	32 870 476	33 171 532
Capital charge for credit risk inherent in the Bank's book	14 292 710	14 392 442
The total capital charge for market risks	231 073	231 073
Capital charge for operational risk	2 999 432	2 990 271
The own funds requirement for credit valuation adjustment (CVA) risk	14 514	14 514
Total capital charge	17 537 729	17 628 300
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 capital ratio	11.79%	11.86%
Tier 1 capital ratio	11.79%	11.86%
CAPITAL ADEQUACY RATIOS		
30 June 2017	14.99%	15.05%
CAPITAL ADEQUACY RATIOS		
31 December 2016	16.20%	16.48%

Financial Statements

Notes to the Interim Condensed Group consolidated and Bank separate Financial Statements for the six month period ended 30 June 2017

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

As part of its measures towards successful implementation of its new strategy, Baltic International Bank has established JSC BIB Alternative Investment Management. The company's objective is to set up and manage an alternative / renewable energy fund.

On 11 July 2017, the Financial and Capital Market Commission's (FCMC) officials notified the Bank of the FCMC Council's decision to grant JSC BIB Alternative Investment Management the licence to operate as an alternative investment fund manager.

The newly established company will manage the Bank's alternative investment fund. According to its strategy, the fund will invest in renewable energy undertakings. Also, the fund can be used for wealth structuring purposes.