



Baltic International Bank

Private banking & Wealth management

JSC “Baltic International Bank”
Publicly Available Quarterly Financial Statements
for the period ended 30 September, 2014.



Baltic International Bank

Private banking & Wealth management

Table of contents

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



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

Summing up the results of AS Baltic International Bank (hereinafter referred to as the Bank) during 9 months of 2014, it can be stated that the last financial period turned out to be successful for the Bank, the set plans were implemented, and the Bank managed to achieve positive results on its way of further confident and stable growth.

At the moment, the composition of assets and liabilities of the Bank (Group-related data enclosed within parentheses) fully complies with the conditions of regulation fulfilment in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council (EU Regulation within the framework of Basel III). As a result of qualitative asset allocation, as at 30 September 2014, LCR (Liquidity Coverage Ratio) indicator exceeded 100% and amounted to 133.41% (133.04%), Total Capital Ratio corresponded to both regulatory level and minimum individual level and amounted to 13.78% (13.58%), whereas, Leverage Ratio amounted to 5.58% (5.46%).

Expansion of customer acquisition channels allowed ensuring the rapid growth of customer base. Hence, increase in Bank's deposits totalled 55.78% (55.78%) or EUR 153.55 (153.55) million as compared to December 2013. As at the end of September, the volume of deposits exceeded EUR 400 million and totalled EUR 428.84 (428.83) million. Since the beginning of the year, customer funds, including off-balance sheet assets of clients, have grown by 30.62% to reach EUR 641.97 (641.66) million. The Bank continued its active work on developing asset under management services. Apart from classic AUM, customers showed active interest in

investments in project funding and fiduciary transactions.

During the year, the Bank effectively managed capital adequacy, increasing the volumes of subordinated deposits, the increase in which totalled 47.04% or EUR 5.22 million as compared to December 2013, as well as increasing the volumes of investments in bonds of first-class issuers. Hence, as at 30 September 2014, the total volume of securities portfolio totalled EUR 54.70 million. As compared to December 2013, the securities portfolio has increased more than 4.5 times or by EUR 42.93 million, which corresponds to the growing volume of business. As at 30 September 2014, Bank's portfolio mostly consists of investment grade bonds (80.52% of the total volume of the portfolio), of which 44.15% are investments in multilateral development banks, 29.31% — debt securities, and 18.09% — state development banks.

At the end of September, the share of loan portfolio in assets has not exceeded 25%, which complies with the selected direction of asset allocation. It is to be noted that as a result of geopolitical tensions in relations between Russia and Ukraine, the geography of funded projects shifts in the direction of Western Europe. As compared to December 2013, Bank's loan portfolio has practically remained the same and totalled EUR 102.65 (100.99) million.

In continuing its bond issue programme, during 2014 the Bank performed 9 new issues, thus successfully completing first bond programme with the total volume of EUR 20 million. Within the framework of the programme, the Bank implemented 13 issues of bonds maturing in 1-2 years, denominated in EUR and USD. The highest demand, 57%, was experienced by



Baltic International Bank

Private banking & Wealth management

investments in medium-term bonds maturing in 1.5 years or more; whereas, US Dollars experienced the highest demand among currencies, the demand amounted to 75% of the issue volume. Within the framework of the programme, bonds were purchased by 27 investors, which proves customers' interest in this product.

From the point of view of resource diversification, it is important to note Bank's participation in the TLTRO Programme (Targeted Long-Term Refinancing Operation) and, as a result, receipt of long-term resources in the amount of EUR 3.78 million against the collateral of highly liquid bonds. The aim of participation in the TLTRO Programme is business project-tied lending of our customers.

Business growth allowed demonstrating the growth of operating income, the volume of which reached EUR 9.88 (10.00) million as at 30 September 2014. It is particularly worth mentioning the development of fee income generating products, which ensured the growth of net fee and commission income of 15.3% (15.3%) and their share in the total operating income from 37.94% (37.79%) to 42.34% (41.81%). The main growth was formed by such business lines as payment and cash services, brokerage, and payment cards.

During the reporting period, the Bank actively participated in activities in its professional sector. In September, Bank's delegation headed by the Member of the Board Dinar Kolpakov participated in the annual international investment conference InvestPro Kazakhstan 2014, which was organised in Alma-Ata (Kazakhstan) and was visited by over 200 participants from 30 countries, including EU, CIS, and Middle East Region.

Moreover, Baltic Financial Forum was organised in September. It was visited by local and international experts of the financial sector, including the Chairperson of Bank's Board and Council Member of the Association of Commercial Banks of Latvia Ilona Gulchak. During three sessions of the forum, discussions were held on the development of Latvia as a financial centre, possibilities of development of enterprises and business technologies, as well as topical issues in the field of finance management and accounting.

On 22 September and 23 September 2014, the Bank participated in Intax Expo Russia conference, which was organised in Moscow and was devoted to topical issues of capital structuring and tax planning. During the conference, the Head of the Bank's Legal Department Inese Lazdovska acquainted Russian and foreign entrepreneurs with the advantages of Latvian economy and legislation.



Baltic International Bank

Private banking & Wealth management

Members of the consolidation group

№	Company name and registration number	Code of registration state and address	Institution type ¹	Ownership interest (%)	Percentage of voting rights (%)	Rationale behind the inclusion within the group ²
1	AS "Baltic International Bank", 40003127883	LV, Kalēju iela 43, Rīga	BNK	100	100	PC
2	SIA "BIB Consulting", 50103457291	LV, Grēcinieku iela 6, Rīga	SE	100	100	PCS
3	SIA "BIB real Estate", 40003868021	LV, Kalēju iela 41, Rīga	OFI	100	100	PCS
4	SIA "Gaujas īpašumi", 40103249888	LV, Kalēju iela 41, Rīga	OFI	100	100	SCS
5	SIA "Global Investments", 40003785660	LV, Merķeļa iela 6 - 11, Rīga	OFI	100	100	SCS

¹ BNK - bank; OFI - other financial institution; SE - supporting enterprise.

² PC - parent company; PCS- parent company subsidiary company; SCS - subsidiary company subsidiary company.

Bank's shareholders

The Bank's share capital totals EUR 29 496 389 and is divided into 4 154 421 ordinary shares carrying identical voting rights. All shares are registered. Each share carries the right to one vote at the meetings of shareholders, a right to receive dividends as declared from time to time and a right to residual assets. Each share has a par value of EUR 7,1.

Of the Bank's 93 shareholders, 28 are corporate entities and 65 are private individuals.

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

- Valeri Belokon – 69,89467%
- Vilori Belokon – 30,00969%.



Bank's senior management

Supervisory Council (30.09.2014)

Name and surname	Position
Valeri Belokon	Chairperson of the Council
Albert Reznik	Deputy Chairperson of the Council
Vlada Belokon	Member of the Council

Management Board (30.09.2014)

Name and surname	Position
Ilona Gulchak	Chairperson of the Board
Natalja Tkachenko	Deputy Chairperson of the Board
Alon Nodelman	Member of the Board
Dinars Kolpakovs	Member of the Board

During 3Q 2014 the following changes were made in the composition of the Board:

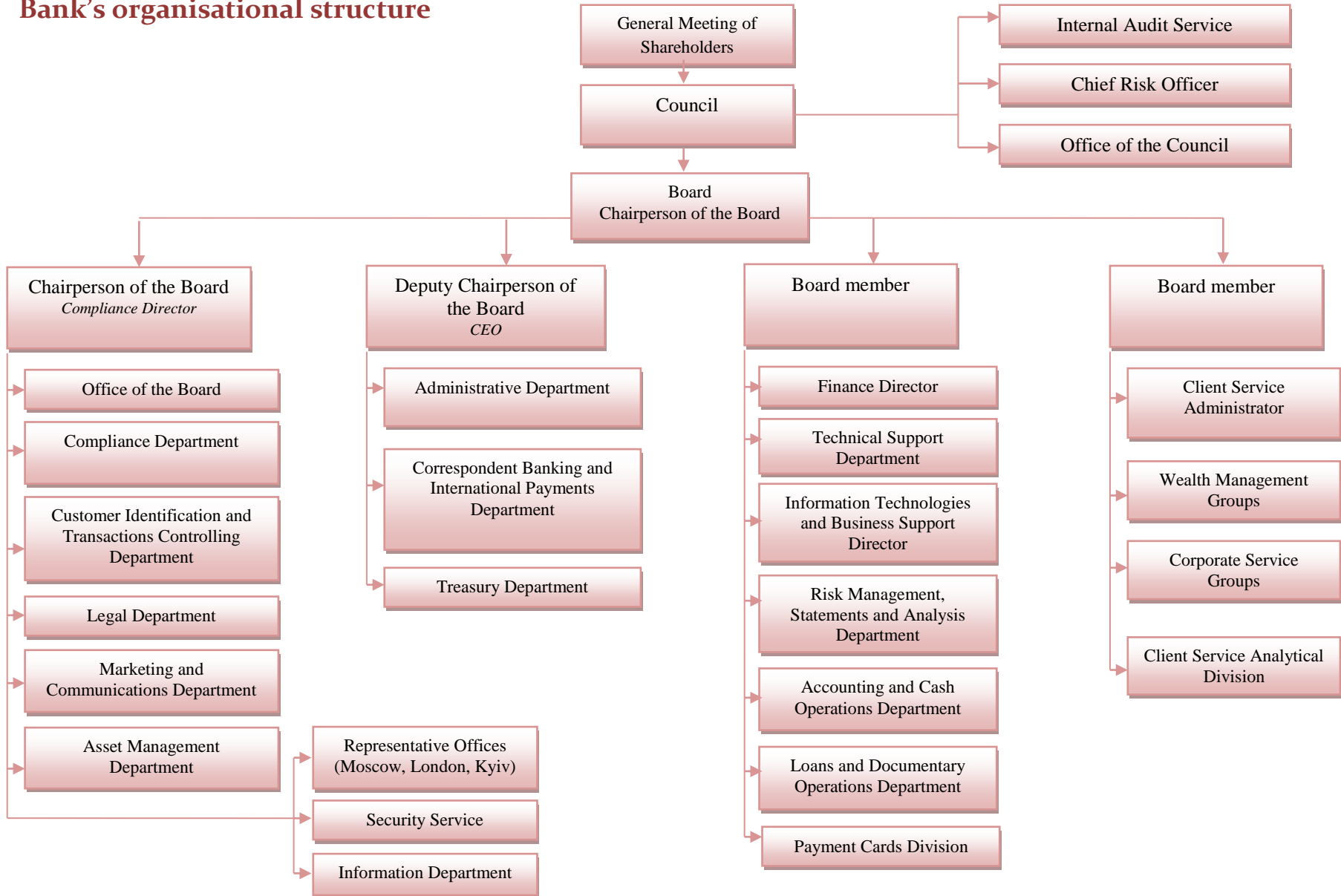
A Board member Janis Apelis died on 7 September 2014. Bank's departments formerly overseen by Janis Apelis are now being overseen by the Chairperson of the Board Ilona Gulchak.



Baltic International Bank

Private banking & Wealth management

Bank's organisational structure





Bank's operational strategy and goals

Our mission is to become a boutique and prominent bank in the Baltic region, specifically designed to provide family wealth management (FMW) to high-net-worth individuals (HNWIs).

A 'customer-comes-first' attitude:

- Customer family's welfare and comfort: banking comfort, financial comfort, and life comfort
- Family business interests

Family wealth management services for affluent families: dynamic and proactive development, moderate risk.

Family wealth is managed through

- structuring banking products according to 3 comfort levels: banking comfort, financial comfort, and life comfort;
- broadening the range of banking services to include investment offerings: asset management, alternative investments, equity investments, and brokerage services;
- developing non-financial services: tax and legal advice; structurisation, protection and inheritance of assets; lifestyle management.

While developing and offering banking product, Bank applies an open-architecture approach.

Bank's target markets to acquire new customers:

- Russia
- Ukraine
- Belarus
- United Kingdom
- Latvia.

Our values:

- Stability. Our conservative attitude to risk-taking has enabled us to tide over difficulties arising from the global and regional financial crisis. Wealth protection and capital preservation is our main priority.
- Trust. Customer-centric approach, reliability, high-quality service, outstanding reputation, and confidentiality
- Flexibility. Maximum comfort for every client's family in any time, any place, and any situation.
- Exclusiveness. Today's readiness for tomorrow's challenges.
- Professionalism. Understanding the features specific to Western and Eastern markets, experience in elaborating individual solutions.



Risk management

The information about risk management is available in 2013 Annual Report from page 58 till page 64 on JSC “Baltic International Bank” web page <http://www.bib.lv/en/about-bank/reports>. Since 31 December 2013 there are no any material changes in risk management.

The Bank's performance ratios

Item	01.01.2014.- 30.09.2014. (unaudited)	01.01.2013.- 30.09.2013. (unaudited)
Return on Equity (ROE) (%)	0.97	0.65
Return on Assets (ROA) (%)	0.08	0.07



Baltic International Bank

Private banking & Wealth management

Income statement

Item	01.01.2014.-30.09.2014.		01.01.2013.-30.09.2013.	
	(unaudited)		(unaudited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Interest income	5 735	5 784	6 437	6 504
Interest expense	-1 919	-1 919	-1 616	-1 615
Dividend income	3	3	15	15
Fee and commission income	5 173	5 174	4 256	4 257
Fee and commission expense	-991	-991	-629	-628
Net realised gain/loss on financial assets and financial liabilities carried at amortised cost	0	0	0	0
Net realised gain/loss on available for sale financial assets	205	205	0	0
Net gain/loss on financial assets and financial liabilities held for trading	-432	-432	-55	-55
Net gain/loss on financial assets and financial liabilities at fair value through profit or loss	0	0	0	0
Changes in fair value of the hedged items	0	0	0	0
Gain/loss on trade in and revaluation of foreign currencies	1 827	1 827	996	997
Gain/loss on derecognition of property, plant and equipment, investment property and intangible assets	0	0	0	0
Other income	402	229	194	91
Other expenses	-148	-142	-148	-145
Administrative expenses	-8 448	-8 310	-7 974	-7 891
Depreciation	-936	-936	-845	-845
Result of provisions for doubtful debts	-106	-106	-451	-451
Impairment losses	0	0	0	0
Profit/loss before corporate income tax	365	386	180	234
Corporate income tax	-143	-143	-70	-70
Profit/loss for the current year	222	243	110	164



Baltic International Bank

Private banking & Wealth management

Balance sheet statement

Item	30.09.2014		31.12.2013	
	(unaudited)		(audited)	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and due from central banks repayable on demand	18 815	18 805	31 446	31 444
Due from credit institutions repayable on demand	284 968	284 968	133 088	133 088
Financial assets held for trading	3 653	3 653	3 135	3 135
Financial assets at fair value through profit or loss	0	0	0	0
Financial assets available for sale	43 745	43 745	4 382	4 382
Loans and receivables	113 076	114 735	123 441	125 461
<i>Other due from credit institutions</i>	12 082	12 082	21 880	21 880
<i>Loans</i>	100 994	102 653	101 561	103 581
Investments held to maturity	8 435	8 435	5 713	5 713
Change in fair value of a hedged portion of the portfolio attributable to the interest rate risk	0	0	0	0
Deferred expenses and accrued income	1 993	1 993	2 262	2 261
Fixed assets	17 400	17 400	17 503	17 503
Investment property	7 753	4 160	7 919	4 160
Intangible assets	4 349	4 349	4 568	4 568
Investments in associated and related companies	1 145	3 088	1 145	3 088
Current tax assets	285	285	228	228
Other assets	2 718	2 365	2 064	1 625
Total assets	508 335	507 981	336 894	336 656
Liabilities to central banks	3 780	3 780	0	0
Due to credit institutions repayable on demand	378	378	7 626	7 626
Financial liabilities held for trading	0	0	623	623
Financial liabilities at fair value through profit or loss	0	0	0	0
Financial liabilities valued at depreciated cost	463 719	463 732	291 436	291 444
<i>Deposits</i>	428 826	428 839	275 281	275 289
<i>Subordinated liabilities</i>	16 324	16 324	11 102	11 102
<i>Debt securities in issue</i>	18 569	18 569	5 053	5 053
Financial liabilities arising from the transfer of financial	0	0	0	0
Change in fair value of a hedged portion of the portfolio attributable to the interest rate risk	0	0	0	0
Deferred income and accrued expenses	981	981	1 169	1 167
Provisions	0	0	0	0
Tax liabilities	1 413	1 413	1 270	1 270
Other liabilities	4 909	4 264	1 692	1 190
Total liabilities	475 180	474 548	303 816	303 320
Shareholders' equity	33 155	33 433	33 078	33 336
Total liabilities and shareholders' equity	508 335	507 981	336 894	336 656
Memorandum items				
Contingent liabilities	2 553	2 553	2 545	2 545
Commitments to customers	12 401	12 483	16 686	16 790



Baltic International Bank

Private banking & Wealth management

Overview of own funds and capital ratios

No	Item	30.09.2014	
		(unaudited)	
		Group	Bank
		EUR'000	EUR'000
1.	Own funds (1.1.+1.2.)	40 705	41 309
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	28 314	28 918
1.1.1.	Common equity Tier 1 capital (CET1 capital)	28 314	28 918
1.1.2.	Additional Tier 1 capital	0	0
1.2.	Tier 2 capital	12 391	12 391
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	280 273	280 698
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	250 989	251 536
2.2.	Total risk exposure amount for settlement/delivery	0	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities	3 308	3 308
2.4.	Total risk exposure amount for operational risk	25 976	25 854
2.5.	Total risk exposure amount for credit valuation adjustment	0	0
2.6.	Total risk exposure amount related to large exposures in the trading book	0	0
2.7.	Other risk exposure amounts	0	0
3.	Capital ratios and capital levels		
3.1.	CET1 capital ratio (1.1.1./2.*100)	10.10	10.30
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	15 702	16 287
3.3.	T1 capital ratio (1.1./2.*100)	10.10	10.30
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	11 498	12 076
3.5.	Total capital ratio (1./2.*100)	14.52	14.72
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	18 284	18 854
4.	Combined Buffer Requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	2.5	2.5
4.1.	Capital conservation buffer (%)	2.5	2.5
4.2.	Institution specific countercyclical capital buffer (%)	0.0	0.0
4.3.	Systemic risk buffer (%)	0.0	0.0
4.4.	Systemically important institution buffer (%)	0.0	0.0
4.5.	Other Systemically Important Institution buffer (%)	0.0	0.0
5.	Capital ratios due to adjustments		
5.1.	Provisions or assets value adjustments applying specific policy for the purpose of own funds calculation	2 642	2 642
5.2.	CET1 capital ratio due to adjustments defined in row No 5.1. (%)	9.63	9.83
5.3.	Tier 1 capital ratio due to adjustments defined in row No 5.1. (%)	9.63	9.83
5.4.	Total capital ratio due to adjustments defined in row No 5.1. (%)	13.58	13.78



Baltic International Bank

Private banking & Wealth management

Liquidity ratio calculation

No	Item	30.09.2014. (unaudited) Bank EUR'000
1	Liquid assets	333 154
1.1.	Vault cash	3 087
1.2.	Balances due from Bank of Latvia	15 717
1.3.	Balances due from solvent credit institutions	281 488
1.4.	Liquid securities	32 862
2	Current liabilities (residual maturity of up to 30 days)	394 583
2.1.	Balances due to credit institutions	378
2.2.	Deposits	376 377
2.3.	Debt securities in issue	0
2.4.	Money in transit	1 857
2.5.	Other current liabilities	6 522
2.6.	Off-balance sheet items	9 449
3	Liquidity ratio (1:2) (%)	84.43
4	Minimum liquidity ratio (%)	30.00



Baltic International Bank

Private banking & Wealth management

Note 1. Securities portfolio

The Bank's securities portfolio breaks down by country

30.09.2014				
(unaudited)				
	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Multilateral development banks	0	19 444	0	19 444
United Kingdom	0	6 433	0	6 433
Lithuania	0	4 362	2 270	6 632
Latvia	2	3 062	2 474	5 538
Russia	1 807	0	2 318	4 125
Denmark	0	3 996	0	3 996
Sweden	0	3 973	0	3 973
Brasil	0	2 421	0	2 421
other countries	706	54	1 373	2 133
total	2 515	43 745	8 435	54 695

During the reporting period has not been recognized an impairment for financial assets available for sale.

31.12.2013				
(audited)				
	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Russia	603	0	2738	3 341
United Kingdom	0	3929	0	3 929
Ukraine	1 022	0	1837	2 859
Latvia	3	360	747	1 110
other countries	41	94	391	526
total	1 669	4 383	5 713	11 765



Note 2. Debt securities of central governments

The Bank's debt securities of central governments break down by country

	30.09.2014	31.12.2013
	(unaudited)	(audited)
	Carrying value	Carrying value
	EUR'000	EUR'000
Lithuania	6 632	
Latvia	5 536	747
Poland	946	
total	13 114	747