

JSC "Baltic International Bank"

**Interim Condensed Consolidated and Bank Financial Statements
for the six month period ended 30 June 2009**

JSC "Baltic International Bank"
Interim Condensed Consolidated and Bank Financial Statements
for the six month period ended 30 June 2009

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for the six month period ended 30 June 2009

Report of the Chairman of the Supervisory Council and the Chairperson of the Management Board

Dear Ladies and Gentlemen,

It is a pleasure to present to you our Interim Financial Statements for the six-month period of 2009. During the covered period, the external environment continued to be affected by the aftermath of the global financial crisis. Strategy and tactics that we have opted to pursue has greatly boosted the bank's chances to retain its positions and to reduce its exposure to certain types of risks encountered by most market participants.

The bank's profit generated in the first six months of 2009 stood at 252 573 lats. As compared to unaudited figures of the respective period in 2008, the bank's operating income grew by 34 percent to 4.03 million lats. Decreases in certain items (such as fee and commission income, interest income) caused by the general slowdown in market activity worldwide have been offset by the bank's successful results in the forex market.

Our customer confidence still remains the key performance indicator for the bank. The total amount of deposits and the concluded trust agreements accounted for 212.4 million lats, which is 2.6 percent higher than the total customer funds held with the bank at the end of 2008. The deposits totalled 131.1 million lats. It is worth mentioning that the bank has demonstrated good growth numbers while developing its discretionary management activities. Over the first six months of 2009, the bank's portfolio of trust agreements surged 46 percent to reach 81.4 million lats.

The Bank's assets totalled 148.6 million lats as at 30 June 2009. Due to instability in the global economy, in Q1 2009 the bank pursued a vigilant approach towards the pace of lending. As at the reporting date the Bank's loan portfolio accounted for 39.8 million lats and represented 26.8 percent of total assets, 2.8 percent down compared with the analogous figure at the end of 2008. Special loan loss provisions made up 1.34 million lats, or 3.4 percent of the total loan portfolio. The Bank continues to analyse economic sectors moving towards long-term development and considers the opportunities to further increase its loan portfolio through financing projects in promising economic sectors.

Over the first six months of 2009, the bank's portfolio of financial instruments has declined by 31 percent and attained the level of 802.8 thousand lats. The reason behind the decline was the redemption of debt securities held within the non-trading portfolio. During the reporting period, the bank has gained a positive result from dealing in financial instruments and has earned 36.4 thousand lats. The bank employs a conservative approach to funds allocation. As at 30 June 2009, the equity securities accounted for 4 percent, while debt securities stood at 96 percent of the total portfolio. Because the world's financial markets remain volatile, the bank builds up its securities portfolio at a moderate pace.

Also, the bank continues maintaining a high-level liquidity ratio. As of 30 June 2009, the liquidity ratio stood at 74.92 percent - well above the regulatory threshold of 30 percent set forth by the Financial and Capital Market Commission (Latvia's public financial services regulator). The Bank's capital adequacy ratio is brought into compliance with the requirements of the respective national and EU laws. The Bank reported a capital adequacy ratio of 10.78 percent at the end of the reporting period.

Having assessed the prospects for further development, the bank is planning to raise its equity by issuing new shares until the end of the next reporting period.


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To strategically develop the IT structure, maintain and enhance its functionality and the quality of operational infrastructure, the bank has completed the implementation of banking software Temenos 24 in May 2009.

The bank proactively develops innovative banking products and services. As a result, the bank has offered its clients new types of deposits, has expanded its Gold Investment Program, has issued a prestige credit card World Signia of MasterCard Worldwide, a leading global payment solutions company.

The bank's work on the elaboration of its strategy for the next five-year period moves toward completion. The strategy will take into account the entire results that we have attained over the past years in the industry niche, as well as the global changes taking place in worldwide financial community.

27 August 2009



Leonid Kramnoy
Chairman of the Council



Ilona Gulchak
Chairperson of the Board

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Supervisory Council and Management Board

Supervisory Council (as of 30 June 2009)

Name	Position held	Appointed	Re-appointed
Leonid Kramnoy	Chairman of the Council	10/10/2003	25/03/2008
Valeri Belokon	Member of the Council	25/03/2008	-
Viacheslav Kramnoy, sr.	Member of the Council	18/07/1997	25/03/2008

Management Board (as of 30 June 2009)

Name	Position held	Appointed	Re-appointed
Ilona Gulchak	Chairperson of the Board	25/01/2008	-
Natalya Tkachenko	Member of the Board	01/08/2007	-
	Deputy Chairperson of the Board	26/02/2008	-
Alon Nodelman	Member of the Board	15/08/2003	21/05/2007
Janis Apelis	Member of the Board	15/08/2003	21/05/2007
Bogdan Andrushchenko	Member of the Board	13/09/2005	21/05/2007
Dinars Kolpakovs	Member of the Board	13/09/2005	21/05/2007
Albert Reznik	Member of the Board	26/02/2008	-
Ilze Lase	Nominee Member of the Board	13/09/2005	-

In the six-month period ended 30 June 2009, no changes have been made in the Council and Management Board membership.

There were no changes in the Supervisory Council and the Management Board of the Bank during the period from 1 July 2009 through to the date of the approval of these financial statements.

JSC "Baltic International Bank"
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Latvia

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Independent Auditors' Report

To the Shareholders of JSC "Baltic International Bank"

Report on the Interim Condensed Consolidated and Bank Financial Statements

We have audited the accompanying interim condensed financial statements of JSC "Baltic International Bank" ("the Bank"), which comprise the statement of financial position as at 30 June 2009, the related interim condensed statements of comprehensive income, changes in shareholders' equity and cash flows for the six month period ended 30 June 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 39. We have also audited the accompanying interim condensed consolidated financial statements of JSC "Baltic International Bank" and its subsidiary ("the Group"), which comprise the interim condensed statement of financial position as at 30 June 2009, the related interim condensed statements of comprehensive income, changes in shareholders' equity and cash flows for the six month period ended 30 June 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 39.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with IAS 34 *Interim Financial Reporting*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these interim condensed financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the interim condensed financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim condensed financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the interim condensed financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the interim condensed financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim condensed financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the interim condensed financial statements of JSC "Baltic International Bank" are prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

In our opinion, the interim condensed consolidated financial statements of the Group are prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Other matters

We draw attention to the fact that corresponding figures for the six month period ended 30 June 2008 were not audited by an independent auditor.

KPMG Baltics SIA
Licence Nr. 55

Ondrej Fikrle

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
27 August 2009

Inga Lipšāne

Inga Lipšāne
Sworn Auditor
Certificate No. 112

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.


JSC "Baltic International Bank"
Interim Condensed Consolidated and Bank Financial Statements
for the six month period ended 30 June 2009

**INTERIM CONDENSED CONSOLIDATED AND BANK
STATEMENT OF COMPREHENSIVE INCOME**
For the six month period ended 30 June 2009

	Notes	Group 30.06.2009 LVL	Bank 30.06.2009 LVL	Unaudited Bank 30.06.2008 LVL
Interest income	6	2 797 468	2 797 468	3 527 863
Interest expense	7	(1 618 656)	(1 618 747)	(1 233 127)
Net interest income		1 178 812	1 178 721	2 294 736
Fee and commission income	8	1 088 372	1 088 372	1 423 932
Fee and commission expense	9	(224 779)	(224 779)	(323 468)
Net fee and commission income		863 593	863 593	1 100 464
Dividend income		565	565	1 259
Net trading income/(loss)		36 406	36 406	(156 472)
Net foreign exchange income		1 924 920	1 924 920	(267 912)
Other operating income		21 193	21 193	21 034
Total operating income		4 025 489	4 025 398	2 993 109
Administrative expenses		(2 734 099)	(2 725 913)	(2 222 695)
Amortisation and depreciation	19, 20	(296 099)	(296 099)	(167 202)
Other operating expenses		(63 322)	(63 322)	(46 367)
Net impairment loss on doubtful debts	10	(628 765)	(628 765)	(163 539)
Profit before income tax		303 204	311 299	393 306
Income tax expense	11	(58 726)	(58 726)	(161 332)
Profit for the period		244 478	252 573	231 974
Other comprehensive income		-	-	-
Total comprehensive income for the period		244 478	252 573	231 974

The accompanying notes on pages 14 to 39 are an integral part of these Interim Condensed Consolidated and Bank Financial Statements.

The Interim Condensed Consolidated and Bank Financial Statements on pages 8 to 39 have been authorised for issue by the Council and the Board on 27 August 2009, and signed on their behalf by:



Leonid Kramnoy
Chairman of the Council



Ilona Gulchak
Chairperson of the Board

JSC "Baltic International Bank"
Interim Condensed Consolidated and Bank Financial Statements
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**INTERIM CONDENSED CONSOLIDATED AND BANK
STATEMENT OF FINANCIAL POSITION
As at 30 June 2009**

ASSETS

	Notes	Group 30.06.2009 LVL	Bank 30.06.2009 LVL	Bank 31.12.2008 LVL
Cash and balances with Bank of Latvia	12	16 421 506	16 421 506	8 658 964
Due from credit institutions	13	64 865 477	64 865 477	89 351 976
Financial assets held-for-trading		802 802	802 802	1 165 250
<i>Securities held-for-trading</i>	14	620 176	620 176	373 141
<i>Derivative financial instruments</i>	15	182 626	182 626	792 109
Securities available-for-sale	16	169 631	169 631	173 631
Securities held-to-maturity	17	8 329 901	8 329 901	11 832 825
Loans	18	39 831 590	39 831 590	40 980 064
Intangible assets	19	1 591 290	1 521 143	1 155 852
Property and equipment	20	11 984 533	11 982 799	10 722 908
Investment property	21	1 317 528	1 317 528	1 317 528
Investments in associates		429 009	429 009	429 009
Investments in subsidiaries	31	-	873 000	-
Corporate income tax receivable		167 707	156 922	-
Deferred expenses and accrued income		902 354	902 354	900 407
Other assets		987 783	1 022 219	635 432
Total assets		147 801 111	148 625 881	167 323 846

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JSC "Baltic International Bank"
Interim Condensed Consolidated and Bank Financial Statements
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**INTERIM CONDENSED CONSOLIDATED AND BANK
STATEMENT OF FINANCIAL POSITION
As at 30 June 2009**

LIABILITIES

	Notes	Group 30.06.2009 LVL	Bank 30.06.2009 LVL	Bank 31.12.2008 LVL
Liabilities				
Due to credit institutions	22	466 471	466 471	589 291
Deposits	23	131 082 266	131 907 466	151 173 224
Debt securities in issue	24	863 635	863 635	843 801
Derivative financial instruments	15	1 263 586	1 263 586	321 684
Accrued expenses, provisions and deferred income		418 621	418 410	597 863
Corporate income tax liabilities		-	-	32 701
Deferred tax liabilities		341 650	341 650	267 796
Other liabilities		822 828	814 514	1 195 954
Subordinated liabilities	25	20 614	20 614	24 570
Total liabilities		135 279 671	136 096 346	155 046 884
Shareholders' equity				
Share capital	26	7 611 285	7 611 285	7 611 285
Reserve capital		545 024	545 024	545 024
Retained earnings		4 365 131	4 373 226	4 120 653
<i>Retained earnings for the previous years</i>		4 120 653	4 120 653	4 073 217
<i>Profit for the current period</i>		244 478	252 573	47 436
Total shareholders' equity		12 521 440	12 529 535	12 276 962
Total liabilities and shareholders' equity		147 801 111	148 625 881	167 323 846
OFF-BALANCE SHEET ITEMS				
Sureties (guarantees)		501 592	501 592	1 117 613
Commitments to customers		3 578 098	3 578 098	4 932 184
Total off-balance sheet items		4 079 690	4 079 690	6 049 797

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**INTERIM CONDENSED CONSOLIDATED AND BANK
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six month period ended 30 June 2009**

	Share capital	Reserve capital	Retained earnings	Group TOTAL
	LVL	LVL	LVL	LVL
Balance as of 31 December 2007	7 611 285	545 024	4 073 217	12 229 526
Total comprehensive income	-	-	231 974	231 974
Unaudited balance as at 30 June 2008	7 611 285	545 024	4 305 191	12 461 500
Total comprehensive income	-	-	(184 538)	(184 538)
Balance as of 31 December 2008	7 611 285	545 024	4 120 653	12 276 962
Total comprehensive income	-	-	244 478	244 478
Balance as of 30 June 2009	7 611 285	545 024	4 365 131	12 521 440

	Share capital	Reserve capital	Retained earnings	Bank TOTAL
	LVL	LVL	LVL	LVL
Balance as of 31 December 2007	7 611 285	545 024	4 073 217	12 229 526
Total comprehensive income	-	-	231 974	231 974
Unaudited balance as at 30 June 2008	7 611 285	545 024	4 305 191	12 461 500
Total comprehensive income	-	-	(184 538)	(184 538)
Balance as of 31 December 2008	7 611 285	545 024	4 120 653	12 276 962
Total comprehensive income	-	-	252 573	252 573
Balance as of 30 June 2009	7 611 285	545 024	4 373 226	12 529 535

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INTERIM CONDENSED CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS
For the six month period ended 30 June 2009

	Notes	Group 30.06.2009 six months LVL	Bank 30.06.2009 six months LVL	Unaudited Bank 30.06.2008 six months LVL
Cash flow from operating activities				
Profit before income tax		303 204	311 299	393 306
Amortisation and depreciation	19, 20	296 099	296 099	167 202
Increase in impairment allowance		628 765	628 765	163 539
Loss /(gain) on disposal of property and equipment and intangible assets		74	74	(9 429)
Increase in cash and cash equivalents from operating activities before changes in assets and liabilities		1 228 142	1 236 237	714 618
Decrease/ (increase) in loans		519 762	519 762	(6 891 474)
Decrease/ (increase) in due from credit institutions		1 031 290	1 031 290	(334 245)
Decrease in financial assets available-for-sale		4 000	4 000	-
Decrease/ (increase) in financial assets held-for-trading		362 448	362 448	(5 242 290)
Decrease/ (increase) in deferred expenses and accrued income		3 300	3 300	(392 571)
(Increase)/decrease in other assets		(349 378)	(386 840)	200 321
Decrease in due to credit institutions		(12 932)	(12 932)	(13 777)
(Decrease)/ increase in deposits		(20 090 958)	(19 265 758)	43 818 255
Increase/ (decrease) in derivative liabilities		941 902	941 902	(723 080)
Decrease in accrued expenses, provisions and deferred income		(179 453)	(179 453)	(180 812)
Decrease in other liabilities		(418 833)	(381 440)	(486 922)
(Decrease)/ increase in cash and cash equivalents resulting from operating activities		(16 960 710)	(16 127 484)	30 468 023
Corporate income tax paid		(174 495)	(174 495)	-
(Decrease)/ increase in cash and cash equivalents from operating activities		(17 135 205)	(16 301 979)	30 468 023

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JSC "Baltic International Bank"
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INTERIM CONDENSED CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS
For the six month period ended 30 June 2009

	Notes	Group 30.06.2009 six months LVL	Bank 30.06.2009 six months LVL	Unaudited Bank 30.06.2008 six months LVL
Cash flow from investing activities				
Acquisition of property and equipment and intangible assets	19, 20	(1 921 355)	(1 921 355)	(3 060 300)
Proceeds from sale of property and equipment, intangible assets and investment property		-	-	119 700
Acquisition of shares in undertakings		(39 774)	(873 000)	-
Purchase or transfer of securities held-to-maturity		-	-	(2 602 916)
Proceeds from the sale of held-to-maturity investments		3 502 924	3 502 924	-
Increase/ (decrease) in cash and cash equivalents as a result of investing activities		1 541 795	708 569	(5 543 516)
Cash flow from financing activities				
Cash paid out to repay subordinated debt		(3 956)	(3 956)	(1 967)
Issuance of debt securities		19 834	19 834	19 691
Decrease in cash and cash equivalents as a result of financing activities		15 878	15 878	17 724
(Decrease)/ increase in cash and cash equivalents		(15 577 532)	(15 577 532)	24 942 231
Cash and cash equivalents at the beginning of the period	12	96 435 777	96 435 777	54 628 470
Cash and cash equivalents at the end of the period	12	80 858 245	80 858 245	79 570 701

The accompanying notes on pages 14 to 39 are an integral part of these Interim Condensed Consolidated and Bank Financial Statements.

The Interim Condensed Consolidated and Bank Financial Statements on pages 8 to 39 have been authorised for issue by the Council and the Board on 27 August 2009, and signed on their behalf by:



Leonid Kramnóy
Chairman of the Council



Ilona Gulchak
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**Notes to the Interim Condensed Consolidated and Bank Financial Statements
For the six month period ended 30 June 2009**

1 GENERAL INFORMATION

These condensed consolidated interim financial statements comprise the financial statements of JSC „Baltic International Bank” (the Bank) and its subsidiary undertaking SIA “BIB Real Estate” (acquired on 11 June 2009 together referred to as the “Group”), a real estate company. As the subsidiary was acquired during 2009, then Bank figures for previous periods represent also Group figures for prior periods.

JSC "Baltic International Bank" is a joint stock company registered in the Republic of Latvia. The registered office address is: Kalju iela 43, Riga, LV-1050, Latvia. On 8 April 1993, the Bank of Latvia approved Baltic International Bank as a credit institution and issued Banking Licence No. 103.

2 BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements are prepared in accordance with IAS34 Interim Financial Reporting. These interim 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 financial statements of the Bank as at and for the year ended 31 December 2008.

The condensed consolidated and Bank interim financial statements were authorised for issue by the Management Board on 27 August 2009.

The financial statements of the Bank as at and for the year ended 31 December 2008 are available at the Bank’s web site (www.bib.eu).

Functional and Presentation Currency

The financial statements are presented in Latvian lats, unless indicated otherwise. The functional currency of the Bank and its subsidiary is the Latvian lats.

JSC "Baltic International Bank"
Interim Condensed Consolidated and Bank Financial Statements
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**Notes to the Interim Condensed Consolidated and Bank Financial Statements
For the six month period ended 30 June 2009**

3 ACCOUNTING POLICIES AND THE PRINCIPLES OF ASSESSMENT

Except as described below, the accounting policies applied by the Group and the Bank in these condensed consolidated and Bank interim financial statements are the same as those applied by the Group and the Bank in its consolidated and Bank financial statements as at and for the year ended 31 December 2008.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Use of estimates and judgements

The preparation of 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.

In preparing these condensed consolidated and Bank interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2008.

New standards and interpretations

New standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2009, and which the Group and Bank has applied:

- IAS 1(revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a statement of comprehensive income.

The Group and Bank have elected to present a combined single statement comprised of an income statement and a statement of comprehensive income.

Basis of Consolidation

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Transactions eliminated on consolidation Intra-Group balances and transactions, and any unrealised gains arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Bank's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

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**Notes to the Interim Condensed Consolidated and Bank Financial Statements
For the six month period ended 30 June 2009**

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of the net identifiable assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

A difference between the consideration paid to acquire a minority interest, and the carrying amount of that minority interest, is recognised as goodwill.

Goodwill is allocated to cash-generating units and is stated at cost less impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is recognised immediately in the consolidated statement of income.

Other new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2009 have not been applied by the Group and Bank as they are not relevant for the Group and Bank.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group and the Bank. The Group and Bank does not have any joint ventures.

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group and Bank will apply IFRS 3 (revised) to all business combinations from 1 January 2010.

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group and Bank as they have not made any non-cash distributions.

- IFRIC 18, 'Transfers of assets from customers', effective for transfers of assets received on or after 1 July 2009. This is not relevant to the Group and Bank as they have not received any assets from customers.

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**Notes to the Interim Condensed Consolidated and Bank Financial Statements
For the six month period ended 30 June 2009**

4 RISK MANAGEMENT

All aspects of the Bank's and Group risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2008.

5 CAPITAL MANAGEMENT

The Financial and Capital Market Commission sets and monitors capital requirements for the Bank and the Group.

The Bank defines as capital those items defined by statutory regulation as capital. Under the current capital requirements set by Financial and Capital Market Commission, banks must maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 30 June 2009, this minimum level is 8%. The Bank was in compliance with the statutory capital ratio during the six months periods ended 30 June 2008, 31 December 2008 and 30 June 2009.

The Bank's risk based capital adequacy ratio, as at 30 June 2009, was 10.78% (31 December 2008: 10.42% and 30 June 2008: 10.18% unaudited).

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6 INTEREST INCOME

	Group	Bank	Unaudited
	30.06.2009	30.06.2009	Bank
	LVL	LVL	30.06.2008
			LVL
Loans	1 802 639	1 802 639	1 708 419
<i>Loans</i>	1 788 012	1 788 012	1 692 279
<i>Payment cards</i>	14 627	14 627	16 140
Due from bank of Latvia	62 263	62 263	143 978
Due from credit institutions	431 615	431 615	1 181 789
Securities held-to-maturity	417 074	417 074	221 566
Securities held-for-trading	83 877	83 877	272 111
	<u>2 797 468</u>	<u>2 797 468</u>	<u>3 527 863</u>

7 INTEREST EXPENSE

	Group	Bank	Unaudited
	30.06.2009	30.06.2009	Bank
	LVL	LVL	30.06.2008
			LVL
Liabilities at amortized cost			
<i>Deposits</i>	1 564 443	1 564 534	1 149 781
<i>Due to credit institutions</i>	33 596	33 596	63 406
<i>Debt securities</i>	19 834	19 834	19 691
<i>Subordinated liabilities</i>	783	783	249
	<u>1 618 656</u>	<u>1 618 747</u>	<u>1 233 127</u>

8 FEE AND COMMISSION INCOME

	Group	Bank	Unaudited
	30.06.2009	30.06.2009	Bank
	LVL	LVL	30.06.2008
			LVL
Servicing of transactions	826 000	826 000	1 186 425
Payment cards	56 635	56 635	64 955
Fees and commissions from banks	53 729	53 729	61 140
Trust operations	49 670	49 670	23 579
Forex transactions	44 895	44 895	43 044
Securities accounts administration charges	29 377	29 377	20 747
Guarantees	10 863	10 863	8 332
Letters of credit	4 786	4 786	8 741
Cash operations	3 804	3 804	6 969
Other	8 613	8 613	-
	<u>1 088 372</u>	<u>1 088 372</u>	<u>1 423 932</u>

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9 FEE AND COMMISSION EXPENSE

	Group	Bank	Unaudited
	30.06.2009	30.06.2009	30.06.2008
	LVL	LVL	LVL
Services of correspondent banks	149 242	149 242	262 113
Payment cards	53 934	53 934	30 548
Securities-based transactions	15 678	15 678	12 568
Services of agents and brokers	3 862	3 862	11 133
Other	2 063	2 063	7 106
	224 779	224 779	323 468

**10 ANALYSIS OF CHANGES IN IMPAIRMENT LOSS ALLOWANCE FOR ASSETS
EXPOSURES**

	Group and Bank			
	Allowances for securities held to maturity LVL	Allowances for loans LVL	Allowances for other assets LVL	Total LVL
Allowances as of 31 December 2007	-	1 300 785	14 986	1 315 771
Amounts written-off	-	(107 712)	(8 380)	(116 092)
Increase in allowances	-	181 066	1 406	182 472
Release from allowances	-	(18 397)	(536)	(18 933)
Difference due to fluctuations in foreign exchange rates	-	(32 746)	-	(32 746)
Allowances as of 30 June 2008 (unaudited)	-	1 322 996	7 476	1 330 472
Amounts written-off	-	(29 011)	-	(29 011)
Increase in allowances	36 592	418 709	-	455 301
Release from allowances	-	(27 160)	(897)	(28 057)
Sales of loans	-	(1 008 307)	-	(1 008 307)
Difference due to fluctuations in foreign exchange rates	-	65 470	-	65 470
Allowances as of 31 December 2008	36 592	742 697	6 579	785 868
Amounts written-off	-	(29 071)	-	(29 071)
Increase in allowances	-	629 668	53	629 721
Release from allowances	-	(956)	-	(956)
Difference due to fluctuations in foreign exchange rates	443	(2 663)	-	(2 220)
Allowances as of 30 June 2009	37 035	1 339 675	6 632	1 383 342

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11 CORPORATE INCOME TAX

a) Income tax charge

	Group	Bank	Unaudited
	30.06.2009	30.06.2009	30.06.2008
	LVL	LVL	LVL
Corporate income tax expense	17 979	17 979	28 031
Prior year tax adjustment for income tax paid abroad	(33 107)	(33 107)	(12 174)
Deferred income tax expense	73 854	73 854	145 475
	<u>58 726</u>	<u>58 726</u>	<u>161 332</u>

The Bank's applicable tax rate for current and deferred tax is 15% (2008: 15%).

b) Reconciliation between tax expense and accounting profit

	Group	Bank	Unaudited
	30.06.2009	30.06.2009	30.06.2008
	LVL	LVL	LVL
Profit before income tax	<u>303 204</u>	<u>311 299</u>	<u>393 306</u>
Theoretically calculated tax at tax rate of 15%	45 481	46 695	58 986
Non-deductible costs/(non-taxable income)	46 352	45 138	114 520
Prior year tax adjustment for income tax paid abroad	(33 107)	(33 107)	(12 174)
Income tax expense	<u>58 726</u>	<u>58 726</u>	<u>161 332</u>

12 CASH AND CASH EQUIVALENTS

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Cash	375 856	860 206
Balance with the Bank of Latvia	16 045 650	7 793 511
	<u>16 421 506</u>	<u>8 653 717</u>
Due from other credit institutions with up to 3 months remaining maturity	64 906 150	88 361 359
Due to other credit institutions with up to 3 months remaining maturity	(469 411)	(579 299)
	<u>80 858 245</u>	<u>96 435 777</u>

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13 DUE FROM CREDIT INSTITUTIONS

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Repayable on demand	50 863 527	45 159 037
Other deposits	14 001 950	44 192 939
	<u>64 865 477</u>	<u>89 351 976</u>

The table below shows the geographical concentration of claims on credit institutions:

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Due from credit institutions incorporated in the Republic of Latvia	11 311 794	354 759
Due from credit institutions incorporated in EU countries	51 125 275	79 572 383
Due from credit institutions incorporated in OECD countries	13 034	14 596
Due from credit institutions incorporated in other countries	2 415 374	9 410 238
	<u>64 865 477</u>	<u>89 351 976</u>

Concentration of placements with banks and other financial institutions

As at 30 June 2009 and 31 December 2008, the Bank had three and one banks and financial institutions, respectively, whose balances exceeded 10% of total placements with banks and other financial institutions. The gross value of these balances as of 30 June 2009 and 31 December 2008 were LVL 56 350 807 and LVL 71 752 151, respectively.

14 SECURITIES-HELD-FOR TRADING

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Debt securities	263 937	33 177
Shares and other variable income securities	356 239	339 964
	<u>620 176</u>	<u>373 141</u>

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15 DERIVATIVE CONTRACTS

The table below summarises the contractual amounts of the Bank's and Group forward exchange contracts outstanding at 30 June 2009 and 31 December 2008. The foreign currency amounts presented below are translated at rates ruling at the balance sheet date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, have been recognised in the income statement and in financial instruments at fair value through profit or loss, as appropriate.

	Group and Bank		Bank	
	30.06.2009	30.06.2009	31.12.2008	31.12.2008
	Assets	Liabilities	Assets	Liabilities
	LVL	LVL	LVL	LVL
Notional amount				
Foreign currency exchange SWAP transactions	61 838 218	63 134 156	83 120 051	82 646 906
	61 838 218	63 134 156	83 120 051	82 646 906
Fair value				
Foreign currency exchange SWAP transactions	180 750	1 263 586	792 109	321 684
FUTURES contracts	1 876	-	-	-
	182 626	1 263 586	792 109	321 684

The table below shows the geographical concentration of foreign currency exchange SWAP transactions:

	Group and Bank		Bank	
	30.06.2009	30.06.2009	31.12.2008	31.12.2008
	Assets	Liabilities	Assets	Liabilities
	LVL	LVL	LVL	LVL
Foreign currency exchange SWAP transactions with Latvian banks	4 693 536	7 110 443	49 758 251	49 742 028
Foreign currency exchange SWAP transactions with other countries banks	38 641 841	41 846 700	12 799 570	12 836 950
Foreign currency exchange SWAP transactions with other customers	18 502 841	14 177 013	20 562 230	20 067 928
	61 838 218	63 134 156	83 120 051	82 646 906

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The table below summarises, by major currency, the contracted average exchange rates applied to the Bank's forward exchange contracts unsettled at 30 June 2009:

EUR/LVL	0.7108
USD/LVL	0.4958
USD/CHF	1.0918
USD/CAD	1.1601
USD/AUD	0.8000
USD/EUR	1.3784
USD/GBP	1.6300
USD/LVL	0.4958

16 SECURITIES AVAILABLE-FOR-SALE

Company	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
JSC "Capital"	127 111	127 111
S.W.I.F.T. SCRL	42 520	42 520
"BIB REAL ESTATE" Ltd	-	4 000
	169 631	173 631

17 SECURITIES HELD-TO-MATURITY

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Bonds and other fixed-income securities	8 366 936	11 869 417
Allowances (Note 10)	(37 035)	(36 592)
	8 329 901	11 832 825

The following table shows the distribution of securities held-to-maturity by issuer profile:

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Debt securities of credit institutions	5 992 255	7 136 885
Debt securities of private enterprises	1 916 133	3 147 005
Debt securities of financial institutions	458 548	1 585 527
	8 366 936	11 869 417
Allowances (Note 10)	(37 035)	(36 592)
	8 329 901	11 832 825

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18 LOANS

(a) Loans by type

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Mortgage loans	18 943 047	19 365 025
Commercial loans	17 656 062	13 838 160
Overdrafts	1 811 915	1 425 544
Reverse repos	756 686	808 066
Consumer loans	602 517	759 086
Financial intermediation	-	383 446
Trade finance	388 049	328 356
Payment cards	108 335	107 320
Industrial loans	83 872	4 432 843
Finance leasing	2 778	4 892
Other	818 004	270 023
	41 171 265	41 722 761
Allowances (Note 10)	(1 339 675)	(742 697)
	39 831 590	40 980 064

(b) Loan profile by geographic locale

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Residents of the Republic of Latvia	25 328 646	26 471 037
Residents of EU countries	5 459 359	4 367 198
Residents of other OECD countries	5 729 844	6 095 916
Residents of CIS countries	445 780	2 949 176
Residents of other countries	4 207 636	1 839 434
	41 171 265	41 722 761
Allowances (Note 10)	(1 339 675)	(742 697)
	39 831 590	40 980 064

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(c) Loans by customer profile

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Loans to corporates	34 642 250	35 161 049
Loans to individuals	4 142 850	4 413 937
Loans to financial institutions	1 213 690	1 006 046
Loans to senior management and staff members	1 172 475	1 141 729
	41 171 265	41 722 761
Allowances (Note 10)	(1 339 675)	(742 697)
	39 831 590	40 980 064

(d) Industry analysis of the loan portfolio

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Real estate	15 048 372	15 121 717
Trade	11 343 056	11 066 468
Manufacturing	3 643 192	3 718 602
Information and communication services	3 581 123	2 538 217
Finance	1 494 277	2 573 912
Mining/metallurgy	27 938	141 865
Agriculture, forestry and timber	4 590	1 124
Other	713 392	1 005 190
Loans to individuals	5 315 325	5 555 666
	41 171 265	41 722 761
Allowances (Note 10)	(1 339 675)	(742 697)
	39 831 590	40 980 064

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(e) Breakdown of loans by groups of delayed payments and non-delinquent loans

The following table provides information on the credit quality of the loan portfolio:

	Group and Bank			
	Loans	Allowances	Net loans	Collateral
	30.06.2009	(Note 10) 30.06.2009	30.06.2009	30.06.2009
	LVL	LVL	LVL	LVL
Non-delinquent loans	20 363 703	-	20 363 703	44 922 249
Up to 1 month (inclusive)	9 499 173	(126 918)	9 372 255	25 373 626
1 to 3 months	3 326 708	(134 694)	3 192 014	5 162 309
6 to 12 months	5 213 211	(67 922)	5 145 289	7 019 540
More than 12 months	2 768 470	(1 010 141)	1 758 329	7 128 423
	41 171 265	(1 339 675)	39 831 590	89 606 147
				Bank
	Loans	Allowances	Net loans	Collateral
	31.12.2008	(Note 10) 31.12.2008	31.12.2008	31.12.2008
	LVL	LVL	LVL	LVL
Non-delinquent loans	30 282 822	(155 915)	30 126 907	71 719 967
Up to 1 month (inclusive)	4 666 551	-	4 666 551	5 383 131
1 to 3 months	2 305 214	-	2 305 214	2 926 352
3 to 6 months	642 569	(58 316)	584 253	1 663 315
6 to 12 months	3 075 454	(362 606)	2 712 848	4 896 434
More than 12 months	750 151	(165 860)	584 291	742 655
	41 722 761	(742 697)	40 980 064	87 331 854

The Bank has estimated loan impairment for commercial loans based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

Movements in the loan impairment allowance for the periods ended 30 June 2009 and 31 December 2008 are disclosed in Note 10.

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(f) Loans classification

When reviewing the loans the Bank sets the following categories for individual loans to assess their credit risk:

	Group and Bank		Banka	
	Loans	Allowances	Loans	Allowances
	30.06.2009	30.06.2009	31.12.2008	31.12.2008
	LVL	LVL	LVL	LVL
Standard	39 292 121	(369 608)	38 904 215	(29 000)
Watch	1 157 831	(253 404)	2 459 904	(420 366)
Substandard	5 392	(1 618)	134 849	(129 296)
Doubtful	715 921	(715 045)	153 967	(94 209)
Lost	-	-	69 826	(69 826)
	41 171 265	(1 339 675)	41 722 761	(742 697)

(g) Restructured loans:

During the six months period ended 30 June 2009, the Bank restructured loans in the total amount of:

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Interest waiver	922 885	-
Interest capitalized	351 480	550 820
	1 274 365	550 820

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(h) Analysis of collateral

The following table provides the analysis by collateral type of the loan portfolio:

	Group and Bank			
	Net loans	% of loan	Net loans	% of loan
	30.06.2009	30.06.2009	31.12.2008	31.12.2008
	LVL	%	LVL	%
Real estate	29 780 358	74.77%	29 973 696	73.15%
ommercial pledge	3 909 465	9.81%	5 385 038	13.14%
Deposits	1 785 207	4.48%	1 610 382	3.93%
Traded securities	756 686	1.90%	808 066	1.97%
Motor vehicles	579 199	1.45%	772 012	1.88%
Other collateral	90 414	0.23%	104 043	0.25%
No collateral	2 930 261	7.36%	2 326 827	5.68%
	39 831 590	100%	40 980 064	100%

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

Mortgage loans are secured by underlying housing real estate. Auto loans are secured by underlying vehicle. Credit card overdrafts are secured by deposits and guarantees. Consumer loans are secured by other types of collateral.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

During the six-month period ended 30 June 2009, the Bank has assumed a plot of land, having acquired control over the mortgaged property accepted as security for a commercial loan granted by the Bank. During the year ended 31 December 2008 the Bank did not obtain any assets by taking control of collateral accepted as security for commercial loans.

(i) Significant credit exposures

As at 30 June 2009 and 31 December 2008 the Bank had no borrowers or Banks acting as borrowers or the Bank-related parties whose outstanding loan balances exceeded 10% of loans to customers.

According to regulatory requirements, the Bank is not allowed to have a credit exposure to one client or a group of related clients of more than 25% of its equity. As at 30 June 2009 and 31 December 2008 the Bank was in compliance with this requirement.

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19 INTANGIBLE ASSETS

	Software	Other	Group
	LVL	LVL	Total
			LVL
Acquisition cost			
As of 31 December 2007	864 276	-	864 276
Additions	613 478	-	613 478
Disposals	(83 111)	-	(83 111)
Reclassification	(180 269)	-	(180 269)
As of 31 December 2008	1 214 374	-	1 214 374
Additions	383 670	-	383 670
Acquisition of subsidiary	378	69 769	70 147
As of 30 June 2009	1 598 422	69 769	1 668 191
Amortisation			
As of 31 December 2007	(99 035)	-	(99 035)
Amortisation	(42 598)	-	(42 598)
Disposals	83 111	-	83 111
As of 31 December 2008	(58 522)	-	(58 522)
Amortisation	(18 379)	-	(18 379)
As of 30 June 2009	(76 901)	-	(76 901)
Net book value			
As of 31 December 2007	765 241	-	765 241
As of 30 June 2008	876 882	-	876 882
As of 31 December 2008	1 155 852	-	1 155 852
As of 30 June 2009	1 521 521	69 769	1 591 290

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	Bank Software LVL
Acquisition cost	
As of 31 December 2007	864 276
Additions	613 478
Disposals	(83 111)
Reclassification	(180 269)
As of 31 December 2008	1 214 374
Additions	383 670
As of 30 June 2009	<u>1 598 044</u>
Amortisation	
As of 31 December 2007	(99 035)
Amortisation	(42 598)
Disposals	83 111
As of 31 December 2008	(58 522)
Amortisation	(18 379)
As of 30 June 2009	<u>(76 901)</u>
Net book value	
As of 31 December 2007	<u>765 241</u>
As of 30 June 2008	<u>876 882</u>
As of 31 December 2008	<u>1 155 852</u>
As of 30 June 2009	<u>1 521 143</u>

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20 PROPERTY AND EQUIPMENT

Group

	Buildings and land (in own use) LVL	Leasehold improve- ments LVL	Motor vehicles LVL	Office equipment LVL	Construc- tion in progress LVL	Total LVL
Acquisition cost						
As of 31 December 2007	2 565 508	482 134	167 321	1 813 096	3 558 288	8 586 347
Additions	1 541 751	-	67 674	603 885	1 257 756	3 471 066
Disposals	-	(256 249)	(41 512)	(271 305)	-	(569 066)
Reclassification	4 905 240	(225 885)	46 163	33 781	(4 759 299)	-
Adjustments	-	-	-	-	(3 123)	(3 123)
As of 31 December 2008	9 012 499	-	239 646	2 179 457	53 622	11 485 224
Additions	1 500 857	-	-	30 108	6 720	1 537 685
Acquisition of subsidiary	-	-	-	1 734	-	1 734
Disposals	-	-	-	(74)	-	(74)
Reclassification	22 645	-	-	(22 645)	-	-
As of 30 June 2009	10 536 001	-	239 646	2 188 580	60 342	13 024 569
Depreciation						
As of 31 December 2007	(75 519)	(241 067)	(88 237)	(545 366)	-	(950 189)
Depreciation	(64 642)	(15 182)	(45 172)	(250 417)	-	(375 413)
Disposals	-	256 249	38 083	268 954	-	563 286
As of 31 December 2008	(140 161)	-	(95 326)	(526 829)	-	(762 316)
Depreciation	(79 078)	-	(23 964)	(174 678)	-	(277 720)
As of 30 June 2009	(219 239)	-	(119 290)	(701 507)	-	(1 040 036)
Net book value						
As of 31 December 2007	2 489 989	241 067	79 084	1 267 730	3 558 288	7 636 158
As of 30 June 2008	4 230 963	6 073	137 685	1 587 939	4 622 158	10 584 818
As of 31 December 2008	8 872 338	-	144 320	1 652 628	53 622	10 722 908
As of 30 June 2009	10 316 762	-	120 356	1 487 073	60 342	11 984 533

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Bank

	Buildings and land (in own use) LVL	Leasehold improve- ments LVL	Motor vehicles LVL	Office equipment LVL	Construc- tion in progress LVL	Total LVL
Acquisition cost						
As of 31 December 2007	2 565 508	482 134	167 321	1 813 096	3 558 288	8 586 347
Additions	1 541 751	-	67 674	603 885	1 257 756	3 471 066
Disposals	-	(256 249)	(41 512)	(271 305)	-	(569 066)
Reclassification	4 905 240	(225 885)	46 163	33 781	(4 759 299)	-
Adjustments	-	-	-	-	(3 123)	(3 123)
As of 31 December 2008	9 012 499	-	239 646	2 179 457	53 622	11 485 224
Additions	1 500 857	-	-	30 108	6 720	1 537 685
Disposals	-	-	-	(74)	-	(74)
Reclassification	22 645	-	-	(22 645)	-	-
As of 30 June 2009	10 536 001	-	239 646	2 186 846	60 342	13 022 835
Depreciation						
As of 31 December 2007	(75 519)	(241 067)	(88 237)	(545 366)	-	(950 189)
Depreciation	(64 642)	(15 182)	(45 172)	(250 417)	-	(375 413)
Disposals	-	256 249	38 083	268 954	-	563 286
As of 31 December 2008	(140 161)	-	(95 326)	(526 829)	-	(762 316)
Depreciation	(79 078)	-	(23 964)	(174 678)	-	(277 720)
As of 30 June 2009	(219 239)	-	(119 290)	(701 507)	-	(1 040 036)
Net book value						
As of 31 December 2007	2 489 989	241 067	79 084	1 267 730	3 558 288	7 636 158
As of 30 June 2008	4 230 963	6 073	137 685	1 587 939	4 622 158	10 584 818
As of 31 December 2008	8 872 338	-	144 320	1 652 628	53 622	10 722 908
As of 30 June 2009	10 316 762	-	120 356	1 485 339	60 342	11 982 799

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21 INVESTMENT PROPERTY

	Group and Bank
	LVL
As of 31 December 2007	1 573 938
Additions	2 507
Revaluation	(148 646)
Sale	(110 271)
As of 31 December 2008	1 317 528
As of 30 June 2009	1 317 528

22 DUE TO CREDIT INSTITUTIONS

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Repayable on demand	456 975	579 307
Term balances	9 496	9 984
	466 471	589 291

The table below shows geographical concentration:

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Credit institutions incorporated in the Republic of Latvia	36 532	3 352
Credit institutions incorporated in non-OECD countries	429 939	585 939
	466 471	589 291

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23 DEPOSITS

	Group	Bank	Bank
	30.06.2009	30.06.2009	31.12.2008
	LVL	LVL	LVL
Repayable at call			
Corporates	90 531 507	91 356 707	87 557 076
Individuals	6 162 235	6 162 235	4 144 480
Municipalities	2 112 974	2 112 974	-
State-owned companies	416 429	416 429	49 166
Financial institutions	100 696	100 696	604 996
Public organisations	18 734	18 734	871
	<u>99 342 575</u>	<u>100 167 775</u>	<u>92 356 589</u>
Term deposits			
Corporates	19 814 361	19 814 361	53 485 573
Individuals	11 840 990	11 840 990	5 218 513
Financial institutions	84 340	84 340	112 549
	<u>31 739 691</u>	<u>31 739 691</u>	<u>58 816 635</u>
Total deposits	<u>131 082 266</u>	<u>131 907 466</u>	<u>151 173 224</u>

Blocked accounts

As at 30 June 2009, the Bank maintained customer deposit balances of LVL 3 972 418 (as at 31 December 2008: LVL 1 740 757) which were blocked by the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

Concentrations of current accounts and customer deposits

As at 30 June 2009, the Bank had one client whose account balance exceeded 10% of the total of all customer account balances (as of 31 December 2008: 1). As at 30 June 2009, these balances totalled LVL 53 441 977 (as of 31 December 2008: LVL 52 128 792).

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24 DEBT SECURITIES IN ISSUE

	Group and Bank	Bank
	30.06.2009	31.12.2008
	LVL	LVL
Bills of exchange	862 575	842 774
Certificates of deposit	1 060	1 027
	<u>863 635</u>	<u>843 801</u>

During the six-month period ended 30 June 2009, an average annual interest rate of 5.00% was applied to the debt securities in issue (2008: 5.00%).

Notional amount	Coupon Rate	Maturity Date	Book value, LVL
1 127 000 EUR	5%	20.09.2009	862 575
1 000 LVL	6.5%	01.08.2009	1 060

25 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	Bank
Depositor	Currency	Amount in currency	Interest rate	Repayment date	Amount	Amount
					30.06.2009	31.12.2008
					LVL	LVL
Belokon Holdings	EUR	19 074	8.00%	20.10.2015	13 405	13 350
Valeri Belokon	EUR	10 258	8.00%	05.03.2016	7 209	-
Valeri Belokon	LVL	11 220	7.00%	26.02.2009	-	11 220
Total					<u>20 614</u>	<u>24 570</u>

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26 SHAREHOLDERS' EQUITY

The total authorised and paid-in share capital remained unchanged from 2008, and at the 30 June 2009 was represented by 1 522 257 (One million five hundred twenty two thousand two hundred fifty seven) ordinary voting shares.

These are registered shares. 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 LVL 5 (five lats). The total par value of the shares equals LVL 7 611 thousand. Of the Bank's 98 shareholders, 28 are legal entities and 70 are individuals.

Reserve capital totalling LVL 545 thousand 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.

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

	30.06.2009	31.12.2008
Valeri Belokon	42.67%	42.67%
Viacheslav Kramnoy	27.97%	27.97%
Vilori Belokon	12.25%	12.25%

27 LITIGATION

Two claims were lodged against the Bank as at 30 June 2009 (as at 31 December 2008: 2). Based on professional advice, the Bank's management considered it unlikely that a loss could eventuate. No claims loss provision was made.

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28 RELATED PARTY TRANSACTIONS

Related parties are defined as shareholders who have significant influence over the Bank, companies in which they have a controlling interest, members of the Council and Board of Directors, key management personnel, their close relatives and companies in which they have a controlling interest, as well as associated companies.

The outstanding balances and the related average interest rates as of 30 June 2009 and related income statement amounts of transactions for the year ended 30 June 2009 with other related parties are as follows:

	Average interest rate	Amount	Group and Bank Off- balance sheet items	Bank	Bank
				Total 30.06.2009	Total 31.12.2008
		LVL	LVL	LVL	LVL
Assets					
Loans, net	-	2 175 088	97 930	2 273 018	1 684 630
<i>Bank-related undertakings and individuals</i>	6.21%	1 866 172	3 792	1 869 964	1 337 269
<i>Council and Board</i>	5.12%	435 809	83 907	519 716	471 084
<i>Other senior executives</i>	10.00%	23	10 231	10 254	3 193
<i>Allowances for losses on loans and advances</i>	0.00%	(126 916)	-	(126 916)	(126 916)
Securities available-for-sale	0.00%	-	-	-	4 000
Investments in associates	0.00%	429 009	-	429 009	429 009
Other assets	0.00%	37 474	-	37 474	37 474
Sureties (guarantees)	0.00%	-	10 591	10 591	10 591
Total assets					
and off-balance sheet liabilities	-	2 641 571	108 521	2 750 092	2 165 704
Liabilities					
Deposits deposited by related parties	2.23%	2 380 329	-	2 380 329	1 968 155
Due to credit institutions	0.10%	372 009	-	372 009	283 187
Subordinated liabilities	8.00%	20 614	-	20 614	24 570
Total liabilities	-	2 772 952	-	2 772 952	2 275 912
				30.06.2009	30.06.2008
Income				LVL	LVL
Interest income				46 858	42 294
Interest expense				(46 369)	(32 878)
Result income				489	9 416

All related party transactions are at arm's length.

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29 SENSITIVITIES ANALYSIS

Currency (foreign exchange) risk

The sum of overall foreign exchange exposure and the net position in gold stood at 11.57% the Bank's equity as of 30 June 2009 (as of 31 December 2008: 2.48%).

* Equity (net worth) totalling LVL 10 261 072 (as of 31 December 2008: 10 619 545) as of 30 June 2009.

Figure shows that a 10 percent strengthening of the Latvian Lats against other currencies may have a material impact on the Bank's profit (in ths. LVL):

	30.06.2009	30.06.2009	30.06.2009	31.12.2008	31.12.2008	31.12.2008
	EUR	USD	GBP	EUR	USD	RUB
rate valid:	0.702804	0.501	0.826	0.702804	0.495	0.017
foreign currency position (in ths. LVL):	(560)	(378)	(239)	(328)	292	13
profit (in ths. LVL):	(56)	(38)	(24)	(23)	15	-

Interest rate risk

(in ths. LVL)	Up to 1 month (inclusive)	1 to 3 months	3 to 6 months	6 to 12 months	One year and more	Non interest bearing	TOTAL
Assets	83 799	9 392	7 752	9 184	15 839	22 660	64 827
Liabilities	90 308	12 606	2 528	9 018	565	33 601	58 318
Balance sheet sensitivity to interest rate risk	(6 509)	(3 214)	5 224	166	15 274	(10 941)	
Effect on annual net interest income	(62)	(27)	33	-	-	-	(56)

A 100 basis point decrease/increase in interest rates is likely to have effect (decrease/increase) on the Bank's annual net interest income to the amount of 56 ths. LVL (as of 31 December 2008: LVL 160 ths. LVL).

30 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 14 August 2009, the shareholders approved a resolution to raise the share capital of JSC „Baltic International Bank” by LVL 7 910 820 through issuing 1 582 164 registered and dematerialised ordinary shares, each share having a face value of LVL 5. The shares shall be subscribed and fully paid up until 10 December 2009. Upon subscription to the new-share issue, the Bank's share capital will increase to LVL 15 522 105.

Also, the 14 August meeting approved a resolution to distribute the retained earnings (LVL 4 120 653, for years 2006, 2007 and 2008) as dividends to the Bank's shareholders. To do so, the Bank obtained prior approval from the Financial and Capital Market Commission.

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31 ACQUISITION OF SUBSIDIARY

On 11 June 2009, the Bank acquired all of the shares of "BIB Real Estate" Ltd for LVL 36 000 and approved a resolution to raise the capital to LVL 873 000.

The net assets of the acquired subsidiary were as follows at the date of acquisition:

	Pre- acquisition carrying amount on a comparable IFRS basis LVL	Fair value adjustment LVL	Recognised fair value on acquisition LVL
Assets			
Cash and cash equivalents	226	-	226
Property and equipment	1 734	-	1 734
Intangible assets	378	69 769	70 147
Overpaid corporate income tax	10 785	-	10 785
Other assets	3 026	-	3 026
Total assets	16 149	69 769	85 918
Liabilities			
Provisions	211	-	211
Other borrowed funds	37 474	-	37 474
Other liabilities	8 233	-	8 233
Total liabilities	45 918	-	45 918
Net identifiable assets and liabilities	(29 769)	-	40 000
Consideration paid	-	-	40 000
Cash acquired	-	-	(226)
Net cash outflow	-	-	39 774