



Baltikums Bank AS

Condensed Group consolidated
and Bank's separate interim financial statements
for the six month period ended 30 June 2011



Baltikums
Relations That Work

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****CONTENTS**

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Baltikums Bank AS

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MANAGEMENT REPORT

Dear shareholders, customers and partners!

Baltikums Bank AS (hereinafter "Baltikums Bank", "the Bank") has prepared these condensed Group consolidated and Bank's interim financial statements for the six month period ended 30 June 2011.

This year Baltikums Bank was celebrating its 10th anniversary. The Bank has strengthened its reputation as an international private bank, it has gained experience in the key lines of business, attracted highly qualified employees and management, its international offices in the clients' countries of residence and in the countries it has performed business activities have operated successfully.

Baltikums Bank successfully functions in Riga, Limassol, Kyiv, and Almaty, as well as has representation in Moscow and St. Petersburg. The Bank and its foreign branches employ 190 international professionals.

The audited profit of Baltikums Bank for the first six months of the year amounted to LVL 0.879 million. As at 30 June 2011, the Bank's assets amounted to LVL 167.552 million. Deposits attracted as at the end of June amounted to LVL 142.86 million.

Profit of Baltikums Bank Group in the first six months of 2011 amounted to LVL 0.836 million; the assets amounted to LVL 169.181 million.

As a result of precise operational strategy and professional team the total income have increased by 42% as compared to the first six months of 2010. In June 2011 the average amount of assets under management increased by 45% compared to the average amount of December 2010. However, decrease of the amount of loan portfolio by 12% represents the conservative lending policy of the Bank. The share of commissions in the income of the Bank during the first six months increased from 44% to 49% compared to the previous year.

Baltikums Bank complies with the budget and transactions plan approved for 2011. The Bank still maintains very high liquidity indicators and the high capital adequacy significantly exceeds that required by supervisory authorities.

According to the new strategy the Bank changed its name to Baltikums Bank AS, making it shorter and improving its apprehensibility both in local and international markets.

German Commerzbank and Deutsche Bank have highly rated the quality of commercial payments and transfers among financial institutions and honoured the Bank with awards proving the professionalism of the Bank's employees and quality of the banking technologies that ensure automatic execution of payments.

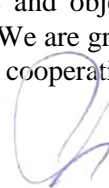
Baltikums Bank has 3 key lines of operations: banking services, advisory and investing and it continues investing in the infrastructure of the Bank, implementing sales platforms, including services of mobile bank and others.

However, the most valuable gain of Baltikums Bank is attraction of experienced private bankers and employees, proving the success of the Bank's business model the central element of which is not the products, services or processes but professionalism of employees.

Our values in the client relationship remain unchanged: independence and objective approach, security, responsibility, and comprehensive protection of our customer's interests. We are grateful to all our customers for cooperation and loyalty and look forward to continuing our successful cooperation in the future.



Aleksandrs Peškova
Chairman of the Council



Dmitrijs Latiševs
Chairman of the Board

17 August 2011

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****COUNCIL AND BOARD**

Council as at 30 June 2011

Name, surname	Position	Date of appointment
Aleksandrs Peškova	Chairman of the Council	22 June 2001
Sergejs Peškova	Council Member	22 June 2001
	Deputy Chairman of the Council	25 July 2002
Oļegs Čepuļskis	Council Member	22 June 2001
Andrejs Kočetkovs	Council Member	22 June 2001

There have been no changes in the Board during the reporting period.

Management Board as at 30 June 2011

Name, surname	Position	Date of appointment
Dmitrijs Latiševs	Board Member	1 July 2002
	Deputy of the Chairman of the Board	25 April 2003
	Chairman of the Board	21 April 2011
Leonarda Višņevska	Board Member	25 April 2003
Tatjana Drobina	Board Member	30 April 2008
Aleksandrs Halturins	Board Member	30 April 2008

Aldis Reims ceased to perform duties of Chairman of the Bank as of 8 April 2011.

On behalf of the Management of the Bank:



Aleksandrs Peškova
Chairman of the Council



Dmitrijs Latiševs
Chairman of the Board

17 August 2011

Baltikums Bank AS

Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITIES

Riga

The management of the Baltikums Bank AS (the Bank) is responsible for the preparation of the condensed consolidated interim financial statements of the Bank and its subsidiaries (the Group) as well as for the preparation of the condensed separate interim financial statements of the Bank. The 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 judgments and estimates have been made by the Management in the preparation of the condensed interim financial statements.

The condensed Group consolidated and Bank separate interim financial statements on pages 9 - 34 are prepared in accordance with the source documents and present the financial position of the Group and Bank as at 30 June 2011 and the results of its performance and cash flows for the six months period ended 30 June 2011.

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. The Management is also responsible for operating the Group and Bank in compliance with the Law on Credit Institutions, regulations of the Finance and Capital Markets Commission and other legislation of the Republic of Latvia applicable institutions.

On behalf of the Bank's management:



Aleksandrs Peškova
Chairman of the Council



Dmitrijs Latiševs
Chairman of the Board

17 August 2011



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Riga LV 1013
Latvia

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Fax +371 670 380 02
Internet: www.kpmg.lv

Independent Auditors' Report

To the shareholders of AS Baltikums Bank

We have audited the accompanying condensed separate interim financial information of AS Baltikums Bank (the "Bank"), which comprises the condensed separate interim statement of financial position as at 30 June 2011, the related condensed separate interim income statement and condensed separate interim statements of other comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2011, and condensed notes to the condensed separate interim financial information, comprising a condensed summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 34. We have also audited the accompanying condensed consolidated interim financial information of AS Baltikums Bank and its subsidiaries ("the Group"), which comprise the condensed consolidated interim statement of financial position as at 30 June 2011, the related condensed consolidated interim income statement and condensed consolidated interim statements of other comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2011, and condensed notes to the condensed consolidated interim financial information, comprising a condensed summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 34.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of these condensed separate and consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting* and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this condensed separate and consolidated interim financial information 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 financial information is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed separate and consolidated interim financial information. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the condensed separate and consolidated interim financial information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the condensed separate and consolidated interim financial information 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 entity's 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 condensed separate and consolidated interim financial information.

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 condensed separate interim financial information of AS Baltikums Bank as at and for the six month period ended 30 June 2011 is prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

In our opinion, the condensed consolidated interim financial information of AS Baltikums Bank and its subsidiaries as at and for the six month period ended 30 June 2011 is prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG Baltics SIA
License No 55



Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
17 August 2011



Inga Lipšāne
Sworn Auditor
Certificate No 112

Baltikums Bank AS

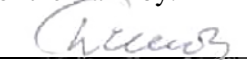
Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011

CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM INCOME STATEMENT

	Notes	6 month period ended 30 June 2011		6 month period ended 30 June 2010	
		Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Interest income		1 740	1 708	2 209	2 173
Interest expense		(320)	(305)	(281)	(266)
Net interest income	7	1 420	1 403	1 928	1 907
Commission and fee income		3 008	2 988	2 348	2 326
Commission and fee expense		(298)	(298)	(361)	(361)
Net commission and fee income	8	2 710	2 690	1 987	1 965
Net profit / (loss) on financial assets and liabilities carried at fair value through profit or loss		(54)	(54)	(909)	(909)
Net foreign exchange gains		944	946	534	455
Other operating income		513	229	484	243
Associates share of profit		25	-	123	-
Operating income		5 558	5 214	4 147	3 661
Administrative expenses		(2 947)	(2 826)	(3 115)	(2 694)
Other operating expenses		(1 276)	(987)	(141)	(129)
Impairment of financial assets	18	(90)	(113)	83	83
Recovery of assets written off		4	4	-	-
Total operating expenses		(4 309)	(3 922)	(3 173)	(2 740)
Profit before income tax		1 249	1 292	974	921
Income tax expense	9	(413)	(413)	(212)	(212)
Profit for the period		836	879	762	709
<i>Attributable to:</i>					
Equity holders of the Bank		836	879	762	709
Profit for the period		836	879	762	709

The accompanying notes on pages 16 to 34 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve for issue to shareholders these condensed Group consolidated and Bank's separate interim financial statements as presented on pages 9 - 34. The condensed Group consolidated and Bank's separate interim financial statements are signed on behalf of the Council and Board of the Bank by:



Aleksandrs Peškovs
Chairman of the Council



Dmitrijs Latiševs
Chairman of the Board

17 August 2011

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****CONDENSED CONSOLIDATED AND BANK'S SEPARATE INTERIM STATEMENT OF COMPREHENSIVE INCOME**

Notes	6 month period ended 30 June 2011		6 month period ended 30 June 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Net profit for the period	836	879	762	709
Other comprehensive income:				-
Revaluation reserve of other assets	-	-	1 030	-
Change in revaluation reserve as a result of disposal of other assets - ships	(961)	-	-	-
Total other comprehensive income	(961)	-	1 030	-
Total comprehensive income for the period	(125)	879	1 792	709
Attributable to:				
<i>Equity holders of the Bank</i>	(125)	879	1 792	709

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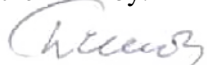
17 August 2011

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****CONDENSED CONSOLIDATED AND BANK'S SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION**

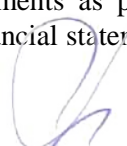
Assets	Notes	30 June 2011		31 December 2010	
		Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Cash and balances with the Bank of Latvia	10	11 378	11 376	7 639	7 635
Deposits with credit institutions	12	89 991	89 991	50 347	50 345
<i>Demand deposits with credit institutions</i>		87 966	87 966	42 820	42 818
<i>Term deposits with credit institutions</i>		2 025	2 025	7 527	7 527
Financial assets at fair value through profit or loss		25 817	25 817	20 076	20 076
<i>Fixed income securities</i>	13	22 971	22 971	17 471	17 471
<i>Non-fixed income securities</i>		2 812	2 812	1 646	1 646
<i>Derivatives</i>	24	34	34	959	959
Available for sale financial assets	14	34	34	34	34
Loans and receivables	15	19 009	17 502	19 620	19 856
Financial assets held to maturity	16	5 879	5 879	10 918	10 918
Investments in associates	17	4 269	2 820	4 244	2 820
Investments in subsidiaries	17	-	6 263	-	8 699
Investment property	19	6 622	2 114	6 884	2 594
Property and equipment		1 580	1 569	1 636	1 631
Intangible assets		628	196	661	224
Prepayments and accrued income		45	45	41	38
Other assets	20	3 929	3 946	3 687	275
Total assets		169 181	167 552	125 787	125 145

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17 August 2011

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****CONDENSED CONSOLIDATED AND BANK'S SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION**

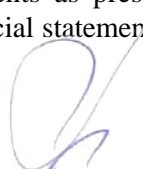
Liabilities	Notes	30 June 2011		31 December 2010	
		Group	Bank	Group	Bank
Liabilities		LVL '000	LVL '000	LVL '000	LVL '000
Due to credit institutions on demand		1 191	1 191	676	676
Derivatives	24	2 068	2 068	575	575
Financial liabilities carried at amortized cost		143 893	142 857	102 211	103 049
<i>Loans received from credit institutions</i>	21	-	-	984	-
<i>Loans received from other financial institutions</i>	21	1 179	-	-	-
<i>Customers' deposits</i>	22	142 269	142 412	101 227	103 049
<i>Subordinated liabilities</i>	23	445	445	-	-
Deferred income and accrued expenses		138	100	223	114
Provisions		183	176	147	139
Tax liabilities		266	237	365	341
Other liabilities		332	31	355	238
Total liabilities		148 071	146 660	104 552	105 132
Equity					
Share capital	29	19 756	19 756	19 118	19 118
Reserve capital		17	17	17	17
Revaluation reserve? of other assets		69	-	1 030	-
Retained earnings		1 268	1 119	1 070	878
Total equity attributable to equity holders of the Bank		21 110	20 892	21 235	20 013
Total equity and liabilities		169 181	167 552	125 787	125 145
Contingent liabilities	27	2 525	2 525	4 462	4 462

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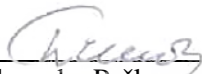
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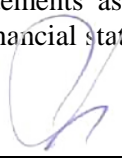
Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****CONDENSED GROUP'S INTERIM STATEMENT OF CHANGES IN EQUITY**

	Share capital LVL`000	Reserve capital LVL`000	Revaluation reserve of other assets LVL`000	Retained earnings LVL`000	Total capital and reserves LVL`000
Balance as at 1 January 2009	<u>23 442</u>	<u>17</u>	<u>-</u>	<u>870</u>	<u>24 329</u>
Total comprehensive income					
Net profit for the period	-	-	-	762	762
Other comprehensive income – revaluation of assets	-	-	1 030	-	1 030
Total comprehensive income	<u>-</u>	<u>-</u>	<u>1 030</u>	<u>762</u>	<u>1 792</u>
Balance as at 30 June 2010	<u>23 442</u>	<u>17</u>	<u>1 030</u>	<u>1 632</u>	<u>26 121</u>
Total comprehensive income					
Net loss for the period	-	-	-	(562)	(562)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(562)</u>	<u>(562)</u>
Transactions with owners, recorded directly in equity					
Share capital decrease	(4 324)	-	-	-	(4 324)
Balance as at 1 January 2011	<u>19 118</u>	<u>17</u>	<u>1 030</u>	<u>1 070</u>	<u>21 235</u>
Total comprehensive income					
Net profit for the period	-	-	-	836	836
Change in revaluation reserve as a result of disposal of other assets - ships	-	-	(961)	-	(961)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>(961)</u>	<u>836</u>	<u>(125)</u>
Transfer of retained earnings to increase share capital	638	-	-	(638)	-
Balance as at 30 June 2011	<u>19 756</u>	<u>17</u>	<u>69</u>	<u>1 268</u>	<u>21 110</u>

The accompanying notes on pages 16 to 34 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve for issue to shareholders these condensed Group consolidated and Bank's separate interim financial statements as presented on pages 9 - 34. The condensed Group consolidated and Bank's separate interim financial statements are signed on behalf of the Council and Board of the Bank by:


Aleksandrs Peškova
Chairman of the Council


Dmitrijs Latiševs
Chairman of the Board

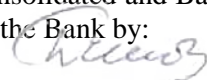
17 August 2011

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****CONDENSED BANK'S INTERIM STATEMENT OF CHANGES IN EQUITY**

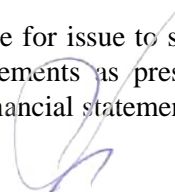
	Share capital	Reserve capital	Retained earnings	Total capital and reserves
	LVL '000	LVL '000	LVL '000	LVL '000
Balance as at 1 January 2010	23 442	17	739	24 198
Total comprehensive income				
Net profit for the period	-	-	709	709
Total comprehensive income	-	-	709	709
Balance as at 30 June 2010	23 442	17	1 448	24 907
Total comprehensive income				
Net loss for the period	-	-	(570)	(570)
Total comprehensive income	-	-	(570)	(570)
Transactions with owners, recorded directly in equity				
Share capital decrease	(4 324)	-	-	(4 324)
Balance as at 1 January 2011	19 118	17	878	20 013
Total comprehensive income				
Net profit for the period	-	-	879	879
Total comprehensive income	-	-	879	879
Transfer of retained earnings to increase share capital	638	-	(638)	-
Balance as at 30 June 2011	19 756	17	1 119	20 892

The accompanying notes on pages 16 to 34 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

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 Aleksandrs Peškova
 Chairman of the Council



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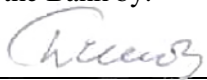
17 August 2011

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****CONDENSED CONSOLIDATED AND BANK'S SEPARATE INTERIM STATEMENT OF CASH FLOWS**

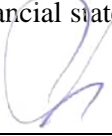
	6 month period ended 30 June 2010		6 month period ended 30 June 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Cash flows from operating activities				
Profit before tax	1 249	1 292	974	921
Depreciation and amortization, and write-off	67	66	193	124
Increase/ (decrease) in allowance for possible credit losses	(715)	(506)	(1 307)	(1 307)
Foreign exchange (gain)/loss	10	(16)	(78)	16
Revaluation of assets and liabilities	(5)	11	(53)	-
Loss from the sale of subsidiaries	7	896	-	-
Increase / (decrease) in cash and cash equivalents from operating activities before changes in assets and liabilities	613	1 743	(271)	(246)
Decrease of loans and receivables	1 325	2 859	717	1 566
(Increase)/ decrease in available-for-sale financial assets	-	-	2 293	-
Increase in financial assets at fair value through profit or loss	(5740)	(5 740)	(7 904)	(7 904)
Decrease of held-to-maturity investments	5 236	5 041	402	592
(Increase) in prepayments and accrued income	(4)	(7)	(7)	(7)
(Increase)/ decrease in other assets	(1 203)	(2 191)	980	731
Increase/(decrease) in customers' deposits	41 487	39 808	24 460	24 511
Increase in financial liabilities held-for-trading	1 493	1 493	231	231
Increase/(decrease) in other liabilities and tax liabilities	(324)	(514)	(1 262)	138
Increase/(decrease) in deferred income and accrued expense	(85)	(14)	127	(37)
Increase/(decrease) in cash and cash equivalents from operating activities before tax	42 798	42 478	19 766	19 575
Corporate income tax paid	(175)	(173)	(118)	(118)
Increase/(decrease) in cash and cash equivalents from operating activities	42 623	42 305	19 648	19 457
Cash flow from investing activities				
Acquisition of property and equipment and intangible assets	(62)	(55)	(219)	(68)
Proceeds from sale of property and equipment	79	79	1	1
Acquisition of subsidiaries net of cash acquired	1	60	(11)	-
Sales/(acquisition) of non-current assets	239	469	(120)	-
Increase/(decrease) in cash and cash equivalents from investing activities	257	553	(349)	(67)
Cash flows from financing activities				
Proceeds from repurchase of notes	-	-	(4 390)	(4 390)
Dividends paid	-	-	-	-
Increase/(decrease) in cash and cash equivalents from financing activities	-	-	(4 390)	(4 390)
Increase / (decrease) in cash and cash equivalents	42 880	42 858	14 909	15 000
Cash and cash equivalents at the beginning of the year	57 283	57 277	39 078	39 068
Effects of exchange rates fluctuations on cash held	(10)	16	78	(16)
Cash and cash equivalents, end of the reporting period	1 100 153	1 100 151	54 065	54 052

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 Aleksandrs Peškova
 Chairman of the Council



 Dmitrijs Latiševs
 Chairman of the Board

17 August 2011

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS**

1. GENERAL INFORMATION

In 2011 "AS "Akciju komercbanka "Baltikums"" changed its name to Baltikums Bank AS.

Baltikums Bank AS (the Bank) was registered in the Latvian Enterprise Register on 22 June 2001 as a joint stock company. The address of the Bank is Mazā Pils iela 13, Rīga, LV – 1050. The Bank is a commercial bank specializing in the financing of export and import operations, trade and shipping finance as well as investment management. The Bank operates in accordance with Latvian legislation and the license issued by the Bank of Latvia.

The immediate controlling party of the Bank is AS "Baltikums bankas grupa" (AS "BBG"), which owns 100% of shares. In 2011 AS "Baltikums bankas grupa" changed its name to AS "BBG". AS "BBG" is owned by four Latvian entities and 2 individuals.

2. BASIS OF PREPARATION**(a) Statement of compliance**

These condensed Group consolidated and Bank's separate interim financial statements of Baltikums Bank AS (the Bank) and its subsidiaries (the Group) are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These condensed interim financial statements do not include all of the information required for the complete set of annual financial statements, and should be read in conjunction with the Group consolidated and Bank's separate financial statements for the year ended 31 December 2010.

The audited Group consolidated and Bank's separate financial statements as at and for the year ended 31 December 2010 are available at the Bank's web site: www.baltikums.eu.

These condensed consolidated and Bank's interim financial statements were authorized for issue by the Board of Directors on 17 August 2011. The financial statements may be amended by the shareholders.

(b) Functional and Presentation Currency

The financial statements are presented in thousands of lats (LVL 000's), unless otherwise stated. Lats are the Bank's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group and Bank in these condensed Group consolidated and Bank's separate interim financial statements are the same as those applied by the Group and Bank in its consolidated and separate Bank financial statements as at and for the year ended 31 December 2010.

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

New Standards and Interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011. None of these has a significant effect on the condensed Group consolidated and Bank's separate interim financial statements.

- Revised IAS 24 *Related Party Disclosure*;
- Amendment to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*;
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after 1 July 2010);
- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (effective for annual periods beginning on or after 1 February 2010).

4. RISK MANAGEMENT

All aspects of the Bank's and Group's risk management objectives and policies are consistent with that disclosed in the consolidated and separate Bank financial statements as at and for the year ended 31 December 2010.

5. CAPITAL MANAGEMENT

The Financial and Capital Market Commission sets and monitors capital requirements for the Bank, the lead operating entity of 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 have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 31 December 2010, this minimum level is 8%. The Bank was in compliance with the statutory capital ratio as at 30 June 2011, 31 December 2010 and 30 June 2010.

The Bank's risk based capital adequacy ratio as at 30 June 2011 was 15% (as at 31 December 2010: 15%; as at 30 June 2010: 19%).

6. USE OF ESTIMATES AND JUDGMENTS

The preparation of interim financial statements requires management to make judgments, 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's separate interim financial statements, the significant judgements made by management in applying the Bank's and Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2010.

These are:

- Allowances for loan losses;
- Valuation of financial instruments;
- Impairment of financial instruments (other than loans);
- Goodwill impairment;
- Valuation of repossessed collateral;
- Fair value of assets and liabilities at acquisition (refer to Note 17);
- Fair value of ships.

Sensitivity of estimates has been considered, but are not disclosed, as no significant changes as compared to prior period financial statements.

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****7. NET INTEREST INCOME**

	6 month period ended 30 June 2010		6 month period ended 30 June 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
<i>Interest income</i>				
Interest income from assets carried at amortized cost:	717	685	1 036	1 012
<i>Deposits with credit institutions</i>	167	167	82	82
<i>Loans and receivables</i>	550	518	954	930
Interest income from available-for-sale financial assets	-	-	12	-
Interest income from financial assets and liabilities carried at fair value through profit or loss	618	618	547	547
Interest income from held-to-maturity securities	405	405	614	614
<i>Total interest income</i>	1 740	1 708	2 209	2 173
<i>Interest expense</i>				
Interest expense from liabilities measured at amortized cost:	(196)	(181)	(185)	(170)
<i>Due to credit institutions</i>	(15)	-	(15)	-
<i>Customers' deposits</i>	(181)	(181)	(156)	(156)
<i>Issued bonds</i>	-	-	(14)	(14)
Other interest expense	(124)	(124)	(96)	(96)
<i>Total interest expenses</i>	(320)	(305)	(281)	(266)
<i>Net interest income</i>	1 420	1 403	1 928	1 907

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****8. NET COMMISSION AND FEE INCOME**

	6 month period ended 30 June 2011		6 month period ended 30 June 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
<i>Commission and fee income</i>				
Payment transactions	1 990	1 991	1 869	1 871
Corporate banking fee income	51	51	95	95
Securities transactions	136	136	54	54
Trust operations	385	385	68	68
Account servicing	216	216	136	136
Management of investment funds and plans	21	-	24	-
Other	209	209	102	102
<i>Total commission and fee income</i>	<u>3 008</u>	<u>2 988</u>	<u>2 348</u>	<u>2 326</u>
 <i>Commission and fee expense</i>				
Correspondent accounts	(200)	(200)	(291)	(291)
Cash transactions and payment card transaction	(51)	(51)	(34)	(34)
Customer acquisition and distribution of fund shares	-	-	(3)	(3)
Securities transactions	(23)	(23)	(33)	(33)
Other	(24)	(24)	-	-
<i>Total commission and fee expense</i>	<u>(298)</u>	<u>(298)</u>	<u>(361)</u>	<u>(361)</u>
 <i>Net commission income</i>	 <u>2 710</u>	 <u>2 690</u>	 <u>1 987</u>	 <u>1 965</u>

9. CORPORATE INCOME TAX

	6 month period ended 30 June 2011		6 month period ended 30 June 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Current income tax expense	413	413	212	212
Deferred tax	-	-	-	-
Corporate income tax	<u>413</u>	<u>413</u>	<u>212</u>	<u>212</u>

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS**

The table below shows the reconciliation between the current tax expense and the theoretically calculated tax amount applying the statutory rate 15% on 30 June 2011 and 30 June 2010:

	6 month period ended 30 June 2011		6 month period ended 30 June 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Profit before tax	1 249	1 292	974	921
Theoretically calculated tax at rate 15%	187	194	146	138
Non-deductible expenses and exempt income, net	226	219	66	74
Corporate income tax	413	413	212	212

10. CASH AND BALANCES ON DEMAND WITH THE CENTRAL BANKS

	30 June 2011		31 December 2011	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Cash	357	355	374	370
Due from the Bank of Latvia	11 019	11 019	7 265	7 265
Due from the Bank of Cyprus	2	2	-	-
Total cash and balances on demand with the central banks	11 378	11 376	7 639	7 635

11. CASH AND CASH EQUIVALENTS

	30 June 2011		30 June 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Cash and due from central banks	11 378	11 376	16 580	16 580
Demand deposits with credit institutions the maturity of which does not exceed 3 months	89 966	89 966	37 546	37 533
Liabilities on demand to credit institutions the maturity of which does not exceed 3 months	(1 191)	(1 191)	(61)	(61)
Total cash and cash equivalents	100 153	100 151	54 065	54 052

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****12. DEPOSITS WITH CREDIT INSTITUTIONS**

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Demand deposits with credit institutions				
Credit institutions registered in Latvia	36 933	36 933	4 044	4 042
Credit institutions registered in OECD countries	41 858	41 858	27 584	27 584
Credit institutions registered in non-OECD countries	9 175	9 175	11 192	11 192
Total demand deposits with credit institutions	87 966	87 966	42 820	42 818
Term deposits with credit institutions	2 025	2 025	7 527	7 527
Total deposits with credit institutions	89 991	89 991	50 347	50 345

On 30 June 2011, the Bank had outstanding claims against 2 credit institutions and other financial institutions whose balances exceeded 10% of total claims against credit institutions. The total value of the above balances as at 30 June 2011 was LVL 21 194 thousand: with AS DNB NORD Bank (Latvia) LVL 10 542 thousand and COMMERZBANK AG (Germany) of LVL 10 652 thousand. On 31 December 2010, the Bank had outstanding claims against 4 credit institutions and other financial institutions whose balances exceeded 10% of total claims against credit institutions. Total value of these balances as of 31 December 2010 was LVL 32 104 thousand.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Fixed income securities				
Government bonds (Serbia)	544	544	-	-
Municipality bonds (Russia)	1 487	1 487	-	-
Eurobonds issued by companies and credit institutions of non-OECD countries	20 940	20 940	17 471	17 471
Total	22 971	22 971	17 471	17 471
Investments in non-fixed income securities				
Shares issued by companies and credit institutions of non-OECD countries	9	9	10	10
Shares issued by companies of OECD countries	1 260	1 260	-	-
Investment fund certificates	1 543	1 543	1 636	1 636
Total	2 812	2 812	1 646	1 646
Total securities at fair value through profit or loss	25 783	25 783	19 117	19 117

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS**

An analysis of the credit quality of financial instruments at fair value through profit or loss, based on rating agency ratings where applicable, is as follows:

	30 June 2011	31 December 2010
	'000 LVL	'000 LVL
Fixed income securities and non-fixed income securities		
Government and municipality bonds		
From BBB+ to BBB-	1 487	-
From BB+ to BB-	544	-
Total government and municipality bonds	2 031	-
Corporate bonds		
AAA to A-	-	-
From BBB+ to BBB-	9 286	6 269
From BB- to BB+	7 681	7 946
Lower than B+	3 846	3 256
No rating	1 670	1 636
Total corporate bonds	22 483	19 107
Total shares and other non-fixed income securities	1 269	10
Total fixed income securities and non-fixed income securities	25 783	19 117

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2011		31 December 2010	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Shares and other non-fixed income securities				
SWIFT shares	34	34	34	34
Total available-for-sale financial assets	34	34	34	34

15. LOANS AND RECEIVABLES**(a) Loans and receivables**

	30 June 2011		31 December 2010	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Financial institutions	3 244	3 244	-	-
Corporates	17 308	15 799	21 767	22 066
Individuals	360	360	597	323
Total loans and receivables	20 912	19 403	22 364	22 389
Impairment allowance	(1 903)	(1 901)	(2 744)	(2 533)
Net loans and receivables	19 009	17 502	19 620	19 856

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****(b) Analysis of loans by types**

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Loan portfolio				
Corporate loans	10 379	10 379	7 135	7 135
Industrial loans	6 753	6 754	8 342	8 342
Payment cards loans	90	90	112	112
Mortgage loans	11	11	12	12
Other loans	1 940	430	427	452
Total loan portfolio	19 173	17 664	16 028	16 053
Securities loans				
Reverse repo	1 739	1 739	6 336	6 336
Total securities loans	1 739	1 739	6 336	6 336
Total loans and receivables	20 912	19 403	22 364	22 389
Impairment allowance	(1 903)	(1 901)	(2 744)	(2 533)
Net loans and receivables	19 009	17 502	19 620	19 856

(c) Geographical segmentation of the loans

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Loans to residents of Latvia	8 790	8 788	5 046	4 867
Loans to residents of OECD countries	3 980	2 485	3 693	3 482
Loans to residents of non-OECD countries	8 142	8 130	13 625	14 040
Total loans and receivables	20 912	19 403	22 364	22 389
Impairment allowance	(1 903)	(1 901)	(2 744)	(2 533)
Loans and receivables, net	19 009	17 502	19 620	19 856

The average interest rate on the loan portfolio as at 30 June 2011 is 6.95% (31 December 2010: 6.32%). The average interest rate on the repo transactions as at 30 June 2011 is 3.26% (31 December 2010: 3.31%).

(d) Significant credit risk concentration

As at 30 June 2011 the Bank had two borrowers or groups of related borrowers, whose loan balances exceeded 10% of loans and receivables, the loan balances of these borrowers were LVL 5 552 thousand.

As at 31 December 2010 the Bank had one borrower or groups of related borrowers, whose loan balances exceeded 10% of loans and receivables. The borrower's loan balance was LVL 2 525 thousand.

According to the regulating requirements, the Bank's credit risk exposure with one client or a group of related clients must not exceed 25% of the Bank's capital. As at 30 June 2011 and 31 December 2010 the Bank was in compliance with this requirement.

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****(e) Ageing structure of loan portfolio**

Bank	Total LVL '000	Of which not past due on the reporting date	Of which past due by the following terms			Net carryin g value of overdue loans	
			Less than 30 days	31-90 days	91-180 days		Over 180 days
Value as at 30 June 2011							
Net carrying amount	17 502	15 516	-	-	4	1 982	1 986
Out of which impaired	4 197	2 211	-	-	4	1 982	1 986
As at 31 December 2010							
Net carrying amount	19 856	17 686	-	115	1 733	322	2 170
Out of which impaired	5 279	3 109	-	115	1 733	322	2 170

The classification for the Group is not significantly different from that of the Bank disclosed above.

(f) Impaired loans

	30 June 2011 '000 LVL		31 December 2010 '000 LVL	
	Group	Bank	Group	Bank
Impaired loans gross	6 100	6 098	8 023	7 812
Impairment allowance	(1 903)	(1 901)	(2 744)	(2 533)
Net loans and receivables	4 197	4 197	5 279	5 279

(g) Movements in the impairment allowance

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Impairment allowance				
Balance as at the beginning of the period	2 744	2 533	2 258	2 047
Impairment losses	707	707	2 375	2 497
Reversals of impairment loss	(616)	(407)	(146)	(146)
Loans written off	(805)	(805)	(1 757)	(1 879)
Effect of foreign currency translation	(127)	(127)	14	14
Balance at the end of period	1 903	1 901	2 744	2 533

(h) Industry analysis of the loan portfolio of the Bank

	31 June 2011,	31 December
	'000 LVL	'000 LVL
Water transport	6 113	8 135
Financial services	4 984	6 336
Wholesales	194	253
Entertainment, leisure, sport	1 044	1 050
Other services	5 167	4 082
Net loans and receivables	17 502	19 856

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****(i) Analysis of collateral for loans by type of collateral (Bank)**

LVL '000	30 June 2011	% of loan portfolio	31 December 2010	% of loan portfolio
Commercial buildings	1 210	7	1 192	6
Commercial assets pledge	4 975	28	3 508	18
Commercial assets: water transport	6 113	35	8 135	41
Traded securities	1 739	10	6 336	32
Other	159	1	685	3
Without collateral	3 306	19	-	-
Net loans and receivables	17 502	100	19 856	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.

(j) Restructured loans

LVL '000	30 June 2011	31 December 2010
Reduced interest rate	1 739	1 903
Extended repayment period	1 763	1 703
Total restructured loans	3 502	3 606

16. FINANCIAL ASSETS HELD TO MATURITY

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Debt securities and other fixed income securities				
Eurobonds issued by Latvian credit institutions	-	-	963	963
Eurobonds issued by companies and credit institutions of other countries	6 159	6 159	10 237	10 237
Total other securities	6 159	6 159	11 200	11 200
Impairment allowance	(280)	(280)	(282)	(282)
Debt securities and other securities, net	5 879	5 879	10 918	10 918

An analysis of the credit quality of financial instruments held to maturity, based on rating agency ratings where applicable, is as follows:

	30 June 2011	31 December 2010
	'000 LVL	'000 LVL
Debt securities and other fixed income securities		
Corporate bonds		
From BBB+ to BBB-	1 685	2 110
From BB- to BB+	1 681	2 326
Lower than B+	2 466	5 757
No rating	47	725
Total corporate bonds	5 879	10 918
Debt securities and other fixed income securities	5 879	10 918

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****Movements in the impairment allowance**

Bank and Group	31 June 2011, '000 LVL	31 December 2010, '000 LVL
Balance at the beginning of the reporting period	282	1 008
Impairment losses	-	293
Cancellation of previously recognized allowances	(1)	(302)
Securities value write-down	-	(756)
Currency exchange rate fluctuation	(1)	39
Balance at the end of period	280	282

17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**(a) Subsidiaries included in consolidation*****Investment in subsidiaries (Bank)***

Company	Capital contributions	Cost 30 June 2011 LVL '000	Cost 31 December 2010 LVL '000
SIA Baltikums Līzings	100%	1 859	345
Impairment allowance		-	(186)
AS IPS „Baltikums Asset Management”	100%	136	136
SIA Konsalting Invest	100%	2 115	5 295
SIA Zapdvina Development	100%	690	690
SIA CityCap Service	100%	380	380
Rostman Ltd	100%	1 083	1 083
Benmar Maritime S.A.	100%	-	956
		6 263	8 699

Investments in subsidiaries (other Group companies)

Company	Capital contributions	Cost 30 June 2011 LVL '000	Cost 31 December 2010 LVL '000
Hartmile Projects S.A	100%	5	5
KamalyDevelopment EOOD	100%	486	486
		491	491

The Bank has increased share capital of its subsidiary SIA „Baltikums Līzings” by 18 424 shares with a nominal value of 100,00 LVL each, with total value of 1 842 400 LVL. After this increase, the share capital of SIA „Baltikums Līzings” consists of 18 444 shares with a nominal value of 100,00 LVL each, with total value of 1 844 400 LVL.

The reason for the capital increase is restructuring of Group business. Impairment of investment in subsidiary was reversed, as quality of its assets improved.

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS*****(b) Summary of disposals of subsidiaries during the year 2011***

	Investment in equity disposed	Net assets as at the date of transaction LVL '000	Goodwill LVL '000	Compensation received LVL '000	Group losses from disposal of subsidiaries LVL '000
Summary of disposals of subsidiaries during the year 2011					
Benmar Maritime S.A.	100%	-	(8)	1	(7)
		-	(8)	1	(7)
Cash of subsidiaries				-	
Net cash received				1	

In February 2011 the Bank sold 100% interest in subsidiary "Benmar Maritime S.A.". The result of the disposal of the subsidiary for the Bank is a loss of LVL 896 thousand.

(c) Acquisition of subsidiaries in 2011 after the end of reporting period but before authorisation of condensed interim financial statements

After the end of reporting period, but before financial statements were approved, the Bank has obtained control over a new subsidiary.

	Share	Net Assets on the acquisition date LVL '000	Paid amount LVL '000	Goodwill LVL '000
Summary of acquisitions during the year 2011:				
SIA "Pils Pakalpojumi"	51%	941	(700)	220

On 20 July 2011 the Bank has bought 51% of SIA "Pils Pakalpojumi". The company owns the building on 6 Smilšu Street in Riga, and the Bank is planning to use the building as its office.

The Bank's management has reviewed the recoverable amount of the asset at the reclassification date and believes that the recoverable amount of the asset does not differ significantly from the carrying amount of LVL 941 thousand.

Non-controlling interest (49%) was determined based on proportionate share of net assets at the date of acquisition.

Value before acquisition LVL'000

Non-current assets	Current assets Cash	Current assets Debtors	Current liabilities	Net assets 100%	Net Assets 51%	Goodwill on acquisition	Acquisition cost	Carrying amount
4 725	1	15	(3 800)	941	480	220	700	700

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****(d) Investments in the equity of associated companies (Bank and Group)**

Company	Capital contributions	Carrying amount as at 30 June 2011		Carrying amount as at 31 December 2010	
		LVL '000		LVL '000	
		Group	Bank	Group	Bank
AAS Baltikums	49,86%	2 970	2 820	2 945	2 820
AS Termo biznesa Centrs	26,15 %	1 299	-	1 299	-
Total		4 269	2 820	4 244	2 820

Increase of the value of interest in the associated companies

	OOO „Baltikums Trast”, Kiev	AS Termo biznesa Centrs	AAS Baltikums	Total
Value as at 31 December 2009	2	1 288	2 975	4 265
Additions (paid in cash)	-	11	-	11
Dividend income	-	-	(155)	(155)
Interest in the net profit of associated companies	-	-	125	125
Disposed	(2)	-	-	(2)
Value as at 31 December 2010	-	1 299	2 945	4 244
Interest in the net profit of associated companies	-	-	25	25
Value as at 30 June 2011	-	1 299	2 970	4 269

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****18. IMPAIRMENT OF ASSETS****(a) Impairment of assets (Bank)**

	6 month period ended 30 June 2011 LVL '000	6 month period ended 30 June 2010 LVL '000	For the year ended 31 December 2010 LVL '000
Total allowance as at the beginning of the period	3 001	3 241	3 241
Increase in loan loss allowance	707	164	2 497
Increase/(decrease) in securities' loss allowance	(1)	(247)	293
Release of investment in subsidiary loss allowances	(186)	-	-
Release of loan and financial assets held to maturity - loss allowance	(407)	-	(448)
Change for the period	113	(83)	2 342
Assets written off during the period	(805)	(1 285)	(2 635)
Change in impairment allowance due to currency fluctuations	(128)	62	53
Total allowance as at the end of the period	2 181	1 935	3 001

(b) Impairment of assets (Group)

	6 month period ended 30 June 2011 LVL '000	6 month period ended 30 June 2010 LVL '000	For the year ended 31 December 2010 LVL '000
Total allowance as at the beginning of the period	3 026	3 266	3 266
Increase in the loan loss allowances	707	164	2 375
Increase/(decrease) in securities' loss allowance	(1)	(247)	293
Release of loan and financial assets held to maturity loss allowance	(616)	-	(448)
Change for the period	90	(83)	2 220
Assets written off during the period	(805)	(1 285)	(2 513)
Change in impairment allowance due to currency fluctuations	(128)	62	53
Total allowance as at the end of the period	2 183	1 960	3 026

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****19. INVESTMENT PROPERTY**

The investment property of the Group consists of the following property items:

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Land and building in Ūdens street 12, Riga	2 979	-	3 049	233
Land and building in Raiņa street 28, Daugavpils	-	-	245	245
Rooms in Tallinn, Estonia	94	94	96	96
Land plot in Akācījas 5, Daugavpils	708	-	708	-
Land plot in Mūkupurva iela, Riga	400	-	400	-
Land plot in Liepāja	42	42	42	42
Land plot in Klaipeda, Lithuania	1 978	1 978	1 978	1 978
Real estate in Bulgaria	421	-	366	-
	6 622	2 114	6 884	2 594
			Group LVL '000	Bank LVL '000
31 December 2009			4 707	647
Purchase of investment property			134	42
Reposessed collateral			1 978	1 978
Transferred from advances			(41)	(41)
Depreciation of buildings			(168)	(32)
Revaluation of investment property in Bulgaria			274	-
31 December 2010			6 884	2 594
Disposal of investment property (land and building: on 12 Ūdens street, Riga; 28 Raiņa street, Daugavpils)			(308)	(538)
Depreciation of disposed property			69	69
Depreciation of buildings			(81)	(11)
Other			58	-
30 June 2011			6 622	2 114

The Bank does not hold legal title to the reposessed collateral - land in Klaipeda, Lithuania; however, the Bank controls the asset based on fiduciary agreement.

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****20. OTHER ASSETS**

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Prepayments for acquisition of subsidiary*	2 250	2 250	-	-
Receivable from subsidiary upon decrease of share capital	-	1 394	-	-
Repossessed collaterals - ships	1 088	-	3 000	-
Cash with brokers for securities settlements	50	50	46	46
Overpaid VAT	26	26	128	128
Receivables from SPOT deals	5	5	-	-
Other debtors	510	221	513	101
Total other assets	3 929	3 946	3 687	275

*As a result of acquisition deal, the acquisition price was LVL 700 thousand. The prepayment of LVL 2 250 thousand made in accordance with initial purchase agreement is receivable from the seller. Please refer to Note 30 for details.

21. LOANS FROM CREDIT INSTITUTIONS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Credit institutions registered in Latvia	-	-	984	-
Financial institutions registered in Latvia	1 179	-	-	-
	1 179	-	984	-

Annual interest rate of liabilities against financial institutions registered in Latvia (AAS "Baltikums") as at 30 June 2011 was 3%.

Annual interest rate of liabilities against credit institutions registered in Latvia (SEB) in 2010 was 6 months EURIBOR +1.75%.

22. FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST: CUSTOMERS' DEPOSITS

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Current accounts:				
Financial institutions	4 080	4 082	3 407	3 540
Corporate entities	118 003	118 008	83 456	83 474
Individuals	5 609	5 609	5 135	5 135
	127 692	127 699	91 998	92 149
Term deposits:				
Financial institutions	207	343	518	2 189
Corporate entities	12 689	12 689	6 118	6 118
Individuals	1 681	1 681	2 593	2 593
	14 577	14 713	9 229	10 900
Total deposits	142 269	142 412	101 227	103 049

As of 30 June 2011, the Bank maintained customer deposit balances of LVL 454 thousand (2010: LVL 411 thousand) which were blocked by the Bank as collateral for loans and other credit instruments granted by the Bank.

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS**

Average interest rate on term deposits as at 30 June 2011 was 3.47% (in 2010 – 2.51%). Average interest rate on deposits on demand as at 30 June 2011 was 0.01 % (in 2010 – 0.26%).

As at 30 June 2011 the Bank had no customer / group of customers, whose deposits exceeded 10% of total customer current deposits. As at 31 December 2010 the Bank had one client / group of clients whose deposits exceeded 10% of total customer current deposits.

23. SUBORDINATED LIABILITIES CARRIED AT AMORTIZED COST

In 2011 Baltikums Bank AS received subordinated liabilities:

Counterparty	Country	Interest rate	Origination date	Maturity	Currency	Nominal value, currency	Balance, '000 LVL
Individual	Turkmenistan	6%	10.02.2011	10.02.2016	USD	500 000	245
Individual	Russia	5%	08.06.2011	01.07.2016	EUR	285 000	200
Total subordinated liabilities							445

24. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	The Group and the Bank 31 June 2011, '000 LVL		The Group and the Bank 31 December 2010, '000 LVL	
	Carrying amounts	Notional amount	Carrying amounts	Notional amount
Assets				
Forward contracts	9	27 249	959	46 026
Options	25	25	-	-
Total derivative financial assets	34	27 274	959	46 026
Liabilities				
Forward contracts	2 068	29 308	575	45 643
Total derivative liabilities	2 068	29 308	575	45 643

As at 30 June 2011 the Bank had 15 forward agreements (31 December 2010 : 25 agreements).

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****25. RELATED PARTY TRANSACTIONS**

Loans, deposits and other claims and liabilities to related parties include the following:

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Loans to related parties	3 339	3 502	127	646
Out of which to parent company	3 244	3 244	-	-
Out of which to subsidiaries	-	163	-	519
Other Group companies	1 179	-	-	-
Derivatives	15	15	28	28
Total loans and other claims	4 438	3 517	155	674
Term and demand deposits and loans from related parties	2 701	1 666	3 157	4 980
Out of which from parent company	29	29	5	5
Out of which from subsidiaries	-	144	-	1 822
Out of which from associate	2 285	1 106	1 144	1 144
Other Group companies' loans	1 179	-	-	-
Total deposits and liabilities from related parties	3 493	1 666	3 157	4 980

	6 month period ended 30 June 2011		6 month period ended 30 June 2010	
	Group Interest rate %	Bank Interest rate %	Group Interest rate %	Bank Interest rate %
Loans to related parties	4.29	4.29	5.81	5.81
Term and demand deposits	0.65	0.65	0.38	0.38

The Council and Board remuneration in six months of year 2011 was LVL 152 thousand (6 months of 2010: LVL 212 thousand).

	6 month period ended 30 June 2011		6 month period ended 30 June 2010	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Income from related party transactions				
Commission income	29	30	14	17
Interest income	36	38	48	60
Dividends	-	165	-	186
Other	-	194	-	5
Expenses from related party transactions				
Interest expenses	29	30	28	30
Other	1	2	5	26
Rent expenses	70	70	147	147

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****26. ASSETS UNDER MANAGEMENT**

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Assets under management				
Balances due from Latvian credit institutions	7 499	7 499	1 675	1 675
Balances due from foreign credit institutions	870	870	880	880
Loans	10 239	10 239	703	703
Non-fixed income securities	2 478	2 478	667	667
Fixed income securities	26 717	26 717	29 465	29 465
<i>Out of which: Pledged within the framework of repurchase transactions</i>	<i>2 913</i>	<i>2 913</i>	<i>5 645</i>	<i>5 645</i>
Other assets	4 204	4 204	2 414	2 414
Total assets under management	52 007	52 007	35 804	35 804
Liabilities under management				
Non-residents' trust liabilities	50 082	50 082	34 008	34 008
Residents' trust liabilities	1 925	1 925	1 796	1 796
Total liabilities under management	52 007	52 007	35 804	35 804

As of 30 June 2011 assets under management include transactions with related parties of the Bank in the amount of LVL 1 607 thousand. As at 31 December 2010 assets under management include transactions with related parties of the Bank in the amount of LVL 1 529 thousand.

27. CONTINGENT LIABILITIES

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum exposure that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

	30 June 2011		31 December 2010	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Unused credit facilities	2 029	2 029	3 939	3 939
Unused credit card facilities	428	428	450	450
Guarantees	68	68	73	73
	2 525	2 525	4 462	4 462

Total contractual and above amounts of commitments to issue loans may not be equal to the cash flow required in the future as such commitments may expire before they are used.

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2011****NOTES TO THE CONSOLIDATED AND BANK'S CONDENSED INTERIM FINANCIAL STATEMENTS****28. CAPITAL ADEQUACY CALCULATION (BANK)**

	30 June 2011	31 December 2010
	'000 LVL	'000 LVL
Tier 1 capital		
Share capital	19 756	19 118
Reserve capital	17	17
Retained earnings for the previous periods	240	739
Profit for the year	879	139
Intangible assets	(196)	(224)
Other deductions	(1 355)	(1 416)
Total Tier 1 capital	19 341	18 373
Tier 2 capital	396	-
Reduction of Tier 1 and Tier 2 capital	(2 820)	(2 820)
Shareholders' equity	16 917	15 553
Risk weighted value		
Bank's portfolio	58 713	58 038
Trading portfolio	35 363	28 288
Operational risk	17 025	14 663
Total risk weighted assets	111 101	100 989
Total capital as percentage of risk weighted assets (total capital ratio)	15%	15%
Total Tier 1 capital, as percentage of risk weighted assets (Tier 1 capital ratio)	15%	15%

As at 30 June 2011 the Bank's capital adequacy ratio was 15% (in 2010: 15%), which exceeds the above minimum requirement of 8% according to Basel Accord and regulations issued by the Financial and Capital Market Commission.

29. SHAREHOLDERS' EQUITY

In February 2011 shareholder of the Bank AS "Baltikums Bankas Grupa" decided to transfer retained earnings of the previous years in the amount of LVL 638 thousand to the Bank's share capital.

	30 June 2011		31 December 2010	
	Amount	'000 LVL	Amount	'000 LVL
Share capital				
Ordinary shares with voting rights	19 756 200	19 756	19 118 200	19 118
	19 756 200	19 756	19 118 200	19 118

Dividends

Amount of dividends payable is limited and does not exceed the amount of the Bank's retained earnings determined by the laws of the Republic of Latvia. According to applicable laws of the Republic of Latvia retained earnings at the end of reporting period were LVL 1 119 thousand (in 2010: LVL 878 thousand).

Reserves in the amount of LVL 17 thousand (in 2010: LVL 17 thousand) were created from retained earnings in accordance with the laws of the Republic of Latvia. These reserves are not limited and can be paid out upon decision of shareholders.

30. SUBSEQUENT EVENTS

In July 2011 the Bank obtained control over SIA "Pils Pakalpojumi" the key line of business of which is maintenance of the real estate. The company owns the building on 6 Smilšu Street in Riga, and the Bank is planning to use the building as its office.