

RIETUMU BANK AS

**Condensed Interim Bank Separate and
Group Consolidated Financial
Statements**

**For the six month period ended
30 June 2013**

Contents

Report of Council and Board of Directors	3
Independent Auditors' Report	7
Condensed Interim Bank Separate and Group Consolidated Income Statement	9
Condensed Interim Bank Separate and Group Consolidated Statement of Other Comprehensive Income	10
Condensed Interim Bank Separate and Group Consolidated Statement of Financial Position	11
Condensed Interim Bank Separate and Group Consolidated Statement of Cash Flows	13
Condensed Interim Bank's Separate Statement of Changes in Shareholders' Equity	15
Condensed Interim Group Consolidated Statement of Changes in Shareholders' Equity	16
Notes to the Condensed Interim Bank Separate and Group Consolidated Financial Statements	18-54

Report of Council and Board of Directors

Operating Results of the Group

For Rietumu Bank, the first half of 2013 was very successful and promising from an operational, financial and strategic point of view. The Bank has continued to enhance its reputation as one of the best managed and stable financial institutions in the Baltic States. The Bank is one of the largest privately owned banks in the Baltic States offering a comprehensive range of banking products and services for corporate customers and high net worth individuals. The Bank has extensive experience in the EU and CIS countries and the Group sees itself as a bridge between East and West as many of its customers operate in Latvia, the Baltic States, Western Europe, Russia and other CIS countries. The Bank understands business environments in both Western and Eastern Europe.

The Latvian economy also performed very well in 2013 and GDP grew by 3.6% and 3.8% in the first two quarters of 2013. Moreover, in June 2013 Latvia reported one of the lowest inflation rates in the European Union of 0.2%. The job market continued to improve with an unemployment rate of 11.4% recorded in the second quarter of 2013 down from 13.0% reported in the previous quarter. This is in line with the Euro zone average but still has much room for improvement. Current account deficit was 1.4% in the first quarter of 2013 and this compares favorably with a deficit of 3.1% in the first quarter of 2012. Latvia met all the convergence criteria to join the Euro and in July 2013 the Council of the European Union officially adopted a decision allowing Latvia to join the Euro effective from 1 January 2014.

Financial results of the Bank were very positive and return on assets and return on equity more than doubled compared to the first half of 2012. One of the cornerstones of our development has always been conservatism and safety and we achieved this year's financial results while maintaining a very liquid balance sheet with relatively high capital ratios. Total assets have increased funded by customer deposits which have continued to grow during 2013 proving underlying confidence depositors hold in the Bank as well the competitiveness of the Bank's products.

The Bank considers that relationship banking is one of the keys to its success. Customers receive an individual and tailor-made approach to decision making, exceptional professionalism, integrity and confidentiality. All customers have access to the Bank remotely through internet banking, phone banking, private bankers and regional managers and 24 h customer support service.

In 2013, as before, the Bank focused its lending on medium sized projects in Latvia as well as in the Baltic States, Russia and CIS countries. The Bank's lending is split between corporate lending in Latvia, private lending, international lending and trade finance. As in 2012, much of the focus and success has been on the finance of international trade supporting raw materials that are exported from CIS countries as well as consumer goods that are imported into these countries.

Another key component to the relationship with our customer has been in the areas of wealth protection, asset management and brokerage. In 2013 these businesses continued to be very successful and offering customers opportunities for trading on global markets and a comprehensive range of asset management services.

The Group also has a wide range of credit cards including the exclusive World Signia card which features exceptional functionality coupled with concierge service in various languages. In 2013 the Bank launched the Jurmala platinum Visa card. This card is aimed at foreign visitors and special customers that visit Latvia and allows for special privileges and offers at exclusive destinations in Riga and Jurmala. E-commerce is a priority and continues to expand offering services to corporate customers allowing for payments with credit and debit cards through the internet.

In 2013, Rietumu Charity Fund continued to support charity and arts patronage, with the focus on supporting projects in medical and child care, and social sphere.

Financial results of the Group

Group total assets increased in the first half of 2013 to LVL 1,758 m compared to LVL 1,602 m in the first half of 2012. This growth is due to a significant increase in customer balances during this period. Customer deposits increased by 13.6 % to LVL 1,525 m compared to LVL 1,342 m as at 30 June 2012 again reaching record levels.

Group loans and advances to customers grew to LVL 716 m or by 12.6 % when compared to LVL 636 m as at 30 June 2012. The Group's policy of keeping high liquid ratios remained the same and excess funding was invested primarily into short term money market instruments as well as liquid investment grade sovereign and corporate bonds.

Net profit after tax has increased to LVL 16,847 thousands from LVL 8,282 thousands for the six months period ended 30 June 2012. The Group's total shareholders' equity increased to LVL 172,156 thousands.

Financial results of the Group

	30 June 2013 (6 months)	31 December 2012	30 June 2012 (6 months)	31 December 2011	30 June 2011 (6 months)
At period end (LVL'000)					
Total assets	1,758,134	1,650,132	1,601,631	1,396,150	1,133,744
Loans and receivables due from customers	716,315	663,852	635,617	568,795	472,550
Due to customers	1,524,808	1,440,454	1,342,294	1,231,508	984,388
Total shareholder's equity	172,156	161,765	151,624	141,442	129,945
For the period (LVL'000)					
Net profit before tax	19,543	25,984	9,766	12,318	1,551
Net profit after tax	16,847	22,177	8,282	9,827	773
Net interest income	21,176	34,197	15,900	23,471	9,508
Net commission income	11,298	19,284	8,810	13,997	6,161
Capital adequacy	17.82% 19.28%*	18.79%	16.62% 17.42%*	16.79%	17.56% 17.65%*

Financial results of the Bank

	30 June 2013 (6 months)	31 December 2012	30 June 2012 (6 months)	31 December 2011	30 June 2011 (6 months)
At period end (LVL'000)					
Total assets	1,745,291	1,638,967	1,589,856	1,388,401	1,127,998
Loans and receivables due from customers	755,291	704,505	678,440	605,432	510,067
Due to customers	1,525,864	1,441,730	1,345,495	1,234,827	985,296
Total shareholders' equity	167,550	157,619	143,576	136,057	130,554
For the period (LVL'000)					
Net profit before income tax	17,740	23,700	9,461	13,057	3,309
Net profit after tax	15,284	20,257	7,827	10,613	2,645
Net interest income	19,277	31,411	14,667	22,560	9,653
Net commission income	11,047	18,783	8,607	14,054	6,041
Capital adequacy	18.83% 20.27%*	19.51%	16.65% 17.46%*	17.20%	18.58% 18.93%*

* Capital adequacy rate, including profit for 6 months (upon receiving the Financial and Capital Market Commission permission)

Statement of management's responsibility

The management of the AS Rietumu Banka (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 interim financial statements of the Bank. The condensed Group consolidated and Bank's separate interim 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.

Condensed Group consolidated and Bank's separate interim financial statements on pages 9 - 54 are prepared in accordance with the source documents and present the financial position of the Group and the Bank as at 30 June 2013 and the results of its performance and cash flows for the six month period ended 30 June 2013.

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



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Independent Auditors' Report

To the shareholders of AS Rietumu Banka

We have audited the accompanying condensed interim separate financial information of AS Rietumu Banka ("the Bank"), which comprises the condensed interim separate statement of financial position as at 30 June 2013, the condensed interim separate statements of comprehensive income, changes in shareholders' equity and cash flows for the six month period then ended, and condensed notes to the condensed interim financial information, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 54.

We have also audited the accompanying condensed interim consolidated financial information of AS Rietumu Banka and its subsidiaries ("the Group"), which comprises the condensed interim consolidated statement of financial position as at 30 June 2013, the condensed interim consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the six month period then ended, and condensed notes to the condensed interim financial information, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 54.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this condensed interim separate and consolidated financial information in accordance with IAS 34 *Interim Financial Reporting* and for such internal controls as management determines are necessary to enable the preparation of this 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 interim separate and consolidated 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 this financial information is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed interim separate and consolidated financial information. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of this financial information, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation and fair presentation of this condensed 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 internal controls. 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 interim consolidated 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 interim separate financial information of AS Rietumu Banka as at and for the six month period ended 30 June 2013 is prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

In our opinion, the condensed interim consolidated financial information of AS Rietumu Banka and its subsidiaries as at and for the six month period ended 30 June 2013 is prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Report of Council and Board of Directors, as set out on pages 3 to 4, the preparation of which is the responsibility of management, is consistent with the condensed interim separate and consolidated financial information. Our work with respect to the Report of Council and Board of Directors was limited to the aforementioned scope and did not include a review of any information other than drawn from the condensed interim separate and consolidated financial information. In our opinion, the Report of Council and Board of Directors is consistent with the condensed interim separate and consolidated financial information.

KPMG Baltics SIA
License No 55

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
30 August 2013

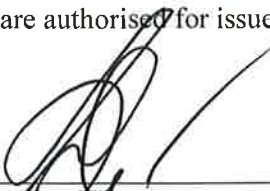
Valda Užāne
Sworn Auditor
Certificate No 4

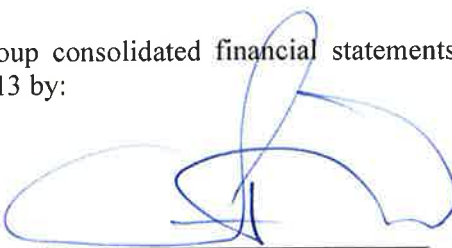
CONDENSED INTERIM BANK SEPARATE AND GROUP CONSOLIDATED INCOME STATEMENT

	Note	6 month period ended 30 June 2013		6 month period ended 30 June 2012	
		'000 LVL	'000 LVL	'000 LVL	'000 LVL
		Group	Bank	Group	Bank
Interest income	7	28,098	25,791	23,183	21,569
Interest expense	7	(6,922)	(6,514)	(7,283)	(6,902)
Net interest income		21,176	19,277	15,900	14,667
Fee and commission income	8	15,667	15,438	11,412	11,079
Fee and commission expense	9	(4,369)	(4,391)	(2,602)	(2,472)
Net fee and commission income		11,298	11,047	8,810	8,607
Net gain/(loss) on financial instruments at fair value through profit or loss		943	874	1,559	1,595
Net foreign exchange gain		7,253	7,410	5,008	5,055
Net gain/(loss) on the net monetary position		(2)	-	(89)	-
Net realised gain/(loss) on available-for-sale assets		1,045	447	(433)	(434)
Share of profit of equity accounted investees (net of income tax)		(21)	-	(41)	-
Other income/(expense)	10	3,331	777	3,186	525
Operating Income		45,023	39,832	33,900	30,015
Impairment losses	11	(5,032)	(5,124)	(7,313)	(6,881)
General administrative expenses	12	(20,448)	(16,968)	(16,821)	(13,673)
Profit before income tax		19,543	17,740	9,766	9,461
Income tax expense	13	(2,696)	(2,456)	(1,484)	(1,634)
Profit for the period		16,847	15,284	8,282	7,827
Attributable to:					
Equity holders of the Bank		16,359	15,284	7,955	7,827
Non-controlling interest		488	-	327	-

The accompanying notes on pages 18 to 54 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.

The condensed interim Bank separate and Group consolidated financial statements as set out on pages 9 to 54 are authorised for issue on 30 August 2013 by:


 Leonid Esterkin
 Chairman of the Council

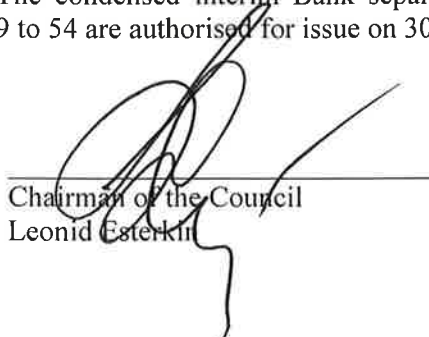

 Alexander Pankov
 Chairman of the Board

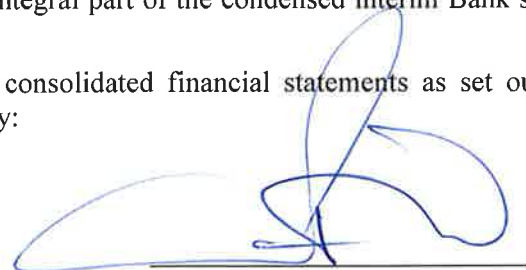
CONDENSED INTERIM BANK SEPARATE AND GROUP CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	6 month period ended 30 June 2013		6 month period ended 30 June 2012	
	'000 LVL Group	'000 LVL Bank	'000 LVL Group	'000 LVL Bank
Profit for the period	16,847	15,284	8,282	7,827
Attributable to:				
Equity holders of the Bank	16,359	15,284	7,955	7,827
Non-controlling interest	488	-	327	-
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Change in revaluation reserve	-	-	(21)	-
Exchange differences on translating foreign operations	242	-	52	-
Income tax related to items of other comprehensive income	415	415	(403)	(414)
Revaluation of available-for-sale financial assets	(704)	(704)	2,689	2,760
Other comprehensive income for the period	(47)	(289)	2,317	2,346
Total comprehensive income for the period	16,800	14,995	10,599	10,173
Attributable to:				
Equity holders of the Bank	16,312		10,272	
Non-controlling interest	488		327	

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 Leonid Esterkin

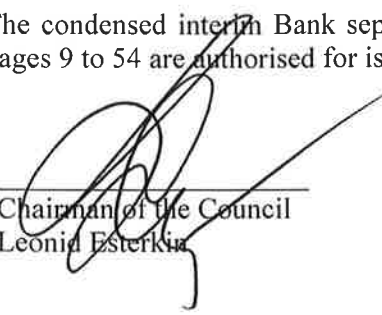

 Chairman of the Board
 Alexander Pankov


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

	Note	30 June 2013 '000 LVL Group	30 June 2013 '000 LVL Bank	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank
ASSETS					
Cash and balances with the central bank	14	294,365	294,216	215,790	215,757
Financial instruments at fair value through profit or loss	15	19,355	19,049	37,674	37,439
Loans and receivables due from banks	16	472,467	470,707	464,300	462,012
Loans and receivables due from customers	17	716,315	755,291	663,852	704,505
Reverse repo	31	70,086	70,086	82,780	82,780
Available-for-sale assets	18	58,391	80,246	52,196	74,487
Non-current assets held for sale		12,709	-	11,474	-
Held-to-maturity investments	19	14,845	14,845	15,373	15,373
Investments in subsidiaries and associates	20,32	23	20,104	60	18,729
Investment property	23	46,984	1,574	52,520	7,499
Property and equipment	21	31,212	3,927	31,356	3,629
Intangible assets	22	2,608	1,642	2,609	1,595
Current tax asset		317	-	681	402
Deferred tax asset		607	388	141	-
Other assets	24	17,850	13,216	19,326	14,760
Total Assets		1,758,134	1,745,291	1,650,132	1,638,967

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Chairman of the Council
Leonid Esterku

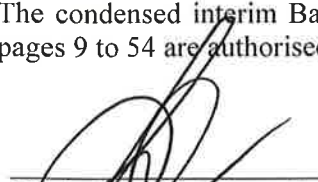

Chairman of the Board
Alexander Pankov

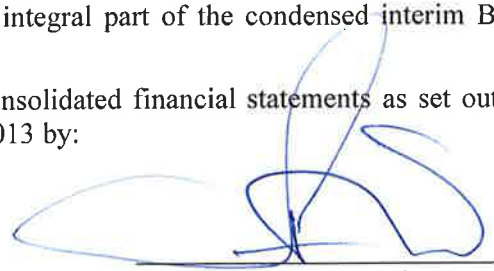
**CONDENSED INTERIM BANK SEPARATE AND GROUP CONSOLIDATED
STATEMENT OF FINANCIAL POSITION**

	Note	30 June 2013 '000 LVL Group	30 June 2013 '000 LVL Bank	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank
LIABILITIES AND SHAREHOLDERS' EQUITY					
Financial instruments at fair value through profit or loss	15	88	88	101	101
Deposits and balances due to banks	25	27,220	25,295	20,919	19,221
Current accounts and deposits due to customers	26	1,524,808	1,525,864	1,440,454	1,441,730
Issued debt securities	27	13,254	13,254	13,163	13,163
Current tax liability		1,745	1,511	323	-
Deferred tax liability		2,353	170	2,827	586
Other liabilities and accruals	28	16,510	11,559	10,580	6,547
Total Liabilities		1,585,978	1,577,741	1,488,367	1,481,348
Share capital		100,000	100,000	100,000	100,000
Share premium		4,809	4,809	4,809	4,809
Revaluation reserve		898	-	2,669	1,754
Fair value reserve		896	896	1,494	1,494
Currency translation reserve		(1,849)	-	(2,109)	-
Other reserves		10,073	10,016	10,074	10,016
Retained earnings		56,478	51,829	43,166	39,546
Total Equity Attributable to Equity Holders of the Bank		171,305	167,550	160,103	157,619
Non-controlling Interest		851	-	1,662	-
Total Shareholders' Equity		172,156	167,550	161,765	157,619
Total Liabilities and Shareholders' Equity		1,758,134	1,745,291	1,650,132	1,638,967

The accompanying notes on pages 18 to 54 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.

The condensed interim Bank separate and Group consolidated financial statements as set out on pages 9 to 54 are authorised for issue on 30 August 2013 by:


Chairman of the Council
Leonid Esterkin


Chairman of the Board
Alexander Pankov

**CONDENSED INTERIM BANK SEPARATE AND GROUP CONSOLIDATED
STATEMENT OF CASH FLOWS**

	Note	6 month period ended 30 June 2013		6 month period ended 30 June 2012	
		'000	'000	'000	'000
		LVL	LVL	LVL	LVL
		Group	Bank	Group	Bank
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax		19,543	17,740	9,766	9,461
Amortization and depreciation	21,22	1,214	614	1,577	880
(Gain)/Loss from sale of investment property		(96)	42	(98)	-
Revaluation of investment property		84	-	-	-
(Gain)/loss on disposal of property and equipment		-	-	-	-
(Gain)/loss on sale of subsidiary		-	-	-	-
Share on profit of equity accounted investees		37	-	(1)	-
Impairment losses	11	5,032	5,124	7,313	6,881
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		25,814	23,520	18,557	17,222
(Increase)/Decrease in financial instruments at fair value through profit or loss		18,319	18,390	8,845	13,449
(Increase)/Decrease in loans and receivables due from banks – term deposits		29,806	29,745	277,597	277,603
Increase in loans and receivables from customers		(57,864)	(55,846)	(74,040)	(79,839)
(Increase)/Decrease in receivable under reverse repurchase agreements		12,694	12,694	(67,304)	(67,304)
(Increase)/decrease in available-for-sale assets		(6,687)	(6,687)	21,171	20,716
(Increase)/Decrease in other assets		1,464	1,270	(3,785)	(1,830)
Increase/(Decrease) in derivative liabilities		(13)	(13)	29	29
Increase/(Decrease) in term deposit deposits due to banks		9	9	(515)	(426)
Increase in current accounts and deposits from customers		84,354	84,134	110,786	110,668
Increase in amounts payable under reverse repurchase agreements		-	-	77,717	77,717
Increase in other liabilities and accruals		5,930	5,012	2,107	553
(Decrease)/Increase in cash and cash equivalents from operating activities before corporate income tax		113,826	112,228	371,165	368,558
Corporate income tax paid		(1,059)	(932)	(2,280)	(1,598)
Net cash and cash equivalents used in operating activities		112,767	111,296	368,885	366,960
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property and equipment and intangible assets	21,22	(1,001)	(848)	(1,278)	(162)
Acquisition of property under restructuring of loan		-	-	(3,484)	-
Proceeds from sale of property, plant and equipment and other assets		7	5	876	10
(Increase)/Decrease in consideration paid for acquisition of subsidiaries		(1,673)	(1,375)	-	-
Proceeds from sale of subsidiary		108	-	-	-
(Acquisition)/ sale of investment property		4,217	5,925	-	687
(Increase)/decrease in held-to-maturity financial assets		804	804	(213)	(213)
Cash and cash equivalents used in investing activities		2,462	4,511	(4,099)	322

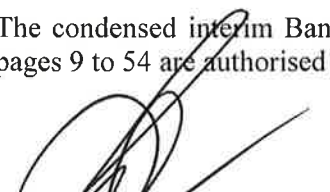
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**CONDENSED INTERIM BANK SEPARATE AND GROUP CONSOLIDATED
STATEMENT OF CASH FLOWS**

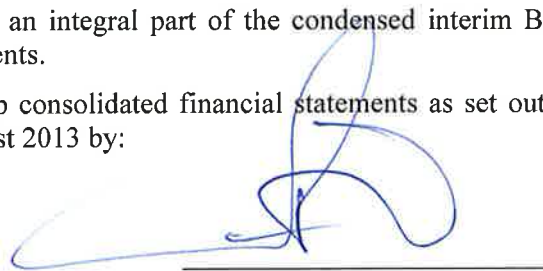
	Note	6 month period ended 30 June 2013		6 month period ended 30 June 2012	
		'000 LVL Group	'000 LVL Bank	'000 LVL Group	'000 LVL Bank
CASH FLOW FROM FINANCING ACTIVITIES					
Shares issued		-	-	2,236	-
Increase/ (decrease) in borrowed funds -issued debt securities	27	91	91	-	-
Dividends paid		(5,064)	(5,064)	(2,654)	(2,654)
Cash and cash equivalents used in financing activities		(4,973)	(4,973)	(418)	(2,654)
Net cash flow for the period		110,256	110,834	364,368	364,628
Cash and cash equivalents at the beginning of the period		591,311	591,741	245,518	244,933
Cash and cash equivalents at the end of the period	14	701,567	702,575	609,886	609,561

The accompanying notes on pages 18 to 54 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.

The condensed interim Bank separate and Group consolidated financial statements as set out on pages 9 to 54 are authorised for issue on 30 August 2013 by:



Chairman of the Council
Leonid Esterkin
30 August 2013



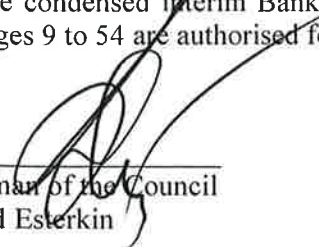
Chairman of the Board
Alexander Pankov

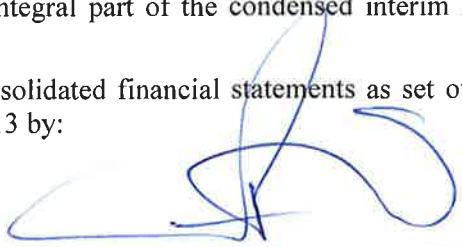
**CONDENSED INTERIM BANK'S SEPARATE
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital	Share premium	Revaluation reserve	Other reserves	Fair value reserve	Retained earnings	Total equity
	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
Balance at 1 January 2012	100,000	4,809	1,754	10,016	(2,465)	21,943	136,057
Total comprehensive income							
Profit for the period	-	-	-	-	-	7,827	7,827
Other comprehensive income	-	-	-	-	2,346	-	2,346
Total comprehensive income	-	-	-	-	2,346	7,827	10,173
Transactions with owners, recorded directly in equity							
Dividends paid	-	-	-	-	-	(2,654)	(2,654)
Balance at 30 June 2012	100,000	4,809	1,754	10,016	(119)	27,116	143,576
Total comprehensive income							
Profit for the period	-	-	-	-	-	12,430	12,430
Other comprehensive income	-	-	-	-	1,613	-	1,613
Total comprehensive income	-	-	-	-	1,613	12,430	14,043
Balance at 31 December 2012	100,000	4,809	1,754	10,016	1,494	39,546	157,619
Total comprehensive income							
Profit for the period	-	-	-	-	-	15,284	15,284
Other comprehensive income	-	-	309	-	(598)	-	(289)
Total comprehensive income	-	-	309	-	(598)	15,284	14,995
Release of revaluation reserve	-	-	(2,063)	-	-	2,063	-
Dividends paid	-	-	-	-	-	(5,064)	(5,064)
Balance at 30 June 2013	100,000	4,809	-	10,016	896	51,829	167,550

The accompanying notes on pages 18 to 54 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.

The condensed interim Bank separate and Group consolidated financial statements as set out on pages 9 to 54 are authorised for issue on 30 August 2013 by:


Chairman of the Council
Leonid Esterkin


Chairman of the Board
Alexander Pankov

30 August 2013

CONDENSED INTERI, GROUP CONSOLIDATED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Attributable to Equity Holders of the Bank

	Share capital '000 LVL	Share premium '000 LVL	Revaluation reserve '000 LVL	Fair value reserve '000 LVL	Foreign currency translation reserve '000 LVL	Other reserves '000 LVL	Retained earnings '000 LVL	Total '000 LVL	Non- controlling interest '000 LVL	Total Equity '000 LVL
Balance at 1 January 2012	100,000	4,809	2,626	(2,405)	(1,760)	10,025	23,490	136,785	4,657	141,442
<i>Transactions with shareholders recorded directly in equity</i>										
Dividends paid	-	-	-	-	-	-	(2,654)	(2,654)	-	(2,654)
<i>Change in interest in previously controlled fund</i>										
Issue of new units to third parties by a controlled fund	-	-	-	-	-	-	-	-	2,236	2,236
<i>Total comprehensive income</i>										
Profit for the current year	-	-	-	-	-	-	7,956	7,956	327	8,283
Changes in other reserves	-	-	-	-	-	14	(14)	-	-	-
Revaluation of property	-	-	(21)	-	-	-	-	(21)	-	(21)
Changes in fair value of available-for-sale financial assets	-	-	-	2,286	-	-	-	2,286	-	2,286
Exchange differences on the translating foreign operations	-	-	-	-	52	-	-	52	-	52
Balance at 30 June 2012	100,000	4,809	2,605	(119)	(1,708)	10,039	28,778	144,404	7,220	151,624
<i>Change in interest in previously controlled fund</i>										
Partial disposal to third parties of units of a previously controlled fund	-	-	-	(60)	-	-	404	344	(5,621)	(5,277)
<i>Total comprehensive income</i>										
Profit for the current year	-	-	-	-	-	-	13,970	13,970	(76)	13,894
Changes in other reserves	-	-	-	-	-	35	14	49	-	49
Revaluation of property	-	-	103	-	-	-	-	103	29	132
Changes in fair value of available-for-sale financial assets	-	-	-	1,673	-	-	-	1,673	-	1,673
Exchange differences on the translating foreign operations	-	-	(39)	-	(401)	-	-	(440)	110	(330)
Total comprehensive income	-	-	64	1,673	(401)	35	13,984	15,355	63	15,418
Balance at 31 December 2012	100,000	4,809	2,669	1,494	(2,109)	10,074	43,166	160,103	1,662	161,765

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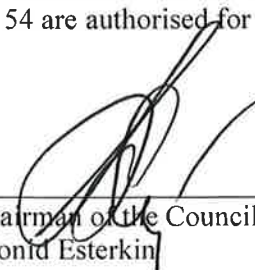
Rietumu Banka AS
Condensed Interim Bank Separate and Group Consolidated Financial Statements
for the six month period ended 30 June 2013

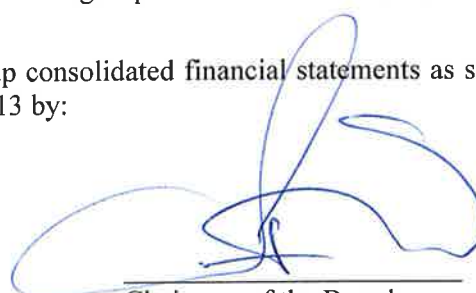
Attributable to Equity Holders of the Bank

	Share capital	Share premium	Revaluation reserve	Fair value reserve	Foreign currency translation/revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
Dividends paid	-	-	-	-	-	-	(5,064)	(5,064)	-	(5,064)
Total comprehensive income										
Profit for the period	-	-	-	-	-	-	16,359	16,359	488	16,847
Other comprehensive income	-	-	309	-	-	-	-	309	-	309
Partial disposal of shares to third parties	-	-	-	-	-	-	(46)	(46)	175	129
Changes in fair value of available-for-sales financial assets	-	-	-	(598)	-	-	-	(598)	-	(598)
Changes due to increase of shareholding in a subsidiary	-	-	-	-	-	-	-	-	(1,474)	(1,474)
Exchange differences on translating foreign operations	-	-	(17)	-	260	(1)	-	242	-	242
Total comprehensive income	-	-	292	(598)	260	(1)	11,249	11,202	(811)	10,391
Release of revaluation reserve	-	-	(2,063)	-	-	-	2,063	-	-	-
Balance at 30 June 2013	100,000	4,809	898	896	(1,849)	10,073	56,478	171,305	851	172,156

The accompanying notes on pages 18 to 54 are an integral part of the condensed interim Bank separate and Group consolidated financial statements.

The condensed interim Bank separate and Group consolidated financial statements as set out on pages 9 to 54 are authorised for issue on 30 August 2013 by:


 Chairman of the Council
 Leonīd Esterkin


 Chairman of the Board
 Alexander Pankov

30 August 2013

1 Background

These condensed interim separate and consolidated financial statements include the financial statements of JSC “Rietumu bank”(the “Bank”) and its subsidiaries (together referred to as the “Group”). There have been no significant changes in Group structure since 31 December 2012.

JSC “Rietumu Banka” was established in the Republic of Latvia as a joint stock company and was granted its general banking licence in 1992.

The principal activities of the Bank are deposit taking and customer accounts maintenance, lending and issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Bank of Latvia and the Financial and Capital Market Commission (“FCMC”).

The registered address of the Bank’s head office is Vesetas Street 7, Riga, Latvia.

2 Basis of preparation

(a) Statement of compliance

These condensed interim separate and consolidated financial statements are prepared in accordance with International Financial Reporting Standard IAS34 *Interim Financial Reporting*. These condensed interim separate and consolidated 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 Group as at and for the year ended 31 December 2012.

The audited financial statements as at and for the year ended 31 December 2012 are available at the Bank’s web site: www.rietumu.com.

The Board approved the condensed interim separate and consolidated financial statements for issue on 30 August 2013. The shareholders have the power to reject the separate and consolidated financial statements prepared and issued by management and the right to request that new financial statements be issued.

(b) Basis of measurement

The condensed interim separate and consolidated financial statements are prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are stated at fair value;
- available-for-sale assets are stated at fair value;
- owner occupied buildings which are stated at revalued amounts being the fair value at the date of valuation less subsequent accumulated depreciation;
- investment property which is stated at fair value.

(c) Functional and Presentation Currency

The condensed interim financial statements are presented in thousands of lats (LVL 000’s). The functional currencies of subsidiaries of the Bank are LVL except for the subsidiaries listed below:

“RB Securities” Ltd	USD (US dollar)
“Westleasing” Ltd	BYR (Belarus rouble)
“Westtransinvest” Ltd	BYR (Belarus rouble)
“Westleasing-M” Ltd	RUB (Russian rouble)
“Interrent” Ltd	BYR (Belarus rouble)
“RB Baki” Ltd	AZN (Azerbaijan manat)
“RB Commercial Consulting (Shanghai) Co.” Ltd	CNY (Chinese yuan)

3 Significant accounting policies

The accounting policies applied by the Bank and the Group in these condensed interim separate and consolidated financial statements are the same as those applied by the Bank and the Group in their financial statements as at and for the year ended 31 December 2012.

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

New Standards and Interpretations

The Group and Bank have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*
- Amendments to IFRS 7 *Financial Instruments: Disclosures*
- IFRS 13 *Fair Value Measurement*
- Amendments to IAS 12: *Deferred Tax: Recovery of Underlying Assets*
- IAS 19 (2011) *Employee Benefits*

(a) Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*

As a result of the amendments to IAS 1, the Group and Bank have modified the presentation of items of other comprehensive income in their condensed statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly. The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group and Bank.

(b) Amendments to IFRS 7 *Financial Instruments: Disclosures* and initial application of IFRS 13 *Fair Value measurement*

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group and Bank have included additional disclosures in this regard in the condensed interim financial statements. Notwithstanding the above, the change had no significant impact on the measurements of the Group's and Bank's assets and liabilities.

(c) Amendments to IAS 12: *Deferred Tax: Recovery of Underlying Assets*

The amendment have not had any impact on the Group's and Bank's condensed interim financial statements, since it did not result in a change in the Bank's or Group's accounting policy. The measurement of deferred tax assets and liabilities relating to investment properties measured using the fair value model in IAS 40 has not changed.

(d) IAS 19 (2011) *Employee Benefits*

The amendments are not relevant to the Group's and Bank's condensed interim financial statements, since the Group and Bank do not have any defined benefit plans.

4 Risk management

All aspects of the Bank's and the Group's risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2012.

The Bank and the Group have exposure to the following risks:

- market risk
- credit risk
- liquidity risks
- operational risks
- capital management risks

Sensitivity of financial instruments at fair value through profit or loss to interest rate, currency and price risks is presented below. There have been no significant changes to sensitivity of other assets and liabilities to risks as presented in Bank's and the Group's financial statements for the year ended 31 December 2012, and therefore sensitivities of other components are not disclosed in these condensed interim financial statements.

5 Capital management

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

The Bank and the Group defines as capital those items defined by statutory regulation as capital. Under the current capital requirements set by the 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 2013, the individual minimum level is 16.8%. The Bank was in compliance with the FCMC determined individual capital ratio during the six-month periods ended 30 June 2013 and 30 June 2012, as well as during the year ended 31 December 2012.

The Group's risk based capital adequacy ratio, as at 30 June 2013, was 19.28% (31 December 2012: 18.79% and 30 June 2012: 17.42%).

The Bank's risk based capital adequacy ratio as at 30 June 2013 was 20.27% (31 December 2012: 19.51% and 30 June 2012 17.46%).

6 Use of estimates and judgments

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 interim financial statements, the significant judgements made by management in applying the 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 2012.

- Determining fair value of financial instruments;
- Impairment allowance for loans and receivables;
- Impairment of available for sale financial instruments;

6 Use of estimates and judgements, *continued*

- Impairment of held to maturity financial instruments;
- Determining fair value of property;
- Recoverable amount of collateral assumed on non-performing loans;
- Impairment of goodwill;
- Useful life of equipment;
- Deferred tax asset recoverability.

During the six months ended 30 June 2013 management reassessed its estimates and concluded that there have been changes to:

- Allowances for credit losses on loans and receivables (see note 17);
- Impairment of assets shown under other assets (see note 24)'
- Impairment of available-for-sale assets (see note 18).

7 Net interest income

	Six months ended 30 June			
	2013	2013	2012	2012
	'000 LVL	'000 LVL	'000 LVL	'000 LVL
	Group	Bank	Group	Bank
Interest income				
Loans and receivables due from customers	26,090	23,825	19,989	18,665
Loans and receivables due from financial institutions	852	810	1,072	996
Financial instruments at fair value through profit or loss	149	149	503	289
Available for sale assets	595	595	1,019	1,019
Held-to-maturity investments	144	144	243	243
Amounts receivable under reverse repurchase agreements	268	268	357	357
	28,098	25,791	23,183	21,569
Interest expense				
Current accounts and deposits due to customers	4,833	4,755	5,243	5,057
Deposits and balances due to financial institutions	334	10	67	10
Amounts payable under repurchase agreements	-	-	8	8
Other interest expense	1,755	1,749	1,965	1,827
	6,922	6,514	7,283	6,902

8 Fee and commission income

	Six months ended 30 June			
	2013	2013	2012	2012
	'000 LVL	'000 LVL	'000 LVL	'000 LVL
	Group	Bank	Group	Bank
Money transfers	5,487	5,487	4,487	4,487
Commission income from payment cards	2,653	2,653	3,270	3,270
Commission income from E-commerce	2,993	2,993	174	174
Revenue from customer asset management and brokerage commissions	1,623	1,404	962	842
Remote system fee	60	60	67	67
Commission from documentary operations	336	336	217	217
Commission from account servicing	563	563	377	377
Cash withdrawals	120	120	104	104
Commission from loans	14	-	159	-
Other	1,818	1,822	1,595	1,541
	15,667	15,438	11,412	11,079

9 Fee and commission expense

	Six months ended 30 June			
	2013	2013	2012	2012
	'000 LVL	'000 LVL	'000 LVL	'000 LVL
	Group	Bank	Group	Bank
Payment cards	1,246	1,246	1,233	1,233
E-commerce	1,466	1,466	95	95
On correspondent accounts	231	231	189	189
Brokerage fees	323	361	266	226
Cash withdrawal fees	10	10	4	4
Agent commissions	771	816	654	538
Other	322	261	161	187
	4,369	4,391	2,602	2,472

10 Other income/(expense)

	2013	2013	2012	2012
	'000 LVL	'000 LVL	'000 LVL	'000 LVL
	Group	Bank	Group	Bank
Rental income from operating leases	2,191	244	2,432	33
Profit/(loss) from sale of investment property	96	(42)	98	-
Profit/(loss) from revaluation of investment property	(84)	-	-	-
Penalties received	547	249	-	113
Recovery of assets written off	-	-	59	4
Dividends received	47	189	78	400
Profit from sale of property and equipment	4	-	365	8
Income from sale of subsidiaries	109	176	386	-
Other, net	421	(39)	(232)	(33)
	3,331	777	3,186	525

11 Impairment losses

	Six months ended 30 June			
	2013	2013	2012	2012
	'000 LVL Group	'000 LVL Bank	'000 LVL Group	'000 LVL Bank
Impairment losses				
Loans and receivables due from customers	(10,194)	(9,794)	(11,017)	(10,649)
Available-for-sale financial assets	-	(437)	-	-
Held-to-maturity investments	-	-	(80)	(80)
Intangible assets	-	-	(1)	-
Other assets	(44)	(24)	(20)	(17)
	(10,238)	(10,255)	(11,118)	(10,746)
Reversals of impairment losses				
Loans and receivables due from customers	4,793	4,734	3,799	3,818
Available-for-sale financial assets	116	116	-	43
Held-to-maturity investments	276	276	-	-
Other assets	21	5	6	4
	5,206	5,131	3,805	3,865
Net impairment losses	(5,032)	(5,124)	(7,313)	(6,881)

12 General administrative expenses

	Six months ended 30 June			
	2013	2013	2012	2012
	'000 LVL Group	'000 LVL Bank	'000 LVL Group	'000 LVL Bank
Employee remuneration	6,594	5,253	5,878	4,761
Payroll related taxes on employee remuneration	1,792	1,445	1,609	1,289
Provision for bonus and payroll related taxes	2,726	2,726	754	754
Depreciation and amortization	1,214	614	1,577	880
Repairs and maintenance	786	268	779	268
Advertising and marketing	338	217	404	305
Salaries to Board of Directors and Council	857	773	852	677
Representative offices	633	445	404	390
Taxes other than on corporate income and payroll	691	443	613	410
IT related costs	589	589	534	534
Communications and information services	448	414	486	439
Rent	733	1,156	451	891
Professional services	471	283	420	296
Travel expenses	391	367	374	351
Credit card service	368	368	298	298
Charity and sponsorship	202	95	237	252
Representation	95	75	209	55
Insurance	95	70	90	69
Office supplies (stationery)	49	27	63	21
Subscription of information	50	37	31	31
Security	24	26	15	18
Other	1,302	1,277	743	684
	20,448	16,968	16,821	13,673

13 Income tax expense

(a) Income tax expense recognized in the profit and loss

	Six months ended 30 June			
	2013 '000 LVL Group	2013 '000 LVL Bank	2012 '000 LVL Group	2012 '000 LVL Bank
Current tax expense				
Current tax expense	3,371	2,997	1,983	1,629
Corrections of prior period	(150)	(152)	-	(51)
Deferred tax expense				
Origination and reversal of temporary differences	(525)	(389)	(499)	56
Total income tax expense in the profit and loss	2,696	2,456	1,484	1,634

	2013 '000 LVL	2012 '000 LVL
The tax rate applicable in countries in which group entities operate:		
Latvia	15.00%	15.00%
Belarus	18.00%	18.00%
Cyprus	10.00%	10.00%
Russia	20.00%	20.00%
Azerbaijan	20.00%	20.00%

(b) Reconciliation of effective tax rate:

The Group	30 June 2013		30 June 2012	
	'000 LVL	%	'000 LVL	%
Profit before income tax	19,543		9,766	
Income tax at the applicable tax rate	2,931	15.00%	1,465	15.00%
Effect of different tax rate in other countries	(11)	(0.06%)	-	-
Non-deductible expenses/(non-taxable income)	(74)	(0.38%)	19	0.20%
Under/(over) provided in prior years	(150)	(0.77%)		
	2,696	13.80%	1,484	15.20%
The Bank				
	30 June 2013		30 June 2012	
	'000 LVL	%	'000 LVL	%
Profit before tax	17,740		9,461	-
Income tax at the applicable tax rate	2,661	15.00%	1,419	15.00%
Non-deductible expenses/(non-taxable income)	(53)	(0.30%)	266	2.81%
Under/(over) provided in prior years	(152)	(0.86%)	(51)	(0.54%)
	2,456	13.84%	1,634	17.27%

13 Income tax expense, continued

(c) Income tax recognized in other comprehensive income

Group	2013 '000 LVL		2012 '000 LVL	
	Tax Base	Deferred income tax	Tax Base	Deferred income tax
Deferred tax expense				
Change in revaluation reserve	-	309	-	-
Change in fair value reserve	(704)	106	2,689	(403)
Total income tax recognized in equity	(704)	415	2,689	(403)

Bank	2013 '000 LVL		2012 '000 LVL	
	Tax Base	Deferred income tax	Tax Base	Deferred income tax
Deferred tax expense				
Change in revaluation reserve	-	309	-	-
Change in fair value reserve	(704)	106	2,760	(414)
Total income tax recognized in equity	(704)	415	2,760	(414)

14 Cash and balances with the central bank

Cash and balances with central bank comprised of the following items:

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
Cash	3,241	3,092	3,763	3,730
Balances with the central bank	291,124	291,124	212,027	212,027
	294,365	294,216	215,790	215,757

Cash and cash equivalents consist of the following:

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	30 June 2012 '000 LVL	30 June 2012 '000 LVL
	Group	Bank	Group	Bank
Cash	3,241	3,092	3,573	3,473
Balances with the central bank	291,124	291,124	62,698	62,698
Demand loans and receivables due from banks	433,828	433,060	562,289	561,805
Demand deposits and balances due to banks	(26,626)	(24,701)	(18,674)	(18,415)
Total	701,567	702,575	609,886	609,561

15 Financial instruments at fair value through profit or loss

	30 June		31 December	
	2013	2013	2012	2012
	'000 LVL	'000 LVL	'000 LVL	'000 LVL
	Group	Bank	Group	Bank
Bonds				
- with rating from AAA to A	9,120	9,120	16,617	16,617
- with rating from BBB+ to BBB-	7,204	7,204	19,989	19,989
- non-investment grade	2,079	2,079	180	180
Equity investments	706	400	655	420
Derivative financial instruments	246	246	233	233
Financial assets at fair value through profit or loss	19,355	19,049	37,674	37,439
Derivative financial instruments	(88)	(88)	(101)	(101)
Financial liabilities at fair value through profit or loss	(88)	(88)	(101)	(101)

The Bank and the Group classify trading and derivative financial instruments and trading portfolio under this category.

Derivative financial assets and liabilities

The Group	30 June 2013		31 Dec 2012	
	'000 LVL		'000 LVL	
	Carrying value	Notional value	Carrying value	Notional value
Assets				
Forward contracts	126	14,838	107	16,947
Option premium	114	n/a	125	n/a
Swap contracts	6	7,835	1	485
Total derivative financial assets	246		233	
Liabilities				
Swap contracts	19	1,700	61	4,140
Forward contracts	69	17,006	40	12,310
Total derivative liabilities	88		101	

15 Financial instruments at fair value through profit or loss, continued

The Bank	30 June 2013 '000 LVL		31 Dec 2012 '000 LVL	
	Carrying value	Notional value	Carrying value	Notional value
Assets				
Forward contracts	126	14,838	107	16,947
Option premium	114	n/a	125	n/a
Swap contracts	6	7,835	1	485
Total derivative financial assets	246		233	
Liabilities				
Swap contracts	19	1,700	61	4,140
Forward contracts	69	17,006	40	12,310
Total derivative liabilities	88		101	

16 Loans and receivables due from banks

	30 June	30 June	31 December	31 December
	2013	2013	2012	2012
	'000 LVL	'000 LVL	'000 LVL	'000 LVL
	Group	Bank	Group	Bank
Demand accounts				
Latvian commercial banks	1,698	1,292	510	37
OECD banks	414,511	414,510	382,231	382,231
Other non-OECD banks	17,619	17,258	13,114	12,352
Total Demand accounts	433,828	433,060	395,855	394,620
Deposit accounts				
Latvian commercial banks	-	-	7,966	7,966
OECD banks	28,929	28,929	53,996	53,996
Other non-OECD banks	9,710	8,718	6,483	5,430
Total loans and deposits	38,639	37,647	68,445	67,392
	472,467	470,707	464,300	462,012

Concentration of placements with banks and other financial institutions

As at 30 June 2013, the Bank and the Group had balances with one bank (31 December 2012: one bank), which exceeded 10% of total loans and receivables due from banks. The gross value of these balances as of 30 June 2013 and 31 December 2012 were LVL 53,900 thousand and LVL 53,100 thousand, respectively.

17 Loans and receivables due from customers

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
Companies				
Finance leases	25,509	-	27,005	-
Loans	671,198	749,913	618,606	698,396
Individuals				
Finance leases	13,970	-	11,635	-
Loans	63,388	62,445	59,225	58,306
Specific impairment allowance	(57,123)	(57,067)	(52,001)	(52,197)
Collective impairment allowance	(627)	-	(618)	-
Net Loans and receivables from customers	716,315	755,291	663,852	704,505

(a) Finance leases

Loans and receivables from customers include the following finance lease receivables for leases of certain property and equipment where the Group is the lessor:

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
Gross investment in finance leases, receivable				
Less than one year	23,192	-	22,005	-
Between one and five years	25,955	-	26,690	-
Total gross investment in finance leases	49,147	-	48,695	-
Unearned finance income	(9,668)	-	(10,055)	-
Net investment in finance lease before allowance	39,479	-	38,640	-
Impairment allowance	(2,354)	-	(2,093)	-
Net investment in finance lease	37,125	-	36,547	-

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
The net investment in finance leases comprises:				
Less than one year	17,269	-	15,924	-
Between one and five years	19,856	-	20,623	-
Net investment in finance lease	37,125	-	36,547	-

17 Loans and receivables due from customers, continued

(b) Credit quality of loan portfolio

(i) Ageing structure of loan portfolio

The Group	Total LVL'000	Of which not past due on the reporting date	Of which past due by the following terms				Net carrying value of overdue loans
			Less	31-90	91-180	More than	
			than 30 days	days	days	180 days	
As at 30 June 2013							
Net carrying amount	716,315	659,071	35,336	8,834	469	12,605	57,244
Out of which impaired	102,463	84,397	7,156	1,799	437	8,674	18,066
Assessed fair value of collateral	1,039,755	951,650	45,367	12,524	418	29,796	88,105
As at 31 Dec 2012							
Net carrying amount	663,852	593,553	36,499	14,541	2,829	16,430	70,299
Out of which impaired	101,543	79,373	1,623	7,519	1,662	11,366	22,170
Assessed fair value of collateral	912,648	793,834	66,368	12,449	9,553	30,444	118,814
The Bank							
The Bank	Total LVL'000	Of which not past due on the reporting date	Of which past due by the following terms				Net carrying value of overdue loans
			Less	31-90	91-180	More than	
			than 30 days	days	days	180 days	
As at 30 June 2013							
Net carrying amount	755,291	691,360	35,370	16,389	177	11,995	63,931
Out of which impaired	73,316	57,678	6,383	1,046	144	8,065	15,638
Assessed fair value of collateral	1,106,670	1,010,368	45,190	21,747	179	29,186	96,302
As at 31 Dec 2012							
Net carrying amount	704,505	627,350	44,522	14,063	2,788	15,782	77,155
Out of which impaired	74,616	54,444	897	7,402	1,621	10,252	20,172
Assessed fair value of collateral	966,816	839,158	76,231	12,076	9,553	29,798	127,658

17 Loans and receivables due from customers, continued

(ii) Analysis of loan by type of collateral

The following table provides the analysis of the loan portfolio, net of impairment, by types of collateral

The Group

LVL'000	30 June 2013	% of loan portfolio	31 December 2012	% of loan portfolio
Commercial buildings	232,290	32.43	220,756	33.25
Commercial assets pledge	193,370	27.00	161,690	24.36
Traded securities	107,648	15.03	102,105	15.38
Other mortgage	59,927	8.37	53,503	8.06
Without collateral	34,639	4.84	46,317	6.98
Land mortgage	36,971	5.16	36,517	5.50
Mortgage on residential properties	23,867	3.33	23,906	3.60
Guarantee	10,398	1.45	4,926	0.74
Deposit	3,862	0.53	1,227	0.18
Not traded securities	6	0.00	1	0.00
Other	13,337	1.86	12,904	1.95
Total	716,315	100.00	663,852	100.00

The Bank

LVL'000	30 June 2013	% of loan portfolio	31 December 2012	% of loan portfolio
Commercial buildings	268,323	35.53	251,853	35.75
Commercial assets pledge	203,563	26.95	167,124	23.72
Traded securities	107,648	14.25	102,105	14.50
Other mortgage	66,976	8.87	65,401	9.28
Land mortgage	36,971	4.89	36,517	5.18
Without collateral	36,379	4.82	52,499	7.45
Mortgage on residential properties	23,867	3.16	23,906	3.39
Guarantee	7,695	1.02	3,553	0.50
Deposit	3,862	0.51	1,226	0.17
Other	7	-	321	0.06
Total	755,291	100.00	704,505	100.00

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

17 Loans and receivables due from customers, continued

(iii) Impaired loans

	30 June 2013 '000 LVL Group	30 June 2013 '000 LVL Bank	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank
Impaired loans gross	129,022	130,383	124,083	126,813
Specific impairment allowance	(57,123)	(57,067)	(52,001)	(52,197)
Net Loans and receivables from customers	71,899	73,316	72,082	74,616
Fair value of collateral related to impaired loans	103,271	104,249	104,797	105,967

When reviewing loans the bank and the Group set the following categories for individual loans to assess their credit risk:

The Group

	30 June 2013 '000 LVL Gross	Specific impairment allowance	Collective impairment allowance	31 Dec 2012 '000 LVL Gross	Specific impairment allowance	Collective impairment allowance
Standard	651,206	(256)	(624)	597,687	(273)	(617)
Watch	35,471	(6,115)	(3)	36,323	(5,836)	(1)
Substandard	40,404	(13,086)		45,318	(14,753)	-
Doubtful	37,186	(27,884)		29,604	(23,639)	-
Lost	9,798	(9,782)		7,539	(7,500)	-
Total	774,065	(57,123)	(627)	716,471	(52,001)	(618)

The Bank

	30 June 2013 '000 LVL Gross	Specific impairment allowance	Collective impairment allowance	31 Dec 2012 '000 LVL Gross	Specific impairment allowance	Collective impairment allowance
Standard	688,170	(256)	-	636,180	(274)	-
Watch	34,682	(6,039)	-	35,934	(5,798)	-
Substandard	45,343	(15,663)	-	49,831	(17,227)	-
Doubtful	36,698	(27,660)	-	29,120	(23,299)	-
Lost	7,465	(7,449)	-	5,637	(5,599)	-
Total	812,358	(57,067)	-	756,702	(52,197)	-

17 Loans and receivables due from customers, continued

(iv) *Movements in the impairment allowance*

Movements in the loan impairment allowance for the 30 June 2013 and year ended 31 December 2012 are as follows:

LVL'000	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
Allowance for impairment				
Balance at 1 January	52,619	52,197	42,680	42,280
Sale of subsidiary	-	-	(1)	-
Charge for the period:				
<i>Specific impairment allowance</i>	10,148	9,794	18,986	18,711
<i>Collective impairment allowance</i>	46	-	285	-
Reversal of specific impairment allowance loss				
<i>Specific impairment allowance</i>	(4,767)	(4,734)	(5,434)	(5,075)
<i>Collective impairment allowance</i>	(26)	-	(2)	(2)
Effect of foreign currency translation	(712)	(632)	(300)	(281)
Write offs	442	442	(3,595)	(3,436)
Balance at 31 December	57,750	57,067	52,619	52,197

(v) *Restructured loans*

As at 30 June 2013, the Group held restructured loans of LVL 89,163 thousand (31 December 2012: 115,064 thousand) and the Bank held restructured loans of LVL 96,600 thousand (31 December 2012: LVL 119,348 thousand). Main forms of restructuring were the reduction of the interest rate, postponing of interest payments or principal payments.

17 Loans and receivables due from customers, continued

(c) Industry analysis of the loan portfolio

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
Financial services	244,929	290,225	209,158	259,276
Real estate management	198,769	225,864	147,268	174,478
Construction	28,089	28,089	82,802	83,176
Transport and communication	54,944	57,439	52,111	49,327
Individuals	47,996	47,996	44,380	44,380
Wholesale and retailing	30,829	30,823	26,479	26,477
Investments in finance lease	37,054	-	36,505	-
Manufacturing	18,245	18,217	20,728	20,710
Food industry	8,303	8,303	8,037	8,037
Tourism	4,711	4,705	5,938	5,936
Financial instruments classified as loans and receivables	15	-	83	-
Other	42,431	43,630	30,363	32,708
	716,315	755,291	663,852	704,505

(d) Geographical analysis of the loan portfolio

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
Latvia	180,148	217,064	170,813	207,975
OECD countries	75,172	74,894	69,434	69,157
Other non-OECD countries	460,995	463,333	423,605	427,373
	716,315	755,291	663,852	704,505

(e) Significant credit exposures

As at 30 June 2013 and 31 December 2012 the Bank and the Group had no borrowers or groups of related borrowers, respectively, whose loan balances exceeded 10% of loan and receivables from customers.

According to regulatory requirements, the Bank and the Group 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 31 December 2012 and 30 June 2013 the Bank and the Group were in compliance with this requirement.

18 Available-for-sale assets

	30 June 2013 '000 LVL Group	30 June 2013 '000 LVL Bank	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank
Equity investments				
<i>Equity shares</i>				
RB Opportunity Fund I net value	-	24,598	-	24,598
Impairment allowance	-	(2,603)	-	(2,166)
Net value	-	21,995	-	22,432
RBAM Fixed Income Fund	1,886	1,886	5,561	5,561
Revaluation since acquisition	146	146	771	771
Net value	2,032	2,032	6,332	6,332
Viaduct Invest FCP SIF USD				
Evergreen 35 Repo Fund	16,174	16,174	-	-
Revaluation since acquisition	55	55	-	-
Net value	16,229	16,229	-	-
Corporate shares	1,468	169	1,468	168
Impairment allowance	(1,159)	-	(1,159)	-
Net value	309	169	309	168
<i>Bonds</i>				
- with rating from AAA to A	22,643	22,643	23,652	23,652
Revaluation since acquisition	29	29	411	411
Net value	22,672	22,672	24,063	24,063
- with rating from BBB+ to BBB-	16,420	16,420	18,196	18,196
Revaluation since acquisition	(315)	(315)	552	552
Net value	16,105	16,105	18,748	18,748
- non-investment	1,170	1,170	2,936	2,936
Revaluation since acquisition	(26)	(26)	24	24
Impairment allowance	(100)	(100)	(216)	(216)
Net value	1,044	1,044	2,744	2,744
	58,391	80,246	52,196	74,487

19 Held-to-maturity investments

	30 June 2013 '000 LVL Group	30 June 2013 '000 LVL Bank	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank
Debt and other fixed-income instruments				
- Government and municipal bonds				
Argentina government bonds	-	-	876	876
Total government and municipal bonds	-	-	876	876
- Corporate bonds				
Russia	13	13	14	14
USA	14,832	14,832	14,690	14,690
Total corporate bonds	14,845	14,845	14,704	14,704
Impairment allowance	-	-	(207)	(207)
	14,845	14,845	15,373	15,373

Analysis of movements in the impairment allowance

	30 June 2013 '000 LVL Group	30 June 2013 '000 LVL Bank	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank
Balance at the beginning of the period	207	207	176	176
Net charge/(recovery) for the period	(276)	(276)	37	37
Write off	66	66	-	-
Currency revaluation	3	3	(6)	(6)
Balance at the end of the period	-	-	207	207

20 Investments in subsidiaries

The subsidiaries of the Bank are as follows:

	30 June 2013	31 Dec 2012
	'000 LVL	'000 LVL
	Bank	Bank
Incorporated in		
- Latvia	12,797	12,905
- Cyprus	7,700	7,700
- Russia	1,666	1,666
- Belarus	1,708	225
- Azerbaijan	3	3
Total gross investments	23,874	22,499
Impairment allowance	(3,770)	(3,770)
Net Investments in subsidiaries	20,104	18,729

Movements in the impairment allowances

	30 June 2013	31 Dec 2012
	'000 LVL	'000 LVL
	Bank	Bank
Balance at the beginning of the period	3,770	3,790
Reversal of impairment loss	-	(20)
Balance at the end of period	3,770	3,770

After 30 June 2013 The Bank has increased shareholding in its subsidiary Westleasing-M Ltd up to 100%.

21 Property and equipment

The Group

Cost/Revalued amount '000 LVL	Land and buildings	Construction in progress	Vehicles	Office equipment	Total
At 1 January 2013	27,241	45	1,534	14,337	43,157
Additions	4	-	123	535	662
Disposals	-	-	(19)	(574)	(593)
Transfers	-	-	116	-	116
Transfers from advances	-	-	-	3	3
FX translation effect	(53)	-	2	2	(49)
At 30 June 2013	27,192	45	1,756	14,303	43,296
Depreciation and impairment losses					
At 1 January 2013	1,173	-	1,248	9,380	11,801
Depreciation charge	279	-	67	528	874
Disposals depreciation	-	-	(18)	(568)	(586)
FX translation effect	(6)	-	-	1	(5)
At 30 June 2013	1,446	-	1,297	9,341	12,084
Carrying value					
At 30 June 2013	25,746	45	459	4,962	31,212
At 31 December 2012	26,068	45	286	4,957	31,356

21 Property and equipment, continued

The Group, continued

Cost/Revalued amount '000 LVL	Land and buildings	Construction in progress	Vehicles	Office equipment	Total
At 1 January 2012	39,550	86	1,743	13,993	55,372
Additions	44	11	42	527	624
Disposals	-	(13)	(254)	(432)	(699)
Transfers	-	(15)	-	15	-
Transfers from advances	-	-	-	226	226
Reclassification to investment property	(147)	(24)	-	-	(171)
Transfers to Other assets	(12,350)	-	-	-	(12,350)
Revaluation	134	-	-	-	134
FX translation effect	10	-	3	8	21
At 31 December 2012	27,241	45	1,534	14,337	43,157
Depreciation and impairment losses					
At 1 January 2012	1,357	-	1,306	8,390	11,053
Depreciation charge	726	-	193	1,227	2,146
Disposals depreciation	(10)	-	(253)	(240)	(503)
Revaluation depreciation	2	-	-	-	2
Transfers to non-current assets held for sale	(876)	-	-	-	(876)
Reclassification to investment property	(26)	-	-	-	(26)
FX translation effect	-	-	2	3	5
At 31 December 2012	1,173	-	1,248	9,380	11,801
Carrying value					
At 31 December 2012	26,068	45	286	4,957	31,356
At 31 December 2011	38,193	86	437	5,603	44,319

21 Property and equipment, continued

The Bank

'000 LVL	Vehicles	Office equipment	Total
Cost/Revalued amount			
1 January 2013	1,495	10,307	11,802
Additions	55	455	510
Disposals	(11)	(556)	(567)
Transferred from advances	116	-	116
At 30 June 2013	1,655	10,206	11,861
Depreciation and impairment losses			
At 1 January 2013	1,194	6,979	8,173
Depreciation charge	62	261	323
Disposals	(11)	(551)	(562)
At 30 June 2013	1,245	6,689	7,934
Net book value			
At 30 June 2013	410	3,517	3,927
At 31 December 2012	301	3,328	3,629
'000 LVL	Vehicles	Office equipment	Total
Cost/Revalued amount			
1 January 2012	1,707	10,270	11,977
Additions	42	150	192
Disposals	(254)	(240)	(494)
Transferred from advances		127	127
At 31 December 2012	1,495	10,307	11,802
Depreciation and impairment losses			
At 1 January 2012	1,276	6,467	7,743
Depreciation charge	171	713	884
Disposals	(253)	(201)	(454)
At 31 December 2012	1,194	6,979	8,173
Net book value			
At 31 December 2012	301	3,328	3,629
At 31 December 2011	431	3,803	4,234

22 Intangible assets

The Group

'000 LVL	Goodwill	Software	Other	Total
Cost				
At 1 January 2013	2,339	7,834	1,490	11,663
Additions	-	181	158	339
Reclassification	-	165	(165)	-
At 30 June 2013	2,339	8,180	1,483	12,002
Amortisation and impairment losses				
At 1 January 2013	1,588	7,028	438	9,054
Amortization charge	-	291	49	340
At 31 December 2012	1,588	7,319	487	9,394
Carrying value				
At 30 June 2013	751	861	996	2,608
At 31 December 2012	751	806	1,052	2,609

'000 LVL	Goodwill	Software	Other	Total
Cost				
At 1 January 2012	2,339	7,615	1,488	11,442
Additions	-	106	103	209
Disposals	-	(1)	(16)	(17)
Transfers from advances	-	114	(85)	29
At 31 December 2012	2,339	7,834	1,490	11,663
Amortisation and impairment losses				
At 1 January 2012	1,588	6,364	307	8,259
Amortization charge	-	664	132	796
Disposals	-	-	(1)	(1)
At 31 December 2012	1,588	7,028	438	9,054
Carrying value				
At 31 December 2012	751	806	1,052	2,609
At 31 December 2011	751	1,251	1,181	3,183

Goodwill of LVL 751 thousand (2012: LVL 751 thousand) originated on the acquisition of a payment card business unit in 2001.

22 Intangible assets, continued

The Bank

'000 LVL	Goodwill	Software	Other	Total
Cost				
At 1 January 2013	751	7,825	60	8,636
Additions	-	181	157	338
Reclassification	-	164	(164)	-
Transfers from advances	-	-	-	-
At 30 June 2013	751	8,170	53	8,974
Amortization and impairment losses				
At 1 January 2013	-	7,019	22	7,041
Amortization charge	-	290	1	291
At 30 June 2013	-	7,309	23	7,332
Net book value				
At 30 June 2013	751	861	30	1,642
At 31 December 2012	751	806	38	1,595

'000 LVL	Goodwill	Software	Other	Total
Cost				
At 1 January 2012	751	7,606	68	8,425
Additions	-	105	93	198
Reclassification	-	-	(15)	(15)
Transfers from advances	-	114	(86)	28
At 31 December 2012	751	7,825	60	8,636
Amortization and impairment losses				
At 1 January 2012	-	6,358	20	6,378
Amortization charge	-	661	2	663
At 31 December 2012	-	7,019	22	7,041
Net book value				
At 31 December 2012	751	806	38	1,595
At 31 December 2011	751	1,248	48	2,047

Goodwill of LVL 751 thousand (2012: LVL 751 thousand) originated on the acquisition of a payment card business unit in 2001.

23 Investment property

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
Balance at 1 January	52,520	7,499	45,413	6,926
Collateral from loans assumed	335	335	1,260	1,260
Transferred from advances	990	-	578	-
Transferred from property	-	-	145	-
Transferred to non-current assets held for sale	(1,235)	-	-	-
Additions	956	-	6,246	8
Sale of investment property	(6,541)	(6,260)	(1,702)	(695)
Revaluation of property	(84)	-	476	-
Currency revaluation	43	-	104	-
Balance at the end of reporting period	46,984	1,574	52,520	7,499

Investment property comprises office buildings and other commercial properties, such as land or parts of buildings, and premises owned by the Group companies, which the Group does not occupy and which are leased to third parties. The Group's investment property comprises of a juice processing terminal, residential property, plots of land, and a hotel and leisure facility.

24 Other assets

	30 June 2013 '000 LVL Group	30 June 2013 '000 LVL Bank	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank
Collateral assumed on non performing loans	8,538	8,538	8,595	8,595
Prepayments	1,674	420	1,386	631
Prepayments for property obtained in auctions	306	-	80	-
Guarantee receivable from borrower	2,502	2,502	2,502	2,502
Recoverable VAT	1,866	47	2,304	146
Tax prepayments	21	-	79	-
Other	5,008	3,459	6,419	4,616
Impairment allowance on collateral assumed	(2,065)	(1,750)	(2,039)	(1,730)
	17,850	13,216	19,326	14,760

Analysis of movements in the value of collateral assumed on non performing loans

	Six months ended		12 months ended	
	30 June 2013 '000 LVL Group	30 June 2013 '000 LVL Bank	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank
Balance at the beginning of the period	8,595	8,595	9,059	9,059
Sale of collateral completed	(57)	(57)	(464)	(464)
Balance at the end of the period	8,538	8,538	8,595	8,595

Analysis of movements in the impairment allowance

	Six months ended		12 months ended	
	30 June 2013 '000 LVL Group	30 June 2013 '000 LVL Bank	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank
Balance at the beginning of the period	2,039	1,730	2,273	1,815
Charge for the period	44	24	130	26
Recovery	(21)	(5)	(46)	(43)
Sale completed	-	-	-	(68)
Transfer to other assets	2	-	73	-
Written off	-	-	(376)	-
Currency revaluation	1	1	-	-
Sale of subsidiary	-	-	(15)	-
Balance at the end of the period	2,065	1,750	2,039	1,730

25 Deposits and balances due to banks

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
Vostro accounts	26,626	24,701	20,334	18,636
Term deposits	594	594	585	585
	27,220	25,295	20,919	19,221

Concentration of deposits and balances from banks and other financial institutions

As at 30 June 2013 the Bank and the Group had balances with three banks and financial institutions (four as at 31 December 2012), which exceeded 10% of the total deposits and balances from banks. The gross value of these balances was LVL 15,543 thousand as of 30 June 2013 and LVL 14,134 thousand as of 31 December 2012.

26 Current accounts and deposits due to customers

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
Current accounts and demand deposits				
- Private companies residents	62,485	69,736	46,833	54,304
- Individuals residents	30,644	30,644	33,471	33,471
- Government – non-residents	53	53	79	79
- Private companies non-residents	998,046	993,144	928,261	928,261
- Individuals non-residents	191,450	191,450	175,586	175,586
Total current account and demand deposits	1,282,678	1,285,027	1,184,230	1,191,701
Term deposits				
- Private companies	2,417	2,033	1,750	1,470
- Individuals	28,370	27,461	35,961	35,266
- Private companies non-residents	105,195	105,195	119,883	114,663
- Individuals non-residents	35,120	35,120	35,060	35,060
Subordinated deposits				
- Individuals	6,547	6,547	6,542	6,542
- Private companies non-residents	20,052	20,052	17,384	17,384
- Individuals non-residents	44,429	44,429	39,644	39,644
Total term deposits	242,130	240,837	256,224	250,029
Total current accounts and deposits from customers	1,524,808	1,525,864	1,440,454	1,441,730

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

(a) Blocked accounts

As of 30 June 2013 and 31 December 2012, the Bank maintained customer deposit balances of LVL 12,350 thousand and LVL 3,813 thousand, respectively which were blocked by the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

26 Current accounts and deposits due to customers, *continued*

(b) Concentrations of current accounts and customer deposits

As of 30 June 2013 and 31 December 2012, the Bank and the Group had no customers, whose balances exceeded 10% of total customer accounts.

27 Issued debt securities

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
Subordinated bonds				
- Individuals residents	2,309	2,309	2,295	2,295
- Private companies non-residents	3,381	3,381	3,355	3,355
- Individuals non-residents	7,564	7,564	7,513	7,513
Total	13,254	13,254	13,163	13,163

Subordinated bonds 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. Bonds are listed on the Nasdaq OMX Riga exchange.

There were no defaults on interest or other breaches with respect to issued debt securities.

28 Other liabilities and accruals

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
Annual leave	1,044	921	886	790
Deferred income	679	633	535	79
Management bonus	6,083	6,069	3,213	3,204
Deposits guarantee fund	898	897	1,008	1,007
VAT payable	257	-	121	-
Dividends payable	4	4	4	4
Prepayments	2,293	150	1,662	37
Other	5,252	2,885	3,151	1,426
	16,510	11,559	10,580	6,547

Other liabilities include accounts payable to suppliers.

29 Commitments and guarantees

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
	Group	Bank	Group	Bank
Contracted amount				
Loan and credit line commitments	15,547	18,168	17,587	18,421
Credit card commitments	7,192	7,193	7,718	7,719
Undrawn overdraft facilities	5,842	5,842	5,766	5,766
Guarantees and letters of credit	14,410	14,410	7,120	7,120
Total	42,991	45,613	38,191	39,026

30 Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. As at 30 June 2013 there were 17 legal proceedings outstanding against the Bank. Total amount disputed in these proceedings is LVL 3,059 thousand. Provisions are made for where management based on the professional advice to the Bank considers that it is likely that loss may eventuate. No provisions were recognized as at 30 June 2013 and 31 December 2012.

31 Reverse repo

	30 June 2013 '000 LVL	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL
	Group	Bank	Group	Bank
Commerzbank AG	53,914	53,914	53,878	53,878
Natixis	16,172	16,172		
Nomura International plc	-	-	28,902	28,902
Total	70,086	70,086	82,780	82,780

32 Investments in associates

The Group owns a share in the following associates, both associated companies provide transportation services and their assets consist mainly from property and equipment for their operations. The total assets and revenues are not material to the Group.

Name	Country of incorporation	Principal activities	Ownership %	Amount of investment	
				30 June 2013	31 December 2012
"AED Rail Service" Ltd	Latvia	Information services for the railway	43.00%	23	43.00% 53
"Dzelzcelu Tranzits Ltd	Latvia	Information services for the railway	49.12%	-	49.12% 7
Total				23	60

33 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.

(a) Shareholders, Members of the Council and Board (the Bank)

Loans and receivables:

	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL
Loans and receivables at the beginning of the period	606	686
Loans issued during the period	28	42
Forex translation effect	1	(1)
Due to changes in the structure of related parties	(96)	-
Loan repayment during the period	(69)	(121)
Loans and receivables at the end of the period	470	606
Interest income earned during the period	7	19

Deposits

	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL
Deposits at the beginning of the period	10,459	5,984
Deposits received during the period	1,503	6,803
Forex translation effect	2	(3)
Due to changes in the structure of related parties	(35)	20
Deposits repaid during the period	(1,425)	(2,345)
Deposits at the end of the period	10,504	10,459
Interest expense on deposits charged during the period	402	759

Total remuneration included in General administrative expenses (Note 12):

	Six months ended 30 June	
	2013 '000 LVL	2012 '000 LVL
Members of the Council	82	80
Members of the Board of Directors	691	597
	773	677

33 Related party transactions, continued

(b) Subsidiaries and associated companies (the Bank)

Loans and receivables:

	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL
Loans and receivables at the beginning of the period	82,420	60,478
Loans issued during the period	19,310	61,989
Due to changes in the structure of related parties	(4)	-
Forex translation effect	(259)	(85)
Loan repayment during the period	(20,038)	(39,962)
Loans and receivables at the end of the period	81,429	82,420
Interest income earned	2,328	4,505

Deposits

	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL
Deposits at the beginning of the period	130	1
Deposits received during the period	130	776
Forex translation effect	-	-
Deposits repaid during the period	(189)	(647)
Deposits at the end of the period	71	130
Interest expense on deposits	-	2

The Group

Transactions with members of the Council and the Board of Directors

The outstanding balances as of 31 December 2012 and 31 December 2011 with members of the Council and the Board are as follows:

	30 June 2013 '000 LVL	31 Dec 2012 '000 LVL
Loans and receivables		
Shareholders, Members of Council and Board	839	507
Key management personnel and relatives	104	198
Companies controlled by Shareholders, Members of Council and Board	15,045	16,524
Term deposits		
Shareholders, Members of Council and Board	8,879	7,602
Key management personnel and relatives	2,077	2,049
Companies controlled by Shareholders, Members of Council and Board	12,384	8,926

Total remuneration included in administrative expenses (Note 12):

	Six months ended 30 June	
	2013 '000 LVL	2012 '000 LVL
Members of the Council	109	106
Members of Board of Directors	748	746
	857	852

34 Fair value of financial instruments

The estimated fair values of financial instruments at fair value through profit or loss and quoted available-for-sale securities are based on quoted market prices at the reporting date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for a similar instrument at the reporting date.

The estimates of fair value are intended to approximate the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or settlement of liabilities.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and Bank can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: unobservable inputs for the asset or liability. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group

30 June 2013	<u>Level (1)</u>	<u>Level (2)</u>	<u>Total</u>
Financial assets			
Financial assets at fair value through profit or loss	18,803	552	19,355
Available for sale assets	39,521	18,870	58,391
Financial liabilities			
Financial investments at fair value through profit or loss	-	88	88
Issued debt securities	-	13,254	13,254
31 Dec 2012	<u>Level (1)</u>	<u>Level (2)</u>	<u>Total</u>
Financial assets			
Financial assets at fair value through profit or loss	37,206	468	37,674
Available for sale assets	45,470	6,726	52,196
Financial liabilities			
Financial investments at fair value through profit or loss	-	101	101
Issued debt securities	-	13,163	13,163

34 Fair value of financial instruments, *continued*

The Bank

30 June 2013	Level (1)	Level (2)	Total
Financial assets			
Financial assets at fair value through profit or loss	26,754	350	27,104
Available for sale assets	39,521	40,725	80,246
Financial liabilities			
Financial investments at fair value through profit or loss	-	125	125
Issued debt securities	-	18,859	18,859
31 Dec 2012	Level (1)	Level (2)	Total
Financial assets			
Financial assets at fair value through profit or loss	37,206	233	37,439
Available for sale assets	45,470	29,017	74,487
Financial liabilities			
Financial investments at fair value through profit or loss	-	101	101
Issued debt securities	-	13,163	13,163

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instruments and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

The Group and Bank recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels of the fair value hierarchy during six months ended 30 June 2013.

35 Operating segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

For each of the strategic business units, the Group upper level management reviews internal management reports on at least monthly basis.

The following summary describes the operations in each of the Group's reportable segments:

Lending Investment	&	Includes commercial loans to customers, trade finance, private mortgages and other financing products and investments.
Customer services		Includes general banking operations, customer payments, credit card transactions and other transactions with all customers.
Financial markets & Treasury		Includes customer asset management products such as funds as well as customer securities brokerage, customer repurchase financing and includes funding of the bank's activities through customer deposits, liquidity management, foreign exchange, issues of debt securities, investing in liquid assets such as short term placements and corporate and government securities.
Investments non-banking segments	and	Includes business activities of Group subsidiaries and non-banking income including real estate rental and leasing businesses.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group upper level management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is based on resources cost compensation, calculation based on management's assessment of the level of risk.

32 Operating segments, continued

The following table shows the operating segment structure of gross revenue and financial assets and liabilities of the Group as at 30 June 2013:

`000 LVL	Lending & investment	Customer services	Financial markets & Treasury	Investment and non- banking segments	Total
External revenue					
Net interest income	19,221	136	(2,628)	4,447	21,176
Net fee and commission income	80	9,068	1,939	211	11,298
Net gain/(loss) on financial instruments at fair value through profit or loss	-	-	874	69	943
Net foreign exchange income	-	1,834	5,576	(157)	7,253
Net gain/(loss) on the net monetary position	-	-	-	(2)	(2)
Net recognized gain on available-for- sale assets	-	-	447	598	1,045
Share of profit of equity accounted investees (net of income tax)	-	-	-	(21)	(21)
Other income/(expense)	2,375	22	(235)	3,233	5,395
Inter segment revenue	(8,331)	14	8,317	-	-
Total segment revenue	13,345	11,074	14,290	8,378	47,087
Impairment losses on financial assets	(4,751)	(8)	72	(345)	(5,032)
Reportable segment profit before income tax	8,203	5,638	5,644	2,122	21,607
Reportable segment assets	547,464	29,698	1,034,294	102,622	1,714,078
Reportable segment liabilities	-	1,200,284	356,779	8,307	1,565,370

32 Operating segments, continued

The following table shows the operating segment structure of gross revenue and financial assets and liabilities of the Group as at 30 June 2012:

`000 LVL	Lending & investmen t	Customer services	Financial markets & Treasury	Investment and non- banking segments	Total
External revenue					
Net interest income	14,904	119	(2,449)	3,326	15,900
Net fee and commission income	277	7,444	911	178	8,810
Net gain/(loss) on financial instruments at fair value through profit or loss	-	-	1,511	48	1,559
Net foreign exchange income	-	1,434	3,621	(47)	5,008
Net gain/(loss) on the net monetary position	-	-	-	(89)	(89)
Net recognized gain on available-for- sale assets	-	-	(434)	1	(433)
Share of profit of equity accounted investees (net of income tax)	-	-	-	(41)	(41)
Other income/(expense)	55	199	227	2,705	3,186
Inter segment revenue	(8,690)	23	8,667	-	-
Total segment revenue	6,546	9,219	12,054	6,081	33,900
Impairment losses on financial assets	(7,525)	24	539	(351)	(7,313)
Reportable segment profit before income tax	(924)	4,195	5,606	889	9,766
Reportable segment assets	480,980	22,861	951,237	87,379	1,542,457
Reportable segment liabilities	-	1,000,947	431,434	6,969	1,439,350

32 Operating segments, continued

	<u>30 June 2013</u>	<u>30 June 2012</u>
	'000 LVL	'000 LVL
Revenues		
Total revenue for reportable segments	47,087	33,900
Unallocated amounts	-	-
Consolidated revenue	47,087	33,900
Profit or loss		
Total profit or loss for reportable segments	21,607	9,766
Unallocated amounts	-	-
Consolidates profit before income tax	21,607	9,766
Assets		
Total assets for reportable segments	1,714,078	1,542,457
Other unallocated amounts	44,056	59,174
Consolidated total amounts	1,758,134	1,601,631
Liabilities		
Total liabilities for reportable segments	1,565,370	1,439,350
Other unallocated amounts	20,902	10,657
Consolidated total amounts	1,586,272	1,450,007

Other unallocated amounts to assets: Property and equipment, Intangible assets, Non-current assets held for sale, Current tax asset, Deferred tax asset and Other assets (excluding collateral assumed on non-performing loans).

Other unallocated amounts to liabilities: Current tax liability, Deferred tax liability and Other liabilities.