



Baltikums Bank AS

Condensed Group consolidated
and Bank's separate interim financial statements
for the six month period ended 30 June 2012



Baltikums
Relations That Work

Baltikums Bank AS
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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 2012.

In the first half of the current year, Baltikums Bank has considerably increased its profitability while maintaining high levels of liquidity and capital adequacy. Our excellent financial performance has been assisted by increasing customer activity, commitment to the Bank's financial stability roadmap and expanding activity in the fields of investment and personal capital management.

Key financial indicators of Baltikums Bank as of 30 June 2012:

- Net profit exceeding LVL 3.5 million (EUR 5 million), a year-on-year increase of 301%;
- Income from the primary line of business before establishing reserves constituted LVL 9.1 million (EUR 12.9 million), or 77% higher than for the same period in 2011;
- The Bank's assets, including assets under management, as of the reporting date have increased by 22% to reach LVL 338.4 million (EUR 481.5 million), including a 32% increase in the amount of assets under management in the past six months (by LVL 338.4 million, or EUR 481.5 million);
- Deposits totalled LVL 218.7 million (EUR 311,2 million), a 17% increase since the beginning of the year;
- The volume of the Bank's gross credit portfolio at the end of the half-year period constituted LVL 20.4 million (EUR 29 million);
- The Bank's capital adequacy as of 30 June 2012 was 20%, whereas its liquidity was 82.68%;
- ROA at the end of June was 2.67%, with a ROE of 28.79%;
- The capital and reserves of Baltikums Bank grew in the past six months to LVL 25.8 million (EUR 36.7 million), with a 16% increase from 31 December 2011.

This year, thanks to the unprecedented support of our customers and partners, as well as the contribution of the Bank's personnel, the Bank has shown a considerable increase in profits and other performance indicators. The results posted for the reporting period reiterate our drive to uphold the Bank's financial stability at the highest level attainable, in line with our customers' long-term needs of protecting and increasing capital. We are noticing constantly increasing demand for our Bank's services and good potential for preserving this pace of growth for the rest of the year. We have created 14 new jobs this year to support our growth and intend to attract more than 20 highly qualified and professional private bankers and back-office specialists by the end of the year.

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.

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.

Baltikums Bank is an independent private bank with a head office in Riga (Latvia) and a branch in Limassol (Cyprus). The Bank is owned by Latvian financial group BBG AS, whose largest shareholders (with both direct and indirect participation) are Aleksandrs Peškova and Sergejs Peškova and their family members, owning a total of 81.06% of the Bank's equity. The Baltikums Bank group includes Baltikums Asset Management, IPAS; Baltikums International, SIA; Pils Pakalpojumi, SIA; the Baltikums AAS insurance company; and other companies. The Baltikums Bank group has representative offices in Almaty, Kyiv, Moscow and St. Petersburg (via BBG AS), and in Baku (represented via subsidiary Baltikums International).

Aleksandrs Peškova
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

17 August 2012

Baltikums Bank AS
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for the six month period ended 30 June 2012
COUNCIL AND BOARD

Council as at 30 June 2012

Name	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
Andrejs Kočetkova	Council Member	22 June 2001

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

Board as at 30 June 2012

Name	Position	Date of appointment
Dmitrijs Latiševa	Board Member	1 July 2002
	Deputy of the Chairman of the Board	25 April 2003
	Chairman of the Board	21 April 2011
Leonarda Višņeva	Board Member	25 April 2003
Tatjana Drobina	Board Member	30 April 2008
Aleksandrs Halturina	Board Member	30 April 2008

On behalf of the management of the Bank:

Aleksandrs Peškova
Chairman of the Council

Dmitrijs Latiševa
Chairman of the Board

17 August 2012

Baltikums Bank AS
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for the six month period ended 30 June 2012
STATEMENT OF THE MANAGEMENT'S RESPONSIBILITIES

Riga

The management of the AS "Akciju Komerbanka "Baltikums"" (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 consolidated and Bank 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.

Group consolidated and Bank financial statements on pages 8 - 33 are prepared in accordance with the source documents and present the financial position of the Group and the Bank as at 30 June 2012 and the results of its performance and cash flows for the six months period ended 30 June 2012.

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, 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 Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

17 August 2012



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Independent Auditors' Report

To the shareholder 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 2012, 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 2012, 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 33. 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 2012, 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 2012, 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 33.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this condensed separate and consolidated interim 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 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 controls 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 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 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 2012 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 2012 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 Management Report, as set out on page 3, the preparation of which is the responsibility of management, is consistent with the condensed interim separate and consolidated financial statements. Our work with respect to the Management Report 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 statements. In our opinion, the management report is consistent with the condensed interim separate and consolidated financial statements.

KPMG Baltics SIA
License No 55

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
17 August 2012

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 2012****CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM INCOME STATEMENT**

	Notes	6 month period ended 30 June 2012		6 month period ended 30 June 2011	
		Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Interest income		2 529	2 634	1 740	1 708
Interest expense		(507)	(475)	(320)	(305)
Net interest income	7	2 022	2 159	1 420	1 403
Commission and fee income		5 186	5 172	3 008	2 988
Commission and fee expense		(500)	(500)	(298)	(298)
Net commission and fee income	8	4 686	4 672	2 710	2 690
Net profit / (loss) on financial assets and liabilities carried at fair value through profit or loss		552	552	(54)	(54)
Net proceeds from trading and revaluation of foreign exchange		1 646	1 646	944	946
Other operating income		301	48	513	229
Share in profit of associates		54	90	25	-
Operating Income		9 261	9 167	5 558	5 214
Administrative expenses		(3 644)	(3 584)	(2 947)	(2 826)
Other operating expenses		(286)	(213)	(1 276)	(987)
Impairment of financial assets	18	(1 215)	(1 248)	(90)	(113)
Recovery of assets written off		1	1	4	4
Total operating expenses		(5 144)	(5 044)	(4 309)	(3 922)
Profit before income taxes		4 117	4 123	1 249	1 292
Corporate income tax	9	(595)	(595)	(413)	(413)
Net profit for the period		3 522	3 528	836	879
<i>Attributable to:</i>					
<i>Equity holders of the Bank</i>		3 577	3 528	836	879
<i>Non-controlling interest</i>		(55)	-	-	-
Net profit for the period		3 522	3 528	836	879

The accompanying notes on pages 15 to 33 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve the issue of these condensed Group consolidated and Bank interim financial statements as presented on pages 8 - 33. 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 2012

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements
for the six month period ended 30 June 2012****CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

	Notes	6 month period ended 30 June 2012		6 month period ended 30 June 2011	
		Group LVL '000	Bank LVL'000	Group LVL '000	Bank LVL 000
Net profit for the period		3 522	3 528	836	879
Other comprehensive income:					
Revaluation result of available-for-sale financial assets	14	10	10	-	-
Revaluation reserve changes as a result of disposal of other assets – vessels		-	-	(961)	-
Total other comprehensive income		10	10	(961)	-
Total comprehensive income for the period		3 532	3 538	(125)	879
Attributable to:					
<i>Equity holders of the Bank</i>		3 587	3 538	(125)	879
<i>Non-controlling interest</i>		(55)	-	-	-

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Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

17 August 2012

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements****for the six month period ended 30 June 2012****CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION**

Assets	Notes	30 June 2012		31 December 2011	
		Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Cash and balances on demand with the central banks	10	18 632	18 632	16 299	16 298
Deposits with credit institutions	12	157 340	157 334	113 298	113 297
<i>Demand deposits with credit institutions</i>		105 887	105 881	65 499	65 498
<i>Term deposits with credit institutions</i>		51 453	51 453	47 799	47 799
Financial instruments designated at fair value through profit or loss		15 431	15 431	17 031	17 031
<i>Fixed income securities</i>	13	13 433	13 433	13 267	13 267
<i>Non-fixed income securities</i>	13	1 560	1 560	772	772
<i>Derivatives</i>	24	438	438	2 992	2 992
Available-for-sale financial assets	14	63	63	34	34
Loans and receivables	15	14 259	18 446	19 174	23 236
Financial assets held to maturity	16	22 355	22 355	24 490	24 490
Investments in associates	17	2 531	1 100	2 568	1 100
Investment in subsidiaries	17	-	6 019	-	8 448
Investment property	19	6 363	3 432	8 049	3 435
Property and equipment	30	8 238	273	8 244	294
Intangible assets	30	679	192	708	206
Prepayments and accrued income		55	54	57	42
Other assets	20	3 741	3 101	2 867	1 957
Total assets		249 687	246 432	212 819	209 868

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Aleksandrs Peškova
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

17 August 2012

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements**

for the six month period ended 30 June 2012

CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION

Liabilities	Notes	30 June 2012		31 December 2011	
		Group	Bank	Group	Bank
Liabilities		LVL '000	LVL '000	LVL '000	LVL '000
Due on demand to credit institutions	21	1 091	1 091	474	474
Derivatives	24	19	19	114	114
Financial liabilities carried at amortized cost		219 986	218 656	187 493	186 439
<i>Loans from credit institutions</i>	22	7	7	-	-
<i>Loans and borrowings from other financial institutions</i>	22	1 484	-	1 210	-
<i>Deposits</i>	23	217 388	217 542	185 385	185 541
<i>Subordinated deposits</i>	23	1 107	1 107	898	898
Deferred income and accrued expenses		253	253	172	172
Provisions		211	208	183	180
Tax liabilities		282	283	105	105
Other liabilities		195	163	160	163
Total liabilities		222 037	220 673	188 701	187 647
Capital and reserves					
Share capital	29	19 756	19 756	19 756	19 756
Reserve capital		17	17	17	17
Revaluation result of available-for-sale financial assets		10	10	-	-
Retained earnings		6 317	5 976	2 740	2 448
Total equity attributable to equity holders of the Bank		26 100	25 759	22 513	22 221
Non-controlling interest		1 550	-	1 605	-
Total shareholders' equity		27 650	25 759	24 118	22 221
Total capital, reserves and liabilities		249 687	246 432	212 819	209 868
Contingent liabilities	27	7 704	7 714	7 160	7 160

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Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

17 August 2012

Baltikums Bank AS
**Condensed Group consolidated and Bank's separate interim financial statements
for the six month period ended 30 June 2012**
CONDENSED GROUP CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital LVL`000	Reserve capital LVL`000	Fair value reserve LVL`000	Revaluation reserve of available-for-sale financial assets LVL`000	Retained earnings LVL`000	Total equity attributable to equity holders of the parent LVL`000	Non-controlling interest LVL`000	Total equity LVL`000
Balance as at 31 December 2010	19 118	17	1 030	-	1 070	21 235	-	21 235
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	836	836	-	836
Revaluation reserve changes as a result of disposal of other assets – ships	-	-	(961)	-	-	(961)	-	(961)
Total comprehensive income for the period	-	-	(961)	-	836	(125)	-	(125)
Transactions with shareholders, recorded directly in equity								
Transfer of retained earnings to increase share capital	638	-	-	-	(638)	-	-	-
Balance as at 30 June 2011	19 756	17	69	-	1 268	21 110	-	21 110
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	1 472	1 472	48	1 520
Revaluation reserve changes as a result of disposal of other assets – ships	-	-	(69)	-	-	(69)	-	(69)
Total comprehensive income for the period	-	-	(69)	-	1 472	1 403	48	1 451
Non-controlling interest							1 557	1 557
Balance as at 31 December 2011	19 756	17	-	-	2 740	22 513	1 605	24 118
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	3 577	3 577	(55)	3 522
Revaluation reserve of available-for-sale financial assets	-	-	-	10	-	10	-	10
Total comprehensive income for the period	-	-	-	10	3 577	3 587	(55)	3 532
Balance as at 30 June 2012	19 756	17	-	10	6 317	26 100	1 550	27 650

The accompanying notes on pages 15 to 33 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve the issue of these condensed Group consolidated and Bank interim financial statements as presented on pages 8 - 33. 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 2012

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements****for the six month period ended 30 June 2012****CONDENSED BANK'S SEPARATE INTERIM STATEMENT OF CHANGES IN EQUITY**

	Share capital	Reserve capital	Revaluation reserve of available- for-sale financial assets	Retained earnings	Total capital and reserves
	LVL '000	LVL '000	LVL '000	LVL '000	LVL '000
Balance as at 31 December 2010	19 118	17	-	878	20 013
Comprehensive income for the period					
Net profit for the period	-	-	-	879	879
Total comprehensive income for the period	-	-	-	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
Comprehensive income for the period					
Net profit for the period	-	-	-	1 329	1 329
Balance as at 31 December 2011	19 756	17	-	2 448	22 221
Comprehensive income for the period					
Net profit for the period	-	-	-	3 528	3 528
Revaluation reserve of available-for-sale financial assets	-	-	10	-	10
Balance as at 30 June 2012	19 756	17	10	5 976	25 759

The accompanying notes on pages 15 to 33 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve the issue of these condensed Group consolidated and Bank interim financial statements as presented on pages 8 - 33. 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 2012

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements****for the six month period ended 30 June 2012****CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM STATEMENT OF CASH FLOWS**

	6 month period ended 30 June 2012		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	4 117	4 123	1 249	1 292
Depreciation and amortization, and write-off of property, equipment and investment property	111	109	67	66
Increase/ (decrease) in allowance for possible credit losses	886	918	(715)	(506)
Unrealized (proceeds)/loss from foreign exchange	10	11	10	(16)
Revaluation corrections of other assets and liabilities	37	-	(5)	11
Losses / (profit) from disposal of subsidiaries	(164)	-	7	896
Unrealized losses from revaluation of available-for-sale investments	10	10	-	-
Increase / (decrease) in cash and cash equivalents from operating activities before changes in assets and liabilities	5 007	5 171	613	1 743
Decrease in loans and receivables	4 246	4 121	1 325	2 859
Increase in available-for-sale financial assets	(29)	(29)	-	-
(Increase)/decrease in financial instruments designated at fair value through profit or loss	1 600	1 601	(5 740)	(5 740)
Decrease of held-to-maturity investments	5 930	5 656	5 236	5 041
(Increase)/decrease in deferred expenses and accrued income	2	(12)	(4)	(7)
(Increase)/decrease in other assets	(1 091)	(1 080)	(1 203)	(2 191)
Increase of customer deposits	32 388	32 386	41 487	39 808
Increase/(decrease) in held-for-trading financial liabilities	(95)	(95)	1 493	1 493
Increase/(decrease) in other liabilities and tax liabilities	906	(97)	(324)	(514)
Increase/(decrease) in deferred income and accrued expense	81	81	(85)	(14)
Increase/(decrease) in cash and cash equivalents from operating activities before tax	48 945	47 702	42 798	42 478
Corporate income tax paid	(292)	(292)	(175)	(173)
Increase/(decrease) in cash and cash equivalents from operating activities	48 653	47 410	42 623	42 305
Cash flow from investing activities				
Acquisition of fixed and intangible assets	(111)	(83)	(62)	(55)
Disposal of property and equipment and intangible assets	25	12	79	79
Sales of subsidiaries and associates, net	2 116	2 116	1	60
Sales/(acquisition) of investment property	(1 225)	-	239	469
Increase/(decrease) in cash and cash equivalents from investing activities	805	2 045	257	553
Increase / (decrease) in cash and cash equivalents	49 458	49 455	42 880	42 858
Cash and cash equivalents at the beginning of the period	124 702	124 700	57 283	57 277
Loss from revaluation of foreign exchange	(10)	(11)	(10)	16
Cash and cash equivalents, end of the period	11 174 150	174 144	100 153	100 151

The accompanying notes on pages 15 to 33 are an integral part of the condensed Group consolidated and Bank's separate interim financial statements.

The Council and Board of the Bank approve the issue of these condensed consolidated and Bank interim financial statements as presented on pages 8 - 33. 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 2012

Baltikums Bank AS

Condensed Group consolidated and Bank's separate interim financial statements for the six month period ended 30 June 2012

NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS

1. General information

AS Baltikums Bank ("the Bank") was established on 22 June 2001, when it was registered in the Latvian Enterprise Register as a joint stock company. The Bank's address is Smilšu iela 6, Rīga, LV 1050, Republic of Latvia. The Bank has a banking licence which entitles it to provide the services of a credit institution in accordance with the regulatory enactments of the Republic of Latvia and the European Union. The Bank's key lines of business are servicing of corporate clients, servicing wealthy private individuals and finance and investment management.

The Bank's sole shareholder is Joint Stock Company "BBG", holding 100% of voting shares of the Bank. AS "BBG" is a financial management company registered in the Republic of Latvia, its shareholders are four entities registered in the Republic of Latvia and two private individuals.

The Bank has several subsidiaries in Latvia, several companies established abroad for special projects, as well as investments in associated companies. The Bank's representative offices do not carry out operations. The following companies form the Baltikums Bank Group:

Name of the company	Country of incorporation	Line of business	Holding as at 30.06.2012, %	Holding as at 30.06.2011, %
AS IPS „Baltikums Asset Management”	Latvia	Financial services	100	100
SIA „Baltikums International	Latvia	Real estate development	100	100
SIA Konsalting Invest	Latvia	Real estate development	-	100
Rostman Ltd.	Belize	Cargo shipment	100	100
SIA CityCap Service	Latvia	Real estate development	100	100
SIA Zapdvina Development	Latvia	Real estate development	100	100
KamalyDevelopment EOOD	Bulgaria	Real estate development	100	100
SIA Pils pakalpojumi	Latvia	Real estate development	61	-
SIA Mateli Estate	Latvia	Real estate development	100	-
SIA Darzciems Estate	Latvia	Real estate development	100	-
SIA Mazirbe Estate	Latvia	Real estate development	100	-
SIA Pulkarne Entity	Latvia	Real estate development	100	-
SIA Lielie Zaķi	Latvia	Real estate development	100	-

Investments in the associated companies (the Bank and the Group):

Company	Country of incorporation	Line of business	Holding (%) 30.06.2012., %	Holding (%) 30.06.2011., %
AAS Baltikums	Latvia	Insurance services	19,45	49,86
AS Termo biznesa Centrs	Latvia	Real estate development	26,15	26,15

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 consolidated financial statements of the Group and financial statements of the Bank for the year ended 31 December 2011.

The audited consolidated and Bank financial statements of the Bank and the Group as at and for the year ended 31 December 2011 are available at the Bank's website: www.baltikums.eu.

These condensed Group consolidated and Bank's separate interim financial statements were authorized for issue by the Board of Directors on 17 August 2012. 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 the Group consolidated and Bank's separate financial statements as at and for the year ended 31 December 2011.

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

New Standards and Interpretations

The following new Standards and Interpretations are not yet effective for the interim period ended 30 June 2012 and have not been applied in preparing these financial statements:

- Amendments to IAS 1, *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after 1 July 2012, to be applied retrospectively). The amendments require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections. The amendments change the title of the *Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income*; however, use of other titles is also allowed.
- Amendments to IAS 19, *Employee Benefits* (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively). The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on rate used to discount the defined benefit obligation. The amendments are not relevant to the Group and Bank's financial statements, since the entity does not have any defined benefit plans.

4. RISK MANAGEMENT

All aspects of the Bank's and Group's risk management objectives and policies are consistent with those disclosed in the Group consolidated and Bank's separate financial statements as at and for the year ended 31 December 2011.

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 30 June 2012, this minimum level is 8%. Although as at 30 June 2012 the minimum level is 8%, in accordance with the specific FCMC requirement, the Bank was obliged to ensure capital adequacy ratio above the minimum level of 11.9% in the period as of 1 October 2011 to 30 September 2012. The Bank was in compliance with the statutory capital ratio as at 30 June 2012, 31 December 2011 and 30 June 2011.

The Bank's capital adequacy ratio as at 30 June 2012 was 20% (as at 31 December 2011: 17%; as at 30 June 2011: 15%).

6. USE OF ESTIMATES AND JUDGMENT

The preparation of the condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed Group 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 2011.

These are:

- Doubtful debt allowance;
- Valuation of financial instruments;
- Impairment of financial instruments (other than loans and receivables);
- Goodwill impairment;
- Valuation of repossessed collateral;
- Fair value of assets and liabilities at acquisition;
- Fair value of vessels

Sensitivity of the estimates was assessed; however, it is not disclosed in these condensed financial statements, as there have not been any significant changes in comparison to the financial statements of the previous reporting period. Restatement of assets and liabilities as a result of measurement period adjustment is disclosed in Note 30.

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements****for the six month period ended 30 June 2012****NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS****7. NET INTEREST INCOME**

	6 month period ended 30 June 2012		6 month period ended 30 June 2011	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Interest income from assets carried at amortized cost:	1 317	1 422	717	685
<i>Deposits with credit institutions</i>	260	260	167	167
<i>Loans and receivables</i>	1 012	1 117	441	409
<i>On impaired loans</i>	45	45	109	109
Interest income from financial assets and liabilities carried at fair value through profit or loss	507	507	618	618
Interest income from held-to-maturity securities	705	705	405	405
<i>Total interest income</i>	2 529	2 634	1 740	1 708
<i>Interest expense</i>				
Interest expenses on liabilities at amortized cost:	(99)	(88)	(196)	(181)
<i>Due to credit institutions</i>	(7)	-	(15)	-
<i>Deposits</i>	(92)	(88)	(181)	(181)
Other interest expense	(408)	(387)	(124)	(124)
<i>Total interest expenses</i>	(507)	(475)	(320)	(305)
<i>Net interest income</i>	2 022	2 159	1 420	1 403

8. NET COMMISSION AND FEE INCOME

	6 month period ended 30 June 2012		6 month period ended 30 June 2011	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
<i>Commission and fee income</i>				
Payments	2 656	2 656	1 990	1 991
Corporate banking fee income	64	64	51	51
Securities transactions	997	997	136	136
Trust transactions	652	652	385	385
Account servicing	400	400	216	216
Management of investment funds and plans	14	-	21	-
Other	403	403	209	209
<i>Total commission and fee income</i>	5 186	5 172	3 008	2 988
<i>Commission and fee expense</i>				
Correspondent accounts	(259)	(259)	(200)	(200)
Cash transactions and payment card transactions	(61)	(61)	(51)	(51)
Securities transactions	(179)	(179)	(23)	(23)
Other	(1)	(1)	(24)	(24)
<i>Total commission and fee expense</i>	(500)	(500)	(298)	(298)
<i>Net commission and fee income</i>	4 686	4 672	2 710	2 690

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements****for the six month period ended 30 June 2012****NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS****9. CORPORATE INCOME TAX**

	6 month period ended 30 June 2012		6 month period ended 30 June 2011	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Current income tax expense	595	595	413	413
Deferred tax	-	-	-	-
Corporate income tax	<u>595</u>	<u>595</u>	<u>413</u>	<u>413</u>

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 2012 and 30 June 2011, with differences explained as follows:

	6 month period ended 30 June 2012		6 month period ended 30 June 2011	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Profit before tax	4 117	4 123	1 249	1 292
Theoretically calculated tax at rate 15%	618	618	187	194
Non-deductible expenses and exempt income, net	(23)	(23)	226	219
Corporate income tax	<u>595</u>	<u>595</u>	<u>413</u>	<u>413</u>

10. CASH AND BALANCES ON DEMAND WITH THE CENTRAL BANKS

	30 June 2012		31 December 2011	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Cash	539	539	497	496
Due from the central banks (including minimum reserve deposit)	18 093	18 093	15 802	15 802
Total cash and balances on demand with central banks	<u>18 632</u>	<u>18 632</u>	<u>16 299</u>	<u>16 298</u>

11. CASH AND CASH EQUIVALENTS

	30 June 2012		30 June 2011	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Cash and due from central banks	18 632	18 632	11 378	11 376
Deposits with credit institutions the maturity of which does not exceed 3 months	156 609	156 603	89 966	89 966
Liabilities to credit institutions the maturity of which does not exceed 3 months	(1 091)	(1 091)	(1 191)	(1 191)
Total cash and cash equivalents	<u>174 150</u>	<u>174 144</u>	<u>100 153</u>	<u>100 151</u>

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements
for the six month period ended 30 June 2012****NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL
STATEMENTS****12. DEPOSITS WITH CREDIT INSTITUTIONS**

	30 June 2012		31 December 2011	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Demand deposits with credit institutions				
Credit institutions registered in Latvia	11 699	11 693	8 630	8 630
Credit institutions registered in OECD countries	70 767	70 767	45 757	45 757
Other foreign credit institutions	23 421	23 421	11 112	11 111
Total demand deposits with credit institutions	105 887	105 881	65 499	65 498
Term deposits with credit institutions				
Credit institutions registered in Latvia	25 148	25 148	30 234	30 234
Credit institutions registered in OECD countries	14 614	14 614	15 454	15 454
Other foreign credit institutions	11 691	11 691	2 111	2 111
Total demand deposits with credit institutions	51 453	51 453	47 799	47 799
Total deposits with credit institutions	157 340	157 334	113 298	113 297

On 30 June 2012, the Bank did not have any outstanding claims against credit institutions and other financial institutions for balances exceeding 10% of total claims against credit institutions.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2012		31 December 2011	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Fixed income securities				
Eurobonds issued by companies and credit institutions of OECD countries	1 247	1 247	-	-
Eurobonds issued by companies and credit institutions of non-OECD countries	12 186	12 186	13 267	13 267
Total	13 433	13 433	13 267	13 267
Shares and other non-fixed income securities				
Shares issued by companies and credit institutions of OECD countries	444	444	-	-
Shares issued by companies and credit institutions of non-OECD countries	35	35	9	9
Investment fund certificates	1 081	1 081	763	763
Total	1 560	1 560	772	772
Total securities at fair value through profit or loss	14 993	14 993	14 039	14 039

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements****for the six month period ended 30 June 2012****NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS**

Credit quality analysis of financial assets at fair value through profit or loss according to ratings applied by rating agencies is the following:

	30 June 2012	31 December 2011
	LVL '000	LVL '000
Fixed income securities and non-fixed income securities		
Government and municipality bonds		
From BB+ to BB-	752	-
Securities of the companies and financial institutions		
From AAA to A-	329	-
From BBB+ to BBB-	4 476	7 200
From BB+ to BB-	3 243	3 219
Lower than BB-	4 865	2 857
No rating	247	-
Total fixed income securities and non-fixed income securities	13 912	13 276
Total investment certificates of investment funds		
No rating	1 081	763
Total investment certificates of investment funds	1 081	763
Total fixed income securities and non-fixed income securities	14 993	14 039

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2012		31 December 2011	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Shares and other non-fixed income securities				
SWIFT shares	53	53	34	34
Revaluation of SWIFT shares	10	10	-	-
Total available-for-sale financial assets	63	63	34	34

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

	30 June 2012		31 December 2011	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Financial institutions	1 340	1 340	2 270	2 270
Corporate clients	13 544	17 731	17 145	21 207
Individuals	1 315	1 315	994	994
Total loans and receivables	16 199	20 386	20 409	24 471
Allowance for impairment losses	(1 940)	(1 940)	(1 235)	(1 235)
Loans and receivables, net	14 259	18 446	19 174	23 236

Baltikums Bank AS

Condensed Group consolidated and Bank's separate interim financial statements

for the six month period ended 30 June 2012

NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS

(b) Loan analysis by types

	30 June 2012		31 December 2011	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Loan portfolio				
Loans to corporates	7 732	7 732	7 429	7 429
Industrial loans*	4 827	4 827	4 580	4 580
Payment cards loans	127	127	72	72
Mortgage loans	941	5 128	569	4 651
Other loans	269	269	338	318
Total Loan portfolio	13 896	18 083	12 988	17 050
Securities loans				
Reverse repo	2 303	2 303	7 421	7 421
Total securities loans	2 303	2 303	7 421	7 421
Total loans and receivables	16 199	20 386	20 409	24 471
Allowance for impairment losses	(1 940)	(1 940)	(1 235)	(1 235)
Loans and receivables, net	14 259	18 446	19 174	23 236

* as defined by the guidelines of the Credit Register of the Republic of Latvia

(c) Geographical segmentation of the loans

	30 June 2012		31 December 2011	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Loans to residents of Latvia	7 326	11 513	6 897	10 959
Loans to residents of OECD countries	1 212	1 212	399	399
Loans to residents of non-OECD countries	7 661	7 661	13 113	13 113
Total loans and receivables	16 199	20 386	20 409	24 471
Allowance for impairment losses	(1 940)	(1 940)	(1 235)	(1 235)
Loans and receivables, net	14 259	18 446	19 174	23 236

(d) Terms of the loan portfolio

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
			Below 30 days	31-90 days	91-180 days	Over 180 days	
30 June 2012							
Net carrying amount	18 446	16 427	11	1 757	-	251	2 019
Of which impaired	882	-	-	635	-	247	882
31 December 2011							
Net carrying amount	23 236	22 925	-	-	-	311	311
Of which impaired	1 168	857	-	-	-	311	311

The Group's loan quality structure does not differ significantly from the Bank's structure above.

Baltikums Bank AS

Condensed Group consolidated and Bank's separate interim financial statements

for the six month period ended 30 June 2012

NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS

(e) Impaired loans

	30 June 2012		31 December 2011	
	'000 LVL		'000 LVL	
	Group	Bank	Group	Bank
Impaired loans, gross	2 822	2 822	2 403	2 403
Allowance for impairment losses	(1 940)	(1 940)	(1 235)	(1 235)
Loans and receivables, net	882	882	1 168	1 168

(f) Movements in the impairment allowance

	30 June 2012		31 December 2011	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Allowance for impairment losses				
Balance as at the beginning of the period	1 235	1 235	2 744	2 533
Increase in the loan and receivables loss allowances	1 004	1 004	2 638	2 590
Reversals of impairment	(5)	(5)	(1 517)	(1 099)
Loan write offs	(330)	(330)	(2 615)	(2 774)
Profit or loss from foreign exchange fluctuations;	36	36	(15)	(15)
Balance at the end of period	1 940	1 940	1 235	1 235

(g) The Bank's loan portfolio analysis by sector

	31 June 2012, '000	31 December 2011
	LVL	'000 LVL
Water transport	2 707	4 476
Financial services	3 431	8 580
Wholesales	2 393	1 533
Real estate	4 187	4 082
Entertainment, leisure, sport	1 025	1 032
Other services	4 703	3 533
Loans and receivables, net	18 446	23 236

(h) Analysis of loan by type of collateral (Bank)

LVL '000	30 June 2012	% of loan portfolio	31 December 2011	% of loan portfolio
Commercial buildings	6 356	34	5 335	23
Real estate	402	2	-	-
First mortgage	420	2	467	2
Commercial assets pledge	1 728	9	3 376	15
Commercial assets:				
Water transport	4 157	23	4 070	17
Traded securities	2 303	13	7 421	32
Other	3 080	17	2 567	11
Loans and receivables, net	18 446	100	23 236	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. Fair value of the collateral is not less than net book value of loans.

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements**

for the six month period ended 30 June 2012

NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS**(i) Restructured loans**

LVL '000	30 June 2012	31 December 2011
Reduced interest rate	624	1 019
Extended repayment period	1 785	1 785
Total restructured loans	2 409	2 804

(k) Significant credit risk concentration

As at 31 December 2012, the Bank had one borrower (2011: 1) whose loan balances exceeded 10% of loans and receivables. The borrower's loan balance was LVL 4 173 thousand (2011: LVL 3 935 thousand).

According to regulatory 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 31 December 2011 and 30 June 2012, the Bank was in compliance with this requirement.

16. FINANCIAL ASSETS HELD TO MATURITY

	30 June 2012		31 December 2011	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Debt securities and other fixed income securities				
Eurobonds issued by foreign companies and credit institutions	22 364	22 364	24 500	24 500
Total other securities	22 364	22 364	24 500	24 500
Allowance for impairment losses	(9)	(9)	(10)	(10)
Debt securities, net	22 355	22 355	24 490	24 490

Credit quality analysis of financial assets held to maturity according to ratings applied by rating agencies is the following:

	30 June 2012 '000 LVL	31 December 2011 '000 LVL
Debt securities and other fixed income securities		
Debt securities of the companies and financial institutions		
From BBB+ to BBB-	6 288	10 545
From BB- to BB+	12 292	7 162
Lower than BB-	3 775	6 783
Total debt securities of the companies and financial institutions	22 355	24 490
Debt securities and other fixed income securities	22 355	24 490

Movements in the impairment allowance

	30 June 2012, '000 LVL	31 December 2011, '000 LVL
Bank and Group		
Balance at the beginning of the reporting period	10	282
Increase/(decrease) in securities' loss allowance	(1)	44
Securities value write-down	-	(316)
Balance at the end of period	9	10

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements**

for the six month period ended 30 June 2012

NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS**17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES****(a) Investment in subsidiaries****(Bank)**

Company	Capital contributions	Cost	Cost
		30 June 2012	31 December 2011
		LVL '000	LVL '000
SIA „Baltikums International”	100%	1 860	1 860
AS IPS „Baltikums Asset Management”	100%	136	136
SIA Konsalting Invest	100%	-	2 115
SIA Zapdvina Development	100%	690	690
SIA CityCap Service	100%	380	380
Rostman Ltd	100%	703	767
Rostman Ltd (impairment allowance)		(250)	-
SIA "Pils pakalpojumi”	61%	2 500	2 500
		6 019	8 448

In February 2012, SIA “Baltikums Līzings” changed its name to SIA “Baltikums International”.

Investments in subsidiaries (Group)

Company	Capital contributions	Cost	Cost
		30 June 2012	31 December 2011
		LVL '000	LVL '000
KamalyDevelopment EOOD	100%	486	486
SIA Mateli Estate	100%	2	2
SIA Darzciems Estate	100%	2	2
SIA Mazirbe Estate	100%	2	2
SIA Pulkarne Entity	100%	2	-
SIA Lielie Zaķi	100%	2	-
		496	492

(a) Disposals of subsidiaries during 2012

In April 2012, the Bank sold 100% investment in subsidiary SIA “Konsalting Invest”. As a result of the disposal, the Group realized a profit of LVL 164 thousand.

Summary of disposals of subsidiaries during the year 2012	Investment in equity disposed	Net assets as at the date of transaction	Goodwill	Compensati on received	Group profit from disposal of subsidiaries
		LVL '000	LVL '000	LVL '000	LVL '000
SIA Konsalting Invest	100%	(1 939)	(13)	2 116	164
		(1 939)	(13)	2 116	164

(b) Investments in the equity of associated companies (Bank and Group)

Company	Capital contributions	Cost as at 31.12.2012		Cost as at 31.12.2011	
		LVL '000		LVL '000	
		Group	Bank	Group	Bank
AAS Baltikums	19.45%	1 232	1 100	1 269	1 100
AS Termo biznesa Centrs	26.15 %	1 299	-	1 299	-
Total		2 531	1 100	2 568	1 100

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements****for the six month period ended 30 June 2012****NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS**

Although the Bank owns 19.45% of AAS Baltikums shares, it is exercising significant influence by working in the Council of the associated company.

	AS Termo biznesa Centrs	AAS Baltikums	Total
Value as at 31 December 2010	1 299	2 945	4 244
Disposed (cash received)	-	(1 720)	(1 720)
Interest in the net profit of associated companies	-	44	44
Value as at 31 December 2011	1 299	1 269	2 568
Dividend income	-	(91)	(91)
Interest in the net profit of associated companies	-	54	54
Value as at 30 June 2012	1 299	1 232	2 531

Carrying amounts of an associate:

	Current assets LVL '000	Long- term investme nts LVL'000	Total assets '000 LVL	Current liabilities LVL '000	Long- term liabilities LVL'000	Total liabilities LVL'000	Income LVL '000	Expenses LVL '000	Net profit LVL '000	Group's share of net assets LVL '000	Group's share of profit LVL '000
31 December 2010											
AAS Baltikums	3 241	13 073	16 314	(778)	(9 570)	(10 348)	1 393	(1 143)	250	2 975	125
31 December 2011											
AAS Baltikums	4 951	11 552	16 503	(1 005)	(9 307)	(10 312)	2 613	(2 387)	226	1 204	44
30 June 2012											
AAS Baltikums	3 067	13 603	16 670	(1 024)	(9 669)	(10 693)	912	(634)	278	1 163	54

Baltikums Bank AS

Condensed Group consolidated and Bank's separate interim financial statements

for the six month period ended 30 June 2012

NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS

18. IMPAIRMENT OF FINANCIAL ASSETS

(a) Impairment of assets (Bank)

	6 month period ended 30 June 2012 LVL '000	6 month period ended 30 June 2010 LVL '000	For the year ended 31 December 2011 LVL '000
Total allowance as at the beginning of the period	1 846	3 001	3 001
Increase in loan loss allowance	1 254	707	2 590
Increase/(decrease) in securities' loss allowance	-	(1)	44
Release of investment in subsidiary loss allowances	-	(186)	-
Increase of correspondent accounts impairment allowance	-	(407)	601
Release of previously established allowance	(6)	-	(1 285)
<i>Change for the period</i>	1 248	113	1 950
Assets written off during the reporting period	(330)	(805)	(3 090)
Change in impairment allowance due to currency fluctuations	47	(128)	(15)
Total allowance as at the end of the period	2 811	2 181	1 846

(b) Impairment of assets (Group)

	6 month period ended 30 June 2012 LVL '000	6 month period ended 30 June 2011 LVL '000	For the year ended 31 December 2011 LVL '000
Total allowance as at the beginning of the period	1 846	3 026	3 026
Increase in loan loss allowance	1 221	707	2 638
Increase/(decrease) in securities' loss allowance	-	(1)	44
Increase of correspondent accounts impairment allowance	-	-	601
Release of previously established allowance	(6)	(616)	(1 517)
<i>Change for the period</i>	1 215	90	1 766
Assets written off during the reporting period	(330)	(805)	(2 931)
Change in impairment allowance due to currency fluctuations	47	(128)	-
Recovery of value of non-current assets held for sales as a result of disposal (part related to the Group)	-	-	(15)
Total allowance as at the end of the period	2 778	2 183	1 846

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements****for the six month period ended 30 June 2012****NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS****19. INVESTMENT PROPERTY**

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

	31 June 2012, '000 LVL		31 December 2011, '000 LVL	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Real estate in Latvia	3 929	1 364	5 612	1 364
Real estate in Estonia	88	88	91	91
Real estate in Lithuania	1 980	1 980	1 980	1 980
Real estate in Bulgaria	366	-	366	-
	6 363	3 432	8 049	3 435
			Group	Bank
			LVL '000	LVL '000
31 December 2011			8 049	3 435
Purchase of investment property			1 225	-
Disposed			(2 874)	-
Impairment of the disposed			(34)	-
Depreciation of buildings			(3)	(3)
30 June 2012			6 363	3 432

The management has reassessed fair value of the investment properties as at 30 June 2012 and 31 December 2011 using market data and, where possible, the discounted cash flow method. The management concluded that fair value of the investment properties does not differ significantly from its net book value as at 30 June 2012 and 31 December 2011.

20. OTHER ASSETS

	30 June 2012		31 December 2011	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Reposessed collaterals - vessels	1 798	1 798	1 798	1 798
Overpaid VAT	38	38	40	40
Receivables from SPOT deals	-	-	20	20
Guarantee deposit with MCEurope	325	325	-	-
Claims according to bareboat agreement	682	-	745	-
Impairment allowance on bareboat receivables	(217)	-	-	-
Receivables on credit card transactions with MCEurope	59	59	24	24
Other receivables	406	231	240	75
Prepayments according to supplier agreements	650	650	-	-
Total other assets	3 741	3 101	2 867	1 957

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements****for the six month period ended 30 June 2012****NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS****21. DUE TO CREDIT INSTITUTIONS ON DEMAND**

	30 June 2012		31 December 2011	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Credit institutions registered in the Republic of Latvia	620	620	48	48
Credit institutions registered in other countries (non-OECD)	471	471	426	426
	1 091	1 091	474	474

As at 30 June 2012, the Bank had account balance of 2 credit institutions (2011: 2) exceeding 10% of total deposits on demand in other credit institutions. Total account balances of these banks or credit institutions as at 30 June 2012 amounted to LVL 781 thousand (2011: LVL 285 thousand).

22. LOANS FROM CREDIT INSTITUTIONS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2012		31 December 2011	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Credit institutions registered in Latvia	7	7	-	-
Financial institutions registered in Latvia	1 484	-	1 210	-
	1 491	7	1 210	-

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

	30 June 2012		31 December 2011	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Current accounts:				
Financial institutions	4 065	5 549	690	690
Corporate entities	190 608	189 278	147 368	147 524
Individuals	13 508	13 508	17 675	17 675
	208 181	208 335	165 733	165 889
Term deposits:				
Credit institutions	7	7	169	169
Subordinated deposits	1 107	1 107	898	898
Other financial institutions	779	779	568	568
Corporate entities	6 677	6 677	12 710	12 710
Individuals	1 744	1 744	6 205	6 205
	10 314	10 314	20 550	20 550
Total deposits	218 495	218 649	186 283	186 439

As of 30 June 2012, the Bank maintained customer deposit balances of LVL 429 thousand (2011: LVL 2 289 thousand) which were blocked by the Bank as collateral for loans and other credit instruments granted by the Bank.

As at 30 June 2012, the Bank had no customer / group of customers whose deposits exceeded 10% of total current customer deposits.

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements****for the six month period ended 30 June 2012****NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS****24. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS: DERIVATIVES**

	The Group and the Bank 31 June 2012, '000 LVL		The Group and the Bank 31 December 2011, '000 LVL	
	Carrying amounts	Notional value	Carrying amounts	Notional value
Assets				
Forward contracts	418	38 199	2 992	50 548
Options	20	20	-	-
Total derivative financial assets	438	38 219	2 992	50 548
Liabilities				
Forward contracts	19	37 800	114	47 670
Total derivative liabilities	19	37 800	114	47 670

As at 30 June 2012, the Bank had 20 futures in foreign currencies (2011: 25 agreements).

25. 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. All transactions with related parties were performed at market prices.

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

	30 June 2012		31 December 2011	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Loans to related parties	1 638	5 824	1 775	5 857
incl. to parent company	1 340	1 340	1 423	1 423
incl. to subsidiaries	-	4 186	-	4 082
incl. to Council and Board members	-	-	8	8
incl. to others	298	298	344	344
Derivatives	27	27	12	12
Total loans and other claims	1 665	5 851	1 787	5 869
Term and demand deposits and loans	1 408	1 563	9 347	9 504
incl. from the parent company	5	5	13	13
incl. from subsidiaries	-	155	-	157
incl. from associated companies	681	681	404	404
incl. from Council and Board members	329	329	8 363	8 363
incl. from others	393	393	567	567
Loans within other Group companies	1 484	-	1 210	-
Total deposits and liabilities	2 892	1 563	10 557	9 504
Contingent liabilities	181	181	112	112

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements****for the six month period ended 30 June 2012****NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS**

	6 month period ended 30 June 2012		6 month period ended 30 June 2011	
	Group	Bank	Group	Bank
	Interest rate %	Interest rate %	Interest rate %	Interest rate %
Loans to related parties	4.70	4.70	4.29	4.29
Term and demand deposits	0.58	0.58	0.65	0.65

Council and Board remuneration in the first six months of 2012 amounted to LVL 111 thousand (first 6 months of 2011: LVL 152 thousand).

	6 month period ended 30 June 2012		6 month period ended 30 June 2011	
	Group	Bank	Group	Bank
	LVL '000	LVL '000	LVL '000	LVL '000
Income from related party transactions				
Commission and fee income		4	29	30
Interest income		65	36	38
Dividends		-	-	165
Other		-	-	194
Expenses from related party transactions				
Interest expenses		2	29	30
Other		14	1	2
Rent expenses		153	70	70

26. ASSETS UNDER MANAGEMENT

	30 June 2012		31 December 2011	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Assets under management				
Balances due from Latvian credit institutions	5 009	5 009	12 048	12 048
Balances due from foreign credit institutions	21 581	21 581	7 880	7 880
Loans	4 539	4 539	1 757	1 757
Non-fixed income securities	14 939	14 939	4 751	4 751
Fixed income securities	39 933	39 933	38 472	38 472
<i>Of which: Pledged under repurchase transactions</i>	<i>1 619</i>	<i>1 619</i>	<i>366</i>	<i>366</i>
Other assets	2 761	2 761	2 371	2 371
Total assets under management	88 762	88 762	67 279	67 279
Liabilities under management				
Non-residents' trust liabilities	73 560	73 560	65 418	65 418
Residents' trust liabilities	15 202	15 202	1 861	1 861
Total liabilities under management	88 762	88 762	67 279	67 279

As at 30 June 2012, assets of the related companies under trust management amounted to LVL 1 312 thousand. As at 31 December 2011, assets under management included transactions with related parties of the Bank in the amount of LVL 548 thousand.

27. CONTINGENT LIABILITIES

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of its customers to third parties. These agreements have fixed limits and generally extend for a period of up to 5 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 on the balance sheet date if all counterparties failed completely to perform as contracted.

	30 June 2012		31 December 2011	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Unused credit facilities	6 722	6 722	6 265	6 265
Unused credit card facilities	720	730	614	614
Guarantees	262	262	281	281
	7 704	7 714	7 160	7 160

Total aforementioned contractual 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.

28. CAPITAL ADEQUACY CALCULATION (BANK)

	30 June 2012	31 December 2011
	'000 LVL	'000 LVL
Tier 1 capital		
Share capital	19 756	19 756
Reserve capital	17	17
Retained earnings for the previous periods	2 448	240
Profit for the period	3 528	2 208
Intangible assets	(192)	(206)
Other deductions	(15)	-
Total Tier 1 capital	25 542	22 015
Tier 2 capital	829	698
Reduction of Tier 1 and Tier 2 capital	(121)	(468)
Shareholders' equity	26 250	22 245
Risk weighted value		
Bank's portfolio	90 499	94 846
Trading portfolio	21 964	16 220
Operational risk	18 641	17 028
Total risk weighted assets	131 104	128 094
Total capital as percentage of risk weighted assets (total capital ratio)	20%	17%
Total Tier 1 capital, as percentage of risk weighted assets (Tier 1 capital ratio)	19%	17%

As at 30 June 2012 the Bank's capital adequacy ratio was 20% (in 2011: 17%), which exceeds the aforementioned minimum requirement of 8% according to the Basle Accords and regulations issued by the Financial and Capital Market Commission.

Baltikums Bank AS**Condensed Group consolidated and Bank's separate interim financial statements****for the six month period ended 30 June 2012****NOTES TO CONDENSED GROUP CONSOLIDATED AND BANK'S SEPARATE INTERIM FINANCIAL STATEMENTS****29. SHAREHOLDERS' EQUITY**

As at 30 June 2012, the registered share capital consisted of 19 756 200 ordinary shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares provide equal rights to the Bank's residual assets.

	30.06.2012		31.12.2011	
	Amount	'000 LVL	Amount	'000 LVL
Share capital				
Ordinary shares with voting rights	19 756 200	19 756	19 756 200	19 756
	19 756 200	19 756	19 756 200	19 756

As at 30 June 2012, reserves in the amount of LVL 17 thousand (in 2011: LVL 17 thousand) had been created from retained earnings in accordance with the laws of the Republic of Latvia. The distribution of these reserves is not limited and can be paid out at the shareholders' discretion.

30. ADDITIONAL INFORMATION ABOUT ACQUIRED SUBSIDIARY

In October 2011, the Bank acquired 61% of SIA Pils Pakalpojumi. The company owns a building in Riga, at Smilsu iela 6, and the Bank plans to use this building as an office. The Bank's management had reviewed the fair value of these assets on the acquisition date and believes that the fair value was not materially different from the carrying amount. As a result, goodwill in the amount of LVL 2 023 thousand was recognised on the acquisition date, which was attributed to the future growth of the value of the real estate:

Acquisition of shares in 2011:	Shareholding acquired	Fair value of net assets as assessed at acquisition LVL'000	Consideration paid LVL'000	Goodwill LVL'000
SIA Pils pakalpojumi	61%	782	(2 500)	2 023

Non-controlling interest (39%) was calculated in proportion to the value of net assets at the acquisition date and was LVL 369 thousand.

In May 2012 the Group's management obtained an appraisal of market value of the real estate from an external certified valuation expert, which stated that its market value was higher. Management performed an assessment of the valuation report and concluded that the appraised market value was in force also at the acquisition date. Therefore, following the acquisition measurement period requirements, comparative information in these interim condensed financial statements as at 31 December 2011 is adjusted retrospectively to increase the fair value of the item of property and equipment at the acquisition date by LVL 3 170 thousand, offset by a decrease in goodwill of LVL 1 934 thousand and an increase in the share of non-controlling interest by LVL 1 236 thousand.

Non-controlling interest (39%) was recalculated accordingly, in proportion to the value of net assets at the acquisition date.

As a result of this measurement period adjustment, the comparative information presented in the 2011 financial statements is revised as follows:

	31 December 2011	
	<i>As stated originally</i>	<i>Revised</i>
Property and equipment	5 074	8 244
Intangible assets	2 642	708
Non-controlling interest	369	1 605