

**AS “AKCIJU KOMERCBANKA  
“BALTIKUMS””**

**CONDENSED CONSOLIDATED AND BANK’S  
INTERIM FINANCIAL STATEMENTS  
FOR SIX MONTH PERIOD ENDED  
30 JUNE 2009**

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## REPORT OF THE MANAGEMENT

### Dear Shareholders, customers and partners,

The first six months of 2009 were marked by continued stable development of AS "Akciju komercbanka "Baltikums"" (hereinafter Baltikums Bank) characterized by the key financial indicators and strengthened position on the selected niches of operation.

Conservative approach to risk management, consistency of strategic objectives, and establishment of long-term relations with customers are the three pillars of Baltikums Bank, a successfully growing contemporary bank.

On the ninth year of its operations, the Bank successfully functions in Riga, Limassol, Kiev, and Almaty, as well as has representation offices in Russia and Azerbaijan. Baltikums Bank and its foreign branches employ 150 international professionals.

The profit of Baltikums Bank for the first six months of the year amounted to LVL 901 thousand, profit of the Group for the six months of the year amounted to LVL 1 671 thousand. As at 30 June this year, the Bank's assets represented LVL 99.617 million and Group's assets – LVL 103.799 million. At the end of June, Baltikums Bank had issued loans of LVL 26.411 million including loans to households for home purchase worth LVL 14.1 thousand and mortgage loans worth LVL 31.7 thousand. Deposits attracted as at the end of June amounted to LVL 74.875 million.

Such results in 2009 when the world and Latvia was shaken by an unprecedented crisis and instability became possible thanks to the Bank's well-thought-out and precise strategy and its professional team. Despite the decrease in assets resulting from a drop in the Bank customers' turnover, Baltikums Bank remains one of the 10 banks in Latvia that continue operating with profit, the number of opened customer accounts keeps growing, the efficiency of operations increases, funds are invested in information technologies and expansion of the Bank's international branch network. As the competition shrinks due to crisis, the Bank perceives opportunities in pursuing new directions of operation and improving the existing ones.

Baltikums Bank still maintains very high liquidity and balance structure indicators and the high capital adequacy significantly exceeds that required by supervisory authorities.

Currently, the Bank focuses on three basic trends of its operations: *Private Banking*, *Corporate Banking* and *Wealth Management*.

During the first 6 months of 2009, Baltikums Banka has introduced an entity of private bankers who facilitate further development of Private Banking services, successfully launched and set as a priority earlier. Now Baltikums Bank employs a new team of sales and customer service professionals and sales of the Bank's investment products and services have brought the first returns.

This year, Baltikums Bank has successfully redeemed the second issue bonds and gradually continues redeeming public bonds issued by the bank earlier from the financial market on its own initiative. Thus the investors of the Bank's bonds have an opportunity to sell the Bank's bonds held by them at the current market price before their maturity.

The Bank's interest in redemption of its own bonds results from the following factors. First, Baltikums Bank has a considerable amount of free funds. Second, these bonds are traded on the market with a significant discount to the nominal; therefore, Baltikums Banka redeems the bonds prematurely and thus minimizes interest expenses. In addition, the Bank believes that by ensuring market liquidity of its bonds it contributes to maintaining good

business relationships with investors both today and in the future. The Bank’s opinion is that it is particularly important these days when there is certain instability and nervousness on the markets.

In the future, the Bank might consider more bond issues depending on the situation in the financial markets and customer demand for financing of promising projects.

Baltikums Bank has obtained a permit from the Cyprus Central Bank for offering its services in Cyprus according to the principles of free competition. Now customers of the Cyprus branch which successfully launched its operations in the beginning of the year will be able to enjoy a full range of products, services, and solutions both within day-to-day banking service and in Corporate Banking, Private Banking and Investment Banking, in payment card programs, as well as in comprehensive operations in financial markets without any restrictions.

The Bank constantly improves its business models introducing the latest technologies and methodology. However, our philosophy and business approach remains unchanged. Baltikums Bank is an independent private bank and a family business. The Bank has Latvian origins and its objective is to join the leading independent private banks in the European Union to provide modern and demanded banking products, services and solutions aimed at facilitating business and at retaining and increasing our customers’ wealth.

Baltikums Bank is famous for its consistent approach to establishing and maintaining mutually beneficial relations with its customers. Paying close attention to research and new developments, we create products, services, and solutions that are sought after, first of all, because they are created in our customers’ interests and represent our response to the customers’ needs and desires. Baltikums Bank was established as a commercial bank and its entrepreneurial spirit is close and familiar to customers: private entrepreneurs, high net worth individuals, and professional investors.

In addition, the Bank’s objective is not only to provide its customers with professional and quality service but also to join forces in order to create environment for business, capital, assets, and risk management, which, in addition to financial benefits, will offer our customers more stability and confidence regarding their future and that of their families and their partners. This is our responsibility as private bankers.

Our values 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 in these complicated times and look forward to continuing our successful cooperation in the future.

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Aleksandrs Peškova  
*Chairman of the Council*

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Aldis Reims  
*Chairman of the Board*

28 August 2009

**AS "AKCIJU KOMERCBANKA "BALTIKUMS""**

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

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**THE SUPERVISORY COUNCIL AND BOARD OF THE BANK**

**Council as of 30 June 2009**

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

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

**Management Board as of 30 June 2009**

<b>Name, surname</b>	<b>Position</b>	<b>Date of appointment</b>
Aldis Reims	Member of the Board	20 August 2001
	Acting Chairman of the Board	1 July 2002
	Chairman of the Board	25 April 2003
Dmitrijs Latiševs	Member of the Board	1 July 2002
	Deputy Chairman of the Board	25 April 2003
Leonarda Višņevska	Member of the Board	25 April 2003
Tatjana Drobina	Member of the Board	30 April 2008
Aleksandrs Halturins	Member of the Board	30 April 2008

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

On behalf of the Bank's management,

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Aleksandrs Peškova  
Chairman of the Council

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Aldis Reims  
Chairman of the Board

28 August 2009

**STATEMENT OF THE MANAGEMENT'S RESPONSIBILITIES**

Riga

The management of the AS "Akciju Komercbanka "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 interim financial statements of the Bank. The consolidated and Bank financial statements are prepared in accordance with International accounting standard Nr.34 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 financial statements.

The consolidated and Bank financial statements on pages 9 - 34 are prepared in accordance with the source documents and present the financial position of the Group as at 30 June 2009 and the results of its performance and cash flows for the six months period ended 30 June 2009.

The management of the Bank is responsible for the maintenance of a proper accounting system, safeguarding the Group's assets, and the prevention and detection of fraud and other irregularities in the Group. 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 to credit institutions.

On behalf of the Bank's management,

---

Aleksandrs Peškova  
*Chairman of the Council*

---

Aldis Reims  
*Chairman of the Board*

Riga, 28 August 2009



**KPMG Baltics SIA**  
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Latvia

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## **Independent Auditors' Report**

### **To the Shareholders of JSC "Komerbanka "Baltikums""**

#### **Report on the Interim Condensed Consolidated and Bank Financial Statements**

We have audited the accompanying interim condensed financial statements of JSC "Komerbanka "Baltikums"" ("the Bank"), which comprise the statement of financial position as at 30 June 2009, the related income statement and statements of comprehensive income, changes in shareholders' equity and cash flows for the six month period ended 30 June 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 34. We have also audited the accompanying interim condensed consolidated financial statements of JSC "Komerbanka "Baltikums"" and its subsidiaries ("the Group"), which comprise the statement of financial position as at 30 June 2009, the related income statement and statements of comprehensive income, changes in shareholders' equity and cash flows for the six month period ended 30 June 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 34.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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



*Basis for Qualified Opinion*

As described in Note 16 to the interim condensed consolidated financial statements, in the six month period ended 30 June 2009 the Group has recognized gains arising from equity accounting for investment in AAS "Baltikums" (associated company) of LVL 238 thousand. We were unable to obtain sufficient audit evidence supporting the financial results of AAS "Baltikums" for the six month period ended 30 June 2009 and consequently are unable to conclude whether any adjustments might be necessary to the net profit of the Group for the six month period ended 30 June 2009 and the balance of investment in AAS "Baltikums" as at 30 June 2009.

*Qualified Opinion*

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

In our opinion, except for the effect, if any, on the interim condensed consolidated financial statements of the matter described in the Basis for Qualified Opinion paragraph, the interim condensed consolidated financial statements of the Group are prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

*Other matters*

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

KPMG Baltics SIA  
Licence Nr. 55

*Ondrej Fikrle*

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

*Inga Lipšāne*

Inga Lipšāne  
Sworn Auditor  
Certificate No. 112

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

**CONDENSED CONSOLIDATED AND BANK'S INTERIM INCOME STATEMENT**

	Notes	6 month period ended 30 June 2009		6 month period ended 30 June 2008 Unaudited	
		Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Interest income		3 055	3 029	2 254	2 235
Interest expense		(600)	(561)	(731)	(717)
<b>Net interest income</b>	<b>7</b>	<b><u>2 455</u></b>	<b><u>2 468</u></b>	<b><u>1 523</u></b>	<b><u>1 518</u></b>
Fee and commission income		2 050	2 047	2 020	2 008
Fee and commission expense		(357)	(357)	(387)	(383)
<b>Net commission and fee income</b>	<b>8</b>	<b><u>1 693</u></b>	<b><u>1 690</u></b>	<b><u>1 633</u></b>	<b><u>1 625</u></b>
Net gain on financial instruments at fair value through profit or loss		360	360	231	231
Net foreign exchange income		402	402	1 606	1 607
Other operating income		253	93	114	67
<b>Operating income</b>		<b><u>5 163</u></b>	<b><u>5 013</u></b>	<b><u>5 107</u></b>	<b><u>5 048</u></b>
Administrative expenses		(2 789)	(2 684)	(1 902)	(1 830)
Other operating expenses		(76)	(58)	(275)	(13)
Impairment of financial assets	17	(718)	(1 223)	(408)	(408)
Gains arising from investment in associates	16	238	-	-	-
<b>Total operating expenses</b>		<b><u>(3 345)</u></b>	<b><u>(3 965)</u></b>	<b><u>(2 585)</u></b>	<b><u>(2 251)</u></b>
<b>Profit before income tax</b>		<b>1 818</b>	<b>1 048</b>	<b>2 522</b>	<b>2 797</b>
Income tax expense	9	(147)	(147)	(387)	(382)
<b>Profit for the period</b>		<b><u>1 671</u></b>	<b><u>901</u></b>	<b><u>2 135</u></b>	<b><u>2 415</u></b>
<b>Attributable to:</b>					
<i>Equity holders of the Bank</i>		1 407	901	2 135	2 415
<i>Minority interest</i>		264	-	-	-
<b>Profit for the period</b>		<b><u>1 671</u></b>	<b><u>901</u></b>	<b><u>2 135</u></b>	<b><u>2 415</u></b>
<b>Basic and diluted earnings per share (LVL)</b>		<b><u>0.110</u></b>	<b><u>0.059</u></b>	<b><u>0.168</u></b>	<b><u>0.190</u></b>

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

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

\_\_\_\_\_  
Aleksandrs Peškova  
Chairman of the Council

\_\_\_\_\_  
Aldis Reims  
Chairman of the Board

28 August 2009

AS "AKCIJU KOMERCBANKA "BALTIKUMS"

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

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	6 month period ended 30 June 2009		6 month period ended 30 June 2008 Unaudited	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
<b>Profit for the period</b>	1 671	901	2 135	2 415
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>1 671</b>	<b>901</b>	<b>2 135</b>	<b>2 415</b>
<b>Attributable to:</b>				
Equity holders of the Bank	1 407	901	2 135	2 415
Minority	264	-	-	-

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Aleksandrs Peškova  
*Chairman of the Council*

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Aldis Reims  
*Chairman of the Board*

28 August 2009

AS "AKCIJU KOMERCBANKA "BALTIKUMS""

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

Assets	Notes	30 June 2009		31 December 2008	
		Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Cash and balances with the Bank of Latvia	10	6 389	6 388	5 550	5 549
Deposits with credit institutions	11	29 207	29 192	37 178	37 169
<i>Demand deposits</i>		26 486	26 471	36 653	36 644
<i>Term deposits</i>		2 721	2 721	525	525
Financial assets held for trading		11 014	11 014	7 857	7 857
<i>Fixed income securities</i>	12	10 647	10 647	7 638	7 638
<i>Derivative financial instruments</i>	23	367	367	219	219
Available-for-sale financial assets	13	766	34	10	10
<i>Non-fixed income securities</i>		34	34	10	10
<i>Fixed income securities</i>		732	-	-	-
Loans and receivables	14	27 204	26 411	34 556	34 213
Financial assets held-to-maturity	15	14 747	14 747	14 581	14 581
Investments in subsidiaries	16	-	3 196	-	3 171
Investments in associates	16	3 060	2 820	2	-
Intangible assets		276	230	257	212
Property and equipment		1 691	1 685	1 738	1 735
Investment property	18	3 537	517	3 619	530
Non-current assets held for sale	19	4 974	2 476	3 889	1 070
Income tax receivable		439	423	39	-
Other assets		447	436	3 186	3 175
Prepayments and accrued income		48	48	47	47
<b>Total assets</b>		<b>103 799</b>	<b>99 617</b>	<b>112 509</b>	<b>109 319</b>

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Aleksandrs Peškova  
Chairman of the Council

\_\_\_\_\_  
Aldis Reims  
Chairman of the Board

28 August 2009

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

Liabilities and Equity	Notes	30 June 2009		31 December 2008	
		Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Due to credit institutions on demand		939	939	7	7
Derivatives	23	263	263	135	135
Financial liabilities carried at amortized cost		80 338	79 258	90 850	89 688
<i>Loans received from credit institutions</i>		1 199	-	1 270	-
<i>Customers' deposits</i>	20	74 756	74 875	79 096	79 204
<i>Notes payable</i>	21	4 383	4 383	10 484	10 484
Deferred income and accrued expenses		209	209	101	101
Provisions	22	125	124	87	86
Deferred tax liabilities		36	36	-	-
Current tax liabilities		-	-	629	629
Other liabilities		445	91	87	37
<b>Total liabilities</b>		<b>82 355</b>	<b>80 920</b>	<b>91 896</b>	<b>90 683</b>
<b>Equity</b>					
Share capital		15 178	15 178	15 178	15 178
Reserves		17	17	17	17
Retained earnings		3 704	3 502	3 137	3 441
<b>Total equity attributable to equity holders of the parent</b>		<b>18 999</b>	<b>18 697</b>	<b>18 332</b>	<b>18 636</b>
Minority interest		2 545	-	2 281	-
<b>Total equity</b>		<b>21 444</b>	<b>18 697</b>	<b>20 613</b>	<b>18 636</b>
<b>Total liabilities and equity</b>		<b>103 799</b>	<b>99 617</b>	<b>112 509</b>	<b>109 319</b>
<b>Contingent liabilities and commitments</b>	27	<b>4 621</b>	<b>4 621</b>	<b>3 662</b>	<b>3 662</b>

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*Chairman of the Council*

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Aldis Reims  
*Chairman of the Board*

28 August 2009

**AS "AKCIJU KOMERCBANKA "BALTIKUMS"")**

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital LVL'000	Reserve capital LVL'000	Retained earnings LVL'000	Total equity attributable to equity holders of the parent LVL'000	Minority interest LVL'000	Total equity LVL'000
<b>Balance as at 31 December 2007</b>	<b>10 525</b>	<b>17</b>	<b>2 361</b>	<b>12 903</b>	<b>182</b>	<b>13 085</b>
Dividends paid	-	-	(1 964)	(1 964)	-	(1 964)
Profit for the period	-	-	2 135	2 135	-	2 135
Effect of disposal of interest in subsidiary	-	-	-	-	2 363	2 363
Share capital increase	4 653	-	-	4 653	-	4 653
<b>Balance as at 30 June 2008 (unaudited)</b>	<b>15 178</b>	<b>17</b>	<b>2 532</b>	<b>17 727</b>	<b>2 545</b>	<b>20 272</b>
Profit for the period	-	-	605	605	(264)	341
<b>Balance as at 31 December 2008</b>	<b>15 178</b>	<b>17</b>	<b>3 137</b>	<b>18 332</b>	<b>2 281</b>	<b>20 613</b>
Dividends paid	-	-	(840)	(840)	-	(840)
Profit for the period	-	-	1 407	1 407	264	1 671
<b>Balance as at 30 June 2009</b>	<b>15 178</b>	<b>17</b>	<b>3 704</b>	<b>18 899</b>	<b>2 545</b>	<b>21 444</b>

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

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Aleksandrs Peškova  
*Chairman of the Council*

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Aldis Reims  
*Chairman of the Board*

28 August 2009

**AS "AKCIJU KOMERCBANKA "BALTIKUMS"")**

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

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

	Share capital LVL'000	Reserve capital LVL'000	Retained earnings LVL'000	Total LVL'000
<b>Balance as at 31 December 2007</b>	<b>10 525</b>	<b>17</b>	<b>2 049</b>	<b>12 591</b>
Dividends paid	-	-	(1 964)	(1 964)
Profit for the year	-	-	2 415	2 415
Issue of share capital	4 653	-	-	4 653
<b>Balance as at 30 June 2008 (unaudited)</b>	<b>15 178</b>	<b>17</b>	<b>2 500</b>	<b>17 695</b>
Profit for the period	-	-	941	941
<b>Balance as at 31 December 2008</b>	<b>15 178</b>	<b>17</b>	<b>3 441</b>	<b>18 636</b>
Dividends paid	-	-	(840)	(840)
Profit for the year	-	-	901	901
<b>Balance as at 30 June 2009</b>	<b>15 178</b>	<b>17</b>	<b>3 502</b>	<b>18 697</b>

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

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*Chairman of the Board*

28 August 2009

AS "AKCIJU KOMERCBANKA "BALTIKUMS""

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

NOTES TO THE FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED AND BANK INTERIM STATEMENT OF CASH FLOWS

	6 month period ended 30 June 2009		6 month period ended 30 June 2008 Unaudited	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
<b>Cash flow from operating activities</b>				
Profit before income tax	1 818	1 048	2 522	2 797
Amortization and depreciation	185	115	69	68
Impairment of financial assets	718	1 223	408	408
Loss on foreign exchange revaluation	59	59	109	108
Revaluation corrections of other assets and liabilities	(463)	(225)	19	22
<b>Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations</b>	<b>2 317</b>	<b>2 220</b>	<b>3 127</b>	<b>3 403</b>
(Increase) / decrease of loans and receivables	5 633	6 083	(5 618)	(5 809)
(Increase) / decrease in available-for-sale financial assets	(756)	(24)	2 116	-
(Increase) / decrease in held for trading financial assets	(3 157)	(3 157)	(8 558)	(8 934)
Decrease of financial assets at fair value through profit or loss	-	-	15	-
(Increase) of held-to-maturity financial assets	(1 147)	(1 076)	(362)	(362)
(Increase) / decrease of prepayments and accrued income	(1)	(1)	3	(3)
(Increase) of other assets	(447)	(470)	(2 444)	(151)
Increase in customers' deposits	(4 340)	(4 329)	21 951	20 678
Increase/(decrease) in financial liabilities held for trading	128	128	(86)	(85)
Increase/(decrease) in other and current tax liabilities	820	509	(1 930)	190
Increase/(decrease) in deferred income and accrued expense	108	108	180	188
<b>Increase/(decrease) in cash and cash equivalents from operating activities before corporate income tax</b>	<b>(842)</b>	<b>(9)</b>	<b>8 394</b>	<b>9 115</b>
Corporate income tax paid	(1 198)	(1 191)	(488)	(488)
<b>Net cash and cash equivalents from/(used in) operating activities</b>	<b>(2 040)</b>	<b>(1 200)</b>	<b>7 906</b>	<b>8 627</b>
<b>Cash flow from investing activities</b>				
Acquisition of property and equipment and intangible assets	(75)	(70)	(1 403)	(1 403)
Proceeds from sale of property and equipment	-	-	2	-
Acquisition of subsidiaries and associates net of cash acquired	-	(25)	(1 515)	(1 516)
Sales of non-current assets held for sale	826	-	-	(531)
<b>Net cash from/(used in) investing activities</b>	<b>751</b>	<b>(95)</b>	<b>(2 916)</b>	<b>(3 450)</b>
<b>Cash flow from financing activities</b>				
Proceeds from share issue	-	-	4 653	4 653
Proceeds from repurchase of notes	(5 876)	(5 876)	-	-
Dividends paid	(840)	(840)	(1 964)	(1 964)
<b>Net increase (decrease) of cash from financing activities</b>	<b>(6 716)</b>	<b>(6 716)</b>	<b>2 689</b>	<b>2 689</b>
<b>Net changes in cash and cash equivalents</b>	<b>(8 005)</b>	<b>(8 011)</b>	<b>7 679</b>	<b>7 866</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>42 696</b>	<b>42 686</b>	<b>51 938</b>	<b>51 739</b>
Effects of exchange rates fluctuations on cash held	(59)	(59)	(109)	(108)
<b>Cash and cash equivalents at the end of reporting period</b>	<b>34 632</b>	<b>34 616</b>	<b>59 508</b>	<b>59 497</b>

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

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

Aleksandrs Peškova  
Chairman of the Council

Aldis Reims  
Chairman of the Board

28 August 2009

## NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

JSC "Akciju komercbanka "Baltikums"" (the Bank) was established on 22 June 2001, when it was incorporated in the Republic of Latvia as a joint stock company. The address of the Bank is Maza Pils iela 13, Riga, LV 1050. The Bank is a commercial bank specializing in the financing of export and import operations, trade and shipping finance as well as investment management. The Bank operates in accordance with Latvian legislation and the license issued by the Bank of Latvia.

The immediate controlling party of the Bank is AS "Baltikums bankas grupa", which owns 100% of shares. AS "Baltikums bankas grupa" is owned in equal portions by four Latvian entities, which belong to 10 individuals.

The Bank is a majority shareholder in a number of subsidiaries located in Riga, Latvia, which comprise Baltikums Group (the Group). SIA "Baltikums Līzings" specializes in finance leasing and lending, IPS "Baltikums Asset Management" is an investment company, SIA "Konsalting Invest" is a property developer and SIA "Baltikums Direct" manages representative offices in Russia, Ukraine, Kazakhstan and in Azerbaijan. In April 2009 Bank's branch in Cyprus has started operations.

Companies included in consolidation:

Company	State of registration	Business activity	Share in equity as at 31.12.2008, %	Share in equity as at 30.06.2009, %
AS IPS „Baltikums Asset Management”	Latvia	Financial services	100	100
SIA „Baltikums Līzings”	Latvia	Financial services Intermediary	100	100
SIA „Baltikums Direct”	Latvia	services	100	100
SIA „Konsalting Invest”	Latvia	Financial services	51	51

Investments associates (Bank and Group):

Company	State of registration	Business activity	Share in equity as at 31.12.2008, %	Share in equity as at 30.06.2009, %
ООО „Балтикумс Траст”, Kiev	Ukraine	Intermediary services	25	25
ООО „Балтикумс Траст”, Saint Petersburg	Russia	Intermediary services	25	25
ООО „Baltikums Trast”, Moscow	Russia	Intermediary services	25	25
AAS “Baltikums”, Latvia	Latvia	Insurance services	-	49

## 2 BASIS OF PREPARATION

## (a) Statement of Compliance

These condensed consolidated and Bank's interim financial statements are prepared in accordance with International Financial Reporting Standard IAS34 *Interim Financial Reporting*. These interim financial statements do not include all of the information required for a complete set of annual financial statements, and should be read in conjunction with the consolidated and Bank's financial statements as at and for the year ended 31 December 2008.

The condensed consolidated and Bank's interim financial statements were authorized for issue by the Board of Directors on 28 August 2009.

NOTES TO THE FINANCIAL STATEMENTS

**(b) Functional and presentation currency**

These interim consolidated and Bank's financial statements are presented in thousands of lats (LVL 000's), unless otherwise stated, and the lat is the Group's and the Bank's functional currency.

**3 SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

The Bank and the Group applied revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Bank and the Group presents in the statement of changes in equity owner changes in equity, whereas non-owner changes in equity are presented in the statement of comprehensive income.

The Bank and the Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

*IFRS 8 Operating Segments* introduces the "management approach" to segment reporting and is mandatory for the Bank as its debt securities are listed on Riga Stock Exchange. The Group and Bank have disclosed segment reporting as required by IAS 34 *Interim Financial Reporting* in note 29 of the interim condensed consolidated and Bank financial statements.

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

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

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

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

Amendment to IAS 39, Financial Instruments: Recognition and Measurement, effective for annual periods beginning on or after 1 July 2009, clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation

**NOTES TO THE FINANCIAL STATEMENTS**

cannot be designated, except in limited circumstances. The amendments to IAS 39 are not relevant to the Bank's and Group's financial statements as the Bank and the Group does not apply hedge accounting.

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

IFRIC 18, 'Transfers of assets from customers', effective for transfers of assets received on or after 1 July 2009. Management is assessing the impact of the new requirements regarding transfers of assets from customers.

**4 RISK MANAGEMENT**

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

**5 CAPITAL MANAGEMENT**

The Financial and Capital Market Commission sets and monitors capital requirements for the Bank, the lead operating entity of the Group, and for the Group as a whole.

The Bank 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 2009, this minimum level is 8%. The Bank was in compliance with the statutory capital ratio during the six-month periods ended 30 June 2008, 31 December 2008 and 30 June 2009.

The Bank's risk based capital adequacy ratio as at 30 June 2009 was 16.44% (as at 31 December 2008: 18%; as at 30 June 2008: 11.96% (unaudited)).

**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 consolidated and Bank's 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 2008.

## NOTES TO THE FINANCIAL STATEMENTS

## 7 NET INTEREST INCOME

	6 month period ended 30 June 2009		6 month period ended 30 June 2008 Unaudited	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
<b><i>Interest income</i></b>				
Interest income on assets at amortized cost:	1 629	1 609	1 588	1 570
<i>Credit institutions</i>	402	402	384	384
<i>Loans and receivables</i>	1 227	1 207	1 204	1 186
Interest income from available-for-sale securities	6	-	-	-
Interest income from securities at fair value through profit or loss	514	514	666	665
Interest income from held-to-maturity securities	906	906	-	-
<b><i>Total interest income</i></b>	<b>3 055</b>	<b>3 029</b>	<b>2 254</b>	<b>2 235</b>
<b><i>Interest expense</i></b>				
Interest expense from liabilities measured at amortized cost:	(518)	(479)	(651)	(637)
<i>Credit institutions</i>	(40)	(1)	(31)	(17)
<i>Customers deposits</i>	(216)	(216)	(232)	(232)
<i>Notes payable</i>	(262)	(262)	(388)	(388)
Payments to deposits guarantee fund	(82)	(82)	(80)	(80)
<b><i>Total interest expense</i></b>	<b>(600)</b>	<b>(561)</b>	<b>(731)</b>	<b>(717)</b>
<b><i>Net interest income</i></b>	<b>2 455</b>	<b>2 468</b>	<b>1 523</b>	<b>1 518</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 8 NET COMMISSION AND FEE INCOME

	6 month period ended 30 June 2009		6 month period ended 30 June 2008 Unaudited	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
<i>Commission and fee income</i>				
Payment transactions	1 667	1 667	1 735	1 735
Corporate banking fee income	103	102	93	92
Securities transactions	31	31	27	27
Trust operation	23	23	3	3
Account servicing	147	147	81	81
Management of investment funds and plans	2	-	11	-
Other	77	77	70	70
<b>Total commission and fee income</b>	<b>2 050</b>	<b>2 047</b>	<b>2 020</b>	<b>2 008</b>
<i>Commission and fee expense</i>				
Correspondent accounts	(278)	(278)	(324)	(324)
Cash transactions and payment card transaction	(30)	(30)	(23)	(23)
Customer acquisition and distribution of fund shares	(17)	(17)	(21)	(21)
Brokerage in placing of investment	-	-	(4)	-
Securities transactions	(27)	(27)	(14)	(14)
<b>Total commission and fee expense</b>	<b>(357)</b>	<b>(357)</b>	<b>(387)</b>	<b>(383)</b>
<b>Net commission and fee income</b>	<b>1 693</b>	<b>1 690</b>	<b>1 633</b>	<b>1 625</b>

## 9 INCOME TAX EXPENSE

	6 month period ended 30 June 2009		6 month period ended 30 June 2008 Unaudited	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Current period tax expense	111	111	387	382
Deferred tax	36	36	-	-
	<b>147</b>	<b>147</b>	<b>387</b>	<b>382</b>

The table below shows the reconciliation between the current tax expense and the theoretically calculated tax amount using the basic tax rate, which was 15% in 2009 and 2008.

## NOTES TO THE FINANCIAL STATEMENTS

	6 month period ended 30 June 2009		6 month period ended 30 June 2008 Unaudited	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Profit before tax	1 818	1 048	2 522	2 797
Theoretically calculated tax at rate 15%	273	157	378	420
Non-recognized deferred tax asset	40	40	-	-
Non-deductible expenses and exempt income net	(166)	(50)	9	(38)
<b>Income tax expense</b>	<b>147</b>	<b>147</b>	<b>387</b>	<b>382</b>

## 10 CASH AND CASH EQUIVALENTS

	30 June 2009		31 December 2008	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Cash	595	594	262	261
Due from the Bank of Latvia	5 794	5 794	5 288	5 288
<b>Total cash and balances with the Bank of Latvia</b>	<b>6 389</b>	<b>6 388</b>	<b>5 550</b>	<b>5 549</b>
Due from credit institutions on demand and within 3 months	29 182	29 167	37 153	37 144
Due to credit institutions on demand and within 3 months	(939)	(939)	(7)	(7)
<b>Total cash and cash equivalents</b>	<b>34 632</b>	<b>34 616</b>	<b>42 696</b>	<b>42 686</b>

## 11 DEPOSITS WITH CREDIT INSTITUTIONS

	30 June 2009		31 December 2008	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
<b>Demand deposits with credit institutions</b>				
Credit institutions registered in Latvia	1 776	1 761	2 608	2 599
Credit institutions registered in OECD countries	21 240	21 240	24 454	24 454
Credit institutions of other countries	3 470	3 470	9 591	9 591
<b>Total demand deposits with credit institutions</b>	<b>26 486</b>	<b>26 471</b>	<b>36 653</b>	<b>36 644</b>
<b>Term deposits with credit institutions</b>	<b>2 721</b>	<b>2 721</b>	<b>525</b>	<b>525</b>
<b>Total deposits with credit institutions</b>	<b>29 207</b>	<b>29 192</b>	<b>37 178</b>	<b>37 169</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 12 HELD FOR TRADING FINANCIAL ASSETS: FIXED INCOME SECURITIES

	30 June 2009		31 December 2008	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
<b>Fixed income securities held for trading</b>				
Eurobonds issued by Latvian credit institutions	-	-	244	244
Eurobonds issued by companies and credit institutions of other countries (non-OECD)	10 647	10 647	7 394	7 394
<b>Investments in fixed income securities held for trading</b>	<b>10 647</b>	<b>10 647</b>	<b>7 638</b>	<b>7 638</b>

## 13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2009		31 December 2008	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
<b>Fixed income securities</b>				
Debt securities issued by parent company	732	-	-	-
<b>Investments in non-fixed income securities</b>				
SWIFT shares	34	34	10	10
<b>Total financial assets available-for-sale</b>	<b>766</b>	<b>34</b>	<b>10</b>	<b>10</b>

## 14 LOANS AND RECEIVABLES

## (a) Loans

	30 June 2009		31 December 2008	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Financial institutions	-	384	-	205
Private companies	26 691	25 858	33 392	33 144
Individuals	1 225	856	1 564	1 239
<b>Total loans</b>	<b>27 916</b>	<b>27 098</b>	<b>34 956</b>	<b>34 588</b>
Loan loss allowance (Note 17)	(712)	(687)	(400)	(375)
<b>Net loans</b>	<b>27 204</b>	<b>26 411</b>	<b>34 556</b>	<b>34 213</b>

## NOTES TO THE FINANCIAL STATEMENTS

## (b) Analysis of loans by type

	30 June 2009		31 December 2008	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
<b>Loan portfolio</b>				
Corporate loans	21 113	20 315	26 310	25 942
Industrial loans	1 753	1 752	3 231	3 231
Payment cards loans	86	86	53	53
Mortgage loans	33	32	21	21
Other loans	917	899	879	879
<b>Total Loan portfolio</b>	<b>23 902</b>	<b>23 084</b>	<b>30 494</b>	<b>30 126</b>
<b>Securities loans</b>				
Reverse repo	4 014	4 014	4 462	4 462
<b>Total securities loans</b>	<b>4 014</b>	<b>4 014</b>	<b>4 462</b>	<b>4 462</b>
<b>Total loans</b>	<b>27 916</b>	<b>27 098</b>	<b>34 956</b>	<b>34 588</b>
Loan loss allowance (Note 17)	(712)	(687)	(400)	(375)
<b>Loans net</b>	<b>27 204</b>	<b>26 411</b>	<b>34 556</b>	<b>34 213</b>

## (c) Geographical segmentation of the loans

	30 June 2009		31 December 2008	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Loans to residents of Latvia	7 129	6 555	7 471	7 100
Loans to residents of OECD countries	3 093	3 091	6 584	6 585
Loans to residents of the other countries	17 694	17 452	20 901	20 903
<b>Total loans</b>	<b>27 916</b>	<b>27 098</b>	<b>34 956</b>	<b>34 588</b>
Loan loss allowance (Note 17)	(712)	(687)	(400)	(375)
<b>Loans net</b>	<b>27 204</b>	<b>26 411</b>	<b>34 556</b>	<b>34 213</b>

The average interest rate on the loan portfolio is 8.56% (2008: 11.36%). The average interest rate on repo transactions is 2.95% (2008: 3.14%).

## (d) Significant credit exposures

As at 30 June 2009 and 31 December 2008 the Bank had no borrowers or groups of related borrowers, respectively, whose loan balances exceeded 10% of loans and receivables from customers.

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

## NOTES TO THE FINANCIAL STATEMENTS

## (e) Ageing structure of loan portfolio

Bank	Carrying amount	Of which neither past due nor impaired on the reporting date	Of which not impaired on the reporting date and past due in the following periods					More than 360 days
			Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Loans, 30 June 2009	27 098	26 554	27	0	0	125	168	224
Loans, 31 December 2008	34 588	34 243	21	42	0	64	0	218

Group	Carrying amount	Of which neither past due nor impaired on the reporting date	Of which not impaired on the reporting date and past due in the following periods					More than 360 days
			Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Loans, 30 June 2009	27 916	26 890	27	232	35	220	173	339
Loans, 31 December 2008	34 956	34 433	81	42	0	65	2	333

The Bank has estimated loan impairment for commercial loans based on an analysis of the future cash flows for impaired loans.

## (f) Impaired loans

	30 June 2009		31 December 2008	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Impaired loans gross	4 551	4 439	876	834
Impairment allowance	(712)	(687)	(400)	(375)
<b>Net Loans and receivables from customers</b>	<b>3 839</b>	<b>3 752</b>	<b>476</b>	<b>459</b>
<b>Fair value of collateral related to impaired loans</b>	<b>5 572</b>	<b>5 572</b>	<b>321</b>	<b>321</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

	30 June 2009		31 December 2008	
	Gross LVL'000	Impairment allowance LVL'000	Gross LVL'000	Impairment allowance LVL'000
Standard	26 264	(128)	33 754	-
Watch	-	-	300	(30)
Substandard	300	(97)	-	-
Doubtful	181	(109)	497	(308)
Lost	353	(353)	37	(37)
<b>Total</b>	<b>27 098</b>	<b>(687)</b>	<b>34 588</b>	<b>(375)</b>

Categories of individual loans for the Group do not significantly differ from the Bank.

**(g) Industry analysis of the loan portfolio (Bank)**

	30 June 2009 '000 LVL	31 December 2008 '000 LVL
Metal ware production	-	858
Wholesale	1 566	3 805
Water transport	11 453	11 382
Financial services	2 170	3 201
Real estate	442	465
Private individuals	847	1 086
Other services	9 933	13 416
<b>Kopā</b>	<b>26 411</b>	<b>34 213</b>

Industry analysis for the loan portfolio of the Group does not significantly differ from Bank.

**(h) Analysis of collateral for loans by type of collateral (Bank)**

	30 June 2009		31 December 2008	
	Net loans LVL'000	Share in loan portfolio %	Net loans LVL'000	Share in loan portfolio %
Commercial buildings	1 503	6	3 092	9
Commercial assets pledge	4 315	16	1 898	6
Commercial assets: water transport	13 180	50	17 884	52
Goods: scrap metal	1 127	4	4 193	12
Traded securities	4 014	15	4 462	13
Other	2 272	9	2 684	8
<b>Total</b>	<b>26 411</b>	<b>100</b>	<b>34 213</b>	<b>100</b>

Analysis of collateral for loans by type of collateral for the Group does not significantly differ from Bank.

## NOTES TO THE FINANCIAL STATEMENTS

## 15 FINANCIAL ASSETS HELD-TO-MATURITY

	30 June 2009		31 December 2008	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
<b>Debt securities and other fixed income securities</b>				
Eurobonds issued by Latvian credit institutions	863	863	868	868
Eurobonds issued by companies and credit institutions of other countries (non-OECD)	14 829	14 829	13 751	13 751
<b>Total debt securities</b>	<b>15 692</b>	<b>15 692</b>	<b>14 619</b>	<b>14 619</b>
Impairment allowance (Note 17)	(945)	(945)	(38)	(38)
<b>Debt securities, net</b>	<b>14 747</b>	<b>14 747</b>	<b>14 581</b>	<b>14 581</b>

*Reclassification out of held for trading financial instruments*

Pursuant to the amendments to IAS 39 and IFRS 7 (described in Note 3), the Bank reclassified certain trading assets to financial assets held to maturity. The Bank identified financial assets eligible under the amendments, for which it had changed its intent such that it no longer held these financial assets for the purpose of selling in the short term. For the trading assets identified for reclassification that would have met the definition of financial assets held to maturity, the Bank had the intention and ability to hold them for the foreseeable future or until maturity. For the trading assets identified for reclassification, the Bank determined that the deterioration of the financial markets during the third quarter of 2008 constituted rare circumstances that permit reclassification out of the trading category.

Under IAS 39 as amended, the reclassifications were made, effective from 1 July 2008 at fair value at that date. The table below sets out the financial assets reclassified and their carrying and fair values:

	1 July 2008		31 December 2008		30 June 2009	
	Carrying value LVL '000	Fair value LVL '000	Carrying value LVL '000	Fair value LVL '000	Carrying value LVL '000	Fair value LVL '000
Held-to-maturity financial assets, which have been reclassified from trading assets	5 755	5 755	5 807	4 358	5 919	4 244
	<b>5 755</b>	<b>5 755</b>	<b>5 807</b>	<b>4 358</b>	<b>5 919</b>	<b>4 244</b>

If reclassification would not have been performed, the Bank and the Group had to recognize loss in amount of LVL 114 thousand during 6 months of 2009.

## NOTES TO THE FINANCIAL STATEMENTS

## 16 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

*(a) Investments in subsidiaries (Bank)*

Company	Share in equity	Cost, 30 June 2009 LVL '000	Cost, 31 December 2008 LVL '000
SIA "Baltikums Līzings"	100%	345	345
AS IPS "Baltikums Asset Management"	100%	136	111
SIA "Baltikums Direct"	100%	7	7
SIA "Konsalting Invest"	51%	2 708	2 708
		<u>3 196</u>	<u>3 171</u>

*(b) Investments in associates (Bank and Group)*

Company	Share in equity	Group		Share in equity	Bank	
		Cost, 30 June 2009 LVL'000	Cost, 31 December 2008 LVL'000		Cost, 30 June 2009 LVL'000	Cost, 31 December 2008 LVL'000
LLC "Балтикумс Траст" (Kiev)	25%	1	1	-	-	-
LLC "Балтикумс Траст" (Saint Petersburg)	25%	1	1	-	-	-
LLC „Baltikums Trast” (Moscow)	25%	-	-	-	-	-
AAS „Baltikums”	49.89%	2 820	-	49.89%	2 820	-
Gains arising from investment in associates (AAS "Baltikums")						
Unaudited	49.89%	238	-	49.89%	-	-
<b>Total</b>		<u>3 060</u>	<u>2</u>		<u>2 820</u>	<u>-</u>

On 4 February 2009, the Financial and Capital Market Commission approved a purchase of 49.89% of shares of AAS „Baltikums” by the Bank. A prepayment had been made on 15 December 2008.

## NOTES TO THE FINANCIAL STATEMENTS

## 17 IMPAIRMENT OF ASSETS

*(a) Impairment of assets (Bank)*

	6 month period ended 30 June 2009 LVL '000	6 month period ended 30 June 2009 Unaudited LVL '000	Year that ended 31 December 2008 LVL '000
<b>Total allowance as of 1 January</b>	<b>413</b>	<b>91</b>	<b>91</b>
Increase in loan loss allowances (Note 14)	313	408	283
Increase in impairment allowance for securities (Note 15)	910	-	38
<b>Change for the period</b>	<b>1 223</b>	<b>408</b>	<b>321</b>
Change in loan loss allowances due to currency fluctuations (Note 14)	(1)	(1)	1
Change in allowance for securities due to currency fluctuations (Note 15)	(3)	-	-
<b>Total allowance as at the end of period</b>	<b>1 632</b>	<b>498</b>	<b>413</b>

*(b) Impairment of assets (Group)*

	6 month period ended 30 June 2009 LVL '000	6 month period ended 30 June 2009 Unaudited LVL '000	Year that ended 31 December 2008 LVL '000
<b>Total allowance as of 1 January</b>	<b>943</b>	<b>119</b>	<b>119</b>
Increase in loan loss allowances (Note 14)	313	408	279
Increase in impairment allowance for securities (Note 15)	910	-	38
Impairment of non-current assets held for sale (Note 19)	-	-	505
Release of Impairment of non-current assets held for sale after sales of assets (Note 19)	(505)	-	-
<b>Change for the period</b>	<b>718</b>	<b>408</b>	<b>822</b>
Change in loan loss allowances due to currency fluctuations (Note 14)	(1)	(1)	2
Change in allowance for securities due to currency fluctuations (Note 15)	(3)	-	-
<b>Total allowance as at the end of period</b>	<b>1 657</b>	<b>526</b>	<b>943</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 18 INVESTMENT PROPERTY

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

	30 June 2009		31 December 2008	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Land and building on 12 Ūdens street, Riga	3 270	250	3 344	255
Land and building on 28 Raiņa street, Daugavpils	267	267	275	275
	<u>3 537</u>	<u>517</u>	<u>3 619</u>	<u>530</u>

Changes in investment property during the period:

	Group LVL'000	Bank LVL'000
As at 31 December 2008	3 619	530
Depreciation of buildings	(82)	(13)
As at 30 June 2009	<u>3 537</u>	<u>517</u>

## 19 NON-CURRENT ASSETS HELD FOR SALE

	30 June 2009		31 December 2008	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Assets held for sale	4 974	2 476	4 394	1 070
<b>Total non-current assets held for sale</b>	<u>4 974</u>	<u>2 476</u>	<u>4 394</u>	<u>1 070</u>
Impairment loss (Note 17)	-	-	(505)	-
<b>Non-current assets held for sale, net</b>	<u>4 974</u>	<u>2 476</u>	<u>3 889</u>	<u>1 070</u>

Non-current assets held for sale are carried at the lower of the carrying amount or fair value less costs to sell, and include unlisted real estate investments and licensed mass media companies' shares. There is no active market for such an investment and there have been no recent transactions to provide the basis for fair value. In addition, the discounted cash flow method would result in a wide range of fair values as there is no certainty regarding the future cash flows in this industry. During the reporting period, the Bank took over 100% of two shipping companies, which are collateral of outstanding loans. Book value of these companies is LVL 1 406 thousand and the management believes that their fair value as at 30 June 2009 does not differ from their book value.

Changes in non-current assets held for sale during the period:

	Group LVL'000	Bank LVL'000
<b>31 December 2008</b>	<b>3 889</b>	<b>1 070</b>
Acquired by assuming loans' collateral	1 406	1 406
Sold	(826)	-
Reversal of impairment for assets held for sale after sales of assets (Note 12)	505	-
<b>30 June 2009</b>	<u>4 974</u>	<u>2 476</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 20 FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST: CUSTOMERS DEPOSITS

	30 June 2009		31 December 2008	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
<b>Current accounts:</b>				
Financial institutions	858	867	1 391	1 392
Corporate	60 008	60 009	62 786	62 791
Individuals	3 692	3 692	4 130	4 130
	<b>64 558</b>	<b>64 568</b>	<b>68 307</b>	<b>68 313</b>
<b>Term deposits:</b>				
Financial institutions	2 114	2 223	1 827	1 929
Corporate	6 284	6 284	7 934	7 934
Individuals	1 800	1 800	1 028	1 028
	<b>10 198</b>	<b>10 307</b>	<b>10 789</b>	<b>10 891</b>
<b>Deposits total</b>	<b>74 756</b>	<b>74 875</b>	<b>79 096</b>	<b>79 204</b>

As of 30 June 2009, the Bank maintained customer deposit balances of LVL 548 thousand (31 December 2008: LVL 197 thousand) which were blocked by the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

The average term deposits rate was 2.55% during 6 month period of 2009 (4.21% in 2008). The average demand deposits rate was 0.19% during 6 month period of 2009 (0.33% in 2008).

As at 30 June 2009 the Bank had no customer/customer group with deposits exceeding 10% of the total customer deposits and as at December 31, 2008 the Bank had one such customers / customer groups.

## 21 FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST: NOTES PAYABLE

In April 2006 the Bank undertook a second issue of bonds. The maturity date of the bonds was 20 April 2009. The size of the issue was EUR 5 million (LVL 3,514 thousand) with the coupon rate - 6.875%.

In February 2007 the Bank undertook the third issue of bonds with a maturity date of 2 February 2010. The size of the issue is EUR 10 million (LVL 7 028 thousand) with a floating coupon rate of 3 month EURIBOR + 3.0%. All bonds are publicly traded on the Riga Stock Exchange. Coupon payments are made quarterly. The Bank has repurchased some of the issued bonds during the 6 months period of 2009.

	30 June 2009		31 December 2008	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Notes payable	7 079	7 079	10 514	10 514
Non-amortized commission on issue	(13)	(13)	(30)	(30)
Repurchase of own bonds	(2 683)	(2 683)	-	-
	<b>4 383</b>	<b>4 383</b>	<b>10 484</b>	<b>10 484</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 22 PROVISIONS

	Group LVL'000	Bank LVL'000
<b>31 December 2008</b>	<b>87</b>	<b>86</b>
Increase of provision	38	38
<b>30 June 2009</b>	<b>125</b>	<b>124</b>

Provisions consist of provisions for unused vacations of employees.

## 23 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	Bank and Group 30 June 2009 '000 LVL		Bank and Group 31 December 2008 '000 LVL	
	Carrying value	Notional value	Carrying value	Notional value
<b>Assets</b>				
Forward contracts	367	31 008	219	7 619
<b>Total derivative financial assets</b>	<b>367</b>	<b>31 008</b>	<b>219</b>	<b>7 619</b>
<b>Liabilities</b>				
Forward contracts	263	30 905	135	7 535
<b>Total derivative liabilities</b>	<b>263</b>	<b>30 905</b>	<b>135</b>	<b>7 535</b>

As at 30 June 2009 the Bank had 45 foreign exchange forward contracts outstanding (31 December 2008: 14 contracts).

## 24 EARNINGS PER SHARE

As of 30 June 2009 the Bank had no dilutive potential for ordinary shares and therefore, diluted earnings per share are the same as the basic earnings per share.

Basic earnings per share are calculated by dividing the net income attributable to the shareholders by the weighted average number of ordinary shares in issue during the year.

	30 June 2009		30 June 2008 Unaudited	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Net income attributable to Equity holders of the Bank	1 671	901	2 135	2 415
Weighted average number of shares outstanding during the 6 month period	15 178 200	15 178 200	12 710 150	12 710 150
<b>Basic earnings per share, LVL</b>	<b>0.110</b>	<b>0.059</b>	<b>0.168</b>	<b>0.190</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 25 TRANSACTIONS WITH RELATED PARTIES

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 the Management Board, 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 have been carried out at an arm's length basis.

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

	30 June 2009		31 December 2008	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Loans to customers	802	824	164	846
Derivatives	-	-	10	10
Credit lines	-	385	95	270
<b>Total loans and other claims</b>	<b>802</b>	<b>1 209</b>	<b>269</b>	<b>1 126</b>
Term and demand deposits	3 540	3 658	874	3 580
<b>Total deposits and other liabilities</b>	<b>3 540</b>	<b>3 658</b>	<b>874</b>	<b>3 580</b>

	6 month period ended 30 June 2009		6 month period ended 30 June 2008 Unaudited	
	Group Interest rate %	Bank Interest rate %	Group Interest rate %	Bank Interest rate %
Loans to customers	7.84	7.84	8.87	8.87
Term and demand deposits	0.61	0.61	3.74	3.74

The Council and the Board remuneration in six month 2009 was LVL 184 thousand (six month 2008: LVL 168 thousand (unaudited)).

	6 month period ended 30 June 2009		6 month period ended 30 June 2008 Unaudited	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
<b>Income from related party transactions</b>				
Commission income	16	16	9	9
Interest income	9	23	3	3
<b>Expenses from related party transactions</b>				
Interest expenses	55	55	17	17
Other	5	36	5	5

## NOTES TO THE FINANCIAL STATEMENTS

**26 ASSETS UNDER MANAGEMENT**

Funds under trust management represent LVL 6 617 thousand and include securities and other assets held by the Group on behalf of the clients. The Group generates commission income from securities trust management services. Contracts signed with the clients ensure that the Group is not exposed to interest payments, loans, and currency risk in relation to such securities.

**27 CONTINGENT LIABILITIES AND COMMITMENTS**

At any time the Bank has outstanding commitments to extend credit. 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 customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

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

	30 June 2009		30 June 2008	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Unutilized loan facilities	4 018	4018	3 289	3 289
Unutilized credit card facilities	305	305	293	293
Guarantees	298	298	80	80
	<u>4 621</u>	<u>4 621</u>	<u>3 662</u>	<u>3 662</u>

**28 SUBSEQUENT EVENTS**

No significant subsequent events have occurred that would materially impact the financial statement presentation, or indicate at events.

AS "AKCIJU KOMERCBANKA "BALTIKUMS"")

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

NOTES TO THE FINANCIAL STATEMENTS

29 SEGMENT REPORTING

	Insurance		Banking		Asset management		Eliminations		Group	
	6 month period ended 30 June 2009 LVL'000	6 month period ended 30 June 2008 Unaudited LVL'000	6 month period ended 30 June 2009 LVL'000	6 month period ended 30 June 2008 Unaudited LVL'000	6 month period ended 30 June 2009 LVL'000	6 month period ended 30 June 2008 Unaudited LVL'000	6 month period ended 30 June 2009 LVL'000	6 month period ended 30 June 2008 Unaudited LVL'000	6 month period ended 30 June 2009 LVL'000	6 month period ended 30 June 2008 Unaudited LVL'000
Total revenue from external customers	-	-	5 934	6 154	186	69	-	-	6 120	6 223
Total revenue from internal customers	-	-	14	-	-	-	(14)	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>5 948</b>	<b>6 154</b>	<b>186</b>	<b>69</b>	<b>(14)</b>	<b>-</b>	<b>6 120</b>	<b>6 223</b>
Expenses	-	-	(3 649)	(3 203)	(187)	(90)	14	-	(3 822)	(3 293)
Changes in impairment allowance	-	-	(1 223)	(408)	505	-	-	-	(718)	(408)
Gains arising from investments in associates	238	-	-	-	-	-	-	-	238	-
Profit before income tax	238	-	1 076	2 543	504	(21)	-	-	1 818	2 522
Income tax	-	-	(147)	(387)	-	-	-	-	(147)	(387)
<b>Profit for the period</b>	<b>238</b>	<b>-</b>	<b>929</b>	<b>2 156</b>	<b>504</b>	<b>(21)</b>	<b>-</b>	<b>-</b>	<b>1 671</b>	<b>2 135</b>
Attributable to:										
Equity holders of the Bank	238	-	929	2 156	240	(21)	-	-	1 407	2 135
Minority interest	-	-	-	-	264	-	-	-	264	-
<b>Profit for the period</b>	<b>238</b>	<b>-</b>	<b>929</b>	<b>2 156</b>	<b>504</b>	<b>(21)</b>	<b>-</b>	<b>-</b>	<b>1 671</b>	<b>2 135</b>

	Insurance LVL'000		Banking LVL'000		Asset management LVL'000		Eliminations LVL'000		Group LVL'000	
	30 June 2009 LVL'000	31 December 2008 LVL'000	30 June 2009 LVL'000	31 December 2008 LVL'000	30 June 2009 LVL'000	31 December 2008 LVL'000	30 June 2009 LVL'000	31 December 2008 LVL'000	30 June 2009 LVL'000	31 December 2008 LVL'000
Segment assets	-	-	100 347	109 870	6 868	6 078	(3 416)	(3 439)	103 799	112 509
Segment liabilities	-	-	81 306	90 889	1 553	1 320	(504)	(313)	82 355	91 896
Segment equity	-	-	19 041	18 981	5 315	4 758	(2 912)	(3 126)	21 444	20 613
	<b>-</b>	<b>-</b>	<b>100 347</b>	<b>109 870</b>	<b>6 868</b>	<b>6 078</b>	<b>(3 416)</b>	<b>(3 439)</b>	<b>103 799</b>	<b>112 509</b>