

A/S RIETUMU BANKA
Interim
Consolidated and Bank
Financial Statements
for the six month period
ended 30 June 2008

A/S Rietumu Banka
Interim Consolidated and Bank Financial Statements
for the six month period ended 30 June 2008

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Management Report

Operating and financial review

Over the six months of 2008, Rietumu Bank has continued to develop efficiently.

In pursuing the strategy of international expansion, Rietumu Bank acquired 50% of the WestLeasing Group that operates in Belarus and Russia. Along with the acquisition of 50% equity stake in the WestLeasing Group, the Bank has gained control of the Group's Council, operational activity and strategic development. WestLeasing is planning further expansion within the CIS market.

Rietumu Bank continued to develop asset and wealth management services. The Bank's fully-owned subsidiary – RB Asset Management – started to offer a comprehensive range of services related to asset management and equity investments in global financial markets – own investment fund, international investment funds portfolios and capital-protected structured notes. International investment funds portfolios consist of leading Western investment enterprises, possessing a long-term experience in assets management and funds, including Franklin Templeton and Raiffeisen Capital Management. A capital-protected structured note is a new product developed by RB Asset Management specialists, a hybrid security combining features of fixed income and equity securities.

Rietumu Bank continued to actively undertake its sponsorship activities, raising funds to a number of significant social, healthcare and cultural projects. Rietumu Bank's Charity Fund started to implement a new project "Searching for the Best Nurse" aimed at recognising and awarding the most kind and loving children nurses in Latvia. The Fund made a significant contribution to the Centre of Emergency and Disaster Medicine by funding the purchase of a multifunctional incubator that helps to transport premature and sick children from regions to medical centers. Three multifunctional incubators were bought for the Riga Stradina University Hospital. In collaboration with the Riga City Council, Rietumu Bank's Charity Fund financed the foundation of a new amusement town of active leisure in the green district of Riga called "Mezhaparks".

Owing to Rietumu Bank's financial support a unique photo album "One Day in Latvia. 1987-2007" was published. The album photos display all those social, political, cultural and other changes that occurred in Latvia throughout the last 20 years. Rietumu Bank raised money to support concerts of a famous Latvian composer and piano player Raimond Pauls in tandem with jazz musicians from Latvia and Estonia, the Herman Braun Foundation's 10 year anniversary concerts as well as edition of the book "Anthology of Modern Russian Poetry in Latvia" publishing the most talented works by Russian poets in Latvia over the last 25 years.

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Financial results, consolidated

	30 June 2008 (6 months)	31 December 2007	30 June 2007 (6 months)	31 December 2006	30 June 2006 (6 months)
At period end (LVL'000)					
Total assets	1,130,712	1,216,241	993,446	921,507	762,712
Loans and advances to customers	607,594	599,436	476,948	374,695	302,694
Due to customers	757,763	876,791	749,327	692,264	655,089
Total shareholders' equity	125,763	121,331	104,193	96,158	78,527
For the period (LVL'000)					
Profit before income tax	14,237	40,199	21,548	33,937	13,711
Profit for the period	12,573	34,607	18,149	29,584	11,945
Operating income	31,562	61,670	33,464	55,279	25,138

Ratios

Capital adequacy

Basle	12.40%	14.42%	13.07%	15.77%	14.40%
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As at June 2008, total assets were LVL 1,131 million (LVL 1,216 million on 31 December 2007). The Group's profit before income tax for the 6 months ended 30 June 2008 was LVL 14 million (6 months ended 30 June 2007: LVL 22 million). Total shareholders equity increased from LVL 121 million on 31 December 2007 to LVL 126 million on 30 June 2008.

The Bank has paid dividends since 2001. The Bank's management expects to continue this dividend policy for the year ending 31 December 2008. It is the intention of management that shareholders achieve dividend growth, provided that the Bank complies with all regulatory norms.

We are looking forward to the second half of 2008 and beyond and we firmly believe that we will continue to offer the best corporate service of any bank in the Baltic states. We owe our success to our customers and business partners and we would like to express our appreciation to our customers and business partners for the trust that they have placed in us.

13 August 2008



Leonid Esterkin
Chairman of the Council



Alexander Kalinovsky
Chairman of the Executive Board



KPMG Baltics SIA
Vešetas iela 7
Rīga LV 1013
Latvia

Phone +371 670 380 00
Fax +371 670 380 02
Internet: www.kpmg.lv

Independent Auditors' Report

To the Shareholders of A/S Rietumu Banka

Report on the Interim Financial Statements

We have audited the accompanying interim financial statements of A/S Rietumu Banka ("the Company"), which comprise the unconsolidated balance sheet as at 30 June 2008, and the related unconsolidated statements of profit and loss, changes in shareholders' equity and cash flows for the period from 1 January 2008 to 30 June 2008, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 19. We have also audited the accompanying consolidated interim financial statements of A/S Rietumu Banka and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 30 June 2008, and the consolidated statements of income, changes in equity and cash flows for the period from 1 January 2008 to 30 June 2008, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 19.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these interim 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the interim 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 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 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 financial statements.

*A/S Rietumu Banka
Interim Consolidated and Bank Financial Statements*



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 unconsolidated interim financial statements of A/S Rietumu Banka are prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

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

KPMG Baltics SIA
Licence Nr. 55

Stephen Young
Chairman of the Board
Riga, Latvia
13 August 2008

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.

A/S Rietumu Banka
Interim Consolidated and Bank Financial Statements
for the six month period ended 30 June 2008

Interim Income Statement for the six month period ended 30 June 2008

	Notes	Six months ended 30 June			
		2008		2007	
		Group	Bank	Group	Bank
		LVL '000	LVL '000	LVL '000	LVL '000
Interest income	4	33,431	32,881	26,865	26,812
Interest expense	5	(13,780)	(13,746)	(8,872)	(8,891)
Net interest income		19,651	19,135	17,993	17,921
Commission and fee income	6	7,965	7,908	6,461	6,460
Commission and fee expense	7	(1,838)	(1,875)	(1,683)	(1,738)
Net commission and fee income		6,127	6,033	4,778	4,722
Profit on securities trading and foreign exchange, net		4,497	4,377	6,131	5,984
Dividends received		25	25	19	19
Other operating income		1,262	758	4,543	4,358
Operating income		31,562	30,328	33,464	33,004
Administrative expense		(12,644)	(11,904)	(10,083)	(9,803)
Amortisation and depreciation		(942)	(935)	(973)	(967)
Other operating expense		(137)	(27)	(109)	(38)
Impairment losses	8	(3,826)	(3,805)	(770)	(770)
Release of previously established allowance	8	224	224	19	19
Profit before income tax		14,237	13,881	21,548	21,445
Income tax expense		(1,759)	(1,706)	(3,399)	(3,386)
Profit for the period		12,478	12,175	18,149	18,059
Attributable to					
Equity holders of the parent		12,573	12,175	18,149	18,059
Minority interest		95	-	-	-
Profit for the period		12,478	12,175	18,149	18,059

The accompanying notes on pages 13 to 19 are an integral part of these interim consolidated and bank financial statements.

The interim consolidated and bank financial statements are authorized for approval by the Council and the Board of Directors of the Bank on 13 August 2008 and signed on their behalf by:



Leonid Esterkin
Chairman of the Council



Alexander Kalinovsky
Chairman of the Executive Board

A/S Rietumu Banka
Interim Consolidated and Bank Financial Statements
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Interim Balance Sheet and Memorandum Items as at 30 June 2008

	Notes	30 June 2008		31 December 2007	
		Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
ASSETS					
Cash and balances with central bank		77,969	77,969	66,310	66,310
Balances due from credit institutions		277,559	275,807	405,464	404,506
- demand deposits		178,361	176,609	275,912	274,954
- term deposits	9	99,198	99,198	129,552	129,552
Financial assets held for trading	10	97,075	96,224	78,046	77,168
- bonds and other fixed income securities		95,351	94,723	75,125	74,247
- shares and other non-fixed income securities		548	325	1,563	1,563
- derivative financial assets		1,176	1,176	1,358	1,358
Financial assets available-for-sale	11	1,903	230	1,477	234
- shares and other non-fixed income securities		1,903	230	1,477	234
Non-current assets held for sale	12	30,199	30,199	-	-
Loans to non-banking customers	13	607,594	603,631	599,436	598,699
Held-to-maturity investments	14	13,681	13,681	23,934	23,934
Accrued income and deferred expenses		2,013	1,649	1,754	1,698
Property, plant and equipment	15	12,790	12,252	32,533	32,015
Intangible assets		2,880	2,879	2,978	2,977
Investments in subsidiaries and associated entities	16	83	14,529	52	14,304
Other assets		6,966	4,334	4,257	4,214
Total assets		1,130,712	1,133,384	1,216,241	1,226,059

The accompanying notes on pages 13 to 19 are an integral part of these interim consolidated and bank financial statements.

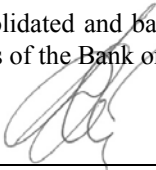
*A/S Rietumu Banka
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for the six month period ended 30 June 2008*

Interim Balance Sheet and Memorandum Items as at 30 June 2008

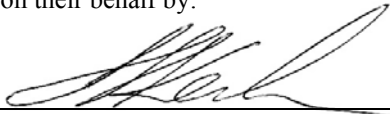
	30 June 2008		31 December 2007	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
LIABILITIES				
Balances due to other banks	170,841	169,752	159,479	159,534
- demand deposits	22,754	22,754	15,157	15,212
- term deposits	148,087	146,998	144,322	144,322
Balances due to customers	757,763	763,060	876,791	885,879
- demand deposits	624,633	629,930	635,974	645,062
- term deposits	133,130	133,130	240,817	240,817
Amounts payable under repurchase agreements	67,207	67,207	51,037	51,037
Issued debt securities	1,114	1,114	-	-
Derivatives	209	209	360	418
Deferred income and accrued expense	3,806	3,640	2,180	2,152
Current tax liability	9	-	316	298
Deferred tax liability	661	595	1,291	1,287
Other liabilities	2,990	1,848	3,078	2,866
Provisions	349	349	378	378
Total liabilities	1,004,949	1,007,774	1,094,910	1,103,849
SHAREHOLDERS' EQUITY				
Share capital	22,500	22,500	22,500	22,500
Share premium	4,809	4,809	4,809	4,809
Legal reserve	16	16	16	16
Revaluation reserve - property	3,284	3,284	3,284	3,284
Revaluation reserve – assets available for sale	377	-	-	-
Currency translation reserve	(328)	-	-	-
Profit for the period	12,573	12,175	34,607	34,755
Retained earnings	81,947	82,826	56,115	56,846
Total equity attributable to equity holders of the Bank	125,178	125,610	121,331	122,210
Minority interest	585	-	-	-
Total equity	125,763	125,610	121,331	122,210
Total liabilities and shareholders' equity	1,130,712	1,133,384	1,216,241	1,226,059
MEMORANDUM ITEMS				
Contingent liabilities (guarantees)	12,876	12,876	8,857	8,857
Letters of credit	494	494	1,454	1,454
Financial commitments (unutilized credit lines)	57,580	57,580	69,004	69,004
	70,950	70,950	79,315	79,315

The accompanying notes on pages 13 to 19 are an integral part of these interim consolidated and bank financial statements.

The interim consolidated and bank financial statements are authorized for approval by the Council and the Board of Directors of the Bank on 13 August 2008 and signed on their behalf by:



Leonid Esterkin
Chairman of the Council



Alexander Kalinovsky
Chairman of the Executive Board

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Interim Statement of Changes in Shareholders' Equity for the six month period ended 30 June 2008

GROUP

	Share capital LVL '000	Share premium LVL '000	Legal reserves LVL '000	Currency translation reserve LVL '000	Revaluation reserve – property LVL '000	Revaluation reserve – assets AFS LVL '000	Retained earnings LVL '000	Minority interest LVL '000	Total shareholders' equity LVL '000
Balance at 31 December 2006	22,500	4,809	16	738	4,623		63,472	-	96,158
Dividends paid on ordinary shares	-	-	-	-	-	-	(7,425)	-	(7,425)
Currency translation reserve	-	-	-	(204)	-	-	-	-	(204)
Disposal of property, plant and equipment	-	-	-	-	(2,485)	-	-	-	(2,485)
Net profit for the period	-	-	-	-	-	-	18,149	-	18,149
Balance at 30 June 2007	22,500	4,809	16	534	2,138	-	74,196	-	104,193
Transfers	-	-	-	-	(59)	-	68	-	9
Revaluation reserve	-	-	-	(534)	1,205	-	-	-	671
Net profit for the period	-	-	-	-	-	-	16,458	-	16,458
Balance at 31 December 2007	22,500	4,809	16	-	3,284	-	90,722	-	121,331
Dividends paid on ordinary shares	-	-	-	-	-	-	(8,775)	-	(8,775)
Net profit for the period	-	-	-	-	-	-	12,573	(95)	12,478
Revaluation reserve – assets available-for-sale	-	-	-	-	-	-	-	-	377
Currency translation reserve	-	-	-	(328)	-	-	-	-	(328)
Minority interest	-	-	-	-	-	-	-	680	680
Balance at 30 June 2008	22,500	4,809	16	(328)	3,284	377	94,520	585	125,763

The accompanying notes on pages 13 to 19 are an integral part of these interim consolidated and bank financial statements.

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Interim Statement of Changes in Shareholders' Equity for the six month period ended 30 June 2008

BANK

	Share capital LVL '000	Share premium LVL'000	Legal reserves LVL '000	Revaluation reserve – property LVL '000	Retained earnings LVL '000	Total shareholders' equity LVL '000
Balance at 31 December 2006	22,500	4,809	16	4,623	64,203	96,151
Dividends paid on ordinary shares	-	-	-	-	(7,425)	(7,425)
Disposal of property	-	-	-	(2,485)	-	(2,485)
Net profit for the period	-	-	-	-	18,059	18,059
Balance at 30 June 2007	22,500	4,809	16	2,138	74,837	104,300
Revaluation of property	-	-	-	1,146	-	1,146
Net profit for the period	-	-	-	-	16,764	16,764
Balance at 31 December 2007	22,500	4,809	16	3,284	91,601	122,210
Dividends paid on ordinary shares	-	-	-	-	(8,775)	(8,775)
Net profit for the period	-	-	-	-	12,175	12,175
Balance at 30 June 2008	22,500	4,809	16	3,284	95,001	125,610

The accompanying notes on pages 13 to 19 are an integral part of these interim consolidated and bank financial statements.

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Interim Statement of Cash Flow for the six month period ended 30 June 2008

	Six months ended 30 June			
	2008		2007	
	Group LVL '000	Bank LVL '000	Group LVL '000	Bank LVL '000
Cash inflow/ (outflow) from operating activities				
Profit before income tax	14,237	13,881	21,548	21,445
Amortisation and depreciation	942	935	973	967
Impairment losses	3,602	3,620	751	751
(Profit)/loss from sales of property, plant, and equipment and intangible assets	44	44	(4,090)	(4,090)
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations	18,825	18,480	19,182	19,073
Decrease in accrued income and deferred expenses	(259)	49	(251)	(147)
Decrease/ (increase) in other assets	(1,816)	772	1,617	952
(Increase) in derivative financial instruments	31	(26)	(32)	(32)
Increase in deferred income and accrued expense	1,626	1,488	1,288	1,467
Increase/ (decrease) in other liabilities	(87)	(1,018)	(176)	(158)
(Increase)/decrease in investments in trading and AFS securities	(19,637)	(19,238)	(73,123)	(71,789)
Decrease/(increase) in balances due from credit institutions	30,354	30,354	66,164	66,164
(Increase) in loans and advances to customers	(11,760)	(8,455)	(103,002)	(103,128)
Increase in held-to-maturity investments	10,253	10,253	6,392	6,392
(Increase) in non-current assets held for sale	(30,199)	(30,199)		
Increase in issued debt securities	1,114	1,114	-	-
Increase in financial liabilities at amortised cost - deposits	(99,093)	(103,973)	55,731	54,927
Increase in cash equivalents from operating	(100,648)	(100,399)	(26,210)	(26,279)
Corporate income tax paid	(3,773)	(3,755)	(3,004)	(2,989)
Net cash and cash equivalents from operating activities	(104,421)	(104,154)	(29,214)	(29,268)
Cash inflow/ (outflow) from investing activities				
Purchase of property, equipment and intangible assets	(6,111)	(6,084)	(6,998)	(6,998)
Payments for acquisition of shares in subsidiaries	-	(225)	(11)	-
Transfer to non-current assets held for sale	25,010	25,010	-	-
Purchase of investment in subsidiaries, net cash acquired	808	-	-	-
Proceeds from sale of property and equipment			6,200	6,199
(Decrease) in cash and cash equivalents from investing activities	19,707	18,701)	(809)	(799)
Cash inflow/ (outflow) from financing activities				
Dividends paid	(8,775)	(8,775)	(7,425)	(7,425)
(Decrease) in cash and cash equivalents from financing activities	(8,775)	(8,775)	(7,425)	(7,425)
Net cash inflow/ (outflow) for the period	(93,489)	(94,228)	(37,448)	(37,492)
Cash and cash equivalents at the beginning of the period	327,065	326,052	263,541	263,085
Cash and cash equivalents at the end of the period	233,576	231,824	226,093	225,593

The accompanying notes on pages 13 to 19 are an integral part of these interim consolidated and bank financial statements.

A/S Rietumu Banka
Interim Consolidated and Bank Financial Statements
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Notes to the Interim Consolidated and Bank Financial Statements

Note 1 Incorporation and principal activities

The Parent of the Group – A/S Rietumu Banka was established in 13 May 1992 and incorporated in the Republic of Latvia as a joint stock company, in which the shareholders have limited liability, to perform banking operations. The Group’s main areas of operation include granting loans, transferring payments, exchanging foreign currencies and securities brokerage.

Note 2 Basis of preparation

These consolidated and Bank interim financial statements of A/S Rietumu Banka (“the Bank”) and subsidiaries (“the Group”) are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated and Bank financial statements are consistent, in all material respects, with those used in the annual financial statements for the year ended 31 December 2007.

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 financial statements of the Rietumu Bank Group as at and for the year ended 31 December 2007.

Note 3 Estimates

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

In preparing these interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated and Bank financial statements as at and for the year ended 31 December 2007.

Note 4 Interest income

Interest income is comprised of the following:

	Six months ended 30 June 2008		Six months ended 30 June 2007	
	Group LVL’000	Bank LVL’000	Group LVL’000	Bank LVL’000
On loans granted to customers	26,999	26,484	17,072	17,019
On balances due from credit institutions	5,327	5,327	8,176	8,176
On debt securities	1,058	1,023	1,584	1,584
Other	47	47	33	33
Total	<u>33,431</u>	<u>32,881</u>	<u>26,865</u>	<u>26,812</u>

Note 5 Interest expense

Interest expense is comprised of the following:

	Six months ended 30 June 2008		Six months ended 30 June 2007	
	Group LVL’000	Bank LVL’000	Group LVL’000	Bank LVL’000
On deposits due to customers	8,654	8,620	4,927	4,946
On balances due to credit institutions	4,355	4,355	3,225	3,225
Other	771	771	720	720
Total	<u>13,780</u>	<u>13,746</u>	<u>8,872</u>	<u>8,891</u>

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Note 6 Commission and fee income

Commission and fee income is comprised of the following:

	Six months ended 30 June 2008		Six months ended 30 June 2007	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Money transfers	3,965	3,965	3,382	3,382
Commission income from payment cards	1,463	1,463	1,422	1,422
Revenue from customer asset management and brokerage commissions	862	805	587	586
Commission from documentary operations	11	11	150	150
Commission from loans	851	851	-	-
Cash withdrawals	143	143	162	162
Commission from guarantees	296	296	70	70
Commission for account servicing	117	117	142	142
Other	257	257	546	546
Total	<u>7,965</u>	<u>7,908</u>	<u>6,461</u>	<u>6,460</u>

Note 7 Commission and fee expense

Commission and fee expense is comprised of the following:

	Six months ended 30 June 2008		Six months ended 30 June 2007	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Credit card expenses	499	499	499	499
Banks	495	495	305	305
Brokerage commission	216	253	131	186
Cash withdrawals	3	3	5	5
Loan's commission	393	393	395	395
Other commission	232	232	348	348
Total	<u>1,838</u>	<u>1,875</u>	<u>1,683</u>	<u>1,738</u>

Note 8 Impairment allowances for credit losses

Impairment allowances for Bank are comprised of the following:

	Loans LVL '000	Investments LVL '000	Property LVL '000	Other LVL '000	Total LVL '000
Allowance as of 30 June 2007	1,654	1,335	-	133	3,122
Reversal of impairment losses	(258)	-	-	-	(258)
Net impairment losses	1,630	-	97	159	1,886
Impairment allowance written off	(89)	-	-	-	(89)
Currency revaluation	(24)	(97)	-	-	(121)
Allowance for impairment losses as of 31 December 2007	<u>2,913</u>	<u>1,238</u>	<u>97</u>	<u>292</u>	<u>4,540</u>
Reversal of impairment losses	(127)	-	(97)	-	(224)
Net impairment losses	3,650	-	-	155	3,805
Impairment allowance written off	(3,149)	-	-	(155)	(3,304)
Currency revaluation	18	(95)	-	(36)	(113)
Allowance as of 30 June 2008	<u>3,305</u>	<u>1,143</u>	<u>-</u>	<u>256</u>	<u>4,704</u>

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Impairment allowances for Group are comprised of the following:

	Loans LVL '000	Investments LVL '000	Property LVL '000	Other LVL '000	Total LVL '000
Allowance as of 30 June 2007	1,654	1,335	-	133	3,122
Reversal of impairment losses	(258)	-	-	-	(258)
Net impairment losses	1,630	-	97	409	2,136
Impairment allowance written off	(89)	-	-	-	(89)
Currency revaluation	(24)	(97)	-	-	(121)
Allowance for impairment losses as of 31 December 2007	2,913	1,238	97	542	4,790
Reversal of impairment losses	(127)	-	(97)	-	(224)
Net impairment losses	3,671	-	-	155	3,826
Impairment allowance written off	(3,149)	-	-	(275)	(3,424)
Currency revaluation	18	(95)	-	(38)	(115)
Allowance as of 30 June 2008	3,326	1,143	-	384	4,853

Note 9 Term deposits

Term deposits include LVL 1,357 thousand pledged as collateral at 30 June 2008 and LVL 1,386 thousand at 31 December 2007.

Note 10 Financial assets held for trading

	30 June 2008	30 June 2008	31 December 2007	31 December 2007
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
USA government bonds	67,199	67,199	48,576	48,576
Brazilian government bonds	1	-	1	-
Russian corporate bonds	2,096	1,657	2,245	1,756
USA corporate bonds	15,297	15,297	16,144	16,144
The Netherlands corporate bonds	3,396	3,396	3,534	3,534
Luxemburg corporate bonds	-	-	49	-
Ireland corporate bonds	161	-	183	-
Cyprus corporate bonds	27	-	156	-
Kazakhstan corporate bonds	652	652	684	684
Spain corporate bonds	3,500	3,500	3,535	3,535
Shares listed on the Moscow stock exchange	62	62	133	133
Shares listed on the Riga stock exchange	263	263	336	336
Russian fund's bonds	16	16	18	18
Investments in shares fund	3,229	3,006	1,094	1,094
Derivative financial assets	1,176	1,176	1,358	1,358
Total	97,075	96,224	78,046	77,168

Note 11 Financial assets available-for-sale

Securities available-for-sale:

	30 June 2008	30 June 2008	31 December 2007	31 December 2007
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Debt securities at fair value	1,903	230	1,477	234
Unlisted equity securities	-	-	-	-
Total securities available-for-sale	1,903	230	1,477	234

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Note 12 Non-current assets held for sale

	30 June 2008	30 June 2008	31 December 2007	31 December 2007
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Property, plant and equipment	25,010	25,010	-	-
Other non-current assets held for sale	5,189	5,189	-	-
Total non-current assets held for sale	30,199	30,199	-	-

Non-current assets classified as held for sale include land and office building at Vesetas 7 and a real estate that previously was a collateral to a loan and through legal procedures has become a possession of the Bank. These items are expected to be sold in 2009.

Note 13 Loans and advances to non-banking customers

Loans and advances to non-banking customers are comprised of the following:

	30 June 2008	30 June 2008	31 December 2007	31 December 2007
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Private companies	533,080	529,096	504,431	504,165
Loans to private individuals	77,840	77,840	97,918	97,447
Total gross loans and advances to non-banking customers	610,920	606,936	602,349	601,612
Specific loan impairment losses	(3,326)	(3,305)	(2,913)	(2,913)
Loans and advances to non-banking customers, net	607,594	603,631	599,436	598,699

Note 14 Held-to-maturity investments

	30 June 2008	31 December 2007
	Group and Bank LVL'000	Group and Bank LVL'000
Listed debt securities – at amortized cost		
US government bonds	-	2,463
<i>Argentina government bonds - cost</i>	1,572	1,702
<i>Provision for impairment of Argentina government bonds</i>	(1,143)	(1,238)
Carrying value of Argentina government bonds	429	464
US corporate bonds	2,235	2,417
Great Britain corporate bonds	2,175	4,807
Latvian government bonds	1,459	-
Luxemburg corporate bonds	-	2,377
The Netherlands corporate bonds	2,236	2,425
Australian corporate bonds	-	3,401
France corporate bonds	4,437	4,811
Russian corporate bonds	710	769
Total securities held-to-maturity	13,681	23,934

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Note 15 Property, plant and equipment

Property, plant and equipment (PPE) of the Bank is comprised as follows:

	Buildings	Unfinished construction	Vehicles	Office equipment	Leasehold improvements	Total PPE
Historical cost or revaluation						
31 December 2007	7,955	19,583	2,176	7,915	162	37,791
Additions	30	3,791	1	1,044	-	4,866
Reverse of impairment losses	97	-	-	-	-	97
Disposals	(196)	-	(225)	(259)	-	(680)
Transfer to assets held for sale	(864)	(24,146)	-	-	-	(25,010)
Transfers	-	772	97	301	-	1,170
30 June 2008	7,022	-	2,049	9,001	162	18,234
Accumulated depreciation						
31 December 2007	152	-	937	4,525	162	5,776
Charge for the period	85	-	210	352	-	647
Disposals	(100)	-	(200)	(141)	-	(441)
30 June 2008	137	-	947	4,736	162	5,982
31 December 2007	7,803	19,583	1,239	3,390	-	32,015
30 June 2008	6,885	-	1,102	4,265	-	12,252

The assets stated above are primarily held for the Group and Bank's own use.

Note 16 Investments in subsidiaries and associated entities

Name	Business	30 June 2008		31 December 2007		Country of incorporation
		Amount of ownership %	Amount of investment LVL'000	Amount of ownership %	Amount of investment LVL'000	
Bank's subsidiaries:						
RB Securities Ltd.	Financial services	99.99	7,700	99.99	7,700	Cyprus
SIA "RB Investments"	Investments	100.00	5,000	100.00	5,000	Latvia
A/s "RB Securities Latvia" IBS	Financial services	100.00	804	100.00	804	Latvia
A/s "RB Asset Management" IPS	Financial services	100.00	700	100.00	700	Latvia
SIA "RB Drošība"	Security services	100.00	50	100.00	50	Latvia
SIA "RB Vidzeme"	-	100.00	50	100.00	50	Latvia
OOO "Westleasing"	Leasing company	50	56	-	-	Belarus
OOO "Westtransinvest"	Leasing company	50	169	-	-	Belarus
Total investments in subsidiaries			14,529		14,304	

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Group's associated entities:

SIA Dzelzceļu tranzīts	Railway declaration services	49.13	60	45.61	32	Latvia
SIA AED Rail Service	Information services	43.00	23	43.00	20	Latvia
SIA Eco Diesel	Bio-diesel production	-	-	51.60	258	Latvia
<i>Impairment loss allowance on investment in SIA Eco Diesel Limited</i>			-		(258)	
Total investments in associated companies			<u>83</u>		<u>52</u>	
Total investments in subsidiaries and associated companies			<u>14,612</u>		<u>14,356</u>	

RB Securities (Moscow), subsidiary of RB Securities Ltd, Interrent OOO, subsidiary of RB Investments and RB Vidzeme, "Imanta Development" "SIA, subsidiary of RB Investments, "Mining Investments" joint venture of RB Investments and Rietumu Bank charitable foundation are consolidated in the Group accounts.

In March 2008 the Group acquired a 50 percent interest in Belarus leasing companies "OOO Westleasing" and "OOO Westtransinvest" for LVL 225 thousand in cash. The Group recognised an increase in minority interest of LVL 585 thousand and goodwill of LVL 455 thousand.

RB Investment sold the investment in SIA Eco Diesel in July 2008.

Note 17 Related party transactions

Related parties are defined as shareholders who have significant influence over the Bank, 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.

Loans and advances issued to related parties were as follows:

	30 June 2008	30 June 2007
	LVL'000	LVL'000
Loans		
Loans at the beginning of period	5,683	3,866
Loans issued during period	66,812	60,527
Transfers	10,519	(1,156)
Loan repayment during the year	(61,572)	(57,390)
Loans as at end of period	<u>21,442</u>	<u>5,847</u>
Interest income earned	686	131
Deposits		
Deposits at the beginning of period	12,871	10,257
Deposits received during the period	14,120	58,943
Transfers	(456)	(208)
Deposits repaid during the year	(15,838)	(53,744)
Deposits at the end of period	<u>10,697</u>	<u>15,248</u>
Interest expense on deposits	473	159
Guarantees and credit lines issued	<u>2,977</u>	<u>1,228</u>

Note 18 Memorandum items

Funds under Trust Management in the amount of LVL 216,378 thousand represent securities and other assets held and managed by the Group on behalf of customers. The Group earns commission income for holding such securities. Neither the Group nor Bank is not subject to market interest, credit and currency risk in respect of these securities under the agreements with these customers.

Legal Proceedings As at 30 June 2008 there were four legal proceedings outstanding against the Bank (30 June 2007: 4 outstanding legal proceedings against the Bank). Total amount disputed in these proceedings is LVL 797 thousand. Provisions are made for claims where management on the basis of professional advice to the Bank, considers that it is likely that a loss may eventuate. As of 30 June 2008, the amount of claims provision was LVL 349 thousand (30 June 2007: 408).

The Company had been transacting with Refco Capital Markets Ltd for brokerage and asset management services for its customers for a number of years, and acted as a custodian of customers' securities. In October 2005 Refco Capital Markets Ltd filed for Chapter 11 bankruptcy. As at 30 June 2008, customers' assets held in custody at Refco Capital Markets Ltd and Refco Forex in the amount of LVL 881 thousand were frozen.

Note 19 Capital adequacy

Capital adequacy refers to the sufficiency of the Bank's and Group's capital resources to cover the credit risks and similar risks arising from the portfolio of assets of the Bank and Group and the memorandum items exposure of the Bank and Group.

The Bank's and Group's risk based capital adequacy ratio, as at 30 June 2008 was 12.55% and 12.40 (13.99% and 13.88% if net profit for the 6 months period is included in the regulatory capital), which is above the minimum ratio recommended by the Basle Committee and the Finance and Capital Market Commission guidelines of 8%.