

**AS “SMP Bank”**

Condensed Consolidated and Separate  
Interim Financial Statements  
for the six month period ended 30 June  
2010

**CONTENTS**

---

Management Report	3
Information about the Bank's Management	4
Independent Auditors' Report	5-6
Condensed Consolidated and Separate Interim Statement of Financial Position	7-8
Condensed Consolidated and Separate Interim Statement of Comprehensive Income	9
Condensed Consolidated and Separate Interim Statement of Changes in Shareholders' Equity	10
Condensed Consolidated and Separate Interim Statement of Cash Flows	11
Notes to the Condensed Consolidated and Separate Interim Financial Statements	12-26

## MANAGEMENT REPORT

---

Dear customers, cooperation partners and shareholders,

The Board of AS SMP Bank is proud to announce that the Bank has successfully completed the first six months of 2010. The Bank's financial statements testify to consistent application of the operational strategy approved by the Council and has not just achieved organic growth of assets by 15% and stable transaction volumes not impacted by downturn in the country but has ensured dynamic growth of the customer base by more than 2 times in the reporting period. This fact is explained both by high competitiveness of the Bank's products and the consistently applied customer acquisition program under which the Bank involved also in a number of large projects.

During the first six months of 2010, the volume of deposits at the Bank grew by 12% and the credit portfolio grew by 13%, which represents proof of the Bank's ability to attract funds and invest them in viable projects with extra focus on developing export industries. With respect to the latter, special attention should be drawn to the Bank's documentary operations portfolio which is a topical and demanded type of financial services to support successful business activities under any economic circumstances.

Due to well-considered credit policy, favourable conditions for providing financial services and good technological base, the Bank has managed to avoid significant financial loss also during the first six months of 2010. At a time that is considered the lowest point in the economic downturn, such a result represents an achievement compared to industry results.

In order to strengthen the Bank's financial ratios and ensure faster growth of the volume of the Bank's financial services the Bank increased its capital and reserves by 15%.


The Bank continued to focus on developing its regional customer service network leveraging from the changes occurring in the market of financial services. The regional network is developed in accordance with the business development strategy and based on detailed business plans.

During the reporting period, the Bank also had achievements in the area of international cooperation. The Bank has extended its network of foreign correspondent relationships by opening new correspondent accounts in the leading financial institutions, including a USD account at Deutsche Bank Trust Company Americas, New York, and a EUR account at AG Deutsche Bank, Frankfurt.

The Bank highly appreciates shareholder support, and loyalty of the cooperation partners and customers, which greatly contributes to successful operation under the present day economic circumstances and helps move jointly towards stability and further growth.

On behalf of the Bank's management and staff, I assure that the Bank has always been and will continue to be a trustworthy and safe cooperation partner for its customers and we are ready to work to provide highly professional financial services, flexible conditions for cooperation and an individual approach to each customer.

Best regards,



Svetlana Dzene  
Chairperson of the Board

30 August 2010

**INFORMATION ABOUT THE BANKS MANAGEMENT**

---

**Council members as of the date of signing these financial statements**

<b>Name</b>	<b>Position</b>	<b>Appointed on</b>
Dmitriy Kalantyrsky	Chairman of the Council	12 October 2006
Artem Obolensky	Member of the Council	12 October 2006
Andris Dzenis	Member of the Council	12 November 2001
Arkadi Rotenberg	Member of the Council	12 October 2006
Boris Rotenberg	Member of the Council	12 October 2006

No council member changes during reporting period.

**Board members as of the date of signing these financial statements**

<b>Name</b>	<b>Position</b>	<b>Appointed on</b>
Svetlana Dzene	Chairperson of the Board	28 September 1995
Maija Treija	Member of the Board	18 July 2005
Natālija Prohorova	Member of the Board	10 March 1995
Ivars Lapiņš	Member of the Board	19 March 1999
Sergejs Golubčikovs	Member of the Board	27 June 2005

No board member changes during reporting period.



**KPMG Baltics SIA**  
Vesetas iela 7  
Riga LV 1013  
Latvia

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

## **Independent Auditors' Report**

### **To the shareholders of AS SMP Bank**

We have audited the accompanying condensed separate interim financial information of AS SMP Bank ("the Bank"), which comprises the condensed interim statement of financial position as at 30 June 2010, condensed interim statements of comprehensive income, changes in shareholders' equity and cash flows for the six month period then ended, and condensed notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 26. We have also audited the accompanying condensed consolidated interim financial information of AS SMP Bank and its subsidiary ("the Group"), which comprises condensed consolidated interim statement of financial position as at 30 June 2010, condensed consolidated interim statements of comprehensive income, changes in shareholders' equity and cash flows for the six month period then ended, and condensed notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 26.

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

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on this condensed interim financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the condensed interim financial information is free from material misstatement.

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

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



*Opinion*

In our opinion, the condensed separate interim financial information of AS SMP Bank as at and for the six month period ended 30 June 2010 is prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

In our opinion, the condensed consolidated interim financial information of AS SMP Bank Group as at and for the six month period ended 30 June 2010 is prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG Baltics SIA  
Licence Nr. 55

*Ondrej Fikrle*

*Inga Lipsane*

Ondrej Fikrle  
Partner pp KPMG Baltics SIA  
Riga, Latvia  
30 August 2010

Inga Lipsane  
Sworn Auditor  
Certificate No 112

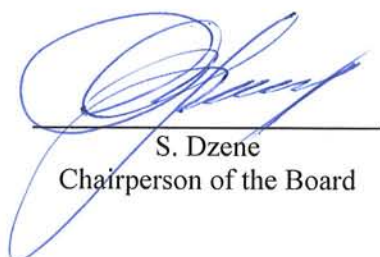
This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.

**CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010**

	Note	30 June 2010		31 Dec 2009	
		'000 LVL		'000 LVL	
<b>ASSETS</b>		<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Cash and balances with the Bank of Latvia	7	11 368	11 368	8 104	8 104
Demand balances due from credit institutions	8	12 247	12 247	20 157	20 157
Latvian government bonds with fixed income		499	499	987	987
Loans and receivables		68 610	69 604	51 211	52 467
<i>Loans and term deposits due from credit institutions</i>	9	12 447	12 447	2 031	2 031
<i>Loans and receivables from customers</i>	10	56 163	57 157	49 180	50 436
Held-for-trading financial assets:		17	17	13	13
<i>Non fixed-income securities</i>		17	17	13	13
Property and equipment		693	693	725	725
Investment property		770	-	1 025	-
VAT tax receivables		80	-	-	-
Other assets		297	297	372	215
<b>Total Assets</b>		<b>94 581</b>	<b>94 725</b>	<b>82 594</b>	<b>82 668</b>

The accompanying notes on pages 12 to 26 are an integral part of the condensed consolidated and separate interim financial statements.

The condensed consolidated and separate interim financial statements as set out on pages 7 to 26 were approved for issue on 30 August 2010 on behalf of the Management Board by:

  
 S. Dzene  
 Chairperson of the Board

  
 N. Prohorova  
 Chief Accountant


**CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010**

	Note	30 June 2010 '000 LVL		31 Dec 2009 '000 LVL	
		Group	Bank	Group	Bank
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Demand balances from credit institutions	11	6 108	6 108	4 256	4 256
Current accounts and deposits from customers	12	73 535	73 777	65 698	65 703
Other liabilities	13	6 263	6 112	5 000	4 986
Tax liabilities		27	22	14	14
Deferred tax liability		18	18	23	23
Provisions		97	97	97	97
<b>Total Liabilities</b>		<b>86 048</b>	<b>86 134</b>	<b>75 088</b>	<b>75 079</b>
Share capital	14	8 006	8 006	7 006	7 006
Share premium		182	182	182	182
Reserves		105	105	105	105
Retained earnings		240	298	213	296
<b>Total Shareholders' Equity</b>		<b>8 533</b>	<b>8 591</b>	<b>7 506</b>	<b>7 589</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>94 581</b>	<b>94 725</b>	<b>82 594</b>	<b>82 668</b>
<b>Commitments and Contingencies</b>	25	<b>6 363</b>	<b>5 988</b>	<b>5 892</b>	<b>5 878</b>

The accompanying notes on pages 12 to 26 are an integral part of the condensed consolidated and separate interim financial statements.

The condensed consolidated and separate interim financial statements as set out on pages 7 to 26 were approved for issue on 30 August 2010 on behalf of the Management Board by:

  
 S. Dzene  
 Chairperson of the Board

  
 N. Prohorova  
 Chief Accountant




**CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010**

	Note	Six months ended 30 June			
		2010		2009	
		'000 LVL		'000 LVL	
		Group	Bank	Group	Bank
Interest income	15	1 339	1 318	1 443	1 425
Interest expense	16	(735)	(735)	(494)	(494)
<b>Net interest income</b>		<b>604</b>	<b>583</b>	<b>949</b>	<b>931</b>
Fee and commission income	17	928	916	811	809
Fee and commission expense	18	(168)	(168)	(184)	(184)
<b>Net fee and commission income</b>		<b>760</b>	<b>748</b>	<b>627</b>	<b>625</b>
Gain on trading with financial instruments, net	20	381	374	351	351
Other expenses		(1)	(14)	(15)	(14)
<b>Net operating income</b>		<b>1 744</b>	<b>1 691</b>	<b>1 912</b>	<b>1 893</b>
Administrative expenses	21	(1 587)	(1 564)	(1 643)	(1 636)
Net impairment allowance (expense)/ reversal	19	(125)	(125)	(250)	(250)
<b>Profit before income tax</b>		<b>32</b>	<b>2</b>	<b>19</b>	<b>7</b>
Income tax expense	22	(5)	-	(5)	(5)
<b>Profit for the period</b>		<b>27</b>	<b>2</b>	<b>14</b>	<b>2</b>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>27</b>	<b>2</b>	<b>14</b>	<b>2</b>

The accompanying notes on pages 12 to 26 are an integral part of the condensed consolidated and separate interim financial statements.

The condensed consolidated and separate interim financial statements as set out on pages 7 to 26 were approved for issue on 30 August 2010 on behalf of the Management Board by:

  
 \_\_\_\_\_  
 S. Dzene  
 Chairperson of the Board

  
 \_\_\_\_\_  
 N. Prohorova  
 Chief Accountant

**CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF CASH FLOWS  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010**

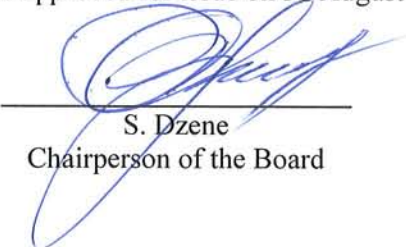
**Group**

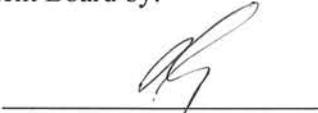
	Share capital	Share premium	Reserves	Retained earnings	Total
	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
<b>Balance at 31 December 2008</b>	7 006	182	105	235	7 528
Total comprehensive income	-	-	-	14	14
<b>Balance at 30 June 2009</b>	7 006	182	105	249	7 542
Total comprehensive income	-	-	-	(36)	(36)
<b>Balance at 31 December 2009</b>	7 006	182	105	213	7 506
Increase of share capital	1000	-	-	-	1 000
Total comprehensive income	-	-	-	27	27
<b>Balance at 30 June 2010</b>	8 006	182	105	240	8 533

	Share capital	Share premium	Reserves	Retained earnings	Total
	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
<b>Balance at 31 December 2008</b>	7 006	182	105	284	7 577
Total comprehensive income	-	-	-	2	2
<b>Balance at 30 June 2009</b>	7 006	182	105	286	7 579
Total comprehensive income	-	-	-	10	10
<b>Balance at 31 December 2009</b>	7 006	182	105	296	7 589
Increase of share capital	1 000	-	-	-	1 000
Total comprehensive income	-	-	-	2	2
<b>Balance at 30 June 2010</b>	8 006	182	105	298	8 591

The accompanying notes on pages 12 to 26 are an integral part of the condensed consolidated and separate interim financial statements.

The condensed consolidated and separate interim financial statements as set out on pages 7 to 26 were approved for issue on 30 August 2010 on behalf of the Management Board by:

  
S. Dzene  
Chairperson of the Board

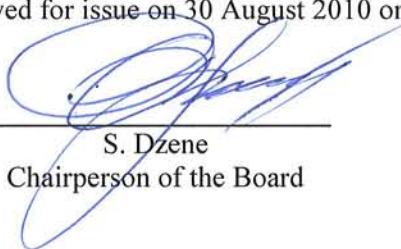
  
N. Prohorova  
Chief Accountant


**CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF CASH FLOWS  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010**

	Note	Six month period ended 30 June			
		2010		2009	
		Group	Bank	Group	Bank
		'000 LVL	'000 LVL	'000 LVL	'000 LVL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before income tax		32	2	19	7
Amortization and depreciation		121	121	128	128
Impairment losses		125	125	250	250
<b>Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations</b>		<b>278</b>	<b>248</b>	<b>397</b>	<b>385</b>
Increase/ (decrease) in accrued income and deferred expenses		13	12	(10)	(10)
Increase/ (decrease) in deferred income and accrued expenses		135	(12)	19	19
(Increase)/decrease in other assets		(18)	(94)	(134)	41
Decrease/ (increase) in other liabilities		1 128	1 138	(791)	(812)
Net change in derivative financial instruments		-	-	80	80
(Increase)/decrease in balances due from banks (term over 3 months)		(71)	(71)	2	2
Change in share and other securities with non-fixed income		488	488	-	-
Decrease in loans and advances to non-banking customers and receivables		(7 108)	(6 846)	(3 130)	(3 313)
Increase/ (decrease) in deposits		7 837	8 074	(10 383)	(10 342)
<b>Increase/ (decrease) in cash and cash equivalents from operating activities before corporate income tax</b>		<b>2 682</b>	<b>2 937</b>	<b>(13 950)</b>	<b>(13 950)</b>
Corporate income tax paid		-	-	(5)	(5)
<b>Net cash and cash equivalents from/(used in) operating activities</b>		<b>2 682</b>	<b>2 937</b>	<b>(13 955)</b>	<b>(13 955)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Purchase of property and equipment		(90)	(90)	(90)	(90)
Sale of investment property		255	-	-	-
<b>Decrease in cash and cash equivalents used in investing activities</b>		<b>165</b>	<b>(90)</b>	<b>(90)</b>	<b>(90)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Issue of shares		1 000	1 000	-	-
<b>Increase in cash and cash equivalents used in financing activities</b>		<b>1 000</b>	<b>1 000</b>	<b>-</b>	<b>-</b>
<b>Net cash flow for the period</b>		<b>3 847</b>	<b>3 847</b>	<b>(14 045)</b>	<b>(14 045)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>25 620</b>	<b>25 620</b>	<b>27 691</b>	<b>27 691</b>
<b>Cash and cash equivalents at the end of the period</b>	23	<b>29 467</b>	<b>29 467</b>	<b>13 646</b>	<b>13 646</b>

The accompanying notes on pages 12 to 26 are an integral part of the condensed consolidated and separate interim financial statements.

The condensed consolidated and separate interim financial statements as set out on pages 7 to 26 were approved for issue on 30 August 2010 on behalf of the Management Board by:

  
S. Dzene  
Chairperson of the Board

  
N. Prohorova  
Chief Accountant

NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

---

## 1 Background

### *Information on the Bank*

AS "SMP Bank" (until 17 June 2008 AS "Multibanka" – the Bank) was incorporated in the Republic of Latvia as a joint stock company "Multibanka" in 1994, in Riga and is licensed as a bank offering a wide range of financial services to enterprises and individuals. The address of the Bank's registered office is Elizabetes iela 57, Riga, Latvia. The Bank has a branch in Liepaja and 11 offices in Riga, two offices in Daugavpils and Ventspils, an offices in Olaine and Jelgava and representative offices in Moscow and Yekaterinburg (Russia) and Kiev (Ukraine).

These condensed consolidated and separate interim financial statements include the financial statements of AS "SMP Bank" (the "Bank") and its subsidiary, AS "SMP Finance" in which the Bank holds 48.73% (31 Dec 2009: 48.73%), (together referred to as the "Group"). AS "SMP Finance" had a deficiency of net assets of LVL 59 thousand as at 30 June 2010 (31 Dec 2009: LVL 106 thousand).

The Bank retains control over AS "SMP Finance" which is therefore included in the consolidation.

For the purposes of consolidation minority interest in subsidiary has not been accounted for separately due to immateriality.

## 2 Basis of preparation

### (a) Statement of compliance

These condensed consolidated and separate interim financial statements of the Group and Bank are prepared in accordance with International Financial Reporting Standard IAS 34 *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 financial statements of the Group and Bank as at and for the year ended 31 December 2009.

The condensed consolidated and separate interim financial statements were authorised for issue by the Management Board on 30 August 2010. The financial statements may be amended by shareholders.

The audited consolidated and separate financial statements of the Bank and the Group as at and for the year ended 31 December 2009 are available at the Bank's web site, [www.smpbank.lv](http://www.smpbank.lv).

### (b) Functional and Presentation Currency

The financial statements are presented in thousands of lats (LVL 000's), unless otherwise stated. The lat is the Bank's and the Group's functional currency. Subsidiaries of the Bank operate in the functional currencies of LVL.

Foreign exchange rates for the key currencies at the end of the reporting period were the following (LVL vs 1 unit of foreign currency):

<u>Currency</u>	<u>Reporting date</u>		
	<b>30.06.2010</b>	<b>31.12.2009</b>	<b>30.06.2009</b>
USD	0.5730	0.4890	0.5010
EUR	0.7028	0.7028	0.7028

NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

---

### 3 Significant accounting policies

Except as described below, the accounting policies applied by the Group and the Bank in these condensed consolidated and separate interim financial statements are the same as those applied by the Group and the Bank in its consolidated and separate financial statements as at and for the year ended 31 December 2009.

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 interpretations

*The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial period beginning 1 January 2010, but are not currently relevant for the Group and Bank:*

- Revised IFRS 3 *Business Combinations*
- Amendments to IFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*
- Amended IAS 27 *Consolidated and Separate Financial Statements*
- Amendment to IAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- IFRIC 12 *Service Concession Agreements*
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17 *Distributions of Non-cash Assets to Owners*
- IFRIC 18 *Transfers of Assets from Customers*

*The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:*

- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*. Provides relief to a first-time adopter from providing comparative information for the disclosures required by the amendments to IFRS 7 issued in March 2009 entitled *Improving Disclosures about Financial Instruments - Amendments to IFRS 7* and clarifies the relief provided in the transitional requirements of IFRS 7. The Amendment to IFRS 1 is not relevant to the Group's and Bank's financial statements as the Group and Bank is not a first time adopter.
- Revised IAS 24 *Related Party Disclosure* (effective for annual periods beginning on or after 1 January 2011). The amendment exempts government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption. The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel. Revised IAS 24 is not relevant to the Group's and Bank's financial statements as the Group and Bank are not a government-related entity and the revised definition of a related party is not expected to result in new relations requiring disclosure in the financial statements.
- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (effective for annual period beginning on or after 1 February 2010). The amendment requires that

## NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

---

rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency, are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendments to IAS 32 are not relevant to the Group's and Bank's financial statements as the Group and Bank have not issued such instruments at any time in the past.

- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required. The amendments to IFRIC 14 are not relevant to the Group's and Bank's financial statements as the Group and Bank do not have any defined benefit plans with minimum funding requirements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are consideration paid in accordance with IAS 39.41. The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss. The Group and Bank did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Group's and Bank's financial statements for the year ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

### **4 Risk management**

All aspects of the Group's and Bank's risk management objectives and policies are consistent with those disclosed in the consolidated and separate financial statements as at and for the year ended 31 December 2009.

### **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 applicable 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 2010, this minimum level is 8% (31 December 2009 and 30 June 2009: 8%). The Bank was in compliance with the statutory capital ratio as at the six months periods ended 30 June 2010, as at 31 December 2009 and as at 30 June 2009.

The Bank's risk based capital adequacy ratio, as at 30 June 2010, was 11.69% (31 December 2009: 11.56% and 30 June 2009: 13.5%).

**NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**

## 6 Use of estimates and judgments

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

In preparing these condensed consolidated and separate interim financial statements, the significant judgments made by management in applying the Group's and Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated and separate financial statements as at and for the year ended 31 December 2009.

These are:

- Allowances for credit losses;
- Valuation of financial instruments;
- Impairment of financial instruments (other than loans);
- Determining fair values.

## 7 Cash and balances due from the Bank of Latvia

	30 June 2010 '000 LVL		31 Dec 2009 '000 LVL	
	Group	Bank	Group	Bank
Cash	1 894	1 894	920	920
Balances due from the Bank of Latvia (including minimum reserve deposit)	9 474	9 474	7 184	7 184
<b>Total</b>	<b>11 368</b>	<b>11 368</b>	<b>8 104</b>	<b>8 104</b>

## 8 Demand balances due from credit institutions

	30 June 2010 '000 LVL		31 Dec 2009 '000 LVL	
	Group	Bank	Group	Bank
<b>Nostro accounts</b>				
OECD banks	10 745	10 745	19 589	19 589
Latvian commercial banks	27	27	25	25
Non-OECD banks	1 475	1 475	543	543
<b>Total nostro accounts</b>	<b>12 247</b>	<b>12 247</b>	<b>20 157</b>	<b>20 157</b>

## 9 Loans and term deposits due from credit institution

LVL'000	30 June 2010 '000 LVL		31 Dec 2009 '000 LVL	
	Group	Bank	Group	Bank
Term deposits in credit institutions	11 960	11 960	1 615	1 615
Due from other credit institutions	487	487	416	416
<b>Total loans and term deposits</b>	<b>12 447</b>	<b>12 447</b>	<b>2 031</b>	<b>2 031</b>

**NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**

As at 30 June 2010 the Bank and Group had amounts due from credit institutions amounting to LVL 487 thousand (31 Dec 2009: LVL 416 thousand) that have been blocked as collateral by those credit institutions for guarantees issued by the Bank and Group.

	30 June 2010		31 Dec 2009	
	'000 LVL		'000 LVL	
<b>Loans and deposits</b>				
Latvian commercial banks	3 000	3 000	-	-
OECD banks	8 509	8 509	1 883	1 883
Non-OECD banks	938	938	148	148
<b>Total loans and deposits</b>	<b>12 447</b>	<b>12 447</b>	<b>2 031</b>	<b>2 031</b>

**Concentration of placements with banks and other credit institutions**

As at 30 June 2010 and 31 December 2009, the Bank and Group had two banks, whose balances exceeded 10% of the total balances with credit institutions (Note 8 and Note 9). The gross value of these balances as of 30 June 2010 and 31 December 2009 were LVL 18 133 thousand and LVL 19 134 thousand, respectively.

**10 Loans and receivables from customers**

(a) *Loans by groups are comprised as follows:*

LVL'000	30 June 2010		31 Dec 2009	
	'000 LVL		'000 LVL	
	Group	Bank	Group	Bank
Individuals	21 018	19 225	19 720	19 431
Corporates	35 932	38 718	30 158	31 702
Personnel of the Bank	534	534	498	498
<b>Total gross loans and receivables from customers</b>	<b>57 484</b>	<b>58 477</b>	<b>50 376</b>	<b>51 631</b>
Allowances for impairment losses	(1 321)	(1 320)	(1 196)	(1 195)
<b>Total net loans and receivables from customers</b>	<b>56 163</b>	<b>57 157</b>	<b>49 180</b>	<b>50 436</b>

(b) *Loans issued by type*

LVL'000	30 June 2010		31 Dec 2009	
	'000 LVL		'000 LVL	
	Group	Bank	Group	Bank
Loans	47 320	48 313	42 545	43 687
Credit line	9 642	9 642	7 474	7 587
Overdrafts	522	522	357	357
<b>Gross loans and receivables from customers</b>	<b>57 484</b>	<b>58 477</b>	<b>50 376</b>	<b>51 631</b>
Allowances for impairment losses	(1 321)	(1 320)	(1 196)	(1 195)
<b>Total net loans and receivables from customers</b>	<b>56 163</b>	<b>57 157</b>	<b>49 180</b>	<b>50 436</b>



**NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**

**(c) Loans issued by industry**

	30 June 2010 '000 LVL				31 December 2009 '000 LVL			
	Group		Bank		Group		Bank	
<b>Corporates</b>								
Real estate	11 141	31%	11 141	29%	9 947	33%	9 947	31%
Construction	5 527	15%	5 527	14%	4 779	16%	4 779	15%
Trade	5 641	16%	5 641	14%	4 875	16%	4 875	16%
Manufacturing industry	8 212	23%	8 212	21%	5 818	19%	5 818	18%
Transport, storage and communications	291	1%	291	1%	57	-	57	-
Other community, social and personal service activities	5 120	14%	7 906	21%	4 682	16%	6 226	20%
<b>Total loans to corporates</b>	<b>35 932</b>	<b>100%</b>	<b>38 718</b>	<b>100%</b>	<b>30 158</b>	<b>100%</b>	<b>31 702</b>	<b>100%</b>
<b>Individuals and personnel of the Bank</b>								
Consumer loans	408	2%	408	2%	887	4%	887	5%
Credit cards	483	2%	483	2%	496	2%	496	2%
Auto loans	19	-	7	-	309	2%	9	-
Mortgage loans	10 292	48%	10 292	52%	11 621	57%	11 621	58%
Other	10 350	48%	8 569	44%	6 905	35%	6 916	35%
<b>Total gross loans and receivables to individuals and personnel of the Bank</b>	<b>21 552</b>	<b>100%</b>	<b>19 759</b>	<b>100%</b>	<b>20 218</b>	<b>100%</b>	<b>19 929</b>	<b>100%</b>

**(d) Geographical analysis of the loan portfolio**

	30 June 2010 '000 LVL		31 Dec 2009 '000 LVL	
	Group	Bank	Group	Bank
Republic of Latvia residents	51 991	52 984	46 899	48 153
Residents of OECD countries	1 561	1 561	991	991
Residents of non-OECD countries	3 932	3 932	2 486	2 487
<b>Total gross loans and receivables from customers</b>	<b>57 484</b>	<b>58 477</b>	<b>50 376</b>	<b>51 631</b>
Allowances for impairment losses	(1 321)	(1 320)	(1 196)	(1 195)
<b>Total net loans and receivables from customers</b>	<b>56 163</b>	<b>57 157</b>	<b>49 180</b>	<b>50 436</b>

**(e) Analysis of movements in the impairment allowance for loans and receivables**

	Six months ended 30 June 2010 '000 LVL		Year ended 31 Dec 2009 '000 LVL	
	Group	Bank	Group	Bank
Balance at the beginning of the period	1 196	1 195	584	581
Increase in allowance	199	199	659	659
Decrease in allowances	(74)	(74)	(47)	(45)
<b>Balance at the end of the period</b>	<b>1 321</b>	<b>1 320</b>	<b>1 196</b>	<b>1 195</b>

**NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**

**(f) Loans and accrued interest allocation, depending on delay of payments**

Classification for Group is not included in table as it does not differ significantly from Bank .

LVL'000	Loans with no delayed payments	Loans for which have not been made payment in proper period (principal amount or accrued interest or both)						
		Up to 30 days	30-60 days	61-90 days	91-180 days	181-360 days	More than 360 days	
<b>Loans 30 June 2010</b>								
Gross loans	58 477	53 502	1 570	252	79	477	1 075	1 522
Impairment allowance	(1 320)	(229)	(31)	(30)	(32)	(80)	(388)	(530)
Net carrying value	57 157	53 273	1 539	222	47	397	687	992
<b>31 December 2009</b>								
Gross loans	51 631	47 287	102	128	62	570	2 147	1 335
Impairment allowance	(1 195)	(296)	(53)	(52)	(19)	(226)	(138)	(411)
Net carrying value	50 436	46 991	49	76	43	344	2 009	924

**(i) Analysis of loan by the type of collateral**

The amounts shown in the table below represent the gross carrying value of the loans by type of collateral and do not necessarily represent the fair value of the underlying collateral.

	30 June 2010				31 December 2009			
	Group		Bank		Group		Bank	
	LVL '000	%	LVL '000	%	LVL '000	%	LVL '000	%
Commercial buildings	18 632	32%	18 632	32%	18 229	36%	18 229	35%
Commercial assets pledge	2 010	4%	2 010	3%	731	1%	731	1%
Land mortgage	9 151	16%	9 151	16%	8 572	17%	8 572	17%
Mortgage on residential properties	16 946	29%	16 946	29%	16 646	33%	16 048	31%
Guarantee	4 329	8%	4 329	7%	3 351	7%	3 351	6%
Other	3 599	6%	290	1%	1 006	2%	245	1%
Without collateral	2 817	5%	7 119	12%	1 841	4%	4 455	9%
<b>Total</b>	<b>57 484</b>	<b>100%</b>	<b>58 477</b>	<b>100%</b>	<b>50 376</b>	<b>100%</b>	<b>51 631</b>	<b>100%</b>

**NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**
**(ii) Impaired loans**

This analysis is prepared for the Bank only as the Bank and Group are not materially different.

**Bank**

	30 June 2010 '000 LVL	31 Dec 2009 '000 LVL
Impaired loans gross	4 284	3 821
Impairment allowance	(1 320)	(1 195)
<b>Net Loans and receivables from customers</b>	<b>2 964</b>	<b>2 626</b>

**(iii) Loans classification**

This analysis is prepared for the Bank only as the Bank and Group are not materially different.

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

	30 June 2010 '000 LVL		31 Dec 2009 '000 LVL	
	Gross	Impairment allowance	Gross	Impairment allowance
Standard	54 919	-	47 912	-
Watch	2 029	316	2 055	255
Substandard	870	345	1 164	512
Doubtful	221	221	207	135
Lost	438	438	293	293
<b>Total</b>	<b>58 477</b>	<b>1 320</b>	<b>51 631</b>	<b>1 195</b>

**(iv) Restructured loans**

LVL'000	30 June 2010 '000 LVL	31 Dec 2009 '000 LVL
Principal and interest payments waiver	23	662
<b>Total</b>	<b>23</b>	<b>662</b>

**(v) Collateral assumed**

As at 30 June 2010, the Group and Bank is in the legal process to sell collateral assumed as security for loans, as follows:

LVL'000	30 June 2010 '000 LVL	31 Dec 2009 '000 LVL
Residential property	770	1 025
<b>Total</b>	<b>770</b>	<b>1 025</b>

**NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**
**(g) Significant credit exposures**

As at 30 June 2010 and 31 December 2009, the Bank had 18 and 19 borrowers or groups of related borrowers, respectively, whose total loan liabilities exceeded 10% of total loans. The gross amount of the above loans as at 30 June 2010 and 31 December 2009 was LVL 27 236 thousand and LVL 24 270 thousand, respectively.

According to regulatory requirements, the Bank is not allowed to have a credit exposure to one client or group of related clients more than 25% of its equity. As at 31 December 2009 and 30 June 2010 the Bank was in compliance with this requirement.

**(h) Finance lease receivables**

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

LVL'000	30 June 2010	31 Dec 2009
Gross investment in finance leases, receivable:		
Less than one year	101	251
Between one and five years	1 914	859
More than five years	1 661	762
<b>Total gross investment in finance leases, receivables</b>	<b>3 676</b>	<b>1 872</b>
Unearned finance income	(782)	(505)
<b>Net investment in finance leases</b>	<b>2 894</b>	<b>1 367</b>

**The net investment in finance leases comprises:**

Less than one year	96	167
Between one and five years	1 757	700
More than five years	1 041	500
	<b>2 894</b>	<b>1 367</b>

**11 Demand balances from credit institutions**

	30 June 2010		31 Dec 2009	
	'000 LVL		'000 LVL	
	Group	Bank	Group	Bank
OECD countries credit institutions	56	56	31	31
Residents of non-OECD countries	6 052	6 052	4 225	4 225
<b>Total</b>	<b>6 108</b>	<b>6 108</b>	<b>4 256</b>	<b>4 256</b>

**Concentration of due to credit institutions**

As at 30 June 2010 and 31 December 2009 the Group and Bank had 1 and 1 credit institutions, respectively, whose balances exceeded 10% of total deposits and balances from credit institutions. The gross values of these balances as of 30 June 2010 and 31 December 2009 were LVL 4 956 thousand and LVL 3 096 thousand, respectively.

NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

## 12 Current accounts and deposits from customers

	30 June 2010 '000 LVL		31 Dec 2009 '000 LVL	
	Group	Bank	Group	Bank
<b>Sector profile:</b>				
<b>Current accounts and deposits from customers</b>				
Corporates	55 163	55 405	54 777	54 782
Individuals	16 615	16 615	10 920	10 920
State owned companies	1 757	1 757	1	1
<b>Total current accounts and deposits from customers</b>	<b>73 535</b>	<b>73 777</b>	<b>65 698</b>	<b>65 703</b>
<b>Geographical profile:</b>				
Residents of Latvia	21 343	21 585	12 242	12 247
Non-residents	52 192	52 192	53 456	53 456
<i>Residents of OECD countries</i>	<i>23 814</i>	<i>23 814</i>	<i>18 908</i>	<i>18 908</i>
<i>Residents of non-OECD countries</i>	<i>28 378</i>	<i>28 378</i>	<i>34 548</i>	<i>34 548</i>
<b>Total current accounts and deposits from customers</b>	<b>73 535</b>	<b>73 777</b>	<b>65 698</b>	<b>65 703</b>
<b>Current accounts and deposits from customers</b>				
<b>Current accounts</b>				
Corporates	37 146	37 388	37 145	37 150
Individuals	6 013	6 013	3 133	3 133
State owned companies	-	-	1	1
<b>Total current accounts</b>	<b>43 159</b>	<b>43 401</b>	<b>40 279</b>	<b>40 284</b>
<b>Term deposits</b>				
Corporates	18 017	18 017	17 650	17 650
Individuals	10 602	10 602	7 769	7 769
State owned companies	1 757	1 757	-	-
<b>Total term deposits</b>	<b>30 376</b>	<b>30 376</b>	<b>25 419</b>	<b>25 419</b>
<b>Total current accounts and deposits from customers</b>	<b>73 535</b>	<b>73 777</b>	<b>65 698</b>	<b>65 703</b>

### *Blocked accounts*

As of 30 June 2010, the Bank maintained customer deposit balances of LVL 2 174 thousand (31 Dec 2009: LVL 979 thousand) which were blocked by the Bank as a collateral for loans and off-balance sheet credit instruments granted by the Bank.

### *Concentrations of current accounts and deposits from customers*

As of 30 June 2010 and 31 December 2009 the Bank had no customers, whose balances exceeded 10% of total current accounts and deposits from customers.

**NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**

### 13 Other liabilities

	30 June 2010		31 Dec 2009	
	'000 LVL		'000 LVL	
	Group	Bank	Group	Bank
Money in transit	3 914	3 914	1 062	1 062
Unmatched funds	2 198	2 198	3 908	3 908
Accrued expenses and deferred income	151	-	16	12
Other	-	-	14	4
<b>Total</b>	<b>6 263</b>	<b>6 112</b>	<b>5 000</b>	<b>4 986</b>

Money in transit includes amounts requested by clients for payment with a value date of 1 July 2010 and 1 January 2010 respectively.

Unmatched funds include amounts for which the Bank has not matched incoming funds to its client accounts. Unmatched accounts are matched within ten working days after they are received.

### 14 Share capital

	30 June 2010			31 December 2009	
	Value per share (LVL)	Number of shares	Share capital (LVL'000)	Number of shares	Share capital (LVL'000)
Ordinary shares	50	160 124	8 006	140 124	7 006

#### Shareholders' analysis

	30 June 2010	31 December 2009
	Number of shares	Number of shares
Individuals	9 229	9 229
Commercial bank SMP Bank (Russia)	150 821	130 821
Other private companies	74	74
<b>Total</b>	<b>160 124</b>	<b>140 124</b>

The Bank's capital is registered and fully paid. Ordinary shares rank equally with respect to dividends, as and when they may be declared, and entitle all holders to equal voting rights at the shareholders' meeting. All shares rank equally with respect to residual assets. As at 30 June 2010, there were 8 shareholders – 2 legal persons and 6 individuals (31 Dec 2009: 8 – 2 legal persons and 6 individuals). The Bank's immediate parent bank is SMP Bank (Russia). Two individuals own 36.8% each of the immediate parent.

NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

## 15 Interest income

	30 June 2010 '000 LVL		30 June 2009 '000 LVL	
	Group	Bank	Group	Bank
<b>Interest income on loans and receivables:</b>				
Loans and receivables from customers	1 260	1 239	1 355	1 337
On balances to credit institutions	59	59	88	88
Bonds	20	20	-	-
<b>Total</b>	<b>1 339</b>	<b>1 318</b>	<b>1 443</b>	<b>1 425</b>

## 16 Interest expense

	30 June 2010 '000 LVL		30 June 2009 '000 LVL	
	Group	Bank	Group	Bank
<b>Interest expenses on liabilities at amortised cost:</b>				
Current accounts and deposits from customers	734	734	478	478
On balances from credit institutions	1	1	16	16
<b>Total</b>	<b>735</b>	<b>735</b>	<b>494</b>	<b>494</b>

## 17 Fee and commission income

	30 June 2010 '000 LVL		30 June 2009 '000 LVL	
	Group	Bank	Group	Bank
Commissions from money transfers, cash operations and servicing accounts	622	622	588	588
Fees from cards services	86	86	68	68
Commissions from guarantees	90	90	62	62
Brokerage fees	99	99	89	89
Other	31	19	4	2
<b>Total</b>	<b>928</b>	<b>916</b>	<b>811</b>	<b>809</b>

## 18 Fee and commission expense

	30 June 2010 '000 LVL		30 June 2009 '000 LVL	
	Group	Bank	Group	Bank
Commissions paid to correspondent banks	84	84	95	95
Commissions for transactions with payment cards	75	75	77	77
Fees for operations with securities	8	8	8	8
Other	1	1	4	4
<b>Total</b>	<b>168</b>	<b>168</b>	<b>184</b>	<b>184</b>

**NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**

**19 Net impairment allowance (expense)/ reversal**

	30 June 2010 '000 LVL		30 June 2009 '000 LVL	
	Group	Bank	Group	Bank
<b>Impairment losses</b>				
Loans and receivables from customers	(199)	(199)	(288)	(288)
	<u>(199)</u>	<u>(199)</u>	<u>(288)</u>	<u>(288)</u>
<b>Reversals of impairment losses</b>				
Loans and receivables from customers	74	74	38	38
	<u>74</u>	<u>74</u>	<u>38</u>	<u>38</u>
<b>Net impairment losses</b>	<u><u>(125)</u></u>	<u><u>(125)</u></u>	<u><u>(250)</u></u>	<u><u>(250)</u></u>

**20 Gain on trading with financial instruments, net**

	30 June 2010 '000 LVL		30 June 2009 '000 LVL	
	Group	Bank	Group	Bank
Gain from operations with foreign currencies	416	416	571	571
Loss from currency translation	(40)	(47)	(220)	(220)
Gain from revaluation of investments	5	5	-	-
<b>Total</b>	<u><u>381</u></u>	<u><u>374</u></u>	<u><u>351</u></u>	<u><u>351</u></u>

**21 Administrative expenses**

Salaries, wages and related social security contributions represent the basic remuneration of the employees, social security contributions as well as other remuneration. During the six month period ended 30 June 2010 and 2009, the Bank and Group employed on average 165 and 170 employees, respectively.

Administrative expenses are comprised as follows:

	30 June 2010 '000 LVL		30 June 2009 '000 LVL	
	Group	Bank	Group	Bank
Personnel salaries and wages	646	644	674	672
Rent of premises and other maintenance expenses	203	203	230	230
Social security contributions	171	171	175	175
Professional services	173	173	144	144
Remuneration to the members of the Board and Council	69	69	79	79
Depreciation of property and equipment	121	121	128	128
Office maintenance expenses	82	82	89	89
Advertising and marketing	13	13	24	24
Other	109	88	100	95
<b>Total</b>	<u><u>1 587</u></u>	<u><u>1 564</u></u>	<u><u>1 643</u></u>	<u><u>1 636</u></u>



**NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**

---

## 22 Income tax expense

LVL'000	30 June 2010 '000 LVL		30 June 2009 '000 LVL	
	Group	Bank	Group	Bank
<b>Profit before tax</b>	<b>32</b>	<b>2</b>	<b>19</b>	<b>7</b>
Expected tax charge, applying current tax rate of 15%	5	-	3	1
Net of non-deductible expenses and exempt income and other reconciling items	-	-	1	1
Deferred tax asset not recognized	-	-	1	3
<b>Income tax charge</b>	<b>5</b>	<b>-</b>	<b>5</b>	<b>5</b>

## 23 Cash and cash equivalents

	30 June 2010 '000 LVL		30 June 2009 '000 LVL	
	Group	Bank	Group	Bank
Cash	1 894	1 894	877	877
Current placements with the Bank of Latvia	9 474	9 474	2 794	2 794
Placements with other credit institutions with maturity of up to 3 months	24 207	24 207	10 720	10 720
Placements from other credit institutions with residual maturity of up to 3 months	(6 108)	(6 108)	(745)	(745)
<b>Total</b>	<b>29 467</b>	<b>29 467</b>	<b>13 646</b>	<b>13 646</b>

## 24 Related party transactions

### (a) Control relationships

The Bank's immediate parent bank is SMP Bank (Russia). Two individuals own 36.8% each of the immediate parent.

Related parties are defined as shareholders who have significant influence over the Bank and its subsidiary, members of the Council and Board, key Management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies.

Transactions of the Group are not included in table below as they do not differ significantly from the Bank, except that the subsidiary is not presented as a related party in the consolidated financial statements.

Transactions with SMP Bank (Russia) are analyzed as follows:

LVL'000	30 June 2010	Average rate	31 Dec 2009	Average rate
	Bank		Bank	
Due from SMP Bank (Russia)	1 175	1.71%	211	3.0%
Due to SMP Bank (Russia)	4 956	-	3 096	-

Transactions with AS "SMP Finance" are analyzed as follows:

LVL'000	30 June 2010	Average rate	31 Dec 2009	Average rate
	Bank		Bank	
Loans to AS „SMP Finance”	4 585	1.76%	2 757	0.84%
Deposits from AS „SMP Finance”	242	-	5	-

**NOTES TO THE CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**

The total amount of related party loans and deposits at the period end:

LVL'000	30 June 2010		31 Dec 2009	
	Bank	Average rate	Bank	Average rate
<b>Deposits</b>	<u>5 198</u>	1.7%	<u>3 101</u>	0.0%
<b>Loans</b>				
Opening balance	531		286	
Issued loans in current year	98		374	
Matured loans in current year	(15)		(129)	
<b>Loans closing balance</b>	<u>614</u>	4.0%	<u>531</u>	4.5%

Remuneration to the Council and Board:

	30 June 2010		30 June 2009	
	'000 LVL		'000 LVL	
	Group	Bank	Group	Bank
Remuneration to the Supervisory Council and Management Board	69	69	79	79
<b>Total</b>	<u>69</u>	<u>69</u>	<u>79</u>	<u>79</u>

Transactions with related parties for the six month period ended 30 June 2010 and 2009 are analysed as follows:

	30 June 2010		30 June 2009	
	'000 LVL		'000 LVL	
	Group	Bank	Group	Bank
Interest income	46	46	136	136
Interest expense	-	-	(16)	(16)
<b>Total</b>	<u>46</u>	<u>46</u>	<u>120</u>	<u>120</u>

## 25 Commitments and contingencies

	30 June 2010		31 December 2009	
	'000 LVL		'000 LVL	
	Group	Bank	Group	Bank
Loan and credit line commitments	1 631	1 256	1 784	1 770
Guarantees and letters of credit	4 732	4 732	4 108	4 108
<b>Total</b>	<u>6 363</u>	<u>5 988</u>	<u>5 892</u>	<u>5 878</u>

## 26 Litigation

Management is unaware of any significant actual, pending or threatened claims against the Group or the Bank.