AS PAREX BANKA

CONDENSED INTERIM FINANCIAL REPORT
FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2011

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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AS Parex banka
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Dear Shareholders and Collaboration Partners,

The biggest and most important challenge for Parex banka during the first six months of 2011 was repayment of the State guaranteed international syndicated loan in the amount of 164 million lats. We are pleased to announce that persistent hard work of the Bank's management and the employee team has resulted in accomplishing this goal. Therefore we were able to defend the interests of the state tax payers by completely settling the most important liabilities of Parex banka without additional State Aid. The accomplishment is also a positive signal for foreign investors and rating agencies, and it once again underlines the correctness of the strategy selected by the Latvian government with regard to solving the problems of Latvia's banking sector. It is no secret that many important participants of international financial markets observed us with great interest for they saw fulfilment of the substantial loan liabilities as a significant indicator of Latvia's economic recovery. The funds necessary for repayment of the syndicated loan were recovered from restructuring problematic loans contained in Parex banka's asset portfolio as well as from selling securities and utilising the cash resources that Parex banka had accrued. This enabled us to have absolute faith in the fact that there will be enough funds for duly settling accounts with the lender and for continuing the Bank's business activity.

In accordance with the restructuring plan for Parex banka approved by the European Commission and the Cabinet of Ministers, we continued recovering the Bank's assets, and repossessing, overtaking and professionally managing real estate, during the accounting period. Since the split-up of the Bank we have taken over approximately 800 real estate objects and we anticipate that this number will significantly increase during 2011. The Bank's real estate portfolio consists of assets of various types and quality and therefore its future value potential is equally diverse. We carry out a detailed analysis of each asset, including applying prognoses for economic growth perspectives, development of the real estate market, cash flows that the corresponding object may generate as well as other important factors elaborated by the Bank's experts. As a result, we adopt a decision on selling the asset in question or renting it out until a more beneficial situation occurs in the market. To ensure maximum transparency of decisions adopted and transactions affected by the Bank, we require an assessment made by independent experts in the corresponding field, thus exercising the so called "four eyes" principle. Even though, in essence, it would be enough to rely solely on the analysis carried out by the Bank's experts, Parex banka continues to be a focal point of society's and supervising authorities' attention leads to the necessity for exercising this principle. We are aware that there is a good reason for interest expressed toward Parex banka: our work results influence each and every one of Latvia's tax payers and the State as such since the reason for the Bank's existence is recovery of State investments in the maximum amount possible.

During the accounting period, Parex banka's business activity has been conducted closely in line with the budget for 2011 and with the restructuring plan. We have recovered over 100 million Lats during the accounting period, channelling the majority of these funds for repayment of the syndicated loan. In accordance with the requirements of International Financial Reporting Standards and the cautious accountancy policy exercised by Parex banka, accruals for doubtful loans in the amount of 18.6 million Lats during the first six months of this year. Even though these accruals are disclosed as losses in the Bank's balance sheet, the consistent policy for developing accruals ensures additional security in the difficult economic circumstances, thus this is a positive aspect. Depending on further development scenarios for Latvia and the global economy which may leave a significant impact on recovering certain loans, the recognized amount of accruals may be reviewed and decreased in case of a beneficial outcome. Likewise, interest payments, which, in accordance with the provisions of the agreement, Parex banka has to repay to the State budget for investments, are disclosed as expenses in the Bank's profit and loss statement. Correspondingly, after the end of the accounting period, the State Treasury will be supplemented with a significant sum of money, i.e. 20 million Lats. It must be emphasized that the amount of recovered funds is and will continue to be the only objective measure of Parex banka's activity. We are sure that the improvement of the economic situation and our continuous purposeful work will lead us to the achieving good results.

In the first six months of this year we continued to revaluate all of the Bank's administrative costs consistently and responsibly. The thoroughly performed work and the balanced planning has yielded good results – administrative costs during the accounting period made up only 0.9% of the Bank's average net value. This indicator once again speaks volumes about Parex banka's administrative structure and its control efficiency considering that the Bank manages assets worth approximately 600 million Lats and services more than 5,000 clients on an everyday basis.

After the completed restructuring, retaining only the problematic assets with serious repayment problems, Parex banka has become a unique institution in the Baltic States. The aim determined for the Bank anticipates maximum recovery of the State invested funds invested within seven years. Therefore we are well aware that our task is not only to put all our efforts to completing it, but also to develop an open and honest communication with society. We gave such a pledge when we started working for the newly founded Parex Banka. Simultaneously we would like to ask the society to be understanding and tolerant in cases when detailed disclosure of certain information can have an adverse impact on the Bank, and this also means the tax payers' interests. Conversely, the degree of detailed elaboration of the thoroughly prepared statement for the first six months of 2011 complies with all standards and requirements attaching to Parex banka, and it reflects the Bank's ability to consistently perform the goals and tasks set forth in the restructuring plan.

Other significant events

On 17 May 2011 the Cabinet of Ministers supported the Strategy for Selling Parex Banka which was developed by Nomura International plc, an international financial consultant. A decision was adopted that Parex banka must continue implementing the business strategy elaborated by the mentioned financial consultant with the purpose of maximum recovery of the State investment. In order to increase and maintain the value of assets overtaken by the Bank, the priority business directions of the latter will continue to be restructuring of problematic assets, recovery of debt and professional management and selling of overtaken real estate objects. It is not planned to offer Parex banka as a whole to investors within the near future.

Considering that the specifics of Parex banka's activity are related to the recovery of significant funds, Parex banka has launched several serious proceedings during the accounting period. Among the initiated proceedings, the claim toward the Bank's previous Members of the Board and shareholders Valērijs Kargins and Viktors Krasovickis is of special importance. The aim of the claim is to receive compensation for losses caused to the Bank in the amount of at least 62 million Lats.

Most significant events after the accounting period

The agenda of Parex banka's Extraordinary Shareholder Meeting announced for 26 August 2011 includes a question on the increase of the Bank's core capital for the amount of 20 million Lats by emitting 20 million regular registered shares with voting rights, the nominal value of one share being one Lat.

The increase of the core capital is planned in accordance with the restructuring plan and it will ensure stability of Parex banka's activity and performance of regulatory requirements. Since capitalization of the existing investment made by the State is going to form the basis of transactions, additional State funding will not be necessary since, similarly to 2010, it is anticipated to use a part of the accrued interest for the State investment disposed with the Bank.

Riga, 25 August 2011

Christopher John Gwilliam Chairman of the Management Board	Solvita Deglava Member of the Management Board

Jurijs Adamovičs
Member of the Management Board

Council of the Bank

Name	Position
Michael Joseph Bourke	Chairman of the Council
Sarmīte Jumīte	Deputy chairwoman of the Council
Vladimirs Loginovs	Member of the Council
Mary Ellen Collins	Member of the Council

Management Board of the Bank

Name	Position
Christopher John Gwilliam	Chairman of the Management Board, p.p.
Solvita Deglava	Member of the Management Board, p.p.
Jurijs Adamovičs	Member of the Management Board

The Management of AS Parex banka (hereinafter – the Bank) are responsible for the preparation of the condensed interim financial statements of the Bank as well as for the preparation of the interim condensed consolidated financial statements of the Bank and its subsidiaries (hereinafter – the Group).

The condensed interim financial statements set out on pages 7 to 28 are prepared in accordance with the source documents and present fairly the financial position of the Bank and the Group as at 30 June 2011 and the results of their operations, changes in shareholders' equity and cash flows for the six month period ended 30 June 2011. The management report set out on pages 3 to 4 presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

The interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS) 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 Management of AS Parex banka are responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Financial and Capital Market Commission and other legislation of the Republic of Latvia applicable for credit institutions.

Christopher John Gwilliam
Chairman of the Management Board

Solvita Deglava
Member of the Management Board

Jurijs Adamovičs
Member of the Management Board

Riga,
25 August 2011

Condensed Interim Statements of Comprehensive Income
for the 6 month period ended 30 June 2011 and the 7 month period ended 31 July 2010

		LVL 000's			
	Notes	01/01/2011-30/06/2011 *Audited* Group	01/01/2010-31/07/2010* *Audited* Group	01/01/2011-30/06/2011 *Audited* Bank	01/01/2010-31/07/2010* *Audited* Bank
Interest income		7,481	59,382	7,215	52,928
Interest expense		(17,808)	(66,761)	(17,806)	(63,823)
Net interest expense		(10,327)	(7,379)	(10,591)	(10,895)
Commission and fee income		194	15,616	2	11,554
Commission and fee expense		(93)	(4,860)	(52)	(3,523)
Net commission and fee income/(expense)		101	10,756	(50)	8,031
Gain / (loss) on transactions with financial instruments, net		(3,658)	1,516	(3,962)	(144)
Other income		2,050	6,557	663	5,101
Other expense		(1,752)	(795)	(1,048)	(246)
Administrative expense		(5,686)	(39,336)	(3,466)	(29,867)
Amortisation and depreciation charge		(198)	(5,717)	(129)	(2,611)
Impairment charges and reversals, net	3	1,481	(74,846)	(10,492)	(86,050)
Gain / (loss) on disposal of assets held for sale, net		148	(1,190)	-	-
Loss before taxation		(17,841)	(110,434)	(29,075)	(116,681)
Corporate income tax		(1,004)	(703)	(107)	150
Net loss for the period		**(18,845)**	**(111,137)**	**(29,182)**	**(116,531)**
Attributable to:					
Equity holders of the Bank		(18,845)	(111,137)	(29,182)	(116,531)
Minority interest		-	-	-	-
		(18,845)	(111,137)	(29,182)	(116,531)

*Before the transfer of undertaking

The notes on pages 13 to 28 are an integral part of these condensed interim financial statements.

	LVL 000's			
	01/01/2011-30/06/2011 *Audited* Group	01/01/2010-31/07/2010* *Audited* Group	01/01/2011-30/06/2011 *Audited* Bank	01/01/2010-31/07/2010* *Audited* Bank
Net loss for the period	(18,845)	(111,137)	(29,182)	(116,531)
Other comprehensive income:				
*Fair value revaluation reserve: held-to-maturity securities***				
Amortisation	-	942	-	923
Impairment of securities	-	-	-	-
Deferred income tax charged directly to equity	-	89	-	(3)
Fair value revaluation reserve: available-for-sale securities				
Impairment of securities	-	1,100	-	1,100
Fair value revaluation reserve charged to statement of income	-	745	-	1,453
Changes in fair value of available for sale securities	4,885	2,510	4,885	1,995
Deferred income tax charged directly to equity	-	(326)	-	(305)
Other comprehensive income for the period	4,885	5,060	4,885	5,163
Total comprehensive loss for the period	**(13,960)**	**(106,077)**	**(24,297)**	**(111,368)**
Attributable to:				
Equity holders of the Bank	(13,960)	(106,077)	(24,297)	(111,368)
Minority interest	-	-	-	-
	(13,960)	(106,077)	(24,297)	(111,368)

*Before the transfer of undertaking

**The reserve is attributable to available-for-sale securities that were reclassified to held-to-maturity securities. The reserve is amortised to Income statement till the maturity of the securities.

The notes on pages 13 to 28 are an integral part of these condensed interim financial statements.

AS Parex banka
Condensed Interim Balance Sheets
as at 30 June 2011 and 31 December 2010

	Notes	30/06/2011 *Audited* Group	31/12/2010 *Audited* Group	30/06/2011 *Audited* Bank	31/12/2010 *Audited* Bank
		LVL 000's			
Assets					
Cash and deposits with central banks		5	26,944	5	26,944
Balances due from credit institutions		19,775	67,687	19,607	65,837
Securities held for trading:					
- fixed income		-	821	-	821
- shares and other non-fixed income		245	305	245	305
Derivative financial instruments		2,069	122	2,069	122
Available-for-sale securities:					
- fixed income	4	2,604	59,410	11,154	59,410
Loans and receivables to customers	5	474,143	541,550	497,254	566,280
Held-to-maturity securities	4	24,231	24,208	24,231	41,365
Fixed assets		333	1,756	331	1,754
Intangible assets		152	152	152	152
Investments in subsidiaries	6	-	-	60	60
Investment property		31,569	19,810	17,454	13,627
Other assets		39,478	49,321	9,894	12,604
Total assets		**594,604**	**792,086**	**582,456**	**789,281**
Liabilities					
Derivative financial instruments		53	2,002	53	2,002
Financial liabilities measured at amortised cost:					
- balances due to credit institutions and central banks	7	8,219	178,615	8,219	178,615
- deposits from customers	9	495,175	495,865	495,175	495,875
Other liabilities		15,151	25,661	12,954	22,460
Subordinated liabilities	8	53,053	53,030	53,053	53,030
Total liabilities		571,651	755,173	569,454	751,982
Equity					
Paid-in share capital	10	271,227	271,227	271,227	271,227
Share premium		12,694	12,694	12,694	12,694
Fair value revaluation reserve – available-for-sale securities		200	(4,685)	200	(4,685)
Accumulated losses		(261,168)	(242,323)	(271,119)	(241,937)
Total shareholders' equity attributable to the shareholders of the Bank		22,953	36,913	13,002	37,299
Minority interest		-	-	-	-
Total equity		22,953	36,913	13,002	37,299
Total liabilities and equity		**594,604**	**792,086**	**582,456**	**789,281**

The notes on pages 13 to 28 are an integral part of these condensed interim financial statements.

Changes in the Group's equity are as follows:

	LVL 000's					
	Attributable to equity holders of the Bank					
	Issued share capital	Share premium	Fair value revaluation reserve**, attributable to: Held-to-maturity securities	Fair value revaluation reserve**, attributable to: Available-for-sale securities	Retained earnings	Total equity
Balances as at 31 December 2009*	**230,027**	**12,694**	**(6,190)**	**(6,128)**	**(91,453)**	**138,950**
Issue of new shares	31,500	-	-	-	-	31,500
Net loss for the period	-	-	-	-	(111,137)	(111,137)
Other comprehensive income for the period	-	-	1,031	4,029	-	5,060
Balances as at 31 July 2010*	**261,527**	**12,694**	**(5,159)**	**(2,099)**	**(202,590)**	**64,373**
Issue of new shares	9,700	-	-	-	-	9,700
Net loss for the period	-	-	-	-	(39,733)	(39,733)
Other comprehensive income for the period	-	-	5,159	(2,586)	-	2,573
Balances as at 31 December 2010	**271,227**	**12,694**	**-**	**(4,685)**	**(242,323)**	**36,913**
Issue of new shares	-	-	-	-	-	-
Net loss for the period	-	-	-	-	18,845	18,845
Other comprehensive income for the period	-	-	-	4,885	-	4,885
Balances as at 30 June 2011	**271,227**	**12,694**	**-**	**200**	**(261,168)**	**22,953**

*Before the transfer of undertaking

**At 31 July 2010 the fair value revaluation reserve amounting to LVL (4,385) thousand was held for sale in the Group. Items held for sale were transferred to AS Citadele Banka on 1 August 2010.

The notes on pages 13 to 28 are an integral part of these condensed interim financial statements.

Changes in the Bank's equity are as follows:

	LVL 000's					
	Attributable to equity holders of the Bank					
			Fair value revaluation reserve**, attributable to:			
	Issued share capital	Share premium	Held-to-maturity securities	Available-for-sale securities	Retained earnings	Total equity
Balances as at 31 December 2009*	**230,027**	**12,694**	**(5,570)**	**(6,409)**	**(78,073)**	**152,669**
Issue of new shares	31,500	-	-	-	-	31,500
Net loss for the period	-	-	-	-	(116,531)	(116,531)
Other comprehensive income for the period	-	-	920	4,243	-	5,163
Balances as at 31 July 2010*	**261,527**	**12,694**	**(4,650)**	**(2,166)**	**(194,604)**	**72,801**
Issue of new shares	9,700	-	-	-	-	9,700
Net loss for the period	-	-	-	-	(47,333)	(47,333)
Other comprehensive income for the period	-	-	4,650	(2,519)	-	2,131
Balances as at 31 December 2010	**271,227**	**12,694**	**-**	**(4,685)**	**(241,937)**	**37,299**
Issue of new shares	-	-	-	-	-	-
Net loss for the period	-	-	-	-	(29,182)	(29,182)
Other comprehensive income for the period	-	-	-	4,885	-	4,885
Balances as at 30 June 2011	**271,227**	**12,694**	**-**	**200**	**(271,119)**	**13,002**

*Before the transfer of undertaking

**At 31 July 2010 fair value revaluation reserve amounting to LVL (3,944) thousand was held for sale in the Bank. Items held for sale were transferred to AS Citadele Banka on 1 August 2010.

The notes on pages 13 to 28 are an integral part of these condensed interim financial statements.

AS Parex banka
Condensed Interim Statements of Cash Flows
for the 6 month period ended 30 June 2011 and 7 month period ended 31 July 2010

	LVL 000's			
	01/01/2011-30/06/2011 *Audited* Group	01/01/2010-31/07/2010* *Audited* Group	01/01/2011-30/06/2011 *Audited* Bank	01/01/2010-31/07/2010* *Audited* Bank
Cash flows from operating activities				
Loss before tax	(17,841)	(110,434)	(29,076)	(116,681)
Amortisation of intangible assets, depreciation of fixed assets	198	5,717	129	2,611
Change in impairment allowances and other provisions	11,006	74,846	20,076	86,050
Other non-cash items	(2,396)	1,233	(882)	1,350
Cash flows before changes in assets and liabilities	**(9,033)**	**(28,638)**	**(9,753)**	**(26,670)**
Change in derivative financial instruments	(3,896)	588	(3,896)	522
(Increase)/ decrease in other assets	1,864	(3,996)	2,525	(4,432)
(Decrease)/ increase in other liabilities	(3,382)	11,343	(2,366)	14,866
Decrease in trading investments	821	2,116	821	1,784
Decrease in balances due from credit institutions	-	1,569	-	129,948
Decrease/ (increase) in loans and receivables to customers	51,870	77,030	50,056	(4,065)
Increase/(decrease) in balances due to credit institutions and central banks	2,135	(42,269)	2,145	(49,617)
Increase in deposits from customers	274	133,927	274	113,751
Cash generated from operating activities before corporate income tax	**40,653**	**151,670**	**39,806**	**176,087**
Corporate income tax paid	(1,004)	(199)	(106)	-
Net cash flow generated from operating activities	**39,649**	**151,471**	**39,700**	**176,087**
Cash flows from investing activities				
(Purchase) of intangible and fixed assets, net	(39)	288	(38)	328
Acquisitions and investments in subsidiaries	-	-	-	(9,200)
Sale of available-for-sale securities, net	61,612	-	63,242	-
Sale of equity investments and other non-trading investments	-	42,024	-	59,655
Net cash flow generated from investing activities	**61,573**	**42,312**	**63,204**	**50,783**
Cash flows from financing activities				
(Repayment) of syndicated loan	(169,044)	(217,869)	(169,044)	(217,869)
Net cash flow used in financing activities	**(169,044)**	**(217,869)**	**(169,044)**	**(217,869)**
Net cash flow for the year	**(67,822)**	**(24,086)**	**(66,140)**	**9,001**
Cash and cash equivalents at the beginning of the period	**86,671**	**374,776**	**84,821**	**330,869**
Cash and cash equivalents at the end of the period	**18,849**	**350,690**	**18,681**	**339,870**

*Before the transfer of undertaking

The notes on pages 13 to 28 are an integral part of these condensed interim financial statements.

Unless stated otherwise, the figures in parenthesis represent amounts as at 31 December 2010 or for the seven months period ended 31 July 2010, any reference to Group's policies and procedures should be also considered as reference to the respective Bank's policies and procedures, unless stated otherwise,.

AUTHORISATION OF THE FINANCIAL STATEMENTS

These interim condensed financial statements have been authorised for issuance by the Management on 25 August 2011.

NOTE 1. GENERAL INFORMATION

AS Parex banka (hereinafter – the Bank) was registered as a joint stock company on 14 May 1992. The Bank commenced its operations in June 1992.

The Bank's head office is located in Riga, Latvia. The legal address of the Bank is Republikas laukums 2a, Riga, LV-1522.

Until the transfer of undertaking the Bank's main areas of operation included accepting deposits from customers, granting short-term and long-term loans to local municipalities, corporate customers, private individuals and other credit institutions, issuing and servicing payment cards, dealing with finance lease and foreign exchange transactions. The Bank offered its clients also trust management and investment banking services, performed local and international payments, as well as provided a wide range of other financial services.

After transfer of undertaking as of 31 July 2010 all branches and service centres throughout Latvia were transferred to AS Citadele banka. Also, all foreign branches except for Berlin, Hamburg and Munich branches, were transferred to AS Citadele banka during 2010. The Bank owns directly and indirectly 16 (35) subsidiaries, which operate in various financial markets. The Bank is parent company of the Group.

Since 1 August 2010 *Parex banka* is operating as a resolution bank and it has ceased rendering such classical banking services as account and deposit services, issuing loans etc. The main objective of *Parex banka* is to maximise recovery from the assets left in the Bank. In order to achieve its goals, the operation of *Parex banka* is focused on efficient loan restructuring, debt recovery and real estate management. The Bank does not attract new customers and does not provide full range of banking services any more in accordance with the decision On the State Aid C 26/2009 (ex N 289/2009) approved by the European Commission.

As at 30 June 2011, Bank had 118 (1,721) employees and the Group had 273 (2,531) employees.

2010 comparative figures

As comparative figures as at 30 June 2010 were not audited, for the purpose of these financial statements, audited figures as at 31 July 2010 have been used as comparatives.

Due to the significance of the transfer of undertaking transaction, the comparative information for 7 month period ended 31 July 2010 included in these financial statements is not comparable to the financial information for 2011 as it does not reflect the current business activities of the Bank and the Group after the transfer of undertaking. Nevertheless, in order to comply with International Financial Reporting Standards, the historical information for the 7 month period ended 31 July 2010 has been included in these financial statements.

The financial statements have been prepared on a going concern basis. The Bank is operating in line with the EC restructuring plan to achieve the objectives outlined there within the approved time frame till the end of 2017. After the transfer of undertaking on 31 July 2010 the Bank's liabilities have been restructured to match its assets maturities structure and ensure that Bank's ability to continue as going concern. The Bank does not have any overdue liabilities and it is expected that the Bank will be able to settle its liabilities as they fall due also in the future.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This condensed interim financial information for the six month period ended 30 June 2011 has been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed interim financial statements comprise both, the financial statements of the parent company AS Parex banka (Latvia) and the consolidated financial statements of the Group. This interim financial information should be read in conjunction with the 2010 annual financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

Adoption of New or Revised Standards and Interpretations

Certain new IFRSs became effective for the Group from 1 January 2011. Listed below are those new or amended standards or interpretations which are relevant to the Group's operations and the nature of their impact on the Group's accounting policies.

Improvements to International Financial Reporting Standards (issued in May 2010; most of the amendments are effective for annual periods beginning on or after 1 January 2011).

The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits.
The amendments did not have a material effect on these financial statements.

The following new and amended IFRSs and interpretations became effective in 2011, but are not relevant for the Group's operations and did not have an impact on these financial statements.
Amendment to IFRIC 14, Prepayments of a Minimum Funding Requirement

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on or after 1 January 2011 or later periods and which are not relevant to the Group or are not yet endorsed by the EU:

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7(effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU)
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendment to IFRS 1. (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU).
Deferred Tax: Recovery of Underlying Assets – Amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU).
Employee benefits – Amendment to IAS 19 (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU).
Financial statement presentation` regarding other comprehensive income – Amendment to IAS 1 (effective for annual periods beginning on or after 1 July 2012; not yet adopted by the EU).
IFRS 9, Financial Instruments Part 1: Classification and Measurement (effective for annual periods beginning on or after 1 January 2013; not yet endorsed by the EU).
IFRS 10, Consolidated financial statements (effective for annual periods beginning on or after 1 January 2013; not yet endorsed by the EU).
IFRS 11, `Joint arrangements` (effective for annual periods beginning on or after 1 January 2013; not yet endorsed by the EU).
IFRS 12, `Disclosures of interests in other entities` (effective for annual periods beginning on or after 1 January 2013; not yet endorsed by the EU).
IFRS 13, `Fair value measurement` (effective for annual periods beginning on or after 1 January 2013; not yet endorsed by the EU).
`Separate financial statements` - IAS 27 (revised 2011), (effective for annual periods beginning on or after 1 January 2013; not yet endorsed by the EU).
`Associates and joint ventures`- IAS 28 (revised 2011), (effective for annual periods beginning on or after 1 January 2013; not yet endorsed by the EU).

Use of estimates in the preparation of condensed interim financial information

Estimates and judgements that have most significant effect on the amounts recognised in the condensed interim financial statements are mainly the same as described in the annual financial statements 2010.

Income taxes

Interim period income tax is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate is applied to the pre-tax income of the interim period.

NOTE 3. IMPAIRMENT OF ASSETS AND CHANGES IN IMPAIRMENT ALLOWANCES

An analysis of the changes in the allowances for impairment of loans and receivables and provisions for off-balance sheet commitments is presented as follows:

	LVL 000's			
	01/01/2011-30/06/2011 *Audited* Group	01/01/2010-31/07/2010* *Audited* Group	01/01/2011-31/06/2011 *Audited* Bank	01/01/2010-31/07/2010* *Audited* Bank
Total allowance for impairment at the beginning of the period, including:	**246,476**	**234,694**	**261,263**	**227,026**
- loans - specifically assessed impairment	214,738	187,902	229,525	187,193
- loans - collectively assessed impairment	31,738	46,607	31,738	39,648
- off-balance sheet commitments - specifically assessed impairment	-	185	-	185
Charge, including:	**17,373**	**76,854**	**19,518**	**70,733**
- loans - specifically assessed impairment	17,343	67,391	19,518	62,235
- loans - collectively assessed impairment	30	9,463	-	8,498
Release, including:	**(8,634)**	**(8,525)**	**(5,626)**	**(15,750)**
- loans - specifically assessed impairment	(8,464)	(7,544)	(5,626)	(15,565)
- loans - collectively assessed impairment	(170)	(796)	-	-
- off-balance sheet commitments - specifically assessed impairment	-	(185)	-	(185)
Provision charged to the statement of income, net, including:	**8,739**	**68,329**	**13,892**	**54,983**
- loans - specifically assessed impairment	8,879	59,847	13,892	46,670
- loans - collectively assessed impairment	(140)	8,667	-	8,498
- off-balance sheet commitments - specifically assessed impairment	-	(185)	-	(185)
Change of allowance due to write-offs, net	**(499)**	**(18,999)**	**-**	**-**
Transfer:	**3,200**	**(1,127)**	**-**	**-**
- loans - specifically assessed impairment (to) / from other financial and non-financial assets	3,200	(1,127)	-	-
Effect of changes in currency exchange rates, including:	**991**	**42**	**622**	**(587)**
- loans - specifically assessed impairment	991	(20)	622	(586)
- loans - collectively assessed impairment	-	62	-	(1)
Total allowance for impairment at the end of the period, including:	**258,907**	**282,939**	**275,777**	**281,422**
- loans - specifically assessed impairment	227,169	227,603	244,039	233,277
- loans - collectively assessed impairment	31,738	55,336	31,738	48,145

*Before the transfer of undertaking

An analysis of the change in impairment of other assets is presented as follows:

	LVL 000's			
	01/01/2011-30/06/2011 *Audited* Group	01/01/2010-31/07/2010* *Audited* Group	01/01/2011-30/06/2011 *Audited* Bank	01/01/2010-31/07/2010* *Audited* Bank
Total allowance for impairment at the beginning of the period, including:	**18,234**	**43,818**	**13,273**	**26,517**
- available-for-sale securities	-	442	-	442
- held-to-maturity securities	-	14,518	6,173	14,518
- due from credit institutions	-	344	-	344
- other financial and non-financial assets	18,234	28,514	7,100	11,213
Charge, including:	**3,382**	**9,012**	**8,230**	**32,844**
- available-for-sale securities	-	-	7,213	-
- held-to-maturity securities	-	534	-	6,658
- due from credit institutions	-	149	-	149
- other financial and non-financial assets	3,382	8,329	1,017	26,037
Charge from equity reserves due to impairment	-	**1,100**	-	**1,100**
- available-for-sale securities	-	1,100	-	1,100
Release, including:	**(1,985)**	**(3,595)**	**(2,148)**	**(2,877)**
- available-for-sale securities	-	(1,068)	(2,148)	(1,068)
- held-to-maturity securities	-	(1,801)	-	(1,801)
- other financial and non-financial assets	(1,985)	(726)	-	(8)
Provision charged to the statement of income, net, including:	**1,397**	**6,517**	**6,082**	**31,067**
- available-for-sale securities	-	32	5,065	32
- held-to-maturity securities	-	(1,267)	-	4,857
- due from credit institutions	-	149	-	149
- other financial and non-financial assets	1,397	7,603	1,017	26,029
Change of allowance due to write-offs, net:	**(891)**	**(2,422)**	**-**	**(614)**
- available-for-sale securities	-	1,068	-	1,068
- held-to-maturity securities	-	(1,670)	-	(1,670)
- other financial and non-financial assets	(891)	(1,820)	-	(12)
Transfer, including:	**(3,200)**	**1,127**	**(6,173)**	**-**
- from held-to-maturity securities to available-for-sale securities	-	-	(6,173)	-
- loans - specifically assessed impairment (to) / from other financial and non-financial assets	(3,200)	1,127	-	-
Effect of changes in currency exchange rates, including:	**1,269**	**(336)**	**1,475**	**(552)**
- available-for-sale securities	-	46	1,783	46
- held-to-maturity securities	-	(812)	-	(701)
- due from credit institutions	-	47	-	47
- other financial and non-financial assets	1,269	383	(308)	56
Total allowance for impairment at the end of the period, including:	**16,809**	**47,604**	**20,830**	**55,318**
- available-for-sale securities	-	488	13,021	488
- held-to-maturity securities	-	10,769	-	17,004
- due from credit institutions	-	540	-	540
- other financial and non-financial assets	16,809	35,807	7,809	37,286

*Before the transfer of undertaking

NOTE 4. FIXED INCOME SECURITIES

The fixed income securities by portfolio are split as follows:

	Group, LVL 000's							
	30/06/2011 *Audited*				31/12/2010 *Audited*			
	Held to maturity	Available for sale	Held for trading	Total	Held to maturity	Available for sale	Held for trading	Total
Municipality bonds	24,231	2,471		26,702	24,208	2,352	-	26,560
Credit institution bonds	-	-	-	-	-	48,248	821	49,069
Corporate bonds	-	133	-	133	-	6,091	-	6,091
Other financial institution bonds	-	-	-	-	-	2,719	-	2,719
Total gross fixed income securities	**24,231**	**2,604**	**-**	**26,835**	**24,208**	**59,410**	**821**	**84,439**
Impairment allowance	-	-	-	-	-	-	-	-
Total net fixed income securities	**24,231**	**2,604**	**-**	**26,835**	**24,208**	**59,410**	**821**	**84,439**

	Bank, LVL 000's							
	30/06/2011 *Audited*				31/12/2010 *Audited*			
	Held to maturity	Available for sale	Held for trading	Total	Held to maturity	Available for sale	Held for trading	Total
Municipality bonds	24,231	2,471	-	26,702	24,208	2,352	-	26,560
Credit institution bonds	-	-	-	-	-	48,248	821	49,069
Corporate bonds	-	133	-	133	-	6,091	-	6,091
Other financial institution bonds	-	21,571	-	21,571	23,330	2,719	-	26,049
Total gross fixed income securities	**24,231**	**24,175**	**-**	**48,406**	**47,538**	**59,410**	**821**	**107,769**
Impairment allowance	-	(13,021)	-	(13,021)	(6,173)	-	-	(6,173)
Total net fixed income securities	**24,231**	**11,154**	**-**	**35,385**	**41,365**	**59,410**	**821**	**101,596**

According to the Bank's restructuring plan it was planned to sell most of the securities at market price during 2010 and the first quarter of 2011 in order to generate the necessary liquidity for the settlement of the syndicated loan liabilities in May 2011. In the first half of 2011 the sales of securities portfolio have been successfully completed and the syndicated loan liabilities settled.

Due to the intention to sell debt securities held by the Bank in the amount of LVL 21,571 thousand, the Bank no longer intends to hold the respective debt securities until maturity and therefore they have been reclassified as available for sale as at 30 June 2011.

NOTE 5. LOANS AND RECEIVABLES TO CUSTOMERS

	LVL 000's			
	30/06/2011 *Audited* Group	31/12/2010 *Audited* Group	30/06/2011 *Audited* Bank	31/12/2010 *Audited* Bank
Not past-due - not impaired	17,223	34,502	34,751	48,554
Not past-due - impaired	113,671	65,931	134,125	91,366
Total not past-due loans	**130,894**	**100,433**	**168,876**	**139,920**
Past due loans				
Delayed days:				
=< 29	2,202	5,893	4,177	5,893
30-59	1,125	12,989	1,125	12,989
60-89	13,423	3,428	13,423	3,428
90 and more	585,406	665,283	585,430	665,313
Total past due loans	**602,156**	**687,593**	**604,155**	**687,623**
Total gross loans and receivables to customers	**733,050**	**788,026**	**773,031**	**827,543**
Impairment allowance	(258,907)	(246,476)	(275,777)	(261,263)
Total net loans and receivables to customers	**474,143**	**541,550**	**497,254**	**566,280**

Until the loss can be specifically identified with the loan, the loans are included in homogeneous groups of loans for which impairment is assessed on a collective basis.

NOTE 6. INVESTMENTS IN SUBSIDIARIES

Changes in the Bank's investments in subsidiaries may be specified as follows:

	LVL 000's	
	01/01/2011-30/06/2011	01/01/2010-31/07/2010*
Balance at the beginning of the period	**60**	**72,725**
Equity investments in the existing subsidiaries	-	9,200
Sale of subsidiaries	-	(11)
Reclassified to held for sale	-	(198)
Transferred or sold to Citadele banka	-	(57,233)
Impairment	-	(24,423)
Balance at the end of the period	**60**	**60**

*Before the transfer of undertaking

In 2010 SIA NIF established three subsidiaries – SIA NIF Projekts 1, SIA NIF Projekts 2, SIA NIF Projekts 3.

In 2011 SIA NIF established three more subsidiaries – SIA NIF Projekts 4, SIA NIF Projekts 4, SIA NIF Projekts 6.

NOTE 7. BALANCES DUE TO CREDIT INSTITUTIONS AND CENTRAL BANKS

The following table presents the Group's and Bank's balances due to credit institutions according to their maturity profile:

	LVL 000's			
	30/06/2011 *Audited* Group	31/12/2010 *Audited* Group	30/06/2011 *Audited* Bank	31/12/2010 *Audited* Bank
Balances on demand	12	-	12	-
Overnight deposits	-	-	-	-
Total balances repayable on demand	**12**	**-**	**12**	**-**
Loans from credit institutions:				
due within 1 month	8,207	10,990	8,207	10,990
due within 1-3 months	-	2,109	-	2,109
due within 3-6 months	-	165,516	-	165,516
due within 6-12 months		-		-
due within 1-5 years	-	-	-	-
Total loans from credit institutions	**8,207**	**178,615**	**8,207**	**178,615**
Total due to credit institutions	**8,219**	**178,615**	**8,219**	**178,615**

Syndicated loans repayment
As at 31 December 2010, the Bank had 2 syndicated loans outstanding, amounting to EUR 82.5 million and EUR 150 million, payable on May 5 2011.

The final syndicated loans repayment to the international lenders was made on 3 May 2011. The payment was made using the Bank's own financial resources without using any additional State aid. As a result the State was released from the guarantee.

NOTE 8. SUBORDINATED LIABILITIES

Counterparty	Residence country	Currency	Issue size, 000's	Interest rate	Original agreement date	Original maturity date	Amortised cost (LVL 000's) *Audited* 30/06/2011	 *Audited* 31/12/2010
Notes-private placement	UK	EUR	20,000	6.078%	28/12/2007	28/12/2017	13,229	13,204
Private person	Latvia	LVL	7,500	6M Rigibid + 3%	28/09/2007	26/09/2017	7,501	7,502
Private person	Latvia	LVL	7,500	6M Rigibid + 3%	28/09/2007	26/09/2017	7,501	7,502
Notes – public issue	n/a	EUR	5,050	11%	08/05/2008	08/05/2018	3,820	3,820
Private person	Latvia	EUR	15,000	12%	20/06/2008	14/05/2015	10,602	10,602
Private person	Latvia	LVL	1,500	6M Rigibid + 3%	30/10/2008	30/10/2018	1,500	1,500
Private person	Latvia	LVL	1,500	6M Rigibid + 3%	30/10/2008	30/10/2018	1,500	1,500
Private person	Latvia	LVL	2,284	6M Rigibid + 3%	04/12/2008	18/09/2015	2,284	2,284
Private person	Latvia	LVL	2,284	6M Rigibid + 3%	04/12/2008	18/09/2015	2,284	2,284
Private person	Latvia	LVL	1,416	6M Rigibid + 3%	04/12/2008	29/09/2015	1,416	1,416
Private person	Latvia	LVL	1,416	6M Rigibid + 3%	04/12/2008	29/09/2015	1,416	1,416
Total							**53,053**	**53,030**

The EUR 20,000 thousand subordinated debt was attracted through private placement of subordinated notes. The notes were issued at discount and the net proceeds amounted to EUR 18,672 thousand. The notes are to be redeemed at 100%. The Bank has the right to extend the term of the notes until 28 December 2022, in which case the Bank also has the right to redeem the notes after the original maturity date giving a notice within 30-60 days.

As at 30 June 2011, included in the subordinated debt are LVL 36 million (2010: LVL 36 million) attributable to the former related parties of the Bank. These transactions were entered into by previous executive management of the Bank. During 2011, the Bank incurred LVL 1.8 million (2010: LVL 2.09 million) interest expense on the aforementioned balance.

NOTE 9. DEPOSITS FROM CUSTOMERS

The following table presents deposits from customers according to the customer profile:

	LVL 000's			
	30/06/2011 *Audited* Group	31/12/2010 *Audited* Group	30/06/2011 *Audited* Bank	31/12/2010 *Audited* Bank
Government	462,470	450,804	462,470	450,804
Private individuals	21,651	31,243	21,651	31,243
Privately held companies	11,054	13,759	11,054	13,769
Public and religious institutions	-	59	-	59
Total deposits from customers	**495,175**	**495,865**	**495,175**	**495,875**

On 1 December 2008, Financial and Capital Markets Commission and Cabinet of Ministers decided to impose restrictions on deposit withdrawals in AS Parex bank (Latvia), applicable to all customer deposits with the Bank as at the respective date. The restrictions do not apply to any funds received on the customers' accounts after the restrictions date, as well as state and municipalities' payments made by companies with number of employees exceeding 250. All corporate clients were only allowed to make business-purpose payments. The initial term of the restrictions ended on 1 July 2009 and was further prolonged to 1 December 2009, 1 July 2010, 1 July 2011 and 31 December 2011, thereafter. Nevertheless the restrictions have been softened since they were imposed.

Financing support from the Ministry of Finance

As a result of significant decrease in deposit base in October-November 2008, the Bank was forced to apply for the State support. Ministry of Finance has made a number of deposits on a secured basis. As a security serves finance pledge on financial assets and commercial pledge on majority of bank's assets. As at 30 June 2011, the following financing support received from the Ministry of Finance was outstanding:

Agreement currency	Interst rate (%)	Agreement date	Maturity date	Amortised cost LVL 000's 30/06/2011 *Audited*
EUR	5.39	05/08/2010	05/08/2011*	13,923
EUR	5.39	05/08/2010	05/08/2011*	13,923
EUR	5.39	05/08/2010	05/02/2012	36,096
EUR	5.39	05/08/2010	05/08/2012	36,096
EUR	5.39	05/08/2010	05/02/2013	17,532
EUR	5.39	05/08/2010	05/08/2013	17,532
EUR	5.39	05/08/2010	05/02/2014	20,625
EUR	5.39	05/08/2010	05/08/2014	20,625
EUR	5.39	05/08/2010	05/02/2015	23,204
EUR	5.39	05/08/2010	05/08/2015	11,599
EUR	5.444	12/08/2010	12/08/2015	11,607
EUR	5.444	12/08/2010	12/02/2016	25,787
EUR	5.444	12/08/2010	12/08/2016	25,787
EUR	5.444	12/08/2010	12/02/2017	56,874
EUR	5.444	12/08/2010	12/08/2017	69,855
EUR	5.493	13/08/2010	13/08/2017	61,405
Total Ministry of Finance deposits				**462,470**

* According to the amendment agreement signed between the Bank and Ministry of Finance on 04 August 2011, the maturity date of deposits (together with interest accrued) initially payable on 05 August 2011 has been extended till 28 December 2011.

NOTE 10. ISSUED SHARE CAPITAL

As at 30 June 2011, the Bank's registered and paid-in share capital was LVL 271,227 thousand. In accordance with the Bank's statutes, the share capital consists of 211,083 thousand ordinary shares with voting rights and 60,143 thousand ordinary shares without voting rights. All shares have a par value of LVL 1 each and, as at 30 June 2011, they all were issued and fully paid. As at 30 June 2011, the Bank did not possess any of its own shares. No dividends were proposed and paid during 2011 and 2010.

As at 30 June 2011, the Bank had 61 (2010: 61) shareholders. The respective shareholdings as at 30 June 2011 and 31 December 2010 are as follows:

	30/06/2011 *Audited*			31/12/2010 *Audited*		
	Paid-in share capital (LVL 000's)	% of total paid-in capital	% of total voting rights	Paid-in share capital (LVL 000's)	% of total paid-in capital	% of total voting rights
Privatisation Agency	221,933	81.83	77.60	221,933	81.83	77.60
European Bank for Reconstruction and Development	39,632	14.61	19.68	39,632	14.61	19.68
Others	9,662	3.56	2.72	9,662	3.56	2.72
Total	**271,227**	**100.00**	**100.00**	**271,227**	**100.00**	**100.00**

NOTE 11. CAPITAL ADEQUACY

As of 15 July 2011 the Bank has been released from the requirement to comply with 8% capital adequacy. Instead the Bank has to comply with the minimum capital level of EUR 5 million as stated in Credit Institutions Law. The waiver mentioned above is in force until 30 July 2013.

NOTE 12. LITIGATION AND CLAIMS

In the ordinary course of business, the Bank has been involved in a number of legal proceedings to recover collateral or outstanding loan balances, as well as related interest and expenses from defaulted loan customers and interbank counterparties. The Group is also involved in a number of legal proceedings related to its customers in Latvia and abroad.

The management of the Bank believes that any legal proceedings pending as at 30 June 2011 will not result in material losses for the Group.

NOTE 13. RELATED PARTIES

Related parties are defined as shareholders who have significant influence over the Group, state and municipal institutions, members of the Council and Management Board, key Management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies of the Group. For the purpose of this disclosure, the key management of the Group's companies/ Bank and their related companies are stated in one line, accordingly.

The Bank of Latvia is not considered as related party as it is operating as an independent institution according to special law.

The following table presents the outstanding balances and terms of the Group's transactions with counterparties, which were related parties as at respective dates.

	Amount in LVL 000's 30/06/2011 *Audited*	Income/ expense 01/01/2011-30/06/2011 *Audited*	Amount in LVL 000's 31/12/2010 *Audited*	Income/ expense 01/01/2010-31/07/2010* *Audited*
Credit exposure to related parties				
Due from credit institutions:	20,461	332	56,061	-
Credit institutions	*20,461*	*332*	*56,061*	-
Securities:	-	-	-	4,832
Latvian treasury bills and government bonds	-	-	-	*4,832*
Loans and receivables:	-	-	-	52
Management	-	-	-	*12*
State institutions	-	-	-	*3*
Municipality institutions	-	-	-	*37*
Derivatives – assets:	2,069	-	122	-
Credit institutions	*2,069*	-	*122*	-
Total credit exposure to related parties	**22,530**	**332**	**56,183**	**4,884**
Due to related parties:	482,055	12,400	461,802	24,849
Deposits from Ministry of Finance	462,470	*12,042*	*450,426*	*18,518*
Subordinated loans from shareholders	-	-	-	*4,953*
Management	-	-	-	*13*
State institutions	-	-	-	*1,222*
Municipality institutions	-	-	-	*143*
Credit institutions	*19,585*	*358*	*11,376*	-
Derivatives – liabilities:	53	-	2,001	-
Credit institutions	*53*	-	*2,001*	-
Total amounts due to related parties	**482,108**	**12,400**	**463,803**	**49,698**

*Before the transfer of undertaking

Apart from interest income and expense, there are no significant other income/ expense items in relation to dealings with related parties.

The following table presents the outstanding balances and terms of the Bank's transactions with counterparties, which were related parties as at respective dates.

	Amount in LVL 000's 30/06/2011 *Audited*	Income/ expense 01/01/2011- 30/06/2011 *Audited*	Amount in LVL 000's 31/12/2010 *Audited*	Income/ expense 01/01/2010- 31/07/2010* *Audited*
Credit exposure to related parties				
Due from credit institutions:	20,461	332	56,061	-
Credit Institutions	*20,461*	*332*	*56,061*	-
Securities:	21,571	802	23,330	6,502
Latvian treasury bills and government bonds	-	-	-	*4,832*
Subsidiaries	*21,571*	*802*	*23,330*	*1,670*
Loans and receivables:	39,981	1,117	39,517	5,042
Management	-	-	-	*4*
State institutions	-	-	-	*3*
Municipality institutions	-	-	-	*37*
Subsidiaries - banks	-	-	-	*1,675*
Subsidiaries - other	*39,981*	*1,117*	*39,517*	*3,323*
Derivatives – assets:	2,069	-	122	-
Credit institutions	*2,069*	-	*122*	-
Total credit exposure to related parties	**84,082**	**2,251**	**119,030**	**11,544**
Due to related parties:	482,108	12,400	461,802	25,020
Deposits from Ministry of Finance	*462,470*	*12,042*	*450,426*	*18,518*
Subordinated loans from shareholders	-	-	-	*4,953*
Management	-	-	-	*2*
State institutions	-	-	-	*1,222*
Municipality institutions	-	-	-	*143*
Credit institutions	*19,585*	*358*	*11,376*	-
Subsidiaries - banks	-	-	-	*142*
Subsidiaries - other	-	-	-	*40*
Derivatives – liabilities:	53	-	2,001	-
Credit institutions	*53*	-	*2,001*	-
Total amounts due to related parties	**482,161**	**12,400**	**463,803**	**25,020**

*Before the transfer of undertaking

NOTE 14. BALANCE SHEET AMOUNTS BY CONTRACTUAL MATURITY

The Group's assets, liabilities and memorandum items by contractual maturity structure as at 30 June 2011

	Group as at 30/06/2011, LVL 000's *Audited*						
	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years and undated	Total
Assets							
Cash and deposits with central banks	5	-	-	-	-	-	5
Balances due from credit institutions	19,775	-	-	-	-	-	19,775
Securities held for trading	-	-	-	-	-	245	245
Available-for-sale securities	78	-	-	-	54	2,472	2,604
Loans and receivables to customers	1,851	2,347	22,473	39,149	279,636	128,687	474,143
Held-to-maturity securities	-	-	-	-	-	24,231	24,231
Derivatives financial instruments	2,073	-	-	-	-	-	2,073
Other assets	-	5,489	9	24,285	41,745	-	71,528
Total assets	**23,782**	**7,836**	**22,482**	**63,434**	**321,435**	**155,635**	**594,604**
Liabilities							
Financial liabilities measured at amortised cost	21,011	30,502	2,210	36,598	214,119	252,007	556,447
Derivative financial instruments	53	-	-	-	-	-	53
Other liabilities	3,884	75	11,192	-	-	-	15,151
Total liabilities	**24,948**	**30,577**	**13,402**	**36,598**	**214,119**	**252,007**	**571,651**
Equity	-	-	-	-	-	22,953	22,953
Total liabilities and equity	**24,948**	**30,577**	**13,402**	**36,598**	**214,119**	**274,960**	**594,604**
Net balance sheet position – long/ (short)	(1,166)	(22,741)	9,080	26,836	107,316	(119,325)	-
Memorandum items							
Contingent liabilities	885	-	-	-	-	-	885
Financial commitments	-	157	-	-	-	-	157

The Group's assets, liabilities and memorandum items by contractual maturity structure as at 31 December 2010

	Group as at 31/12/2010, LVL 000's *Audited*						
	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years and undated	Total
Assets							
Cash and deposits with central banks	26,944	-	-	-	-	-	26,944
Balances due from credit institutions	67,687	-	-	-	-	-	67,687
Securities held for trading	-	-	-	-	1,126	-	1,126
Available-for-sale securities	179	5,928	5,220	5,845	9,954	32,284	59,410
Loans and receivables to customers	119,346	15,356	10,209	62,546	167,973	166,120	541,550
Held-to-maturity securities	-	-	-	-	-	24,208	24,208
Derivatives financial instruments	122	-	-	-	-	-	122
Other assets	449	6,648	-	-	51,215	12,727	71,039
Total assets	**214,727**	**27,932**	**15,429**	**68,391**	**230,268**	**235,339**	**792,086**
Liabilities							
Financial liabilities measured at amortised cost	30,185	9,590	167,688	28,697	204,509	233,811	674,480
Derivative financial instruments	2,002	-	-	-	-	-	2,002
Other liabilities	147	3,355	11,192	-	6,819	57,178	78,691
Total liabilities	**32,334**	**12,945**	**178,880**	**28,697**	**211,328**	**290,989**	**755,173**
Equity	-	-	-	-	-	36,913	36,913
Total liabilities and equity	**32,334**	**12,945**	**178,880**	**28,697**	**211,328**	**327,902**	**792,086**
Net balance sheet position – long/ (short)	182,393	14,987	(163,451)	39,694	18,940	(92,563)	-
Memorandum items							
Contingent liabilities	885	-	-	-	-	-	885
Financial commitments	198	-	-	-	-	-	198

The Bank's assets, liabilities and memorandum items by contractual maturity structure as at 30 June 2011

	Bank as at 30/06/2011, LVL 000's *Audited*						
	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years and undated	Total
Assets							
Cash and deposits with central banks	5	-	-	-	-	-	5
Balances due from credit institutions	19,607	-	-	-	-	-	19,607
Securities held for trading	-	-	-	-	-	245	245
Available-for-sale securities	406	227	150	-	7,899	2,472	11,154
Loans and receivables to customers	1,851	2,347	24,287	41,836	296,911	130,022	497,254
Held-to-maturity securities	-	-	-	-	-	24,231	24,231
Derivatives financial instruments	2,069	-	-	-	-	-	2,069
Other assets	-	-	-	202	27,689	-	27,891
Total assets	**23,938**	**2,574**	**24,437**	**42,038**	**332,499**	**156,970**	**582,456**
Liabilities							
Financial liabilities measured at amortised cost	21,011	30,502	2,210	36,598	214,119	252,007	556,447
Derivative financial instruments	53	-	-	-	-	-	53
Other liabilities	1,762	-	11,192	-	-	-	12,954
Total liabilities	**22,826**	**30,502**	**13,402**	**36,598**	**214,119**	**252,007**	**569,454**
Equity	-	-	-	-	-	13,002	13,002
Total liabilities and equity	**22,826**	**30,502**	**13,402**	**36,598**	**214,119**	**265,009**	**582,456**
Net balance sheet position – long/ (short)	1,112	(27,928)	11,035	(5,440)	118,380	(108,039)	-
Memorandum items							
Contingent liabilities	3,387	-	-	-	-	-	3,387
Financial commitments	3,423	16,223	-	-	-	-	19,646

The Bank's assets, liabilities and memorandum items by contractual maturity structure as at 31 December 2010

	Bank as at 31/12/2010, LVL 000's *Audited*						
	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years and undated	Total
Assets							
Cash and deposits with central banks	26,944	-	-	-	-	-	26,944
Balances due from credit institutions	65,837	-	-	-	-	-	65,837
Securities held for trading	-	-	-	-	1,126	-	1,126
Available-for-sale securities	179	5,928	5,220	5,845	9,954	32,284	59,410
Loans and receivables to customers	119,346	15,356	10,209	62,546	167,973	190,850	566,280
Held-to-maturity securities	11,269	2,604	2,587	697	-	24,208	41,365
Derivatives financial instruments	122	-	-	-	-	-	122
Other assets	-	-	-	-	15,791	12,406	28,197
Total assets	**223,697**	**23,888**	**18,016**	**69,088**	**194,844**	**259,748**	**789,281**
Liabilities							
Financial liabilities measured at amortised cost	30,195	9,590	167,688	28,967	204,509	233,541	674,490
Derivative financial instruments	2,002	-	-	-	-	-	2,002
Other liabilities	-	-	11,192	-	7,400	56,898	75,490
Total liabilities	**32,197**	**9,590**	**178,880**	**28,967**	**211,909**	**290,439**	**751,982**
Equity	-	-	-	-	-	37,299	37,299
Total liabilities and equity	**32,197**	**9,590**	**178,880**	**28,967**	**211,909**	**327,738**	**789,281**
Net balance sheet position – long/ (short)	191,500	14,298	(160,864)	40,121	(17,065)	(67,990)	-
Memorandum items							
Contingent liabilities	2,618	-	-	-	-	-	2,618
Financial commitments	19,863	-	-	-	-	-	19,863

NOTE 15. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Management board of the Bank as its chief operating decision maker.. The Board reviews financial information prepared based on International Financial Reporting Standards.

The following table reconciles the management information with these financial statements as at 30 June 2011 LVL 000's:

	Baltic loans	CIS loans	Real Estate	Other	Total
Gross external revenue	**3,620**	**2,573**	**24**	**1,264**	**7,481**
External assets					
Loans	554,450	178,600	-	-	733,050
Investment properties	-	-	36,030	-	36,030
Other assets	-	-	-	101,240	101,240
Impairment	(212,525)	(46,382)	(4,461)	(12,348)	(275,716)
Total assets	**344,112**	**132,218**	**31,569**	**86,705**	**594,604**
External liabilities	-	-	-	571,651	571,651
Total liabilities	**-**	**-**	**-**	**571,651**	**571,651**

The following table reconciles the management information with these financial statements as at 31 July 2010 LVL 000's:

	*Segment reported in the monthly report to the Management Board **		*Other business units not consolidated in management reporting **				
	Banking – Latvia	***Banking - other countries***	***Asset manage ment***	***Leasing***	***Other***	***Eliminations and consolidation adjustments***	***Group***
Total income from external customers	57,730	7,955	2,205	7,101	7	-	74,998
Total income from internal customers	6,752	115	117	21	4	*(7,009)*	-
Total segment revenue	*64,482*	*8,070*	*2,322*	*7,122*	*11*	*(7,009)*	*74,998*
Net interest income	(10,895)	1,570	177	2,340	(584)	*13*	(7,379)
Net commission income	8,031	652	2,073	(29)	2	*27*	10,756
(Loss)/ gains on transactions with financial instruments, net	(144)	1,650	21	(48)	37	-	1,516
Administrative expense	29,867	5,098	1,726	4,341	906	*(2,602)*	39,336
Other operating income/ (expense), net	4,855	487	(20)	1,864	2,459	*(3,883)*	5,762
Net loss on disposal of assets held for sale	-	-	-	(1,190)	-	-	(1,190)
Segment result	**(116,681)**	**(6,257)**	**226**	**(10,601)**	**(19,281)**	***42,160***	**(110,434)**
Segment assets	2,208,901	261,810	16,216	120,351	43,840	*(274,124)*	2,376,994
Segment liabilities	2,136,100	220,394	3,423	125,464	66,262	*(239,022)*	2,312,621
Capital expenditure (including intangible assets)	342	67	1	12	87	-	509
Depreciation and amortisation	2,611	386	39	307	2,374	-	5,717
Impairment charge, gross	103,749	5,132	260	11,385	17,915	*(52,403)*	86,038
No of employees at the end of the period	1,721	427	142	229	12	-	2,531

* Before the transfer of undertaking

NOTE 16. SUBSEQUENT EVENTS

In order to comply with the Restructuring Plan and regulatory requirements regarding Bank's share capital the Bank's extra-ordinary shareholders meeting is scheduled on 26 August 2011 to decide on the Bank's share capital increase. The planned capital increase is LVL 20'000'000 effected by issuing 20'000'000 ordinary shares with voting rights and nominal value LVL 1.00 per share.

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of AS Parex banka Group

We have audited the accompanying consolidated condensed interim statement of financial position of AS Parex banka (the "Company") and its subsidiaries (the "Group") as of 30 June 2011 and the related consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes (the "consolidated condensed interim financial information").

Management's Responsibility for the Financial Information

Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation and presentation of financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this consolidated 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 consolidated 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 consolidated condensed interim financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the condensed financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the consolidated 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated condensed interim financial information.

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

Basis for Qualified Opinion

Contrary to the requirements of IAS 34, “Interim Financial Reporting” as adopted by the European Union, the comparative consolidated condensed interim financial information presented for the consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows and the related explanatory notes, is not for the six month period ending 30 June 2010, but reflects audited financial information for the seven month period ended 31 July 2010. This results in the abovementioned financial information for the seven month period ending 31 July 2010 and six month periods ending 30 June 2011 respectively not being directly comparable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the accompanying consolidated condensed interim financial information has been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ahmed Abu Sharkh
Chairman of the Board

Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

Riga, Latvia
25 August 2011