



LATVIJAS
BIZNESA BANKA

Joint-Stock Company “Latvijas Biznesa banka”

Shortened interim financial statements prepared in accordance with the International Financial Reporting Standards approved by the European Commission and requirements of the Financial and Capital Market Commission on 6 months of 2011 and independent auditors' report

JSC “Latvijas Biznesa banka”
Shortened interim financial statements on 6 months of 2011

Content

	Page
Management report	3
Board and Council	4
Report on the management responsibility	5
Shortened interim statements on the financial position and off-balance liabilities	6
Shortened interim statements on comprehensive income	7
Shortened interim statements on changes in equity and stocks	7
Shortened interim cash flow statements	8
Shortened interim appendixes to the financial statement	9-22
Auditors’ report	23

JSC “Latvijas Biznesa banka”
Antonijas Street 3, Riga,
LV-1010, Latvia
Phone: (371) 67081034

Registration No.: 40003076407

JSC “Latvijas Biznesa banka”
Shortened interim financial statements on 6 months of 2011

Management Report

Joint-Stock Company “Latvijas Biznesa banka” (hereinafter referred to as “Bank”), has been operating in Latvian financial market from 1992 and is one of the oldest Latvian credit institutions since the moment of Latvia’s regaining of independence. Management of the Bank informs shareholders, customers and partners in the presented report about substantial changes in operation of the Bank in the first half-year of 2011.

In the first half-year of 2011 reorganization process of the Bank was completed during which a share of the Bank’s credit portfolio was transferred to the Latvian company LLC “Radikāls Trests” in February this year but in March the basic share of the Bank’s business was transferred to Latvian branch of the Estonian credit institution Eesti Krediidipank. The aforementioned reorganization of the Bank was performed on the basis of a decision of the Bank’s main shareholder Open Joint-Stock Company “Maskavas Banka” in accordance with the activity reorganization plan of Open Joint-Stock Company “Maskavas Banka” in the Baltic region.

In April, 2011 a well-known Russian businessman and politician Andrejs Molcanovs /Andrejs Molčanovs/ became the main shareholder of the Bank who owns 99% of the Bank shares.

For the next three years the Bank strategy envisages further development of JSC “Latvijas Biznesa banka” as a modern, dynamic bank which offers a wide range of financial services to customers of Latvia, European Union, CIS and other countries.

On behalf of the Council and Board of the Bank we express our hope for productive and mutually beneficial cooperation with customers and partners of the Bank.

Natalija Kovalova /Natālija Kovaļova/
Chairman of the Board

Inesis Feiferis
Member of the Board

August 15, 2011

JSC “Latvijas Biznesa banka”
Shortened interim financial statements on 6 months of 2011

At the moment of issue of the financial statements:

BOARD

Name, surname	Position	Date of election	Date of dismissal
Natalija Kovalova /Natālija Kovaļova/	Chairman of the Board	30.05.2011	
Andrejs Kuzins	Member of the Board	15.02.2008	
Raul Keskula	Member of the Board	04.09.2009	
Natalija Kovalova /Natālija Kovaļova/	Member of the Board	25.03.2009	30.06.2011
Valmar Moritz	Chairman of the Board	17.03.2010	30.05.2011
Inesis Feiferis	Member of the Board	26.05.2011	

COUNCIL

Name, surname	Position	Date of election	Date of dismissal
Pavels Gorbacevics /Pāvels Gorbacevičs/	Chairman of the Council	17.03.2010	31.05.2011
Aleksejs Sitņikovs /Aleksejs Sitņikovs/	Deputy Chairman of the Council	17.03.2010	31.05.2011
Dmitrijs Akulinins /Dmitrijs Akuļiņins/	Member of the Council	17.03.2010	31.05.2011
Nikita Monahovs /Niķita Monahovs/	Member of the Council	17.03.2010	31.05.2011
Dmitrijs Hamrakulovs	Member of the Council	17.03.2010	31.05.2011
Sergejs Skaterscikovs /Sergejs Skaterščiķovs/	Member of the Council	31.05.2011	
Dmitrijs Goncarovs /Dmitrijs Gončarovs/	Member of the Council	31.05.2011	

JSC “Latvijas Biznesa banka”
Shortened interim financial statements on 6 months of 2011

Report on the Management Responsibility

Management of JSC “Latvijas Biznesa banka” (Bank) shall be responsible for preparation of the financial statement of the Bank which clearly and objectively reflects the financial position of the Bank at the end of the accounting period, as well as financial results and movement of funds during the accounting period.

Management of the Bank shall confirm that appropriate accounting methods were consistently applied for preparation of the Bank’s financial statements as of June 30, 2011 from page 6 to 22 and decisions of the management of the Bank, assessments within the preparation process of the financial statement were sufficient, well-considered and balanced concerning all aspects.

Management of the Bank shall confirm that the approved EC International Financial Reporting Standards were observed in relation to all the substantial aspects and that the statements have been prepared and comply with “Annual Report and Consolidated Annual Report Preparation Regulations of the Banks, Investment Broker Companies and Investment Administration Companies” approved by the Financial and Capital Market Commission.

Management of the Bank shall be responsible for maintenance of an appropriate accounting system, retention of the Bank assets, disclosure of fraud and other violations of law and their prevention in the Bank.

Management of the Bank shall also be responsible for meeting the requirements of the Credit Institution Law and other legislation requirements of the Republic of Latvia, as well as for fulfilment of the regulations of the Bank of Latvia and Financial and Capital Market Commission.

Natalija Kovalova /Natālija Kovaļova/
Chairman of the Board

Inesis Feiferis
Member of the Board

August 15, 2011

*JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011*

**Shortened interim statements on the financial position and off-balance liabilities as of June 30, 2011,
December 31, 2010 and June 30, 2010**

LVL '000	Appendixes	30.06.2011	2010	30.06.2010
Assets				
Cash and demand claims on central banks	6	3 337	7 946	3 711
Demand claims on credit institutions	7	225	8 362	9 932
Financial assets at fair value through profit or loss		-	-	25
Available-for-sale financial assets		-	44	36
Held-to-maturity financial assets		-	3 027	3 603
Credits		-	62 538	64 571
Fixed assets	8	1 223	1 319	1 362
Intangible assets	8	1	98	110
Investment property		-	471	583
Investments in subsidiaries and associated entities		-	4 812	10 464
Tax assets		49	67	86
Other assets	9	2	1 930	949
Total assets		4 837	90 614	95 432
Liabilities				
Liabilities to credit institutions		-	25 509	27 631
Deposits		-	47 769	56 180
Tax liabilities		11	9	14
Other liabilities	10	16	8 008	1 400
Total liabilities		27	81 295	85 225
Equity and reserves				
Paid-in capital	16	10 830	10 830	10 830
Share issue premium		20	20	20
Reserve capital		219	219	219
Other reserves		-	176	281
Retained profit		(6 259)	(1 926)	(1 143)
Total equity and reserves		4 810	9 319	10 207
Total liabilities, capital and reserves		4 837	90 614	95 432
Off-balance sheet items				
Contingent liabilities		-	54	12
Off-balance sheet liabilities to customers		-	1 874	617
Total off-balance sheet liabilities		-	1 928	629

On August 15, 2011, the shortened interim financial statements were signed on behalf of the Board of the Bank which are presented from page 6 to 22:

Natalija Kovalova /Natālija Kovaļova/
Chairman of the Board

Inesis Feiferis
Member of the Board

JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011

Appendixes constitute an integral part of these shortened interim financial statements.

Shortened interim statements on comprehensive income as of June 30, 2011 and June 30, 2010

LVL '000	Appendixes	30.06.2011	30.06.2010
Interest income		267	1 428
Interest expense		(605)	(1 777)
Net interest income	11	(338)	(349)
Commission income		91	198
Commission expense		(48)	(109)
Net commission income	12	43	89
Net profit from transactions with financial instruments	13	226	45
Other income	14	33	28
Operating income		(36)	(187)
Administrative expenses	15	(467)	(993)
Other expenses	14	(22)	(134)
Depreciation of fixed assets and intangible assets	8	(48)	(84)
Result of making provisions		-	(546)
Losses from the sale of non-standard assets		(2 839)	-
Losses from the company transition		(921)	-
Operating expenses		(4 297)	(1 757)
Profit before income tax		(4 333)	(1 944)
Corporate income tax		-	-
Profit for the financial year		(4 333)	(1 944)
Other comprehensive income:			
Result of revaluation of available-for-sale financial assets		12	3
Deferred tax from available-for-sale financial assets		(2)	(1)
Result of revaluation of fixed assets		(186)	-
Other comprehensive income /(loss)		(176)	2
Total comprehensive income /(loss)		(4 509)	(1 942)
Profit/(loss) referable to:			
the bank shareholders		(4 333)	(1 944)
Comprehensive income /(loss) referable to:			
the bank shareholders		(4 509)	(1 942)
Loss per share (LVL)		(20.00)	(8.97)

Shortened interim statements on changes in equity and stocks on 6 months of 2011

LVL '000	Paid capital	Share issue premium	Reserve capital	Other reserves	Retained profit	Total
December 31, 2009	10 830	20	219	279	801	12 149
Comprehensive loss	-	-	-	2	(1 944)	(1 942)
June 30, 2010	10 830	20	219	281	(1 143)	10 207
Comprehensive loss	-	-	-	(105)	(783)	(888)
December 31, 2010	10 830	20	219	176	(1 926)	9 319
Comprehensive loss	-	-	-	(176)	(4 333)	(4 509)
June 30, 2011	10 830	20	219	-	(6 259)	4 810

On August 15, 2011, the shortened interim financial statements were signed on behalf of the Board of the Bank which are presented from page 6 to 22:

Natalija Kovalova /Natālija Kovaļova/
Chairman of the Board

Inesis Feiferis
Member of the Board

JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011

Appendixes constitute an integral part of these shortened interim financial statements.

Shortened interim cash flow statements on 6 months of 2011 and 2010

LVL '000	30.06.2011	30.06.2010
Cash flow from operating activities		
Losses before corporate income tax	(4 333)	(1 944)
Depreciation of intangible assets and fixed assets	48	84
Increase in provisions for doubtful debts and off-balance sheet liabilities	1 212	886
(Profit)/loss from foreign currency revaluation	(5)	(488)
Loss from writing off of fixed assets and intangible assets	4	-
Other items not affecting a cash flow	(175)	2
Increase/decrease in cash and cash equivalents as a result of operating activities before changes in assets and liabilities	(3 249)	(1 460)
Increase/(decrease) in loans	62 425	(1 796)
Increase/(decrease) in demand claims on credit institutions	11	(1)
Increase/(decrease) in available-for-sale financial assets	41	(9)
Increase/(decrease) in accrued income and expenses of the next periods	23	(28)
Increase/(decrease) in other assets	1 922	(19)
Increase/(decrease) in term liabilities to credit institutions	(5 656)	(5 009)
Increase/(decrease) in deposits	(48 095)	(21 844)
Increase/(decrease) in the accrued expenses and income of the next periods	(193)	-
Increase/(decrease) in other liabilities	(7 988)	839
Changes in cash and cash equivalents as a result of operating activities	2 490	(27 867)
(Paid corporate income tax)	-	-
Increase/(decrease) in cash and cash equivalents as a result of operating activities	(759)	(29 327)
Cash flow as a result of investment activities		
(Acquisition) of fixed assets and intangible assets	(6)	(13)
Transfer of fixed assets and intangible assets	619	-
Repayment of funds after an interrupted immovable property purchase transaction	-	5 500
Sale of investments in companies	4 812	-
Sale of the investments held until the end of the term	-	514
Transfer of the investments held until the end of the term	1 894	-
Increase/(decrease) in cash and cash equivalents as a result of investment activities	7 319	6 001
Cash flow as a result of financing activities		
Attraction of subordinated activities	-	5 060
(Repayment) of subordinated activities	(5 060)	-
Increase/(decrease) in cash and cash equivalents as a result of financing activities	(5 060)	5 060
Increase/(decrease) in cash and cash equivalents	1 500	(18 266)
Cash and cash equivalents in the beginning of the accounting year	2 023	11 341
Profit/loss from foreign currency revaluation	39	(18)
Cash and cash equivalents in the end of the accounting year	3 562	(6 943)

Cash and cash equivalents

LVL'000	30.06.2011	30.06.2010
	Banka	Banka
Cash and demand claims on central banks	3 337	3 711
Claims on other credit institutions for up to 3 months	225	9 921
Liabilities to credit institutions for up to 3 months	-	(20 575)
Total cash and cash equivalents	3 562	(6 943)

JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011

Appendixes constitute an integral part of these shortened interim financial statements.

Appendixes

1 Basic Information

JSC "Latvijas Biznesa banka" (hereinafter referred to as "Bank") shall operate in accordance with the licence issued by the Financial and Capital Market Commission to ensure operation of the credit institution allowing to provide all financial services without restrictions. Legal address of the Bank is Antonijas Street 3, Riga, Latvia. After transfer of the business on March 15, 2011 in accordance with the decision of the main shareholder Open Joint-Stock Company "Maskavas Banka", customer service centres of JSC "Latvijas Biznesa banka" were moved to Latvian branch of JSC "Eesti Krediitipank".

2 Basis for Preparation of the Financial Statements

(1) Compliance Statement

The shortened interim financial statements have been prepared in accordance with requirements of the International Financial Reporting Standards (hereinafter referred to as IFRS) and requirements for preparation of financial statements set by the Financial and Capital Market Commission (hereinafter referred to as FCMC). The shortened interim financial statements shall not include all the information necessary for complete annual financial statements and they shall be reviewed with regard to financial statements of the Bank for the year which ended on December 31, 2010.

(2) Comparative Indicators of 2010

Due to essentiality of the company transition transaction the information included in these financial statements on 2010 may not be directly compared with the financial information of 2011 because after transfer of the business activities of the Bank have considerably decreased. Regardless of this fact, the historical information on 2010 has been included in these financial statements in order to ensure compliance of the Bank's financial statements of 2011 with the requirements of the International Financial Reporting Standards.

(3) Currency Used in the Statements

The shortened interim financial statements have been prepared in the Latvian national currency - lats. All the sums in these financial statements are indicated in thousands of lats - LVL'000 (unless they are specified otherwise).

3 The Most Important Accounting Policies and Evaluation Principles

The accounting policies applied by the Bank in the shortened interim financial statements are the same as those which were applied by the Bank in its financial statements for the year which ended on December 31, 2010.

(1) New Standards and Interpretations

The shortened interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted in the European Union (EU), as well as interpretations issued by the International Financial Reporting Committee (IFRC).

The new editions and amendments to IFRS which come into force for the accounting periods beginning from January 1, 2010 or after that date:

IFRS 5 - *"Long-term assets held for sale and suspended activities*. Disclosure of information.

- It is explained in the correction that the requirements relating to disclosure of information about the long-term assets and groups planned for exclusion which are classified as provided for sale, as well as suspended activities are set forth only in IFRS 5. The requirements of disclosure of information included in other IFRS shall be applied only then if it is individually stipulated in relation to such long-term assets or suspended activities.

The aforementioned regulations shall come into force for the accounting periods beginning on January 1, 2010.

IAS 1-*"Presentation of Financial Statements"*. Classification of convertible instruments to short-term/ long-term instruments.

- Liability conditions due to which it may be discharged any time as a result of the issue of capital instruments upon the wish of the contractor shall not influence its classification. They shall come into force for the accounting periods beginning on January 1, 2010.

IAS 7 - *"Statement of Cash Flows"*. Classification of the non-recognized asset expenses.

- Only those expenses may be recognized in the cash flow from investment activities, as a result of which an asset is recognized. It shall come into force for the accounting periods beginning on January 1, 2010.

IAS 17 - *"Lease"*. Classification of land and buildings.

- The special instructions on classification of the land lease agreements have been deleted, thereby only general instructions have remained. They shall come into force for the accounting periods beginning on January 1, 2010.

IAS 36 - *"Impairment of Assets"*. An accounting unit when checking if the reputation value of the company has not decreased.

- The largest unit to which it is allowed to refer reputation of the company obtained as a result of merging businesses shall be an activity segment in accordance with 8 IFRS before merging (grouping) for preparation of a statement. It shall come into force for the accounting periods beginning on January 1, 2010.

IAS 24 - *"Related Party Disclosures"*. These corrections to the standard simplify the information disclosure requirements regarding the enterprises owned by the state and explains the definition of the previous related parties. It shall come into force for the accounting periods beginning on January 1, 2011.

JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011

Appendixes

(2) Revaluation of foreign currencies

The transactions made in foreign currencies shall be revaluated in lats according to the currency exchange rate set by the Bank of Latvia which is established on the day of making the transaction and approximately reflects the average market rates. All the assets and liabilities to be evaluated in foreign currency, as well as requirements and liabilities envisaging purchase and sale of the currency according to the actual currency exchange rate shall be revaluated by using the currency exchange rate of the Bank of Latvia valid on the balance sheet date. The following currency exchange rates of the Bank of Latvia were applied to the main currencies to be used:

	30.06.2011	31.12.2010
USD	0.4890	0.535
EUR	0.702804	0.702804
RUR	0.0174	0.0176

The profit or losses incurred as a result of changes of foreign currency exchange rates are included in the statement on the comprehensive income within the period of their incurring.

(3) Cash and Cash Equivalents

The shortened interim financial statement on cash flows envisages that cash and cash equivalents consist of the cash in the cash department, claims on the Bank of Latvia and other credit institutions with the discharge period to three months. In accordance with the requirements of the Financial and Capital Market Commission the total sum of cash and cash equivalents shall decrease due to the liabilities to the Bank of Latvia and other credit institutions the discharge term of which does not exceed three months.

(4) Assumptions in the Financial Reports

Preparation of the financial statements in compliance with the International accounting standards requires to apply evaluations and assumptions affecting the sums of assets and liabilities presented in the financial statements, their reflection on the balance sheet date, as well as sums of income and expenses during the accounting period. However, the actual indicators may differ from these assumptions. In order to prepare these shortened interim financial statements, the most important decisions and assumptions made by the management regarding application of the Bank's accounting policy, as well as the used sources of calculations did not differ from those which were used in the financial statement drawn up as of December 31, 2010.

4 Risk Management

All risk management goals and policies of the Bank correspond to those which are included in the financial statements for the year which ended on December 31, 2010.

5 Capital Management

Financial and Capital Market Commission shall set and supervise capital claims on the Bank. The Bank shall define capital as the items which are defines as capital in the legal regulation. In accordance with the capital claims set by the Financial and Capital Market Commission banks must maintain capital indicators appropriate to the risk-weighted assets above the set minimum level.

JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011

Appendixes

6 Cash Department and Demand Claims on Central Banks

LVL'000	30.06.2011	2010
Cash in the cash department	-	151
Demand claims on the Bank of Latvia	3 337	7 795
Total	3 337	7 946

Claims on the central banks reflect the balances in the corresponding account including particular reserves. Credit institutions must ensure observance of the prescribed reserve ratios. During the accounting year the Bank met the aforementioned requirements.

7 Claims on Credit Institutions

LVL'000	30.06.2011	2010
Latvian credit institutions	225	109
OECD region credit institutions	-	8 103
Credit institutions beyond OECD region	-	139
Total demand claims on credit institutions	225	8 351
Credit institutions beyond OECD region	-	11
Total term claims on credit institutions	-	11
Total term claims on credit institutions	225	8 362

8 Intangible Assets and Fixed Assets

LVL'000	Long-term investments in leased fixed assets	Means of transport	Office equipment	Intangibl e assets	Advance payments and costs of unfinished construction sites	Total
Initial value						
On December 31, 2010	918	50	587	485	421	2 461
Written off fixed assets	-	(20)	(33)	(2)	-	(55)
Acquired fixed assets				4	2	6
Changes due to the company transition	-	(30)	(457)	(484)	(9)	(980)
On June 30, 2011	918	-	97	3	414	1 432
Accrued depreciation						
On December 31, 2010	130	50	468	396	-	1 044
Depreciation of the written-off fixed assets	-	(20)	(30)	(2)	-	(52)
Depreciation of the accounting period	10	-	22	16	-	48
Changes due to the company transition	-	(30)	(394)	(408)	-	(832)
On June 30, 2011	140	-	66	2	-	208
The remaining balance sheet value						
On June 30, 2011	778	-	31	1	414	1 224
On December 31, 2010	788	-	119	89	421	1 417

These assets shall be used to ensure operation of the Bank and provide financial services.

JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011

Appendixes

9 Other Assets

LVL'000	30.06.2011	2010
Debts of debtors	1	1 880
Advance payments	1	5
Expenses of the next periods	-	23
Debts of debtors for card payments	-	15
Payments made by means of money transfer systems (FIXI, Contact, Unistrim, Anelik)	-	6
Other assets	-	1
Other assets, total	2	1 930

The Bank does not have delayed debts of debtors.

10 Other Liabilities

LVL'000	30.06.2011	2010
Tax liabilities except corporate income tax	10	5
Leave provisions	3	59
Liabilities regarding wages	3	-
Debt to creditors	-	84
Trust funds	-	7 756
Payments made by means of money transfer systems (FIXI, Contact, Unistrim, Anelik)	-	77
Credit card payments	-	27
Other liabilities, total	16	8 008

11 Interest Income and Expenses

LVL'000	30.06.2011	30.06.2010
Interest income		
Loans to customers	234	1 287
Financial assets held until the end of the term	21	101
Deposits in other credit institutions	12	40
Interest income, total	267	1 428
Interest expenses		
Non-bank current accounts and term deposits	416	1 391
Liabilities to credit institutions	165	320
Deposit Guarantee Fund	24	66
Interest expenses, total	605	1 777
Net interest income, total	(338)	(349)

12 Commission Income and Expenses

LVL'000	30.06.2011	30.06.2010
Commission income		
Commissions for payment – cash transactions	60	158
Commissions for trust transactions	17	2
Commissions for payment cards	12	32
Commissions for the issued guarantees issued guarantees, letters of credits	1	3
Commissions for other transactions	1	3
Total commission income	91	198
Commission expenses		
Commissions for payment cards	24	53
Commissions for payment – cash transactions	20	49
Commissions for encashment	4	7
Total commission expenses	48	109
Total net commission income	43	89

*JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011*

Appendixes

13 Net Profit from Transactions with Financial Instruments

Net profit from transactions with financial instruments shall include profit or loss from transactions with securities, revaluation of securities according to the fair value, as well as revaluation of foreign currency.

LVL'000	30.06.2011	30.06.2010
Income from foreign currency trade	4 695	13 132
Expenses from foreign currency trade	(4 599)	(13 069)
Foreign currency revaluation result	5	(18)
Net profit from foreign currency transactions	101	45
Income from securities transactions	125	-
Net profit from available-for-sale financial assets	125	-
Net profit from financial instruments' transactions	226	45

14 Other Income and Expenses

LVL'000	30.06.2011	30.06.2010
Other income		
Received penalty	19	22
Income from transfer of property for lease	14	5
Other income	-	1
Other income, total	33	28
Other expenses		
Expenses from payment card maintenance	10	19
Other expenses	7	72
Payments to funds and membership fee	4	14
Paid penalty	1	-
Expenses from non-standard asset transactions	-	19
Court costs	-	7
Expenses related to loan management	-	3
Other expenses, total	22	134

15 Administrative Expenses

LVL'000	30.06.2011	30.06.2010
Personnel salary	155	532
Professional services (guard, communications, etc.)	76	101
Salary of the bank management	75	82
Economic expenses	46	68
Social insurance payments	54	145
Lease payment	43	38
Expenses related to fixed assets	9	4
Taxes except corporate income tax	3	2
Donations	3	12
Leave provisions	2	-
Other personnel costs	1	2
Advertising and marketing	-	7
Total administrative expenses	467	993

Salary and social costs include a salary of employees, social tax and other payments.

JSC “Latvijas Biznesa banka”
Shortened interim financial statements on 6 months of 2011

Appendixes

Average number of bank employees was as follows:

	30.06.2011	2010
Members of the Board	4	4
Other executives	7	29
Other employees	29	53
Average number of employees in the accounting period	40	86

As a result of transfer of business all employees of the bank were moved to Latvian branch of JSC “Eesti Krediidipank”. On June 30, 2011 the actual number of employees were 4 Members of the Board.

16 Paid Capital

Shareholders of the Bank:

Shareholders	Country	30.06.2011		31.12.2010	
		Shares LVL	Owned share, %	Shares LVL	Owned share, %
A.Molcanovs /A.Molčanovs/	Russia	10 718 400	98.97	-	-
S.Skaterscikovs /S.Skaterščikovs/	Russia	108 300	1.00	-	-
A.Ivascenko /A.Ivaščenko/	Russia	3 300	0.03	3 300	0.03
Open Joint-Stock Company “Maskavas Banka” (Open Joint-Stock Company)	Russia	-	-	10 826 700	99.97
		10 830 000	100.00	10 830 000	100.00

Fixed capital of the Bank on June 30, 2011 constituted LVL'000 10 830 consisting of 216 600 registered shares with the right to vote. A nominal value of each share is LVL 50 (Fifty lats).

JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011

Appendixes

17 Section Analysis

Information on sections on the main Bank statement sections regarding the period which ended on June 30, 2011 and December 31, 2010:

LVL '000	Investment business		Corporate business		Retail business		Non-divided		Total	
	30.06.2011	2010	30.06.2011	2010	30.06.2011	2010	30.06.2011	2010	30.06.2011	2010
Assets										
Assets on demand for the term less than 1 month and a share of assets with a non-defined term										
Cash department and claims on central banks	-	-	-	2 622	-	5 173	3 337	151	3 337	7 946
Claims on credit institutions	-	5 748	-	863	-	1 740	225	-	225	8 351
Available-for-sale financial assets	-	44	-	-	-	-	-	-	-	44
Loans	-	-	-	47 753	-	630	-	-	-	48 383
Other assets	-	-	-	-	-	-	2	1 728	2	1 728
Total assets on demand for the term less than 1 month and a share of assets with a non-defined term	-	5 792	-	51 238	-	7 543	3 564	1 879	3 564	66 452
Assets with the term until discharge of more than 1 month and a share of assets with a non-defined term										
Claims on credit institutions	-	-	-	-	-	11	-	-	-	11
Financial assets held until the end of the term	-	3 027	-	-	-	-	-	-	-	3 027
Loans	-	-	-	13 465	-	690	-	-	-	14 155
Fixed assets, investment property, intangible assets	-	-	-	-	-	-	-	1 888	1 224	1 888
Investments in associated and related companies	-	-	-	-	-	-	-	4 812	-	4 812
Tax assets and other assets	-	-	-	-	-	-	-	269	49	269
Total assets with the term until discharge of more than 1 month and a share of assets with a non-defined term	-	3 027	-	13 465	-	701	-	6 969	1 273	24 162
Total assets	-	8 819	-	64 703	-	8 244	-	8 848	4 837	90 614

JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011

Appendixes

Information on sections on the main Bank statement sections regarding the period which ended on June 30, 2011 and December 31, 2010. (continuation):

LVL '000	Investment business		Corporate business		Retail business		Non-divided		Total	
	30.06.2011	2010	30.06.2011	2010	30.06.2011	2010	30.06.2011	2010	30.06.2011	2010
Liabilities										
Liabilities on demand for the term less than 1 month and a share of liabilities with a non-defined term										
Liabilities on credit institutions	-	-	-	6 523	-	328	-	-	-	6 851
Deposits	-	-	-	7 374	-	8 980	-	-	-	16 354
Other liabilities	-	-	-	-	-	-	16	8 016	16	8 016
Total liabilities on demand for the term less than 1 month and a share of liabilities with a non-defined term										
	-	-	-	13 897	-	9 308	16	8 016	16	31 221
Liabilities with the term until discharge of more than 1 month and a share of liabilities with a non-defined term										
Liabilities on credit institutions		-		13 326		272		5 060		18 658
Deposits	-	-	-	5 388	-	26 027	-	-	-	31 415
Tax liabilities and other liabilities	-	-	-	-	-	-	11	1	11	1
Total liabilities with the term until discharge of more than 1 month and a share of liabilities with a non-defined term										
	-	-	-	18 714	-	26 299	11	5 061	11	50 074
Total liabilities										
	-	-	-	32 611	-	35 607	27	13 077	27	81 295
Surplus /(deficit) of financing of the funds on demand for the term less than 1 month and a share of liabilities with a non-defined term										
	-	(5 792)	-	(37 341)	-	1 765	(3 549)	6 137	(3 549)	(35 231)
Liabilities on credit institutions										
		-		13 326		272		5 060		18 658
Deposits										
	-	-	-	5 388	-	26 027	-	-	-	31 415
Tax liabilities and other liabilities										
	-	-	-	-	-	-	11	1	11	1
Total liabilities with the term until discharge of more than 1 month and a share of liabilities with a non-defined term										
	-	-	-	18 714	-	26 299	11	5 061	11	50 074
Total liabilities										
	-	-	-	32 611	-	35 607	27	13 077	27	81 295
Surplus /(deficit) of financing of the funds on demand for the term less than 1 month and a share of liabilities with a non-defined term										
	-	(5 792)	-	(37 341)	-	1 765	(3 549)	6 137	(3 549)	(35 231)
Funds on demand for the term less than 1 month and a share of liabilities with a non-defined term (transferred)/received from other business sections										
	-	-	-	7 902	-	(1 765)	-	(6 137)	-	-
Surplus /(deficit) of financing of the funds on demand for the term less than 1 month and a share of liabilities with a non-defined term										
	-	(3 027)	-	5 249	-	25 598	(1 261)	(1 908)	(1 261)	25 912
Funds on demand for the term less than 1 month and a share of liabilities with a non-defined term (transferred)/received from other business sections										
	-	8 819	-	14 871	-	(25 598)	-	1 908	-	-
Financing from the capital										
	-	-	-	(9 319)	-	-	(4 810)	-	(4 810)	(9 319)

JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011

Appendixes

Information on sections on the main Bank statement sections regarding the period which ended on June 30, 2011 and December 31, 2010 in the section of the statement on comprehensive income positions:

LVL '000	Investment business		Corporate business		Retail business		Non-divided		Total	
	30.06.2011	2010	30.06.2011	2010	30.06.2011	2010	30.06.2011	2010	2010	
Interest income	33	279	209	2 461	25	107	-	-	267	2 847
Interest expenses	(165)	(35)	(68)	(1 570)	(372)	(1 843)	-	-	(605)	(3 448)
Income except the expenses for transactions with available-for-sale financial assets	125	74	-	-	-	-	-	-	125	74
Income except the expenses for transactions with foreign currency and as a result of foreign currency revaluation	101	231	-	-	-	-	-	-	101	231
Net result of operating activities for the bank assets and liabilities	94	549	141	891	(347)	(1 736)	-	-	(112)	(296)
Net result of operating activities for the bank assets and liabilities by taking into account redivision of the sections	94	549	141	891	(347)	(1 736)	-	-	(112)	(296)
Commission income	-	12	60	85	31	327	-	-	91	424
Commission expenses	-	(4)	(25)	(22)	(23)	(218)	-	-	(48)	(244)
Administrative costs and depreciation	(23)	(45)	(47)	(89)	(21)	(30)	(417)	(1 951)	(508)	(2 115)
Other income/ (expenses)	-	-	-	-	-	-	(3 756)	(140)	(3 756)	(140)
Result of making provisions	-	-	-	(357)	-	(5)	-	-	-	(362)
Profit/(loss) before corporate income tax	71	512	129	508	(360)	(1 662)	(4 173)	(2 091)	(4 333)	(2 733)
Corporate income tax	-	3	-	3	-	-	-	-	-	6
Profit/(loss) after corporate income tax	71	515	129	511	(360)	(1 662)	(4 173)	(2 091)	(4 333)	(2 727)

JSC “Latvijas Biznesa banka”
Shortened interim financial statements on 6 months of 2011

Appendixes

18 Company Transition

In 2010, the main shareholder of the Bank Open Joint-Stock Company “Maskavas Banka” made a decision to reorganize operation of its subsidiary companies in the Baltic region. As a result of implementation of this decision in February 2011 a considerable share of JSC “Latvijas Biznesa Banka” credit portfolio, as well as all investment shares in LLC “LBB Īpašumi”, LLC “LBB Īpašumi 2” and LLC “Bako Kredīts Alfa” capital were sold to Latvian company LLC “Radikāls trests”. On March 14, 2011 the basic share of the bank company was transferred to JSC “Eesti Krediidipank”.

On March 15, 2011 the following assets and liabilities were transferred to Latvian branch of JSC “Eesti Krediidipank”:

LVL ‘000	Balance sheet as of the company transition date	Company transition	Balance sheet corrections	Balance sheet after the company transition
Assets				
Cash department and claims on central banks	36 679	36 679	-	-
Claims on credit institutions	22 183	22 181	-	2
Available-for-sale financial assets	41	41	-	-
Financial assets held until the end of the term	1 894	1 894	-	-
Loans	2 690	2 690	-	-
Fixed assets	1 297	64	-	1 233
Intangible assets	84	84	-	-
Investment property	471	471	-	-
Other assets	1 465	1 408	-	3 942
Total assets	66 804	65 512	-	5 177
Liabilities				
Liabilities to the monetary financial institutions	1 206	1 206	-	-
Deposits	60 202	60 202	-	-
Other liabilities	275	219	2	58
Total liabilities	61 683	61 627	2	58
Capital and reserves				
Paid capital	10 830	-	-	10 830
Share issue premium	20	-	-	20
Reserve capital	219	-	-	219
Other reserves	173	-	(173)	-
Retained profit	(6 121)	-	171	(5 950)
Total capital and reserves	5 121	-	(2)	5 119
Total liabilities, capital and reserves	66 804	61 627	-	5 177
Net ebt of debtor from transfer	-	3 885	-	-
Off-balance sheet items				
Contingent liabilities	43	43	-	-
Off-balance sheet liabilities to customers	217	217	-	-
Total off-balance sheet liabilities	260	260	-	-
Assets under management	3 734	3 734	-	-
Liabilities under management	3 734	3 734	-	-

JSC “Latvijas Biznesa banka”
Shortened interim financial statements on 6 months of 2011

Appendixes

19 Risk Management

After transfer of the business JSC “Latvijas Biznesa banka” has not performed active operation.

Analysis of assets and liabilities in foreign currency

Analysis of the Bank’s assets and liabilities in foreign currency on June 30, 2011:

LVL ‘000	LVL	USD	EUR	Other currencies	Total
Assets					
Cash department and claims on central banks	3 337	-	-	-	3 337
Claims on credit institutions	224	1	-	-	225
Intangible assets, fixed assets	1 224	-	-	-	1 224
Tax assets and other assets	51	-	-	-	51
Total assets	4 836	1	-	-	4 837
Liabilities					
Tax liabilities and other liabilities	27	-	-	-	27
Capital and reserves	4 810	-	-	-	4 810
Total liabilities	4 837	-	-	-	4 837
Total foreign currency position on June 30, 2011	(1)	1	-	-	-
Total foreign currency position on December 31, 2010	(223)	15	174	34	-
Sum of the long positions (+)	1				
Sum of the short positions (-)	-				
Total position (+ -)	1				

The positions opened in lats shall not be included in the calculation of the open currency positions. As of 30.06.2011, an open currency position shall constitute 0.02% of the Bank’s equity capital.

Interest rate risk

Breakdown of the Bank’s assets and liabilities into terms in accordance with the remaining repayment, execution, discharge term or remaining terms until the next transfer of the interest rates on June 30, 2011:

Name of the position	Positions sensitive to changes of interest rates including after the remaining term							Positions non-sensitive to changes of interest rates
	Total	to 1 month	1–3 months	3–6 months	6–12 months	1–5 years	more than 5 years	
LVL ‘000								
Bank portfolio, incl.	3 562	3 562	-	-	-	-	-	-
Cash department and claims on central banks	3 337	3 337	-	-	-	-	-	-
Claims on credit institutions	225	225	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	1 275
Total assets and long off-balance positions sensitive to changes of interest rates	3 562	3 562	-	-	-	-	-	1 275
Bank portfolio, incl.	-	-	-	-	-	-	-	4 837
Other liabilities	-	-	-	-	-	-	-	4 837
Total liabilities and short off-balance positions sensitive to changes of interest rates	-	-	-	-	-	-	-	4 837
Net position of the interest rate risk (GAP)	3 562	3 562	-	-	-	-	-	X
Total position of the interest rate risk	X	3 562	3 562	3 562	3 562	3 562	3 562	X
Influence on the net interest income calculation *	34	34	--	-	-	X	X	X

Notes: * - on the basis of the assumption on increase of the interest rates by 1 % regarding all assets and liabilities.

JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011

Appendixes

Liquidity risk

The current liquidity indicator of the Bank within the accounting period constantly and considerably exceeds the standard (standard – at least 30%).

Remaining terms of the bank's assets and liabilities on June 30, 2011:

LVL '000	To 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	More than a year and termless	Pledge	Total
Assets							
Cash department and claims on central banks	3 337	-	-	-	-	-	3 337
Claims on credit institutions	225	-	-	-	-	-	225
Intangible assets, fixed assets	-	-	-	-	1 224	-	1 224
Tax assets and other assets	2	-	49	-	-	-	51
Total assets	3 564	-	49	-	1 224	-	4 837
Liabilities							
Tax liabilities and other liabilities	16	-	11	-	-	-	27
Capital and reserves	-	-	-	-	4 810	-	4 810
Total liabilities	16	-	11	-	4 810	-	4 837
Liquidity net position							
On June 30, 2011	3 548	-	38	-	(3 586)	-	-
Liquidity net position							
On December 31, 2010	(7 860)	(9 316)	(9 772)	(19 869)	(8 268)	54 507	-

Capital sufficiency

The Bank's capital sufficiency indicator in the accounting period considerably exceeds the standard (standard – at least 8%).

LVL'000	30.06.2011	2010
1. Total sum of the credit risk and credit risk capital claims of the business partner	372	7 628
2. Total sum of the position, foreign currency and commodity risk capital claims	-	21
3. Total sum of the operational risk capital claims	462	451
Summary of the capital claims	834	8 100
Own capital		
First level capital	4 809	7 554
Second level capital	-	3 121
Total equity capital	4 809	10 675
Capital sufficiency indicator	46.1%	10.5%

20 Fair Value of Financial Instruments

The fair value shall be set as the value by the instrument of which it is possible to exchange by making a transaction between well-informed, independent concerned parties wishing to conclude a transaction on market conditions, except forced sale or liquidation. The best confirmation of the fair value is quotation of the financial instrument in the active market.

Evaluation of the fair value of the Bank's financial instruments on June 30, 2011 and December 31, 2010 is presented below:

LVL'000	30.06.2011		2010	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Financial assets				
Cash department and claims on central banks	3 337	3 337	7 946	7 946
Claims on credit institutions	225	225	8 362	8 362
Available-for-sale financial assets	-	-	44	44
Financial assets held until the end of the term	-	-	3 027	2 108
Loans	-	-	62 538	62 538
Financial liabilities				
Liabilities to the monetary financial institutions	-	-	25 509	25 509
Deposits	-	-	47 769	47 769

JSC "Latvijas Biznesa banka"
Shortened interim financial statements on 6 months of 2011

Appendixes

21 Comparison of the Financial Instrument Categories with Evaluation Categories

Financial assets of the group shall be classified according to IAS 39 "Financial Instruments: Recognition and Measurement" in the following categories: 1) classified as the financial assets evaluated in their fair value with the presentation in the profit and loss statement; 2) loans and debts of debtors; 3) available-for-sale financial assets; 4) financial assets held until the end of the term.

Comparison of the Bank's financial assets category with the abovementioned categories according to the condition on June 30, 2011 is presented below in the table:

LVL'000	Classified as the financial assets evaluated in their fair value with a presentation in the profit and loss statement	Loans and debts of debtor	Available-for-sale financial assets	Financial assets held until the end of the term	Total
Assets					
Cash department and claims on central banks	3 337	-	-	-	3 337
Claims on credit institutions					
Demand claims on credit institutions	225	-	-	-	225
Other financial assets					
Debt of debtors	-	1	-	-	1
Total financial assets	3 562	1	-	-	3 563
Non-financial assets	-	-	-	-	1 274
Total assets					4 837

All the Bank's financial liabilities are reflected in their amortized value.

Comparison of the Bank's financial assets category with the abovementioned categories according to the condition on December 31, 2010 is presented below in the table:

LVL'000	Classified as the financial assets evaluated in their fair value with a presentation in the profit and loss statement	Loans and debts of debtor	Available-for-sale financial assets	Financial assets held until the end of the term	Total
Assets					
Cash department and claims on central banks	7 946	-	-	-	7 946
Claims on credit institutions					
Demand claims on credit institutions	8 351	-	-	-	8 351
Term claims on credit institutions	-	11	-	-	11
Loans to customers					
Loans to legal persons	-	49 305	-	-	49 305
Loans to private persons	-	13 233	-	-	13 233
Available-for-sale financial assets					
Capital securities	-	-	44	-	44
Financial assets held until the end of the term					
Latvian promissory notes	-	-	-	575	575
Euro bonds of credit institutions	-	-	-	851	851
Euro bonds of corporate issuers emitents	-	-	-	1 601	1 601
Other financial assets					
Debt of debtors	-	1 880	-	-	1 880
Debt of debtors for cards	-	15	-	-	15
Total financial assets	16 297	64 444	44	3 027	83 812
Non-financial assets	-	-	-	-	6 802
Total assets					90 614

All the Bank's financial liabilities are reflected in their amortized value.

JSC “Latvijas Biznesa banka”
Shortened interim financial statements on 6 months of 2011

Appendixes

22 Transactions with Related Parties

Shareholders of a credit institution shall be considered as the persons related to the credit institution (having considerable investments in the credit institution), members of the Council and Board, Manager and employees of Internal Audit Service, other employees of the credit institution who are authorized to perform operation planning, management and control of the credit institution and who are responsible for that, as well as spouses, parents, children and enterprises (companies) of these persons in which the aforementioned persons have considerable investments. Related parties are enterprises (companies) in the capital of which a credit institution has influence.

After the position as of June 30, 2011 the Bank has not had transactions with related parties.

23 Legal Proceedings

During the process of the ordinary commercial activities the Bank has participated in particular legal proceedings related to debt recovery and individual transactions. The management is sure that the initiated legal proceedings will not cause material losses to the Bank.

24 Events after the End of the Accounting Period

During the period of time from the last day of the accounting period to the date of signing of these financial statements no events have taken place as a result of which corrections should be made to these financial statements or which should be explained in these financial statements.