

AS “SMP Bank”

**Condensed Consolidated and
Separate Interim Financial
Statements**

for 6 month period ended 30 June 2011

CONTENTS

Management Report	3
Information on the Bank's management	4
Independent Auditors' Report	5-6
Condensed Consolidated and Separate Interim Statement of Financial Position	7-8
Condensed Consolidated and Separate Interim Statement of Comprehensive Income	9
Condensed Consolidated and Separate Interim Statement of Changes in Shareholders' Equity	10
Condensed Consolidated and Separate Interim Statement of Cash Flows	11
Notes to the Condensed Consolidated and Separate Interim Financial Statements	12-28

MANAGEMENT REPORT

Dear customers, cooperation partners and shareholders,

The Board of AS SMP Bank is proud to announce that the Bank has successfully completed the first six months of 2011. During this period the Bank has improved its financial services and availability actively, as well as extending operational activities in regions and commencing operations in the Lithuanian market.

It should be noted that the first 6 months of 2011 have proved that economic recovery processes in the world and in Latvia have maintained positive progress and it is obvious also in the financial sectors. Recovery processes in the Euro zone countries are continuing on the basis of increased export volumes; however there are still risks in certain financial markets, as well as uncertainties related to several European countries facing economic constraints and measures of fiscal consolidation implemented.

Development forecasts regarding export as the main driver of Latvian economy remain positive, as the main trade partners of Latvia are consistently improving their economic activity; consequently the external demand is significantly increasing. It is expected that the demand will be stable also in future as the economic growth forecasts of the trade partners of Latvia have been increased for 2011 and 2012. Moreover, the recent increasing of Latvian credit rating confirms improvement of investing situation of the country and therefore makes Latvia more attractive to foreign investors. It is expected that there will be a larger amount of foreign investments in Latvia.

However, the first half of 2011 shows also slower economic growth tendencies proving that economic recovery is still fragile. High food and fuel prices in the world increase inflation pressure also in Latvia, thereby reducing the real purchasing power of residents. Factors reducing the consumption are the following: expected increase of taxes and uncertainty regarding the further progress of fiscal consolidation, as well as expected gradual rise of prices of loans issued in Euro caused by increase of Euro money-market interest rates.

During the reporting period the Bank continued fulfilling tasks set in its development strategy, taking advantage of opportunities given by economic recovery and supporting its clients not only in Latvia and Lithuania (where the Bank is represented directly) but all over the region. Moreover, the Bank has observed principles of prudence and the best risk management practice complying with sound business development principles. These principles have been included in the Bank's strategy and ensure provision of wide range of financial services maintaining their quality and technological support on a consistently high level.

During the reporting period payment cards and clients servicing in the Bank's branch in Lithuania was commenced and in a short period of time the branch has attracted significant number of clients, who use full range of financial services, including remote account management possibilities via online banking. According to market demand, technological support of the Bank is consistently improved providing clients with quicker, cheaper and safer payment services. Using remote account management system Multinet, clients can shop online.

During these six months the Bank has extended its international cooperation and the positive results enable the Bank to offer improved conditions of financial services - firstly, the possibility to receive cash paying reduced commissions within the ATM networks of partnering banks in Russian Federation and the Republic of Lithuania.

All the operational results of the Bank were maintained on the level required by the normative acts, including the capital adequacy and liquidity. The results of the first six months of 2011 have proven that long-term cooperation ensures development and stability that is beneficial both for the Bank and its clients. Therefore the management and employees of the Bank are looking forward with hope and contribute to economic recovery process.

On behalf of the Bank's management

Svetlana Dzene
Chairperson of the Board

30 August 2011

INFORMATION ON THE BANK'S MANAGEMENT

Council members as at the date of signing these condensed interim financial statements

Name, surname	Position	Appointed
Dmitrijs Kalantirskis	Chairman of the Council	12 October 2006
Artems Obolenskis	Council Member	12 October 2006
Andris Dzenis	Council Member	12 November 2001
Arkādijs Rotenbergs	Council Member	12 October 2006
Boris Rotenbergs	Council Member	12 October 2006

No council member changes have occurred during the reporting period.

Board members as at the date of signing these condensed interim financial statements

Name, surname	Position	Appointed
Svetlana Dzene	Chairperson of the Board	28 September 1995
Maija Treija	Board Member	18 July 2005
Natālija Prohorova	Board Member	10 March 1995
Ivars Lapiņš	Board Member	19 March 1999
Sergejs Golubčikovs	Board Member	27 June 2005
Dmitrijs Kozlovs	Board Member	22 October 2010

No board member changes have occurred during the reporting period.



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Independent Auditors' Report

To the shareholders of AS "SMP Bank"

Report on the Separate and Consolidated Condensed Interim Financial Information

We have audited the accompanying separate condensed interim financial information of AS "SMP Bank" ("the Bank"), which comprises the separate condensed interim statement of financial position as at 30 June 2011, the separate condensed interim statement of comprehensive income, the separate condensed interim statement of changes in equity and the separate condensed interim statement of cash flows for the six month period then ended, and the separate condensed interim notes to financial information, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 28.

We have also audited the accompanying consolidated condensed interim financial information of AS "SMP Bank" and its subsidiaries ("the Group"), which comprises the consolidated condensed interim statement of financial position as at 30 June 2011, the consolidated condensed interim statement of comprehensive income, the consolidated condensed interim statement of changes in equity and the consolidated condensed interim statement of cash flows for the six month period then ended, and the consolidated condensed interim notes to financial information, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 28.

Management's Responsibility for the Financial Information

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

Auditors' Responsibility

Our responsibility is to express an opinion on this separate and 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether this financial information is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated condensed interim financial information. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's and Group's preparation and fair presentation of the condensed interim financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing



an opinion on the effectiveness of the Bank's and Group's internal control system. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the separate and consolidated condensed interim financial information.

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

Opinion

In our opinion, the separate condensed interim financial information of AS "SMP Bank" as at and for the six month period ended 30 June 2011 is prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

In our opinion, the consolidated condensed interim financial information of AS "SMP Bank" group as at and for the six month period ended 30 June 2011 is prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG Baltics SIA
License No 55

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
30 August 2011

Inga Lipšāne
Sworn Auditor
Certificate No 112

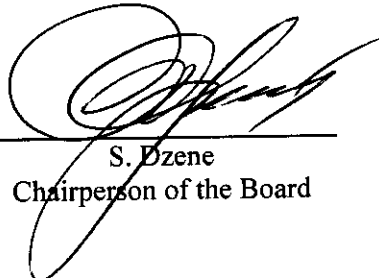
This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.

CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30
JUNE 2011

	Note	30 June 2011,		31 December 2010,	
		'000 LVL		'000 LVL	
ASSETS		Group	Separate	Group	Separate
Cash and due from the Bank of Latvia	7	11 990	11 990	11 390	11 390
Demand deposits with credit institutions	8	20 584	20 584	46 265	46 265
Latvian government bonds with fixed income		2 180	2 180	3 103	3 103
Fixed income credit institutions debt securities	9	2 085	2 085	-	-
Loans and receivables		69 087	72 008	66 429	67 997
<i>Loans and term deposits with credit institutions</i>	10	3 977	3 977	5 386	5 386
<i>Loans and receivables</i>	11	65 110	68 031	61 043	62 611
Financial assets held for trading		20	20	20	20
<i>Non-fixed income securities</i>		20	20	20	20
Property and equipment		791	707	721	721
Investment property	12	2 651	-	1 515	-
Other tax assets		55	-	58	4
Other assets		454	335	471	464
Total assets		109 897	109 909	129 972	129 964

The accompanying notes on pages 12 to 28 form an integral part of these condensed consolidated and separate condensed interim financial statements.

These condensed consolidated and separate condensed interim financial statements as presented on pages 7 - 28 were approved for issue on 30 August 2011 and signed on behalf of the Council and Board of the Bank by:


S. Dzene
Chairperson of the Board

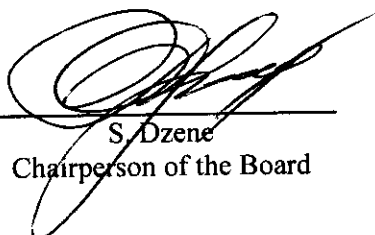

N. Prohorova
Board Member

CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
		Group	Separate	Group	Separate
LIABILITIES AND SHAREHOLDERS' EQUITY					
Due on demand to credit institutions	13	160	160	8 974	8 974
Financial liabilities carried at amortized cost:		97 661	97 669	102 415	102 469
<i>Customers' deposits</i>	14	96 147	96 155	101 415	101 469
<i>Subordinated liabilities</i>	15	1 514	1 514	1 000	1 000
Other liabilities	16	3 352	3 330	9 863	9 791
Other taxes and social contributions		11	11	18	18
Deferred tax liability		23	23	23	23
Provisions		98	98	97	97
Total liabilities		101 305	101 291	121 390	121 372
Share capital	17	8 006	8 006	8 006	8 006
Share premium		182	182	182	182
Reserves		105	105	105	105
Retained earnings		283	325	265	299
Total equity attributable to equity holders of the Group		8 576	8 618	8 558	8 592
Non-controlling interest		16	-	24	-
Total equity		8 592	8 618	8 582	8 592
Total liabilities and shareholders' equity		109 897	109 909	129 972	129 964
Commitments and contingencies	28	9 492	9 355	7 487	7 251

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S. Dzene
Chairperson of the Board

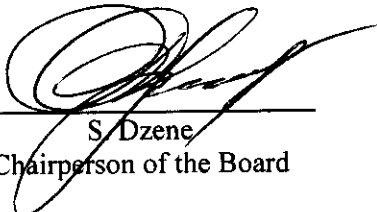

N. Prohorova
Board Member

**CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR
THE SIX MONTH PERIOD ENDED 30 JUNE 2011**

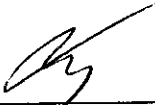
	Note	Six month period ended 30 June			
		2011		2010	
		'000 LVL		'000 LVL	
		Group	Separate	Group	Separate
Interest income	18	1 518	1 482	1 339	1 318
Interest expense	19	(611)	(611)	(735)	(735)
Net interest income		907	871	604	583
Commission and fee income	20	1 046	1 038	928	916
Commission and fee expense	21	(232)	(232)	(168)	(168)
Net commission and fee income		814	806	760	748
Gain on trading with financial instruments, net	23	461	474	381	374
Other income /(expenses)		7	(18)	(1)	(14)
Net operating income		2 189	2 133	1 744	1 691
Administrative expenses	24	(1 828)	(1 781)	(1 587)	(1 564)
Net impairment allowance	22	(350)	(325)	(125)	(125)
Profit before income tax		11	27	32	2
Corporate income tax	25	(1)	(1)	(5)	-
Profit for the period		10	26	27	2
Attributable to:					
<i>Shareholders of the Bank</i>		18	26	14	2
<i>Non-controlling interest</i>		(8)	-	13	-
Total comprehensive income for the period		10	26	27	2
Attributable to:					
<i>Shareholders of the Bank</i>		18	26	14	2
<i>Non-controlling interest</i>		(8)	-	13	-

The accompanying notes on pages 12 to 28 form an integral part of these condensed consolidated and separate condensed interim financial statements.

These condensed consolidated and separate condensed interim financial statements as presented on pages 7 - 28 were approved for issue on 30 August 2011 and signed on behalf of the Council and Board of the Bank by:



 S. Dzene
 Chairperson of the Board



 N. Prohorova
 Board Member

CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 30 JUNE 2011

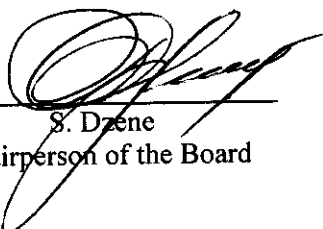
Group	Share capital	Share premium	Reserve capital	Retained earnings	Total equity attributable to equity holders of the Group	Non-controlling interest	Total
	'000 LVL	'000 LVL	'000 LVL	'000 LVL			'000 LVL
Balance at 31 December 2009	7 006	182	105	229	7 522	(16)	7 506
Total comprehensive income							
Profit for the year	-	-	-	14	14	13	27
Transactions with shareholders, recorded directly in equity							
Increase of share capital	1 000	-	-	-	1 000	-	1 000
Balance at 30 June 2010	8 006	182	105	243	8 536	(3)	8 533
Total comprehensive income							
Profit for the year	-	-	-	22	22	27	49
Balance at 31 December 2010	8 006	182	105	265	8 558	24	8 582
Total comprehensive income							
Profit for the year	-	-	-	18	18	(8)	10
Balance at 30 June 2011	8 006	182	105	283	8 576	16	8 592

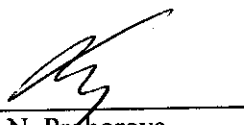
Attributable to equity holders of the Bank

Separate	Share capital	Share premium	Reserve capital	Retained earnings	Total
	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
Balance at 31 December 2009	7 006	182	105	296	7 589
Increase of share capital	1 000	-	-	-	1 000
Total comprehensive income					
Profit for the year	-	-	-	2	2
Balance at 30 June 2010	8 006	182	105	298	8 591
Total comprehensive income					
Profit for the year	-	-	-	1	1
Balance at 31 December 2010	8 006	182	105	299	8 592
Total comprehensive income					
Profit for the year	-	-	-	26	26
Balance at 30 June 2011	8 006	182	105	325	8 618

The accompanying notes on pages 12 to 28 form an integral part of these condensed consolidated and separate condensed interim financial statements.

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S. Dzene
Chairperson of the Board

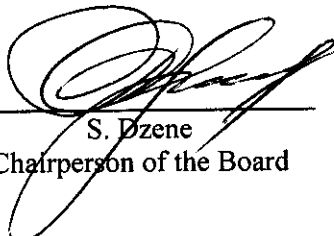

N. Prohorova
Board Member

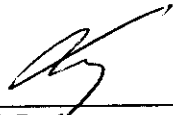
CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF CASH FLOWS FOR SIX MONTH PERIOD ENDED 30 JUNE 2011

	Note	Six month period ended 30 June			
		2011		2010	
		'000 LVL		'000 LVL	
		Group	Separate	Group	Separate
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before corporate income tax		11	27	32	2
Amortisation and depreciation		118	103	121	121
(Decrease)/Increase of impairment allowance		350	325	125	125
Increase of cash and cash equivalents before changes in assets and liabilities		479	455	278	248
Increase/(decrease) in accrued income and deferred expenses		(5)	(6)	13	12
Increase/(decrease) in deferred income and accrued expense		-	-	135	(12)
(Increase)/ decrease in other assets		21	138	(18)	(94)
(Decrease)/increase in other liabilities		(6 517)	(6 467)	1 128	1 138
(Increase)/ decrease in due from credit institutions (term over 3 months)		842	842	(71)	(71)
(Increase)/ decrease in debt securities and other fixed income securities		(1 162)	(1 162)	488	488
Increase in loans		(4 417)	(5 745)	(7 108)	(6 846)
Increase/ (decrease) in customers' deposits		(5 268)	(5 314)	7 837	8 074
Cash and cash equivalents from operating activities after corporate income tax		(16 027)	(17 259)	2 682	2 937
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of fixed and intangible assets		(173)	(89)	(90)	(90)
Purchase of investment property		(1 148)	-	-	-
Gain from sales of investment property		-	-	255	-
Net cash from investing activities		(1 321)	(89)	165	(90)
CASH FLOW FROM FINANCING ACTIVITIES					
Share issue		-	-	1 000	1 000
Acquisition of subordinated loans		514	514	-	-
Increase in cash and cash equivalents from financing activities		514	514	1 000	1 000
Net increase / (decrease) in cash and cash equivalents		(16 834)	(16 834)	3 847	3 847
Cash and cash equivalents at the beginning of the period		52 060	52 060	25 620	25 620
Cash and cash equivalents at the end of the period	26	35 226	35 226	29 467	29 467

The accompanying notes on pages 12 to 28 form an integral part of these condensed consolidated and separate condensed interim financial statements.

These condensed consolidated and separate condensed interim financial statements as presented on pages 7 – 28 were approved for issue on 30 August 2011 and signed on behalf of the Council and Board of the Bank by:


 S. Dzene
 Chairperson of the Board


 N. Prohorova
 Board Member

1 General information

Information on the Bank

AS "SMP Bank" (until 17 June 2008 AS "Multibanka" – the Bank) was incorporated in the Republic of Latvia as a joint stock company "Multibanka" in 1994, in Riga and is licensed as a bank offering a wide range of financial services to enterprises and individuals. The legal address of the Bank is Elizabetes iela 57, Riga, Latvia. The Bank has a branch in Liepaja and 16 cash offices in Riga, 3 cash offices in Daugavpils, 2 cash offices in Ventspils and cash offices in Olaine and Jelgava and representative offices in Moscow, Yekaterinburg (Russia) and Kiev (Ukraine). In 2011 the Bank opened a branch in Vilnius commencing operations in the Lithuanian market.

These condensed consolidated and separate condensed interim financial statements include the financial statements of AS "SMP Bank" (the "Bank") and its subsidiary, AS "SMP Finance" in which the Bank holds 48.73% (31 December 2010: 48.73%), (together referred to as the "Group"). The Bank retains control over AS "SMP Finance" and is therefore included in the consolidation.

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated and separate interim financial statements of the Group and Bank are prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. These condensed interim financial statements do not include all of the information required for the complete set of annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group and the separate financial statements of the Bank for the year ended 31 December 2010.

The condensed consolidated and separate condensed interim financial statements were approved for issue by the Management Board on 30 August 2011. The condensed consolidated and separate financial statements may be amended by the shareholders.

The audited consolidated and separate financial statements of the Bank and the Group as at and for the year ended 31 December 2010 are available at the Bank's web site: www.smpbank.lv.

(b) Functional and Presentation Currency

The accompanying consolidated and separate interim condensed financial statements are presented in thousands of Lats (LVL 000's), unless otherwise stated. The Lat is the Bank's functional currency. The functional currency of the subsidiary of the Bank is Lat (LVL).

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

<i>Currency</i>	<i>Reporting date</i>		
	30.06.2011	31.12.2010	30.06.2010
USD	0.4890	0.5350	0.5730
EUR	0.7028	0.7028	0.7028

3 Significant accounting policies

The accounting policies applied by the Group and Bank in these condensed consolidated and separate condensed interim financial statements are the same as those applied by the Group and Bank in its consolidated and separate financial statements as at and for the year ended 31 December 2010.

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

New Standards and Interpretations

A number of new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011. None of these has a significant effect on the condensed Group consolidated and separate condensed interim financial statements:

- Revised IAS 24 *Related Party Disclosure*;
- Amendment to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*;
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after 1 July 2010);
- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (effective for annual periods beginning on or after 1 February 2010).

4 Risk Management

All aspects of the Bank's and Group's risk management objectives and policies are consistent with that disclosed in the consolidated and separate financial statements as at and for the year ended 31 December 2010.

5 Capital management

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

The Bank defines as capital those items defined by statutory regulation as capital. Under the current capital requirements set by Financial and Capital Market Commission banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 30 June 2011, this minimum level is 8% (31 December 2010 and 30 June 2010: 8%). The Bank was in compliance with the statutory capital ratio as at 30 June 2011, 31 December 2010 and 30 June 2010.

The Bank's risk based capital adequacy ratio as at 30 June 2011 was 11.51% (as at 31 December 2010: 11.10%; as at 30 June 2010: 11.69%).

6 Use of estimates and judgements

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

In preparing these condensed consolidated and separate interim financial statements, the significant judgements made by management in applying the Bank's and Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2010.

These are:

- Doubtful debt allowance;
- Valuation of financial instruments;
- Impairment of financial instruments (other than loans);
- Determining fair values.

7 Cash and due from the Bank of Latvia

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
Cash	2 118	2 118	1 935	1 935
Due from Bank of Latvia (including minimum reserve deposit)	9 872	9 872	9 455	9 455
Total	11 990	11 990	11 390	11 390

8 Demand deposits with credit institutions

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
Nostro accounts				
Residents of OECD countries	16 453	16 453	42 518	42 518
Residents of Latvia	414	414	191	191
Residents of non-OECD countries	3 717	3 717	3 556	3 556
Total nostro accounts	20 584	20 584	46 265	46 265

9 Fixed income credit institutions debt securities

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
Euro-obligations with fixed income				
Promstroibank, Russian Federation	1 031	1 031	-	-
Alfabank, Russian Federation	1 054	1 054	-	-
Total	2 085	2 085	-	-

Promstroibank issued obligations, according to Standard&Poor's and Moody's Investor Service, have rating B and Ba3/Stable, respectively. Alfabank obligations according to Standard&Poor's, have rating BB.

10 Loans and term deposits with credit institutions

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
LVL '000				
Term deposits with credit institutions	2 217	2 217	4 129	4 129
Due from other credit institutions	1 760	1 760	1 257	1 257
Total loans and term deposits	3 977	3 977	5 386	5 386

As at 30 June 2011 the Bank and Group had amounts due from credit institutions amounting to LVL 1 760 thousand (31 Dec 2010: LVL 1 257 thousand) that have been blocked as collateral by those credit institutions for guarantees issued by the Bank and Group.

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
Loans and deposits				
Residents of Latvia	-	-	2 862	2 862
Residents of OECD countries	3 227	3 227	1 000	1 000
Residents of non-OECD countries	750	750	1 524	1 524
Total loans and deposits	3 977	3 977	5 386	5 386

Concentration of placements with banks and other credit institutions

As at 30 June 2011 and 31 December 2010, the Bank and Group had two banks, whose balances exceeded 10% of the total balances with credit institutions (Note 8 and Note 10). Gross amount of the above loans as at 30 June 2011 and 31 December 2010 was LVL 21 220 thousand and LVL 18 133 thousand, respectively.

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

LVL '000	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
Individuals	20 916	17 886	20 747	18 084
Corporate customers	45 920	51 845	41 654	45 884
Personnel of the Bank	485	485	503	503
Total gross loans and receivables from customers	67 321	70 216	62 904	64 471
Impairment allowance	(2 211)	(2 185)	(1 861)	(1 860)
Total loans and receivables from customers, net	65 110	68 031	61 043	62 611

(b) Loans issued by type:

LVL '000	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
Loans	57 161	54 213	56 246	53 262
<i>Mortgage loans</i>	<i>10 078</i>	<i>10 078</i>	<i>9 598</i>	<i>9 598</i>
<i>Commercial loans</i>	<i>16 148</i>	<i>18 813</i>	<i>25 634</i>	<i>27 436</i>
<i>Industrial loans</i>	<i>18 382</i>	<i>18 382</i>	<i>8 596</i>	<i>8 596</i>
<i>Finance lease</i>	<i>5 334</i>	<i>5</i>	<i>4 577</i>	<i>5</i>
<i>Consumer loans</i>	<i>402</i>	<i>402</i>	<i>419</i>	<i>419</i>
<i>Credit cards</i>	<i>320</i>	<i>320</i>	<i>342</i>	<i>342</i>
<i>Other</i>	<i>6 497</i>	<i>6 213</i>	<i>7 080</i>	<i>6 866</i>
Credit line	9 839	15 682	6 248	10 799
Overdrafts	321	321	410	410
Loans and receivables, gross	67 321	70 216	62 904	64 471
Impairment allowance	(2 211)	(2 185)	(1 861)	(1 860)
Total loans and receivables from customers, net	65 110	68 031	61 043	62 611

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

(c) Loans issued by industry

	30 June 2011 '000 LVL				31 December 2010 '000 LVL			
	Group		Separate		Group		Separate	
Corporate customers								
Real estate	11 675	25%	11 675	23%	12 781	31%	12 781	28%
Construction	6 132	13%	6 132	12%	5 605	13%	5 605	12%
Trade	10 076	22%	10 076	19%	6 932	17%	6 932	15%
Manufacturing industry	6 413	14%	6 413	12%	7 796	19%	7 796	17%
Transport storage and communications	2 738	6%	2 738	5%	3 150	7%	3 150	7%
Other community social and personal service activities	8 856	20%	14 781	29%	5 390	13%	9 620	21%
Total corporate loans	45 890	100%	51 815	100%	41 654	100%	45 884	100%
Individuals and personnel of the Bank								
Consumer loans	402	2%	402	2%	419	2%	419	2%
Credit cards	413	2%	413	2%	412	2%	412	2%
Car loans	19	-	5	-	9	-	6	-
Mortgage loans	10 213	47%	10 213	56%	9 736	46%	9 736	53%
Entrepreneurship loans	5 743	27%	5 743	31%	6 268	29%	6 268	34%
Other	4 641	22%	1 625	9%	4 406	21%	1 746	9%
Total gross loans and receivables to individuals and personnel of the Bank	21 431	100%	18 401	100%	21 250	100%	18 587	100%

(d) Geographical analysis of the loan portfolio

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
Residents of Latvia	60 169	63 064	59 114	60 681
Residents of OECD countries	2 653	2 653	2 800	2 800
Residents of non-OECD countries	4 499	4 499	990	990
Total gross loans and receivables from customers	67 321	70 216	62 904	64 471
Impairment allowance	(2 211)	(2 185)	(1 861)	(1 860)
Total loans and receivables from customers, net	65 110	68 031	61 043	62 611

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

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
Balance at the beginning of the reporting period	1 861	1 860	1 196	1 195
Increase in allowances	431	406	755	755
Recovery of prior period loan loss allowances	(81)	(81)	(90)	(90)
Balance at the end of the reporting period	2 211	2 185	1 861	1 860

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

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

LVL '000	Loans	Loans without delayed payments	Loans for which have not been made payment in proper period (principal amount or accrued interest or both)					More than 360 days
			Up to 30 days	30-60 days	61-90 days	91-180 days	181-360 days	
30 June 2011								
Gross loans	67 321	57 948	1 654	3 160	504	1 310	386	2 359
Impairment allowance	(2 211)	(815)	(86)	(29)	(69)	(172)	(91)	(949)
Net carrying amount	65 110	57 133	1 568	3 131	435	1 138	295	1 410
31 December 2010								
Gross loans	62 904	58 791	490	595	36	534	564	1 894
Impairment allowance	(1 861)	(738)	(69)	(69)	(6)	(19)	(149)	(811)
Net carrying amount	61 043	58 053	421	526	30	515	415	1 083

Bank

LVL '000	Loans	Loans without delayed payments	Loans for which have not been made payment in proper period (principal amount or accrued interest or both)					More than 360 days
			Up to 30 days	30-60 days	61-90 days	91-180 days	181-360 days	
30 June 2011								
Gross loans	70 216	61 697	1 220	3 012	450	1 118	361	2 358
Impairment allowance	(2 185)	(815)	(86)	(29)	(64)	(154)	(88)	(949)
Net carrying amount	68 031	60 882	1 134	2 983	386	964	273	1 409
31 December 2010								
Gross loans	64 471	60 359	490	595	36	534	564	1 893
Impairment allowance	(1 860)	(738)	(69)	(69)	(6)	(19)	(149)	(810)
Net carrying amount	62 611	59 621	421	526	30	515	415	1 083

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

(g) Loans allocation by qualitative evaluation of collateral type:

The table below shows separate loan groups by their carrying amount. The Bank and the Group hold collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Loan quality by separate groups:

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
Loans with collateral to corporate customers				
Loans without impairment allowances	36 838	36 838	32 999	32 999
<i>Loans not overdue</i>	33 752	33 752	32 405	32 405
<i>Delayed payments not more than 90 days</i>	3 070	3 070	279	279
<i>Delayed payment over 90 days</i>	16	16	315	315
Loans with impairment allowances	4 166	4 166	3 726	3 726
<i>Loans not overdue</i>	3 244	3 244	3 131	3 131
<i>Delayed payments not more than 90 days</i>	176	176	-	-
<i>Delayed payments over 90 days</i>	746	746	595	595
Impairment allowance	(710)	(710)	(641)	(641)
Total loans to corporate customers	40 294	40 294	36 084	36 084
Finance lease				
Lease without impairment allowances	5 071	5	4 577	6
<i>Leases not overdue</i>	4 915	5	4 577	6
<i>Delayed payments not more than 90 days</i>	156	-	-	-
Leases with impairment allowances	263	-	1	-
<i>Leases not overdue</i>	-	-	-	-
<i>Overdue leases</i>	263	-	1	-
Impairment allowance	(26)	-	(1)	-
Total finance lease	5 308	5	4 577	6
Mortgage loans				
Loans without impairment allowances	7 626	7 626	7 163	7 163
<i>Loans not overdue</i>	6 741	6 741	6 555	6 555
<i>Delayed payments not more than 90 days</i>	724	724	427	427
<i>Delayed payments over 90 days</i>	161	161	181	181
Loans with impairment allowances	2 587	2 587	2 573	2 573
<i>Loans not overdue</i>	894	894	1 368	1 368
<i>Delayed payments not more than 90 days</i>	355	355	304	304
<i>Delayed payments over 90 days</i>	1 338	1 338	901	901
Impairment allowance	(580)	(580)	(577)	(577)
Total mortgage loans	9 633	9 633	9 159	9 159

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
Loans to individuals with other collateral				
Loans without impairment allowances	6 510	6 510	7 175	7 175
<i>Loans not overdue</i>	5 944	5 944	7 154	7 154
<i>Delayed payments not more than 90 days</i>	-	-	7	7
<i>Delayed payments over 90 days</i>	566	566	14	14
Loans with impairment allowances	1 090	1 090	1 087	1 087
<i>Loans not overdue</i>	145	145	163	163
<i>Delayed payments not more than 90 days</i>	42	42	46	46
<i>Delayed payments over 90 days</i>	903	903	878	878
Impairment allowance	(394)	(394)	(450)	(450)
Total loans to individuals	7 206	7 206	7 812	7 812

(i) Analysis of loan by type of collateral

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

	30 June 2011				31 December 2010			
	Group		Separate		Group		Separate	
	LVL '000	%	LVL '000	%	LVL '000	%	LVL '000	%
Commercial buildings	23 518	35%	23 518	33%	25 564	41%	25 564	39%
Commercial assets pledge	7 674	12%	7 674	11%	2 432	4%	2 432	4%
Land mortgage	5 738	9%	5 738	8%	6 000	9%	6 000	9%
Mortgage on residential properties	20 386	29%	20 386	29%	18 563	30%	18 563	29%
Guarantee	1 109	2%	1 109	2%	1 774	3%	1 774	3%
Other	5 726	8%	397	1%	4 968	8%	396	1%
Without collateral	3 170	5%	11 394	16%	3 603	5%	9 742	15%
Total loans, gross	67 321	100%	70 216	100%	62 904	100%	64 471	100%

*(ii) Impaired loans***Group**

	30 June 2011, '000 LVL	31 December 2010, '000 LVL
Impaired loans, gross	8 213	7 991
Impairment allowance	(2 211)	(1 861)
Loans and receivables, net	6 002	6 130

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

Separate

	30 June 2011, '000 LVL	31 December 2010, '000 LVL
Impaired loans, gross	7 950	7 989
Impairment allowance	(2 185)	(1 860)
Loans and receivables, net	5 765	6 129

(iii) Loan classification

Group

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Gross	Impairment allowance	Gross	Impairment allowance
Standard	58 418	177	54 747	-
Watch	6 873	918	6 123	799
Substandard	1 313	455	1 301	394
Doubtful	218	161	229	164
Lost	499	500	504	504
Total	67 321	2 211	62 904	1 861

Separate:

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Gross	Impairment allowance	Gross	Impairment allowance
Standard	62 167	177	56 315	-
Watch	6 019	892	6 123	799
Substandard	1 313	455	1 301	394
Doubtful	218	161	229	164
Lost	499	500	503	503
Total	70 216	2 185	64 471	1 860

(iv) Restructured loans

On 30 June 2010 the Bank restructured loans in the following amount:

LVL '000	30 June 2011, '000 LVL	31 December 2010, '000 LVL
Loan balances with changed principal and interest payments	2 905	2 268
Total	2 905	2 268

(h) Significant credit risk concentration

As at 30 June 2011 and 31 December 2010, the Bank had 13 and 19 borrowers or groups of related borrowers, whose total loan liabilities exceeded 10% of the Bank's capital. Gross amount of the above loans as at 30 June 2011 and 31 December 2010 was LVL 22 938 thousand and LVL 24 549 thousand, respectively.

According to the regulatory requirements, the Bank's credit risk exposure with one client or a group of related clients must not exceed 25% of the Bank's capital. As at 30 June 2011 and 31 December 2010 the Bank was in compliance with this requirement.

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

(i) Finance lease receivables

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

LVL '000	30 June 2011	31 December 2010
Gross investment in finance leases, receivable:		
Less than one year	971	862
Between one and five years	2 990	2 602
More than 5 years	2 128	1 813
Total gross investment in finance leases, receivable	6 089	5 277
Unearned finance income	(760)	(700)
Net investment in finance leases	5 329	4 577

The net investment in finance leases comprises:

Less than one year	785	690
Between one and five years	2 583	2 226
More than 5 years	1 961	1 661
	5 329	4 577

12 Investment property

The Group's investment property

	Land	Buildings	Total
Historical cost			
31 December 2009	341	691	1 032
Acquisitions	517	-	517
31 December 2010	858	691	1 549
Acquisitions	-	1 148	1 148
30 June 2011	858	1 839	2 697
Accumulated depreciation			
31 December 2009	-	7	7
Depreciation for the year	-	27	27
31 December 2010	-	34	34
Depreciation for the year	-	12	12
30 June 2011	-	46	46
Balance			
31 December 2010	858	657	1 515
30 June 2011	858	1 793	2 651

Investment property includes land, residential buildings and commercial buildings. The Group has not determined fair values of investment properties, as this is impracticable as at date of reporting.

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

13 Due on demand to credit institutions

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
OECD credit institutions	42	42	46	46
Non-OECD countries	118	118	8 928	8 928
Total	160	160	8 974	8 974

Concentration of amounts due to credit institutions

As at 30 June 2011 and 31 December 2010, the Bank and Group had deposits with 3 and 1 credit institution, respectively, whose balances exceeded 10% of the total deposits and balances with banks and credit institutions. Gross amount of the above loans as at 30 June 2011 and 31 December 2010 was LVL 157 thousand and LVL 8 853 thousand, respectively.

14 Current accounts and deposits of customers

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
Sector profile:				
Current accounts and deposits from the public				
Corporate customers	70 461	70 469	77 078	77 132
Individuals	25 252	25 252	24 206	24 206
State companies	434	434	131	131
Total current accounts and deposits from the public	96 147	96 155	101 415	101 469
Geographical profile:				
Residents of Latvia	26 386	26 394	24 361	24 415
Non-residents	69 761	69 761	77 054	77 054
<i>Residents of OECD countries</i>	<i>30 025</i>	<i>30 025</i>	<i>33 547</i>	<i>33 547</i>
<i>Residents of non-OECD countries</i>	<i>39 736</i>	<i>39 736</i>	<i>43 507</i>	<i>43 507</i>
Total current accounts and deposits from the public	96 147	96 155	101 415	101 469
Current accounts and deposits from non-banking customers				
Current accounts				
Corporate clients	60 406	60 414	64 379	64 433
Individuals	12 433	12 433	11 487	11 487
State companies	434	434	131	131
Total current accounts	73 273	73 281	75 997	76 051
Term deposits				
Corporate clients	10 055	10 055	12 699	12 699
Individuals	12 819	12 819	12 719	12 719
Total term deposits	22 874	22 874	25 418	25 418
Total current accounts and deposits from non-banking customers	96 147	96 155	101 415	101 469

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS**Blocked accounts**

As of 30 June 2011, the Bank maintained customer deposit balances of LVL 1 115 thousand (31 December 2010: LVL 2 174 thousand) which were blocked by the Bank as collateral for loans and other credit instruments granted by the Bank.

Concentration of current accounts and deposits of customers

As of 30 June 2011 the Bank had no customers, whose balances exceeded 10% of total customer accounts and customer current deposits.

15 Subordinated liabilities

Subordinated liabilities as at 30 June 2011 comprise of loans received from five individuals.

	Maturity	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
		Group	Separate	Group	Separate
Loan Nr.1	02.09.2017	200	200	200	200
Loan Nr.2	02.09.2017	300	300	300	300
Loan Nr.3	02.09.2017	200	200	200	200
Loan Nr.4	28.12.2017	300	300	300	300
Loan Nr.5	30.09.2016	214	214	-	-
Loan Nr.6	26.04.2018	300	300	-	-
Total		1 514	1 514	1 000	1 000

Loans Nr.1,2,3,4 and 6 have fixed interest rate amounted to 4%, and loan Nr. 5 has fixed interest rate amounted to 3.2%..

Subordinated loans are to be satisfied after the claims of all other creditors of the Bank, but before claims of shareholders of the Bank in case of liquidation of the Bank. .

16 Other liabilities

	30 June 2011, '000 LVL		31 December 2010, '000 LVL	
	Group	Separate	Group	Separate
Cash in transit	2 010	2 010	4 947	4 947
Unmatched funds	1 302	1 302	4 833	3 908
Accrued expenses and deferred income	-	-	18	11
Other	40	18	65	-
Total	3 352	3 330	9 863	9 791

Money in transit includes amounts requested by clients for payment with a value date of 1 July 2011 and 1 January 2010 respectively.

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

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

17 Share capital

	30 June 2011			31 December 2010	
	Nominal value (LVL)	Number of shares	Share capital LVL'000	Number of shares	Share capital LVL'000
Ordinary shares	50	160 124	8 006	160 124	8 006

Shareholders

	30 June 2011		31 December 2010	
	Number of shares		Number of shares	
Individuals	9 229		9 229	
Commercial bank SMP bank (Russia)	150 821		150 821	
Other private entities	74		74	
Total	160 124		160 124	

The Bank's capital is registered and fully paid. Ordinary shares rank equally with respect to dividends, as and when they may be declared, and entitle all holders to equal voting rights at the shareholders' meeting. All shares rank equally with respect to residual assets. As at 30 June 2011, there were 8 shareholders – 2 legal persons and 6 individuals (31 December 2010: 8 – 2 legal persons and 6 individuals). The Bank's immediate parent bank is SMP Bank (Russia). Two individuals own 36.8% each of the immediate parent shares.

18 Interest income

	30 June 2011, '000 LVL		30 June 2010, '000 LVL	
	Group	Separate	Group	Separate
Interest income on loans and receivables				
Loans and receivables	1 393	1 357	1 260	1 239
Balances due from credit institutions	52	52	59	59
Bonds	73	73	20	20
Total	1 518	1 482	1 339	1 318

19 Interest expense

	30 June 2011, '000 LVL		30 June 2010, '000 LVL	
	Group	Separate	Group	Separate
Interest expenses on liabilities at amortized cost:				
Current accounts and deposits of customers	611	611	734	734
Balances due to credit institutions	-	-	1	1
Total	611	611	735	735

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

20 Commission and fee income

	30 June 2011, '000 LVL		30 June 2010, '000 LVL	
	Group	Separate	Group	Separate
Commissions from money transfers, cash operations and servicing accounts	756	756	622	622
Fees from cards services	138	138	86	86
Commissions from guarantees	68	68	90	90
Brokerage fees	47	47	99	99
Other	37	29	31	19
Total	1 046	1 038	928	916

21 Commission and fee expense

	30 June 2011, '000 LVL		30 June 2010, '000 LVL	
	Group	Separate	Group	Separate
Commissions paid to correspondent banks	83	83	84	84
Commissions for transactions with payment cards	140	140	75	75
Fees for operations with securities	9	9	8	8
Other	-	-	1	1
Total	232	232	168	168

22 Net impairment allowance expense

	30 June 2011, '000 LVL		30 June 2010, '000 LVL	
	Group	Separate	Group	Separate
Impairment				
Loans and receivables	(431)	(406)	(199)	(199)
	(431)	(406)	(199)	(199)
Reversals of impairment				
Loans and receivables	81	81	74	74
	81	81	74	74
Net impairment losses	(350)	(325)	(125)	(125)

23 Gain on trading with financial instruments, net

	30 June 2011, '000 LVL		30 June 2010, '000 LVL	
	Group	Separate	Group	Separate
Profit from currency exchange transactions	389	389	416	416
Profit/ (loss) from revaluation of foreign currency	71	84	(40)	(47)
Gain on revaluation of investments	1	1	5	5
Total	461	474	381	374

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

24 Administrative expenses

Salaries, wages and related social security contributions represent the basic remuneration of the employees, social security contributions as well as other remuneration. During the six month period ended 30 June 2011 and 2010, the Bank and Group employed on average 195 and 165 employees, respectively.

Administrative expenses are as follows:

	30 June 2011, '000 LVL		30 June 2010, '000 LVL	
	Group	Separate	Group	Separate
Remuneration to staff	750	749	646	644
Rent of premises and other maintenance expenses	230	230	203	203
Social contributions	195	195	171	171
Professional services	207	207	173	173
Remuneration to the members of the Board and Council	80	80	69	69
Depreciation	118	103	121	121
Office maintenance expenses	91	91	82	82
Advertising and marketing	9	9	13	13
Other	148	117	109	88
Total	1 828	1 781	1 587	1 564

25 Corporate income tax

LVL '000	30 June 2011, '000 LVL		30 June 2010, '000 LVL	
	Group	Separate	Group	Separate
Profit before tax	11	27	32	2
Expected tax at the current rate 15%	1	4	5	-
Net of non-deductible expenses and exempt income and other reconciling items	-	(3)	(1)	-
Unrecognized deferred tax asset	-	-	1	-
Income tax	1	1	5	-

26 Cash and cash equivalents

	30 June 2011, '000 LVL		30 June 2010, '000 LVL	
	Group	Separate	Group	Separate
Cash	2 118	2 118	1 894	1 894
Short-term deposits with the Bank of Latvia	9 872	9 872	9 474	9 474
Placements with other credit institutions with maturity less than 3 months	23 396	23 396	24 207	24 207
Placements from other credit institutions with residual maturity less than 3 months	(160)	(160)	(6 108)	(6 108)
Total	35 226	35 226	29 467	29 467

27 Related party transactions**(a) Control relationships**

The Bank's immediate parent bank is SMP Bank (Russia). Two individuals own 36,8% each of the immediate parent shares.

NOTES TO CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS

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

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

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

	30 June 2011 Separate	Average rate	31 December 2010 Separate	Average rate
LVL '000				
Due from SMP Bank (Russia)	3 426	1.39%	1 852	1.9%
Due to SMP bank (Russia)	72	-	8 853	-

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

	30 June 2011 Separate	Average rate	31 December 2010 Separate	Average rate
LVL '000				
Loans to AS "SMP Finance"	8 509	2.00%	6 353	2.11%
Deposits from AS "SMP Finance"	8	-	54	-

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

	30 June 2011 Separate	Average rate	31 December 2010 Separate	Average rate
LVL '000				
SMP Bank (Russia), SMP finance and other related parties deposits	2 808	2.8%	8 907	0.0%

Loans to other related parties

	30 June 2011 Separate	Average rate	31 December 2010 Separate	Average rate
Opening balance	600		531	
Loans issued during the reporting year	83		115	
Loans matured during the reporting year	(22)		(46)	
Loans closing balance	661	4.0%	600	4.5%

Subordinated loans from related parties and affiliates:

During year 2011 and 2010 SMP Bank has received subordinated loan from its related parties and affiliates amounted to 1,300 TLVL and 1,000 TLVL, respectively.

Remuneration to the Council and Board:

	30 June 2011, '000 LVL		30 June 2010, '000 LVL	
	Group	Separate	Group	Separate
Remuneration to the Board and the Council members	80	80	69	69
Total	80	80	69	69