

**A/S REĢIONĀLĀ
INVESTĪCIJU BANKA**

**INTERIM SHORT REPORT FOR SIX MONTHS
ENDED 30 JUNE 2007
(non-audited)**

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REPORT OF THE MANAGEMENT

In the first six months of 2007, AS Reģionālā investīciju banka (hereinafter the Bank) showed dynamic development and growth.

Over such period, the Bank increased the number of its clients and the scope of its transactions. The Bank's loan portfolio increased by 7% and its deposit portfolio has grown by 41% since the beginning of the year.

The Bank successfully implemented a new accounting system during the first half of the year, which resulted in faster turnover of the Bank's transactions, improvement of the current service process, higher data security, and substantially improved Client service as a whole.

In the first six months of 2007, 9 new employees started working for the Bank and two new units: the Document Recording Control Section and the Securities Section were established.

The Bank's performance ratios continued to be stable and the Bank's profit for the first six months amounted to LVL 561,032, profitability ratio ROA was 1.53%, and ROE was 13.63% over such period.

In the first half of 2007, no changes occurred in shareholders of the Bank. Currently, the Bank's major shareholder with 69.69% interest is AB Pivdenny.

Future Prospects

This year the Bank also plans to increase the number of its payment cards and offers to Clients, as well as to promote their sales market considerably. The plan is to improve Client service, the internal control and audit segment, to promote use of state-of-the-art technologies, and to improve the Bank's services and products too.

Haralds Āboliņš
Chairman of the Board,
President

Riga, 15 August 2007

Profit and Loss Account for the six-month period ended 30.06.2007

	Notes	30.06.2007 LVL	30.06.2006 LVL
Interest income		2,682,662	1,371,796
Interest expense		(873,486)	(426,994)
Net interest income		1,809,176	944,802
Fee and commission income		673,242	450,440
Fee and commission expense		(661,936)	(121,277)
Net fee and commission income		11,306	329,163
Net profit/losses from financial assets and financial liabilities held for trading		153,810	156,059
Net profit/losses from financial assets held for trading and financial liabilities at fair value through profit or loss		(95,273)	(69,876)
Profit/loss from forex trading and revaluation		(40,867)	(69,750)
Other operating expense		1,246	596
Provisions for loan impairment		8,446	12,643
General administrative expense		(1,220,779)	(886,373)
Depreciation/wear of intangible assets and fixed assets		(37,354)	(30,981)
Other operating expense		(28,679)	(23,249)
Profit for the accounting period		561,032	363,034

Notes are an integral part of these Financial Statements.

Balance Sheet as at 30 June 2007

	Notes	30.06.2007 LVL	31.12.2006 LVL
<u>Assets</u>			
Cash and balances with the Bank of Latvia	1	2,575,204	4,485,942
Balances due from credit institutions	2	36,713,554	14,028,835
Loans and advances	3	39,426,285	36,809,482
Financial assets at fair value through profit or loss	4	5,477,635	8,354,812
Intangible assets		87,839	58,108
Fixed assets		258,233	172,136
Other assets		1,082,642	239,956
Deferred expenses and accrued income		482,538	386,824
Corporate income tax		25,294	58,964
Total assets		<u>86,129,224</u>	<u>64,595,059</u>
<u>Liabilities</u>			
Issued debt securities		2,811,216	2,811,216
Balances due to other credit institutions		68,319	1,228,732
Deposits	5	73,549,955	52,173,330
Other liabilities		797,116	70,892
Deferred income and accrued expense		552,683	521,986
Deferred tax liabilities		2,500	2,500
Total liabilities		<u>77,781,789</u>	<u>56,808,656</u>
<u>Equity and reserves</u>			
Fixed capital		5,500,000	5,500,000
Retained earnings		2,286,403	1,699,633
Profit for the accounting year		561,032	586,770
Total equity and reserves		<u>8,347,435</u>	<u>7,786,403</u>
Total liabilities and equity		<u>86,129,224</u>	<u>64,595,059</u>
<u>Memorandum items</u>			
Contingent liabilities		32,580	32,580
Off-balance liabilities against clients		8,039,907	7,999,836
Assets under trust management		2,054,434	2,377,319

Notes are an integral part of these Financial Statements.

Statement of Changes in Equity and Reserves for the six-month period ended 30.06.2007

	Fixed capital	Retained earnings	Total
	LVL	LVL	LVL
As at 31 December 2005	3,300,000	1,699,633	4,999,633
Profit for the accounting year		586,770	586,770
Increase of the fixed capital	2,200,000		2,200,000
As at 31 December 2006	5,500,000	2,286,403	7,786,403
Profit for the accounting period		561,032	561,032
As at 30 June 2007	5,500,000	2,847,435	8,347,435

Notes are an integral part of these Financial Statements.

Cash Flow Statement for the six-month period ended 30.06.2007

	Notes	30.06.2007 LVL	30.06.2006 LVL
Cash flow from operating activities			
Profit before corporate income tax		640,826	433,623
Depreciation/wear of intangible assets and fixed assets		37,354	30,981
Increase of provisions for loan impairment		(16,407)	(15,021)
(Profit) / losses from revaluation of forex items		40,867	69,750
(Profit) / losses from revaluation of trading securities		95,273	69,876
Prepaid expense and decrease/(increase) of accrued income		(95,714)	(57,985)
Deferred income and increase of accrued expense		30,697	26,433
Decrease/(increase) of other assets		(842,686)	(5,729,136)
Decrease/(increase) of other liabilities		726,224	1,539,797
Increase in cash and cash equivalents as a result of operating activities, before changes in assets and liabilities		616,434	(3,631,682)
Decrease/(increase) of trading securities		(2,781,904)	(3,767,164)
Increase of balances due from credit institutions		(1,000,000)	1,650
Increase in loans		(2,600,396)	(8,688,116)
Increase in deposits		21,376,625	8,706,189
Increase in cash and cash equivalents as a result of operating activities, before corporate income tax		21,174,567	(7,379,123)
Corporate income tax paid		(46,124)	(178,820)
Net cash and cash equivalents as a result of operating activities		21,128,443	(7,557,943)
Cash flow from investment activities			
Purchase of fixed assets and intangible investments		(153,182)	(26,377)
Decrease in cash and cash equivalents as a result of investment activities		(153,182)	(26,377)
Net increase in cash and cash equivalents as a result of financing activities		0	0
Net increase in cash and cash equivalents for the accounting period		20,975,261	(7,584,320)
Cash and cash equivalents at the beginning of the accounting period		16,259,245	7,845,483
Impact of revaluation of forex item on cash and cash equivalents		(40,867)	(69,750)
Cash and cash equivalents at the end of the accounting period	6	37,193,639	191,413

Notes are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Cash and balances with the Bank of Latvia

	30.06.2007. LVL	31.12.2006. LVL
Cash	503,165	570,998
Balances on demand with the Bank of Latvia	2,072,039	3,914,944
	<u>2,575,204</u>	<u>4,485,942</u>

2. Balances due from credit institutions

	30.06.2007. LVL	31.12.2006. LVL
Due from credit institutions of the Republic of Latvia	3,767,180	6,285,768
Due from a credit institution of non-OECD country	20,246,559	594,368
Due from credit institutions of OECD countries	12,699,815	7,148,699
	<u>36,713,554</u>	<u>14,028,835</u>

The following table discloses balances due from credit institutions between demand and term deposits:

On demand	33,187,454	10,832,035
Balances with maturity of 3 months and less	1,500,000	2,170,000
Other balances	2,026,100	1,026,800
Total due from credit institutions	<u>36,713,554</u>	<u>14,028,835</u>

3. Loans and advances

(a) Break-down of loans by client and loan types

	30.06.2007. LVL	31.12.2006. LVL
Corporate	34,633,064	35,327,793
Individuals	5,065,200	1,770,075
Gross loans	<u>39,698,264</u>	<u>37,097,868</u>
Provisions for loan impairment	(271,979)	(288,386)
Net loans	<u>39,426,285</u>	<u>36,809,482</u>

(b) Changes in provisions for loan impairment and decrease of accrued income value

	Loans LVL	Accrued interest LVL	Total LVL
As at 31 December 2005	49,321	-	49,321
Increase in 2006	261,423	891	262,314
Decrease in 2006	(13,000)	-	(13,000)
Written off in 2006	-	(891)	(891)
Foreign exchange difference	(9,358)	-	(9,358)
As at 31 December 2006	<u>288,386</u>	-	<u>288,386</u>
Increase in the accounting period	-	-	-
Decrease in the accounting period	(16,407)	-	(16,407)
As at 30 June 2007	<u>271,979</u>	-	<u>271,979</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Financial assets at fair value through profit or loss

	30.06.2007. LVL	31.12.2006. LVL
Latvian government debt securities	2,230,678	5,433,853
Government debt securities of non-OECD region	2,369,622	2,395,026
Latvian corporate debt securities	877,335	525,933
	<u>5,477,635</u>	<u>8,354,812</u>

All securities were purchased for trading purposes and are disclosed at their fair value. Latvian government debt securities and Latvian corporate debt securities are listed at Riga Stock Exchange. Government debt securities of non-OECD region are listed at stock exchanges of the relevant regions.

5. Deposits

(a) Analysis of deposits by client type

	30.06.2007. LVL	31.12.2006. LVL
Deposit maturity:		
Demand deposits	50,530,793	22,483,697
Term deposits	23,019,162	26,825,333
Cash in transit	-	2,864,300
Total deposits:	<u>73,549,955</u>	<u>52,173,330</u>
<i>Sector:</i>		
Private companies	50,015,427	43,555,761
Private persons	21,802,364	6,932,949
Financial institutions	1,729,140	1,675,229
Non-commercial institutions	473	7,223
Central government	2,551	2,168
Total deposits:	<u>73,549,955</u>	<u>52,173,330</u>

(b) Analysis of deposits by deposit geography

	30.06.2007. LVL	31.12.2006. LVL
Non-residents	61,105,223	40,716,730
Residents	12,444,732	11,456,600
Total deposits:	<u>73,549,955</u>	<u>52,173,330</u>

6. Cash and cash equivalents

	30.06.2007. LVL	30.06.2006. LVL
Cash and balances with the Bank of Latvia	2,575,204	1,853,561
Balances with maturity of 3 months and less	34,686,754	9,493,665
Due to other credit institutions	(68,319)	(11,155,813)
	<u>37,193,639</u>	<u>191,413</u>