

**A/S REĢIONĀLĀ
INVESTĪCIJU BANKA**

**INTERIM SHORT REPORT FOR SIX MONTHS (EUR)
ENDED 30 JUNE 2008
(non-audited)**

CONTENTS

Report of the Management	3
Statement of Responsibility of the Management	4
Financial Statements:	
Profit and Loss Account	5
Balance Sheet and Memorandum Items	6
Statement of Changes in Equity and Reserves	7
Cash Flow Statement	
Notes to the Financial Statements	9-10

A/S Reģionālā Investīciju banka

2 J. Alunāna Street, Riga, LV-1010, Latvia

Telephone: (371) 7508989

Fax: (371) 7508988

Unified registration number: 4000 356 3375

REPORT OF THE MANAGEMENT

In the first half of 2008, JSC „Reģionālā Investīciju banka” (hereinafter – the Bank) continued its development and growth.

During this period number of Customers and volume of transactions has been increased in the Bank.

Starting from the beginning of this year credit portfolio grew by 41 %, deposit portfolio grew by 46 %, in turn assets of the Bank from the beginning of this year grew by 34 % and on 30 of June, 2008 compiled 105,67 millions LVL.

In the first half of this year depositary and brokerage services of financial instruments were offered to the Customers, a number of Bank information systems and programs were improved, as the result the services offered to Customers rapid and quality improved.

In the first six months of 2008, 13 new employees started their work in the Bank and 7 new units were introduced in the Bank – Corporate Customer Service Department, Supervision and Analysis of Customer's Legal Document Section, Operational Accounting Section, IS Development and Support Section, Credit Risk Analysis Section, Customer Service Section, and Registration and Training Section.

The Bank's financial indicators keep its dynamic growth – the profit of the Bank during first six months of 2008 compiled 1,31 millions LVL, in turn profitability ratio ROA was 2.72 %, and ROE – 21.37% over this period.

On the 30th of January, 2008 were also several changes in the Bank's shareholders – shareholder Haralds Āboliņš sold 4,878% of his shares to “HRG ieguldījumi” Ltd., consequently “HRG ieguldījumi” Ltd. owns 9,756% of JSC “Reģionālā investīciju banka” shares, and it has become the second biggest shareholder of the Bank. The biggest shareholder AB „Pivdenny” owns 89,02% of the Bank's shares.

One of the Bank's strategic tasks is Risk management. Risk management strategy has been developed for the Bank's risk management, which covers management of the following risks: credit risk and residual risk, operational risk, market risk, interest rate risk, foreign currency risk, liquidity risk, concentration risk, and country risk.

For the purpose of managing these risks, internal risk management policies and procedures have been developed which are approved by the Bank's Council and/or Board and implemented by the responsible units of the bank.

The main unit responsible for determination, evaluation and oversight of the risks is the Risk Management Department, which is an independent unit whose functions are separated from the functions of the business units.

The risk management system is being constantly improved in accordance with the Bank's activities and external conditions influencing these activities, and regular oversight of this process is performed by the Internal Audit Department.

Future Perspectives

Still this year the Bank is planning to continue its activity and open a branch in Bulgaria. It has also planned to continue improvement financial instruments in the form of depositary and brokerage services, improvement of payment cards offer and promotion. It is planned to improve present Bank's structure, promote application of modern technologies, and upgrade the Bank's services and products.

Haralds Āboliņš
Chairman of the Board,
President

Riga, 20 August 2008

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT

Council and Board of the Bank (hereinafter – management) are responsible for the preparation of the financial statements of the Bank.

The financial statement on pages 5 to 10 prepared in accordance with the source documents and present fairly the financial position of the Bank as at 30 June 2008 and the results of its operations and cash flows for the reporting year 2008.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted in the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Management in the preparation of the financial statements.

The Management of the Bank is responsible for the maintenance of proper accounting records, the safeguarding of the Bank's assets, and the prevention and detection of fraud and other irregularities in the Bank. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Financial and Capital Market Commission, Bank of Latvia and other legislation of the Republic of Latvia applicable for credit institutions.

Haralds Āboliņš
Chairman of the Board,
President

Riga, 20 August 2008

Profit and Loss Account for the six-month period ended 30.06.2008

	Notes	30.06.2008 EUR	30.06.2007 EUR
Interest income		4`957`021	3`817`084
Interest expense		<u>(1`764`620)</u>	<u>(1`242`859)</u>
Net interest income		3`192`401	2`574`225
Fee and commission income		1`352`575	957`937
Fee and commission expense		<u>(587`576)</u>	<u>(941`850)</u>
Net fee and commission income		764`999	16`087
Net profit/losses from financial assets and financial liabilities held for trading		194`292	218`852
Net profit/losses from financial assets held for trading and financial liabilities at fair value through profit or loss		17`158	(135`561)
Profit/loss from forex trading and revaluation		164`995	(58`149)
Other operating expense		30`605	1`773
Provisions for loan impairment		(40`276)	12`018
General administrative expense		(2`063`497)	(1`520`358)
Depreciation/wear of intangible assets and fixed assets		(111`264)	(53`150)
Other operating expense		(38`699)	(40`806)
Corporate income tax		<u>(242`822)</u>	<u>(216`654)</u>
Profit for the accounting period		<u>1`867`892</u>	<u>798`277</u>

Notes are an integral part of these Financial Statements.

Balance Sheet as at 30 June 2008

	Notes	30.06.2008 EUR	31.12.2007 EUR
<u>Assets</u>			
Cash and balances with the Bank of Latvia	1	10'708'868	9'783'351
Balances due from credit institutions	2	31'776'403	23'908'441
Loans and advances	3	97'289'451	68'941'743
Financial assets at fair value through profit or loss	4	8'574'714	8'223'066
Derivative financial instruments		476'446	118'056
Intangible assets		361'058	375'294
Fixed assets		357'654	397'415
Other assets		671'737	622'324
Deferred expenses and accrued income		132'560	129'538
Corporate income tax		0	64'480
Total assets		150'348'891	112'563'708
<u>Liabilities</u>			
Issued debt securities		4'055'808	4'055'808
Balances due to other credit institutions		19'215'071	17'767'722
Deposits	5	107'164'936	73'550'424
Derivative financial instruments		116'370	165'437
Other liabilities		1'375'354	228'123
Deferred income and accrued expense		187'722	430'456
Deferred tax liabilities		12'492	12'492
Total liabilities		132'127'753	96'210'462
<u>Equity and reserves</u>			
Fixed capital		11'667'549	11'667'549
Retained earnings		4'685'697	3'253'258
Profit for the accounting year		1'867'892	1'432'439
Total equity and reserves		18'221'138	16'353'246
Total liabilities and equity		150'348'891	112'563'708
<u>Memorandum items</u>			
Contingent liabilities		197'810	811'832
Off-balance liabilities against clients		14'287'799	16'503'318
Assets under trust management		3'601'334	2'382'364

Notes are an integral part of these Financial Statements.

Statement of Changes in Equity and Reserves for the six-month period ended 30.06.2008

	Fixed capital	Retained earnings	Total
	EUR	EUR	EUR
As at 31 December 2006	7`825`795	3`253`258	11`079`053
Profit for the accounting year	-	1`432`439	1`432`439
Increase of the fixed capital	3`841`754	-	3`841`754
As at 31 December 2007	11`667`549	4`685`697	16`353`246
Profit for the accounting period	0	1`867`892	1`867`892
As at 30 June 2008	11`667`549	6`553`589	18`221`138

Notes are an integral part of these Financial Statements.

Cash Flow Statement for the six-month period ended 30.06.2008

	Notes	30.06.2008 EUR	30.06.2007 EUR
Cash flow from operating activities			
Profit before corporate income tax		2'110'714	911'813
Depreciation/wear of intangible assets and fixed assets		111'264	53'150
Increase of provisions for loan impairment		(18'257)	(23'345)
(Profit) / losses from revaluation of forex items		(164'995)	58'149
(Profit) / losses from revaluation of trading securities		(17'158)	135'561
(Profit) / losses from revaluation of derivative financial instruments		(407'458)	0
Prepaid expense and decrease/(increase) of accrued income		(3'022)	(136'189)
Deferred income and increase of accrued expense		(242'733)	43'678
Decrease/(increase) of other assets		(49'415)	(1'199'034)
Decrease/(increase) of other liabilities		1'147'230	1'033'324
Increase in cash and cash equivalents as a result of operating activities, before changes in assets and liabilities		2'466'170	877'107
Decrease/(increase) of trading securities		(334'489)	3'958'293
Increase of balances due from credit institutions		(848'495)	(1'422'872)
Increase in loans		(28'329'450)	(3'700'030)
Increase in deposits		33'614'512	30'416'196
Increase in cash and cash equivalents as a result of operating activities, before corporate income tax		6'568'248	30'128'694
Corporate income tax paid		(178'341)	(65'628)
Net cash and cash equivalents as a result of operating activities		6'389'907	30'063'066
Cash flow from investment activities			
Purchase of fixed assets and intangible investments		(57'268)	(217'958)
Decrease in cash and cash equivalents as a result of investment activities		(57'268)	(217'958)
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		6'332'639	29'845'108
Cash and cash equivalents at the beginning of the accounting period		12'955'236	23'134'821
Impact of revaluation of forex item on cash and cash equivalents		164'995	(58'149)
Cash and cash equivalents at the end of the accounting period	6	19'452'870	52'921'780

Notes are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Cash and balances with the Bank of Latvia

	30.06.2008. EUR	31.12.2007. EUR
Cash	764`557	857`576
Balances on demand with the Bank of Latvia	9`944`311	8`925`775
	<u>10`708`868</u>	<u>9`783`351</u>

2. Balances due from credit institutions

	30.06.2008. EUR	31.12.2007. EUR
Due from credit institutions of the Republic of Latvia	9`441`592	11`238`162
Due from a credit institution of non-OECD country	11`923`031	3`174`928
Due from credit institutions of OECD countries	10`379`477	9`398`921
Accrued interest receivable	32`303	96`430
	<u>31`776`403</u>	<u>23`908`441</u>

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

On demand	14`381`972	11`238`162
Balances with maturity of 3 months and less	13`565`977	3`174`928
Other balances	3`796`151	9`398`921
Accrued interest receivable	32`303	96`430
Total due from credit institutions	<u>31`776`403</u>	<u>23`908`441</u>

3. Loans and advances

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

	30.06.2008. EUR	31.12.2007. EUR
Corporate	91`058`504	63`355`621
Individuals	6`512`977	6`056`128
Gross loans	<u>97`571`481</u>	<u>69`411`749</u>
Provisions for loan impairment	(750`376)	(768`633)
Accrued interest receivable	468`346	298`627
Net loans	<u>97`289`451</u>	<u>68`941`743</u>

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

	Loans EUR	Accrued interest EUR	Total EUR
As at 31 December 2006	410`336	-	410`336
Increase in 2007	450`173	-	450`173
Decrease in 2007	(48`151)	-	(48`151)
Foreign exchange difference	(43`725)	-	(43`725)
As at 31 December 2007	<u>768`633</u>	-	<u>768`633</u>
Increase in the accounting period	70`666	-	70`666
Decrease in the accounting period	(31`292)	-	(31`292)
Foreign exchange difference	(57`631)	-	(57`631)
As at 30 June 2008	<u>750`376</u>	-	<u>750`376</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Financial assets at fair value through profit or loss

	30.06.2008. EUR	31.12.2007. EUR
Latvian government debt securities	3`285`595	3`248`771
Government debt securities of non-OECD region	2`857`169	3`444`539
Latvian corporate debt securities	2`431`950	1`529`756
	<u>8`574`714</u>	<u>8`223`066</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

	30.06.2008. EUR	31.12.2007. EUR
Deposit maturity:		
Demand deposits	55`654`884	40`247`950
Term deposits	50`927`616	33`008`974
Accrued interest receivable	582`436	293`500
Total deposits:	<u>107`164`936</u>	<u>73`550`424</u>

Sector:

Private companies	84`348`362	58`494`233
Private persons	17`465`868	11`250`396
Financial institutions	4`714`124	3`456`009
Non-commercial institutions	50`751	52`891
Central government	3`395	3`395
Accrued interest receivable	582`436	293`500
Total deposits:	<u>107`164`936</u>	<u>73`550`424</u>

(b) Analysis of deposits by deposit geography

	30.06.2008. EUR	31.12.2007. EUR
Non-residents	83`475`952	57`605`954
Residents	23`106`547	15`650`970
Accrued interest receivable	582`437	293`500
Total deposits:	<u>107`164`936</u>	<u>73`550`424</u>

6. Cash and cash equivalents

	30.06.2008. EUR	30.06.2007. EUR
Cash and balances with the Bank of Latvia	10`708`868	3`664`185
Balances with maturity of 3 months and less	27`959`073	49`354`804
Due to other credit institutions	(19`215`071)	(97`209)
	<u>19`452`870</u>	<u>52`921`780</u>