AS "PrivatBank"

Condensed Consolidated and
Separate Interim Financial
Statements
for the six month period ended
30 June 2011

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MANAGEMENT REPORT

Dear shareholders, partners and customers,

AS "PrivatBank" (the 'Bank') finished the first half of 2011 with a profit, which is one of the most important indicators of the Bank's successful activity in the hard times for the Latvian economy and the whole banking sector. There has been a slowdown in problem asset growth; a positive dynamic of the net interest income ratio has emerged. The paid-in capital of AS "PrivatBank" in the first half of 2011 is 40,470,000 LVL.

On 12 July 2011, Moody's agency specialists confirmed the current ratings of AS "PrivatBank" (B2/NP in deposits, E+ in financial strength) with a stable outlook.

The Bank's stable reputation is also acknowledged by our customers placing subordinated deposits with AS "PrivatBank".

According to a research conducted by a service audit company DORUS, AS "PrivatBank" took 3rd place in the "Customer Service Level and Sales" category, leaving behind many larger Latvian banks.

Branch network development

AS "PrivatBank" continues its policy of expanding the branch network not only in Latvia but also in other European markets. AS "PrivatBank" received a permit to carry out activities in Germany without opening a branch, which enables the Bank to activate operations in the market of this country.

In the second half of 2011, the Bank plans to open new branches and offices in Riga.

New products and services of the bank

From March 1, 2011, AS "PrivatBank" offered entrepreneurs even more advantageous terms of cooperation by introducing so-called Package for Legal Entities.

In order to improve customer service, AS "PrivatBank" has concluded a cooperation agreement with Nordea banka, and as of 1 March 2011, the friendly ATM network of AS "PrivatBank" was supplemented by more than 90 ATMs of Nordea banka. Now our customers can withdraw cash free of charge in more than 300 ATMs all over Latvia.

In May 2011, AS "PrivatBank" started to develop insurance intermediary business, offering its customers to acquire an OCTA (motor third-party liability) policy of AAS "Baltikums", AS "If P&C Insurance", SE "BTA Insurance Company" and AAS "Seesam Latvia". In the second half of 2011, AS "PrivatBank" customers will be able to acquire a KASKO (casco) policy and insure real estate.

The Bank's individual customers were not disregarded as well – in May 2011, AS "PrivatBank" introduced a new product for its customers, a banking package "The Great Five" for individuals, which combined a variety of products and services that we believe customers seek.

In July 2011, AS "PrivatBank" presented to its customers a new version of Privat24 Internet bank. The new version has an improved interface, is very safe and easy to use.

Public activities

AS "PrivatBank" is always ready to support social projects aimed at protecting the environment not only in Latvia but also in other countries of the world.

On April 30, 2011, the employees of the regional branches of AS "PrivatBank" together with other enthusiasts all over Latvia took part in the Big Cleanup, the annual Latvian cleanup event. In turn, on May 14, 2011, the employees of AS "PrivatBank" Head Office and regional branches in Riga, its customers and partners supported the initiative of Ukrainian colleagues and took part in the cleanup, which was organised in solidarity with PrivatBank banking group.

The Bank's main effort in the second half of 2011 will be directed towards further development of the branch network in Europe and strengthening its positions in the Latvian market.

Chairperson of the Board

Oleksandr Trubakov

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Independent Auditors' Report

To the shareholders of AS "PrivatBank"

Report on the Separate and Consolidated Condensed Interim Financial Information

We have audited the accompanying separate condensed interim financial information of AS "PrivatBank" ("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 6 to 32.

We have also audited the accompanying consolidated condensed interim financial information of AS "PrivatBank" 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 6 to 32.

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

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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 "PrivatBank" 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 "PrivatBank" 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
29 August 2011

Armine Movsisjana
Sworn Auditor
Certificate No 178

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 COMPREHENSIVE INCOME

		Six months ended 30 June			
	Note	Group 2011 '000 LVL	Bank 2011 '000 LVL	Group 2010 '000 LVL	Bank 2010 '000 LVL
Interest income	7	4 148	4 267	3 363	3 500
Interest expense	7	(4 272)	(4 272)	(4 899)	(5 043)
Net interest income		**(124)**	**(5)**	**(1 536)**	**(1 543)**
Fee and commission income	8	2 476	2 459	2 154	2 154
Fee and commission expense	9	(282)	(282)	(276)	(276)
Net fee and commission income		**2 194**	**2 177**	**1 878**	**1 878**
Net loss from financial instruments at fair value through profit or loss		(1)	(1)	-	-
Net foreign exchange income		2 908	2 912	1 964	1 980
Other income/(expenses)		113	85	(53)	(86)
Operating income		**5 090**	**5 168**	**2 253**	**2 229**
Impairment losses	10	(1 751)	(745)	(3 110)	(2 800)
General administrative expenses		(3 766)	(3 646)	(3 089)	(2 945)
Income/(loss) before income tax		**(427)**	**777**	**(3 946)**	**(3 516)**
Income tax benefit/ (expense)	11	(10)	(10)	7	7
Income/(loss) for the period		**(437)**	**767**	**(3 939)**	**(3 509)**
Total comprehensive income/(loss) for the period		**(437)**	**767**	**(3 939)**	**(3 509)**

The accompanying notes on pages 11 to 32 are an integral part of the condensed Consolidated and Separate interim financial statements.

The condensed Consolidated and Separate interim financial statements as set out on pages 6 to 32 were approved by the Board of Directors on _____.

Deputy Chairperson of the Council
Viktor Samarin

Chairperson of the Board
Oleksandr Trubakov

CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
ASSETS					
Cash and balances with the Bank of Latvia	12	53 507	53 507	33 303	33 303
Financial instruments at fair value through profit or loss	13	-	-	206	207
Loans and receivables from banks	14	136 699	136 699	128 299	128 299
Loans and receivables from customers	15	61 770	76 829	85 885	97 788
Available-for-sale assets		28	28	28	28
Held-to-maturity assets	16	3 959	3 959	4 257	4 257
Investments in subsidiaries		-	24	-	24
Property and equipment		8 794	8 693	8 845	8 806
Intangible assets		117	85	138	107
Deferred tax asset		150	17	141	8
Prepaid income tax		95	48	70	49
Other assets	17	15 298	2 867	13 191	2 894
Total Assets		**280 417**	**282 756**	**274 363**	**275 770**

The accompanying notes on pages 11 to 32 are an integral part of the condensed Consolidated and Separate interim financial statements.

The condensed Consolidated and Separate interim financial statements as set out on pages 6 to 32 were approved by the Board of Directors on _____.

Deputy Chairperson of the Council
Viktor Samarin

Chairperson of the Board
Oleksandr Trubakov

CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
LIABILITIES AND SHAREHOLDERS' EQUITY					
Financial instruments at fair value through profit or loss	13	-	1	1	2
Deposits and balances from banks	18	15 141	15 141	10 472	10 472
Current accounts and deposits from customers	19	232 597	232 775	226 279	226 765
Provisions		568	489	362	340
Mortgage bonds	20	4 926	4 926	4 926	4 926
Subordinated loans	21	6 814	6 814	6 955	6 955
Other liabilities	22	2 467	2 301	7 028	6 769
Total Liabilities		**262 514**	**262 448**	**256 023**	**256 229**
Share capital	23	40 470	40 470	40 470	40 470
Other reserves		3 793	3 793	3 793	3 793
Accumulated losses		(26 360)	(23 955)	(25 923)	(24 722)
Total Equity		**17 903**	**20 308**	**18 340**	**19 541**
Total Liabilities and Shareholders' Equity		**280 417**	**282 756**	**274 363**	**275 770**
Commitments and Contingencies		3 376	3 376	2 232	2 232

The accompanying notes on pages 11 to 32 are an integral part of the condensed Consolidated and Separate interim financial statements.

The condensed Consolidated and Separate interim financial statements as set out on pages 6 to 32 were approved by the Board of Directors on 19 August 2011.

Deputy Chairperson of the Council
Viktor Samarin

Chairperson of the Board
Oleksandr Trubakov

CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF CASH FLOWS

	Note	Six month period ended 30 June			
		Group 2011 '000 LVL	Bank 2011 '000 LVL	Group 2010 '000 LVL	Bank 2010 '000 LVL
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before income tax		(427)	777	(3 946)	(3 516)
Amortization and depreciation		265	252	249	230
Impairment losses (recoveries)		1 751	745	3 110	2 800
Foreign exchange (net)		(300)	(300)	-	-
Loan write offs		(1 650)	(1 650)	-	-
Increase/(decrease) in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		**(361)**	**(176)**	**(587)**	**(486)**
Decrease in balances due from banks		30 368	30 368	1 515	1 515
(Increase)/decrease in loans and advances to non-banking customers and receivables		24 288	21 864	(19 741)	(24 119)
Decrease in assets available-for-sale investments		-	-	42	-
Decrease in financial instruments at fair value through profit or loss		206	207	278	273
(Increase)/decrease in other assets		(2 381)	27	(4 578)	(598)
Increase/(decrease) in provisions		206	149	(10)	85
Increase/(decrease) in balances due to banks		939	939	699	699
Increase/(decrease) in balances due to customers		6 318	6 010	51 721	51 731
Increase/(decrease) in financial liabilities held-for-trading		(1)	(1)	-	-
Increase/(decrease) in other liabilities		(4 569)	(4 449)	2 068	2 257
Increase in cash and cash equivalents from operating activities before corporate income tax		**55 013**	**54 938**	**31 407**	**31 357**
Corporate income tax paid		(27)	(27)	(66)	(47)
Net cash and cash equivalents from/(used in) operating activities		**54 986**	**54 911**	**31 341**	**31 310**
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment and intangibles		(201)	(126)	(272)	(243)
Proceeds from sale of property and equipment		-	-	-	2
Purchase held-to-maturity-assets		-	-	(4 481)	(4 481)
Increase in cash and cash equivalents from investing activities		**(201)**	**(126)**	**(4 753)**	**(4 722)**
CASH FLOW FROM FINANCING ACTIVITIES					
Repayment of debt securities		-	-	(6 347)	(6 347)
Proceeds from share issue		-	-	20 235	20 235
Increase in subordinated loans		457	457	1 092	1 092
Increase in cash and cash equivalents from financing activities		**457**	**457**	**14 980**	**14 980**
Net cash flow for the period		**55 242**	**55 242**	**41 568**	**41 568**
Cash and cash equivalents at the beginning of the period		**112 763**	**112 763**	**26 850**	**26 850**
Cash and cash equivalents at the end of the period	24	**168 005**	**168 005**	**68 418**	**68 418**

The accompanying notes on pages 11 to 32 are an integral part of the condensed Consolidated and Separate interim financial statements.

The condensed Consolidated and Separate interim financial statements as set out on pages 6 to 32 were approved by the Board of Directors on 19 August 2011.

Deputy Chairperson of the Council
Viktor Samarin

Chairperson of the Board
Oleksandr Trubakov

CONDENSED CONSOLIDATED AND SEPARATE INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months period ended 30 June 2011

Group

	Share capital '000 LVL	Other reserves '000 LVL	Retained earnings/ (Accumulated losses) '000 LVL	Total equity '000 LVL
Balance at 31 December 2009	**20 235**	**3 793**	**(15 137)**	**8 891**
Total comprehensive income				
Loss for the year	-	-	(3 939)	(3 939)
Transactions with shareholders, recorded directly in equity				
Increase in share capital	20 235	-	-	20 235
Balance at 30 June 2010	**40 470**	**3 793**	**(19 076)**	**25 187**
Total comprehensive income				
Loss for the year	-	-	(6 847)	(6 847)
Balance at 31 December 2010	**40 470**	**3 793**	**(25 923)**	**18 340**
Total comprehensive income				
Loss for the year	-	-	(437)	(437)
Balance at 30 June 2011	**40 470**	**3 793**	**(26 360)**	**17 903**

Bank

	Share capital '000 LVL	Other reserves '000 LVL	Retained earnings / (Accumulated losses) '000 LVL	Total equity '000 LVL
Balance at 31 December 2009	**20 235**	**3 793**	**(14 240)**	**9 788**
Total comprehensive income				
Loss for the year	-	-	(3 509)	(3 509)
Transactions with shareholders, recorded directly in equity				
Increase in share capital	20 235	-	-	20 235
Balance at 30 June 2010	**40 470**	**3 793**	**(17 749)**	**26 514**
Total comprehensive income				
Loss for the year	-	-	(6 973)	(6 973)
Balance at 31 December 2010	**40 470**	**3 793**	**(24 722)**	**19 541**
Total comprehensive income				
Loss for the year	-	-	767	767
Balance at 30 June 2011	**40 470**	**3 793**	**(23 955)**	**20 308**

The accompanying notes on pages 11 to 32 are an integral part of the condensed Consolidated and Separate interim financial statements.

The condensed Consolidated and Separate interim financial statements as set out on pages 6 to 32 were approved by the Board of Directors on 19 August 2011.

Deputy Chairperson of the Council
Viktor Samarin

Chairperson of the Board
Oleksandr Trubakov

1. Background

Principal activities

AS "PrivatBank" (the "Bank") was established in the Republic of Latvia ("Latvia") as a joint stock company and was granted its general banking license on 31 July 1992 (reissued on 17 September 1998). The principal activities of the Bank are deposit taking and customer accounts maintenance, lending and issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Bank of Latvia and the Financial and Capital Market Commission ("FCMC"). The Bank has 12 branches and 10 cash offices from which it conducts business throughout Latvia, and 1 branch in each of Portugal and Italy . The registered address of the Bank's head office is Terbatas street 4, Riga, Latvia. The majority of the Bank's assets and liabilities are located in Latvia.

The consolidated financial statements include the financial statements of AS "PrivatBank" (the "Bank") and its subsidiaries (together referred to as the "Group").

The subsidiaries of the Bank are as follows:

			Ownership %	
Name	**Country of incorporation**	**Principal Activities**	**30 June 2011**	**31 December 2010**
SIA "PrivatLīzings"	Latvia	Finance and operating lease activities	100	100
SIA "PrivatConsulting"	Latvia	Consulting and travel services	100	100
SIA "Amber Real"	Latvia	Real estate company	100	100
SIA "PrivatInvestment"	Latvia	Maintenance and service management of Bank`s real estate	100	100

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 interim financial statements do not include all of the information required for a complete set of annual financial statements and should be read in conjunction with the Consolidated and Separate financial statements as at and for the year ended 31 December 2010.

The condensed Consolidated and Separate interim financial statements were authorised for issue by the Management Board on 19 August 2011. The financial statements may be amended by 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.privatbank.lv.

b) *Functional and Presentation Currency*

The financial statements are presented in thousands of lats (LVL 000's) unless otherwise stated as the lat is the Bank's functional currency. Subsidiaries of the Bank operate in the functional currencies of LVL.

3. Significant accounting policies

The accounting policies applied by the Group and Bank in these condensed interim financial statements are the same as those applied by the Group and Bank in their 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 Consolidated and Separate separate 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 Group and Bank 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 must 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: 8%). The Bank was in compliance with the statutory capital ratio as at 30 June 2010, 31 December 2010 and 30 June 2011.

The Group's risk based capital adequacy ratio as at 30 June 2011 was 12.15% (31 December 2010: 16.86% and 30 June 2010: 19.98%).

6. Use of estimates and judgements

The preparation of the condensed Consolidated and Separate interim financial statements requires management to make judgements estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities income and expense. Actual results may differ from these estimates.

CONDENSED CONSOLIDATED AND SEPARATE INTERIM NOTES TO FINANCIAL STATEMENTS

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

During the six months ended 30 June 2011 management reassessed all the key estimates.

7. Net interest income

	Six months ended 30 June			
	Group 2011 '000 LVL	Bank 2011 '000 LVL	Group 2010 '000 LVL	Bank 2010 '000 LVL
Interest income				
Loans and receivables from customers	2 121	2 240	2 018	2 155
Loans and receivables from banks	1 720	1 720	1 187	1 187
Held-to-maturity investments	229	229	52	52
Penalties from delayed interest payments	75	75	105	105
Other interest income	3	3	1	1
Total interest income	**4 148**	**4 267**	**3 363**	**3 500**
Interest expense				
Current accounts and deposits from customers	3 662	3 662	4 116	4 260
Mortgage bonds	71	71	126	126
Deposits and balances from banks	314	314	479	479
Payments to Deposit guarantee fund	225	225	178	178
Total interest expense	**4 272**	**4 272**	**4 899**	**5 043**

Interest recognized on impaired loans during the six months period ended 30 June 2011 amounts to LVL 637 thousand (2010: LVL 2 165 thousand), including LVL 94 thousand (2010: 162 thousand) which have not been received as at 30 June 2011.

8. Fee and commission income

	Six months ended 30 June			
	Group 2011 '000 LVL	Bank 2011 '000 LVL	Group 2010 '000 LVL	Bank 2010 '000 LVL
Current account servicing	1 461	1 461	1 106	1 106
Payments cards servicing	145	145	116	116
Asset management fees	566	566	791	791
Other commission income	304	287	141	141
Total	**2 476**	**2 459**	**2 154**	**2 154**

9. Fee and commission expense

	Six months ended 30 June			
	Group 2011 '000 LVL	Bank 2011 '000 LVL	Group 2010 '000 LVL	Bank 2010 '000 LVL
Commission fee for transfers	154	154	124	124
Commission fee for credit card servicing	38	38	31	31
Encashment fees	24	24	33	33
Other	66	66	88	88
Total	**282**	**282**	**276**	**276**

10. Impairment losses

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 30 June 2010 '000 LVL	Bank 30 June 2010 '000 LVL
Impairment charge				
Loans and receivables from customers	4 031	3 727	4 973	4 482
Other assets	274	-	-	-
	4 305	**3 727**	**4 973**	**4 482**
Recovery				
Loans and receivables from customers	(2 554)	(2 982)	(1 863)	(1 682)
	(2 554)	**(2 982)**	**(1 863)**	**(1 682)**
Net impairment losses	**1 751**	**745**	**3 110**	**2 800**

Analysis of changes in impairment allowances:

Group:

	30 June 2011			30 June 2010		
	Loans and receivables from customers '000 LVL	Goodwill '000 LVL	Other assets '000 LVL	Loans and receivables from customers '000 LVL	Goodwill '000 LVL	Other assets '000 LVL
Allowances as at the beginning of the reporting period	**26 982**	**800**	**-**	**16 396**	**800**	**-**
Impairment charge	4 031	-	274	4 973	-	-
Recovery	(2 554)	-	-	(1 863)	-	-
Difference due to fluctuations in foreign exchange rates	-	-	-	77	-	-
Amounts written-off	(1 650)	-	-	(400)	-	-
Allowances as at the end of the reporting period	**26 809**	**800**	**274**	**19 183**	**800**	**-**

Bank:

	30 June 2011 Loans and receivables from customers '000 LVL	30 June 2010 Loans and receivables from customers '000 LVL
Allowances as at the beginning of the reporting period	**25 739**	**16 192**
Impairment charge	3 727	4 482
Recovery	(2 982)	(1 682)
Difference due to fluctuations in foreign exchange rates	-	77
Amounts written-off	(1 650)	(529)
Allowances as at the end of the reporting period	**24 834**	**18 540**

11. Income tax expense

	Six month ended 30 June			
	Group 2011 '000 LVL	Bank 2011 '000 LVL	Group 2010 '000 LVL	Bank 2010 '000 LVL
Profit/(loss) before tax	**(427)**	**777**	**(3 946)**	**(3 516)**
Expected tax charge applying current tax rate of 15%	(64)	117	(592)	(527)
Net of non-deductible expenses and exempt income and other reconciling items	45	29	-	9
Change in deferred tax asset	(54)	(136)	585	511
Group taxation	83	-	-	-
Income tax charge / (benefit)	**10**	**10**	**(7)**	**(7)**

12. Cash and balances with the Bank of Latvia

	Group 2011 '000 LVL	Bank 2011 '000 LVL	Group 2010 '000 LVL	Bank 2010 '000 LVL
Cash	1 184	1 184	1 387	1 387
Due from Bank of Latvia	41 096	41 096	21 583	21 583
Minimum reserve deposit	11 227	11 227	10 333	10 333
	53 507	**53 507**	**33 303**	**33 303**

13. Financial instruments at fair value through profit or loss

Group

Derivative financial instruments

LVL '000	Notional amount		Fair value			
			Assets		Liabilities	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010	30.06.2011	31.12.2010
Forward currency exchange agreements	-	21 184	-	206	-	1
Total	**-**	**21 184**	**-**	**206**	**-**	**1**

Bank

Derivative financial instruments

LVL '000	Notional amount		Fair value			
			Assets		Liabilities	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010	30.06.2011	31.12.2010
Forward currency exchange agreements	437	21 964	-	207	1	2
Total	**437**	**21 964**	**-**	**207**	**1**	**2**

Derivative financial instruments held as at 30 June 2011 comprise contract in LVL and EUR with maturity on 12 July 2011.

14. Loans and receivables from banks

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
Nostro accounts				
Latvian commercial banks	284	284	450	450
OECD banks	28 442	28 442	8 662	8 662
Non-OECD banks	3 439	3 439	931	931
Total nostro accounts	**32 165**	**32 165**	**10 043**	**10 043**
Loans and deposits				
Latvian commercial banks	-	-	3 283	3 283
OECD banks	68 052	68 052	106 942	106 942
Non-OECD banks	36 482	36 482	8 031	8 031
Total loans and deposits	104 534	104 534	118 256	118 256
	136 699	**136 699**	**128 299**	**128 299**

Concentration of placements with banks and other financial institutions
As at 30 June 2011 and 31 December 2010 the Group and the Bank had 5 and 5 banks and financial institutions respectively whose balances exceeded 10% of total placements with banks and other financial institutions. The gross value of these balances as of 30 June 2011 and 31 December 2010 was LVL 101 342 thousand and LVL 98 646 thousand respectively.

15. Loans and receivables from customers

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
Commercial loans				
Loans to corporates	3 490	28 686	22 650	46 106
Loans to small and medium size companies	29 749	21 661	32 145	23 253
Total commercial loans	**33 239**	**50 347**	**54 795**	**69 359**
Loans to individuals				
Consumer loans	413	413	888	888
Credit cards	1 046	1 046	1 118	1 118
Auto loans	2 581	-	2 420	-
Mortgage loans	51 300	49 857	53 646	52 162
Total loans to individuals	**55 340**	**51 316**	**58 072**	**54 168**
Gross loans and advances to customers	**88 579**	**101 663**	**112 867**	**123 527**
Impairment allowance	(26 809)	(24 834)	(26 982)	(25 739)
Net loans and advances to customers	**61 770**	**76 829**	**85 885**	**97 788**

In the six month period ended 30 June 2011 the Bank has renegotiated 90 loans to corporates and individuals with gross amount of LVL 2 321 thousand that would otherwise be past due or impaired (in the six month period ended 30 June 2011: 289 loans with gross amount LVL 6 250 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

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 '000 LVL	31 Dec 2010 '000 LVL
Gross investment in finance leases receivable:		
Less than one year	2 987	3 109
Between one and five years	4 385	4 682
More than five years	48	97
	7 420	**7 888**
Unearned finance income for remaining period of finance leases	(667)	(630)
Net investment in finance leases	**6 753**	**7 258**
The net investment in finance leases comprises:		
Less than one year	2 663	2 800
Between one and five years	4 044	4 364
More than five years	46	94
	6 753	**7 258**

CONDENSED CONSOLIDATED AND SEPARATE INTERIM NOTES TO FINANCIAL STATEMENTS

Industry analysis of the loan portfolio

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
Trade	3 714	3 145	4 425	3 514
Manufacturing	3 918	3 580	9 549	9 196
Mining/metallurgy	1 020	655	784	372
Finance	1 460	11 282	16 288	26 841
Real estate	5 614	5 450	6 086	5 904
Agriculture forestry and timber	1 974	1 398	2 813	2 329
Other commercial loans	15 539	24 837	14 850	21 203
Loans to individuals	55 340	51 316	58 072	54 168
	88 579	**101 663**	**112 867**	**123 527**
Impairment allowance	(26 809)	(24 834)	(26 982)	(25 739)
	61 770	**76 829**	**85 885**	**97 788**

Geographical analysis of the loan portfolio

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
Latvia	81 805	94 989	87 421	98 167
OECD countries	5 156	5 056	4 660	4 574
Non-OECD countries	1 618	1 618	20 786	20 786
	88 579	**101 663**	**112 867**	**123 527**
Impairment allowance	(26 809)	(24 834)	(26 982)	(25 739)
	61 770	**76 829**	**85 885**	**97 788**

Credit quality of commercial loan portfolio

Analysis of collateral

The following table provides the analysis of commercial loan portfolio net of impairment by types of collateral as at 30 June 2011:

Group

	30 June 2011	% of loan portfolio	31 Dec 2010	% of loan portfolio
Real estate	8 926	36	10 302	23
Motor vehicles	4 489	18	4 688	10
Commercial pledge	4 328	17	3 860	8
Deposits	277	1	2	-
Other collateral	4 894	20	11 068	24
No collateral	1 916	8	15 779	35
Total	**24 830**	**100**	**45 699**	**100**

Bank

	30 June 2011	% of loan portfolio	31 Dec 2010	% of loan portfolio
Real estate	17 444	41	17 653	29
Commercial pledge	12 485	29	12 799	21
Deposits	277	1	2	-
Other collateral	3 337	8	9 287	15
No collateral	8 894	21	20 465	35
Total	**42 437**	**100**	**60 206**	**100**

The amounts shown in the table above refer to the carrying value of the respective loans and do not necessarily represent the fair value of the collateral.

Credit quality of individuals loan portfolio

The following table provides the analysis of loans to individuals portfolio net of impairment by types of collateral as at 30 June 2011:

Group:

	30 June 2011	% of loan portfolio	31 Dec 2010	% of loan portfolio
Real estate	33 724	91	36 227	90
Motor vehicles	1 461	4	1 446	4
Deposits	8	-	11	-
Other collateral	286	1	336	1
No collateral	1 461	4	2 166	5
Total	**36 940**	**100**	**40 186**	**100**

Bank

	30 June 2011	% of loan portfolio	31 Dec 2010	% of loan portfolio
Real estate	32 794	95	34 336	91
Deposits	8	-	11	-
Other collateral	253	1	295	1
No collateral	1 337	4	2 940	8
Total	**34 392**	**100**	**37 582**	**100**

The amounts shown in the table above refer to the carrying value of the related loans and do not necessarily represent the fair value of the collateral.

CONDENSED CONSOLIDATED AND SEPARATE INTERIM NOTES TO FINANCIAL STATEMENTS

Commercial loan allocation depending on delay of payments

Group

LVL'000			Of which past due by the following terms					
Loans	Total	Loans with no delayed payments	Less than 30 days	30-60 days	61-90 days	91-180 days	181-360 days	More than 360 days
30 June 2011								
Gross loans	**33 239**	14 747	3 736	757	217	3 418	2 042	8 322
Impairment allowance	**(8 409)**	(491)	(40)	(20)	-	(872)	(644)	(6 342)
Net carrying value	**24 830**	14 256	3 696	737	217	2 546	1 398	1 980
31 December 2010								
Gross loans	**54 795**	33 590	6 377	1 812	719	1 413	1 436	9 448
Impairment allowance	**(9 096)**	(743)	(123)	(13)	(22)	(366)	(825)	(7 004)
Net carrying value	**45 699**	32 847	6 254	1 799	697	1 047	611	2 444

Bank

LVL'000			Of which past due by the following terms					
Loans	Total	Loans with no delayed payments	Less than 30 days	30-60 days	61-90 days	91-180 days	181-360 days	More than 360 days
30 June 2011								
Gross loans	**50 347**	37 405	2 073	253	14	3 362	1 721	5 519
Impairment allowance	**(7 910)**	(2 385)	(40)	(20)	-	(868)	(625)	(3 972)
Net carrying value	**42 437**	35 020	2 033	233	14	2 494	1 096	1 547
31 December 2010								
Gross loans	**69 359**	54 388	4 489	777	387	1 142	1 170	7 006
Impairment allowance	**(9 153)**	(3 190)	(124)	(13)	(22)	(334)	(726)	(4 744)
Net carrying value	**60 206**	51 198	4 365	764	365	808	444	2 262

Individual loan allocation depending on delay of payments

Group

LVL'000 Loans	Total	Loans with no delayed payments	Of which past due by the following terms					
			Less than 30 days	30-60 days	61-90 days	91-180 days	181-360 days	More than 360 days
30 June 2011								
Gross loans	**55 340**	18 140	2 595	1 084	1 076	1 831	1 712	28 900
Impairment allowance	**(18 400)**	(2 025)	(32)	(37)	(311)	(232)	(617)	(15 144)
Net carrying amount	**36 940**	16 115	2 563	1 047	765	1 599	1 095	13 756
31 December 2010								
Gross loans	**58 072**	19 414	3 139	1 619	809	1 053	1 996	30 042
Impairment allowance	**(17 886)**	(1 856)	(51)	(23)	(131)	(158)	(649)	(15 018)
Net carrying amount	**40 186**	17 558	3 088	1 596	677	895	1 347	15 025

Bank

LVL'000 Loans	Total	Loans with no delayed payments	Of which past due by the following terms					
			Less than 30 days	30-60 days	61-90 days	91-180 days	181-360 days	More than 360 days
30 June 2011								
Gross loans	**51 316**	17 209	2 270	977	1 029	1 815	1 649	26 367
Impairment allowance	**(16 924)**	(2 017)	(32)	(37)	(311)	(230)	(547)	(13 750)
Net carrying amount	**34 392**	15 192	2 238	940	718	1 585	1 102	12 617
31 December 2010								
Gross loans	**54 168**	18 647	2 785	1 524	748	975	1 928	27 561
Impairment allowance	**(16 586)**	(1 855)	(51)	(24)	(131)	(133)	(602)	(13 790)
Net carrying amount	**37 582**	16 792	2 734	1 500	617	842	1 326	13 771

Impaired loans

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
Impaired loans gross	62 216	67 042	70 821	83 894
Impairment allowance	(26 809)	(24 834)	(26 982)	(25 739)
Net Loans and receivables from customers	**35 407**	**42 208**	**43 839**	**58 155**

When reviewing the loans the Bank sets the following categories for individual loans to assess their credit risk:

Bank

	Gross 30 June 2011 '000 LVL	Impairment allowance	Gross 31 Dec 2010 '000 LVL	Impairment allowance
Standard	6 405	-	8 481	-
Watch	13 102	2 050	13 745	1 907
Substandard	1 978	347	2 048	155
Doubtful	1 815	230	792	133
Lost	28 016	14 297	29 102	14 391
Total	**51 316**	**16 924**	**54 168**	**16 586**

Group

	Gross 30 June 2011 '000 LVL	Impairment allowance	Gross 31 Dec 2010 '000 LVL	Impairment allowance
Standard	7 335	-	9 760	-
Watch	13 431	2 059	13 765	1 907
Substandard	2 130	348	2 048	155
Doubtful	1 831	232	868	158
Lost	30 613	15 761	31 631	15 666
Total	**55 340**	**18 400**	**58 072**	**17 886**

When reviewing the loans the Bank sets the following categories for commercial loans to assess their credit risk:

Bank

	Gross 30 June 2011 '000 LVL	Impairment allowance	Gross 31 Dec 2010 '000 LVL	Impairment allowance
Standard	24 014	-	31 052	-
Watch	15 469	2 426	27 821	3 313
Substandard	262	19	1 104	36
Doubtful	3 362	868	1 122	334
Lost	7 240	4 597	8 260	5 470
Total	**50 347**	**7 910**	**69 359**	**9 153**

Group

	Gross 30 June 2011 '000 LVL	Impairment allowance	Gross 31 Dec 2010 '000 LVL	Impairment allowance
Standard	11 413	-	32 287	-
Watch	7 074	532	9 084	866
Substandard	969	19	1 104	36
Doubtful	3 419	872	1 393	366
Lost	10 364	6 986	10 927	7 828
Total	**33 239**	**8 409**	**54 795**	**9 096**

Collateral assumed

As at 30 June 2011 the Group and the Bank are in the legal process to sell collateral assumed as security for loans included under Other assets as follows:

LVL'000	30 June 2011 '000 LVL	31 Dec 2010 '000 LVL
Vehicles	334	110
Total	**334**	**110**

Significant credit exposures

As at 30 June 2011 and 31 December 2010 the Bank had 3 and 4 borrowers or group of related borrowers respectively whose loan balances exceeded 10% of the Bank's equity. The gross value of these loans as of 30 June 2011 and 31 December 2010 was LVL 29 628 thousand and LVL 22 650 thousand respectively.

According to regulatory requirements the Bank is not allowed to have a credit exposure to one client or group of related clients of more than 25% of its equity. As at 30 June 2011 and 31 December 2010 the Bank was in compliance with this requirement.

16. Held-to-maturity assets

Group/ Bank	30 June 2011 '000 LVL	31 Dec 2010 '000 LVL
Debt securities of credit institutions	3 959	4 257
Total held-to-maturity assets	**3 959**	**4 257**

Debt securities comprises bonds issued by PJS Commercial Bank "PrivatBank" Ukraine (shareholder of the Bank) acquired in May 2010, and maturing on 6 February 2012.

17. Other assets

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
Inventory	12 939	346	10 275	208
Security deposits	892	892	1 044	1 043
Gold	6	6	6	6
Accrued income	147	147	249	249
Deferred expenses	223	218	214	209
VAT receivable	103	-	65	6
Other	1 262	1 258	1 338	1 173
Impairment allowance	(274)	-	-	-
	15 298	**2 867**	**13 191**	**2 894**

18. Deposits and balances from banks

a) Geographical profile:

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
Credit institutions registered in Latvia	6 985	6 985	6 254	6 254
Credit institutions registered in non-OECD countries	8 156	8 156	4 218	4 218
Total	**15 141**	**15 141**	**10 472**	**10 472**

b) Deposits and balances from banks by type:

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
Vostro accounts	8 927	8 927	4 821	4 821
Term deposits	1 798	1 798	1 123	1 123
Loans from banks	4 416	4 416	4 528	4 528
Total	**15 141**	**15 141**	**10 472**	**10 472**

c) Concentration of deposits and balances from banks and other financial institutions

As at 30 June 2011 and 31 December 2010 the Group and Bank had 2 and 2 banks and financial institution respectively whose balances exceeded 10% of total deposits and balances from banks. The gross value of these balances as of 30 June 2011 and 31 December 2010 were LVL 11 123 thousand and LVL 8 154 thousand respectively.

19. Current accounts and deposits from customers

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 December 2010 '000 LVL	Bank 31 December 2010 '000 LVL
Demand deposits				
Residents:				
State companies	9	9	49	49
Private enterprises	8 690	8 868	4 140	4 373
Individuals	22 050	22 050	26 303	26 303
Other	216	216	61	314
Non-residents:				
Residents of OECD countries	26 000	26 000	26 686	26 686
Residents of non-OECD countries	45 243	45 243	26 109	26 109
Total demand deposits	**102 208**	**102 386**	**83 348**	**83 834**
Term deposits				
Residents:				
State companies	329	329	418	418
Individuals	99 331	99 331	91 064	91 064
Private enterprises	4 128	4 128	4 071	4 071
Other	528	528	104	104
Non-residents:				
Residents of OECD countries	15 684	15 684	21 108	21 108
Residents of non-OECD countries	10 389	10 389	26 166	26 166
Total term deposits	**130 389**	**130 389**	**142 931**	**142 931**
Total current accounts and deposits from customers	**232 597**	**232 775**	**226 279**	**226 765**

The maturity structure of customer deposits as per contractual agreement terms:	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 December 2010 '000 LVL	Bank 31 December 2010 '000 LVL
Demand deposits	102 208	102 386	83 348	83 834
Term deposits:				
up to 3 months	29 231	29 231	47 782	47 782
3 to 6 months	28 859	28 859	21 588	21 588
6 months to one year	65 353	65 353	50 692	50 692
more than one year	6 946	6 946	22 869	22 869
Total demand and term deposits	**232 597**	**232 775**	**226 279**	**226 765**

a) ***Blocked accounts***

As of 30 June 2011 the Group and Bank maintained customer deposit balances of LVL 3 096 thousand (30 June 2010: LVL 2 073 thousand) which were blocked by the Bank as collateral for loans and commitments, and contingencies.

b) ***Concentrations of current accounts and customer deposits***

As of 30 June 2011 and 30 June 2010 the Group and Bank had no customers whose balances would exceed 10% of total customer accounts.

20. Mortgage bonds

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 December 2010 '000 LVL	Bank 31 December 2010 '000 LVL
Mortgage bonds issued	4 926	4 926	4 926	4 926
Total	**4 926**	**4 926**	**4 926**	**4 926**

As at 30 June 2011 the Group and Bank had LVL 4 926 thousand (31 December 2010: LVL 4 926 thousand) of bonds issued outstanding.

On 15 December 2006 the Bank issued 5-year mortgage bonds for EUR 7 000 thousand (LVL 4 920). The coupon rate of these bonds is 6M EUR LIBOR + 1.6%. As at 30 June 2011 the coupon rate of these bonds was 3.375 % (2010: 2.625 %)

The debt securities are quoted on the Nasdaq OMX Rīga.

ISIN	Amount	Nominal value	Registered volume	Coupon rate on issue	Maturity date	Amount in circulation	30 June 2011 Carrying value	31 Dec 2010 Carrying value
LV0000800381	70 000	100	7 000 EUR	5.25%	15.12.2011	4 920	4 920	4 920
Accrued expense							6	6
Total							**4 926**	**4 926**

21. Subordinated borrowings

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
Subordinated borrowings	6 814	6 814	6 955	6 955
Total	**6 814**	**6 814**	**6 955**	**6 955**

As at 30 June 2011 subordinated borrowings comprise:

- loans received from Unimain Holdings Limited in the amount of USD 13 000 thousand (LVL 6 357 thousand) (2010: LVL 6 955 thousand) maturing on 18 March 2016 which carry an annual interest rate of 6%;

- loans from individuals in the amount of EUR 640 thousand (LVL 450 thousand) (2010: LVL 0 thousand) maturing on 22 March 2016 which carry an annual interest rate of 6%. Accrued interest on the loans as at period end amounts to LVL 7 thousand (2010: LVL 0 thousand).

Subordinated loans will be satisfied after the claims of all other creditors of the Bank, but before claims of shareholders of the Bank are satisfied.

22. Other liabilities

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
Accrued expenses	674	666	595	594
Amounts in clearing	573	573	5 085	5 085
Brokerage security deposits	123	123	441	441
Other	1 097	939	907	649
Total	**2 467**	**2 301**	**7 028**	**6 769**

23. Share capital

a) Issued capital and share premium

The authorised and issued share capital comprises 40 470 000 ordinary shares (2010: 40 470 000). All shares have a par value of LVL 1

The holders of ordinary shares are entitled to dividends and liquidation quota and voting rights at the shareholders meeting. On 12 May 2010 Unimain Holdings Limited signed a trust agreement with PJS Commercial Bank "PrivatBank" (Ukraine) for trust management of AS PrivatBank shares belonging to Unimain Holdings Limited and transfer of voting rights which includes transfer of voting rights to be excersised without consultation.

In May 2011 ultimate shareholders of the PJS Commercial Bank "Privatbank" (Ukraine) acquired 7 284 610 shares of JSC Privatbank (Latvia) from Uniman Holding Limited, resolving issue of voting right blockage effective as at 31 December 2010.

The immediate parent of the Bank is PJS Commercial Bank "PrivatBank" (Ukraine). The ultimate shareholders of the immediate parent are Bogolyubov Gennady Borisovich holding 48.997% shares of the immediate parent of the Bank and Kolomoysky Igor Valeriyevich holding 49.154% shares of the immediate parent of the Bank.

Shareholders are as follows:

		30 June 2011		31 December 2010	
Shareholder	**Country**	**Shares LVL**	**Holding %**	**Shares LVL**	**Holding %**
Public Joint Stock Commercial Bank "PrivatBank"	Ukraine	30 359 520	75.0173	30 359 520	75.0173
Unimain Holdings Limited	Cyprus	2 300 017	5.6833	9 584 617	23.6833
G.Bogolybov	Ukraine	3 642 305	9.0000	-	-
I.Kolomoyskiy	Izrael	3 642 305	9.0000	-	-
M. Esterovs	USA	524 724	1.2966	524 724	1.2966
J. Skvorcova	Latvia	300	0.0007	300	0.0007
A. Laško	Latvia	153	0.0004	153	0.0004
V. Bīriņš	Latvia	371	0.0009	371	0.0009
O.Trubakov	Ukraine	189	0.0005	189	0.0005
O. Mekekechko	Ukraine	116	0.0003	126	0.0003
		40 470 000	**100.00**	**40 470 000**	**100.00**

24. Cash and cash equivalents

Cash and cash equivalents consist of the following

	Group 30 June 2011 '000 LVL	Bank 30 June 2011 '000 LVL	Group 31 Dec 2010 '000 LVL	Bank 31 Dec 2010 '000 LVL
Cash	1 184	1 184	1 387	1 387
Due from Bank of Latvia	52 323	52 323	31 916	31 916
	53 507	**53 507**	**33 303**	**33 303**
Deposits in other credit institutions with maturity of less than three moths	123 660	123 660	84 892	84 892
Due to other credit institutions with maturity of less than three moths	(9 162)	(9 162)	(5 432)	(5 432)
Total	**168 005**	**168 005**	**112 763**	**112 763**

25. Analysis by segment

The Group's and Bank's primary format for reporting segment information is by business segments. The Bank is organised into two main business segments:

- Commercial banking – includes corporate and retail banking operations which include deposit taking and commercial lending settlements and cash operations. Commercial banking services also include trade finance.
- Investment banking and financial markets – includes corporate finance operations on foreign exchange debt and equity capital markets brokerage securities and precious metals trading.

Segment information for the main reportable business segments of the Group for the period ended 30 June 2011 is set below:

	Commercial banking	**Investment banking and financial markets**	**Total**
External revenue	4 632	5 013	**9 645**
Revenue	**4 632**	**5 013**	**9 645**
Impairment losses	(1 751)	-	**(1,751)**
Net loss from financial instruments at fair value through profit or loss	-	(1)	**(1)**
Interest expense	(3 887)	(385)	**(4 272)**
Fee and commission expense	(131)	(151)	**(282)**
General administrative expenses	(3 678)	(88)	**(3 766)**
Segment result before tax	**(4 815)**	**4 388**	**(427)**
Reportable segment assets	139 759	140 658	**280 417**
Reportable segment liabilities and shareholders'equity	250 363	30 054	**280 417**

Segment information for the main reportable business segments of the Group for the period ended 30 June 2010 is set below:

	Commercial banking	**Investment banking and financial markets**	**Total**
External revenue	4 268	3 213	**7 481**
Revenue	**4 268**	**3 213**	**7 481**
Impairment losses	(3 110)	-	**(3 110)**
Interest expense	(4 241)	(658)	**(4 899)**
Fee and commission expense	(152)	(124)	**(276)**
General administrative expenses	(3 089)	-	**(3 089)**
Other expenses	(53)	-	**(53)**
Segment result before tax	**(6 377)**	**2 431**	**(3 946)**
Reportable segment assets	146 064	128 299	**274 363**
Reportable segment liabilities and shareholders'equity	263 891	10 472	**274 363**

26. Litigation

In the ordinary course of business the Group and Bank are subject to legal actions and complaints. Management believes that the ultimate liability if any arising from such actions or complaints will not have a material adverse effect on the financial conditions of the results of the future operations of the Group and Bank.

27. Related party transactions

a) Control relationships

The Bank's immediate parent is PJS Commercial Bank "PrivatBank" (Ukraine). The party with ultimate control over the Bank is PJS Commercial Bank "PrivatBank" (Ukraine).

b) Transactions with members of the Board of Directors and the Management Board

Total remuneration included in employee compensation:

	Six month period ended 30 June	
	2011 '000 LVL	**2010 '000 LVL**
Members of the Board of Directors	100	37
Members of the Council	25	24
	125	**61**

The above amounts include non-cash benefits in respect of members of the Board of Directors and the Council.

The outstanding balances and average interest rates with members of the Board of Directors and the Council are as follows:

	30 June 2011 '000 LVL	**Average Interest Rate**	**31 Dec 2010 '000 LVL**	**Average Interest Rate**
Balance Sheet				
Assets				
Loans to customers	-	-	91	2.97%
Deposits and current accounts	130	2.00%	177	3.14%

Amounts included in the income statement in relation to transactions with members of the Board of Directors and the Council are as follows:

	Six months ended 30 June	
	2011 '000 LVL	**2010 '000 LVL**
Income statement		
Interest income	1	1
Interest expense	(2)	(2)

c) *Share based payments*

In May 2011, top management of the Bank has been offered, and accepted, the opportunity to acquire up to 48.5 thousand shares of PJS Commercial Bank "PrivatBank" (Ukraine). This constitutes 0.01% of the total share issue of PJS Commercial Bank "PrivatBank" (Ukraine). The agreement entails no vesting conditions. The Parent Company determined the fair value of the shares as at the date of the transaction using a valuation technique by estimating price of these equity instruments. The significant inputs into the valuation technique were net assets of the Group and price/ book value ratio of publically traded banks adjusted for the factors and assumptions that knowledgeable, willing market participants would consider in setting price. As at the date of the transaction and the reporting date (30 June 2011), exercise price of the shares was about LVL 7.38 and LVL 7.38 per share, respectively.

d) *Transactions with other related parties*

The outstanding balances and the related average interest rates as of 30 June 2011 and related income statement amounts of transactions for the period ended 30 June 2010 with other related parties are as follows. Other related parties include TaoPrivatBank Georgia; PrivatBank Cyprus And Unimain Holding Ltd.

Group

	Parent company				Other related parties				Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	'000 LVL		Average contractual interest rate		'000 LVL		Average contractual interest rate		'000 LVL	
Statement of financial position as at 30 June 2011 and 31 December 2010										
Assets										
Balance on correspondent account	399	118	-	-	-	-	-	-	404	118
Term deposits	6	6	2.69	2.69	16 916	-	4	-	16 922	6
Funds in settlement (VISA PrivatMoney)	167	97	-	-	-	-	-	-	167	97
Held-to-maturity bonds	3 959	4 257	8	8	-	-	-	-	3 959	4 257
Open currency deals	116	238	-	-	-	-	-	-	116	238
Liabilities										
Balance on loro account	6 718	3 632	-	-	17	227	-	-	6 735	3 859
Subordinated borrowings	-	-	-	-	6 357	6 955	6	6	6 357	6 955
Income statement for the six month period ended 30 June										
Interest income	231	53	-	-	665	-	-	-	896	53
Interest expense	215	206	-	-	69	106	-	-	284	312
Fee and commission income	19	44	-	-	-	-	-	-	19	44
Fee and commission expense	18	20	-	-	-	-	-	-	18	20

CONDENSED CONSOLIDATED AND SEPARATE INTERIM NOTES TO FINANCIAL STATEMENTS

Bank

	Parent company				Other related parties				Subsidiaries				Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	'000 LVL		Average contractual interest Rate		'000 LVL		Average contractual interest Rate		'000 LVL		Average contractual interest Rate		'000 LVL	
Statement of financial position as at 30 June 2011 and 31 December 2010														
Assets														
Balance on correspondent account	399	118	-	-	-	-	-	-	-	-	-	-	404	118
Term deposits	6	6	2.69	2.69	16 916	-	4	-	-	-	-	-	16 922	6
Funds in settlement (VISA PrivatMoney)	167	97	-	-	-	-	-	-	-	-	-	-	167	97
Held-to-maturity bonds	3 959	4 257	8	8	-	-	-	-	-	-	-	-	3 959	4 257
Open currency deals	116	238	-	-	-	-	-	-	-	-	-	-	116	238
Derivatives	-	-	-	-	-	-	-	-	-	1	-	-	-	1
Loan to SIA "PrivatLīzings"	-	-	-	-	-	-	-	-	10 057	10 838	3.69	3.49	10 057	10 838
Loan to SIA "Amber Real"	-	-	-	-	-	-	-	-	15 138	12 618	1.89	3.13	15 138	12 618
Due to SIA "PrivatInvestment"	-	-	-	-	-	-	-	-	-	63	-	-	-	63
Liabilities														
Balance on loro account	6 718	3 632	-	-	17	227	-	-	-	-	-	-	6 735	3 859
Subordinated borrowings	-	-	-	-	6 357	6 955	6	6	-	-	-	-	6 357	6 955
Derivatives	-	-	-	-	-	-	-	-	1	1	-	-	1	1
Due to SIA "PrivatLīzings"	-	-	-	-	-	-	-	-	103	253	-	-	103	253
Due to SIA "PrivatConsulting"	-	-	-	-	-	-	-	-	4	24	-	-	4	24
Due to SIA "Amber Real"	-	-	-	-	-	-	-	-	1	8	-	-	1	8
Due to SIA "PrivatInvestment"	-	-	-	-	-	-	-	-	70	201	-	-	70	201
Income statement for the six month period ended 30 June														
Interest income	231	53	-	-	665		-	-	322	401	-	-	1 218	454
Interest expense	215	206	-	-	69	106	-	-	1	144	-	-	285	456
Fee and commission income	19	44	-	-	-	-	-	-	-	-	-	-	19	44
Fee and commission expense	18	20	-	-	-	-	-	-	-	-	-	-	18	20
Other income	-	-	-	-	-	-	-	-	-	1	-	-	-	1
General administrative expenses	-	-	-	-	-	-	-	-	138	5	-	-	2	5