

AS „PrivatBank”

**Unaudited Interim Condensed
Consolidated Financial Statements
For the six month period ended 30 June 2008**

**AS „PrivatBank“
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2008**

CONTENTS

	lpp.
REPORT OF THE MANAGEMENT BOARD	2
STATEMENT OF THE MANAGEMENT’S RESPONSIBILITIES	3
FINANCIAL STATEMENTS:	
STATEMENT OF INCOME	4
BALANCE SHEET	5-6
STATEMENT OF CASH FLOWS	7-8
STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY	9
NOTES TO THE FINANCIAL STATEMENTS	10-23

REPORT OF THE MANAGEMENT BOARD

Dear shareholders, customers and partners of AS “PrivatBank”!

In the first half of 2008, AS "PrivatBank" continued its dynamic growth launched last year.

According to the bank development strategy, the main attention for the first half of 2008 was focused on developing retail business – expansion of branch network, broadening of unique banking products and services, as well as individual work of managers with each customer.

The profit of AS "PrivatBank" group amounted to LVL 51 thousand in the first half 2008. The profit for the same period last year was LVL 644 thousand. This dramatic decrease of the bank profit resulted from the decision to increase the allowance for impairment losses by LVL 346 thousand. This decision was made to facilitate comprehensive protection of customers' interests, which, in its turn, caused the profit slide.

Income from the main activities of the group reached LVL 4,362 thousand. The volume of the loans issued by the bank made up LVL 106,675 thousand, which is by 14% more than a year ago. AS "PrivatBank" deposit portfolio reached LVL 106,351 thousand, which by 19% exceeds the figures last year. The bank assets comprise LVL 151,181 thousand.

Our partner bank Deutsche Bank, which is one of the largest banks in Europe, praised again AS "PrivatBank" performance and awarded the bank with the annual STP Excellence Award 2007 for the flawless processing quality of outgoing EUR and USD payments. Receipt of the award proves the excellent quality of technologies and the high competence level of personnel of AS "PrivatBank".

During the first half of 2008 the bank continued expanding the branch network and update operations of existing branches. At the end of the accounting period the bank customers could receive all necessary financial products and services at 13 branches and 15 settlement groups nationwide. During the first half of the year, AS "PrivatBank" opened its first mini-bank in Riga and settlement groups „Saldus” in Saldus and „Nakotne” in Jekabpils. The bank branch in Portugal and the representative office in Italy continued their successful operations.

Changes also affected the AS "PrivatBank" range of products where new products were introduced for both individuals and legal entities. In spring 2008, the bank offered its customers a new credit card – VISA GOLD, as well as new services for VIP customers – VISA Platinum credit card, "Consierge Card" and the new product "Deposit VIP". A novelty for businesses was the "Lucrative" account. The bank customers in Portugal were offered new products, too – the payment card VISA EXPRESS and an opportunity to apply for a mortgage loan to purchase real estate in Ukraine. AS "PrivatBank" branch in Portugal joined the Deposit Guarantee Fund of the Republic of Portugal in spring 2008.

One of the major events that will definitely affect the financial results of the bank development in future was organisation and hosting of the First International Conference for customers and partner of the "PrivatBank" banking group.

The priorities of AS "PrivatBank" for the second half of 2008 will be further expansion of the branch network – two more branches and two settlement groups are estimated to open this year; development of the credit cards business and services for VIP customers, deposit programmes, microcrediting and leasing programmes.

Management of AS "PrivatBank" thanks the shareholders, customers and partners for cooperation, loyalty and trust towards the bank.

Chairman of the Board
Oleksandrs Trubakovs

27 August 2008

AS „PrivatBank”

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

STATEMENT OF THE MANAGEMENT’S RESPONSIBILITIES

STATEMENT OF THE MANAGEMENT’S RESPONSIBILITIES

The Management of AS “PrivatBank” (Bank) is responsible for the preparation of the consolidated financial statements of the Bank and its subsidiaries (the Group).

The consolidated financial statements on pages 4 to 23 are prepared in accordance with the source documents and present fairly the financial position of the Group as at 30 June 2008 and the results of its operations and cash flows for the six month period ended 30 June 2008.

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

The management of AS “PrivatBank” is responsible for the maintenance of a proper accounting system, safeguarding the Group’s assets, and prevention and detection of fraud and other irregularities in the Group. The management is also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Finance and Capital Markets Commission and other legislation of the Republic of Latvia applicable to credit institutions.

On behalf of the Bank’s management,

Chairman of the Board
Oleksandrs Trubakovs

27 August 2008

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	30 June 2008		30 June 2007	
		LVL'000	EUR'000	LVL'000	EUR'000
Interest income	3	5 023	7 147	3 292	4 684
Interest expense	4	(2 593)	(3 690)	(1 415)	(2 013)
NET INTEREST INCOME		2 430	3 457	1 877	2 671
Commission and fee income	5	1 467	2 087	1 314	1 870
Commission and fee expense	6	(338)	(481)	(309)	(440)
NET COMMISSION AND FEE INCOME		1 129	1 606	1 005	1 430
Net income from financial instruments carried at fair value	7	(46)	(65)	14	20
Net foreign exchange gains	8	486	692	709	1 009
Other operating income	9	363	517	349	496
TOTAL OPERATING INCOME		4 362	6 207	3 954	5 626
Administrative expenses	10	(3 488)	(4 963)	(2 552)	(3 631)
Amortization and depreciation		(359)	(511)	(295)	(420)
Other expenses		(162)	(231)	(257)	(366)
Impairment:	11	(262)	(372)	(133)	(189)
<i>Allowance for impairment losses</i>		<i>(469)</i>	<i>(667)</i>	<i>(427)</i>	<i>(607)</i>
<i>Reversal of prior impairment loss allowance</i>		<i>207</i>	<i>295</i>	<i>294</i>	<i>418</i>
PROFIT BEFORE INCOME TAX		91	130	717	1 020
Income tax expense		(40)	(57)	(73)	(104)
PROFIT FOR THE PERIOD		51	73	644	916

The accompanying notes on pages 10 to 23 form an integral part of these interim condensed consolidated financial statements.

The Board of the Bank approve for issue these interim condensed consolidated financial statements from page 2 to 23 on 27 August 2008, and the financial statements are signed on behalf of the Board of the Bank by:

Chairman of the Board
Oleksandrs Trubakovs

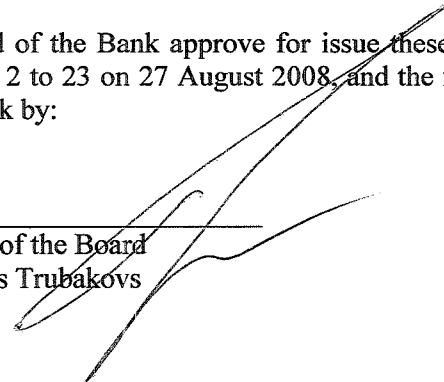
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2008		31 December 2007	
		LVL'000	EUR'000	LVL'000	EUR'000
ASSETS					
Cash and balances with the Bank of Latvia	12	11 215	15 958	12 957	18 436
Demand deposits with credit institutions	13	28 212	40 142	23 593	33 570
Financial assets held for trading					
<i>Derivative financial instruments</i>	15	866	1 232	472	671
Loans and receivables					
<i>Loans</i>	14	106 675	151 785	93 314	132 774
Available for sale financial assets					
<i>Investments in non-fixed income securities</i>	16	50	71	50	71
Intangible assets		117	166	109	155
Property, plant and equipment		1 957	2 785	1 930	2 746
Deferred expense and accrued income	18	696	990	1 666	2 371
Other assets	19	1 393	1 982	1 115	1 587
		151 181	215 111	135 206	192 381

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AS „PrivatBank”
**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2008**

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2008		31 December 2007	
		LVL'000	EUR'000	LVL'000	EUR'000
LIABILITIES					
Due on demand to credit institutions	20	11 756	16 727	13 048	18 566
Financial liabilities held for trading					
<i>Derivative financial instruments</i>	15	35	50	-	-
Financial liabilities carried at amortized cost					
<i>Customers' deposits</i>	21	106 351	151 324	89 166	126 872
<i>Mortgage bonds</i>	22	14 757	20 997	14 757	20 997
Deferred income and accrued expenses	23	409	582	814	1 158
Provisions	24	320	455	321	457
Deferred tax liabilities		76	108	78	111
Other liabilities	25	2 367	3 368	1 963	2 793
Total liabilities		136 071	193 611	120 147	170 954
EQUITY					
Paid-up share capital	26	10 650	15 153	10 650	15 153
Reserve capital and other reserves		3 749	5 335	3 719	5 292
Accumulated losses carried forward from previous years		660	939	(462)	(657)
Current year's profit (loss)		51	73	1 152	1 639
Total equity		15 110	21 500	15 059	21 427
Total liabilities and equity		151 181	215 111	135 206	192 381
OFF-BALANCE-SHEET ITEMS					
Contingent liabilities					
<i>Guarantees</i>		540	768	553	787
Commitments to customers:					
<i>Other commitments</i>		2 182	3 105	1 438	2 046

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	30 June 2008		30 June 2007	
		LVL'000	EUR'000	LVL'000	EUR'000
Cash inflow from operating activities					
Profit before income tax		91	129	717	1 020
Depreciation and amortization		359	511	295	420
Increase in the allowance for impairment		262	373	133	189
Revaluation (gain)/loss of financial assets at fair value through profit or loss		46	65	(14)	(20)
Foreign exchange gain/loss		37	53	14	20
Increase in cash and cash equivalents from operating activities before changes in assets and liabilities		795	1 131	1 145	1 629
Increase in loans and receivables		(12 829)	(18 254)	(15 087)	(21 467)
Decrease in balances due from banks		(8 029)	(11 424)	7 786	11 078
(Increase)/ decrease in financial assets held for trading		(393)	(559)	(76)	(108)
Decrease in financial instruments designated at fair value through profit or loss		-	-	101	144
Increase in deferred expenses and accrued income		(326)	(464)	2	3
(Increase)/ decrease in other assets		(301)	(428)	(648)	(922)
Increase/ (decrease) in balances due to banks		4 501	6 404	2 073	2 950
Increase in customer deposits		16 639	23 675	(5 740)	(8 167)
(Decrease) in financial liabilities held for trading		35	50	4	6
Increase/ (decrease) in other liabilities and provisions		65	93	(491)	(699)
Increase/ (decrease) in deferred income and accrued expenses		970	1 380	34	48
Decrease in cash and cash equivalents from operating activities before tax		1 127	1 604	(10 897)	(15 505)
Corporate income tax paid		(66)	(94)	(73)	(104)
Decrease in cash and cash equivalents from operating activities		1 061	1 510	(10 970)	(15 609)
Cash flow from investing activities					
Acquisition of property, plant and equipment and intangible assets		(393)	(559)	(375)	(534)
Proceeds from sale of property, plant and equipment		9	12	-	-
Proceeds from issue of debt securities		-	-	6 289	8 948
Subordinated debt		-	-	703	1 000
Increase in cash and cash equivalents from financing activities		(384)	(547)	6 992	9 948

AS „PrivatBank”
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2008

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Increase/ (decrease) in cash and cash equivalents		677	963	(4 353)	(6 195)
Cash and cash equivalents at the beginning of the year		23 834	33 913	15 064	21 434
Loss from revaluation of foreign exchange		(37)	(53)	(14)	(20)
Cash and cash equivalents at the end of the year	27	<u>24 474</u>	<u>34 823</u>	<u>10 697</u>	<u>15 219</u>

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Oleksandrs Trubakovs

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AND RESERVES

LVL'000

	Paid-up share capital	Reserve capital	Accumulated loss	Total
Balance at 31.12.2006.	3 550	3 694	(437)	6 807
Increase in share capital	7 100	-	-	7 100
Reserves	-	25	(25)	-
Profit of 2007	-	-	1 152	1 152
Balance at 31.12.2007.	10 650	3 719	690	15 059
Reserves	-	30	(30)	-
Profit of 2008	-	-	51	51
Balance at 30.06.2008.	10 650	3 749	711	15 110

EUR'000

	Paid-up share capital	Reserve capital	Accumulated loss	Total
Balance at 31.12.2006.	5 051	5 256	(621)	9 686
Increase in share capital	10 102	-	-	10 102
Reserves	-	36	(36)	-
Profit of 2007	-	-	1 639	1 639
Balance at 31.12.2007.	15 153	5 292	982	21 427
Reserves	-	43	(43)	-
Profit of 2008	-	-	73	73
Balance at 30.06.2008.	15 153	5 335	1 012	21 500

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

AS “PrivatBank” (until 16 August 2007 AS “Paritate Banka” – “the Bank”) was established on 13 August 1992, when it was incorporated in the Republic of Latvia as a joint stock company. Subject to the banking licence issued by the Bank of Latvia on 31 July 1992 (reissued on 17 September 1998), the Bank engages in all types of banking activities foreseen by the Credit Institutions Law.

As at the date of the financial statements, the Bank’s network of branches consists of 13 branches and 15 settlement groups. The Bank provides a wide range of services to its customers via subsidiaries.

SIA “DigiPro” was registered with the Commercial Registry on 18 March 2003 as SIA “Paritate-on-line”. Starting from 6 July 2004 the Bank holds 100% of SIA “DigiPro” shares. The primary activities of SIA “DigiPro” are selling electronic products via POS terminals and ensuring card settlements in POS terminals.

In June 2004 the Bank established SIA “PrivatLizings” which is primarily engaged in finance and operating lease activities.

In March 2005 the Bank acquired 100% shares of SIA “PrivatConsulting”.

The Bank and subsidiaries (together “the Group”) are presented together in these consolidated financial statements.

Legislation regulating Bank’s operations

Bank’s operations are governed by the laws of the Republic of Latvia “On Credit Institutions”, “Commercial Law”, and regulations issued by the Financial and Capital Market Commission. These regulations refer to capital adequacy, minimum equity, liquidity, foreign exchange positions, credit concentration and other applicable requirements.

2 ACCOUNTING AND ASSESSMENT PRINCIPLES

(1) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and regulations of the Financial and Capital Market Commission in force as at the balance sheet date.

(2) Basis of preparation

The accounting system of the Bank is organized in accordance with the legislation of the Republic of Latvia, including requirements applicable to credit institutions operating in Latvia. The financial year of the Bank coincides with the calendar year.

The financial statements have been prepared under the historical cost convention or based on a fair value in accordance with International Financial Reporting Standards, as adopted by the European Union. Assets and liabilities at fair value include derivative financial instruments, financial assets and liabilities designated at fair value through profit and loss, as well as available for sale assets except for those whose fair value cannot be reliably estimated. Other financial assets and liabilities and non-financial assets and liabilities are carried at amortized cost or initial cost.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accounting principles used in the preparation of the 2008 financial statements are consistent with those used in 2007.

The preparation of the financial statements in conformity with IFRSs requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year relate to loan loss impairment allowances.

(3) Foreign currency

The exchange rate for EUR used at 30 June 2008 is as follows – 0.702804.

3 INTEREST INCOME

	30 June 2008		30 June 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Balances due from credit institutions	382	544	620	882
Loans	4 410	6 275	2 538	3 611
Investments in securities	-	-	2	3
Other interest income	231	328	132	188
	5 023	7 147	3 292	4 684

4 INTEREST EXPENSE

	30 June 2008		30 June 2007	
	LVL'000	EUR'000	EUR'000	LVL'000
Customers' deposits	1 884	2 681	765	1 088
Due to credit institutions and the Bank of Latvia	159	226	300	427
Issued debt securities	460	655	265	377
Other interest expenses	90	128	85	121
	2 593	3 690	1 415	2 013

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 COMMISSION AND FEE INCOME

	30 June 2008		30 June 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Current account servicing	133	189	62	88
Asset management fees	4	6	6	9
Other commission income	1 330	1 892	1 246	1 773
	<u>1 467</u>	<u>2 087</u>	<u>1 314</u>	<u>1 870</u>

6 COMMISSION AND FEE EXPENSE

	30 June 2008		30 June 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Current account servicing	141	201	160	228
Commission fee for credit card servicing	39	55	44	63
Other commission expenses	158	225	105	149
	<u>338</u>	<u>481</u>	<u>309</u>	<u>440</u>

7 NET INCOME FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

	30 June 2008		30 June 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Gain/ (loss) from securities carried at fair value through profit and loss	(46)	(65)	14	20
	<u>(46)</u>	<u>(65)</u>	<u>14</u>	<u>20</u>

8 NET FOREIGN EXCHANGE GAINS

	30 June 2008		30 June 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Profit from foreign exchange transactions	523	744	723	1 029
Loss from revaluation of foreign currency	(37)	(52)	(14)	(20)
	<u>486</u>	<u>692</u>	<u>709</u>	<u>1 009</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9 OTHER OPERATING INCOME

	30 June 2008		30 June 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Income from electronic services (SIA Digipro)	70	100	157	223
Income from seminars and conferences (SIA PrivatConsulting)	21	30	7	10
Lease of fixed assets (SIA PrivatLizings)	101	144	174	248
Other operating income	171	243	11	15
	363	517	349	496

10 ADMINISTRATIVE EXPENSES

	30 June 2008		30 June 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Salary of members of the Council and the Board	83	118	88	125
Remuneration to staff	1 688	2 402	1 197	1 703
Social taxes	423	602	321	457
Advertisement and marketing	209	297	175	249
Office maintenance and redecoration	548	780	330	470
Communications and post	192	273	152	216
Transportation and business trips	83	118	65	92
Professional services	77	110	17	24
Legal services	17	24	9	13
Staff training	15	21	14	20
Other operating expenses	153	219	184	262
	3 488	4 963	2 552	3 631

In 2008, the average number of Group staff was 442 (2007: 370).

11 ALLOWANCE FOR IMPAIRMENT LOSSES

LVL'000	Loans	Total
Allowance for impairment losses, as of 31 December 2007	<u>894</u>	<u>894</u>
Increase in the allowance for doubtful debts	469	469
Recovery of prior period allowances for doubtful debts	(207)	(207)
Write-off of the allowance for doubtful debts	(3)	(3)
Allowance for impairment losses, as of 30 June 2008	<u>1 153</u>	<u>1 153</u>
EUR'000	Loans	Total
Allowance for impairment losses, as of 31 December 2007	<u>1 272</u>	<u>1 272</u>
Increase in the allowance for doubtful debts	667	667
Recovery of prior period allowances for doubtful debts	(295)	(295)
Write-off of the allowance for doubtful debts	(3)	(3)
Allowance for impairment losses, as of 30 June 2008	<u>1 641</u>	<u>1 641</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**12 CASH AND BALANCES ON DEMAND WITH THE BANK OF LATVIA**

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Cash	1 341	1 909	1 283	1 825
Balances on demand with the Bank of Latvia	9 874	14 049	11 674	16 611
	11 215	15 958	12 957	18 436

Balances with the Bank of Latvia represent cash on the correspondent account used for clearing purposes and to comply with the requirement for obligatory reserves.

In accordance with regulations set by the Financial and Capital Market Commission, the Bank's cash and current account balance with the Central Bank of Latvia should not be less than the required reserves calculated on basis of the average monthly customer deposits. The Bank was in compliance with this requirement in 2008.

13 DEMAND DEPOSITS WITH CREDIT INSTITUTIONS

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Due to Latvian credit institutions	9 005	12 813	2 509	3 570
Due from credit institutions registered in OECD countries	18 204	25 902	19 619	27 915
Due to credit institutions registered in other countries	1 003	1 427	1 465	2 085
	28 212	40 142	23 593	33 570

Correspondent accounts include amounts due from Deutsche Bank (Bankers Trust) amounting to USD 170 thousand (or LVL 76 thousand) which are not included in the calculation of cash and cash equivalents due to such amounts being frozen at 31 December 2007 since 23 May 2003. The Bank's management does not consider the frozen accounts at risk since the frozen customer accounts in deposits exceed the blocked amount in the correspondent account with Deutsche Bank (Bankers Trust) of USD 189 thousand (or LVL 84 thousand).

Concentration of amounts due from credit institutions

As at 30 June 2008, the Bank had amounts due from three credit institutions (2007: 4) where each separate receivable exceeded 10% of deposits and balances in those banks and other credit institutions in total. The gross value of these balances due from credit institutions as at 30 June 2008 was LVL 18,536 thousand (2007: LVL 19,133 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 LOANS AND RECEIVABLES

Allocation of loans:

(a) by term of the loan:

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Until one year	11 503	16 368	3 161	4 497
More than one year	96 325	137 058	91 043	129 543
	107 828	153 426	94 204	134 040
Specific allowances	(1 153)	(1 641)	(890)	(1 266)
	106 675	151 785	93 314	132 774

(b) by type of borrower

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Private enterprises	39 469	56 160	35 386	50 350
Private individuals	68 359	97 266	58 818	83 690
	107 828	153 426	94 204	134 040
Specific allowances	(1 153)	(1 641)	(890)	(1 266)
	106 675	151 785	93 314	132 774

(c) by type

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Commercial loans	26 546	37 772	21 031	29 924
Consumer loans	7 874	11 204	6 012	8 554
Loans to staff	1 432	2 038	1 275	1 814
Mortgage loans	53 438	76 035	50 908	72 436
Other	18 538	26 377	14 978	21 312
	107 828	153 426	94 204	134 040
Specific allowances	(1 153)	(1 641)	(890)	(1 266)
	106 675	151 785	93 314	132 744

(d) by geographic segmentation of the loans:

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Residents of Latvia	106 276	151 217	93 140	132 526
Residents of OECD countries	575	819	341	485
Residents of other countries	977	1 390	723	1 029
	107 828	153 426	94 204	134 040
Specific allowances	(1 153)	(1 641)	(890)	(1 266)
	106 675	151 785	93 314	132 744

The average loan interest rates in 2008 and 2007 were 9.35% and 8.86% respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

Derivative financial instruments

LVL'000	Notional amount		Fair value			
	30.06.2008	31.12.2007	Assets		Assets	
			30.06.2008	31.12.2007	30.06.2008	31.12.2007
Forward currency exchange agreements	16 951	34 272	866	472	35	-
Total	16 951	34 272	866	472	35	-

Derivative financial instruments

EUR'000	Notional amount		Fair value			
	30.06.2008	31.12.2007	Assets		Assets	
			30.06.2008	31.12.2007	30.06.2008	31.12.2007
Forward currency exchange agreements	24 119	48 765	1 232	671	50	-
Total	24 119	48 765	1 232	671	50	-

16 AVAILABLE FOR SALE FINANCIAL ASSETS

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Investments in non-fixed income securities				
SWIFT shares	41	58	41	58
Eko Bloks SIA	9	13	9	13
Total available-for-sale financial assets	50	71	50	71

17 INVESTMENT IN SUBSIDIARIES

As at 30 June 2008 and 31 December 2007, the Bank had investments in:

	30 June 2008		31 December 2007	
	LVL'000	Holding %	LVL'000	Holding %
SIA "PrivatLizings"	10	100	10	100
SIA "DigiPro"	4	100	4	100
SIA "PrivatConsulting"	2	100	2	100
	16		16	

	30 June 2008		31 December 2007	
	EUR'000	Holding %	EUR'000	Holding %
SIA "PrivatLizings"	14	100	14	100
SIA "DigiPro"	6	100	6	100
SIA "PrivatConsulting"	3	100	3	100
	23		23	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**18 DEFERRED EXPENSES AND ACCRUED INCOME**

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Accrued income	351	499	1 310	1 864
Deferred expenses	345	491	356	507
	696	990	1 666	2 371

19 OTHER ASSETS

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Materials	-	-	45	64
Stock	376	535	-	-
Security deposits	765	1 089	752	1 070
Gold	3	4	3	4
Prepaid income tax	-	-	20	29
Other	249	354	295	420
	1 393	1 982	1 115	1 587

20 DUE TO CREDIT INSTITUTIONS

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Credit institutions registered in Latvia	4 223	6 009	130	185
Credit institutions registered in OECD countries	7 138	10 156	3 570	5 080
Credit institutions registered in other non-OECD countries	395	562	9 348	13 301
	11 756	16 727	13 048	18 566

Concentration of amounts due to credit institutions

As at 30 June 2008 the Bank has two balances due to credit institutions (2007: 2), which comprised more than 10% of due to credit institutions. The gross amount of such payables as at 30 June 2008 was LVL 10,624 thousand (2007: LVL 11,309 thousand)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21 CUSTOMERS' DEPOSITS

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Demand deposits				
Residents:				
State companies	297	423	1	2
Private enterprises	1 591	2 263	1 926	2 740
Private individuals	2 511	3 573	4 023	5 724
Other	5	7	1	2
Non-residents:				
Residents of OECD countries	19 949	28 385	29 750	42 330
Residents of non-OECD countries	22 281	31 703	12 524	17 820
Total demand deposits	46 634	66 354	48 225	68 618
Term deposits				
Residents:				
State companies	2 293	3 263	1 404	1 998
Private individuals	38 704	55 071	14 915	21 222
Private enterprises	1 124	1 600	1 604	2 282
Other	72	103	45	64
Non-residents:				
Residents of OECD countries	8 442	12 011	13 843	19 697
Residents of non-OECD countries	9 082	12 922	9 130	12 991
	59 717	84 970	40 941	58 254
Total term deposits	106 351	151 324	89 166	126 872
	30 June 2008		31 December 2007	

The maturity structure of customer deposits as per agreement terms at 31 December 2007 was as follows:

	LVL'000	EUR'000	LVL'000	EUR'000
Demand deposits	46 634	66 354	48 225	68 618
Term deposits:				
to 3 months	28 181	40 098	24 889	35 414
from 3 to 6 months	10 891	15 497	5 183	7 375
from 6 months to one year	17 869	25 425	7 899	11 239
more than one year	2 776	3 950	2 970	4 226
Total demand and term deposits	106 351	151 324	89 166	126 872

The average deposit interest rates in 2008 and 2007 were 6.14% and 6.21% respectively.

During each reported period 2008 and 2007 the average interest rate on overnight deposits included in current deposit group was 2.05 % and 3.75%, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22 ISSUED MORTGAGE BONDS

As at 30 June 2008, the Bank and Group had LVL 14,757 thousand of bonds outstanding, including accrued interest of LVL 93 thousand.

On 15 May 2006, the Bank issued 3 year mortgage bonds for EUR 4,865 thousand (LVL 3,419 thousand), and the accrued interest as at 30 June 2008 was LVL 28 thousand. The coupon rate of these bonds is 6M EUR LIBOR + 1.5%. As at 30 June 2008 coupon rate of these bonds was 6.375%.

On 15 December 2006, the Bank issued 5 year mortgage bonds for EUR 7,000 thousand (LVL 4,920), and the accrued interest as at 30 June 2008 was LVL 14 thousand. The coupon rate of these bonds is 6M EUR LIBOR + 1.6%. As at 30 June 2008 coupon rate of these bonds was 6.75%.

On 15 May 2007, the Bank issued 3 year mortgage bonds for EUR 9,000 thousand (LVL 6,325), and the accrued interest as at 30 June 2008 was LVL 51 thousand. The coupon rate of these bonds is 6M EUR LIBOR + 1.55%. As at 30 June 2008 coupon rate of these bonds was 6.50%.

23 DEFERRED INCOME AND ACCRUED EXPENSES

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Other accrued expenses	409	582	814	1 158
	<u>409</u>	<u>582</u>	<u>814</u>	<u>1 158</u>

24 PROVISIONS

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Provision for vacations	153	218	151	215
Other liabilities	167	237	170	242
	<u>320</u>	<u>455</u>	<u>321</u>	<u>457</u>

25 OTHER LIABILITIES

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Unrealised loss from SPOT transactions	898	1 278	27	39
Amounts in clearing	789	1 123	1 218	1 733
Trade accounts payable	504	717	547	778
Other liabilities	176	250	151	215
Corporate income tax payable	-	-	20	28
	<u>2 367</u>	<u>3 368</u>	<u>1 963</u>	<u>2 793</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 PAID-UP SHARE CAPITAL

Share capital consists of common shares entitling equal rights to dividends, liquidation quota and voting rights at the shareholders meeting. Nominal value per share is LVL 1. All shares are fully paid up. The largest shareholder of the Bank is Commercial Bank “PrivatBank”, (Ukraine).

Shareholders as at 31 December 2007 are as follows:

Shareholder	Country	Shares LVL	Holding, %	Voting rights
Closed Joint Stock Commercial Bank “PrivatBank”	Ukraina	10 124 646	95.0671	With voting rights
M. Esterovs	ASV	524 724	4.9271	With voting rights
J. Aleksandrova (Skvorcova)	Latvija	150	0.0014	With voting rights
A. Laško	Latvija	153	0.0014	With voting rights
V. Bīriņš	Latvija	195	0.0018	With voting rights
O.Trubakovs	Ukraina	33	0.0003	With voting rights
O. Mekekechko	Ukraina	33	0.0003	With voting rights
V. Beļskis	Latvija	33	0.0003	With voting rights
R. Pētersons	Latvija	33	0.0003	With voting rights
		10 650 000	100.00	

Shareholder	Country	Shares LVL	Holding, %	Voting rights
Closed Joint Stock Commercial Bank “PrivatBank”	Ukraina	14 406 073	95.0671	With voting rights
M. Esterovs	ASV	746 615	4.9271	With voting rights
J. Aleksandrova (Skvorcova)	Latvija	213	0.0014	With voting rights
A. Laško	Latvija	218	0.0014	With voting rights
V. Bīriņš	Latvija	277	0.0018	With voting rights
O.Trubakovs	Ukraina	47	0.0003	With voting rights
O. Mekekechko	Ukraina	47	0.0003	With voting rights
V. Beļskis	Latvija	47	0.0003	With voting rights
R. Pētersons	Latvija	47	0.0003	With voting rights
		15 153 585	100.00	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27 CASH AND CASH EQUIVALENTS

	30 June 2008		30 June 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Cash and due from the Bank of Latvia	11 215	15 957	8 147	11 592
Deposits in other credit institutions with maturity less than three months	17 001	24 190	13 411	19 082
Due to other credit institutions with maturity less than three months	(3 742)	(5 324)	(10 861)	(15 454)
	<u>24 474</u>	<u>34 823</u>	<u>10 697</u>	<u>15 220</u>

28 FUNDS UNDER TRUST MANAGEMENT

	30 June 2008		31 December 2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Assets under management				
Loans to residents Non - OECD countries	24 085	34 270	-	-
Loans to residents of OECD countries	-	-	365	519
	<u>24 085</u>	<u>34 270</u>	<u>365</u>	<u>519</u>
Liabilities under management				
Deposits of residents of other countries	24 085	34 270	365	519
	<u>24 085</u>	<u>34 270</u>	<u>365</u>	<u>519</u>

As at 30 June 2008, the Bank held and managed customers' funds of LVL 24 085 thousand at the customers' direction. These are not the Bank assets and are not recognized in the balance sheet. The Bank is not exposed to risks relating to such placements, which the ultimate customer bears.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29 RELATED PARTY TRANSACTIONS

Related parties are shareholders having a significant influence over the Bank, companies which they control, members of the Council and Board, senior management, their close relatives and companies which they control, as well as associated companies.

	30 June 2008 LVL'000	Annual interest rate	31 December 2007 LVL'000	Annual interest rate
Assets				
Loans to the members of the Board and Council	286	7.60%	197	6.03%
PrivatBank balance on correspondent account	491	-	54	-
PrivatBank term deposits	9	-	5	-
Funds in settlement (Visa, Privatmoney)	15	-	102	-
	<u>801</u>		<u>358</u>	

	30 June 2008 LVL'000	Annual interest rate	31 December 2007 LVL'000	Annual interest rate
Liabilities				
Due to PrivatBank – loro account	311	-	510	-
PrivatBank term deposits	-	-	8 785	5%
Funds in settlement (Privatmoney)	58	-	21	-
	<u>369</u>		<u>9 316</u>	

As at 30 June 2008 the Bank had the following transactions with subsidiaries:

	30 June 2008 LVL'000	Annual interest rate	31 December 2007 LVL'000	Annual interest rate
Assets				
Loan to SIA “PrivatLizings”	14 673	7.21%	13 513	5.59%
Loan to SIA “DigiPro”	373	11.74%	387	7.10%
	<u>15 046</u>		<u>13 900</u>	

	30 June 2008 LVL'000	Annual interest rate	31 December 2007 LVL'000	Annual interest rate
Liabilities				
Due to SIA “PrivatLizings”	96	-	75	-
Due to SIA “PrivatConsulting”	20	-	7	-
	<u>116</u>		<u>82</u>	

	30 June 2008 LVL'000	31 December 2007 LVL'000
Income from related party transactions		
Interest income from SIA „PrivatLizings”	504	821
Interest income from SIA „DigiPro”	23	25
	<u>527</u>	<u>846</u>

AS „PrivatBank”

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	30 June 2008 EUR'000	Annual interest rate	31 December 2007 EUR'000	Annual interest rate
Assets				
Loans to the members of the Board and Council	407	7.60%	280	6.03%
PrivatBank balance on correspondent account	699	-	77	-
PrivatBank term deposits	13	-	7	-
Funds in settlement (Visa, Privatmoney)	21	-	145	-
	<u>1 140</u>		<u>509</u>	

	30 June 2008 EUR'000	Annual interest rate	31 December 2007 EUR'000	Annual interest rate
Liabilities				
Due to PrivatBank – loro account	443	-	725	-
PrivatBank term deposits	-	-	12 500	5%
Funds in settlement (Privatmoney)	82	-	30	-
	<u>525</u>		<u>13 255</u>	

As at 30 June 2008 the Bank had the following transactions with subsidiaries:

	30 June 2008 EUR'000	Annual interest rate	31 December 2007 EUR'000	Annual interest rate
Assets				
Loan to SIA “PrivatLizings”	20 878	7.21%	19 227	5.59%
Loan to SIA “DigiPro”	531	11.74%	551	7.1 %
	<u>21 409</u>		<u>19 778</u>	

	30 June 2008 EUR'000	Annual interest rate	31 December 2007 EUR'000	Annual interest rate
Liabilities				
Due to SIA “PrivatLizings”	137	-	107	-
Due to SIA “PrivatConsulting”	28	-	10	-
	<u>165</u>		<u>117</u>	

	30 June 2008 EUR'000	31 December 2007 EUR'000
Income from related party transactions		
Interest income from SIA „PrivatLizings”	717	1 168
Interest income from SIA „DigiPro”	33	36
	<u>750</u>	<u>1 204</u>

All transactions with related parties have been carried out at an arm’s length basis.