Bank and Consolidated Financial Statements
for the year ended 31 December 2007

CONTENT

	PAGE
MANAGEMENT REPORT ON THE BANK'S AND THE GROUP'S OPERATIONS DURING 2007	**3**
INFORMATION ON THE BANK'S MANAGEMENT	**4**
STATEMENT OF MANAGEMENT RESPONSIBILITY	**5**
AUDITORS' REPORT	**6-7**
CONSOLIDATED AND BANK FINANCIAL STATEMENTS:	
CONSOLIDATED AND BANK INCOME STATEMENT	**8**
CONSOLIDATED AND BANK BALANCE SHEET AND OFF BALANCE SHEET ITEMS	**9-10**
CONSOLIDATED AND BANK STATEMENT OF CHANGES IN EQUITY	**11-12**
CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS	**13-14**
NOTES TO THE CONSOLIDATED AND BANK FINANCIAL STATEMENTS	**15-62**

MANAGEMENT REPORT ON THE BANK'S AND THE GROUP'S OPERATIONS DURING 2007

Dear shareholders and clients!

JSC "BALTIC TRUST BANK" ("the Bank") is a credit institution, US corporation *General Electric* group company, with the goal to provide universal banking services to households, small and medium-sized companies in Latvia. The Bank has 125 thousand private individual clients and 10 thousand corporate clients, served in wide regional branch network through all the country.

In comparison to the end of 2006, Bank net assets have increased by 11% or 28 million Lats. In accordance with Bank`s chosen strategy the lending portfolio had experienced the fastest growth during the year and increased by 56% or 64 million Lats. Commercial lending at the end of the year constituted 65% of the total lending portfolio. The share of loans to households decreased from 39% to 35%. The increase of the lending volume was composed of commercial loans and mortgage loans to households. Bank's deposit base grew by 33% or 58 million Lats. Private person deposits constituted 33% of the total deposits volume, deposits of the financial institutions– 32%, other corporations – 35%.

Bank's net profit last year constituted 2,9 million Lats, which is by 3% higher than in 2006. The base of Bank's profit growth was the increase of the lending volumes – commercial, mortgage and consumer loans corporations and households in Latvia. As the result of the increased lending portfolio the net interest income increased by 28% in 2007.

During the 2007 Bank has changed its external funding strategy, focusing on the available internal funding within GE corporation. At the end of the year the total *GE* funding reached 100 million Euro, which proves the considerable shareholders` support to the Bank and its chosen business strategy. In accordance with the change in external funding sources the Bank prematurely repaid the international syndicated loan in November 2007 in amount of 16 million Euro (11 million Lats).

In August the Bank executed its rights to prematurely repay 3 mortgage bonds issues, which were issued in 2005 (in Euro, Lats and US dollars). In December BTB repaid matured, Lats denominated mortgage bonds, issued in 2004. There are still subordinated bonds and 2 mortgage bonds issues traded on Riga Stock Exchange.

Bank's group is composed of Investment Management Company "BTB Asset Management" and Joint Stock Company "Baltic Trust Bank Open Pension Fund". IMC "BTB Asset Management" offers "BTB Active Plan" and "BTB Conservative Plan" 2nd tier pension plans since 2006. At the end of 2007 the total value of the pension plans reached 1.4 million Lats. Three investment funds, established by IMC "BTB Asset Management", continue their business, their total value reaching 2.1 million Lats. JSC "Baltic Trust Bank Open Pension Fund" provides the 3rd level pension plan "Nakotne" and "Nakotne Active".

During the 2007 Bank was actively involved in the integration process, introducing the necessary policies, procedures and best practices required for the company operating within the GE corporation. The main focus areas were the improvement of the risk control systems, compliance control in improvement of the information technology security.

One of the Bank's most important projects during 2007 was implementation of the *Basel 2* requirements, which is focused on the improvement of Bank's risk management system in accordance with the EU standards and the best practice. Bank identifies the material business risks for its operation and defines the capital levels, required for its effective operation. Bank regularly uses other risk mitigation approaches, including macroeconomic scenario forecasts and the respective risk stress-testing.

In order to maintain the adequate capital position for the efficient growth of the Bank, Bank's management proposes to retain the profit of 2007 without paying dividends.

There are no significant events having material effect on results on reporting period occurred between the balance sheet date and the date of signing these financial statements.

Sincerely yours,

Niels Aall	Ieva Racenaja
Chairman of the Council	Chairman of the Board

13 March 2008

INFORMATION ON THE BANK'S MANAGEMENT

Council members as of the date of signing these financial statements

Name	Position	Election date	Resignation date
Niels Aall	Chairman of the Council	14.11.2006	
Liia Nou	Deputy Chairman of the Council	14.11.2006	19.03.2007.
Nina Sadurskis	Member of the Council	14.11.2006	19.03.2007
Brian Hughes	Member of the Council	14.11.2006	16.10.2007.
Agneta Schwieler	Member of the Council	14.11.2006	
Magnus Berggren	Member of the Council	14.11.2006	
Jan Sjoberg	Member of the Council	19.03.2007.	
Helen Heslop	Deputy Chairman of the Council	16.10.2007.	
Eva Ekwall	Member of the Council	16.10.2007.	
Allan Karlsen	Member of the Council	14.12.2007.	
Dmitrijs Cimbers	Deputy Chairman of the Council	19.03.2007.	14.12.2007.
Savēlijs Semjonovs	Member of the Council	27.08.1997	16.10.2007.

Board members as of the date of signing these financial statements

Name	Position	Last election date	Resignation date
Ieva Rācenāja	Chairman of the Board	03.03.2007	
Kaspars Krauze	Member of the Board	03.03.2007	02.03.2008
Inga Vagele	Member of the Board	09.03.2007	
Nina Sadurskis	Member of the Board	09.03.2007	08.03.2008
Dmitrijs Cimbers	Member of the Board	15.12.2007.	
Asim Yuzbasioglu	Member of the Board	16.10.2007.	
Edīte Sīpola	Member of the Board	19.03.2007.	14.12.2007.
Edgars Dubra	Chairman of the Board	25.02.2006	09.03.2007

STATEMENT OF MANAGEMENT RESPONSIBILITY

The management of JSC "Baltic Trust Bank" ("the Bank") is responsible for the preparation of the Bank's and the Bank's subsidiaries ("the Group") financial statements for each financial year, ensuring the fair presentation of the financial position as of the year end, and the profit and loss and cash flows for the year then ended. Management is responsible for the preparation of the financial statements in accordance with the going concern principle.

While preparing the financial statements included on pages 8 to 62 for the years ended 31 December 2007, management has applied appropriate accounting principles that are based on prudent and reasonable judgments and estimates. In our opinion, all appropriate accounting principles have been consistently applied, including International Financial Reporting Standards as adopted by the European Union and the requirements of the Financial and Capital Market Commission.

The Bank's management is responsible for maintaining proper accounting records and ensuring compliance of these financial statements with the regulations of the Financial and capital market commission on annual reports of credit institutions. Management is responsible for maintaining measures necessary for safeguarding the Group's assets and prevention and detention of fraud and other illegal activities. Management's decisions and approach to the preparation of the financial reports were prudent and reasonable.

On behalf of the Bank's management:

Niels Aall	Ieva Racenaja
Chairman of the Council	Chairman of the Board

13 March 2008

KPMG Baltics SIA
Balasta dambis 1a
Riga LV 1048
Latvia

Phone +371 7038000
Fax +371 7038002
Internet: www.kpmg.lv

Independent Auditors' Report

To the shareholders of AS "Baltic Trust Bank"

Report on the Financial Statements

We have audited the accompanying financial statements of AS "Baltic Trust Bank" ("the Bank"), which comprise the unconsolidated balance sheet as at 31 December 2007, and the unconsolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 62. We have also audited the accompanying consolidated financial statements of AS "Baltic Trust Bank" and subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 62.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 the financial statements are free of material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG Baltics SIA, a Latvian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Opinion

In our opinion, the unconsolidated AS "Baltic Trust Bank" financial statements give a true and fair view of the financial position of the Bank as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Management Report, as set out on page 3, the preparation of which is the responsibility of management, is consistent with the financial statements. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Bank. In our opinion, the management report is consistent with the financial statements.

KPMG Baltics SIA
License No 55

Stephen Young
Chairman of the Board
Riga, Latvia
13 March 2008

Inga Lipšāne
Sworn Auditor
Certificate No 112

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

CONSOLIDATED AND BANK INCOME STATEMENT

	Notes	2007 Group	2007 Bank	2006 Group	2006 Bank
Interest income	19	16,436	16,436	12,322	12,322
Interest expense	19	(6,327)	(6,332)	(4,439)	(4,443)
Net interest income		**10,109**	**10,104**	**7,883**	**7,879**
Commissions and fee income	20	5,073	5,026	5,587	5,567
Commissions and fee expense	20	(1,043)	(1,041)	(1,001)	(1,001)
Net commission income		**4,030**	**3,985**	**4,586**	**4,566**
Realised net profit from available-for-sale financial assets		50	50	775	775
Net profit from held for trading financial assets		88	88	281	282
Gain from foreign exchange		2,423	2,423	2,507	2,507
Dividends		-	-	16	16
Other operating income	21	834	834	825	825
Net operating income		**17,534**	**17,484**	**16,873**	**16,850**
Administrative expenses	22	(11,774)	(11,712)	(11,045)	(10,991)
Depreciation, amortization and loss on sale of intangible assets and property, plant and equipment	9	(1,303)	(1,302)	(1,599)	(1,598)
Other operating expenses	21	(228)	(228)	(196)	(162)
Net impairment allowance expense	23	(693)	(693)	(332)	(367)
Profit before corporate income tax		**3,536**	**3,549**	**3,701**	**3,732**
Corporate income tax	24	(614)	(614)	(880)	(880)
Profit for the period		**2,922**	**2,935**	**2,821**	**2,852**
Basic earnings per share (LVL)	35	**9.36**	**9.41**	**9.77**	**9.88**

The accompanying notes on pages 15 to 62 form an integral part of these Bank and Consolidated financial statements.

Niels Aall
Chairman of the Council

Ieva Racenaja
Chairman of the Board

13 March 2008

CONSOLIDATED AND BANK BALANCE SHEET AND OFF BALANCE SHEET ITEMS

	Notes	31 December 2007	31 December 2007	31 December 2006	31 December 2006
ASSETS		**Group**	**Bank**	**Group**	**Bank**
Cash and due from central bank	3	25,987	25,987	33,889	33,889
Due from credit institutions	5	55,651	55,635	68,797	68,783
Held for trading financial assets	4	1,506	1,974	2,646	3,017
Fixed-income securities		*954*	*84*	*2,337*	*1,346*
Shares and other non-fixed income securities		*289*	*1,627*	*205*	*1,567*
Derivatives	7	*263*	*263*	*104*	*104*
Loans	6	176,958	176,958	113,253	113,253
Available-for-sale financial assets	4	4,274	4,274	14,763	14,763
Fixed-income securities		*4,274*	*4,274*	*14,699*	*14,699*
Shares and other non-fixed income securities		-	-	*64*	*64*
Held-to-maturity investments	4	1,957	1,957	5,933	5,933
Investments in subsidiaries	8	-	199	-	154
Intangible assets	9	765	763	884	882
Property, plant and equipment	9	8,027	8,027	7,550	7,550
Deferred expense and accrued income		231	224	160	158
Other assets	10	1,958	1,958	1,179	1,179
Total assets		**277,314**	**277,956**	**249,054**	**249,561**

The accompanying notes on pages 15 to 62 form an integral part of these Bank and Consolidated financial statements.

Niels Aall
Chairman of the Council

Ieva Racenaja
Chairman of the Board

13 March 2008

CONSOLIDATED AND BANK BALANCE SHEET AND OFF BALANCE SHEET ITEMS

	Notes	31 December 2007 Group	31 December 2007 Bank	31 December 2006 Group	31 December 2006 Bank
LIABILITIES					
Due to credit institutions	11	1,007	1,007	23,612	23,612
Financial liabilities held for trading		337	337	29	29
Derivatives	7	*337*	*337*	*29*	*29*
Financial liabilities at amortised cost		239,098	239,712	191,202	191,690
Deposits	12	*231,883*	*232,377*	*174,117*	*174,381*
Debt securities	13	*5,023*	*5,023*	*14,932*	*15,038*
Subordinated debt	15	*2,192*	*2,312*	*2,153*	*2,271*
Deferred income and accrued expense		1,269	1,259	771	765
Tax liabilities	16	692	692	1,032	1,032
Deferred tax liabilities		*692*	*692*	*647*	*647*
Current tax liabilities		-	-	*385*	*385*
Other liabilities	14	538	538	848	848
Total liabilities		**242,941**	**243,545**	**217,494**	**217,976**
Capital and reserves					
Share capital	17	15,601	15,601	15,601	15,601
Share premium		7,272	7,272	7,272	7,272
Reserve capital		2,815	2,815	2,815	2,815
Property, plant and equipment revaluation reserve		1,661	1,661	1,661	1,661
Available for sale financial asset revaluation reserve		(526)	(526)	(417)	(417)
Retained earnings		7,550	7,588	4,628	4,653
Total equity		**34,373**	**34,411**	**31,560**	**31,585**
Total liabilities and equity		**277,314**	**277,956**	**249,054**	**249,561**
OFF-BALANCE SHEET ITEMS					
Guarantees		4,381	4,381	4,756	4,756
Other commitments		7,245	7,245	10,904	10,904

The accompanying notes on pages 15 to 62 form an integral part of these Bank and Consolidated financial statements.

Niels Aall
Chairman of the Council

Ieva Racenaja
Chairman of the Board

13 March 2008

STATEMENT OF CHANGES IN EQUITY (THE BANK)

	Share capital	Share premium	AFS Revaluation reserve	Property, plant and equipment revaluation reserve	Reserve capital	Retaining earnings	Total
31 December 2005	8,601	1,672	3	266	1,194	3,801	15,537
Available for sale financial asset revaluation	-	-	(420)	-	-	-	(420)
Revaluation net of deferred tax	-	-		1,395	-	-	1,395
Dividends	-	-	-	-	-	(2,000)	(2,000)
Increase of share capital	7,000	5,600	-	-	-	-	12,600
Share based payments	-	-	-	-	1,621	-	1,621
Profit for the period	-	-	-	-	-	2,852	2,852
31 December 2006	**15,601**	**7,272**	**(417)**	**1,661**	**2,815**	**4,653**	**31,585**
Available for sale financial asset revaluation	-	-	(109)	-	-	-	**(109)**
Profit for the period	-	-	-	-	-	2,935	**2,935**
31 December 2007	**15,601**	**7,272**	**(526)**	**1,661**	**2,815**	**7,588**	**34,411**

The accompanying notes on pages 15 to 62 form an integral part of these Bank and Consolidated financial statements.

Niels Aall
Chairman of the Council

Ieva Racenaja
Chairman of the Board

13 March 2008

STATEMENT OF CHANGES IN EQUITY (THE GROUP)

	Share capital	Share premium	Translation and AFS revaluation reserve	Property, plant and equipment revaluation reserve	Reserve capital	Retaining earnings	Minority Interest	Total
31 December 2005	8,601	1,672	(4)	266	1,194	3,807	19	15,555
Disposal of subsidiaries	-	-	7	-	-	-	(19)	(12)
Available for sale financial asset revaluation	-	-	(420)	-	-	-	-	(420)
Revaluation net of deferred tax	-	-	-	1395	-	-	-	1,395
Dividends	-	-	-	-	-	(2,000)	-	(2,000)
Increase of share capital	7,000	5,600	-	-	-	-	-	12,600
Share based payments	-	-	-	-	1,621	-	-	1,621
Profit for the period	-	-	-	-	-	2,821	-	2,821
31 December 2006	**15,601**	**7,272**	**(417)**	**1,661**	**2,815**	**4,628**	**-**	**31,560**
Available for sale financial asset revaluation reserve	-	-	(109)	-	-	-	-	**(109)**
Profit for the year	-	-	-	-	-	2,922	-	**2,922**
31 December 2007	**15,601**	**7,272**	**(526)**	**1,661**	**2,815**	**7,550**	**-**	**34,373**

The accompanying notes on pages 15 to 62 form an integral part of these Bank and Consolidated financial statements.

Niels Aall
Chairman of the Council

Ieva Racenaja
Chairman of the Board

13 March 2008

CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS

	2007 Group	2007 Bank	2006 Group	2006 Bank
Cash flows from operating activities				
Profit before corporate income tax	3,536	3,549	3,701	3,732
Depreciation, amortization and write-off of intangible assets and property, plant and equipment	1,270	1,270	1,520	1,520
Loss from sale of property, plant and equipment	33	32	79	78
Increase of impairment allowance	693	693	332	367
Share based payment expense	-	-	1,621	1,621
Result from revaluation of foreign currencies	(171)	(171)	(52)	(52)
Increase of cash and cash equivalents before changes in assets and liabilities	**5,361**	**5,373**	**7,201**	**7,266**
Change in due from credit institutions	3,170	3,156	(6,834)	(3,228)
Change in loans	(64,358)	(64,358)	(25,498)	(25,494)
Change in available-for-sale financial assets	10,489	10,489	(10,379)	(10,379)
Change in held for trading financial assets	1,031	934	473	392
Change in deferred expense and accrued income	(123)	(118)	(41)	(40)
Change in other assets	(261)	(261)	(463)	(261)
Change in due to credit institutions	(11,225)	(11,225)	4,082	4,082
Change in deposits	57,766	57,996	9,250	7,234
Change in held for trading financial liabilities	308	308	25	25
Change in deferred income and accrued expense	498	494	278	276
Change in other liabilities	(271)	(269)	389	390
Income tax paid	(1,472)	(1,472)	(498)	(498)
Net cash used in operating activities	**913**	**1,047**	**(22,015)**	**(20,235)**
Cash flows from investing activities				
Purchase of property, plant and equipment, and intangibles	(1,676)	(1,676)	(1,815)	(1,815)
Sale of property, plant and equipment	15	16	636	417
Purchase of held-to-maturity investments	3,976	3,976	2,602	2,602
Investments in subsidiaries	-	(45)	-	(50)
Sale of investments in subsidiaries	-	-	5,715	5,715
Net cash from investing activities	**2,315**	**2,271**	**7,138**	**6,869**
Cash flows from financing activities				
Proceeds from share issue	-	-	12,600	12,600
Mortgage bonds (repaid)	(9,909)	(10,015)	-	-
Proceeds from issue of subordinated liabilities	-	-	2,153	2,271
Subordinated liabilities (repaid)	-	-	(5,000)	(5,000)
Debt securities issued	-		3,316	3,252
Dividends paid	-	-	(2,000)	(2,000)
Net cash from financing activities	**(9,909)**	**(10,015)**	**11,069**	**11,123**

	2007 Group	2007 Bank	2006 Group	2006 Bank
Net (decrease)/increase of cash and cash equivalents	**(6,681)**	**(6,697)**	**(3,808)**	**(2,243)**
Opening balance of cash and cash equivalents	85,170	85,170	88,926	87,361
Results from exchange rate differences	171	171	52	52
Closing balance of cash and its equivalents	**78,660**	**78,644**	**85,170**	**85,170**
Cash and cash equivalents include the following:				
Cash and due from Bank of Latvia	25,987	25,987	33,889	33,889
Due from credit institutions including term deposits due in less than three months	53,179	53,163	63,167	63,167
Due to credit institutions including term deposits due in less than three months	(506)	(506)	(11,886)	(11,886)
Total	**78,660**	**78,644**	**85,170**	**85,170**

The accompanying notes on pages 15 to 62 form an integral part of these Bank and Consolidated financial statements.

Niels Aall
Chairman of the Council

Ieva Racenaja
Chairman of the Board

13 March 2008

NOTES TO THE CONSOLIDATED AND BANK FINANCIAL STATEMENTS

1. COMMENTS TO THE FINANCIAL STATEMENTS

1.1. General information

Baltic Trust Bank (the "Bank") was founded on 10 September 1992. It was registered in the Republic of Latvia as a joint stock company with shareholders of limited liability. The main operations of the Bank are issuance of loans, performance of payment transfers and operations with foreign currency both on behalf of customers and as trading activities. The Bank's licence allows the Bank to maintain accounts and receive term deposits from individuals and legal entities. The Group's and Bank's legal address is 3 13. janvara Street, Riga, Latvia, LV - 1050.

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

The Bank and Group financial statements have been approved for issue by the Board on 13 March 2008.

Legislation regulating the Bank's operations

The Bank's operations are governed by the law of the Republic of Latvia "On Credit Institutions", "Commercial Law", and other laws and regulations issued by the Financial and Capital Market Commission. The above regulations govern capital adequacy, minimum equity, liquidity, foreign exchange positions, risk transaction restrictions with respect to one counterparty, group of related customers and related parties of the Bank, as well as other applicable requirements.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The financial statements of the Group and 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 reporting date.

Basis for preparation of the financial statements

The financial statements have been prepared on the historical cost basis, except for land and buildings, which are stated at revalued amount and derivative financial instruments, financial assets at fair value through profit and loss account and available for sale financial assets which are stated at fair value. Other financial assets and liabilities and non-financial assets and liabilities are carried at amortized cost.

These financial statements have been prepared in the functional currency of the Group and Bank, the Latvian national currency, in thousands of lats ("000'LVL"), unless otherwise stated.

In preparing these financial statements, the Bank and Group has adopted *IFRS 7 Financial Instruments: Disclosures* and *IAS 1 Presentation of Financial Statements – Capital Disclosures* applicable for periods starting from 1 January 2007. The adoption of IFRS 7 and the amendments to IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the Bank and Group.

The financial statements have been prepared using accounting principles consistent with those used in the prior year.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, 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, the results of which form the basis of making 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 recognized 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 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.

Basis of Consolidation

Subsidiaries are entities controlled by the Group. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Accounting for income and expenses

All significant income and expense categories, including interest income and expenses, are recognized on an accrual basis.

Interest income and expenses are recognized in the income statement based on the effective interest rate of on the asset/liability. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

Commission fee income and expenses that are not integral to the effective interest rate on a financial asset or liability are recognized on the transaction date.

As the Group and Bank does not apply hedge accounting, changes to the fair value of derivative financial instruments are recognized in the income statement. Changes to the fair value of derivative financial instruments held for trading are recognized under trading results.

Foreign currency transactions

The income and expenses of the Group and Bank are accounted for in the national currency – LVL. In cases when income is recognized (or expenses incurred) in a foreign currency, these amounts are translated into LVL at the rate of exchange on the date of the transaction

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value or cost are translated at the exchange rate at the date that the fair value or cost was determined.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into LVL using the following exchange rates:

31.12.2007.		**31.12.2006.**	
EUR	0.7028	EUR	0.7028
USD	0.4840	USD	0.5360
RUB	0.0197	RUB	0.0203

Property, plant and equipment

Property, plant and equipment and intangible assets are initially recognized in a balance-sheet at their acquisition cost including transaction costs.

Land plots, buildings and constructions owned by the Group and Bank are revalued up to their fair value on the grounds of their market value no less than once a year. The value of buildings and construction after revaluation shall be reduced for depreciation, which has been calculated taking into account the remaining useful life of these assets. The Group and Bank ensure valuation of its real estate by an independent certified expert at least once a year. Increase in the value of land plots, buildings and constructions are shown in the item "Revaluation Reserve" of the balance-sheet. Decrease in the value shall be recognized as expenditure, excluding the decrease, which does not exceed the amount of the increase, which has been included in the item "Revaluation Reserves" on the balance-sheet.

The revaluation reserve included in equity in respect of property, plant and equipment revaluations is transferred directly to retained earnings when the asset is retired or disposed of.

Depreciation is recognized on a straight-line basis, using the following estimated useful lives:

Vehicles	5 years
Furniture	5-10 years
Buildings	5-50 years
Computers, office equipment	4-6 years

Leasehold improvements are capitalized and amortized during the term of the lease agreement.

Depreciation rates, residual values and useful lives are reviewed at each reporting date.

Financial instruments

Financial instruments are classified into the following categories.

Financial assets held for trading

Financial assets held for trading and at fair value through profit and loss account are initially recognized at fair value and subsequently carried at fair value based on market prices. All related realized and unrealized profits and losses are included in net trading income. Financial assets held for trading are recognized using a settlement date basis for both purchases and sales.

Available-for-sale financial assets

Available-for-sale financial assets are initially recognized at fair value including directly attributable transactions costs and subsequently carried at fair value based on market prices. When equity securities are not traded in active markets, the Bank and Group uses alternative methods to determine fair value (for example, prices of similar investments).

Those available-for-sale financial assets that do not have a quoted market price and whose fair value cannot be reliably measured by other models mentioned above, are measured at cost, less allowance for permanent diminution in value, when appropriate.

Gains or losses on available-for-sale investments revaluation are recognized directly in equity, through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

Held-to-maturity investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturities and the Group and Bank has the positive intent and ability to hold them to maturity.

Held to maturity investments are initially measured at fair value including directly attributable transactions costs and are subsequently remeasured at amortised cost, less allowance for impairment, if any. Interest earned on held to maturity securities is reported as interest income.

Derivative financial instruments

In the normal course of business, the Group and Bank is a party to foreign currency swap contracts. Profits or losses resulting from changes in exchange rate subsequent to the date of the transaction are recognized in the statement of income as a profit or loss from revaluation of foreign currencies.

Off-balance sheet items

In the ordinary course of business, the Group and Bank has been involved in off-balance sheet financial instruments consisting of commitments to extend loans, financial guarantees and commercial letters of credit. Such financial instruments are recorded in the financial statements upon the conclusion of the respective agreements.

Loans

Loans are measured at amortised cost using the effective interest rate method.

Impairment losses on loans are measured as the difference between the carrying amount of the loan and the present value of estimated cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a loan is uncollectible it is written off against the related impairment allowance; subsequent recoveries are credited to the income statement.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or where the Group and Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Investments in subsidiaries

Investments in subsidiaries are stated at the cost by the Bank, less any allowance for permanent diminution in value.

Provisions

Provisions are recognized when the Group and Bank has a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. These provisions relate to the guarantees issued and other off balance sheet items.

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprises cash, deposits with the Bank of Latvia and other credit institutions with a maturity of less than 3 months when purchased, less balances due to the Bank of Latvia and credit institutions with a maturity of less than 3 months.

Corporate income tax

Corporate income tax comprises current and deferred tax. Corporate income tax is calculated in accordance with Latvian tax regulations and is based on the taxable profit reported for the taxation period.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax bases. The amount of deferred tax recognized is based on the expected manner of realization as settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. The principal temporary differences arise from the differing rates and methods used for accounting and tax depreciation on property, plant and equipment and accruals.

Deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Funds under trust management

Funds managed by the Group and Bank on behalf of its customers, funds and other institutions are not regarded as assets of the Group and Bank and, therefore, are not included in its balance sheet. Risks and benefits associated with these assets is borne by the clients of the Bank and Group.

Mortgage bonds

Debt securities issued by the Group and Bank are stated at amortised cost using the effective interest rate method. Interest expense arising on the issue of debt securities is included in the profit and loss statement line "Interest expense".

Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis or based on discounted future cash flow method. Where, in the opinion of the management, the fair values of financial assets and liabilities differ materially from their carrying values, such fair values are separately disclosed in the notes to the financial statements.

Impairment of financial assets

The Bank and Group assess at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition and that event has an impact on the estimated future cash flows that can be reliably estimated.

The Bank and Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and for all loans with overdue payments or interest regardless of the size of the outstanding principal. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics mainly based on collateral type.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and estimated present value of future cash flows. The Bank and Group use discounted collateral realisation value as an approximation of the present value of future cash flows. For the measurement of collective impairment the Bank and Group assume that all contractual cash flows will be received and recognises impairment loss based on historical loss experience which is adjusted on the basis of currently available data.

The carrying amount of the asset is reduced through the use of an allowance and the increase/decrease in the amount of the impairment loss is recognised in the statement of profit and loss.

Impairment of non-financial assets

The carrying amounts of the Bank's and Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of assets, other than goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Segment reporting

A segment is a distinguishable component of the Group or the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's and Group's primary format for segment reporting is based on business segments.

Measurement of non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The Bank and Group measures non-current assets classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

Earnings per share

Earnings per share is presented for every period for which an income statement is presented. Earning per share is obtained by dividing net profit for the reporting year by the number of weighted average number of ordinary shares outstanding for the respective period.

Employee benefits

The Bank and Group provides short-term benefits to employees which are recognized through profit and loss. The Bank and Group do not have in any long-term defined benefit plans or other long term employee benefits. Pension obligations for employees rest with the State or the employee.

Risk management

Risk management is the cornerstone of the Group and Bank's business activity and a key element within its planning process. Through the developed system for the identification, supervision and management of its main financial risks the Group and Bank ensures that it has the functional capability to manage the risk in new and existing businesses, and that business plans are consistent with the risk appetite. The Group and Bank's Risk management system is regularly reviewed taking into account the market conditions and the Group and Bank's business strategy and in order to set appropriate risk limits and controls. The Executive Board has the overall responsibility for the establishing and supervision of the Group and Bank's risk management framework. The Group and Bank have established an Asset, Liabilities and Credit committees and a Compliance Review Board, which are responsible for developing and supervising of the respective risk management policies and procedures.

The risk appetite is the level of risk the Group and Bank choose to take to reach its strategic objectives, acknowledging a range of possible outcomes, as business plans are implemented. The Group and Bank's Risk management framework, combines a top-down view of its capacity to take risk, with a bottom-up view of the business risk profile requested and recommended by each business area. The objectives of the risk appetite framework are to:

- protect the Group and Bank's performance;
- improve management control and co-ordination of risk-taking across businesses; and,
- enable unused risk capacity to be identified and thus profitable opportunities to be highlighted

Risk elements and policy framework

The Group and Bank identify certain risk factors that they face in the ordinary course of their operations. In order to implement and maintain appropriate Risk management framework the Group and Bank have developed and implemented a set of policies.

Credit Risk

All lending transactions of the Bank are connected with Credit Risk. The Group and Bank accept and limit the risk by defining reasonable limits and elaborating Internal Control system for their supervision. The responsibility for the credit decision making and management is delegated to the Credit Committee with all the deals over LVL 1 million approved by the Group and Bank's Executive Board and Supervisory Council. The principal elements of Credit Risk management of the Group and Bank include:

- Evaluation of credit worthiness of borrowers (issuers, transaction counterparties);
- Processes for accepting, issuing and controlling repayment of the loans;
- Undertakings for Credit Risk mitigation;
- Limitation of concentration;

- Normative documentation of Credit Risk management and Internal Control system for the activity.

The Bank's Credit Policy defines lending guidelines according to the business strategy and efficient risk management, securing its loan portfolio and protecting the Bank's assets as well as complying with the local regulatory requirements. The policy sets industry limits and loan portfolio limits in comparison to Bank's asset and deposit base. The Bank lends to both – private and legal entireties and accepts assessable and manageable loans with the maximum maturity of 15 years. The credit policy sets the types of collateral and principles of loan granting procedures. The Bank grants loans based on an analysis of customer's payment and collateral for additional risk mitigation purposes. The Bank accepts several items as potential collateral – mortgage, commercial and financial pledge, guarantee or credit risk insurance. The Credit Policy stipulates the collateral adequacy ratios for various types of collateral. Additionally the Bank uses regular macroeconomic situation stress tests to evaluate the changes in the macroeconomic situation and its impact on the Bank's activities.

Market risk

The profitability and as a result the long term objectives of the Group and Bank could be adversely affected by worsening economic conditions in the country. Such factors as interest rates, inflation, the availability and cost of credit, the liquidity of the markets could significantly affect the economic activity and the Group and Bank's customers. Foreign currency risk is considered a separate risk and is managed separately.

The Group and Bank manage their market risk by first identifying different risk factors (market risk due to change in interest rates risk, market risk connected to the quality, credit risk or performance of underlying asset, like shares, credit-linked notes, mortgage bonds, etc.). The Group and Bank's market risk management is monitored by the Asset and Liabilities Committee. The Group and Bank are not considering market risk of its loans portfolio, because lending is a core business, and the loans are considered not marketable.

The Group and Bank have a Country risk management policy in order to define and identify country risk, its mitigation and control procedures. This policy requires the Group and Bank to establish and regularly monitor the limits on counterparties and lines of business.

Foreign currency risk

Foreign currency (FC) risk is the risk of potential loss, which arises from the revaluation of Group's and Bank's open currency position (the difference between assets, liabilities and off-balance items) in each of the foreign currencies when there is a movement in foreign currency exchange rate against the reporting currency.

The Group and Bank manages this risk by minimization of its open currency position by;

- Setting limits on open currency positions in each currency and in total
- Maintaining daily control of the open currency positions, closing the positions on the inter-bank market or with GE Treasury.

The Group and Bank monitors its established foreign currency limits daily, which decreases the risk of losses from the foreign exchange rate fluctuations and in order to comply with the respective regulations.

Operational Risk

Operational Risk is the possibility to experience losses from inadequate or unsuccessful course of internal processes, performance of people and systems, or under the influence of external circumstances. The Group and Bank have established Operational risk policy and respective procedures. Either potential or confirmed Operational Risks are identified and assessed in order to:

- Ensure that the full range of significant Operational Risks is encompassed within the risk management process of the Group and Bank;
- Develop controls to mitigate this risks regarding their frequency and their impact;
- Improve risk transparency and promote common understanding of risks and controls among organization.

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. The goal of the Interest rate risk policy is to define the Group and Bank's interest risk identification, limitation and control

practices. In order to minimize interest rate risks according to its assets and liabilities structure, the Group and Bank grants long-term loans and attracts long-term financing using floating interest rates (three or six month RIGIBOR or LIBOR). Interest rates of loans, included in Mortgage bonds cover register, are based upon 6 months RIGIBOR or 6 months LIBOR. To reduce the Interest rates risk the Group and Bank performs the following activities:

- manages funding (liabilities) which matches to loans portfolio interest rates re-pricing structure;
- manages the pricing for lending business that the matching funding can be maintained;
- places surplus liquidity in a manner, which reduces the total Group and Bank's interest rates re-pricing difference between assets and liabilities for each time period.

Liquidity risk

Liquidity risk is the risk that the Bank and Group will not be able to satisfy timely legally enforceable claims without substantial losses, as well as it will not be able to overcome unplanned changes in resources of the Group and Bank and/or market conditions, due to insufficient volume of liquid assets at its disposal.

During the year, the Group and Bank's assets were managed to meet its current liabilities in accordance with its Liquidity management policy. The Group and Bank maintained a constant amount of liquid assets with the maturity up to 30 days that ensure a compliance with the objective of maintaining such liquid assets at a level of 30% of the Group and Bank's current liabilities. The policy defines assets and liabilities maturity structure management guidelines, internal liquidity limits and the Group and Bank's response to liquidity stress situations. The Group and Bank's major funding sources during the year have been customer deposits and financial institution deposits, issued bonds, funding sources from General Electric group.

Risk, which arises from concentration of the risk deals (Concentration risk)

Concentration risk denotes the risk arising from the uneven distribution of credit exposures over counterparties, geography, or industry in the portfolio. Concentration risk is assessed through the following several Risk management areas – Credit, Market, Liquidity, Operational risks:

The Bank manages its lending operations in such a way that the Group and Bank maintains a well-balanced and diversified risk exposure, from which it follows that the loan portfolio has a highly diversified spread of risk.

Residual risk

Residual risk arises when the Group and Bank fail to realise the value of a Credit Risk mitigation technique such as guarantees or collateral. The Group and Bank have chosen to refrain from financing objects through Operating Lease. For the other products with collateral the loan agreement contains rights for the Group and Bank to regress any residual amount to the borrower. For mortgage loans, Group and Bank cooperate with various evaluation companies for loan contract repurchase. Due to this, the Residual risk is considered as immaterial for the Group and Bank.

Trading portfolio management policy

The Policy is aimed at defining financial trading activities the Group and Bank is involved in, the extent of such involvement and how the Group and Bank limits trading risks. For purposes of ensuring compliance with the trading portfolio management policy, the assets in the portfolio are valued on daily basis.

Investment policy

The goal of the policy is to define investment practices, to ensure investment quality and to safeguard the Group's and Bank's assets, while managing risks. The policy regulates the Group's and Bank's investments in property plant and equipment and in other companies equity.

The policy of interest conflict situation management

The policy determines the basic principles for management, timely identification and prevention of conflict of interest situations that could arise between the Group and Bank or its subsidiary company, including its employees and persons that directly or implicitly control the Group and Bank, as well as between its customers.

Client policy

The policy describes cooperation practices between the Group and Bank and a client: identification requirements, the customer segments the Group and Bank is working with.

The Anti Money Laundering policy describes the main principles of measures of the Bank for prevention of laundering of proceeds derived from crime.

The policy defines Bank's processes of monitoring clients' transactions, due diligence activities, requirements for identification of beneficial owner, identifying and reporting on unusual and suspicious transactions.

BASEL II

The implementation of the Basel II regulatory requirements is to promote a more sophisticated capital assessment and risk management framework for the banking industry. In order to follow the new European Union capital adequacy regulations Bank has introduced a Basel II project for *Pillar I* and *Pillar II* requirement implementation. This will enable the Group and Bank to have a closer alignment of internal economic capital and regulatory capital measures and processes, thus helping the Group and Bank to manage its capital ratios more effectively over time.

The Group and Bank will take a standardized approach to determine the required capital for Credit Risk and the basic indicator approach to Operational Risk under *Pillar I*. Within the Pillar II framework the Group and Bank have developed and implemented an Internal Capital Adequacy Assessment Policy, describing a process of overall capital adequacy in relation to the Group and Bank's risk profile and a strategy for maintaining the Group and Bank's capital level.

Sensitivity analysis

A 10 percent weakening of the Lat against the following currencies would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. There is no additional effect on the equity other than through the profit or loss.

Effect in thousands of LVL

	Group	**Bank**
31.12.2007		
USD	(8)	(8)
EUR	(9)	(9)
RUB	6	6
GBP	1	1
31.12.2006		
USD	42	22
EUR	(74)	(15)
RUB	(3)	(3)
GBP	14	1

Cash flow sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss during the next 1 year period by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed at the same basis for 2006.

	Profit and loss		**Equity**	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
31.12.2007				
Bank	38	(38)	-	-
Group	66	(66)	-	-
31.12.2006				
Bank	24	(24)	-	-
Group	24	(24)	-	-

New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- IFRS 8 Operating Segments requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Bank and Group has not yet determined the potential effect of the Standard.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. The Bank and Group has not yet determined the potential effect of the Interpretation.
- IFRS 2 Share-based Payment – the revised Standard will clarify the definition of vesting conditions and non-vesting conditions. The Bank and Group has not yet determined the potential effect of the Standard.
- IFRIC 12 Service Concession Arrangements provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's and Bank's operations as the Group and Bank has not entered into any service concession arrangements.
- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 is not relevant to the Group's and Bank's operations as the Group and Bank does not have such customer loyalty programmes.
- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Revised IAS 23 is not relevant to the Bank's operations as the Bank has not entered into any acquisition, construction or production, for which specific borrowing would be attracted.
- IFRIC 14 IAS 19 – The limit on a defined Benefit Asset, Minimum funding Requirements and their interaction clarifies when refunds or reductions in future contributions in relation to defined assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. IFRIC 14 is not relevant to the Bank's operations as the Bank has not entered into long term employee benefit plans.
- IFRS 3 Business Combinations – has been amended and the definition of a business has been expanded, while introducing also other significant changes to the standard for accounting of business combinations. The Bank and Group has not yet determined the potential effect of the Standard.
- IAS 1 Presentation of Financial Statements – revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The Bank is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.
- IAS 27 Consolidated and Separate Financial Statements – in the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The Bank and Group has not yet determined the potential effect of the Standard.

3. CASH AND DUE FROM THE CENTRAL BANK

	31.12.2007	31.12.2007	31.12.2006	31.12.2006
	Group	**Bank**	**Group**	**Bank**
Cash	8,868	8,868	7,695	7,695
Correspondent account in the Bank of Latvia	17,119	17,119	26,194	26,194
Total	**25,987**	**25,987**	**33,889**	**33,889**

In accordance with Bank of Latvia regulations in 2007, the Bank maintained a compulsory reserve in the amount of 8% of the average monthly balance of the following total on deposit with the Bank of Latvia:

- Demand and term deposits
- Due to other banks (non - residents)
- Bonds and other debt securities issued by the Bank

The compulsory reserve is compared to the Bank's average monthly cash and correspondent account balance in Lats. The Bank's average cash and correspondent balance should exceed the compulsory reserve requirement.

As of 31 December 2007 and 2006 the compulsory reserve of the Bank was 17,878 thousand LVL and 15,837 thousand LVL, respectively.

4. INVESTMENTS IN FINANCIAL ASSETS

	31.12.2007	31.12.2007	31.12.2006	31.12.2006
	Group	**Bank**	**Group**	**Bank**
Held for trading financial assets	1,506	1,974	2,646	3,017
Available-for-sale financial assets	4,274	4,274	14,763	14,763
Held-to-maturity financial assets	1,957	1,957	5,933	5,933
	7,737	**8,205**	**23,342**	**23,713**

Financial instruments by listing:

	31.12.2007	31.12.2007	31.12.2006	31.12.2006
	Group	**Bank**	**Group**	**Bank**
Held for trading financial assets				
Quoted securities	1,243	144	2,542	1,357
Non-quoted securities	-	1,567	-	1,556
Non-quoted derivatives (Note 7)	263	263	104	104
Total	**1,506**	**1,974**	**2,646**	**3,017**
Available-for-sale financial assets				
Quoted securities	4,274	4,274	14,699	14,699
Non-quoted securities	-	-	64	64
Total	**4,274**	**4,274**	**14,763**	**14,763**
Held-to-maturity investments				
Quoted securities	1,957	1,957	5,933	5,933
Total	**1,957**	**1,957**	**5,933**	**5,933**
Total	**7,737**	**8,205**	**23,342**	**23,713**

Financial instruments by type:

	31.12.2007	31.12.2007	31.12.2006	31.12.2006
	Group	**Bank**	**Group**	**Bank**
Fixed income government securities	6,419	6,231	11,104	10,898
Credit institution fixed-income securities	321	-	7,518	7,025
Private companies fixed-income securities	445	84	4,347	4,055
Total bonds and other fixed-income securities	**7,185**	**6,315**	**22,969**	**21,978**
Shares and other non-fixed income securities	289	1,627	269	1,631
Derivatives	263	263	104	104
Total	**7,737**	**8,205**	**23,342**	**23,713**

In 2007, average interest rate for bonds was 5.17%, in 2006 it was 5.44%.

Bonds and other fixed-income securities by country are as follows:

	31.12.2007	31.12.2007	31.12.2006	31.12.2006
	Group	**Bank**	**Group**	**Bank**
Latvia	6,355	6,231	11,513	11,331
OECD countries	108	-	845	730
Other countries	722	84	10,611	9,917
Total	**7,185**	**6,315**	**22,969**	**21,978**

Shares and other non-fixed income securities by country are as follows:

	31.12.2007	31.12.2007	31.12.2006	31.12.2006
	Group	**Bank**	**Group**	**Bank**
Latvia	7	1,567	9	1,555
OECD countries	60	60	63	63
Other countries	222	-	197	13
Total	**289**	**1,627**	**269**	**1,631**

5. DUE FROM CREDIT INSTITUTIONS

Due from credit institution is comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Demand				
Credit institutions of OECD countries	13,669	13,669	29,164	29,164
Latvian credit institutions	11,295	11,295	12,421	12,421
Credit institutions non-OECD countries	637	637	3,223	3,223
Total	**25,601**	**23,601**	**44,808**	**44,808**
Term				
Bank of Latvia	-	-	20,000	20,000
Credit institutions of OECD countries	-	-	1,380	1,380
Credit institutions non-OECD countries	-	-	1,369	1,369
Latvian credit institutions	30,050	30,034	1,240	1,226
Total	**30,050**	**30,034**	**23,989**	**23,975**
Total demand and term	**55,651**	**55,635**	**68,797**	**68,783**

Average interest rate received on deposits due from credit institutions for the Group and Bank was 4.32% in 2007, and 3.66% in 2006.

As of 31 December 2007 within due from banks 2,472 thousand LVL are used as a collateral against client issued guarantees and letters of credit , as of 31 December 2006 – 3,450 thousand LVL.

6. LOANS

Loans by groups are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
General government	753	753	-	-
Financial agencies	3,000	3,000	-	-
Private companies	102,537	102,537	60,967	60,967
Private individuals	63,288	63,288	44,649	44,649
State companies and municipalities	9,035	9,035	8,625	8,625
Gross loans	**178,613**	**178,613**	**114,241**	**114,241**
Allowances for loan losses (Note 23)	*(1,655)*	*(1,655)*	*(988)*	*(988)*
Total	**176,958**	**176,958**	**113,253**	**113,253**

In 2007, the Bank's average interest rate for loans granted was 8.06%, in 2006 it was 7.29%.

Loans issued by type:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Mortgage loans	59,043	59,043	37,190	37,190
Commercial loans	47,097	47,097	28,121	28,121
Industrial loans	42,034	42,034	24,789	24,789
Finance lease	12,998	12,998	8,393	8,393
Consumer loans	3,837	3,837	2,908	2,908
Credits for credit cards	563	563	375	375
Loans backed by claim rights (*factoring*)	92	92	65	65
Other	12,949	12,949	12,400	12,400
Gross loans	**178,613**	**178,613**	**114,241**	**114,241**
Allowances for loan losses (Note 23)	*(1,655)*	*(1,655)*	*(988)*	*(988)*
Total	**176,958**	**176,958**	**113,253**	**113,253**

Loans by industry are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Industry				
Manufacturing industry	24,797	24,797	17,423	17,423
Trade	9,947	9,947	9,367	9,367
Real estate, renting and other business activities	17,530	17,530	9,151	9,151
Agriculture and forestry	13,407	13,407	8,151	8,151
Transport, storage and communications	9,327	9,327	5,777	5,777
Other community, social and personal service activities	5,224	5,224	5,206	5,206
Construction	11,200	11,200	4,887	4,887
Electricity, gas and water supply	9,043	9,043	4,160	4,160
Hotels and restaurants	4,192	4,192	3,485	3,485
Fishing	1,644	1,644	1,800	1,800
Financial intermediation	6,203	6,203	98	98
Mining and quarrying	1,270	1,270	10	10
Other services	1,541	1,541	77	77
Total	**115,325**	**115,325**	**69,592**	**69,592**
Loans to private individuals	63,288	63,288	44,649	44,649
Gross loans	**178,613**	**178,613**	**114,241**	**114,241**
Allowances for loan losses (Note 23)	*(1,655)*	*(1,655)*	*(988)*	*(988)*
Total	**176,958**	**176,958**	**113,253**	**113,253**

Group's loans issued by country of customers:

Country	Amount of loans		Allowance		Net value of loans	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
Latvia	177,030	113,124	(1,648)	(988)	175,382	112,136
OECD countries	811	57	(1)	-	810	57
Other countries	772	1,060	(6)	-	766	1,060
Total	**178,613**	**114,241**	**(1,655)**	**(988)**	**176,958**	**113,253**

Bank's loans issued by country of customers:

Country	Amount of loans		Allowance		Net value of loans	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
Latvia	177,030	113,124	(1,648)	(988)	175,382	112,136
OECD countries	811	57	(1)	-	810	57
Other countries	772	1,060	(6)	-	766	1,060
Total	**178,613**	**114,241**	**(1,655)**	**(988)**	**176,958**	**113,253**

Loans by classification and grouped:

	31.12.2007 Group	**31.12.2007 Bank**	**31.12.2006 Group**	**31.12.2006 Bank**
Loans assessed on individual basis	**11,982**	**11,982**	**4,016**	**4,016**
Standard	9,758	9,758	2,524	2,524
Watch-list	1,170	1,170	659	659
Substandard	12	12	20	20
Doubtful	162	162	103	103
Bad	880	880	710	710
Allowances	(1,414)	(1,414)	(916)	(916)
Net loans assessed on individual basis	**10,568**	**10,568**	**3,100**	**3,100**
Assessed grouped loans	**166,631**	**166,631**	**110,225**	**110,225**
Allowances	(241)	(241)	(72)	(72)
Net assessed grouped loans	**166,390**	**166,390**	**110,153**	**110,153**
Net loans, Total	**176,958**	**176,958**	**113,253**	**113,253**

Table below shows separate loan groups at their carrying amount. The Bank and Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. The fair value of collateral held and other credit enhancement instruments is not readily available. Loans quality by separate groups:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Loans to legal persons with collateral				
Loans with no impairment allowance:	99,437	99,437	58,902	58,902
Loans without delinquency	*96,605*	*96,605*	*58,419*	*58,419*
Loans with delinquency	*2,832*	*2,832*	*483*	*483*
Loans with an impairment allowance	3,122	3,122	2,655	2,655
Loans without delinquency	*1,595*	*1,595*	-	-
Loans with delinquency	*1,527*	*1,527*	*2,655*	*2,655*
Impairment allowance	(800)	(800)	(645)	(645)
Net loans to legal persons with collateral	**101,759**	**101,759**	**60,912**	**60,912**
Financial lease				
Loans with no impairment allowance:	12,815	12,815	8,185	8,185
Loans without delinquency	*12,102*	*12,102*	*7,687*	*7,687*
Loans with delinquency	*713*	*713*	*498*	*498*
Loans with an impairment allowance	175	175	294	294
Loans without delinquency	*18*	*18*	*21*	*21*
Loans with delinquency	*157*	*157*	*273*	*273*
Impairment allowance	(112)	(112)	(99)	(99)
Total financial lease	**12,878**	**12,878**	**8,380**	**8,380**
Mortgage loans				
Loans with no impairment allowance:	45,663	45,663	29,716	29,716
Loans without delinquency	*41,299*	*41,299*	*28,135*	*28,135*
Loans with delinquency	*4,364*	*4,364*	*1,581*	*1,581*
Loans with an impairment allowance	3,137	3,137	789	789
Loans without delinquency	*654*	*654*	*30*	*30*
Loans with delinquency	*2,483*	*2,483*	*759*	*759*
Impairment allowance	(292)	(292)	(34)	(34)
Total mortgage loans	**48,508**	**48,508**	**30,471**	**30,471**
Loans to private persons with other collateral				
Loans with no impairment allowance:	8,752	8,752	10,138	10,138
Loans without delinquency	*8,560*	*8,560*	*10,048*	*10,048*
Loans with delinquency	*192*	*192*	*90*	*90*
Loans with an impairment allowance	59	59	45	45
Loans without delinquency	*5*	*5*	*7*	*7*
Loans with delinquency	*54*	*54*	*38*	*38*
Impairment allowance	(23)	(23)	(9)	(9)
Total loans to private persons with other collateral	**8,788**	**8,788**	**10,174**	**10,174**

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Card, overdraft and consumer loans without collateral				
Loans with no impairment allowance:	5,021	5,021	3,285	3,285
Loans without delinquency	*4,662*	*4,662*	*3,129*	*3,129*
Loans with delinquency	*359*	*359*	*156*	*156*
Loans with an impairment allowance	432	432	232	232
Loans without delinquency	*6*	*6*	*4*	*4*
Loans with delinquency	*426*	*426*	*228*	*228*
Impairment allowance	(428)	(428)	(201)	(201)
Total card, overdraft and consumer loans without collateral	**5,025**	**5,025**	**3,316**	**3,316**
Total	**176,958**	**176,958**	**113,253**	**113,253**

Loans quality by delinquency periods:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Loans with no impairment allowance	**171,688**	**171,688**	**110,226**	**110,226**
Loans without delinquency	163,228	163,228	107,418	107,418
Delinquent loans	8,460	8,460	2,808	2,808
Delinquent up to 30 days	*4,012*	*4,012*	*1,203*	*1,203*
Delinquent 30-60 days	*2,373*	*2,373*	*564*	*564*
Delinquent 60-90 days	*687*	*687*	*283*	*283*
Delinquent over 90 days	*1,388*	*1,388*	*758*	*758*
Loans with an impairment allowance	**6,925**	**6,925**	**4,015**	**4,015**
Loans without delinquency	2,278	2,278	62	62
Delinquent loans	4,647	4,647	3,953	3,953
Delinquent up to 30 days	*23*	*23*	*1,694*	*1,694*
Delinquent 30-60 days	*699*	*699*	*318*	*318*
Delinquent 60-90 days	*592*	*592*	*215*	*215*
Delinquent over 90 days	*3,333*	*3,333*	*1,726*	*1,726*
Loans, total	**178,613**	**178,613**	**114,241**	**114,241**
Impairment allowance	*(1,655)*	*(1,655)*	(988)	(988)
Net loans, total	**176,958**	**176,958**	**113,253**	**113,253**

7. DERIVATIVE ASSETS AND LIABILITIES

Bank's and Group's foreign currency interchange deals (*swap*) fair value are as follows:

	31.12.2007 Assets	31.12.2007 Liabilities	31.12.2006 Assets	31.12.2006 Liabilities
Foreign currency interchange deals (swap)				
Notional value	73,237	(73,311)	31,299	(31,224)
Fair value	**263**	**(337)**	**104**	**(29)**

8. INVESTMENTS IN SUBSIDIARIES

Participation in subsidiaries as of 31 December 2007 is as follows:

Name of company	Country of incorporation	Type of activity	Carrying value	Allowance	Net value	Investment, %
IS "BTB Asset management"	Latvia	Financial services	150	-	150	100
Non-profit JSC "Baltic Trust Bank Atklātais pensiju fonds"	Latvia	Financial services	100	(51)	49	100
Total			**250**	**(51)**	**199**	

Participation in subsidiaries as of 31 December 2006 was as follows:

Name of company	Country of incorporation	Type of activity	Carrying value	Allowance	Net value	Investment, %
IS "BTB Asset management"	Latvia	Financial services	150	-	150	100
Non-profit JSC "Baltic Trust Bank Atklātais pensiju fonds"	Latvia	Financial services	55	(51)	4	100
Total			**205**	**(51)**	**154**	

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Group's property, plant, equipment and intangible assets

	Land and buildings	Leasehold improve-ments	Vehicles	Office equipment	Other land and buildings	Intangible assets	Total
Historical cost							
As of 31.12.2005	**2,709**	**1,397**	**423**	**4,955**	**163**	**2,278**	**11,925**
Purchases	254	136	101	1,204	-	120	1,815
Revaluation	1,635	-	-	-	-	-	1,635
Disposals	(299)	(339)	(203)	(1,279)	(28)	(211)	(2,359)
As of 31.12.2006	**4,299**	**1,194**	**321**	**4,880**	**135**	**2,187**	**13,016**
Purchases	114	12	33	1,312	-	205	1,676
Disposals	-	(8)	(14)	(1,506)	(16)	-	(1,544)
As of 31.12.2007	**4,413**	**1,198**	**340**	**4,686**	**119**	**2,392**	**13,148**
Accumulated depreciation							
As of 31.12.2005	**283**	**420**	**307**	**2,750**	**-**	**946**	**4,706**
Charge for the year	59	139	44	921	-	357	1,520
Depreciation on disposals	(275)	(138)	(192)	(1,039)	-	-	(1,644)
As of 31.12.2006	**67**	**421**	**159**	**2,632**	**-**	**1,303**	**4,582**
Charge for the year	68	91	49	738	-	324	1,270
Depreciation on disposals	-	(8)	(11)	(1,477)	-	-	(1,496)
As of 31.12.2007	**135**	**504**	**197**	**1,893**	**-**	**1,627**	**4,356**
Net book value							
As of 31.12.2005	**2,426**	**977**	**116**	**2,205**	**163**	**1,332**	**7,219**
As of 31.12.2006	**4,232**	**773**	**162**	**2,248**	**135**	**884**	**8,434**
As of 31.12.2007	**4,278**	**694**	**143**	**2,793**	**119**	**765**	**8,792**

Bank's property, plant, equipment and intangible assets

	Land and buildings	Leasehold improve-ments	Vehicles	Office equipment	Other land and buildings	Intangible assets	Total
Historical cost							
As of 31.12.2005	**2,709**	**1,397**	**423**	**4,946**	**163**	**2,063**	**11,701**
Purchases	254	136	101	1,204	-	120	1,815
Revaluation	1,635	-	-	-	-	-	1,635
Disposals	(299)	(339)	(203)	(1,270)	(28)	-	(2,139)
As of 31.12.2006	**4,299**	**1,194**	**321**	**4,880**	**135**	**2,183**	**13,012**
Purchases	114	12	33	1,312		205	1,676
Disposals		(8)	(14)	(1,506)	(16)		(1,544)
As of 31.12.2007	**4,413**	**1,198**	**340**	**4,686**	**119**	**2,388**	**13,144**
Accumulated depreciation							
As of 31.12.2005	**283**	**420**	**307**	**2,750**	**-**	**944**	**4,704**
Charge for the year	59	139	44	921	-	357	1,520
Depreciation on disposals	(275)	(138)	(192)	(1,039)	-	-	(1,644)
As of 31.12.2006	**67**	**421**	**159**	**2,632**	**-**	**1,301**	**4,580**
Charge for the year	68	91	49	738		324	1,270
Depreciation on disposals	-	(8)	(11)	(1,477)	-	-	(1,496)
As of 31.12.2007	**135**	**504**	**197**	**1,893**		**1,625**	**4,354**

	Land and buildings	Leasehold improve-ments	Vehicles	Office equipment	Other land and buildings	Intangible assets	Total
Net book value							
As of 31.12.2005	**2,426**	**977**	**116**	**2,196**	**163**	**1,119**	**6,997**
As of 31.12.2006	**4,232**	**773**	**162**	**2,248**	**135**	**882**	**8,432**
As of 31.12.2007	**4,278**	**694**	**143**	**2,793**	**119**	**763**	**8,790**

	Group		Bank	
Depreciation, amortisation and loss on disposal of property, plant and equipment and intangible assets	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
Amortisation of intangible assets and depreciation of property, plant and equipment	**1,270**	**1,520**	**1,270**	**1,520**
Loss on disposal of property, plant and equipment	33	79	32	78
Total	**1,303**	**1,599**	**1,302**	**1,598**

Fully depreciated property, plant and equipment and intangible assets have a historical cost as of 31.12.2007 of 1,054 thousand LVL (31.12.2006 of 1,542 thousand LVL).

In September 2006 the Bank revalued assets under "land and buildings". As a result the Bank has recognised 1,635 thousand LVL revaluation adjustment. Property, plant and equipment revaluation was not performed in the year 2007.

10. OTHER ASSETS

Other assets are as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Money in transit	1,230	1,230	899	899
Accounts receivables	39	39	92	92
Traveller checks	1	1	49	49
Foreign currency exchange (spot) contracts	7	7	14	14
Corporate income tax receivable	518	518	-	-
Other assets	163	163	125	125
Total	**1,958**	**1,958**	**1,179**	**1,179**

11. DUE TO CREDIT INSTITUTIONS

Due to credit institutions are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Latvian credit institution	435	435	11,804	11,804
Residents of OECD countries	-	-	11,173	11,173
World Bank's transit funds	501	501	553	553
Residents of non-OECD countries	71	71	82	82
Total	**1,007**	**1,007**	**23,612**	**23,612**

12. DEPOSITS

Due to clients are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Latvian residents	136,974	137,468	130,269	130,533
Residents of OECD countries	79,705	79,705	24,111	24,111
Residents of non-OECD countries	15,204	15,204	19,737	19,737
Total	**231,883**	**232,377**	**174,117**	**174,381**

Demand and term deposits are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Demand deposits				
Private companies	51,606	51,606	69,616	69,616
Individuals	38,685	38,685	31,677	31,677
Central governments	1,538	1,538	10	10
Local governments	12,320	12,320	10,638	10,638
State companies	6,090	6,090	3,958	3,958
Financial agencies	1,345	1,706	712	882
Other	975	975	770	770
Total demand deposits	**112,559**	**112,920**	**117,381**	**117,551**
Term deposits				
Individuals	38,240	38,240	48,139	48,139
Private companies	8,669	8,669	6,629	6,629
Local governments	473	473	503	503
State companies	-	-	80	80
Financial agencies	71,930	72,063	1,218	1,312
Other	12	12	167	167
Total term deposits	**119,324**	**119,457**	**56,736**	**56,830**
Total demand and term deposits	**231,883**	**232,377**	**174,117**	**174,381**

In 2007 the average interest rates paid by the Bank for demand and term deposits were as follows: for demand deposits – 0.51%, for term deposits – 4.2%.

In 2006 the average interest rates paid by the Bank for demand and term deposits were as follows: for demand deposits – 0.7%, for term deposits – 3.6%.

13. DEBT SECURITIES

The coverage register of mortgage bonds at the Bank is maintained in accordance with the legislation of the Republic of Latvia, including regulatory documents covering mortgage transactions.

The Bank manages mortgage claims included in the coverage register of mortgage bonds according to their remaining value separately from other assets.

The mortgage claims included in the coverage register of mortgage bonds according to their remaining value are used to ensure that only those liabilities that result from the issue of mortgage bonds are met.

Mortgage bonds in circulation according to their total face value are fully covered with mortgage loans. The total interest expenses of mortgage bonds are covered with the total interest income from mortgage loans of the same amount.

In 2007, the Bank did not issue any mortgage bonds. (During 2006, the Bank issued mortgage bonds for the amount of 5,000 thousand EUR (LVL 3,514)).

In 2007 Bank repaid mortgage bonds early of 3 million LVL, 3 million USD and 3 million EUR, and repaid mortgage bonds for 3 million LVL at maturity.

Total amount of the debt securities issued by the Bank as at 31 December 2007 consist of mortgage bonds in circulation for total nominal value (excluding accrued interest) of 4,966 thousand LVL (as of 31 December 2006: 14,838 thousand LVL).

(a) Mortgage bonds in circulation (Bank and Group)

ISIN	Issue	Amount	Nominal value	Registered volume	Coupon rate	Maturity date	Amount in circulation	2007 Carrying value	2006 Carrying value
LV0000800233	3YR LVL	30,000	100	3,000 LVL	-	-	-	-	3,000
LV0000800225	5YR USD BTB	30,000	100	3,000 USD	6,625%*	01.12.2009	1,452	1,452	1,608
LV0000800282	2,5YR LVL A02	30,000	100	3,000 LVL	-	-	-	-	3,000
LV0000800290	BTB 5YR EUR C01	30,000	100	3,000 EUR	-	-	-	-	2,108
LV0000800308	BTB 5YR USD B02	30,000	100	3,000 USD	-	-	-	-	1,608
LV0000800373	BTB 5YR EUR C02	50,000	100	5,000 EUR	4.75%**	01.10.2011	3,514	3,514	3,514
Accrued expenses								57	200
Total								**5,023**	**15,038**

* floating coupon interest rate (6 month USD LIBOR plus 1,25%), which is changed five business days before the 1 June and the 1 December.

** floating coupon interest rate (6 month EUR LIBOR plus 0,80%), which is changed five business days before the 01 April and the 01 October.

Debt securities reported for the Group of 5,023 thousand LVL (as of 31 December 2006: 14,932 thousand LVL) are after elimination of debt securities held by other group entities of 0 thousand LVL (as of 31 December 2006: 106 thousand LVL).

(b) Structure of mortgage bonds coverage

Mortgage bonds in circulation are secured by assets included in the Mortgage Bond Cover Register which as of 31 December 2007 amounted to 6,243 thousand LVL (as of 31 December 2006 - 17,830 thousand LVL). Assets included in the Mortgage Bond Cover Register consisted of mortgage loans amounting to 6,243 thousand LVL (as of 31 December 2006 mortgage loans amounting to 15,447 thousand LVL and loans secured by Latvian local government guarantees amounting to 2,383 thousand LVL). All transactions with the bonds are administered by the Riga Stock Exchange, and the bonds are filed in the exchange.

As at 31 December 2007 the amount of assets included in the Mortgage Bond Cover Register exceeded the amount of mortgage bonds in circulation by 26% (as of 31 December 2006 – 20%) of the amount of weighted assets included in the Mortgage Bond Cover Register (minimum statutory requirement: 10%).

Mortgage bonds collateral adequacy calculation

Date	Issue	Mortgage bonds Collateral Register adequacy at the previous payment date	Mortgage pledges		Mortgage bonds in turnover			Mortgage bonds collateral adequacy
			Principal payments	Interest payments	Amortization payments	Coupon payments	Substitute collateral	(01+02+03-04-05+06)
A	B	1	2	3	4	5	6	7
31.12.2006	5YR USD	1,610	713	92	-	99	-	2,316
31.12.2006	BTB 5YR EUR C01	41	70	241	-	158	-	194
Total		**1,651**	**783**	**333**	**-**	**257**	**-**	**2,510**

14. OTHER LIABILITIES

Other liabilities are as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Money in transit	67	67	72	72
Foreign currency exchange (spot) contracts	33	33	28	28
Other short-term liabilities	438	438	748	748
Total	**538**	**538**	**848**	**848**

15. SUBORDINATED DEBT

As at 31 December 2007 the total book value of issued subordinated bonds was 2,312 thousand LVL (2006 - 2,271 thousand LVL). Subordinated bonds are recognized at their amortized cost and mature on 10th January 2011. Subordinated bonds have floating coupon interest rate – 6 months LVL RIGIBOR plus 2.00%, which on the 31st December 2007 was 10,125% (as at 31 December 2006 – 6.25%) These bonds are listed at Riga Stock exchange. Subordinated debt reported by the Group excludes debt held by related parties of 120 thousand LVL (2006 – 118 thousand LVL).

16. TAX LIABILITIES

Tax liabilities are as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Deferred tax liabilities	692	692	647	647
Income tax	-	-	385	385
Total	**692**	**692**	**1,032**	**1,032**

Deferred tax liabilities

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Deferred tax liabilities:				
temporary difference due to accelerated tax depreciation	692	692	696	696
Allowance	-	-	(49)	(49)
Net deferred tax liabilities	**692**	**692**	**647**	**647**
Deferred tax liabilities at the beginning of the year	647	647	382	382
Deferred tax charged to profit or loss	45	45	19	19
Deferred tax charged to revaluation reserve	-	-	246	246
Deferred tax liabilities at the end the year	**692**	**692**	**647**	**647**

17. SHARE CAPITAL

Issued share capital is as follows:

Shares	**Par value per share (LVL)**	**31.12.2007**	**31.12.2006**
Ordinary shares	50	15,601	15,601
Total		**15,601**	**15,601**

Number of shares	**31.12.2007**	**31.12.2006**
	312,025	312,025

All shares have been fully paid. As at 31 December 2007 and 2006, the Bank did not own any of its own shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank as well as entitled to residual capital.

As at 31 December 2007 and 2006 the Bank had 33 and 71 shareholders, respectively.

Board and council members have following number of shares at 31.12.2007:

K.Krauze– 1 share;

The main shareholder is the following:

31.12.2007

Name	Number of shares	Total amount	Investment in share capital, %
SIA "Finstar Baltic Investments"	311,210	15,560	99,74
Total	311,210	15,560	99,74

31.12.2006

Name	Number of shares	Total amount	Investment in share capital, %
SIA "Finstar Baltic Investments"	305,977	15,299	98.06
Total	**305,977**	**15,299**	**98.06**

The ultimate shareholder of the Group and Bank is US corporation General Electric.

18. OFF-BALANCE SHEET ITEMS

Off-balance sheet items are follows:

	31.12.2007 Group	31.12.2006 Bank	31.12.2007 Group	31.12.2006 Bank
Issued guarantees	4,381	4,381	4,756	4,756
Total issued guarantees	**4,381**	**4,381**	**4,756**	**4,756**
Other commitments				
Unused credit lines	7,199	7,199	10,805	10,805
Letters of credit	46	46	99	99
Total other commitments	**7,245**	**7,245**	**10,904**	**10,904**
Total off-balance sheet items	**11,626**	**11,626**	**15,660**	**15,660**

Commitments to extend credit, from guarantees and letters of credit

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as utilised in the extension of loans. The management of the Group believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loans commitments to be minimal.

19. INTEREST INCOME AND EXPENSE

Interest income is comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Interest income from loans	12,014	12,014	8,251	8,251
Interest income from interbank loans	3,879	3,879	2,935	2,935
Interest income from bonds	543	543	1,136	1,136
Held to trading financial assets	*225*	*225*	*458*	*458*
Available-for-sale financial assets	*149*	*149*	*366*	*366*
Held-to-maturity investments	*169*	*169*	*312*	*312*
Total	**16,436**	**16,436**	**12,322**	**12,322**

Interest expenses is comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Amortised cost of interest expenses	6,024	6,029	4,128	4,132
Interest expenses on deposits	*4,377*	*4,382*	*2,626*	*2,630*
Interest expenses on deposits of credit institutions	*713*	*713*	*692*	*692*
Interest expenses on debt securities	*748*	*748*	*621*	*621*
Interest expenses on subordinated debt	*186*	*186*	*189*	*189*
Expenses to guarantee fund	303	303	311	311
Total	**6,327**	**6,332**	**4,439**	**4,443**

In accordance with the regulations of Financial and capital market commission the payments into the deposit guarantee fund are considered as Bank's interest expense.

20. COMMISSIONS AND FEE INCOME AND EXPENSE

Commissions and fee income are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Commissions from opening and servicing customers' accounts	2,965	2,918	3,594	3,575
Commissions from payment cards	967	967	949	949
Commissions from loan account servicing	118	118	94	94
Commissions for settlement of utilities payments	590	590	443	443
Commissions from cash withdrawal	275	275	295	295
Commissions from guaranties	68	68	80	80
Other commissions	90	90	132	131
Total	**5,073**	**5,026**	**5,587**	**5,567**

Expenses are following:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Expenses from operations with payment cards	610	610	458	458
Expenses for services of correspondent banks	369	369	417	417
Commission expense for other services	64	62	126	126
Total	**1,043**	**1,041**	**1,001**	**1,001**

21. OTHER OPERATING INCOME AND EXPENSES

Other income is comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Income from encashment services	388	388	346	346
Penalties, contractual penalties and delay charges received	361	361	258	258
Income from non-current assets held for sale and rental income	75	75	89	89
Other income	10	10	132	132
Total	**834**	**834**	**825**	**825**

Other expenses are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Expenses for credit cards production	74	74	61	61
Other expenses related to customer services	15	15	45	45
Net result on disposal of subsidiaries	-	-	34	-
Other expenses	139	139	56	56
Total	**228**	**228**	**196**	**162**

22. ADMINISTRATIVE EXPENSES

Administrative expenses are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Salaries, bonuses and allowances	4,729	4,691	3,771	3,734
Remuneration to the Supervisory Council and Management Board	285	285	3,157*	3,157*
Total salaries, bonuses and allowances	**5,014**	**4,976**	**6,928**	**6,891**
Social tax	1,080	1,071	824	816
Rental expenses	716	716	576	576
Post, telegraph and other communication expenses related to customer servicing	579	579	528	528
Maintenance and rent of vehicles	375	375	340	340
Advertisement expenses	131	131	277	277
Software maintenance	258	258	266	266
Expenses for utility services	233	233	197	197
Repairs of buildings and equipment	330	330	168	168
Security expenses	172	172	147	147
Office expenses	162	162	138	138
Legal expenses	118	118	110	110
Professional services	75	64	117	114
Business trips expenses	66	66	50	50
Representation expenses	52	52	50	50
Training of personnel	89	88	44	44
Real estate tax and other taxes	39	39	41	41
Insurance expenses	51	51	37	37
Purchase of low cost inventory	19	19	16	16
Management and consultation fees	1,841	1,841	-	-
Other administrative expenses	374	371	191	185
Total	**11,774**	**11,712**	**11,045**	**10,991**

***** Remuneration for the Supervisory Council and Management Board (Group and Bank) in 2006 includes expenses of 2,161 thousand LVL in relation to share based payments provided to management by the ultimate shareholders.

During 2006, the parent company of the Bank issued options to acquire shares in the Bank to certain management members of the Bank. As a result of a subsequent change of shareholders during the year, the options were subsequently repurchased by the ultimate shareholder from the employees. These transactions are recognized as share based payments under International Financial Reporting Standards 2 *Share-based payments*, and in accordance with that standard is recognized in the consolidated and Bank financial statements as an LVL 1,621 thousand expense and increase in other reserves within equity.

23. ALLOWANCE FOR DOUBTFUL LOANS AND OTHER ASSETS

The Group's and Bank's impairment allowance movements in 2007 and 2006 are as follows:

Impairment Allowance

	Group	Bank
Balance as of 31 December 2005	**1,124**	**1,142**
Additional allowance	476	511
Decrease of allowance	(474)	(474)
written-off	*(330)*	*(330)*
decrease in allowance	*(144)*	*(144)*
Exchange rate differences	(51)	(53)
Balance as of 31 December 2006	**1,075**	**1,126**
Additional allowance	856	856
Decrease of allowance	(177)	(177)
written-off	*(14)*	*(14)*
decrease in allowance	*(163)*	*(163)*
Exchange rate differences	(25)	(25)
Balance as of 31 December 2007	**1,729**	**1,780**

Allowances for impairment loses were made for the following balance sheet assets:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Loans (Note 6)	1,655	1,655	988	988
Other assets	74	74	75	75
Investments in subsidiaries	-	51	-	51
Due from credit institutions	-	-	12	12
Total	**1,729**	**1,780**	**1,075**	**1,126**

For all loans, which were written off in 2007 and 2006, previously a specific allowance was made in the amount of 100%.

24 TAX EXPENSES AND TAXES PAID

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Deferred tax charge	45	45	19	19
Corporate income tax for 2007	514	514	861	861
Under provided corporate income tax for 2006	55	55	-	-
Total	**614**	**614**	**880**	**880**

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Profit before tax	3,536	3,549	3,701	3,732
Expected tax charge, applying current tax rate of (average 15%)	530	532	555	560
Tax effect of:				
Prior year correction	55	55	-	-
Non-deductible expenses	29	27	325	320
Corporate income tax charge	**614**	**614**	**880**	**880**

The Bank has paid the following taxes:

	31.12.2007	31.12.2006
Social security payments	1,466	1,131
Personal income tax	1,584	977
Corporate income tax	1,472	498
Value added tax	245	273
Real estate tax	39	41
Income tax from non-residents	6	21
Total	**4,812**	**2,941**

25. MATURITY STRUCTURE OF ASSETS AND LIABILITIES

The Group's maturity structure of assets and liabilities as of 31 December 2007 is as follows:

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
ASSETS							
Cash and demand deposits with central banks	25,987	-	-	-	-	-	25,987
Due from credit institutions and central banks	43,161	10,018	-	-	2,472	-	55,651
Loans and receivables	3,491	11,730	14,114	27,354	119,531	738	176,958
Held for trading financial assets	1,422	23	1	-	60	-	1,506
Available-for-sale financial assets	4,260	-	14	-	-	-	4,274
Held-to-maturity investments	-	-	-	68	1,889	-	1,957
Intangible assets	-	-	-	-	765	-	765
Property, plant and equipment	-	-	-	-	8,027	-	8,027
Deferred expenses and accrued income	31	2	-	-	-	198	231
Other assets	1,440	-	-	518	-	-	1,958
Total assets	**79,792**	**21,773**	**14,129**	**27,940**	**132,744**	**936**	**277,314**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS							
Balances due to credit institutions	506	-	33	30	438	-	1,007
Financial liabilities at fair value trough profit or loss	337	-	-	-	-	-	337
Financial liabilities at amortised cost	127,216	7,152	13,102	9,963	81,665	-	239,098
Deferred income and accrued expenses	1,110	42	47	70	-	-	1,269
Tax liabilities	-	-	-	-	692	-	692
Other liabilities	538	-	-	-	-	-	538
Capital and reserves	-	-	-	-	34,373	-	34,373
Total liabilities and equity	**129,707**	**7,194**	**13,182**	**10,063**	**117,168**	**-**	**277,314**
Off-balance sheet items (liabilities)	1,568	760	2,708	4,564	1,971	55	11,626
Guarantees	356	50	1,143	1,960	817	55	4,381
Other commitments	1,212	710	1,565	2,604	1,154	-	7,245
Total liabilities, equity and off-balance sheet items	**131,275**	**7,954**	**15,890**	**14,627**	**119,139**	**55**	**288,940**
Net position of liquidity	(51,483)	13,819	(1,761)	13,313	13,605	881	(11,626)

The Group's maturity structure of assets and liabilities as of 31 December 2006 is as follows:

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
ASSETS							
Cash and demand deposits with central banks	33,889	-	-	-	-	-	33,889
Due from credit institutions and central banks	62,633	536	283	536	1,370	3,439	68,797
Loans and receivables	3,553	12,705	8,421	21,968	66,606	-	113,253
Held for trading financial assets	2,631	15	-	-	-	-	2,646
Available-for-sale financial assets	14,699	-	-	-	64	-	14,763
Held-to-maturity investments	-	-	4,045	-	1,888	-	5,933
Intangible assets	-	-	-	-	884	-	884
Property, plant and equipment	-	-	-	-	-	7,550	7,550
Deferred expenses and accrued income	60	-	100	-	-	-	160
Other assets	1,179	-	-	-	-	-	1,179
Total assets	**118,644**	**13,256**	**12,849**	**22,504**	**70,812**	**10,989**	**249,054**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS							
Balances due to credit institutions	11,886	-	28	28	11,670	-	23,612
Financial liabilities at fair value trough profit or loss	29	-	-	-	-	-	29
Financial liabilities at amortised cost	139,018	7,511	10,138	13,725	20,810	-	191,202
Deferred income and accrued expenses	765	6	-	-	-	-	771
Tax liabilities	-	-	-	-	1,032	-	1,032
Other liabilities	848	-	-	-	-	-	848
Capital and reserves	-	-	-	-	-	31,560	31,560
Total liabilities and equity	**152,546**	**7,517**	**10,166**	**13,753**	**33,512**	**31,560**	**249,054**
Off-balance sheet items (liabilities)	1,348	1,897	1,946	8,140	943	1,386	15,660
Guarantees	*597*	*195*	*1,279*	*699*	*600*	*1,386*	*4,756*
Other commitments	*751*	*1,702*	*667*	*7,441*	*343*	-	*10,904*
tal liabilities, equity and off-balance sheet items	**153,894**	**9,414**	**12,112**	**21,893**	**34,455**	**32,946**	**264,714**
Net position of liquidity	(35,250)	3,842	737	611	36,357	(21,957)	(15,660)

The Bank's maturity structure of assets and liabilities as of 31 December 2007 is as follows:

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
ASSETS							
Cash and demand deposits with central banks	25,987	-	-	-	-	-	25,987
Due from credit institutions and central banks	43,145	10,018	-	-	2,472	-	55,635
Loans and receivables	3,491	11,730	14,114	27,354	119,531	738	176,958
Held for trading financial assets	1,890	23	1	-	60	-	1,974
Available-for-sale financial assets	4,260	-	14	-	-	-	4,274
Held-to-maturity investments	-	-	-	68	1,889	-	1,957
Investments in subsidiaries	-	-	-	-	199	-	199
Intangible assets	-	-	-	-	763	-	763
Property, plant and equipment	-	-	-	-	8,027	-	8,027
Deferred expenses and accrued income	26	-	-	-	-	198	224
Other assets	1,440	-	-	518	-	-	1,958
Total assets	**80,239**	**21,771**	**14,129**	**27,940**	**132,941**	**936**	**277,956**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS							
Balances due to credit institutions	506	-	33	30	438	-	1,007
Financial liabilities at fair value trough profit or loss	337	-	-	-	-	-	337
Financial liabilities at amortised cost	127,710	7,152	13,102	9,963	81,785	-	239,712
Deferred income and accrued expenses	1,110	32	47	70	-	-	1,259
Tax liabilities	-	-	-	-	692	-	692
Other liabilities	538	-	-	-	-	-	538
Capital and reserves	-	-	-	-	34,411	-	34,411
Total liabilities and equity	**130,201**	**7,184**	**13,182**	**10,063**	**117,326**	**-**	**277,956**
Off-balance sheet items (liabilities)	1,568	760	2,708	4,564	1,971	55	11,626
Guarantees	356	50	1,143	1,960	817	55	4,381
Other commitments	1,212	710	1,565	2,604	1,154	-	7,245
Total liabilities, equity and off-balance sheet items	**131,769**	**7,944**	**15,890**	**14,627**	**119,297**	**55**	**289,582**
Net position of liquidity	(51,530)	13,827	(1,761)	13,313	13,644	881	(11,626)

The Bank's maturity structure of assets and liabilities as of 31 December 2006 is as follows:

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
ASSETS							
Cash and demand deposits with central banks	33,889	-	-	-	-	-	33,889
Due from credit institutions and central banks	62,619	536	283	536	1,370	3,439	68,783
Loans and receivables	3,553	12,705	8,421	21,968	66,606	-	113,253
Held for trading financial assets	3,002	15	-	-	-	-	3,017
Available-for-sale financial assets	14,699	-	-	-	64	-	14,763
Held-to-maturity investments	-	-	4,045	-	1,888	-	5,933
Investments in subsidiaries	-	-	-	-	154	-	154
Intangible assets	-	-	-	-	882	-	882
Property, plant and equipment	-	-	-	-	-	7,550	7,550
Deferred expenses and accrued income	58	-	100	-	-	-	158
Other assets	1,179	-	-	-	-	-	1,179
Total assets	**118,999**	**13,256**	**12,849**	**22,504**	**70,964**	**10,989**	**249,561**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS							
Balances due to credit institutions	11,886	-	28	28	11,670	-	23,612
Financial liabilities at fair value trough profit or loss	29	-	-	-	-	-	29
Financial liabilities at amortised cost	139,283	7,511	10,138	13,831	20,927	-	191,690
Deferred income and accrued expenses	765	-	-	-	-	-	765
Tax liabilities	-	-	-	-	1,032	-	1,032
Other liabilities	848	-	-	-	-	-	848
Capital and reserves	-	-	-	-	-	31,585	31,585
Total liabilities and equity	**152,811**	**7,511**	**10,166**	**13,859**	**33,629**	**31,585**	**249,561**
Off-balance sheet items (liabilities)	1,348	1,897	1,946	8,140	943	1,386	15,660
Guarantees	*597*	*195*	*1,279*	*699*	*600*	*1,386*	*4,756*
Other commitments	*751*	*1,702*	*667*	*7,441*	*343*	-	*10,904*
tal liabilities, equity and off-balance sheet items	**154,159**	**9,408**	**12,112**	**21,999**	**34,572**	**32,971**	**265,221**
Net position of liquidity	(35,160)	3,848	737	505	36,392	(21,982)	(15,660)

26. INTEREST RATE REPRICING

The Group's interest rate repricing as of 31 December 2007 is as follows:

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest bearing	Other	Total
ASSETS								
Cash and demand deposits with central banks	17,119	-	-	-	-	8,868	-	25,987
Due from credit institutions and central banks	55,651	-	-	-	-	-	-	55,651
Loans and receivables	2,708	94,168	65,618	3,307	8,221	2,936	-	176,958
Held for trading financial assets	-	-	-	-	1,506	-	-	1,506
Available-for-sale financial assets	-	-	-	-	4,274	-	-	4,274
Held-to-maturity investments	-	-	-	-	1,957	-	-	1,957
Intangible assets	-	-	-	-	-	765	-	765
Property, plant and equipment	-	-	-	-	-	8,027	-	8,027
Deferred expenses and accrued income	-	-	-	-	-	231	-	231
Other assets	-	-	-	-	-	1,958	-	1,958
Total assets	**75,478**	**94,168**	**65,618**	**3,307**	**15,958**	**22,785**	**-**	**277,314**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest bearing	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS								
Balances due to credit institutions	506	-	501	-	-	-	-	1,007
Financial liabilities at fair value trough profit or loss	337	-	-	-	-	-	-	337
Financial liabilities at amortised cost	127,216	7,152	90,941	9,963	3,826	-	-	239,098
Deferred income and accrued expenses	-	-	-	-	-	1,269	-	1,269
Tax liabilities	-	-	-	-	-	692	-	692
Other liabilities	-	-	-	-	-	538	-	538
Capital and reserves	-	-	-	-	-	-	34,373	34,373
Total liabilities and equity	**128,059**	**7,152**	**91,442**	**9,963**	**3,826**	**2,499**	**34,373**	**277,314**
Off-balance sheet items (liabilities)	1,212	710	5,323	-	-	4,381	-	11,626
Guarantees	-	-	-	-	-	*4,381*	-	*4,381*
Other future liabilities	*1,212*	*710*	*5,323*	-	-	-	-	*7,245*
Total liabilities, equity and off-balance sheet items	**129,271**	**7,862**	**96,765**	**9,963**	**3,826**	**6,880**	**34,373**	**288,940**
Interest rate reprising net position	(53,793)	86,306	(31,147)	(6,656)	12,132	15,905	(34,373)	(11,626)

The Group's interest rate repricing as of 31 December 2006 is as follows:

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest bearing	Other	Total
ASSETS								
Cash and demand deposits with central banks	26,194	-	-	-	-	7,695	-	33,889
Due from credit institutions and central banks	63,947	3,318	268	1,200	-	64	-	68,797
Loans and receivables	2,051	50,625	46,554	12,483	926	614	-	113,253
Held for trading financial assets	-	-	1,143	-	191	1,312	-	2,646
Available-for-sale financial assets	-	523	1,422	538	12,008	272	-	14,763
Held-to-maturity investments	-	-	4,015	-	1,918	-	-	5,933
Intangible assets	-	-	-	-	-	884	-	884
Property, plant and equipment	-	-	-	-	-	7,550	-	7,550
Deferred expenses and accrued income	-	-	-	-	-	160	-	160
Other assets	-	-	-	-	-	1,179	-	1,179
Total assets	**92,192**	**54,466**	**53,402**	**14,221**	**15,043**	**19,730**	**-**	**249,054**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest bearing	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS								
Balances due to credit institutions	11,958	11,101	28	28	497	-	-	23,612
Financial liabilities at fair value trough profit or loss	29	-	-	-	-	-	-	29
Financial liabilities at amortised cost	126,025	7,511	27,181	13,803	6,884	9,798	-	191,202
Deferred income and accrued expenses	-	-	-	-	-	771	-	771
Tax liabilities	-	-	-	-	-	1,032	-	1,032
Other liabilities	-	-	-	-	-	848	-	848
Capital and reserves	-	-	-	-	-	-	31,560	31,560
Total liabilities and equity	**138,012**	**18,612**	**27,209**	**13,831**	**7,381**	**12,449**	**31,560**	**249,054**
Off-balance sheet items (liabilities)	751	1,702	667	7,441	343	4,756	-	15,660
Guarantees	-	-	-	-	-	*4,756*	-	*4,756*
Other future liabilities	*751*	*1,702*	*667*	*7,441*	*343*	-	-	*10,904*
Total liabilities, equity and off-balance sheet items	**138,763**	**20,314**	**27,876**	**21,272**	**7,724**	**17,205**	**31,560**	**264,714**
Interest rate repricing net position	(46,571)	34,152	25,526	(7,051)	7,319	2,525	(31,560)	(15,660)

The Bank's interest rate repricing as of 31 December 2007 is as follows:

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest bearing	Other	Total
ASSETS								
Cash and demand deposits with central banks	17,119	-	-	-	-	8,868	-	25,987
Due from credit institutions and central banks	55,635	-	-	-	-	-	-	55,635
Loans and receivables	2,708	94,168	65,618	3,307	8,221	2,936	-	176,958
Held for trading financial assets	-	-	-	-	1,974	-	-	1,974
Available-for-sale financial assets	-	-	-	-	4,274	-	-	4,274
Held-to-maturity investments	-	-	-	-	1,957	-	-	1,957
Investments in subsidiaries	-	-	-	-	-	199	-	199
Intangible assets	-	-	-	-	-	763	-	763
Property, plant and equipment	-	-	-	-	-	8,027	-	8,027
Deferred expenses and accrued income	-	-	-	-	-	224	-	224
Other assets	-	-	-	-	-	1,958	-	1,958
Total assets	**75,462**	**94,168**	**65,618**	**3,307**	**16,426**	**22,975**	**-**	**277,956**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest bearing	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS								
Balances due to credit institutions	506	-	501	-	-	-	-	1,007
Financial liabilities at fair value trough profit or loss	337	-	-	-	-	-	-	337
Financial liabilities at amortised cost	127,710	7,152	91,061	9,963	3,826	-	-	239,712
Deferred income and accrued expenses	-	-	-	-	-	1,259	-	1,259
Tax liabilities	-	-	-	-	-	692	-	692
Other liabilities	-	-	-	-	-	538	-	538
Capital and reserves	-	-	-	-	-	-	34,411	34,411
Total liabilities and equity	**128,553**	**7,152**	**91,562**	**9,963**	**3,826**	**2,489**	**34,411**	**277,956**
Off-balance sheet items (liabilities)	1,212	710	5,323	-	-	4,381	-	11,626
Guarantees	-	-	-	-	-	*4,381*	-	*4,381*
Other future liabilities	*1,212*	*710*	*5,323*	-	-	-	-	*7,245*
Total liabilities, equity and off-balance sheet items	**129,765**	**7,862**	**96,885**	**9,963**	**3,826**	**6,870**	**34,411**	**289,582**
Interest rate repricing net position	(54,303)	86,306	(31,267)	(6,656)	12,600	16,105	(34,411)	(11,626)

The Bank's interest rate repricing as of 31 December 2006 is as follows:

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest bearing	Other	Total
ASSETS								
Cash and demand deposits with central banks	26,194	-	-	-	-	7,695	-	33,889
Due from credit institutions and central banks	63,947	3,318	268	1,200	-	50	-	68,783
Loans and receivables	2,051	50,625	46,554	12,483	926	614	-	113,253
Held for trading financial assets	-	-	1,143	-	191	1,683	-	3,017
Available-for-sale financial assets	-	523	1,422	538	12,008	272	-	14,763
Held-to-maturity investments	-	-	4,015	-	1,918	-	-	5,933
Investments in subsidiaries	-	-	-	-	-	154	-	154
Intangible assets	-	-	-	-	-	882	-	882
Property, plant and equipment	-	-	-	-	-	7,550	-	7,550
Deferred expenses and accrued income	-	-	-	-	-	158	-	158
Other assets	-	-	-	-	-	1,179	-	1,179
Total assets	**92,192**	**54,466**	**53,402**	**14,221**	**15,043**	**20,237**	**-**	**249,561**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest bearing	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS								
Balances due to credit institutions	11,958	11,101	28	28	497	-	-	23,612
Financial liabilities at fair value trough profit or loss	29	-	-	-	-	-	-	29
Financial liabilities at amortised cost	126,025	7,511	27,181	13,803	6,884	10,286	-	191,690
Deferred income and accrued expenses	-	-	-	-	-	765	-	765
Tax liabilities	-	-	-	-	-	1,032	-	1,032
Other liabilities	-	-	-	-	-	848	-	848
Capital and reserves	-	-	-	-	-	-	31,585	31,585
Total liabilities and equity	**138,012**	**18,612**	**27,209**	**13,831**	**7,381**	**12,931**	**31,585**	**249,561**
Off-balance sheet items (liabilities)	751	1,702	667	7,441	343	4,756	-	15,660
Guarantees	-	-	-	-	-	*4,756*	-	*4,756*
Other future liabilities	*751*	*1,702*	*667*	*7,441*	*343*	-	-	*10,904*
Total liabilities, equity and off-balance sheet items	**138,763**	**20,314**	**27,876**	**21,272**	**7,724**	**17,687**	**31,585**	**265,221**
Interest rate repricing net position	(46,571)	34,152	25,526	(7,051)	7,319	2,550	(31,585)	(15,660)

Residual contractual maturities of financial liabilities:

Bank

	Carrying amount	Gross nominal (outflow)	<1 month	1-3 months	3-12 months	1-5 years
31.12.2007						
Deposits from banks	1,007	(1,292)	(506)	-	(93)	(693)
Deposits from customers	232,377	(263,025)	(127,956)	(7,552)	(24,685)	(102,832)
Debt securities issued	5,023	(5,829)	-	-	(288)	(5,541)
Subordinated liabilities	2,312	(2,996)	-	-	(228)	(2,768)
Total	**240,719**	**(273,142)**	**(128,462)**	**(7,552)**	**(25,294)**	**(111,834)**
31.12.2006						
Deposits from banks	23,612	(25,566)	(11,888)	(230)	(569)	(12,879)
Deposits from customers	174,381	(176,980)	(139,531)	(7,911)	(22,589)	(6,949)
Debt securities issued	15,038	(16,486)	-	-	(3,748)	(12,738)
Subordinated liabilities	2,271	(3,011)	-	-	(185)	(2,826)
Total	**215,302**	**(222,043)**	**(151,419)**	**(8,141)**	**(27,091)**	**(35,392)**

Group

	Carrying amount	Gross nominal (outflow)	<1 month	1-3 months	3-12 months	1-5 years
31.12.2007						
Deposits from banks	1,007	(1,292)	(506)	-	(93)	(693)
Deposits from customers	231,883	(262,532)	(127,462)	(7,552)	(24,685)	(102,833)
Debt securities issued	5,023	(5,829)	-	-	(288)	(5,541)
Subordinated liabilities	2,192	(2,852)	-	-	(228)	(2,624)
Total	**240,105**	**(272,505)**	**(127,968)**	**(7,552)**	**(25,294)**	**(111,691)**
31.12.2006						
Deposits from banks	23,612	(25,566)	(11,888)	(230)	(569)	(12,879)
Deposits from customers	174,117	(176,713)	(139,265)	(7,911)	(22,589)	(6,948)
Debt securities issued	14,932	(16,360)	-	-	(3,738)	(12,622)
Subordinated liabilities	2,153	(2,848)	-	-	(175)	(2,673)
Total	**214,814**	**(221,487)**	**(151,153)**	**(8,141)**	**(27,071)**	**(35,122)**

27. ASSETS AND LIABILITIES BREAKDOWN BY FOREIGN CURRENCIES

The Group's assets and liabilities as of 31 December 2007 per currencies are as follows:

Foreign currency	Assets	Liabilities	Open position	Position equivalent	Position to equity %
	'000	'000	'000	'000, LVL	
In foreign currency					
EUR	162,781	162,904	(123)	(86)	(0.26)
GBP	503	498	5	5	0.01
RUB	26,145	23,344	2,801	55	0.17
USD	57,628	57,785	(157)	(76)	(0.23)
Other, long				158	0.5
Other, short				(51)	(0.15)
			Total long position* (+)%	218	0.66
			Total short position* (-)%	(127)	(0.38)
			Total position	**218**	**0.66**

* Excluding EUR. Starting from 2006, the EUR open position is excluded from the total position calculation as the LVL is pegged to EUR.

Shareholders equity: **33, 262****

** Shareholders' equity has been calculated according to the regulations of the Financial and capital market commission, see note 30.

The Group's assets and liabilities as of 31 December 2006 per currencies are as follows:

Foreign currency	Assets	Liabilities	Open position	Position equivalent	Position to equity %
	'000	'000	'000	'000, LVL	
In foreign currency					
EUR	86,026	87,076	(1,050)	(738)	(2.40)
GBP	435	301	134	140	0.45
RUB	55,903	57,557	(1,654)	(34)	(0.11)
USD	88,203	87,425	778	417	1.36
Other, long				323	1.05
Other, short				(16)	(0.05)
			Total long position* (+)%	880	2.86
			Total short position* (-)%	(50)	(0.16)
			Total position	**880**	**2.86**

* Excluding EUR. Starting from 2006 EUR open position is excluded from the total position calculation.

Shareholders equity: 30, 737**

** Shareholders' equity has been calculated according to the regulations of the Financial and capital market commission, see note 30.

The Group's assets and liabilities as of 31 December 2005 per currencies are as follows:

The Bank's assets and liabilities as of 31 December 2007per currencies are as follows:

Foreign currency	Assets	Liabilities	Open position	Position equivalent	Position to equity %
	'000	'000	'000	'000, LVL	
In foreign currency					
EUR	163,014	163,137	(123)	(87)	(0.26)
GBP	503	498	5	5	0.01
RUB	26,146	23,345	2,801	55	0.17
USD	57,684	57,842	(158)	(76)	(0.23)
Other, long				158	0.5
Other, short				(51)	(0.15)
		Total long position *(+)%		218	0.66
		Total short position * (-)%		(127)	(0.38)
		Total position		**218**	**0.66**

* Excluding EUR. Starting from 2006 EUR open position is excluded from the total position calculation.

Shareholders equity: **33,175****

** Shareholders' equity has been calculated according to the regulations of the Financial and capital market commission, see note 30.

The Bank's assets and liabilities as of 31 December 2006 per currencies are as follows:

Foreign currency	Assets	Liabilities	Open position	Position equivalent	Position to equity %
	'000	'000	'000	'000, LVL	
In foreign currency					
EUR	86,858	87,076	(218)	(153)	(0.50)
GBP	307	301	6	6	0.02
RUB	55,903	57,557	(1,654)	(34)	(0.11)
USD	87,836	87,425	411	220	0.72
Other, long				304	0.99
Other, short				(16)	(0.05)
		Total long position *(+)%		530	1.73
		Total short position * (-)%		(50)	(0.16)
		Total position		**530**	**1.73**

* Excluding EUR. Starting from 2006 EUR open position is excluded from the total position calculation.

Shareholders equity: **30,705****

** Shareholders' equity has been calculated according to the regulations of the Financial and capital market commission, see note 30.

28. RELATED PARTY TRANSACTIONS

Group's transactions with the related parties are as follows:

Related party 31.12.2007	**Loans and off-balance sheet liabilities**	**Total risk transactions (excluding impairment)**	**Risk transactions to shareholders' equity (excluding impairment) %**
Private individuals	29	29	0.10
Private companies	3,000	3,000	9.94
Total	**3,029**	**3,029**	**10.04**

Related party 31.12.2006	**Loans and off-balance sheet liabilities**	**Total risk transactions (excluding impairment)**	**Risk transactions to shareholders' equity (excluding impairment) %**
Private individuals	50	50	0.16
Private companies	-	-	-
Total	**50**	**50**	**0.16**

Bank's transactions with the related parties are as follows:

Related party 31.12.2007	**Loans and off-balance sheet liabilities**	**Total risk transactions (excluding impairment)**	**Risk transactions to shareholders' equity (excluding impairment) %**
Private individuals	29	29	0.10
Private companies	3,000	3,000	9.94
Total	**3,029**	**3,029**	**10.04**

Related party 31.12.2006	**Loans and off-balance sheet liabilities**	**Total risk transactions (excluding impairment)**	**Risk transactions to shareholders' equity (excluding impairment) %**
Private individuals	50	50	0.16
Private companies	-	-	-
Total	**50**	**50**	**0.16**

Average interest rate on loans provided to related parties in 2007 was for private person - 12%, for private companies – 7% (2006: for private person - 8.24%).

Bank's related party deposits are as follows:

	31.12.2007	31.12.2006
	72,269	524
Total	**72,269**	**524**

In 2007 average interest rate on deposits obtained from related parties: on demand – 0.25%, term deposits – 5.93% (2006: 0.67% and 4.69%, respectively).

See Note 22 for information of management compensation.

29. TRUST ASSETS AND LIABILITIES

The structure of the Group's managed assets and liabilities is as follows:

Type of assets	**Country**	**31.12.2007**	**31.12.2006**
Pension plans	Latvia	187	95
Loans	Non-OECD	-	422
Total		**187**	**517**

Type of liability	**Country**	**31.12.2007**	**31.12.2006**
Private persons	Latvia	187	95
Private enterprises	Non-OECD	-	422
Total		**187**	**517**

The structure of the Bank's managed assets and liabilities is as follows:

Type of assets	**Country**	**31.12.2007**	**31.12.2006**
Loans	Non-OECD	-	422
Total		**-**	**422**

Type of liability	**Country**	**31.12.2007**	**31.12.2006**
Private enterprises	Non-OECD	-	422
Total		**-**	**422**

30. CAPITAL ADEQUACY

Group's equity calculation in accordance with the guidelines of the FCMC as of 31.12.2007

Tier 1	
Paid-in share capital	15,601
Share premium	7,272
Legal and other reserves	2,815
Retaining earnings	4,628
Intangible assets (as defined by the FCMC)	(765)
Financial asset negative revaluation reserve	(526)
Profit for the reporting year	2,922
Total Tier 1	**31,947**
Tier 2	
Subordinated debt	**1,315**
Total Tier 2	**1,315**
Equity to be utilized in the capital adequacy ratio under the FCMC guidelines	**33,262**

Capital adequacy of the Group calculation is as follows:

		FCMC guidelines	
	Balance	**Weighting of assets, %**	**Balance**
Cash and cash equivalents	25,987	0	-
Due from A zone central government and central banks	7,107	0	-
Assets secured by term deposit placed in this credit	407	0	-
Total	**33,501**	**0**	**-**
Claims secured with A zone regional or local government guarantees	3,180	20	636
Due from credit institutions of A zone countries, except investment in the share capital of a credit institution	55,014	20	11,003
Cash or equivalents of cash in transit	1,157	20	231
Total	**59,351**	**20**	**11,870**
Due from credit institutions of A zone countries, except investment in the share capital of a credit institution	199	50	100
Cash or equivalents of cash in transit	15,304	50	7,652
Total	**15,503**	**50**	**7,752**
Due from B zone governments	-	100	-
Due from B zone credit institutions	662	100	662
Due from other borrowers, excluding assets under lower risk exposure, taking into consideration their collateral	158,848	100	158,848
Investment in share capital and other elements of equity in other credit institutions, that are not excluded from the equity of the credit institution	185	100	185
Property, plant and equipment	8,027	100	8,027
Other assets	472	100	472
Total	**168,194**	**100**	**168,194**
Intangible assets	765		
Total assets	**277,314**		**187,816**
Off-balance sheet items			
Guarantees issued to third parties			
0% weighted value	55	0	-
100% weighted value	4,326	100	4,326
Letters of credit			
0% weighted value	46	0	-
Other liabilities due to clients			
10% weighted value	55	20	11
50% weighted value	7,144	100	7,144
Total	**11,626**		**11,481**

	Balance	FCMC guidelines Weighting of assets, %	FCMC guidelines Balance
Foreign currencies open position			**-**
TOTAL: weighted value of group portfolio			**199,297**
Shareholders' equity			**33,262**
The Group's capital adequacy ratio			**16.69%**
Minimal capital adequacy ratio requirement (%)			**8%**

CAPITAL ADEQUACY

Bank's equity calculation in accordance with the guidelines of the FCMC as of 31.12.2007:

Tier 1	
Paid-in share capital	15,601
Share premium	7,272
Legal and other reserves	2,815
Retained earnings	4,653
Intangible assets (as defined by the FCMC)	(763)
Financial asset negative revaluation reserve	(526)
Profit for the reporting year	2,935
Total Tier 1	**31,987**
Tier 2	
Subordinated debt	1,387
Total Tier 2	**1,387**
Reductions of capital	
Investment in unconsolidated subsidiaries	**(199)**
Equity to be utilized in the capital adequacy ratio under the FCMC guidelines	**33,175**

Capital adequacy of the Bank calculation is as follows:

	Balance	FCMC guidelines Weighting of assets, %	FCMC guidelines Balance
Cash and cash equivalents	25,987	0	-
Due from A zone central government and central banks	6,237	0	-
Assets secured by term deposit placed in this credit	407	0	-
Total	**32,631**	**0**	**-**
Claims secured with A zone regional or local government guarantees	3,180	20	636
Due from credit institutions of A zone countries, except investment in the share capital of a credit institution	54,998	20	11,000
Cash or equivalents of cash in transit	1,157	20	231
Total	**59,335**	**20**	**11,867**
Due from credit institutions of A zone countries, except investment in the share capital of a credit institution	199	50	100
Cash or equivalents of cash in transit	15,643	50	7,822
Total	**15,842**	**50**	**7,922**
Due from B zone governments	-	100	-
Due from B zone credit institutions	662	100	662
Due from other borrowers, excluding assets under lower risk exposure, taking into consideration their collateral	159,840	100	159,840
Investment in share capital and other elements of equity in other credit institutions, that are not excluded from the equity of the credit institution	185	100	185
Property, plant and equipment	8,027	100	8,027
Other assets	472	100	472
Total	**169,186**	**100**	**169,186**

	Balance	FCMC guidelines Weighting of assets, %	Balance
Intangible assets	763		
Investments in associated credit or financial institutions	199		
Total assets	**277,956**		**188,975**
Off-balance sheet items			
Guarantees issued to third parties			
0% weighted value	55	0	-
100% weighted value	4,326	100	4,326
Letters of credit			
0% weighted value	46	0	-
Other liabilities due to clients			
10% weighted value	55	20	11
50% weighted value	7,144	100	7,144
Total	**11,626**		**11,481**
Foreign currencies open position			**-**
TOTAL: weighted value of bank portfolio			**200,456**
Shareholders' equity			**33,175**
The Bank's capital adequacy ratio			**16.55%**
Minimal capital adequacy ratio requirement (%)			**8%**

31. NUMBER OF EMPLOYEES

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Positions				
Top management	8	8	19	19
Managers of operational units	53	53	54	54
Managers of other units	41	41	38	38
Accountants, operators	455	455	365	365
Lawyers	7	7	4	4
Information system specialists	37	37	31	31
Other employers	55	51	67	65
Total	**656**	**652**	**578**	**576**

32. ASSETS AND LIABILITIES FAIR VALUE

The fair value of the Group's assets and liabilities is as follows:

ASSETS	31.12.2007 Fair value	31.12.2007 Carrying value	31.12.2006 Fair value	31.12.2006 Carrying value
Loans	176,882	176,958	113,177	113,253
Held for trading financial assets	1,506	1,506	2,646	2,646
Available-for-sale financial assets	4,274	4,274	14,763	14,763
Held-to-maturity investments	1,890	1,957	5,919	5,933
Total assets	**184,552**	**184,695**	**136,505**	**136,595**

LIABILITIES	31.12.2007 Fair value	31.12.2007 Carrying value	31.12.2006 Fair value	31.12.2006 Carrying value
Financial liabilities at fair value trough profit or loss	337	337	29	29
Financial liabilities at amortised cost	239,126	239,098	191,315	191,202
Deposits	*231,859*	*231,883*	*174,102*	*174,117*
Debt securities	*5,052*	*5,023*	*15,032*	*14,932*
Subordinated debt	*2,215*	*2,192*	*2,181*	*2,153*
Total liabilities	**239,463**	**239,435**	**191,344**	**191,231**

The estimated fair value of loans and advances and deposits represents the discounted amount of estimated future cash flows expected to be received.

Fair value for securities is based on market prices or broker/dealer price quotations.

33. EFFECTIVE INTEREST RATES

Average effective interest rates of the Group are as follows:

	31.12.2007	31.12.2006
	%	%
ASSETS		
Due from credit institutions	4.31	3.65
Loans	8.06	7.29
Fixed income securities	5.17	5.44
LIABILITIES		
Due to credit institutions	6.65	4.50
Deposits	2.41	1.77
Debt securities	6.28	5.13
Subordinated debt	8.41	5.88

Average effective interest rates of the Bank are as follows:

	31.12.2007	31.12.2006
	%	%
ASSETS		
Due from credit institutions	4.32	3.66
Loans	8.06	7.29
Fixed income securities	5.17	5.44
LIABILITIES		
Due to credit institutions	6.65	4.50
Deposits	2.41	1.77
Debt securities	6.28	5.13
Subordinated debt	8.41	5.88

34. SEGMENTS

Segments	Private individuals		Companies and municipalities		Total	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
Loans and receivables (gross)	62,545	44,649	114,413	68,604	176,958	113,253
Deposits	76,925	79,816	155,452	94,565	232,377	174,381
Interest income from loans	4,886	3,124	7,128	5,127	12,014	8,251
Interest expenses on deposits	2,184	1,782	2,198	848	4,382	2,630

35. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2007 was based on the profit attributable to ordinary shareholders and weighted average number of shares in issue. The Bank and the Group does not have dilutive potential ordinary shares.

	2007 Group	**2007 Bank**	**2006 Group**	**2006 Bank**
Net profit attributable to the shareholders	2,922	2,935	2,821	2,852
Weighted average number of shares at 31 December	312,025	312,025	288,692	288,692
Basic earnings per share (LVL per share)	**9.36**	**9.41**	**9.77**	**9.88**

36. CONTINGENCIES

From time to time in the course of operational activities the Group and Bank is involved in litigation as a defendant. Based on legal advice, the directors do not expect the outcome of any of the outstanding litigations against the Bank or Group alone or combined to have a significant effect on the Group's financial position and no provision has been set aside.

* * * * *