



*AS "GE Money Bank"
Bank and Consolidated Financial Statements
for the year ended 31 December 2010*

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MANAGEMENT REPORT ON THE BANK'S AND THE GROUP'S OPERATIONS DURING 2010

Dear customers, partners, shareholders and colleagues,

In 2010 despite challenging macro-economic banking environment in Latvia, AS "GE Money Bank" (hereinafter "Bank") accomplished its business goals and attained the planned results.

The Bank conducted all the necessary actions to ensure safety and stability for its customers. Bank continued to ensure responsible banking policy in 2010. It was achieved by ensuring high liquidity and capital base that exceeds regulatory requirements. As always, GE Money Bank in Latvia leveraged the experience of its parent company, General Electric Company, one of the largest and most financially secure corporations in the world.

Providing safety and stability

One of the most significant strategic directions in 2010 was ensuring stability for the Bank's customers. Share capital of the Bank was increased by EUR 14 millions in July. Having regard of this, as well as of the amount of deposits attracted by the Bank, its capital adequacy indicator was 13.87% on 31.12.2010, which exceeds the requirement of 8% established by the Financial and Capital Market Commission (hereinafter – FCMC), while the liquidity ratio was 96.13%, which exceeded the FCMC standard by more than three times.

Despite continuing challenges in the Latvian economy in 2010, the Bank managed to improve its risk management, compliance and controllership systems, introduced several IT projects, as well as implemented cost optimization actions. Exceptional results from risks sales and collections teams resulted in decrease of the expected losses.

The Bank continued to create allowances for loan losses in 2010. The total amount of the reserves created in 2010 was EUR 12,974 thousand. This amount covers 27% of the credit portfolio. As a result the Bank concluded the year 2010 with losses in amount of EUR 27,777 thousand. Company's operating loss before tax and provisions was EUR 14,804 thousand.

The Bank's total assets in 2010 are EUR 297,160 thousand. EUR 148,561 were allocated in loans; and the deposit volume reached EUR 258,362 thousand.

Work of the subsidiary companies

AS „GE Money Atklātais pensiju fonds” continued operations within the Bank's group offering 3rd pillar pension plans "Rumba" and "Twists" to customers. The investment management company „GE Money Asset Management" managed 2nd pension pillar plans "Džezs" and "Blūzs" and customer investment in three investment funds - "GE Money Eastern Europe Balanced fund", "GE Money European Bond fund" and "GE Money Eastern Europe Equity fund".

Totals assets managed by „GE Money Asset Management" decreased by 10.94 % in the accounting period and at the end of the period were EUR 23,462. 12.05% of these were assets of investment fund, 84.8% - investment plan and 3.15% - private pension fund portfolios. Company's market share in the 2nd pillar pension funds management decreased from 2.3% to 1.69%. Total operating results of the investment management company during the accounting period were a profit of EUR 230,22 thousand (in 2009 – profit EUR 199,77 thousands).

While AS „GE Money Atklātais pensiju fonds” basic activity income reached EUR 7,944 in 2010, APF expenditures exceeded income in the accounting period and total operational results of APF during this period was negative, losses were -10,1 thousand EUR (in 2009 – losses 11,5 thousand EUR).

Corporate citizenship

A key element of the Bank's strategy as well as GE's strategy across all platforms around the world is **corporate social responsibility and education of the society on financial matters.**

In 2010 the Bank continued providing support to an independent non-profit organization "Money Planning Centre" (hereinafter – MPC). The primary goal of the MPC is educating society in various financial matters. AS "GE Money" established the MPC in 2007 already, as a reaction to the public demand and also to implement a philosophy of responsible lending.

The **Bank and the MPC** supported several projects in 2010 and offered innovative budget planning tools to the society, virtual consultations and seminars were organized by MPC, explaining peculiarities and opportunities of money saving and budget planning. The special electronic teaching guide "Naudas mācība" ("Study of Money"), prepared by MPC, was presented to teachers.

The Bank considers its employees the most valuable asset. Therefore, a significant commitment to the employees has been made in the company: in 2010 more than 568 employees improved their skills by participating in various training programs organized by GE Money Bank Training Centre; several internal initiatives were launched in order to improve employees' chances for career growth. The internal communication environment was improved by creating new information channels and rhythm.

Stable platform for development and growth

We expect that both Latvian society and the banking sector will continue facing economic challenges also in 2011 and for this reason the principle strategic direction of the Bank is to continue managing the company through the current economic cycle, thus ensuring the Bank's security and stability for its customers.

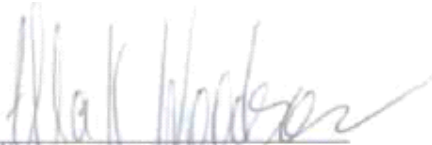
Therefore our focus is **to ensure high capital adequacy and liquidity base, healthy deposit base, providing for efficient risk management and debt collection systems.**


Between the balance date and the date of signing this financial report there have been no events that could significantly influence the results of the accounting period.

In conclusion, we would like to express gratitude to the employees of the Bank for work contributed to the Bank's development and to the customers and partners for their trust and loyalty to the Bank!


Looking forward to successful cooperation also in 2011,

Sincerely,


Alla Konnova Woodson
Chairperson of the Board


Franck Antoine Raymond Marzilli
Member of the Board


Francisco Javier Lopez Segura
Member of the Board


Aleksandra Baranova
Member of the Board

15 March 2011

INFORMATION ON THE BANK'S MANAGEMENT
Council members as of the date of signing these financial statements

Name	Position	Election date	Resignation date
Aleš Blažek	Deputy Chairperson of the Council	28.03.2008. 25.08.2008. 09.04.2009. 17.06.2009. 03.12.2009. 28.12.2010.	
Wilfried Mathias Seidel	Member of the Council	28.03.2008. 25.08.2008. 09.04.2009. 17.06.2009. 03.12.2009.	01.06.2010.
Richard Colin Gaskin	Member of the Council Chairperson of the Council	25.08.2008. 09.04.2009. 17.06.2009. 03.12.2009.	01.06.2010.
Neff Richard L	Member of the Council	03.12.2009. 28.12.2010.	
Alla Konnova Woodson	Member of the Council	17.06.2009. 03.12.2009. 01.06.2010. 02.07.2010.	28.12.2010.
Helen Louise Heslop	Member of the Council	01.06.2010. 02.07.2010.	28.12.2010.
Alain Daniel Amiel	Member of the Council	28.12.2010.	
Xavier Pascal Durand	Chairperson of the Council	28.12.2010.	
Kelvin Jones	Member of the Council	28.12.2010.	
Galina Gavrich Ruotolo	Member of the Council	28.12.2010.	

Board members as of the date of signing these financial statements

Name	Position	Election date	Resignation date
Inga Vagele	Member of the Board	07.03.2008. 02.02.2009. 11.03.2009.	05.02.2010.
Renārs Bulgakovs	Member of the Board	20.03.2009.	05.02.2010.
Windy Oliver	Member of the Board	01.09.2008. 02.02.2009. 03.09.2009.	12.10.2010.
Arkadiusz Wiktor Przybyl	Member of the Board Chairperson of the Board	03.03.2009. 05.02.2010.	28.12.2010.
Francisco Javier Lopez Segura	Member of the Board	05.02.2010.	
Aleksandra Baranova	Member of the Board	02.07.2010.	
Franck Antoine Raymond Marzilli	Member of the Board	02.07.2010.	
Alla Konnova Woodson	Chairperson of the Board	28.12.2010.	

STATEMENT OF MANAGEMENT RESPONSIBILITY

The management of AS "GE Money Bank" ("the Bank") is responsible for the preparation of the Bank's and the Bank and its subsidiaries ("the Group") financial statements for each financial year, ensuring the fair presentation of the financial position as of the year end, and the statement of comprehensive income and cash flows for the year then ended.

While preparing the financial statements included on pages 9 to 77 for the year ended 31 December 2010, 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:

 _____ Alla Konnova Woodson Chairperson of the Board	 _____ Francisco Javier Lopez Segura Member of the Board
 _____ Franck Antoine Raymond Marzilli Member of the Board	 _____ Aleksandra Baranova Member of the Board

15 March 2011



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Independent Auditors' Report

To the shareholders of AS "GE Money Bank"

Report on the Financial Statements

We have audited the accompanying separate financial statements of AS "GE Money Bank" ("the Bank"), which comprise the separate statement of financial position as at 31 December 2010, the separate income statement, the separate statement of comprehensive income, the separate statement of changes in shareholders' equity and the separate statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 77. We have also audited the accompanying consolidated financial statements of AS "GE Money Bank" and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 77.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate and consolidated 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 Bank's and the Group's preparation and fair presentation of the separate and consolidated 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 and the Group's internal control systems. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by Bank's and Group's management, as well as evaluating the overall presentation of the separate and consolidated financial statements.

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

Opinion

In our opinion, the separate financial statements of AS "GE Money Bank" present fairly, in all material respects the financial position of the Bank as at 31 December 2010, 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 EU.

In our opinion, the consolidated financial statements of AS "GE Money Bank" present fairly, in all material respects the financial position of the Group as at 31 December 2010, 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 EU.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Consolidated Management Report, as set out on pages 3-4, the preparation of which is the responsibility of Management, is consistent with the financial statements. Our work with respect to the Consolidated Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the consolidated financial statements. In our opinion, the management report is consistent with the consolidated financial statements.

KPMG Baltics SIA
License No 55



Ondrejs Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
15 March 2011



Inga Lipšane
Sworn Auditor
Certificate No 112

CONSOLIDATED AND BANK INCOME STATEMENT

		2010	2010	2009	2009
	Notes	Group	Bank	Group	Bank
Interest income	7	13,068	13,068	20,223	20,223
Interest expense	7	(13,716)	(13,766)	(18,581)	(18,621)
Net interest income		(648)	(698)	1,642	1,642
Commissions and fee income	8	3,432	3,130	4,279	4,020
Commissions and fee expense	8	(1,172)	(1,169)	(1,330)	1,326)
Net commission income		2,260	1,961	2,949	2,694
Net gain on held for trading financial assets		92	92	269	269
Net gain on foreign exchange		2,096	2,096	20,607	20,607
Other operating income	9	2,389	2,389	3,166	3,166
Net operating income		6,189	5,840	28,633	28,338
Administrative expenses	10	(20,142)	(20,013)	(23,275)	(23,169)
Other operating expenses	9	(630)	(630)	(277)	(277)
Net impairment allowance expense	11	(12,974)	(12,974)	(35,674)	(35,674)
Loss before Income tax		(27,557)	(27,777)	(30,593)	(30,782)
Income tax	29	-	-	505	505
Loss for the period		(27,557)	(27,777)	(30,088)	(30,277)
Basic and diluted earnings/(losses) per share (EUR)	39	(57.00)	(57.47)	(75.57)	(76.04)


The accompanying notes on pages 17 to 77 form an integral part of these Consolidated and Bank financial statements.




 Alla Konnova Woodson
 Chairperson of the Board



 Franck Antoine Raymond Marzilli
 Member of the Board



 Francisco Javier Lopez Segura
 Member of the Board




 Aleksandra Baranova
 Member of the Board

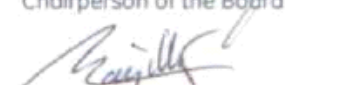
15 March 2011


CONSOLIDATED AND BANK STATEMENT OF COMPREHENSIVE INCOME


	Notes	2010 Group	2010 Bank	2009 Group	2009 Bank
Loss for the period		(27,557)	(27,777)	(30,088)	(30,277)
Other comprehensive income					
Revaluation of Available-for-sale financial assets		2,191	2,191	(458)	(458)
Loss on property revaluation		(27)	(27)	(2,652)	(2,652)
Other comprehensive income for the period		2,164	2,164	(3,110)	(3,110)
Total comprehensive income for the period		(25,393)	(25,613)	(33,198)	(33,387)

The accompanying notes on pages 17 to 77 form an integral part of these Consolidated and Bank financial statements.


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 Aleksandra Baranova
 Member of the Board


15 March 2011


CONSOLIDATED AND BANK STATEMENT OF FINANCIAL POSITION


ASSETS	Notes	31.12.2010	31.12.2010	31.12.2009	31.12.2009
		Group	Bank	Group	Bank
Cash and due from Bank of Latvia	12	24,377	24,377	27,789	27,789
Financial instruments at fair value through profit or loss		2,888	2,888	4,643	4,643
<i>Shares and other non-fixed income securities</i>	13	2,403	2,403	2,214	2,214
<i>Derivatives</i>	13,16	485	485	2,429	2,429
Loans and receivables due from credit institutions	14	101,987	101,987	110,650	110,650
Loans and receivables due from customers	15	148,561	148,561	203,694	203,694
Available-for-sale financial assets		5,953	5,953	3,755	3,755
<i>Fixed-income securities</i>	13	5,953	5,953	3,755	3,755
Held-to-maturity financial assets	13	2,787	2,787	2,786	2,786
Investments in subsidiaries	17	-	354	-	354
Intangible assets	18	351	351	491	491
Property and equipment	18	6,029	6,029	7,215	7,215
Deferred expense and accrued income		535	496	1,244	1,212
Current tax assets		241	241	1,956	1,956
Investment property	19a	-	-	1,558	1,558
Non Current Assets-Held-for-Sale	19b	2,060	2,060	-	-
Other assets	20	1,108	1,076	963	959
Total assets		296,877	297,160	366,744	367,062

The accompanying notes on pages 17 to 77 form an integral part of these Consolidated and Bank financial statements.


 Alla Konnova Woodson
 Chairperson of the Board


 Franck Antoine Raymond Marzilli
 Member of the Board


 Francisco Javier Lopez Segura
 Member of the Board


 Aleksandra Baranova
 Member of the Board


15 March 2011


CONSOLIDATED AND BANK STATEMENT OF FINANCIAL POSITION, CONTINUED


		31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Notes	Group	Bank	Group	Bank
LIABILITIES					
Financial instruments at fair value through profit or loss		1,629	1,629	583	583
<i>Derivatives</i>	16	1,629	1,629	583	583
Financial liabilities at amortized cost		582	582	15,126	15,126
<i>Deposits due to credit institutions</i>	21	265,930	266,606	310,986	311,478
<i>Deposits due to non-credit institutions</i>	22	257,686	258,362	302,441	302,933
<i>Debt securities</i>	23	5,028	5,028	5,026	5,026
<i>Subordinated debt</i>	25	3,216	3,216	3,519	3,519
Deferred income and accrued expense		1,553	1,544	1,393	1,385
Other liabilities	24	821	817	1,130	1,124
Total liabilities		270,515	271,178	329,218	329,696
Equity					
<i>Share capital</i>	27	36,427	36,427	32,870	32,870
<i>Share premium</i>		53,033	53,033	42,362	42,362
<i>Reserves</i>		4,005	4,005	4,005	4,005
<i>Property revaluation reserve</i>		307	307	334	334
<i>Available-for-sale financial assets revaluation reserve</i>		(345)	(345)	(2,537)	(2,537)
<i>Accumulated losses of previous years</i>		(39,508)	(39,668)	(9,419)	(9,391)
<i>Loss for the period</i>		(27,557)	(27,777)	(30,089)	(30,277)
Total equity		26,362	25,982	37,526	37,366
Total liabilities and equity		296,877	297,160	366,744	367,062
OFF-BALANCE SHEET ITEMS					
Guarantees	28	1,514	1,514	1,618	1,618
Other commitments	28	2,299	2,299	5,477	5,477

The accompanying notes on pages 17 to 77 form an integral part of these Consolidated and Bank financial statements.


Alla Konnova Woodson
Chairperson of the Board


Franck Antoine Raymond Marzilli
Member of the Board


Francisco Javier Lopez Segura
Member of the Board


Aleksandra Baranova
Member of the Board

15 March 2011

	STATEMENT OF CHANGES IN EQUITY (THE BANK)						
	Share capital	Share premium	Revaluation reserve of available-for-sale financial assets	Revaluation reserve of property	Reserves	Accumulated losses	Total
31.12.2008	22,198	10,347	(2,078)	2,986	4,005	(9,391)	28,067
Total comprehensive income							
Loss for the year	-	-	-	-	-	(30,277)	(30,277)
Other comprehensive income, net of income tax							
Revaluation reserve of available-for-sale financial assets	-	-	(458)	-	-	-	(458)
Revaluation reserve of property	-	-	-	(2,652)	-	-	(2,652)
Total other comprehensive income	-	-	458	(2,652)	-	-	(3,110)
Total comprehensive income for the period	-	-	(458)	(2,652)	-	(30,277)	(33,388)
Transactions with shareholders							
Increase of share capital	10,672	32,015	-	-	-	-	42,686
31.12.2009	32,870	42,362	(2,537)	334	4,005	(39,668)	37,366
Total comprehensive income							
Loss for the year	-	-	-	-	-	(27,777)	(27,777)
Other comprehensive income, net of income tax							
Revaluation reserve of available-for-sale financial assets	-	-	2,191	-	-	-	2,191
Revaluation reserve of property	-	-	-	(27)	-	-	(27)
Total other comprehensive income	-	-	2,191	(27)	-	-	2,164
Total comprehensive income for the period	-	-	2,191	(27)	-	(27,777)	(25,613)
Transactions with shareholders							
Increase of share capital	3,557	10,671	-	-	-	-	14,228
31.12.2010	36,427	53,033	(345)	307	4005	(67,445)	25,982

The accompanying notes on pages 17 to 77 form an integral part of these Consolidated and Bank financial statements.

	STATEMENT OF CHANGES IN EQUITY (THE GROUP)						
	Share capital	Share premium	Revaluation reserve of available-for-sale financial assets	Revaluation reserve of property	Reserves	Retained earnings / accumulated losses	Total
31.12.2008	22,198	10,347	(2,078)	2,986	4,005	(9,419)	28,039
Total comprehensive income							
Loss for the year	-	-	-	-	-	(30,089)	(30,089)
Other comprehensive income, net of income tax							
Revaluation reserve of available-for-sale financial assets	-	-	(458)	-	-	-	(458)
Revaluation reserve of property	-	-	-	(2,652)	-	-	(2,652)
Total other comprehensive income	-	-	(458)	((2,652))	-	-	(3,110)
Total comprehensive income for the period	-	-	(458)	(2,652)	-	(30,089)	(33,199)
Transactions with shareholders							
Increase of share capital	10,672	32,014	-	-	-	-	42,686
31.12.2009	32,870	42,361	(2,536)	334	4,005	(39,508)	37,526
Total comprehensive income							
Loss for the year	-	-	-	-	-	(27,557)	(27,557)
Other comprehensive income, net of income tax							
Revaluation reserve of available-for-sale financial assets	-	-	2,191	-	-	-	2,191
Revaluation reserve of property	-	-	-	(27)	-	-	(27)
Total other comprehensive income	-	-	2,191	(27)	-	-	2,164
Total comprehensive income for the period	-	-	2,191	(27)	-	(27,557)	(25,393)
Transactions with shareholders							
Increase of share capital	3,557	10,672	-	-	-	-	14,229
31.12.2010	36,427	53,033	(345)	307	4005	(67,065)	26,362

The accompanying notes on pages 17 to 77 form an integral part of these Consolidated and Bank financial statements.

CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS


	2010	2010	2009	2009
	Group	Bank	Group	Bank
Cash flows from operating activities				
Loss before income tax	(27,557)	(27,777)	(30,593)	(30,782)
Depreciation, amortization, impairment and write-off of intangible assets and property and equipment	1,783	1,783	2,211	2,211
Loss from sale of property and equipment	104	104	30	30
Increase of impairment allowance	12,974	12,974	35,674	35,674
Result from revaluation of foreign currencies	(36)	(36)	(36)	(36)
Increase/ (decrease) of cash and cash equivalents before changes in assets and liabilities	(12,732)	(12,952)	7,285	7,097
Change in loans and receivables due from credit institutions	(50)	(50)	(108)	(108)
Change in loans and receivables due from customers	41,657	41,657	39,805	39,805
Pārdošanai pieejamo finanšu aktīvu pieaugums	-	-	-	-
Change in held for trading financial assets	1,754	1,754	(2,641)	(2,641)
Change in deferred expense and accrued income	703	710	(842)	(828)
Change in other assets	1,569	1,598	17	17
Change in due to credit institutions	(88)	(88)	(2,117)	(2,117)
Change in deposits	(44,755)	(44,571)	11,949	12,124
Change in held for trading financial liabilities	1,046	1,046	538	538
Change in deferred income and accrued expense	162	162	(969)	(965)
Change in other liabilities	(309)	(307)	616	611
Net cash used in operating activities	(11,041)	(11,041)	53,533	53,533


	2010 Group	2010 Bank	2009 Group	2009 Bank
Cash flows from investing activities				
Purchase of property and equipment, and intangibles	(588)	(588)	(361)	(361)
Sale of property and equipment	-	-	21	21
Net cash from investing activities	(588)	(588)	(340)	(340)
Cash flows from financing activities				
Settlement of subordinated liabilities	(303)	(303)	(10,956)	(10,956)
Settlement of debt securities	-	-	(1,994)	(1,994)
Increase of share capital	14,229	14,229	42,686	42,686
Net cash from financing activities	13,926	13,926	29,736	29,736
Net increase of cash and cash equivalents	2,297	2,297	82,929	82,929
Opening balance of cash and cash equivalents	120,948	120,948	37,983	37,983
Effect of exchange rate fluctuations on cash held	36	36	36	36
Closing balance of cash and its equivalents	123,280	123,280	120,948	120,948


Cash and cash equivalents consist of the following:


	31.12.2010 Group	31.12.2010 Bank	31.12.2009 Group	31.12.2009 Bank
Cash and due from Bank of Latvia	24,377	24,377	27,789	27,789
Due from credit institutions including term deposits due in less than three months	99,035	99,035	107,748	107,748
Due to credit institutions including term deposits due in less than three months	(132)	(132)	(14,589)	(14,589)
Total	123,280	123,280	120,948	120,948

The accompanying notes on pages 17 to 77 form an integral part of these Consolidated and Bank financial statements.


 Alla Konnova Woodson
 Chairperson of the Board


 Franck Antoine Raymond Marzilli
 Member of the Board


 Francisco Javier Lopez Segura
 Member of the Board


 Aleksandra Baranova
 Member of the Board

15 March 2011

NOTES TO THE CONSOLIDATED AND BANK FINANCIAL STATEMENTS

1. GENERAL INFORMATION**Information on the Group and Bank**

AS "GE Money Bank" (the "Bank") was founded on 10 September 1992. It was registered in the Republic of Latvia as a joint stock company with 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 license allows the Bank to maintain customer accounts and receive term and demand 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's ultimate controlling party is General Electric Capital which is listed on the New York Stock Exchange. Bank's direct parent is SIA "Finstar Baltic Investment".

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

The consolidated financial statements for the year ended 31 December 2010 incorporate the financial statements of companies mentioned below:

Name of company	Country of registration	Type of activity	Participation, %
IPS "GE Money Asset management"	Latvia	Financial services	100
AS "GE Money atklātais pensiju fonds"	Latvia	Financial services	100

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS**Statement of compliance**

The accompanying 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 of the Republic of Latvia ('FCMC') in force as at the reporting date.

The financial statements of the Group and Bank were authorized for issue by the Board Members on March 15, 2011. The financial statement may be rejected by the Bank's shareholders and a request made to the Board that they be reissued.

Functional and Presentation Currency

The financial statements are presented in thousands of lats (EUR 000's), unless otherwise stated, being the Bank's and the Group's functional currency.

Basis of measurement

The financial statements are prepared on the historical cost basis except for the following:

- financial instruments stated at fair value through profit or loss are stated at fair value;
- derivatives: stated at fair value;
- available-for-sale assets: stated at fair value;
- land and buildings which are revalued periodically;
- non-current assets-held-for-sale: stated at the lower of carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared using accounting principles consistent with those used in the prior year, except as described later on in section on *New Standards and Interpretations*.

Basis of Consolidation

Subsidiaries are entities controlled by the Bank. Control exists where the Bank has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised gains arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Fund management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Bank controls the entity ("GE Money Atklātais pensiju fonds" and "GE Money Asset Management").

Income and expense recognition

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

(i) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. 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. When calculating the effective interest rate, the Bank and the Group estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

Fees and commission income and expenses that are integral part to the effective interest rate on financial assets and liabilities are included in the measurement of the effective interest rate.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's and the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net income from financial instruments at fair value through profit or loss.

(ii) Fee and commission income and expense

Fees and commission income, including mainly account servicing fees, investment management fees and credit card servicing fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) Net gain/ loss on financial instrument at fair value through profit or loss

Net gain/loss on financial instrument at fair value through profit or loss comprises gains less losses related to trading assets and liabilities and derivatives held for risk management purposes which do not qualify for hedge accounting, and includes realised and unrealised fair value changes, dividend, foreign exchange differences.

Dividends

The Bank receives dividends from the equity instruments that are recorded to income when the right to receive payment is established.

Proposed dividends are recognized in the financial statements only when approved by shareholders.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rate set by Bank of Latvia at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated, which are recognised in other comprehensive income.

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

31.12.2010		31.12.2009	
EUR	0.702804	EUR	0.702804
USD	0.535	USD	0.489

3. SIGNIFICANT ACCOUNTING POLICIES**Property and equipment and intangible assets**

Property and equipment and intangible assets are initially recognized at their acquisition cost including transaction costs.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

Land plots, buildings and construction in progress owned by the Group and Bank are revalued to their fair value on the grounds of their market value no less than once per a year. The valuation of real estate is undertaken by an independent certified expert every year. Increase in the value of land plots, buildings and construction is recognized in other comprehensive income and shown in a separate category in equity, being a property and equipment revaluation reserve. A revaluation decrease on an item of land or buildings is recognised in the income statement except to the extent that it reverses a previous revaluation increase recognised in other comprehensive income, in which case it is recognised directly in other comprehensive income.

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

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

Vehicles	5 years
Furniture	5-10 years
Buildings	5-50 years
Software	1-5 years
Computers, office equipment	4-6 years

Leasehold improvements are capitalized and amortized over the shorter of the term of the lease agreement or the useful life. Depreciation rates, residual values and useful lives are reviewed at each reporting date.

Repossessed assets

As part of the normal course of business the Bank and the Group occasionally take possession of property that originally was pledged as security for a loan. When the Bank or the Group acquires (i.e. gains a full title to) a property in this way, the property's classification follows the nature of its intended use by the Bank and the Group.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property is measured at cost less depreciation.

Non-current Assets-Held-for-Sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Valuations are performed as of the financial position date by professional external valuers who hold recognised and relevant professional qualifications.

Financial instruments*Classification*

Financial instruments are classified into the following categories:

Financial instruments at fair value through profit or loss are financial assets or liabilities that are acquired or incurred principally for the purpose of selling or repurchasing in the near term, or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or that are designated to this category at initial recognition as at fair value through profit or loss.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, and which are not designated at fair value through profit or loss, or available for sale.

Available-for-sale financial assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity financial assets or financial instruments at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- the Bank and the Group intends to sell immediately or in the near term;
- the Bank and the Group upon initial recognition designates as at fair value through profit or loss;
- the Bank and the Group upon initial recognition designates as available- for-sale; or
- the Bank and the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables include regular loans and credit card balances.

Financial liabilities carried at amortized cost include deposits and balances with Central Bank, deposits and balances from credit institutions, current accounts and deposits from customers, issued debt securities and subordinated debt.

Recognition

The Bank and the Group initially recognizes loans and receivables, deposits and debt securities issued on the date at which they are originated. All other financial assets and liabilities are recognized on the trade date when the Bank or the Group become a party to the contractual provisions of the instrument.

Measurement

A financial asset or liability is initially measured at its fair value and, except for a financial asset or liability at fair value through profit or loss, includes transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets other than loans and receivables, held to maturity financial assets and equity investments at cost are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal.

Held-to-maturity financial assets and loans and receivables are measured at amortized cost using the effective interest method.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

All loans and receivables and financial liabilities at amortized cost, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. Amortized cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank and the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank and the Group establishes fair value using a valuation technique. Valuation techniques include recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank or the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank and the Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in statement of comprehensive income (available-for-sale only) depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank or the Group have positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank or the Group and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank or the Group believes a third-party market participant would take them into account in pricing a transaction.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in the income statement;
- a gain or loss on an available-for-sale financial asset is recognized in statement of other comprehensive income (except for impairment losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is recognized in the income statement. Interest in relation to an available-for-sale financial asset is recognized as earned in the income statement calculated using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in the income statement when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or when the Bank or the Group transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognized when it is extinguished.

The Bank and the Group also derecognizes certain assets when it writes off balances pertaining to the assets deemed to be uncollectible. Loans and receivables are written off in case when all necessary steps for repayment of the loan were done, collateral was realized and the customer is non-performing.

Repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents the interest expense and is recognized in the income statement over the term of the repo agreement using the effective interest rate method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the reverse repo agreement using the effective interest method.

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Derivative financial instruments

Derivative financial instruments include swap, forward, futures, and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments. The Bank and the Group classify all derivative financial instruments as trading.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognized in the income statement.

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Bank and the Group account for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Credit related commitments

In the normal course of business, the Bank or the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank or the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included within other liabilities.

Investments in subsidiaries

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

Provisions

Provisions are recognized when the Group and Bank have a present legal or constructive obligation 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 mainly relate to the guarantees issued and other off balance sheet items. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets and liabilities with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term liabilities and commitments.

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Impairment of financial assets

At each reporting date the Bank and Group assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank and the Group on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Bank and the Group considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment the Bank and the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in income statement 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 subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to income statement. The cumulative loss that is removed from other comprehensive income and recognised in income statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in statement of comprehensive income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed, with the amount of the reversal recognised in income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Impairment of non-financial assets

The carrying amounts of the Bank's and the Group's non-financial assets, other than investment property and deferred tax 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. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in income statement. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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 in 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 non-financial assets, 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 amortisation, if no impairment loss had been recognised.

Share-based payment transactions

The grant date fair value of options granted to employees is recognized 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 recognized as an expense is adjusted to reflect the actual number of share options that vest.

Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of Latvian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

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 has one business segment. The segmentation principal is based on product type (see note No.38).

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

Short term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in net operating expenses on an accrual basis as services are provided. The Bank and the Group pays fixed security contributions to the State Social Fund on behalf of its employees during the employment period in accordance with local legal requirements and will have no obligations to pay further contributions relating to employee services in respect to pension of retired employees.

Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

When assets are held subject to finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Operating lease

An operating lease is a lease other than a finance lease.

New Standards and Interpretations

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Bank and the Group

- *IFRIC 9, 'Reassessment of embedded derivatives' and IAS 39, 'Financial instruments: Recognition and measurement'*, effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.
- *IAS 1 (amendment), 'Presentation of financial statements'*. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.
- *IAS 36 (amendment), 'Impairment of assets'*, effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).
- *IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'*, effective from 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.
- *IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'*. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

New Standards and Interpretations not yet adopted and not yet mandatory

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these financial statements:

- *Revised IAS 24 'Related Party Disclosure'* (effective for annual periods beginning on or after 1 January 2011). The amendment exempts government-related entities from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption. The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel. Revised IAS 24 is not expected to result in new relations requiring disclosure in the Bank's and the Group's financial statements.
- *Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2011). The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required. The amendments to IFRIC 14 is not relevant to the Bank's and the Group's financial statements as the Bank and the Group does not have any defined benefit plans with minimum funding requirements.

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after 1 July 2010). The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are consideration paid in accordance with IAS 39.41. The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss. The Bank and the Group did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Bank's and the Group's financial statements for the year ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.
- Amendment to *IAS 32 'Financial Instruments: Presentation – Classification of Rights Issues'* (effective for annual periods beginning on or after 1 February 2010). The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendments to IAS 32 are not relevant to the Bank's and the Group's financial statements as the Bank and the Group has not issued such instruments at any time in the past.

4. RISK MANAGEMENT

Risk management

Risk management is the cornerstone of the Group's and the 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 the Bank ensure that they have the functional capability to manage the risk in new and existing businesses, and that business plans are consistent with the risk appetite. The Group's and the Bank's risk management system is regularly reviewed taking into account the market conditions and the Group's and the Bank's business strategy in order to set appropriate risk limits and controls.

The 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 credit risk committee that is responsible for developing and supervising the respective risk management policies and procedures.

The risk appetite is the level of risk the Group and the Bank choose to take to reach its strategic objectives, acknowledging a range of possible outcomes, as business plans are implemented. The Group's and the 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's and the Bank's performance;
- improve management control and coordination 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 the Bank identify certain risk factors that they face in the ordinary course of their operations. In order to implement and maintain an appropriate risk management framework, the Group and the Bank have developed and implemented a set of risk management policies.

Credit Risk

Credit risk is the risk of a financial loss to the Group or the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's loans and advances to customers and other banks and investment debt securities. The Group and Bank accept and limit the risk by defining reasonable limits and developing an internal control system for their supervision. According to the credit risk strategy, the responsibility for the credit decision making and management is delegated to the Chief Risk Officer and credit risk committee and Asset Liability Committee for the Bank's counterparties limits. The Board and the Council of the Bank approve all credit risk deals above 6 million EUR limit. Bank's counterparties limits are set for direct lending and for other financial instruments (e.g. foreign exchange, debt securities). The principal elements of credit risk management of the Group and the 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, including collateral monitoring and revaluation;
- Limitation of concentration;
- Elements of Portfolio quality monitoring;
- Normative documentation of Credit Risk management and Internal Control system for the activity.

The Group's and 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 lending limits and limits for lending by collateral type in comparison to the Group's and the Bank's asset and deposit base. The Group and the Bank lend to both private and legal entities, and accepts only assessable and manageable loans. The credit policy sets the types of collateral and loan granting conditions, terms and interest rates pricing principles. The Group's and the Bank's credit policy is based on evaluation of credit ratings of the customers and assessment of the expected cash flows. The Group and the Bank continuously monitor the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, and, when evaluating client's credit ability, pays most attention to credit risk analysis to evaluate the client's financial condition or the ability to fulfill obligations under the agreement, business potential and credit guarantee as precise as possible, or otherwise obtained by the Group or the Bank. The current market value of collateral is regularly assessed by either independent appraisal companies or the Group's or the Bank's specialists. The Group and the Bank credit only those clients that are creditworthy. The Credit Policy stipulates the basic principles of loans issuing, collateral types and maximum acceptance values for various type of collateral. The Group and the Bank accept several items as potential collateral – mortgage, commercial and financial pledge, guarantee or credit risk insurance. Additionally, the Group and the Bank use regular macroeconomic situation stress tests to evaluate the changes in the macroeconomic situation and its impact on the Group's and the Bank's activities. Bank's counterparties risk assessment is defined by using external credit ratings.

Bank ensures regular loan quality assessment and loan loss impairment detection and estimation for problem loans to reflect objective and fair value of the assets. Impairment is calculated as excess of loan book value over the recoverable cash flow from the collateral, where the recovery of the loan is expected to be collateral dependent, or excess of client liabilities over the present value of future expected cash flow from client, where the recovery of the loan is not collateral dependent. Restructuring of problem loans and change of original repayment terms are done in accordance to the internal restructuring guidelines.

Market risk

The profitability and the long term objectives of the Group and the Bank could be adversely affected by worsening economic conditions in the country. Such factors as interest rates, inflation and the liquidity of the markets which 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 the 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 the Bank have a country and sovereigns 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, arising from the revaluation of the Group's and the 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 rates against the functional currency.

The Group and the Bank manage 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 the Bank monitor 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 internal processes, performance of people and systems, or under the influence of external circumstances. The Group and the Bank have established operational risk policy and respective procedures. Bank uses operational risk events and risks register system, where 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 the Bank;
- develop controls to mitigate these risks regarding their frequency and their impact;
- improve risk transparency and promote common understanding of risks and controls within the 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 instruments because of a change in market interest rates. The goal of the interest rate risk policy is the Group's and the 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 the Bank balances loans and funding termstructure by repricing 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 the 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 or the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

During the year, the Group's and the Bank's assets were managed to meet its current liabilities in accordance with its liquidity management policy. The Group and the Bank maintained a constant amount of liquid assets with the maturity up to 30 days to ensure a compliance with the objective of maintaining such liquid assets at a level of 30% of the Group's and the Bank's current liabilities. The policy defines assets and liabilities maturity structure management guidelines, internal liquidity limits, early warning indicators and the Group's and the Bank's response to liquidity stress situations. The Group's and the Bank's major funding sources during the year have been customer deposits and financial institution deposits and funding sources from the 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 the Bank maintain a well balanced and diversified risk exposure, from which it follows that the loan portfolio has a highly diversified spread of risk. The credit policies of the Bank and the Group set:

- Industry concentration limits
- Lending limits by collateral type
- Aggregated lending limits to related customer groups
- Lending limits to related parties
- Transaction limits within the Group

Residual risk

Residual risk arises when the Group and the Bank fail to realize the value of a credit risk mitigation technique such as guarantees or collateral. The Group and the Bank have chosen to refrain from financing operating lease for transport units. For other products with collateral, the loan agreement contains rights for the Group and the Bank to regress any residual amount to the borrower.

Money laundering and terrorist financing risk

To manage Money laundering risk the Bank and the Group have developed Internal Control System for Prevention of Money Laundering and Terrorism Financing, which ensure compliance with money laundering and terrorism financing prevention laws and regulations. Internal Control System for Prevention of Money Laundering and Terrorism Financing consists of the following elements: client identification, establishment of true beneficiaries, knowing client's economic activities, recognition of unusual and suspicious transactions and their reporting. The Customer Control Division escalates money laundering monitoring results to the Bank's AML Committee on a monthly basis. Bank performs regular employee trainings regarding money laundering and terrorism financing prevention.

Bank's Client policy in force does not anticipate an active attraction of non-resident clients.

Trading portfolio management policy

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

Investment policy

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

The policy of interest conflict situation management

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

Client policy

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

Capital management

The Financial and Capital Market Commission of the Republic of Latvia ('FCMC' or the 'Regulator') sets and monitors capital requirements for the Bank, the lead operating entity of the Group, and for the Group as a whole.

The Bank defines as capital those items defined by statutory regulation as capital. Under the current capital requirements set by the Financial and Capital Market Commission banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 31 December 2010 and 2009, this minimum level is 8%. The Bank was in compliance with the statutory capital ratio as at the years ended 31 December 2009 and 31 December 2010.

The Bank's risk based capital adequacy ratio, as at 31 December 2010, was 13.87% (31 December 2009: 15.92%).

Sensitivity analysis**Foreign currency 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 other comprehensive income other than through the statement of comprehensive income.

Effect in thousands of EUR

	Group	Bank
31.12.2010		
USD	4	4
EUR	(30)	(30)
LTL	6	6
EEK	3	3
RUB	3	3
31.12.2009		
USD	(4)	(4)
EUR	(23)	(23)
LTL	6	6
EEK	1	1
RUB	0	0

The foreign exchange rate LVL/EUR is pegged as at 31 December 2010 and 31 December 2009.

Interest rate sensitivity analysis

An analysis of sensitivity of the net income for the year and other comprehensive income as a result of changes in fair value of financial instruments at fair value through profit or loss and financial instruments available for sale due to changes in the interest rates based on positions existing as at 31 December 2010 and 2009 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows (impact in '000 EUR):

	31 December 2010		31 December 2009	
	Net income	Other comprehensive income	Net income	Other comprehensive income
100 bp parallel increase	-	(260)	-	(174)
100 bp parallel decrease	-	260	-	174

5. CORPORATE GOVERNANCE

The corporate governance of the AS "GE Money Bank" and its subsidiaries (further in text – Bank) is based on international standards, the best Corporate governance practice and laws of the Republic of Latvia.

The Bank constantly works on the improvement of its corporate governance. The purpose of the corporate governance is to establish, maintain and continuously develop the operational systems that ensure proper control over operations and management of the operational risks while taking care of customer satisfaction and sustaining good co-operation with the business partners.

Shareholders

SIA "Finstar Baltic Investments owns 99.983% of AS "GE Money Bank". SIA „GE Money Latvia Holdings" owns 100% of SIA "Finstar Baltic Investments", and GE Capital International Financing Corporation owns 100% of SIA "GE Money Latvia Holdings".

AS "GE Money Bank" have no shareholders with special control rights, no right of voting restrictions or other restrictions, incl. shareholders' profit share rights that is not related to the part of shares proportionally owned by shareholders and for this reason AS "GE Money Bank" shareholders act in accordance with the Commercial Law provisions. According to AS "GE Money Bank" Articles of Association, the shareholders' meeting is entitled to resolve if at least half of the paid-up joint stock company equity capital is represented, while the reconvened shareholders' meeting is entitled to resolve irrespective of the equity capital represented at the meeting.

Supervisory Council

The Supervisory Council (the 'Council') is responsible for the Bank's development strategy, including goals, risks management and capital adequacy maintenance strategy. The Council monitors how the Executive Board (the 'Board') ensures internal control system establishment and efficient functioning, as well as ensures risks monitoring, incl. risks identification and maintenance policies approval.

AS „GE Money Bank" Articles of Association regulate the procedure of the Council members' election and changes to the council composition, as well as authorities of the Council members. According to AS "GE Money Bank" Articles of Association the Shareholders meeting elects Council in the composition of 6 (six) members for the term of 5 (five) years. Resolutions of the Council shall be passed by simple majority of votes of attending members of the Council.

Board

Board is the executive body that manages and represents the Bank. The Board manages and administrates commercial activities of the Bank. The Board takes full responsibility for the Bank's activities as well as for the proper bookkeeping maintenance. The Board acts in accordance with the local legislation, Bank's Charters and Shareholders decisions. The Board acts within the strategies and policies approved by the Council.

The Board is responsible for the development of internal risks control system, its maintenance and constant improvement. The Board sets qualitative and quantitative goals for the each sphere in compliance with the strategy approved by the Council. The Board approves the organizational structure, ensures tasks distribution between the structural units and employees.

The Board ensures risks identification and maintenance. The Board controls capital adequacy and its maintenance, as well as develops respective internal documentation.

AS „GE Money Bank" Articles of Association regulates the procedure of the Board members' election and changes to the board composition, as well as authorities of the Board members. According to AS "GE Money Bank" Articles of Association AS „GE Money Bank" Council elects the Board in the composition of 5 (five) members for the term of 5 (five) years is elected by . AS „GE Money Bank" Articles of Association provide the following limitations for the Board: the chairman of the Board, as well as every member of the Board is entitled to represent the joint stock company only jointly with another Board member, as well as the Council consent is required for resolving on significant items established by the Articles of Association.

Internal Control and Risk management

Within the framework of corporate governance the Bank implements:

- Protection of the rights and securing of the interests of the investors, customers and other related parties;
- Timely and adequate provision of information about the operations and financial performance and other important events of the Bank;

- Compliance with generally adopted GE corporation code of ethics;
- Protection of the rights and securing of the interests of the shareholder.

The Bank has elaborated and implemented an internal control system over the operations of the Bank incorporating the management system of the operational risks of the Bank. The internal control system identifies and defines responsibility for maintaining functioning of the specific components of the internal control system by listing the duties and obligations of the shareholders, Council, Board, special committees established by Board, structural units and employees.

To promote comprehensive internal control system in all areas of the Bank activities, the Bank has created following internal control functions:

- Risk control function;
- Compliance function;
- Internal audit function.

Risks control function ensures the controls on Risk management, as well as analyzes reports regarding:

- Processes of loan repayment and recovery;
- Analysis and supervision of lending processes in the branches.

Risk management is the cornerstone of the 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 Bank ensures that it has the functional capability to manage these risks and that business plans are consistent with the Bank's risk appetite. The Bank's risk management system is regularly reviewed taking into account the market conditions and the Bank's business strategy in order to set appropriate risk limits and controls. In order to implement and maintain an appropriate risk management framework, the Bank has developed and implemented a set of policies:

- Credit Risk policy;
- Foreign currency risk policy;
- Operational Risk policy;
- Interest rate risk policy;
- Liquidity risk policy;
- Trading portfolio management policy
- Investment policy
- The policy of interest conflict situation management
- Client policy
- The Anti Money laundering policy
- Capital management policy
- Information system security policy
- Country Risk management policy

Compliance function is one of the Internal Control functions, which is established with the purpose of identification, assessment and management of the risk related to development of the Bank's activity. The Compliance function is ensured by the Compliance Department composed of the , Compliance and Methodology Division, Anti-Money Laundering Division and Branch Control Division.

The Bank has created Compliance Review Board, whose principal functions include: supervision of business of the Bank, ensuring compliance of its business to the legal requirements, introduction of legislative changes in business of the Bank; elaboration of business Compliance policy; execution of requirements for prevention of legalization of proceeds from criminal activity (Anti-Money Laundering); issues of consumer rights protection; analysis of complaints of the customers, as well as evaluation of Operational Risk events and determination of the measures necessary to improve the business.

The Internal Audit function (IAD) performs independent supervision of Internal Control system of the Bank, evaluation of its adequacy and efficiency in order to help the Council of the Bank, the Board and heads of the subordinated structural units execute their functions more efficiently. Employees of the IAD are not involved in performance of daily transactions of the Bank.

The IAD is subordinated to the Audit Committee (which consists of the two members of the Bank Council and one independent committee member) and performs audits in accordance with a work plan approved by the Audit Committee and Council. The IAD performs audit of Bank transactions, processes, internal documentation, services and products, evaluating their lawfulness, compliance with the internal or external regulating documents, risks and management thereof, sufficiency, economic profitability and efficiency. Internal Audit provides regular reporting on the status of issue resolution to bank's Audit Committee and to Senior Management.

Internal Control function, decision making rights, duties and responsibility of employees are prescribed in charters of structural units, operational procedures and in job descriptions. Internal Control function is separate from daily operations and control function.

In order to ensure internal controls the Management of the Bank (Board) regularly receives and examines the following information:

- Daily financial reports – balance sheet and profit/loss;
- Monthly reports on capital adequacy, liquidity, large risks, country risks, connected persons risks, assets classification (credit quality steps and levels of provisions) and term structure of interest rates;
- Calculation of amount of the monetary reserves.
- List of limits, international credit ratings and assessments of financial state of the transactions partners (counterparties);
- Internal calculations of liquidity;
- Investments summary;
- Capital adequacy forecasts;
- Summary of foreign currencies positions;
- Summary of interest risk positions;
- Reports on the state of the securities portfolio.

More over regarding internal controls for preparation of Financial statements is the responsibility of the Finance department who has established the following key controls:

- Internal documents multiple level control and authorization procedure;
- External and internal transactions authorization procedure;
- Preparation of the financial reports in accordance with the Bank approved procedures, internal instructions and policies;
- Multiple level control and sign-off of the reports prepared.
- Body of specific controls and tests, which ensures regular examination of observance and effectiveness of the controlling processes mentioned above.

Finance Department on a regular basis ensures controls of the following indices and norms:

- Calculation of term structure and liquidity;
- Execution of limits for the counterparties;
- Summary of foreign currencies positions;
- Calculation and execution of amount of the monetary reserve;
- State of the securities portfolio (reports from the Financial Accounting and Control Department);
- Daily level of own funds and monthly capital adequacy;
- Sufficiency of liquid assets (in cooperation with the Treasury and Corporate Customers Servicing Department).

In view of the importance of such a component of corporate governance as independent evaluation and control of the financial standing of the Bank, the Council and the Board of the Bank ensure that regarding the drawing up of the financial reports the internal control system gives a true and fair representation of the operations and financial standing of the Bank.

In order to protect the rights and ensure the interests of the shareholders and investors, the Bank has established the structure and implemented the principles of good corporate governance ensuring provision of timely and exhaustive information on all the substantial matters that concern the Bank, including its strategic goals, financial situation, business results, structure of owners, and realizing proper control over operations and management of the risks.

6. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS as adopted by EU requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those 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. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Allowances for credit losses

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about each counterparty's financial position and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowance cover credit losses inherent in portfolio of loans with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans, but individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentration and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the estimates of future cash flows for specific counterparty allowance and the model assumptions and parameters used in determining collective allowance.

Valuation of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

All financial instruments that are carried at fair value were valued based on their market values.

Impairment of financial instruments

The determination of impairment indication is based on comparison of the financial instrument's carrying value and fair value. The Bank and the Group use valuation models based on quoted market prices of similar products.

For the purposes of impairment loss measurement, the Bank's and the Group's management makes estimates of any expected changes in future cash flows from a specific financial instrument based on analysis of financial position of the issuer of the financial instrument.

Valuation of non-current assets held-for-sale

Non-current assets classified as assets held-for-sale are stated at the lower of carrying amount and fair value less costs to sell. Fair value is based on market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by professional external valuers who hold recognised and relevant professional qualifications.

Valuation of own land plots, buildings and construction

The determination of fair value for land plots, buildings and construction owned by the Bank or the Group requires the use of valuation techniques as described in the accounting policies.

Impairment of assets shown under other assets

Assets assumed as collateral are valued at lower of cost and net realisable value. When assessing net realisable value of assets, management prepares several valuation models (e.g. replacement cost, discounted future cash flows) and compares them to observable market data (e.g. similar transactions taking place on the market, offer made by potential buyers).

Useful lives of equipment

Estimated useful lives of equipment are based on practical experience over using similar equipment in the past. Each year damaged items and technically out-of-date items are identified and their useful life or carrying value is adjusted individually.

Deferred tax asset recognition

A deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

7. INTEREST INCOME AND EXPENSE

Interest income is comprised as follows:

	2010	2010	2009	2009
	Group	Bank	Group	Bank
Interest income from loans and receivables due from customers	12,409	12,409	19,497	19,497
Interest income from loans and receivables due from credit institutions	303	303	370	370
Interest income from investments in other financial assets	356	356	356	356
Total	13,068	13,068	20,223	20,223

Interest income recognized from impaired loans in 2010 is EUR 551 thousand (in 2009: EUR 968 thousand).

Interest expense is comprised as follows:

	2010	2010	2009	2009
	Group	Bank	Group	Bank
Interest expenses on financial instruments carried at amortized cost	13,440	13,490	18,296	18,336
<i>Interest expenses on deposits due to non-credit institutions</i>	12,746	12,796	16,094	16,134
<i>Interest expenses on deposits due to credit institutions</i>	331	331	1,111	1111
<i>Interest expenses on debt securities</i>	100	100	229	229
<i>Interest expenses on subordinated debt</i>	263	263	862	862
Deposit guarantee fund	276	276	285	285
Total	13,716	13,766	18,581	18,621

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.

8. COMMISSIONS AND FEE INCOME AND EXPENSE

Commissions and fee income are comprised as follows:

	2010	2010	2009	2009
	Group	Bank	Group	Bank
Commissions from opening and servicing customers' accounts	1,429	1,127	1,808	1,549
Commissions from payment cards	1,285	1,285	1,439	1,439
Commissions for settlement of utilities payments	304	304	468	468
Commissions from cash withdrawal	296	296	442	442
Commissions from guarantees	28	28	28	28
Other	90	90	94	94
Total	3,432	3,130	4,279	4,020

Commission expenses are as follows:

	2010	2010	2009	2009
	Group	Bank	Group	Bank
Operations with payment cards	983	983	1,069	1,069
Services of correspondent banks	138	138	203	203
Other	51	48	58	54
Total	1,172	1,169	1,330	1,326

9. OTHER OPERATING INCOME AND EXPENSES

Other income is comprised as follows:

	2010	2010	2009	2009
	Group	Bank	Group	Bank
Penalties, contractual penalties and delay charges received	1,581	1,581	1,138	1,138
Income from provision of loan issuance and call - centre service to AS GE Money	259	259	359	359
Rental Income	23	23	44	44
Encashment services	17	17	477	477
Corrections related to prior year VAT	-	-	771	771
Insurance brokerage commissions	37	37	267	267
Income from sale of Real Estate Owned	228	228	-	-
Other	245	245	110	110
Total	2,389	2,389	3,166	3,166

Other expenses are comprised as follows:

	2010	2010	2009	2009
	Group	Bank	Group	Bank
Impairment on Assets-Held-for-Sale	503	503	-	-
Credit cards production	53	53	139	139
Other	74	74	138	138
Total	630	630	277	277

10. ADMINISTRATIVE EXPENSES

Administrative expenses are comprised as follows:

	2010	2010	2009	2009
	Group	Bank	Group	Bank
Salaries, bonuses and allowances	7,770	7,691	9,751	9,678
Remuneration to the Council and Management Board	73	73	549	549
Total salaries, bonuses and allowances	7,843	7,764	10,300	10,227
Social tax	1,920	1,901	2,258	2,241
Depreciation, amortization and loss on sale of intangible assets and property and equipment	1,860	1,860	1,981	1,981
Legal expenses	710	710	767	767
Management and consultation fees	2,326	2,326	1,360	1,360
Non-deductible VAT	1,333	1,333	417	417
Rental expenses	670	670	1,070	1,070
Software maintenance	596	596	448	448
Maintenance and rent of vehicles	588	588	608	608
Post, telegraph and other communication expenses related to customer servicing	546	542	641	641
Expenses for utility services	408	408	535	535
Collection expenses	293	293	552	552
Office expenses	100	100	162	162
Repairs of buildings and equipment	98	98	181	181
Professional services	91	64	259	246
Security expenses	83	83	184	184
Advertisement expenses	68	68	586	586
Business trips expenses	67	67	30	30
Real estate tax and other taxes	51	51	55	55
Insurance expenses	27	27	41	41
Training of personnel	9	9	61	61
Representation expenses	4	4	9	8
Other	451	451	770	768
Total	20,142	20,013	23,275	23,169

11. ALLOWANCE FOR DOUBTFUL LOANS AND OTHER ASSETS

The Group's and Bank's impairment allowance movements in 2010 and 2009 are as follows:

Impairment Allowance

	Group	Bank
Balance as at 31 December 2008	16,101	16,174
Net impairment allowance expense	35,674	35,942
Decrease of allowance	(4,042)	(4,310)
<i>write-off</i>	<i>(4,042)</i>	<i>(4,310)</i>
Balance as at 31 December 2009	47,733	47,806
Net impairment allowance expense	12,974	12,974
Decrease of allowance	(5,306)	(5,306)
<i>write-off</i>	<i>(5,306)</i>	<i>(5,306)</i>
Balance as at 31 December 2010	55,401	55,474

Allowances for impairment losses were made for the following statement of financial position assets:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Loans and receivables due from customers (Note 15)	55,401	55,401	47,733	47,733
Investments in subsidiaries	-	73	-	73
Total	55,401	55,474	47,733	47,806

For all loans written off in 2010 and 2009, a 100% specific allowance had been against the asset

12. CASH AND DUE FROM BANK OF LATVIA

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Cash	12,078	12,078	9,408	9,408
Correspondent account in the Bank of Latvia	12,299	12,299	18,381	18,381
Total	24,377	24,377	27,789	27,789

13. INVESTMENTS IN FINANCIAL ASSETS

Financial instruments by listing:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Held for trading financial assets				
Non-quoted securities	2,403	2,403	2,214	2,214
Non-quoted derivatives (Note 16)	485	485	2,429	2,429
Total	2,888	2,888	4,643	4,643
Available-for-sale financial assets				
Quoted debt securities	5,953	5,953	3,755	3,755
Total	5,953	5,953	3,755	3,755

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Held-to-maturity financial assets

Quoted debt securities	2,787	2,787	2,786	2,786
Total	2,787	2,787	2,786	2,786
Total	11,628	11,628	11,184	11,184

Financial instruments by type:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Fixed income government securities	8,740	8,740	6,541	6,541
Total bonds and other fixed-income securities	8,740	8,740	6,541	6,541
Shares and other non-fixed income securities	2,403	2,403	2,214	2,214
Derivatives	485	485	2,429	2,429
Total	11,628	11,628	11,184	11,184

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

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Latvia	8,740	8,740	6,541	6,541
Total	8,740	8,740	6,541	6,541

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

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Latvia	2,325	2,325	2,150	2,150
OECD countries	78	78	64	64
Total	2,403	2,403	2,214	2,214

There were no past due and/or impaired balances in investments in financial assets as at 31 December 2010 and 2009.

14. LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

Loans and receivables due from credit institution is comprised as follows:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Demand deposits				
Credit institutions of OECD countries	51,415	51,415	79,486	79,486
Latvian credit institutions	30,023	30,023	27,663	27,663
Credit institutions non-OECD countries	17,598	17,598	599	599
Total demand deposits	99,036	99,036	107,748	107,748
Term deposits				
Credit institutions of OECD countries	2,951	2,951	2,902	2,902

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	2,951	2,951	2,902	2,902
Total term deposits				
Total deposits	101,987	101,987	110,650	110,650

Concentration of placements with banks and other financial institutions

As at 31 December 2010 and 2009 the Bank had four and six loans with banks and financial institutions, respectively, whose balances exceeded 10% of total placements with banks and other financial institutions. The gross value of these balances as of 31 December 2010 and 2009 were EUR 65,778 thousand and EUR 88,833 thousand, respectively.

There were no past due and/or impaired balances in the loans and receivables due for credit institutions as at 31 December 2010 and 31 December 2009.

Credit risk exposure to financial institutions in GE Capital Corporation (GECC) group is managed centrally by GE Capital Corporation Treasury. GE Money Bank places its funds with other financial institutions in accordance to counterparty limits assigned by GECC Treasury.

15. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

Loans by groups are comprised as follows:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Government	137	137	514	514
Corporate	146,432	146,432	182,719	182,719
Individuals	51,425	51,425	60,401	60,401
State controlled companies and municipalities	5,968	5,968	7,793	7,793
Gross loans	203,962	203,962	251,427	251,427
<i>Allowances for loan losses (Note 11)</i>	<i>(55,401)</i>	<i>(55,401)</i>	<i>(47,733)</i>	<i>(47,733)</i>
Total	148,561	148,561	203,694	203,694

Loans issued by type:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Mortgage loans	47,390	47,390	55,159	55,159
Commercial loans	75,176	75,176	98,910	98,910
Industrial loans	71,365	71,365	83,333	83,333
Finance lease	5,558	5,558	9,336	9,336
Consumer loans	899	899	1,604	1,604
Credit cards	1,692	1,692	1,763	1,763
Other	1,882	1,882	1,322	1,322
Gross loans	203,962	203,962	251,427	251,427
<i>Allowances for loan losses (Note 11)</i>	<i>(55,401)</i>	<i>(55,401)</i>	<i>(47,733)</i>	<i>(47,733)</i>
Total	148,561	148,561	203,694	203,694

Finance lease is comprised as follows:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
up to 1 year	1,636	1,636	1,146	1,146
1-5 years	3,571	3,571	7,369	7,369
above 5 years	351	351	821	821
Total	5,558	5,558	9,336	9,336

Amounts below represent the maximum credit exposure of finance lease contracts:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Gross investment in finance lease	5,736	5,736	9,641	9,641
Unearned finance income	178	178	305	305
Net investment in finance lease	5,558	5,558	9,336	9,336

Loans by industry are comprised as follows:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Industry				
Manufacturing industry	24,922	24,922	27,819	27,819
Trade	11,670	11,670	13,403	13,403
Real estate, renting and other business activities	14,172	14,172	18,782	18,782
Agriculture, forestry and fishing	12,042	12,042	16,551	16,551
Transport, storage and communications	8,221	8,221	11,639	11,639
Other community, social and personal service activities	6,417	6,417	7,211	7,211
Construction	4,240	4,240	5,526	5,526
Electricity, gas and water supply	4,751	4,751	8,559	8,559
Hotels and restaurants	5,938	5,938	7,113	7,113
Financial services	57,151	57,151	72,252	72,252
Mining and quarrying	1,406	1,406	1,616	1,616
Other	1,614	1,614	555	555
Total	152,544	152,544	191,026	191,026
Loans to individuals	51,425	51,425	60,401	60,401
Gross loans	203,962	203,962	251,427	251,427
<i>Allowances for loan losses (Note 11)</i>	<i>(55,401)</i>	<i>(55,401)</i>	<i>(47,733)</i>	<i>(47,733)</i>
Total	148,561	148,561	203,694	203,694

Group's and Bank's loans issued by country of customers:

Country	Gross loans		Allowance		Net loans	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Latvia	203,829	250,813	(55,365)	(47,717)	148,464	203,094
OECD countries	9	475	(7)	(3)	1	472
Other non OECD countries	124	139	(28)	(13)	95	128
Total	203,962	251,427	(55,401)	(47,733)	148,560	203,694

Loans by classification and grouped:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Loans assessed on individual basis	163,394	163,394	203,082	203,082
<i>Standard</i>	90,734	90,734	136,433	136,433
<i>Watch-list</i>	8,996	8,996	9,609	9,609
<i>Substandard</i>	20,950	20,950	35,682	35,682
<i>Doubtful</i>	40,758	40,758	20,095	20,095
<i>Bad</i>	1,957	1,957	1,263	1,263
Allowances	(46,014)	(46,014)	(36,123)	(36,123)
Net loans assessed on individual basis	117,381	117,381	166,959	166,959
Gross loans assessed collectively	40,567	40,567	48,345	48,345
Allowances	(9,387)	(9,387)	(11,610)	(11,610)
Net loans assessed collectively	31,180	31,180	36,735	36,735
Net loans, Total	148,561	148,561	203,694	203,694

The following table provides the analysis of the loan portfolio of the Bank and Group by types of collateral as at 31 December 2010 and 31 December 2009 as grouped by relating gross carrying loan amounts:

EUR'000	% of loan portfolio		% of loan portfolio	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Commercial buildings	52,089	60,830	26	24
Commercial assets pledge	19,525	25,218	10	10
Land mortgage	19,863	26,252	9	10
Mortgage on residential properties	37,649	43,705	18	18
Guarantee	3,246	4,139	2	2
Deposit	57,144	68,400	28	27
Other	14,446	22,883	7	9
Gross loans	203,962	251,427	100	100
<i>Allowances for loan losses</i>	<i>(55,401)</i>	<i>(47,733)</i>	-	-
Total	148,561	203,694	-	-

Loan quality by delinquency periods:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Loans with no impairment allowance	58,540	58,540	132,782	132,782
Loans without delinquency	57,994	57,994	124,729	124,729
Delinquent loans	546	546	8,053	8,053
<i>Delinquent up to 30 days</i>	215	215	5,521	5,521
<i>Delinquent 30-60 days</i>	60	60	724	724
<i>Delinquent 60-90 days</i>	122	122	225	225
<i>Delinquent over 90 days</i>	149	149	1,583	1,583
Loans with an impairment allowance	145,422	145,422	118,645	118,645
Loans without delinquency	59,324	59,324	26,386	26,386
Delinquent loans	86,098	86,098	92,259	92,259
<i>Delinquent up to 30 days</i>	6,403	6,403	5,260	5,260
<i>Delinquent 30-60 days</i>	2,018	2,018	3,589	3,589
<i>Delinquent 60-90 days</i>	1,151	1,151	2,490	2,490
<i>Delinquent over 90 days</i>	76,526	76,526	80,920	80,920
Loans, total	203,962	203,962	251,427	251,427
Impairment allowance	(55,401)	(55,401)	(47,733)	(47,733)
Net loans, total	148,561	148,561	203,694	203,694

Breakdown for the impairment allowance by delinquency group:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Allowances for Delinquent loans				
Loans without delinquency	7,750	7,750	6,938	6,938
Delinquent loans	47,651	47,651	40,795	40,795
<i>Delinquent up to 30 days</i>	1,540	1,540	1,436	1,436
<i>Delinquent 30-60 days</i>	952	952	1,141	1,141
<i>Delinquent 60-90 days</i>	677	677	831	831
<i>Delinquent over 90 days</i>	44,482	44,482	37,387	37,387
Total	55,401	55,401	47,733	47,733

The amount of restructured loans (principals) as of 31 December 2010 was EUR 49,907 thousand (in 2009: EUR 51,445 thousand).

As at 31 December 2010 the Group and Bank had one borrower, whose loan balance exceeded 10% of loans to customers (2009: one borrower). The gross value of this loans as at 31 December 2010 was EUR 57,144 thousand (2009: EUR 72,276 thousands). This loan has been issued to another related party registered in Latvia.

16. DERIVATIVE ASSETS AND LIABILITIES

Fair value of the Group's and the Bank's foreign currency swaps is as follows:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Assets	Liabilities	Assets	Liabilities
Notional value	81,287	82,431	137,623	(135,779)
Fair value	485	(1,629)	2,429	(583)

Concentration of Derivative assets and liabilities

As at 31 December 2010 and 2009 the Bank had one and one financial services company (a related party "GE Financial Markets"), respectively, whose balances exceeded 10% of total derivatives. The notional value of these balances as of 31 December 2010 were EUR 485 and EUR (1,629) and as of 31 December 2009 EUR 2,429 and EUR (583) thousand, respectively.

17. INVESTMENTS IN SUBSIDIARIES

Participation in subsidiaries as of 31 December 2010 is as follows:

Name of company	Country of incorporation	Type of activity	Gross carrying amount	Allowance	Net value	Investment, %
IPS "GE Money Asset management"	Latvia	Financial services	213	-	213	100
AS „GE Money Atklātais pensiju fonds"	Latvia	Financial services	213	(72)	141	100
Total			426	(72)	354	

Participation in subsidiaries as of 31 December 2009 was as follows:

Name of company	Country of incorporation	Type of activity	Gross carrying amount	Allowance	Net value	Investment, %
IPS "GE Money Asset management"	Latvia	Financial services	213	-	213	100
AS „GE Money Atklātais pensiju fonds"	Latvia	Financial services	213	(72)	141	100
Total			426	(72)	354	

In Feb 2011 the investment by the Bank in its subsidiary AS „GE Money Atklātais pensiju fonds" was increased by EUR 28 thousand.

18. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Group's property and equipment and intangible assets:

	Land and buildings	Lease- hold improve- ments	Vehicles	Office equipment	Total property and equipment	Software licenses	Total
Historical cost or revalued amount							
As of 31.12.2008	7,036	1,696	508	7,263	16,504	3,486	19,990
Purchases	-	-	-	117	117	245	361
Revaluation	(2,853)	-	-	-	(2,853)	-	(2,853)
Disposals	-	(82)	(16)	(143)	(241)	-	(241)
As of 31.12.2009	4,183	1,614	492	7,238	13,527	3,731	17,258
Purchases	68	-	-	482	551	37	588
Revaluation	(516)	-	-	-	(516)	-	(516)
Disposals	(323)	(184)	(367)	(37)	(911)	-	(911)
As of 31.12.2010	3,412	1,430	125	7,683	12,651	3,768	16,419
Accumulated depreciation							
As of 31.12.2008	149	740	353	3,749	4,991	2,799	7,790
Charge for the year	101	161	74	1,152	1,488	441	1,929
Depreciation on disposals	-	(65)	(16)	(87)	(167)	-	(167)
As of 31.12.2009	250	836	411	4,814	6,312	3,240	9,552
Charge for the year	78	111	16	912	1,117	176	1,293
Depreciation on disposals	(322)	(142)	(310)	(31)	(807)	-	(807)
As of 31.12.2010	6	805	117	5,695	6,622	3,416	10,038
Net book value							
As of 31.12.2008	6,887	956	155	3,515	11,513	688	12,200
As of 31.12.2009	3,933	778	81	2,424	7,215	491	7,706
As of 31.12.2010	3,406	625	8	1,988	6,029	352	6,381

Bank's property and equipment and intangible assets

	Land and buildings	Leasehold improvements	Vehicles	Office equipment	Total property and equipment	Software licenses	Total
Historical cost or revalued amount							
As of 31.12.2008	7,036	1,696	508	7,263	16,504	3,486	19,990
Purchases	-	-	-	117	117	245	362
Revaluation	(2,853)	-	-	-	(2,853)	-	(2,853)
Disposals	-	(82)	(16)	(143)	(241)	-	(241)
As of 31.12.2009	4,183	1,614	492	7,238	13,527	3,731	17,258
Purchases	68	-	-	482	551	37	588
Revaluation	(516)	-	-	-	(516)	-	(516)
Disposals	(323)	(184)	(367)	(37)	(911)	-	(911)
As of 31.12.2010	3,412	1,430	125	7,683	12,651	3,768	16,419
Accumulated depreciation							
As of 31.12.2008	149	740	353	3,749	4,991	2,799	7,790
Charge for the year	101	161	74	1,152	1,488	441	1,929
Depreciation on disposals	-	(65)	(16)	(87)	(167)	-	(167)
As of 31.12.2009	250	836	411	4,814	6,312	3,240	9,552
Charge for the year	78	111	16	912	1,117	176	1,293
Depreciation on disposals	(322)	(142)	(310)	(31)	(807)	-	(807)
As of 31.12.2010	6	805	117	5,695	6,622	3,416	10,038
Net book value							
As of 31.12.2008	6,887	956	115	3,515	11,513	688	12,200
As of 31.12.2009	3,933	778	81	2,424	7,215	491	7,706
As of 31.12.2010	3,406	625	8	1,988	6,029	352	6,381

Depreciation, amortization and loss on disposal of property and equipment and intangible assets	Group		Bank	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Amortization of intangible assets and depreciation of property and equipment	1,293	1,929	1,293	1,929
Carrying amount of disposed property and equipment	50	51	50	51
Total	1,343	1,980	1,343	1,980

In the year 2010, the Bank revalued assets under "land and buildings". As a result the Bank has recognized a EUR 517 thousand revaluation adjustment (in 2009: EUR 260 thousand respectively).

If the Group had applied the cost Model the carrying amount of Land and buildings in 2010 would be EUR1,286 thousand (in 2009: EUR 1,313 thousand).

19a. INVESTMENT PROPERTY

Bank's and Group's Investment property

	Land and buildings
Historical cost	
As of 31.12.2009	1,558
Reposessed in 2010	1,367
Reclassified to Assets-Held-for-Sale	2,925
As of 31.12.2010	
Accumulated depreciation	
As of 31.12.2009	-
Charge for the year	-
As of 31.12.2010	-
Net book value	
As of 31.12.2009	1,558
As of 31.12.2010	-

In 2009 and 2010 the Bank obtained the property by taking a possession of collaterals via the court auctions.

In 2009 the property was classified as Investment property according to IAS 40. The value of the property measured at cost less depreciation as of 31 December 2009 was 1,703 thousand EUR. The amount of the direct operating costs included in profit/loss as of 31 December 2010 was EUR 351 thousand (2009: EUR 467 thousand).

At the end of 2010 the Management of the Bank has developed the strategic plan and initiated an active program to start selling activities of reposessed properties. As a result of these plans the respective properties were reclassified from Investment property category to Assets held for sale. At reclassification the property was valued o the lower of its carrying amount and fair value less costs to sale by resulting in an impairment of 504 thousand EUR(Note 9).

19b. ASSETS HELD FOR SALE

Bank's and Group's Assets Held for Sale

	Land and buildings
Book value as of 31.12.2009	-
Reclassification in 2010	2,925
Disposal	(361)
Impairment	(504)
Book value as of 31.12.2010	2,060

20. OTHER ASSETS

Other assets are as follows:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Money in transit	439	439	201	201
Accounts receivable	165	165	139	139
Other assets reposessed	178	178	296	296
Other assets	326	294	327	323
Total	1,108	1,076	963	959

21. DEPOSITS DUE TO CREDIT INSTITUTIONS

Due to credit institutions are comprised as follows:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Demand				
Latvian credit institutions	132	132	14,589	14,589
Total demand deposits	132	132	14,589	14,589
Term deposits				
World Bank's transit funds	450	450	537	537
Total term deposits	450	450	537	537
Total	582	582	15,126	15,126

Concentration of deposits with banks and other financial institutions

As at 31 December 2010 and 2009 the Bank had zero and one bank and financial institution, respectively, whose balances exceeded 10% of total deposits with banks and other financial institutions. The gross value of these balances as of 31 December 2010 and 2009 were EUR 0 thousand and EUR 14,313 thousand, respectively.

22. DEPOSITS DUE TO NON-CREDIT INSTITUTIONS

Deposits by Clients' residence are comprised as follows:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Residents of the Republic of Latvia	169,962	170,638	216,021	216,513
Residents of OECD countries	81,408	81,408	81,296	81,296
Residents of other non-OECD countries	6,316	6,316	5,124	5,124
Total	257,686	258,362	302,441	302,933

Demand and term deposits are comprised as follows:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Demand deposits				
Central governments	60	60	111	111
Local governments	5,562	5,562	2,490	2,490
Financial services	6,467	6,823	7,113	7,164
State controlled companies	1,958	1,958	1,580	1,580
Corporates	23,937	23,937	30,354	30,354
Individuals	59,449	59,449	58,510	58,510
Other	944	944	737	737
Total demand deposits	98,377	98,733	100,895	100,946
Term deposits				
State controlled companies	101	101	-	-
Local governments	1,702	1,702	814	814
Financial services	107,804	108,124	123,414	123,855
Corporates	11,804	11,804	12,259	12,259
Individuals	37,806	37,806	64,976	64,976
Other	92	92	83	83
Total term deposits	159,309	159,629	201,546	201,987
Total demand and term deposits	257,686	258,362	302,441	302,934

As at 31 December 2010 the Group and Bank had one depositor, whose deposit balance exceeded 10% of deposits to customers. The gross value of this deposit as at 31 December 2010 EUR 70,000 thousand (as at 31 December 2009: EUR 70,000 thousand). This deposit has been received from a related party as a collateral for the loan issued to another related party. No deposits are blocked.

23. 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 2009 and 2010, the Bank did not issue any mortgage bonds.

In 2009, the Bank repaid mortgage bonds of USD3 million at maturity.

Total amount of the debt securities issued by the Bank as at 31 December 2010 consist of mortgage bonds in circulation for total nominal value (excluding accrued interest) of EUR 5,000 thousand (2009 – EUR 5,000 thousand).

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

ISIN	Issue	Amount	Nominal value	Registered volume	Coupon rate	Maturity date	Amount in circulation	2010 Carrying value	2009 Carrying value
LV0000800373	BTB 5YR EUR C02	50,000	100	5,000 EUR	2.25%*	01.10.2011	5,000	5,000	5,000
	Accrued interest							28	26
Total								5,028	5,026

* floating coupon interest rate (6 month EUR LIBOR plus 1.15%), which is changed five business days before 1 April and 1 October.

(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 2010 amounted to EUR 6,508 thousand (2009 – EUR 7,930 thousand). Assets included in the Mortgage Bond Cover Register consisted of mortgage loans amounting to EUR 6,508 thousand (2009 mortgage loans amounting to EUR 7,930 thousand). All transactions with the bonds are administered by the Riga Stock Exchange, and the bonds are filed in the exchange.

As of 31 December 2010, the amount of assets included in the Mortgage Bond Cover Register exceeded the amount of mortgage bonds in circulation by 30.2% (2009 – 10.3%) of the amount of weighted assets included in the Mortgage Bond Cover Register (minimum statutory requirement: 10%).

24. OTHER LIABILITIES

Other liabilities are as follows:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Money in transit	443	443	201	201
Other tax liabilities	70	70	474	474
Other suppliers	309	304	455	450
Total	821	817	1,130	1,124

25. SUBORDINATED DEBT

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Subordinated bonds	3,216	3,216	3,519	3,519
Total	3,216	3,216	3,519	3,519

As of 31 December 2010, the total nominal value of issued subordinated bonds was EUR 3,146 thousand (2009: EUR 3,142 thousand). Subordinated bonds are recognized at their amortized cost and mature on 10 January 2011. Subordinated bonds have a floating coupon interest rate at 6 months LVL RIGIBOR plus 2.00%. In January 2011 subordinated bonds were fully repaid.

26. DEFERRED TAX LIABILITIES

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Deferred tax liabilities:				
temporary difference due to accelerated tax depreciation	351	351	458	458
temporary difference arising from provisions	(91)	(91)	(122)	(122)
temporary difference from revaluation	47	47	60	60
deferred tax asset from tax losses	(9,757)	(9,757)	(5,852)	(5,852)
Deferred tax asset	9,449	9,449	5,457	5,457
Unrecognized deferred tax asset	(9,449)	(9,449)	(5,457)	(5,457)
Deferred tax asset recognized in statement of financial position	-	-	-	-
Deferred tax liabilities at the beginning of the year	-	-	-	-
Deferred tax charged to revaluation reserve from land and building revaluation	-	-	60	60
Deferred tax charged to profit or loss	-	-	(60)	(60)
Deferred tax liabilities at the end the year	-	-	-	-

27. SHARE CAPITAL

Issued share capital is as follows:

	Par value per share (EUR)	31.12.2010	31.12.2009
Ordinary shares	71	36,427	32,870
Total		36,427	32,870
		31.12.2010	31.12.2009
Number of shares		512,025	462,025

All shares have been fully paid. As at 31 December 2010 and 2009, 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 2010 and 2009 the Bank had 13 and 13 shareholders, respectively.

Board and council members have no shares at 31 December 2010 and 31 December 2009.

On 28 July 2010 an increase of share capital of the Bank by EUR 3,6million was registered in the Commercial Register of Republic of Latvia, which together with the increase in share premium resulted in an increase of the Bank's equity by EUR 14 million. The number of shares was increased from 462,025 to 512,025.

The immediate controlling party and its share is as follows:

31.12.2010

Name	Number of shares	Total amount	Investment in share capital, %
SIA "FINSTAR BALTIC INVESTMENTS"	511,938	36,421	99,983
Total	511,938	36,421	99,983

31.12.2009

Name	Number of shares	Total amount	Investment in share capital, %
SIA "FINSTAR BALTIC INVESTMENTS"	461,938	32,864	99,98
Total	461,938	32,864	99,98

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

Reserve capital of the Bank consists partly of reserves created for statutory purposes (EUR 1,699 thousand) and partly of a reserve for shared based payment transaction recorded in 2006 (EUR 2,306 thousand).

28. OFF-BALANCE SHEET ITEMS

Off-balance sheet items are as follows:

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Issued guarantees	1,514	1,514	1,618	1,618
Total issued guarantees	1,514	1,514	1,618	1,618
Other commitments				
Unused credit lines	2,299	2,299	5,477	5,477
Total other commitments	2,299	2,299	5,477	5,477
Total off-balance sheet items	3,813	3,813	7,095	7,095

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 authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized 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 authorizations to extend credit in the form of loans and issued 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 utilized 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.

Litigation

The Bank and the Group has considered that there are currently no litigation processes which could cause significant material losses to the Bank and to the Group.

29. TAX EXPENSES AND TAXES PAID

	2010	2010	2009	2009
	Group	Bank	Group	Bank
Deferred tax benefit	-	-	60	60
Overprovided income tax for 2006	-	-	445	445
Income tax (charge) / benefit	-	-	505	505

	2010	2010	2009	2009
	Group	Bank	Group	Bank
Loss before tax	(27,557)	(27,777)	(30,595)	(30,782)
Expected tax charge, applying current tax rate of 15%	(4,133)	(4,166)	(4,589)	(4,617)
Tax effect of non-deductible expenses/exempt income	141	174	(225)	(196)
Under(over)provided in prior periods	-	-	(445)	(445)
Change in deferred tax asset assessment	3,993	3,993	4,754	4,754
Income tax charge / (benefit)	-	-	(505)	(505)

During 2010 the Bank transferred EUR 235 thousand tax losses that had not been recognized for deferred tax purposes. This has not had an effect of deferred tax recognized in the statement of comprehensive income or statement of financial position.

In accordance with the law "On Corporate Income Tax" tax loss carry-forwards can be covered in chronological order from taxable income during the following eight years:

	Tax losses, EUR	Expiry term
Tax losses of 2010	26,030	2018
Tax losses of 2009	30,879	2017
Tax losses of 2008	8,139	2016
Total	65,048	

The Bank has paid the following taxes:

	2010	2009
Social security payments	2,045	3,076
Personal income tax	1,881	1,813
Value added tax	333	447
Real estate tax	51	55
Total	4,310	5,391

30. MATURITY STRUCTURE OF ASSETS AND LIABILITIES

The following table shows financial assets of the Group by remaining contractual maturity dates as at 31 December 2010.

	1 month	1-3 months	3-12 months	Over 1 year	No maturity	Over-due	Total
Financial assets							
Cash and deposit with the Bank of Latvia	24,377	-	-	-	-	-	24,377
Financial instruments at fair value through profit or loss	139	346	-	-	2,403	-	2,888
Loans and advances due from financial institutions	99,036	-	-	-	2,951	-	101,987
Loans and advances due from customers	4,309	5,579	64,191	51,639	-	22,843	148,561
Available-for-sale instruments	-	-	17	5,936	-	-	5,953
Held-to-maturity instruments	-	-	97	2,690	-	-	2,787
Total financial assets	127,861	5,925	64,305	60,265	5,354	22,843	286,554

The following table shows financial assets of the Bank by remaining contractual maturity dates as at 31 December 2010.

	1 month	1-3 months	3-12 months	Over 1 year	No maturity	Over-due	Total
Financial assets							
Cash and deposit with the Bank of Latvia	24,377	-	-	-	-	-	24,377
Financial instruments at fair value through profit or loss	139	346	-	-	2,403	-	2,888
Loans and advances due from financial institutions	99,036	-	-	-	2,951	-	101,987
Loans and advances due from customers	4,309	5,579	64,191	51,639	-	22,843	148,561
Available-for-sale instruments			17	5,936			5,953
Held-to-maturity instruments			97	2,690			2,787
Total financial assets	127,861	5,925	64,305	60,265	5,354	22,843	286,554

The following table shows financial assets of the Group by remaining contractual maturity dates as at 31 December 2009.

	1 month	1-3 months	3-12 months	Over 1 year	No maturity	Over-due	Total
Financial assets							
Cash and deposit with the Bank of Latvia	27,789	-	-	-	-	-	27,789
Financial instruments at fair value through profit or loss	3,557	1,022	-	-	64	-	4,643
Loans and advances due from financial institutions	100,789	6,959	-	-	2,901	-	110,649
Loans and advances due from customers	5,535	7,844	24,552	144,150	-	21,613	203,694
Available-for-sale instruments	3,624	-	19	112	-	-	3,755
Held-to-maturity instruments	-	-	95	2,691	-	-	2,786
Total financial assets	141,294	15,825	24,666	146,953	2,965	21,613	353,316

The following table shows financial assets of the Bank by remaining contractual maturity dates as at 31 December 2009.

	1 month	1-3 months	3-12 months	Over 1 year	No maturity	Over-due	Total
Financial assets							
Cash and deposit with the Bank of Latvia	27,789	-	-	-	-	-	27,789
Financial instruments at fair value through profit or loss	3,557	1,022	-	-	64	-	4,643
Loans and advances due from financial institutions	100,789	6,959	-	-	2,901	-	110,649
Loans and advances due from customers	5,535	7,844	24,552	144,150	-	21,613	203,694
Available-for-sale instruments	3,624	-	19	112	-	-	3,755
Held-to-maturity instruments	-	-	95	2,691	-	-	2,786
Total financial assets	141,294	15,825	24,666	146,953	2,965	21,613	353,316

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The following table shows financial liabilities of the Group by remaining contractual maturity dates as at 31 December 2010. The amounts disclosed in the table are the contractual undiscounted cash flows in comparison with carrying amounts of financial liabilities, comprising discounted cash flows as at the reporting date.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities						
Financial instruments at fair value through profit or loss	-	-	-	-	-	-
Deposits and balances due to financial institutions	132	-	94	355	581	581
Current accounts and deposits due to customers	128,638	6,862	105,634	21,272	262,406	257,687
Other borrowed funds	3,226	-	5,112	-	8,338	8,244
Derivative liabilities						
Inflow	(14,678)	(23,933)	-	-	(38,612)	
Outflow	15,282	24,939	-	-	40,219	
Total	606	1,004	-	-	1,610	1,629
Total financial liabilities	132,602	7,866	110,840	21,627	272,935	268,141
Guarantees (maximum exposure)	-	285	1,145	-	1,430	1,514
Other commitments	1,702	75	239	285	2,299	2,299

The following table shows financial liabilities of the Bank by remaining contractual maturity dates as at 31 December 2010. The amounts disclosed in the table are the contractual undiscounted cash flows in comparison with carrying amounts of financial liabilities, comprising discounted cash flows as at the reporting date.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities						
Financial instruments at fair value through profit or loss	-	-	-	-	-	-
Deposits and balances due to financial institutions	132	-	94	355	581	581
Current accounts and deposits due to customers	129,036	6,862	105,634	21,601	263,133	258,363
Other borrowed funds	3,226	-	5,112	-	8,338	8,244
Derivative liabilities						
Inflow	(14,678)	(23,933)	-	-	(38,612)	
Outflow	15,282	24,939	-	-	40,219	
Total	606	1,004	-	-	1,610	1,629
Total financial liabilities	133,000	7,866	110,840	21,956	273,662	268,817
Guarantees (maximum exposure)	-	285	1,145	-	1,430	1,514
Other commitments	1,702	75	239	285	2,299	2,299

The following table shows financial liabilities of the Group by remaining contractual maturity dates as at 31 December 2009. The amounts disclosed in the table are the contractual undiscounted cash flows in comparison with carrying amounts of financial liabilities, comprising discounted cash flows as at the reporting date.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities						
Financial instruments at fair value through profit or loss	-	-	-	-	-	-
Deposits and balances due to financial institutions	275	14,556	90	448	15,369	15,127
Current accounts and deposits due to customers	135,204	21,676	54,827	99,048	310,755	302,441
Other borrowed funds	398	-	497	8,644	9,539	8,544
Derivative liabilities						
Inflow	(9,185)	(35,825)	-	-	(45,010)	
Outflow	9,240	36,353	-	-	45,593	
Total	55	528	-	-	583	583
Total financial liabilities	135,932	36,760	55,414	108,140	336,246	326,695
Guarantees (maximum exposure)	196	-	763	608	1,567	1,618
Other commitments	2,770	572	1,871	262	5,477	5,477

The following table shows financial liabilities of the Bank by remaining contractual maturity dates as at 31 December 2009. The amounts disclosed in the table are the contractual undiscounted cash flows in comparison with carrying amounts of financial liabilities, comprising discounted cash flows as at the reporting date.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities						
Financial instruments at fair value through profit or loss	-	-	-	-	-	-
Deposits and balances due to financial institutions	275	14,556	90	448	15,369	15,127
Current accounts and deposits due to customers	135,262	21,704	54,913	99,368	311,247	302,934
Other borrowed funds	398	-	497	8,644	9,539	8,544
Derivative liabilities						
Inflow	(9,185)	(35,825)	-	-	(45,010)	
Outflow	9,240	36,353	-	-	45,593	
Total	55	528	-	-	583	583
Total financial liabilities	135,990	36,788	55,500	108,460	336,738	327,188
Guarantees (maximum exposure)	196	-	763	608	1,567	1,618
Other commitments	2,770	572	1,871	262	5,477	5,477

31. INTEREST RATE REPRICING

The following table shows the earlier of the interest rate contracted re-pricing dates or contractual maturity of financial assets and liabilities of the Group as at 31 December 2010:

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing financial assets	Total
Financial assets							
Cash and deposit with the Bank of Latvia	12,299	-	-	-	-	12,077	24,376
Financial instruments at fair value through profit or loss	-	-	-	-	-	2,888	2,888
Loans and advances due from financial institutions	101,987	-	-	-	-	-	101,987
Loans and advances due from customers	12,338	51,615	51,995	221	766	31,627	148,561
Available-for-sale instruments	-	-	-	5,953	-	-	5,953
Held-to-maturity instruments	-	-	-	2,787	-	-	2,787
Total financial assets	126,624	51,615	51,995	8,961	766	46,592	286,553
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	1,629	1,629
Deposits and balances due to financial institutions	132	-	450	-	-	-	582
Current accounts and deposits due to customers	127,196	76,805	32,917	18,936	-	1,833	257,687
Issued securities	-	-	5,028	-	-	-	5,028
Subordinated liabilities	3,216	-	-	-	-	-	3,216
Total financial liabilities	130,544	76,805	38,395	18,936	-	3,462	268,142
Net position as at 31 December 2010	(3,920)	(25,191)	13,600	(9,973)	766	43,132	18,412

The following table shows the earlier of the interest rate contracted re-pricing dates or contractual maturity of financial assets and liabilities of the Bank as at 31 December 2010:

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing financial assets	Total
Financial assets							
Cash and deposit with the Bank of Latvia	12,299	-	-	-	-	12,077	24,376
Financial instruments at fair value through profit or loss	-	-	-	-	-	2,888	2,888
Loans and advances due from financial institutions	101,987	-	-	-	-	-	101,987
Loans and advances due from customers	12,338	51,615	51,995	221	766	31,627	148,561
Available-for-sale instruments	-	-	-	5,953	-	-	5,953
Held-to-maturity instruments	-	-	-	2,787	-	-	2,787
Total financial assets	126,624	51,615	51,995	8,961	766	46,592	286,553
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	1,629	1,629
Deposits and balances due to financial institutions	132	-	450	-	-	-	582
Current accounts and deposits due to customers	127,595	76,805	32,917	19,213	-	1,833	258,363
Issued securities	-	-	5,028	-	-	-	5,028
Subordinated liabilities	3,216	-	-	-	-	-	3,216
Total financial liabilities	130,943	76,805	38,395	19,213	-	3,462	268,142
Net position as at 31 December 2010	(4,318)	(25,191)	13,600	(10,250)	766	43,132	(17,736)

The following table shows the earlier of the interest rate contracted re-pricing dates or contractual maturity of financial assets and liabilities of the Group as at 31 December 2009:

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing financial assets	Total
Financial assets							
Cash and deposit with the Bank of Latvia	18,379	-	-	-	-	9,409	27,788
Financial instruments at fair value through profit or loss	-	-	-	-	-	4,643	4,643
Loans and advances due from financial institutions	103,688	6,958	-	-	-	4	110,650
Loans and advances due from customers	21,716	74,867	66,087	501	1,717	38,806	203,694
Available-for-sale instruments	-	-	-	-	3,755	-	3,755
Held-to-maturity instruments	-	-	-	-	2,786	-	2,786
Total financial assets	143,783	81,825	66,087	501	8,258	52,862	353,316
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	583	583
Deposits and balances due to financial institutions	275	14,314	538	-	-	-	15,127
Current accounts and deposits due to customers	131,628	20,741	91,963	28,004	16,878	13,227	302,441
Issued securities	-	-	5,026	-	-	-	5,026
Subordinated liabilities	3,519	-	-	-	-	-	3,519
Total financial liabilities	135,422	35,055	97,526	28,004	16,878	13,810	326,696
Net position as at 31 December 2010	8,361	46,770	(31,440)	(27,503)	(8,620)	39,052	26,621

The following table shows the earlier of the interest rate contracted re-pricing dates or contractual maturity of financial assets and liabilities of the Bank as at 31 December 2009:

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing financial assets	Total
Financial assets							
Cash and deposit with the Bank of Latvia	18,379	-	-	-	-	9,409	27,788
Financial instruments at fair value through profit or loss	-	-	-	-	-	4,643	4,643
Loans and advances due from financial institutions	103,688	6,958	-	-	-	4	110,650
Loans and advances due from customers	21,716	74,867	66,087	501	1,717	38,806	203,694
Available-for-sale instruments	-	-	-	-	3,755	-	3,755
Held-to-maturity instruments	-	-	-	-	2,786	-	2,786
Total financial assets	143,783	81,825	66,087	501	8,258	52,862	353,316
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	583	583
Deposits and balances due to financial institutions	275	14,314	538	-	-	-	15,127
Current accounts and deposits due to customers	131,687	20,770	92,048	28,004	17,198	13,227	302,934
Issued securities	-	-	5,026	-	-	-	5,026
Subordinated liabilities	3,519	-	-	-	-	-	3,519
Total financial liabilities	135,480	35,084	97,612	28,004	17,198	13,810	327,188
Net position as at 31 December 2010	8,302	46,741	(31,525)	(27,503)	(8,940)	39,052	26,128

32. FOREIGN CURRENCY RISK

The following table shows the currency structure of financial assets and financial liabilities of the Group at 31 December 2010:

	LVL	EUR	USD	Other	Total
FINANCIAL ASSETS					
Cash and due from Bank of Latvia	18,594	3,563	1,219	1,000	24,376
Financial instruments at fair value through profit or loss	485	1,292	1,111	-	2,888
Loans and advances due from financial institutions	-	46,455	55,350	182	101,987
Loans and advances due from customers	50,096	96,262	2,203	-	148,561
Available-for-sale instruments	5,953	-	-	-	5,953
Held-to-maturity instruments	2,787	-	-	-	2,787
FINANCIAL ASSETS TOTAL	77,915	147,572	59,883	1,182	286,552
FINANCIAL LIABILITIES					
Financial instruments at fair value through profit or loss	1,629				16,29
Deposits and balances due to financial institutions	528	53	1		582
Current accounts and deposits due to customers	138,337	113,461	5,428	460	257,686
Other borrowed funds	3,216	5,028			8,244
FINANCIAL LIABILITIES TOTAL	143,710	118,542	5,429	460	268,141
Net balance position as of 31.12.2010	(65,794)	29,029	54,453	723	18,412
Net off-balance position as of 31.12.2010	81,074	(27,497)	(54,228)	(497)	(1,148)
Net position total as of 31.12.2010	15,280	1,532	225	226	17,264

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

The following table shows the currency structure of financial assets and financial liabilities of the Bank at 31 December 2010:

	LVL	EUR	USD	Other	Total
FINANCIAL ASSETS					
Cash and due from Bank of Latvia	18,594	3,563	1,219	1,000	24,376
Financial instruments at fair value through profit or loss	485	1,292	1,111	-	2,888
Loans and advances due from financial institutions	-	46,455	55,350	182	101,987
Loans and advances due from customers	50,096	96,262	2,203	-	148,561
Available-for-sale instruments	5,953	-	-	-	5,953
Held-to-maturity instruments	2,787	-	-	-	2,787
FINANCIAL ASSETS TOTAL	77,915	147,572	59,883	1,182	286,552
FINANCIAL LIABILITIES					
Financial instruments at fair value through profit or loss	1,629	-	-	-	1,629
Deposits and balances due to financial institutions	528	53	1	-	582
Current accounts and deposits due to customers	139,013	113,461	5,428	460	258,362
Other borrowed funds	3,216	5,028	-	-	8,244
FINANCIAL LIABILITIES TOTAL	144,386	118,542	5,429	460	268,817
Net balance position as of 31.12.2010	(66,469)	29,029	54,453	723	17,736
Net off-balance position as of 31.12.2010	81,074	(27,497)	(54,228)	(497)	(1,148)
Net position total as of 31.12.2010	14,604	1,532	225	226	16,588

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

The following table shows the currency structure of financial assets and financial liabilities of the Group at 31 December 2009:

	LVL	EUR	USD	Other	Total
FINANCIAL ASSETS					
Cash and due from Bank of Latvia	25,078	1,558	609	544	27,789
Financial instruments at fair value through profit or loss	2,429	1,235	979	-	4,643
Loans and advances due from financial institutions		32,202	78,119	329	110,650
Loans and advances due from customers	64,463	135,738	3,493	-	203,694
Available-for-sale instruments	3,755	-	-	-	3,755
Held-to-maturity instruments	2,786	-	-	-	2,786
FINANCIAL ASSETS TOTAL	98,511	170,733	83,200	873	353,317
FINANCIAL LIABILITIES					
Financial instruments at fair value through profit or loss	583	-	-	-	583
Deposits and balances due to financial institutions	14,647	477	3	-	15,127
Current accounts and deposits due to customers	174,363	119,628	7,279	1,171	302,441
Other borrowed funds	3,519	5,026	-	-	8,545
FINANCIAL LIABILITIES TOTAL	193,112	125,131	7,282	1,171	326,696
Net balance position as of 31.12.2009	(94,601)	45,603	75,917	(299)	26,621
Net off-balance position as of 31.12.2009	116,712	(39,682)	(75,821)	612	1,821
Net position total as of 31.12.2009	22,111	5,921	97	314	28,442

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

The following table shows the currency structure of financial assets and financial liabilities of the Bank at 31 December 2009:

	LVL	EUR	USD	Other	Total
FINANCIAL ASSETS					
Cash and due from Bank of Latvia	25,078	1,558	609	544	27,789
Financial instruments at fair value through profit or loss	2,429	1,235	979	-	4,643
Loans and advances due from financial institutions		32,202	78,119	329	110,650
Loans and advances due from customers	64,463	135,738	3,493	-	203,694
Available-for-sale instruments	3,755	-	-	-	3,755
Held-to-maturity instruments	2,786	-	-	-	2,786
FINANCIAL ASSETS TOTAL	98,511	170,733	83,200	873	353,317
FINANCIAL LIABILITIES					
Financial instruments at fair value through profit or loss	583	-	-	-	583
Deposits and balances due to financial institutions	14,647	477	3	-	15,127
Current accounts and deposits due to customers	174,855	119,628	7,279	1,171	302,933
Other borrowed funds	3,519	5,026	-	-	8,545
FINANCIAL LIABILITIES TOTAL	193,604	125,131	7,282	1,171	327,188
Net balance position as of 31.12.2009	(116,674)	39,459	75,781	(390)	(1,824)
Net off-balance position as of 31.12.2009	116,712	(39,682)	(75,821)	613	1,821
Net position total as of 31.12.2009	40	(223)	(40)	225	2

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

33. RELATED PARTY TRANSACTIONS

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

Related party 31.12.2010	Loans	Total risk transactions (excluding impairment)	Risk transactions to capital (excluding impairment) %
Corporates	57,144	0	0
Total	57,144	0	0

Related party 31.12.2009	Loans	Total risk transactions (excluding impairment)	Risk transactions to capital (excluding impairment) %
Corporates	72,279	3,884	10.55
Total	72,279	3,884	10.55

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

Related party 31.12.2010	Loans	Total risk transactions (excluding impairment)	Risk transactions to capital (excluding impairment) %
Corporates	57,144	0	0
Total	57,144	0	0

Related party 31.12.2009	Loans	Total risk transactions (excluding impairment)	Risk transactions to capital (excluding impairment) %
Corporates	72,279	3,884	10.55
Total	72,279	3,884	10.55

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

Derivatives	31.12.2010	31.12.2009
Derivative assets	485	2,429
Derivative liabilities	1,629	583

Bank's related party deposits are as follows:

	31.12.2010	31.12.2009
Deposits	83,084	77,736
Total	83,084	77,736

Transactions with the related parties:

	Group 2010	Bank 2010	Group 2009	Bank 2009
Interest income	8,130	8,130	9,639	9,639
Interest expense	(4,518)	(4,567)	(4,922)	(4,962)
Commissions fee income and other operation income	259	259	360	360
Net gain on foreign exchange	2,033	2,033	18,590	18,590
Administrative expenses	(2,489)	(2,489)	(2,171)	(2,171)

34. TRUST ASSETS AND LIABILITIES

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

Type of assets	Country	31.12.2010	31.12.2009
Pension plans	Latvia	760	754
Investment fund	Latvia	2 820	2 548
Investment plans of state co-funded pension scheme funds	Latvia	19 870	23 100
Total		23 450	26 402

Type of liability	Country	31.12.2010	31.12.2009
Individuals	Latvia	21 121	24 251
Corporates	Latvia	2 329	2 151
Total		23 450	26 402

35. CAPITAL ADEQUACY

Group's and Bank capital adequacy calculation in accordance with the guidelines of the FCMC as of 31.12.2010

	Group	Bank
Tier 1 capital		
Share capital	36,427	36,427
Share premium	53,033	53,033
Reserves	3,660	3,660
Retained earnings from prior years	(39,509)	(39,668)
Current period loss	(27,557)	(27,777)
Deductions from the capital base		
Intangible assets	(351)	(351)
Other deductions	-	(354)
Total tier 1 capital	25,703	24,969
Tier 2 capital		
Subordinated capital	-	-
Other deductions	-	-
Total tier 2 capital	-	-
Total capital	25,703	24,969
Capital requirement	14,338	14,401
Total capital adequacy ratio	14,34%	13,87%

Group's and Bank capital adequacy calculation in accordance with the guidelines of the FCMC as of 31.12.2009

	Group	Bank
Tier 1 capital		
Share capital	32,870	32,870
Share premium	42,361	42,362
Reserves	1,468	1,468
Retained earnings from prior years	(9,419)	(9,391)
Current period loss	(30,089)	(30,277)
Deductions from the capital base		
Intangible assets	(491)	(491)
Other deductions	-	(178)
Total tier 1 capital	36,700	36,363
Tier 2 capital		
Subordinated capital	704	704
Other deductions	-	(178)
Total tier 2 capital	704	528
Total capital	37,404	36,889
Capital requirement	18,986	18,543
Total capital adequacy ratio	15.76%	15.92%

The Bank is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord. The Bank has complied with all externally imposed capital requirements as at the years ended 31 December 2010 and 31 December 2009.

36. NUMBER OF EMPLOYEES

	31.12.2010	31.12.2010	31.12.2009	31.12.2009
	Group	Bank	Group	Bank
Positions				
Senior management	4	4	3	3
Managers of operational units	30	30	35	35
Managers of other units	74	74	61	61
Accountants, operators, clients servicing specialists	395	394	420	417
Lawyers	16	16	7	7
Information system specialists	42	42	43	43
Other employees	36	36	2	2
Total	597	596	571	568

37. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of the Group's financial assets and liabilities as of 31 December 2010 is:

	Financial instruments at fair value through profit or loss	Available-for-sale financial instruments	Financial instruments at amortized cost	Total carrying amount	Fair value
Financial assets					
Cash and due from Bank of Latvia	-	-	24,377	24,377	24,377
Loans and receivables due from credit institutions	-	-	101,987	101,987	101,987
Non-pledged trading assets	2,403	-	-	2,403	2,403
Derivative assets	485	-	-	485	485
Loans and receivables due from customers	-	-	148,561	148,561	148,593
Investment securities:					
<i>Measured at fair value</i>	-	5,953	-	5,953	5,953
<i>Measured at amortized cost</i>	-	-	2,787	2,787	2,883
Total financial assets	2,888	5,953	277,712	286,553	286,681
Financial liabilities					
Deposits from banks	-	-	582	582	582
Derivative liabilities	1,629	-	-	1,629	1,629
Deposits from customers	-	-	257,686	257,686	259,566
Debt securities issued measured at amortized cost	-	-	5,028	5,028	5,011
Subordinated liabilities	-	-	3,216	3,216	3,294
Total financial liabilities	1,629	-	266,512	268,141	270,082

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

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

The fair value of the Bank's financial assets and liabilities as of 31 December 2010 is:

	Financial instruments at fair value through profit or loss	Available-for-sale financial instruments	Financial instruments at amortized cost	Total carrying amount	Fair value
Financial assets					
Cash and due from Bank of Latvia	-	-	24,377	24,377	24,377
Loans and receivables due from credit institutions	-	-	101,987	101,987	101,987
Non-pledged trading assets	2,403	-	-	2,403	2,403
Derivative assets	485	-	-	485	485
Loans and receivables due from customers	-	-	148,561	148,561	148,593
Investment securities:					
<i>Measured at fair value</i>	-	5,953	-	5,953	5,953
<i>Measured at amortized cost</i>	-	-	2,787	2,787	2,883
Total financial assets	2,888	5,953	277,712	286,553	286,681
Financial liabilities					
Deposits from banks	-	-	582	582	582
Derivative liabilities	1,629	-	-	1,629	1,629
Deposits from customers	-	-	258,362	258,362	260,242
Debt securities issued measured at amortized cost	-	-	5,028	5,028	5,011
Subordinated liabilities	-	-	3,216	3,216	3,294
Total financial liabilities	1,629	-	267,188	268,817	270,758

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

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

The fair value of the Group's financial assets and liabilities as of 31 December 2009 is:

	Financial instruments at fair value through profit or loss	Available-for-sale financial instruments	Financial instruments at amortized cost	Total carrying amount	Fair value
Financial assets					
Cash and due from Bank of Latvia	-	-	27,789	27,789	27,789
Loans and receivables due from credit institutions	-	-	110,649	110,649	110,649
Non-pledged trading assets	2,214	-	-	2,214	2,214
Derivative assets	2,429	-	-	2,429	2,429
Loans and receivables due from customers	-	-	203,694	203,694	203,846
Investment securities:					
<i>Measured at fair value</i>	-	3,755	-	3,755	3,755
<i>Measured at amortized cost</i>	-	-	2,786	2,786	2,066
Total financial assets	4,643	3,755	344,918	350,887	352,748
Financial liabilities					
Deposits from banks	-	-	15,127	15,127	15,127
Derivative liabilities	583	-	-	583	583
Deposits from customers	-	-	302,441	302,441	302,872
Debt securities issued measured at amortized cost	-	-	5,026	5,026	5,011
Subordinated liabilities	-	-	3,519	3,519	3,519
Total financial liabilities	583	-	326,113	326,696	327,112

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

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

The fair value of the Bank's financial assets and liabilities as of 31 December 2009 is:

	Financial instruments at fair value through profit or loss	Available-for-sale financial instruments	Financial instruments at amortized cost	Total carrying amount	Fair value
Financial assets					
Cash and due from Bank of Latvia	-	-	27,789	27,789	27,789
Loans and receivables due from credit institutions	-	-	110,649	110,649	110,649
Non-pledged trading assets	2,214	-	-	2,214	2,214
Derivative assets	2,429	-	-	2,429	2,429
Loans and receivables due from customers	-	-	203,694	203,694	203,846
Investment securities:					
<i>Measured at fair value</i>	-	3,755	-	3,755	3,755
<i>Measured at amortized cost</i>	-	-	2,786	2,786	2,066
Total financial assets	4,643	3,755	344,918	353,316	352,748
Financial liabilities					
Deposits from banks	-	-	15,126	15,126	15,126
Derivative liabilities	583	-	-	583	583
Deposits from customers	-	-	302,934	302,934	303,365
Debt securities issued measured at amortized cost	-	-	5,026	5,026	5,011
Subordinated liabilities	-	-	3,519	3,519	3,519
Total financial liabilities	583	-	326,605	327,188	327,604

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

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

The fair value hierarchy table:

2010	Level (1)	Level (2)	Total
Financial assets			
Financial instruments at fair value through profit or loss	-	2,888	2,888
Available-for-sale financial assets	5,953	-	5,953
	5,953	2,888	8,841
Financial liabilities			
Financial instruments at fair value through profit or loss	-	1,629	1,629
	-	1,629	1,629
2009			
Financial assets	Līmenis (1)	Līmenis (2)	Kopā
Financial instruments at fair value through profit or loss	-	4,643	4,643
Available-for-sale financial assets	3,755	-	3,755
	3,755	4,643	8,398
Financial liabilities			
Financial instruments at fair value through profit or loss	-	583	583
	-	583	583

(1) Included in this category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Main asset classes included in this category are financial assets for which the fair value is obtained via pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

(2) Included in this category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data. Main asset classes included in this category are financial assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in hedge funds private equity funds with fair value obtained via fund managers and assets that are valued using own models whereby the majority of assumptions are market observable.

38. SEGMENT REPORTING

	Mortgage		Commercial		Consumer		Others		Total	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Revenues	916	1,989	10,074	14,466	1,383	2,645	9,314	29,185	21,687	48,285
Total	916	1,989	10,074	14,466	1,383	2,645	9,314	29,185	21,687	48,285

The only operating segment of the Group, whose operating results are regularly reviewed by the Group's and the Bank's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, is the Bank as a whole. Any other level of detail either does not meet any of the quantitative thresholds defined by IFRS as adopted by the EU, or such information is not readily available and it would be impracticable to prepare such information.

39. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2010 and 31 December 2009 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.

	2010	2010	2009	2009
	Group	Bank	Group	Bank
Net profit attributable to the shareholders	(27,557)	(27,777)	(30,593)	(30,782)
Weighted average number of shares at 31 December	687,809	687,809	404,843	404,843
Earnings/ (losses) per share (EUR per share)	(57.00)	(57.47)	(75.57)	(76.04)

On 28 July 2010 increase of share capital of the Bank by LVL 2.5 million was registered in Commercial Register of Republic of Latvia, which together with the increase in share premium resulted in an increase of the Bank's equity by LVL 10 million. The number of shares was increased from 462,025 to 512,025.

40. SUBSEQUENT EVENTS

In January 2011 the Bank fully repaid subordinated bonds in amount of EUR 3,146 thousand.

In February 2011 the investment by the Bank in its subsidiary AS „GE Money Atklātais pensiju fonds” was increased by EUR 28 thousand.

There were no other significant events after reporting date, which could impact the results of Financial Statements for 2010.

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