GE Money Bank

1. Appendix
Financial and Capital Market Commission
15.09.2006. Regulations Nr. 145

CONSOLIDATED AND BANK BALANCE SHEET AND OFF BALANCE SHEET ITEMS

For the period ended 31/03/2009 **000'EUR**

Items	31.03.2009.	31.03.2009.	31.12.2008.	31.12.2008.
	Group	Bank	Group	Bank
Cash and due from Bank of Latvia	25,885	25,885	23,853	23,853
Loans and receivables due from credit institutions	38,110	38,110	32,834	32,834
Held for trading financial assets	4,368	4,368	2,002	2,002
Available-for-sale financial assets	4,196	4,196	4,210	4,210
Loans and receivables due from customers	263,611	263,611	280,731	280,731
Held-to-maturity investments	2,818	2,818	2,786	2,786
Deferred expense and accrued income	586	568	404	387
Property, plant and equipment	11,152	11,152	11,513	11,513
Intangible assets	568	568	687	687
Investments in subsidiaries and associates	-	354	-	354
Other assets	3,857	3,853	2,491	2,487
Total assets	**355,151**	**355,483**	**361,511**	**361,844**
Due to Bank of Latvia	6,118	6,118	6,900	6,900
Due to credit institutions	10,061	10,061	11,664	11,664
Financial liabilities held for trading	159	159	46	46
Financial liabilities at amortized cost	273,825	274,169	312,024	312,340
Deferred income and accrued expense	1,366	1,352	2,325	2,312
Other liabilities	975	975	514	514
Total liabilities	**292,504**	**292,834**	**333,473**	**333,776**
Equity and reserves	62,647	62,649	28,038	28,068
Total liabilities, equity and reserves	**355,151**	**355,483**	**361,511**	**361,844**
Off-Balance Sheet items				
Guarantees	5,148	5,148	6,234	6,234
Other commitments	11,215	11,215	10,308	10,308

Chairman of the Board Dmitrij Cimber

2. Appendix
Financial and Capital Market Commission
15.09.2006. Regulations Nr. 145

CONSOLIDATED AND BANK INCOME STATEMENT
For the period ended 31/03/2009 **000'EUR**

Items	31.03.2009.	31.03.2009.	31.03.2008.	31.03.2008.
	Group	Bank	Group	Bank
Interest income	5,226	5,226	6,214	6,214
Interest expense	(4,042)	(4,049)	(2,967)	(2,970)
Commissions and fee income	1,143	1,094	1,898	1,872
Commissions and fee expense	(350)	(348)	(366)	(364)
Net realized gain on available-for-sale financial assets	-	-	-	-
Net gain/(loss) on held for trading financial assets	-	-	686	686
Net gain on foreign exchange	2,113	2,113	(33)	(31)
Other operating income	674	674	363	361
Other operating expenses	(46)	(46)	(58)	(58)
Administrative expenses	(5,549)	(5,524)	(5,323)	(5,295)
Net impairment allowance expense	(7,181)	(7,181)	(182)	(182)
Income tax	-	-	(54)	(54)
Profit/ (loss) for the period	**(8,012)**	**(8,041)**	**178**	**179**

Chairman of the Board  Dmitrij Cimber

3. Appendix
Financial and Capital Market Commission
15.09.2006. Regulations Nr. 145

Key ratios of the Group and the Bank

For the period ended 31/03/2009

Item	31.03.2009	31.03.2008
Return on Equity (ROE) (%)	-84.61	1.46
Return on Assets (ROA) (%)	-8.33	0.18

4. Appendix
Financial and Capital Market Commission
15.09.2006. Regulations Nr. 145

Participation in subsidiaries as of 31 March 2009

Nr. p.k.	Name of company	Registration No. and address	Type of activity	Investment %	Rights of voting (%)	Reason to be consolidated
1.	IPS “GE Money Asset management”	Reg.No. 40003720753, LV, Riga, 13.janvara street 3	Financial services	100%	100%	Subsidiary company
2.	JSC “GE Money atklātais pensiju fonds”	Reg.No. 40003652353, LV, Riga, 13.janvara street 3	Financial services	100%	100%	Subsidiary company

INFORMATION ON THE BANK'S MANAGEMENT

Council members as of the date of signing these financial statements

Name	Position
Richard Colin Gaskin	Chairman of the Council
Aleš Blažek	Deputy Chairman of the Council
Herbert Roth	Member of the Council
Mathias Wilfried Seidel	Member of the Council

Board members as of the date of signing these financial statements

Name	Position
Dmitrijs Cimbers	Chairman of the Board
Arkadiusz Wiktor Przybyl	Member of the Board
Inga Vagele	Member of the Board
Windy Oliver	Member of the Board
Renars Bulgakovs	Member of the Board

The immediate controlling party and its share is as follows:
31.03.2009

Name	Number of shares	Total amount 000' EUR	Investment in share capital, %
SIA "FINSTAR BALTIC INVESTMENT"	461,938	32,864	99,98
Total	**461,938**	**32,864**	**99.98**

The immediate controlling party and its share is as follows:
31.12.2008

Name	Number of shares	Total amount 000' EUR	Investment in share capital, %
SIA "FINSTAR BALTIC INVESTMENT"	311,927	22,191	99,97
Total	**311,927**	**22,191**	**99.97**

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 Executive Board has the overall responsibility for the establishing and supervision of the Group and Bank's risk management framework. The Bank has established credit committees and a Compliance Review Board, which are 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 policies.

Credit Risk

All lending transactions of the Bank are connected with an appropriate level of credit risk. The Group and Bank accept and limit the risk by defining reasonable limits and developing an internal control system for their supervision. The responsibility for the credit decision making and management is delegated to the credit risk committees with all the deals over LVL4 million approved by the Group's and the Bank's Executive Board and Supervisory Council. 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;
- Limitation of concentration;
- Elements of Portfolio quality monitoring;
- Normative documentation of Credit Risk management and Internal Control system for the activity.

The Bank's Credit Policy defines lending guidelines according to the business strategy and efficient risk management, securing its loan portfolio and protecting the Bank's assets as well as complying with the local regulatory requirements. The policy sets industry limits and loan portfolio limits in comparison to Bank's asset and deposit base. The Bank lends to both – private and legal entireties and accepts assessable and manageable loans with the maximum maturity term for loans repayment of 25 years. The credit policy sets the types of collateral and principles of loan granting procedures. The Bank credits only those clients that are creditworthy, 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 liabilities under the agreement, business potential and credit guarantee as precise as possible. Collateral is used only for additional risk mitigation purposes. The Credit Policy stipulates the basic principles of loans issuing, collateral types and maximum acceptance values for various type of collateral. The Bank accepts several items as potential collateral – mortgage, commercial and financial pledge, guarantee or credit risk insurance. Additionally, the Bank uses regular macroeconomic situation stress tests to evaluate the changes in the macroeconomic situation and its impact on the Bank's activities.

Market risk

The profitability and 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, the availability of credit, cost of credit, the liquidity of the markets could significantly affect the economic activity and the Group and Bank's customers. Foreign currency risk is considered a separate risk and is managed separately.

The Group and 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 are not considering market risk of its loans portfolio, because lending is a core business, and the loans are considered not marketable.

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

Foreign currency risk

Foreign currency (FC) risk is the risk of potential loss, 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. Either potential or confirmed Operational Risks are identified and assessed in order to:

- ensure that the full range of significant operational risks is encompassed within the risk management process of the Group and 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 to define 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 grant long-term loans and attract long-term financing using floating interest rates (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 and the Group will not be able to satisfy timely legally enforceable claims without substantial losses, as well as the risk of not being able to overcome unplanned changes in resources of the Group and the Bank and/or market conditions, due to insufficient volume of liquid assets at its disposal.

During the period, 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 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, issued bonds 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.

Residual risk

Residual risk is arises when the Bank fails to realize the value of a Credit Risk mitigation technique such as guarantees or collateral. This could result for example from an ineffective legal document resulting in delayed or no payment when an asset defaults.

The Bank manages the residual risk in a procedural way, by using effective operational procedures and their controlling processes. These procedures and processes include:

- Strict collateral acceptance policy, including set of limits for each collateral type, collateral parameters and constraints;
- Collateral insurance principles and concluding insurance contracts with a reputable insurance company;
- The efficient legal experts involvement during loan issuance and collaterals execution in case of collection process;
- Applying principles of cautious property appraisal and cooperation with the reliable real estate appraisers.

The Bank has chosen to refrain from financing objects through Operational Leasing. For the other products with collateral the loan agreement contains rights for the Bank to regress any residual amount to the borrower. Due to described mitigation actions, the Residual risk is considered as low for the Bank.

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 daily basis.

Investment policy

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

Anti Money laundering policy

The policy describes the main principles of measures of the Bank for prevention of laundering of proceeds derived from crime. The policy defines the Bank's processes of monitoring clients' transactions, due diligence activities, requirements for identification of beneficial owner, identifying and reporting on unusual and suspicious transactions.

Basel II

In order to promote a more sophisticated capital assessment and risk management framework, the Group and the Bank have implemented Basel II capital adequacy requirements consisting of a minimum required capital assessment and an internal capital adequacy assessment process. This enables the Group and the Bank to have a closer alignment of internal economic capital and regulatory capital measures and processes, thus helping the Group and the Bank to manage its capital ratios more effectively over time.

The Group and the Bank is using a standardized approach to determine the minimum required capital for credit risk and the basic indicator approach for operational risk. In January 2008, the Group and the Bank launched the Internal Capital Adequacy Assessment Policy, describing a process of overall capital adequacy management in relation to the Group's and the Bank's risk profile and a strategy for maintaining the Group's and the Bank's capital level high enough at any time to cover all fundamental risks that the Group and the Bank can face. The internal capital adequacy assessment process includes such essential elements of capital management as establishing a list of essential risks and evaluation of their potential impact on the Group's and the Bank's financial situation through stress testing.

* * *