

AS PAREX BANKA

CONDENSED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

These condensed financial statements are presented in EUR currency for illustrative purposes. The original financial statements' presentation currency is LVL. The translation to EUR currency has been done using the exchange rate set by the Bank of Latvia, i.e., 1 EUR: 0.702804 LVL. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

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AS Parex banka
Statements of Income
for the years ended 31 December 2008 and 2007

	EUR 000's			
	2008 Group	2007 Group	2008 Bank	2007 Bank
Interest income	325,350	263,409	287,836	239,570
Interest expense	(187,884)	(142,462)	(178,939)	(137,812)
Net interest income	<u>137,466</u>	<u>120,947</u>	<u>108,897</u>	<u>101,758</u>
Commission and fee income	67,140	67,914	54,493	57,239
Commission and fee expense	(16,184)	(13,996)	(15,474)	(14,116)
Net commission and fee income	<u>50,956</u>	<u>53,918</u>	<u>39,019</u>	<u>43,123</u>
(Loss)/ gain on transactions with financial instruments, net	(4,785)	29,742	(6,626)	26,998
Other income	17,911	14,385	11,487	9,893
Other expense	(2,156)	(1,249)	(1,511)	(1,010)
Administrative expense	(155,224)	(130,144)	(117,583)	(102,252)
Amortisation and depreciation charge	(13,253)	(10,855)	(10,453)	(8,179)
Impairment charges and reversals, net	(227,278)	(6,569)	(208,671)	(3,351)
Net gains on disposal of assets held for sale	(556)	-	-	-
Profit before taxation	<u>(196,917)</u>	<u>70,175</u>	<u>(185,441)</u>	<u>66,980</u>
Corporate income tax	10,563	(11,240)	8,994	(9,857)
Net profit for the year	<u>(186,354)</u>	<u>58,935</u>	<u>(176,447)</u>	<u>57,123</u>
Attributable to:				
Equity holders of the Bank	(186,354)	58,935	(176,447)	57,123
Minority interest	-	-	-	-
	<u>(186,354)</u>	<u>58,935</u>	<u>(176,447)</u>	<u>57,123</u>

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AS Parex banka
Balance Sheets
as at 31 December 2008 and 2007

	EUR 000's			
	31/12/2008 Group	31/12/2007 Group	31/12/2008 Bank	31/12/2007 Bank
Assets				
Cash and deposits with central banks	165,551	366,076	135,428	335,886
Balances due from credit institutions	390,897	613,070	709,565	743,640
Securities held for trading:				
- fixed income	3,293	7,933	2,846	6,151
- shares and other non-fixed income	6,262	56,643	6,262	54,732
Derivative financial instruments	27,323	16,386	27,251	16,769
Financial assets designated at fair value through profit and loss	2,318	394	-	-
Available-for-sale securities:				
- fixed income	208,005	675,924	201,057	623,467
- shares and other non-fixed income	17,792	780	17,669	81
Loans and receivables to customers	2,896,968	2,855,194	2,482,728	2,473,421
Held-to-maturity securities	1,079,314	57,234	1,135,436	105,147
Current income tax assets	11,592	4,775	10,908	4,566
Non-current assets and disposal groups classified as held for sale	10,115	3,384	4,004	3,336
Fixed assets	86,072	71,875	28,796	26,480
Goodwill and intangible assets	5,760	7,134	1,113	1,409
Investments in subsidiaries	-	-	73,195	80,360
Deferred income tax assets	17,358	1,623	13,772	1,181
Other assets	28,385	31,929	13,401	14,384
Total assets	4,957,005	4,770,354	4,863,431	4,491,010
Liabilities				
Derivative financial instruments	13,530	18,428	13,759	18,907
Financial liabilities designated at fair value through profit and loss	447	394	-	-
Financial liabilities measured at amortised cost:				
- balances due to credit institutions and central banks	1,692,678	1,105,729	1,794,867	1,103,217
- deposits from customers	2,878,461	2,962,369	2,706,140	2,716,444
- issued debt securities	126,610	267,368	126,226	267,368
- other financial liabilities	3,331	4,226	-	-
Current income tax liabilities	626	448	-	-
Deferred income tax liabilities	494	898	-	-
Other liabilities	52,969	49,001	36,829	36,101
Subordinated liabilities	75,351	40,001	75,355	40,001
Total liabilities	4,844,497	4,448,862	4,753,176	4,182,038
Equity				
Paid-in share capital	92,525	92,525	92,525	92,525
Share premium	18,062	18,062	18,062	18,062
Fair value revaluation reserve – held-to-maturity securities	(13,113)	-	(11,780)	-
Fair value revaluation reserve – available-for-sale securities	(35,559)	(26,042)	(35,559)	(25,070)
Retained earnings	50,593	236,947	47,007	223,455
Total shareholders' equity attributable to the shareholders of the Bank	112,508	321,492	110,255	308,972
Minority interest	-	-	-	-
Total equity	112,508	321,492	110,255	308,972
Total liabilities and equity	4,957,005	4,770,354	4,863,431	4,491,010

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AS Parex banka
Statements of Changes in Equity
for the years ended 31 December 2008 and 2007

Changes in the Group's equity are as follows:

EUR 000's

	Attributable to equity holders of the Bank					Total equity
	Issued share capital	Share premium	Fair value revaluation reserve, attributable to:		Retained earnings	
			Held-to-maturity securities	Available-for-sale securities		
Balance as at 31 December 2006	92,525	18,062	-	(3,130)	178,011	285,468
Fair value revaluation reserve charged to statement of income	-	-	-	(2,497)	-	(2,497)
Changes in fair value of available for sale securities	-	-	-	(21,083)	-	(21,083)
Deferred income tax charged directly to equity	-	-	-	669	-	669
<i>Total income/ (expense) recognized directly in equity</i>	-	-	-	<i>(22,911)</i>	-	<i>(22,911)</i>
Net profit for the year	-	-	-	-	58,935	58,935
<i>Total recognised income and (expense) for the year</i>	-	-	-	<i>(22,911)</i>	<i>58,935</i>	<i>36,024</i>
Balance as at 31 December 2007	92,525	18,062	-	(26,041)	236,947	321,492
Reclassification of securities (incl. deferred tax)	-	-	(17,410)	17,410	-	-
Amortisation	-	-	1,524	-	-	1,524
Impairment of securities	-	-	2,679	7,827	-	10,506
Fair value revaluation reserve charged to statement of income	-	-	-	9,300	-	9,300
Changes in fair value of available for sale securities	-	-	-	(44,643)	-	(44,643)
Deferred income tax charged directly to equity	-	-	94	588	-	682
<i>Total expense recognized directly in equity</i>	-	-	<i>(13,113)</i>	<i>(9,518)</i>	-	<i>(22,631)</i>
Net loss for the year	-	-	-	-	(186,354)	(186,354)
<i>Total recognised expense for the year</i>	-	-	<i>(13,113)</i>	<i>(9,518)</i>	<i>(186,354)</i>	<i>(208,984)</i>
Balance as at 31 December 2008	92,525	18,062	(13,113)	(35,559)	50,593	112,508

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AS Parex banka
Statements of Changes in Equity
for the years ended 31 December 2008 and 2007

Changes in the Bank's equity are as follows:

EUR 000's

	Issued share capital	Share premium	Fair value revaluation reserve, attributable to:		Retained earnings	Total equity
			Held-to-maturity securities	Available-for- sale securities		
Balance as at 31 December 2006	92,525	18,062	-	(2,773)	166,332	274,146
Fair value revaluation reserve charged to statement of income	-	-	-	(2,288)	-	(2,288)
Changes in fair value of available for sale securities	-	-	-	(20,677)	-	(20,677)
Deferred income tax charged directly to equity	-	-	-	669	-	669
<i>Total income/ (expense) recognized directly in equity</i>	-	-	-	<i>(22,296)</i>	-	<i>(22,296)</i>
Net profit for the year	-	-	-	-	57,123	57,123
<i>Total recognised income and (expense) for the year</i>				<i>(22,296)</i>	<i>57,123</i>	<i>34,826</i>
Balance as at 31 December 2007	92,525	18,062	-	(25,070)	223,455	308,972
Reclassification of securities (incl. deferred tax)	-	-	(15,758)	15,758	-	-
Amortisation	-	-	1,330	-	-	1,330
Impairment of securities	-	-	2,679	7,827	-	10,506
Fair value revaluation reserve charged to statement of income	-	-	-	10,095	-	10,095
Changes in fair value of available for sale securities	-	-	-	(44,598)	-	(44,598)
Deferred income tax charged directly to equity	-	-	(31)	428	-	397
<i>Total expense recognized directly in equity</i>			<i>(11,780)</i>	<i>(10,489)</i>	-	<i>(22,269)</i>
Net loss for the year	-	-	-	-	(176,447)	(176,447)
<i>Total recognised expense for the year</i>			<i>(11,780)</i>	<i>(10,489)</i>	<i>(176,447)</i>	<i>(198,717)</i>
Balance as at 31 December 2008	92,525	18,062	(11,780)	(35,559)	47,007	110,255

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AS Parex banka
Statements of cash flows
for the years ended 31 December 2008 and 2007

	EUR 000's			
	2008 Group	2007 Group	2008 Bank	2007 Bank
Cash flows from operating activities				
(Loss)/ profit before tax	(196,917)	70,175	(185,441)	66,980
Amortisation of intangible assets, depreciation of fixed assets	13,253	10,855	10,452	8,179
Impairment and provision charges	225,852	(1,316)	205,621	(4,287)
Other non-cash items	1,461	4,147	895	3,383
Cash generated before changes in assets and liabilities	43,649	83,861	31,527	74,255
Change in derivative financial instruments	(17,452)	3,251	(15,630)	3,404
(Increase) in other assets	(2,752)	(14,708)	(306)	(5,622)
Increase/ (decrease) in other liabilities	(2,157)	23,238	(710)	11,272
Decrease/ (increase) in trading investments	53,150	50,442	51,775	43,538
(Increase)/ decrease in balances due from credit institutions	19,011	15,247	246,375	(102,504)
(Increase) in loans and receivables to customers	(186,114)	(821,542)	(157,656)	(600,825)
Increase in balances due to credit institutions and central banks	140,135	35,021	134,947	60,463
(Decrease)/ increase in deposits from customers	(83,908)	740,578	(10,304)	636,509
Cash generated from operating activities before corporate income tax	(36,438)	115,388	280,018	120,490
Corporate income tax (paid)	(11,388)	(20,339)	(9,395)	(17,458)
Net cash flow from operating activities	(47,826)	95,049	270,623	103,032
Cash flows from investing activities				
(Purchase) of intangible and fixed assets	(56,777)	(33,988)	(13,581)	(14,091)
Proceeds from disposal of intangible and fixed assets	2,139	787	1,108	169
Acquisitions and investments in subsidiaries	-	-	-	(33,889)
(Purchase) of held-to-maturity securities	(21,837)	(13,056)	(57,505)	(19,087)
Cash inflows from maturing held-to-maturity securities	47,513	22,461	46,730	22,461
(Purchase) of available-for-sale securities, net	(57,267)	(155,585)	(74,666)	(157,538)
Net cash flow from investing activities	(86,229)	(179,381)	(97,914)	(201,975)
Cash flows from financing activities				
Repayment/ repurchase of debt securities	(140,758)	-	(141,886)	-
Repayment of syndicated loans	(374,999)	(510,001)	(374,999)	(510,001)
Proceeds from received syndicated loans	275,000	885,001	275,000	885,001
Raised subordinated capital	35,350	40,000	35,354	40,000
Net cash flow from financing activities	(205,407)	415,000	(206,531)	415,000
Net cash flow for the year	(339,462)	330,668	(33,822)	316,057
Cash and cash equivalents at the beginning of the year	853,813	523,144	824,839	508,782
Cash and cash equivalents at the end of the year	514,351	853,813	791,017	824,839

Amounts of interest income and (expense) received/ (paid) are as follows:

	EUR 000's			
	2008 Group	2007 Group	2008 Bank	2007 Bank
Interest income received during the year	316,266	278,793	282,729	254,691
Interest expense paid during the year	(184,629)	(152,363)	(175,047)	(145,493)

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