BTB
Baltic Trust Bank

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

CONTENT

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

Dear shareholders and clients!

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

In comparison to the end of 2006, the Bank net assets have increased by 11% or 40 million Euro. In accordance with Bank`s chosen strategy the lending portfolio had experienced the fastest growth during the year and increased by 56% or 81 million Euro. Commercial lending at the end of the year constituted 65% of the total lending portfolio. The share of loans to households decreased from 39% to 35%. The increase of the lending volume was composed of commercial loans and mortgage loans to households. Bank's deposit base grew by 33% or 82 million Euro. Private person deposits constituted 33% of the total deposits volume, deposits of the financial institutions– 32%, other corporations – 35%.

Bank's net profit last year constituted 4,2 million Euro, which is by 3% higher than in 2006. The base of Bank's profit growth was the increase of the lending volumes – commercial, mortgage and consumer loans corporations and households in Latvia. As the result of the increased lending portfolio the net interest income increased by 28% in 2007.

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

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

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

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

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

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

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

Sincerely yours,

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

13 March 2008

INFORMATION ON THE BANK'S MANAGEMENT

Council members as of the date of signing these financial statements

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

Board members as of the date of signing these financial statements

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

STATEMENT OF MANAGEMENT RESPONSIBILITY

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

While preparing the financial statements included on pages 6 to 62 for the years ended 31 December 2007, management has applied appropriate accounting principles that are based on prudent and reasonable judgments and estimates. In our opinion, all appropriate accounting principles have been consistently applied, including International Financial Reporting Standards as adopted by the European Union and the requirements of the Financial and Capital Market Commission.

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

On behalf of the Bank’s management:

Niels Aall
Chairman of the Council

Ieva Racenaja
Chairman of the Board

13 March 2008

CONSOLIDATED AND BANK INCOME STATEMENT

	Notes	2007 Group	2007 Bank	2006 Group	2006 Bank
Interest income	19	23,386	23,386	17,533	17,533
Interest expense	19	(9,002)	(9,009)	(6,316)	(6,321)
Net interest income		**14,384**	**14,377**	**11,217**	**11,212**
Commissions and fee income	20	7,218	7,151	7,949	7,920
Commissions and fee expense	20	(1,484)	(1,481)	(1,424)	(1,424)
Net commission income		**5,734**	**5,670**	**6,525**	**6,496**
Realised net profit from available-for-sale financial assets		71	71	1,102	1,102
Net profit from held for trading financial assets		125	125	400	401
Gain from foreign exchange		3,448	3,448	3,567	3,567
Dividends		-	-	23	23
Other operating income	21	1,187	1,187	1,174	1,174
Net operating income		**24,949**	**24,878**	**24,008**	**23,975**
Administrative expenses	22	(16,753)	(16,664)	(15,716)	(15,638)
Depreciation, amortization and loss on sale of intangible assets and property, plant and equipment	9	(1,854)	(1,853)	(2,275)	(2,274)
Other operating expenses	21	(325)	(325)	(279)	(231)
Net impairment allowance expense	23	(986)	(986)	(472)	(522)
Profit before corporate income tax		**5,031**	**5,050**	**5,266**	**5,310**
Corporate income tax	24	**(874)**	**(874)**	**(1,252)**	**(1,252)**
Profit for the year		**4,157**	**4,176**	**4,014**	**4,058**
Earnings per share (EUR)	35	**13.32**	**13.38**	**13.90**	**14.06**

The accompanying notes on pages 13 to 62 form an integral part of these Bank and Consolidated financial statements.

Niels Aall
Chairman of the Council

Ieva Racenaja
Chairman of the Board

13 March 2008

CONSOLIDATED AND BANK BALANCE SHEET AND OFF BALANCE SHEET ITEMS

ASSETS	Notes	31 December 2007 Group	31 December 2007 Bank	31 December 2006 Group	31 December 2006 Bank
Cash and due from central bank	3	36,976	36,976	48,220	48,220
Due from credit institutions	5	79,184	79,161	97,889	97,869
Held for trading financial assets	4	2,142	2,808	3,765	4,293
Fixed-income securities		*1,357*	*119*	*3,325*	*1,915*
Shares and other non-fixed income securities		*411*	*2,315*	*292*	*2,230*
Derivatives	7	*374*	*374*	*148*	*148*
Loans	6	251,789	251,789	161,145	161,145
Available-for-sale financial assets	4	6,081	6,081	21,006	21,006
Fixed-income securities		*6,081*	*6,081*	*20,915*	*20,915*
Shares and other non-fixed income securities		-	-	*91*	*91*
Held-to-maturity investments	4	2,785	2,785	8,442	8,442
Investments in subsidiaries	8	-	283	-	219
Intangible assets	9	1,089	1,086	1,258	1,255
Property, plant and equipment	9	11,421	11,421	10,743	10,743
Deferred expense and accrued income		329	319	227	224
Other assets	10	2,786	2,786	1,677	1,677
Total assets		***394,582***	***395,495***	***354,372***	***355,093***

The accompanying notes on pages 13 to 62 form an integral part of these Bank and Consolidated financial statements.

Niels Aall
Chairman of the Council

Ieva Racenaja
Chairman of the Board

13 March 2008

BALANCE SHEET AND OFF BALANCE SHEET ITEMS

	Notes	31 December 2007 Group	31 December 2007 Bank	31 December 2006 Group	31 December 2006 Bank
LIABILITIES					
Due to credit institutions	11	1,433	1,433	33,597	33,597
Financial liabilities held for trading		479	479	41	41
Derivatives	7	*479*	*479*	*41*	*41*
Financial liabilities at amortised cost		340,206	341,080	272,056	272,750
Deposits	12	*329,940*	*330,643*	*247,746*	*248,122*
Debt securities	13	*7,147*	*7,147*	*21,246*	*21,397*
Subordinated debt	15	*3,119*	*3,290*	*3,064*	*3,231*
Deferred income and accrued expense		1,806	1,791	1,097	1,089
Tax liabilities	16	985	985	1,468	1,468
Deferred tax liabilities		*985*	*985*	*921*	*921*
Current tax liabilities		-	-	*547*	*547*
Other liabilities	14	765	765	1,207	1,207
Total liabilities		**345,674**	**346,533**	**309,466**	**310,152**
Capital and reserves					
Share capital	17	22,198	22,198	22,198	22,198
Share premium		10,347	10,347	10,347	10,347
Reserve capital		4,005	4,005	4,005	4,005
Property, plant and equipment revaluation reserve		2,363	2,363	2,363	2,363
Available for sale financial asset revaluation reserve		(748)	(748)	(593)	(593)
Retained earnings		10,743	10,797	6,586	6,621
Total capital and reserves		**48,908**	**48,962**	**44,906**	**44,941**
Total liabilities and capital and reserves		**394,582**	**395,495**	**354,372**	**355,093**
OFF-BALANCE SHEET ITEMS					
Guarantees		*6,234*	*6,234*	*6,767*	*6,767*
Other commitments		*10,309*	*10,309*	*15,515*	*15,515*

The accompanying notes on pages 13 to 62 form an integral part of these Bank and Consolidated financial statements.

Niels Aall
Chairman of the Council

Ieva Racenaja
Chairman of the Board

13 March 2008

STATEMENT OF CHANGES IN EQUITY (THE BANK)

	Share capital	Share premium	AFS Revalu-ation reserve	Property, plant and equipment revaluation reserve	Reserve capital	Retaining earnings	Total
31 December 2005	**12,238**	**2,379**	**4**	**378**	**1,699**	**5,408**	**22,106**
Available for sale financial asset revaluation	-	-	(597)	-	-	-	**(597)**
Revaluation net of deferred tax	-	-		1,985	-	-	**1,985**
Dividends	-	-	-	-	-	(2,845)	**(2,845)**
Increase of share capital	9,960	7,968	-	-	-	-	**17,928**
Share based payments	-	-	-	-	2,306	-	**2,306**
Profit for the period	-	-	-	-	-	4,058	**4,058**
31 December 2006	**22,198**	**10,347**	**(593)**	**2,363**	**4,005**	**6,621**	**44,941**
Available for sale financial asset revaluation	-	-	(155)	-	-	-	**(155)**
Profit for the period	-	-	-	-	-	4,176	**4,176**
31 December 2007	**22,198**	**10,347**	**(748)**	**2,363**	**4,005**	**10,797**	**48,962**

The accompanying notes on pages 13 to 62 form an integral part of these Bank and Consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY (THE GROUP)

	Share capital	Share premium	Translation and AFS revaluation reserve	Property, plant and equipment revaluation reserve	Reserve capital	Retaining earnings	Minority Interest	Total
31 December 2005	**12,238**	**2,379**	**(6)**	**378**	**1,699**	**5,417**	**27**	**22,132**
Available for sale financial asset revaluation	-	-	10	-	-	-	(27)	**(17)**
Revaluation net of deferred tax	-	-	(597)	-	-	-	-	**(597)**
Dividends	-	-	-	1,985	-	-	-	**1,985**
Increase of share capital	-	-	-	-	-	(2,845)	-	**(2,845)**
Share based payments	9,960	7,968	-	-	-	-	-	**17,928**
Profit for the period	-	-	-	-	2,306	-	-	**2,306**
31 December 2006	-	-	-	-	-	4,014	-	**4,014**
Available for sale financial asset revaluation	**22,198**	**10,347**	**(593)**	**2,363**	**4,005**	**6,586**	-	**44,906**
Profit for the period	-	-	(155)	-	-	-	-	**(155)**
31 December 2007	-	-	-	-	-	4,157	-	**4,157**
31 December 2005	**22,198**	**10,347**	**(748)**	**2,363**	**4,005**	**10,743**	-	**48,908**

The accompanying notes on pages 13 to 62 form an integral part of these Bank and Consolidated financial statements.

CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS

	2007	2007	2006	2006
Cash flows from operating activities	**Group**	**Bank**	**Group**	**Bank**
Profit before corporate income tax	5,031	5,050	5,266	5,310
Depreciation, amortization and write-off of intangible assets and property, plant and equipment	1,807	1,807	2,275	2,274
Profit from sale of property, plant and equipment	47	46	-	-
Increase of impairment allowance	986	986	472	522
Share based payment expense	-	-	2,306	2,306
Result from revaluation of foreign currencies	(243)	(243)	(74)	(74)
Increase of cash and cash equivalents before changes in assets and liabilities	**7,628**	**7,646**	**10,246**	**10,338**
Change in due from credit institutions	4,510	4,491	(9,724)	(4,593)
Change in loans	(91,573)	(91,573)	(36,280)	(36,275)
Change in available-for-sale financial assets	14,924	14,924	(14,768)	(14,768)
Change in held for trading financial assets	1,467	1,328	673	558
Change in deferred expense and accrued income	(175)	(168)	(58)	(57)
Change in other assets	(371)	(371)	(2,240)	(2,240)
Change in due to credit institutions	(15,972)	(15,972)	5,808	5,808
Change in deposits	82,194	82,520	13,161	10,293
Change in held for trading financial liabilities	438	438	36	36
Change in deferred income and accrued expense	709	703	396	393
Change in other liabilities	(386)	(383)	553	555
Income tax paid	(2,094)	(2,094)	(709)	(709)
Net cash used in operating activities	**1,299**	**1,489**	**(32,906)**	**(30,661)**

(to be continued)

Cash flows from investing activities

	Group	Bank	Group	Bank
Purchase of property, plant and equipment, and intangibles	(2,385)	(2,385)	(1,528)	(1,528)
Sale of property, plant and equipment	21	23	1,431	1,431
Purchase of held-to-maturity investments	5,657	5,657	3,702	3,702
Investments in subsidiaries	-	(64)	-	(71)
Sale of investments in subsidiaries	-	-	8,132	8,132
Net cash from investing activities	**3,293**	**3,231**	**11,737**	**11,666**
Cash flows from financing activities				
Proceeds from share issue	-	-	17,928	17,928
Mortgage bonds (repaid)	(14,098)	(14,249)	-	-
Proceeds from issue of subordinated liabilities	-	-	3,064	3,231
Subordinated liabilities (repaid)	-	-	(7,114)	(7,114)
Debt securities issued	-		4,718	4,627
Dividends paid	-	-	(2,845)	(2,845)
Net cash from financing activities	**(14,098)**	**(14,249)**	**15,751**	**15,827**
Net (decrease)/increase of cash and cash equivalents	**(9,506)**	**(9,529)**	**(5,418)**	**(3,192)**
Opening balance of cash and cash equivalents	121,186	121,186	126,530	124,304
Results from exchange rate differences	243	243	74	74
Closing balance of cash and its equivalents	**111,923**	**111,900**	**121,186**	**121,186**

Cash and cash equivalents include the following:

	31.12.2007	31.12.2007	31.12.2006	31.12.2006
	Group	Bank	Group	Bank
Cash and due from Bank of Latvia	36,976	36,976	48,220	48,220
Due from credit institutions including term deposits due in less than three months	75,667	75,644	89,878	89,878
Due to credit institutions including term deposits due in less than three months	(720)	(720)	(16,912)	(16,912)
Total	**111,923**	**111,900**	**121,186**	**121,186**

NOTES TO THE CONSOLIDATED AND BANK FINANCIAL STATEMENTS

1. COMMENTS TO THE FINANCIAL STATEMENTS

1.1. General information

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

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

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

Legislation regulating the Bank’s operations

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

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

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

Basis for preparation of the financial statements

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

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

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

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

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

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

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

Basis of Consolidation

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

Accounting for income and expenses

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

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

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

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

Foreign currency transactions

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

All monetary balance sheet and off-balance-sheet items denominated in foreign currency are translated into LVL according to the official exchange rate by the Bank of Latvia on the transaction date, which reflects the average market rate.

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

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

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

All outstanding balances in this report are transform from Lats to Euro using currency exchange rate 1 Lats = 0.702804 Euro.

Property, plant and equipment

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

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

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

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

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

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

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

Financial instruments

Financial instruments are classified into the following categories.

Financial assets held for trading

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

Available-for-sale financial assets

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

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

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

Held-to-maturity investments

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

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

Derivative financial instruments

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

Off-balance sheet items

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

Loans

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

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

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

Derecognition

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

Investments in subsidiaries

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

Provisions

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

Cash and cash equivalents

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

Corporate income tax

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

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

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

Funds under trust management

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

Mortgage bonds

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

Fair value of financial assets and liabilities

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

Impairment of financial assets

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Share-based payment transactions

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

Segment reporting

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

Measurement of non-current assets classified as held for sale

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

Earnings per share

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

Employee benefits

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

Risk management

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

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

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

Risk elements and policy framework

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

Credit Risk

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

- Evaluation of credit worthiness of borrowers (issuers, transaction counterparties);
- Processes for accepting, issuing and controlling repayment of the loans;
- Undertakings for Credit Risk mitigation;
- Limitation of concentration;
- Normative documentation of Credit Risk management and Internal Control system for the activity.

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

Market risk

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

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

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

Foreign currency risk

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

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

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

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

Operational Risk

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

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

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. The goal of the Interest rate risk policy is to define the Group and Bank's interest risk identification, limitation and control practices. In order to minimize interest rate risks according to its assets and liabilities structure, the Group and Bank grants long-term loans and attracts long-term financing using floating interest rates (three or six month RIGIBOR or LIBOR). Interest rates of loans, included in Mortgage bonds cover register, are based upon 6 months RIGIBOR or 6 months LIBOR. To reduce the Interest rates risk the Group and Bank performs the following activities:

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

Liquidity risk

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

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

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

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

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

Residual risk

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

Trading portfolio management policy

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

Investment policy

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

The policy of interest conflict situation management

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

Client policy

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

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

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

BASEL II

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

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

Sensitivity analysis

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

Effect in thousands of LVL

	Group	Bank
31.12.2007		
USD	(11)	(11)
EUR	(13)	(13)
RUB	9	9
GBP	1	1
31.12.2006		
USD	60	31
EUR	(105)	(21)
RUB	(4)	(4)
GBP	20	1

Cash flow sensitivity analysis

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

	Profit and loss		**Equity**	
	100 bps increase	100 bps decrease	100 bps decrease	100 bps increase
31.12.2007				
Bank	54	(54)	-	-
Group	94	(94)	-	-
31.12.2006				
Bank	34	(34)	-	-
Group	34	(34)	-	-

New standards and interpretations not yet effective

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

- IFRS 8 Operating Segments requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Bank and Group has not yet determined the potential effect of the Standard.

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. The Bank and Group has not yet determined the potential effect of the Interpretation.

- IFRS 2 Share-based Payment – the revised Standard will clarify the definition of vesting conditions and non-vesting conditions. The Bank and Group has not yet determined the potential effect of the Standard.

- IFRIC 12 Service Concession Arrangements provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's and Bank's operations as the Group and Bank has not entered into any service concession arrangements.

- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 is not relevant to the Group's and Bank's operations as the Group and Bank does not have such customer loyalty programmes.

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Revised IAS 23 is not relevant to the Bank's operations as the Bank has not entered into any acquisition, construction or production, for which specific borrowing would be attracted.

- IFRIC 14 IAS 19 – The limit on a defined Benefit Asset, Minimum funding Requirements and their interaction clarifies when refunds or reductions in future contributions in relation to defined assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. IFRIC 14 is not relevant to the Bank's operations as the Bank has not entered into long term employee benefit plans.

- IFRS 3 Business Combinations – has been amended and the definition of a business has been expanded, while introducing also other significant changes to the standard for accounting of business combinations. The Bank and Group has not yet determined the potential effect of the Standard.

- IAS 1 Presentation of Financial Statements – revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The Bank is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.

- IAS 27 Consolidated and Separate Financial Statements – in the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The Bank and Group has not yet determined the potential effect of the Standard.

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3. CASH AND DUE FROM THE CENTRAL BANK

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Cash	12,618	12,618	10,949	10,949
Correspondent account in the Bank of Latvia	24,358	24,358	37,271	37,271
Total	**36,976**	**36,976**	**48,220**	**48,220**

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

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

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

As of 31 December 2007 and 2006 the compulsory reserve of the Bank was 25,438 thousand EUR and 22,534 thousand EUR, respectively.

4. INVESTMENTS IN FINANCIAL ASSETS

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Held for trading financial assets	2,142	2,808	3,765	4,293
Available-for-sale financial assets	6,081	6,081	21,006	21,006
Held-to-maturity financial assets	2,785	2,785	8,442	8,442
	11,008	**11,674**	**33,213**	**33,741**

Financial instruments by listing:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Held for trading financial assets				
Quoted securities	1,768	205	3,617	1,931
Non-quoted securities	-	2,229	-	2,214
Non-quoted derivatives (Note 7)	374	374	148	148
Total	**2,142**	**2,808**	**3,765**	**4,293**
Available-for-sale financial assets				
Quoted securities	6,081	6,081	20,915	20,915
Non-quoted securities	-	-	91	91
Total	**6,081**	**6,081**	**21,006**	**21,006**
Held-to-maturity investments				
Quoted securities	2,785	2,785	8,442	8,442
Total	**2,785**	**2,785**	**8,442**	**8,442**
Total	**11,008**	**11,674**	**33,213**	**33,741**

Financial instruments by type:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Fixed income government securities	9,133	8,865	15,800	15,506
Credit institution fixed-income securities	457	-	10,697	9,996
Private companies fixed-income securities	633	120	6,185	5,770
Total bonds and other fixed-income securities	**10,223**	**8,985**	**32,682**	**31,272**
Shares and other fixed non - income securities	411	2,315	383	2,321
Derivatives	374	374	148	148
Total	**11,008**	**11,674**	**33,213**	**33,741**

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

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

	31.12.2007	31.12.2007	31.12.2006	31.12.2006
	Group	**Bank**	**Group**	**Bank**
Latvia	9,042	8,866	16,382	16,122
OECD countries	154	-	1,202	1,039
Other countries	1,027	120	15,098	14,111
Total	**10,223**	**8,986**	**32,682**	**31,272**

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

	31.12.2007	31.12.2007	31.12.2006	31.12.2006
	Group	**Bank**	**Group**	**Bank**
Latvia	10	2,230	13	2,213
OECD countries	85	85	90	90
Other countries	316	-	280	18
Total	**411**	**2,315**	**383**	**2,321**

5. DUE FROM CREDIT INSTITUTIONS

Due from credit institution is comprised as follows:

	31.12.2007	31.12.2007	31.12.2006	31.12.2006
	Group	**Bank**	**Group**	**Bank**
Demand				
Credit institutions of OECD countries	19,449	19,449	41,497	41,497
Latvian credit institutions	16,072	16,072	17,673	17,673
Credit institutions non-OECD countries	906	906	4,586	4,586
Total	**36,427**	**36,427**	**63,756**	**63,756**
Term				
Bank of Latvia	-	-	28,457	28,457
Credit institutions of OECD countries	-	-	1,964	1,964
Credit institutions non-OECD countries	-	-	1,948	1,948
Latvian credit institutions	42,757	42,734	1,764	1,744
Total	**42,757**	**42,734**	**34,133**	**34,113**
Total demand and term	**79,184**	**79,161**	**97,889**	**97,869**

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

As of 31 December 2007 within due from banks 3,517 thousand EUR are used as a collateral against client issued guarantees and letters of credit , as of 31 December 2006 – 4,909 thousand EUR.

6. LOANS

Loans by groups are comprised as follows:

	31.12.2007	**31.12.2007**	**31.12.2006**	**31.12.2006**
	Group	**Bank**	**Group**	**Bank**
General government	1,071	1,071	-	-
Financial agencies	4,268	4,268	-	-
Private companies	145,897	145,897	86,748	86,748
Loans to private individuals	90,051	90,051	63,530	63,530
State companies and municipalities	12,857	12,857	12,272	12,272
Gross loans	**254,144**	**254,144**	**162,550**	**162,550**
Allowances for loan losses (Note 23)	*(2,355)*	*(2,355)*	*(1,405)*	*(1,405)*
Total	**251,789**	**251,789**	**161,145**	**161,145**

In 2007, the Bank's average interest rate for loans granted was 8.06%, in 2006 was 7.29%.
Loans issued by type:

	31.12.2007	**31.12.2007**	**31.12.2006**	**31.12.2006**
	Group	**Bank**	**Group**	**Bank**
Mortgage loans	84,011	84,011	52,916	52,916
Commercial loans	67,013	67,013	40,012	40,012
Industrial loans	59,809	59,809	35,272	35,272
Finance lease	18,494	18,494	11,942	11,942
Consumer loans	5,459	5,459	4,138	4,138
Credits for credit cards	801	801	534	534
Loans backed by claim rights (*factoring*)	131	131	92	92
Other	18,426	18,426	17,644	17,644
Gross loans	**254,144**	**254,144**	**162,550**	**162,550**
Allowances for loan losses (Note 23)	*(2,355)*	*(2,355)*	*(1,405)*	*(1,405)*
Total	**251,789**	**251,789**	**161,145**	**161,145**

Loans by industry are comprised as follows:

	31.12.2007	31.12.2007	31.12.2006	31.12.2006
	Group	Bank	Group	Bank
Industry				
Manufacturing industry	35,283	35,283	24,791	24,791
Trade	14,153	14,153	13,328	13,328
Real estate, renting and other business activities	24,944	24,944	13,021	13,021
Agriculture and forestry	19,076	19,076	11,598	11,598
Transport, storage and communications	13,271	13,271	8,220	8,220
Other community, social and personal service activities	7,433	7,433	7,407	7,407
Construction	15,936	15,936	6,953	6,953
Electricity, gas and water supply	12,867	12,867	5,919	5,919
Hotels and restaurants	5,965	5,965	4,959	4,959
Fishing	2,339	2,339	2,561	2,561
Financial intermediation	8,826	8,826	139	139
Mining and quarrying	1,807	1,807	14	14
Other services	2,193	2,193	110	110
Total	**164,093**	**164,093**	**99,020**	**99,020**
Loans to private individuals	90,051	90,051	63,530	63,530
Gross loans	**254,144**	**254,144**	**162,550**	**162,550**
Allowances for loan losses (Note 23)	*(2,355)*	*(2,355)*	*(1,405)*	*(1,405)*
Total	**251,789**	**251,789**	**161,145**	**161,145**

Group's loans issued by country of customers:

Country	Amount of loans		Allowance		Net value of loans	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Latvia	251,891	160,962	(2,345)	(1,406)	249,546	159,556
OECD countries	1,154	81	(1)	-	1,153	81
Other countries	1,099	1,508	(9)	-	1,090	1,508
Total	**254,144**	**162,551**	**(2,355)**	**(1,406)**	**251,789**	**161,145**

Bank's loans issued by country of customers:

Country	Amount of loans		Allowance		Net value of loans	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
Latvia	251,891	160,962	(2,345)	(1,406)	249,546	159,556
OECD countries	1,154	81	(1)	-	1,153	81
Other countries	1,099	1,508	(9)	-	1,090	1,508
Total	**254,144**	**162,551**	**(2,355)**	**(1,406)**	**251,789**	**161,145**

Loans by classification and grouped:

	31.12.2007 Group	**31.12.2007 Bank**	**31.12.2006 Group**	**31.12.2006 Bank**
Loans assessed on individual basis	**17,049**	**17,049**	**5,715**	**5,715**
Standard	13,884	13,884	3,592	3,592
Watch-list	1,665	1,665	938	938
Substandard	17	17	28	28
Doubtful	231	231	147	147
Lost	1,252	1,252	1,010	1,010
Allowances	(2,012)	(2,012)	(1,303)	(1,303)
Net loans assessed on individual basis	**15,037**	**15,037**	**4,412**	**4,412**
Assessed grouped loans	**237,095**	**237,095**	**156,836**	**156,836**
Allowances	(343)	(343)	(103)	(103)
Net assessed grouped loans	**236,752**	**236,752**	**156,733**	**156,733**
Net loans, Total	**251,789**	**251,789**	**161,145**	**161,145**

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

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Loans to legal persons with collateral				
Loans with no impairment allowance:	141,487	141,487	83,810	83,810
Loans without delinquency	*137,457*	*137,457*	*83,123*	*83,123*
Loans with delinquency	*4,030*	*4,030*	*687*	*687*
Loans with an impairment allowance	4,442	4,442	3,778	3,778
Loans without delinquency	*2,269*	*2,269*	-	-
Loans with delinquency	*2,173*	*2,173*	*3,778*	*3,778*
Impairment allowance	(1,138)	(1,138)	(918)	(918)
Net loans to legal persons with collateral	**144,791**	**144,791**	**86,670**	**86,670**
Financial lease				
Loans with no impairment allowance:	18,234	18,234	11,647	11,647
Loans without delinquency	*17,220*	*17,220*	*10,938*	*10,938*
Loans with delinquency	*1,014*	*1,014*	*709*	*709*
Loans with an impairment allowance	249	249	418	418
Loans without delinquency	*26*	*26*	*30*	*30*
Loans with delinquency	*223*	*223*	*388*	*388*
Impairment allowance	(160)	(160)	(141)	(141)
Total financial lease	**18,323**	**18,323**	**11,924**	**11,924**
Mortgage loans				
Loans with no impairment allowance:	64,972	64,972	42,282	42,282
Loans without delinquency	*58,763*	*58,763*	*40,032*	*40,032*
Loans with delinquency	*6,209*	*6,209*	*2,250*	*2,250*
Loans with an impairment allowance	4,464	4,464	1,123	1,123
Loans without delinquency	*931*	*931*	*43*	*43*
Loans with delinquency	*3,533*	*3,533*	*1,080*	*1,080*
Impairment allowance	(415)	(415)	(48)	(48)
Total mortgage loans	**69,021**	**69,021**	**43,357**	**43,357**
Loans to private persons with other collateral				
Loans with no impairment allowance:	12,453	12,453	14,425	14,425
Loans without delinquency	*12,180*	*12,180*	*14,297*	*14,297*
Loans with delinquency	*273*	*273*	*128*	*128*
Loans with an impairment allowance	84	84	64	64
Loans without delinquency	*7*	*7*	*10*	*10*
Loans with delinquency	*77*	*77*	*54*	*54*
Impairment allowance	(33)	(33)	(13)	(13)
Total loans to private persons with other collateral	**12,504**	**12,504**	**14,476**	**14,476**

Card, overdraft and consumer loans without collateral				
Loans with no impairment allowance:	7,144	7,144	4,674	4,674
Loans without delinquency	*6,633*	*6,633*	*4,452*	*4,452*
Loans with delinquency	*511*	*511*	*222*	*222*
Loans with an impairment allowance	615	615	330	330
Loans without delinquency	*9*	*9*	*6*	*6*
Loans with delinquency	*606*	*606*	*324*	*324*
Impairment allowance	(609)	(609)	(286)	(286)
Total card, overdraft and consumer loans without collateral	**7,150**	**7,150**	**4,718**	**4,718**
Total	**251,789**	**251,789**	**161,145**	**161,145**

Loans quality by delinquency periods:

	31.12.2007	**31.12.2007**	**31.12.2006**	**31.12.2006**
	Group	**Bank**	**Group**	**Bank**
Loans with no impairment allowance	**244,290**	**244,290**	**156,838**	**156,838**
Loans without delinquency	232,253	232,253	152,842	152,842
Delinquent loans	12,037	12,037	3,996	3,996
Delinquent up to 30 days	*5,709*	*5,709*	*1,712*	*1,712*
Delinquent 30-60 days	*3,376*	*3,376*	*802*	*802*
Delinquent 60-90 days	*977*	*977*	*403*	*403*
Delinquent over 90 days	*1,975*	*1,975*	*1,079*	*1,079*
Loans with an impairment allowance	**9,854**	**9,854**	**5,713**	**5,713**
Loans without delinquency	3,242	3,242	88	88
Delinquent loans	6,612	6,612	5,625	5,625
Delinquent up to 30 days	***33***	***33***	***2,410***	***2,410***
Delinquent 30-60 days	*995*	*995*	*453*	*453*
Delinquent 60-90 days	***842***	***842***	***306***	***306***
Delinquent over 90 days	*4,742*	*4,742*	*2,456*	*2,456*
Loans, total	**254,144**	**254,144**	**162,551**	**162,551**
Impairment allowance	*(2,355)*	*(2,355)*	(1,406)	(1,406)
Net loans, total	**251,789**	**251,789**	**161,145**	**161,145**

7. DERIVATIVE ASSETS AND LIABILITIES

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

	31.12.2007 Assets	31.12.2007 Liabilities	31.12.2006 Assets	31.12.2006 Liabilities
Foreign currency interchange deals (swap)				
Notional value	104,207	(104,312)	44,534	(44,428)
Fair value	**374**	**(479)**	**148**	**(41)**

8. INVESTMENTS IN SUBSIDIARIES

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

Name of company	Country of incorporation	Type of activity	Carrying value	Allowance	Net value	Investment, %
IS "BTB Asset management"	Latvia	Financial services	213	-	213	100
Non-profit JSC "Baltic Trust Bank Atklātais pensiju fonds"	Latvia	Financial services	142	(72)	70	100
Total			**355**	**(72)**	**283**	

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

Name of company	Country of incorporation	Type of activity	Carrying value	Allowance	Net value	Investment, %
IS "BTB Asset management"	Latvia	Financial services	213	-	213	100
Non-profit JSC "Baltic Trust Bank Atklātais pensiju fonds"	Latvia	Financial services	78	(72)	6	100
Total			**291**	**(72)**	**219**	

9. PROPERTY, PLANTS AND EQUIPMENT AND INTANGIBLE ASSETS

Group's property, plant, equipment and intangible assets

	Land and buildings	Leasehold improve-ments	Vehicles	Office equipment	Other land and buildings	Intangible assets	Total
Historical cost							
As of 31.12.2005	**3,855**	**1,988**	**602**	**7,050**	**232**	**3,241**	**16,968**
Purchases	361	194	144	1,713	-	171	2,583
Revaluation	2,326	-	-	-	-	-	2,326
Disposals	(425)	(483)	(290)	(1,819)	(40)	(300)	(3,357)
As of 31.12.2006	**6,117**	**1,699**	**456**	**6,944**	**192**	**3,112**	**18,520**
Purchases	162	17	47	1,867		292	2,385
Disposals		(11)	(20)	(2,143)	(23)		(2,197)
As of 31.12.2007	**6,279**	**1,705**	**483**	**6,668**	**169**	**3,404**	**18,708**
Accumulated depreciation							
As of **31.12.2005**	**402**	**598**	**437**	**3,913**	-	**1,343**	**6,693**
Charge for the year	84	198	63	1,310	-	511	2,166
Depreciation on disposals	(391)	(197)	(274)	(1,478)	-	-	(2,340)
As of 31.12.2006	**95**	**599**	**226**	**3,745**		**1,854**	**6,519**
Charge for the year	97	129	70	1,050		461	1,807
Depreciation on disposals		(11)	(16)	(2,101)			(2,128)
As of 31.12.2007	**192**	**717**	**280**	**2,694**		**2,315**	**6,198**
Net book value							
As of 31.12.2005	**3,453**	**1,390**	**165**	**3,137**	**232**	**1,898**	**10,275**
As of 31.12.2006	**6,022**	**1,100**	**230**	**3,199**	**192**	**1,258**	**12,001**
As of 31.12.2007	**6,087**	**988**	**203**	**3,974**	**169**	**1,089**	**12,510**

Bank's property, plant, equipment and intangible assets

	Land and buildings	Leasehold improve-ments	Vehicles	Office equipment	Other land and buildings	Intangible assets	Total
Historical cost							
As of 31.12.2005	**3,855**	**1,988**	**602**	**7,038**	**232**	**2,935**	**16,650**
Purchases	361	194	144	1,713	-	171	2,583
Revaluation	2,326	-	-	-	-	-	2,326
Disposals	(425)	(483)	(290)	(1,807)	(40)	-	(3,045)
As of 31.12.2006	**6,117**	**1,699**	**456**	**6,944**	**192**	**3,106**	**18,514**
Purchases	162	17	47	1,867		292	2,385
Disposals		(11)	(20)	(2,143)	(23)		(2,197)
As of 31.12.2007	**6,279**	**1,705**	**483**	**6,668**	**169**	**3,398**	**18,702**
Accumulated depreciation							
As of 31.12.2005	**402**	**598**	**437**	**3,913**	-	**1,343**	**6,693**
Charge for the year	84	198	63	1,310	-	511	2,166
Depreciation on disposals	(391)	(197)	(274)	(1,478)	-	-	(2,340)
As of 31.12.2006	**95**	**599**	**226**	**3,745**		**1,851**	**6,516**
Charge for the year	97	129	70	1,050		461	1,807
Depreciation on disposals		(11)	(16)	(2,101)			(2,128)
As of 31.12.2007	**192**	**717**	**280**	**2,694**		**2,312**	**6,195**

Net book value							
As of 31.12.2005	3,453	1,390	165	3,125	232	1,592	9,957
As of 31.12.2006	6,022	1,100	230	3,199	192	1,255	11,998
As of 31.12.2007	6,087	988	203	3,974	169	1,086	12,507

	Group		Bank	
Depreciation, amortisation and loss on of intangible and fixed assets	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
Amortisation of intangible and depreciation of property, plant and equipment	1,807	2,164	1,807	2,164
Loss on disposal of property, plants, and equipment	47	111	46	110
Total	**1,854**	**2,275**	**1,853**	**2,274**

Fully depreciated property, plant and equipment and intangible assets have a historical cost as of 31.12.2007 of 1,500 thousand EUR (31.12.2006 of 2,194 thousand EUR).

In September 2006 the Bank revalued assets under "land and buildings". As a result the Bank has recognised 2,326 thousand EUR revaluation adjustment. Property, plant and equipment revaluation was not performed in the year 2007.

10. OTHER ASSETS

Other assets are as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Money in transit	1,750	1,750	1,279	1,279
Accounts receivables	55	55	131	131
Traveller checks	2	2	70	70
Foreign currency exchange (spot) contracts	10	10	20	20
Corporate income tax receivable	737	737	-	-
Other assets	232	232	177	177
Total	**2,786**	**2,786**	**1,677**	**1,677**

11. DUE TO CREDIT INSTITUTIONS

Due to credit institutions are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Latvian credit institution	619	619	16,795	16,795
Residents of OECD countries	-	-	15,898	15,898
World Bank's transit funds	713	713	787	787
Residents of non-OECD countries	101	101	117	117
Total	**1,433**	**1,433**	**33,597**	**33,597**

12. DEPOSITS

Due to clients are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Latvian residents	194,897	195,600	185,356	185,732
Residents of OECD countries	113,410	113,410	34,307	34,307
Residents of non-OECD countries	21,633	21,633	28,083	28,083
Total	**329,940**	**330,643**	**247,746**	**248,122**

Demand and term deposits are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Demand deposits				
Private companies	73,429	73,429	99,055	99,055
Individuals	55,044	55,044	45,072	45,072
Central governments	2,188	2,188	14	14
Local governments	17,530	17,530	15,136	15,136
State companies	8,665	8,665	5,632	5,632
Financial agencies	1,914	2,427	1,013	1,255
Other	1,387	1,387	1,096	1,096
Total demand deposits	**160,157**	**160,670**	**167,018**	**167,260**
Term deposits				
Individuals	54,411	54,411	68,496	68,496
Private companies	12,335	12,335	9,432	9,432
Local governments	673	673	716	716
State companies	-	-	114	114
Financial agencies	102,347	102,537	1,733	1,867
Other	17	17	237	237
Total term deposits	**169,783**	**169,973**	**80,728**	**80,862**
Total demand and term deposits	**329,940**	**330,643**	**247,746**	**248,122**

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

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

13. DEBT SECURITIES

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

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

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

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

In year 2007 Bank did not perform any mortgage bond emissions. (During 2006, the Bank issued mortgage bonds for the amount of 5,000 thousand EUR.

In year 2007 Bank performed mortgage bonds early repayment for an amounts of 3 million LVL, 3 million USD and 3 million EUR, as well as repaid mortgage bonds for 3 million LVL at maturity.

Total amount of the debt securities issued by the Bank as at 31 December 2007 consist of mortgage bonds in circulation for total nominal value (excluding accrued interest) of 7,066 thousand EUR (as of 31 December 2006: 21,113 thousand EUR).

(a) Mortgage bonds in circulation

ISIN	Issue	Amount	Nominal value	Registered volume	Coupon rate	Maturity date	Amount in circulation	2006 Carrying value	2005 Carrying value
LV0000800233	3YR LVL	30,000	100	3,000 LVL	-	-	-	-	4,269
LV0000800225	5YR USD	30,000	100	3,000 USD	6,625%*	01.12.2009	2,066	2,066	2,288
LV0000800282	BTB 2,5YR LVL A02	30,000	100	3,000 LVL	-	-	-	-	4,269
LV0000800290	BTB 5YR EUR C01	30,000	100	3,000 EUR	-	-	-	-	2,999
LV0000800308	BTB 5YR USD B02	30,000	100	3,000 USD	-	-	-	-	2,288
LV0000800373	BTB 5YR EUR C02	50,000	100	5,000 EUR	4.75%**	01.10.2011	5,000	5,000	5,000
Accrued expenses								81	284
Total								**7,147**	**21,397**

* floating coupon interest rate (6 month USD LIBOR plus 1,25%), which is changed five business days before the 1 June and the 1 December.
** floating coupon interest rate (6 month EUR LIBOR plus 0,80%), which is changed five business days before the 01 April and the 01 October.

(b) Structure of mortgage bonds coverage

Mortgage bonds in circulation are secured by assets included in the Mortgage Bond Cover Register which as of 31 December 2007 amounted to 8,883 thousand EUR (as of 31 December 2006 - 25,370 thousand EUR). Assets included in the Mortgage Bond Cover Register consisted of mortgage loans amounting to 8,883 thousand EUR (as of 31 December 2006 mortgage loans amounting to 21,979 thousand EUR and loans secured by Latvian local government guarantees amounting to 3,391 thousand EUR). All transactions with the bonds are administered by the Riga Stock Exchange, and the bonds are filed in the exchange.

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

Mortgage bonds collateral adequacy calculation

Date	Issue	Mortgage bonds Collateral Register adequacy at the previous payment date	Mortgage pledges		Mortgage bonds in turnover			Mortgage bonds collateral adequacy
			Principal payments	Interest payments	Amortization payments	Coupon payments	Substitute collateral	(01+02+03-04-05+06)
A	B	1	2	3	4	5	6	7
31.12.2006	5YR USD	2,291	1,014	131	-	141	-	3,295
31.12.2006	BTB 5YR EUR C01	58	100	343	-	225	-	276
Total		**2,349**	**1,114**	**474**	**-**	**366**	**-**	**3,571**

14. OTHER LIABILITIES

Other liabilities are as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Money in transit	95	95	102	102
Foreign currency exchange (spot) contracts	47	47	40	40
Other short-term liabilities	623	623	1,065	1,065
Total	**765**	**765**	**1,207**	**1,207**

15. SUBORDINATED DEBT

As at 31 December 2007 the total book value of issued subordinated bonds was 3,290 thousand EUR (2006 - 3,231 thousand EUR). Subordinated bonds are recognized at their amortized cost and mature on 10th January 2011. Subordinated bonds have floating coupon interest rate – 6 months LVL RIGIBOR plus 2.00%, which on the 31st December 2007 was 10,125% (as at 31 December 2006 – 6.25%) These bonds are listed at Riga Stock exchange. Subordinated debt reported by the Group excludes debt held by related parties of 171 thousand EUR (2006 – 168 thousand EUR).

16. TAX LIABILITIES

Tax liabilities are as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Deferred tax liabilities	985	985	921	921
Income tax	-	-	547	547
Total	**985**	**985**	**1,468**	**1,468**

Deferred tax liabilities

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Deferred tax liabilities:				
temporary difference due to accelerated tax depreciation	985	985	991	991
Allowance	-	-	(70)	(70)
Net deferred tax liabilities	**985**	**985**	**921**	**921**
Deferred tax liabilities at the beginning of the year	921	921	544	544
Deferred tax charged to profit or loss	64	64	27	27
Deferred tax charged to revaluation reserve	-	-	350	350
Deferred tax liabilities at the end the year	**985**	**985**	**921**	**921**

17. SHARE CAPITAL

Issued share capital is as follows:

Shares	**Par value per share (EUR)**	**31.12.2007**	**31.12.2006**
Ordinary shares	71	22,198	22,198
Total		**22,198**	**22,198**

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

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

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

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

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

K.Krauze– 1 share;

The main shareholder is the following:

31.12.2007

Name	**Number of shares**	**Total amount**	**Investment in share capital, %**
SIA "Finstar Baltic Investments"	311,210	22,140	99,74
Total	**311,210**	**22,140**	**99.74**

31.12.2006

Name	**Number of shares**	**Total amount**	**Investment in share capital, %**
SIA "Finstar Baltic Investments"	305,977	21,767	98,06
Total	**305,977**	**21,767**	**98,06**

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

18. OFF-BALANCE SHEET ITEMS

Off-balance sheet items are follows:

	31.12.2006	**31.12.2006**	**31.12.2006**	**31.12.2006**
	Group	**Bank**	**Group**	**Bank**
Issued guarantees	6,234	6,234	6,767	6,767
Total issued guarantees	6,234	6,234	6,767	6,767
Other commitments				
Unused credit lines	10,243	10,243	15,374	15,374
Letters of credit	66	66	141	141
Total other commitments	**10,309**	**10,309**	**15,515**	**15,515**
Total off-balance sheet items	**16,543**	**16,543**	**22,282**	**22,282**

Commitments to extend credit, from guarantees and letters of credit

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

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

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

19. INTEREST INCOME AND EXPENSE

Interest income is comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Interest income from loans	17,094	17,094	11,741	11,741
Interest income from interbank loans	5,519	5,519	4,176	4,176
Interest income from bonds	773	773	1,616	1,616
Held to trading financial assets	*320*	*320*	*651*	*651*
Available-for-sale financial assets	*212*	*212*	*521*	*521*
Held-to-maturity investments	*241*	*241*	*444*	*444*
Total	**23,386**	**23,386**	**17,533**	**17,533**

Interest expenses is comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Amortised cost of interest expenses	8,571	8,578	5,874	5,879
Interest expenses on deposits	*6,228*	*6,235*	*3,736*	*3,741*
Interest expenses on deposits of credit institutions	*1,014*	*1,014*	*985*	*985*
Interest expenses on debt securities	*1,064*	*1,064*	*884*	*884*
Interest expenses on subordinated debt	*265*	*265*	*269*	*269*
Expenses to guarantee fund	431	431	442	442
Total	**9,002**	**9,009**	**6,316**	**6,321**

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

20. COMMISSIONS AND FEE INCOME AND EXPENSE

Commissions and fee income are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Commissions from opening and servicing customers' accounts	4,219	4,152	5,114	5,087
Commissions from payment cards	1,376	1,376	1,350	1,350
Commissions from loan account servicing	168	168	133	133
Commissions for settlement of utilities payments	839	839	630	630
Commissions from cash withdrawal	391	391	420	420
Commissions from guaranties	97	97	114	114
Other commissions	128	128	188	186
Total	**7,218**	**7,151**	**7,949**	**7,920**

Expenses are following:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Expenses from operations with payment cards	868	868	652	652
Expenses for services of correspondent banks	525	525	593	593
Commission expense for other services	91	88	179	179
Total	**1,484**	**1,481**	**1,424**	**1,424**

21. OTHER OPERATING INCOME AND EXPENSES

Other income is comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Income from encashment services	552	552	492	492
Penalties, contractual penalties and delay charges received	514	514	367	367
Income from non-current assets held for sale and rental income	107	107	127	127
Income from other assets sale	-	-	-	-
Other income	14	14	188	188
Total	**1,187**	**1,187**	**1,174**	**1,174**

Other expenses are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Expenses for credit cards production	105	105	87	87
Other expenses related to customer services	22	22	64	64
Net result on disposal of subsidiaries	-	-	48	-
Other expenses	198	198	80	80
Total	**325**	**325**	**279**	**231**

22. ADMINISTRATIVE EXPENSES

Administrative expenses are comprised as follows:

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Salaries, bonuses and allowances	6,729	6,675	5,366	5,313
Remuneration to the Supervisory Council and Management Board	405	405	4,492*	4,492*
Total salaries, bonuses and allowances	**7,134**	**7,080**	**9,858**	**9,805**
Social tax	1,537	1,524	1,172	1,161
Rental expenses	1,019	1,019	820	820
Post, telegraph and other communication expenses related to customer servicing	824	824	751	751
Maintenance and rent of vehicles	533	533	484	484
Advertisement expenses	186	186	394	394
Software maintenance	367	367	378	378
Expenses for utility services	332	332	280	280
Repairs of buildings and equipment	469	469	239	239
Security expenses	245	245	209	209
Office expenses	231	231	196	196
Legal expenses	168	168	157	157
Professional services	107	91	167	162
Business trips expenses	94	94	71	71
Representation expenses	74	74	71	71
Training of personnel	126	125	63	63
Real estate tax and other taxes	55	55	58	58
Insurance expenses	73	73	53	53
Purchase of low cost inventory	27	27	23	23
Management and consultation fees	2,620	2,620	-	-
Other administrative expenses	532	527	272	263
Total	**16,753**	**16,664**	**15,716**	**15,638**

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

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

23. ALLOWANCE FOR DOUBTFUL LOANS AND OTHER ASSETS

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

Impairment Allowance

	Group	Bank
Balance as of 31 December 2005	**1,599**	**1,625**
Additional allowance	677	727
Decrease of allowance	(674)	(674)
written-off	*(470)*	*(470)*
decrease in allowance	*(204)*	*(204)*
Exchange rate differences	(72)	(76)
Balance as of 31 December 2006	**1,530**	**1,602**
Additional allowance	1,218	1,218
Decrease of allowance	(252)	(252)
written-off	*(20)*	*(20)*
decrease in allowance	*(232)*	*(232)*
Exchange rate differences	(36)	(36)
Balance as of 31 December 2007	**2,460**	**2,533**

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

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Loans (Note 6)	2,355	2,355	1,406	1,405
Other assets	105	105	107	107
Investments in subsidiaries	-	73	-	73
Due from credit institutions	-	-	17	17
Total	**2,460**	**2,533**	**1,530**	**1,602**

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

24 CORPORATE INCOME TAX

	31.12.2007 Group	31.12.2007 Bank	31.12.2006 Group	31.12.2006 Bank
Deferred tax charge	64	64	27	27
Corporate income tax for 2007	732	732	1,225	1,225
Under provided corporate income tax for 2006	78	78	-	-
Total	**874**	**874**	**1,252**	**1,252**

	31.12.2007	31.12.2007	31.12.2006	31.12.2006
	Group	**Bank**	**Group**	**Bank**
Profit before tax	5,031	5,050	5,266	5,310
Expected tax charge, applying current tax rate of (average 15%)	755	758	790	797
Tax effect of:				
Prior year correction	78	78		
Non-deductible expenses	41	41	462	455
Corporate income tax charge	**874**	**874**	**1,252**	**1,252**

The Bank has paid the following taxes:

	31.12.2007	**31.12.2006**
Social security payments	2,086	1,609
Personal income tax	2,254	1,390
Corporate income tax	2,094	709
Value added tax	349	389
Real estate tax	55	58
Income tax from non-residents	9	30
Total	**6,847**	**4,185**

25. MATURITY STRUCTURE OF ASSETS AND LIABILITIES

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

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
ASSETS							
Cash and demand deposits with central banks	36,976	-	-	-	-	-	36,976
Due from credit institutions and central banks	61,413	14,254	-	-	3,517	-	79,184
Loans and receivables	4,968	16,690	20,082	38,921	170,078	1,050	251,789
Held for trading financial assets	2,023	33	1	-	85	-	2,142
Available-for-sale financial assets	6,061	-	20	-	-	-	6,081
Held-to-maturity investments	-	-	-	97	2,688	-	2,785
Intangible assets	-	-	-	-	1,089	-	1,089
Property, plant and equipment	-	-	-	-	11,421	-	11,421
Deferred expenses and accrued income	44	3	-	-	-	282	329
Other assets	2,049	-	-	737	-	-	2,786
Total assets	**113,534**	**30,980**	**20,103**	**39,755**	**188,878**	**1,332**	**394,582**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS							
Balances due to credit institutions	720	-	47	43	623	-	1,433
Financial liabilities at fair value trough profit or loss	479	-	-	-	-	-	479
Financial liabilities at amortised cost	181,013	10,176	18,642	14,176	116,199	-	340,206
Deferred income and accrued expenses	1,579	60	67	100	-	-	1,806
Tax liabilities	-	-	-	-	985	-	985
Other liabilities	765	-	-	-	-	-	765
Capital and reserves	-	-	-	-	48,908	-	48,908
Total liabilities and equity	**184,556**	**10,236**	**18,756**	**14,319**	**166,715**	**-**	**394,582**
Off-balance sheet items (liabilities)	2,231	1,081	3,854	6,494	2,805	78	16,543
Guarantees	506	71	1,627	2,789	1,163	78	6,234
Other commitments	1,725	1,010	2,227	3,705	1,642	-	10,309
Total liabilities, equity and off-balance sheet items	**186,787**	**11,317**	**22,610**	**20,813**	**169,520**	**78**	**411,125**
Net position of liquidity	(73,253)	19,663	(2,507)	18,942	19,358	1,254	(16,543)

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

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
ASSETS							
Cash and demand deposits with central banks	48,220	-	-	-	-	-	**48,220**
Due from credit institutions and central banks	89,118	763	403	763	1,949	4,893	**97,889**
Loans and receivables	5,055	18,078	11,982	31,258	94,772	-	**161,145**
Held for trading financial assets	3,744	21	-	-	-	-	**3,765**
Available-for-sale financial assets	20,915	-	-	-	91	-	**21,006**
Held-to-maturity investments	-	-	5,756	-	2,686	-	**8,442**
Intangible assets	-	-	-	-	1,258	-	**1,258**
Property, plant and equipment	-	-	-	-	-	10,743	**10,743**
Deferred expenses and accrued income	85	-	142	-	-	-	**227**
Other assets	1,677	-	-	-	-	-	**1,677**
Total assets	**168,814**	**18,862**	**18,283**	**32,021**	**100,756**	**15,636**	**354,372**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS							
Balances due to credit institutions	16,912	-	40	40	16,605	-	33,597
Financial liabilities at fair value trough profit or loss	41	-	-	-	-	-	41
Financial liabilities at amortised cost	197,805	10,687	14,425	19,529	29,610	-	272,056
Deferred income and accrued expenses	1,088	9	-	-	-	-	1,097
Tax liabilities	-	-	-	-	1,468	-	1,468
Other liabilities	1,207	-	-	-	-	-	1,207
Capital and reserves	-	-	-	-	-	44,906	44,906
Total liabilities and equity	**217,053**	**10,696**	**14,465**	**19,569**	**47,683**	**44,906**	**354,372**
Off-balance sheet items (liabilities)	1,918	2,699	2,769	11,582	1,342	1,972	22,282
Guarantees	849	277	1,820	995	854	1,972	6,767
Other commitments	1,069	2,422	949	10,587	488	-	15,515
Total liabilities, equity and off-balance sheet items	**218,971**	**13,395**	**17,234**	**31,151**	**49,025**	**46,878**	**376,654**
Net position of liquidity	(50,157)	5,467	1,049	870	51,731	(31,242)	(22,282)

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

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
ASSETS							
Cash and demand deposits with central banks	36,976	-	-	-	-	-	36,976
Due from credit institutions and central banks	61,390	14,254	-	-	3,517	-	79,161
Loans and receivables	4,968	16,690	20,082	38,921	170,078	1,050	251,789
Held for trading financial assets	2,688	33	2	-	85	-	2,808
Available-for-sale financial assets	6,061	-	20	-	-	-	6,081
Held-to-maturity investments	-	-	-	97	2,688	-	2,785
Investments in subsidiaries	-	-	-	-	283	-	283
Intangible assets	-	-	-	-	1,086	-	1,086
Property, plant and equipment	-	-	-	-	11,421	-	11,421
Deferred expenses and accrued income	38	-	-	-	-	281	319
Other assets	2,049	-	-	737	-	-	2,786
Total assets	**114,170**	**30,977**	**20,104**	**39,755**	**189,158**	**1,331**	**395,495**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS							
Balances due to credit institutions	720	-	47	43	623	-	1,433
Financial liabilities at fair value trough profit or loss	479	-	-	-	-	-	479
Financial liabilities at amortised cost	181,715	10,177	18,642	14,176	116,370	-	341,080
Deferred income and accrued expenses	1,579	45	67	100	-	-	1,791
Tax liabilities	-	-	-	-	985	-	985
Other liabilities	765	-	-	-	-	-	765
Capital and reserves	-	-	-	-	48,962	-	48,962
Total liabilities and equity	**185,258**	**10,222**	**18,756**	**14,319**	**166,940**	**-**	**395,495**
Off-balance sheet items (liabilities)	2,232	1,081	3,853	6,494	2,805	78	16,543
Guarantees	507	71	1,626	2,789	1,163	78	6,234
Other commitments	1,725	1,010	2,227	3,705	1,642	-	10,309
Total liabilities, equity and off-balance sheet items	**187,490**	**11,303**	**22,609**	**20,813**	**169,745**	**78**	**412,038**
Net position of liquidity	(73,320)	19,674	(2,505)	18,942	19,413	1,253	(16,543)

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

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
ASSETS							
Cash and demand deposits with central banks	48,220	-	-	-	-	-	**48,220**
Due from credit institutions and central banks	89,099	763	403	762	1,949	4,893	**97,869**
Loans and receivables	5,055	18,078	11,982	31,258	94,772	-	**161,145**
Held for trading financial assets	4,272	21	-	-	-	-	**4,293**
Available-for-sale financial assets	20,915	-	-	-	91	-	**21,006**
Held-to-maturity investments	-	-	5,755	-	2,687	-	**8,442**
Investments in subsidiaries	-	-	-	-	219	-	**219**
Intangible assets	-	-	-	-	1,255	-	**1,255**
Property, plant and equipment	-	-	-	-	-	10,743	**10,743**
Deferred expenses and accrued income	82	-	142	-	-	-	**224**
Other assets	1,677	-	-	-	-	-	**1,677**
Total assets	**169,320**	**18,862**	**18,282**	**32,020**	**100,973**	**15,636**	**355,093**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS							
Balances due to credit institutions	16,912	-	40	40	16,605	-	33,597
Financial liabilities at fair value trough profit or loss	41	-	-	-	-	-	41
Financial liabilities at amortised cost	198,181	10,687	14,425	19,680	29,777	-	272,750
Deferred income and accrued expenses	1,089	-	-	-	-	-	1,089
Tax liabilities	-	-	-	-	1,468	-	1,468
Other liabilities	1,207	-	-	-	-	-	1,207
Capital and reserves	-	-	-	-	-	44,941	44,941
Total liabilities and equity	**217,430**	**10,687**	**14,465**	**19,720**	**47,850**	**44,941**	**355,093**
Off-balance sheet items (liabilities)	1,919	2,700	2,768	11,581	1,342	1,972	22,282
Guarantees	850	278	1,819	995	854	1,972	6,768
Other commitments	1,069	2,422	949	10,586	488	-	15,514
Total liabilities, equity and off-balance sheet items	**219,349**	**13,387**	**17,233**	**31,301**	**49,192**	**46,913**	**377,375**
Net position of liquidity	(50,029)	5,475	1,049	719	51,781	(31,277)	(22,282)

26. INTEREST RATE REPRICING

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

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest	Other	Total
ASSETS								
Cash and demand deposits with central banks	24,358	-	-	-	-	12,618	-	36,976
Due from credit institutions and central banks	79,184	-	-	-	-	-	-	79,184
Loans and receivables	3,853	133,989	93,366	4,705	11,698	4,178	-	251,789
Held for trading financial assets	-	-	-	-	2,142	-	-	2,142
Available-for-sale financial assets	-	-	-	-	6,081	-	-	6,081
Held-to-maturity investments	-	-	-	-	2,785	-	-	2,785
Intangible assets	-	-	-	-	-	1,089	-	1,089
Property, plant and equipment	-	-	-	-	-	11,421	-	11,421
Deferred expenses and accrued income	-	-	-	-	-	329	-	329
Other assets	-	-	-	-	-	2,786	-	2,786
Total assets	**107,395**	**133,989**	**93,366**	**4,705**	**22,706**	**32,421**	**-**	**394,582**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS								
Balances due to credit institutions	720	-	713	-	-	-	-	1,433
Financial liabilities at fair value trough profit or loss	479	-	-	-	-	-	-	479
Financial liabilities at amortised cost	181,012	10,177	129,397	14,176	5,444	-	-	340,206
Deferred income and accrued expenses	-	-	-	-	-	1,806	-	1,806
Tax liabilities	-	-	-	-	-	985	-	985
Other liabilities	-	-	-	-	-	765	-	765
Capital and reserves	-	-	-	-	-	-	48,908	48,908
Total liabilities and equity	**182,211**	**10,177**	**130,110**	**14,176**	**5,444**	**3,556**	**48,908**	**394,582**
Off-balance sheet items (liabilities)	1,725	1,010	7,574	-	-	6,234	-	16,543
Guarantees	-	-	-	-	-	*6,234*	-	*6,234*
Other future liabilities	*1,725*	*1,010*	*7,574*	-	-	-	-	*10,309*
Total liabilities, equity and off-balance sheet items	**183,936**	**11,187**	**137,684**	**14,176**	**5,444**	**9,790**	**48,908**	**411,125**
Interest rate repricing net position	(76,541)	122,802	(44,318)	(9,471)	17,262	22,631	(48,908)	(16,543)

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

tem	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 vear	Non-interest	Other	Total
ASSETS								
Cash and demand deposits with central banks	37,271	-	-	-	-	10,949	-	48,220
Due from credit institutions and central banks	90,989	4,721	381	1,707	-	91	-	97,889
Loans and receivables	2,918	72,033	66,240	17,762	1,318	874	-	161,145
Held for trading financial assets	-	-	1,626	-	272	1,867	-	3,765
Available-for-sale financial assets	-	744	2,023	766	17,086	387	-	21,006
Held-to-maturity investments	-	-	5,713	-	2,729	-	-	8,442
Intangible assets	-	-	-	-	-	1,258	-	1,258
Property, plant and equipment	-	-	-	-	-	10,743	-	10,743
Deferred expenses and accrued income	-	-	-	-	-	227	-	227
Other assets	-	-	-	-	-	1,677	-	1,677
Total assets	**131,178**	**77,498**	**75,983**	**20,235**	**21,405**	**28,073**	**-**	**354,372**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 vear	Non-interest	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS								
Balances due to credit institutions	17,015	15,795	40	40	707	-	-	33,597
Financial liabilities at fair value trough profit or loss	41	-	-	-	-	-	-	41
Financial liabilities at amortised cost	179,317	10,687	38,675	19,640	9,795	13,941	-	272,055
Deferred income and accrued expenses	-	-	-	-	-	1,097	-	1,097
Tax liabilities	-	-	-	-	-	1,468	-	1,468
Other liabilities	-	-	-	-	-	1,207	-	1,207
Capital and reserves	-	-	-	-	-	-	44,907	44,907
Total liabilities and equity	**196,373**	**26,482**	**38,715**	**19,680**	**10,502**	**17,713**	**44,907**	**354,372**
Off-balance sheet items (liabilities)	1,069	2,422	948	10,586	489	6,768	-	22,282
Guarantees	-	-	-	-	-	*6,768*	-	*6,768*
Other future liabilities	*1,069*	*2,422*	*948*	*10,586*	*489*	-	-	*15,514*
Total liabilities, equity and off-balance sheet items	**197,442**	**28,904**	**39,663**	**30,266**	**10,991**	**24,481**	**44,907**	**376,654**
Interest rate repricing net position	(66,264)	48,594	36,320	(10,031)	10,414	3,592	(44,907)	(22,282)

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

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest	Other	Total
ASSETS								
Cash and demand deposits with central banks	24,358	-	-	-	-	12,618	-	36,976
Due from credit institutions and central banks	79,161	-	-	-	-	-	-	79,161
Loans and receivables	3,854	133,989	93,366	4,705	11,697	4,178	-	251,789
Held for trading financial assets	-	-	-	-	2,808	-	-	2,808
Available-for-sale financial assets	-	-	-	-	6,081	-	-	6,081
Held-to-maturity investments	-	-	-	-	2,785	-	-	2,785
Investments in subsidiaries	-	-	-	-	-	283	-	283
Intangible assets	-	-	-	-	-	1,086	-	1,086
Property, plant and equipment	-	-	-	-	-	11,421	-	11,421
Deferred expenses and accrued income	-	-	-	-	-	319	-	319
Other assets	-	-	-	-	-	2,786	-	2,786
Total assets	**107,373**	**133,989**	**93,366**	**4,705**	**23,371**	**32,691**	**-**	**395,495**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS								
Balances due to credit institutions	720	-	713	-	-	-	-	1,433
Financial liabilities at fair value trough profit or loss	479	-	-	-	-	-	-	479
Financial liabilities at amortised cost	181,717	10,176	129,568	14,176	5,443	-	-	341,080
Deferred income and accrued expenses	-	-	-	-	-	1,791	-	1,791
Tax liabilities	-	-	-	-	-	985	-	985
Other liabilities	-	-	-	-	-	765	-	765
Capital and reserves	-	-	-	-	-	-	48,962	48,962
Total liabilities and equity	**182,916**	**10,176**	**130,281**	**14,176**	**5,443**	**3,541**	**48,962**	**395,495**
Off-balance sheet items (liabilities)	1,724	1,011	7,574	-	-	6,234	-	16,543
Guarantees	-	-	-	-	-	*6,234*	-	*6,234*
Other future liabilities	*1,724*	*1,011*	*7,574*	-	-	-	-	*10,309*
Total liabilities, equity and off-balance sheet items	**184,640**	**11,187**	**137,855**	**14,176**	**5,443**	**9,775**	**48,962**	**412,038**
Interest rate repricing net position	(77,267)	122,802	(44,489)	(9,471)	17,928	22,916	(48,962)	(16,543)

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

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest	Other	Total
ASSETS								
Cash and demand deposits with central banks	37,271	-	-	-	-	10,949	-	48,220
Due from credit institutions and central banks	90,988	4,721	381	1,708	-	71	-	97,869
Loans and receivables	2,918	72,033	66,240	17,762	1,318	874	-	161,145
Held for trading financial assets	-	-	1,626	-	272	2,395	-	4,293
Available-for-sale financial assets	-	744	2,023	766	17,086	387	-	21,006
Held-to-maturity investments	-	-	5,713	-	2,729	-	-	8,442
Investments in subsidiaries	-	-	-	-	-	219	-	219
Intangible assets	-	-	-	-	-	1,255	-	1,255
Property, plant and equipment	-	-	-	-	-	10,743	-	10,743
Deferred expenses and accrued income	-	-	-	-	-	224	-	224
Other assets	-	-	-	-	-	1,677	-	1,677
Total assets	**131,177**	**77,498**	**75,983**	**20,236**	**21,405**	**28,794**	**-**	**355,093**

Item	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-interest	Other	Total
LIABILITIES, EQUITY AND OFF – BALANCE SHEET ITEMS								
Balances due to credit institutions	17,015	15,795	40	40	707	-	-	33,597
Financial liabilities at fair value trough profit or loss	41	-	-	-	-	-	-	41
Financial liabilities at amortised cost	179,318	10,687	38,675	19,640	9,795	14,635	-	272,750
Deferred income and accrued expenses	-	-	-	-	-	1,089	-	1,089
Tax liabilities	-	-	-	-	-	1,468	-	1,468
Other liabilities	-	-	-	-	-	1,207	-	1,207
Capital and reserves	-	-	-	-	-	-	44,941	44,941
Total liabilities and equity	**196,374**	**26,482**	**38,715**	**19,680**	**10,502**	**18,399**	**44,941**	**355,093**
Off-balance sheet items (liabilities)	1,069	2,422	949	10,587	488	6,767	-	22,282
Guarantees	-	-	-	-	-	*6,767*	-	*6,767*
Other future liabilities	*1,069*	*2,422*	*949*	*10,587*	*488*	-	-	*15,515*
Total liabilities, equity and off-balance sheet items	**197,443**	**28,904**	**39,664**	**30,267**	**10,990**	**25,166**	**44,941**	**377,375**
Interest rate repricing net position	(66,266)	48,594	36,319	(10,031)	10,415	3,628	(44,941)	(22,282)

Residual contractual maturities of financial liabilities:

Bank

	Carrying amount	Gross nominal (outflow)	<1 month	1-3 months	3-12 months	1-5 years
31.12.2007						
Deposits from banks	1,433	(1,838)	(720)	-	(132)	(986)
Deposits from customers	330,643	(370,802)	(178,616)	(10,746)	(35,123)	(146,317)
Debt securities issued	7,147	(8,294)	-	-	(410)	(7,884)
Subordinated liabilities	3,290	(4,263)	-	-	(324)	(3,939)
Total	**342,513**	**(385,197)**	**(179,336)**	**(10,746)**	**(35,989)**	**(159,126)**
31.12.2006						
Deposits from banks	33,597	(36,378)	(16,915)	(328)	(810)	(18,325)
Deposits from customers	248,122	(251,820)	(198,535)	(11,256)	(32,141)	(9,888)
Debt securities issued	21,397	(23,457)	-	-	(5,333)	(18,124)
Subordinated liabilities	3,231	(4,284)	-	-	(263)	(4,021)
Total	**306,347**	**(315,939)**	**(215,450)**	**(11,584)**	**(38,547)**	**(50,358)**

Group

	Carrying amount	Gross nominal (outflow)	<1 month	1-3 months	3-12 months	1-5 years
31.12.2007						
Deposits from banks	1,433	(1,838)	(720)	-	(132)	(986)
Deposits from customers	329,940	(370,100)	(177,914)	(10,746)	(35,123)	(146,317)
Debt securities issued	7,147	(8,294)	-	-	(410)	(7,884)
Subordinated liabilities	3,119	(4,058)	-	-	(324)	(3,734)
Total	**237,681**	**(384,290)**	**(178,634)**	**(10,746)**	**(35,989)**	**(158,921)**
31.12.2006						
Deposits from banks	33,597	(36,378)	(16,915)	(328)	(810)	(18,325)
Deposits from customers	247,746	(251,441)	(198,156)	(11,256)	(32,141)	(9,888)
Debt securities issued	21,246	(23,278)	-	-	(5,319)	(17,959)
Subordinated liabilities	3,064	(4,052)	-	-	(249)	(3,803)
Total	**214,814**	**(315,149)**	**(215,071)**	**(11,584)**	**(38,519)**	**(49,975)**

27. ASSETS AND LIABILITIES BREAKDOWN BY FOREIGN CURRENCIES

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

Foreign currency	Assets '000	Liabilities '000	Open position '000	Position equivalent '000, EUR	Position to equity %
			In foreign currency		
EUR	162,781	162,904	(123)	(123)	(0.26)
GBP	503	498	5	7	0.01
RUB	26,145	23,344	2,801	78	0.17
USD	57,628	57,785	(157)	(108)	(0.23)
Other, long				225	0.5
Other, short				(72)	(0.15)
			Total long position* (+)%	310	0.66
			Total short position* (-)%	(180)	(0.38)
			Total position	**310**	**0.66**

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

Shareholders equity: **47,327****
** Shareholders' equity has been calculated according to the regulations of the Financial and capital market commission, see note 30.

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

Foreign currency	Assets '000	Liabilities '000	Open position '000	Position equivalent '000, EUR	Position to equity %
			In foreign currency		
EUR	86,026	87,076	(1,050)	(1,050)	(2.40)
GBP	435	301	134	199	0.45
RUB	55,903	57,557	(1,654)	(48)	(0.11)
USD	88,203	87,425	778	593	1.36
Other, long				460	1.05
Other, short				(23)	(0.05)
			Total long position* (+)%	1252	2.86
			Total short position* (-)%	(71)	(0.16)
			Total position	**1252**	**2.86**

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

Shareholders equity: **43,735****
** Shareholders' equity has been calculated according to the regulations of the Financial and capital market commission, see note 30.

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

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

Foreign currency	Assets	Liabilities	Open position	Position equivalent	Position to equity %
	'000	**'000**	**'000**	**'000, EUR**	
			In foreign currency		
EUR	163,014	163,137	(123)	(123)	(0.26)
GBP	503	498	7	7	0.01
RUB	26,146	23,345	2,801	78	0.17
USD	57,684	57,842	(158)	(108)	(0.23)
Other, long				225	0.5
Other, short				(73)	(0.15)
		Total long position *(+)%		310	0.66
		Total short position * (-)%		(181)	(0.38)
		Total position		**310**	**0.66**

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

Shareholders equity: **47,204****
** Shareholders' equity has been calculated according to the regulations of the Financial and capital market commission, see note 30.

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

Foreign currency	Assets	Liabilities	Open position	Position equivalent	Position to equity %
	'000	**'000**	**'000**	**'000, EUR**	
			In foreign currency		
EUR	86,858	87,076	(218)	(218)	(0.50)
GBP	307	301	6	8	0.02
RUB	55,903	57,557	(1,654)	(48)	(0.11)
USD	87,836	87,425	411	313	0.72
Other, long				433	0.99
Other, short				(23)	(0.05)
		Total long position *(+)%		754	1.73
		Total short position * (-)%		(71)	(0.16)
		Total position		**754**	**1.73**

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

Shareholders equity: **43,689****
** Shareholders' equity has been calculated according to the regulations of the Financial and capital market commission, see note 30.

28. RELATED PARTY TRANSACTIONS

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

Related party 31.12.2007	**Loans and off-balance sheet liabilities**	**Total risk transactions (excluding impairment)**	**Risk transactions to shareholders' equity (excluding impairment) %**
Private individuals	41	41	0.10
Private companies	4,269	4,269	9.94
Total	**4,310**	**4,310**	**10.04**

Related party 31.12.2006	**Loans and off-balance sheet liabilities**	**Total risk transactions (excluding impairment)**	**Risk transactions to shareholders' equity (excluding impairment)%**
Private individuals	71	71	0.16
Private companies	-	-	-
Total	**71**	**71**	**0.16**

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

Related party 31.12.2007	**Loans and off-balance sheet liabilities**	**Total risk transactions (excluding impairment)**	**Risk transactions to shareholders' equity (excluding impairment) %**
Private individuals	41	41	0.10
Private companies	4,269	4,269	9.94
Total	**4,310**	**4,310**	**10.04**

Related party 31.12.2006	**Loans and off-balance sheet liabilities**	**Total risk transactions (excluding impairment)**	**Risk transactions to shareholders' equity (excluding impairment) %**
Private individuals	71	71	0.16
Private companies	-	-	-
Total	**71**	**71**	**0.16**

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

Bank's related party deposits are as follows:

	31.12.2007	**31.12.2006**
	102,830	745
Total	**102,830**	**745**

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

See Note 22 for information of management compensation.

29. TRUST ASSETS AND LIABILITIES

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

Type of assets	**Country**	**31.12.2007**	**31.12.2006**
Pension plans	Latvia	266	135
Loans	Non-OECD	-	600
Total		**266**	**735**

Type of liability	**Country**	**31.12.2007**	**31.12.2006**
Private persons	Latvia	266	135
Private enterprises	Non-OECD	-	600
Total		**266**	**735**

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

Type of assets	**Country**	**31.12.2007**	**31.12.2006**
Loans	Non-OECD	-	600
Total		**-**	**600**

Type of liability	**Country**	**31.12.2007**	**31.12.2006**
Private enterprises	Non-OECD	-	600
Total		**-**	**600**

30. CAPITAL ADEQUACY

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

Tier 1	
Paid-in share capital	22,198
Share premium	10,347
Legal and other reserves	4,005
Retaining earnings	6,586
Intangible assets (as defined by the FCMC)	(1,089)
Financial asset negative revaluation reserve	(748)
Profit for the reporting year	4,157
Total Tier 1	**45,456**
Tier 2	
Subordinated debt	**1,871**
Total Tier 2	**1,871**
Equity to be utilized in the capital adequacy ratio under the FCMC's guidelines	**47,327**

Capital adequacy of the Group calculation is as follows:

		FCMC guidelines	
	Balance	**Weighting of assets, %**	**Balance**
Cash and cash equivalents	36,976	0	-
Due from A zone central government and central banks	10,112	0	-
Assets secured by term deposit placed in this credit	579	0	-
Total	**47,667**	**0**	**-**
Claims secured with A zone regional or local government guarantees	4,525	20	905
Due from credit institutions of A zone countries, except investment in the share capital of a credit institution	78,278	20	15,656
Cash or equivalents of cash in transit	1,646	20	329
Total	**84,449**	**20**	**16,890**
Accrued income and prepayments	283	50	142
Loans fully secured by mortgage on occupied residential property which is rented or is occupied by the borrower	21,776	50	10,888
Total	**22,059**	**50**	**11,030**
Due from B zone governments	-	100	-
Due from B zone credit institutions	942	100	942
Due from other borrowers, excluding assets under lower risk exposure, taking into consideration their collateral	226,020	100	226,020
Investment in share capital and other elements of equity in other credit institutions, that are not excluded from the equity of the credit institution	263	100	263
Fixed assets	11,421	100	11,421
Other assets	672	100	6720
Total	**239,318**	**100**	**239,318**
Intangible assets	1,089		
Total assets	**394,582**		**267,238**
Off-balance sheet items			
Guarantees issued to third parties			
0% weighted value	78	0	-
100% weighted value	6,155	100	6,155
Letters of credit			
0% weighted value	66	0	-
Other liabilities due to clients			
10% weighted value	78	20	16
50% weighted value	10,165	100	10,165

Total	**16,542**	**16,336**
Foreign currencies open position		**-**
TOTAL: weighted value of group portfolio		**283,574**
Shareholders' equity		**47,327**
The Group's capital adequacy ratio		**16.69%**
Minimal capital adequacy ratio requirement (%)		**8%**

CAPITAL ADEQUACY

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

Tier 1	
Paid-in share capital	22,198
Share premium	10,347
Legal and other reserves	4,005
Retained earnings	6,621
Intangible assets (as defined by the FCMC)	(1,086)
Financial asset negative revaluation reserve	(748)
Profit for the reporting year	4,176
Total Tier 1	**45,513**
Tier 2	
Subordinated debt	**1,974**
Total Tier 2	**1,974**
Reductions of capital	
Investment in unconsolidated subsidiaries	**(283)**
Equity to be utilized in the capital adequacy ratio under the FCMC's guidelines	**47,204**

Capital adequacy of the Bank calculation is as follows:

		FCMC guidelines	
	Balance	**Weighting of assets, %**	**Balance**
Cash and cash equivalents	36,976	0	-
Due from A zone central government and central banks	8,874	0	-
Assets secured by term deposit placed in this credit	579	0	-
Total	**46,429**	**0**	**-**
Claims secured with A zone regional or local government guarantees	4,525	20	905
Due from credit institutions of A zone countries, except investment in the share capital of a credit institution	78,255	20	15,651
Cash or equivalents of cash in transit	1,646	20	329
Total	**84,426**	**20**	**16,885**
Accrued income and prepayments	283	50	142
Loans fully secured by mortgage on occupied residential property which is rented or is occupied by the borrower	22,258	50	11,129
Total	**22,541**	**50**	**11,271**
Due from B zone governments	0	100	-
Due from B zone credit institutions	942	100	942
Due from other borrowers, excluding assets under lower risk exposure, taking into consideration their collateral	227,432	100	227,432
Investment in share capital and other elements of equity in other credit institutions, that are not excluded from the equity of the credit institution	263	100	263

Fixed assets	11,421	100	11,421
Other assets	672	100	672
Total	**240,730**	**100**	**240,730**
Intangible assets	1,086		
Investments in associated credit or financial institutions	**283**		
Total assets	**395,495**		**268,886**
Off-balance sheet items			
Guarantees issued to third parties			
0% weighted value	78	0	-
100% weighted value	6,155	100	6,155
Letters of credit			
0% weighted value	65	0	-
Other liabilities due to clients			
10% weighted value	78	20	16
50% weighted value	10,165	100	10,165
Total	**16,541**		**16,336**
Foreign currencies open position			**-**
TOTAL: weighted value of bank portfolio			**285,222**
Shareholders' equity			**47,204**
The Bank's capital adequacy ratio			**16.55%**
Minimal capital adequacy ratio requirement (%)			**8%**

31. NUMBER OF EMPLOYEES

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

32. ASSETS AND LIABILITIES FAIR VALUE

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

ASSETS	31.12.2007 Fair value	31.12.2007 Carrying value	31.12.2006 Fair value	31.12.2006 Carrying value
Loans	251,680	251,789	161,036	161,145
Held for trading financial assets	2,142	2,142	3,765	3,765
Available-for-sale financial assets	6,081	6,081	21,006	21,006
Held-to-maturity investments	2,689	2,785	8,422	8,442
Total assets	**262,592**	**262,797**	**194,229**	**194,358**

LIABILITIES	31.12.2007 Fair value	31.12.2007 Carrying value	31.12.2006 Fair value	31.12.2006 Carrying value
Financial liabilities at fair value trough profit or loss	479	479	41	41
Financial liabilities at amortised cost	340,246	340,206	272,217	272,056
Deposits	*329,906*	*329,940*	*247,725*	*247,746*
Debt securities	*7,188*	*7,147*	*21,389*	*21,246*
Subordinated debt	*3,152*	*3,119*	*3,103*	*3,064*
Total liabilities	**340,725**	**340,685**	**272,258**	**272,097**

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

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

33. EFFECTIVE INTEREST RATES

Average effective interest rates of the Group are as follows:

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

Average effective interest rates of the Bank are as follows:

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

34. SEGMENTS

Segments	Private individuals		Companies and municipalities		Total	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Loans and receivables (gross)	88,994	63,530	162,795	97,615	251,789	161,145
Deposits	109,455	113,568	221,188	134,554	327,194	330,643
Interest income from loans	6,952	4,446	10,142	7,295	17,094	11,741
Interest expenses on deposits	3,108	2,534	3,127	1,207	6,235	3,741

35. EARNINGS PER SHARE

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

	2007 Group	2007 Bank	2006 Group	2006 Bank
Net profit attributable to the shareholders	4,157	4,176	4,014	4,058
Weighted average number of shares at 31 December	312,025	312,025	288,692	288,692
Basic earnings per share (EUR per share)	**13.32**	**13.38**	**13.90**	**14.06**

36. CONTINGENCIES

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

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