Joint Stock Company
"NORVIK BANKA"

Consolidated and Separate Financial statements
prepared in accordance with International Financial Reporting Standards
as adopted by the EU and the requirements of the Latvian
Financial and Capital Market Commission for the year ended
31 December 2008 and independent auditors' report (unaudited).

CONTENTS

Dear shareholders and clients!

We are pleased to present for your evaluation financial statements for JSC “NORVIK BANKA” for the year 2008.

The year 2008 was successful for JSC NORVIK BANKA", despite the fact that during this year there was an economic slowdown in Latvia and the growth of international financial markets were shrank. The success is evidenced by an increase in the after-tax profit of NORVIK Group, that is 12.6% more as compared to the year 2007, and reached LVL 7.0 M

The assets of NORVIK Group in the end of the year 2008 have exceeded LVL 510.8 mln. According to the statistics of Association of Latvian Commercial Banks, by the amount of assets NORVIK BANKA (in the end of the year 2008, the assets have reached LVL 508.1 mln) is ranked 10th among Latvian commercial banks. (11th – in the year 2007) assets bank

Capital and reserves of NORVIK Group at the December 31, 2008 exceeded 61.8 million LVL that is 11.4% more as compared to the year 2007. According to the statistics of Association of Latvian Commercial Banks, by the amount of capital and reserves NORVIK BANKA is ranked 7th among Latvian commercial banks.

Currently, JSC „NORVIK BANKA" has one of the largest networks of branches and client service centers, which covers all regions of Latvia. The network consists of 14 branches and 60 service centers. To improve the accessibility of the Bank, 4 new client service centers were opened in 2008 – three centers in Riga and one in Liepaja.

In 2008, NORVIK BANKA continued to expand the list of products and services offered by the Bank, and also made innovative improvements to existing services.

An improvement of the Bank's Internet banking system e-NORVIK has evaluated the company "Metasite Business Solutions, and ranked e-NORVIK the 4th on the list of the best Latvian Internet banks (in the last year it was ranked the 5th best Internet bank in Latvia).

In June the Bank issued new credit card “Indigo”. The additional benefit of new card is the savings account linked directly to the card, which is novelty in market of payment cards in Latvia.

In total, during the year 2008 NORVIK BANKA issued more that 83 thousand payment cards.

At the end of June 2008, at the first time the Bank issued corporate bonds for the sum of EUR 3.37 M (nominal value of EUR 100), which were included in the Baltic list of debt securities.

In July 2008, the Bank attracted syndicated loan for the amount of EUR 25 M, and this is the fifth syndicated loan, which the Bank is attracted during the last two years. In December 2008, the Bank repaid the syndicated loan that was borrowed the year before.

For the NORVIK BANKA's subsidiary - "NORVIK Ieguldījumu pārvaldes sabiedrība”, which operates the Latvian market for more than 10 years, the year 2008 was particularly successful. The number of participants in the 2nd level pension investment plan increased for a quarter, the assets of NORVIK IPS in the year 2008, compared to 2007, has doubled and at the end of the year amounted to LVL 12.2 M.

In 2008 NORVIK BANKA continued to support Latvian cultural and sporting activities. With the Bank’s support was organized various concerts and city festivals, and several Latvian sportsmen made a successful start in different international competitions.

In year 2008 was completed restructurisation process of the Bank, which was started in year 2006 after the Bank had attracted strategic investor. There is created an efficient structure that is able to operate successfully in crisis situations.

Taking into account the economic situation in the global financial markets, the Bank will continue to build cautious crediting policy, and also will develop the deposit and investment services that will be not only profitable, but also safe.

In conclusion, we would like to express our gratitude to employees and shareholders of the bank for their contribution in the bank’s development and prosperity. We also thank our clients and partners for their successful cooperation and trust.

Chairman of the Supervisory Council	Chairman of the Management Board
J. H. Gudmundsson	A. Svirčenkovs

Riga, 27 February 2009

SUPERVISORY COUNCIL AND MANAGEMENT BOARD

Supervisory Council as at 31 December 2008

Name	Position	Date of appointment
J.H. Gudmundsson	Chairman of the Supervisory Council	17/01/2006
B. Halldorsdottir	Deputy Chairwoman of the Supervisory Council	01/11/2006
H. Baldursson	Member of the Supervisory Council	17/01/2006
V. Keiša	Member of the Supervisory Council	01/04/2006
J. Svirčenkova	Member of the Supervisory Council	01/04/2006
B. Strupiša	Member of the Supervisory Council	29/03/2007

Management Board as at 31 December 2008

Name	Position	Date of appointment
A. Svirčenkovs	Chairman of the Management Board	01/04/2006
J. Šapurovs	Deputy Chairman of the Management Board	01/04/2006
S. Gusarovs	Member of the Management Board	01/04/2005
A. Upenieks	Member of the Management Board	01/12/2006
L. Saltuma	Member of the Management Board	10/12/2007
M. Stepiņa	Member of the Management Board	06/11/2008

During the current period the following persons resigned their position:
- Member of the Management Board M. Stepiņa.

Chairman of the Supervisory Council
J. H. Gudmundsson

Chairman of the Management Board
A. Svirčenkovs

Riga, 27 February 2009

STATEMENT OF MANAGEMENT`S RESPONSIBILITIES

The Management of JSC “NORVIK BANKA” (the Bank) is responsible for preparing the Consolidated and Separate Financial Statements of the Bank and its subsidiaries (the Group).

The Consolidated and Separate Financial Statements are prepared in accordance with the source documents and present fairly the financial position of the Group as of 31 December 2008 and the results of its operations and cash flows for the financial year ended 31 December 2008, as well as the financial position of the Bank as of 31 December 2007 and the results of its operations and cash flows for the financial year ended 31 December 2007.

The management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the Consolidated and Separate Financial Statements for the year ended 31 December 2008 set out on pages 7 to 64. The management also confirms that applicable International Financial Reporting Standards as adopted by the EU have been followed and that the Consolidated and the Separate Financial Statements have been prepared on a going concern basis and complies with the Regulations on the Preparation of Financial Statements of Banks issued by the Latvian Financial and Capital Market Commission in all material respects.

The Bank’s management is also responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Group and of the Bank and to prevent and detect fraud and other irregularities. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, Regulations on the Preparation of the Annual Reports of Credit Institutions issued by the Latvian Financial and Capital Market Commission (FCMC) and other legislation of the Republic of Latvia in all material respects.

On the behalf of the Supervisory Council and Management Board:

Chairman of the Supervisory Council	Chairman of the Management Board
J. H. Gudmundsson	A. Svirčenkovs

Riga, 27 February 2009

CONSOLIDATED AND SEPARATE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

		2008		2007	
	Notes	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest and similar revenue		66 745	61 829	49 594	47 431
Interest and similar expense		(30 683)	(30 764)	(24 964)	(24 991)
Net interest income	5	**36 062**	**31 065**	**24 630**	**22 440**
Fee and commission revenue		12 645	11 962	10 010	9 606
Fee and commission expense		(2 521)	(2 474)	(2 255)	(2 194)
Net fee and commission income	6	**10 124**	**9 488**	**7 755**	**7 412**
Dividend revenue		27	27	4	4
Net trading income	7	6 995	7 046	1 228	1 195
Net gain or loss on financial assets and liabilities designated at fair value through profit or loss	8	(828)	(828)	78	78
Net gain or loss from sales of available-for-sale financial assets	9	(67)	(67)	-	-
Other operating income	10	2 166	2 217	3 249	3 354
Other operating expense		(1 313)	(1 251)	(699)	(660)
Net operating income		**53 166**	**47 697**	**36 245**	**33 823**
Administrative expenses	11	(28 056)	(25 982)	(21 874)	(21 100)
Personnel expenses		*(15 918)*	*(14 159)*	*(11 386)*	(10 842)
Other expenses		*(12 138)*	*(11 823)*	*(10 488)*	*(10 258)*
Depreciation and amortisation		(1 696)	(1 606)	(1 406)	(1 380)
Impairments losses on financial investments	19	(11 309)	(11 111)	(1 683)	(1 559)
Operating expenses		**(41 061)**	**(38 699)**	**(24 963)**	**(24 039)**
Net operating profit before tax		**12 105**	**8 998**	**11 282**	**9 784**
Income tax	12	(2 146)	(1 350)	(2 439)	(2 122)
Profit for the year		**9 959**	**7 648**	**8 843**	**7 662**
Attributable to:					
Equity holders of the parent		**9 956**		**8 846**	
Minority interest		3		(3)	
Basic and Diluted Earnings per share (EUR)	34	**0.25**		**0.33**	

The accompanying notes on pages 13 to 64 form an integral part of these consolidated and Bank financial statements.

The consolidated and Separate financial statements on pages 7 to 64 will be approved by the Supervisory Council and the Management Board on 16 March 2009, and signed on their behalf by:

Chairman of the Supervisory Council
J. H. Gudmundsson

Chairman of the Management Board
A. Svirčenkovs

CONSOLIDATED AND SEPARATE BALANCE SHEET AND OFF-BALANCE SHEET AS OF 31 DECEMBER 2008

	Note	31.12.2008 Group EUR'000	31.12.2008 Bank EUR'000	31.12.2007 Group EUR'000	31.12.2007 Bank EUR'000
Assets					
Cash and balances with the central bank	13	83 410	83 410	59 984	59 984
Loans and receivables to banks	14	60 397	57 969	269 047	268 808
Trading financial assets	15	13 173	13 173	53 927	53 927
Financial assets designated at fair value through profit or loss	16	663	663	2 069	2 069
Held-to-maturity investments		17 538	17 538	-	-
Derivatives financial instruments	17	10 942	10 942	7 597	7 597
Loans to customer and receivables	18	469 943	463 550	461 668	457 359
Available-for-sale financial assets	20	56 054	56 054	13 144	13 144
Current tax assets		1 362	1 362	-	-
Investment property	24	6 214	6 214	6 010	6 010
Investment in subsidiaries	22	0	5 085	-	4 432
Tangible assets	25	3 870	3 257	3 948	3 792
Goodwill and other intangible assets	23	1 439	1 150	1 308	854
Deferred tax assets		-	-	-	-
Other assets	26	1 858	1 642	1 697	1 544
Total assets		**726 863**	**722 009**	**880 399**	**879 520**
Liabilities					
Due to the central bank and other banks	28	110 334	108 660	131 340	131 340
Derivatives financial instruments	17	7 998	7 998	7 077	7 077
Customer deposits	29	499 027	500 313	636 559	637 222
Subordinated debt	30	12 766	12 766	12 097	12 097
Debt securities in issue	31	3 293	3 293	8 352	8 352
Current tax liabilities		497	-	824	591
Deferred tax liabilities	12	929	791	680	635
Other liabilities	32	4 025	3 576	4 479	4 203
Total liabilities		**638 869**	**637 397**	**801 408**	**801 517**
Equity attributable to equity holders of the Bank					
Share capital	33	57 626	57 626	57 626	57 626
Reserves		10	10	10	10
Revaluation reserve of available-for-sale financial assets		(1 690)	(1 690)	(651)	(651)
Revaluation reserve of foreign currency translation		92	-	9	-
Retained earnings		21 965	21 018	13 119	13 356
Profit for the year		9 956	7 648	8 846	7 662
Total equity attributable to equity holders of the Bank		**87 959**	**84 612**	**78 959**	**78 003**
Minority interest		**35**		**32**	-
Total equity		**87 994**	**84 612**	**78 991**	**78 003**
Total liabilities and equity		**726 863**	**722 009**	**880 399**	**879 520**
Commitments and contingencies					
Contingent liabilities		6 002	7 506	5 815	6 659
Commitments		19 347	19 074	59 047	59 625
Total commitments and contingencies	36	**25 349**	**26 580**	**64 862**	**66 284**

The accompanying notes on pages 13 to 64 form an integral part of these consolidated and Bank financial statements.

The consolidated and Separate financial statements on pages 7 to 64 will be approved by the Supervisory Council and the Management Board on 16 March 2009, and signed on their behalf by:

Chairman of the Supervisory Council J. H. Gudmundsson	Chairman of the Management Board A. Svirčenkovs

Group	Share capital	Reserve	Revaluation reserve of available-for-sale financial assets	Revaluation reserve of foreign currency translation	Retained earnings	Total	Minority interest	Total Groups' equity
	Attributable to shareholders of the Bank							
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
As at 31 December 2006	**32 015**	**10**	**(69)**	**(11)**	**13 119**	**45 064**	**21**	**45 085**
Revaluation of available-for-sale financial assets	-	-	(582)	-	-	**(582)**	-	**(583)**
Revaluation reserve of foreign currency translation*	**-**	**-**	**-**	**20**	**-**	**20**	**-**	**20**
Total income and expenses for the year recognised directly in equity	**-**	**-**	**(582)**	**20**	**-**	**(562)**	**-**	**(562)**
Profit for the year	**-**	**-**	**-**	**-**	**8 846**	**8 846**	**(3)**	**8 843**
Total income and expense for the year	**-**	**-**	**(582)**	**20**	**8 846**	**8 284**	**(3)**	**8 281**
Increase of share capital	25 611	-	-	-	-	**25 611**	**14**	**25 625**
As at 31 December 2007	**57 626**	**10**	**(651)**	**9**	**21 965**	**78 959**	**32**	**78 991**
Revaluation of available-for-sale financial assets	-	-	(1039)	-	-	**(1039)**	-	**(1 039)**
Revaluation reserve of foreign currency translation*	-	-	-	83	-	**83**	**-**	**83**
Total income and expenses for the year recognised directly in equity	**-**	**-**	**(1 039)**	**83**	**-**	**(956)**	**-**	**(956)**
Profit for the year	**-**	**-**	**-**	**-**	**9 956**	**9 956**	3	**9 959**
Total income and expense for the year	**-**		**(1 039)**	**83**	**9 956**	**9 000**	**3**	**9 003**
Increase of share capital	-	-	**-**	**-**	**-**	**-**	-	**-**
As at 31 December 2008	**57 626**	**10**	**(1 690)**	**92**	**31 921**	**87 959**	**35**	**87 994**

*Revaluation reserve on consolidation of the subsidiary JSC "NORVIK Universal Credit Organization" (Armenia)

Bank	Share capital EUR'000	Reserve EUR'000	Revaluation reserve of available-for-sale financial assets EUR'000	Retained earnings EUR'000	Total EUR'000
As at 31 December 2006	**32 015**	**10**	**(69)**	**13 356**	**45 312**
Revaluation of available-for-sale financial assets	-	-	(582)	-	**(582)**
Total income and expenses for the year recognised directly in equity	-	-	**(582)**	-	**(582)**
Profit for the year	-	-	-	7 662	**7 662**
total income and expense for the year	-	-	**(582)**	**7 662**	**7 080**
Increase of share capital	25 611	-	-	-	**25 611**
As at 31 December 2007	**57 626**	**10**	**(651)**	**21 018**	**78 003**
Revaluation of available-for-sale financial assets	-	-	(1 039)	-	**(1 039)**
Total income and expenses for the year recognised directly in equity	-	-	**(1 039)**	-	**(1 039)**
Profit for the year	-	-	-	7 648	**7 648**
Total income and expense for the year	**-**	**-**	**(1 039)**	**7 648**	**6 609**
Increase of share capital	-	-	-	-	**-**
As at 31 December 2008	**57 626**	**10**	**(1 690)**	**28 666**	**84 612**

The accompanying notes on pages 13 to 64 form an integral part of these consolidated and Bank financial statements.

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Chairman of the Supervisory Council	Chairman of the Management Board
J. H. Gudmundsson	A. Svirčenkovs

CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 Group EUR'000	2008 Bank EUR'000	2007 Group EUR'000	2007 Bank EUR'000
Cash flow from operations					
Profit before corporate income tax		12 105	8 998	11 282	9 784
Depreciation of intangible and tangible fixed assets and write off		2 537	2 415	2 881	2 856
Increase in provisions for impairments losses on financial investments		11 392	11 194	1 949	1 827
Loss/(profit) from foreign exchange revaluation		5 245	5 186	2 279	2 308
Other changes		83	-	20	-
Non-realised (profit)/loss from investment property		(204)	(204)	(2 261)	(2 261)
Operating cash flow before changes in operating assets and liabilities		**31 158**	**27 589**	**16 150**	**14 514**
Decrease/(increase) in loans and receivables to banks		6 891	6 891	(9 683)	(9 740)
Decrease/(increase) in trading financial assets		23 216	23 215	4 764	4 764
(Increase) in financial assets at fair value through profit or loss		1 406	1 406	(2 069)	(2 069)
Decrease/(increase) in derivatives financial assets		(3 345)	(3 345)	(6 081)	(6 081)
Decrease/(increase) in loans and receivables to customers		(19 657)	(17 375)	(193 528)	(190 140)
Decrease/(increase) in other assets		506	825	637	780
Increase/(decrease) in due to banks		(21 006)	(22 679)	38 191	38 191
Increase/(decrease) in customer deposits		(137 532)	(136 909)	348 917	349 363
Increase/(decrease) in derivatives financial liabilities		921	921	5 245	5 245
Increase/(decrease) in other liabilities		(791)	(1 229)	1 534	1 366
Cash used in operating activities		**(118 233)**	**(120 690)**	**204 077**	**206 193**
Corporate income tax (paid)		(3 926)	(3 477)	(1 089)	(1 052)
Net cash used in operating activities		**(122 159)**	**(124 167)**	**202 988**	**205 141**
Cash flow from investing activities					
Acquisition of intangible and tangible fixed assets		(2 590)	(2 176)	(3 220)	(3 055)
Acquisition of subsidiary		-	(653)	-	(2 236)
Decrease/(increase) in available-for-sale financial assets		(43 948)	(43 948)	(5 644)	(5 644)
Other cash received/(paid) as a result of investment activity		-	-	(28)	(28)
Net cash used in investing activities		**(46 538)**	**(46 777)**	**(8 892)**	**(10 963)**
Cash flow from financing activities					
Increase in share capital		-	-	25 626	25 612
Increase in subordinated debt		669	669	9 569	9569
Repayment of subordinated debt		-	-	-	-
Issue of debt securities		(5 060)	(5 060)	61 020	61020
Mature of debt securities		-	-	(52 668)	(52 668)
Net cash provided by/(used in) financing activities		**(4 391)**	**(4 391)**	**43 547**	**43 533**
Net increase/(decrease) in cash and cash equivalents		**(173 088)**	**(175 335)**	**237 643**	**237 711**
Cash and cash equivalents at the beginning of the period		312 733	312 494	77 369	77 091
Effect of exchange changes on cash and cash equivalents		(5 245)	(5 186)	(2 279)	(2 308)
Cash and cash equivalents at the end of the period	35	**134 400**	**131 973**	**312 733**	**312 494**

Operating cash flows from interest and dividends

	2008		2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest paid	27 464	27 545	22 981	23 036
Interest received	62 625	58 116	46 433	44 495
Dividend received	27	27	4	4

The accompanying notes on pages 13 to 64 form an integral part of these consolidated and Bank financial statements.

The consolidated and Separate financial statements on pages 7 to 64 will be approved by the Supervisory Council and the Management Board on 16 March 2009, and signed on their behalf by:

Chairman of the Supervisory Council
J. H. Gudmundsson

Chairman of the Management Board
A. Svirčenkovs

1. GENERAL INFORMATION

“NORVIK BANKA” (“the Bank”) is a joint stock company incorporated in the Republic of Latvia, acting in accordance with Latvian legislation and License No. 30 issued by the Bank of Latvia on 27 April 1992.

The legal address of JSC “NORVIK BANKA” is E. Birznieka-Upīša street 21, Riga LV-1011, Latvia.

The Bank has a central office, 14 branches, 60 accounting groups and one representative office in Moscow (Russia). The main banking operations are local and international money transfers, the issuance of loans, securities operations and foreign currency transactions.

In accordance with the Commercial Law of the Republic of Latvia, the shareholders' meeting has the right to make decisions on approval of the annual financial statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

(1) Basis of preparation

The accompanying financial statements are presented in the national currency of Latvia in thousands of lats (“LVL’000”).

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (the “EU”) and the regulations of the Latvian Financial and Capital Market Commission (“FCMC”).

The consolidated and separate financial statements have been prepared under the historical cost convention with measurement of available for sale securities, financial assets and financial liabilities held at fair value through profit or loss and investment property at fair value. Other financial assets and liabilities are carried at amortised cost in accordance with the effective interest rate method.

The accounting policies used in the preparation of the financial statements are consistent with those followed in the preparation of the Group`s and Bank`s annual financial statements for the year ended 31 December 2008.

The Group has chosen not to early adopt the following standard and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2008:

IAS 23 Borrowing Costs
A revised IAS 23 Borrowing costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IFRS 8 Operating Segments
IFRS 8 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2009. The standard sets out requirements for disclosure of information about an entity’s operating segments and also about the entity’s products and services, the geographical areas in which it operates, and its major customers. IFRS 8 supersedes IAS 14 Segment Reporting.

IAS 1 Presentation of Financial Statements – Revised

IAS 1 (revised) was issued in September 2007 and becomes effective for annual periods beginning on or after 1 January 2009 . IAS 1 has been revised to enhance the usefulness of the information presented in the financial statements. Revision includes number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements in a case of their retrospective restatement.

IAS 27 Consolidated and Separate Financial Statements – Revised
IAS 27 (revised) was issued in January 2008 and becomes effective for annual periods beginning on or 1 January 2009 . Revised standard requires that changes in ownership interest in a subsidiary are accounted for as equity transactions. Also, accounting for losses incurred by the subsidiary was changed: such losses will be allocated between the controlling and non-controlling interests even if the losses exceed the non-controlling equity investment in the subsidiary. On a loss of control of a subsidiary, any retained interest will be remeasured to fair value and will impact the gain or loss recognized on disposal. In addition, revised standard provides more guidance as to when multiple arrangements should be accounted for as a single transaction. These most significant changes introduced by the revised standard will be applied prospectively, except for the multiple arrangements that have been accounted for as a single transaction – these arrangements require retrospective assessment.

IFRS 3 Business Combinations – Revised
IFRS 3 (revised) was issued in January 2008 and becomes effective for annual periods beginning on or 1 January 2009 . The scope of IFRS 3 has been revised to include combinations of mutual entities and combinations without consideration (dual listed shares). Also a number of changes are introduced in accounting for business combinations that will impact the amount of goodwill recognized, the results in the period when the acquisition occurs, and future revenues reported. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, assets and liabilities arising from business combinations prior to the date of application of the revised standard will not be restated.

Amendment to IFRS 2 Share-based Payment
The amendment to IFRS 2 was issued in January 2008 and becomes effective for annual periods beginning on or after 1 January 2009 . The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
The amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009 . The amendments to IAS 32 require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: puttable financial instruments and instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. Additional disclosures are required about the instruments affected by the amendments.

Basis of Consolidation

The consolidated financial statements include all subsidiaries, which are those companies in which the Group directly or indirectly has an interest of more than half of the voting rights or otherwise has power to exercise control over operations. 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. The subsidiaries are consolidated from the date on which effective control is acquired by the Group and are no longer consolidated from the date of disposal.

The Bank, JSC "NORVIK ieguldījumu pārvaldes sabiedrība", JSC "NORVIK Universal Credit Organization", "NORVIK Līzings" Ltd., "NORVIK Tecnology" and "NORVIK Apdrošināšanas Brokeris" Ltd. make up a group of entities under the control of the Bank as a parent entity ("the Group"). In accordance with IAS 27 "Consolidated and Separate Financial Statements" and the requirements of FCMC, the Bank has prepared consolidated financial statements for the Group and separate financial statements.

In the separate financial statements the Bank has recognized investments in the subsidiaries in accordance with the cost method. The separate financial statements of the Bank and its subsidiaries are consolidated line by line by combining items of assets, liabilities, aggregation of off-balance sheets exposures, income and expenses. Intragroup balances of the Bank and its subsidiary as well as intragroup transactions, including income and expenses, are eliminated.

Goodwill

The excess of the cost of acquisition over the Bank's interest in the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition is recorded as goodwill.
After initial recognition, goodwill in the business combination is carried at cost less any impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the Group's cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated:

- Represents the lowest level within the group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Under IAS 36 *"Impairment of Assets"*, goodwill is reviewed for impairment at each balance sheet date or more frequently when there are indications that impairment may have occurred. If such indications exist the Bank estimates the recoverable amount of goodwill. In case of the carrying amount of goodwill is greater than its estimated recoverable amount an impairment loss of goodwill is recognised in the Group's consolidated income statement. There was no impairment identified in 2008 (2007: nil).

(2) Significant accounting judgements and estimates

In the process of applying the Group`s accounting policies, management has used its judgements and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Impairment losses on loans and receivables

The Group reviews its problem loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determing the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance
.In addition to specific allowances against individually significant loans and receivables, the group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

Impairment of equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists.

(3) Foreign currency translation

Transactions and balances

Transactions denominated in foreign currencies are translated into Latvian lat (LVL) at the official Bank of Latvia exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date.

All realised gains and losses are recorded in the income statement in the period in which they arise. Unrealised gains and losses at reporting dates are credited or charged to the income statement.

The foreign currency exchange rates for the principal currencies that were used as of the end of the period were as follows (lats for one foreign currency unit):

	Bank of Latvia exchange rates as of 31 December 2008	Bank of Latvia exchange rates as of 31 December 2007
EUR	0.702804	0.702804
USD	0.495000	0.484000

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised as a separate component of equity *"Revaluation reserve of foreign currency translations"*.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(4) Financial assets and liabilities

Financial assets and liabilities held for trading

Financial assets and liabilities held for trading are those that have been acquired or have arisen, mainly for the purpose of gaining profit from short-term fluctuations in prices. These include trading debt securities and shares.

Trading securities are initially recorded in the balance sheet at fair value. Subsequently these securities are recorded at their fair value, based on quoted market price. Any realized and unrealized profit or loss is recorded in the income statement as net profit or loss from trading securities. Interest earned by the Group from held for trading securities is recognized as interest income. Dividends received are recorded as dividend income. The Group recognizes purchase or sale of trading securities using settlement date accounting.

Derivatives recorded at fair value through profit or loss

The Group operates with derivative financial instruments such as spot foreign exchange contracts, future currency agreements (forwards), currency exchange agreements (swaps), future currency agreements traded on stock exchange *(futures).* All derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative. Fair value of derivative transactions is included in balance sheet as "Derivatives financial instruments". Changes in the fair value of derivatives are included in the income statement in "Net trading income" on a daily basis.

Financial assets or financial liabilities designated at fair value through profit and loss

Financial assets or financial liabilities designated at fair value through profit and loss are designated by management on initial recognition as a part of financial assets which are managed and their performance evaluated on a fair value basis in accordance with an investment strategy of the Group. These include investments in open-end investment funds.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are included in the income statement in "Net gain or loss on financial assets and liabilities designated at fair value through profit or loss". The Group recognizes purchase or sale of such assets using settlement date accounting.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss. Available-for-sale financial assets include certain bonds and investments in funds.

Available-for-sale financial assets are initially recorded at their fair value (including expenses on purchase of the securities). The Group recognizes purchase or sale of available-for-sale financial assets using settlement date accounting. Subsequently, securities are stated at their fair value based on quoted market prices, where available. If financial assets are not quoted in an active market their fair value is stated using alternative methods (for example, prices of similar investments).

Available-for-sale assets, for which the market price is not quoted and which fair value is not possible to measure by using other previously mentioned alternative methods, are initially recorded at their fair value and subsequently measured at cost less allowance for impairment, when appropriate.

Unrealised gains or losses on available-for-sale financial assets are recognized directly in equity, except for impairment losses and foreign exchange gains and losses arising from monetary assets, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in the income statement.

Finansial held-to-maturity assets

Held to maturity investments ('HTM') are non-derivative financial assets with fixed or determinable payments and fixed maturity that Bank has the positive intention and ability to hold to maturity. Held to maturity investments includes certain bonds. Held to maturity investments are initially recorded at their purchase price, (including expenses on purchase of the securities), and then are recorded at their cost less accumulated depreciation using effective rate, and impairment.

In October, 2008 changes in IAS 39 "Financial Instruments: Recognition and Measurement" and in IFRS 7 "Financial Instruments: Disclosure" have been accepted. Mentioned changes allow to reclassify some assets, that were designated as financial assets designated at fair value through profit and loss or trading financial assets, but not mentioned to be sold in short term. Bank used the possibility and made the reclassification of financial instruments from *Trading financial assets* to *Held to maturity financial assets.*

Loans and receivables to banks and to customers

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans are measured at amortised cost using the effective interest method. The amortised cost of a loan is the amount at which the loan is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (through the use of an allowance account) for impairment or uncollectibility.

Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership to the lessee at the inception of the lease. Receivables arising from finance lease are recognised as loans granted to clients. Received lease payments, less principal amount, are recognised as interest income based on a pattern reflecting a constant periodic return on the net investment.

Reverse repurchase agreements

Securities purchases under agreements to resell at a specified future date (" reverse repo") are not recognized on the balance sheet. The corresponding cash paid, including accrued interest, is recognised on the balance sheet as a "Loans and receivables to customers". The difference between the purchase and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Financial liabilities

Included in balance sheets as "Due to banks", "Customer deposits", "Subordinated debt" and "Debt securities in issue" financial instruments are classified as financial liabilities measured at amortised cost.

After initial measurement, these financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount on the issue and costs that are an integral part of the effective interest rate. The amortization is included in "Interest and similar expense" in the income statement.

Derecognition of financial assets and financial liabilities

A financial asset is derecognized where:

- the right to receive cash flows from the assets have expired; or
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a `pass-through` arrangement; and

- either (a) the Group has transferred substantially all the risks and rewards of the assets, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Impairment of financial assets

The Group assesses, at each balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired.

The 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 the collective assessment of impairment.

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 the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. Due to the fact that the Bank's portfolio mainly consists of loans with collateral the Group uses discounted collateral realisation value as an approximation of the present value of future cash flows.

For the measurement of collective impairment the bank assumes 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.

Allowances are assessed collectively on portfolios consists of with the similar features such as credit cards portfolio and unsecured consumer lending. The main criterion for assessment is settlement discipline and calculation of necessary allowance on portfolio is based on experience and previous period's statistics: overdue loans more than 30 days multiplied by average-weighted per cent of written off loans in the loan portfolio overdued more than 30 days during the past 12 months.

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 income statement. If any loan and receivable can not be recovered, they are written off from balance sheet accounts and charged against allowance for credit losses.

(5) Investment property

In accordance with IAS 40 *Investment Property,* from June 2007 Bank holds real estate as an investment property with the purpose to earn rental income or for value appreciation. Initially investment property was measured at cost. The fair value model of accounting is used for subsequent measurement of investment property. Fair value of investment property reflects market conditions at the balance sheet date. See Note 23 for more detailed information with respect to the Bank's investment property. Gains arising from changes in the fair value of investment property are included in the income statement in "Other operating income" in the period in which they arise.

(6) Intangible and tangible fixed assets

All fixed tangible and intangible assets are recorded at their cost less accumulated depreciation and amortisation. Depreciation and amortisation is calculated on a straight-line basis using the following depreciation and amortisation rates:

Intangible assets:	*Annual charge*
Licenses	20 %
Software	33 %
Tangible fixed assets:	
Buildings	10 %
Other	7 % - 33%

Intangible assets with finite lives are amortised over the useful life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The depreciation and amortization expense on tangible fixed and intangible assets with finite lives is recognized in the income statement line "Depreciation and amortisation".

(7) Income and expense recognition

Interest income and expenses are recognized in the income statement on accrual basis of accounting using the effective interest method. Interest income and expense include the amortization of any difference (discount, premium or other) between the initial carrying amount of the interest-bearing financial asset or liability and its maturity amount calculated on an effective interest rate foundation.

Interest income includes coupons earned on trading and available-for-sale bonds and other fixed income securities.

Accrued interest income is recognized in the income statement if the Group has not objective evidence that those payments will not be collected in defined term as well as on impaired financial assets.

Fees and commissions are generally recognized on an accrual basis either as the service is provided or on the execution of a significant act, as applicable. Income and expenses relating to the reporting period are recognised in the income statement irrespective of the date of receipt or payment.

(8) Cash and cash equivalents

Under IAS 7 *"Cash Flow Statements"*, cash and cash equivalents comprise cash, balances with the Bank of Latvia, correspondent accounts and deposits with original maturity of 3 months or less in other banks. Cash flow statement reflects an analysis of the cash flow from operating, investing and financing activities for the year period.

Cash flows from operating activities are presented under the indirect method. Cash flows from investing and financing activities are presented based on gross receipts and payments made during the reporting period.

(9) Taxes

Corporate income tax is calculated in conformity with the tax legislation of the Republic of Latvia. Deferred taxation is provided for temporary differences arising between the carrying amount of an asset or liability in the balance sheet and its tax base according to taxation legislation. The deferred taxation asset or liability is calculated based on the tax rates that are expected to apply when the temporary differences reverse. When an overall deferred tax asset arises, this is only recognised in the financial statements where its recoverability is foreseen with reasonable certainty.

(10) Segment reporting

A segment is a distinguishable component of the Group 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. Segment revenue, segment expenses and segment performance include transfers between business segments and between geographical segments.

(11) Use of estimates

In preparing the financial statements, the management of the Group makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. RISK MANAGEMENT

Risk is inherent in the group's activities but it managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to their responsibilities. The Group is exposed to liquidity risk, credit risk and market risk. It is also subject to operational risk.

Risk management structure

The Managing Board is ultimately responsible for identifying and controlling risks.

Supervisory Council
The Supervisory Council reviews and agrees policies for risks managing.

Managing Board
The Managing Board is responsible for the overall risk management approach and for approving the principles, frameworks, methodologies and procedures to ensure risk management policies implementation. The Management Board set limits on total portfolios and restrictions on large exposures.

Assets and liabilities Committee
The assets and liabilities Committee has responsibility to monitor the assets and liabilities management and sets limits on counterparties within the limits and restrictions set by the Board.

Risk management Committee
The risk management Committee is responsible for the assessing the current quality of the Group's assets and off-balance sheet items, and for making decisions on provisions for and/or writing off impaired assets.

Risk management
The Risk management is responsible for implementing risk related procedures to ensure independent control process. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

Treasury
Treasury is responsible for managing assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank and Group.

Internal Audit
Risk management processes are audited annually by the internal audit function, that examines both the adequacy of the policies and procures and the compliance with the internal and external requirements. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Supervisory Council, Managing Board and related units.

To ensure the control and management over financial risks, the Managing Board and Supervisory Council of the Group has approved Credit policy, Investment policy and an internal financial risks control policy regarding the significant risks, liquidity risk, credit risk and market risk, and regulates the other documents, that comprise the system for the Group's financial risk management.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

To limit this risk, the Bank as Group liquidity manager places its assets so as to ensure settling of their creditors' legal claims at any time (liquidity), has arranged diversified funding sources in addition to its core deposit base and monitors future cash flows and liquidity on a daily basis.

To ensure liquidity the Bank evaluates and plans the term structures of their assets and liabilities on a regular basis. The bank maintains marketable trading portfolio that can be liquidated or pledged in the event of unforeseen situations. The bank also has Money market and committed lines of credit that it can use to meet liquidity needs. In addition, the bank maintains an obligatory reserve deposit with the Central bank of Latvia equal to 8% of borrowings. In accordance to Liquidity requirements determined by the FCMC the Bank maintains liquid assets that are sufficient for settling liabilities, however, no less than 30% of total current liabilities of the Bank (liquidity ratio). Current liabilities are demand liabilities and liabilities with a residual maturity of no more than 30 days. The liquidity ratio during the year was as follows:

	2008	**2007**
	%	**%**
31 December	45.8	57.0
Average during the period	41.5	49.2
Highest	59.0	58.5
Lowest	32.8	42.1

The Internal Financial Risk Management Policy determines Liquidity risk control and management, and includes the treatment of the risk of the untimely settlement of customer and other legal creditor claims. The Management Board of the Group and the Assets and Liabilities Committee state general liquidity risk management criteria by regulating the volumes, terms and directions of the Group's activities. The Treasury department manages *liquidity's I Reserve fund* (cash, balances with correspondent bank accounts and short term interbank's deals).

Liquidity risk management and control is based on asset and liability term analysis, internal limit regulations regarding the net liquidity position, the effective usage of *liquidity`s I Reserve fund* and liquidity regulation for the remaining free resources, etc.

MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below presents an analysis of the Group assets, liabilities and off-balance sheet liabilities analysed according to when they are expected to be recovered or settled.

As at 31 December 2008- Group	**Up to 1 month** EUR’000	**From 1 to 3 months** EUR’000	**From 3 to 6 months** EUR’000	**From 6 months to 1 year** EUR’000	**From 1 to 5 years** EUR’000	**5 years and over** EUR’000	**Other** EUR’000	**Total** EUR’000
Assets								
Cash and balance with the central bank	83 410	-	-	-	-	-	-	**83 410**
Loans and receivables to banks	54 850	1 542	1 634	293	2 078	-	-	**60 397**
Trading financial assets	13 173	-	-	-	-	-	-	**13 173**
Financial assets at fair value through profit or loss	663	-	-	-	-	-	-	**663**
Held-to-maturity investments	9 999	-	-	-	7 539	-	-	**17 538**
Derivative financial instruments	6 237	822	-	3 883	-	-	-	**10 942**
Loans and receivables to customers	42 703	61 697	32 050	50 412	249 516	23 529	10 036	**469 943**
Available-for-sale financial assets	909	-	-	-	-	16 712	38 433	**56 054**
Current tax assets	-	-	-	-	-	-	1 362	**1 362**
Investment property	-	-	-	-	-	-	6 214	**6 214**
Tangible assets	-	-	-	-	-	-	3 870	**3 870**
Goodwill and other intangible assets	-	-	-	-	-	-	1 439	**1 439**
Other assets	1 713	27	1	-	-	-	117	**1 858**
Total assets	**213 657**	**64 088**	**33 685**	**54 588**	**259 133**	**40 241**	**61 471**	**726 863**
Liabilities								
Due to the central bank and other banks	9 690	1 040	35 649	25 522	-	-	38 433	**110 334**
Derivative financial instruments	6 515	724	37	722	-	-	-	**7 998**
Customer deposits	311 242	72 420	53 345	54 361	7 659	-	-	**499 027**
Subordinated debt	36	-	-	1 565	11 165	-	-	**12 766**
Debt securities in issue	-	-	3 293	-	-	-	-	**3 293**
Current tax liabilities	-	-	-	-	-	-	497	**497**
Deferred tax	-	-	-	-	-	-	929	**929**
Other liabilities	3 527	-	-	437	0	-	61	**4 025**
Total liabilities	**331 010**	**74 184**	**92 324**	**82 607**	**18 824**	**0**	**39 920**	**638 869**
Off-balance sheet items	16 973	3 014	1 197	142	2 049	-	-	**23 375**
Net liquidity	**(134 326)**	**(13 110)**	**(59 836)**	**(28 161)**	**238 260**	**40 241**	**21 551**	**-**

As at 31 December 2007- Group	Up to 1 month EUR'000	From 1 to 3 months EUR'000	From 3 to 6 months EUR'000	From 6 months to 1 year EUR'000	From 1 to 5 years EUR'000	5 years and over EUR'000	Other EUR'000	Total EUR'000
Assets								
Cash and balance with the central bank	59 984	-	-	-	-	-	-	**59 984**
Loans and receivables to banks	250 115	4 000	7 436	5 326	713	1 457	-	**269 047**
Trading financial assets	53 927	-	-	-	-	-	-	**53 927**
Financial assets at fair value through profit or loss	2 069	-	-	-	-	-	-	**2 069**
Derivative financial instruments	7 056	296	148	97	-	-	-	**7 597**
Loans and receivables to customers	23 913	31 272	65 905	42 091	213 520	82 151	2 816	**461 668**
Available-for-sale financial assets	1 382	-	-	-	-	11 762	-	**13 144**
Investment property	-	-	-	-	-	-	6 010	**6 010**
Tangible assets	-	-	-	-	-	-	3 948	**3 948**
Goodwill and other intangible assets	-	-	-	-	-	-	1 308	**1 308**
Other assets	1 599	37	-	-	-	-	61	**1 697**
Total assets	**400 045**	**35 605**	**73 489**	**47 514**	**214 233**	**95 370**	**14 143**	**880 399**
Liabilities								
Due to the central bank and other banks	35 030	24 579	49 660	22 071	-	-	-	**131 340**
Derivative financial instruments	6 394	470	132	81	-	-	-	**7 077**
Customer deposits	530 774	31 899	33 773	29 710	10 403	-	-	**636 559**
Subordinated debt	-	-	-	-	2 696	9 401	-	**12 097**
Debt securities in issue	-	4 021	3 154	1 177	-	-	-	**8 352**
Current tax liabilities	824	-	-	-	-	-	-	**824**
Deferred tax	-	-	-	-	-	-	680	**680**
Other liabilities	4 165	-	-	314	-	-	-	**4 479**
Total liabilities	**577 187**	**60 969**	**86 720**	**53 353**	**13 099**	**9 401**	**680**	**801 408**
Off-balance sheet items	64 014	-	-	-	-	-	-	**64 014**
Net liquidity	**(241 156)**	**(25 364)**	**(13 231)**	**(5 839)**	**201 134**	**85 970**	**13 463**	

According to the regulations of the Latvian Financial and Capital Market Commission, securities that are available for sale or that the Bank is able to sell without any significant losses or use them as security assets for loan issue are classified in the group “Up to 1 month”.

As at 31 December 2008 - Bank	Up to 1 month EUR'000	From 1 to 3 months EUR'000	From 3 to 6 months EUR'000	From 6 months to 1 year EUR'000	From 1 to 5 years EUR'000	5 years and over EUR'000	Other EUR'000	Total EUR'000
Assets								
Cash and balance with the central bank	83 410	-	-	-	-	-	-	**83 410**
Loans and receivables to banks	52 423	1 542	1 634	293	2 077	-	-	**57 969**
Trading financial assets	13 173	-	-	-	-	-	-	**13 173**
Financial assets at fair value through profit or loss	663	-	-	-	-	-	-	**663**
Held-to-maturity investments	9 999	-	-	-	7 539	-	-	**17 538**
Derivative financial instruments	6 237	822	-	3 883	-	-	-	**10 942**
Loans and receivables to customers	41 922	59 853	29 999	105 564	206 457	16 151	3 604	**463 550**
Available-for-sale financial assets	909	-	-	-	-	16 712	38 433	**56 054**
Current tax assets	-	-	-	-	-	-	1 362	**1 362**
Investment property	-	-	-	-	-	-	6 214	**6 214**
Investments in subsidiaries	-	-	-	-	-	-	5 085	**5 085**
Tangible assets	-	-	-	-	-	-	3 257	**3 257**

Goodwill and other intangible assets	-	-	-	-	-	-	1 150	**1 150**
Other assets	1 581	-	-	-	-	-	61	**1 642**
Total assets	**210 317**	**62 217**	**31 633**	**109 740**	**216 073**	**32 863**	**59 166**	**722 009**
Liabilities								
Due to the central bank and other banks	8 016	1 040	35 649	25 522	-	-	38 433	**108 660**
Derivative financial instruments	6 515	724	37	722	-	-	-	**7 998**
Customer deposits	311 882	72 541	53 590	54 641	7 659	-	-	**500 313**
Subordinated debt	36	-	-	1 565	11 165	-	-	**12 766**
Debt securities in issue	-	-	3 293	-	-	-	-	**3 293**
Current tax liabilities	-	-	-	-	-	-	-	
Deferred tax	-	-	-	-	-	-	793	**793**
Other liabilities	3 203	-	-	371	-	-	-	**3 574**
Total liabilities	**329 652**	**74 305**	**92 569**	**82 821**	**18 824**	**-**	**39 226**	**637 397**
Off-balance sheet items	18 204	3 014	1 197	142	2 049	-	-	**24 606**
Net liquidity	**(137 539)**	**(15 102)**	**(62 133)**	**26 777**	**195 200**	**32 863**	**19 940**	

As at 31 December 2007- Bank	Up to 1 month EUR'000	From 1 to 3 months EUR'000	From 3 to 6 months EUR'000	From 6 months to 1 year EUR'000	From 1 to 5 years EUR'000	5 years and over EUR'000	Other EUR'000	Total EUR'000
Assets								
Cash and balance with the central bank	59 984	-	-	-	-	-	**-**	**59 984**
Loans and receivables to banks	249 966	4 000	7 436	5 236	713	1 457		**268 808**
Trading financial assets	53 927	-	-	-	-	-	**-**	**53 927**
Financial assets at fair value through profit or loss	2 069	-	-	-	-	-	**-**	**2 069**
Derivative financial instruments	7 056	296	148	97	-	-	**-**	**7 597**
Loans and receivables to customers	22 772	29 402	63 826	62 206	198 149	78 275	2 729	**457 359**
Available-for-sale financial assets	1 382	-	-	-	-	11 762	**-**	**13 144**
Investment property	-	-	-	-	-	-	6 010	**6 010**
Investments in subsidiaries	-	-	-	-	-	-	4 432	**4 432**
Tangible assets	-	-	-	-	-	-	3 792	**3 792**
Goodwill and other intangible assets	-	-	-	-	-	-	854	**854**
Other assets	1 483	-	-	-	-	-	61	**1 544**
Total assets	**398 639**	**33 698**	**71 410**	**67 539**	**198 862**	**91 494**	**17 878**	**879 520**
Liabilities								
Due to the central bank and other banks	35 030	24 579	49 660	22 071	-	-	**-**	**131 340**
Derivative financial instruments	6 394	470	132	81	-	-	**-**	**7 077**
Customer deposits	531 044	31 970	34 095	29 710	10 403	-	**-**	**637 222**
Subordinated debt	-	-	-	-	2 696	9 401	**-**	**12 097**
Debt securities in issue	-	4 021	3 154	1 177	-	-	**-**	**8 352**
Current tax liabilities	591	-	-	-	-	-	-	**591**
Deferred tax	-	-	-	-	-	-	635	**635**
Other liabilities	3 889			314				**4 203**
Total liabilities	**576 948**	**61 040**	**87 041**	**53 353**	**13 099**	**9 401**	**635**	**801 517**
Off-balance sheet items	65 438	-	-	-	-	-	**-**	**65 438**
Net liquidity	**(243 478)**	**(27 342)**	**(15 632)**	**14 186**	**185 763**	**82 094**	**17 243**	

ANALYSIS OF FINANCIAL LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The table below presents the maturity profile of the Bank’s financial liabilities by the remaining maturities: principal payment and/or interest payments under agreements. The amounts of the liabilities disclosed in the table are the contractual undiscounted cash flows.

Financial liabilities	**Up to 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**From 1 to 5 years**	**5 years and over**	**Total**
As at 31 December 2008	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**	**EUR’000**
Due to the central bank and other banks	46 420	1 049	36 579	26 586	-	-	**110 634**
Derivatives financial instruments	211	(23)	(122)	(1 907)	-	-	**(1 841)**
- Contractual amounts payable	*1 566 168*	*10 065*	*5 451*	*32 305*	-	-	***1 613 989***
- Contractual amounts receivable	*(1 565 957)*	*(10 088)*	*(5 573)*	*(34 212)*	-	-	***(1 615 830)***
Customer deposits	315 018	69 644	64 980	61 667	3 672	-	**514 981**
Subordinated debt	40	-	-	2 157	15 839	-	**18 036**
Debt securities in issue	-	-	3 369	-	-	-	**3 369**
Total undiscounted financial liabilities	**361 689**	**70 670**	**104 806**	**88 503**	**19 511**	**-**	**645 179**
Contingent liabilities	7 506	-	-	-	-	-	**7 506**
Commitments	12 672	3 014	1 197	143	2 049	-	**19 075**
Total	**20178**	**3 014**	**1 197**	**143**	**2 049**	**-**	**26 581**

As at 31 December 2007							
Due to the central bank and other banks	35 492	24 852	52 544	23 269	-	-	**136 157**
Derivatives financial instruments	(646)	(41)	(98)	(138)	-	-	**(923)**
- Contractual amounts payable	*1 663 058*	*19 042*	*9 690*	*8 364*	-	-	***1 700 154***
- Contractual amounts receivable	*(1 663 704)*	*(19 083)*	*(9 788)*	*(8 502)*	-	-	***(1 701 077)***
Customer deposits	557 725	31 965	35 233	31 602	9 694	-	**666 219**
Subordinated debt	31	63	96	195	3 378	14 307	**18 070**
Debt securities in issue	-	4 156	3 391	1 312	-	-	**8 859**
Total undiscounted financial liabilities	**592 602**	**60 995**	**91 166**	**56 240**	**13 072**	**14 307**	**828 382**
Contingent liabilities	6 659	-	-	-	-	-	**6 659**
Commitments	59 625	-	-	-	-	-	**59 625**
Total	**66 284**	**-**	**-**	**-**	**-**	**-**	**66 284**

The maturity profile of the Group’s financial liabilities is not presented, as the only items the Bank’s subsidiaries have is due to the Bank.

CREDIT RISK

Credit risk includes the risk of untimely or incomplete settlement of debtor balances. The Group manages the total credit risk, including the country risk, in accordance with the Internal Financial Risk Management Policy, Credit Policy and Country Risk Management Policy. The system of credit risk management includes the approval of the evaluation of credit risks in connection with partners, creditors and issuers, regulations regarding credit types (by credit volumes and terms) and investments in the Group’s portfolio, and regular evaluation of assets and off-balance sheets. The Board and the Credit Committee manage this credit risk, and the Credit Department continuously monitors compliance with related procedures and limits. The credit quality of financial assets is monitored mainly based on their past due status.

MAXIMUM EXPOSURE TO CREDIT RISK

The amount of the Group`s maximum exposure to credit risk without taking account of any collateral is represented by the carrying amount of each category of financial assets in the balance sheet and off-balance sheet items.

	31.12.2008		31.12.2007	
	Group EUR’000	**Bank EUR’000**	**Group EUR’000**	**Bank EUR’000**
Credit risk exposure relating to on-balance sheet assets	**631 493**	**622 554**	**808 943**	**804 288**
Loans and receivables to banks	60 397	57 969	269 047	268 808
Trading financial assets	13 173	13 173	53 927	53 927
Financial assets designated at fair value through profit or loss	663	663	2 069	2 069
Held-to-maturity investments	17 538	17 538	-	-
Derivatives assets	10 942	10 942	7 597	7 597
Loans and receivables to customers	469 943	463 550	461 668	457 359
Available-for-sale financial assets	56 054	56 054	13 144	13 144
Current tax assets	1 362	1 362	-	-
Other assets	1 421	1 303	1 491	1 384
Credit risk exposure relating to off-balance sheet items	**25 349**	**26 580**	**64 862**	**66 284**
Contingent liabilities	6 002	7 506	5 815	6 659
Commitments	19 347	19 074	59 047	59 625
Maximum exposure	**656 842**	**649 134**	**873 805**	**870 572**

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/group of clients. The maximum credit exposure to any client or group of clients during 2008 was limited maximum to 24 % of the sum tier 1 and tier 2 capitals before taking account of collateral or other credit enhancements.

In accordance with Credit Policy the maximum volume of Group’s loans portfolio is limited to 80 % of the total assets and shall not exceed the sum tier 1 and tier 2 capitals more than 10 times. The share of loans granted to non-resident customers can not to exceed 50% of total loans portfolio. Any type of loans is limited to 40% of the total loans portfolio.

The Group’s and Bank’s financial assets, before taking into account any collateral held or other credit enhancements are presented by the following geographical regions:

At 31 December 2008 -Group	Latvia EUR’000	OECD countries EUR’000	Other countries EUR’000	Total EUR’000
Credit risk exposure relating to on-balance sheet assets	**320 686**	**47 006**	**263 801**	**631 493**
Loans and receivables to banks	5 328	21 083	33 986	**60 397**
Trading financial assets	-	1 313	11 860	**13 173**
Financial assets designated at fair value through profit or loss	663	-	-	**663**
Held-to-maturity investments	-	-	17 538	**17 538**
Derivatives assets	655	7 544	2 743	**10 942**
Loans and receivables to customers	272 972	16 924	180 047	**469 943**
Available-for-sale financial assets	38 622	17	17 415	**56 054**
Current tax assets	1 362	-	-	**1 362**
Other assets	1 084	125	212	**1 421**
Credit risk exposure relating to off-balance sheet items	**17 650**	**515**	**7 184**	**25 349**
Total	**338 336**	**47 521**	**270 985**	**656 842**

At 31 December 2007 -Group	Latvia EUR’000	OECD countries EUR’000	Other countries EUR’000	Total EUR’000
Credit risk exposure relating to on-balance sheet assets	**292 433**	**239 993**	**276 517**	**808 943**
Loans and receivables to banks	1 510	215 873	51 664	**269 047**
Trading financial assets	-	1 356	52 571	**53 927**
Financial assets designated at fair value through profit or loss	2 069	-	-	**2 069**
Derivatives assets	363	3 705	3 529	**7 597**
Loans and receivables to customers	286 679	18 944	156 045	**461 668**
Available-for-sale financial assets	694	-	12 450	**13 144**
Other assets	1 118	115	258	**1 491**
Credit risk exposure relating to off-balance sheet items	**43 402**	**1 881**	**19 579**	**64 862**
Total	**335 835**	**241 874**	**296 096**	**873 805**

At 31 December 2008 - Bank	Latvia EUR'000	OECD countries EUR'000	Other countries EUR'000	Total EUR'000
Credit risk exposure relating to on-balance sheet assets	**321 174**	**47 008**	**254 372**	**622 554**
Loans and receivables to banks	5 328	21 083	31 558	**57 969**
Trading financial assets	-	1 313	11 860	**13 173**
Financial assets designated at fair value through profit or loss	663	-	-	**663**
Held-to-maturity investments	-	-	17 538	**17 538**
Derivatives assets	655	7 544	2 743	**10 942**
Loans and receivables to customers	273 604	16 923	173 023	**463 550**
Available-for-sale financial assets	38 622	17	17 415	**56 054**
Current tax assets	1 362	-	-	**1 362**
Other assets	940	128	235	**1 303**
Credit risk exposure relating to off-balance sheet items	18 052	515	8 013	**26 580**
Total	**339 226**	**47 523**	**262 385**	**649 134**

At 31 December 2007 - Bank	Latvia EUR'000	OECD countries EUR'000	Other countries EUR'000	Total EUR'000
Credit risk exposure relating to on-balance sheet assets	**292 260**	**239 993**	**272 035**	**804 288**
Loans and receivables to banks	1 419	215 873	51 516	**268 808**
Trading financial assets	-	1 356	52 571	**53 927**
Financial assets designated at fair value through profit or loss	2 069	-	-	**2 069**
Derivatives assets	363	3 705	3 529	**7 597**
Loans and receivables to customers	286 679	18 944	151 736	**457 359**
Available-for-sale financial assets	694	-	12 450	**13 144**
Other assets	1 036	115	233	**1 384**
Credit risk exposure relating to off-balance sheet items	**43 402**	**1 881**	**21 001**	**66 284**
Total	**335 662**	**241 874**	**293 036**	**870572**

An industry sector analysis of the Group's and Bank's financial assets, before taking into account any collateral held or other credit enhancements, is as following:

	31.12.2008		31.12.2007	
	Group	Bank	Group	Bank
	EUR'000	EUR'000	EUR'000	EUR'000
Credit risk exposure relating to on-balance sheet assets	**631 493**	**622 554**	**808 943**	**804 288**
Banks	95 946	93 518	323 728	323 487
Private individuals	112 555	93 059	129 053	113 937
Transport	122 088	119 339	107 299	106 964
Trade	72 693	64 240	62 390	56 339
Financial services	48 881	96 870	55 003	80 812
Processing industry	28 413	38 979	36 845	36 652
Building	32 507	11 161	20 697	13 006
Governments	38 547	38 547	694	694
Other	79 863	66 841	73 234	72 397
Credit risk exposure relating to off-balance sheet items	**25 349**	**26 580**	**64 862**	**66 284**
Total	**656 842**	**649 134**	**873 805**	**870 572**

Renegotiated loans

In accordance with Credit Policy Renegotiated loan is a loan which terms and conditions are significantly changed in favour of the borrower, because of his financial difficulties, i.e. benefits are granted, which would not be granted in other circumstances, and loans that could become overdue or impaired if the provisions remain unchanged..

Renegotiating may be: principal amount
- alteration of terms and conditions of a loan, i.e. reduction of both the principal amount and interest rate;
- taking over movable and real property, receivables, other assets or the borrower's equity capital shares for full or partial loan repayment;
- substitution of the initial borrower or involving of additional debtor.

But Renegotiated loan is not a loan which repayment term is prolonged or which is substituted with a new loan with the similar level of risk, without changing the interest rate, or which interest rate is changed, in order it would be equal to the current (market) interest rate or the interest rate, which is typical to similar loans at the Bank when changing the terms and conditions of an agreement.
In terms of the above mentioned point the renegotiable loan is considered to be a new loan which substitutes the "old" one with interest capitalisation (to the overdafts to the credit cards at the moment when the terms and conditions are being changed) and:
The borrower's creditworthiness has become substantially worse (after the establishing of the credit rating - two lowest categories. i.e. the highest risk) if compared to the initial evaluation;
New maturity is substantially longer than that of standard similar Bank loans . There were identified renegotiated loans in 2008 EUR'000 5 077 (2007: nil).

Collateral and other credit enhancements

The type and amount of collateral required depends on an assessment of the credit risk of the client/group of clients. The types of collateral and valuation parameters are obtained by Credit Policy and Monitoring Procedure. The main types of collateral are as following: mortgage, ships, commercial collateral, deposits and securities; the Bank also accepts guarantees as additional (secondary) collateral. Management monitors the market value of collateral, paying special attention to the real estate property and corrects it accordingly taking into account the decrease of its value, in order to ensure loan-to-value or adequacy of the allowance for impairment losses.

In accordance with Credit Policy the unsecured loans (mainly consumer loans and credit cards overdrafts) are considered as a group of similar loans having the same credit risk that is analysed, evaluated and accepted, and comprise the appropriate credit product.

Credit quality of loans and receivables to customers

	31.12.2008		31.12.2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Loans and receivables to customers				
Neither past due nor impaired	343 561	353 460	420 257	416 621
Past due but not impaired	109 470	98 007	36 458	36 458
Impaired	25 322	20 257	6 682	5 872
Gross amount	**478 353**	**471 724**	**463 397**	**458 951**
(Provisions)	(8 410)	(8 174)	(1 729)	(1 592)
Total net loans and receivables to customers	**469 943**	**463 550**	**461 668**	**457 359**

As at 31 December 2008 and 31 December 2007 other financial assets: loans and receivables to banks, available-for-sale financial assets, contingent liabilities and commitments have been classified as neither past due nor impaired.

Ageing analysis of past due but not impaired loans and receivables to customers

The table below represents Group's and Bank's an analysis of past due but not impaired loans as at 31 December 2008

Group	**Past due but not impaired**					
At 31 December 2008	**up to 30 days EUR'000**	**31 to 60 days EUR'000**	**61 to 90 days EUR'000**	**91 to 180 days EUR'000**	**More than 180 days EUR'000**	**Total EUR'000**
Mortgage loans	7 451	9 944	4 573	4 084	403	**26 455**
Industrial loans	21 283	27 355	16 582	-	-	**65 220**
Commercial loans	2 087	5 283	90	1 887	378	**9 725**
Consumer loans	1 299	191	29	14	4	**1 537**
Credit card	398	-	-	-	-	**398**
Finance leases	312	3 497	287	74	-	**4 170**
Factoring	92	-	177	-	-	**269**
Other	1 612	84	-	-	-	**1 696**
Total	**34 534**	**46 354**	**21 738**	**6 059**	**785**	**109 470**

Bank	Past due but not impaired					
At 31 December 2008	**up to 30 days EUR'000**	**31 to 60 days EUR'000**	**61 to 90 days EUR'000**	**91 to 180 days EUR'000**	**More than 180 days EUR'000**	**Total EUR'000**
Mortgage loans	6 981	9 944	1 723	2 284	31	**20 963**
Industrial loans	21 283	25 918	16 581	-	-	**63 782**
Commercial loans	2 028	5 243	90	1 855	-	**9 216**
Consumer loans	1 236	91	13	-	-	**1 340**
Credit card	398	-	-	-	-	**398**
Finance leases	115	177	-	51	-	**343**
Factoring loans	93	-	176	-	-	**269**
Other	1 612	84	-	-	-	**1 696**
Total	**33 746**	**41 457**	**18 583**	**4 190**	**31**	**98 007**

Of the total amount of gross past due but not impaired loans and receivables to customers, the fair value of collateral that the Bank held as at 31 December 2008 was EUR'000 196 778 (2007: EUR'000 76 622).

The table below represents an analysis of past due but not impaired loans of the Bank as at 31 December 2007; there were no past due but not impaired loans in Bank's subsidiaries as they have been classified as neither past due nor impaired.

Bank	Past due but not impaired					
At 31 December 2007	**up to 30 days EUR'000**	**31 to 60 days EUR'000**	**61 to 90 days EUR'000**	**91 to 180 days EUR'000**	**More than 180 days EUR'000**	**Total EUR'000**
Mortgage loans	12 888	6 577	142	56	-	**19 663**
Industrial loans	5 294	3 331	-	-	-	**8 625**
Commercial loans	3 096	2 238	14	-	-	**5 348**
Consumer loans	565	-	6	-	-	**571**
Credit card	295	-	-	-	-	**295**
Finance leases	193	-	-	-	-	**193**
Other	142	1 621	-	-	-	**1 763**
Total	**22 473**	**13 767**	**162**	**56**	**-**	**36 458**

See Note 19 for more detailed information with respect to the allowance for impairment losses on loans and receivables to customers.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, exchange rates and equity prices.

The Bank classifies exposures to market risk into either trading or non-trading portfolios; other Bank's subsidiaries do not have trading portfolio. Trading portfolio include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market and are managed by the Bank's Treasury according to the Investment Policy and the Internal Financial Risk Management Policy within the set by the Board limits and restrictions.

Market risks arise from open positions (both trading and non-trading) in interest rate and foreign currency exchange rates. Interest rate risk and foreign exchange risk are managed and monitored using sensitivity analyses. The Group has no significant concentration of market risk.

The Managing Board and Assets and Liabilities Committee state the basic interest rate for deposits and loans for each currency group and period analyzing the maturity and interest rates of assets and liabilities, the net interest margin and liquidity in connection with currencies and directions of operations.

Interest rate risk

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income statement and equity.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income (with equal effect on pre-tax profit) for one year, based on financial assets and financial liabilities (variable loan commitments are not included) categorised by the earlier of contractual re-pricing or maturity dates. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets held at 31 December 2007 and is based on the assumption that there are parallel shifts in the yield curve discounting future cash flows by amended interest rate. There is the same effect on sensitivity of equity of the Group as only the Bank has available-for-sale assets revaluing them through the equity.

At 31 December 2008		**Bank**	**Group**	**Sensitivity of equity**			
Currency	**Increase in basis points**	**Sensitivity of net interest income**	**Sensitivity of net interest income**	**0 to 6 months**	**6 months to 1 year**	**More than 1 year**	**Total**
	EUR`000	**EUR`000**	**EUR`000**	**EUR`000**	**EUR`000**	**EUR`000**	**EUR`000**
LVL	+ 711	(1 439)	(1 485)	-	-	(73)	(73)
USD	+ 107	37	262	-	-	-	-
EUR	+ 71	134	142	-	-	-	-

At 31 December 2007		**Bank**	**Group**	**Sensitivity of equity**			
Currency	**Increase in basis points**	**Sensitivity of net interest income**	**Sensitivity of net interest income**	**0 to 6 months**	**6 months to 1 year**	**More than 1 year**	**Total**
	EUR`000	**EUR`000**	**EUR`000**	**EUR`000**	**EUR`000**	**EUR`000**	**EUR`000**
LVL	+ 427	265	280	-	-	(94)	(94)
USD	+ 213	(60)	(363)	-	-	-	-
EUR	+ 142	332	330	-	-	-	-

		Bank	**Group**	**Sensitivity of equity**			
Currency	**Decrease in basis points**	**Sensitivity of net interest income**	**Sensitivity of net interest income**	**0 to 6 months**	**6 months to 1 year**	**More than 1 year**	**Total**

	EUR`000	EUR`000	EUR`000	EUR`000	EUR`000	EUR`000	EUR`000
LVL	- 427	(265)	(280)	-	-	36	36
USD	- 213	60	363	-	-	-	-
EUR	- 142	(332)	(330)	-	-	-	-

Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Large Exposures Control Policy and the Internal Financial Risk Management Policy govern foreign exchange risk control and management. These policies are based on meeting the restrictions of the net open position of each foreign currency and the total amount of the net open position of foreign currencies, in compliance with the limits and stop losses set by the Board and with the requirements of the Latvian Financial and Capital Market Commission. In order to avoid losses arising from adverse changes in exchange rates, the Treasury continuously supervises compliance with the restrictions on foreign currency positions.

The sensitivity analysis for the Group's foreign exchange risk is presented in following tables:

As at 31 December 2008 - Group	**LVL**	**USD**	**EUR**	**Other currencies**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Assets					
Cash and due from the central bank	78 700	1 513	2 268	929	**83 410**
Loans and receivables to banks	1 972	26 053	5 780	26 592	**60 397**
Trading financial assets	-	10 829	258	2 086	**13 173**
Financial assets designated at fair value through profit or loss	-	-	663	-	**663**
Held-to-maturity investments	-	13 473	4 065	-	**17 538**
Derivative financial instruments	10 902	-	40	-	**10 942**
Loans to customers and receivables	56 475	156 690	250 344	6 434	**469 943**
Available-for-sale financial assets	38 622	720	16 712	-	**56 054**
Current tax assets	1 362	-	-	-	**1 362**
Investment property	6 214	-	-	-	**6 214**
Tangible assets	3 337	-	413	120	**3 870**
Goodwill and other intangible assets	1 429	-	-	10	**1 439**
Other assets	1 232	142	118	366	**1 858**
Total assets	**200 245**	**209 420**	**280 661**	**36 537**	**726 863**
Liabilities and equity					
Due to the central bank and other banks	41 667	2 859	65 695	113	**110 334**
Derivative financial instruments	7 998	-	-	-	**7 998**
Customer deposits	115 549	173 319	193 981	16 178	**499 027**
Subordinated debt	2 490	36	10 240	-	**12 766**
Debt securities in issue	-	-	3 293	-	**3 293**
Current tax liabilities	-	-	-	497	**497**
Deferred tax liabilities	793	0	0	136	**929**
Other liabilities	2 435	650	485	455	**4 025**
Total liabilities	**170 932**	**176 864**	**273 694**	**17 379**	**638 869**
Share capital and reserves	83 470			4 489	**87 959**
Minority interest	35				**35**
Total liabilities and equity	**254 437**	**176 864**	**273 694**	**21 868**	**726 863**
Net balance sheet long/(short) position	**(54 192)**	**32 556**	**6 967**	**14 669**	
Spot foreign-exchange contracts long/(short) position	(330)	(4 533)	1 717	3 146	
Swap foreign-exchange contracts long/(short) position	46 044	(16 841)	(17 913)	(11 290)	

Forward foreign-exchange contracts long/(short) position	541	(10 565)	11 542	(1 518)
Net open long/(short) currency position	**(7 937)**	**617**	**2 313**	**5 007**
Currency open position in % from capital as of 31/12/2008				

As at 31 December 2007 - Group				
Net open long/(short) currency position	**(3 465)**	**2**	**758**	**2 705**
Currency open position in % from capital as of 31/12/2007		**0.00**	**0.87**	

The table below indicates the currencies to which the Group had significant exposure at 31 December 2007 and at 31 December 2006 on its bank and trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate against the lat, with all other variables held constant, on the income statement.

	31.12.2008		**31.12.2007**	
Currency	**Change in currency rate %**	**Effect on income statement EUR`000**	**Change in currency rate %**	**Effect on income statement EUR`000**
USD			- 14	-
EUR			- 1	(7)
USD	+ 21	92	+ 14	-
EUR	+ 14	23	+ 1	7

The sensitivity analysis for the Bank's foreign exchange risk is presented in following tables:

As at 31 December 2008 - Bank	**LVL**	**USD**	**EUR**	**Other currencies**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Assets					
Cash and due from the central bank	78 700	1 513	2 268	929	**83 410**
Loans and receivables to banks	1 972	25 580	5 771	24 646	**57 969**
Trading financial assets	-	10 829	258	2 086	**13 173**
Financial assets designated at fair value through profit or loss	-	-	663	-	**663**
Held-to-maturity investments	-	13 473	4 065	-	**17 538**
Derivative financial instruments	10 902	-	40	-	**10 942**
Loans to customers and receivables	56 478	156 001	250 543	528	**463 550**
Available-for-sale financial assets	38 622	720	16 712		**56 054**
Current tax assets	1 362	-	-	-	**1 362**
Investment property	6 214	-	-	-	**6 214**
Investment in subsidiaries	5 085	-	-	-	**5 085**
Tangible assets	3 257	-	-	-	**3 257**
Goodwill and other intangible assets	1 150	-	-	-	**1 150**
Other assets	1 133	141	104	264	**1 642**
Total assets	**204 875**	**208 257**	**280 424**	**28 453**	**722 009**
Liabilities and equity					
Due to the central bank and other banks	41 667	1 584	65 298	111	**108 660**
Derivative financial instruments	7 998	-	-	-	**7 998**
Customer deposits	116 825	173 319	193 991	16 178	**500 313**
Subordinated debt	2 490	36	10 240	-	**12 766**
Debt securities in issue	-	-	3 293	-	**3 293**
Current tax liabilities					
Deferred tax liabilities	793	-	-	-	**793**
Other liabilities	2 242	640	357	335	**3 574**
Total liabilities	**172 015**	**175 579**	**273 179**	**16 624**	**637 397**

Share capital and reserves	84 612	-	-	-	**84 612**
Total liabilities and equity	**256 627**	**175 579**	**273 179**	**16 624**	**722 009**
Net balance sheet long/(short) position	**(51 752)**	**32 678**	**7 245**	**11 829**	
Spot foreign-exchange contracts long/(short) position	(330)	(4 533)	1 717	3 146	
Swap foreign-exchange contracts long/(short) position	46 044	(16 841)	(17 913)	(11 290)	
Forward foreign-exchange contracts long/(short) position	541	(10 565)	11 542	(1 518)	
Net open long/(short) currency position	**(5 497)**	**739**	**2 591**	**2 167**	
Currency open position in % from capital as of 31/12/2008		**-**	**-**		

As at 31 December 2007 - Bank

Net open long/(short) currency position	**(3 523)**	**563**	**774**	**2 186**
Currency open position in % from capital as of 31/12/2007		**0.65**	**0.89**	

According to the Law on Credit Institutions of the Republic of Latvia the total open position should not exceed 20% of the capital amount, and the open position for every currency should not exceed 10 %; the internal limits set by the Board during the 2008 were stronger (15 % and 7% accordingly).

The table below indicates the currencies to which the Bank had significant exposure at 31 December 2008 and at 31 December 2007 on its bank and trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate against the lat, with all other variables held constant, on the income statement.

	31.12.2008		**31.12.2007**	
Currency	**Change in currency rate %**	**Effect on income statement EUR`000**	**Change in currency rate %**	**Effect on income statement EUR`000**
USD	-	-	- 14	(57)
EUR	-	-	- 1	(7)
USD	+21	111	+ 14	57
EUR	+14	26	+ 1	7

Operational risk

Operational risk is the risk of loss arising from the impact of inadequate or unsuccessful internal processes: personnel errors, systems failure, or external events. The Managing Board and appropriate organizational units of the Group exercise supervision and control over the operational risk on the basis of the approved Operational Risk Management Policy. The operational risk is monitored and managed by the following methods: effective segregation of duties, access, authorisation and reconciliation; operational risk is daily monitored by back-office and operational risk cases are registered in on-line database for the further analysis; direct reporting on operational risk cases to the

Board, respective heads of department and product managers; regular internal control process reviews; regular inspections by Internal Audit, including regular IT systems inspections by IT system internal auditor.

4. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced.

For the management purposes, the Group is organized into three business segments:

Banking finance operations – principally includes attraction of deposits and other repayable funds; crediting and issuance of guarantees; performance of cash and non-cash payments; issuance and servicing of non-cash means of payment; investing and provision of investment services.

Asset management - principally includes management of investment funds and second-tier pension plans; fiduciary operations (trust).

Insurance – provision of insurance agent services.

Primary segment information – business segments

The following tables presents income and profit and certain asset and liability information regarding the Group's business segments for the year ended 31 December 2007 and 2008:

As at 31 December 2008	Banking finance operations	Asset manage-ment	Insurance	Adjustment on consolidation	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue					
External operating income					
Net interest income	36 061	61	1	(61)	**36 062**
Net fee and commission income	9 194	724	108	98	**10 124**
Dividend income	27	-	-	-	**27**
Net trading income	6 102	(1)	-	(1)	**6 100**
Other operating income	2 290	-	-	(124)	**2 166**
Other operating expense	(1 266)	(47)	-	-	**(1 313)**
Net operating income	**52 408**	**737**	**109**	**(88)**	**53 166**
Impairment losses on financial investments	(11 309)	-	-	-	**(11 309)**
Result					
Net operating profit before tax	**11 873**	**455**	**(154)**	**(69)**	**12 105**
Income tax					(2 146)
Profit for the year					**9 959**
Assets and liabilities					
Segment assets	725 407	760	85	(751)	**725 501**
Unallocated assets	1 362	-	-	-	**1 362**
Total assets	**726 769**	**760**	**85**	**(751)**	**726 863**
Segment liabilities	637 324	66	195	(142)	**637 443**
Unallocated liabilities	1 426	-	-	-	**1 426**
Total liabilities	**638 750**	**66**	**195**	**(142)**	**638 869**

Other segment information					
Capital expenditure					
Tangible assets	3 852	5	13	-	**3 870**
Intangible assets	1 025	11	24	-	**1 060**
Depreciation	1 287	3	3	-	**1 293**
Amortisation of other intangible assets	387	6	10	0	**403**

As at 31 December 2007	Banking finance operations	Asset manage-ment	Insurance	Adjustment on consolidation	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue					
External operating income					
Net interest income	24 621	33	-	(24)	**24 630**
Net fee and commission income	6 928	707	6	114	**7 755**
Dividend income	4	-	-	-	**4**
Net trading income	1 306	-	-	-	**1 306**
Other operating income	3 370	-	-	(121)	**3 249**
Other operating expense	(673)	(23)	(3)	-	**(699)**
Net operating income	**35 556**	**717**	**3**	**(31)**	**36 245**
Impairment losses on financial investments	(1 683)	-	-	**-**	**(1 683)**
Result					
Net operating profit before tax	**10 822**	**512**	**(28)**	**(24)**	**11 282**
Income tax					(2 439)
Profit for the year					**8 843**
Assets and liabilities					
Segment assets	881 098	681	64	(1 444)	**880 399**
Unallocated assets	-	-	-	-	**-**
Total assets	**881 098**	**681**	**64**	**(1 444)**	**880 399**
Segment liabilities	799 849	33	22	**-**	**799 904**
Unallocated liabilities	1 504	**-**	**-**	**-**	**1 504**
Total liabilities	**801 353**	**33**	**22**	**-**	**801 408**
Other segment information					
Capital expenditure					
Tangible assets	3 942	3	3	**-**	**3 948**
Intangible assets	912	-	17	**-**	**929**
Depreciation	1 133	3	-	**-**	**1 136**
Amortisation of other intangible assets	270	-	-	**-**	**270**

Secondary segment information – geographical segments

Principally the Group operates in the Republic of Latvia. The following tables shows the distribution of the Group's external net operating income and total assets by geographical segment, allocated based on the location in which the transactions and assets are recorded, for the years ended 31 December 2008 and 2007:

	Latvia	Other countries	Adjustment on consolidation	Total
As at 31 December 2008	**EUR`000**	**EUR`000**	**EUR`000**	**EUR`000**
Revenue				
External operating income				
Net interest income	29 658	4 808	1 596	**36 062**
Net fee and commission income	10 047	74	3	**10 124**
Dividend income	27	-	-	**27**
Net trading income	6 151	(51)	-	**6 100**
Other operating income	2 066	100	-	**2 166**
Other operating expense	(1 312)	(1)	-	**(1 313)**
Net operating income	**46 637**	**4 930**	**1 599**	**53 166**
Impairment losses on financial investments	(11 130)	(179)	-	**(11 309)**
Total assets	681 805	45 058	-	726 863
Capital expenditure				
Tangible assets	3 749	121	-	**3 870**
Intangible assets	1 051	9	-	**1 060**

	Latvia	Other countries	Adjustment on consolidation	Total
As at 31 December 2007	**EUR`000**	**EUR`000**	**EUR`000**	**EUR`000**
Revenue				
External operating income				
Net interest income	21 383	3 271	(24)	**24 630**
Net fee and commission income	7 561	80	114	**7 755**
Dividend income	4	-	-	**4**
Net trading income	1 273	33	-	**1 306**
Other operating income	3 351	19	(121)	**3 249**
Other operating expense	(686)	(13)	-	**(699)**
Net operating income	**32 886**	**3 390**	**(31)**	**36 245**
Impairment losses on financial investments	(1 559)	(124)	-	**(1 683)**
Total assets	851 321	30 522	(1 444)	**880 399**
Capital expenditure				
Tangible assets	3 813	135	-	**3 948**
Intangible assets	919	10	-	**929**

5. INTEREST INCOME, NET

	2008		2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income	**66 745**	**61 829**	**49 594**	**47 431**
Loans and receivables to customers	52 145	45 519	36 888	34 774
Trading securities	3 073	3 073	6 820	6 820
Loans and receivables to banks	9 377	11 144	5 408	5 395
Available-for-sale securities	764	764	165	165
Held-to-maturity investments	1 097	1 097	-	-
Other	289	232	313	277
Interest expense	**30 683**	**30 764**	**24 964**	**24 991**
Deposits from banks	8 782	8 865	10 142	10 142
Customer deposits	19 232	19 230	9 844	9 871
Debt securities in issue	605	605	3 857	3 857
Payments in the Deposit Guarantee Fund	993	993	697	697
Subordinated debts	1 071	1 071	424	424
Net interest income	**36 062**	**31 065**	**24 630**	**22 440**

As at 31 December 2008, interest income accrued on impaired loans to customers amounted to EUR'000 923 (2007: EUR'000 98).

6. FEE AND COMMISSION INCOME, NET

	2008		2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Fee and commission income	**12 645**	**11 962**	**10 010**	**9 606**
Account services and money transfer fees	5 604	5 611	5 686	5 682
Payment cards	1 669	1 669	1 430	1 430
Asset management fees	901	408	874	561
Cash withdrawal	680	680	556	556
Brokerage services on securities	804	717	542	542
Commission for public utility payments	2 419	2 419	444	444
Commission on letters of credit and collection	154	154	129	129
Other	414	304	349	262
Fee and commission expense	**2 521**	**2 474**	**2 255**	**2 194**
Payment cards	1316	1316	1 003	1 003
Services of correspondent banks	640	640	591	582
Securities purchase and brokerage services	346	346	499	447
Other	219	172	162	162
Net fee and commission income	**10 124**	**9 488**	**7 755**	**7 412**

7. NET TRADING INCOME

	2008		2007	
	Group EUR’000	Bank EUR’000	Group EUR’000	Bank EUR’000
Profit/(loss) from trading financial assets, net	**(4 435)**	**(4 435)**	**(6 030)**	**(6 030)**
Bonds and other fixed income securities	***(3 947)***	***(3 947)***	***(6 332)***	***(6 332)***
Net trading profit/(loss)	(1 868)	(1 868)	(3 996)	(3 996)
Fair value adjustment	(2 079)	(2 079)	(2 336)	(2 336)
Shares and other non- fixed income securities	***(488)***	***(488)***	***302***	***302***
Net trading profit/(loss)	(128)	(128)	376	376
Fair value adjustment	(360)	(360)	(74)	(74)
Profit/(loss) from derivative instruments and foreign exchanges trading, net	**16 675**	**16 667**	**9 537**	**9 533**
Net trading profit/(loss)	13 899	13 891	9 197	9 193
Fair value adjustment	2 776	2 776	340	340
Profit/(loss) from revaluation of open position, net	**(5 245)**	**(5 186)**	**(2 279)**	**(2 308)**
Net trading income	**6 995**	**7 046**	**1 228**	**1 195**

8. NET GAIN OR LOSS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008		2007	
	Group EUR’000	Bank EUR’000	Group EUR’000	Bank EUR’000
Profit/(loss) from financial assets designated at FV through PL, net	**(828)**	**(828)**	**79**	**79**
Net realised profit/(loss)	(411)	(411)	**-**	**-**
Fair value adjustment	(417)	(417)	**79**	**79**
Profit/(loss) from financial liabilities designated at FV through PL, net	**-**	**-**	**(1)**	**(1)**
Net realised profit/(loss)	**-**	**-**	**(1)**	**(1)**
Fair value adjustment	**-**	**-**	**-**	**-**
Total	**(828)**	**(828)**	**78**	**78**

9. NET GAIN OR LOSS FROM SALES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008		2007	
	Group EUR’000	Bank EUR’000	Group EUR’000	Bank EUR’000
Bonds and other fixed income securities	(67)	(67)	**-**	**-**
Shares and other non-fixed income securities	-	-	**-**	**-**
Total	**(67)**	**(67)**	**-**	**-**

These are the amounts transferred from equity to the income statement on the derecognition of available-for-sale financial instruments.

10. OTHER OPERATING INCOME

	2008		2007	
	Group EUR’000	Bank EUR’000	Group EUR’000	Bank EUR’000
Change in fair value of investment property (Note 24)	154	154	2 261	2 261
Penalties	1 230	1 134	434	434
Rent of investment property	613	613	343	343
Rent of premises	155	155	135	147
Other	14	161	76	169
Total	**2 166**	**2 217**	**3 249**	**3 354**

11. ADMINISTRATIVE EXPENSES

	2008		2007	
	Group EUR’000	Bank EUR’000	Group EUR’000	Bank EUR’000
Personnel expense	**15 918**	**14 159**	**11 386**	**10 842**
Personnel remuneration	12 137	10 895	8 813	8 384
Supervisory Council and Management Board remuneration	955	700	558	512
Social security contributions	2 826	2 564	2 015	1 946
Other expense	**12 138**	**11 823**	**10 488**	**10 258**
Professional services	2 353	2 253	1 813	1 709
Rent	2 231	2 107	1 705	1 685
Computer repair and communications	1 524	1 636	1 431	1 410
VAT	993	992	923	923
Public utilities and maintenance	845	828	894	887
Advertising	1 141	1 136	729	726
Rebranding	-	-	451	451
Write-off of leasehold improvement	229	229	448	448
Donations	329	329	415	415
Business trip	380	373	317	315
Security	342	333	246	239
Stationery and miscellaneous	303	290	225	215
Real estate tax	115	115	50	50
Other administrative expenses	1 353	1 202	841	785
Total	**28 056**	**25 982**	**21 874**	**21 100**

During the 2008 the average number of employees by the Group and the Bank was 882 (including 9 Supervisory Council and 16 Management Board members) and 822 (including 6 Supervisory Council and 5 Management Board members), respectively.
The average number of employees by the Group and the Bank in 2007 was 773 (including 10 Supervisory Council and 13 Management Board members) and 727 (including 6 Supervisory Council and 5 Management Board members), respectively.

12. CORPORATE INCOME TAX

a) Components of corporate income tax	2008		2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Corporate income tax expense for the year	1 897	1 192	1 895	1 640
Change in deferred tax liability	249	158	544	482
Change in deferred tax asset	-	-	-	-
Total	**2 146**	**1 350**	**2 439**	**2 122**

b) Reconciliation of accounting profit to tax charge	2008		2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Profit before taxation	12 105	8 998	**11 282**	**9 784**
Expected corporate income tax *	2 132	1 350	1 793	1 467
Tax effect of:				
(Untaxed income)/non-deductible expense	710	696	1 245	1 254
Sponsorship	(33)	(33)	(252)	(252)
Tax exemptions	(663)	(663)	(347)	(347)
Total	**2 146**	**1 350**	**2 439**	**2 122**

*15% rate in Latvia and 20% rate in Armenia

c) Reconciliation of prior year deferred tax balance with that of current period is as follows:

	2008		2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Deferred tax asset at the beginning of year	-	-	(17)	-
Deferred tax asset (increase)/decrease for the year	-	-	17	-
Deferred tax asset at the year end			-	-
Deferred tax liability at the beginning of year	680	635	152	152
Deferred tax liability increase for the year	249	158	526	483
Foreign exchange	-	-	1	-
Deferred tax liability at the year end	**929**	**793**	**680**	**635**

d) The deferred tax included in the balance sheet and changes recorded in the income statement are as follows:

	2008		2007	
Group	**Deferred tax asset EUR'000**	**Deferred tax liability EUR'000**	**Deferred tax asset EUR'000**	**Deferred tax liability EUR'000**
Loans to customers	-	(134)	-	(37)
Accruals for vacations	55	-	50	-
Revaluation of available-for-sale financial assets*	-	(253)	-	(98)
Depreciation and amortisation	-	(240)	-	(252)
Change in fair value of investment property	-	(360)	-	(339)
Other assets	-	-	1	-
Other liabilities	3	0	-	(5)
Tax loss carry-forwards	-	-	-	-
Total mutual off setting of asset/(liability)	58	(987)	51	(731)
Total non-mutual off setting of asset/(liability)	-	-	-	-
Net deferred tax asset/(liability)	**-**	**(929)**	**-**	**(680)**

*Changes of the item "Revaluation of available-for-sale financial assets" recorded directly in equity.

	2008		2007	
Bank	**Deferred tax assets EUR'000**	**Deferred tax liability EUR'000**	**Deferred tax assets EUR'000**	**Deferred tax liability EUR'000**
Accruals for vacations	55	-	47	-
Revaluation of available-for-sale financial assets	-	(253)	-	(98)
Depreciation and amortisation	-	(235)	-	(245)
Change in fair value of investment property	-	(360)	-	(339)
Total mutual off setting of asset/(liability)	**55**	**(848)**	**47**	**(682)**
Net deferred tax asset/(liability)	**-**	(793)	**-**	**(635)**

13. CASH AND BALANCES WITH THE CENTRAL BANK

	31.12.2008		31.12.2007	
	Group EUR'000	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Cash	7 635	7 635	11 675	11 675
Due from the central bank	75 775	75 775	48 309	48 309
Total	**83 410**	**83 410**	**59 984**	**59 984**

Balances with the Bank of Latvia represent funds held in the Bank's clearing account. In accordance with the regulations set by the Bank of Latvia, the Bank's average monthly correspondent account balance should not be less than the amount of the statutory reserve which is calculated on the basis of the balance of liabilities included in the reserve base, as at the end of month. As at 31 December 2008 and 2007 the amount of the statutory reserve of the Bank was EUR'000 30 355 and EUR'000 47 791, respectively.

14. LOANS AND RECEIVABLES TO BANKS

	31.12.2008		31.12.2007	
	Group EUR’000	Bank EUR’000	Group EUR’000	Bank EUR’000
Demand placements with:	**45 956**	**45 166**	**57 605**	**57 456**
other countries banks	21 762	20 972	33 810	33 662
OECD countries banks	20 838	20 838	23 758	23 758
the Republic of Latvia banks	3 356	3 356	37	37
Loans and receivables to:	**14 441**	**12 803**	**211 442**	**211 352**
Banks of the OECD countries	245	245	192 115	192 115
Banks of other countries	12 224	10 586	17 854	17 854
Banks of the Republic of Latvia	1 972	1 972	1 473	1 383
Total	**60 397**	**57 969**	**269 047**	**268 808**

15. TRADING FINANCIAL ASSETS

	31.12.2008		31.12.2007	
	Group EUR’000	Bank EUR’000	Group EUR’000	Bank EUR’000
Trading bonds and other fixed income securities	**12 914**	**12 914**	**52 689**	**52 689**
Other country bonds	11 601	11 601	51 333	51 333
OECD country bonds	1 313	1 313	1 356	1 356
Latvian bonds	**-**	**-**	-	-
Trading shares and other non- fixed income securities	**259**	**259**	**1 238**	**1 238**
Other country shares	259	259	1 238	1 238
Total	**13 173**	**13 173**	**53 927**	**53 927**

16. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2008		31.12.2007	
	Group EUR’000	Bank EUR’000	Group EUR’000	Bank EUR’000
Fund participations	**663**	**663**	**2 069**	**2 069**
Latvian funds	663	663	2 069	2 069

As at 31 December 2007, the Bank has investments in open-end investment funds, which JSC “NORVIK ieguldījumu pārvaldes sabiedrība”, a subsidiary company of the Bank, has registered in the Financial and Capital Market Commission (FCMC).

17. DERIVATIVE FINANCIAL INSTRUMENTS

The table below presents the fair value of the Group's and Bank's derivatives held for trading. Derivatives financial instruments are recorded as assets or liabilities, together with their notional amounts. The notional amounts are the gross amount of a derivative's underlying assets and are calculated based on FCMC regulation on calculation of capital adequacy. The notional amounts indicate the volume of transactions outstanding at the year end.

	31.12.2008			31.12.2007		
	Assets EUR'000	Liabilities EUR'000	Notional amount EUR'000	Assets EUR'000	Liabilities EUR'000	Notional amount EUR'000
Swaps	9 498	6 098	1 215 216	5 410	4 724	1 105 564
Spot	1 107	1 062	331 099	1 280	1 349	553 637
Forwards	297	838	69 581	810	1004	42 145
Options	40	-	901	97	-	1 060
Futures	-	-	-	-	-	-
Total	**10 942**	**7 998**	**1 616 797**	**7 597**	**7 077**	**1 702 406**

18. LOANS AND RECEIVABLES TO CUSTOMER

	31.12.2008		31.12.2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Net loans to:	**463 438**	**431 523**	**455 772**	**451 463**
Private companies	351 069	338 631	328 442	338 232
Individuals	120 779	101 066	129 059	114 823
Allowance for impairment losses (Note 19)	(8 410)	(8 174)	(1 729)	(1 592)
Receivables to:	**6 505**	**32 027**	**5 896**	**5 896**
Finances companies	6 505	32 027	**5 896**	**5 896**
Total net loans and receivables to customers	**469 943**	**463 550**	**461 668**	**457 359**

Geographical segmentation of loans and receivables				
Net loans to:	**463 438**	**431 523**	**455 772**	**451 463**
Residents of Latvia	281 045	256 114	288 267	288 267
Residents of the other countries	180 369	173 149	156 179	151 733
Residents of OECD countries	10 434	10 434	13 055	13 055
Allowance for impairment losses (Note 19)	(8 410)	(8 174)	(1 729)	(1 592)
Receivables to:	**6 505**	**32 027**	**5 896**	**5 896**
Residents of OECD countries	6499	6499	5 889	5 889
Residents of the other countries			4	4
Residents of Latvia	6	25528	3	3
Total loans and receivables to customers	**469 943**	**463 550**	**461 668**	**457 359**

	31.12.2008		31.12.2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Analysis of loans by type				
Industrial loans	120 591	119 156	130 354	130 354
Mortgage loans	120 625	92 519	93 009	85 483
Commercial loans	112 831	123 626	90 811	101 619
Consumer loans	51 088	44 960	57 144	49 553
Reverse Repo transactions	25 655	25 655	56 650	56 650
Credit card balances	14 308	14 308	12 743	12 743
Finance leases	12 613	5 572	6 813	6 813
Factoring loans	552	552	2 652	2 652
Other	5 175	5 175	5 596	5 596
Net loans to customers	**463 438**	**431 523**	**455 772**	**451 463**

The Group has received securities at fair value EUR'000 30 109 (at 31 December 2007: EUR'000 58 359) as collateral for reverse repo deals and the Group is permitted to sell or repledge them. As at 31 December 2008 have not been sold or repledged (at 31 December 2007: EUR'000 nil).

	31.12.2008		31.12.2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Finance leases				
Gross investments	**14 603**	**6 545**	**8 399**	**8 399**
Within 1 year	1 777	1 675	1 679	1 679
From 1 year to 5 years	8 315	4 621	5 257	5 257
More than 5 years	4 511	249	1 463	1 463
Unearned income	**1 990**	**973**	**1 586**	**1 586**
Within 1 year	351	348	603	603
From 1 year to 5 years	1 134	622	910	910
More than 5 years	505	3	73	73
Present value of minimum lease payments	**12 613**	**5 572**	**6 813**	**6 813**
Within 1 year	1 426	1 326	1 076	1 076
From 1 year to 5 years	7 181	4 000	4 347	4 347
More than 5 years	4 006	246	1 390	1 390

19. IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS

The total impairment allowance for Group's loans and receivables to customers is EUR'000 8 422 (at 31 December 2007: EUR'000 1729) of which EUR'000 7 508 (at 31 December 2007: EUR'000 1 217) represents allowance for impaired loans that have been made by using an individual valuation approach and the remaining amount of EUR'000 903 (at 31 December 2007: EUR'000 512) represents allowances that have been made for loan portfolios as groups of financial assets.

The following table presents an analysis of the change in allowance account for impairment. The Group attributes the allowance for impairment losses completely to the loans to customers.

Group	At 31 December 2007 EUR'000	Increase in allowance for loans EUR'000	Written off loans EUR'000	Released from allowance EUR'000	Foreign exchange EUR'000	At 31 December 2008 EUR'000
Industrial loans	45	151	(196)	-	-	**-**
Commercial loans	52	764	(720)	(51)	-	**45**
Consumer loans	1 049	5 296	(388)	(355)	2	**5 604**
Credit cards	518	1 625	(618)	(95)	-	**1 430**
Finance leasing	43	20	(43)	-	-	**20**
Factoring	-	21	(21)	-	-	-
Mortgage loans	22	2 772	(2 709)	(23)	-	**62**
Reverse repo	-	1 256	-	-	(6)	**1 250**
Total provisions for loans and receivables	**1 729**	**11 905**	**(4 695)**	**(524)**	**(4)**	**8 411**
Other provisions	-	10	-	-	1	**11**
Total	**1 729**	**11 915**	**(4 695)**	**(524)**	**(3)**	**8 422**

	Individual impairment EUR'000	Collective impairment EUR'000	Total EUR'000	Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance EUR'000
Industrial loans	-	-	**-**	-
Commercial loans	44	-	**44**	1 555
Consumer loans	4 859	744	**5 603**	6 623
Credit cards	1 271	159	**1 430**	1 816
Finance leasing	20	-	**20**	92
Factoring	-	-	**-**	-
Mortgage loans	63	-	**63**	2 314
Reverse repo	1 251	-	**1 251**	4 371
Total	**7 508**	**903**	**8 411**	**16 771**

Group	At 31 December 2006 EUR'000	Increase in allowance for loans EUR'000	Written off loans EUR'000	Released from allowance EUR'000	Foreign exchange EUR'000	At 31 December 2007 EUR'000
Industrial loans	58	-	-	(13)	-	**45**
Commercial loans	30	44	-	(24)	2	**52**
Consumer loans	17	1 133	(98)	(6)	3	**1 049**
Credit cards	57	851	(357)	(33)	-	**518**
Finance leasing	110	13	(44)	(36)	-	**43**
Mortgage loans	-	21	-	-	1	**22**
Total	**272**	**2 062**	**(499)**	**(112)**	**6**	**1 729**

	Individual impairment EUR`000	Collective impairment EUR`000	Total EUR’000	Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance EUR`000
Industrial loans	45	-	**45**	45
Commercial loans	6	46	**52**	9
Consumer loans	646	403	**1 049**	646
Credit cards	477	41	**518**	477
Finance leasing	43	**-**	**43**	43
Factoring	-	-	**-**	-
Mortgage loans	-	22	**22**	-
Total	**1 217**	**512**	**729**	**1 220**

Group	**2008**	**2007**
	EUR’000	**EUR’000**
Result from allowance for impairment losses	**(11 309)**	**(1 683)**
Increase in allowance	(11 915)	(2 062)
Released from allowance (loans)	524	112
Released from allowance (other)	-	-
Recovery of previously written-off assets	82	267

The total impairment allowance for Bank’s loans and receivables to customers is EUR’000 8 185 (at 31 December 2007: EUR’000 1 592) of which EUR’000 7 489 (at 31 December 2007: EUR’000 1 217) represents the individually impaired loans and the remaining amount of EUR’000 685 (at 31 December 2007: EUR’000 375) represents the portfolio allowance.

Bank	**At 31 December 2007 EUR’000**	**Increase in allowance for loans EUR’000**	**Written off loans EUR’000**	**Released from allowance EUR’000**	**Foreign exchange EUR’000**	**At 31 December 2008 EUR’000**
Industrial loans	45	151	(196)	-	-	**-**
Commercial loans	6	764	(720)	(6)	-	**44**
Consumer loans	980	5 044	(289)	(350)	-	**5 385**
Credit cards	518	1 625	(618)	(95)	-	**1 430**
Finance leasing	43	1	(43)	-	-	**1**
Factoring	-	21	(21)	-	-	-
Mortgage loans	-	2 772	(2 709)	-	-	**63**
Reverse repo	-	1 257		-	(6)	**1 251**
Total provisions for loans and receivables	**1 592**	**11 635**	**(4 596)**	**(451)**	**(6)**	**8 174**
Other provisions	-	10	-	-	1	**11**
Total	**1 592**	**11 645**	**(4 596)**	**(451)**	**(5)**	**8 185**

	Individual impairment EUR'000	Collective impairment EUR'000	Total EUR'000	Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance EUR'000
Industrial loans	-	-	**-**	-
Commercial loans	44	-	**44**	1 555
Consumer loans	4859	526	**5 385**	6 623
Credit cards	1271	159	**1 430**	1 816
Finance leasing	1	-	**1**	51
Factoring	-	-	**-**	**-**
Mortgage loans	63	-	**63**	2 314
Reverse repo	1251	-	**1 251**	4 371
Total	**7 489**	**685**	**8 174**	**16 730**

Bank	**At 31 December 2006** EUR'000	**Increase in allowance for loans** EUR'000	**Written off loans** EUR'000	**Released from allowance** EUR'000	**Foreign exchange** EUR'000	**At 31 December 2007** EUR'000
Industrial loans	58	-	-	(13)	-	**45**
Commercial loans	30	1	-	(24)	(1)	**6**
Consumer loans	10	1 073	(97)	(6)	-	**980**
Credit cards	57	851	(357)	(33)	-	**518**
Finance leasing	110	13	(44)	(36)	-	**43**
Total	**265**	**1 938**	**(498)**	**(112)**	**(1)**	**1 592**

	Individual impairment EUR`000	**Collective impairment EUR`000**	**Total EUR'000**	Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance **EUR`000**
Industrial loans	45	-	**45**	45
Commercial loans	6	-	**6**	9
Consumer loans	646	334	**980**	646
Credit cards	477	41	**518**	477
Finance leasing	43	**-**	**43**	43
Total	**1 217**	**375**	**1 592**	**1 220**

Bank	**2008** EUR'000	**2007** EUR'000
Result from allowance for impairment losses	**(11 309)**	**(1 559)**
Increase in allowance	(11 915)	(1 938)
Released from allowance (loans)	524	112
Released from allowance (other)	-	-
Recovery of previously written-off assets	82	267

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31.12.2008		31.12.2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Bonds and other fixed income securities	**39 342**	**39 342**	**1 381**	**1 381**
Latvian bonds	38 622	38 622	694	694
OECD country bonds	17	17	-	-
Other country bonds	703	703	687	687
Shares and other non-fixed income securities	**16 712**	**16 712**	**11 763**	**11 763**
EU country funds	16 712	16 712	11 763	11 763
Total	**56 054**	**56 054**	**13 144**	**13 144**

21. HELD-TO-MATURITY FINANCIAL ASSETS

	31.12.2008	
	Group EUR'000	Bank EUR'000
Bonds	**17 538**	**17 538**
Residents of the other countries	17 538	17 538

22. INVESTMENT IN SUBSIDIARIES

As at 31 December 2008 the Bank had the following investment in the subsidiaries:

Company	Country and address of registration	Business profile	Share capital	Bank's investments	Bank's share capital	Total equity value	Goodwill
			EUR'000	EUR'000	%	EUR'000	EUR'000
JSC "NORVIK Ieguldījumu pārvaldes sabiedrība"	Latvia, Riga, E.Birznieka-Upīša str. 21	Finance	1074	1181	94.95	701	379
JSC "NORVIK" Universal Credit Organization	Armenia, Yerevan, Khanjyan str. 41	Finance	2755	2766	100	5377	-
"NORVIK Līzings" SIA	Latvia, Riga, E.Birznieka-Upīša str. 21	Finance	996	996	100	374	-
"NORVIK TECHNOLOGY" SIA	Latvia, Riga, E.Birznieka-Upīša str. 21	IT service	142	142	100	58	-
				5 085			

In February 2008, the Bank has increased the share capital of JSC "NORVIK LĪZINGS" (Latvia) by EUR `000 711, as result of which the share capital of this subsidiary company now amounts to EUR`000 996.

23. GOODWILL AND OTHER INTANGIBLE ASSETS

	31.12.2008		31.12.2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Goodwill	379	-	379	-
Other intangible assets	1 012	1 107	918	842
Prepayments for intangible assets	48	43	11	11
Net book value of other intangible assets	**1 439**	**1 150**	**1 308**	**853**

The following table shows the changes in the Group's and Bank's intangible assets for the year ended 31 December 2008 and 31 December 2007:

Group **EUR `000**	**Goodwill**	**Other intangible assets**	**Prepayments for other intangible assets**	**Total**
Historical cost				
At 31 December 2007	**379**	**1 794**	**11**	**2 184**
Additions	-	498	174	**672**
Disposals	-	(41)	(137)	**(178)**
At 31 December 2008	**379**	**2 251**	**48**	**2 678**
Amortisation				
At 31 December 2007	**-**	**876**	**-**	**876**
Charge	-	403	-	**403**
Disposals	-	(40)	-	**(40)**
At 31 December 2008	**-**	**1 239**	**-**	**1 239**
Net book value				
At 31 December 2007	**379**	**918**	**11**	**1 308**
At 31 December 2008	**379**	**1 012**	**48**	**1 439**

Group **EUR `000**	**Goodwill**	**Other intangible assets**	**Prepayments for other intangible assets**	**Total**
Historical cost				
At 31 December 2006	**379**	**1 356**	**-**	**1735**
Additions	-	560	146	**706**
Disposals	-	(122)	(135)	**(257)**
At 31 December 2007	**379**	**1 794**	**11**	**2 184**
Amortisation				
At 31 December 2006	**-**	**727**	**-**	**727**
Charge	-	271	-	**271**
Disposals	-	(122)	-	**(122)**
At 31 December 2007	**-**	**876**	**-**	**876**
Net book value				
At 31 December 2006	**379**	**629**	**-**	**1 008**
At 31 December 2007	**379**	**918**	**11**	**1 308**

Goodwill acquired through business combination with indefinite lives have been allocated for impairment testing to one individual cash-generating unit – Investment Funds Management, which is included into reportable segment Asset Management.

Bank **EUR `000**	**Other intangible assets**	**Prepayments for other intangible assets**	**Total**
Historical cost			
At 31 December 2007	**1 713**	**11**	**1 724**
Additions	627	168	795
Disposals	(41)	(136)	(177)
At 31 December 2008	**2 299**	**43**	**2 342**
Amortisation			
At 31 December 2007	**871**	**-**	**871**
Charge	361	-	361
Disposals	(40)	-	(40)
At 31 December 2008	**1 192**	**-**	**1 192**
Net book value			
At 31 December 2007	**842**	**11**	**853**
At 31 December 2008	**1 107**	**43**	**1 150**

Bank **EUR `000**	**Other intangible assets**	**Prepayments for other intangible assets**	**Total**
Historical cost			
At 31 December 2006	**1 344**	**-**	**1 345**
Additions	491	146	**637**
Disposals	(122)	(135)	**(257)**
At 31 December 2007	**1 713**	**11**	**1 724**
Amortisation			
At 31 December 2006	**726**	**-**	**726**
Charge	267	-	**267**
Disposals	(122)	-	**(122)**
At 31 December 2007	**871**	**-**	**871**
Net book value			
At 31 December 2006	**618**	**-**	**619**
At 31 December 2007	**842**	**11**	**853**

Other intangible assets represent computer software and licenses which were purchased from third parties.

24. INVESTMENT PROPERTY

The following table shows the movement in the Group's and Bank's investment property for the period ended 31 December 2008:

EUR'000	**Building**
As at 31 December 2006	-
Reclassification	3 721
Net change in fair value	2 261
Additions	28
As at 31 December 2007	6 010
Reclassification	
Net change in fair value	154
Additions	50
As at 31 December 2008	**6 214**

Investment property is stated at fair value, which has been determined based on valuation performed by CJSC "Independent consulting group 2K Audit – Business consultations" *("ЗАО "Независимая консалтинговая группа «2К Аудит –Деловые консультации»*), an industry specialist in valuing these types of investment properties, at 18 December 2007. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. Net change in fair value of investment property is recognized in the income statement in "Other operating income".

All investment property generated rental income during 2008. The property rental income earned by the Bank from its investment property, all of which is leased out to a related company under an operating lease agreement, amounted to EUR'000 615, at the same time the related property maintenance expense including real estate tax was EUR'000 172.

25. TANGIBLE FIXED ASSETS

	31.12.2008		31.12.2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Lands and buildings	939	939	1 339	1 339
Vehicles	829	327	421	342
Office equipment and other fixed assets	1956	1845	1 840	1 763
Prepayments for tangible fixed assets	46	46	4	4
Leasehold improvements	100	100	344	344
Net book value of tangible fixed assets	**3 870**	**3 257**	**3 948**	**3 792**

The following table shows the changes in the Group's and Bank's tangible fixed assets for the year ended 31 December 2008:

EUR'000	**Land and Buildings**	**Vehicles**	**Office equipment and other fixed assets**	**Prepayments for tangible fixed assets**	**Leasehold improvements**	**Total**
Historical cost						
At 31 December 2007	**4 240**	**498**	**5 030**	**5**	**344**	**10 117**
Additions	-	48	868	464	-	**1380**
Reclassification (Note 24)	-	-	-	-	-	**-**
Disposals	-	(10)	(275)	(423)	(244)	**(952)**
At 31 December 2008	**4 240**	**536**	**5 623**	**46**	**100**	**10 545**
Depreciation						
At 31 December 2007	**2 901**	**156**	**3 268**	**-**	**-**	**6 325**
Charge	400	60	785	-	-	**1 245**
Disposals	-	(7)	(275)	-	-	**(282)**
At 31 December 2008	**3 301**	**209**	**3 778**	**-**	**-**	**7 288**
Net book value						
At 31 December 2007	**1 339**	**342**	**1 762**	**5**	**344**	**3 792**
At 31 December 2008	**939**	**327**	**1 845**	**46**	**100**	**3 257**
Fair value	**5 845**	**-**	**-**	**-**	**-**	**-**

EUR'000	Land and Buildings	Vehicles	Office equipment and other fixed assets	Prepayments for tangible fixed assets	Leasehold improvements	Total
Historical cost						
At 31 December 2006	**6 989**	**481**	**4 518**	**283**	**808**	**13 079**
Additions	84	54	812	696	773	**2 419**
Reclassification (Note 23)	(2 833)	-	-	(115)	(773)	**(3 721)**
Disposals	-	(37)	(300)	(859)	(464)	**(1 660)**
At 31 December 2007	**4 240**	**498**	**5 030**	**5**	**344**	**10 117**
Depreciation						
At 31 December 2006	**2 501**	**142**	**2 888**	**-**	**-**	**5 531**
Charge	400	51	663	-	-	**1 114**
Disposals	-	(37)	(283)	-	-	**(320)**
At 31 December 2007	**2 901**	**156**	**3 268**	**-**	**-**	**6 325**
Net book value						
At 31 December 2006	**4 488**	**339**	**1 630**	**283**	**808**	**7 548**
At 31 December 2007	**1 339**	**342**	**1 762**	**5**	**344**	**3 792**
Fair value	**6 915**	**-**	**-**	**-**	**-**	**-**

26. OTHER ASSETS

	31.12.2008		31.12.2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Deferred expenses	430	427	485	434
Accrued income	337	309	277	212
VAT	326	260	216	216
Cards transactions	122	122	127	127
Other debtors	643	524	592	555
Total	**1 858**	**1 642**	**1 697**	**1 544**

27. MANAGED TRUST ASSETS AND LIABILITIES

	31.12.2008		31.12.2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Managed trust assets	**42 624**	**42 624**	**61 407**	**61 407**
Debt securities	20 472	20 472	31 477	31 477
Loans	15 499	15 499	21 744	21 744
Shares and other securities with non-fixed income	797	797	1 918	1 918
Due from credit institutions	810	810	793	793
Other	5 046	5 046	5 475	5 475
Managed trust liabilities	**42 624**	**42 624**	**61 407**	**61 407**
Private companies	42 318	42 318	60 219	60 219
Individuals	306	306	1 188	1 188

The financial statements disclose assets and liabilities held by the Bank on behalf of clients and registered in the name of the Bank. The Group does not carry credit, interest rate or any other risk connected with these managed assets. The Bank receives commission fee for rendering of trust services to clients.

28. DUE TO THE CENTRAL BANK AND OTHER BANKS

	31.12.2008		31.12.2007	
	Group EUR’000	Bank EUR’000	Group EUR’000	Bank EUR’000
Demand deposits	**36 258**	**36 258**	**6 898**	**6 898**
Banks registered in Latvia	34 813	34 813	3 129	3 129
Banks registered in other countries	384	384	3081	3081
Banks registered in OECD countries	1 061	1 061	689	689
Term deposits	**74 076**	**72 402**	**124 441**	**124 441**
Banks registered in OECD countries	64 183	64 183	114 915	114 915
Banks registered in other countries	1 674		6 514	6 514
Banks registered in Latvia	8 219	8 219	3 012	3 012
Total	**110 334**	**108 660**	**131 340**	**131 340**

29. CUSTOMER DEPOSITS

	31.12.2008		31.12.2007	
	Group EUR’000	Bank EUR’000	Group EUR’000	Bank EUR’000
Current accounts	**207 482**	**207 641**	**210 151**	**210 285**
Private companies	182 634	182 802	185 295	185 429
Individuals	24 233	24 224	24 173	24 173
Public organizations	249	249	400	400
Government companies	327	327	209	209
Local government	39	39	74	74
Fixed-term deposits	**291 545**	**292 672**	**426 408**	**426 937**
Private companies	142 982	144 099	318 322	318 851
Individuals	130 410	130 420	99 351	99 351
Government companies	18 103	18 103	8 537	8 537
Public organizations	50	50	198	198
Total	**499 027**	**500 313**	**636 559**	**637 222**
Geographical segmentation of customer deposits				
Current accounts	**207 482**	**207 641**	**210 151**	**210 285**
Residents of the other countries	123 855	123 855	121 744	121 744
Residents of Latvia	49 856	50 015	46 043	46 176
Residents of OECD countries	33 771	33 771	42 364	42 365
Fixed-term deposits	**291 545**	**292 672**	**426 408**	**426 937**
Residents of OECD countries	7 204	7 204	195 239	195 239
Residents of the other countries	129 548	129 548	118 433	118 433

Residents of Latvia	154 793	155 920	112 736	113 265
Total	**499 027**	**500 313**	**636 559**	**637 222**

30. SUBORDINATED DEBT

As at 31 December 2007 and 2006 the Bank's depositors with more than 10% of the subordinated debt amount were as follows:

	Maturity	Interest rate (%)	Currency	31.12.2008 EUR'000	31.12.2007 EUR'000
"Straumborg Ehf." (Iceland)	2013	9	EUR	8 142	7 473
"Ice-Balt Invest Ehf." (Iceland)	2013	9	EUR	1 350	1 350
Other persons	2009-2013	6-10	LVL, USD,EUR	3 274	3 274
Total				**12 766**	**12 097**

31. DEBT SECURITIES IN ISSUE

	31.12.2008.				31.12.2007.			
	Nominal EUR`000	Effective interest rate, %	Group EUR'000	Bank EUR'000	Nominal ISK`000	Effective interest rate, %	Group EUR'000	Bank EUR'000
Corporate bills	3 370	7.87	3 293	3 293	810 000	16.33	8 352	8 352
Total	**3 370**	**7.87**	**3 293**	**3 293**	**810 000**	**16.33**	**8 352**	**8 352**

Corporate bills with a nominal value EUR`000 3 370 mature on 20 April 2009.

32. OTHER LIABILITIES

	31.12.2008		31.12.2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Payments collected on behalf of communal utilities providers	473	473	1 357	1 357
Accrued expenses	1 431	1 431	837	808
Cards transactions	21	21	650	650
Accruals for vacations	437	371	314	314
Suspense amounts	223	223	305	305
Deferred income	70	70	53	53
Other	1 370	985	963	716
Total	**4 025**	**3 574**	**4 479**	**4 203**

Suspense amounts represent payments received by the Bank where the beneficiary is not clearly identified and are cleared after year-end.

Based on cooperation agreements *Payments collected on behalf of communal utilities providers* are transferred to providers after year end.

33. SHARE CAPITAL

	31.12.2008		31.12.2007	
	Quantity`000	EUR `000	Quantity`000	EUR `000
Registered and paid – in share capital	**40 500**	**57 626**	**40 500**	**57 626**

As at 31 December 2008 and 2007, Bank's shareholders were as follows:

	31.12.2008			31.12.2007		
	Number of shares	% of total shares	Paid up share capital EUR'000	Number of shares	% of total shares	Paid up share capital EUR'000
"Straumborg Ehf."(Iceland)	20 705 879	51.13	29 462	20 705 879	51.13	29 462
J. Šapurovs	8 007 091	19.77	11 393	8 007 091	19.77	11 393
A. Svirčenkovs	8 007 089	19.77	11 393	8 007 089	19.77	11 393
Other (individually less than 10%)	3 779 869	9.33	5 378	3 779 869	9.33	5 378
Total	**40 499 928**	**100.00**	**57 626**	**40 499 928**	**100.00**	**57 626**

34. EARNINGS PER SHARE

Earnings per share are based on net profit attributable to ordinary equity holders of the parent divided by the weighted average number of issued shares. As of 31 December 2008 and 2007 there is no difference between basic and diluted earnings per share calculation.

	Group 31.12.2008	Group 31.12.2007
Net profit (EUR'000)	9 956	8 846
Weighted average number of ordinary shares	57 626	26 500
Earnings per share (EUR)	**0.25**	**0.33**

35. CASH AND CASH EQUIVALENTS

	31.12.2008		31.12.2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and balances due on demand from the Bank of Latvia	83 410	83 410	59 984	59 984
Balances due from other banks with original maturity of 3 months or less	50 990	48 563	252 749	252 510
Total	**134 400**	**131 973**	**312 733**	**312 494**

36. COMMITMENTS AND CONTINGENCIES

	31.12.2008		31.12.2007	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Contingent liabilities	**6 002**	**7 506**	**5 815**	**6 659**
Guarantees	5 932	7 436	5 747	6 591
Other	70	70	68	68
Commitments	**19 347**	**19 074**	**59 047**	**59 625**
Unused credit lines	18 405	18 132	58 260	58 838
Letters of credit	942	942	787	787
Total off-balance sheet items, gross	**25 349**	**26 580**	**64 862**	**66 284**

In the ordinary course of business, the Group gives loans commitments, guarantees and letters of credit. The main purpose of these instruments is to ensure the availability of necessary funds for the clients. Guarantees and letters of credit, that include irrevocable liabilities - the ones that the Bank will have to pay in the event of failure by the clients to meet their obligations to third parties - are assigned the same risk as for loans. Letters of credit, in accordance with which the Bank has the right, on behalf of the client, to accept invoices from third parties, are secured with goods being transported.

Unused part of credit lines is viewed as an obligations arising from credit lines. As regards the credit risk, the Bank is potentially exposed to losses arising also from obligations under unused credit lines.

37. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows a comparison by class of the Group's and Bank's carrying values and fair values of the financial instruments that are carried in the financial statements.

	31.12.2008.			31.12.2007.		
Group	**Carrying value EUR'000**	**Fair value EUR'000**	**Difference EUR'000**	**Carrying value EUR'000**	**Fair value EUR'000**	**Difference EUR'000**
Financial assets						
Cash and balances with the central bank	83 410	83 410	-	59 984	59 984	-
Loans and receivables to banks	60 397	61 165	768	269 047	269 579	532
Trading financial assets	13 173	13 173	-	53 927	53 927	-
Financial assets designated at fair value through profit or loss	663	663	-	2 069	2 069	-
Derivative financial instruments	10 942	10 942	-	7 597	7 597	-
Loans to customer and receivables	469 943	484 022	14 079	461 668	470 831	9 163
Available-for-sale financial assets	56 054	56 054	-	13 144	13 144	-
Held-to-maturity investments	17 538	12 326	-	-	-	-
Financial liabilities						
Due to the central bank and other banks	110 334	110 872	(538)	131 340	131 971	(631)
Derivative financial instruments	7 998	7 998	-	7 077	7 077	-
Customer deposits	499 027	499 770	(743)	636 559	638 060	(1 501)
Subordinated debt	12 766	12 766	-	12 097	12 097	-
Debt securities in issue	3 293	3 334	(41)	8 352	8 393	(41)
Total difference			**13 525**			**7 522**

Bank	31.12.2008. Carrying value EUR'000	Fair value EUR'000	Difference EUR'000	31.12.2007. Carrying value EUR'000	Fair value EUR'000	Difference EUR'000
Financial assets						
Cash and balances with the central bank	83 410	83 410	-	59 984	59 984	-
Loans and receivables to banks	57 969	58 737	768	268 808	269 340	532
Trading financial assets	13 173	13 173	-	53 927	53 927	-
Financial assets designated at fair value through profit or loss	663	663	-	2 069	2 069	-
Derivative financial instruments	10 942	10 942	-	7 597	7 597	-
Loans to customer and receivables	463 550	477 630	14 080	457 359	466 522	9 163
Available-for-sale financial assets	56 054	56 054	-	13 144	13 144	-
Held-to-maturity investments	17 538	17 538	-			
Financial liabilities						
Due to the central bank and other banks	108 660	109 198	(538)	131 340	131 971	(631)
Derivative financial instruments	7 998	7 998	-	7 077	7 077	-
Customer deposits	500 313	501 056	(743)	637 222	638 723	(1 501)
Subordinated debt	12 766	12 766	-	12 097	12 097	-
Debt securities in issue	3 293	3 334	(41)	8 352	8 394	(41)
Total difference			**13 526**			**7 522**

The following describes the methodologies and assumptions used to determine fair value for those financial instruments which are not recorded at fair value in the financial statements:

- For financial assets and liabilities that have a short term maturity (such as overdrafts, money market deals with maturity less than 3 months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, current accounts without a specific maturity and subordinated debts with special conditions which permit for such debts to be eligible as tier 2 capital.
- The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated as the present value of future cash flows using average market interest rates for loans and debts with similar credit risk and maturity.

38. FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE

The following table shows an analysis of the Group's and Bank's financial instruments recorded at fair value, between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market, and those where the valuation techniques involves the use of non-market observable inputs.

As at 31 December 2008 - Group	Quoted market EUR'000	Valuation techniques – market observable inputs EUR'000	Valuation techniques – non-market observable inputs EUR'000	Total EUR'000
Financial assets	**51 852**	**12 268**	**16 712**	**80 832**
Trading financial assets	13 173	-	-	**13 173**
Financial assets designated at fair value through profit or loss	-	663	-	**663**
Derivative financial instruments	40	10 902		**10 942**
Available-for-sale financial assets	38 639	703	16 712	**56 054**

Financial liabilities	**-**	**7 998**	**-**	**7 998**
Derivatives financial instruments	-	7 998	-	**7 998**

As at 31 December 2007 - Group	**Quoted market**	**Valuation techniques – market observable inputs**	**Valuation techniques – non-market observable inputs**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Financial assets	**54 718**	**10 256**	**11 763**	**76 737**
Trading financial assets	53 927	-	-	**53 927**
Financial assets designated at fair value through profit or loss	-	2 069	-	**2 069**
Derivative financial instruments	97	7 500	-	**7 597**
Available-for-sale financial assets	694	687	11 763	**13 144**
Financial liabilities	**-**	**7 077**	**-**	**7 077**
Derivatives financial instruments	-	7 077	-	**7 077**

39. CAPITAL ADEQUACY CALCULATION

	Group EUR'000	**Bank EUR'000**
Tier 1		
Paid in share capital	57 626	57 626
Reserve capital	10	10
Retained earnings for previous years	21 965	21 018
Minority interest	35	-
Revaluation reserve of available for sale financial assets	(1 690)	(1 690)
Retained earnings (audited)	7 849	7 242
Goodwill	(378)	-
Other intangible assets	(1 060)	(1 150)
Investment property revaluation earnings	(2 213)	(2 213)
Total tier 1	**82 143**	**80 844**
Tier 2		
Subordinated capital	7 748	7 748
45% from investment property revaluation earnings	996	996
Total tier 2	**8 744**	**8 744**
Total capital	**90 887**	**89 588**
Summary		
Credit risk capital	40 932	38 614
Currency risk capital	482	478
Position risk capital	1 470	1 470
Operational risk	4 286	4 286
Total capital requirement for market risks	1 952	1 948
Capital adequacy rate as of 31.12.2008	**15.41%**	**15.98%**
Capital adequacy rate as of 31.12.2007	**14.13%**	**14.06%**
Minimal capital adequacy ratio (%) 2008 and 2007	**8.00%**	**8.00%**

40. RELATED PARTIES

Related parties are shareholders, which have control or significant influence over the management policy of the Group, members of the Council and the Board, senior level executives, their immediate family members, and undertakings over which they have a controlling interest as well as associated companies of the Group. Assets and liabilities in relation to related parties are as follows:

Group	Average interest rate %	Amount EUR'000	Off-balance sheet items EUR'000	31.12.2008 Total EUR'000	31.12.2007 Total EUR'000
Assets		**12 206**	**294**	**12 500**	**39 742**
Loans and receivables, net		**12 206**	**294**	**12 500**	**39 742**
Related undertakings and Individuals	7.03	11 986	181	**12 167**	**39 487**
Council and Board	7.77	34	107	**141**	**74**
Other senior executives	4.2	186	6	**192**	**181**
Liabilities		**15 309**	**-**	**15 309**	**24 023**
Deposits		**5 019**	**-**	**5 019**	**14 100**
Related undertakings and Individuals	1.41	3 685	-	**3 685**	**13 214**
Council and Board	3.02	1 325	-	**1 325**	**876**
Other senior executives	0.00	9	-	**9**	**10**
Subordinated debt		**10 290**	**-**	**10 290**	**9 923**
Related undertakings and Individuals	9.05	7 668	-	**7 668**	**7 301**
Council and Board	8.19	2 622	-	**2 622**	**2 622**

Bank	Average interest rate %	Amount EUR'000	Off-balance sheet items EUR'000	31.12.2008 Total EUR'000	31.12.2007 Total EUR'000
Assets		**80 588**	**2 758**	**83 346**	**69 117**
Loans and receivables, net		**80 588**	**2 758**	**83 346**	**42 844**
Related undertakings and Individuals	7.03	11 986	181	**12 167**	39 487
Subsidiaries	4.56	68 555	2 464	**71 019**	29 525
Council and Board	7.77	34	107	**141**	75
Other senior executives	7.04	13	6	**19**	30
Liabilities		**16 551**	**-**	**16 551**	**24 647**
Deposits		**6 261**	**-**	**6 261**	**14 724**
Related undertakings and Individuals	1.41	3 685	-	**3 685**	13 214
Subsidiaries	8.96	1 242	-	**1 242**	623
Council and Board	3.02	1 325	-	**1 325**	876
Other senior executives	0.00	9	-	**9**	10
Subordinated debt		**10 290**	**-**	**10 290**	**9 923**
Related undertakings and Individuals	9.05	7 668	-	**7 668**	7 301
Council and Board	8.19	2 622	-	**2 622**	2 622

As at 31 December 2008, the amount of the Bank’s exposure transactions with related parties is EUR`000 3 318 or 3.7% of the sum tier 1 and tier 2 capital. According to the Law on Credit Institutions of the Republic of Latvia the total amount of exposure transactions with persons that are associated with the bank may not exceed 15 % of the sum tier 1 and tier 2 capital of the Bank.

Transactions between related parties are based on standard interest rates offered by the bank.The following table present income and expense resulting from above-mentioned related parties transactions:

	2008		2007	
	Group	Bank	Group	Bank
	EUR’000	EUR’000	EUR’000	EUR’000
Interest income	1 322	3 133	623	1 737
Interest expense	(1 010)	(1 091)	(546)	(573)
Net interest income	**312**	**2 042**	**77**	**1 164**

41. SUBSEQUENT EVENTS

In January 2008 it was decided to establish a 75% owned subsidiary company “NORVIK Alternative Investments” Ltd. (Latvia) with the share capital of EUR`000 192.

In February 2008 it was decided to establish a 100% owned subsidiary company “LEGAL CONSULTING” Ltd. (Latvia) with the share capital of EUR`000 3.