norvikbanka

FINANCIAL STATEMENTS 2009

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 2009 and
independent auditors' report

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REPORT OF THE CHAIRMAN OF THE SUPERVISORY COUNCIL AND THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear Shareholders and Clients,

Despite ongoing economic recession and challenges the overall banking sector faced, Norvik Group demonstrated good business sustainability and had another profitable year.

Group's total assets remained stable and amounted at LVL468 million at end 2009 meanwhile, consolidated annual net profit reached LVL4 million.

It was successful year for Norvik Assets Management Company, the Bank's subsidiary providing the second tier pension fund management. The company enjoyed growing business with value of assets under management reached LVL26.3 million at the year end.

Norvik UCO, an Armenian subsidiary, showed good results and sustainable growth. Annual results proves maturity of the subsidiary.

In 2009 we placed an intense focus on our customer deposit base development by means of widening scope of offered products and excellent service quality. Our customer deposits showed strong stability during the whole year and reached LVL 393 million. The total number of our customers increased by 12 thousand new clients and reached the highest than ever number of 127 thousand, that undoubtedly marks strong level of clients' trust and loyalty.

We took active steps to enhance financial stability of the Group in 2009. The Bank fully repaid its wholesale borrowings and will remain to be mostly funded through deposits till the market stabilises.

In 2009 we quickly reacted to changing customers needs and focused on developing the scope of offered products. Such products as a special set for senior clients or gold bullion investments gained their immediate popularity right after they were launched in the markets. The Bank' technological base continued to be innovated aiming at apply the best possible solutions. These efforts were recognised both by clients and the public. Thus, by the latest market research the Bank's in-house product e-Norvik was ranked as the 2nd best internet baking product.

The Bank's management continued to run structural changes within the Bank and subsidiaries aimed at having main processes and functions streamlined. These measures, along with the strict expenditure control, led to excellent results in efficiency.

In February 2009 the Bank established two new subsidiaries – Norvik Alternative Investment to be focused on asset management business provided to professional investors and Legal Consulting to take care of legal issues.

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

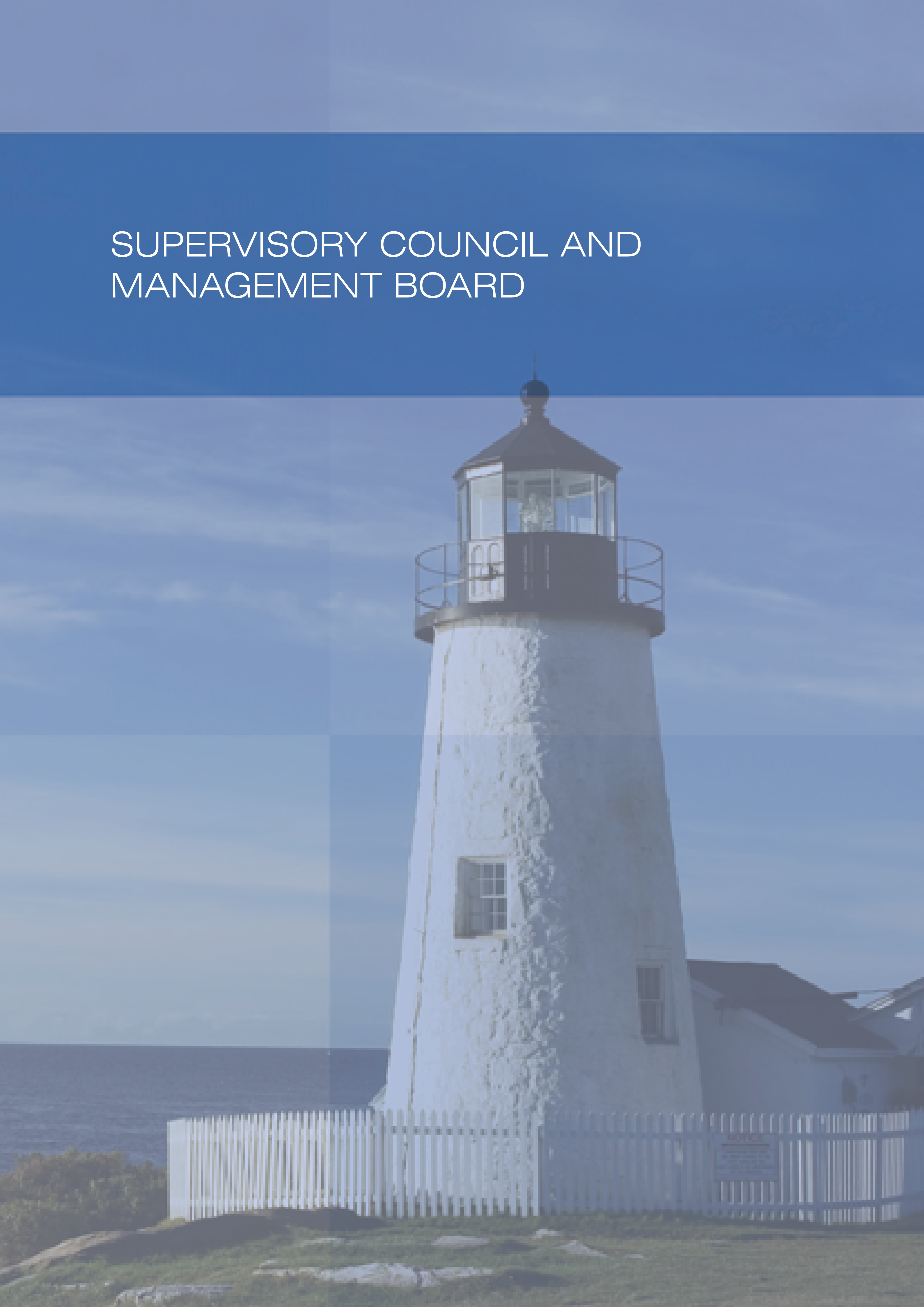
The Bank's Supervisory Council and the Management Board will put forward a proposal to the General Shareholders' meeting to keep 2009 profit undistributed and to be used for the Group's equity increase.

Riga, 18 March 2010

Chairman of the Supervisory Council
J. H. Gudmundsson

Chairman of the Management Board
A. Svirčenkovs

SUPERVISORY COUNCIL AND MANAGEMENT BOARD



Supervisory Council as at 31 December 2009

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 2009

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

Riga, 18 March 2010
On behalf of the Supervisory Council and Management Board:

Chairman of the Supervisory Council
J. H. Gudmundsson

Chairman of the Management Board
A. Svirčenkovs

STATEMENT OF MANAGEMENT`S RESPONSIBILITIES

The Management of JSC "NORVIK Bank" (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 2009 and the results of its operations and cash flows for the financial year ended 31 December 2009, as well as the financial position of the Bank as of 31 December 2009 and the results of its operations and cash flows for the financial year ended 31 December 2009.

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 2009 set out on pages 10 to 71. 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 issued by the Latvian Financial and Capital Market Commission (FCMC) and other legislation of the Republic of Latvia in all material respects.

Riga, 18 March 2010
On behalf of the Supervisory Council and Management Board:

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

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

CONSOLIDATED AND SEPARATE INCOME STATEMENT

		2009		2008	
	Notes	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Interest and similar revenue		31 457	28 132	46 909	43 454
Interest and similar expense		(17 605)	(17 686)	(21 564)	(21 621)
Net interest income	4	**13 852**	**10 446**	**25 345**	**21 833**
Fee and commission revenue		8 029	7 616	8 887	8 407
Fee and commission expense		(1 549)	(1 519)	(1 772)	(1 739)
Net fee and commission income	5	**6 480**	**6 097**	**7 115**	**6 668**
Dividend revenue		35	35	19	19
Net trading income	6	7 762	7 173	4 916	4 952
Net gain or (loss) on financial assets and liabilities designated at fair value through profit or loss	7	167	167	(582)	(582)
Net gain or (loss) from sales of available-for-sale financial assets	8	1 633	1 633	(47)	(47)
Other operating income	9	5 831	5 699	1 522	1 558
Other operating expense		(625)	(508)	(274)	(230)
Net operating income		**35 135**	**30 742**	**38 014**	**34 171**
Administrative expenses	10	(17 316)	(15 771)	(19 751)	(18 294)
Personnel expenses		(10 343)	(8 853)	(11 186)	(9 951)
Other expenses		(6 973)	(6 918)	(8 565)	(8 343)
Depreciation and amortization		(1 101)	(1 123)	(1 192)	(1 129)
Impairments losses on financial assets	18	(11 553)	(10 151)	(12 944)	(12 805)
Operating expenses		**(29 970)**	**(27 045)**	**(33 887)**	**(32 228)**
Net operating profit before tax		**5 165**	**3 697**	**4 127**	**1 943**
Corporate income tax	11	(992)	(487)	(1 482)	(923)
Profit for the year		**4 173**	**3 210**	**2 645**	**1 020**
Attributable to:					
Equity holders of the parent		**4 179**		**2 643**	
Minority interest		(6)		2	
Basic and Diluted Earnings per share (LVL)	33	**0.10**		**0.07**	

The accompanying notes on pages 17 to 71 form an integral part of these consolidated and Bank Financial Statements. The Consolidated and Separate Financial Statements on pages 10 to 71 were approved by the Supervisory Council and the Management Board on 18 March 2010, and signed on their behalf by:

Chairman of the Supervisory Council
J. H. Gudmundsson

Chairman of the Management Board
A. Svirčenkovs

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	2009		2008	
	Group LVL'000	**Bank LVL'000**	**Group LVL'000**	**Bank LVL'000**
Profit for the period	**4 173**	**3 210**	**2 645**	**1 020**
Revaluation reserve of foreign currency	(1 061)	-	59	-
Revaluation of available-for-sale financial assets, net of tax	648	648	(1 557)	(1 557)
Total comprehensive income	**3 760**	**3 858**	**1 147**	**(537)**
Total comprehensive income attributable to non-controlling interests	(6)		2	
Total comprehensive income attributable to equity holders of the parent	3 766		1 145	

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J. H. Gudmundsson

Chairman of the Management Board
A. Svirčenkovs

CONSOLIDATED AND SEPARATE BALANCE SHEET AND OFF-BALANCE SHEET ITEMS

		31.12.2009		31.12.2008	
	Notes	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Assets					
Cash and balances with the central bank	12	39 286	39 285	58 621	58 621
Loans to and receivables from banks	13	77 320	73 698	42 447	40 741
Trading financial assets	14	12 800	12 800	9 258	9 258
Financial assets designated at fair value through profit or loss	15	-	-	465	465
Held-to-maturity financial assets	20	-	-	11 441	11 441
Derivatives financial instruments	16	1 335	1 335	6 912	6 912
Loans to and receivables from customers	17	286 224	287 374	326 167	321 674
Available-for-sale financial assets	19	34 884	34 794	38 569	38 569
Current tax assets		1 729	1 429	1 629	1 629
Investment property	23	6 402	4 367	4 367	4 367
Investment in subsidiaries	21	-	3 774	-	3 574
Tangible fixed assets	24	1 704	1 609	2 720	2 289
Goodwill and other intangible assets	22	798	859	1 011	808
Other assets	25	5 589	4 715	2 085	1 932
Total assets		**468 071**	**466 039**	**505 692**	**502 280**
Liabilities					
Due to the central bank and other banks	27	3 050	3 050	77 543	76 367
Derivatives financial instruments	16	932	932	4 875	4 875
Customer deposits	28	392 765	393 773	350 718	351 622
Subordinated debt	29	7 092	7 092	8 972	8 972
Debt securities in issue	30	-	-	2 314	2 314
Current tax liabilities		-	-	349	-
Deferred tax liabilities	11	1 069	529	653	557
Other liabilities	31	2 720	2 521	3 606	3 289
Total liabilities		**407 628**	**407 897**	**449 030**	**447 996**
Equity attributable to equity holders of the Bank					
Share capital	32	56 290	56 290	40 500	40 500
Reserves		7	7	7	7
Revaluation reserve of available-for-sale financial assets, net of tax		(1 367)	(1 367)	(2 015)	(2 015)
Revaluation reserve of foreign currency translation		(996)	-	65	-
Retained earnings		2 290	2	15 437	14 772
Profit for the year		4 179	3 210	2 643	1 020
Total equity attributable to equity holders of the Bank		**60 403**	**58 142**	**56 637**	**54 284**
Minority interest		**40**	**-**	**25**	**-**
Total equity		**60 443**	**58 142**	**56 662**	**54 284**
Total liabilities and equity		**468 071**	**466 039**	**505 692**	**502 280**
Commitments and contingencies					
Contingent liabilities		5 150	5 256	4 218	5 275
Commitments		12 102	15 788	13 597	13 405
Total commitments and contingencies	35	**17 252**	**21 044**	**17 815**	**18 680**

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Chairman of the Supervisory Council
J. H. Gudmundsson

Chairman of the Management Board
A. Svirčenkovs

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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							
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
As at 31 December 2007	**40 500**	**7**	**(458)**	**6**	**15 437**	**55 492**	**23**	**55 515**
Revaluation of available for-sale financial assets, net of tax	-	-	(1 557)	-	-	(1 557)	-	(1 557)
Foreign currency translation of foreign subsidiary	-	-	-	59	-	59	-	59
Total income and expenses for the year recognised directly in equity	**-**	**-**	**(1 557)**	**59**	**-**	**(1 498)**	**-**	**(1 498)**
Profit for the year	-	-	-	-	2 643	2 643	2	2 645
Total comprehensive income for the year	**-**	**-**	**(1 557)**	**59**	**2 643**	**1 145**	**2**	**1 147**
As at 31 December 2008	**40 500**	**7**	**(2 015)**	**65**	**18 080**	**56 637**	**25**	**56 662**
Revaluation of available for-sale financial assets, net of tax	-	-	648	-	-	648	-	648
Foreign currency translation of foreign subsidiary*	-	-	-	(1 061)	-	(1 061)	-	(1 061)
Total income and expenses for the year recognised directly in equity	**-**	**-**	**648**	**(1 061)**	**-**	**(413)**	**-**	**(413)**
Profit for the year	-	-	-	-	4 179	4 179	(6)	4 173
Total comprehensive income for the year	**-**	**-**	**648**	**(1 061)**	**4 179**	**3 766**	**(6)**	**3 760**
Dividends paid**	-	-	-	-	(15 790)	(15 790)	-	(15 790)
Increase of share capital	15 790	-	-	-	-	15 790	21	15 811
As at 31 December 2009	**56 290**	**7**	**(1 367)**	**(996)**	**6 469**	**60 403**	**40**	**60 443**

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

**The amount of dividend paid per share is LVL 0.39.

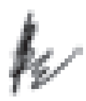
SEPARATE STATEMENT OF CHANGES IN EQUITY

Bank	Share capital	Reserve	Revaluation reserve of available-for-sale financial assets	Retained earnings	Total
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
As at 31 December 2007	**40 500**	**7**	**(458)**	**14 772**	**54 821**
Revaluation of available - for-sale financial assets, net of tax	-	-	(1 557)	-	**(1 557)**
Total income and expenses for the year recognised directly in equity	**-**	**-**	**(1 557)**	**-**	**(1 557)**
Profit for the year	-	-	-	1 020	**1 020**
Total comprehensive income for the year	**-**	**-**	**(1 557)**	**1 020**	**(537)**
As at 31 December 2008	**40 500**	**7**	**(2 015)**	**15 792**	**54 284**
Revaluation of available - for-sale financial assets, net of tax	-	-	648	-	**648**
Total income and expenses for the year recognised directly in equity	**-**	**-**	**648**	**-**	**648**
Profit for the year	-	-	-	3 210	**3 210**
Total comprehensive income for the year	**-**	**-**	**648**	**3 210**	**3 858**
Dividends paid*	-	-	-	(15 790)	**(15 790)**
Increase of share capital	15 790	-	-	-	**15 790**
As at 31 December 2009	**56 290**	**7**	**(1 367)**	**3 212**	**58 142**

* The amount of dividend paid per share is LVL 0.39.

The accompanying notes on pages 17 to 71 form an integral part of these consolidated and Bank Financial Statements. The Consolidated and Separate Financial Statements on pages 10 to 71 were approved by the Supervisory Council and the Management Board on 18 March 2010, and signed on their behalf by:

Chairman of the Supervisory Council
J. H. Gudmundsson



Chairman of the Management Board
A. Svirčenkovs

CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT

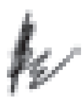
		2009		2008	
		Group	Bank	Group	Bank
	Notes	LVL'000	LVL'000	LVL'000	LVL'000
Cash flow from operations					
Profit before corporate income tax		5 165	3 697	4 127	1 943
Depreciation of intangible and tangible fixed assets and write off		1 305	1 315	1 783	1 697
Increase in provisions for impairments losses on financial investments		11 923	10 521	13 002	12 863
Loss/(profit) from foreign exchange revaluation		(186)	390	3 686	3 645
Non-realised (profit)/loss from investment property		-	-	(143)	(143)
Operating cash flow before changes in operating assets and liabilities		**18 207**	**15 923**	**22 455**	**20 005**
Decrease/(increase) in loans and receivables to banks		4 909	5 193	4 843	4 843
Decrease/(increase) in trading financial assets		(3 542)	(3 542)	16 316	16 316
Decrease in financial assets at fair value through profit or loss		465	465	989	989
Decrease/(increase) in derivatives financial assets		5 577	5 577	(2 473)	(2 473)
Decrease/(increase) in loans and receivables to customers		27 243	23 001	(13 815)	(12 211)
Decrease/(increase) in other assets		(3 368)	(2 890)	(169)	56
Increase/(decrease) in due to banks		(74 493)	(73 317)	(14 763)	(15 939)
Increase/(decrease) in customer deposits		42 047	42 151	(96 658)	(96 220)
Increase/(decrease) in derivatives financial liabilities		(3 943)	(3 943)	849	849
Increase/(decrease) in other liabilities		(1 235)	(768)	(727)	(1 035)
Cash provided by (used in) operating activities		**11 867**	**7 850**	**(83 153)**	**(84 820)**
Corporate income tax (paid)		(1 104)	(499)	(2 759)	(2 444)
Net cash provided by (used in) operating activities		**10 763**	**7 351**	**(85 912)**	**(87 264)**
Cash flow from investing activities					
Acquisition of intangible and tangible fixed assets		(76)	(686)	(1 820)	(1 529)
Acquisition of subsidiary		-	(200)	-	(459)
Decrease/(increase) in available-for-sale financial assets		16 843	16 933	(30 888)	(30 888)
Other cash received/(paid) as a result of investment activity		(2 035)	-	-	-
Net cash provided by (used in) investing activities		**14 732**	**16 047**	**(32 708)**	**(32 876)**
Cash flow from financing activities					
Increase in share capital		21	-	-	-
Increase (decrease) in subordinated debt		(1 880)	(1 880)	470	470
Issue of debt securities		-	-	2 314	2 314
Mature of debt securities		(2 314)	(2 314)	(5 870)	(5 870)
Net cash provided by/(used in) financing activities		**(4 173)**	**(4 194)**	**(3 086)**	**(3 086)**
Net increase/(decrease) in cash and cash equivalents		**21 322**	**19 204**	**(121 706)**	**(123 226)**
Cash and cash equivalents at the beginning of the period		94 457	92 751	219 790	219 622
Effect of exchange changes on cash and cash equivalents		(875)	(390)	(3 627)	(3 645)
Cash and cash equivalents at the end of the period	**34**	**114 904**	**111 565**	**94 457**	**92 751**

Operating cash flows from interest and dividends

	2009		2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Interest paid	14 961	15 845	19 302	19 359
Interest received	29 575	25 449	44 013	40 844
Dividend received	35	35	19	19

The accompanying notes on pages 17 to 71 form an integral part of these consolidated and Bank Financial Statements. The Consolidated and Separate Financial Statements on pages 10 to 71 were approved by the Supervisory Council and the Management Board on 18 March 2010, and signed on their behalf by:

Chairman of the Supervisory Council
J. H. Gudmundsson



Chairman of the Management Board
A. Svirčenkovs

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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, 6 branches, 65 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 and obligation to make decisions on approval of the annual financial statements.

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"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) and currently effective for the purpose of these financial statements.

The consolidated and separate financial statements have been prepared under the historical cost convention, except for available for sale securities, financial assets and financial liabilities held at fair value through profit or loss and investment property, which are measured 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.

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- IFRS 8 "Operating Segments" adopted by the EU on 21 November 2007 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IFRS 1 "First-time Adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements" – Cost of investment in a subsidiary, jointly-controlled entity or associate, adopted by the EU on 23 January 2009 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IFRS 4 "Insurance contracts" and IFRS 7 "Financial Instruments: Disclosures" - Improving disclosures about financial instruments, adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 23 January 2009 (most amendments are to be applied for annual periods beginning on or after 1 January 2009),

- Amendments to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements” – Puttable financial instruments and obligations arising on liquidation, adopted by the EU on 21 January 2009 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IAS 39 „Financial Instruments: Recognition and Measurement” and IFRS 7 „Financial Instruments: Disclosures” - Reclassification of financial assets, effective date and transition, adopted by the EU on 9 September 2009 (effective on or after 1 July 2008),
- IAS 1 (revised) “Presentation of Financial Statements” – A revised presentation, adopted by the EU on 17 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- IAS 23 (revised) “Borrowing Costs” adopted by the EU on 10 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IFRS 2 “Share-based Payment” – Vesting conditions and cancellations, adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement” -Embedded Derivatives, adopted by the EU on 30 November 2009 (effective for annual periods beginning on or after 1 January 2009),
- IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions” adopted by the EU on 1 June 2007 (effective for annual periods beginning on or after 1 March 2008),
- IFRIC 13 “Customer Loyalty Programmes” adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009).

The adoption of these amendments to the existing standards has not led to any changes in the Group’s accounting policies.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- IFRS 1 (revised) “First-time Adoption of IFRS” adopted by the EU on 25 November 2009 (effective for annual periods beginning on or after 1 January 2010),
- IFRS 3 (revised) “Business Combinations” adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IAS 27 “Consolidated and Separate Financial Statements” adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IAS 32 “Financial Instruments: Presentation” – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 January 2011),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Eligible hedged items, adopted by the EU on 15 September 2009 (effective for annual periods beginning on or after 1 July 2009),
- IFRIC 12 “Service Concession Arrangements” adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009),
- IFRIC 15 “Agreements for the Construction of Real Estate” adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010),
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- IFRIC 17 “Distributions of Non-Cash Assets to Owners” adopted by the EU on 26 November 2009 (effective for annual periods beginning on or after 1 November 2009),
- IFRIC 18 “Transfers of Assets from Customers” adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 November 2009).

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

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 loss of control.

The Bank, JSC "NORVIK ieguldījumu pārvaldes sabiedrība", JSC "NORVIK Universal Credit Organization", "NORVIK Tecnology" Ltd., JSC „IPS NORVIK Alternative Investments", „Legal Consulting" Ltd., "NORVIK Līzings" Ltd., "NORVIK Apdrošināšanas Brokeris" Ltd. and JSC „IKSOV" 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 of the Bank.

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 2009 (2008: nil).

(2) Significant accounting judgments and estimates

The presentation of consolidated financial statements in conformity with IFRS as adopted by the EU requires the entity to make estimates and assumptions that affect the recognised amounts for assets, liabilities and disclosure of contingent assets and liabilities as of the date of balance sheet date as well as recognised income and expenses for the reporting period. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may differ from related actual results.

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

The most significant judgments and estimates representing most probably sources of uncertainty existing in current financial and economical market are presented below:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from active markets, fair value is 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 judgment is required in establishing fair values depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Allowances for impairment losses on loans and receivables

The Group reviews its loan portfolios at each reporting date to assess whether an allowance for impairment should be recognized in the income statement and for which amount. In particular, judgment about financial position of counterparty and realization value of underlined collateral made by management in the estimation of net present value of expected future cash flows when determining the amount of allowance required, based on best knowledge about current situation. As of reporting date real estate market was still inactive and there was significant uncertainty around the valuation of collateral and difficulties to predict timing of realization of collateral. Consequently actual future results might differ from the estimates recorded.

In addition to specific allowances for individually significant loans and receivables, the Group also creates a collective impairment allowance for exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. Collective impairment allowances reflect historical data of respective markets as well as specific features of financial investment for which allowances estimations are made.

Impairment of financial instruments

The determination of impairment indication is based on comparison of the financial instrument's carrying value and fair value. Due to volatility on financial and capital markets, the market price is not always a reliable source for impairment indication. The Bank uses valuation models based on quoted market prices of similar products.

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

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.

Valuation of investment property

Investment property is stated at fair value, which has been determined based on valuation performed by certified valuator close to reporting date. 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.

Current economic environment and its impact on the Bank

2In the year 2009 the economy of Latvia continued to be in recession. GDP drop in the year 2009 was 17.1%, un-employment rate achieved 16% at the year end.

The overall economic situation affected also the Bank's results. The Bank experienced pressure on interest margin, created additional provisions for impairment losses on loans and receivables.

During the year the Bank continued to work closely with its clients facing financial difficulties to find the best possible solutions for all parties involved to ensure the customers are able to fulfill their obligations towards the Bank and the Bank's assets are well protected.

The Bank enhanced control over efficiency, including implementation of cost control measures, by reducing headcount and costs what resulted in improved cost-to-income ratio during 2009.

During 2009 the Bank strenhghened it capital base. 2008 year profit, in accordance with Annual Shareholders' Meeting decision, was fully capitalized.

During 2009 the Bank has further strengthened its risk management procedures and it continues to maintain high level of reserve of liquid assets that can be used in unforeseen situations.

(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 2009	**Bank of Latvia exchange rates as of 31 December 2008**
EUR	0.702804	0.702804
USD	0.489000	0.495000

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 equity instruments.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 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 the 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 financial assets 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 measured 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 measured 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.

Held-to-maturity financial assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. 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 are then recorded at their amortised cost using the effective interest rate method, and impairment.

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 rate 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 to and receivables from 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 rate method.

Financial liabilities

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

After initial measurement, these financial liabilities are subsequently measured at amortised cost using the effective interest rate 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 expired.

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 overdue loans regardless of the balance 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 financial assets 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.

For the measurement of collective impairment the Group 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 with similar features such as credit cards portfolio and unsecured consumer loans portfolio. The main criterion for assessment is settlement discipline and calculation of necessary allowance on portfolio is based on experience and previous period’s statistics.

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 the balance sheet accounts and charged against allowance for credit losses.

(5) Investment property

Group holds real estate as an investment property with the purpose to earn rental income or for value appreciation. Initially investment property is 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 Group’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 (except for goodwill) and tangible fixed assets

All fixed tangible and intangible assets, except for goodwill, are accounted 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	20 %
Tangible fixed assets::	
Buildings	5 %
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 is 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) Property and equipment held for sale

Foreclosed properties and equipment are included in Properties and equipment held for sale and recorded in Other assets. They are carried at the lower of book value and net realizable value.

(8) Interest and fee income and expense recognition

Interest income and expenses are recognized in the income statement on an accrual basis of accounting using the effective interest rate 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 no objective evidence that they will be received in full as well as income from 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.

(9) 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 period.

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

(10) 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.

(11) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

The Group creates provisions for guarantees issued and other off balance sheet items based on individual review of off balance sheet items. The management uses its judgement and estimates as to the probability of an outflow of economic resources and makes assessment of the value of security and collateral held and the amounts and timings of such outflows and recoveries, if any.

(12) 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 is 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 Management Board is ultimately responsible for identifying and controlling risks.

Supervisory Council

The Supervisory Council reviews and approves policies for risks management.

Management Board

The Management 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 sets 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 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 management of 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 procedures 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. Internal Audit performs follow-up engagements to check implementation of recommendation.

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 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 extent appropriate to current market condition 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 structure of their assets and liabilities on a regular basis. The Bank maintains marketable trading and availabe-for-sale portfolios 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 5% of borrowings (at the end of 2009). 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:

	2009	**2008**
	%	**%**
31 December	51.4	45.8
Average during the period	44.3	41.5
Highest	51.7	59.0
Lowest	37.4	32.8

The Internal Financial Risk Management Policy determines liquidity risk control and management, according to that the Management Board of the Bank 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 Recourse division (the Treasury) manages liquidity daily and Risk Management Department measures and monitors liquidity risk and submits reports to the management.

Liquidity risk management and control is based on asset and liability term analysis, cash flows analysis, internal limit regulations regarding the net liquidity position, the effective usage of liquidity surplus 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 analyzed according to contractual maturity.

As at 31 December 2009 - Group	Up to 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	From 1 to 5 ye-ars	5 years and over	Other	Total
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Assets								
Cash and balance with the central bank	39 286	-	-	-	-	-	-	**39 286**
Loans and receivables to banks	68 933	7 074	-	-	1 313	-	-	**77 320**
Trading financial assets	12 799	-	-	-	1	-	-	**12 800**
Derivative financial instruments	919	398	18	-	-	-	-	**1 335**
Loans and receivables to customers	15 157	20 108	19 929	39 959	122 893	40 480	27 698	**286 224**
Available-for-sale financial assets	24 415	-	-	-	44	10 425	-	**34 884**
Current tax assets	-	-	-	-	1 729	-	-	**1 729**
Investment property	-	-	-	-	-	-	6 402	**6 402**
Tangible assets	-	-	-	-	-	-	1 704	**1 704**
Goodwill and other intangible assets	-	-	-	-	-	-	798	**798**
Other assets	4 999	6	-	1	-	-	583	**5 589**
Total Assets	**166 508**	**27 586**	**19 947**	**39 960**	**125 980**	**50 905**	**37 185**	**468 071**
Liabilities								
Due to the central bank and other banks	3 050	-	-	-	-	-	-	**3 050**
Derivative financial instruments	863	43	19	7	-	-	-	**932**
Customer deposits	249 265	33 003	49 479	43 805	17 213	-	-	**392 765**
Subordinated debt	-	-	-	490	6 602	-	-	**7 092**
Deferred tax	-	-	-	-	-	-	1 069	**1 069**
Other liabilities	-	-	-	-	-	-	2 720	**2 720**
Total Liabilities	**253 178**	**33 046**	**49 498**	**44 302**	**23 815**	**-**	**3 789**	**407 628**
Off-balance sheet items	14 627	452	37	-	-	-	-	**15 116**
Net liquidity	**(101 297)**	**(5 912)**	**(29 588)**	**(4 342)**	**102 165**	**50 905**	**33 396**	

As at 31 December 2008- Group	Up to 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	From 1 to 5 years	5 years and over	Other	Total
Assets	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Cash and balance with the central bank	58 621	-	-	-	-	-	-	**58 621**
Loans and receivables to banks	38 549	1 084	1 148	206	1 460	-	-	**42 447**
Trading financial assets	9 258	-	-	-	-	-	-	**9 258**
Financial assets at fair value through profit or loss	465	-	-	-	-	-	-	**465**
Held-to-maturity financial investments	7 027	-	-	-	4 414	-	-	**11 441**
Derivative financial instruments	3 605	578	-	2 729	-	-	-	**6 912**
Loans and receivables to customers	25 901	43 361	22 525	35 430	175 361	16 536	7 053	**326 167**
Available-for-sale financial assets	639	-	-	-	-	10 919	27 011	**38 569**
Current tax assets	-	-	-	-	1 629	-	-	**1 629**
Investment property	-	-	-	-	-	-	4 367	**4 367**
Tangible assets	-	-	-	-	-	-	2 720	**2 720**
Goodwill and other intangible assets	-	-	-	-	-	-	1 011	**1 011**
Other assets	1 983	19	1	-	-	-	82	**2 085**
Total Assets	**146 048**	**45 042**	**23 674**	**38 365**	**182 864**	**27 455**	**42 244**	**505 692**
Liabilities								
Due to the central bank and other banks	6 810	731	25 054	17 937	-	-	27 011	**77 543**
Derivative financial instruments	3 833	509	26	507	-	-	-	**4 875**
Customer deposits	218 742	50 897	37 491	38 205	5 383	-	-	**350 718**
Subordinated debt	25	-	-	1 100	7 847	-	-	**8 972**
Debt securities in issue	-	-	2 314	-	-	-	-	**2 314**
Current tax liabilities	-	-	-	-	-	-	349	**349**
Deferred tax	-	-	-	-	-	-	653	**653**
Other liabilities	3 256	-	-	307	-	-	43	**3 606**
Total liabilities	**232 666**	**52 137**	**64 885**	**58 056**	**13 230**	**-**	**28 056**	**449 030**
Off-balance sheet items	11 929	2 118	841	100	1 440	-	-	**16 428**
Net liquidity	**(98 547)**	**(9 213)**	**(42 052)**	**(19 791)**	**168 194**	**27 455**	**14 188**	

According to the regulations of the Latvian Financial and Capital Market Commission, securities 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". The amount of pledged available-for-sale financial assets is classified in the group "Other assets". Respective amount borrowed from Bank of Latvia is classified in the group "Other liabilities".

As at 31 December 2009 - Bank	Up to 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	From 1 to 5 years	5 years and over	Other	Total
Assets	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Cash and balance with the central bank	39 285	-	-	-	-	-	-	**39 285**
Loans and receivables to banks	65 312	7 073	-	-	1 313	-	-	**73 698**
Trading financial assets	12 799	-	-	-	1	-	-	**12 800**
Derivative financial instruments	920	398	17	-	-	-	-	**1 335**
Loans and receivables to customers	14 854	19 702	18 322	55 727	116 585	38 528	23 656	**287 374**
Available-for-sale financial assets	24 369	-	-	-	-	10 425	-	**34 794**
Current tax assets	-	-	-	-	1 429	-	-	**1 429**
Investment property	-	-	-	-	-	-	4 367	**4 367**
Investments in subsidiaries	-	-	-	-	-	-	3 774	**3 774**
Tangible assets	-	-	-	-	-	-	1 609	**1 609**
Goodwill and other intangible assets	-	-	-	-	-	-	859	**859**
Other assets	4 672	-	-	-	-	-	43	**4 715**
Total Assets	**162 211**	**27 173**	**18 339**	**55 727**	**119 328**	**48 953**	**34 308**	**466 039**
Liabilities								
Due to the central bank and other banks	3 050	-	-	-	-	-	-	**3 050**
Derivative financial instruments	863	43	19	7	-	-	-	**932**
Customer deposits	249 761	33 081	49 621	44 080	17 230	-	-	**393 773**
Subordinated debt	-	-	-	490	6 602	-	-	**7 092**
Deferred tax	-	-	-	-	-	-	529	**529**
Other liabilities	2 339	-	-	182	-	-	-	**2 521**
Total liabilities	**256 013**	**33 124**	**49 640**	**44 759**	**23 832**	**-**	**529**	**407 897**
Off-balance sheet items	18 419	452	37	-	-	-	-	**18 908**
Net liquidity	**(112 221)**	**(6 403)**	**(31 338)**	**10 968**	**95 496**	**48 953**	**33 779**	

As at 31 December 2008- Bank	Up to 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	From 1 to 5 years	5 years and over	Other	Total
Assets	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Cash and balance with the central bank	58 621	-	-	-	-	-	-	**58 621**
Loans and receivables to banks	36 843	1 084	1 148	206	1 460	-	-	**40 741**
Trading financial assets	9 258	-	-	-	-	-	-	**9 258**
Financial assets at fair value through profit or loss	465	-	-	-	-	-	-	**465**
Held-to-maturity financial investments	7 027	-	-	-	4 414	-	-	**11 441**
Derivative financial instruments	3 605	578	-	2 729	-	-	-	**6 912**
Loans and receivables to customers	25 352	42 065	21 083	74 191	145 099	11 351	2 533	**321 674**
Available-for-sale financial assets	639	-	-	-	-	10 919	27 011	**38 569**
Current tax assets	-	-	-	-	1 629	-	-	**1 629**
Investment property	-	-	-	-	-	-	4 367	**4 367**
Investments in subsidiaries	-	-	-	-	-	-	3 574	**3 574**
Tangible assets	-	-	-	-	-	-	2 289	**2 289**
Goodwill and other intangible assets	-	-	-	-	-	-	808	**808**
Other assets	1 889	-	-	-	-	-	43	**1 932**
Total assets	**143 699**	**43 727**	**22 231**	**77 126**	**152 602**	**22 270**	**40 625**	**502 280**
Liabilities								
Due to the central bank and other banks	5 634	731	25 054	17 937	-	-	27 011	**76 367**
Derivative financial instruments	3 833	509	26	507	-	-	-	**4 875**
Customer deposits	219 192	50 982	37 663	38 402	5 383	-	-	**351 622**
Subordinated debt	25	-	-	1 100	7 847	-	-	**8 972**
Debt securities in issue	-	-	2 314	-	-	-	-	**2 314**
Deferred tax	-	-	-	-	-	-	557	**557**
Other liabilities	3 028	-	-	261	-	-		**3 289**
Total liabilities	**231 712**	**52 222**	**65 057**	**58 207**	**13 230**	**-**	**27 568**	**447 996**
Off-balance sheet items	12 794	2 118	841	100	1 440	-	-	**17 293**
Net liquidity	**(100 807)**	**(10 613)**	**(43 667)**	**18 819**	**137 932**	**22 270**	**13 057**	

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 month**	**From 3 to 6 month**	**From 6 month to 1 year**	**From 1 to 5 years**	**5 years and over**	**Total**
As at 31 December 2009	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Due to the central bank and other banks	3 008	-	-	-	-	-	**3 008**
Derivatives financial instruments	(59)	(358)	1	-	-	-	**(416)**
- Contractual amounts payable	609 468	3 274	1 067	242	-	-	**614 051**
- Contractual amounts receivable	(609 527)	(3 632)	(1 066)	(242)	-	-	**(614 467)**
Customer deposits	251 862	34 400	54 845	49 435	15 587	-	**406 129**
Subordinated debt	-	-	-	539	9 593	-	**10 132**
Total undiscounted financial liabilities	**254 811**	**34 042**	**54 846**	**49 974**	**25 180**	**-**	**418 853**
Contingent liabilities	5 256	-	-	-	-	-	**5 256**
Commitments	15 299	452	37	-	-	-	**15 788**
Total	**20 555**	**452**	**37**	**-**	**-**	**-**	**21 044**

As at 31 December 2008							
Due to the central bank and other banks	32 624	737	25 708	18 685	-	-	**77 754**
Derivatives financial instruments	148	(16)	(86)	(1 340)	-	-	**(1 294)**
- Contractual amounts payable	1 100 709	7 074	3 831	22 704	-	-	**1 134 318**
- Contractual amounts receivable	(1 100 561)	(7 090)	(3 917)	(24 044)	-	-	**(1 135 612)**
Customer deposits	221 396	48 946	45 668	43 340	2 581	-	**361 931**
Subordinated debt	28	-	-	1 516	11 132	-	**12 676**
Debt securities in issue	-	-	2 368	-	-	-	**2 368**
Total undiscounted financial liabilities	**254 196**	**49 667**	**73 658**	**62 201**	**13 713**	**-**	**453 435**
Contingent liabilities	5 275	-	-	-	-	-	**5 275**
Commitments	8 906	2 118	841	100	1 440	-	**13 405**
Total	**14 181**	**2 118**	**841**	**100**	**1 440**	**-**	**18 680**

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 is the potential that the Bank or the Group borrower or counterparty will fail or refuse to meet its obligations in accordance with agreed terms.

Both the Group and the Bank manage the credit risk, including the country risk in accordance with of the Policy for Financial Risk Management, Policy for the Country Risk Management and Credit Policy.

The credit risk management practice includes the approvals methods of the credit risk measurement of the borrowers, counter-parties or issuers as well as the regular assessment of the off-balance liabilities.

The Group and the Bank identify and control the credit risk by establishing the acceptable exposure limits for:

- individual borrowers and groups of interrelated counterparties;
- economic sectors;
- different types of exposures;
- types of collateral.

Those limits are being regularly supervised and are revised annually, at least.

The credit risk is managed by the Management Board and the Credit Committee.

The Management Board approves the internal bank's regulations required to realise the Credit Policy, considers and accepts new credit exposures, approves the measures for mitigating the risk related to the loan portfolio, exercises control over the Credit Committee.

The Credit Committee is authorised to approve the exposure within the set limits. It analyses the quality of the loan portfolio or individual loan and in case of deterioration accepts the measures for mitigating the credit risk. The Board approves the Credit Committee's decisions when the exposure exceeds 5% of the 1st and 2nd tier capital.

The main criterion for the possible lending is the assessment of the client creditworthiness. Prior to decision on any new credit exposure, the Bank and Group must obtain sufficient and reliable information to enable assessment of the risk profile of the borrower or counterparty.

The Credit Supervision Department is managing the credit risk on the every day basis. The Credit Supervision Department is responsible for implementing the Credit Policy and supervising over its observation.

The Credit Supervision Department also is in charge for exposure concentration analysis, for control over the set limits, for monitoring the loans portfolio, preparing the surveys on loan portfolio and their submission to the Management Board. All shortcoming revealed by the Credit Supervision Department are reported to the Management Board.

MAXIMUM EXPOSURE TO CREDIT RISK

The amount of the Group's maximum exposure to credit risk without taking into 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.

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Credit risk exposure relating to on-balance sheet assets	**419 083**	**415 779**	**438 665**	**432 383**
Loans and receivables to banks	77 320	73 698	42 447	40 741
Trading financial assets	12 800	12 800	9 258	9 258
Financial assets designated at fair value through profit or loss	-	-	465	465
Held-to-maturity financial investments	-	-	11 441	11 441
Derivatives assets	1 335	1 335	6 912	6 912
Loans and receivables to customers	286 224	287 374	326 167	321 674
Available-for-sale financial assets	34 884	34 794	38 569	38 569
Current tax assets	1 729	1 429	1 629	1 629
Other assets	4 791	4 349	1 777	1 694
Credit risk exposure relating to off-balance sheet items	**17 252**	**21 044**	**17 815**	**18 680**
Contingent liabilities	5 150	5 256	4 218	5 275
Commitments	12 102	15 788	13 597	13 405
Maximum exposure	**436 335**	**436 823**	**456 480**	**451 063**

Risk concentrations of the maximum exposure to credit risk

Concentration risk is managed by establishing the limits to the borrower or group of interrelated borrowers. During 2009 the maximum exposure concentration to the borrower or group of interrelated borrowers was limited internally up to 24% of Capital Tier1 and Tier 2, without considering of the collateral and other factors that enhance the quality of credits. In accordance with the Credit Policy the following limits and restrictions for the Group and the Bank were established:

The maximum amount of the loan portfolio - up to 80% of the total assets and must not exceed the size of Capital Tier1 and Tier 2 more than 10 times. The loans issued to non-residents are limited to the 50% of the total loan portfolio.

The portion of any credit product should not exceed 40% of the total Credit Portfolio.

The maximum amount of credits into one economic segment is limited up to 45% of the total loan 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 2009 -Group	Latvia LVL'000	OECD countries LVL'000	Other countries LVL'000	Total LVL'000
Credit risk exposure relating to on-balance sheet assets	**209 274**	**52 625**	**157 184**	**419 083**
Loans and receivables to banks	12 629	38 031	26 660	**77 320**
Trading financial assets	-	1 866	10 934	**12 800**
Derivatives assets	56	760	519	**1 335**
Loans and receivables to customers	171 110	11 521	103 593	**286 224**
Available-for-sale financial assets	19 957	160	14 767	**34 884**
Current tax assets	1 429	-	300	**1 729**
Other assets	4 093	287	411	**4 791**
Credit risk exposure relating to off-balance sheet items	**12 946**	**214**	**4 092**	**17 252**
Total	**222 220**	**52 839**	**161 276**	**436 335**

At 31 December 2008 -Group	Latvia LVL'000	OECD countries LVL'000	Other countries LVL'000	Total LVL'000
Credit risk exposure relating to on-balance sheet assets	**223 169**	**33 035**	**182 461**	**438 665**
Loans and receivables to banks	3 745	14 817	23 885	**42 447**
Trading financial assets	-	923	8 335	**9 258**
Financial assets designated at fair value through profit or loss	465	-	-	**465**
Held-to-maturity financial investments	-	-	11 441	**11 441**
Derivatives assets	459	4 827	1 626	**6 912**
Loans and receivables to customers	188 964	11 894	125 309	**326 167**
Available-for-sale financial assets	27 144	12	11 413	**38 569**
Current tax assets	1 629	-	-	**1 629**
Other assets	763	562	452	**1 777**
Credit risk exposure relating to off-balance sheet items	**12 404**	**362**	**5 049**	**17 815**
Total	**235 573**	**33 397**	**187 510**	**456 480**

At 31 December 2009 - Bank	Latvia LVL'000	OECD countries LVL'000	Other countries LVL'000	Total LVL'000
Credit risk exposure relating to on-balance sheet assets	**210 435**	**52 535**	**152 809**	**415 779**
Loans and receivables to banks	12 629	38 031	23 038	**73 698**
Trading financial assets	-	1 866	10 934	**12 800**
Derivatives assets	56	760	519	**1 335**
Loans and receivables to customers	172 586	11 521	103 267	**287 374**
Available-for-sale financial assets	19 957	70	14 767	**34 794**
Current tax assets	1 429	-	-	**1 429**
Other assets	3 778	287	284	**4 349**
Credit risk exposure relating to off-balance sheet items	13 340	214	7 490	**21 044**
Total	**223 775**	**52 749**	**160 299**	**436 823**

At 31 December 2008 - Bank	Latvia LVL'000	OECD countries LVL'000	Other countries LVL'000	Total LVL'000
Credit risk exposure relating to on-balance sheet assets	**223 495**	**33 037**	**175 851**	**432 383**
Loans and receivables to banks	3 745	14 817	22 179	**40 741**
Trading financial assets	-	923	8 335	**9 258**
Financial assets designated at fair value through profit or loss	465	-	-	**465**
Held-to-maturity financial investments	-	-	11 441	**11 441**
Derivatives assets	459	4 827	1 626	**6 912**
Loans and receivables to customers	189 391	11 894	120 389	**321 674**
Available-for-sale financial assets	27 144	12	11 413	**38 569**
Current tax assets	1629	-	-	**1 629**
Other assets	662	564	468	**1 694**
Credit risk exposure relating to off-balance sheet items	**12 687**	**362**	**5 631**	**18 680**
Total	**236 182**	**33 399**	**181 482**	**451 063**

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:

	31.12.2009		31.12.2008	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Credit risk exposure relating to on-balance sheet assets	**419 083**	**415 779**	**438 665**	**432 383**
Banks	88 332	84 709	66 546	64 839
Private individuals	52 959	46 865	79 104	65 402
Transport	89 001	88 322	84 592	82 660
Trade	29 533	27 486	51 088	45 148
Financial services	21 409	36 826	19 143	67 255
Processing industry	31 444	30 806	34 354	27 395
Building	13 028	5 302	22 312	7 310
Governments	21 862	21 772	27 091	27 091
Other	71 515	73 691	54 435	45 283
Credit risk exposure relating to off-balance sheet items	**17 252**	**21 044**	**17 815**	**18 680**
Total	**436 335**	**436 823**	**456 480**	**451 063**

Renegotiated loans

In accordance with the Credit Policy a loan is a *"renegotiated loan"* when the lender, for economic or legal reasons related to the borrower's financial difficulties, that could result in overdue or recognition of loan impairment, grants a concession to the borrower that it would not otherwise consider.

Concessions granted in a loan restructuring may include the following situations:

- any modifications of terms, e.g., loan extension, prolongation of scheduled principal payment, reduction in the interest from that originally agreed;
- the transfer from the borrower to the Bank of the collateral or other assets in partial repayment of the loan;
- the substitution of a new debtor for the original borrower or attracting additional solider borrower;
- Capitalization of interest, i.e. the increase of the principal by adding the accrued interest or its repayment on the account of new loan.

A loan extended or renewed at unchanged or a stated interest rate or the rate equal to the current (market) interest rate for new Bank's loans with similar risk is not a restructured troubled loan unless this is not caused by the financial deterioration of the borrower.

In terms of the above mentioned the *renegotiated loan* is deemed to be a new loan substituting the previous one with interest capitalization (to the overdrafts to the credit cards at the moment when the terms and conditions are being reconsidered) and:

- the borrower's creditworthiness has become substantially worse (it has been rated with two lowest categories. i.e. the highest risk) if compared to the initial evaluation;
- new loan term is substantially longer than the standard term for the similar Bank loans.

The decision on the loan restructuring is made by the authorized bodies of the Bank.

The amount of renegotiated loans as at December 31, 2009 is LVL' 000 29 217 (2008: 3 568).

Collateral and other credit enhancements

The Bank considers the collateral as an element mitigating the credit risk. The acceptable types of collateral and the methods of evaluation are established in the Credit Policy and the Procedure for the Supervision over the Loans.

The main acceptable types of collateral are: the real estate mortgage, vessel mortgage, commercial pledge of the assets of the companies, incl. fixed assets, inventory and accounts receivable.

The management controls the market value of the collateral, paying special attention to the real estate property and adjusting it accordance to the recent market prices.

The assessment of the real estate property is performed by the independent certified valuators. The Bank adjusts the market value made by the evaluators if considers that any substantial risk factors were omitted. Such adjusted market value is used in calculations of adequacy of collateral.

According the requirements of the Credit Policy the maximum portion of the credits with the similar type of collateral should be limited up to 45% of the loan portfolio.

The exception is unsecured exposures. The portion of unsecured exposures should be limited up to 30% of the Credit Portfolio. The Bank considers the unsecured exposures (they mainly are the consumer loans, including cards), as a group of loans with the same purpose and similar credit risk, that has been analyzed, assessed and accepted while implementing the respective credit instrument.

Credit quality of loans and receivables to customers

The Group and the Bank are constantly monitoring the creditworthiness of the borrowers, adequacy of the collateral and determination of its fair value.

The Bank classifies the loans on the quarterly basis or every time when it receives the information about the substantial deterioration of the quality of any loan. The classification is made with the aim to assess the quality and risk grade of the issued loans and guarantees as well to measure potential losses and provisions sufficiency.

The loan assessment is made by the Credit Committee and the Risk management Committee. Both committees in its considerations and estimations observe the principles of conservatism and discretion, i.e. not to decrease the amount of assets and earnings or not to increase the amount of liabilities and costs so that the financial report is reliable.

The Credit Committee decides on non-recognition or derecognition of interest income from individually assessed loan; and non-recognition or derecognition of interest income from renegotiated loans.

The Risk Management Committee decides on making the provisions for impairment.

The special provisions in the financial reports are reflected as a result of the deterioration of the loan quality and /or impairment. The amount of losses caused by the impairment is reflected in the Income Statement for the reported period.

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Loans and receivables to customers				
Neither past due nor impaired	211 375	218 065	233 613	240 570
Past due but not impaired	50 721	46 506	64 675	56 618
Impaired	40 195	37 507	37 901	34 342
Gross amount	**302 291**	**302 078**	**336 189**	**331 530**
(Provisions)	(16 067)	(14 704)	(10 022)	(9 856)
Total net loans and receivables to customers	**286 224**	**287 374**	**326 167**	**321 674**

As at 31 December 2009 and 31 December 2008 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

In order to detect possible impairment of overdue loans, the Bank applied its internal methodology. No loans from the category of "past due, but not impaired" (including the age interval over 180 days) demonstrated impairment when were examined in accordance with the internal methodology.

The table below represents the Group's and the Bank's analysis of past due but not impaired loans as at 31 December 2009:

Group	**Past due but not impaired**					
At 31 December 2009	**Up to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Mortgage loans	1 634	2 328	811	6 137	8 041	**18 951**
Industrial loans	8 104	1 923	3 170	797	6 332	**20 326**
Commercial loans	1 375	64	74	536	2 856	**4 905**
Consumer loans	2 454	692	191	608	483	**4 428**
Credit card	724	-	-	-	-	**724**
Finance leases	763	409	86	43	19	**1 320**
Other	42	25	-	-	-	**67**
Total	**15 096**	**5 441**	**4 332**	**8 121**	**17 731**	**50 721**

Bank	**Past due but not impaired**					
At 31 December 2009	**Up to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Mortgage loans	1 625	2 237	811	5 766	7 703	**18 142**
Industrial loans	8 104	1 923	3 170	797	6 332	**20 326**
Commercial loans	1 247	48	74	122	1 246	**2 737**
Consumer loans	2 430	690	189	601	464	**4 374**
Credit card	724	-	-	-	-	**724**
Finance leases	64	33	-	20	19	**136**
Other	42	25	-	-	-	**67**
Total	**14 236**	**4 956**	**4 244**	**7 306**	**15 764**	**46 506**

The table below represents the Group's and the Bank's 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**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Mortgage loans	5 237	5 752	3 214	2 870	283	**17 356**
Industrial loans	14 958	14 448	6 452	-	-	**35 858**
Commercial loans	1 467	3 463	63	530	266	**5 789**
Consumer loans	913	134	20	10	3	**1 080**
Credit card	280	-	-	-	-	**280**
Finance leases	219	2 458	202	52	-	**2 931**
Factoring loans	65	-	124	-	-	**189**
Other	1 133	59	-	-	-	**1 192**
Total	**24 272**	**26 314**	**10 075**	**3 462**	**552**	**64 675**

Bank	**Past due but not impaired**					
At 31 December 2008	**Up to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Mortgage loans	4 906	5 752	1 211	1 605	22	**13 496**
Industrial loans	14 958	13 437	6 452	-	-	**34 847**
Commercial loans	1 425	3 435	63	508	-	**5 431**
Consumer loans	869	64	9	-	-	**942**
Credit card	280	-	-	-	-	**280**
Finance leases	81	124		36	-	**241**
Factoring loans	65	-	124	-	-	**189**
Other	1 133	59	-	-	-	**1 192**
Total	**23 717**	**22 871**	**7 859**	**2 149**	**22**	**56 618**

The detailed information on the provisions made against bad debts is in Note 18 "Impairment losses on financial assets".

MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will adversely 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 Resource division (the Treasury) according to the Investment Policy and the Internal Financial Risk Management Policy within the set by the Management Board limits and restrictions.

Market risks mainly 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 by applying sensitivity analyses. The Group has no significant concentration of market risk.

The Managing Board and the 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 2009 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 2009		Bank	Group	Sensitivity of equity			
Currency	**Increase/ decrease in basis points**	**Sensitivity of net interest income**	**Sensitivity of net interest income**	**0 to 6 months**	**From 6 month to 1 year**	**More than 1 year**	**Total**
		LVL`000	**LVL`000**	**LVL`000**	**LVL`000**	**LVL`000**	**LVL`000**
LVL	(600)	(1 113)	(1 134)	-	-	46	46
USD	+150	(94)	(185)	-	-	(80)	(80)
EUR	+150	787	728	(10)	-	-	(10)

At 31 December 2008		Bank	Group	Sensitivity of equity			
Currency	**Increase/ decrease in basis points**	**Sensitivity of net interest income**	**Sensitivity of net interest income**	**0 to 6 months**	**From 6 month to 1 year**	**More than 1 year**	**Total**
		LVL`000	**LVL`000**	**LVL`000**	**LVL`000**	**LVL`000**	**LVL`000**
LVL	+ 500	(1 044)	(1 011)	-	-	(51)	(51)
USD	+ 75	178	19	-	-	-	-
EUR	+ 50	84	78	-	-	-	-

In 2008, interest rates decreasing had opposite effect on the net interest income.

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 open position of foreign currencies, in compliance with the limits and stop losses set by the Management 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 manages open positions and supervises compliance with the restrictions on foreign currency positions.

As at 31 December 2009 - Group	LVL	USD	EUR	Other currencies	Total
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Assets					
Cash and due from the central bank	32 450	1 325	4 238	1 273	**39 286**
Loans and receivables to banks	5 502	41 803	7 769	22 246	**77 320**
Trading financial assets	-	12 628	172	-	**12 800**
Derivative financial instruments	1 335	-	-	-	**1 335**
Loans to customers and receivables	26 891	76 262	181 345	1 726	**286 224**
Available-for-sale financial assets	19 958	2 649	12 277	-	**34 884**
Current tax assets	1 429	-	-	300	**1 729**
Investment property	4 367	-	-	2 035	**6 402**
Tangible assets	1 652	-	-	52	**1 704**
Goodwill and other intangible assets	786	-	6	6	**798**
Other assets	2 293	80	2 332	884	**5 589**
Total Assets	**96 663**	**134 747**	**208 139**	**28 522**	**468 071**
Liabilities and equity					
Due to the central bank and other banks	27	439	2 339	245	**3 050**
Derivative financial instruments	932	-	-	-	**932**
Customer deposits	54 114	139 640	176 476	22 535	**392 765**
Subordinated debt	-	-	7 092	-	**7 092**
Deferred tax liabilities	529	-	-	540	**1 069**
Other liabilities	1 559	256	832	73	**2 720**
Total Liabilities	**57 161**	**140 335**	**186 739**	**23 393**	**407 628**
Share capital and reserves	55 921			4 482	**60 403**
Minority interest	40	-	-	-	**40**
Total Liabilities and equity	**113 122**	**140 335**	**186 739**	**27 875**	**468 071**
Net balance sheet long/(short) position	**(16 459)**	**(5 588)**	**21 400**	**647**	
Spot foreign-exchange contracts long/(short) position	(582)	6 065	(4 326)	(1 157)	
Swap foreign-exchange contracts long/(short) position	18 796	4 005	(22 306)	(495)	
Forward foreign-exchange contracts long/(short) position	18	(1 423)	1 286	119	
Net open long/(short) currency position	**1 773**	**3 059**	**(3 946)**	**(886)**	
Currency open position in % from capital as of 31/12/2009		**5.09**	**6.56**		

As at 31 December 2008 - Group				
Net open long/(short) currency position	**245**	**(1 072)**	**(2 692)**	**3 519**
Currency open position in % from capital as of 31/12/2008		**1.82**	**4.56**	

The table below indicates the currencies to which the Group had significant exposure at 31 December 2009 and at 31 December 2008 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

Currency	31.12.2009 Change in currency rate	Effect on income statement	31.12.2008 Change in currency rate	Effect on income statement
	%	LVL`000	%	LVL`000
USD	+5	153	+15	(161)
	(4)	(122)		
EUR	+0.2	(8)	+10	(27)
	(2)	(79)		

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

As at 31 December 2009 - Bank	LVL	USD	EUR	Other currencies	Total
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Assets					
Cash and due from the central bank	32 450	1 325	4 237	1 273	**39 285**
Loans and receivables to banks	5 502	38 261	7 724	22 211	**73 698**
Trading financial assets	-	12 628	172	-	**12 800**
Derivative financial instruments	1 335	-	-	-	**1 335**
Loans to customers and receivables	26 891	77 099	182 576	808	**287 374**
Available-for-sale financial assets	19 957	2 649	12 188	-	**34 794**
Current tax assets	1 429	-	-	-	**1 429**
Investment property	4 367	-	-	-	**4 367**
Investment in subsidiaries	3 774	-	-	-	**3 774**
Tangible assets	1 609	-	-	-	**1 609**
Goodwill and other intangible assets	859	-	-	-	**859**
Other assets	1 973	78	2 328	336	**4 715**
Total Assets	**100 146**	**132 040**	**209 225**	**24 628**	**466 039**
Liabilities and equity					
Due to the central bank and other banks	27	439	2 339	245	**3 050**
Derivative financial instruments	932	-	-	-	**932**
Customer deposits	54 534	139 641	177 053	22 545	**393 773**
Subordinated debt	-	-	7 092	-	**7 092**
Deferred tax liabilities	529	-	-	-	**529**
Other liabilities	1 448	246	777	50	**2 521**
Total Liabilities	57 470	140 326	187 261	22 840	**407 897**
Share capital and reserves	58 142	-	-	-	**58 142**
Total Share capital and reserves	**115 612**	**140 326**	**187 261**	**22 840**	**466 039**
Net balance sheet long/(short) position	**(15 466)**	**(8 286)**	**21 964**	**1 788**	
Spot foreign-exchange contracts long/(short) position	(582)	6 065	(4 326)	(1 157)	
Swap foreign-exchange contracts long/(short) position	18 796	4 005	(22,306)	(495)	
Forward foreign-exchange contracts long/(short) position	18	(1 423)	1 286	119	
Net open long/(short) currency position	**2 766**	**361**	**(3 382)**	**255**	
Currency open position in % from capital as of 31/12/2009		**0.62**	**5.85**		
As at 31 December 2008 - Bank					
Net open long/(short) currency position	**1 959**	**(986)**	**(2 496)**	**1 523**	
Currency open position in % from capital as of 31/12/2008		**1.70**	**4.30**		

As at 31 December 2009, the Bank's open position was 4.4 % of the tier 1 and tier 2 of the capital (2008: 7.23%).

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 2009 were stronger (17 % and 8% (except EUR) accordingly).

The table below indicates the currencies to which the Bank had significant exposure at 31 December 2009 and at 31 December 2008 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.

	31.12.2009		31.12.2008	
Currency	**Change in currency rate**	**Effect on income statement**	**Change in currency rate**	**Effect on income statement**
	%	**LVL`000**	**%**	**LVL`000**
USD	+5	18	+15	(148)
	(4)	(14)		
EUR	+0.2	(7)	+10	(25)
	(2)	68		

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 Management 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 and accesses, authorisation and reconciliation; operational risk is daily monitored by the Back-Office and operational risk cases are registered in on-line database for the further analysis; direct reporting on operational risk cases to the Management 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. NET INTEREST INCOME

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Interest income	**31 457**	**28 132**	**46 909**	**43 454**
Loans and receivables to customers	25 512	21 396	36 729	32 072
Loans and receivables to banks	2 058	2 906	6 590	7 832
Available-for-sale securities	1 515	1 515	456	456
Held-to-maturity financial investments	1 231	1 231	771	771
Trading securities	910	910	2 160	2 160
Other	231	174	203	163
Interest expense	**17 605**	**17 686**	**21 564**	**21 621**
Customer deposits	14 288	14 288	13 516	13 515
Deposits from banks	1 885	1 966	6 172	6 230
Subordinated debt	708	708	753	753
Payments in the Deposit Guarantee Fund	670	670	698	698
Debt securities in issue	54	54	425	425
Net interest income	**13 852**	**10 446**	**25 345**	**21 833**

As at 31 December 2009, interest income accrued on impaired loans to customers amounted to LVL'000 1 183 (2008: LVL'000 895).

5. NET FEE AND COMMISSION INCOME

	2009		2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Fee and commission income	**8 029**	**7 616**	**8 887**	**8 407**
Account services and money transfer fees	3 984	3 986	3 939	3 943
Commission for public utility payments	1 380	1 380	1 700	1 700
Payment cards	1 042	1 042	1 173	1 173
Brokerage services on securities	495	468	565	504
Cash withdrawal	444	444	478	478
Asset management fees	437	87	633	287
Commission on letters of credit and collection	40	40	108	108
Other	207	169	291	214
Fee and commission expense	**1 549**	**1 519**	**1 772**	**1 739**
Payment cards	788	788	925	925
Services of correspondent banks	479	471	450	450
Securities purchase and brokerage services	180	180	243	243
Other	102	80	154	121
Net fee and commission income	**6 480**	**6 097**	**7 115**	**6 668**

6. NET TRADING INCOME

	2009		2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Profit/(loss) from trading financial assets, net	**2 872**	**2 872**	**(3 117)**	**(3 117)**
Bonds and other fixed income securities	**2 685**	**2 685**	**(2 774)**	**(2 774)**
Net trading profit/(loss)	477	477	(1 313)	(1 313)
Fair value adjustment	2 208	2 208	(1 461)	(1 461)
Shares and other non- fixed income securities	**187**	**187**	**(343)**	**(343)**
Net trading profit/(loss)	(47)	(47)	(90)	(90)
Fair value adjustment	234	234	(253)	(253)
Profit/(loss) from derivative instruments and foreign exchanges trading, net	**4 704**	**4 691**	**11 687**	**11 683**
Net trading profit/(loss)	6 338	6 325	9 768	9 764
Fair value adjustment	(1 634)	(1 634)	1 919	1 919
Profit/(loss) from revaluation of open position, net	**186**	**(390)**	**(3 654)**	**(3 614)**
Net trading income	**7 762**	**7 173**	**4 916**	**4 952**

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

	2009		2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Profit/(loss) from financial assets designated at fair value through profit or loss, net	**167**	**167**	**(582)**	**(582)**
Net realised profit/(loss)	(70)	(70)	(289)	(289)
Fair value adjustment	237	237	(293)	(293)
Total	**167**	**167**	**(582)**	**(582)**

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

	2009		2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Bonds and other fixed income securities	1 633	1 633	(47)	(47)
Total	**1 633**	**1 633**	**(47)**	**(47)**

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

9. OTHER OPERATING INCOME

	2009		2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Penalties	3 009	2 907	864	797
Rent of investment property	436	436	431	431
Rent of premises	102	102	109	109
Change in fair value of investment property (Note 23)	-	-	108	108
Other	2 284	2 254	10	113
Total	**5 831**	**5 699**	**1 522**	**1 558**

10. ADMINISTRATIVE EXPENSES

	2009		2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Personnel expense	**10 343**	**8 853**	**11 186**	**9 951**
Personnel remuneration	7 684	6 578	8 529	7 657
Supervisory Council and Management Board remuneration	671	561	671	492
Social security contributions	1 988	1 714	1 986	1 802
Other expense	**6 973**	**6 918**	**8 565**	**8 343**
Rent	1 514	1 405	1 568	1 481
Professional services	1 413	1 633	1 698	1 627
Computer repair and communications	1 292	1 273	1 060	1 139
VAT	634	596	698	697
Advertising	519	476	802	798
Public utilities and maintenance	342	361	594	582
Business trip	214	206	267	262
Security	203	198	240	234
Donations	94	94	232	232
Real estate tax	69	69	81	81
Write-off of leasehold improvement	42	42	161	161
Stationery and miscellaneous	33	29	213	204
Other administrative expenses	604	536	951	845
Total	**17 316**	**15 771**	**19 751**	**18 294**

During the 2009 the average number of employees by the Group and the Bank was 751, 10 Supervisory Council and 17 Management Board members and 679 employees, 6 Supervisory Council and 6 Management Board members, respectively.

The average number of employees by the Group and the Bank in 2008 was 857, 9 Supervisory Council and 16 Management Board members and 811 employees, 6 Supervisory Council and 6 Management Board members, respectively.

11. CORPORATE INCOME TAX

a) Components of corporate income tax

	2009		2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Corporate income tax expense for the year	211	202	661	166
Corporate income tax paid abroad	415	415	646	646
Recalculation for previous year	76	76	-	-
Change in deferred tax liability	290	(206)	175	111
Total	**992**	**487**	**1 482**	**923**

The Bank has moved the corporate income tax paid abroad from Income statement position "Other operating expenses" to position "Corporate income tax". The purpose is full information disclosure for Bank's financial statements users.

b) Reconciliation of accounting profit to tax charge

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Profit before taxation	**5 165**	**3 697**	**4 127**	**1 943**
Expected corporate income tax	775	555	619	291
Tax effect of:				
(Untaxed income)/non-deductible expense	(294)	(204)	605	505
Effect of different tax rates on income tax paid abroad	198	198	187	187
Effect of different tax rates of subsidiaries operating in other jurisdictions	387	-	137	-
Covering of previous years income tax losses	(12)	-	(6)	-
Overtaken losses	(61)	(61)	(37)	(37)
Donation	(77)	(77)	(23)	(23)
Recalculation for previous year	76	76	-	-
Total	**992**	**487**	**1 482**	**923**

Expected corporate income tax has been calculated in accordance to Latvian income tax rate in 2009.

Effect of different tax rates of subsidiaries operating in other jurisdictions appeared due to 20% income tax rate in Armenia.

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

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Deferred tax liability at the beginning of year	653	557	478	446
Deferred tax liability increase (decrease) for the year	290	(206)	175	111
Foreign exchange	(52)	-	-	-
Deferred tax liability at the year end	891	351	653	557
Deferred tax, recognised directly in equity	178	178	-	-
Total	**1 069**	**529**	**653**	**557**

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

Group	2009 Deferred tax asset LVL'000	2009 Deferred tax liabilities LVL'000	2008 Deferred tax asset LVL'000	2008 Deferred tax liabilities LVL'000
Loans to customers	-	(603)	-	(94)
Accruals for vacations	28	-	39	-
Depreciation and amortisation	-	(136)	-	(169)
Change in fair value of investment property	-	(253)	-	(253)
Other assets	-	(4)	-	-
Other liabilities	4	(4)	2	(178)
Tax loss carry-forwards	77	-	-	-
Total mutual off setting of asset/(liability)	**109**	**(1 000)**	**41**	**(694)**
Total non-mutual off setting of asset/(liability)	-	-	-	-
Net deferred tax asset/(liability)	**-**	**(891)**	**-**	**(653)**
Deferred tax, recognised directly in equity	-	(178)	-	-
Total	**-**	**(1 069)**	**-**	**(653)**

Bank	2009 Deferred tax asset LVL'000	2009 Deferred tax liabilities LVL'000	2008 Deferred tax asset LVL'000	2008 Deferred tax liabilities LVL'000
Accruals for vacations	27	-	39	-
Depreciation and amortisation	-	(125)	-	(165)
Change in fair value of investment property	-	(253)	-	(253)
Other liabilities	-	-		(178)
Total mutual off setting of asset/(liability)	**27**	**(378)**	**39**	**(596)**
Net deferred tax asset/(liability)	**-**	**(351)**	**-**	**(557)**
Deferred tax, recognised directly in equity	-	(178)	-	-
Total	**-**	**(529)**	**-**	**(557)**

12. CASH AND BALANCES WITH THE CENTRAL BANK

	31.12.2009 Group LVL'000	31.12.2009 Bank LVL'000	31.12.2008 Group LVL'000	31.12.2008 Bank LVL'000
Cash	6 711	6 710	5 366	5 366
Due from the central bank	32 575	32 575	53 255	53 255
Total	**39 286**	**39 285**	**58 621**	**58 621**

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 each month. As at 31 December 2009 and 2008 the amount of the statutory reserve of the Bank was LVL'000 18 121 and LVL'000 21 334, respectively.

13. LOANS TO AND RECEIVABLES FROM BANKS

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Demand placements with:	**64 667**	**64 383**	**32 298**	**31 743**
Banks of the Republic of Latvia	7 128	7 128	2 359	2 359
Banks of the OECD countries	37 926	37 926	14 645	14 645
Banks of other countries	19 613	19 329	15 294	14 739
Loans to and receivables from:	**12 653**	**9 315**	**10 149**	**8 998**
Banks of the Republic of Latvia	5 501	5 501	1 386	1 386
Banks of the OECD countries	105	105	172	172
Banks of other countries	7 047	3 709	8 591	7 440
Total	**77 320**	**73 698**	**42 447**	**40 741**

In 2009 Bank has LVL'000 6 685 pledged for Forex deals, in 2008: LVL'000 1 605.

In 2009 Bank's average interest rates are: LVL 9.29%, USD 0.44%, EUR 1.21%, in 2008: USD 7.62%, EUR 9.34%.

14. TRADING FINANCIAL ASSETS

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Trading bonds and other fixed income securities	**12 717**	**12 717**	**9 076**	**9 076**
OECD country bonds	1 866	1 866	923	923
Other country bonds	10 851	10 851	8 153	8 153
Trading shares and other non- fixed income securities	**83**	**83**	**182**	**182**
Other country shares	83	83	182	182
Total	**12 800**	**12 800**	**9 258**	**9 258**

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

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Fund participations	**-**	**-**	**465**	**465**
Latvian funds	-	-	465	465

16. 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 accounted 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.

	31.12.2009			31.12.2008		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Foreign exchange contracts						
Swaps	1 300	878	405 796	6 675	4 286	854 059
Forwards	35	54	4 920	209	589	48 902
Options	-	-	-	28	-	633
	1 335	**932**	**410 716**	**6 912**	**4 875**	**903 594**

In 2009, for better information disclosure for Bank's Financial Statements users spot (Forex) deals are moved from Balance sheet position "Derivative financial instruments" to Balance sheet positions "Other assets" and "Other liabilities".

17. LOANS TO AND RECEIVABLES FROM CUSTOMERS

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Net loans to:	**279 105**	**280 255**	**321 595**	**299 165**
Private companies	233 066	239 084	246 733	237 991
Individuals	62 106	55 875	84 884	71 030
Allowance for impairment losses (Note 18)	(16 067)	(14 704)	(10 022)	(9 856)
Receivables from:	**7 119**	**7 119**	**4 572**	**22 509**
Finance companies	7 119	7 119	4 572	22 509
Total loans to and receivables from customers, net	**286 224**	**287 374**	**326 167**	**321 674**

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Geographical segmentation of loans and receivables				
Net loans to:	**279 105**	**280 255**	**321 595**	**299 165**
Residents of Latvia	186 453	186 825	197 520	179 998
Residents of OECD countries	4 972	4 972	7 333	7 333
Residents of the other countries	103 747	103 162	126 764	121 690
Allowance for impairment losses (Note 18)	(16 067)	(14 704)	(10 022)	(9 856)
Receivables from:	**7 119**	**7 119**	**4 572**	**22 509**
Residents of Latvia	10	10	4	17 941
Residents of OECD countries	6 631	6 631	4 568	4 568
Residents of the other countries	478	478	-	-
Total loans to and receivables from customers	**286 224**	**287 374**	**326 167**	**321 674**

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Analysis of loans by type				
Mortgage loans	86 274	81 889	82 970	63 216
Industrial loans	90 605	90 605	82 689	81 679
Commercial loans	57 386	66 985	79 056	86 645
Consumer loans	22 604	21 620	35 905	31 598
Credit card balances	8 686	8 686	10 056	10 056
Reverse Repo transactions	6 609	6 609	18 030	18 030
Finance leases	3 652	572	8 864	3 916
Other	3 215	3 215	3 637	3 637
Factoring loans	74	74	388	388
Net loans to customers	**279 105**	**280 255**	**321 595**	**299 165**

The Group has received securities at fair value LVL'000 10 555 (at 31 December 2008: LVL'000 21 161) as collateral for reverse repo deals and the Group is permitted to sell or repledge them. As at 31 December 2009 they have not been sold or repledged (at 31 December 2008: LVL'000 nil).

Bank's average interest rates are: LVL 24.66%, USD 6.69%, EUR 6.55%, in 2008: LVL 18.04%, USD 7.30%, EUR 8.40%.

Finance leases	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Gross investments	**3 973**	**646**	**10 263**	**4 600**
Within 1 year	1 612	374	1 249	1 177
From 1 year to 5 years	2 341	272	5 844	3 248
More than 5 years	20	-	3 170	175
Unearned income	**321**	**74**	**1 399**	**684**
Within 1 year	116	57	247	245
From 1 year to 5 years	203	17	797	437
More than 5 years	2	-	355	2
Present value of minimum lease payments	**3 652**	**572**	**8 864**	**3 916**
Within 1 year	1 496	317	1 002	932
From 1 year to 5 years	2 138	255	5 047	2 811
More than 5 years	18	-	2 815	173

18. IMPAIRMENT LOSSES ON 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 financial assets.

Group	At 31 December 2008	Increase in allowance	Written off	Released from allowance	Foreign exchange	At 31 December 2009
	LVL`000	LVL`000	LVL`000	LVL`000	LVL`000	LVL`000
Industrial loans	2 063	1 353	(1 081)	(1 511)	-	**824**
Commercial loans	272	940	(804)	(54)	(12)	**342**
Consumer loans	3 938	4 324	(239)	(827)	(29)	**7 167**
Credit cards	1 005	1 022	(52)	(380)	-	**1 595**
Finance leasing	14	1 154	(21)	-	-	**1 147**
Factoring loans	-	156	(124)	-	-	**32**
Mortgage loans	1 851	7 269	(3 420)	(755)	(4)	**4 941**
Reverse repo	879	367	(810)	(442)	6	**-**
Other loans	-	84	(65)	-	-	**19**
Provisions for held-to-maturity financial investments	885	-	-	(891)	6	**-**
Other provisions	8	114	-	-	(1)	**121**
Total	**10 915**	**16 783**	**(6 616)**	**(4 860)**	**(34)**	**16 188**

Group At 31 December, 2009	Individual impairment	Collective impairment	Total	Gross amount of financial assets, individually determined to be impaired, before deducting any individually assessed impairment allowance
	LVL`000	LVL`000	LVL`000	LVL`000
Industrial loans	824	-	**824**	**3 977**
Commercial loans	192	150	**342**	**93**
Consumer loans	6 685	482	**7 167**	**11 759**
Credit cards	1 480	115	**1 595**	**3 345**
Finance leasing	1 147	-	**1 147**	**2 144**
Factoring loans	32	-	**32**	**105**
Mortgage loans	2 878	2 063	**4 941**	**13 894**
Other loans	19	-	**19**	**60**
Other provisions	120	1	**121**	**12 920**
Total	**13 377**	**2 811**	**16 188**	**48 297**

Group	At 31 December 2007	Increase in allowance	Written off	Released from allowance	Foreign exchange	At 31 December 2008
	LVL`000	LVL`000	LVL`000	LVL`000	LVL`000	LVL`000
Industrial loans	32	2 169	(138)	-	-	**2 063**
Commercial loans	36	778	(506)	(36)	-	**272**
Consumer loans	737	3 722	(273)	(249)	1	**3 938**
Credit cards	364	1 142	(434)	(67)	-	**1 005**
Finance leasing	30	14	(30)	-	-	**14**
Factoring loans	-	15	(15)	-	-	**-**
Mortgage loans	16	3 755	(1 904)	(16)	-	**1 851**
Reverse repo	-	883	-	-	(4)	**879**
Provisions for held-to-maturity financial investments	-	885	-	-	-	**885**
Other provisions	-	7	-	-	1	**8**
Total	**1 215**	**13 370**	**(3 300)**	**(368)**	**(2)**	**10 915**

Group At 31 December, 2008	Individual impairment	Collective impairment	Total	Gross amount of financial assets, individually determined to be impaired, before deducting any individually assessed impairment allowance
	LVL`000	LVL`000	LVL`000	LVL`000
Industrial loans	2 063	-	2 063	**9 980**
Commercial loans	272	-	272	**2 138**
Consumer loans	3 415	523	3 938	**4 655**
Credit cards	893	112	1 005	**1 276**
Finance leases	14	-	14	**65**
Mortgage loans	1 851	-	1 851	**10 707**
Reverse repo	879	-	879	**3 072**
Provisions for held-to-maturity financial investments	885	-	885	**12 326**
Other provisions	8	-	8	**8**
Total	**10 280**	**635**	**10 915**	**44 227**

Group	2009	2008
	LVL’000	LVL’000
Result from allowance for impairment losses	**(11 553)**	**(12 944)**
Increase in allowance	(16 783)	(13 370)
Released from allowance (loans)	4 860	368
Recovery of previously written-off assets	370	58

The following table presents an analysis of the change in allowance account for impairment. The Bank's attributes the allowance for impairment losses completely to the financial investments.

Bank	At 31 December 2008	Increase in allowance	Written off	Released from allowance	Foreign exchange	At 31 December 2009
	LVL`000	LVL`000	LVL`000	LVL`000	LVL`000	LVL`000
Industrial loans	2 063	1 353	(1 081)	(1 511)	-	**824**
Commercial loans	272	782	(804)	(54)	(4)	**192**
Consumer loans	3 785	4 219	(76)	(806)	-	**7 122**
Credit card	1 005	1 022	(52)	(380)	-	**1 595**
Finance leases	1	62	(21)	-	-	**42**
Factoring loans	-	156	(124)	-	-	**32**
Mortgage loans	1 851	7 202	(3 420)	(755)	-	**4 878**
Reverse repo	879	367	(810)	(442)	6	**-**
Other	-	84	(65)	-	-	**19**
Provisions for held-to-maturity financial investments	885	-	-	(891)	6	**-**
Other provisions	8	113	-	-	(1)	**120**
Total	**10 749**	**15 360**	**(6 453)**	**(4 839)**	**7**	**14 824**

Bank At 31 December, 2009	Individual impairment	Collective impairment	Total	Gross amount of financial assets, individually determined to be impaired, before deducting any individually assessed impairment allowance
	LVL`000	LVL`000	LVL`000	LVL`000
Industrial loans	824	-	824	**3 977**
Commercial loans	192	-	192	**93**
Consumer loans	6 685	437	7 122	**11 759**
Credit card	1 480	115	1 595	**3 345**
Finance leasing	42	-	42	**80**
Factoring loans	32	-	32	**105**
Mortgage loans	2 878	2 000	4 878	**13 894**
Other	19	-	19	**60**
Other provisions	120	-	120	**12 920**
Total	**12 272**	**2 552**	**14 824**	**46 233**

Bank	At 31 December 2007	Increase in allowance	Written off	Released from allowance	Foreign exchange	At 31 December 2008
	LVL`000	LVL`000	LVL`000	LVL`000	LVL`000	LVL`000
Industrial loans	32	2 169	(138)	-	-	**2 063**
Commercial loans	4	778	(506)	(4)	-	**272**
Consumer loans	689	3 545	(203)	(246)	-	**3 785**
Credit cards	364	1 142	(434)	(67)	-	**1 005**
Finance leasing	30	1	(30)	-	-	**1**
Factoring loans	-	15	(15)	-	-	**-**
Mortgage loans	-	3 755	(1 904)	-	-	**1 851**
Reverse repo	-	883	-	-	(4)	**879**
Provisions for held-to-maturity financial investments	-	885	-	-	-	**885**
Other provisions	-	7	-	-	1	**8**
Total	**1 119**	**13 180**	**(3 230)**	**(317)**	**(3)**	**10 749**

Bank At 31 December, 2008	Individual impairment	Collective impairment	Total	Gross amount of financial assets, individually determined to be impaired, before deducting any individually assessed impairment allowance
	LVL`000	LVL`000	LVL`000	LVL`000
Industrial loans	2 063	-	2 063	**9 980**
Commercial loans	272	-	272	**2 138**
Consumer loans	3 415	370	3 785	**4 655**
Credit cards	893	112	1 005	**1 276**
Finance leasing	1	-	1	**36**
Mortgage loans	1 851	-	1 851	**10 707**
Reverse repo	879	-	879	**3 072**
Provisions for held-to-maturity financial investments	885	-	885	**12 326**
Other provisions	8	-	8	**8**
Total	**10 267**	**482**	**10 749**	**44 198**

Bank	2009	2008
	LVL'000	LVL'000
Result from allowance for impairment losses	**(10 151)**	**(12 805)**
Increase in allowance	(15 360)	(13 180)
Released from allowance (loans)	4 839	317
Recovery of previously written-off assets	370	58

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Bonds and other fixed income securities	**24 459**	**24 369**	**27 650**	**27 650**
Latvian bonds	19 957	19 957	27 144	27 144
OECD country bonds	160	70	12	12
Other country bonds	4 342	4 342	494	494
Shares and other non-fixed income securities	**10 425**	**10 425**	**10 919**	**10 919**
EU country funds	10 425	10 425	10 919	10 919
Total	**34 884**	**34 794**	**38 569**	**38 569**

20. HELD-TO-MATURITY FINANCIAL INVESTMENTS

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Bonds and other fixed income securities				
Other country bonds	-	-	11 441	11 441
Total	**-**	**-**	**11 441**	**11 441**

In the first half of 2009 year the Bank's management has decided to sell part of HTM financial instruments, thus changing intention to hold them till maturity. According to IAS 39 the Bank has made reclassification of debt financial instruments from HTM portfolio to AFS portfolio at book value of LVL'000 12 119. Reclassification result in the amount of LVL'000 2 178 was included in equity position Revaluation of available-for-sale financial assets, net of tax. Net increase of AFS portfolio as a result of this reclassification was LVL'000 9 941.

Losses from sold securities reclassified from Held-to-maturity financial assets to Available-for-sale portfolio on 31 December 2009 was LVL'000 40. Losses are recognized in Income Statement position "Net gain or loss from sales of available-for–sale financial assets".

21. INVESTMENT IN SUBSIDIARIES

As at 31 December 2009 and 2008 the Bank had the following investment in the subsidiaries:

Company	Country and address of registration	Business profile	Cost as at 31 December 2009	Cost as at 31 December 2008	Share capital as at 31 December 2009	Bank's share capital as at 31 December 2009
			LVL'000	LVL'000	LVL'000	%
JSC "NORVIK "Ieguldījumu pārvaldes sabiedrība"	Latvia, Riga, E.Birznieka-Upīša str. 21	Finance	878	830	755	100
JSC "NORVIK" Universal Credit Organization"	Armenia, Yerevan, Khanjyan str. 41	Finance	1 944	1 944	1 790	100
"NORVIK Līzings" Ltd.	Latvia, Riga, E.Birznieka-Upīša str. 21	Finance	700	700	700	100
"NORVIK TECHNOLOGY" Ltd.	Latvia, Riga, E.Birznieka-Upīša str. 21	IT technologies	100	100	100	100
JSC "NORVIK Alternative Investments"	Latvia, Riga, E.Birznieka-Upīša str. 21	Finance	150	-	200	75
"Legal Consulting" Ltd.	Latvia, Riga, E.Birznieka-Upīša str. 21	Legal services	2	-	2	100
Total			**3 774**	**3 574**		

In January 2009, the Bank established a 75% owned subsidiary company JSC "NORVIK Alternative Investments" (Latvia) with the share capital of LVL`000 135. In October 2009 the capital of JSC "NORVIK Alternative Investments" has been increased by LVL`000 65, as result of which the capital now amounts to LVL` 000 200.

In February 2009, the Bank established a 100% owned subsidiary company "LEGAL CONSULTING" Ltd. (Latvia) with the share capital of LVL`000 2.

In November 2009, the Bank acquired minority interest in the capital of JSC "NORVIK Ieguldījumu pārvaldes sabiedrība" (Latvia) amounted 5.05%. At the end of 2009 Bank has 100% share of this subsidiary company.

22. GOODWILL AND OTHER INTANGIBLE ASSETS

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Goodwill	286	-	266	-
Other intangible assets	480	827	711	778
Prepayments for intangible assets	32	32	34	30
Net book value of other intangible assets	**798**	**859**	**1 011**	**808**

The following table shows the changes in the Group's and Bank's intangible assets for the year ended 31 December 2009 and 31 December 2008

Group **LVL `000**	**Goodwill**	**Other intan-gible assets**	**Prepayments for other intangible as-sets**	**Total**
Historical cost				
At 31 December 2008	**266**	**1 582**	**34**	**1 882**
Additions	20	103	64	187
Disposals	-	(4)	(66)	(70)
Foreign exchange	-	(2)	-	(2)
At 31 December 2009	**286**	**1 679**	**32**	**1 997**
Amortisation				
At 31 December 2008	**-**	**871**	**-**	**871**
Charge	-	332	-	332
Disposals	-	(3)	-	(3)
Foreign exchange	-	(1)	-	(1)
At 31 December 2009	**-**	**1 199**	**-**	**1 199**
Net book value				
At 31 December 2008	**266**	**711**	**34**	**1 011**
At 31 December 2009	**286**	**480**	**32**	**798**

Group **LVL `000**	**Goodwill**	**Other intan-gible assets**	**Prepayments for other intangible as-sets**	**Total**
Historical cost				
At 31 December 2007	**266**	**1 261**	**8**	**1 535**
Additions	-	350	122	472
Disposals	-	(29)	(96)	(125)
At 31 December 2008	**266**	**1 582**	**34**	**1 882**
Amortisation				
At 31 December 2007	**-**	**616**	**-**	**616**
Charge	-	283	-	283
Disposals	-	(28)	-	(28)
At 31 December 2008	**-**	**871**	**-**	**871**
Net book value				
At 31 December 2007	**266**	**645**	**8**	**919**
At 31 December 2008	**266**	**711**	**34**	**1 011**

Goodwill acquired through business combination with indefinite lives have been allocated for impairment testing to one individual cash-generating unit – Investment Funds Management.

Bank **LVL `000**	**Other intan-gible assets**	**Prepayments for other intan-gible assets**	**Total**
Historical cost			
At 31 December 2008	**1 616**	**30**	**1 646**
Additions	440	64	504
Disposals	(4)	(62)	(66)
At 31 December 2009	**2 052**	**32**	**2 084**
Amortisation			
At 31 December 2008	**838**	**-**	**838**
Charge	390	-	390
Disposals	(3)	-	(3)
At 31 December 2009	**1 225**	**-**	**1 225**
Net book value			
At 31 December 2008	**778**	**30**	**808**
At 31 December 2009	**827**	**32**	**859**

Bank **LVL `000**	**Other intan-gible assets**	**Prepayments for other intan-gible assets**	**Total**
Historical cost			
At 31 December 2007	**1 204**	**8**	**1 212**
Additions	441	118	559
Disposals	(29)	(96)	(125)
At 31 December 2008	**1 616**	**30**	**1 646**
Amortisation			
At 31 December 2007	**612**	**-**	**612**
Charge	254	-	254
Disposals	(28)	-	(28)
At 31 December 2008	**838**	**-**	**838**
Net book value			
At 31 December 2007	**592**	**8**	**600**
At 31 December 2008	**778**	**30**	**808**

23. INVESTMENT PROPERTY

The following table shows the movement in the Group's and Bank's investment property for the period ended 31 December 2009:

	Group LVL`000 Commercial spaces in business center	Bank LVL`000 Commercial spaces in business center
As at 31 December 2007	**4 224**	**4 224**
Reclassification	-	-
Net change in fair value	108	108
Additions	35	35
As at 31 December 2008	**4 367**	**4 367**
Additions	2 035	-
As at 31 December 2009	**6 402**	**4 367**

On November 2009 the Bank's subsidiary JSC "NORVIK Universal Credit Organization" acquired all of the shares in JSC "IKSOV" that on consolidation created the investment property, stated at fair value, which has been determined based on valuation performed by "TIGRIS Co" Ltd, an independent valuer specialized in valuing these types of investment properties. Investment property is held to earn rentals or to gain from value appreciation; during 2009 investments property did not generate rental income.

Bank's investment property is stated at fair value. The last valuation performed by "Independent expertise XXI century" Ltd. (OOO "Независимая экспертиза XXI век"), an industry specialist in valuing these types of investment properties, at 29 December 2009 confirmed that value was not decreased.

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.

Bank's investment property generated rental income during 2009. 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 LVL'000 436 (2008: LVL'000 432), at the same time the related property maintenance expense and real estate tax burned by the Bank, as the owner of the property, was LVL'000 111 (2008: LVL'000 121).

24. TANGIBLE FIXED ASSETS

	31.12.2009		31.12.2008	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Lands and buildings	520	520	660	660
Vehicles	248	200	583	230
Office equipment and other fixed assets	901	854	1 375	1 297
Prepayments for tangible fixed assets	17	17	32	32
Leasehold improvements	18	18	70	70
Net book value of tangible fixed assets	**1 704**	**1 609**	**2 720**	**2 289**

The following table shows the changes in the Bank's tangible fixed assets for the year ended 31 December 2009:

LVL'000	Land and Buildings	Vehicles	Office equipment and other fixed assets	Prepayments for tangible fixed assets	Leasehold improvements	Total
Historical cost						
At 31 December 2008	**2 980**	**377**	**3 952**	**32**	**70**	**7 411**
Additions	-	14	143	25	-	182
Disposals		(3)	(157)	(40)	(52)	(252)
At 31 December 2009	**2 980**	**388**	**3 938**	**17**	**18**	**7 341**
Depreciation						
At 31 December 2008	**2 320**	**147**	**2 655**	**-**	**-**	**5 122**
Charge	140	44	549	-	-	733
Disposals	-	(3)	(120)	-	-	(123)
At 31 December 2009	**2 460**	**188**	**3 084**	**-**	**-**	**5 732**
Net book value						
At 31 December 2008	**660**	**230**	**1 297**	**32**	**70**	**2 289**
At 31 December 2009	**520**	**200**	**854**	**17**	**18**	**1 609**
Fair value	**3 500**	**-**	**-**	**-**	**-**	**-**

Fair value determined by market value, provided by certified valuator on real estate.

LVL'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	**2 980**	**350**	**3 535**	**3**	**242**	**7 110**
Additions	-	34	610	326	-	970
Disposals	-	(7)	(193)	(297)	(172)	(669)
At 31 December 2008	**2 980**	**377**	**3 952**	**32**	**70**	**7 411**
Depreciation						
At 31 December 2007	**2 039**	**110**	**2 296**	**-**	**-**	**4 445**
Charge	281	42	552	-	-	875
Disposals	-	(5)	(193)	-	-	(198)
At 31 December 2008	**2 320**	**147**	**2 655**	**-**	**-**	**5 122**
Net book value						
At 31 December 2007	**941**	**240**	**1 239**	**3**	**242**	**2 665**
At 31 December 2008	**660**	**230**	**1 297**	**32**	**70**	**2 289**
Fair value	**4 108**	**-**	**-**	**-**	**-**	**-**

25. OTHER ASSETS

	31.12.2009		31.12.2008	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Property and equipment held for sale	2 218	2 218	-	-
VAT	922	613	229	183
Spot deals	343	343	778	778
Deferred expenses	237	235	302	300
Accrued income	222	188	237	217
Cards transactions	50	50	86	86
Other receivables	1 597	1 068	453	368
Total	**5 589**	**4 715**	**2 085**	**1 932**

26. MANAGED TRUST ASSETS AND LIABILITIES

	31.12.2009		31.12.2008	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Managed trust assets	**20 560**	**20 560**	**29 956**	**29 956**
Loans	9 904	9 904	10 893	10 893
Debt securities	8 077	8 077	14 388	14 388
Due from credit institutions	562	562	569	569
Shares and other securities with non-fixed income	32	32	560	560
Other	1 985	1 985	3 546	3 546
Managed trust liabilities	**20 560**	**20 560**	**29 956**	**29 956**
Private companies	20 125	20 125	29 741	29 741
Individuals	435	435	215	215

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 associated with these managed assets. The Bank receives commission fee for rendering of trust services to clients.

27. DUE TO THE CENTRAL BANK AND OTHER BANKS

	31.12.2009		31.12.2008	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Demand deposits	**2 628**	**2 628**	**25 483**	**25 483**
Banks registered in Latvia	400	400	24 467	24 467
Banks registered in OECD countries	-	-	746	746
Banks registered in other countries	2 228	2 228	270	270
Term deposits	**422**	**422**	**52 060**	**50 884**
Banks registered in Latvia	-	-	5 776	5 776
Banks registered in OECD countries	-	-	45 108	45 108
Banks registered in other countries	422	422	1 176	-
Total	**3 050**	**3 050**	**77 543**	**76 367**

In July 2009 the Bank repaid syndicated loan of EUR 25 million. In October 2009 the Bank closed off the line of credit of Kaupting Bank HF of EUR 35 million.

Bank's average interest rate for LVL 12.15%, USD 1.83%, EUR 6.52%, in 2008: EUR 6.7%.

28. CUSTOMER DEPOSITS

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Current accounts	**169 203**	**169 297**	**145 819**	**145 931**
Private companies	144 901	144 995	128 356	128 474
Individuals	23 741	23 741	17 031	17 025
Public organizations	188	188	175	175
Government companies	342	342	230	230
Local government	31	31	27	27
Fixed-term deposits	**223 562**	**224 476**	**204 899**	**205 691**
Private companies	119 407	120 321	100 488	101 273
Individuals	102 157	102 157	91 653	91 660
Government companies	1 917	1 917	12 723	12 723
Public organizations	81	81	35	35
Total	**392 765**	**393 773**	**350 718**	**351 622**
Geographical segmentation of customer deposits				
Current accounts	**169 203**	**169 297**	**145 819**	**145 931**
Residents of Latvia	37 902	37 994	35 039	35 151
Residents of OECD countries	24 438	24 438	23 734	23 734
Residents of the other countries	106 863	106 865	87 046	87 046
Fixed-term deposits	**223 562**	**224 476**	**204 899**	**205 691**
Residents of Latvia	112 342	113 151	108 789	109 581
Residents of OECD countries	9 652	9 652	5 063	5 063
Residents of the other countries	101 568	101 673	91 047	91 047
Total	**392 765**	**393 773**	**350 718**	**351 622**

Bank's average interest rates are: LVL 8.58%, USD 1.72%, EUR is 4.05%; in 2008: LVL 9.44%, USD 3.73%, EUR 3.00%.

29. SUBORDINATED DEBT

As at 31 December 2009 and 2008 the Bank's depositors with more than 10% of the subordinated debt amount were as follows:

	Maturity	Interest rate (%)	Currency	31.12.2009 LVL'000	31.12.2008 LVL'000
"Straumborg Ehf." (Iceland)	2013	9	EUR	-	5 722
"Raiffeisen Zentralbank Oesterreich AG" (Austria)	2013	9	EUR	5 170	-
"Ice-Balt Invest Ehf." (Iceland)	2013	9	EUR	949	949
Other persons	2010-2013	8-9	EUR	973	2 301
Total				**7 092**	**8 972**

The replacement of "Starumborg Ehf" as a subordinated debt lender in amount of LVL'000 5 130 to "Raiffeisen Zentralbank Osterreich AG" was based on the respective Sale and Assignment Offer mutually accepted by involved parties and effected on 17 March 2009.

30. DEBT SECURITIES IN ISSUE

	31.12.2009.				31.12.2008.			
	Nominal EUR`000	Effective interest rate, %	Group LVL'000	Bank LVL'000	Nominal EUR`000	Effective interest rate, %	Group LVL'000	Bank LVL'000
Corporate bills	-	-	-	-	3 370	7.87	2 314	2 314
Total	**-**	**-**	**-**	**-**	**3 370**	**7.87**	**2 314**	**2 314**

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

31. OTHER LIABILITIES

	31.12.2009		31.12.2008	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Accrued expenses	682	678	1 036	1 036
Spot deals	347	347	746	746
Payments collected on behalf of public utilities services providers	281	281	332	332
Cards transactions	275	275	15	15
Accruals for vacations	220	182	307	261
Suspense amounts	78	78	157	157
Deferred income	39	39	49	49
Other	798	641	964	693
Total	**2 720**	**2 521**	**3 606**	**3 289**

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 public utilities services providers* are transferred to providers after year end.

32. SHARE CAPITAL

	31.12.2009		31.12.2008	
	Quantity `000	**LVL `000**	**Quantity `000**	**LVL `000**
Registered and paid – in share capital	**56 290**	**56 290**	**40 500**	**40 500**

On 25 November 2009 at the Shareholder's special Meeting of the Bank, it was decided to increase the share capital by issuing 15 790 000 new registered voting shares with a nominal value of 1 LVL each. As at 31 December 2009, all issued shares are fully paid and the Bank's paid-in capital amounts to LVL`000 56 290 (as at 31 December 2008: LVL`000 40 500).

As at 31 December 2009 and 2008, Bank's shareholders were as follows:

	31.12.2009			31.12.2008		
	Number of shares	**% of total shares**	**Paid up share capital LVL'000**	**Number of shares**	**% of total shares**	**Paid up share capital LVL'000**
"Straumborg Ehf."(Iceland)	28 778 560	51.13	28 778	20 705 879	51.13	20 706
J. Šapurovs	11 129 726	19.77	11 130	8 007 091	19.77	8 007
A. Svirčenkovs	11 129 698	19.77	11 130	8 007 089	19.77	8 007
Other (individually less than 10%)	5 252 297	9.33	5 252	3 779 869	9.33	3 780
Total	**56 290 281**	**100.00**	**56 290**	**40 499 928**	**100.00**	**40 500**

33. 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 2009 and 2008 there is no difference between basic and diluted earnings per share calculation.

	Group 31.12.2009	**Group 31.12.2008**
Net profit (LVL'000)	4 179	2 643
Weighted average number of ordinary shares	40 500	40 500
Earnings per share (LVL)	**0.10**	**0.07**

34. CASH AND CASH EQUIVALENTS

	31.12.2009		31.12.2008	
	Group LVL'000	**Bank LVL'000**	**Group LVL'000**	**Bank LVL'000**
Cash and balances due on demand from the Bank of Latvia	39 286	39 285	58 621	58 621
Balances due from other banks with original maturity of 3 months or less	75 618	72 280	35 836	34 130
Total	**114 904**	**111 565**	**94 457**	**92 751**

35. COMMITMENTS AND CONTINGENCIES

	31.12.2009		31.12.2008	
	Group	Bank	Group	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Contingent liabilities	**5 150**	**5 256**	**4 218**	**5 275**
Guarantees	5 101	5 207	4 169	5 226
Other	49	49	49	49
Commitments	**12 102**	**15 788**	**13 597**	**13 405**
Unused credit lines	12 102	15 788	12 935	12 743
Letters of credit	-	-	662	662
Total off-balance sheet items, gross	**17 252**	**21 044**	**17 815**	**18 680**

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 obligation arising from credit lines. As regards the credit risk, the Bank is potentially exposed to losses arising also from obligations under unused credit lines.

36. 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.

	31.12.2009.			31.12.2008.		
Group	**Carrying value**	**Fair value**	**Difference**	**Carrying value**	**Fair value**	**Difference**
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Financial assets						
Cash and balances with the central bank	39 286	39 286	-	58 621	58 621	-
Loans and receivables to banks	77 320	77 705	385	42 447	42 987	540
Trading financial assets	12 800	12 800	-	9 258	9 258	-
Financial assets designated at fair value through profit or loss	-	-	-	465	465	-
Held-to-maturity financial assets	-	-	-	11 441	7 309	(4 132)
Derivative financial instruments	1 335	1 335	-	6 912	6 912	-
Loans to customer and receivables	286 224	284 724	(1 500)	326 167	336 062	9 895
Available-for-sale financial assets	34 884	34 884	-	38 569	38 569	-
Financial liabilities						
Due to the central bank and other banks	3 050	3 050	-	77 543	77 921	(378)
Derivative financial instruments	932	932	-	4 875	4 875	-
Customer deposits	392 765	395 287	(2 522)	350 718	351 240	(522)
Subordinated debt	7 092	7 092	-	8 972	8 972	-
Debt securities in issue	-	-	-	2 314	2 343	(29)
Total difference			**(3 637)**			**5 374**

Bank	31.12.2009. Carrying value	Fair value	Difference	31.12.2008. Carrying value	Fair value	Difference
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Financial assets						
Cash and balances with the central bank	39 285	39 285	-	58 621	58 621	
Loans and receivables to banks	73 698	74 083	385	40 741	41 281	540
Trading financial assets	12 800	12 800	-	9 258	9 258	-
Financial assets designated at fair value through profit or loss	-	-	-	465	465	-
Held-to-maturity financial assets	-	-	-	11 441	7 309	(4 132)
Derivative financial instruments	1 335	1 335	-	6 912	6 912	-
Loans to customers and receivables	287 374	285 874	(1 500)	321 674	331 569	9 895
Available-for-sale financial assets	34 794	34 794	-	38 569	38 569	-
Financial liabilities						
Due to the central bank and other banks	3 050	3 050	-	76 367	76 745	(378)
Derivative financial instruments	932	932	-	4 875	4 875	-
Customer deposits	393 773	396 295	(2 522)	351 622	352 144	(522)
Subordinated debt	7 092	7 092	-	8 972	8 972	-
Debt securities in issue	-	-	-	2 314	2 343	(29)
Total difference			**(3 637)**			**5 374**

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, by discounting contractual cash flows using current rates at which similar loans (or attracted deposits) would be transacted by the Group with borrowers with similar credit ratings and/or collateral and for the same remaining maturities.

No future loan losses, adjustments related to future probable loan renegotiating, early repayment considered.

The fair values included in the tables above were calculated for disclosure purposes only. The valuation techniques and assumptions described above provide a measurement of fair value of the Bank's and Group's financial instruments accounted for at amortized cost. However, because other institutions may use different methods and assumptions for their fair value estimation, such fair value disclosures cannot necessarily be compared from one financial institution to another.

37. 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 2009 - Group	Quoted market	Valuation techniques – market observable inputs	Valuation techniques – non-market observable inputs	Total
	LVL'000	LVL'000	LVL'000	LVL'000
Financial assets	**36 681**	**1 823**	**10 425**	**48 929**
Trading financial assets	12 800	-	-	12 800
Derivative financial instruments	-	1 335	-	1 335
Available-for-sale financial assets	23 971	488	10 425	34 884
Financial liabilities	**-**	**932**	**-**	**932**
Derivative financial instruments	-	932	-	932

As at 31 December 2008 - Group	Quoted market	Valuation techniques – market observable inputs	Valuation techniques – non-market observable inputs	Total
	LVL'000	LVL'000	LVL'000	LVL'000
Financial assets	**36 442**	**7 843**	**10 919**	**55 204**
Trading financial assets	9 258	-	-	9 258
Financial assets designated at fair value through profit or loss	-	465	-	465
Derivative financial instruments	28	6 884	-	6 912
Available-for-sale financial assets	27 156	494	10 919	38 569
Financial liabilities	**-**	**4 875**	**-**	**4 875**
Derivative financial instruments	-	4 875	-	4 875

The following table shows changes of non-market observable inputs during 2009 and 2008:

Group	Non-market observable inputs
LVL'000	
At 31 December 2007	**8 267**
Acquisition	8 174
Selling	(4 533)
Net gain or loss from sales	(32)
Fair value adjustment	(957)
At 31 December 2008	**10 919**
Acquisition	4 147
Selling	(8 324)
Net gain or loss from sales	2 228
Fair value adjustment	1 455
At 31 December 2009	**10 425**

Changes in fair value are recognised in comprehensive income and equity in position "Revaluation reserve of available-for-sale financial assets, net of tax". Net gain or loss from sales is recognised in Income Statement position "Net gain or loss from sales of available-for –sale financial assets".

38. CAPITAL ADEQUACY CALCULATION

The Group's and Bank's capital adequacy ratio as of 31 December 2009 has been calculated as follows:

	Notional risk level	Group Exposure LVL'000	Group Risk weighted assets LVL'000	Bank Exposure LVL'000	Bank Risk weighted assets LVL'000
Assets					
Central governments or central banks	0%	52 572	-	52 482	-
Financial institutions	0%	488	-	488	-
	20%	72 735	14 547	72 451	14 490
	50%	853	427	853	427
	100%	7 741	7 741	4 403	4 403
Private companies and individuals	0%	6 742	-	6 742	-
	100%	200 212	200 212	208 027	208 027
	150%	21 168	31 752	21 168	31 752
Pool of retail exposure claims (MRD)	0%	6	-	6	-
	75%	15 649	11 737	15 649	11 737
Past due exposures	0%	5	-	5	-
	100%	4 505	4 505	4 408	4 408
	150%	38 426	57 639	35 632	53 448
Collective investment undertakings (CIU)	100%	10 425	10 425	10 425	10 425
Other items	0%	6 711	-	6 710	-
	100%	15 081	15 081	11 793	11 793
Total assets and risk weighted assets		**453 319**	**354 065**	**451 242**	**350 909**

OFF-BALANCE SHEET ITEMS	Notional risk level	Exposure LVL'000	Risk weighted assets LVL'000	Exposure LVL'000	Risk weighted assets LVL'000
Items with 50% adjustment	75%	2 963	1 111	2 963	1 111
Items with 0% adjustment	100%	2 274	-	5 961	-
Items with 20% adjustment	100%	519	104	519	104
Items with 50% adjustment	100%	6 851	3 426	6 851	3 426
Items with 100% adjustment	100%	1 738	1 738	1 738	1 738
Items with 0% adjustment	150%	4	-	4	-
Items with 20% adjustment	150%	62	19	62	19
Items with 50% adjustment	150%	341	256	341	256
Secured items	0%	2 500	-	2 605	-
Total off-balance sheet items		**17 252**	**6 654**	**21 044**	**6 654**
Total assets and off-balance sheet items		**470 571**	**360 719**	**472 286**	**357 563**

	Group LVL'000	Bank LVL'000
Tier 1		
Paid in share capital	56 290	56 290
Reserve capital	7	7
Retained earnings for previous years	2 290	2
Minority interest	40	-
Revaluation reserve of available-for-sale financial assets	(1 367)	(1 367)
Revaluation reserve of foreign currency	(996)	-
Expected loss from loans	(1 237)	(1 237)
Retained earnings	4 179	3 210
Goodwill	(286)	-
Other intangible assets	(512)	(859)
Investment property revaluation (earnings)	(1 697)	(1 697)
Total tier 1	**56 711**	**54 349**
Tier 2		
Expected loss from loans	(1 237)	(1 237)
Subordinated capital	3 994	3 994
45% from investment property revaluation earnings	700	700
Total tier 2	**3 457**	**3 457**
Total capital	**60 168**	**57 806**
Summary		
Credit risk capital	28 857	28 605
Market risks capital requirement	1 679	1 647
Operational risk	4 106	3 824
Capital requirement covered by capital (total capital)	**25 526**	**23 730**
Capital adequacy rate as of 31.12.2009	**13.89%**	**13.57%**
Capital adequacy rate as of 31.12.2008	**14.41%**	**14.93%**
Minimal capital adequacy ratio (%) 2009 and 2008	**8.00%**	**8.00%**

39. RELATED PARTIES

Related parties are shareholders, which have control or significant influence over the management policy of the Group, members of the Supervisory Council and the Management 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 LVL'000	Off-balance sheet items LVL'000	31.12.2009 Total LVL'000	31.12.2008 Total LVL'000
Assets		**11 688**	**120**	**11 808**	**8 785**
Loans and receivables, net		**11 688**	**120**	**11 808**	**8 785**
Related undertakings and Individuals	10.10	11 351	70	**11 421**	**8 551**
Supervisory Council and Management Board	1.91	219	46	**265**	**99**
Other senior executives	2.11	118	4	**122**	**135**
Liabilities		**5 883**	**-**	**5 883**	**10 759**
Deposits		**4 882**	**-**	**4 882**	**3 527**

Related undertakings and Individuals	3.23	3 298	-	**3 298**	**2 590**
Supervisory Council and Management Board	3.90	1 571	-	**1 571**	**931**
Other senior executives	2.01	13	-	**13**	**6**
Subordinated debt		**1 001**	**-**	**1 001**	**7 232**
Related undertakings and Individuals	8.27	743	-	**743**	**5 389**
Supervisory Council and Management Board	8.00	258	-	**258**	**1 843**

Bank	**Average interest rate %**	**Amount LVL'000**	**Off-balance sheet items LVL'000**	**31.12.2009 Total LVL'000**	**31.12.2008 Total LVL'000**
Assets		**31 584**	**5 235**	**36 819**	**58 576**
Loans and receivables, net		**31 584**	**5 235**	**36 819**	**58 576**
Related undertakings and Individuals	10.10	11 351	70	**11 421**	**8 551**
Subsidiaries	1.86	20 012	5 115	**25 127**	**49 913**
Supervisory Council and Management Board	1.91	216	46	**262**	**99**
Other senior executives	4.61	5	4	**9**	**13**
Liabilities		**6 891**	**-**	**6 891**	**11 632**
Deposits		**5 890**	**-**	**5 890**	**4 400**
Related undertakings and Individuals	3.23	3 298	-	**3 298**	**2 590**
Subsidiaries	5.25	1 008	-	**1 008**	**873**
Supervisory Council and Management Board	3.90	1 571	-	**1 571**	**931**
Other senior executives	2.01	13	-	**13**	**6**
Subordinated debt		**1 001**	**-**	**1 001**	**7 232**
Related undertakings and Individuals	8.27	743	-	**743**	**5 389**
Supervisory Council and Management Board	8.00	258	-	**258**	**1 843**

As at 31 December 2009, the amount of the Bank's exposure transactions with related parties is LVL`000 266 or 0,43% 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:

	2009		**2008**	
	Group	**Bank**	**Group**	**Bank**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Interest income	1 699	2 588	929	2 202
Interest expense	(403)	(483)	(710)	(767)
Net interest income	**1 296**	**2 105**	**219**	**1 435**

40. SUBSEQUENT EVENTS

There were no subsequent events during the period between Financial Statement date and the Financial Statement issuing date that might have an impact on the financial statements as of 31 December 2009.

* * * * *

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AS “Norvik Banka”:

Report on the financial statements

We have audited the accompanying financial statements (pages 10 to 71) of AS “Norvik Banka” (further “the Bank”) and the consolidated financial statements of AS “Norvik Banka” and its subsidiaries (further “the Group”), which comprise the Bank’s and the Group’s balance sheet as at 31 December 2009, and the income statement, statement of comprehensive income, statements of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above give a true and fair view of the financial position of the Bank and the Group as of 31 December 2009, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on the management report

We have read the management report for the year ended 31 December 2009, which is presented on page 5, and we have not identified any material discrepancies between the historical financial information presented in these reports and the financial statements for the year ended 31 December 2009.

Deloitte Audits Latvia SIA

License No. 43

Riga, 18 March 2010

Hendrik Kramer
Authorised representative

Inguna Stasa
Sworn Auditor
Certificate No. 145