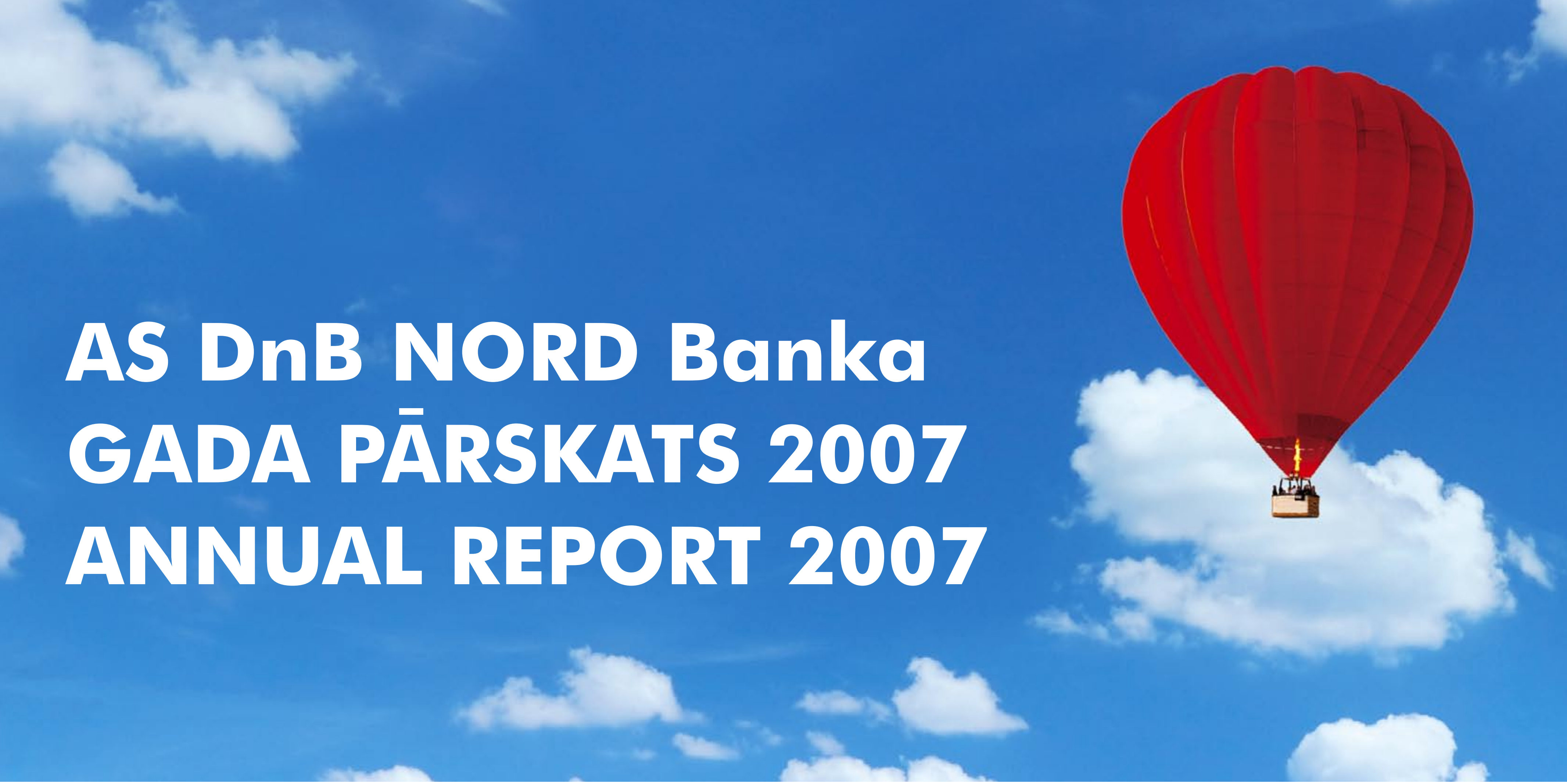
AS DnB NORD Banka
GADA PĀRSKATS 2007
ANNUAL REPORT 2007



ACROBAT READER

ENG

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DnB NORD Banka

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We are pleased to inform you of the good results of DnB NORD Banka in 2007 showing that the strategy of the bank accepted by the Supervisory Council and executed by the Management Board has been successful in continuing further stable development of the bank.

In 2007 DnB NORD Banka continued stable development aimed at the strategic goal of the bank – to become one of the leading banks in Latvia. The growth rate of assets of DnB NORD Banka in 2007 was 37% in comparison with the beginning of the year, amounting to LVL 1 798 million.

The deposit portfolio of the bank increased by 11% in 2007, amounting to LVL 353 million. Due to the macro economic situation the bank based its lending policy on rather conservative risk principles, and the loan portfolio of the bank increased by 39% in comparison with the beginning of the year, amounting to LVL 1 557 million.

Loans to legal entities amounted to LVL 679 million, and the loans to private persons - to LVL 860 million, constituting 55% of the total loan portfolio of DnB NORD Banka.

One of the strategic plans of DnB NORD Banka in 2007 was to expand its operations in the corporate and SME segments, and the number of customers – legal entities – increased by 19 % in the reporting period. A steadily increasing number of customers – private individuals – chose DnB NORD Banka as their bank for opening a deposit, taking out a loan, making investment in funds, making transfers or for receiving other financial services. The number of customers – private individuals – increased by 14 % in 2007 in comparison with the beginning of the year.

DnB NORD Banka earned a consolidated net profit of LVL 19,58 million in 2007 that compared favorably to the net profit of LVL 9,87 million earned in 2006. It has been a successful year for the bank, and it is proposed to capitalise the profit.

The bank continued to develop its branch network in 2007 opening 2 new branches as well as modernizing the existing ones all over Latvia; therefore by the end of the year the customers of the bank are welcome in 34 branches and 3 sub-branches. Virtual branch has started operations as well offering the customers of the bank to receive all basic banking services by phone.

According to the strategy of DnB NORD Banka special attention in 2007 was paid to the development and launching of new products in the investment, life insurance and savings segments, and the customers of the bank have valued them highly.

Compared with similar ones, the performance of pension plans managed by the investment management company DnB NORD Fondi has been one of the most beneficial for investors, and the assets in management of DnB NORD Fondi have increased by more than 300% in 2007, amounting to LVL 11,4 million. DnB NORD Fondi has started to offer to manage of discretionary portfolios, and in the end of the reporting period a new target fund was established.

The reporting period was also successful for the second daughter company of DnB NORD Banka - leasing company DnB NORD Līzings has continued its rapid development, increasing its market share from 10.9% to 12.1%. The assets of the leasing company DnB NORD Līzings have amounted to LVL 200 million; the leasing and factoring portfolio of the company has increased by 65% during the period, amounting to LVL 184 million.

As a result of a prudent risk policy the risk position of the bank remained stable and compares favourably with the average in the banking sector of Latvia.

At the end of 2007 an agreement on building the new head office of DnB NORD Banka was signed. The new building is planned to be finished by summer 2010, and the bank is proud that the project is going to be one of the most technologically developed and most state-of-the-art office buildings in Riga, combining both high-quality architecture and energy-efficiency.

In 2008 the bank will continue working as a universal bank with three main target directions – a bank for private individuals, a bank for large, middle-sized and small companies as well as a bank offering the main investment banking services.

In 2008 special attention will be paid to developing and improving financial products and services to SMEs, continuing to elaborate investment products both for private individuals and companies as well as investing into IT in order to offer bank customers an increasingly high level of service.

Sven Herlyn
Chairman of the
Supervisory Council

Andris Ozolins
CEO, Chairman of the
Management Board

Riga, 11 March 2008

The Supervisory Council

Name	Institution	Position	Date of appointment
Sven Herlyn	Bank DnB NORD A/S	Chairman of the Supervisory Council	14 September 2005*
Torstein Hagen	Bank DnB NORD A/S	Vice Chairman of the Supervisory Council	6 June 2007**
Dr. Juergen Allerkamp	Norddeutsche Landesbank Girozentrale	Member of the Supervisory Council	20 July 2000
Juris Binde	Latvijas Mobilais Telefons SIA	Member of the Supervisory Council	21 March 2002
Dr. Stephan-Andreas Kaulvers	Bremer Landesbank Kreditanstalt Oldenburg Girozentrale	Member of the Supervisory Council	27 March 2007
Jarle Mortensen	DnB NOR Bank ASA	Member of the Supervisory Council	27 March 2007
Baiba Anda Rubess	SIA Latvija Statoil	Member of the Supervisory Council	21 March 2002
Pal Skoe	DnB NOR Bank ASA	Member of the Supervisory Council	27 March 2007

* From 20 July 2000 till 4 October 2004 Sven Herlyn was a member of the Supervisory Council; from 4 October 2004 till 14 September 2005 Sven Herlyn was the Vice Chairman of the Supervisory Council

** From 26 March 2006 till 6 June 2007 Torstein Hagen was a member of the Supervisory Council

The following members of the Supervisory Council have resigned during the reporting year:

Name	Institution	Position	Date of resignation
Aasmund Skaar	DnB NOR Bank ASA	Member of the Supervisory Council	27 March 2007
Peter-Juergen Schmidt	WEDIT Deloitte & Touche	Member of the Supervisory Council	27 March 2007

The Management Board

Name	Position	Date of appointment
Andris Ozolins	Chairman of the Management Board	1 January 2004*
Gundars Andzans	Member of the Management Board	16 May 2005
Rudolf Karges	Member of the Management Board	20 July 2000
Ivars Kapitovics	Member of the Management Board	10 August 2006
Björn Poetzsch	Member of the Management Board	1 May 2007

* From 29 March 2001 till 1 January 2004 Andris Ozolins was the Vice Chairman of the Management Board; from 10 September 1999 till 29 March 2001 Andris Ozolins was a member of the Management Board.

The Management Board of AS DnB NORD Banka is responsible for the preparation of the financial statements of the Group and the Bank.

The financial statements on pages 13 to 158 are prepared in accordance with the source documents and present fairly the financial position of the Group and the Bank as at 31 December 2007 and the results of their operations and cash flows for the year ended 31 December 2007.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted in European Union (EU) on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates has been made by the Management Board in the preparation of the financial statements.

The Management Board of AS DnB NORD Banka is responsible for the maintenance of proper accounting records, the safeguarding of the Group's and the Bank's assets and the prevention and detection of fraud and other irregularities. It is also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Bank of Latvia, Financial and Capital Market Commission and other legislation of the Republic of Latvia applicable for credit institutions.

Andris Ozolins CEO, Chairman of the Management Board	Gundars Andzans Member of the Management Board	Rudolf Karges Member of the Management Board	Ivars Kapitovics Member of the Management Board	Björn Poetzsch Member of the Management Board

Riga, 11 March 2008

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of AS DnB NORD Banka and its subsidiaries (the Group) and the financial statements of AS DnB NORD Banka (the Bank) on pages 13 to 158 which comprise the balance sheets as of 31 December 2007 and the income statements, statements of changes in equity and cash flow statements 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 the requirements of 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 accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as of 31 December 2007, and of their financial performance and their cash flows for the year then ended in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

We have read the Management Report set out on pages 2 to 5 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2007.

PricewaterhouseCoopers SIA
Audit company licence No. 5

Juris Lapshe
Certified auditor
Certificate No. 116
Member of the Board
11 March 2008

	Notes	2007 Group LVL'000	2007 Bank LVL'000	2006 Group LVL'000	2006 Bank LVL'000
Interest income	5	104,130	93,713	55,470	52,737
Interest expense	6	(65,919)	(58,259)	(28,609)	(26,977)
Net interest income		**38,211**	**35,454**	**26,861**	**25,760**
Fee and commission income	7	10,436	11,642	7,222	7,385
Fee and commission expenses	8	(4,644)	(4,309)	(3,732)	(3,548)
Net fee and commission income		**5,792**	**7,333**	**3,490**	**3,837**
Net trading income	9	6,257	6,142	2,434	2,386
Other operating income	10	7,401	1,041	4,740	1,269
Dividend income		–	500	–	390
Administrative expenses	11	(24,706)	(22,477)	(17,515)	(16,489)
Depreciation		(6,701)	(1,707)	(3,797)	(1,108)
Other operating expense		(547)	(290)	(313)	(268)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 Group LVL'000	2007 Bank LVL'000	2006 Group LVL'000	2006 Bank LVL'000
Allowances for impairment loss	26	(5,854)	(5,854)	(5,556)	(5,556)
Release of previously established allowances	26	2,549	2,549	1,248	1,239
Profit before income tax		**22,402**	**22,691**	**11,592**	**11,460**
Corporate income tax	12	(3,226)	(3,105)	(1,773)	(1,590)
Net profit for the year		**19,176**	**19,586**	**9,819**	**9,870**
Attributable to:					
Equity holders of the Bank		19,193		9,842	
Minority interest		(17)		(23)	
Earnings per share for profit attributable to the equity holders of the Bank during the year (expressed in LVL per share)					
Basic	13	0,244	0,245	0,207	0,207

The financial statements on pages 13 to 158 have been approved by the Supervisory Council and the Management Board of the Bank and signed on their behalf by:

Sven Herlyn
Chairman of the
Supervisory Council

Andris Ozolins
Chairman of the
Management Board

Rudolf Karges
Member of the
Management Board

Riga, 11 March 2008

The accompanying notes are an integral part of these financial statements.

	Notes	2007 Group LVL'000	2007 Bank LVL'000	2006 Group LVL'000	2006 Bank LVL'000
Assets					
Cash and balances with the central banks	14	134,374	134,374	81,001	81,001
Due from other credit institutions (demand)	15	16,758	16,758	40,100	40,100
Loans and advances to customers	16	1,784,681	1,557,249	1,219,561	1,122,541
Financial assets at fair value through profit or loss	17	44,861	44,861	44,249	44,249
Equity investments	18	10	10	10	10
Investments in subsidiary undertakings	19	–	710	–	638
Derivative financial instruments	20	1,481	1,481	323	323
Due from other credit institutions (term)	15	26,062	26,062	11,139	11,139
Intangible fixed assets	21	1,129	889	484	400
Property and equipment	22	32,943	7,625	26,326	5,823
Deferred expenses and accrued income	23	3,647	3,501	1,752	1,695
Other assets	25	13,178	4,244	5,033	3,007
Total assets		**2,059,124**	**1,797,764**	**1,429,978**	**1,310,926**

The accompanying notes are an integral part of these financial statements.

	Notes	2007 Group LVL'000	2007 Bank LVL'000	2006 Group LVL'000	2006 Bank LVL'000
Liabilities					
Due to other credit institutions (demand)	27	37,929	37,929	16,525	16,525
Due to customers	28	349,076	352,729	316,742	317,336
Debt securities in issue		–	–	21,413	21,413
Derivative financial instruments	20	248	248	185	185
Due to other credit institutions (term)	27	1,471,729	1,213,075	949,413	834,554
Corporate income tax liability		891	891	170	170
Deferred tax liabilities	24	784	481	209	26
Deferred income and accrued expenses	29	7,768	6,835	3,304	2,985
Other liabilities	31	6,924	1,766	4,815	855
Subordinated loan	30	40,776	40,776	35,629	35,629
Total liabilities		**1,916,125**	**1,654,730**	**1,348,405**	**1,229,678**

	Notes	2007 Group LVL'000	2007 Bank LVL'000	2006 Group LVL'000	2006 Bank LVL'000
Shareholders' equity					
Share capital	32	99,161	99,161	56,961	56,961
Share premium		48,994	48,994	48,994	48,994
Other reserves		214	214	214	214
Revaluation reserve		133	133	133	133
Retained loss		(24,735)	(25,054)	(34,609)	(34,924)
Current year's profit		19,193	19,586	9,842	9,870
Minority interests		39	–	38	–
Total shareholders' equity		**142,999**	**143,034**	**81,573**	**81,248**
Total liabilities and shareholders` equity		**2,059,124**	**1,797,764**	**1,429,978**	**1,310,926**

	Notes	2007 Group LVL'000	2007 Bank LVL'000	2006 Group LVL'000	2006 Bank LVL'000
Commitments and contingent liabilities					
Contingent liabilities					
guarantees		29,724	288,244	19,645	134,455
Commitments					
credit commitments		159,986	159,986	128,819	128,819
letters of credit		16,879	16,879	3,743	3,743

The financial statements on pages 13 to 158 have been approved by the Supervisory Council and the Management Board of the Bank and signed on their behalf by:

Sven Herlyn
Chairman of the
Supervisory Council

Andris Ozolins
Chairman of the
Management Board

Rudolf Karges
Member of the
Management Board

Riga, 11 March 2008

The accompanying notes are an integral part of these financial statements

	Attributable to equity holders							
	Share capital LVL'000	**Share premium LVL'000**	**Other reserves LVL'000**	**Reva- luation reserve LVL'000**	**Retained loss LVL'000**	**Current year's profit LVL'000**	**Minority interest LVL'000**	**Total LVL'000**
31 December 2005	**36,961**	**48,994**	**214**	**133**	**(41,091)**	**6,424**	**61**	**51,696**
Increase of share capital	20,000	–	–	–	–	–	–	**20,000**
Transfer to retained loss	–	–	–	–	6,482	(6,424)	–	**58**
Profit for the year	–	–	–	–	–	9,842	(23)	**9,819**
31 December 2006	**56,961**	**48,994**	**214**	**133**	**(34,609)**	**9,842**	**38**	**81,573**
Increase of share capital	42,200	–	–	–	–	–	–	**42,200**
Minority share of IPAS DnB NORD Fondi	–	–	–	–	–	–	18	**18**
Transfer to retained loss	–	–	–	–	9,874	(9,842)	–	**32**
Profit for the year	–	–	–	–	–	19,193	(17)	**19,176**
31 December 2007	**99,161**	**48,994**	**214**	**133**	**(24,735)**	**19,193**	**39**	**142,999**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital LVL'000	Share premium LVL'000	Other reserves LVL'000	Revaluation reserve LVL'000	Retained loss LVL'000	Current year's profit LVL'000	Total LVL'000
31 December 2005	**36,961**	**48,994**	**214**	**133**	**(41,091)**	**6,167**	**51,378**
Increase of share capital	20,000	–	–	–	–	–	**20,000**
Transfer to retained loss	–	–	–	–	6,167	(6,167)	**–**
Profit for the year	–	–	–	–	–	9,870	**9,870**
31 December 2006	**56,961**	**48,994**	**214**	**133**	**(34,924)**	**9,870**	**81,248**
Increase of share capital	42,200	–	–	–	–	–	**42,200**
Transfer to retained loss	–	–	–	–	9,870	(9,870)	**–**
Profit for the year	–	–	–	–	–	19,586	**19,586**
31 December 2007	**99,161**	**48,994**	**214**	**133**	**(25,054)**	**19,586**	**143,034**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE BANK FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 Group LVL'000	2007 Bank LVL'000	2006 Group LVL'000	2006 Bank LVL'000
Cash flows from operating activities					
Profit before income tax		22,402	22,691	11,592	11,460
Depreciation and amortisation		6,702	1,708	3,794	1,108
Profit/(loss) from revaluation of securities		(620)	(620)	343	343
Provisions for impairment of loans and other assets, net		2,970	2,970	4,078	4,078
Dividends received		–	(500)	–	(390)
Profit from sale of fixed assets		(664)	(664)	(693)	(664)
Corporate income tax paid		(1,928)	(1,928)	(2,665)	(2,665)
Cash flows from operating activities before changes in assets and liabilities		**28,862**	**23,657**	**16,449**	**13,270**

	Notes	2007 Group LVL'000	2007 Bank LVL'000	2006 Group LVL'000	2006 Bank LVL'000
(Increase)/decrease in other assets and accrued income					
Increase/(decrease) in other liabilities and accrued expense		(10,039)	(3,043)	(2,582)	(1,187)
(Increase) in financial assets at fair value through profit or loss		(22,501)	(22,501)	(13,870)	(13,870)
Decrease in due from credit institutions		37	37	857	680
(Increase) in loans		(568,091)	(437,678)	(599,797)	(497,272)
Increase in due to credit institutions		522,311	378,515	514,411	399,552
Increase in deposits		32,334	35,393	130,730	131,288
Net cash and cash equivalents used in operating activities		**(10,483)**	**(20,860)**	**45,404**	**31,296**
Cash flows from investing activities					
Acquisition of fixed assets		(18,493)	(4,028)	(19,302)	(2,954)
Proceeds from sale of fixed assets and intangible assets		5,192	694	3,161	756
Purchase of shares of a subsidiary		–	(72)	–	(175)
Cash and cash equivalents used in investment activities		**(13,301)**	**(3,406)**	**(16,141)**	**(2,373)**

	Notes	2007 Group LVL'000	2007 Bank LVL'000	2006 Group LVL'000	2006 Bank LVL'000
Cash flows from financing activities					
Increase of share capital		42,218	42,200	20,000	20,000
Subordinated loan		5,148	5,148	16,450	16,450
Dividends received		–	500	–	390
Cash and cash equivalents from financing activities		**47,366**	**47,848**	**36,450**	**36,840**
Net increase in cash and cash equivalents		**23,582**	**23,582**	**65,713**	**65,763**
Cash and cash equivalents at the beginning of the year	33	115,241	115,241	49,528	49,478
Cash and cash equivalents at the end of the year	33	**138,823**	**138,823**	**115,241**	**115,241**

The accompanying notes are an integral part of these financial statements.

1 INCORPORATION AND PRINCIPAL ACTIVITIES

AS DnB NORD Banka was established as Riga Commercial Bank on 26 June 1989. On 6 September 1991 it was incorporated in the Republic of Latvia as a joint stock company. The parent of the Bank is Bank DnB NORD A/S (Denmark) and the ultimate parent of the Bank is DnB NOR ASA (Norway).

The Bank offers a wide range of financial services to enterprises and individuals.

These financial statements were authorised for issue by the Supervisory Council and the Management Board on 6 March 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) *Reporting Currency*

The accompanying financial statements are reported in thousands of lats (LVL`000), unless otherwise stated.

b) *Basis of Presentation*

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in EU. The financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, derivative contracts and the Bank's buildings.

The preparation of financial statements in conformity with IFRS as adopted in EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The accounting policies used in the preparation of the financial statements for the year ended 31 December 2007 are consistent with those used in the financial statements for the year ended 31 December 2006, except net interest income/expense from interest rate swaps, which was previously shown under net trading income, has been included under interest income/expense in order to be consistent with DnB NORD group policy. The effect of the change is to increase interest income and decrease net trading income by LVL 62 thousand (2006: increase interest expense and increase net trading income by LVL 34 thousand).

c) *Consolidation*

Subsidiary undertakings in which the Bank, directly or indirectly, has the power to exercise control over financial and operating policies, have been consolidated.

Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated.

d) *Income and Expense Recognition*

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest rate method. Interest income includes coupons earned on fixed income investment securities.

When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Commissions received or incurred in respect of financial assets or liabilities are deferred and recognised as an adjustment to the effective interest rate on the asset or liability. Other commissions and fees are credited and/ or charged to the income statement as earned/incurred.

e) *Foreign Currency Translation*

Transactions denominated in foreign currencies are recorded in lats at actual rates of exchange set forth by the Bank of Latvia at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into lats at the rate of exchange prevailing at the end of the period. Any gain or loss resulting from a change in rates of exchange subsequent to the date of the transaction is included in the income statement as a profit or loss from revaluation of foreign currency positions.

The principal rates of exchange (LVL to 1 foreign currency unit) set by the Bank of Latvia and used in the preparation of the Group's and the Bank's balance sheets were as follows:

Reporting date	USD	EUR
As at 31 December 2007	0.484	0.702804
As at 31 December 2006	0.536	0.702804

f) *Corporate income tax*

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax liability is calculated using the tax rates that have been enacted or substantially enacted by the balance sheet date and that are expected to apply when the temporary differences reverse. The principal temporary differences arise from different fixed asset depreciation rates, as well as tax losses carried forward. Where an overall deferred taxation asset arises, it is only recognised in the financial statements to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

g) *Cash and Cash Equivalents*

For purposes of the cash flow statements cash and cash equivalents comprise cash balances, balances due from the Central Banks, due from other credit institutions with original maturity up to 3 months, less balances on demand due to other credit institutions.

h) *Loans and receivables and provisions for loan impairment*

Balances due from banks and loans and advances to customers are accounted for as loans and receivables and are carried at amortised cost. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. All loans and advances are recognised in the balance sheet when cash is advanced to borrowers. For the purposes of these financial statements, finance lease receivables are included in loans and advances to non-banking customers.

A credit risk provision for loan impairment is established if there is objective evidence that the Group or the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

The Group and the Bank first assess whether objective evidence of impairment exists individually for significant loans. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If the Group and the Bank determines that no objective evidence of impairment exists for an individually assessed loan, it is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. For the purposes of a collective evaluation of impairment loans are grouped on a basis of similar credit risk characteristics.

The Group and the Bank review their loan portfolios to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group and the Bank make judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and current economic climate in which the borrowers operate. The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Nevertheless, it is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

When a loan is uncollectible, it is written off against the related provision for impairments; subsequent recoveries are credited to the income statement.

Provisions for loan impairment are made in the currency of the related asset and are subject to revaluation at period end at the rate set by the Bank of Latvia. Foreign exchange rate differences arising from such revaluation are recorded in the income statement as additional provisions or income from the recovery of existing provisions (if any). The corresponding result of revaluing the respective asset covered by the provisions is recorded as profit/loss to foreign currency transactions.

i) *Leases – when the Group or the Bank is a lesser*

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets under operating leases are recognised as fixed assets at historical cost net of accumulated depreciation. Depreciation is calculated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life of fixed assets that is determined based on useful lives of similar assets of the Group and the Bank. Rentals receivable under operating leases are credited to the income statement on a straight-line basis over the lease term.

If a sale and leaseback transaction results in an operating lease and the sales price is above fair value of the asset sold, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

j) *Financial assets at fair value through profit or loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets are designated at fair value through profit or loss when:

- doing so significantly reduces measurement inconsistencies that would arise from measuring assets and liabilities or recognising gains and losses on them on different bases; or

- a group of financial assets are managed and evaluated on a fair value basis in accordance with a documented risk management policy and reported to key management personnel on that basis, and information about the group is provided internally on that basis to the entity's key management personnel.

Financial assets at fair value through profit or loss are measured at fair value based on quoted bid prices. In the absence of the active market, the fair value of financial assets at fair value through profit or loss is derived from the value of an instrument that is substantially the same or from discounted cash flow models. Gains and losses arising from changes in the fair value of financial assets are recognised in the income statement.

Interest earned whilst holding financial assets at fair value through profit or loss is recorded as interest income.

All regular way purchases and sales of financial assets at fair value through profit or loss are recognised at trade date, which is the date that the Group and the Bank commits to purchase or sell the asset.

k) *Subsidiaries*

Investments in subsidiaries in the Bank's financial statements are accounted for under the cost method.

The Bank recognises income from investment only to the extent that the Bank receives dividends from the accumulated profit of the subsidiaries arising after the date of acquisition.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

l) *Property and Equipment*

All property and equipment are recorded at cost or valuation less accumulated depreciation.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Depreciation is provided using the straight-line method to write off the cost or revaluated amount of each asset to their residual value over the estimated useful life of the asset. The following depreciation rates have been applied:

Category	Annual Rate
Buildings	1 %
Office equipment	20–25%
Vehicles	20 %

Maintenance and repair costs are charged to the income statement as incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Leasehold improvements are capitalised and depreciated over the shorter of their useful life and remaining lease contract period on a straight-line basis.

m) *Intangible assets*

Acquired computer software licences are recognised as intangible assets on the basis of the costs incurred to acquire and bring to use the software. These costs are amortised on the basis of their expected useful lives, not exceeding five years.

n) *Recognition and Derecognation of Financial Assets*

Purchases and sales of trading securities and investment securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales), are recognised at settlement date, which is the date, when the asset is delivered or given to the Group or the Bank. Any change in the fair value of the asset during the period between the purchase date and the settlement date is recognised in the income statement or in equity reserve. Otherwise such transactions are treated as derivative instruments until settlement.

o) *Derivative financial instruments*

Derivative financial instruments including foreign exchange contracts and interest rate swaps are initially recognised at cost and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives are reported in the income statement.

The fair values of financial instruments that are not quoted on active markets are determined using valuation techniques (for example, models). Models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

p) *Financial liabilities carried at amortised cost*

Financial liabilities carried at amortised cost are mainly amounts due to customers and due to banks. These are recognised initially at cost, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

q) *Employee benefits*

The Group and the Bank pay social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian legislation. State funded pension scheme is a defined contribution plan under which the Group and the Bank pay fixed contributions determined by the law and they will have no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

The provision for employee holiday pay is estimated for the Group's and the Bank's personnel based on the total number of holidays earned but not taken and average salary of employees including social security expense.

r) *Off-balance sheet items*

In the ordinary course of business, the Group and the Bank have been involved with off-balance sheet financial instruments consisting of commitments to extend loans and advances, financial guarantees and commercial letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

s) *Fair values of financial assets and liabilities*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets or liabilities, including derivative financial instruments, in active markets are based on quoted market prices. If the market for a financial asset or liability is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis and recent comparative transactions as appropriate, and may require the application of management's judgement and estimates. Where in the opinion of the management, the fair values of financial assets and liabilities differ materially from their book values such fair values are separately disclosed in the notes to the accounts.

t) *Off-setting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

u) *Provisions*

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. These provisions relate to the guarantees issued and other off balance sheet items. The assessment of provisions requires the application of management's judgement and estimates, as to the probability of an outflow of resources, the probability of recovery of resources from corresponding sources including security or collateral or insurance arrangements where appropriate, and the amounts and timings of such outflows and recoveries, if any.

v) *Financial Guarantees*

The Group measures issued financial guarantees initially at their fair value, which is normally evidenced by the amount of fees received. This amount is then amortised on a straight-line basis over the life of the guarantee. At each balance sheet date, the guarantees are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at balance sheet date.

w) *Trust Activities*

Funds managed or held in custody by the Group and the Bank on behalf of individuals, trusts and other institutions are not regarded as assets of the Group and the Bank and, therefore, are not included in the balance sheet.

x) *Critical accounting estimates and judgements*

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are outlined below:

- Impairment losses of loans and advances. The Group reviews its loan portfolio to assess impairment on a regular basis as described in Note 2 (h). The Group uses stress tests to determine possible impact of changes in one or more variables used in estimation of the provision for impairment losses on the financial result. If 10% of loans to the major domestic market oriented sectors (construction, trade, real estate, renting and other business activities) become non-performing loans, additional provision required would be LVL 15,7 million.

3 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS AND NEW ACCOUNTING PRONOUNCEMENTS

Certain new IFRSs became effective for the Group from 1 January 2007. Listed below are those new or amended standards or interpretations which are relevant to the Group's operations and the nature of their impact on the Group's accounting policies.

- *IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements — Capital Disclosures (effective from 1 January 2007)*. The IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel.

  Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. The new disclosures are made in these financial statements.

- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006);

- IFRIC 8, *Scope of IFRS 2* (effective for periods beginning on or after 1 May 2006);
- IFRIC 9, *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006).

The new IFRIC interpretations 7 to 10 did not significantly affect the Group's and the Bank's financial statements.

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted:

- *IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009).* The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information.

- *IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009).* The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised Standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

- *IFRS 3, Business combinations (revised on 10 January 2008; effective for annual periods beginning on or after 1 July 2009).* The standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.

- *IAS 27, Consolidated and separate financial statements (revised on 10 January 2008; effective for annual periods beginning on or after1 July 2009).* IAS 27 (revised) requires the effects of all transactions with noncontrolling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss.

- *Amendment to IFRS 2 dealing with vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009, subject also to EU adoption for certain territories).* It clarifies that only service conditions and performance conditions are vesting conditions. As such these features need to be included in the grant date fair value for transactions with employees and do not impact the number of awards expected to vest or the valuation subsequent to grant date. It also specifies that all cancellations, should receive the same accounting treatment.

- IFRIC 11, *IFRS 2 - Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007);

- IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008);

- IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008);

- IFRIC 14, *IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008).

The new standards and interpretations are not expected to significantly affect the Group's financial statements.

4 FINANCIAL RISK MANAGEMENT

a) *Credit risk and concentration risk*

The Group and the Bank bears an exposure to credit risk that is defined as the risk of losses due to failure on the part of the counterparties of the Group and the Bank to meet their payment obligations. The credit risk appetite of the Group and the Bank has been defined in the risk strategy the Group and the Bank.

The credit risk policies of the Group provides the fixed limits of exposure ranges in regards to a single borrower, a group of interrelated borrowers, countries (regions) and industries. Thus, management of the concentration risk (the Group has defined the concentration risk as any single (direct and/or indirect) exposure or group of exposures with the potential to produce losses large enough to threaten the health of the Group and the Bank or its ability to maintain its core business) has been ensured as well. Depending upon the customer's creditworthiness and the nature and complexity of the transaction, collateral and netting agreements are used to a varying extent. The principal collateral types for loans and advances are mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable.

For corporates the regional DnB NOR Group rating tool was implemented, although with local tailoring, that is based on assessment of the probability of default (PD) of the borrower. Financial indicator model is the main driver for assigning the final rating, while adjustments based on qualitative factors are very limited and are closely monitored by credit risk analysts, who do not benefit from the credit decisions.

PD from	PD to	Grade
0.1%	0.10%	1
0.10%	0.25%	2
0.25%	0.50%	3
0.50%	0.75%	4
0.75%	1.25%	5
1.25%	2.00%	6
2.00%	3.00%	7
3.00%	5.00%	8
5.00%	8.00%	9
8.00%	15.0%	10

The Group and the Bank monitors the compliance of respective activities with its credit risk policy on on–going basis. The credit risk policy is subject for annual or more frequent review. Inter alia, the changes of the credit policy can be initiated according to the stress testing results or changes in the economic environment.

The Group and the Bank has made all necessary amendments to its internal documentation to implement the Financial and Capital Market Commission (hereinafter – FCMC) new requirements in respect of risk measurement and risk management.

According to the strategy, the Group and the Bank continuously increases risk–sensitiveness of its credit risk management system by implementing appropriate tools.

b) *Currency risk*

Within common business conditions the Group and the Bank bears an exposure to the consequences of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk is the risk that the Group and the Bank incurs losses as a result of unfavourable changes in foreign exchange rates. For the assessment of this risk open FX positions are used.

The Group and the Bank follows very conservative currency risk management policy. Currency risk is at low level due to insignificant volumes of open positions in foreign currencies. The Group's and the Bank's exposure to foreign currency exchange rate risk is summarised in Note 42.

Notwithstanding the continuously low level of currency risk the Bank regularly runs and analyses respective stress tests, which are based on the DnB NORD Group-wide methodology.

c) *Interest rate risk in the banking book*

Within common business conditions the Group and the Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is the risk that the Group and the Bank incurs losses as a consequence of unfavourable changes in interest rates. For assessment and management of this risk sensitivity to changes in interest rates is calculated and limited (1 bp value). Such risks are monitored on a rolling basis and are subject to annual or more frequent review. The Group's and the Bank's exposure to interest rate risk is summarised in Note 40.

The bank restricts interest rate risk using limits, set by Group Asset and Liabilities Management Committee. Limits are defined for every currency book in total and for every currency book particular time bucket. At the end of 2007 the Group and the Bank complied with defined limits. According to the defined interest rate risk limits the maximum revenue risk is LVL 1,2 million, if interest rates in all currencies change by 1% and the Bank will have 100% risk limit utilisation.

The table below allocates the Group's positions as at 31 December 2007:

	Net position (LVL) LVL '000	Net position (USD) LVL '000	Net position (EUR) LVL '000
Up to 3 months	(202,336)	(10,624)	(10,716)
3–6 months	45,652	6,081	(22,391)
6–12 months	4,693	(411)	18,558
1–5 years	(13,010)	(542)	(15,574)
Over 5 years	(3,090)	2	(2,182)
Total	(168,091)	(5,494)	(32,305)

The table below allocates the Bank's positions as at 31 December 2007:

	Net position (LVL) LVL '000	Net position (USD) LVL '000	Net position (EUR) LVL '000
Up to 3 months	(196,613)	(9,839)	(60,255)
3–6 months	45,706	6,082	4,410
6–12 months	4,758	(409)	20,621
1–5 years	(12,920)	(532)	3,877
Over 5 years	(3,090)	9	(447)
Total	(136,319)	(4,689)	(31,794)

d) *Liquidity risk*

The Group and the Bank are exposed to possible cash flows inconsistency risk arising out of usage of available cash resources for further objectives: repayment of overnight deposits, current accounts liabilities management, repayment of maturing deposits, granting committed loans, guarantees, to fulfil margin and other liabilities related to derivatives. The Group and the Bank do not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Note 41 analyses assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The Group's and the Bank's liabilities on demand exceed assets with similar duration, however, the Group`s and the Bank's liquidity ratio, calculated using the methodology approved by the FCMC, is 42%. The FCMC requires that the liquidity ratio should not be less than 30%. In the opinion of the management of the Bank, the Group's and the Bank's liquidity is sufficient to meet its operating needs. Such risks are monitored on a rolling basis and are subject to annual or more frequent review. Liquidity risk is also assessed and managed according to the methodology, set by DnB NORD Group Asset and Liability Management Committee (ALCO). This risk is limited with the liquidity risk limits, approved by ALCO.

e) *Market risk*

Market risk – is the risk that the Group and the Bank incur losses as a consequence of changes of market variables (interest rates (see Note 4 (c), foreign exchange rates (see Note 4 (b)). Methodology and limits of market risk assessment and management are approved by DnB NORD Group ALCO.

5 INTEREST INCOME

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Loans	97,733	87,316	52,325	49,596
Securities	2,395	2,395	1,272	1,272
Credit institutions	4,002	4,002	1,873	1,869
	104,130	**93,713**	**55,470**	**52,737**
Cash flow from interest received	99,116	89,016	53,211	50,680

6. INTEREST EXPENSE

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Credit institutions*	54,376	46,708	21,367	19,731
Customers	9,389	9,397	5,583	5,587
Debt securities	271	271	784	784
Subordinated loan (see Note 30)	1,883	1,883	875	875
	65,919	**58,259**	**28,609**	**26,977**
Cash flow from interest paid	55,439	47,861	25,296	23,779

* Increase of LVL 34 thousand in 2006 is related to reclassification of net interest expense from interest rate swaps from net trading income to interest expenses.

7 FEE AND COMMISSION INCOME

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Money transfers	1,561	1,561	1,143	1,143
Cash operations	401	401	368	368
Credit card service	4,074	4,074	2,929	2,929
Client service	535	493	332	352
Commissions on loans	2,930	2,415	2,024	1,540
Guarantees	323	2,086	197	666
Investments products	202	202	–	–
Trade finance	245	245	56	56
Other	165	165	173	331
	10,436	**11,642**	**7,222**	**7,385**

8 FEE AND COMMISSION EXPENSES

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Money transfers	351	351	285	285
Cash operations	395	395	279	279
Credit cards service	2,062	2,062	1,583	1,583
Client service	93	93	88	88
Commissions on loans	954	630	996	815
Guarantees	114	114	59	59
Loans monitoring expense	529	529	314	312
Other	146	135	128	127
	4,644	**4,309**	**3,732**	**3,548**

9 NET TRADING INCOME

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Gain from operations with foreign currencies	4,057	3,953	2,482	2,425
Gain (loss) from trading with financial assets at fair value through profit or loss	(105)	(105)	670	670
Loss from revaluation of financial assets at fair value through profit or loss	(475)	(475)	(375)	(375)
Gain/(loss) from foreign currency revaluation	(15)	(26)	4	13
Gain from derivatives revaluation	1,072	1,072	32	32
Gain/(loss) from trading with derivatives*	1,720	1,720	(409)	(409)
Loans revaluation	24	24	44	44
Result from exchange rate difference in provisions	(21)	(21)	(14)	(14)
	6,257	**6,142**	**2,434**	**2,386**

* Derease of LVL 34 thousand in 2006 is related to reclassification of net interest expense from interest rate swaps from net trading income to interest expenses.

10 OTHER OPERATING INCOME

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Profit from sale of property	664	664	664	664
Operating lease income	6,299	–	3,441	–
Other operating income	438	377	635	605
	7,401	**1,041**	**4,740**	**1,269**

11 ADMINISTRATIVE EXPENSES

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Salary to Council	40	40	32	32
Salary to Board	511	511	372	372
Salary to employees	8,934	7,983	6,353	5,911
Social insurance contributions	2,220	1,954	1,527	1,430
Total salaries and related expenses	**11,705**	**10,488**	**8,284**	**7,745**
Refurbishment and maintenance	2,908	2,766	1,850	1,793
Occupancy costs	2,248	2,100	1,520	1,485
Advertising	3,085	2,807	2,483	2,318
Communications	751	634	620	557
External audit expenses	80	49	70	52
Professional services	205	139	224	218
Insurance	69	67	60	59
Business travel	225	214	130	123

	2007		2006	
	Group LVL'000	**Bank LVL'000**	**Group LVL'000**	**Bank LVL'000**
Insurance for personnel	292	280	189	178
Training	346	335	252	233
Allocated expenses	1,618	1,618	893	893
Other	1,174	980	940	835
Total other administrative expenses	**13,001**	**11,989**	**9,231**	**8,744**
Total administrative expenses	**24,706**	**22,477**	**17,515**	**16,489**

The average number of staff employed by the Group in 2007 was 881, by the Bank was 779 (2006: 716; 669 respectively).

12 CORPORATE INCOME TAX

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Corporate income tax for the year	2,651	2,650	1,564	1,564
Deferred tax (see Note 24)	575	455	209	26
	3,226	**3,105**	**1,773**	**1,590**

Corporate income tax differs from the theoretically calculated tax amount, which would be applicable on profit before taxation at the 15% rate as stipulated by the law (see below):

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Profit before taxation	**22,402**	**22,691**	**11,592**	**11,460**
Theoretically calculated tax at a tax rate of 15%	3,360	3,404	1,739	1,719
Net expenses not deductible for tax purposes	394	229	142	39
Non-taxable income	(68)	(68)	–	–
Tax losses transferred in the group	(375)	(375)	–	–
Change in unrecognised deferred tax asset	–	–	(46)	(106)
Tax discount for donations	(85)	(85)	(62)	(62)
	3,226	**3,105**	**1,773**	**1,590**

As at 31 December 2007 tax losses of the Group constituted LVL 7,931 thousand. In accordance with the law "On Corporate Income Tax" tax losses can be carried forward and set off against taxable income during the subsequent five years.

	Group Tax losses LVL'000	Expiry term
Tax losses of 2004	1,041	2009
Tax losses of 2005	2,128	2010
Tax losses of 2006	4,401	2011
Tax losses of 2007	361	2012
	7,931	

13 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Profit attributable to equity holders of the Bank	19,193	19,586	9,819	9,870
Weighted average number of ordinary shares in issue	78,688,964	78,688,964	47,623,705	47,623,705
Basic earnings per share (expressed in LVL per share)	**0,244**	**0,245**	**0,207**	**0,207**
Diluted earnings per share (expressed in LVL per share)	**0,244**	**0,245**	**0,207**	**0,207**

14 CASH AND BALANCES WITH THE CENTRAL BANKS

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Cash	15,464	15,464	10,620	10,620
Correspondent account with Bank of Latvia	104,164	104,164	65,913	65,913
Central Bank of Estonia	14,746	14,746	4,468	4,468
	134,374	**134,374**	**81,001**	**81,001**

15 DUE FROM OTHER CREDIT INSTITUTIONS

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Demand deposits				
Republic of Latvia credit institutions	6,433	6,433	26,740	26,740
OECD credit institutions	5,113	5,113	12,576	12,576
Non-OECD credit institutions	5,208	5,208	775	775
	16,754	**16,754**	**40,091**	**40,091**
Accrued interest	4	4	9	9
Total demand deposits	**16,758**	**16,758**	**40,100**	**40,100**
Term deposits				
Republic of Latvia credit institutions	25,500	25,500	10,000	10,000
OECD credit institutions	500	500	1,137	1,137
Non-OECD credit institutions	–	–	–	–
	26,000	**26,000**	**11,137**	**11,137**

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Accrued interest	62	62	2	2
Total term deposits	**26,062**	**26,062**	**11,139**	**11,139**
	42,820	**42,820**	**51,239**	**51,239**

The effective interest rate on balances due from other credit institutions as at 31 December 2007 was 2.52% (2006: 2.55 %).

16 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans by original maturity

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Less than one year	266,225	190,285	81,754	71,791
More than one year	1,522,330	1,371,357	1,142,421	1,055,566
	1,788,555	**1,561,642**	**1,224,175**	**1,127,357**
Less: provisions for loan impairment losses	(10,593)	(10,593)	(8,500)	(8,500)
Accrued interest	6,719	6,200	3,886	3,684
	1,784,681	**1,557,249**	**1,219,561**	**1,122,541**

(b) Analysis of loans by client type

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Local government	13,378	13,067	8,973	8,694
Finance institutions	477	10,225	–	11,730
Public companies	14,606	8,906	9,889	9,872
Private companies	860,027	669,876	579,468	484,922
Individuals	888,234	848,627	625,455	604,593
Management/employees	11,833	10,941	390	7,546
	1,788,555	**1,561,642**	**1,224,175**	**1,127,357**
Less: provisions for loan impairment losses	(10,593)	(10,593)	(8,500)	(8,500)
Accrued interest	6,719	6,200	3,886	3,684
	1,784,681	**1,557,249**	**1,219,561**	**1,122,541**

(c) Analysis of loans by industry

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Trade	143,511	122,908	72,675	61,106
Manufacturing	119,912	75,967	107,149	79,350
Transport	94,505	36,124	51,821	31,182
Individuals	864,444	824,824	612,104	598,947
Construction	35,730	16,342	49,141	35,991
Agriculture	17,020	9,605	13,499	8,985
Non-profit and religious organisations	704	704	3,088	390
Management/employees	11,839	10,947	8,052	7,546
Management of real estate	230,697	223,536	162,853	159,546
Other	121,354	88,123	52,312	52,835
Total loans to residents	**1,639,716**	**1,409,080**	**1,132,694**	**1,035,878**

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Loans issued to non-residents	148,839	152,562	91,481	91,479
	1,788,555	**1,561,642**	**1,224,175**	**1,127,357**
Less: provisions for loan impairment losses	(10,593)	(10,593)	(8,500)	(8,500)
Accrued interest	6,719	6,200	3,886	3,684
	1,784,681	**1,557,249**	**1,219,561**	**1,122,541**

(d) Analysis of loans by products

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Commercial loans	464,997	477,691	377,995	389,724
Credit lines	65,263	65,263	34,938	34,938
Finance lease	216,770	164	99,410	826
Overdrafts	4,556	4,556	2,237	2,237
Factoring	23,001	–	9,963	–
Express loans	18,366	18,366	14,382	14,382
Mortgage loans	995,602	995,602	685,250	685,250
	1,788,555	**1,561,642**	**1,224,175**	**1,127,357**
Less: provisions for loan impairment losses	(10,593)	(10,593)	(8,500)	(8,500)
Accrued interest	6,719	6,200	3,886	3,684
	1,784,681	**1,557,249**	**1,219,561**	**1,122,541**

(e) Analysis of loans by currency structure

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Loans in LVL	69,087	70,349	96,556	95,889
Loans in USD	60,881	58,276	40,284	38,345
Loans in EUR	1,657,913	1,432,343	1,087,320	993,108
Loans in EEK	674	674	15	15
	1,788,555	**1,561,642**	**1,224,175**	**1,127,357**
Less: provisions for loan impairment losses	(10,593)	(10,593)	(8,500)	(8,500)
Accrued interest	6,719	6,200	3,886	3,684
	1,784,681	**1,557,249**	**1,219,561**	**1,122,541**

Loan portfolio includes loans secured by the Republic of Latvia Government guarantees of LVL 3,043 thousand.

The effective interest rate on loans as at 31 December 2007 was 6.51% (2006: 5.86%).

(f) Analysis of loans by countries

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Latvia	1,581,040	1,409,080	1,132,693	1,035,877
Armenia	32	32	–	–
Austria	543	543	–	–
Belize	58	58	612	612
Denmark	11	11	13	13
France	236	236	241	241
Hong Kong	6,029	6,029	5,258	5,258
Germany	3,183	3,183	2,833	2,833
Estonia	181,554	126,601	75,775	75,773
Iceland	49	49	49	49
Ireland	554	554	584	584
Israel	–	–	47	47
Kazakhstan	3	3	5	5

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Lithuania	1,989	1,989	64	64
Netherlands	2,302	2,302	–	–
Norway	184	184	193	193
Russia	636	636	1,530	1,530
United Kingdom	6,840	6,840	1,680	1,680
USA	249	249	369	369
United States Minor outlying islands	–	–	63	63
Uzbekistan	84	84	–	–
Virgin Islands (British)	2,791	2,791	1,866	1,866
Sweden	105	105	210	210
Switzerland	83	83	90	90
	1,788,555	**1,561,642**	**1,224,175**	**1,127,357**
Less: provisions for loan impairment losses	(10,593)	(10,593)	(8,500)	(8,500)
Accrued interest	6,719	6,200	3,886	3,684
	1,784,681	**1,557,249**	**1,219,561**	**1,122,541**

(g) Gross investment in finance lease

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Not later than 1 year	61,917	173	27,312	664
1–5 years	161,422	10	73,771	224
Later than 5 years	10,405	–	4,158	–
Total gross finance lease receivables	**233,744**	**183**	**105,241**	**888**

(h) Unearned future interest income from investments in finance lease

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Not later than 1 year	5,100	19	1,500	53
1–5 years	11,514	–	4,101	9
Later than 5 years	360	–	230	–
Total unearned future interest income	**16,974**	**19**	**5,831**	**62**

(i) Net investment in finance lease

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Not later than one year	56,817	154	25,812	611
Later than one year and not later than five years	149,908	10	69,670	215
Later than five years	10,045	–	3,928	–
Total net investment in finance lease	**216,770**	**164**	**99,410**	**826**

(j) The following table provides the division of loans and advances to customers by quality:

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Neither past due nor impaired	1,657,482	1,459,756	1,176,149	1,080,305
Past due but not impaired	113,262	84,075	26,673	25,699
Impaired	17,811	17,811	21,353	21,353
Total gross loans and advances to customers	1,788,555	1,561,642	1,224,175	1,127,357
Less allowances for loan impairment	(5,380)	(5,380)	(4,647)	(4,647)
Less allowances for homogenous groups of loans	(5,213)	(5,213)	(3,853)	(3,853)
Accrued interest	6,719	6,200	3,886	3,684
Total net loans and advances to customers	**1,784,681**	**1,557,249**	**1,219,561**	**1,122,541**

(k) The following table provides the division of loans and advances to customers neither past due nor impaired:

Risk classes	2007 Group LVL'000	2007 Bank LVL'000	2006 Group LVL'000	2006 Bank LVL'000
1	11,783	14,272	0,00	0,00
2	94,336	60,432	17,275	17,275
3	82,614	59,986	0,00	0,00
4	152,701	102,665	73,910	73,910
5	284,163	230,244	273,364	177,520
6	30,668	29,821	0,00	0,00
7	42,216	12,423	0,00	0,00
8	15,960	6,872	1,653	1,653
Not rated	943,041	943,041	809,947	809,947
Total	**1,657,482**	**1,459,756**	**1,176,149**	**1,080,305**

(l) The following table provides the division of loans and advances to customers past due but not impaired of Group and Bank:

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Past due up to 30 days	74,353	53,932	21,520	21,336
Past due 30–60 days	17,075	14,368	3,387	3,338
Past due 60–90 days	11,294	10,179	637	565
Past due over 90 days	10,540	5,596	1,129	460
Total gross loans and advances to customers past due but not impaired	**113,262**	**84,075**	**26,673**	**25,699**
Fair value of collateral	**137,973**	**137,973**	**48,117**	**48,117**

(m) The following table provides the division of Bank's loans and advances to customers individually impaired:

	Other loans LVL'000	Legal entities LVL'000	Mortgage loans LVL'000	Express loans LVL'000	Private loans LVL'000	Total LVL'000
31 December 2007						
Impaired loans	155	11,221	2,626	1,227	2,582	17,811
Fair value of collateral	272	5,514	3,481	–	3,831	13,098
31 December 2006						
Impaired loans	102	19,126	729	955	441	21,353
Fair value of collateral	258	16,098	1,340	–	1,351	19,047

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Latvian government securities	6,389	6,389	4,712	4,712
Latvijas Hipoteku un zemes banka Mortgage Bonds	1,292	1,292	1,341	1,341
NORD/LB's (Germany) securities	–	–	17,549	17,549
BBVA SENIOR FIN. S.A. UNIPERS, bonds (Spain)	4,187	4,187	4,212	4,212
OKO BANK PLC, bonds (Germany)	–	–	4,212	4,212
HSH NORDBANK, bonds (Germany)	–	–	4,221	4,221
HYPO REAL ESTATE BANK INTERN, bonds (Germany)	6,943	6,943	3,450	3,450
RCI Banque (France)	6,283	6,283	–	–
Bradford and Bingley PLC (UK)	2,792	2,792	–	–
F VAN LANSCHOT VANKIERS NV (The Netherlands)	7,006	7,006	–	–
BANK AUSTRIA CREDITANSTALT AG (Austria)	7,039	7,039	–	–
SPAREBANKEN MIDT-NORGE ASA	2,434	2,434	–	–

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
HSBC FRANCE S.A., bonds (France)	–	–	4,207	4,207
DnB NORD Mērķa fonds	70	70	–	–
	44,435	**44,435**	**43,904**	**43,904**
Accrued interest	426	426	345	345
Total	**44,861**	**44,861**	**44,249**	**44,249**

The effective interest rate on securities at fair value through profit or loss as at 31 December 2007 was 4.91% (2006: 3.90%).

The following table shows the division of the Group's securities by rating as at 31 December 2007:

Rating	LVL'000
A	16,837
A-	2,789
A1	8,235
A2	6,389
A3	3,494
AA-	4,187
Aa3	2,434
Not rated	70
	44,435

18 EQUITY INVESTMENTS

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Participating interests in unrelated private companies	10	10	10	10

The Bank had participating interests in following institutions:

			2007		2006	
Institution	**Industry**	**% of total voting rights**	**Group LVL'000**	**Bank LVL'000**	**Group LVL'000**	**Bank LVL'000**
S.W.I.F.T.	Communications		**10**	**10**	**10**	**10**

19 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The Bank's investments in subsidiaries are specified as follows:

	Share capital LVL'000	Total equity LVL'000	Bank's share (%)	Investment value 31/12/07	Investment value 31/12/06
SIA DnB NORD Līzings	200	1,299	100	200	200
IPAS DnB NORD Fondi	315	115	75	315	263
AS DnB NORD Liising	175	(198)	100	175	175
SIA Skanstes 12*	20	18	100	20	–
				710	**638**

*The Bank established a new subsidiary in 2007.

20 DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Bank utilises the following derivative instruments:

Currency forwards represent commitments to purchase foreign and domestic currency.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates.

The Group's and the Bank's credit risk represents the potential cost to replace the forward or swap contracts if counterparties fail to perform their obligation. To control the level of credit risk taken, the Group and the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and do not indicate the Group's and the Bank's exposure to credit risks. The derivative instruments become favourable or unfavourable as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms.

The notional amounts and fair values of derivative instruments held are set out in the following table:

	As at 31 December 2007			As at 31 December 2006		
		Fair value			Fair value	
	Contract/ notional amount LVL'000	Assets LVL'000	Liabilities LVL'000	Contract/ notional amount LVL'000	Assets LVL'000	Liabilities LVL'000
Derivatives held for trading:						
– currency swaps	99,020	383	2	19,702	52	–
– interest rate swaps	468,840	1,027	312	39,132	271	100
– forwards	2,113	71	9	601	–	23
Derivatives designated as fair value hedges						
– interest rate swaps		–	–	21,084	–	62
Total		**1,481**	**323**		**323**	**185**

RESIDUAL MATURITY ON FINANCIAL DERIVATIVES

The table below allocates the Group's derivative cash flows as at 31 December 2007:

	Up to 1 month LVL '000	1–3 months LVL '000	3–6 months LVL '000	6–12 months LVL '000	1–5 years LVL '000	Over 5 years LVL '000	Total LVL '000
Derivatives settled on a net basis							
Interest rate derivatives	(440)	825	(550)	(1,800)	(17,476)	–	(19,441)
Derivatives settled on a gross basis							
Currency SWAPs						–	
inflow	25,840	85,353	–	–	1,429	–	112,622
outflow	25,831	74,659	–	–	1,440		101,930
Foreign exchange derivatives						–	
inflow	886	562	–	–	601	–	2,049
outflow	991	562	–	–	605		2,158

The table below allocates the Bank's derivative cash flows as at 31 December 2007:

	Up to 1 month LVL '000	1–3 months LVL '000	3–6 months LVL '000	6–12 months LVL '000	1–5 years LVL '000	Over 5 years LVL '000	Total LVL '000
Derivatives settled on a net basis							
Interest rate derivatives	(441)	825	(550)	(1,800)	(17,476)	–	(19,441)
Derivatives settled on a gross basis							
Currency SWAPs							
inflow	25,840	85,353	–	–	1,429	–	112,622
outflow	25,831	74,659	–	–	1,440	–	101,930
Foreign exchange derivatives							
inflow	886	562	–	–	601	–	2,049
outflow	991	562	–	–	605	–	2,158

21 INTANGIBLE FIXED ASSETS

Movement table of intangible assets of the Group and the Bank for 2007 is as follows:

	Group Licences and software LVL'000	Bank Licences and software LVL'000
Historical cost		
31 December 2006	**1,409**	**1,275**
Additions	842	633
Disposals and write-offs	(1)	(1)
31 December 2007	**2,250**	**1,907**
Amortisation		
31 December 2006	**925**	**875**
Amortisation for the period	197	144
Disposals and write-offs	(1)	(1)

	Group Licences and software LVL'000	Bank Licences and software LVL'000
31 December 2007	**1,121**	**1,018**
Net book value		
31 December 2006	**484**	**400**
31 December 2007	**1,129**	**889**

Intangible assets include advance payments for acquired intangible assets as of 31 December 2007 in amount of LVL 427 thousand (2006: LVL 144).

Movement table of intangible assets of the Group and the Bank for 2006 is as follows:

	Group Licences and software LVL'000	Bank Licences and software LVL'000
Historical cost		
31 December 2005	**1,181**	**1,084**
Additions	329	292
Disposals and write-offs	(101)	(101)
31 December 2006	**1,409**	**1,275**
Amortisation		
31 December 2005	**902**	**880**
Amortisation for the period	124	96
Disposals and write-offs	(101)	(101)
31 December 2006	**925**	**875**

	Group Licences and software LVL'000	Bank Licences and software LVL'000
Net book value		
31 December 2005	279	204
31 December 2006	484	400

22 PROPERTY AND EQUIPMENT

Movement table of property and equipment of the Group for 2007 is as follows:

	Land and buildings LVL'000	Office equipment LVL'000	Vehicles LVL'000	Leasehold improvements LVL'000	Operating lease LVL'000	Total LVL'000
Historical cost or valuation						
31 December 2006	**961**	**6,695**	**343**	**1,937**	**23,686**	**33,622**
Additions	27	2,940	342	473	13,869	17,651
Disposals and write-offs	(20)	(633)	(82)	–	(6,107)	(6,842)
Reclassification	–	(46)	–	–	(46)	–
31 December 2007	**968**	**8,956**	**603**	**2,410**	**31,494**	**44,431**
Depreciation						
31 December 2006	**82**	**3,430**	**170**	**361**	**3,253**	**7,296**
Depreciation for the year	9	1,311	86	217	4,882	6,505
Disposals and write-offs	(2)	(625)	(46)	–	(1,640)	(2,313)
Reclassification	-	(21)	–	–	(21)	–
31 December 2007	**89**	**4,095**	**210**	**578**	**6,516**	**11,488**
Net book value						
31 December 2006	**879**	**3,265**	**173**	**1,576**	**20,433**	**26,326**
31 December 2007	**879**	**4,861**	**393**	**1,832**	**24,978**	**32,943**

Movement table of property and equipment of the Bank for 2007 is as follows:

	Land and buildings LVL'000	Office equipment LVL'000	Vehicles LVL'000	Leasehold improvements LVL'000	Total LVL'000
Historical cost or valuation					
31 December 2006	**961**	**6,591**	**343**	**1,937**	**9,832**
Additions	27	2,834	61	473	3,395
Disposals and write-offs	(20)	(633)	(45)	–	(698)
31 December 2007	**968**	**8,792**	**359**	**2,410**	**12,529**
Depreciation					
31 December 2006	**82**	**3,396**	**170**	**361**	**4,009**
Depreciation for the year	9	1,271	67	217	1,564
Disposals and write-offs	(2)	(625)	(42)		(669)
31 December 2007	**89**	**4,042**	**195**	**578**	**4,904**

	Land and buildings LVL'000	Office equipment LVL'000	Vehicles LVL'000	Leasehold improvements LVL'000	Total LVL'000
Net book value					
31 December 2006	**879**	**3,195**	**173**	**1,576**	**5,823**
31 December 2007	**879**	**4,750**	**164**	**1,832**	**7,625**

Fixed assets include advance payments for acquired fixed assets and construction in progress as of 31 December 2007 in amount of LVL 5 thousand (2006: LVL 111 thousand).

Movement table of property and equipment of the Group for 2006 is as follows:

	Land and buildings LVL'000	Office equipment LVL'000	Vehicles LVL'000	Leasehold improvements LVL'000	Operating lease LVL'000	Total LVL'000
Historical cost or valuation						
31 December 2005	**961**	**5,750**	**324**	**1,323**	**10,286**	**18,644**
Additions	–	2,017	70	614	16,276	18,976
Disposals and write-offs	–	(1,072)	(51)	–	(2,876)	(4,000)
31 December 2006	**961**	**6,695**	**343**	**1,937**	**23,686**	**33,620**
Depreciation						
31 December 2005	**73**	**3,611**	**138**	**213**	**1,118**	**5,153**
Depreciation for the year	9	817	59	148	2,639	3,671
Disposals and write-offs	–	(998)	(27)	–	(504)	(1,530)
31 December 2006	**82**	**3,430**	**170**	**361**	**3,253**	**7,294**
Net book value						
31 December 2005	**888**	**2,139**	**186**	**1,110**	**9,168**	**13,491**
31 December 2006	**879**	**3,265**	**173**	**1,576**	**20,433**	**26,326**

Movement table of property and equipment of the Bank for 2006 is as follows:

	Land and buildings LVL'000	Office equipment LVL'000	Vehicles LVL'000	Leasehold improvements LVL'000	Total LVL'000
Historical cost or valuation					
31 December 2005	**961**	**5,677**	**324**	**1,323**	**8,285**
Additions	–	1,978	70	614	2,662
Disposals and write-offs	–	(1,064)	(51)	–	(1,115)
31 December 2006	**961**	**6,591**	**343**	**1,937**	**9,832**
Depreciation					
31 December 2005	**73**	**3,596**	**138**	**213**	**4,020**
Depreciation for the period	9	796	59	148	1,012
Disposals and write-offs	–	(996)	(27)	–	(1,023)
31 December 2006	**82**	**3,396**	**170**	**361**	**4,009**
Net book value					
31 December 2005	**888**	**2,081**	**186**	**1,110**	**4,265**
31 December 2006	**879**	**3,195**	**173**	**1,576**	**5,823**

If buildings would be recorded at cost their value would be as follows:

	2007 Bank LVL'000	2006 Bank LVL'000
Cost	836	828
Accumulated deprecation	(78)	(73)
Net book value	**758**	**755**

Minimum lease payments receivable under operating leases

	2007 Group LVL'000	2006 Group LVL'000
Not later than 1 year	3,768	2,410
Later than 1 year and not later than 5 years	8,738	5,590
Later than 5 years	929	595
Total	**13,435**	**8,595**

23 DEFERRED EXPENSES AND ACCRUED INCOME

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Accrued interest receivable	2,408	2,396	485	481
Deferred expenses	1,239	1,105	1,267	1,214
	3,647	**3,501**	**1,752**	**1,695**

24 DEFERRED TAX

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Deferred tax liability at the beginning of the year	209	26	–	–
Change in deferred tax asset during the year	575	455	209	26
Deferred tax at the end of the year	**784**	**481**	**209**	**26**

Deferred tax has been calculated from the following temporary differences between assets and liabilities values for financial and tax purposes:

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Deferred income tax liability:	2,252	752	1,757	401
Temporary difference on fixed assets depreciation				
Deferred income tax asset:	(168)	(161)	(131)	(127)
Temporary difference on accruals for unused annual leave and bonuses	(110)	(110)	(252)	(248)
Other temporary differences				
Tax loss carried forward	(1,190)	–	(1,165)	–
Deferred tax liability	**784**	**481**	**209**	**26**

25 OTHER ASSETS

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Foreclosed properties	14	14	83	83
Office items	148	148	230	230
Prepayments	42	42	88	88
Credit card claims	2,796	2,796	2,465	2,465
Short term debts	6,889	409	1,046	108
Other	3,289	835	1,121	33
	13,178	**4,244**	**5,033**	**3,007**

26 PROVISIONS FOR IMPAIRMENT LOSSES

	Loans LVL'000	Off-balance sheet liabilities	Total LVL'000
31 December 2005	**4,422**	**–**	**4,422**
Fully provided for and written off	(355)	–	**(355)**
Charge to income statement:			
– individual loans and assets	3,903	–	**3,903**
– homogenous groups of loans	1,653	–	**1,653**
Released during the year	(1,123)	–	**(1,123)**
31 December 2006	**8,500**	**–**	**8,500**
Fully provided for and written off	(481)	–	**(481)**
Charge to income statement:			
– individual loans and assets	3,617	877	**4,494**
– homogenous groups of loans	1,360	–	**1,360**
Released during the year	(2,403)	–	**(2,403)**
31 December 2007	**10,593**	**877**	**11,470**

Income statement item "Release of previously established allowances" also includes recovered loans and other assets that were written-off in previous periods in amount of LVL 146 thousand (in 2006: LVL 116 thousand).

Decrease in provisions in the amount of LVL 21 thousand was charged to profit/loss account in 2007 as a result of foreign exchange rate differences. Effect of appropriate assets revaluation is disclosed in Note 9.

27. SAISTĪBAS PRET KREDĪTIESTĀDĒM

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Demand deposits				
Republic of Latvia credit institutions	33,696	33,696	15,497	15,497
OECD credit institutions	309	309	877	877
Non-OECD credit institutions	3,924	3,924	146	146
	37,929	**37,929**	**16,520**	**16,520**
Accrued interest	–	–	5	5
Total demand deposits	**37,929**	**37,929**	**16,525**	**16,525**

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Term deposits				
Republic of Latvia credit institutions	3,381	3,381	8,370	8,370
OECD credit institutions	1,436,070	1,177,550	933,094	818,284
Non-OECD credit institutions	21,060	21,060	3,996	3,996
	1,460,511	**1,201,991**	**945,460**	**830,650**
Accrued interest	11,218	11,084	3,953	3,904
Total term deposits	**1,471,729**	**1,213,075**	**949,413**	**834,554**
Total deposits	**1,509,658**	**1,251,004**	**965,938**	**851,079**

28 DUE TO CUSTOMERS

(a) Analysis of deposits by maturity and client type

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Demand deposits				
Private companies	58,235	61,888	59,165	59,759
Individuals	64,829	64,829	76,107	76,107
State institutions	3,781	3,781	5,411	5,411
Funds in transit	7,987	7,987	8,408	8,408
Non-residents OECD	4,056	4,056	3,018	3,018
Non-residents non-OECD	11,770	11,770	4,370	4,370
Total demand deposits	**150,658**	**154,311**	**156,479**	**157,073**

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Term deposit accounts				
Private companies	57,805	57,805	26,416	26,416
Individuals	106,470	106,470	86,114	86,114
Non-residents OECD	9,472	9,472	5,663	5,663
Non-residents non-OECD	7,801	7,801	3,827	3,827
State institutions	14,984	14,984	36,934	36,934
Total term deposits	**196,532**	**196,532**	**158,954**	**158,954**
Accrued interest	1,886	1,886	1,309	1,309
Total deposits and transit funds	**349,076**	**352,729**	**316,742**	**317,336**

29 DEFERRED INCOME AND ACCRUED EXPENSES

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Accrued interest payable	3,007	3,007	187	187
Accrued expenses	973	790	895	851
Deferred banks income	3,053	2,303	824	549
Income from sale of office building	735	735	1,398	1,398
	7,768	**6,835**	**3,304**	**2,985**

30 SUBORDINATED LOAN

The Bank has signed two loan agreements with NORD/LB Hanover (Germany). As at 31 December 2007 the Bank had received a loan of EUR 14 million repayable on 15 January 2014 with interest rate 6 months EURIBOR plus 0.61% and a loan of EUR 13 million repayable on 15 September 2015 with interest rate 6 months EURIBOR plus 0.6%.

The Bank has signed three loan agreements with Bank DnB NORD A/S (Denmark). As at 31 December 2007 the Bank had received a loan of EUR 16 million repayable on 15 August 2016 with interest rate 6 months EURIBOR plus 0.60%, a loan of EUR 7 million repayable on 24 November 2016 with interest rate 6 months EURIBOR plus 0.60% and a loan of EUR 7 million repayable on 27 February 2017 with interest rate 6 months EURIBOR plus 0.60%.

31 OTHER LIABILITIES

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Dividends payable	6	6	6	6
Provisions for pending liabilities and payments	663	654	44	44
Provisions for off-balance sheet items	876	876	–	–
Unsettled spot and forward foreign currency deals (net)	–	–	266	266
Other short-term liabilities	5,379	230	4,499	539
	6,924	**1,766**	**4,815**	**855**

32 SHARE CAPITAL

As at 31 December 2007, registered and fully paid-in share capital of the Bank amounting to Ls 99,161 thousand consists of 99,160,900 ordinary shares with voting rights with a par value of LVL 1 per share. The increase in share capital is 42,200 thousand, and the increase in ordinary shares is 42,200,000.

99.9% of the Bank's shares as at 31 December 2007 are owned by Bank DnB NORD A/S which is a joint venture owned by DnB NOR Bank ASA (51%) and the former majority shareholder Norddeutsche Landesbank Girozentrale (49%).

33 CASH AND CASH EQUIVALENTS

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Cash	15,464	15,464	10,620	10,620
Balances on demand with the Central Banks	118,910	118,910	70,381	70,381
	134,374	134,374	81,001	81,001
Balances due from other credit institutions with the original maturity less than 3 months	42,378	42,378	50,760	50,760
Balances on demand due to other credit institutions	(37,929)	(37,929)	(16,520)	(16,520)
	138,823	**138,823**	**115,241**	**115,241**

The correspondent account with the Bank of Latvia and Eesti Pank reflects the balance of the Bank's correspondent account, on which interest is paid in the amount of the compulsory reserve requirement.

The Bank is required to comply with minimum reserve requirements set by the Bank of Latvia and Eesti Pank. This requires the Bank's monthly average LVL balance on its correspondent account with the Bank of Latvia and monthly average EEK balance on its correspondent account with Eesti Pank to exceed a specified minimum during the maintenance period of requirements.

The Bank was in compliance with the reserve requirement during the reporting period.

34 CONTINGENT LIABILITIES

The Bank guarantees include the AS DnB NORD Banka guarantee for SIA DnB NORD Līzings in amount of LVL 205,128 and for AS DnB NORD Liising in amount of LVL 53,392 thousand as at 31 December 2007.

The tax authorities may at any time inspect the books and records within 3 years subsequent to the reported tax year and may impose additional tax assessments and penalties, if any. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

35 ASSETS UNDER MANAGEMENT

The Group, through the operations of its asset management subsidiary, IPAS DnB NORD Fondi, manages short- and long-term investment assets on behalf of clients. The asset management operations include management of assets of 2nd pillar pensions, assets of discretionary portfolios, assets of fund.

	31/12/07 Group LVL'000	31/12/06 Group LVL'000
Assets under management		
Liquidity	1,642	55
Term deposits	6,132	1,353
Fixed income securities	1,937	1,401
Equity shares	177	32
Investment funds	2,672	874
Total assets under management	**12,560**	**3,714**

36 MAXIMUM EXPOSURE TO CREDIT RISK BEFORE COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

	2007		2006	
	Group LVL'000	Bank LVL'000	Group LVL'000	Bank LVL'000
Credit risk exposures relating to on-balance sheet assets are as follows:				
Balances due from banks	42,820	42,820	51,239	51,239
Loans and advances to customers	1,784,681	1,557,249	1,219,561	1,122,541
Securities designated at fair value through profit and loss	44,861	44,861	44,249	44,249
Derivative financial instruments	1,481	1,481	323	323
Other assets	16,825	7,745	6,785	4,702
Credit risk exposures relating to off-balance sheet items are as follows:				
Contingent liabilities	29,724	288,244	19,645	134,455
Financial commitments	16,879	16,879	3,743	3,743

37 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Related parties are defined as shareholders, members of the Supervisory Council and the Management Board, key management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, foreign currency transactions and financial instruments. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating income and expense for the year are as follows:

	2007		2006	
	Group LVL`000	Bank LVL`000	Group LVL`000	Bank LVL`000
Due from DnB NOR Bank ASA	2,087	2,087	3,612	3,612
Due from Bank DnB NORD A/S	178	178	–	–
Due from AB DnB NORD Bankas	267	267	146	146

	2007		2006	
	Group LVL`000	Bank LVL`000	Group LVL`000	Bank LVL`000
Due from DnB NORD Polska	5	5	17	17
SIA DnB NORD Līzings	–	6,501	–	11,529
AS DnB NORD Liising	–	3,723	–	269
SIA Skanstes 12	–	2,469	–	–
Balances due from related parties	**2,537**	**15,230**	**3,775**	**15,573**
Due to DnB NOR Bank ASA	947,747	742,627	470,051	470,051
Due to Bank DnB NORD A/S	74,923	21,503	114,886	26
Due from AB DnB NORD Bankas	11,933	11,933	132	132
SIA Skanstes 12	–	2,489	–	–
Balances due to related parties	**1,034,604**	**778,552**	**585,069**	**470,209**

The Group`s and Bank`s income/expenses from transactions with related parties are analysed as follows:

	2006		2005	
	Group LVL`000	Bank LVL`000	Group LVL`000	Bank LVL`000
Interest received for money market deposits/loans (net)	7,803	1,486	1,825	1,861
Income received from derivatives	5,710	5,710	2,288	2,288
Derivative revaluation result	830	830	102	102
Commission received (net)	119	1,935	4	694
Other income	–	3	–	3
Interest paid on money market deposits/loans (net)	(25,538)	(25,546)	(7,581)	(7,585)
Expenses from derivatives	(5,780)	(5,780)	(2,222)	(2,222)
Interest paid on subordinated loan	(976)	(976)	(194)	(194)
Commission paid (net)	(20)	(20)	(5)	(5)
Other expenses	(1,618)	(1,618)	(916)	(917)
	(19,470)	**(23,976)**	**(6,699)**	**(5,975)**

As at 31 December 2007 loans issued to key management personnel amounted to LVL 1,570 thousand (2006: LVL 1,278 thousand).

38 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

In respect of financial assets and liabilities held in the balance sheet at carrying values other than fair value, in the opinion of Management the fair value of those financial assets and liabilities do not differ materially from their carrying values.

Group	2007		2006	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets				
Loans to customers	1,784,681	1,790,240	1,219,561	1,223,241
Balances due from banks	42,820	42,820	51,239	51,239
Liabilities				
Balances due to banks	1,509,658	1,509,658	965,938	965,938
Deposits	349,076	349,076	316,742	316,742

Bank	2007		2006	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets				
Loans to customers	1,557,249	1,562,808	1,122,541	1,122,537
Balances due from banks	42,820	42,820	51,239	51,239
Liabilities				
Balances due to banks	1,251,004	1,251,004	851,079	851,079
Deposits	352,729	352,729	317,336	317,336

In assessing the differences of fair value to carrying value, management has performed discounted cash flow analysis where financial assets and liabilities are at fixed rates of interest for fixed period. All items where interest rates are pegged to floating market interest rates have not been recalculated; the carrying value is considered equal to fair value.

39 CAPITAL ADEQUACY

Capital adequacy refers to the sufficiency of the capital resources of the Group and the Bank to cover the credit risks and similar risks arising from the portfolio of assets of the Group and the Bank and the memorandum items exposure of the Group and the Bank.

Capital adequacy ratio calculated in accordance with the requirements of the Finance and Capital Market Commission of the Group is 9.05% and the Bank is 9.06%. The Financial and Capital Market Commission, the bank regulator for the country, requires Latvian banks to maintain a capital adequacy ratio based on regulatory returns prepared under the Financial and Capital Market Commission requirements of 8% of risk weighted assets and memorandum items and the sum of notional risk weighted assets and memorandum items, which is determined as the sum of capital requirements of market risks.

The Financial and Capital Market Commission requirements are principally consistent with the Basle Committee guidelines and the European Union directives for the calculation of equity to be utilised in the capital adequacy ratio.

The Group's and the Bank's calculation of the capital adequacy ratio according to Finance and Capital Market Commission Guidelines as at 31 December 2007 has been set in the table below:

Description	Group LVL'000	Bank LVL'000
Tier 1		
– paid-in share capital	99,161	99,161
– share premium	48,994	48,994
– legal and other reserves	214	214
– audited retained losses	(24,735)	(25,054)
– audited profit for the current period and negative revaluation reserve on investment securities available-for-sale		
– intangible assets	(1,1290)	(889)
– minority interest	(39)	-
Total Tier 1	**122,544**	**122,426**

Description	Group LVL'000	Bank LVL'000
Tier 2		
– subordinated capital (restricted to 50% of Tier 1)	40,060	40,060
– 70% of revaluation reserve resulting from fixed asset revaluation	93	93
Total Tier 2	**40,153**	**40,153**
Deductions from capital		
– investment in insurance companies		
– investment in subordinated capital of insurance companies		
Capital base	162,697	162,579

The total of Tier 2 may not exceed the total of Tier 1.

The following table shows the Group's asset weightings used in calculation of capital adequacy ratio according to the FCMC requirements and calculation of the Group's capital adequacy ratio according to the FCMC requirements:

	Credit equivalent	Balance LVL'000	Risk weighting %	Risk weighted assets LVL'000
Assets				
Cash and cash equivalents		15,464	0	–
Claims on A zone Central Governments and Central Banks		125,460	0	–
Claims guaranteed by A zone Central Governments and Central Banks and secured with securities issued by A zone Central Governments or Central Banks or by European Communities		15,338	0	–
Claims secured by deposit		9,544	0	–
Claims on A zone Local Governments		5,899	20	1,180
Claims guaranteed by A zone Local Governments		–	20	–
Claims on A zone credit institutions		80,341	20	16,068
Claims guaranteed by A zone credit institutions		91	20	18

	Credit equivalent	Balance LVL'000	Risk weighting %	Risk weighted assets LVL'000
Prepayments and accrued income		3,647	50	1,824
Loans fully secured by mortgage on residential property		243,152	50	121,576
Claims on B zone credit institutions		3,897	100	3,897
Claims on borrowers who are not credit institutions, Central Governments, Central Banks, Local Governments, except for claims with a lower risk weighting considering their collateral		1,507,550	100	1,507,550
Investments in equity shares		10	100	10
Property and equipment		32,943	100	32,943
Other assets		13,178	100	13,178
			100	
Deductions from capital			100	
– intangible assets		1,129	100	1,129
– investment in insurance company		–	100	–
Assets included in market risk capital requirements calculation			100	
– derivatives	2,199	1,481	100	2,199
– trading securities		–	100	–
Total assets		**2,059,124**		**1,700,443**

	Credit equivalent	Balance LVL'000	Risk weighting %	Risk weighted assets LVL'000
Commitments and contingent liabilities				
Agreements on buying assets in certain future date				
Guarantees				
0% risk weighted	100	914	0	–
20% risk weighted	100	10,957	20	2,191
100% risk weighted	100	9,152	100	9,152
Irrevocable letters of credit				
100% risk weighted	100	48		48
Documentary letters of credit issued and confirmed, except documentary letters of credit secured with a collateral of shipment or loading documents				
0% risk weighted	50	2,962	0	–
20% risk weighted	50	7,489	20	749
100% risk weighted	50	6,380	100	3.190

	Credit equivalent	Balance LVL'000	Risk weighting %	Risk weighted assets LVL'000
Contractual guaranties, warrants and guarantees having no character of credit substitutes				
0% risk weighted	50	2,757	0	–
20% risk weighted	50	120	20	12
100% risk weighted	50	5,823	100	2,912
Credit commitments				
0% risk weighted	50	177	0	–
20% risk weighted	50	4	20	–
50% risk weighted	50	3,319	50	830
100% risk weighted	50	153,999	100	77,000
Agreements to lend, extend credit facilities and other similar contracts, which the company has a right to break unilaterally and unconditionally and without prior notice to the other party or where the company may forgo the execution of the contract	0	2,487	0	–
Total commitments and contingent liabilities		**206,588**		**96,084**

	Credit equivalent	Balance LVL'000	Risk weighting %	Risk weighted assets LVL'000
Calculation of capital requirements				
Capital requirement for the Bank's portfolio credit risk		**143,722**		
Capital requirements for market risk				
-capital requirement for foreign currency risk		92		
-capital requirement for position risk		–		
-capital requirement for counterparty risk		–		
Capital requirement for the Bank's portfolio credit risk and market risk		**143,814**		
Capital base		**162,697**		
Capital adequacy ratio *([Capital base] : [Capital requirement] x 8%)*		***9.05***		

The following table shows the Bank's asset weightings used in calculation of capital adequacy ratio according to the FCMC requirements and calculation of the Bank's capital adequacy ratio according to the FCMC requirements:

	Credit equivalent	Balance LVL'000	Risk weighting %	Risk weighted assets LVL'000
Assets				
Cash and cash equivalents		15,464	0	–
Claims on A zone Central Governments and Central Banks		125,460	0	–
Claims guaranteed by A zone Central Governments and Central Banks and secured with securities issued by A zone Central Governments or Central Banks or by European Communities		15,338	0	–
Claims secured by deposit		9,544	0	–
Claims on A zone Local Governments		5,899	20	1,180
Claims on A zone credit institutions		80,341	20	16,068
Claims guaranteed by A zone credit institutions		91	20	18
Prepayments and accrued income		3,501	50	1,751
Loans fully secured by mortgage on residential property		243,152	50	121,576

	Credit equivalent	Balance LVL'000	Risk weighting %	Risk weighted assets LVL'000
Claims on B zone credit institutions		3,897	100	3,897
Claims on borrowers who are not credit institutions, Central Governments, Central Banks, Local Governments, except for claims with a lower risk weighting considering their collateral		1,280,118	100	1,280,118
Investments in equity shares		720	100	720
Property and equipment		7,625	100	7,625
Other assets		4,244	100	4,244
			100	
Deductions from capital			100	
– intangible assets		889	100	889
– investment in insurance company		–	100	–
Assets included in market risk capital requirements calculation			100	
– derivatives	2.199	1,481	100	2,199
– trading securities		–	100	–
Total assets		**1,797,764**		**1,439,396**

	Credit equivalent	Balance LVL'000	Risk weighting %	Risk weighted assets LVL'000
Commitments and contingent liabilities				
Agreements on buying assets in certain future date				
Guarantees				
0% risk weighted	100	914	0	–
20% risk weighted	100	10,957	20	2,191
100% risk weighted	100	267,672	100	267,672
Irrevocable letters of credit				
100% risk weighted	100	48	100	48
Documentary letters of credit issued and confirmed, except documentary letters of credit secured with a collateral of shipment or loading documents				
0% risk weighted	50	2,962	0	–
20% risk weighted	50	7,489	20	749
100% risk weighted	50	6,380	100	3,190

	Credit equivalent	Balance LVL'000	Risk weighting %	Risk weighted assets LVL'000
Contractual guaranties, warrants and guarantees having no character of credit substitutes				
0% risk weighted	50	2,757	0	–
20% risk weighted	50	120	20	12
100% risk weighted	50	5,823	100	2,912
Credit commitments				–
0% risk weighted	50	177	0	–
20% risk weighted	50	4	20	–
50% risk weighted	50	3,319	50	830
100% risk weighted	50	153,999	100	77,000
Agreements to lend, extend credit facilities and other similar contracts, which the company has a right to break unilaterally and unconditionally and without prior notice to the other party or where the company may forgo the execution of the contract	0	2,487	0	–
Total commitments and contingent liabilities		**465,108**		**354,604**

	Credit equivalent	Balance LVL'000	Risk weighting %	Risk weighted assets LVL'000
Calculation of capital requirements				
Capital requirement for the Bank's portfolio credit risk		**143,520**		
Capital requirements for market risk				
-capital requirement for foreign currency risk		–		
-capital requirement for position risk		–		
-capital requirement for counterparty risk		–		
Capital requirement for the Bank's portfolio credit risk and market risk		**143,520**		
Capital base		**162,579**		
Capital adequacy ratio *([Capital base] : [Capital requirement] x 8%)*		**9.06**		

40 RE-PRICING MATURITY OF ASSETS AND LIABILITIES

Re-pricing maturity analysis of assets and liabilities of the Group as at 31 December 2007 based on the time remaining from the balance sheet date to the earlier of maturity and contractual re-pricing dates was as follows:

LVL'000	Within 1 month	1–3 months	3–12 months	Over 12 months	Non-interest bearing	Total
ASSETS						
Cash and balances with the Central banks	118,910	–	–	–	15,464	134,374
Balances due from other credit institutions (demand)	16,754	–	–	–	4	16,758
Loans and advances to customers	495,338	664,490	239,433	378,636	6,784	1,784,681
Securities	14,682	23,962	–	5,801	426	44,871
Derivative financial instruments	1,481	–	–	–	–	1,481
Due from other credit institutions (term)	26,000	–	–	–	62	26,062
Intangible fixed assets	–	–	–	–	1,129	1,129
Property and equipment	–	–	–	–	32,943	32,943
Accrued income and other assets	–	–	–	–	16,825	16,825
Total assets	**673,165**	**688,452**	**239,433**	**384,437**	**73,637**	**2,059,124**

LVL'000	Within 1 month	1–3 months	3–12 months	Over 12 months	Non-interest bearing	Total
LIABILITIES						
Due to other credit institutions (demand)	37,924	–	–	–	5	37,929
Due to customers	254,697	42,549	43,708	6,236	1,886	349,076
Derivative financial instruments	248	–	–	–	–	248
Due to other credit institutions (term)	600,512	559,343	147,505	153,156	11,213	1,471,729
Accrued expenses and other liabilities	–	–	–	–	16,367	16,367
Subordinated loan	9,839	25,301	4,920	–	716	40,776
Capital and reserves	–	–	–	–	142,999	142,999
Total liabilities	**903,220**	**627,193**	**196,133**	**159,392**	**173,186**	**2,059,124**
Interest sensitivity analysis	**(230,055)**	**61,259**	**43,300**	**225,045**	**(99,549)**	**–**

LVL'000	Within 1 month	1–3 months	3–12 months	Over 12 months	Non-interest bearing	Total
Interest rate swaps						
Receivable	214,092	179,361	50,461	24,926	–	468,840
Payable	187,972	109,502	38,584	132,782	–	468,840
Net interest sensitivity analysis	**(230,055)**	**61,259**	**43,300**	**225,045**	**(99,549)**	
31 December 2006						
Total assets	**527,261**	**560,262**	**180,450**	**113,548**	**48,457**	**1,429,978**
Total liabilities	**608,300**	**472,214**	**243,137**	**10,171**	**96,156**	**1,429,978**
Interest sensitivity analysis	**(81,039)**	**88,048**	**(62,687)**	**103,377**	**(47,699)**	**–**
Interest rate swaps						
Receivable	2,181	22,033	26,444	9,558	–	60,216
Payable	1,265	11,896	26,812	20,243	–	60,216
Net interest sensitivity analysis	**(80,123)**	**98,185**	**(63,055)**	**92,692**	**(47,699)**	

Re-pricing maturity analysis of assets and liabilities of the Bank as at 31 December 2007 based on the time remaining from the balance sheet date to the earlier of maturity and contractual re-pricing dates was as follows:

LVL'000	Within 1 month	1–3 months	3–12 months	Over 12 months	Non-interest bearing	Total
ASSETS						
Cash and balances with the Central banks	118,910	–	–	–	15,464	134,374
Balances due from other credit institutions (demand)	16,754	–	–	–	4	16,758
Loans and advances to customers	502,086	629,824	200,379	218,693	6,267	1,557,249
Securities	14,682	23,962	–	5,801	426	44,871
Investment in subsidiaries	–	–	–	–	710	710
Derivative financial instruments	1,481	–	–	–	–	1,481
Due from other credit institutions (term)	26,000	–	–	–	62	26,062
Intangible fixed assets	–	–	–	–	889	889
Property and equipment	–	–	–	–	7,625	7,625
Accrued income and other assets	–	–	–	–	7,745	7,745
Total assets	**679,913**	**653,786**	**200,379**	**224,494**	**39,192**	**1,797,764**

LVL'000	Within 1 month	1–3 months	3–12 months	Over 12 months	Non-interest bearing	Total
LIABILITIES						
Due to other credit institutions (demand)	37,924	–	–	–	5	37,929
Due to customers	258,235	42,549	43,823	6,236	1,886	352,729
Derivative financial instruments	248	–	–	–	–	248
Due to other credit institutions (term)	395,384	559,343	147,505	99,764	11,079	1,213,075
Accrued expenses and other liabilities	–	–	–	–	9,973	9,973
Subordinated loan	9,839	25,301	4,920	–	716	40,776
Capital and reserves	–	–	–	–	143,034	143,034
Total liabilities	**701,630**	**627,193**	**196,248**	**106,000**	**166,693**	**1,797,764**
Interest sensitivity analysis	**(21,717)**	**26,593**	**4,131**	**118,494**	**(127,501)**	**–**

LVL'000	Within 1 month	1–3 months	3–12 months	Over 12 months	Non-interest bearing	Total
Interest rate swaps						
Receivable	214,092	179,361	50,461	24,926	–	468,840
Payable	187,972	109,502	38,584	132,782	–	468,840
Net interest sensitivity analysis	**(21,717)**	**26,593**	**4,131**	**118,494**	**(127,501)**	
31 December 2006						
Total assets	**536,346**	**545,971**	**162,140**	**40,246**	**26,223**	**1,310,926**
Total liabilities	**493,964**	**472,244**	**243,227**	**10,171**	**91,320**	**1,310,926**
Interest sensitivity analysis	**42,382**	**73,727**	**(81,087)**	**30,075**	**(65,097)**	
Interest rate swaps						
Receivable	2,181	22,033	26,444	9,558	–	60,216
Payable	1,265	11,896	26,812	20,243	–	60,216
Net interest sensitivity analysis	**43,298**	**83,864**	**(81,455)**	**19,390**	**(65,097)**	

41 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below allocates the Group's assets and liabilities to maturity groupings based on the time remaining from the balance sheet date to the contractual maturity dates. The maturity analysis of assets and liabilities as at 31 December 2007 was as follows:

LVL'000	Up to 1 month	1–3 months	3–12 months	Over 12 months	Total
ASSETS					
Cash and balances with the Central banks	134,374	–	–	–	134,374
Balances due from other credit institutions (demand)	16,758	–	–	–	16,758
Loans and advances to customers	60,471	100,464	252,617	1,371,129	1,784,681
Securities	741	268	16	43,846	44,871
Derivative financial instruments	1,481	–	–	–	1,481
Due from other credit institutions (term)	25,620	–	–	442	26,062
Intangible fixed assets	–	–	–	1,129	1,129
Property and equipment	–	–	–	32,943	32,943
Accrued income and other assets	12,725	3,149	597	354	16,825
Total assets	**252,170**	**103,881**	**253,230**	**1,449,843**	**2,059,124**

LVL'000	Up to 1 month	1–3 months	3–12 months	Over 12 months	Total
LIABILITIES					
Balances due to other credit institutions	37,929	–	–	–	37,929
Due to customers	254,732	43,267	44,710	6,367	349,076
Derivative financial instruments	248	–	–	–	248
Due to other credit institutions (term)	122,339	280,873	237,416	831,101	1,471,729
Accrued expenses and other liabilities	9,489	1,556	598	4,724	16,367
Subordinated loan	229	461	26	40,060	40,776
Capital and reserves	–	–	–	142,999	142,999
Total liabilities	**424,966**	**326,157**	**282,750**	**1,025,251**	**2,059,124**
Contingent liabilities	1,885	3,575	10,944	13,320	29,724
Commitments	91,830	44,633	31,294	9,108	176,865
Liquidity risk	**(266,511)**	**(270,484)**	**(71,758)**	**402,164**	

LVL'000	Up to 1 month	1–3 months	3–12 months	Over 12 months	Total
31 December 2006					
Total assets	**170,162**	**61,952**	**201,764**	**996,100**	**1,429,978**
Total liabilities	**325,526**	**128,562**	**183,382**	**792,508**	**1,429,978**
Liquidity risk	**(155,364)**	**(66,610)31**	**18,382**	**203,592**	
	31/12/07		**31/12/06**		**normative FCMC**
Liquidity ratio	42%		45%		30%

The table below allocates the Bank's assets and liabilities to maturity groupings based on the time remaining from the balance sheet date to the contractual maturity dates. The maturity analysis of assets and liabilities as at 31 December 2007 was as follows:

LVL'000	Up to 1 month	1–3 months	3–12 months	Over 12 months	Total
ASSETS					
Cash and balances with the Central banks	134,374	–	–	–	134,374
Balances due from other credit institutions (demand)	16,758	–	–	–	16,758
Loans and advances to customers	54,300	65,799	239,726	1,197,424	1,557,249
Securities	741	268	16	43,846	44,871
Investment in subsidiaries	–	–	–	710	710
Derivative financial instruments	1,481	–	–	–	1,481
Due from other credit institutions (term)	25,620	–	–	442	26,062
Intangible fixed assets	–	–	–	889	889
Property and equipment	–	–	–	7,625	7,625
Accrued income and other assets	6,707	646	354	38	7,745
Total assets	**239,981**	**66,713**	**240,096**	**1,250,974**	**1,797,764**

LVL'000	Up to 1 month	1–3 months	3–12 months	Over 12 months	Total
LIABILITIES					
Balances due to other credit institutions (demand)	37,929	–	–	–	37,929
Due to customers	258,236	43,416	44,710	6,367	352,729
Derivative financial instruments	248	–	–	–	248
Due to other credit institutions (term)	122,100	280,873	237,416	572,686	1,213,075
Accrued expenses and other liabilities	6,767	975	289	1,942	9,973
Subordinated loan	229	461	26	40,060	40,776
Capital and reserves	–	–	–	143,034	143,034
Total liabilities	**425,509**	**325,725**	**282,441**	**764,089**	**1,797,764**
Contingent liabilities	1,885	3,575	10,944	271,840	288,244
Commitments	91,830	44,633	31,294	9,108	176,865
Liquidity risk	**(279,243)**	**(307,220)**	**(84,583)**	**205,937**	

LVL'000	Up to 1 month	1–3 months	3–12 months	Over 12 months	Total
31 December 2006					
Total assets	165,502	41,173	190,027	914,224	1,310,926
Total liabilities	321,487	128,593	183,472	677,374	1,310,926
Liquidity risk	(155,985)	(87,420)	6,555	236,850	

	31/12/07	31/12/06	normative FCMC
Liquidity ratio	42%	45%	30%

The table below allocates the Bank's financial liabilities cash flows as at 31 December 2007:

	Up to 1 month	1–3 months	3–12 months	1-5 years	>5 years	Total LVL'000
Short term funding	134,149	128,254	33,740	–	–	**296,143**
Long term funding	38,620	86,971	408,252	337,325	14,372	**885,540**
Subordinated loans	179	347	1,589	8,442	46,179	**56,736**
Term deposits	104,666	42,605	46,597	5,166	23	**199,057**
Total	**277,614**	**258,177**	**490,178**	**350,933**	**60,574**	**1,437,476**

The table below allocates the Group's financial liabilities cash flows as at 31 December 2007:

	Up to 1 month	1–3 months	3–12 months	1–5 years	>5 years	Total LVL'000
Short term funding	134,149	128,254	33,740	–	–	**296,143**
Long term funding	39,447	88,573	615,702	337,325	14,372	**1,095,419**
Subordinated loans	179	347	1,589	8,442	46,179	**56,736**
Term deposits	104,666	42,605	46,597	5,166	23	**199,057**
Total	**278,441**	**259,779**	**697,628**	**350,933**	**60,574**	**1,647,355**

The table below allocates the Bank's financial liabilities cash flows as at 31 December 2006:

	Up to 1 month	1–3 months	3–12 months	1-5 years	>5 years	Total LVL'000
Short term funding	82,566	99,139	46,696	–	–	**228,401**
Long term funding	2,000	3,806	86,164	544,502	21,586	**658,058**
Subordinated loans	123	233	1,088	5,778	40,521	**47,743**
Term deposits	76,404	28,464	46,032	10,142	55	**161,097**
Total	**161,093**	**131,642**	**179,980**	**560,422**	**62,162**	**1,095,299**

The table below allocates the Group's financial liabilities cash flows as at 31 December 2006:

	Up to 1 month	1–3 months	3–12 months	1–5 years	>5 years	Total LVL'000
Short term funding	82,566	99,139	46,696	–	–	**228,401**
Long term funding	2,385	4,539	89,580	661,523	21,586	**779,613**
Subordinated loans	123	233	1,088	5,778	40,521	**47,743**
Term deposits	76,404	28,464	46,032	10,142	55	**161,097**
Total	**161,478**	**132,375**	**183,396**	**677,443**	**62,162**	**1,216,854**

42 CURRENCY ANALYSIS

The currency analysis of assets and liabilities by currency profile of the Group as at 31 December 2007 was as follows:

LVL'000	LVL	USD	EUR	Other currencies	Total
ASSETS					
Cash and balances with the Central banks	114,177	1,211	3,841	15,145	134,374
Balances due from other credit institutions (demand)	5,004	2,832	1,054	7,868	16,758
Loans and advances to customers	63,132	63,818	1,657,716	15	1,784,681
Securities	7,882	–	36,979	–	44,861
Shares and other non-fixed income securities	–	–	10	–	10
Derivative financial instruments	1,481	–	–	–	1,481
Due from other credit institutions (term)	25,562	444	–	56	26,062
Intangible fixed assets	930	–	58	141	1,129
Property and equipment	8,666	25	24,117	135	32,943
Deferred expenses and accrued income	1,039	263	2,193	152	3,647
Other assets*	90,336	13,914	(92,440)	1,368	13,178
Total assets	**318,209**	**82,507**	**1,633,528**	**24,880**	**2,059,124**

LVL'000	LVL	USD	EUR	Other currencies	Total
LIABILITIES					
Due to other credit institutions (demand)	4,032	26,744	7,150	3	37,929
Due to customers	146,573	35,958	155,341	11,204	349,076
Derivative financial instruments	248	–	–	–	248
Due to other credit institutions (term)	15,642	18,870	1,424,147	13,070	1,471,729
Corporate income tax liability	891	–	–	–	891
Deferred tax liabilities	784	–	–	–	784
Deferred income and accrued expenses	4,043	20	3,470	235	7,768
Other liabilities	2,002	872	3,825	225	6,924
Subordinated loan	–	–	40,776	–	40,776
Capital and reserves	142,999	–	–	–	142,999
Total liabilities	**317,214**	**82,462**	**1,634,709**	**24,737**	**2,059,124**
Net long/(short) position on balance sheet	995	43	(1,181)	143	–

LVL'000	LVL	USD	EUR	Other currencies	Total
Off-balance sheet claims arising from foreign exchange					
Spot foreign exchange receivable	2,091	–	1,764	1,392	5,247
Forward foreign exchange receivable	86,965	15,019	2,535	270	104,789
Total foreign exchange receivable	89,056	15,019	4,299	1,662	110,036
Off-balance sheet claims arising from foreign exchange					
Spot foreign exchange payable	–	484	3,501	1,296	5,281
Forward foreign exchange payable	2,318	496	100,981	289	104,084
Total foreign exchange payable	2,318	980	104,482	1,585	109,365
Net long/ (short) position on foreign exchange	86,738	14,039	(100,183)	77	671
Net long/ (short) position	**87,733**	**14,082**	**(101,364)**	**220**	**671**

LVL'000	LVL	USD	EUR	Other currencies	Total
31 December 2006					
Total assets	**240,014**	**46,153**	**1,132,394**	**11,417**	**1,429,978**
Total liabilities and shareholders' equity	**242,498**	**45,649**	**1,130,192**	**11,639**	**1,429,978**
Net long/ (short) position on balance sheet	**(2,484)**	**504**	**2,202**	**(222)**	**–**
Net long/ (short) position on foreign exchange	28,141	(548)	(27,663)	(196)	(266)
Net long/ (short) position	**25,657**	**(44)**	**(25,461)**	**(418)**	**(266)**

* Other assets include open dealing amounts that are shown net in the balance sheet in the amount of LVL 671 thousand (2006: net liabilities LVL 266 thousand).

The currency analysis of assets and liabilities by currency profile of the Bank as at 31 December 2007 was as follows:

LVL'000	LVL	USD	EUR	Other currencies	Total
ASSETS					
Cash and balances with the Central banks	114,177	1,211	3,841	15,145	134,374
Due from other credit institutions (demand)	5,004	2,832	1,054	7,868	16,758
Loans and advances to customers	63,641	58,497	1,434,482	629	1,557,249
Securities	7,882	–	36,979	–	44,861
Shares and other non-fixed income securities	–	–	10	–	10
Investment in subsidiary	535	–	–	175	710
Derivative financial instruments	1,481	–	–	–	1,481
Due from other credit institutions (term)	25,562	444	–	56	26,062
Intangible assets	817	–	58	14	889
Property and equipment	7,523	–	–	102	7,625
Deferred expenses and accrued income	987	263	2,164	87	3,501
Other assets*	89,824	13,914	(99,598)	104	4,244
Total assets	**317,433**	**77,161**	**1,378,990**	**24,180**	**1,797,764**

LVL'000	LVL	USD	EUR	Other currencies	Total
LIABILITIES					
Due to other credit institutions (demand)	4,032	26,744	7,150	3	37,929
Due to customers	147,549	35,961	158,015	11,204	352,729
Derivative financial instruments	248	–	–	–	248
Due to other credit institutions (term)	15,642	14,391	1,169,972	13,070	1,213,075
Corporate income tax liability	891	–	–	–	891
Deferred tax liabilities	481	–	–	–	481
Deferred income and accrued expenses	3,364	20	3,358	93	6,835
Other liabilities	1,647	46	11	62	1,766
Subordinated loan	–	–	40,776	–	40,776
Capital and reserves	143,034	–	–	–	143,034
Total liabilities	**316,888**	**77,162**	**1,379,282**	**24,432**	**1,797,764**
Net long/(short) position on balance sheet	545	(1)	(292)	(252)	–

LVL'000	LVL	USD	EUR	Other currencies	Total
Off-balance sheet claims arising from foreign exchange					
Spot foreign exchange receivable	2,091	–	1,764	1,392	5,247
Forward foreign exchange receivable	86,965	15,019	2,535	270	104,789
Total foreign exchange receivable	89,056	15,019	4,299	1,662	110,036
Off-balance sheet claims arising from foreign exchange					
Spot foreign exchange payable	–	484	3,501	1,296	5,281
Forward foreign exchange payable	2,318	496	100,981	289	104,084
Total foreign exchange payable	2,318	980	104,482	1,585	109,365
Net long/ (short) position on foreign exchange	86,738	14,039	(100,183)	77	671
Net long/ (short) position	**87,283**	**14,038**	**(100,475)**	**(175)**	**671**

LVL'000	LVL	USD	EUR	Other currencies	Total
31 December 2006					
Total assets	**216,985**	**44,214**	**1,038,182**	**11,545**	**1,310,926**
Total liabilities and shareholders' equity	**240,413**	**43,642**	**1,015,153**	**11,718**	**1,310,926**
Net long/ (short) position on balance sheet	*(23,428)*	*572*	*23,029*	*(173)*	–
Net long/ (short) position on foreign exchange	28,141	(548)	(27,663)	(196)	(266)
Net long/ (short) position	**4,713**	**24**	**(4,634)**	**(369)**	**(266)**

* Other assets include open dealing amounts that are shown net in the balance sheet in the amount of LVL 671 thousand (2006: net liabilities LVL 266 thousand).