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# FINANCIAL STATEMENT

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# STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS AND COUNCIL

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The Management of the Bank is responsible for preparing financial statements from the books of prime entry of the Bank for each financial period. These must present fairly the state of affairs of the Bank as of the end of the financial year, and the results of its operations and cash flows for that year.

The Management confirms that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements on pages 37 to 71 for the year ended 31 December 1999. The Management also confirms that applicable International Accounting Standards (IAS) have been followed and that the financial statements have been prepared on a going concern basis. The statements comply with the Bank of Latvia's regulations on Annual Reports of Credit Institutions in all material respects.

The Management is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Bank, and for preventing and detecting fraud and other irregularities. It is also responsible for operating the Bank in compliance with the Law on Credit Institutions and other legislation of the Republic of Latvia, as well as with the regulations of the Bank of Latvia.



**Valery Kargin**  
President, Chairman of the Board



**Viktor Krasovitsky**  
Chairman of the Council of Directors



**Gints Poišs**  
Chairman of the Council

Riga, 10 March 2000

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# MANAGEMENT OF THE BANK

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## THE COUNCIL OF THE BANK

<b>Gints Poišs</b>	Chairman of the Council
<b>Vladislavs Skrebelis</b>	Member of the Council
<b>Juris Vanags</b>	Member of the Council

## THE BOARD OF DIRECTORS

<b>Valery Kargin</b>	President of the Bank and Chairman of the Board
<b>Viktor Krasovitsky</b>	Chairman of Council of the Directors and Deputy Chairman of the Board
<b>Ārija Zeltiņa</b>	Member of the Board

## COUNCIL OF DIRECTORS

<b>Ēriks Brīvmanis</b>	Vice President  Responsible for the Bank's financial management, including assets and liabilities; the strategic development and implementation of information technology; as well as Bank's accounting system.
<b>Alexander Kvasov</b>	Vice President  Responsible for the Operations Division, which covers client services (retail and corporate), card operations, settlements and branch management.
<b>Jakov Shur</b>	Vice President  Responsible for Lending Operations, which covers all lending, credit and leasing facilities to retail and corporate clients.
<b>Gene Zolotarev</b>	Vice President  Responsible for Capital Markets, Trading & Treasury, Investment Banking, Corporate Finance, Investment Products, Trust and Asset Management. Also responsible for managing the Bank's strategic development regarding investor relations, debt and equity financing, relationships with international financial institutions and rating agencies.

In 1999 Ēriks Brīvmanis was appointed as Vice President responsible for finance and information technologies.

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# AUDITORS' REPORT TO THE SHAREHOLDERS OF A/S PAREX BANK

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We have audited the accompanying financial statements of A/s Parex Bank for the year ended 31 December 1999 set out on pages 37 to 71. These financial statements are the responsibility of the Bank's Management, as referred to on page 34. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the A/s Parex Bank as of 31 December 1999 and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

A handwritten signature in black ink that reads "PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

**PricewaterhouseCoopers SIA**  
Riga, Latvia

10 March 2000

# STATEMENT OF INCOME

	Notes	1999 LVL 000's	1998 LVL 000's
Interest income	5	21,891	20,555
Interest expense	5	(9,396)	(6,288)
<b>Net interest income</b>		<b>12,495</b>	<b>14,267</b>
Commission and fee income	6	10,329	10,042
Commission and fee expense	6	(1,708)	(1,936)
<b>Net commission and fee income</b>		<b>8,621</b>	<b>8,106</b>
Net profit on securities trading and foreign exchange	7	5,775	1,713
Other operating income	8	1,272	542
<b>Net operating income</b>		<b>28,163</b>	<b>24,628</b>
Administrative expense	9,10	(15,193)	(12,634)
Depreciation and amortisation expense	24	(2,495)	(2,318)
Other operating expense	11	(248)	(208)
Provision expense for possible credit losses	12	(7,448)	(10,533)
Release of previously established provision	12	1,835	3,507
Loss from revaluation of long term investments		-	(1,434)
<b>Profit before taxation</b>		<b>4,614</b>	<b>1,008</b>
Credit/(charge) for taxation	13	(437)	202
<b>Net profit for the period</b>		<b>4,177</b>	<b>1,210</b>

The financial statements on pages 37 to 71 have been approved by the Management of the Bank and signed on its behalf by:



**Valery Kargin**  
President, Chairman of the Board



**Viktor Krasovitsky**  
Chairman of the Council of Directors



**Gints Poišs**  
Chairman of the Council

Riga, 10 March 2000

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

# BALANCE SHEET AND MEMORANDUM ITEMS

	Notes	31/12/99 LVL 000's	31/12/98 LVL 000's
<b>Assets</b>			
Cash and deposits with the Bank of Latvia	14	25,014	22,193
Balances due from credit institutions	12, 15	97,077	18,000
Loans and advances to non-banking customers	12, 16, 17, 18	159,488	151,624
Treasury bills and other fixed income securities	12, 19, 20	97,561	87,789
Shares and other non-fixed income securities	12, 21	5,975	4,093
Investments in subsidiaries	22	193	189
Investments in affiliated entities	23	280	642
Intangible assets	24	307	385
Fixed assets	24	9,091	9,653
Other assets	25	4,330	3,321
Prepayments and accrued interest income		3,650	3,277
<b>Total assets</b>		<b>402,966</b>	<b>301,166</b>
Funds under trust management	32	11,004	26,777
<b>Total assets and funds under trust management</b>		<b>413,970</b>	<b>327,943</b>
<b>Liabilities</b>			
Balances due to credit institutions	26	52,927	39,593
Deposits from the public	27	302,353	217,199
Issued bonds and other fixed income securities		2,915	-
Other liabilities	28	5,585	9,631
Accrued interest expense		912	825
Provision for liabilities and charges	29	345	166
<b>Total liabilities</b>		<b>365,037</b>	<b>267,414</b>
<b>Shareholders' equity</b>			
Paid-in share capital	30	30,000	30,000
Retained earnings		7,929	3,752
<b>Total shareholders' equity</b>		<b>37,929</b>	<b>33,752</b>
<b>Total liabilities and shareholders' equity</b>		<b>402,966</b>	<b>301,166</b>
Funds under trust management	32	11,004	26,777
<b>Total liabilities, shareholders' equity and funds under trust management</b>		<b>413,970</b>	<b>327,943</b>
<b>Memorandum items</b>			
Contingent liabilities	31	33,644	2,497
Financial commitments	31	13,519	23,439
Foreign exchange transaction liabilities	31	48,222	37,447

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**Gints Poišs**  
Chairman of the Council

Riga, 10 March 2000

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

# STATEMENT OF CHANGES IN EQUITY

	LVL 000's			
	Share capital	Capital reserves	Retained profit	Total capital and reserves
Balance at 1 January 1998	11,029	3,671	17,842	32,542
Net profit retained for 1998	-	-	1,210	1,210
Increase of share capital	18,971	(3,671)	(15,300)	-
<b>Balance at 1 January 1999</b>	<b>30,000</b>	<b>-</b>	<b>3,752</b>	<b>33,752</b>
Net profit	-	-	4,177	4,177
<b>Balance at 31 December 1999</b>	<b>30,000</b>	<b>-</b>	<b>7,929</b>	<b>37,929</b>

In accordance with a decision by the Bank's Management part of the profit for 1999 in an amount of 1,177,000 LVL is recommended to declare as dividends.

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

# STATEMENT OF CASH FLOWS

	Notes	1999 LVL 000's	1998 LVL 000's
<b>Cash inflow/(outflow) from operating activities</b>			
Profit before taxation		4,614	1,008
Amortization of intangible assets, depreciation of fixed assets and their write-offs		2,495	2,664
Income from sale of fixed assets		(41)	-
Increase in provisions		5,590	4,120
Loss from revaluation of foreign currency	7	2,474	1,674
(Profit)/loss from revaluation of shares		(1,012)	1,434
(Increase) in prepayments and accrued interest income		(1,161)	(1,828)
(Increase) in other assets		(1,009)	(462)
Increase in accrued interest expense		87	550
Increase/(decrease) in provisions for liabilities and charges		79	(762)
Increase/(decrease) in other liabilities		(4,046)	7,553
<b>Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations</b>		<b>8,070</b>	<b>15,951</b>
Decrease/(increase) in short-term investments		26,857	13,513
(Increase)/decrease in balances due from credit institutions		(66,534)	5,411
(Increase) in loans and advances to non-banking customers		(8,374)	(73,353)
Increase in balances due to credit institutions		16,907	9,205
Increase in issued bonds and other fixed income securities		2,915	-
Increase in deposits from the public		85,154	16,671
<b>Increase/(decrease) in cash and cash equivalents from operating activities before income tax</b>		<b>56,925</b>	<b>(28,553)</b>
<b>Corporate income tax paid</b>		<b>(337)</b>	<b>(809)</b>
<b>Net cash and cash equivalents from operating activities</b>		<b>64,658</b>	<b>(13,411)</b>
<b>Cash inflow/(outflow) from investing activities</b>			
(Purchase) of fixed assets		(2,963)	(3,241)
Income from sale of fixed assets		130	-
(Purchase)/disposals of equity investments in other entities and other long-term investments		358	2,253
Increase in long term investments		(37,758)	-
Investment in shares and other non-fixed income securities		(870)	(1,460)
<b>(Decrease) in cash and cash equivalents from investment activities</b>		<b>(41,103)</b>	<b>(2,448)</b>
<b>Net cash inflow for the period</b>		<b>23,555</b>	<b>(15,859)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	34	<b>14,300</b>	<b>31,833</b>
(Loss) from revaluation of foreign currency	7	(2,474)	(1,674)
<b>Cash and cash equivalents at the end of the period</b>	34	<b>35,381</b>	<b>14,300</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1. BACKGROUND INFORMATION ON THE BANK

(Figures in parenthesis represent amounts as of 31 December 1998.)

A/s Parex Bank was registered on 14 May 1992 as a joint stock company commercial bank. The Bank commenced its operations in June 1992.

Parex Bank's head office and three main branches are all located in Riga, Latvia. As of 31 December 1999, the Bank was operating a total of 71 (63) branches and client service centers in Riga and throughout Latvia; as well as representative offices in Frankfurt (Germany), in Moscow (Russia), and in Kiev (Ukraine). As of 31 December 1999, the Bank was also operating a jewelry retail store with four branches in Riga.

The Bank's main areas of operation include accepting deposits from the public; granting short-term and long-term loans to the State Treasury, local municipalities, corporate customers, private individuals and other credit institutions; dealing with financial lease and foreign currency exchange transactions; providing fund management and investment banking services for the Bank's customers; as well as performing local and international payment transfers.

As of 31 December 1999 Parex Bank had approximately 1,021 (916) employees, 4,347 (2,635) loan customers, 3,242 (2,361) finance lease customers, 63,677 (41,000) settlement cardholders and 59,833 (40,003) deposit customers. The major shareholders of the Bank were Europe Holding Ltd., a privately held company incorporated in the Isle of Man, 50.93% (50.93%), Mr. Valery Kargin 24.03% (24.03%) and Mr. Viktor Krasovitsky 24.03% (24.03%).

## NOTE 2. THE LATVIAN ECONOMIC AND BANKING ENVIRONMENT

The currency of the Republic of Latvia is the lat (Ls or LVL) and is internally convertible with hard currencies without exchange controls. The exchange rate of the lat is maintained by the Bank of Latvia relative to the International Monetary Fund Special Drawing Right (SDR). The rate of exchange has remained generally stable during the year. Official exchange rates of the Bank of Latvia for the LVL against major currencies are as follows:

		USD	DEM	SEK	RUR
31 December 1999	LVL 1.00 =	1.715	3.329	14.599	46.948
31 December 1998	LVL 1.00 =	1.757	2.941	14.225	37.450

The Bank of Latvia regulates Latvian banks and similar credit institutions in accordance with the Latvian Law on Credit Institutions and other applicable legislation.

### Credit Institutions Sector in 1999

36 licensed credit institutions are operating in Latvia, comprising 25 banks, 11 credit unions, and the representative office of German bank.

The shareholders of Latvian banks are German, Swedish, Finnish, Estonian, and Russian banks; international finance institutions, including the European Bank for Reconstruction and Development (EBRD); and Swedfund. Twenty (20) Latvian banks have foreign investments, including 12 banks where investments are more than 50% of equity and six banks that are affiliates of foreign banks. The banks' foreign capital was 66.2% of their total capital.

Changes in the Latvian banking sector have nearly reached completion. Nearly all banks are privately held. Only one bank is state-owned. In another bank the shareholder is the State, and the privatization of this bank is still in process. The State's share in commercial banks' capital has decreased from 4.9% in 1998 to 3.7% at the end of 1999.

The main trend in 1999 was the consolidation and strengthening of the banking sector in Latvia. Practically all banks have successfully overcome the negative impact of the Russian financial crisis, and all operating banks have increased their equity level to at least EUR 5,000,000, which, according to the Law on Credit Institutions, is the required minimum for foundation share capital and equity (capital and reserves).

In 1999, two insolvent banks were rehabilitated. During the rehabilitation process, one bank was taken over by another bank. In the second insolvency situation, the majority of creditors their investments capitalized and additional money was received from current and new shareholders and the bank was able to renew its operations.

Inflation rates and interest rates have decreased, and exchange rates are stable due to Latvia's strong monetary policy. In 1999, the inflation rate continued to decrease to 2.4% (1998: 3.5%). Forecasts indicate that during the next few years the inflation rates will remain at the same level.

Average interest rates have decreased from 17% at the beginning of 1999 to 13% at the end of the year. Deposit rates have increased from 6.7% at the beginning of 1999 to 7.9% at year's-end. At the same time, rates for short-term deposits during the year have decreased from 5.8% to 4.2%. The discount rates for State Treasury Bills have decreased due to an increase in demand. During the year, average discount rates for one-month State Treasury Bills have decreased from 6% to 3.9%.

The volume of the foreign trade balance in nominal prices in 1999, compared to 1998, has decreased. The total foreign trade balance was 2,732.2 million Ls, 7.32% less than in 1998. The value of exported goods has reached 1,008.3 million Ls, 5.7% less than in 1998. The volume of imported goods reached a value of 1,723.9 million Ls, or 8.4% less than in 1998. Therefore, the Latvian foreign trade balance has improved – the difference between imports and exports was 71% (1998 -76%).

In the last year, the structure of trade partners has shifted from CIS countries to European Union (EU) and other Western countries.

The Russian component of Latvian exports was 25% in 1995, but only 7% in 1999. Imports from Russia have decreased from 21% to 10%. In the last year, exports to EU countries were 62.5% or 630 million Ls (1998: 56.6%). Compared to 1998, the volume of exports to EU countries has increased by 26.2 million Ls (4.3%), but the volume of imports has decreased by 99.3 million Ls (9.6%). The foreign trade balance with EU countries makes a positive statement – Latvian entrepreneurs are looking for new contacts and markets. During the last year, the import over export balance from EU countries was 309.5 million Ls (1998: 430.0 million Ls).

The number of Latvian enterprises working in Western markets has reached the level where, if Russian economic sanctions were imposed, they would have only a minor effect on the Latvian economy.

Another positive indicator that economic reforms have helped the Latvian economy is the credit rating assigned to Latvia by large foreign agencies: Standard & Poor's, Moody's and Fitch IBCA have assigned the following ratings: (BBB- for investments in foreign currencies, A – for investments in lats, and A2 – for State bonds issued in local currency.) These are among the highest ratings in Central and Eastern Europe. This means that Latvia is a place where one can invest with predictable risk.

### **NOTE 3 EXPOSURE OF THE BANK TO RUSSIA AND OTHER NON-OECD COUNTRIES AND ITS IMPACT ON THE BANK**

At the beginning of 1999, after the Russian financial crisis in the summer of 1998, the environment in the Russian financial markets was negative. The pessimistic attitude of market participants was one reason that prices of financial instruments were depressed. The market was largely illiquid for almost all financial instruments, and the gap between bid and offer was high.

In spite of the negative forecast, the economic situation in Russia and in the financial markets improved during 1999, and most market participants' forecasts were exceeded. One positive tendency was the Russian ruble's effect on the economy. The ultimate result of the ruble's devaluation was the improvement of the foreign trade balance, due to an increase in Russian industry production, and a positive domestic market environment. Further improvement of the situation was prevented, however, by the inability to repay state loans in 1998. This destroyed confidence in counterparty relations and caused obstacles in developing a credible investment climate. This negative factor was compensated with improvements in fiscal policy resulting in massive return of inward investments in to the economy, leading to an increase in the ruble's purchasing power and the improvement of the economy in general.

The stabilization of the financial market was partly related to psychological factors, namely due to changes in the political situation. The Russian parliamentary elections had a decidedly positive effect on the frame of mind of market participants. As a result, Russian government bonds experienced a decrease in yield for OFZ from 87% to 73%, and an increase in the market price for these securities. This mood upswing was also caused by the resignation of the president of Russia (Boris Yeltsin) at the end of 1999. In addition, the agreement between the London Club and Russia to restructure Russian liabilities, and the increase of Russia's credit rating by Standard & Poor's had a positive effect on the mood of market participants. This credit agency increased the Russian bonds rating from CCC to CCC+, and Fitch IBCA indicated that its forecast regarding Russia's credit rating was positive, a reversal of its previous appraisal. All these changes led to the increase in value for the most liquid financial instruments.

#### **The Bank's Policy to Investments in Russia**

Parex Bank's investment policy was highly conservative for its residual investments in Russia. Additional investments in Russia and other CIS countries of this region were not made.

This cautious policy was based on Parex Bank's experience in financial markets. Usually, a negative mood in the market produces a negative bias which, in turn, may lead to a very low price level for financial instruments, a price level not truly reflecting the real position of the economy. Taking this experience into account, Parex Bank's residual investments in Russia were not liquidated at the beginning of 1999. Parex Bank believed the situation would improve, and after a close analysis of the Russian market, the Bank's risk analysts approved this strategy.

The macroeconomic development and rapid market growth of the Russian economy has reinforced the opinion of Parex Bank experts. This foresightedness not only allowed Parex Bank to preserve its investments after the Russian financial crisis, but also to significantly increase the value of these investments.

#### EXPOSURE TO NON-OECD COUNTRIES

<b>Balances due from credit institutions registered in non-OECD countries (excluding Latvia)</b>	<b>31/12/99</b> LVL 000's	<b>31/12/98</b> LVL 000's
	<b>Net value</b>	<b>Net value</b>
Russia	3,712	3,176
Ukraine	2,031	2,685
Belarus	584	100
Kazakhstan	104	92
Other countries	317	969
	6,748	7,022
General provision for balances due from non-OECD banks	(142)	(142)
<b>Total balances due from credit institutions registered in non-OECD countries (excluding Latvia)</b>	<b>6,606</b>	<b>6,880</b>
<b>Non-OECD treasury bills and other fixed income securities (excluding Latvia)</b>	<b>31/12/99</b> LVL 000's	<b>31/12/98</b> LVL 000's
	<b>Net value</b>	<b>Net value</b>
Non-OECD treasury bills:		
Russian treasury bills (GKOs)	282	9
Total non-OECD treasury bills	282	9
Non-OECD Government bonds, USD denominated:		
Ukraine	1,057	-
Croatia	3,007	2,172
Slovenia	2,718	2,177
Bulgaria	802	-
Kazakhstan	328	1,325
Slovakia	564	1,148
Romania	1,009	986
Russia (held at market value)	73	454
Malaysia	1,236	-
Lithuania	-	217
Philippines	425	-
Total government bonds	11,219	8,479
Non-OECD municipality bonds:		
Russia	-	16
Total non-OECD municipality bonds	-	16
Non-OECD credit institution bonds, USD denominated:		
Vneshekonombank (Russian government/former Soviet PRINs)	62	56
Vneshekonombank (Russian government/former Soviet IANs)	6	3
Total non-OECD credit institution bonds	68	59
<b>Total non-OECD treasury bills and other fixed income securities (excluding Latvia)</b>	<b>11,754</b>	<b>8,563</b>

<b>Equity shares in non-OECD corporate entities (excluding Latvia)</b>	<b>31/12/99</b>	<b>31/12/98</b>
	LVL 000's	LVL 000's
	<b>Net value</b>	<b>Net value</b>
Russia (held at market value)	-	257
Ukraine (held at market value)	52	55
Lithuania	8	24
General provision for non-OECD equity shares	(24)	(24)
<b>Total equity shares in non-OECD corporate entities (excluding Latvia)</b>	<b>36</b>	<b>312</b>

<b>Loans to non-banking customers registered in the CIS countries</b>	<b>31/12/99</b>	<b>31/12/98</b>
	LVL 000's	LVL 000's
	<b>Net value</b>	<b>Net value</b>
Russia	195	1,183
Other CIS countries	3,079	799
<b>Total loans to non-banking customers registered in the CIS countries</b>	<b>3,274</b>	<b>1,982</b>

**Russian banks:** The Bank's policy was conservative for dealing with Russian banks. Correspondent accounts were maintained only in large and stable Russian banks. The balances in correspondent accounts were kept at as low level as possible.

**Russian government GKO's:** In the balance sheet for 1999 the provisioning treatment of GKO's has been changed. At the end of 1998 GKO's were revalued at the last market price, and the adequate 96.5% provisions was made. In 1999 market liquidity was renewed and the Bank made a revaluation according to current market prices, which is reflected in the balance sheet for 1999. During 1999 the bonds market grew in value and liquidity resulting in an increase of bonds balance sheet value. In accordance with our conservative investment policy, additional investments in Russia have not been made.

**USD denominated non-OECD bonds:** Ukraine government bonds were received as the result of taking over the collateral of client margin loans. The market for these securities was illiquid and prices depressed. At the same time the liquidity of these securities later rose. This resulted from the possibility for Ukrainian enterprises to use these bonds as a cash substitute for the settlement of tax liabilities. At these moments of occasional liquidity Parex Bank saw a unique selling opportunity.

In respect to the sale of bonds at the highest possible price, Parex Bank analysed the market very carefully. This possibility arose at the beginning of 2000 and at that moment the Bank had few investments in Ukraine. Parex Bank considers that investments in Ukraine are very risky and a substantial investment increase is not expected.

The Bank's investments have decreased in other Eastern European countries. The investments in Kazakhstan were decreased as outstanding bonds matured and were repaid. The Bank sold part of its Slovakian State bonds and thus decreased its investments in that country. At the same time, the Bank increased investments in other developing countries. This was based on our view that bonds were undervalued, the economies in these countries were positive track. The Bank increased its investments in the Eurobonds of Croatia, and made new investments in Malaysia and Philippines.

**Non OECD credit institution bonds, denominated in USD:** The value of these investments are based on price changes in the market. Additional investments and operations have not been made in respect to these investments.

**Corporate loans:** In accordance with the Bank's conservative credit policy the loans to corporate clients in Russia were significantly decreased by the amount of 1.6 million LVL.

## **NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Bank maintains its books of account and prepares financial statements for regulatory purposes in Lats, in accordance with accounting principles and practices employed by domestic banks as required by stipulations of the Bank of Latvia and other Latvian accounting regulations applicable for credit institutions. The accompanying financial statements reflect certain adjustments made in respect of the Bank's monthly report to the Bank of Latvia as of 31 December 1999.

A summary of the Bank's principal accounting policies, all of which have been applied consistently (unless otherwise stated) throughout the 12-month period ended 31 December 1999 and in the preceding 12 month period ended 31 December 1998, is set out below.

**A) Reporting Currency**

The accompanying financial statements are reported in thousands of lats (LVL 000's).

**B) Basis of Accounting**

These financial statements are based on the Bank's statutory records, which are maintained under the historical cost convention and modified for revaluation as disclosed below, with adjustments and reclassifications for the purpose of fair presentation in accordance with and compliance with IAS.

**C) Basis of Presentation**

The Bank's financial statements are presented in accordance with IAS, in all material respects.

**D) Income and Expense Recognition**

Interest income and expense items are recognised on an accrual basis. No interest income is recognised on non-performing loans and advances (see paragraph i) in which interest is unlikely to be collected. Interest income that has been previously recognised is reversed at the time the related loan is placed in non-performing status.

Commissions and other income are credited to the statement of income at the time of the related business.

**E) Foreign Currency Translation**

Transactions denominated in foreign currencies are recorded in lats at actual rates of exchange effective on 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 date of the transaction is included in the statement of income as a profit or loss from revaluation of foreign currency positions.

**F) Taxation**

Corporate income tax is applied at the rate of 25% on taxable income generated by Bank for the relevant tax period.

To promote foreign investments in Latvia, Latvian tax authorities have granted foreign majority owned companies as defined by Latvian legislation, which registered prior to 1 April 1995, a tax holiday. As a result, the Bank is currently eligible for a 50% tax holiday and is accordingly subject to a 12.5% corporate income tax on taxable income.

Deferred taxation arising from temporary differences in the timing of the recognition of items in the statutory accounts and tax returns and/or between the statutory accounts and these financial statements is calculated using the liability method. Deferred taxation relates to the future tax consequences of all events that have been recognised in the Bank's financial statements or tax returns. The deferred taxation liability is determined based on the tax rates that are expected to apply when the temporary timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax depreciation on buildings, transport vehicles and office equipment and on the treatment of general provisions.

**G) Loans and Advances to non-banking Customers**

Loans and advances to non-banking customers represent the outstanding principal balance less provisions for losses on loans and advances.

For the purposes of these financial statements, financial lease receivables are included in loans and advances to non-banking customers.

**H) Leases**

Finance leases, which confer rights and obligations similar to those attached to owned assets, are recognized as assets and liabilities at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The finance income is allocated to periods during the lease term to produce a constant periodic return on the net investments outstanding in respect of the finance leases.

Rentals under operating lease are charged to the statement of income on a straight-line basis over the lease term.

**I) Provisions for Possible Credit Losses**

Non-performing loans and advances to customers including banking institutions are defined as loans and other credit balances in which the contractually due principal is 14 days or more overdue, the contractually due interest is 90 days or more overdue, or if the Management otherwise believes that the contractual interest or principal due will not be collected.

The Bank has granted commercial and consumer loans to customers throughout its market area. The economic condition of the market area may have an impact on the borrowers' ability to repay their debts. The Management of the Bank has considered both specific and general risks in determining the balance of provisions for possible credit losses. Provisions for possible credit losses are established in accordance with IAS and represent the estimated amounts of probable losses that have been incurred at the balance sheet date. The specific element of the provision relates to credits that have been identified as potentially doubtful. The specific provision is determined after individually reviewing all credits for potentially non-collectable amounts. The general element of the provision relates to the potential losses, which experience indicates are present in the Bank's portfolio of loans and advances to customers, but have not yet been specifically identified.

When a loan or advance has been classified as non-performing or of high risk, a provision for possible credit losses is established for that specific loan or advance for the amount of the outstanding balance which is deemed non-collectable. The value of collateral held in connection with loans and advances is based on the estimated realisable value of the asset and is taken into account when estimating the required provision.

The provision for possible credit losses is composed of estimated figures for the following:

- specific provision for credits identified as potentially doubtful and high risk;
- general provision for the Bank's total exposure to:
  - credit concentration risk
  - collateral values
  - possible measures implemented to improve impaired customers' financial position
  - general market or operating events that have or have yet to occur, prior -or subsequent to the balance sheet date, for which a specific credit risk provision is not yet quantifiable.

The level of the provisions is based on estimates considering relevant factors including, but not limited to, the Bank's past loan loss experience, known and inherent risks in the portfolio of loans and advances, adverse situations that may affect the borrowers' ability to repay, the estimated value of any underlying collateral and current economic conditions as well as other relevant factors affecting loan and advance collectability and collateral values. Ultimate losses may vary from the current estimates.

These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known. Due to an inherent lack of reliable information about the customers' financial position, the estimate of probable losses is uncertain. Nevertheless, the Management of the Bank has made its best estimates of losses and believes those estimates presented in the financial statements are reasonable in light of available information.

When loans and advances cannot be recovered, they are written off and charged against provision for possible credit losses. They are not written off until all the necessary legal procedures have been completed and the amount of the loss is finally determined.

#### **J) Treasury Bills and Other Fixed Income Securities**

Treasury bills and other fixed income securities are held both for investment purposes and as part of a trading portfolio. The split of fixed income securities held for investment and trading purposes is based on the Management's intention at the time of their purchase to hold these instruments.

Treasury bills held for investment purposes are stated at the discounted purchase price plus the discount which is amortized to interest income from securities on a linear basis over the period from purchase to maturity. Treasury bills held as part of the trading portfolio are marked to market.

Bonds are recorded at their market value.

Fixed income securities held with custodian banks are stated in the balance sheet at their market value.

#### **K) Shares and Privatization Certificates**

Investments in listed shares and privatization certificates held for trading purposes are recorded at their market value.

Unrealized profits or losses arising as a result of stating listed shares and privatization certificates held for trading purposes at market value are respectively credited or charged to the statement of income as profit or loss from trading and revaluation of securities.

Investments in shares held for investment purposes are stated in the balance sheet at cost less any provision for other than temporary diminution in value determined on an individual investment basis.

Unrealized losses resulting from the permanent diminution in value of shares held for investment purposes are charged to the statement of income as loss from revaluation of long-term investments.

**L) Jewelry**

Jewelry is recorded in the balance sheet at the lowest cost and realisable value.

**M) Investments in Subsidiaries and Affiliated Entities**

Investments in subsidiaries, in which the Bank holds directly or indirectly more than 50% of the shares and voting rights, are normally consolidated in the Bank's financial statements, except as discussed in Note 22.

Investments in affiliated entities, in which the Bank owns directly and indirectly more than 20% but less than 50% of the voting rights, are accounted for under the equity method. This method is appropriate as the Bank's investment interests enable the Bank to influence, but not ultimately control, the operating or financial decisions of these entities. Under this method, the Bank includes investments in affiliated entities as long-term assets valued at the original cost of the investment adjusted for a prudent estimate of the Bank's share of the post acquisition earnings or losses of the investment, adjusted for dividend income received. The adjustment is recorded on a regular basis to the income statement in respect of the changes occurring during the year. This method is also used for non-consolidated subsidiaries.

**N) Intangible Assets**

Costs related to leasehold rights are regarded as intangible assets. The leasehold rights are amortized over the remaining lease contract period on a straight-line basis.

**O) Tangible Fixed Assets**

Tangible fixed assets are recorded at historical cost less accumulated depreciation. If the fair value of a fixed asset is lower than its carrying amount, due to circumstances not considered to be temporary, the fixed asset is written down to its fair value.

Leasehold improvements are capitalized and depreciated over the remaining lease contract period on a straight-line basis.

Depreciation is calculated using the straight-line method of depreciation based on the estimated useful life of the asset. The following depreciation rates have been applied:

<b>Category</b>	<b>Annual Rate</b>
Buildings	2.5% – 20%
Leasehold improvements	10%
Transport vehicles	20%
Office equipment	20% – 33%

Assets under the course of construction are not depreciated. Costs related to the purchase and development of computer software are regarded as fixed assets. These assets are initially measured and capitalized in the balance sheet at cost. Amortization of the assets will be provided to write off the cost related to computer software on a straight-line basis over a five-year period from the date of finalization of installation.

Maintenance and repair costs are charged to the statement of income as incurred.

**P) Sale and Repurchase Agreements**

These agreements are accounted for as financing transactions. Under sale and repurchase agreements, where the Bank is the transferor, assets transferred remain on the Bank's balance sheet and are subject to the Bank's usual accounting policies, with the purchase price received included as a liability owed to the transferee. Where the Bank is the transferee, the assets are not included in the Bank's balance sheet, but the purchase price paid by it to the transferor is included as an asset. Interest income or expense arising from outstanding sale and repurchase agreements is recognized in the statement of income over the term of the agreement.

**Q) Financial Instruments**

■ Derivatives

In the normal course of business, the Bank is a party to contracts for forward foreign exchange rate and currency swap instruments, which are carried in off-balance sheet accounts.

Subsequent to initial recognition and measurement, receivables and payables arising from outstanding forward foreign exchange rate contracts, which are not classified as hedging instruments, are re-measured and carried in off-balance sheet accounts at the fair value.

A gain or loss from a change in the fair value of receivables and payables arising from outstanding forward foreign exchange rate contracts which are not classified as hedging instruments is recognised in the statement of income as they arise.

A gain or loss from a change in the fair value of receivables and payables arising from outstanding forward foreign exchange rate contracts accounted for as a hedge is recognised in the statement of income when the corresponding loss or gain from a change in the fair value of the completely hedged position is recognised in the statement of income.

Off-balance sheet financial assets and financial liabilities arising from currency swap deals involving an initial exchange of the principal which is then re-exchanged at a predetermined rate on the maturity of the swap are carried in off-balance sheet accounts at the rate of exchange prevailing at the end of the reporting period.

■ Other Off-balance Sheet Instruments

In the ordinary course of business, the Bank has 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 the commitment is established. The methodology for provisioning against off-balance sheet instruments is consistent with that adopted for loans and advances to customers as described in paragraph I) above.

**R) Trust Activities**

Funds managed by the Bank on behalf of individuals, trusts and other institutions are not regarded as assets of the Bank and, therefore, are not separately included in the balance sheet. As required by Bank of Latvia the total assets and funds under trust management and the equal and opposite liability to trust customers are reported on both sides of the balance sheet.

**S) Fair Values of Financial Assets and Liabilities**

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. 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) Cash and Cash Equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents are defined as the amounts comprising cash and demand deposits with the Bank of Latvia and other credit institutions less demand deposits taken from other credit institutions.

**NOTE 5. INTEREST INCOME AND EXPENSE**

	<b>1999</b>	<b>1998</b>
	LVL 000's	LVL 000's
Interest income		
interest on balances due from credit institutions	1,601	2,638
interest on loans and advances to non-banking customers	16,072	12,149
interest on treasury bills and other fixed income securities	4,218	5,768
<b>Total interest income</b>	<b>21,891</b>	<b>20,555</b>
Interest expense		
interest on balances due to credit institutions	(1,189)	(661)
interest on deposits from the public	(8,022)	(5,627)
interest on bonds and other fixed income securities	(56)	-
deposits guarantee fund expense	(129)	-
<b>Total interest expense</b>	<b>(9,396)</b>	<b>(6,288)</b>
<b>Net interest income</b>	<b>12,495</b>	<b>14,267</b>



## NOTE 6. COMMISSION AND FEE INCOME AND EXPENSE

	<b>1999</b>	<b>1998</b>
	LVL 000's	LVL 000's
Commission and fee income		
cash disbursement/transaction commission	874	1,029
service fee for account maintenance	1,600	1,595
payment transfer fee	3,239	2,988
customs declarations	-	190
securities	164	449
credit lines	-	78
transactions with settlement cards	3,090	2,716
review of loan applications and collateral evaluation	1,120	773
letters of credit	181	159
cash collection	61	65
<b>Total commission and fee income</b>	<b>10,329</b>	<b>10,042</b>
Commission and fee expense		
fees related to correspondent accounts	(471)	(1,936)
fees related to creditcard operations	(1,237)	-
<b>Total commission and fee expense</b>	<b>(1,708)</b>	<b>(1,936)</b>
<b>Net commission and fee income</b>	<b>8,621</b>	<b>8,106</b>

## NOTE 7. PROFIT ON SECURITIES TRADING AND FOREIGN EXCHANGE

	<b>1999</b>	<b>1998</b>
	LVL 000's	LVL 000's
Profit from currency exchange operations	6,045	5,206
Profit/(loss) from trading and revaluation of securities	1,314	(317)
Profit from purchase and/or sale of other financial instruments	214	110
Loss from revaluation of foreign currency positions	(2,474)	(1,674)
Profit/(loss) from revaluation of off balance sheet foreign currency positions (note 31)	676	(1,612)
<b>Net profit on securities trading and foreign exchange</b>	<b>5,775</b>	<b>1,713</b>

## NOTE 8. OTHER OPERATING INCOME

	<b>1999</b>	<b>1998</b>
	LVL 000's	LVL 000's
Net proceeds from sale of jewelry	242	315
Income from dividends received	12	87
Income from penalties received	615	-
Safety boxes rental income	67	61
Other operating income	336	79
<b>Total other operating income</b>	<b>1,272</b>	<b>542</b>

## NOTE 9. ADMINISTRATIVE EXPENSE

Administrative expense comprises the following items:

	<b>1999</b>	<b>1998</b>
	LVL 000's	LVL 000's
Remuneration and related social security expense	6,976	5,625
Advertising, marketing and sponsorship	2,286	1,416
Repairs and maintenance	1,270	1,199
Communications (telephone, telex, mail)	1,354	1,225
Rent for premises	721	527
Consulting and professional fees	334	253
Travel and representation	955	1,132
Car maintenance	426	337
Security	270	270
Insurance	293	21
Property tax	135	114
Real estate tax	11	-
Other administrative expense	162	515
<b>Total administrative expense</b>	<b>15,193</b>	<b>12,625</b>

## NOTE 10. REMUNERATION AND RELATED SOCIAL SECURITY EXPENSE

Remuneration and related social security expense includes remuneration to the personnel of the Bank and related social security tax and other benefits costs. The President and the Deputy Chairman of the Board of the Bank have not received any remuneration in respect to their employment. The Council members receive no remuneration in respect of their position.

	<b>1999</b>	<b>1998</b>
	LVL 000's	LVL 000's
Remuneration to other personnel	5,529	4,439
Social security expense	1,447	1,186
<b>Total remuneration and related social security expense</b>	<b>6,976</b>	<b>5,625</b>

The total number of personnel employed by the Bank is specified as follows:

	<b>1999</b>	<b>1998</b>
Members of the Council	3	3
Members of the Board	3	3
Other personnel	1,015	910
<b>Total number of personnel employed</b>	<b>1,021</b>	<b>916</b>

## NOTE 11. OTHER OPERATING EXPENSE

	<b>1999</b>	<b>1998</b>
	LVL 000's	LVL 000's
Expense related to the delivery of bank notes	12	50
Penalty fees	25	17
Other operating expense	211	141
<b>Total other operating expense</b>	<b>248</b>	<b>208</b>

## NOTE 12. PROVISION EXPENSE FOR POSSIBLE CREDIT LOSSES AND RELEASE OF PREVIOUSLY ESTABLISHED PROVISION

An analysis of the change in provision for possible credit losses is presented as follows:

	<b>1999</b> LVL 000's	<b>1998</b> LVL 000's
Specific provision at the beginning of the period	8,161	5,708
General provision at the beginning of the period	2,286	1,382
<b>Total provision at the beginning of the period</b>	<b>10,447</b>	<b>7,090</b>
Specific provision charged to statement of income	7,429	9,629
General provision charged to statement of income	-	904
Assets write-off expenses	19	-
Total provision charged to statement of income	7,448	10,533
Release of previously established specific provision	(1,835)	(3,507)
Increase/(decrease) in provision due to currency fluctuations	(23)	(118)
<b>Net provision expense</b>	<b>5,590</b>	<b>6,908</b>
<b>Reversal of specific provision due to write-offs</b>	<b>-</b>	<b>(3,551)</b>
Specific provision at the end of the period	13,751	8,161
General provision at the end of the period	2,286	2,286
<b>Provision for possible credit losses at the end of the period</b>	<b>16,037</b>	<b>10,447</b>

The table below shows the division of the provision for credit losses as of 31 December 1999.

	<b>31/12/1999</b> LVL 000's			<b>1998</b> LVL 000's	
	Gross outstanding balance	Specific provision	General provision	Net outstanding balance	Net outstanding balance
Due from credit institutions	100,318	3,099	142	97,077	18,000
Loans and advances					
to non-banking customers	169,368	8,107	1,773	159,488	151,624
Fixed income securities	99,645	1,758	326	97,561	87,789
Non-fixed income securities	5,999	-	24	5,975	4,093
Investments in subsidiaries	193	-	-	193	189
Investments in affiliates	280	-	-	280	642
Guarantees issued	33,665	-	21	33,644	2,497
Accrued interest income	3,703	787	-	2,916	-
<b>Total</b>	<b>413,171</b>	<b>13,751</b>	<b>2,286</b>	<b>397,134</b>	<b>264,834</b>

The Bank's Management has evaluated the Bank's exposure to the inter-bank market and recognises that a number of the exposures in Russia and CIS are of a relatively high-risk nature. Specific provisions have been made where considered appropriate.

In 1998 the Management adopted a 2% general credit loss provisioning policy for performing loans and advances excluding loans that are considered to be zero credit risk. The Management of the Bank believed that such a provisioning policy was appropriate and prudent under the circumstances.

In 1999 due to changes in the market conditions, the Management reviewed the general credit loss provisioning policy for main groups of assets and adopted the following general credit loss provisioning policy:

Due from credit institutions	3.50%
Loans and advances to non-banking customers	1.25%
Fixed income securities	2.00%

In 1999 general provisions were not made for balances at OECD country credit institutions, or for securities issued by credit institutions and enterprises registered in OECD countries.

## NOTE 13. TAXATION

According to Latvian tax legislation relating to foreign investment, the Bank is eligible for a 50% tax holiday for five years from 1 January 1997, and is accordingly subject to a 12.5% income tax on taxable income.

Previously the Bank had assumed its tax holding started from 30 April 1996. However, following recent clarification of the law, the 50% tax holiday was deemed to have commenced from 1 January 1997. The amount of LVL 610,000 represents the overpayment of income tax paid in respect of 1996 income, due to the change in the application of tax law.

Since 1997 the State Revenue Service has not performed full tax audit in the Bank. There is therefore the possibility that during such a tax audit the final tax liabilities may differ to the amounts accounted for in those years.

Taxation expense is comprised of the following items:

	<b>1999</b>	<b>1998</b>
	LVL 000's	LVL 000's
Corporate income tax charge	337	408
Deferred tax	100	-
Release of corporate income tax overpaid in 1996	-	(610)
<b>(Credit)/charge for corporate income taxation</b>	<b>437</b>	<b>(202)</b>
Profit before tax	4,614	1,008
Tax at 12.5% rate (1998: 12.5%)	577	126
Expenses which do not reduce taxable income	78	455
Income, not subject to income tax	(153)	(68)
Expenses which reduce the tax (donations)	(65)	(105)
	<b>437</b>	<b>408</b>

## NOTE 14. CASH AND DEPOSITS WITH THE BANK OF LATVIA

Cash and deposits with the Bank of Latvia include the following:

	<b>31/12/99</b>	<b>31/12/98</b>
	LVL 000's	LVL 000's
Cash	17,865	12,662
Deposits with the Bank of Latvia	7,149	9,531
<b>Total cash and deposits with the Bank of Latvia</b>	<b>25,014</b>	<b>22,193</b>

The correspondent account with the Bank of Latvia is non-interest bearing.

According to the resolution No. 33/4 of the Council of the Bank of Latvia, credit institutions should comply with a compulsory reserve requirement.

This compulsory reserve must be exceeded by a credit institution's average monthly balance in lats on its correspondent account with the Bank of Latvia plus cash in lats. For the purposes of review of the Bank's compliance with the compulsory reserve requirement, the average monthly cash in lats may not exceed the average monthly lats balance held with the Bank of Latvia. A/s Parex Bank was in compliance with this regulation at 31 December 1999.

## NOTE 15. BALANCES DUE FROM CREDIT INSTITUTIONS

	<b>31/12/99</b>	<b>31/12/98</b>
	LVL 000's	LVL 000's
Due from credit institutions registered in the OECD area	90,336	8,263
Due from credit institutions registered in Latvia	135	2,857
Due from credit institutions registered in other countries	9,847	7,977
Total gross balances due from credit institutions	100,138	19,097
Less provision for possible credit losses (see Note 12)	(3,241)	(1,097)
<b>Total net balances due from credit institutions</b>	<b>97,077</b>	<b>18,000</b>

Maturity profile LVL 000's	Due from credit institutions registered in			Total 31/12/99	Total 31/12/98
	OECD area	Latvia	Other countries		
Correspondent accounts	19,452	135	8,933	28,520	10,769
Overnight deposits	1,382	-	-	1,382	5,318
Total demand deposits	20,834	135	8,933	29,902	16,087
Term deposits to credit institutions:					
due within 1 month	68,515	-	173	68,688	408
due within 1-3 months	67	-	12	79	2,241
due within 3-6 months	42	-	-	42	314
due within 6-12 months	-	-	729	729	47
1 year and more	878	-	-	878	-
Total term deposits	69,502	-	914	70,416	3,010
Less provision for possible credit losses (see Note 12)	-	-	(3,241)	(3,241)	(1,097)
<b>Total net balances due from credit institutions</b>	<b>90,336</b>	<b>135</b>	<b>6,606</b>	<b>97,077</b>	<b>18,000</b>

## NOTE 16. LOANS AND ADVANCES TO NON-BANKING CUSTOMERS

### (a) Loans and advances to non-banking clients

Loans and advances to non-banking clients comprise the following:

	31/12/99 LVL 000's	31/12/98 LVL 000's
Regular loans	61,086	74,823
Loans under reverse repurchase agreements	6,095	-
Utilised credit lines	44,878	36,735
Total gross loans to non-banking customers	<b>112,059</b>	<b>111,558</b>
Finance leases	52,329	45,697
Overdraft facilities on demand deposit accounts	2,752	2,527
Debit balances on settlement cards	2,228	192
Total other credit balances	<b>4,980</b>	<b>2,719</b>
Total gross loans and advances to non-banking customers	169,368	159,974
Less provision for possible credit losses (see Note 12)	(9,880)	(8,350)
<b>Total net loans and advances to non-banking customers</b>	<b>159,488</b>	<b>151,624</b>

The Latvian banking legislation requires that any credit exposure to a non-related entity or group of non-related entities may not exceed 25% of a credit institution's equity (see Note 35 for the definition of equity under Latvian banking legislation) and the total credit exposure to all related parties may not exceed 15% of equity.

As of 31 December 1999, the Bank was in compliance with the legal requirement set for the total amount of non-zero risk credit exposure to related parties and non-related entities.

### (b) Finance leases by type of investments

Finance leases comprise the following:

	31/12/99 LVL 000's	31/12/98 LVL 000's
Manufacturing equipment	5,910	7,868
Transport vehicles	15,273	15,502
Real estate	12,138	8,560
Gasoline retailing stations	258	238
Other	18,750	13,529
<b>Total gross finance leases</b>	<b>52,329</b>	<b>45,697</b>

**(c) Loans by customer profile**

<b>Customer profile</b>	<b>31/12/99</b> LVL 000's	<b>31/12/98</b> LVL 000's
Government	607	910
Local municipalities	9,082	2,867
State owned enterprises	330	320
Privately held companies	131,761	138,786
<b>Total gross loans and advances to corporate customers</b>	<b>141,780</b>	<b>142,883</b>
Personnel employed by the Bank	1,054	584
Other private individuals	26,534	16,507
<b>Total gross loans and advances to non-banking customers</b>	<b>169,368</b>	<b>159,974</b>
Less provision for possible credit losses (see Note 12)	(9,880)	(8,350)
<b>Total net loans and advances to non-banking customers</b>	<b>159,488</b>	<b>151,624</b>

**(d) Loans by industry sector**

An industry analysis of the gross portfolio of loans and advances to enterprises before provisions for possible credit losses comprises of:

<b>Industry sector</b>	<b>31/12/99</b> LVL 000's	<b>31/12/98</b> LVL 000's
Manufacturing	19,895	18,461
Trade	22,881	32,114
Transport and communications	19,350	24,160
Electricity, gas and water supply	8,198	317
Agriculture and forestry	3,676	1,288
Financial intermediation	32,715	34,461
Construction	2,686	2,420
Fishing	958	925
Hotels and restaurants	3,848	1,867
Other industries	27,573	26,870
<b>Total gross loans and advances to corporate customers</b>	<b>141,780</b>	<b>142,883</b>

**(e) Loans by geographical profile**

<b>Geographical profile</b>	<b>31/12/99</b> LVL 000's	<b>31/12/98</b> LVL 000's
OECD region residents	32,916	42,590
Latvian residents	111,138	96,730
Non-OECD region residents	25,314	20,654
<b>Total gross loans and advances to non-banking clients</b>	<b>169,368</b>	<b>159,974</b>
Less provision for possible credit losses (see Note 12)	(9,880)	(8,350)
<b>Total net loans and advances to non-banking customers</b>	<b>159,488</b>	<b>151,624</b>

**(f) Loans by maturity profile**

The table below provides the division of outstanding loans and advances to non-banking customers by maturity profile.

<b>Maturity profile</b>	<b>31/12/99</b> LVL 000's	<b>31/12/98</b> LVL 000's
Overdue	7,470	6,378
Falling due within		
1 month	12,634	24,096
1 – 3 months	17,881	21,581
3 – 6 months	20,956	23,621
6 – 12 months	36,538	22,338
1 – 5 years	62,613	41,485
more than 5 years	11,276	20,475
<b>Total gross loans and advances to non-banking customers</b>	<b>169,368</b>	<b>159,974</b>
Less provision for possible credit losses (see Note 12)	(9,880)	(8,350)
<b>Total net loans and advances to non-banking customers</b>	<b>159,488</b>	<b>151,624</b>

The table below presents the division of overdue loans and advances to non-banking customers by year of issuance:

1992	1993	1994	1995	1996	1997	1998	1999	Total
337	689	1,128	985	425	1,353	2,379	174	7,470

## NOTE 17. NON-ACCRUAL LOANS

The following table provides the aggregate amount of outstanding loans and advances to customers for which interest was not being accrued at 31 December 1999.

<b>Interest accrual basis</b>	<b>31/12/99</b> LVL 000's	<b>31/12/98</b> LVL 000's
Accrual basis	157,691	153,596
Non-accrual basis	11,677	6,378
<b>Total gross loans and advances to non-banking customers</b>	<b>169,368</b>	<b>159,974</b>
Less provision for possible credit losses (see Note 12)	(9,880)	(8,350)
<b>Total net loans and advances to non-banking customers</b>	<b>159,488</b>	<b>151,624</b>

## NOTE 18. UNEARNED INTEREST INCOME ON FINANCE LEASE DEALS

	<b>31/12/99</b> LVL 000's	<b>31/12/98</b> LVL 000's
Short-term unearned income	4,955	4,394
Long-term unearned income	5,247	7,585
<b>Total unearned interest income on finance lease deals</b>	<b>10,202</b>	<b>11,979</b>

## NOTE 19. TREASURY BILLS AND OTHER FIXED INCOME SECURITIES

	<b>31/12/99</b> LVL 000's	<b>31/12/98</b> LVL 000's
Private financial institution	8,283	2,902
State Treasury Bills	12,212	2,967
Government bonds	27,307	13,090
Municipality bonds	90	201
Credit institution bonds	11,434	4,828
Corporate bonds	-	-
Short-term money management account	12,117	44,805
Securities held with a custodian bank	28,202	19,951
Total gross treasury bills and other fixed income securities	99,645	88,744
Provision for possible diminution in value	(2,084)	(955)
<b>Total net treasury bills and other fixed income securities</b>	<b>97,561</b>	<b>87,789</b>

As of 31 December 1999 securities amounting to LVL 000's 33,842 had been pledged according to repo agreements.

Total investments in treasury bills and other fixed income securities are classified by listed and unlisted securities as follows (all amounts in LVL 000's):

	31/12/99			31/12/98		
	Listed	Unlisted	Total	Listed	Unlisted	Total
Treasury bills:						
Latvian State treasury bills	12,096	117	12,213	-	2,762	2,762
Other non-OECD treasury bills	-	-	-	205	-	205
<b>Total</b>	<b>12,096</b>	<b>117</b>	<b>12,213</b>	<b>205</b>	<b>2,762</b>	<b>2,967</b>
Government bonds:						
Latvian treasury bills denominated in LVL	61	-	61	-	-	-
Latvian treasury bills denominated in EUR	8,872	-	8,872	-	-	-
Non-OECD (excluding Latvia) denominated in RUR	282	-	282	-	-	-
Non-OECD (excluding Latvia) OECD	10,187	2,095	12,282	4,964	3,612	8,576
OECD	5,809	-	5,809	2,931	1,583	4,514
Municipality bonds:						
Non-OECD (excluding Latvia)	90	-	90	201	-	201
Bonds of credit institutions:						
OECD	10,470	583	11,053	3,406	1,058	4,464
Non-OECD (excluding Latvia)	11	370	381	7	357	364
Bonds of other financial institutions:						
OECD	5,829	2,454	8,283	2,860	42	2,902
Short-term money management account	-	12,117	12,117	-	44,805	44,805
Securities held with a custodian bank	-	28,202	28,202	-	19,951	19,951
Total gross fixed income securities	53,707	45,938	99,645	14,574	74,170	88,744
Provision for possible diminution in value	(438)	(1,646)	(2,084)	(564)	(391)	(955)
<b>Total net fixed income securities</b>	<b>53,269</b>	<b>44,292</b>	<b>97,561</b>	<b>14,010</b>	<b>73,779</b>	<b>87,789</b>

Treasury bills and other fixed income securities held by the Bank on its own account are analysed as follows:

	31/12/99			31/12/98		
	LVL 000's			LVL 000's		
	Securities held for investment purposes	Securities held for trading purposes	Total	Securities held for investment purposes	Securities held for trading purposes	Total
State Treasury Bills	12,212	-	12,212	2,762	205	2,967
Government bonds	27,025	282	27,307	13,090	-	13,090
Municipality bonds	90	-	90	201	-	201
Credit institution bonds	11,423	11	11,434	4,821	7	4,828
Corporate bonds	-	-	-	-	-	-
Financial institution bonds	8,283	-	8,283	2,902	-	2,902
Short-term money management account	-	12,117	12,117	-	44,805	44,805
Securities held with a custodian bank	-	28,202	28,202	-	19,951	19,951
Total gross fixed income securities	59,033	40,612	99,645	23,776	64,968	88,744
Provision for possible diminution in value	-	-	(2,084)	-	-	(955)
<b>Total net fixed income securities</b>			<b>97,561</b>			<b>87,789</b>

The value of non-amortised discount for long-term investments in fixed income debt securities purchased on the Bank's own account amounted to LVL 1,912,184 at 31 December 1999.



## NOTE 20. TREASURY BILLS AND OTHER FIXED INCOME SECURITIES BY MATURITY PROFILE

Maturity profile	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total portfolio in LVL 000's
Government bonds	2,098	609	4,756	6,376	18,843	16,274	48,956
Municipality bonds	13	-	77	-	-	-	90
Credit institution bonds	592	1,447	-	-	9,385	1,258	12,682
Corporate bonds	810	376	1,944	578	4,586	2,223	10,517
Financial institution bonds	188	1,084	3,144	1,260	9,383	224	15,283
Short-term money management account	12,117	-	-	-	-	-	12,117
Total gross fixed income securities	15,818	3,516	9,921	8,214	42,197	19,979	99,645
Provision for possible diminution in value	(682)	-	(26)	-	(1,063)	(313)	(2,084)
<b>Total net fixed income securities</b>	<b>15,136</b>	<b>3,516</b>	<b>9,895</b>	<b>8,214</b>	<b>41,134</b>	<b>19,666</b>	<b>97,561</b>

## NOTE 21. SHARES AND OTHER NON-FIXED INCOME SECURITIES

The following table provides the division between shares and other non-fixed income securities held by the Bank for investment and trading purposes:

Type of investment	31/12/99 LVL 000's			31/12/98 LVL 000's		
	Invest- ment	Trading	Total	Invest- ment	Trading	Total
Equity shares						
in OECD corporate entities	12	-	12	12	-	12
in Latvian credit institutions	5,566	-	5,566	4,794	-	4,794
in other non-OECD credit institutions	-	8	8	-	1	1
in Latvian financial institutions	25	-	25	-	-	-
in Latvian corporate entities	-	200	200	25	47	72
in other non-OECD corporate entities	-	52	52	24	312	336
Total equity shares	<b>5,603</b>	<b>260</b>	<b>5,863</b>	<b>4,855</b>	<b>360</b>	<b>5,215</b>
Latvian privatization certificates	-	136	136	-	57	57
Total gross non-fixed income securities	<b>5,603</b>	<b>396</b>	<b>5,999</b>	<b>4,855</b>	<b>417</b>	<b>5,272</b>
Provision for possible diminution in value	-	(24)	(24)	(1,155)	(24)	(1,179)
<b>Total net non-fixed income securities</b>	<b>5,603</b>	<b>372</b>	<b>5,975</b>	<b>3,700</b>	<b>393</b>	<b>4,093</b>

Investments in listed equity shares held for trading purposes have been recorded at their market value.

Equity shares in Latvian credit institutions represent a share holding in the Latvijas Unibanka, the second largest Latvian bank. The shares are treated as a strategic investment.

The Management of the Bank believes that the increase in share value of the Latvijas Unibanka at the end of 1999 and beginning of 2000 justified the release of the provisions previously made. Therefore the value of investment was adjusted accordingly.

The following table shows the division of investments in shares and other non-fixed income securities held by the Bank by listed and unlisted securities:

	31/12/99			31/12/98		
	Listed	Unlisted	Total	Listed	Unlisted	Total
	LVL 000's			LVL 000's		
Equity shares						
in OECD corporate entities	-	12	12	-	12	12
in Latvian credit institutions	5,566	-	5,566	4,794	-	4,794
in other non-OECD credit institutions	8	-	8	1	-	1
in Latvian financial institutions	-	25	25	-	-	-
in Latvian corporate entities	199	1	200	47	25	72
in other non-OECD corporate entities	46	6	52	312	24	336
<b>Total equity shares</b>	<b>5,819</b>	<b>44</b>	<b>5,863</b>	<b>5,154</b>	<b>61</b>	<b>5,215</b>
Latvian privatization certificates	-	136	136	-	57	57
<b>Total gross non-fixed income securities</b>	<b>5,819</b>	<b>180</b>	<b>5,999</b>	<b>5,154</b>	<b>118</b>	<b>5,272</b>
Provision for possible diminution in value	(24)	-	(24)	(1,179)	-	(1,179)
<b>Total net fixed income securities</b>	<b>5,795</b>	<b>180</b>	<b>5,975</b>	<b>3,975</b>	<b>118</b>	<b>4,093</b>

## NOTE 22. INVESTMENTS IN SUBSIDIARIES

The table below shows investments in subsidiaries' capital, which have been recorded in the Bank's financial statements using the equity method. Due to the nature of activities and the amount invested, the Management of the Bank is of the opinion that consolidation is not necessary or appropriate under the current circumstances.

	Country of incorporation	Business profile	Share capital in LVL 000's	The Bank's share (%)	% of total voting rights	Investment value in LVL 000's
Parex Capital Ukraine	Ukraine	Finance	12	58	58	-
Parex Broker System Ltd	Latvia	Custom brokerage service	120	87	87	104
Open pension fund "Sociālais nodrošinājums" BAS	Latvia	Finance	100	77	77	77
Parex Asset Management Company Limited	Ireland	Finance	87	100	100	6
M.B.M. Investments Ltd	Ireland	Finance	1	100	100	-
Wasman Trading Ltd	Ireland	Finance	1	100	100	-
Bardera Holdings Limited	Cyprus	Finance	5	100	100	-
Kay Castle Limited	Cyprus	Finance	5	100	100	-
Regalite Holding Limited	Cyprus	Finance	5	100	100	-
Rockus Enterprises Limited	Cyprus	Finance	3	100	100	-
Institute of Transport and Communication	Latvia	Education	5	91	92	6
<b>Total net investments in subsidiaries</b>						<b>193</b>

The Bank has used the equity accounting method in establishing the investment value for its investments in subsidiaries at the year end.

## NOTE 23. INVESTMENTS IN AFFILIATED ENTITIES

	Country of incorporation	Business profile	Share capital in LVL 000's	The Bank's share (%)	% of total voting rights	Bank's investment LVL 000's
Parekss Dzīvība, A/s under liquidation	Latvia	Life insurance	600	39.84	39.84	221
Loka – 2, SIA	Latvia	Trading	2	48.90	48.90	-
Jurmala Yacht Club, BO SIA	Latvia	Transport	2	8.33	8.33	-
Bank Service Centre, SIA	Latvia	Finance	200	24.00	24.00	59
<b>Total net investments in affiliated entities</b>						<b>280</b>

## NOTE 24. INTANGIBLE ASSETS AND FIXED ASSETS

### Intangible assets

Intangible assets comprise leasehold rights related to a building situated in Riga, Latvia. The leasehold rights are being amortised over the ten-year lease contract on a straight-line basis. At 31 December 1999, the non-amortised balance of the capitalised leasehold rights amounted to LVL 307,000 (1998: LVL 385,000).

### Fixed assets

	31/12/99 LVL 000's	31/12/98 LVL 000's
Leasehold improvements	398	311
Buildings	3,841	4,401
Transport vehicles	1,022	1,133
Office equipment	3,528	3,590
Total fixed assets excluding prepayments	8,789	9,435
Prepayments for fixed assets	302	218
<b>Total net book value of fixed assets</b>	<b>9,091</b>	<b>9,653</b>

The following changes in the Bank's fixed assets took place during the year ended 31 December 1999 (all amounts in LVL 000's):

	Leasehold improvements	Buildings	Transport vehicles	Office equipment	Total fixed assets excluding prepayments
<b>Historical cost</b>					
As of 1 January 1999	752	5,642	2,047	6,701	15,142
Additions during the period	184	667	387	1,641	2,879
Disposals during the period	-	(1,775)	(293)	(42)	(2,110)
As of 31 December 1999	<b>936</b>	<b>4,534</b>	<b>2,141</b>	<b>8,300</b>	<b>15,911</b>
<b>Accumulated depreciation</b>					
As of 1 January 1999	441	1,241	914	3,111	5,707
Charge for the period	97	206	378	1,696	2,377
Reversal due to disposals	-	(754)	(173)	(35)	(962)
As of 31 December 1999	<b>538</b>	<b>693</b>	<b>1,119</b>	<b>4,772</b>	<b>7,122</b>
<b>Net book value</b>					
As of 1 January 1999	<b>311</b>	<b>4,401</b>	<b>1,133</b>	<b>3,590</b>	<b>9,435</b>
As of 31 December 1999	<b>398</b>	<b>3,841</b>	<b>1,022</b>	<b>3,528</b>	<b>8,789</b>
<b>Depreciation percentage (straight-line)</b>	10%	2.5-20%	20%	20-33%	N/A

Additions to buildings represent capitalised reconstruction and improvement costs incurred by the Bank in 1999 (depreciated over the period of five to forty years) and acquisition of land and buildings in Riga on Smilšu iela 5 and in Daugavpils on Rigas iela 34.

### Depreciation charge in the income statement

The depreciation charge in the income statement comprises the following:

	31/12/99 LVL 000's	31/12/98 LVL 000's
Amortisation of intangible assets	80	80
Depreciation of fixed assets	2,377	2,238
Disposals of fixed assets (net book value)	38	-
<b>Charge to income statement</b>	<b>2,495</b>	<b>2,318</b>

### NOTE 25. OTHER ASSETS

	31/12/99 LVL 000's	31/12/98 LVL 000's
Fixed assets for sale	190	-
Money in transit	796	809
Corporate income tax receivable	951	923
Jewelry	461	627
Revaluation of spot foreign exchange positions	675	211
Other short-term assets	1,257	751
<b>Total other assets</b>	<b>4,330</b>	<b>3,321</b>

### NOTE 26. BALANCES DUE TO CREDIT INSTITUTIONS

	31/12/99 LVL 000's	31/12/98 LVL 000's
Due to credit institutions registered in the OECD area	17,853	31,967
Due to credit institutions registered in Latvia	12,894	789
Due to credit institutions registered in other non- OECD countries	22,180	6,837
<b>Total balances due to credit institutions</b>	<b>52,927</b>	<b>39,593</b>

The following table contains balances due to credit institutions according to maturity profile:

Maturity profile LVL 000's	Due from credit institutions registered in			Total 31/12/99	Total 31/12/98
	OECD area	Latvia	non- OECD		
Total balances repayable on demand	60	702	19,645	20,407	23,980
Loans from credit institutions:					
due within 1 month	17,793	5,191	1,526	24,510	-
due within 1-3 months	-	7,000	-	7,000	1,723
due within 3-6 months	-	-	177	177	1,706
due within 6-12 months	-	-	832	832	11,380
due within 1-5 years	-	1	-	1	1
over 5 years	-	-	-	-	803
Total loans from credit institutions	<b>17,793</b>	<b>12,192</b>	<b>2,535</b>	<b>32,520</b>	<b>15,613</b>
<b>Total due to credit institutions</b>	<b>17,853</b>	<b>12,894</b>	<b>22,180</b>	<b>52,927</b>	<b>39,593</b>

Balances repayable on demand comprise of vostro accounts and overdrafts outstanding on the Bank's correspondent accounts as of 31 December 1999. None of these balances are due to related credit institutions.

## NOTE 27. DEPOSITS FROM THE PUBLIC

<b>Maturity profile</b>	<b>31/12/99</b>	<b>31/12/98</b>
	LVL 000's	LVL 000's
Demand deposits	222,346	183,858
Term deposits		
due within 1 month	39,134	11,084
due within 1 to 3 months	6,819	2,591
due within 3 to 6 months	5,271	6,168
due within 6 to 12 months	18,121	5,365
due within 1 to 5 years	8,471	7,343
due in more than 5 years	2,191	790
<b>Total term deposits</b>	<b>80,007</b>	<b>33,341</b>
<b>Total deposits from the public</b>	<b>302,353</b>	<b>217,199</b>

The following table shows deposits from the public according to sector profile:

<b>Sector profile</b>	<b>31/12/99</b>	<b>31/12/98</b>
	LVL 000's	LVL 000's
Government	9,278	12,034
Municipalities	3,620	49
Financial institutions	16,962	1,154
State owned enterprises	7,043	7,526
Public and religious institutions	1,076	1,018
Privately held companies	214,206	155,248
Private individuals	35,320	28,029
Bank's employees	14,848	12,141
<b>Total deposits from the public</b>	<b>302,353</b>	<b>217,199</b>

<b>Geographical profile</b>	<b>31/12/99</b>	<b>31/12/98</b>
	LVL 000's	LVL 000's
Latvian residents	73,179	66,452
Non-residents	229,174	150,747
<b>Total deposits from the public</b>	<b>302,353</b>	<b>217,199</b>

## NOTE 28. OTHER LIABILITIES

	<b>31/12/99</b>	<b>31/12/98</b>
	LVL 000's	LVL 000's
Money in transit	4,796	5,756
Revaluation of forward foreign exchange position	-	1,823
Other liabilities	789	2,052
<b>Total other liabilities</b>	<b>5,585</b>	<b>9,631</b>

Money in transit represents funds received, but not yet transferred to the recipients.

As of 31 December 1999, the Bank had issued bonds amounting to LVL 2,915,000.

## NOTE 29. PROVISION FOR LIABILITIES AND CHARGES

	<b>31/12/99</b>	<b>31/12/98</b>
	LVL 000's	LVL 000's
Provision for deferred tax	100	-
Provision for employee vacation pay	225	145
General provision for outstanding guarantees	21	21
<b>Total provision for liabilities and charges</b>	<b>346</b>	<b>166</b>

		<b>31/12/99</b> LVL 000's		<b>31/12/98</b> LVL 000's
			Tax effect	Tax effect
Deferred tax liabilities as a result of fast tax rate amortization	3,310		414	2,391
<b>Deferred tax assets</b>				
General provisions	(2,286)		286	(2,286)
Vocation for employee vocation pay	(225)		28	(145)
<b>Deferred tax liabilities (asset)</b>			<b>100</b>	<b>(5)</b>

In the Bank's 1998 financial statement deferred tax assets were not recognised.

### NOTE 30. SHAREHOLDERS' EQUITY

As of 31 December 1999 the Bank's registered and paid share capital was LVL 30,000,000. In accordance with the Bank's statutes, the share capital consists of 9,000,000 ordinary shares with voting rights and 21,000,000 ordinary shares without voting rights. All shares have a par value of LVL 1 each and were issued and fully paid as of 31 December 1999.

At 31 December 1999, the Bank did not own any of its own shares.

The Bank had 5 shareholders as at the end of the year. The Bank's principal shareholders at 31 December 1999 were as follows:

	<b>31/12/99</b> LVL 000's			<b>31/12/98</b> LVL 000's		
	Paid-in share capital	% of total paid-in capital	% of total voting rights	Paid-in share capital	% of total paid-in capital	% of total voting rights
Europe Holding Ltd., Isle of Man, UK	15,280	50.93%	-	15,280	50.93%	-
Valery Kargin	7,210	24.03%	50%	7,210	24.03%	50.00%
Viktor Krasovitsky	7,210	24.03%	50%	7,210	24.03%	50.00%
Other shareholders	300	1.01%	-	300	1.01%	-
<b>Total as of 31 December 1999</b>	<b>30,000</b>	<b>100%</b>	<b>100%</b>	<b>30,000</b>	<b>100.00%</b>	<b>100.00%</b>

### NOTE 31. MEMORANDUM ITEMS

Memorandum items comprise of the following contingent liabilities, financial commitments and net foreign exchange transactions outstanding at 31 December 1999:

	<b>31/12/99</b> LVL 000's	<b>31/12/98</b> LVL 000's
<b>Contingent liabilities</b>		
Outstanding guarantees	33,665	2,518
Less provision for guarantees (see Notes 12 and 29)	(21)	(21)
<b>Total contingent liabilities</b>	<b>33,644</b>	<b>2,497</b>
<b>Financial commitments</b>		
Loans granted not fully drawn down	-	1,579
Undrawn credit lines	13,519	21,860
<b>Total financial commitments</b>	<b>13,519</b>	<b>23,439</b>

Guarantees issued on behalf of related parties are collateralised by security deposits.

At 31 December 1999, the Bank had no outstanding commitments for capital expenditure.

	<b>31/12/99</b>	<b>31/12/98</b>
	LVL 000's	LVL 000's
<b>Foreign exchange transactions</b>		
Spot exchange payable	(6,787)	(4,947)
Forward foreign exchange payable	(41,435)	(32,500)
<b>Net foreign exchange transactions</b>	<b>(48,222)</b>	<b>(37,447)</b>

## NOTE 32. FUNDS UNDER TRUST MANAGEMENT

Under IAS, funds managed by a trustee on behalf of individuals, trusts and other institutions are not regarded as assets of the trustee and, therefore, are not included in its balance sheet.

The regulations of the Bank of Latvia require funds under trust management to be included in the balance sheet of the Bank as an addition to total assets and total liabilities, consistent with current Latvian legislation.

The table below provides an analysis of the funds managed on behalf of the Bank's customers by investment type:

<b>Investment profile</b>	<b>31/12/99</b>	<b>31/12/98</b>
	LVL 000's	LVL 000's
<b>Treasury bills and other fixed income securities</b>		
State Treasury Bills	77	1,443
Government bonds	5,075	9,755
Foreign municipality bonds	350	725
Corporate bonds	-	-
Credit institution bonds	939	516
Foreign financial institution bonds	59	2,380
Securities under trust management agreements	-	1,246
Securities held with custodian banks	-	1,913
<b>Total investments in fixed income securities</b>	<b>6,500</b>	<b>17,978</b>
<b>Other investments</b>		
Loans to non-banking entities	1,815	7,295
Loans to banks	-	899
Foreign equity shares	1,143	475
Foreign credit institution shares	49	119
Latvian equity shares	1,497	6
Latvian credit institution shares	-	5
<b>Total other investments</b>	<b>4,504</b>	<b>8,799</b>
<b>Total assets under trust management agreements</b>	<b>11,004</b>	<b>26,777</b>

As of 31 December 1999, the Bank had entered into several foreign exchange open contracts on behalf of its customers. These contracts possess no currency exchange risk to the Bank as customers have placed security deposits with the Bank in respective currencies and the Bank is authorised to close the contracts as soon as a customer's loss exceeds 80% of the security deposit.

Provision for other than temporary diminutions in value has not been established for assets under trust management, and accordingly the valuation of such assets may not be consistent with the valuation of similar securities in the Bank's own balance sheet.

## NOTE 33. LITIGATION AND CLAIMS

A/s Parex Bank was involved in the following litigation cases pending at the period end.

During 1997 and 1998 A/s Parex Bank entered into margin trade (brokerage) contracts with another Latvian credit institution. A security deposit amounting to USD 1,760,914 was placed by the credit institution. As a result of market price movements a loss of USD 2,720,735 arose. A/s Parex Bank offset the loss against the margin deposit and issued a further margin call to the credit institution which is included in Other Assets. The credit institution refused to comply with the margin call and subsequently A/s Parex Bank filed a lawsuit at the arbitration court. The arbitration court was won by A/s Parex Bank. Subsequently the credit institution asserted a lawsuit claiming the marginal trade (brokerage) contracts ineffective and claimed its security deposit of USD 1,760,914.

In March 2000 the case was heard in the Riga Regional Court and whilst the final ruling has not been issued, this court ruled in favour of the other credit institution. If the Bank has lost in this court it has and will take up its right to appeal to higher courts (the Court of Appeals and the Supreme Court). The Bank's Management, despite this setback in the Regional Court, has sought legal advice and is confident that the contracts with the credit institution stand on solid legal ground. Thus the amounts claimed from the credit institution are fully justified and accordingly, the Management believes no provision is required in the financial statements at 31 December 1999 against any of these amounts. In the event that the Bank ultimately loses this case, then the Bank could be liable to return the security deposit of USD 1,760,914 and to write off the remaining debtor balance of approximately USD 960,000, resulting in a reduction in the Bank's net equity of approximately USD 2,720,000 (approximately Ls 1,585,000).

The Bank was involved in a number of further legal proceedings in the ordinary course of business to recover collateral or outstanding credit balances and related interest and expenses from defaulted credit customers.

### **NOTE 34. CASH AND CASH EQUIVALENTS**

The table below provides a breakdown of cash and cash equivalents at 31 December 1999 and 31 December 1998:

	<b>31/12/99</b>	<b>31/12/98</b>
	LVL 000's	LVL 000's
Cash and demand deposits with the Bank of Latvia	25,014	22,193
Demand deposits with other credit institutions	30,774	16,087
Demand deposits taken from other credit institutions	(20,407)	(23,980)
<b>Total cash and cash equivalents</b>	<b>35,381</b>	<b>14,300</b>



## NOTE 35. CAPITAL ADEQUACY

Capital adequacy refers to the sufficiency of the Bank's capital resources to cover credit and similar risks arising from the Bank's portfolio of assets and the off balance sheet exposures.

The Bank of Latvia, which is the country's principal bank regulator, requires Latvian banks to maintain a capital adequacy ratio based on Latvian financial statements prepared under Latvian accounting standards of 10% of risk weighted assets. The Bank of Latvia's requirements are principally consistent with the internationally recognised Basel Committee guidelines for the calculation of equity to be utilised in the capital adequacy ratio.

Parex Bank's international risk based capital adequacy ratio as of 31 December 1999 was 14.62 % (1998: 16.26%), which is above the minimum ratio recommended by the 1988 Basel Committee guidelines of 8%. At the same time, in accordance with the Bank of Latvia's requirements, the Bank's risk based capital adequacy ratio was 14.32 % (1998: 16.19%). Based on these Bank of Latvia requirements, Parex Bank's equity to be utilized in the capital adequacy ratio as of 31 December 1999 was calculated as follows:

Description	Amounts in LVL 000's	Total per tier
<b>Tier 1</b>		
- paid-in share capital	30,000	
- share premium	-	
- legal and other reserves	-	
- audited retained earnings	3,752	
<b>Less</b>		
- total amount of preference shares	-	
- accumulated deficit	-	
- own shares held	-	
- intangible assets (as defined by the Bank of Latvia)	(307)	
- loss for the period	-	
<b>Total Tier 1</b>		<b>33,445</b>
<b>Tier 2</b>		
- subordinated capital (restricted to 50% of Tier 1)	-	
- audited profit for the current period (not subject to dividend distribution)	3,000	
- general banking risk reserve (appropriated from retained earnings)	-	
- fixed asset revaluation reserve (restricted to 70% of total increase in fixed assets value which has been certified by at least two independent evaluators)	-	
- revaluation reserve for long-term investments in securities (restricted to 55% of total increase in long-term investments)	-	
<b>Total Tier 2</b>		<b>36,445</b>
Less investments in other credit institutions' capital		(5,683)
		30,762
<b>Equity to be utilised in the capital adequacy ratio per the Bank of Latvia (36,445-83-(5,600-36,445x0.1))</b>		<b>34,407</b>
<b>Additional Tier 1</b>		
intangible assets		307
<b>Additional Tier 2</b>		
general provision for possible credit losses (restricted to 1.25% of risk weighted assets)		2,286
<b>Equity to be utilised in the capital adequacy ratio per the Basel Committee guidelines</b>		<b>33,355</b>

Furthermore, the total of Tier 2 may not exceed the total of Tier 1.

The guidelines of the Bank of Latvia for calculations of capital adequacy slightly differ from the recommendations under the Basel Committee guidelines. The following table shows asset weightings used in the calculation of Parex Bank's capital adequacy ratio according to the Bank of Latvia's requirements.

**Under the Bank of Latvia's guidelines:**

	Credit equivalent	Balance in LVL 000's	Risk Weighting	Risk Weighted Assets LVL 000's
<b>Assets</b>				
Cash and deposits with the Bank of Latvia		25,014	0%	-
Fixed income securities of the Latvian Government		21,146	0%	-
Loans and advances secured by Latvian government securities or guarantees or security deposits		18,022	0%	-
A zone government bonds		10,017	0%	-
Balances due from credit institutions within the A zone		90,331	20%	18,066
Demand deposits with credit institutions within Latvia		135	20%	-
A zone credit institution bonds		9,410	20%	1,882
Securities held with a custodian bank in yhe OECD area		-	20%	-
Other balances due from credit institutions within Latvia		-	50%	-
Prepayments and accrued interest income		3,650	50%	1,825
Loans to local municipalities in Latvia		7,372	50%	3,686
Balances due from B zone government		282	50%	141
Loans and advances against collateral		50,928	80%	40,742
Other fixed income securities of B zone governments, except Latvia		19,198	100%	19,198
Bonds of non-OECD area local municipalities, except Latvia		583	100%	583
Balances due from credit institutions within A zone, except Latvia		6,678	100%	6,678
Other loans		82,586	100%	82,586
Other securities with fixed income		37,439	100%	37,439
Shares and other non-fixed income securities		375	100%	375
Investments in subsidiaries and affiliated entities		390	100%	390
Fixed assets		9,091	100%	9,091
Other assets		4,330	100%	4,330
Intangible assets		307	-	-
Investment in credit institutions and finance institutions		5,600	-	-
Significant investment in credit institutions and finance institutions		83	-	-
<b>Total assets</b>		<b>402,967</b>		<b>227,039</b>
<b>Memorandum items</b>				
Funds under trust management		11,547	-	-
Guarantees issued				
zero risk weighted		32,968	0%	-
50% risk weighted		15	50%	8
80% risk weighted		-	80%	-
100% risk weighted		661	100%	661
Credit commitments		-	-	-
0% risk weighted		1,488	0%	-
50% risk weighted		100	50%	50
80% risk weighted		1,891	80%	1,513
100% risk weighted		10,040	100%	10,040
Financial contracts	2%	48,222	100%	964
<b>Total assets and memorandum items for capital adequacy</b>				<b>240,275</b>
<b>Equity to be utilised in the capital adequacy ratio</b>				<b>34,407</b>
<b>Capital Adequacy Ratio</b>				<b>14.32</b>

Based on the guidelines of the Basel Committee, the Bank's capital adequacy has been calculated as follows:

**Under the Basel Agreement**

	Credit equivalent	Balance in LVL 000's	Risk Weighting	Risk Weighted Assets LVL 000's
<b>Assets</b>				
Cash and deposits with the Bank of Latvia		25,014	0%	-
Loans and advances secured by Latvian Government securities or guarantees or security deposits		18,022	0%	-
Fixed income securities of the Latvian Government		21,146	0%	-
OECD area government bonds		5,809	0%	-
Fixed income securities of non-OECD area governments in local currency, except Latvia		282	10%	28
A zone credit institution bonds		11,053	20%	2,211
Securities held with a custodian bank in the OECD area		40,224	20%	8,045
Balances due from credit institutions within the OECD area		90,336	20%	18,067
Demand deposits with credit institutions within Latvia		135	100%	135
Other balances due from credit institutions within Latvia		-	100%	-
Demand deposits with credit institutions within the non-OECD area, except Latvia		5,932	100%	5,932
Term deposits with credit institutions within the non-OECD area, except Latvia		674	100%	674
Other loans and advances to non-banking customers		141,468	100%	141,468
Prepayments and accrued interest income		3,649	100%	3,649
Other fixed income securities of non-OECD area governments, except Latvia		11,078	100%	11,078
Bonds of non-OECD area local municipalities, except Latvia		-	100%	-
Other securities with fixed income		7,968	100%	7,968
Shares and other non-fixed income securities		375	100%	375
Investments in subsidiaries and affiliated entities		390	100%	390
Fixed assets		9,091	100%	9,091
Other assets		4,330	100%	4,330
Intangible assets		307	100%	307
Investment in credit institutions		5,683	-	-
<b>Total assets</b>		<b>402,966</b>		<b>213,747</b>
<b>Memorandum items</b>				
Funds under trust management		11,547	-	-
Guarantees secured by deposits		32,969	0%	-
Other guarantees		697	100%	697
Credit commitments		13,519	100%	13,519
Financial contracts				
zero rated (14 days or less to maturity)	0%	16,663	0%	-
financial contracts within the OECD area (less than one year maturity)	2%	25,096	20%	100
other (less than one year maturity)	2%	6,390	100%	128
other (one to five years maturity)	5%	73	100%	4
<b>Total assets and memorandum items for capital adequacy</b>				<b>228,195</b>
<b>Equity to be utilised in the capital adequacy ratio</b>				<b>33,355</b>
<b>Capital Adequacy Ratio</b>				<b>14.62</b>

## NOTE 36. ASSETS, LIABILITIES AND MEMORANDUM ITEMS BY MATURITY STRUCTURE

The relationship between the maturity of assets and liabilities as well as memorandum items is indicative of liquidity risk and the extent to which it may be necessary to raise funds to meet outstanding obligations. The table below allocates the Bank's assets, liabilities and memorandum items to maturity groupings based on the time remaining from the balance sheet date to the contractual maturity dates.

	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years and undated	Total LVL 000's
<b>Assets</b>							
Cash and deposits with the Bank of Latvia	25,014	-	-	-	-	-	25,014
Balances due from credit institutions	94,636	79	42	662	878	780	97,077
Loans and advances to customers	10,596	17,872	20,718	36,431	61,580	12,29	159,488
Treasury bills and other fixed income securities	15,136	3,516	9,895	8,214	41,134	19,666	97,561
Shares and other non-fixed income securities	-	-	-	-	107	5,868	5,975
Investments in affiliated entities	-	-	-	-	-	280	280
Investments in subsidiaries	-	-	-	-	-	193	193
Intangible assets	-	-	-	-	307	-	307
Fixed assets	-	-	-	-	-	9,091	9,091
Other assets	1,677	-	-	1,631	-	1,022	4,330
Prepayments and accrued interest income	1,630	398	484	735	247	156	3,650
<b>Total assets</b>	<b>148,689</b>	<b>21,865</b>	<b>31,139</b>	<b>47,673</b>	<b>104,253</b>	<b>49,347</b>	<b>402,966</b>
<b>Liabilities</b>							
Balances due to credit institutions	44,871	7,000	177	832	1	46	52,927
Deposits from the public	261,480	6,819	5,271	18,121	8,471	2,191	302,353
Issued bonds	-	-	-	2,915	-	-	2,915
Other liabilities	5,585	-	-	-	-	-	5,585
Accrued interest expense	491	64	63	217	70	7	912
Provision for liabilities and charges	-	21	72	252	-	-	345
Shareholders' equity	-	-	-	-	-	37,929	37,929
<b>Total liabilities and shareholders' equity</b>	<b>312,427</b>	<b>13,904</b>	<b>5,583</b>	<b>22,337</b>	<b>8,542</b>	<b>40,173</b>	<b>402,966</b>
<b>Net position</b>	<b>(163,738)</b>	<b>7,961</b>	<b>25,556</b>	<b>25,336</b>	<b>95,711</b>	<b>9,174</b>	

## NOTE 37. REPRICING MATURITY OF ASSETS AND LIABILITIES

Interest rate risk is the sensitivity of the financial position of a bank to the change in market interest rates. In the normal course of business, a bank encounters interest rate risk as a result of differences within maturities or interest re-fixing dates of respective interest sensitive assets and liabilities. The Bank seeks to control this risk through the activities of the Bank's Treasury.

	Within 1 month	1-3 month	3-6 month	6-12 month	1-5 years	Over 5 years and undated	Non- interest bearing	Total LVL 000's
<b>Assets</b>								
Cash and deposits with the Bank of Latvia							25,014	25,014
Balances due from credit institutions	93,146	-	42	662	878	-	2,349	97,077
Loans and advances to customers	10,136	17,872	20,718	36,431	61,580	8,084	4,667	159,488
Treasury bills and other fixed income securities	15,135	3,516	9,895	8,214	41,135	19,666	-	97,561
Shares and other non-fixed income securities	-	-	-	-	-	-	5,975	5,975
Investments in affiliated entities	-	-	-	-	-	-	280	280
Investments in subsidiaries	-	-	-	-	-	-	193	193
Intangible assets	-	-	-	-	-	-	307	307
Fixed assets	-	-	-	-	-	-	9,091	9,091
Other assets	-	-	-	-	-	-	4,330	4,330
Prepayments and accrued interest income	-	-	-	-	-	-	3,650	3,650
<b>Total assets</b>	<b>118,417</b>	<b>21,388</b>	<b>30,655</b>	<b>45,307</b>	<b>103,593</b>	<b>27,750</b>	<b>55,856</b>	<b>402,966</b>
<b>Liabilities</b>								
Balances due to credit institutions	38,134	7,000	177	832	1	-	6,783	52,927
Deposits from the public	48,864	6,819	5,124	18,107	8,471	2,072	212,896	302,353
Issued bonds	-	-	-	2,915	-	-	-	2,915
Other liabilities	-	-	-	-	-	-	5,585	5,585
Accrued interest expense	-	-	-	-	-	-	912	912
Provision for liabilities and charges	-	-	-	-	-	-	345	345
<b>Total liabilities</b>	<b>86,998</b>	<b>13,819</b>	<b>5,301</b>	<b>21,854</b>	<b>8,472</b>	<b>2,072</b>	<b>226,521</b>	<b>365,037</b>
<b>Shareholders' equity</b>	-	-	-	-	-	-	37,929	37,929
<b>Total liabilities and shareholders' equity</b>	<b>86,998</b>	<b>13,819</b>	<b>5,301</b>	<b>21,854</b>	<b>8,472</b>	<b>2,072</b>	<b>264,450</b>	<b>402,966</b>
Net position	<b>31,419</b>	<b>7,569</b>	<b>25,354</b>	<b>23,453</b>	<b>95,121</b>	<b>25,678</b>	<b>(208,594)</b>	

## NOTE 38. ASSETS AND LIABILITIES BY CURRENCY PROFILE

The following table provides an analysis of the Bank's assets and liabilities and shareholder's equity as well as memorandum items outstanding as of 31 December 1999 by currency profile (in thousands):

	LVL	USD	RUR	Other	Total
<b>Assets</b>					
Cash and deposits with the Bank of Latvia	16,588	7,352	10	1,064	25,014
Balances due from credit institutions	69	79,490	3,209	14,309	97,077
Loans and advances to non-banking customers	33,772	110,904	-	14,812	159,488
Treasury bills and other fixed income securities	14,727	73,639	332	8,863	97,561
Shares and other non-fixed income securities	5,919	56	-	-	5,975
Investments in subsidiaries	193	-	-	-	193
Investments in affiliated entities	280	-	-	-	280
Intangible assets	307	-	-	-	307
Fixed assets	9,091	-	-	-	9,091
Other assets	2,034	1,613	86	597	4,330
Prepayments and accrued interest income	1,221	1,959	-	470	3,650
Assets under trust management	977	9,390	35	602	11,004
<b>Total assets</b>	<b>85,178</b>	<b>284,403</b>	<b>3,672</b>	<b>40,717</b>	<b>413,970</b>
<b>Liabilities</b>					
Balances due to credit institutions	12,316	38,585	3	2,023	52,927
Deposits from the public	33,462	245,025	2,423	21,443	302,353
Issued bonds	-	2,915	-	-	2,915
Other liabilities	1,838	1,673	275	1,799	5,585
Accrued interest expense	164	739	-	9	912
Provision for liabilities and charges	345	-	-	-	345
Liabilities under trust management	977	9,390	35	602	11,004
Capital and reserves	37,929	-	-	-	37,929
<b>Total liabilities</b>	<b>87,031</b>	<b>298,327</b>	<b>2,736</b>	<b>25,876</b>	<b>413,970</b>
<i>Net long/(short) position for balance sheet items</i>	<i>(1,853)</i>	<i>(13,924)</i>	<i>936</i>	<i>14,841</i>	<i>-</i>
<b>Off-balance sheet claims arising from foreign exchange</b>					
Spot exchange receivable	-	608	-	6,196	6,804
Forward foreign exchange receivable	5,772	26,759	-	3,605	36,136
<b>Total</b>	<b>5,772</b>	<b>27,367</b>	<b>-</b>	<b>9,801</b>	<b>42,940</b>
<b>Off-balance sheet liabilities arising from foreign exchange</b>					
Spot exchange payable	-	6,171	-	616	6,787
Forward foreign exchange payable	2,312	9,198	-	23,788	35,298
<b>Total</b>	<b>2,312</b>	<b>15,369</b>	<b>-</b>	<b>24,404</b>	<b>42,085</b>
<i>Net long/(short) positions on foreign exchange</i>	<i>3,460</i>	<i>11,998</i>	<i>-</i>	<i>(14,603)</i>	<i>855</i>
<b>Net long/(short) position</b>	<b>1,607</b>	<b>(1,926)</b>	<b>936</b>	<b>238</b>	<b>855</b>
<b>Exchange rates applied as of 31 December 1999</b> (1 LVL to 1 foreign currency unit)	1	0.583	0.0213		

A significant portion of loans and advances to customers is denominated in USD. Although these loans are generally funded in the Bank by USD denominated deposits, an appreciation of the USD against the local currency may adversely affect the borrowers' repayment ability and, therefore, increase the likelihood of future credit losses.

Latvian banking legislation requires that open positions in each foreign currency may not exceed 10% of the Bank's equity (see Note 35 for the definition of equity under the Bank of Latvia's regulations) and that the total foreign currency open position may not exceed 20% of equity.

The Bank was in compliance with the above requirements as of 31 December 1999.

## NOTE 39. RELATED PARTIES

Related parties are defined as shareholders who have significant influence over the Bank, members of the Council and Board of Directors, key Management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies of the Bank.

	<b>31/12/99</b> LVL 000's	<b>31/12/98</b> LVL 000's
<b>Total credit exposure to related parties</b>		
Loans and advances to related parties	1,612	793
Investments in associated entities' capital	414	1,109
Guarantees issued to related parties	140	297
	<hr/> 2,166	<hr/> 2,199
<b>Total deposits from related parties</b>		
Deposits from related parties	19,175	13,792
	Amount in LVL 000's	Terms
<b>Total credit exposure to related parties</b>		
Loans and advances to related parties	1,612	0% – 11%
Investments in associated entities' capital	414	-
Guarantees issued to related parties	140	-
	<hr/> 2,166	
<b>Total deposits from related parties</b>		
Deposits from related parties	19,175	0% – 24%

No specific provision has been established by the Bank for loans and guarantees issued to related parties at 31 December 1999.

Security deposits collateralise guarantees issued to related parties.

## NOTE 40. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	<b>31/12/99</b> LVL 000's	
	Carrying value	Fair value
Loans and advances to non-banking customers	159,488	158,752
Fixed income securities	97,561	97,365

Loans and advances to non-banking customers are showed in the balance sheet in net amount less specific and general provisions.

The fair value is calculated using the discounted cash flow from loans and advances to non-banking customers.

The fair value of fixed income securities is based on the market price of certain fixed income securities.

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## CLIENT SERVICE CENTERS IN RIGA

Audēju iela  
Audēju iela 15, Rīga, LV-1050

Āgenskalns  
Bāriņu iela 10, Rīga, LV-1002

Bauskas iela  
Bauskas iela 86, Rīga, LV-1004

Central Market  
Nēģu iela 7, Rīga, LV-1050

Central Train Station (2)  
Marijas iela 2, Rīga, LV-1050

Centrs shopping mall  
Audēju iela 16, Rīga, LV-1050

Dole shopping mall  
Maskavas iela 357, Rīga, LV-1063

Dzirciema iela  
Dzirciema iela 27, Rīga, LV-1083

Estra retail store  
Stopiņu iela 22, Rīga, LV-1050

Ferry Terminal  
Eksporta iela 15, Rīga, LV-1045

Hotel de Rome  
Kaļķu iela 28, Rīga, LV-1050

Iļģuciems  
Lidoņu iela 27, Rīga, LV-1005

Javis retail store  
K.Valdemāra iela 147, Rīga, LV-1013

Jūra retail store  
Jūrmalas gatve 85, Rīga, LV-1029

Kleistu iela  
Kleistu iela 26b, Rīga, LV-1067

Klijānu iela  
Klijānu iela 4, Rīga, LV-1012

Konventa sēta Hotel  
Kalēju iela 9/11, Rīga, LV-1050

Maskavas iela  
Maskavas iela 264, Rīga, LV-1063

Maskavas iela  
Maskavas iela 427a, Rīga, LV-1063

Matīsa Market  
Brīvības iela 90, Rīga, LV-1001

Melnšila iela  
Melnšila iela 19, Rīga, LV-1046



*Mols* shopping mall  
Krasta iela 46, Rīga, LV-1003

Murjāņu iela  
Murjāņu iela 44, Rīga, LV-1064

Pērses iela  
Pērses iela 8, Rīga, LV-1011

*Preses nams*  
Balasta dambis 3, Rīga, LV-1081

Purvciems  
Ūnijas iela 52, Rīga, LV-1084

*RIMI Purvciems* shopping mall  
Nīcgales iela 2, Rīga, LV-1035

*Rīga* Airport  
Lidosta Rīga, Rīga, LV-1053

Sarkandaugava  
Tilta iela 3, Rīga, LV-1005

Stabu iela  
Stabu iela 89, Rīga, LV-1009

*Tālava* retail store  
Saharova iela 21, Rīga, LV-1082

*Tallina* shopping mall  
Brīvības gatve 409, Rīga, LV-1024

Tallinas iela  
Tallinas iela 86, Rīga, LV-1009

*Teika* retail store  
Brīvības gatve 312, Rīga, LV-1006

*Tūrists* retail store  
Slokas iela 1, Rīga, LV-1048

Valdeķu iela  
Valdeķu iela 10, Rīga, LV-1004

Vecmīlgrāvis  
Dombrovska iela 30, Rīga, LV-1015

*Venta* retail store  
Zolitūdes iela 34, Rīga, LV-1029

*Vika* retail store  
Maskavas iela 250, Rīga, LV-1063

*Vilņa* retail store  
Kurzemes prospekts 132, Rīga,  
LV-1069

Ziepniekkalns  
Valdeķu iela 52, Rīga, LV-1058

Zolitūde  
A.Bieziņa iela 1, Rīga, LV-1029

## **CLIENT SERVICE CENTERS IN JURMALA**

*Bulduri*  
Meža prospekts 36, Jūrmala,  
LV-2010

*Jūrmala* Market  
Nometņu iela 7/9, Jūrmala,  
LV-2016

*Jūrmala* retail store  
Jomas iela 65/67, Jūrmala,  
LV-2015

*Majori*  
Jomas iela 30, Jūrmala, LV-2015

## **CLIENT SERVICE CENTERS AT BORDER CONTROL POINTS**

*Ainaži*  
Limbažu raj., LV-4035

*Grebņeva*  
Ludzas raj., LV-5700

*Grenctāle*  
Bauskas raj., LV-3012

*Liepāja Free Port*, Port 46,  
LV-3400

*Medumi*  
Daugavpils raj., LV-5460

*Meitene*  
Jelgavas raj., LV-3023

*Rīga* Airport  
Rīga, LV-1053

*Silene*  
Daugavpils raj., LV-5470

*Terehova*  
Ludzas raj., LV-5701

*Vientuļi*  
Balvu raj., LV-4585

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### **Russia**

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