

A/s Parekss - Banka

Annual report
for the year ended 31 December 2000

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**A/s Parekss - Banka
Management Report
for the year ended 31 December 2000**

The directors and management of joint stock company Parekss - Banka (hereinafter - Parex Bank) are pleased to report that the overall performance of Parex Bank and its affiliated group companies have either met or exceeded the expectations across all business areas in the year 2000. The core values of Parex Bank – teamwork, dedication, professionalism, and intense commitment to servicing our clients have produced another excellent year of profitability and growth. The results have even surpassed the 1997 record results, despite intensifying domestic competition and increasing turbulence on world financial markets. Parex Bank remains the only bank in the Baltics to have had nine consecutive years of profit, and we take great pride in our ability to deliver consistent performance.

With the confidence in Latvian financial and banking sector fully restored, Parex has benefited from the growing international appetite in Baltic financial instruments and has seen many new relationships blossom in the aftermath of the EBRD conference in Riga.

Client and investor confidence was evident across all business areas, from retail and corporate (increase of 48% in client accounts) services, to lending (increase of 27% of loan portfolio), to foreign exchange operations (increase of 2.26 times in turnover), to credit cards (increase of 56% in new cards issued), to capital markets activities (fixed income market and equities brokerage income increase more than 7 times), to asset management (growth in assets under asset management, custody and fund sales 40%).

Our pan-Baltic client reach was further enhanced by the rapid development of our Lithuanian subsidiary, which has been renamed JSC Parex Bank to maintain and promote brand consistency. Prior to acquisition it was the smallest Lithuanian bank and it's on track to finish the next year as the fourth largest.

During this year, we have also completed an important process of internal restructuring into the Parex Group, comprising Parekss-Banka (Latvia) and JSC Parex Bank (Lithuania) – in banking; Parekss Līzings (Latvia) and Parex Lizingas (Lithuania) – in leasing operations. In addition, SIA Parekss brokeru sistēma and BAS “Atklātais pensiju fonds sociālais nodrošinājums” is also a part of the Parex Group, as their activities effectively supplement major business lines of the Group. This organizational structure will greatly improve our ability to manage our subsidiaries on group level leading to greater cost and operational efficiencies.

The process of strategic investor search that we initiated earlier in the year is on track, and Parex shareholders and management remain fully committed to its success. The right partner will complement our existing skills, further enhancing our ability to deliver the best quality service possible.

Since the founding of Parex Bank, its management has worked in concert to deliver exceptional quality service to its clients and exceptional returns to its shareholders. This year had proven to be no exception.

The Board of the Bank propose that net profit amounting to LVL 9,025 thousand is transferred to retained earnings, thereby increasing the Bank's equity which will be the base for future successful development. LVL 1,000 thousand is proposed as dividends.



Valery Kargin
President/
Chairman of the Board



Viktor Krasovitsky
Chairman of the Council of
Directors



Gints Poišs
Chairman of the Council

Riga,
9 March 2001

**A/s Parekss - Banka
Management of the Bank**

At the date of signing these financial statements:

Council of the Bank

Gints Poišs	Chairman of the Council
Hans Berndt	Member of the Council
Juris Vanags	Member of the Council

On 28 February 2000, Mr. Vladislavs Skrebelis resigned from his position as a member of the Council of the Bank and was replaced by Mr. Hans Berndt.

Board of Directors

Valery Kargin	President of the Bank and Chairman of the Board of Directors
Viktor Krasovitsky	Deputy Chairman of the Board of Directors
Vladislavs Skrebelis	Member of the Board

By the decision of shareholders on 28 February 2000, Ms. Ārija Zeltiņa resigned from her position as a member of the Board of Directors and Mr. Vladislavs Skrebelis was elected as a new member of the Board.

Council of Directors

Viktor Krasovitsky	Chairman of the Council of Directors
Ēriks Brīvmanis	Vice President <i>Responsible for the Bank's financial management, asset and liability management, information technology strategic development and implementation and the Bank's accounting system.</i>
Alexander Kvasov	Vice President <i>Responsible for Operations Division, covering client service (retail and corporate), card operations, settlements and branch management.</i>
Līga Puriņa	Vice President <i>Responsible for Lending Operations, covering all lending, credit and leasing facilities to retail and corporate clients.</i>
Gene Zolotarev	Vice President <i>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 covering investor relations, debt and equity financing, relationships with international financial institutions and rating agencies.</i>

On 11 September 2000, per decision of the Bank's President and the Council of Directors, Līga Puriņa was appointed as the Vice President responsible for lending operations and a member of the Council of Directors, replacing in this capacity Mr. Jakovs Šurs.

A/s Parekss - Banka
Statement of Responsibility of the Management

The Management of a/s Parekss - Banka (hereinafter – the Bank) are responsible for the preparation of the financial statements of the Bank as well as for the preparation of the consolidated financial statements of the Bank and its subsidiaries (hereinafter – the Group).

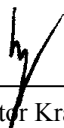
The financial statements set out on pages 6 to 50 are prepared in accordance with the source documents and present fairly the financial position of the Bank as at 31 December 2000 and 1999 and the results of its operations and cash flows for the years then ended, as well the financial position of the Group as at 31 December 2000 and the results of its operations and cash flows for the year then ended.

The financial statements are prepared in accordance with International Accounting Standards on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Management in the preparation of the financial statements.

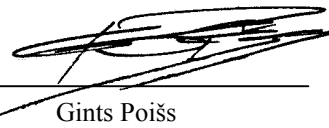
The Management of a/s Parekss - Banka are responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Bank of Latvia and other legislation of the Republic of Latvia applicable for credit institutions.



Valery Kargin
President/
Chairman of the Board



Viktor Krasovitsky
Chairman of the Council of
Directors



Gints Poišs
Chairman of the Council

Riga,
9 March

A/s Parekss - Banka
Statements of Income
for the years ended 31 December 2000 and 1999

	Notes	LVL 000's		
		2000 Group	2000 Bank	1999 Bank
Interest income	4	32,72	31,984	21,891
Interest expense	4	(15,49)	(15,284)	(9,396)
Net interest income		17,23	16,700	12,495
Commission and fee income	5	13,25	13,083	10,329
Commission and fee expense	5	(2,48)	(2,466)	(1,708)
Net commission and fee income		10,77	10,617	8,621
Profit on securities trading and foreign exchange, net	6	7,33	7,202	5,775
Other operating income	7	1,13	997	1,272
Net operating income		36,47	35,516	28,163
Administrative expense	8, 9	(18,89)	(17,935)	(15,193)
Depreciation and amortisation expense	22, 23	(2,68)	(2,591)	(2,495)
Other operating expense		(390)	(390)	(248)
Provision expense for possible credit losses	10	(5,59)	(5,289)	(7,448)
Release of previously established provision	10	2,58	2,585	1,835
(Loss) from revaluation of long-term investments	20, 21	(217)	(562)	-
Profit before corporate income tax and minority interest		11,28	11,334	4,614
Corporate income tax	11	(1,30)	(1,309)	(437)
Profit before minority interest		9,97	10,025	4,177
Minority interest		46	-	-
Net profit for the year		10,02	10,025	4,177

The financial statements on pages 6 to 50 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,
 9 March

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

A/s Parekss - Banka
Balance Sheets and Memorandum Items
as at 31 December 2000 and 1999

	Notes	LVL 000's		
		31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Assets				
Cash and deposits with the Bank of Latvia	12	24,05	23,56	25,01
Balances due from credit institutions	13	107,32	105,88	97,07
Loans and advances to non-banking customers	14, 15, 16	217,62	206,18	159,48
Treasury bills and other fixed income securities	17, 18	159,40	156,43	97,56
Shares and other non-fixed income securities	19	16,33	16,28	5,97
Investments in subsidiaries	20	120	3,04	193
Investments in affiliated entities	21	-	-	280
Intangible assets	22	1,57	1,42	307
Fixed assets	23	14,45	12,52	9,09
Other assets	24	2,79	1,82	4,33
Prepayments and accrued income	25	7,04	6,84	3,65
Total assets		550,73	534,02	402,96
Funds under trust management	32	3,84	3,84	11,00
Total assets and funds under trust management		554,58	537,87	413,97
Liabilities				
Balances due to credit institutions and the Bank of Latvia	26	45,95	38,44	52,92
Deposits from the public	27	447,67	442,11	302,35
Issued bonds and other fixed income securities		-	-	2,91
Other liabilities	28	4,86	1,93	5,58
Accrued expense and deferred income		3,32	3,07	912
Provision for liabilities and charges	29	734	611	345
Total liabilities		502,55	486,17	365,03
Minority interest		520	-	-
Shareholders' equity				
Paid-in share capital	30	30,00	30,00	30,00
Retained earnings		17,66	17,85	7,92
Total shareholders' equity		47,66	47,85	37,92
Total liabilities and shareholders' equity		550,73	534,02	402,96
Funds under trust management	32	3,84	3,84	11,00
Total liabilities, shareholders' equity and funds under trust management		554,58	537,87	413,97
Memorandum items				
Contingent liabilities	31	9,80	9,52	37,19
Financial commitments	31	20,46	21,66	13,51
Foreign exchange contracts	31	40,91	47,12	48,22
Other financial instruments	31	14,75	14,75	7,14

The financial statements on pages 6 to 50 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,
 9 March

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

A/s Parekss - Banka
Statements of Changes in Shareholders' Equity
for the years ended 31 December 2000 and 1999

Changes in the Bank's shareholders' equity may be specified as follows:

	<u>Paid-in share capital</u>	<u>Retained earnings</u>	<u>Total Shareholders' equity</u>
Balance as at 1 January 1999	30,000	3,752	33,752
Net profit for the year	-	4,177	4,177
Balance as at 1 January 2000	<u>30,000</u>	<u>7,929</u>	<u>37,929</u>
Paid out dividends	-	(100)	(100)
Net profit for the year	-	10,025	10,025
Balance as at 31 December 2000	<u>30,000</u>	<u>17,854</u>	<u>47,854</u>

The following provides a reconciliation of the shareholders' equity between the Bank and the Group as at 31 December 2000:

	<u>Paid-in share capital</u>	<u>Retained earnings</u>	<u>Total Shareholders' equity</u>
Balance per the Bank	30,000	17,854	47,854
Negative shareholders' equity of a subsidiary	-	(190)	(190)
Balance per the Group	<u>30,000</u>	<u>17,664</u>	<u>47,664</u>

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

A/s Parekss - Banka
Statements of Cash Flows
for the years ended 31 December 2000 and 1999

		LVL 000's		
	Notes	2000 Group	2000 Bank	1999 Bank
Cash inflow/ (outflow) from operating activities				
Profit before taxation and minority interest		11,280	11,330	4,610
Amortisation of intangible assets, depreciation of fixed assets and their write-offs		2,920	2,820	2,490
Loss/ (gain) from sale of fixed assets		80	80	(41)
Increase/ (decrease) in provision for possible credit losses		(3,350)	(4,010)	5,590
Loss from revaluation of foreign currency positions	6	181	198	1,790
(Gain)/ loss from revaluation of long-term investments		217	562	(1,010)
(Increase) in prepayments and accrued income		(3,080)	(2,860)	(1,160)
(Increase)/ decrease in other assets		528	1,490	(1,000)
Increase in accrued expense and deferred income		2,410	2,150	87
Increase in provision for liabilities and charges		323	200	79
(Decrease) in other liabilities		(1,320)	(4,260)	(4,040)
Minority interest		566	-	-
Increase in cash and cash equivalents before changes in assets and liabilities		<u>10,750</u>	<u>7,700</u>	<u>7,390</u>
Decrease in short-term investments		7,820	7,880	26,850
(Increase)/ decrease in balances due from credit institutions		354	1,630	(66,530)
(Increase) in loans and advances to non-banking customers		(57,480)	(45,380)	(8,370)
Increase/ (decrease) in balances due to credit institutions		741	(7,400)	16,900
Increase in deposits from the public		145,320	139,760	85,150
Increase in cash and cash equivalents from operating activities before corporate income tax		107,510	104,180	61,400
Corporate income tax		317	317	(337)
Net cash and cash equivalents from operating activities		<u>107,830</u>	<u>104,500</u>	<u>61,060</u>
Cash inflow/ (outflow) from investing activities				
(Purchase) of intangible and fixed assets		(9,790)	(7,620)	(2,960)
Proceeds from sale of fixed assets		163	163	130
(Purchase) of equity investments in other entities and other long-term investments, net		(78,240)	(78,350)	(38,270)
(Decrease) in cash and cash equivalents from investing activities		<u>(87,870)</u>	<u>(85,810)</u>	<u>(41,100)</u>
Cash inflow/ (outflow) from financing activities				
Issue/ (redemption) of bonds		(2,910)	(2,910)	2,910
Dividend (payment)		(100)	(100)	-
(Decrease)/ increase in cash and cash equivalents from financing activities		<u>(3,010)</u>	<u>(3,010)</u>	<u>2,910</u>
Net cash inflow for the year		<u>16,940</u>	<u>15,670</u>	<u>22,880</u>
Cash and cash equivalents at the beginning of the year	33	<u>35,380</u>	<u>35,380</u>	<u>14,300</u>
(Loss) from revaluation of foreign currency positions	6	(181)	(198)	(1,790)
Cash and cash equivalents at the end of the year	33	<u>52,140</u>	<u>50,850</u>	<u>35,380</u>

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

A/s Parekss - Banka
Notes to the Financial Statements
for the year ended 31 December 2000

NOTE 1. INFORMATION ON THE BANK

(Figures in parenthesis represent amounts as at 31 December 1999.)

A/s Parekss - Banka was registered as a joint stock company on 14 May 1992. The Bank commenced its operations in June 1992.

The Bank's head office and three main branches are located in Riga, Latvia. As at 31 December 2000, the Bank was operating a total of 93 (71) branches and client service centres in Riga and throughout Latvia. The Bank also operates representative offices in Frankfurt and Glazhiten (Germany), and Kiev (Ukraine).

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 finance lease and foreign exchange transactions. The Bank offers its clients also trust management and investment banking services, as well as performs local and international payments.

As at 31 December 2000, the Bank had approximately 1,150 (950) employees, 5,650 (4,350) loan customers, 3,400 (3,250) finance lease customers, 87,650 (63,650) settlement card holders and 88,750 (59,850) deposit customers. The major shareholders of the Bank are Europe Holding Ltd., a privately held company incorporated in the Isle of Man, Mr. Valery Kargin and Mr. Viktor Krasovitsky (see Note 30).

The Bank is undergoing preparations for attracting a strategic investor in the nearest future.

NOTE 2. ECONOMIC AND BANKING ENVIRONMENT IN LATVIA

Lat (LVL), the Latvian monetary unit, is fully convertible against hard currencies without exchange controls. The rate of exchange of lat is preserved by the Bank of Latvia relative to the International Monetary Fund Special Drawing Right (SDR). The Bank of Latvia's selected mechanism of linking the lat to SDR allows for relative stability and predictability of the national currency.

Official exchange rates of the Bank of Latvia for LVL against major currencies are as follows:

		USD	EUR	GBP	RUB	SDR
As at 31 December 2000	LVL 1.00=	1.631	1.754	1.091	46.296	1.250
As at 31 December 1999	LVL 1.00=	1.715	1.702	1.062	46.948	1.250

During the reporting year, the exchange rates of foreign currencies against LVL fluctuated due to movements among the foreign currencies in the world markets. The exchange rate for the LVL against the US dollar has weakened significantly during 2000 due to the fall of the euro exchange rate against US dollar, while LVL gained against the euro.

Taking into account the significant drop of DEM exchange rate against US dollar since 1996, and the drop of EUR against US dollar, effective as from 1 January 2001 the International Currency Foundation has defined a new SDR calculation method. Consequently, in the future LVL will be more linked to the fluctuations in the EUR exchange rate than before.

Credit Institutions Sector in 2000

As at 31 December 2000 in Latvia, there were 22 banks, 17 saving institutions and a representative office in Riga of one foreign bank (Dresdner Bank).

The banking sector is one of the most developed economic sectors in Latvia and presents major attractions to foreign investors. The latter is evidenced by investments of several foreign banks in the share capitals of the Latvian banks: Swedbank, Skandinaviska Enskilda Banken, Vereins- und Westbank, Norddeutsche Landesbank. It is projected that in the nearest future, foreign banks will become strategic investors also in other Latvian banks.

A/s Parekss - Banka
Notes to the Financial Statements
for the year ended 31 December 2000

Changes in the Latvian banking sector have nearly reached completion. Most banks are privately held. One bank is state-owned, and another is partially state-owned. The privatisation process of this bank is not yet completed. At the end of 2000, the state's share in the share capital of banking sector was 3.7%. Four major banks held assets comprising 60% of total assets of all banks, and concentration of assets in the 10 largest banks amounted to 80%.

The main trend in the banking sector in Latvia during 2000 was the strengthening and stable development thereof. Practically all banks have successfully overcome the negative impact of the Russian financial crisis, and all operating banks have increased their minimum equity level to exceed EUR 5 million, which according to the Law On Credit Institutions is the required minimum equity.

In June 2000, the Republic of Latvia's Parliament (Saeima) approved the Law on Financial and Capital Market Commission stipulating that as of 1 July 2001 the functions of three regulators of the financial and capital markets (Bank of Latvia, Security Market Commission and State Insurance Supervision Inspection) will be joined by means of forming the Financial and Capital Market Commission. Its tasks will include monitoring the participants of the financial and capital markets. Latvia is thereby one of the first Eastern European countries to established an integrated financial services regulator.

Economic environment in Latvia

The monetary and fiscal policy practised over the recent year has promoted a productive restructuring of the Latvian economy and Latvia has responded to be one of the more successful countries in Central and Eastern Europe. Subsequent to overcoming the impact of the Russian crisis, in 2000 the economy of Latvia exhibited upward development in almost all the significant economic sectors.

During the first nine months of 2000, the GDP of Latvia has grown by 5.4% compared to the respective period in 1999. Two thirds of the growth was due to by the development of service industries, while the remaining one third by manufacturing industries. Considering the growth and development of service industries exhibited over the last three months of 2000, it might be projected that the GDP for 2000 will reach the level of 5.5% – 5.7%. The budget deficit of the reporting year was at the level of 2.75% of the GDP.

Along with the development of the economy, foreign trade volume has also grown significantly. Thus, in 2000 the export volume has increased by 12% with the import volume also growing by 12.2%. Even though the import volume still exceeds the export volume by 70%, over the last few years foreign trade has been characterised by a trend of decreasing volume of imported goods, which results in improvement of foreign trade balance.

During the first nine months of 2000, the Latvian current account deficit constituted 5.6% of GDP, and it is projected that during the reporting period it will reach approximately 8%. Another positive trend is increase in direct foreign investments. During recent years, foreign investments have remained at the relatively stable level of 5.5% of GDP covering more than one half of the current account deficit.

During 2000, the consumer price index grew by 1.8% and the average inflation for the year constituted 2.6%. During the reporting year, the unemployment rate decreased from 9.1% as at the beginning of the year down to 7.8% as at the year end.

The success of the economic reforms in Latvia is proved by the credit ratings assigned by leading foreign rating agencies.

In September 2000, the international credit agency Standard & Poor's, renewed its rating for Latvia retaining it at the previous level - a BBB rating for long-term foreign currency loans and A - rating for long-term loans denominated in lats. Also the future projection set for Latvia is characterised as a stable outlook. The rating for short-term foreign currency loans is A-3, while for short-term loans in the national currency: A-2.

Standard & Poor's remarked that Latvia's foreign debt and the fiscal deficit level is stable and relatively low. The evaluation says that Latvia holds a stable currency and is ruled by a conservative financial policy enhancing the maintenance of a low inflation rate, development of the capital market and extension of the government bond maturity.

A/s Parekss - Banka
Notes to the Financial Statements
for the year ended 31 December 2000

In 2000, the international credit rating agency Fitch also confirmed its ratings for long-term and short-term foreign currency loans as BBB and F3, respectively, as well as an A rating for the long-term national currency loans. Meanwhile, the credit ratings granted by Moody's are as follows: for long-term local currency government bonds – A2, while for long-term foreign currency loans – Baa2.

NOTE 3. 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 at 31 December 2000.

Since this is the first year for preparation of consolidated financial statements for the Group, the Bank's stand-alone figures for 1999 have been used as comparatives for the Group figures for 2000.

A summary of the principal accounting policies all of which have been applied consistently (unless otherwise stated) throughout the years ended 31 December 2000 and 1999, 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 statutory records, which are maintained under the historical cost convention, modified for revaluation as disclosed below, with adjustments and reclassifications for the purpose of fair presentation in accordance with IAS.

c) Basis of Consolidation

As at 31 December 2000, the Bank had a number of investments in subsidiaries, in which the Bank held directly and indirectly more than 50% of the shares and voting rights. More detailed information on the Bank's subsidiaries has been presented in Note 20.

The Bank's subsidiaries are accounted in the Bank's financial statements under the equity method. The financial statements of a/s Parekss - Banka and its subsidiaries JSC Parex Bank, BAS "Atklātais pensiju fonds sociālais nodrošinājums", SIA Parekss Līzings and indirectly controlled entity UAB Parex Līzings are consolidated in the Group's financial statements on a line by line basis by adding together like items of assets and liabilities as well as income and expenses. Where the controlling shareholding in a subsidiary was acquired during the reporting year, only post acquisition income and expenses have been included in the Group's financial statements for the current reporting year. For the purposes of consolidation, intra-group balances and intra-group transactions including interest income and expense as well as unrealised profits and loss resulting from intra-group transactions are eliminated in the Group's financial statements.

The Bank's Management consider other subsidiaries to be immaterial for the purposes of the Group's financial statements presentation, hence the consolidation of the financial statements of these subsidiaries was not performed. The Bank's investments in other subsidiaries are accounted in the Group's financial statements under the equity method (see paragraph 1).

A/s Parekss - Banka
Notes to the Financial Statements
for the year ended 31 December 2000

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.

Commissions and fees as well as all other major income and expense items are credited and/ or charged 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 at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Lats at the rate of exchange prevailing at the end of the year. 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 the Bank for the tax period.

To promote foreign investments in Latvia, the 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 12.5% corporate income tax on taxable income.

Deferred corporate income tax 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. The deferred corporate income tax is determined based on the current tax rates. The principal temporary timing differences arise from differing rates of accounting and tax depreciation on the Bank's fixed assets, as well as the treatment of general provisions and provision for vacation pay reserve.

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.

h) Leases

Finance leases, which confer rights and obligations similar to those attached to owned assets, are recognised 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.

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

Rentals under operating leases 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 contractually due principal is 14 days or more overdue, contractually due interest is 90 days or more overdue, or the Management otherwise believe that the contractual interest or principal due will not be collected.

A/s Parekss - Banka
Notes to the Financial Statements
for the year ended 31 December 2000

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 have considered both specific and general risks in determining the balance of provisions for possible credit losses. Provisions for possible credit losses are established to 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 uncollectable 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 uncollectable. 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 realisable 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 have made their best estimates of losses and believe the estimates presented in these 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 to hold these instruments at the time of their purchase.

Treasury bills and other fixed income securities held for investment purposes are stated at purchase price adjusted for amortised discount/ premium. The discount received/ premium paid at the moment of purchase is amortised on a straight-line basis over the period from purchase to maturity. Provisions for treasury bills and other fixed income securities are established if the Management have doubts in respect of the recovery of these assets.

Fixed income securities held as part of the trading portfolio are stated in the balance sheet at their market value.

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k) Shares and Other Non-fixed Income Securities

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

Unrealised profits or losses arising as a result of stating listed shares and privatisation 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. Unrealised 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) Investments in Affiliated Entities

Investments in affiliated entities, in which the Bank and its subsidiaries own directly and indirectly more than 20% but less than 50% of the voting rights, are accounted for in the Bank's and the Group's financial statements under the equity method. This method is appropriate as the Bank's and its subsidiaries' investment interests enable the Bank and its subsidiaries to influence, but not ultimately control, the operating or financial decisions of these entities. Under this method, the Bank and the Group include investments in affiliated entities as long-term assets valued at the original cost of the investment adjusted for the Bank's and its subsidiaries' 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.

The above method of accounting is also used in respect of the non-consolidated subsidiaries in the Group's financial statements.

m) Intangible Assets

Intangible assets comprise goodwill from the acquisition of subsidiaries, as well as capitalised costs relating to leasehold rights and other intangible assets. Goodwill from the acquisition of subsidiaries is amortised over the period of 5 years on a straight-line basis. The leasehold rights are amortised over the remaining lease contract on a straight-line basis. Annual amortisation rates applied on a straight-line basis to other intangible assets range from 20 – 100%.

n) Fixed Assets

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 respective asset is written down to its fair value.

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

<u>Category</u>	<u>Annual depreciation rate</u>
Buildings	2%
Transport vehicles	20%
Other fixed assets	20%-33%

Leasehold improvements are capitalised and depreciated over the remaining lease contract period on a straight-line basis. 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 capitalised in the balance sheet at cost. Depreciation 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 finalisation of installation.

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

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o) 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 recognised in the statement of income over the term of the agreement.

p) Financial Instruments

Derivatives

In the normal course of business, the Bank and its subsidiaries engage in a party to contracts for forward foreign exchange rate and currency swap instruments, as well as options and other financial instruments.

Subsequent to initial recognition and measurement, outstanding forward foreign exchange rate contracts, currency swaps and other financial instruments, which are not classified as hedging instruments, are carried in the balance sheet at the fair value. The notional amounts of these financial instruments are reported in off-balance sheet caption.

Options are carried at the fair value based on available market prices and quotes of international brokerage firms. The fair value of the options is recognised in the balance sheet as "Other assets" or "Other liabilities". The notional amounts of options are reported in off-balance sheet accounts.

Gains or losses from changes in the fair value of outstanding forward foreign exchange rate contracts, currency swaps, options and other financial instruments, which are not classified as hedging instruments are recognised in the statement of income as they arise.

A gain or loss from a change in the fair value of outstanding forward foreign exchange rate contracts, currency swaps, options and other financial instruments 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 hedged position is recognised in the statement of income.

Other Off-balance Sheet Commitments

In the ordinary course of business, the Bank and its subsidiaries have been involved with off-balance sheet financial commitments comprising of commitments to extend loans and advances, financial guarantees and commercial letters of credit. Such financial commitments are recorded in the financial statements when the commitment is established. The methodology for provisioning against possible losses arising from off-balance sheet commitments is consistent with that adopted for loans and advances to customers as described in paragraph *i)* above.

q) Trust Activities

Funds managed by the Bank on behalf of individuals, corporate customers, 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 the 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.

r) 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 financial statements.

s) 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.

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NOTE 4. INTEREST INCOME AND EXPENSE

	LVL 000's		
	2000 Group	2000 Bank	1999 Bank
Interest income			
- interest on balances due from credit institutions	4,670	4,650	1,600
- interest on loans and advances to non-banking customers	19,568	19,010	16,070
- interest on treasury bills and other fixed income securities	8,485	8,310	4,210
Total interest income	32,723	31,980	21,890
Interest expense			
- interest on balances due to credit institutions	(2,175)	(2,030)	(1,180)
- interest on deposits from the public	(13,316)	(13,250)	(8,200)
Total interest expense	(15,491)	(15,280)	(9,390)
Net interest income	17,232	16,700	12,490

NOTE 5. COMMISSION AND FEE INCOME AND EXPENSE

	LVL 000's		
	2000 Group	2000 Bank	1999 Bank
Commission and fee income			
- payment transfer fee	5,344	5,310	3,230
- transactions with settlement cards	2,808	2,800	3,090
- service fee for account maintenance	2,474	2,400	1,600
- cash disbursement/ transaction commission	1,361	1,310	874
- review of loan applications and collateral evaluation	603	602	1,120
- letters of credit and guarantees	381	381	181
- securities	205	205	164
- cash collection	80	63	61
Total commission and fee income	13,256	13,080	10,320
Commission and fee expense			
- fees related to settlement card operations	(1,741)	(1,740)	(1,230)
- fees related to correspondent accounts	(742)	(725)	(471)
Total commission and fee expense	(2,483)	(2,460)	(1,700)
Net commission and fee income	10,773	10,610	8,620

NOTE 6. PROFIT ON SECURITIES TRADING AND FOREIGN EXCHANGE, NET

	LVL 000's		
	2000 Group	2000 Bank	1999 Bank
Profit from currency exchange operations	3,541	3,420	6,040
(Loss) from revaluation of foreign currency positions	(181)	(198)	(1,790)
Profit from foreign exchange, net	3,360	3,220	4,240
Profit from trading and revaluation of securities	3,645	3,650	1,310
Profit from trading with other financial instruments	330	329	214
Profit on securities trading and foreign exchange, net	7,339	7,200	5,770

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NOTE 7. OTHER OPERATING INCOME

	LVL 000's		
	2000 Group	2000 Bank	1999 Bank
Penalties received	349	349	615
Dividends received	291	291	12
Safety boxes rental income	61	61	67
Net proceeds from sale of jewellery	56	56	242
Other income	378	240	336
Total other operating income	<u>1,135</u>	<u>997</u>	<u>1,277</u>

In 2000, the Bank established a subsidiary which took over the Bank's activities related to trading with precious metals and jewellery. Accordingly, the Bank's operating income arising from the sale of jewellery and the respective jewellery inventory balances have substantially reduced as compared to 1999. Prior to the year end, the above subsidiary has been sold outside the Group.

NOTE 8. ADMINISTRATIVE EXPENSE

Administrative expense comprises the following items:

	LVL 000's		
	2000 Group	2000 Bank	1999 Bank
Personnel expense	8,900	8,430	6,970
Advertising, marketing and sponsorship	2,400	2,400	2,280
Repairs and maintenance	1,600	1,670	1,270
Communications (telephone, telex, mail)	1,400	1,460	1,350
Travel and representation	1,200	1,210	955
Consulting and professional fees	972	923	334
Rent for premises	933	806	721
Car maintenance	519	503	426
Security	268	251	270
Real estate tax	70	65	146
Insurance	45	38	293
Other administrative expense	248	159	162
Total administrative expense	<u>18,800</u>	<u>17,930</u>	<u>15,190</u>

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NOTE 9. PERSONNEL EXPENSE

Personnel expense includes remuneration for work to the personnel and related social security contributions and other benefits costs. The President and the Deputy Chairman of the Board of Directors of the Bank have not received any remuneration in respect to their employment. The members of the Council do not receive remuneration in respect of their positions.

	LVL 000's		
	2000 Group	2000 Bank	1999 Bank
Remuneration for work	7,264	6,864	5,529
Social security contributions	1,697	1,561	1,447
Total personnel expense	8,961	8,430	6,976

Personnel expense has been presented in these financial statements within administrative expense.

During the year ended 31 December 2000, average number of personnel employed by the Bank and the Group was 1,060 (1999: 955) and 1,239, respectively.

NOTE 10. 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:

	LVL 000's		
	2000 Group	2000 Bank	1999 Bank
Specific provision at the beginning of the year	13,75	13,75	8,16
General provision at the beginning of the year	2,280	2,28	2,28
Total provision at the beginning of the year	16,03	16,03	10,44
Additional specific provision from acquisition of subsidiaries	620	-	-
Additional general provision from acquisition of subsidiaries	47	-	-
Total additional provision from acquisition of subsidiaries	667	-	-
Specific provision charged to statement of income	5,400	5,10	7,44
General provision charged to statement of income	184	184	-
Total provision expense for possible credit losses	5,584	5,284	7,44
Release of previously established specific provision	(2,400)	(2,40)	(1,83)
Release of previously established general provision	(177)	(177)	-
Total release of previously established provision	(2,577)	(2,577)	(1,83)
Provision charged to the statement of income, net	3,007	2,707	5,61
Reversal of specific provision due to write-offs	(7,560)	(7,24)	-
Increase/ (decrease) in specific provision due to currency fluctuations	531	527	(23)
Specific provision at the end of the year	10,330	9,73	13,75
General provision at the end of the year	2,340	2,29	2,28
Provision for possible credit losses at the end of the year	12,670	12,02	16,03

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During the year ended 31 December 2000, the Management of the Bank have revised the general credit loss provisioning rates for the main groups of assets to reflect the changes in the overall risk structure in the Bank's and the Group's portfolio of the respective assets. As a result, the following general provision rates have been adopted by the Management in respect of the Bank's and Group's non-risk free assets as at 31 December 2000 and 1999:

	<u>31/12/2000</u>	<u>31/12/1999</u>
Due from credit institutions	3.00%	3.50%
Loans and advances to non-banking customers	1.00%	1.25%
Treasury bills and other fixed income securities	1.00%	2.00%

The above general provision has not been applied to balances due from credit institutions registered in the OECD countries and interbank balances secured by Latvian government fixed income securities. Furthermore, general provision has not been applied to fixed income securities within managed funds, fixed income securities issued by the governments, credit institutions and enterprises registered in OECD countries as well as fixed income securities issued by the Latvian government.

The following table provides a specification of the provision for possible credit losses between the respective assets and issued guarantees (all amounts in LVL 000's):

	<u>31/12/2000</u>				<u>31/12/1999</u>	
	<u>Group</u>		<u>Bank</u>		<u>Bank</u>	
	<u>Specific provision</u>	<u>General provision</u>	<u>Specific provision</u>	<u>General provision</u>	<u>Specific provision</u>	<u>General provision</u>
Balances due from credit institutions	2,311	326	2,311	326	3,091	142
Loans and advances to non-banking customers	7,401	1,821	6,801	1,771	8,101	1,771
Treasury bills and other fixed income securities	90	149	90	149	1,751	326
Shares and non-fixed income securities	-	24	-	24	-	24
Accrued interest income	470	-	466	-	787	-
Other assets	60	-	60	-	-	-
Guarantees	-	21	-	21	-	21
	<u>10,331</u>	<u>2,341</u>	<u>9,731</u>	<u>2,291</u>	<u>13,751</u>	<u>2,281</u>

NOTE 11. CORPORATE INCOME TAX

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

Since 1997, the State Revenue Service has not performed a full tax audit in the Bank. Therefore, there is a possibility that as a result of such a tax audit, the final tax liabilities may differ from the amounts recognised in the Bank's financial statements during these years.

Corporate income tax expense comprises the following items:

	<u>LVL 000's</u>		
	<u>2000 Group</u>	<u>2000 Bank</u>	<u>1999 Bank</u>
Provision for corporate income tax for the year	1,241	1,241	337
Increase in deferred corporate income tax	66	66	100
Total corporate income tax expense	<u>1,301</u>	<u>1,301</u>	<u>437</u>

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The reconciliation of the Bank's net profit for the year to the provision for corporate income tax for the year may be presented as follows:

	LVL 000's	
	2000 Bank	1999 Bank
Profit before corporate income tax	11,334	4,614
(Excess) of tax depreciation over accounting depreciation	(1,10)	(460)
Non-deductible expense and (non-taxable income), net	3,084	(378)
Taxable profit for the year	13,324	3,774
Corporate income tax (at the rate of 12.5%)	1,66	472
Tax reducers (donations)	(422)	(135)
Provision for corporate income tax for the year	1,24	337

NOTE 12. CASH AND DEPOSITS WITH THE BANK OF LATVIA

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

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Cash	17,40	16,91	17,86
Deposits with the Bank of Latvia	6,65	6,65	7,14
Total cash and deposits with the Bank of Latvia	24,05	23,56	25,01

Deposits with the Bank of Latvia are due on demand and are non-interest bearing.

According to the resolution of the Council of the Bank of Latvia, credit institutions should comply with the compulsory reserve requirement. This compulsory reserve must be exceeded by a credit institution's average monthly LVL balance on its correspondent account with the Bank of Latvia plus average monthly cash in LVL. The average monthly cash in LVL may comprise up to 40%.

The level of the compulsory reserve calculated for the month ended 15 December 2000 was exceeded by the Bank's average LVL balances on the correspondent account with the Bank of Latvia and allowed cash in LVL during December 2000. As a result, the Bank was in compliance with the compulsory reserve requirement at the end of the reporting year.

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NOTE 13. BALANCES DUE FROM CREDIT INSTITUTIONS

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Due from credit institutions registered in OECD countries	87,84	87,20	90,33
Due from credit institutions registered in Latvia	8,23	8,23	135
Due from credit institutions registered in other countries	13,88	13,09	9,84
Total gross balances due from credit institutions	109,96	108,52	100,31
Less provision for possible credit losses (see Note 10)	(2,64)	(2,64)	(3,24)
Total net balances due from credit institutions	107,32	105,88	97,07

As at 31 December 2000, the Bank had established correspondent relationships with 37 (30) credit institutions registered in the OECD countries, 6 (4) Latvian credit institutions and 51 (23) credit institutions incorporated in other non-OECD countries.

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Correspondent accounts	25,477	25,318	28,520
Overnight deposits	15,299	15,299	1,382
Total demand deposits	40,776	40,617	29,902
Term deposits with credit institutions:			
due within 1 month	50,600	50,600	68,688
due within 1-3 months	10,513	9,901	79
due within 3-6 months	-	-	42
due within 6-12 months	613	613	729
due within 1-5 years	893	858	878
Over 5 years and undated	6,571	5,940	-
Total term deposits	69,190	67,912	70,416
Total gross balances due from credit institutions	109,966	108,529	100,318
Less provisions for possible credit losses (see Note 10)	(2,641)	(2,641)	(3,241)
Total net balances due from credit institutions	107,325	105,888	97,077

Term deposits, serving as cash collateral, have been classified as "over 5 years and undated".

As at 31 December 2000, the Bank had inter-bank deposits with 4 Latvian credit institutions, 8 OECD region credit institutions and 7 credit institutions registered in other non-OECD countries. Corresponding balances comprised 94%, 83% and 62% of total balances due from credit institutions registered in Latvia, OECD and other non-OECD countries, respectively.

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NOTE 14. LOANS AND ADVANCES TO NON-BANKING CUSTOMERS

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

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Regular loans	102,89	98,62	61,08
Loans under reverse repurchase agreements	-	-	6,09
Utilised credit lines	33,87	33,87	44,87
Total gross loans to non-banking customers	136,76	132,49	112,05
Finance leases	80,52	72,76	52,32
Overdraft facilities	6,69	6,63	2,75
Debit balances on settlement cards	2,86	2,86	2,22
Total other loans and advances	9,56	9,50	4,98
Total gross loans and advances to non-banking customers	226,85	214,75	169,36
Less provision for possible credit losses (see Note 10)	(9,22)	(8,57)	(9,88)
Total net loans and advances to non-banking customers	217,62	206,18	159,48

Overdrafts include balances due from investment and brokerage companies, which, by substance, represent the Bank's funds placed with the above companies to secure trading with financial instruments. Such overdrafts amounted to LVL 931 thousand as at 31 December 2000.

As at 31 December 2000, included in loans and advances to non-banking customers is the Bank's short-term money market deposit with Lehman Brothers in the amount of LVL 612 thousand.

As at 31 December 2000, the outstanding balance of overdrafts includes also LVL 873 thousand due from the Bank's subsidiary acting as the Bank's broker for trading investments in shares of various entities registered in CIS countries. As such, the balance due from the aforementioned subsidiary represents the Bank's investments in shares, however, in accordance with a specific Bank of Latvia request, it has been classified as a loan.

Loans and advances to non-banking customers include financing granted to small and medium size Latvian entities from the funds provided by the World Bank specifically for this purpose (see Note 27).

As at 31 December 2000, the Bank has issued student loans in the total amount of LVL 3,065 thousand. Student loans are issued under the initiative of the Ministry of Education of the Republic of Latvia and the State Treasury. The State Treasury has arranged the necessary funding and fully assumes all risks and rewards incident to these loans. Since the Bank only acts as an agent on behalf of the Ministry of Education and State Treasury, the outstanding balances of the aforementioned loans and the corresponding deposits are not included in the Bank's balance sheet.

As at 31 December 2000, loans and advances totalling LVL 25,080 thousand (12% of the total portfolio of net loans and advances to non-banking customers) were classified as zero risk.

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 as defined by the Bank of Latvia (see Note 34) and the total credit exposure to all related parties may not exceed 15% of equity as defined by the Bank of Latvia (see Note 34). As at 31 December 2000, the Bank was in compliance with the above requirements.

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

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Overdue	8,42	7,43	7,47
Falling due within:			
1 month	21,88	20,79	12,63
1 - 3 months	12,52	11,41	17,88
3 - 6 months	16,53	12,95	20,95
6 - 12 months	26,10	23,05	36,53
1 - 5 years	97,66	94,34	62,61
more than 5 years	43,71	44,75	11,27
Total gross loans and advances to non-banking customers	226,85	214,75	169,36
Less provision for possible credit losses (see Note 10)	(9,22)	(8,57)	(9,88)
Total net loans and advances to non-banking customers	217,62	206,18	159,48

Currently, the Bank's information system does not provide an analysis of outstanding loans and advances to non-banking customers by their remaining maturities considering the scheduled repayments during the period of loans. Due to extensive effort required in preparation of such an analysis, the Management did not deem presentation of such analysis in these financial statements practical. Accordingly, the above table has been prepared under the assumption that all principal falls due at the final maturity date.

As at year end, the interest accrual profile of the Bank's loans and advances to non-banking customers was as follows:

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Accrual basis	220,76	208,94	157,69
Non-accrual basis	6,08	5,80	11,67
Total gross loans and advances to non-banking customers	226,85	214,75	169,36
Less provision for possible credit losses (see Note 10)	(9,22)	(8,57)	(9,88)
Total net loans and advances to non-banking customers	217,62	206,18	159,48

During the reporting year, the Bank has written-off a number of fully provided (non-performing) loans and advances to non-banking customers, hence the reduction in the total outstanding balances for which interest was not being accrued. The total amount of fully provided loans and advances to non-banking customers written-off from the Bank's balance sheet amounted to LVL 6,480 thousand for the current reporting year.

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Loans and advances by customer profile may be specified as follows:

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Government	382	382	607
Local municipalities	6,280	6,280	9,080
State owned enterprises	3,090	3,090	330
Municipalities enterprises	6,160	6,160	-
Privately held companies	169,760	159,530	131,760
Total gross loans and advances to corporate customers	185,690	175,460	141,780
Public and religious institutions	124	124	-
Personnel employed by the Bank	1,050	1,050	1,050
Other private individuals	39,980	38,110	26,530
Total gross loans and advances to non-banking customers	226,850	214,750	169,360
Less provision for possible credit losses (see Note 10)	(9,220)	(8,570)	(9,880)
Total net loans and advances to non-banking customers	217,620	206,180	159,480

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

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Trade	46,260	41,280	22,880
Transport and communications	35,940	28,250	19,350
Manufacturing	24,420	22,210	19,890
Financial intermediation	12,550	19,980	32,710
Electricity, gas and water supply	11,560	10,980	8,190
Construction	6,880	6,770	2,680
Fishing	4,310	4,300	958
Hotels and restaurants	1,410	964	3,840
Agriculture and forestry	1,290	1,200	3,670
Other industries	41,030	39,480	27,570
Total gross loans and advances to corporate customers	185,690	175,460	141,780

The following table represents geographical profile of the portfolio of loans and advances to non-banking customers analysed by the place of customers' reported residence:

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
OECD region residents	38,250	37,880	32,910
Latvian residents	152,190	152,800	111,130
Non-OECD region residents	36,400	24,060	25,310
Total gross loans and advances to non-banking customers	226,850	214,750	169,360
Less provision for possible credit losses (see Note 10)	(9,220)	(8,570)	(9,880)
Total net loans and advances to non-banking customers	217,620	206,180	159,480

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During the reporting year, the Bank was subject to the Bank of Latvia restriction in respect of issuing and/ or prolonging loans and advances to entities registered in offshore zones or in countries that are in jurisdictions by substance considered to be offshore.

NOTE 15. FINANCE LEASES BY TYPE OF ASSETS

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Transport vehicles	30,92	30,21	15,27
Real estate	28,54	25,09	12,13
Manufacturing equipment	5,55	4,04	5,91
Equity shares	3,26	3,21	2,09
Other	12,23	10,19	16,91
Total gross finance leases	80,52	72,76	52,32

In the ordinary course of business, the Bank and its subsidiaries offer their customers the possibility to finance the acquisition of equity shares by means of finance lease agreements. As such, the Bank becomes the legal owner of those shares during the period of lease. Even though the Bank is the legal owner of the entities which are being leased, the Management believe that in substance the control over the respective entities is not transferred to the Bank, and therefore such entities should not be considered as related entities to the Bank.

NOTE 16. UNEARNED INTEREST INCOME ON FINANCE LEASES

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Short-term unearned income	6,088	5,460	4,955
Long-term unearned income	9,748	9,149	5,247
Total unearned interest income on finance leases	15,836	14,609	10,202

NOTE 17. TREASURY BILLS AND OTHER FIXED INCOME SECURITIES

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
State Treasury bills	3,177	3,177	12,212
Government bonds	47,031	44,065	27,307
Municipality bonds	1,311	1,311	673
Credit institution bonds	30,478	30,478	10,851
Corporate bonds	30,794	30,794	-
Other financial institution bonds	29,994	29,994	8,283
Short-term money management account	-	-	12,117
Managed funds	16,859	16,859	28,202
Total gross treasury bills and other fixed income securities	159,644	156,678	99,645
Less provisions for fixed income securities (see note 10)	(239)	(239)	(2,084)
Total net treasury bills and other fixed income securities	159,405	156,439	97,561

Managed funds represent the Bank's share in certain portfolios of fixed income securities that are managed on behalf of investors by financial institutions registered in OECD countries. The Bank does not possess detailed information on these investments, therefore they are not classified by their ultimate issuer.

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

	31/12/2000			31/12/1999		
	Listed	Unlisted	Total	Listed	Unlisted	Total
Latvian State Treasury bills	3,1	-	3,1	12,0	117	12,2
Government bonds:						
Latvian government bonds	14,9	-	14,9	8,9	-	8,9
OECD government bonds	14,4	-	14,4	5,8	-	5,8
Non-OECD government bonds (excluding Latvia)	16,4	1,1	17,6	10,4	2,0	12,5
Total government bonds	45,8	1,1	47,0	25,2	2,0	27,3
Municipality bonds:						
OECD	1,2	-	1,2	-	-	-
Non-OECD (excluding Latvia)	90	-	90	90	583	673
Total municipality bonds	1,3	-	1,3	90	583	673
Credit institution bonds:						
Latvia	61	1,1	1,1	-	-	-
OECD	21,3	7,9	29,2	10,4	-	10,4
Non-OECD (excluding Latvia)	-	-	-	11	370	381
Total credit institution bonds	21,3	9,0	30,4	10,4	370	10,8
Corporate bonds (OECD)	19,3	11,4	30,7	-	-	-
Other financial institution bonds (OECD)	23,8	6,1	29,9	5,8	2,4	8,2
Short-term money management account	-	-	-	-	12,1	12,1
Managed funds	-	16,8	16,8	-	28,2	28,2
Total gross treasury bills and other fixed income securities	114,9	44,7	159,6	53,7	45,9	99,6
Less provisions for fixed income securities (see note 10)	(227)	(12)	(239)	(438)	(1,6)	(2,0)
Total net treasury bills and other fixed income securities	114,7	44,6	159,4	53,2	44,2	97,5

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Treasury bills and other fixed income securities held by the Group as at 31 December 2000 are classified between investment and trading portfolio as follows:

	31/12/2000			31/12/1999		
	Securities held for investment purposes	Securities held for trading purposes	Total in LVL 000's	Securities held for investment purposes	Securities held for trading purposes	Total in LVL 000's
State Treasury bills	3,177	-	3,177	12,212	-	12,212
Government bonds	47,031	-	47,031	27,025	282	27,307
Municipality bonds	1,311	-	1,311	673	-	673
Credit institution bonds	30,478	-	30,478	10,840	11	10,851
Corporate bonds	30,794	-	30,794	-	-	-
Other financial institution bonds	29,994	-	29,994	8,283	-	8,283
Short-term money management account	-	-	-	-	12,117	12,117
Managed funds	-	16,859	16,859	-	28,202	28,202
Total fixed income securities, gross	142,785	16,859	159,644	59,033	40,612	99,645

NOTE 18. TREASURY BILLS AND OTHER FIXED INCOME SECURITIES BY MATURITY PROFILE

The following table provides a maturity profile of the Group's treasury bills and other fixed income securities as at 31 December 2001:

	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	more than 5 years	Total portfolio
State Treasury bills	-	-	-	3,177	-	-	3,177
Government bonds	-	1,794	92	6,136	29,336	9,673	47,031
Municipality bonds	90	-	-	-	1,221	-	1,311
Credit institution bonds	-	612	1,136	7,363	16,303	5,064	30,478
Corporate bonds	-	-	-	2,411	13,918	14,465	30,794
Other financial institution bonds	-	243	2,719	1,837	18,579	6,616	29,994
Managed funds	598	-	41	1,884	2,912	11,424	16,859
Total fixed income securities, gross	688	2,649	3,988	22,808	82,269	47,242	159,644

NOTE 19. SHARES AND OTHER NON-FIXED INCOME SECURITIES

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Latvian entities' equity shares	383	383	5,79
Foreign entities' equity shares	15,92	15,87	72
Latvian privatisation certificates	50	50	136
Total shares and other non-fixed income securities, gross	16,36	16,30	5,99
Less provision for possible losses (see note 10)	(24)	(24)	(24)
Total net shares and other non-fixed income securities	16,33	16,28	5,97

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During the reporting year, the Bank sold its strategic investment in shares of another Latvian credit institution and recorded a profit from securities trading in the amount of LVL 152 thousand.

The following table shows the division of the Group's investments in shares and other non-fixed income securities held by listed and unlisted securities (all amounts in LVL 000's):

	31/12/2000			31/12/1999		
	Listed	Unlisted	Total	Listed	Unlisted	Total
Equity shares						
in Latvian credit institutions	-	-	-	5,5	-	5,5
in Latvian financial institutions	-	25	25	-	25	25
in Latvian corporate entities	238	120	358	199	1	200
in OECD financial institutions	-	15,4	15,4	-	-	-
in OECD corporate entities	46	291	337	-	12	12
in other non-OECD credit institutions	-	-	-	8	-	8
in other non-OECD corporate entities	109	43	152	46	6	52
Total equity shares	393	15,9	16,3	5,8	44	5,8
Latvian privatisation certificates	-	50	50	-	136	136
Total gross shares and other non-fixed income securities	393	15,9	16,3	5,8	180	5,9
Less provisions for possible losses (see Note 10)	(24)	-	(24)	(24)	-	(24)
Total net shares and other non-fixed income securities	369	15,9	16,3	5,7	180	5,9

Investments in equity shares of OECD financial institutions represent an investment in a managed fund. Due to the fact that the Bank does not possess a detailed specification of these investments, they are not classified by issuer.

The following table provides the division between shares and other non-fixed income securities held by the Group for investment and trading purposes (all amounts in LVL 000's):

	31/12/2000			31/12/1999		
	Investment	Trading	Total	Investment	Trading	Total
Equity shares						
in Latvian credit institutions	-	-	-	5,5	-	5,5
in Latvian financial institutions	25	-	25	25	-	25
in Latvian corporate entities	-	358	358	-	200	200
in OECD financial institutions	-	15,4	15,4	-	-	-
in OECD corporate entities	12	325	337	12	-	12
in other non-OECD credit institutions	-	-	-	-	8	8
in other non-OECD corporate entities	1	151	152	-	52	52
Total equity shares	38	16,2	16,3	5,6	260	5,8
Latvian privatisation certificates	-	50	50	-	136	136
Total gross shares and non-fixed income securities	38	16,3	16,3	5,6	396	5,9
Less provisions for possible losses (see Note 10)	-	(24)	(24)	-	(24)	(24)
Total net shares and non-fixed income securities	38	16,2	16,3	5,6	372	5,9

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NOTE 20. INVESTMENTS IN SUBSIDIARIES

The Bank's investments in subsidiaries are accounted in the Bank's stand-alone financial statements under the equity method. Movements in the Bank's investments in subsidiaries for the current reporting year may be specified as follows:

	LVL 000's	
	2000 Bank	1999 Bank
Balance as at 1 January	193	189
Acquisitions and investments	3,580	4
Disposals	(383)	-
Revaluation	(345)	-
Balance as at 31 December	3,042	193

In March 2000 and in December 2000, respectively, the Bank acquired 91.11% shares in JSC Industrijos Bankas (Lithuania) and 100% shares in SIA Parekss Līzings (Latvia) and recorded the respective investments using the equity method. The differences between the purchase price of the above investments and the respective share in the subsidiaries' equity have been capitalised as goodwill and are being amortised over the period of 5 years on a straight-line basis. Subsequent to the acquisition, JSC Industrijos Bankas has been renamed to JSC Parex Bank.

In 2000, the Bank established a subsidiary engaged in trading in precious metals and jewellery. The Bank's investment amounted to LVL 376 thousand. In December 2000, the above subsidiary has been sold at its book value. Furthermore, in December 2000 the Bank sold a number of other subsidiaries. All disposals were made at their book values.

A proportional share of the subsidiaries' post-acquisition losses for the year ended 31 December 2000, in the amount of LVL 345 thousand, has been included in the statement of income as a loss from revaluation of long-term investments.

As at 31 December 2000, the Bank held the following investments in subsidiaries:

Company	Business profile	Share capital in LVL 000's	The Bank's share (%)	% of total voting rights	Investment value in LVL 000's
JSC Parex Bank	Banking	4,150	91.11	91.11	2,820
SIA Parekss brokeru sistēma	Custom brokerage services	120	95.00	95.00	114
BAS "Atklātais pensiju fonds sociālais nodrošinājums"	Pension fund	100	98.00	98.00	101
Parex Asset Management Company Ltd.	Finance	92	100.00	100.00	6
SIA Parekss Līzings	Leasing	31	100.00	100.00	-
UAB Parex Lizingas	Leasing	240	51.00	51.00	-
Regalite Holdings Ltd.	Finance	5	100.00	100.00	-
M.B.M. Investments Ltd.	Finance	1	100.00	100.00	-
SIA Līzinga Konsultants	Leasing	2	100.00	100.00	-
UAB Janusava	Leasing	2	51.00	51.00	-
Total investments in subsidiaries					3,042

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As at 31 December 2000, the Bank owns directly 6% of the shares of UAB Parex Lizingas, a limited liability company registered in the Enterprise Register of the Republic of Lithuania. In addition, SIA Parekss Līzings, a 100% subsidiary of a/s Parekss - Banka, is an owner of 45% shareholding in the above entity. As such, a/s Parekss-banka indirectly owns 51% of UAB Parex Lizingas.

The financial statements of a/s Parekss - Banka and its subsidiaries JSC Parex Bank, BAS "Atklātais pensiju fonds sociālais nodrošinājums", SIA Parex Līzings and indirectly controlled entity UAB Parex Lizingas are consolidated in the Group's financial statements on a line by line basis by adding together like items of assets and liabilities as well as income and expenses.

The Bank's Management consider other subsidiaries to be immaterial for the purposes of the Group's financial statements presentation, hence the consolidation of the financial statements of these subsidiaries was not performed. Accordingly, the Bank's investments in other subsidiaries, totalling LVL 120 thousand, are accounted in the Group's financial statements under the equity method.

NOTE 21. INVESTMENTS IN AFFILIATED ENTITIES

In 2000, the Bank performed a revaluation of its investments in affiliated entities in accordance with the equity method. The resulting loss of LVL 217 thousand has been included in the statement of income as a loss from revaluation of long-term investments.

In December 2000 the Bank sold a number of other subsidiaries. All disposals were made at their book values.

As at 31 December 2000, the Bank holds an investment in SIA Loka-2, recorded in the balance sheet at zero value.

NOTE 22. INTANGIBLE ASSETS

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Goodwill from acquisition of subsidiaries:			
JSC Parex Bank	589	589	-
SIA Parekss Līzings	613	613	-
	<u>1,202</u>	<u>1,202</u>	<u>-</u>
Leasehold rights	227	227	307
Other intangible fixed assets	148	-	-
Total net book value of intangible fixed assets	<u>1,577</u>	<u>1,429</u>	<u>307</u>

Goodwill from the acquisition of subsidiaries has been further described in Note 20.

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Movements in the Group's intangible fixed assets for the year ended 31 December 2000 can be specified as follows (all amounts in LVL 000's):

	Goodwill from acquisition of subsidiaries	Leasehold rights	Other intangible assets	Total intangible assets
Historical cost				
As at 1 January 2000*	-	798	-	798
Addition from the acquisition of subsidiaries	-	-	148	148
Additions during the year	1,3	-	102	1,401
As at 31 December 2000	1,3	798	250	2,351
Accumulated amortisation				
As at 1 January 2000*	-	491	-	491
Addition from the acquisition of subsidiaries	-	-	81	81
Charge for the year	104	80	21	205
As at 31 December 2000	104	571	102	777
Net book value				
As at 1 January 2000*	-	307	-	307
As at 31 December 2000	1,2	227	148	1,572

* For the purpose of presentation of the above table, the Bank's intangible assets' balances as at 1 January 2000 have been used as the opening balances for the Group.

NOTE 23. FIXED ASSETS

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Leasehold improvements	576	576	398
Buildings	6,785	5,507	3,841
Transport vehicles	1,147	1,069	1,022
Other fixed assets	5,428	4,873	3,528
Total fixed assets excluding prepayments	13,936	12,025	8,789
Prepayments for fixed assets	514	501	302
Total net book value of fixed assets	14,450	12,526	9,091

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The following changes in the Group's fixed assets took place during the year ended 31 December 2000 (all amounts in LVL 000's):

	Leasehold improvements	Buildings	Transport vehicles	Other fixed assets	Total fixed assets excluding prepayments
Historical cost					
As at 1 January 2000*	936	4,530	2,140	8,300	15,910
Addition from the acquisition of subsidiaries	-	1,110	125	492	1,730
Additions during the year	331	2,300	535	3,400	6,640
Disposals during the year	(25)	(365)	(221)	(621)	(1,230)
As at 31 December 2000	1,250	7,580	2,580	11,600	23,060
Accumulated depreciation					
As at 1 January 2000*	538	693	1,110	4,700	7,120
Addition from the acquisition of subsidiaries	-	26	50	195	271
Charge for the year	143	95	385	1,800	2,470
Reversal due to disposals	(5)	(10)	(121)	(610)	(746)
As at 31 December 2000	676	804	1,430	6,200	9,120
Net book value					
As at 1 January 2000*	398	3,840	1,020	3,500	8,780
As at 31 December 2000	576	6,780	1,140	5,400	13,930

* For the purpose of presentation of the above table, the Bank's fixed assets' balances as at 1 January 2000 have been used as the opening balances for the Group.

NOTE 24. OTHER ASSETS

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Money in transit	852	845	796
Repossessed fixed assets for sale	522	230	190
Unrealised gain on outstanding financial derivatives	65	65	675
Jewellery	11	11	461
Prepaid corporate income tax	-	-	951
Other	1,401	735	1,257
Total gross other assets	2,851	1,886	4,330
Less provision for possible credit losses (see Note 10)	(60)	(60)	-
Total other assets, net	2,791	1,826	4,330

As set out in Note 20, in 2000 the Bank established a subsidiary in which it is the majority owner and which is engaged in trading with precious metals and jewellery. Accordingly, the Bank's operating income arising from the sale of jewellery and the respective jewellery inventory balances have substantially reduced as compared to 1999.

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NOTE 25. PREPAYMENTS AND ACCRUED INCOME

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Accrued interest income	6,50'	6,350	3,70'
Prepayments	1,01'	956	733
Total gross prepayments and accrued income	7,51'	7,300	4,43'
Less provision for possible credit losses (see Note 10)	(470)	(466)	(787)
Total prepayments and accrued income	7,04'	6,834	3,646

Prepayments include prepaid rent for a building in Riga, amounting to LVL 371 thousand as at 31 December 2000. The above prepayment has been recorded by the Bank in 1999 as a result of exchanging a defaulted loan balance against the right to use the aforementioned building for a period of ten years. The Management have evaluated the recoverability of this asset and believe that future rental income will fully cover the cost incurred by the Bank and outstanding as at 31 December 2000.

As at 31 December 2000, the Bank has made a prepayment of USD 500 thousand (LVL 307 thousand) to a private aircraft operator in respect of transportation services in 2001.

NOTE 26. BALANCES DUE TO CREDIT INSTITUTIONS AND THE BANK OF LATVIA

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Due to credit institutions registered in OECD countries	21,142	15,012	17,853
Due to credit institutions registered in Latvia	3,434	3,434	12,894
Due to credit institutions registered in non-OECD countries	21,374	19,996	22,180
Total balances due to credit institutions and the Bank of Latvia	45,950	38,442	52,927

The following table presents the Group's balances due to credit institutions according to maturity profile:

	Due to credit institutions registered in:			LVL 000's	
	OECD countries	Latvia	Other countries	Total 31/12/2000	Total 31/12/1999
Total balances repayable on demand	450	1,716	10,513	12,679	20,407
Loans from credit institutions:					
due within 1 month	463	1,625	3,993	6,081	24,510
due within 1-3 months	-	-	1,256	1,256	7,000
due within 3-6 months	14,099	-	2,466	16,565	177
due within 6-12 months	6,130	-	3,146	9,276	832
due within 1-5 years	-	93	-	93	1
Total loans from credit institutions	20,692	1,718	10,861	33,271	32,520
Total due to credit institutions	21,142	3,434	21,374	45,950	52,972

As at 31 December 2000, 3 (3) credit institutions registered in the OECD countries, 12 (12) Latvian credit institutions and 131 (116) credit institutions incorporated in other non-OECD countries at 31 December 2000 had established correspondent (vostro) relationships with the Bank.

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On 9 May 2000, the Bank received a syndicated loan from OECD countries' banks maturing on 9 May 2001 and bearing an interest rate of 1 month LIBOR plus a margin of 1.25% per annum. The outstanding balance of the syndicated loan, amounting to USD 23,000 thousand (LVL 14,099 thousand), comprises 67% of the total balances due to credit institutions registered in OECD countries as at 31 December 2000.

As at 31 December 2000, the Bank had outstanding balances due to 9 credit institutions registered in other non-OECD countries. The respective deposits comprised 82 % of the total balances due to credit institutions registered other non-OECD countries.

As at 31 December 2000, the Bank held restricted balances due to credit institutions amounting to LVL 3,075 thousand that are dependent upon the repayment of outstanding balances due from non-banking customers.

NOTE 27. DEPOSITS FROM THE PUBLIC

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Demand deposits	319,393	316,069	222,346
Term deposits			
due within 1 month	68,852	68,355	39,134
due within 1-3 months	20,445	19,759	6,819
due within 3-6 months	18,332	17,808	5,271
due within 6-12 months	10,322	10,086	18,121
due within 1-5 years	7,702	7,452	8,471
due in more than 5 years	2,632	2,584	2,191
Total term deposits	<u>128,285</u>	<u>126,044</u>	<u>80,007</u>
Total deposits from the public	<u>447,678</u>	<u>442,113</u>	<u>302,353</u>

The following table presents deposits from the public according to customer profile:

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Government	1,925	1,924	9,278
Municipalities	6,057	6,057	3,620
Financial institutions	13,475	13,475	16,962
State owned enterprises	16,353	16,353	7,043
Public and religious institutions	952	855	1,076
Privately held companies	326,993	323,040	214,206
Private individuals	59,983	58,469	35,320
Bank's employees	21,940	21,940	14,848
Total deposits from the public	<u>447,678</u>	<u>442,113</u>	<u>302,353</u>

Deposits from financial institutions include funds received from the World Bank for the purpose of issuing loans to small and medium size entities registered in Latvia. As at 31 December 2000, the total outstanding balance of such deposits amounted to LVL 4,947 thousand.

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The following table provides the split of deposits from the public by their place of residence.

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Latvian residents	113,765	113,856	73,179
Non-residents	333,913	328,257	229,174
Total deposits from the public	447,678	442,113	302,353

As at 31 December 2000, the Bank held restricted deposits amounting to LVL 23,171 thousand that are dependent upon repayment of outstanding balances due from non-banking customers.

NOTE 28. OTHER LIABILITIES

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Suspense liabilities	1,181	1,134	488
Money in transit	2,010	264	4,796
Unrealised loss on outstanding financial derivatives	165	165	80
Other liabilities	1,512	371	221
Total other liabilities	4,868	1,934	5,585

Suspense liabilities comprise funds received by the Bank as at 31 December 2000, but not transferred to ultimate beneficiaries due to unclear or incomplete details of the supporting documentation.

NOTE 29. PROVISION FOR LIABILITIES AND CHARGES

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Provision for employee vacation pay	474	424	224
Provision for deferred corporate income tax	239	166	100
General provision for guarantees	21	21	21
Total provision for liabilities and charges	734	611	345

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NOTE 30. PAID-IN SHARE CAPITAL

As at 31 December 2000, the Bank's registered and paid-in share capital was LVL 30,000,000. In accordance with the Bank's statutes, the share capital consists of 9,000 thousand ordinary shares with voting rights and 21,000 thousand ordinary shares without voting rights. All shares have a par value of LVL 1 each and they were issued and fully paid-in as at 31 December 2000.

As at 31 December 2000, the Bank had 5 shareholders. The respective shareholdings may be specified as follows:

	31/12/2000			31/12/1999		
	Paid-in share capital (LVL 000's)	% of total paid-in capital	% of total voting rights	Paid-in share capital (LVL 000's)	% of total paid-in capital	% of total voting rights
Europe Holding Ltd., the Isle of Man	15,280.00	50.93%	-	15,280.00	50.93%	-
Valery Kargin	7,359.50	24.53%	50%	7,210.00	24.03%	50%
Viktor Krasovitsky	7,359.50	24.53%	50%	7,210.00	24.03%	50%
Other	1.00	0.01%	-	300.00	1.01%	-
Total	30,000.00	100.00%	100%	30,000.00	100.00%	100%

As at 31 December 2000, the Bank did not possess any of its own shares.

NOTE 31. MEMORANDUM ITEMS

Memorandum items comprise contingent liabilities, financial commitments and foreign exchange contracts and other financial instruments. The following table provides a specification of contingent liabilities and financial commitments outstanding as at 31 December 2000 and 1999.

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
<i>Contingent liabilities</i>			
Guarantees issued	7,476	7,195	33,665
Outstanding letters of credit	2,346	2,346	3,550
Less provision for guarantees (see Notes 10 and 29)	(21)	(21)	(21)
Total contingent liabilities	9,801	9,520	37,194
<i>Financial commitments</i>			
Loans granted, not fully drawn down and undrawn credit lines	20,467	21,662	13,519
Total financial commitments	20,467	21,662	13,519

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The following table presents the notional amounts and fair values of foreign exchange contracts and other financial instruments. The notional amounts of foreign exchange contracts represent the amounts payable under these contracts. The notional amounts of other financial instruments represent the value of the underlying assets.

	Notional amount LVL 000's			Fair value LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
<i>Foreign exchange contracts</i>						
Spot exchange	17,545	17,511	6,787	(19)	(19)	17
Forwards	8,506	10,687	7,172	(2)	(2)	114
Swaps	14,861	18,929	34,263	(19)	(19)	544
Total foreign exchange contracts	40,912	47,127	48,222	(40)	(40)	675
<i>Other financial instruments</i>						
Written options	8,582	8,582	7,072	(60)	(60)	(80)
Purchased options	80	80	76	-	-	-
Other instruments	6,092	6,092	-	-	-	-
Total other financial instruments	14,754	14,754	7,148	(60)	(60)	(80)

The fair value of foreign exchange contracts has been recorded in the Bank's and the Group's balance sheet under other assets and other liabilities in the amount of LVL 65 (675) thousand and LVL 105 (0) thousand, respectively. The fair value of other financial instruments has been recorded in the balance sheet under other liabilities in the amount of LVL 60 (80) thousand.

The following table represents geographical profile of the Group's memorandum items based on the customer's/counterparty's reported residence:

	OECD countries	Latvia	Other non-OECD countries	Total LVL 000's
<i>Contingent liabilities</i>				
Guarantees issued, net	1,329	4,600	1,520	7,449
Outstanding letters of credit	357	1,280	701	2,338
Total contingent liabilities	1,686	5,880	2,221	9,807
<i>Financial commitments</i>				
Loans granted, not fully drawn down and undrawn credit lines	8,160	11,700	576	20,436
Total financial commitments	8,160	11,700	576	20,436
<i>Foreign exchange contracts</i>				
Spot exchange	5,670	7,800	4,040	17,510
Forwards	6,280	863	1,350	8,500
Swaps	984	7,800	6,040	14,860
Total foreign exchange contracts	12,940	16,500	11,450	40,910
<i>Other financial instruments</i>				
Written options	8,580	-	-	8,580
Purchased options	-	-	80	80
Other instruments	3,570	943	1,570	6,090
Total other financial instruments	12,150	943	1,650	14,750

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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.

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

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
<i>Treasury bills and other fixed income securities</i>			
- State Treasury bills	-	-	77
- Government bonds	1,186	1,186	5,075
- Foreign municipality bonds	232	232	350
- Credit institution bonds	10	10	939
- Other financial institution bonds	-	-	59
- Managed funds	1,230	1,230	-
Total investments in treasury bills and other fixed income securities	2,658	2,658	6,500
<i>Other investments</i>			
- Loans to non-banking entities	227	227	1,815
- Latvian credit institution shares	-	-	-
- Latvian equity shares	10	10	1,497
- Foreign credit institution shares	37	37	49
- Foreign equity shares	915	915	1,143
Total other investments	1,189	1,189	4,504
Total assets under trust management agreements	3,847	3,847	11,004

NOTE 33. CASH AND CASH EQUIVALENTS

The table below provides a breakdown of cash and cash equivalents as at 31 December 2000 and 1999:

	LVL 000's		
	31/12/2000 Group	31/12/2000 Bank	31/12/1999 Bank
Cash and demand deposits with the Bank of Latvia	24,0	23,56	25,01
Demand deposits with other credit institutions	40,7	40,61	30,77
Demand deposits taken from other credit institutions	(12,6)	(13,3)	(20,40)
Total cash and cash equivalents	52,1	50,87	35,38

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NOTE 34. CAPITAL ADEQUACY

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

The Bank of Latvia, the bank regulator, requires Latvian banks to maintain a capital adequacy ratio based on financial statements prepared under Latvian accounting standards of 10% of risk weighted assets. The Bank of Latvia requirements are principally consistent with the internationally recognised Basle Committee guidelines for the calculation of equity to be utilised in the capital adequacy ratio. The minimum capital adequacy ratio recommended by the 1988 Basle Committee guidelines is 8%.

Since the Bank has subsidiaries, which are financial institutions, it should comply with the regulatory requirements based on both the Group's financial statements and the Bank's financial statements as a stand-alone entity. As at 31 December 2000, the Group's capital adequacy ratio based on Basle Committee guidelines was 12.6%, while, in accordance with the Bank of Latvia's requirements, the Group's capital adequacy ratio was 12.2%. At the same time, the Bank's capital adequacy ratio based on IAS financial statements and calculated in accordance with the Basle Committee guidelines was 12.5% (1999: 14.6%), and, in accordance with the Bank of Latvia's requirements, the Bank's capital adequacy ratio was 12.1% (1999: 14.3%).

The following tables show the capital adequacy ratio calculations of the Group.

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The Group's equity to be utilised in the capital adequacy ratio as at 31 December 2000 has been calculated as follows:

Description	Amounts in LVL 000's	Total per tier
<i>Tier 1</i>		
- paid-in share capital	30,00	
- share premium	-	
- legal and other reserves	-	
- audited retained earnings (not subject to dividend distribution)	7,60	
- audited profit for the year (not subject to dividend distribution)	9,00	
<i>Less</i>		
- total amount of preference shares	-	
- accumulated deficit	-	
- own shares held	-	
- intangible assets (as defined by the Bank of Latvia)	(1,50)	
- loss for the year	-	
Total Tier 1		45,08
<i>Tier 2</i>		
- subordinated capital (restricted to 50% of Tier 1)		-
- 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 2 independent valuers)		-
- revaluation reserve for long-term investments in securities (restricted to 55% of total increase in long-term investments)		-
Total Tier 2		-
Less investments in financial institutions, not subject to consolidated supervision		(120)
Equity to be utilised in the Group's capital adequacy ratio per the Bank of Latvia		44,96
<i>Additional Tier 1</i>		
- intangible assets (except goodwill)		375
<i>Additional Tier 2</i>		
- general provision for possible credit losses (restricted to 1.25% of risk weighted assets)		2,34
Equity to be utilised in the Group's capital adequacy ratio per the Basle Committee guidelines		47,68

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

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The following table shows assets and memorandum items weightings used in calculation of the Group's capital adequacy ratio according to the Bank of Latvia's requirements:

<i>Group's capital adequacy under the Bank of Latvia's guidelines</i>	Credit equi- valent	Balance in LVL 000's	Risk weighting	Risk weighted balance LVL 000's
<i>Assets</i>				
Cash and deposits with the Bank of Latvia		24,05	0%	-
Balances due from Latvian credit institutions secured by Latvian government securities		3,00	0%	-
Loans and advances secured by Latvian government securities or guarantees		1,25	0%	-
Loans and advances to non-banking customers secured by deposits**		14,80	0%	-
Latvian government securities		18,12	0%	-
OECD government bonds		14,44	0%	-
Fixed income securities of central banks within OECD countries		2,99	0%	-
Managed funds at 0% risk weighting		11,15	0%	-
Accrued interest receivable at 0% risk weighting		730	0%	-
Demand deposits due from credit institutions within Latvia		2,62	20%	524
Balances due from credit institutions within OECD countries		87,84	20%	17,57
Fixed income securities of OECD credit institutions		26,28	20%	5,25
Fixed income securities of OECD countries' municipalities		1,22	20%	244
Managed funds at 20% risk weighting		228	20%	46
Accrued interest receivable at 20% risk weighting		359	20%	72
Other balances due from credit institutions within Latvia		2,61	50%	1,30
Loans to local municipalities in Latvia		4,99	50%	2,49
Loans and advances to non-banking customers secured by residential property		18,52	50%	9,26
Fixed income securities of Latvian credit institutions		1,19	50%	599
Prepayments		1,01	50%	506
Accrued interest receivable at 50% risk weighting		178	50%	89
Balances due from non-OECD countries' credit institutions, except Latvia		11,24	100%	11,24
Other loans and advances to non-banking customers		178,05	100%	178,05
Fixed income securities of non-OECD countries' governments and municipalities, except Latvia		17,48	100%	17,48
Managed funds at 100% risk weighting		5,48	100%	5,48
Other fixed income securities		60,78	100%	60,78
Shares and other non-fixed income securities		16,33	100%	16,33
Investments in financial institutions, not subject to consolidated supervision		120	*	-
Intangible assets		1,57	*	-
Fixed assets		14,45	100%	14,45
Other assets		2,79	100%	2,79
Accrued interest receivable at 100% risk weighting		4,77	100%	4,77
Total assets		550,73		349,37

* Deducted from equity.

** Due to specific requirements of the Bank of Latvia not all loans and advances to non-banking customers secured by deposits (see Note 14) have been classified as zero risk assets. 100% risk weighting have been applied to the remaining loans and advances to non-banking customers secured by deposits.

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<i>Group's capital adequacy under the Bank of Latvia's guidelines, continued</i>	Credit equi- valent	Balance in LVL 000's	Risk weighting	Risk weighted balance LVL 000's
Total risk weighted assets				349,37
<i>Memorandum items</i>				
Funds under trust management		3,84	*	-
Outstanding guarantees				
zero risk weighted	100%	814	0%	-
100% risk weighted	100%	6,64	100%	6,64
Outstanding letters of credit				
zero risk weighted	50%	1,53	0%	-
100% risk weighted	50%	816	100%	408
Financial commitments				
zero risk weighted	50%	4,03	0%	-
50% risk weighted	50%	317	50%	79
100% risk weighted	50%	16,12	100%	8,06
Foreign exchange contracts				
Contracts with original maturity less than 14 days		29,14	*	-
Contracts traded on stock exchanges		884	*	-
Contracts with original maturity less than 1 year:				
zero risk weighted	1.0%	249	0%	-
50% risk weighted	1.0%	3,55	50%	18
100% risk weighted (OECD and Latvian counterparties)	1.0%	4,00	100%	40
100% risk weighted (non-OECD counterparties)	1.5%	2,48	100%	37
Contracts with original maturity within 1-5 years	5.0%	600	0%	-
Interest rate related contracts				
OECD counterparties	0.0%	8,58	100%	-
Non-OECD counterparties	0.5%	80	100%	-
Other financial instruments traded on stock exchanges		6,09	*	-
Total risk weighted assets and memorandum items				364,65
Foreign currency open positions subject to capital charge				4,43
Equity to be utilised in the capital adequacy ratio				44,96
Group's Capital Adequacy Ratio				12.2%

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For the purpose of these financial statements, the Group's capital adequacy ratio in accordance with the guidelines set forth by the Basle Committee is calculated utilising the following weights:

- 0%
 - Cash
 - Deposits with the Bank of Latvia
 - Investments in Latvian government securities
 - Loans, advances and related commitments secured by deposits or Latvian government guarantees or securities
 - Balances due from OECD central governments and central banks
- 20%
 - Balances due from banks incorporated in OECD countries
 - Balances due from OECD countries' municipalities
- 50%
 - Loans, advances and related commitments to non-banking customers secured by residential property
- 100%
 - Balances due from banks incorporated in the non-OECD countries
 - Investments in non-OECD countries' government securities
 - Other loans, advances and related commitments to corporate customers and private individuals
 - Accrued income, prepayments and other short and long-term assets (Accrued interest income weightings are based on the assets they relate to.)
 - Non-zero risk guarantees and letters of credit

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Based on the guidelines set forth by the Basle Committee, the Group's capital adequacy has been calculated as follows:

<i>Group's capital adequacy based on the guidelines set forth by the Basle Committee</i>	Credit equi- valent	Balance in LVL 000's	Risk weighting	Risk weighted assets LVL 000's
Cash and deposits with the Bank of Latvia		24,05	0%	-
Balances due from Latvian credit institutions secured by Latvian government securities		3,00	0%	-
Loans and advances secured by Latvian government securities or guarantees		1,25	0%	-
Loans and advances to non-banking customers secured by deposits**		14,80	0%	-
Latvian government securities		18,12	0%	-
OECD government bonds		14,44	0%	-
Fixed income securities of central banks within OECD countries		2,99	0%	-
Managed funds at 0% risk weighting		11,15	0%	-
Accrued interest receivable at 0% risk weighting		730	0%	-
Balances due from credit institutions within OECD countries		87,84	20%	17,57
Fixed income securities of OECD credit institutions		26,28	20%	5,25
Fixed income securities of OECD countries' municipalities		1,22	20%	244
Managed funds at 20% risk weighting		228	20%	46
Accrued interest receivable at 20% risk weighting		359	20%	72
Loans and advances to non-banking customers secured by residential property		18,52	50%	9,26
Accrued interest receivable at 50% risk weighting		177	50%	89
Other balances due from credit institutions within Latvia		5,23	100%	5,23
Balances due from non-OECD countries' credit institutions, except Latvia		11,24	100%	11,24
Other loans and advances to non-banking customers		183,04	100%	183,04
Fixed income securities of Latvian credit institutions		1,19	100%	1,19
Fixed income securities of non-OECD countries' governments and municipalities, except Latvia		17,48	100%	17,48
Managed funds at 100% risk weighting		5,48	100%	5,48
Other fixed income securities		60,78	100%	60,78
Shares and other non-fixed income securities		16,33	100%	16,33
Investments in financial institutions, not subject to consolidated supervision		120	*	-
Goodwill from acquisition of subsidiaries		1,20	*	-
Other intangible assets		375	100%	375
Fixed assets		14,45	100%	14,45
Other assets		2,79	100%	2,79
Prepayments		1,01	100%	1,01
Accrued interest receivable at 100% risk weighting		4,77	100%	4,77
Total assets		550,73		356,75

* Deducted from the equity.

** The same basis as per the calculation under the Bank of Latvia requirements have been used.

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<i>Group's capital adequacy based on the guidelines set forth by the Basle Committee, continued</i>	Credit equi- valent	Balance in LVL 000's	Risk weighting	Risk weighted assets LVL 000's
Total risk weighted assets				356,75
<i>Memorandum items</i>				
Funds under trust management		3,84	*	-
Outstanding guarantees				
zero risk weighted	100%	814	0%	-
100% risk weighted	100%	6,64	100%	6,64
Outstanding letters of credit				
zero risk weighted	50%	1,53	0%	-
100% risk weighted	50%	816	100%	408
Financial commitments				
zero risk weighted	50%	4,03	0%	-
50% risk weighted	50%	317	50%	79
100% risk weighted	50%	16,12	100%	8,06
Foreign exchange contracts				
Contracts with original maturity less than 14 days		29,14	*	-
Contracts with original maturity less than 1 year:				
zero risk weighted	1.0%	249	0%	-
20% risk weighted	1.0%	884	20%	2
100% risk weighted	1.0%	10,03	100%	100
Contracts with original maturity within 1-5 years	5.0%	600	0%	-
Interest rate related contracts				
OECD counterparties	0.0%	8,58	100%	-
Non-OECD counterparties	0.5%	80	100%	-
Other financial instruments traded on stock exchanges	10.0%	6,09	100%	609
Total risk weighted assets and memorandum items				372,65
Foreign currency open positions subject to capital charge				5,33
Equity to be utilised in the capital adequacy ratio				47,68
Group's Capital Adequacy Ratio				12.6%

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NOTE 35. 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 Group'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 in LVL 000's
Assets							
Cash and deposits with the Bank of Latvia	24,0	-	-	-	-	-	24,0
Balances due from credit institutions	91,5	10,4	-	613	893	3,7	107,3
Loans and advances to non-banking customers	25,8	12,3	16,3	25,4	94,8	42,7	217,6
Treasury bills and other fixed income securities	597	2,6	4,0	21,5	84,3	46,2	159,4
Shares and other non-fixed income securities	-	-	-	-	-	16,3	16,3
Investments in subsidiaries	-	-	-	-	-	120	120
Intangible assets	-	-	-	-	-	1,5	1,5
Fixed assets	-	-	-	-	-	14,4	14,4
Other assets	1,6	157	181	125	90	582	2,7
Prepayments and accrued income	3,6	1,3	784	189	280	803	7,0
Total assets	147,3	27,0	21,3	47,9	180,4	126,5	550,7
Liabilities							
Balances due to credit institutions and the Bank of Latvia	18,7	1,2	16,5	9,2	93	-	45,9
Deposits from the public	388,2	20,4	18,3	10,3	7,7	2,6	447,6
Other liabilities	4,5	356	-	-	-	-	4,8
Accrued expense and deferred income	2,0	314	575	261	41	48	3,3
Provision for liabilities and charges	-	109	145	385	-	95	734
Shareholders' equity	-	-	-	-	-	47,6	47,6
Minority interest	-	-	-	-	-	520	520
Total liabilities and shareholders' equity	413,6	22,4	35,6	20,2	7,8	50,9	550,7
Memorandum items							
Contingent liabilities							
Guarantees issued	-	960	168	2,9	1,2	1,8	7,4
Outstanding letters of credit	-	332	895	738	5	-	2,3
Total contingent liabilities	-	1,2	1,0	3,6	1,2	1,8	9,8
Financial commitments							
Loans granted not fully drawn down and undrawn credit lines	20,4	-	-	-	-	-	20,4
Total financial commitments	20,4	-	-	-	-	-	20,4
Foreign exchange contracts							
Spot exchange	17,5	-	-	-	-	-	17,5
Forwards	6,7	1,7	-	-	-	-	8,5
Swaps	14,2	-	-	-	600	-	14,8
Other financial instruments	1,1	4,9	8,6	-	-	-	14,7
Total financial instruments	39,6	6,7	8,6	-	600	-	55,6

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Currently, the Bank's information system does not provide an analysis of outstanding loans and advances to non-banking customers by their remaining maturities considering the scheduled repayments during the period of loans. Due to extensive effort required in preparation of such an analysis, presentation of such analysis in these financial statements was not deemed practical by the Management. Accordingly, the above table has been prepared under the assumption that all principal falls due at the final maturity date.

NOTE 36. REPRICING MATURITY OF ASSETS AND LIABILITIES

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

	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non- interest bearing	Total in LVL 000's
Assets								
Cash and deposits with the Bank of Latvia	-	-	-	-	-	-	24,0	24,0
Balances due from credit institutions	91,5	10,4	-	613	893	3796	-	107,3
Loans and advances to non banking customers	27,3	12,2	13,7	29,1	88,5	36,3	10,3	217,6
Treasury bills and other fixed income securities	597	23,5	4,0	15,7	70,4	45,0	-	159,4
Shares and other non-fixed income securities	-	-	-	-	-	-	16,3	16,3
Investments in subsidiaries	-	-	-	-	-	-	120	120
Intangible assets	-	-	-	-	-	-	1,5	1577
Fixed assets	-	-	-	-	-	-	14,4	14,4
Other assets	-	-	-	-	150	-	2,6	2,6
Prepayments and accrued income	-	-	-	-	-	-	7,0	7,0
Total assets	119,5	46,2	17,7	45,4	159,9	85,1	76,5	550,7
Liabilities								
Balances due to credit institutions and the Bank of Latvia	31,8	1,1	467	3,1	-	-	9,3	45,9
Deposits from the public	131,6	20,3	18,2	10,1	3,9	1,0	262,2	447,6
Other liabilities	-	-	-	-	-	-	4,8	4,8
Accrued expense and deferred income	-	-	-	-	-	-	3,3	3,3
Provision for liabilities and charges	-	-	-	-	-	-	734	734
Total liabilities	163,5	21,5	18,7	13,2	3,3	1,0	280,7	502,5
Shareholders' equity	-	-	-	-	-	-	47,6	47,6
Minority interest	-	-	-	-	-	-	520	520
Total liabilities and shareholders' equity	163,5	21,5	18,7	13,2	3,3	1,0	328,8	550,7

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NOTE 37. ASSETS AND LIABILITIES BY CURRENCY PROFILE

The following table provides an analysis of the Group's assets and liabilities and shareholders' equity as well as memorandum items outstanding as at 31 December 2000 by currency profile:

	LVL	USD	EUR	GBP	RUB	Other	Total in LVL 000's
Assets							
Cash and deposits with the Bank of Latvia	24,0	4,4	1,0	391	38	769	24,0
Balances due from credit institutions	6,0	80,0	6,2	4,2	6,8	3,7	107,2
Loans and advances to non-banking customers	37,0	159,1	16,0	108	23	4,4	217,0
Treasury bills and other fixed income securities	21,0	133,2	866	3,4	-	-	159,4
Shares and other non-fixed income securities	445	15,8	-	-	-	72	16,2
Investments in subsidiaries	120	-	-	-	-	-	-
Intangible assets	1,4	-	-	-	-	148	1,4
Fixed assets	12,0	-	-	-	-	1,8	14,4
Other assets	1,2	1,0	257	11	7	218	2,7
Prepayments and accrued income	1,0	4,7	413	82	7	95	7,0
Total assets	100,2	398,7	25,0	8,2	6,5	11,2	550,7
Liabilities							
Balances due to credit institutions and the Bank of Latvia	1,4	42,0	955	81	63	1,2	45,9
Deposits from the public	51,8	346,1	30,1	7,8	6,8	4,8	447,0
Other liabilities	428	3,2	341	40	111	623	4,8
Accrued interest expense and deferred income	810	2,2	41	-	-	98	3,2
Provision for liabilities and charges	656	-	-	-	-	78	734
Total liabilities	55,2	393,8	31,4	8,0	6,5	6,8	502,5
Minority interest	-	-	-	-	-	520	520
Shareholders' equity	47,0	-	-	-	-	-	47,0
Total liabilities and shareholders' equity	102,5	393,8	31,4	8,0	6,5	7,2	550,7
Net long/ (short) position for balance sheet items	(2,2)	4,8	(6,4)	517	(43)	3,8	-
Off-balance sheet claims arising from foreign exchange							
Spot exchange receivable	682	7,8	7,4	734	-	730	17,4
Forward foreign exchange receivable	596	1,2	3,1	275	-	3,2	8,4
Swap exchange receivable	6,4	4,1	1,4	92	-	2,4	14,7
Total	7,4	13,2	12,2	1,1	-	6,4	40,8
Off-balance sheet liabilities arising from foreign exchange							
Spot exchange payable	2,4	9,1	4,4	322	-	678	17,4
Forward foreign exchange payable	-	4,2	1,2	477	-	4,4	8,2
Swap exchange payable	1,2	8,1	1,2	917	302	2,7	14,8
Total	4,2	21,0	7,0	1,7	302	5,8	40,5
Net long/ (short) positions on foreign exchange	3,4	(8,2)	5,2	(615)	(302)	595	(27)
Net long/ (short) position	651	(3,4)	(1,2)	(98)	(345)	4,4	(27)
Exchange rates applied as at 31 December 2000 (1 LVL to 1 foreign currency unit)	1.000	1.631	1.754	1.091	46.296	N/A	-

A significant portion of loans and advances to customers are 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.

The Latvian banking legislation requires that open positions in each foreign currency may not exceed 10% of the

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Bank's equity (see Note 34 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 at 31 December 2000.

NOTE 38. LITIGATION AND CLAIMS

In the ordinary course of business, the Bank has been involved in a number of legal proceedings to recover collateral or outstanding credit balances, as well as related interest and expenses from defaulted credit customers and interbank counterparties. The Management of the Bank believe that any legal proceedings pending as at 31 December 2000 will not result in material losses for the Bank.

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.

	LVL 000's	
	31/12/2000	31/12/1999
<i>Total credit exposure to related parties</i>		
- Loans and advances to related parties	12,76:	1,612
- Investments in associated entities capital	3,72:	414
- Guarantees issued to related parties	1,77:	140
	18,26:	2,166
 <i>Total deposits from related parties</i>	 24,39:	 19,175
	Amount in LVL 000's	Terms
<i>Total credit exposure to related parties</i>		
- Loans and advances to related parties	12,76:	0-14%
- Investments in associated entities capital	3,72:	-
- Guarantees issued to related parties	1,77:	-
	18,26:	
 <i>Total deposits from related parties</i>	 24,39:	 0-24%

No specific provision has been established by the Bank for loans and guarantees issued to related parties as at 31 December 2000.

In the ordinary course of business, a/s Parekss apdrošināšanas kompānija, a related party to the Bank, undertakes insurance of the collaterals of loans and advances granted by the Bank to non-banking customers.