

***A/s Māras Banka***

***Auditors' report and Financial Statements  
prepared in accordance with International  
Financial Reporting Standards, the requirements of  
the Financial Capital Market Commission for the  
years ended 31 December 2002 and 2001***

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This past year was highlighted by two very significant events. The Federal Reserve lowered interest rates to record 40 year lows and apartment prices in Riga soared, in many places values doubled.

The management of Maras Banka was mildly surprised by the degree and the willingness of consumers to take on foreign exchange risk in return for the lower interest rates of US dollar denominated loans. This switch to dollars also triggered sizeable rate reductions in LAT denominated loans in the second half of the year (the banks were suddenly left with large LAT reserves). The consumer has never had it better, especially since many newcomer banks to the home mortgage market priced at or below cost to buy into the business.

Challenging times for a small bank one would guess, but vis a vis 2001, Maras Banka saw significant increases in all key indicators, including profitability. Particularly encouraging was the rate at which our loan book grew in the 4 the quarter (+ 32% p.a.).

As always, we remain cautiously optimistic for the coming year.

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Chairman of the Board  
/President/  
Nicolajs Sigurds Bulmanis

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Deputy Chairman of the Board /Vice  
President/  
Inga Gulbe

28 February 2003

## A/S MĀRAS BANKA

### THE SUPERVISORY COUNCIL AND THE BOARD OF DIRECTORS OF THE BANK

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As at the date of signing the financial statements:

#### The Supervisory Council

<i>Name, surname</i>	<i>Position</i>	<i>Date of appointment</i>
Vilis Vītols	Chairman of the Council	12.11.1996
Jānis Ķuzāns	Deputy Chairman of the Council	12.11.1996
Marta Vītola	Member of the Council	12.11.1996
Laura Bulmane	Member of the Council	12.11.1996
Anna Muhka	Member of the Council	07.02.2000

#### The Board of Directors

<i>Name, surname</i>	<i>Position</i>	<i>Date of appointment</i>
Nikolajs Sigurds Bulmanis	Chairman of the Board /President/	16.12.1997
Inga Gulbe	Deputy Chairman of the Board /Vice President/	12.11.1996
Inta Karsuma	Member of the Board /Chief accountant/	12.11.1996
Valda Auziņa	Member of the Board /Marketing department/	16.12.1997
Mareks Bažovskis	Member of the Board /Legal department/	16.12.1997

There were no changes in the Supervisory Council and the Board of Directors during 2002.

**STATEMENTS OF RESPONSIBILITY OF THE BANK'S MANAGEMENT**

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28 February 2003

The Management are responsible for preparing the financial statements from the books of prime entry of the Bank for each financial period that present fairly the state of affairs of the Bank as at the end of the financial period and the results of its operations and cash flows for that period according to the accounting principles set forth in International Financial Reporting Standards.

The Management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements on pages 7 to 29 for the year 2002. Management also confirm that applicable International Financial Reporting Standards have been used in preparing of the financial statements and that these financial statements have been prepared on a going concern basis and comply with the Bank of Latvia *Regulations on the Annual Reports of Credit Institutions* and the requirements of the Financial and Capital Market Commission in all material respects.

The Management is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities. They are also responsible for managing the Bank in compliance with the Law On Credit Institutions and other legislation of the Republic of Latvia and with the regulations of the Bank of Latvia and the Financial and Capital Market Commission.

On behalf of the Bank:

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Chairman of the Board /President/  
Nikolajs Sigurds Bulmanis

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Deputy Chairman of the Board /Vice President/  
Inga Gulbe

**AUDITORS' REPORT**

**To the shareholders of A/S MĀRAS BANKA**

A/S MĀRAS BANKA

STATEMENTS OF PROFIT AND LOSS FOR YEARS ENDED 31 DECEMBER 2002 AND 2001

	Notes	2002 LVL	2001 LVL
Interest income	3	1,576,814	1,546,978
Interest expense	4	(719,425)	(569,484)
<b>NET INTEREST INCOME</b>		<b>857,389</b>	<b>977,494</b>
Income from securities		20,152	-
Commission income	5	182,434	177,906
Commission expense		(50,355)	(33,668)
Net gain from operations with foreign currencies and trading securities	6	29,564	58,495
Other operating income, net		411	2,025
<b>OPERATING INCOME</b>		<b>1,039,595</b>	<b>1,182,252</b>
Administrative expenses	7,8	(458,278)	(431,193)
Depreciation expense	15	(31,286)	(50,391)
Other administrative expenses		(31,324)	(18,141)
Provisions for possible credit losses	12	(54,137)	(225,734)
Release of previously established provisions	12	38,852	61,486
<b>NET PROFIT BEFORE PROVISION FOR LOAN LOSSES AND TAXATION</b>		<b>503,422</b>	<b>518,279</b>
Corporate income tax	9	(70,804)	(112,343)
<b>PROFIT BEFORE TAXATION</b>		<b>432,618</b>	<b>405,936</b>
Earnings per common share	21	12.4	11.6

The accompanying notes on pages 11 to 29 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and the Supervisory Council on 28 February 2003 and signed on their behalf by:

\_\_\_\_\_  
Chairman of the Board /President/  
Nikolajs Sigurds Bulmanis

\_\_\_\_\_  
Deputy Chairman of the Board /Vice President/  
Inga Gulbe

**A/S MĀRAS BANKA**

**BALANCE SHEETS AS AT 31 DECEMBER 2002 AND 2001**

<b>ASSETS</b>	<b>Notes</b>	<b>2002 LVL</b>	<b>2001 LVL</b>
Cash and balances due from the Bank of Latvia	10	1,350,293	999,773
Due from credit institutions	11	3,801,063	2,431,016
<i>Demand deposits</i>		714,383	2,431,016
<i>Other deposits</i>		3,086,680	-
Loans	12	15,165,188	13,555,819
Shares and other investments in non-fixed income securities	13	990,148	36,000
Investment in subsidiary	14	197,500	197,500
Fixed assets	15	31,869	45,997
Deferred expenses and accrued income	16	165,716	113,438
Other assets		3,129	4,331
<b>Total assets</b>		<b><u>21,704,906</u></b>	<b><u>17,383,874</u></b>
 <b>LIABILITIES</b>			
Due to credit institutions	17	6,176,500	3,487,500
<i>Term deposits</i>		6,176,500	3,487,500
Customer deposit accounts	18	10,612,492	8,955,238
<i>Current accounts</i>		3,178,728	2,519,331
<i>Term deposits</i>		7,433,764	6,435,907
Deferred income and accrued expenses	19	83,231	85,278
Provision for other liabilities		2,472	5,864
Dividends		350,000	367,000
Other liabilities		602	86,003
<b>Total liabilities</b>		<b><u>17,225,297</u></b>	<b><u>12,986,883</u></b>
 <b>SHAREHOLDERS' EQUITY</b>			
Share capital	20	3,500,000	3,500,000
Reserves		979,609	896,991
<b>Total shareholders' equity</b>		<b><u>4,479,609</u></b>	<b><u>4,396,991</u></b>
<b>Total liabilities and shareholders' equity</b>		<b><u>21,704,906</u></b>	<b><u>17,383,874</u></b>
 <b>OFF-BALANCE-SHEET ITEMS</b>			
Guarantees issued		8,013	-
Undrawn credit lines		309,476	166,660

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Deputy Chairman of the Board /Vice President/  
Inga Gulbe

A/S MĀRAS BANKA

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001**

	Share Capital LVL	Reserves LVL	Retained earnings LVL	Total LVL
<b>As of 31 December 2000</b>	<b>3,500,000</b>	<b>858,055</b>	-	<b>4,358,055</b>
Profit for the year	-	-	405,936	405,936
Dividends	-	-	(367,000)	(367,000)
Appropriations to reserves	-	38,936	(38,936)	-
<b>As of 31 December 2001</b>	<b>3,500,000</b>	<b>896, 911</b>	-	<b>4,396,991</b>
Profit for the year	-	-	432,618	432,618
Dividends	-	-	(350,000)	(350,000)
Appropriations to reserves	-	82,618	(82,618)	-
<b>As of 31 December 2002</b>	<b>3,500,000</b>	<b>979,609</b>	-	<b>4,479,609</b>

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Nikolajs Sigurds Bulmanis

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Deputy Chairman of the Board /Vice President/  
Inga Gulbe

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

	Notes	2002 LVL	2001 LVL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		503,422	518,279
Depreciation of intangibles and fixed assets		31,286	50,391
Loss on disposal of fixed assets		-	420
Provisions for bad debts		5,276	164,248
Currency exchange loss/(gain)		27,464	(917)
Decrease/(increase) in deferred expenses and accrued income		48,265	(90,394)
Decrease/(increase) in other assets		1,202	(2,565)
(Decrease)/increase in deferred income and accrued expenses		(2,047)	23,832
(Decrease)/increase in other liabilities		(85,401)	34,930
<b>Operating profit before changes in operating assets</b>		<b>529,467</b>	<b>698,224</b>
Increase in loans		(1,659,986)	(5,221,717)
Increase in due to credit institutions		2,179,942	2,587,500
Increase in customer deposit accounts		1,657,254	3,851,733
Taxes paid		(129,398)	(157,841)
<b>Net cash and cash equivalents provided by operating activities</b>		<b>2,577,279</b>	<b>1,757,899</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
Purchase of fixed income securities		(954,148)	-
Purchase of fixed assets		(17,158)	(7,398)
Equity investments and other long-term investments, net		-	1,000
<b>Net cash and cash equivalents used in investment activities</b>		<b>(971,306)</b>	<b>(6,398)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of dividends		(367,000)	-
Repayment on redemption of bonds		-	(500,000)
<b>Net cash and cash equivalents used in financing activities</b>		<b>(367,000)</b>	<b>(500,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,238,973</b>	<b>1,251,501</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>3,430,789</b>	<b>2,178,371</b>
<b>Currency exchange (loss)/gain</b>		<b>(27,464)</b>	<b>917</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	22	<b>4,642,298</b>	<b>3,430,789</b>

*The accompanying notes on pages 11 to 29 form an integral part of these financial statements.*

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Nikolajs Sigurds Bulmanis

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Deputy Chairman of the Board /Vice President/  
Inga Gulbe

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *(1) General information*

Māras Banka ("Bank") was registered on November 12, 1996 as a Joint Stock Company.

**Regulatory requirements** - The Bank is subject to the regulatory requirements of the Financial and Capital Markets Commission of Latvia. These requirements among others include capital adequacy, minimum equity requirements, liquidity, foreign currency position and loan concentration by individual customer, group of related customers, and individual related party customers.

A summary of significant accounting policies applied is as follows.

### *(2) Basis of Preparation*

The financial statements presented include only the accounts of the Bank.

The financial statements have been prepared on the historical cost basis of accounting, in accordance with International Financial Reporting Standards (IFRS) and general practices within the banking industry, unless otherwise noted below.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or historical cost.

The accounting policies, used in the preparation of financial statements are consistent with those used in the audited annual financial statements for the year ended 31 December 2002.

The accompanying financial statements are presented in the national currency of Latvia, the Lat ("LVL").

**Use of Estimates** - The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** – For the purpose of compliance with the regulations of the Financial and Capital Market Commission cash and cash equivalents in the statement of cash flows comprise cash and deposits with the Bank of Latvia and other credit institutions with a maturity of less than 3 months when purchased, less balances due to the Bank of Latvia and credit institutions with a maturity of less than 3 months.

For the purpose of compliance with International Financial Reporting Standards cash and cash equivalents comprise cash and deposits with the Bank of Latvia and other credit institutions with a maturity of less than 3 months when purchased.

**Interest, Fees and Commissions** - Interest income is recognised on the accruals basis. The Bank does not accrue for interest on loans it classifies as other than standard. For loans other than standard all interest income accrued is reversed and no further accruals are made until payments on arrears are received.

Commissions, fees and other income are credited to income when earned. Interest expense is recognised on the accruals basis. Commission, fees, and other expenses are debited to expenses when incurred.

### *(3) Foreign Currencies*

Transactions denominated in foreign currencies are translated into LVL at the official Bank of Latvia exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001**

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liabilities, including unmatured commitments to deliver or acquire foreign currencies under spot exchange transactions, if any, are translated at the exchange rate on the balance sheet date.

The applicable rates used for the principal currencies as of 31 December were as follows:

	<b>2002</b>	<b>2001</b>
USD	0.594000	0.638000
EUR	0.610000	0.560856

All realised gains and losses are recorded in the profit and loss account in the period in which they arise. Unrealised gains and losses on exchange rate translation are credited or charged at foreign exchange rates prevailing at the year-end to the profit and loss account.

**(4) Financial instruments**

**Classification**

*Originated loans and receivables* are loans and receivables created by the Bank providing money to a customer other than those created with the intention of short-term profit taking. Originated loans and receivables comprise loans and advances to banks and customers other than purchased loans as well as bonds purchased at original issuance.

*Available-for-sale assets* are financial assets that are not held for trading purposes, originated by the Bank, or held to maturity. Available-for-sale instruments include money market placements and certain debt and equity investments.

**Measurement**

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses. Changes in fair value are recognized in the profit and loss statement.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortized cost less impairment losses. Amortized cost is calculated on the effective interest rate method to the profit and loss statement. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

**(5) Loans**

Loans and advances are classified as originated loans and receivables.

Loans are stated in the balance sheet at the amount of the principal outstanding, less any provision for bad and doubtful loans. Provisions and releases from provisions during the period are reflected in the profit and loss statement.

The Bank provides commercial and consumer loans to customers throughout its market area. Management has considered risk in determining the balance of provisions and possible loan losses. Provision for loan losses as at the balance sheet date are established in accordance with International Financial Reporting Standards and represent the estimated amounts of probable losses that have been incurred at the balance sheet date. The value of the collateral held in connection with the loan is based on its estimated realisable value and is taken into account when estimating the required provision.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001**

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The provision for loan losses is composed of estimated balances for the following:

- specific provision for loans identified as non-performing
- specific provision for probable losses on credits identified as high risk

The level of the provision is based on estimates considering known relevant factors affecting loan collectability and collateral values. Ultimate losses may vary from the current estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

At the end of 2002, general provisions for standard-level loans were reclassified to special provisions, after loans had been assessed for special provisions and the Bank no longer recognises general provisions. The total level of provisions for doubtful loans has increased from 1.4% as at 31 December 2001 to 1.6% of the total credit portfolio as at 31 December 2002.

**(6) Fixed Assets**

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

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

Depreciation is provided in equal monthly instalments, except for the month placed in service, over the expected useful lives as follows:

Leasehold improvements	5 years (Term of the lease agreement)
Furniture	20%
Computers	35%

Gains and losses on disposal of fixed assets are recognised in the profit and loss account in the year of disposal.

**(7) Income Taxes**

Corporate income tax at the rate of 22% is calculated in accordance with Latvian tax regulations and is based on the taxable profit reported for the taxation period.

Deferred taxes are provided for on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

**(8) Investments**

Equity investments are stated at cost, as there is no readily available market for the investment.

**(9) Subsidiary**

Investments in subsidiaries, which are not material to the Bank's financial statements, are stated initially at cost. Adjustments are recognised at the balance sheet date, if material, to recognise the investment on the equity basis, whereby the Bank's share of changes in the equity of the subsidiary are recognised in the income statement and adjusted to the carrying value of the investment. The investment in the subsidiary was not recognised on the equity basis in 2002, as the impact was not material to the financial statements.

**(10) Reclassification**

Certain amounts in the previous year financial statements have been reclassified to conform to the current year presentation.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001**

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**2. RISK MANAGEMENT**

The Bank has developed and follows risk management policies describing and regulating ways to minimize the risk of losses. The Board and Council have approved risk management policies. The Board supervises the risk management system but responsibility over implementation lies with business line managers. The risk management system is under continuous improvement in response to development of the Bank's activities and financial market.

***Interest rate foreign exchange and liquidity risk***

Interest rate risk arises due to potential adverse changes of interest payments on the Bank's local and foreign assets and payments for the Bank's liabilities.

The Board controls the operations of the Bank's units in charge of the management of interest rate risk and plans the Bank's future operations. The credit department controls the daily aspects of activities related to management of interest rate risk.

Foreign exchange risk management is governed by the Bank's Foreign exchange risk management policy. The accounting department of the Bank maintains control over limits of foreign exchange positions in order to avoid losses arising from adverse changes in exchange rates.

Liquidity risk management is determined by the Bank's Liquidity management policy, which includes treatment of the risk of untimely settlement of customer and creditor claims.

***Credit risk*** – The Bank has developed a credit policy regulating controls over credit risk. Credit risk includes untimely or incomplete settlement of debtor liabilities. The Board and Credit Committee manage the risk. The latter continuously monitors compliance with related procedures and limits. Other risks such as operational risk, counter party risk and credit risk as well as control over money market transactions with other banks and customers is the responsibility of the Resources and Investments Committee.

***Other risks related to operations*** – The Bank's operations might be exposed to other risks that may result in unexpected losses. The cause of such risks may be, for instance: human errors or fraud, disruption of information systems, insufficient internal control and procedures etc. The Board and respective structural units of the Bank manage these risks. The Bank maintains the resources necessary for continued operations.

**3. INTEREST INCOME**

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Loans	1,504,746	1,473,296
Placements with other banks	72,068	73,682
	<u><b>1,576,814</b></u>	<u><b>1,546,978</b></u>

**4. INTEREST EXPENSE**

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Deposits	415,605	329,409
Due to credit institutions	303,820	187,588
Bonds	-	52,487
	<u><b>719,425</b></u>	<u><b>569,484</b></u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001**

**5. COMMISSION INCOME**

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Loan issuance	111,590	111,475
Account maintenance and money transfers	67,530	63,214
Other	3,314	3,217
	<u><b>182,434</b></u>	<u><b>177,906</b></u>

**6. NET GAIN FROM OPERATIONS WITH FOREIGN CURRENCIES AND TRADING SECURITIES**

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Profit from currency exchange operations, net	57,028	57,578
(Loss)/Profit from foreign currency revaluation, net	(27,464)	917
	<u><b>29,564</b></u>	<u><b>58,495</b></u>

**7. SALARIES AND RELATED SOCIAL EXPENSES**

Salaries and related social expenses include compensation to employees and related social security and other benefits. In 2002 the Bank employed an average of 23 (2001: 23) employees.

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Staff salaries	249,105	234,069
Social security expense	60,583	57,263
	<u><b>309,688</b></u>	<u><b>291,332</b></u>

**8. OTHER ADMINISTRATIVE EXPENSES**

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Rent and other maintenance costs	39,940	29,697
Sponsorship and marketing	35,393	43,483
Communication and office supplies	23,726	23,731
Professional fees	18,052	14,383
Other	14,769	13,148
Credit card issuance expenses	11,952	11,289
Training and other staff expenses	2,599	1,621
Security	2,029	2,059
Bonds issuance expenses	130	450
	<u><b>148,590</b></u>	<u><b>139,861</b></u>

**9. CORPORATE INCOME TAX**

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Current corporate income tax	74,196	110,599
Deferred tax (income)/expenses	(3,392)	1,744
	<u><b>70,804</b></u>	<u><b>112,343</b></u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001**

Comparison between expenses according to the tax rate and actual expenses:

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Profit before taxes	503,422	518,279
Tax on profit	110,753	129,570
Non-deductible items, net	<u>(40,107)</u>	<u>(17,227)</u>
<b>Tax on profit</b>	<b><u>70,646</u></b>	<b><u>112,343</u></b>
	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
At the beginning of the year	5,864	4,120
Current year (income)/expenses	<u>(3,392)</u>	<u>1,744</u>
<b>Deferred tax liabilities at the end of the year</b>	<b><u>2,472</u></b>	<b><u>5,864</u></b>

**10. CASH AND BALANCES DUE FROM THE BANK OF LATVIA**

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Cash	824,572	405,759
Obligatory reserve held at the Bank of Latvia	<u>525,721</u>	<u>594,014</u>
	<b><u>1,350,293</u></b>	<b><u>999,773</u></b>

In accordance with Bank of Latvia regulations in 2002 and 2001 the Bank maintained 5% and 6% respectively of the average monthly balance (calculated at four intervals during each month) of the following total on deposit with the Bank of Latvia:

- + Due to other banks and customer deposits
- Due to other banks
- Bank's liabilities against State Treasury on its consolidated account
- Amounts deposited with foreign subsidiaries (branches) of the Bank
- + Bonds and other debt securities issued by the Bank

The compulsory reserve is compared to the Bank's average monthly cash and correspondent account balance in Lats. The Bank's average cash and correspondent balance should exceed the compulsory reserve requirement.

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

**11. DUE FROM CREDIT INSTITUTIONS**

Balances due from credit institutions are composed as follows:

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Latvian credit institutions	3,177,570	2,047,425
OECD area credit institutions	<u>623,493</u>	<u>383,591</u>
<b>Due from credit institutions</b>	<b><u>3,801,063</u></b>	<b><u>2,431,016</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
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Balances due from Latvian credit institutions as of December 31, 2002 and 2001 were as follows:

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Hansabanka	315,505	1,178,646
Rietumu Banka	7,353	28,443
Latvijas Unibanka	2,259,439	827,150
Latvijas Krājbanka	595,273	13,186
	<u><b>3,177,570</b></u>	<u><b>2,047,425</b></u>

As of December 31, 2002 balances due from OECD area credit institutions were as follows:

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Harris Bank International	527,421	252,140
HSBC Bank	66,287	70,327
Midland Bank PLC	12,448	6,717
Deutsche Bank	17,337	54,407
	<u><b>623,493</b></u>	<u><b>383,591</b></u>

In 2002 and 2001 the average interest rate on deposits due from other banks was 2.2% and 3.7%, respectively.

## 12. LOANS

Loans are composed as follows:

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Private companies	3,439,059	3,127,006
<b>Total gross loans to corporate customers</b>	<u><b>3,439,059</b></u>	<u><b>3,127,006</b></u>
Personal loans	11,761,070	10,363,749
Non-profit organizations	30,483	-
Bank staff and their relatives	180,409	260,280
<b>Total gross loans to private individuals</b>	<u><b>11,971,962</b></u>	<u><b>10,624,029</b></u>
<b>Total loans to customers</b>	<b>15,411,021</b>	<b>13,751,035</b>
Provisions for loan losses	(245,833)	(195,216)
<b>Total loans, net</b>	<u><b>15,165,188</b></u>	<u><b>13,555,819</b></u>
Loans secured by deposits	(62,273)	(29,396)
<b>Credit risk exposure</b>	<u><b>15,102,915</b></u>	<u><b>13,526,423</b></u>

The composition of the loan portfolio by industry profile is as follows:

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Mortgage loans	11,784,260	10,462,806
Trade	1,231,447	1,110,264
Forestry	322,768	315,009
Transport and communications	12,941	16,498
Agriculture	2,904	4,676
Construction	1,501,567	1,226,696
Other loans	555,134	615,086
<b>Total loans</b>	<u><b>15,411,021</b></u>	<u><b>13,751,035</b></u>

**NOTES TO THE FINANCIAL STATEMENTS  
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LVL 62,273 of loans are secured by deposits.

The composition of the loan portfolio by geographic profile is as follows:

	<b>2002</b> <b>LVL</b>	<b>2001</b> <b>LVL</b>
Residents of Latvia	15,384,885	13,724,160
Residents of OECD area	26,136	26,875
<b>Total loans</b>	<b>15,411,021</b>	<b>13,751,035</b>
Provisions for loan losses	(245,833)	(195,216)
<b>Loans</b>	<b>15,165,188</b>	<b>13,555,819</b>

The loan maturity analysis is as follows:

	<b>Up to 1</b> <b>months</b> <b>LVL</b>	<b>1 to 3</b> <b>months</b> <b>LVL</b>	<b>3 to 6</b> <b>months</b> <b>LVL</b>	<b>6 to 12</b> <b>months</b> <b>LVL</b>	<b>1 to 5</b> <b>years</b> <b>LVL</b>	<b>Over 5</b> <b>years</b> <b>LVL</b>	<b>Total</b> <b>LVL</b>
<b>As of 31</b>							
<b>December 2001</b>							
Corporate customers	91,947	103,349	116,031	187,732	2,338,483	249,279	3,086,821
Private individuals	444,358	326,824	252,624	526,497	8,114,197	804,498	10,468,998
<b>Total</b>	<b>536,305</b>	<b>430,173</b>	<b>368,655</b>	<b>714,229</b>	<b>10,452,680</b>	<b>1,053,777</b>	<b>13,555,819</b>
<b>As of 31</b>							
<b>December 2002</b>							
Corporate customers	317,088	45,752	81,455	203,695	2,771,333	-	3,419,323
Private individuals	272,067	177,850	269,526	617,488	10,144,100	264,834	11,745,865
<b>Total</b>	<b>589,155</b>	<b>223,602</b>	<b>350,981</b>	<b>821,183</b>	<b>12,915,433</b>	<b>264,834</b>	<b>15,165,188</b>

During 2002 and 2001 the average interest rate for loans was 11.5% and 13.3%, respectively.

The following table provides an analysis of activity in the provision for credit losses:

	<b>Special</b> <b>provisions -</b> <b>principal</b> <b>LVL</b>	<b>Special</b> <b>provisions –</b> <b>accrued</b> <b>interest</b> <b>LVL</b>	<b>2002</b> <b>LVL</b>	<b>2001</b> <b>LVL</b>
<b>31 December 2001</b>	<b>195,216</b>	<b>97,688</b>	<b>292,904</b>	<b>128,656</b>
Provisions for possible credit losses	44,358	-	44,358	225,734
Write-off of previously accrued assets	(429)	(8,591)	(9,020)	-
Release of previously established provisions	(13,070)	(25,782)	(38,852)	(61,486)
Reclassification of general provisions	19,758	(10,968)	8,790	-
<b>31 December 2002</b>	<b>245,833</b>	<b>52,347</b>	<b>298,180</b>	<b>292,904</b>
Write-off of assets without provisions	989	-	989	-

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**13. SHARES AND OTHER INVESTMENTS IN NON-FIXED INCOME SECURITIES**

Investments in non-fixed income securities are as follows:

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Investment in Unipensijas	36,000	36,000
Latu reserves fonds	954,148	-
	<u><b>990,148</b></u>	<u><b>36,000</b></u>

The Bank made an investment in the non-profit organisation, joint stock company, open pension fund Unipensijas on 25 February 2000, purchasing 9% of Unipensijas' outstanding shares.

**14. INVESTMENT IN SUBSIDIARY**

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Investment in the joint stock company Optimus fondi	197,500	197,500
	<u><b>197,500</b></u>	<u><b>197,500</b></u>

The Bank made a contribution to the share capital of the joint stock company Optimus fondi on 18 December 2000, acquiring 98.75% of its shares.

The joint stock company Optimus fondi is engaged in the management of Unipensijas' funds.

**15. FIXED ASSETS**

Fixed assets are composed as follows:

<b>LVL</b>	<b>Office Equipment</b>	<b>Leasehold Improvements</b>	<b>Total Fixed Assets</b>
<b>Historical cost</b>			
<b>31 December 2001</b>	<b>147,906</b>	<b>46,390</b>	<b>194,296</b>
Additions	15,640	1,518	17,158
Disposals	(108,012)	(37,587)	(145,599)
<b>31 December 2002</b>	<u><b>55,534</b></u>	<u><b>10,321</b></u>	<u><b>65,855</b></u>
<b>Accumulated depreciation</b>			
<b>31 December 2001</b>	<b>110,117</b>	<b>38,182</b>	<b>148,299</b>
Charge for the year	25,873	5,413	31,286
Disposals	(108,012)	(37,587)	(145,599)
<b>31 December 2002</b>	<u><b>27,978</b></u>	<u><b>6,008</b></u>	<u><b>33,986</b></u>
<b>Net book value</b>			
<b>31 December 2001</b>	<u><b>37,789</b></u>	<u><b>8,208</b></u>	<u><b>45,997</b></u>
<b>31 December 2002</b>	<u><u><b>27,556</b></u></u>	<u><u><b>4,313</b></u></u>	<u><u><b>31,869</b></u></u>

The assets stated above are held for the Bank's own use.

**NOTES TO THE FINANCIAL STATEMENTS  
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**16. DEFERRED EXPENSES AND ACCRUED INCOME**

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Accrued interest income, net	94,091	97,570
<i>Accrued interest income, gross</i>	<i>146,438</i>	<i>195,258</i>
<i>Loan loss provisions for interest income (Note 12)</i>	<i>(52,347)</i>	<i>(97,688)</i>
Deferred expenses	446	451
Tax overpaid	70,619	15,417
Other accrued income	560	-
	<u><b>165,716</b></u>	<u><b>113,438</b></u>

**17. DUE TO CREDIT INSTITUTIONS**

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
To Latvijas Unibanka	5,864,000	3,050,000
To Latvijas Hipotēku un Zemes banka	312,500	437,500
	<u><b>6,176,500</b></u>	<u><b>3,487,500</b></u>

Due to Latvijas Unibanka consists of a long-term loan of LVL 2,250,000 and USD 6,000,000 maturing in 2005 and a deposit of LVL 50,000 maturing in 2003.

**18. CUSTOMER DEPOSIT ACCOUNTS**

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Non-residents	2,285,711	3,774,967
Individuals	7,016,746	4,167,487
Private companies	1,045,256	768,404
Public and religious organisations	264,487	244,380
State companies	292	-
	<u><b>10,612,492</b></u>	<u><b>8,955,238</b></u>

In 2002 and 2001, the weighted average interest rates on deposits were 4.2% and 4.8%, respectively.

**19. DEFERRED INCOME AND ACCRUED EXPENSES**

Deferred income and accrued expenses are composed as follows:

	<b>2002</b>	<b>2001</b>
	<b>LVL</b>	<b>LVL</b>
Accrued interest expense	42,654	41,765
Annual bonuses for staff	27,436	30,820
Other	13,141	12,693
	<u><b>83,231</b></u>	<u><b>85,278</b></u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001**

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**20. SHARE CAPITAL**

On 30 October 1996 the Bank issued share capital consisting of 35,000 common shares. The nominal value per share is LVL 100. All shares issued are outstanding and fully paid.

The largest shareholders of the Bank as of 31 December 2001 are as follows:

	<b>Paid capital (LVL)</b>	<b>As % of total paid capital</b>	<b>As % of all voting rights</b>
Vilis Vītols	1,294,700	37	37
Marta Vītola	1,294,800	37	37
Laura Bulmane	455,000	13	13
Nikolajs Sigurds Bulmanis	455,000	13	13
Other	500	-	-
<b>Total</b>	<b>3,500,000</b>	<b>100</b>	<b>100</b>

**21. EARNINGS PER SHARE**

Earnings per share are computed by dividing net earnings by the weighted average of the number of shares of common stock outstanding.

	<b>2002</b>	<b>2001</b>
<b>Net profit (LVL)</b>	<b>432,618</b>	<b>405,936</b>
Weighted average common stock outstanding	35,000	35,000
<b>Earnings per common share (LVL)</b>	<b>12.36</b>	<b>11.60</b>

**22. CASH AND CASH EQUIVALENTS**

	<b>2002</b>	<b>2001</b>
Cash and Due from the Bank of Latvia	1,350,293	999,773
Balances due from credit institutions with maturity up to 3 month	3,801,063	2,431,016
Balances due to credit institutions with maturity up to 3 month	(509,058)	-
	<b>4,642,298</b>	<b>3,430,789</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**23. FOREIGN CURRENCY EXPOSURE**

The analysis of assets and liabilities as of 31 December 2002 according to the currencies in which they are denominated is as follows:

	<b>31 December 2001 exchange rate</b>	<b>LVL '000 Assets</b>	<b>LVL '000 Liabilities</b>	<b>LVL'000 Net Exposure</b>	<b>Net exposure as % of regulatory capital</b>
USD	0.5940	8,824	8,509	315	7.07
EUR	0.6100	448	436	12	0.27
GBP	0.9460	5	2	3	0.07
AUD	0.3340	13	9	4	0.09
CAD	0.3830	9	-	9	0.20
CHF	0.4190	8	3	5	0.11
DKK	0.0821	4	-	4	0.09
SEK	0.0668	6	-	6	0.13
EEK	0.0390	1	-	1	0.02
<b>Total</b>		<b>9,318</b>	<b>8,959</b>		
<b>Total amount of long position</b>				<b>359</b>	
<b>Total open position</b>					<b>8.05</b>

According to Bank of Latvia requirements as of 31 December 2002 the total open position in foreign currencies should not exceed 20% of regulatory capital, and no individual open position should exceed 10%.

**NOTES TO THE FINANCIAL STATEMENTS  
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**24. LIQUIDITY RISK**

The table below provides an analysis of assets and liabilities by maturity groups based on the remaining period from the balance sheet date to the contractual maturity date. The remaining period to maturity of assets and liabilities at 31 December 2002 was as follows:

	<b>Up to 1 month LVL'000</b>	<b>1 to 3 months LVL'000</b>	<b>3 to 6 months LVL'000</b>	<b>6 to 12 months LVL'000</b>	<b>1 to 5 years LVL'000</b>	<b>Greater than 5 years LVL'000</b>	<b>Total LVL'000</b>
<b>Assets</b>							
Cash and balances due from the Bank of Latvia	1,350	-	-	-	-	-	1,350
Due from credit institutions	3,801	-	-	-	-	-	3,801
Loans	835	224	351	821	12,669	265	15,165
Investments in non-fixed income securities	954	-	-	-	-	36	990
Investment in subsidiary	-	-	-	-	-	198	198
Fixed assets	-	-	-	-	-	32	32
Deferred expenses and accrued income	166	-	-	-	-	-	166
Other assets	3	-	-	-	-	-	3
<b>Total assets</b>	<b>7,109</b>	<b>224</b>	<b>351</b>	<b>821</b>	<b>12,669</b>	<b>531</b>	<b>21,705</b>
<b>Liabilities</b>							
Due to credit institutions	-	509	488	947	4,233	-	6,177
Customer deposit accounts	3,875	2,181	753	1,331	2,472	-	10,612
Deferred income and accrued expenses	20	30	4	4	25	-	83
Provisions for other liabilities	-	-	-	-	2	-	2
Other liabilities	-	-	-	-	-	1	1
<b>Total liabilities</b>	<b>3,895</b>	<b>2,720</b>	<b>1,245</b>	<b>2,282</b>	<b>6,732</b>	<b>1</b>	<b>16,875</b>
<b>Liquidity risk</b>	<b>3,214</b>	<b>(2,496)</b>	<b>(894)</b>	<b>(1,461)</b>	<b>5,937</b>	<b>530</b>	<b>4,830</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**25. INTEREST RATE RISK**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

	Up to 1 month LVL '000	1 to 3 months LVL '000	3 to 6 months LVL '000	6 to 12 months LVL '000	1 to 5 years LVL '000	Greater than 5 years LVL '000	Non- interest bearing funds LVL '000	Total LVL '000
<b>Assets</b>								
Cash and balances due from the Bank of Latvia	-	-	-	-	-	-	1,350	1,350
Due from credit institutions	3,801	-	-	-	-	-	-	3,801
Loans	835	224	351	821	12,669	265	-	15,165
Investments in non- fixed income securities	954	-	-	-	-	-	36	990
Investment in subsidiary	-	-	-	-	-	-	198	198
Fixed assets	-	-	-	-	-	-	32	32
Deferred expenses and accrued income	-	-	-	-	-	-	166	166
Other assets	-	-	-	-	-	-	3	3
<b>Total assets</b>	<b>5,590</b>	<b>224</b>	<b>351</b>	<b>821</b>	<b>12,669</b>	<b>265</b>	<b>1,785</b>	<b>21,705</b>
<b>Liabilities</b>								
Due to credit institutions	-	509	488	947	4,233	-	-	6,177
Customer deposit accounts	3,875	2,181	753	1,331	2,472	-	-	10,612
Deferred income and accrued expenses	20	30	4	4	25	-	-	83
Provisions for other liabilities	-	-	-	-	-	-	2	2
Other liabilities	-	-	-	-	-	-	1	1
Shareholders' equity	-	-	-	-	-	-	4,830	4,830
<b>Total liabilities and shareholders' equity</b>	<b>3,895</b>	<b>2,720</b>	<b>1,245</b>	<b>2,282</b>	<b>6,730</b>	<b>-</b>	<b>4,833</b>	<b>21,705</b>
<b>Off balance sheet items</b>	<b>317</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>317</b>
<b>Total liabilities, shareholders' equity and off balance sheet items</b>	<b>4,212</b>	<b>2,720</b>	<b>1,245</b>	<b>2,282</b>	<b>6,730</b>	<b>-</b>	<b>4,833</b>	<b>22,022</b>
<b>Interest rate risk</b>	<b>1,378</b>	<b>(2,496)</b>	<b>(894)</b>	<b>(1,461)</b>	<b>5,939</b>	<b>265</b>	<b>(3,048)</b>	<b>(317)</b>

NOTES TO THE FINANCIAL STATEMENTS  
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## 26. GEOGRAPHIC CONCENTRATION OF ASSETS AND LIABILITIES

	Latvia LVL'000	Venezuela LVL'000	OECD LVL'000	Other countries LVL'000	Total LVL'000
<b>Assets</b>					
Cash and balances due from the Bank of Latvia	1,350	-	-	-	1,350
Due from credit institutions	3,178	-	623	-	3,801
Loans	15,139	-	26	-	15,165
Investments in non-fixed income securities	990	-	-	-	990
Investment in subsidiary	198	-	-	-	198
Fixed assets	32	-	-	-	32
Deferred expenses and accrued income	166	-	-	-	166
Other assets	3	-	-	-	3
<b>Total assets</b>	<b>21,056</b>	<b>-</b>	<b>649</b>	<b>-</b>	<b>21,705</b>
<b>Liabilities</b>					
Due to credit institutions	6,177	-	-	-	6,177
Customer deposit accounts	8,326	860	1,416	10	10,612
Deferred income and accrued expenses	83	-	-	-	83
Provision for other liabilities	2	-	-	-	2
Other liabilities	1	-	-	-	1
Shareholders' equity	4,830	-	-	-	4,830
<b>Total liabilities and shareholders' equity</b>	<b>19,419</b>	<b>860</b>	<b>1,416</b>	<b>10</b>	<b>21,705</b>
<b>Off-balance sheet items</b>	<b>314</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>317</b>

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**27. CAPITAL ADEQUACY**

Based upon the Financial and Capital Market Commission (FCMC) regulations and guidelines set by the Basle Committee the Bank's equity to be utilized in the capital adequacy ratio as of 31 December 2002 and 2001 has been calculated as follows:

	<b>2002</b>	<b>2001</b>
	<b>LVL'000</b>	<b>LVL'000</b>
<b>Tier 1</b>		
Paid in share capital	3,500	3,500
Reserves	980	897
<b>Total first tier</b>	<b>4,480</b>	<b>4,397</b>
<hr/>		
<b>Equity to be utilized in the adequacy ratio per the Financial and Capital Market Commission</b>	<b>4,480</b>	<b>4,397</b>
<hr/>		
Adjustments to agree equity calculated according to the Financial and Capital Market Commission regulations with Basle agreement:		
<b>Tier 2</b>		
General provisions for possible loan losses (up to 1.25% from risk weighted assets)	-	-
<b>Equity to be utilized in the capital adequacy ratio per the Basle Committee guidelines</b>	<b>4,480</b>	<b>4,397</b>
	<hr/>	<hr/>

The Bank's capital adequacy ratio based upon the Financial and Capital Market Commission regulations as of 31 December 2002 and 2001 was 24.2% and 41.7%, respectively. The FCMC requires all Latvian banks to maintain a capital adequacy ratio above 10% of risk-weighted assets.

The Bank's capital adequacy ratio based on the guidelines of the Basle Agreement as of 31 December 2002 and 2001 was 26.2% and 41.5% respectively, which is above the recommended target capital to risk weighted ratio of 8%. The capital base corresponding to the Basle Agreement target capital ratio is LVL'000 4,480 at 31 December 2002.

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According to the FCMC methodology:

		<b>2001</b> <b>LVL'000</b>
<b>0% risk weighted assets – group 1</b>		
Cash and due from the Bank of Latvia	1,350	1,000
Loans secured by term deposits	62	29
<b>Total group 1</b>	<b>1,412</b>	<b>1,029</b>
Weighted value	-	-
<b>20% risk weighted assets – group 2</b>		
Placements with OECD credit institutions	623	384
Placements at call with credit institutions of the Republic of Latvia	91	2,047
<b>Total group 2</b>	<b>714</b>	<b>2,431</b>
Weighted value	143	486
<b>50% risk weighted assets – group 3</b>		
Due from the credit institutions registered in the Republic of Latvia, except due on demand	3,087	-
Loans, fully secured by mortgage on residential property	-	8,012
Deferred expenses and accrued income	166	113
<b>Total group 3</b>	<b>3,253</b>	<b>8,125</b>
Weighted value	1,627	4,063
<b>100% risk weighted assets - group 5</b>		
Loans	15,103	5,544
Non-fixed income securities and equity investments	1,188	234
Fixed assets	32	46
Other assets	3	4
<b>Total group 5</b>	<b>16,326</b>	<b>5,828</b>
Weighted value	16,326	5,828
<b>Off-balance sheet liabilities (100% risk)</b>		
	<b>317</b>	<b>167</b>
Weighted value	317	167
<b>Total assets and off-balance sheet items</b>		
	<b>22,022</b>	<b>17,580</b>
Total weighted value of assets and off-balance sheet items (B)	18,413	10,544
<b>Shareholders' equity (A)</b>		
	<b>4,480</b>	<b>4,397</b>
Capital adequacy ratio (A / B *100)	24.3%	41.7%
Minimum capital adequacy ratio per the Financial and Capital Market Commission requirements	10%	10%

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According to Basle Capital Accord

	<b>2002</b> <b>LVL'000</b>	<b>2001</b> <b>LVL'000</b>
<b>0% risk weighted assets – group 1</b>		
Cash and due from the Bank of Latvia	1,350	1,000
Loans secured by term deposits	62	29
<b>Total group 1</b>	<b>1,412</b>	<b>1,029</b>
Weighted value	-	-
<b>20% risk weighted assets – group 2</b>		
Placements with OECD credit institutions	623	384
Placements at call with credit institutions of Republic of Latvia	91	2,047
<b>Total group 2</b>	<b>714</b>	<b>2,431</b>
Weighted value	143	486
<b>50% risk weighted assets – group 3</b>		
Loans fully secured by mortgage on residential property	6,027	8,012
<b>Total group 3</b>	<b>6,027</b>	<b>8,012</b>
Weighted value	3,014	4,006
<b>100% risk weighted assets - group 5</b>		
Other due from the commercial banks registered in the Republic of Latvia	3,087	-
Loans	9,076	5,544
Non-fixed income securities and equity investments	1,188	234
Fixed assets	32	46
Other assets	3	4
Accrued expenses and deferred income	166	113
<b>Total group 5</b>	<b>13,552</b>	<b>5,941</b>
Weighted value	13,552	5,941
<b>Off-balance sheet liabilities (100% risk)</b>	<b>317</b>	<b>167</b>
Weighted value	317	167
<b>Total assets and off-balance sheet items</b>	<b>22,022</b>	<b>17,580</b>
Total weighted value of assets and off-balance sheet items (B)	17,026	10,600
<b>Capital base (A)</b>	<b>4,480</b>	<b>4,397</b>
Capital adequacy ratio (A / B *100)	26.3%	41.5%
Minimum capital adequacy ratio	8%	8%

**NOTES TO THE FINANCIAL STATEMENTS  
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**28. RELATED PARTIES**

Related parties are defined as shareholders, employees, members of the supervisory board, members of the management board, their close relatives, and companies in which they have a controlling interest.

Lending to, deposits, guarantees and borrowings from related parties during the period are set out below.

	<b>2002</b>	<b>Average</b>	<b>2001</b>	<b>Average</b>
	<b>LVL</b>	<b>interest rate</b>	<b>LVL</b>	<b>interest rate</b>
		<b>%</b>		<b>%</b>
Loans to shareholders and other related parties	581,574	9.3	592,010	10.6
Deposits from shareholders and related parties	2,718,998	6.4	2,755,381	6.8
	<b>2002</b>		<b>2001</b>	
	<b>LVL</b>		<b>LVL</b>	
<b>Equity investments</b>				
Optimus fondi (Note 14)	<b>197,500</b>		<b>197,500</b>	
<b>Interest bearing investments</b>				
Latu reserves fonds (Note 13)	<b>990,148</b>		-	
<i>Holder: Optimus Fondi;</i>				
<i>Holding Bank: Latvijas Unibanka</i>				
<i>Promulgator: Latvijas Unibanka</i>				

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