



LATVIJAS
BIZNESA BANKA

Joint stock company
AS "Latvijas Biznesa banka"

Consolidated and Separate Financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Financial and Capital Market Commission for the yearended December 31, 2009 and independent auditor's report

JSC AS "Latvijas Biznesa banka"
The Consolidated financial statements for 2009

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JSC AS “Latvijas Biznesa banka”
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Management Report

Joint-stock Company AS „Latvijas Biznesa banka” (hereinafter referred to as the Bank) operates on the financial market of Latvia since 1992. In the presented annual report the Bank’s management informs the shareholders, the clients, partners and the public about the operation results of 2009, which reflect the Bank’s reliability in the complicated external economical environment.

The Bank’s operation during 2009 was influenced by the global economical crisis, which affected all branches of Latvia's economy, had a negative impact on the banking industry, particularly on the activities of banks in the construction and transactions with the real estate credit financing field. According to preliminary data of the Central Statistical Bureau of Latvia decrease in the gross domestic product of Latvia in 2009 amounted to 18,0%, unemployment level in February 2010 reached 17,1%. Decrease in consumption and withdrawal of foreign investors predetermined the collapse of real estate prices in 2009 (for example, by 60% on average in Riga) and, correspondingly led to significant deterioration of the quality of credit portfolio of Latvian banks, wherein construction and real estate transactions financing transactions constituted 43% of the total credit portfolio. Based on the preliminary data from the Financial and Capital Market Commission losses of Latvian banks in 2009 reached 773,4 millions LVL.

Despite the negative influence of the external environment on the Bank’s activities in 2009 the total number of the Bank’s clients increased by 12%, the total amount of clients’ deposits increased by 14,7%, the number of active clients' savings accounts increased by 41%, the number of active Internet Banking system users increased by 69%. The Bank constantly maintained current liquidity level not less than 37%, the normative level is 30%. The AS “Latvijas Biznesa banka” and AS „Eesti Krediidipank” consolidation group (hereinafter referred to as – the Group) assets in 2009 increased by 1.52 % and as of the year end amounted to 373 millions LVL.

Due to the impact of the economical crisis the results of 2009 show the Bank’s losses in amount of 6,18 millions LVL, and the Group’s losses in amount of 11,45 millions LVL – mainly resulting from creation of provisions for problem loans. Considering the continuing negative impact of the crisis on the Latvia's economy and credit solvency of the borrowers, on basis of precautionary principle during the preparation of the annual report the Bank estimated the quality of the loan portfolio more conservatively and increased the loan loss provisions in an aggregate amount of 3,87 million LVL. As a result, for that matter as well as to enhance capitalization of the Bank, the primary shareholder OJSC “Bank of Moscow” issued to the Bank subordinated loan in amount of 5,06 millions LVL in March 2010.

With the aim of increasing the effectiveness of subsidiary banks' operation and improving the quality and extending the range of services offered to the clients, including the Baltic states region, the main shareholder OJSC “Bank of Moscow” decided to merge the banks and to form on the basis of AS “Latvijas Biznesa banka” a branch of the Estonian bank AS „Eesti Krediidipank”. The main tasks of the united bank in 2010 will be: completion of the integration processes, development of the new products and services and continuing to raise the quality of the loan portfolio. To improve the competitiveness and financial capacities of the united bank, the OJSC “Bank of Moscow” plans to enhance capitalization of the united bank in future.

The main shareholder of AS “Latvijas Biznesa banka” is one of the largest universal banks in Russia - OJSC “Bank of Moscow”. Bank of Moscow offers a wide array of financial services available to both corporate and private clients. By the size of assets and the equity OJSC “Bank of Moscow” can be placed among the five largest banks in Russia, by the amount of attracted funds it can be placed among the three leading banks in Russia. At the beginning of 2009 the total number of OJSC “Bank of Moscow” branches was 395, including 137 branches in Moscow and in Moscow region. Local presence in all economically important regions of Russia and OJSC “Bank of Moscow” subsidiary banks in Ukraine, Bielorusia, Latvia, Estonia and Serbia ensures provision of a wide range of banking services, including international trade field, to OJSC “Bank of Moscow” Group clients. On December 2009 the International rating agency Fitch Ratings confirmed OJSC “Bank of Moscow” long-term credit rating BBB-.

In the name of the Bank's Council and the Board we thank all our clients, partners and employees for cooperation, patience and support during the last year and we hoping for the mutual cooperation in 2010.

<p>Signature</p> <hr style="border:none; border-top:1px solid black;"/> <p>Pavel Gorbatsevich Chairman of the Supervisory Council</p>	<p>Signature</p> <hr style="border:none; border-top:1px solid black;"/> <p>Valmar Moritz Chairman of the Board (President))</p>	<p>Signature</p> <hr style="border:none; border-top:1px solid black;"/> <p>Natalia Kovaleva Member of the Board (Vice President)</p>
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____ 30 March 2010

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As at the date of issuing the financial statements:

BOARD

Name	Position	Election date	Resignation date
Valmar Moritz	Chairman of the Board (President)	17.03.2010.	
Andrey Kuzin	Member of the Board (First Vice President)	15.02.2008.	
Raul Keskula	Member of the Board (Vice President)	04.09.2009.	
Natalia Kovaleva	Member of the Board (Vice President)	25.03.2009.	
Artis Birkmanis	Chairman of the Board (President)		02.01.2010.
Alexander Komarov	Member of the Board (Vice President)		04.09.2009.

SUPERVISORY COUNCIL

Name	Position	Election date	Resignation date
Pavel Gorbatsevich	Chairman of the Supervisory Council	17.03.2010.	
Alexey Sitnikov	Deputy Chairman of the Council	17.03.2010.	
Dmitry Akulinin	Member of the Council	17.03.2010.	
Nikita Monahov	Member of the Council	17.03.2010.	
Andrey Borodin	Chairman of the Supervisory Council		02.01.2010.
Elena Volkova	Member of the Council		02.01.2010.
Georgij Dragilev	Member of the Council		05.12.2009.

JSC AS “Latvijas Biznesa banka”
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Report on management responsibility

The management of JSC AS “Latvijas Biznesa banka” (hereinafter – the Bank) is responsible for the presentation of the consolidated and separate financial statements of the Bank and its subsidiaries (hereinafter – the Group), giving a true and fair view about the financial state of the Group and of the Bank at the end of the reported period and about the financial results and cash flow during the reported period.

The management of the Bank confirms that the consolidated financial statements for the periods ended 31 December 2009 (pages 6-64) have been prepared by consistently applying appropriate accounting methods and that the decisions and evaluations made by the management of the Bank in the course of the preparation of the financial reports have been sufficient, well considered and weighed in all their aspects.

The management of the Bank also confirms that the Financial statements in all its material aspects complies with the International Financial Reporting Standards as adopted by the EU and is presented pursuant to the requirements of the Regulations on Presenting Bank Consolidated Financial statements approved by the Financial and Capital Market Commission.

The management of the Bank is responsible for appropriate keeping of the accounting system, retention of Group assets, disclosure and aversion of fraud and other violations of law inside the Group. The management is responsible for the compliance with the requirements of the law of the Republic of Latvia “On credit institutions“ and other legal provisions under legislation of the Republic of Latvia, as well as fulfillment of regulations issued by the Bank of Latvia and the Financial and Capital Market Commission.

Signature

Pavel Gorbatsевич
Chairman of the Supervisory
Council

___30 March 2010

Signature

Valmar Moritz
Chairman of the Board
(President))

Signature

Natalia Kovaleva
Member of the Board (Vice
President)

JSC AS "Latvijas Biznesa banka"
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Statements of financial position for the years ended 31 December 2009 and 2008

LVL '000	Notes	2009 Group	2 009 Bank	2008 Group	2 008 Bank
Assets					
Cash and due from central banks	3	63 110	10 853	28 000	5 149
Due from credit institutions	4	98 220	4 392	115 314	32 380
Financial assets held for trading	5	451	-	21	-
Financial assets at fair value through profit or loss	6	19 766	-	13 859	153
Financial assets available-for-sale	7	71	27	686	12
Financial assets held until maturity	8	4 214	3 730	7 798	7 798
Loans	9	156 100	63 564	183 162	68 755
Fixed assets	10	11 395	6 911	11 812	6 984
Intangible assets	10	132	132	126	126
Investment property	11	5 759	583	3 544	932
Investments in associates and subsidiaries	12/13	-	10 464	22	10 450
Tax assets		89	89	133	133
Other assets	14	13 923	902	3 180	235
Total assets		373 230	101 647	367 657	133 107
Liabilities					
Due to monetary financial institutions	15	19 464	10 740	78 332	45 812
Financial liabilities held for trading	16	9	-	1 960	-
Financial liabilities at fair value through profit or loss	18	-	-	2	-
Deposits from the customers	19	328 409	78 183	260 616	68 136
Tax liabilities		131	14	134	16
Other liabilities	21	11 795	561	1 284	383
Total liabilities		359 808	89 498	342 328	114 347
Capital and reserves					
Share capital	28	10 830	10 830	10 830	10 830
Share issue premium		20	20	20	20
Reserve capital		719	219	719	219
Other reserves		276	279	620	622
Retained earnings		308	801	11 295	7069
Capital and reserves related to the Bank's shareholders		12 153	12 149	23 484	18 760
Non-controlling interest	29	1 269	-	1 845	-
Total capital and reserves		13 422	12 149	25 329	18 760
Total liabilities, capital and reserves		373 320	101 647	367 657	133 107
Off-balance sheet liabilities					
Contingent liabilities		1 530	42	2 951	1 370
Off-balance sheet liabilities to clients		1 503	261	8 019	4 750
Off-balance sheet liabilities total	34	3 033	303	10 970	6 120

On 30 March 2010, the Council and the Board of the Bank signed the financial statements presented on pages 6 – 64:

<p>Signature</p> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <p>Pavel Gorbatsevich Chairman of the Supervisory Council</p>	<p>Signature</p> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <p>Valmar Moritz Chairman of the of the Board</p>	<p>Signature</p> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/> <p>Natalia Kovaleva Member of the Board (Vice President)</p>
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The accompanying notes constitute an integral part of these Financial statements.

JSC AS "Latvijas Biznesa banka"
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Statements of comprehensive income for the years ended 31 December 2009 and 2008

LVL '000	Note	2009 Group	2009 Bank	2008 Group	2008 Bank
Interest income		14 023	5 227	20 446	7 547
Interest expenses		(9 536)	(3 973)	(10 157)	(3 768)
Net interest income	23	4 487	1 254	10 289	3 779
Commission income		1 633	560	2 069	504
Commission expenses		(689)	(243)	(714)	(181)
Net commission income	24	944	317	1 355	323
Dividend income		15	11	7	2 643
Net gain from transactions with financial instruments	25	747	199	829	148
Other operating income	26	1 473	71	711	52
Operating income		7 666	1 852	13 191	6 945
Administrative expenses	27	(6 123)	(2 612)	(7 229)	(2 917)
Other operating expenses	26	(869)	(207)	(917)	(115)
Depreciation and amortisation of intangible and fixed assets	10/11	(455)	(166)	(417)	(154)
Provision for impairment of loans		(11 654)	(5 042)	(2 433)	(1 206)
Operating expenses		(19 101)	(8 027)	(10 996)	(4 392)
Share in net losses of associated companies	12	(20)	-	(2)	-
Net result from the acquisition of the subsidiary	30	5	-	-	-
Profit/(losses) before corporate income tax		(11 450)	(6 175)	2 193	2 553
Corporate income tax		(2)	(2)	(150)	(33)
Profit/(losses) of the reported period		(11 452)	(6 177)	2 043	2 520
Other comprehensive income					
Changes in revaluation of financial assets available for sale		2	2	(26)	(26)
Deferred tax on fair value reserve for financial assets available-for-sale		4	4	-	-
Revaluation result of fixed assets		(349)	(349)	(15)	(15)
Accumulated currency translation differences		(1)	-	(93)	-
Total other comprehensive income/(losses) of the reported period		(344)	(343)	(134)	(41)
Total comprehensive income/(losses) of the reported period		(11 796)	(6 520)	1 909	2 479
Profit/(losses) attributable to:					
equity holders of the Bank		(10 896)	(6 177)	1 808	2 520
non-controlling interests		(556)	-	235	-
Total comprehensive income/(losses) attributable to:					
equity holders of the Bank		(11 240)	(6 520)	1 674	2 479
non-controlling interests		(556)	-	235	-
Profit/(loss) per share (in lats per share)		(50,30)	(28,52)	8,35	11,63

On 30 March 2010, the Council and the Board of the Bank signed the financial statements presented on pages 6 – 64:

Signature	Signature	Signature
_____ Pavel Gorbatsevich Chairman of the Supervisory Council	_____ Valmar Moritz Chairman of the of the Board	_____ Natalia Kovaleva Member of the Board (Vice President)

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

JSC AS "Latvijas Biznesa banka"
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Group's statement of changes in equity

LVL '000	Share capital	Share issue premium	Capital reserve	Other reserves	Retained earnings	Capital and reserves related to the Bank's shareholders	Non- controlling interests	Total
As at 31 December 2007	10 830	20	549	754	9 657	21 810	1 610	23 420
Comprehensive income	-	-	-	(134)	1 808	1 674	235	1 909
Distribution of the retained earnings of previous years	-	-	170	-	(170)	-	-	-
As at 31 December 2008	10 830	20	719	620	11 295	23 484	1 845	25 329
Comprehensive loss	-	-	-	(344)	(10 896)	(11 240)	(556)	(11 796)
Correction of the retained earnings of previous years	-	-	-	-	(91)	(91)	-	(91)
Changes in the non-controlling interests	-	-	-	-	-	-	(20)	(20)
As at 31 December 2009	10 830	20	719	276	308	12 153	1 269	13 422

Bank's statement of changes in equity

LVL '000	Share capital	Share issue premium	Capital reserve	Other reserves	Retained earnings	Capital and reserves related to the Bank's shareholders	Non- controlling interests	Total
As at 31 December 2007	10 830	20	219	663	4 549	16 281	-	16 281
Comprehensive income	-	-	-	(41)	2 520	2 579	-	2 579
As at 31 December 2008	10 830	20	219	622	7 069	18 760	-	18 760
Comprehensive loss	-	-	-	(343)	(6 177)	(6 520)	-	(6 520)
Correction of the retained earnings of previous years	-	-	-	-	(91)	(91)	-	(91)
As at 31 December 2009	10 830	20	219	279	801	12 149	-	12 149

On 30 March 2010, the Council and the Board of the Bank signed the financial statements presented on pages 6 – 64:

Signature

Signature

Signature

Pavel Gorbatsевич
Chairman of the Supervisory
Council

Valmar Moritz
Chairman of the of the Board

Natalia Kovaleva
Member of the Board (Vice
President)

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

*JSC AS "Latvijas Biznesa banka"
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Statements of cash flows as at 31 December 2009 and as at 31 December 2008

LVL '000	2009 Group	2009 Bank	2008 Group	2008 Bank
Cash flow from operating activities				
Profit/(loss) before calculating corporate income tax	(11 450)	(6 175)	2 193	2 553
Goodwill	(5)	-	-	-
Increase of share in equity of enterprises in allocation accounts of retained earnings of subsidiary enterprise (Dividends received)	-	-	-	(2 642)
Depreciation and amortisation of intangible and tangible fixed assets	455	166	417	154
Provisions for bad debts increase	6 550	5 044	2 244	1 039
(Profit)/loss from foreign currency revaluation	(2 561)	(164)	2 042	115
Losses from write-off of fixed assets and intangible assets	185	-	58	2
Losses from revaluation of investment property	166	-	98	-
Unrealised (profit)/loss from revaluation of investments available-for-sale	6	6	(29)	(29)
Increase of cash and cash equivalents from operating activities before changes in assets and liabilities	(6 669)	(1 134)	7 017	1 192
Loans (increase) /decrease	20 507	229	(41 158)	(27 070)
Due from other credit institutions (increase)/decrease	(459)	(10)	1 076	-
(Increase)/decrease of financial assets available for sale	488	(15)	(2 185)	(2 185)
(Increase)/decrease of financial assets available for trading	21	-	(948)	(134)
(Increase)/decrease of financial assets classified as evaluated by their fair value reflected in profit or loss accounts	(5 905)	153	8	8
Deferred expenses and accrued income (increase) /decrease	43	66	25	13
Other assets (increase)/decrease	(11 652)	(722)	(193)	266
Increase in due to other credit institutions	(20 375)	4 398	(9 914)	(6 873)
Deposits increase /(decrease)	68 886	10 047	34 533	(9 366)
Increase of deferred income and accrued expenses	(72)	56	(202)	(81)
Other liabilities increase / (decrease)	10 748	177	(753)	145
Cash and cash equivalent increase / (decrease) from operating activities before corporate income tax	62 230	14 379	(19 711)	(45 277)
(Paid corporate income tax)	(11)	(11)	(262)	(145)
Cash and cash equivalents increase / (decrease)	55 550	13 234	(12 956)	(44 230)
Cash flow resulting from investments				
Fixed assets and intangible assets (acquisitions)	(2 100)	(99)	(6 283)	(5 630)
Participation in share capital of other companies (acquisitions)	(14)	(14)	(1)	(1)
Share in net loss of associated companies	20	-	-	-
Proceeds from disposal of investments held until maturity	4 579	4 579	-	-
(Purchase) of investments held until maturity	(1 095)	(610)	-	-
Increase/(decrease) of cash and cash equivalents resulting from investment activities	1 390	3 856	(6 284)	(5 631)

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

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Statements of cash flows (continued)

LVL '000	2009	2009	2008	2008
	Group	Bank	Group	Bank
Cash flow resulting from financing activities				
Received subordinated debt	1 405	-	-	-
Repaid subordinated debt	(1 059)	-	-	-
Debt securities (repurchase)	-	-	(5 310)	-
Dividends received	15	11	6	-
Increase of cash and its equivalents resulting from financing activities	361	11	(5 304)	-
Increase/(decrease) of cash and cash equivalents	57 301	17 101	(24 544)	(49 861)
Cash and cash equivalents at the beginning of the reported period	99 592	(5 894)	124 253	44 061
Profit/(losses) from foreign currency revaluation	111	134	(117)	(94)
Cash and cash equivalents at the end of the reported period	157 004	11 341	99 592	(5 894)

Cash and cash equivalents

LVL'000	2009	2009	2008	2008
	Group	Bank	Group	Bank
Cash and due from central banks	63 103	10 853	27 973	5 149
Demand deposits with other credit institutions up to 3 months	97 805	4 382	115 049	32 378
Due to other credit institutions up to 3 months	(3 904)	(3 894)	(43 430)	(43 421)
Total	157 004	11 341	99 592	(5 894)

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

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Notes

1 Basic information

These consolidated financial statements include financial statements of JSC AS "Latvijas Biznesa banka" (hereinafter – the Bank) and its subsidiary bank JSC "Eesti Krediidipank" (hereinafter - Krediidipank). The Bank operates on the basis of a licence issued by the Bank of Latvia on 18 May 1992.

Since 2003 the Bank started increasing its share of Estonian credit institution Krediidipank share capital. Krediidipank was granted a licence for operating as a bank on 10 April, 1992. The Bank, by acquiring the controlling interest in Krediidipank, has formed the consolidated group – JSC AS "Latvijas Biznesa banka" Group (hereinafter – the Group) . In 2009 the Bank increased its shareholding in Krediidipank to 89,28%.

Consolidated structure of the Group as at 31 December 2009:

Full registered name	Registration number	Legal address	Business activity	Participation share (%)	Basis for being included in the Group
JSC AS "Latvijas Biznesa banka"	40003076407	3 Antonijas, Riga, Latvia	Financial services		parent company
LLC "LBB ĪPAŠUMI"	40103166266	3 Antonijas, Riga, Latvia	Management of real estate	49,00	associated company, control 100%
JSC "Eesti Krediidipank"	10237832	Narva 4, Tallinn, Estonia	Financial services	89,28	subsidiary
JSC "Martinoza"	10078109	Narva 4, Tallinn, Estonia	Management of real estate	89,28	subsidiary of Krediidipank
JSC "Krediidipanga Liisingu"	10079244	Narva 4, Tallinn, Estonia	Leasing	89,28	subsidiary of Krediidipank

Listing of the basic services and products offered by Group:

- loans to legal entities and private person;
- transactions related to placement, acquisition and sale of shares, bonds and other securities;
- trust transactions, incl. transactions with securities;
- purchase – sale of foreign currencies, also on behalf of clients;
- attracting assets of legal entities and private persons;
- servicing current accounts of legal entities and private persons;
- servicing current accounts belonging to banks (loro accounts);
- transactions with cash and non-cash transactions;
- issue of guarantees and other documents certifying liabilities;
- servicing documentary transactions, incl. letters of credit and bank guarantees;
- issue and servicing of payment cards (debit and credit cards);
- rent of individual safes.

2 Accounting and valuation principles

(1) General principles

The consolidated financial statements of the Group are drawn up pursuant with International Financial Reporting Standards as adopted by the EU (hereinafter referred to as - IFRS) requirements and the Financial and Capital Market Commission (hereinafter - FCMC) requirements on presentation of financial reports. These consolidated financial statements include LLC "LBB ĪPAŠUMI", Estonian companies Krediidipank, JSC AS "Martinoza" and JSC "Krediidipanga Liisingu" AS according to the full consolidation method. Company AS "Äigrumäe Kinnisvara" is included in the statements as associated company.

The Group keeps accounts according to requirements of the effective legislation of Latvia and Estonia, where its subsidiary bank is located. The consolidated financial statements are drawn up on the basis of that accounting with adjustments necessary to achieve its compliance with IFRS in all substantial aspects.

The Group's subsidiary bank, located outside Latvia, prepares its own financial statements according to IFRS, which are included then in the consolidated financial statements of the Group.

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities as of the preparation date of the consolidated financial statements; and the reported amounts of revenues and expenses for the reporting period. These estimates and assumptions are based on information at the management's disposal as of the date of issue of the consolidated financial statements. However, actual results could differ from the mentioned estimates and assumptions.

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Notes

The most relevant are estimates used to calculate the amount of reserves for decrease of value of financial assets, to choose the useful life of fixed assets; and to determine the scale of off-balance sheet risks and contingent liabilities.

(2) The applied standards

The consolidated financial statements have been drawn up pursuant to IFRS adopted within the European Union (EU); interpretations thereto have been issued by the International Financial Reporting Interpretations Committee (IFRIC).

The following EU-approved appendices of the IFRS and IFRIC interpretations were amended and enforced on 1 January 2009:

IFRS 2 "Share-based Payment" (revised, effective for reporting periods commencing on 1 January 2009). The standard explains provisions for whether to assign or not to assign regulations in transactions involving shares.

IFRS 8 "Operating Segments" (effective for reporting periods commencing on 1 January 2009). This standard prescribes requirements for disclosing information about the company's operating segments, its products and services, as well as geographic areas of operation and major customers.

IAS 1 "Presentation of Financial Statements" (revised, effective for reporting periods commencing on 1 January 2009). This standard prescribes requirements for executing changes in equity in statements, introduces a new review for the total profit or loss statement, which encompasses all "changes of non-owners in equity".

The Group decided to submit a report on the income statement and statement of comprehensive income in a single report that combines the profit and loss statement and detailed information on other components of comprehensive income.

IAS 23 "Borrowing Costs" (revised, effective for reporting periods commencing on 1 January 2009). All borrowing costs directly relating to the procurement, creation or production of assets to be qualified will be capitalised as qualified assets.

IAS 28 "Investments in Associates" (effective for reporting periods commencing on 1 January 2009). If the investments in an associate are registered at their actual values pursuant to IAS 39, only the requirement of IAS 28 shall be applied, which requests information to be disclosed about types and volumes of any important limits that affect the capability of the associate to transfer monetary funds to the investor as dividends or to recover loans or debts. The investment in the associate shall be considered as an individual asset, for which the verification of a decrease in value shall be carried out. Therefore, any decrease in value shall not be individually attributed to the intangible value related to the relevant investment.

The following EU-approved appendices of the IFRS and IFRIC interpretations were amended and enforced on 1 July 2009:

IAS 27 "Consolidated and Separate Financial Statements" (effective for reporting periods commencing on 1 July 2009). The new edition of the standard prescribes that changes in the interest in companies' capital (if control is maintained) shall be registered as transactions with equity. Thereby no intangible value and neither profit nor loss will emerge due to such transactions. The new edition of this standard also alters the principles for registering the loss of a subsidiary and additionally refers to losing control over a subsidiary.

IFRS 3 "Business Combinations" (effective for reporting periods commencing on 1 July 2009). This standard applies purchase method to business combinations. All payments with relation to business acquisition shall be registered in their actual value on the day of acquisition; potential payments are classified as debt and later reassessed by profit or loss statement. There is an opportunity to assess non-controlling interest in actual value or pro-rata to the share of interest from net assets. The profit or loss statement shall report all the acquisition costs.

(3) Statement currency

The consolidated financial statements are drawn up in Latvian lats, the national currency of Latvia. All amounts in these consolidated financial statements are indicated in thousands of lats -LVL'000 (if nothing else is indicated).

Krediidipank is considered a business unit, operating on foreign markets, which is an inalienable part of the Group's activities. Consequently Krediidipank financial reporting currency is the Group's financial reporting currency (Latvian lats), regardless of the fact that it is not national currency of Estonia, where Krediidipank operates.

The financial statements are prepared on the basis of initial cost evaluation, except for revaluation of individual assets and financial liabilities by fair value.

(4) Disclosure of income and expenses

Interest income and expenses are recognised in the consolidated profit and loss account for all interest instruments on the accrual basis applying the effective profitability method, based on the actual purchase price. Interest income includes coupon yield, received from fixed income securities, the accrued discount and bonus on discount instruments. Commissions and other income are recognised in the period in which they occur.

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Notes

Non-interest expenses are recognised when material values or services are received. The accrued interest income and expenses, including the accrued coupon yield and the accrued discount, are included in the book value of the respective assets and liabilities

(5) Revaluation of foreign currency

Transactions in foreign currencies are converted to lats at the official Bank of Latvia currency exchange rate on the transaction date, which approximately reflects average market rates.

All assets and liabilities in foreign currencies, as well as claims and liabilities envisaging currency purchase and sale by the current currency exchange rate, are revaluated by applying the currency exchange rate of the Bank of Latvia effective at the balance sheet date. The applicable Bank of Latvia rates used for the principal currencies as at 31 December were as follows:

	2009	2008
USD	0,489	0,495
EUR	0,702804	0,702804
EK	0,0449	0,0449
RUR	0,0164	0,0171

Profit or losses resulting from foreign exchange are included in the Profit and Loss Account in the period, in which they occur. In the consolidated financial statements assets and liabilities of Krediidipank as at reporting date, and performance results as at 31 December 2009 are converted in lats according to the official Bank of Latvia exchange rate as at the reporting date. Revaluation differences are added to the Group's capital and are recognized in the consolidated balance sheet "Capital and reserves" section in the item "Other reserves".

(6) Loans and debts of debtors

In this category non-derivative fixed income financial assets or financial assets with set payments not quoted on the active market are included, except for the ones:

- intended for sale immediately or in the nearest future; and which should be classified as intended for trading, evaluated by initial recognition by their fair value through profit or loss;
- that after the initial recognition are classified as available for sale;
- for which the owner will not be able to cover all the significant amount of his initial investment due to reasons, different from decrease of solvency, and which should be classified as available for sale.

Initially granted loans to clients are recognised by initial cost, which is the fair value of the granted funds. Further the issued loans to clients are accounted for by the amortized cost less the provisions for bad loans to clients.

The Committee for evaluation of bank assets and off-balance sheet liabilities on a regular basis, at least once in a quarter, but, if necessary, also more frequently, performs revaluation of assets and off-balance liabilities exposed to credit risk. The Bank, on the balance sheet date of each reported year evaluates the possible objective indications that could point to the reduction of the value of some financial asset or a group of financial assets.

Objective evidence that a financial asset or a group of financial assets is impaired includes the following events that come to the attention of the Bank:

- substantial financial difficulties faced by the borrower;
- breach of the provisions of the agreement, e.g., non-fulfillment of obligations or noticeable delays in repayment of the principal loan amount or interest.

The amount of the indicated losses for loans depends on the sufficiency of collateral for the respective loan. Calculation of interest on the issued loans is suspended, if the possibility of repayment of the principal debt or interest in full is doubtful

After decision is met about suspension of calculation of interest for the issued loans the income, in the form of interest as provided for in the loan agreement, is not reflected in the consolidated Profit and Loss Account. Calculation of loan interest could be resumed after sufficiently high probability of repayment of the principal amount and interest of the debt in a timely manner and in full according to loan agreement arises.

(7) Financial assets at fair value through profit or loss

These financial assets are reflected in the balance sheet by their fair value. Initially financial assets evaluated by fair value, are recognised on balance sheet by their acquisition value and later on they are revaluated on the basis of quoted market prices.

Changes in the fair value of financial assets are reflected in profit and loss account as revaluation of financial assets. Interest income from these financial assets is reflected as interest income.

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(8) Financial assets held for trading

Financial assets held for trading include securities, the Bank has acquired for gaining profit in shortest time as a result of price changes or interest rate change and derivatives.

Trading securities — are securities, acquired for gaining profit as a result of short-term price or trading margin changes, or securities that are part of the portfolio actually used by the Group to gain profit in a short term. The Group classifies securities as trading securities, if it intends to sell them in a short period of time after their acquisition, i.e. up to 12 months.

Initially trading securities are recognized at their acquisition cost and are subsequently revaluated by fair value. Fair value of securities is calculated either based on their market quotations, or applying different evaluation methods using assumption about possibility to sell these securities in the future.

When market quotations are determined all trading securities are evaluated using the price of the last sale, if the securities are quoted on stock market, or by the last purchase quotation price, if transactions with these securities are made on over-the-counter market.

The purchase or sale of financial assets is recognized at the settlement date.

Realized and unrealized income and costs of transactions with trading securities are reflected in the consolidated Profit and Loss Account for the period they have occurred in, included in net income from transactions with financial assets, evaluated by fair value through profit or loss.

Interest income from trading securities is recognised in the consolidated Profit and Loss Account in the item "Interest income". Received dividends are reflected in the item "Received dividends".

(9) Financial assets available for sale

Financial assets available for sale include investment securities, the management intends to retain for an indefinite period of time, that can be sold depending on the liquidity requirements or interest rates, currency exchange rates changes or changes of stock prices.

The Group's management classifies investment securities in the respective category at the moment of their acquisition. Initially financial assets are recognised by their acquisition value (including their acquisition costs) and later on they are revaluated on the basis of quoted market prices.

Changes in fair value of financial instruments are recognized in section "Capital and reserves" "Revaluation of financial assets available for sale" position. After termination of recognition of the respective financial asset the accrued revaluation is transferred from capital and reserves to Profit and Loss Account .

Interest income from financial assets available for sale is reflected in the consolidated Profit and Loss Account as interest income.

(10) Financial assets held until maturity

Financial assets held until maturity are non-derivative financial assets with fixed income or set payments and fixed maturity, the Group is able and intends to hold until maturity. After the initial recognition debt securities held until maturity are recognised by value determined by amortizing acquisition cost.

On each reporting date the Bank evaluates evidence of decrease of value of financial assets held until maturity.

(11) Reclassification of Financial Assets

In 2008, the management of the Bank has adopted a decision on the reclassification of financial assets from the category "held for trading" to the category "held until maturity" and "financial assets available for sale". This decision has been adopted pursuant to amendments to IAS 39 "Financial instruments: acknowledgement and evaluation" and IFRS 7 "Financial instruments: information disclosure", taking the following circumstances into consideration:

- worsening of situation on the global financial markets during the third quarter of the 2008 year is an example of the rare occasion, which is meant in the amendments to IFRS, and thus justifies their application;
- lack of activity on financial instruments market;
- the Bank's decision about suspension of trading activities with financial instruments in the nearest future, the possibility and wish of the Bank to hold financial instruments until maturity.

According to the aforementioned amendments to International Financial Reporting Standards on 30 October 2008 the Bank accomplished reclassification of financial assets as of 1 July 2008, on 27 November 2008 Krediidipank accomplished reclassification of financial assets as of 27 November 2008.

In 2009, the Bank has not acquired any new instruments into the trading portfolio.

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Date of the Group as at 31 December 2009:

LVL ‘000	Financial assets held for trading		Financial assets available-for-sale		Financial assets held until maturity
	Eurobonds	Equity securities	Eurobonds	Equity securities	Eurobonds
The results of the reclassified assets without reclassification					
Balance sheet value	2 657	179	497	-	-
Fair value	1 696	179	501	-	-
(Expenses) that would have been recognized in Profit and Loss Account	(961)	(27)	-	-	-
Income that would have been recognized within the equity	-	-	4	-	-
The results of the reclassified assets as of the reported date after reclassification					
Balance sheet value	-	-	-	179	3 154
Fair value	-	-	-	179	2 197
Income, recognized in Profit and Loss Account	-	-	-	-	283
Income/(expenses), recognized within the equity	-	-	-	(27)	3

Date of the Bank as at 31 December 2009:

LVL ‘000	Financial assets intended for trading		Financial assets available-for-sale		Financial assets held until maturity
	Eurobonds	Equity securities	Eurobonds	Equity securities	Eurobonds
The results of the reclassified assets without reclassification					
Balance sheet value	2 657	27	497	-	-
Fair value	1 696	27	501	-	-
(Expenses) that would have been recognized in Profit and Loss Account	(961)	(27)	-	-	-
Income that would have been recognized within the equity	-	-	4	-	-
The results of the reclassified assets as of the reported date after reclassification					
Balance sheet value	-	-	-	27	3 154
Fair value	-	-	-	27	2 197
Income, recognized in Profit and Loss Account	-	-	-	-	283
Income/(expenses), recognized within the equity	-	-	-	(27)	3

(12) Investments in share capital of associated companies

Participation in the capital of associated companies refers to investments in other companies' capital when the Bank has significant influence on the operation of another company, yet does not control it, or if the Bank owns, directly or indirectly (via daughter companies), from 20 to 50% of the total of shares with voting rights. Participation in the share capital of associated companies is reflected at acquisition cost.

If there are objective indications about the reduction of the value of asset, the losses, which are determined as the difference between the book value of the respective asset and the expected future cash flow from this investment, resulting from the reduction of value are duly reflected. Dividends paid from the profit of an associated company are included in the in the Profit and Loss Account. Size of equity companies Äigrumāe Kinnisvara AS in the balance sheet shows a zero value, as a result of losses incurred by the company.

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(13) Investments in share capital of related companies

A related company is a subsidiary company, which the Bank is controlling or of which the Bank owns more than 50% of total shares with voting rights. The subsidiary Krediidipank and associated LLC "LBB ĪPAŠUMI" are included in consolidation starting from the date on which control was transferred to the Group. Participation in the capital of related companies is included in the consolidated financial statements using acquisition method. Acquisition cost is determined by fair value of acquired net assets as of acquisition date including direct costs of company acquisition. Recognizable assets, liabilities and contingent liabilities of the acquired company initially are evaluated by fair value as of acquisition date. Excess of acquisition value over fair value of the net recognisable assets of the acquired subsidiary company is reflected as goodwill. If the acquisition value is smaller than the fair value of the net recognizable assets of the acquired subsidiary company, the difference is reflected directly in the consolidated Profit and Loss Account. In consolidated financial reports, the indices of the financial reports of the subsidiary company Krediidipank are included, starting from 1 August 2005, and those of associated enterprise LLC "LBB ĪPAŠUMI" (Bank control share 100%) - starting from 1 January 2009, applying the full consolidation method. The deals between the companies, which are included in the consolidation, and the Bank, mutual demands and liabilities, unrealized profit and losses from deals are cancelled out. The Bank's participation in Krediidipank share capital in amount of 89,28% is reflected in the statements as at 31.12.2009. The Bank's participation in LLC "LBB ĪPAŠUMI" share capital - 49,00 %. The participation of Krediidipank in the share capital of JSC Martinoza and JSC Krediidipanga Liizing constitutes 100%; therefore share capital of these companies is excluded from the consolidated balance sheet. Non-controlling interests is a share of net operation results and net assets of subsidiary company, related to the share the Group does not own directly or indirectly. In the consolidated balance sheet non-controlling interests is reflected separately from the liabilities and shareholders' own funds. Non-controlling interests related to the current year's operation results is reflected in the consolidated Profit and Loss Account in a separate line.

(14) Long-term investments in leased fixed assets

Investments in leased fixed assets reflect the reconstruction costs of the Bank's office building at 3 Antonijas street, Riga. Investments in leased fixed assets are depreciated either over the time period of the lease agreement or over the estimated useful life of the said investment, if this is shorter.

(15) Fixed assets and intangible assets

Fixed assets and intangible assets are recognized at acquisition cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets and intangible assets. Further costs are included in the fixed asset's and intangible asset's carrying amount or are recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the respective asset will flow to the Bank and the cost of the item can be measured reliably. All other costs (regular repairs and maintenance costs) are charged to the Profit and Loss Account during the financial period in which they occur. Profit and loss incurred as a result of disposal of fixed assets and intangible assets is determined on basis of their balance sheet value. Repair costs and technical maintenance costs are reflected in the consolidated Profit and Loss Account at the moment they occur. Fixed assets and intangible asset's carrying amount is written down immediately to its recoverable amount if anything indicates that the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the two values: asset's market value (less selling costs) and benefits received as result of using the asset.

Software

The purchased software and the respective licences are capitalised with the costs incurred by the Group for its installation and starting using it. Hereafter these costs are depreciated on basis of useful life (up to 5 years). Costs related to exploitation of software are recognised in expenses as they occur. Expenses resulting in improvement or expansion of software's functions compared to their initial specification, are recognised as capital costs and added to the initial cost of the software.

Depreciation

Depreciation is calculated on the straight line method to write off the cost of each asset to its residual values over the expected useful lives as follows:

Category of assets	Useful life
Buildings, long-term investments in leased fixed assets	20 - 50 years
Vehicles	5 years
Office equipment	2,5 - 10 years

(16) Investment property

Investment property is recognised by fair value determined as a result of evaluation accomplished by companies - experts in evaluation of the specific type of investment property. Fair value is an amount of money, for which the assets can be exchanged in a commercial transaction between an informed, willing to accomplish such transaction seller and an informed, willing to accomplish such transaction buyer. Investment property owned LLC "LBB ĪPAŠUMI", calculated in accordance with the model of the actual value – at value less accumulated depreciation.

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(17) Corporate income tax

The corporate income tax amount payable is calculated as specified under legislation of the Republic of Latvia.

Deferred taxes are calculated, by applying the liability method with regard to all relevant temporary differences between the tax basis of assets and liabilities and their book value reflected in the annual report. The currently enacted tax rates are used to determine deferred income tax. The main temporary differences result from applying different depreciation rates on fixed assets in financial accounting and for taxation purposes.

Deferred tax assets related to the transfer of the uncovered tax losses of previous years are recognized, when probability exists to receive taxable profit, which would be possible to reduce by the amount of uncovered tax losses. If deferred tax assets appear, they are presented in the financial statements in the amount, where their recoverability is predictable with a reasonable certainty.

(18) Correction of the retained earnings of previous years

In preparing financial statements for the current year has been corrected the retained earnings of previous years through the use of taxation interest paid by subsidiary in prior periods. Adjustment relating to previous reporting periods are reflected in the accounts as an adjustment to the balance of retained earnings and articles tax assets at the end of the reporting period.

(19) Cash and cash equivalents

In cash flow statement cash and cash equivalents are made up from the cash at the cash desk, due from the Bank of Latvia and other credit institutions with the term to maturity up to three months. According to the Financial and Capital Market Commission requirements the total amount of cash and cash equivalents is reduced by liabilities against the Bank of Latvia and credit institutions with the term up to 3 months.

(20) Financial transactions

Incomplete currency exchange agreements

The Group and the Bank participate in currency spot transactions. Profit or losses from currency rate fluctuations on the date of the transaction are reflected in the Profit and Loss Account as profit or loss from revaluation of foreign currency items.

In order to manage currency and interest fluctuation risks resulting from operating activities, credit and investment transactions, the Group and the Bank use derivatives like foreign exchange swap contracts, which are concluded when buying one currency for another, simultaneously fixing the future currency rate, i.e. the rate at which the respective currency will be sold at the end of the respective term of the agreement, as well as forward foreign exchange contracts. The balance reflects derivative agreements at their fair value under assets, if the fair value is positive, or under liabilities, if the fair value is negative. The principal amounts of derivatives are recognized off-balance sheet. Changes in fair value are included in the Profit and Loss Account as revaluation of financial instruments.

(21) Assets of banks and assets of clients

Deposits are initially recognised by the actual value, which is the amount of received funds except for transaction costs. Later the borrowed funds are recognised by amortized value; the difference between the amount of received funds and repayment value is reflected in the consolidated Profit and Loss Account during the borrowing time applying the effective profitability method.

(22) Other off-balance sheet transactions

The Group and the Bank are parties to transactions related to commitments to extend loans, guarantees and letters of credit. These transactions are recognised in the financial statements as of the date of the respective agreement.

(23) Assumptions in the financial statements

The preparation of financial statements according to International Financial Reporting Standards requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. However, actual results could differ from those estimates.

(24) Fair value of financial assets and liabilities

Fair value of financial assets and liabilities represents the amount at which an asset could be sold or a liability settled between fairly informed, impartial and financially independent persons. Where fair values of financial assets or liabilities differ materially from book values, the difference is separately disclosed in the notes to financial statements. In order to establish credibly the fair value of financial assets available for sale, the Bank uses the following methods and approaches:

- prices of assets quoted on securities markets, where such instruments are traded;
- independent agency ratings;
- cash flows from financial debt instruments which could be predicted with reasonable certainty.

The fair value of foreign exchange swaps is evaluated based on current currency exchange rates on market.

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3 Cash and due from central banks

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Cash	1 377	141	1 919	788
Balance on demand from the Bank of Latvia	10 712	10 712	4 361	4 361
Balance on demand from the Bank of Estonia	51 021	-	21 720	-
Total	63 110	10 853	28 000	5 149

Due from the central banks reflects correspondent account balances, including the established reserves. The central banks calculate interest on funds deposited in the account. The credit institutions have to ensure compliance with a certain reserve norms calculated. The Group has complied with the aforementioned requirements during the reported period.

4 Due from other credit institutions

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Credit institutions within the OECD	31 080	1 519	42 538	10 082
Latvian credit institutions	3 055	2 699	17 247	15 971
Credit institutions outside the OECD	1 426	164	139	75
Total due from credit institutions - demand deposits	35 561	4 382	59 924	26 128
Credit institutions within the OECD	42 056	-	28 103	-
Credit institutions outside the OECD	20 603	10	21 347	312
Latvian credit institutions	-	-	5 940	5 940
Total due from credit institutions – term deposits	62 659	10	55 390	6 252
Total due from credit institutions	98 220	4 392	115 314	32 380

Demand deposits due from credit institutions within the OECD region over 10% of the Group's capital as at 31 December 2009 include due from Deutsche Bank (Germany) - LVL'000 17 368, JPMorgan Chase Bank (USA) – LVL'000 8 245.

Demand deposits due from credit institutions outside the OECD region over 10% of the Group's capital as at 31 December 2009 include due from Latvijas Hipotēku un Zemes Banka (Latvia) – LVL'000 2 674.

Term deposits with credit institutions within the OECD region over 10% of the Group's capital as at 31 December 2009 include due from Bank of Tokyo-Mitsubishi (United Kingdom) - LVL'000 5 366, Bayerische Landesbank (Germany) – LVL'000 7 806, Commerzbank FFT/form.Dresdner (Germany) – LVL'000 21 076, Landesbank Baden-Württemberg (Germany) - LVL'000 7 806.

Term deposits with credit institutions outside the OECD region over 10% of the Group's capital as at 31 December 2009 include due from SEB Estonia (Estonia) – LVL'000 5 837, Swedbank Estonia (Estonia) – LVL'000 13 385.

The aggregate amount of credit institutions over 10% of the Group's capital as at 31 December 2009 was - LVL'000 89 563 (as at 31 December 2008 - LVL'000 109 879).

5 Financial assets held for trading

Financial assets intended for trading include securities, which have been acquired for gaining profit in shortest time as a result of price changes or interest rate change and derivatives.

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Securities denominated in USD				
Equity securities	-	-	4	-
Eurobonds of banks	-	-	4	-
Securities denominated in EUR				
Equity securities	-	-	13	-
Derivatives denominated	451	-	-	-
Total financial assets held for trading	451	-	21	-

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6 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss, including securities, which Krediidipank included in the calculation of reserves mandatory standards as required by the law of Estonia and unrealized profit from dealing in foreign currencies (spot).

.VL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Securities denominated in USD				
Eurobonds of corporate issuers	2 509	-	153	153
Securities denominated in EUR				
Eurobonds of foreign countries	16 757	-	13 706	-
Securities denominated in other currencies				
Eurobonds of corporate issuers	497	-	-	-
Unrealized profit from dealing in foreign currencies (spot)	3	-	-	-
Total financial assets at fair value through profit or loss	19 766	-	13 859	153

7 Financial assets available for sale

Financial assets available for sale include investment securities, the Group intends to retain for an indefinite period of time, that can be sold depending on the liquidity requirements or interest rates, currency exchange rates changes or changes of stock prices.

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Securities denominated in USD				
Eurobonds of banks	-	-	507	-
Equity securities	14	14	7	7
Promissory notes of corporate issuers	-	-	1	-
Securities denominated in EUR				
Equity securities	9	-	-	-
Securities denominated in other currencies				
Equity securities	170	13	166	5
Less provision for impairment of financial assets available for sale	(127)	-	-	-
Promissory notes of corporate issuers	5	-	5	-
Total financial assets available for sale	71	27	686	12

Movements in the provision for impairment of financial assets available for sale are as follows:

	2009 Group	2009 Bank	2008 Group	2008 Bank
Carrying value at the beginning of the reported period (gross)	686	12	1 724	1 724
Gains less losses from revaluation at fair value	14	14	(26)	(26)
Accrued interest income	17	-	145	141
Interest received	-	-	(131)	(131)
Acquisitions	14	-	5 689	5 674
Disposals	(542)	-	(4 077)	(4 077)
Reclassification	-	-	(3 194)	(3 897)
Exchange difference	9	1	556	604
Carrying value at the end of the reported period (gross)	198	27	686	12
Provision for impairment of financial assets available for sale	(127)	-	-	-
Carrying value at the end of the reported period	71	27	686	12

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8 Financial assets held until maturity

Financial assets held until maturity are non-derivative financial assets with fixed income or set payments and fixed maturity, the Group is able and intends to hold until maturity.

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Securities denominated in other currencies				
Latvian government bonds	575	575	575	575
Securities denominated in USD				
Eurobonds of banks	444	444	3 852	3 852
Eurobonds of corporate issuers	2 926	2 442	3 029	3 029
Less provision for impairment of eurobonds of corporate issuers	(83)	(83)	-	-
Securities denominated in EUR				
Eurobonds of banks	352	352	342	342
Total financial assets held to maturity	4 214	3 730	7 798	7 798

Movements of the portfolio of investments held to maturity are as follows:

	2009 Group	2009 Bank	2008 Group	2008 Bank
Carrying value at the beginning of the reported period (gross)	7 798	7 798	673	673
Accrued interest income	395	394	271	271
Interest received	(440)	(440)	(158)	(158)
Acquisitions	1 093	610	-	-
Disposals	(4 579)	(4 579)	7 039	7 039
Exchange difference	30	30	(27)	(27)
Carrying value at the end of the reported period (gross)	4 297	3 813	7 798	7 798
Provision for impairment of investments held to maturity	(83)	(83)	-	-
Carrying value at the end of the reported period	4 214	3 730	7 798	7 798

JSC AS “Latvijas Biznesa banka” securities portfolio

The Republic of Latvia government bonds are represented by interest bearing securities denominated in Latvian currency - lats, freely traded on Riga Stock Exchange. The Republic of Latvia government bonds in the Group portfolio as of 31 December 2009 have maturity terms February 2013, coupon yield 5,125% in 2009 and profitability to maturity 5,14 % annually, depending upon emission. Equity securities are represented by shares of large Russian companies, traded on Moscow Interbank Currency Exchange (MICE) and in Russian trading system. Eurobonds of corporate issuers are represented by bonds of credit institutions and companies of Ukraine, Latvia and Russia. Corporate Eurobonds are represented by interest bearing securities denominated in USD, issued by large companies and freely traded on international market. Corporate Eurobonds in the Bank's portfolio as of 31 December have maturity terms from February 2010 to May 2017, coupon yield from 5,67% to 13% annually in 2009 and profitability to maturity from 6,65% to 13% annually, depending upon emission. Corporate Eurobonds are represented by interest bearing securities of the Republic of Latvia issuer, denominated in Euro currency, issued by a large company and freely traded on international market. As of 31 December 2009 in the Bank's portfolio have maturity term - May 2011, coupon yield from 5,625% annually in 2009 and profitability to maturity 9,93% annually.

JSC “Eesti Krediidipank” securities portfolio

Equity securities of Krediidipank are represented by shares of Russian, Latvian, Lithuanian, USA, Belgium and Estonian companies traded on over-the-counter market are also represented in the portfolio. The bonds of the foreign states are represented by the bonds of Germany, the Netherlands, and Austria. Promissory notes of corporate issuers are represented by promissory notes of rRussian bank OJSC Bank Rossiyskiy Kredit, not traded freely on over-the-counter market. Promissory notes in Krediidipank's portfolio as of 31 December 2009 have maturity terms from 13 February 2010 to 13 February 2013. The corporate Eurobonds are represented by the securities with fixed income and value in US dollars and in CH francs, which are issued by the foreign company, and which freely circulate at the international market.

The corporate Eurobonds in the Krediidipank portfolio, as of 31 December 2009, have a redemption date of 26 November 2010 to 10 May 2017, coupon yield 6.253% to 7.5% annually and profitability to maturity 3.69 % to 10.283% annually, depending upon emission.

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9 Loans

Considering the forecasted continuing negative impact of the global financial crisis on the Latvia's economy and credit solvency of the borrowers (particularly in the construction and in the real estate market activities) and based on the precautionary principle during the preparation of the annual report the Bank saw as appropriate to accomplish a more strict assessment of the loan quality and created additional provisions for loans, granted to the Bank's clients, in the total amount of 3,87 millions LVL. Data on loans to the clients and provisions for the loans including creation of additional provisions is provided below:

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Enterprises	94 984	55 059	105 984	54 811
Non-profit institutions serving private persons	888	-	990	-
Financial institutions	282	51	237	50
Less provision for impairment of loans to legal entities	(8 778)	(5 263)	(1 447)	(402)
Total loans to legal entities	87 376	49 847	105 764	54 459
Mortgage loans	61 555	8 101	66 824	8 253
Other loans	5 677	5 677	5 964	5 964
Consumer loans	3 303	481	4 043	504
Scoring loans	1 166	83	1 296	105
Credit cards loans	320	196	316	190
Overdrafts	262	-	305	-
Less provision for impairment of loans to private persons	(3 559)	(821)	(1 350)	(720)
Total loans to private persons	68 724	13 717	77 398	14 296
Total loans to customers	156 100	63 564	183 162	68 755

Movements in the provision for impairment of loans to customers of the Group as at 31 December 2009:

LVL'000	Loans to legal entities	Loans to private persons					Total	
		Consumer loans	Mortgage loans	Scoring loans	Credit cards loans	Over- drafts		Other loans
Provision for impairment of loans to customers as at 31 December 2008	1 447	107	586	159	19	8	471	2 797
(Recovery) of provision during the reported period	(1 255)	(154)	(399)	(47)	(6)	(11)	(45)	(1 917)
Provision for impairment of loans during the reported period	10 416	270	2 216	320	27	17	64	13 330
Loans written off during the reported period as uncollectible	(1 833)	(3)	(40)	(1)	-	-	-	(1 877)
Exchange difference	3	-	-	-	-	-	1	4
Provision for impairment of loans to customers as at 31 December 2009	8 778	220	2 363	431	40	14	491	12 337

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Movements in the provision for impairment of loans to customers of the Bank as at 31 December 2009:

LVL '000	Loans to legal entities	Loans to private persons				Total
		Consumer loans	Mortgage loans	Credit cards loans	Other loans	
Provision for impairment of loans to customers as at 31 December 2008	402	-	236	13	471	1 122
(Recovery) of provision during the reported period	(150)	-	(19)	(2)	(45)	(216)
Provision for impairment of loans during the reported period	5 008	1	81	20	64	5 174
Exchange difference	3	-	-	-	1	4
Provision for impairment of loans to customers as at 31 December 2009	5 263	1	298	31	491	6 084

Economic sector concentrations within loans are as follows of the Group:

	2009		2008	
	Amount LVL '000	%	Amount LVL '000	%
Private persons	72 283	42,91	78 748	42,35
Operations with the real estate	39 928	23,70	25 827	13,89
Trade	17 856	10,60	23 446	12,61
Construction	9 046	5,37	27 129	14,59
Manufacturing	8 837	5,25	10 612	5,71
Transport and communications	7 271	4,32	8 180	4,40
Other services	5 999	3,56	8 342	4,49
The food-processing industry	3 785	2,25	304	0,16
Agriculture and fishery	1 680	1,00	2 480	1,33
Financial intermediary services	1 027	0,61	891	0,47
Fuel and energy complex	689	0,41	-	-
Science and scientific services	36	0,02	-	-
Total loans to customers	168 437	100,00	185 959	100,00

Economic sector concentrations within loans are as follows of the Bank:

	2009		2008	
	Amount LVL '000	%	Amount LVL '000	%
Operations with the real estate	26 985	38,75	25 827	36,96
Private persons	14 538	20,87	15 016	21,49
Trade	8 764	12,58	12 170	17,42
Construction	7 387	10,61	6 158	8,81
Other services	4 079	5,86	1 626	2,33
Manufacturing	3 504	5,03	4 553	6,52
Transport and communications	3 199	4,59	3 477	4,98
Financial intermediary services	739	1,06	746	1,05
The food-processing industry	370	0,53	304	0,44
Agriculture and fishery	83	0,12	-	-
Total loans to customers	69 648	100,00	69 877	100,00

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The table below contains information on the collateral of the Group as at 31 December 2009:

LVL'000	Guarantees and sureties	Real estate	Property	Securities	Term deposits	Total
Enterprises	87 134	101 453	25 372	1 315	94	215 368
Financial institutions	200	-	243	-	-	443
Non-profit institutions serving private persons	160	174	-	-	-	334
Total collateral against loans to legal entities	87 494	101 627	25 615	1 315	94	216 145
Other loans	7 443	7 090	1 177	-	880	16 590
Mortgage loans	3 615	71 707	18	-	-	75 340
Consumer loans	1 684	217	1 900	-	36	3 837
Total collateral against loans to private persons	12 742	79 014	3 095	-	916	95 767
Total collateral against loans to customers as at 31 December 2009	100 236	180 641	28 710	1 315	1 010	311 912
Total collateral against loans to customers as at 31 December 2008	107 947	191 193	35 137	1 315	1 129	336 721

The table below contains information on the collateral of the Bank as at 31 December 2009:

LVL'000	Guarantees and sureties	Real estate	Property	Securities	Term deposits	Total
Enterprises	87 059	67 542	21 631	1 315	84	177 631
Financial institutions	200	-	243	-	-	443
Total collateral against loans to legal entities	87 259	67 542	21 874	1 315	84	178 074
Other loans	7 443	7 090	1 007	-	880	16 420
Mortgage loans	3 615	18 254	18	-	-	21 887
Consumer loans	562	217	406	-	-	1 185
Total collateral against loans to private persons	11 620	25 561	1 431	-	880	39 492
Total collateral against loans to customers as at 31 December 2009	98 879	93 103	23 305	1 315	964	217 566
Total collateral against loans to customers as at 31 December 2008	106 110	87 643	27 372	1 315	1 058	223 498

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The credit quality analysis of the Group as at 31 December 2009:

LVL'000	Loans without overdue payments		Impaired loans with overdue payments	Total
	Current	Partially impaired		
Enterprises	46 345	6 188	42 451	94 984
Non-profit institutions serving private persons	888	-	-	888
Financial institutions	231	-	51	282
Less provision for impairment of loans to legal entities	-	(465)	(8 313)	(8 778)
Total loans to legal entities	47 464	5 723	34 189	87 376
Mortgage loans	46 306	1339	13 910	61 555
Consumer loans	2 682	8	613	3 303
Other loans	2 381	185	3 111	5 677
Scoring loans	512	224	430	1 166
Credit cards	263	-	57	320
Overdrafts	229	-	33	262
Less provision for impairment of loans to private persons	-	(877)	(2 682)	(3 559)
Total loans to private persons	52 373	879	15 472	68 724
Total loans to customers	99 837	6 602	49 661	156 100

In 2009, the Group has applied a new approach to the quality analysis of the credit portfolio. In this connection, depreciation has been acknowledged in respect of earlier current and nondepreciated credits. The new approach has been used in the comparative information of the credit analysis after credit quality for the Group and the Bank, for 2008.

The credit quality analysis of the Group as at 31 December 2008:

LVL'000	Loans without overdue payments		Impaired loans with overdue payments	Total
	Current	Partially impaired		
Enterprises	97 593	-	8 391	105 984
Non-profit institutions serving private persons	990	-	-	990
Financial institutions	187	50	-	237
Less provision for impairment of loans to legal entities	-	(50)	(1 397)	(1 447)
Total loans to legal entities	98 770	-	6 994	105 764
Mortgage loans	64 000	-	2 824	66 824
Consumer loans	3 843	-	200	4 043
Other loans	2 011	225	3 728	5 964
Scoring loans	1 292	-	4	1 296
Overdrafts	304	-	1	305
Credit cards	286	-	30	316
Less provision for impairment of loans to private persons	-	(225)	(1 125)	(1 350)
Total loans to private persons	71 736	-	5 662	77 398
Total loans to customers	170 506	-	12 656	183 162

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The credit quality analysis of the Bank as at 31 December 2009:

LVL'000	Loans without overdue payments		Impaired loans with overdue payments	Total
	Current	Partially impaired		
Enterprises	25 425	2 373	27 261	55 059
Financial institutions	-	-	51	51
Less provision for impairment of loans to legal entities	-	(10)	(5 253)	(5 263)
Total loans to legal entities	25 425	2 363	22 059	49 847
Mortgage loans	3 023	-	5 078	8 101
Other loans	2 381	185	3 111	5 677
Consumer loans	478	-	3	481
Credit cards	154	-	42	196
Scoring loans	47	-	36	83
Less provision for impairment of loans to private persons	-	(15)	(806)	(821)
Total loans to private persons	6 083	170	7 464	13 717
Total loans to customers	31 508	2 533	29 523	63 564

The credit quality analysis of the Bank as at 31 December 2008:

LVL'000	Loans without overdue payments		Impaired loans with overdue payments	Total
	Current	Partially impaired		
Enterprises	53 231	-	1 580	54 811
Financial institutions	-	50	-	50
Less provision for impairment of loans to legal entities	-	(50)	(352)	(402)
Total loans to legal entities	53 231	-	1 228	54 459
Mortgage loans	7 912	-	341	8 253
Other loans	2 011	225	3 728	5 964
Consumer loans	504	-	-	504
Credit cards	162	-	28	190
Scoring loans	105	-	-	105
Less provision for impairment of loans to private persons	-	(225)	(495)	(720)
Total loans to private persons	10 694	-	3 602	14 296
Total loans to customers	63 925	-	4 830	68 755

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The analysis of the impaired loans to customers of the Group as at 31 December 2009 is shown below:

LVL'000	Current	Overdue			Total
		Less than 1 month	From 1 to 6 months	From 6 months to 1 year More than 1 year	
Enterprises	17 304	45	11 025	13 612	48 639
Financial institutions	-	-	-	51	51
Less provision for impairment of loans to legal entities	(1 580)	(9)	(3 181)	(3 247)	(8 778)
Total impaired loans to legal entities	15 724	36	7 844	10 416	39 912
Mortgage loans	11 375	26	197	1 887	15 249
Other loans	2 891	-	-	130	3 296
Consumer loans	410	7	17	32	621
Scoring loans	342	3	37	112	654
Credit cards	27	1	9	13	57
Overdrafts	14	2	4	8	33
Less provision for impairment of loans to private persons	(2 237)	(8)	(54)	(662)	(3 559)
Total impaired loans to private persons	12 822	31	210	1 520	16 351
Total impaired loans to customers	28 546	67	8 054	11 936	56 263

The analysis of the impaired loans to customers of the Group as at 31 December 2008 is shown below:

LVL'000	Current	Overdue			Total
		Less than 1 month	From 1 to 6 months	More than 6 months	
Enterprises	5 023	533	1 780	1 055	8 391
Financial institutions	50	-	-	-	50
Less provision for impairment of loans to legal entities	(518)	(7)	(387)	(535)	(1 447)
Total impaired loans to legal entities	4 555	526	1 393	520	6 994
Other loans	3 107	7	839	-	3 953
Mortgage loans	1 522	160	612	530	2 824
Credit cards	26	2	2	-	30
Consumer loans	3	-	79	118	200
Scoring loans	-	-	4	-	4
Overdrafts	-	-	1	-	1
Less provision for impairment of loans to private persons	(447)	(16)	(527)	(360)	(1 350)
Total impaired loans to private persons	4 211	153	1 010	288	5 662
Total impaired loans to customers	8 766	679	2 403	808	12 656

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The analysis of the impaired loans to customers of the Bank as at 31 December 2009 is shown below:

LVL'000	Current	Overdue			Total	
		Less than 1 month	From 1 to 6 months	From 6 months to 1 year		More than 1 year
Enterprises	9 170	-	8 843	6 928	4 693	29 634
Financial institutions	-	-	-	51	-	51
Less provision for impairment of loans to legal entities	(255)	-	(2 741)	(1 901)	(366)	(5 263)
Total impaired loans to legal entities	8 915	-	6 102	5 078	4 327	24 422
Mortgage loans	4 222	-	6	257	289	4 774
Other loans	2 891	-	-	23	275	3 189
Credit cards	25	1	7	9	-	42
Consumer loans	-	-	3	-	-	3
Scoring loans	-	-	-	36	-	36
Less provision for impairment of loans to private persons	(170)	(1)	(7)	(387)	(256)	(821)
Total impaired loans to private persons	6 968	-	9	349	308	7 634
Total impaired loans to customers	15 883	-	6 111	5 427	4 635	32 056

The analysis of the impaired loans to customers of the Bank as at 31 December 2008 is shown below:

LVL'000	Current	Overdue			Total
		Less than 1 month	From 1 to 6 months	More than 6 months	
Enterprises	1 331	-	67	182	1 580
Financial institutions	50	-	-	-	50
Less provision for impairment of loans to legal entities	(306)	-	(39)	(57)	(402)
Total impaired loans to legal entities	1 075	-	28	125	1 228
Other loans	3 107	7	839	-	3 953
Mortgage loans	290	30	3	18	341
Credit cards	26	2	-	-	28
Less provision for impairment of loans to private persons	(394)	(2)	(315)	(9)	(720)
Total impaired loans to private persons	3 029	37	527	9	3 602
Total impaired loans to customers	4 104	37	555	134	4 830

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10 Intangible assets and fixed assets

LVL'000		Long-term invest- ments in leased fixed assets	Transport vehicles	Office equip- ment	Land and buildings	Intangible assets	Advance payments and unfi- nished constru- ction costs	Total
Initial value								
31 December 2008								
	Group	918	542	2 353	4 269	406	5 937	14 425
	Bank	918	48	570	-	406	5 915	7 857
Write-offs	Group	-	(254)	(144)	-	-	(20)	(418)
	Bank	-	-	(18)	-	-	(1)	(19)
Fixed assets (acquisitions)	Group	-	2	163	-	62	15	242
	Bank	-	2	36	-	62	-	100
31 December 2009								
	Group	918	290	2 372	4 269	468	5 932	14 249
	Bank	918	50	588	-	468	5 914	7 938
Accumulated depreciation								
31 December 2008								
	Group	92	159	1 460	494	282	-	2 487
	Bank	92	37	336	-	282	-	747
Depreciation of written-off fixed assets	Group	-	(90)	(122)	-	(1)	-	(213)
	Bank	-	-	(17)	-	(1)	-	(18)
Depreciation for the reported period	Group	19	60	238	75	56	-	448
	Bank	19	9	82	-	56	-	166
31 December 2009								
	Group	111	129	1 576	569	337	-	2 722
	Bank	111	46	401	-	337	-	895
Net book value								
31 December 2009								
	Group	807	161	796	3 700	131	5 932	11 527
	Bank	807	4	187	-	131	5 914	7 043
31 December 2008								
	Group	826	383	893	3 775	124	5 937	11 938
	Bank	826	11	234	-	124	5 915	7 110

These assets are used for ensuring operation of the Group and provision of financial services.

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11 Investment property

Group's income as at 31 December 2009 from investment property granted on operating lease amounted to LVL'000 262 (as at 31 December 2008 - LVL'000 361).

LVL'000	2009	2009	2008	2008
	Group	Bank	Group	Bank
Value of property at the beginning of the reported period	3 544	932	3 586	944
Acquisitions	1 880	-	68	-
Reclassification	857	-	-	-
Depreciation for the reported period	(7)	-	-	-
Change resulting from adjustment by fair value	(515)	(349)	(110)	(12)
Value of property at the end of the reported period	5 759	583	3 544	932

Investment property owned by LLC "LBB ĪPAŠUMI", calculated in accordance with the model of the actual value - at value less accumulated depreciation. Depreciation rate for this investment property is set 5% per year, the fair value at 31 December 2009 amounted to LVL'000 1 459, the carrying amount - LVL'000 1 871.

12 Investments in associates

Movements in the carrying value of investments in associates during the reported period:

LVL'000	2009	2009	2 008	2 008
	Group	Bank	Group	Bank
Carrying value at the beginning of the reported period	22	1	23	-
Fair value of the decrease in the share of the associates	(20)	-	(2)	-
The consolidation of associated companies	(2)	-	1	1
Carrying value at the end of the reported period	-	1	22	1

The Bank participation share in the capital of the LLC "LBB ĪPAŠUMI" is 49,00%; however, as the Bank has an opportunity to control the operational and financial policy of the company, the LLC "LBB ĪPAŠUMI", is, accordingly, under the full control of the Bank and is fully included into the consolidation.

The list of the investments in associates as at 31 December 2009:

Title of company	Type of activity	Group		Bank	
		Amount of investment	Participation share, %	Amount of investment	Participation share, %
AS "Āigrumāe Kinnisvara", Estonia	Real estate transactions	-	44,49	-	-
LLC "LBB ĪPAŠUMI", Latvia	Real estate transactions	-	100,00	1	100,00
Total investments		-		1	

The list of the investments in associates as at 31 December 2008:

Title of company	Type of activity	Group		Bank	
		Amount of investment	Participation share, %	Amount of investment	Participation share, %
AS "Āigrumāe Kinnisvara", Estonia	Real estate transactions	21	44,49	-	-
LLC "LBB ĪPAŠUMI", Latvia	Real estate transactions	1	49,00	1	49,00
Total investments		22		1	

In 2008 the Group set up LLC "LBB ĪPAŠUMI" with interest of 49 % in its share capital the country of registration is Latvia, the share capital amounts to 2 thousand LVL.

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13 Investments in subsidiaries

The share capital of the subsidiary at 31 December 2009 amounted to LVL '000 11 744 (as at 31 December 2008 - LVL '000 17 016)

Title of company	2009		2008	
	Amount of investment	Participation share of the Bank, %	Amount of investment	Participation share of the Bank, %
JSC AS “Eesti Krediidipank”, Estonia	10 463	89,28	10 449	89,16

14 Other assets

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Real estate for sale	11 925	-	1 381	2
Receivables of non-credit institutions	1 121	837	289	162
Prepayments	319	1	77	1
Fixed assets transferred to the Group as loan repayments	303	-	854	-
Client transfer settlements (FIXI, Contact, Unistream, Anelik)	178	24	101	8
Deferred expenses	93	38	74	55
Other assets	10	-	17	-
Card receivables	6	2	10	7
Tax demand (other than income tax)	2	-	377	-
Less provision for impairment of other assets	(34)	-	-	-
Other assets total	13 923	902	3 180	235

The analysis of debit debts concerning credit quality as at 31 December 2009 has shown, that all other financial assets are current. There is no overdue debit debt in the Group.

15 Due to monetary financial institutions

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Credit institutions, Latvia	2 460	2 460	16 477	16 477
Credit institutions outside the OECD	677	1 092	26 827	26 895
Credit institutions within the OECD	7	-	6	-
Financial institutions, Latvia	2	2	-	-
Total demand deposits of monetary financial institutions	3 146	3 554	43 310	43 372
Credit institutions outside the OECD	7 077	7 077	2 390	2 440
Subordinated loans from credit institutions outside the OECD	6 505	-	5 094	-
Credit institutions within the OECD	2 627	-	12 233	-
Financial institutions, Latvia	109	109	-	-
Syndicated loans from credit institutions within the OECD	-	-	15 305	-
Total term deposits of monetary financial institutions	16 318	7 186	35 022	2 440
Total due to monetary financial institutions	19 464	10 740	78 332	45 812

Demand deposits due from credit institutions outside the OECD region over 10% of the Group's capital as at 31 December 2009 include due from Latvijas Hipotēku un Zemes Banka (Latvia) – LVL'000 2 460.

Term deposits with credit institutions outside the OECD region over 10% of the Group's capital as at 31 December 2009 include due from Bank of Moscow (Russia) – LVL'000 7 019.

Term deposits with credit institutions within the OECD region over 10% of the Group's capital as at 31 December 2009 include due from Kreditanstalt für Wiederaufbau (KfW) (Germany) – LVL'000 2 627.

The aggregate amount of credit institutions over 10% of the Group's capital as at 31 December 2009 was - LVL'000 12 106 (as at 31 December 2008 - LVL'000 56 184).

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16 Financial liabilities held for trading

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Derivative financial instruments	9	-	1 960	-
Total financial liabilities held for trading	9	-	1 960	-

17 Derivative financial instruments

Group

LVL'000	Conditional value		Assets		Liabilities	
	2009	2008	2009	2008	2009	2008
Swaps transactions	38 226	18 948	451	-	9	1 960
Total derivative financial instruments	38 226	18 948	451	-	9	1 960

18 Financial liabilities at fair value through profit or loss

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Unrealized loss from dealing in foreign currencies	-	-	2	-
Total financial liabilities at fair value through profit or loss	-	-	2	-

19 Deposits from the customers

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Enterprises				
— Demand deposits	176 244	19 028	56 381	11 175
— Term deposits	33 361	16 456	94 613	19 690
— Subordinated debt	-	-	852	-
Private persons				
— Demand deposits	13 672	3 249	13 340	2 852
— Term deposits	96 253	32 832	84 447	27 538
— Subordinated debt	-	-	225	-
Non-profit institutions serving private persons				
— Demand deposits	674	48	6 215	5 593
— Term deposits	5 903	5 512	1 558	-
Financial institutions				
— Demand deposits	33	15	14	14
— Term deposits	976	976	1 063	1 063
Central government				
— Demand deposits	67	67	211	211
— Term deposits	1 223	-	1 694	-
Local governments				
— Demand deposits	3	-	3	-
Total deposits from the customers	328 409	78 183	260 616	68 136

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20 Subordinated debt

Subordinated debt received by a subsidiary of AS "Eesti Krediitipank".

Subordinated debt as at 31 December 2009

	Interest rate	Date of origination	Maturity date	Currency	Nominal value	Carrying amount LVL'000
OJSC "Bank of Moscow"	5,625%	15.05.2006.	15.05.2016.	EUR	7 000 000	5 100
OJSC "Bank of Moscow"	7,750%	15.12.2009.	15.05.2016.	EUR	2 000 000	1 405
Total subordinated debt						6 505

Subordinated debt as at 31 December 2008

	Interest rate	Date of origination	Maturity date	Currency	Nominal value	Carrying amount LVL'000
OJSC "Bank of Moscow"	5,625%	15.05.2006	15.05.2016	EUR	7 000 000	5 094
Vandemio Company Ltd.	4,050%	12.11.2002	10.10.2012	USD	1 700 000	852
Private person	4,500%	31.07.1998	29.04.2011	EUR	319 557	225
Total subordinated debt						6 171

21 Other liabilities

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Accounts payable	11 200	343	226	91
Customers transfer settlements (FIXI, Contact, Unistream, Anelik)	212	71	143	61
Accruals for vacations	177	88	641	127
Arrears of taxes, except income tax	110	7	193	76
Card payables	81	52	53	12
Deferred income	7	-	10	1
Other liabilities	5	-	2	-
Settlements with employees	3	-	16	15
Total other liabilities	11 795	561	1 284	383

22 Corporate income tax

Corporate income tax

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Corporate income tax paid abroad	1	1	36	36
Calculated amount of corporate income tax	-	-	-	-
Calculated amount of deferred tax	1	1	(3)	(3)
Total	2	2	33	33

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The reconciliation of corporate income tax at the statutory rate of 15% (2008: 15%) and the actual corporate income tax expense was as follows:

LVL'000	2009	2009	2008	2008
	Group	Bank	Group	Bank
Profit/(loss) before tax	(6 175)	(6 175)	2 553	2 553
Theoretically predictable tax expenses -15% (2008: 15%)	-	-	383	383
Other reductions, net	-	-	(378)	(378)
Relieves for sponsorship	-	-	(5)	(5)
Calculated amount of corporate income tax, total	-	-	-	-

Calculation of deferred taxes

LVL'000	2009		2008	
	Short-term	Tax effect	Short-term	Tax effect
	differences		differences	
Vacation provisions	88	13	126	19
Deferred tax charged through revaluation reserve	27	4	-	-
Short-term difference on fixed asset carrying value for financial purposes and tax written down value	(205)	(30)	(232)	(35)
Recognised deferred tax liabilities	(90)	(13)	(106)	(16)

Changes in deferred tax during the current period can be specified as follows :

LVL'000	2009	2009	2008	2008
	Group	Bank	Group	Bank
Deferred tax liability as at the beginning of the reported period	(16)	(16)	(19)	(19)
Deferred tax charged through the income statement	(1)	(1)	3	3
Deferred tax charged through revaluation reserve	4	4	-	-
Deferred tax liability at the end of the reported period	(13)	(13)	(16)	(16)

23 Interest income and expenses

LVL'000	2009	2009	2008	2008
	Group	Bank	Group	Bank
Interest income				
Loans to customers	11 433	4 622	15 307	5 735
Deposits with other credit institutions	1 828	199	3 897	1 219
Financial assets held until maturity	396	394	586	13
Financial assets at fair value through profit or loss	279	12	256	184
Financial assets held for trading	70	-	254	254
Financial assets available-for-sale	17	-	145	141
Other interest income	-	-	1	1
Total interest income	14 023	5 227	20 446	7 547
Interest expenses				
Current accounts and term deposits of customers	7 859	3 422	6 413	2 733
Due to credit institutions	1 456	396	3 085	873
Deposit insurance fund	160	155	329	157
Other expenses	61	-	267	5
Debt securities issued	-	-	63	-
Total interest expenses	9 536	3 973	10 157	3 768
Net interest income	4 487	1 254	10 289	3 779

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24 Commission income and expenses

LVL'000	2009	2009	2008	2008
	Group	Bank	Group	Bank
Commission income				
Commission on settlement and cash transactions	1 057	330	1 349	380
Commission on operations with plastic cards	301	56	347	50
Commission on guarantees issued, on letters of credit	111	107	18	13
Commission from fiduciary activities	58	58	30	30
Other	51	9	90	31
Commission on operations with loans	42	-	181	-
Commission on operations with securities	13	-	54	-
Total commission income	1 633	560	2 069	504
Commission expenses				
Commission on operations with plastic cards	367	105	356	72
Commission on settlement and cash transactions	219	96	275	103
Commission on cash collection	44	7	47	3
Commission for received guarantees	30	30	8	-
Commission on transactions with securities	16	5	7	-
Other	13	-	21	3
Total commission expenses	689	243	714	181
Net commission income	944	317	1 355	323

25 Net gain from transactions with financial instruments

Net gain from transactions with financial instruments is composed of profit or loss from transactions with securities, of revaluation of securities at fair value and of revaluation of foreign currency.

LVL'000	2009	2009	2008	2008
	Group	Bank	Group	Bank
Profit from trading with foreign currency	3 038	2 525	13 054	12 191
Loss from trading with foreign currency	(2 192)	(2 192)	(11 827)	(11 827)
Net from revaluation of foreign currency	(157)	(134)	(117)	(94)
Net profit from transactions with foreign currency	689	199	1 110	270
Net from revaluation of securities	-	-	(9)	(9)
Net profit from financial assets at fair value through profit or loss	-	-	(9)	(9)
Profit from trading with securities	5	-	14	14
Loss from trading with securities	-	-	(280)	(121)
Loss from trading with other financial instruments	-	-	(13)	(13)
Net from revaluation of securities	-	-	7	7
Net profit/(loss) from financial assets held for trading	5	-	(272)	(113)
Profit from trading with securities	53	-	-	-
Net profit/(loss) from financial assets available-for-sale	53	-	-	-
Total net gain from transactions with financial instruments	747	199	829	148

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26 Other operating income and expenses

LVL'000	2009	2009	2008	2008
	Group	Bank	Group	Bank
Other operating income				
Income from granting property on lease	660	19	572	16
Return of written-off loans	657	-	-	-
Fines received	134	49	83	30
Income from insurance services	15	-	-	-
Other income	7	3	56	6
Total other operating income	1 473	71	711	52
Other operating expenses				
Expenses from granting premises on lease	329	-	564	-
Expenses from revaluation of real estate	166	-	98	-
Payments to funds and membership fees	148	84	139	75
Other expenses	92	25	76	-
Expenses from servicing non-standart assets	43	7	-	-
Expenses from servicing plastic cards	41	41	25	25
Court expenses	24	24	-	-
Fines paid	14	14	5	5
Expenses from servicing loans	12	12	9	9
Expenses related of fixed assets	-	-	1	1
Total other operating expenses	869	207	917	115

27 Administrative expenses

LVL'000	2009	2009	2008	2008
	Group	Bank	Group	Bank
Personnel remuneration	2 934	1 418	3 232	1 517
Social security contributions	1 031	393	1 145	374
Professional services (security, communications and others)	684	284	555	237
Supervisory Council and Management Board remuneration	518	206	730	200
Administrative expenses	389	205	524	246
Rent	220	3	223	70
Advertising and marketing	136	57	441	128
Vacation provisions	31	-	66	48
Expenses related of fixed assets	68	21	59	14
Other payments for the maintenance staff	55	18	141	36
Taxes other than income tax	41	3	55	3
Charity	16	4	58	44
Total administrative expenses	6 123	2 612	7 229	2 917

Salaries and social expenses include remuneration to personnel, social insurance tax and other payments.

Total number of personnel employed by the Group and the Bank:

	2009	2009	2008	2008
	Group	Bank	Group	Bank
Members of the Board and members of the Supervisory Council	19	9	21	9
Other executive staff	66	36	64	36
Other staff	239	71	255	77
Personnel total	324	116	340	122

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28 Paid share capital

The main shareholder of JSC AS "Latvijas Biznesa banka" with a share in JSC AS "Latvijas Biznesa banka" equity of 99,87% is the Bank of Moscow (Open Joint Stock Company).

At 31 December 2009, the share capital of JSC AS "Latvijas Biznesa banka" constituted LVL'000 10 830, comprising 216 600 name shares with voting rights. Nominal value of each share is LVL 50 (fifty lats) (at 31 December 2008 - LVL'000 10 830)

29 Non-controlling interests

Movements in non-controlling interests are as follows:

LVL '000	Group
Non-controlling interests at the beginning of the reported period	1 845
Non-controlling interests in the share in net losses	(552)
Acquisition of subsidiaries	(20)
The consolidation of associated companies	(4)
Non-controlling interests at the end of the reported period	1 269

30 The acquisition of subsidiary companies

On 9 February 2009, the JSC AS "Latvijas Biznesa banka" has increased its participation in the stock capital of the subsidiary company Krediidipank from 89,16% to 89,28%, thus, the increase has been by 0,12%.

The profit of the acquired subsidiary company as a member of the Group during the time from 1 January 2009 to 9 February 2009 has amounted to LVL'000 225, the profit for previous years – LVL'000 3 733, the paid-up stock capital – LVL'000 11 854, the emission margin of the shares – LVL'000 123, the reserve capital – LVL'000 1 306.

The table below presents the fair value of the acquired assets and liabilities, as well as the amount of the identified assets and liabilities' share excess in the net fair value above the acquisition value:

LVL '000	At the date of acquisition 09.02.2009
Cash and due from central banks	15 367
Due from credit institutions	102 404
Financial assets held for trading	1 278
Financial assets at fair value through profit or loss	20 217
Financial assets available-for-sale	722
Loans	113 787
Fixed assets	4 600
Investment property	2 612
Investments in associates and subsidiaries	21
Other assets	3 248
Total assets	264 256
Due to monetary financial institutions	(27 628)
Financial liabilities at fair value through profit or loss	(6 494)
Deposits from the customers	(207 905)
Other liabilities	(4 988)
Total liabilities	(247 015)
Total net assets	17 241
Acquired share in the net assets	20
The acquired net assets' share excess in the net fair value above the acquisition value	(5)
The total acquisition value	15

The share excess of the identified assets and liabilities of the acquired subsidiary company in the net fair value above the acquisition value in the amount of 5 thousand LVL is reflected in the consolidated profit and loss report, in the position "Net result from the acquisition of the subsidiary".

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31 Assets and liabilities under management

The Group, under trust, manages the assets of its clients. The Group earns commissions for these services. The Group is not subject to credit and currency risks related to these transactions. Assets and other clients' assets under management that the Group manages are not assets or liabilities of the Group. These assets and liabilities are not reflected in the Bank's balance sheet.

Assets under management by the Group and Bank are:

LVL'000	2009	2009	2008	2008
	Group	Bank	Group	Bank
Assets under management				
Equity securities of banks	19 645	19 645	13	13
Corporate equity securities	12	12	5	5
Bonds of foreign countries	-	-	26 159	26 159
Cash on the bank accounts and other assets under trust management	-	-	3	3
Total	19 657	19 657	26 180	26 180
Liabilities under management				
Private persons	19 639	19 639	21	21
Private enterprises	18	18	26 159	26 159
Total	19 657	19 657	26 180	26 180

32 Segmentation analysis

The Group performs segmentation analysis in compliance with IFRS 8, in order to disclose information and/or transfer profit from one segment to another. The Group renders information on accounting segments (hereinafter referred to as business segments), which represent operational segments of activity, corresponding to certain criteria.

The separation of business segments is carried out on the basis of the inner accounting of the Group, which is regularly examined by the responsible persons of the Group, who adopt operative decisions, in order to allocate resources to a segment and evaluate the results of its activity.

100% of the banking business of the Bank are concentrated within the Republic of Latvia, whereas 100% of the business of the subsidiary bank - Krediidipank - are concentrated within the Republic of Estonia. Taking the fact, that political and macroeconomic risks of the Baltic States do not differ significantly, into consideration, the Group thinks, that the segmentation of business after the geographical principle is impractical.

The main business segments of the Group are the following:

Treasury business - operations with securities, derivatives and other financial instruments, including "REPO" deals, operations with foreign currency, attraction and rendition of credits on the markets of interbank crediting, as well as the management of short-term assets and currency risk.

Corporate business - operating account and current account management, attraction of deposits from corporate clients, rendition of credits, credit lines and other means of financing to corporate clients (including the credit accommodation to individuals for commercial purposes, which includes purchase of real estate for its further resale).

Retail business - services for clients - individuals: opening and managing an account, attraction of deposits by individuals, individual debit and credit card service, credit accommodation to individuals, as well as other services to individuals (with the exclusion of the credit accommodation to individuals for commercial purposes, which includes purchase of real estate for its further resale).

Other Group operations, which have not been included into the above-mentioned business segments, are indicated separately.

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Segment information on main business segments of the Group for year ended 31 December 2009 is given in the table below:

LVL '000	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Assets						
Assets on demand, maturing in less than 1 month and part of assets with no stated maturity						
Cash and due from central banks	51 020	3 634	3 223	-	1 377	59 254
Due from credit institutions	38 458	2 322	2 062	937	52 710	96 489
Financial assets held for trading	451	-	-	-	-	451
Financial assets at fair value through profit or loss	19 766	-	-	-	-	19 766
Loans	-	5 793	473	159	-	6 425
Other assets	1 198	25	14	294	9 237	10 768
Total assets on demand, maturing in less than 1 month and part of assets with no stated maturity	110 893	11 774	5 772	1 390	63 324	193 153
Assets maturing in more than 1 month and part of assets with no stated maturity						
Mandatory cash balances with central banks	-	2 044	1 812	-	-	3 856
Due from other banks	1 721	-	10	-	-	1 731
Financial assets available for sale	71	-	-	-	-	71
Investments held to maturity	4 214	-	-	-	-	4 214
Loans to customers	-	90 831	52 700	6 144	-	149 675
Fixed assets, investment property, intangible assets	-	-	-	7 634	9 652	17 286
Current tax and other assets	-	-	-	3 143	101	3 244
Total assets maturing in more than 1 month and part of assets with no stated maturity	6 006	92 875	54 522	16 921	9 753	180 077
Total assets	116 899	104 649	60 294	18 311	73 077	373 230

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Segment information on main business segments of the Group for year ended 31 December 2009 is given in the table below (continued):

LVL '000	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Liabilities						
Liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
Due to monetary financial institutions	-	2 385	1 261	-	10	3 656
Customer accounts	-	187 583	25 687	-	-	213 270
Financial liabilities held for trading	9	-	-	-	-	9
Other liabilities	1 206	5	2	218	10 358	11 789
Total liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity	1 215	189 973	26 950	218	10 368	228 724
Liabilities maturing in more than 1 month and part of liabilities with no stated maturity						
Due to monetary financial institutions	-	6 677	-	-	9 131	15 808
Customer accounts	-	30 901	84 238	-	-	115 139
Other liabilities	-	2	-	-	4	6
Current tax liability	-	-	-	-	131	131
Total liabilities maturing in more than 1 month and part of liabilities with no stated maturity	-	37 580	84 238	-	9 266	131 084
Total liabilities	1 215	227 553	111 188	218	19 634	359 808
Surplus/(deficit) of funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
(Transferred)/received funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity to/from other business segments	(109 678)	178 199	21 178	(1 172)	(52 956)	35 571
Surplus/(deficit) of funds maturing in more than 1 month and part of liabilities with no stated maturity	(6 006)	(55 295)	29 716	(16 921)	(487)	(48 993)
(Transferred)/received funds maturing in more than 1 month and part of liabilities with no stated maturity to/from other business segments	109 678	(142 628)	(21 178)	1 172	52 956	-
Equity financing	6 006	41 873	(29 716)	16 921	487	35 571
Equity financing	-	13 422	-	-	-	13 422
Net uncovered deficit/unallocated surplus on financing	-	-	--	-	-	-

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Segment information on main business segments of the Bank for year ended 31 December 2009 is given in the table below:

LVL '000	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Assets						
Assets on demand, maturing in less than 1 month and part of assets with no stated maturity						
Cash and due from central banks	-	3 634	3 223	-	141	6 998
Due from credit institutions	-	2 322	2 060	-	-	4 382
Loans	-	4 842	7	-	-	4 849
Other assets	-	-	-	-	888	888
Total assets on demand, maturing in less than 1 month and part of assets with no stated maturity	-	10 798	5 290	-	1 029	17 117
Assets maturing in more than 1 month and part of assets with no stated maturity						
Mandatory cash balances with central banks	-	2 043	1 812	-	-	3 855
Due from other banks	-	-	10	-	-	10
Financial assets available for sale	27	-	-	-	-	27
Investments held to maturity	3 730	-	-	-	-	3 730
Loans to customers	-	57 668	1 047	-	-	58 715
Fixed assets, investment property, intangible assets	-	-	-	-	7 626	7 626
Investments in associates and subsidiaries	-	-	-	-	10 464	10 464
Current tax and other assets	-	-	-	-	103	103
Total assets maturing in more than 1 month and part of assets with no stated maturity	3 757	59 711	2 869	-	18 193	84 530
Total assets	3 757	70 509	8 159	-	19 222	101 647

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Segment information on main business segments of the Bank for year ended 31 December 2009 is given in the table below (continued):

LVL '000	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Liabilities						
Liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
Due to monetary financial institutions	-	2 744	1 261	-	-	4 005
Customer accounts	-	27 952	6 842	-	-	34 794
Other liabilities	-	-	-	-	561	561
Total liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity	-	30 696	8 103	-	561	39 360
Liabilities maturing in more than 1 month and part of liabilities with no stated maturity						
Due to monetary financial institutions	-	6 735	-	-	-	6 735
Customer accounts	-	14 151	29 238	-	-	43 389
Current tax liability	-	-	-	-	14	14
Total liabilities maturing in more than 1 month and part of liabilities with no stated maturity	-	20 886	29 238	-	14	50 138
Total liabilities	-	51 582	37 341	-	575	89 498
Surplus/(deficit) of funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
(Transferred)/received funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity to/from other business segments	-	19 898	2 813	-	(468)	22 243
Surplus/(deficit) of funds maturing in more than 1 month and part of liabilities with no stated maturity	(3 757)	(38 825)	26 369	-	(18 179)	(34 392)
(Transferred)/received funds maturing in more than 1 month and part of liabilities with no stated maturity to/from other business segments	3 757	26 676	(26 369)	-	18 179	22 243
Equity financing	-	(12 149)	-	-	-	(12 149)
Net uncovered deficit/unallocated surplus on financing	-	-	-	-	-	-

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The table below shows a breakdown of the consolidated statement of income of the Group by business segments for year ended 31 December 2009:

LVL '000	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Interest income	2 511	7 411	3 669	432	-	14 023
Interest expense	(847)	(3 290)	(5 014)	(49)	(336)	(9 536)
Dividends received	15	-	-	-	-	15
Gains less losses arising from financial assets held for trading	5	-	-	-	-	5
Gains less losses arising from financial assets available for sale	53	-	-	-	-	53
Gains less losses from dealing in foreign currency and revaluation of foreign currency	199	-	-	-	490	689
Net operating result on banking assets and liabilities	1 936	4 121	(1 345)	383	154	5 249
Income/(expense) on re-allocation of funds on demand, maturing in less than 1 month and with no stated maturity	-	9	-	-	(9)	-
Income/(expense) on re-allocation of funds maturing in more than 1 month and with no stated maturity	(126)	(1 026)	1 152	-	-	-
Net operating result on banking assets and liabilities after intersegment re-allocations	1 810	3 104	(193)	383	145	5 249
Fee and commission income	58	1 131	407	4	33	1 633
Fee and commission expense	(148)	(450)	(91)	-	-	(689)
Administrative expenses	(178)	(457)	(283)	(244)	(4 961)	(6 123)
Other income/(expense)	8	17	5	148	(44)	134
Provision for impairment of loans	(212)	(9 469)	(1 949)	(24)	-	(11 654)
Profit/(losses) before taxation	1 338	(6 124)	(2 104)	267	(4 827)	(11 450)
Income tax expense	-	-	-	-	(2)	(2)
Profit/(losses) taxation	1 338	(6 124)	(2 104)	267	(4 829)	(11 452)
Non-controlling interests	99	(161)	(156)	20	(358)	(556)
Net profit/(losses)	1 239	(5 963)	(1 948)	247	(4 471)	(10 896)

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The table below shows a breakdown of the consolidated statement of income of the Bank by business segments for year ended 31 December 2009:

LVL '000	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Interest income	538	4 549	140	-	-	5 227
Interest expense	(62)	(2 152)	(1 759)	-	-	(3 973)
Dividends received	11	-	-	-	-	11
Gains less losses from dealing in foreign currency and revaluation of foreign currency	199	-	-	-	-	199
Net operating result on banking assets and liabilities	686	2 397	(1 619)	-	-	1 464
Income/(expense) on re-allocation of funds on demand, maturing in less than 1 month and with no stated maturity	-	9	-	-	(9)	-
Income/(expense) on re-allocation of funds maturing in more than 1 month and with no stated maturity	(126)	(1 026)	1 152	-	-	-
Net operating result on banking assets and liabilities after intersegment re-allocations	560	1 380	(467)	-	(9)	1 464
Fee and commission income	58	225	244	-	33	560
Fee and commission expense	(10)	(98)	(135)	-	-	(243)
Administrative expenses	(124)	(457)	(284)	-	(1 747)	(2 612)
Other income/(expense)	8	17	5	-	(332)	(302)
Provision for impairment of loans	(85)	(4 931)	(26)	-	-	(5 042)
Profit/(losses) before taxation	407	(3 864)	(663)	-	(2 055)	(6 175)
Income tax expense	-	-	-	-	(2)	(2)
Profit/(losses) after taxation	407	(3 864)	(663)	-	(2 057)	(6 177)
Non-controlling interests	-	-	-	-	-	-
Net profit/(losses)	407	(3 864)	(663)	-	(2 057)	(6 177)

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Segment information on main business segments of the Group for year ended 31 December 2008 is given in the table below:

LVL '000	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Assets						
Assets on demand, maturing in less than 1 month and part of assets with no stated maturity						
Cash and due from central banks	21 720	-	-	-	1 919	23 639
Due from credit institutions	52 347	17 938	8 444	47	36 173	114 949
Financial assets held for trading	21	-	-	-	-	21
Financial assets at fair value through profit or loss	13 859	-	-	-	-	13 859
Investments held to maturity	-	-	-	-	-	-
Loans	-	5 370	958	120	-	6 448
Other assets	470	93	21	64	299	947
Total assets on demand, maturing in less than 1 month and part of assets with no stated maturity	88 417	23 401	9 423	231	38 391	159 863
Assets maturing in more than 1 month and part of assets with no stated maturity						
Mandatory cash balances with central banks	-	2 965	1 396	-	-	4 361
Due from other banks	365	-	-	-	-	365
Financial assets available for sale	686	-	-	-	-	686
Investments held to maturity	7 798	-	-	-	-	7 798
Loans to customers	-	107 872	60 913	7 929	-	176 714
Fixed assets, investment property, intangible assets	-	-	-	6 417	9 065	15 482
Investments in share capital of related companies	-	-	-	-	22	22
Current tax asset	-	-	-	-	133	133
Other assets	-	-	-	2 233	-	2 233
Total assets maturing in more than 1 month and part of assets with no stated maturity	8 849	110 837	62 309	16 579	9 220	207 794
Total assets	97 266	134 238	71 732	16 810	47 611	367 657

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Segment information on main business segments of the Group for year ended 31 December 2008 is given in the table below (continued):

LVL '000	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Liabilities						
Liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
Due to monetary financial institutions	-	42 465	786	-	9	43 260
Customer accounts	-	85 468	25 852	-	-	111 320
Financial liabilities at fair value through profit or loss	2	-	-	-	-	2
Financial liabilities held for trading	1 960	-	-	-	-	1 960
Other liabilities	132	77	-	70	353	632
Total liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity	2 094	128 010	26 638	70	362	157 174
Liabilities maturing in more than 1 month and part of liabilities with no stated maturity						
Due to monetary financial institutions	-	2 390	50	-	32 632	35 072
Customer accounts	-	77 700	71 596	-	-	149 296
Other liabilities	-	-	-	-	652	652
Current tax liability	-	-	-	118	16	134
Total liabilities maturing in more than 1 month and part of liabilities with no stated maturity	-	80 090	71 646	118	33 300	185 154
Total liabilities	2 094	208 100	98 284	188	33 662	342 328
Surplus/(deficit) of funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
	(86 323)	104 609	17 215	(161)	(38 029)	(2 689)
(Transferred)/received funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity to/from other business segments	86 323	(107 298)	(17 215)	161	38 029	-
Surplus/(deficit) of funds maturing in more than 1 month and part of liabilities with no stated maturity	(8 849)	(30 747)	9 337	(16 461)	24 080	(22 640)
(Transferred)/received funds maturing in more than 1 month and part of liabilities with no stated maturity to/from other business segments	8 849	5 418	(9 337)	16 461	(24 080)	-
Equity financing	-	25 329	-	-	-	25 329
Net uncovered deficit/unallocated surplus on financing	-	-	-	-	-	-

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Segment information on main business segments of the Bank for year ended 31 December 2008 is given in the table below:

LVL ‘000	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Assets						
Assets on demand, maturing in less than 1 month and part of assets with no stated maturity						
Cash and due from central banks	-	-	-	-	788	788
Due from credit institutions	6 000	17 938	8 442	-	-	32 380
Financial assets at fair value through profit or loss	153	-	-	-	-	153
Financial assets held until maturity	-	-	-	-	-	-
Loans	-	2 909	53	-	-	2 962
Other assets	-	-	-	-	235	235
Total assets on demand, maturing in less than 1 month and part of assets with no stated maturity	6 153	20 847	8 495	-	1 023	36 518
Assets maturing in more than 1 month and part of assets with no stated maturity						
Mandatory cash balances with central banks	-	2 965	1 396	-	-	4 361
Due from other banks	-	-	-	-	-	-
Financial assets available for sale	12	-	-	-	-	12
Investments held to maturity	7 798	-	-	-	-	7 798
Loans to customers	-	64 243	1 550	-	-	65 793
Fixed assets, investment property, intangible assets	-	-	-	-	8 042	8 042
Investments in associates and subsidiaries	-	-	-	-	10 450	10 450
Current tax asset	-	-	-	-	133	133
Other assets	-	-	-	-	-	-
Total assets maturing in more than 1 month and part of assets with no stated maturity	7 810	67 208	2 946	-	18 625	96 589
Total assets	13 963	88 055	11 441	-	19 648	133 107

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Segment information on main business segments of the Bank for year ended 31 December 2008 is given in the table below (continued):

LVL '000	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Liabilities						
Liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
Due to monetary financial institutions	-	42 586	786	-	-	43 372
Customer accounts	-	21 903	7 960	-	-	29 863
Other liabilities	-	-	-	-	383	383
Total liabilities on demand, maturing in less than 1 month and part of liabilities with no stated maturity	-	64 489	8 746	-	383	73 618
Liabilities maturing in more than 1 month and part of liabilities with no stated maturity						
Due to monetary financial institutions	-	2 390	50	-	-	2 440
Customer accounts	-	16 385	21 888	-	-	38 273
Current tax liability	-	-	-	-	16	16
Other liabilities	-	-	-	-	-	-
Total liabilities maturing in more than 1 month and part of liabilities with no stated maturity	-	18 775	21 938	-	16	40 729
Total liabilities	-	83 264	30 684	-	399	114 347
Surplus/(deficit) of funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity						
(Transferred)/received funds on demand, maturing in less than 1 month and part of liabilities with no stated maturity to/from other business segments	(6 153)	43 642	251	-	(640)	37 100
Surplus/(deficit) of funds maturing in more than 1 month and part of liabilities with no stated maturity	(7 810)	(48 433)	18 992	-	(18 609)	(55 860)
(Transferred)/received funds maturing in more than 1 month and part of liabilities with no stated maturity to/from other business segments	7 810	29 673	(18 992)	-	18 609	-
Equity financing	-	18 760	-	-	-	18 760
Net uncovered deficit/unallocated surplus on financing	-	-	-	-	-	-

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The table below shows a breakdown of the consolidated statement of income of the Group by business segments for year ended 31 December 2008:

LVL '000	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Interest income	4 921	9 816	4 977	732	-	20 446
Interest expense	(2 425)	(3 948)	(3 356)	(99)	(329)	(10 157)
Dividends received	7	-	-	-	-	7
Gains less losses arising from financial assets at fair value through profit or loss	(9)	-	-	-	-	(9)
Gains less losses arising from financial assets available for sale	(272)	-	-	-	-	(272)
Gains less losses from dealing in foreign currency and revaluation of foreign currency	270	-	-	-	840	1 110
Net operating result on banking assets and liabilities	2 492	5 868	1 621	633	511	11 125
Income/(expense) on re-allocation of funds on demand, maturing in less than 1 month and with no stated maturity	(81)	94	-	-	(13)	-
Income/(expense) on re-allocation of funds maturing in more than 1 month and with no stated maturity	(263)	533	(270)	-	-	-
Net operating result on banking assets and liabilities after intersegment re-allocations	2 148	6 495	1 351	633	498	11 125
Fee and commission income	30	1 666	328	14	31	2 069
Fee and commission expense	(202)	(497)	(11)	-	(4)	(714)
Administrative expenses	(157)	(461)	(350)	(334)	(5 927)	(7 229)
Other income/(expense)	-	(8)	(1)	(94)	(522)	(625)
Provision for impairment of loans	-	(1 848)	(397)	(188)	-	(2 433)
Profit/(losses) before taxation	1 819	5 347	920	31	(5 924)	2 193
Income tax expense	-	-	-	(117)	(33)	(150)
Profit after taxation	1 819	5 347	920	(86)	(5 957)	2043
Non-controlling interests	209	615	106	(10)	(685)	235
Net profit	1610	4 732	814	(76)	(5 272)	1 808

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The table below shows a breakdown of the consolidated statement of income of the Bank by business segments for year ended 31 December 2008:

LVL '000	Treasury business	Corporate business	Retail business	Non-banking organisations	Non-allocated	Total
Interest income	1 595	5 750	202	-	-	7 547
Interest expense	(97)	(3 015)	(652)	-	(4)	(3 768)
Dividends received	-	-	-	-	2 643	2 643
Gains less losses arising from financial assets at fair value through profit or loss	(9)	-	-	-	-	(9)
Gains less losses arising from financial assets held for trading	(113)	-	-	-	-	(113)
Gains less losses from dealing in foreign currency and revaluation of foreign currency	270	-	-	-	-	270
Net operating result on banking assets and liabilities	1 646	2 735	(450)	-	2 639	6 570
Income/(expense) on re-allocation of funds on demand, maturing in less than 1 month and with no stated maturity	(81)	94	-	-	(13)	-
Income/(expense) on re-allocation of funds maturing in more than 1 month and with no stated maturity	(263)	533	(270)	-	-	-
Net operating result on banking assets and liabilities after intersegment re-allocations	1 302	3 362	(720)	-	2 626	6 570
Fee and commission income	30	345	98	-	31	504
Fee and commission expense	(2)	(119)	(56)	-	(4)	(181)
Administrative expenses	(104)	(461)	(350)	-	(2 002)	(2 917)
Other income/(expense)	-	(8)	(1)	-	(208)	(217)
Provision for impairment of loans	-	(1 194)	(12)	-	-	(1 206)
Profit before taxation	1 226	1 925	(1 041)	-	443	2 553
Income tax expense	-	-	-	-	(33)	(33)
Profit after taxation	1 226	1 925	(1 041)	-	410	2 520
Non-controlling interests	-	-	-	-	-	-
Net profit	1 226	1 925	(1 041)	-	410	2 520

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33 Risk management

Risk management

The main task of the Bank and the Group in the organization of the risk management and control system is to secure the quality and efficiency of this system. In order to solve this task, the Bank develops the risk management system pursuant to the European standards, which regulate banking activities, as well as adopts the experience of its main shareholder - the open joint-stock company "Bank of Moscow".

The open joint-stock company "Bank of Moscow" implements the risk management and control system, which is the same for all subsidiary banks - the risk management vertical.

In the first half of 2009, the Bank structure as pertaining to inner control departments has been reorganized, including the formation of a separate structural subdivision - the Department of risks.

In 2009, with the methodological assistance of the Bank of Moscow, the Group has substantially actualized and optimized the regulatory framework concerning risk management, taking the European standards on the regulation of banking activities (Basel II) into consideration; the work on the improvement of the regulatory framework will continue also in future.

Taking the complicated macroeconomical situation into consideration, in 2009, the Bank and the Krediidipank have put the provision of the financial stability of the banks as their priority in the domain of the improvement of risk management and control systems.

Decisions on risky deals are adopted on the basis of the evaluation of risks, which accompany such deals. Depending on the risk degree, the type and the amount of deals, the decisions on settlement of transactions are adopted by the Boards, the Asset and liability management committees, the Credit Committees of the Bank and the Krediidipank, or the officials of the Bank and the Krediidipank, according to the established powers.

The Asset and liability management committees of the Bank and the Krediidipank perform an integrated monitoring of active and passive transactions, as well as total evaluation of how restrictions of bank risks are observed; mainly - at the stage of planning of the active and passive transactions of the bank.

The Committee for evaluation of the assets and off balance sheet obligations of the Bank evaluates the quality of the assets and off balance sheet obligations; this is performed at least once per quarter, more frequently, if necessary. In case there is a reduction in their quality, a decision is adopted on reserve investments.

The risk management and control functions are, in compliance with the policies and procedures of the Group, implemented by the corresponding structural divisions of the internal control of the Bank and the Krediidipank. The risk management and control policies of the Bank and the Krediidipank are approved by the councils of the Bank and the Krediidipank.

Substantial risks

The Bank identifies substantial risks, which are incidental to the activities of the Bank; this is performed regularly, yet, at least, once per year. For each of the identified substantial risks, policies and procedures for its control and minimization are worked out, documented and implemented by the Bank.

With everyday calculation and control of the adequacy of the domestic capital, the Bank estimates not only minimal requirements towards the capital for adjustable risk pooling (credit risk, market risk and transaction risk), but also the requirements towards the capital for the pooling of other types of risks, which, according to the evaluation of the Bank, may substantially influence the activities of the Bank.

Credit risk

Credit risk is the risk to suffer losses in case the debtor will be unable to fulfill his obligations pursuant to the concluded agreement or will refuse to do so.

The credit risk control system of the Bank is based on the following principles:

- the credit risk control system encompasses all stages of operations, which are subject to credit risk (preparation and adoption of decision, conducting of operation, administration, supervision, control, recovery of indebtedness;
- clear regulation of all inner processes;
- thorough analysis of transactions, creation of two-level system of the credit risk amount control as minimum;
- restriction (limitation) of credit risk (limits on the structure of a credit portfolio, on certain types of credits, etc.);
- usage of methods for lessening credit risk (collateral, warranting, special and additional conditions during the granting of a credit);
- management of "problem" credits.

A specialized internal control department operates within the Bank, namely, a credit risk department, the main functions of which are the following: the credit risk evaluation, which does not depend on business departments, integrated control and methodological accompaniment of the credit risk management in the Bank departments.

During credit monitoring, the Bank evaluates the quality of the granted credits on the basis of economical and market circumstances, which influence the solvency of debtor, his financial stability, the quality of collateral and the observance of payment discipline.

The quality of credits, which depend on collateral (that is, the credits, where the only source of repayment is the collateral sell-off), is determined on the basis of authoritative and actual value of collateral, as well as the evaluation of the possibility of the collateral sell-off. Depending on the evaluation of the credit quality, the Bank creates reserve stocks on the debtor obligations, if such necessity arises.

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Foreign currency risk

Foreign currency risk is a possibility of financial losses due to revaluation of on-balance-sheet and off-balance-sheet items, which, due to changes in foreign currency rates, are foreign currency-denominated.

The Bank and the Krediidipank limit currency risks by means of opening currency positions; typically, this is performed in the amounts necessary to render services to clients. The open on balance sheet currency positions are regulated by swap and forward transactions.

The Bank and the Krediidipank limit the foreign currency risk by means of placing limits on the size of open positions of separate currencies, on the size of the total open currency position, as well as on the amount of maximal loss tolerance from foreign currency revaluation (STOP - LOSS); such limits are placed on a monthly basis, and more frequently, if needed. If necessity arises, the Bank and the Krediidipank also place other limits, which restrict the foreign currency risk.

Pursuant to the legislation of the Republic of Latvia, an open currency position in each particular foreign currency (excluding LVL) cannot exceed 10% of the Bank's equity capital, while a general open position cannot exceed 20% thereof. During 2009, the Bank and the Group have observed the set limitations.

As of 31 December 2009 before creation of additional provisions for loans to the Bank's clients, including the ones denominated in foreign currencies, the total open currency position of the Group amounted to 10,4 % from the Group's equity, the Bank's to 5,3 % from the Bank's equity.

Analysis of the Group's assets and liabilities in foreign currency as at 31 December 2009 (after creation of additional provisions for loans to the Bank's clients):

LVL '000	LVL	USD	EUR	GBP	EEK	RUB	Other currencies	Total
Assets								
Cash and balances due from central banks	3 912	125	38 354	55	20 448	135	81	63 110
Due from credit institutions	1 857	49 490	23 090	569	20 623	1 178	1 413	98 220
Financial assets	575	6 261	17 121	-	30	5	510	24 502
Loans	2 306	14 137	138 975	-	680	2	-	156 100
Intangible assets, fixed assets and investment property	9 498	-	-	-	7 788	-	-	17 286
Accrued income and other assets	7 122	465	2 790	-	3 633	2	-	14 012
Total assets	25 270	70 478	220 330	624	53 202	1 322	2 004	373 230
Liabilities								
Due to monetary financial institutions	555	398	18 503	-	8	-	-	19 464
Financial liabilities	-	-	-	-	-	-	9	9
Deposits	10 828	108 067	155 295	606	51 056	1 262	1 295	328 409
Accrued expenses and other liabilities	7 076	401	4 222	-	205	-	22	11 926
Capital and reserves	12 145	-	-	-	8	-	-	12 153
Non-controlling interests	(4)	-	-	-	1 273	-	-	1 269
Total liabilities	30 600	108 866	178 020	606	52 550	1 262	1 326	373 230
Off-balance sheet items								
Claims from incomplete currency exchange forward contracts (forward)	-	38 718	492	-	-	-	-	39 210
Off-balance sheet liabilities								
Liabilities from incomplete currency exchange futures contracts (forward)	-	-	38 267	-	-	-	500	38 767
Guarantees and other liabilities against clients*	192	38	1 894	-	909	-	-	3 033
<i>note: * - Pursuant to guidelines of the Financial and Capital Market Commission, these are not taken into account in calculating currency position</i>								
Total currency position as at 31 December 2009	(5 330)	330	4 535	18	652	60	178	443
Total currency position as at 31 December 2008	(9 873)	(2 236)	22 245	43	(12 281)	19	122	(1 961)
Long position total (+)	586							
Short position total (-)	(2 328)							
Total position (+ -)	(2 328)							

National currencies - LVL - for Bank and EEK and EUR - for Krediidipank, - are not included in calculation of open foreign currency positions.

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Analysis of the Bank's assets and liabilities in foreign currency as at 31 December 2009 (after creation of additional provisions for loans to the Bank's clients):

LVL '000	LVL	USD	EUR	GBP	EEK	RUB	Other currencies	Total
Assets								
Cash and due from the central banks	3 883	20	6 941	5	-	1	3	10 853
Due from credit institutions	1 500	2 329	184	240	2	121	16	4 392
Financial assets	575	2 817	352	-	-	-	13	3 757
Loans	2 554	12 001	49 009	-	-	-	-	63 564
Intangible assets, fixed assets and investment property	7 626	-	-	-	-	-	-	7 626
Investments in share capital of related companies	10 464	-	-	-	-	-	-	10 464
Accrued income and other assets	349	367	273	-	-	2	-	991
Total assets	26 951	17 534	56 759	245	2	124	32	101 647
Liabilities								
Due to monetary financial institutions	561	426	9 753	-	-	-	-	10 740
Deposits	10 759	17 760	49 291	233	3	137	-	78 183
Accrued expenses and other liabilities	229	304	42	-	-	-	-	575
Capital and reserves	12 149	-	-	-	-	-	-	12 149
Total liabilities	23 698	18 490	59 086	233	3	137	-	101 647
Off-balance sheet liabilities								
Guarantees and other liabilities against clients *	192	38	73	-	-	-	-	303
<i>note: * - Pursuant to guidelines of the Financial and Capital Market Commission, these are not taken into account in calculating currency</i>								
Total currency position as at 31 December 2009	3 253	(956)	(2 327)	12	(1)	(13)	32	-
Total currency position as at 31 December 2008	535	(179)	(422)	11	4	28	23	-
Long position total (+)	44							
Short position total (-)	(3 297)							
Total position (+ -)	(3 297)							

National currencies - LVL - for Bank is not included in calculation of open foreign currency positions.

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Market price risk

The market price risk is a possibility of losses due to revaluation of financial instruments, as their market value changes owing to the influence of changes in currency rates, interest rates, as well as other factors.

Critical decisions on the acquisition of financial instruments of trading portfolios are adopted by the Asset and liability management committees of the Bank and the Krediidipank.

The policy of the trading portfolio of the Bank defines the maximum allowed value of the trading portfolio, as well as the limitations on the types and level of liquidity of the financial instruments of the trading portfolio.

The Bank limits the total amount and separate positions of the trading portfolio, as well as the amount of maximal loss tolerance from the revaluation of the trading portfolio instruments (STOP - LOSS); such limits are placed on a monthly basis, and more frequently, if needed.

The observance of the set limits is monitored on a daily basis. Taking the situation on the world financial markets into consideration, on October 2008, the Bank has adopted a decision to suspend the activities with the instruments of the trading portfolio; on the basis of Instructions of the European Commission (EC) No. 1004/2008 and the International Accounting Standards (IAS) 39, securities of the trading portfolio have been reclassified into financial instruments, which are held until redemption and are available for sale.

In 2009, the Bank has not acquired any new instruments into the trading portfolio.

Interest rate risk

Interest rate risk is a risk to suffer losses in case of unfavorable change of interest rates.

The Asset and liability management committees of the Bank and the Krediidipank evaluate the influence of interest rate risk on the income and the economical value of the banks, analyze and plan the structure of active and passive transactions for risk minimization. At the same time, a necessary level of liquidity and profitability is secured. This is performed at least once per month, more frequently, if necessary.

The committees define actual interest rates on the reception of fixed-term deposits from legal entities and physical persons, as well as on the granting of credits. The management of the interest rate change risk includes the control, management and optimization of the structure of the banks' interest-bearing assets and liabilities.

In order to calculate the interest rate risk, the method of percentage GAP-analysis is utilized; in order to calculate the influence of risk on the economical value of the bank, the modified duration method is utilized.

In order to minimize the interest rate risk, limits are revaluated on the sizes of open interest positions in separate currencies, according to priority; also, a limit is placed on the amount of maximal loss tolerance in case of a hypothetical parallel change of interest rate (-s) by 1% (STOP - LOSS); such limits are placed on a monthly basis, and more frequently, if needed. The observance of the set limits is monitored on a daily basis.

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Breakdown of the Group's assets, liabilities and off-balance sheet items by maturity on the basis of the remaining recovery, performance, repayment terms or remaining terms until the next review of interest rates as at 31 December 2009:

Position title	Total	Sheet items sensitive to interest rate changes including by remaining maturity period					1-5 years	Sheet items that are not sensitive to interest rate changes over 5 years	
		up to 1 month	1-3 months	3-6 months	6-12 months				
LVL '000									
Bank portfolio, incl.	340 553	225 250	34 690	36 027	24 995	17 294	2 297	32 677	
<i>Cash and balances due from the central banks</i>	61 733	61 733	-	-	-	-	-	1 377	
<i>Due from credit institutions*</i>	98 220	96 499	898	449	364	-	10	-	
<i>Derivative financial instruments</i>	451	451	-	-	-	-	-	-	
<i>Debt securities and other fixed income securities</i>	24 024	3 709	253	7 337	5 529	6 712	484	-	
<i>Shares and other non-fixed interest securities</i>	-	-	-	-	-	-	-	27	
<i>Loans</i>	156 100	62 833	33 539	28 241	19 102	10 582	1 803	-	
<i>Other assets</i>	25	25	-	-	-	-	-	31 273	
Assets and long off-balance sheet positions sensitive to interest rate changes total	379 763	263 968	492	-	-	-	-	X	
<i>incl. long off-balance sheet positions of trading portfolio that are sensitive to interest rate changes</i>	39 210	38 718	492	-	-	-	-	X	
Assets and long off-balance sheet positions sensitive to interest rate changes total	383 636	267 841	35 182	36 027	24 995	17 294	2 297	32 677	
Bank portfolio, incl.	348 005	269 966	9 988	23 726	22 920	13 917	7 488	25 225	
<i>Monetary financial institutions*</i>	12 958	3 597	439	6 735	439	1 748	-	-	
<i>Financial liabilities</i>	9	9	-	-	-	-	-	-	
<i>Deposits</i>	328 410	266 237	9 549	16 991	22 481	12 169	983	-	
<i>Other liabilities</i>	123	123	-	-	-	-	-	25 225	
<i>Subordinated debt</i>	6 505	-	-	-	-	-	6 505	-	
Short off-balance sheet positions sensitive to interest rate changes,	41 758	41 258	500	-	-	-	-	X	
<i>incl. ** short off-balance sheet positions of trading portfolio that are sensitive to interest rate changes</i>	38 767	38 267	500	-	-	-	-	X	
Liabilities and short off-balance sheet positions sensitive to interest rate changes total	389 763	311 224	10 488	23 726	22 920	13 917	7 488	29 098	
Interest rate risk net position (GAP)	(10 000)	(47 256)	24 694	12 301	2 075	3 377	(5 191)	X	
Total position of interest rates risk	X	(47 256)	(22 562)	(10 261)	(8 186)	(4 809)	(10 000)	X	
Impact on net annual interest income ***	(165)	(453)	206	77	5	X	X	X	

Notes: * - claims / liabilities from incomplete currency exchange agreements (SPOT) that are accounted for off-balance sheet; ** -not taking into account off-balance sheet liabilities that are secured with deposits placed with the Group; *** assumed that interest rate increases by 1% on all positions.

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Breakdown of the Bank's assets, liabilities and off-balance sheet items by maturity on the basis of the remaining recovery, performance, repayment terms or remaining terms until the next review of interest rates as at 31 December 2009:

Position title	Total	Sheet items sensitive to interest rate changes including by remaining maturity period						Sheet items that are not sensitive to interest rate changes
		up to 1 month	1 – 3 months	3 – 6 months	6–12 months	1–5 years	over 5 years	
LVL '000								
Bank portfolio, incl.	82 423	59 269	1 266	8 512	4 642	7 399	1 335	19 224
<i>Cash and balances due from the central banks</i>	10 712	10 712	-	-	-	-	-	141
<i>Due from credit institutions*</i>	4 392	4 382	-	-	-	-	10	-
<i>Debt securities and other fixed income securities</i>	3 730	-	253	-	-	3 032	445	-
<i>Shares and other non-fixed interest securities</i>	-	-	-	-	-	-	-	27
<i>Loans</i>	63 564	44 150	1 013	8 512	4 642	4 367	880	-
<i>Other assets</i>	25	25	-	-	-	-	-	19 056
Assets and long off-balance sheet positions sensitive to interest rate changes total	82 423	59 269	1 266	8 512	4 642	7 399	1 335	19 224
Bank portfolio, incl.	89 046	82 311	-	6 735	-	-	-	12 601
<i>Monetary financial institutions *</i>	10 740	4 005	-	6 735	-	-	-	-
<i>Deposits</i>	78 183	78 183	-	-	-	-	-	-
<i>Other liabilities</i>	123	123	-	-	-	-	-	12 601
Short off-balance sheet positions that are sensitive to interest rate changes **	261	261	-	-	-	-	-	X
Liabilities and short off-balance sheet positions sensitive to interest rate changes total	89 307	82 572	-	6 735	-	-	-	12 601
Interest rate risk net position (GAP)	(6 884)	(23 303)	1 266	1 777	4 642	7 399	1 335	X
Total position of interest rates risk	X	(23 303)	(22 037)	(20 260)	(15 618)	(8 219)	(6 884)	X
Impact on net annual interest income ***	(190)	(223)	11	11	12	X X	-	X

Notes: * - claims / liabilities from incomplete currency exchange agreements (SPOT) that are accounted for off-balance sheet; ** -not taking into account off-balance sheet liabilities that are secured with deposits placed with the Bank; *** assumed that interest rate increases by 1% on all positions.

Liquidity risk

Liquidity is the ability of the Group to fulfill its obligations to its clients and creditors. The liquidity risk arises: when the terms of active and passive transactions are misbalanced, which may lead to losses due to necessity to attract expensive resources or to sell assets at an unprofitable price; with the occurrence of unfavorable events, which negatively impact the structure of money flows (due to decrease of the market value of assets and/or decrease of asset liquidity, owing to absence of active market, as well as because credits are not repaid and/or are repaid with delays).

In order to minimize the liquidity risk, the Bank and the Krediidipank seek to balance out the terms for fulfilling active transactions with the terms of obligations; they also create definite reserve amounts of highly liquid assets in order to secure an unexpected need in monetary funds.

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In order to minimize the liquidity risks, the Bank and the Krediidipank also develop alternative financial sources, including establishing and constantly maintaining relationships with partner banks with the aim to render credit lines and/or interbank credits to banks.

The asset and liability management committees of the Bank and the Krediidipank evaluate general and actual liquidity on a regular basis, define main lines of controlling liquidity risk, systematically evaluate external liquidity sources and adopt correspondent decisions in order to attract stable and diversified financial sources at acceptable prices.

The Asset and liability management committees define restrictions on the placement of resources in active transactions. These restrictions are defined by types of transactions, by currencies and by terms; this is done on the basis of performed analysis.

The calculation of liquidity risk is carried out, basing on the method of the modified GAP-analysis of statistical and dynamical scenarios. In 2009, the index of actual liquidity, which has been daily maintained by the Bank, has been equal to at least 36%, the normative being equal to no less than 30%). One of the most important daily tasks of the Bank is the liquidity management and control, including the balanced state of the terms of assets and liabilities.

Remaining maturity period of the Group's assets and liabilities as at 31 December 2009

LVL '000	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	Over 1 year and perpetual	Late	Total
Assets							
Cash and balance due from central banks	63 110	-	-	-	-	-	63 110
Due from credit institutions	96 489	905	452	364	10	-	98 220
Derivative financial instruments	451	-	-	-	-	-	451
Financial assets	29	3 956	11	12 857	7 198	-	24 051
Loans	6 695	2 415	7 082	7 022	104 633	28 253	156 100
Intangible assets, fixed assets and investment property	-	-	-	-	17 286	-	17 286
Accrued income and other assets	1 718	2	1	-	12 291	-	14 012
Total assets	168 492	7 278	7 546	20 243	141 418	28 253	373 230
Liabilities							
Due to monetary financial institutions	3 597	439	6 735	439	8 254	-	19 464
Financial liabilities	9	-	-	-	-	-	9
Deposits	213 296	31 264	23 772	41 373	18 704	-	328 409
Accrued expenses and other liabilities	1 257	4	1	-	10 664	-	11 926
Capital and reserves	-	-	-	-	12 153	-	12 153
Non-controlling interests	-	-	-	-	1 269	-	1 269
Total liabilities	218 159	31 707	30 508	41 812	51 044	-	373 230
Off-balance sheet liabilities							
Liabilities against clients and other contingent liabilities, except for liabilities under letters of credit and guarantees, secured by deposits	2 991	-	-	-	-	-	2 991
Total liquidity position as at 31 December 2009	(52 658)	(24 429)	(22 962)	(21 569)	90 374	28 253	-
Total liquidity position as at 31 December 2008	(53 809)	(15 128)	(21 613)	(37 518)	111 571	6 767	-

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Remaining maturity period of the Bank's assets and liabilities as at 31 December 2009

LVL '000	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	Over 1 year and perpetual	Late	Total
Assets							
Cash and demand deposits due from the central banks	10 853	-	-	-	-	-	10 853
Due from credit institutions	4 382	-	-	-	10	-	4 392
Financial assets	27	253	-	-	3 477	-	3 757
Loans	4 849	1 679	6 131	5 620	31 441	13 844	63 564
Intangible assets, fixed assets and investment property	-	-	-	-	7 626	-	7 626
Investments in share capital of related company	-	-	-	-	10 464	-	10 464
Accrued income and other assets	888	-	1	-	102	-	991
Total assets	20 999	1 932	6 132	5 620	53 120	13 844	101 647
Liabilities							
Due to monetary financial institutions	4 005	-	6 735	-	-	-	10 740
Deposits	34 794	11 417	9 765	16 418	5 789	-	78 183
Accrued expenses and other liabilities	575	-	-	-	-	-	575
Capital and reserves	-	-	-	-	12 149	-	12 149
Total liabilities	39 374	11 417	16 500	16 418	17 938	-	101 647
Off-balance sheet liabilities							
Liabilities against clients and other contingent liabilities, except for liabilities under letters of credit and guarantees, secured by deposits with the Bank	261	-	-	-	-	-	261
Total liquidity position as at 31 December 2009	(18 636)	(9 485)	(10 368)	(10 798)	35 182	13 844	-
Total liquidity position as at 31 December 2008	(37 672)	(7 047)	(10 699)	4 391	44 674	1 473	-

Compliance risk

Compliance risk is the risk of losses or non-acquisition of income due to violation or non-observance of laws, instructions, regulations, prescriptions or accepted ethical norms. This risk can also occur owing to the ambiguity and imperfection of laws or rules, which regulate certain activity types of the Bank or its clients.

Compliance risk can lead to penalties and civil sanctions, to compensations for damage inflicted to clients or partners of the Bank, to agreements losing their legal power etc. The occurrence of this risk can result in ruined reputation, as well as in limitation of possibilities for the development and expansion of business.

Compliance risk includes interrelated risks: reputation risk, risk of legitimization of proceeds of crime and financing of terrorism. The Bank and the Krediidipank constantly improve the compliance risk management and control system.

Special attention is paid to the correspondence of the system, which provides the prevention of legitimization of proceeds of crime and financing of terrorism, with the requirements of the European directives, laws and regulatory acts of the Republic of Latvia and the Republic of Estonia, the recommendations of Financial and Capital Market Commission, the Association of commercial banks of the Republic of Latvia, the Financial Commission of the Republic of Estonia, as well as with the best worldwide practices.

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Transaction risk

Transaction risk is the risk of losses due to inadequate or faulty internal processes, actions of employees, banking systems and external events.

The transaction risk management system, which fully encompasses the whole organizational structure of the Bank, is established and maintained by the Bank. The components of this system include the detection, evaluation, monitoring, control and reduction of transaction risk in the main banking products, types of activities, processes and systems. The Bank evaluates the transaction risk for all essential types of the banking operations.

In order to evaluate the risk, the Bank utilizes quantitative and qualitative approaches, which are based on actual, as well as internal and external information about the transaction risk events.

There is a Business process continuity provision plan (including the domain of the information technologies), which is developed and utilized by the Bank.

During the transaction risk management, the Bank constantly improves the system of internal normative documents, maintains the observance of the function distribution principle, develops the limitation system for the powers of persons in charge and collegiate authorities, improves the qualification of personnel, as well as the physical security of the Bank.

Capital adequacy risk

During the evaluation of the reliability and security, the capital of the Group is one of the key factors, which facilitate the stable functioning of the Group. The Bank and the Krediidipank provide the capital level, which corresponds to its risk profile.

The Bank calculates minimal requirements for the capital on a daily basis, both according to regulating requirements and in view of other risks, which, according to the evaluation of the Bank, may substantially influence the Bank's activities.

Taking the complicated macroeconomical situation into consideration, as well as on the basis of the recommendations given by the Financial and Capital Market Commission and the Bank of Moscow, in 2009, the Bank has developed a methodology and performed regular stress testing of the risks and capital adequacy of the Bank.

As of 31 December 2009 the capital adequacy ratio of the Group according to the Financial and Capital Markets Commission methodology before creation of additional provisions for loans to the Bank's clients amounted to 8.2 %, the Bank's – to 11.0 %. As of 31 December 2008 the Group's capital adequacy ratio amounted to 12.4%, the Bank's – to 16.3% .

After creation of additional provisions for loans to the Bank's clients in the total amount of 3,87 millions LVL, accomplished during preparation of the annual report, as of 31 December 2009 the equity and capital adequacy ratios decreased: the Group's capital adequacy to 6,8 %, the Bank's to 8,1%. In order to ensure the Bank's reliability and to restore the equity the main shareholder OJSC “ Bank of Moscow” on March 2010 granted to the Bank a subordinated loan in amount of 5,06 millions LVL for the term of seven years. After receipt of the subordinated capital the calculated capital adequacy ratio of the Bank as of 31 December 2009 increased to 12,6%.

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
1. Credit risk capital requirements	17 440	8 358	17 661	8 477
2. Foreign currency related risk, trading risk and trading portfolio item risk capital requirements, total	193	60	20	20
3. Operational risk requirements total	1 824	462	1 824	462
Total capital requirements	19 457	8 880	19 505	8 959
Equity				
First level capital	11 546	8 959	24 320	17 987
Second level capital	5 012	-	5 807	291
Total equity	16 558	8 959	30 127	18 278
Equity adequacy ratio	6.8%	8.1%	12.4%	16.3%
The minimum equity adequacy ratio	8%	8%	8%	8%

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34 Liabilities related to loans

The main purpose of these instruments is to ensure provision of funds to clients as necessary.

Guarantees that present irrevocable commitments of the Group to make payments in case the client fails to fulfil his liabilities towards third parties, bear the same level of credit risk as loans.

Documentary letters of credit being written commitments of the Group to make payments on behalf of clients within the agreed amount, if certain terms are complied with, are collateralized by respective deliveries of goods or money deposits and, correspondingly, have lower risk level than direct crediting.

Loan issuance liabilities with a certain rate during a specified period of time are recognized as off-balance sheet liabilities.

The Group's liabilities related to loans amounted to:

LVL'000	2009 Group	2009 Bank	2008 Group	2008 Bank
Liabilities for issue of loans	1 503	261	8 019	4 750
Contingent liabilities according to guarantees issued	1 530	42	2 951	1 370
Total	3 033	303	10 970	6 120

Liabilities for issue of loans constitute the unused part of loans approved for issue. In respect of loan issue liabilities the Group is potentially prone to the risk of losses in amount equal to the total amount of unused liabilities.

Nevertheless the probable amount of losses is smaller than the amount of unused liabilities, since the largest part of loan issue liabilities depends upon compliance of clients with certain solvency standards.

The Group controls the term, remaining until repayment of liabilities related to loans, since usually long-term liabilities have higher credit risk level than short-term liabilities.

The total amount of debt under guarantees, letters of credit and unused credit lines does not necessarily reflect the future cash claims, since the mentioned liabilities can mature or be cancelled without issuing funds to the borrower.

The Group's management evaluates the probability of occurrence of losses under liabilities related to loans as insignificant. As at 31 December 2009 and 31 December 2008 the Group has not created provisions for the aforementioned liabilities.

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35 Fair Value of Financial Instruments

Fair value is defined as the value, for which an instrument may be traded as the result of the deal between good informed, independent, committed parties, which wish to conclude a deal in market environment, with the exclusion of forced sale or liquidation. The best proof of fair value is the quotation of a financial instrument at the active market.

Due to the global financial crisis, there was no liquid market for the major part of the financial instruments of the Group and the Bank in the 2009, which is why their fair value is defined on the basis of existing market environment of similar financial instruments, as well as specific risks related to certain instrument.

The present evaluations may not quite adequately correspond to the amount, which the Group and the Bank are able to receive by the market sale of the certain instrument.

The estimation of a fair value of the Group’s financial instruments for the periods ended on 31 December 2009 and 31 December 2008:

LVL'000	2009		2008	
	Balance cost	Fair value	Balance cost	Fair value
Financial assets				
Cash and due from central banks	63 110	63 110	28 000	28 000
Due from credit institutions	98 220	98 220	115 314	115 314
Financial assets at fair value through profit or loss	20 217	20 217	13 880	13 880
Financial assets available-for-sale	71	71	686	686
Financial assets held until maturity	4 214	3 092	7 798	5 217
Loans	156 100	156 100	183 162	183 162
Financial liabilities				
Due to monetary financial institutions	19 464	19 464	78 332	78 332
Financial liabilities at fair value through profit or loss	9	9	1 962	1 962
Deposits from the customers	328 409	328 409	260 616	260 616

The estimation of a fair value of the Bank’s financial instruments for the periods ended on 31 December 2009 and 31 December 2008::

LVL'000	2009		2008	
	Balance cost	Fair value	Balance cost	Fair value
Financial assets				
Cash and due from central banks	10 853	10 853	5 149	5 149
Due from credit institutions	4 392	4 392	32 380	32 380
Financial assets at fair value through profit or loss	-	-	153	153
Financial assets available-for-sale	27	27	12	12
Financial assets held until maturity	3 730	2 608	7 798	5 217
Loans	63 564	63 564	68 755	68 755
Financial liabilities				
Due to monetary financial institutions	10 740	10 740	45 812	45 812
Deposits from the customers	78 183	78 183	68 136	68 136

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36 Reconciliation of Categories of Financial Instruments to Balance Sheet

In accordance with IAS 39 “Financial Instruments Recognition and Measurement” the Group classifies its financial assets in the following categories: 1) financial assets at fair value through profit or loss; 2) loans and receivables; 3) financial assets available-for-sale; 4) financial assets held until maturity.

Reconciliation of categories of Group’s financial assets to the balance sheet as at 31 December 2009:

LVL’000	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available-for-sale	Financial assets held until maturity	Total
Assets					
Cash and due from central banks	63 110	-	-	-	63 110
Financial assets at fair value through profit or loss					
Eurobonds of corporate issuers	3 006	-	-	-	3 006
Eurobonds of foreign countries	16 757	-	-	-	16 757
Unrealized profits from dealing in foreign currencies	3	-	-	-	3
Financial assets held for trading					
Derivative financial instruments	451	-	-	-	451
Due from credit institutions					
Due from credit institutions - demand deposits	35 561	-	-	-	35 561
Loans and deposits from credit institutions		62 659	-	-	62 659
Loans to customers					
Loans to legal entities	-	87 376	-	-	87 376
Loans to private persons	-	68 724	-	-	68 724
Financial assets available-for-sale					
Promissory notes of corporate issuers	-	-	5	-	5
Equity securities	-	-	66	-	66
Financial assets held until maturity					
Latvian government bonds	-	-	-	575	575
Eurobonds of banks	-	-	-	796	796
Eurobonds of corporate issuers	-	-	-	2 843	2 843
Others financial assets					
Accounts receivable	-	1 121	-	-	1 121
Card receivable	-	6	-	-	6
Total financial assets	118 888	219 886	71	4 214	343 059
Non-financial assets	-	-	-	-	30 171
Total assets	-	-	-	-	373 230

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Reconciliation of categories of Group’s financial assets to the balance sheet as at 31 December 2008:

LVL’000	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available- for-sale	Financial assets held until maturity	Total
Assets					
Cash and due from central banks	28 000	-	-	-	28 000
Financial assets at fair value through profit or loss					
Eurobonds of corporate issuers	153	-	-	-	153
Eurobonds of foreign countries	13 706	-	-	-	13 706
Financial assets held for trading					
Eurobonds of banks	4	-	-	-	4
Equity securities	17	-	-	-	17
Due from credit institutions					
Due from credit institutions - demand deposits	59 924	-	-	-	59 924
Loans and deposits from credit institutions	-	55 390	-	-	55 390
Loans to customers					
Loans to legal entities	-	105 764	-	-	105 764
Loans to private persons	-	77 398	-	-	77 398
Financial assets available-for-sale					
Eurobonds of banks	-	-	507	-	507
Promissory notes of corporate issuers	-	-	6	-	6
Equity securities	-	-	173	-	173
Financial assets held until maturity					
Latvian government bonds	-	-	-	575	575
Eurobonds of banks	-	-	-	4 194	4 194
Eurobonds of corporate issuers	-	-	-	3 029	3 029
Others financial assets					
Accounts receivable	-	289	-	-	289
Card receivable	-	10	-	-	10
Total financial assets	101 804	238 851	686	7 798	349 139
Non-financial assets	-	-	-	-	18 518
Total assets	-	-	-	-	367 657

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Reconciliation of categories of Bank's financial assets to the balance sheet as at 31 December 2009:

LVL'000	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available- for-sale	Financial assets held until maturity	Total
Assets					
Cash and due from central banks	10 853	-	-	-	10 853
Due from credit institutions					
Due from credit institutions - demand deposits	4 382	-	-	-	4 382
Loans and deposits from credit institutions	-	10	-	-	10
Loans to customers					
Loans to legal entities	-	49 847	-	-	49 847
Loans to private persons	-	13 717	-	-	13 717
Financial assets available-for-sale					
Equity securities	-	-	27	-	27
Financial assets held until maturity					
Latvian government bonds	-	-	-	575	575
Eurobonds of banks	-	-	-	796	796
Eurobonds of corporate issuers	-	-	-	2 359	2 359
Others financial assets					
Accounts receivable	-	837	-	-	837
Card receivable	-	2	-	-	2
Total financial assets	15 235	64 413	27	3 730	83 405
Non-financial assets	-	-	-	-	18 242
Total assets	-	-	-	-	101 647

Reconciliation of categories of Bank's financial assets to the balance sheet as at 31 December 2008:

LVL'000	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available- for-sale	Financial assets held until maturity	Total
Assets					
Cash and due from central banks	5 149	-	-	-	5 149
Financial assets at fair value through profit or loss					
Eurobonds of corporate issuers	153	-	-	-	153
Due from credit institutions					
Due from credit institutions - demand deposits	26 128	-	-	-	26 128
Loans and deposits from credit institutions	-	6 252	-	-	6 252
Loans to customers					
Loans to legal entities	-	54 459	-	-	54 459
Loans to private persons	-	14 296	-	-	14 296
Financial assets available-for-sale					
Equity securities	-	-	12	-	12
Financial assets held until maturity					
Latvian government bonds	-	-	-	575	575
Eurobonds of banks	-	-	-	4 194	4 194
Eurobonds of corporate issuers	-	-	-	3 029	3 029
Others financial assets					
Accounts receivable	-	162	-	-	162
Card receivable	-	7	-	-	7
Total financial assets	31 430	75 176	12	7 798	114 416
Non-financial assets	-	-	-	-	18 691
Total assets	-	-	-	-	133 107

All liabilities of the Group and of the Bank except the derivative financial instruments are carried at amortized cost. Derivative financial instruments are classified as at financial liabilities held for trading. Unrealized losses from dealing in foreign currencies are classified as at financial liabilities at fair value through profit or loss.

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37 Related party transactions

Related persons are shareholders of the credit institution (having an essential stake in the shareholding of the respective credit institution), key management personnel and members of the Council and the Board, the Internal Audit Department, other staff authorized to perform planning, management and control of the operation of this credit institution, the staff responsible for these functions, and spouses, parents and children of these individuals, as well as companies in which these persons have essential stakes. Related persons are companies whose capital is essentially influenced by the credit institution.

The outstanding balances at the end of the reported period, asset-related transactions with related parties as at 31 December 2009:

LVL'000	Members of the Board and members of the Supervisory Council				Associated with the Group and Bank companies and private persons	
	Group	Bank	Group	Bank	Group	Bank
Due from other banks as at 31 December 2008	-	-	-	-	104	54
Due from other banks placed during the reported period	-	-	-	-	196 979	21 894
Due from other banks repaid during the reported period	-	-	-	-	196 947	21 811
Due from others banks as at 31 December 2009	-	-	-	-	136	137
Loans to customers as at 31 December 2008 (gross)	170	110	293	293	73	-
Loans to customers issued during the reported period	144	6	66	66	42	248
Loans to customers repaid during the reported period	207	104	248	248	21	-
Loans to customers as at 31 December 2009 (gross)	107	12	111	111	94	248
Interest received on loans to customers and due from others banks	5	2	7	7	27	5
Average interest rate (banks)	-	-	-	-	1,30%	1,72%
Average interest rate (non-banks)	4,18%	3,02%	4,94%	4,94%	-	-

The outstanding balances at the end of the reported period, liability-related transactions with related parties as at 31 December 2009:

LVL'000	Members of the Board and members of the Supervisory Council				Associated with the Group and Bank companies and private persons	
	Group	Bank	Group	Bank	Group	Bank
Due to other banks as at 31 December 2008	-	-	-	-	34 224	29 247
Due to other banks placed during the reported period	-	-	-	-	129 985	128 872
Due to other banks repaid during the reported period	-	-	-	-	150 072	150 072
Due to other banks as at 31 December 2009	-	-	-	-	14 137	8 047
Customers accounts as at 31 December 2008	709	283	131	131	29 376	27 242
Customers accounts received during the reported period	1 322	857	715	715	125 134	120 670
Customers accounts repaid during the reported period	1 766	912	625	625	122 249	117 815
Customers accounts as at 31 December 2009	265	228	221	221	32 261	30 097
Interest expense on deposits	38	17	13	13	713	336
Average interest rate (banks)	-	-	-	-	2,60%	2,60%
Average interest rate (non-banks)	6,34%	6,94%	7,7%	7,7%	0,23%	0,02%
Remuneration	518	206	258	258	-	-
Guarantees received as at 31 December 2009	38	-	-	-	17	-

*JSC AS "Latvijas Biznesa banka"
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INDEPENDENT AUDITOR'S REPORT

To shareholders of AS "Latvijas Biznesa banka "

Report on the financial statement

We have performed the audit of AS "Latvijas Biznesa banka" (hereinafter - Bank) financial statements for the year 2009 and the consolidated financial statement of AS "Latvijas Biznesa banka" and its subsidiaries (hereinafter - Group) for the year 2009 incorporated in the annual report of Bank for the year 2009. The audited financial statements include the statements of financial position of the Bank and the Group as of 31 December 2009, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for 2009, as well as a summary on the relevant accounting principles, as well as other explanatory information presented in the Appendix.

Management responsibility on the presentation of the financial statement

The management of AS "Latvijas Biznesa banka" is responsible for drawing up of the financial statements and accuracy of the information contained in the said report presented compliant with the International Financial Reporting Standards and the requirements fixed by the Financial and Capital Market Commission on presentation of financial statements pursuant. This responsibility implies establishment, implementation and maintenance of such internal control that is to ensure the drawing up and true and fair presentation of the financial report that is free from material misstatement resulting from fraudulent activity or errors, selection and use of an appropriate accounting policy, as well as preparation of accounting estimates suitable in the particular conditions.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We performed the audit in accordance with the International Standards on Audit recognized in Latvia. These standards stipulate ethical norms to be observed by the auditor and require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

The audit includes procedures undertaken to obtain audit evidence on the amounts presented in the financial statements and the information disclosed. The procedures are selected based on the auditor's professional judgement, including assessment of risk of fraudulent misrepresentation or material discrepancies in the financial statement. When performing risk assessment, the auditor takes into account internal control established to ensure the drawing up of the financial statements and accurate presentation of information in the reports aimed at determining the most appropriate procedures in the particular situation, rather than expressing an opinion on the efficiency of control. The audit also includes general evaluation of whether the applied accounting principles and relevant management assumptions, as well as the information presented in the financial statements are reasonably justified.



We believe that the disclosures made in the course of our audit are sufficient and adequate to express our auditor's opinion.

Opinion

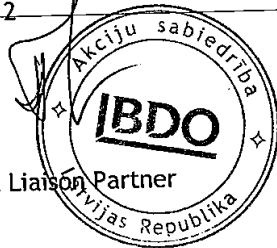
In our opinion, the financial statements referred to above in all material aspects present a true and fair view of the financial position of the Bank and the Group as of 31 December 2009, the results of its operation and the cash flow for the year 2009 and are compliant with the International Financial Reporting Standards and the requirements fixed by the Financial and Capital Market Commission on presentation of financial statements.

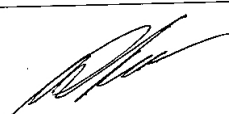
Report on the conformity of the management report

We have familiarised ourselves with the management report for the year 2009, and have not disclosed any material discrepancies between the financial information presented in the management report and the financial statements for the year 2009.

"BDO" JSC
Certified auditors-Commercial Company
Licence No. 112

D. Tunsts
International Liaison Partner




A. Putniņš
The responsible certified auditor
Certificate No.123

Riga, Latvia
March 30, 2010