RIETUMU

2012 ANNUAL REPORT

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REPORT OF COUNCIL AND BOARD OF DIRECTORS

2012 marked the 20 year anniversary of Rietumu Bank and was a very successful and promising year. The Group has continued to enhance its reputation as one of the best managed and stable financial institutions in the Baltic States. The Group is one of the largest privately owned banks in the Baltic States offering a comprehensive range of banking products and services for corporate customers and high net worth individuals. The Group has extensive experience in the EU and CIS countries and the Group sees itself as a bridge between East and West as many of its customers operate in Latvia, the Baltic States, Western Europe, Russia and other CIS countries. The Group understands business environments in both Western and Eastern Europe.

Financial results of the Group were very positive and return on equity more than doubled to 14.61% in 2012 up from 6.97% in 2011. The Group also witnessed more than double increase in after tax earnings per share of 0.22 LVL per share in 2012 compared to 0.10 LVL per share in 2011. One of the cornerstones of our development has always been conservatism and safety and we achieved this year's financial results while maintaining a very liquid balance sheet with relatively high capital ratios. Total assets have increased funded by customer deposits which have continued to grow during 2012 proving underlying confidence depositors hold in the Bank as well the competiveness of the Bank's products.

The Bank considers that relationship banking is one of the keys to its success. Customers receive an individual and tailor-made approach to decision making, exceptional professionalism, integrity and confidentiality. All customers have access to the Bank remotely through internet banking, phone banking, private bankers and regional managers and 24 h customer support service. In addition, the Group maintains close contact with its customers through a network of representative offices. In 2012, the Group expanded this network by opening a new representative office in Shanghai.

In 2012 Rietumu Banka had expanded the number of acquired e-commerce merchants by attracting of the new internet payment service providers and e-commerce merchants from 13 European countries. Accordingly in 2012 was a significant growth in the number of acquired e-commerce merchants, acquired transactions and transaction sales volume. Rietumu Banka had entered in new markets to provide the acquiring service. In November 2012 under patronage of Rietumu Banka the international business conference "eCom" took place in Riga. This business event had brought together more than 250 participants from 20 countries.

In 2012, as before, the Bank focused its lending on medium sized projects in Latvia as well as in the Baltic States, Russia and CIS countries. The Bank's lending is split between corporate lending in Latvia, private lending, international lending and trade finance. As in 2011, much of the focus and success has been on the finance of international trade supporting raw materials that are exported from CIS countries as well as consumer goods that are imported into these countries. The Group also expanded its transport finance portfolio of rolling stock as well as ship finance in the Baltic and Black sea regions. Through the Group leasing subsidiaries, the Group expanded its industrial equipment leasing portfolio and the Bank has in addition been successful in wholesale financing of other leasing and credit companies.

Another key component to the relationship with our customer has been in the areas of wealth protection, asset management and brokerage. In 2012 these businesses continued to be very successful and offering customers' opportunities for trading on global markets and a comprehensive range of asset management services.

In 2012, the Bank entered the capital markets through its first bond listed on the NASDAQ OMX Riga exchange. This bond is subordinated and had a tenor of 7 years and the Bank approved a programme of Euro 50 million. In 2012, the Bank issued LVL 13.16 million of the total programme and the bond was more than 200% oversubscribed. The Bank also continued issuing subordinated loans of 5 and 7 year maturity to our customers. A large percentage of the total issued subordinated loans of LVL 63.57 million were bought by customers that placed subordinated loans to obtain residency permits in Latvia.

Celebrating its 20th anniversary the Bank hosted an exhibition 19th and 20th century paintings representing a part of the Bank's art collection. This exhibition was held in the Riga Stock Exchange Museum. In addition, the Group hosted various other events and ran advertising programs to celebrate the 20 year anniversary. In 2012, Rietumu Charity Fund continued to support charity and arts patronage, with the focus on supporting projects in medical and child care, and social sphere.

Financial results of the Group

Group total assets increased in 2012 to LVL 1,650 m compared to LVL 1,396 m in 2011. This growth is due to a significant increase in customer balances during this period. Customer deposits increased by 17% to LVL 1,440 m compared to LVL 1,232 m as at 31 December 2011.

Group loans and advances to customers grew to LVL 664 m or by 16.7% when compared to LVL 569 m as at 31 December 2011. The Group's policy of keeping high liquidity ratios remained the same and excess funding was invested primarily into short term money market instruments as well as liquid investment grade sovereign and corporate bonds.
Net profit after tax has increased to LVL 22.1 m from LVL 9.8 m in 2011. The Group's total shareholders' equity increased to LVL162 m.

The Bank is continuing its dividend policy of paying out 25% of Bank profit as a dividend and management proposes to pay a dividend of LVL 5.064 million.

At year end (LVL'000)	2012	2011	2010	2009
Total assets	1,650,132	1,396,150	1,126,118	969,931
Loans and receivables from customers	663,852	568,795	500,536	454,020
Due to customers	1,440,454	1,231,508	969,947	664,405
Total shareholder's equity	161,765	141,442	140,651	132,821
For the year (LVL'000)				
Net profit before tax	25,984	12,318	10,699	10,477
Net profit after tax	22,177	9,827	6,842	7,986
Operating income	77,404	51,103	51,618	54,313
Ratios				
Earnings per share (LVL)				
After tax	0.22	0.10	0.07	0.08
Before tax	0.26	0.12	0.11	0.10
Dividend per share (LVL)	0.05	0.01	0.01	1.03
Return on equity				
Before tax	17.12%	8.73%	7.82%	7.92%
After tax	14.61%	6.97%	5.00%	6.03%
Return on assets				
Before tax	1.71%	0.98%	1.02%	0.96%
After tax	1.46%	0.78%	0.65%	0.74%
Capital adequacy ratio	18.79%	16.79%	16.38%	17.38%
Profit margin	33.57%	24.10%	20.73%	19.29%
Loan portfolio to total assets ratio	40.23%	40.74%	44.45%	46.81%
Number of employees	1,066	1,029	1,017	736

At year end (LVL'000)	2012	2011	2010	2009
Total assets	1,638,967	1,388,401	1,116,323	981,645
Loans and receivables due from customers	704,505	605,432	535,849	490,471
Due to customers	1,441,730	1,234,827	971,004	681,521
Total shareholder's equity	157,619	136,057	137,909	132,757
For the year (LVL'000)				
Net profit before tax	23,700	13,057	4,887	9,810
Net profit after tax	20,257	10,613	3,187	8,137
Operating income	68,348	47,411	44,460	50,716
Ratios				
Earnings per share (LVL)				
After tax	0.20	0.11	0.03	0.08
Before tax	0.24	0.13	0.05	0.10
Dividend per share (LVL)	0.05	0.03	0.01	1.03
Return on equity				
Before tax	16.14%	9.53%	3.61%	7.40%
After tax	13.80%	7.75%	2.35%	6.14%
Return on assets				
Before tax	1.57%	1.04%	0.47%	0.93%
After tax	1.34%	0.85%	0.30%	0.78%
Capital adequacy ratio	19.51%	17.20%	17.82%	17.39%
Profit margin	34.68%	27.54%	10.99%	19.34%
Loan portfolio to total assets ratio	42.98%	43.61%	48.00%	49.96%
Number of employees	654	623	605	567

Statement of Management Responsibility

The Management of Rietumu Bank (the Bank) is responsible for the preparation of the consolidated financial statements of the Bank and its subsidiaries (the Group) as well as for the preparation of the separate financial statements of the Bank.

The separate and consolidated financial statements on pages 13 to 110 are prepared in accordance with source documents and present fairly the financial position of the Bank and the Group as of 31 December 2012 and the results of their operations and cash flows for the year ended 31 December 2012.

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

The Management of Rietumu Bank AS is responsible for the maintenance of proper accounting records, the safeguarding of the Bank's and the Group's assets and the prevention and detection of fraud and other irregularities in the Bank and in the Group. The Management is also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Finance and Capital Markets Commission and other legislation of the Republic of Latvia applicable institutions.

On behalf of the Management of Rietumu Bank AS:

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

22 March 2013

The Council of Rietumu Bank

During the year and as of the date of the signing of the financial statements:

1 January – 31 December 2012

Name	Position	Date of appointment
Leonid Esterkin	Chairman of the Council	25/09/97(25/03/11-25/03/14)
Arkady Suharenko	Deputy Chairman of the Council	25/09/97(25/03/11-25/03/14)
Brendan Thomas Murphy	Deputy Chairman of the Council	07/09/05(25/03/11-25/03/14)
Dermot Fachtna Desmond	Member of the Council	07/09/05(25/03/11-25/03/14)
Alexander Gafin	Member of the Council	25/03/10(25/03/11-25/03/14)
Aleksander Kalinovski	Member of the Council	05/11/10(25/03/11-25/03/14)
Valentin Bluger	Member of the Council	25/03/11(25/03/11-25/03/14)

The Board of Directors

During the year and as of the date of the signing of the financial statements:

1 January 2012 – 10 December 2012

Name	Position	Date of appointment
Alexander Pankov	Chairman of the Board, President	18/10/10(18/10/10-18/10/13)
Ruslans Stecjuks	Member of the Board, First Vice President	18/10/10(18/10/10-18/10/13)
Dmitry Pyshkin	Member of the Board, Senior Vice President	04/07/06(18/10/10-18/10/13)
Jevgenijs Djugajevs	Member of the Board, Senior Vice President	18/10/10(18/10/10-18/10/13)
Ilja Suharenko	Member of the Board, Senior Vice President	18/10/10(18/10/10-18/10/13)
Rolf Paul Fuls	Member of the Board, Senior Vice President	26/11/10(26/11/10-26/11/13)

10 December 2012 – 31 December 2012

Name	Position	Date of appointment
Alexander Pankov	Chairman of the Board, President	18/10/10(18/10/10-18/10/13)
Ruslans Stecjuks	Member of the Board, First Vice President	18/10/10(18/10/10-18/10/13)
Dmitry Pyshkin	Member of the Board, Senior Vice President	04/07/06(18/10/10-18/10/13)
Jevgenijs Djugajevs	Member of the Board, Senior Vice President	18/10/10(18/10/10-18/10/13)
Ilja Suharenko	Member of the Board, Senior Vice President	18/10/10(18/10/10-18/10/13)
Rolf Paul Fuls	Member of the Board, Senior Vice President	26/11/10(26/11/10-26/11/13)
Renats Lokomets	Member of the Board, Senior Vice President	10/12/12(10/12/12-09/12/15)

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Report on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of AS Rietumu Banka ("the Bank"), which comprise the separate statement of financial position as at 31 December 2012, the separate income statement, separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 13 to 110. We have also audited the accompanying consolidated financial statements of AS Rietumu Banka and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 13 to 110.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines are necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether these financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Bank's and Group's preparation and fair presentation of these financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and Group's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by Bank's and Group's management, as well as evaluating the overall presentation of the separate and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of AS Rietumu Banka as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of AS Rietumu Banka and its subsidiaries as at 31 December 2012, and of the consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Report of Council and Board of Directors, as set out on pages 4 to 5, the preparation of which is the responsibility of management, is consistent with the consolidated financial statements. Our work with respect to the Report of Council and Board of Directors was limited to the aforementioned scope and did not include a review of any information other than drawn from the consolidated financial statements of the Group. In our opinion, the Report of Council and Board of Directors is consistent with the separate and consolidated financial statements.

KPMG Baltics SIA
License No 55

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia

Valda Užāne
Sworn Auditor
Certificate No 4

22 March 2013

FINANCIAL STATEMENTS

Separate and Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 '000 LVL Group	2012 '000 LVL Bank	2011 '000 LVL Group	2011 '000 LVL Bank
Interest income	6	49,116	45,483	37,338	35,290
Interest expense	6	(14,919)	(14,072)	(13,867)	(12,730)
Net interest income		34,197	31,411	23,471	22,560
Fee and commission income	7	25,863	25,597	18,401	17,998
Fee and commission expense	8	(6,579)	(6,814)	(4,404)	(3,944)
Net fee and commission income		19,284	18,783	13,997	14,054
Net gain/(loss) on financial instruments at fair value through profit or loss	9	3,027	2,863	(2,450)	(1,845)
Net foreign exchange gain	10	12,705	12,815	10,787	11,040
Net gain/(loss) on the net monetary position		(210)	-	(115)	-
Net realised gain/(loss) on available-for-sale assets	11	(130)	(292)	13	-
Share of profit of equity accounted investees (net of income tax)		(24)	-	7	-
Other income/(expense)	12	8,555	2,768	5,393	1,602
Operating Income		77,404	68,348	51,103	47,411

The separate and consolidated income statement is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 23 to 110.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

22 March 2013

	Note	2012 '000 LVL Group	2012 '000 LVL Bank	2011 '000 LVL Group	2011 '000 LVL Bank
Impairment losses	13	(14,056)	(13,621)	(8,182)	(9,351)
General administrative expenses	14	(37,364)	(31,027)	(30,603)	(25,003)
Profit before income tax		25,984	23,700	12,318	13,057
Income tax expense	15	(3,807)	(3,443)	(2,491)	(2,444)
Profit for the period		22,177	20,257	9,827	10,613
Attributable to:					
Equity holders of the Bank		21,926		9,753	
Non-controlling interest		251		74	

The separate and consolidated income statement is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 23 to 110.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

22 March 2013

Separate and consolidated statement of other comprehensive income

For the year ended 31 December 2012

	Note	2012 '000 LVL Group	2012 '000 LVL Bank	2011 '000 LVL Group	2011 '000 LVL Bank
Profit for the period		22,177	20,257	9,827	10,613
Attributable to:					
Equity holders of the Bank		21,926	20,257	9,753	10,613
Non-controlling interest		251	-	74	-
Other comprehensive income					
Changes in fair value reserve		4,658	4,658	(2,830)	(2,900)
Change in revaluation reserve		134	-	853	-
Change in other reserves		49	-	-	-
Partial disposal of units of a previously controlled fund		(60)	-	-	-
Exchange differences on translating foreign operations		(278)	-	(738)	-
Income tax related to items of other comprehensive income	15	(722)	(699)	295	435
Other comprehensive income for the period		3,781	3,959	(2,420)	(2,465)
Total comprehensive income for the period		25,958	24,216	7,407	8,148
Attributable to:					
Equity holders of the Bank		25,658		7,353	
Non-controlling interest		390		54	

The separate and consolidated income statement is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 23 to 110.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

22 March 2013

Separate and Consolidated Statement of Financial Position

As at 31 December 2012

Assets	Note	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank	31 Dec 2011 '000 LVL Group	31 Dec 2011 '000 LVL Bank
Cash and balances with the central bank	16	215,790	215,757	71,793	71,634
Financial instruments at fair value through profit or loss	17	37,674	37,439	58,507	52,592
Loans and receivables due from banks	18	464,300	462,012	493,538	491,833
Loans and receivables due from customers	19	663,852	704,505	568,795	605,432
Reverse repo	37	82,780	82,780	-	-
Available-for-sale assets	20	52,196	74,487	78,118	106,835
Held-to-maturity investments	21	15,373	15,373	15,302	15,302
Non-current assets held for sale	44	11,474	-	-	-
Investments in subsidiaries and associates	22,23	60	18,729	85	18,759
Investment property	26	52,520	7,499	45,413	6,926
Property and equipment	24	31,356	3,629	44,319	4,234
Intangible assets	25	2,609	1,595	3,183	2,047
Current tax asset		681	402	488	-
Deferred tax asset	32	141	-	67	95
Other assets	27	19,326	14,760	16,542	12,712
Total assets		1,650,132	1,638,967	1,396,150	1,388,401

The separate and consolidated income statement is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 23 to 110.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

22 March 2013

Separate and Consolidated Statement of Financial Position, continued

As at 31 December 2012

Liabilities and shareholders' equity	Note	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank
Financial Instruments at Fair Value Through Profit or Loss	17	101	101	186	186
Deposits and balances due to banks	28	20,919	19,221	14,059	13,720
Current accounts and deposits due to customers	29	1,440,454	1,441,730	1,231,508	1,234,827
Issued debt securities	30	13,163	13,163	-	-
Current tax liability		323	-	592	551
Deferred tax liability	32	2,827	586	2,358	-
Other liabilities and accruals	31	10,580	6,547	6,005	3,060
Total Liabilities		1,488,367	1,481,348	1,254,708	1,252,344
Share capital	33	100,000	100,000	100,000	100,000
Share premium	33	4,809	4,809	4,809	4,809
Revaluation reserve	33	2,669	1,754	2,626	1,754
Fair value reserve	33	1,494	1,494	(2,405)	(2,465)
Currency translation reserve		(2,109)	-	(1,760)	-
Other reserves	33	10,074	10,016	10,025	10,016
Retained earnings		43,166	39,546	23,490	21,943
Total Equity Attributable to Equity Holders of the Bank		160,103	157,619	136,785	136,057
Non-controlling Interest		1,662	-	4,657	-
Total Shareholders' Equity		161,765	157,619	141,442	136,057
Total Liabilities and Shareholders' Equity		1,650,132	1,638,967	1,396,150	1,388,401

The separate and consolidated income statement is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 23 to 110.

22 March 2013

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

Cash Flows from Operating Activities	Note	2012 '000 LVL Group	2012 '000 LVL Bank	2011 '000 LVL Group	2011 '000 LVL Bank
Profit before income tax		25,984	23,700	12,318	13,057
Amortization and depreciation	24, 25	2,942	1,547	3,625	2,068
Profit from sale of investment property		-	(8)	-	-
Revaluation of investment property		(476)	-	397	(320)
(Gain)/loss on disposal of property and equipment		(594)	(49)	(626)	(75)
(Gain)/loss on sale of subsidiary		(19)	(20)	(32)	34
Share on profit of equity accounted investees		25	-	-	-
Impairment losses	13	14,056	13,621	8,182	9,351
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		41,918	38,791	23,864	24,115
(Increase)/Decrease in financial instruments at fair value through profit or loss		20,833	15,153	(13,387)	(11,274)
(Increase)/Decrease in loans and receivables due from banks – term deposits		238,274	238,298	(195,025)	(195,127)
Increase in loans and receivables from customers		(109,852)	(112,707)	(75,970)	(76,772)
(Increase)/Decrease in receivable under reverse repurchase agreements		(82,780)	(82,780)	50,726	50,726
(Increase)/decrease in available-for-sale assets		24,849	37,019	(80,641)	(87,364)
(Increase)/Decrease in other assets		(3,250)	(3,881)	2,849	1,294
Increase/(Decrease) in derivative liabilities		(85)	(85)	(395)	(309)
Increase/(Decrease) in term deposit deposits due to banks		(380)	(291)	(1,984)	868
Increase in current accounts and deposits from customers		208,946	206,903	261,561	263,823
Increase in other liabilities and accruals		4,575	3,487	1,308	923
(Decrease)/Increase in cash and cash equivalents from operating activities before corporate income tax		343,048	339,907	(27,094)	(29,097)
Corporate income tax paid		(4,572)	(4,414)	(2,794)	(1,935)
Net cash and cash equivalents used in operating activities		338,476	335,493	(29,888)	(31,032)

Cash Flow from Investing Activities	Note	2012 '000 LVL Group	2012 '000 LVL Bank	2011 '000 LVL Group	2011 '000 LVL Bank
Purchase of property and equipment and intangible assets	24, 25	(833)	(390)	(1,644)	(565)
Proceeds from sale of property, plant and equipment and other assets		1,270	553	1,294	103
(Increase)/Decrease in consideration paid for acquisition of subsidiaries		-	-	-	(450)
Proceeds from sale of subsidiary		423	50	395	395
(Acquisition) / sale of investment property	26	(3,950)	695	(2,737)	(76)
(Increase) /decrease in held-to-maturity financial assets		(102)	(102)	(14,633)	(14,633)
Cash and cash equivalents used in investing activities		(3,192)	806	(17,325)	(15,226)
Cash Flow from Financing Activities					
Distribution from Other reserves		-	-	(10,000)	(10,000)
Issued debt securities	30	13,163	13,163	-	-
Dividends paid		(2,654)	(2,654)	-	-
Cash and cash equivalents used in financing activities		10,509	10,509	(10,000)	(10,000)
Net cash flow for the period		345,793	346,808	(57,213)	(56,258)
Cash and cash equivalents at the beginning of the year		245,518	244,933	302,731	301,191
Cash and cash equivalents at the end of the year	34	591,311	591,741	245,518	244,933

The separate and consolidated income statement is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 23 to 110.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

22 March 2013

Bank's Separate Statement of Changes in Shareholders' Equity

For the year ended 31 December 2012

	Share capital '000 LVL	Share premium '000 LVL	Revaluation reserve '000 LVL	Fair value reserve '000 LVL	Other reserves '000 LVL	Retained earnings '000 LVL	Total equity '000 LVL
Balance at 1 January 2011	100,000	4,809	1,754	-	20,016	11,330	137,909
Transactions with shareholders recorded directly in equity							
Distribution from Other reserves	-	-	-	-	(10,000)	-	(10,000)
Total comprehensive income							
Profit for the period	-	-	-	-	-	10,613	10,613
Changes in fair value of available-for-sale financial assets	-	-	-	(2,465)	-	-	(2,465)
Balance at 31 December 2011	100,000	4,809	1,754	(2,465)	10,016	21,943	136,057
Transactions with shareholders recorded directly in equity							
Dividends paid	-	-	-	-	-	(2,654)	(2,654)
Total comprehensive income							
Profit for the period		-	-	-	-	20,257	20,257
Changes in fair value of available-for-sale financial assets	-	-	-	3,959	-	-	3,959
Balance at 31 December 2012	100,000	4,809	1,754	1,494	10,016	39,546	157,619

The separate and consolidated income statement is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 23 to 110.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

22 March 2013

Group Consolidated Statement of Changes in the Shareholders' Equity

For the year ended 31 December 2012

	Attributable to Equity Holders of the Bank									
	Share capital '000 LVL	Share premium '000 LVL	Revaluation reserve '000 LVL	Fair value reserve '000 LVL	Foreign currency translation reserve '000 LVL	Other reserves '000 LVL	Retained earnings '000 LVL	Total '000 LVL	Non-controling interest '000 LVL	Total Equity '000 LVL
Balance at 1 January 2011	100,000	4,809	2,121	-	(1,260)	20,025	13,737	139,432	1,219	140,651
Transactions with shareholders recorded directly in equity										
Distributions of Other reserves	-	-	-	-	-	(10,000)	-	(10,000)	-	(10,000)
Issue of new units to third parties by a controlled fund	-	-	-	-	-	-	-	-	3,384	3,384
Total comprehensive income										
Profit for the current year	-	-	-		-	-	9,753	9,753	74	9,827
Revaluation of property	-	-	505	-	-	-	-	505	218	723
Changes in fair value of available-for-sale financial assets	-	-	-	(2,405)	-	-	-	(2,405)	-	(2,405)
Exchange differences on the translating foreign operations	-	-	-	-	(500)	-	-	(500)	(238)	(738)
Balance at 31 December 2011	100,000	4,809	2,626	(2,405)	(1,760)	10,025	23,490	136,785	4,657	141,442

Group Consolidated Statement of Changes in the Shareholders' Equity, continued

For the year ended 31 December 2012

	Attributable to Equity Holders of the Bank									
	Share capital '000 LVL	Share premium '000 LVL	Revaluation reserve '000 LVL	Fair value reserve '000 LVL	Foreign currency translation reserve '000 LVL	Other reserves '000 LVL	Retained earnings '000 LVL	Total '000 LVL	Non-controling interest '000 LVL	Total Equity '000 LVL
Transactions with shareholders recorded directly in equity										
Dividends paid	-	-	-	-	-	-	(2,654)	(2,654)	-	(2,654)
Change in interest in previously controlled fund									-	(10,000)
Partial disposal to third parties of units of a previously controlled fund (Note 20)	-	-	-	(60)	-	-	404	344	(3,385)	(3,041)
Total comprehensive income										
Profit for the current year	-	-	-	-	-	-	21,926	21,926	251	22,177
Other reserves	-	-	-	-	-	49	-	49	-	49
Revaluation of property	-	-	82	-	-	-	-	82	29	111
Changes in fair value of available-for-sale financial assets	-	-	-	3,959	-	-	-	3,959	-	3,959
Exchange differences on the translating foreign operations	-	-	(39)	-	(349)	-	-	(388)	110	(278)
Balance at 31 December 2012	100,000	4,809	2,669	1,494	(2,109)	10,074	43,166	160,103	1,662	161,765

The separate and consolidated income statement is to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 23 to 110.

Chairman of the Council
Leonid Esterkin

Chairman of the Board
Alexander Pankov

22 March 2013

1 Background

Principal activities

These separate and consolidated financial statements include the financial statements of JSC "Rietumu Bank" (the "Bank") and its subsidiaries (together referred to as the "Group"). The principal subsidiaries of the Group are set out below. JSC "Rietumu Bank" was established in the Republic of Latvia as a Joint Stock Company and was granted it's general banking license in 1992. The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Bank of Latvia and the Financial and Capital Market Commission ("FCMC"). The registered address of the Bank's head office is Vesetas Street 7, Riga, Latvia. The average number of people employed by the Group during the year was 1,066 (2011: 1,029) and by the Bank 654 (2011: 623).

Significant subsidiaries of the Group

Name	Country of incorporation	Principal activities	31 Dec 2012 Ownership %	31 Dec 2011 Ownership %
RB Securities Ltd	Stasinou Str.1, Mitsi Building 1, 2nd floor, Flat/office 5, Plateia Eleftherias, P.C.1060, Nicosia, Cyprus	Financial services	99.99%	99.99%
"RB Investments" Ltd	Vesetas Str.7, Riga, Latvia	Investments	100%	100%
"RB Asset Management" IPS	Vesetas Str.7, Riga, Latvia	Financial services	100%	100%
"Westtransinvest" Ltd	Odoevskogo Str.117, 6th floor, office 9, Minsk Belarus	Leasing company	50%	50%
"Westleasing-M" Ltd	Kostjakova Str.10, Moscow, Russia	Leasing company	50%	50%
"Arēna Rīga" Ltd.	Skanstes Str.21, Riga, Latvia	Entertainment and sports	100%	100%
"Elektro Bizness" Ltd	Vesetas Str.7, Riga, Latvia	Electricity production company	85%	85%
RB Opportunity Fund I	Vesetas Str.7, Riga, Latvia	Investments	100%	100%
"Vesetas 7" Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
"Overseas Estate" Ltd	Vesetas Str.7, Riga, Latvia	Juice terminal	100%	100%
"M 322" Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
"H-Blok" Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
"Aristida Briāna 9" Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
"ARMITANA PROPERTY" Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
"InCREDIT GROUP" Ltd	Krišjāņa Barona Str.130, Riga, Latvia	Customer lending	51%	51%
"KI Nekustamie īpašumi" Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
"KI Zeme" Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
"Miera 30C" Ltd	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%

In the subsidiaries with an ownership share of 50% the Group has the right to majority votes on the Board of Directors and therefore controls the operations of these subsidiaries.

2 Basis of preparation

(a) Statement of compliance

The accompanying separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"), and regulations of the Financial and Capital Market Commission of the Republic of Latvia (the 'FCMC') in force as at the reporting date.
The Board of Directors authorised these separate and consolidated financial statements for issue on March 22, 2013. The shareholders have the power to reject the separate and consolidated financial statements prepared and issued by management and the right to request that new financial statements be issued.

(b) Basis of measurement

The separate and consolidated financial statements are prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are stated at fair value;
- available-for-sale assets are stated at fair value;
- owner occupied buildings which are stated at revalued amounts being the fair value at the date of valuation less subsequent accumulated depreciation;
- investment property which is stated at fair value.

(c) Functional and Presentation Currency

The financial statements are presented in thousands of lats (LVL 000's). The functional currencies of subsidiaries of the Bank are LVL except for the subsidiaries listed below:

"RB Securities" Ltd.	USD (US dollar)
"Westleasing" Ltd	BYR (Belarus rouble)
"Westtransinvest"	BYR (Belarus rouble)
"Westleasing-M"	RUB (Russian rouble)
"Parex Leasing" Ltd	BYR (Belarus rouble)
"Interrent" Ltd	BYR (Belarus rouble)
"RB Baki" Ltd.	AZN (Azerbaijan manat)
"RB Commercial Consulting (Shanghai) Co." Ltd	CNY (Chinese yuan)

The following significant accounting policies have been applied in the preparation of the separate and consolidated financial statements. The accounting policies have been consistently applied to all periods presented in these financial statements.

(a) Foreign currency

(I) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Bank and its subsidiary companies at the spot exchange rate on the date of the transaction as determined by the Central Bank of the respective country in which each entity operates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost are translated into the functional currency at the spot exchange rate at the date of transaction. Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in equity through statement of other comprehensive income.

(II) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the Group at exchange rates set by the Bank of Latvia at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Group at exchange rate at the date of transaction. Foreign currency differences arising on translation to the Bank's functional currency are recognised in equity in a Foreign Currency Translation Reserve, through other comprehensive income.

(III) Hyperinflation

In 2012 the economy of the Republic of Belarus was classified as a hyperinflationary economy under the criteria included in IAS 29.

The foreign operations that have functional currency Belarus Ruble first restated their financial data into the measuring unit current at the reporting date in accordance with requirements of IAS 29 except for comparative amounts. All financial data for the period are then translated to the Group presentation currency LVL using the exchange rate as at 31 December 2012. The comparative amounts are not adjusted for the changes in exchange rate since the relevant earlier date.

IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date. Therefore application of IAS 29 results in an adjustment to the income statement for the gain or loss of purchasing power of the Belarusian Ruble under the caption "Net gain/loss on net monetary position". This gain or loss on net monetary position is calculated as a difference resulting from the restatement of non-monetary assets, non-monetary liabilities, equity and items of the statement of other comprehensive income.

The Group's net exposure to Belarus Ruble is analysed under Currency risk analysis in Note 41.

(IV) Foreign exchange rates

	31 Dec 2012	31 Dec 2011
EUR	0.7028040	0.7028040
USD	0.5310000	0.5440000
BYR	0.0000619	0.0000649
RUB	0.0174000	0.0170000

(b) Basis of consolidation

(I) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(II) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50% of the voting power of associated entity. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(III) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised gains arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(IV) Non–controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

(V) Investment in subsidiaries and associates in Bank's separate financial statements

Investments in subsidiaries and associates are measured in Bank's separate financial statements at cost less impairment allowance.

(VI) Funds management

The Bank and the Group manage and administer assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these trusts and investment vehicles are not included in the separate and consolidated financial statements except when the Bank or the Group control the operations of the trust or investment vehicle.

(c) Goodwill

Goodwill represents the excess of the cost of a business combination over the Bank's or the Group's interest in the fair value of the net identifiable assets and contingent liabilities of the acquisition at the date of acquisition. Goodwill on acquisitions of business operation is included in intangible assets.
The Bank and the Group measure goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill is included in intangible assets.
Goodwill is allocated to cash-generating units and is stated at cost less impairment losses.
Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired and is measured at cost less accumulated impairment losses. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to assets sold.
Negative goodwill arising on an acquisition is recognised immediately in the income statement.

(d) Fair value measurement principles

Saskaņā ar vairākām Bankas un Koncerna grāmatvedības politikām un informācijas
A number of the Bank's and Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

(I) Financial assets

When available, the Bank and the Group measure the fair value of an financial asset using quoted prices in an active market for that financial asset. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.
If a market for a financial instrument is not active, the Bank and the Group establish fair value using a valuation technique. Valuation techniques' assumptions are based on recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the relevant financial instrument, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.
Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank and the Group have positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk.

(II) Investment property and owner occupied buildings

The fair value of property is based on internal valuations performed by the Bank and the Group that are, on a regular basis (once in two years or when market conditions significantly change), corroborated with external, independent valuations prepared by valuation companies, having appropriate professional qualifications and recent experience in the location and category of property being valued. The fair values are based on market values, being the estimated amount for which property could be exchanged on the date of the valuation between willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(III) Intangible assets

The fair value of licenses acquired in a business combination is based on the discounted estimated cash flows from the business activity subject to the license. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earning method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the rated flows.

(e) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank and the Group in the management of their short-term commitments, less balances due to credit institutions with a maturity of less than 3 months.

(f) Financial instruments

(I) Classification

Financial instruments are classified into the following categories:

Financial instruments at fair value through profit or loss are financial assets or liabilities that are derivatives or are acquired or incurred principally for the purpose of selling or repurchasing in the near term, or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or that are designated to this category at initial recognition. The Bank and the Group designate financial assets and liabilities at fair value through profit or loss in the following circumstances:

– The assets or liabilities are managed, evaluated and reported internally on a fair value basis

– The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise

– The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank and the Group have the positive intention and ability to hold to maturity.
Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market at initial recognition.
Loans and receivables include regular loans and credit card balances, deposits and balances with Central Bank and other banks, and finance lease.
Liabilities at amortized cost include deposits and balances due to banks, current accounts and deposits from customers and issued debt securities.

(II) Recognition

The Bank and the Group initially recognise loans and receivables, deposits and debt securities issued on the date at which they are originated. All other financial assets and liabilities are recognised in the statement of financial position on the trade date when the Bank and the Group become a party to the contractual provisions of the instrument.

(III) Measurement

A financial asset or liability is initially measured at its fair value and, except for a financial asset or liability at fair value through profit or loss, includes transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions with the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the income statement on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.
Subsequent to initial recognition, financial assets other than loans and receivables, held to maturity investments and equity investments carried at cost and financial liabilities at amortised cost, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal.
Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.
All held to maturity investments, loans and receivables and financial liabilities at amortised cost and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(IV) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in the income statement;
- a gain or loss on an available-for-sale financial asset is recognised in revaluation reserve through statement of other comprehensive income (except for impairment losses and foreign exchange gains and losses on monetary assets) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Interest in relation to an available-for-sale financial asset is recognised as earned in the income statement calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the income statement when the financial asset or liability is derecognised or impaired, and through the unwinding of interest using the effective interest rate method.

(V) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Bank and the Group transfer substantially all of the risks and rewards of ownership of the financial asset or when the Bank and the Group neither transfer, nor retain substantially all risks and rewards of ownership but does not retain control of the financial asset. Any interest in transferred financial assets that qualifies for derecognition that is created or retained by the Bank and the Group is recognised as a separate asset or liability. A financial liability is derecognised when it is extinguished.
On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new ass et obtained less any new liability assumed) and (II) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

(VI) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (“repo”) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under “repo” transactions.
The difference between the sale and repurchase price represents the interest expense and is recognised in the income statement over the term of the “repo” agreement using the effective interest method.
Securities purchased under agreements to resell (“reverse repo”) are recorded as amounts receivable under “reverse repo” transactions. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the “reverse repo” agreement using the effective interest method.
If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(VII) Derivative financial instrumentsi

Derivative financial instruments include swaps, forwards, futures, and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments. The Bank and the Group classify all derivative financial instruments as financial instruments at fair value through profit and loss.
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.
Changes in the fair value of derivatives are recognised immediately in the income statement.
Derivatives may be embedded in another contractual arrangement (a "host contract"). The Bank and the Group account for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

(VIII) Offsetting

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

(g) Leases

The lease of property and equipment is classified as a finance lease if it transfers substantially all risks and rewards of ownership to the lessee. Title does not have to be transferred. All other leases are classified as operating leases.

The Company as lessor

Assets leased out under operating lease are carried in the statement of financial position analogously to other assets. Income is recognised on a straight-line basis over each lease term. Other payments associated with the lease are recognised in the income statement as a component other income.
When assets are held subject to finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable before impairment allowance is recognised as unearned finance income.

The Company as lessee

Assets acquired under finance leases include equipment. Assets acquired by way of finance lease is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease plus initial direct costs of the lessee. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and impairment losses.
Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

(h) Property and equipment

(I) Owned assets

Items of property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, except for land and buildings which are carried at revalued amounts as described below. Cost is the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction. The cost includes expenditures that are directly attributable to the acquisition of the asset.
Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(II) Revaluation

Land and buildings of the Bank and the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the land and buildings being revalued. A revaluation increase on an item of land and building is recognised in equity through statement of other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in the income statement, in which case it is recognised in the income statement.
A revaluation decrease on an item of land or buildings is recognised in the income statement except to the extent that it reverses a previous revaluation increase recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

(III) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date when the asset becomes available for use or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed annually. The estimated useful lives are as follows:

Buildings	50 years
Equipment	2.5 to 4 years
Furniture	8 years
Vehicles	2.5 to 5 years

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in income statement in other operating income.

(j) Repossessed collateral

If the borrower fails to fulfil the contractual obligations, the Board of Directors may decide that the loan agreement will be terminated and that the right to collateral pledged as security, will be exercised. According to Latvian law, the Bank and the Group cannot assume title of the asset pledge, but can initiate the sale, proceeds of which will be used to repay or partly repay the outstanding loan receivable. As the Bank and the Group are assuming the constructive title to the asset, and retain no contractual obligation to the original borrower, the Bank and the Group classify the asset as other assets.
If the collateral is property and title has been transferred to the Bank and the Group, the assets are shown as investment property.

(k) Intangible assets

Intangible assets, which are acquired by the Bank and the Group, are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are 5 to 7 years.

(l) Impairment

(I) Financial assets

At each reporting date the Bank and the Group assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank and the Group on terms that the Bank and the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Significant loans and receivables due from customers, except for lease contracts, and held-to-maturity investment securities are assessed individually for impairment indication and specific impairment allowance is established if necessary.

All loans and receivables for which no objective evidence of impairment is identified on an individual basis are grouped into sub-portfolios with similar credit risk characteristics according to the Bank's and the Group's internal loan portfolio rating procedure and a collective impairment allowance is assessed using statistical modelling of historical trends of the probability of default and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses and recoveries are recognised monthly based on regular loan reviews. Allowances during the period are recognised in the income statement.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against loans and receivables or held to maturity financial investments.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement. If the impaired financial asset is derecognised (due to repossessing of collateral (see Note 3j) or restructuring (see Note 19)), the related impairment allowance is written off.

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to income statement. The cumulative loss that is removed from fair value reserve and recognised in profit and loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognised in income statement.

If, in a subsequent period, the fair value of an impaired available-for-sale bond increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed, with the amount of the reversal recognised in income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(II) Non-financial assets

The carrying amounts of the Bank's and the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.
An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Provisions

A provision is recognised when the Bank and the Group have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, which can be estimated reliably, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Credit related commitments

In the normal course of business, the Bank and the Group enter into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.
Financial guarantees are contracts that require the Bank and the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.
A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognized less cumulative amortization or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably. Financial guarantee liabilities and provisions for other credit related commitments are included within other liabilities.

(o) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity respectively.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.
Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Income and expense recognition

(I) Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability. When calculating the effective interest rate, the Bank and the Group estimate future cash flows considering all contractual terms of the financial instruments, but not future credit losses.
Fees and commission income and expenses that are integral part to the effective interest rate on financial assets and liabilities are included in the measurement of the effective interest rate.

(II) Fee and commission income and expense

Fees and commission income, including mainly account servicing fees, investment management fees and credit card servicing fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.
Other fees and commission expense relate mainly to transaction and service fees, which are expressed as the services are receives.

(III) Net gain/loss on financial instrument at fair value through profit or loss

Net gain/loss on financial instrument at fair value through profit or loss comprises gains less losses related to trading assets and liabilities and derivatives held for risk management purposes which do not qualify for hedge accounting, and includes realised and unrealised fair value changes, foreign exchange differences.

(q) Dividends

The Bank and the Group receive dividends from the equity instruments that are recorded to income when the right to receive payment is established. Proposed dividends are recognised in the financial statements only when approved by shareholders.

(r) Employee benefits

Short term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in net operating expenses on an accrual basis as the service is provided. The Bank and The Group pay fixed security contributions to the State Social Fund on behalf of its employees during the employment period in accordance with local legal requirements and will have no obligations to pay further contributions relating to employee services in respect to pension of retired employees.

(s) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with Group's and Bank's accounting policies. Thereafter the assets are measured at lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in income statement. Gains are not recognised in excess of any cumulative impairment loss.
Once classified as held for sale, assets are no longer depreciated.

(t) New Standards and Interpretations

The following new Standards and Interpretations are not yet effective for the annual period ended 31 December 2012 and have not been applied in preparing these financial statements:

– Amendments to IFRS 7 and IAS 32 on Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 7 Disclosures (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively) contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.
Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively) clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Bank and Group do not expect the Amendments to have any impact on the financial statements since the Bank and Group do not apply offsetting to any of its financial assets and financial liabilities and have not entered into master netting arrangements.

– IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

(1) it is exposed or has rights to variable returns from its involvements with the investee;

(2) it has the ability to affect those returns through its power over that investee; and

(3) there is a link between power and returns.

The new IFRS 10 also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements.
Under the new IFRS 11, joint arrangements are divided into two types, each having its own accounting model defined as follows:

– a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement.

– A joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations.
IFRS 11 eliminates the free choice of equity accounting or proportionate consolidation; the equity method must always be used in financial statements.
IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.
The impact of the initial application of the new standards will depend on the specific facts and circumstances of the investees and joint arrangements of the Bank and Group held at the date of initial application. Therefore, it is not practicable to prepare an analysis of the impact the standards will have on the financial statements until the date of the application.

– IFRS 13 Fair Value Measurement (effective prospectively for annual periods beginning on or after 1 January 2013). IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. It is expected that the Standard, when applied, will have a significant impact on the disclosures in the notes to the financial statements in respect of the fair value and the determination of the fair value of certain financial and non-financial items. However, it is not practicable to prepare an analysis of the impact this will have on the financial statements until the date of the application.

– Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012; to be applied retrospectively). The amendments:

- – require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections.
- – change the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income, however, other titles are also allowed to be used.

The impact of the initial application of the amendments will depend on the specific items of other comprehensive income at the date of initial application. If the Bank were to adopt the amendments from 1 January 2012, then the following items of the other comprehensive income would be presented as items that may be reclassified to profit or loss in the future: LVL 4,658 thousand recognised in the fair value reserve, and the related tax effects of LVL 699 thousand, respectively, recognised in other comprehensive income. The remaining amounts and items of other comprehensive income would never be reclassified to profit or loss. If the Group were to adopt the amendments from 1 January 2012, then the following items of the other comprehensive income would be presented as items that may be reclassified to profit or loss in the future: LVL 278 thousand recognised in the foreign currency translation reserve, and LVL 4,658 thousand recognised in the fair value reserve, and the related tax effects of LVL 0 and LVL 699 thousand, respectively, recognised in other comprehensive income. The remaining amounts and items of other comprehensive income would never be reclassified to profit or loss.

– Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively). The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.
The Bank and Group do not expect the amendments to have any impact on the financial statements, since it does not result in a change in the Bank's or Group's accounting policy. The measurement of deferred tax assets and liabilities relating to investment properties measured using the fair value model in IAS 40 will not change.

– IAS 19 (2011) Employee Benefits (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Transitional provisions apply). The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on rate used to discount the defined benefit obligation. The amendments are not relevant to the Bank's and Group's financial statements, since the Bank and Group do not have any defined benefit plans.

– IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014) introduces minor clarifications. The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, Consolidated Financial Statements. The Bank and Group do not expect IAS 27 (2011) to have a material impact on the financial statements, since it does not result in a change in the entity's accounting policy.

– IAS 28 (2011) Investments in Associates and Joint Ventures (Amendments effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively). There are limited amendments made to IAS 28 (2008):

- – Associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
- – Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The Bank and Group do not expect the amendments to Standard to have material impact on the financial statements since the Bank and Group do not have any investments in associates or joint ventures that will be impacted by the amendments.

The Bank and the Group have exposure to the following risks:

- market risk
- credit risk
- liquidity risks
- operational risks
- capital management risks

This note presents information about the Bank's and the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

(a) Risk management policies and procedures

The Bank's and the Group's risk management policies aim to identify, analyse and manage the risks faced by the Bank and the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.
The Board of Directors of the Bank has overall responsibility for the oversight of the risk management framework for the Bank and the Group, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.
The Board of Directors of the Bank is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank and the Group operate within the established risk parameters. The Head of the Risk Department of the Bank is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the First Vice President of the Bank and indirectly to the Board of Directors.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee.
Both external and internal risk factors are identified and managed throughout the Bank's and the Group's organisational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risks

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Bank's and the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.
The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the Asset and Liability Committee (ALCO), chaired by the Chairman of the Board of Directors. Market risk limits are approved by ALCO based on recommendations of the Risk Department's Financial Risk Management Division.
The Bank and the Group manage their market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits, which are monitored on a regular basis and reviewed and approved by the Board of Directors.
In addition, the Bank and the Group use a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank and the Group's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank and the Group include: risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.
The management of interest rate risk by monitoring interest rate gap is supplemented by monitoring the sensitivity of the Bank's and the Group's net interest margin to various standard and non-standard interest rate scenarios.

(I) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Bank's and the Group's income or the value of its portfolios of financial instruments.
The Bank and the Group are exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise. For further analysis of interest repricing refer to Note 42 Interest rate risk analysis.
An analysis of sensitivity of the net income for the year to changes of market interest rate impacting the interest income on variable interest rate financial instrument and the fair value of fixed interest rate financial instruments measured at fair value based on a scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves, all other variables remaining constant, is as follows:

	Profit for the period '000 LVL	Other comprehensive income '000 LVL	Profit for the period '000 LVL	Other comprehensive income '000 LVL
Group	2012	2012	2011	2011
100bp parallel increase	3,279	-	1,748	-
100bp parallel decrease	(3,279)	-	(1,748)	-
Bank				
100bp parallel increase	3,948	-	2,200	-
100bp parallel decrease	(3,948)	-	(2,200)	-

(II) Currency risk

The Bank and the Group have assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Bank's and the Group's exposure to currency risk at year-end refer to Note 41 Currency risk analysis.

An analysis of sensitivity of the Bank's and the Group's net income and other comprehensive income for the year to changes in the foreign currency exchange rates based on positions existing as at 31 December 2012 and 2011 and a scenario of a 5% change in USD, EUR, RUB or BYR to LVL exchange rates, while the other variable remain constant, is as follows:

	Profit for the period '000 LVL	Other comprehensive income '000 LVL	Profit for the period '000 LVL	Other comprehensive income '000 LVL
Group	2012	2012	2011	2011
5% appreciation of USD against LVL	330	2,375	(3,497)	3,469
5% depreciation of USD against LVL	(330)	(2,375)	3,497	(3,469)
5% appreciation of EUR against LVL	1,126	220	(1,892)	1,865
5% depreciation of EUR against LVL	(1,126)	(220)	1,892	(1,865)
5% appreciation of RUB against LVL	-	-	657	-
5% depreciation of RUB against LVL	-	-	(657)	-
5% depreciation of BYR against LVL	-	-	11	-
5% appreciation of BYR against LVL	-	-	(11)	-
Bank				
5% appreciation of USD against LVL	319	2,375	(3,497)	262
5% depreciation of USD against LVL	(319)	(2,375)	3,497	(262)
5% appreciation of EUR against LVL	1,126	1,345	(1,892)	(7)
5% depreciation of EUR against LVL	(1,126)	(1,341)	1,892	7

The foreign exchange rate LVL/EUR is pegged as at 31 December 2012. The rate could change as a result of a change in government macroeconomic policy.

(III) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Bank and the Group take a long or short position in a financial instrument.

An analysis of sensitivity of the Bank's and the Group's net income for the year and equity to changes in securities prices based on positions existing as at 31 December 2012 and 2011 and a scenario of a 5% change in all securities prices, while the other variables remain constant, is as follows:

	Profit for the period '000 LVL	Other comprehensive income '000 LVL	Profit for the period '000 LVL	Other comprehensive income '000 LVL
Group	2012	2012	2011	2011
5% increase in securities prices	1,878	2,610	2,920	3,906
5% decrease in securities prices	(1,878)	(2,610)	(2,920)	(3,906)
Bank				
5% increase in securities prices	1,867	3,724	2,624	5,342
5% decrease in securities prices	(1,867)	(3,724)	(2,624)	(5,342)

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank and the Group. The Bank and the Group have developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Group's credit risk. The Group's credit policy is reviewed and approved by the Board of Directors.
The Bank's and the Group's credit policies establish:

- Procedures for review and approval of loan/credit applications;
- Methodology for the credit assessment of borrowers (corporate, SME and retail)
- Methodology for the credit assessment of counterparties, issuers and insurance companies;
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan/credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the Group's corporate loan portfolio. Reports produced by the department's credit analysts are based on a structured analysis focusing on the customer's business and financial performance. The Risk Department's Credit Risk Management Division then independently reviews the loan/credit application and the report and a second opinion is given accompanied by a check that credit policy requirements have been met. The Credit Committee reviews the loan/credit application on the basis of submissions by the Loan Department and the Risk Department. Individual transactions are also reviewed by the Bank's Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

(c) Credit risk, continued

The Bank and the Group continuously monitor the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank or the Group. Either independent appraisal companies or the Bank's and the Group's specialists regularly assess the current market value of collateral, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.
The Bank's Retail Lending Division through the use of scoring models and application data verification procedures developed together with the Risk Department reviews retail loan/credit applications.
Apart from individual customer analysis, the whole credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks. The Bank and the Group monitor concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of Loans and receivables from customers refer to Note 19 "Loans and receivables due from customers".
The Bank's and the Group's maximum exposure to credit risk is set out below. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Maximum credit risk exposure

		Gross maximum credit exposure '000 LVL	Gross maximum credit exposure '000 LVL	Gross maximum credit exposure '000 LVL	Gross maximum credit exposure '000 LVL
31 December	Notes	Group 2012	Bank 2012	Group 2011	Bank 2011
Cash and balances with the central bank	16	215,790	215,757	71,793	71,634
Loans and receivables due from banks	18	464,300	462,012	493,538	491,833
Loans and receivables due from customers	19	716,471	756,702	611,475	647,712
Reverse repo	37	82,780	82,780	-	-
Fair value through profit or loss financial instruments	17	36,918	36,918	57,494	51,922
Available for sale assets	20	45,555	45,555	77,802	77,802
Held to maturity investments	21	15,373	15,373	15,302	15,302
Total financial assets		1,577,187	1,615,097	1,327,404	1,356,205
Guarantees	35	7,120	7,120	9,926	9,926
Credit card commitments	35	7,718	7,719	6,662	6,663
Overdraft facilities	35	5,766	5,766	6,286	6,286
Credit commitments	35	17,587	18,421	44,554	50,574
Total guarantees and commitments		38,191	39,026	67,428	73,449
Total maximum credit risk exposure		1,615,378	1,654,123	1,394,832	1,429,654

(d) Liquidity risk

Liquidity risk is the risk that the Bank and the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Bank and the Group. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank and the Group maintain liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Bank's and the Group's liquidity policies are reviewed and approved by the Board of Directors of the Bank.

The Bank and the Group seek to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policies of the Bank and the Group require:

– projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;

– maintaining a diverse range of funding sources;

– managing the concentration and profile of debts;

– maintaining debt financing plans;

– maintaining a portfolio of highly marketable assets that can easily be traded as protection against any interruption to cash flow;

– maintaining liquidity and funding contingency plans;

– monitoring balance sheet liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and receivables from banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank and the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under normal market conditions, liquidity reports covering the liquidity position of the Bank and the Group are presented to senior management on a daily basis. Decisions on the Bank's and the Group's liquidity management are made by the Asset and Liability Management Committee and implemented by the Treasury Department.

The table below analyses the Bank's and the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Both the interest and principal cash flows should be included in the analysis as this best represents the liquidity risk being faced by the entity.

The Group

Analysis of financial liabilities' contractual undiscounted cash flows as at 31 December 2012:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to financial institutions	18,636	160	426	1,697	-	20,919	20,919
Current accounts and deposits due to customers	1,196,569	24,227	92,544	114,460	31,198	1,458,998	1,440,454
Issued debt securities	-	-	-	-	19,474	19,474	13,163
Derivative liabilities							
Inflow	(11,973)	(3,722)	(654)	-	-	(16,349)	-
Outflow	12,006	3,777	667	-	-	16,450	101
Total	1,215,238	24,442	92,983	116,157	50,672	1,499,492	1,474,637
Guarantees (maximum exposure)	70	569	3,080	423	-	4,142	7,120
Credit related commitments	31,071	-	-	-	-	31,071	31,071

Analysis of financial liabilities' contractual undiscounted cash flows as at 31 December 2011:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to financial institutions	13,183	719	164	-	-	14,066	14,059
Current accounts and deposits due to customers	984,295	39,966	109,066	120,203	44,708	1,298,238	1,231,508
Derivative liabilities							
Inflow	(14,046)	(31)	(1,490)	-	-	(15,567)	-
Outflow	14,175	33	1,545	-	-	15,753	186
Total	997,607	40,687	109,285	120,203	44,708	1,312,490	1,245,753
Guarantees (maximum exposure)	231	273	6,012	154	-	6,670	9,926
Credit related commitments	57,502	-	-	-	-	57,502	57,502

The Bank

Analysis of financial liabilities' contractual undiscounted cash flows as at 31 December 2012:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to financial institutions	18,636	160	426	-	-	19,222	19,221
Current accounts and deposits due to customers	1,204,222	24,342	92,479	113,495	25,736	1,460,274	1,441,730
Issued debt securities	-	-	-	-	19,474	19,474	13,163
Derivative liabilities							
Inflow	(11,973)	(3,722)	(654)	-	-	(16,349)	-
Outflow	12,006	3,777	667	-	-	16,450	101
Total	1,222,891	24,557	92,918	113,495	45,210	1,499,071	1,474,215
Guarantees (maximum exposure)	70	569	3,080	423	-	4,142	7,120
Credit related commitments	31,906	-	-	-	-	31,906	31,906

Analysis of financial liabilities' contractual undiscounted cash flows as at 31 December 2011:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to financial institutions	12,844	719	164	-	-	13,727	13,720
Current accounts and deposits due to customers	984,295	39,966	108,985	119,070	33,098	1,285,414	1,234,827
Derivative liabilities							
Inflow	(14,046)	(31)	(1,490)	-	-	(15,567)	-
Outflow	14,175	33	1,545	-	-	15,753	186
Total	997,268	40,687	109,204	119,070	33,098	1,299,327	1,248,733
Guarantees (maximum exposure)	231	273	6,012	154	-	6,670	9,926
Credit related commitments	63,523	-	-	-	-	63,523	63,523

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's and the Group's process, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's and the Group's operations.

The Bank's and the Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's and the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

– requirements for appropriate segregation of duties, including the independent authorization of transactions

– requirements for the reconciliation and monitoring of transactions

– compliance with regulatory and other legal requirements

– documentation of controls and procedures

– requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified

– development of contingency plans

– training and professional development

– ethical and business standards

– risk mitigation, including insurance where this is effective.

Prevention of any possibility to be involved in money laundering and terrorist financing is a key component of operational risk. Sound anti-money laundering policies and procedures protect the Bank's and the Group's reputation and increases transparency of the Bank's and the Group's operations. Sound anti-money laundering policies and procedures also protect the Bank and the Group against financial losses. The Bank and the Group have developed and implemented an anti-money laundering strategy which includes the following:

– new customer due diligence or enhanced new customer due diligence based on the customer risk category

– customer risk assessment based on a risk scoring system that takes into account external and internal risk indicators

– new customer monitoring and risk based customer monitoring for all customers based on results of individual customer due diligence and customer risk assessment

– Real time monitoring of customer transactions based on internal and external criteria

– Regular staff training

Compliance with Bank and Group standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Bank and the Group.

(f) Capital management

The Bank's and the Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders returns is also recognised and the Bank and the Group recognise the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantage and security afforded by a solid capitalization. The FCMC sets and monitors capital requirements for the Bank and for the Group.

The Bank and the Group define as capital those items defined by statutory regulation as capital. Under the current capital requirements set by FCMC banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level – 16.8% for the Bank as at 31 December 2012 (2011: 15.1%). The Bank and the Group were in compliance with the statutory capital ratio as at 31 December 2012 and 31 December 2011.

The following table shows the composition of the Bank's and the Group's capital position calculated in accordance with the requirements of FCMC that is based on Basel II, as at 31 December 2012:

	2012 '000 LVL	2012 '000 LVL	2011 '000 LVL	2011 '000 LVL
Tier 1 capital	**Group**	**Bank**	**Group**	**Bank**
Share capital	100,000	100,000	100,000	100,000
Share premium	4,809	4,809	4,809	4,809
Other reserves	10,074	10,016	10,025	10,016
Revaluation of investment property	(294)	(294)	-	-
Revaluation reserve for available-for-sale financial assets	-	-	(2,405)	(2,465)
Non controlling interest	1,662	-	4,657	-
Currency translation reserve	(2,109)	-	(1,760)	-
Retained earnings from prior years	21,240	19,289	13,737	11,330
Current year profit	21,926	20,257	9,753	10,613
Intangible assets	(2,609)	(1,595)	(3,183)	(2,047)
Other regulatory deductions from Tier 1 capital	(7,462)	(6,413)	(6,525)	(6,525)
Dividends declared or proposed	(5,064)	(5,064)	(2,500)	(2,500)
Total tier 1 capital	142,173	141,005	126,608	123,231
Tier 2 capital				
Long term deposits qualifying as regulatory capital	58,495	58,495	36,325	36,325
Other regulatory deductions from Tier 2 capital	(7,462)	(6,413)	(6,525)	(6,525)
Total tier 2 capital	51,033	52,082	29,800	29,800
Total capital	193,206	193,087	156,408	153,031
Regulatory capital requirement	82,264	79,185	74,511	71,157
Total capital adequacy ratio	18.79%	19.51%	16.79%	17.20%

The regulatory requirement represents risk-weighted assets adjusted for capital requirement related to operating risks. The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised credit commitments, with some adjustments to reflect the more contingent nature of the potential losses.
The Bank and the Group are subject to minimum capital adequacy requirements calculated in accordance with the Basle Accord established by covenants under liabilities incurred by the Bank and the Group. The Bank and the Group have complied with all externally imposed capital requirements as at 31 December 2012 and 31 December 2011.

5 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty:

(I) Allowances for credit losses on loans and receivables

The specific counterparty component of the total allowances for impairment applies to loans and receivables evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about each counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. The cash flows may be realised from repayment of the loan, from sale of collateral, from operating the collateral etc., depending on the specific situation and terms of the loan agreement. The estimated net realisable value of collateral is based on a combination of internal fair value assessment conducted by internal valuation specialists and independent external valuation reports and is reviewed on a regular basis. The estimated future cash flows are discounted using the financial asset's original effective interest rate.
Collectively assessed impairment allowance covers credit losses inherent in a portfolio of loans with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans, but individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentration and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the estimates of future cash flows for specific counterparty allowance and the model assumptions and parameters used in determining collective allowance.

(II) Determining fair value of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in the accounting policies. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.
All financial instruments that are carried at fair value were valued based on their market value, except for units in RB Opportunity Fund that are valued based on the estimated fair value of underlying assets, mostly properties. To determine fair value of the properties valuation techniques were used that are based on market prices for similar properties sold on the market or based on discounted estimated future income.
Fair value of financial instruments carried at amortised cost is stated at present value of future estimated cash flows discounted by a market interest rate. For short term financial assets and liabilities the fair value approximate amortised cost.

(III) Fair value of non-current assets held for sale

When assessing the fair value less cost to sell of the non-current assets held for sale, the management prepares several valuation models and compares them to observable market data (e.g. similar transactions taking place on the market, offer made by potential buyers). The assessment includes estimated selling expenses, the timing of the sale, and the liquidity of the market.

(IV) Impairment of held-to-maturity investments

The determination of impairment indication is based on comparison of the financial instrument's carrying value and fair value. In the event of a significant decline and subsequent significant fluctuations in financial and capital markets or the existence of an illiquid capital market, the market price may not always represent fair value, i.e. is not the best indication of impairment of a financial asset. The Bank and the Group use valuation models based on quoted market prices of similar products.
For the purposes of impairment loss measurement, the Bank's and the Group's management make estimates of any expected changes in future cash flows from a specific financial instrument based on analysis of financial position of the issuer of the financial instrument.

(V) Determining fair value of property

Investment property is stated at its fair value with all changes in fair value recorded in the income statement. Property used in own business operation is revaluated to fair value on regular periodic basis with changes in revaluation recognised through other comprehensive income in a revaluation reserve and subsequent amortization is recognised in income statement. When measuring the fair value of the property, management relies on external valuations based either on income valuation method or comparative valuation method and assesses the reliability of such valuation in light of the current market situation. Income method is based on discounted estimated future cash flows from the property. Comparative method is based on recent market transactions with comparable property.

(VI) Impairment of assets shown under other assets

Assets assumed as collateral are valued at lower of cost and net realisable value.

When assessing net realisable value of assets, management prepares several valuation models (e.g. replacement cost, discounted future cash flows) and compares them to observable market data (e.g. similar transactions taking place on the market, offer made by potential buyers).

(VII) Impairment of investments in subsidiaries

Investments in subsidiaries are valued at cost in the Bank's separate financial statements. On a regular basis, the Bank compares the cost of investment with the carrying value of net assets of a subsidiary to see whether any impairment indication exists. If impairment indication exists, the recoverable amount of the investment is calculated based on discounted estimated future cash flows of the subsidiary. Future cash flows are based on budgets and projections prepared by the subsidiary and assessed for reasonableness. Discount rate is equal to the cost of financing interest rate, i.e. rate charged on deposits to customers increased by a risk margin of 2 to 6 basis points. An impairment loss is recorded when the decline in value of subsidiary is significant and prolonged.

(VIII) Impairment of goodwill

Goodwill is assessed for impairment on an annual basis by discounting estimated future cash flows for the underlying cash generating unit using a discount rate equal to return on equity expected by shareholders. The estimated future cash flows are projected based on historical experience adjusted for expected changes in the business.

(IX) Useful lives of equipment

Estimated useful lives of equipment are based on practical experience over using similar equipment in the past. Each year damaged items and technically out-of-date items are identified and their useful life or carrying value is adjusted individually.

(X) Deferred tax asset recognition

A deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

6 Net interest income

	2012 '000 LVL	2012 '000 LVL	2011 '000 LVL	2011 '000 LVL
Interest income	Group	Bank	Group	Bank
Loans and receivables due from customers	43,863	40,385	31,047	29,193
Loans and receivables due from financial institutions	1,887	1,734	2,428	2,384
Financial instruments at fair value through profit or loss	487	487	3,462	3,312
Available for sale assets	1,766	1,764	-	-
Held-to-maturity investments	438	438	401	401
Amounts receivable under reverse repurchase agreements	675	675	-	-
	49,116	**45,483**	**37,338**	**35,290**
Interest expense				
Current accounts and deposits due to customers	10,146	9,939	10,962	10,598
Deposits and balances due to financial institutions	333	33	557	45
Other interest expense	4,440	4,100	2,348	2,087
	14,919	**14,072**	**13,867**	**12,730**

Included within interest income from loans and receivables due from customers for the year ended 31 December 2012 is a total of LVL 967 thousand (2011: LVL 1,204 thousand) relating to impaired loans issued by the Bank. The amounts of interest income from impaired loans for the Group do not differ significantly from the Bank's.

7 Fee and commission income

	2012 '000 LVL Group	2012 '000 LVL Bank	2011 '000 LVL Group	2011 '000 LVL Bank
Money transfers	9,672	9,672	7,478	47,478
Commission income from payment cards	8,161	8,161	4,860	4,860
Revenue from customer asset management and brokerage commissions	2,923	2,526	2,319	1,858
Remote system fee	127	127	659	659
Commission from documentary operations	479	479	572	572
Commission from account servicing	783	791	514	514
Cash withdrawals	236	236	219	219
Other	3,482	3,605	1,780	1,838
	25,863	25,597	18,401	17,998

8 Fee and commission expense

	2012 '000 LVL Group	2012 '000 LVL Bank	2011 '000 LVL Group	2011 '000 LVL Bank
Payment card expenses	3,534	3,534	1,763	1,763
On correspondent accounts	499	499	378	378
Brokerage fees	526	684	506	461
Cash withdrawal fees	15	15	10	10
Agent commissions	897	1,299	1,104	1,104
Other	1,108	783	643	228
	6,579	6,814	4,404	3,944

9 Net gain/(loss) on financial instruments at fair value through profit or loss

	2012 '000 LVL Group	2012 '000 LVL Bank	2011 '000 LVL Group	2011 '000 LVL Bank
Equity instruments	15	(2)	(539)	(203)
Debt instruments	2,437	2,290	(2,454)	(2,185)
Derivatives	575	575	543	543
	3,027	2,863	(2,450)	(1,845)

10 Net foreign exchange gain

	2012 '000 LVL Group	2012 '000 LVL Bank	2011 '000 LVL Group	2011 '000 LVL Bank
Gain/(loss) from revaluation of financial assets and liabilities	(296)	(196)	(29)	(13)
Gain/(loss) on spot transactions and derivatives	13,001	13,011	10,816	11,053
	12,705	12,815	10,787	11,040

11 Net realised gain/(loss) on available-for-sale assets

	2012 '000 LVL Group	2012 '000 LVL Bank	2011 '000 LVL Group	2011 '000 LVL Bank
Equity instruments	66	66	-	-
Debt instruments	(196)	(358)	13	-
	(130)	(292)	13	-

12 Other income/(expense)

	'000 LVL Group 2012	'000 LVL Bank 2012	'000 LVL Group 2011	'000 LVL Bank 2011
Rental income from operating leases	4,345	509	3,795	499
Fair value change in investment property	476	-	(397)	320
Penalties received	1,651	1,313	444	314
Recovery of assets written off	-	-	268	268
Gain on transaction with lease portfolio	-	-	515	-
Dividends received	152	477	27	17
Profit from sale of property and equipment	594	49	626	75
Income/(loss) from sale of subsidiaries	19	20	32	(35)
Other	1,318	400	83	144
	8,555	2,768	5,393	1,602

13 Impairment losses

	'000 LVL Group 2012	'000 LVL Bank 2012	'000 LVL Group 2011	'000 LVL Bank 2011
Impairment losses				
Loans and receivables due from customers	(19,271)	(18,711)	(16,924)	(15,858)
Available-for-sale financial assets	(100)	(216)	(109)	-
Held-to-maturity investments	(37)	(37)	(176)	(176)
Investments in subsidiaries	-	-	-	(2,790)
Other assets	(130)	(26)	(236)	(203)
	(19,538)	(18,990)	(17,445)	(19,027)
Reversals of impairment losses				
Loans and receivables due from customers	5,436	5,077	9,211	8,667
Available-for-sale financial assets	-	229	-	-
Investments in subsidiaries	-	20	-	1,000
Other assets	46	43	52	9
	5,482	5,369	9,263	9,676
Net impairment losses	(14,056)	(13,621)	(8,182)	(9,351)

General administrative expenses

	2012 '000 LVL Group	2012 '000 LVL Bank	2011 '000 LVL Group	2011 '000 LVL Bank
Employee compensation	12,108	9,740	11,633	8,393
Payroll related taxes	3,184	2,600	2,740	2,220
Provision for bonus and payroll related taxes	3,021	3,021	596	596
Depreciation and amortization	2,942	1,547	3,625	2,068
Repairs and maintenance	1,886	546	1,197	537
Advertising and marketing	1,540	1,041	1,325	1,212
Salaries to Board of Directors and Council	1,414	1,096	1,061	846
Representative offices	1,242	873	777	526
Taxes other than on corporate income and payroll	1,214	803	1,316	963
IT service and IT material consumption	1,162	1,161	1,129	1,128
Communications and information services	1,102	1,007	881	807
Rent	1,065	2,176	1,115	2,114
Professional services	883	481	628	351
Travel expenses	874	819	852	807
Credit card service	649	649	434	434
Charity and sponsorship	470	812	315	322
Representation	174	166	199	161
Insurance	176	136	222	150
Office supplies (Stationery)	92	38	116	42
Subscription of information	66	66	64	64
Security	32	48	31	48
Other	2,068	2,201	347	1,214
	37,364	31,027	30,603	25,003

15 Income tax expense

(a) Income tax expense recognized in the profit and loss

	2012 '000 LVL	2012 '000 LVL	2011 '000 LVL	2011 '000 LVL
Current tax expense	Group	Bank	Group	Bank
Current tax expense	4,110	3,461	3,003	2,611
Origination and reversal of temporary differences	(303)	(18)	(512)	(167)
Total income tax expense in the profit and loss	3,807	3,443	2,491	2,444

	2012	2011
The tax rate applicable in countries in which group entities operate:	'000 LVL	'000 LVL
Latvia	15.00%	15.00%
Belarus	18.00%	24.00%
Cyprus	10.00%	10.00%
Russia	20.00%	20.00%
Azerbaijan	20.00%	20.00%

Income tax expense, continued

(b) Reconciliation of effective tax rate:

	'000 LVL	%	'000 LVL	%
The Group	2012		2011	
Profit before tax	25,984		12,318	
Income tax at the applicable tax rate	3,898	15.00%	1,848	15.00%
Non-deductible expenses	41	0.16%	984	7.99%
Tax relief on donations	(224)	(0.86%)	(262)	(2.13%)
Change in unrecognized deferred tax asset	77	0.30%	(149)	(1.21%)
Effect of different tax rate in other countries	15	0.06%	70	0.58%
	3,807	14.66%	2,491	20.23%
The Bank				
Profit before tax	23,700	-	13,057	-
Income tax at the applicable tax rate	3,555	15.00%	1,959	15.00%
Non-deductible expenses	312	1.32%	813	6.23 %
Tax exempt income	(72)	(0.30%)	(23)	(0.18%)
Tax relief on donations	(649)	(2.74%)	(262)	(2.01%)
Change in unrecognized deferred tax asset	297	1.25%	(43)	(0.33%)
	3,443	14.53%	2,444	18.71%

15 Income tax expense, continued

(c) Income tax recognized in other comprehensive income

Deferred tax expense	2012 '000 LVL	2012 '000 LVL	2011 '000 LVL	2011 '000 LVL
Group	Tax Base	Deferred income tax	Tax Base	Deferred income tax
Change in revaluation reserve	134	(23)	853	(130)
Change in fair value reserve	4,658	(699)	(2,830)	425
Total income tax recognized in equity	4,792	(722)	(1,977)	295
Bank				
Change in fair value reserve	4,658	(699)	(2,900)	435
Total income tax recognized in equity	4,658	(699)	(2,900)	435

16 Cash and balances with the central bank

Cash and balances with central bank comprised of the following items:

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
	Group	Bank	Group	Bank
Cash	3,763	3,730	3,254	3,095
Balances due from the Bank of Latvia	212,027	212,027	68,539	68,539
	215,790	215,757	71,793	71,634

Deposits with the Bank of Latvia represent the balance outstanding on the correspondent account with the Bank of Latvia in LVL and EUR. That consists of compulsory reserve as well as voluntary deposit.
In accordance with the Bank of Latvia's regulations, the Bank and the Group are required to maintain a compulsory reserve set based on the average monthly balance of the following items:

+ deposits from the public

- less liabilities against credit institutions

- less balance due to the State Treasury on its consolidated account with the Bank

+ bonds and other debt securities issued by the Bank

The compulsory reserve is compared to the Bank's average monthly correspondent account balance in LVL. The Bank's average correspondent balance should exceed the compulsory reserve requirement. The Bank was in compliance with the aforementioned compulsory reserve requirement at the end of the reporting year.

Financial instruments at fair value through profit or loss

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
Bonds	Group	Bank	Group	Group
- with rating from AAA to A	16,617	16,617	36,556	36,269
- with rating from BBB+ to BBB-	19,989	19,989	16,337	15,206
- non-investment grade	180	180	4,274	312
- not rated	-	-	192	-
Equity investments	655	420	827	484
Derivative financial instruments	233	233	321	321
Financial assets at fair value through profit or loss	37,674	37,439	58,507	52,592
Derivative financial instruments	(101)	(101)	(186)	(186)
Financial liabilities at fair value through profit or loss	(101)	(101)	(186)	(186)

The Bank and the Group classify trading and derivative financial instruments and trading portfolio under this category.

Derivative financial assets and liabilities

The Group	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
Assets	Carrying value	Notional value	Carrying value	Notional value
Forward contracts	107	16,947	114	6,315
Option premium	125	n/a	204	n/a
Swap contracts	1	485	3	193
Total derivative financial assets	**233**		**321**	
Liabilities				
Swap contracts	61	4,140	117	7,999
Forward contracts	40	12,310	69	2,281
Total derivative financial assets	**101**		**186**	

The Bank	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
Assets	Carrying value	Notional value	Carrying value	Notional value
Forward contracts	107	16,947	114	6,315
Option premium	125	n/a	204	n/a
Swap contracts	1	485	3	193
Total derivative financial assets	**233**		**321**	
Liabilities				
Swap contracts	61	4,140	117	7,999
Forward contracts	40	12,310	69	2,281
Total derivative financial assets	**101**		**186**	

17 Financial instruments at fair value through profit or loss, continued

Financial instruments reclassified to loans and receivables

Pursuant to the amendments to IAS 39 and IFRS 7, as of 1 July 2008, the Group reclassified trading assets of LVL 23,980 thousands to Loans and receivables from customers. The table below sets out the amounts that would have been recognised in the periods following reclassification during 2008 if the reclassifications had not been made:

The Group	Profit and loss	Comprehensive income	Profit and loss	Comprehensive income
'000 LVL	2012	2012	2011	2011
Net gain / (loss) on financial instruments at fair value through profit and loss reclassified to loans and advances to customers	204	204	204	204
The Bank				
'000 LVL				
Net gain / (loss) on financial instruments at fair value through profit and loss reclassified to loans and advances to customers	204	204	204	204

In 2011 remaining assets earlier reclassified as loans and advances to customers were transferred to held-to-maturity portfolio. As at 31 December 2012 their carrying amount stood at LVL 14,704 thousand (2011: LVL 14,577 thousand).

18 Loans and receivables due from banks

	2012 '000 LVL	2012 '000 LVL	2011 '000 LVL	2011 '000 LVL
Demand accounts	Group	Bank	Group	Bank
Latvian commercial banks	510	37	45,979	45,810
OECD banks	382,231	382,231	120,002	119,961
Other non-OECD banks	13,114	12,352	20,838	20,372
Total Demand accounts	395,855	394,620	186,819	186,143
Deposit accounts				
Latvian commercial banks	7,966	7,966	27,200	27,200
OECD banks	53,996	53,996	265,120	265,120
Other non-OECD banks	6,483	5,430	14,399	13,370
Total loans and deposits	68,445	67,392	306,719	305,690
	464,300	462,012	493,538	491,833

18 Loans and receivables due from banks, continued

Concentration of placements with banks and other financial institutions

As at 31 December 2012 the Bank and the Group had balances with one (2011: two) bank, which exceeded 10% of total loans and receivable from banks. The gross value of these balances as of 31 December 2012 and 2011 were LVL 53,100 thousand and LVL 107,894 thousand, respectively.

'000 LVL

The largest balances due from credit institutions as of 31 December 2012 were as follows:	2012	%
Erste Bank Vienna	53,100	11.5
Unicredit Bank DE	27,351	5.9
HSH Nordbank AG	26,550	5.8
NORD/LB London	26,550	5.8
Landesbank Berlin	26,550	5.8
Credit Suisse	21,382	4.6
UBS AG Zurich	18,825	4.0
LBBW Stuttgart	18,617	4.0
Raiffeisen Bank Vienna	17,113	3.7
Banco Bilbao	15,959	3.5
KBC Bank NV	15,930	3.4
WGZ Bank AG	15,930	3.4
Total	283,857	61.4

The largest balances due from credit institutions as of 31 December 2011 were as follows:	2011	%
Erste Bank Vienna	54,400	11.1
UBS AG Zurich	53,494	10.9
Latvijas Pasta banka	45,699	9.3
HSH Nordbank AG	35,360	7.2
Credit Suisse	32,640	6.6
Hypovereinsbank	27,200	5.5
NORD/LB London	27,200	5.5
Nordea bank Riga	27,200	5.5
LBBW Stuttgart	17,410	3.5
KBC Bank NV	13,600	2.8
Bank of Montreal London	5,880	1.2
Total	340,083	69.1

19 Loans and receivables due from customers

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
Companies	Group	Bank	Group	Bank
Finance leases	27,005	-	18,215	-
Loans	618,606	698,396	526,128	585,826
Individuals				
Finance leases	11,635	-	5,243	-
Loans	59,225	58,306	61,889	61,886
Specific impairment allowance	(52,001)	(52,197)	(42,464)	(42,278)
Collective impairment allowance	(618)	-	(216)	(2)
Net Loans and receivables from customers	663,852	704,505	568,795	605,432

(a) Finance leases

Loans and receivables from customers include the following finance lease receivables for leases of certain property and equipment where the Group is the lessor:

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
Gross investment in finance leases, receivable	Group	Bank	Group	Bank
Less than one year	22,005	-	10,956	-
Between one and five years	26,690	-	16,170	-
Total gross investment in finance leases	48,695	-	27,126	-
Unearned finance income	(10,055)	-	(3,668)	-
Net investment in finance lease before allowance	38,640	-	23,458	-
Impairment allowance	(2,093)	-	(1,793)	-
Net investment in finance lease	36,547	-	21,665	-

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
The net investment in finance leases comprises:	Group	Bank	Group	Bank
Less than one year	15,924	-	8,004	-
Between one and five years	20,623	-	13,661	-
Net investment in finance lease	36,547	-	21,665	-

(b) Credit quality of loan portfolio

(I) Ageing structure of loan portfolio

			Of which past due by the following terms				
The Group	Total LVL '000	Of which not past due on the reporting date	Less than 30 days	31-90 days	91-180 days	More than 180 days	Net carrying value of overdue loans
As at 31 Dec 2012							
Net carrying amount	663,852	593,553	36,499	14,541	2,829	16,430	70,299
Out of which impaired	101,543	79,373	1,623	7,519	1,662	11,366	22,170
Assessed fair value of collateral	912,648	793,834	66,368	12,449	9,553	30,444	118,814
As at 31 Dec 2011							
Net carrying amount	568,795	510,578	30,303	14,500	912	12,502	58,217
Out of which impaired	64,945	47,823	2,374	3,375	266	11,107	17,122
Assessed fair value of collateral	699,101	609,645	23,489	46,069	1,082	18,816	89,456
The Bank							
As at 31 Dec 2012							
Net carrying amount	704,505	627,350	44,522	14,063	2,788	15,782	77,155
Out of which impaired	74,616	54,444	897	7,402	1,621	10,252	20,172
Assessed fair value of collateral	966,816	839,158	76,231	12,076	9,553	29,798	127,658
As at 31 Dec 2011							
Net carrying amount	605,432	538,409	40,182	14,046	572	12,223	67,023
Out of which impaired	60,834	45,417	2,056	3,315	246	9,800	15,417
Assessed fair value of collateral	746,060	650,029	30,794	45,666	755	18,816	96,031

Loans and receivables due from customers, continued

(II) Analysis of loan by type of collateral

The following table provides the analysis of the loan portfolio, net of impairment, by types of collateral as at 31 December 2012:

	31 December 2012 '000 LVL	% of loan portfolio	31 December 2011 '000 LVL	% of loan portfolio
The Group				
Commercial buildings	220,756	33.25	186,588	32.80
Commercial assets pledge	161,690	24.36	108,556	19.09
Traded securities	102,105	15.38	97,279	17.10
Other mortgage	53,503	8.06	50,435	8.87
Without collateral	46,317	6.98	36,184	6.36
Land mortgage	36,517	5.50	47,514	8.35
Mortgage on residential properties	23,906	3.60	29,011	5.10
Guarantee	4,926	0.74	3,732	0.66
Deposit	1,227	0.18	834	0.15
Not traded securities	1	0.00	1,133	0.20
Other	12,904	1.95	7,529	1.32
Total	663,852	100.00	568,795	100.00
The Bank				
Commercial buildings	251,853	35.75	217,221	35.88
Commercial assets pledge	167,124	23.72	106,870	17.65
Traded securities	102,105	14.50	97,278	16.07
Other mortgage	65,401	9.28	56,182	9.28
Without collateral	52,499	7.45	43,826	7.23
Land mortgage	36,517	5.18	47,514	7.85
Mortgage on residential properties	23,906	3.39	30,439	5.02
Guarantee	3,553	0.50	3,731	0.62
Deposit	1,226	0.17	834	0.14
Non-traded securities	-	-	1,133	0.19
Other	321	0.06	404	0.07
Total	704,505	100.00	605,432	100.00

The amounts shown in the table above represent the carrying value of the loans, and not the fair value of the collateral.

(III) Impaired loans

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
	Group	Bank	Group	Bank
Impaired loans gross	124,083	126,813	122,687	103,112
Specific impairment allowance	(52,001)	(52,197)	(42,464)	(42,278)
Net Loans and receivables from customers	72,082	74,616	80,223	60,834
Fair value of collateral related to impaired loans	104,797	105,967	108,484	93,727

When reviewing loans the bank and the Group set the following categories for individual loans to assess their credit risk:

	31 Dec 2012	Specific impairment allowance	Collective impairment allowance	31 Dec 2011	Specific impairment allowance	Collective impairment allowance
The Group	'000 LVL Gross			'000 LVL Gross		
Standard	597,687	(273)	(617)	515,304	(290)	(216)
Watch	36,323	(5,836)	(1)	38,206	(5,168)	-
Substandard	45,318	(14,753)	-	23,890	(8,256)	-
Doubtful	29,604	(23,639)	-	28,910	(23,594)	-
Lost	7,539	(7,500)	-	5,165	(5,156)	-
Total	716,471	(52,001)	(618)	611,475	(42,464)	(216)
The Bank						
Standard	636,180	(274)	-	549,720	(144)	(2)
Watch	35,934	(5,798)	-	37,293	(4,826)	-
Substandard	49,831	(17,227)	-	28,947	(10,869)	-
Doubtful	29,120	(23,299)	-	28,823	(23,520)	-
Lost	5,637	(5,599)	-	2,929	(2,919)	-
Total	756,702	(52,197)	-	647,712	(42,278)	(2)

Loans and receivables due from customers, continued

(IV) Movements in the impairment allowance

Movements in the loan impairment allowance for the year ended 31 December 2012 and 2011 are as follows:

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
Allowance for impairment	Group	Bank	Group	Bank
Balance at 1 January	42,680	42,280	36,809	36,405
Sale of subsidiary	(1)	-	-	-
Charge for the year:				
Specific impairment allowance	18,986	18,711	16,721	15,858
Collective impairment allowance	285	-	203	-
Reversal of specific impairment allowance loss				
Specific impairment allowance	(5,434)	(5,075)	(9,158)	(8,593)
Collective impairment allowance	(2)	(2)	(53)	(74)
Effect of foreign currency translation	(300)	(281)	(267)	(87)
Write offs	(3,595)	(3,436)	(1,575)	(1,229)
Balance at 31 December	52,619	52,197	42,680	42,280

(V) Restructured loans

As at 31 December 2012, the Group held restructured loans of LVL 115,064 thousand (2011: 91,987 thousand) and the Bank held restructured loans of LVL 119,348 thousand (2011: 96,911 thousand). Main forms of restructuring were the reduction of the interest rate, postponing of interest payments or principal payments.

(c) Industry analysis of the loan portfolio

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
	Group	Bank	Group	Bank
Financial services	209,158	259,276	221,834	244,402
Real estate management	147,268	174,478	162,528	194,174
Construction	82,802	83,176	22,898	22,898
Transport and communication	52,111	49,327	14,776	15,956
Individuals	44,380	44,380	49,066	49,066
Wholesale and retailing	26,479	26,477	28,631	28,617
Investments in finance lease	36,505	-	13,571	-
Manufacturing	20,728	20,710	24,508	21,346
Food industry	8,037	8,037	7,145	7,145
Tourism	5,938	5,936	7,426	7,426
Financial instruments classified as loans and receivables	83	-	571	-
Other	30,363	32,708	15,841	14,402
	663,852	704,505	568,795	605,432

(d) Geographical analysis of the loan portfolio

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
	Group	Bank	Group	Bank
Latvia	170,813	207,975	182,437	218,498
OECD countries	69,434	69,157	72,777	71,911
Other non-OECD countries	423,605	427,373	313,581	315,023
	663,852	704,505	568,795	605,432

(e) Significant credit exposures

As at 31 December 2012 and 2011 the Bank and the Group had no borrowers or groups of related borrowers, respectively, whose loan balances exceeded 10% of loans and receivables from customers.

According to regulatory requirements, the Bank and the Group are not allowed to have a credit exposure to one client or group of related clients more than 25% of its equity. As at December 31, 2012 and 2011 the Bank and the Group were in compliance with this requirement.

Available-for-sale assets

Equity investments	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
Equity shares	Group	Bank	Group	Bank
RB Opportunity Fund I net value	-	22,432	-	22,203
RBAM Fixed Income Fund	5,561	5,561	-	6, 732
Revaluation since acquisition	771	771	-	(70)
Net value	6,332	6,332	-	6,662
Corporate shares	1,468	168	1,475	168
Impairment allowance	(1,159)	-	(1,159)	-
Net value	309	168	316	168
Bonds				
- with rating from AAA to A	23,652	23,652	54,790	54,790
Revaluation since acquisition	411	411	(1,737)	(1,737)
Net value	24,063	24,063	53,053	53,053
- with rating from BBB+ to BBB-	18,196	18,196	20,141	20,141
Revaluation since acquisition	552	552	(694)	(694)
Net value	18,748	18,748	19,447	19,447
- non-investment	2,936	2,936	5,701	5,701
Revaluation since acquisition	24	24	(399)	(399)
Impairment allowance	(216)	(216)	-	-
Net value	2,744	2,744	5,302	5,302
	52,196	74,487	78,118	106,835

As at 31 December 2012, the share of the Bank and the Group in the RBAM Fixed Income Fund stood at 46% (2011: 66.49%). As the fund was controlled by the Group as of 31 December 2011, it was consolidated. The RBAM Fixed Income Fund invests into listed bonds. Fair value of its units is measured based on price of underlying securities quoted in active market.
The Bank and the Group own 100% of units of close-ended fund RB Opportunity Fund I. The fund invests into property in Latvia and the fair value of units is measured based on fair value of underlying property. The operation duration of the fund will expire in October 2013, when the fund will be liquidated. It is expected that assets of the fund will be sold to subsidiaries of the Bank.
RB Opportunity Fund I and RBAM Fixed Income Fund are funds managed by a subsidiary of the Group, RB Asset Management IPS.

21 Held-to-maturity investments

Debt and other fixed-income instruments	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank	31 Dec 2011 '000 LVL Group	31 Dec 2011 '000 LVL Bank
- Government and municipal bonds				
Argentina government bonds	876	876	901	901
Total government and municipal bonds	876	876	901	901
- Corporate bonds				
Russia	14	14	15	15
USA	14,690	14,690	14,562	14,562
Total corporate bonds	14,704	14,704	14,577	14,577
Impairment allowance	(207)	(207)	(176)	(176)
	15,373	15,373	15,302	15,302
Analysis of movements in the impairment allowance				
Balance at the beginning of the year	176	176	-	-
Net charge/(recovery) for the year	37	37	176	176
Currency revaluation	(6)	(6)	-	-
Balance at the end of the year	207	207	176	176

22 Investments in subsidiaries

The subsidiaries of the Bank are as follows:

	31 Dec 2012 '000 LVL Bank	31 Dec 2011 '000 LVL Bank
Incorporated in		
- Latvia	12,905	12,955
- Cyprus	7,700	7,700
- Russia	1,666	1,666
- Belarus	225	225
- Azerbaijan	3	3
Total gross investments	22,499	22,549
Impairment allowance	(3,770)	(3,790)
Net Investments in subsidiaries	18,729	18,759
Movements in the impairment allowances		
Balance at the beginning of the period	3,790	2,675
Charge for the period	-	2,790
Reversal of impairment loss	(20)	(1,000)
Sale of subsidiary	-	(675)
Balance at the end of period	3,770	3,790

During the reporting period the Bank sold its subsidiary RB Vidzeme to a third party buyer.

23 Investment in associates

The Group owns a share in the following associates, both associated companies provide information services and their assets consist mainly from property and equipment for their operations. The total assets and revenues are not material to the Group.

Name	Country of incorporation	Principal activities	Ownership %	Amount of investment	Ownership %	Amount of investment
			31 December 2012	31 December 2012	31 December 2012	31 December 2012
"AED Rail Service" Ltd	Latvia	Information services for the railway	43.00%	53	43.00%	62
"Dzelzcelu Tranzits" Ltd	Latvia	Information services for the railway	49.12%	7	49.12%	23
Total				60		85

24 Property and equipment

The Group	Land and buildings	Construction in progress	Vehicles	Office equipment	Total
Cost/Revalued amount	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
At 1 January 2012	39,550	86	1,743	13,993	55,372
Additions	44	11	42	527	624
Disposals	-	(13)	(254)	(432)	(699)
Transfers	-	(15)	-	15	-
Transfers from advances	-	-	-	226	226
Reclassification to investment property	(147)	(24)	-	-	(171)
Transfers to non-current assets held for sale (Note 44)	(12,350)	-	-	-	(12,350)
Revaluation	134	-	-	-	134
FX translation effect	10	-	3	8	21
At 31 December 2012	**27,241**	**45**	**1,534**	**14,337**	**43,157**
Depreciation and impairment losses					
At 1 January 2012	1,357	-	1,306	8,390	11,053
Depreciation charge	726	-	193	1,227	2,146
Disposals depreciation	(10)	-	(253)	(240)	(503)
Revaluation depreciation	2	-	-	-	2
Transfers to non-current assets held for sale (Note 44)	(876)	-	-	-	(876)
Reclassification to investment property	(26)	-	-	-	(26)
FX translation effect	-	-	2	3	5
At 31 December 2012	**1,173**	**-**	**1,248**	**9,380**	**11,801**
Carrying value					
At 31 December 2012	**26,068**	**45**	**286**	**4,957**	**31,356**
At 31 December 2011	38,193	86	437	5,603	44,319

Property and equipment, continued

The Group, continued	Land and buildings	Construction in progress	Vehicles	Office equipment	Total
Cost/Revalued amount	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
At 1 January 2011	39,052	47	1,328	13,595	54,022
Additions	44	39	281	1,040	1,404
Disposals	(141)	-	(124)	(1,075)	(1,340)
Transfers from advances	-	-	257	431	688
Revaluation	853	-	-	-	853
FX translation effect	(258)	-	1	2	(255)
At 31 December 2011	39,550	86	1,743	13,993	55,372
Depreciation and impairment losses					
At 1 January 2011	684	-	1,036	7,518	9,238
Depreciation charge	704	-	219	1,736	2,659
Disposals	(15)	-	(95)	(985)	(1,095)
FX translation effect	(16)	-	146	121	251
At 31 December 2011	1,357	-	1,306	8,390	11,053
Carrying value					
At 31 December 2011	38,193	86	437	5,603	44,319
At 31 December 2010	38,368	47	292	6,077	44,784

Property and equipment, continued

The Bank	Vehicles	Office equipment	Total
Cost/Revalued amount	‘000 LVL	‘000 LVL	‘000 LVL
1 January 2012	1,707	10,270	11,977
Additions	42	150	192
Disposals	(254)	(240)	(494)
Transferred from advances	-	127	127
At 31 December 2012	1,495	10,307	11,802
Depreciation and impairment losses			
At 1 January 2012	1,276	6,467	7,743
Depreciation charge	171	713	884
Disposals	(253)	(201)	(454)
At 31 December 2012	1,194	6,979	8,173
Net book value			
At 31 December 2012	301	3,328	3,629
At 31 December 2011	431	3,803	4,234
Cost/Revalued amount			
1 January 2011	1,563	10,379	11,942
Additions	-	375	375
Disposals	(113)	(802)	(915)
Transferred from advances	257	318	575
At 31 December 2011	1,707	10,270	11,977
Depreciation and impairment losses			
At 1 January 2011	1,160	6,291	7,451
Depreciation charge	206	973	1,179
Disposals	(90)	(797)	(887)
At 31 December 2011	1,276	6,467	7,743
Net book value			
At 31 December 2011	431	3,803	4,234
At 31 December 2010	403	4,088	4,491

25 Intangible assets

The Group	Goodwill	Software	Other	Total
Cost	'000 LVL	'000 LVL	'000 LVL	'000 LVL
At 1 January 2012	2,339	7,615	1,488	11,442
Additions	-	106	103	209
Disposals	-	(1)	(16)	(17)
Transfers from advances	-	114	(85)	29
At 31 December 2012	2,339	7,834	1,490	11,663
Amortisation and impairment losses				
At 1 January 2012	1,588	6,364	307	8,259
Amortization charge	-	664	132	796
Disposals	-	-	(1)	(1)
At 31 December 2012	1,588	7,028	438	9,054
Carrying value				
At 31 December 2012	751	806	1,052	2,609
At 31 December 2011	751	1,251	1,181	3,183
Cost				
At 1 January 2011	2,339	7,578	1,056	10,973
Additions	-	108	132	240
Reclassification	-	(300)	300	-
Transfers from advances	-	229	-	229
At 31 December 2011	2,339	7,615	1,488	11,442
Amortisation and impairment losses				
At 1 January 2011	1,588	5,476	229	7,293
Amortization charge	-	888	78	966
At 31 December 2011	1,588	6,364	307	8,259
Carrying value				
At 31 December 2011	751	1,251	1,181	3,183
At 31 December 2010	751	2,102	827	3,680

Goodwill of LVL 751 thousand (2011: LVL 751 thousand) originated on the acquisition of a payment card business unit in 2001.

Intangible assets, continued

The Bank	Goodwill	Software	Other	Total
Cost	'000 LVL	'000 LVL	'000 LVL	'000 LVL
At 1 January 2012	751	7,606	68	8,425
Additions	-	105	93	198
Disposals	-	-	(15)	(15)
Transfers from advances	-	114	(86)	28
At 31 December 2012	751	7,825	60	8,636
Amortisation and impairment losses				
At 1 January 2012	-	6,358	20	6,378
Amortization charge	-	661	2	663
At 31 December 2012	-	7,019	22	7,041
Carrying value				
At 31 December 2012	751	806	38	1,595
At 31 December 2011	751	1,248	48	2,047
Cost				
At 1 January 2011	751	7,061	194	8,006
Additions	-	108	82	190
Reclassification	-	208	(208)	-
Transfers from advances	-	229	-	229
At 31 December 2011	751	7,606	68	8,425
Amortisation and impairment losses				
At 1 January 2011	-	5,472	17	5,489
Amortization charge	-	886	3	889
At 31 December 2011	-	6,358	20	6,378
Carrying value				
At 31 December 2011	751	1,248	48	2,047
At 31 December 2010	751	1,589	177	2,517

Goodwill of LVL 751 thousand (2011: LVL 751 thousand) originated on the acquisition of a payment card business unit in 2001.

26 Investment property

Investment property comprises office buildings and other commercial properties, such as land or parts of buildings, and premises owned by the Group companies, which the Group does not occupy and which are leased to third parties. The Group's investment property comprises of a juice processing terminal, residential property, plots of land, and a hotel and leisure complex.

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
	Group	Bank	Group	Bank
Balance at 1 January	45,413	6,926	43,244	5,861
Collateral from loans assumed	1,260	1,260	499	499
Transferred from advances	578	-	79	170
Transferred from property	145	-	-	-
Additions	6,246	8	2,737	76
Sale of investment property	(1,702)	(695)	(423)	-
Revaluation of property	476	-	(397)	320
Currency revaluation	104	-	(326)	-
Balance at 31 December	52,520	7,499	45,413	6,926

Rental income and operating expense for the year ended 31 December 2012, the Group

	Book value '000 LVL	Rental income '000 LVL	Operating expenses '000 LVL
Investment property rented out	27,235	1,109	558
Investment property not rented out	25,285	-	312
Total	52,520	1,109	870

Rental income and operating expenses are presented under Other income (expenses) in the Income statement.

Investment property, continued

Valuation of investment property as at 31 December 2012	Valued internally '000 LVL	External valuations '000 LVL
Land	-	15,250
Residential property	-	11,823
Commercial property	175	20,804
Hotels	-	3,114
Other	-	1,354
Total	**175**	**52,345**

The fair value of investment property was determined within 3 months before the end of reporting period.
The fair value of residential properties and office buildings is based either on completed transactions with similar properties at similar locations or a discounted cash flow model. If similar transactions did not take place the Group and external valuation companies used discounted cash flow models, the main assumptions being market rental rates of 10-15Euro/m2 and discount rates in the range of 7-10%.
For commercial properties other than office building the valuation is based on expected future cash flows based on contractual terms agreed with tenants or management estimate regarding future potential tenants using the same discount rates as above. Where the rental agreements are not yet in force a probability of entering into the agreement and time delay is taken into consideration in the valuation.
Due to the fact that the investment property includes many items with different characteristics, different valuation models with different assumptions were used and therefore it is impracticable to disclose sensitivity of fair value to changes in key assumptions in a meaningful way.

27 Other assets

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
	Group	Bank	Group	Bank
Collateral assumed on non performing loans	8,595	8,595	9,059	9,059
Prepayments	1,386	631	1,705	711
Prepayments for property obtained in auctions	80	-	-	-
Guarantee receivable from borrower	2,502	2,502	2,606	2,606
Recoverable VAT	2,304	146	1,327	106
Tax prepayments	79	-	16	-
Other	6,419	4,616	4,102	2,045
Impairment allowance on collateral assumed	(2,039)	(1,730)	(2,273)	(1,815)
	19,326	14,760	16,542	12,712

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL
Analysis of movements in the value of collateral assumed on non performing loans	Group	Bank	Group	Bank
Balance at the beginning of the year	9,059	9,059	15,910	14,321
Transfer from Loans and receivables	-	-	-	-
Reclassified to guarantee receivable	-	-	(528)	(528)
Sale of collateral completed	(464)	(464)	(5,364)	(4,235)
Reclassified to Other under Other assets	-	-	(444)	-
Reclassified to investment property	-	-	(499)	(499)
Currency revaluation	-	-	(16)	-
Balance at the end of the year	8,595	8,595	9,059	9,059

Other assets, continued

Analysis of movements in the impairment allowance	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank	31 Dec 2011 '000 LVL Group	31 Dec 2011 '000 LVL Bank
Balance at the beginning of the year	2,273	1,815	4,389	3,828
Charge for the year	130	26	236	203
Recovery	(46)	(43)	(52)	(9)
Sale completed	-	(68)	(2,287)	(2,207)
Transfer to other assets	73	-	-	-
Written off	(376)	-	-	-
Currency revaluation	-	-	(13)	-
Sale of subsidiary	(15)	-	-	-
Balance at the end of the year	2,039	1,730	2,273	1,815

Collateral assumed on non performing loans by type of property	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank	31 Dec 2011 '000 LVL Group	31 Dec 2011 '000 LVL Bank
Residential property	7,579	7,579	7,916	7,916
Land	778	778	905	905
Commercial property	209	209	209	209
Production plants	29	29	29	29
Movable property	-	-	-	-
	8,595	8,595	9,059	9,059

28 Deposits and balances due to banks

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
	Group	Bank	Group	Bank
Vostro accounts	20,334	18,636	13,094	12,844
Term deposits	585	585	965	876
	20,919	19,221	14,059	13,720

Concentration of deposits and balances from banks and other financial institutions

As at 31 December 2012 the Bank and the Group had balances with three clients (three as at 31 December 2011), which exceeded 10% of total deposits and balances from banks. The gross value of these balances as of 31 December 2012 was LVL 10,953 thousand and LVL 10,049 thousand accordingly.

Current accounts and deposits due to customers

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
Current accounts and demand deposits	Group	Bank	Group	Bank
- Central government	-	-	-	-
- State enterprises	-	-	84	3
- Private companies residents	46,833	54,304	24,019	37,839
- Individuals residents	33,471	33,471	28,609	28,609
- Government – non-residents	79	79	53	53
- Private companies non-residents	928,261	928,261	780,436	780,437
- Individuals non-residents	175,586	175,586	111,224	111,224
Total current account and demand deposits	1,184,230	1,191,701	944,425	958,165
Term deposits				
- State enterprise	-	-	162	-
- Private companies	1,750	1,470	5,178	4,944
- Individuals	35,961	35,266	38,934	38,195
- Private companies non-residents	119,883	114,663	155,516	146,230
- Individuals non-residents	35,060	35,060	42,068	42,068
Subordinated deposits				
- Individuals	6,542	6,542	6,343	6,343
- Private companies non-residents	17,384	17,384	10,965	10,965
- Individuals non-residents	39,644	39,644	27,917	27,917
Total term deposits	256,224	250,029	287,083	276,662
Total current accounts and deposits from customers	1,440,454	1,441,730	1,231,508	1,234,827

Subordinated deposits have a fixed term of at least five years at their origination, and are repayable before maturity only on winding up or bankruptcy of the Bank and rank before shareholders' claims.

(a) Blocked accounts

As of 31 December 2012, the Bank maintained customer deposit balances of LVL 3,813 thousand (2011: LVL 4,090 thousand) which were blocked by the Bank as collateral for loans and financial guarantees and letters of credit granted by the Bank.

(b) Concentrations of current accounts and customer deposits

As of 31 December 2012 and 2011, the Bank and the Group had no customers, whose balances exceeded 10% of total customer accounts.

30 Issued debt securities

Subordinated bonds	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank	31 Dec 2011 '000 LVL Group	31 Dec 2011 '000 LVL Bank
- Individuals residents	2,295	2,295	-	-
- Private companies non-residents	3,355	3,355	-	-
- Individuals non-residents	7,513	7,513	-	-
Total	13,163	13,163	-	-

Subordinated bonds have a fixed term of seven years at their origination, and are repayable before maturity only on winding up or bankruptcy of the Bank and rank before shareholders' claims. Bonds are listed on the Nasdaq OMX Riga exchange.

There were no defaults on interest or other breaches with respect to issued debt securities.

31 Other liabilities and accruals

	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank	31 Dec 2011 '000 LVL Group	31 Dec 2011 '000 LVL Bank
Annual leave	886	790	706	655
Deferred income	535	79	80	72
Management bonus	3,213	3,204	649	596
Deposits guarantee fund	1,008	1,007	439	439
VAT payable	121	-	66	-
Dividends payable	4	4	4	4
Prepayments	1,662	37	1,182	24
Other	3,151	1,426	2,879	1,270
	10,580	6,547	6,005	3,060

Other liabilities include accounts payable to suppliers.

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as of 31 December 2012 and 2011.
These deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

The Group	Assets	Assets	Liabilities	Liabilities	Net	Net
'000 LVL	2012	2011	2012	2011	2012	2011
Financial instruments at fair value through profit or loss	15	125	-	-	15	125
Loans and advances to customers	128	68	-	-	128	68
Available-for-sale financial assets	252	793	(264)	(11)	(12)	782
Property and equipment	453	-	(911)	(1,360)	(458)	(1,360)
Intangible assets	-	-	(150)	(162)	(150)	(162)
Investment property	163	-	(1,840)	(1,717)	(1,677)	(1,717)
Other assets	-	735	(426)	-	(426)	735
Due to financial institutions	348	-	-	-	348	-
Other liabilities	604	206	(218)	(205)	386	1
Total recognised deferred tax assets/(liabilities)	1,963	1,927	(3,809)	(3,455)	(1,846)	(1,528)
Unrecognised deferred tax assets					(840)	(763)
Recognised deferred tax liabilities					(2,686)	(2,291)

The rate of tax applicable for deferred taxes was equals to the tax rate applicable in countries in which subsidiaries operate, as disclosed in Note 15.

Deferred tax asset and liability, continued

Movement in temporary differences during the year ended 31 December 2012	2012 '000 LVL	2011 '000 LVL
Balance at 1 January – deferred tax liability	(2,358)	(2,981)
Balance at 1 January – deferred tax asset	67	8
Prior year adjustment	393	-
Purchase of subsidiaries	-	-
Charge to profit for the year	(100)	512
Release / charge in other comprehensive income	(772)	295
Currency revaluation	34	(125)
Balance at 31 December	**(2,686)**	**(2,291)**
Deferred tax asset	**141**	**67**
Deferred tax liability	**(2,827)**	**(2,358)**

Deferred tax asset and liability are shown net on individual subsidiaries level, but are not netted on Group level.

The Bank '000 LVL	Assets 2012	Assets 2011	Liabilities 2012	Liabilities 2011	Net 2012	Net 2011
Financial instruments at fair value through profit or loss	15	125	-	-	15	125
Loans and advances to customers	71	68	-	-	71	68
Available-for-sale assets	252	793	(264)	-	(12)	793
Investment in subsidiaries	566	560	-	-	566	560
Property and equipment	-	-	(581)	(686)	(581)	(686)
Investment property	-	-	(340)	(340)	(340)	(340)
Other assets	262	256	-	-	262	256
Other liabilities	599	188	-	-	599	188
Total deferred tax assets/ (liabilities)	**1,765**	**1,990**	**(1,185)**	**(1,026)**	**580**	**964**
Unrecognised deferred tax asset					**(1,166)**	**(869)**
Recognised deferred tax asset/(liability)					**(586)**	**95**

The rate of tax applicable for deferred taxes was 15% (2011: 15%).

Share capital and reserves

(a) Issued capital and share premium

The authorised, issued and fully paid share capital comprises 100,000,000 ordinary shares (2011:100,000,000). All shares have a par value of LVL 1. The share premium represents amount that were paid by shareholders in excess to the par value of ordinary shares.
The largest shareholders of the Bank as of December 31, 2012 and December 31, 2011 are as follows:

	2012		2011	
	'000 LVL	%	'000 LVL	%
Companies non-residents, total	**33,110**		**33,110**	
Boswell (International) Consulting Limited	33,110	33.11%	33,110	33.11%
Private persons, total	**66,890**		**66,890**	
Leonid Esterkin	33,120	33.12%	33,120	33.12%
Arkady Suharenko	17,335	17.34%	17,335	17.34%
Others	16,435	16.43%	16,435	16.43%
Issued capital	**100,000**	**100%**	**100,000**	**100%**
Share premium	**4,809**		**4,809**	

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank and to residual assets.

(b) Dividends

As at reporting date dividends in amount of LVL 5,064 thousand were proposed.

(c) Other reserves

Other reserves amounting to LVL 10,016 thousand at the Group and the Bank (2011: LVL 10,016 thousand) represent contributions made by shareholders in previous years. These reserves are not subject to any restrictions and can be distributed to the shareholders based on their decision.

(d) Fair value reserve

The fair value reserve represents the changes in fair value of available for sale assets and is reduced by deferred tax charged on unrealized gains or losses on revaluation of the available for sale financial instruments.

(e) Revaluation reserve

A revaluation reserve represents the increase in the fair value of real estate properties classified under Property and equipment.

	2012 '000 LVL	2012 '000 LVL	2011 '000 LVL	2011 '000 LVL
	Group	Bank	Group	Bank
Revaluation reserve as at 1 January	2,626	1,754	2,121	1,754
Reclassification related to prior periods	-	-	-	-
Revaluation of property and equipment	134	-	853	-
Release of revaluation reserve due to sale of investment property	-	-	-	-
Deferred tax on change in revaluation reserve	(23)	-	(130)	-
Non controlling interest share on change in revaluation reserve	(29)	-	(260)	-
FX translation	(39)	-	42	-
	2,669	1,754	2,626	1,754

The balance of LVL 1,754 thousand recognized in the Bank and the Group as at 31 December 2012 and 2011 relates to the revaluation of the office building recognized prior to reclassification as investment property.

34 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank	31 Dec 2011 '000 LVL Group	31 Dec 2011 '000 LVL Bank
Cash	3,763	3,730	3,254	3,095
Balances due from the Bank of Latvia	212,027	212,027	68,539	68,539
Demand Loans and receivables from banks	395,855	394,620	186,819	186,143
Demand deposits from banks	(20,334)	(18,636)	(13,094)	(12,844)
Total	591,311	591,741	245,518	244,933

35 Commitments and guarantees

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities. The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum credit exposure that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

Contracted amount	31 Dec 2012 '000 LVL Group	31 Dec 2012 '000 LVL Bank	31 Dec 2011 '000 LVL Group	31 Dec 2011 '000 LVL Bank
Loan and credit line commitments	17,587	18,421	44,554	50,574
Credit card commitments	7,718	7,719	6,662	6,663
Undrawn overdraft facilities	5,766	5,766	6,286	6,286
Guarantees and letters of credit	7,120	7,120	9,926	9,926
Total	38,191	39,026	67,428	73,449

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

36 Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. As at 31 December 2012 there were 19 legal proceedings outstanding against the Bank. Total amount disputed in these proceedings is LVL 3,961 thousand. Provisions are made for where management based on the professional advice to the Bank considers that it is likely that loss may eventuate. No provisions were recognized as at 31 December 2012 and 2011.

37 Reverse repo

	31 Dec 2012 '000 LVL	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL	31 Dec 2011 '000 LVL
	Group	Bank	Group	Bank
Commerzbank AG	53,878	53,878	-	-
Nomura International plc	28,902	28,902	-	-
Total	82,780	82,780	-	-

38 Trust and custody activities

(a) Trust activities

Funds under trust management represent securities and other assets managed and held by the Bank and the Group on behalf of customers. The Bank and the Group earn commission income for holding such securities.
The Bank and the Group are not subject to interest, credit, liquidity, price and currency risk with respect of these securities in accordance with the agreements concluded with the customers. As at 31 December 2012 the total assets held by the Group on behalf of customers and assets under management were LVL 69,862 thousand (2011: LVL 67,877 thousand) and by the Bank LVL 319,609 thousand (2011: LVL 209,765 thousand) accordingly.

39 Related party transactions

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

(a) Shareholders, Members of the Council and Board (the Bank)

Loans and receivables:

	31 Dec 2012 '000 LVL	31 Dec 2011 '000 LVL
Loans and receivables at the beginning of the year	686	662
Loans issued during the year	42	92
Forex translation effect	(1)	1
Due to changes in the structure of related parties	-	39
Loan repayment during the year	(121)	(108)
Loans and receivables at the end of the year	**606**	**686**
Interest income earned during the year	19	26

Deposits	2012 '000 LVL	2011 '000 LVL
Deposits at the beginning of the year	5,984	4,396
Deposits received during the year	6,803	3,776
Forex translation effect	(3)	2
Due to changes in the structure of related parties	20	-
Deposits repaid during the year	(2,345)	(2,190)
Deposits at the end of the year	**10,459**	**5,984**
Interest expense on deposits charged during the year	759	392

Total remuneration included in General administrative expenses (Note 14):

	2012 '000 LVL	2011 '000 LVL
Members of the Council	163	150
Members of the Board of Directors	933	696
	1,096	**846**

Related party transactions, continued

(b) Subsidiaries and associated companies (the Bank)

	2012	2011
Loans and receivables:	'000 LVL	'000 LVL
Loans and receivables at the beginning of the year	60,478	52,139
Loans issued during the year	61,989	103,455
Due to changes in the structure of related parties	-	(2,259)
Forex translation effect	(85)	71
Loan repayment during the year	(39,962)	(92,928)
Loans and receivables at the end of the year	**82,420**	**60,478**
Interest income earned	4,505	3,120
Deposits		
Deposits at the beginning of the year	1	1
Deposits received during the year	776	1,100
Forex translation effect	-	-
Deposits repaid during the year	(647)	(1,100)
Deposits at the end of the year	**130**	**1**
Interest expense on deposits	2	6

During the year 2012, the Bank paid rent to its indirect subsidiary SIA Vesetas 7 in the amount of LVL 1,239 thousand (2011: LVL 1,243 thousand).

Related party transactions, continued

The Group	2012	2011
Transactions with members of the Council and the Board of Directors	'000 LVL	'000 LVL
The outstanding balances as of 31 December 2012 and 31 December 2011 with members of the Council and the Board are as follows:		
Loans and receivables		
Shareholders, Members of Council and Board	507	602
Key management personnel and relatives	198	170
Companies controlled by Shareholders, Members of Council and Board	16,524	4,352
Term deposits		
Shareholders, Members of Council and Board	7,602	8,109
Key management personnel and relatives	2,049	1,793
Companies controlled by Shareholders, Members of Council and Board	8,926	7,115

Total remuneration included in administrative expenses (Note 14):

	2012	2011
	'000 LVL	'000 LVL
Members of the Council	218	405
Members of Board of Directors	1,196	656
	1,414	1,061

40 Fair value of financial instruments

The Group	Carrying amount 31 Dec 2012	Fair value 31 Dec 2012	Carrying amount 31 Dec 2011	Fair value 31 Dec 2011
Financial assets	'000 LVL	'000 LVL	'000 LVL	'000 LVL
Cash and balances with central bank	215,790	215,790	71,793	71,793
Financial instruments at fair value through profit or loss	37,674	37,674	58,507	58,507
Loans and receivables from banks	464,300	464,300	493,538	493,538
Loans and receivables from customers	663,852	663,852	568,795	568,795
Reverse repo	82,780	82,780	-	-
Available-for-sale assets	52,196	52,196	78,118	78,118
Held-to-maturity investments	15,373	15,941	15,302	14,266
Total	1,531,965	1,532,533	1,286,053	1,285,017
Financial liabilities				
Financial instruments at fair value through profit or loss	101	101	186	186
Deposits and balances from banks	20,919	20,919	14,059	14,059
Current accounts and deposits from customers	1,440,454	1,440,454	1,231,508	1,231,508
Issued debt securities	13,163	13,163	-	-
Total	1,474,637	1,474,637	1,245,753	1,245,753

Fair value of financial instruments, continued

The Bank	Carrying amount 31 Dec 2012	Fair value 31 Dec 2012	Carrying amount 31 Dec 2011	Fair value 31 Dec 2011
Financial assets	'000 LVL	'000 LVL	'000 LVL	'000 LV
Cash and balances with central bank	215,757	215,757	71,634	71,634
Financial instruments at fair value through profit or loss	37,439	37,439	52,592	52,592
Loans and receivables from banks	462,012	462,012	491,833	491,833
Loans and receivables from customers	704,505	704,505	605,432	605,432
Reverse repo	82,780	82,780	-	-
Available-for-sale assets	74,487	74,487	106,835	106,835
Held-to-maturity investments	15,373	15,941	15,302	14,266
Total	1,592,353	1,592,921	1,343,628	1,342,592
Financial liabilities				
Financial instruments at fair value through profit or loss	101	101	186	186
Deposits and balances from banks	19,221	19,221	13,720	13,720
Current accounts and deposits from customers	1,441,730	1,441,730	1,234,827	1,234,827
Issued debt securities	13,163	13,163	-	-
Total	1,474,215	1,474,215	1,248,733	1,248,733

Fair value hierarchy

The Group

31 Dec 2012	Level (1)	Level (2)	Total
Financial assets			
Available for sale assets	45,470	6,726	52,196
Financial assets at fair value through profit or loss	37,206	468	37,674
Financial liabilities			
Financial investments at fair value through profit or loss	-	101	101
Issued debt securities	-	13,163	13,163

31 Dec 2011	Level (1)	Level (2)	Total
Financial assets			
Available for sale assets	77,970	148	78,118
Financial assets at fair value through profit or loss	57,855	652	58,507
Financial liabilities			
Financial investments at fair value through profit or loss	-	(186)	(186)

Fair value of financial instruments, continued

The Bank

31 Dec 2012	Level (1)	Level (2)	Total
Financial assets			
Available for sale assets	45,470	29,017	74,487
Financial assets at fair value through profit or loss	37,206	233	37,439
Financial liabilities			
Financial investments at fair value through profit or loss	-	101	101
Issued debt securities	-	13,163	13,163

31 Dec 2011	Level (1)	Level (2)	Total
Financial assets			
Available for sale assets	77,970	28,865	106,835
Financial assets at fair value through profit or loss	52,475	117	52,592
Financial liabilities			
Financial investments at fair value through profit or loss	-	(186)	(186)

1. Included in this category are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Main asset classes included in this category are financial assets for which the fair value is obtained via pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

2. Included in this category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data. Main asset classes included in this category are financial assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in hedge funds private equity funds with fair value obtained via fund managers and assets that are valued using own models whereby the majority of assumptions are market observable, and assets when fair value has been stated from independent real estate valuator.

Currency analysis

The following table shows the currency structure of financial assets and liabilities of the Group as at 31 December 2012:

The Group	LVL	USD	EUR	BYR	Other currencies	Total
Financial assets	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
Cash and balances with central bank	63,762	653	151,086	-	289	215,790
Financial instruments at fair value through profit or loss	3,403	6,602	22,520	-	5,149	37,674
Loans and receivables due from banks	1,225	363,404	48,269	869	50,533	464,300
Loans and receivables due from customers	38,980	394,206	220,565	268	9,833	663,852
Reverse repo	-	82,780	-	-	-	82,780
Available-for-sale assets	182	47,494	4,517	-	3	52,196
Held-to-maturity investments	-	3,313	12,060	-	-	15,373
Total financial assets	107,552	898,452	459,017	1,137	65,807	1,531,965
Financial liabilities						
Financial instruments at fair value through profit or loss	101	-	-	-	-	101
Deposits and balances from banks	397	13,010	2,811	95	4,606	20,919
Current accounts and deposits from customers	20,423	884,179	467,897	521	67,434	1,440,454
Issued debt securities	-	5,980	7,183	-	-	13,163
Total financial liabilities	20,921	903,169	477,891	616	72,040	
Net position as of 31 December 2012	86,631	(4,717)	(18,874)	521	(6,233)	
Net off balance sheet position as of 31 December 2012	6,672	(11,730)	(1,091)	(31)	6,180	
Net total positions as of 31 December 2012	93,303	(16,447)	(19,965)	490	(53)	
Net total positions as of 31 December 2011	73,483	3,382	(32,075)	(1,865)	(2,625)	

Currency analysis, continued

The following table shows the currency structure of financial assets and liabilities of the Group as at 31 December 2011:

The Group	LVL	USD	EUR	BYR	Other currencies	Total
Financial assets	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
Cash and balances with central bank	66,888	510	4,065	-	330	71,793
Financial instruments at fair value through profit or loss	8,169	11,922	37,798	-	618	58,507
Loans and receivables due from banks	380	341,524	106,584	376	44,674	493,538
Loans and receivables due from customers	16,084	293,144	241,862	197	17,508	568,795
Available-for-sale assets	264	62,696	15,149	-	9	78,118
Held-to-maturity investments	-	3,409	11,893	-	-	15,302
Total financial assets	91,785	713,205	417,351	573	63,139	1,286,053
Financial liabilities						
Financial instruments at fair value through profit or loss	186	-	-	-	-	186
Deposits and balances from banks	98	9,642	3,382	127	810	14,059
Current accounts and deposits from customers	21,230	699,616	445,508	229	64,925	1,231,508
Total financial liabilities	21,514	709,258	448,890	356	65,735	1,245,753
Net position as of 31 December 2011	70,271	3,947	(31,539)	217	(2,596)	
Net off balance sheet position as of 31 December 2011	3,212	(565)	(536)	(2,082)	(29)	
Net total positions as of 31 December 2011	73,483	3,382	(32,075)	(1,865)	(2,625)	
Net total positions as of 31 December 2010	99,448	3,479	(90,046)	-	22,035	

Currency analysis, continued

The following table shows the currency structure of financial assets and liabilities of the Bank as at 31 December 2012:

The Bank	LVL	USD	EUR	BYR	Other currencies	Total
Financial assets	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
Cash and balances with central bank	63,731	653	151,086	-	287	215,757
Financial instruments at fair value through profit or loss	3,403	6,370	22,517	-	5,149	37,439
Loans and receivables due from banks	752	363,390	47,999	625	49,246	462,012
Loans and receivables due from customers	65,189	403,563	224,768	3	10,982	704,505
Reverse repo	-	82,780	-	-	-	82,780
Available-for-sale assets	44	47,494	26,949	-	-	74,487
Held-to-maturity investments	-	3,313	12,060	-	-	15,373
Total financial assets	133,119	907,563	485,379	628	65,664	1,592,353
Financial liabilities						
Financial instruments at fair value through profit or loss	101	-	-	-	-	101
Deposits and balances from banks	397	12,515	1,703	-	4,606	19,221
Current accounts and deposits from customers	22,011	885,660	466,260	521	67,278	1,441,730
Issued debt securities	-	5,980	7,183	-	-	13,163
Total financial liabilities	22,509	904,155	475,146	521	71,884	1,474,215
Net position as of 31 December 2012	110,610	3,408	10,233	107	(6,220)	
Net off balance sheet position as of 31 December 2012	6,672	(11,730)	(1,091)	(31)	6,180	
Net total positions as of 31 December 2012	117,282	(8,322)	9,142	76	(40)	
Net total positions as of 31 December 2011	3,312	(565)	(536)	(29)	(2,082)	

Currency analysis, continued

The following table shows the currency structure of financial assets and liabilities of the Bank as at 31 December 2011:

The Bank	LVL	USD	EUR	BYR	Other currencies	Total
Financial assets	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
Cash and balances with central bank	66,859	510	4,065	-	200	71,634
Financial instruments at fair value through profit or loss	8,169	8,049	36,374	-	-	52,592
Loans and receivables due from banks	211	341,339	106,529	200	43,554	491,833
Loans and receivables due from customers	44,674	290,651	248,845	-	21,262	605,432
Available-for-sale assets	126	69,358	37,351	-	-	106,835
Held-to-maturity investments	-	3,409	11,893	-	-	15,302
Total financial assets	120,039	713,316	445,057	200	65,016	1,343,628
Financial liabilities						
Financial instruments at fair value through profit or loss	186	-	-	-	-	186
Deposits and balances from banks	93	11,564	1,253	-	810	13,720
Current accounts and deposits from customers	23,609	705,953	440,272	227	64,766	1,234,827
Total financial liabilities	23,888	717,517	441,525	227	65,576	1,248,733
Net position as of 31 December 2011	96,151	(4,201)	3,532	(27)	(560)	
Net off balance sheet position as of 31 December 2011	(92,939)	3,636	(4,068)	(2)	(1,522)	
Net total positions as of 31 December 2011	3,212	(565)	(536)	(29)	(2,082)	
Net total positions as of 31 December 2010	100,407	5,922	(14,150)	-	(823)	

42 Interest rate risk analysis

The following table shows the interest rate contracted re-pricing risk of financial assets and liabilities of the Group as at December 31, 2012, based on the earlier of contractual interest rate repricing or maturity:

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Financial assets	‘000 LVL	‘000 LVL	‘000 LVL	‘000 LVL	‘000 LVL	‘000 LVL	‘000 LVL
Cash and balances with central bank	-	-	-	-	-	215,790	1215,790
Financial instruments at fair value through profit or loss	6,910	10,498	19,100	106	172	888	37,674
Loans and receivables from banks	346,782	834	1,053	-	-	115,631	464,300
Loans and receivables from customers	114,189	198,727	69,613	78,546	33,638	169,139	663,852
Reverse repo	53,878	28,902	-	-	-	-	82,780
Available-for-sale assets	693	3,337	7,421	33,127	977	6,641	52,196
Held-to-maturity investments	8	5	1	14,817	542	-	15,373
Total financial assets	522,460	242,303	97,188	126,596	35,329	508,089	1,531,965
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	101	101
Deposits and balances from banks	-	159	426	1,698	-	18,636	20,919
Current accounts and deposits from customers	12,333	23,916	91,284	104,636	24,179	1,184,106	1,440,454
Issued debt securities	-	-	-	-	13,163	-	13,163
Total financial liabilities	12,333	24,075	91,710	106,334	37,342	1,202,843	1,474,637
Net position as at 31 December 2012	510,127	218,228	5,478	20,262	(2,013)	(694,754)	
Net position as at 31 December 2011	482,363	154,064	(25,574)	20,068	7,782	(598,403)	

Interest rate risk analysis, continued

The following table shows the interest rate contracted re-pricing risk of financial assets and liabilities of the Group as at December 31, 2011, based on the earlier of contractual interest rate repricing or maturity:

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Financial assets	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
Cash and balances with central bank	65,697	-	-	-	-	6,096	71,793
Financial instruments at fair value through profit or loss	10,061	29,116	12,176	1,464	4,542	1,148	58,507
Loans and receivables from banks	304,853	837	1,029	-	-	186,819	493,538
Loans and receivables from customers	125,956	163,130	61,553	34,996	18,222	164,938	568,795
Available-for-sale assets	1,415	180	2,489	63,799	9,919	316	78,118
Held-to-maturity investments	30	20	1	14,534	717	-	15,302
Total financial assets	508,012	193,283	77,248	114,793	33,400	359,317	1,286,053
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	186	186
Deposits and balances from banks	89	712	164	-	-	13,094	14,059
Current accounts and deposits from customers	25,560	38,507	102,658	94,725	25,618	944,440	1,231,508
Total financial liabilities	25,649	39,219	102,822	94,725	25,618	957,720	1,245,753
Net position as at 31 December 2011	482,363	154,064	(25,574)	20,068	7,782	(598,403)	
Net position as at 31 December 2010	561,398	(21,286)	(55,506)	100,448	66,162	(616,010)	

Interest rate risk analysis, continued

The following table shows the interest rate contracted re-pricing risk of financial assets and liabilities of the Bank as at December 31, 2012, based on the earlier of contractual interest rate repricing or maturity:

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Financial assets	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LV	'000 LVL
Cash and balances with central bank	-	-	-	-	-	215,757	215,757
Financial instruments at fair value through profit or loss	6,910	10,498	19,100	106	172	653	37,439
Loans and receivables from banks	346,782	834	-	-	-	114,396	462,012
Loans and receivables from customers	117,385	232,263	63,793	88,218	33,636	169,210	704,505
Reverse repo	53,878	28,902	-	-	-	-	82,780
Available-for-sale assets	693	3,337	7,421	33,127	977	28,932	74,487
Held-to-maturity investments	8	5	1	14,817	542	-	15,373
Total financial assets	525,656	275,839	90,315	136,268	35,327	528,948	1,592,353
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	101	101
Deposits and balances from banks	-	159	426	-	-	18,636	19,221
Current accounts and deposits from customers	12,333	24,031	91,220	103,671	18,774	1,191,701	1,441,730
Issued debt securities	-	-	-	-	13,163	-	13,163
Total financial liabilities	12,333	24,190	91,646	103,671	31,937	1,210,438	1,474,215
Net position as at 31 December 2012	513,323	251,649	(1,331)	32,597	3,390	(681,490)	
Net position as at 31 December 2011	482,515	186,723	(24,372)	32,307	2,022	(584,300)	

Interest rate risk analysis, continued

The following table shows the interest rate contracted re-pricing risk of financial assets and liabilities of the Bank as at December 31, 2011, based on the earlier of contractual interest rate repricing or maturity:

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Financial assets	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LV	'000 LVL
Cash and balances with central bank	65,697	-	-	-	-	5,937	71,634
Financial instruments at fair value through profit or loss	10,061	29,116	12,121	-	489	805	52,592
Loans and receivables from banks	304,853	837	-	-	-	186,143	491,833
Loans and receivables from customers	125,938	195,789	63,839	47,845	7,044	164,977	605,432
Available-for-sale assets	1,415	180	2,489	63,799	9,919	29,033	106,835
Held-to-maturity investments	30	20	1	14,534	717	-	15,302
Total financial assets	507,994	225,942	78,450	126,178	18,169	386,895	1,343,628
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	186	186
Deposits and balances from banks	-	712	164	-	-	12,844	13,720
Current accounts and deposits from customers	25,479	38,507	102,658	93,871	16,147	958,165	1,234,827
Total financial liabilities	25,479	39,219	102,822	93,871	16,147	971,195	1,248,733
Net position as at 31 December 2011	482,515	186,723	(24,372)	32,307	2,022	(584,300)	
Net position as at 31 December 2010	544,919	3,812	(44,234)	114,227	76,495	(603,863)	

43 Operating segments

The Group has four reportable segments, as described below, which are the Group`s strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure.
For each of the strategic business units, the Group upper level management reviews internal management reports on at least monthly basis.

The following summary describes the operations in each of the Group`s reportable segments:

Lending & Investment	Includes commercial loans to customers, trade finance, private mortgages and other financing products and investments.
Customer services	Includes general banking operations, customer payments, credit card transactions and other transactions with all customers.
Financial markets & Treasury	Includes customer asset management products such as funds as well as customer securities brokerage, customer repurchase financing and includes funding of the bank's activities though customer deposits, liquidity management, foreign exchange, issues of debt securities, investing in liquid assets such as short term placements and corporate and government securities.
Investments and non-banking segments	Includes business activities of Group subsidiaries and non-banking income including real estate rental and leasing businesses.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group upper level management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is based on resources cost compensation, calculation based on management`s assessment of the level of risk.

Operating segments, continued

The following table shows the operating segment structure of gross revenue and financial assets and liabilities of the Group as at 31 December 2012:

	Lending & investment	Customer services	Financial markets & Treasury	Investment and non-banking segments	Total
External revenue	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
Net interest income	32,075	300	(5,732)	7,554	34,197
Net fee and commission income	345	15,885	2,565	489	19,284
Net gain/(loss) on financial instruments at fair value through profit or loss	-	-	2,863	164	3,027
Net foreign exchange income	-	3,187	9,628	(110)	12,705
Net gain/(loss) on the net monetary position	-	-	-	(210)	(210)
Net recognized gain on available-for-sale assets	-	-	(291)	161	(130)
Share of profit of equity accounted investees (net of income tax)	-	-	-	(24)	(24)
Other income/(expense)	1,173	(27)	(112)	7,521	8,555
Inter segment revenue	(17,153)	7	17,146	-	-
Total segment revenue	16,440	19,352	26,067	15,545	77,404
Impairment losses on financial assets	(13,883)	20	72	(265)	(14,056)
Reportable segment profit before income tax	2,982	9,243	11,486	2,273	25,984
Reportable segment assets	496,061	107,526	900,334	89,219	1,593,140
Reportable segment liabilities	-	1,200,905	265,419	8,313	1,474,637

Operating segments, continued

The following table shows the operating segment structure of gross revenue and financial assets and liabilities of the Group as at 31 December 2011:

	Lending & investment	Customer services	Financial markets & Treasury	Investment and non-banking segments	Kopā
External revenue	'000 LVL	'000 LVL	'000 LVL	'000 LVL	'000 LVL
Net interest income	22,272	246	(3,426)	4,379	23,471
Net fee and commission income	390	11,738	1,885	(16)	13,997
Net gain/(loss) on financial instruments at fair value through profit or loss	-	-	(1,506)	(944)	(2,450)
Net foreign exchange income	-	2,417	8,623	(253)	10,787
Net gain/(loss) on the net monetary position	-	-	-	(115)	(115)
Net recognized gain on available-for-sale assets	-	-	13	-	13
Share of profit of equity accounted investees (net of income tax)	-	-	-	7	7
Other income/(expense)	966	57	(4)	4,374	5,393
Inter segment revenue	(14,580)	(65)	14,645	-	-
Total segment revenue	9,048	14,393	20,230	7,432	51,103
Impairment losses on financial assets	(5,101)	7	(2,135)	(953)	(8,182)
Reportable segment profit before income tax	3,056	5,293	3,935	34	12,318
Reportable segment assets	333,696	181,380	751,898	73,636	1,340,610
Reportable segment liabilities	-	898,080	333,337	14,336	1,245,753

43 Operating segments, continued

Revenues	2012 '000 LVL	2011 '000 LVL
Total revenue for reportable segments	77,404	51,103
Unallocated amounts	-	-
Consolidated revenue	77,404	51,103
Profit or loss		
Total profit or loss for reportable segments	25,984	12,318
Unallocated amounts	-	-
Consolidates profit before income tax	25,984	12,318
Assets		
Total assets for reportable segments	1,593,140	1,340,610
Other unallocated amounts	56,992	55,540
Consolidated total amounts	1,650,132	1,396,150

Other unallocated amounts to assets: Property and equipment, Intangible assets, Non-current assets held for sale, Current tax asset, Deferred tax asset and Other assets (excluding collateral assumed on non -performing loans).

Liabilities	2012 '000 LVL	2011 '000 LVL
Total liabilities for reportable segments	1,474,637	1,245,753
Other unallocated amounts	13,332	8,955
Consolidated total amounts	1,487,969	1,254,708

Other unallocated amounts to liabilities: Current tax liability, Deferred tax liability and Other liabilities.

44 Non-current assets held for sale

The Group expects to sell land and buildings classified under this category during the year 2013.