

AS „PrivatBank”

**Unaudited Consolidated Financial Statements
for year ended 31 December 2007**

**AS „PrivatBank“
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2007**

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REPORT OF THE MANAGEMENT BOARD

Dear shareholders, customers and partners of AS "PrivatBank"!

The past year 2007 was another successful year for AS "PrivatBank". Not only the bank achieved its estimated financial results but also exceeded some of the indicators.

In 2007, profit of AS "PrivatBank" group amounted to LVL 1 181 ths. Income from the main activities of the group reached LVL 4 432 ths, which exceeds the figures of the previous year by 40%. The volume of loans issued by the bank amounted to LVL 93 343 ths, which is by 89% more than estimated. The deposit portfolio of AS "PrivatBank" reached LVL 89 166 ths, which by 21% exceeds the estimates. The bank's assets reach LVL 134 718 ths.

Year 2007 brought along many changes for AS "PrivatBank" and boosted its development. Major changes were related with rebranding (AS "Paritate Banka" changed its name to AS "PrivatBank" taking the title of its parent bank in 2007). Simultaneously, the stock capital of AS "PrivatBank" was increased by LVL 7.1 mln (to LVL 10.65 mln).

Last year, AS "PrivatBank" continued developing its branch network. Five affiliates of AS "PrivatBank" nationwide (settlement groups in Valka, Cesis, Ludza and Jekabpils and a branch in Jekabpils) were opened in 2007. AS "PrivatBank" also continued developing its business in the territory of the European Union where a branch of AS "PrivatBank" in Portugal and a representative office in Italy have been opened.

Changes also affected the variety of AS "PrivatBank" products – new services were introduced for both individuals and legal entities. Last year, AS "PrivatBank" launched two new services for legal entities – microcrediting and the package “PRIVAT Entrepreneur”. Microcrediting allows representatives of small and medium businesses to receive loans without pledge for development of their business. The package “PRIVAT Entrepreneur” allows receiving all banking services necessary for business upon the opening of account (connection to the internet bank Privat Online, VISA EXPRESS card with a credit limit, placing of a POS-terminal and application for a salary project for the company employees).

There is also a new product in the range for individuals – the credit-deposit programme TRIO+ (when placing a deposit a VISA Electron card is issued with a credit limit and connection to the internet bank Privat Online).

The branch of AS "PrivatBank" in Portugal introduced mortgage lending. This service targets mainly at residents of Ukraine who work in Portugal and allows obtaining a loan for the purchase of real estate in Portugal with a mortgage in Ukraine, and vice versa.

Next year, AS "PrivatBank" plans to continue expanding the branch network. Four new branches of the bank (“Agenskalns”, “Plavnieki”, “Salaspils”, “Tukums”) and three settlement groups (in Saldus, Bauska and Jekabpils) will open in 2008. Special attention will also be given to developing deposit programmes, particularly those for individuals. Other priority trends of AS "PrivatBank" are developing of the credit cards business, microcrediting programmes and leasing. The branch of AS "PrivatBank" in Portugal will continue developing mortgage lending and will also start issuing credit cards.

Management of AS "PrivatBank" thanks the shareholders, customers and partners for cooperation, loyalty and trust towards the bank.

Yours faithfully,

Chairman of the Board
Oleksandr Trubakov

STATEMENT OF THE MANAGEMENT’S RESPONSIBILITIES

The Management of AS “Privatbank” (Bank) is responsible for the preparation of the consolidated financial statements of the Bank and its subsidiaries (the Group).

The consolidated financial statements on pages 4 to 25 are prepared in accordance with the source documents and present fairly the financial position of the Group as of 31 December 2007 and the results of its operations and cash flows for the year ended 31 December 2007.

The 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. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The management of AS “PrivatBank” are responsible for the maintenance of a proper accounting system, safeguarding the Group’s assets, and prevention and detection of fraud and other irregularities in the Group. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Finance and Capital Markets Commission and other legislation of the Republic of Latvia applicable to credit institutions.

On behalf of the Bank’s management,

Chairman of the Board
Oleksandr Trubakov

28 February 2008

AS „PrivatBank“
**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
 DECEMBER 2007**

CONSOLIDATED INCOME STATEMENT

	Notes	31 December 2007		31 December 2006	
		LVL'000	EUR'000	LVL'000	EUR'000
Interest income	4	7 602	10 817	4 735	6 737
Interest expense	5	(3 170)	(4 511)	(1 579)	(2 247)
NET INTEREST INCOME		4 432	6 306	3 156	4 490
Commission and fee income	6	2 625	3 735	2 248	3 199
Commission and fee expense	7	(683)	(972)	(757)	(1 077)
NET COMMISSION AND FEE INCOME		1 942	2 763	1 491	2 122
Net income from financial instruments carried at fair value	8	(23)	(33)	23	33
Net foreign exchange gains	9	1 270	1 807	1 313	1 868
Other operating income	10	752	1 070	409	582
TOTAL OPERATING INCOME		8 373	11 913	6 392	9 095
Administrative expenses	11	(5 661)	(8 055)	(4 046)	(5 757)
Depreciation		(605)	(860)	(465)	(662)
Other expenses		(369)	(525)	(189)	(269)
Impairment:	12	(354)	(504)	(453)	(645)
<i>Allowance for impairment losses</i>		<i>(848)</i>	<i>(1 207)</i>	<i>(542)</i>	<i>(771)</i>
<i>Reversal of prior impairment loss allowance</i>		<i>494</i>	<i>703</i>	<i>89</i>	<i>127</i>
NET INCOME BEFORE CORPORATE INCOME TAX		1 384	1 969	1 239	1 763
Corporate income tax		(203)	(289)	(179)	(255)
NET INCOME		1 181	1 680	1 060	1 508

The accompanying notes on pages 10 to 24 form an integral part of these consolidated financial statements.

The Board of the bank approve for issue these consolidated financial statements from page 2 to 24 on 28 February 2007, and the financial statements is signed on behalf of Board of the Bank by:

 Chairman of the Board
 Oleksandr Trubakov

AS „PrivatBank“
 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
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CONSOLIDATED BALANCE SHEET

	Notes	31 December 2007		31 December 2006	
		LVL'000	EUR'000	LVL'000	EUR'000
ASSETS					
Cash and balances with the Bank of Latvia	13	12 957	18 436	17 095	24 324
Demand deposits with credit institutions	14	18 882	26 867	10 235	14 563
Financial assets held for trading					
<i>Derivative financial instruments</i>	17	472	672	62	88
Financial instruments at fair value through profit or loss					
<i>Debt securities and other fixed income securities</i>	18	-	-	101	144
Loans and receivables:		98 055	139 520	73 343	104 357
<i>Term deposits due from credit institutions</i>	15	4 712	6 705	15 049	21 413
<i>Loans</i>	16	93 343	132 815	58 294	82 944
Available for sale financial assets					
<i>Investments in non-fixed income securities</i>	19	50	71	44	63
Intangible assets		109	155	137	195
Property, plant and equipment		1 930	2 746	1 967	2 799
Deferred expense and accrued income	21	1 149	1 635	661	941
Other assets	22	1 114	1 585	1 351	1 922
Total assets		134 718	191 687	104 996	149 396

The accompanying notes on pages 10 to 24 form an integral part of these consolidated financial statements.

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Chairman of the Board
 Oleksandr Trubakov

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 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
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CONSOLIDATED BALANCE SHEET

	Notes	31 December 2007		31 December 2006	
		LVL'000	EUR'000	LVL'000	EUR'000
LIABILITIES					
Due on demand to credit institutions	23	749	1 066	11 959	17 016
Financial liabilities held for trading					
<i>Derivative financial instruments</i>	17	-	-	1	1
Financial liabilities carried at amortized cost					
<i>Customers' deposits</i>	24	89 166	126 872	73 455	104 518
<i>Balances due on term to other credit institutions</i>	24	12 299	17 500	1 550	2 205
<i>Mortgage bonds</i>	25	14 757	20 997	8 375	11 918
Deferred income and accrued expenses	26	297	422	185	263
Provisions	27	321	457	134	191
Tax liabilities		77	110	65	92
Other liabilities	28	1 964	2 795	2 465	3 507
Total liabilities		119 630	170 219	98 189	139 711
CAPITAL AND RESERVES					
Paid-up share capital	29	10 650	15 154	3 550	5 051
Reserve capital and other reserves		3 719	5 292	3 694	5 256
Accumulated losses carried forward from previous years		(462)	(658)	(1 497)	(2 130)
Current year's profit / (loss)		1 181	1 680	1 060	1 508
Total shareholders' equity		15 088	21 468	6 807	9 685
Total liabilities		134 718	191 687	104 996	149 396
OFF-BALANCE-SHEET ITEMS					
Contingent liabilities					
<i>Guarantees</i>		553	787	163	232
Commitments to customers:					
<i>Other commitments</i>		1 438	2 046	1 360	1 935

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**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 December 2007		31 December 2006	
		LVL'000	EUR'000	LVL'000	EUR'000
Cash inflow from operating activities					
Profit before tax		1 384	1 969	1 239	1 763
Depreciation and amortization		538	766	465	662
Increase in the allowance for impairment		354	504	453	644
Revaluation (gain)/loss of financial assets at fair value through profit or loss		55	78	9	13
Increase in cash and cash equivalents from operating activities before changes in assets and liabilities		2 331	3 317	2 166	3 082
(Increase) in loans and receivables		(35 015)	(49 822)	(27 922)	(39 729)
Decrease in balances due from banks		10 635	15 132	2 540	3 614
(Increase) in available for sale financial assets		(6)	(9)	(43)	(61)
(Increase)/ decrease in financial assets held for trading		(410)	(583)	25	36
Decrease in financial instruments designated at fair value through profit or loss		101	144	2	3
(Increase) in deferred expenses and accrued income		(488)	(694)	(474)	(675)
(Increase)/ decrease in other assets		234	333	(697)	(992)
Increase/ (decrease) in balances due to banks		3 505	4 987	(1 669)	(2 375)
Increase in customer deposits		15 711	22 355	14 573	20 736
(Decrease) in financial liabilities held for trading		(1)	(1)	(20)	(29)
Increase in other liabilities and provisions		(562)	(800)	1 212	1 725
Increase/ (decrease) in deferred income and accrued expenses		112	159	(129)	(184)
Increase/(decrease) in cash and cash equivalents from operating activities before tax		(3 853)	(5 482)	(10 436)	(14 849)
(Corporate income tax paid)		(248)	(353)	(161)	(229)
Increase/(decrease) in cash and cash equivalents from operating activities		(4 101)	(5 835)	(10 597)	(15 078)
Cash flow from investing activities					
(Acquisition) of property, plant and equipment and intangible assets		(565)	(804)	(1 471)	(2 093)
(Decrease) in cash and cash equivalents from investing activities		9	13	239	340
Increase/(decrease) in cash and cash equivalents from operating activities		(556)	(791)	(1 232)	(1 753)
Proceeds from issue of debt securities		6 382	9 081	8 375	11 916
Paid-up share capital		7 100	10 102	-	-
Increase/(decrease) in cash and cash equivalents from financing activities		13 482	19 183	8 375	11 916
(Decrease) in cash and cash equivalents		8 825	12 557	(3 454)	(4 915)
Cash and cash equivalents at the beginning of the year					
		15 064	21 434	18 527	26 362
Loss from revaluation of foreign exchange		(55)	(78)	(9)	(13)

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 December 2007		31 December 2006	
		LVL'000	EUR'000	LVL'000	EUR'000
Cash and cash equivalents at the end of the year	30	<u>23 834</u>	<u>33 913</u>	<u>15 064</u>	<u>21 434</u>

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AND RESERVES

LVL'000

	Paid-up share capital	Reserve capital	Accumulated loss	Total
Balance at 31.12.2005	3 550	3 669	(1 472)	5 747
Reserves	-	25	(25)	-
Profit of 2006	-	-	1 060	1 060
Balance at 31.12.2006	3 550	3 694	(437)	6 807
Reserves	-	25	(25)	-
Paid-up share capital	7 100	-	-	7 100
Profit for the year 2007	-	-	1 181	1 181
Balance at 31.12.2007.	10 650	3 719	719	15 088

EUR'000

	Paid-up share capital	Reserve capital	Accumulated loss	Total
Balance at 31.12.2005	5 051	5 221	(2 094)	8 177
Reserves	-	36	(36)	-
Profit of 2006	-	-	1 508	1 508
Balance at 31.12.2006	5 051	5 256	(622)	9 685
Reserves	-	36	(36)	-
Paid-up share capital	10 103	-	-	10 103
Profit for the year 2007	-	-	1 680	1 680
Balance at 31.12.2007.	15 154	5 292	1 022	21 468

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

AS “PrivatBank” (“the Bank”) was established on 13 August 1992, when it was incorporated in the Republic of Latvia as a joint stock company. Subject to the banking licence issued by the Bank of Latvia on 31 July 1992 (reissued on 17 September 1998), the Bank is engaged in all types of banking activities foreseen by the Credit Institutions Law. The Bank and subsidiaries (together “the Group”) are presented together in these consolidated and Bank financial statements.

As at the date of financial statements, the Bank’s network of branches consists of 8 branches, 13 settlement groups and 4 customer service centres. The Bank provides a wide range of services to its customers via subsidiaries.

SIA “DigiPro” was registered with the Commercial Registry on 18 March 2003 as SIA “Paritate-on-line”. As of 6 July 2004, the Bank holds 100% of SIA “DigiPro” shares. The primary activities of SIA “DigiPro” are sales of electronic products via POS terminals, and ensuring card settlements in POS terminals.

In June 2004, the Bank established SIA “PrivatLizings” which is primarily engaged in financial and operating lease activities.

In March 2005, the Bank acquired 100% shares of SIA “PrivatConsulting”.

Legislation regulating the Bank’s operations

The Bank’s operations are governed by the laws of the Republic of Latvia “On Credit Institutions”, “Commercial Law”, and regulations issued by the Financial and Capital Market Commission. These regulations refer to capital adequacy, minimum equity, liquidity, foreign exchange positions, credit concentration and other applicable requirements.

2 ACCOUNTING AND ASSESSMENT PRINCIPLES

(1) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the European Union, and regulations of the Financial and Capital Market Commission in force as at balance sheet date.

(2) Basis of preparation

The accounting system of the Bank is organized in accordance with the legislation of the Republic of Latvia, including requirements applicable to credit institutions operating in Latvia. The financial year of the Bank coincides with the calendar year.

The financial statements have been prepared under the historical cost convention or based on fair value in accordance with International Financial Reporting Standards, as adopted by the European Union. Assets and liabilities at the fair value include derivative financial instruments, financial assets and liabilities designated at fair value through profit and loss, as well as available for sale assets except those whose fair value cannot be reliably estimated. Other financial assets and liabilities and non-financial assets and liabilities are carried at amortized cost or initial cost.

The accounting principles used in the preparation of the 2007 financial statements are consistent with those used in 2006. The Bank and the Group have for the first time implemented “Regulations on the preparation of financial statements and consolidated financial statements of banks, investment broker companies and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

investment management companies” issued by Financial and Capital Market Commission (adopted on 24 February 2006), which has resulted in the reclassifications of such balance sheet items as due from and due to credit institutions and loans and deposits.

Financial statements are prepared based on the going concern principle which represents sales of assets and fulfilment of liabilities in the course of regular banking operations. The accompanying financial statements do not contain any adjustments for the event that the Bank is unable to continue as a going concern.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these 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.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year relate to loan loss impairment allowances.

(3) Foreign currency

The exchange rate for EUR used at 31 December 2007 is as follows – 0.702804.

4 INTEREST INCOME

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Balances due from credit institutions	1 074	1 528	1 220	1 736
Loans	6 170	8 779	3 380	4 809
Investments in securities	2	3	6	9
Other interest income	356	507	129	183
	7 602	10 817	4 735	6 737

5 INTEREST EXPENSE

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	EUR'000	LVL'000
Customers' deposits	1 773	2 523	1 225	1 743
Due to credit institutions and the Bank of Latvia	524	746	119	170
Issued debt securities	698	993	97	138
Other interest expenses	175	249	138	196
	3 170	4 511	1 579	2 247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 COMMISSION AND FEE INCOME

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Current account servicing	1 735	2 469	1 596	2 271
Asset management fees	99	141	43	61
Other commission income	791	1 125	609	867
	2 625	3 735	2 248	3 199

7 COMMISSION AND FEE EXPENSE

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Current account servicing	407	579	485	690
Commission fee for credit card servicing	83	118	74	105
Other commission expenses	193	275	198	282
	683	972	757	1 077

8 NET INCOME FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Gain from securities carried at fair value through profit and loss	(23)	(33)	23	33
	(23)	(33)	23	33

9 NET FOREIGN EXCHANGE GAINS

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Profit from foreign exchange transactions	1 325	1 885	1 322	1 881
Loss from revaluation of foreign currency	(55)	(78)	(9)	(13)
	1 270	1 807	1 313	1 868

10 OTHER OPERATING INCOME

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Income from electronic services (SIA DigiPro)	270	384	268	381
Income from seminars and conferences (SIA PrivatConsulting)	7	10	30	43
Lease of fixed assets (SIA PrivatLizings)	361	514	92	131
Other operating income	114	162	19	27
	752	1 070	409	582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 ADMINISTRATIVE EXPENSES

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Salary of members of the Council and the Board	176	250	180	256
Remuneration to staff	2 600	3 699	1 747	2 486
Social taxes	650	925	445	633
Advertisement and marketing	465	662	386	549
Office maintenance and redecoration	688	979	519	738
Communications and post	330	470	278	396
Transportation and business trips	144	205	119	169
Professional services	97	138	54	77
Legal services	31	44	26	37
Staff training	41	58	28	40
Other operating expenses	439	625	264	376
	5 661	8 055	4 046	5 757

In 2007, the average number of Group staff was 380 (2006: 297).

12 ALLOWANCE FOR IMPAIRMENT

LVL'000	Loans	Total
Allocation of impairments losses, as of 31 December 2006	541	541
Increase in the allowance for doubtful debts	848	848
Recovery of prior period allowances for doubtful debts	(494)	(494)
Write-off of the allowance for doubtful debts	(34)	(34)
Allocation of impairments losses, as of 31 December 2007	861	861
EUR'000	Loans	Total
Allocation of impairments losses, as of 31 December 2006	770	770
Increase in the allowance for doubtful debts	1 207	1 207
Recovery of prior period allowances for doubtful debts	(703)	(703)
Write-off of the allowance for doubtful debts	(49)	(49)
Allocation of impairments losses, as of 31 December 2007	1 225	1 225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 CASH AND BALANCES ON DEMAND WITH THE BANK OF LATVIA

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Cash	1 283	1 825	1 016	1 446
Balances on demand with the Bank of Latvia	11 674	16 611	16 079	22 878
	12 957	18 436	17 095	24 324

Balances with the Bank of Latvia represent cash on the correspondent account used for clearing purposes and to comply with the requirement for obligatory reserves.

In accordance with regulations set by the Financial and Capital Market Commission, the Bank's cash and current account balance with the Central Bank of Latvia should not be less than the required reserves calculated on basis of the average monthly customer deposits. The Bank was in compliance with this requirement in 2007.

14 DEMAND DEPOSITS WITH CREDIT INSTITUTIONS

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Due to Latvian credit institutions	1 855	2 639	817	1 162
Due from credit institutions registered in OECD countries	16 438	23 389	8 175	11 632
Due to credit institutions registered in other countries	589	839	1 243	1 769
	18 882	26 867	10 235	14 563

Correspondent accounts include amounts due from Deutsche Bank (Bankers Trust) amounting to USD 170 thousand or LVL 89 thousand which are not included in the calculation of cash and cash equivalents due to such amounts being frozen at 31 December 2007. The Bank's management does not consider the frozen accounts at risk since the frozen customer accounts in deposits exceed the blocked amount in the correspondent account with Deutsche Bank (Bankers Trust) of USD 189 thousand (or LVL 99 thousand).

15 TERM DEPOSITS DUE FROM CREDIT INSTITUTIONS

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Balances due from Latvian credit institutions	654	931	268	381
Due from OECD credit institutions	3 182	4 528	13 807	19 646
Due from non-OECD credit institutions	876	1 246	974	1 386
Total due from credit institutions and the Bank of Latvia	4 712	6 705	15 049	21 413
Total held-to-maturity investments	4 712	6 705	15 049	21 413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 LOANS AND RECEIVABLES

Allocation of loans:

(a) by the term of the loan:

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Until one year	3 161	4 498	2 317	3 297
More than one year	91 033	129 528	56 518	80 417
	94 194	134 026	58 835	83 714
Specific allowances	(851)	(1 211)	(541)	(770)
	93 343	132 815	58 294	82 944

(b) by type of borrower:

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Private enterprises	35 371	50 328	20 930	29 780
Private individuals	58 823	83 698	37 905	53 934
	94 194	134 026	58 835	83 714
Specific allowances	(851)	(1 211)	(541)	(770)
	93 343	132 815	58 294	82 944

(c) by the type

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Commercial loans	21 031	29 924	14 074	20 025
Consumer loans	6 012	8 554	3 569	5 078
Loans to staff	1 275	1 815	1 061	1 509
Mortgage loans	50 913	72 443	31 924	45 424
Other	14 963	21 290	8 207	11 678
	94 194	134 026	58 835	83 714
Specific allowances	(851)	(1 211)	(541)	(770)
	93 343	132 815	58 294	82 944

(d) by geographic segmentation of the loans:

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Residents of Latvia	93 130	132 512	56 497	80 388
Residents of OECD countries	341	485	344	489
Residents of other countries	723	1 029	1 994	2 837
	94 194	134 026	58 835	83 714
Specific allowances	(851)	(1 211)	(541)	(770)
	93 343	132 815	58 294	82 944

The average loan interest rates in 2007 and 2006 were 8.86% and 7% respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

Derivative financial instruments

LVL'000	Notional amount		Fair value			
	30.06.2007	31.12.2006	Assets		Liabilities	
			30.06.2007	31.12.2006	30.06.2007	31.12.2006
Forward currency exchange agreements	34 272	2 158	472	62	-	1
Total	34 272	2 158	472	62	-	1

Derivative financial instruments

EUR'000	Notional amount		Fair value			
	30.06.2007	31.12.2006	Assets		Liabilities	
			30.06.2007	31.12.2006	30.06.2007	31.12.2006
Forward currency exchange agreements	48 765	3 071	672	88	-	1
Total	48 765	3 071	672	88	-	1

18 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Debt securities and other fixed income securities				
Central government bonds	-	-	101	144
Total financial instruments at fair value through profit or loss	-	-	101	144

19 AVAILABLE FOR SALE FINANCIAL ASSETS

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Investments in non-fixed income securities				
SWIFT shares	41	59	41	59
Eko Bloks SIA	9	12	3	4
Total available-for-sale financial assets	50	71	44	63

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVESTMENT IN SUBSIDIARIES

As at 31 December 2007 and 31 December 2006, the Bank had investments in:

	31 December 2007		31 December 2006	
	LVL'000	Holding %	LVL'000	Holding %
SIA "PrivatLizings"	10	100	10	100
SIA "DigiPro"	4	100	4	100
SIA "PrivatConsulting"	2	100	2	100
	<u>16</u>		<u>16</u>	

	31 December 2007		31 December 2006	
	EUR'000	Holding %	EUR'000	Holding %
SIA "PrivatLizings"	14	100	14	100
SIA "DigiPro"	6	100	6	100
SIA "PrivatConsulting"	3	100	3	100
	<u>23</u>		<u>23</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 DEFERRED EXPENSES AND ACCRUED INCOME

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Deferred income	793	1 128	436	621
Prepaid expenses	356	507	225	320
	1 149	1 635	661	941

22 OTHER ASSETS

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Materials	45	64	53	75
Stock	-	-	202	287
Trade accounts receivable	-	-	123	175
Security deposit	752	1 070	703	1 001
Gold	3	4	-	-
Other	314	447	270	384
	1 114	1 585	1 351	1 922

23 DUE ON DEMAND TO CREDIT INSTITUTIONS

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Credit institutions registered in Latvia	130	185	394	560
Credit institutions registered in OECD countries	56	80	-	-
Credit institutions registered in non-OECD countries	563	801	11 565	16 456
	749	1 066	11 959	17 016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 DEPOSITS AND BALANCES DUE ON TERM TO CREDIT INSTITUTIONS

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Demand deposits				
Residents:				
State companies	1	1	16	23
Private enterprises	1 926	2 741	1 455	2 070
Private individuals	4 023	5 725	4 408	6 272
Others	1	1	-	-
Non-residents:				
Residents of OECD countries	29 750	42 330	25 495	36 276
Residents of non-OECD countries	12 524	17 820	11 687	16 629
Total demand deposits	48 225	68 618	43 061	61 270
Term deposits				
Residents:				
State companies	1 404	1 998	255	363
Private individuals	14 915	21 222	10 148	14 440
Private enterprises	1 604	2 282	489	696
Others	45	64		
Non-residents:				
Residents of OECD countries	13 843	19 697	13 322	18 956
Credit institutions registered in OECD countries	3 514	5 000	-	-
Residents of non-OECD countries	9 130	12 991	6 180	8 793
Credit institutions registered in non-OECD countries	8 785	12 500	1 550	2 205
Total term deposits	53 240	75 754	31 944	45 453
Total deposits and balances due on term to credit institutions	101 465	144 372	75 005	106 723

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
The maturity structure of customer deposits as per agreement term at 31 December 2006 was as follows:				
Demand deposits	48 225	68 618	43 061	61 270
Term deposits:				
to 3 months	24 889	35 414	22 498	32 012
from 3 to 6 months	5 183	7 375	1 928	2 744
from 6 months to one year	7 899	11 239	2 334	3 321
more than one year	2 970	4 226	3 634	5 171
Total demand and term deposits	89 166	126 872	73 455	104 518

The average deposit interest rates in 2007 and 2006 were 6.21% and 3.47% respectively.

During each reported period 2007 and 2006 the average interest rate on overnight deposits included in current deposit group was 3.75 % and 2.5%, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 ISSUED MORTGAGE BONDS

As at 31 December 2007, the Banks and Group had LVL 14,747 (2006: LVL 8 375) thousand of bonds outstanding, including accrued interest of LVL 93 (2006: LVL 37) thousand.

On 15 May 2006, the Bank issued 3 year mortgage bonds for EUR 4,865 thousand (LVL 3,419 thousand) with accrued interest of LVL 27 thousand. The coupon rate of these bonds is 6M LIBOR + 1.5%. As at 31 December 2007 coupon rate of these bonds was 6.00%.

On 15 December 2006, the Bank issued 5 year mortgage bonds for EUR 7,000 thousand (LVL 4,920) with accrued interest of LVL 15 thousand. The coupon rate of these bonds is 6M LIBOR + 1.6%. As at 31 December 2007 coupon rate of these bonds was 6.50%.

On 15 May 2007, the Bank issued 3 year mortgage bonds for EUR 9,000 thousand (LVL 6 325) with accrued interest of LVL 51 thousand. The coupon rate of these bonds is 6M LIBOR + 1.55%. As at 31 December 2007 coupon rate of these bonds was 6.25%.

26 DEFERRED INCOME AND ACCRUED EXPENSES

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Other accrued expenses	297	422	185	263
	297	422	185	263

27 PROVISIONS

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Provision for vacations	151	215	93	133
Other liabilities	170	242	41	58
	321	457	134	191

28 OTHER LIABILITIES

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Unrealised loss from SPOT transactions	27	39	117	167
Amounts in clearing	1 218	1 733	1 360	1 935
Trade accounts payable	547	778	765	1 088
Other liabilities	172	245	223	317
	1 964	2 795	2 465	3 507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 PAID-UP SHARE CAPITAL

Share capital consists of common shares entitling equal rights to dividends, liquidation quota and voting rights at the shareholders meeting. Nominal value per share is LVL 1. All shares are fully paid up. The largest shareholder of the Bank is Commercial Bank “PrivatBank”, (Ukraine).

Shareholders as at 31 December 2007 are as follows:

Shareholder	Country	Shares LVL	Holding, %	Voting rights
Closed Joint Stock Commercial Bank “PrivatBank”	Ukraine	10 124 646	95.0671	With voting rights
M. Esterovs	USA	524 724	4.9271	With voting rights
J. Aleksandrova (Skvorcova)	Latvia	150	0.0014	With voting rights
A. Laško	Latvia	153	0.0014	With voting rights
V. Bīriņš	Latvia	195	0.0018	With voting rights
O.Trubakovs	Ukraine	33	0.0003	With voting rights
O. Mekekechko	Ukraine	33	0.0003	With voting rights
V. Beļskis	Latvia	33	0.0003	With voting rights
R. Pētersons	Latvia	33	0.0003	With voting rights
		10 650 000	100.00	

Shareholder	Country	Shares LVL	Holding, %	Voting rights
Closed Joint Stock Commercial Bank “PrivatBank”	Ukraine	14 406 073	95.0671	With voting rights
M. Esterovs	USA	746 615	4.9271	With voting rights
J. Aleksandrova (Skvorcova)	Latvia	213	0.0014	With voting rights
A. Laško	Latvia	219	0.0014	With voting rights
V. Bīriņš	Latvia	277	0.0018	With voting rights
O.Trubakovs	Ukraine	47	0.0003	With voting rights
O. Mekekechko	Ukraine	47	0.0003	With voting rights
V. Beļskis	Latvia	47	0.0003	With voting rights
R. Pētersons	Latvia	47	0.0003	With voting rights
		15 153 585	100.00	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 CASH AND CASH EQUIVALENTS

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Cash and due from the Bank of Latvia	12 957	18 436	17 095	24 324
Deposits in other credit institutions with maturity less than three months	20 411	29 042	11 468	16 317
Due to other credit institutions with maturity less than three months	(9 534)	(13 565)	(13 499)	(19 207)
	23 834	33 913	15 064	21 434

31 FUNDS UNDER TRUST MANAGEMENT

	31 December 2007		31 December 2006	
	LVL'000	EUR'000	LVL'000	EUR'000
Assets under management				
Loans to residents of Non - OECD countries	365	519	4 133	5 881
Loans to residents of OECD countries	365	519	4 133	5 881
Liabilities under management	365	519	4 133	5 881
	365	519	4 133	5 881

As at 31 December 2007, the Bank held and managed customers' funds of LVL 365 thousand and invested in fiduciary loans of LVL 365 thousand at customers' direction. These are not the Bank assets and are not recognized in the balance sheet. The Bank is not exposed to risks relating to such placements, which the ultimate customer bears.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS

Related parties are shareholders having a significant influence over the Bank, companies which they can control, members of the Council and Board, senior management, their close relatives and companies which they can control, as well as associated companies.

	31 December 2007	Annual interest rate	31 December 2006	Annual interest rate
Assets	LVL'000		LVL'000	
Loans to the members of the Board and Council	197	6.03%	98	4.88%
PrivatBank balance on correspondent account	54	-	132	-
PrivatBank term deposits	5	2.69%	5	2.69%
Funds in settlement (Visa, Privatmoney)	102	-	91	-
	<u>358</u>		<u>326</u>	

	31 December 2007	Annual interest rate	31 December 2006	Annual interest rate
Liabilities	LVL'000		LVL'000	
Due to PrivatBank – loro account	510	-	11 309	-
PrivatBank term deposits	8 785	5%	1 517	5%
Funds in settlement (Visa, Privatmoney)	21	-	-	-
	<u>9 316</u>		<u>12 826</u>	

As at 31 December 2007 the Bank had the following transactions with subsidiaries:

	31 December 2007	Annual interest rate	31 December 2006	Annual interest rate
Assets	LVL'000		LVL'000	
Loan to SIA „PrivatLīzings”	13 513	5.59%	10 862	4.21%
Loan to SIA „DigiPro”	387	7.10%	390	4.36%
Loan to SIA „PrivatConsulting”	-	-	5	4%
	<u>13 900</u>		<u>11 257</u>	

	31 December 2007	Annual interest rate	31 December 2006	Annual interest rate
Saistības	LVL'000		LVL'000	
Due to SIA „PrivatLīzings”	75	-	-	-
Due to SIA „DigiPro”	-	-	18	-
Due to SIA „PrivatConsulting”	7	-	11	-
	<u>82</u>		<u>29</u>	

	31 December 2007	31 December 2006
Income from related party transactions	LVL'000	LVL'000
Interest income from SIA „PrivatLīzings”	821	374
Interest income from SIA „DigiPro”	25	17
Interest income from SIA „PrivatConsulting”	-	1
	<u>846</u>	<u>392</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31 December 2007	Annual interest rate	31 December 2006	Annual interest rate
Assets	EUR'000		EUR'000	
Loans to the members of the Board and Council	280		139	4.88%
PrivatBank balance on correspondent account	77	-	188	-
PrivatBank term deposits	7	2.69%	7	2.69%
Funds in settlement (Visa, Privatmoney)	145	-	129	-
	509		463	

	31 December 2007	Annual interest rate	31 December 2006	Annual interest rate
Liabilities	EUR'000		EUR'000	
Due to PrivatBank – loro account	725	-	16 091	-
PrivatBank term deposits	12 500	5%	2 158	5%
Funds in settlement (Visa, Privatmoney)	30	-	-	-
	13 255		18 249	

As at 31 December 2007 the Bank had the following transactions with subsidiaries:

	31 December 2007	Annual interest rate	31 December 2006	Annual interest rate
Assets	EUR'000		EUR'000	
Loan to SIA „PrivatLizings“	19 227	5.59%	15 455	4.21%
Loan to SIA „DigiPro“	551	7.10%	555	4.36%
Loan to SIA „PrivatConsulting“	-	-	7	4%
	19 778		16 017	

	31 December 2007	Annual interest rate	31 December 2006	Annual interest rate
Liabilities	EUR'000		EUR'000	
Due to SIA „PrivatLizings“	107	-	-	-
Due to SIA „DigiPro“	-	-	26	-
Due to SIA „PrivatConsulting“	10	-	16	-
	117		42	

	31 December 2007	31 December 2006
Income from related party transactions	EUR'000	EUR'000
Interest income from SIA „PrivatLizings“	1 168	532
Interest income from SIA „DigiPro“	36	24
Interest income from SIA „PrivatConsulting“	-	1
	1 204	557

All transactions with related parties have been carried out at an arm's length basis.