



TRASTA
KOMERCBANKA

**JSC “TRASTA KOMERCBANKA”
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEARS ENDED
31 DECEMBER 2000 AND 1999**

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MANAGEMENT'S REPORT

Financial year 2000 in Trasta komercbanka history will remain as a period of stabilisation and full of heavy work. Bank has stopped decrease of assets and financial year has finished with profit, strengthened its capital base and now we can assure that the Bank has overcome all the difficulties raised from financial crisis in Russia in 1998. Nevertheless Bank was able to carry out its stability and professionalism and continued to develop the quality and range of services satisfying the needs of every customer of the Bank.

As previously mentioned Bank has finished the year with profit 30 000 LVL. Such result mainly was gained thanks to completed restructurization and selling of state bonds of Russia and Ukraine, as well as to several successful supervised credit repayments. Bank also sold some shares of low liquidity in such way improving the status of its investment portfolio.

The assets of the Bank for year 2000 are of high liquidity and quality and the Bank is ready to renovate its position in domestic loan market.

Trasta komercbanka has maintained highly qualified personnel staff, as well as new specialists have joined and therefore the Bank retains the aim to be among the most professional teams in Latvia.

The Bank continues its present strategy to offer customers services of high quality for competitive rates. The Bank also has worked out several new products. Qualified, professional and friendly service is a cornerstone on which the Bank will construct its further development.

In the name of the Banks management we should like to thank all customers, co-partners, employees and shareholders for support, understanding and trustiness.



Alfrēds Čepānis
Chairman of the Council



Gundars Grieze
Chairman of the Board


STATEMENT OF EXECUTIVE MANAGEMENT RESPONSIBILITIES


The management is responsible for preparing financial statements from the books of prime entry of the Bank for each financial period that present fairly the state of affairs of the Bank as at the end of the financial period and the results of its operations and cash flows for that period.

The management confirms that suitable accounting policies have been used and applied consistently and reasonable, prudent judgements and estimates have been made in the preparation of the financial statements on pages 1 to 35 for the period ended 31 December 2000. The management also confirms that applicable international accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The management is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, other legislation of the Republic of Latvia and with the regulations of the Bank of Latvia.

On behalf of the management,


Alfreds Cepānis
Chairman of the Council


Gundars Grieze
Chairman of the Board

MANAGEMENT OF THE BANK**Supervisory Council of Shareholders**


Alfrēds Čepānis	Chairman of the Council
Vilnis Vītolīņš	Member of the Council
Astamurs Gubass	Member of the Council
Boriss Grigs	Member of the Council
Buhuslav Sekerka	Member of the Council

Jānis Cimzietis and Radims Kiezlers have resigned their positions and Boriss Grigs has elected in his position during the period.

Board of Management

Gundars Grieze	Chairman of the Board, President
Māris Fogelis	First vice-chairman of the Board
Igors Buimisters	Vice-chairman of the Board
Sergejs Tarasenoks	Vice-chairman of the Board
Aldis Reims	Vice-chairman of the Board
Svetlana Krasovska	Member of the Board
Uģis Krūmiņš	Member of the Board

Boriss Grigs has resigned his position and Igors Buimisters and Sergejs Tarasenoks have elected in their positions during the period.



Alfrēds Čepānis
Chairman of the Council



Gundars Grieze
Chairman of the Board

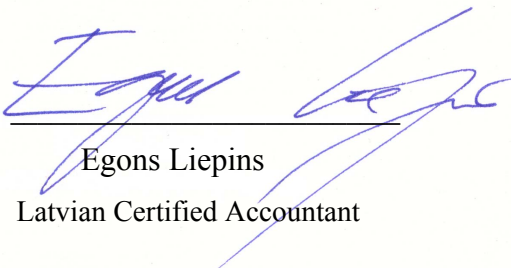
INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF A/S "TRASTA KOMERCBANKA"

We have audited the accompanying balance sheet of A/s "Trasta Komercbanka" ("the Bank") as of December 31, 2000 and related statements of income, cash flows and changes in equity for the year then ended. These Financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Bank as of December 31, 1999 were audited by another auditor whose report dated March 31, 2000 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2000, and the results of its operations, changes in shareholders' equity and its cash flows for the year then ended in accordance with International Accounting Standards.



Egons Liepins
Latvian Certified Accountant


Ernst & Young SIA
Rīga, Latvia
March 13, 2001


INCOME STATEMENTS

In thousands of lats	Note	2000 12 months	1999 12 months
Interest income	3	412	722
Interest expense	4	(143)	(422)
Net interest income		269	300
Dividend income on shares and other non-fixed interest securities		7	7
Fee and commission income	5	184	348
Fee and commission expense	6	(60)	(103)
Loss on dealing with securities and foreign exchange	7	(298)	(41)
Other operating income	8	9	74
Net operating income		111	585
Administrative expenses	9	(868)	(1 026)
Depreciation	19	(139)	(150)
Other operating expenses	10	(22)	(30)
Provisions and charges	11	(20)	(1 080)
Release of specific provisions	11	759	256
Profit/(loss) on revaluation of long-term investments		210	(124)
Profit/(loss) on ordinary activities		31	(1 569)
Extraordinary items – gain on sale of investments and other assets		-	2 315
Profit before taxation		31	746
Taxation	12	(1)	(15)
PROFIT FOR THE YEAR		30	731
EARNINGS PER SHARE (LVL)	27	0.49	12.48

The notes are an integral part of these financial statements.

The financial statements on pages 1 to 35 have signed by:


Alfrēds Čepānis
Chairman of the Council


Gundars Grieze
Chairman of the Board

BALANCE SHEETS

In thousands of lats	Note	2000	1999
ASSETS			
Cash and balances with the Bank of Latvia	13	3 242	632
Due from other credit institutions	14	580	923
<i>on demand</i>		580	922
<i>term placements</i>		-	1
Loans, net	15	365	1 274
Treasury bills and other fixed income securities	16	2 624	1 049
<i>Government bonds and other securities with fixed income</i>		2 624	1 049
Securities with non-fixed income	17	570	511
Fixed intangible assets	18	27	28
Fixed tangible assets	18	465	593
Other assets	19	138	2 737
Deferred expenses and accrued income	20	77	62
Total assets		8 088	7 809
Managed trust assets	21	23 562	398
TOTAL ASSETS AND MANAGED TRUST ASSETS		31 650	8 207
LIABILITIES			
Due to other banks	22	583	666
<i>on demand</i>		571	537
<i>term placements</i>		12	129
Customer deposits	23	3 931	3 577
<i>on demand</i>		3 857	2 807
<i>term deposits</i>		74	770
Other liabilities	24	66	139
Deferred income and accrued expenses	25	31	21
Subordinated debt	26	828	787
Total liabilities		5 439	5 190
SHAREHOLDERS' EQUITY			
Share capital	27	2 649	2 619
<i>Share capital</i>		3 050	3 050
<i>Share premium</i>		111	111
<i>Reserve capital and other reserves</i>		443	443
<i>Accumulated deficit</i>		(985)	(1 716)
<i>Profit for the year</i>		30	731
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8 088	7 809
Managed trust liabilities	21	23 562	398
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MANAGED TRUST LIABILITIES		31 650	8 207

The notes are an integral part of these financial statements.

The financial statements on pages 1 to 35 have signed by:



Alfrēds Čepānis
Chairman of the Council



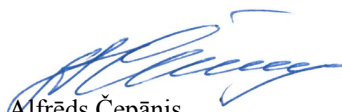
Gundars Griezē
Chairman of the Board


OFF-BALANCE SHEET ITEMS

In thousands of lats	<u>2000</u>	<u>1999</u>
OFF-BALANCE SHEET ASSETS		
Claims to customers	-	307
<i>including receivable under foreign exchange contracts</i>	-	307
Total off-balance sheet assets	-	307
OFF-BALANCE SHEET LIABILITIES		
Commitments:	89	503
<i>including payable under foreign exchange contracts</i>	-	303
<i>including undrawn credit lines</i>	89	113
<i>including letters of credit</i>	-	87
Total off-balance sheet liabilities	89	503

The notes are an integral part of these financial statements.

The financial statements on pages 1 to 35 have signed by:


Alfrēds Čepānis
Chairman of the Council


Gundars Grieze
Chairman of the Board

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of lats	<u>2000</u>	<u>1999</u>
Share capital as at 1 January	3 050	2 924
Issue of new shares	-	126
<i>Individuals, residents</i>	-	126
Share capital as at 31 December	3 050	3 050
Share premium as at 1 January	111	111
Share premium as at 31 December	111	111
Other reserves as at 1 January	443	443
Other reserves as at 31 December	443	443
Accumulated deficit as at 1 January	(985)	(1 716)
Accumulated deficit as at 31 December	(985)	(1 716)
Profit for the year	30	731
TOTAL SHAREHOLDERS' EQUITY AND RESERVES	2 649	2 619

The notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

In thousands of lats	Notes	2000	1999
Cash flows arising from operations:			
Profit before taxation		31	746
Depreciation	18	139	150
(Decrease)/increase in provisions for bad debts	11	(714)	824
Foreign currency revaluation (profit)/loss	7	(44)	46
Gain on revaluation of short-term investments	7	-	(14)
(Profit)/loss on revaluation of long-term investments		(210)	124
Increase/(decrease) in accruals and deferred income	25	10	(115)
(Increase)/decrease in accruals and deferred expense	20	(15)	142
Decrease/(increase) in other assets	19	2 604	(2 229)
Decrease in other liabilities	24	(73)	(327)
Cash and cash equivalents provided by/(used in) operations before changes in operating assets and liabilities		1 728	(653)
Decrease in short-term investments	17	26	30
Decrease in due from other credit institutions	14	1	3
Decrease in loans and advances to customers	15	972	6 973
(Decrease)/increase in due to other banks	22	(117)	72
Increase/(decrease) in customer deposits	23	354	(11 839)
Taxes paid	12	(1)	-
Cash and cash equivalents provided by/(used in) operating activities		2 963	(5 414)
Cash flows arising from investing activities:			
Purchase of fixed assets	18	(4)	(7)
Sale of fixed assets	18	1	90
Purchase of intangible assets	18	(7)	-
Purchase of equity investments	17	-	(109)
Sale of equity investments	17	125	430
Sale of investments in affiliates		-	85
Purchase of T-bills and other fixed income securities	16	(929)	-
Sale of T-bills and other fixed income securities	16	-	1 239
Cash and cash equivalents (used in)/provided by investing activities		(814)	1 728
Cash flows arising from financing activities:			
Share issue and contributions to subordinated debt		41	828
Cash and cash equivalents provided by financing activities		41	828
Increase/(decrease) in cash and cash equivalents		2 190	(2 858)
Cash and cash equivalents at the beginning of the year	29	1 017	3 921
Foreign currency revaluation	7	44	(46)
Cash and cash equivalents at the end of the year		3 251	1 017

The notes are an integral part of these financial statements.

1 INCORPORATION AND ACTIVITIES

Trasta komercbanka is a joint stock company, incorporated in Latvia. It operates under the legislation of the Republic of Latvia and licence from the Bank of Latvia. There is one branch in Riga which provide all banking services. The Bank's principal business activity is to provide corporate and retail lending, as well as investment banking services, including operations on Latvian and foreign securities markets.

2 ACCOUNTING POLICIES**(1) Basis of accounting**

The Bank is subject to the Law on Credit Institutions of the Republic of Latvia and to the regulatory requirements of the Bank of Latvia. These requirements include, among other things, capital adequacy, liquidity and open foreign currency position.

The Bank maintains its accounting records, under the historical cost convention, in accordance with the Law on Accounting of the Republic of Latvia and applicable regulations of the Bank of Latvia. These financial statements have been prepared from those accounting records and adjusted as necessary to conform to the regulations of the Bank of Latvia on credit institutions' financial statements and International Accounting Standards (IAS). Balances disclosed as at 31 December 2000 and 1999 reflect the position as at the close of business on that date.

(2) Foreign currency translation

All monetary assets and liabilities and open forward claims and liabilities denominated in foreign currencies are translated into Latvian Lats (LVL) using the period end rates of exchange published by the Bank of Latvia. Gains and losses arising from this translation are included in the statement of income for the period. The applicable rates for the principal currencies held by the Bank as of 31 December were as follows:

		<u>2000</u>	<u>1999</u>
LVL 1=	USD	1.631	1.715
	EUR	1.754	1.702
	GBP	1.091	1.062
	UAH	8.850	9.434
	RUB	46.296	46.948

(3) Income and expense recognition

All income earned and expenses incurred during the period are reported in the statements of income for the period on the accrual basis.

Income is accrued only when, in the opinion of the directors, there is no doubt that it will be received.

(4) Fixed income securities

Investments in fixed income securities are stated at cost value, less any provision for bad and doubtful investments. Accrued interest is included in income statements only when there is no doubt that it will be received.

(5) Non-fixed income securities

Equity investments in non-listed companies consist primarily of securities issued by privately owned companies and may be subject to restrictions on their resale or are otherwise illiquid. Equity securities generally do not produce a current return, but are held for investment appreciation and ultimate gain on sale.

Equity investments in non-listed companies and affiliates are valued based on various factors, including history of positive cash flow from operations, the market value of comparable publicly traded companies (discounted for illiquidity), and other pertinent factors. The management also considers recent offers to purchase a company's securities when valuing these investments revaluation results are included in the income statements.

Investments in listed shares are stated at the lower of the estimated market and cost value.

(6) Loans and advances

Loans and advances are stated in the balance sheet at the amount of principal outstanding less any provision for bad and doubtful loans. Accrued interest income is included in the statement of income only when there is no doubt that it will be received.

The level of provisions is based on estimates considering known relevant factors affecting collectibility of each loan, in particular financial performance of the borrower, debt servicing history, adequacy of collateral, compliance with the terms of loan agreement. Each loan is classified into one of the following five categories:

<u>Category</u>	<u>Percentage provision</u>
Standard	nothing
Close control	nothing less than 10%
Substandard	nothing less than 30%
Doubtful	nothing less than 60%
Lost	nothing less than 100%

If, in the opinion of the directors, the chances of recovery of a loan are considered to be nil then the loan is written off.

(7) Fixed assets and depreciation

In the balance sheet fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis using the following annual depreciation rates:

Owned buildings:	5%
Furniture and fittings:	10%
Computers and equipment:	20%
Motor vehicles:	20%
Other fixed assets:	50%
Leasehold improvements:	over period of lease

Gains and losses on disposals of fixed assets are recorded in the statement of income of the period of disposal.

2 ACCOUNTING POLICIES**(8) Off-balance sheet financial instruments**

Off-balance sheet financial instruments are stated at the period end rates of exchange published by the Bank of Latvia. Revaluation results are included in the income statements. Their transactions notional amounts are not included in the balance sheets.

(9) Taxation

Income tax expense in these financial statements is calculated on the basis of Latvian tax legislation and International Accounting Standard 12.

(10) Fair value of financial instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 31. Fair value estimates involve uncertainties and matters of significant judgement regarding interest rates, credit risk, prepayments and other factors especially in the absence of broad markets for particular items.

(11) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand placements with and demand deposits due to the Bank of Latvia and other banks, term placements with and due to the Bank of Latvia and other banks with residual maturity less than 3 months, as well as short-term investments with residual maturity less than 3 months.

(12) Earnings per share

For the purpose of calculating earnings per share the weighted average number of common shares outstanding during 2000 and 1999 was 61 000 and 58 551 shares respectively.

In thousands of lats	<u>2000</u> 12 months	<u>1999</u> 12 months
3 INTEREST INCOME		
From placements with other banks	96	39
From loans and advances to customers	100	456
From bonds and fixed interest securities	201	218
Other interest income	15	9
	412	722

Interest Income Analysis for the year 2000

	Monthly average balances	Interest income	Average rate (% p.a.)
From placements with other banks	2 179	96	4.41
From loans and advances to customers	738	100	13.55
From bonds and fixed interest securities	2 049	201	9.81
Other interest income	-	15	-
	4 966	412	8.30

Interest Income Analysis for the year 1999

	Monthly average balances	Interest income	Average rate (% p.a.)
From placements with other banks	1 090	39	3.58
From loans and advances to customers	3 498	456	13.04
From bonds and fixed interest securities	3 072	218	7.10
Other interest income	-	9	-
	7 660	722	9.43

In thousands of lats	<u>2000</u> 12 months	<u>1999</u> 12 months
4 INTEREST EXPENSE		
On deposits from other banks	(10)	(77)
On customer deposits	(33)	(277)
On subordinated loan capital	(67)	(50)
Other interest expense	(33)	(18)
	(143)	(422)

Interest Expense Analysis for the year 2000

	Monthly average balances	Interest expense	Average rate (% p.a.)
On deposits from other banks	285	(10)	3.51
On customer deposits	2 656	(33)	1.24
On subordinated loan capital	820	(67)	8.17
Other interest expense	-	(33)	-
	3 761	(143)	3.80

Interest Expense Analysis for the year 1999

	Monthly average balances	Interest expense	Average rate (% p.a.)
On deposits from other banks	1 396	(77)	5.52
On customer deposits	5 405	(277)	5.12
On subordinated loan capital	675	(50)	7.41
Other interest expense	-	(18)	-
	7 476	(422)	5.64

In thousands of lats	<u>2000</u> 12 months	<u>1999</u> 12 months
5 FEE AND COMMISSION INCOME		
Cash operations	27	65
Letters of Credit	1	7
Money transfers	77	154
Travellers cheques and credit cards	15	17
Securities	7	31
Trust operations	28	-
Other commission income	29	74
	184	348
6 FEE AND COMMISSION EXPENSE		
Nostro accounts	(24)	(51)
Cash operations	(6)	(11)
Securities	(17)	(29)
Other commission expenses	(13)	(12)
	(60)	(103)
7 LOSS ON DEALING WITH SECURITIES AND FOREIGN EXCHANGE		
Gain from foreign currency dealing, net	39	93
Loss on forward contracts revaluation	(4)	(11)
Foreign currency revaluation profit/(loss), net	44	(46)
Loss on dealing with securities	(377)	(91)
Gain from non-fixed interest securities revaluation	-	14
	(298)	(41)
8 OTHER OPERATING INCOME		
Fines received	-	62
Other operating income	9	12
	9	74

In thousands of lats	<u>2000</u> 12 months	<u>1999</u> 12 months
9 ADMINISTRATIVE EXPENSES		
Staff costs	(489)	(409)
<i>salaries of council and board</i>	(79)	(49)
<i>other wages and salaries</i>	(308)	(271)
<i>social security costs</i>	(102)	(89)
Professional services	(25)	(39)
Communications	(112)	(114)
Rent & maintenance	(144)	(147)
Office supplies	(3)	(3)
Travel and entertainment	(5)	(1)
Advertising and marketing	(4)	(7)
Security	(26)	(26)
Insurance	(54)	(243)
Fines	(1)	(31)
Other administrative expenses	(5)	(6)
	(868)	(1 026)
During 2000 The Bank had an average number of 65 employees (1999: 86).		
Employees category		
Managers	23	19
Other	42	67
	65	86
10 OTHER OPERATING EXPENSES		
Member charges	(5)	(5)
Social and cultural events	(1)	(2)
Other expenses	(16)	(23)
	(22)	(30)

In thousands of lats	<u>2000</u> 12 months	1999 12 months
11 PROVISIONS AND CHARGES		
Specific provisions for other assets, placements with and loans to non-banks	(20)	(1 080)
	(20)	(1 080)

The following breakdown discloses details of movements in the specific and general provisions for doubtful debts during the period.

Specific and general provisions as at 1 January	1 098	264
Additional provisions	20	1 080
Provisions on loans written off	(17)	-
Release of specific provisions	(759)	(256)
Foreign exchange revaluation	42	10
Specific and general provisions as at 31 December	384	1 098

The basic part from release of specific provisions refer to investments which were considered as doubtful debts as in previous financial year, but were sold in current year.

12 TAXATION

Property tax	(1)	-
Corporate income tax per 1999	-	(15)
	(1)	(15)

Deferred tax calculation

Deferred tax assets	Temporary difference	Tax effect	Temporary difference	Tax effect
Accumulated taxable loss	592	148	902	226
Loss from the sale of securities	382	96	70	17
Securities revaluation (profit)/loss	(210)	(53)	110	27
Deferred tax assets	764	191	1 082	270
Deferred tax liabilities				
Difference in depreciation rates	327	82	386	97
Deferred tax liabilities	327	82	386	97
Deferred tax assets, net	437	109	696	173

Provisions for deferred tax assets	(109)	(173)
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Deferred tax assets as at 1 January	-	-
Changes in deferred tax	-	-
Deferred tax assets as at 31 December	-	-

Deferred taxation is provided on all temporary differences between the carrying amount of an asset or liability in the balance sheet and the amount attributed to that asset or liability for tax purposes at a current corporate income tax rate of 25%. The principal temporary differences arise from accumulated taxable losses, revaluation of investments in dealing securities and different rates of depreciation on fixed assets.

In thousands of lats	<u>2000</u>	<u>1999</u>
13 CASH AND BALANCES WITH THE BANK OF LATVIA		
Cash on hand	223	191
Balances with the Bank of Latvia	3 019	441
	3 242	632
14 DUE FROM OTHER CREDIT INSTITUTIONS		
Other Latvian commercial banks	66	306
OECD commercial banks	98	531
Other countries' commercial banks	416	86
	580	923
The largest placements are made with the following banks:		
Hansabanka/ Latvia	-	292
Bankers Trust Company NY/USA	64	351
Bank Austria Kreditanstalt (Russia)/Russia	400	-
The Bank has established correspondent relationships with 41 banks.		
15 LOANS		
Loans to companies	359	1 167
Loans to private financial institutions	-	108
Loans to individuals	19	70
Loans to employees	7	12
	385	1 357
Provisions on bad and doubtful debts	(20)	(83)
	365	1 274

In thousands of lats	<u>2000</u>	<u>1999</u>
15 LOANS (continued)		
Loans and advances to customers are composed of (according to prior terms of agreements):		
Due within one year	25	166
Due after one year	360	1 191
	385	1 357
Loan classification by activity of borrowers		
Manufacturing industry	-	506
Trading	127	151
Transport, storage, communication	-	128
Financial services	2	240
Consumer loans	28	64
Other services	228	268
	385	1 357
16 TREASURY BILLS AND OTHER FIXED INCOME SECURITIES		
Government treasury bills and other securities with fixed income	2 988	2 059
<i>Latvian government treasury bills</i>	1 440	-
<i>Ukrainian government treasury bills issued in USD</i>	1 548	1 487
<i>Russian government treasury bills issued in RUB</i>	-	46
<i>Russian government treasury bills issued in USD</i>	-	526
	2 988	2 059
Specific provisions on Ukrainian government treasury bills issued in USD	(364)	(615)
Specific provisions on Russian government treasury bills	-	(395)
<i>issued in RUB</i>	-	(44)
<i>issued in USD</i>	-	(351)
	2 624	1 049

Government treasury bills and other securities with fixed income have been purchased for investment purposes. The nominal value amounts to 3 141 thousand LVL. The unamortised discount and premium comprise 142 and 4 thousand LVL at the end of the year.

The basic part from release of specific provisions refer to investments which were considered as doubtful debts as in previous financial year, but were sold in current year.

In thousands of lats	<u>2000</u>	<u>1999</u>
17 SECURITIES WITH NON-FIXED INCOME		
Equity investments	859	984
<i>Stock Exchange quoted shares</i>	39	47
<i>Stock Exchange non-quoted shares</i>	820	937
Investments in variable yield securities	-	26
<i>Stock Exchange quoted shares</i>	-	26
	859	1 010
Loss on revaluation of equity investments	(289)	(497)
Loss on revaluation of investments in variable yield securities	-	(2)
	570	511
Net equity investments	570	487
Net investments in variable yield securities	-	24

The Bank has the following equity investments:

<u>Company</u>	<u>Industry</u>	<u>2000</u>			<u>1999</u>			
		<u>Total equity</u>	<u>Amount and holding %</u>		<u>Amount and holding %</u>		<u>Carrying value</u>	
			<u>At cost</u>	<u>%</u>	<u>Carrying value</u>	<u>At cost</u>	<u>%</u>	<u>Carrying value</u>
JSC Jewellery factory	Jewellery	1 750	39	1.58	1	42	1.69	2
JSC Grindeks	Pharmaceuticals	-	-	-	-	5	0.02	1
Riga Stock Exchange	Stock Exchange	785	38	5.26	38	38	5.17	24
JSC Rebir	Electronic	5 667	406	6.57	328	406	6.57	205
JSC Lauma	Clothes	13 586	42	0.58	42	42	0.58	42
Bank communication centre	SWIFT access	-	-	-	-	66	14.29	14
JSC Druva	Food production	1 279	329	18.19	160	329	18.20	160
JSC Leta	Information	-	-	-	-	52	11.20	36
Other			5		1	4		3
Total			859		570	984		487

In thousands of lats

18 FIXED ASSETS

(1) Fixed assets in 2000

Tangible assets	<u>Buildings</u>	<u>Vehicles</u>	<u>Machinery & Equipment</u>	<u>Leasehold improvement</u>	<u>Intangible assets</u>	<u>Total</u>
<u>Historical cost</u>						
At 31 December 1999	56	25	862	136	42	1 121
Additions	-	-	4	-	7	11
Disposals	-	-	(14)	-	-	(14)
At 31 December 2000	56	25	852	136	49	1 118
<u>Accumulated depreciation</u>						
At 31 December 1999	19	18	392	57	14	500
Charge for the period	3	5	112	11	8	139
Write-off	-	-	(13)	-	-	(13)
At 31 December 2000	22	23	491	68	22	626
Net Book Value						
at 31 December 2000	34	2	361	68	27	492

(2) Fixed assets in 1999

Tangible assets	<u>Buildings</u>	<u>Vehicles</u>	<u>Machinery & Equipment</u>	<u>Leasehold improvement</u>	<u>Intangible assets</u>	<u>Total</u>
<u>Historical cost</u>						
At 31 December 1998	56	172	875	136	42	1 281
Additions	-	-	7	-	-	7
Disposals	-	(147)	(20)	-	-	(167)
At 31 December 1999	56	25	862	136	42	1 121
<u>Accumulated depreciation</u>						
At 31 December 1998	16	62	302	42	5	427
Charge for the period	3	18	105	15	9	150
Write-off	-	(62)	(15)	-	-	(77)
At 31 December 1999	19	18	392	57	14	500
Net Book Value						
at 31 December 1999	37	7	470	79	28	621

In thousands of lats	<u>2000</u>	<u>1999</u>
19 OTHER ASSETS		
Amount receivable from assets sold	-	2 682
Travellers cheques	7	8
Receivable from financial institutions	113	15
Claims on Russia's budget	-	5
Items in transit	1	21
Other assets	17	11
	138	2 742
Specific provisions to claims on Russia's budget	-	(5)
	138	2 737
20 DEFERRED EXPENSES AND ACCRUED INCOME		
Accrued interest income	17	19
Deferred expenses	51	31
Other accrued income	9	12
	77	62

21 MANAGED TRUST ASSETS

Assets under management on behalf of clients are included in financial statements where the Bank holds the legal title to these assets. The assets are valued at cost. The bank receives fees based on amounts managed. The amount of these assets and liabilities is shown within the corresponding items.

Managed trust assets and liabilities are composed as follows:

Managed trust assets

Term placements from other credit institutions	4 737	11
Investments in other countries' Treasury Bills	-	131
Shares and other non-fixed income securities	18 825	256
	23 562	398

Managed trust liabilities

Individuals	8	50
Private financial institutions	21	156
Private enterprises	23 533	187
Credit institutions	-	5
	23 562	398

The Bank does not carry credit, interest rate or any other risks in respect of the managed trust assets as well as liabilities.

In thousands of lats	<u>2000</u>	<u>1999</u>
22 DUE TO OTHER BANKS		
Due to other commercial banks	583	666
	583	666
23 CUSTOMER DEPOSITS		
Local government	2	2
State enterprises	5	7
Private financial institutions	25	484
Private enterprises	2 226	1 350
Individuals	1 270	1 468
Public and religious organisations	10	46
Items in transit	393	220
	3 931	3 577
Customers deposits maturity profile (according to prior terms of agreements):		
Demand	3 857	2 807
Up to 3 months	16	245
From 3 months to 6 months	-	350
From 6 months to 12 months	16	100
Over 1 year	42	75
	3 931	3 577

In thousands of lats	<u>2000</u>	<u>1999</u>
24 OTHER LIABILITIES		
Due to insolvent credit institutions	45	99
Other liabilities	21	40
	66	139
25 DEFERRED INCOME AND ACCRUED EXPENSES		
Accrued interest expenses	9	10
Other accrued expenses	22	11
	31	21
26 SUBORDINATED DEBT		

As of 31 December 2000 the balance of subordinated non-convertible debt is LVL'000 828 (1999: LVL'000 787) on the terms and matures in 2004 and 2006.

Subordinated debt is contributed by the following lenders:

	<u>Amount and Currency</u>	<u>Date</u>	<u>Maturity</u>	<u>Interest %</u>
Edgars Pīgoznis	150 000USD	28.06.1996	01.07.2004	8.60
Ligita Šmeile	400 000USD	16.03.1999	23.03.2006	8.00
Ligita Šmeile	400 000USD	16.03.1999	18.03.2006	8.00
Ligita Šmeile	400 000USD	16.03.1999	18.03.2006	8.00

The above stated amount of subordinated capital has been included in Tier Two Capital for the purposes of calculation of the capital adequacy ratio (see Note 35).

27

SHARE CAPITAL

The Bank has authorised share capital of LVL'000 5 000 consisting of 100 000 shares of LVL 50 each. Issued share capital as of 31 December 2000 constituted LVL'000 3 050 consisting of 61 000 ordinary shares of LVL 50 each (1999: LVL'000 3 050 consisting of 61 000 ordinary shares). There are 51 shareholders: 13 - corporate and 38 - individuals.

List of shareholders and mutually related shareholder groups which directly or indirectly controls ten and more percent of share capital:

<u>Shareholder</u>	<u>Shareholding</u>		<u>Country</u>
	<u>%</u>	<u>LVL'000</u>	
I.Vītoliņa	8.26	252	Latvia
V.Vītoliņš	6.56	200	Latvia
A.Vītoliņš	8.26	252	Latvia

The following changes have occurred in shareholdings during the year ended 31 December 2000 (in thousands of lats):

Lanciano	-230
V.Vītoliņš	-878
A.Osis	-166
Ģ.Rungainis	-100
A.Čapkevičs	-33
Powerplus LLC	+298
Rikam S.A.H.	+277
C.E.Treherne	+277
I.Buimisters	+278
S.Tarasenoks	+277
	-

Earnings per share:

<u>In lats</u>	<u>2000</u>	<u>1999</u>
Net earnings	30 000	731 000
Weighted average number of common stock outstanding	61 000	58 551
Earnings per share	0.49	12.48

28**LIGATION AND CLAIMS**

On 31 December 2000 the Bank was not involved in any legal proceeding that might have material effect on the financial statements.

29 CASH AND CASH EQUIVALENTS

In thousands of lats	<u>2000</u>	<u>1999</u>
Cash and balances with the Bank of Latvia	3 242	632
Short-term placements with other banks	580	922
Short term investments with residual maturity of less than 3 months	-	-
Due to other banks on demand	(571)	(537)
	3 251	1 017

30 RELATED PARTY TRANSACTIONS

Related parties are defined as shareholders who have a significant interest, their close members of the family, members of the supervisory council and management board and other employees, which have ability to exert planning, management and control of Bank's activities, as well as their close relatives and companies in which above-mentioned persons have a controlling interest.

During the period the bank has carried out transactions with those related parties who are also major depositors of the bank. Trasta komercbanka offered standard services to the related parties, such as money transfers, purchasing and selling of treasury bills, trust operations on the instructions of customers, brokerage and so on. These transactions were conducted predominantly on normal business terms, although certain other commission fees were reduced due to market conditions.

Set out below is the total of loans and deposits with related parties:

In thousands of lats	<u>2000</u>	<u>1999</u>
Loans to and equity investments in related parties	201	262
Deposits placed by related parties	32	732

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of monetary assets and liabilities approximates their carrying value as of 31 December 2000 and 1999. The information concerning the principal characteristics of these items are separately disclosed.

In thousands of lats

32 MATURITY ANALYSIS OF ASSETS AND LIABILITIES EXCLUDING TRUST ASSETS AND LIABILITIES (according to terms of the rest repayments)

	<u>Up to 1 month</u>	<u>1 month to 3 months</u>	<u>3 months to 6 months</u>	<u>6 months to 12 months</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
ASSETS							
Cash and balances with the Bank of Latvia	3 242	-	-	-	-	-	3 242
Due from other credit institutions	580	-	-	-	-	-	580
Loans, net	6	288	13	28	30	-	365
Treasury bills and other fixed income securities	-	1 238	202	-	-	1 184	2 624
Securities with non-fixed income	-	-	-	-	-	570	570
Fixed intangible assets	-	-	-	-	-	27	27
Fixed tangible assets	-	-	-	-	-	465	465
Other assets	-	-	-	-	-	138	138
Deferred expenses and accrued income	27	21	7	4	18	-	77
Total assets	3 855	1 547	222	32	48	2 384	8 088
LIABILITIES							
Due to other banks	571	-	-	12	-	-	583
Customer deposits	3 857	25	12	33	4	-	3 931
Other liabilities	49	-	17	-	-	-	66
Deferred income and accrued expenses	30	-	-	1	-	-	31
Subordinated debt	-	-	-	-	92	736	828
Total liabilities	4 507	25	29	46	96	736	5 439
OFF-BALANCE SHEET ITEMS							
Off-balance sheet commitments							
Commitments	89	-	-	-	-	-	89
Total off-balance sheet commitments	89	-	-	-	-	-	89

Net position							
at 31 December 2000	(741)	1 522	193	(14)	(48)	1 648	2 560
Net position							
at 31 December 1999	(2 010)	2 694	48	639	458	594	2 423

In thousands of lats

33 CURRENCY ANALYSIS OF ASSETS AND LIABILITIES EXCLUDING TRUST ASSETS AND LIABILITIES

	<u>LVL</u>	<u>USD</u>	<u>EUR</u>	<u>Other currencies</u>	<u>Total</u>
ASSETS					
Cash and balances with the Bank of Latvia	438	2 688	102	14	3 242
Due from other credit institutions	-	146	12	422	580
Loans, net	193	172	-	-	365
Treasury bills and other fixed income securities	1 440	1 184	-	-	2 624
Securities with non-fixed income	569	-	1	-	570
Fixed intangible assets	27	-	-	-	27
Fixed tangible assets	465	-	-	-	465
Other assets	21	110	7	-	138
Deferred expenses and accrued income	60	17	-	-	77
Total assets	3 213	4 317	122	436	8 088
LIABILITIES					
Due to other banks	1	425	24	133	583
Customer deposits	659	2 971	78	223	3 931
Other liabilities	5	39	8	14	66
Deferred income and accrued expenses	14	15	2	-	31
Subordinated debt	-	828	-	-	828
Total liabilities	679	4 278	112	370	5 439
OFF-BALANCE SHEET ITEMS					
Off-balance sheet commitments					
Commitments	89	-	-	-	89
Total off-balance	89	-	-	-	89

Net position at 31 December 2000:					
Total amount of the long position	2 445	39	10	66	2 560
Net position	-	39	10	66	115
% of regulatory capital	-	1.14	0.29	1.93	3.36
Net position at 31 December 1999:					
Total amount of the long position	636	1 678	68	41	2 423
Net position	-	1 678	68	41	1 787
% of regulatory capital	-	49.93	2.02	1.22	53.17

In thousands of lats

34 GEOGRAPHICAL ANALYSIS OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS EXCLUDING TRUST ASSETS AND LIABILITIES

	<u>Latvia</u>	<u>USA</u>	<u>Russia</u>	<u>Other countries</u>	<u>Total</u>
ASSETS					
Cash and balances with the Bank of Latvia	3 132	86	-	24	3 242
Due from other credit institutions	66	64	402	48	580
Loans, net	364	-	1	-	365
Treasury bills and other fixed income securities	1 440	-	-	1 184	2 624
Securities with non-fixed income	569	-	-	1	570
Fixed intangible assets	27	-	-	-	27
Fixed tangible assets	465	-	-	-	465
Other assets	21	21	-	96	138
Deferred expenses and accrued income	48	3	-	26	77
Total assets	6 132	174	403	1 379	8 088
LIABILITIES					
Due to other banks	-	-	-	583	583
Customer deposits	1 003	1 393	80	1 455	3 931
Other liabilities	49	-	-	17	66
Deferred income and accrued expenses	28	1	-	2	31
Subordinated debt	828	-	-	-	828
Total liabilities	1 908	1 394	80	2 057	5 439
OFF-BALANCE SHEET ITEMS					
Off-balance sheet commitments					
Commitments	66	5	12	6	89
Total off-balance	66	5	12	6	89
Net position at 31 December 2000	4 158	(1 225)	311	(684)	2 560
Net position at 31 December 1999	1 063	2 203	(342)	(501)	2 423

In thousands of lats	<u>2000</u>		<u>1999</u>	
35 CALCULATION OF CAPITAL ADEQUACY				
According to the regulations of the Bank of Latvia				
(1) Summary calculation				
Tier 1 equity items				
Share capital		3 050		3 050
Share premium		111		111
Reserve capital		443		443
Accumulated deficit		(985)		(1 716)
Fixed intangible assets		(27)		(28)
Profit for the period		30		731
Total		2 622		2 591
Tier 2 equity items				
Subordinated debt (obligations) including remaining period				
more than five years (with 100% adjustment)	736	736	700	700
four to five years (with 80% adjustment)		-	87	70
three to four years (with 60% adjustment)	92	55	-	-
Total	828	791	787	770
Total equity items		3 414		3 361
Assets weighted value calculation				
20% credit risk weighted assets		34		167
50% credit risk weighted assets		26		30
100% credit risk weighted assets		3 144		6 250
Total assets		3 204		6 447
Risk weighted off-balance sheet items (risk weight)				
Off-balance sheet items with credit risk depending on their cost				
50% adjustment off-balance sheet items		38		94
Total off-balance sheet items		38		94
Assets and off-balance sheet items weighted value		3 242		6 541
Claim on credit risk of Bank's portfolio ¹		324		654
Claim on foreign currency risk capital ²		5		172
Coverage of claim on capital by regulatory capital		3 085		2 535
Capital adequacy ratio ³		104%		41%

¹ In accordance with rules of Bank of Latvia claim on credit risk capital of Bank's portfolio is calculated as 10% from total amount of off-balance sheet items and Bank's portfolio risk weighted assets items.

² Claim on foreign currency risk capital is calculated as 10% from total amount of Bank's total foreign currency net position and gold net position which is decreased by 2% from the total amount of first level capital and second level capital.

³ The ratio of capital adequacy is being calculated as it total equity items percentage value against the claim's on credit risk of Bank's portfolio and the claim's on foreign currency risk capital total amount which is being multiplied with ratio 10.

In thousands of lats	2000	1999
35 CALCULATION OF CAPITAL ADEQUACY (continued)		
(2) Assets grouped according to their credit risk		
0% credit risk weighted assets (Group 1)		
Cash and balances with the Bank of Latvia	3 247	632
Latvian Central government securities	1 447	-
Claims collateralised by term deposits, placed in the Bank	4	2
Group 1 total assets	4 698	634
20% credit risk weighted assets (Group 2)		
Claims on A-zone countries banks	102	531
Claims on demand on banks incorporated in Latvia	66	306
Group 2 total assets	168	837
Group 2 assets weighted value	34	167
50% credit risk weighted assets (Group 3)		
Claims on B-zone central governments and central banks denominated in national currency and funded in that currency	-	2
Accrued income and deferred expense if not related to specific business partner	51	57
Loans, completely secured by mortgage registered in land book	-	1
Group 3 total assets	51	60
Group 3 assets weighted value	26	30
100% credit risk weighted assets (Group 5)		
Claims on B-zone countries central governments	1 192	1 047
Claims on B-zone countries banks	416	86
Claims on borrowers which are not banks, central governments, central banks, local governments, European community, international development banks, except claims with lower risk rankings, considering guarantees they have	363	1 276
Fixed tangible assets	465	593
Other assets	708	3 248
Group 5 assets weighted value	3 144	6 250
50% adjustment off-balance sheet items (Group 2)		
Irrevocable letters of credit which don't substitute loans, including 100% risk weighted partner's liabilities	-	87
Agreements on getting loans, opening credit line etc agreements, which bank, can't terminate solely, including 0% risk weighted partner's liabilities	13	12
100% risk weighted partner's liabilities	76	101
Group II total off-balance sheet items	89	188
Group II weighted value	38	94

In thousands of lats	<u>2000</u>	<u>1999</u>
35 CALCULATION OF CAPITAL ADEQUACY (continued)		
According to the International Capital Adequacy Valuation (Basle Capital Accord)		
(1) Summary calculation		
Tier 1 equity items		
Share capital	3 050	3 050
Share premium	111	111
Reserve capital	443	443
Accumulated deficit	(985)	(1 716)
Profit for the period	30	731
Total	2 649	2 619
Tier 2 equity items		
Subordinated debt	828	787
Total	828	787
Total	3 477	3 406
Assets weighted value calculation		
20% credit risk weighted assets	117	185
50% credit risk weighted assets	-	1
100% credit risk weighted assets	2 806	6 249
Total assets	2 923	6 435
Risk weighted off-balance sheet items (risk weight)		
Off-balance sheet items with credit risk depending on their cost		
50% adjustment off-balance sheet items	38	94
Total off-balance sheet items	38	94
Assets and off-balance sheet items weighted value	2 961	6 529
Capital adequacy ratio	117%	52%

According to the recommendations of Basel accord the Bank's capital adequacy should be at least 8%.

In thousands of lats	2000	1999
35 CALCULATION OF CAPITAL ADEQUACY (continued)		
(2) Assets grouped according to their credit risk		
0% credit risk weighted assets (Group 1)		
Cash and balances with the Bank of Latvia	3 247	632
Claims on central governments and central banks denominated in national currency and funded in that currency	1 447	2
Claims collateralised by cash or OECD central government securities or guaranteed by OECD central governments	4	2
Group 1 total assets	4 698	636
20% credit risk weighted assets (Group 2)		
Claims on banks incorporated in the OECD and loans guaranteed by OECD incorporated banks	102	531
Claims on banks incorporated in countries outside the OECD with a residual maturity of up to one year and loans with a residual maturity of up to one year guaranteed by banks incorporated in countries outside the OECD	482	392
Group 2 total assets	584	923
Group 2 assets weighted value	117	185
50% credit risk weighted assets (Group 3)		
Loans fully secured by mortgage on residential property that is or will be occupied by the borrower or that is rented claims on demand	-	1
Group 3 total assets	-	1
Group 3 assets weighted value	-	1
100% credit risk weighted assets (Group 5)		
Claims on the private sector	342	1 197
Claims on central governments out side the OECD	1 192	1 047
Fixed tangible assets	465	593
Fixed intangible assets	27	28
Non-fixed interest securities and equity investments	570	511
Other assets	210	2 873
Group 5 assets weighted value	2 806	6 249
50% adjustment off-balance sheet items (Group 2)		
Irrevocable letters of credit which don't substitute loans, including		
100% risk weighted partner's liabilities	-	87
Agreements on getting loans, opening credit line etc agreements, which bank, can't terminate solely, including		
0% risk weighted partner's liabilities	13	12
100% risk weighted partner's liabilities	76	101
Group II total off-balance sheet items	89	188
Group II weighted value	38	94

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