

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

Joint stock Company

“Latvijas Krājbanka”

Reg. No. 40003098527

**FINANCIAL REPORT
(unaudited)**

for the 6 months period ending 30 June 2006

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Management report

Dear stockholders and clients!

The "Latvijas Krājbanka" joint stock company management is satisfied with financial activity results for the first six months of the year 2006 which were achieved in competitive environment.

The "Latvijas Krājbanka" non-audited after-tax profit for the financial period reached 1 551 thousand LVL which is by 328 thousand more than for the corresponding period of the previous year. The "Latvijas Krājbanka" profit increase was stimulated by asset, credit volume and bank services sale increase, credit quality improvement and business process optimization. The "Latvijas Krājbanka" net income was increased by 499 thousand LVL, net commission profit was increased by 181 thousand LVL, impairment losses were decreased by 437 thousand LVL and reversal of impairment losses was increased by 349 thousand LVL.

On June 30, 2006 "Latvijas Krājbanka" net assets (excluding assets under management) reached 267.8 million LVL, which is by 55.1 million LVL or 25.9% more than in previous year. At the end of the financial period given credits (net) reached 160.6 million LVL. During the year "Latvijas Krājbanka" credit stock was increased by 28.7 million LVL or 21.8%. The "Latvijas Krājbanka" regularly reconsiders credit service conditions making them affordable for a bigger number of clients. The changes in consumer credit conditions are especially attractive. They include bigger credit sums, bigger terms and lower interest rates. "Latvijas Krājbanka" consumer credit volume was increased twice in comparison to the corresponding period of the previous year. In addition to own "Latvijas Krājbanka" capital increase the bank activated corporate client crediting. The implementation of client projects supported by European structural funds is very succeeding too. The "Latvijas Krājbanka" maintains 10th place in Latvian bank sector credit volume ranking.

The "Latvijas Krājbanka" assigned deposit balance in the middle of the year 2006 reached 239.9 million LVL which is by 59.5 million LVL or 33.0% more than on June 30, 2005. During this period the growth of deposit balance was more rapid in comparison to the market average value. "Latvijas Krājbanka" recourse base stability level is characterized by high private person fixed-period deposit proportion which on June 30, 2006 was equal to 49%. The "Latvijas Krājbanka" offer a wide range of deposit services with attractive interest rates. "Latvijas Krājbanka" fixed-period deposit seasonal attraction campaigns already became traditional.

During the first six months of the year 2006 "Latvijas Krājbanka" service development was directed towards the improvement of electronic payment system functionality. The "Latvijas Krājbanka" started e-commerce service development by providing "Itella" AS and "Lursoft IT" Ltd service accessibility at the internetbank. Payment card products are being constantly improved too and particular attention is paid to client growing need satisfaction and deal safety increase. New service called "Safe purchase in the internet" was introduced. Cooperation with other Latvian commercial banks and banks of Conversbank Financial Group in payment card sphere is being

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developed. The bank takes the 4th place in Latvian sector bank payment card ranking and the 3rd place in the installed ATM number ranking.

The introduction of two new insurance policies - GRAWE Futur accident I and GRAWE Futur accident II – was the next step in “Latvijas Krājbanka” and Austrian insurance concern GRAWE relations.

In April 2006 “Latvijas Krājbanka” established the "LKB Asset Management". The company's goal is to create a platform for the attraction of clients in financial asset management sphere and to offer its services not only in Latvia but also abroad.

In May 2006 “Latvijas Krājbanka” became the only owner of the "Investment Management Company "Astra Krājfondi". At the fall of the half year of 2006 the assets managed by the "Astra Krājfondi" were equal to 3.1 million LVL, taking the 5th place among 10 second-level pension management companies registered in Latvia. "Astra Krājfondi" pension plans participants' number on June 30, 2006 reached 41 thousand people. In August 2006 two new second-level pension plans were offered to clients („EKSTRA PLUS” active plan and “KOMFORTS” balanced plan).

Using “Snoras” Lithuanian commercial bank (which in September 2005 became an owner of “Latvijas Krājbanka” control stock) experience in implementation of client service network development strategy “Latvijas Krājbanka” opened four minibanks. Minibanks are mainly directed towards physical person deal handling such as bank account, payment card, consumer credit management and currency exchange. It is planned to increase the number of minibanks to 20 by the end of the year. At the same time “Latvijas Krājbanka” ATM network will be extended too.

During the next 6 months “Latvijas Krājbanka” plans to increase its share capital and attract additional funds by emitting mortgages and Eurobonds.

On the basis of stable relations with company's clients and partners as well as planned development activities “Latvijas Krājbanka” forecasts further increase of the number of clients and sales. By the increase of own capital and financing volumes “Latvijas Krājbanka” plans to achieve the rapid increase of credit volume. “Latvijas Krājbanka” plans to finish the year 2006 with 3.8 million LVL profit.

“Latvijas Krājbanka” joint stock company
Chairman of the board
Bondars

Mārtiņš

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Balance Sheet (thousands of Lats)

Name of the Item	As at 30.06.2006 (unaudited)	As at 30.06.2005 (unaudited)
Cash and balances due from the Bank of Latvia	31 312	17 744
Due from credit institutions and central banks	38 031	14 829
Loans	160 569	131 853
Debt securities and other fixed income securities	26 091	34 015
Equity shares and other non- fixed income securities	129	23
Derivative financial instruments	7	8
Participation in share capital of related and affiliated companies	722	126
Intangible assets	858	862
Fixed assets	9 095	6 835
Other assets	1 003	6 428
Total assets	267 817	212 723
Due to credit institutions and central banks	2 340	5 802
Deposits	239 938	180 443
Derivative financial instruments	286	180
Other liabilities	2 388	8 700
Subordinated liabilities	3 865	3 403
Shareholders' equity	19 000	14 195
Total liabilities	267 817	212 723
Contingent liabilities	1 564	506
Commitments	14 840	12 906
Assets under management	2 800	9 363

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Profit and Loss (thousands of Lats)

Name of the Item	Reporting 6 months period ending 30.06.2006 (unaudited)	Previous reporting 6 months period ending 30.06.2005 (unaudited)
Interest income	7 099	5 955
Interest expense	(2 815)	(2 170)
Income from securities	-	1
Commission and fee income	3 431	3 223
Commission and fee expense	(709)	(682)
Profit/loss from trading in financial instruments	682	1 177
Other operating income	533	343
Administrative expenditure	(5 371)	(4 753)
Depreciation and amortisation of intangible assets and fixed assets, correction in their value	(854)	(857)
Other operating expenditure	(181)	(103)
Impairment losses	(567)	(1 004)
Reversal of impairment losses	555	206
Profit/loss before taxes	1 803	1 336
Corporate income tax	(252)	(113)
Profit/loss of the reporting period	1 551	1 223
Basic earnings per share (in lats per share)	0.170	0.134

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Cash flow statement (thousands of Lats)

Name of the Item	Reporting 6 months period ending 30.06.2006 (unaudited)	Previous reporting 6 months period ending 30.06.2005 (unaudited)
Operating activities		
Result before corporate income tax	1 131	1 336
Depreciation and amortisation	854	834
Impairment increase / (decrease)	-	460
Increase / (decrease) in provisions for liabilities and charges	171	257
Gain on revaluation of foreign currency	(44)	(283)
Loss/(gain) on revaluation of investments	434	(433)
Loss / (gain) from disposal of fixed assets, net	35	4
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations	2 581	2 175
Decrease in deferred income and accrued expenses	(2 283)	(72)
Decrease/(increase) in prepayments and accrued income	1 090	(10)
Net decrease /(increase) in derivative instruments	195	145
Decrease /(increase) in other assets	3 878	(2 267)
Increase/(decrease) in other liabilities	(2 410)	1 661
Decrease / (increase) investments	5 384	382
(Increase) in loans and advances to non-banking customers	(7 985)	(10 087)
Increase/(decrease) in liabilities due to the central bank and credit institutions	-	(436)
Increase/(decrease) in balances due to the central bank and credit institutions	(14 199)	-
Increase /(decrease) in deposits from the public	41 782	22 452
Net increase in cash and cash equivalents from operating activities before corporate income tax	28 033	13 943
(Paid corporate income tax)	(563)	-
Net increase in cash and cash equivalents from operating activities	27 470	13 943
Cash inflow/ outflow from investing activities		
(Purchase) of fixed and intangible assets	(719)	(388)
Proceeds from disposal of fixed and intangible assets	99	66
Investment in associate and subsidiary, net	(246)	-
Increase in cash and cash equivalents from investing activities	(866)	(322)
Cash inflow from financing activities		
Issue of shares and subordinated debt	-	-
Increase in cash and cash equivalents from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	26 604	13 621
Cash and cash equivalents at the beginning of the year	26 156	12 867
Profit/(loss) from revaluation of foreign currency positions, net	44	283
Cash and cash equivalents at the end of the period	52 804	26 771

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Statement of changes in shareholders' equity (thousands of Lats)

	Paid-in share capital	Share premium	Treasury shares	Reserve capital and other reserves	Revaluation reserve	Retained earnings	Total shareholde rs' equity
Balance on 31 December 2004	9 106	1 323	-	626	383	1 534	12 972
Corrections as a result of changes in accounting policy concerning to the period up to 31.12.2004						(612)	(612)
Balance as at 31 December 2004 corrected	9 106	1 323	-	626	383	922	12 360
Revaluation of the fixed assets					2 447	-	2 447
Net profit for the year	-	-	-	-	-	2 702	2 702
Balance on 31 December 2005 uncorrected	9 106	1 323	-	626	2 830	4 236	18 121
Corrections as a result of changes in accounting policy concerning to the period up to 31.12.2004						(612)	(612)
Corrections as a result of changes in accounting policy concerning to the year 2005						(60)	(60)
Balance as at 31 December 2005 corrected	9 106	1 323	-	626	2 830	3 564	17 449
Net profit for the period	-	-	-	-	-	1 551	1 551
Balance on 30 June 2006	9 106	1 323	-	626	2 830	5 115	19 000

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NOTES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting currency

The accompanying financial statements are reported in thousands of Lats (LVL 000's), unless otherwise stated.

b) Basis of presentation

These Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and Financial and Capital Market Commission "Regulations on the preparation of financial statements of banks".

Financial statements have been prepared based on the accounting ledgers maintained in accordance with the requirements of the legislation. The ledgers are prepared in accordance with historical cost convention, including separate revaluation and adjustments of balance sheet items introduced for the purpose of fair presentation in accordance with International Financial Reporting Standards.

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

c) Income and expense recognition

All significant interest income (including loan origination fees) and expense items are recognised on an accrual basis method by using effective interest method.

No interest income is recognised on non-performing loans and advances (see paragraph g) on which interest is unlikely to be collected. The recognition of interest income ceases when the payment of interest or principal is in doubt and impairment for accrued interest income is automatically provided for.

Commissions are credited/charged to the income statement on the date of transaction.

Commission income from the performed custodian and brokerage services for its clients is credited to the Bank's income statement in the period when the services are provided.

d) Foreign currency translation

Transactions denominated in foreign currencies are recorded in lats at the actual rates of exchange published by the Bank of Latvia at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into lats at the rate of exchange prevailing at the reporting period. Any gain or loss resulting from a currency rate fluctuations subsequent to the date of the transaction is included in the income statement as a profit or loss from revaluation of foreign currency positions.

The principal foreign exchange rates (LVL to 1 foreign currency unit) published by the Bank of Latvia and used in the preparation of the Bank's balance sheet were as follows:

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<u>Reporting date</u>	<u>USD</u>	<u>EUR</u>	<u>RUB</u>
As of 30 June 2006	0.560000	0.702804	0,020700
As of 30 June 2005	0.583000	0.702804	0,020400

e) Corporate income tax

Corporate income tax at the rate of 15% is calculated in accordance with Latvian tax regulations and is based on the taxable profit reported for the taxation period.

Deferred taxes are provided for all temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using future tax rates enacted at the balance sheet date. Deferred tax liabilities arising from revaluation of fixed assets are disclosed in fixed assets revaluation reserve.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Earnings per share

Earnings per share are calculated by dividing the attributable profit for the reporting period by the weighted average number of shares in issue during the reporting period.

For the purpose of calculating diluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares (subordinated debt).

g) Impairment losses

The loans originated by the Bank are categorized as loans and advances, and are carried at amortized cost. All loans and advances are recognised when cash is advanced to borrowers. Loans and advances to non-banking customers represent the outstanding principal balances less provisions for loans and advances.

Non-performing loans and advances to customers including banking institutions are defined as loans and other credit balances in which contractually due interest or principal is 30 days or more overdue or where the Bank Management otherwise believe that the contractual interest or principal due will not be collected.

The level of provisions is based on estimates considering relevant factors including but not limited to the Bank's past loan loss experience, known and inherent risks in the portfolio of loans and advances, adverse situations that may affect the borrowers' ability to repay, the estimated value of any underlying collateral and current economic conditions as well as other relevant factors affecting loan and advance collect ability and collateral values.

Impairment losses are recognized in compliance with the International Financial Reporting Standards and represent the estimated amounts of probable losses that have been incurred at the balance sheet date. The specific provision is determined after individually reviewing all loans for potentially uncollectible amounts. When a loan or advance has been classified as

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non-performing or of high risk an impairment for possible credit losses is established for that specific loan or advance for the amount of outstanding balance, which is deemed uncollectible taking into consideration the client's credibility and collateral. The fair value of collateral is determined in accordance with the principle of prudence and based on the quality and liquidity of the collateral.

Impairment for the portfolio value decrease relate to the potential loan losses and off-balance sheet liabilities, which experience indicates are present in the Bank's portfolio of loans and advances to customers.

When according to management loans and advances cannot be recovered, they are written off and charged against the provision for possible credit losses. They are not written off until all the necessary legal procedures have been completed, and the Bank gains sufficient assurance about the unrecoverability of the loan, and the final amount of the loss is determined.

h) Leases

For the purposes of these financial statements, finance lease receivables are classified as *Loans and advances to non-banking customers*.

Finance leases, which confer rights and obligations similar to those attached to owned assets, are recognized as assets and liabilities at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The finance income is allocated to periods during the lease term to produce a constant periodic return on the net investments outstanding in respect of the finance leases.

i) Financial instruments

Classification

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and the ability to hold to maturity.

Trading investments are those acquired for the purpose of short-term profit taking or dealer margin.

Financial instruments at fair value through profit or loss: these financial assets or liabilities have been designated by the Bank at inception as at fair value through profit or loss.

Measurement

Held-to-maturity investments are initially recognised at cost (including transaction costs) and subsequently remeasured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest rate 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.

Revaluation of financial assets at fair value through profit or loss and trading investments is based on quoted market price. If quoted prices are not readily available the Bank uses alternative methods to determine fair value, for example, using pricing models or discounted cash flow techniques.

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Where discounted cash flow techniques are used, estimated future cash flows are based on the Management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, the information is based on market related measures at the balance sheet date.

Revaluation of financial assets at fair value through profit or loss and trading investments is directly recognised in the income statement.

Derecognition

A financial asset is derecognised when the Bank loses control over contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Held-to-maturity instruments and originated loans and receivables are derecognised on the day they are transferred by the Bank.

j) Investments in privatisation certificates

Investments in privatisation certificates are stated at their market value determined in accordance with instructions of the Bank of Latvia.

Unrealized profits or losses arising as a result of stating privatisation certificates at market value are respectively credited or charged to the statement of income as profit or loss from the revaluation of securities.

k) Derivatives

In the normal course of business, the Bank is a party to contracts for forward foreign exchange rate and currency swap instruments. Receivables and payables arising from recognizing derivatives at their fair value, are recognized in the balance sheet as the assets or liabilities of these agreements. Foreign exchange instruments are valued according to the forward rate which is determined based on differences arising between the exchange rates and interest rates of the respective currencies as at the date of the financial statements, as set by the Bank of Latvia. The revaluation result is disclosed as profit or loss from currency exchange trading.

l) Intangible assets

Intangible assets are recognized when it is probable that the asset will generate future economic benefits and their cost can be measured reliably. Intangible assets are amortized over the period of their useful economic life on a straight-line basis. Computer software is treated as an intangible asset only when it is not an integral part of the related hardware.

m) Fixed assets

Fixed assets are recorded at historical cost or their revalued amount less accumulated depreciation. If the recoverable amount of a fixed asset is lower than its carrying amount due to circumstances not considered to be temporary, the fixed asset is written down to its recoverable amount.

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Depreciation is provided using the straight-line method over the estimated useful life of the asset. Assets under construction and preparation are not depreciated. The following depreciation rates have been applied:

<u>Type of fixed assets</u>	<u>Annual Rate 2006</u>	<u>Annual Rate 2005</u>
Buildings	2%	2%
Software	12.5%-20%	12.5%-20%
EDP equipment	25%	25%
Equipment and fixtures	10%-33.33%	10%-33.33%
Transport vehicles	10%	10%

Fixed assets maintenance and running repair costs are charged to the statement of income as incurred.

Leasehold improvements and capital repair costs are capitalised and depreciated over the shorter of the useful economic life and the remaining lease contract period on a straight-line basis.

n) Sale and repurchase agreements

Sale and repurchase agreements are accounted for as financing transactions. Under sale and repurchase agreements, where the Bank is the transferor, assets transferred remain on the Bank's balance sheet and are subject to the Bank's usual accounting policies, with the purchase price received stated as a liability to the transferee.

Where the Bank is the transferee, the assets are not recognized in the Bank's balance sheet, but the purchase price paid to the transferor is included as a receivable from the transferor. Interest income or expense arising from outstanding sale and repurchase agreements is recognized in the income statement over the term of the agreement.

o) Other off-balance sheet instruments

In the ordinary course of business the Bank is involved with commitments to extend loans and advances, set limits for credit cards accounts, issue overdrafts and financial guarantees, as well as commercial letters of credit. Such financial instruments are recorded in the financial statements when the respective contracts are concluded. The methodology for impairment for off-balance sheet instruments is consistent with that adopted for loans and advances to customers as described in paragraph g) above.

p) Assets and liabilities under management

Assets and liabilities managed by the Bank on behalf of its customers, trusts and other institutions are not regarded as assets or liabilities of the Bank and, therefore, are not included in its balance sheet.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits with the Bank of Latvia and other credit institutions with a remaining maturity of less than 3 months.

r) Provision for employee holiday pay

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The provision for vacations is estimated for the Bank's personnel based on the total number of holidays earned but not taken, multiplied by the average daily remuneration expense for the preceding six months including social security contributions.

s) The fair value of financial assets and liabilities

The fair value of financial assets and liabilities represent the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transactions. If according to Management of the Bank the fair value of financial assets and liabilities are different than balance sheet value, then the fair value of financial assets and liabilities is disclosed in the notes to the financial statements.

t) Investments in associates

Associates are those enterprises in which the Bank has significant influence, but not control, over the financial and operation policies. The financial statements include the Bank's share of the total recognized 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 Bank's share of losses exceed the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank has incurred obligations in respect of the associate.

u) Provisions

A provision is recognized in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits 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.

v) Reclassification

Where necessary, certain immaterial comparative figures have been reclassified to conform with changes in presentation in the current year.

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OTHER INFORMATION

**Balance Sheet
(thousands of EUR)¹**

Name of the Item	As at 30.06.2006 (unaudited)	As at 30.06.2005 (unaudited)
Cash and balances due from the Bank of Latvia	44 553	25 247
Due from credit institutions and central banks	54 113	21 100
Loans	228 469	187 610
Debt securities and other fixed income securities	37 124	48 399
Equity shares and other non- fixed income securities	184	33
Derivative financial instruments	10	11
Participation in share capital of related and affiliated companies	1 027	179
Intangible assets	1 221	1 227
Fixed assets	12 941	9 725
Other assets	1 427	9 146
Total assets	381 069	302 677
Due to credit institutions and central banks	3 329	8 255
Deposits	341 401	256 747
Derivative financial instruments	407	256
Other liabilities	3 398	12 379
Subordinated liabilities	5 499	4 842
Shareholders' equity	27 035	20 198
Total liabilities	381 069	302 677
Contingent liabilities	2 225	720
Commitments	21 115	18 364
Assets under management	3 984	13 322

¹ For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (30.06.2006. and 30.06.2005)

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**Profit and Loss
(thousands of EUR)¹**

Name of the Item	Reporting 6 months period ending 30.06.2006 (unaudited)	Previous reporting 6 months period ending 30.06.2005 (unaudited)
Interest income	10 101	8 473
Interest expense	(4 005)	(3 088)
Income from securities	-	1
Commission and fee income	4 882	4 586
Commission and fee expense	(1 009)	(970)
Profit/loss from trading in financial instruments	970	1 674
Other operating income	758	488
Administrative expenditure	(7 642)	(6 763)
Depreciation and amortization of intangible assets and fixed assets, corrections in their value	(1 215)	(1 219)
Other operating expenditure	(257)	(146)
Impairment losses	(807)	(1 428)
Reversal of impairment losses	790	293
Profit/loss before taxes	2 566	1 901
Corporate income tax	(359)	(161)
Profit/loss of the reporting period	2 207	1 740
Basic earnings per share (in EUR per share)	0,242	0, 191

¹ For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (30.06.2006. and 30.06.2005.)

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**Cash flow statement
(thousands of EUR)¹**

Name of the Item	Reporting 6 months period ending 30.06.2006 (unaudited)	Previous reporting 6 months period ending 30.06.2005 (unaudited)
Operating activities		
Result before corporate income tax	1 609	1 901
Depreciation and amortisation	1 215	1 187
Impairment increase / (decrease))	-	654
Increase / (decrease) in provisions for liabilities and charges	243	366
Gain on revaluation of foreign currency	(63)	(403)
Gain/(loss) on revaluation of investments	618	(616)
Gain/(loss) from disposal of fixed assets, net	50	6
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations	3 672	3 095
Decrease in deferred income and accrued expenses	(3 248)	(102)
(Increase) in prepayments and accrued income	1 551	(14)
Net decrease /(increase) in derivative instruments	277	206
Decrease /(increase) in other assets	5 518	(3 226)
Increase in other liabilities	(3 429)	2 363
Decrease / (increase) investments	7 661	543
(Increase) in loans and advances to non-banking customers	(11 362)	(14 352)
Increase/ (decrease) in balances due to the central bank and credit institutions	(20 203)	-
Increase/(decrease) in liabilities due to the central bank and credit institutions	-	(620)
Increase /(decrease) in deposits from the public	59 450	31 946
Net increase in cash and cash equivalents from operating activities before corporate income tax	39 887	19 839
(Paid corporate income tax)	(801)	-
Net increase in cash and cash equivalents from operating activities	39 086	19 839
Cash inflow/ outflow from investing activities		
(Purchase) of fixed and intangible assets	(1 023)	(552)
Proceeds from disposal of fixed and intangible assets	141	94
Investment in associate and subsidiary, net	(350)	-
Increase in cash and cash equivalents from investing activities	(1 232)	(458)
Cash inflow from financing activities		
Issue of shares and subordinated debt	-	-
Increase in cash and cash equivalents from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	37 854	19 381
Cash and cash equivalents at the beginning of the year	37 216	18 308
Profit/(loss) from revaluation of foreign currency positions, net	63	403
Cash and cash equivalents at the end of the period	75 133	38 092

¹ For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (30.06.2006. and 30.06.2005.)

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**Statement of changes in shareholders' equity
(thousands of EUR)¹**

	Paid-in share capital	Share premium	Treasury shares	Reserve capital and other reserves	Revaluation reserve	Retained earnings	Total sharehold ers' equity
Balance on 31 December 2004	12 957	1 883	-	891	545	2 182	18 458
Corrections as a result of changes in accounting policy concerning to the period up to 31.12.2004						(871)	(871)
Balance on 31 December 2004 corrected	12 957	1 883	-	891	545	1 311	17 587
Revaluation of fixed assets					3 481		3 481
Net profit for the year	-	-	-	-	-	3 845	3 845
Balance on 31 December 2005 uncorrected	12 957	1 883	-	891	4 026	6 027	25 784
Corrections as a result of changes in accounting policy concerning to the period up to 31.12.2004						(871)	(871)
Corrections as a result of changes in accounting policy concerning to the year 2005						(85)	(85)
Balance on 31 December 2005 corrected	12 957	1 883	-	891	4 026	5 071	24 828
Net profit for the period	-	-	-	-	-	2 207	2 207
Balance on 30 June 2006	12 957	1 883	-	891	4 026	7 278	27 035

¹ For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (30.06.2006.)

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Supervisory Council

Name, surname	Position	Date of appointment
Raimondas Baranauskas	Chairman of the Council	28/10/2005
Vilis Dambins	Deputy Chairman of the Council	28/10/2005
Aleksandr Antonov	Member of the Council	28/10/2005
Naglis Stancikas	Member of the Council	28/10/2005
Oleg Suhorukov	Member of the Council	28/10/2005
Veronika Dolenko	Member of the Council	28/10/2005

There have been no other changes in the Supervisory Council of the Bank during the period since 1 January 2006 through the date of signing these financial statements.

The Board of Management

**AS LATVIJAS KRĀJBANKA
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Name, surname	Position	Date of appointment / reappointment
Mārtiņš Bondars	Chairman of the Board/ President Member of the Board	03/07/2006
Dzintars Pelcbērgs	First Deputy Chairman of the Board/ First Vice President	02/01/2006
Svetlana Ovčiņņikova	Member of the Board/ Senior Vice President	19/06/2006
Andrejs Surmačs	Member of the Board/ Senior Vice President	28/10/2005
Ēvalds Trukšāns	Member of the Board	27/12/2005
Jānis Tukāns	Member of the Board	13/04/2006

Changes in the Board of Management since 1 January 2005 up to date of signing these financial statements.

Valts Vīgants has resigned from the Management Board on 15 March 2006.

Gints Bukovskis has resigned from the Member of the Board on 16 June 2006.

Andris Nātriņš has resigned from the Chairman of the Board/President on 26 June 2006.

Three new Board Members Dzintars Pelcbērgs, Janis Tukans and Svetlana Ovčiņņikova were elected according to JSC Latvijas Krājbanka Council decisions on 23 December 2005, 12 April 2006 and 19 June 2006 respectively.

According to JSC Latvijas Krājbanka Council decisions on 03 July 2006 Mārtiņš Bondars was elected the Member of the Board and appointed the Chairman of the Board / President.

There have been no other changes in the Board of Management during the period since 1 January 2006 through the date of signing these financial statements.

Raimondas Baranauskas
Chairman of the Council

Mārtiņš Bondars
President/ Chairman of the Board

25th August 2006