

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

Joint stock Company

"Latvijas Krājbanka"

Reg. No. 40003098527

**FINANCIAL REPORT
(unaudited)**

for the 9 months period ending 30 Septembr 2006

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

TABLE OF CONTENTS

Balance Sheet (thousands of Lats).....	3
Profit and Loss (thousands of Lats)	4
Cash flow statement (thousands of Lats).....	5
Statement of changes in shareholders' equity (thousands of Lats)	7
NOTES	9
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
OTHER INFORMATION	17

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

Balance Sheet (thousands of Lats)

Name of the Item	Reporting 9 months period ending 30.09.2006 (unaudited)		Previous reporting 9 months period ending 30.09.2005 (unaudited)	
	Group	Bank	Group	Bank
Cash and balances due from the Bank of Latvia	34 925	34 925	15 510	15 510
Due from credit institutions and central banks	32 059	32 059	16 538	16 537
Loans	180 636	180 636	144 829	144 829
Debt securities and other fixed income securities	28 263	28 263	33 886	33 740
Equity shares and other non- fixed income securities	38	38	82	82
Derivative financial instruments	8	8	22	22
Participation in share capital of related and affiliated companies	5	722	186	306
Intangible assets	1 193	837	889	887
Fixed assets	9 454	9 450	6 512	6 504
Other assets	8 607	8 601	6 182	6 180
Total assets	295 188	295 539	224 636	224 597
Due to credit institutions and central banks	6 384	6 384	15 187	15 187
Deposits	252 946	253 311	183 862	183 958
Derivative financial instruments	339	339	99	99
Other liabilities	11 135	11 135	6 940	6 938
Subordinated liabilities	3 865	3 865	3 403	3 403
Minority interest	-	-	126	-
Shareholders' equity	20 519	20 505	15 019	15 012
Total liabilities	295 188	295 539	224 636	224 597
Contingent liabilities	1 665	1 665	543	543
Commitments	14 847	14 847	15 373	15 373
Assets under management	6 647	2 768	11 058	9 363

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

Profit and Loss (thousands of Lats)

Name of the Item	Reporting 9 months period ending 30.09.2006 (unaudited)		Previous reporting 9 months period ending 30.09.2005 (unaudited)	
	Group	Bank	Group	Bank
Interest income	11 514	11 511	9 019	9 013
Interest expense	(4 517)	(4 523)	(3 280)	(3 283)
Income from securities	0	0	1	1
Commission and fee income	5 558	5 532	5 025	5 017
Commission and fee expense	(1 168)	(1 166)	(1 086)	(1 080)
Profit/loss from trading in financial instruments	1 519	1 523	1 928	1 917
Other operating income	824	824	578	578
Administrative expenditure	(8 411)	(8 392)	(7 109)	(7 099)
Depreciation and amortisation of intangible assets and fixed assets, correction in their value	(1 319)	(1 316)	(1 230)	(1 229)
Other operating expenditure	(215)	(212)	(196)	(196)
Impairment losses	(845)	(845)	(1 601)	(1 601)
Reversal of impairment losses	450	450	362	362
Profit/loss before taxes	3 390	3 386	2 411	2 400
Corporate income tax	(330)	(330)	(383)	(381)
Profit/loss of the reporting period	3 060	3 056	2 028	2 019
Attributable to:				
Shareholders of the Bank	3 060	3 056	2 023	2 019
Minority interest	-	-	5	-
	3 060	3 056	2 028	2 019
Basic earnings per share (in lats per share)	0,336	0,336	0,222	0,222

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

Cash flow statement (thousands of Lats)

Name of the Item	Reporting 9 months period ending 30.09.2006 (unaudited)		Previous reporting 9 months period ending 30.09.2005 (unaudited)	
	Group	Bank	Group	Bank
Operating activities				
Result before corporate income tax	3 390	3 386	2411	2400
Depreciation and amortisation	1 282	1 279	1 189	1 189
Impairment increase / (decrease)	-	-	755	755
Increase / (decrease) in provisions for liabilities and charges	261	262	235	235
Gain on revaluation of foreign currency	50	50	(220)	(220)
Loss/(gain) on revaluation of investments	205	205	(655)	(649)
Correction of consolidation	-	-	246	-
Loss / (gain) from disposal of fixed assets, net	(2)	(2)	51	51
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations	5 186	5 180	4 012	3 761
Decrease in deferred income and accrued expenses	3 245	3 245	198	201
Decrease/(increase) in prepayments and accrued income	(1 609)	(1 607)	114	114
Net decrease /(increase) in derivative instruments	247	247	50	50
Decrease /(increase) in other assets	(5 695)	(5 698)	(2 238)	(2 236)
Increase/(decrease) in other liabilities	4 778	4 786	(535)	(537)
Decrease / (increase) investments	4 461	4 185	674	814
(Increase) in loans and advances to non-banking customers	(59)	(59)	-	-
Increase/(decrease) in liabilities due to the central bank and credit institutions	(28 353)	(28 353)	(23 193)	(23 193)
Increase/(decrease) in balances due to the central bank and credit institutions	-	-	(436)	(436)
Increase /(decrease) in deposits from the public	51 613	51 885	25 871	25 967
Net increase in cash and cash equivalents from operating activities before corporate income tax	33 814	33 811	4 517	4 505
(Paid corporate income tax)	(734)	(734)	(155)	(155)
Net increase in cash and cash equivalents from operating activities	33 080	33 077	4 362	4 350
Cash inflow/ outflow from investing activities				
(Purchase) of fixed and intangible assets	(1 487)	(1 483)	(735)	(724)
Proceeds from disposal of fixed and intangible assets	141	141	147	147
Investment in associate and subsidiary, net	(250)	(250)	-	-
Increase in cash and cash equivalents from investing activities	(1 596)	(1 592)	(588)	(577)
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	31 484	31 485	3 774	3 773
Cash and cash equivalents at the beginning of the year	29 107	29 106	12 867	12 867

AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT

Profit/(loss) from revaluation of foreign currency positions, net	(50)	(50)	220	220
Cash and cash equivalents at the end of the period	60 541	60 541	16 861	16 860

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

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

	Paid-in share capital LVL'000	Share premium LVL'000	Reserve capital and other reserves LVL'000	Revaluation reserve LVL'000	Retained earnings LVL'000	Total shareholder s' equity of the Bank LVL'000
Balance as at 31 December 2004 (reported)	9,106	1,323	626	383	1,534	12,972
Adjustment in the result of changes in accounting policies, referring to the period ended 31 December 2004*	-	-	-	-	(612)	(612)
Balance as at 31 December 2004 (adjusted)	9,106	1,323	626	383	922	12,360
Result of revaluation of fixed assets	-	-	-	2,447	-	2,447
Net profit for the year	-	-	-	-	2,642	2,642
Balance as at 1 January 2006 (adjusted)	9,106	1,323	626	2,830	3,564	17,449
Net profit for the year	-	-	-	-	3,056	3,056
Balance as at 30 September 2006 (unaudited)	9,106	1,323	626	2,830	6,620	20,505

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

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

	Paid-in share capital LVL'000	Share premium LVL'000	Reserve capital and other reserves LVL'000	Revaluation reserve LVL'000	Retained earnings LVL'000	Minority interest LVL'000	Total shareholder s' equity of the Group LVL'000
Balance as at 31 December 2004 (reported)	9,106	1,323	626	383	1,535	119	13,092
Adjustment in the result of changes in accounting policies, referring to the period ended 31 December 2004*	-	-	-	-	(612)	-	(612)
Balance as at 31 December 2004 (adjusted)	9,106	1,323	626	383	923	119	12,480
Result of revaluation of fixed assets	-	-	-	2,447	-	-	2,447
Net profit for the year	-	-	-	-	2,646	6	2,652
Balance as at 1 January adjusted)	9,106	1,323	626	2,830	3,569	125	17,579
Adjustment in the result of minority interest elimination**	-	-	-	-	5	(125)	(120)
Net profit for the year	-	-	-	-	3,060	-	3,060
Balance as at 30 September 2006 (unaudited)	9,106	1,323	626	2,830	6,634	-	20,519

AS LATVIJAS KRĀJBANKA FINANCIAL REPORT

NOTES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Reporting currency*

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

b) *Basis of presentation*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), their interpretations being adopted by the International Accounting Standards Board (IASB), and the Regulations of the Latvian Financial and Capital Market Commission on the Preparation of Banks' Financial Statements.

This interim report is prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The accounting policies adopted in the preparation of these consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except for the adoption of the following amendments mandatory for annual periods beginning on or after 1 January 2006:

IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39") - Amendment for financial guarantee contracts - which amended the scope of IAS 39 to include financial guarantee contracts issued. The amendment addresses the treatment of financial guarantee contracts by the issuer. Under IAS 39 as amended, financial guarantee contracts are recognised initially at fair value and generally remeasured at the higher of the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*;

- IAS 39 - Amendment for hedges of forecast intragroup transactions - which amended IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the financial statements;
- IAS 39 - Amendment for the fair value option - which restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit and loss;
- IAS 19 - Amendment regarding employee benefits (actuarial gains and losses, group plans and disclosures);
- IFRIC 4 *Determining Whether an Arrangement Contains a Lease*;
- IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*.

c) *Changes in accounting policies*

In preparing the consolidated financial statements, respective items have been evaluated in accordance with the same accounting policies and valuation principles

AS LATVIJAS KRĀJBANKA FINANCIAL REPORT

as applied by the Bank in conformity with the requirements of the Financial and Capital Market Commission, except for the effective interest rate method applied starting from 1 January 2006. The changes in the accounting policy are applied retrospectively, i.e. the new policy is applied to prior events and transactions as if it had always been in use. Therefore the Bank has adjusted the retained earnings of the respective period.

Where necessary, comparative figures are adjusted to comply with the changes in the current year's financial statements. The Bank has performed following reclassification to achieve comparability with the current year's financial statements: accumulated interest, deferred income, and other items related to particular financial instruments have been included in each respective instrument's value, instead of being disclosed under other assets/ liabilities as previously.

The effect of these changes on the comparative figures may be disclosed as follows:

LVL'000	(Comparative) figures as at 31/12/2005		
	Reported	Adjustment	Adjusted
ASSETS			
Cash and demand deposits with central banks	28,513	-	28,513
Balances due from credit institutions and central banks	13,929	2,954	16,883
Loans and advances to customers	152,584	(301)	152,283
Debt and other fixed income securities	31,863	653	32,516
Shares and other non-fixed income securities	175	-	175
Investments in associates	121	-	121
Investments in subsidiaries	5	-	5
Derivatives	1	-	1
Intangible assets	828	-	828
Fixed assets	9,394	-	9,394
Other assets	4,292	(3,698)	594
Prepayments and accrued income	1,488	(1,146)	342
Total assets	243,193	(1,538)	241,655

LVL'000	(Comparative) figures as at 31/12/2005		
	Reported	Adjustment	Adjusted
LIABILITIES			
Balances due to credit institutions and central banks	16,286	4	16,290
Deposits from customers	198,156	3,270	201,426
Derivatives	85	-	85
Deferred income and accrued expense	2,481	(1,791)	690
Provisions for liabilities and charges	641	-	641
Provisions for deferred income tax liability	959	(119)	840
Other liabilities	2,599	(2,230)	369
Total liabilities	221,207	(866)	220,341
Subordinated liabilities	3,865	-	3,865

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

Shareholders' equity			
Paid-in share capital	9,106	-	9,106
Share premium	1,323	-	1,323
Reserve capital and other reserves	626	-	626
Revaluation reserve	2,830	-	2,830
Retained earnings	1,534	(612)	922
Profit for the period	2,702	(60)	2,642
Total shareholders' equity	18,121	(672)	17,449
Total liabilities and shareholders' equity			
	243,193	(1,538)	241,655

d) 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.

e) 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:

<u>Reporting date</u>	<u>USD</u>	<u>EUR</u>	<u>RUB</u>
As of 30 September 2006	0.552000	0.702804	0.020600
As of 30 September 2005	0.583000	0.702804	0.020400

AS LATVIJAS KRĀJBANKA FINANCIAL REPORT

f) 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.

g) 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).

h) 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

AS LATVIJAS KRĀJBANKA FINANCIAL REPORT

loan or advance has been classified as 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.

i) 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.

j) 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.

AS LATVIJAS KRĀJBANKA FINANCIAL REPORT

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.

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.

k) 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.

l) 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.

m) 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.

AS LATVIJAS KRĀJBANKA FINANCIAL REPORT

Computer software is treated as an intangible asset only when it is not an integral part of the related hardware.

n) 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.

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	20%	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.

o) 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.

p) 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.

AS LATVIJAS KRĀJBANKA FINANCIAL REPORT

q) *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.

r) *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.

s) *Provision for employee holiday pay*

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.

t) *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.

u) *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.

v) *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.

z) *Reclassification*

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

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

OTHER INFORMATION

**Balance Sheet
(thousands of EUR)¹**

Name of the Item	As at 30.09.2006 (unaudited)		As at 30.09.2005 (unaudited)	
	Group	Bank	Group	Bank
Cash and balances due from the Bank of Latvia	49 694	49 694	22 069	22 069
Due from credit institutions and central banks	45 616	45 616	23 531	23 530
Loans	257 022	257 022	206 073	206 073
Debt securities and other fixed income securities	40 215	40 215	48 215	48 008
Equity shares and other non- fixed income securities	54	54	117	117
Derivative financial instruments	11	11	31	31
Participation in share capital of related and affiliated companies	7	1 027	265	435
Intangible assets	1 697	1 191	1 265	1 262
Fixed assets	13 452	13 446	9 266	9 254
Other assets	12 247	12 238	8 796	8 793
Total assets	420 015	420 514	319 628	319 572
Due to credit institutions and central banks	9 084	9 084	21 609	21 609
Deposits	359 910	360 429	261 612	261 748
Derivative financial instruments	482	482	141	141
Other liabilities	15 844	15 844	9 875	9 872
Subordinated liabilities	5 499	5 499	4 842	4 842
Minority interest	-	-	179	-
Shareholders' equity	29 196	29 176	21 370	21 360
Total liabilities	420 015	420 514	319 628	319 572
Contingent liabilities	2 369	2 369	773	773
Commitments	21 125	21 125	21 874	21 874
Assets under management	9 458	3 939	15 734	13 322

¹ For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (30.09.2006. and 30.09.2005)

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

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

Name of the Item	Reporting 9 months period ending 30.09.2006 (unaudited)		Previous reporting 9 months period ending 30.09.2005 (unaudited)	
	Group	Bank	Group	Bank
Interest income	16 383	16 379	12 833	12 824
Interest expense	(6 427)	(6 436)	(4 667)	(4 671)
Income from securities	0	0	1	1
Commission and fee income	7 909	7 871	7 150	7 139
Commission and fee expense	(1 662)	(1 659)	(1 545)	(1 537)
Profit/loss from trading in financial instruments	2 161	2 167	2 743	2 728
Other operating income	1 173	1 173	823	823
Administrative expenditure	(11 968)	(11 941)	(10 115)	(10 101)
Depreciation and amortization of intangible assets and fixed assets, corrections in their value	(1 877)	(1 872)	(1 750)	(1 749)
Other operating expenditure	(306)	(302)	(279)	(279)
Impairment losses	(1 202)	(1 202)	(2 278)	(2 278)
Reversal of impairment losses	640	640	515	515
Profit/loss before taxes	4 824	4 818	3 431	3 415
Corporate income tax	(470)	(470)	(545)	(542)
Profit/loss of the reporting period	4 354	4 348	2 886	2 873
Attributable to:				
Shareholders of the Bank	4 354	4 348	2 879	2 873
Minority interest	-	-	7	-
	4 354	4 348	2 886	2 873
Basic earnings per share (in EUR per share)	0,478	0,477	0,316	0,316

¹ For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (30.09.2006. and 30.09.2005.)

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

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

Name of the Item	Reporting 9 months period ending 30.09.2006 (unaudited)		Previous reporting 9 months period ending 30.09.2005 (unaudited)	
	Grupa	Banka	Grupa	Banka
Operating activities				
Result before corporate income tax	4 824	4 818	3 431	3 415
Depreciation and amortisation	1 824	1 820	1 692	1 692
Impairment increase / (decrease))	-	-	1 074	1 074
Increase / (decrease) in provisions for liabilities and charges	371	372	334	334
Gain on revaluation of foreign currency	71	71	(313)	(313)
Gain/(loss) on revaluation of investments	292	292	(932)	(923)
Correction of consolidation	-	-	350	-
Gain/(loss) from disposal of fixed assets, net	(3)	(3)	73	73
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations	7 379	7 370	5 709	5 352
Decrease in deferred income and accrued expenses	4 617	4 617	282	286
(Increase) in prepayments and accrued income	(2 289)	(2 286)	162	162
Net decrease /(increase) in derivative instruments	351	351	71	71
Decrease /(increase) in other assets	(8 103)	(8 108)	(3 184)	(3 182)
Increase in other liabilities	6 799	6 810	(761)	(764)
Decrease / (increase) investments	6 347	5 955	959	1 158
(Increase) in loans and advances to non-banking customers	(84)	(84)	-	-
Increase/ (decrease) in balances due to the central bank and credit institutions	(40 343)	(40 343)	(33 001)	(33 001)
Increase/(decrease) in liabilities due to the central bank and credit institutions	-	-	(620)	(620)
Increase /(decrease) in deposits from the public	73 439	73 826	36 811	36 948
Net increase in cash and cash equivalents from operating activities before corporate income tax	48 113	48 108	6 428	6 410
(Paid corporate income tax)	(1 044)	(1 044)	(221)	(221)
Net increase in cash and cash equivalents from operating activities	47 069	47 064	6 207	6 189
Cash inflow/ outflow from investing activities				
(Purchase) of fixed and intangible assets	(2 116)	(2 110)	(1 046)	(1 030)
Proceeds from disposal of fixed and intangible assets	201	201	209	209
Investment in associate and subsidiary, net	(356)	(356)	-	-
Increase in cash and cash equivalents from investing activities	(2 271)	(2 265)	(837)	(821)
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	44 798	44 799	5 370	5 368

¹ For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (30.09.2006. and 30.09.2005.)

AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT

Cash and cash equivalents at the beginning of the year	41 415	41 414	18 308	18 308
Profit/(loss) from revaluation of foreign currency positions, net	(71)	(71)	313	313
Cash and cash equivalents at the end of the period	86 142	86 142	23 991	23 989

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

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

	Paid-in share capital LVL'000	Share premium LVL'000	Reserve capital and other reserves LVL'000	Revaluation reserve LVL'000	Retained earnings LVL'000	Total shareholder s' equity of the Bank LVL'000
Balance as at 31 December 2004 (reported)	12,957	1,883	891	545	2,182	18,458
Adjustment in the result of changes in accounting policies, referring to the period ended 31 December 2004*	-	-	-	-	(871)	(871)
Balance as at 31 December 2004 (adjusted)	12,957	1,883	891	545	1,311	17,587
Result of revaluation of fixed assets	-	-	-	3,481	-	3,481
Net profit for the year	-	-	-	-	3,760	3,760
Balance as at 1 January 2006 (adjusted)	12,957	1,883	891	4,026	5,071	24,828
Net profit for the year	-	-	-	-	4,348	4,348
Balance as at 30 September 2006 (unaudited)	12,957	1,883	891	4,026	9,419	29,176

¹ For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (30.09.2006. and 30.09.2005.)

AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT

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

	Paid-in share capital LVL'000	Share premium LVL'000	Reserve capital and other reserves LVL'000	Revaluation reserve LVL'000	Retained earnings LVL'000	Minority interest LVL'000	Total shareholder s' equity of the Group LVL'000
Balance as at 31 December 2004 (reported)	12,957	1,883	891	545	2,184	169	18,629
Adjustment in the result of changes in accounting policies, referring to the period ended 31 December 2004*	-	-	-	-	(871)	-	(871)
Balance as at 31 December 2004 (adjusted)	<u>12,957</u>	<u>1,883</u>	<u>891</u>	<u>545</u>	<u>1,313</u>	<u>169</u>	<u>17,758</u>
Result of revaluation of fixed assets	-	-	-	3,481	-	-	3,481
Net profit for the year	-	-	-	-	3,765	9	3,774
Balance as at 1 January adjusted)	<u>12,957</u>	<u>1,883</u>	<u>891</u>	<u>4,026</u>	<u>5,078</u>	<u>178</u>	<u>25,013</u>
Adjustment in the result of minority interest elimination**	-	-	-	-	7	(178)	(171)
Net profit for the year	-	-	-	-	4,354	-	4,354
Balance as at 30 September 2006 (unaudited)	<u>12,957</u>	<u>1,883</u>	<u>891</u>	<u>4,026</u>	<u>9,439</u>	<u>-</u>	<u>29,196</u>

¹ For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (30.09.2006. and 30.09.2005.)

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

Supervisory Council

Name, surname	Position	Date of appointment / reappointment
Raimondas Baranauskas	Chairman of the Council	28/10/2005 / 29/09/2006
Aleksandr Antonov	Deputy Chairman of the Council	28/10/2005 / 29/09/2006
Naglis Stancikas	Member of the Council	28/10/2005 / 29/09/2006
Oleg Suhorukov	Member of the Council	28/10/2005 / 29/09/2006
Veronika Dolenko	Member of the Council	28/10/2005 / 29/09/2006

On the 29th September 2006 the shareholders` meeting of the JSC "Latvijas Krājbanka" decided to reduce the number of the Council members to five. Mr. Vilis Dambiņš was not re-elected as the Member of the Council. There have been no other changes in the Supervisory Council of the JSC "Latvijas Krājbanka" during the period since 1 January 2006 through the date of signing these financial statements.

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

The Board of Management

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

**AS LATVIJAS KRĀJBANKA
FINANCIAL REPORT**

Changes in the Board of Management since 1 January 2006 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 Pelcberts, 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

23th November 2006