

AS Latvijas Krājbanka

Consolidated Report

**for the 6 month period
ended 30 June 2008
(audited)**

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The Management of joint stock company *Latvijas Krājbanka* is fully satisfied with the financial results for the first 6 months of 2008 that were achieved in complicated circumstances of slow down market and fierce competition.

Financial data

On 30 June 2008 the non-audited profit of Krājbanka Group has reached LVL 1979 thousand after-tax, which is approximately the same as the result of the according period of 2007. The total amount of the Group's assets has reached LVL 563.2 million, which in comparison with the beginning of 2008 diminished by LVL 108.1 million. At the end of 2007, one of the Banks' biggest customer had accumulated considerable funds on his account, which were diminished in the early 2008, reaching the average turnover of the clients' activity.

During first 6 months of 2008 Krājbanka's private persons' deposit amount increased by LVL 19.7 million, or by 7.6%, which was one of the highest indices in Latvian bank sector during first six months of 2008.

Starting from 2007 year end the Bank's non-bank credit portfolio (net) have been increased by LVL 23.4 million or 7.8%, at the end of period reaching LVL 321.6 million. The Bank adhered pre-cautious Lending policy, evaluating situation within each macro-economic industry, associated risks and returns, as well as maintaining high capital adequacy level, which by the end of accounting period comprised 12.8% (compulsory norm 8%).

The Krājbanka Group's profit increase was supported by the net interest income growth by LVL 0.8 million or by 11.3% (towards 6 months of 2007), increase of the profit of sale of financial instruments by LVL 2 million or almost 2,6 times, and the commission and fee net income growth by LVL 127 thousand or for 5%.

Despite the rugged competition existing in the sector of Latvian commercial banks, Krājbanka retains stable market positions in the main bank activity indices. During the first 5 months of 2008 Krājbanka's private persons' deposit amount increase was the 3rd highest in the sector among 21 bank and 4 foreign bank branches. During the 1st quarter the total resident deposit amount increased by 3.3%, which is almost 2 times more than in the sector on average. These positive tendencies show the high level of clients' loyalty towards the Bank.

Major activities and decisions

Latvian Krājbank shareholders' meeting had decided to pay dividends in amount of 50% of year 2007 profit, which is 2.6 million lats.

In January *Latvijas Krājbanka* paid-out interest on CA series mortgage bonds. The interest income per one CA series mortgage bond for the period from 31 July 2007 to 31 January 2008 (excluding) is EUR 2.6875 (two euro and 68.75 eurocents).

The client service centres (CSC) network has been expanded during first six months of 2008. At the end of June 2008 the total number of CSC had reached level of 117 units, 38 of which were the mini banks. *Latvijas Krājbanka* has biggest network and takes the first place among Latvian commercial banks. Since the beginning of 2008 *Latvijas Krājbanka* has opened a new client service centre in Jurmala and minibanks in Liepaja, Rezekne, Aglona, Karsava, Alsunga, Bene, Livani, Ape and Kadaga.

The Bank's concept to be closer to its customers results in continuing growth of ATM network, reaching level of 185 units and 3rd place on the market among Latvian commercial banks.

During the first half of 2008 *Latvijas Krājbanka* made significant strategic decisions regarding business development and diversification. *Latvijas Krājbanka* has concluded agreement with *AS Parex banka* for the purchase of *AP Anlage & privatbank AG* 100% of shares. The *AP Anlage & privatbank AG* is registered in Switzerland and is focused on individual client service, asset management and investment consultation providing. The transaction will be made after the permission from the Swiss Federal Banking Commission is received, but not later than until 24 January 2009.

During 2nd quarter *Latvijas Krājbanka* had signed syndicated loan agreement for amount of 15 million EUR (LVL 10.54 million) with margin of 120 bp and one year maturity. The mandated lead arranger and agent of the syndicated loan is *Bayerische Landesbank*, Germany. In total five credit institutions participated in the transaction: *Bayerische Landesbank*, *Raiffeisen Zentralbank Osterreich Aktiengesellschaft*, *AS Parex banka*, *Salzburger Landes - Hypothekenbank AG* and *VAS Latvijas Hipotēku un zemes banka*. This is the first and successful step of *Latvijas Krājbanka* to enter the international syndicated lending market.

In June 2008 *Latvijas Krājbanka* has signed agreement with *AS Akciju komercbanka Baltikums*, *SIA Sergey Peshkov Holdings* and *SIA Alexander Peshkov Family Holdings* for the acquisition of 2 511 895 (two million five hundred eleven thousand eight hundred ninety-five) or 99.79% shares of the insurance joint-stock company *Baltikums dzīvība*, for the total amount of LVL 2 714 235 (or 3 862 030 EUR). With the acquisition of the insurance company *AS Latvijas Krājbanka* has ensured its clients with wide range of savings and life insurance products - starting with child's life insurance and children deposit, and up to 3rd level pension contributions.

The President of *Latvijas Krājbanka* has been elected to the Council of the Association of Commercial Banks of Latvia (ACBL). The mandate term is three year period. ACBL is uniting on voluntary principle the banks registered in Latvia and branches of foreign banks. The Association's purpose is to contribute to strengthening and development of the banking system of Latvia.

On March, Dmitrijs Kocjuba has been elected as Member of the *Latvijas Krājbanka* Supervisory Council, where he replaced Dmitrijs Jakovlevs.

Major news in the Bank's products and services

During the first quarter of 2008 International rating agency *Standard & Poor's* raised the long-term credit rating of AS *Latvijas Krājbanka* from "B" to "B+". The short-term credit rating has been repeatedly affirmed at the level of "B". The outlook was defined stable. As the positive factors *Standard & Poor's* means strong client service centre network, recognizable brand, strong liquidity and capital adequacy. *Standard & Poor's* had mentioned that rating upgrade reflects ongoing and potential support of AS *Latvijas Krājbanka* by its main shareholder - the Lithuanian Bank AB *Bankas Snoras*.

The international rating agency *Fitch Ratings* has also revised the ratings for *Latvijas Krājbanka*: Long-term Foreign Currency Rating (IDR) – "B" and Individual Rating – "D/E". The remaining ratings affirmed by *Fitch Ratings* at the previous level: Short-term Foreign Currency Ratings - "B" and Support Rating – "4". The prognosis for the Long-term Foreign Currency Rating remained Stable.

One of the biggest European banks *Deutsche Bank* has positively evaluated processing quality of *Latvijas Krājbanka* outgoing payments and awarded the bank an annual prize *Deutsche Bank's STP Excellence Award*. The award certifies the professionalism of the AS *Latvijas Krājbanka* experts and the quality of the bank's technologies. Starting with 30 June 2008 AS *Latvijas Krājbanka* discontinues the collaboration with the insurance company *Grazer Wechselseitige Versicherung Aktiengesellschaft* (GRAWE) and stops sale of the GRAWE insurance products.

AS *Latvijas Krājbanka* has already started to offer clients the 3rd level pension fund, managed by its subsidiary, company AS *Pirmais atklātais pensiju fonds*. AS *Pirmais atklātais pensiju fonds* has plans to attract customers from both segments - private individuals and legal persons, who would perform pension contributions in favour of its employees. During reporting period AS *Ieguldījumu pārvaldes sabiedrība Astra Krājfondi* (hereinafter referred to as - *Astra Krājfondi*) showed the best results among pension funds in Latvia. Pension plan *Komforts* and *Extra Plus* showed the best profitability in their categories. *Astra Krājfondi* is one of the profitable pension plan managers in Latvia and the Baltic States, which have provided positive profitability in all the segments (conservative, balanced and active) since the beginning of this year.

The number of clients of *Astra Krājfondi* at the end of June 2008 was 68 637, and accumulated funds reached level of 17.9 million lats (+60% during six months period). *Astra Krājfondi* takes 4th place in terms of customer number among Latvian pension funds. At the end of the quarter, the total assets managed by *Astra Krājfondi* amounted of 19.5 million LVL, including investment funds, 3rd level pension assets, and individual investment portfolios.

Despite the overall market "slow down", *Latvijas Krājbanka* subsidiary company SIA *LKB Līzings* has retained growth tempo, and by the end of the first six months the leasing transaction portfolio comprised of 17 million LVL, increased by 60%. Vehicle leasing, commercial transport leasing and industrial technique leasing grew by 80%, 21% and 51% respectively.

Public activities

The Bank's development is acknowledged by different sociological polls, at which *Latvijas Krājbanka* ranks high positions. According to international market research company *GfK Custom Research*, Latvian residents consider AS *Latvijas Krājbanka* to be the second most popular bank in Latvia. More than 10% of all Latvian residents consider AS *Latvijas Krājbanka* their main bank.

Latvijas Krājbanka continues its strategic contribution to Latvian musical and cultural life. In the first quarter of 2008 the bank also supports various significant cultural events and accentuates the availability of truly great artistic processes and development of cultural processes not only in the capital of Latvia, but also in its regions.

The XXIV Overall Latvian Song and XIV Dance Celebration, the general sponsor of which is *Latvijas Krājbanka*, can be considered the most significant cultural life events in Latvia. The bank have issued almost 40 000 ID cards with chips for all Song and Dance Festival participants. Those ID cards could be easily activated as credit cards upon accomplishment of certain application procedure and authorization performed. Continuing to support significant Latvian cultural and music events, *Latvijas Krājbanka* has supported the release of the new record of UPE *Recording Company* - CD *Skaisti dziedi*.

Latvijas Krājbanka has developed the *Celebration card* (*Svētku karte*), which was specially created for the XXIV Overall Latvia Song and XIV Dance Celebration. In visual design of the *Celebration card* traditional Latvian and ethnographical motives are used as well as the Song and Dance Celebration logotype. The special *Celebration card*, issued by *Latvijas Krājbanka* is the MasterCard Mass credit card with the widest application possibilities in Latvia and throughout the world.

This year *Latvijas Krājbanka* supports the International Piano Star Festival in Liepāja by taking part in financing of festival process and by granting the prize of *Latvijas Krājbanka*. During long period of time *Latvijas Krājbanka* has supported one of the largest events in Latvia's musical life, the *Latvian Music Record Awards ceremony*. *Latvian Music Record Awards* is an expressive form of popular music records, competition that has already taken place 12 times.

MANAGEMENT REPORT

President of *Latvijas Krājbanka* Mārtiņš Bondars took part in the project "Iespējamā misija" (*Mission Possible*), in which students from 11th grade of Liepāja City 5th Secondary School were taught economics. Almost 50 Latvian business leaders expressed their support for the "Iespējamā misija" program, and visited several schools throughout Latvia to become teachers for an hour and give a lecture on a subject relevant to their professions.

Yours faithfully,

Raimondas Baranauskas
Chairman of the Council

Mārtiņš Bondars
Chairman of the Board / President

Rīga, 4 August 2008

AS LATVIJAS KRĀJBANKA

SUPERVISORY COUNCIL AND MANAGEMENT BOARD OF THE BANK

As at 30 June 2008 the members of the Supervisory Council of the Bank were as follows:

Supervisory Council

<i>Name, surname</i>	<i>Position</i>	<i>Date of appointment/ Reappointment</i>
Raimondas Baranauskas	Chairman of the Council	28/10/2005 /19/03/2008
Aleksandrs Antonovs	Deputy Chairman of the Council	28/10/2005 /19/03/2008
Michael Duncan Chartres	Member of the Council	23/03/2007/ 19/03/2008
Dmitrijs Kocjuba	Member of the Council	19/03/2008
Oļegs Suhorukovs	Member of the Council	28/10/2005 /19/03/2008
Žoržas Šarafanovičius	Member of the Council	23/03/2007/19/03/2008

On the ordinary shareholders` meeting of AS Latvijas Krājbanka, held on 19 March 2008, the changes were made to the composition of the Council of AS Latvijas Krājbanka. New Council of AS Latvijas Krājbanka shall be elected for three years. Dmitrijs Jakovļevs was not re-elected as Council member of AS Latvijas Krājbanka. As at 30 June 2008 the members of the Management Board of the Bank were as follows:

Management Board

<i>Name, surname</i>	<i>Position</i>	<i>Date of appointment</i>
Mārtiņš Bondars	Chairman of the Board / President	03/07/2006
Dzintars Pelcbergs	First Deputy Chairman of the Board / First Vice President	02/01/2006
Svetlana Ovčiņņikova	Member of the Board	19/06/2006
Andrejs Surmačs	Member of the Board	28/10/2005
Ilze Bagatska	Member of the Board	17/07/2007
Ivars Priedītis	Member of the Board	17/07/2007

There have been no changes in the composition of Management Board from 1 January 2008 till the publication of this report.

AS LATVIJAS KRĀJBANKA

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT

The Management of AS Latvijas Krājbanka (hereinafter - the Bank) is responsible for the preparation of the financial statements of the Bank.

The financial statements on pages 8 to 23 are prepared in accordance with the source documents and present fairly the financial position of the Bank as at 30 June 2008, the results of its operations, changes in shareholders' equity and cash flows for the 6 month period then ended.

The interim consolidated financial statements for the 6-month period ended 30 June 2008 have been prepared in accordance to the IAS 34 Interim Financial Statements.. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgment and estimates have been made by the Management in the preparation of the financial statements.

The Management of AS *Latvijas Krājbanka* is responsible for the maintenance of proper accounting records, the safeguarding of the Bank's assets and the prevention and detection of fraud and other irregularities in the Bank. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, the regulations of the Bank of Latvia, the instructions of the Financial and Capital Market Commission and other legislation of the Republic of Latvia applicable to credit institutions.

Raimondas Baranauskas
Chairman of the Council

Mārtiņš Bondars
Chairman of the Board / President

Riga,
4 August 2008

AS LATVIJAS KRĀJBANKA
INCOME STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2008 TO 30 JUNE 2008

LVL '000	Notes	Group 30.06.2008	Group 30.06.2007	Bank 30.06.2008	Bank 30.06.2007
Interest revenue		18,170	13,291	18,083	13,320
Interest expense		(10,579)	(6,243)	(10,597)	(6,252)
Net interest income		7,591	7,048	7,486	7,068
Commission and fee revenue		3,963	3,498	3,804	3,453
Commission and fee expense		(996)	(912)	(991)	(909)
Net commission and fee income		2,967	2,586	2,813	2,544
Profit on sale of securities and foreign exchange trading		3,207	1,217	3,211	1,217
Other operating income		1,357	515	1,338	501
Operating income		15,122	11,366	14,848	11,330
Personnel expense		(6,022)	(4,251)	(5,828)	(4,177)
Depreciation and amortization expense		(1,072)	(913)	(1,047)	(909)
Other operating expenses		(4,653)	(3,401)	(4,586)	(3,355)
Total operating expenses		(11,747)	(8,565)	(11,461)	(8,441)
Impairment losses	3	(1,383)	(874)	(1,383)	(874)
Reversal of impairment losses	3	366	505	366	505
Profit before corporate income tax		2,358	2,432	2,370	2,520
Corporate income tax		(379)	(403)	(374)	(401)
Profit for the reporting period		1,979	2,029	1,996	2,119
Attributable to the shareholders of the Bank		1,979	2,029	1,996	2,119
Basic earnings per share (in lats per share)		0.163	0.213	0.164	0.170
Diluted earnings per share (in lats per share)		0.128	0.170	0.129	0.177

The accompanying notes on pages 12 to 22 form an integral part of these financial statements.

AS LATVIJAS KRĀJBANKA
BALANCE SHEET
AS AT 30 JUNE 2008

LVL '000	Notes	Group 30.06.2008	Group 31.12.2007	Bank 30.06.2008	Bank 31.12.2007
Assets					
Cash and deposits with the central bank		43,730	48,151	43,730	48,151
Balances due from credit institutions and the central bank		140,501	275,008	140,501	275,008
Loans and advances to customers	5	317,249	297,681	321,634	298,247
Derivative instruments		489	291	489	291
Financial assets at fair value through profit or loss		13,589	21,694	13,589	21,694
Financial assets held for trading		359	-	359	-
Held-to-maturity investments		15,792	4,747	15,792	4,747
Investment in subsidiaries	6	-	-	661	640
Intangible assets	7	1,143	1,200	989	1,067
Fixed assets	8	22,298	19,461	21,985	19,127
Prepayments and accrued income		1,005	648	994	626
Other assets		7,088	2,462	1,989	2,220
Total assets		563,243	671,343	562,712	671,818
Liabilities					
Balances due to the central bank and credit institutions		17,969	26,668	17,969	26,668
Deposits from the customers		487,461	586,129	488,108	586,571
Issued debt instrument		3,592	3,593	3,592	3,593
Derivative liabilities		212	456	212	456
Deferred income and accrued expenses		1,886	1,815	1,826	1,767
Corporate income tax liability		353	962	353	955
Deferred tax liability		869	848	869	848
Other liabilities		1,936	949	546	782
Subordinated debt		8,528	8,913	8,528	8,913
Total liabilities		522,806	630,333	522,003	630,553
Shareholders' equity					
Paid-in share capital	10	12,149	12,149	12,149	12,149
Share premium		12,300	12,300	12,300	12,300
Reserve capital and other reserves		626	626	626	626
Revaluation reserve		5,352	5,352	5,352	5,352
Retained earnings		10,010	10,583	10,282	10,838
Total issued capital and reserves attributable to equity holders		40,437	41,010	40,709	41,265
Total shareholders' equity		40,437	41,010	40,709	41,265
Total liabilities and shareholders' equity		563,243	671,343	562,712	671,818

The accompanying notes on pages 12 to 22 form an integral part of these financial statements.

AS LATVIJAS KRĀJBANKA
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY 2008 TO 30 JUNE 2008

Group LVL '000	Paid – in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Retained earnings	Total shareholders' equity
Balance sheet as at 1 January 2007	9,106	1,323	626	2,839	7,611	21,505
Dividends paid	-	-	-	-	(1,982)	(1,982)
Issue of shares	803	2,017	-	-	-	2,820
Net profit for the period	-	-	-	-	2,029	2,029
Balance sheet as at 30 June 2007	9,909	3,340	626	2,839	7,658	24,372
Balance sheet as at 1 January 2008	12,149	12,300	626	5,352	10,583	41,010
Dividends paid	-	-	-	-	(2,552)	(2,552)
Profit for the period	-	-	-	-	1,979	1,979
Balance sheet as at 30 June 2008	12,149	12,300	626	5,352	10,010	40,437

Bank LVL '000	Paid – in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Retained earnings	Total shareholders' equity
Balance sheet as at 1 January 2007	9,106	1,323	626	2,839	7,670	21,564
Dividends paid	-	-	-	-	(1,982)	(1,982)
Issue of shares	803	2,017	-	-	-	2,820
Net profit for the period	-	-	-	-	2,119	2,119
Balance sheet as at 30 June 2007	9,909	3,340	626	2,839	7,807	24,521
Balance sheet as at 1 January 2008	12,149	12,300	626	5,352	10,838	41,265
Dividends paid	-	-	-	-	(2,552)	(2,552)
Profit for the period	-	-	-	-	1,996	1,996
Balance sheet as at 30 June 2008	12,149	12,300	626	5,352	10,282	40,709

The Bank paid dividends in amount of 0.42 LVL and 0.21 LVL per share for ordinary and preferred shares respectively.

The accompanying notes on pages 12 to 22 form an integral part of these financial statements.

AS LATVIJAS KRĀJBANKA
CASH FLOW STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2008 TO 30 JUNE 2008

LVL '000	Group 30.06.2008	Group 30.06.2007	Bank 30.06.2008	Bank 30.06.2007
Cash flow from operating activities				
Profit before corporate income tax	2,358	2,432	2,370	2,520
Depreciation and amortisation	1,072	913	1,047	909
(Decrease) in provisions for liabilities and charges	(8)	(524)	(2)	(523)
Loss on revaluation of foreign currency	646	501	642	501
(Gain)/ loss on revaluation of investments	228	(95)	228	(95)
Loss / (gain) from disposal of fixed assets, net	(1)	9	(1)	17
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations	4,295	3,236	4,284	3,329
(Decrease)increase in deferred income and accrued expenses	71	(75)	59	(85)
(Increase) in prepayments and accrued income	(357)	(20)	(368)	(19)
Net (increase) in derivative instruments	(442)	(436)	(442)	(436)
Decrease/(increase) in other assets	(4,939)	261	(81)	275
(Decrease)/ increase in other liabilities	987	(105)	(236)	(118)
(Decrease)/ increase in financial assets at fair value through profit or loss	7,877	(12,916)	7,877	(12,916)
(Decrease)in held for trading securities	(359)	-	(359)	-
(Decrease)/ increase in financial assets held to maturity	(11,045)	9,857	(11,045)	9,857
(Increase) in balances due from the central bank and credit institutions	(7,174)	(10,626)	(7,174)	(10,626)
Increase in liabilities to the central bank and credit institutions	10,600	-	10,600	-
(Increase) in loans and advances to non-banking customers	(19,568)	(47,895)	(23,387)	(48,015)
(Decrease)/ increase in deposits from the public	(98,668)	60,373	(98,463)	60,418
Net increase in cash and cash equivalents from operating activities	(118,722)	1,654	(118,735)	1,664
Paid income tax	(646)	(587)	(642)	(586)
Net increase in cash and cash equivalents	(119,368)	1,067	(119,377)	1,078
Cash flow from investing activities				
(Purchase) of fixed and intangible assets	(3,873)	(5,627)	(3,848)	(5,531)
Proceeds from disposal of fixed and intangible assets	22	1	22	18
Investment in associate and subsidiary, net	-	-	(21)	(154)
Increase in cash and cash equivalents from investing activities	(3,851)	(5,626)	(3,847)	(5,667)
Cash flow from financing activities				
Issue of shares	-	2,820	-	2,820
Issue of debt instrument	-	3,586	-	3,586
Dividends paid	(2,552)	(1,982)	(2,552)	(1,982)
Increase in cash and cash equivalents from financing activities	(2,552)	4,424	(2,552)	4,424
Net increase/ (decrease) in cash and cash equivalents	(125,771)	(135)	(125,776)	(165)
Cash and cash equivalents at the beginning of the year				
Profit/(loss) from revaluation of foreign currency positions	(1,032)	(603)	(1,027)	(603)
Cash and cash equivalents at the end of the period	155,761	119,170	155,761	119,140

Operational cash flows from interest and dividends:

LVL '000	Group 30.06.2008	Group 30.06.2007	Bank 30.06.2008	Bank 30.06.2007
Interest paid	5,294	2,779	5,312	2,788
Interest received	15,246	10,900	15,159	10,929
Dividend received	-	-	-	-

Latvijas Krājbanka shareholders` meeting had decided to pay dividends in amount of 50% of year 2007 profit, which is 2.6 million lats. In January Latvijas Krājbanka paid-out interest on CA series mortgage bonds. The accompanying notes on pages 12 to 22 form an integral part of these financial statements.

AS LATVIJAS KRĀJBANKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2008 TO 30 JUNE 2008

1. INCORPORATION AND PRINCIPAL ACTIVITIES

AS *Latvijas Krājbanka* (hereinafter – the Bank) was founded in 1924 as *Latvijas Pasta Krājbanka* (*Latvian Post Savings Bank*). In June 1940 it was reorganized and included into the structure of the USSR Savings Bank. Until 1991 the main task of the Bank was to attract financial resources and service them within the framework of the Soviet banking system.

On 3 September 1991, the Supreme Council of the Republic of Latvia decided to re-establish AS *Latvijas Krājbanka*. AS *Latvijas Krājbanka* took over all rights of the former USSR National Savings Bank and on 15 October 1992 received a license to perform banking operations. The Bank was registered in the Enterprise Register of the Republic of Latvia on 16 October 1992, as a state owned commercial bank. On 29 March 1994, the Bank was re-registered as a state joint-stock company *Latvijas Krājbanka*. In accordance with the Order of the Cabinet dated 18 January 1996, the state joint stock company *Latvijas Krājbanka* was included into the list of entities to be privatized. During the first phase of the privatization process in 1997, the Bank was merged with *Rīgas Apvienotā Baltijas banka* (Union Baltic Bank in Riga). During the subsequent public offering the shares of the Bank were purchased by residents of Latvia using privatization certificates. On 20 September 2005, *Snoras*, one of the largest commercial banks in Lithuania, purchased an 83.01% shareholding and became the major shareholder of the Bank. The Bank's financial statements are consolidated in the financial statements of the Snoras Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements for the 6-month period ended 30 June 2008 have been prepared in accordance with the IAS 34 *Interim Financial Reporting*.

The interim consolidated financial statements do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of 31 December 2007.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

a) Basis of preparation

This interim financial statement are prepared in accordance with IAS 34 about interim financial reporting. The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the adoption of new Standards and Interpretations, as noted below:

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments, to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this Interpretation did not have any effect on the financial position or performance of the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. As the Group currently is not using defined benefit schemes, the Interpretation had no impact on the financial position or performance of the Group.

The Bank and the Group has also early adopted IFRS 8. Adoption of this standard did not have any effect on the financial performance or the position or the disclosures of the Bank and the Group.

- The principal effect of the change to IFRS 8 Operating Segments is that this standard requires disclosure of the information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group determined that there are no operating segments used by the management of the Group, as the management of the Group are not using disaggregated information.
- As the major Group's clients during the reporting year were Latvian residents, no geographical analysis of revenues is disclosed. Majority of Group's non-current assets other than financial instruments are located in Latvia, so no geographical analysis of non-current assets is disclosed.

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

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank as at and for the period ended 30 June 2008 and 31 December 2007. Subsidiaries are consolidated from the date on which the control is transferred to the Bank. Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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In preparing the consolidated financial statements, respective items have been evaluated in accordance with the uniform accounting policies and valuation principles applied by the Bank in conformity with the requirements of the Financial and Capital Market Commission and International Financial Reporting Standards as adopted by the European Union. The subsidiaries' financial statements are included in the Group's consolidated financial statements based on the full consolidation method.

All items in the Bank's and Group's financial statements have prior year comparatives. Should the difference between information on the Group and that on the Bank be insignificant, such information on the Group is not separately presented and then explicitly mentioned.

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3. IMPAIRMENT LOSSES

An analysis of impairment losses for Bank and the Group is presented as follows:

LVL'000	Impairment losses for loan principal	Other impairment losses	Total
Impairment losses as at 31 December 2006	2,850	175	3,025
Impairment losses	874	-	874
Reversal of impairment losses	(386)	-	(386)
Recovery of assets previously written-off	(119)	-	(119)
Net charge to the statement of income	369	-	369
Foreign exchange movements	(2)	-	(2)
Net write-offs and recoveries of assets	100	(1)	99
Impairment losses as at 30 June 2007	3,317	174	3,491
Impairment losses as at 31 December 2007	2,245	181	2,426
Impairment losses	1,378	5	1,383
Reversal of impairment losses	(365)	(1)	(366)
Net charge to the income statement	1,013	4	1,017
Net write-offs and recoveries of assets	(1,267)	(1)	(1,268)
Impairment losses as at 30 June 2008	1,991	184	2,175

4. BALANCES DUE FROM CREDIT INSTITUTIONS

At the end of 2007, one of the Banks' biggest customer had accumulated considerable funds on his account, which were diminished in the early 2008, reaching the average turnover of the clients' activity.

5. LOANS AND ADVANCES TO CUSTOMERS

LVL '000	Group 30.06.2008	Group 31.12.2007	Bank 30.06.2008	Bank 31.12.2007
Loans	259,940	257,877	280,617	267,379
Utilised credit lines	37,424	28,574	37,424	28,574
Debit balances on settlement cards	4,993	4,026	4,993	4,026
Factoring	196	311	196	311
Overdrafts	389	191	389	191
Finance lease	16,298	8,947	6	11
Total gross loans and advances to customers	319,240	299,926	323,625	300,492
Impairment losses (Note 3)	(1,991)	(2,245)	(1,991)	(2,245)
Total net loans and advances to customers	317,249	297,681	321,634	298,247

Loans and advances to customers net of impairment by customer type:

LVL '000	Group 30.06.2008	Group 31.12.2007	Bank 30.06.2008	Bank 31.12.2007
Private individuals	152,755	156,140	149,138	154,494
Impairment losses	(1,462)	(1,227)	(1,462)	(1,227)
Privately held companies	156,422	137,719	164,722	140,039
Impairment losses	(528)	(1,018)	(528)	(1,018)
Personnel employed by the Bank	5,236	5,291	4,959	5,206
Impairment losses	-	-	-	-
Municipal authorities	473	190	473	173
Impairment losses	-	-	-	-
Municipality owned enterprises	44	480	28	480
Impairment losses	-	-	-	-
Non-governmental and religious institutions	103	106	98	100
Impairment losses	-	-	-	-
State owned enterprises	4,206	-	4,206	-
Impairment losses	-	-	-	-
Total loans and advances to customers	317,249	297,681	321,634	298,247

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Loans and advances to customers before impairment losses by industry:

LVL '000	Group	Group	Bank	Bank
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
Private individuals	157,991	159,700	154,096	159,700
Real estate development	49,960	38,477	49,831	38,477
Retail trade and wholesale distribution	19,123	14,342	15,948	14,342
Manufacturing	10,438	12,429	9,732	12,429
Hotels and restaurants	11,167	11,208	10,752	11,208
Agriculture and forestry	7,861	7,632	6,922	7,632
Financial intermediaries	4,408	13,933	21,636	13,933
Construction	10,900	6,071	8,313	6,071
Transport, warehousing and communications	22,273	19,003	20,168	19,003
State administration and healthcare	1,654	1,766	1,599	1,766
Electricity, gas and water utilities	856	1,459	751	1,459
Sports and leisure activities	8,485	8,145	8,485	8,145
Investment companies	2,054	1,079	5,660	1,079
Postal services	4,206	-	4,206	-
Debt collection	1,078	-	1,078	-
Computer services	497	619	498	619
Other service industries	6,289	4,063	3,950	4,629
Impairment losses	(1,991)	(2,245)	(1,991)	(2,245)
Total loans and advances to customers	317,249	297,681	321,634	298,247

Loans issued to corporate customers specifically for the purpose of constructing buildings or other premises in the above industry profile have been classified as loans and advances to construction industry.

Credit quality per class of financial assets

The table describes quality of the Bank's financial assets according to the rating agency data. The Bank uses Fitch, Moody's, Standard & Poors ratings to classify balance due from credit institutions and fixed income securities.

Financial assets grouping is provided according to regulations of Basel2. The Bank's (and Group's) loan portfolio does not contain loans to customers with international credit rating.

Bank

As of 30 June 2008:						
LVL'000	Neither past due nor impaired				Past due or impaired	Total
	High grade	Standard grade	Sub-standard grade	Individually evaluated without grade		
Demand deposits with the central bank	26,161	-	-	-	-	26,161
Balances due from credit institutions and the central bank	64,847	5,028	-	70,371	-	140,246
Loans and advances to customers	-	-	-	288,009	33,625	321,634
Financial assets at fair value through profit or loss	8,229	4,495	-	865	-	13,589
Held for trading	-	359	-	-	-	359
Held-to-maturity investments	12,036	-	-	3,756	-	15,792
Derivative instruments	78	-	-	411	-	489
Total	111,351	9,882	-	363,412	33,625	518,270

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Credit quality per class of financial assets

Bank

As of 31 December 2007: LVL'000	Neither past due nor impaired				Past due or impaired	Total
	High grade	Standard grade	Sub-standard grade	Individually evaluated without grade		
Demand deposits with the central bank	30,711	-	-	-	-	30,711
Balances due from credit institutions and the central bank	206,886	31,192	8,717	28,213	-	275,008
Loans and advances to customers	-	-	-	253,392	44,855	298,247
Financial assets at fair value through profit or loss	13,907	5,697	-	2,090	-	21,694
Held-to-maturity investments	1,903	757	-	2,087	-	4,747
Derivative financial instruments	2	-	11	278	-	291
Total	253,409	37,646	8,728	286,060	44,855	630,698

Ratings can be grouped according to their values (the example represents values used by Moody`s).

Rating value	Moody's rating
High grade	Aaa Aa1-A3 Baa1-Baa2 Baa3
Standard grade	Ba1 Ba2-Ba3 B1-B2
Sub-standard grade	B3- Caa-C
Individually evaluated	D or without rating

Bank

LVL'000	Standard	Past due	Individually impaired	Total
	30.06.2008	30.06.2008	30.06.2008	30.06.2008
Demand deposits with the central Bank	26,161	-	-	26,161
Balances due from credit institutions and central banks	140,246	-	-	140,246
Loans and advances to customers	288,009	32,137	1,488	321,634
Financial assets at fair value through profit or loss	13,589	-	-	13,589
Held for trading	359	-	-	359
Held-to-maturity investments	15,792	-	-	15,792
Derivative instruments	489	-	-	489
Total	484,645	32,137	1,488	518,270

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Bank

	Standard	Past due	Individually impaired	Total
LVL'000	31.12.2007	31.12.2007	31.12.2007	31.12.2007
Demand deposits with the central Bank	30,711	-	-	30,711
Balances due from credit institutions and central banks	275,008	-	-	275,008
Loans and advances to customers	253,392	40,002	4,853	298,247
Financial assets at fair value through profit or loss	21,694	-	-	21,694
Held for trading	-	-	-	-
Held-to-maturity investments	4,747	-	-	4,747
Derivative instruments	291	-	-	291
Total	585,843	40,002	4,853	630,698

Aging analysis of past due but not impaired loans per class of financial assets (Bank and Group)

Group

As of 30 June 2008:

LVL'000	Past due but not impaired loans				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Private individuals	16,537	550	1,806	1,869	20,762
Enterprises	9,661	1,358	245	3,025	14,289
Total	26,198	1,908	2,051	4,894	35,051

Bank

As of 30 June 2008:

LVL'000	Past due but not impaired loans				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Private individuals	16,460	208	1,696	1,849	20,213
Enterprises	8,960	30	-	2,934	11,924
Total	25,420	238	1,696	4,783	32,137

Bank and Group

As of 31 December 2007:

LVL'000	Past due but not impaired loans				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Private individuals	11,352	82	3,649	1,684	16,767
Enterprises	22,300	30	480	425	23,235
Total	33,652	112	4,129	2,109	40,002

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Carrying amount per class of financial assets (loans and advances to customers) with renegotiated terms (Bank and Group):

LVL'000	30.06.2008	31.12.2007
Enterprises	793	5,674
Private individuals	3,378	2,079
Total	4,171	7,753

Carrying amount per class of financial assets with renegotiated terms represent the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

During the accounting period from all credits whose terms were reviewed, LV 771 thousand was restructured. The restructured credit is a credit whose conditions are substantially changed in favour of a borrower because of the borrowers financial troubles, i.e., privileges are granted, which in other case would not be granted.

6. INVESTMENTS IN SUBSIDIARIES

LVL '000	Business profile	Historical cost 30.06.2008	Share (%)	Historical cost 31.12.2007	Share (%)
AS Ieguldījumu sabiedrība Astra Krājfondi	Investment fund management	361	100	361	100
Ieguldījumu pārvaldes sabiedrība LKB Assets Management	Investment fund management	120	100	120	100
SIA LKB līzings	Leasing	120	100	120	100
AS Pirmais atklātais pensiju fonds	Investment fund management	53	100	32	100
SIA Krājinvestīcijas	Real estate management	5	100	5	100
SIA Baltic Property project*	Real estate management	2	100	2	100
Total investment in subsidiaries		661	-	640	-

*The company is in registration process

In June 2008 AS *Pirmais atklātais pensiju fonds* emitted extra shares for the total amount of 20.800 LVL, thus reaching the equity amount of 50,000 LVL. AS *Latvijas Krājbanka* purchased all the emitted shares at the nominal value of LVL 1 (one lat).

The board of AS *Latvijas Krājbanka* decided to establish the limited liability company LKB *Drošība*, by acquiring 100% of the newly established company equity. The stock capital of the SIA LKB *Drošība* will comprise LVL 10 000, it will be situated in Riga, 2 Jēkaba Street. After registration in the Commercial register of the Enterprises of the Republic of Latvia and reception of the all necessary licences and permissions, the company will provide collection services.

7. BUSINESS COMBINATION

In 30 June 2007 the Bank purchased 100% shares in AS *Pirmais atklātais pensiju fonds* for LVL 32 thousand and thus became the sole shareholder of this company. The fair value of the assets acquired equaled the purchase price therefore no goodwill was recognized on acquisition.

AS *Latvijas Krājbanka* has concluded a contract with AS *Parex banka* for the purchase of AP *Anlage & privatbank* AG shares. AP *Anlage & privatbank* AG is registered in Switzerland and is focused on individual client service, asset management and investment consultation providing. The transaction will be made after the permission from the Swiss Federal Banking Commission is received, but not later than until 24 January 2009. After making the transaction, which includes settlements and settling of legal formalities, the AS *Latvijas Krājbanka* will become the holder of 100% or 100 000 shares of AP *Anlage & privatbank* AG, the nominal value of one share is 100 CHF.

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AS *Latvijas Krājbanka* has concluded contract on acquisition of 2 511 895 (two million five hundred eleven thousand eight hundred ninety-five) or 99,79% shares of the insurance joint-stock company *Baltikums Dzīvība* for the total amount of LVL 2 714 235 (according to the currency exchange rate set by the Bank of Latvia on the day of the contract conclusion the total amount comprised 3 862 030 EUR). The nominal value of one share is 1 LVL. Registered and paid-in stock capital of AAS BALTIKUMS DZĪVĪBA comprises 2 517 059 LVL. The transaction will be made after the permissions from controlling bodies are received, and all the necessary procedures and settlements are performed, but not later than within four months after the contract conclusion day. AS BALTIKUMS DZĪVĪBA balance sheet as of 31 March 2008 amounted to 3 264 365 LVL, the capital and reserves reached the amount of 2 648 434 LVL.

8. FIXED ASSETS

During the accounting period, fixed assets were purchased for the total amount of. 3,975,400 LVL.(2007:5,046,434 LVL)

In June 2008 the building part with land situated in Riga, 38 Brīvības Street was purchased for the total amount of 2.701.177.- LVL.(2007 building with land 2,506,650) The building will serve as the client service centre. The rest purchase value consists of computer engineering, which was acquired for the amount of 63,197 LVL,(2007:296,988) household equipment for the total amount of 560,586 LVL,(2007:917,438) repairs of building and rented fixed assets for the total amount of 441,000 LVL.(2007:1,108,087) ,and payments advance 209,440 LVL (2007:156,085).

9. DEPOSITS FROM THE CUSTOMERS

At the end of 2007, one of the Banks' biggest customer had accumulated considerable funds on his account, which were diminished in the early 2008, reaching the average turnover of the clients` activity.

10. SHAREHOLDERS' EQUITY AND RESERVES

As at 30 June 2008, the Bank's registered and paid share capital was LVL 12,149 thousand (2007: 12,149 thousand). Share capital consists of:

Shares, thous.	30.06.2008	31.12.2007
Ordinary shares	12,146,412	12,146,412
Preferred shares	2,834	2,834
Total	12,149,246	12,149,246

Ordinary shares entitling to equal rights to dividends, liquidation quota and voting rights at the shareholders meeting. Nominal value per share is LVL 1.

Preferred shares entitle dividend in proportion of shares in share capital. Shares do not have voting rights and nominal value per share is LVL 1.

All shares nominal value of LVL 1 are listed in the Free List of the Riga Stock Exchange. There are no limitations for transfer of the Bank's shares. Bank has not issued employee shares and there is no shareholder to whom the special control right is granted. No limitation is known that would restrict or limit the commitment of shareholder's of shares or voting rights.

The Bank's principal shareholders as at 30 June 2008 and 31 December 2007 were as follows:

LVL '000	30.06.2008		31.12.2007	
	Paid-in share capital	% of total paid-in capital	Paid-in share capital	% of total paid-in capital
JSC bank Snoras	9,223	75.92	9,223	75.92
AS West Investment	868	7.15	868	7.15
Ratto Holdings Limited	1,213	9.98	1,213	9.98
Other	845	6.95	845	6.95
Total	12,149	100.00	12,149	100.00

Changes in Bank's statutes can be made in shareholders meeting by ¾ voting right presented in the shareholder meeting.

Bank has not entered in any agreement that would come into power if there were change of control.

Management Board does not have shares of the Bank as at the end of the reporting period.

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Bank reserves:

- The reserve was based on legislation that existed on period year 1993 – 2001 and mainly refers to privatization and the treatment of capital increase and distribution of profit. The last movement relates to share capital increase in 21 November 2000. As of the 30 June 2008 the Bank reserve amounted to LVL 626 thousand.
- The revaluation reserve is a reserve from revaluation of fixed assets. Based on the provisions of IAS 16 revaluations shall be made with the sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. As of 31 December 2007 the Bank has performed revaluation of all its property under *Land and Building*. As a result, the revaluation reserve was increased by LVL 2,648 thousand. Revaluation was performed by certified, independent values. For recognition purposes the average value between two unrelated valuers' statements was used.

11. CASH AND CASH EQUIVALENTS

LVL '000	Group 30.06.2008	Group 30.06.2007	Bank 30.06.2008	Bank 30.06.2007
Cash and deposits with the Bank of Latvia	43,730	26,174	43,730	26,174
Balances due from credit institutions	119,400	167,120	119,400	167,090
Balances due to credit institutions	(7,369)	(74,124)	(7,369)	(74,124)
Total cash and cash equivalents	155,761	119,170	155,761	119,140

During 2nd quarter *Latvijas Krājbanka* had signed syndicated loan agreement for amount of 15 million EUR (LVL 10,54 million) with margin of 120 bp and one year maturity. The mandated lead arranger and agent of the syndicated loan is *Bayerische Landesbank*, Germany. In total five credit institutions participated in the transaction: *Bayerische Landesbank*, *Raiffeisen Zentralbank Österreich Aktiengesellschaft*, *AS Parex banka*, *Salzburger Landes - Hypothekenbank AG* and *VAS Latvijas Hipotēku un zemes banka*. This is the first and successful step of *Latvijas Krājbanka* to enter the international syndicated lending market.

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12. RELATED PARTIES

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

LVL '000	Group 30.06.2008	Group 31.12.2007	Bank 30.06.2008	Bank 31.12.2007
Amounts receivable:				
Loans and advances to related parties:				
- Management	149	133	85	89
- Parent company	28	28	28	28
- Other related legal entities	33,042	8,678	54,349	18,576
- Other related private individuals	154	131	81	131
Financial assets at fair value through profit or loss - credit and other financial institutions bonds:				
- Parent company	-	659	-	659
Financial assets at fair value through profit or loss - currency derivative fair value:				
- Parent company	-	-	-	-
- Other related legal entities	60	-	60	-
- Other related private individuals	-	11	-	11
Other assets - currency spot deal fair value :				
- Parent company	-	72	-	72
- Other related legal entities	-	36	-	36
Total loans and advances to related parties	33,433	9,748	54,603	19,602
Amounts payable:				
Deposits and funds received:				
- Management	192	167	192	142
- Parent company	4,256	4,456	4,256	4,456
- Other related legal entities	167	-	814	440
- Other related private individuals	135	99	135	99
Derivative liabilities - currency derivative fair value :				
- Parent company	-	1	-	1
- Other related legal entities	-	-	-	-
Other liabilities - currency spot deal fair value :				
- Parent company	-	58	-	58
- Other related legal entities	157	-	157	-
- Other related private individuals	-	200	-	200
Total amounts payable	4,907	4,981	5,554	5,396
Credit commitments and contingencies to related legal entities				
- Management	391	375	391	375
- Other related legal entities	-	-	1,843	244
- Other related private individuals	724	697	724	697
Total commitments and contingencies to related parties	1,115	1,072	2,958	1,316
Profit and loss items				
Interest revenue	7	95	414	251
<i>Inc. Interest revenue from parent company</i>	7	3	7	3
Interest expense	(45)	(139)	(63)	(322)
<i>Inc. Interest expense from parent company</i>	(45)	(139)	(45)	(139)
Commission income	-	38	12	41
<i>Inc. Interest expense from parent company</i>	-	38	-	38
Other income/ expense	(51)	(87)	(51)	(87)
Total profit or loss	(89)	(93)	312	(117)

All deals with related parties are made in accordance with the Bank's regulations and conditions applicable to the transactions with clients.

The Bank has issued a 770,000 EUR guarantee in favor of *Hansabank* to assist a related party with real estate acquisition. The standard fee has been charged. The guarantee expires on 8 July 2011. The guarantee had been secured by a collateral with the value that exceeds the guarantee amount several times. The Bank also has issued a EUR 300,000 guarantee to *American Express Services Europe Ltd* to secure credit card transactions.

The increase of transaction amounts with other related persons is relevant to the accumulation of resources for the ensuring of the operation of clients of "Investbank JSC" /Russia/, and with the loan amount increase to the activity expansion of the subsidiary "LKB Lizings".

There is no accrued impairment loss in relation to the loans issued to related parties.

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13. COMMITMENTS AND CONTINGENCIES

Contingent liabilities and commitments, as well as client security account balances outstanding at the end of the year:

LVL '000	Group 30.06.2008	Group 31.12.2007	Bank 30.06.2008	Bank 31.12.2007
Contingent liabilities				
Outstanding guarantees	8,806	1,820	8,806	1,820
Operating lease commitments	25,722	26,447	25,722	26,447
Total contingent liabilities	34,528	28,267	34,528	28,267
Financial commitments				
Credit commitments	23,139	15,052	24,982	15,296
Other commitments	1,651	10,148	1,651	10,148
Total financial commitments	24,790	25,200	26,633	25,444
Total contingent liabilities and financial commitments	59,318	53,467	61,161	53,711

14. SUBSEQUENT EVENTS

Please see notes 5 and 6.

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VAT registration No LV 40003593454

INDEPENDENT AUDITORS' REPORT

To the shareholders of AS Latvijas Krājbanka

Report on the Financial Statements

We have audited the interim condensed consolidated financial statements of AS Latvijas Krājbanka and its subsidiaries (hereinafter – the Group) and the accompanying interim condensed financial statements of AS Latvijas Krājbanka (hereinafter - the Bank), which are set out on pages 8 through 22 and which comprise the balance sheet as at 30 June 2008, the statements of income, changes in equity and cash flows for the six month period ended 30 June 2008, and explanatory notes.

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the interim condensed financial statements of the Group and the Bank have been prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the EU.

SIA Ernst & Young Baltic
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Rīga, 4 August 2008

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