

# **AS Latvijas Krājbanka**

**Reflection of a shortened version of the consolidated annual report  
in euro currency.**

**The Consolidated annual report was approved on March 12 2010.  
The report has informative character.**

Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (31.12.2009 and 31.12.2008).

## Profit and loss statement 31 December 2009

EUR '000	Group 31.12.2009 (audited)	Group 31.12.2008 (audited)	Bank 31.12.2009 (audited)	Bank 31.12.2008 (audited)
Interest revenue	48,704	59,862	46,154	57,466
Interest expense	(34,724)	(32,231)	(34,391)	(31,673)
<b>Net interest income</b>	<b>13,980</b>	<b>27,631</b>	<b>11,763</b>	<b>25,793</b>
Commission and fee revenue	11,735	12,047	11,192	11,750
Financial intermediation	7,997	-	7,001	-
Commission and fee expense	(3,378)	(2,733)	(4,035)	(2,720)
<b>Net commission and fee income</b>	<b>16,354</b>	<b>9,314</b>	<b>14,158</b>	<b>9,030</b>
Dividend	-	-	142	43
Profit on sale of securities and foreign exchange trading and revaluation	11,691	9,104	11,821	9,143
Penalty income	4,196	1,011	4,196	1,011
Other operating income	3,002	1,620	1,390	861
<b>Operating income</b>	<b>49,223</b>	<b>48,680</b>	<b>43,470</b>	<b>45,881</b>
Personnel expense	(16,165)	(17,022)	(14,737)	(15,895)
Depreciation and amortisation expense	(3,160)	(3,256)	(2,927)	(3,046)
Other operating expenses	(16,428)	(16,315)	(14,739)	(15,253)
<b>Total operating expenses</b>	<b>(35,753)</b>	<b>(36,593)</b>	<b>(32,403)</b>	<b>(34,194)</b>
Impairment losses	(16,142)	(7,241)	(13,877)	(6,560)
<b>Profit/(loss) before corporate income tax</b>	<b>(2,672)</b>	<b>4,846</b>	<b>(2,810)</b>	<b>5,127</b>
Corporate income tax	(80)	(885)	(4)	(847)
<b>Profit/(loss) for the reporting year</b>	<b>(2,752)</b>	<b>3,961</b>	<b>(2,814)</b>	<b>4,280</b>
<b>Attributable to:</b>				
Shareholders of the Bank	(2,752)	3,941	(2,814)	4,280
Minority interest	-	20	-	-
Basic earnings per share (in euro per share)	0.203	0.324	-	-
Diluted earnings per share (in euro per share)	0.203	0.277	-	-

## Statement of Comprehensive Income

EUR '000	Group 31.12.2009 (audited)	Group 31.12.2008 (audited)	Bank 31.12.2009 (audited)	Bank 31.12.2008 (audited)
(Loss)/ profit for the reporting year	(2,752)	3,961	(2,814)	4,280
Foreign currency revaluation reserve	899	(899)	-	-
Change of revolution reserve	(973)	-	(973)	-
Income tax	124	17	124	17
Net change of revolution reserve	(849)	17	(849)	17
Other comprehensive (loss) for the period, net of taxes	50	(882)	(849)	17
<b>Total comprehensive income for the reporting period</b>	<b>(2,702)</b>	<b>3,079</b>	<b>(3,663)</b>	<b>4,297</b>
<b>Attributable to:</b>				
Shareholders of the Bank	(2,702)	3,500	(3,663)	4,297
Non-controlling interest	-	(421)	-	-

**Balance sheets**  
**31 December 2009**

EUR '000	Group 31.12.2009 (audited)	Group 31.12.2008 (audited)	Bank 31.12.2009 (audited)	Bank 31.12.2008 (audited)
<b>Assets</b>				
Cash and deposits with the central bank	63,079	82,830	63,079	82,705
Balances due from credit institutions and the central bank	145,793	315,456	145,473	313,743
Financial assets held for trading	-	423	-	-
Financial assets at fair value through profit or loss	8,140	8,897	7,838	8,699
Loans and advances to customers	513,921	481,685	524,425	486,358
Held-to-maturity investments	16,258	29,943	15,805	29,647
Available –for-sale financial assets	-	1	-	-
Investment properties	1,640	-	1,640	-
Held-for-sale assets	6,083	-	6,083	-
Investments in subsidiaries	-	-	6,150	6,231
Intangible assets	2,187	2,221	1,695	1,793
Fixed assets	27,799	31,835	27,480	31,128
Prepayments and accrued income	1,020	820	999	785
Corporate income tax claims	980	1,823	980	1,823
Other assets	19,538	13,718	9,256	4,426
<b>Total assets</b>	<b>806,438</b>	<b>969,652</b>	<b>810,903</b>	<b>967,338</b>
<b>Liabilities</b>				
Balances due to the central bank and credit institutions	23,379	53,766	23,379	49,367
Deposits from the customers	677,507	827,807	683,573	832,088
Derivative liabilities	244	1,504	244	1,504
Debt securities issued	5,045	5,128	5,045	5,128
Deferred income and accrued expenses	2,023	2,168	1,959	2,097
Provisions for off-balance sheet commitments	-	-	1,283	-
Corporate income tax liability	64	736	-	711
Deferred tax liability	1,205	1,323	1,205	1,323
Other liabilities	4,975	5,211	1,586	2,894
Subordinated debt	21,600	12,846	21,600	12,846
<b>Total liabilities</b>	<b>736,042</b>	<b>910,489</b>	<b>739,874</b>	<b>907,958</b>
<b>Shareholders' equity</b>				
Paid-in share capital	27,496	17,287	27,496	17,287
Share premium	22,605	17,501	22,605	17,501
Reserve capital and other reserves	891	891	891	891
Revaluation reserve	6,783	7,632	6,783	7,632
Foreign currency translation reserve	-	(458)	-	-
Retained earnings	12,614	15,367	13,254	16,069
<b>Total shareholders' equity</b>	<b>70,389</b>	<b>58,220</b>	<b>71,029</b>	<b>59,380</b>
<b>Minority interest</b>	<b>7</b>	<b>943</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' equity</b>	<b>70,396</b>	<b>59,163</b>	<b>71,029</b>	<b>59,380</b>
<b>Total liabilities and shareholders' equity</b>	<b>806,438</b>	<b>969,652</b>	<b>810,903</b>	<b>967,338</b>

## Statement of changes in shareholder's equity

Group EUR '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Minority interest	Total Equity
<b>Balance as at 31 December 2007</b>	<b>17,287</b>	<b>17,501</b>	<b>891</b>	<b>7,615</b>	-	<b>15,058</b>	-	<b>58,352</b>
Profit for the period	-	-	-	-	-	3,941	20	3,961
Other comprehensive income	-	-	-	17	(458)	-	(441)	(882)
Total comprehensive income/expenses for the reporting period	-	-	-	17	(458)	3,941	(421)	3,079
Non controlling interest of subsidiaries acquired	-	-	-	-	-	-	1,364	1,364
Dividends paid	-	-	-	-	-	(3,632)	-	(3,632)
<b>Balance as at 31 December 2008</b>	<b>17,287</b>	<b>17,501</b>	<b>891</b>	<b>7,632</b>	<b>(458)</b>	<b>15,367</b>	<b>943</b>	<b>59,163</b>
Profit for the period	-	-	-	-	-	(2,752)	-	(2,752)
Other comprehensive income	-	-	-	(849)	458	-	441	50
Total comprehensive income/expenses for the reporting period	-	-	-	(849)	458	(2,752)	441	(2,702)
Issue of shares	10,209	5,104	-	-	-	-	-	15,313
Non controlling interest of subsidiaries sold	-	-	-	-	-	-	(1,377)	(1,377)
Dividends paid	-	-	-	-	-	(1)	-	(1)
<b>Balance as at 31 December 2009 (audited)</b>	<b>27,496</b>	<b>22,605</b>	<b>891</b>	<b>6,783</b>	-	<b>12,614</b>	<b>7</b>	<b>70,396</b>

Bank EUR '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Retained earnings	Total equity
<b>Balance as at 31 December 2007</b>	<b>17,287</b>	<b>17,501</b>	<b>891</b>	<b>7,615</b>	<b>15,421</b>	<b>58,715</b>
Profit for the period	-	-	-	-	4,280	4,280
Other comprehensive income	-	-	-	17	-	17
Total comprehensive income/expenses for the reporting period	-	-	-	17	4,280	4,297
Dividends paid	-	-	-	-	(3,632)	(3,632)
<b>Balance as at 31 December 2008</b>	<b>17,287</b>	<b>17,501</b>	<b>891</b>	<b>7,632</b>	<b>16,069</b>	<b>59,380</b>
Profit for the period	-	-	-	-	(2,814)	(2,814)
Other comprehensive income	-	-	-	(849)	-	(849)
Total comprehensive income/expenses for the reporting period	-	-	-	(849)	(2,814)	(3,663)
Issue of shares	10,209	5,104	-	-	-	15,313
Dividends paid	-	-	-	-	(1)	(1)
<b>Balance as at 31 December 2009 (audited)</b>	<b>27,496</b>	<b>22,605</b>	<b>891</b>	<b>6,783</b>	<b>13,254</b>	<b>71,029</b>

During the first half of the 2009, the Bank paid dividends for preferred shares in the amount of EUR 0.347 per share.

## Cash flow statement

EUR '000	Group 31.12.2009 (audited)	Group 31.12.2008 (audited)	Bank 31.12.2009 (audited)	Bank 31.12.2008 (audited)
<b>Naudas plūsma pamatdarbības rezultātā</b>				
Profit before corporate income tax	(2,672)	4,846	(2,810)	5,127
Depreciation and amortization	3,160	3,173	2,927	3,046
Increase in impairment losses	16,142	5,575	13,877	2,851
(Gain)/loss on revaluation of foreign currency	4,051	(3,660)	3,899	(4,566)
(Gain)/loss on revaluation of investments	(733)	(16)	(710)	(37)
(Gain) on revaluation of investments property	(852)	-	(852)	-
Loss on revaluation of fixed assets	613	-	613	-
Other non-cash items included in profit before tax	(3,399)	-	(3,399)	-
Cash proceeds from issuing shares to minority investors in subsidiary	(478)	765	-	-
(Gain) from disposals of fixed and intangible assets	13	90	13	(4)
<b>Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations</b>	<b>15,845</b>	<b>10,773</b>	<b>13,558</b>	<b>6,417</b>
Decrease/(increase) in balances due from the central bank and credit institutions	9,059	5,578	7,703	1,082
(Increase) in loans and advances to customers	(50,949)	(58,076)	(53,331)	(64,848)
Decrease/(increase) in financial assets at fair value through profit or loss	1,019	23,217	1,123	23,436
Increase in financial assets held for trading	445	19	-	-
(Increase)/decrease in available-for-sale financial assets	1	-	-	-
(Increase)/ decrease in prepayments and accrued income	(201)	102	(213)	105
(Increase) in other assets	(6,561)	(11,337)	(4,131)	(2,526)
(Increase) in balances due to the central bank and credit institutions	(18,901)	13,227	(14,502)	15,072
Increase/ (decrease) in deposits from customers	(150,299)	(6,180)	(148,515)	(2,527)
Net decrease/(increase) in derivative instruments	(811)	38	(811)	38
Increase in debt securities issued	(83)	16	(83)	16
Increase/(decrease) in deferred income and accrued expenses	(145)	(414)	(139)	(417)
Increase/(decrease) in other liabilities	(236)	1,431	(1,308)	1,781
<b>Cash generated from operating activities before corporate income tax</b>	<b>(201,817)</b>	<b>(21,606)</b>	<b>(200,649)</b>	<b>(22,371)</b>
Corporate income tax paid	(64)	(1,942)	-	(1,918)
<b>Net cash flow from operating activities</b>	<b>(201,881)</b>	<b>(23,548)</b>	<b>(200,649)</b>	<b>(24,289)</b>
<b>Cash flow from investing activities</b>				
Purchase of fixed and intangible assets	(1,007)	(7,383)	(801)	(7,328)
Proceeds from disposal of fixed and intangible assets	319	96	21	98
Investments in subsidiaries, net of cash	-	(4,257)	(1,288)	(5,320)
(Purchase) of held to maturity investments	(4,263)	(27,139)	(4,263)	(26,843)
Proceeds from held to maturity investments	17,948	3,951	18,105	3,951
<b>Net cash flow from investing activities</b>	<b>12,997</b>	<b>(34,732)</b>	<b>11,774</b>	<b>(35,442)</b>
<b>Cash flow from financing activities</b>				
Issue of shares	10,209	-	10,209	-
Share premium	5,104	-	5,104	-
Issue of debt securities	-	-	-	-
Dividends paid	(1)	(3,632)	(1)	(3,632)
Investments in subsidiaries	8,666	-	8,666	-
<b>Net cash flow financing activities</b>	<b>23,978</b>	<b>(3,632)</b>	<b>23,978</b>	<b>(3,632)</b>
<b>Net cash flow for the period</b>	<b>(164,906)</b>	<b>(61,912)</b>	<b>(164,897)</b>	<b>(63,363)</b>
<b>Cash and cash equivalents at the beginning of the year</b>				
Profit/(loss) from revaluation of foreign currency	(3,963)	3,759	(3,810)	4,730
<b>Cash and cash equivalents at the end of the year</b>	<b>175,031</b>	<b>343,899</b>	<b>174,712</b>	<b>343,419</b>

Cash flows from interest and dividends:

EUR '000	Group 31.12.2009 (audited)	Group 31.12.2008 (audited)	Bank 31.12.2009 (audited)	Bank 31.12.2008 (audited)
Interest paid	22,914	25,532	22,508	23,829
Interest received	42,781	49,744	40,163	49,374
Dividend	-	-	142	43