

**AS "Latvijas Krājbanka"**  
**Report**  
**for 3 months, 2009**

**(unaudited)**

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## Supervisory Council and Management Board of the Bank

As at the date of signing these financial statements, the members of the Supervisory Council of the Bank were as follows:

### **Supervisory Council**

| <b>Name, surname</b>  | <b>Position</b>                | <b>Date of appointment/ Reappointment</b> |
|-----------------------|--------------------------------|---|
| Raimondas Baranauskas | Chairman of the Council        | 28/10/2005 /24/10/2008                    |
| Aleksandrs Antonovs   | Deputy Chairman of the Council | 28/10/2005 /24/10/2008                    |
| Naglis Stancikas      | Member of the Council          | 28/10/2005/ 24/10/2008                    |
| Oļegs Suhorukovs      | Member of the Council          | 28/10/2005 /24/10/2008                    |
| Maksims Ančipolovskis | Member of the Council          | 24/10/2008                                |

As at the date of signing these financial statements, the members of the Management Board of the Bank were as follows:

### **Management Board**

| <b>Name, surname</b> | <b>Position</b>   | <b>Date of appointment/ Reappointment</b> |
|----------------------|---|---|
| Mārtiņš Bondars      | Chairman of the Board / President                         | 03/07/2006                                |
| Dzintars Pelcbergs   | First Deputy Chairman of the Board / First Vice President | 02/01/2006\03/01/2009                     |
| Svetlana Ovčinnikova | Member of the Board                                       | 19/06/2006                                |
| Andrejs Surmačs      | Member of the Board                                       | 28/10/2005/24/10/2008                     |
| Ilze Bagatska        | Member of the Board                                       | 18/07/2007                                |
| Ivars Priedītis      | Member of the Board                                       | 18/07/2007                                |

## Consolidated entities

31 March 2009

| No. | Name of entity,<br>Registration No.   | Code of place of<br>registration, registry<br>address | Type of entity's<br>activity* | Interest<br>in share<br>capital<br>(%) | Interest<br>in share<br>capital<br>(%) | Ground<br>for<br>inclusion<br>in the<br>group** |
|-----|---|---|-------------------------------|--|--|---|
| 1.  | AS "Ieguldījumu pārvaldes<br>sabiedrība "LKB Krājfondi<br>40003605043           | LV, Rīga, J.Dalina street 15                          | ISA                           | 100                                    | 100                                    | MS  |
| 2.  | AS "Ieguldījumu pārvaldes<br>sabiedrība "LKB Asset<br>Management"", 40003818124 | LV, Rīga, J.Dalina street 15                          | ISA                           | 100                                    | 100                                    | MS  |
| 3.  | SIA "Krājinvestīcijas",<br>40003687374  | LV, Rīga, Jekaba street 2                             | CKS                           | 100                                    | 100                                    | MS  |
| 4.  | SIA "LKB līzings",<br>40003887450   | LV, Rīga, J.Dalina street 15                          | CFI                           | 100                                    | 100                                    | MS  |
| 5.  | AS "Pirmais atklātais pensiju<br>fonds", 40003377918                            | LV, Rīga, J.Dalina street 15                          | PFO                           | 100                                    | 100                                    | MS  |
| 6.  | SIA "LKB drošība",<br>40103179152   | LV, Rīga, Jekaba street 2                             | CKS                           | 100                                    | 100                                    | MS  |
| 7.  | AAS "LKB Life"<br>400033053851  | LV, Rīga, J. Dalina street 15                         | APS                           | 99.79                                  | 99.79                                  | MS  |
| 8.  | SIA "Center Credit"<br>40103185252  | LV, Rīga, J.Daliņa street 15                          | CFI                           | 51                                     | 51                                     | MS  |

\* BNK -bank, APS - insurance body, ISA - investment company, PFO - pension capital fund, CFI – other financial institution, FPS - financial management institution, CKS - other entity.

\*\*MS - associated company, KS - cooperative society, MAS - parent company.

**Profit and loss statement**  
**31 March 2009**

| LVL '000  | Group<br>31.03.2009<br>(unaudited) | Group<br>31.03.2008<br>(unaudited) | Bank<br>31.03.2009<br>(unaudited) | Bank<br>31.03.2008<br>(unaudited) |
|---|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| Interest revenue  | 8,935                              | 8,706                              | 8,088                             | 8,667                             |
| Interest expense  | (5,785)                            | (4,893)                            | (5,658)                           | (4,900)                           |
| <b>Net interest income</b>  | <b>3,150</b>                       | <b>3,813</b>                       | <b>2,430</b>                      | <b>3,767</b>                      |
| Commission and fee revenue  | 2,214                              | 2,195                              | 2,111                             | 2,121                             |
| Commission and fee expense  | (511)                              | (552)                              | (507)                             | (550)                             |
| <b>Net commission and fee income</b>                                      | <b>1,703</b>                       | <b>1,643</b>                       | <b>1,604</b>                      | <b>1,571</b>                      |
| Dividend revenue  | -                                  | -                                  | -                                 | -                                 |
| Profit on sale of securities and foreign exchange trading and revaluation | 2,712                              | 1,388                              | 2,791                             | 1,390                             |
| Other operating income  | 913                                | 428                                | 731                               | 409                               |
| <b>Operating income</b>   | <b>8,478</b>                       | <b>7,272</b>                       | <b>7,556</b>                      | <b>7,137</b>                      |
| Personnel expense   | (3,072)                            | (2,794)                            | (2,830)                           | (2,712)                           |
| Depreciation and amortisation expense                                     | (572)                              | (512)                              | (518)                             | (512)                             |
| Other operating expenses  | (3,650)                            | (2,077)                            | (2,478)                           | (2,020)                           |
| <b>Total operating expenses</b>   | <b>(7,294)</b>                     | <b>(5,383)</b>                     | <b>(5,826)</b>                    | <b>(5,244)</b>                    |
| Impairment losses   | (3,560)                            | (676)                              | (777)                             | (676)                             |
| <b>Profit/(loss) before corporate income tax</b>                          | <b>(2,376)</b>                     | <b>1,213</b>                       | <b>953</b>                        | <b>1,217</b>                      |
| Corporate income tax  | (143)                              | (236)                              | (133)                             | (235)                             |
| <b>Profit/(loss) for the reporting period</b>                             | <b>(2,519)</b>                     | <b>977</b>                         | <b>820</b>                        | <b>982</b>                        |
| <b>Attributable to:</b>   |                                    |                                    |                                   |                                   |
| Shareholders of the Bank  | (1,025)                            | 977                                | 820                               | 982                               |
| Minority interest   | (1,494)                            | -                                  | -                                 | -                                 |
| <b>Basic earnings per share (in lats per share)</b>                       | <b>-</b>                           | <b>0.080</b>                       |                                   |                                   |

## Balance sheets

31 March 2009

| LVL '000  | Group<br>31.03.2009<br>(unaudited) | Group<br>31.12.2008<br>(audited) | Bank<br>31.03.2009<br>(unaudited) | Bank<br>31.12.2008<br>(audited) |
|---|------------------------------------|----------------------------------|-----------------------------------|---------------------------------|
| <b>Assets</b>   |                                    |                                  |                                   |                                 |
| Cash and deposits with the central bank                                 | 64,371                             | 58,213                           | 64,159                            | 58,125                          |
| Balances due from credit institutions and the central bank              | 99,207                             | 221,704                          | 99,013                            | 220,500                         |
| Loans and advances to customers   | 339,243                            | 338,530                          | 346,636                           | 341,814                         |
| Financial assets at fair value through profit or loss                   | 6,195                              | 6,253                            | 5,572                             | 6,114                           |
| Held-to-maturity investments  | 13,213                             | 21,044                           | 13,213                            | 20,836                          |
| Trading investments   | 307                                | 297                              | -                                 | -                               |
| Available –for-sale financial assets                                    | 1                                  | 1                                | -                                 | -                               |
| Investments in subsidiaries   | -                                  | -                                | 4,379                             | 4,379                           |
| Intangible assets   | 1,496                              | 1,561                            | 1,203                             | 1,260                           |
| Fixed assets  | 22,137                             | 22,374                           | 21,664                            | 21,877                          |
| Prepayments and accrued income  | 642                                | 576                              | 610                               | 552                             |
| Other assets  | 17,768                             | 10,922                           | 10,363                            | 4,392                           |
| <b>Total assets</b>   | <b>564,580</b>                     | <b>681,475</b>                   | <b>566,812</b>                    | <b>679,849</b>                  |
| <b>Liabilities</b>  |                                    |                                  |                                   |                                 |
| Balances due to the central bank and credit institutions                | 39,452                             | 37,787                           | 37,384                            | 34,695                          |
| Deposits from the customers   | 464,739                            | 581,786                          | 467,978                           | 584,795                         |
| Issued debt instrument  | 3,534                              | 3,604                            | 3,534                             | 3,604                           |
| Derivative liabilities  | 79                                 | 1,057                            | 79                                | 1,057                           |
| Deferred income and accrued expenses                                    | 1,886                              | 1,524                            | 1,636                             | 1,474                           |
| Corporate income tax liability  | 162                                | 517                              | 152                               | 500                             |
| Deferred tax liability  | 913                                | 930                              | 913                               | 930                             |
| Other liabilities   | 5,341                              | 3,662                            | 3,171                             | 2,034                           |
| Subordinated debt   | 9,414                              | 9,028                            | 9,414                             | 9,028                           |
| <b>Total liabilities</b>  | <b>525,520</b>                     | <b>639,895</b>                   | <b>524,261</b>                    | <b>638,117</b>                  |
| <b>Shareholders' equity</b>   |                                    |                                  |                                   |                                 |
| Paid-in share capital   | 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   | 5,364                              | 5,364                            | 5,364                             | 5,364                           |
| Foreign currency translation reserve                                    | (322)                              | (322)                            | -                                 | -                               |
| Retained earnings   | 9,774                              | 10,800                           | 12,112                            | 11,293                          |
| <b>Total issued capital and reserves attributable to equity holders</b> | <b>39,891</b>                      | <b>40,917</b>                    | <b>42,551</b>                     | <b>41,732</b>                   |
| Minority interest   | (831)                              | 663                              | -                                 | -                               |
| <b>Total shareholders' equity</b>                                       | <b>39,060</b>                      | <b>41,580</b>                    | <b>42,551</b>                     | <b>41,732</b>                   |
| <b>Total liabilities and shareholders' equity</b>                       | <b>564,580</b>                     | <b>681,475</b>                   | <b>566,812</b>                    | <b>679,849</b>                  |
| <b>Off-balance items</b>  |                                    |                                  |                                   |                                 |
| Contingent liabilities  | 8,914                              | 8,972                            | 8,914                             | 8,972                           |
| Commitments   | 15,537                             | 20,848                           | 16,618                            | 21,735                          |

## Cash flow statement

| LVL '000  | Group<br>31.03.2009<br>(unaudited) | Group<br>31.03.2008<br>(unaudited) | Bank<br>31.03.2009<br>(unaudited) | Bank<br>31.03.2008<br>(unaudited) |
|---|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| <b>Cash flow from operating activities</b>  |                                    |                                    |                                   |                                   |
| Profit/(loss) before corporate income tax   | (2,377)                            | 1,213                              | 953                               | 1,217                             |
| Depreciation and amortisation expense   | 572                                | 512                                | 518                               | 512                               |
| Increase in impairment losses   | 3,561                              | (3)                                | 777                               | (2)                               |
| (Gain)/loss on revaluation of foreign currency  | (152)                              | 288                                | (248)                             | 288                               |
| (Gain)/loss on revaluation of investments   | (32)                               | (27)                               | (16)                              | (27)                              |
| (Gain)/loss from disposals of fixed and intangible assets   | -                                  | 13                                 | -                                 | 13                                |
| <b>Net cash flow before changes in assets and liabilities, as a result of ordinary operations</b> | <b>1,572</b>                       | <b>1,996</b>                       | <b>1,984</b>                      | <b>2,001</b>                      |
| Decrease/ (increase) in balances due from the central bank and credit institutions                | 7,499                              | 10,610                             | 6,545                             | 10,610                            |
| (Increase) in loans and advances to customers   | (4,274)                            | (14,034)                           | (5,599)                           | (14,097)                          |
| Decrease/(increase) in financial assets at fair value through profit or loss                      | (37)                               | 2,365                              | 447                               | 2,365                             |
| (Increase)/ decrease in held-to-maturity investments  | 7,831                              | (3,495)                            | 7,623                             | (3,495)                           |
| (Increase)/ decrease in financial assets held for trading   | 6                                  | -                                  | -                                 | -                                 |
| (Increase)/ decrease in prepayments and accrued income  | (66)                               | 23                                 | (58)                              | 30                                |
| (Increase) in other assets  | (7,349)                            | (6,577)                            | (6,468)                           | (6,432)                           |
| (Increase)/(decrease) in balances due to the central bank and credit institutions                 | (1,046)                            | -                                  | (22)                              | -                                 |
| Increase/ (decrease) in deposits from customers   | (117,047)                          | (151,817)                          | (116,817)                         | (151,812)                         |
| Net decrease/(increase) in derivative instruments   | (867)                              | (824)                              | (867)                             | (824)                             |
| Increase/(decrease) in debt securities issued   | (70)                               | -                                  | (70)                              | -                                 |
| Increase/(decrease) in deferred income and accrued expenses                                       | 361                                | (299)                              | 161                               | (281)                             |
| Increase/(decrease) in other liabilities  | 1,679                              | 8,489                              | 1,137                             | 8,361                             |
| <b>Net cash flow from operating activities</b>  | <b>(111,808)</b>                   | <b>(153,563)</b>                   | <b>(112,004)</b>                  | <b>(153,574)</b>                  |
| Income tax paid   | (10)                               | (222)                              | -                                 | (222)                             |
| <b>Net cash flow from operating activities</b>  | <b>(111,818)</b>                   | <b>(153,785)</b>                   | <b>(112,004)</b>                  | <b>(153,796)</b>                  |
| <b>Cash flow from investing activities</b>  |                                    |                                    |                                   |                                   |
| (Purchase) of fixed and intangible assets   | (293)                              | (579)                              | (271)                             | (568)                             |
| Proceeds from disposal of fixed and intangible assets   | 23                                 | 1                                  | 23                                | 1                                 |
| Investments in subsidiaries, net of cash  | -                                  | -                                  | -                                 | -                                 |
| <b>Net cash flow investing activities</b>   | <b>(270)</b>                       | <b>(578)</b>                       | <b>(248)</b>                      | <b>(567)</b>                      |
| <b>Cash flow from financing activities</b>  |                                    |                                    |                                   |                                   |
| Issue of shares   | -                                  | -                                  | -                                 | -                                 |
| Share premium   | -                                  | -                                  | -                                 | -                                 |
| Issue of debt securities  | -                                  | -                                  | -                                 | -                                 |
| Dividends paid  | (1)                                | (2,553)                            | (1)                               | (2,553)                           |
| Cash proceeds from issuing shares to minority investors in subsidiary                             | -                                  | -                                  | -                                 | -                                 |
| Proceeds from issue of subordinated debt  | -                                  | -                                  | -                                 | -                                 |
| <b>Net cash flow financing activities</b>   | <b>(1)</b>                         | <b>(2,553)</b>                     | <b>(1)</b>                        | <b>(2,553)</b>                    |
| <b>Net cash flow</b>  | <b>(112,089)</b>                   | <b>(156,916)</b>                   | <b>(112,253)</b>                  | <b>(156,916)</b>                  |
| <b>Cash and cash equivalents at the beginning of the year</b>                                     | <b>241,694</b>                     | <b>282,564</b>                     | <b>241,356</b>                    | <b>282,564</b>                    |
| Profit/(loss) from revaluation of foreign currency  | 538                                | (741)                              | 634                               | (741)                             |
| <b>Cash and cash equivalents at the end of the period</b>   | <b>130,143</b>                     | <b>124,907</b>                     | <b>129,737</b>                    | <b>124,907</b>                    |

## Statement of changes in shareholder's equity

| Group<br>LVL '000   | Attributable to equity holders of the parent |                  |   |                        |   |                      | Minority<br>interest | Total<br>shareholders'<br>equity and<br>minority<br>interest |
|---|--|------------------|---|------------------------|---|----------------------|----------------------|--|
|   | Paid – in<br>share<br>capital                | Share<br>premium | Reserve<br>capital<br>and other<br>reserves | Revaluation<br>reserve | Foreign<br>currency<br>translation<br>reserve | Retained<br>earnings |                      |  |
| <b>Balance as at<br/>31 December<br/>2007</b>   | <b>12,149</b>                                | <b>12,300</b>    | <b>626</b>                                  | <b>5,352</b>           | <b>-</b>                                      | <b>10,583</b>        | <b>-</b>             | <b>41,010</b>  |
| Change in deferred<br>tax related to<br>revaluation reserve                             | -  | -                | -   | 12                     | -   | -                    | -                    | 12   |
| Currency translation<br>differences   | -  | -                | -   | -                      | (322)   | -                    | (310)                | (632)  |
| <b>Total revenue and<br/>expense for the<br/>year recognised<br/>directly in equity</b> | <b>-</b>                                     | <b>-</b>         | <b>-</b>                                    | <b>12</b>              | <b>(322)</b>                                  | <b>-</b>             | <b>(310)</b>         | <b>(620)</b>   |
| Profit for the year   | -  | -                | -   | -                      | -   | 2,770                | 14                   | 2,784  |
| <b>Total revenue and<br/>expense for the<br/>year</b>                                   | <b>-</b>                                     | <b>-</b>         | <b>-</b>                                    | <b>-</b>               | <b>-</b>                                      | <b>2,770</b>         | <b>14</b>            | <b>2,784</b>   |
| Dividends paid  | -  | -                | -   | -                      | -   | (2,553)              | -                    | (2,553)  |
| Minority interest   | -  | -                | -   | -                      | -   | -                    | 959                  | 959  |
| <b>Balance as at<br/>31 December<br/>2008</b>   | <b>12,149</b>                                | <b>12,300</b>    | <b>626</b>                                  | <b>5,364</b>           | <b>(322)</b>                                  | <b>10,800</b>        | <b>663</b>           | <b>41,580</b>  |
| Profit/(loss) for the<br>period   | -  | -                | -   | -                      | -   | (1,025)              | (1,494)              | (2,519)  |
| Dividends paid  | -  | -                | -   | -                      | -   | (1)                  | -                    | (1)  |
| <b>Balance as at<br/>31 March 2009<br/>(unaudited)</b>                                  | <b>12,149</b>                                | <b>12,300</b>    | <b>626</b>                                  | <b>5,364</b>           | <b>(322)</b>                                  | <b>9,774</b>         | <b>(831)</b>         | <b>39,060</b>  |



| <b>Bank<br/>LVL '000</b>  | <b>Paid – in<br/>share capital</b> | <b>Share<br/>premium</b> | <b>Reserve<br/>capital<br/>and other<br/>reserves</b> | <b>Revaluation<br/>reserve</b> | <b>Retained<br/>earnings</b> | <b>Total<br/>shareholders'<br/>equity and<br/>minority interest</b> |
|---|------------------------------------|--------------------------|---|--------------------------------|------------------------------|---|
| <b>Balance as at<br/>31 December 2007</b>   | <b>12,149</b>                      | <b>12,300</b>            | <b>626</b>  | <b>5,352</b>                   | <b>10,838</b>                | <b>41,265</b>   |
| Change in deferred tax<br>related to revaluation<br>reserve                             | -                                  | -                        | -   | 12                             | -                            | 12  |
| <b>Total revenue and<br/>expense for the year<br/>recognised directly in<br/>equity</b> | -                                  | -                        | -   | <b>12</b>                      | -                            | <b>12</b>   |
| Profit for the year   | -                                  | -                        | -   | -                              | 3,008                        | 3,008   |
| <b>Total revenue and<br/>expense for the year</b>                                       | -                                  | -                        | -   | -                              | <b>3,008</b>                 | <b>3,008</b>  |
| Dividends paid  | -                                  | -                        | -   | -                              | (2,553)                      | (2,553)   |
| <b>Balance as at<br/>31 December 2008</b>   | <b>12,149</b>                      | <b>12,300</b>            | <b>626</b>  | <b>5,364</b>                   | <b>11,293</b>                | <b>41,732</b>   |
| Profit for the period   | -                                  | -                        | -   | -                              | 820                          | 820   |
| Dividends paid  | -                                  | -                        | -   | -                              | (1)                          | (1)   |
| <b>Balance as at<br/>31 March 2009<br/>(unaudited)</b>                                  | <b>12,149</b>                      | <b>12,300</b>            | <b>626</b>  | <b>5,364</b>                   | <b>12,112</b>                | <b>42,551</b>   |

## Operational results

31 March 2009

| Name of the Item           | Reporting period<br>(unaudited) | Previous reporting<br>year (audited) |
|----------------------------|---------------------------------|--------------------------------------|
| Return on equity (ROE) (%) | 7.75                            | 7.29                                 |
| Return on assets (ROA) (%) | 0,57                            | 0,52                                 |

## Shareholders and Equity

On 31 March 2009, the Bank's registered and paid-in capital comprised LVL 12,149 thousand lats (in 31.12.2008: LVL 12,149 thousand). The stock capital consists of 12,149,246 shares, including 12,146,412 ordinary bearer shares and 2,834 "A" category preference bearer shares. Nominal value of one share is 1 (one) lat. All shares of AS "Latvijas Krājbanka" are listed on the Baltic Second List of the AS „NASDAQ OMX Riga”. There are no limitations for transfer of the Bank's shares. There have been no essential changes in the composition in shareholders from 1 January 2009 till the publication of this report.

## Summary of significant accounting policies

The interim consolidated financial statements for the three-month period ended 31 March 2009 have been prepared in accordance to the IAS 34 Interim Financial Statements.

The accounting policies adopted in the preparation of the interim consolidated financial statements is consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

## **Basic guidelines of the development strategy for 2009-2011**

### **Mission of the Bank**

Latvijas Krājbanka is a universal network commercial bank ensuring full range of services in Latvia. Historically the Bank has been one of the leaders in terms of number of private clients – Latvian residents. Loyalty of Latvian residents, small and medium companies and municipalities toward the Bank during all these years has been and will be one of the biggest core values of the Bank, ensuring stable development of the Bank and steady positions on the financial market.

Accrued international experience and affiliation to an international financial group allows the Bank to provide qualified services also to clients on the international markets.

One of the most significant values of the Bank is its brand, which has proved to be recognizable mark and founding for clients` loyalty during 85 years and especially during the last 10 years. In its activity the Bank continues implementing the motto "Latvijas Krājbanka - Your Closest Bank".

The Bank's strategy is developed for the time period 2009-2011 and within the period it will be updated according to the economic and financial situation in Latvia and in the world. In the strategy development the emphasis was placed on the essential preconditions of the further successful existence of the Bank: provision of liquidity, capital adequacy management, credit risk management and Maintaining market share under intense competition, insufficient external funding and reduction of clients` solvency.

#### 1. Business vision.

##### 1.1. Clients.

Target client group of Latvijas Krājbanka –

- a) Natural persons - residents (1<sup>st</sup> basic group – persons with small and average income, who regularly use the bank's services and make deposits. 2<sup>nd</sup> basic group – persons with incomes above the average level, who receive individual service, and provide the Bank with less stable, but higher revenue);
- b) Legal entities- small and medium-sized enterprises in Latvia, newly established enterprises, corporate or big enterprises.

Maintaining high demands, corresponding to legislation, in non-resident service Krājbanka sees an additional source for attraction of external resources.

##### 1.2. Products and Sales

Latvijas Krājbanka will continue to develop its products and services according to the requirements of the client base, as well as Krājbanka will develop new product baskets with an aim to increase the active client base during next three years at least by 30%, at the same time increasing each active client's economic efficiency with the Bank, i.e., to ensure the increase of number of services and products used by each active client - so that every client-natural person would regularly use at least three, but legal entity – at least five products of the Bank.

##### 1.3. Markets and Market Presence

Latvia will remain the primary market of the Bank also during the next period. With a decline of economic environment in Latvia, which happens more rapidly than in the world on average, the Bank will continue to facilitate funding of such clients` projects, who implement the projects abroad.

##### 1.4. Investment Policy

Krājbanka investment strategy will be based on the following principles: risk diversification and maximization of return on investment, the investments will be made within the Krājbanka capital management strategy.

### 1.5. Target Results

During the planning period it is not possible to plan reasonably the dynamics of key figures by years, due to the influence of external factors.

The planned figures as of the end of 2011:

- a) Increase of the Bank's equity by 70%, reaching LVL 71 million;
- b) Increase of the Bank's assets by 20%, reaching LVL 820 million;
- c) The credit portfolio increase by 15%, reaching LVL 400 million;
- d) Increase of deposit dynamics by at least 15%;
- e) Increase of net commission income by 15 %, reaching LVL 7,8 million;
- f) Increase of the income from trade with financial instruments and currency transactions by 40%, reaching LVL 9 million.

## 2. Management of the Capital and Risks Essential to the Activity of the Bank.

Main principles of the risk management - efficient risk management, corresponding risk evaluation and regular control.

### 2.1. Capital Adequacy Management Strategy.

By managing capital and distributing assets according to risk level, Krājbanka is trying to achieve optimum ratio between the risk and profitability. Krājbanka ensures equity in the amount, which would ensure adequacy of Krājbanka risk covering, and also plans economic capital or the necessary capital, which ensures covering of unforeseen loss, or the amount of capital, by which the balance between anticipated profit and the insolvency is ensured.

Krājbanka manages all identified risks:

- a) credit risk, market risk, operational risk;
- b) transaction concentration risk;
- c) interest rate risk in the non-trade portfolio, business risk.

The Bank will perform regular assessment of those risks, which could influence achievement of its goals, the non-identifiable risks are accepted as inevitable.

If the capital adequacy index becomes dangerously low, risk asset restructuring and new capital attraction is being performed, by accumulating inner and external resources. External reserves for capital attraction are being planned if the amount of capital, which is formed in the result of Krājbanka activities, is not sufficient to ensure Krājbanka development in the future.

### 2.2. Credit Risk.

The credit risk management is being performed according to the Credit policy of Krājbanka and the principle of commensurability of risk and profitability. The credit portfolio is being maintained considering wide diversification and avoiding increase of risk strengthening. It is ensured by preserving geographical, branch and product type diversity in the portfolio, according to the effective limits. The increase of Krājbanka crediting amount to residents should be steady and appropriate to economic situation in Latvia.

### 2.3. Liquidity Risk Management

Krājbanka manages the Liquidity risk according to the limits defined in the Risk management policy. Krājbanka maintains the liquidity, which is not lower than 30 percents for the total amount of current liabilities of the Bank, and in 2009 Krājbanka maintains heightened liquidity.

### 2.4. Operational Risk

The Bank's goal is to maintain the lowest possible risk level, at the same time ensuring the lowest possible level of costs.

### 2.5. Human Resources Policy.

Krājbanka will continue to evaluate the work amount of employees, making the necessary corrections in the personnel composition and in the structure of Krājbanka. The Bank will continue to increase professional development and work efficiency of employees.

## 2.6. Provision of Business support Function

### 2.6.1. IT development

Krājbanka will continue to implement single information technology policy in all its structures, by unifying programmes, enhancing safety level of the technical systems and expanding the functionality. Special attention will be driven towards effective use and improvement of modern information and communication systems, which will create additional possibilities of qualitative and quick client service for Krājbanka and will allow to reduce client service costs. Krājbanka subsidiaries will be ensured with IT service support.

### 2.6.2. Use of External Services

Krājbanka will continue to evaluate the possible use of external services.

## 3. Development of Krājbanka group

The Bank's development happens along with activity of the companies working within the group. At present the following subsidiaries are working within the Bank's group:

- a) AS "Ieguldījumu pārvaldes sabiedrība LKB Krājfondi" (JSC);
- b) AS "Ieguldījumu pārvaldes sabiedrība "LKB Asset management""(JSC);
- c) SIA "LKB līzings" (Ltd.);
- d) AS "Pirmais atklātais pensiju fonds" (JSC);
- e) SIA "Krājinvestīcijas" (Ltd.);
- f) SIA "LKB Drošība" (Ltd.);
- g) AAS "LKB LIFE" (IJSC);
- h) SIA "Center Credit" (Ltd.).

## **Risk management**

The Bank has developed a system for identification, supervision and management of its main financial risks. The Asset and Liabilities Committee perform supervision and management of this system. The following documents are established within the risk management system and approved by the Council:

- Risk management policy
- Investments policy
- Credit policy
- Information security policy
- Other documents, regulating risk management.

### **Credit risk**

The Bank is exposed to credit risk while performing trading, lending and investment activities, as well as in transactions where the Bank acts as intermediary in the name of clients or issues guarantees to third parties. The Bank is exposed to credit risk when it operates, that mediator word of clients. Credit risk is managed within the Bank's risk management procedures.

The credit risk amount is reflected in the asset balance value. The Bank is subjected to the credit risk also regarding other Bank's products, including derivative instruments and investments into debt securities. The amount, to which the Bank is subjected to the credit risk regarding those products, is reflected in their residual value balance. The Bank is subjected to the off-balance credit risks, which arise from the liability to issue additional credits and from the issued guarantees.

Bank manages the credit risk by setting the limits to the risk transaction amount for the Borrower, for the Group of borrowers, for the branch of national economy and for the country. The Credit policy determines the credit risk restrictive factors – types of collateral, defines the key principles for evaluation and adequacy of collateral, states the maximum period of use for the credit products, as well as the procedure of loan granting, processing, and control. The Board approves the factors restricting credit risk at least once a year.

The Bank is mainly involved into loan granting to the clients residents – individuals, and to the small and medium enterprises.

### **Liquidity risk**

The Bank maintains liquidity management with an aim to ensure the permanent resource availability for the timely fulfillment of all money flow liabilities. The Bank's liquidity policy is an integrant part of the Risk management policy.

The liquidity risk is subjected to the main funding of the Bank's activities and the position management. It includes both the risk related to the inability to invest into assets at appropriate term and amount, and the risk of being unable to realize assets at reasonable price and in an appropriate frame of time

The funds are attracted using deposits, subordinated liabilities and stock capital. The Bank strives to maintain a balance between continuity and flexibility of funding, using payout periods of liabilities. The Bank continuously evaluates liquidity risks by determining and controlling changes in funding, which are necessary to achieve the Bank's aims.

The Bank maintaining a liquid assets portfolio, which is a part of its liquidity risk management strategy.

## **Market risk**

Market risk is a financial risk related to the future value of assets and liabilities of the Bank, influenced by changes in interest rates, currency exchange rates and changes in commodity and share prices. The Bank's activity can be threatened by changes in interest rates and currency exchange rates. In the result of such variations, the income both can increase and decrease. The limitations of variation impact are determined by the demand of foreign currency risk management and interest rate risk management defined in the Bank's Risk management policy. The limits restricting those Risks are being controlled and evaluated on a regular basis.

The Bank's reliance on changes of interest rates is being controlled by the Investments department of the Bank on everyday basis, and also by the Risk Department on a regular basis, using analysis method of assets and liabilities reassessment term distortion (GAP), subjected to the changes of interest rates.

The Bank's Board determines basic rates for clients' credits and deposits, as well as defines the key principles by the development of the Bank's investment portfolio.

The Bank's "Risk management policy" determines admissible amount of open positions for the separate currencies and the total open position for currency. The Investments department ensures the Bank's operation within the approved limits for the open currency positions, the Risk Department controls the observance of the limits stated in the policy

In the case of necessity the Bank's dependence from the Market risk is reduced with an aid of derivative financial instruments.

## **Operational risk**

Operational risk is a possibility to incur loss due to the inadequate or incomplete internal process, human or system operation, or due to the impact of external conditions, including legal risk, but excluding strategic and reputation risk.

The Bank has developed the operational risk monitoring policy.  
In 2007 the system for the operational risk identification was introduced in the Bank.

The Risk department instigates events for risk limitation and diminishing.

Structural units, which are involved into processes, are responsible for implementation of direct events in order to identify, limit and reduce loss of the operational risk. The Risk Department is responsible for the risk management coordination and systematization and analysis of the operational risk cases, submitted by the structural units, as well as for the report preparation about the operational risk level.

The report receivers ensure the information analysis in order to improve the Bank's Operational risk management practice and the management policy and procedures.

For calculation of the operational risk capital demand the Bank has chosen the Key figure approach.

## **Ratings (31.03.2009)**

Two leading rating agencies *Fitch Ratings* and *Moody's Investors Services* have assigned ratings for Krājbanka

### **Ratings assigned by Fitch Ratings**

On 3 December 2008 the international rating agency *Fitch Ratings* changed the outlook on the following Krājbanka's ratings to negative from stable:

|                          |          |
|--------------------------|----------|
| – Long-term liabilities  | B+       |
| – Short-term liabilities | B        |
| – Outlook                | Negative |
| – Individual rating      | D        |
| – Supporting rating      | 4        |

The Latvia's Financial and Capital Markets Commission's December 2 decision to impose restrictions on withdrawals for Parex Bank AS clients may negatively affect depositor confidence, especially non-resident depositors, increasing the risk of a deposit freeze on the whole Latvian banking system, Fitch statement says. Due to this risk, Fitch put ratings for several Latvia's banks on Rating Watch Negative.

The above-mentioned information is published on the *Fitch Ratings* web site [www.fitchratings.com](http://www.fitchratings.com).

### **Ratings assigned by Moody's Investors Service**

On 13 November 2008 the international rating agency *Moody's Investors Service* changed the outlook on the following Krājbanka' ratings (increased on 24 February 2007 and affirmed on 19 December 2007) to negative from stable:

|                              |           |
|------------------------------|-----------|
| – Long-term liabilities      | Ba2       |
| – Short-term liabilities     | Not Prime |
| – Financial stability rating | D-        |
| – Outlook                    | Negative  |

The rating action was prompted by concerns over the future trend in the bank's asset quality, which, in Moody's opinion, does not yet fully reflect the deteriorating economic environment in Latvia. The rating agency cautioned that the economic downturn, which is already underway, is now likely to be more acute than previously anticipated and thus have a negative impact on the bank's asset quality in the near future.

Moody's recognises that Latvijas Krājbanka benefits from a large deposit base, which accounted for 92% of its total funding at end-September 2008.

The above-mentioned information is published on the *Moody's Investors Service* web site [www.moodys.com](http://www.moodys.com)

### **Ratings assigned by Standard&Poor's**

On 31 March 2009 rating agency *Standard&Poor's* withdrew the ratings on Latvijas Krājbanka at the Bank's request following the suspension of Bank's cooperation with the agency.

The above-mentioned information is published on the Standard & Poor's web site [www.standardandpoors.com](http://www.standardandpoors.com)



## The additional information

For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (31.03.2009 and 31.03.2008).

### Profit and loss statement 31 March 2009

| EUR'000   | Group<br>31.03.2009<br>(unaudited) | Group<br>31.03.2008<br>(unaudited) | Bank<br>31.03.2009<br>(unaudited) | Bank<br>31.03.2008<br>(unaudited) |
|---|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| Interest revenue  | 12,714                             | 12,388                             | 11,508                            | 12,332                            |
| Interest expense  | (8,231)                            | (6,962)                            | (8,050)                           | (6,972)                           |
| <b>Net interest income</b>  | <b>4,483</b>                       | <b>5,426</b>                       | <b>3,458</b>                      | <b>5,360</b>                      |
| Commission and fee revenue  | 3,151                              | 3,123                              | 3,004                             | 3,018                             |
| Commission and fee expense  | (727)                              | (785)                              | (722)                             | (783)                             |
| <b>Net commission and fee income</b>                                      | <b>2,424</b>                       | <b>2,338</b>                       | <b>2,282</b>                      | <b>2,235</b>                      |
| Dividend revenue  | -                                  | -                                  | -                                 | -                                 |
| Profit on sale of securities and foreign exchange trading and revaluation | 3,859                              | 1,975                              | 3,971                             | 1,978                             |
| Other operating income  | 1,299                              | 609                                | 1,040                             | 582                               |
| <b>Operating income</b>   | <b>12,065</b>                      | <b>10,348</b>                      | <b>10,751</b>                     | <b>10,155</b>                     |
| Personnel expense   | (4,372)                            | (3,976)                            | (4,027)                           | (3,859)                           |
| Depreciation and amortisation expense                                     | (813)                              | (729)                              | (737)                             | (729)                             |
| Other operating expenses  | (5,194)                            | (2,955)                            | (3,525)                           | (2,874)                           |
| <b>Total operating expenses</b>   | <b>(10,379)</b>                    | <b>(7,660)</b>                     | <b>(8,289)</b>                    | <b>(7,462)</b>                    |
| Impairment losses   | (5,067)                            | (962)                              | (1,106)                           | (962)                             |
| <b>Profit/(loss) before corporate income tax</b>                          | <b>(3,381)</b>                     | <b>1,726</b>                       | <b>1,356</b>                      | <b>1,731</b>                      |
| Corporate income tax  | (203)                              | (336)                              | (189)                             | (334)                             |
| <b>Profit/(loss) for the reporting period</b>                             | <b>(3,584)</b>                     | <b>1,390</b>                       | <b>1,167</b>                      | <b>1,397</b>                      |
| <b>Attributable to:</b>   |                                    |                                    |                                   |                                   |
| <b>Shareholders of the Bank</b>   | <b>(1,458)</b>                     | <b>1,390</b>                       | <b>1,167</b>                      | <b>1,397</b>                      |
| <b>Minority interest</b>  | <b>(2,126)</b>                     | <b>-</b>                           | <b>-</b>                          | <b>-</b>                          |
| <b>Basic earnings per share (in euro per share)</b>                       | <b>-</b>                           | <b>0.114</b>                       |                                   |                                   |

**Balance sheets**  
**31 March 2009**

| EUR'000  | Grop<br>31.03.2009<br>(unaudited) | Grop<br>31.12.2008<br>(audited) | Bank<br>31.03.2009<br>(unaudited) | Bank<br>31.12.2008<br>(audited) |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| <b>Assets</b>  |                                   |                                 |                                   |                                 |
| Cash and deposits with the central bank                          | 91,592                            | 82,830                          | 91,290                            | 82,705                          |
| Balances due from credit institutions and the central bank       | 141,160                           | 315,456                         | 140,883                           | 313,743                         |
| Loans and advances to customers                                  | 482,700                           | 481,685                         | 493,218                           | 486,358                         |
| Financial assets at fair value through profit or loss            | 8,815                             | 8,897                           | 7,928                             | 8,699                           |
| Held-to-maturity investments                                     | 18,800                            | 29,943                          | 18,800                            | 29,647                          |
| Trading investments  | 437                               | 423                             | -                                 | -                               |
| Available –for-sale financial assets                             | 1                                 | 1                               | -                                 | -                               |
| Investments in subsidiaries                                      | -                                 | -                               | 6,231                             | 6,231                           |
| Intangible assets  | 2,128                             | 2,221                           | 1,711                             | 1,793                           |
| Fixed assets   | 31,498                            | 31,835                          | 30,825                            | 31,128                          |
| Prepayments and accrued income                                   | 913                               | 820                             | 868                               | 785                             |
| Other assets   | 25,281                            | 15,541                          | 14,746                            | 6,249                           |
| <b>Total assets</b>  | <b>803,325</b>                    | <b>969,652</b>                  | <b>806,500</b>                    | <b>967,338</b>                  |
| <b>Liabilities</b>   |                                   |                                 |                                   |                                 |
| Balances due to the central bank and credit institutions         | 56,135                            | 53,766                          | 53,192                            | 49,367                          |
| Deposits from the customers                                      | 661,264                           | 827,807                         | 665,872                           | 832,088                         |
| Issued debt instrument   | 5,028                             | 5,128                           | 5,028                             | 5,128                           |
| Derivative liabilities   | 112                               | 1,504                           | 112                               | 1,504                           |
| Deferred income and accrued expenses                             | 2,685                             | 2,168                           | 2,328                             | 2,097                           |
| Corporate income tax liability                                   | 230                               | 736                             | 216                               | 711                             |
| Deferred tax liability   | 1,299                             | 1,323                           | 1,299                             | 1,323                           |
| Other liabilities  | 7,599                             | 5,211                           | 4,512                             | 2,894                           |
| Subordinated debt  | 13,395                            | 12,846                          | 13,395                            | 12,846                          |
| <b>Total liabilities</b>   | <b>747,747</b>                    | <b>910,489</b>                  | <b>745,954</b>                    | <b>907,958</b>                  |
| <b>Shareholders' equity</b>                                      |                                   |                                 |                                   |                                 |
| Paid-in share capital  | 17,287                            | 17,287                          | 17,287                            | 17,287                          |
| Share premium  | 17,501                            | 17,501                          | 17,501                            | 17,501                          |
| Reserve capital and other reserves                               | 891                               | 891                             | 891                               | 891                             |
| Revaluation reserve  | 7,632                             | 7,632                           | 7,632                             | 7,632                           |
| Foreign currency translation reserve                             | (458)                             | (458)                           | -                                 | -                               |
| Retained earnings  | 13,908                            | 15,367                          | 17,235                            | 16,069                          |
| Total issued capital and reserves attributable to equity holders | <b>56,761</b>                     | <b>58,220</b>                   | <b>60,546</b>                     | <b>59,380</b>                   |
| Minority interest  | (1,183)                           | 943                             | -                                 | -                               |
| <b>Total shareholders' equity</b>                                | <b>55,578</b>                     | <b>59,163</b>                   | <b>60,546</b>                     | <b>59,380</b>                   |
| <b>Total liabilities and shareholders' equity</b>                | <b>803,325</b>                    | <b>969,652</b>                  | <b>806,500</b>                    | <b>967,338</b>                  |
| <b>Off-balance items</b>   |                                   |                                 |                                   |                                 |
| Contingent liabilities   | 12,684                            | 12,766                          | 12,684                            | 12,766                          |
| Commitments  | 22,108                            | 29,664                          | 23,645                            | 30,926                          |

## Cash flow statement

| EUR '000  | Group<br>31.03.2009<br>(unaudited) | Group<br>31.03.2008<br>(unaudited) | Bank<br>31.03.2009<br>(unaudited) | Bank<br>31.03.2008<br>(unaudited) |
|---|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| <b>Cash flow from operating activities</b>  |                                    |                                    |                                   |                                   |
| Profit/(loss) before corporate income tax   | (3,381)                            | 1,726                              | 1,356                             | 1,731                             |
| Depreciation and amortisation expense   | 814                                | 729                                | 737                               | 729                               |
| Increase in impairment losses   | 5,067                              | (4)                                | 1,106                             | (3)                               |
| (Gain)/loss on revaluation of foreign currency  | (216)                              | 408                                | (353)                             | 409                               |
| (Gain)/loss on revaluation of investments   | (46)                               | (38)                               | (23)                              | (38)                              |
| (Gain)/loss from disposals of fixed and intangible assets   | -                                  | 18                                 | -                                 | 18                                |
| <b>Net cash flow before changes in assets and liabilities, as a result of ordinary operations</b> | <b>2,238</b>                       | <b>2,839</b>                       | <b>2,823</b>                      | <b>2,846</b>                      |
| Decrease/ (increase) in balances due from the central bank and credit institutions                | 10,670                             | 15,096                             | 9,313                             | 15,096                            |
| (Increase) in loans and advances to customers   | (6,082)                            | (19,969)                           | (7,967)                           | (20,058)                          |
| Decrease/(increase) in financial assets at fair value through profit or loss                      | (53)                               | 3,365                              | 636                               | 3,365                             |
| (Increase)/ decrease in held-to-maturity investments  | 11,143                             | (4,972)                            | 10,847                            | (4,972)                           |
| (Increase)/decrease in financial assets held for trading  | 9                                  | -                                  | -                                 | -                                 |
| (Increase)/ decrease in prepayments and accrued income  | (94)                               | 33                                 | (83)                              | 43                                |
| (Increase) in other assets  | (10,457)                           | (9,358)                            | (9,204)                           | (9,152)                           |
| Increase/ (decrease) in balances due to the central bank and credit institutions                  | (1,489)                            | -                                  | (31)                              | -                                 |
| Increase/ (decrease) in deposits from customers   | (166,543)                          | (216,016)                          | (166,216)                         | (216,009)                         |
| Net decrease/(increase) in derivative instruments   | (1,234)                            | (1,172)                            | (1,234)                           | (1,172)                           |
| Increase/(decrease) in debt securities issued   | (100)                              | -                                  | (100)                             | -                                 |
| Increase/(decrease) in deferred income and accrued expenses                                       | 514                                | (425)                              | 229                               | (400)                             |
| Increase/(decrease) in other liabilities  | 2,389                              | 12,079                             | 1,618                             | 11,897                            |
| <b>Net cash flow from operating activities</b>  | <b>(159,089)</b>                   | <b>(218,500)</b>                   | <b>(159,369)</b>                  | <b>(218,516)</b>                  |
| Income tax paid   | (14)                               | (316)                              | -                                 | (316)                             |
| <b>Net cash flow from operating activities</b>  | <b>(159,103)</b>                   | <b>(218,816)</b>                   | <b>(159,369)</b>                  | <b>(218,832)</b>                  |
| <b>Cash flow from investing activities</b>  |                                    |                                    |                                   |                                   |
| (Purchase) of fixed and intangible assets   | (417)                              | (824)                              | (385)                             | (808)                             |
| Proceeds from disposal of fixed and intangible assets   | 33                                 | 1                                  | 33                                | 1                                 |
| Investments in subsidiaries, net of cash  | -                                  | -                                  | -                                 | -                                 |
| <b>Net cash flow investing activities</b>   | <b>(384)</b>                       | <b>(823)</b>                       | <b>(352)</b>                      | <b>(807)</b>                      |
| <b>Cash flow from financing activities</b>  |                                    |                                    |                                   |                                   |
| Issue of shares   | -                                  | -                                  | -                                 | -                                 |
| Share premium   | -                                  | -                                  | -                                 | -                                 |
| Issue of debt securities  | -                                  | -                                  | -                                 | -                                 |
| Dividends paid  | (1)                                | (3,632)                            | (1)                               | (3,632)                           |
| Cash proceeds from issuing shares to minority investors in subsidiary                             | -                                  | -                                  | -                                 | -                                 |
| Proceeds from issue of subordinated debt  | -                                  | -                                  | -                                 | -                                 |
| <b>Net cash flow financing activities</b>   | <b>(1)</b>                         | <b>(3,632)</b>                     | <b>(1)</b>                        | <b>(3,632)</b>                    |
| <b>Net cash flow</b>  | <b>(159,488)</b>                   | <b>(223,271)</b>                   | <b>(159,722)</b>                  | <b>(223,271)</b>                  |
| <b>Cash and cash equivalents at the beginning of the year</b>                                     | <b>343,900</b>                     | <b>402,052</b>                     | <b>343,419</b>                    | <b>402,052</b>                    |
| Profit/(loss) from revaluation of foreign currency  | 766                                | (1,054)                            | 902                               | (1,054)                           |
| <b>Cash and cash equivalents at the end of the period</b>   | <b>185,178</b>                     | <b>177,727</b>                     | <b>184,599</b>                    | <b>177,727</b>                    |

## Statement of changes in shareholder's equity

| Group<br>EUR '000   | Attributable to equity holders of the parent |                  |   |                        |   |                      | Minority<br>interest | Total<br>shareholders'<br>equity and<br>minority<br>interest |
|---|--|------------------|---|------------------------|---|----------------------|----------------------|--|
|   | Paid – in<br>share<br>capital                | Share<br>premium | Reserve<br>capital<br>and other<br>reserves | Revaluation<br>reserve | Foreign<br>currency<br>translation<br>reserve | Retained<br>earnings |                      |  |
| <b>Balance as at<br/>31 December 2007</b>   | <b>17,287</b>                                | <b>17,501</b>    | <b>891</b>                                  | <b>7,615</b>           | <b>-</b>                                      | <b>15,058</b>        | <b>-</b>             | <b>58,352</b>  |
| Change in deferred tax<br>related to revaluation<br>reserve                             | -  | -                | -   | 17                     | -   | -                    | -                    | 17   |
| Currency translation<br>differences   | -  | -                | -   | -                      | (458)   | -                    | (441)                | (899)  |
| <b>Total revenue and<br/>expense for the year<br/>recognised directly in<br/>equity</b> | <b>-</b>                                     | <b>-</b>         | <b>-</b>                                    | <b>17</b>              | <b>(458)</b>                                  | <b>-</b>             | <b>(441)</b>         | <b>(882)</b>   |
| Profit for the year   | -  | -                | -   | -                      | -   | 3,941                | 20                   | 3,961  |
| <b>Total revenue and<br/>expense for the year</b>                                       | <b>-</b>                                     | <b>-</b>         | <b>-</b>                                    | <b>-</b>               | <b>-</b>                                      | <b>3,941</b>         | <b>20</b>            | <b>3,961</b>   |
| Dividends paid  | -  | -                | -   | -                      | -   | (3,632)              | -                    | (3,632)  |
| Minority interest   | -  | -                | -   | -                      | -   | -                    | 1,364                | 1,364  |
| <b>Balance as at<br/>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 /(loss) for the<br>period  | -  | -                | -   | -                      | -   | (1,458)              | (2,126)              | (3,584)  |
| Dividends paid  | -  | -                | -   | -                      | -   | (1)                  | -                    | (1)  |
| <b>Balance as at<br/>31 March 2009<br/>(unaudited)</b>                                  | <b>17,287</b>                                | <b>17,501</b>    | <b>891</b>                                  | <b>7,632</b>           | <b>(458)</b>                                  | <b>13,908</b>        | <b>(1,183)</b>       | <b>55,578</b>  |

| <b>Bank<br/>EUR '000</b>  | <b>Paid – in<br/>share capital</b> | <b>Share<br/>premium</b> | <b>Reserve<br/>capital<br/>and other<br/>reserves</b> | <b>Revaluation<br/>reserve</b> | <b>Retained<br/>earnings</b> | <b>Total<br/>shareholders'<br/>equity and<br/>minority interest</b> |
|---|------------------------------------|--------------------------|---|--------------------------------|------------------------------|---|
| <b>Balance as at<br/>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>   |
| Change in deferred tax<br>related to revaluation<br>reserve                             | -                                  | -                        | -   | 17                             | -                            | 17  |
| <b>Total revenue and<br/>expense for the year<br/>recognised directly in<br/>equity</b> | -                                  | -                        | -   | <b>17</b>                      | -                            | <b>17</b>   |
| Profit for the year   | -                                  | -                        | -   | -                              | 4,280                        | 4,280   |
| <b>Total revenue and<br/>expense for the year</b>                                       | -                                  | -                        | -   | -                              | <b>4,280</b>                 | <b>4,280</b>  |
| Dividends paid  | -                                  | -                        | -   | -                              | (3,632)                      | (3,632)   |
| <b>Balance as at<br/>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   | -                                  | -                        | -   | -                              | 1,167                        | 1,167   |
| Dividends paid  | -                                  | -                        | -   | -                              | (1)                          | (1)   |
| <b>Balance as at<br/>31 March 2009<br/>(unaudited)</b>                                  | <b>17,287</b>                      | <b>17,501</b>            | <b>891</b>  | <b>7,632</b>                   | <b>17,235</b>                | <b>60,546</b>   |

AS "LATVIJAS KRĀJBANKA"  
 Organization chart  
 (valid from 09.02.2009 )

