

AS Latvijas Krājbanka

Interim Condensed Consolidated and Separate Financial Statements

**for the 6-month period
ended 30 June 2009**

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Management report

During the first half of 2009, AS Latvijas Krājbanka (hereinafter referred to as Latvijas Krājbanka or the Bank) continued to implement its strategic aims both in business development and social responsibility spheres. In 2009, considering the events and processes in the global and local financial environment, the Bank will continue offering new and modern products and ensuring the accessibility of the Bank's products and services in the cities and towns of Latvia. Latvijas Krājbanka continues supporting significant cultural events. As one of the most significant current year projects we can mention support to participation of Latvia in the international Eurovision Song Contest.

Financial data

On 30 June 2009, the audited half year result of Latvijas Krājbanka was a loss of LVL 1,681 thousand. The total amount of the Bank's assets as at 30 June 2009 comprised LVL 532 million.

The main reason for sustaining the loss was specific allowances established by the Bank for potential future credit losses. This tendency prevailed also all over the local banking sector when during the first half of 2009 specific allowances made by Latvian banks for credit losses reached nearly LVL 0.6 billion, which is almost thrice the figure of the prior years.

Meanwhile, the profit of Latvijas Krājbanka before specific allowances was LVL 1.88 million. The Bank is taking a range of measures to optimise its internal operating processes, which would permit curtailing of operating expenses. Apart from this, the Bank is working to increase its cash inflows.

The Bank adhered to the precautionous lending policy, by carefully evaluating industry, return and risk indices for each loan, as well as maintained a high capital adequacy level, which was 11-12% during the reporting period (while the statutory rate is 8%). The Bank's liquidity over the first six months of the year remained on the average industry level of 40-50% (while the statutory rate is 30%). As at 30 June 2009, the Bank's capital adequacy and liquidity ratios were 11.09% and 47.3% respectively.

Despite the rugged competition existing in the Latvian commercial bank sector, Latvijas Krājbanka retains stable market positions as to the key bank performance indices. In May 2009, the Bank ranked 7th in terms of deposits from customers and 9th in terms of loans and assets. As regards deposits from private individuals, as at 30 June 2009 Latvijas Krājbanka remained 3rd among local commercial banks, which is evidence of high level of customer loyalty towards the Bank. During the first half of 2009, deposits from private individuals grew by LVL 3.3 million, while the whole sector reported a decline by LVL 121 million.

During a three-month period of 2009, the Bank's local market share in terms of non-bank deposits increased by 0.29% reaching 4.78%; consequently, non-bank deposits as at 30 June 2009 amounted to LVL 455 million.

On 30 June 2009, the registered and paid-in capital of the Bank was LVL 12,149 thousand (2008: LVL 12,149 thousand.)

According to the decision of the extraordinary shareholders' meeting on increasing the share capital of AS Latvijas Krājbanka, in May 2009, the Bank announced the public offering of the emission of 5 000 000 (five million) ordinary bearer shares. The offering period ended on 14 July 2009. Under the above mentioned public offering, 1 000 002 shares have been subscribed and fully paid for. As a result of the emission, the Bank's share capital will increase to LVL 13,149 thousand. On 7 September 2009, an extraordinary shareholders' meeting will take place to approve the amendments to the Articles of Association related to the above mentioned increase in the share capital.

On 23 March 2009, the ordinary shareholders' meeting decided to pay for Class A preferred shares dividends of LVL 691.84 (0.023% of the audited profit) or LVL 0.244121 per preferred share, transferring the residual amount of the audited profit for the year 2009 to business development.

These financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union and give a true and fair view of the assets, liabilities and financial position of the Bank and the Group as at 30 June 2009 and 31 December 2008, and results of their operations, changes in the shareholders' equity and cash flows for the six-month periods ended 30 June 2009 and 30 June 2008.

Major news in the Bank's products and services

Latvijas Krājbanka has continued implementing its policy, which aims at making the Bank's services available and as convenient as possible to every resident all over Latvia. As at 30 June 2009, Latvijas Krājbanka had 124 customer service centres throughout Latvia, of which 42 were mini banks. Latvijas Krājbanka has the first place among the Latvian commercial banks by the number of customer service centres. In February and April, new mini banks were opened in Lielvārde and Rēzekne, while in Brocēni the existing mini bank was replaced by a new customer service centre. By the end of June 2009, the number of Latvijas Krājbanka ATMs had reached 193, thus conquering the third place on the market among the Latvian commercial banks. In the second half of 2009, the Bank will also continue to expand and modernise its customer service centre and ATM network.

By continuing the implementation of its strategy focusing on providing full spectrum financial services, the Bank signed a purchase agreement (hereinafter – the Purchase Agreement) with SIA Netex Galaxy, AS IBS Renesource Capital, and Vladimirs Ostrovskis on the acquisition of the shares of the joint stock company IBS Renesource Capital (hereinafter - Renesource Capital). Renesource Capital is an investment brokerage company operating since 1998. Upon the receipt of all the permissions from the regulatory institutions and the completion of the procedures and settlements under the Purchase Agreement, Latvijas Krājbanka will obtain 553,216 shares or a 100% shareholding in Renesource Capital. By acquiring the investment brokerage company, Latvijas Krājbanka will be able to offer its customers several new products, for example, an opportunity to use certain investment brokerage services without the Bank's mediation.

On 15 May 2009, Latvijas Krājbanka repaid the syndicated loan of EUR 15 million (LVL 10.54 million). The syndicated loan agreement was signed in May 2008, and the respective loan was issued for 364 days. This was the first syndicated loan received by Latvijas Krājbanka, and the respective transaction was successful and beneficial for all the parties.

AS LATVIJAS KRĀJBANKA SUPERVISORY COUNCIL AND MANAGEMENT BOARD OF THE BANK

On 27 April 2009, Latvijas Krājbanka signed a co-operation agreement with SIA Latvijas Garantiju aģentūra (Latvian Guarantee Agency) allowing the Latvian entrepreneurs to obtain state support guarantees for receiving loans from the Bank in cases the entrepreneurs cannot provide sufficient security. The agreement enables Latvijas Krājbanka to offer wider financing possibilities for perspective businesses and business projects which do not have sufficient funds for business development.

During the first half of 2009, the range of products offered by Latvijas Krājbanka was supplemented with several novelties. In February 2009, the Bank offered a new VISA *Dižkarte* card to private individuals and a VISA *Business* card to corporate customers, both the new cards being tied to current accounts. In the second half of January 2009, the Bank continued issuing the cards of new design, i.e., VISA *Business* and *Master Card Business* for corporate clients and *Visa Classic* and *Visa Gold* for private individuals of the *Aphorism* cards series were launched. Moreover, the Bank has updated the *Business Set*. Starting from the beginning of March, it consists of a current account with a *Visa Business* card, *Online bank*, *code calculator*, *e-signature sample*, and *cheque book*.

Since May, along with the changes in the pension payment procedure, Latvijas Krājbanka has been offering a new product set for the recipients of old-age and long-service pensions – *Dzintars* set consisting of a current account and a VISA *Dižkarte*, *Online bank*, *Telebank*, and *Mobile bank*.

In the first half of 2009, the Bank continued to improve the *Online banking* functionality. Since February, the visual layout has been changed. The users of the *Online bank* can sort the payments made in the *Online bank*, apply for the receipt of the statements prepared by the *State Social Insurance Agency*, and review their securities portfolio. The Bank has also widened the range of its co-operation partners in the area of e-services. By using the *Online bank*, the customers can receive e-services provided by the state institutions and *Riga municipality*, purchase tickets from *Biļešu Serviss*, transfer funds to *Mobilily* account to pay for a parking lot by sending SMS, make payments for information from *Lursoft* database, make payments to *Latvenergo* for its services, as well as pay for the study programmes of the *University of Latvia*.

For the third successive year, Latvijas Krājbanka has received an annual prize "*Deutsche Bank's STP Excellence Award*" from *Deutsche Bank*, one of the biggest European banks, which attests the processing quality of Latvijas Krājbanka outgoing payments.

Performance of the Bank's Group companies

During the first half of 2009, the Latvijas Krājbanka Group companies continued expanding their operations. The number of pension plan customers of Latvijas Krājbanka Group company AS *Ieguldījumu pārvaldes sabiedrība LKB Krājfondi* (asset management company) (hereinafter referred to as – *LKB Krājfondi*) as at 30 June 2009 totalled 74 690 (+4.5% over a half year), while the total 2nd tier state funded pension plan assets managed by *LKB Krājfondi* reached LVL 32.5 million (+ 39% over a half year). *LKB Krājfondi* ranks 4th in Latvia as to the number of the participants in the 2nd tier pension plan. The total assets managed by *LKB Krājfondi*, including investment funds, 3rd tier pension plan assets and individual investment portfolios as at 30 June 2009 totalled LVL 34.3 million. The company has ended the first half of 2009 with a profit of LVL 100 thousand. The return on the 2nd tier pension plans managed by *LKB Krājfondi* was within the range from +5.25 to +6.24% (after commission fees), which was one of the best results in the industry.

Positive results have also been reported by the Latvijas Krājbanka subsidiary AS *Pirmais atklātais pensiju fonds* which manages the 3rd tier pension plans. During the first half of the year, all the pension plans – *Saule-Sabalansētais*, *Vecumdienas*, *Jūra-aktīvais*, *Baltikums-Universālais*, and *Privātā pensija* – reported the highest return in the industry. i.e., +5.12%, +4.24%, +2.90%, +4.74%, and +3.16% respectively.

SIA Krājinvestīcijas (hereinafter referred to as – *Krājinvestīcijas*) closed the first half of 2009 with a loss of LVL 392,675. The increase in the losses was due to the operational developments, i.e. the growth of assignment costs. In the 2nd quarter, *Krājinvestīcijas* took over collateral which was subsequently included in the non-current assets. As a result, the amount of receivables has slightly decreased. During the 2nd quarter, Latvijas Krājbanka increased the company's share capital allowing reducing the amount of loan liabilities and future interest payable.

During the first six months of 2009, the insurance joint stock company *LKB Life* (hereinafter referred to as – *LKB Life*), reported 23% decrease as to the premiums paid due to the fact that the customers wanted to use the accumulated funds. *LKB Life* has developed a long-term development programme and commenced the distribution of life insurance products in the Latvijas Krājbanka customer service centre network. *LKB Life* has reconsidered the prices and terms of the offered insurance products by adapting them to the current market demand.

The loan portfolio of *SIA LKB Līzings* (hereinafter referred to as – *LKB Līzings*) as at 30 June 2009 amounted to LVL 20,126,181 showing an 8.7% decrease if compared to the loan portfolio as at 1 January 2009. Currently the company is focusing on improving payments discipline and optimising administrative expenses.

During the first six months of 2009, *SIA LKB Drošība* (hereinafter referred to as – *LKB Drošība*) commenced active operations by providing collection services all over Latvia. In the following months, the company will expand its customer base to which the collection services are provided.

Public activities

As in the previous years, Latvijas Krājbanka continues its strategic contribution to the Latvian musical and cultural life. In the first half of 2009, the Bank supported two major cultural events. Latvijas Krājbanka responded to the Latvian TV call for support to the participation of the Latvian musicians in the *Eurovision* project and found the opportunity to take part and support the participation of Latvia in the international *Eurovision Song Contest*. The Bank believes that the Latvian musicians should take every opportunity to present themselves internationally and participate at major musical events thereby facilitating export of the Latvian culture and popularising the country. Latvijas Krājbanka has also supported the ceremony of the *Latvian Music Record Awards* in 14 categories. During the *Midsummer festivities*, the Bank supported the on-line translation of the play *Skroderdienas Silmačos* by *Rudolfs Blaumanis* on the 1st channel of the *Latvian Television*. At the beginning of June when celebrating the Bank's 85th anniversary, alongside with the opening ceremony of the Bank's *Yearbook*, a personal exhibition of *Valdis Bušs* also was opened.

AS LATVIJAS KRĀJBANKA
SUPERVISORY COUNCIL AND MANAGEMENT BOARD OF THE BANK

Yours sincerely,

Raimondas Baranauskas
Chairman of the Council

Dzintars Pelcbergs
First Deputy Chairman of the Board / First
Vice President

Riga,
24 August 2009

**AS LATVIJAS KRĀJBANKA
SUPERVISORY COUNCIL AND MANAGEMENT BOARD OF THE BANK**

As at 30 June 2009 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 \ 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 of 24 October 2008 until the date of signing these financial statements, there have been no changes in the Supervisory Council.

As at 30 June 2009 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\ reappointment</i>
Mārtiņš Bondars	Chairman of the Board / President	03/07/2006\ 03/07/2009
Dzintars Pelcbērgs	First Deputy Chairman of the Board / First Vice President	02/01/2006\ 03/01/2009
Svetlana Ovčinnikova	Member of the Board	19/06/2006\ 20/06/2009
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

According to the decision of the Council of AS Latvijas Krājbanka, dated 2 July 2009, Mārtiņš Bondars was re-elected in the position of AS Latvijas Krājbanka Board Member for the next term of office starting from 3 July 2009.

According to the decision of the Council of AS Latvijas Krājbanka, dated 17 June 2009, Svetlana Ovčinnikova was re-elected in the position of AS Latvijas Krājbanka Board Member for the next three year term of office starting from 20 June 2009.

Based on the resolution adopted by the Council of AS Latvijas Krājbanka, the functions of the Chairman of the Board will be taken over by the Member of the Board Ivars Priedītis starting from 17 August 2009 due to the resignation of Mārtiņš Bondars. The major shareholder AB Bankas Snoras and Mārtiņš Bondars have discussed a possibility of the latter continuing in the Bank as Council Member, and this issue will be considered by the shareholders' meeting on 7 September 2009.

As of 1 January 2009 until the date of signing these financial statements, there have been no other changes in the Management Board.

Appointment and dismissal of the Board Members can be made in accordance with the Commercial Law and the Articles of Association of the Bank. The Council has the right to appoint and dismiss the Board Members. The Board Members are elected for a 3-year period and the Council elects the Chairman and the First Deputy Chairman of the Board from Board Members.

The Board manages the Bank in accordance with the laws of the Republic of Latvia, the Articles of Association and the decisions of the shareholders. The Council approval is necessary for certain Board decisions. They refer to approval of policies, budget and the operating plan, operations with real estate, opening of branches and representative offices, acquisition and disposal fully or partly of investment in associates, lending policy for employees, appointment and dismissal of the Board and Council Members in associates, remuneration of internal auditors.

AS LATVIJAS KRĀJBANKA
SUPERVISORY COUNCIL AND MANAGEMENT BOARD OF THE BANK

The Board does not have any rights to make decisions regarding any issuance or buy-back of the Bank's shares which is the competence of the shareholders' meeting.

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.

These financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union and give a true and fair view of the assets, liabilities and financial position of the Bank and the Group as at 30 June 2009 and 31 December 2008, and results of their operations, changes in the shareholders' equity and cash flows for the six-month periods ended 30 June 2009 and 30 June 2008.

The financial statements on pages 9 to 25 are prepared in accordance with the source documents and present fairly the financial position of the Bank as at 30 June 2009.

The interim consolidated financial statements for the 6-month period ended 30 June 2009 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

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

Dzintars Pelcbergs
First Deputy Chairman of the Board / First
Vice President

Riga,
24 August 2009

AS LATVIJAS KRĀJBANKA
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

LVL '000		Group 01/01/2009- 30/06/2009	Group 01/01/2008- 30/06/2008	Bank 01/01/2009- 30/06/2009	Bank 01/01/2008- 30/06/2008
Interest revenue		18,298	18,170	16,672	18,083
Interest expense		(11,740)	(10,579)	(11,490)	(10,597)
Net interest revenue		6,558	7,591	5,182	7,486
Commission and fee revenue		3,866	3,963	3,643	3,804
Commission and fee expense		(1,103)	(996)	(1,095)	(991)
Net commission and fee revenue		2,763	2,967	2,548	2,813
Net result on sale of securities and foreign exchange trading and revaluation	3	5,387	3,207	5,383	3,211
Other operating revenue		611	1,357	452	1,338
Operating revenue		15,319	15,122	13,565	14,848
Personnel expense		(6,059)	(6,022)	(5,578)	(5,828)
Depreciation and amortisation expense		(1,140)	(1,072)	(1,037)	(1,047)
Other operating expenses		(5,383)	(4,653)	(5,067)	(4,586)
Total operating expenses		(12,582)	(11,747)	(11,682)	(11,461)
Impairment losses	4	(5,645)	(1,017)	(3,581)	(1,017)
(Loss)/ profit before corporate income tax		(2,908)	2,358	(1,698)	2,370
Corporate income tax		(5)	(379)	17	(374)
(Loss)/ profit for the reporting year		(2,913)	1,979	(1,681)	1,996
Attributable to:					
Shareholders of the Bank		(2,696)	1,979	(1,681)	1,996
Minority interest		(217)	-	-	-
Basic earnings per share (Lats per share)	5	(0.240)	0.163		
Diluted earnings per share (Lats per share)	5	(0.175)	0.136		

Statement of Comprehensive Income

LVL '000		Group 01/01/2009- 30/06/2009	Group 01/01/2008- 30/06/2008	Bank 01/01/2009- 30/06/2009	Bank 01/01/2008- 30/06/2008
(Loss)/ profit for the reporting year		(2,913)	1,979	(1,681)	1,996
Foreign currency revaluation reserve		(6)	-	-	-
Net loss on revaluation reserve		(684)	-	(684)	-
Income tax		102	-	102	-
		(582)	-	(582)	-
Other comprehensive (loss) for the period, net of taxes		(588)	-	(582)	-
Total comprehensive income for the reporting period		(3,501)	1,979	(2,263)	1,996
Attributable to:					
Shareholders of the Bank		(3,281)	1,979	(2,263)	1,996
Minority interest		(220)	-	-	-

The accompanying notes on pages 13 to 25 form an integral part of these financial statements.

AS LATVIJAS KRĀJBANKA
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009

LVL '000	Notes	Group 30/06/2009	Group 31/12/2008	Bank 30/06/2009	Bank 31/12/2008
Assets					
Cash and deposits with the central bank		39,027	58,213	39,026	58,125
Due from credit institutions and the central bank	6	104,527	221,704	104,115	220,500
Loans and advances to customers	8	340,338	338,530	340,199	341,814
Financial assets at fair value through profit or loss		5,396	6,253	4,539	6,114
Financial assets held for trading		920	297	615	-
Available-for-sale financial assets		-	1	-	-
Held-to-maturity investments	7	11,447	21,044	11,447	20,836
Investments in subsidiaries	9	-	-	4,906	4,379
Investments in associates	10	200	-	200	-
Intangible assets		1,425	1,561	1,139	1,260
Fixed assets	11	20,912	22,374	20,503	21,877
Prepayments and accrued income		786	576	750	552
Other assets	12	6,432	10,922	4,368	4,392
Total assets		531,410	681,475	531,807	679,849
Liabilities					
Due to the central bank and credit institutions		22,671	37,787	20,835	34,695
Deposits from customers	13	451,774	581,786	454,716	584,795
Debt securities issued		3,562	3,604	3,562	3,604
Derivatives		512	1,057	516	1,057
Deferred income and accrued expenses		1,887	1,524	1,579	1,474
Deferred tax liability		812	930	812	930
Corporate income tax liability		49	517	-	500
Other liabilities		2,974	3,662	1,228	2,034
Subordinated debt		9,091	9,028	9,091	9,028
Total liabilities		493,332	639,895	492,339	638,117
Equity					
Paid-in share capital	14	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		4,782	5,364	4,782	5,364
Foreign currency translation reserve		(325)	(322)	-	-
Retained earnings		8,103	10,800	9,611	11,293
Total equity attributable to the Bank's equity holders		37,635	40,917	39,468	41,732
Minority interest		443	663	-	-
Total equity		38,078	41,580	39,468	41,732
Total liabilities and capital and reserves		531,410	681,475	531,807	679,849

The accompanying notes on pages 13 to 25 form an integral part of these financial statements.

AS LATVIJAS KRĀJBANKA
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

Group LVL '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Minority interest	Total equity
Balance as at 1 January 2008	12,149	12,300	626	5,352	-	10,583	-	41,010
Profit for the period	-	-	-	-	-	1,979	-	1,979
Total comprehensive income	-	-	-	-	-	1,979	-	1,979
Dividends paid	-	-	-	-	-	(2,552)	-	(2,552)
Balance as at 30 June 2008	12,149	12,300	626	5,352	-	10,010	-	40,437
Balance as at 1 January 2009	12,149	12,300	626	5,364	(322)	10,800	663	41,580
(Loss) for the period	-	-	-	-	-	(2,696)	(217)	(2,913)
Other comprehensive (loss)	-	-	-	(582)	(3)	-	(3)	(588)
Total comprehensive (loss)	-	-	-	(582)	(3)	(2,696)	(220)	(3,501)
Dividends paid	-	-	-	-	-	(1)	-	(1)
Balance as at 30 June 2009	12,149	12,300	626	4,782	(325)	8,103	443	38,078

Bank LVL '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Retained earnings	Total equity
Balance as at 1 January 2008	12,149	12,300	626	5,352	10,838	41,265
Profit for the period	-	-	-	-	1,996	1,996
Total comprehensive income	-	-	-	-	1,996	1,996
Dividends paid	-	-	-	-	(2,552)	(2,552)
Balance as at 30 June 2008	12,149	12,300	626	5,352	10,282	40,709
Balance as at 1 January 2009	12,149	12,300	626	5,364	11,293	41,732
(Loss) for the period	-	-	-	-	(1,681)	(1,681)
Other comprehensive (loss)	-	-	-	(582)	-	(582)
Total comprehensive (loss)	-	-	-	(582)	(1,681)	(2,263)
Dividends paid	-	-	-	-	(1)	(1)
Balance as at 30 June 2009	12,149	12,300	626	4,782	9,611	39,468

During the first half of the 2009, the Bank paid dividends for preferred shares in the amount of LVL 0.244 per share.

The accompanying notes on pages 13 to 25 form an integral part of these financial statements.

AS LATVIJAS KRĀJBANKA
CASH FLOW STATEMENT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

LVL '000	Group 01/01/2009- 30/06/2009	Group 01/01/2008- 30/06/2008	Bank 01/01/2009- 30/06/2009	Bank 01/01/2008- 30/06/2008
Cash flow from operating activities				
(Loss)/profit before corporate income tax	(2,908)	2,358	(1,698)	2,370
Depreciation and amortisation	1,140	1,072	1,037	1,047
Increase/(decrease) in provisions for liabilities and charges	5,645	(8)	3,581	(2)
Loss on revaluation of foreign currency	1,550	646	1,555	642
Loss on revaluation of investments	112	228	120	228
Loss on revaluation of fixed assets	80	-	80	-
(Gain) from disposals of fixed and intangible assets	(1)	(1)	(1)	(1)
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations	5,618	4,295	4,674	4,284
Decrease/ (increase) in balances due from the central bank and credit institutions	14,011	(7,174)	13,057	(7,174)
(Increase) in loans and advances to customers	(7,346)	(19,568)	(1,966)	(23,387)
(Increase) / decrease in financial assets at fair value through profit or loss	(120)	7,877	590	7,877
(Increase) in financial assets held for trading	(348)	(359)	(340)	(359)
Decrease in available-for-sale financial assets	1	-	-	-
(Increase) in prepayments and accrued income	(210)	(357)	(198)	(368)
Decrease / (increase) in other assets	3,918	(4,939)	(474)	(81)
(Decrease)/ increase in balances due to the central bank and credit institutions	(11,521)	10,600	(10,265)	10,600
(Decrease) in deposits from customers	(130,012)	(98,668)	(130,079)	(98,463)
Decrease/ (increase) in derivatives	45	(442)	49	(442)
(Decrease) in debt securities issued	(42)	-	(42)	-
Increase in deferred income and accrued expenses	363	71	105	59
(Decrease)/ increase in other liabilities	(688)	987	(806)	(236)
Cash generated from operating activities before corporate income tax	(126,331)	(107,677)	(125,695)	(107,690)
Corporate income tax paid	(23)	(646)	-	(642)
Net cash flow from operating activities	(126,354)	(108,323)	(125,695)	(108,332)
Cash flow from investing activities				
(Purchase) of fixed and intangible assets	(324)	(3,873)	(312)	(3,848)
Proceeds from disposal of fixed and intangible assets	18	22	6	22
Proceeds from redemption of held-to-maturity investments at maturity	9,597	2,770	9,389	2,770
(Purchase) of held-to-maturity investments	-	(13,815)	-	(13,815)
Investments in associates and subsidiaries, net	(200)	-	(727)	(21)
Net cash flow from investing activities	9,091	(14,896)	8,356	(14,892)
Cash flow from financing activities				
Dividends paid	(1)	(2,552)	(1)	(2,552)
Net cash flow financing activities	(1)	(2,552)	(1)	(2,552)
Net cash flow for the period	(117,264)	(125,771)	(117,340)	(125,776)
Cash and cash equivalents at the beginning of the period				
	241,694	282,564	241,356	282,564
(Loss) from revaluation of foreign currency	(1,493)	(1,032)	(1,492)	(1,027)
Cash and cash equivalents at the end of the period	122,937	155,761	122,524	155,761

Cash flows from interest

LVL '000	Group 01/01/2009- 30/06/2009	Group 01/01/2008- 30/06/2008	Bank 01/01/2009- 30/06/2009	Bank 01/01/2008- 30/06/2008
Interest paid	5,249	5,294	5,046	5,312
Interest received	11,699	15,246	12,113	15,159

The shareholders' meeting of AS Latvijas Krājbanka resolved to pay dividends on preferred shares in the amount of LVL 692 from the audited profit for the year 2008. The remaining part of the profit was transferred for business development.

The accompanying notes on pages 13 to 25 form an integral part of these financial statements.

AS LATVIJAS KRĀJBANKA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

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 with 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 condensed consolidated financial statements for the 6-month period ended 30 June 2009 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The interim condensed 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 for the year ended 31 December 2008.

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 2008.

a) Basis of preparation

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 2008, except for the adoption of the following amendments mandatory for annual periods beginning on or after 1 January 2009:

- Amendment to IFRS 2 Share-based payment
- IAS 1 (Revised) Presentation of Financial Statements
- Amendment to IAS 23 Borrowing costs
- Amendment to IFRS 7 Financial Instruments: Disclosures

Adoption of these revised standards and interpretations did not have any material effect on the financial performance or position of the Group. The key changes related to presentation as a result of revised IAS 1, where principle effects are:

This standard separates owner and non-owner changes in equity requiring all owner changes in equity to be presented in a statement of changes in equity, and all non-owner changes either in one statement of comprehensive income or in two separate statements, which are an income statement and a statement of comprehensive income. The previous standard required components of comprehensive income to be presented in the statement of changes in equity. The revised standard also requires that the income tax effect of each component of comprehensive income to be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements. The Group has elected to present two separate statements – income statement and a statement of comprehensive income.

The Bank and the Group have adopted IFRS 8. The 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 part of the Group's clients during the reporting year were Latvian residents, no geographical analysis of revenues is disclosed. The majority of the Group's non-current assets other than financial instruments are located in Latvia, so no geographical analysis of non-current assets is disclosed. In 2008, a Ukrainian entity was included in the Group which total assets comprise 0.75% of all the Group's assets which is not recognized as significant segment of the Group.

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 also the separate financial statements of the Bank for the six month period ended 30 June 2009 and the year ended 31 December 2008. The 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.

AS LATVIJAS KRĀJBANKA
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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

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 presented separately, however it is explicitly indicated.

AS LATVIJAS KRĀJBANKA
NOTES TO THE FINANCIAL STATEMENTS
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3. NET RESULT ON SALE OF SECURITIES AND FOREIGN EXCHANGE TRADING AND REVALUATION

LVL '000	Group 30/06/2009	Group 30/06/2008	Bank 30/06/2009	Bank 30/06/2008
Net result from trading with foreign currency	6,836	3,454	6,848	3,458
Net result on sale of financial assets valued at fair value	213	167	210	167
<i>financial assets designated at fair value through profit or loss</i>	209	160	209	160
<i>financial assets held for trading</i>	1	7	1	7
<i>available-for-sale financial assets</i>	3	-	-	-
Net result from revaluation of financial assets	(112)	228	(120)	228
<i>financial assets designated at fair value through profit or loss</i>	(112)	234	(120)	234
<i>financial assets held for trading</i>	-	(6)	-	(6)
Net result from revaluation of foreign currency positions	(1,550)	(642)	(1,555)	(642)
Total net result on sale of securities and foreign exchange trading and revaluation	5,387	3,207	5,383	3,211

4. IMPAIRMENT LOSSES

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

Group LVL'000	Impairment losses for loans	Other impairment losses	Total
Impairment losses as at 31 December 2008	6,168	176	6,344
Impairment losses	6,069	107	6,176
Reversal of impairment losses	(438)	-	(438)
Recovery of assets previously written-off	(93)	-	(93)
Net charge to the income statement	5,538	107	5,645
Foreign exchange movements	(91)	-	(91)
Net write-offs and recovery of assets accounted in off-balance sheet	(403)	(14)	(417)
Impairment losses as at 30 June 2009	11,212	269	11,481

Bank LVL'000	Impairment losses for loans	Other impairment losses	Total
Impairment losses as at 31 December 2008	4,254	176	4,430
Impairment losses	4,112	-	4,112
Reversal of impairment losses	(438)	-	(438)
Recovery of assets previously written-off	(93)	-	(93)
Net charge to the income statement	3,581	-	3,581
Foreign exchange movements	2	-	2
Net write-offs and recovery of assets accounted in off-balance sheet	(403)	(14)	(417)
Impairment losses as at 30 June 2009	7,434	162	7,596

Bank LVL'000	Impairment losses for loans	Other impairment losses	Total
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 recovery of assets	(1,267)	(1)	(1,268)
Impairment losses as at 30 June 2008	1,991	184	2,175

During the six-month period ended 30 June 2008, there were no impairment losses established for the subsidiaries.

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5. EARNINGS PER SHARE

Earnings per share are calculated based upon the profit after taxation and the average number of ordinary shares in issue during the year.

	Group 30/06/2009	Group 30/06/2008
Profit after taxation (LVL'000)	(2,913)	1,979
Average number of shares in issue (thousand)	12,149	12,149
Earnings per share	(0.240)	0.163

Diluted earnings per share are calculated based on the agreements, which in future might impact the number of shares in issue, as well as leave an impact on the current year income statement. Thus the diluted earnings per share are calculated by dividing profit or loss after taxation adjusted for the interest paid on subordinated debt, by the average number of shares in issue during the year adjusted for the effects of the amount of shares, which might be issued by converting subordinated debt from Convers Group Management Company at the ratio of LVL 1.15 of subordinated debt for one share (see also Note 29).

	Group 30/06/2009	Group 30/06/2008
Profit after taxation (LVL'000)	(2,913)	1,979
Interest for subordinated debt, net of income tax (LVL'000)	193	135
	(2,720)	2,114
Average number of shares in issue (thousand)	12,149	12,149
Potential shares as a result of conversion of subordinated debt (thousand)	3,361	3,361
	15,510	15,510
Diluted earnings per share (LVL)	(0.175)	0.136

6. BALANCES DUE FROM CREDIT INSTITUTIONS

As at 31 December 2008, one of the Banks' major customers had accumulated considerable funds in its account which were transferred to other credit institutions. The balance were partially transferred during the first half of 2009, as a result the funds in the respective account correspond to the average turnover of the customer account.

7. HELD-TO-MATURITY INVESTMENTS

During the period 1 January 2009 through 30 June 2009, several bond emissions were successfully redeemed by reaching their maturity.

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8. LOANS AND ADVANCES TO CUSTOMERS

Analysis of the Bank's and the Group's impairment losses is presented as follows:

LVL'000	Group 30/06/2009	Group 31/12/2008	Bank 30/06/2009	Bank 31/12/2008
Business loans	161,216	153,809	165,516	153,809
Accumulated loan loss impairment at the beginning of the reporting period	(734)	(393)	(734)	(393)
Charge for the year	(546)	(579)	(546)	(579)
Recoveries	117	238	117	238
Accumulated loan loss impairment at the end of the reporting period	(1,163)	(734)	(1,163)	(734)
Utilised credit lines	26,468	48,037	51,180	48,037
Accumulated loan loss impairment at the beginning of the reporting period	(220)	(669)	(220)	(669)
Charge for the year	(201)	(201)	(201)	(201)
Recoveries	-	650	-	650
Accumulated loan loss impairment at the end of the reporting period	(421)	(220)	(421)	(220)
Mortgage loans	62,927	65,632	62,927	65,632
Accumulated loan loss impairment at the beginning of the reporting period	(858)	(238)	(858)	(238)
Charge for the year	(445)	(796)	(445)	(796)
Recoveries	214	176	214	176
Accumulated loan loss impairment at the end of the reporting period	(1,089)	(858)	(1,089)	(858)
Consumer loans	32,119	28,564	24,260	28,501
Accumulated loan loss impairment at the beginning of the reporting period	(3,073)	(2,730)	(1,159)	(794)
Charge for the year	(1,905)	(2,061)	(1,110)	(1,982)
Recoveries	334	1,718	256	1,617
Accumulated loan loss impairment at the end of the reporting period	(4,644)	(3,073)	(2,013)	(1,159)
Debit balance settlement cards and overdrafts	5,845	6,080	5,843	6,080
Accumulated loan loss impairment at the beginning of the reporting period	(602)	(99)	(602)	(99)
Charge for the year	(916)	(667)	(500)	(667)
Recoveries	94	164	94	164
Accumulated loan loss impairment at the end of the reporting period	(1,424)	(602)	(1,008)	(602)
Other loans	62,975	42,576	37,907	44,009
Accumulated loan loss impairment at the beginning of the reporting period	(681)	(52)	(681)	(52)
Charge for the year	(1,855)	(730)	(1,124)	(730)
Recoveries	65	101	65	101
Accumulated loan loss impairment at the end of the reporting period	(2,471)	(681)	(1,740)	(681)
Net loans	340,338	338,530	340,199	341,814

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Loans and advances to customers before impairment losses by industry:

LVL '000	Group 30/06/2009	Group 31/12/2008	Bank 30/06/2009	Bank 31/12/2008
Private individuals	143,150	157,225	131,142	145,177
Real estate development	57,871	54,917	57,235	54,321
Transport, warehousing and communications	40,925	27,163	39,381	25,238
Retail trade and wholesale distribution	15,662	20,621	11,523	15,883
Construction	16,387	14,666	13,354	11,412
Manufacturing	13,430	14,283	12,867	13,655
Financial intermediaries	10,078	10,204	32,861	34,550
Hotels and restaurants	9,864	10,603	9,424	10,074
Sports and leisure activities	7,857	8,512	7,857	8,512
Agriculture and forestry	7,260	8,069	5,534	6,132
Investment companies	1,929	7,936	8,027	7,936
Other service industries	13,928	3,155	5,374	5,996
Debt collection	9,962	2,314	9,962	2,314
Postal services	483	2,109	483	2,109
State administration and healthcare	1,331	1,481	1,302	1,448
Electricity, gas and water utilities	931	921	805	792
Computer services	502	519	502	519
Total loans and advances to customers, gross	351,550	344,698	347,633	346,068

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 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 are grouped according to the Basel 2 regulations. The Bank's (and Group's) loan portfolio does not contain any loans to customers with international credit rating.

Bank

As at 30 June 2009 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	31,491	69	-	-	-	31,560
Balances due from credit institutions and the central bank	39,996	19,856	1	44,262	-	104,115
Loans and advances to customers	-	-	-	277,797	62,402	340,199
Financial assets at fair value through profit or loss	3,348	479	111	601	-	4,539
Trading portfolio	-	-	-	340	-	340
Held-to-maturity investments	5,602	4,906	685	254	-	11,447
Derivative financial instruments	-	182	-	93	-	275
Total	80,437	25,492	797	323,347	62,402	492,475

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Bank

As at 31 December 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	41,044	-	-	-	-	41,044
Balances due from credit institutions and the central bank	72,250	89,441	-	58,809	-	220,500
Loans and advances to customers	-	-	-	285,980	55,834	341,814
Financial assets at fair value through profit or loss	4,031	595	12	611	-	5,249
Trading portfolio	-	-	-	-	-	-
Held-to-maturity investments	11,881	3,768	773	4,414	-	20,836
Derivative financial instruments	147	355	-	363	-	865
Total	129,353	94,159	785	350,177	55,834	630,308

The ratings are grouped according to following rules (the example below uses ratings assigned by *Moody`*s).

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

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

As at 30 June 2009 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	
Business loans	8,137	3,591	2,244	8,069	22,041
Utilised credit lines	489	482	534	1,402	2,907
Mortgage loans	3,656	3,552	1,025	8,015	16,248
Consumer loans	1,828	880	620	1,495	4,823
Debit balances on settlement cards and Overdrafts	-	-	-	-	-
Other loans	6,747	2,374	3,610	10,981	23,712
Total	20,857	10,879	8,033	29,962	69,731

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As at 31 December 2008	Past due but not impaired loans				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
LVL'000					
Business loans	14,181	1,585	3,188	2,604	21,558
Utilised credit lines	181	76	270	601	1,128
Mortgage loans	7,064	2,954	1,810	2,628	14,456
Consumer loans	2,127	987	667	1,249	5,030
Debit balances on settlement cards and Overdrafts	-	-	-	-	-
Other loans	3,852	3,330	3,904	1,267	12,353
Total	27,405	8,932	9,839	8,349	54,525

Loans with renegotiated terms (Bank and Group)

LVL'000	30/06/2009	31/12/2008
Business loans	3,072	2,036
Utilised credit lines	1,521	-
Mortgage loans	345	323
Consumer loans	365	166
Debit balances on settlement cards and Overdrafts	-	-
Other loans	7,697	5,426
Total	13,000	7,951

The table does not include past due loans where renegotiation of terms is not caused by the Client's inability to repay the loan.

During the reporting period, of all the loans whose payment schedules were reviewed, the loans of LVL 1,982 thousand were restructured. A restructured loan is a loan 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.

9. INVESTMENTS IN SUBSIDIARIES

LVL '000	Business profile	Historical cost 31.12.2008	Sharehold ing (%)	Historical cost 31.12.2007	Sharehol ding (%)
AS Ieguldījumu sabiedrība LKB Krājfondi	Investment fund management	361	100	361	100
Ieguldījumu pārvaldes sabiedrība LKB Assets management	Investment fund management	120	100	120	100
SIA LKB Lizings	Leasing company	120	100	120	100
AS Pirmais atklātais pensiju fonds	Investment fund management	85	100	53	100
SIA Krājinvestīcijas	Real estate management	532	100	5	100
SIA LKB Drošība	Security services	10	100	-	-
AAS LKB LIFE	Insurance	2,714	99.79	-	-
SIA Center Credit	Financial services	962	51	-	-
SIA Baltic Property project*	Real estate management	2	100	2	100
Total investment in subsidiaries		4,906	-	661	-

*Under registration.

In June 2009, SIA Krājinvestīcijas issued additional shares for LVL 527,100, thus increasing its share capital to LVL 532,100. The registered and paid-in share capital of SIA Krājinvestīcijas on the date of the approval of the regulations on increasing the share capital SIA Krājinvestīcijas was LVL 5,000. The share capital consists of 50 shares with a par value of LVL 100 each. The share capital was increased to LVL 532,100, by offering the new share emission to AS Latvijas Krājbanka, the sole shareholder of SIA Krājinvestīcijas.

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10. BUSINESS ACQUISITION

AS Latvijas Krājbanka has signed an agreement with AS Parex banka on the acquisition of the shares of AP Anlage & privatbank AG. AP Anlage & privatbank AG is registered in Switzerland and is focused on provision of private banking services, asset management and investment consulting services.

AS Latvijas Krājbanka and AS Parex banka have agreed to prolong the AP Anlage & privatbank AG (registry No CH-130.0.007.738-0, registered office: Kantonsstrasse 1, Freienbach 8807, Swiss Confederation) share purchase transaction until 24 October 2009.

AS Latvijas Krājbanka has signed an agreement with SIA Netex Galaxy, AS IBS Renesource Capital, and Vladimirs Ostrovskis on the acquisition of the shares of the joint stock company IBS Renesource Capital (reg. No. 40003415571, registered office: Riga, Republikas laukums 3 - 716). AS IBS Renesource Capital is an investment brokerage company operating since 1998.

The deal will be closed after the receipt of all the permissions from the regulatory institutions and the completion of the procedures and settlements under the purchase agreement. As a result of the above mentioned transaction, AS Latvijas Krājbanka will acquire 553,216 shares or the 100% shareholding in AS IBS Renesource Capital. As at the reporting date, no significant influence in the company had been obtained.

By acquiring the investment brokerage company, AS Latvijas Krājbanka will continue developing its strategy focused on providing full spectrum financial services.

11. FIXED ASSETS

During the reporting period, the Bank acquired fixed assets for the total amount of LVL 289,000 (2008: 3,975,400). In June 2008, a part of the building and land located in Riga, Brīvības iela 38, were purchased for the total amount of LVL 2,701,177. The building will serve as a client service centre.

The land and buildings are measured, applying the revaluation method, unified for the whole category.

On 28 September 2007, the Bank signed an agreement with two independent consultants for the revaluation of the Bank's real estate. Only services of certified valuers were used and the revaluation was performed in accordance with Latvian Property Valuation Standards and International Valuation Standards. The revaluation was carried out within 40 (forty) days from the agreement day. The fair value was determined by reference to market-based evidence, both using the comparable market transactions and the income method.

As a result of valuations in 2005 and 2007, the revaluated value of fixed assets is approximately LVL 5,472 thousand, including the revaluation reserve increase to the amount of LVL 5,592 thousand.

In June 2009, SIA Biznesa Konsultantu Grupa (BKG) performed a follow-up of the results of the previous evaluation of the real estate owned by AS Latvijas Krājbanka. BKG concluded that since the previous valuation in 2008 the changes in the market value of the real estate have not exceeded 15% which evaluated in decrease of revaluation reserve by LVL 765 thousand. The real estate is properly managed, and current repairs are carried out. Therefore the technical conditions of the premises have not deteriorated. Despite of the economic crisis, the demand in the office premises segment is stable.

12. OTHER ASSETS

LVL '000	Group		Bank	
	30/06/2009	31/12/2008	30/06/2009	31/12/2008
Unrealised gains from SPOT transactions	1,963	2,265	1,963	2,265
Prepayment on corporate income tax	1,045	1,281	1,045	1,281
Value added tax prepaid	147	138	147	138
Settlement with Western Union	216	110	216	110
Other	3,330	7,304	1,159	774
<i>Incl. collaterals taken over by SIA Krājinvestīcijas for realisation</i>	562	6,153	-	-
<i>Incl. client collaterals taken over for realisation</i>	410	409	410	409
Gross total other assets	6,701	11,098	4,530	4,568
Impairment losses (see Note 4)	(269)	(176)	(162)	(176)
Total other assets	6,432	10,922	4,368	4,392

In June 2007, the Bank obtained two real estate properties as a result of realising the loan collateral.

In 2009, the Bank continues the activities related to the realisation of the loan collaterals. Given the overall current economic situation and the stagnant real estate market, the Bank has commenced and will continue to exercise a flexible approach to realisation of the loan collaterals.

Specific activities are related to the development and realisation of the collaterals by assessing the necessity to perform additional works which would add value to the respective real estate and increase its competitiveness in the real estate market, as well as the inclusion of the collateral in the business and the realisation of the respective collateral as an operating business, for example, the resumption of the operations and cash flows of collaterals (e.g. the hotel in Ventspils, Dzintaru prospekts 32) subsequently marketing the respective collateral not only as a real estate but also as an operating business

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13. DEPOSITS FROM CUSTOMERS

As at 31 December 2008, one of the Banks' major customers had accumulated considerable funds in its account. During the first half of 2009, these funds were gradually reduced to the average level of the customer account turnover. Therefore, in the first quarter of 2009, the Group's assets returned to their normal level and continued growing gradually.

14. EQUITY

As at 30 June 2009, the Bank's registered and paid-in share capital was LVL 12,149 thousand (2008: 12,149 thousand). Share capital consists of:

Shares, thousand	30/06/2009	31/12/2008
Ordinary shares	12,146,412	12,146,412
Preferred shares	2,834	2,834
Total	12,149,246	12,149,246

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

Preferred shares are entitled to dividend proportionally to the shareholding regardless the management decision on the dividend payment. Shares do not have any voting rights and nominal value per share is LVL 1.

All 12,149,246 shares are listed on the Second List of the Riga Stock Exchange. There are no limitations for transfer of the Bank's shares.

The Bank's major shareholders as at 30 June 2009 and 31 December 2008 were as follows:

LVL '000	30/06/2009		31/12/2008	
	Paid-in share capital	% of total paid-in capital	Paid-in share capital	% of total paid-in capital
AS Snoras	9,296	76.52	9,304	76.58
Ratto Holdings Limited	1,213	9.98	1,213	9.98
AS West Investment	868	7.15	868	7.15
Other	772	6.35	764	6.29
Total	12,149	100.00	12,149	100.00

The decisions on changes in the Bank's Articles of Association are adopted at the shareholders' meeting by a ¾ majority vote of the shareholders with voting rights represented at the meeting.

The Bank has not concluded any agreements, which would come into force in the case of change of control.

As at 30 June 2009, the Board Members did not hold any shares of the Bank.

Reserves:

- The reserve is based on legislation that existed in 1993 – 2001 and mainly refers to privatization and the treatment of capital increase and distribution of profit. The last movement relates to the share capital increase on 21 November 2000. As at the 30 June 2009, the Bank's reserve amounted to LVL 626 thousand.
- The revaluation reserve is a reserve resulting 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 materially differ from the fair value at the balance sheet date. In 2007, the Bank performed revaluation of all its assets under "Land and Buildings", as a result, the revaluation reserve was increased by LVL 2,648 thousand. The revaluation was performed by certified, independent valuers. For recognition purposes, the smaller of the two values stated by the unrelated valuers was used. In June 2009, the business consultant group BKG carried out revaluation of the real estate owned by AS Latvijas Krājbanka. BKG has concluded that the downward changes in the real estate market value since 2008 have not exceeded 15%, and the Bank has reduced the revaluation reserve by LVL 582 thousand.

15. CASH AND CASH EQUIVALENTS

LVL '000	Group 30/06/2009	Group 30/06/2008	Bank 30/06/2009	Bank 30/06/2008
Cash and deposits with the Bank of Latvia	39,027	43,730	39,026	43,730
Balances due from credit institutions	104,417	119,400	104,005	119,400
Balances due to credit institutions	(20,507)	(7,369)	(20,507)	(7,369)
Total cash and cash equivalents	122,937	155,761	122,524	155,761

On 15 May 2009, AS Latvijas Krājbanka repaid the syndicated loan of EUR 15 million (LVL 10.54 million). Parex bank deposit guarantee to EUR 5 million will be available after the transaction is concluded.

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16. RELATED PARTIES

Related parties are defined as shareholders who have control over the Bank, members of the Council and the 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 30/06/2009	Group 31/12/2008	Bank 30/06/2009	Bank 31/12/2008
Accounts receivable:				
Loans and advances to related parties:				
- Management	81	329	81	200
- Parent company	15,063	84,292	15,063	84,292
- Other related legal entities	44,390	44,116	73,348	74,410
- Other related private individuals	231	38	128	42
Financial assets at fair value through profit or loss - currency derivative fair value:				
- Parent company	162	355	162	355
- Other related legal entities	9	1	9	1
Other assets - currency spot deal fair value:				
- Other related legal entities	152	-	152	-
- Other related private individuals	-	169	-	169
Total loans and advances to related parties	60,088	129,300	88,943	159,469
Amounts payable:				
Deposits and funds received:				
- Management	368	387	230	189
- Parent company	12,224	18,971	12,224	18,971
- Other related legal entities	1,151	62	4,359	3,044
- Other related private individuals	118	98	118	98
Derivative liabilities - currency derivative fair value:				
- Parent company	-	7	-	7
Other liabilities - currency spot deal fair value:				
- Other related legal entities	88	1,204	88	1,204
Total amounts payable	13,949	20,729	17,019	23,513
Credit commitments and contingencies to related legal entities				
- Management	366	394	366	381
- Parent company	-	53,866	-	53,866
- Other related legal entities	-	71,628	-	71,628
- Other related private individuals	710	795	710	808
Total commitments and contingencies to related parties	1,076	126,683	1,076	126,683
Profit and loss items				
Interest revenue	420	1,133	1,139	1,196
<i>Inc. Interest revenue from parent company</i>	420	1,133	420	1,133
Interest expense	(119)	(129)	(231)	(1,408)
<i>Inc. Interest expense from parent company</i>	(103)	(129)	(103)	(129)
Commission revenue	-	-	28	19
<i>Inc. Interest expense from parent company</i>	-	-	-	-
Other revenue/ expense	4	9	39	9
Total profit or loss	305	1,013	975	(184)

All transactions 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 EUR 770,000 guarantee in favour of AS Swedbank to assist a related party with real estate acquisition. The standard fee has been charged. The guarantee expires on 8 June 2011. The guarantee has been secured by 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.

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17. COMMITMENTS AND CONTINGENCIES

Memorandum items include the following contingent liabilities and commitments, as well as client security account balances outstanding at the end of the year:

LVL '000	Group 30/06/2009	Group 31/12/2008	Bank 30/06/2009	Bank 31/12/2008
Contingent liabilities				
Outstanding guarantees	10,116	8,972	10,116	8,972
Total contingent liabilities	10,116	8,972	10,116	8,972
Financial commitments				
Credit commitments	16,261	19,197	17,192	20,084
Other commitments	1,651	1,651	1,651	1,651
Total financial commitments	17,912	20,848	18,843	21,735
Total contingent liabilities and financial commitments	28,028	29,820	28,959	30,707

18. GOING CONCERN

Global financial crisis, sharp slow-down of the local economy, nationalisation of the largest bank - these are the factors that may most directly affect further development and stability of the entire banking sector, including also AS Latvijas Krājbanka.

Ensuring steady and projectable cash flows is the key target set for the year 2009 to maintain continuous operations of the Bank.

Household deposits are the main source of financing for AS Latvijas Krājbanka. Households and enterprises account for more than 90% of all attracted resources. The increasing strain in the society caused by distrust towards individual banks has not affected the Bank's resource base. In 2008, the deposit growth remained stable. The policy pursued by the Bank in the customer attraction and services makes it possible to maintain the steady growth of deposits also in 2009 and shows the Bank's ability to attract free cash of households on the local market. Under the current turbulent market circumstances, the fluctuations of deposits were not significant, only about 0.5%.

In May 2009, AS Latvijas Krājbanka repaid the syndicated loan of EUR 15 million. The syndicated loan constituted only 1.6% of the Bank's liabilities, which is an insignificant portion of attracted resources. Therefore, it can be concluded with certainty that the cash flows of AS Latvijas Krājbanka do not depend on the availability of external financing.

The Bank has assessed the cash flow scenarios for the year 2009 and defined the efforts aimed at improving its liquidity.

The Bank's capital ensures the most optimal relationship between risk and return. In the first half of 2009, the Bank's capital adequacy ratio considerably exceeded the minimum statutory 8% limit, reaching as much as 11.2% -11.8% which proves the Bank's stability and ability to meet its liabilities.

Although no new large exposures are planned for 2009, the Bank still intends both to increase the total Tier 1 by LVL 15 million and to attract subordinated capital, so confirming its willingness to promote its further development and maintain its status as a reliable cooperation partner.

In case of necessity the Bank's major shareholder AB Snoras is ready to provide financial support to maintain liquidity position.

Based on the above, the management has made prudent and reasonable judgements and estimates aimed at sustaining the Group and the Bank as going concern entities in 2009 and beyond. Therefore, these consolidated and separate financial statements for the six-month period ended 30 June 2009 are prepared on a going concern basis, consistently applying International Financial Reporting Standards as adopted in the European Union.

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19. SUBSEQUENT EVENTS

On 14 July 2009, the public offer of the ordinary bearer shares of AS Latvijas Krājbanka was completed. The shareholders and investors were offered to acquire 5,000,000 shares of the new share issue. As a result of the public offer, 1,000,002 shares were subscribed and fully paid up. According to the Issue Prospectus of AS Latvijas Krājbanka, the share issue is deemed accomplished in the amount of the placed shares.

As a result of the new share issue, the share capital of the Bank will be increased to LVL 13,149,248 (EUR 18,709,694). In the nearest future, an extraordinary shareholders' meeting will be convened to approve the changes in the Articles of Association related to the increase of the share capital.

During the emission period, AB Bankas Snoras, the Bank's major shareholder, organised the attraction of an additional subordinated capital. On 14 July 2009, the Bank signed a subordinated loan agreement with Vladimirs Antonovs, the main shareholder of AB Bankas Snoras. The total amount of the subordinated capital is EUR 8.6 million (LVL 6,044,114). The respective loans was granted for 10 years and will be issued within thirty days after signing the agreement. The loan bears annual interest at 9.5%. As a result of the share issue and attracted subordinated capital, the share capital of the Bank will increase by 17.2%.

By organising the share issue and attracting the subordinated capital, the Bank has ensured a stable base for the further development. On 30 July 2009, AS Latvijas Krājbanka calculated interest on CA series mortgage bonds (ISIN code: LV0000800357). Interest income per CA series mortgage bond issued by AS Latvijas Krājbanka for the period 31 January 2009 through 31 July 2009 (excluding) is EUR 1.640625 (one euro and 64.0625 cents) and will be paid on 31 July 2009 in accordance with the terms set out in the CA series mortgage bonds prospectus of AS Latvijas Krājbanka. The annual interest rate on AS Latvijas Krājbanka issued CA series mortgage bonds (ISIN LV0000800357) for the interest period 31 July 2009 through 31 January 2010 (excluding) is set at 2.15625%.

AS Latvijas Krājbanka

J.Daliņa 15
Rīga, LV-1013
Latvia
Telephone: (371) 6 7092 001
Fax: (371) 6 7092 000
Registration number: 40003098527

AS Ieguldījumu sabiedrība LKB Krājfondi

J.Daliņa 15
Rīga, LV-1013
Latvia
Telephone: (371) 6 7221 970
Registration number: 40003605043

AS Ieguldījumu pārvaldes sabiedrība LKB Asset management

J.Daliņa 15
Rīga, LV-1013
Latvia
Telephone: (371) 6 7221 970
Fax: (371) 6 7221 971
Registration number: 40003818124

SIA Krājinvestīcijas

Jēkaba 2
Rīga, LV-1050
Latvia
Telephone: (371) 6 7221 970
Fax: (371) 6 7221 971
Registration number: 40003687374

SIA LKB līzings

J.Daliņa 15
Rīga, LV-1050
Latvia
Telephone: (371) 6 7068 013
Fax: (371) 6 7359 206
Registration number: 40003887450

AS Pirmais atklātais pensiju fonds

J.Daliņa 15
Rīga, LV-1013
Latvia
Telephone: (371) 6 7389 652
Fax: (371) 6 7362 383
Registration number: 40003377918

SIA LKB Drošība

Jēkaba iela 2
Rīga, LV-1050
Latvia
Telephone: (371) 67092994
fax: (371) 67228600
Registration number: 40103179152

AAS "LKB LIFE"

J.Daliņa 15

Rīga, LV-1013

Latvija

Tālrunis: (371) 6 7092 757

Fakss: (371) 6 7362 383

Uzņēmuma reģistrācijas numurs: 40003053851

AS "Center Credit"

J.Daliņa 15

Rīga, LV-1013

Latvija

Tālrunis: (371) 6 7092 632

Fakss: (371) 6 7068 080

Uzņēmuma reģistrācijas numurs: 40103185252

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 9 through 25 and which comprise the statement of financial position as at 30 June 2009, the income statement and statement of comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2009, 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.

Auditors' 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.

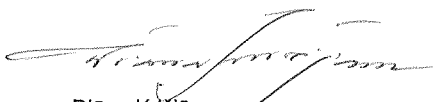
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim condensed financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim condensed financial 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
Licence No. 17



Diāna Krišjāne
Chairwoman of the Board
Latvian Sworn Auditor
Certificate No. 124

Riga, 28 August 2009