

AS "Latvijas Krājbanka"
Interim report
for 6 months of 2009
(unaudited)

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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 precautionary 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 activities in the Bank and novelties in products and services of the Bank

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 -

Renource Capital). Renource 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 Renource 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.

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 *Bīlešu Serviss*, transfer funds to *Mobilis* 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 Lizings* (hereinafter referred to as – LKB Lizings) 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.

Yours sincerely,

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

Rīga,

28 August 2009

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 Ovčiņņikova	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 Ovčiņņikova 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.

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 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.

Yours sincerely,

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

Riga,

28 August 2009

Consolidated entities
30 June 2009

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

Profit and loss statement 30 June 2009

LVL '000	Group 01/01/2009- 30/06/2009 (unaudited)	Group 01/01/2008- 30/06/2008 (audited)	Bank 01/01/2009- 30/06/2009 (unaudited)	Bank 01/01/2008- 30/06/2008 (audited)
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	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	(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)	(0.240)	0.163		
Diluted earnings per share (Lats per share)	(0.175)	0.136		

Statement of Comprehensive Income

LVL '000	Group 01/01/2009- 30/06/2009 (unaudited)	Group 01/01/2008- 30/06/2008 (audited)	Bank 01/01/2009- 30/06/2009 (unaudited)	Bank 01/01/2008- 30/06/2008 (audited)
(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)	-	-	-

Balance sheets

30 June 2009

LVL '000	Group 30/06/2009 (unaudited)	Group 31/12/2008 (audited)	Bank 30/06/2009 (unaudited)	Bank 31/12/2008 (audited)
Assets				
Cash and deposits with the central bank	39,027	58,213	39,026	58,125
Due from credit institutions and the central bank	104,527	221,704	104,115	220,500
Loans and advances to customers	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	11,447	21,044	11,447	20,836
Investments in subsidiaries	-	-	4,906	4,379
Investments in associates	200	-	200	-
Intangible assets	1,425	1,561	1,139	1,260
Fixed assets	20,912	22,374	20,503	21,877
Prepayments and accrued income	786	576	750	552
Other assets	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	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	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 shareholders' equity	37,635	40,917	39,468	41,732
Minority interest	443	663	-	-
Total shareholders' equity	38,078	41,580	39,468	41,732
Total liabilities and capital and reserves	531,410	681,475	531,807	679,849

Statement of changes in shareholder's equity

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 (unaudited)	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 (unaudited)	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.

Cash flow statement

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

Operational results

30 June 2009

Name of the Item	Reporting period (unaudited)	Previous reporting year (audited)
Return on equity (ROE) (%)	(7,03)	7.29
Return on assets (ROA) (%)	(0,52)	0.52

Shareholders and Equity

On 30 June 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 six-month period ended 30 June 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 (1st basic group – persons with small and average income, who regularly use the bank's services and make deposits. 2nd 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 lizings" (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 (30.06.2009)

Ratings assigned by Fitch Ratings

On 8 April 2009 rating agency *Fitch Ratings* 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 *Fitch Ratings* web site www.fitchratings.com.

Ratings assigned by Moody's Investors Service

On 16 April 2009 rating agency *Moody's Investors Service* 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 *Moody's Investors Service* web site www.moody.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

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

The additional information

For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (30.06.2009 and 30.06.2008).

Profit and loss statement 30 June 2009

EUR'000	Group 30.06.2009 (unaudited)	Group 30.06.2008 (audited)	Bank 30.06.2009 (unaudited)	Bank 30.06.2008 (audited)
Interest revenue	26,036	25,854	23,722	25,730
Interest expense	(16,705)	(15,053)	(16,349)	(15,078)
Net interest income	9,331	10,801	7,373	10,652
Commission and fee revenue	5,501	5,639	5,183	5,413
Commission and fee expense	(1,569)	(1,417)	(1,558)	(1,410)
Net commission and fee income	3,932	4,222	3,625	4,003
Profit on sale of securities and foreign exchange trading and revaluation	7,665	4,563	7,660	4,569
Other operating income	869	1,931	643	1,903
Operating income	21,797	21,517	19,301	21,127
Personnel expense	(8,621)	(8,568)	(7,937)	(8,292)
Depreciation and amortisation expense	(1,622)	(1,525)	(1,476)	(1,490)
Other operating expenses	(7,660)	(6,621)	(7,209)	(6,525)
Total operating expenses	(17,903)	(16,714)	(16,622)	(16,307)
Impairment losses	(8,032)	(1,448)	(5,095)	(1,448)
Profit/(loss) before corporate income tax	(4,138)	(3,355)	(2,416)	(3,372)
Corporate income tax	(7)	(539)	24	(532)
Profit/(loss) for the reporting period	(4,145)	2,816	(2,392)	2,840
Attributable to:				
Shareholders of the Bank	(3,836)	2,816	(2,392)	2,840
Minority interest	(309)			
Basic earnings per share (in euro per share)	(0.341)	0.232		
Diluted earnings per share (in euro per share)	(0.249)	0.194		

Statement of Comprehensive Income

EUR '000	Group 01/01/2009- 30/06/2009 (unaudited)	Group 01/01/2008- 30/06/2008 (audited)	Bank 01/01/2009- 30/06/2009 (unaudited)	Bank 01/01/2008- 30/06/2008 (audited)
(Loss)/ profit for the reporting year	(4,145)	2,816	(2,392)	2,840
Foreign currency revaluation reserve	(9)	-	-	-
Net loss on revaluation reserve	(973)	-	(973)	-
Income tax	145	-	145	-
	(828)	-	(828)	-
Other comprehensive (loss) for the period, net of taxes	(837)	-	(828)	-
Total comprehensive income for the reporting period	(4,982)	2,816	(3,220)	2,840
Attributable to:				
Shareholders of the Bank	(4,668)	2,816	(3,220)	2,840
Minority interest	(314)	-	-	-

Balance sheets
30 June 2009

EUR'000	Group 30.06.2009 (unaudited)	Group 31.12.2008 (audited)	Bank 30.06.2009 (unaudited)	Bank 31.12.2008 (audited)
Assets				
Cash and deposits with the central bank	55,530	82,830	55,529	82,705
Balances due from credit institutions and the central bank	148,729	315,456	148,142	313,743
Loans and advances to customers	484,257	481,685	484,060	486,358
Financial assets at fair value through profit or loss	7,678	8,897	6,458	8,699
Financial assets held for trading	1,309	423	875	-
Available –for-sale financial assets	-	1	-	-
Held-to-maturity investments	16,288	29,943	16,288	29,647
Investments in subsidiaries	-	-	6,981	6,231
Investments in associates	285	-	285	-
Intangible assets	2,028	2,221	1,621	1,793
Fixed assets	29,755	31,835	29,173	31,128
Prepayments and accrued income	1,118	820	1,067	785
Other assets	9,151	15,541	6,214	6,249
Total assets	756,128	969,652	756,693	967,338
Liabilities				
Balances due to the central bank and credit institutions	32,258	53,766	29,646	49,367
Deposits from the customers	642,816	827,807	647,003	832,088
Debt securities issued	5,068	5,128	5,068	5,128
Derivative liabilities	729	1,504	734	1,504
Deferred income and accrued expenses	2,685	2,168	2,247	2,097
Corporate income tax liability	70	736	-	711
Deferred tax liability	1,155	1,323	1,155	1,323
Other liabilities	4,232	5,211	1,748	2,894
Subordinated debt	12,934	12,846	12,934	12,846
Total liabilities	701,947	910,489	700,535	907,958
Shareholders' equity				
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	6,804	7,632	6,804	7,632
Foreign currency translation reserve	(462)	(458)	-	-
Retained earnings	11,530	15,367	13,675	16,069
Total shareholders' equity	53,551	58,220	56,158	59,380
Minority interest	630	943	-	-
Total shareholders' equity	54,181	59,163	56,158	59,380
Total liabilities and shareholders' equity	756,128	969,652	756,693	967,338

Statement of changes in shareholder's equity

Group EUR '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Minority interest	Total equity
Balance as at 1 January 2008	17,287	17,501	891	7,615	-	15,058	-	58,352
Profit for the period	-	-	-	-	-	2,816	-	2,816
Total comprehensive income	-	-	-	-	-	2,816	-	2,816
Dividends paid	-	-	-	-	-	(3,631)	-	(3,631)
Balance as at 30 June 2008	17,287	17,501	891	7,615	-	14,243	-	57,537
Balance as at 1 January 2009	17,287	17,501	891	7,632	(458)	15,367	943	59,163
(Loss) for the period	-	-	-	-	-	(3,836)	(309)	(4,145)
Other comprehensive (loss)	-	-	-	(828)	(4)	-	(4)	(836)
Total comprehensive (loss)	-	-	-	(828)	(4)	(3,836)	(313)	(4,981)
Dividends paid	-	-	-	-	-	(1)	-	(1)
Balance as at 30 June 2009 (unaudited)	17,287	17,501	891	6,804	(462)	11,530	630	54,181

Bank EUR '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Retained earnings	Total equity
Balance as at 1 January 2008	17,287	17,501	891	7,615	15,421	58,715
Profit for the period	-	-	-	-	2,840	2,840
Total comprehensive income	-	-	-	-	2,840	2,840
Dividends paid	-	-	-	-	(3,631)	(3,631)
Balance as at 30 June 2008	17,287	17,501	891	7,615	14,630	57,924
Balance as at 1 January 2009	17,287	17,501	891	7,632	16,069	59,380
(Loss) for the period	-	-	-	-	(2,392)	(2,392)
Other comprehensive (loss)	-	-	-	(828)	-	(828)
Total comprehensive (loss)	-	-	-	(828)	(2,392)	(3,220)
Dividends paid	-	-	-	-	(1)	(1)
Balance as at 30 June 2009 (unaudited)	17,287	17,501	891	6,804	13,675	56,158

The Bank paid dividends in amount of 0.347 EUR per share for preferred shares respectively.

Cash flow statement

EUR '000	Group	Group	Bank	Bank
	30.06.2009 (unaudited)	30.06.2008 (audited)	30.06.2009 (unaudited)	30.06.2008 (audited)
Cash flow from operating activities				
Profit/(loss) before corporate income tax	(4,138)	3,355	(2,416)	3,372
Depreciation and amortisation expense	1,622	1,525	1,476	1,490
Increase/(decrease) in provisions for liabilities and charges	8,032	(11)	5,095	(3)
(Gain)/loss on revaluation of foreign currency	2,205	919	2,213	913
(Gain)/loss on revaluation of investments	159	324	171	324
Loss on revaluation of fixed assets	115	-	115	-
(Gain)/loss from disposals of fixed and intangible assets	(1)	(1)	(1)	(1)
Net cash flow before changes in assets and liabilities, as a result of ordinary operations	7,994	6,111	6,653	6,095
Decrease/ (increase) in balances due from the central bank and credit institutions	19,936	(10,208)	18,578	(10,208)
(Increase) in loans and advances to customers	(10,452)	(27,843)	(2,797)	(33,277)
Decrease/(increase) in financial assets at fair value through profit or loss	(171)	11,208	839	11,208
(Increase)/decrease in financial assets held for trading	(495)	(511)	(484)	(511)
(Increase)/decrease in financial assets available –for-sale	1	-	-	-
(Increase)/ decrease in prepayments and accrued income	(299)	(507)	(282)	(524)
(Increase) in other assets	5,575	(7,028)	(674)	(114)
Increase/ (decrease) in balances due to the central bank and credit institutions	(16,393)	15,082	(14,606)	15,082
Increase/ (decrease) in deposits from customers	(184,990)	(140,391)	(185,086)	(140,100)
Net decrease/(increase) in derivative instruments	64	(628)	70	(628)
Increase/(decrease) in debt securities issued	(60)	-	(60)	-
Increase/(decrease) in deferred income and accrued expenses	517	101	149	84
Increase/(decrease) in other liabilities	(979)	1,404	(1,147)	(336)
Net cash flow from operating activities before corporate income tax	(179,752)	(153,210)	(178,847)	(153,229)
Corporate income tax paid	(33)	(919)	-	(913)
Net cash flow from operating activities	(179,785)	(154,129)	(178,847)	(154,142)
Cash flow from investing activities				
(Purchase) of fixed and intangible assets	(461)	(5,511)	(444)	(5,475)
Proceeds from disposal of fixed and intangible assets	26	31	9	31
Proceeds from redemption of held-to-maturity investments at maturity	13,655	3,941	13,359	3,941
(Purchase) of held-to-maturity investments	-	(19,657)	-	(19,657)
Investments in subsidiaries, net of cash	(285)	-	(1,034)	(30)
Net cash flow investing activities	12,935	(21,196)	11,890	(21,190)
Cash flow from financing activities				
Dividends paid	(1)	(3,631)	(1)	(3,631)
Net cash flow financing activities	(1)	(3,631)	(1)	(3,631)
Net cash flow for the period	(166,851)	(178,956)	(166,958)	(178,963)
Cash and cash equivalents at the beginning of the period				
	343,900	402,051	343,419	402,051
Profit/(loss) from revaluation of foreign currency	(2,124)	(1,467)	(2,123)	(1,460)
Cash and cash equivalents at the end of the period	174,925	221,628	174,338	221,628

Cash flows from interest and dividends:

EUR '000	Group	Group	Bank	Bank
	30.06.2009 (unaudited)	30.06.2008 (audited)	30.06.2009 (unaudited)	30.06.2008 (audited)
Interest paid	7,469	7,533	7,180	7,558
Interest received	16,646	21,693	17,235	21,569

AS "LATVIJAS KRĀJBANKA"
 Organization chart
 (valid from 25.08.2009)

