

AS "Latvijas Krājbanka"
Interim report
for 9 months of 2009
(unaudited)

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As at 30 September 2009 the members of the Supervisory Council of the Bank were as follows:

Supervisory Council

Name, surname	Position	Date of appointment\ reappointment
Raimondas Baranauskas	Chairman of the Council	28/10/2005 \ 07/09/2009
Aleksandrs Antonovs	Deputy Chairman of the Council	28/10/2005 \ 07/09/2009
Vladimir Antonovs	Member of the Council	07/09/2009
Naglis Stancikas	Member of the Council	28/10/2005 \ 07/09/2009
Oļegs Suhorukovs	Member of the Council	28/10/2005 \ 07/09/2009
Mārtiņš Bondars	Member of the Council	07/09/2009

On the extraordinary shareholders` meeting of AS "Latvijas Krājbanka" held on 07 September 2009 new Council of Latvijas Krājbanka was elected. The work in the position of the Council member will continue Raimondas Baranauskas, Aleksandrs Antonovs, Oļegs Suhorukovs, Naglis Stancikas and new Council members Vladimirs Antonovs and Mārtiņš Bondars. Maksims Ančipolovskis was not re-elected in the composition of the Council. On the Council meeting of AS "Latvijas Krājbanka" held on 8 September 2009, Raimondas Baranauskas was elected the chairman of the Council, and Aleksandrs Antonovs – the deputy chairman of the Council.

As at 30 September 2009 the members of the Management Board of the Bank were as follows:

Management Board

Name, surname	Position	Date of appointment\ reappointment
Ivars Priedītis	Chairman of the Board / President	18/07/2007
Dzintars Pelcbergs	First Deputy Chairman of the Board / First Vice President	02/01/2006\ 03/01/2009
Svetlana Ovčinnikova	Member of the Board	19/06/2006\ 20/06/2009
Andrejs Surmačs	Member of the Board	28/10/2005\ 24/10/2008

Upon the decision of the Council of AS "Latvijas Krājbanka" the former Member of the Board Ivars Priedītis shall perform the duties of the Chairman of the Board starting from 17 August 2009. Such decision has been adopted on the basis of notification of Mārtiņš Bondars on resignation. Mārtiņš Bondars continues work in the Council of the Bank. Starting from 16 September 2009 Ilze Bagatska resigns from the position of the Board member.

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.

During the time period from 30 September 2009 until signing this financial report, there have been no other changes in the composition of the AS "Latvijas Krājbanka" board. Appointment and dismissal of the Board Members is made in accordance with the Commercial Law and the Articles of Association of the Bank. The Council of the Bank 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 (president) and the First Deputy Chairman (first vice-president) of the Board from the 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 September 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 September 2009 and 30 September 2008.

The financial statements in accordance with the source documents and present fairly the financial position of the Bank as at 30 September 2009.

The interim consolidated financial statements for the 9-month period ended 30 September 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,

Ivars Priedītis
Chairman of the
Board / President

Riga,

27 November 2009

Consolidated entities

30 September 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, Jekaba street 2	CKS	100	100	MS
4.	SIA "LKB līzings", 40003887450	LV, Rīga, J.Daliņa street 15	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
9.	SIA "LKB Collect" 40103251717	LV, Rīga, J.Dalina street 15	CKS	100	100	MS
10.	AS IBS "Renesource Capital" 40003415571	LV, Rīga, J.Dalina street 15	ISA	100	100	MS

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

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

Profit and loss statement

30 September 2009

LVL '000	Group 30.09.2009 (unaudited)	Group 30.09.2008 (unaudited)	Bank 30.09.2009 (unaudited)	Bank 30.09.2008 (unaudited)
Interest revenue	23,973	27,213	21,889	27,121
Interest expense	(18,151)	(16,006)	(17,859)	(16,032)
Net interest revenue	5,822	11,207	4,030	11,089
Commission and fee revenue	7,002	7,312	6,642	7,041
Commission and fee expense	(1,481)	(1,950)	(1,802)	(1,943)
Net commission and fee revenue	5,521	5,362	4,840	5,098
Dividend	-	-	100	30
Net result on sale of securities and foreign exchange trading and revaluation	6,560	4,865	6,565	4,870
Other operating revenue	3,195	1,971	2,871	1,957
Operating revenue	21,098	23,405	18,406	23,044
Personnel expense	(8,743)	(8,743)	(8,005)	(8,467)
Depreciation and amortization expense	(1,691)	(1,614)	(1,546)	(1,597)
Other operating expenses	(8,602)	(7,641)	(7,496)	(7,522)
Total operating expenses	(19,036)	(17,998)	(17,047)	(17,586)
Impairment losses	(7,847)	(1,729)	(5,269)	(1,707)
(Loss)/ profit before corporate income tax	(5,785)	3,678	(3,910)	3,751
Corporate income tax	155	(645)	194	(632)
(Loss)/ profit for the reporting year	(5,630)	3,033	(3,716)	3,119
Attributable to:				
Shareholders of the Bank	(5,251)	3,033	(3,716)	3,119
Minority interest	(379)	-	-	-
Basic earnings per share (Lats per share)	(0.424)	0.249	(0.300)	0.256

Statement of Comprehensive Income

LVL '000	Group 30.09.2009 (unaudited)	Group 30.09.2008 (unaudited)	Bank 30.09.2009 (unaudited)	Bank 30.09.2008 (unaudited)
(Loss)/ profit for the reporting year	(5,630)	3,033	(3,716)	3,119
Foreign currency revaluation reserve	(172)	-	-	-
Net loss on revaluation reserve	(684)	-	(684)	-
Other comprehensive (loss) for the period, net of taxes	(856)	-	(684)	-
Total comprehensive income for the reporting period	(6,486)	3,033	(4,400)	3,119
Attributable to:				
Shareholders of the Bank	(6,023)	3,033	(4,298)	3,119
Minority interest	(463)	-	-	-

Balance sheets

30 September 2009

LVL '000	Group 30.09.2009 (unaudited)	Group 31.12.2008 (audited)	Bank 30.09.2009 (unaudited)	Bank 31.12.2008 (audited)
Assets				
Cash and deposits with the central bank	23,797	58,213	23,796	58,125
Due from credit institutions and the central bank	76,249	221,704	75,846	220,500
Loans and advances to customers	354,400	338,530	354,942	341,814
Financial assets at fair value through profit or loss	5,272	6,253	4,861	6,114
Financial assets held for trading	834	297	526	-
Available-for-sale financial assets	-	1	-	-
Held-to-maturity investments	11,508	21,044	11,508	20,836
Investments in subsidiaries	-	-	5,284	4,379
Intangible assets	1,416	1,561	1,121	1,260
Fixed assets	20,538	22,374	20,186	21,877
Prepayments and accrued income	703	576	676	552
Other assets	13,048	10,922	11,630	4,392
Total assets	507,765	681,475	510,376	679,849
Liabilities				
Due to the central bank and credit institutions	7,933	37,787	6,624	34,695
Deposits from customers	433,541	581,786	437,791	584,795
Debt securities issued	3,527	3,604	3,527	3,604
Derivatives	217	1,057	217	1,057
Deferred income and accrued expenses	2,668	1,524	2,532	1,474
Deferred tax liability	738	930	738	930
Corporate income tax liability	63	517	-	500
Other liabilities	7,542	3,662	5,173	2,034
Subordinated debt	14,943	9,028	14,943	9,028
Total liabilities	471,172	639,895	471,545	638,117
Equity				
Paid-in share capital	13,149	12,149	13,149	12,149
Share premium	12,800	12,300	12,800	12,300
Reserve capital and other reserves	626	626	626	626
Revaluation reserve	4,680	5,364	4,680	5,364
Foreign currency translation reserve	(410)	(322)	-	-
Retained earnings	5,548	10,800	7,576	11,293
Total shareholders' equity	36,393	40,917	38,831	41,732
Minority interest	200	663	-	-
Total shareholders' equity	36,593	41,580	38,831	41,732
Total liabilities and capital and reserves	507,765	681,475	510,376	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	-	-	-	-	-	3,033	-	3,033
Total comprehensive income	-	-	-	-	-	3,033	-	3,033
Dividends paid	-	-	-	-	-	(2,552)	-	(2,552)
Minority	-	-	-	-	-	-	5	5
Balance as at 30 September 2008 (unaudited)	12,149	12,300	626	5,352	-	11,064	5	41,496
Balance as at 1 January 2009	12,149	12,300	626	5,364	(322)	10,800	663	41,580
(Loss) for the period	-	-	-	-	-	(5,251)	(379)	(5,630)
Other comprehensive (loss)	-	-	-	(684)	(88)	-	(84)	(856)
Total comprehensive (loss)	-	-	-	(684)	(88)	(5,251)	(463)	(6,486)
Dividends paid	-	-	-	-	-	(1)	-	(1)
Issue of shares	1,000	500	-	-	-	-	-	1,500
Balance as at 30 September 2009 (unaudited)	13,149	12,800	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	-	-	-	-	3,119	3,119
Total comprehensive income	-	-	-	-	3,119	3,119
Dividends paid	-	-	-	-	(2,552)	(2,552)
Balance as at 30 September 2008 (unaudited)	12,149	12,300	626	5,352	11,405	41,832
Balance as at 1 January 2009	12,149	12,300	626	5,364	11,293	41,732
(Loss) for the period	-	-	-	-	(3,716)	(3,716)
Other comprehensive (loss)	-	-	-	(684)	-	(684)
Total comprehensive (loss)	-	-	-	(684)	(3,716)	(4,400)
Dividends paid	-	-	-	-	(1)	(1)
Issue of shares	1,000	500	-	-	-	1,500
Balance as at 30 September 2009 (unaudited)	13,149	12,800	626	4,680	7,576	38,831

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 30.09.2009 (unaudited)	Group 30.09.2008 (unaudited)	Bank 30.09.2009 (unaudited)	Bank 30.09.2008 (unaudited)
Cash flow from operating activities				
(Loss)/profit before corporate income tax	(5,785)	3,678	(3,910)	3,751
Depreciation and amortisation	1,691	1,614	1,546	1,597
Increase/(decrease) in provisions for liabilities and charges	7,847	-	5,269	-
Loss on revaluation of foreign currency	3,403	880	3,383	880
Loss on revaluation of investments	(128)	(507)	(128)	(507)
Loss on revaluation of fixed assets	80	-	80	-
(Gain) from disposals of fixed and intangible assets	(1)	(2)	(1)	(2)
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations	7,107	5,663	6,239	5,719
Decrease/ (increase) in balances due from the central bank and credit institutions	14,016	189	13,167	189
(Increase) in loans and advances to customers	(23,610)	(34,844)	(18,397)	(42,010)
(Increase) / decrease in financial assets at fair value through profit or loss	244	7,430	516	7,430
(Increase) in financial assets held for trading	(168)	(1,601)	(157)	(1,289)
Decrease in available-for-sale financial assets	1	-	-	-
(Increase) in prepayments and accrued income	(127)	(150)	(124)	(154)
Decrease / (increase) in other assets	(2,685)	(23,884)	(7,736)	(15,464)
(Decrease)/ increase in balances due to the central bank and credit institutions	(12,376)	10,583	(10,593)	10,583
(Decrease) in deposits from customers	(148,245)	(88,208)	(147,004)	(85,529)
Decrease/ (increase) in derivatives	(344)	700	(344)	700
(Decrease) in debt securities issued	-	-	-	-
Increase in deferred income and accrued expenses	1,144	(84)	1,058	(138)
(Decrease)/ increase in other liabilities	3,880	8,550	3,139	6,711
Cash generated from operating activities before corporate income tax	(161,163)	(115,656)	(160,236)	(113,252)
Corporate income tax paid	(39)	(1,006)	-	(997)
Net cash flow from operating activities	(161,202)	(116,662)	(160,236)	(114,249)
Cash flow from investing activities				
(Purchase) of fixed and intangible assets	(492)	(4,726)	(486)	(4,603)
Proceeds from disposal of fixed and intangible assets	19	19	7	19
Proceeds from redemption of held-to-maturity investments at maturity	11,008	622	10,800	622
(Purchase) of held-to-maturity investments	(1,472)	(10,595)	(1,472)	(10,595)
Investments in associates and subsidiaries, net	-	5	(905)	(2,745)
Net cash flow from investing activities	9,063	(14,675)	7,944	(17,302)
Cash flow from financing activities				
Paid-in share capital	1,000	-	1,000	-
Share premium	500	-	500	-
Investments in subsidiaries	6,072	-	6,072	-
Dividends paid	(1)	(2,552)	(1)	(2,552)
Net cash flow financing activities	7,571	(2,552)	7,571	(2,552)
Net cash flow for the period	(144,568)	(133,889)	(144,721)	(134,103)
Cash and cash equivalents at the beginning of the period	241,694	282,564	241,356	282,564
(Loss) from revaluation of foreign currency	(3,809)	(902)	(3,617)	(902)
Cash and cash equivalents at the end of the period	93,317	147,773	93,018	147,559

Cash flows from interest

LVL '000	Group 30.09.2009 (unaudited)	Group 30.09.2008 (unaudited)	Bank 30.09.2009 (unaudited)	Bank 30.09.2008 (unaudited)
Interest paid	9,961	10,255	9,699	10,281
Interest received	16,089	23,414	16,160	23,322
Dividend	-	-	100	30

Operational results

30 September 2009

Name of the Item	Reporting period (unaudited)	Previous reporting year (audited)
Return on equity (ROE) (%)	(12.07)	7.29
Return on assets (ROA) (%)	(0.91)	0.52

Shareholders and Equity

On 30 September 2009, the Bank's registered and paid-in capital comprised LVL 13,149 thousand lats (in 31.12.2008: LVL 12,149 thousand). The stock capital consists of 13,149,248 shares, including 13,146,414 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 of big shareholders of Krājbanka in the time period from 1 January 2009 until the end of the reporting period.

Summary of significant accounting policies

The interim consolidated financial statements for the 9-month period ended 30 September 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 līzings" (Ltd.);
- d) AS "Pirmais atklātais pensiju fonds" (JSC);
- e) SIA "Krājinvestīcijas" (Ltd.);
- f) SIA "LKB Drošība" (Ltd.);
- g) AAS "LKB LIFE" (I)JSC);
- h) SIA "Center Credit" (Ltd.);
- i) SIA "LKB Collect";
- j) AS IBS "Renesource Capital".

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 (30.09.2009)

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.moodys.com

Ratings assigned by Standard&Poor's

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

The above-mentioned information is published on the Standard & Poor's web site www.standardandpoors.com

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 (30.09.2009 and 30.09.2008).

Profit and loss statement 30 September 2009

EUR'000	Group 30.09.2009 (unaudited)	Group 30.09.2008 (unaudited)	Bank 30.09.2009 (unaudited)	Bank 30.09.2008 (unaudited)
Interest revenue	34,111	38,721	31,146	38,590
Interest expense	(25,826)	(22,774)	(25,411)	(22,811)
Net interest income	8,285	15,947	5,735	15,779
Commission and fee revenue	9,963	10,404	9,450	10,018
Commission and fee expense	(2,107)	(2,775)	(2,565)	(2,765)
Net commission and fee income	7,856	7,629	6,885	7,253
Dividend	-	-	143	43
Profit on sale of securities and foreign exchange trading and revaluation	9,334	6,922	9,341	6,929
Other operating income	4,546	2,804	4,085	2,785
Operating income	30,021	33,302	26,189	32,789
Personnel expense	(12,440)	(12,440)	(11,389)	(12,047)
Depreciation and amortisation expense	(2,407)	(2,297)	(2,200)	(2,272)
Other operating expenses	(12,239)	(10,872)	(10,665)	(10,704)
Total operating expenses	(27,086)	(25,609)	(24,254)	(25,023)
Impairment losses	(11,166)	(2,460)	(7,498)	(2,429)
Profit/(loss) before corporate income tax	(8,231)	5,233	(5,563)	5,337
Corporate income tax	220	(917)	276	(899)
Profit/(loss) for the reporting period	(8,011)	4,316	(5,287)	4,438
Attributable to:				
Shareholders of the Bank	(7,471)	4,316	(5,287)	4,438
Minority interest	(540)	-	-	-
Basic earnings per share (in euro per share)	(0.604)	0.355	(0.427)	0.365

Statement of Comprehensive Income

EUR '000	Group 30.09.2009 (unaudited)	Group 30.09.2008 (unaudited)	Bank 30.09.2009 (unaudited)	Bank 30.09.2008 (unaudited)
(Loss)/ profit for the reporting year	(8,011)	4,316	(5,287)	4,438
Foreign currency revaluation reserve	(244)	-	-	-
Net loss on revaluation reserve	(973)	-	(973)	-
Other comprehensive (loss) for the period, net of taxes	(1,217)	-	(973)	-
Total comprehensive income for the reporting period	(9,228)	4,316	(6,260)	4,438
Attributable to:				
Shareholders of the Bank	(8,570)	4,316	(6,260)	4,438
Minority interest	(658)	-	-	-

Balance sheets
30 September 2009

EUR '000	Group 30.09.2009 (unaudited)	Group 31.12.2008 (audited)	Bank 30.09.2009 (unaudited)	Bank 31.12.2008 (audited)
Assets				
Cash and deposits with the central bank	33,860	82,830	33,858	82,705
Balances due from credit institutions and the central bank	108,493	315,456	107,919	313,743
Loans and advances to customers	504,265	481,685	505,038	486,358
Financial assets at fair value through profit or loss	7,502	8,897	6,916	8,699
Financial assets held for trading	1,187	423	748	-
Available –for-sale financial assets	-	1	-	-
Held-to-maturity investments	16,374	29,943	16,374	29,647
Investments in subsidiaries	-	-	7,519	6,231
Intangible assets	2,015	2,221	1,596	1,793
Fixed assets	29,223	31,835	28,722	31,128
Prepayments and accrued income	1,001	820	962	785
Other assets	18,565	15,541	16,548	6,249
Total assets	722,485	969,652	726,200	967,338
Liabilities				
Balances due to the central bank and credit institutions	11,288	53,766	9,425	49,367
Deposits from the customers	616,873	827,807	622,920	832,088
Debt securities issued	5,018	5,128	5,018	5,128
Derivative liabilities	309	1,504	309	1,504
Deferred income and accrued expenses	3,796	2,168	3,603	2,097
Corporate income tax liability	1,050	1,323	1,050	1,323
Deferred tax liability	90	736	-	711
Other liabilities	10,731	5,211	7,360	2,894
Subordinated debt	21,262	12,846	21,262	12,846
Total liabilities	670,417	910,489	670,947	907,958
Shareholders' equity				
Paid-in share capital	18,709	17,287	18,709	17,287
Share premium	18,213	17,501	18,213	17,501
Reserve capital and other reserves	891	891	891	891
Revaluation reserve	6,659	7,632	6,659	7,632
Foreign currency translation reserve	(583)	(458)	-	-
Retained earnings	7,895	15,367	10,781	16,069
Total shareholders' equity	51,784	58,220	55,253	59,380
Minority interest	284	943	-	-
Total shareholders' equity	52,068	59,163	55,253	59,380
Total liabilities and shareholders' equity	722,485	969,652	726,200	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	-	-	-	-	-	4,316	-	4,316
Total comprehensive income	-	-	-	-	-	4,316	-	4,316
Dividends paid	-	-	-	-	-	(3,631)	-	(3,631)
Minority	-	-	-	-	-	-	7	7
Balance as at 30 September 2008 (unaudited)	17,287	17,501	891	7,615	-	15,743	7	59,044
Balance as at 1 January 2009	17,287	17,501	891	7,632	(458)	15,367	943	59,163
(Loss) for the period	-	-	-	-	-	(7,471)	(540)	(8,011)
Other comprehensive (loss)	-	-	-	(973)	(125)	-	(119)	(1,217)
Total comprehensive (loss)	-	-	-	(973)	(125)	(7,471)	(659)	(9,228)
Dividends paid	-	-	-	-	-	(1)	-	(1)
Issue of shares	1,422	712	-	-	-	-	-	2,134
Balance as at 30 September 2009 (unaudited)	18,709	18,213	891	6,659	(583)	7,895	284	52,068

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	-	-	-	-	4,438	4,438
Total comprehensive income	-	-	-	-	4,438	4,438
Dividends paid	-	-	-	-	(3,631)	(3,631)
Balance as at 30 September 2008 (unaudited)	17,287	17,501	891	7,615	16,228	(59,522)
Balance as at 1 January 2009	17,287	17,501	891	7,632	16,069	59,380
(Loss) for the period	-	-	-	-	(5,287)	(5,287)
Other comprehensive (loss)	-	-	-	(973)	-	(973)
Total comprehensive (loss)	-	-	-	(973)	(5,287)	(6,260)
Dividends paid	-	-	-	-	(1)	(1)
Issue of shares	1,422	712	-	-	-	2,134
Balance as at 30 September 2009 (unaudited)	18,709	18,213	891	6,659	10,781	55,253

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

Cash flow statement

EUR '000	Group 30.09.2009 (unaudited)	Group 30.09.2008 (unaudited)	Bank 30.09.2009 (unaudited)	Bank 30.09.2008 (unaudited)
Cash flow from operating activities				
Profit/(loss) before corporate income tax	(8,231)	5,233	(5,563)	5,337
Depreciation and amortisation expense	2,407	2,297	2,200	2,272
Increase/(decrease) in provisions for liabilities and charges	11,165	-	7,497	-
(Gain)/loss on revaluation of foreign currency	4,842	1,252	4,817	1,252
(Gain)/loss on revaluation of investments	(182)	(721)	(182)	(721)
Loss on revaluation of fixed assets	113	-	113	-
(Gain)/loss from disposals of fixed and intangible assets	(1)	(3)	(1)	(3)
Net cash flow before changes in assets and liabilities, as a result of ordinary operations	10,113	8,058	8,881	8,137
Decrease/ (increase) in balances due from the central bank and credit institutions	19,943	269	18,735	269
(Increase) in loans and advances to customers	(33,594)	(49,579)	(26,177)	(59,775)
Decrease/(increase) in financial assets at fair value through profit or loss	347	10,572	734	10,572
(Increase)/decrease in financial assets held for trading	(239)	(2,278)	(223)	(1,834)
(Increase)/decrease in financial assets available –for-sale	1	-	-	-
(Increase)/ decrease in prepayments and accrued income	(181)	(213)	(177)	(219)
(Increase) in other assets	(3,820)	(33,984)	(11,007)	(22,003)
Increase/ (decrease) in balances due to the central bank and credit institutions	(17,609)	15,058	(15,073)	15,058
Increase/ (decrease) in deposits from customers	(210,934)	(125,509)	(209,168)	(121,697)
Net decrease/(increase) in derivative instruments	(490)	996	(490)	996
Increase/(decrease) in debt securities issued	-	-	-	-
Increase/(decrease) in deferred income and accrued expenses	1,628	(120)	1,505	(196)
Increase/(decrease) in other liabilities	5,521	12,166	4,466	9,549
Net cash flow from operating activities before corporate income tax	(229,314)	(164,564)	(227,994)	(161,143)
Corporate income tax paid	(55)	(1,431)	-	(1,419)
Net cash flow from operating activities	(229,369)	(165,995)	(227,994)	(162,562)
Cash flow from investing activities				
(Purchase) of fixed and intangible assets	(700)	(6,725)	(692)	(6,549)
Proceeds from disposal of fixed and intangible assets	27	27	10	27
Proceeds from redemption of held-to-maturity investments at maturity	15,662	885	15,367	885
(Purchase) of held-to-maturity investments	(2,094)	(15,075)	(2,094)	(15,075)
Investments in subsidiaries, net of cash	-	7	(1,288)	(3,906)
Net cash flow investing activities	12,895	(20,881)	11,303	(24,618)
Cash flow from financing activities				
Paid-in share capital	1,422	-	1,422	-
Share premium	711	-	711	-
Subordinated debt	8,640	-	8,640	-
Dividends paid	(1)	(3,631)	(1)	(3,631)
Net cash flow financing activities	10,772	(3,631)	10,772	(3,631)
Net cash flow for the period	(205,702)	(190,507)	(205,919)	(190,811)
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	(5,420)	(1,283)	(5,147)	(1,283)
Cash and cash equivalents at the end of the period	132,778	210,261	132,353	209,957

Cash flows from interest and dividends:

EUR '000	Group 30.09.2009 (unaudited)	Group 30.09.2008 (unaudited)	Bank 30.09.2009 (unaudited)	Bank 30.09.2008 (unaudited)
Interest paid	14,173	14,592	13,800	14,628
Interest received	22,893	33,315	22,994	33,184
Dividend	-	-	142	43

AS "LATVIJAS KRĀJBANKA"
 Organization chart
 (valid from 01.11.2009)

