

**AS "Latvijas Krājbanka"**  
**Interim report**  
**for 12 months of 2009**  
**(unaudited)**

## Table of Contents

	<b>Page</b>
<b>Statement of the Management</b>	<b>3</b>
<b>Supervisory Council and Management Board of the Bank Consolidated entities</b>	<b>7</b>
<b>Statement of responsibility of the management</b>	<b>8</b>
<b>Consolidated entities</b>	<b>9</b>
<b>Profit and loss statements</b>	<b>10</b>
<b>Balance sheets</b>	<b>11</b>
<b>Statement of changes in shareholder's equity</b>	<b>12</b>
<b>Cash flow statement</b>	<b>13</b>
<b>Operational results</b>	<b>14</b>
<b>Shareholders and Equity</b>	<b>14</b>
<b>Summary of significant accounting policies</b>	<b>14</b>
<b>Basic guidelines of the development strategy for 2009-2011</b>	<b>15</b>
<b>Risk management</b>	<b>18</b>
<b>Ratings</b>	<b>20</b>
<b>The additional information</b>	<b>21</b>
<b>Managerial structure</b>	<b>25</b>

## Statement of the Management

Last year was the time of tough and complicated trials for the whole Latvian economy and for every household. Rapid decline of GDP, export and import, lasting stagnation of the real estate market, rapid decline of construction, retail trade, industry and other branches of national economy – all this together with salary cut and increase of unemployment rate furthered reduction of domestic consumption despite the deflation in the amount of 1.2%. Therefore during the year the national economy faced even deeper recession, under influence of which the state has become dependent on international financial assistance.

At the time AS „Latvijas Krājbanka” (hereinafter referred to as Latvijas Krājbanka or the Bank) continued implementation of its strategic aims both in sphere of business development and social responsibility. In 2009 Latvijas Krājbanka, like other Latvian companies, revised efficiency of inner processes and made resource optimization. The Bank continued offering its clients new and topical products and ensured availability of Bank products and services throughout Latvia. In 2009 Krājbanka already for the third time received the "Deutsche Bank's STP Excellence Award" from one of the biggest European banks Deutsche Bank, confirming the processing quality of the Bank's outgoing USD payments.

In August the former Member of the Board of the Bank Ivars Priedītis started to perform the duties of the Chairman of the Board, but the former president Mārtiņš Bondars continues work in the Council of the Bank. Also last year Latvijas Krājbanka continued supporting significant cultural events. In future the Bank is going to acknowledge its motto "Latvijas Krājbanka – Your closest bank", by emphasizing the fact that the Bank has the widest client service network in Latvia.

## Financial data

The financial year 2009 resulted in is LVL 1,978 thousand losses (unaudited data), due to loan loss provisioning . Latvijas Krājbanka Group (hereinafter referred to as the Group) losses comprise LVL 1,921 thousand (unaudited data). The total amount of the Bank's assets as of 31 December 2009 comprised LVL 570 millions. (the Group - LVL 567 millions).

. Considering the situation on the Latvian lending market, the Bank adhered to the cautious lending policy, evaluating branches, return and risk indices of each loan, as well as maintained a high capital adequacy level which amounted to 11-12% by the end of the accounting period (compulsory threshold 8%). During the 2009 the liquidity level of the Bank maintained on the average level of the sector, i.e. within 45-55% (compulsory threshold 30%). By the end of the year the capital adequacy and liquidity of the Bank comprised 11,9% and 55,6% correspondingly. The Bank consistently applies effective risk management, , appropriate risk assessment and continuous activity monitoring.

Latvijas Krājbanka retains stable positions in the Latvian Commercial Banking Sector according to the main bank activity indices. In December 2009 the Bank ranked 6<sup>th</sup> in terms of deposit amount, and 9<sup>th</sup> - in terms of asset amount. Clients throughout Latvia continued to certify their loyalty to Krājbanka, and during 2009 the total amount of private persons` deposits of the Bank grew by 30 million lats, while in the sector it has diminished by 147 million lats. Krājbanka ranks stable 3<sup>rd</sup> place in the Latvian Commercial Banking Sector in terms of total amount of private persons` deposits.

In May 2009 Latvijas Krājbanka repaid the syndicated loan in the amount of EUR 15 million (LVL 10,54 million). The contract on reception of syndicated loan was signed in May 2008, and the loan was granted for 364 days. This was the first syndicated loan transaction of Latvijas Krājbanka, being successful and beneficial for all transaction parties.

## Major news in the Bank's products and services

Latvijas Krājbanka has continued to implement its policy, which aim is to make the bank's services available and as convenient as possible to every resident throughout Latvia. Latvijas Krājbanka still ranks the first place among Latvian commercial banks by the number of client service centres. As of 31 December 2009 Latvijas Krājbanka had 115 client service centres throughout Latvia, 34 of which were the mini banks. In February and April new Latvijas Krājbanka mini banks were opened in Lielvarde and Rezekne, but the mini bank in Broceni was replaced by the new client service centre.

In the second half of 2009, 7 mini banks were closed. By the end of December the number of Latvijas Krājbanka ATMs comprised 190, thus ranking the third place on the market among Latvian commercial banks.

The range of products offered by Latvijas Krājbanka in 2009 was supplemented with several novelties. In February 2009 the Bank issued a credit card VISA „Dižkarte”, attached to the current account of private individuals, and VISA Business – attached to the current account of legal entities. In the second half of January 2009 the Bank continued to issue new design cards – Aphorism card series cards VISA Business un Master Card Business for legal entities, and Visa Classic and Visa Gold – for private individuals. Last year the Bank has also updated the Business set, which, starting from March, also involves current account with attached Visa Business card, Online Banking, code calculator, e-signature sample and check book.

The total market share of the payment cards issued by Krājbanka by the end of 2009 comprised 7.3%. According to the information of Association of Latvian Commercial Banks the total number of active payment cards in Latvia has diminished by 29 thousand cards during the last quarter of 2009, while Krājbanka experienced the biggest growth of active cards by 21%.

Following the changes in the pension payment, in May Latvijas Krājbanka started offering new product for receivers of seniority and retirement pensions – Amber set. In its turn, the receivers of state, municipal and State Social Insurance agency allowances starting with November have a possibility to draw up the Supporting set. Both sets involve current account and attached VISA *Dižkarte*, *Online* banking and Telephone Bnaking and/or Mobile Banking at option. With the card VISA *Dižkarte* the clients can receive different discounts in more than 225 trade places throughout Latvia. This range of collaboration partners is being supplemented constantly.

In June 2009 the Bank organized Savings Days as usually – a special deposit campaign, during which the residents had a possibility to deposit funds at one of Krājbanka term deposits at specially beneficial interest rates. The clients were very much interested about the campaign, and deposited more than 20 million lats within ten working days.

During the last year the Bank continued to improve the Online banking functionality. Since February the changes were made in the visual design of the Online banking, and the demonstration version of the Online Banking became available for clients. Since last year the Online Banking offers a possibility to sort the performed payments, to apply for the reception of statements prepared by the States Social Insurance Agency, to view your security portfolio, to print out or save account statements in electronic form. The range of collaboration partners of the Bank in the sphere of e-services was expanded. Now Online Banking offers the clients a possibility to receive e-services, offered by the state and Riga municipality, to purchase tickets to different events offered by *Biļešu Serviss Ltd.*, to recharge Mobility account to pay for parking place via sms, to pay for request of information from the database of Lursoft, to pay Latvenergo for its services, as well as to cover tuition fee in the University of Latvia.

Starting with 21 July those clients of Latvijas Krājbanka, who are the subscribers of LMT mobile operator, have a possibility to use the Online Banking by using convenient and modern passport – Mobile ID. Using the Mobile ID the clients can confirm their identity remotely, by using six-digit PIN code, which is known only to its holder. The Bank will continue developing electronic services.

In April 2009 Latvijas Krājbanka concluded agreement with Latvian Guarantee Agency. This collaboration will allow Latvian entrepreneurs to receive state guarantees for bank credits in the case they do not have a sufficient collateral. Thus the Bank will offer wider possibilities to receive funding to perspective enterprises and topical business projects, which don't have enough funds for business development.

## **Performance of the Bank and its Group Companies**

Since 5 November, 2009 the registered and paid-in capital of the Bank comprises LVL 19 324 248 (2008: 12.149 thousand). In September 2009 the public offer of 6 175 000 (six million one hundred seventy-five thousand) new issue ordinary bearer shares was launched, which ended on 3 November. All Shares were sold during the second stage of the subscription.

According to the decision of the shareholders` meeting dated 23 March 2009, the total amount paid in dividends to the shareholders of the Bank for "A" category preference shares comprised LVL 691.84 (0,023% from the audited profit) or LVL 0,24 per one preference share, the residual amount of the audited profit for the year 2008 was directed to business development.

During the accounting period the regular interest income payments to the holders of CA series mortgage bonds were made. On 29 January 2010 the issue was redeemed according to the procedure set out in the prospectus.

During the second half of 2009 Krājbanka became the holder of 100% of AS IBS "Renesource Capital" shares. In October changes in composition of AS IBS "Renesource Capital" Council and Board were made. After acquisition of the broker company, Latvijas Krājbanka will be able to offer its clients different new services, for instance a possibility to use separate services of the broker company without the Bank's mediation.

In October 2009 the contract on acquisition of AP Anlage & privatbank AG shares concluded with AS „Parex banka” was terminated. The contract was terminated because before the closing date of the transaction no circumstances were provided, the entry of which is required in order Krājbanka would be obliged to make the transaction closing operations. Due to the fact, that the transaction parties could not agree on the repayment of the prepayment part in the amount of EUR 2`000`000, Krājbanka has delivered the dispute for consideration to the London Court of International Arbitration.

In October 2009 Latvijas Krājbanka terminated its participation in the limited liability company „Center Credit”, by selling all its 561 076 capital shares of the company.

The Bank Group Companies continued developing their activity.

The number of clients of AS "Ieguldījumu pārvaldes sabiedrība "LKB Krājfondi" pension plans by the end of 2009 amounted 77 524 (+8,6% over the year), and the total 2<sup>nd</sup> tier state funded pension plan assets managed by LKB Krājfondi comprised 37,4 million lats (+60% over a year). LKB Krājfondi ranks the 4<sup>th</sup> in Latvia in terms of 2<sup>nd</sup> tier client number. By the end of the year the total asset amount managed by "LKB Krājfondi", including investment funds, 3<sup>rd</sup> tier assets and individual investment portfolios, comprised LVL 39.4 million. LKB Krājfondi ended 2009 with provisory profit in the amount of LVL 247 thousand. The profitability of 2<sup>nd</sup> tier pension plans managed by LKB Krājfondi was within +11,76% to +14,94% (after deduction of commission), which is one of the best results in the branch.

In 2009 the insurance joint-stock company „LKB Life” (hereinafter referred to as - LKB Life) revised the company strategy and developed a long-term development programme, and started distribution of life insurance products in the client service centre network of Latvijas Krājbanka. LKB Life has revised process and terms for the offered products thus adapting them to the topical demand on the market.

In 2009 LKB Life, when compared to the results of 2008, showed decrease in terms of the attracted premiums by 40%, which is related to the terminated insurance contracts. Nevertheless if we compare the results in separate categories of products, which the company managed to revise fully and launch the sale of the revised products within the Bank's network, for instance, Accident insurance, LKB Life has demonstrated a considerable growth, during the last quarter of 2009 attracting by 705% more clients or by 523% more premiums than during the entire 2008.

In 2009 the work at completely new life insurance products was launched, which were not available on the Latvian market yet. The work on these products will last also in 2010. The company has also revised other insurance products it has offered previously.

In 2009 AS "Pirmais atklātais pensiju fonds" managed assets amounting more than LVL 440 thousand. All pension plans - "Saule-Sabalansētais" (Sund-Balanced), "Vecumdienas" (Old age), "Jūra-aktīvais" (Sea-Active), "Baltikums-Universālais" (Baltikums-Universal) and "Privātā pensija" (Private pension) – showed one of the highest profitability results in the branch –by the end of 2009 since the activity was launched, the profitability of pension plans comprised accordingly +9.79%, +10.14%, +4.04%, +9.32%, +9.01%. According to the clients` wishes the additional pension saving within the pension plan „Jūra- Aktīvais” from December are made in euro currency.

The main area of activity of SIA „Krājinvestīcijas” is development of real estate projects. In 2009 the company worked with profit in the amount of LVL 5088 (unaudited data). In 2010 the company plans to expand its main activity, by participating in other real estate development projects and expanding the choice of the offered services to the Bank Group Companies.

The credit portfolio of SIA „LKB Lizings” as of 31 December 2009 comprised LVL 19 993 thousand, in comparison to the portfolio amount as of 1 January 2009, the decrease comprised 9%. Now the company concentrates its activity on the improvement of client payment discipline, debt recovery and realization of alienated leasing objects.

During the first six month of 2009 SIA „LKB Drošība” (hereinafter referred to as – LKB Drošība) has started active work, by providing collection services throughout Latvia. In 2009 the company's

profit amounted LVL 1732 (unaudited result). In 2010 the company will continue to expand range of its clients.

The limited liability company "LKB Collect" was established in 2009. The stock capital of the company amounted LVL 10 000. The company's task is to deal with loan collection and legal issues of loan restructuring.

All the Bank's transactions with the related parties are made in accordance with the service tariffs, valid for the bank's clients, and are monitored in accordance with the Bank's procedures developed within the Internal control system and with other provisions regulating those transactions.

## **Public activities**

Just like during previous years Latvijas Krājbanka has continued its strategic contribution to Latvian music and cultural life. In respond to LTV offer Latvijas Krājbanka found possibility to collaborate and support Latvia's participation in the international Eurovision song contest. In February with support of Krājbanka the 13<sup>th</sup> Latvian Music Record Award ceremony in 14 categories was held. During Līgo festivity the Bank has supported special live transmission of R.Blaumanis` play „Skroderdienas Silmačos” broadcasted on the 1<sup>st</sup> channel of the Latvian Television.

2009 was the year of 85<sup>th</sup> anniversary of the Bank, and the Bank celebrated it by participating in different events all year long. In the beginning of June in its main office at J.Daliņa Street Krājbanka hosted presentation of the Annual report book of the bank for the year 2008 and opening of personal exhibition of the painter Valdis Bušs. In September with support of Krājbanka new record of Imants Kalniņš` 4<sup>th</sup> symphony in CD and vinyl format was published.

In August Latvijas Krājbanka started supporting new TV show „Singing families”. The show got huge popularity on the LNT channel. During the final Krājbanka presented not only the grand prize to the winner of the show, but also the prize for the second place winner.

Traditionally Krājbanka supported Christmas concerts in the churches of Latvia, organized by the group of Latvian musicians and music record company Platforma. This year the series of eight concerts was supplemented by the disc "Karameles". On Christmas the Bank has also supported the charity campaign organized by the Latvian Children foundation.

The lasting presence of Latvijas Krājbanka on the Latvian market, its ability to overcome outer economic and financial problems flexibly, as well as its active public work, by taking part in the cultural and public processes, essential to the state and its residents, have ensured the clients` loyalty to the Bank's brand. To comply with development of Latvia and the Bank's clients needs – will be one of the priority values of the Bank also in future, on which the further development of the Bank will be based.

We would like to thank the clients and collaboration partners of Latvijas Krājbanka for successful collaboration last year and we hope for the same also in future. Latvijas Krājbanka wishes You luck and success!

Yours faithfully,

---

Ivars Priedītis  
Chairman of the Boar

Rīga,  
26 February, 2010

**As at 31 December 2009 the members of the Supervisory Council of the Bank were as follows:**

**Supervisory Council**

<b>Name, surname</b>	<b>Position</b>	<b>Date of appointment\ reappointment</b>
Raimondas Baranauskas	Chairman of the Council	28/10/2005 \ 07/09/2009
Aleksandrs Antonovs	Deputy Chairman of the Council	28/10/2005 \ 07/09/2009
Vladimirs 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 31 December 2009 the members of the Management Board of the Bank were as follows:**

**Management Board**

<b>Name, surname</b>	<b>Position</b>	<b>Date of appointment\ reappointment</b>
Ivars Priedītis	Chairman of the Board / President	18/07/2007
Dzintars Pelcbērģs	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

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. Martiņš 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 Ovčiņņikova was re-elected in the position of AS Latvijas Krājbanka Board Member for the next three years 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 31 December 2009 and 31 December 2008, and results of their operations, changes in the shareholders' equity and cash flows for the twelve-month periods ended 31 December 2009 and 31 December 2008.

The financial statements in accordance with the source documents and present fairly the financial position of the Bank as at 31 December 2009.

The interim consolidated financial statements for the 12-month period ended 31 December 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.

---

Ivars Priedītis  
Chairman of the  
Board / President

Riga,  
26 February 2010



**Consolidated entities**  
**31 December 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" Reg. Nr. 40003605043	LV, Rīga, J.Daliņa street 15	ISA	100	100	MS
2.	AS "Ieguldījumu pārvaldes sabiedrība "LKB Asset Management" Reg.Nr. 40003818124	LV, Rīga, J.Daliņa street 15	ISA	100	100	MS
3.	SIA "Krājinvestīcijas" Reg.Nr. 40003687374	LV, Rīga, Jekaba street 2	CKS	100	100	MS
4.	SIA "LKB līzings" Reg. Nr. 40003887450	LV, Rīga, J.Daliņa street 15	CFI	100	100	MS
5.	AS "Pirmais atklātais pensiju fonds" Reg.Nr. 40003377918	LV, Rīga, J.Daliņa street 15	PFO	100	100	MS
6.	SIA "LKB drošība" Reg.Nr. 40103179152	LV, Rīga, Jekaba street 2	CKS	100	100	MS
7.	AAS "LKB Life" Reg.Nr. 400033053851	LV, Rīga, J.Daliņa street 15	APS	99.79	99.79	MS
8.	SIA "LKB Collect" Reg.Nr. 40103251717	LV, Rīga, J.Daliņa street 15	CKS	100	100	MS
9.	AS IBS "Renesource Capital" Reg.Nr. 40003415571	LV, Rīga, J.Daliņa 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 31 December 2009

LVL '000	Group 2009 (unaudited)	Group 2008 (audited)	Bank 2009 (unaudited)	Bank 2008 (audited)
Interest revenue	34,229	42,071	32,437	40,388
Interest expense	(24,404)	(22,652)	(24,170)	(22,260)
<b>Net interest revenue</b>	<b>9,825</b>	<b>19,419</b>	<b>8,267</b>	<b>18,128</b>
Commission and fee revenue	8,247	8,467	7,866	8,258
Commission and fee expense	(2,374)	(1,921)	(2,836)	(1,913)
<b>Net commission and fee revenue</b>	<b>5,873</b>	<b>6,546</b>	<b>5,030</b>	<b>6,345</b>
Dividend	-	-	100	30
Net result on sale of securities and foreign exchange trading and revaluation	8,217	6,398	8,308	6,426
Other operating revenue	10,693	1,849	8,846	1,316
<b>Operating revenue</b>	<b>34,608</b>	<b>34,212</b>	<b>30,551</b>	<b>32,245</b>
Personnel expense	(11,361)	(11,963)	(10,357)	(11,171)
Depreciation and amortization expense	(2,221)	(2,288)	(2,057)	(2,141)
Other operating expenses	(11,196)	(11,466)	(10,359)	(10,720)
<b>Total operating expenses</b>	<b>(24,778)</b>	<b>(25,717)</b>	<b>(22,773)</b>	<b>(24,032)</b>
Impairment losses	(11,345)	(5,089)	(9,753)	(4,610)
<b>(Loss)/ profit before corporate income tax</b>	<b>(1,865)</b>	<b>3,406</b>	<b>(1,975)</b>	<b>3,603</b>
Corporate income tax	(56)	(622)	(3)	(595)
<b>(Loss)/ profit for the reporting year</b>	<b>(1,921)</b>	<b>2,784</b>	<b>(1,978)</b>	<b>3,008</b>
<b>Attributable to:</b>				
Shareholders of the Bank	(1,921)	2,770	(1,978)	3,008
Minority interest	-	14	-	-
<b>Basic earnings per share (Lats per share)</b>	<b>(0.142)</b>	<b>0.228</b>		
<b>Diluted earnings per share (Lats per share)</b>	<b>(0.091)</b>	<b>0.195</b>		

## Statement of Comprehensive Income

LVL '000	Group 31.12.2009 (unaudited)	Group 31.12.2008 (audited)	Bank 31.12.2009 (unaudited)	Bank 31.12.2008 (audited)
(Loss)/ profit for the reporting year	(1,921)	2,784	(1,978)	3,008
Foreign currency revaluation reserve	632	(632)	-	-
Change of revolution reserve	(684)	-	(684)	-
Income tax	87	12	87	12
Net change of revolution reserve	(597)	12	(597)	12
Non-controlling interest of subsidiaries acquired	-	959	-	-
Non-controlling interest of subsidiaries sold	(968)	-	-	-
Prior year profit of subsidiaries sold	(14)	-	-	-
Other comprehensive (loss) for the period, net of taxes	(947)	339	(597)	12
<b>Total comprehensive income for the reporting period</b>	<b>(2,868)</b>	<b>3,123</b>	<b>(2,575)</b>	<b>3,020</b>
<b>Attributable to:</b>				
Shareholders of the Bank	(2,868)	2,460	(2,575)	3,020
Non-controlling interest	-	663	-	-

## Balance sheets

31 December 2009

LVL '000	Group 31.12.2009 (unaudited)	Group 31.12.2008 (audited)	Bank 31.12.2009 (unaudited)	Bank 31.12.2008 (audited)
<b>Assets</b>				
Cash and deposits with the central bank	44,332	58,213	44,332	58,125
Due from credit institutions and the central bank	102,464	221,704	102,239	220,500
Loans and advances to customers	361,031	338,530	368,413	341,814
Financial assets at fair value through profit or loss	5,721	6,253	5,509	6,114
Financial assets held for trading	155	297	155	-
Available-for-sale financial assets	-	1	-	-
Held-to-maturity investments	11,426	21,044	11,108	20,836
Investment properties	1,153	-	1,153	-
Held-for-sale assets	4,275	-	4,275	-
Investments in subsidiaries	-	-	4,322	4,379
Intangible assets	1,537	1,561	1,191	1,260
Fixed assets	19,537	22,374	19,313	21,877
Prepayments and accrued income	717	576	702	552
Corporate income tax claims	689	1,281	689	1,281
Other assets	13,779	9,641	6,505	3,111
<b>Total assets</b>	<b>566,816</b>	<b>681,475</b>	<b>569,906</b>	<b>679,849</b>
<b>Liabilities</b>				
Due to the central bank and credit institutions	16,431	37,787	16,431	34,695
Deposits from customers	476,155	581,786	480,418	584,795
Derivatives	172	1,057	172	1,057
Debt securities issued	3,546	3,604	3,546	3,604
Deferred income and accrued expenses	1,470	1,524	1,376	1,474
Provisions for off-balance sheet commitments	-	-	902	-
Corporate income tax liability	45	517	-	500
Deferred tax liability	847	930	847	930
Other liabilities	3,496	3,662	1,115	2,034
Subordinated debt	15,181	9,028	15,181	9,028
<b>Total liabilities</b>	<b>517,343</b>	<b>639,895</b>	<b>519,988</b>	<b>638,117</b>
<b>Equity</b>				
Paid-in share capital	19,324	12,149	19,324	12,149
Share premium	15,887	12,300	15,887	12,300
Reserve capital and other reserves	626	626	626	626
Revaluation reserve	4,767	5,364	4,767	5,364
Foreign currency translation reserve	-	(322)	-	-
Retained earnings	8,864	10,800	9,314	11,293
Total shareholders' equity	49,468	40,917	49,918	41,732
<b>Minority interest</b>	<b>5</b>	<b>663</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' equity</b>	<b>49,473</b>	<b>41,580</b>	<b>49,918</b>	<b>41,732</b>
<b>Total liabilities and capital and reserves</b>	<b>566,816</b>	<b>681,475</b>	<b>569,906</b>	<b>679,849</b>

## Statement of changes in shareholder's equity

### Attributable to equity holders of the parent

Group LVL '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluati on reserve	Foreign currency translation reserve	Retained earnings	Minority interest	Total equity
<b>Balance as at 31 December 2007</b>	<b>12,149</b>	<b>12,300</b>	<b>626</b>	<b>5,352</b>	<b>-</b>	<b>10,583</b>	<b>-</b>	<b>41,010</b>
Total comprehensive income/expenses for the reporting period				12	(322)	2,770	663	3,123
Dividends paid	-	-	-	-	-	(2,553)	-	(2,553)
<b>Balance as at 31 December 2008</b>	<b>12,149</b>	<b>12,300</b>	<b>626</b>	<b>5,364</b>	<b>(322)</b>	<b>10,800</b>	<b>663</b>	<b>41,580</b>
Total comprehensive income/expenses for the reporting period	-	-	-	(597)	322	(1,953)	(658)	(2,868)
Issue of shares	7,175	3,587	-	-	-	-	-	10,762
Dividends paid	-	-	-	-	-	(1)	-	(1)
<b>Balance as at 31 December 2009 (unaudited)</b>	<b>19,324</b>	<b>15,887</b>	<b>626</b>	<b>4,767</b>	<b>-</b>	<b>8,864</b>	<b>5</b>	<b>49,473</b>

Bank LVL '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Retained earnings	Total equity
<b>Balance as at 31 December 2007</b>	<b>12,149</b>	<b>12,300</b>	<b>626</b>	<b>5,352</b>	<b>10,838</b>	<b>41,265</b>
Total comprehensive income/expenses for the reporting period	-	-	-	12	3,008	3,020
Dividends paid	-	-	-	-	(2,553)	(2,553)
<b>Balance as at 31 December 2008</b>	<b>12,149</b>	<b>12,300</b>	<b>626</b>	<b>5,364</b>	<b>11,293</b>	<b>41,732</b>
Total comprehensive income/expenses for the reporting period	-	-	-	(597)	(1,978)	(2,575)
Issue of shares	7,175	3,587	-	-	-	10,762
Dividends paid	-	-	-	-	(1)	(1)
<b>Balance as at 31 December 2009 (unaudited)</b>	<b>19,324</b>	<b>15,887</b>	<b>626</b>	<b>4,767</b>	<b>9,314</b>	<b>49,918</b>

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 2009 (unaudited)	Group 2008 (audited)	Bank 2009 (unaudited)	Bank 2008 (audited)
<b>Cash flow from operating activities</b>				
Profit before corporate income tax	(1,865)	3,406	(1,975)	3,603
Depreciation and amortization	2,221	2,230	2,057	2,141
Increase in impairment losses	3,624	3,918	7,862	2,004
(Gain)/loss on revaluation of foreign currency	2,847	(2,572)	2,740	(3,209)
(Gain)/loss on revaluation of investments	(515)	(11)	(499)	(26)
Loss on revaluation of fixed assets	(168)	-	(168)	-
(Gain)/loss from disposal assets	(14)	-	-	-
(Gain)/loss from disposals of fixed and intangible assets	9	63	9	(3)
<b>Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations</b>	<b>6,139</b>	<b>7,034</b>	<b>10,026</b>	<b>4,510</b>
Decrease/(increase) in balances due from the central bank and credit institutions	6,109	3,920	5,155	760
(Increase) in loans and advances to customers	(30,336)	(40,816)	(38,742)	(45,576)
Decrease/(increase) in financial assets at fair value through profit or loss	716	16,317	789	16,471
Increase in financial assets held for trading	158	13	(155)	-
(Increase)/decrease in available-for-sale financial assets	1	-	-	-
(Increase)/ decrease in prepayments and accrued income	(141)	72	(150)	74
(Increase) in other assets	(4,643)	(7,968)	(3,849)	(1,775)
(Increase) in balances due to the central bank and credit institutions	(13,284)	9,296	(10,192)	10,593
Increase/ (decrease) in deposits from customers	(105,631)	(4,343)	(104,377)	(1,776)
Net decrease/(increase) in derivative instruments	(570)	27	(570)	27
Increase in debt securities issued	(58)	11	(58)	11
Increase/(decrease) in deferred income and accrued expenses	(54)	(291)	804	(293)
Increase/(decrease) in other liabilities	(166)	1,006	(919)	1,252
<b>Cash generated from operating activities before corporate income tax</b>	<b>(141,760)</b>	<b>(15,722)</b>	<b>(142,238)</b>	<b>(15,722)</b>
Corporate income tax paid	(45)	(1,365)	-	(1,348)
<b>Net cash flow from operating activities</b>	<b>(141,805)</b>	<b>(17,087)</b>	<b>(142,238)</b>	<b>(17,070)</b>
<b>Cash flow from investing activities</b>				
Purchase of fixed and intangible assets	(708)	(5,189)	(563)	(5,150)
Proceeds from disposal of fixed and intangible assets	224	68	15	69
Proceeds from redemption of held-to-maturity investments at maturity	9,618	(16,297)	9,728	(16,089)
Investments in subsidiaries, net of cash	-	(2,992)	57	(3,739)
<b>Net cash flow from investing activities</b>	<b>9,134</b>	<b>(24,410)</b>	<b>9,237</b>	<b>(24,909)</b>
<b>Cash flow from financing activities</b>				
Issue of shares	7,175	-	7,175	-
Share premium	3,587	-	3,587	-
Issue of debt securities	-	-	-	-
Dividends paid	(1)	(2,553)	(1)	(2,553)
Cash proceeds from issuing shares to Non-controlling investors in subsidiary	(658)	538	-	-
Proceeds from issue of subordinated debt	6,153	-	6,153	-
<b>Net cash flow financing activities</b>	<b>16,256</b>	<b>(2,015)</b>	<b>16,914</b>	<b>(2,553)</b>
<b>Net cash flow for the period</b>	<b>(116,415)</b>	<b>(43,512)</b>	<b>(116,087)</b>	<b>(44,532)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>241,694</b>	<b>282,564</b>	<b>241,356</b>	<b>282,564</b>
Profit/(loss) from revaluation of foreign currency	(2,525)	2,642	(2,740)	3,324
<b>Cash and cash equivalents at the end of the year</b>	<b>122,754</b>	<b>241,694</b>	<b>122,529</b>	<b>241,356</b>

Cash flows from interest and dividends:

LVL '000	Group 2009 (unaudited)	Group 2008 (audited)	Bank 2009 (unaudited)	Bank 2008 (audited)
Interest paid	16,104	17,944	15,819	16,747
Interest received	30,067	34,960	28,227	34,700
Dividends received	-	-	100	30

## Operational results 31 December 2009

Name of the Item	Reporting period (unaudited)	Previous reporting year (audited)
Return on equity (ROE) (%)	(4.72)	7.29
Return on assets (ROA) (%)	(0.36)	0.52

## Shareholders and Equity

On 31 December 2009, the Bank's registered and paid-in capital comprised 19,324 thousand lats (in 31.12.2008: LVL 12,149 thousand)). The stock capital consists of 19,324,248 shares, including 19,321,414 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 year.

The Bank's principal shareholders as at 31 December 2009 and 2008 were as follows:

	31.12.2009(unaudited)		31.12.2008(audited)	
	Paid-in share capital	% of total paid-in capital	Paid-in share capital	% of total paid-in capital
<b>LVL '000</b>				
AS banka „Snoras"	10,284	53,22	9,304	76,58
Vladimir Antonov	6,175	31,9	-	-
"Ratto Holdings Limited"	1,213	6,28	1,213	9,98
AS „West Investment"	868	4,5	868	7,15
Other	784	4,1	764	6,29
<b>Total</b>	<b>19,324</b>	<b>100.00</b>	<b>12,149</b>	<b>100.00</b>

## Summary of significant accounting policies

The interim consolidated financial statements for the 12-month period ended 31 December 2009 have been prepared in accordance to the IAS 34 Interim Financial Statements.

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

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

### **Mission of the Bank**

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

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

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

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

#### **1. Business vision.**

##### **1.1. Clients.**

Target client group of Latvijas Krājbanka –

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

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

##### **1.2. Products and Sales**

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

##### **1.3. Markets and Market Presence**

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

##### **1.4. Investment Policy**

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

##### **1.5. Target Results**

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

The planned figures as of the end of 2011:

- a) Increase of the Bank's equity by 70%, reaching LVL 71 million;
- b) Increase of the Bank's assets by 20%, reaching LVL 820 million;

- c) The credit portfolio increase by 15%, reaching LVL 400 million;
- d) Increase of deposit dynamics by at least 15%;
- e) Increase of net commission income by 15 %, reaching LVL 7,8 million;
- f) Increase of the income from trade with financial instruments and currency transactions by 40%, reaching LVL 9 million.

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

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

### 2.1. Capital Adequacy Management Strategy.

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

Krājbanka manages all identified risks:

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

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

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

### 2.2. Credit Risk.

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

### 2.3. Liquidity Risk Management

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

### 2.4. Operational Risk

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

### 2.5. Human Resources Policy.

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

### 2.6. Provision of Business support Function

#### 2.6.1. IT development

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

#### 2.6.2. Use of External Services

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



### 3. Development of Krājbanka group

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

- a) AS "Ieguldījumu pārvaldes sabiedrība LKB Krājfondi" (JSC);
- b) AS "Ieguldījumu pārvaldes sabiedrība "LKB Asset management""(JSC);
- c) SIA "LKB līzings" (Ltd.);
- d) AS "Pirmais atklātais pensiju fonds" (JSC);
- e) SIA "Krājinvestīcijas" (Ltd.);
- f) SIA "LKB Drošība" (Ltd.);
- g) AAS "LKB LIFE" (IJSC);
- h) SIA "LKB Collect";
- i) 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 (31.12.2009.)**

### ***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](http://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](http://www.moodys.com)

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

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

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

## The additional information

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

### Profit and loss statement 31 December 2009

EUR '000	Group	Group	Bank	Bank
	31.12.2009 (unaudited)	31.12.2008 (audited)	31.12.2009 (unaudited)	31.12.2008 (audited)
Interest revenue	48,704	59,862	46,154	57,466
Interest expense	(34,724)	(32,231)	(34,391)	(31,673)
<b>Net interest income</b>	<b>13,980</b>	<b>27,631</b>	<b>11,763</b>	<b>25,793</b>
Commission and fee revenue	11,735	12,047	11,192	11,750
Commission and fee expense	(3,378)	(2,733)	(4,035)	(2,720)
<b>Net commission and fee income</b>	<b>8,357</b>	<b>9,314</b>	<b>7,157</b>	<b>9,030</b>
Dividend	-	-	142	43
Profit on sale of securities and foreign exchange trading and revaluation	11,691	9,104	11,821	9,143
Other operating income	15,215	2,631	12,587	1,872
<b>Operating income</b>	<b>49,243</b>	<b>48,680</b>	<b>43,470</b>	<b>45,881</b>
Personnel expense	(16,165)	(17,022)	(14,737)	(15,895)
Depreciation and amortisation expense	(3,160)	(3,256)	(2,927)	(3,046)
Other operating expenses	(16,428)	(16,315)	(14,739)	(15,253)
<b>Total operating expenses</b>	<b>(35,753)</b>	<b>(36,593)</b>	<b>(32,403)</b>	<b>(34,194)</b>
Impairment losses	(16,142)	(7,241)	(13,877)	(6,560)
<b>Profit/(loss) before corporate income tax</b>	<b>(2,652)</b>	<b>4,846</b>	<b>(2,810)</b>	<b>5,127</b>
Corporate income tax	(80)	(885)	(4)	(847)
<b>Profit/(loss) for the reporting year</b>	<b>(2,732)</b>	<b>3,961</b>	<b>(2,814)</b>	<b>4,280</b>
<b>Attributable to:</b>				
Shareholders of the Bank	(2,732)	3,941	(2,814)	4,280
Minority interest	-	20	-	-
Basic earnings per share (in euro per share)	0.202	0.324	-	-
Diluted earnings per share (in euro per share)	0.129	0.277	-	-

### Statement of Comprehensive Income

EUR '000	Group	Group	Bank	Bank
	31.12.2009 (unaudited)	31.12.2008 (audited)	31.12.2009 (unaudited)	31.12.2008 (audited)
(Loss)/ profit for the reporting year	(2,732)	3,961	(2,814)	4,280
Foreign currency revaluation reserve	899	(899)	-	-
<i>Change of revolution reserve</i>	(973)	-	(973)	-
<i>Income tax</i>	124	17	124	17
Net change of revolution reserve	(849)	17	(849)	17
Non-controlling interest of subsidiaries acquired	-	1,364	-	-
Non-controlling interest of subsidiaries sold	(1,377)	-	-	-
Prior year profit of subsidiaries sold	(20)	-	-	-
Other comprehensive (loss) for the period, net of taxes	(1,347)	482	(849)	17
<b>Total comprehensive income for the reporting period</b>	<b>(4,079)</b>	<b>4,443</b>	<b>(3,663)</b>	<b>4,297</b>
<b>Attributable to:</b>				
Shareholders of the Bank	(4,079)	3,500	(3,663)	4,297
Non-controlling interest	-	943	-	-

## Balance sheets

31 December 2009

EUR '000	Group 31.12.2009 (unaudited)	Group 31.12.2008 (audited)	Bank 31.12.2009 (unaudited)	Bank 31.12.2008 (audited)
<b>Assets</b>				
Cash and deposits with the central bank	63,079	82,830	63,079	82,705
Balances due from credit institutions and the central bank	145,793	315,456	145,473	313,743
Loans and advances to customers	513,701	481,685	524,204	486,358
Financial assets at fair value through profit or loss	8,140	8,897	7,839	8,699
Financial assets held for trading	220	423	220	-
Available –for-sale financial assets	-	1	-	-
Held-to-maturity investments	16,258	29,943	15,805	29,647
Investment properties	1,640	-	1,640	-
Held-for-sale assets	6,083	-	6,083	-
Investments in subsidiaries	-	-	6,150	6,231
Intangible assets	2,187	2,221	1,695	1,793
Fixed assets	27,799	31,835	27,978	31,128
Prepayments and accrued income	1,020	820	999	785
Corporate income tax claims	980	1,823	980	1,823
Other assets	19,607	13,718	9,256	4,426
<b>Total assets</b>	<b>806,507</b>	<b>969,652</b>	<b>811,401</b>	<b>967,338</b>
<b>Liabilities</b>				
Balances due to the central bank and credit institutions	23,379	53,766	23,379	49,367
Deposits from the customers	677,507	827,807	683,573	832,088
Debt securities issued	5,045	5,128	5,045	5,128
Derivative liabilities	244	1,504	244	1,504
Deferred income and accrued expenses	2,092	2,168	1,959	2,097
Provisions for off-balance sheet commitments	-	-	1,283	-
Corporate income tax liability	64	736	-	711
Deferred tax liability	1,205	1,323	1,205	1,323
Other liabilities	4,975	5,211	1,586	2,894
Subordinated debt	21,600	12,846	21,600	12,846
<b>Total liabilities</b>	<b>736,111</b>	<b>910,489</b>	<b>739,874</b>	<b>907,958</b>
<b>Shareholders' equity</b>				
Paid-in share capital	27,496	17,287	27,496	17,287
Share premium	22,605	17,501	22,605	17,501
Reserve capital and other reserves	891	891	891	891
Revaluation reserve	6,783	7,632	6,783	7,632
Foreign currency translation reserve	-	(458)	-	-
Retained earnings	12,614	15,367	13,254	16,069
<b>Total shareholders' equity</b>	<b>70,389</b>	<b>58,220</b>	<b>71,029</b>	<b>59,380</b>
<b>Minority interest</b>	<b>7</b>	<b>943</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' equity</b>	<b>70,396</b>	<b>59,163</b>	<b>71,029</b>	<b>59,380</b>
<b>Total liabilities and shareholders' equity</b>	<b>806,507</b>	<b>969,652</b>	<b>810,903</b>	<b>967,338</b>

## Statement of changes in shareholder's equity

Group EUR '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Minority interest	Total equity
<b>Balance as at 31 December 2007</b>	<b>17,287</b>	<b>17,501</b>	<b>891</b>	<b>7,615</b>	<b>-</b>	<b>15,058</b>	<b>-</b>	<b>58,352</b>
Total comprehensive income/expenses for the reporting period	-	-	-	17	(458)	3,941	943	4,443
Dividends paid	-	-	-	-	-	(3,632)	-	(3,632)
<b>Balance as at 31 December 2008</b>	<b>17,287</b>	<b>17,501</b>	<b>891</b>	<b>7,632</b>	<b>(458)</b>	<b>15,367</b>	<b>943</b>	<b>59,163</b>
Total comprehensive income/expenses for the reporting period	-	-	-	(849)	458	(2,752)	(936)	(4,079)
Dividends paid	-	-	-	-	-	(1)	-	(1)
Issue of shares	10,209	5,104	-	-	-	-	-	15,313
<b>Balance as at 31 December 2009 (unaudited)</b>	<b>27,496</b>	<b>22,605</b>	<b>891</b>	<b>6,783</b>	<b>-</b>	<b>12,614</b>	<b>7</b>	<b>70,396</b>

  

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

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

## Cash flow statement

EUR '000	Group	Group	Bank	Bank
	31.12.2009 (unaudited)	31.12.2008 (audited)	31.12.2009 (unaudited)	31.12.2008 (audited)
<b>Naudas plūsma pamatdarbības rezultātā</b>				
Profit before corporate income tax	(2,652)	4,846	(2,810)	5,127
Depreciation and amortization	3,160	3,173	2,927	3,046
Increase in impairment losses	5,156	5,575	11,187	2,851
(Gain)/loss on revaluation of foreign currency	4,051	(3,660)	3,899	(4,566)
(Gain)/loss on revaluation of investments	(733)	(16)	(710)	(37)
Loss on revaluation of fixed assets	(239)	-	(239)	-
(Gain)/loss from disposal assets	(20)	-	-	-
(Gain) from disposals of fixed and intangible assets	13	90	13	(4)
<b>Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations</b>	<b>8,736</b>	<b>10,008</b>	<b>14,267</b>	<b>6,417</b>
Decrease/(increase) in balances due from the central bank and credit institutions	8,692	5,578	7,335	1,082
(Increase) in loans and advances to customers	(43,164)	(58,076)	(55,125)	(64,848)
Decrease/(increase) in financial assets at fair value through profit or loss	1,019	23,217	1,123	23,436
Increase in financial assets held for trading	225	19	(221)	-
(Increase)/decrease in available-for-sale financial assets	1	-	-	-
(Increase)/ decrease in prepayments and accrued income	(201)	102	(213)	105
(Increase) in other assets	(6,606)	(11,337)	(5,477)	(2,526)
(Increase) in balances due to the central bank and credit institutions	(18,901)	13,227	(14,502)	15,072
Increase/ (decrease) in deposits from customers	(150,299)	(6,180)	(148,515)	(2,527)
Net decrease/(increase) in derivative instruments	(811)	38	(811)	38
Increase in debt securities issued	(83)	16	(83)	16
Increase/(decrease) in deferred income and accrued expenses	(77)	(414)	1,144	(417)
Increase/(decrease) in other liabilities	(237)	1,431	(1,308)	1,781
<b>Cash generated from operating activities before corporate income tax</b>	<b>(201,706)</b>	<b>(22,371)</b>	<b>(202,386)</b>	<b>(22,371)</b>
Corporate income tax paid	(64)	(1,942)	-	(1,918)
<b>Net cash flow from operating activities</b>	<b>(201,770)</b>	<b>(24,313)</b>	<b>(202,386)</b>	<b>(24,289)</b>
<b>Cash flow from investing activities</b>				
Purchase of fixed and intangible assets	(1,007)	(7,383)	(801)	(7,328)
Proceeds from disposal of fixed and intangible assets	319	96	21	98
Proceeds from redemption of held-to-maturity investments at maturity	13,684	(23,188)	13,842	(22,892)
Investments in subsidiaries, net of cash	-	(4,257)	81	(5,320)
<b>Net cash flow from investing activities</b>	<b>12,996</b>	<b>(34,732)</b>	<b>13,143</b>	<b>(35,442)</b>
<b>Cash flow from financing activities</b>				
Issue of shares	10,209	-	10,209	-
Share premium	5,104	-	5,104	-
Issue of debt securities	-	-	-	-
Dividends paid	(1)	(3,632)	(1)	(3,632)
Cash proceeds from issuing shares to minority investors in subsidiary	(936)	765	-	-
Investments in subsidiaries	8,755	-	8,755	-
<b>Net cash flow financing activities</b>	<b>23,131</b>	<b>(2,867)</b>	<b>24,067</b>	<b>(3,632)</b>
<b>Net cash flow for the period</b>	<b>(165,643)</b>	<b>(61,912)</b>	<b>(165,176)</b>	<b>(63,363)</b>
<b>Cash and cash equivalents at the beginning of the year</b>				
	<b>343,900</b>	<b>402,052</b>	<b>343,419</b>	<b>402,052</b>
Profit/(loss) from revaluation of foreign currency	(3,593)	3,759	(3,899)	4,730
<b>Cash and cash equivalents at the end of the year</b>	<b>174,664</b>	<b>343,899</b>	<b>174,344</b>	<b>343,419</b>

Cash flows from interest and dividends:

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



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

