



**AKCIJU SABIEDRĪBAS "LATVIJAS KRĀJBANKA" (JSC)
STATEMENT ON CORPORATE GOVERNANCE
FOR THE FINANCIAL YEAR 2008**

**APPROVED
by the decision of
AS "Latvijas Krājbanka" Board
dated March 3rd, 2009
(Minutes no.18, 8th item of the agenda)**

RIGA, 2009

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INTRODUCTION

AS "Latvijas Krājbanka" (JSC) statement on corporate governance in 2008 (hereinafter referred to as the Report) was prepared in accordance with demands of the Financial Instrument Market Law and AS "NASDAQ OMX Riga" (hereinafter referred to also as – the Stock Exchange) rules "On Listing and Trading of Financial Instruments on the Market Regulated by the Exchange" and made according to the "comply with or explain" principle.

The statement was prepared according to the "Corporate Governance Principles and Recommendations on their Implementation" issued by AS "NASDAQ OMX Riga" in 2005 and available on the Stock Exchange website www.nasdaqomxbaltic.com.

In 2008 AS "Latvijas Krājbanka" complied with the corporate governance principles listed in the "Corporate Governance Principles and Recommendations on their Implementation" of the Stock Exchange as long as it is within the competence of Krājbanka Board and Council under the legislation of the Republic of Latvia.

According to the section 56² of the Financial Instrument Market Law the present Report is publicly available in the office of AS "Latvijas Krājbanka" located at 15 Jāņa Daliņa Street, in Riga, and in electronic format – on the website of AS "Latvijas Krājbanka" www.lkb.lv in the section "For Shareholders and Investors".

Mārtiņš Bondars
Chairman of the Board

SHAREHOLDERS' MEETING

Shareholders exercise their right to participate in the management of the Issuer at shareholders' meetings. In compliance with legal acts the Issuers shall call the annual shareholders' meeting as minimum once a year. Extraordinary shareholders' meetings shall be called as required.

1. Ensuring shareholders' rights and participation at shareholders' meetings

The Issuers shall ensure equal attitude towards all the shareholders – holders of one category of shares. All shareholders shall have equal rights to participate in the management of the Issuer – to participate at shareholders' meetings and receive information that shareholders need in order to make decisions.

- 1.1. It shall be important to ensure that all the holders of shares of one category have also equal rights, including the right to receive a share of the Issuer's profit as dividends or in another way in proportion to the number of the shares owned by them if such right is stipulated for the shares owned by them.

AS "Latvijas Krājbanka" (hereinafter referred to as – Krājbanka) complies with the present corporate governance principle.

The articles of association of Krājbanka do not determine any voting right limitation to shareholders nor the maximal voting right amount. According to the articles of association the shareholders are entitled to receive the part of profit, which is proportionally related to the part of shares owned by them. .

The shareholder AB Bankas "Snoras", having legal address at 7 A. Vivulskio Str., LT-03221, Vilnius, Republic of Lithuania, holds the essential participation in the stock capital of Krājbanka. On December 31, 2008 the participation amount of AB Bankas "Snoras" comprised 76.58%.

The articles of association of Krājbanka don't give special powers of control to any of shareholders, but the participation in the amount exceeding 75% of the share number with voting rights ensures the shareholder with the determinant influence, and namely a possibility to decide the issues on the increase or reduction of stock capital, amendment of the article of association, reorganization, cessation or continuation of activity, and other serious issues at his sole discretion.

Only the meeting of shareholders is authorised to amend the articles of association of Krājbanka. The decision about amendments to the articles of association is considered approved if not less than three quarters of votes of the present shareholders` with voting right are given. According to the articles of association of Krājbanka meeting of shareholders shall be competent, provided shareholders that represent a total of more than a half of the paid-up fixed capital participate therein.

- 1.2. The Issuer shall prepare a policy for the profit distribution. In the preparation of the policy, it is recommended to take into account not only the provision of immediate benefit for the Issuer's shareholders by paying dividends to them but also the expediency of profit reinvesting, which would increase the value of the Issuer in future. It is recommended to discuss the policy of profit distribution at a shareholders' meeting thus ensuring that as possibly larger a number of shareholders have the possibility to acquaint themselves with it and to express their opinion on it. The information on the policy of profit distribution of the Issuer shall be included in the Report and published on the Issuer's website on the Internet.

Krājbanka has not introduced the approved profit distribution policy, but until now according to the shareholders' meeting decisions not less than 50% of Krājbanka profit have been directed toward business development, thus increasing future value of Krājbanka.

- 1.3. In order to protect the Issuer's shareholders' interest to a sufficient extent, not only the Issuers but also any other persons who in compliance with the procedure stipulated in legislative acts call, announce and organise a shareholders' meeting are asked to comply with all the issues referred to in these Recommendations in relation to calling shareholders' meetings and provision of shareholders with the required information.

Krājbanka complies with the present corporate governance principle.

- 1.4. Shareholders of the Issuers shall be provided with the possibility to receive in due time and regularly all the required information on the relevant Issuer, participate at meetings and vote on agenda issues. The Issuers shall carry out all the possible activities to achieve that as many as possible shareholders participate at meetings; therefore, the time and place of a meeting should not restrict the attendance of a meeting by shareholders. Therefore, it should not be admissible to change the time and place of an announced shareholders' meeting shortly before the meeting, which thus would hinder or even make it impossible for shareholders to attend the meeting.

Krājbanka complies with the present corporate governance principle.

- 1.5. The Issuers shall inform their shareholders on calling a shareholders' meeting by publishing a notice in compliance with the procedure and the time limits set forth in legislative acts. The Issuers are asked to announce the shareholders' meeting as soon as the decision on calling the shareholders' meeting has been taken; in particular, this condition applies to extraordinary shareholders' meetings. The information on calling a shareholders' meeting shall be published also on the Issuer's website on the Internet, where it should be published also at least in one foreign language. It is recommended to use the English language as the said other language so that the website could be used also by foreign investors. When publishing information on calling a shareholders' meeting, also the initiator of calling the meeting shall be specified.

Krājbanka complies with the present corporate governance principle.

- 1.6. The Issuer shall ensure that comprehensive information on the course and time of the meeting, the voting on decisions to be adopted, as well as the agenda and draft decisions on which it is planned to vote at the meeting is available in due time to the shareholders. The Issuers shall also inform the shareholders whom they can address to receive answers to any questions on the shareholders' meeting and the agenda issues and ensure that the required additional information is provided to the shareholders.

Krājbanka complies with the present corporate governance principle.

- 1.7. The Issuer shall ensure that at least 14 (fourteen) days prior to the meeting the shareholders have the possibility to acquaint themselves with the draft decisions on the issues to be dealt with at the meeting, including those that have been submitted additionally already after the announcement on calling the meeting. The Issuer shall ensure the possibility to read a complete text of draft decisions, especially if they apply to voting on amendments to the Issuer's statutes, election of the Issuer's officials, determination of their remuneration, division of the Issuer's profit and other issues.

Krājbanka complies with the present corporate governance principle.

- 1.8. In no way may the Issuers restrict the right of shareholders to nominate representatives of the shareholders for Supervisory Board elections. The candidates to the Supervisory Board and candidates to other offices shall be nominated in due time so that the information on the said persons would be available to the shareholders to the extent as

stipulated in Clause 1.9 of this Section as minimum 14 (fourteen) days prior to the shareholders' meeting.

Krājbanka publishes the information on the candidates to the Supervisory Council in due time (names, surnames of the nominees).

- 1.9. Especially, attention should be paid that the shareholders at least 14 (fourteen) days prior to the shareholders' meeting have the possibility to acquaint themselves with information on Supervisory Board member candidates whose approval is planned at the meeting. When disclosing information on Supervisory Board member candidates, also a short personal biography of the candidates shall be published. Since the nomination of Supervisory Board member candidates has to be very careful, it is recommended that the Issuer disclose the said information as soon as possible.

According to the demands of the Financial Instrument Market Law, Krājbanka publishes short personal biography of the Council members immediately after the election.

- 1.10. The Issuer may not restrict the right of shareholders to consult among themselves during a shareholders' meeting if it is required in order to adopt a decision or to make clear some issue.

Krājbanka complies with the present corporate governance principle.

- 1.11. To provide shareholders with comprehensive information on the course of the shareholders' meeting, the Issuer shall prepare the regulations on the course of shareholders' meeting, in which the agenda of shareholders' meeting and the procedure for solving any organisational issues connected with the shareholders' meeting (e.g., registration of meeting participants, the procedure for the adoption of decisions on the issues to be dealt with at the meeting, the Issuer's actions in case any of the issues on the agenda is not dealt with, if it is impossible to adopt a decision etc.). The procedures adopted by the Issuer in relation to participation in voting shall be easy to implement.

Krājbanka complies with the present corporate governance principle. The information the shareholders` registration for the meeting is published on website of Krājbanka and in the newspapers "Latvijas Vēstnesis" and "Diena". The shareholders` meeting procedure regulations are affirmed by the shareholders during the shareholders` meeting.

- 1.12. The Issuer shall ensure that during the shareholders' meeting the shareholders have the possibility to ask questions to the candidates to be elected at the shareholders' meeting and other attending representatives of the Issuer. The Issuer shall have the right to set reasonable restrictions on questions, for example, excluding the possibility that one shareholder uses up the total time provided for asking of questions and setting a time limit of speeches.

Krājbanka complies with the present corporate governance principle.

- 1.13. Since, if a long break in a meeting is announced, the right of shareholders to dispose of freely with their shares is hindered for an undetermined time period, it shall not be recommended to announce a break during a shareholders' meeting. The conditions upon which it is possible to announce a break shall be stipulated also in the regulations on the course of meeting. A break of meeting may be a lunch break, a short break (up to 30 minutes) etc.

Krājbanka complies with the present corporate governance principle.

- 1.14. When recording the course and contents of discussions on the agenda issues to be dealt with at the shareholders' meeting in the minutes, the chairperson of the meeting shall ensure that, in case any meeting participant requires it, particular debates are

reflected in the minutes or that shareholder proposals or questions are appended thereto in written form.

Krājbanka complies with the present corporate governance principle.

2. Participation of members and member candidates of the Issuer's management institutions at shareholders' meetings

Shareholders' meetings shall be attended by the Issuer's Management Board members, auditors, and as possibly many Supervisory Board members.

- 2.1. The attendance of members of the Issuer's management institutions and auditor at shareholders' meetings shall be necessary to ensure information exchange between the Issuer's shareholders and members of management institutions as well as to fulfil the right of shareholders to receive answers from competent persons to the questions submitted. The attendance of the auditor shall not be mandatory at shareholders' meetings not discussing the finances of the Issuer. By using the right to ask questions shareholders have the possibility to obtain information on the circumstances that might affect the evaluation of the financial report and the financial situation of the Issuer.

Krājbanka ensures compliance with the present principle as far as it is under the competence of the Krājbanka Board and Council and as it is set by the act of the Republic of Latvia.

- 2.2. The Issuer's official candidates whose election is planned at the meeting shall attend shareholders' meetings. This shall in particular apply to Supervisory Board members. If a Supervisory Board member candidate or auditor candidate is unable to attend the shareholders' meeting due to an important reason, then it shall be admissible that this person does not attend the shareholders' meeting. In this case, all the substantial information on the candidate shall be disclosed before the shareholders' meeting.

Krājbanka ensures compliance with the present principle as far as it is under the competence of the Krājbanka Board and Council and as it is set by the act of the Republic of Latvia.

- 2.3. During shareholders' meetings, the participants must have the possibility to obtain information on officials or official candidates who do not attend the meeting and reasons thereof. The reason of non-attendance should be entered in the minutes of shareholders' meeting.

Krājbanka ensures compliance with the present principle as far as it is under the competence of the Krājbanka Board and Council and as it is set by the act of the Republic of Latvia.

MANAGEMENT BOARD

The Management Board is the Issuer's executive institution, which manages and represents the Issuer in its everyday business, therefore the Issuer shall ensure that it is efficient, able to take decisions, and profit-oriented, therefore its obligations and responsibilities have to be clearly determined.

Composition of Krājbanka board:

Name, surname	Position	Date of appointment/reappointment	Term of appointment
Mārtiņš Bondars	Chairman of the Board/President	03/07/2006	3 years
Dzintars Pelcbērgs	First Deputy Chairman of the Board / First Vice President	02/01/2006 /03/01/2009	3 years

Svetlana Ovčinnikova	Member of the Board	19/06/2006	3 years
Andrejs Surmačs	Member of the Board	28/10/2005/ 29/10/2008	3 years
Ilze Bagatska	Member of the Board	18/07/2007	3 years
Ivars Priedītis	Member of the Board	18/07/2007	3 years

Appointment and dismissal of the Board members is performed in accordance with Commercial law and the articles of association of Krājbanka. The Council has right to appoint and dismiss the Board members. Board members are elected for the 3-year period, and the Council elects the Chairman and the First Deputy Chairman of the Board (first vice-president) from the Board members. The Chairman of the Board and the First Deputy Chairman of the Board shall be entitled to represent the Krājbanka severally, and the other Board Members - each together with three Board Members.

3. Obligations and responsibilities of the Management Board

The Issuers shall clearly and expressively determine the obligations and authorities of the Management Board and responsibilities of its members, thus ensuring a successful work of the Management Board and an increase in the Issuer's value.

- 3.1. The Management Board shall have the obligation to manage the business of the Issuer, which includes also the responsibility for the realisation of the objectives and strategies determined by the Issuer and the responsibility for the results achieved. The Management Board shall be responsible for the said to the Supervisory Board and the shareholders' meeting. In fulfilment of its obligations, the Management Board shall adopt decisions irrespective of their personal interests or interests of the shareholders that control the Issuer and be guided by interests of all the shareholders, taking into account the common interests of the Issuer and its associated companies (or affiliates).

The present corporate governance principle is being observed within Krājbanka.

- 3.2. The powers of the Management Board shall be stipulated in the Management Board Regulations or a similar document, which is to be published on the website of the Issuer on the Internet. This document must be also available at the registered office of the Issuer.

The work of Krājbanka board is regulated and the functions of the Board are stipulated in the Commercial Law, Krājbanka Articles of association (published on the Krājbanka website) and in the "Latvijas Krājbanka" Board regulations, available in the office of Krājbanka situated in Riga, 15 Jāņa Daliņa Street.

The Board manages the Bank in accordance with normative act of the Republic of Latvia, the articles of association and the decisions of the shareholders` meeting. The Council approval is required for the certain Board decisions. They cover approval of policies, budget and the operating plan, operations with the real estate, establishing of branches and representative offices, acquisition of interest in associates, increasing, decreasing and termination thereof, terms of lending to the Krājbanka employees, appointing and revoking the board and the council members in associates, remuneration to the employees of the Internal Audit.

The Board is not entitled to pass resolution regarding the issue and repurchase of the Bank's shares, it is within the competence of the shareholders` meeting.

- 3.3. The Management Board shall be responsible also for the compliance with all the binding regulatory acts, risk management, as well as the financial activity of the Issuer.

The present corporate governance principle is being observed within Krājbanka

- 3.4. The Management Board shall perform certain tasks, including:

- 1) corporate strategies, work plan, risk control procedure, assessment and advancement of annual budget and business plans, ensuring control on the fulfilment of plans and the achievement of planned results;
- 2) selection of senior managers of the Issuer, determination of their remuneration and control of their work and their replacement, if necessary, complying with the personnel policy adopted by the Issuer;
- 3) timely and qualitative submission of reports, ensuring also that the internal audits are carried out and the disclosure of information is controlled.

The present corporate governance principle is being observed within Krājbanka

- 3.5. In annual reports, the Management Board shall confirm that the internal risk procedures are efficient and that the risk management and internal control have been carried out in compliance with the said control procedures throughout the year.

The present corporate governance principle is being observed within Krājbanka

- 3.6. It shall be preferable that the Management Board submits decisions that determine the objectives and strategies for achievement thereof (participation in other companies, acquisition or alienation of property, opening of representation offices or branches, expansion of business etc) to the Issuer's Supervisory Board for approval.

The present corporate governance principle is being observed within Krājbanka

4. Management Board composition and requirements for Management Board members

A Management Board composition approved by the Issuer shall be able to ensure sufficiently critical and independent attitude in assessing and taking decisions.

- 4.1. In composing the Management Board, it shall be observed that every Management Board member has appropriate education and work experience. The Issuer shall prepare a summary of the requirements to be set for every Management Board member, which specifies the skills, education, previous work experience and other selection criteria for every Management Board member.

The present corporate governance principle is being observed within Krājbanka. The requirements regarding education, work experience and reputation for the Board members of credit institutions are specified in the Credit Institution Law.

- 4.2. On the Issuer's website on the Internet, the following information on every Issuer's Management Board member shall be published: name, surname, year of birth, education, office term, position, description of the last three year's professional experience, number of the Issuer's or its parent companies/subsidiaries shares owned by the member, information on positions in other capital companies.

The present corporate governance principle is being observed within Krājbanka.

- 4.3. In order to fulfil their obligations successfully, Management Board members must have access in due time to accurate information on the activity of the Issuer. The Management Board must have the possibility to provide objective evaluation on the activity of the Issuer. Management Board members must have enough time for the performance of their duties.

The present corporate governance principle is being observed within Krājbanka.

- 4.4. It is not recommended to elect one and the same Management Board member for more than four successive terms. The Issuer has to evaluate whether its development will be facilitated in the result of that and whether it will be possible to avoid a situation where greater power is concentrated in hands of one or a number of separate persons due to their long-term work at the Issuer. If, however, such election is admitted, it shall be recommended to consider changing the field of work of the relevant Management Board member at the Issuer.

The present corporate governance principle is being observed within Krājbanka.

5. Remuneration of Management Board members

For every Management Board member a fair and commensurate remuneration shall be determined. The principles for the determination of remuneration shall be clear and transparent.

- 5.1. The remuneration for Management Board members shall be clearly determined and transparent. The Issuer's Supervisory Board shall revise the remuneration on a regular basis in compliance with the policy of remuneration adopted by the Issuer.

The present corporate governance principle is being observed within Krājbanka. The remuneration for Management Board members of Krājbanka is set by the Council decision, considering the amount of duties assigned to each Board member, the level of responsibility, as well as the contribution of each Board member into development of Krājbanka.

- 5.2. In determining remuneration of Management Board members and the variable part in the remuneration structure, it is recommended to peg it to previously determined long-term and short-term objectives. If the variable part of remuneration is pegged only to the short-term results, it will not facilitate the interest of Management Board members in the long-term growth of the Issuer and the improvement of results. It is recommended that the amount and structure of remuneration depend on the business results of the company, share price and other events connected with the Issuer.

The present corporate governance principle is being observed within Krājbanka. The variable part in the remuneration of the Board members is determined by the Council decision considering the financial results of Krājbanka for the accounting year.

- 5.3. In determining the remuneration of Management Board members, the Issuer's Supervisory Board shall comply with the remuneration policy adopted by the Issuer. In assessing the work of Management Board members, the Supervisory Board shall take into account the work tasks of every Management Board member, the financial situation of the Issuer, and other indices that are considered to be important in assessing the work of Management Board members.

The present corporate governance principle is being observed within Krājbanka.

- 5.4. If a Management Board member gets share options that give the member the right to obtain shares of the Issuer as remuneration, the Issuer shall comply with the conditions for granting options as stipulated in the regulations of the Stock Exchange.

The share options are not allocated to the Board members of Krājbanka as the remuneration.

- 5.5. When disclosing information on the total amount of remuneration paid to Management Board members of the Issuer, the Issuer, if possible, shall be asked to disclose the information on previous reporting years too, if such information has not been disclosed previously. Disclosure of information on previous years is especially important in order for investors to be able to evaluate the policy of remuneration applied to the

Management Board members in the long-term and the linking of the development indices of the Issuer with the changes in the remuneration systems.

Krājbanka complies with the present corporate governance principle. "Latvijas Krājbanka discloses the information on the total amount of remuneration paid to the Board members in the annual reports, which can be found on the website of Krājbanka.

6. Identification of interest conflicts in the work of Management Board members

Every Management Board member shall avoid any interest conflicts in his/her work and be maximally independent from any external circumstances and wishing to assume responsibility for the decisions taken and comply with the general ethical principles in adopting any decisions connected with the business of the Issuer.

- 6.1. It shall be the obligation of every Management Board member to avoid any, even only supposed, interest conflicts in his/her work. In taking decisions, the interests of the Issuer shall guide Management Board members and not use the cooperation offers proposed to the Issuer to obtain personal benefit.

The present corporate governance principle is being observed within Krājbanka

- 6.2. On the occurrence of any interest conflict or even only on its possibility, a Management Board member shall notify other Management Board members without delay. Management Board members shall notify on any deal or agreement the Issuer is planning to conclude with a person who has close relationship or is connected with the Management Board member in question, as well as inform on any interest conflicts occurred during the validity period of concluded agreements.

For the purposes of these recommendations the following shall be regarded as persons who have close relationship with a Management Board member: spouses, a relative, including kinship of second degree or brother-in-law of first degree, or persons with whom the Management Board member has had a common household for at least one year. For the purposes of these recommendations the following shall be regarded as persons who are connected with a Management Board member: legal persons where the Management Board member or a closely related to him/her person is a Management Board or Supervisory Board member, performs the tasks of an auditor or holds another managing office in which he or she could determine or affect the business strategy of the respective legal entity.

The present corporate governance principle is being observed within Krājbanka

- 6.3. Management Board members should not participate in taking decisions that could cause an interest conflict.

The present corporate governance principle is being observed within Krājbanka

SUPERVISORY BOARD

In compliance with legal acts a Supervisory Board is the institution that supervises the Issuer and represents interests of shareholders between meetings and, in cases stipulated in the law and in the statutes of the Issuer, supervises the work of the Management Board.

***Supervisory Council of
Krājbanka***

Name, surname	Position	Date of appointment/reappoi	Term pf appointment
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		<i>ntment</i>	
Raimondas Baranauskas	Chairman of the Council	28/10/2005 \ 24/10/2008	3 years
Aleksandrs Antonovs	Deputy Chairman of the Council	28/10/2005 \ 24/10/2008	3 years
Naglis Stancikas	Member of the Councils	28/10/2005 \ 24/10/2008	3 years
Oļegs Suhorukovs	Member of the Council	28/10/2005 \ 24/10/2008	3 years
Maksims Ančipolovskis	Member of the Council	24/10/2008	3 years

7. Obligations and responsibilities of the Supervisory Board

The objective of the Issuer's Supervisory Board is to act in the interests of all the shareholders, ensuring that the value of the Issuer grows. The Issuer shall clearly determine the obligations of the Supervisory Board and the responsibility of the Supervisory Board members, as well as ensure that individual Supervisory Board members or a group thereof do not have a dominating role in decision making.

- 7.1. The functions of the Supervisory Board shall be set forth in the Supervisory Board regulation or a document equated thereto that regulates the work of the Supervisory Board, and it shall be published on the Issuer's website on the Internet. This document shall be also available at the Issuer's office.

The work of Krājbanka Council is regulated and the functions of the Council are stipulated in the Commercial Law, Krājbanka Articles of association and in the "Latvijas Krājbanka" Council regulations, available in the office of Krājbanka situated in Riga, 15 Jāņa Daliņa Street.

- 7.2. In the Supervisory Board report appended to the Issuer's annual report, the Supervisory Board shall provide overall information on its work in the relevant year of reporting, information on the compliance with the principles of corporate governance in the business of the Issuer, as well as any other information as regarded by it to be necessary.

The present corporate governance principle is being observed within Krājbanka

- 7.3. The supervision carried out by the Supervisory Board over the work of the Management Board shall include supervision over the achievement of the objectives set by the Issuer, the corporate strategy and risk management, the process of financial accounting, Management Board's proposals on the use of the profit of the Issuer, and the business performance of the Issuer in compliance with the requirements of regulatory acts. The Supervisory Board should discuss every of the said matters and express its opinion at least annually, complying with frequency of calling Supervisory Board meetings as laid down in regulatory acts, and the results of discussions shall be reflected in the Supervisory Board's report.

The present corporate governance principle is being observed within Krājbanka

- 7.4. The Supervisory Board and every its member shall be responsible that they have all the information required for them to fulfil their duties, obtaining it from Management Board members and internal auditors or, if necessary, from employees of the Issuer or external

consultants. To ensure information exchange, the Supervisory Board chairperson shall contact the Issuer's Management Board, inter alia the Management Board chairperson, on a regular basis and discuss all the most important issues connected with the Issuer's business and development strategy, business activities, and risk management.

The present corporate governance principle is being observed within Krājbanka

- 7.5. When determining the functions of the Supervisory Board, it should be stipulated that every Supervisory Board member has the obligation to provide explanations to the Issuer in case the Supervisory Board member is unable to participate in Supervisory Board meetings. It shall be recommended to disclose information on the Supervisory Board members who have not attended more than a half of the Supervisory Board meetings within a year of reporting, providing also the reasons for non-attendance.

The present corporate governance principle is being observed within Krājbanka. During the accounting year the Council member have regularly participated at the Council meetings.

- 7.6. The supervision carried out by the Supervisory Board over the Management Board shall be especially important in spheres where the possibility that interest conflicts might occur is large: appointment of Management Board members, determination of the remuneration of Management Board members, and audit of the Issuer. To facilitate a more efficient work of the Supervisory Board and the division of work duties among its members, the Supervisory Board may establish separate committees (audit, nomination (appointment), remuneration and other committees).

Krājbanka complies with the present corporate governance principle. To make the Council work efficient the Krājbanka Council has established the following committees:

Audit committee

Chairman: Council member Naglis Stancikas

Members: Council member Maksims Ančipolovskis

Informative system auditor of the Internal audit Aivis Poikāns

The Audit committee of Krājbanka was established with an aim to perform control on behalf of the Council over the compliance and reliability of the financial information, the effect of internal control systems management, independence of internal and external auditors and enforcement of the relevant legislation and the Client service standard of the Bank and its subsidiaries.

Nomination committee

Chairman: Council member Oļegs Suhorukovs

Members: Chairman of the Council Raimondas Baranauskas

Deputy chairman of the Council Aleksandrs Antonovs

The Nomination committee of Krājbanka was established with an aim to perform control on behalf of the Council over the implementation of personnel policy, observance and improvement of selection procedure for leading personnel according to the demands and aims of Krājbanka.

Budget committee

Chairman: Council member Oļegs Suhorukovs

Members: Council member Naglis Stancikas

Deputy council member Aleksandrs Antonovs

The budget committee of the Krājbanka was established with an aim to perform control on behalf of the Council over observation of the preparation, coordination and approval procedure of the Krājbanka budget, as well as to follow the Krājbanka budget fulfilment.

Strategy committee

Chairman: Council member Oļegs Suhorukovs

Members: Chairman of the Council Raimondas Baranauskas

Council member Maksims Ančipolovskis

On behalf of the Council the Strategy committee of Krājbanka performs the following functions:

- Considering the macroeconomic situation in the states and prognoses for the development of banking sectors reviews the projects and proposals, prepared by the responsible structural units of Krājbanka, on the Krājbanka mission, general strategic aims, as well as on the tasks for specific market segments;*
- Analyses concepts, programmes and strategic development plans, developed by Krājbanka; prepares proposals on improvement and/or approval of those documents;*
- Performs control over realization of strategic development plans, approved development programme and concept of Krājbanka;*

- 7.7. Prior to making a decision on establishing a committee, the Supervisory Board should assess the possible benefits and the planned costs of its work, if any. The Supervisory Board itself shall determine the structure and the number of committees which the Supervisory Board consider to be required to optimise its work. The Supervisory Board shall inform the Issuer's shareholders on establishing a committee, inform on it in the Report, and publish information on it on the Issuer's website on the Internet.

The information on the composition and functions of the Council committees is included into the Statement, and is available in the office of Krājbanka, located in Riga, 15 Jāņa Daliņa Street.

- 7.8. If a decision is taken to establish one or more committees, the work of the committees may be financed only within the Supervisory Board budget approved by the shareholders' meeting. Assignment of individual tasks to committees may in no way be considered as an assignment of the functions of the Supervisory Board. Supervisory Board committees do not substitute the Supervisory Board and their decisions should be treated as recommendations. The establishment of committees does not release the Issuer's Supervisory Board from the responsibility for the decisions taken. The task of committees shall be to prepare proposals for Supervisory Board decisions, while the final decisions are taken by the Supervisory Board.

Krājbanka complies with the present corporate governance principle

8. Supervisory Board composition and requirements for Supervisory Board members

The Supervisory Board structure determined by the Issuer shall be transparent and understandable and ensure sufficiently critical and independent attitude in evaluating and taking decisions.

- 8.1. The Issuer shall require every Supervisory Board member as well as Supervisory Board member candidate who is planned to be elected at a shareholders' meeting that they submit to the Issuer the following information: name, surname, year of birth, education, office term as a Supervisory Board member, description of the last three year's professional experience, number of the Issuer's or its parent companies/subsidiaries

shares owned by the member, information on positions in other capital companies. The said information shall be published also on the Issuer's website on the Internet, providing, in addition to the said information, also the term of office for which the Supervisory Board member is elected, its position, including also additional positions and obligations, if any.

The present corporate governance principle is being observed within Krājbanka. The information about the newly elected Council member is published immediately after the election. The information on the Council members is available in the Issue Prospectus of a Krājbanka, which is placed on the website of Krājbanka.

- 8.2. When determining the requirements for Supervisory Board members as regards the number of additional positions, attention shall be paid that a Supervisory Board member has enough time to perform his or her duties in order to fulfil their duties successfully and act in the interests of the Issuer to a full extent.

Krājbanka complies with the present corporate governance principle

- 8.3. In establishing the Issuer's Supervisory Board, the qualification of Supervisory Board members should be taken into account and assessed on a periodical basis. The Supervisory Board should be composed of members whose knowledge, opinions and experience is varied, which is required for the Supervisory Board to fulfil their tasks successfully.

Krājbanka complies with the present corporate governance principle

- 8.4. Every Supervisory Board member in his or her work shall be as possibly independent from any external circumstances and have the will to assume responsibility for the decisions taken and comply with the general ethical principles when taking decisions in relation to the business of the Issuer.

The present corporate governance principle is being observed within Krājbanka

- 8.5. It is impossible to compile a list of all the circumstances that might threaten the independence of Supervisory Board members or that could be used in assessing the conformity of a certain person to the status of an independent Supervisory Board member. Therefore, the Issuer, when assessing the independence of Supervisory Board members, shall be guided by the independence criteria of Supervisory Board members specified in the Annex hereto.
- 8.6. It shall be recommended that at least a half of Supervisory Board members are independent according to the independence criteria specified in the Annex hereto. If the number of Supervisory Board members is an odd number, the number of independent Supervisory Board members may be one person less than the number of the Supervisory Board members who do not conform to the independence criteria specified in the Annex hereto.
- 8.7. As independent shall be considered persons that conform to the independence criteria specified in the Annex hereto. If a Supervisory Board member does not conform to any of to the independence criteria specified in the Annex hereto but the Issuer does consider the Supervisory Board member in question to be independent, then it shall provide an explanation of its opinion in detail on the tolerances permitted.
- 8.8. The conformity of a person to the independence criteria specified in the Annex hereto shall be evaluated already when the Supervisory Board member candidate in question has been nominated for election to the Supervisory Board. The Issuer shall specify in the Report who of the Supervisory Board members are to be considered as independent every year.

Krājbanka does not invoke the principles listed in the points 8.5 – 8.8. The Council members of Krājbanka are elected in accordance with the shareholders` meeting decision. The Financial and Capital Market Commission checks the conformity of Krājbanka Council members to the demands specified in the Commercial Law.

9. Remuneration of Supervisory Board members

The remuneration for Supervisory Board members shall be commensurate and the principles for the determination of remuneration shall be clear and transparent.

- 9.1. If remuneration is paid to a Supervisory Board member for the tasks fulfilled by him or her, it shall be stipulated in the Issuer's remuneration policy.

It is planned to review and approve the Council remuneration policy at the Krājbanka ordinary shareholders` meeting to be held on March 23rd 2009. The remuneration to the Council members is determined by the shareholders` meeting decision according to the extent of responsibilities of each Council member.

- 9.2. When examining the Supervisory Board's report, it shall be recommended to assess also the work of the Supervisory Board at the current shareholders' meeting. Shareholders shall assess the work of the Supervisory Board based on the Supervisory Board's report and other information provided by the Supervisory Board available to shareholders and which allows assessing the quality and usefulness of the tasks performed by the Supervisory Board. If the work of the Supervisory Board is assessed, the assessment shall include an assessment on the Supervisory Board composition, its work organisation, and the ability to act as a united entity, as well as an assessment on the competence of every Supervisory Board member. Also the efficiency of the work of every Supervisory Board member and Supervisory Board committees, if any, shall be assessed. When deciding on the remuneration of Supervisory Board members, shareholders shall take into account the assessments made.

Krājbanka complies with the present corporate governance principle. The work of the Council will be assessed at the Krājbanka shareholders` meeting to be held on March 23rd 2009 after revising the Krājbanka annual report and Management statement.

- 9.3. The Issuer in the Report shall disclose the total amount of the remuneration of Supervisory Board members. The Issuer shall be obliged to disclose the total amount of the remuneration paid to Supervisory Board members, as well as specify separately the amount of the wage paid to Supervisory Board members and the variable part of the remuneration, if any, paid to Supervisory Board members. The variable part of remuneration shall mean any payments other than wage paid to Supervisory Board members, e.g.: remuneration paid depending on the financial results of the Issuer (premiums), share options that give the right to the Issuer's shares, participation in pension plans etc.

Krājbanka complies with the present corporate governance principle. Krājbanka publishes the shareholders` meeting decisions on the remuneration determined for the Council. The information about the remuneration determined for the Council is available on the website of Krājbanka (shareholders` meeting decisions dated 19.03.2008 and 15.10.2007). The total amount of the remuneration paid to the Council members is reflected in the Annual report of Krājbanka.

- 9.4. When determining the remuneration of Supervisory Board members and planning the variable part in the remuneration structure, it usually should be pegged to the previously determined short- and long-term objectives.

The remuneration of the Council members does not envisage any variable part.

- 9.5. When disclosing information on the total amount of remuneration paid to Supervisory Board members, the Issuer shall be asked, if possible, to disclose the information on previous reporting years too, if such information has not been disclosed previously. Disclosure of information on previous years is especially important in order for investors to be able to evaluate the policy of remuneration applied to the Supervisory Board members in the long-term and the linking of the development indices of the Issuer with the changes in the remuneration systems.

Krājbanka complies with the present corporate governance principle. Krājbanka publishes the shareholders' meeting decision on the remuneration set to the Council members.

10. Identification of interest conflicts in the work of Supervisory Board members

Every Supervisory Board member shall avoid any interest conflicts in his/her work and be maximally independent from any external circumstances. Supervisory Board members shall comply with the general ethical principles in adopting any decisions connected with the business of the Issuer and assume responsibility for the decisions taken.

- 10.1. It shall be the obligation of every Supervisory Board member to avoid any, even only supposed, interest conflicts in his/her work. When taking decisions, Management Board members shall be guided by the interests of the Issuer and not use the cooperation offers proposed to the Issuer to obtain personal benefit.

The present corporate governance principle is being observed within Krājbanka

- 10.2. On the occurrence of any interest conflict or even only on its possibility, a Supervisory Board member shall notify other Supervisory Board members without delay. Supervisory Board members shall notify on any deal or agreement the Issuer is planning to conclude with a person who has close relationship or is connected with the Supervisory Board member in question, as well as inform on any interest conflicts occurred during the validity period of concluded agreements.

For the purposes of these recommendations the following shall be regarded as persons who have close relationship with a Supervisory Board member: spouses, a relative, including kinship of second degree or brother-in-law of first degree, or persons with whom the Supervisory Board member has had a common household for at least one year. For the purposes of these recommendations the following shall be regarded as persons who are connected with a Supervisory Board member: legal persons where the Supervisory Board member or a closely related to him/her person is a Management Board or Supervisory Board member, performs the tasks of an auditor or holds another managing office in which he or she could determine or affect the business strategy of the respective legal entity.

The present corporate governance principle is being observed within Krājbanka

- 10.3. A Supervisory Board member who is in a possible interest conflict should not participate in taking decisions that might be a cause of an interest conflict.

The present corporate governance principle is being observed within Krājbanka

DISCLOSURE OF INFORMATION

Good practice of corporate governance for an Issuer whose shares are included in the market regulated by the Stock Exchange means that the information disclosed by the Issuer has to provide a view on the economic activity of the Issuer and its financial results. This facilitates a justified determination of the price of financial instruments in public circulation as well as the trust in finance and capital markets. Disclosure of information is closely connected with investor relations (hereinafter – the IR), which can be defined as the process of developing Issuer's relations with its potential and existing investors and other parties interested in the business of the Issuer.

11. Transparency of the Issuer's business

The information disclosed by the Issuers shall be provided in due time and allowing the shareholders to assess the management of the Issuer, to get an idea on the business of the company and its financial results, as well as to take grounded decisions in relation to the shares owned by them.

- 11.1. The structure of corporate governance shall be established in a manner that ensures provision of timely and exhaustive information on all the substantial matters that concern the Issuer, including its financial situation, business results, and the structure of owners.

Krājbanka complies with the present corporate governance principle

- 11.2. The information disclosed shall be checked, precise, and unambiguous and prepared in compliance with high-quality standards.

Krājbanka complies with the present corporate governance principle

- 11.3. The Issuers should appoint a person who would be entitled to contact the press and other mass media on behalf on the Issuer, thus ensuring uniform distribution of information and evading publication of contradictory and untruthful information, and this person could be contacted, if necessary, by the Stock Exchange and investors.

Krājbanka complies with the present corporate governance principle

- 11.4. The Issuers should ensure timely and compliant with the existing requirements preparation and disclosure of financial reports and annual reports of the Issuer. The procedure for the preparation of reports should be stipulated in the internal procedures of the Issuer.

Krājbanka complies with the present corporate governance principle. The Bookkeeping and Accounting department is responsible for preparation of the reports according to the demands of normative acts and international accounting standards.

The information on the main elements of Krājbankas internal control and risk management system, which are applied during the preparation of the financial reports, is listed in the section "Risk management" of the Annual report of Krājbanka.

The consolidated annual reports of Krājbanka are available on the website of Krājbanka.

12. Investor relations

Considering that shares of the Issuers are offered on a regulated market, also such activity sphere of the Issuers as investor relations (hereinafter – the IR) and the development and maintaining thereof is equally important, paying special attention to that all the investors have access to equal, timely and sufficient information.

- 12.1. The main objectives of the IR are the provision of accurate and timely information on the business of the Issuer to participants of finance market, as well as the provision of a feedback, i.e. receiving references from the existing and potential investors and other persons. In the realisation of the IR process, it shall be born in mind that the target group consists not only of institutional investors and finance market analysts. A greater emphasis should be put on individual investors, and more importance should be attached to informing other interested parties: employees, creditors and business partners.

Krājbanka complies with the present corporate governance principle

- 12.2. A number of channels shall be used for the information flow in the IR. The IR strategy of the Issuer shall be created using both the possibilities provided by technologies (website) and relations with mass media and the ties with the participants of finance market. Considering the development stage of modern technologies and the accessibility thereof, the Internet is used in the IR of every modern company. This type of media has become one of the most important means of communications for the majority of investors.

Krājbanka complies with the present corporate governance principle

- 12.3. The basic principles that should be observed by the Issuers in preparing the IR section of their websites:

- 1) The IR section of website shall be perceived not only as a store of information or facts but also as one of the primary means of communication by means of which it is possible to inform the existing and potential shareholders;

Krājbanka complies with the present corporate governance principle

- 2) all the visitors of the IR section of website shall have the possibility to obtain conveniently all the information published there. Information on websites shall be published in all the foreign languages in which the Issuer normally distributes information so that in no way would foreign investors be discriminated, however, it shall be taken into account that information must be disclosed at least in Latvian and English;

Krājbanka complies with the present corporate governance principle

- 4) It shall be recommended to consider a solution that would allow the existing and potential investors to maintain ties with the Issuer by using the IR section of website – submit questions and receive answers thereto, order the most recent information, express their opinions etc.;

Krājbanka complies with the present corporate governance principle

- 5) the information published on websites shall be updated on a regular basis, and the news in relation to the Issuer and its business shall be published in due time. It shall not be admissible that outdated information that could mislead investors is found on websites;

Krājbanka complies with the present corporate governance principle

- 6) after the website is created the creators themselves should assess the IR section of the website from the point of view of users – whether the information of interest can be found easily, whether the information published provides answers to the most important questions etc.

Krājbanka complies with the present corporate governance principle

- 12.4. The Issuer shall ensure that at least the following information is contained in the IR section of website:

- 1) general information on the Issuer - history of its establishment and business, registration data, description of industry, main types of business;
- 2) Issuer's Report ("*comply or explain*") on the implementation of the principles of corporate governance;
- 3) Number of issued and paid financial instruments, specifying how many of them are included in a regulated market;
- 4) information on shareholders' meetings, draft decisions to be examined, decisions adopted – at least for the last year of report;
- 5) Issuer's statutes;
- 7) Issuer's Management Board or Supervisory Board regulation or a document equated thereto that regulates its work, as well as the Issuer's remuneration policy and the shareholders' meeting procedure regulation, if such has been adopted;
- 8) Description of the tasks of Supervisory Board committees, if such have been established, as well as information on the work performed by the committees;
- 9) information on present Issuer's Supervisory Board and Management Board members (on each individually): work experience, education, number of the Issuer's shares owned by the member (as at the beginning of year; the information shall be updated as required but at least annually), information on positions in other capital companies, and the term of office of Management Board and Supervisory Board members;
- 10) Issuer's shareholders which/who own at least 5% of the Issuer's shares; and information on changes of shareholders;
- 11) Financial reports and annual reports of the Issuer prepared in compliance with the procedure specified in legal acts and the Stock Exchange regulations;
- 12) Any other information to be disclosed by the Issuer, e.g. information on any substantial events, Issuer's press releases, archived information on Issuer's financial and annual reports on previous periods etc.

Krājbanka complies with the present corporate governance principle. The regulations of Krājbanka Council and Board are available in the office of Krājbanka, located in Riga, 15 Jāņa Daliņā Street.

INTERNAL CONTROL AND RISK MANAGEMENT

The purpose of internal control and risk management is to ensure efficient and successful work of the Issuer, the truthfulness of the information disclosed and conformity thereof to the relevant regulatory acts and business principles. Internal control helps the Management Board to identify the shortcomings in the administration of the Issuer as well as facilitates that the Supervisory Board's task - to supervise the work of the Management Board - is fulfilled efficiently.

13. Principles of the Issuer's internal and external control

To ensure successful work of the Issuer, it shall be necessary to plan regular its controls and to determine the procedure of internal and external (audit) control.

- 13.1. To ensure successful operation, the Issuer shall control its work on a regular basis and define the procedure of internal control.

The present corporate governance principle is being observed within Krājbanka

- 13.2. The objective of risk management is to ensure that the risks connected with the commercial activity of the Issuer are identified and supervised. To ensure an efficient risk management, it shall be necessary to define the basic principles of risk management. It is recommended to characterise the most essential potential and existing risks in relation to the business of the Issuer.

The present corporate governance principle is being observed within Krājbanka

- 13.3. Auditors shall be granted access to the information required for the fulfilment of the auditor's tasks and the possibility to attend Supervisory Board and Management Board meetings at which financial and other matters are dealt with.

The present corporate governance principle is being observed within Krājbanka

- 13.4. Auditors shall be independent in their work and their task shall be to provide the Issuer with independent and objective auditing and consultation services in order to facilitate the efficiency of the Issuer's business and to provide support in achieving the objectives set for the Issuer's management by offering a systematic approach for the assessment and improvement of risk management and control processes.

The present corporate governance principle is being observed within Krājbanka

- 13.5. It shall be recommended to carry out an independent internal control at least annually in order to assess the work of the Issuer, including its conformity to the procedures approved by the Issuer.

The daily internal inspections and control of Krājbanka is performed by special inspection service established by the Council – Internal audit. It works within the limits of powers set by the Council, on behalf of the Council and is subjected to the Council. Besides, according to the demand of Financial Instrument Market Law, the Auditing committee was established within Krājbanka.

- 13.6. When approving an auditor, it is recommended that the term of office of one auditor is not the same as the term of office of the Management Board.

Krājbanka complies with the present corporate governance principle.

REMUNERATION POLICY

14. Remuneration policy of the Issuers

The policy of the remuneration of Management Board and Supervisory Board members – type, structure and amount of remuneration - is one of the spheres where persons involved has a potentially greater risk to find themselves in an interest conflict situation. To avoid it, the Issuer should determine a clear remuneration policy.

- 14.1. The Issuers are called on to develop a remuneration policy in which the main principles for the determination of remuneration, possible remuneration schemes and other essential related issues are determined. The preparation of the remuneration policy should be made a responsibility of the Issuer's Supervisory Board, which during the preparation of a draft policy must consult with the Issuer's Management Board. The remuneration policy or its most significant parts shall be published like any other essential information the activity of the Issuer.
- 14.2. Schemes of variable remuneration that include Issuer's shares or share options as remuneration as well as any essential amendments thereto should be examined also at shareholders' meetings, adopting the relevant decisions, if necessary. Considering the aforementioned, shareholders should be provided with all the necessary information prior to the meeting.
- 14.3. Remuneration schemes that include Issuer's shares as remuneration may theoretically cause loss to the Issuer's shareholders because the share price might drop due to a new issue of shares. Therefore, prior to the preparation and approval of this type of remuneration, it shall be required to assess the possible benefits or losses.

- 14.4. When preparing the remuneration policy, the Issuer shall be obliged to disclose information on how the Issuer plans to ensure the amount of shares to be granted in compliance with the approved remuneration schemes – whether it is planned to obtain them by buying on a regulated market or by issuing new shares.

The remuneration system of Krājbanka is developed with an aim to raise the personnel involvement into achievement of high result of Krājbanka activity, and ensures employees with effective, flexible and differential remuneration consisting of variable and invariable part. The remuneration to Krājbanka Council and Board is determined according to the Commercial Law and the management bodies` decision.

Shares are not included in the remuneration of Krājbanka Board and Council members and other employees of Krājbanka. Until now Krājbanka has not issued share options as the remuneration to the Board and Council members.

INDEPENDENCE CRITERIA OF SUPERVISORY BOARD MEMBERS

As independent shall be regarded a Supervisory Board member of the Issuer who:

- 1) has not been a Management Board or Supervisory Board member of the Issuer, its associated company or a shareholder that controls the Issuer in the previous three years and does not hold the said office also within the time period when holding the office of a Supervisory Board member. A company associated with the Issuer shall mean a company which is included in the consolidated financial report of the Issuer or the consolidated report of which the Issuer is included in;
- 2) is not the Issuer's, its associated company's or a shareholder's which controls the Issuer employee, except in cases when the Supervisory Board member candidate in question has been appointed for election to the Supervisory Board as a representative of the Issuer's employees;
- 3) in addition to the remuneration he or she receives as a Supervisory Board member, he or she does not receive or has not received any substantial additional remuneration from the Issuer, its associated company or a shareholder that controls the Issuer;
- 4) neither directly or indirectly represents the shareholders that control the Issuer;
- 5) neither as of the approval nor within the last year prior to approval as a Supervisory Board member neither directly nor indirectly has been in substantial business relations with the Issuer, its associated company or a shareholder that controls the Issuer neither directly nor as a partner, shareholder or a senior manager;
- 6) within the last three years has not been an internal controller, auditor or employee at a company which is the external auditor of the Issuer, its associated company or a shareholder that controls the Issuer;
- 7) is not a Management Board member or another managing employee at a company at which the Issuer's Management Board member performs the functions of a Supervisory Board member and if he or she has not any other essential relations with the Issuer's Management Board members by participating in other companies or organisational units (mutually connected control relations);
- 8) has not been the Issuer's Supervisory Board member for more than 10 (ten) successive years;
- 9) is not a family member (for the purposes of this clause a family member is a spouse, a parent, or a child) of a Management Board member or a person to whom the criteria specified in sub-clauses (1) to (8) of this Annex apply.