

**AS "Latvijas Krājbanka"  
Report  
for 12 months, 2008**

**(unaudited)**

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## Statement of the Management

In 2008 AS "Latvijas Krājbanka" (hereinafter referred to as Latvijas Krājbanka or the Bank) continued to implement its strategic aims both in business development and in social responsibility spheres. Following the international financial process developments and updating the bank's policy, in 2008 the Bank implemented strategic aims by continuing extending the network of client service centres, ATMs and the mini banks, by offering new products and services, as well as by continuing supporting significant cultural events in Latvia. As the most significant we can mention the Latvijas Krājbanka support to the XXIV Overall Latvian Song and XIV Dance Celebration in summer 2008.

### Financial data

On December 31, 2008 the non-audited profit of Latvijas Krājbanka Group reached LVL 3,008 thousand after-tax. The total amount of the Group's assets by the end of 2008 comprised LVL 682 million, which had grew by LVL 11 million during the year.

During 2008 the private persons' deposit amount within the Bank increased by LVL 17.3 million, or by 6.3%, which was one of the highest indices in the bank sector of Latvia.

The Bank's non-bank credit portfolio (net) increase for the twelve-month period of 2008 comprised LVL 43.6 million or 14.6%, by the end of period reaching LVL 341.8 million. The Bank adhered to the precautionary Lending policy, evaluating branches, return and risk indices of each credit, as well as maintained high capital adequacy level, which by the end of the accounting period comprised 11.42% (compulsory norm 8%).

Despite the rugged competition existing in the Latvian commercial bank sector, Latvijas Krājbanka retains stable market positions in the main bank activity indices. During the first nine months of 2008 the private persons' deposit amount increase within the Bank was the 5<sup>th</sup> highest in the sector among 21 bank and 6 foreign bank branches. By the end of the year Latvijas Krājbanka ranked the 3<sup>rd</sup> place in the sector of Latvian commercial banks after the amounts of private persons' deposits, thus showing a high level of clients' loyalty towards the Bank.

### Major activities and decisions

On December 31, 2008 the registered and paid-in capital of the Bank comprised LVL 12,149 thousand (2007: LVL 12,149 thousand) consisting of 12,149,246 shares, inter alia 12,146,412 ordinary bearer shares and 2,834 „A” category reference bearer shares. The nominal value of one share is LVL 1 (one).

According to the ordinary shareholders' meeting decision dated March 19<sup>th</sup> 2008, a half of the audited profit for the year 2007 or 2.6 million lats was paid in dividends to shareholders, the other half was directed towards business development. The Krājbanka Board suggests directing the profit for the year 2008 toward business development and paying dividends only for preference shares in the amount stated in the articles of association - 0.023% from the audited profit of AS "Latvijas Krājbanka" for the year 2008

In January and July 2008 the Bank calculated and paid out interest for the CA series mortgage bonds. Implementing its strategy in 2008 Latvijas Krājbanka concluded several important contracts.

During the second quarter of 2008 Latvijas Krājbanka concluded the contract for receiving a syndicated loan. The total amount of the syndicated loan comprises EUR 15 million (LVL 10,54 million). The funds are allocated to the Bank for 364 days. This is the first and, according to the bank's estimate, a very successful Latvijas Krājbanka transaction on the international syndicated lending market.

In September Latvijas Krājbanka acquired 99,79% of AAS „Baltikums Dzīvība” shares. To promote the company's recognizability and connection to Krājbanka the company's name was changed to the insurance joint stock company "LKB LIFE". With the acquisition of the insurance company Latvijas Krājbanka is continuing to develop range of services offered to clients, by ensuring them a possibility to create different types of accumulations throughout life cycle - starting with child's life insurance and children deposit, and up to pension payment.

In August 2008 Latvijas Krājbanka concluded a contract on acquisition of 51% of SIA "Center Credit" capital shares. SIA "Center Credit", in its turn, holds 100% capital shares of the limited liability company "Spozhyv Servis" («Спозжив Сервис») registered in the Ukraine. With the indirect acquisition of share participation in the SIA "Spozhyv Servis" the Bank continues implementing its strategy, which foresees development of crediting services.

The contract with AS "Parex banka" for the purchase of 100% of AP Anlage & privatbank AG shares was concluded. The AP Anlage & privatbank AG is registered in Switzerland and is focused on individual client service, asset management and investment consultation provision. Akciju sabiedrība "Latvijas Krājbanka" and AS "Parex banka" have agreed to prolong the purchase transaction of AP Anlage & privatbank AG shares until April 24, 2009. The decision is based on the situation and general tendencies on the world's financial market.

In 2008 Mārtiņš Bondars, the president of Latvijas Krājbanka, was re-elected in the Council of Association of Latvian Commercial banks, which unites banks registered in Latvia and branches of foreign banks. The purpose of Association is to contribute to strengthening and development of the banking system of Latvia.

In October the extraordinary shareholders` meeting of Latvijas Krājbanka was held, at which new Council of Latvijas Krājbanka was elected for a three-year term. The work in the position of the Council member will continue Raimondas Baranauskas, Aleksandrs Antonovs, Oļegs Suhorukovs, Naglis Stancikas and Maksims Ančipolovskis.

### **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. By December 31<sup>st</sup> 2008 Latvijas Krājbanka had 122 client service centres throughout Latvia, 41 of which were the mini banks. Latvijas Krājbanka ranks the first place among Latvian commercial banks by the number of client service centres. Since the beginning of 2008 Latvijas Krājbanka has opened new client service centres in Jurmala, Mazsalaca, Liepaja and Riga, as well as the mini banks in Liepaja, Rezekne, Aglona, Karsava, Alsunga, Bene, Livani, Ape, Ranka, Straupe, Priekuli, Kalnciems and Kadaga. By the end of December the number of Latvijas Krājbanka ATMs comprised 194, thus ranking the third place on the market among Latvian commercial banks.

The number of pension plant clients of Latvijas Krājbanka Group's company AS "Ieguldījumu pārvaldes sabiedrība "LKB Krājfondi"" (asset management company) (hereinafter referred to as – "LKB Krājfondi") at the end of 2008 was more than 71 400, and total 2<sup>nd</sup> tier state funded pension plan assets managed by the "LKB Krājfondi" comprised – LVL 23.4 million (+ 110% from the beginning of 2008). "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 24.7 million. The company has concluded the year 2008 with provisory profit in the amount of LVL 134.4 thousand.

Latvijas Krājbanka Group's company „LKB Līzings” has retained growth tendency, ending the year 2008 with a credit portfolio amounting to LVL 22 million, though considering the current economic situation, the company has revised and corrected its aims and work priorities, emphasizing the work with existing clients and monitoring of their transactions.

Starting with June 30<sup>th</sup> 2008 AS "Latvijas Krājbanka" stops the collaboration with the insurance company „Grazer Wechselseitige Versicherung Aktiengesellschaft" (GRAWE) and stops sale of the GRAWE insurance products. At the same time Latvijas Krājbanka offers its clients alternative possibility for saving accumulation - 3<sup>rd</sup> pension tiers offered by its subsidiary company AS „Pirmais atklātais pensiju fonds". AS „Pirmais atklātais pensiju fonds" is planning to launch the wide offer of the additional pension accumulation to private individuals under the individual participation contract, and to legal entities under the collective participation contract, when the employer makes payments in favour of its employees.

Latvijas Krājbanka continued to improve the Online banking functionality, in order to make this product more convenient for the bank's clients. Since February the clients of Latvijas Krājbanka can quickly and easily complete the application and choose or change the administrator and investment plan of the state funded pension capital funds in the Online banking, using the appropriate manager of the 2<sup>nd</sup> tier pension funds and the pension plan.

In the beginning of 2008 the data import and export possibility was added to the Online banking of Latvijas Krājbanka. The data import insures client a possibility to import one or several payment orders in the Online banking at once, which were initially performed by the client in his/her accounting of financial data processing programme.

Starting with November 1<sup>st</sup> Latvijas Krājbanka service Mobile banking are available for all the clients of Bite Latvija. Until now the Mobile banking was available for the clients of mobile communication operators LMT and TELE2.

Besides the range of products offered by Latvijas Krājbanka was supplemented with novelties – deposit 4more, VISA consumption credit card „Dižkarte”, Maestro card "Duets" issued for savings account, MasterCard Mass „Celebration card”, credit card „Chocolate card”, which is attached to the current account, and with the first new cards of the Aphorism cards series VISA Electron, VISA Business un Master Card Business.

The quality of services offered by Latvijas Krājbanka was admitted by one of the biggest European banks Deutsche Bank, which has positively evaluated processing quality of Latvijas Krājbanka outgoing payments and awarded the bank an annual prize "Deutsche Bank's STP Excellence Award", thus certifying the professionalism of the Latvijas Krājbanka experts and the quality of the bank's technologies.

### **Public activities**

The Bank's development is acknowledged by different sociological polls, in which Latvijas Krājbanka ranks high positions. According to international market research company "GfK Custom Research", Latvian residents consider Latvijas Krājbanka the second most popular bank in Latvia. More than 10% of all Latvian residents consider Latvijas Krājbanka their main bank.

Latvijas Krājbanka continues its strategic contribution to Latvian musical and cultural life. During the first nine months of 2008 the Bank also supported various significant cultural events, including the XXIV Overall Latvian Song and XIV Dance Celebration, and the painting campaign „The world's biggest choir”, the general sponsor of which is Krājbanka.

During the first quarter within the Song and Dance Celebration the Bank has issued almost 40 000 ID cards for Song and Dance Festival participants, which also fulfill the functions of a payment card. Latvijas Krājbanka has developed the

*Celebration card (Svētku karte)*, which was specially designed for the XXIV Overall Latvia Song and XIV Dance Celebration. In visual design of the *Celebration card* traditional Latvian and ethnographical motives and the Song and Dance Celebration logotype are used. The special *Celebration card*, issued by Latvijas Krājbanka, is the MasterCard Mass credit card with the widest application possibilities in Latvia and throughout the world.

Within the Celebration Latvijas Krājbanka also supported the implementation of a project – painting campaign - „The world's biggest choir”. It was painted by ten students of the Latvian Academy of Arts together with the rector of the Latvian Academy of Arts professor Aleksejs Naumovs and the pro-rector professor Kristaps Zariņš. In October the painting was exhibited in the Latvijas Krājbanka office. Afterwards it was exhibited in the UNESCO headquarters in Paris on the exhibition devoted to the anniversary of the Proclamation of Latvia.

Latvijas Krājbanka has also supported the Latvian Music Record Awards ceremony, the release of the new record CD *Skaisti dziedi* of the Recording Company "Upe tuviem un tāliem", as well as the International Piano Festival in Liepāja, by taking part in it's funding and by granting the prize of Latvijas Krājbanka, which was presented to Liepāja Symphony Orchestra and to its chief conductor Imants Resnis at the closing concert of International Piano Festival on March 16<sup>th</sup> in Liepāja Theatre. At the end of the year Latvijas Krājbanka supported concerts „Ziemas vakarā ejot pie tevis” (Coming to you in winter evening) that were organized in Latvian churches.

In the first quarter of 2008, Latvijas Krājbanka continued to support the educational development, by organizing a youth scholarship competition, "Aeroplāns". The aim of the competition is to help capable and eager youth to study in universities of Latvia. Latvijas Krājbanka in collaboration with the Vītols Fund has granted scholarships already to seven university students. This year a special scholarship was established within the Song and Dance Celebration. It was granted to the student of Jāzepe Vītols Latvian Academy of Music, who is mastering conducting.

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Mārtiņš Bondars  
Chairman of the Board / President

Rīga,  
27 February 2009

## Supervisory Council and Management Board of the Bank

As at 31 December 2008 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 /24/10/2008
Aleksandrs Antonovs	Deputy Chairman of the Council	28/10/2005 /24/10/2008
Naglis Stancikas	Member of the Council	28/10/2005/ 24/10/2008
Oļegs Suhorukovs	Member of the Council	28/10/2005 /24/10/2008
Maksims Ančipolovskis	Member of the Council	24/10/2008

On 24 October 2008, the extraordinary shareholders` meeting of AS Latvijas Krājbanka resolved to make changes in its Council. The new Council consists of five members: Raimondas Baranauskas, Aleksandrs Antonovs, Oļegs Suhorukovs, Naglis Stancikas and newly-elected Council Member Maksims Ančipolovskis. Dmitrijs Kocjuba, Žoržas Šarafanovičius and Michael Duncan Chartres were not re-elected as Council member of of AS Latvijas Krājbanka.

There have been no changes in the composition of Supervisory Council from 28 October 2008 till the publication of this report.

As at 31 December 2008 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</b>
Mārtiņš Bondars	Chairman of the Board / President	03/07/2006
Dzintars Pelcbargs	First Deputy Chairman of the Board / First Vice President	02/01/2006\03/01/2009
Svetlana Ovčinnikova	Member of the Board	19/06/2006
Andrejs Surmačs	Member of the Board	28/10/2005/29/10/2008
Ilze Bagatska	Member of the Board	18/07/2007
Ivars Priedītis	Member of the Board	18/07/2007

During the preparation of the financial statements, the Bank's Council re-elected Dzintars Pelcbargs and Andrejs Surmačs.

There have been no changes in the composition of Supervisory Council from 1 December 2008 till the publication of this report.

## Consolidated entities

31 December 2008

No.	Name of entity, Registration No.	Code of place of registration, registry address	Type of entity's activity*	Interest in share capital (%)	Interest in share capital (%)	Ground for inclusion in the group**
1.	AS "Ieguldījumu pārvaldes sabiedrība "LKB Krājfondi 40003605043	LV, Rīga, J.Dalina street 15	ISA	100	100	MS
2.	AS "Ieguldījumu pārvaldes sabiedrība "LKB Asset Management"", 40003818124	LV, Rīga, J.Dalina street15	ISA	100	100	MS
3.	SIA "Krājinvestīcijas", 40003687374	LV, Rīga, Jekaba street 2	CKS	100	100	MS
4.	SIA "LKB līzings", 40003887450	LV, Rīga, J.Dalina street15	CFI	100	100	MS
5.	AS "Pirmais atklātais pensiju fonds", 40003377918	LV, Rīga, J.Dalina street 15	PFO	100	100	MS
6.	SIA "LKB drošība", 40103179152	LV, Rīga, Jekaba street 2	CKS	100	100	MS
7.	AAS "LKB Life" 400033053851	LV, Rīga, J. Dalina street 15	APS	99.79	99.79	MS
8.	SIA "Center Credit" 40103185252	LV, Rīga, J.Daliņa street 15	CFI	51	51	MS

\* 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 2008**

LVL '000	Group 2008	Group 2007	Bank 2008	Bank 2007
Interest revenue	40,234	32,521	39,037	32,494
Interest expense	(23,046)	(16,772)	(22,786)	(16,794)
<b>Net interest income</b>	<b>17,188</b>	<b>15,749</b>	<b>16,251</b>	<b>15,700</b>
Commission and fee revenue	8,634	7,630	8,258	7,438
Commission and fee expense	(1,936)	(1,878)	(1,912)	(1,867)
<b>Net commission and fee income</b>	<b>6,698</b>	<b>5,752</b>	<b>6,346</b>	<b>5,571</b>
Dividend revenue	-	-	30	8
Profit on sale of securities and foreign exchange trading and revaluation	5,774	3,699	6,426	3,699
Other operating income	7,908	1,154	3,192	1,148
<b>Operating income</b>	<b>37,568</b>	<b>26,354</b>	<b>32,245</b>	<b>26,126</b>
Personnel expense	(11,891)	(9,473)	(11,171)	(9,231)
Depreciation and amortisation expense	(2,220)	(1,918)	(2,141)	(1,893)
Other operating expenses	(14,794)	(8,076)	(10,720)	(7,926)
<b>Total operating expenses</b>	<b>(28,905)</b>	<b>(19,467)</b>	<b>(24,032)</b>	<b>(19,050)</b>
Impairment losses	(5,009)	(1,014)	(4,610)	(1,014)
<b>Profit before corporate income tax</b>	<b>3,654</b>	<b>5,873</b>	<b>3,603</b>	<b>6,062</b>
Corporate income tax	(622)	(919)	(595)	(912)
<b>Profit for the reporting year</b>	<b>3,032</b>	<b>4,954</b>	<b>3,008</b>	<b>5,150</b>
<b>Attributable to:</b>				
<b>Shareholders of the Bank</b>	<b>2,943</b>	<b>4,954</b>	<b>3,008</b>	<b>5,150</b>
Minority interest	89	-	-	-
<b>Basic earnings per share (in lats per share)</b>	<b>0,242</b>	<b>0.508</b>		
<b>Diluted earnings per share (in lats per share)</b>	<b>0,209</b>	<b>0.396</b>		



**Balance sheets**  
**31 December 2008**

LVL '000	Grop 31.12.2008 (unaudited)	Grop 31.12.2007 (audited)	Bank 31.12.2008 (unaudited)	Bank 31.12.2007 (audited)
<b>Assets</b>				
Cash and deposits with the central bank	58,213	48,151	58,125	48,151
Balances due from credit institutions and the central bank	221,704	275,008	220,500	275,008
Loans and advances to customers	338,445	297,681	341,814	298,247
Financial assets at fair value through profit or loss	6,253	21,985	6,114	21,985
Held-to-maturity investments	21,044	4,747	20,836	4,747
Trading investments	297	-	-	-
Available –for-sale financial assets	1	-	-	-
Investments in subsidiaries	-	-	4,379	640
Intangible assets	1,962	1,200	1,260	1,067
Fixed assets	22,388	19,461	21,877	19,127
Prepayments and accrued income	576	648	552	626
Other assets	11,150	2,462	4,392	2,220
<b>Total assets</b>	<b>682,033</b>	<b>671,343</b>	<b>679,849</b>	<b>671,818</b>
<b>Liabilities</b>				
Balances due to the central bank and credit institutions	37,827	26,668	34,695	26,668
Deposits from the customers	581,786	586,129	584,795	586,571
Issued debt instrument	3,604	3,593	3,604	3,593
Derivative liabilities	1,057	456	1,057	456
Deferred income and accrued expenses	1,574	1,815	1,474	1,767
Deferred tax liability	930	848	930	848
Corporate income tax liability	517	962	500	955
Other liabilities	3,664	949	2,034	782
Subordinated debt	9,028	8,913	9,028	8,913
<b>Total liabilities</b>	<b>639,987</b>	<b>630,333</b>	<b>638,117</b>	<b>630,553</b>
<b>Shareholders' equity</b>				
Paid-in share capital	12,149	12,149	12,149	12,149
Share premium	12,300	12,300	12,300	12,300
Reserve capital and other reserves	626	626	626	626
Revaluation reserve	5,364	5,352	5,364	5,352
Retained earnings	10,973	10,583	11,293	10,838
<b>Total issued capital and reserves attributable to equity holders</b>	<b>41,412</b>	<b>41,010</b>	<b>41,732</b>	<b>41,265</b>
Minority interest	634	-	-	-
<b>Total shareholders' equity</b>	<b>42,046</b>	<b>41,010</b>	<b>41,732</b>	<b>41,265</b>
<b>Total liabilities and shareholders' equity</b>	<b>682,033</b>	<b>671,343</b>	<b>679,849</b>	<b>671,818</b>
<b>Off-balance items</b>				
Contingent liabilities	10,472	28,267	10,472	28,267
Commitments	20,848	25,200	21,735	25,444

## Cash flow statement

LVL '000	Group 31.12.2008 (unaudited)	Group 31.12.2007 (unaudited)	Bank 31.12.2008 (unaudited)	Bank 31.12.2007 (unaudited)
<b>Cash flow from operating activities</b>				
Profit before corporate income tax	3,654	5,873	3,603	6,062
Depreciation and amortisation expense	2,220	1,918	2,141	1,893
Increase in provisions for liabilities	(2)		(2)	
Gain on revaluation of foreign currency	(2,561)	729	(3,198)	729
Gain on revaluation of investments	(11)	120	(26)	120
Other changes	545	-	-	-
Loss from disposal of fixed assets, net	(3)	2	(3)	2
<b>Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations</b>	<b>3,842</b>	<b>8,642</b>	<b>2,515</b>	<b>8,806</b>
(Decrease) in deferred income and accrued expenses	(241)	538	(293)	490
(Increase) in prepayments and accrued income	72	(242)	74	(220)
Net (increase)/ decrease in derivative instruments	27	(47)	27	(47)
Decrease in other assets	(8,294)	(908)	(1,778)	(700)
(Decrease) in other liabilities	2,715	533	1,252	384
(Decrease) in financial assets fair value though profit or loss	16,317	(4,237)	16,471	(4,237)
Increase in financial assets held to maturity	(16,297)	9,706	(16,089)	9,706
Increase in financial assets trading	(298)	-	-	-
(Increase) in balances due from the central bank and credit institutions	(21,722)	(10,972)	(20,768)	(10,972)
(Increase) in loans and advances to non-banking customers	(40,764)	(106,762)	(43,567)	(107,188)
(Decrease) in balances due to the central bank and credit institutions	13,685	-	10,593	-
Increase in deposits from the public	(4,343)	259,985	(1,776)	260,025
<b>Net increase in cash and cash equivalents from operating activities</b>	<b>(55,301)</b>	<b>156,236</b>	<b>(53,339)</b>	<b>156,047</b>
Paid income tax	(1,365)	(1,081)	(1,348)	(1,081)
<b>Net increase in cash and cash equivalents</b>	<b>(56,666)</b>	<b>155,155</b>	<b>(54,687)</b>	<b>154,966</b>
<b>Cash inflow/ outflow from investing activities</b>				
(Purchase) of fixed and intangible assets	(5,975)	(8,809)	(5,150)	(8,466)
Proceeds from disposal of fixed and intangible assets	69	170	69	170
Investment in associate and subsidiary, net	-	-	(3,739)	(154)
<b>Increase in cash and cash equivalents from investing activities</b>	<b>(5,906)</b>	<b>(8,639)</b>	<b>(8,820)</b>	<b>(8,450)</b>
<b>Cash inflow from financing activities</b>				
Issue of shares	-	3,043	-	3,043
Share premium	-	10,977	-	10,977
Issue of debt instrument	-	3,593	-	3,593
Dividends paid	(2,553)	(1,982)	(2,553)	(1,982)
Issue of subordinated debt	-	1,238	-	1,238
<b>Increase in cash and cash equivalents from financing activities</b>	<b>(2,553)</b>	<b>16,869</b>	<b>(2,553)</b>	<b>16,869</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(65,125)</b>	<b>163,385</b>	<b>(66,060)</b>	<b>163,385</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>282,564</b>	<b>119,908</b>	<b>282,564</b>	<b>119,908</b>
Profit/(loss) from revaluation of foreign currency positions	2,687	(729)	3,324	(729)
<b>Cash and cash equivalents at the end of the period</b>	<b>220,126</b>	<b>282,564</b>	<b>219,828</b>	<b>282,564</b>

## Statement of changes in shareholder's equity

Group LVL '000	Paid – in share capital	Share premium	Reserve capital and other reserves	Revaluatio n reserve	Retained earnings	Minority interest	Total shareholders' equity and minority interest
<b>Balance as at 31 December 2006</b>	<b>9,106</b>	<b>1,323</b>	<b>626</b>	<b>2,839</b>	<b>7,611</b>	<b>-</b>	<b>21,505</b>
Change in deferred tax related to revaluation reserve	-	-	-	(136)	-	-	(136)
Revaluation charged	-	-	-	2,649	-	-	2,649
Total income and expense for the year recognised directly in equity	-	-	-	2,513	-	-	2,513
Profit for the year	-	-	-	-	4,954	-	4,954
<b>Total income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,513</b>	<b>4,954</b>	<b>-</b>	<b>7,467</b>
Dividends paid	-	-	-	-	(1,982)	-	(1,982)
Issue of shares	3,043	10,977	-	-	-	-	14,020
<b>Balance as at 31 December 2007</b>	<b>12,149</b>	<b>12,300</b>	<b>626</b>	<b>5,352</b>	<b>10,583</b>	<b>-</b>	<b>41,010</b>
Change in deferred tax related to revaluation reserve	-	-	-	12	-	-	12
Total income and expense for the year recognised directly in equity	-	-	-	12	-	-	12
Profit for the year	-	-	-	-	2,943	89	3,032
Total income and expense for the year	-	-	-	-	2,943	89	3,032
Dividends paid	-	-	-	-	(2,553)	-	(2,553)
Minority interest	-	-	-	-	-	545	545
<b>Balance as at 31 December 2008</b>	<b>12,149</b>	<b>12,300</b>	<b>626</b>	<b>5,364</b>	<b>10,973</b>	<b>634</b>	<b>42,046</b>

Bank LVL '000	Paid – in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Retained earnings attributed to the shareholders' of the Bank	Total shareholders' equity
<b>Balance as at 31 December 2006</b>	<b>9,106</b>	<b>1,323</b>	<b>626</b>	<b>2,839</b>	<b>7,670</b>	<b>21,564</b>
Change in deferred tax related to revaluation reserve	-	-	-	(136)	-	(136)
Revaluation charged	-	-	-	2,649	-	2,649
Total income and expense for the year recognized directly in equity	-	-	-	2,513	-	2,513
Profit for the year	-	-	-	-	5,150	5,150
Total income and expense for the year	-	-	-	2,513	5,150	7,663
Dividends paid	-	-	-	-	(1,982)	(1,982)
Issue of shares	3,043	10,977	-	-	-	14,020
<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>
Change in deferred tax related to revaluation reserve	-	-	-	12	-	12
Total income and expense for the year recognised directly in equity	-	-	-	12	-	12
Profit for the year	-	-	-	-	3,008	3,008
Total income and expense for the year	-	-	-	-	3,008	3,008
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>

## Operational results

31 December 2008

Name of the Item	Reporting period (unaudited)	Previous reporting year (audited)
Return on equity (ROE) (%)	7.29	20,11
Return on assets (ROA) (%)	0,52	1,05

## Shareholders and Equity

On 31 December 2008, the Bank's registered and paid-in capital comprised LVL 12,149 thousand lats (in 31.12.2007: LVL 12,149 thousand). The stock capital consists of 12,149,246 shares, including 12,146,412 ordinary bearer shares and 2,834 "A" category preference bearer shares. Nominal value of one share is 1 (one) lat. All shares of AS "Latvijas Krājbanka" are listed on the Baltic Second List of the AS „NASDAQ OMX Riga". There are no limitations for transfer of the Bank's shares. There have been no essential changes in the composition in shareholders from 1 January 2008 till the publication of this report.

## Summary of significant accounting policies

The interim consolidated financial statements for the twelve-month period ended 31 December 2008 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 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

## **The Development Strategy Prospectives for the year 2008 - 2010**

### **Bank's mission**

The JSC Latvijas Krājbanka has been and remains the universal network commercial bank providing the vast range of services to the Latvian private individuals and legal entities. Using international contacts, experience of the the SNORAS financial group and the privileges of Latvia as the future world finance centre it will develop its high-quality services to the non-residents.

In accordance with the Bank's mission the general prospective of the strategic development will be maintained for the next three years.

### **The general strategic prospective of the Bank**

1. Increasing of the capital and improving the capitalization indicator:
  - 1.1. The Bank's capital increased by more than 2,5 times, amounting at least 50 million lats in the end of 2008 (*emitting additional shares, distributed among the shareholders and on undivided earnings account*).
2. Organization structure and personnel policy:
  - 2.1. Decentralization of the decision making – delegation of competence to pass decisions to the heads of the Bank's departments and increasing the responsibility;
  - 2.2. Personnel policy:
    - 2.2.1. Development of the loyalty and motivation system;
    - 2.2.2. Regular increase of the earnings corresponding to the trade, emphasizing the link between the increase of the variable part of the earnings and the work quality and result;
    - 2.2.3. The human resources planning factor in the department network will be defined by the CSC efficiency indices and the Bank's network development concept;
    - 2.2.4. Bank's personnel motivation program development - without monetary motivating instruments preserving and developing also non-monetary motivation instruments, paying special attention towards the middle term and long-term motivation schemes (life insurance, bonus system development, including savings).
3. Development of the management information system:

Detailing and automation of the process of budget development and administration (selection and implementation of the system of accounting administrative operations).
4. Development of Resource Base and crediting process:
  - 4.1 by optimization and extension of the Bank's network in Latvia;
  - 4.2 by activation of corporate client attraction, including increase of business crediting amounts;
  - 4.3 by activating collaboration with international financial institutions in funding attraction.
5. Other product development:
  - 5.1 network product development;
  - 5.2 Individual product development, appropriate for VIP and individual service;
  - 5.3 development of (cross selling) product group packages;
  - 5.4 Pricing policy of product or product groups, profitable for the Bank.
6. Client policy:

- 6.1. Target markets:
    - 6.1.1. Latvia,
    - 6.1.2. Baltic states,
    - 6.1.3. EU and in collaboration with financial group also Russia (applying precaution policy and the best usage policy of imposed KYC and AML experience),
  - 6.2. Target client:
    - 6.2.1. Latvian residents:
      - 6.2.1.1. individuals;
      - 6.2.1.2. legal entities:
        - 6.2.1.2.1. small and medium enterprises;
        - 6.2.1.2.2. using crediting possibilities of the financial group also big enterprises;
    - 6.2.2. Baltic and EU individuals and legal entities.
- 7. The Bank's network and sale channels:
    - 7.1. optimization of existing CSC network, using Minibank possibilities in less active places;
    - 7.2. the network expansion in Latvia, using the Minibank development project;
    - 7.3. EPS channel and tool development.
  - 8. The Bank's image development:
    - 8.1. The Bank's brand update;
    - 8.2. The Bank's network division` visual image development;
    - 8.3. Acknowledgement of the Bank's social activity - participation in social life and charity (image development on the state and regional scale):
      - 8.3.1. direct involvement;
      - 8.3.2. participation in events, organized by other persons.

## **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 Issuer, influenced by changes in interest rates, currency exchange rates and changes in commodity and share prices. The Issuer'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 (31.12.2008)

Three leading rating agencies *Fitch Ratings*, *Moody's Investors Services*, and *Standard&Poor's* have assigned ratings for Krājbanka

### **Ratings assigned by Fitch Ratings**

On 3 December 2008 the international rating agency *Fitch Ratings* changed the outlook on the following Krājbanka's ratings to negative from stable.:

- Long-term liabilities	B+
- Short-term liabilities	B
- Outlook	Negative
- Individual rating	D
- Supporting rating	4

The Latvia's Financial and Capital Markets Commission's December 2 decision to impose restrictions on withdrawals for Parex Bank AS clients may negatively affect depositor confidence, especially non-resident depositors, increasing the risk of a deposit freeze on the whole Latvian banking system, Fitch statement says. Due to this risk, Fitch put ratings for several Latvia's banks on Rating Watch Negative.

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 13 November 2008 the international rating agency *Moody's Investors Service* changed the outlook on the following Krājbanka' ratings (increased on 24 February 2007 and affirmed on 19 December 2007) to negative from stable:

□ long-term deposit rating	Ba2 (increased from Ba3)
□ short-term deposit rating	Not Prime
□ financial stability rating	D-
□ outlook	Negative

The rating action was prompted by concerns over the future trend in the bank's asset quality, which, in Moody's opinion, does not yet fully reflect the deteriorating economic environment in Latvia. The rating agency cautioned that the economic downturn, which is already underway, is now likely to be more acute than previously anticipated and thus have a negative impact on the bank's asset quality in the near future.

Moody's recognises that Latvijas Krājbanka benefits from a large deposit base, which accounted for 92% of its total funding at end-September 2008.

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 17 October 2008 rating agency *Standard&Poor's* changed the outlook on the following Krājbanka' ratings (assigned on 26 March 2008) to negative from stable:

□ long-term deposit rating	B +
□ short-term deposit ratings	B
□ outlook	Negative

In its statement the rating agency says that the negative outlooks reflect the opinion that Krājbanka is likely to face increased pressure on its asset quality as economic conditions in the Baltics deteriorate.

Although the bank's asset quality is adequate at the moment, it is likely to weaken in 2009 pressured by the economic downturn and deteriorating real estate sector in Baltics.

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 (31.12.2008 and 31.12.2007).

### Profit and loss statement 31 December 2008

EUR'000	Group 2008	Group 2007	Bank 2008	Bank 2007
Interest revenue	57,248	46,273	55,545	46,235
Interest expense	(32,792)	(23,864)	(32,422)	(23,896)
<b>Net interest income</b>	<b>24,456</b>	<b>22,409</b>	<b>23,123</b>	<b>22,339</b>
Commission and fee revenue	12,285	10,857	11,750	10,583
Commission and fee expense	(2,755)	(2,672)	(2,720)	(2,656)
<b>Net commission and fee income</b>	<b>9,530</b>	<b>8,185</b>	<b>9,030</b>	<b>7,927</b>
Dividend revenue	-	-	43	11
Profit on sale of securities and foreign exchange trading and revaluation	8,216	5,263	9,143	5,263
Other operating income	11,252	1,642	4,542	1,634
<b>Operating income</b>	<b>53,454</b>	<b>37,499</b>	<b>45,881</b>	<b>37,174</b>
Personnel expense	(16,919)	(13,479)	(15,895)	(13,135)
Depreciation and amortisation expense	(3,159)	(2,729)	(3,046)	(2,693)
Other operating expenses	(21,050)	(11,491)	(15,253)	(11,278)
<b>Total operating expenses</b>	<b>(41,128)</b>	<b>(27,699)</b>	<b>(34,194)</b>	<b>(27,106)</b>
Impairment losses	(7,127)	(1,443)	(6,560)	(1,443)
<b>Profit before corporate income tax</b>	<b>5,199</b>	<b>8,357</b>	<b>5,127</b>	<b>8,625</b>
Corporate income tax	(885)	(1,308)	(847)	(1,297)
<b>Profit for the reporting year</b>	<b>4,314</b>	<b>7,049</b>	<b>4,280</b>	<b>7,328</b>
<b>Attributable to:</b>				
Shareholders of the Bank	4,187	7,049	4,280	7,328
Minority interest	127	-	-	-
<b>Basic earnings per share (in euro per share)</b>	<b>0,344</b>	<b>0,711</b>		
<b>Diluted earnings per share (in euro per share)</b>	<b>0,297</b>	<b>0,563</b>		

**Balance sheets**  
**31 December 2008**

EUR'000	Grop 31.12.2008 (unaudited)	Grop 31.12.2007 (audited)	Bank 31.12.2008 (unaudited)	Bank 31.12.2007 (audited)
<b>Assets</b>				
Cash and deposits with the central bank	82,830	68,513	82,705	68,513
Balances due from credit institutions and the central bank	315,456	391,301	313,743	391,301
Loans and advances to customers	481,564	423,562	486,358	424,367
Financial assets at fair value through profit or loss	8,897	31,282	8,699	31,282
Held-to-maturity investments	29,943	6,754	29,647	6,754
Trading investments	423	-	-	-
Available –for-sale financial assets	1	-	-	-
Investments in subsidiaries	-	-	6,231	911
Intangible assets	2,792	1,707	1,793	1,518
Fixed assets	31,855	27,691	31,128	27,215
Prepayments and accrued income	820	922	785	891
Other assets	15,865	3,503	6,249	3,159
<b>Total assets</b>	<b>970,446</b>	<b>955,235</b>	<b>967,338</b>	<b>955,911</b>
<b>Liabilities</b>				
Balances due to the central bank and credit institutions	53,823	37,945	49,367	37,945
Deposits from the customers	827,807	833,986	832,088	834,615
Issued debt instrument	5,128	5,112	5,128	5,112
Derivative liabilities	1,504	649	1,504	649
Deferred income and accrued expenses	2,240	2,583	2,097	2,514
Deferred tax liability	1,323	1,207	1,323	1,207
Corporate income tax liability	736	1,369	711	1,359
Other liabilities	5,213	1,350	2,894	1,113
Subordinated debt	12,846	12,682	12,846	12,682
<b>Total liabilities</b>	<b>910,620</b>	<b>896,883</b>	<b>907,958</b>	<b>897,196</b>
<b>Shareholders' equity</b>				
Paid-in share capital	17,287	17,287	17,287	17,287
Share premium	17,501	17,501	17,501	17,501
Reserve capital and other reserves	891	891	891	891
Revaluation reserve	7,632	7,615	7,632	7,615
Retained earnings	15,613	15,058	16,069	15,421
<b>Total issued capital and reserves attributable to equity holders</b>	<b>58,924</b>	<b>58,352</b>	<b>59,380</b>	<b>58,715</b>
Minority interest	902	-	-	-
<b>Total shareholders' equity</b>	<b>59,826</b>	<b>58,352</b>	<b>59,380</b>	<b>58,715</b>
<b>Total liabilities and shareholders' equity</b>	<b>970,446</b>	<b>955,235</b>	<b>967,338</b>	<b>955,911</b>
<b>Off-balance items</b>				
Contingent liabilities	14,900	40,220	14,900	40,220
Commitments	29,664	35,856	30,926	36,204

## Cash flow statement

<b>EUR '000</b>	<b>Group 31.12.2008 (unaudited)</b>	<b>Group 31.12.2007 (unaudited)</b>	<b>Bank 31.12.2008 (unaudited)</b>	<b>Bank 31.12.2007 (unaudited)</b>
<b>Cash flow from operating activities</b>				
Profit before corporate income tax	5,199	8,357	5,127	8,625
Depreciation and amortisation expense	3,159	2,729	3,046	2,693
Increase in provisions for liabilities	(3)		(3)	
Gain on revaluation of foreign currency	(3,643)	1,037	(4,550)	1,037
Gain on revaluation of investments	(16)	171	(37)	171
Other changes	775			
Loss from disposal of fixed assets, net	(4)	3	(4)	3
<b>Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations</b>				
	<b>5,467</b>	<b>12,297</b>	<b>3,579</b>	<b>12,529</b>
(Decrease) in deferred income and accrued expenses	(343)	766	(417)	697
(Increase) in prepayments and accrued income	102	(344)	105	(313)
Net (increase)/ decrease in derivative instruments	38	(67)	38	(67)
Decrease in other assets	(11,801)	(1,292)	(2,530)	(996)
(Decrease) in other liabilities	3,863	758	1,781	546
(Decrease) in financial assets fair value though profit or loss	23,217	(6,029)	23,436	(6,029)
Increase in financial assets held to maturity	(23,188)	13,810	(22,892)	13,810
Increase in financial assets trading	(424)	-		
(Increase) in balances due from the central bank and credit institutions	(30,907)	(15,612)	(29,550)	(15,611)
(Increase) in loans and advances to non-banking customers	(58,002)	(151,909)	(61,990)	(152,514)
(Decrease) in balances due to the central bank and credit institutions	19,472	-	15,072	-
Increase in deposits from the public	(6,180)	369,925	(2,527)	369,982
<b>Net increase in cash and cash equivalents from operating activities</b>	<b>(78,686)</b>	<b>222,303</b>	<b>(75,895)</b>	<b>222,034</b>
Paid income tax	(1,942)	(1,538)	(1,918)	(1,538)
<b>Net increase in cash and cash equivalents</b>	<b>(80,628)</b>	<b>220,765</b>	<b>(77,813)</b>	<b>220,496</b>
<b>Cash inflow/ outflow from investing activities</b>				
(Purchase) of fixed and intangible assets	(8,502)	(12,534)	(7,328)	(12,046)
Proceeds from disposal of fixed and intangible assets	98	242	98	242
Investment in associate and subsidiary, net	-	-	(5,320)	(219)
<b>Increase in cash and cash equivalents from investing activities</b>	<b>(8,404)</b>	<b>(12,292)</b>	<b>(12,550)</b>	<b>(12,023)</b>
<b>Cash inflow from financing activities</b>				
Issue of shares	-	4,330	-	4,330
Share premium	-	15,619	-	15,619
Issue of debt instrument	-	5,112	-	5,112
Dividends paid	(3,632)	(2,821)	(3,632)	(2,821)
Issue of subordinated debt	-	1,762	-	1,762
<b>Increase in cash and cash equivalents from financing activities</b>	<b>(3,632)</b>	<b>24,002</b>	<b>(3,632)</b>	<b>24,002</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(92,664)</b>	<b>232,475</b>	<b>(93,995)</b>	<b>232,475</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>402,052</b>	<b>170,613</b>	<b>402,052</b>	<b>170,613</b>
Profit/(loss) from revaluation of foreign currency positions	3,823	(1,037)	4,730	(1,037)
<b>Cash and cash equivalents at the end of the period</b>	<b>313,211</b>	<b>402,051</b>	<b>312,787</b>	<b>402,051</b>

## Statement of changes in shareholder's equity

Group EUR '000	Paid – in share capital	Share premium	Reserve capital and other reserves	Revaluatio n reserve	Retained earnings	Minority interest	Total shareholders' equity and minority interest
<b>Balance as at 31 December 2006</b>	<b>12,957</b>	<b>1,882</b>	<b>891</b>	<b>4,039</b>	<b>10,830</b>	<b>-</b>	<b>30,599</b>
Change in deferred tax related to revaluation reserve	-	-	-	(194)	-	-	(194)
Revaluation charged	-	-	-	3,770	-	-	3,770
Total income and expense for the year recognised directly in equity	-	-	-	3,576	-	-	3,576
Profit for the year	-	-	-	-	7,049	-	7,049
<b>Total income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,576</b>	<b>7,049</b>	<b>-</b>	<b>10,625</b>
Dividends paid	-	-	-	-	(2,821)	-	(2,821)
Issue of shares	4,330	15,619	-	-	-	-	19,949
<b>Balance as at 31 December 2007</b>	<b>17,287</b>	<b>17,501</b>	<b>891</b>	<b>7,615</b>	<b>15,058</b>	<b>-</b>	<b>58,352</b>
Change in deferred tax related to revaluation reserve	-	-	-	17	-	-	17
Total income and expense for the year recognised directly in equity	-	-	-	17	-	-	17
Profit for the year	-	-	-	-	4,187	127	4,314
Total income and expense for the year	-	-	-	-	4,187	127	4,314
Dividends paid	-	-	-	-	(3,632)	-	(3,632)
Minority interest	-	-	-	-	-	775	775
<b>Balance as at 31 December 2008</b>	<b>17,287</b>	<b>17,501</b>	<b>891</b>	<b>7,632</b>	<b>15,613</b>	<b>902</b>	<b>59,826</b>

Bank EUR '000	Paid – in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Retained earnings attributed to the shareholders' of the Bank	Total shareholders' equity
<b>Balance as at 31 December 2006</b>	<b>12,957</b>	<b>1,882</b>	<b>891</b>	<b>4,039</b>	<b>10,914</b>	<b>30,683</b>
Change in deferred tax related to revaluation reserve	-	-	-	(194)	-	(194)
Revaluation charged	-	-	-	3,770	-	3,770
Total income and expense for the year recognised directly in equity	-	-	-	3,576	-	3,576
Profit for the year	-	-	-	-	7,328	7,328
<b>Total income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,576</b>	<b>7,328</b>	<b>10,904</b>
Dividends paid	-	-	-	-	(2,821)	(2,821)
Issue of shares	4,330	15,619	-	-	-	19,949
<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>
Change in deferred tax related to revaluation reserve	-	-	-	17	-	17
Total income and expense for the year recognised directly in equity	-	-	-	17	-	17
Profit for the year	-	-	-	-	4,280	4,280
Total income and expense for the year	-	-	-	-	4,280	4,280
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>

AS "LATVIJAS KRĀJBANKA"  
 Organization chart  
 (valid from 09.02.2009 )

