

AS "Latvijas Krājbanka"
Report additional information
for 6 months of 2008

(unaudited)

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Consolidated entities

30 June 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 "Astra Krājfondi"", 40003605043	LV, Riga, J.Daliņa street 15	ISA	100	100	MS
2.	AS "Ieguldījumu pārvaldes sabiedrība "LKB Asset Management"", 40003818124	LV, Riga, J.Daliņa street 15	ISA	100	100	MS
3.	SIA "Krājinvestīcijas", 40003687374	LV, Riga, Jēkaba street 2	CKS	100	100	MS
4.	SIA "LKB līzings", 40003887450	LV, Riga, Jēkaba street 2	CFI	100	100	MS
5.	AS "Pirmais atklātais pensiju fonds", 40003377918	LV, Riga, J.Daliņa street 15	PFO	100	100	MS

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

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

Operational results

30 June 2008

Name of the Item	Reporting period (unaudited)	Previous reporting year (audited, adjusted)
Return on equity (ROE) (%)	9,79	20,11
Return on assets (ROA) (%)	0,73	1,05

The Development Strategy Prospectives for the 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 prospectives 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. Credit risk is managed within the Bank's risk management procedures.

The Bank is subjected to the credit risk, mainly, in the result of credit activity. 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 is also 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 and which are essential parts of it. 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

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

Rating assigned by Fitch Ratings

On August 14th 2008 the international ratings agency *Fitch Ratings* raised ratings allocated to Krājbanka:

– Long-term liabilities	B+ (raised)
– Short-term liabilities	B
– Development forecast	Stable
– Individual rating	D (raised)
– Supporting rating	4

The rise of long-term and individual rating is related to the Bank's capitalization increase, the diminishing of bad credit proportion, and with increase of reserves to cover loss from such credits.

Although the economic situation in Latvian has been deteriorating, the impact on Latvijas Krājbanka has been less than anticipated – the bank has adequate liquidity, stable Latvian residents` deposit base, and strict credit issue term.

On July 23rd the rating agency *Fitch Ratings* has confirmed the credit rating for Latvia for long-term liabilities in foreign currency on the previous level "BBB+", admitting negative development prognosis.

The credit rating for short-term liabilities in foreign currency remains of the F2 level, the rating for the long-term liabilities in national currency also remained on the "A- " level, admitting negative development prognosis.

The above-mentioned information is published on the *Fitch Ratings* web site www.fitchratings.com.

Ratings assigned by Moody's Investors Service

Rating agency *Moody's Investors Service* assigned rating to Krājbanka (increased on 24 February 2007):

□ long-term deposit rating	Ba2 (increased from Ba3)
□ short-term deposit rating	Not Prime
□ financial stability rating	D-
□ development forecast	Stable

The international rating agency *Moody's Investors Service* has increased the AS "Latvijas Krājbanka" credit ratings due to the introduction of new rating calculating methodology.

The ratings assigned to the "Latvijas Krājbanka" for the long-term deposits in foreign and national currencies are increased from Ba3 to Ba2.

Moody's points out that the new methodology (joint default analysis, JDA methodology) allows to assess financial stability of banks disregard of external support, which can be received from the proprietors.

The above-mentioned information is published on the *Moody's Investors Service* web site www.moodys.com

Ratings assigned by Standard&Poor's

Rating agency *Standard&Poor's* assigned ratings to Krājbanka (assigned on 26 March 2008):

- | | | |
|---|----------------------------|--------|
| □ | long-term deposit rating | B + |
| □ | short-term deposit ratings | B |
| □ | development forecast | Stable |

The Bank's development forecast is evaluated as stable.

In its statement the rating agency has approvingly evaluated Latvijas Krājbanka`s wide client service centre network, its recognizability, good resources base and liquidity, as well as innovative sale strategy of the bank's products and services.

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

The additional information

For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (30.06.2008 and 30.06.2007).

Profit and loss statement 30 June 2008

EUR '000	Group 30.06.2008	Group 30.06.2007	Bank 30.06.2008	Bank 30.06.2007
Interest revenue	25,854	18,911	25,730	18,953
Interest expense	(15,053)	(8,883)	(15,078)	(8,896)
Net interest income	10,801	10,028	10,652	10,057
Commission and fee revenue	5,639	4,977	5,413	4,913
Commission and fee expense	(1,417)	(1,298)	(1,410)	(1,293)
Net commission and fee income	4,222	3,679	4,003	3,620
Profit on sale of securities and foreign exchange trading	4,563	1,732	4,569	1,731
Other operating income	1,931	733	1,903	713
Operating income	21,517	16,172	21,127	16,121
Personnel expense	(8,568)	(6,049)	(8,292)	(5,943)
Depreciation and amortization expense	(1,525)	(1,299)	(1,490)	(1,293)
Other operating expenses	(6,621)	(4,839)	(6,525)	(4,774)
Total operating expenses	(16,714)	(12,187)	(16,307)	(12,010)
Impairment losses	(1,968)	(1,244)	(1,968)	(1,244)
Reversal of impairment losses	520	719	520	719
Profit before corporate income tax	3,355	3,460	3,372	3,586
Corporate income tax	(539)	(573)	(532)	(571)
Profit for the reporting period	2,816	2,887	2,840	3,015
Attributable to the shareholders of the Bank	2,816	2,887	2,840	3,015
Basic earnings per share (in EUR per share)	0.232	0.303	0.233	0.242
Diluted earnings per share (in EUR per share)	0.182	0.242	0.184	0.252

Balance sheets
30 June 2008

EUR '000	Group 30.06.2008	Group 31.12.2007	Bank 30.06.2008	Bank 31.12.2007
<u>Assets</u>				
Cash and deposits with the central bank	62,222	68,513	62,222	68,513
Balances due from credit institutions and the central bank	199,915	391,301	199,915	391,301
Loans and advances to customers	451,405	423,562	457,644	424,367
Derivative instruments	696	414	696	414
Financial assets at fair value through profit or loss	19,336	30,868	19,336	30,868
Financial assets held for trading	511	-	511	-
Held-to-maturity investments	22,470	6,754	22,470	6,754
Investment in subsidiaries	-	-	940	911
Intangible assets	1,626	1,707	1,407	1,518
Fixed assets	31,727	27,691	31,282	27,215
Prepayments and accrued income	1,430	922	1,414	891
Other assets	10,085	3,503	2,830	3,159
Total assets	801,423	955,235	800,667	955,911
<u>Liabilities</u>				
Balances due to the central bank and credit institutions	25,568	37,945	25,568	37,945
Deposits from the customers	693,595	833,986	694,515	834,615
Issued debt instrument	5,111	5,112	5,111	5,112
Derivative liabilities	302	649	302	649
Deferred income and accrued expenses	2,683	2,583	2,598	2,514
Corporate income tax liability	502	1,369	502	1,359
Deferred tax liability	1,236	1,207	1,236	1,207
Other liabilities	2,755	1,350	777	1,113
Subordinated debt	12,134	12,682	12,134	12,682
Total liabilities	743,886	896,883	742,743	897,196
<u>Shareholders' equity</u>				
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	7,615	7,615	7,615	7,615
Retained earnings	14,243	15,058	14,630	15,421
Total issued capital and reserves attributable to equity holders	57,537	58,352	57,924	58,715
Total shareholders' equity	57,537	58,352	57,924	58,715
Total liabilities and shareholders' equity	801,423	955,235	800,667	955,911

Statement of changes in shareholder's equity

Group EUR '000	Paid – in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Retained earnings	Total shareholders' equity
Balance sheet as at 1 January 2007	12,957	1,882	891	4,040	10,829	30,599
Dividends paid	-	-	-	-	(2,820)	(2,820)
Issue of shares	1,142	2,870	-	-	-	4,012
Net profit for the period	-	-	-	-	2,887	2,887
Balance sheet as at 30 June 2007	14,099	4,752	891	4,040	10,896	34,678
Balance sheet as at 1 January 2008	17,287	17,501	891	7,615	15,058	58,352
Dividends paid	-	-	-	-	(3,631)	(3,631)
Profit for the period	-	-	-	-	2,816	2,816
Balance sheet as at 30 June 2008	17,287	17,501	891	7,615	14,243	57,537

Bank EUR '000	Paid – in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Retained earnings	Total shareholders' equity
Balance sheet as at 1 January 2007	12,957	1,882	891	4,040	10,913	30,683
Dividends paid	-	-	-	-	(2,820)	(2,820)
Issue of shares	1,142	2,870	-	-	-	4,012
Net profit for the period	-	-	-	-	3,015	3,015
Balance sheet as at 30 June 2007	14,099	4,752	891	4,040	11,108	34,890
Balance sheet as at 1 January 2008	17,287	17,501	891	7,615	15,421	58,715
Dividends paid	-	-	-	-	(3,631)	(3,631)
Profit for the period	-	-	-	-	2,840	2,840
Balance sheet as at 30 June 2008	17,287	17,501	891	7,615	14,630	57,924

The Bank paid dividends in amount of 0.60 EUR and 0.30 EUR per share for ordinary and preferred shares respectively.

Cash flow statement

EUR '000	Group 30.06.2008	Group 30.06.2007	Bank 30.06.2008	Bank 30.06.2007
Cash flow from operating activities				
Profit before corporate income tax	3,355	3,460	3,372	3,586
Depreciation and amortisation	1,525	1,299	1,490	1,293
(Decrease) in provisions for liabilities and charges	(11)	(746)	(3)	(745)
Loss on revaluation of foreign currency	919	713	913	713
(Gain)/ loss on revaluation of investments	324	(135)	324	(135)
Loss / (gain) from disposal of fixed assets, net	(1)	13	(1)	24
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations	6,111	4,604	6,095	4,736
(Decrease)increase in deferred income and accrued expenses	101	(107)	84	(121)
(Increase) in prepayments and accrued income	(507)	(28)	(524)	(27)
Net (increase) in derivative instruments	(628)	(620)	(628)	(620)
Decrease/(increase) in other assets	(7,028)	371	(114)	391
(Decrease)/ increase in other liabilities	1,404	(149)	(336)	(168)
(Decrease)/ increase in financial assets at fair value through profit or loss	11,208	(18,378)	11,208	(18,378)
(Decrease)in held for trading securities	(511)	-	(511)	-
(Decrease)/ increase in financial assets held to maturity	(15,716)	14,025	(15,716)	14,025
(Increase) in balances due from the central bank and credit institutions	(10,208)	(15,119)	(10,208)	(15,119)
Increase in liabilities to the central bank and credit institutions	15,082	-	15,082	-
(Increase) in loans and advances to non-banking customers	(27,843)	(68,149)	(33,277)	(68,319)
(Decrease)/ increase in deposits from the public	(140,391)	85,903	(140,100)	85,967
Net increase in cash and cash equivalents from operating activities	(168,926)	2,353	(168,945)	2,367
Paid income tax	(919)	(835)	(913)	(834)
Net increase in cash and cash equivalents	(169,845)	1,518	(169,858)	1,533
Cash flow from investing activities				
(Purchase) of fixed and intangible assets	(5,511)	(8,006)	(5,475)	(7,870)
Proceeds from disposal of fixed and intangible assets	31	1	31	26
Investment in associate and subsidiary, net	-	-	(30)	(219)
Increase in cash and cash equivalents from investing activities	(5,480)	(8,005)	(5,474)	(8,063)
Cash flow from financing activities				
Issue of shares	-	4,012	-	4,012
Issue of debt instrument	-	5,103	-	5,103
Dividends paid	(3,631)	(2,820)	(3,631)	(2,820)
Increase in cash and cash equivalents from financing activities	(3,631)	6,295	(3,631)	6,295
Net increase/ (decrease) in cash and cash equivalents	(178,956)	(192)	(178,963)	(235)
Cash and cash equivalents at the beginning of the year	402,051	170,614	402,051	170,614
Profit/(loss) from revaluation of foreign currency positions	(1,467)	(858)	(1,460)	(858)
Cash and cash equivalents at the end of the period	221,628	169,564	221,628	169,521

JSC "LATVIJAS KRĀJBANKA"
Managerial Structure
 (valid from 01.05.2008)

