

**AS "Latvijas Krājbanka"
Interim report
for 12 months of 2010
(unaudited)**

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MANAGEMENT REPORT

Year 2010 has shown some indicators acknowledging ability of Latvian economy to overcome the recent recession. Mainly that reflected in the increase of export and GDP. At the same time taxation changes and government's activities to restrict the budget deficit have left a negative impact on purchasing capacity of population and the overall mood. The economical situation in Latvia remains fragile and dependent on world's economical trends.

The indicators of Latvian economy's recovery in 2010 made impact on ratios of commercial banking sector. According to the information of Financial and Capital Market Commission the average liquidity ratio of the banking sector continued growing and reached 67.87 (the minimum ratio is 30%). During this time banks continued increasing their capital – in 2010 fourteen Latvian banks have increased their capital by LVL 324.4 million in total.

AS Latvijas Krājbanka (hereinafter referred to as Latvijas Krājbanka or the Bank) in 2010 continued following the processes of Latvian economy, at the same time implementing its strategic aims, took part in the social life and supported significant cultural events. The Bank continued offering new and modern products and ensuring the accessibility of its products and services throughout the territory of Latvia.

Financial data

Latvian commercial banking sector completed year 2010 with loss amounting to more than LVL 300 million. During the reporting period, there was a downward trend of the loss observed in the sector, and the total loss amount was substantially lower than in the corresponding period of 2009.

The Bank ended 2010 with profits of LVL 1,551 thousand. The total amount of the Bank assets as of 31 December 2010 comprised LVL 656 million. Over the year, the assets grew by more than LVL 86 million, mostly due to the increase of non-banking deposits.

Due to the traditionally high loyalty of clients, the amount of deposits from private individuals in 2010 grew by almost LVL 30.0 million and the Bank ranked forth among Latvian commercial banks in terms of deposits from private individuals. In 2010 Latvijas Krājbanka retained stable positions in the Latvian commercial banking sector by the key bank performance indices – the Bank ranked sixth in terms of deposit amount, and tenth in terms of loan and asset amount.

Latvijas Krājbanka maintained a high capital adequacy level, which was 11.2 – 13.2% during the reporting period (while the statutory ratio is 8%). The Bank's liquidity over the period remained on the average sector level of 56 - 81% (the statutory rate is 30%). At the end of 2010, the Bank's capital adequacy and liquidity ratios were 14.33 % and 66.58 % respectively.

In 2010 the Bank continued adhering to the cautious lending policy, by carefully evaluating industry, return and risk indices for each loan. At the same time Latvijas Krājbanka issued new credits and continued its cooperation with companies that represent essential sectors of the national economy, presented development plans and opportunities and were willing to cooperate with the bank on mutually beneficial basis.

Major news in the Bank's products and services

In 2010 Latvijas Krājbanka retained its first place among Latvian commercial banks by the number of client service centres – as of 31st December 2010 Latvijas Krājbanka was represented by 109 customer service centres throughout Latvia, of which 28 were mini banks, but the number of ATMs reached 197.

In 2010 Krājbanka continued developing product packages by implementing a *Self-employed Businessman Package* for individuals. In supplement to *Business Package* (for operating and big companies) was created a *Starter Package* for recently established small companies. By combining several of banks services (a bank account, Online banking and an e-signature sample) *Institution Package* was developed especially for the use of municipalities, government and regional government institutions. There have also been some changes to the *Amber Package* which was improved by offering its owners special privileges concerning cash withdrawing from account, payment of bills and Regular payment order registration. The Bank started offering Latvian municipalities a possibility to considerably simplify the single allowance payment system for private individuals by issuing *Social Card*.

The Bank continued its work on improving the functionality of Online Banking and introducing new services to improve customer convenience. The clients of Latvijas Krājbanka who are subject to the residence declaration requirement were able to do it electronically, using an identification system of Online Banking for access to State Regional Development Agency's portal www.latvija.lv. Also in the first half of 2010, users of Online Banking obtained the opportunity, after attaining identification within the web portal www.epakalpojumi.lv, to receive notices on real estate tax payments electronically, by registering their e-mail address. Furthermore Online Bank clients received the access to new e-services, such as mansLMT, CoolTaxi, and BTA.

The quality of services provided by the Bank was affirmed by the "Deutsche Bank's STP Excellence Award", which the Bank has received for the fourth consecutive year. Deutsche Bank has appreciated the quality of processing of payments by Latvijas Krājbanka and acknowledged the professionalism of its employees.

Performance of the Bank and Group Companies

The paid-in share capital of Latvijas Krājbanka as of 4th October 2010 comprised LVL 25 824 248 (31st December 2009 – LVL 19 324 248). The capital adequacy ratio in 2010 was within the limits of 11.2 – 13.2%, thus substantially exceeding the requirements defined by Financial and Capital Market Commission (8%).

At the end of the first quarter of 2010, there was a change in the shareholders structure of the Bank. AB Bankas Snoras increased its participation in the share capital of Krājbanka from 53.22% (31.12.2009) to 88.91%.

At the end of the year (29th December 2010) the shareholders of the Bank decided to exclude Bank's shares from the regulated market, which will stop the quotation of the shares on AS "NASDAQ OMX Riga" Baltic Second list. Concerning this action Bank's major shareholder AB Bankas Snoras expressed a mandatory redemption offer of the shares to other shareholders. This offer is valid from 28th January 2011 till 28th February 2011.

At the beginning of February 2010, the first foreign representative office of Krājbanka was registered in London. It represents the Bank, its subsidiaries and the services provided by the Group. The representative office observes opportunities of the financial markets, investment possibilities and business environment and develops relationship with the corresponding banks.

During the reported period the Group's companies continued the successful development of their activity.

The amount of gross written premiums of the Bank's subsidiary AAS LKB Life (hereinafter referred to as LKB Life) during the reporting period has increased by 230%, reaching almost 540 000 LVL – this shows that LKB Life is the fastest growing life insurance company in Latvia.

During 2010 a completely new and unique accumulative insurance product was developed on the Latvian market - "Complex life insurance", which unites accumulation of savings with the best features of insurance and health care. Thus a significant announcement of entry into health insurance market was made.

SIA "LKB Līzings" (hereinafter referred to as LKB Līzings) in 2010 focused on improvement of the payment discipline, debt recovery and realization of leased items alienated from clients as well as improvement of its internal processes and development of the program "Lease manager".

The portfolio of LKB Līzings as of 31st December 2010 comprised LVL 17 224 000. The majority of company's leasing portfolio consisted of passenger vehicles – 52% and industrial leasing – 41%, the rest of portfolio was commercial transport leasing – 7%. In 2010 the amount of granted funding increased by 45% comparing to 2009. In the end of 2010 LKB Līzings became a member of „International Factors Group” Association, which allows the company to support Latvian export companies. In the end of December LKB Līzings introduced a new financial product – factoring, which is accessible in local and export transactions to supplement liquid assets of companies, balance cash flow and supervise customer credit risk.

Last year was a year of fast growth for the Bank subsidiary AS IBS "Renesource Capital", which offers broker services. During the last year the number of clients has increased by more than 5 times, also a fast increase in attracted assets and opened financial instrument accounts could be seen.

In 2010 AS IBS "Renesource Capital" continued developing its broker activity model by focusing their basic activity on marginal currency transactions (FOREX), mediatory transactions concerning precious metals and share trade.

In late May, Latvijas Krājbanka established several new subsidiaries to carry out management and administration of real estate - SIA LKB Rīgas īpašumi, SIA LKB Property, SIA Jēkaba 2, and SIA Brīvības 38. The companies were established in order to optimize the activities of Krājbanka by dividing the assets unrelated to the main banking activity.

During 2010 Krājbanka signed agreements with AS Finasta Holding on the sale of the shares owned by Latvijas Krājbanka in AS "Ieguldījumu pārvaldes sabiedrība, "LKB Krājfondi"", AS "Ieguldījumu pārvaldes sabiedrība", LKB Asset Management" and AS "Pirmais atklātais pensiju fonds". These changes will not affect the Bank's obligations, and the agreements signed with the clients and their provisions will remain in force. Further management of investment assets will be provided by the investment group AS Finasta Holding.

Also in 2010 the Bank also continued accumulating the necessary savings for possible losses, problematic financial assets, which substantially affected the ratios of profits from the Bank's financial activity. Due to the cautious lending policy of the Bank during the previous years, risk management, control policy and procedures the amount of the Bank's special accumulations is lower than in the Latvian banking sector in general. The diversification of the Bank's credit portfolio by industries and the capitalization level of the Bank allowed it to avoid losses, which could be made by active participation in the construction industry's funding projects during last years.

Public activities

Considering the Bank's extensive network of customer service centres, it has set a goal to pay special attention to the customers not only in the capital city but also throughout Latvia. It refers to both the development of Bank's business services and the support of social and cultural life.

Using the experience of a Great friend (Lieldraugs) of the Overall Song and Dance Celebration, Latvijas Krājbanka supported Latgales Song Celebration which took place during the first weekend of June in Daugavpils. This Celebration has both cultural and historical significance, as well as takes a special place in the further strategic development of the region.

Krājbanka has adhered to the traditions and supported new performance of the play "Skroderdienas Silmačos" at the Latvian National Theatre.

The Bank continued its successful cooperation with LNT - on the last Sunday before Līgo feast Latvijas Krājbanka in collaboration with LNT invited families from the whole Latvia to Open-air museum to experience an unprecedented event – to participate in creation of the biggest Līgo wreath in Latvia. More than 8500 people from the whole Latvia attended the event, but TV viewers could watch the event all day long in live broadcasts of LNT.

Responding to the invitation of the Latvian Children's Fund, the Bank supported the camp for children with special needs organized by the Fund in summer 2010.

With Krājbanka support city of Salacgrīva got an additional beautiful and precious event – Salacgrīvas classical music festival and the championship of students from musical academies organized by Moscow's virtuosos, which earned the acknowledgement of locals and visitors. Krājbanka also supported municipality of Sigulda, earning the title of Siguldas Opera music festivals general organizer.

Autumn season started with the support in publishing Dailes theatre's musical double album "Spēlēju, dancoju", which was made in honour of the 90th anniversary of Dailes theatre by the record company "Upe tuviem un tāliem".

With the support of Krājbanka the

biggest musical event of the year in Latvia took place in November – two concerts of the Birmingham symphonic orchestra in Latvian National opera with conduction of Andris Nelsons. With one of the worlds best orchestra’s played pianist Vestard Šimkus.

Latvijas Krājbanka is the oldest Latvian commercial bank, which has retained its traditions and values. At the same time the Bank actively follows the processes of economy in Latvia and world, processes in Latvian society, implementing the newest technological trends in its services and aiming for the highest possible level of customer service.

We would like to thank the employees of AS "Latvijas Krājbanka" in the name of Latvijas Krājbankas management for their contribution in achievement of banks strategic goals.

We wish success and luck to our clients and cooperation partners!

Yours sincerely,

Ivars Priedītis
Chairman of the Board

Riga,
28 February 2011

As at 31 December 2010 the members of the Supervisory Council of the Bank were as follows:

Council of the Bank

<i>Name, surname</i>	<i>Position</i>	<i>Date of appointment\ reappointment</i>
Raimondas Baranauskas	Chairman of the Council	28/10/2005 \ 26/03/2010
Aleksandrs Antonovs	Deputy Chairman of the Council	28/10/2005 \ 26/03/2010
Naglis Stancikas	Council Member	28/10/2005 \ 26/03/2010
Oļegs Suhorukovs	Council Member	28/10/2005 \ 26/03/2010
Vladimirs Antonovs	Council Member	07/09/2009 \ 26/03/2010

On 26 March 2010, the extraordinary shareholders meeting of AS Latvijas Krājbanka resolved to make changes in the Council. The new Council is elected for a period of three years and its term of office begins on 26 March 2010. The new Council consists of the following re-elected members: Raimondas Baranauskas, Aleksandrs Antonovs, Naglis Stancikas, Oļegs Suhorukovs, and Vladimirs Antonovs. Mārtiņš Bondars was not re-elected to the Council of AS Latvijas Krājbanka. Raimondas Baranauskas and Aleksandrs Antonovs were elected as Chairman of the Council and Deputy Chairman of the Council respectively at the Council's meeting on 29 March 2010.

There have been no other changes in the Council from 26 March 2010 until the date of signing these financial statements.

As at 31 December 2010 the Members of the Board of the Bank were as follows:

Board of the Bank

Name, surname	Position	Date of appointment\ reappointment
Ivars Priedītis	Chairman of the Board / President	18/07/2007 \ 18/07/2010
Dzintars Pelcbergs	First Deputy Chairman of the Board / First Vice President	02/01/2006 \ 03/01/2009
Svetlana Ovčiņņikova	Board Member	19/06/2006\ 20/06/2009
Martiņš Zalāns	Board Member	29/12/2010

According to the decision of the Council of 13 December 2010, Mārtiņš Zalāns was elected as Board Member for the three-year term of office starting from 29 December 2010.

On 17 January 2011, Andrejs Surmačs resigned as Board Member and was appointed as Vice President of the Bank.

Appointment and dismissal of the Board Members can be made in accordance with the Commercial Law and the Articles of Association of the Bank. The Council has a right to appoint and dismiss the Board Members. The Board Members are elected for a three-year period and the Council elects the Chairman of the Board (President) and the First Deputy Chairman of the Board (First Vice President).

The Board manages the Bank in accordance with the laws of the Republic of Latvia, the Articles of Association and the decisions of the shareholders' meeting. The Council approval is necessary for certain Board's decisions, which refers to the approval of business principles and policies, budget and operating plan, documents governing the lending policy, remuneration of internal auditors, assigning the loan categories specified in the Bank's statutory documents as well as share capital increases following the procedure laid down in Clause 5.16 of the Articles of Association.

According to the Commercial Law, only the shareholders' meeting is competent to decide on issue and repurchase of the Bank's shares. As it is provided in the Articles of Association, the Board will be authorised to decide on the increase of the Bank's share capital by an amount not exceeding LVL 3'900'000 (three million nine hundred thousand lats) until 1 September 2014. In the event of an increase of the share capital according to the procedure laid down in Clause 5.16 of the Articles of Association, the new share issue will be paid only in cash no later than three months from the date of the respective Board's decision.

Statement of responsibility of the management

The Management of AS Latvijas Krājbanka is responsible for the preparation of the financial statements of the Bank.

These financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union and give a true and fair view of the assets, liabilities and financial position of the Bank and the Group as at 31 December 2010 and 31 December 2009, and results of their operations, changes in the shareholders' equity and cash flows for periods ended 31 December 2010 and 31 December 2009. The financial statements in accordance with the source documents and present fairly the financial position of the Bank as at 31 December 2010.

The interim consolidated financial statements for the 12-month period ended 31 December 2010 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgment and estimates have been made by the Management in the preparation of the financial statements.

The Management of AS Latvijas Krājbanka is responsible for the maintenance of proper accounting records, the safeguarding of the Bank's assets and the prevention and detection of fraud and other irregularities in the Bank. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, the regulations of the Bank of Latvia, the instructions of the Financial and Capital Market Commission and other legislation of the Republic of Latvia applicable to credit institutions.

Ivars Priedītis
Chairman of the Board /
President

Riga,
28 February 2011

Consolidated entities

31 December 2010

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.	SIA "Krājinvestīcijas" Reg.No. 40003687374	LV, Rīga, Jekaba street 2	CKS	100	100	MS
2.	SIA "LKB līzings" Reg. No.40003887450	LV, Rīga, J.Daliņa street 15	CFI	100	100	MS
3.	SIA "LKB drošība" Reg.No.40103179152	LV, Rīga, Jekaba street 2	CKS	100	100	MS
4.	AAS "LKB Life" Reg.No.400033053851	LV, Rīga, J.Daliņa street 15	APS	99.79	99.79	MS
5.	SIA "LKB M & A" ("LKB Collect") Reg.No.40103251717	LV, Rīga, J.Daliņa street 15	CKS	100	100	MS
6.	AS IBS "Renesource Capital" Reg.No.40003415571	LV, Rīga, J.Daliņa street 15	ISA	100	100	MS
7.	SIA "LKB Rīgas īpašumi" Reg.No.40103293725	LV, Rīga, Antonijas 6	CKS	100	100	MS
8.	SIA "LKB property" Reg.No.40103293763	LV, Jūrmala, Strelnieku prospekts 11	CKS	100	100	MS
9.	SIA "Jēkaba 2" Reg.No.40103293621	LV, Rīga, Jekaba 2	CKS	100	100	MS
10.	SIA "Brīvības 38" Reg.No.40103293246	LV, Rīga, J.Dalina, 15	CKS	100	100	MS
11.	SIA „Baltic Property Projects” Reg.No.-	LV, Rīga, JDalina, 15	CKS	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.

Statement of comprehensive income/expense

31 December 2010

LVL '000	Group 31/12/2010 (unaudited)	Group 31/12/2009 (audited)	Bank 31/12/2010 (unaudited)	Bank 31/12/2009 (audited)
Interest revenue	25,226	34,229	25,169	32,437
Interest expense	(22,646)	(24,404)	(22,805)	(24,170)
Net interest revenue	2,580	9,825	2,364	8,267
Commission and fee revenue	9,128	8,247	9,100	7,866
Financial intermediation	-	5,620	-	4,920
Commission and fee expense	(3,583)	(2,374)	(3,755)	(2,836)
Net commission and fee revenue	5,545	11,493	5,345	9,950
Dividend revenue	16	-	16	100
Net result on sale of securities and foreign exchange trading and revaluation	4,255	8,217	4,233	8,308
Penalty income	-	2,949	-	2,949
Other operating revenue	10,385	2,110	9,049	977
Operating revenue	21,781	34,594	21,007	30,551
Personnel expense	(10,625)	(11,361)	(9,962)	(10,357)
Depreciation and amortisation expense	(1,852)	(2,221)	(1,653)	(2,057)
Other operating expense	(12,398)	(11,546)	(11,680)	(10,359)
Total operating expense	(24,875)	(25,128)	(23,295)	(22,773)
Impairment losses	(896)	(11,345)	(940)	(9,753)
Impairment of other assets	(637)	-	(676)	-
Loss before corporate income tax from continuing operations	(3,627)	(1,879)	(3,904)	(1,975)
Corporate income tax	91	(56)	622	(3)
Loss for the reporting year from continuing operations	(3,536)	(1,935)	(3,282)	(1,978)
Profit/ (loss) after tax for the reporting period from discontinued operations	(175)	-	253	-
Loss for the reporting year	(3,711)	(1,935)	(3,029)	(1,978)
<i>Attributable to:</i>				
Shareholders of the Bank.	(3,711)	(1,935)	(3,029)	(1,978)
Non-controlling interest	-	-	-	-
Foreign currency revaluation reserve	-	632	-	-
Net change of the revaluation reserve	465	(597)	-	(597)
Total comprehensive (loss) for the reporting year	(3,246)	(1,900)	(3,029)	(2,575)
<i>Attributable to:</i>				
Shareholders of the Bank.	(3,246)	(1,900)	(3,029)	(2,575)
Non-controlling interest	-	-	-	-
Transfer of the revaluation reserve to the retained earnings	-	-	4,580	-
(Accumulated deficit)/ retained earnings, net	(3,246)	(1,900)	1,551	(2,575)
Basic earnings per share (Lats per share)	(0.177)	(0.143)	-	-
Diluted earnings per share (Lats per share)	(0.177)	(0.143)	-	-

Balance sheet

31 December 2010

LVL '000	Group 31/12/2010	Group 31/12/2009	Bank 31/12/2010	Bank 31/12/2009
Assets				
Cash and demand deposits with central banks	135,859	44,332	135,859	44,332
Due from credit institutions	104,627	102,464	103,435	102,239
Financial assets at fair value through profit or loss	11,172	5,721	11,172	5,509
Loans and advances to customers	331,728	361,186	332,152	368,568
Held-to-maturity investments	9,676	11,426	9,659	11,108
Investment properties	26,675	1,153	23,600	1,153
Assets held for sale	66	4,275	193	4,275
Investments in subsidiaries	-	-	22,038	4,322
Intangible assets	1,264	1,537	1,115	1,191
Tangible assets	17,842	19,537	6,751	19,313
Prepayments and accrued income	833	717	810	702
Corporate income tax receivable	172	689	172	689
Other assets	14,290	13,731	9,456	6,505
Total assets	654,204	566,768	656,412	569,906
Liabilities				
Due to credit institutions	2,058	16,431	2,058	16,431
Deposits from customers	575,502	476,155	577,752	480,418
Derivatives	64	172	64	172
Debt securities issued	-	3,546	-	3,546
Deferred income and accrued expense	2,393	1,422	2,341	1,376
Provisions for off-balance sheet commitments	-	-	376	902
Corporate income tax liability	-	45	-	-
Deferred tax liability	225	847	225	847
Liabilities directly associated with the assets classified as held for sale	121	-	94	-
Other liabilities	2,372	3,496	1,371	1,115
Subordinated debt	15,491	15,181	15,491	15,181
Total liabilities	598,226	517,295	599,772	519,988
Equity				
Paid-in share capital	25,824	19,324	25,824	19,324
Share premium	19,138	15,887	19,138	15,887
Reserve capital and other reserves	626	626	626	626
Revaluation reserve	5,232	4,767	187	4,767
Retained earnings	5,153	8,864	10,865	9,314
Total equity attributable to equity holders	55,973	49,468	56,640	49,918
Non-controlling interest	5	5	-	-
Total shareholders' equity	55,978	49,473	56,640	49,918
Total liabilities and shareholders' equity	654,204	566,768	656,412	569,906

Statements of changes in shareholder's equity

Group LVL '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Non- controlling interest	Total equity and non- controlling interest
Balance as at 31 December 2008	12,149	12,300	626	5,364	(322)	10,800	663	41,580
Loss for the period	-	-	-	-	-	(1,935)	-	(1,935)
Other comprehensive income	-	-	-	(597)	322	-	310	35
Total comprehensive income	-	-	-	(597)	322	(1,935)	310	(1,900)
Share issue	7,175	3,587	-	-	-	-	-	10,762
Non controlling interest of subsidiaries acquired	-	-	-	-	-	-	(968)	(968)
Dividends paid	-	-	-	-	-	(1)	-	(1)
Balance as at 31 December 2009	19,324	15,887	626	4,767	-	8,864	5	49,473
Loss for the period	-	-	-	-	-	(3,711)	-	(3,711)
Other comprehensive income	-	-	-	465	-	-	-	465
Total comprehensive income	-	-	-	465	-	(3,711)	-	(3,246)
Share issue	6,500	3,251	-	-	-	-	-	9,751
Balance as at 31 December 2010(unaudited)	25,824	19,138	626	5,232	-	5,153	5	55,978

Bank LVL '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Retained earnings	Total equity
Balance as at 31 December 2008	12,149	12,300	626	5,364	11,293	41,732
Loss for the period	-	-	-	-	(1,978)	(1,978)
Other comprehensive income	-	-	-	(597)	-	(597)
Total comprehensive income	-	-	-	(597)	(1,978)	(2,575)
Share issue	7,175	3,587	-	-	-	10,762
Dividends paid	-	-	-	-	(1)	(1)
Balance as at 31 December 2009	19,324	15,887	626	4,767	9,314	49,918
Loss for the period	-	-	-	-	(3,029)	(3,029)
Other comprehensive income	-	-	-	(4,580)	4,580	-
Total comprehensive income	-	-	-	(4,580)	1,551	(3,029)
Share issue	6,500	3,251	-	-	-	9,751
Balance as at 31 December 2010(unaudited)	25,824	19,138	626	187	10,865	56,640

During the first half of 2009, the Bank paid dividends on preferred shares in the amount of LVL 0.244 per share

Cash flow statement

LVL '000	Group 31/12/2010 (unaudited)	Group 31/12/2009 (audited)	Bank 31/12/2010 (unaudited)	Bank 31/12/2009 (audited)
Cash flows to/ from operating activities				
Profit before corporate income tax	(3,627)	(1,879)	(3,904)	(1,975)
Profit/ (loss) from discontinued operations	(175)		253	
Depreciation and amortisation expense	1,852	2,221	1,653	2,057
Increase in impairment losses	896	11,345	940	9,753
(Gain)/loss on foreign currency translation	(1,496)	2,847	(1,468)	2,740
(Gain)/loss on revaluation of investments	(1,648)	(515)	(1,648)	(499)
(Gain)on revaluation of investments property	(8,672)	(599)	(8,319)	(599)
Loss from revaluation of tangible assets	638	431	676	431
Other non-cash items included in profit before tax	-	(2,389)	-	(2,389)
(Gain) on sale of subsidiary	-	(336)	-	-
(Gain)/loss from disposal of fixed and intangible assets	23	9	23	9
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of operating activities	(12,209)	11,135	(11,794)	9,528
(Increase)/ decrease in balances due from credit institutions	(4,596)	6,367	(3,412)	5,414
(Increase) in loans and advances to customers	15,619	(35,807)	22,051	(37,481)
Decrease/(increase) in financial assets at fair value through profit or loss	(4,321)	716	(4,533)	789
Decrease in financial assets held for trading	-	313	-	-
Decrease available-for-sale financial assets	(76)	1	(203)	-
(Increase)/ decrease in prepayments and accrued income	(116)	(141)	(108)	(150)
(Increase) in other assets	1,540	(4,611)	2,076	(2,903)
(Decrease)Increase in balances due to credit institutions	(401)	(13,284)	(401)	(10,192)
Increase/ (decrease) in deposits from customers	99,347	(105,631)	97,334	(104,377)
Net decrease/(increase) in derivatives	420	(570)	420	(570)
(Decrease)Increase in debt securities issued	-	(58)	-	(58)
Increase/(decrease) in deferred income and accrued expense	971	(102)	965	(98)
Increase/(decrease) in other liabilities	(1,003)	(166)	350	(919)
Net increase in cash and cash equivalents from operating activities	95,175	(141,838)	102,745	(141,017)
Corporate income tax paid	(73)	(45)	-	-
Net increase in cash and cash equivalents	95,102	(141,883)	102,745	(141,017)
Cash flows to/ from investing activities				
(Purchase) of fixed and intangible assets	(864)	(708)	(840)	(563)
Proceeds from disposal of fixed and intangible assets	281	224	15	15
Investment in subsidiaries, net	-	-	(6,855)	(905)
Investment properties	(1,214)		(1,214)	
(Purchase) of held to maturity investments	(5,714)	(2,996)	(5,714)	(2,996)
Proceeds from held to maturity investments	7,464	12,614	7,163	12,724
Increase in cash and cash equivalents from investing activities	(47)	9,134	(7,445)	8,275
Cash flows to/ from financing activities				
Issue of shares	6,500	7,175	6,500	7,175
Share premium	3,251	3,587	3,251	3,587
(Decrease)Increase in debt securities issued	(3,546)	-	(3,546)	-
Dividends paid	-	(1)	-	(1)
Proceeds from issue of subordinated debt	-	6,091	-	6,091
Net cash flows to/ from financing activities	6,205	16,852	6,205	16,852
Net increase/ (decrease) in cash and cash equivalents	101,260	(115,897)	101,505	(115,890)
Cash and cash equivalents at the beginning of the year	123,012	241,694	122,788	241,356
Foreign exchange difference	1,806	(2,785)	1,778	(2,678)
Cash and cash equivalents at the end of the year	226,078	123,012	226,071	122,788

Cash flows from interest and dividends

LVL '000	Group 2010	Group 2009	Bank 2010	Bank 2009
Interest paid	16,373	16,104	16,522	15,819
Interest received	17,109	30,067	17,032	28,227
Dividends received	15	-	15	100

Operational results
31 December 2010

Name of the Item	Reporting period (unaudited)	Previous reporting year (audited)
Return on equity (ROE) (%)	3.21	(4.72)
Return on assets (ROA) (%)	0.25	(0.36)

Shareholders and Equity

As of December 31, 2010, the Bank's registered and paid-in stock capital comprised 25,824 thousand lats (December 31, 2009 - LVL 19.324 thousand). The stock capital consists of 25,824,248 shares, including 25,821,414 ordinary bearer shares and 2,834 "A" category preference bearer shares. Nominal value of each 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 alienation of the shares.

In the result of increase of stock capital the following changes has occurred in the structures of biggest shareholders: the share of the shareholder AB Bankas "Snoras", having its legal address at 7 A. Vivulskio Street, LT-03221, Vilnius, the Republic of Lithuania, in the stock capital of the Bank has increased from 85.17% (30.06.2010) up to 88.91 from the paid-in stock capital (88.92% from the total number of the shares with voting right). The ratio of the shares with voting right owned by the company "Ratto Holdings Limited" has diminished from 6.28% (30.06.2010) up to 4.7% from the stock capital and total number of the Bank shares with voting right. There have been no other significant changes in the biggest shareholders structure of AS "Latvijas Krājbanka".

Shares

JSC "Latvijas Krājbanka" shares are listed on NASDAQ OMX Riga Secondary market (till May 21, 2007 Free list) since October 27, 2004:

ISIN	LV0000101103, LV0000200012
Ticker	LKB1R, LKB2R
Nominal value	1,00 LVL
Indexes	B40GI, B40PI, OMXBGI, OMXBPI, OMXRGI

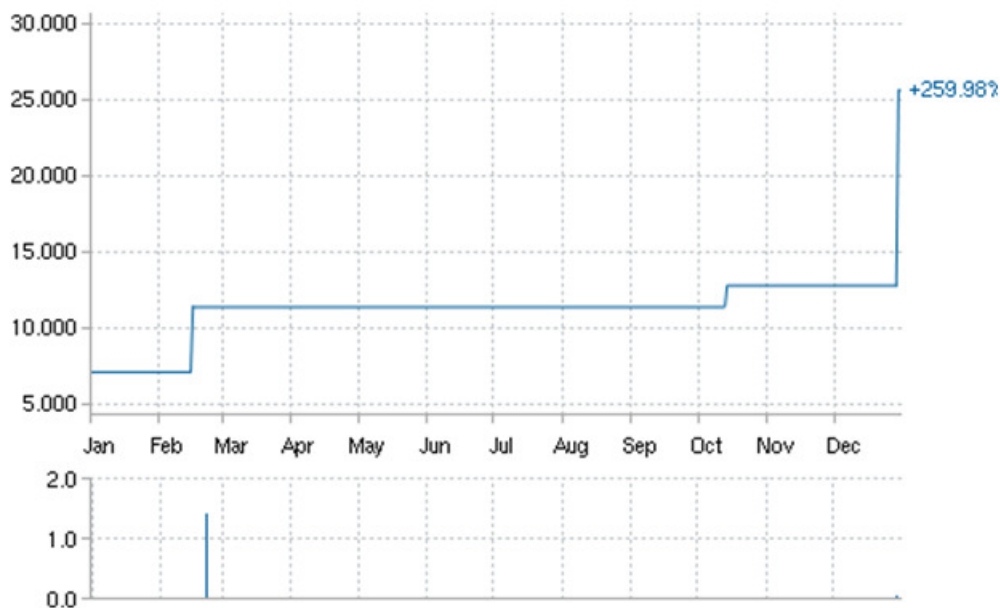
JSC "Latvijas Krājbanka" share (LKB1R) price development for the period 01.01.10 – 31.12.10



Currency: LVL

Open	0.860 LVL
Max	2,100 LVL
Min	0,820 LVL
Last	1,795 LVL
Change	130,128 %
Deals	484
No of shares traded	110 274
Turnover	149 313,55 LVL

JSC "Latvijas Krājbanka" share (LKB2R) price development for the period 01.01.10 – 31.12.10



Currency: LVL

Open	5,000 LVL
Max	17,999 LVL
Min	8,000 LVL
Last	17,999 LVL
Change	259,980%
Deals	4
No of shares traded	126
Turnover	1 019,00 LVL

Summary of significant accounting policies

The interim consolidated financial statements for the 12-month period ended 31 December 2010 have been prepared in accordance to the IAS 34 Interim Financial Statements.

The accounting policies adopted in the preparation of the interim consolidated financial statements is consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

Basic guidelines of the development strategy for 2010-2011

Mission of the Bank

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

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

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

The Bank's strategy is developed for the time period 2010-2011 and within the period it will be updated according to the economic and financial situation in Latvia and in the world. In the strategy development the emphasis was placed on the essential preconditions of the further successful existence of the Bank: provision of liquidity, capital adequacy management, credit risk management and Maintaining market share under intense competition, insufficient external funding and reduction of clients` solvency.

1. Business vision.

1.1. Clients.

Target client group of Latvijas Krājbanka –

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

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

1.2. Products and Sales

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

1.3. Markets and Market Presence

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

1.4. Investment Policy

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

1.5. Target Results

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

The planned figures as of the end of 2011:

- a) Increase of the Bank's equity by 70%, reaching LVL 71 million;
- b) Increase of the Bank's assets by 20%, reaching LVL 820 million;
- c) The credit portfolio increase by 15%, reaching LVL 400 million;
- d) Increase of deposit dynamics by at least 15%;
- e) Increase of net commission income by 15 %, reaching LVL 7,8 million;

- f) Increase of the income from trade with financial instruments and currency transactions by 40%, reaching LVL 9 million.

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

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

2.1. Capital Adequacy Management Strategy.

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

Krājbanka manages all identified risks:

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

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

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

2.2. Credit Risk.

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

2.3. Liquidity Risk Management

Krājbanka manages the Liquidity risk according to the limits defined in the Risk management policy. Krājbanka maintains the liquidity, which is not lower than 30 percents for the total amount of current liabilities of the Bank, and in 2010 Krājbanka maintains high liquidity.

2.4. Operational Risk

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

2.5. Human Resources Policy.

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

2.6. Provision of Business support Function

2.6.1. IT development

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

2.6.2. Use of External Services

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

3. Development of Krājbanka group

The Bank's development happens along with activity of the companies working within the group. 31 December 2010 subsidiaries are working within the Bank's group:

- a) SIA "LKB lizings" (Ltd.);
- b) SIA "Krājinvestīcijas" (Ltd.);
- c) SIA "LKB Drošība" (Ltd.);
- d) AAS "LKB LIFE" (IISC);
- e) SIA "LKB M & A" Ltd);
- f) AS IBS "Renesource Capital"(JSC);
- g) SIA „LKB Rīgas īpašumi”(Ltd.)
- h) SIA „LKB property”(Ltd.);
- i) SIA „Jēkaba 2”(Ltd.);
- j) SIA „Brīvības 38”(Ltd.).

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 credit risks, which arise from the liability to issue additional credits and from the issued guarantees, which is to display in the off-balance.

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.

Liquid assets portfolio of the Bank is its liquidity risk management chief instrument.

Market risk

Market risk is a financial risk related to the future value of assets and liabilities of the Bank, influenced by changes in interest rates, currency exchange rates and changes in commodity and share prices. The Bank's activity can be threatened by changes in interest rates and currency exchange rates. In the result of such variations, the income both can increase and decrease. The limitations of variation impact are determined by the demand of foreign currency risk management and interest rate risk management defined in the Bank's Risk management policy. The limits restricting those Risks are being controlled and evaluated on a regular basis.

The Bank's reliance on changes of interest rates is being controlled by the Investments department of the Bank on everyday basis, and also by the Risk Department on a regular basis, using analysis method of assets and liabilities reassessment term distortion (GAP), subjected to the changes of interest rates.

The Bank's Board determines basic rates for clients' credits and deposits, as well as defines the key principles by the development of the Bank's investment portfolio.

The Bank's "Risk management policy" determines admissible amount of open positions for the separate currencies and the total open position for currency. The Investments department ensures the Bank's operation within the approved limits for the open currency positions, the Risk Department controls the observance of the limits stated in the policy

In the case of necessity the Bank's dependence from the Market risk is reduced with an aid of derivative financial instruments.

Operational risk

Operational risk is a possibility to incur loss due to the inadequate or incomplete internal process, human or system operation, or due to the impact of external conditions, including legal risk, but excluding strategic and reputation risk.

The Bank has developed the operational risk monitoring policy.
In the Bank was introduced the system for the operational risk identification.

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 (31.12.2010.)

Ratings assigned by Fitch Ratings

On 8 April 2009 rating agency *Fitch Ratings* withdrew the ratings on Latvijas Krājbanka at the Bank's request following the suspension of Bank's cooperation with the agency.

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

Ratings assigned by Moody's Investors Service

On 16 April 2009 rating agency *Moody's Investors Service* withdrew the ratings on Latvijas Krājbanka at the Bank's request following the suspension of Bank's cooperation with the agency

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

Ratings assigned by Standard&Poor's

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

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

The additional information

For information purposes Financial statements are presented in EUR currency by rate of exchange 1 EUR=0,702804 LVL (31.12.2010 and 31.12.2009).

Statement of comprehensive income/expense

31 December 2010

EUR '000	Group 31/12/2010 (unaudited)	Group 31/12/2009 (audited)	Bank 31/12/2010 (unaudited)	Bank 31/12/2009 (audited)
Interest revenue	35,893	48,704	35,812	46,154
Interest expense	(32,222)	(34,724)	(32,448)	(34,391)
Net interest revenue	3,671	13,980	3,364	11,763
Commission and fee revenue	12,988	11,735	12,948	11,192
Financial intermediation	-	7,997	-	7,001
Commission and fee expense	(5,098)	(3,378)	(5,343)	(4,035)
Net commission and fee revenue	7,890	16,354	7,605	14,158
Dividend revenue	23	-	21	142
Net result on sale of securities and foreign exchange trading and revaluation	6,054	11,691	6,023	11,821
Penalty income	-	4,196	-	4,196
Other operating revenue	14,776	3,002	12,877	1390
Operating revenue	32,414	49,223	29,890	43,470
Personnel expense	(15,118)	(16,165)	(14,175)	(14,737)
Depreciation and amortisation expense	(2,635)	(3,160)	(2,352)	(2,927)
Other operating expense	(17,641)	(16,428)	(16,619)	(14,739)
Total operating expense	(35,394)	(35,753)	(33,146)	(32,403)
Impairment losses	(1,275)	(16,142)	(1,337)	(13,877)
Impairment of other assets	(906)	-	(962)	-
Loss before corporate income tax from continuing operations	(5,161)	(2,672)	(5,555)	(2,810)
Corporate income tax	128	(80)	885	(4)
Loss for the reporting year from continuing operations	(5,033)	(2,752)	(4,670)	(2,814)
Profit/ (loss) after tax for the reporting period from discontinued operations	(249)	-	360	-
Loss for the reporting year	(5,282)	(2,752)	(4,310)	(2,814)
<i>Attributable to:</i>				
Shareholders of the Bank.	(5,282)	(2,752)	(4,310)	(2,814)
Non-controlling interest	-	-	-	-
Foreign currency revaluation reserve	-	899	-	-
Net change of the revaluation reserve	661	(849)	-	(849)
Total comprehensive (loss) for the reporting year	(4,621)	(2,702)	(4,310)	(3,663)
<i>Attributable to:</i>				
Shareholders of the Bank.	(4,621)	(2,702)	(4,310)	(3,663)
Non-controlling interest	-	-	-	-
Transfer of the revaluation reserve to the retained earnings	-	-	6,516	-
(Accumulated deficit)/ retained earnings, net	(4,621)	(2,702)	2,206	(3,663)
Basic earnings per share (euro per share)	(0.252)	(0.203)		
Diluted earnings per share (euro per share)	(0.252)	(0.203)		

Balance sheets

31 December 2010

EUR '000	Group	Group	Bank	Bank
	31/12/2010 (unaudited)	31/12/2009 (audited)	31/12/2010 (unaudited)	31/12/2009 (audited)
Assets				
Cash and demand deposits with central banks	193,310	63,079	193,310	63,079
Due from credit institutions	148,871	145,793	147,175	145,473
Financial assets at fair value through profit or loss	15,896	8,140	15,896	7,838
Loans and advances to customers	472,006	513,921	472,610	524,425
Held-to-maturity investments	13,768	16,258	13,744	15,805
Investment properties	37,955	1,640	33,580	1,640
Assets held for sale	94	6,083	275	6,083
Investments in subsidiaries	-	-	31,357	6,150
Intangible assets	1,798	2,187	1,586	1,695
Tangible assets	25,387	27,799	9,606	27,480
Prepayments and accrued income	1,185	1,020	1,152	999
Corporate income tax receivable	245	980	245	980
Other assets	20,333	19,538	13,455	9,256
Total assets	930,848	806,438	933,991	810,903
Liabilities				
Due to credit institutions	2,928	23,379	2,928	23,379
Deposits from customers	818,866	677,507	822,067	683,573
Derivatives	91	244	91	244
Debt securities issued	-	5,045	-	5,045
Deferred income and accrued expense	3,405	2,023	3,331	1,959
Provisions for off-balance sheet commitments	-	-	535	1,283
Corporate income tax liability	-	64	-	-
Deferred tax liability	320	1,205	320	1,205
Liabilities directly associated with the assets classified as held for sale	172	-	134	-
Other liabilities	3,375	4,975	1,950	1,586
Subordinated debt	22,042	21,600	22,042	21,600
Total liabilities	851,199	736,042	853,398	739,874
Equity				
Paid-in share capital	36,744	27,496	36,744	27,496
Share premium	27,231	22,605	27,231	22,605
Reserve capital and other reserves	891	891	891	891
Revaluation reserve	7,444	6,783	267	6,783
Retained earnings	7,332	12,614	15,460	13,254
Total equity attributable to equity holders	79,642	70,389	80,593	71,029
Non-controlling interest	7	7	-	-
Total shareholders' equity	79,649	70,396	80,593	71,029
Total liabilities and shareholders' equity	930,848	806,438	933,991	810,903

Statement of changes in shareholder's equity

Group EUR '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluatio n reserve	Foreign currency translation reserve	Retained earnings	Non- controlling interests	Total equity
Balance as at 1 January 2009	17,287	17,501	891	7,632	(458)	15,367	943	59,163
Loss for the period	-	-	-	-	-	(2,752)	-	(2,752)
Other comprehensive expense	-	-	-	(849)	458	-	441	50
Total comprehensive expense	-	-	-	(849)	458	(2,752)	441	(2,702)
Issue of shares	10,209	5,104	-	-	-	-	-	15,313
Non controlling interest of subsidiaries acquired	-	-	-	-	-	-	(1,377)	(1,377)
Dividends paid	-	-	-	-	-	(1)	-	(1)
Balance as at 1 January 2010	27,496	22,605	891	6,783	-	12,614	7	70,396
Loss for the period	-	-	-	-	-	(5,282)	-	(5,282)
Other comprehensive income	-	-	-	661	-	-	-	661
Total comprehensive income/ (expense) for the period	-	-	-	661	-	(5,282)	-	(4,621)
Issue of shares	9,248	4,626	-	-	-	-	-	13,874
Balance as at 31 December 2010 (unaudited)	36,744	27,231	891	7,444	-	7,332	7	79,649

Bank EUR '000	Paid-in share capital	Share premium	Reserve capital and other reserves	Revaluation reserve	Retained earnings	Total Equity
Balance as at 1 January 2009	17,287	17,501	891	7,632	16,069	59,380
Loss for the period	-	-	-	-	(2,814)	(2,814)
Other comprehensive expense	-	-	-	(849)	-	(849)
Total comprehensive expense	-	-	-	(849)	(2,814)	(3,663)
Dividends paid	-	-	-	-	(1)	(1)
Issue of shares	10,209	5,104	-	-	-	15,313
Balance as at 1 January 2010	27,496	22,605	891	6,783	13,254	71,029
Loss for the period	-	-	-	-	(4,310)	(4,310)
Other comprehensive income	-	-	-	(6,516)	6,516	-
Total comprehensive income	-	-	-	(6,516)	2,206	(4,310)
Issue of shares	9,248	4,626	-	-	-	13,874
Balance as at 31 December 2010 (unaudited)	36,744	27,231	891	267	15,460	80,593

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

Cash flow statement

EUR '000	Group 31.12.2010 (unaudited)	Group 31.12.2009 (audited)	Bank 31.12.2010 (unaudited)	Bank 31.12.2009 (audited)
Cash flows to/ from operating activities				
Profit before corporate income tax	(5,161)	(2,672)	(5,555)	(2,810)
Profit/ (loss) from discontinued operations	(249)	-	360	-
Depreciation and amortisation expense	2,635	3,160	2,352	2,927
Increase in impairment losses	1,275	16,142	1,338	13,877
(Gain)/loss on foreign currency translation	(2,129)	4,051	(2,089)	3,899
(Gain)/loss on revaluation of investments	(2,345)	(733)	(2,345)	(710)
(Gain)on revaluation of investments property	(12,339)	(852)	(11,837)	(852)
Loss from revaluation of tangible assets	908	613	962	613
Other non-cash items included in profit before tax	-	(3,399)	-	(3,399)
(Gain) on sale of subsidiary	-	(478)	-	-
(Gain)/loss from disposal of fixed and intangible assets	33	13	33	13
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of operating activities	(17,372)	15,845	(16,781)	13,558
(Increase)/ decrease in balances due from credit institutions	(6,540)	9,059	(4,855)	7,703
(Increase) in loans and advances to customers	22,224	(50,949)	31,376	(53,331)
Decrease/(increase) in financial assets at fair value through profit or loss	(6,148)	1,019	(6,450)	1,123
Decrease in financial assets held for trading	-	445	-	-
Decrease available-for-sale financial assets	(108)	1	(289)	-
(Increase)/ decrease in prepayments and accrued income	(165)	(201)	(154)	(213)
(Increase) in other assets	2,191	(6,561)	2,954	(4,131)
(Decrease)Increase in balances due to credit institutions	(571)	(18,901)	(571)	(14,502)
Increase/ (decrease) in deposits from customers	141,358	(150,299)	138,494	(148,515)
Net decrease/(increase) in derivatives	598	(811)	598	(811)
(Decrease)Increase in debt securities issued	-	(83)	-	(83)
Increase/(decrease) in deferred income and accrued expense	1,382	(145)	1,373	(139)
Increase/(decrease) in other liabilities	(1,427)	(236)	498	(1,308)
Net increase in cash and cash equivalents from operating activities	135,422	(201,817)	146,193	(200,649)
Corporate income tax paid	(104)	(64)	-	-
Net increase in cash and cash equivalents	135,318	(201,881)	146,193	(200,649)
Cash flows to/ from investing activities				
(Purchase) of fixed and intangible assets	(1,229)	(1,007)	(1,195)	(801)
Proceeds from disposal of fixed and intangible assets	399	319	21	21
Investment in subsidiaries, net	-	-	(9,754)	(1,288)
Investment properties	(1,727)	-	(1,727)	-
(Purchase) of held to maturity investments	(8,130)	(4,263)	(8,130)	(4,263)
Proceeds from held to maturity investments	10,620	17,948	10,192	18,105
Increase in cash and cash equivalents from investing activities	(67)	12,997	(10,593)	11,774
Cash flows to/ from financing activities				
Issue of shares	9,249	10,209	9,249	10,209
Share premium	4,626	5,104	4,626	5,104
(Decrease)Increase in debt securities issued	(5,046)	-	(5,046)	-
Dividends paid	-	(1)	-	(1)
Proceeds from issue of subordinated debt	-	8,666	-	8,666
Net cash flows to/ from financing activities	8,829	23,978	8,829	23,978
Net increase/ (decrease) in cash and cash equivalents	144,080	(164,906)	144,429	(164,897)
Cash and cash equivalents at the beginning of the year	175,031	343,900	174,712	343,419
Foreign exchange difference	2,570	(3,963)	2,530	(3,810)
Cash and cash equivalents at the end of the year	321,681	175,031	321,671	174,712

Cash flows from interest and dividends:

EUR '000	Group 31/12/2010 (unaudited)	Group 31/12/2009 (audited)	Bank 31/12/2010 (unaudited)	Bank 31/12/2010 (audited)
Interest paid	23,297	22,914	23,509	22,508
Interest received	24,344	42,781	24,234	40,163
Dividends received	21	-	21	142

AS "LATVIJAS KRĀJBANKA"
 Organization chart
 (valid from 10.02.2011)

