



TRASTA KOMERCBANKA

**JSC "TRASTA KOMERCBANKA"**  
**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**AND CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED**  
**30 SEPTEMBER 2011**  
**(prepared according to FCMC Regulations No.145)**



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**MANAGEMENT REPORT OF THE BANK (GROUP HOLDING COMPANY)**

During the third quarter of 2011 there have not been significant changes in the activities of the Bank, therefore since the publication of the statement of the management for the previous interim period information contained therein has not changed significantly.

As of 30 September, Trasta komercbanka's assets amounted to EUR 359.84 million, which is by EUR 48.5 million more than the final figure of 2010. As at the end of the reporting period the amount of attracted deposits reached EUR 277.45 million, but the Bank's loan portfolio amounted to EUR 135.6 million. The Bank concluded the third quarter of 2011 with a profit of EUR 0.23 million. The Bank's capital and reserves as of 30 September 2011 amounted to EUR 52.11 million.

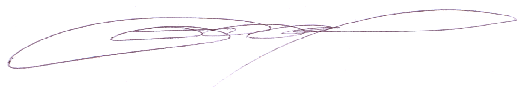
The Bank's consolidation group consists of the subsidiary companies: "TKB Nekustamie īpašumi", "TKB Līzings" and its subsidiary "TKB Leasing Tajikistan", and also "Heckbert C7 Holdings", which is classified as held for sale, and its subsidiary „Ferrous Kereskedelmi KFT". The amount of Group's assets as at the end of the reporting period was EUR 357.33 million, which is by EUR 48.0 million more than the final figure of 2010. The third quarter of 2011 the Group ended with a profit of EUR 0.08 million.

The management confirms that the consolidated financial statements and the separate financial statements set out on pages 4 to 21 for the period from 1 January 2011 to 30 September 2011 have been prepared consistently applying relevant accounting methods and the management's judgments and estimates in relation to preparation of these statements are reasonable and prudent. The management confirms that the applicable International Financial Reporting Standards have been used in the preparation of the financial statements and that these financial statements have been prepared on a going concern concept basis. The purpose of the statement is to present comprehensive information regarding the financial standing of the Bank and the Group, performance results, and the Bank's activities-related risks.

This financial report for the third quarter of 2011 is not audited and it has been prepared based on unaudited financial statements for this period.

This financial report was approved by the Board of the Bank on November 28, 2011 and it is available on the Bank's website at [www.tkb.eu](http://www.tkb.eu).

On behalf of the Bank's management:



Gundars Grieze  
Chairman of the Board  
Riga,  
November 28, 2011

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**PROFIT AND LOSS STATEMENTS**

In thousands of EUR	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
Interest revenue		5 830	6 814	5 721	6 696
Interest expense		(3 819)	(4 196)	(3 839)	(4 212)
Dividends		3	1	3	1
Commission income		5 544	5 430	5 538	5 422
Commission expense		(1 034)	(1 080)	(1 033)	(1 080)
Net realized profit/loss on financial assets and liabilities at amortized cost		0	0	0	0
Net realized losses on available for sale financial assets		3	0	3	0
Net gains from trading financial assets		(421)	1 047	(421)	1 047
Net profit / loss on financial assets and financial liabilities at fair value through profit or loss statement		0	0	0	0
Changes in fair value due to risk minimization accounting		0	0	0	0
Net (losses)/gains from foreign currency trading and revaluation		2 618	851	2 624	854
Property, plant and equipment, investment property and intangible assets derecognition profit / loss		(6)	(1)	(6)	(1)
Other income		111	70	84	73
Other expenses		(354)	(200)	(322)	(171)
Administrative expenses		(8 108)	(7 427)	(8 096)	(7 329)
Depreciation		(827)	(778)	(818)	(770)
Result of forming reserves, net	8	1 094	(1 770)	1 327	(1 537)
Impairment losses		(117)	(63)	(117)	(63)
Corporate income tax		(435)	(411)	(417)	(407)
<b>(Loss)/profit for the period</b>		<b>82</b>	<b>(1 713)</b>	<b>231</b>	<b>(1 477)</b>

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**BALANCE SHEET**

In thousands of EUR	Note	The Group		The Bank	
		30.09.2011	31.12.2010	30.09.2011	31.12.2010
Cash and balances due from central banks		33 708	23 603	33 708	23 603
Due from credit institutions on demand	9	79 009	75 622	78 941	75 622
Held for trading financial assets	11, (1)	3 083	3 164	3 083	3 164
Financial assets classified at fair value through profit and loss statement		0	0	0	0
Available for sale financial assets	11, (2)	14 885	11 326	14 885	11 326
Loans and receivables	12	133 558	131 074	135 597	133 424
Held to maturity investments	10	40 511	14 053	40 511	14 053
Interests risk protected portfolio share' s fair value changes		0	0	0	0
Accrued income and deferred expenses		287	181	286	176
Property and equipment		12 210	12 689	12 183	12 655
Long-term projects costs		8 038	3 422	8 038	3 422
Intangible assets		472	512	472	512
Investments in share capital of subsidiary		0	0	999	74
Corporate income tax assets		1 029	1 327	1 029	1 299
Other assets	13	30 542	32 379	30 104	31 971
<b>TOTAL ASSETS</b>		<b>357 332</b>	<b>309 352</b>	<b>359 836</b>	<b>311 301</b>
Due to central banks		0	0	0	0
Due to credit institutions on demand		6 833	3 399	6 833	3 399
Financial liabilities held for trading		1	6	1	6
Financial liabilities classified at fair value through profit and loss statement		0	0	0	0
Financial liabilities at amortised cost	14	292 268	259 585	293 639	260 588
Financial liabilities resulting from transfer of financial assets		0	0	0	0
Interest risk protected portfolio share' s fair value changes		0	0	0	0
Accrued expenses and deferred income		781	716	836	701
Reserves for potential liabilities		0	0	0	0
Corporate income tax liabilities		7	36	0	36
Other liabilities	15	6 430	5 329	6 413	5 315
<b>TOTAL LIABILITIES</b>		<b>306 320</b>	<b>269 071</b>	<b>307 722</b>	<b>270 045</b>
<b>Equity and reserves</b>		<b>51 012</b>	<b>40 281</b>	<b>52 114</b>	<b>41 256</b>
<b>TOTAL LIABILITIES AND EQUITY AND RESERVES</b>		<b>357 332</b>	<b>309 352</b>	<b>359 836</b>	<b>311 301</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
Contingent liabilities	16	11 645	8 719	11 645	9 139
Commitments to customers	16	13 694	9 312	15 955	12 272

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**STATEMENTS OF CHANGES IN EQUITY AND RESERVES AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**(1) The Group**

In thousands of EUR	Share capital	Share premium	Reserve capital and other reserves	Available for sale financial asset revaluation reserves	Foreign exchange translation reserve	Retained earnings	Total	Minority shareholder interest	Total equity and reserves
<b>BALANCE AS AT 31 DECEMBER 2009</b>	9 017	158	5 413	(30)	0	31 255	45 813	12	45 825
<i>Net loss for the period</i>	0	0	0	0	0	(1 712)	(1 712)	(1)	(1 713)
<i>Other comprehensive expenses</i>	0	0	0	18	0	0	18	0	18
Total comprehensive loss	0	0	0	18	0	(1 712)	(1 694)	(1)	(1 695)
Issue of share capital	1 000	0	0	0	0	0	1 000	0	1 000
<b>BALANCE AS AT 30 SEPTEMBER 2010</b>	10 017	158	5 413	(12)	0	29 543	45 119	11	45 130
<b>BALANCE AS AT 31 DECEMBER 2010</b>	10 029	158	5 413	(9)	0	24 690	40 281	0	40 281
<i>Net profit for the period</i>	0	0	0	0	0	83	83	(1)	82
<i>Other comprehensive income</i>	0	0	0	14	4	0	18	0	18
Total comprehensive income	0	0	0	14	4	83	101	(1)	100
Establishment of subsidiary	0	0	0	0	0	0	0	18	18
Issue of share capital	10 613	0	0	0	0	0	10 613	0	10 613
<b>BALANCE AS AT 30 SEPTEMBER 2011</b>	20 642	158	5 413	5	4	24 773	50 995	17	51 012

**(2) The Bank**

In thousands of EUR	Share capital	Share premium	Reserve capital and other reserves	Available for sale financial asset revaluation reserves	Retained earnings	Total equity and reserves
<b>BALANCE AS AT 31 DECEMBER 2009</b>	9 017	158	5 413	(30)	31 879	46 437
<i>Net loss for the period</i>	0	0	0	0	(1 477)	(1 477)
<i>Other comprehensive income</i>	0	0	0	0	18	0
Total comprehensive loss	0	0	0	0	18	(1 477)
Issue of share capital	1 000	0	0	0	0	1 000
<b>BALANCE AS AT 30 SEPTEMBER 2010</b>	10 017	158	5 413	(12)	30 402	45 978
<b>BALANCE AS AT 31 DECEMBER 2010</b>	10 029	158	5 413	(9)	25 665	41 256
<i>Net profit for the period</i>	0	0	0	0	231	231
<i>Other comprehensive income</i>	0	0	0	0	14	0
Total comprehensive income	0	0	0	0	14	231
Issue of share capital	10 613	0	0	0	0	10 613
<b>BALANCE AS AT 30 SEPTEMBER 2011</b>	20 642	158	5 413	5	25 896	52 114

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**STATEMENTS OF CASH FLOWS AND CONSOLIDATED STATEMENTS OF CASH FLOWS**

In thousands of EUR	<u>The Group</u>		<u>The Bank</u>	
	<u>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
<b>Cash flow as a result of operating activity:</b>				
Profit/(Loss) before corporate income tax	517	(1 302)	648	(1 070)
Amortisation and depreciation	827	778	818	770
Increase/(decrease) in allowance for impairment of debts	(1 383)	2 156	(1 616)	1 926
Increase/(decrease) in other provisions	115	63	114	60
Foreign currency revaluation (profit) loss	(672)	1 366	(677)	1 370
(Gain)/loss from revaluation of financial assets	273	(831)	273	(831)
Income adjustments	0	(71)	0	(95)
Loss on disposal of fixed and intangible assets	6	1	6	1
<b>Increase in cash and cash equivalents from operating activities before changes in assets and liabilities</b>	<b>(317)</b>	<b>2 160</b>	<b>(434)</b>	<b>2 131</b>
Decrease of held for trading financial assets	(330)	(1 929)	(330)	(1 929)
(Increase)/decrease in due from credit institutions	(23 544)	2 523	(23 544)	2 523
(Increase)/decrease in loans	(1 190)	427	(645)	211
(Increase)/decrease in accrued income and deferred expense	(105)	(10)	(108)	(10)
Increase in other assets	(858)	(1 468)	(824)	(1 244)
Decrease in due to credit institutions	333	0	333	0
(Decrease)/increase in deposits	28 176	(39 076)	28 542	(39 053)
(Decrease)/increase in accrued expenses and deferred income	65	(98)	134	(85)
Increase in other liabilities	1 069	7 985	1 069	7 948
<b>Decrease in cash and cash equivalents from operating activities before corporate income tax</b>	<b>3 299</b>	<b>(29 486)</b>	<b>4 193</b>	<b>(29 508)</b>
Corporate income tax paid	(165)	1 084	(184)	1 100
<b>(Decrease)/increase in cash and cash equivalents from operating activities</b>	<b>3 134</b>	<b>(28 402)</b>	<b>4 009</b>	<b>(28 408)</b>
<b>Cash flows from investing activities</b>				
Purchase of tangible and intangible fixed assets, net	(313)	(316)	(312)	(310)
(Increase)/decrease in available-for-sale financial assets	(3 545)	2 379	(3 545)	2 379
Purchase of investments in share capital of subsidiary	18	0	(925)	0
Cash flow of disposal group classified as held for sale	3	0	0	0
Cash outflow on long-term projects	(1 789)	(124)	(1 789)	(124)
<b>Decrease in cash and cash equivalents from investing activities</b>	<b>(5 626)</b>	<b>1 939</b>	<b>(6 571)</b>	<b>1 945</b>

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**STATEMENTS OF CASH FLOWS AND CONSOLIDATED STATEMENTS OF CASH FLOWS  
(continued)**

In thousands of EUR	<u>The Group</u>		<u>The Bank</u>	
	<u>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
<b>Cash flows from financing activities</b>				
Subordinated liabilities issue	4 108	334	4 108	334
Repayment of subordinated liabilities	0	(158)	0	(158)
Issue of share capital	10 613	1 000	10 613	1 000
<b>(Decrease)/increase in cash and cash equivalents from financing activities</b>	<b>14 721</b>	<b>1 176</b>	<b>14 721</b>	<b>1 176</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>12 229</b>	<b>(25 287)</b>	<b>12 159</b>	<b>(25 287)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>108 933</b>	<b>185 428</b>	<b>108 933</b>	<b>185 428</b>
Foreign currency revaluation (loss)/profit	742	(1 248)	744	(1 248)
<b>Cash and cash equivalents at the end of the period</b>	<b>121 904</b>	<b>158 893</b>	<b>121 836</b>	<b>158 893</b>

Cash and cash equivalents are calculated as follows

In thousands of EUR	<u>The Group</u>		<u>The Bank</u>	
	<u>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
Due from credit institutions with a maturity of less than 3 months	95 029	134 283	94 961	134 283
Cash and balances due from the Bank of Latvia and other Central Banks	33 708	28 254	33 708	28 254
Due to credit institutions with a maturity of less than 3 months	(6 833)	(3 644)	(6 833)	(3 644)
<b>CASH AND CASH EQUIVALENTS</b>	<b>121 904</b>	<b>158 893</b>	<b>121 836</b>	<b>158 893</b>

Reflection of the received and (paid) sums of interest income/(expense) and dividends is provided below:

In thousands of EUR	<u>The Group</u>		<u>The Bank</u>	
	<u>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
Interest income received during the reporting period	5 753	7 149	5 674	7 066
Interest expenses paid during the reporting period	(3 667)	(4 072)	(3 685)	(4 088)
Dividends paid during the reporting period	0	0	0	0



NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

JSC "Trasta Komercbanka" (hereinafter – the Bank) has been registered as a joint stock company, in the Latvian Register of Companies with identification No. LV40003029667, and operates under the legislation of the Republic of Latvia and Credit institution license No.8 issued by the Bank of Latvia. The head office of the Bank is located in Miesnieku street 9, Riga, Latvia, LV-1050. The Bank provides full scope of banking services, however, the priority of the Bank is exclusive banking services for private individuals and companies.

This financial statements were approved by the Board of the Bank on 28 November 2011.

2 ACCOUNTING AND ASSESSMENT PRINCIPLES

(1) General principles

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 as adopted by European Union and do not include a complete set of financial statements as required by IAS 1 „Presentation of Financial Statements”. Therefore, to obtain a complete view of Bank’s activities, these interim condensed financial statements should be analyzed together with the Group’s and Bank’s financial statements for the previous reporting year.

The Group’s and Bank’s functional currency is Latvian lat (LVL), however, these financial statements have been presented in euro (EUR). Euro has been applied as presentation currency in these financial statements, because of requirements of NASDAQ OMX Riga Rules “On Listing and Trading of Financial Instruments on the Markets regulated by the Exchange”. All assets and liabilities are translated into presentation currency at official exchange rate established by the Bank of Latvia, which during the period have been fixed at 0.702804 lats per 1 euro. All amounts in the financial statements are reported in **thousands of EUR (EUR 000’s)**.

The Bank maintains its accounts based on appropriate accounting methods and policies which have been applied on a consistent basis. Since the end of the previous reporting year, no other changes in accounting policies have been made.

(2) Consolidation principles

The Bank has consolidated its subsidiaries in the consolidated financial statements according to International Accounting Standard 27. The consolidation was based on control over the subsidiaries arising from the majority of voting rights in the subsidiaries.

(3) Foreign currency exchange rates

		<u>30.09.2011.</u>	<u>31.12.2010</u>	<u>30.09.2010</u>
LVL 1 =	EUR	1.423	1.423	1.423
	USD	1.938	1.869	1.934
	GBP	1.239	1.214	1.221
	RUB	61.350	56.818	58.824

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

**3 PERFORMANCE INDICATORS**

<b>Position</b>	<b>30.09.2011</b>	<b>30.09.2010</b>
Return on equity (ROE) (%) <sup>1</sup>	0.65	-4.29
Return on assets (ROA) (%) <sup>2</sup>	0.08	-0.57

<sup>1</sup> Ratio on profit/losses (after tax) against the Bank's average amount of capital and reserves.

<sup>2</sup> Ratio on profit/losses (after tax) against the Bank's average amount of assets.

**4 MANAGEMENT OF THE BANK (GROUP HOLDING COMPANY)**

**(1) Paid fixed capital**

As of 30 September 2011, the Bank's registered and paid-up capital amounted to 20 642 thousand EUR, consisting of 290 136 ordinary voting shares with the nominal value of 71 EUR (2010: 10 029 thousand EUR). The total number of shareholders is 47, of which 10 are legal entities and 37 are individuals.

**List of shareholders:**

<b>Shareholder</b>	<b>Country</b>	<b>Shareholding</b>		<b>Shareholding</b>	
		<b>30 September 2011</b>	<b>31 December 2010</b>	<b>31 December 2010</b>	<b>31 December 2010</b>
		<b>%</b>	<b>EUR'000</b>	<b>%</b>	<b>EUR'000</b>
I.Buimisters	Latvia	43.21	8 920	37.63	3 775
S.Tarasenoks*	Latvia	6.18	1 275	12.72	1 275
SIA "C&R Invest"	Latvia	14.59	3 012	13.70	1 374
C.E.G. Treherne	Great Britain	9.31	1 922	9.31	933
GCK Holdings					
Netherlands B.V.	Netherlands	7.40	1 528	6.95	697
Rikam S.A.H.	Luxembourg	7.29	1 505	6.85	687
Figon Co Limited	Cyprus	3.40	701	3.19	320
Another shareholders		8.62	1 779	9.65	968

\* Since Sergejs Tarasenoks passed away, his shares are included in the succession mass.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

4 MANAGEMENT OF THE BANK (GROUP HOLDING COMPANY) (continued)

(2) Composition of the board and council of the Bank (Group Holding Company)

Supervisory Council

Name, surname	Positions	Election date
Igors Buimisters	Chairman of the Council	24.03.2006, reelected 27.03.2009
Alfrēds Čepānis	Member of the Council	30.03.1999, reelected 27.03.2009
Igor Snisarevskyi	Member of the Council	07.10.2010.

Management Board

Name, surname	Positions	Election date
Gundars Grieze	Chairman of the Board	28.06.1999, reelected 24.03.2009
Māris Fogelis	First vice-chairman of the Board	28.06.1999, reelected 24.03.2009
Viktors Ziemelis	Vice-chairman of the Board	28.03.2003, reelected 24.03.2009
Svetlana Krasovska	Member of the Board	24.10.1995, reelected 24.03.2009
Tatjana Konnova	Member of the Board	23.03.2006, reelected 24.03.2009

During the current period no changes in the Council and Management Board occurred.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

4 MANAGEMENT OF THE BANK (GROUP HOLDING COMPANY) (continued)

(3) Structure of the Bank (Group Holding Company)

JSC "Trasta komercbanka"	
<b>Internal Audit Division</b> <i>Head of Division Olga Lomaša</i>	<b>Cyprus branch</b> <i>Head of the Branch Constantinos Constantinou</i> 56 Arch.Makariou III, 1075, Nicosia, Cyprus tel +357 22676766, +357 22677797, e-mail: <a href="mailto:info@tkb.com.cy">info@tkb.com.cy</a>
<b>Financial Market Department</b> <i>Head of Department Marina Krutiļina</i>	<b>Liepaja Branch</b> <i>Head of the Branch Guntis Brūders</i> 10 Kursu street, Liepaja, LV-3401, Latvia tel 6 3483917, Fax 6 3483918, e-mail: <a href="mailto:liepaja@tkb.eu">liepaja@tkb.eu</a>
<b>Securities Market and Bank Investments Department</b> <i>Head of Department Aleksejs Popovs</i>	<b>Daugavpils Branch</b> <i>Head of the Branch Marija Rimvide-Mickeviča</i> 10 Lacplesa street, Daugavpils, LV-5401, Latvia tel 6 5457961, Fax: 6 5457966, e-mail: <a href="mailto:daugavpils@tkb.eu">daugavpils@tkb.eu</a>
<b>Lending Department</b> <i>Head of Department Tatjana Konnova</i>	<b>Representative Office in Ukraine</b> <i>Head of Representative Office Aleksandrs Bikovecs</i> Kiev, 43/11 Moskovskaja street, 2.floor. tel +380 44 4963402, e-mail: <a href="mailto:ukraine@tkb.eu">ukraine@tkb.eu</a>
<b>Customer Department</b> <i>Head of Department Diāna Mickēviča</i>	<b>Representative Office in Kazakhstan</b> <i>Head of Representative Office Irina Jugai</i> Alma Ata, 151-115 Abaja ave., Office 507 tel +7 727 3341906, Fax: +7 727 3341905, e-mail: <a href="mailto:kazakstan@tkb.eu">kazakstan@tkb.eu</a>
<b>Bank Operation Accounting and Statistics Department</b> <i>Head of Department – Chief Accountant Svetlana Krasovska</i>	<b>Representative Office in Tajikistan</b> <i>Head of Representative Office Mustafõ Davljabekov</i> 100 Rudaki ave. , Dusanbe, Tajikistan, 734003 tel+992 91 9448838, Fax: +992 44 6102777, e-mail: <a href="mailto:tajikistan@tkb.eu">tajikistan@tkb.eu</a>
<b>Correspondent Relations and Payments Department</b> <i>Head of Department Nataļja Nikolajenko</i>	<b>Representative Office in Belarus</b> <i>Head of Representative Office Marija Okuloviča</i> Minsk, Nezavisimosti ave. 117a (Aleksandrov-passazh), office 5, Tel/fax: +375 17 2650678, e-mail: <a href="mailto:belarus@tkb.eu">belarus@tkb.eu</a>
<b>Risk Analysis and Control Department</b> <i>Head of Department – Deputy Chief Accountant Tatjana Paļcina</i>	<b>Representative Office in Hong Kong</b> <i>Head of Representative Office Vadim Levitskiy</i> 3155, 31/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, tel.+852 2107 3631, fax+852 2107 3699
<b>Information System Department</b> <i>Head of Department Timofejs Džubins</i>	
<b>Administrative Department</b> <i>Head of Department Māris Jaunozols</i>	
<b>Security Department</b> <i>Head of Department Jevgeņijs Fokins</i>	

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

**4 MANAGEMENT OF THE BANK (GROUP HOLDING COMPANY) (continued)**

**(4) Strategy and Objectives of the Bank (Group Holding Company)**

We are an international private bank for chosen clientele whom we provide with exclusive and high-quality financial services using newest technologies.

Taking into consideration possible external disturbances (swing in oil prices, religious problems, etc.) and internal disturbances (inflation, drop of real estate prices, etc.) the Bank chooses conservative development strategy that does not pursue maximum profit, which in its turn requires risky investments, thus the Bank achieves its main purpose, retains shareholders equity and annually receives profit.

The Bank is an international bank providing services to its customers thorough a network of its international representative offices and branches.

**Objectives of the Bank:**

- ✓ To strengthen its position in the banking sector of Latvia;
- ✓ To regain Bank's profitability and to strive to achieve the return on assets (ROA) 2%;
- ✓ To maintain the Bank's capital at a proper level for operation and to secure the internal capital adequacy ratio of not less than 11.4% in 2011;
- ✓ To increase the number of customers and offer of new products, which would allow to attract selected clientele with high demands. To offer professional and quality service to every customer.
- ✓ To continue upgrading of qualification of the existing staff and to recruit new high-quality specialists;
- ✓ To maintain the leading position in the Latvian market as to rendering of high-tech services. To keep track of technological innovations and implement those into customer service. To secure 100% of Trastnet functioning at all times. To focus on speed and simplicity as main objectives in development of the information technology;
- ✓ To ensure the highest standards in the Bank's compliance monitoring, continuing staff training and implementation of necessary technologies;
- ✓ To continue developing of the Bank's service network, opening of Bank's branches and representative offices in regions of prime importance for customers;
- ✓ To enhance the Bank's current image (an international bank with the motto - "Financial Art"), to promote developing of goodwill in the target audience, meanwhile contributing to attraction of quality customers, and increasing of loyalty of the existing customers.

**Values of the Bank:**

- ✓ The Bank considers its personnel to be the main resource for achieving the Bank's mission. The Bank provides for professional growth of its personnel and takes care of its employees.
- ✓ The Bank's reputation is in the focus of its attention. The Bank closely follows requirements of legislation regarding prevention of legalization of illegally acquired proceeds, the Bank does not cooperate with the customers and does not perform transactions that cause doubts as far as the said requirements are considered.
- ✓ Conservative approach is at the basis of the Bank's development concept.
- ✓ The Bank does not provide services to high-risk customers who do not have their business history and respective recommendations.
- ✓ Information technologies are at the forefront of the customer service.

**NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

**5 INTERNATIONAL RATINGS ASSIGNED TO THE BANK**

The International Credit Rating Agency' s Moody's Investors Service assigned ratings (on 25/06/2009 and have not been changed up to now):

- ✓ long-term deposits in foreign and local currency - B3 (negative future outlook);
- ✓ short-term deposits in foreign and local currency - Not-Prime;
- ✓ Bank's financial strength rating (BFSR) to E + (negative outlook rating);

Descriptions of the ratings assigned by *Moody's Investors Service* are posted on the international rating agency' s website: [www.moodys.com](http://www.moodys.com).

**6 COMPOSITION OF THE CONSOLIDATED GROUP**

The consolidation group of the Bank consists of the subsidiaries *TKB Nekustamie īpašumi* , *TKB Līzings and its subsidiary* CJSC TKB Leasing Tajikistan (from July, 2011), and "Heckbert C7 Holdings", which is classified as held for sale, and its subsidiary "Ferrous Kereskedelmi KFT". The description of "Heckbert C7 Holdings" and "Ferrous Kereskedelmi KFT" is provided in Note 13 of these financial. Services provided by *TKB Līzings*, CJSC TKB Leasing Tajikistan and *TKB Nekustamie īpašumi* extend the range of services offered by the Bank.

No	Name of commercial company	Registration place code , registration address	Type of activity of commercial company *	Share in the fixed capital (%)	Voting share in commercial company (%)	Grounds for inclusion in the Group**
1	TKB nekustamie īpašumi, Ltd., LV-40003723143	9 Miesnieku, Rīga, LV	AC	100	100	SC
2	TKB līzings, Ltd., LV-40003591059	9 Miesnieku, Rīga, LV	AFI	100	100	SC
3	CJSC TKB Leasing Tajikistan TJ-0210013797	TJ, Dushanbe, Pr.Rudaki 100, Tajikistan	AFI	75	75	SC
4	Heckbert C7 Holdings Limited CY-HE134861	CY, Nicosia, Kritonos 21, Cyprus	AFI	100	100	SC
5	Ferrous Kereskedelmi KFT HU-01-09-717395	HU, Budapest, 3 Szegedi street, Hungary	AFI	100	100	SC

\* - BNK – bank, EMI - electronic money institution, IC – insurance company, RI – reinsurer, IMC – insurance management company, IBC – investment brokerage company, IMC – investment management company, PF – pension fund, AFI – another financial institution, AC - auxiliary company, FMC – financial management company.

\*\* - SC – subsidiary company, JVC – joint-venture company,, PC – parent company.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

7 RISK CONTROL AND MANAGEMENT

Information on the Bank's risk management policies is provided in the audited financial statements 2010 of AS TRASTA KOMERCBANKA, posted on the Bank's website (www.tkb.eu), Note 45 (pp.65-71), and in the Information Disclosure Statement of 2010 (pp. 1 to 7), and since this publication of information it has not changed.

8 RESULT OF FORMING RESERVES, NET

In thousands of EUR	The Group		The Bank	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
<b>Balance as at 1 January</b>	<b>24 721</b>	<b>24 297</b>	<b>23 226</b>	<b>23 107</b>
<i>incl. for due from credit institutions</i>	0	2 104	0	2 104
<i>incl. for loans</i>	24 721	22 193	23 226	21 003
Additional <i>individual</i> allowance	2 400	4 760	2 153	4 521
Change in <i>collective</i> allowance	(391)	14	(391)	14
Release of <i>individual</i> allowances	(2 197)	(3 004)	(2 183)	(2 998)
Interest on loans, which are recognized as impaired	(906)	0	(906)	0
Effect of changes in currency exchange rates	(289)	386	(289)	389
<b>Balance as at 30 September</b>	<b>23 338</b>	<b>26 453</b>	<b>21 610</b>	<b>25 033</b>
<i>incl. for due from credit institutions</i>	0	625	0	625
<i>incl. for loans</i>	23 338	25 828	21 610	24 408

9 DUE FROM CREDIT INSTITUTIONS ON DEMAND

In thousands of EUR	The Group		The Bank	
	30.09.2011	31.12.2010	30.09.2011	31.12.2010
Due from credit institutions registered in the Republic of Latvia	645	1 620	645	1 620
Due from credit institutions registered in the foreign countries	78 364	74 002	78 296	74 002
	<b>79 009</b>	<b>75 622</b>	<b>78 941</b>	<b>75 622</b>

10 HELD TO MATURITY INVESTMENTS

In thousands of EUR	The Group		The Bank	
	30.09.2011	31.12.2010	30.09.2011	31.12.2010
<b>Other claims on credit institutions -</b>				
<i>- With a maturity of up to 3 months -</i>				
Due from credit institutions registered in the Republic of Latvia	3 671	7 612	3 671	7 612
Due from credit institutions registered in the foreign countries	12 349	5 495	12 349	5 495
<i>- With a maturity of more than 3 months -</i>				
Due from credit institutions registered in the foreign countries	24 491	946	24 491	946
	<b>40 511</b>	<b>14 053</b>	<b>40 511</b>	<b>14 053</b>

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**11, (1) HELD FOR TRADING FINANCIAL ASSETS**

In thousands of EUR	<u>The Group</u>		<u>The Bank</u>	
	<u>30.09.2011</u>	<u>31.12.2010</u>	<u>30.09.2011</u>	<u>31.12.2010</u>
Fixed income securities	1 438	1 208	1 438	1 208
- Government debt securities -	196	0	196	0
- Debt securities of other institutions -	1 242	1 208	1 242	1 208
Equity shares and other non-fixed income securities	1 585	1 817	1 585	1 817
Derivatives	60	139	60	139
	<b>3 083</b>	<b>3 164</b>	<b>3 083</b>	<b>3 164</b>

**11, (2) AVAILABLE FOR FINANCIAL ASSETS**

In thousands of EUR	<u>The Group</u>		<u>The Bank</u>	
	<u>30.09.2011</u>	<u>31.12.2010</u>	<u>30.09.2011</u>	<u>31.12.2010</u>
Fixed income securities	14 812	11 256	14 812	11 256
- Government debt securities -	14 409	11 053	14 409	11 053
- Debt securities of other institutions -	403	203	403	203
Equity shares and other non-fixed income securities	73	70	73	70
	<b>14 885</b>	<b>11 326</b>	<b>14 885</b>	<b>11 326</b>

**(3) Presented below is the analysis of geographic concentration of financial instruments items:**

<u>30 September 2011</u>	<u>Latvia</u>	<u>EU*</u>	<u>Russia</u>	<u>Other countries</u>	<u>Total</u>
Fixed income securities	9 121	5 887	1 110	132	16 250
- Government debt securities -	8 718	5 887	0	0	14 605
- Debt securities of other institutions -	403	0	1 110	132	1 645
Equity shares and other non-fixed income securities	61	70	1 527	0	1 658
	<b>9 182</b>	<b>5 957</b>	<b>2 637</b>	<b>132</b>	<b>17 908</b>

\* The government debt securities portfolio includes debt securities of different EU countries (Denmark, Poland, France, Finland, Netherlands, Austria and Hungary). None of the items of financial instruments of national positions, except Latvia, exceeds 10% of the Bank's equity.

<u>31 December 2010</u>	<u>Latvia</u>	<u>EU*</u>	<u>Russia</u>	<u>Other countries</u>	<u>Total</u>
Fixed income securities	6 424	4 832	558	650	12 464
- Government debt securities -	6 221	4 832	0	0	11 053
- Debt securities of other institutions -	203	0	558	650	1 411
Equity shares and other non-fixed income securities	55	70	1 762	0	1 887
	<b>6 479</b>	<b>4 902</b>	<b>2 320</b>	<b>650</b>	<b>14 351</b>

\* The government debt securities portfolio includes debt securities of different EU countries (Denmark, Sweden and Italy). None of the items of financial instruments of national positions, except Latvia, exceeds 10% of the Bank's equity.



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In thousands of EUR	The Group		The Bank	
	30.09.2011	31.12.2010	30.09.2011	31.12.2010
<b>12 LOANS AND RECEIVABLES</b>				
Private non-financial corporations	128 154	125 762	122 513	119 735
Households	26 431	27 826	26 047	27 477
Related companies	0	0	6 578	7 302
Financial institutions	3	20	3	20
Employees	2 308	2 187	2 066	2 116
<b>Total gross loans</b>	<b>156 896</b>	<b>155 795</b>	<b>157 207</b>	<b>156 650</b>
Impairment allowances, <i>individually assessed</i> *	(23 285)	(23 539)	(21 557)	(22 044)
Impairment allowances, <i>collectively assessed</i>	(53)	(1 182)	(53)	(1 182)
	<b>133 558</b>	<b>131 074</b>	<b>135 597</b>	<b>133 424</b>

\* According to the loan assessment of the Financial and Capital Market Commission, the Bank has to make additional provisions in the amount of 5 359 thousand EUR. Given that the Bank does not agree to this assessment, the Bank has applied adjustment to the capital adequacy calculation for this amount less the risk-weighted factor.

**Loans by types of loans may be specified as follows:**

Mortgage loans	55 155	58 832	55 156	58 666
Commercial loans	40 836	38 627	47 414	45 929
Industrial loans	15 794	17 463	15 794	17 463
Finance lease	5 922	6 125	0	0
Overdrafts	9 338	6 231	9 338	6 231
Reverse REPO	64	0	64	0
Consumer loans	729	616	383	460
Factoring	1 121	351	1 121	351
Secured by deposit	743	615	743	615
Payment card loans	632	477	632	477
Other	26 562	26 458	26 562	26 458
	<b>156 896</b>	<b>155 795</b>	<b>157 207</b>	<b>156 650</b>

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

13 OTHER ASSETS

In thousands of EUR	The Group		The Bank	
	30.09.2011	31.12.2010	30.09.2011	31.12.2010
Receivables from financial institutions	2 621	3 586	2 621	3 586
Real property hold for sale <sup>1</sup>	2 326	4 811	1 807	4 542
Spot foreign exchange assets <sup>2</sup>	290	127	290	127
Overpaid value added tax	582	690	581	559
Money in transit <sup>3</sup>	36	28	36	28
Other assets <sup>4</sup>	5 283	3 614	5 332	3 577
Assets of disposal group classified as held for sale <sup>5</sup>	19 677	19 680	19 704	19 704
	<b>30 815</b>	<b>32 536</b>	<b>30 371</b>	<b>32 123</b>
Impairment loss	(273)	(157)	(267)	(152)
	<b>30 542</b>	<b>32 379</b>	<b>30 104</b>	<b>31 971</b>

<sup>1</sup> A real property hold for sale is the real property whose possession is taken by the Bank (as a result of takeover or acquisition) and which served as collateral for granted loans. The acquisition cost of this real property is measured at fair value. As a result of this transaction the amount received is channeled to settle customer's obligations to the Bank.

<sup>2</sup> The fair value of *spot* foreign exchange contracts which is disclosed for each contract as asset or liability. The notional value of these contracts reflects the value of basis asset underlying the agreement whose changes in fair value are estimated and the due and payable amounts of cash flow.

<sup>3</sup> The funds, transferred from other correspondent accounts of the Bank, whose crediting has not been confirmed by the correspondent bank yet, are disclosed as money in transit.

<sup>4</sup> Other assets include various claims on debtors in relation to operating activities of the Bank.

<sup>5</sup> Assets of the disposal group classified as held for sale are investments in the subsidiary "Heckbert C7 Holdings (100% shares), which owns 100% of the company" Ferrous Kereskedelmi KFT (Hungary) shares, which in its turn, holds 25,085% of the Ukrainian gas company "Dewon" shares. In June 2011, the Bank signed an agreement on sale of this investment for the amount of USD 28,4 million. The proceeds from the sale have been transferred to the escrow account in Ukrainian hryvnas, however, given that the purchaser is based in Ukraine, it needs according to the local legislation to obtain a permit from the National Bank of Ukraine for purchasing the investment and to transfer the proceeds in USD. Given that as of date of preparation of these financial statements the deal has not been finalized yet and the sale has not been concluded outside of the Group, the Bank continues to recognize this investment in its balance sheet.

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**14 FINANCIAL LIABILITIES AT AMORTISED COST**

In thousands of EUR	<u>The Group</u>		<u>The Bank</u>	
	<u>30.09.2011</u>	<u>31.12.2010</u>	<u>30.09.2011</u>	<u>31.12.2010</u>
Due to credit institutions	371	38	371	38
Due to customers	277 078	248 901	277 445	248 902
Subordinated liabilities	10 824	6 649	10 824	6 649
Debt securities issued	3 995	3 997	4 999	4 999
	<b>292 268</b>	<b>259 585</b>	<b>293 639</b>	<b>260 588</b>

**15 OTHER LIABILITIES**

In thousands of EUR	<u>The Group</u>		<u>The Bank</u>	
	<u>30.09.2011</u>	<u>31.12.2010</u>	<u>30.09.2011</u>	<u>31.12.2010</u>
Suspense accounts <sup>1</sup>	3 201	1 356	3 201	1 356
Spot foreign exchange liabilities (Note 13)	149	120	149	120
Money in transit	314	1 174	314	1 174
Unpaid dividends of previous periods	2 514	2 514	2 514	2 514
Other liabilities	252	165	235	151
	<b>6 430</b>	<b>5 329</b>	<b>6 413</b>	<b>5 315</b>

<sup>1</sup> Suspense accounts represent payments received by the Bank where the beneficiary is not clearly identified. After clarification they are credited to customer accounts.

**16 OFF-BALANCE SHEET ITEMS**

**Off-balance liabilities**

In thousands of EUR	<u>The Group</u>		<u>The Bank</u>	
	<u>30.09.2011</u>	<u>31.12.2010</u>	<u>30.09.2011</u>	<u>31.12.2010</u>
Contingent liabilities	<b>11 645</b>	<b>8 719</b>	<b>11 645</b>	<b>9 139</b>
<i>including guarantees</i>	3 650	196	3 650	616
<i>including rent commitments</i>	7 995	8 523	7 995	8 523
Commitments to customers	<b>13 694</b>	<b>9 312</b>	<b>15 955</b>	<b>12 272</b>
<i>including unused credit limits</i>	8 057	9 128	10 318	12 088
<i>including letters of credit</i>	0	50	0	50
<i>including other liabilities</i> <sup>1</sup>	5 637	134	5 637	134
	<b>25 339</b>	<b>18 031</b>	<b>27 600</b>	<b>21 411</b>

<sup>1</sup> Other liabilities include Bank's liabilities for the acquisition of fixed assets and securities as well as future costs related to long-term projects.

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**17 THE GROUP'S AND BANK'S TRANSACTIONS WITH RELATED PARTIES**

Related parties are defined as shareholders of the Bank who have a significant influence in the Bank, as well as their spouses, parents and children, the Bank's subsidiaries, chairpersons and members of the council and management board, internal service manager and members and other employees of the Bank, who are authorized to perform planning, management and control activities on behalf of the Bank, or are in charge of these activities, as well as their spouses, parents, children and companies in which the above-mentioned persons have a controlling interest.

The Bank has offered standard services to related parties, such as the settlement of accounts, the purchase and sale of securities, securities management on behalf of clients, and brokerage etc. These transactions are conducted on normal business terms.

(1) Amount of the Group transactions with related persons is presented below

In thousands of EUR	<u>30.09.2011</u>				<u>31.12.2010</u>			
	Shareholders	Other related parties <sup>1</sup>	Council and board	Total	Shareholders	Other related parties <sup>1</sup>	Council and board	Total
<b>Assets</b>								
Loans	404	7 841	512	8 757	201	3 560	618	4 379
<i>Allowance for loans</i>	(14)	(1 312)	(14)	(1 340)	(4)	(3)	(20)	(27)
Loans, net	390	6 529	498	7 417	197	3 557	598	4 352
<b>Liabilities</b>								
Deposits	13	2 087	260	2 360	10	1 621	205	1 836
<b>Non-balance items</b>								
Unused credit lines	21	14	21	56	55	11	50	116
<b>Comprehensive income report</b>								
	<u>30.09.2011</u>				<u>30.09.2010</u>			
Interest income	7	58	20	85	7	88	7	102
Commissions income	10	14	6	30	6	24	3	33
Interest expense	0	(11)	(4)	(15)	0	(10)	(6)	(16)
Reserve decreasing income, net	(10)	(1 309)	6	(1 313)	14	1 373	(4)	1 383
Other expenses	(11)	(23)	(58)	(92)	(11)	(20)	(33)	(64)

<sup>1</sup> Other related parties are spouses, children of the shareholders and council and board members and companies in which they have a controlling interest.

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**17 THE GROUP'S AND BANK'S TRANSACTIONS WITH RELATED PARTIES (continued)**

(2) Amount of the Bank transactions with related persons is presented below

In thousands of EUR	<u>30.09.2011</u>					<u>31.12.2010</u>				
	Shareholders	Subsidiary companies	Other related persons <sup>1</sup>	Council and Board	Total	Shareholders	Subsidiary companies	Other related	Council and Board	Total
<b>Assets</b>										
Credits	201	6 577	7 841	504	<b>15 123</b>	166	7 302	3 560	603	<b>11 631</b>
<i>Reserves for unsecured credits</i>	(14)	0	(1 312)	(14)	<b>(1 340)</b>	(4)	0	(3)	(20)	<b>(27)</b>
Credits, net	187	6 577	6 529	490	<b>13 783</b>	162	7 302	3 557	583	<b>11 604</b>
<b>Liabilities</b>										
Deposits	13	370	2 087	260	<b>2 730</b>	10	1	1 621	205	<b>1 837</b>
<b>Non-balance items</b>										
Unused credit limits	21	2 261	14	21	<b>2 317</b>	55	2 961	11	50	<b>3 077</b>
<b>Comprehensive income report</b>										
	<u>30.09.2011</u>					<u>30.09.2010</u>				
Interest income	0	174	58	20	<b>252</b>	4	182	87	6	<b>279</b>
Commissions income	10	1	14	6	<b>31</b>	6	1	24	3	<b>34</b>
Interest expenditure	0	(20)	(11)	(4)	<b>(35)</b>	0	(16)	(10)	(6)	<b>(32)</b>
Reserve decreasing income, net	(10)	0	(1 309)	6	<b>(1 313)</b>	14	0	1 373	(4)	<b>1 383</b>
Other expenses	(11)	(231)	(23)	(58)	<b>(323)</b>	(11)	(84)	(20)	(33)	<b>(148)</b>

<sup>1</sup> Other related parties are spouses, children of the shareholders and council and board members and companies in which they have a controlling interest.

**18 EVENTS AFTER BALANCE SHEET DATE**

During the period from the last day of the reporting period until the publication date of these financial statements there have not been any subsequent events that could materially affect these statements or notes thereto.

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