

**JOINT STOCK COMPANY  
TRASTA KOMERCBANKA  
ADDENDUM No.1  
TO THE BOND OFFER PROGRAMME**

Issuer:	AS TRASTA KOMERCBANKA
Issuer's registration number:	40003029667
Issuer's legal address:	Miesnieku 9, Riga, LV1010
Bond issue volume:	EUR 10 000 000 (ten million euro)
Maturity date:	Up to 7 years (inclusive)

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### GENERAL PROVISIONS

This document is an addendum to the Base Prospectus of the Bonds Offer Programme of the Joint Stock Company TRASTA KOMERCBANKA, which discloses new conditions in connection with the information contained in the Base Prospectus of the Bonds Offer Programme of the Joint Stock Company TRASTA KOMERCBANKA, hereinafter referred to as the Addendum.

The Addendum incorporates essential information about the Issuer's capital adequacy and Issuer's credit rating, which may affect the decisions of Investors.

The Addendum is approved according to the decision of Issuer's Board of 13 October 2014, meeting minutes No. 84.

The information provided in the Addendum, Final Terms and Base Prospectus shall be read as a whole. The terms and abbreviations used in the Addendum are consistent with the terms and abbreviations used in the Base Prospectus.

The Addendum, Base Prospectus and Final Terms are available on the Issuer's website [www.tkb.lv](http://www.tkb.lv).

### ADDENDUM PROVISIONS

1. The Issuer has supplemented Clause B.4a of Chapter 2 "Summary" Section B "Issuer" as follows

<b>B.4a</b>	The most significant recent trends affecting the Issuer and the industries in which it operates	During the period from 30 July 2014 to 30 September 2014, the Financial and Capital Market Commission conducted a complete audit of the Issuer. The report on the audit results is now under development. In accordance with the Financial and Capital Market Commission's preliminary assessment, the expected results may significantly affect the Issuer's financial indicators and may reduce the Issuer's capital adequacy ratio to 10,59%, which is lower than the minimum capital adequacy requirement of 13,1% estimated by the Financial and Capital Market Commission for the Issuer.
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2. The Issuer has supplemented Clause B.7 of Chapter 2 "Summary" Section B "Issuer" as follows :

<b>B.7</b>	Key selected historical financial	<b><i>Key indicators of the Issuer</i></b>	2012	2013
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information about the Issuer		thousand EUR	thousand EUR	
	Assets (net)	429 650	415 110	
	Loans (net)	135 728	113 436	
	Deposits	353 524	335 482	
	Capital	52 790	54 546	
	Operating profit	6 955	12 577	
	Net profit	3 265	1 851	
	Liquidity (%)	78.44	71.95	
	Capital adequacy (%)	16.22	17.54	
	Number of customers (pers.)	9 392	10 701	
		<b>Key indicators of the Issuer during transitional periods</b>	01.04.2013	01.04.2014
			thousand EUR	thousand EUR
		Assets (net)	437 149	440 053
		Loans (net)	142 910	115 826
		Deposits	357 359	360 385
		Capital	53 046	55 467
		Operating profit	1 154	1 105
		Net profit	283	957
		Liquidity (%)	72.04	71.91
		Capital adequacy (%)	14.96	14.79
		Number of customers (pers.)	9 741	10 678
		<b>Key indicators of the Issuer during transitional periods</b>	01.07.2013	01.07.2014
			thousand EUR	thousand EUR
		Assets (net)	502 749	484 288
		Loans (net)	131 368	114 243
		Deposits	413 903	410 743
		Capital	54 846	54 799
		Operating profit	4 895	2 783
		Net profit	2 117	293
		Liquidity (%)	77.88	69.99
	Capital adequacy (%)	15.79	15.46	
	Number of customers (pers.)	10 154	10 652	

3. The Issuer has supplemented Clause B.11 of Chapter 2 “Summary” Section B “Issuer” as follows:

<b>B.11</b>	Issuer’s capital adequacy	The Issuer’s capital adequacy indicator corresponds with the existing demands of the Republic of Latvia, and on 1/07/2014 amounted to 15.46% .
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		<p>During the period from 30 July 2014 to 30 September 2014, the Financial and Capital Market Commission conducted a complete audit of the Issuer. The report on the audit results is now under development.</p> <p>In accordance with the Financial and Capital Market Commission's preliminary assessment, the expected results may significantly affect the Issuer's financial indicators and may reduce the Issuer's capital adequacy ratio to 10,59%, which is lower than the minimum capital adequacy requirement of 13,1% estimated by the Financial and Capital Market Commission for the Issuer.</p>
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4. The Issuer has supplemented Clause B.12 of Chapter 2 "Summary" Section B "Issuer" as follows:

<b>B.12</b>	Forecast regarding the Issuer	<p>During the period from 30 July 2014 to 30 September 2014, the Financial and Capital Market Commission conducted a complete audit of the Issuer. The report on the audit results is now under development.</p> <p>In accordance with the Financial and Capital Market Commission's preliminary assessment, the expected results may significantly affect the Issuer's financial indicators and may reduce the Issuer's capital adequacy ratio to 10,59%, which is lower than the minimum capital adequacy requirement of 13,1% estimated by the Financial and Capital Market Commission for the Issuer.</p>
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5. The Issuer has supplemented Clause B.17 of Chapter 2 "Summary" Section B "Issuer" as follows:

<b>B.17</b>	Credit ratings	<p>In May, 2014, the Issuer requested the international rating agency Moody's Investors Service to discontinue its rating process. After the completion of the rating withdrawal procedure on 10 October 2014, Moody's Investors Service issued a press release confirming the withdrawal of the credit rating.</p>
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6. The Issuer has amended the first paragraph of Clause 4.3 "Price of the Initial Placement and Procedure of Placement", Chapter 4 "Amount of Bonds and Conditions of the Offer" as follows:

During the initial placement, the Bonds will be sold for the price determined by the decision of the Issuer's board at least 4 (four) working days prior to the start date of the initial placement of the Bonds, and this price will be stated in the Final Terms and on the Issuer's home page [www.tkb.lv](http://www.tkb.lv).

7. The Issuer has supplemented Chapter 7 "Selected Financial Information", by adding the following table

<b>Key indicators of the Issuer during transitional periods</b>	01.07.2013	01.07.2014
	thousand EUR	thousand EUR
Assets (net)	502 749	484 288
Loans (net)	131 368	114 243
Deposits	413 903	410 743
Capital	54 846	54 799
Operating profit	4 895	2 783
Net profit	2 117	293
Liquidity (%)	77.88	69.99
Capital adequacy (%)	15.79	15.46
Number of customers (pers.)	10 154	10 652

8. The Issuer has amended the last paragraph of Clause 10.3 "Issuer's Competitiveness", Chapter 10 "Business Overview" as follows:

In accordance with the report provided by the Association of Commercial Banks of Latvia, towards the end of the 2<sup>nd</sup> quarter of 2014 the Issuer ranked 11<sup>th</sup> among the other 26 credit institutions operating in the Republic of Latvia with regard to the total amount of assets and deposits.

9. The Issuer has supplemented Chapter 12 “Information about Trends” as follows:

Since the day of publishing the last audited financial statement the Issuer’s operational and financial prospects have not changed significantly. Nevertheless, during the period from 30 July 2014 to 30 September 2014, the Financial and Capital Market Commission conducted a complete audit of the Issuer. In accordance with the Financial and Capital Market Commission’s preliminary assessment, the expected results may significantly affect the Issuer’s financial indicators and prospects for the current and future financial years.

10. The Issuer has supplemented Clause 17.7 “Interim Financial Information” of Chapter 17 “Financial Information about the Issuer’s Assets and Liabilities, Financial Position, Profit and Loss” as follows:

The Issuer has prepared and published a condensed financial statements for the first and second quarter of 2014. The respective statements are further on presented in the form of a comparative table together with the reports for the first and second quarter of 2013 respectively.

These quarterly statements have not been audited by a sworn auditor.

The Issuer’s interim condensed financial statements for the period ended on 31 March 2014 are available in Appendix No. 3, and for the period ended on 30 June 2014 – in the Appendix to the Addendum.

11. The Issuer has supplemented Clause 17.9 “Interim Financial Information” of Chapter 17 “Financial Information about the Issuer’s Assets and Liabilities, Financial Position, Profit and Loss” as follows:

The Issuer’s financial indicators have not changed significantly since the publishing of the consolidated statements for 2013 and condensed interim financial statements for the second quarter of 2014. The financial indicators of the Issuer may change after the receipt of the Financial and Capital Market Commission’s report on the audit results.

12. The Issuer has supplemented the List of Appended Documents of Chapter 21 with the Issuer’s financial statements for the period ended on 30 June 2014.

In deciding to make an investment in the securities, the Investor should consider the entire information provided in the Addendum, Base Prospectus and these Final Terms. To evaluate the information, the Investor shall be entitled to independently engage an adviser.

If the Investor before the publication of the Addendum has already agreed to buy Obligations or has subscribed for them, s/he shall be entitled within two (2) working days after the publication of the Addendum to withdraw the consent.

Appendix:

**JSC TRASTA KOMERCBANKA condensed half-year financial statements of 2014.**



TRASTA KOMERCBANKA

**JSC TRASTA KOMERCBANKA  
INTERIM CONDENSED FINANCIAL STATEMENTS  
AND CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
30 JUNE 2014  
(prepared according to FCMC Regulations  
On the Preparation of Public Quarterly Reports of Banks)**

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

In the second quarter of 2014, the Bank gained profit of EUR 0.29 million. The Bank's capital and reserves as at 30 June 2014 were EUR 54.80 million. The Bank's assets as at 30 June amounted to EUR 484.29 million, which is by EUR 69.18 million more than the final figure of 2013. As at the end of the reporting period the amount of attracted deposits reached EUR 410.74 million, but the Bank's loan portfolio amounted to EUR 114.24 million.

In the second quarter of the reporting period, the Bank continued to improve and extend the range of services for the existing and new customers. During the reporting period, the Bank conducted a survey among its Latvian customers to find out their wants and wishes. The proposals of Customers served as an impetus for the development and introduction of such new services as customer packages. For example, the Practical and European packages for individuals, as well as a number of other packages for entities that provide their users with an opportunity to use financial services offered by the Bank with maximum efficiency and comfort.

The Bank's consolidation group consists of the subsidiary companies: "TKB Nekustamie īpašumi", "TKB Līzings" and its subsidiary "TKB Leasing Tajikistan", "TKB LU" and "Project 1"; and also "Heckbert C7 Holdings" and its subsidiary „Ferrous Kereskedelmi KFT”. The amount of Group's assets as at the end of the reporting period was EUR 479.60 million, which is by EUR 62.91 million more than the final figure of 2013. In the second quarter of 2014, the Group ended with a loss of EUR 0.39 million.

The management confirms that the consolidated financial statements and the separate financial statements set out on pages 4 to 25 for the period from 1 January 2014 to 30 June 2014 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 second quarter of 2014 has not been 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 August 25, 2014 and it is available on the Bank's website at [www.tkb.eu](http://www.tkb.eu).

On behalf of the Bank's management:



Māris Fogelis  
Vice-Chairman of the Board  
Riga,  
August 25, 2014



**INTERIM CONDENSED FINANCIAL STATEMENTS  
AND CONSOLIDATED CONDENSED  
FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2014**

TRASTA KOMERCBANKA

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**PROFIT AND LOSS STATEMENTS**

EUR '000	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>30.06.2014</u>	<u>30.06.2013</u>	<u>30.06.2014</u>	<u>30.06.2013</u>
Interest revenue		3 785	6 120	3 840	6 218
Interest expense		(1 366)	(1 888)	(1 366)	(1 888)
Dividends		0	0	0	0
Commission income		6 490	6 928	6 437	6 909
Commission expense		(626)	(1 195)	(625)	(1 195)
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		(67)	0	(67)	0
Net gains from trading financial assets		329	94	329	94
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		650	906	853	906
Property, plant and equipment, investment property and intangible assets derecognition profit / loss		0	0	0	0
Other income		227	576	91	44
Other expenses		(688)	(290)	(197)	(229)
Administrative expenses		(6 137)	(5 582)	(6 058)	(5 507)
Depreciation		(458)	(465)	(454)	(458)
Result of forming reserves, net	9	(2 356)	(2 638)	(2 357)	(2 635)
Impairment losses		(12)	(65)	(12)	(64)
<b>Profit/(loss) before corporate income tax</b>		<b>(229)</b>	<b>2 501</b>	<b>414</b>	<b>2 195</b>
Corporate income tax		(163)	(93)	(121)	(78)
<b>Profit/loss for the period</b>		<b>(392)</b>	<b>2 408</b>	<b>293</b>	<b>2 117</b>

**INTERIM CONDENSED FINANCIAL STATEMENTS  
AND CONSOLIDATED CONDENSED  
FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2014**

TRASTA KOMERCBANKA

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**BALANCE SHEET**

EUR '000	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>30.06.2014</u>	<u>31.12.2013</u>	<u>30.06.2014</u>	<u>31.12.2013</u>
Cash and balances due from central banks		74 695	88 927	74 695	88 927
Due from credit institutions on demand	10	119 159	112 347	119 067	112 327
Held for trading financial assets	12, (1)	6 556	2 244	6 556	2 244
Financial assets classified at fair value through profit and loss statement		0	0	0	0
Available for sale financial assets	12, (2)	76 582	25 484	76 582	25 484
Loans and receivables	13	102 507	102 590	114 243	113 436
Held to maturity investments	11	30 567	26 849	30 567	26 849
Interests risk protected portfolio share' s fair value changes		0	0	0	0
Accrued income and deferred expenses		490	246	460	242
Property and equipment		10 656	10 946	10 602	10 905
Long-term projects costs	14	10 437	10 349	3 999	3 911
Intangible assets		311	313	309	312
Investments in share capital of subsidiary	15	12 665	18 559	15 443	15 443
Corporate income tax assets		587	588	403	403
Other assets	16	34 383	17 247	31 362	14 627
<b>TOTAL ASSETS</b>		<b>479 595</b>	<b>416 689</b>	<b>484 288</b>	<b>415 110</b>
Due to central banks		0	0	0	0
Due to credit institutions on demand		369	5 487	369	5 487
Financial liabilities held for trading		0	0	0	0
Financial liabilities classified at fair value through profit and loss statement		0	0	0	0
Financial liabilities at amortised cost	17	424 445	351 172	424 535	351 194
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		899	965	907	953
Reserves for potential liabilities		0	0	0	0
Corporate income tax liabilities		25	37	22	14
Other liabilities	18	3 878	3 256	3 656	2 915
<b>TOTAL LIABILITIES</b>		<b>429 616</b>	<b>360 917</b>	<b>429 489</b>	<b>360 563</b>
<b>Equity and reserves</b>		<b>49 979</b>	<b>55 772</b>	<b>54 799</b>	<b>54 547</b>
<b>TOTAL LIABILITIES AND EQUITY AND RESERVES</b>		<b>479 595</b>	<b>416 689</b>	<b>484 288</b>	<b>415 110</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
Contingent liabilities	19	6 821	8 200	6 821	8 200
Commitments to customers	19	14 530	13 319	17 272	14 891

**INTERIM CONDENSED FINANCIAL STATEMENTS  
AND CONSOLIDATED CONDENSED  
FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2014**

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

**(1) The Group**

EUR '000	Share capital	Share premium	Reserve capital and other reserves	Available for sale financial asset revaluation reserves	Foreign exchange translation reserve	Retained earnings	Total	Non-controlling interest	Total equity and reserves
<b>BALANCE AS AT 31 DECEMBER 2012</b>	20 642	158	6 205	115	1 177	22 161	50 458	5 017	55 475
<i>Net profit for the period</i>	0	0	0	0	0	2 328	2 328	80	2 408
<i>Other comprehensive income</i>	0	0	24	(61)	71	0	34	(12)	22
Total comprehensive income	0	0	24	(61)	71	2 328	2 362	68	2 430
<b>BALANCE AS AT 30 JUNE 2013</b>	20 642	158	6 229	54	1 248	24 489	52 820	5 085	57 905
<b>BALANCE AS AT 31 DECEMBER 2013</b>	20 642	158	6 229	21	305	23 769	51 124	4 648	55 772
<i>Net loss for the period</i>	0	0	0	0	0	(280)	(280)	(112)	(392)
<i>Other comprehensive loss</i>	0	0	0	(41)	(4 017)	0	(4 058)	(1 343)	(5 401)
Total comprehensive loss	0	0	0	(41)	(4 017)	(280)	(4 338)	(1 455)	(5 793)
-									
<b>BALANCE AS AT 30 JUNE 2014</b>	20 642	158	6 229	(20)	(3 712)	23 489	46 786	3 193	49 979

**(2) The Bank**

EUR' 000	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 2012</b>	20 642	158	5 412	115	26 463	52 790
<i>Net profit for the period</i>	0	0	0	0	2 117	2 117
<i>Other comprehensive loss</i>	0	0	0	(61)	0	(61)
Total comprehensive income	0	0	0	(61)	2 117	2 056
<b>BALANCE AS AT 30 JUNE 2013</b>	20 642	158	5 412	54	28 580	54 846
<b>BALANCE AS AT 31 DECEMBER 2013</b>	20 642	158	5 412	21	28 314	54 547
<i>Net profit for the period</i>	0	0	0	0	293	293
<i>Other comprehensive loss</i>	0	0	0	(41)	0	(41)
Total comprehensive income	0	0	0	(41)	293	252
<b>BALANCE AS AT 30 JUNE 2014</b>	20 642	158	5 412	(20)	28 607	54 799

**INTERIM CONDENSED FINANCIAL STATEMENTS  
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**STATEMENTS OF CASH FLOWS AND CONSOLIDATED STATEMENTS OF CASH FLOWS**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2014</u>	<u>30.06.2013</u>	<u>30.06.2014</u>	<u>30.06.2013</u>
<b>Cash flow as a result of operating activity:</b>				
Profit/(Loss) before corporate income tax	(229)	2 501	414	2 195
Amortisation and depreciation	458	465	454	458
Increase/(decrease) in allowance for impairment of loans	2 345	2 648	2 346	2 645
Other assets impairment loss /(gain)	13	70	11	70
Foreign currency revaluation (profit) loss	680	471	386	499
(Gain)/loss from revaluation of financial assets	486	(989)	486	(989)
(Gain)/loss from revaluation of other non-current assets	(54)	0	0	0
Gain on disposal of other non-current assets	0	(299)	0	0
Gain from partial disposal of subsidiary	0	0	0	0
Gain/(loss) from investment in equity accounted investee	444	(218)	0	0
Loss on disposal of fixed and intangible assets	0	0	0	0
<b>Increase in cash and cash equivalents from operating activities before changes in assets and liabilities</b>	<b>4 143</b>	<b>4 649</b>	<b>4 097</b>	<b>4 879</b>
Decrease of held for trading financial assets	(4 281)	172	(4 281)	172
(Increase)/decrease in due from credit institutions	9 010	847	9 010	847
(Increase)/decrease in loans	(2 324)	(3 614)	(3 215)	(1 420)
(Increase)/decrease in accrued income and deferred expense	(252)	(181)	(226)	(169)
Decrease /(increase) in other assets	(17 537)	(13 517)	(17 188)	(13 246)
Decrease in due to credit institutions	0	(219)	0	(219)
(Decrease)/increase in deposits	75 194	60 185	75 262	60 380
(Decrease)/increase in accrued expenses and deferred income	(66)	(1 093)	(46)	(1 066)
Increase/(decrease) in other liabilities	609	5 142	728	5 147
<b>(Decrease)/increase in cash and cash equivalents from operating activities before corporate income tax</b>	<b>64 496</b>	<b>52 371</b>	<b>64 141</b>	<b>55 305</b>
Corporate income tax paid	(174)	(78)	(113)	(78)
<b>(Decrease)/increase in cash and cash equivalents from operating activities</b>	<b>64 322</b>	<b>52 293</b>	<b>64 028</b>	<b>55 227</b>
<b>Cash flows from investing activities</b>				
Purchase of tangible and intangible fixed assets, net	(166)	(218)	(148)	(211)
(Increase)/decrease in available-for-sale financial assets	(51 139)	2 205	(51 139)	2 205
Purchase of investments in share capital of subsidiary	0	0	0	0
Purchase of other non-current assets	(88)	(88)	(88)	(88)
Proceeds from sale of other non-current assets	0	2 934	0	0
<b>Decrease in cash and cash equivalents from investing activities</b>	<b>(51 393)</b>	<b>4 833</b>	<b>(51 375)</b>	<b>1 906</b>

**INTERIM CONDENSED FINANCIAL STATEMENTS  
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**STATEMENTS OF CASH FLOWS AND CONSOLIDATED STATEMENTS OF CASH FLOWS  
(continued)**

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2014</u>	<u>30.06.2013</u>	<u>30.06.2014</u>	<u>30.06.2013</u>
<b>Cash flows from financing activities</b>				
Subordinated liabilities issue	640	3 002	640	3 002
Subordinated liabilities repayment	(2 548)	0	(2 548)	0
<b>(Decrease)/increase in cash and cash equivalents from financing activities</b>	<b>(1 908)</b>	<b>3 002</b>	<b>(1 908)</b>	<b>3 002</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>11 021</b>	<b>60 128</b>	<b>10 745</b>	<b>60 135</b>
Cash and cash equivalents at the beginning of the period	210 647	198 790	210 627	198 772
Foreign currency revaluation (loss)/profit	(595)	(392)	(391)	(392)
Cash and cash equivalents at the end of the period	221 073	258 526	220 981	258 515

Cash and cash equivalents are calculated as follows

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2014</u>	<u>30.06.2013</u>	<u>30.06.2014</u>	<u>30.06.2013</u>
Due from credit institutions with a maturity of less than 3 months	146 747	156 062	146 655	156 051
Cash and balances due from the Bank of Latvia and other Central Banks	74 695	106 094	74 695	106 094
Due to credit institutions with a maturity of less than 3 months	(369)	(3 630)	(369)	(3 630)
<b>CASH AND CASH EQUIVALENTS</b>	<b>221 073</b>	<b>258 526</b>	<b>220 981</b>	<b>258 515</b>

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 25 August 2014.

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 monetary unit used in the financial statements is **the euro (EUR)**, the monetary unit of the Republic of Latvia. All amounts in the financial statements are reported in **thousands of euro (EUR000’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>30.06.2014.</u>	<u>31.12.2013</u>	<u>30.06.2013.</u>
EUR 1 = USD	1.3658	1.3647	1.3039
GBP	0.8015	0.8337	0.8498
RUB	46.3779	45.0515	42.8539
LVL	0.702804	0.702804	0.702804

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

**3 PERFORMANCE INDICATORS**

<b>Position</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
Return on equity (ROE) (%) <sup>1</sup>	1.06	7.83
Return on assets (ROA) (%) <sup>2</sup>	0.12	0.88

<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**

In connection with the introduction of the euro in Latvia and capital recalculation, shareholders of the Bank in March 2014 approved the capital denomination and the new share nominal value. On June 30, 2014, the Bank's paid-up share capital consisted of 20,641,316 ordinary voting shares with the nominal value 1 euro (2013: 290, 136 shares with the nominal value of 71.14 euros (50.00 lats).

The total number of shareholders is 42, of which 11 are legal entities and 31 are individuals.

**List of shareholders:**

<b>Shareholder</b>	<b>Country</b>	<b>Shareholding</b>		<b>Shareholding</b>	
		<b>30 June 2014</b>		<b>31 December 2013</b>	
		<b>%</b>	<b>EUR'000</b>	<b>%</b>	<b>EUR'000</b>
I.Buimisters	Latvia	43.21	8 920	43.21	8 920
SIA "C&R Invest"	Latvia	14.63	3 019	14.63	3 019
C.E.G. Treherne	Great Britain	9.31	1 922	9.31	1 922
GCK Holdings		7.42	1 531	7.42	1 531
Netherlands B.V.	Netherlands	7.42	1 531	7.42	1 531
Rikam S.A.H.	Luxembourg	7.29	1 505	7.29	1 505
Figon Co Limited	Cyprus	3.41	703	3.41	703
Another shareholders		14.73	3 042	14.73	3 042

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 11.10.2013.
Alfrēds Čepānis	Member of the Council	30.03.1999, reelected 11.10.2013.
Artemiy Yershov	Member of the Council	28.03.2014

At the meeting on 28 March 2014, shareholders approved changes in the composition of the Council. Igors Buimisters and Alfeds Cepanis were reelected, and a new member Artemiy Yershov was elected. Igor Snisarevskiy left the office.

Management Board

Name, surname	Positions	Election date
Gundars Grieze	Chairman of the Board	28.06.1999, reelected 29.03.2012
Māris Fogelis	First vice-chairman of the Board	28.06.1999, reelected 29.03.2012
Viktors Ziemelis	Vice-chairman of the Board	28.03.2003, reelected 29.03.2012
Svetlana Krasovska	Member of the Board	24.10.1995, reelected 29.03.2012
Tatjana Konnova	Member of the Board	23.03.2006, reelected 29.03.2012
Edgars Diure	Member of the Board	28.03.2014.

During the reporting period Edgars Diure was elected as a member of the Board. Other changes in the composition of the Board did not occur.



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)



**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)**

The Bank has positioned itself as an international private bank for chosen clientele whom the Bank provide with exclusive and high-quality financial services using the most advanced modern tehnologies.

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 profitability.

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 regain Bank's profitability and to strive to achieve the return on assets (ROA) not less than 1%.
- ✓ To maintain the Bank's capital at a proper level for operation and to secure the internal capital adequacy ratio as from 30 September 2013 not less than 12.76%.
- ✓ The Bank will seek to increase revenue diversification, giving priority to operation with lower capital requirements.
- ✓ To increase the number of customers and offer of new products, which would allow to attract selected clientele with high demands.
- ✓ To facilitate highly professional customer service.
- ✓ To develop the funding of measures that promote export. To participate in co-financing of projects of the EU structural funds and Latvia's Guarantee Agency.
- ✓ To continue upgrading of qualification of the existing staff and to recruit new high-quality specialists.
- ✓ To follow and be aware of IT novelties and to facilitate their timely implementation in the Bank's activities; to modernize the Bank's remote communication tools and service systems.
- ✓ 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 cutsomers.
- ✓ To enhance the Bank's current image of a customer oriented and international bank (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:**

- ✓ Customers are the Bank's core value. Developing of profitable cuistomers' business is the basis for successfiul operation of the Bank.
- ✓ The Bank's reputation is in the focus of its attention. The Bank closely follows requirements.The Bank does not cooperate with the customers and does not perform transactions that cause doubts as far as the said requirements are considered. The Bank does not provide services to high-risk customers who do not have their business history.
- ✓ Conservative approach is at the basis of the Bank's development concept.
- ✓ The Bank considers its personnel to be the main factor for achieving the Bank's mission. The Bank caters for professional growth of its personnel and takes care of its employees.

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

**5 COMPOSITION OF THE CONSOLIDATED GROUP**

The consolidation group of the Bank consists of the Bank, and its subsidiaries *TKB Nekustamie īpašumi*, *TKB Līzings* and its subsidiary *TKB Leasing Tajikistan* and „TKB LU” and its subsidiary „Project 1”; and “Heckbert C7 Holdings” and its subsidiary “Ferrous Kereskedelmi KFT”. The description of “Heckbert C7 Holdings” and “Ferrous Kereskedelmi KFT” is provided in Note 15 herein. Services provided by the above mentioned companies of the Group 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	LC	100	100	SC
3	CJSC TKB Leasing Tajikistan TJ-0210013797	TJ, Dushanbe, Pr.Rudaki 100, Tajikistan	LC	75.10	75.10	SSC
4	TKB LU LLC UA-15561020000043994	UA, Odesa, Genuezka 24a-321	AC	100	100	SSC
5	Project 1 LLC UA-15561020000044353	UA, Odesa, Genuezka 24a-321	AC	100	100	SSC
6	Heckbert C7 Holdings Limited CY-HE134861	CY, Nicosia, Kritonos 21, Cyprus	AFI	75.36	75.36	SC
7	Ferrous Kereskedelmi KFT HU-01-09-717395	HU, Budapest, 3 Szegedi street, Hungary	AFI	100	100	SSC

\* - CI –credit institutions , EMI - electronic money institution, , IBC – investment brokerage company, IMC- investment management company , PF – pension fund, LC – leasing company , AFI – another financial institution, ASC – ancillary services company, AC - auxiliary company, FMC – financial management company.

\*\* - SC – subsidiary company, SSC – subsidiary of the subsidiary company , PC – parent company, SPC – subsidiary of the parent company , OC – other company.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

6 RISK CONTROL AND MANAGEMENT

Information on the Bank's risk management policies is provided in the audited financial statements 2013 of AS TRASTA KOMERCBANKA, posted on the Bank's website (www.tkb.eu), Note 40 of the statements (pp.64-71), and in the Information Disclosure Statement of 2013 (pp. 2 to 8), and since this publication of information it has not changed significantly.

7 SUMMARY REPORT OF EQUITY AND MINIMUM CAPITAL REQUIREMENTS

ID	Item	COREP ID	30.06.2014.	
			The Group	The Bank
1.	<b>Own funds (1.1.+1.2.)</b>	C 01.00 1	52 662	61 335
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	C 01.00 1.1.	45 524	54 197
1.1.1.	Common equity tier 1 capital	C 01.00 1.1.1.	45 524	54 197
1.1.2.	Additional tier 1 capital	C 01.00 1.1.2.	0	0
1.2.	Tier 2 capital	C 01.00 1.2.	7 138	7 138
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	C 02.00 1.	259 907	267 781
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	C 02.00 1.1.	222 047	231 291
2.2.	Total risk exposure amount for settlement/delivery	C 02.00 1.2.	0	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	C 02.00 1.3.	2 445	1 399
2.4.	Total risk exposure amount for operational risk	C 02.00 1.4.	35 415	35 091
2.5.	Total risk exposure amount for credit valuation adjustment	C 02.00 1.6.	0	0
2.6.	Total risk exposure amount related to large exposures in the trading book	C 02.00 1.7.	0	0
2.7.	Other risk exposure amounts	C 02.00 1.8.	0	0
3.	<b>Capital ratios and capital levels</b>			
3.1.	CET 1 capital ratio (1.1.1./2.*100)	C 03.00 1.	17.52	20.24
3.2.	Surplus (+)/Deficit (-) of CET 1 capital (1.1.1.-2.*4.5%)	C 03.00 2.	33 828	42 147
3.3.	Tier 1 capital ratio (1.1./2.*100)	C 03.00 3.	17.52	20.24
3.4.	Surplus (+)/ deficit (-) of Tier1 capital (1.1.-2.*6%)	C 03.00 4.	29 930	38 130
3.5.	Total capital ratio (1./2.*100)	C 03.00 5.	20.26	22.90

**INTERIM CONDENSED FINANCIAL STATEMENTS  
AND CONSOLIDATED CONDENSED  
FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2014**

TRASTA KOMERCBANKA

TKB

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

3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	C 03.00 6.	31 869	39 913
4.	<b>Combined buffer requirement</b> (4.1.+4.2.+4.3.+4.4.+4.5.)	C 04.00 27.	0	0
4.1.	Capital conservation buffer (%)		2.5	2.5
4.2.	Institution specific countercyclical capital buffer (%)		0	0
4.3.	Systemic risk buffer (%)		0	0
4.4.	Systemical important institution buffer (%)		0	0
4.5.	Other Systemically Important Institution buffer (%)		0	0
5.	<b>Capital ratios due to Pillar II adjustments</b>			
5.1.	Own funds requirements related to Pillar II adjustments	C 04.00 28.	(16 021)	(19 929)
5.2.	CET1 capital ratio including Pillar II adjustments	C 03.00 7.	14.10	15.46
5.3.	Tier 1 capital ratio including Pillar II adjustments	C 03.00 9.	14.10	15.46
5.4.	Total capital ratio including Pillar II adjustments	C 03.00 11."	14.10	15.46

\* Information about this decrease is provided in Notes 13, 14 and 15.

**8 LIQUIDITY RATIO**

ID	Position	30.06.2014.
1.	<b>Liquid assets</b> (1.1.+1.2.+1.3.+1.4.)	278 375
1.1.	Cash	1 339
1.2.	Claims on demand on Central Bank	73 356
1.3.	Claims on demand on solvent credit institutions	120 880
1.4.	Liquid securities	82 800
2.	<b>Current liabilities (with remaining maturity up to 30 days)</b> (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	397 762
2.1.	Liabilities to credit institutions	369
2.2.	Deposits	375 443
2.3.	Issued debt securities	0
2.4.	Cash in transit	2 382
2.5.	Other current liabilities	2 258
2.6.	Off-balance liabilities	17 310
3.	<b>Liquidity ratio</b> (1.:2.) (%)	69.99%
4.	<b>Minimum liquidity ratio</b>	30%"

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

9 RESULT OF FORMING RESERVES, NET

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2014</u>	<u>30.06.2013</u>	<u>30.06.2014</u>	<u>30.06.2013</u>
<b>Balance as at 1 January</b>	<b>21 149</b>	<b>18 877</b>	<b>19 645</b>	<b>16 912</b>
<i>incl. for due from credit institutions</i>	0	0	0	0
<i>incl. for loans</i>	21 149	18 877	19 645	16 912
Additional <i>individual</i> allowance	3 070	3 641	3 070	3 631
Change in <i>collective</i> allowance	(6)	(4)	(6)	(4)
Release of <i>individual</i> allowances	(708)	(999)	(707)	(992)
Interest on loans, which are recognized as impaired	0	0	0	0
Write-off credits	(749)	(5 068)	(749)	(5 068)
Effect of changes in currency exchange rates	(11)	10	(11)	10
<b>Balance as at 30 June</b>	<b>22 745</b>	<b>16 457</b>	<b>21 242</b>	<b>14 489</b>
<i>incl. for due from credit institutions</i>	0	0	0	0
<i>incl. for loans</i>	22 745	16 457	21 242	14 489

10 DUE FROM CREDIT INSTITUTIONS ON DEMAND

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2014</u>	<u>31.12.2013</u>	<u>30.06.2014</u>	<u>31.12.2013</u>
Due from credit institutions registered in the Republic of Latvia	1 277	1 269	1 277	1 269
Due from credit institutions registered in the foreign countries	117 882	111 078	117 790	111 058
	<b>119 159</b>	<b>112 347</b>	<b>119 067</b>	<b>112 327</b>

11 HELD TO MATURITY INVESTMENTS

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2014</u>	<u>31.12.2013</u>	<u>30.06.2014</u>	<u>31.12.2013</u>
<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	2 197	1 465	2 197	1 465
Due from credit institutions registered in the foreign countries	25 391	13 395	25 391	13 395
<i>- With a maturity of more than 3 months -</i>				
Due from credit institutions registered in the foreign countries	2 979	11 989	2 979	11 989
	<b>30 567</b>	<b>26 849</b>	<b>30 567</b>	<b>26 849</b>

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

12, (1) HELD FOR TRADING FINANCIAL ASSETS

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2014</u>	<u>31.12.2013</u>	<u>30.06.2014</u>	<u>31.12.2013</u>
Fixed income securities	6 546	2 187	6 546	2 187
- Government debt securities -				
Investment amount of government debt securities	5 483	792	5 483	792
Government debt securities revaluation profit/(losses), net	(13)	(31)	(13)	(31)
	5 470	761	5 470	761
- Debt securities of other institutions -				
Investment amount of debt securities of other institutions	1 084	1 494	1 084	1 494
Revaluation losses of debt securities of other institutions, net	(8)	(68)	(8)	(68)
	1 076	1 426	1 076	1 426
Equity shares and other non-fixed income securities	0	0	0	0
Investments in equity shares	0	0	0	0
Changes on revaluation of equity investments, net	0	0	0	0
Derivatives	10	57	10	57
	<b>6 556</b>	<b>2 244</b>	<b>6 556</b>	<b>2 244</b>

12, (2) AVAILABLE FOR FINANCIAL ASSETS

EUR'000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2014</u>	<u>31.12.2013</u>	<u>30.06.2014</u>	<u>31.12.2013</u>
Fixed income securities	76 538	25 440	76 538	25 440
- Government debt securities -				
Investment amount of government debt securities	76 351	24 952	76 351	24 952
Government debt securities revaluation profit/(losses), net	54	33	54	33
	76 405	24 985	76 405	24 985
- Debt securities of other institutions -				
Investment amount of debt securities of other institutions	207	468	207	468
Revaluation losses of debt securities of other institutions, net	(74)	(13)	(74)	(13)
	133	455	133	455
Equity shares and other non-fixed income securities	44	44	44	44
Investments in equity shares and other non-fixed income securities	44	44	44	44
Changes on revaluation of equity investments, net	0	0	0	0
	<b>76 582</b>	<b>25 484</b>	<b>76 582</b>	<b>25 484</b>

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

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

<u>30 June 2014</u>	<u>Latvia</u>	<u>EU*</u>	<u>USA</u>	<u>Russia</u>	<u>Other</u> <u>countries</u>	<u>Total</u>
Fixed income securities	17 973	782	61 422	2 650	257	83 084
- Government debt securities -	17 840	300	61 235	2 243	257	81 875
- Debt securities of other institutions -	133	482	187	407	0	1 209
Equity shares and other non-fixed income securities	0	44	0	0	0	44
Fixed income securities – short positions	0	0	0	0	0	0
- Government debt securities -	0	0	0	0	0	0
	<b>17 973</b>	<b>826</b>	<b>61 422</b>	<b>2 650</b>	<b>257</b>	<b>83 128</b>

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

<u>31 December 2013</u>	<u>Latvia</u>	<u>EU*</u>	<u>USA</u>	<u>Russia</u>	<u>Other</u> <u>countries</u>	<u>Total</u>
Fixed income securities	14 452	624	10 987	665	899	27 627
- Government debt securities –	13 997	288	10 987	0	474	25 746
- Debt securities of other institutions -	455	336	0	665	425	1 881
Equity shares and other non-fixed income securities	0	44	0	0	0	44
Fixed income securities – short positions	0	0	0	0	0	0
- Government debt securities -	0	0	0	0	0	0
	<b>14 452</b>	<b>668</b>	<b>10 987</b>	<b>665</b>	<b>899</b>	<b>27 671</b>

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



NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

EUR '000	The Group		The Bank	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
<b>13 LOANS AND RECEIVABLES</b>				
Private non-financial corporations	98 989	100 203	90 886	91 979
Households	16 569	18 231	16 115	17 925
Financial institutions	7 721	3 066	26 568	21 054
Employees	1 973	2 239	1 916	2 123
<b>Total gross loans</b>	<b>125 252</b>	<b>123 739</b>	<b>135 485</b>	<b>133 081</b>
Impairment allowances, <i>individually assessed</i> *	(22 700)	(21 098)	(21 197)	(19 594)
Impairment allowances, <i>collectively assessed</i>	(45)	(51)	(45)	(51)
	<b>102 507</b>	<b>102 590</b>	<b>114 243</b>	<b>113 436</b>

\* According to the Bank's loan assessment, made by the Financial and Capital Market Commission, the Bank has to make additional provisions in the amount of EUR 4 905 thousand (on 31.12.2013. – EUR 4 859 thousand). In performing its loan assessment, the Bank applies the FCMC Regulations On Assets Quality Assessment and Provisioning which provides for making additional provisions in accordance with international accounting standards. Given that the Bank's assessment of the respective loans does not show any impairment in value, the Bank does not agree with the assessment of the FCMC. According to the FCMC Regulations in such a case the Bank has to perform its capital adequacy calculation adjustment (reduction) for this amount, less the risk-weighting factor that is EUR 4 369 thousand (on 31.12.2013. – EUR 4 421 thousand (Note 7)).

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

Mortgage loans	40 899	39 331	40 899	39 331
Commercial loans	37 221	32 733	54 811	49 312
Industrial loans	12 811	13 569	12 811	13 569
Finance lease	7 337	7 211	0	0
Overdrafts	9 657	11 276	9 657	11 276
Reverse REPO	0	0	0	0
Consumer loans	475	548	455	522
Factoring	1 041	581	1 041	581
Payment card loans	547	531	547	531
Other	15 264	17 959	15 264	17 959
	<b>125 252</b>	<b>123 739</b>	<b>135 485</b>	<b>133 081</b>

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2014</u>	<u>31.12.2013</u>	<u>30.06.2014</u>	<u>31.12.2013</u>
<b>14</b>	<b>LONG-TERM PROJECTS COSTS</b>			
Land parcels	2 236	2 213	272	249
Finished and unfinished construction costs	8 176	8 126	3 702	3 652
Prepayments for unfinished construction	25	10	25	10
	<b>10 437</b>	<b>10 349</b>	<b>3 999</b>	<b>3 911</b>

The investment property mentioned in this Note is associated with the facility which served as loan collateral and consisted of land and unfinished construction. To increase the realization options and value of the facility, the Bank has made additional investments to finish the construction of the facility.

This Note includes also the object (including the related land plot) in the amount of EUR 6 438 thousand (in 2013: EUR 6 438 thousand) which the Bank has sold to a subsidiary within the Group for further sale. As a result of the sale transaction the Bank received income of EUR 1 899 thousand. Given the fact that this income was gained within the Group, the Group's profit and loss account was adjusted for this income amount and it was excluded from the consolidation. The Bank's equity capital was reduced for the income amount gained from this transaction. (Note 7).

**15 INVESTMENTS IN SHARE CAPITAL OF SUBSIDIARY**

**The Bank has the following investments in the share capital of related companies and associates:**

SIA TKB Nekustāmie īpašumi				
<i>Investment amount</i>	0	0	3	3
<i>Changes on revaluation of investments, net</i>	0	0	0	0
SIA TKB Līzings				
<i>Investment amount</i>	0	0	996	996
<i>Changes on revaluation of investments, net</i>	0	0	(405)	(405)
SAS Dewon *				
<i>Investment amount</i>	12 665	18 559	14 849	14 849
<i>Changes on revaluation of investments, net</i>	0	0	0	0
	<b>12 665</b>	<b>18 559</b>	<b>15 443</b>	<b>15 443</b>

\* At the end of 2009 the Bank purchased 100% of the share capital of Cyprus Company "Heckbert C7 Holdings", which owns 100% of the share capital of the company "Ferrous Kereskedelmi KFT" (Hungary), which is the owner of 25.085% of the Ukrainian gas company "Dewon" shares. The purpose of this transaction was to obtain control over 25.085% of the share capital of "Dewon". "Heckbert C7 Holdings" and "Ferrous Kereskedelmi KFT" do not perform any other commercial activities, except the holding of "Dewon" shares.

According to the Financial and Capital Market Commission's assessment of this investment, the Bank has to make capital adjustment for the book value of this investment. In 2014 and 2013, independent experts performed fair share assessment of the company "Dewon". The assessment did not show impairment in the fair value which is below the balance sheet value of the investment. Taking into account the independent experts' assessment, the Bank disagrees with the assessment of the FCMC. According to the FCMC assessment, the Bank has to perform its capital adequacy calculation adjustment (reduction) for this amount, less the risk-weighting factor - by EUR 13 661 thousand (on 31.12.2013 - EUR 13 661 thousand (Note 7)).

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2014</u>	<u>31.12.2013</u>	<u>30.06.2014</u>	<u>31.12.2013</u>
<b>16 OTHER ASSETS</b>				
Receivables from financial institutions	2 871	2 856	2 871	2 856
Real property hold for sale <sup>1</sup>	12 224	11 804	9 956	9 877
Spot foreign exchange assets <sup>2</sup>	183	687	183	687
Overpaid value added tax	35	47	35	47
Money in transit <sup>3</sup>	17 204	108	17 204	108
Other assets <sup>4</sup>	2 229	2 149	1 530	1 458
	<b>34 746</b>	<b>17 651</b>	<b>31 779</b>	<b>15 033</b>
Impairment loss	(363)	(404)	(417)	(406)
	<b>34 383</b>	<b>17 247</b>	<b>31 362</b>	<b>14 627</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.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

17 FINANCIAL LIABILITIES AT AMORTISED COST

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.03.2014</u>	<u>31.12.2013</u>	<u>30.06.2014</u>	<u>31.12.2013</u>
Due to credit institutions	117	117	117	117
Due to customers	410 653	335 459	410 743	335 481
Subordinated liabilities	13 675	15 596	13 675	15 596
Debt securities issued	0	0	0	0
	<b>424 445</b>	<b>351 172</b>	<b>424 535</b>	<b>351 194</b>

18 OTHER LIABILITIES

EUR '000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2014</u>	<u>31.12.2013</u>	<u>30.06.2014</u>	<u>31.12.2013</u>
Suspense accounts <sup>1</sup>	647	2 289	647	2 289
Spot foreign exchange liabilities (Note 16)	330	317	330	317
Money in transit <sup>2</sup>	2 382	195	2 382	195
Unpaid dividends of previous periods	21	21	21	21
Other liabilities	498	434	276	93
	<b>3 878</b>	<b>3 256</b>	<b>3 656</b>	<b>2 915</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.

<sup>2</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.

19 OFF-BALANCE SHEET ITEMS

Off-balance liabilities

EUR'000	<u>The Group</u>		<u>The Bank</u>	
	<u>30.06.2014</u>	<u>31.12.2013</u>	<u>30.06.2014</u>	<u>31.12.2013</u>
Contingent liabilities	6 821	8 200	6 821	8 200
<i>including guarantees</i>	963	1 293	963	1 293
<i>including rent commitments</i>	5 858	6 251	5 858	6 251
<i>Including other contingent liabilities<sup>1</sup></i>	0	656	0	656
Commitments to customers	14 530	13 319	17 272	14 891
<i>including unused credit limits</i>	9 473	13 308	12 215	14 880
<i>including other liabilities<sup>2</sup></i>	5 057	11	5 057	11
	<b>21 351</b>	<b>21 519</b>	<b>24 093</b>	<b>23 091</b>

<sup>1</sup> Other contingent liabilities include Bank's liabilities to *Latvijas Banka* for the preliminary supply of euro banknotes in connection with the joining of Latvia to the Euro Zone on 01.01.2014.

<sup>2</sup> Other liabilities include Bank's liabilities for the acquisition of fixed assets and acquisition of securities as well as future costs related to long-term projects.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

20 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

<u>EUR ' 000</u>	<u>Share- holders</u>	<u>Council and board</u>	<u>Subsi- diaries</u>	<u>Equity accounted investees</u>	<u>Other related parties<sup>1</sup></u>	<u>Total</u>
<b>30.06.2014</b>						
<b>Assets</b>						
Loans	349	412	0	2 035	3 237	6 033
<i>Allowance for loans</i>	(13)	(6)	0	0	(1)	(20)
<b>Loans, net</b>	336	406	0	2 035	3 236	6 013
<b>Liabilities</b>						
Deposits	7	300	0	0	643	950
<b>Commitments and guarantees</b>						
Unused credit lines	98	41	0	0	13	152
<b>30.06.2014</b>						
<b>Income statement</b>						
Interest income	11	13	0	118	35	177
Fee and commission income	2	0	0	0	1	3
Interest expense	0	0	0	0	0	0
Release of impairment/ impairment) of loans	0	1	0	0	0	1
Other expenses	(27)	(34)	0	(12)	(7)	(80)
<b>31.12.2013</b>						
<b>Assets</b>						
Loans	403	394	0	2 122	1 046	3 965
<i>Allowance for loans</i>	(13)	(7)	0	0	(1)	(21)
<b>Loans, net</b>	390	387	0	2 122	1 045	3 944
<b>Liabilities</b>						
Deposits	13	303	0	0	855	1 171
<b>Commitments and guarantees</b>						
Unused credit lines	54	33	0	0	2 211	2 298
<b>30.06.2013</b>						
<b>Income statement</b>						
Interest income	13	13	0	209	16	251
Fee and commission income	1	1	0	0	0	2
Interest expense	0	(1)	0	0	0	(1)
Release of impairment/ impairment) of loans	1	1	0	0	0	2
Other expenses	(24)	(30)	0	(21)	(4)	(79)

<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.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

<u>EUR '000</u>	<u>Share- holders</u>	<u>Council and board</u>	<u>Subsi- diaries</u>	<u>Equity accounted investees</u>	<u>Other related parties<sup>1</sup></u>	<u>Total</u>
<b>30.06.2014</b>						
<b>Assets</b>						
Loans	299	412	18 847	2 035	3 237	24 830
<i>Allowance for loans</i>	(13)	(6)	0	0	(1)	(20)
<b>Loans, net</b>	286	406	18 847	2 035	3 236	24 810
<b>Liabilities</b>						
Deposits	7	300	138	0	643	1 088
<b>Commitments and guarantees</b>						
Unused credit lines	98	41	2 896	0	13	3 048
<b>30.06.2014</b>						
<b>Income statement</b>						
Interest income	9	13	412	118	35	587
Fee and commission income	2	0	3	0	1	6
Interest expense	0	0	0	0	0	0
Release of impairment/ impairment) of loans	0	1	0	0	0	1
Other expenses	(27)	(34)	(276)	(12)	(7)	(356)
<b>31.12.2013</b>						
<b>Assets</b>						
Loans	295	394	17 987	2 122	1 046	21 844
<i>Allowance for loans</i>	(13)	(7)	0	0	(1)	(21)
<b>Loans, net</b>	282	387	17 987	2 122	1 045	21 823
<b>Liabilities</b>						
Deposits	13	303	38	0	855	1 209
<b>Commitments and guarantees</b>						
Unused credit lines	54	33	1 574	0	2 211	3 872
<b>30.06.2013</b>						
<b>Income statement</b>						
Interest income	9	13	415	209	16	662
Fee and commission income	1	1	1	0	0	3
Interest expense	0	(1)	0	0	0	(1)
Release of impairment/ impairment) of loans	1	1	0	0	0	2
Other expenses	(24)	(30)	(165)	(21)	(4)	(244)

<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.

21 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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