



TRASTA KOMERCBANKA

JSC "TRASTA KOMERCBANKA"
INTERIM CONDENSED FINANCIAL STATEMENTS
AND CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010
(prepared in accordance with IAS 34 as adopted by European Union)
AND INDEPENDENT AUDITOR'S REPORT

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MANAGEMENT REPORT OF THE BANK (GROUP HOLDING COMPANY)

In the first half of 2010 *Trasta komercbanka* worked actively on developing its services with an emphasis on service quality and research of new markets in order to expand Bank's presence in different regions of the world. During this period the oldest private bank of Latvia had to apply its experience gathered over more than 20 years, resources and professional intuition so that with the first signs of economic recovery it could embark on a steady path of growth.

As at June 30, 2010, assets of the Bank amounted to 211.4 million lats, which is by 55.6 million less than the closing reading of 2009, and by 13.5 million lats more compared to the same period of 2009. As at the end of the reporting period the amount of attracted deposits reached 166.8 million lats, but the Bank's loan portfolio was 102.8 million lats. The provisions of *Trasta Komercbanka* for bad loans within 6 months of 2010 increased by 14.4% or 2.1 million lats, reaching 16.9 million lats or 14.1% of the Bank's total loan portfolio. Compared with the first half of 2009, the provisions in 2010 have decreased more than twice. Bank's losses after the provisions and taxes in the first half of 2010 reached 2.7 million lats. The Bank intends to cover these losses by selling the investments described in Note 9, and in the course of its future activities. The prudent dividend payment policy of previous years will help the Bank to cover the losses caused by economic crisis. Owing to the said policy the Bank has accumulated retained earnings in the amount of 19.7 million lats.

While adhering to the principle of prudence in lending, the primary direction of the Bank's lending policy remains supporting of business. Besides, the Bank supports its clients experiencing economic difficulties by restructuring their credit arrangements. On June 30, 2010, the amount of loans issued to enterprises amounted to 81% of the total Bank's loan portfolio, which increased by 4.7% during the reporting period. Despite the fact that in the previous period and during the reporting period the Bank was forced to make provisions for bad loans, it maintained a sufficient level of equity and reserves, which on June 30, 2010 amounted to 30.7 million lats, and a high level of capital adequacy at a rate of 15.03%. The Bank's liquidity as at the end of the reporting period was 51.87%, which is well above the required standard and fully enough to secure fulfilment of Bank's current commitments.

In the first half of 2010, the volume of retail deposits with the Bank increased by 40.7% and reached 34.2 million lats. The volume legal entities' deposits shrank due to the increased demand of companies for working capital. This year the Bank experienced a sustainable growth in the number of customers. During the first half of 2010, the number of customers of the Bank increased by 5%.

The team of professionals of the Bank makes a firm basis for development and sustainability of *Trasta komercbanka*. For this reason the Bank did not apply staff reduction as a tool for optimization of its operating expenses. Having paid special attention to improving of its operational efficiency and maintaining its professional staff resources, the Bank is ready for service development and further strengthening of its competitiveness in the market.

To encourage further development of the Bank, in December 2009, shareholders of *Trasta komercbanka* decided to increase its share capital. By the end of the subscription period, shareholders had subscribed for purchase of shares in the amount of 2.8 million lats. The shares of new issue are payable by the due date on December 28, 2010. As at June 30, 2010, the amount paid for the shares was 699 thousand lats

The consolidation group of the Bank consists of two subsidiary companies: "*TKB Nekustamie Īpašumi*", "*TKB Līzings*". The amount of Group's assets as of the end of the reporting period amounted to 210.1 million lats. The Group ended the reporting period with losses of 2.8 million lats. In 2010, the Group is planning to continue its development according to the business activities plans and its strategy paying a special attention to the quality of assets and management of bad loans.

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

Trasta komercbanka has been successfully participating in the international factoring association Factors Chain International for six years, providing international factoring services to Latvian exporting and importing companies. Continuing the tradition of educating its customers, the Bank in the first half of 2010 organised a series of seminars for its customers on changes in tax legislation, opportunities to improve financial performance and competitiveness, safety of operations when working with international partners. The seminars excited great interest of customers, and the knowledge acquired will help customers to successfully organize their business and plan their personal money in new circumstances.

The Bank continued to develop its deposit products and to extend the offered services in the sphere of trading in financial instruments. Now, a full range of investment instruments is available to customers of the Bank, including options, futures contracts, margin agreements, as well as opening of short positions in share trading and other services. As a special task the Bank has put forward the information support of its customers with regard to trading in financial instruments, at the same time protecting its customers' interests in the market of financial instruments and providing individual working conditions for investors.

Having confirmed its reputation among foreign partners, the Bank successfully continued to extend its correspondent banking network, and once again received recognition for excellent quality of international payments in the previous year – two awards from the biggest German banks.

The positive trends in macroeconomics of Latvia suggest that the Bank would soon return to profitable operation. In the second half of 2010, the Bank intends to further develop already existing services and to introduce new financial products for its customers. Besides, the Bank will continue to work in order to penetrate new markets, which will help Latvian businessmen to find easier ways for realization of export, and to establish business relations with foreign partners.

This financial report was approved by the Board of the Bank on August 30, 2010 and it is available on the Bank's Internet page at www.tkb.eu.

On behalf of the Bank's management:



Maris Fogelis
First vice-chairman of the Board

Riga,
August 30, 2010

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT'S OF THE BANK (GROUP HOLDING COMPANY)

Bank's management (Group's holding company) is responsible for preparation of consolidated financial statements and the separate financial statements, which fairly and truly present the Groups' and the Bank's financial standing as at the end of the financial period and the results of its activity and cash flow for that period, respectively, according International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union.

The management confirms that the consolidated financial statements and the separate financial statements set out on pages 8 to 28 for the period from 1 January 2010 to 30 June 2010 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 based on a going concern concept basis. The Management Report on pages 3 to 4 presents an explicit account on the development of the Group and Bank's activities and performance results.

The Bank's management is responsible for proper keeping of accounting records, for safeguarding of the Group's and the Bank's assets and for prevention of any fraudulent actions. They are also responsible for managing the Group and the Bank in compliance with the Credit Institution Law of the Republic of Latvia, regulatory enactments of the Bank of Latvia and the Financial and Capital Market Commission and other applicable laws and regulations of the Republic of Latvia

On behalf of management of the Bank:



Maris Fogelis
First vice-chairman of the Board

Riga,
August 30, 2010

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
Charles E.G. Treherne	Member of the Council	16.03.2001, reelected 27.03.2009

During the current period no changes in the Supervisory Council occurred.

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 Management Board occurred.

INDEPENDENT AUDITORS' REPORT

To the shareholders of AS TRASTA KOMERCBANKA

Report on the Financial Statements

We have audited the interim condensed consolidated financial statements of AS TRASTA KOMERCBANKA and its subsidiaries (hereinafter – the Group) and the accompanying interim condensed financial statements of AS TRASTA KOMERCBANKA (hereinafter - the Bank), which are set out on pages 8 through 28 and which comprise the statements of financial position as at 30 June 2010, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the six month period ended 30 June 2010, and explanatory notes.

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these interim condensed financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the condensed interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim condensed financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim condensed financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim condensed financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim condensed financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the interim condensed financial statements of the Group and the Bank have been prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the EU.

SIA Ernst & Young Baltic
Licence No. 17



Diāna Krišjāne
Chairperson of the board
Latvian Sworn Auditor
Certificate No. 124

Riga, 30 August 2010

STATEMENT OF COMPREHENSIVE INCOME AND CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

In thousands of lats	Note	The Group		The Bank	
		2010 (6 months)	2009 (6 months)	2010 (6 months)	2009 (6 months)
Interest revenue		3 314	5 429	3 257	5 460
Interest expense		(1 999)	(1 481)	(2 006)	(1 495)
Net interest income		1 315	3 948	1 251	3 965
Loan impairment loss, net	3	(607)	(4 813)	(454)	(4 638)
Net interest income/(loss) after allowance for impairment		708	(865)	797	(673)
Commission income		2 444	2 701	2 439	2 695
Commission expense		(537)	(585)	(537)	(585)
Net commission income		1 907	2 116	1 902	2 110
Net gains from trading financial assets	4	191	1 660	191	1 660
Net (losses)/gains from foreign currency trading and revaluation	4	(1 436)	1 964	(1 436)	1 965
Other income		35	37	36	31
Other non-interest (loss)/income		(1 210)	3 661	(1 209)	3 656
Salaries and benefits expenses		(2 405)	(2 437)	(2 338)	(2 387)
Administrative expenses		(1 044)	(1 080)	(1 060)	(1 100)
Depreciation		(362)	(306)	(358)	(304)
Other expenses		(93)	(59)	(89)	(57)
Other release of allowance, net		(48)	81	(48)	81
Other non-interest expense		(3 952)	(3 801)	(3 893)	(3 767)
(Loss)/profit before corporate income tax		(2 547)	1 111	(2 403)	1 326

STATEMENT OF COMPREHENSIVE INCOME AND CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (continued)

In thousands of lats	Note	The Group		The Bank	
		2010 (6 months)	2009 (6 months)	2010 (6 months)	2009 (6 months)
Corporate income tax		(249)	(122)	(248)	(113)
(Loss)/profit for the period from continuing operations		(2 796)	989	(2 651)	1 213
Loss after tax for the year from discontinued operations		(16)	(3 272)	-	-
(Loss)/profit for the period		(2 812)	(2 283)	(2 651)	1 213
Other comprehensive income:					
Available for sale financial asset revaluation profit		10	31	10	31
Change in foreign currency translation reserve		-	(70)	-	-
Total comprehensive (loss)/profit		(2 802)	(2 322)	(2 641)	1 244
(Loss)/profit for the period, incl.:		(2 812)	(2 283)	(2 651)	1 213
Attributable to equity holders of the Bank		(2 811)	(660)	(2 651)	1 213
Attributable to minority interest		(1)	(1 623)	-	-
Total comprehensive(loss)/profit, incl.:		(2 802)	(2 322)	(2 641)	1 244
Attributable to equity holders of the Bank		(2 801)	(672)	(2 641)	1 244
Attributable to minority interest		(1)	(1 650)	-	-
(Loss)/profit per share (basic and diluted) in lats from continuing operations		(20.89)	7.80	-	-
Loss per share (basic and diluted) in lats from discontinuing operations		(0.12)	(25.82)	-	-
Loss per share (basic and diluted) attributable to equity holders of the Bank in lats		(21.00)	(5.21)	-	-

STATEMENT OF FINANCIAL POSITION AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of lats	Note	The Group		The Bank	
		30 June 2010	31 December 2009	30 June 2010	31 December 2009
ASSETS					
Cash and balances due from the Bank of Latvia		17 247	11 961	17 247	11 961
Due from credit institutions with a maturity of less than 3 months	5	51 632	121 124	51 632	121 124
<i>On demand</i>		42 686	94 120	42 686	94 120
<i>Other</i>		8 946	27 004	8 946	27 004
Held for trading financial assets		4 131	1 952	4 131	1 952
<i>Fixed income securities</i>		2 866	978	2 866	978
<i>Equity shares and other non-fixed income securities</i>		1 257	917	1 257	917
<i>Derivatives</i>		8	57	8	57
Available for sale financial assets		2 118	2 153	2 118	2 153
<i>Fixed income securities</i>		2 069	2 104	2 069	2 104
<i>Equity shares and other non-fixed income securities</i>		49	49	49	49
Due from credit institutions with a maturity of more than 3 months		573	379	573	379
Loans	6	101 349	98 023	102 810	99 212
Accrued income and deferred expenses		282	235	281	233
Long-term projects costs		2 362	2 318	2 362	2 318
Property and equipment	7	9 034	9 321	9 010	9 295
Intangible assets		276	272	276	272
Investments in share capital of subsidiary		-	-	52	52
Corporate income tax assets		905	896	881	881
Deferred tax assets		403	569	403	569
Other assets	8	6 003	2 880	5 813	2 802
Assets of disposal group classified as held for sale	9	13 832	13 849	13 848	13 848
TOTAL ASSETS		210 147	265 932	211 437	267 051

STATEMENT OF FINANCIAL POSITION AND CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (continued)

In thousands of lats	Note	The Group		The Bank	
		30 June 2010	31 December 2009	30 June 2010	31 December 2009
LIABILITIES					
Due to credit institutions		1 377	2 143	1 377	2 143
<i>On demand</i>		1 348	2 118	1 348	2 118
<i>Term deposits with a maturity of more than 3 months</i>		29	25	29	25
Due to customers	10	166 805	221 061	166 805	221 061
<i>On demand</i>		119 406	109 076	119 406	109 076
<i>Term deposits</i>		47 399	111 985	47 399	111 985
Debt securities issued		2 809	2 811	3 513	3 514
Accrued expenses and deferred income		569	595	569	586
Corporate income tax liabilities		13	-	13	-
Other liabilities	11	4 136	2 950	4 131	2 945
Liabilities before subordinated liabilities		175 709	229 560	176 408	230 249
Subordinated liabilities		4 335	4 166	4 335	4 166
TOTAL LIABILITIES		180 044	233 726	180 743	234 415
EQUITY AND RESERVES					
Share capital	12	7 036	6 337	7 036	6 337
Share premium		111	111	111	111
Reserve capital and other reserves		3 804	3 804	3 804	3 804
Available for sale financial assets revaluation reserves		(11)	(21)	(11)	(21)
Retained earnings		19 155	21 966	19 754	22 405
Equity and reserves attributable to shareholders of the Bank		30 095	32 197	30 694	32 636
Minority shareholder interest		8	9	-	-
Total equity and reserves		30 103	32 206	30 694	32 636
TOTAL LIABILITIES AND EQUITY AND RESERVES		210 147	265 932	211 437	267 051

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

(1) The Group

In thousands of lats	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
BALANCE AS AT 31 DECEMBER 2008	6 337	111	3 804	(80)	(3 412)	23 594	30 354	2 994	33 348
<i>Net loss for the period</i>	-	-	-	-	-	(660)	(660)	(1 623)	(2 283)
<i>Other comprehensive expenses</i>	-	-	-	31	(43)	-	(12)	(27)	(39)
Total comprehensive loss	-	-	-	31	(43)	(660)	(672)	(1 650)	(2 322)
Changes in rezerves	-	-	8	-	-	-	8	8	16
BALANCE AS AT 30 JUNE 2009	6 337	111	3 812	(49)	(3 455)	22 934	29 690	1 352	31 042
BALANCE AS AT 31 DECEMBER 2009	6 337	111	3 804	(21)	-	21 966	32 197	9	32 206
<i>Net loss for the period</i>	-	-	-	-	-	(2 811)	(2 811)	(1)	(2 812)
<i>Other comprehensive income</i>	-	-	-	10	-	-	10	-	10
Total comprehensive loss	-	-	-	10	-	(2 811)	(2 801)	(1)	(2 802)
Issue of share capital	699	-	-	-	-	-	699	-	699
BALANCE AS AT 30 JUNE 2010	7 036	111	3 804	(11)	-	19 155	30 095	8	30 103

(2) The Bank

In thousands of lats	Share capital	Share premium	Reserve capital and other reserves	Available for sale financial asset revaluation reserves	Retained earnings	Total equity and reserves
BALANCE AS AT 31 DECEMBER 2008	6 337	111	3 804	(80)	24 377	34 549
<i>Net profit for the period</i>	-	-	-	-	1 213	1 213
<i>Other comprehensive income</i>	-	-	-	31	-	31
Total comprehensive income	-	-	-	31	1 213	1 244
BALANCE AS AT 30 JUNE 2009	6 337	111	3 804	(49)	25 590	35 793
BALANCE AS AT 31 DECEMBER 2009	6 337	111	3 804	(21)	22 405	32 636
<i>Net profit for the period</i>	-	-	-	-	(2 651)	(2 651)
<i>Other comprehensive income</i>	-	-	-	10	-	10
Total comprehensive loss	-	-	-	10	(2 651)	(2 641)
Issue of share capital	699	-	-	-	-	699
BALANCE AS AT 30 JUNE 2010	7 036	111	3 804	(11)	19 754	30 694

STATEMENTS OF CASH FLOWS AND CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>(6 months)</u>	<u>(6 months)</u>	<u>(6 months)</u>	<u>(6 months)</u>
Cash flow as a result of operating activity:				
(Loss)/profit before corporate income tax	(2 547)	1 111	(2 403)	1 326
Loss before tax for the period from discontinued operations	(16)	(3 272)	-	--
Amortisation and depreciation	362	306	358	304
Increase in allowance for impairment of debts	1 401	4 801	1 248	4 666
Increase/(decrease) in other provisions	48	(40)	48	(79)
Foreign currency revaluation loss	2 562	359	2 562	359
Loss/(gain) from revaluation of financial assets	22	(1 488)	22	(1 488)
Expenses/(income) adjustments	(50)	-	(67)	-
Gain on disposal of fixed and intangible assets	2	3	2	3
Increase in cash and cash equivalents from operating activities before changes in assets and liabilities	1 784	1 780	1 770	5 091
(Increase)/decrease of held for trading financial assets	(2 255)	1 811	(2 255)	1 811
Decrease in due from credit institutions	937	7 803	937	7 803
(Increase)/decrease in loans	(7 362)	1 524	(7 444)	1 595
(Increase)/decrease in accrued income and deferred expense	(47)	(122)	(48)	(121)
(Increase) in other assets	(984)	(549)	(909)	(1 006)
Increase in due to credit institutions	-	-	-	-
Decrease in deposits	(54 256)	(20 801)	(54 256)	(20 805)
(Decrease)/increase in accrued expenses and deferred income	(26)	181	(17)	197
Increase in other liabilities	871	7 967	872	8 384
	(61 338)	(406)	(61 350)	2 949
Corporate income tax paid	(79)	(331)	(69)	(306)
Decrease in cash and cash equivalents from operating activities	(61 417)	(737)	(61 419)	2 643
Cash flows from investing activities				
Purchase of tangible and intangible fixed assets, net	(81)	(548)	(79)	(549)
Decrease in available-for-sale financial assets	45	-	45	-
Purchase of net assets of disposal group classified as held for sale	-	-	-	(1 669)
Cash flow of disposal group classified as available for sale	-	(1 781)	-	-
Cash outflow on long-term projects	(44)	(4)	(44)	(4)
Decrease in cash and cash equivalents from investing activities	(80)	(2 333)	(78)	(2 222)

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

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>(6 months)</u>	<u>(6 months)</u>	<u>(6 months)</u>	<u>(6 months)</u>
Cash flows from financing activities				
Subordinated liabilities issue	35	-	35	-
Repayment of subordinated liabilities	(111)	(109)	(111)	(109)
Issue of share capital	699	-	699	-
(Decrease)/increase in cash and cash equivalents from financing activities	623	(109)	623	(109)
Decrease in cash and cash equivalents	(60 874)	(3 179)	(60 874)	312
Cash and cash equivalents at the beginning of the period	130 320	56 285	130 320	56 285
Foreign currency revaluation loss	(2 313)	(328)	(2 313)	(328)
Cash and cash equivalents at the end of the period	67 133	52 778	67 133	56 269

Cash and cash equivalents are calculated as follows

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>(6 months)</u>	<u>(6 months)</u>	<u>(6 months)</u>	<u>(6 months)</u>
Due from credit institutions with a maturity of less than 3 months	51 234	42 860	51 234	46 351
Cash and balances due from the Bank of Latvia and other Central Banks	17 247	11 148	17 247	11 148
Due to credit institutions with a maturity of less than 3 months	(1 348)	(1 230)	(1 348)	(1 230)
CASH AND CASH EQUIVALENTS	67 133	52 778	67 133	56 269

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

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>(6 months)</u>	<u>(6 months)</u>	<u>(6 months)</u>	<u>(6 months)</u>
Interest income received during the reporting period	3 390	5 024	3 352	4 967
Interest expenses paid during the reporting period	(1 970)	(1 347)	(1 977)	(1 362)
Dividends paid during the reporting period	-	-	-	-

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 the 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.

By the end of the period the Bank had five representative offices outside Latvia, i.e. in Canada, Kazakhstan, Tadjhikistan, Ukraine and Belarus. Their mission is to represent interests of the Bank in the respective countries, maintain relations with the Bank customers and provide them with necessary information. The Bank has a foreign branch in Cyprus and two branches in Latvia – in Liepaja and Daugavpils. Their functions incorporate provision of financial services to customers of the Bank.

Taking into account the specificity of Bank's activities, its total volume of assets and liabilities can vary significantly between periods, which is associated with the Bank's client-based activities and their deposit balances.

The Bank has established two subsidiaries, SIA TKB LĪZINGS and SIA TKB NEKUSTAMIE ĪPAŠUMI, thus broadening the range of services offered by the Bank.

This financial statements were approved by the Board of the Bank on 30 August 2010.

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, these interim condensed financial statements should be analysed 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 lat (LVL)**, the monetary unit of the Republic of Latvia. All amounts in the financial statements are reported in **thousands of Lats (LVL 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.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

2 ACCOUNTING AND ASSESSMENT PRINCIPLES (continued)

(3) Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the reporting period:

- *Amendment to IFRS 2 Share-based Payment*
- *Amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements*
- *IFRIC 12 Service Concession Arrangements*
- *IFRIC 17 Distributions of Non-cash Assets to Owners;*
- *IFRIC 18 Transfers of Assets from Customers;*
- *Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The principal effects of these changes are as follows:

Amendment to IFRS 2 Share-based Payment (effective for financial years beginning on or after 1 January 2010). The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have share-based payments.

Amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2009). Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have business combinations.

IFRIC 12 Service Concession Arrangements (effective for financial years beginning on or after 29 March 2009). This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for financial years beginning on or after 31 October 2009). The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. IFRIC 17 will not have an impact on the consolidated and separate financial statements because the Group does not distribute non-cash assets to owners.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

2 ACCOUNTING AND ASSESSMENT PRINCIPLES (continued)

(3) Changed IFRS (continued)

IFRIC 18 Transfers of Assets from Customers (effective for financial years beginning on or after 31 October 2009). The Interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 will not have an impact on the consolidated and separate financial statements because the Group does not have such agreements.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for financial years beginning on or after 1 July 2009). The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Standards and interpretations that have been issued but are not yet effective

The standards and interpretations which have been issued as at the date of these financial statements but is not yet effective and which have not been early adopted by the Group:

IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2013, once adopted by the EU). IFRS 9 will eventually replace IAS 39. The IASB has issued the first part of the standard, establishing a new classification and measurement framework for financial assets. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 24 Related Party Disclosures (effective for financial years beginning on or after 1 January 2011). The amendments simplify the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. They also provide a partial exemption from the disclosure requirements for government-related entities. The implementation of these amendments will have no impact on the financial position or performance of the Group, however it may impact the related parties disclosures.

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for financial years beginning on or after 1 February 2010). The amendment changes the definition of a financial liability to exclude certain rights, options and warrants. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have such instruments.

Amendment to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for financial years beginning on or after 1 January 2011, once adopted by the EU). The amendment modifies the accounting for prepayments of future contributions when there is a minimum funding requirement. This amendment will not have any impact on the consolidated financial statements because the Group does not have defined benefit assets.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 April 2010, once adopted by the EU). The interpretation provides guidance on accounting for extinguishing financial liabilities with equity instruments. Since the Group does not have such transactions, IFRIC 19 will not have any impact on its consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

2 ACCOUNTING AND ASSESSMENT PRINCIPLES (continued)

(4) Foreign currency exchange rates

	<u>30.06.2010</u>	<u>31.12.2009</u>	<u>30.06.2009</u>
LVL 1 = EUR	1.423	1.423	1.423
USD	1.745	2.045	1.996
GBP	1.156	1.277	1.211
RUB	54.348	60.976	62.112
UAH	13.889	16.393	15.314

3 LOAN IMPAIRMENT LOSS, NET

In thousand of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>2010</u> <u>(6 months)</u>	<u>2009</u> <u>(6 months)</u>	<u>2010</u> <u>(6 months)</u>	<u>2009</u> <u>(6 months)</u>
Balance as at 1 January	17 076	4 963	16 240	4 778
<i>incl. for due from credit institutions</i>	1 479	-	1 479	-
<i>incl. for loans</i>	15 597	4 963	14 761	4 778
Additional <i>individual</i> allowance	1 903	4 955	1 746	4 802
Change in <i>collective</i> allowance	24	(68)	24	(68)
Release of <i>individual</i> allowances	(1 320)	(114)	(1 316)	(96)
Effect of changes in currency exchange rates	794	28	794	28
Balance as at 30 June	18 477	9 764	17 488	9 444
<i>incl. for due from credit institutions</i>	597	-	597	-
<i>incl. for loans</i>	17 880	9 764	16 891	9 444

The cause of significant impairment in the previous period is the deterioration of general economic and financial situation, which resulted in inability of borrowers to repay their loans.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

4 NET PROFIT/(LOSS) FROM FINANCIAL ASSETS HELD FOR TRADING AND FOREIGN CURRENCY TRADING

Changes in profit/loss from the financial instruments held for trading are mainly associated with fair value changes of these securities, whereof profit of 178 thousand lats in the reporting period (2009: loss of 415 thousand lats) is related to equity securities and profit of 13 thousand lats in the reporting period (2009: profit of 1 245 thousand lats) is related to debt securities.

Changes in profit/loss from foreign currency are related to decrease in the volume of trade transactions and changes in currency rates, as well as loss on the exchange rate difference resulting from the Bank's investment that is described in Note 9 and recorded in U.S. dollars. According to IFRS, this investment is recorded at the acquisition date, the amount of exchange rate and balance in terms of lats does not change. Given that the Bank intends to sell this investment and to receive income in U.S. dollars, the Bank has valued this investment in U.S. dollars, including it the calculation of open foreign exchange position. To minimize the possible currency fluctuation risk, the said position is covered with various financial commitments in U.S. dollars. As a result of revaluation of these commitments the Banks has suffered losses in the amount of 2 354 thousand lats. The Bank is planning to cover these losses by realizing the above mentioned investment.

5 DUE FROM CREDIT INSTITUTIONS WITH A MATURITY OF LESS THAN 3 MONTHS

In thousand of lats	The Group		The Bank	
	<u>30 June</u> <u>2010</u>	<u>31 December</u> <u>2009</u>	<u>30 June</u> <u>2010</u>	<u>31 December</u> <u>2009</u>
Due from credit institutions registered in the Republic of Latvia	11 326	10 276	11 326	10 276
Due from credit institutions registered in the foreign countries	40 903	111 817	40 903	111 817
	52 229	122 093	52 229	122 093
Impairment loss	(597)	(969)	(597)	(969)
	51 632	121 124	51 632	121 124

Changes in claims on credit institutions are related to the fact that at the previous year-end the Bank had attracted customer deposits with duration of 3-6 months, which in turn reduced the volume of deposits during the reporting period, and consequently the claims on credit institutions, too.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

In thousand of lats	The Group		The Bank	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
6 LOANS				
Private enterprises	96 151	91 688	91 904	87 212
Private persons	21 955	20 086	21 671	19 793
Related companies	-	-	5 036	5 336
Financial institutions	39	64	39	64
Employees	1 084	1 782	1 051	1 568
Total gross loans	119 229	113 620	119 701	113 973
Impairment allowances, <i>individually assessed</i>	(17 155)	(14 922)	(16 166)	(14 086)
Impairment allowances, <i>collectively assessed</i>	(725)	(675)	(725)	(675)
	101 349	98 023	102 810	99 212

Loans by types of loans may be specified as follows:

Mortgage loans	46 178	47 076	46 024	46 887
Commercial loans	33 836	29 977	38 872	35 313
Industrial loans	12 927	11 469	12 927	11 469
Finance lease	4 283	4 682	-	-
Overdrafts	1 759	1 959	1 759	1 959
Reverse REPO	256	1 182	256	1 182
Consumer loans	367	311	240	199
Factoring	225	417	225	417
Secured by deposit	463	395	463	395
Payment card loans	229	317	229	317
Other	18 706	15 835	18 706	15 835
	119 229	113 620	119 701	113 973

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

7 TANGIBLE ASSETS

The major part of Bank's fixed assets consists of the principal office building and land parcel located at 9 Miesnieku Street, Riga. During the reporting period the Bank has not made any significant acquisition of fixed assets

8 OTHER ASSETS

The other assets mostly consist of balances in brokerage companies and real property that served as collateral of issued loans and that came into the possession of Bank. Bank's balances in brokerage companies at the end of the reporting period comprised 1 602 thousands of lats (2009: 1 477 thousand lats), and which secure Bank's and customers' operations with securities. The real property is planned to be sold. At the end of the reporting period the value of such real property amounted to LVL 2 452 thousand (2009: 359 thousand lats).

9 ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE DISCONTINUED OPERATIONS

At the end of the 2009 year 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” (Hungary), which is the owner of 25.085% of the share capital of the Ukrainian gas company “Devon”. The purpose of this transaction was to obtain control over 25.085% of the share capital of “Devon”. “Heckbert C7 Holdings” and “Ferrous” do not performed any other commercial activities except the holding of the shares of “Devon”.

The shares of “Heckbert C7 Holdings” were acquired through selling the direct and indirect holding in the commercial bank “Misto Bank” of Ukraine through netting of mutual claims. The value of this transaction was USD 28 million that corresponds to 13 701 thousand lats. Besides, additional expenses related to the transaction were paid in the amount of 147 thousand. Independent evaluation of the impairment did not show any impairment of the investment. Independent experts have measured the fair value of the shares of “Devon” which proved to be much higher than the investment purchase price.

The purpose of purchasing this investment is its further realization, thus according to International Financial Reporting Standard 5 the investment is classified as “financial assets held for sale”. Such classification has the following justification:

1. this asset is available for immediate sale;
2. management of the Bank is determined to sell this asset;
3. management of the Bank is actively involved in searching a buyer of this asset and has made an agreement with an agent;
4. the investment realization price is based on its current fair value;
5. management of the Bank is planning to finalize this selling within a year.

The assets and liabilities of this subsidiary are disclosed in the Group's consolidated financial statements separated from other Group's assets and liabilities as the assets and liabilities of disposal group classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

9 ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE DISCONTINUED OPERATIONS (continued)

Presented below is the information about the assets and liabilities of disposal group classified as held for sale, and also results of its activity.

ASSETS/LIABILITIES	30.06.2010	31.12.2009
Investments in share capital of subsidiary	13 848	13 848
Other assets	1	18
Other liabilities	(17)	(17)
Net assets directly associated with disposal group	13 832	13 849

10 DUE TO CUSTOMERS

In thousand of lats	The Group		The Bank	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Private enterprises	129 496	193 786	129 496	193 786
Individuals	34 226	24 332	34 226	24 332
Non-governmental-organizations servicing individuals	145	155	145	155
Financial institutions	2 924	2 776	2 924	2 776
Local government	14	12	14	12
	166 805	221 061	166 805	221 061

Changes in deposits are related to the fact that at the previous year-end the Bank had attracted customer deposits with duration of 3-6 months, which in turn reduced the volume of deposits in the reporting period.

11 OTHER LIABILITIES

Other liabilities include suspense accounts, unpaid dividends, money in transit and other liabilities.

Suspense accounts (cleared after the period) represent payments received by the Bank where the beneficiary is not clearly identified. In the reporting period this amount was 1 098 thousand lats (2009: 191 thousand lats). After clarification they are credited to customer accounts.

The unpaid dividends of previous periods during the reporting period amounted to 1 767 thousand lats (2009: 1 767 thousand lats).

The funds, transferred to other correspondent accounts of the Bank, whose crediting has not been confirmed by the correspondent bank yet, are disclosed as money in transit. In the reporting period this amount was 954 thousand lats (2009: 204 thousand lats).

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

12 SHARE CAPITAL

In December 2009, shareholders of the Bank decided to increase the share capital. As of the end of the reporting period shareholders have subscribed for 2.8 million lats and 699 thousand lats have been paid. The deadline for payment of these shares is 28 December 2010. After the increase the share capital will amount to 9.1 million lats.

The Bank's registered and paid up share capital Bank's registered and paid up share capital on 30 June, 2010 amounted to 7 036 thousand LVL (2009: 6 337 thousand LVL), consisting of 140 718 ordinary voting shares, with a nominal value of LVL 50. The total number of shareholders is 47, out of which 10 legal entities and 37 individuals.

List of shareholders:

Shareholder	Country	Shareholding 30 June 2010		Shareholding 31 December 2009	
		%	LVL'000	%	LVL'000
I.Buimisters	Latvia	37.70	2 653	37.10	2 351
S.Tarassenoks*	Latvia	12.74	896	14.15	896
SIA "C&R Invest"	Latvia	13.73	966	13.58	861
C.E.G. Treherne	Great Britain	9.33	656	9.18	582
GCK Holdings					
Netherlands B.V.	Netherlands	6.96	490	6.80	431
Rikam S.A.H.	Luxembourg	6.86	483	6.79	430
Figon Co Limited	Cyprus	3.20	225	3.16	201
Another shareholders		9.48	667	9.24	585

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

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

13 SEGMENT ANALYSIS

The analysis of segments of the Group and Bank includes only one segment since the Group / Bank considers its operation as a whole and does not break it down into separate segments. The following analysis of segments is based on the Group's and the Bank's internal reports.

(1) Balance

In thousand of lats	The Group		The Bank	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
Cash	17 247	11 961	17 247	11 961
Balance from credit institutions	52 785	122 920	52 785	122 920
Loans and receivables	117 901	112 226	118 411	112 595
Other state fixed income securities	4 906	3 066	4 906	3 066
Shares and other investments	1 306	966	15 206	14 866
Fixed assets and intangible assets	9 311	9 594	9 286	9 567
Other assets	25 429	22 500	11 317	8 512
Total assets	228 885	283 233	229 158	283 487
Balances due to banks	1 377	2 143	1 377	2 143
Deposits	166 389	220 731	166 389	220 731
Issued bonds	2 804	2 806	3 507	3 509
Other liabilities	5 369	4 120	5 339	4 080
Impairment and accrued liabilities	18 562	17 113	17 571	16 276
Equity	34 384	36 320	34 975	36 748
Total equity and liabilities	228 885	283 233	229 158	283 487
Total assets per internal reporting	228 885	283 233	229 158	283 487
Reconciling items:				
<i>Impairment</i> ¹	(18 562)	(17 113)	(17 571)	(16 276)
<i>Other reconciling items</i> ²	(176)	(188)	(150)	(160)
Total assets per IFRS statements	210 147	265 932	211 437	267 051
Total liabilities per internal reporting	194 501	246 913	194 183	246 739
Reconciling items:				
<i>Impairment</i> ¹	(18 562)	(17 113)	(17 571)	(16 276)
<i>Subordinated liabilities</i> ³	4 281	4 112	4 281	4 112
<i>Other reconciling items</i> ²	(176)	(186)	(150)	(160)
Total liabilities per IFRS statements	180 044	233 726	180 743	234 415

¹ For internal reporting purposes impairment is shown as a liability and not netted with related assets.

² Other reconciling items mostly represent cut-off and classification required by IFRS.

³ For internal reporting purposes the subordinated liabilities are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

13 SEGMENT ANALYSIS (continued)

(2) Profit and loss statement

In thousand of lats	The Group		The Bank	
	2010 (6 months)	2009 (6 months)	2010 (6 months)	2009 (6 months)
Interest revenue	3 314	5 395	3 257	5 426
Commission revenue	2 444	2 701	2 439	2 695
Profit from trading	(1 245)	3 624	(1 245)	3 625
Impairment	2 186	272	2 182	294
Other income	35	7 400	37	25
Total revenues	6 734	19 392	6 670	12 065
Interest expenses	1 999	1 481	2 006	1 495
Commission expenses	537	585	537	585
Administration expenses ¹	3 837	3 825	3 783	3 793
Tax expenses	249	122	248	113
Impairment	2 841	4 964	2 684	4 811
Other expenses	83	10 698	63	55
Total expenses	9 546	21 675	9 321	10 852
Profit	(2 812)	(2 283)	(2 651)	1 213
Total revenues per internal reporting	5 758	8 096	5 696	8 121
Reconciling item, net ²	-	34	-	34
Total revenues per IFRS statements	5 758	8 130	5 696	8 155

¹ The Bank's administration expenses include depreciation charge in the amount of 358 thousand lats (2009: 304 thousand lats). The Group's administration expenses accordingly include depreciation charge in the amount of 362 thousand lats (2009: 306 thousand lats).

² Reconciling item is mainly due to cut-off, as well as nominal interest rate accounting used for internal reporting purposes in contrast to effective interest rate accounting used for IFRS compliant financial statements.

(3) The Group's income analysis by the place of customers' residence

In thousand of lats	2010 (6 months)		2009 (6 months)	
	Latvian residents	Latvian non-residents	Latvian residents	Latvian non-residents
Interest income	1 221	2 093	2 147	3 282
Commission income	157	2 287	153	2 548
Total income	1 378	4 380	2 300	5 830

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

13 SEGMENT ANALYSIS (continued)

(4) The Bank's income analysis by the place of customers' residence

In thousand of lats	2010 (6 months)		2009 (6 months)	
	Latvian residents	Latvian non- residents	Latvian residents	Latvian non- residents
Interest income	1 172	2 085	2 083	3 377
Commission income	152	2 287	147	2 548
Total income	1 324	4 372	2 230	5 925

14 OFF-BALANCE SHEET ITEMS

Off-balance liabilities

In thousand of lats	The Group		The Bank	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Contingent liabilities	6 241	6 759	6 536	7 145
<i>including guarantees</i>		177	472	822
<i>including rent commitments</i>	6 064	6 323	6 064	6 323
Commitments to customers	3 172	2 543	5 339	4 436
<i>including unused credit limits</i>	2 586	2 417	4 753	4 310
<i>including letters of credit</i>	14	83	14	83
<i>including other liabilities</i> ¹	572	43	572	43
	9 413	9 302	11 875	11 581

¹ Other liabilities are disclosed as the Bank's future liabilities for acquisition of fixed assets.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

15 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 thousand lats	30.06.2010				31.12.2009			
	Shareholders	Other related parties ¹	Council and board	Total	Shareholders	Other related parties ¹	Council and board	Total
Assets								
Loans	23	2 781	132	2 936	659	4 195	133	4 987
<i>Allowance for loans</i>	-	(62)	(3)	(65)	(12)	(1 022)	(2)	(1 036)
Loans, net	23	2 719	129	2 871	647	3 173	131	3 951
Liabilities								
Deposits	16	270	164	450	9	1 143	204	1 356
Non-balance items								
Unused credit lines	133	11	34	178	22	7	22	51
Comprehensive income report								
	30.06.2010				30.06.2009			
Interest income	5	51	4	60	15	23	4	42
Commissions income	3	12	1	16	-	18	1	19
Interest expense	-	(5)	(3)	(8)	-	(7)	(6)	(13)
Reserve decreasing income, net	12	960	(1)	971	-	(19)	-	(19)
Other expenses	(7)	(10)	(15)	(32)	(9)	(23)	(20)	(52)

¹ 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

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

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

In thousand of lats	30.06.2010					31.12.2009				
	Shareholders	Subsidiary companies	Other related persons ¹	Council and Board	Total	Shareholders	Subsidiary companies	Other related	Council and Board	Total
Assets										
Credits	23	5 036	2 774	117	7 950	546	5 336	4 139	108	10 129
<i>Reserves for unsecured credits</i>	-	-	(62)	(3)	(65)	(12)	-	(1 022)	(2)	(1 036)
Credits, net	23	5 036	2 712	114	7 885	534	5 336	3 117	106	9 093
Liabilities										
Deposits	16	-	270	164	450	9	7	1 143	204	1 363
Non-balance items										
Unused credit limits	133	2 192	11	34	2 370	22	1 892	7	22	1 943
Comprehensive income report										
	30.06.2010					30.06.2009				
Interest income	3	85	50	3	141	11	229	21	3	264
Commissions income	3	1	12	1	17	-	-	18	1	19
Interest expenditure	-	-	(5)	(3)	(8)	-	-	-	(7)	(7)
Reserve decreasing income, net	12	-	960	(1)	971	-	-	(19)	-	(19)
Other expenses	(7)	(39)	(10)	(15)	(71)	(9)	(63)	(23)	(20)	(115)

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

16 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.

* * * * *