



TRASTA KOMERCBANKA

JSC "TRASTA KOMERCBANKA"
INTERIM CONDENSED FINANCIAL STATEMENTS
AND CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 MARCH 2010
(UNAUDITED)

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MANAGEMENT REPORT OF THE BANK (GROUP HOLDING COMPANY)

Despite the economic situation of Latvia, the Bank continued to develop according to its activities plan and development strategy. The volume of Bank's assets as of 31 March 2010 amounted to 209.3 million lats, which is by 57.7 million less as compared to the closing reading of 2009. By the end of the reporting period the amount of attracted deposits reached 160.6 million lats, but the Bank's loan portfolio was 97.4 million lats. The Bank ended Quarter 1 of 2010 with a loss of 0.4 million lats. The management of the Bank considers that the economic situation in the country is gradually stabilizing and the Bank will manage to offset these losses during the current and next years.

The amount of Bank's equities and reserves as of 31 March 2010 was 32.9 million lats. The Bank's liquidity as of the end of the reporting period was 55.29%, capital adequacy - 16.84%. To facilitate further development of the Bank its shareholders in December 2009 decided to increase the share capital. As of the end of the reporting period the shareholders had subscribed for 2.8 million lats. After the increase the share capital will amount to 9.1 million lats.

The consolidation Group of the Bank consists of two subsidiary companies: "TKB Nekustamie īpašumi" and "TKB Līzings". At the end of 2009 the Bank purchased 100% of the shares of Cyprus company "Heckbert C7 Holdings". The amount of Group's assets as of the end of the reporting period amounted to 208.0 million lats. As a result of making provisions for bad loans the Group ended the reporting period with a loss of 0.6 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.

In 2009, Trasta komercbanka celebrated its 20th anniversary, which is a proof of sustainable development of the oldest private bank in Latvia. In 2010, the Bank is continuing its growth providing active support to its customers in Latvia and abroad. In developing its services the Bank has a special focus on Private Banking aimed at safe management of Customers' capital and trade finance solutions to support entrepreneurs of Latvia in developing of export.

The management confirms that the interim condensed consolidated financial statements and the separate financial statements set out on pages 6 to 22 for the period from 1 January 2010 to 31 March 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 on a going concern concept basis. The purpose of the statement is to present comprehensive information regarding financial standing of the Bank and the Group, performance results, and the Bank's activities-related risks

For the accounting period from 01 January 2010 to 31 March the Bank has performed an interim audit. These public quarterly financial statements have been prepared based on unaudited financial statements for this period.

This report is available on the Bank's Internet page at www.tkb.eu.

On behalf of the Bank's management:



Gundars Grieze
Chairman of the Board

Riga,
May 24, 2010

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MANAGEMENT OF THE BANK (GROUP HOLDING COMPANY)

(1) Shareholders of the Bank (Group Holding Company)

Paid up 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 698 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 31 March, 2010 amounted to 7 035 thousand LVL (2009: 6 337 thousand LVL), consisting of 140 707 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 31 March 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	666	9.24	585

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

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

(2) Composition of the Council and Board of the Bank (Group Holding Company)

Supervisory Council

Name, surname	Positions	Election date
Igors Buimisters	Chairman of the Council	24.03.2006, re-elected 27.03.2009
Alfrēds Čepānis	Member of the Council	30.03.1999, re-elected 27.03.2009
Charles E.G. Treherne	Member of the Council	16.03.2001, re-elected 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, re-elected 24.03.2009
Māris Fogelis	First vice-chairman of the Board	28.06.1999, re-elected 24.03.2009
Viktors Ziemelis	Vice-chairman of the Board	28.03.2003, re-elected 24.03.2009
Svetlana Krasovska	Member of the Board	24.10.1995, re-elected 24.03.2009
Tatjana Konnova	Member of the Board	23.03.2006, re-elected 24.03.2009

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

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STATEMENT OF COMPREHENSIVE INCOME AND CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

In thousands of lats	Note	The Group		The Bank	
		2010 (3 months)	2009 (3 months)	2010 (3 months)	2009 (3 months)
Interest revenue		1 734	3 034	1 702	3 028
Interest expense		(1 045)	(682)	(1 049)	(690)
Net interest income		689	2 352	653	2 338
Loan impairment losses, net		(73)	(716)	76	(721)
Net interest (loss)/income after allowance for impairment		616	1 636	729	1 617
Commission income		1 183	1 378	1 181	1 376
Commission expense		(245)	(263)	(245)	(263)
Net commission income		938	1 115	936	1 113
Dividends		-	-	-	-
Net gains / (losses) from held for trading financial assets	7	346	(66)	346	(66)
Realised (losses) /gains from available-for-sale financial assets		-	-	-	-
Foreign currency trade and revaluation profit	7	(444)	(49)	(444)	(48)
Other income		23	18	23	16
Other non-interest income		(75)	(97)	(75)	(98)
Personnel expenses		(1 121)	(1 171)	(1 084)	(1 146)
Administrative expenses		(563)	(537)	(565)	(548)
Depreciation		(193)	(124)	(191)	(123)
Other expenses		(38)	(27)	(38)	(26)
Other allowance for impairment, net		(75)	37	(75)	76
Other non-interest expense		(1 990)	(1 822)	(1 953)	(1 767)
(Loss)/profit before corporate income tax		(511)	832	(363)	865

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

In thousands of lats	Note	The Group		The Bank	
		2010 (3 months)	2009 (3 months)	2010 (3 months)	2009 (3 months)
Corporate income tax		(42)	(196)	(41)	(193)
(Loss)/profit for the period from continuing operations		(553)	636	(404)	672
(Loss)/profit after tax from discontinued operations		(4)	(661)	-	-
(Loss) /profit for the period		(557)	(25)	(404)	672
Other comprehensive income:					
(Profit)/loss from available for sale financial asset revaluation		8	(2)	8	(2)
Foreign currency translation reserve		-	8	-	-
Total comprehensive (loss)/income		(549)	(19)	(396)	670
(Loss) /profit for the period		(557)	(25)	(404)	672
<i>Attributable to equity holders of the Bank</i>		<i>(557)</i>	<i>205</i>	<i>(404)</i>	<i>672</i>
<i>Attributable to minority interest</i>		<i>-</i>	<i>(230)</i>	<i>-</i>	<i>-</i>
Total comprehensive (loss)/income		(549)	(19)	(396)	670
<i>Attributable to equity holders of the Bank</i>		<i>(549)</i>	<i>234</i>	<i>(396)</i>	<i>670</i>
<i>Attributable to minority interest</i>		<i>-</i>	<i>(253)</i>	<i>-</i>	<i>-</i>
<i>(Loss)/earning per share (basic and diluted) from continuing operations in lats</i>		<i>(3.93)</i>	<i>5.02</i>	<i>-</i>	<i>-</i>
<i>Loss per share (basic and diluted) from discontinuing operations in lats</i>		<i>(0.03)</i>	<i>(5.22)</i>	<i>-</i>	<i>-</i>
<i>Attributable to equity holders of the Bank (loss)/earning per share (basic and diluted) in lats</i>		<i>(3.96)</i>	<i>1.62</i>	<i>-</i>	<i>-</i>

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STATEMENT OF FINANCIAL STANDING AND CONSOLIDATED STATEMENT OF FINANCIAL STANDING

In thousands of lats	Note	The Group		The Bank	
		2010 31 March	2009 31 December	2010 31 March	2009 31 December
ASSETS					
Cash and balances due from the Bank of Latvia		16 578	11 961	16 578	11 961
Due from credit institutions with a maturity of less than 3 months		58 811	121 124	58 811	121 124
<i>On demand</i>		45 856	94 120	45 856	94 120
<i>Other</i>		12 955	27 004	12 955	27 004
Held for trading financial assets		1 581	1 952	1 581	1 952
<i>Fixed income securities</i>		285	978	285	978
<i>Equity shares and other non-fixed income securities</i>		1 168	917	1 168	917
<i>Derivatives</i>		128	57	128	57
Available for sale financial assets		2 091	2 153	2 091	2 153
<i>Fixed income securities</i>		2 042	2 104	2 042	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		883	379	883	379
Loans	5	95 965	98 023	97 391	99 212
Accrued income and deferred expenses		272	235	271	233
Long-term projects costs		2 342	2 318	2 342	2 318
Property and equipment	8	9 177	9 321	9 153	9 295
Intangible assets	8	285	272	285	272
Investments in share capital of subsidiary	9	-	-	52	52
Corporate income tax claims		903	896	881	881
Deferred tax assets		569	569	569	569
Other assets		4 752	2 880	4 589	2 802
Assets of disposal group classified as held for sale		13 844	13 849	13 848	13 848
TOTAL ASSETS		208 053	265 932	209 325	267 051

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**STATEMENT OF FINANCIAL STANDING AND CONSOLIDATED STATEMENT OF FINANCIAL
(continued)**

In thousands of lats	Note	The Group		The Bank	
		2010	2009	2010	2009
		31 March	31 December	31 March	31 December
LIABILITIES					
Due to credit institutions		2 050	2 143	2 050	2 143
<i>On demand</i>		2 024	2 118	2 024	2 118
<i>Term deposits</i>		26	25	26	25
Due to customers		160 605	221 061	160 606	221 061
<i>On demand</i>		111 161	109 076	111 162	109 076
<i>Term deposits</i>		49 444	111 985	49 444	111 985
Debt securities issued		2 810	2 811	3 514	3 514
Accrued expenses and deferred income		502	595	494	586
Provisions for contingent liabilities		-	-	-	-
Corporate income tax liabilities		-	-	-	-
Other liabilities	6	5 547	2 950	5 539	2 945
Liabilities directly associated with the assets classified as held for sale		-	-	-	-
		171 514	229 560	172 203	230 249
Subordinated liabilities		4 184	4 166	4 184	4 166
TOTAL LIABILITIES		175 698	233 726	176 387	234 415
EQUITY AND RESERVES					
Share capital		7 035	6 337	7 035	6 337
Share premium		111	111	111	111
Reserve capital and other reserves		3 804	3 804	3 804	3 804
Revaluation reserves		(13)	(21)	(13)	(21)
Foreign exchange revaluation reserve		-	-	-	-
Retained earnings		21 409	21 966	22 001	22 405
Equity and reserves attributable to shareholders of the Bank		32 346	32 197	32 938	32 636
Minority shareholder interest		9	9	-	-
Total equity and reserves		32 355	32 206	32 938	32 636
TOTAL LIABILITIES AND EQUITY AND RESERVES		208 053	265 932	209 325	267 051

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

(1) Grupa

In thousands of lats	Share capital	Share premium	Reserve capital and other reserves	Available for sale financial asset revaluation reserves	Foreign exchange reserve	Retained earnings	Total	Minority share-holder interest	Total equity and reserves
BALANCE AS AT 31 DECEMBER 2008	6 337	111	3 804	(80)	(3412)	23 594	30 354	2 994	33 348
<i>Profit for the period</i>	-	-	-	-	-	205	205	(230)	(25)
<i>Other comprehensive income</i>	-	-	-	(2)	31	-	29	(23)	6
Total comprehensive income	-	-	-	(2)	31	205	234	(253)	(19)
BALANCE AS AT 31 MARCH 2009	6 337	111	3 804	(82)	(3 381)	23 799	30 588	2 741	33 329
BALANCE AS AT 31 DECEMBER 2009	6 337	111	3 804	(21)	-	21 966	32 197	9	32 206
<i>Profit for the period</i>	-	-	-	-	-	(557)	(557)	-	(557)
<i>Other comprehensive income</i>	-	-	-	8	-	-	8	-	8
Total comprehensive income	-	-	-	8	-	(557)	(549)	-	(549)
New share issue	698	-	-	-	-	-	698	-	698
BALANCE AS AT 31 MARCH 2010	7 035	111	3 804	(13)	-	21 409	32 346	9	32 355

(2) Banka

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>Profit for the period</i>	-	-	-	-	672	672
<i>Other comprehensive income</i>	-	-	-	(2)	-	(2)
Total comprehensive income	-	-	-	(2)	672	670
BALANCE AS AT 31 MARCH 2009	6 337	111	3 804	(82)	25 049	35 219
BALANCE AS AT 31 DECEMBER 2009	6 337	111	3 804	(21)	22 405	32 636
<i>Profit for the period</i>	-	-	-	-	(404)	(404)
<i>Other comprehensive income</i>	-	-	-	8	-	8
Total comprehensive income	-	-	-	8	(404)	(396)
New share issue	698	-	-	-	-	698
BALANCE AS AT 31 MARCH 2010	7 035	111	3 804	(13)	22 001	32 938

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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>(3 months)</u>	<u>2009</u> <u>(3 months)</u>	<u>2010</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>
Cash flow as a result of operating activity:				
(Loss)/ profit before corporate income tax	(511)	832	(363)	865
(Loss)/profit before tax for the period from discontinued operations	(4)	(661)	-	-
Amortisation and depreciation	193	124	191	123
Increase in allowance for impairment of debts	368	852	221	858
Decrease in other provisions	75	-	75	-
Revaluation of changes of investments in share capital of subsidiaries and associated companies	-	-	-	-
Foreign currency revaluation (profit)/loss	919	850	919	850
Financial assets revaluation (profit)/loss	(234)	162	(234)	162
Loss/(profit) adjustments	(244)	-	(240)	-
Gain on disposal of fixed and intangible assets	-	-	-	-
Increase in cash and cash equivalents from operating activities before changes in assets and liabilities	562	2 159	569	2 858
Decrease/(increase) of held for trading financial assets	598	(178)	598	(178)
Sales of held for trading financial assets	1 079	7 744	1 079	7 744
Decrease in due from credit institutions	(282)	(3 525)	(339)	(3 474)
Decrease/(increase) in loans	(37)	(94)	(38)	(92)
(Increase)/decrease in accrued income and deferred expense	(470)	(1 679)	(422)	(1 715)
Decrease in other assets	-	4	-	4
Increase (decrease) in due to credit institutions	(60 456)	806	(60 455)	804
Increase/(decrease) in deposits	(93)	(13)	(92)	(1)
Decrease in accrued expenses and deferred income	2 406	22 506	2 404	22 471
	(56 693)	27 730	(56 696)	28 421
Corporate income tax paid	(49)	(443)	(41)	(440)
Increase/(decrease) in cash and cash equivalents from operating activities	(56 742)	27 287	(56 737)	27 981
Cash flows from investing activities				
Purchase of fixed and intangible fixed assets	(62)	(445)	(62)	(445)
(Increase)/decrease in available-for-sale financial assets	70	-	70	-
(Purchase)/sale of net assets of disposal group classified as held for sale	-	(1 669)	-	(1 669)
Cash flow of disposal group classified as available for sale	5	(2 640)	-	-
Cash outflow on long-term projects	(24)	(2)	(24)	(2)
Decrease in cash and cash equivalents from investing activities	(11)	(4 756)	(16)	(2 116)

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In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>2010</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>	<u>2010</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>
Cash flows from financing activities				
Share issue	698	-	698	-
(Repayment)/attraction of subordinated liabilities	-	-	-	-
Dividends paid	-	-	-	-
Decrease in cash and cash equivalents from financing activities	698	-	698	-
Increase/(decrease) in cash and cash equivalents	(56 055)	22 531	(56 055)	25 865
Cash and cash equivalents at the beginning of the period	130 320	56 285	130 320	56 285
Foreign currency revaluation profit/(loss)	(900)	(850)	(900)	(850)
Cash and cash equivalents at the end of the period	73 365	77 966	73 365	81 300

Cash and cash equivalents are calculated as follows

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>2010</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>	<u>2010</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>
Due from credit institutions with a maturity of less than 3 months	58 811	58 287	58 811	61 621
Cash and balances due from the Bank of Latvia and other Central Banks	16 578	22 434	16 578	22 434
Due to credit institutions with a maturity of less than 3 months	(2 024)	(2 755)	(2 024)	(2 755)
CASH AND CASH EQUIVALENTS	73 365	77 966	73 365	81 300

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>(3 months)</u>	<u>2009</u> <u>(3 months)</u>	<u>2010</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>
Interest income received during the reporting period	1 883	2 761	1 863	2 734
Interest expenses paid during the reporting period	(1 118)	(637)	(1 122)	(646)
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 street Miesnieku 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.

But the end of the period the Bank had five representative offices outside Latvia, i.e. in Canada, Kazakhstan, Tajikistan, 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.

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

At the end of 2009 the Bank purchased 100% stake of Cyprus company "Heckbert C7 Holdings".

These financial statements were approved by the Board of the Bank on 24 May 2010.

2 ACCOUNTING AND ASSESSMENT PRINCIPLES

(1) General principles

The Bank is responsible for the interim condensed financial statements which clearly and truly reflects the Group and the Bank's financial standing as of the end of the reporting period, and performance results and cash flows for the period, and for the preparation of the financial statements in accordance with International Financial Reporting Standards, as adopted in the European Union.

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. Information on the Bank's subsidiaries is disclosed in Note 9. 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>31.03.2010</u>	<u>31.12.2009</u>	<u>31.03.2009.</u>
LVL 1 =	EUR	1.423	1.423	1.423
	USD	1.919	2.045	1.879
	GBP	1.279	1.277	1.323
	RUB	56.497	60.976	63.694
	UAH	15.291	16.393	15.129

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

**3 INTERNAL CONTROL SYSTEM OF LAUNDERING OF THE PROCEEDS FROM CRIME
AND PREVENTION OF TERRORISM FINANCING**

Since 2007 TKB has yearly drafted and approved a plan of measures in order to upgrade the internal control system for prevention of money laundering and terrorist financing and, in accordance with this plan; the measures are taken regularly to improve the money laundering and terrorist financing risk management process

The Bank continuously develops its internal control system, including the technical equipment. In 2009, TKB actively worked to do the preparatory work for introduction of an internationally recognized automated transaction monitoring system in 2010. This system will greatly improve the monitoring of customer transactions, alert on deviations from the model of customer behaviour, possible suspicious transactions, and the system will also assess the customer risk degree. By using this system the analysis of links between several accounts will be automated as well.

4 RISK CONTROL AND MANAGEMENT

In order to manage risks and meet the performance standards for Bank activities - capital adequacy, liquidity, foreign currency positions and risk control and administration of Bank transactions - the Bank has approved its Risk Management Policy and other policies, including its Capital Adequacy Assessment Policy, Liquidity Management Policy, Foreign Currency Risk Management Policy, Country Risk Management Policy, Lending Policy, Trading Portfolio Policy and other policies approved by the Council and the Board of the Bank. These policies have been developed in accordance with the Strategic Plan of the Bank, and they are regularly updated based on the development of the market and Bank core activities.

These policies set the principles according to which the Bank defines:

- ✓ General guidelines applied by the Bank in its operations in order to minimise all kinds of risks which may result in losses;
- ✓ Classification of risk transactions and other risks to which the Bank is exposed in its operating activities;
- ✓ General day-to-day control and administration of the Bank's risk exposures.

The main purpose of the Bank's Risk Management Policy is to describe and determine the set of measures which would help the Bank to minimise any probability of incurring losses in situations where the funds deposited by the Bank or the funds that are due to the Bank are not fully paid in a timely fashion, or where the Bank incurs losses of another kind.

The Bank's Risk Management Policy is implemented by the Council, the Board, the Asset-Liability Assessment Committee (hereinafter – ALCO), the Loan Committee and the Loan Assessment Committee of the Bank, as well as by the respective structural units of the Bank engaged in risk transaction control.

The Risk Control and Management Policy of the Group did not differ materially from the Bank's policies.

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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>31 March</u>	<u>31 December</u>	<u>31 March</u>	<u>31 December</u>
5 LOANS AND MOVEMENT IN IMPAIRMENT ALLOWANCES				
Private enterprises	90 452	91 688	86 098	87 212
Private persons	21 286	20 086	21 026	19 793
Related companies	-	-	5 099	5 336
Financial institutions	59	64	59	64
Employees	1 069	1 782	1 027	1 568
Total gross loans	112 866	113 620	113 309	113 973
Impairment allowances, <i>individually assessed</i>	(16 198)	(14 922)	(15 215)	(14 086)
Impairment allowances, <i>collectively assessed</i>	(703)	(675)	(703)	(675)
	95 965	98 023	97 391	99 212

Loans by types of loans may be specified as follows:

Commercial loans	30 262	29 977	35 361	35 313
Mortgage loans	45 523	47 076	45 369	46 887
Industrial loans	11 704	11 469	11 704	11 469
Consumer loans	320	311	212	199
Finance lease	4 394	4 682	-	-
Overdrafts	1 192	1 959	1 192	1 959
Bills of Exchange	-	-	-	-
Reverse REPO	965	1 182	965	1 182
Factoring	301	417	301	417
Credit cards	193	317	193	317
Security deposits	421	395	421	395
Other	17 591	15 835	17 591	15 835
	112 866	113 620	113 309	113 973

Movements in impairment allowances during the reporting period:

	<u>The Group</u>		<u>The Bank</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Balance as at 1 January	15 597	4 963	14 761	4 778
Additional <i>individual</i> allowance	1 065	10 820	913	10 139
Change in <i>collective</i> allowance	28	209	28	209
Release of <i>individual</i> allowances	(52)	(410)	(48)	(381)
Effect of changes in currency exchange rates	263	15	264	16
Balance as at 31 March / 31 December	16 901	15 597	15 918	14 761

Significant increases in impairment are due to overall worsening of economic and financial situation, as a result of which the borrowers are not able to repay the issued loans. According to the assessment of Bank loans performed by the Financial and Capital Market Commission, the Bank has to make additional provisions in the amount of 2 402 thousand lats.

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6 OTHER LIABILITIES

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

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 2 873 thousand lats (2009: 191 thousand lats). After clarification they are credited to customer accounts.

Unpaid dividends of previous periods mostly consist of payments to the estate of S. Tarasenoks also. In the reporting period this amount was 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 517 thousand lats (2009: 204 thousand lats).

7 NET PROFIT/ (LOSS) FROM FINANCIAL ASSETS HELD FOR 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 193 thousand lats in the reporting period (2009: profit of 63 thousand lats) is related to equity securities and profit of 46 thousand lats in the reporting period (2009: loss of 113 thousand lats) is related to debt securities.

Changes in profit/loss from foreign currency are associated with the decrease in volume of trade transactions.

8 FIXED ASSETS

In the reporting period there were no major purchases or disposals of property and equipment and intangible assets.

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9 INVESTMENTS IN SHARE CAPITAL OF SUBSIDIARIES AND ASSOCIATES

<u>Group companies: name, registration number and address</u>	<u>Type of activity</u>	<u>31.03.2010</u>				<u>31.12.2009</u>			
		<u>Investment and participation share</u>				<u>Investment and participation share</u>			
		Total book value of assets	Cost	Fixed capital portion (%)	Cost less impair - ment	Total book value of assets	Cost	Fixed capital portion (%)	Cost less impair - ment
SIA "TKB Līzings", reg.No.40003591059, Latvia, Riga,Miesnieku 9	Leasing and crediting operations	5 547	50	100	50	5 778	50	100	50
SIA "TKB Nekustamie īpašumi", reg. No. 40003723143, Latvia,Riga,Miesnieku 9	Real estate transactions	43	2	75	2	43	2	75	2
		5 590	52	-	52	5 821	52	-	52

The below data reflects consolidated information on subsidiaries and associated companies:

	<u>31.03.2010</u>	<u>31.12.2009</u>
Assets	5 590	5 821
Liabilities	(6 116)	(6 197)
Net assets	(526)	(376)
(Loss)/profit for the period	(150)	(548)

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10 SEGMENT ANALYSIS

The following analysis of segments is based on the Group's and the Bank's internal reports.

(1) Balance

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>31 March</u>	<u>31 December</u>	<u>31 March</u>	<u>31 December</u>
Cash	16 578	11 961	16 578	11 961
Balance from credit institutions	60 182	122 920	60 182	122 920
Loans	111 610	112 226	112 082	112 595
Other state fixed income securities	2 320	3 066	2 320	3 066
Shares and other investments	1 217	966	15 117	14 866
Fixed assets and intangible assets	9 462	9 593	9 438	9 567
Other assets	24 433	22 501	10 339	8 512
Total assets	225 802	283 233	226 056	283 487
Balances due to banks	2 050	2 143	2 050	2 143
Deposits	160 325	220 731	160 326	220 731
Issued bonds	2 805	2 806	3 508	3 509
Other liabilities	6 574	4 120	6 529	4 080
Impairment and accrued liabilities	17 558	17 113	16 572	16 276
Equity	36 490	36 320	37 071	36 748
Total equity and liabilities	225 802	283 233	226 056	283 487
Total assets per internal reporting	225 802	283 233	226 056	283 487
Reconciling items:				
<i>Impairment¹</i>	(17 558)	(17 113)	(16 572)	(16 276)
<i>Other reconciling items²</i>	(191)	(188)	(159)	(160)
Total assets per IFRS statements	208 053	265 932	209 325	267 051
Total liabilities per internal reporting	189 312	246 913	188 985	246 739
Reconciling items:				
<i>Impairment¹</i>	(17 558)	(17 113)	(16 572)	(16 276)
<i>Subordinated liabilities³</i>	4 134	4 112	4 134	4 112
<i>Other reconciling items²</i>	(190)	(186)	(160)	(160)
Total liabilities per IFRS statements	175 698	233 726	176 387	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 subordinated liabilities are classified as equity.

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10 SEGMENT ANALYSIS (continued)

The following analysis of segments is based on the Group's and the Bank's internal reports.

(2) Profit or loss statement

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>2010</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>	<u>2010</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>
Interest revenue	1 734	3 034	1 702	3 028
Commission revenue	1 183	1 378	1 181	1 376
Profit from trading	(98)	(115)	(98)	(114)
Impairment	1 700	154	1 696	178
Other income	23	18	23	16
Total revenues	4 542	4 469	4 504	4 484
Interest expenses	1 045	682	1 049	690
Commission expenses	245	263	245	263
Administration expenses ¹	1 892	1 832	1 851	1 817
Tax expenses	42	196	41	193
Impairment	1 848	833	1 695	823
Other expenses	27	27	27	26
Total expenses	5 099	3 833	4 908	3 812
(Loss)/profit	(557)	636	(404)	672

¹ The Bank's administration expenses include depreciation charge in the amount of 191 thousand lats (2009: 123 thousand lats). The Group's administration expenses accordingly include depreciation charge in the amount of 193 thousand lats (2009: 124 thousand lats).

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

In thousands of lats	<u>2010</u> <u>(3 months)</u>		<u>2009</u> <u>(3 months)</u>	
	<u>Latvian</u> <u>residents</u>	<u>Latvian</u> <u>non residents</u>	<u>Latvian</u> <u>residents</u>	<u>Latvian</u> <u>non residents</u>
Interest income	642	1 092	1 239	1 795
Commission income	74	1 109	78	1 300
Total income	716	2 201	1 317	3 095

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10 SEGMENT ANALYSIS (continued)

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

In thousands of lats	2010 (3 months)		2009 (3 months)	
	Latvian residents	Latvian non residents	Latvian residents	Latvian non residents
Interest income	614	1 088	1 205	1 823
Commission income	72	1 109	76	1 300
Total income	686	2 197	1 281	3 123

11 OFF-BALANCE SHEET ITEMS

In thousands of lats	The Group		The Bank	
	2010 31 March	2009 31 December	2010 31 March	2009 31 December
Contingent liabilities	6 564	6 759	6 950	7 145
<i>including guarantees</i>		371	436	757
<i>including rent commitments</i>	6 193	6 323	6 193	6 323
Commitments to customers	2 913	2 543	5 043	4 436
<i>including unused credit limits</i>	2 799	2 417	4 929	4 310
<i>including letters of credit</i>	100	83	100	83
<i>including other liabilities</i> ¹	14	43	14	43
	9 477	9 302	11 993	11 581
Provisions for off-balance sheet liabilities	-	-	-	-
	9 477	9 302	11 993	11 581

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

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12 THE GROUP'S AND BANK'S TRANSACTIONS WITH RELATED PARTIES

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

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

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

In thousands of lats	31.03.2010				31.12.2009			
	Share-holders	Other related parties ¹	Council and board	Total	Share-holders	Other related parties ¹	Council and board	Total
Assets								
Loans	2	2 646	116	2 764	659	4 195	133	4 987
<i>Reserves for unsecured loans</i>	-	(56)	(2)	(58)	(12)	(1 022)	(2)	(1 036)
Loans, net	2	2 590	114	2 706	647	3 173	131	3 951
Liabilities								
Deposits	13	382	217	612	9	1 143	204	1 356
Non-balance items								
Unused credit lines	154	10	33	197	22	7	22	51
Comprehensive income report								
	31.03.2010				31.03.2009			
Interest income	3	43	1	47	7	12	2	21
Commissions income	2	3	-	5	-	10	-	10
Interest expense	-	(2)	(2)	(4)	-	(3)	(3)	(6)
Loan groups' reserve (expenses)/ decreasing income, net	-	(1)	(2)	(3)	-	-	-	-
Other expenses	(4)	(10)	(5)	(19)	(4)	(14)	(6)	(24)

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

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

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

In thousands of lats	31.03.2010					31.12.2009				
	Shareholders	Subsidiary companies	Other related persons ¹	Council and Board	Total	Shareholders	Subsidiary companies	Other related	Council and Board	Total
Assets										
Loans	2	5 099	2 639	96	7 836	546	5 336	4 139	108	10 129
<i>Reserves for unsecured loans</i>	-	-	(56)	(2)	(58)	(12)	-	(1 022)	(2)	(1 036)
Loans, net	2	5 099	2 583	94	7 778	534	5 336	3 117	106	9 093
Liabilities										
Deposits	13	9	382	217	621	9	7	1 143	204	1 363
Non-balance items										
Unused credit lines	154	2 516	10	33	2 713	22	1 892	7	22	1 943
Comprehensive income report										
	31.03.2010					31.03.2009				
Interest income	3	44	43	1	91	7	90	12	2	111
Commissions income	2	2	3	-	7	-	3	10	-	13
Interest expense	-	-	(2)	(2)	(4)	-	-	(3)	(3)	(6)
Loan groups' reserve (expenses)/ decreasing income, net	-	-	(1)	(2)	(3)	-	39	-	-	39
Other expenses	(4)	(15)	(10)	(5)	(34)	(4)	(30)	(14)	(6)	(54)

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

13 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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