



TRASTA KOMERCBANKA

**JSC "TRASTA KOMERCBANKA"  
INTERIM CONDENSED FINANCIAL STATEMENTS  
AND CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2011  
UNAUDITED**

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

In the first quarter of 2011 the Bank continued to develop its services, providing active support to its customers in Latvia and abroad, with particular emphasis being put on the development of Private Banking service, support of Latvian businessmen - exporters and developing of new regions. At the beginning of the year, along with upgrading of services for its customers, the Bank launched a new design of MasterCard payment cards series, where modern technologies are combined with a special design of classic heraldry traditions and success symbolism. These payment cards provide its customers with many advantages, including convenient and expedient making of payments abroad, and a possibility to effectively manage finances from anywhere in the world.

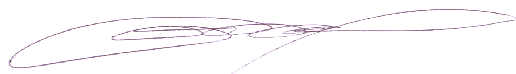
As of 31 March 2011, the Bank's assets amounted to 238.2 million LVL, which is by 19.4 million more than the final figure of 2010. At the end of the reporting period the amount of attracted deposits reached 188.4 million LVL, but the Bank's loan portfolio amounted to 87.4 million LVL. The Bank concluded the first quarter of 2011 with a profit of 0.45 million LVL. The Bank's capital and reserves as of 31 March amounted to 29.45 million LVL. The Bank's liquidity as at the end of the reporting year was 69.78%, capital adequacy - 15.64%.

The management confirms that the consolidated financial statements and the separate financial statements set out on pages 4 to 20 for the period from 1 January 2011 to 31 March 2011 have been prepared consistently applying relevant accounting methods and the management's judgments and estimates in relation to preparation of these statements are reasonable and prudent. The management confirms that the applicable International Financial Reporting Standards have been used in the preparation of the financial statements and that these financial statements have been prepared on a going concern concept basis. The purpose of the statement is to present comprehensive information regarding the financial standing of the Bank and the Group, performance results, and the Bank's activities-related risks.

For the accounting period from 01 January 2011 to 31 March the Bank has not performed any additional interim audit. This public quarterly financial statement has been prepared based on unaudited financial statements for this period.

This financial report was approved by the Board of the Bank on May 30, 2011 and it is available on the Bank's website at [www.tkb.eu](http://www.tkb.eu).

On behalf of the Bank's management:



Gundars Grieze  
Chairman of the Board

Riga,  
May 30, 2011

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**PROFIT AND LOSS STATEMENTS**

In thousands of lats	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>31.03.2011</u>	<u>31.03.2010</u>	<u>31.03.2011</u>	<u>31.03.2010</u>
Interest revenue		1 180	1 734	1 155	1 702
Interest expense		(876)	(1 045)	(880)	(1 049)
Dividends		1	-	1	-
Commission income		1 081	1 183	1 079	1 181
Commission expense		(191)	(245)	(191)	(245)
Net realized profit/loss on financial assets and liabilities at amortized cost		-	-	-	-
Net realized losses on available for sale financial assets		-	-	-	-
Net gains from trading financial assets		(123)	346	(123)	346
Net profit / loss on financial assets and financial liabilities at fair value through profit or loss statement		-	-	-	-
Changes in fair value due to risk minimization accounting		-	-	-	-
Net (losses)/gains from foreign currency trading and revaluation		1 406	(444)	1 406	(444)
Property, plant and equipment, investment property and intangible assets derecognition profit / loss		(1)	-	(1)	-
Other income		28	23	25	23
Other expenses		(66)	(42)	(53)	(38)
Administrative expenses		(1 720)	(1 684)	(1 698)	(1 649)
Depreciation		(207)	(193)	(205)	(191)
Result of forming reserves, net	8	7	(73)	11	76
Impairment losses		(51)	(75)	(51)	(75)
Corporate income tax		(23)	(42)	(20)	(41)
<b>(Loss)/profit for the period</b>		<b>445</b>	<b>(557)</b>	<b>455</b>	<b>(404)</b>

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**BALANCE SHEET**

In thousands of lats	Note	The Group		The Bank	
		31.03.2011	31.12.2010	31.03.2011	31.12.2010
Cash and balances due from central banks		12 232	16 588	12 232	16 588
Due from credit institutions on demand	9	78 202	53 147	78 202	53 147
Held for trading financial assets		1 863	2 224	1 863	2 224
Financial assets classified at fair value through profit and loss statement		-	-	-	-
Available for sale financial assets		11 415	7 960	11 415	7 960
Loans and receivables	11	85 666	92 119	87 365	93 771
Held to maturity investments	10	11 078	9 877	11 078	9 877
Interests risk protected portfolio share' s fair value changes		-	-	-	-
Accrued income and deferred expenses		250	127	250	124
Property and equipment		8 753	8 918	8 731	8 894
Long-term projects costs		2 405	2 405	2 405	2 405
Intangible assets		386	360	385	360
Investments in share capital of subsidiary		-	-	52	52
Corporate income tax assets		931	933	913	913
Other assets	12	23 609	22 756	23 299	22 469
<b>TOTAL ASSETS</b>		<b>236 790</b>	<b>217 414</b>	<b>238 190</b>	<b>218 784</b>
Due to central banks		-	-	-	-
Due to credit institutions on demand		7 538	2 389	7 538	2 389
Financial liabilities held for trading		3	4	3	4
Financial liabilities classified at fair value through profit and loss statement		-	-	-	-
Financial liabilities at amortised cost	13	196 234	182 437	196 941	183 142
Financial liabilities resulting from transfer of financial assets		-	-	-	-
Interest risk protected portfolio share' s fair value changes		-	-	-	-
Accrued expenses and deferred income		454	503	461	493
Reserves for potential liabilities		-	-	-	-
Corporate income tax liabilities		6	25	6	25
Other liabilities	14	3 799	3 746	3 790	3 735
<b>TOTAL LIABILITIES</b>		<b>208 034</b>	<b>189 104</b>	<b>208 739</b>	<b>189 788</b>
<b>Equity and reserves</b>		<b>28 756</b>	<b>28 310</b>	<b>29 451</b>	<b>28 996</b>
<b>TOTAL LIABILITIES AND EQUITY AND RESERVES</b>		<b>236 790</b>	<b>217 414</b>	<b>238 190</b>	<b>218 784</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
Contingent liabilities	15	6 017	6 128	6 017	6 423
Commitments to customers	15	4 527	6 544	6 594	8 625

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**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
<b>BALANCE AS AT 31 DECEMBER 2009</b>	6 337	111	3 804	(21)	-	21 966	32 197	9	32 206
<i>Net loss for the period</i>	-	-	-	-	-	(557)	(557)	-	(557)
<i>Other comprehensive expenses</i>	-	-	-	8	-	-	8	-	8
Total comprehensive loss	-	-	-	8	-	(557)	(549)	-	(549)
Issue of share capital	698	-	-	-	-	-	698	-	698
<b>BALANCE AS AT 31 MARCH 2010</b>	7 035	111	3 804	(13)	-	21 409	32 346	9	32 355
<b>BALANCE AS AT 31 DECEMBER 2010</b>	7 049	111	3 804	(6)	-	17 352	28 310	-	28 310
<i>Net profit for the period</i>	-	-	-	-	-	445	445	-	445
<i>Other comprehensive income</i>	-	-	-	-	1	-	1	-	1
Total comprehensive income	-	-	-	-	1	445	446	-	446
Issue of share capital	-	-	-	-	-	-	-	-	-
<b>BALANCE AS AT 31 MARCH 2011</b>	7 049	111	3 804	(6)	1	17 797	28 756	-	28 756

**(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
<b>BALANCE AS AT 31 DECEMBER 2009</b>	6 337	111	3 804	(21)	22 405	32 636
<i>Net loss for the period</i>	-	-	-	-	(404)	(404)
<i>Other comprehensive income</i>	-	-	-	8	-	8
Total comprehensive loss	-	-	-	8	(404)	(396)
Issue of share capital	698	-	-	-	-	698
<b>BALANCE AS AT 31 MARCH 2010</b>	7 035	111	3 804	(13)	22 001	32 938
<b>BALANCE AS AT 31 DECEMBER 2010</b>	7 049	111	3 804	(6)	18 038	28 996
<i>Net profit for the period</i>	-	-	-	-	455	455
<i>Other comprehensive income</i>	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	455	455
Issue of share capital	-	-	-	-	-	-
<b>BALANCE AS AT 31 MARCH 2011</b>	7 049	111	3 804	(6)	18 493	29 451

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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>31.03.2011</u>	<u>31.03.2010</u>	<u>31.03.2011</u>	<u>31.03.2010</u>
<b>Cash flow as a result of operating activity:</b>				
Profit/(Loss) before corporate income tax	478	(511)	475	(363)
Loss before tax for the period from discontinued operations	(10)	(4)	-	-
Amortisation and depreciation	207	193	205	191
Increase/(decrease) in allowance for impairment of debts	(341)	368	(345)	221
Increase/(decrease) in other provisions	48	75	48	75
Foreign currency revaluation (profit) loss	(1 063)	919	(1 064)	919
(Gain)/loss from revaluation of financial assets	138	(234)	138	(234)
Income adjustments	-	(244)	-	(240)
Loss on disposal of fixed and intangible assets	1	-	1	-
<b>Increase in cash and cash equivalents from operating activities before changes in assets and liabilities</b>	<b>(542)</b>	<b>562</b>	<b>(542)</b>	<b>569</b>
Decrease of held for trading financial assets	217	598	217	598
(Increase)/decrease in due from credit institutions	(2 016)	1 079	(2 016)	1 079
(Increase)/decrease in loans	6 766	(282)	6 723	(339)
(Increase)/decrease in accrued income and deferred expense	(120)	(37)	(123)	(38)
Increase in other assets	(865)	(470)	(843)	(422)
Decrease in due to credit institutions	-	-	-	-
(Decrease)/increase in deposits	13 491	(60 456)	13 492	(60 455)
(Decrease)/increase in accrued expenses and deferred income	(49)	(93)	(32)	(92)
Increase in other liabilities	47	2 406	50	2 404
	<b>16 929</b>	<b>(56 693)</b>	<b>16 926</b>	<b>(56 696)</b>
Corporate income tax paid	(40)	(49)	(39)	(41)
<b>(Decrease)/increase in cash and cash equivalents from operating activities</b>	<b>16 889</b>	<b>(56 742)</b>	<b>16 887</b>	<b>(56 737)</b>
<b>Cash flows from investing activities</b>				
Purchase of tangible and intangible fixed assets, net	(69)	(62)	(68)	(62)
Increase in available-for-sale financial assets	(3 455)	70	(3 455)	70
Purchase of net assets of disposal group classified as held for sale	-	-	-	-
Cash flow of disposal group classified as held for sale	(1)	5	-	-
Cash outflow on long-term projects	-	(24)	-	(24)
<b>Decrease in cash and cash equivalents from investing activities</b>	<b>(3 525)</b>	<b>(11)</b>	<b>(3 523)</b>	<b>(16)</b>

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

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>31.03.2011</u>	<u>31.03.2010</u>	<u>31.03.2011</u>	<u>31.03.2010</u>
<b>Cash flows from financing activities</b>				
Subordinated liabilities issue	411	-	411	-
Repayment of subordinated liabilities	-	-	-	-
Issue of share capital	-	698	-	698
<b>(Decrease)/increase in cash and cash equivalents from financing activities</b>	<b>411</b>	<b>698</b>	<b>411</b>	<b>698</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>13 775</b>	<b>(56 055)</b>	<b>13 775</b>	<b>(56 055)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>76 558</b>	<b>130 320</b>	<b>76 558</b>	<b>130 320</b>
<b>Foreign currency revaluation (loss)/profit</b>	<b>960</b>	<b>(900)</b>	<b>960</b>	<b>(900)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>91 293</b>	<b>73 365</b>	<b>91 293</b>	<b>73 365</b>

Cash and cash equivalents are calculated as follows

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>31.03.2011</u>	<u>31.03.2010</u>	<u>31.03.2011</u>	<u>31.03.2010</u>
Due from credit institutions with a maturity of less than 3 months	86 599	58 811	86 599	58 811
Cash and balances due from the Bank of Latvia and other Central Banks	12 232	16 578	12 232	16 578
Due to credit institutions with a maturity of less than 3 months	(7 538)	(2 024)	(7 538)	(2 024)
<b>CASH AND CASH EQUIVALENTS</b>	<b>91 293</b>	<b>73 365</b>	<b>91 293</b>	<b>73 365</b>

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>31.03.2011</u>	<u>31.03.2010</u>	<u>31.03.2011</u>	<u>31.03.2010</u>
Interest income received during the reporting period	1 188	1 883	1 163	1 863
Interest expenses paid during the reporting period	(842)	(1 118)	(846)	(1 122)
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 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 30 May 2011.

2 ACCOUNTING AND ASSESSMENT PRINCIPLES

(1) General principles

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

The 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.

(3) Foreign currency exchange rates

		<u>31.03.2011.</u>	<u>31.12.2010</u>	<u>31.03.2010</u>
LVL 1 =	EUR	1.423	1.423	1.423
	USD	2.004	1.869	1.919
	GBP	1.252	1.214	1.279
	RUB	56.818	56.818	56.497
	UAH	15.974	14.881	15.291

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

**3 PERFORMANCE INDICATORS**

<b>Position</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
Return on equity (ROE) (%) <sup>1</sup>	6.19	-4.92
Return on assets (ROA) (%) <sup>2</sup>	0.73	-0.68

<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**

The Bank's registered and paid up share capital on 31 March, 2011 amounted to 7 049 thousand LVL (2010: registered capital -6 337 thousand LVL, paid capital – 7049 thousand LVL), consisting of 140 972 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:**

<b>Shareholder</b>	<b>Country</b>	<b>Shareholding</b>		<b>Shareholding</b>	
		<b>31 March 2011</b>	<b>31 December 2010</b>	<b>31 March 2011</b>	<b>31 December 2010</b>
		<b>%</b>	<b>LVL'000</b>	<b>%</b>	<b>LVL'000</b>
I.Buimisters	Latvia	37.63	2 653	37.63	2 653
S.Tarasenoks*	Latvia	12.72	896	12.72	896
SIA "C&R Invest"	Latvia	13.70	966	13.70	966
C.E.G. Treherne	Great Britain	9.31	656	9.31	656
GCK Holdings					
Netherlands B.V.	Netherlands	6.95	490	6.95	490
Rikam S.A.H.	Luxembourg	6.85	483	6.85	483
Figon Co Limited	Cyprus	3.19	225	3.19	225
Another shareholders		9.65	680	9.65	680

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

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

Supervisory Council

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

Management Board

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

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

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

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

JSC "Trasta komercbanka"

<p><b>Head Office</b> 9 Miesnieku street, Riga, LV – 1050, Latvia tel: 67027711, fax: 67027700, e-mail: <a href="mailto:info@tkb.eu">info@tkb.eu</a></p>	<p><b>Cyprus branch</b> <i>Head of the Branch</i> Constantinos Constantinou 56 Arch.Makariou III, 1075, Nicosia, Cyprus tel +357 22676766, +357 22677797, e-mail: <a href="mailto:info@tkb.com.cy">info@tkb.com.cy</a></p>
<p><b>Internal Audit Division</b> <i>Head of Division</i> Olga Lomaša</p>	<p><b>Liepaja Branch</b> <i>Head of the Branch</i> Guntis Brūders 10 Kursu street, Liepaja, LV-3401, Latvia tel 6 3483917, Fax 6 3483918, e-mail: <a href="mailto:liepaja@tkb.eu">liepaja@tkb.eu</a></p>
<p><b>Financial Market Department</b> <i>Head of Department</i> Marina Krutiļina</p>	<p><b>Daugavpils Branch</b> <i>Head of the Branch</i> Marija Rimvide-Mickeviča 10 Lacpleša street, Daugavpils, LV-5401, Latvia tel 6 5457961, Fax: 6 5457966, e-mail: <a href="mailto:daugavpils@tkb.eu">daugavpils@tkb.eu</a></p>
<p><b>Securities Market and Bank Investments Department</b> <i>Head of Department</i> Sergejs Popovs</p>	<p><b>Representative Office in Ukraine</b> <i>Head of Representative Office</i> Aleksandrs Bikovecs Kiev, 43/11 Moskovskaja street, 2.floor. tel +380 44 4963402, e-mail: <a href="mailto:ukraine@tkb.eu">ukraine@tkb.eu</a></p>
<p><b>Lending Department</b> <i>Head of Department</i> Tatjana Konnova</p>	<p><b>Representative Office in Kazakhstan</b> <i>Head of Representative Office</i> Irina Jugai Alma Ata, 151-115 Abaja ave., Office 507 tel +7 727 3341906, Fax: +7 727 3341905, e-mail: <a href="mailto:kazakstan@tkb.eu">kazakstan@tkb.eu</a></p>
<p><b>Customer Department</b> <i>Head of Department</i> Diāna Mickēviča</p>	<p><b>Representative Office in Tajikistan</b> <i>Head of Representative Office</i> Mustafu Davljabekov 100 Rudaki ave. , Dusanbe, Tajikistan, 734003 tel+992 91 9448838, Fax: +992 44 6102777, e-mail: <a href="mailto:tajikistan@tkb.eu">tajikistan@tkb.eu</a></p>
<p><b>Bank Operation Accounting and Statistics Department</b> <i>Head of Department – Chief Accountant</i> Svetlana Krasovska</p>	<p><b>Representative Office in Belarus</b> <i>Head of Representative Office</i> Marija Okuloviča Minsk, Nezavisimosti ave. 117a (Aleksandrov-passazh), office 5, Tel/fax: +375 17 2650678, e-mail: <a href="mailto:belarus@tkb.eu">belarus@tkb.eu</a></p>
<p><b>Correspondent Relations and Payments Department</b> <i>Head of Department</i> Nataļja Nikolajenko</p>	<p><b>Security Department</b> <i>Head of Department</i> Jegeņijs Fokins</p>
<p><b>Administrative Department</b> <i>Head of Department</i> Māris Jaunozols</p>	<p><b>Risk Analysis and Control Department</b> <i>Head of Department – Deputy Chief Accountant</i> Tatjana Paļcina</p>
<p><b>Information System Department</b> <i>Head of Department</i> Timofejs Djubins</p>	<p><b>AML Compliance Division</b> <i>Head of Division</i> Vija Arseņjeva</p>

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

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

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

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

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

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

**Objectives of the Bank:**

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

**Values of the Bank:**

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

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**5 INTERNATIONAL RATINGS ASSIGNED TO THE BANK**

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

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

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

**6 COMPOSITION OF THE CONSOLIDATED GROUP**

The consolidation group of the Bank consists of the subsidiaries *TKB Nekustamie ģpašumi* , *TKB LĪZINGS* and "Heckbert C7 Holdings", which is classified as held for sale, and its subsidiary "Ferrous Kereskedelmi KFT". The description of "Heckbert C7 Holdings" and "Ferrous Kereskedelmi KFT" is provided in Note 12 of these financial. Services provided by *TKB Nekustamie ģpašumi* and *TKB LĪZINGS* 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 ģizings, Ltd., LV-40003591059	9 Miesnieku, Riga, LV	AFI	100	100	SC
2	TKB nekustamie ģpašumi, Ltd., LV-40003723143	9 Miesnieku, Riga, LV	AC	100	100	SC
3	Heckbert C7 Holdings Limited CY-HE134861	CY, Nicosia, Kritonos 21, Cyprus	AFI	100	100	SC
4	Ferrous Kereskedelmi KFT HU-01-09-717395	HU, Budapest, 3 Szegedi street, Hungary	AFI	100	100	SC

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

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

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7 RISK CONTROL AND MANAGEMENT

Information on the Bank's risk management policies is provided in the audited financial statements 2010 of AS TRASTA KOMERCBANKA, posted on the Bank's website (www.tkb.eu), Note 45 (pp.88-96), and in the Information Disclosure Statement of 2010 (pp. 1 to 7), and since this publication of information it has not changed.

8 RESULT OF FORMING RESERVES, NET

In thousands of lats	The Group		The Bank	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
<b>Balance as at 1 January</b>	<b>17 374</b>	<b>17 076</b>	<b>16 323</b>	<b>16 240</b>
<i>incl. for due from credit institutions</i>	-	1 479	-	1 479
<i>incl. for loans</i>	17 374	15 597	16 323	14 761
Additional <i>individual</i> allowance	699	1 065	693	913
Change in <i>collective</i> allowance	(128)	28	(128)	28
Release of <i>individual</i> allowances	(578)	(1 020)	(576)	(1 017)
Loans write-off	-	-	-	-
Effect of changes in currency exchange rates	(334)	295	(334)	297
<b>Balance as at 31 March</b>	<b>17 033</b>	<b>17 444</b>	<b>15 978</b>	<b>16 461</b>
<i>incl. for due from credit institutions</i>	-	543	-	543
<i>incl. for loans</i>	17 033	16 901	15 978	15 918

9 DUE FROM CREDIT INSTITUTIONS ON DEMAND

In thousands of lats	The Group		The Bank	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010
Due from credit institutions registered in the Republic of Latvia	552	1 138	552	1 138
Due from credit institutions registered in the foreign countries	77 650	52 009	77 650	52 009
	<b>78 202</b>	<b>53 147</b>	<b>78 202</b>	<b>53 147</b>

10 HELD TO MATURITY INVESTMENTS

In thousands of lats	The Group		The Bank	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010
Other claims on credit institutions - - <i>With a maturity of up to 3 months</i> -				
Due from credit institutions registered in the Republic of Latvia	4 990	5 350	4 990	5 350
Due from credit institutions registered in the foreign countries - <i>With a maturity of more than 3 months</i> -	3 406	3 862	3 406	3 862
Due from credit institutions registered in the foreign countries	2 682	665	2 682	665
	<b>11 078</b>	<b>9 877</b>	<b>11 078</b>	<b>9 877</b>

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In thousands of lats	The Group		The Bank	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010
<b>11 LOANS AND RECEIVABLES</b>				
Private enterprises	82 847	88 386	78 698	84 150
Private persons	18 201	19 556	17 956	19 311
Related companies	-	-	5 146	5 132
Financial institutions	11	14	11	14
Employees	1 640	1 537	1 532	1 487
<b>Total gross loans</b>	<b>102 699</b>	<b>109 493</b>	<b>103 343</b>	<b>110 094</b>
Impairment allowances, <i>individually assessed</i>	(16 330)	(16 543)	(15 275)	(15 492)
Impairment allowances, <i>collectively assessed</i>	(703)	(831)	(703)	(831)
	<b>85 666</b>	<b>92 119</b>	<b>87 365</b>	<b>93 771</b>
<b>Loans by types of loans may be specified as follows:</b>				
Mortgage loans	40 160	41 347	40 160	41 231
Commercial loans	25 713	27 147	30 859	32 279
Industrial loans	10 679	12 273	10 679	12 273
Finance lease	4 278	4 305	-	-
Overdrafts	1 721	4 379	1 721	4 379
Reverse REPO	77	-	77	-
Consumer loans	509	433	285	323
Factoring	253	247	253	247
Secured by deposit	403	432	403	432
Payment card loans	371	335	371	335
Other	18 535	18 595	18 535	18 595
	<b>102 699</b>	<b>109 493</b>	<b>103 343</b>	<b>110 094</b>

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**12 OTHER ASSETS**

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>31.03.2011</u>	<u>31.12.2010</u>	<u>31.03.2011</u>	<u>31.12.2010</u>
Receivables from brokerage companies	2 650	2 520	2 650	2 520
Real property hold for sale <sup>1</sup>	3 431	3 381	3 238	3 192
Spot foreign exchange assets <sup>2</sup>	99	89	99	89
Overpaid value added tax	670	485	578	393
Money in transit <sup>3</sup>	17	20	17	20
Other assets <sup>4</sup>	3 071	2 540	3 027	2 514
Assets of disposal group classified as held for sale	13 832	13 831	13 848	13 848
	<b>23 770</b>	<b>22 866</b>	<b>23 457</b>	<b>22 576</b>
Impairment loss	(161)	(110)	(158)	(107)
	<b>23 609</b>	<b>22 756</b>	<b>23 299</b>	<b>22 469</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.

Assets of the disposal group classified as held for sale are investments in the subsidiary "Heckbert C7 Holdings (100% shares), which owns 100% of the company" Ferrous Kereskedelmi KFT (Hungary) shares, which in its turn, holds 25,085% of the Ukrainian gas company "Dewon" shares. Information about this investment is posted in the Bank's audited financial statement 2010, Note 19 (page 37), and since the publication of this information, it has not changed.

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**13 FINANCIAL LIABILITIES AT AMORTISED COST**

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>31.03.2011</u>	<u>31.12.2010</u>	<u>31.03.2011</u>	<u>31.12.2010</u>
Due to credit institutions	25	27	25	27
Due to customers	188 419	174 928	188 421	174 929
Subordinated liabilities	4 982	4 673	4 982	4 673
Debt securities issued	2 808	2 809	3 513	3 513
	<b>196 234</b>	<b>182 437</b>	<b>196 941</b>	<b>183 142</b>

**14 OTHER LIABILITIES**

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>31.03.2011</u>	<u>31.12.2010</u>	<u>31.03.2011</u>	<u>31.12.2010</u>
Suspense accounts <sup>1</sup>	690	953	690	953
Spot foreign exchange liabilities (Note 12)	89	84	89	84
Money in transit	1 145	825	1 145	825
Unpaid dividends of previous periods	1 767	1 767	1 767	1 767
Other liabilities	108	117	99	106
	<b>3 799</b>	<b>3 746</b>	<b>3 790</b>	<b>3 735</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.

**15 OFF-BALANCE SHEET ITEMS**

**Off-balance liabilities**

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>31.03.2011</u>	<u>31.12.2010</u>	<u>31.03.2011</u>	<u>31.12.2010</u>
Contingent liabilities	<b>6 017</b>	<b>6 128</b>	<b>6 017</b>	<b>6 423</b>
<i>including guarantees</i>	128	138	128	433
<i>including rent commitments</i>	5 889	5 990	5 889	5 990
Commitments to customers	<b>4 527</b>	<b>6 544</b>	<b>6 594</b>	<b>8 625</b>
<i>including unused credit limits</i>	3 831	6 415	5 898	8 496
<i>including letters of credit</i>	29	35	29	35
<i>including other liabilities</i> <sup>1</sup>	667	94	667	94
	<b>10 544</b>	<b>12 672</b>	<b>12 611</b>	<b>15 048</b>

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

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**16 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	<u>31.03.2011</u>				<u>31.12.2010</u>			
	Shareholders	Other related parties <sup>1</sup>	Council and board	Total	Shareholders	Other related parties <sup>1</sup>	Council and board	Total
<b>Assets</b>								
Loans	226	2 445	430	3 101	141	2 502	434	3 077
<i>Allowance for loans</i>	(6)	(5)	(20)	(31)	(3)	(2)	(14)	(19)
Loans, net	220	2 440	410	3 070	138	2 500	420	3 058
<b>Liabilities</b>								
Deposits	27	985	135	1 147	7	1 139	144	1 290
<b>Non-balance items</b>								
Unused credit lines	19	9	33	61	39	8	35	82
<b>Comprehensive income report</b>		<u>31.03.2011</u>			<u>31.03.2010</u>			
Interest income	1	7	6	14	3	43	1	47
Commissions income	2	2	1	5	2	3	-	5
Interest expense	-	(2)	(1)	(3)	-	(2)	(2)	(4)
Reserve decreasing income, net	(3)	(3)	(6)	(12)	-	(1)	(2)	(3)
Other expenses	(2)	(2)	(10)	(14)	(4)	(10)	(5)	(19)

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

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**16 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	31.03.2011					31.12.2010				
	Shareholders	Subsidiary companies	Other related persons <sup>1</sup>	Council and Board	Total	Shareholders	Subsidiary companies	Other related	Council and Board	Total
<b>Assets</b>										
Credits	137	5 146	2 445	423	8 151	117	5 132	2 502	424	8 175
<i>Reserves for unsecured credits</i>	(6)	-	(5)	(20)	(31)	(3)	-	(2)	(14)	(19)
Credits, net	131	5 146	2 440	403	8 120	114	5 132	2 500	410	8 156
<b>Liabilities</b>										
Deposits	27	5	985	135	1 152	7	1	1 139	144	1 291
<b>Non-balance items</b>										
Unused credit limits	19	2 067	9	33	2 128	39	2 081	8	35	2 163
<b>Comprehensive income report</b>										
	31.03.2011					31.03.2010				
Interest income	-	41	7	6	54	3	44	43	1	91
Commissions income	2	-	2	1	5	2	2	3	-	7
Interest expenditure	-	(4)	(2)	(1)	(7)	-	-	(2)	(2)	(4)
Reserve decreasing income, net	(3)	-	(3)	(6)	(12)	-	-	(1)	(2)	(3)
Other expenses	(2)	(36)	(2)	(10)	(50)	(4)	(15)	(10)	(5)	(34)

<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.

**17 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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