



TRASTA KOMERCBANKA

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



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MANAGEMENT REPORT OF THE BANK (GROUP HOLDING COMPANY)

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

As of 30 September, Trasta komercbanka's assets amounted to LVL 252.89 million, which is by LVL 34.1 million more than the final figure of 2010. As at the end of the reporting period the amount of attracted deposits reached LVL 194.99 million, but the Bank's loan portfolio amounted to LVL 95.3 million. The Bank concluded the third quarter of 2011 with a profit of LVL 0.16 million. The Bank's capital and reserves as of 30 September 2011 amounted to LVL 36.63 million.

The Bank's consolidation group consists of the subsidiary companies: "TKB Nekustamie īpašumi", "TKB Līzings" and its subsidiary "TKB Leasing Tajikistan", and also "Heckbert C7 Holdings", which is classified as held for sale, and its subsidiary „Ferrous Kereskedelmi KFT”. The amount of Group's assets as at the end of the reporting period was LVL 251.13 million, which is by LVL 33.7 million more than the final figure of 2010. The third quarter of 2011 the Group ended with a profit of LVL 0.06 million.

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

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

This financial report was approved by the Board of the Bank on November 28, 2011 and it is available on the Bank's website at www.tkb.eu.

On behalf of the Bank's management:



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

**INTERIM CONDENSED FINANCIAL STATEMENTS
AND CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
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TRASTA KOMERCIBANKA

TKB

PROFIT AND LOSS STATEMENTS

In thousands of lats	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
Interest revenue		4 097	4 789	4 021	4 706
Interest expense		(2 684)	(2 949)	(2 698)	(2 960)
Dividends		2	1	2	1
Commission income		3 896	3 816	3 892	3 810
Commission expense		(727)	(759)	(726)	(759)
Net realized profit/loss on financial assets and liabilities at amortized cost		0	0	0	0
Net realized losses on available for sale financial assets		2	0	2	0
Net gains from trading financial assets		(296)	736	(296)	736
Net profit / loss on financial assets and financial liabilities at fair value through profit or loss statement		0	0	0	0
Changes in fair value due to risk minimization accounting		0	0	0	0
Net (losses)/gains from foreign currency trading and revaluation		1 840	598	1 844	600
Property, plant and equipment, investment property and intangible assets derecognition profit / loss		(4)	(1)	(4)	(1)
Other income		78	49	59	51
Other expenses		(249)	(140)	(226)	(120)
Administrative expenses		(5 698)	(5 220)	(5 690)	(5 149)
Depreciation		(581)	(547)	(575)	(541)
Result of forming reserves, net	8	769	(1 244)	933	(1 081)
Impairment losses		(82)	(44)	(82)	(44)
Corporate income tax		(306)	(289)	(294)	(287)
(Loss)/profit for the period		57	(1 204)	162	(1 038)

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BALANCE SHEET

In thousands of lats	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>30.09.2011</u>	<u>31.12.2010</u>	<u>30.09.2011</u>	<u>31.12.2010</u>
Cash and balances due from central banks		23 690	16 588	23 690	16 588
Due from credit institutions on demand	9	55 528	53 147	55 480	53 147
Held for trading financial assets	11, (1)	2 167	2 224	2 167	2 224
Financial assets classified at fair value through profit and loss statement		0	0	0	0
Available for sale financial assets	11, (2)	10 461	7 960	10 461	7 960
Loans and receivables	12	93 865	92 119	95 298	93 771
Held to maturity investments	10	28 471	9 877	28 471	9 877
Interests risk protected portfolio share' s fair value changes		0	0	0	0
Accrued income and deferred expenses		202	127	201	124
Property and equipment		8 581	8 918	8 562	8 894
Long-term projects costs		5 649	2 405	5 649	2 405
Intangible assets		332	360	332	360
Investments in share capital of subsidiary		0	0	702	52
Corporate income tax assets		723	933	723	913
Other assets	13	21 465	22 756	21 157	22 469
TOTAL ASSETS		251 134	217 414	252 893	218 784
Due to central banks		0	0	0	0
Due to credit institutions on demand		4 802	2 389	4 802	2 389
Financial liabilities held for trading		1	4	1	4
Financial liabilities classified at fair value through profit and loss statement		0	0	0	0
Financial liabilities at amortised cost	14	205 407	182 437	206 370	183 142
Financial liabilities resulting from transfer of financial assets		0	0	0	0
Interest risk protected portfolio share' s fair value changes		0	0	0	0
Accrued expenses and deferred income		549	503	587	493
Reserves for potential liabilities		0	0	0	0
Corporate income tax liabilities		5	25	0	25
Other liabilities	15	4 519	3 746	4 507	3 735
TOTAL LIABILITIES		215 283	189 104	216 267	189 788
Equity and reserves		35 851	28 310	36 626	28 996
TOTAL LIABILITIES AND EQUITY AND RESERVES		251 134	217 414	252 893	218 784
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	16	8 184	6 128	8 184	6 423
Commitments to customers	16	9 624	6 544	11 213	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
BALANCE AS AT 31 DECEMBER 2009	6 337	111	3 804	(21)	0	21 966	32 197	9	32 206
<i>Net loss for the period</i>	0	0	0	0	0	(1 203)	(1 203)	(1)	(1 204)
<i>Other comprehensive expenses</i>	0	0	0	13	0	0	13	0	13
Total comprehensive loss	0	0	0	13	0	(1 203)	(1 190)	(1)	(1 191)
Issue of share capital	703	0	0	0	0	0	703	0	703
BALANCE AS AT 30 SEPTEMBER 2010	7 040	111	3 804	(8)	0	20 763	31 710	8	31 718
BALANCE AS AT 31 DECEMBER 2010	7 049	111	3 804	(6)	0	17 352	28 310	-	28 310
<i>Net profit for the period</i>	0	0	0	0	0	58	58	(1)	57
<i>Other comprehensive income</i>	0	0	0	10	3	0	13	0	13
Total comprehensive income	0	0	0	10	3	58	71	(1)	70
Establishment of subsidiary	0	0	0	0	0	0	0	13	13
Issue of share capital	7 458	0	0	0	0	0	7 458	0	7 458
BALANCE AS AT 30 SEPTEMBER 2011	14 507	111	3 804	4	3	17 410	35 839	12	35 851

(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 2009	6 337	111	3 804	(21)	22 405	32 636
<i>Net loss for the period</i>	0	0	0	0	(1 038)	(1 038)
<i>Other comprehensive income</i>	0	0	0	0	13	0
Total comprehensive loss	0	0	0	0	13	(1 025)
Issue of share capital	703	0	0	0	0	703
BALANCE AS AT 30 SEPTEMBER 2010	7 040	111	3 804	(8)	21 367	32 314
BALANCE AS AT 31 DECEMBER 2010	7 049	111	3 804	(6)	18 038	28 996
<i>Net profit for the period</i>	0	0	0	0	162	162
<i>Other comprehensive income</i>	0	0	0	0	10	0
Total comprehensive income	0	0	0	0	10	172
Issue of share capital	7 458	0	0	0	0	7 458
BALANCE AS AT 30 SEPTEMBER 2011	14 507	111	3 804	4	18 200	36 626

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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>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
Cash flow as a result of operating activity:				
Profit/(Loss) before corporate income tax	363	(915)	456	(751)
Amortisation and depreciation	581	547	575	541
Increase/(decrease) in allowance for impairment of debts	(972)	1 515	(1 136)	1 354
Increase/(decrease) in other provisions	81	44	80	42
Foreign currency revaluation (profit) loss	(472)	960	(476)	963
(Gain)/loss from revaluation of financial assets	192	(584)	192	(584)
Income adjustments	0	(50)	0	(67)
Loss on disposal of fixed and intangible assets	4	1	4	1
Increase in cash and cash equivalents from operating activities before changes in assets and liabilities	(223)	1 518	(305)	1 499
Decrease of held for trading financial assets	(232)	(1 356)	(232)	(1 356)
(Increase)/decrease in due from credit institutions	(16 547)	1 773	(16 547)	1 773
(Increase)/decrease in loans	(836)	300	(453)	148
(Increase)/decrease in accrued income and deferred expense	(74)	(7)	(76)	(7)
Increase in other assets	(603)	(1 031)	(579)	(874)
Decrease in due to credit institutions	234	0	234	0
(Decrease)/increase in deposits	19 803	(27 463)	20 060	(27 447)
(Decrease)/increase in accrued expenses and deferred income	46	(69)	94	(60)
Increase in other liabilities	751	5 612	751	5 586
Decrease in cash and cash equivalents from operating activities before corporate income tax	2 319	(20 723)	2 947	(20 738)
Corporate income tax paid	(116)	762	(129)	773
(Decrease)/increase in cash and cash equivalents from operating activities	2 203	(19 961)	2 818	(19 965)
Cash flows from investing activities				
Purchase of tangible and intangible fixed assets, net	(220)	(222)	(219)	(218)
(Increase)/decrease in available-for-sale financial assets	(2 491)	1 672	(2 491)	1 672
Purchase of investments in share capital of subsidiary	13	0	(650)	0
Cash flow of disposal group classified as held for sale	2	0	0	0
Cash outflow on long-term projects	(1 257)	(87)	(1 257)	(87)
Decrease in cash and cash equivalents from investing activities	(3 953)	1 363	(4 617)	1 367

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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>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
Cash flows from financing activities				
Subordinated liabilities issue	2 887	235	2 887	235
Repayment of subordinated liabilities	0	(111)	0	(111)
Issue of share capital	7 458	703	7 458	703
(Decrease)/increase in cash and cash equivalents from financing activities	10 345	827	10 345	827
(Decrease)/increase in cash and cash equivalents	8 595	(17 771)	8 546	(17 771)
Cash and cash equivalents at the beginning of the period	76 558	130 320	76 558	130 320
Foreign currency revaluation (loss)/profit	522	(878)	523	(878)
Cash and cash equivalents at the end of the period	85 675	111 671	85 627	111 671

Cash and cash equivalents are calculated as follows

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
Due from credit institutions with a maturity of less than 3 months	66 787	94 375	66 739	94 375
Cash and balances due from the Bank of Latvia and other Central Banks	23 690	19 857	23 690	19 857
Due to credit institutions with a maturity of less than 3 months	(4 802)	(2 561)	(4 802)	(2 561)
CASH AND CASH EQUIVALENTS	85 675	111 671	85 627	111 671

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>30.09.2011</u>	<u>30.09.2010</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
Interest income received during the reporting period	4 043	5 024	3 988	4 966
Interest expenses paid during the reporting period	(2 577)	(2 862)	(2 590)	(2 873)
Dividends paid during the reporting period	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

2 ACCOUNTING AND ASSESSMENT PRINCIPLES

(1) General principles

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

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

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

3 PERFORMANCE INDICATORS

Position	30.09.2011	30.09.2010
Return on equity (ROE) (%) ¹	0.65	-4.29
Return on assets (ROA) (%) ²	0.08	-0.57

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

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

4 MANAGEMENT OF THE BANK (GROUP HOLDING COMPANY)

(1) Paid fixed capital

As of 30 September 2011, the Bank's registered and paid-up capital amounted to 14 507 thousand LVL, consisting of 290 136 ordinary voting shares with the nominal value of 50 LVL(2010: 7 049 thousand LVL). The total number of shareholders is 47, of which 10 are legal entities and 37 are individuals.

List of shareholders:

Shareholder	Country	Shareholding 30 September 2011		Shareholding 31 December 2010	
		%	LVL'000	%	LVL'000
I.Buimisters	Latvia	43.21	6 269	37.63	2 653
S.Tarasenoks*	Latvia	6.18	896	12.72	896
SIA "C&R Invest"	Latvia	14.59	2 117	13.70	966
C.E.G. Treherne	Great Britain	9.31	1 351	9.31	656
GCK Holdings					
Netherlands B.V.	Netherlands	7.40	1 074	6.95	490
Rikam S.A.H.	Luxembourg	7.29	1 058	6.85	483
Figon Co Limited	Cyprus	3.40	493	3.19	225
Another shareholders		8.62	1 249	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
Igor Snisarevskyi	Member of the Council	07.10.2010.

Management Board

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

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

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Objectives of the Bank:

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

Values of the Bank:

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

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

5 INTERNATIONAL RATINGS ASSIGNED TO THE BANK

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

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

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

6 COMPOSITION OF THE CONSOLIDATED GROUP

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

7 RISK CONTROL AND MANAGEMENT

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

8 RESULT OF FORMING RESERVES, NET

In thousands of lats	The Group		The Bank	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
Balance as at 1 January	17 374	17 076	16 323	16 240
<i>incl. for due from credit institutions</i>	0	1 479	0	1 479
<i>incl. for loans</i>	17 374	15 597	16 323	14 761
Additional <i>individual</i> allowance	1 687	3 345	1 513	3 178
Change in <i>collective</i> allowance	(275)	10	(275)	10
Release of <i>individual</i> allowances	(1 544)	(2 111)	(1 534)	(2 107)
Interest on loans, which are recognized as impaired	(637)	0	(637)	0
Effect of changes in currency exchange rates	(203)	271	(203)	273
Balance as at 30 September	16 402	18 591	15 187	17 594
<i>incl. for due from credit institutions</i>	0	439	0	439
<i>incl. for loans</i>	16 402	18 152	15 187	17 155

9 DUE FROM CREDIT INSTITUTIONS ON DEMAND

In thousands of lats	The Group		The Bank	
	30.09.2011	31.12.2010	30.09.2011	31.12.2010
Due from credit institutions registered in the Republic of Latvia	453	1 138	453	1 138
Due from credit institutions registered in the foreign countries	55 075	52 009	55 027	52 009
	55 528	53 147	55 480	53 147

10 HELD TO MATURITY INVESTMENTS

In thousands of lats	The Group		The Bank	
	30.09.2011	31.12.2010	30.09.2011	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	2 580	5 350	2 580	5 350
Due from credit institutions registered in the foreign countries	8 679	3 862	8 679	3 862
<i>- With a maturity of more than 3 months -</i>				
Due from credit institutions registered in the foreign countries	17 212	665	17 212	665
	28 471	9 877	28 471	9 877

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11, (1) HELD FOR TRADING FINANCIAL ASSETS

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>30.09.2011</u>	<u>31.12.2010</u>	<u>30.09.2011</u>	<u>31.12.2010</u>
Fixed income securities	1 011	849	1 011	849
- Government debt securities -	138	0	138	0
- Debt securities of other institutions -	873	849	873	849
Equity shares and other non-fixed income securities	1 114	1 277	1 114	1 277
Derivatives	42	98	42	98
	2 167	2 224	2 167	2 224

11, (2) AVAILABLE FOR FINANCIAL ASSETS

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>30.09.2011</u>	<u>31.12.2010</u>	<u>30.09.2011</u>	<u>31.12.2010</u>
Fixed income securities	10 410	7 911	10 410	7 911
- Government debt securities -	10 127	7 768	10 127	7 768
- Debt securities of other institutions -	283	143	283	143
Equity shares and other non-fixed income securities	51	49	51	49
	10 461	7 960	10 461	7 960

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

<u>30 September 2011</u>	<u>Latvia</u>	<u>EU*</u>	<u>Russia</u>	<u>Other</u>	<u>Total</u>
				<u>countries</u>	
Fixed income securities	6 410	4 138	780	93	11 421
- Government debt securities -	6 127	4 138	0	0	10 265
- Debt securities of other institutions -	283	0	780	93	1 156
Equity shares and other non-fixed income securities	43	49	1 073	0	1 165
	6 453	4 187	1 853	93	12 586

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

<u>31 December 2010</u>	<u>Latvia</u>	<u>EU*</u>	<u>Russia</u>	<u>Other</u>	<u>Total</u>
				<u>countries</u>	
Fixed income securities	4 515	3 396	392	457	8 760
- Government debt securities -	4 372	3 396	0	0	7 768
- Debt securities of other institutions -	143	0	392	457	992
Equity shares and other non-fixed income securities	39	49	1 238	0	1 326
	4 554	3 445	1 630	457	10 086

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

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TRASTA KOMERCBANKA

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NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

In thousands of lats	The Group		The Bank	
	30.09.2011	31.12.2010	30.09.2011	31.12.2010
12 LOANS AND RECEIVABLES				
Private non-financial corporations	90 067	88 386	86 102	84 150
Households	18 576	19 556	18 306	19 311
Related companies	0	0	4 623	5 132
Financial institutions	2	14	2	14
Employees	1 622	1 537	1 452	1 487
Total gross loans	110 267	109 493	110 485	110 094
Impairment allowances, <i>individually assessed</i> *	(16 365)	(16 543)	(15 150)	(15 492)
Impairment allowances, <i>collectively assessed</i>	(37)	(831)	(37)	(831)
	93 865	92 119	95 298	93 771

* According to the loan assessment of the Financial and Capital Market Commission, the Bank has to make additional provisions in the amount of 3 766 thousand lats. Given that the Bank does not agree to this assessment, the Bank has applied adjustment to the capital adequacy calculation for this amount less the risk-weighted factor.

Loans by types of loans may be specified as follows:

Mortgage loans	38 763	41 347	38 763	41 231
Commercial loans	28 700	27 147	33 323	32 279
Industrial loans	11 100	12 273	11 100	12 273
Finance lease	4 162	4 305	0	0
Overdrafts	6 563	4 379	6 563	4 379
Reverse REPO	45	0	45	0
Consumer loans	512	433	269	323
Factoring	788	247	788	247
Secured by deposit	522	432	522	432
Payment card loans	444	335	444	335
Other	18 668	18 595	18 668	18 595
	110 267	109 493	110 485	110 094

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

13 OTHER ASSETS

In thousands of lats	The Group		The Bank	
	30.09.2011	31.12.2010	30.09.2011	31.12.2010
Receivables from financial institutions	1 842	2 520	1 842	2 520
Real property hold for sale ¹	1 635	3 381	1 270	3 192
Spot foreign exchange assets ²	204	89	204	89
Overpaid value added tax	409	485	408	393
Money in transit ³	25	20	25	20
Other assets ⁴	3 713	2 540	3 748	2 514
Assets of disposal group classified as held for sale ⁵	13 829	13 831	13 848	13 848
	21 657	22 866	21 345	22 576
Impairment loss	(192)	(110)	(188)	(107)
	21 465	22 756	21 157	22 469

¹ 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.

² 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.

³ 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.

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

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

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NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

14 FINANCIAL LIABILITIES AT AMORTISED COST

In thousands of lats	The Group		The Bank	
	30.09.2011	31.12.2010	30.09.2011	31.12.2010
Due to credit institutions	261	27	261	27
Due to customers	194 731	174 928	194 989	174 929
Subordinated liabilities	7 607	4 673	7 607	4 673
Debt securities issued	2 808	2 809	3 513	3 513
	205 407	182 437	206 370	183 142

15 OTHER LIABILITIES

In thousands of lats	The Group		The Bank	
	30.09.2011	31.12.2010	30.09.2011	31.12.2010
Suspense accounts ¹	2 249	953	2 249	953
Spot foreign exchange liabilities (Note 13)	105	84	105	84
Money in transit	221	825	221	825
Unpaid dividends of previous periods	1 767	1 767	1 767	1 767
Other liabilities	177	117	165	106
	4 519	3 746	4 507	3 735

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

16 OFF-BALANCE SHEET ITEMS

Off-balance liabilities

In thousands of lats	The Group		The Bank	
	30.09.2011	31.12.2010	30.09.2011	31.12.2010
Contingent liabilities	8 184	6 128	8 184	6 423
<i>including guarantees</i>	2 565	138	2 565	433
<i>including rent commitments</i>	5 619	5 990	5 619	5 990
Commitments to customers	9 624	6 544	11 213	8 625
<i>including unused credit limits</i>	5 662	6 415	7 251	8 496
<i>including letters of credit</i>	0	35	0	35
<i>including other liabilities¹</i>	3 962	94	3 962	94
	17 808	12 672	19 397	15 048

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

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

In thousands of lats	30.09.2011				31.12.2010			
	Shareholders	Other related parties ¹	Council and board	Total	Shareholders	Other related parties ¹	Council and board	Total
Assets								
Loans	284	5 511	360	6 155	141	2 502	434	3 077
<i>Allowance for loans</i>	(10)	(922)	(10)	(942)	(3)	(2)	(14)	(19)
Loans, net	274	4 589	350	5 213	138	2 500	420	3 058
Liabilities								
Deposits	9	1 467	183	1 659	7	1 139	144	1 290
Non-balance items								
Unused credit lines	15	10	15	40	39	8	35	82
Comprehensive income report								
	30.09.2011				30.09.2010			
Interest income	5	41	14	60	5	62	5	72
Commissions income	7	10	4	21	4	17	2	23
Interest expense	0	(8)	(3)	(11)	0	(7)	(4)	(11)
Reserve decreasing income, net	(7)	(920)	4	(923)	10	965	(3)	972
Other expenses	(8)	(16)	(41)	(65)	(8)	(14)	(23)	(45)

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

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

In thousands of lats	30.09.2011					31.12.2010				
	Shareholders	Subsidiary companies	Other related persons ¹	Council and Board	Total	Shareholders	Subsidiary companies	Other related	Council and Board	Total
Assets										
Credits	141	4 622	5 511	354	10 628	117	5 132	2 502	424	8 175
<i>Reserves for unsecured credits</i>	(10)	0	(922)	(10)	(942)	(3)	0	(2)	(14)	(19)
Credits, net	131	4 622	4 589	344	9 686	114	5 132	2 500	410	8 156
Liabilities										
Deposits	9	260	1 467	183	1 919	7	1	1 139	144	1 291
Non-balance items										
Unused credit limits	15	1 589	10	15	1 629	39	2 081	8	35	2 163
Comprehensive income report										
	30.09.2011					30.09.2010				
Interest income	0	122	41	14	177	3	128	61	4	196
Commissions income	7	1	10	4	22	4	1	17	2	24
Interest expenditure	0	(14)	(8)	(3)	(25)	0	(11)	(7)	(4)	(22)
Reserve decreasing income, net	(7)	0	(920)	4	(923)	10	0	965	(3)	972
Other expenses	(8)	(162)	(16)	(41)	(227)	(8)	(59)	(14)	(23)	(104)

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

18 EVENTS AFTER BALANCE SHEET DATE

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

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