



TRASTA KOMERCBANKA

**JSC "TRASTA KOMERCBANKA"
INTERIM CONDENSED FINANCIAL STATEMENTS
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 MARCH 2009
(UNAUDITED)**

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INTERIM REPORT OF BANK (GROUP HOLDING COMPANY) MANAGEMENT

At the beginning of 2009, a plummeting decline in Latvian economy continued: according to data of the Central Statistical Bureau of Latvia, national GDP during the first quarter of 2009 dropped by 18% (in 2008 by 4.6%); at that, a decline in manufacture was 22%, in retail trade 25%, and in hotel and restaurant industry 34%. The majority of experts forecast a 15-18% decline of GDP in Latvia in 2009.

Direct results of rising unemployment and reduction of population's income is a decrease of internal consumer spending and a slowdown of inflation, which started in Latvia in May of 2008. During the first quarter of 2009, the average level of inflation in the country amounted to 9.2% (in 2008 – 15.4%). Due to these developments, experts predict that during the second half of 2009 Latvia will experience deflation.

Along with a slowdown of inflation, a current account deficit has also decreased, which during the first quarter of 2009 became positive (for the first time since the third quarter of 1995). However, this is connected with a sharp reduction in the volume of foreign trade: export declined by 26% during the first quarter, import by 36.5%.

Currently, the newly appointed government of Latvia continues negotiations with international creditors to allow the country a 7% national budget deficit, however, even at this stage there are serious concerns that the next portion of financial aid may not be received (EUR 1.7 billion whose initially planned transfer term is the end of June of 2009), and maintaining the national budget deficit at least at the level of 7% (recent data show that the national budget deficit has reached LVL 500 million).

Taking into account the economic situation in Latvia and the global lending and liquidity crisis, results of the Bank's activities for the first quarter of 2009 are considered satisfactory. The Bank has gained profit; it has considerably increased its provisions for loans (4.4% of the total bank portfolio) and continued to grow in accordance with its Strategy. The results achieved during the first quarter of 2009 show that the Bank manages to stay resilient and ensure that the economic situation both in the country and across the world does not have a material impact on its finances. Successful operations of the Bank are confirmed by the capital adequacy and liquidity indicators achieved during the reporting period, i.e. as of March 31, 2009, capital adequacy of the Bank was 17.32%, and liquidity – 50.17%. At the end of the first quarter of 2009, ROE of the Bank was 7.49%, and ROA was 1.06%.

As of March 31, 2009, assets of the Bank amounted to 233.1 million lats, which is by 16 million higher than the closing reading of 2008. The amount of deposits attracted during the first three months of 2009 was 160.4 million lats. As of March 31, 2009, the loan portfolio of the Bank was 121.3 million lats, and the amount of capital and reserves – 35.2 million lats. The Bank closed the first quarter of 2009 with the profit of 0.67 million lats.

On March 30, 2009, a new customer service centre of the Bank was opened at 1 Palasta Street in Riga, and further on it will serve as a head office of the Bank. Substantial renovation was done in the building built in 1738 and a new Art Deco interior was created to ensure that every client of the Bank receives services of the highest quality. The building at 9 Miesnieku Street, which worked as a head office of the Bank until recently, has been transformed into Customer Business Development Centre designed for handling issues related to lending, leasing and financing of trading operations, and dealing with other financial solutions that are instrumental for business development. The legal address and telephone numbers of the Bank have not changed.

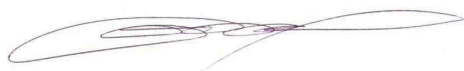
At the general meeting of shareholders that was held on March 31, 2009, the Inspection Committee of the Bank was elected in compliance with amended legislation and requirements of the law *On Financial Instruments Market* and the documentation required for organization of the work of the Inspection Committee was approved. These changes were reflected in the amendments to the Articles of Association of the Bank that were approved by shareholders of the Bank and stated that the Inspection Committee of the Bank consisting of two people should be elected by a meeting of shareholders for three years. A new clause was added to the Articles of Association specifying that the Board of the Bank for five years is given the right to increase the fixed capital of the Bank up to 30%. During the meeting, the Board and the Council of the Bank were reelected without changes.

The management confirms that consolidated and separate reports, pages 6 through 27, for the period from January 1, 2009 till March 31, 2009 have been prepared based on respective accounting methods, the use of which has been consistent, and decisions and assumptions of the management in regard to preparation of this report have been prudent. The management confirms that respective International Accounting Standards have been observed in the preparation of these reports, and these financial reports have been prepared based on the principle of business continuity. The purpose of the report is to furnish full information on the financial standing and results of activities of the Bank and the Group, and risks inherent in the business of banking.

The Bank has not had auditing performed during the reporting period of January 1 through March 31, 2009. This public quarterly report has been prepared based on unaudited financial reports pertaining to this period.

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

This year, Trasta Komercbanka will celebrate its 20th anniversary, which in itself is an indicator of the Bank's solidity and successful operation in the Latvian and foreign financial markets. On behalf of the management of the Bank I would like to express our appreciation to clients, shareholders and employees of the Bank for their trust, support and for the accomplishments.



Gundars Grieze
Chairman of the Board

Riga,
May 25, 2009

COMPOSITION OF THE BOARD AND COUNCIL OF THE BANK (GROUP'S HOLDING COMPANY'S)

Supervisory Council

Name, surname	Positions	Election date
Igors Buimisters	Chairman of the Council	24.03.2006, reelected 27.03.2009
Alfrēds Čepānis	Member of the Council	30.03.1999, reelected 27.03.2009
Charles E.G. Treherne	Member of the Council	16.03.2001, reelected 27.03.2009

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

PROFIT AND LOSS STATEMENTS AND CONSOLIDATED PROFIT AND LOSS STATEMENTS

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>(3 months)</u>	<u>(3 months)</u>	<u>(3 months)</u>	<u>(3 months)</u>
Interest income	3 034	3 807	3 028	3 764
Interest expense	(682)	(650)	(690)	(661)
Net interest income	2 352	3 157	2 338	3 103
Allowance for impairment, net	(716)	(2)	(721)	8
Net interest income after allowance for impairment	1 636	3 155	1 617	3 111
Commission income	1 378	1 858	1 376	1 853
Commission expense	(263)	(345)	(263)	(347)
Net commission income	1 115	1 513	1 113	1 506
Dividends	-	-	-	-
(Loss)/profit from financial assets held for trading, net	(66)	(624)	(66)	(624)
Realised profit from available-for-sale financial assets, net	-	8	-	8
Foreign currency trading and revaluation gain	(49)	2 059	(48)	2 061
Other income	18	161	16	123
Other non-interest income	(97)	1 604	(98)	1 568
Salaries and benefits expenses	(1 171)	(1 383)	(1 146)	(1361)
Administrative expenses	(537)	(891)	(548)	(908)
Tangible and intangible assets amortisation and depreciation	(124)	(123)	(123)	(123)
Other expenses	(27)	(27)	(26)	(20)
Other release of allowance (expenses)	37	-	76	-
Other non-interest expense	(1 822)	(2 424)	(1 767)	(2 412)
Profit before corporate income tax	832	3 848	865	3 773

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**PROFIT AND LOSS STATEMENTS AND CONSOLIDATED PROFIT AND LOSS STATEMENTS
(continued)**

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>2009</u> <u>(3 months)</u>	<u>2008</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>	<u>2008</u> <u>(3 months)</u>
Corporate income tax	(196)	(657)	(193)	(646)
Profit for the period from continuing operations	636	3 191	672	3 127
Profit/(loss) after tax for the year from discontinued operations	7	(661)	-	-
Profit for the period	(25)	3 191	672	3 127
Attributable to equity holders of the Bank	205	3 187	672	3 127
Attributable to minority interest	(230)	4	-	-
Earnings per share (basic and diluted) in lats	1.62	25.15	-	-

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BALANCE SHEETS AND CONSOLIDATED BALANCE SHEETS

In thousands of lats	Note	The Group		The Bank	
		March 31 2009	December 31 2008	March 31 2009	December 31 2008
ASSETS					
Cash and balances due from the Bank of Latvia and other Central Banks		22 434	19 235	22 434	19 235
Due from credit institutions with a maturity of less than 3 months		58 287	47 562	61 621	47 562
<i>On demand</i>		46 244	37 946	46 244	37 946
<i>Other</i>		12 043	9 616	15 377	9 616
Held for trading financial assets		2 330	2 410	2 330	2 410
<i>Fixed income securities</i>		1 739	1 972	1 739	1 972
<i>Equity shares and other non-fixed income securities</i>		449	360	449	360
<i>Derivatives</i>		142	78	142	78
Available for sale financial assets		254	255	254	255
<i>Fixed income securities</i>		205	206	205	206
<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		1 011	8 755	1 011	8 755
Loans	5	120 706	118 033	121 347	118 731
Accrued income and deferred expenses		226	132	225	133
Long-term projects costs		2 284	2 282	2 284	2 282
Tangible assets		4 231	3 953	4 211	3 932
Intangible assets		265	222	265	222
Investments in share capital of subsidiary	6	-	-	52	52
Corporate income tax receivable		919	671	916	668
Deferred tax assets		14	14	14	14
Other assets		3 408	1 856	3 247	1 659
Assets of disposal group classified as held for sale	7	69 974	73 536	12 894	11 225
TOTAL ASSETS		286 343	278 916	233 105	217 135

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BALANCE SHEETS AND CONSOLIDATED BALANCE SHEETS (continued)

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>March 31</u> <u>2009</u>	<u>December 31</u> <u>2008</u>	<u>March 31</u> <u>2009</u>	<u>December 31</u> <u>2008</u>
LIABILITIES				
Due to credit institutions	2 809	10 562	2 809	10 562
<i>On demand</i>	2 755	10 512	2 755	10 512
<i>Term deposits with a maturity of less than 3 months</i>	-	-	-	-
<i>Term deposits with a maturity of more than 3 months</i>	54	50	54	50
Held for trading financial liabilities	-	-	-	-
<i>Derivatives</i>	-	-	-	-
Due to customers	160 401	159 595	160 403	159 599
<i>On demand</i>	135 991	131 311	135 993	131 315
<i>Term deposits</i>	24 410	28 284	24 410	28 284
Debt securities issued	2 810	2 814	3 515	3 520
Accrued expenses and deferred income	590	603	590	591
Provisions for contingent liabilities	20	54	136	209
Corporate income tax liabilities	21	20	6	5
Other liabilities	25 104	2 962	25 075	2 928
Liabilities directly associated with the assets classified as held for sale	7	55 907	-	-
Liabilities before subordinated liabilities	247 662	240 396	192 534	177 414
Subordinated liabilities	5 352	5 172	5 352	5 172
TOTAL LIABILITIES	253 014	245 568	197 886	182 586

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BALANCE SHEETS AND CONSOLIDATED BALANCE SHEETS (continued)

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>March 31</u> <u>2009</u>	<u>December 31</u> <u>2008</u>	<u>March 31</u> <u>2009</u>	<u>December 31</u> <u>2008</u>
EQUITY AND RESERVES				
Share capital	6 337	6 337	6 337	6 337
Share premium	111	111	111	111
Reserve capital and other reserves	3 804	3 804	3 804	3 804
Available for sale financial assets revaluation reserves	(82)	(80)	(82)	(80)
Foreign exchange revaluation reserve	(3 381)	(3 412)	-	-
Retained earnings	23 799	23 594	25 049	24 377
Equity and reserves attributable to shareholders of the Bank	30 588	30 354	35 219	34 549
Minority shareholder interest	2 741	2 994	-	-
Total equity and reserves	33 329	33 348	35 219	34 549
TOTAL LIABILITIES AND EQUITY AND RESERVES	286 343	278 916	233 105	217 135

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

(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 2007	6 337	111	3 804	17	-	21 102	31 371	12	31 383
<i>Changes due to change in available for sale financial assets fair value</i>	-	-	-	5	-	-	5	-	5
Total income recognized directly in equity	-	-	-	5	-	-	5	-	5
<i>Net profit for the year</i>	-	-	-	-	-	3 187	3 187	4	3 191
Total recognized income for the year	-	-	-	5	-	3 187	3 192	4	3 196
<i>Individuals, residents</i>	-	-	-	-	-	-	-	-	-
<i>Individuals, non-residents</i>	-	-	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(3 800)	(3 800)	-	(3 800)
BALANCE AS AT 31 MARCH 2008	6 337	111	3 804	22	-	20 489	30 763	16	30 779
BALANCE AS AT 31 DECEMBER 2008	6 337	111	3 804	(80)	(3 412)	23 594	30 354	2 994	33 348
<i>Changes due to change in available for sale financial assets fair value</i>	-	-	-	(2)	-	-	(2)	-	(2)
<i>Foreign currency translation</i>	-	-	-	-	31	-	31	(23)	8
Total income recognized directly in equity	-	-	-	(2)	31	-	29	(23)	6
<i>Net profit for the year</i>	-	-	-	-	-	205	205	(230)	(25)
Total recognized income for the year	-	-	-	(2)	31	205	234	(253)	(19)
Purchase of subsidiary	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-
BALANCE AS AT 31 MARCH 2009	6 337	111	3 804	(82)	(3 381)	23 799	30 588	2 741	33 329

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**STATEMENTS OF CHANGES IN EQUITY AND RESERVES AND CONSOLIDATED STATEMENTS OF
CHANGES IN EQUITY AND RESERVES (continued)**

(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 2007	6 337	111	3 804	17	21 048	31 317
<i>Changes in fair value of available for sale securities</i>	-	-	-	5	-	5
Total income recognised directly in equity	-	-	-	5	-	5
<i>Net profit for the period</i>	-	-	-	-	3 127	3 127
Total income recognised for the period	-	-	-	5	3 127	3 132
New issue of ordinary shares	-	-	-	-	-	-
Dividends paid	-	-	-	-	(3 800)	(3 800)
BALANCE AS AT 31 MARCH 2008	6 337	111	3 804	22	20 375	30 649
BALANCE AS AT 31 DECEMBER 2008	6 337	111	3 804	(80)	24 377	34 549
<i>Changes due to change in available for sale financial assets fair value</i>	-	-	-	(2)	-	(2)
Total loss recognised directly in equity	-	-	-	(2)	-	(2)
<i>Net profit for the period</i>	-	-	-	-	672	672
Total income recognised for the period	-	-	-	(2)	672	670
Dividends paid	-	-	-	-	-	-
BALANCE AS AT 31 MARCH 2009	6 337	111	3 804	(82)	25 049	35 219

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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>2009</u> <u>(3 months)</u>	<u>2008</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>	<u>2008</u> <u>(3 months)</u>
Cash flow as a result of basic activity:				
Profit before corporate income tax	832	3 848	865	3 773
Profit/(loss) before tax for the year from discontinued operations	(661)	-	-	-
Amortisation and depreciation	124	123	123	123
(Decrease)/increase in allowance for impairment of debts	852	(60)	858	(75)
Change in provisions for investments in share capital of subsidiary	-	-	-	-
Foreign currency revaluation loss/(profit)	850	(40)	850	(41)
Loss (profit) on revaluation of financial assets	162	(454)	162	(454)
Increase in cash and cash equivalents from operating activities before changes in assets and liabilities	2 159	3 417	2 858	3 326
Decrease/(increase) in held for trading financial assets	(178)	(387)	(178)	(387)
(Increase)/decrease in due from credit institutions	7 744	1 397	7 744	1 397
Increase in loans	(3 525)	(8 824)	(3 474)	(8 637)
Decrease/(increase) in accrued income and deferred expense	(94)	(79)	(92)	(88)
Decrease/(increase) in other assets	(1 679)	(569)	(1 715)	(564)
Increase/(decrease) in due to credit institutions	4	(4)	4	(4)
(Decrease)/increase in deposits	806	(27 584)	804	(27 563)
Decrease in trading liabilities	-	-	-	-
(Decrease)/increase in accrued expenses and deferred income	(13)	113	(1)	132
(Decrease)/increase in other liabilities	22 506	3 488	22 471	3 352
	27 730	(29 032)	28 421	(29 036)
Corporate income tax paid	(443)	(459)	(440)	(456)
(Decrease)/ increase in cash and cash equivalents from operating activities	27 287	(29 491)	27 981	(29 492)
Cash flows from investing activities				
Purchase of fixed and intangible fixed assets, net	(445)	(270)	(445)	(270)
Decrease/(increase) in available-for-sale financial assets	-	(1 375)	-	(1 375)
Purchase of net assets of disposal group classified as held for sale	-	-	(1 669)	-
Net cash flows of disposal group classified as available for sale	(4 309)	-	-	-
Costs of long-term projects	(2)	(2)	(2)	(2)
Sale of long-term projects	-	-	-	-
(Decrease)/increase in cash and cash equivalents from investing activities	(4 756)	(1 647)	(2 116)	(1 647)

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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>2009</u> <u>(3 months)</u>	<u>2008</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>	<u>2008</u> <u>(3 months)</u>
Cash flows from financing activities				
Changes/sale of mortgage bonds issued	-	-	-	-
Share issue	-	-	-	-
Receipt/(repayment) of syndicated loan	-	-	-	-
Attraction/(repayment) of subordinated liabilities	-	-	-	-
Dividends paid	-	(3 800)	-	(3 800)
(Decrease)/increase in cash and cash equivalents from financing activities	-	(3 800)	-	(3 800)
(Decrease)/increase in cash and cash equivalents	22 531	(34 938)	25 865	(34 939)
Cash and cash equivalents at the beginning of the year	56 285	163 475	56 285	163 475
Foreign currency revaluation (loss)/profit	(850)	40	(850)	41
Cash and cash equivalents at the end of the year	77 966	128 577	81 300	128 577

Cash and cash equivalents are calculated as follows

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>2009</u> <u>(3 months)</u>	<u>2008</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>	<u>2008</u> <u>(3 months)</u>
Due from credit institutions with a maturity of less than 3 months	58 287	121 702	61 621	121 702
Cash and balances due from the Bank of Latvia and other Central Banks	22 434	22 397	22 434	22 397
Due to credit institutions with a maturity of less than 3 months	(2 755)	(15 522)	(2 755)	(15 522)
CASH AND CASH EQUIVALENTS	77 966	128 577	81 300	128 577

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

In thousands of lats	<u>The Group</u>		<u>The Bank</u>	
	<u>2009</u> <u>(3 months)</u>	<u>2008</u> <u>(3 months)</u>	<u>2009</u> <u>(3 months)</u>	<u>2008</u> <u>(3 months)</u>
Interest income received during the reporting period	2 761	3 791	2 734	3 762
Interest expenses paid during the reporting period	(637)	(520)	(646)	(531)

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

By the end of the year the Bank had four representative offices outside Latvia, i.e. in Canada, Kazakhstan, 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 Liepāja 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. In 2008, the Bank directly and indirectly acquired shares in the Ukrainian bank Misto Bank, obtaining 50.3% of its share capital. For more detailed information see Note 7.

This financial statements were approved by the Board of the Bank on 25 May 2009.

2 ACCOUNTING AND ASSESSMENT PRINCIPLES

(1) General principles

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 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.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

2 ACCOUNTING AND ASSESSMENT PRINCIPLES (continuation)

(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 6. 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>31.03.2009</u>	<u>31.12.2008</u>	<u>31.03.2008</u>
LVL 1 = EUR	1.423	1.423	1.423
USD	1.879	2.020	2.247
GBP	1.323	1.374	1.119
RUB	63.694	58.479	52.910



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**

On 13 August 2008 the new Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and Terrorist Financing (hereinafter – the Law) entered into force replacing the Law On the Prevention of Laundering the Proceeds Derived from Criminal Activity, adopted in 1998. The new Law incorporates legal norms that arise from Directive 2005/60EC of the European Parliament and of the Council of 26 October 2006 and Directive 2006/70EC of the European Commission of 01 August 2006. According to the Law, on 27 August 2008 the Financial and Capital Market Commission issued the Regulations for Enhanced Customer Due Diligence (hereinafter – the Regulations).

The new Law provides for unprecedented duties and responsibility for a large part of natural and legal persons of Latvia regarding the prevention of laundering the proceeds derived from criminal activity and financing of terrorism. The new Law has considerably increased the scope of application of the anti-money laundering provisions.

The new Law and the Regulations have introduced the „risk-based approach“ to the prevention of laundering the proceeds derived from criminal activity and financing of terrorism which requires ongoing assessment of the money laundering and terrorism financing risks and based on such risk assessment to perform enhanced due diligence of customers.

Taking into account the new requirements, JSC "TRASTA KOMERCBANKA" has revised and upgraded all documents of its internal control system for the prevention of laundering the proceeds derived from criminal activity and financing of terrorism, and is working actively to update customer files according to the new requirements.

The Bank has approved an action plan for 2009 in order to improve the internal control system for the prevention of laundering the proceeds derived from criminal activity and financing of terrorism where the main focus is to be made on the introduction of a new computerized customer monitoring system.



NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

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 has not differ materially from the Bank's policies. An extended comparison of these policies is to be made until the end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

In thousand of lats	The Group		The Bank	
	March 31	December 31	March 31	December 31
	2009	2008	2009	2008
5 LOANS				
Private enterprises	101 269	96 476	96 333	91 914
Private persons	23 447	23 412	23 052	23 013
Related companies	-	-	6 008	5 695
Financial institutions	28	1 322	28	1 322
Employees	1 777	1 786	1 562	1 565
Public enterprises	-	-	-	-
Total gross loans	126 521	122 996	126 983	123 509
Impairment allowances, <i>individually assessed</i>	(5 359)	(4 497)	(5 180)	(4 312)
General impairment allowances	(456)	(466)	(456)	(466)
	120 706	118 033	121 347	118 731

Loans by types of loans may be specified as follows:

Commercial loans	41 884	38 050	47 892	43 744
Mortgage loans	47 834	47 591	47 658	47 424
Industrial loans	13 734	13 591	13 734	13 591
Consumer loans	313	320	151	147
Finance lease	5 208	4 841	-	-
Overdrafts	985	1 076	985	1 076
Bills of exchange	-	1 284	-	1 284
Reverse REPO	51	75	51	75
Factoring	599	818	599	818
Credit cards	186	151	186	151
Security deposits	351	327	351	327
Other	15 376	14 872	15 376	14 872
	126 521	122 996	126 983	123 509

Movements in impairment allowances during the reporting period :

	The Group		The Bank	
	2009	2008	2009	2008
Balance as at 1 January	4 963	1 576	4 778	1 472
Additional allowance	818	2 957	809	2 840
Additional general allowance/(reduction)	(10)	466	(10)	466
Release of allowances	(93)	(103)	(78)	(63)
Writte-off of loans	-	-	-	-
Effect of changes in currency exchange rates	137	67	137	63
Balance as at 31 March /31 December	5 815	4 963	5 636	4 778

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

6 INVESTMENTS IN SHARE CAPITAL OF SUBSIDIARY

<u>Group companies: name, registration number and address</u>	<u>Type of activity</u>	<u>31.03.2009</u>				<u>31.12.2008</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, Palasta 7	Līzings un kreditēšanas operācijas	6 425	50	100	50	6 075	50	100	50
SIA "TKB Nekustamie īpašumi", reg. No. 40003723143, Latvia, Riga, Palasta 7	Operācijas ar nekustamo īpašumu	56	2	75	2	58	2	75	2
		6 481	52	-	52	6 133	52	-	52

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

	<u>31.03.2009</u>	<u>31.12.2008</u>
Assets	6 481	6 133
Liabilities	(6 274)	(5 961)
Net assets	207	172
Profit for the period	35	107

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

7 DISCONTINUED OPERATIONS

In April 2008, the Bank acquired 9.0055% shares of Misto Bank, a Ukrainian commercial bank (registration number 20966466). Besides, the Bank acquired 100% of the shares in the subsidiary company with foreign investment *Rolvenden Standart* (Ukrainian Enterprise and Organization Register unified registration number 31069036), which holds 41,2945% of Misto Bank shares.

Taking into account the crisis situation in the world, at the end of the year the Bank decided to sell the investment into the subsidiary. Consequently, the Group classified the investment into the subsidiary according to requirement No. 5 of the International Financial Reporting Standard reclassifying this investment into the category "financial assets held for sale" and initiated the process of searching a purchaser.

Within the framework of this plan the Bank has signed a letter of intent with the Ukrainian company "Unimax" on conclusion of a purchase agreement until 30 October 2009 on selling to the company "Unimax" 9,0055% of Misto Bank shares and 100% of the subsidiary company *Rolvenden Standart*, which belong to the Bank. The amount of the projected deal is USD 30 million.

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

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

Goodwill	UAH	LVL
Goodwill as of 30.06.2008	(57 298)	(5 598)
Goodwill as of 31.03.2009	(57 298)	(3 787)
Changes in goodwill (foreign exchange translation reserve)	-	1 811
		<u>2009</u>
Net interest income		569
Allowance for impairment of debts, net		(487)
Net fee and commission income		157
Other non-interest income		(136)
Other non-interest expense		(759)
Profit before taxation		(656)
Corporate income tax		(5)
Profit after tax for the year from discontinued operations		(661)
		<u>2009</u>
ASSETS		
Cash and balances due from credit institutions with a maturity of less than 3 months		4 643
Held for trading financial assets		531
Due from credit institutions with a maturity of more than 3 months		1 247

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Loans	51 342
Tangible and intangible assets	6 613
Other assets	1 811
Assets of disposal group classified as available for sale financial assets	66 187
Goodwill	3 787
Total assets of disposal group classified as available for sale financial assets	69 974
LIABILITIES	
Due to credit institutions	18 931
Due to customers	36 410
Other liabilities	566
Liabilities directly associated with the assets classified as available for sale	55 907
Net assets directly associated with disposal group	14 067

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

8 SEGMENT ANALYSIS

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

(1) Balance

In thousand of lats	The Group		The Bank	
	March 31 2009	December 31 2008	March 31 2009	December 31 2008
Cash	22 434	19 235	22 434	19 235
Balance from credit institutions	59 234	56 270	62 562	56 270
Loans and receivables	125 542	122 325	126 021	122 844
Other state fixed income securities	1 856	2 086	1 856	2 086
Shares and other investments	498	408	13 444	11 685
Fixed assets and intangible assets	10 566	12 056	6 760	6 437
Other assets	78 222	92 819	5 924	3 700
Total assets	298 352	305 199	239 001	222 257
Balances due to banks	2 809	10 562	2 809	10 562
Deposits	160 199	159 441	160 201	159 445
Issued bonds	2 802	2 802	3 505	3 504
Other liabilities	85 544	83 265	25 800	4 120
Impairment and accrued liabilities	6 259	5 020	6 187	4 991
Equity	40 739	44 109	40 499	39 635
Total equity and liabilities	298 352	305 199	239 001	222 257
Total assets per internal reporting	298 352	305 199	239 001	222 257
Reconciling items:				
<i>Impairment</i> ¹	(5 815)	(4 963)	(5 636)	(4 778)
<i>Other reconciling items</i> ²	(6 194)	(21 320)	(260)	(344)
Total assets per IFRS statements	286 343	278 916	233 105	217 135
Total liabilities per internal reporting	257 613	261 090	198 502	182 622
Reconciling items:				
<i>Impairment</i> ¹	(5 815)	(4 963)	(5 636)	(4 778)
<i>Subordinated liabilities</i> ³	5 280	5 086	5 280	5 086
<i>Other reconciling items</i> ²	(4 064)	(15 645)	(260)	(344)
Total liabilities per IFRS statements	253 014	245 568	197 886	182 586

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.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

8 SEGMENT ANALYSIS (continued)

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

(2) Profit and loss statement

In thousand of lats	The Group		The Bank	
	2009 (3 months)	2008 (3 months)	2009 (3 months)	2008 (3 months)
Interest revenue	3 034	3 807	3 028	3 764
Commission revenue	1 378	1 858	1 376	1 853
Profit from trading	(115)	1 443	(114)	1 445
Impairment	154	43	178	46
Other income	18	161	16	123
Total revenues	4 469	7 312	4 484	7 231
Interest expenses	682	650	690	661
Commission expenses	263	345	263	347
Administration expenses ¹	1 832	2 397	1 817	2 392
Tax expenses	196	657	193	646
Impairment	833	45	823	38
Other	27	27	26	20
Total expenses	3 833	4 121	3 812	4 104
Profit	636	3 191	672	3 127
Total revenues per internal reporting	4 412	5 665	4 404	5 617
Reconciling item ²	-	-	-	-
Total revenues per IFRS statements	4 412	5 665	4 404	5 617

¹ Administrative expense includes depreciation charge.

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

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

In thousand of lats	2009 (3 months)		2008 (3 months)	
	Latvian residents	Latvian non-residents	Latvian residents	Latvian non-residents
Interest income	1 239	1 795	1 621	2 186
Commission income	78	1 300	137	1 721
Total income	1 317	3 095	1 758	3 907

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

8 SEGMENT ANALYSIS (continued)

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

In thousand of lats	2009 (3 months)		2008 (3 months)	
	Latvian residents	Latvian non-residents	Latvian residents	Latvian non-residents
Interest income	1 205	1 823	1 584	2 180
Commission income	76	1 300	132	1 721
Total income	1 281	3 123	1 716	3 901

9 OFF-BALANCE SHEET ITEMS

Off-balance liabilities

In thousand of lats	The Group		The Bank	
	March 31 2009	December 31 2008	March 31 2009	December 31 2008
Contingent liabilities	683	440	886	646
<i>including guarantees</i>	499	260	886	646
<i>including guarantees of disposal group classified as held for sale</i>	184	180	-	-
Commitments to customers	17 599	22 783	9 559	10 819
<i>including unused credit limits</i>	1 972	2 949	2 181	3 083
<i>including letters of credit</i>	49	121	49	121
<i>including rent commitments</i> ²	7 193	7 096	7 193	7 096
<i>including other liabilities</i> ¹	136	519	136	519
<i>including commitments to customers of disposal group classified as held for sale</i>	8 249	12 098	-	-
Total off-balance sheet liabilities	18 282	23 223	10 445	11 465
Provisions for off-balance sheet liabilities	(20)	(54)	(136)	(209)
	18 262	23 169	10 309	11 256

¹ Other liabilities are disclosed as the Bank's future liabilities for acquisition of fixed assets. In the previous period these liabilities included also equity securities.

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

10 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 mostly conducted on normal business terms.

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

In thousand lats	<u>31.03. 2009</u>				<u>31.03.2008</u>			
	Share-holders	Other related parties ¹	Council and board	Total	Share-holders	Other related parties ¹	Council and board	Total
Assets								
Loans	602	992	151	1 745	770	1 720	156	2 646
<i>Allowance for loans</i>		(37)		(37)		(16)		(16)
Loans, net	602	955	151	1 708	770	1 704	156	2 630
Liabilities								
Deposits	22	271	251	544	10	215	399	624
Non-balance items								
Unused credit lines	11	8	18	37	11	11	14	36
Profit and loss statement								
Interest income	7	12	2	21	14	9	2	25
Commissions income	-	10	-	10	-	1	1	2
Interest expense	-	(3)	(3)	(6)	-	(2)	(4)	(6)
Release of allowance, net	-	-	-	-	-	-	-	-
Other expenses	(4)	(14)	(6)	(24)	(5)	(11)	(10)	(26)

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

NOTES TO THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

In thousand of lats	31.03.2009					31.03.2008				
	Shareholders	Subsidiary companies	Other related persons ¹	Council and Board	Total	Shareholders	Subsidiary companies	Other related	Council and Board	Total
Assets										
Credits	469	9 342	924	103	10 838	770	6 473	1 720	111	9 074
<i>Reserves for unsecured credits</i>			(37)		(37)	-	-	(16)	-	(16)
Credits, net	469	9 342	887	103	10 801	770	6 473	1 704	111	9 058
Liabilities										
Deposits	22	3	271	251	547	10	72	215	399	696
Non-balance items										
Unused credit limits	11	209	8	18	246	11	1 625	11	14	1 661
Profit and loss statement										
Interest income	7	90	12	2	111	14	58	9	2	83
Commissions income	-	3	10	-	13	-	3	1	1	5
Interest expenditure	-	-	(3)	(3)	(6)	-	-	(2)	(4)	(6)
Reserve decreasing income, net	-	39	-	-	39	-	5	-	-	5
Other expenses	(4)	(30)	(14)	(6)	(54)	(5)	(34)	(11)	(10)	(60)

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

11 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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