



TRASTA KOMERCBANKA

**EXCERPT FROM THE PROSPECTUS
OF 01/EUR SERIES MORTGAGE BONDS
OF JOINT STOCK COMPANY
„TRASTA KOMERCBANKA”**

| | |
|----------------------------------|--|
| Issuer: | Joint Stock Company TRASTA KOMERCBANKA |
| Amount of Issue: | EUR 5 000 000 (five million euros) |
| Face Value of One Mortgage Bond: | EUR 100 (one hundred euros) |
| Number of Mortgage Bonds: | 50 000 (fifty thousand) |

THE DOCUMENT HEREIN IS A TRANSLATION OF THE EXCERPT FROM THE PROSPECTUS OF 01/EUR SERIES MORTGAGE BONDS OF JSC “TRASTA KOMERCBANKA”. FOR FULL ASSESSMENT OF INVESTMENT AND MAKING DECISION TO INVEST INTO THE 01/EUR SERIES MORTGAGE BONDS THE INVESTOR SHOULD GET ACQUAINTED WITH THE COMPLETE VERSION OF THE PROSPECTUS. COMPREHENSIVE INFORMATION ON THE ISSUE IS AVAILABLE IN THE LATVIAN VERSION OF THE PROSPECTUS OF 01/EUR SERIES MORTGAGE BONDS OF JSC “TRASTA KOMERCBANKA” PREPARED BY JSC “TRASTA KOMERCBANKA” AND REGISTERED WITH THE FINANCIAL AND CAPITAL MARKET COMMISSION, AVAILABLE AT JSC “TRASTA KOMERCBANKA”

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1. EXPLANATION OF TERMS AND ABBREVIATIONS USED

| | |
|---|--|
| "TRASTA KOMERCBANKA" | Joint Stock Company "TRASTA KOMERCBANKA", Registration № 40003029667. |
| Mortgage Bond | Public security issued by "TRASTA KOMERCBANKA", in which debt commitments are secured that are covered by mortgages and other cover provided by Law on Mortgage Bonds. |
| 01/EUR Series Mortgage Bond | Mortgage Bond issued in accordance with the terms and conditions of this Prospectus. |
| Mortgage Loan | a loan secured with a mortgage of a real estate registered in a member state of the European Union |
| Interest Income | interest income of Mortgage Bonds, which "TRASTA KOMERCBANKA" undertakes to pay on the dates and according to the procedure defined by the Prospectus |
| Interest Income Rate | An annual percentage rate of income of Mortgage Bonds, which "TRASTA KOMERCBANKA" undertakes to calculate and set on the dates and according to the procedure defined by the Prospectus. |
| RSE | Joint Stock Company "Riga Stock Exchange" |
| ATS | Automated trading system of JSC "Riga Stock Exchange" |
| LCD | Joint Stock Company "Latvian Central Depository" |
| FCMC | Financial and Capital Market Commission. |
| EURIBOR | Credit interest rate set by the European Bank Federation at which banks borrow money in the interbank market of the member states of the European Union. The index is quoted daily considering interest rates of the EU states and significant world banks. |
| Cover Register | Mortgage bond cover register held by "TRASTA KOMERCBANKA" |
| Distributor | Joint Stock Company "SEB Latvijas Unibanka", registered within the Commercial Register of the Republic of Latvia, single registration № 40003151743, legal address "Unicentrs", Kekava parish, Riga District, LV-1076, which performs placement of the Mortgage Bonds. |
| Initial Public Offer or Public Offer | Offer made by "TRASTA KOMERCBANKA" to acquire the Mortgage Bonds, as well as submission of any information in any media about possibility to acquire them if such offer has been made for the first time. |
| EUR | Euro |
| LVL | Latvian lats |

2. PERSONS RESPONSIBLE FOR INFORMATION PROVIDED IN THE PROSPECTUS

We, Gundars Grieze, Chairman of the Board, Māris Fogelis, First Deputy Chairman of the Board, Svetlana Krasovska, Member of the Board, Tatyana Konnova, Member of the Board of "TRASTA KOMERCBANKA", are responsible for the information provided in the Prospectus and confirm that the information provided in the Prospectus is true and it does not overlook any data that might affect the meaning of the information provided therein, or decision of potential investor on acquisition of the Mortgage Bonds:

| Name | Identification № | Position | Signature |
|--------------------|------------------|------------------------------------|---|
| Gundars Grieze | 101261-10715 | Chairman of the Board |  |
| Māris Fogelis | 220768-11801 | First Deputy Chairman of the Board |  |
| Svetlana Krasovska | 050268-10611 | Member of the Board |  |
| Tatyana Konnova | 240754-11821 | Member of the Board |  |

3. AUDITORS WHICH PERFORMED AUDIT OF FINANCIAL STATEMENTS OF "TRASTA KOMERCBANKA"

Financial Statement of 2004 of "TRASTA KOMERCBANKA" was audited by auditors of auditing company "Deloitte & Touche Audits" Ltd.

Registration Number: 40003606960 Register of Enterprises of Republic of Latvia
Date, place: October 23, 2002, Riga

Legal address: Bīskapa gāte 2, Rīga, LV-1050
Telephone: 7814160
Fax: 7223007

Issued licence: Nr.43, termless, issued by Association of Sworn Auditors of the Republic of Latvia on 12 November 2002.

Auditor responsible for audit of 2004 Annual Report:
Sworn Auditor Inguna Staša,
Certificate № 145

Financial Statement of 2005 of "TRASTA KOMERCBANKA" was audited by auditing company SIA „Ernst & Young Baltic”; the same company has been approved for auditing of Financial Report of 2006.

Registration №: 40003593454 Register of Enterprises of Republic of Latvia
Date, place: June 07, 2002, Riga

Legal address: Kronvalda bulvāris 3-5, Riga, LV-1010
Telephone: 7043801
Fax: 7043802

Issued licence: Nr.17, termless, issued by Association of Sworn Auditors of the Republic of Latvia on 11 September 2002

Auditor responsible for audit of 2005 Annual Report:
Sworn Auditor Diāna Krišjāne,
Certificate № 124

Section A

SUMMARY

This summary is an introductory part of the Prospectus, and any decision by the investor on investment into the Mortgage Bonds should be based on analysis of entire information included in the Prospectus. Should there be brought any action to court regarding the information included in the Prospectus, according to legal acts of the respective member country the investor who is the plaintiff might have to cover translation costs of the Prospectus prior to legal proceedings. The responsible for the information included in the Prospectus hold civil liability, but only in the case when the summary is misleading, inaccurate or conflicting to the other Sections of the Prospectus.

The securities offered are Mortgage Bonds, which are issued by "TRASTA KOMERCBANKA" with a view of refinancing and to develop mortgage lending.

Summary of the Information on the Securities Offered

| | |
|---|---|
| Total amount of issue according to face value | EUR 5,000,000.00 (five million euros) |
| Type of mortgage bonds | Bearer, negotiable without any restrictions |
| Number of mortgage bonds | 50,000 (fifty thousand) |
| Face value of one mortgage bond | EUR 100.00 (one hundred euros) |
| Annual interest income rate | Three months EUR EURIBOR plus 1.4% (one and four tenth of percent) |
| Interest Income payments per year | Four times |
| Interest Income payment dates | March 1, June 1, September 1 and December 1 of each year |
| Starting date for calculation of Interest Income | December 1 2006 |
| Opening date of Public Offer | Next business day after publication of information about issue of Mortgage Bonds in newspaper "Latvijas Vēstnesis", following reception of permission from FCMC to perform initial placement, but not sooner than January 8, 2007 and not later than March 1, 2007 |
| Price of Mortgage Bond Offer | The Bonds are sold for the price not less than EUR 100.- (one hundred euros) and does not exceed EUR 105.- (one hundred and five euros). The Price is determined at the latest one day before the commencement of the Public Offer by Decision of the Board of "TRASTA KOMERCBANKA" and is published on the websites of "TRASTA KOMERCBANKA" www.tkb.lv and of the Distributor www.seb.lv . The Board of "TRASTA KOMERCBANKA" decides on the price considering the situation in the secondary market of similar securities at that time. The price is added accrued interest as of the day of the respective transaction of initial placement. |
| Closing date of Public Offer | 180 th (one hundred and eighth) business day from the opening date of Public Offer (included) |
| Redemption date of Mortgage Bonds | December 1, 2012 |
| Redemption value of Mortgage Bonds | Face value of Mortgage Bonds |

Risks

Basic regulations of legal acts of the Republic of Latvia on Mortgage Bonds, which are subject to protection of investors' interests, serve for risk reduction. The most important are standards on cover of Mortgage Bonds in circulation with mortgages of particular quality and on special status of Mortgage Bonds Cover Register as an instrument of development and supervision of the cover. Legal acts stipulate particular supervision mechanism of operation of the Issuer, which ensures observance of the legal acts. Supervision functions of Mortgage Bonds Issuer are performed by FCMC. Moreover, mortgage bonds are financial instruments, which may be issued only by credit institutions, supervision of which is performed by FCMC in accordance with the Law on Credit Institutions. Thus, the Issuer is supervised as an issuer of mortgage bonds, as well as full supervision of Issuer's activities is performed, which additionally ensures the investor from risks associated with issue of mortgage bonds, fulfilment of liabilities arising from it, and activities of the Issuer.

The main risks associated with the type of securities to be issued are:

Credit risk for loans used for cover of mortgage bonds;

Interest rate risk;

Premature repayment risk for loans used for cover of mortgage bonds

The main risk associated with the Issuer is insolvency of the Issuer.

The above-mentioned risks have been dealt with in more detail later in the Prospectus.

Issuer

The Issuer of Mortgage Bonds is JSC "TRASTA KOMERCBANKA", located in Riga, Miesnieku Street 9. The Bank is registered with the Register of Enterprises of the Republic of Latvia on 27 September 1991, registration № 000302966 and has been entered into the Commercial Register of the Republic of Latvia with the single registration № 40003029667. The Bank operates in accordance with legal acts of the Republic of Latvia and credit institution operating licence No 8 issued by the Bank of Latvia.

"TRASTA KOMERCBANKA" is the oldest private bank in Latvia offering its customers comprehensive range of financial services putting an emphasis on development of exclusive elite services. Due to its philosophy of private approach „TRASTA KOMERCBANKA” forms a particular dialogue with every client and assists in development within frameworks of modern business conditions.

The main spheres of activity of "TRASTA KOMERCBANKA" are as follows:

- loans for corporate and private customers
- funding / crediting of various projects
- deposit accounts
- current accounts
- service of payment cards (debit cards and credit cards)
- issue of payment cards
- investment services and ancillary services in the financial instruments market

The paid up share capital of "TRASTA KOMERCBANKA" is LVL 5 537 100.

According to the data of the balance sheet of 2005 financial statement the total amount of assets of "TRASTA KOMERCBANKA" constitutes LVL 193 494 000 in the non-consolidated statement and LVL 193 531 000 in the consolidated statement.

According to the data of the balance sheet of 2005 financial statement annual profit of "TRASTA KOMERCBANKA" constitutes LVL 4 387 000 (profit on one share being LVL 40.26) in the non-consolidated statement and LVL 4 426 000 in the consolidated one.

In 2005 "TRASTA KOMERCBANKA" doubled its credit portfolio increasing amount of granted loans up to LVL 28 160 000. The amount of capital and reserves of „TRASTA KOMERCBANKA” reached LVL 10 350 000 in 2005 making an increase of 77% in comparison to 2004. In 2005 the amount of deposits reached LVL 160 430 000.

The comprehensive financial information on 2004 and 2005 is available in the Section E of the Prospectus.

Section B

4. RISK FACTORS

4.1. Information on risks

Basic regulations of legal acts of the Republic of Latvia on Mortgage Bonds, which are subject to protection of investors' interests, serve for risk reduction. The most important are standards on cover of Mortgage Bonds in circulation with mortgages of particular quality and on special status of Mortgage Bonds Cover Register as an instrument of development and supervision of the cover. Legal acts stipulate particular supervision mechanism of operation of the Issuer, which enforces observance of the legal acts. Supervision functions of Mortgage Bonds Issuer are performed by FCMC. Moreover, mortgage bonds are financial instruments, which may be issued only by credit institutions, supervision of which is performed by FCMC in accordance with the Law of Credit Institutions. Thus, the Issuer is supervised as an issuer of mortgage bonds, as well as full supervision of Issuer's activities is performed, which additionally ensures the investor from risks associated with issue of mortgage bonds, fulfilment of liabilities arising from it, and activities of the Issuer.

4.2. Risk factors associated with the type of securities to be issued

The main risks associated with the type of securities to be issued are:

- Credit risk for loans used for cover of mortgage bonds;
- Interest rate risk;
- Premature repayment risk for loans used for cover of mortgage bonds

4.2.1. Credit risk

Credit risk is connected with inability of borrower to fulfil its liabilities for mortgages included in the Mortgage Bonds Cover Register. For reduction of such risk there is a legal standard of the Law on Mortgage Bonds, which stipulates for cover of mortgage bonds may only be mortgages, secured by real estate registered in the EU and amount of which together with mortgages registered previously does not exceed 75% of the market value of such mortgaged real estate, at least half of which holds the value of the premises, at least half of total useful area of which is used for dwelling purposes, or 60% of the market value of any other type of mortgaged real estate. Loans are granted only to solvent borrowers. In the event of insolvency of the borrower, bank recuperates the claim by taking possession of the real estate through court. The bank's claim is jeopardised only in the event of deep and rapid crisis arising in the real estate market hence sharply dropping value of the mortgaged real estate. However, such crisis is unlikely, considering prospects of the real estate market for the coming years in Latvia.

Essential role in risk reduction is played by cautious policy of "TRASTA KOMERCBANKA" in estimation of mortgage, as well as supervision of the mortgaged real estate during entire period of existence of the mortgage. Real estate is estimated in accordance to its real selling price at the moment of estimation, but the basic task of supervision is to preclude reduction in the value of the mortgaged real estate in order to exploit the duty of provision of the loan and mortgage value relation stipulated by legal acts.

4.2.2. Interest rate risk

As the record-keeping regulations of Mortgage Bonds Cover Register stipulate that all the payments to mortgage bonds holders, i.e. mortgage bonds interest and face value, shall always be less than payments by borrowers, the interest rate risk, which can arise in case level of loan interest rates is lower than profitability of mortgage bonds, is being controlled continuously. The missing cover shall be covered with money resources of bank by including them into the Cover Register. Thus, rights of other creditors of "TRASTA KOMERCBANKA" to claim for the above-mentioned reserved resources have been eliminated.

4.2.3. Premature repayment risk for loans

Premature Repayment Risk for loans used for cover of mortgage bonds can arise in the case of "TRASTA KOMERCBANKA" issuing mortgage bonds, which the Bank undertakes not to buy out until the end of their circulation period or there are certain periods provided for their premature redemption, but borrowers repay their debt (loan in the Bank) sufficiently long period before the above-mentioned redemption periods in substantial amount before the terms set forth in the loan agreements concluded with the Bank and respectively – before the term defined in the Mortgage Bond cover. Such cases can arise in situation when market rates of mortgage bonds have become substantially lower than the previous ones. As the result, prematurely repaid resources cannot be invested into new mortgages, which could be sufficient for cover of the bonds in circulation. Thus, resource deficit might occur. Timely development of substitute cover serves for prevention of such risk.

4.3. Risks associated with Issuer

The main risk associated with the Issuer, is insolvency of the Issuer. Likelihood of Issuer's insolvency corresponds to the risk level of activities of commercial banks.

Investors' risk is precluded by provisions of legal acts, which stipulate that income from the mortgages included into the Mortgage Bonds Register, as well as the substitute cover shall be used for settlements with holders of the mortgage bonds even in the case of bankruptcy of the Bank. According to the regulations providing for amount of mortgage bonds in circulation, face value and interest payments of which are always covered by the mortgages and substitute cover included in the Cover Register, investors' risk is not associated with overall insolvency risk of the Issuer.

Section C

5. BASIC INFORMATION

Aim of Public Issue and Use of Income

The aim of the Public Offer of Mortgage Bonds is to attract funds for refinancing and develop mortgage lending. "TRASTA KOMERCBANKA" participates actively in mortgage lending market. Thus, it is possible to ensure emission of mortgage bonds by the already issued mortgage loans. Resources attracted as the result of the offer of the Mortgage Bonds will provide additional opportunities for "TRASTA KOMERCBANKA" to grant mortgage loans. Moreover, issue of the Mortgage Bonds shall provide a reputation of "TRASTA KOMERCBANKA" as a bank, which observe safe lending principles, as the Law on Mortgage Bonds stipulates that cover of mortgage bonds may only be loans amount of which does not exceed 75% of the market value of such mortgaged real estate, at least half of which holds the value of the premises, at least half of total useful area of which is used for dwelling purposes, or 60% of the market value of any other type of mortgaged real estate.

6. PUBLIC OFFER OF MORTGAGE BONDS

6.1. Type and Category of Securities

01/EUR series Mortgage Bonds is mortgage bonds issued by "TRASTA KOMERCBANKA", which is a publicly traded securities in which debt commitments are secured that are covered by mortgages and other cover provided by Law on Mortgage Bonds. The total volume of assets to be used for mortgage bond cover must be larger than the total volume of mortgage bonds in circulation at their face value by at least 10 per cent of the total risk-weighted assets included in the mortgage bond cover. Only the loans of the same currency as the issued mortgage bonds shall be included in the mortgage bond cover.

Total interest income from assets included in mortgage bond cover must exceed total interest expenses on mortgage bonds, and for mortgage bond cover, mortgages, loans secured by Latvian Government and local government guarantees and income from interest on loans may be replaced by substitute cover not exceeding 20% of the total volume of mortgage bonds in circulation at their face value and interest expenses. It may be substituted by securities issued and secured by guarantees of governments of the EU states, as well as by securities issued by financial institutions of these states and allowed to be sold on regulated security markets of the European Union – at their market price, but not exceeding the face value of these securities, and by cash in hand and correspondent accounts with the central banks of the European Union member states. Redemption and interest payments on mortgage bonds in circulation (in accordance with the rules of issue) must always be covered by redemption and interest payments on mortgage loans of a higher value (in accordance with the loan agreement), payments related to agreements on the cover asset risk mitigation and by the substitute cover. Taking into consideration that the Law on Financial Instruments Market stipulates that LCD makes book entries of financial instruments upon signing an agreement with an issuer and receiving the documents specified in the regulations of LCD from the issuer when the issuer is eligible to make a public offer of the financial instruments or put the financial instruments into public circulation, it is not possible to publish ISIN code of the Mortgage Bonds approving its wording for submission to the Financial and Capital Market Commission. ISIN code shall be published on "TRASTA KOMERCBANKA" website www.fkb.lv and the website of the Distributor www.seb.lv before the date of the public offer.

6.2. Legal Control

The securities are issued in accordance with the following legal acts of the Republic of Latvia:

- Law on Mortgage Bonds, passed on 10 September 1998 in the Saeima of the Republic of Latvia;
- Law on Financial Instruments Market, passed on 20 November 2003 in the Saeima of the Republic of Latvia;
- Law on Credit Institutions, passed on 05 October 1995 in the Saeima of the Republic of Latvia;

- Commercial Law, passes on 13 April 2000 in the Saeima of the Republic of Latvia;
- Amendments to the above-mentioned legal acts.

In the process of preparation of the Prospectus and other documents various legal norms are taken into consideration:

- legal acts issued by the FCMC;
- Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC;
- Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
- as well as other legal acts of the Republic of Latvia and the European Union.

6.3. Description of Mortgage Bonds

01/EUR series Mortgage Bonds are book-entry securities of holder without restrictions to dispose of the securities (transferable securities).

According to the Law on Financial Instruments Market, book entries and accounting of issue of book-entry securities to be traded on regulated market, in the Republic of Latvia is performed by LCD (JSC “Latvian Central Depository”, legal address: Str. Vaļņu 1, Riga, LV-1050). According to the Law on Financial Instruments Market holding of the above-mentioned securities are performed by credit institutions and investment brokerage firms. LCD performs accounting of financial instruments of investment brokerage firm or credit institution and the total accounting of all financial instruments owned or held by clients of the respective investment brokerage firm or credit institution.

6.4. Currency of Mortgage Bonds

The currency of the 01/EUR series Mortgage Bonds is euro, abbreviation of which is EUR.

6.5. Rights Embedded in Mortgage Bonds

The rights of the holders embedded in the 01/EUR series Mortgage Bonds are protected by the Law on Mortgage Bonds. In accordance to Article 24 of the above-mentioned Law, in cases where the Mortgage Bond issuer becomes insolvent as well as in other cases where the right to issue Mortgage Bonds is lost, it is prohibited to change the composition of the Mortgage Bond Cover Register by such decisions as stipulated in the rules for managing the Mortgage Bond Cover Register and all income from assets included in the Mortgage Bond Cover Register shall be accrued within its composition. In accordance to Article 26 of the Law on Mortgage Bonds, if the FCMC does not make decision to assign Mortgage Bonds liabilities of a bank in liquidation and its assets included in the Mortgage Bond Cover Register to other bank according to the Law on Credit Institutions, FCMC shall file an application to court for appointing an administrator of the Mortgage Bonds Cover Register. The administrator of the Mortgage Bonds Cover Register shall ensure service of the Mortgage Bonds in circulation according to terms and conditions of their issue and the Law on Mortgage Bonds of the Republic of Latvia, however, in case the administrator cannot confirm the cover of the Mortgage Bonds, the FCMC shall file an application to court regarding the insolvency of the mortgage bond cover register. The insolvency and bankruptcy proceedings of the Mortgage Bond Cover Register shall be treated as the insolvency and bankruptcy proceedings of credit institutions regulated by precepts of the Credit Institution Law and the Civil Procedure Law. The administrator of the mortgage bond cover register appointed by court shall manage the insolvency and bankruptcy proceedings in accordance with the precepts of the Credit Institution Law. During the insolvency and bankruptcy proceedings, all mortgage bond holders shall have equal rights to claim. They shall comprise the mortgage bonds' face value and the interest income accrued to the date of declaring insolvency. All the volume of the Mortgage Bond Cover Register, except for remuneration to the administrator, may participate in concursus proceedings.

The Issuer shall act in accordance to Article 191 of the Law on Credit Institutions which stipulates that in the event of bankruptcy of the credit institution, funds derived from the assets included in the Cover Register shall be used to meet the liabilities resulting from the issue of the Mortgage Bonds before the claims of other creditors.

The Investor has the right to receive Interest Income and principal amount (face value) of the Mortgage Bonds on the dates and within the periods laid down in the Prospectus, as well as make claims according to the procedure laid down in Article 6.6 and 6.7 of the Prospectus in the case of delayed payment of the respective amounts.

6.6. Interest Rate

"TRASTA KOMERCBANKA" pays interest to holders of the Mortgage Bonds four times a year in the amount of three month EUR EURIBOR added 1.4% (one and four tenths of per cent) of the face value of Mortgage Bonds: March 1, 2007, June 1, 2007, September 1, 2007, December 1, 2007, March 1, 2008, June 1, 2008, September 1, 2008, December 1, 2008, March 1, 2009, June 1, 2009, September 1, 2009, December 1, 2009, March 1, 2010, June 1, 2010, September 1, 2010, December 1, 2010, March 1, 2011, June 1, 2011, September 1, 2011, December 1, 2011, March 1, 2012, June 1, 2012, September 1, 2012.

Interest rate is three months EUR EURIBOR added 1.4% (one and four tenths of per cent).

The Interest Income Rate applicable to the next Interest Income Periods is determined 5 (five) business days before the current Interest Income payment, taking the six months EUR LIBOR of the respective date and adding 1.00% (one percent); and it shall be in force during all the next Interest Income Period. "TRASTA KOMERCBANKA" shall put up an announcement about the determined Interest Income rate for the next period on its website www.tkb.lv at the latest 3 (three) business days before the current Interest Income payment date.

The interest Income Rate is rounded off to the nearest one eighth of one percent.

The three months EURIBOR is calculated by the European Banking Federation and Financial Markets Association and it is published on the website of the Bank of Latvia www.bank.lv, the website of the European Banking Federation www.fbe.be and the one of the Financial Markets Association www.aciforex.com.

When paying Interest of the Mortgage Bonds, one day prior to income payment day "TRASTA KOMERCBANKA" transfers the whole payment amount to LCD money account. LCD transfers the money to account holders on the payment day according to amount of securities in the correspondent accounts as of the Income Payment date. Holder of accounts (where security owner has opened security account) transfers the income amount to money accounts of owners of the Mortgage Bonds within one business day after receipt of the money from LCD.

Payment procedure of Interest Income of Mortgage Bonds is defined by Regulations No 8 "On Payment of Dividends, Interest, Principal Amount and Other Income", dated 23 January 2004, approved by LCD.

In case the Interest Income Payment date is a holiday or bank holiday, "TRASTA KOMERCBANKA" shall perform Interest Income payment on the first business day following the holiday or bank holiday. In case "TRASTA KOMERCBANKA" has not performed payments for Interest Income, investors can submit a claim for interest payment starting with the 4th (fourth) business day after the day of Interest Income Payment.

The Interest Income Rate for the Interest Income Period from December 1, 2006 until March 1, 2007 shall be 5.02 % (five and two hundredth of per cent) per annum.

6.7. Redemption

01/EUR series Mortgage Bonds shall be redeemed on December 1, 2012 at their face value.

When redeeming the Mortgage Bonds, one day prior to redemption "TRASTA KOMERCBANKA" transfers the whole payment sum to money account of LCD. LCD transfers the money to holders of security accounts on the redemption date according to amount of securities in the correspondent accounts as of the redemption date. Holder of accounts (where security owner has opened security account) transfers the redemption amount to money accounts of owners of the Mortgage Bonds within one business day after receipt of the money from LCD.

"TRASTA KOMERCBANKA" is entitled to redeem prematurely the share of the Mortgage Bonds issue, for which the initial placement has not taken place, and the Mortgage Bonds, which "TRASTA KOMERCBANKA" has purchased on the secondary market.

In the event of premature redemption of the Mortgage Bonds, "TRASTA KOMERCBANKA" shall announce about it in the newspaper "Latvijas Vēstnesis", its internet website www.tkb.lv and the website of the Distributor www.seb.lv at the latest 10 business days in advance, indicating number of the redeemed Mortgage Bonds, amount according to their face value and the date of premature redemption.

When paying Interest Income and principal amount (face value) of the Mortgage Bonds, one day prior to payment of Interest Income and principal amount "TRASTA KOMERCBANKA" transfers the whole payment sum to money account of LCD. LCD transfers the money to holders of security accounts on the payment date according to amount of securities in the correspondent accounts as of the income payment date. Holder of accounts (where security owner has opened security account) transfers the income and principal amount to money accounts of owners of Mortgage Bonds within one business day after receipt of the money from LCD.

The procedure of payment of principal amount and Income of Mortgage Bonds is defined by Regulations No 8 "On Payment of Dividends, Interest, Principal Sum and Other Income", dated 23 January 2004, approved by LCD.

In case the redemption date is a holiday or bank holiday, "BALTIC TRUST BANK" shall perform Interest Income payment on the first business day following the holiday or bank holiday.

In case "TRASTA KOMERCBANKA" has not performed payments for Interest Income or payment of face value in the case of redemption of Mortgage Bonds, investors can submit a claim for interest payment and refund of principal amount starting with the 4th (fourth) business day after the day of Interest Income Payment or redemption of Mortgage Bonds.

6.8. Calculation of Accrued Interest

Interest Income for each Interest Income Period for one 01/EUR series Mortgage Bonds shall be calculated, taking into account face value of the Bond, Interest Income Rate for the respective Interest Income Period and number of days of Interest Income Period. It is presumed that there are 90 (ninety) days in one Interest Income Period and 360 (three hundred and sixty) days in one year (30E/360 principle, where E – number of full months).

In the case of premature redemption of the Mortgage Bonds the Interest Income is calculated from the previous Interest Income payment date until premature redemption date.

Interest Income (accrued interest) shall be calculated as follows:

$$CNP = F \cdot \frac{C}{fq} \qquad AI = CNP \cdot \frac{t_{ic}}{t_{cp}}$$

where

AI – accrued income;

CNP – amount of one Interest Income payment in EUR (euros);

t_{ic} – number of days since the calculation day of the previous coupon (according to the principle of 30/360, where E – number of full months);

t_{cp} – number of days in a coupon period, i.e. from June 1 (included) until September 1, from September 1 (included) until December 1, from December 1 (included) until March 1 and from March 1 (included) until June 1 (according to the principle 30E/360,);

F – face value of the security (F= EUR 100,00);

fq – number of the Interest Income payments per year (fq= 2);

C – Annual Income rate of the security (C=1,4% + 3 months EUR EURIBOR annual rate);

6.9. Decisions Underlying Issue of Mortgage Bonds, Public Offer and Listing with the Debt Security List of RSE

01/EUR series Mortgage Bonds are being issued and placed into public circulation on the basis of the following Decisions of "TRASTA KOMERCBANKA":

- Decision of the Shareholders Meeting on issue of mortgage bonds, dated March 24, 2006;
- Decision of the Board on issue of mortgage bonds and approvment of the basic prospectus, dated August 21, 2006;
- Decision of the Board on approvment of the Prospectus, dated January 8, 2007.

6.10. Opening Date of Public Offer

The initial placement of the 01/EUR series Mortgage Bonds may take place upon the receipt of the permission to make the Public Offer from the FCMC on the next business day after publishing of information about the Mortgage Bonds in the newspaper "Latvijas Vēstnesis", but not sooner than January 8, 2007 and at the latest March 1, 2007.

6.11. Restrictions for Security Transferability

01/EUR series Mortgage Bonds are free transferable (no transfer restrictions) securities, i.e. there are no restrictions for the securities transferability.

6.12. Taxation of the Income Derived from the Mortgage Bonds

As at preparation of the Prospectus, according to the Law “On Inhabitants’ Income Tax”, dated 11 May 1993, income paid out to natural entities – residents and non-residents – shall not be levied with an income tax.

Income paid out to resident legal entity shall be levied with an income tax of 15% in accordance with the Law “On Corporate Income Tax”, dated 09 February 1995. Income from Mortgage Bonds are paid to legal entity in full amount, but following completion of corporate income tax annual declaration and submission of it to the respective territorial institution of State Revenue Service the legal entity has to pay corporate income tax.

Income paid out to non-resident legal entity – shall not be levied with an income tax.

Income paid out to non-residents – legal entities, natural entities and other persons – who are situated, placed or established in the tax-free and low tax states or territories defined as such by Regulations of the Cabinet of Ministers shall be withheld corporate income tax from the income to be paid out at the moment of disbursement as required by Article 3 (8) of the Law of the Republic of Latvia “On Corporate Income Tax”, Article 14 of the Regulations No 319 of the Cabinet of Ministers Regarding Implementation of the Procedures Stipulated by Law on Corporate Income Tax, dated 19 September 2000, Regulations No 276 of the Cabinet of Ministers Regarding Low Tax or Tax Free States and Territories, dated 26 June 2001.

Should an intergovernmental agreement to which the Republic of Latvia is a member state, stipulates a procedure for taxation of income that differs from the procedure mentioned above in this Paragraph, the requirements of the intergovernmental agreement shall be applied.

“TRASTA KOMERCBANKA” as an issuer is liable for taxation of the above-mentioned taxes in the cases stipulated by law.

“TRASTA KOMERCBANKA” urges investors to follow the changes made to the legislation effective in the Republic of Latvia pertaining to the taxation of income derived from the securities on a regular basis, since the Prospectus describes only the general taxation procedures in accordance with the legislation effective at the moment of preparation of the Prospectus. The information given in the Prospectus should not be treated as a consultation on taxes or legal opinion. We solicit investors, prior to purchase of Mortgage Bonds, to consult with their tax advisers about taxes levied from the income gained.

6.13. Cover of Mortgage Bonds

The cover of Mortgage Bonds is formed by the mortgage loans included in the Cover Register that corresponds to Article 14 of the Law on Mortgage Bonds, or loans guaranteed by the state of Latvia or municipalities, mortgage bonds of other issuers permitted to trade on regulated markets of the European Union. The total interest costs of Mortgage Bonds are always covered by exceeding total interest income from mortgage loans.

Mortgages of Mortgage Bonds cover, loans covered by guarantees of the state of Latvia or municipalities and interest income from the above-mentioned loans can be replaced by substitute cover, not exceeding 20 (twenty) per cent of the total face value of the Mortgage Bonds in circulation together with interest expenses.

Cover of Mortgage Bonds is developed in accordance with the Law on Mortgage Bonds, legal acts of FCMC and “Regulations of Management of Cover Register of Mortgage Bonds” of “TRASTA KOMERCBANKA”. The amount of the assets to be used for the cover of the Mortgage Bonds shall exceed the face value of the Mortgage Bonds in circulation and to be issued at least by 10 (ten) per cent of the total amount of the weighted assets included in the Cover Register in each currency and in the aggregate. Redemption period of the Mortgage Bonds in circulation shall not exceed the redemption period of assets to be used for Cover of Mortgage Bonds.

7. TERMS OF OFFER OF MORTGAGE BONDS

Through this issue "TRASTA KOMERCBANKA" offers to investors acquire 01/EUR series Mortgage Bonds denominated in euros. 01/EUR series Mortgage Bonds are bearer securities, negotiable without any restrictions (free transferable), with face value of one Mortgage Bond being EUR 100.00 (one hundred euros). In total 50,000 (fifty thousand) 01/EUR series Mortgage Bonds with total face value EUR 5,000,000.00 (five million euros) are to be issued, redemption date being December 1, 2012. As the Distributor shall not purchase the Mortgage Bonds not sold at the initial placement and in this case shall not bear any responsibility for their purchase, issue of the 01/EUR Series Mortgage Bonds shall be considered as taken place in the amount of Mortgage Bonds placed, i.e. the Mortgage Bonds not sold shall be retired before placement of securities on the regulated market where amount of securities actually placed is listed. In this case the amount of the issue taken place shall be announced on the "TRASTA KOMERCBANKA" website www.tkb.lv and the Distributor's website www.seb.lv on the next business day following the closing date of the public offer, laid down in the first sentence of the second Paragraph of Article 7.1.

7.1. Terms and Conditions of Offer

The initial placement of the Mortgage Bonds may take place upon the receipt of the permission to make the Public Offer from the FCMC on the next business day after publishing of information about the Mortgage Bonds in the newspaper "Latvijas Vēstnesis" in accordance with the Law on the Financial Instruments Market, but not sooner than March 1, 2007.

The closing date of the Public Offer is the 180th (one hundred and eightieth) business day from the commencement day of the Public Offer (included). If the entire amount of Issue is placed sooner, the closing date of the Public Offer is the day when the sale transaction of the last Mortgage Bond(s) has been made, which will be announced about on the next business day on "TRASTA KOMERCBANKA" website www.tkb.lv and the Distributor's website www.seb.lv.

The information about the opening and closing date of the Public Offer is published in the above-mentioned advertisement, as well as on the Internet website of "TRASTA KOMERCBANKA" www.tkb.lv and the one of the Distributor's www.seb.lv.

According to the Agreement concluded on 12 December 2005 between "TRASTA KOMERCBANKA" and the Distributor the initial placement of the Mortgage Bonds is performed by the Distributor.

During the initial placement the Distributor sells the Mortgage bonds to third parties according to the following procedure:

- Transactions are concluded in the period of the initial placement defined in the Prospectus and in the frameworks of issue of the Mortgage Bonds;
- Investors submit applications for purchase of the Mortgage Bonds to banks or brokerage companies that have obtained licence for rendering investment services and investment ancillary services where the investor has opened financial instrument account (hereinafter – investment company);
- Upon transaction conclusion representative of investment company (or investor him-/herself in case his/her financial instrument account has been opened with the Distributor) gets in contact with the Distributor's Financial Markets Department;
- Time of transaction conclusion – every business day 10⁰⁰ - 12⁰⁰;
- The parties to the transaction shall conclude the transactions via telephone 7215622 (Distributor's Financial Markets Department) agreeing on the essential provisions of the transaction.

There are no restrictions for subscription to the Mortgage Bonds, as well as there are no maximum amount for the Mortgage Bonds a single investor may apply for. The only amount restriction is for the residual number of the Mortgage Bonds which are not placed yet (the amount of the Mortgage Bonds sale of which has not been concluded) the moment when the respective investor applies for the Mortgage Bonds.

The minimum amount of the Mortgage Bonds which one investor may apply for is 1 (one) Mortgage Bond.

7.2. Settlements for Transactions of Initial Placement

Settlements for transactions of the Initial Placement of the Mortgage Bonds are made in compliance with the DVP principle regulated by Regulations № 15 "On DVP Settlement in Foreign Currencies" by LCD dated 27 February 2004, or not according to the DVP principle if the Distributor and the other party of transaction have agreed upon it. In case the Parties have agreed not to use the DVP principle, the moment of securities settlements and the moment of money settlements may differ, but not

exceeding T+10, “T” being the transaction day of securities and “10” being the 10th (tenth) business day following the transaction day of securities.

At the end of each business day of the Initial Placement the Distributor prepares and sends a report on the executed trading operations of the Mortgage Bonds to "TRASTA KOMERCBANKA" in the form of 599 S.W.I.F.T. indicating the amount of the sold Mortgage Bonds, amount of money and settlement date.

On the next business day following the report, "TRASTA KOMERCBANKA" performs transfer of Mortgage Bonds to the securities account of the Distributor with LCD in accordance with the amount of securities indicated in the report mentioned in the previous paragraph of this Article.

The money for the sold Mortgage Bonds is transferred by the Distributor to the money account indicated by "TRASTA KOMERCBANKA" on the next business day following the money settlement day of selling transaction of the Mortgage Bonds.

In case some of the Mortgage Bonds trading transactions made by the Distributor have not been completed on the determined settlement day, on the next business day the Distributor transfers the Mortgage Bonds, which are not paid for, to the securities account with LCD indicated by "TRASTA KOMERCBANKA".

The DVP takes place on the T+5 day, “T” being the securities transaction day and “5” being the 5th (fifth) business day from the securities transaction day.

In the event the DVP principle is applied, the Investor shall provide the money in its account for the purchased Mortgage Bonds; the account should be opened with the investment company, with mediation of which the transaction on the purchase of Mortgage Bonds has been made, on the 5th (fifth) business day from the transaction day. On this day when the DVP takes place, the purchased Mortgage Bonds are transferred to the Investor’s account if the Investor has provided the sufficient amount of money resources for purchase of the Mortgage Bonds.

In the case of the Parties having agreed upon not using the DVP principle, the Investor shall provide the money in the respective account on the day the Parties have agreed upon, and the securities are transferred to the Investor’s account on the day the Parties have agreed upon.

7.3. Determination of Price of the Securities for the Initial Placement Transactions

During the Initial Placement the 01/EUR series Mortgage Bonds are sold for the price not less than EUR 100,- (one hundred euros), and does not exceed EUR 105,- (one hundred and five euros). The Price is determined not later than one day before the commencement of the Public Offer by Decision of the Board of "TRASTA KOMERCBANKA". The Board of "TRASTA KOMERCBANKA" decides on the price considering the situation in the secondary market of similar securities at that time, namely, assessing demand in the securities market and profitability of comparable financial instruments. The price set by the Board of "TRASTA KOMERCBANKA" during the entire Initial Placement for all investors will be flat and constant. The price shall be added the accrued interest as of the day of the respective Initial Placement transaction, thus the price of the Mortgage Bonds set by the Board together with the accrued interest make the trading price of the Mortgage Bonds as of the day of the Initial Placement transaction.

The interest of the Mortgage Bonds accrued during the Initial Placement which are added to the trading price of the Mortgage Bonds, is calculated from December 1, 2006 until the transaction day of the Initial Placement (included) in accordance with the method set forth by Article 6.8 of the Prospectus.

The information on the trading price is published on the "TRASTA KOMERCBANKA" website www.tkb.lv and on the Distributor’s website www.seb.lv.

The Investor who purchases the Mortgage Bonds during the Initial Placement shall transfer only the trading price of the Mortgage Bonds stipulated by this Article of the Prospectus to the Issuer - "TRASTA KOMERCBANKA". Monies to be paid in addition when making transaction – commission for opening an account, for conclusion and execution of transaction – are or can differ among investment companies, and the Investor can learn them at the investment company, mediation of which he / she uses for making transactions with the Mortgage Bonds; and "TRASTA KOMERCBANKA" as an Issuer does not receive the above-mentioned additional payments and does not bear any responsibility for the above-mentioned additional costs.

7.4. Placement and Distribution of Issue

According to the Agreement concluded on 12 December 2005 between "TRASTA KOMERCBANKA" and the Distributor of the Issue, the public placement of the Mortgage Bonds shall be executed by the Distributor of the Issuer (Joint Stock Company “SEB Latvijas Unibanka”, registered with the Commercial Register of the Republic of Latvia, single registration № 40003151743, legal address: "Unicentrs", Kekava parish, Riga District, LV-1076).

The Distributor shall not purchase the Mortgage Bonds not sold at the initial placement of the Public Offer and in this case shall not bear any responsibility for their purchase. Issue of the Mortgage Bonds shall be considered as taken place in the amount of Mortgage Bonds placed.

The Distributor is the single organiser of the issue of the Mortgage Bonds and according to the Agreement mentioned in the first Paragraph of this Article it has been transferred the sole rights for distribution of the Mortgage Bonds.

For organisation of the Issue the Distributor receives a commission, which is calculated as 0.4% of the sum of the face value of the Mortgage Bonds sold during the Initial Placement.

In case the Mortgage Bonds are sold for the price exceeding 100% of the face (hereinafter – basic price), in addition to the commission mentioned in the previous paragraph of this Article the Distributor receives 50% of the difference between the selling price and the basic price. The above-mentioned commissions are paid by "TRASTA KOMERCBANKA".

7.5. Information on the Results of the Public Offer

Information on the results of the Public Offer is published on the "TRASTA KOMERCBANKA" website www.tkb.lv and the Distributor's website www.seb.lv on the next business day following the closing date of the Public Offer, which is laid down in the first sentence of the second paragraph of Article 7.1, or on the next business day following the execution of transaction of purchase of the last Mortgage Bond(s) if the entire amount of the Issue is placed before the above-mentioned date of completion of the Public Offer.

7.6. Securities Purchased as the Result of the Public Offer and Their Trade

Information on the amount of securities purchased as the result of the transactions made during the Public Offer can be obtained by the Investor at the Bank or Investment Brokerage Company which are licenced to offer investment services and ancillary services where the Investor has a financial instrument account opened.

As soon as the Mortgage Bonds have reached the financial instrument account of the Investor, he / she is entitled to make trading transactions with them.

7.7. Depository

Functions of depository are executed by JSC "Latvian Central Depository", legal address Str. Vaļņu 1, Riga, LV-1050.

8. LISTING OF MORTGAGE BONDS AND TRADING CONDITIONS

Listing on the Regulated Market

The Organiser of the regulated market, which the application for official listing of the Mortgage Bonds is submitted to, is Joint Stock Company "Riga Stock Exchange", legal address Riga, Str. Vaļņu 1, LV-1050. The application is submitted regarding the Mortgage Bonds listing on the Debt Securities List of RSE, which holds a status of an official list regulated by the Law on Financial Instruments Market, in strict procedure set forth by the provisions of the Law. The application is submitted immediately after completion of the Initial Placement, at the latest on the 10th (tenth) business day following completion of the Initial Placement; and the application shall bear all the information on the Issue of the Mortgage Bonds stipulated by the Law.

9. ADDITIONAL INFORMATION

All disputes pertaining to the Mortgage Bonds shall be settled in court of the Republic of Latvia in accordance to the provisions of the Civil Procedure Law.

Interpretation of the norms of the Prospectus in the Latvian language holds the priority against an interpretation in any other language. Translations of the Prospectus are unofficial translations with a view to help the investor to understand the information provided in the Prospectus.

Section D

10. INFORMATION ON ISSUER

10.1. Title of Issuer

Joint Stock Company "TRASTA KOMERCBANKA".

10.2. Legal Status of Issuer

"TRASTA KOMERCBANKA" is a joint stock company.

"TRASTA KOMERCBANKA" operates in accordance with the legal acts of the Republic of Latvia, including Commercial Law (adopted on April 13, 2000 by the Saeima of the Republic of Latvia), Law on Credit Institutions (adopted on October 05, 1995 by the Saeima of the Republic of Latvia), Articles of Association of JSC "TRASTA KOMERCBANKA".

10.3. Legal Address of Issuer

Legal address of "TRASTA KOMERCBANKA": 9 Miesnieku street, Riga, LV-1050, telephone: 7027777, fax: 7027700. e-mail address: - info@tkb.lv, Internet website www.tkb.lv

10.4. Foundation Date of Issuer

"TRASTA KOMERCBANKA" was founded in 1989 with a title „Rīga-Bank” on the basis of Foundation Agreement.

10.5. Registration Number of Issuer

"TRASTA KOMERCBANKA" is registered with the Register of Enterprises of the Republic of Latvia on September 27, 1991 in Riga, registration No 000302966 and later entered into the Commercial Register of the Republic of Latvia with single registration No 40003029667.

10.6. Information on Capital of Issuer

On December 31, 2005 the subscribed and paid up share capital of the Bank constituted LVL 5 537 100, consisting of 110 742 ordinary shares with face value of LVL 50. In 2004 the paid up share capital was LVL 4 337 100, consisting of 86 742 ordinary shares.

At the end of 2004 the 10th issue of shares was offered, as the result of which "TRASTA KOMERCBANKA" issued 24 000 shares of LVL 1 200 000 value. Face value of one share is LVL 50. The shares of the new issue are ordinary registered shares with voting rights and they do not stipulate any additional advantages.

The paid up share capital is as follows:

| Fixed capital | Paid up share capital |
|----------------------------|------------------------------|
| Category of a share | With voting rights |
| Type of a share | Ordinary registered |
| Face value of a share, LVL | LVL 50 |
| Number of securities | 110 742 |
| Total, LVL | 5 537 100 |

All shares are fully paid. On December 31, 2005 "TRASTA KOMERCBANKA" had not bought back and it did not hold in possession any of its shares.

The first half of 2006 "TRASTA KOMERCBANKA" concluded with profit of LVL 4,13 million, exceeding the result of the respective period in 2005 more than two times. In the first half of 2006 credit portfolio also showed a significant increase – volume of the portfolio grew for 42% during the half-year, reaching LVL 40.14 million.

At the end of June 2006 amount of capital and reserves of „TRASTA KOMERCBANKA” constituted LVL 13,61 million, which is 31% more than in 2005. Volume of deposits has grown up to LVL 232,76 million, and assets of the bank constitute LVL 268,87 million – these indices also exceed the data of 2005 for 45% and 38% respectively.

In September 2006 “TRASTA KOMERCBANKA” opened a branch office in Cyprus with a view to manage international trading transactions and investments of its customers in the European Union more thoroughly, as well as attract new customers to the bank from the EU states. The new branch office is located in the capital of Cyprus, Nicosia, and offers its customers wide range of services, from deposits and execution of settlements to loans, trade finance, currency operations, management of investment portfolios and consultations.

10.7. Licences

“TRASTA KOMERCBANKA” holds a credit institution operating licence No 8; the licence allows “TRASTA KOMERCBANKA” to operate as a credit institution. The credit institution operating licence No 8 was issued by the Bank of Latvia on December 12, 1991. “TRASTA KOMERCBANKA” also holds a licence allowing maintenance of accounts and term deposits of private individuals and legal entities. During the last three years “TRASTA KOMERCBANKA” has not been involved in any lawsuits that could affect operation and financial position of the bank significantly.

11. DESCRIPTION OF COMMERCIAL ACTIVITY OF ISSUER

“TRASTA KOMERCBANKA” is the oldest private bank in Latvia rendering exclusive elite service to its clients. Due to its philosophy of private approach „TRASTA KOMERCBANKA” forms a particular dialogue with each client and assists in development within frameworks of modern business conditions.

The main spheres of activity of “TRASTA KOMERCBANKA” are as follows:

- current accounts
- funding / crediting of various projects
- loans for corporate and private customers
- service of payment cards (debit cards and credit cards)
- issue of payment cards
- deposit accounts
- investment services and ancillary services in the financial instruments market

The supreme objective of “TRASTA KOMERCBANKA” is to render prompt, highest-quality and exclusive services of interest to its clients in the sphere of banking, offering its clients a friendly, dynamic and modern financial services through state-of-the-art technologies. “TRASTA KOMERCBANKA” carefully forms relationship with each client, ensuring his/her development and capital growth.

11.1. The main spheres of activities

11.1.1. Individual account maintenance

Private banker is an elite service complex of speed, confidentiality and protection of client’s interests. Private banker is a trustee of the client in the bank. Advantages of service of private banker is the close operative co-operation between the client and the bank in which the bank is represented by a professional with a vast working experience in the financial sphere and customer service.

“TRASTA KOMERCBANKA” offers its customers multi-currency current accounts for all kinds of settlements in lats, freely convertible currency, as well as CIS currencies. At the same time it may serve for saving money in various currencies.

For control and management of his/her account without attending the bank, the customer can choose remote banking systems: Internet banking “Trast.Net” and Phone banking.

11.1.2. Remote access services

Services of “TRASTA KOMERCBANKA” have been developed on the basis of modern technologies ensuring comprehensively convenient work routine to customers and allowing them to perform transactions in their accounts and access any bank service from anywhere in the world. “TRASTA KOMERCBANKA” was the first bank in Latvia that offered Internet Banking and Phone banking services to its customers.

Internet Banking

Trast.Net is a modern settlement system, quality and safety of which have been tested through the course of time. It helps customers manage their accounts and successfully solve their problems without leaving his/her computer 24 hours a day.

Advantages of Trast.Net

- It gives you advantage. Connection to the Trast.Net and usage of system is FOR FREE. Receiving of SWIFT copies for outgoing payments is FOR FREE. Performing of payments with Trast.Net is lower in cost.
- It is convenient. Trast.Net becomes a bank subsidiary where you may check the state of your accounts, transfer money and manage your accounts.
- It is fast. Within several seconds Trast.Net will provide all the necessary information on the state of your accounts and the payments settled.
- It provides free time. Using Trast.Net you spend less time on bank operations as you may do it when and where you wish. The new version of Trast.Net joins together the most sophisticated gains of information technology, as well as new special offers, which essentially increase the speed of financial operations.
- It is simple. Updated Trast.Net will care about simplicity in usage and demo version will assist you in Trast.Net system usage training.
- It is reliable. Your chosen password and the possibility to change it, your user name, unique dynamic authorization code (TESTKEY) and electronic signature (SIGNATURE) generated by Code Card and a multi-level system of Trast.Net protection ensure the confidentiality of your financial state.

Telephonebank

Telephonebank is an e-banking tool for using and receiving Bank's services via telephone. Wherever the client is, he/she can just make a call and management of accounts and informational support of „TRASTA KOMERCBANKA” is at his/her disposal. Our clients save time and find successful solutions even in the most difficult situations thanks to Telephonebank.

Customers of the bank can receive any kind of services through Telephonebank on the basis of payment order templates submitted by a client beforehand or by a client's verbal order if a Code Card is used:

- get information about the account balance and its changes;
- receive consultations from specialists of the bank;
- transfer money and perform other banking operations;
- apply for additional services

The security of services is guaranteed by a multilevel security system and state-of-the-art technologies, including a code card, a telephone call recording device, a password, client's identification questions and answers, as well as an opportunity to limit the maximum sum for each payment order template.

11.1.3. Loans

The well-organised business of our customers anticipates for further development possibilities. Therefore “TRASTA KOMERCBANKA” provides wide range of crediting services for financial support of our customers.

“TRASTA KOMERCBANKA” offers its clients flexible loan conditions and repayment terms, providing individual consultations regarding crediting issues. Customers can choose the most appropriate type of financing that is adequate to his/her aims. Legal entities are offered loans for business development, credit lines and overdrafts, and private individuals – loans against salary, mortgage loans, payment card credits, loans against collateral.

Loans for business development

Loan is the best solution when one wants to expand his/her business or replenish his/her short-term resources. Having received a loan the customer will be able to purchase new production equipment, premises or any other fixed assets, do repair works or acquire additional current assets and stabilize cash flow of an enterprise.

Credit lines

Credit lines are provided for customers if he/she needs several loans within a specified limit. Short-term loans for financing of current assets allows to increase the assets for implementation of a particular project, prevent seasonal character of enterprise or maintain reserves at a specific level. Credit line is granted for a period up to one year. Account of credit line anticipates money movement: loan may be received at any time within the specified limit and repayed if there are free funds.

Overdraft

Overdraft is a credit limit in an account of a customer. Regular clients who might have short-term cash problems due to job specifics are offered to use overdraft, i.e. to use bank financial resources for provision of short-term financing. If necessary, the borrower uses bank credit and the monies transferred to his/her account repays the overdraft.

Mortgage loans

In order to ensure the possibility for customers of the bank to purchase new flat, house or a piece of land or in case customer requires resources for repair- or building works, “TRASTA KOMERCBANKA” develops mortgage lending for private individuals. Amount of the loan may reach 75% of the value of collateral. The customer must only submit assessment of the real estate made by certified appraiser of immovable property. The loan is available in lats, euros, or US dollars, also any other convertible currency if the client requires. The bank grants loans for a term up to 15 years to customers with good reputation. The customer can receive a loan against pledge of flat, house or a piece of land, as well as with a view to purchase them. The purchasing deal is performed through escrow account, if necessary. The real estate must be insured during the validity period of the loan agreement. Lawyers of the bank solve the problems associated with preparation of documents requisite for purchasing of property. Consultations of professionals of the sphere of real property will assist customers to grasp the real estate market.

Loan against salary

Customers of the bank may also have a loan against their salary. The loan against salary allows various purchases and services using the monthly income, as well as the loan from the bank.

One loan against salary may be granted to one or two private individuals who have regular monthly income. The loan is also available to private individuals whose income is not transferred to an account with “TRASTA KOMERCBANKA”. The loan against salary is available in lats for a term from 3 to 24 months and up to 5 (net) salaries according to monthly income amount. The minimum loan is LVL 200, the maximum – LVL 2 500. The collateral of the loan is the salary or other regular income. In case one loan is granted to two borrowers, income of the both are considered. The customer pays an interest from 10% per year to the bank monthly for the used amount of the loan and part of the principal amount according to payment schedule. Decision on granting the loan is made within 1 day following submission of all the documents.

11.1.4. Payment cards

Having a payment card customers of "TRASTA KOMERCBANKA" can travel easily, make purchases in any country of the world without worrying about the currency exchange, declaration of money on the border or concern about the safety of their wallet. Payment cards are convenient and profitable also for managers of companies. Payment cards issued by „TRASTA KOMERCBANKA” can be used as Salary Cards (see Maestro) or to cover staff's business trip or other expenses, as well as to get extra financing in amount of credit limit (see EC/MC Business). All payments by Maestro Card and Mastercard issued by „TRASTA KOMERCBANKA” are free of charge either in Latvia or abroad. The new payment cards of „TRASTA KOMERCBANKA” combine both – the modern chip and traditional magnetic stripe which ensures safety of purchases of the bank's customers at a higher level.

Maestro



Maestro Card is a classical debit card for settling accounts and cash withdrawal in Latvia and abroad from ATMs with the Maestro symbol. It gives access to the money on card account with „TRASTA KOMERCBANKA” any time and anywhere in the world. The account of Maestro card may be in lats, US dollars and euro. Making payments or withdrawing cash abroad the currency is exchanged automatically to the currency of the respective country. Purchases are free of charge. Maestro Card can also be used as a salary card.

Eurocard/MasterCard

Mastercard Mass



Mastercard Business



Mastercard Gold



Mastercard (MC) Payment Card can be used in any shop or place of rendering services and in banks all over the world where there is a Mastercard symbol. EC/MC Card also allows payments on the Internet. Account of EC/MC payment card can be in lats, US dollars and euro. When travelling abroad, currency exchange is no longer necessary as the payment for purchases and services will be converted into the currency of your card. Several card users can be linked to the same card account, the client only have to make extra cards for other users. If the Bank has granted a credit limit to your card account you can use both the assets deposited and extra assets. There is no need to restore the minimum balance by the definite date of the next month. The Bank grants a credit till the end of the card validity term. In addition MC Payment Card owner may receive the extended travel insurance package. This insurance stipulates for unforeseen medical expenses, expenses associated with accidents and several other types of expenses associated with traveling abroad. For each card type there are different insurance amounts and programmes.

Cirrus



Cirrus Card is a debit card for cash withdrawal from ATMs anytime and anywhere in the world with the Cirrus symbol.

11.1.5. Trade finance

In order to operate successfully a modern enterprise requires steady flow of funds, risk elimination in financial transactions, and management and administration of receivables. Trade finance means close cooperation between the Bank and a Client, that guarantees the most appropriate way of conducting financial operations. The experience and wide range of contacts of Trade Finance division allows to find an exclusive, individual solution for each operation, providing a Client with reliable service, which allow to make expenses less and to increase a profit.

Factoring

Factoring service is a modern and flexible way of financing of current assets against receivables. "TRASTA KOMERCBANKA" credits customers in the amount of 70-99% of the receivable according to advance rate which depends on the amount and term of a transaction, as well as solvency of a debtor. Customer's debtors make settlements with the bank for 100%.

Factoring is intended for enterprises, which concurrently with the increase of sales have a rapidly growing number of debtors and increased expenses related to the control of customers and administration of invoices. **Factoring allows to receive fast financing and makes the following possible for the enterprise of the customer:**

- to increase trade volume;
- to make settlements with suppliers promptly and conveniently;
- to receive prompt payment for sold goods in the amount of 90%;
- to defer payments for purchased goods up to 90 days;
- to improve liquidity.

Domestic factoring provides crediting of enterprises against receivables of Latvia. International factoring protects exporters and importers from risks of financial operations. International factoring allows crediting of exporters of Latvia without any collateral. Since 2004 „TRASTA KOMERCBANKA” has represented Latvia in the world's biggest international factoring organization *Factors Chain International*, providing factoring service to customers in 59 countries.

Letter of credit

Letter of Credit (LoC, L/C) is a guarantee provided by the Bank at the importer's request where the Bank undertakes to pay a certain amount of money to the exporter against the documents specified by the Letter of Credit. **Regarding the movement of goods (import or export) „TRASTA KOMERCBANKA” offers its customers Import Letters of Credit and Export Letters of Credit. According to specifics of a transaction the Bank develops an individual scheme of Letter of Credit in every individual case.**

Documentary collections

A Documentary Collection is a procedure where the Bank charging the agreed sum of money from the buyer against the documents. Depending on the movement of goods (export, import), „TRASTA KOMERCBANKA” can offer Import Documentary Collections or Export Documentary Collections.

Guarantees

Guarantee is the Bank's irrevocable commitment to pay a specific amount to the receiver of the guarantee in a specified term in case the Bank's customer does not fulfil its liabilities. Elaboration of Bank's Guarantee for each client passes in strictly individual order - proceeding from conditions of specific trading operation of the Customer.

11.1.6. Deposits and investments

“TRASTA KOMERCBANKA” specialises in asset management of its customers. Consultations and recommendations in the sphere of finance planning allows customer of the bank to reduce risks, constantly be aware of the situation in markets and manage their financial funds effectively. Considering needs and aims of customers, experts of “TRASTA KOMERCBANKA” make comprehensively advantageous offers, combining manifold investment tools.

Current Account

The customer may deposit money in a current account of “TRASTA KOMERCBANKA” for indefinite period of time – the bank calculates profit interest for balance of account. The customer can use remote banking tools for management of current account or order the bank to perform regular payments from the account without coming to the bank.

Term deposits

„TRASTA KOMERCBANKA” offers favourable deposit programmes that gives an opportunity to receive profit from deposits for a specified period. Money can be deposited for a period of time from 1 month up to 5 years. Interest rates are fixed. The customer can choose the schedule of getting the interest payments: once a month or at maturity.

Term deposits are acceptable in Lats, US dollars and Euro. Other currencies are converted into any of the above-mentioned ones according to the exchange rate set out by the Bank. Term deposits can be set up through Internet banking system Trast.Net or Telephone banking system.

Savings account

Savings account is a deposit for an indefinite period at favourable interest rate and at the same time possibility to withdraw money from the account whenever needed having noticed the Bank only a week before. The deposit in the savings account can be made either in lats, US dollars or euro; other currencies are converted into any of the above-mentioned ones according to the exchange rate set out by the Bank. Savings account can be replenished whenever the client wishes. Savings accounts can be managed through remote management tools – Internet banking system Trast.Net or Telephone banking tool.

Securities

Investing in securities (shares, bonds, futures, etc.) is an investment type that allows earning more than with bank term deposits. „TRASTA KOMERCBANKA” offers a full range of services related to investment in securities. Operating in different securities markets is one of the cornerstones of „TRASTA KOMERCBANKA”'s strategy. The Bank started its operations in securities in the middle of 1995 by getting seriously involved in the Latvian state securities market operation. All operations are performed on-line allowing fast and active trade with liquid financial tools in the most developed markets in the world.

The Bank specialises in rendering high-quality services to institutional investors and customers with mid- and large-size securities portfolios. Currently clientele of „TRASTA KOMERCBANKA” comprises commercial banks of Latvia, insurance and brokerage companies, local and foreign investment funds.

Service of „TRASTA KOMERCBANKA” in securities operations:

- **Brokerage services** (operations with different securities);
- **Custody services** (The Bank opens, holds and maintains customer securities accounts);
- **Additional possibilities of financing operations in securities market** (Customers can be credited against collateral of their securities, REPO deals, securities lending, to perform margin trade deals in securities.);
- **Analysis and consultations.** Customers can obtain consultations on investment possibilities in Latvia and abroad, as well as specific information and surveys of securities market trends in different markets. In addition, consultations in making investment portfolios are offered.

Trust services

The fundamentals of trust operations are professional protection of customer's interests. „TRASTA KOMERCBANKA” acts on behalf of client as his/her trustee.

Trust operations help customers to achieve higher profitability in asset management and reduce risk making investments in securities or financial markets and other tools. “TRASTA KOMERCBANKA” offers a wide variety of services in the trust management of property, fund investment into real estate and other confidential operations.

The bank helps to develop investment strategy and assess potential risks associated with investing into securities. The bank provides customers with an access to different financial tools and markets enabling the customer to use his/her money resources more effectively. The bank offers operations like spreading of money into other credit institutions with high interest rate, as well as trust operations of securities. Trust operations of securities are based on investment portfolio principle with a view to improve investment conditions which cannot be achieved through investments only into separate securities, but through combination of them. Portfolio of securities is a tool which enables investor distribute risks and minimise the effect of particular risk categories on investment result.

The entrusted property is provided with accounting within the limits of a separate trust balance of the Bank - it cannot be alienated in favour of third parties.

Foreign exchange operations

On the basis of its experience in the sphere of currency exchange in the international financial market "TRASTA KOMERCBANKA" offers currency purchase and sale deals against cover in the international bank currency market, Forex, enabling to make profit, as well as reduce exchange risk. Forex is the largest financial market in the world. And direct contact with highly qualified experts of the bank enables customers to implement their investment opportunities at best. The bank offers optimum service providing operative information, broker consultations and help in currency operations without actual currency supply where transaction amount exceeds the paid cover amount for several times, as well as ensure the simplest possible conclusion of transactions.

11.2. Operation policy of the bank

“TRASTA KOMERCBANKA” has elaborated a system for identifying, supervision and control of the main financial risks. This system is being improved on a regular basis considering development of markets and principal activities. For observance of the norms of ratios characterising operation of the Bank – capital adequacy, liquidity, foreign currency position, risk management of Bank's transactions and other ratios – the following policies of the Bank have been approved:

11.2.1. Credit policy of the Bank

Considering the strategy of “TRASTA KOMERCBANKA” the goal of the Credit policy is to reduce loan risk, increase loan profitability, as well as provide constant operation and profitability of the bank, encourage entrepreneurship, to promote business development. The bank provides lending services to corporate and private entities, residents of the Republic of Latvia and non-residents. The bank takes on assessable and manageable loans with the maximum term being 15 years. The bank's loan policy sets collateral types, describes loan granting, documentation and control procedures. The policy sets industry limits, and loan portfolio volume limits in comparison to the bank's assets and deposits. Safety and maximum risk reduction lie at the foundation of the credit policy of the bank, therefore the bank grants loans to customers with sufficient credit standing who holds reasonable amount of assets in order to ensure repayment of principal amount of loan and interest payments; the bank also performs classification of its credit portfolio once a month according to loan or collateral, as well as customer financial position. The credit policy of the bank stipulates for general procedure of granting loans and guarantees, and repayment of them, procedure of risk transaction control and supervision, basic principles of analyses of borrower's financial position, classification of credit portfolio, procedure of implementation of security measures in the case of potential loss. The customers of the bank are offered the following lending services:

- commercial loans,
- loan in the form of overdraft,
- loan in the form of credit line,
- consumer credit,

- loan against real property pledge,
- letters of credit,
- guarantees,
- factoring,
- financial leasing,
- crediting of credit cards,
- syndicate loans,
- other lending services.

The Credit policy of the Bank also stipulates for the maximum ratio of lending amount against the value of collateral in market prices. The fundamental principal the bank follows when appraising collateral, is the market price of the collateral and its liquidity, as well as all the circumstances that could create changes in the market price of the collateral. Considering the effective and the planned resource structure the bank grants short-term and long-term loans (up to 15 years).

When forming its credit portfolio the bank controls concentration of loan risks and observes the limits of maximum amount of the credit portfolio stipulated by standards. According to appraisal loans and off-balance sheet liabilities are to be classified as standard, supervised, substandard, doubtful and lost loans and liabilities. For loans and off-balance sheet liabilities classified as substandard special provisions are made amount of which should not go under 10 – 100% of the credit amount (depending on the loan classification). According to the credit policy of the bank the Internal Audit Department performs audit of activities of the bank regarding crediting on a regular basis.

11.2.2. Liquidity management policy

The fundamental goal of the liquidity management policy of "TRASTA KOMERCBANKA" is to stipulate for amount of funds that would secure it against risk of not being able to meet claims of customers in due time. The bank has chosen the active method of liability management spreading funds in profitable assets as much as possible and not maintaining liquidity by keeping the liabilities in the form of the 1-st degree assets. The bank maintains sufficiently high level of internal liquidity (liquidity reserve) on a daily basis in order not to make a single doubt for customers and the market regarding its liquidity, as well as not to incur unnecessary losses attracting resources on the side.

In order to provide sufficient liquidity the bank assesses and plans term structure of assets and liabilities on a regular basis. The bank maintains liquid assets for meeting liabilities sufficiently, but not less than 30% of total present liabilities (liquidity ratio). The bank tries to spread money coordinating the assets with the structure of liabilities as much as possible unless strategy of the bank stipulates for otherwise.

When spreading assets for a term longer than that of the liabilities, if necessary, it is desirable that the term of spreading is as short as possible and the difference between the terms of assets and liabilities does not exceed one year.

The bank focuses on a very high quality of balance sheet, and in particular – that of the assets.

The bank focuses on flexible balance sheet that would allow its re-structuring promptly and without losses.

11.2.3. Foreign currency risk management policy

The fundamental goal of foreign currency risk management policy of "TRASTA KOMERCBANKA" is to stipulate for a set of measures to decrease potential losses of the bank as much as possible that could occur from currency exchange rate fluctuations in the case of imbalance of assets and liabilities of the bank in the currency section. The principal functions of the foreign currency risk management policy are:

- to maintain optimum ratio between the open foreign currency position of the bank and profitability of the bank;
- to provide regular compliance of the foreign currency risk of the bank with the requirements of the FCMC and internal limits.

In the currency section the assets of the bank must be coordinated with the liabilities in the respective currencies (i.e. the bank must keep as less currency positions as possible, as well as the total position). In order to ensure control of foreign currency risk, the bank sets limits to currency risk, which the currency may be exposed to.

The bank sets certain limits to open currency positions in order to minimise currency risks as much as possible:

- day limit of a dealer for one currency;
- total day limit of a dealer;

- overnight limit of a dealer for one currency;
- total overnight limit of a dealer;
- specific limits of open speculative positions of the bank;
- marginal trading limits;
- various necessary limits and restrictions, which would not allow the bank to incur great losses as the result of currency exchange rate fluctuations.

In addition to that, the bank introduces daily supervision system of open positions. The bank also provides the accounting and management information system which would allow to receive information on foreign currency positions in the real time. The system must provide:

- automated record keeping of dealers' transactions and control in the real time;
- control of currency positions in the real time;
- compliance of the present currency positions with the limits set by the bank and requirements of the FCMC.

11.2.4. Country risk management policy

The fundamental goal of country risk management policy of "TRASTA KOMERCBANKA" is to stipulate for a set of measures that would decrease the risk to incur losses by the bank as much as possible due to excessive asset concentration within one country. The Republic of Latvia and service of its residents is considered the prior field of activity by the bank.

When servicing clients – non-residents, the bank tries to operate not exposing itself to country risk as much as possible and customers are primarily offered the services which are not associated with taking risk of a particular country or with a minimum increase of it within the limits of the country risk set by the bank.

Special care and attention are paid by the bank to the country risk of B zone countries, as well as restriction, supervision and control of the risk.

The bank tries to avoid excessive concentration of assets (and other risks) in one country, notwithstanding the economic, political and financial situation of the country.

The bank introduces and follows strictly the control mechanism that does not allow excessive country risk.

The bank maintains even and balanced exposition to different countries and their residents. The bank reduces country limits where necessary or even leaves the respective markets if it considers them as too risky despite the profit possibilities.

There are limits and control tools of country risk for regulation of the country risk.

11.2.5. Trading portfolio management policy

The trading portfolio management policy of "TRASTA KOMERCBANKA" has been prepared in accordance with the "Regulations of procedures for the calculation of capital adequacy" by the Financial and Capital Market Commission. The policy stipulates for types of assets and transactions to be included in the trading portfolio. It also provides a detailed description regarding control and supervision of transactions of trading portfolio and assessment of positions, as well as methodology of risk assessment, calculation of capital requirements and procedure of report preparation. The bank divides all its balance sheet and non-balances sheet items into the bank portfolio and trading portfolio depending on the essence of transactions reflected in them and purchasing purpose of financial instruments. 85% of bank's transactions forms the bank portfolio and 15% - trading portfolio.

There is separate accounting of the bank portfolio and trading portfolio in the book-keeping of the bank.

Evaluation and regular control of risk factors of trading portfolio is a daily function of the bank.

11.2.6. Interest rates risk management policy

The fundamental goal of **interest rates risk management policy** of "TRASTA KOMERCBANKA" is to define method or risk minimization within bank profitability, liquidity aims and risk control. In order to reduce interest rates risk, the bank sets internal limits for interest rates risk, action in the case failure to observe the internal limits, regularity and procedure of stress testing.

11.2.7. Clients policy

Clients policy is the fundamental principles which are followed by "TRASTA KOMERCBANKA" in its operation in order to comply with legal requirements and minimise a possibility of cooperation with clients involved in laundering proceeds derived from crime, as well as not to allow losses associated with rapid loss of loyalty. The goal of clients policy is:

- to determine range of potential clients which the bank wants to cooperate with,
- to determine the range of potential clients and their characteristics describing the clients the bank do not cooperate with,
- to determine characteristic features of "high-risk" clients,
- to determine supervision procedure of transactions performed by clients.

When evaluating its potential customer, as well as managing funds of its client on the basis of trust agreement, the bank considers:

- his/her reputation,
- registration country,
- economic activity.

The clients policy describes activities of the bank according to Procedure of identification, control and report of **unusual** or **suspicious** transactions of clients, Procedure of opening multicurrency current account and other accounts, Instruction on document verification and preparation. The List of elements of suspicious financial transactions and the List of elements of unusual financial transactions have been adopted separately.

11.3. The main markets

The main market of activity of "TRASTA KOMERCBANKA" is the territory of the Republic of Latvia. The range of customers of the bank is formed by various enterprises and private individuals, both Latvian residents and non-residents. Here is the market division of the most substantial products (deposits and loans) in different aspects according to the most recently audited data.

11.3.1. Division of deposits

Geographical division of deposits as of June 30, 2006:

Latvian residents – 2 %
EU residents – 43 %
Residents of the USA – 9 %
Residents of the CIS – 1 %
Other – 45 %
Total: 100 %

Deposits by customer groups as of June 30, 2006:

Legal entities – 94 %
Private individuals – 6 %
Total: 100 %

Deposits by initial validity period of agreements as of June 30, 2006:

Demand deposits – 97 %
Up to 6 months – 2 %
6 to 12 months – 0 %
1 to 5 years – 1 %
Total: 100 %

11.3.2. Division of credit portfolio

Geographical division of credit portfolio as of June 30, 2006:

Latvian residents – 66 %
EU residents – 7 %
Residents of the USA – 5 %
Residents of the CIS – 17 %
Other – 5 %
Total: 100 %

Credit portfolio by customer groups as of June 30, 2006:

Private enterprises – 63 %
Private individuals – 23 %
Staff – 4 %
Financial institutions – 3 %
Related enterprises – 7 %
Total: 100 %

Credit portfolio by industries as of June 30, 2006:

Loans to private individuals for home purchase – 21 %
Trade – 20 %
Financial intermediation – 15 %
Transport, storage and communications – 10 %
Manufacturing industry – 10 %
Real estate activities – 9 %
Construction – 4 %
Other loans of private individuals – 4 %
Mining and quarrying – 4 %
Consumer loans of private individuals – 2 %
Agriculture – 1 %
Total: 100 %

Credit portfolio by types of loans as of June 30, 2006 :

Commercial loans – 48 %
Mortgage loans – 25 %
Industrial loans – 8 %
Bills of exchange – 4 %
Factoring - 4 %
Reverse REPO – 3 %
Overdrafts – 1 %
Loans for purchase of consumer goods < 1 %
Security term deposits < 1 %
Payment cards credits < 1 %
Other – 6 %
Total: 100 %

Credit portfolio by validity period of agreements as of June 30, 2006 :

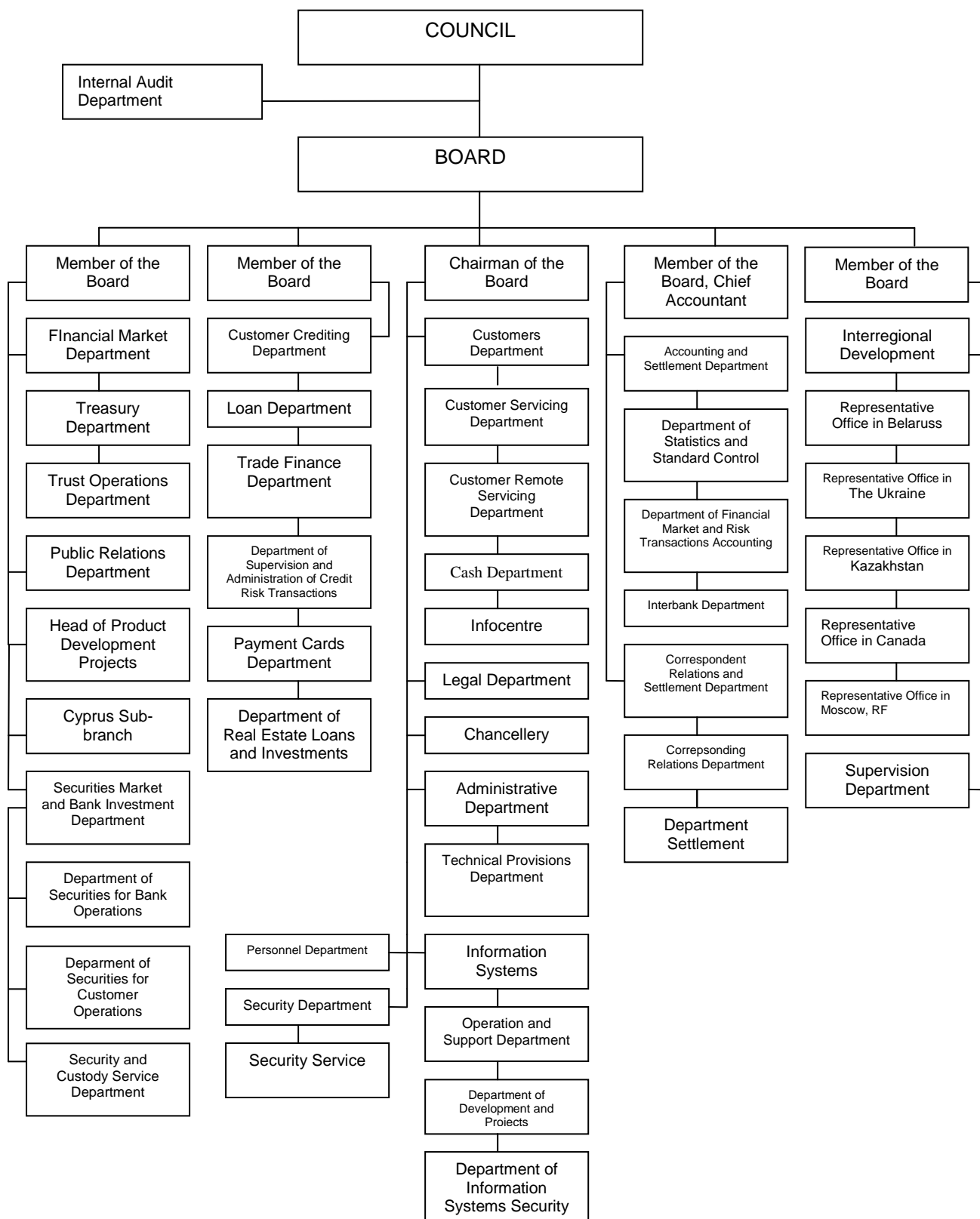
Up to 6 months – 7 %
6 to 12 months – 29 %
1 to 5 years – 40 %
5 years and up – 24 %
Total: 100 %

Analyses of credit collaterals as of June 30, 2006 :

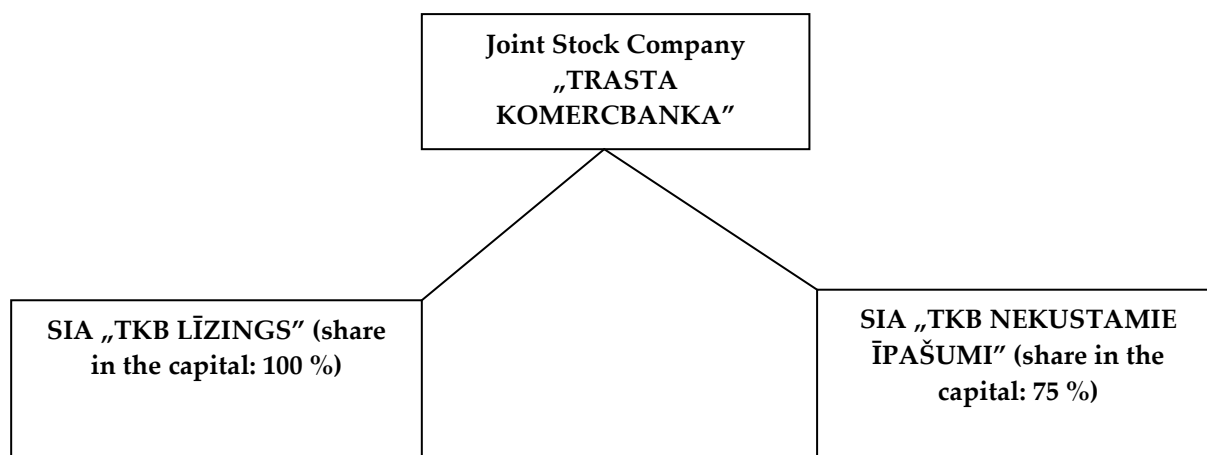
Flats, residential buildings, land – 50 %
Commercial pledge (assets and fixed assets) – 25 %
Vehicles – 11 %
Securities and capital shares (value of balance sheet) – 5 %
Cash and deposits – 5 %
Commercial real estate – 3 %
Guarantees – 1 %
Total: 100 %

12. ORGANISATIONAL STRUCTURE OF ISSUER

12.1. Internal organisational structure of Issuer



12.2. Organisational structure of concern of Issuer



As the leading company, „TRASTA KOMERCBANKA” goes into a group of enterprises, which incorporates subordinate companies: Limited liability company „TKB LĪZINGS” (share of the bank in the fixed capital – 100 %) and Limited liability company „TKB NEKUSTAMIE ĪPAŠUMI” (share of the bank in the fixed capital – 75 %). „TRASTA KOMERCBANKA” is not a subordinate company within the group of enterprises.

13. INFORMATION ON TRENDS

Operational and financial prospects of "TRASTA KOMERCBANKA" have not substantially changed for the negative since the publishing day of the last audited financial report. Similarly, "TRASTA KOMERCBANKA" has not found trends or factors of uncertainty. It does not possess any information on claims, liabilities or developments that may affect prospects of the bank within the current or next financial years.

14. ADMINISTRATION, MANAGEMENT AND SUPERVISION STRUCTURAL UNITS

Administration, Management and Supervision structural units of "TRASTA KOMERCBANKA" is the Shareholders' meeting, the Council and the Board.

Council of "TRASTA KOMERCBANKA":

Igors Buimisters – Chairman of the Council, identification No 071164-10522, address : 6-4 Šķūņu street, Riga, LV-1050, Republic of Latvia

Alfrēds Čepānis – Member of the Council, identification No 030843-13059, address : 2 Ievu street, Garkalnes Parish, Rigas District, LV-2137, Republic of Latvia

Charles Treherne – Member of the Council, address : Flinstone House, Easling, Faversham, Kent, ME13 0BA, UK

Board of "TRASTA KOMERCBANKA":

Gundars Grieze – Chairman of the Board, identification No 101261-10715, address: 3-90 Jasmuižas street, Riga, LV-1021, Republic of Latvia

Māris Fogelis – First Deputy Chairman of the Board, identification No 220768-11801, address: 8-7 Alberta street, Riga, LV-1010, Republic of Latvia

Viktors Ziemelis – Deputy Chairman of the Board, identification No 220670-12020, address: 24-96 Purvciema street , Riga, LV-1035, Republic of Latvia

Svetlana Krasovska – Member of the Board, identification No 050268-10611, address: 31-15 Sarkandaugavas street, Riga, LV-1005, Republic of Latvia

Tatjana Konnova – Member of the Board, identification No 240754-11821, address: 59/61-25 Tērbatas street, Riga, LV-1001, Republic of Latvia

The members of the Council and the Board of "TRASTA KOMERCBANKA" do not have any business activities outside "TRASTA KOMERCBANKA" that would be essential regarding operation of the bank.

15. PRINCIPAL SHAREHOLDERS

The total number of shareholders constitutes 44, of which 12 are legal entities and 32 private individuals.

The principal shareholders of "TRASTA KOMERCBANKA" are :

| Name / Title | Country | Interest |
|-------------------------------|-----------------|----------|
| Igors Buimisters | Latvia | 32,98 % |
| <u>Sergey Tarasenok</u> * | Latvia | 16,19 % |
| „Powerplus LLC” | USA | 7,78 % |
| „GCK Holdings Netherlands BV” | The Netherlands | 7,78 % |
| „Rikam S.A.H.” | Luxembourg | 7,77 % |
| Charles Edward Treherne | GB | 7,77 % |

*- due to the fact that Sergey Tarasenok has died, the shares of Sergey Tarasenok have been included into entirety of property of an estate. According to Opinion of Orphan’s Court, dated May 11, 2005, in the case No 1-6/849 Māra Beķere (identification No 061176-1030), sworn advocate, has been assigned as a trustee of the entirety of property of the estate consisting of 17 929 shares of „TRASTA KOMERCBANKA”.