

Translated from Latvian

AS LTB BANK

**PUBLIC REPORT
FOR THE 12 MONTHS PERIOD
ENDED 31 DECEMBER 2011
(AUDITED)**

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1. OVERVIEW, OWNERSHIP AND MANAGEMENT**1.1. SHAREHOLDERS**

As at 31 December 2011, MDM Bank (Open Joint Stock Company) incorporated in the Russian Federation (registration number 1025400001571, registration place – Novosibirsk), was the sole shareholder of AS LTB Bank (hereinafter – the Bank) with 100% of the Bank's paid-in share capital.

The Bank's paid-in share capital amounts to 8 200 thousand LVL and consists of 820 000 voting ordinary registered shares with the nominal value of 10 LVL each.

On 21 November 2011, a share disposal agreement was signed between MDM Bank, a 100% shareholder of the Bank, and Igor Kim resulting in the latter becoming the owner of 100% shares of the Bank as of 9 February 2012 when the change was registered with the Register of Enterprise of the Republic of Latvia.

1.2. THE COUNCIL

As at 31 December 2011, the Members of the Council of the Bank were as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Nikita Ryauzov	Chairperson of the Council	08/10/2010
Anna Arkhangelskaya	Deputy Chairperson of the Council	11/05/2010
Anton Savushkin	Member of the Council	11/05/2010
Artem Kirillov	Member of the Council	24/01/2011

During 2011 the following Members of the Council resigned:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>	<i>Date of resignation</i>
Nikolay Ustinov	Member of the Council	11/05/2010	24/01/2011

On 24 January 2011, the shareholders meeting recalled the member of the Council, Nikolay Ustinov, and appointed the new member of the Council, Artem Kirillov. On 16 March 2011, the changes in the composition of the Bank's Council were registered in the Register of Enterprise of the Republic of Latvia.

On 9 February 2012, the Extraordinary Shareholders' Meeting made a decision to replace Nikita Ryauzov, Anna Arkhangelskaya, Anton Savushkin and Artem Kirillov on the Council of the Bank by appointing Igor Kim, Kirill Nifontov and Ilya Mitelman as the new members of the Bank's Council. The changes in the Council were registered with the Enterprise Register of the Republic of Latvia on 15 February 2012.

1.3. THE BOARD

As of the date of this report the structure of the Board of the Bank was as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Māris Avotiņš	Chairman of the Board	01/09/2011
Inna Harčenko	Deputy Chairperson of the Board	23/12/2005
Gints Čakāns	Member of the Board	01/09/2011

Up to date of signing these financial statements, the following Members of the Board of Directors were recalled:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>	<i>Date of resignation</i>
Armands Šteinbergs	Chairman of the Board	25/09/2000	01/09/2011
Valda Knauere	Member of the Board	06/11/2000	22/07/2011
Rolands Pētersons	Member of the Board	15/03/2010	08/07/2011

On 8 July 2011 and 14 July the Council recalled members of the Board Rolands Pētersons and Valda Knauere and on 14 July 2011, Māris Avotiņš was appointed to the Board. On 22 August 2011 Armands Šteinbergs resigned from the position of the Chairperson of the Board, and subsequently Māris Avotiņš was appointed as the Chairperson of the Board, and Gints Čakāns was appointed as the new member of the Board.

The resignations of Rolands Pētersons and Valda Knauere were registered in the Register of Enterprise of the Republic of Latvia on 17 July and 5 August 2011 respectively. The appointment of the new member of the Board, Māris Avotiņš, was registered in the Register of Enterprise of the Republic of Latvia on 5 August 2011. The resignation of Armands Šteinbergs from the position of the Chairperson of the Board, the appointment of Māris Avotiņš for the position of the Chairperson of the Board, and the appointment of Gints Čakāns to the position of the Member of the Board were registered in the Register of Enterprise of the Republic of Latvia on 1 September 2011.

1.4. PRINCIPAL ACTIVITY, STRATEGY AND OBJECTIVES

The Bank's principal activity basically consists of customer cash flow servicing, including servicing of checking accounts, cash transfers (wire transfers), trade finance transactions, foreign exchange, servicing of debit and credit cards and trust management services.

Organisational structure of the Bank is based on functionality and comprises nine departments, each accountable to and supervised by a specific member of the Board. In addition, there are three committees and two commissions accountable to the Board. The Bank has one branch in the Republic of Cyprus. The Bank has no branches in Latvia.

The Bank's operation plan for the year 2011 is mainly geared towards the continuation of the Bank's existing business and maintaining a diversified business model focussed on customers, as well as extending an offer of lending services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This report has been prepared in accordance with “Regulations on Preparation of Public Quarterly Reports for Credit Institutions” approved by the Financial and Capital Market Commission (FCMC).

The scope and assessment methods of the balance sheet and income statement comply with “Regulations on the Preparation of Annual Reports and Annual Consolidated Accounts for Banks, Investment Brokerage Firms and Investment Management Companies” of the Financial and Capital Market Commission and with International Financial Reporting Standards (IFRSs) adopted by the European Union.

All amounts are reported in thousands of lats (LVL'000), which is the official currency of the Republic of Latvia and the Bank's functional currency.

In view of the range of the Bank's services and associated volatility of assets the Bank calculates average values of capital and reserves based on balance sheet balances as of each day and uses this method, which is more precise and sensitive than others, on ongoing basis within the Bank's internal control system for reporting to the management. In addition, the Bank provides in clause 3.4 of this report ROA and ROE statements prepared in accordance with the aforementioned method.

3. FINANCIAL RESULTS AND PERFORMANCE

3.1. BALANCE SHEET

Item	31.12.2011 LVL'000 <i>Audited*</i>	31.12.2010 LVL'000 <i>Audited*</i>
Assets		
Cash and demand deposits with central banks	12 975	7 551
Due on demand from credit institutions	182 474	395 010
Financial assets held-for-trading	-	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	12	11
Loans and receivables	46 325	41 415
<i>Term deposits due from credit institutions</i>	46 308	41 233
<i>Loans to customers</i>	17	182
Financial assets held-to-maturity	-	-
Changes in fair value of portfolio proportion limited to interest risk	-	-
Prepaid expense and accrued income	52	89
Fixed assets	165	208
Investment properties	-	-
Intangible assets	289	275
Investments in subsidiaries	-	-
Tax assets	16	242
Other assets	10	384
Total assets	242 318	445 185
Liabilities		
Due to central banks	-	-
Due on demand to credit institutions	397	55
Financial liabilities held-for-trading	-	-
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	195 667	400 312
<i>Term deposits due to credit institutions</i>	-	-
<i>Deposits from customers</i>	195 667	400 312
Financial liabilities resulting from transfer of financial assets	-	-
Changes in fair value of portfolio proportion limited to interest risk	-	-
Deferred income and accrued expense	149	140
Provisions	172	124
Tax liabilities	22	20
Other liabilities	85	136
Total liabilities	196 492	400 787
Shareholders' equity and reserves	45 826	44 398
Total liabilities, shareholders' equity and reserves	242 318	445 185
Assets and liabilities under trust management	272	7 044
Off-balance sheet items		
Contingent liabilities	234	33
Off-balance sheet commitments to customers	466	30 169

*Auditors: SIA „KPMG Baltics”

3.2. INCOME STATEMENT

Item	For 12 months 2011 LVL'000 <i>Audited*</i>	For 12 months 2010 LVL'000 <i>Audited*</i>
Interest revenue	2 003	955
Interest expense	(609)	(494)
Income from dividends	-	-
Commission and fee revenue	834	853
Commission and fee expense	(83)	(75)
Net realized profit/loss from financial assets and liabilities held at amortized cost	-	-
Net realized profit/loss from available-for-sale financial assets	-	-
Net profit/loss from financial assets and liabilities held-for-trading	-	-
Net profit/loss from financial assets and liabilities at fair value through profit or loss	-	-
Changes in fair value due to risk minimization accounting	-	-
Net profit from dealing and revaluation of foreign currencies	2 524	2 886
Profit/loss from derecognition of property, plant and equipment, investment property and intangible assets	-	-
Other revenue	17	14
Other expense	(428)	(248)
Administrative expense	(2 480)	(2 091)
Depreciation	(120)	(81)
Allowance for impairment	(6)	(2)
Impairment losses	-	-
Profit before income tax	1 652	1 717
Corporate income tax	(224)	(220)
Profit for the reporting period	1 428	1 497

*Auditors: SIA „KPMG Baltics”

3.3. PERFORMANCE INDICATORS IN ACCORDANCE WITH FCMC REGULATIONS*

Entry	For 12 months 2011	For 12 months 2010
Return on equity (ROE) (%)	3,17	3,42
Return on assets (ROA) (%)	0,55	0,59

* **return on equity (ROE)**. The return on equity ratio is calculated as the ratio of profit/loss¹ of the reporting period (after tax) to the average² value of the Bank's capital and reserves;

return on assets (ROA). The return on assets ratio is calculated as the ratio of profit/loss¹ of the reporting year (after tax) to the average² value of the Bank's assets;

¹ Profit/loss is calculated as follows: profit/loss (p/l) (after tax) as of the end of the reporting period is multiplied by the number of months of the year and related to the number of months from the beginning of the year to the end of the reporting period; for example, I quarter: $p/l * 12/3$; II quarter: $p/l * 12/6$; III quarter: $p/z * 12/9$; IV quarter: $= p/z * 12/12$.

² Average value is calculated as the arithmetic mean of the balance sheet assets or residual capital and reserves of the respective months (on the last business day of the month) as from the beginning of the year to the end of the reporting period.

3.4. PERFORMANCE INDICATORS ACCORDING TO INTERNAL ASSESSMENT**

Entry	For 12 months 2011	For 12 months 2010
Return on equity (ROE) (%)	3,14	3,42
Return on assets (ROA) (%)	0,54	0,59

** Average value of capital and reserves and assets is calculated as the arithmetic mean of the balance sheet assets or residual capital and reserves for the respective days as from the beginning of the year to the end of the reporting period.

Profit/loss is calculated as outlined in clause 3.3 hereof.

4. RISK AND CAPITAL MANAGEMENT

AS LTB Bank has provided information about its risk and capital management policies, including management of credit risk, concentration risk, liquidity risk, foreign exchange risk and interest rate risk, as well as about compliance with capital requirements and internal capital assessment at the Bank's Internet site:

<http://www.ltbbank.com/eng/left/about-us/risk-management>

Liquidity, open foreign currency position and capital adequacy are characterised by the following indicators:

Entry	As at 31 December 2011	As at 31 December 2010
Liquidity indicator (%)	124,26	99,65
Open Foreign Currency position (%)	5,22	3,71
Capital adequacy indicator in line with regulatory requirements (%)	67,15	39,1
Internal capital adequacy indicator (%)	46,26	24,3

AS LTB Bank has provided quantitative information about risk indicators, as well as capital adequacy indicator in line with regulatory requirements and internal capital adequacy indicator for other periods at the Bank's Internet site:

<http://www.ltbbank.com/eng/left/about-us/financial-statements>

On behalf of the Bank,



Māris Avotiņš
Chairman of the Board

27 February 2012

The report has been approved by the Management Board of AS LTB Bank on 27 February 2012 (protocol Nr. 13).