

**Balance sheet**

AS "Reģionālā investīciju banka"

**December 31, 2022**

(last day of the reporting period)

No	Position	31.12.2022 Bank unaudited	31.12.2022 Group unaudited	31.12.2021 Bank audited	31.12.2021 Group audited
1.	Cash and balances due from central banks	141 138 313	141 138 313	82 900 231	82 900 231
2.	Balances due from credit institutions	2 332 229	2 332 229	8 358 189	8 358 189
3.	Financial assets designated at fair value through profit or loss	190 001	190 001	1 607 310	1 607 310
4.	Financial assets at fair value through other comprehensive income	125 705 520	125 705 520	31 137 761	31 137 761
5.	Financial assets at amortised cost	110 893 568	110 893 568	113 294 566	113 294 566
5.1	of which: loans	110 893 568	110 893 568	113 294 566	113 294 566
6.	Derivatives – Hedge accounting	0	0	0	0
7.	Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
8.	Investments in subsidiaries, joint ventures and associates	0	0	583 972	0
9.	Tangible assets	12 750 274	12 750 274	12 872 931	12 872 931
10.	Intangible assets	496 064	496 064	475 426	475 426
11.	Tax assets	0	0	0	0
12.	Other assets	1 388 524	1 388 524	4 958 489	4 974 415
13.	Non-current assets and disposal groups classified as held for sale	476 784	476 784	0	0
14.	<b>Total assets (1.+...+13.)</b>	<b>395 371 277</b>	<b>395 371 277</b>	<b>256 188 875</b>	<b>255 620 829</b>
15.	Balances due to central banks	0	0	0	0
16.	Balances due to credit institutions	4 001 730	4 001 730	0	0
17.	Financial liabilities designated at fair value through profit or loss	0	0	0	0
18.	Financial liabilities measured at amortised cost	343 522 710	343 522 710	209 730 323	208 333 160
18.1	of which: deposits	343 522 710	343 522 710	209 730 323	208 333 160
19.	Derivatives – Hedge accounting	0	0	0	0
20.	Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
21.	Provisions	1 591 634	1 591 634	1 721 279	1 721 279
22.	Tax liabilities	0	0	0	594 315
23.	Other liabilities	165 274	165 274	331 523	440 007
24.	Liabilities included in disposal groups classified as held for sale	0	0	0	0
25.	<b>Total liabilities (15.+...+24.)</b>	<b>349 281 348</b>	<b>349 281 348</b>	<b>211 783 125</b>	<b>211 088 761</b>
26.	Equity and reserves	46 089 929	46 089 929	44 405 750	44 532 068
27.	<b>Total equity and reserves, and liabilities (25.+26.)</b>	<b>395 371 277</b>	<b>395 371 277</b>	<b>256 188 875</b>	<b>255 620 829</b>
28.	Off-balance sheet items				
29.	Contingent liabilities	5 030 980	5 030 980	7 032 383	7 032 383
30.	Commitments	20 902 675	20 902 675	45 541 858	45 541 858

## Profit and Loss Account

December 31, 2022

(last day of the reporting period)

No	Position	12 months 2022 Bank unaudited	12 months 2022 Group unaudited	12 months 2021 Bank audited	12 months 2021 Group audited
1.	Interest income	7 793 498	7 791 039	4 949 283	4 849 162
2.	Interest expense (-)	- 470 063	- 470 063	-1 108 902	-1 108 902
3.	Income from dividends	566 736	10 337	10 008 043	8 043
4.	Commission income	2 633 814	2 633 745	2 848 268	2 847 948
5.	Commission expense (-)	-423 971	-423 975	-224 178	-224 311
6.	Net gains or (-) losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss (+/-)	0	0	355 279	355 279
7.	Net gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss (+/-)	226 958	226 958	130 718	130 718
8.	Net gains or (-) losses from hedge accounting (+/-)	0	0	0	0
9.	Exchange differences [gain or (-) loss], net (+/-)	93 109	93 109	72 966	72 966
10.	Net gains or (-) losses on derecognition of non financial assets (+/-)	3 700	3 700	518 194	13 940 819
11.	Other operating income	278 336	277 911	286 917	289 197
12.	Other operating Expenses (-)	-499 522	-499 529	-376 593	-495 398
13.	Administrative expense (-)	-6 448 221	-6 450 859	-6 911 149	-7 093 959
14.	Depreciation (-)	-374 826	-374 826	-378 233	-378 233
15.	Profit / Loss recognized as a result of changes in contractual cash flows of a financial asset (+/-)	0	0	0	0
16.	Provisions or (-) reversal of provisions (-/+)	11 977	11 977	-113 301	-113 301
17.	Impairment or (-) reversal of impairment (-/+)	-1 046 733	-1 046 733	2 495 227	2 463 309
18.	Negative goodwill recognised in profit or loss	0	0	0	0
19.	Profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method (+/-)	-574 782	0	-3 981 328	0
20.	Profit or (-) loss from non-current assets and disposal groups classified as held for sale (+/-)	0	0	0	0
21.	<b>Profit/loss before corporate income tax calculation (+/-)</b>	<b>1 770 010</b>	<b>1 782 791</b>	<b>8 571 211</b>	<b>15 543 337</b>
22.	Corporate income tax	- 61 038	- 200 138	-134 276	-2 622 278
23.	<b>Profit/losses for the period (+/-)</b>	<b>1 708 972</b>	<b>1 582 653</b>	<b>8 436 935</b>	<b>12 921 059</b>
24.	Other comprehensive income for the period (+/-)	-24 791	-24 791	11 611	11 611

## Key ratios of the Consolidated group and the Bank

December 31, 2022

(last day of the reporting period)

Position	Bank 31.12.2022	Bank 31.12.2021
Return on Equity (ROE) (%)	3.78	22.28
Return on Assets (ROA) (%)	0.43	3.32

## Group Consolidation

December 31, 2022

(last day of the reporting period)

The subsidiary SIA Grunewald Residence was dissolved and on July 15, 2022 excluded from the Enterprise Register.

### I. Summary Report on Equity Capital and Capital Adequacy Ratio Calculations

December 31, 2022

(last day of the reporting period)

No.	Position	COREP position	Bank unaudited data in the reporting period
1.	<b>Own funds</b> (1.1.+1.2.)	C 01.00 1	<b>45 217 263</b>
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	C 01.00 1.1.	45 217 263
1.1.1.	Common equity Tier 1 capital	C 01.00 1.1.1.	45 217 263
1.1.2.	Additional Tier 1 capital	C 01.00 1.1.2.	0
1.2.	Tier 2 capital	C 01.00 1.2.	0
2.	<b>Total Risk Exposure Amount</b> (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	C 02.00 1.	<b>166 265 626</b>
2.1.	Risk Weighted Exposure Amounts for Credit, Counterparty Credit and Dilution Risks and Free Deliveries	C 02.00 1.1.	149 232 240
2.2.	Total Risk Exposure Amount for Settlement/Delivery	C 02.00 1.2.	0
2.3.	Total Risk Exposure Amount for Position, Foreign Exchange and Commodities Risks	C 02.00 1.3.	1 615 829
2.4.	Total Risk Exposure Amount for Operational Risk	C 02.00 1.4.	15 417 557
2.5.	Total Risk Exposure Amount for Credit Valuation Adjustment	C 02.00 1.6.	0
2.6.	Total Risk Exposure Amount Related to Large Exposures in the Trading Book	C 02.00 1.7.	0
2.7.	Other Risk Exposure Amounts	C 02.00 1.8.	0
3.	<b>Capital adequacy ratios and capital levels</b>		
3.1.	Common equity Tier 1 capital ratio (1.1.1./2.*100)	C 03.00 1.	27.20 %
3.2.	Surplus(+)/Deficit(-) of Common equity Tier 1 capital (1.1.1.-2.*4,5%)	C 03.00 2.	37 735 310
3.3.	Tier 1 capital ratio (1.1./2.*100)	C 03.00 3.	27.20 %
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital (1.1.-2.*6%)	C 03.00 4.	35 241 326
3.5.	Total capital ratio (1./2.*100)	C 03.00 5.	27.20 %
3.6.	Surplus(+)/Deficit(-) of Total capital (1.-2.*8%)	C 03.00 6.	31 916 013
4.	<b>Combined buffer requirements</b> (4.1.+4.2.+4.3.+4.4.+4.5.)	C 04.00 27.	<b>4 191 016</b>
4.1.	Capital conservation buffer		4 156 641
4.2.	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State		0
4.3.	Institution specific countercyclical capital buffer		1 865
4.4.	Systemic risk buffer		32 510
4.5.	Other Systemically Important Institution buffer		0
5.	<b>Capital adequacy ratios, including adjustments</b>		
5.1.	Adjustments to asset value due to prudential filters	C 04.00 28.	0
5.2.	Tier 1 common capital ratio with adjustment specified in row 5.1	C 03.00 7	27.20 %

5.3.	Tier 1 capital ratio with adjustment specified in row 5.1	C 03.00 9.	27.20 %
5.4.	Total capital ratio with adjustment specified in row 5.1	C 03.00 11.	27.20 %

## II. Information on Equity Capital and Capital Adequacy Ratios, where a Credit Institution Applies Transition Period to Reduce IFRS 9 Effect on Equity Capital December 31, 2022

(last day of the reporting period)

No	Position	Bank unaudited data in the reporting period
1.A	Own funds, if IFRS 9 transition arrangements were not applied	43 758 998
1.1.A	Tier 1 capital, if IFRS 9 transition arrangements were not applied	43 758 998
1.1.1.A	Common equity Tier 1 capital, if IFRS 9 transitional arrangements were not applied	43 758 998
2.A	Total risk exposure amount, if IFRS 9 transitional arrangements were not applied	164 623 261
3.1.A	Common equity Tier 1 capital ratio, if IFRS 9 transitional arrangements were not applied	26.58 %
3.3.A	Tier 1 capital ratio, if IFRS 9 transitional arrangements were not applied	26.58 %
3.5.A	Total capital ratio, if IFRS 9 transitional arrangements were not applied	26.58 %

AS "Reģionālā investīciju banka" does not apply temporary period in accordance with the Article 468 of EU Regulation No. 575/2013.

### Liquidity Coverage Ratio Calculation December 31, 2022

(last day of the reporting period)

No	Position	Bank unaudited data in the reporting period
1.	Liquidity Buffer	263 356 380
2.	Net Liquidity Outflow	145 243 885
3.	Liquidity coverage ratio (%)	181.32

### Expected Losses Split by Stages According to IFRS 9 "Financial Instruments" December 31, 2022

(last day of the reporting period)

Position	Bank unaudited data in the reporting period		
	Stage 1	Stage 2	Stage 3
of which for financial assets	1 501 573	623 319	1 710 299
of which for standby credit facilities	270 480	70 985	0
of which for guarantees	45 982	131 545	0

## The Council and Board of the Bank

### The Council

Position	Name
Chairman of the Council	Yuriy Rodin
Deputy Chairman of the Council	Mark Bekker
Council member	Alla Vanetsyants
Council member	Irina Buts
Independent member of the council	Margot Kahr Jacobs

## Board

Position	Name
Chairman of the Board	Aleksandrs Jakovlevs
Member of the Board	Andrii Homza
Member of the Board	Dace Gaigala
Member of the Board	Vita Matvejeva
Member of the Board	Edgars Vadzītis

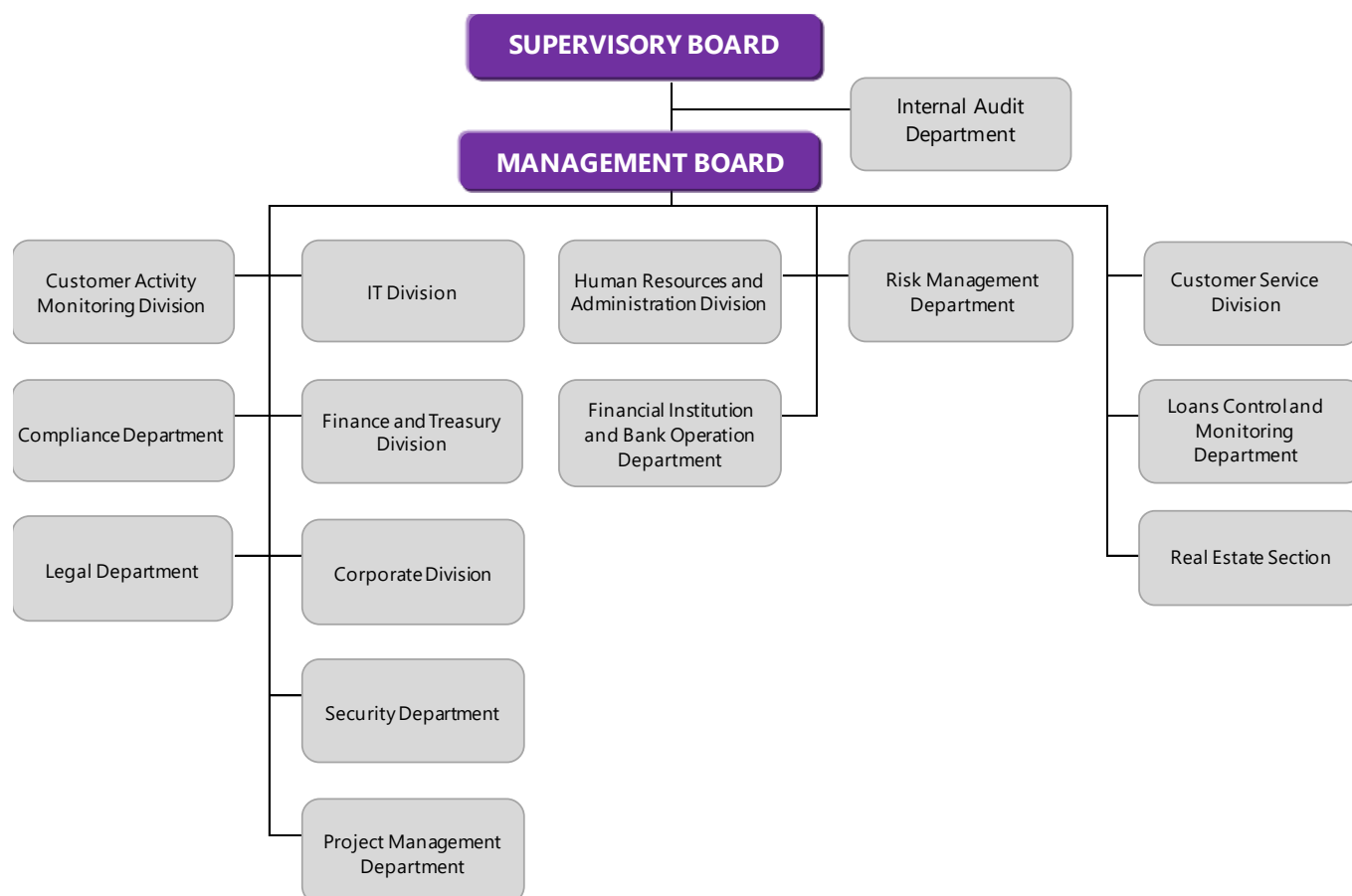
The following changes took place in the composition of the management Board of AS Reģionālā investīciju banka: on July 11, 2022, Edgars Vadzītis became a member of the Bank's Management Board.

## Shareholders of the Bank

Shareholder	Shares (%)
SIA "SKY Investment Holding"	44,00%
Yuriy Rodin	33.76%
Mark Bekker	10.57%
Other shareholders (with less than 10% of shares)	11,67%

The nominal value of one share is EUR 1.00 and one share grants right to one vote at the meeting of shareholders. Currently the total core capital of the Bank is EUR 32.335 mill. The nominal value of one share is EUR 1.00.

## Organizational structure



## Strategy and goals of activity

AS "Reģionālā investīciju banka" (hereinafter – 'the Bank' or 'RIB') is a specialised European lending bank, founded and registered in Latvia, with more than 20 years of experience in the field of international finance.

The Bank's strategy is to be a stable and efficient specialised European bank that offers highly - qualified consultations and a range of products and services currently in demand in the market in the field of lending and business financing.

Bank's products are oriented towards legal entities – Latvian/EU large and medium enterprises, as well as individuals – employees, managers, and beneficiaries of the companies serviced by the Bank.

The primary goals of the Bank's activity are:

- offering consultations on matters concerning the attraction of financing and in the field of lending, as well as offering related 'classical' banking products to customers;
- ensuring the high quality and speed of service, observing such principles as openness, flexibility, innovation, competence, confidentiality, and security;
- creating a stable, highly-profitable, and balanced customer base in terms of residence and risks, which complies with the highest standards of the Latvian banking sector in the field of anti-money laundering and counter-financing of terrorism ('AML/CFT');
- forming a team of highly-qualified employees with a high level of professionalism, necessary expertise, and common corporate values;
- continuously optimising all the processes of the Bank, developing a sustainable business model, achieving planned efficiency and profitability indicators.

## **Risk Management**

Risk management is one of the Bank's strategic goals. The Bank's Risk Management Strategy ensures management of the Bank's risks, the most significant of which are credit and residual risks, operational, market, liquidity, concentration risks.

In order to ensure the risk management, internal risk management policy and instructions have been developed, which were approved by the Bank Council and/or Board and implemented by the Bank's departments.

The aim of the Bank's Risk Management Strategy is to maintain such a level of the total risk undertaken by the Bank as the Bank has defined in its strategic tasks. The primary goal is to ensure security of assets and capital through minimizing risks that can cause unexpected losses.

The Bank's Risk Management Strategy has a systematic, complex approach that ensures the implementation of the following tasks:

- Identification and analysis of all risks present in the Bank's operations;
- Determination of an acceptable risk level with respect to various risk types;
- Qualitative and quantitative evaluation (measurement) of individual risk types;
- Analysis of the risk level with respect to current and planned Bank's operations;
- Evaluation of the acceptability and validity of the risk scale;
- Actions taken to ensure the acceptable risk levels;
- Development of internal system to trace risks in the negative tendency occurrence stage, as well as establishment of internal system for fast and adequate reaction in order to prevent or minimize risk.

The Bank's Board is responsible for the development and effective functioning of the Risk management System, ensures identification and management of the Bank's risks, including measurement, evaluation, control and provision of risk statements, implementing approved by the Bank's Council policies on risk identification and management, as well as other documents regarding risk management.

The main department responsible for identification, evaluation and control of risks is the Risk Management Department, which is an independent unit and its functions are separated from those of the business units.

The Risk Management System is being constantly updated in line with the changes in the Bank's activities and external conditions affecting the Bank's activity; regular control of this process is ensured by the Internal Audit Department.

The Bank's Board regularly and timely receives statements related to the evaluation, analysis, monitoring and control of the risks typical to the Bank's activity. Frequency and volume of these statements depends on the specific nature and volume of the Bank's activity, and allows the Bank's Board to make timely decisions with regard to the risk management issues.

## Credit Risk and Residual Risk

The Bank's principles in the evaluation, supervision and acceptance of credit risk are described and approved by the Credit Policy, Business Partner Policy and Investment Policy.

Normative documents related to residual risk management are specified and approved in the Credit policy and in the Instruction for real estate pledged to the Bank market value monitoring.

The Bank divides and controls its credit risk by determining several types of limits: limits of the acceptable risk for each borrower, groups of related borrowers, geographical regions, entrepreneur activity types, guarantee types and volumes, currencies, terms, ratings assigned by international agencies, and other limits.

Credit risk is also regularly supervised for each borrower by evaluating the borrowers' ability to repay the principal and the interest on the loan, as well as, if necessary, by changing the limits specified.

In order to ensure effective management of credit risks and evaluation of results of the Bank's activity, the Bank carries out regular evaluation and classification of assets (including loans) and off-balance sheet liabilities. The main criteria are Customer's future discounted cash flow and borrowing capacity – ability and willingness to fulfill liabilities in line with the contract terms and conditions.

Loans with significant increase of nonpayment risk, as compared with the risk accepted as of the day of loan granting, are considered as problematic.

As of 31.12.2022, financial assets measured at amortised cost amount to EUR 110 893 568, balances due from credit institutions amount to EUR 2 332 229, Financial assets at fair value through other comprehensive income amount to EUR 125 705 520.

### Loan portfolio breakdown by overdue periods as on 31.12.2022:

	Overdue loans, in EUR				Without delay	Gross outstanding amount, in EUR	Loan impairment reserve, in EUR
	1 - 30 days	30 - 90 days	90 - 180 days	over 180 days			
Loans to legal entities	1 162 073	8 275 652	3 582 613	5 198 104	93 391 946	111 610 389	3 730 538
Loans to individuals	0	79 916	0	43 836	2 844 001	2 967 753	375 500
<b>Total</b>	<b>1 162 073</b>	<b>8 355 569</b>	<b>3 582 613</b>	<b>5 241 940</b>	<b>96 235 947</b>	<b>114 578 142</b>	<b>4 106 038</b>

The amount of credits secured by deposits is 1.81 million EUR (1% of the credit portfolio).

The Bank's exposure to credit risk is also supervised and mitigated, ensuring corresponding registration of collaterals and credit guarantees on behalf of the Bank. Fair value of these guarantees and collaterals is regularly reviewed.

Collateral is a property or rights that may serve as an alternative source of Loan repayment in the event if the Customer fails to fulfil its obligations.

As a collateral the Bank accepts the assets that comply with the following criteria:

- market value of assets, that is determined by independent valutors in the collateral appraisal and its changes are predictable within all the period of loan agreement. Attention is drawn to the market value of assets and to the fast forced sale value;
- assets are liquid, that is, they can be realized in a relatively short term at the price, which is close to the fast forced sale value (or market value);
- there is legal and actual opportunity to control these assets in order to prevent abuse by a borrower or by an owner of assets;
- the Bank's rights on these assets have legal priority over other creditors of the owner of assets (or creditors' rights with more privileged position compared to the Bank's rights, in total for an insignificant amount compared to the collateral value), allowing legal priority of Pivdennyi Bank as an exception.

Only certain types of assets are accepted as a collateral, and limits are set for every type of collateral in respect of maximum allowed loan amount against this collateral.

Types of collateral that are most commonly accepted:

- term deposit at the Bank
- real estate
- production facility of industrial nature
- land (depending on geographic location, communications, cadastral value, etc.)
- unused passenger cars
- unused trucks, tractor machinery
- used passenger cars under 7 years old and trucks under 9 years old, tractor machinery under 5 years old
- other cars and tractor machinery
- vessels
- stores (goods in a customs warehouse or otherwise controlled goods and goods in owner's warehouse)
- technological equipment and machinery
- other fixed assets of the company
- accounts receivable (as an aggregation of property)
- securities, capital shares, bills
- guarantees

Value of real estate is determined according to independent experts' opinion and by adjusting this valuation based on the Bank's experience and normative documents. Market value of stores (goods in a customs warehouse or otherwise controlled goods) and of stores (goods held at the owner's warehouse) is considered to be publicly available price, the formation mechanism of which is clear and acceptable for the Bank. Market value of technological equipment and machinery is determined according to the net book value of equipment, if asset accounting methods applied by the Customer comply with common practice, if possible obtaining experts' opinion as well.

With a breakdown by loan collateral types, the major part is represented by:

- commercial real estate mortgages EUR 84.0 million (60% of the credit portfolio);
- commercial pledge EUR 18.5 million (13% of the credit portfolio);
- other mortgage EUR 8.7 million (6% of the credit portfolio).

## **Market Risk**

The Bank's activities are exposed to the market risk through the Bank's investments in the interest rate and currency product positions. All these products are exposed to the systematic and specific market fluctuations.

The Bank controls the market risk by diversifying its portfolio of financial instruments, setting restrictions to various types of financial instruments and carrying out the sensitivity analysis, which reflects the risk impact on the Bank's assets and equity capital.

## **Currency Risk**

The Bank's activity is exposed to risk of exchange of the main currencies involved in it, which influences both the Bank's financial result and cash flow. The Bank controls the foreign currency assets and liabilities in order to avoid inadequate currency risk. The Board determines limits for open positions of foreign currencies, and these limits are below the supervisory limits; no individual open position exceeds 10% of equity capital, and the total currency open position does not exceed 20% of equity capital. Limits are controlled on daily basis.

The Bank's foreign currency risk evaluation is based on the following principles:

- the change of values of the Bank's assets, liabilities and off-balance sheet positions as a result of the currency rate changes;
- How the Bank's income/expenditure changes in relation with changes in currency rates;
- stress-tests of the currency risk are carried out.

Basic elements of the currency risk management:

- evaluation of the currency risk;



- determination of limits and restrictions;
- control of compliance to the approved limits;
- performance of the currency stress-tests and analysis of the results;
- if necessary, risk limitation measures.

The Bank's total net foreign currency item as of 31.12.2022 amounted to EUR 1.5 million, i.e., 3.2% of the Bank's equity.

20% change in USD rate by +/-70 thousand EUR will influence foreign exchange position in US dollars as of December 31, 2022.

As on 31.12.2022, derivative instruments (hedge) are not being used.

### Interest rate risk

The interest rate risk is characterized by the influence of the market rate changes on the Bank's financial results. The Bank's everyday activity depends on the interest rate risk, which is influenced by the terms of repayment of assets and liabilities related to the interest income and expenditures or interest rate review dates. This risk is controlled by the Bank's Assets and Liabilities Committee by defining the limits of the interest rate coordination and evaluating the interest rate risk undertaken by the Bank.

For the evaluation of interest rate risk, the effect of interest rate changes on the Bank's economic value is assessed, incl. the evaluation of interest rate risk from the perspective of income and the evaluation of interest rate risk from the perspective of economic value. Furthermore, stress tests of the interest rate risk are applied.

Basic elements of the interest rate risk management:

- sensitivity analysis of the interest rate risk;
- setting internal limits (limit for the decrease in economic value and for the total duration of securities portfolio);
- control of compliance of the internal limits;
- interest rate stress-tests and analysis of the results;
- if necessary, risk limitation measures.

The following changes in interest rates are applied to the sensitivity analysis: all items except for deposits and issued securities are subject to the interest rate change of +/-100 base points, deposits and issued securities are subject to the interest rate change of +/-50 base points, while the stress testing of the interest rate risk is subject to the interest rate change of +/-200 base points.

Sensitivity analysis results as of December 31, 2022: changes of economic value constitute +/-330 thousand EUR or 0.73% of the Bank's equity.

### Liquidity Risk

Liquidity risk is a risk that the Bank – on daily basis and/or in the future – will not be able to timely satisfy legally justified claims without incurring substantial losses, as well as will not be able to overcome unplanned changes in the Bank's resources and/or in the market conditions as there will not be an adequate amount of liquid assets at its disposal.

Terms and capabilities of the assets and liabilities to replace the liabilities, which inflict interest and have a due payout term, at acceptable costs are significant factors for determination of the Bank's liquidity and its exposure to the changes in the interest rates and currency rates.

Such coordination of assets and liabilities, and control of the coordination is one of the Bank's most important daily management controls.

The Bank is using the following methods for the measurement of liquidity risks:

- Evaluation of existing and planned assets, liabilities, and off-balance sheet liabilities term structure by financial instruments, various term intervals in all currencies together and individually, in which the Bank performs a significant amount of transactions (i.e. currency the proportion of which in the Bank's assets/liabilities exceeds 5%) or which has a non-liquid market;
- By determining liquidity indicators used for liquidity risk analysis and control and their target levels;
- By determining internal limits:

- for assets and liabilities term structure net liquidity positions in euro and all foreign currencies in which the Bank performs a significant amount of transactions (i.e. currency the proportion of which in the Bank's assets/liabilities exceeds 5%) or which has a non-liquid market;
- for deposit concentration;
- for other liquidity indicators which the Bank has specified for the liquidity risk control.

By specifying the calculation procedure of liquidity indicators and by determining its limits, the Bank takes into account its operational targets and the acceptable risk level.

The Bank determines and regularly analyses the early warning indicator system which may help to identify the vulnerability of the Bank's liquidity position and the necessity to attract additional financing.

On the basis of data of the early warning indicator system, the Bank identifies the negative tendencies which affect liquidity, analyses them and evaluates the necessity to carry out measures reducing the liquidity risks.

The liquidity risk management methods (the basic elements) are as follows:

- normative execution of the liquidity indicators;
- determination of limits of the liquidity net position;
- determination of restrictions of the investment attraction;
- control of compliance of the definite limits;
- liquidity stress-tests and analysis of the obtained results;
- proposals for solving liquidity problems;
- setting and monitoring of a set of indicators for liquidity evaluation;
- maintenance of an adequate liquidity buffer which covers the positive difference between the planned outgoing and incoming money flows within the term interval of up to 7 days and 30 days.

In line with FCMC requirements, the Bank maintains the liquid assets to the extent required for fulfilment of liabilities. Liquidity ratio was 73.27% as on 31.12.2022.

## **Concentration Risk**

For limiting the concentration risk the Bank determines the limits for investment in various types of assets, instruments and markets, as well as other limits.

Country risk is one of the most significant concentration risks. Country risk – country partner risk – is an ability to suffer losses if the Bank's assets are placed in the country in which, due to the economic and political factors, the Bank may be exposed to problems with returning its assets within the prescribed term and volume. The reasons for non-fulfillment of liabilities by the partners and issuers are mainly the currency devaluation, unfavourable changes in legislation, establishment of new restrictions and barriers and other factors, including force majeure.

For the limitation of the concentration risk, the Bank has introduced the following limits:

- Country risk limits (including national environmental, social and governance risks);
- Credit rating group limits;
- Financial markets operational risk limits;
- Open currency position and cash limits, acceptable losses limits for currency trade;
- Acceptable losses limits for securities trade portfolio instruments;
- Limits restricting large risk exposures;
- Limits restricting exposures with the Bank related persons;
- Credit program limits;
- Limits for exposures with customers in a specific economic sector (for non-bank borrowers);
- Limits for exposures secured by one type of security (for non-bank borrowers);
- Limits for loans granted in a currency which differs from the borrower's income currency (with respect to exposures with residents – private persons).

The Bank carries out control, analysis of these limits, and revises them if necessary.

For country risk analysis the information of the international rating agency is used (including credit rating, its dynamics); state economic indicators and other related information.

Basic elements of the risk control:

- setting of the internal limits by regions, countries and transaction types in separate countries;
- control of execution of the internal limits;

- country risk analysis and monitoring;
- review of the internal limits.

Assets, liabilities and off-balance sheet country risk is related to the country which may be considered as the basic country of the customer's business activity. If the loan has been granted to a resident of another state, and this collateral is physically located in a country other than the legal entity's country of residence, the country risk is transferred to the country where the collateral is physically located.

In the 4rd quarter of 2022, the Bank complied with the requirements of the Credit Institutions Law with respect to the restriction of large risk exposures and the restriction of exposures to the Bank related persons.

#### Analysis of the Bank's securities and claims against credit institutions by credit rating groups:

Rating group	Securities				Claims against credit institutions			
	Balance value	Accrued income	Total	%	Balance value	Accrued income and money in transition	Total	%
	1	2	(1+2)	4	5	6	(5+6)	8
Aaa to Aa3	132 173	0	132 173	69,6%	1 259 716	0	1 259 716	51,7%
A1 to A3	0	0	0	0,0%	101 520	146	101 520	4,2%
Baa1 to Baa3	0	0	0	0,0%	0	0	0	0,0%
Ba1 to Ba3	8 382	0	8 382	4,4%	0	0	0	0,0%
B1 to B3	0	0	0	0,0%	0	0	0	0,0%
below B3	49 447	0	49 447	26,0%	1 000 468	0	1 000 468	41,1%
	<b>190 002</b>	<b>0</b>	<b>190 002</b>	<b>100,0%</b>	<b>2 361 704</b>	<b>146</b>	<b>2 361 850</b>	<b>97,0%</b>
<b>No rating</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0,0%</b>	<b>72 392</b>	<b>0</b>	<b>72 392</b>	<b>3,0%</b>
	<b>190 002</b>	<b>0</b>	<b>190 002</b>	<b>100%</b>	<b>2 434 096</b>	<b>146</b>	<b>2 624 244</b>	<b>100%</b>

0.6% of requirements to credit institutions or EUR 15 398 are secured by Customers' deposits.

#### Separation of financial assets that are classified as assets measured at fair value, reported in the profit and loss account, with a breakdown by countries

	Countries	Securities			
		Book value	Accumulated income	Total	%
		1	2	(1+2)	4
1.	USA	132 173	0	132 173	69,56%
1.1.	including Central government securities	0	0	0	0,00%
2.	Ukraine	49 447	0	49 447	26,02%
2.1.	including Central government securities	49 447	0	49 447	26,02%
3.	Kazakhstan	8 382	0	8 382	4,41%
3.1.	including Central government securities	0	0	0	0,00%
	<b>Total</b>	<b>190 002</b>	<b>0</b>	<b>190 002</b>	<b>100%</b>

Key elements of risk management:

- determination of internal limits for regions, states, emitters;
- determination of stop-loss limits;
- control of internal limits execution;
- analysis and monitoring of emitters;
- revision of internal limits

#### Operational Risk

Operational risk is a possibility to suffer loss due to inadequate or unsuccessful Bank's internal processes, human or system activity, or due to the impact of external conditions. Operational risk is a risk of decrease of the Bank's income/occurrence of additional expenditure (and the subsequent decrease in equity capital volume) due to error transactions with Customers/business partners, processing of information, making ineffective decisions, insufficient human resources or insufficient planning of the impact of external conditions.

The Bank establishes and maintains the operational risk events and losses database, which collects, processes and classifies internal information about the operational risk events and related losses.

Basic elements of the operational risk management:

- monitoring of the operational risk;
- control and minimisation of the operational risk:
  - development of the internal normative documents which exclude/decrease the operational risk possibility;
  - for compliance with the principle of division of duties;
  - control of execution of the internal limits;
  - compliance with the defined procedure in using IT and other bank resources;
  - proper training of employees;
  - regular checks of transaction and account documents;
  - ensuring the continuity of the Bank's operation;
  - stress testing.

In the 4th quarter of 2022, operational risk losses were insignificant.

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### **Derivative instruments**

The derivative instruments are used only for the Customers' transaction hedging.

### **Reported data of 2022**

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