Regional Investment Bank

Balance sheet
AS "Reģionālā investīciju banka"
June 30, 2020
(last day of the reporting period)

No	Position	30.06.2020 Bank unaudited	30.06.2020 Group unaudited	31.12.2019 Bank audited	31.12.2019 Group audited
1.	Cash and balances due from central banks	70 261 372	70 261 372	113 348 256	113 348 256
2.	Balances due from credit institutions	18 515 883	18 515 883	21 098 669	21 098 669
3.	Financial assets designated at fair value through profit or loss	60 715 272	60 715 272	31 058 064	31 058 064
4.	Financial assets at fair value through other comprehensive income	412 205	412 205	412 205	412 205
5.	Financial assets at amortised cost	87 985 347	83 970 629	88 549 556	84 006 470
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	6 100 000	0	6 100 000	0
9.	Tangible assets	13 171 427	13 171 427	13 250 539	13 250 539
10.	Intangible assets	411 127	411 127	450 545	450 545
11.	Tax assets	0	0	0	0
12.	Other assets	11 453 052	24 010 667	12 042 437	24 372 701
13.	Non-current assets and disposal groups classified as held for sale	0	0	0	0
14.	**Total assets** (1.+....+13.)	**269 025 685**	**271 468 582**	**286 310 271**	**287 997 449**
15.	Balances due to central banks	0	0	0	0
16.	Balances due to credit institutions	0	0	0	0
17.	Financial liabilities designated at fair value through profit or loss	0	0	0	0
18.	Financial liabilities measured at amortised cost	231 421 558	230 246 856	249 058 243	248 604 120
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	1 082 394	1 082 394	1 373 293	1 373 293
22.	Tax liabilities	0	0	0	0
23.	Other liabilities	363 584	566 206	451 527	1 646 196
24.	Liabilities included in disposal groups classified as held for sale	0	0	0	0
25.	**Total liabilities** (15.+...+24.)	**232 867 536**	**231 895 456**	**250 883 063**	**251 623 609**
26.	Equity and reserves	36 158 149	39 573 126	35 427 208	36 373 840
27.	**Total equity and reserves, and liabilities** (25.+26.)	**269 025 685**	**271 468 582**	**286 310 271**	**287 997 449**
28.	Off-balance sheet items				
29.	Contingent liabilities	5 198 068	5 198 068	5 242 484	5 242 484
28.	Commitments	18 669 856	18 669 856	32 006 398	32 006 398

Profit and Loss Account
June 30, 2020

(last day of the reporting period)

No	Position	6 months 2020 Bank unaudited	6 months 2020 Group unaudited	6 months 2019 Bank unaudited	6 months 2019 Group unaudited
1.	Interest income	2 970 937	2 877 789	3 806 291	3 748 151
2.	Interest expense (–)	-1 167 749	-1 167 749	-1 225 184	-1 225 184
3.	Income from dividends	3 636	3 636	2 513	2 513
4.	Commission income	1 874 839	1 874 705	2 305 207	2 305 153
5.	Commission expense (–)	-188 420	- 188 485	-237 359	-237 438
6.	Net gains or (-) losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss (+/–)	0	0	0	0
7.	Net gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss (+/–)	613 425	613 425	471 091	471 091
8.	Net gains or (-) losses from hedge accounting (+/–)	0	0	0	0
9.	Exchange differences [gain or (-) loss], net (+/–)	92 044	92 044	122 707	122 707
10.	Net gains or (-) losses on derecognition of non financial assets (+/–)	0	0	27 322	27 322
11.	Other operating income	234 201	347 047	117 440	196 295
12.	Other operating Expenses (–)	-246 561	-247 081	-249 493	-249 493
13.	Administrative expense (–)	- 3 685 377	-3 812 966	-3 686 547	-3 713 093
14.	Depreciation (–)	-191 378	-191 378	-266 268	-266 268
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 (–/+)	1 001	1 001	-588	-588
17.	Impairment or (-) reversal of impairment (–/+)	486 547	473 550	829 539	840 175
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 (+/–)	0	0	0	0
20.	Profit or (-) loss from non-current assets and disposal groups classified as held for sale (+/–)	0	0	0	0
21.	**Profit/loss before corporate income tax calculation** (+/–)	**797 145**	**675 538**	**2 016 671**	**2 021 343**
22.	Corporate income tax	-66 204	-66 252	-67 581	-67 581
23.	**Profit/losses for the period** (+/–)	**730 941**	**609 286**	**1 949 090**	**1 953 762**
24.	Other comprehensive income for the period (+/–)	223 233	223 233	95 111	95 111

Key ratios of the Consolidated group and the Bank
June 30, 2020

(last day of the reporting period)

Position	Bank 30.06.2020	Consolidated group 30.06.2020	Bank 30.06.2019	Consolidated group 30.06.2019
Return on Equity (ROE) (%)	4.06	3.23	11.55	11.47
Return on Assets (ROA) (%)	0.53	0.44	1.49	1.49

Group Consolidation
June 30, 2020

(last day of the reporting period)

No.	Subsidiaries	Country of domicile, registration Address	Business profile*	Share (%)	Voting power (%)	Status2**
1	GRUNEWALD RESIDENCE, SIA	LV, 2 J.Alunana St., Riga, LV-1010, Riga, Latvia	PLS	66.38%	66.38%	MS

* PLS-supporting company
** MS-subsidiary company

I. Summary Report on Equity Capital and Capital Adequacy Ratio Calculations
June 30, 2020

(last day of the reporting period)

No.	Position	COREP position	Bank unaudited data in the reporting period	Consolidation group unaudited data in the reporting period
1.	**Own funds** (1.1.+1.2.)	C 01.00 1	**43 236 430**	**46 779 162**
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	C 01.00 1.1.	39 031 994	42 574 726
1.1.1.	Common equity Tier 1 capital	C 01.00 1.1.1.	39 031 994	42 574 726
1.1.2.	Additional Tier 1 capital	C 01.00 1.1.2.	0	0
1.2.	Tier 2 capital	C 01.00 1.2.	4 204 436	4 204 436
2.	**Total Risk Exposure Amount** (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	C 02.00 1.	**173 250 963**	**174 161 006**
2.1.	Risk Weighted Exposure Amounts for Credit, Counterparty Credit and Dilution Risks and Free Deliveries	C 02.00 1.1.	145 161 500	145 594 918
2.2.	Total Risk Exposure Amount for Settlement/Delivery	C 02.00 1.2.	0	0
2.3.	Total Risk Exposure Amount for Position, Foreign Exchange and Commodities Risks	C 02.00 1.3.	3 566 150	3 566 150
2.4.	Total Risk Exposure Amount for Operational Risk	C 02.00 1.4.	24 523 313	24 999 938
2.5.	Total Risk Exposure Amount for Credit Valuation Adjustment	C 02.00 1.6.	0	0
2.6.	Total Risk Exposure Amount Related to Large Exposures in the Trading Book	C 02.00 1.7.	0	0
2.7.	Other Risk Exposure Amounts	C 02.00 1.8.	0	0
3.	**Capital adequacy ratios and capital levels**			
3.1	Common equity Tier 1 capital ratio (1.1.1./2.*100)	C 03.00 1.	22.53	24.45
3.2.	Surplus(+)/Deficit(-) of Common equity Tier 1 capital (1.1.1.-2.*4,5%)	C 03.00 2.	31 235 701	34 737 481
3.3.	Tier 1 capital ratio (1.1./2.*100)	C 03.00 3.	22.53	24.45
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital (1.1.-2.*6%)	C 03.00 4.	28 636 936	32 125 066
3.5.	Total capital ratio (1./2.*100)	C 03.00 5.	24.96	26.86
3.6.	Surplus(+)/Deficit(-) of Total capital (1.-2.*8%)	C 03.00 6.	29 376 353	32 846 282
4.	**Combined buffer requirements** (4.1.+4.2.+4.3.+4.4.+4.5.)	C 04.00 27.	**4 331 274**	**4 354 025**
4.1.	Capital conservation buffer		4 331 274	4 354 025
4.2.	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State		0	0
4.3.	Institution specific countercyclical capital buffer		0	0
4.4.	Systemic risk buffer		0	0

4.5.	Other Systemically Important Institution buffer		0	0
5.	**Capital adequacy ratios, including adjustments**			
5.1.	Adjustments to asset value due to prudential filters	C 04.00 28.	0	0
5.2.	Tier 1 common capital ratio with adjustment specified in row 5.1	C 03.00 7	22.53	24.45
5.3.	Tier 1 capital ratio with adjustment specified in row 5.1	C 03.00 9.	22.53	24.45
5.4.	Total capital ratio with adjustment specified in row 5.1	C 03.00 11.	24.96	26.86

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

June 30, 2020

(last day of the reporting period)

No	Position	Bank unaudited data in the reporting period	Consolidation group unaudited data in the reporting period
1.A	Own funds, if IFRS 9 transition arrangements were not applied	39 153 289	42 696 021
1.1.A	Tier 1 capital, if IFRS 9 transition arrangements were not applied	34 948 853	38 491 585
1.1.1.A	Common equity Tier 1 capital, if IFRS 9 transitional arrangements were not applied	34 948 853	38 491 585
2.A	Total risk exposure amount, if IFRS 9 transitional arrangements were not applied	168 888 269	169 800 431
3.1.A	Common equity Tier 1 capital ratio, if IFRS 9 transitional arrangements were not applied	20.69	22.67
3.3.A	Tier 1 capital ratio, if IFRS 9 transitional arrangements were not applied	20.69	22.67
3.5.A	Total capital ratio, if IFRS 9 transitional arrangements were not applied	23.18	25.14

Liquidity Coverage Ratio Calculation

June 30, 2020

(last day of the reporting period)

No	Position	Bank unaudited data in the reporting period	Consolidation group unaudited data in the reporting period
1.	Liquidity Buffer	125 138 643	125 138 643
2.	Net Liquidity Outflow	52 144 817	52 112 499
3.	Liquidity coverage ratio (%)	239.98	240.13

Expected Losses Split by Stages According to IFRS 9 "Financial Instruments"

June 30, 2020

(last day of the reporting period)

Position	Bank unaudited data in the reporting period			Consolidation group unaudited data in the reporting period		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
of which for financial assets	2 213 614	597 902	9 089 618	2 198 885	597 902	9 089 618
of which for standby credit facilities	285 284	65 930	2 646	285 284	65 930	2 646
of which for guarantees	0	0	0	0	0	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	Dmitrij Bekker
Council member	Irina Buts

Board

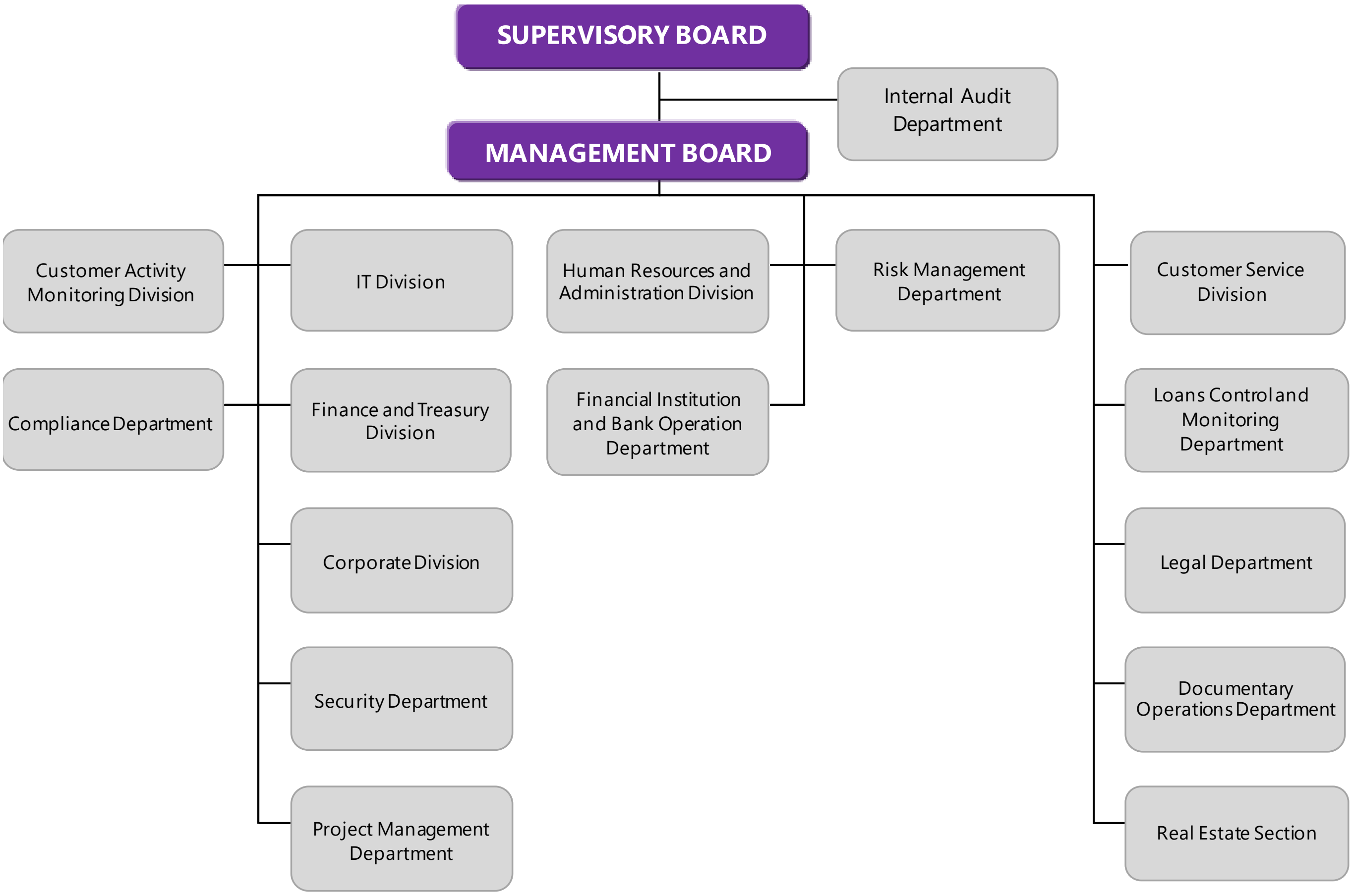
Position	Name
Chairman of the Board	Aleksandrs Jakovlevs
Member of the Board	Andrii Homza
Member of the Board	Alda Odina
Member of the Board	Dace Gaigala
Member of the Board	Vita Matvejeva

Shareholders of the Bank

Shareholder	Shares (%)
SIA "SKY Investment Holding"	44,00%
Yuriy Rodin	20.00%
AB „Pivdennyi"	13.76%
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 15 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 small and medium enterprises ('SMEs'), 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, which 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 30.06.2020, financial assets measured at amortised cost amount to 83 970 629, balances due from credit institutions amount to EUR 18 515 883.

Loan portfolio breakdown by overdue periods as on 30.06.2020:

	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	8 295 992	1 742 915	91 236	9 008 435	77 928 177	97 066 755	10 252 429
Loans to individuals	0	0	0	191 732	3 025 449	3 217 181	1 775 520
Total	**8 295 992**	**1 742 915**	**91 236**	**9 200 167**	**80 953 626**	**100 283 936**	**12 027 949**

The amount of credits secured by deposits is EUR 0.9 thousands (0.001% 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 valuators 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 49,9 million (50%);
- other mortgage EUR 24,3 million (24%).

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 30.06.2020 amounted to EUR 0.9 million, i.e., 2.05% of the Bank's equity.

20% change in USD rate by -/+60 thousand EUR will influence foreign exchange position in US dollars as of June 30, 2020.

As on 30.06.2020, 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 June 30, 2020: changes of economic value constitute -/+231 thousand EUR or 0.5% 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;
- 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 79.21% as on 30.06.2020.

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;
- 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. The largest country risk concentration in the Bank's exposure to Ukraine.

In the 2st quarter of 2020, 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	55 630 840	141	55 630 981	91,0%	0	0	0	0,0%
A1 to A3	5 121 095	44 095	5 165 190	8,5%	18 689 252	511	18 689 763	50,9%
Baa1 to Baa3	301 291	852	302 144	0,5%	10 421 917	211	10 422 128	28,4%
Ba1 to Ba3	0	0	0	0,0%	3 592	0	3 592	0,0%
B1 to B3	7 984	0	7 984	0,0%	310 622	0	310 622	0,8%
below B3	0	0	0	0,0%	7 274 677	12 056	7 286 733	19,8%
	61 061 211	**45 088**	**61 106 299**	**100%**	**36 700 060**	**12 778**	**36 712 838**	**100,0%**
No rating	**0**	**0**	**0**	**0,0%**	**14 667**	**0**	**14 667**	**0,0%**
	61 091 211	**45 088**	**61 106 299**	**100%**	**36 714 727**	**12 778**	**36 727 505**	**100%**

13.2% of requirements to credit institutions or EUR 4 836 957 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	Vērtspapīri			
		Book value	Accumulated income	Total	%
		1	2	(1+2)	4
1.	USA	56 754 701	8 907	56 763 608	93,52%
1.1.	including Central government securities	54 905 970	0	54 905 970	90,46%
2.	Latvia	1 135 293	31 710	1 167 003	1,92%
2.1.	including Central government securities	1 135 293	31 710	1 167 003	1,92%
3.	United Kingdom	616 262	735	616 997	1,02%
3.1.	including Central government securities	0	0	0	0,00%
4.	Netherlands	614 710	1 543	616 252	1,02%
4.1.	including Central government securities	0	0	0	0,00%
5.	Germany	312 665	141	312 806	0,52%
5.1.	including Central government securities	0	0	0	0,00%
6.	Sweden	302 618	752	303 371	0,50%
6.1.	including Central government securities	0	0	0	0,00%
7.	Denmark	302 154	218	302 372	0,50%
7.1.	including Central government securities	0	0	0	0,00%
8.	Belgium	301 291	852	302 144	0,50%
8.1.	including Central government securities	0	0	0	0,00%
9.	France	301 326	230	301 556	0,50%
9.1.	including Central government securities	0	0	0	0,00%
10.	Kazakhstan	7 984	0	7 984	0,01%
10.1.	including Central government securities	0	0	0	0,00%
	Total*	**60 649 005**	**45 088**	**60 694 093**	**100%**

* except for VISA shares (total amount of shares is EUR 412 thousand).

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 2st quarter of 2020, operational risk losses amount was low and amounted to about 7 thousand EUR.

Please find additional information about the Bank's risks on

https://www.ribbank.com/en/about/financial-documents

Derivative instruments

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

Reported data of 2019

https://www.ribbank.com/en/about/financial-documents