

Balance sheet

AS "Reģionālā investīciju banka"

December 31, 2019

(last day of the reporting period)

No	Position	31.12.2019 Bank unaudited	31.12.2019 Group unaudited	31.12.2018 Bank audited	31.12.2018 Group audited
1.	Cash and balances due from central banks	113 348 256	113 348 256	95 088 745	95 088 745
2.	Balances due from credit institutions	21 098 669	21 098 669	22 484 025	22 484 025
3.	Financial assets designated at fair value through profit or loss	31 058 064	31 058 064	25 249 486	25 249 486
4.	Financial assets at fair value through other comprehensive income	412 205	412 205	284 083	284 083
5.	Financial assets at amortised cost	88 549 556	84 006 470	109 908 800	107 146 825
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	13 250 539	13 250 539	13 460 695	13 460 695
10.	Intangible assets	450 545	450 545	502 886	502 886
11.	Tax assets	0	0	278 648	278 648
12.	Other assets	12 042 437	24 372 701	9 389 346	18 593 450
13.	Non-current assets and disposal groups classified as held for sale	0	0	0	0
14.	Total assets (1.+...+13.)	286 310 271	287 997 449	282 746 714	283 088 843
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	249 058 243	248 604 120	246 603 793	246 596 610
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	1 373 293	1 373 293	878 001	878 000
22.	Tax liabilities				
23.	Other liabilities	451 527	1 646 196	2 962 891	2 987 488
24.	Liabilities included in disposal groups classified as held for sale	0	0	0	0
25.	Total liabilities (15.+...+24.)	250 883 063	251 623 609	250 444 685	250 462 098
26.	Equity and reserves	35 427 208	36 373 840	32 302 029	32 626 745
27.	Total equity and reserves, and liabilities (25.+26.)	286 310 271	287 997 449	282 746 714	283 088 843
28.	Off-balance sheet items				
29.	Contingent liabilities	5 242 484	5 242 484	6 934 513	6 934 513
28.	Commitments	32 006 398	32 006 398	11 552 260	11 547 703

Profit and Loss Account

December 31, 2019

(last day of the reporting period)

No	Position	12 months 2019 Bank unaudited	12 months 2019 Group unaudited	12 months 2018 Bank audited	12 months 2018 Group audited
1.	Interest income	7 734 139	7 575 945	9 188 907	9 082 132
2.	Interest expense (-)	- 2 747 097	-2 747 097	-3 508 867	-3 508 867
3.	Income from dividends	4 197	4 197	3 231	3 231
4.	Commission income	4 197 670	4 197 457	6 404 638	6 404 242
5.	Commission expense (-)	- 455 129	- 455 234	-789 447	-789 447
6.	Net gains or (-) losses from derecognition of financial assets and liabilities not measured at fair value through profit or loss (+/-)	97 596	97 596	-214 581	-214 581
7.	Net gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss (+/-)	909 519	909 519	2 575 494	2 575 494
8.	Net gains or (-) losses from hedge accounting (+/-)	0	0	0	0
9.	Exchange differences [gain or (-) loss], net (+/-)	170 333	170 333	-573 913	-573 913
10.	Net gains or (-) losses on derecognition of non financial assets (+/-)	2 322	2 322	-387 004	-387 004
11.	Other operating income	400 683	1 273 847	584 603	737 913
12.	Other operating Expenses (-)	- 255 263	- 255 263	-297 693	-311 500
13.	Administrative expense (-)	- 7 694 484	- 7 814 251	-7 791 022	- 7 897 409
14.	Depreciation (-)	- 519 574	- 519 574	-532 930	-532 930
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 (-/+)	-588	-588	28 082	28 083
17.	Impairment or (-) reversal of impairment (-/+)	1 302 254	1 329 285	1 232 238	1 232 933
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 (+/-)	3 146 578	3 768 494	5 921 736	5 848 377
22.	Corporate income tax	-149 521	-149 521	-216 521	-216 521
23.	Profit/losses for the period (+/-)	2 997 057	3 618 973	5 705 215	5 631 856
24.	Other comprehensive income for the period (+/-)	128 122	128 122	95 111	95 111

Key ratios of the Consolidated group and the Bank

December 31, 2019

(last day of the reporting period)

Position	Bank 31.12.2019	Consolidated group 31.12.2019	Bank 31.12.2018	Consolidated group 31.12.2018
Return on Equity (ROE) (%)	8.67	10.31	15.66	15.52
Return on Assets (ROA) (%)	1.15	1.39	1.80	1.78

Group Consolidation

December 31, 2019

(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	92.42%	92.42%	MS

* PLS-supporting company

** MS-subsidiary company

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

December 31, 2019

(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	44 183 438	44 514 254
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	C 01.00 1.1.	36 900 137	37 230 953
1.1.1.	Common equity Tier 1 capital	C 01.00 1.1.1.	36 900 137	37 230 953
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.	7 283 301	7 283 301
2.	Total Risk Exposure Amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	C 02.00 1.	175 066 897	174 507 178
2.1.	Risk Weighted Exposure Amounts for Credit, Counterparty Credit and Dilution Risks and Free Deliveries	C 02.00 1.1.	143 091 634	142 501 990
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.	3 273 600	3 273 600
2.4.	Total Risk Exposure Amount for Operational Risk	C 02.00 1.4.	28 701 663	28 731 588
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.	21.08	21.33
3.2.	Surplus(+)/Deficit(-) of Common equity Tier 1 capital (1.1.1.-2.*4,5%)	C 03.00 2.	29 022 127	29 378 130
3.3.	Tier 1 capital ratio (1.1./2.*100)	C 03.00 3.	21.08	21.33
3.4.	Surplus(+)/Deficit(-) of Tier 1 capital (1.1.-2.*6%)	C 03.00 4.	26 396 123	26 760 522
3.5.	Total capital ratio (1./2.*100)	C 03.00 5.	25.24	25.51
3.6.	Surplus(+)/Deficit(-) of Total capital (1.-2.*8%)	C 03.00 6.	30 178 086	30 553 680
4.	Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)	C 04.00 27.	4 383 187	4 369 304
4.1.	Capital conservation buffer		4 376 672	4 362 679
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		6 515	6 625
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	21.08	21.33
5.3.	Tier 1 capital ratio with adjustment specified in row 5.1	C 03.00 9.	21.08	21.33
5.4.	Total capital ratio with adjustment specified in row 5.1	C 03.00 11.	25.24	25.51

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, 2019

(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	39 225 337	39 556 153
1.1.A	Tier 1 capital, if IFRS 9 transition arrangements were not applied	31 942 036	32 272 852
1.1.1.A	Common equity Tier 1 capital, if IFRS 9 transitional arrangements were not applied	31 942 036	32 272 852
2.A	Total risk exposure amount, if IFRS 9 transitional arrangements were not applied	170 138 006	169 583 569
3.1.A	Common equity Tier 1 capital ratio, if IFRS 9 transitional arrangements were not applied	18.77	19.03
3.3.A	Tier 1 capital ratio, if IFRS 9 transitional arrangements were not applied	18.77	19.03
3.5.A	Total capital ratio, if IFRS 9 transitional arrangements were not applied	23.06	23.33

Liquidity Coverage Ratio Calculation

December 31, 2019

(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	138 315 730	138 315 730
2.	Net Liquidity Outflow	49 029 691	50 143 047
3.	Liquidity coverage ratio (%)	282.11	275.84

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

December 31, 2019

(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	1 893 874	2 428 178	8 211 163	1 866 147	2 428 178	8 211 163
of which for standby credit facilities	399 657	259 378	941	399 657	259 378	941
of which for guarantees	1 001	0	0	1 001	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

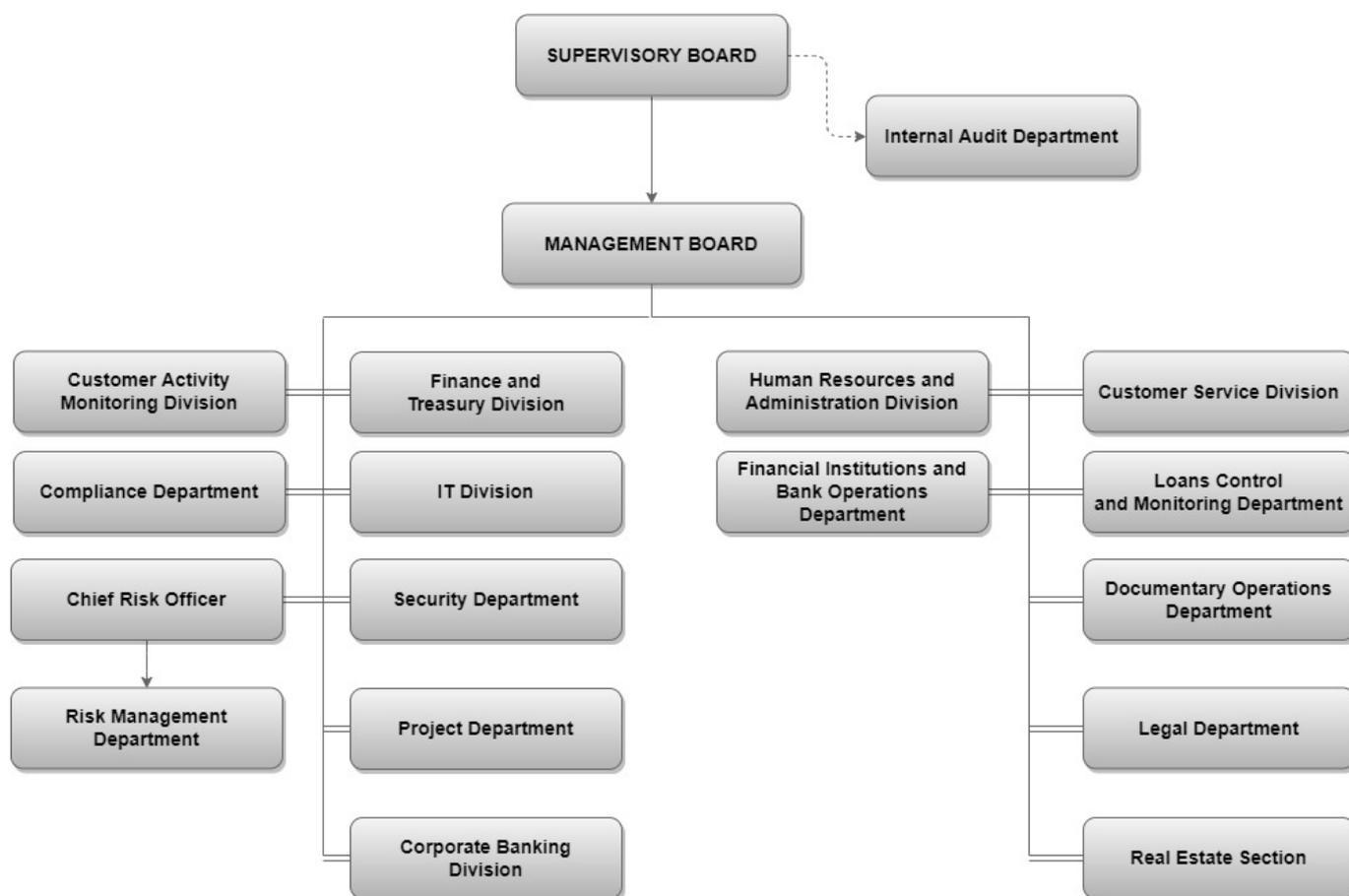
Position	Name
Chairman of the Board	Aleksandrs Jakovlevs
Member of the Board	Andrii Homza
Member of the Board	Alda Odina
Member of the Board	Dace Gaigala

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 31.12.2019, financial assets measured at amortised cost amount to EUR 84 006 470, balances due from credit institutions amount to EUR 21 098 669.

Loan portfolio breakdown by overdue periods as on 31.12.2019:

	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	0	0	6	9 215 208	89 973 160	99 188 374	10 090 799
Loans to individuals	3 333 027	18	0	452 326	176 214	3 961 585	2 278 049
Total	3 333 027	18	6	9 667 534	90 149 374	103 149 959	12 368 848

The amount of credits secured by deposits is EUR 37 thousands (0.04% 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 43,2 million (42%);
- other mortgage EUR 29,9 million (29%).

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 31.12.2019 amounted to EUR 1.1 million, i.e., 2.4% of the Bank's equity.

20% change in USD rate by +/-118 thousand EUR will influence foreign exchange position in US dollars as of December 31, 2019.

As on 31.12.2019, 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, 2019: changes of economic value constitute +/-52 thousand EUR or 0.1% 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 86.92% as on 31.12.2019.

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 4th quarter of 2019, the Bank was in compliance 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	24 772 603	369	24 772 972	78,8%	0	0	0	0,0%
A1 to A3	5 908 286	62 935	5 971 221	19,0%	1 654 868	1 649	1 656 517	3,3%
Baa1 to Baa3	672 720	3 059	675 779	2,2%	37 913 986	13 043	37 927 029	74,8%
Ba1 to Ba3	0	0	0	0,0%	1 422	0	1 422	0,0%
B1 to B3	0	0	0	0,0%	312 833	95	312 928	0,6%
below B3	7 959	0	7 959	0,0%	10 795 230	16 557	10 811 787	21,3%
	31 361 567	66 363	31 427 930	100%	50 678 339	31 344	50 709 683	100,0%
No rating	0	0	0	0,0%	14 691	0	14 691	0,0%
	31 361 567	66 363	31 427 930	100%	50 693 030	31 344	50 724 374	100%

9,5% of requirements to credit institutions or EUR 4 821 456 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	26 650 708	11 746	26 662 454	85,96%
1.1.	including Central government securities	24 461 073	0	24 461 073	3,92%
2.	Latvia	1 170 580	46 107	1 216 687	24,10%
2.1.	including Central government securities	1 170 580	46 107	1 216 687	24,10%
3.	Netherlands	620 153	1 892	622 046	2,01%
3.1.	including Central government securities	0	0	0	0,00%
4.	Great Britain	617 419	550	617 969	1,99%
4.1.	including Central government securities	0	0	0	0,00%
5.	Germany	481 063	627	481 690	1,55%
5.1.	including Central government securities	0	0	0	0,00%
6.	Sweden	311 529	369	311 898	1,01%
6.1.	including Central government securities	0	0	0	0,00%
7.	Belgium	304 970	1 881	306 852	0,99%
7.1.	including Central government securities	0	0	0	0,00%
8.	France	304 490	216	304 706	0,98%
8.1.	including Central government securities	0	0	0	0,00%
9.	Denmark	302 340	984	303 324	0,98%
9.1.	including Central government securities	0	0	0	0,00%
10.	China	178 149	1 990	180 140	0,58%
10.1.	including Central government securities	0	0	0	0,00%
11.	Kazakhstan	7 959	0	7 959	0,03%
11.1.	including Central government securities	0	0	0	0,00%
	Total*	30 949 361	66 363	31 015 724	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 4th quarter of 2019, operational risk losses amount was low and amounted to about 5 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 2018

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