Information Disclosure Statement for 2020

1 Muitas Street, Riga, Latvia
March 2021

Introduction

This Information Disclosure Statement provides information on the key financial indicators, risk management, capital requirements, exposures, capital reserve, leverage indicator of AS “PrivatBank” (hereinafter - the Bank), pursuant to the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as well as pursuant to Paragraph Three of Section 36.3 of the Credit Institution Law.

General information on the Bank and the Group

The Bank is a joint-stock company established in the Republic of Latvia, which received a banking license on 31 July 1992 (reregistered on 17 September 1998).

The Information Disclosure Statement includes the information on the Bank and its subsidiaries (jointly referred to as the “Group”) for the year ended 31 December 2020.

The Bank subsidiaries

Name	Country of registration	Type of activity
SIA "Amber Real"	Latvia	Real estate administration
SIA "PrivatInvestment"	Latvia	Maintenance and servicing of real estate of the Bank

Subsidiaries are companies controlled by the Bank. Control is exercised if the Bank directly or indirectly influences the company’s financial and business policy, aimed at benefiting from the activities of the company.

The Bank discloses information on the consolidation level (all subsidiaries of the Bank are included in the consolidation group), pursuant to Article 450 of Regulation (EU) No 575/2013 of the European Parliament and of the Council, and pursuant to the Financial and Capital Market Commission Regulations No. 207 “Regulations on Core Principles of Remuneration Policy”. The Bank shall apply equal consolidation principles for accounting and for prudential requirements.

Key types of the Bank activities

The Bank`s current and targeted activity is related to offering a range of services:

- Internet banking;
- Term deposits;
- Leasing for individuals;
- Leasing for legal entities;
- Consumer loans;
- SME loans;
- Commercial loans;
- Mortgage loans.

Key financial report indicators

Assets	Group 31 December 2020 '000 €	Bank 31 December 2020 '000 €	Group 31 December 2019 '000 €	Bank 31 December 2019 '000 €
Cash and on-demand receivables from Latvijas Banka	41,418	41,418	68,826	68,826
Financial assets at fair value through profit or loss	1,542	1,542	2,128	2,128
Receivables from credit institutions	6,293	6,293	9,408	9,408
Loans and receivables	42,150	46,754	49,090	59,331
Financial assets at fair value through other comprehensive income	2,785	2,785	13,786	13,786
Financial assets measured at amortised cost	2,896	2,896	-	-
Participation in the capital of subsidiaries	-	17	-	17
Fixed Assets	20,969	20,958	29,124	29,105
Intangible assets	6,203	6,201	5,382	5,377
Investment property	2,804	2,804	2,609	2,609
Overpaid corporate income tax	-	-	152	150
Other assets	9,961	4,290	15,447	6,314
Total assets	**137,021**	**135,958**	**195,952**	**197,051**

Liabilities, capital and reserves	Group 31 December 2020 '000 €	Bank 31 December 2020 '000 €	Group 31 December 2019 '000 €	Bank 31 December 2019 '000 €
Financial liabilities at fair value through profit or loss	7	7	9	9
Liabilities to credit institutions	-	-	544	545
Deposits from customers and current accounts	100,949	101,014	141,690	141,733
Provisions	1,544	1,547	2,706	2,701
Subordinated deposits	11,243	11,243	13,236	13,236
Other liabilities	4,738	4,274	7,589	7,250
Total liabilities	**118,481**	**118,085**	**165,774**	**165,474**
Fixed capital	86,350	86,350	86,350	86,350
Other reserves	5,397	5,397	5,397	5,397
Revaluation reserve	1,557	1,557	1,655	1,655
Accumulated losses	-74,764	-75,431	-63,224	-61,825
Total capital and reserves	**18,540**	**17,873**	**30,178**	**31,577**
Total liabilities	**137,021**	**135,958**	**195,952**	**197,051**
Funds in trust management	12,713	12,713	23,173	23,173
Expected and possible liabilities	1,054	1,055	3,716	3,718

The consolidated profit or loss statement of the Group and separate profit or loss statement of the Bank	**Group**	**Bank**	**Group**	**Bank**
	31 December 2020	**31 December 2020**	**31 December 2019**	**31 December 2019**
	'000 €	**'000 €**	**'000 €**	**'000 €**
Interest income	4,039	4,184	3,996	4,339
Interest expense	-2,090	-2,090	-2,121	-2,121
Net interest income	**1,949**	**2,094**	**1,875**	**2,218**
Commission income	1,778	1,776	3,491	3,487
Commission expense	-987	-954	-1,261	-1,190
Net commission income	**791**	**822**	**2,230**	**2,297**
Financial instruments at fair value through profit or loss	-892	-892	1,094	1,094
Net foreign exchange and revaluation income	270	270	348	347
Other income	8,019	4,026	8,625	3,088
Other expenses	-12,021	-5,810	-7,990	-434
Operating income	**-1,884**	**510**	**6,182**	**8,610**
Gains / (loss) from impairment	2,839	-1,801	899	-2,350
Administrative expenses	-12,347	-12,168	-13,346	-12,947
Profit before corporate income tax	**-11,392**	**-13,459**	**-6,265**	**-6,687**
Corporate income tax expense	-148	-147	-214	-213
Profit / (loss) for the reporting year	**-11,540**	**-13,606**	**-6,479**	**-6,900**

The consolidated other comprehensive income statement of the Group and separate other comprehensive income statement of the Bank	**Group**	**Bank**	**Group**	**Bank**
	31 December 2019	**31 December 2019**	**31 December 2019**	**31 December 2019**
	'000 €	**'000 €**	**'000 €**	**'000 €**
Profit / (loss) for the reporting year	**-11,540**	**-13,606**	**-6,479**	**-6,900**
Changes in the reserve for revaluation of the Securities valued at Fair value through other comprehensive income	-98	-98	915	915
Total comprehensive income / (loss) for the reporting period	**-11,638**	**-13,704**	**-5,564**	**-5,985**

The AS "PrivatBank" Group ended the year 2020 at a loss of 11,540 thousand EUR.

The consolidated minimum capital adequacy ratio and liquidity ratio as at 31 December 2020 exceeded the individual regulatory requirements defined for the Bank: 10.50% for capital adequacy, 30% for regulatory liquidity and 100% for Liquidity coverage ratio (LCR). As at 31 December 2020, the liquidity rate of the Group was 109.70%, the LCR was 501.3% and the capital adequacy ratio was 12.73%.

Description of operational risks and risk management system

Description of significant risks inherent in the Bank`s current and planned activity (risk profile)

The Bank`s risk management system has been developed according to the regulatory requirements of the FCMC and the guidelines for efficient risk management set up by the Basel Committee on Banking Supervision.

The Bank considers the following risks as significant to its activities according to *Significant Risk Identification Policy*:

- credit risk and business partner / issuer credit risk;
- operational risk;
- market risk (market price risk and foreign exchange risk);
- Geographical concentration risk;
- The interest rate risk in non-trade portfolio:
- liquidity risk;
- concentration risk;
- ML/TPF risk;
- reputation risk;
- business model risk;
- risk of excessive leverage.

Risk profile chart according to the Strategy of Development of the Bank for 2020 - 2024 is defined as follows:

% of Eligible capital / Risk category	**Low**	**Medium**	**Significant**	**High**
	<1%	**1.01%-3%**	**3.01%-7%**	**>7.01%**
Credit risk				
Market risk				
Interest rate risk				
Geographical concentration risk				
Operational risk				
Concentration risk				
ML/TPF risk				
Reputation risk				
Business model risk				

During measurement of the risks inherent in the Bank’s activities, the Bank applies analytical methods consistent with the specific features and complexity of its activity, int. al. stress testing.

The Bank regularly, at least once a year, revises and improves risk identification and management policies and procedures according to changes in the Bank activities and external factors affecting the activity of the Bank.

If significant changes in the Bank activities or in the factors affecting the Bank activities have taken place between two periods of planning of the Strategy of Development of the Bank, Risk Control Department shall carry out new risk profile assessment and submit it to the Board and the Council of the Bank.

At least once a year, according to *Procedure for Assessment of Significant Risk Management Efficiency and Analysis of Compliance of Bank's Operations with the Risk Strategy*, Risk Control

Department shall provide the Board and the Council of the Bank with a report on the level of all significant risks and on compliance thereof with the Bank Strategy.

Risk Definitions Used by the Bank:

- *Credit risk* means the risk of loss for the Bank if a business partner (counterparty/borrower) fails to perform its contractual obligations to the Bank, or performs these unduly or partially. Exposure to credit risk is retained throughout the lending period.
- *Operational risk* means a possibility of incurring loss due to non-compliant or incomplete internal processes, human and system errors or external circumstances, including legal risk, but excluding strategic risk and reputation risk.
- *Market price risk* means a possibility of incurring loss due to revaluation of balance-sheet and off-balance-sheet items related to changes in the market prices for financial instruments, commodities and commodity derivatives, which is influenced by changes in exchange rates, interest rates and other factors.
- *Foreign exchange risk* means potential adverse impact of changes in foreign exchange rates (gold is treated as a foreign exchange) on the Bank income/expenses and the Bank's equity.
- *Counterparty credit risk* means a possibility of incurring loss if a counterparty discontinues complying with their obligations before the last payment on settlement cash flow is made.
- *Geographical concentration risk* means the risk of losses arising from large exposures with customers or with related groups of customers, the creditworthiness of which is determined by common geographical region.
- *Interest rate risk* means a potential adverse impact of changes in the interest rates on the income and economic value of the Bank.
- *Liquidity risk* means a loss probability that the Bank will be unable to cover its liabilities by receivables, as well as that a probability of losses due to failure to comply with the FCMC regulations and non-material losses caused to the Bank image. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is a significant part of management of financial institutions including the Bank. Complete match of maturities in financial institutions is rare, since the business transacted is often of different types and of uncertain periods. An unmatched position potentially enhances profitability, but can also increase the risk of loss.
- *Concentration risk* means any exposure or group of exposures, which may cause such losses to the Bank that may lead to the Bank's insolvency or threaten the ability to conduct further business. The exposure concentration risk arises from high volume exposures to customers or to mutually related groups of customers, or exposures to customers, whose creditworthiness is defined by one joint risk factor (for example, economic sector, geographical region, currency, credit risk mitigation instrument (homogeneous collateral or one collateral provider, etc.));
- *Money laundering and terrorism and proliferation financing risk (ML/TPF risk)* means the risk of the Bank getting involved in money laundering or financing of terrorism.
- *Reputation risk* means the risk that the Bank customers, its counterparties, shareholders, supervisory institutions or other *stakeholders* may form a negative opinion about the Bank that may adversely affect the Bank`s ability to maintain the current business relations with its customers and other counterparties, or to create new ones, as well as adversely affect the availability of the Bank financing. Due to reputation risk events, other risks inherent in the Bank`s activities (credit risk, liquidity risk, market risk, etc.) may increase that may adversely affect the Bank`s profit, capital and liquidity.
- *Business model risk* means the risk that changes in the business environment and the Bank's inability to respond to these changes in a timely manner, or inappropriate/incorrectly selected development strategy of the Bank, or the Bank's inability to provide the resources necessary for the strategy implementation may have negative impact on the Bank's profit, on the amount and liquidity of its capital.
- *Risk of excessive leverage* means the risk resulting from the Bank's vulnerability due to actual or possible specific weight of borrowed funds in its funding structure, that may require

unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

Information about significant risks Inherent in the Bank`s operations, and a summary of the risk management system in the Bank.

The risk management system established in the Bank has been described in the financial statement of the Bank for the year ended 31 December 2020. A short summary of the risk management system is given below.

Credit risk

Credit risk of the loan portfolio is identified determining the borrower`s Creditworthiness prior to and after the Loan granting according to the *Customer Credit Rating Procedure*.

Before introducing a new financial service or prior to significant changes to a current financial service, the Bank shall assess the possible Credit risk inherent in the new service or in the planned changes, according to the *Procedure on Implementation of Significant Changes to New and Existing Products*, as well as assess the impact thereof on the credit risk capital requirement.

To mitigate credit risk, the Bank takes the following credit risk minimisation measures:

- ✓ Diversification – general distribution of the credit investment risk by different lending types, subjects, periods, industries, currencies etc.;
- ✓ Limit determination – determination of limits on individual Customers, counterparties, issuers, groups of related customers, Bank related parties, individual lending types, industries, countries/regions, collaterals, Loans, the currency of which is different from the currency of the Customer's income, etc.;
- ✓ Stress testing – assists in assessment of the amount of capital required to cover the credit risk and in identification of critical situations that may significantly increase the amount of loss related to credit risk;
- ✓ Making provisions to cover credit risk – analysis of the loan portfolio quality with subsequent provisioning necessary to cover credit risk;

Exposure quality control – constant supervision of the Bank’s exposures, determining their quality, using indicators in accordance with the *Credit Risk and Concentration Risk Management Procedure*, and evaluating Exposures at their real value. To identify credit risk of the loan portfolio and assess loan quality, the Bank divides loans into two groups: individually assessed loans and loans grouped according to similar credit risk parameters, which are assessed according to *Credit Risk and Concentration Risk Management Procedure.*

The Bank assesses loan portfolio concentration risk which occurs when a substantial amount is directly or indirectly granted to one Customer, to a group of related Customers or invested into one industry or sector of national economy, into a geographical region or country, when loans have homogeneous collateral or loan currency is different from the Customer income currency.

The reporting and information exchange procedure, distribution of risk management obligations, powers and responsibilities, as well as the procedure of decision making, are set in *Credit Risk Management Policy.*

The Bank receivables from credit institutions and issuers consist from receivables placed at other credit institutions, from the securities purchased for investment portfolio of the Bank, as well as from off-balance liabilities to credit institutions and to issuers.

Receivables from credit institutions and issuers are assessed individually. The Bank assesses the credit risk of receivables from credit institutions and issuers, and the necessity of provisioning, based on daily monitoring, according to *Credit Risk and Concentration Risk Management Procedure*.

In order to define individual Concentration risk, the receivables from credit institutions / issuers are included in the concentration risk stress testing, according to the *Credit Risk and Concentration Risk Management Procedure*.

The Bank regularly (at least once a quarter) performs stress tests of exposures subject to Credit risk, according to the *Credit Risk and Concentration Risk Management Procedure.*

In the Credit risk stress testing scenarios, the Bank foresees two stress event scenarios – changes within one year and within two years, and develops the basic scenario and the pessimistic scenario.

For the purposes of loan portfolio stress testing, the Bank develops several scenarios of loan portfolio quality changes to identify the amount of capital required to cover the expected loss (EL) and the unexpected loss (UL). The scenarios take into account the deterioration in the borrowers` creditworthiness in light of decline in the macroeconomic indicators in the short-term and long-term perspective (publicly available on the Internet) and PD *(Probability of Default)*), which is determined according to the Bank`s historical data on the increase of non-performing loans [1] and LGD*(Loss given default)*). Stress testing takes into account the planned loan portfolio for 1 year, 2 years and 3 years, as well as possible migration of undue loans to overdue loans in view of forecasted macroeconomic indicators and forecasted changes in real estate value.

Within the framework of loan portfolio stress testing, the Bank additionally performs stress testing of receivables (receivables, which the bank acquired from debt collection).

The Bank also assesses receivables from credit institutions and issuers within the framework of credit risk stress testing.

When performing credit risk stress testing for receivables from credit institutions / issuers, the amount of potential expected loss upon possible decrease in ratings is assessed.

The key parameters for credit risk stress testing for receivables from credit institutions/issuers are the PD (*Probability of default*) and LGD (*Loss given default*) provided by Moody`s international ratings agency within the framework of annual report *"Annual Default Study: Corporate Default and Recovery Rates*".

Operational risk

The Operational risk is managed at the Bank, according to the *Policy on Operational risk management,* which is reviewed at least once a year, according to the changes in the Bank activities and in the factors of external environment, which influence the Bank activities.

The Bank manages operational risk according to the guidelines for efficient operational risk management set up by the Basel Committee on Banking Supervision and *International Convergence of Capital Measurement and Capital Standards*, the Financial and Capital Market Commission regulations and recommendations, as well as other international regulatory enactments, which the Bank applies according to the scope, types and complexity of its operations.

The Operational risk management process consists of the following primary elements:

- **Identification** – aggregation and classification of information on Operational risk events and on the losses incurred thereby, with the objective to identify spheres of its activities, services and structural units of the Bank, which are most exposed to the Operational risk;
- **Assessment** – Quantitative and qualitative assessment (measurement) of the Operational risk, in order to define the Operational risk level and to assess the amount of possible losses in case of occurrence of any adverse circumstances of the Operational risk;
- **Mitigation** - Development of activities, which mitigate the Operational risk, thus decreasing any possibility of losses or their possible amount;

[1] Non-performing loans - loans with payment arrears, which exceed 90 days.

- **Control (monitoring)** - Controlling the level of the Operational risk, due detection of its business spheres, the services and Structural units of the Bank, the Operational risk level of which becomes unacceptable, as well as preparation of reports to the Board of the Bank and to the Heads of Structural Units of the Bank, with information on identified Operational risk events and on its overall level.

In order to manage the Operational risk, information of the Bank on historical Operational risk events (both on internal events (which are identified within the Bank) and on external events (which are identified at other banks)) is aggregated in the Operational risk event database, according to the *Procedure on Informing about Operational Risk Events and on Operational Risk Database.*

Market price risk

The Market price risk management at the Bank is carried out, according to the *Procedure on Market Risk Management and Limit Definition*, which is reviewed at least once a year, in accordance with the changes in the Bank activities and in the factors of external environment, which influence the Bank activities.

Market price risk management is aimed at supervision and control of the risk, providing for acceptable risk level and optimising the risk return.

To reduce the market price risk, the Bank performs the following market price risk minimisation measures:

- Diversification – division of risk by types of issuers, terms of issue, etc.;
- Setting of limits – to individual issuers (groups of related customers), sectors, countries, etc.;
- Stress testing – assessment of the amount of capital required to cover the market price risk and identification of critical situations that may significantly increase the amount of loss related to market price risk.

Foreign exchange risk

The Foreign exchange risk is managed at the Bank, according to the *Procedure on Market Risk Management and Limit Definition,* which is reviewed at least once a year, in accordance with the changes in the Bank activities and in the factors of external environment, which influence the Bank activities.

To manage foreign exchange risk, the Bank:

- ✓ controls compliance with the limits of open foreign exchange positions (int. al., gold positions) on a daily basis, using financial derivatives, for example, currency swap transactions, to reduce foreign exchange positions, if necessary;
- ✓ determines the foreign exchange risk level, applying the value at risk method (VaR) to open foreign exchange positions.

Geographical concentration risk

The Geographical concentration risk is managed at the Bank, according to the *Country Risk Management Policy,* which is reviewed at least once a year, according to the changes in the Bank activities and in the factors of external environment, which influence the Bank activities.

To assess and manage the Geographical concentration risk, the Bank:

- ✓ manages the Geographical concentration risk, including the transfer risk, on a regular basis;
- ✓ approves the internal country limits broken by asset categories (country limit for interbank transactions, for loan portfolio and for securities portfolio) and controls their observation on a daily basis;
- ✓ regularly, on a quarterly basis, analyses economic and political situation in the countries with credit rating of *non-investment grade*;
- ✓ develops stress testing scenarios for management of Geographical concentration risk in the countries, where funds are placed for the bank and where credit rating is of *non-investment grade,* as well as stress-tests the Geographical concentration risk of the relevant countries.

The system of Geographical concentration risk limits is based on Herfindahl-Hirschman Index calculations.
The Bank constantly maintains a list of countries, where the Bank`s assets have been placed, with information about current ratings of these countries and about rating development forecasts.

Geographical concentration risk limits of active operations are calculated, according to the methodology defined by the *Country Risk Management Procedure*.

The calculated limit of active operations for countries of non-investment grade can be corrected, in consideration of stress-testing results, according to the *Country Risk Management Procedure.*

Interest rate risk in non-trading portfolio

The Interest rate risk is managed at the Bank, according to the *Interest rate Risk Management Policy,* which is reviewed at least once a year, according to the changes in the Bank activities and in the factors of external environment, which influence the Bank activities.

The Bank manages interest rate risk to prevent the possible adverse impact of interest rate risk on the income and economic value of the Bank, namely:
- ✓ assesses interest rate risk of all interest rate-sensitive assets, liabilities and off-balance liabilities;
- ✓ assesses interest rate risk of all assets, liabilities and off-balance liabilities in each currency, where the assets or liabilities exceed 5% of the total balance value, as well as the total amount in all currencies;
- ✓ assesses the potential interest rate risk inherent in new services;
- ✓ uses *gap analysis* and *duration* methods to measure the interest rate risk level.

Liquidity risk

The Liquidity risk is managed at the Bank according to the *Policy on Liquidity risk management,* which is reviewed at least once a year, according to the changes in the Bank activities and in the factors of external environment, which influence the Bank activities.

The Bank manages liquidity risk to ensure timely execution of its liabilities

While managing the liquidity risk, the Bank:
- ✓ determines and regularly reviews internal liquidity net position limits for maturity structure of assets and liabilities in euros and each foreign currency in which the Bank has significant transaction amount, source of financing and liquidity limits, as well as determines necessary measures in case internal limits are violated;
- ✓ determines the Bank`s possible need for liquid assets taking into account the structure of the customer base;
- ✓ performs the analysis of financing concentration, assessing raising of funds from one person (group of related persons);
- ✓ performs stress tests including the analysis of possible events, i. e. analysis of occurrence of critical situations on the level of the Bank, Latvian financial system and global financial system, with due regard to the influence of credit risk and reputation risk on liquidity risk;
- ✓ calculates, assesses and analyses Liquidity Coverage Ratio (LCR), which is defined pursuant to the EU Regulation No. 575/2013;
- ✓ develops action plans in order to overcome significant liquidity problems or a liquidity crisis (for example, rapid reduction of deposit amounts, outflow of significant Bank customers, etc.);
- ✓ regularly forecasts liquidity taking into account planned incoming and outgoing payments of the Bank and the Customers;
- ✓ creates a liquidity reserve by maintaining a securities portfolio, which the ECB has acknowledged as suitable collateral for receiving funding at the ECB.

Acceptable Liquidity risk level – in accordance with the defined internal liquidity net position limits for maturity structure of assets and liabilities (*in euros* and each foreign currency in which the Bank has significant transaction amount), as well as the acceptable level of the Bank`s liquidity ratio “K” (the ratio shall be determined according to *Procedure on Calculation of Liquidity Condition and Liquidity Management Process*) and regulatory liquidity level.

1. Acceptable levels of the “K” liquidity ratio:

K	Liquidity position
>5%	increased liquidity
>-5%<5%	normal liquidity
>-10%<-5%	decreased liquidity
<-10%	liquidity crisis

2. Liquid asset level in relation against total assets:
   ✓ > 20%
3. Regulatory liquidity level:
   ✓ > 30%
4. *Liquidity coverage ratio*:
   ✓ > 100% as from 1 January 2018.

Liquidity coverage ratios

The calculation on the level of the Bank and the Group is carried out, pursuant to the guidelines drawn up by the European Banking Authority (EBA) "Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013".

Bank, thousand EUR		Total adjusted value			
		31 March 2020	**30 June 2020**	**30 September 2020**	**31 December 2020**
21	Liquidity buffer	68,789	65,420	64,297	43,852
22	Total net outflows	9,801	6,263	5,843	8,751
23	**Liquidity coverage ratio (%)**	**701.8%**	**1044.5%**	**1100.3%**	**501.1%**

Group, thousand EUR		Total adjusted value			
		31 March 2020	**30 June 2020**	**30 September 2020**	**31 December 2020**
21	Liquidity buffer	68,789	65,420	64,297	43,852
22	Total net outflows	9,798	6,260	5,840	8,748
23	**Liquidity coverage ratio (%)**	**702.1%**	**1045.1%**	**1101.0%**	**501.3%**

Concentration risk

Taking into account that a significant portion of Concentration risk originates in the loan portfolio, the Bank assesses concentration of loan portfolio exposures, i. e.:

- concentration of Exposures of related Customer groups and individual customers, which are not involved in a related customer group (hereinafter - risk of individual Concentration);
- concentration of exposures with Customers, which are representatives of one economic sector (hereinafter - risk of sector Concentration);
- concentration of exposures, where the loan currency differs from the Customer income currency (hereinafter - risk of Concentration of currency mismatch);
- concentration of indirect exposures, which are formed from exposures secured with one type of collateral, or from the exposures, where the credit risk is decreased through application of collateral of one collateral provider (hereinafter - Collateral Concentration risk).

Within management of exposure concentration risk, the Bank regularly performs:

✓ analysis of individual concentration risk (total exposures to heavy borrowers or to related groups of borrowers);

- ✓ analysis of sectoral concentration risk by the borrower`s sectors and concentration risk by the types of collateral;
- ✓ analysis of currency mismatch concentration risk;
- ✓ analysis of concentration risk between credit risk and foreign exchange risk, credit risk and operational risk.

The Bank assesses concentration risk of receivables from credit institutions and issuers according to the *Credit Risk and Concentration Risk Management Procedure,* which is revised at least once a year according to changes in the Bank activities and external factors affecting the activity of the Bank.

Money laundering and terrorism and proliferation financing risk

To mitigate the risk of money laundering and terrorism and proliferation financing, the Bank has established an internal anti-money laundering and counter-terrorism financing control system, which comprises actions and measures aimed at meeting the requirements of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing of the Republic of Latvia, i. e. risk assessment, control and mitigation measures, providing relevant resources for the purpose.

The Bank has approved its ML/TPF risk management strategy, which, together with the ML/TPF risk management policy, defines the primary principles of ML/TPF risk management, the tasks and responsibility of management and structural units of the Bank in the sphere of ML/TPF risk management, the order, in which ML/TPF risk of the Bank is assessed, controlled, monitored, as well as the order, in which reports and information is provided.

Upon establishment of ML/TPF risk management structure, the Bank has defined the principle of three lines of defence, defining the customer service and support structural units as the first line of defence, their responsibility being the fulfilment of the “Know your customer” principle. AML/CTF Department and Risk Control Department form the second line of defence, ensuring establishment, quality and limit control, as well as reporting for ML/TPF - related processes. In its turn, Internal Audit Department of the Bank forms the third line of defence, and its task is to define efficiency of the ML/TPF - related processes of the Bank.

The Bank has decreased the core ML/TPF risks inherent therein by *de-risking*. The Bank has improved its ML/TPF risk training programs, by defining different training contents for different categories of employees, at the same time, communicating the new risk appetite of the Bank with the employees and increasing competence of the Bank employees.

In order to enhance ML/TPF control function, the Bank uses the customer transaction monitoring system. It helps the Bank to analyse and to mitigate ML/TPF risk.

The Bank`s internal control system includes an aggregate of the following basic elements and measures:

- commencement and termination of business relations with customers;
- customer identification;
- assessment of customer`s risk of money laundering or terrorism financing;
- identification and initial due diligence of customer`s beneficial owner;
- monitoring and enhanced due diligence of customer`s transactions;
- disclosure of unusual and suspicious transactions and reporting to the Control Service;
- refraining from suspicious transactions;
- storage of data and documents obtained in the process of customer identification, due diligence and customer transaction monitoring, storage of results of due diligence and provided reports;
- training of employees of the Bank.

During cooperation with customers, the Bank applies a customer due diligence method that is based on risk assessment, to prevent cooperation with persons involved in money laundering and in terrorism financing, insofar as possible.

The Bank does not establish business relations with the customer prior to identifying the customer and establishing the beneficial owner, pursuant to regulatory enactments and to internal regulatory documents of the Bank. The Bank does not open anonymous accounts to the persons.

ML / TPF risk management is provided by AML/CTF Department, in accordance with the *Anti-Money Laundering and Counter Terrorist Financing Policy*.

Reputation risk

The Reputation risk is managed at the Bank, according to the *Policy on Reputation risk management,* which is reviewed at least once a year, according to the changes in the Bank activities and in the factors of external environment, which influence the Bank activities.

In accordance with the *Procedure on Reputation Risk Assessment and Management Methods*, the responsible employee of Financial Monitoring Department for objective assessment of Reputation risk and identification of the true source thereof may request additional information from any Bank employee. In turn, all employees of the Bank are obliged to provide the responsible employee of Risk Control Department with all required information about each particular Reputation risk event, that is at the disposal of the employees (structural units) of the Bank.

Reputation risk management consists of:

- control and analysis of the defined indicators;
- assessment of reputation risk;
- identification of factors causing increase of reputation risk level, whenever possible;
- prevention of factors causing increase of reputation risk level, whenever possible;
- elimination or mitigation of consequences;
- monitoring of situation after elimination of consequences or mitigation of risk.

Methods for prevention and minimisation of reputation risk are selected according to the impact of risk factors on the Bank`s operations and financial situation, as well as in consideration of each particular reason of the risk, the volume thereof and its impact on the Bank`s reputation.

The Head of Risk Control Department regularly (once a month) informs the Board of the Bank about the reputation risk level of the Bank and on the development trends, by submitting a relevant report.

Business model risk

The Business model risk is managed at the Bank, according to the *Business Model Risk Management Policy,* which is reviewed at least once a year, according to the changes in the Bank activities and in the factors of external environment, which influence the Bank activities.

In accordance with the *Procedure on Business Model Risk Assessment and Management Methods*, the responsible employee of Risk Control Department for objective assessment of Business model risk and identification of the true source thereof may request additional information from any Bank employee (structural unit). In turn, all employees (structural units) of the Bank are obliged to provide the responsible employee of Risk Control Department with all required information about each particular Business model risk event, that is at the disposal of the employees (structural units) of the Bank.

The Business model risk management consists of:

- control and analysis of Business model risk indicators;
- Business model risk assessment;
- identification of sources of increase of Business model risk;
- mitigation or elimination of the reasons and consequences of increase of Business model risk;
- Control of situation after mitigation or elimination of the reasons and consequences of increase of Business model risk.

The methods of prevention and minimisation of Business model risk are selected, depending on the influence of risk factors on the Bank`s operations and financial situation, as well as in consideration of each particular reason of the risk, the volume thereof and its impact on implementation of the Bank`s strategy.

Risk of excessive leverage

The Risk of excessive leverage is managed at the Bank, according to the *Financial leverage risk management policy,* which is reviewed at least once a year, according to the changes in the Bank activities and in the factors of external environment, which influence the Bank activities.

To assess and manage the Risk of excessive leverage, the Bank:

- determines, regularly controls and assesses the level of Risk of excessive leverage;
- analyses the items of balance sheet assets, which have an impact on the sources of the Risk of excessive leverage;
- calculate the value of risk of excessive leverage by applying calculation method provided in the *Financial leverage Risk Procedure*;
- upon stating certain non-compliance with the limit, develops recommendations to reduce the level of excessive leverage risk;
- performs stress testing of excessive leverage risk, develops recommendations to reduce the level of excessive leverage risk, if necessary;
- sets internal limits, the compliance whereof allows to confine the impact of changes in the level of excessive leverage risk on the Bank`s economic value and income/expenses.

Risk Control Department carries out the following on a regular basis:

- Control (on a daily basis) over compliance with the excessive leverage risk limit, which is calculated, according to the *Financial leverage Risk Procedure*;
- detailed analysis of the Risk of excessive leverage for the previous month (on a monthly basis).

The excessive leverage risk value and stress-testing results are assessed, according to the table below:

Indicator of the risk of excessive leverage	Assessment	Measures
≥5%	The risk of excessive leverage matches the Bank's entrepreneurship model and strategic purpose	Not necessary; monitoring within the framework of standard procedures
≥4%	The risk of excessive leverage matches the Bank's entrepreneurship model	In accordance with the Bank's strategy, special monitoring procedure shall be commenced for investigating trends
<4%	The risk of excessive leverage does not match the Bank's entrepreneurship model	To develop, approve and implement plan of activities for decreasing the Risk of excessive leverage
<3%	Unacceptable violation	To activate the crisis overcoming plan

The Head of Risk Control Department on a regular basis (once a month) informs the Board of the Bank about the Excessive leverage risk level and on the development trends, by submitting a relevant report..

Calculation of the leverage ratio, thousand EUR	**Bank**	**Group**
Off-balance sheet items	1,055	1,054
Other assets	135,958	137,021
Tier 1 capital	11,647	12,316
Leverage ratio	**8.5%**	**8.9%**

Information flow on risk management to the Board and the Council of the Bank

As mentioned previously, various reports are used in risk management and control processes. These reports are submitted to the Board and the Council of the Bank, as well as to the Heads of the structural units involved in risk management, with corresponding frequency - daily, weekly, monthly, quarterly, half-year and annual reports.
Quarterly reports on achievement of strategic objectives and on indicator implementation are prepared for the Board and the Council of the Bank. These reports cover the quantitative indicators defined in the Risk Management Strategy, as well as the amount of capital required to cover credit risk, foreign exchange risk, market risk, interest rate risk, liquidity risk, operational risk, reputation risk, country risk, concentration risk and strategy risk.
The Bank conducts stress testing, the results of which are reported to the Council and the Board. Stress tests for all significant risks are conducted quarterly.

Daily and monthly reports on compliance with exposure, liquidity risk, foreign exchange risk and country risk limits and restrictions are submitted to the Board of the Bank.

To ensure operational control and decision making, the reports are submitted to all structural units involved in risk management and the Board members in charge.

Distribution of duties, powers and responsibilities within the process of the risk management and capital adequacy assessment

The Council of the Bank:

- defines the Bank's development strategy, including the activity objectives, the capital management strategy and the risk strategy;
- supervises risk management at the Bank, incl. approves risk identification and management policies, requests (receives) information on the size and management of the significant risks inherent to the Bank's operations (including risks related to macroeconomic factors and the economic cycle), ensures that the Bank allocates sufficient resources for risk management, and assesses the effectiveness of risk management at least once a year.
- determines main principles of the capital management and capital adequacy assessment – determination of capital, applicable methods and objectives, as well as approves capital assessment policy and procedure;
- at least once a year reviews and approves the results of the capital adequacy assessment and adopts decisions regarding capital adequacy;
- monitors assessment of assets related to significant risks inherent to the Bank's activities, application of risk ratings awarded by international rating agencies and the use of internal models;
- supervises activity of the Board in implementing the risk management and capital adequacy assessment policy and procedure, and in eliminating identified deficiencies, in order to effectively and quickly address the issues of capital and risk management;
- supervises compliance of the Bank activities, risk management and capital adequacy assessment policy provisions with regulatory enactments of the Republic of Latvia, international documents governing bank activities, best practice standards, the Articles of Association of the Bank, and the decisions of the shareholder meeting.

The Board of the Bank:

- ensures the identification and management of the Bank's operational risks, incl. their measurement, assessment, control and provision of risk reports, implementing the risk identification and management policies defined by the Council, and approves the relevant procedures;
- ensures regular risk assessment, capital adequacy assessment and maintenance of adequate capital level;

- reviews and submits draft Capital Adequacy Assessment Policy for approval at the Bank Council, approves other internal regulatory documents governing capital management and capital adequacy assessment process;
- reviews the Report on Capital Adequacy Assessment Process;
- at least once a year assesses the effectiveness of the capital management and capital adequacy assessment, and, when necessary, proposes measures to increase the efficiency, taking into account changes in the Bank’s activities and external factors affecting the activity of the Bank;
- is responsible for developing, implementing, managing and improving the comprehensive internal risk control system, the implementation and improvement of the Capital management and risk management policies, ensures and controls compliance with the requirements thereof.

<u>The Chief Risk Officer (CRO):</u>

- management of the comprehensive risk control function;
- establishment of risk management system, provision of its supervision and improvement;
- assessment of compliance of risks of the Bank and of their restrictions and limits with the risk strategy of the Bank, and reporting non-compliances to the Council and the Board of the Bank, and to heads of the respective structural units;
- regular provision of comprehensive and clear information about the risks of the Bank and their compliance with the risk strategy to the Council and the Board of the Bank, and to heads of the respective structural units;
- advising the Council and the Board of the Bank in matters associated with risks, provision of advisory support in other matters related to significant risks.

<u>Head of the Risk Control Department is responsible for:</u>

- exact division of responsibilities of employees responsible for risk monitoring;
- maintenance of the adequate risk measurement systems and standards, and their assessment;
- ensuring significant risk monitoring process and comprehensive reporting;
- establishment of the system of management of the Bank’s risks, including development and implementation of the relevant internal regulatory documents on management of risks;
- provision of the Council, the Board and the heads of the respective structural units of the Bank with complete and clear information about risks, their compliance with the Commission regulations and with the risk strategy of the Bank.

<u>Risk Control Department:</u>

- ensures identification and measurement of risks significant to the Bank's activities and their interactions, and development of policies and procedures for management of these risks, as well as active participation in the development of the Bank's risk strategy and in the adoption of significant decisions related to risk management;
- exercises regular control over the compliance with the risk management policies and procedures, including compliance with the set limits and restrictions;
- ensures regular (at least once a year) revision and improvement of the risk management policies and procedures in order to insure their relevance and compliance with changes in the Bank's activities and in the external circumstances affecting the activity of the Bank;
- ensures development and updating of the Capital Adequacy Assessment Policy and related procedures at least once a year;
- assesses the amount of capital required to cover risks of the Bank and the amount of capital buffer;
- prepares a Report on Capital Adequacy Assessment Process and submits it to the Board for consideration and to the Council for approval once a quarter;
- follows the amendments to international legal enactments and standards, to the laws and regulatory enactments of the Republic of Latvia, to the requirements, which regulate the Bank activities, to the spheres of management of exposures, capital adequacy, financial risks and operational risk, as well as assesses the influence of amendments on the Bank activities.
- performs capital planning; within capital planning, elaborates a plan for capital adequacy maintenance in case of emergency (determines the actions to be taken to ensure the

fulfilment of individual regulatory minimum capital requirement established by the FCMC in case of emergency, and determines the appropriate action plans).

Internal audit:

- The Internal Audit Department regularly performs inspections of the capital adequacy assessment process, in accordance with the work plan approved by the Council of the Bank.

Risk Committee:

The Bank is not required to establish a risk committee, as Article 38 of the Regulations on Establishment of the Internal Control Framework stipulates that a risk committee shall be established by those institutions, “which are significant in terms of the size, nature, complexity and specifics of the activities and organisational structure”.

According to Article 16 of the Regulations on Internal Capital Adequacy Assessment Process (hereinafter – “the Regulations”), AS PrivatBank is a small-sized bank that provides traditional and simple services to its customers.

According to Article 16 of the Regulations, “during capital adequacy assessment, the Bank complies with the proportionality principle – during capital adequacy assessment, a small-sized credit institution, that provides traditional and simple services to its customers, can use more simple methods, including the simplified methods, that are described in the Regulations, for determining the amount of capital required to cover risks”.

The Bank has a small number of employees:

- The total number of employees is less than 200, and the Bank has a transparent linear functional structure.
- The Council of the Bank consists of 5 members whose duties are allocated to cover all areas of the Bank's activities (the entire composition of the Council of the Bank has been re-elected during the extraordinary meeting of shareholders on 14 February 2020. Iryna Krasko, Dmytro Kuzmin, Antonis Charitou, Savvas Stouppas and Nikos Sofroniou have been registered as the members of the Council in the Register of Enterprises of the Republic of Latvia, and have started to perform the duties of the members of the Council as from 7 April 2020).
- The Board of the Bank consists of 5 members of the Board whose duties are allocated according to the Organisational structure of the Bank and cover all areas of the Bank's activities (On 26 February 2021, the Council of the Bank has appointed the member of the Board, who will start to perform the duties after receiving consent from the Financial and Capital Market Commission).

Capital adequacy

In order to determine the Group's available capital, the Group applies the definition of capital and the procedure for calculating the amount of own funds in accordance with the provisions of the Part two of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, and the FCMC's "Regulations on implementation of transitional provisions and choice options set forth in Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012".

The Bank regularly (quarterly) evaluates the minimum regulatory capital requirements, the capital required to cover risks and capital buffer within the capital adequacy assessment process in order to ensure that capital is sufficient for current and planned activities in case of occurrence of potential adverse scenarios, and throughout the entire duration of an economic cycle. The planned increase in assets and increase in risks are carried out within the existing and planned capital.

The Bank's and the Group's own funds comprise the aggregate amount of Tier 1 and Tier 2 capital elements in accordance with Regulation No. 575/2013.

The Bank's and the Group's capital adequacy elements, total of Tier 1 and Tier 2 capital as at 31 December 2020:

Amount of available capital, thous. EUR		**Bank**	**Group**
Tier 1 capital	**Tier 1 Common Equity Capital, incl.**	**11,647**	**12,316**
	Paid-up capital	86,350	86,350
	Other reserves	5,397	5,397
	Specific regulatory enactments applicable to Tier 1 capital reduction	-16	-16
	Accumulated losses	-75,431	-74,764
	Value adjustments due to prudent valuation requirements	-9	-4
	Accumulated other comprehensive income	1,557	1,557
	Intangible assets	-6,201	-6,204
Tier 2 capital	**Tier 2 capital:**	**476**	**476**
	Subordinated capital	476	476
	Specific regulatory enactments applicable to Tier 2 capital reduction	-	-
Equity capital		**12,122**	**12,792**

Thous. EUR, net	**Bank**	**Group**
Total weighted value of assets and off-balance liabilities	90,558	100,438
Capital requirement for asset credit risk	76,445	77,505
Capital requirements for foreign exchange risk	0	0
Capital requirement for operational risk	14,114	22,933

Total capital as a percentage of risk-weighted assets ("total capital ratio") as at 31 December 2020	13.39%	12.73%
Total Tier 1 capital as a percentage of risk-weighted assets ("total Tier 1 capital ratio") as at 31 December 2020	12.86%	12.26%

According to Regulation (EU) No. 575/2013, institutions shall at all times satisfy the following own funds requirements: a Common Equity Tier 1 capital ratio of 4,5%; a Tier 1 capital ratio of 6%; a total capital ratio of 8%. Pursuant to the regulatory requirements of the Financial and Capital Market Commission effective as from 21 April 2020, the capital adequacy ratio set for the Bank and the Group is 10.5 % (2019 – 11.3 %). The Group calculates its capital ratios as follows:

- the Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital of the Group expressed as a percentage of the total exposure amount;

- the Tier 1 capital ratio is the Tier 1 capital of the Group expressed as a percentage of the total exposure amount;
- the total capital ratio is the equity capital of the Group expressed as a percentage of the total exposure amount.

The Group calculates the risk-weighted exposure amounts under the Standardised Approach described in Regulation (EU) No. 575/2013. In calculating the risk-weighted exposure amount, the exposure value shall be determined by dividing all exposures into the exposure classes on the basis of which the risk weight to be applied to the exposure is determined, and the risk weighted exposure amount is calculated in accordance with the determined risk weight.

For assessment of credit risk the Group uses ratings assigned by three external credit assessment institutions (ECAIs): Standard&Poor's Ratings Services, Moody's Investors Service Ltd, and FitchRatings, according to the EBA's determined association of the external rating of ECAIs with the credit quality steps prescribed in Regulation (EU) No. 575/2013.

For calculation of the operational risk requirement, the Group applies the Basic Indicator Approach, multiplying the capital requirement by 12.5.

For calculation of the foreign exchange risk capital requirements, commodities risk capital requirement and counterparty risk capital requirement, the Group applies the Standardised Approach, multiplying the capital requirement by 12.5.
In order to determine the Group's available capital, the Group applies the definition of capital and the procedure for calculating the amount of own funds in accordance with the provisions of the Part two of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, and the FCMC's "Regulations on implementation of transitional provisions and choice options set forth in Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012".

The amount of the net exposures of the Bank and the Group over the reporting period broken down by different types of exposure classes (thousand EUR):

Bank, thous. EUR, net	**31 March 2020**	**30 June 2020**	**30 September 2020**	**31 December 2020**
Central governments or central banks	0	0	0	0
Regional governments or local authorities	0	0	0	0
Public sector entities	0	0	0	0
Multilateral development banks	0	0	0	0
International organisations	0	0	0	0
Institutions	137	119	285	295
Corporates	35,221	27,943	22,949	17,870
Retail or SME	8,528	7,746	7,429	6,518
Secured by real estate pledge	20,078	20,234	21,814	17,644
Exposures in default	1,012	4,225	4,127	3,264
Items associated with particular high risk	0	0	0	0
Covered bonds	0	0	0	0
Claims on institutions and corporate with a short-term loan assessment	0	0	0	0
Collective investment undertakings	0	0	0	0
Equities	2,338	2,635	2,591	2,785
Other claims	36,363	37,031	33,919	28,070
Total	**103,676**	**99,933**	**93,115**	**76,445**

Group, thous. EUR, net	31 March 2020	30 June 2020	30 September 2020	31 December 2020
Central governments or central banks	0	0	0	0
Regional governments or local authorities	0	0	0	0
Public sector entities	0	0	0	0
Multilateral development banks	0	0	0	0
International organisations	0	0	0	0
Institutions	137	119	285	295
Corporates	25,928	19,475	15,629	13,266
Retail or SME	8,528	7,746	7,429	6,518
Secured by real estate pledge	20,078	20,234	21,814	17,644
Exposures in default	1,043	4,254	4,127	3,264
Items associated with particular high risk	0	0	0	0
Covered bonds	0	0	0	0
Claims on institutions and corporate with a short-term loan assessment	0	0	0	0
Collective investment undertakings	0	0	0	0
Equities	2,338	2,635	2,591	2,785
Other claims	44,851	44,806	41,046	33,734
Total	**102,901**	**99,269**	**92,921**	**77,505**

The average amount of the net exposures of the Bank and the Group over the reporting period broken down by different types of exposure classes (thousand EUR):

Thous. EUR, net	Bank	Group
Central governments or central banks	0	0
Regional governments or local authorities	0	0
Public sector entities	0	0
Multilateral development banks	0	0
International organisations	0	0
Institutions	209	209
Corporates	25,996	18,574
Retail or SME	7,555	7,555
Secured by real estate pledge	19,942	19,942
Exposures in default	3,157	3,172
Items associated with particular high risk	0	0
Covered bonds	0	0
Claims on institutions and corporate with a short-term loan assessment	0	0
Collective investment undertakings	0	0
Equities	2,587	2,587
Other claims	33,846	41,109
Total	**93,292**	**93,149**

Capital adequacy assessment as at 31 December 2020

In the internal capital adequacy assessment process, the Group determines the amount of capital required to cover risks subject to regulatory minimum capital requirements (credit risk, market risks and operational risk), and risks that are not subject to regulatory minimum capital requirements, but which the Group considers significant to its activities:

- credit risk;
- operational risk;
- geographic concentration risk;
- interest rate risk in non-trading portfolio;
- market price risk;
- foreign exchange risk;
- liquidity risk;
- concentration risk;
- money laundering and terrorism financing risk;
- reputation risk;
- business model risk.

The Group determines the amount of capital required to cover credit risk, market risk and operational risk in accordance with the regulatory minimum capital requirements, further assessing whether compliance with the regulatory minimum capital requirements calculated in accordance with the approaches selected by the Group ensures sufficient amount of capital to cover these risks.

The Group determines the amount of capital required to cover these risks by assessing the amount of potential losses associated with these risks. The total amount of capital required is the sum of the amounts of capital required to cover each risk and the capital buffer.

The amount of the capital (thousand EUR) required to cover risks of the Group as at 31 December 2020:

Thous. EUR		**Minimum regulatory capital requirements**	**Bank's assessment of the amount of required capital**
Pillar 1 risks	Credit risk	6,200	6,400
	Market risks	-	123
	Operational risk	1,835	2,659
Pillar 2 risks	Interest rate risk in non-trading portfolio	-	448
	Concentration risk	-	1,213
	Money laundering and terrorism financing risk	-	625
	Liquidity risk	-	-
	Other risks	-	7,151
	Capital buffer	-	4,682
Total:		**8,035**	**23,300**

Thous. EUR		**31 December 2020**
Amount of available capital		12,792
TSCR	TSCR amount	18,617
	Capital surplus or deficit	**-5,827**
OCR	OCR amount	23,300
	Capital surplus or deficit	**- 10,509**

Action to be taken to ensure compliance with the individual capital adequacy ratio requirement:

- ✓ an analysis of the level of risk of exposures and their impact on capital adequacy prior to execution thereof;
- ✓ daily control of equity, risk-weighted assets and capital adequacy ratio;
- ✓ regular revision and improvement of methodology for determining the amount of capital required for covering each significant risk and the total amount of capital;
- ✓ development of subordinated capital raising programs.

Ensuring capital adequacy in emergency situations

- ✓ In order to ensure compliance with the regulatory minimum capital requirement in emergency situations, the Bank shall take the following actions:
  - develop an asset allocation strategy to increase the proportion of low-risk assets, for example by placing funds with counterparties, whose exposures are assigned a 0% risk weight;
  - reduce loan portfolio by selling it;
  - optimize the Bank's organisational structure to reduce administrative and operating expenses, and optimize the Bank's branch network maintenance costs;
  - attract additional capital in the form of both equity and subordinated capital.