INVESTĪCIJU BANKA
A/S REGIONĀLĀ INVESTĪCIJU BANKA

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Pilar III - Information Disclosure year 2013

Risk Management

Risk management is one of the Bank's strategic tasks. For the purposes of the Bank's risk management, the Risk Management Strategy has been developed for the management of the following risks:

Credit Risk and Residual Risk

The overdue loan – the loan, the repayment of which is not performed by the Customer, observing the term and procedure, stipulated and agreed between the Bank and the Customer in the mutually concluded contract/-s.

Losses incurred due to the decrease in value in the result of the quality deterioration:

The objective evidences, proving that the losses have been incurred due to the decrease in value of the loans or loan groups in the result of the quality deterioration, include such verifiable information, which comes into the Bank's field of vision regarding such cases of losses:

– The significant financial difficulties of the debtor;
– The non-compliance with the provisions of the agreement, that is, the delay of payment of the loan's principal sum or delay of interest payment;
– The concession, granted to the borrower, due to such economic or legal reasons, which pertain to the borrower's financial difficulties, but in another case, such concession wouldn't be granted by the Bank (that is, the Bank has made the loan restructuring);
– There exists a relatively high probability that the borrower will start a bankruptcy procedure or another type of financial reorganization;
– The loss of an active market due to the financial difficulties of the corresponding issuer of the financial assets;
– The use of the granted loan funds for the purposes, not stipulated by the credit agreement;
– The non-occurrence of the preconditions, necessary for the credited project's implementation;
– The non-fulfillment of the person's, related with the borrower, obligations, which influence the borrower's ability to meet his/her debt obligations against the Bank;
– The decrease in value of the collateral security in cases, when the loan repayment directly depends on the value of the collateral security. (SGS 39.60)

Credit risk is a risk of losses in case the borrower (loan taker, debtor) or business partner of the Bank is unable or refuses to fulfill his/her obligations towards the Bank under the agreement provisions. Credit risk is related to the Bank's operations which create claims of the Bank against other parties and which are reflected in the Bank's balance and off-balance sheets.

The residual risk is a risk that the credit risk mitigation methods used by the Bank might turn out to be less efficient than planned.

The Bank’s principles with respect to assessment, monitoring and accepting of credit risk have been described and approved within the Credit Policy, Business Partner Policy and Investment Policy.

The Bank categorizes and controls its credit risk by determining limits of different types and amounts: limits for the acceptable risk for each debtor, related debtors’ groups, geographic regions, business sectors, types and amounts of guarantees, currencies, terms and ratings granted by international agencies.

Credit risk is also regularly monitored individually for each debtor evaluating the debtor’s ability to repay the principal amount and interest, as well as changing the limits set, if necessary.

The Bank's exposure to credit risk is also monitored and minimized by ensuring adequate collaterals and registering the guarantees on behalf of the Bank. The real value of these guarantees and collaterals is regularly reviewed.

The collateral is a property or rights which can serve as the alternative source of the loan repayment in a case, if the Customer does not meet his/her debt obligations.
As collateral, the Bank accepts assets that meet the following criteria:

- has the market value of assets as determined in the pledge assessment by independent expert and its changes are predictable within the loan agreement term. Both the market value of assets and value in case of urgent, forced sale are considered;
- assets are liquid, i.e. they may be realised in a comparatively short term for a price which is close to the urgent, forced sale value (or market value);
- there is a legal and actual opportunity to control these assets in order to prevent their misuse by the debtor or asset owner;
- the Bank's rights to these assets have a legal priority against other creditors of the owner’s assets (or against those creditors’ rights which are in a more privileged position against the Bank’s rights in the total amount, which makes up an insignificant amount in comparison with the collateral value), as the exception admitting the legal priority of the Bank’s Parent bank.

Only certain types of assets are accepted as collateral, and each type of collateral has defined limits with respect to the maximum loan amount against such collateral. Most frequently accepted types of collaterals:

- time deposits in the Bank;
- real estate;
- industrial production facilities;
- land (depending on its geographical location, possibilities of its use, communications, cadastral value, etc.);
- unused motor (passenger) cars;
- unused lorries, tractors;
- used (second-hand) motor (passenger) cars, which are not older than 7 years, and the lorries, which are not older than 9 years, the tractors, which are not older than 5 years;
- other motor cars/lorries and tractors;
- ships/vessels;

- stocks (goods in the customs warehouses or otherwise controlled goods in the warehouse of their owner);
- technological equipment and machinery;
- other fixed assets of the company;
- debtors' debts (as community of goods);
- securities, capital shares, bills of exchange;
- guarantees.

The value of the real estate shall be determined based on the opinion of the independent experts and this evaluation shall be corrected, based on the Bank's experience and normative documents.

The market value of the stocks (the goods in the customs warehouses or otherwise controlled goods) and the market value of the stocks (the goods in the warehouse of its owner) shall be determined, based on the publicly available prices, the pricing mechanism of which is understandable and acceptable for the Bank.

The market value of the technological equipments and machineries shall be determined, according to the balance sheet residual value of the equipments, if the fixed assets accounting methods, applied by the Customer, correspond to the generally accepted practice, and if possible, it is also recommended to receive the experts' opinion. If the residual value of the fixed asset is big, then the documents, confirming the purchase value of this fixed asset, shall be checked.

The collateral security – movable or immovable objects, which are evaluated by the appraisal companies, appointed by the Bank, except for the cases, when the Bank's Board has authorized a competent employee to make an appraisal.

Any collateral, except land, securities, debtor debts and other nonmaterial assets, must be secured on behalf of the Bank for the loan agreement's term.

In order to efficiently manage credit risk and assess performance of the Bank's activity, the Bank carries out regular evaluation and classification of assets (incl. loans) and off-balance sheet liabilities.

The classification is the evaluation of the loans, according to which the loans are classified as standard, under supervision, sub-standard, doubtful and lost. The main evaluation criteria are the Customer's (borrower's) discounted future cash flow and creditworthiness – ability and willingness to fulfil the obligations under the loan agreement terms and conditions.

If a loan's default risk has significantly increased in comparison with the risk that had been accepted at the time of granting the loan, it is considered to be a problematic loan. The following is considered to be the characteristics of problematic loans:

- significant (20 working days and more) delay of payment;
- breech of other terms and conditions of the loan agreement;
- worsening of a customer's financial condition as reflected in his reports or other information;
- other creditor has filed a claim in court against the customer, or the State Revenue Service's request has been received on writing off funds from the current account;
- the value of the loan's collateral has significantly decreased.

The extent of the overdue risk transactions and the extent of the savings made for the unstable debts broken down into the essential branches, th. LVL:

	31.12.2012		**31.12.2013**		**The average extent in 2013**	
Risk transactions by branches	The residue of the credit	The special savings for the principal amount	The residue of the credit	The special savings for the principal amount	The residue of the credit	The special savings for the principal amount
Forestry, agriculture	2 430	1 437	917	610	1 674	1 024
Production, processing industry	3 582	96	4 045	96	3 814	96
Trade	30 774	1 224	21 500	4 207	26 137	2 716
Transport	12 666	1 869	10 557	1 603	11 612	1 736
Financial services	5 767	365	2 137	383	3 952	374
Real estate operations	13 844	1 980	13 292	2 829	13 568	2 405
Construction	3 760	1 525	3 344	1 422	3 552	1 474
Accommodation and food services	1 872	1 053	1 951	1 126	1 912	1 090
Other services	3 502	0	1 363	0	2 433	0
Physical persons, overdrafts	3 698	762	2 779	1 570	3 239	1 166
The total extent of the risk transactions	81 895	10 311	61 885	13 846	71 890	12 079

	31.12.2012		**31.12.2013**		**The average extent in 2013**	
Overdue (>90 days) risk transactions by branches	The residue of the credit	The special savings for the principal amount	The residue of the credit	The special savings for the principal amount	The residue of the credit	The special savings for the principal amount
Forestry, agriculture	1 845	1 107	290	290	1 068	699
Production, processing industry	98	95	95	95	97	95
Trade	2 401	1 146	2 683	1 897	2 542	1 522
Transport	1 724	1 198	3 217	1 227	2 471	1 213
Financial services	346	346	0	0	173	173
Real estate operations	1 261	1 186	2 177	1 369	1 719	1 278
Construction	2 448	1 469	3 155	1 421	2 802	1 445
Accommodation and food services	1 122	1 049	1 122	1 122	1 122	1 086
Physical persons, overdrafts	2 706	693	1 354	1 325	2 030	1 009
The total extent of the risk transactions	13 951	8 289	14 093	8 746	14 022	8 518

The extent of the overdue risk transactions and the extent of the savings made for the unstable debts broken down into the essential geographical regions, taking into account the risk transfer, th. LVL:

	31.12.2012		**31.12.2013**		**The average extent in 2013**	
Overdue (>90 days) risk transactions by general geographical regions * , LVL	The residue of the credit	The special savings for the principal amount	The residue of the credit	The special savings for the principal amount	The residue of the credit	The special savings for the principal amount
Germany	262	262	262	262	262	262
Latvia	5 556	4 133	6 602	4 850	6 079	4 492
Ukraine	8 133	3 894	6 760	3 634	7 447	3 764
Bulgaria	0	0	469	0	235	0
The total extent of the risk transactions	13 951	8 289	14 093	8 746	14 022	8 518

	31.12.2012		**31.12.2013**		**The average extent in 2013**	
Risk transactions by general geographical regions * , LVL	The residue of the credit	The special savings for the principal amount	The residue of the credit	The special savings for the principal amount	The residue of the credit	The special savings for the principal amount
Bulgaria	709	0	469	0	589	0
Germany	8 123	411	1 719	411	4 921	411
Latvia	24 621	4 891	27 846	6 197	26 234	5 544
Monaco	30	0	14	0	22	0
Panama	2 648	0	0	0	1 324	0
Russia	0	0	1	0	1	0
Ukraine	45 763	5 009	31 836	7 238	38 800	6 124
Other	1	0	0	0	1	0
The total extent of the risk transactions	81 895	10 311	61 885	13 846	71 890	12 079

Operational Risk

Operational risk is a risk to incur losses due to inadequate or failing internal processes of the Bank, activity of people and system, or due to effect of external conditions. The operational risk means that the Bank's income may decrease/additional expenditure may occur to the Bank (and, as a result, the equity capital might decrease) due to errors in transaction with customers/business partners, information processing, making of inefficient decisions, insufficient human resources, or insufficient planning of external conditions effects.

For the evaluation of the operational risk, self-evaluation process of the operational risk is used during which the Bank assesses performed operations against the types of the operational risk; the Bank's strong and weak sides regarding the management of the operational risk are identified.

The Bank has developed and maintains the Operation Risk Events and Losses Data Base in which the internal data on operational risk events and related losses is collected, summarised and classified.

The basic elements of the operational risk management:

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

Market Risk

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

The Bank controls market risks by diversifying its financial instruments portfolio, setting restrictions for different types of financial instruments and carrying out sensitivity analysis which reflects the effect of the respective risks on the Bank's assets and equity capital.

Position Risk

Position risk – possibility to incur losses due to revaluation of position of debt securities or capital securities, when the price of the respective securities changes. The position risk can be categorised as specific and systematic risk:

- specific risk – possibility to incur losses if the debt securities' or capital securities' price will change due to factors related to the securities issuer;
- systematic risk – possibility to incur losses if the securities' price will change due to factors related to interest rate changes (in case of debt securities) or with significant changes in the capital market (in case of capital securities), which are not related to the specific securities issuer.

Basic elements of position risk management:

- evaluation and analysis of securities' portfolio;
- analysis and monitoring of issuers' financial position;
- setting of internal limits on exposures/diversification (stop-loss; issuers, countries, regions, terms, credit rating groups etc.);
- control of execution of the internal limits.

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. The evaluation of the interest rate risk is carried out once per month. Furthermore, not rarer than 2 times per year, the stress tests of the interest rate risk are applied.

For monthly evaluation of the interest rate risk, for all balance sheet positions interest rate changes of +/-100 basis points are applied; for stress testing of interest rate risk – +/-200 basis points. Division of assets, liabilities and off-balance positions by term in the groups of term structures is carried out on the basis of:

- shortest term from the outstanding repayment/settlement/clearance term – for financial instruments with fixed interest rate;
- term until the next interest rate changes date or interest rate re-evaluation term – for financial instruments with a floating interest rate.

Basic elements of interest rate risk management:

- sensitivity analysis of interest rate risk;
- setting of internal limits (limit for decrease in economic value and for duration of securities' portfolio);
- control of compliance to the internal limits;
- carrying out of interest rate stress tests and analysis of their results;
- carrying out of hedging operations, if necessary.

Currency Risk

The Bank's activity is exposed to the 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 the limits for the open positions of foreign currencies, and these limits are being supervised every day. The legislation of Latvia states that no individual foreign currency open position of the credit institution shall exceed 10% of the equity capital of the credit institution, and the total foreign currency open position shall not exceed 20% of the equity capital. During 2012, the Bank did not exceed these limits.

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

- evaluation with respect to how the Bank's assets, liabilities and off-balance sheet items value changes due to changes in currency rates;
- how the Bank's income/expenditure changes due to changes in currency rates;
- the currency risk stress testing is performed.
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Basic elements of currency risk management:

- evaluation of currency risk;
- setting of limits and restrictions;
- control of execution of these limits;

- currency risk stress testing and analysis of the results;
- carrying out of hedging operations, if necessary.

Liquidity Risk

The Bank is subject to the daily risk that it might need to use the available funds and short-term liquid assets for the fulfilment of its short-term liabilities. The term relation of assets and liabilities, as well as off-balance items, is related to liquidity risk and reflects to what extent funds would be necessary to fulfil the existing liabilities.

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 this coordination is one of the Bank's most important daily management tasks.

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

- evaluation of existing and planned assets, liabilities, and off-balance sheet liabilities term-structure broken down 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;
- determining liquidity indicators used for liquidity risk analysis and control;
- determining internal limits:
    - assets and liabilities term structure net liquidity positions in lats 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;
- stress testing.

By specifying the calculation procedure of liquidity indicators and by its determining 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 (basic elements) are as follows:

- fulfilment of liquidity indicator limits;
- determining of net liquidity position limits;
- determining restriction on deposit concentration;
- control of compliance with the defined limits;

- liquidity stress testing and analysis of the 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 cash flows within the term interval of up to 7 days and 30 days.

In accordance with FCMC's requirements, the Bank maintains sufficient liquid assets for the fulfilment of its liabilities.

Transaction Concentration Risk

Transaction concentration risk is a risk that occurs from transaction concentration. In order to restrict the transaction concentration risk, the Bank determines limits for investments in various assets, instruments, markets etc. One of the most significant transaction concentration risks is the concentration of geographic regions (country risk).

Country Risk

Country risk – country partner risk – the possibility to incur losses if the Bank's assets are invested in a country whose changing economic and political factors may create problems for the Bank to retrieve its assets in the planned time and extent. A partner's and issuer's default occurs mainly due to currency devaluation, unfavourable changes in legislation, creation of new restrictions and barriers and other conditions, including *force majeure* factors.

For the country risk analysis, information of the international rating agencies (incl. credit ratings, their dynamics), economic indicators of countries and other related information is used.
Fundamental elements of risk control:

- setting of internal limits by regions, countries and transaction types in individual countries;
- control of execution of the internal limits;
- country risk analysis and monitoring;
- review of internal limits.
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Assets, liabilities and off-balance sheet country risk is attributable to a country which may be considered the customer's main country of entrepreneurship. If the loan is granted to a resident of another country against a pledge, and this pledge is physically located in another country which is not the legal person's country of residence, the country risk is transferred to the country where the loan's pledge is actually located.

Capital Adequacy

Capital adequacy reflects the Bank's capital resources necessary to secure itself against risks related to assets and off-balance sheet items.

The Bank has the Capital Adequacy Assessment Process Policy, the aim of which is to ensure that the amount, elements and proportion of the Bank's equity capital are adequate to cover the substantial risks inherent to the Bank's current and planned operation.

For the risks for which the minimum regulatory capital requirements have been defined in accordance with the Regulations for the Calculation of the Minimum Capital Requirements, the capital requirement is calculated using the following approaches or methods:

- the credit risk requirement is calculated in accordance with a standardised approach;
- for the credit risk mitigation, simple method is used for financial collateral;
- the foreign currency risk capital requirements, debt securities' and capital securities' position risk, the payment/settlement risk capital requirements are calculated by using the standardised approach;
- debt securities' systematic risk capital requirement is determined by using the term method;
- the operational risk minimum capital requirement is calculated in accordance with the basic indicator approach.

For the calculation of the minimum capital requirements for the purpose of determining the transaction risk degree, the Bank applies the FCMC's recognized ĀKNI (rating agency) evaluations/ratings. ĀKNI are nominated for each risk transaction category, into which the Bank's risk transactions are divided into. If the Bank has no transactions, which can be included into any of the risk transaction categories, then, for this category, ĀKNI is nominated, when the actual risk transaction(-s) of this category appears.

The following ĀKNI are nominated for the risk transaction categories:

Risk transaction category	***Nominated ĀKNI***
Claims against the central governments and central banks (CG and CB)	Moody's Investors Service
Claims against the institutions with the exception of such institutions, for which the short-term rating is available	FitchRatings; Standard&Poor's Ratings Services; Moody's Investors Service.
Claims against the commercial companies with the exception of such institutions, for which the short-term rating is available	FitchRatings; Standard&Poor's Ratings Services; Moody's Investors Service
The overdue risk transactions	FitchRatings; Standard&Poor's Ratings Services; Moody's Investors Service
Claims against the institutions and commercial companies with the short-term ratings	Moody's Investors Service
Other claims	FitchRatings; Standard&Poor's Ratings Services; Moody's Investors Service

Bank examines whether the fulfillment of the minimum capital requirements ensures, that the Bank's capital is adequate to cover all potential losses related with the risks mentioned above.

Other substantial Bank's risks for which the regulatory minimum capital requirements have not been defined, but for which the Bank assesses the necessity to calculate the capital requirement, are the following:

- interest rate risk;
- liquidity risk;
- concentration risk;
- money laundering and terrorist financing risk;
- other risks (incl. activity compliance risk, strategy risk, reputation risk).

In addition to the determination of capital necessary to cover the risks, the Bank sets a capital reserve in order to ensure that the Bank's capital is adequate in case of possible adverse events, as well as to ensure that the Bank's capital is adequate throughout the whole economic cycle, i.e. during an economic upturn the Bank forms a capital reserve to cover loses which may occur during an economic downturn. The capital reserve is set to be at least 10% of the sum of minimum regulatory capital requirements.

Methods for ensuring the total amount of necessary capital:

- fulfilment of the capital adequacy norms;
- analysis of the fulfilment of the capital adequacy norms;
- maintaining of the capital adequacy objectives' level;
- determining and planning of the necessary total capital amount to cover the substantial risks inherent to the Bank's current and planned operation;
- assessment and analysis of all substantial risks;
- development of stress test scenarios, performing stress tests and analysing the results;
- development of capital crisis management plan.

On 31 December 2013, the Bank's Capital Adequacy Ratio, calculated in accordance with the FCMC's requirements, was 21.64% which exceeds the minimum determined by the FCMC in 2007, i.e. that the own funds ratio against the risk weighted assets and off-balance sheet items must be at least 8% on the basis of the FCMC's calculation rules. In accordance with the FCMC's requirements, the Bank is required to meet the individual capital requirement of 13.9% which the Bank will meet within the deadlines agreed with the FCMC, i.e., until September, 2014.

Capital adequacy evaluation results as on 31.12.2013
The capital necessary to cover risks, th. LVL

	Minimum regulatory capital requirements	**Bank's evaluation of the necessary capital**
Credit Risk	10 359	10 359
Market Risks	999	997
Currency Risk	124	124
Tradable Debt Instruments, securities	875	875
Operational Risk	1070	1070
Other significant risks for which the minimum regulatory capital requirements have not been defined		5 957
Capital Reserve		1 242
Total	**12 427**	**22 465***

*Taking into account the FCMC's individual capital requirements and the Second pillar requirements

Capital at the Bank's disposal, th. LVL

Own Capital	**Definition of the Bank's capital**
33 614	33 614
Capital deficit/surplus in accordance with the Bank's evaluation	11 149

In the following table, the risk transaction category values before and after the credit risk mitigation are presented, as well as the total amount of the risk transactions, which have been concluded with the adequate collateral (th. LVL):

Credit risk: the risk transaction categories	The risk transactions before the credit risk mitigation	Collateral (simple method)	The risk transactions after the credit risk mitigation	The risk weighted assets of the risk transactions
Claims against the central governments and central banks	**22 291**	**0**	**22 291**	**0**
0% risk degree	22 291	0	22 291	0
Claims against the institutions	**223 487**	**11 921**	**211 566**	**76 251**
20% risk degree	169 135	0	169 135	33 820
100% risk degree	54 352	11 921	42 431	42 431
Claims against the commercial societies	**47 045**	**23 024**	**61 863**	**42 955**
0% risk degree	0	18 846	18 846	0
20% risk degree	2	75	77	15
100% risk degree	47 043	4 103	42 940	42 940
150% risk degree	0	0	0	0
Overdue risk transactions	**5 868**	**0**	**5 868**	**7 406**
100% risk degree	2 793	0	2 793	2 793
150% risk degree	3 075	0	3 075	4 613
Other claims	**5 828**	**0**	**5 828**	**2 866**
0% risk degree	1 289	0	1 289	0
20% risk degree	2 091	0	2 091	418
100% risk degree	2 448	0	2 448	2448
Total	**304 519**	**34 945**	**307 416**	**129 478**

The average net amount of the risk transactions within the reporting period, broken down into different risk transaction categories after the credit risk mitigation application (th. LVL):

Credit risk: the risk transaction categories	The extent of the risk transactions in 2013	The extent of the risk transactions in 2012	The average extent in 2012
Claims against the central governments and central banks	**22 291**	**43 886**	**33 089**
0% risk degree	22 291	43 886	33 089
Claims against the institutions	**223 487**	**146 961**	**185 224**
20% risk degree	169 135	133 153	151 144
100% risk degree	54 352	13 808	34 080
Claims against the commercial societies	**47 045**	**149 831**	**98 438**
0% risk degree	0	71 080	35 540
20% risk degree	2	35	19
100% risk degree	47 043	75 302	61 173
150% risk degree	0	2 412	1 206

Overdue risk transactions	**5 868**	**5 676**	**5 772**
100% risk degree	2 793	3 878	3 336
150% risk degree	3 075	1 798	2 437
Other claims	**5 828**	**5 758**	**5 793**
0% risk degree	1 289	1 394	1 342
20% risk degree	2 091	3 429	2 760
100% risk degree	2448	935	1 692
Total	**304 519**	**352 111**	**328 315**

Remuneration Policy

In compliance with the requirements of Paragraph 28 of the FCMC's Regulation No. 61 "Regulation on the Information Disclosure and Institution Transparency" and in compliance with the physical persons' data protection principles, JSC "Regionala investiciju banka" discloses the information regarding its Remuneration Policy of 2013.

The aim of the Bank's Remuneration Policy is to determine the basic principles of remuneration in accordance with the Bank's development strategy, the Bank's operation specifics and its risk profile.

The policy has been developed in such a way so as:

- not to promote undertaking of inadequate level of risks, which are above the limit, stated by the Bank's risk strategy;
- not to restrict the Bank's ability to strengthen its capital;
- to comply with the standards of ethics, long-term interests, as well as to promote prudent and efficient risk management;
- not to be contradictory to the principles of the customers or investors interest protection.

The main principles of the Remuneration Policy:

- to be simple and clearly comprehensible to the employees;
- to strengthen the employees' reliability and to build a solid team;
- to attract and to keep the best employees;
- to motivate the employees and to promote their professional growth.

The policy has been developed in compliance with the Labour Law of the Republic of Latvia, the FCMC's binding regulations and other laws of the Republic of Latvia, and applies to each and every employee of the Bank irrespective of his/her position or duties.

The Bank's Council develops and approves the basic principles of the Remuneration Policy, is responsible for its implementation and that it is complied with, determines the remuneration to the Board members, the Internal Audit Department Manager and to the positions, the remuneration of which equals or exceeds the lowest remuneration level of the Board members' positions.

The Bank's Board is responsible for the compliance with the basic principles of the Remuneration Policy, as well as for the development and approval of corresponding internal normative documents taking into account that the remuneration of the positions fulfilling functions of internal control is determined independently from the performance results achieved in the fields controlled by the internal control functions.

In 2013, the Bank's remuneration structure envisaged only the fixed part of remuneration, i.e. basic salary, which corresponds to the employee's position and qualifications.

In 2013, the employment relationships were terminated with 16 employees, and the biggest compensation paid for the termination of the employment relationships made up 7200 LVL.

On the basis of the Bank's Remuneration Policy of 2013, the existing employees were not paid any variable part of remuneration.

The summarized information of JSC "Regionala investiciju banka" regarding the remuneration of officials in 2013 by the position groups (th, LVL):

	Number of payees	Fixed remuneration part th. LVL	Variable remuneration part		Variable part of unpaid postponed part remuneration	
			Variable part of monetary short-term remuneration	Variable part lof non-monetary ong-term remuneration	Money	Securities, other types
Members of the Council and Board	8	213	0	0	0	0
Employees affecting the risk profile	4	118	0	0	0	0
Positions of internal control	2	42	0	0	0	0
Other employees	116	1617	0	0	0	0
Total	130	1990	0	0	0	0
Investment services	3	58	0	0	0	0
Service of private persons or small and middle merchants	15	309	0	0	0	0
Other activities	112	1623	0	0	0	0
Total	130	1990	0	0	0	0