



Unaudited Public  
Financial Report

for the year ended  
31 December 2012

**REVERTA**

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## Management Report

### Dear shareholders and partners!

Reverta's performance during 2012 has been in line with the approved strategic guidelines and the Company has managed to meet the key target of the year repaying to the Treasury EUR89.7m. Of that, EUR28.5m was paid as interest on State Aid, and EUR61.2m was used to repay the principal amount of the State Aid. Overall, since 01<sup>st</sup> August 2010, EUR100.5m has been repaid to the Treasury. In addition to that, in 2011, Reverta also repaid State guaranteed syndicated loan in the amount of EUR234m.

In summary 2012 Reverta operated in accordance with the approved Restructuring Plan, but was ahead of the Plan with respect to recovering funds for the State Treasury and still kept its Operating Costs well within its Budget.

The funds used to repay State Aid came through loan restructuring, from the sales of separate claim rights, and from sales of real estate which started in the last quarter of 2012.

Reverta has already pointed out several times to the external factors considerably influencing the performance of the Company. The general macroeconomic situation, difficulties in the real estate market, the inability of Reverta's clients to meet their obligations, deficiencies of certain laws and the heavy work schedule of the courts are the main challenges. Reverta's work is challenged by the inconsistencies that exist in current laws that cover the Company's activities with regards to repossession and management of real estates, exercising the rights of the creditor within insolvency processes and others. Therefore, Reverta has several times addressed State agencies, law enforcement institutions and the public to point out the importance and urgency of resolving these issues in the interests of the State and the taxpayers.

Taking into account the usually complicated and lengthy litigations going on in Baltics and the CIS countries, as well as the active counteractions of some borrowers, including black PR campaigns, in many cases it is impossible to sell pledged property in a reasonable timeframe. As a result, the value of assets significantly decreases, and this adds to the Company's losses. Reverta ended the year with a EUR137.7m loss, of which, 77%, was related to losses in values of loans. Lack of certain documents also makes recovery of loans difficult and shows that the former shareholders of Parex banka did not pass the company to the State in the order that would be expected from diligent owners. There is also a marked difference between the valuations given to the pledge objects serving as securities for the loans issued by Parex banka and their current market value. Quite often, value of the repossessed objects, mostly real estates, has decreased even by 70%. Although there are some signs of the recovery of the economy of Latvia, it is unlikely that real estate prices could increase up to those of the pre-crisis. In view of the specifics of the Company's assets, no profit can be expected in future.

Notwithstanding the many negative factors, overall Reverta has recovered EUR107m from its distressed assets portfolio by the end of the reporting period, and more than EUR419m since August 2010. The results achieved clearly show the suitability of the chosen strategy and the ability of Reverta to achieve optimum results in complex and even extreme situations.

Repossession and sales of real estates are taking up a more and more important part of Reverta's business – at the end of 2012 the repossessed real estate portfolio had increased up to more than 1000 items. As the real estate management strategy envisages increase of the value of the assets in the most optimum amount and a gradual realisation of the real estates, most of the objects are offered for sale immediately after their repossession and after

carrying out any necessary maintenance works. In October and November 2012, Reverta broke another record in regard to the total real estate sales amount by reaching EUR5.3m. The previous record was broken in September 2012 with 23 repossessed objects sold for the total of EUR1.1m.

**Most significant events after the end of the reporting period**

In February 2013, Reverta made a EUR7.1m interest payment to the Treasury in accordance with the Restructuring Plan.

In February 2013, with the numbers of repossessed real estates rapidly increasing, Reverta has started an active real estate sales campaign. The primary objective of the campaign is to market Reverta as a seller of real estate. This is to promote sales of immovable properties whilst we continue to repossess other distressed real estate properties.

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Christopher John Gwilliam  
Chairman of the Management Board

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Solvita Deglava  
Member of the Management Board

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Ruta Amtmane  
Member of the Management Board

Riga,  
28 February 2013

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## The Council and the Management Board

### The Council

<b><i>Name</i></b>	<b><i>Position</i></b>
Michael Joseph Bourke	Chairman of the Council
Sarmīte Jumīte	Deputy chairwoman of the Council
Vladimirs Loginovs	Member of the Council
Mary Ellen Collins	Member of the Council

### The Management Board

<b><i>Name</i></b>	<b><i>Position</i></b>
Christopher John Gwilliam	Chairman of the Management Board, p.p.
Solvita Deglava	Member of the Management Board, p.p.
Ruta Amtmane	Member of the Management Board

## Statement of Responsibility of the Management

The Management of AS Reverta (hereinafter – the Company) are responsible for the preparation of the financial statements of the Company as well as for the preparation of the consolidated financial statements of the Company and its subsidiaries (hereinafter – the Group).

The financial statements set out on pages 7 to 14 are prepared in accordance with the source documents and present fairly the financial position of the Company and the Group as at 31 December 2012 and the results of their operations, changes in shareholders' equity and cash flows for the twelve month period ended 31 December 2012. The management report set out on pages 3 to 4 presents fairly the financial results of the reporting period and future prospects of the Company and the Group.

The financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Management of AS Reverta are responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group.

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Christopher John Gwilliam  
Chairman of the Management Board

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Solvita Deglava  
Member of the Management Board

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Ruta Amtmane  
Member of the Management Board

Riga,  
28 February 2013

## Statements of Comprehensive Income

	LVL 000's			
	2012	2011*	2012	2011*
	Group	Group	Company	Company
Interest income	7,369	11,412	7,516	10,821
Interest expense	(26,344)	(33,080)	(26,344)	(32,996)
<b>Net interest expense</b>	<b>(18,975)</b>	<b>(21,668)</b>	<b>(18,828)</b>	<b>(22,175)</b>
Commission and fee income	135	322	83	4
Commission and fee expense	(21)	(140)	(17)	(58)
<b>Net commission and fee income / (expense)</b>	<b>114</b>	<b>182</b>	<b>66</b>	<b>(54)</b>
Net realised loss on available-for-sale financial assets	(32)	(3,662)	(32)	(3,662)
Result of revaluation of financial instruments and foreign currency, net	1,846	(455)	1,722	(582)
Other income	569	3,309	927	1,458
<b>Net financial result of the segment</b>	<b>(16,478)</b>	<b>(22,294)</b>	<b>(16,145)</b>	<b>(25,015)</b>
Real estate segment income	1,303	522	362	419
Real estate segment expense	(1,127)	(461)	(198)	(285)
Revaluation result, net	4,290	(1,437)	4,042	(1,437)
<b>Net result of RE segment</b>	<b>4,466</b>	<b>(1,376)</b>	<b>4,206</b>	<b>(1,303)</b>
Collaterals and assets under repossession expense	(278)	(102)	(278)	(102)
Administrative expense	(9,580)	(12,089)	(8,960)	(7,844)
Amortisation and depreciation charge	(293)	(373)	(291)	(272)
Impairment charges and reversals, net	(71,028)	(32,101)	(72,465)	(33,928)
Loss from asset write-offs	(2,452)	(1,540)	(2,452)	(1,540)
(Loss)/profit on disposal of assets held for sale	(142)	17	(93)	(178)
<b>Loss before taxation</b>	<b>(95,785)</b>	<b>(69,858)</b>	<b>(96,478)</b>	<b>(70,182)</b>
Corporate income tax	(346)	(632)	(315)	(192)
<b>Loss for the period</b>	<b>(96,131)</b>	<b>(70,490)</b>	<b>(96,793)</b>	<b>(70,374)</b>
Attributable to:				
Shareholders of the parent company	(96,131)	(70,490)	(96,793)	(70,374)
Non-controlling interest	-	-	-	-
<b>Other comprehensive income:</b>				
Change in fair value of available-for-sale securities	487	4,198	487	4,198
<b>Total comprehensive loss for the period</b>	<b>(95,644)</b>	<b>(66,292)</b>	<b>(96,306)</b>	<b>(66,176)</b>
Attributable to:				
Shareholders of the parent company	(95,644)	(66,292)	(96,306)	(66,176)
Non-controlling interest	-	-	-	-

\* Auditor: SIA "PricewaterhouseCoopers"

## Statements of Financial Position

	LVL 000's			
	2012	2011*	2012	2011*
	Group	Group	Company	Company
<b>Assets</b>				
Cash and deposits with central banks	-	5	-	5
Balances due from credit institutions	4,441	25,623	3,908	25,475
Shares and other non-fixed income securities	10	31	10	31
Bonds and other fixed income securities	78	4,436	78	4,436
Loans	278,507	425,250	314,807	452,676
Held-to-maturity securities	-	24,318	-	24,318
Fixed assets	108	283	97	279
Intangible assets	102	139	102	139
Investments in subsidiaries	-	-	25,702	62
Investment property	63,962	40,450	5,583	18,586
Other assets	11,730	15,642	7,959	9,511
<b>Total assets</b>	<b>358,938</b>	<b>536,177</b>	<b>358,246</b>	<b>535,518</b>
<b>Liabilities</b>				
Derivative financial instruments	-	1,688	-	1,688
Financial liabilities measured at amortised cost:				
- balances due to credit institutions and central banks	-	13,295	-	13,295
- deposits	-	26,714	-	26,714
- issued debt securities	387,717	428,028	387,717	428,028
Other liabilities	3,310	2,949	2,778	1,788
Subordinated liabilities	53,134	53,082	53,134	53,082
<b>Total liabilities</b>	<b>444,161</b>	<b>525,756</b>	<b>443,629</b>	<b>524,595</b>
<b>Equity</b>				
Paid-in share capital	311,027	311,027	311,027	311,027
Share premium	12,694	12,694	12,694	12,694
Fair value revaluation reserve – available-for-sale securities	-	(487)	-	(487)
Accumulated losses	(408,944)	(312,813)	(409,104)	(312,311)
<b>Total shareholders' equity attributable to the shareholders of the Company</b>	<b>(85,223)</b>	<b>10,421</b>	<b>(85,383)</b>	<b>10,923</b>
Non-controlling interest	-	-	-	-
Total equity	(85,223)	10,421	(85,383)	10,923
<b>Total liabilities and equity</b>	<b>358,938</b>	<b>536,177</b>	<b>358,246</b>	<b>535,518</b>

\* Auditor: SIA "PricewaterhouseCoopers"



## Statements of Changes in Equity

Group	LVL 000's				
	Issued share capital	Share premium	Fair value revaluation reserve	Retained earnings	Total equity
<b>Balance as at 31 December 2010</b>	<b>271,227</b>	<b>12,694</b>	<b>(4,685)</b>	<b>(242,323)</b>	<b>36,913</b>
Issue of new shares	39,800	-	-	-	39,800
Loss for the period	-	-	-	(70,490)	(70,490)
Other comprehensive income for the period	-	-	4,198	-	4,198
<b>Balance as at 31 December 2011</b>	<b>311,027</b>	<b>12,694</b>	<b>(487)</b>	<b>(312,813)</b>	<b>10,421</b>
Loss for the period	-	-	-	(96,131)	(96,131)
Other comprehensive income for the period	-	-	487	-	487
<b>Balance as at 31 December 2012</b>	<b>311,027</b>	<b>12,694</b>	<b>-</b>	<b>(408,944)</b>	<b>(85,223)</b>

Company	LVL 000's				
	Issued share capital	Share premium	Fair value revaluation reserve	Retained earnings	Total equity
<b>Balance as at 31 December 2010</b>	<b>271,227</b>	<b>12,694</b>	<b>(4,685)</b>	<b>(241,937)</b>	<b>37,299</b>
Issue of new shares	39,800	-	-	-	39,800
Loss for the period	-	-	-	(70,374)	(70,374)
Other comprehensive income for the period	-	-	4,198	-	4,198
<b>Balance as at 31 December 2011</b>	<b>311,027</b>	<b>12,694</b>	<b>(487)</b>	<b>(312,311)</b>	<b>10,923</b>
Loss for the period	-	-	-	(96,793)	(96,793)
Other comprehensive income for the period	-	-	487	-	487
<b>Balance as at 31 December 2012</b>	<b>311,027</b>	<b>12,694</b>	<b>-</b>	<b>(409,104)</b>	<b>(85,383)</b>

## Statements of Cash Flows

	LVL 000's			
	2012	2011*	2012	2011*
	Grup	Group	Company	Company
<b>Cash flows from operating activities</b>				
Loss before tax	(95,785)	(69,858)	(96,478)	(70,182)
Amortisation and depreciation	293	373	291	272
Change in impairment allowances and other accruals	78,266	39,934	81,009	33,362
Other finance costs	26,229	28,126	26,229	28,126
Other non-cash items	(4,045)	(309)	(3,793)	(184)
Foreign currency transactions	(1,688)	(192)	(1,688)	(192)
<b>Cash generated before changes in assets and liabilities</b>	<b>3,270</b>	<b>(1,926)</b>	<b>5,570</b>	<b>(8,798)</b>
Decrease in loans and receivables	67,115	75,088	58,336	77,566
(Decrease)/ increase in deposits	(10,151)	(17,380)	(10,151)	(17,380)
(Increase)/decrease in other assets	(17,121)	9,410	(11,694)	10,248
(Decrease)/ increase in other liabilities	592	(15,583)	1,221	(13,545)
<b>Cash generated from operating activities before corporate income tax</b>	<b>43,705</b>	<b>49,609</b>	<b>43,282</b>	<b>48,091</b>
Corporate income tax paid	(346)	(632)	(315)	(192)
<b>Net cash flows from operating activities</b>	<b>43,359</b>	<b>48,977</b>	<b>42,967</b>	<b>47,899</b>
<b>Cash flows from investing activities</b>				
Purchase of intangible and fixed assets	(72)	(91)	(65)	(89)
Sale of subsidiaries	1,943	8,870	1,943	8,868
Sale of available-for-sale securities, net	128	61,138	128	63,918
<b>Net cash flow from investing activities</b>	<b>1,999</b>	<b>69,917</b>	<b>2,006</b>	<b>72,697</b>
<b>Cash flows from financing activities</b>				
Paid in share capital	-	39,800	-	39,800
Repayment of syndicated loan	-	(169,044)	-	(169,044)
Redemption of issued debt securities (principal)	(42,974)	(18,500)	(42,974)	(18,500)
Interest for issued debt securities	(20,044)	(28,916)	(20,044)	(28,916)
Interest for subordinated debt	(3,487)	(3,317)	(3,487)	(3,317)
<b>Net cash flow from financing activities</b>	<b>(66,505)</b>	<b>(179,977)</b>	<b>(66,505)</b>	<b>(179,977)</b>
<b>Net cash flow for the reporting period</b>	<b>(21,147)</b>	<b>(61,083)</b>	<b>(21,532)</b>	<b>(59,381)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>25,588</b>	<b>86,671</b>	<b>25,440</b>	<b>84,821</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4,441</b>	<b>25,588</b>	<b>3,908</b>	<b>25,440</b>

\* Auditor: SIA "PricewaterhouseCoopers"

## Consolidation Group Structure as at 31 December 2012

No.	Name of company	Registration number	Registration address	Country of domicile	Company type*	% of total paid-in share capital	% of total voting rights	Basis for inclusion in the group**
1	AS "Reverta"	LV-40003074590	Latvia, Riga LV-1010, Republikas laukums 2A	LV	KS	100	100	MAS
2	Regalite Holdings Limited	CY-HE93438	Cyprus, Nicosia 1075, 58 Arch. Makarios 3 Avenue, Iris Tower, 6th floor, office 602	CY	PLS	100	100	MS
3	OOO "Ekspress Lizing"****	RU-1037867006726	Russia, St. Petersburg 192019, Sedova 11, liter A	RU	LIZ	100	100	MS
4	OOO "Parex Leasing and Factoring"	GE-205224461	Georgia, Tbilisi, Kazbegi avenue 44	GE	LIZ	100	100	MS
5	SIA "NIF"	LV-40103250571	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
6	SIA "NIF Dzīvojamie īpašumi"	LV-40103253915	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
7	SIA "NIF Komerčīpašumi"	LV-40103254003	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
8	SIA "NIF Zemes īpašumi"	LV-40103255348	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
9	UAB "NIF Lietuva"	LT-302462108	Lithuania, Vilnius LT03107, K.Kalinausko 13	LT	PLS	100	100	MS
10	OÜ "NIF Eesti"	EE-11788043	Estonia, Tallinn 10119, Roosikrantsi 2	EE	PLS	100	100	MS
11	SIA "NIF Projekts 1"	LV-50103300111	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
12	SIA "NIF Projekts 2"	LV-40103353475	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
13	SIA "NIF Projekts 3"	LV-40103353511	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
14	SIA "NIF Projekts 4"	LV-40103398418	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
15	SIA "NIF Projekts 5"	LV-40103398850	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
16	SIA "NIF Projekts 6"	LV-40103398865	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
17	SIA "NIF Projekts 7"	LV-40103512479	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
18	SIA "NIF Projekts 8"	LV-40103512604	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
19	SIA "NIF Projekts 9"	LV-40103512498	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
20	Carnella Maritime Corp.	BVI-1701483	British Virgin Islands, Mill Mall Tower, 2 nd Floor, Wickhams Cay 1, Tortola.	BVI	PLS	100	100	MS

\*KS – commercial company, LIZ – leasing company, PLS – company providing various support services.

\*\* MS – subsidiary company, MAS – parent company.

\*\*\* – the company was liquidated and excluded from the Group Structure on 21 January, 2013.

## Notes

### Information about Reverta's structure

As at 31 December 2012 the Company had 4 representative offices.

### Issued share capital as at 31 December 2012

Shareholders	Nominal value, (LVL)	Number of shares	Paid-in share capital, (LVL)	Voting rights	Paid-in share capital, (%)
SJSC "Privatizācijas Aģentūra"	1	261 733 152	261,733,152	205 783 152	84.15%
EBRD	1	39 631 824	39,631,824	39 631 824	12.74%
Other	1	9 662 319	9,662,319	5 468 463	3.11%
<b>Total</b>		<b>311 027 295</b>	<b>311,027,295</b>	<b>250 883 439</b>	<b>100%</b>

### Information on certain parties that were related to the Company at the moment it received state aid

The following table represents summary of material transactions with certain parties that were related to the Company at the moment it received the State Aid:

	LVL 000's					
	2012 year Period-end balance	Average interest rate *	Interest income/ (expense)	2011 year Period-end balance	Average interest rate *	Interest income/ (expense)
Loans issued by the Company	1,890	0.00%	-	1,901	0.00%	-
Subordinated financing provided to the Company	36,005	3.84%	(2,295)	36,005	4.52%	(2,194)

\* According to period-end rates

Subordinated financing contracts were entered into force in 2008 and have maturities ranging 2015 through 2018. Subordinated financing is LVL and EUR denominated. Prior repayment can be unilaterally requested only upon liquidation of the Company.

The following table represents the details of the Company's subordinated capital:

Counterparty	Residence country	Currency	Issue size, 000's	Interest rate	Original agreement date	Original maturity date	Amortised cost (LVL 000's) 31/12/2012	Amortised cost (LVL 000's) 31/12/2011
Notes-private placement	UK	EUR	20,000	4.736%	28/12/2007	28/12/2022	13,308	13,247
Private person	Latvia	LVL	7,500	6M Rigidid + 3%	28/09/2007	26/09/2017	7,501	7,501
Private person	Latvia	LVL	7,500	6M Rigidid + 3%	28/09/2007	26/09/2017	7,501	7,501
Notes – public issue	n/a	EUR	5,050	11%	08/05/2008	08/05/2018	3,820	3,829
Private person	Latvia	EUR	15,000	12%	20/06/2008	14/05/2015	10,602	10,602
Private person	Latvia	LVL	1,500	6M Rigidid + 3%	30/10/2008	30/10/2018	1,500	1,500
Private person	Latvia	LVL	1,500	6M Rigidid + 3%	30/10/2008	30/10/2018	1,500	1,500
Private person	Latvia	LVL	2,284	6M Rigidid + 3%	04/12/2008	17/09/2015	2,285	2,285
Private person	Latvia	LVL	2,284	6M Rigidid + 3%	04/12/2008	17/09/2015	2,285	2,285
Private person	Latvia	LVL	1,416	6M Rigidid + 3%	04/12/2008	29/09/2015	1,416	1,416
Private person	Latvia	LVL	1,416	6M Rigidid + 3%	04/12/2008	29/09/2015	1,416	1,416
<b>Total</b>							<b>53,134</b>	<b>53,082</b>

## Risk management

The Group's risk is managed according to principles set out in Group's Risk Management Policy. The Group adheres to the following key risk management principles:

- Undertaking an acceptable risk level is one of the Group's main functions in all areas of operation. Risks are always assessed in relation to the expected return. Risk exposures that are not acceptable for the Group are, where possible, avoided, limited or hedged;
- The Group does not assume new high or uncontrollable risks irrespective of the return they provide. Risks should be diversified and those risks that are quantifiable should be limited or hedged;
- Risk management is based on awareness of each and every Group's employee about the nature of transactions he/she carries out and related risks;
- The Group aims to ensure as low as possible risk exposure and low level of operational risk.

Risk management is an essential element of the Group's management process. Risk management within the Group is controlled by an independent unit unrelated to customer servicing - Risk Management Division.

The Group is exposed to the following main risks: credit risk, liquidity risk, currency risk and operational risk. The Group has approved risk management policies for each of these risks, which are briefly summarised below.

### Credit risk

Credit risk is the risk that the Group will incur losses from debtor's non-performance or default. The group is exposed to credit risk in its loan restructuring activities.

Credit risk management is based on adequate risk assessment and decision-making. For material risks, risk analysis is conducted by independent Risk Management Division. The analysis of credit risk comprises evaluation of customer's creditworthiness and collateral and its liquidity. The analysis of creditworthiness of a legal entity includes analysis of the industry, the company, and its current and forecasted financial position. The analysis of creditworthiness of an individual includes the analysis of the customer's credit history, income and debt-to-income ratio analysis, as well as the analysis of social and demographic factors. All decisions about loan restructuring or changes in loan agreements are made by the Credit Committee and further reviewed by the Company's Management Board.

The Group reviews its loan portfolio on a regular basis to assess its quality and concentrations, as well as to evaluate the portfolio trends.

Credit risk identification, monitoring and reporting is the responsibility of Risk Management Division.

### Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its legal payment obligations. The purpose of liquidity risk management is to ensure the availability of liquid assets sufficient to meet potential obligations.

Under ordinary circumstances the Group manages its liquidity risk in accordance with the Group's Liquidity Risk Management Policy. Liquidity risk is assessed and related decisions are made by the Company's Management Board. Daily liquidity management, as well as liquidity risk measurement, monitoring and reporting, is ensured by the Finance, Risk Management & Operational Department. Liquidity risk management in the Group is coordinated by the

Finance, Risk Management & Operational Department. The main source of liquidity are debt securities issued by the Company.

## Operational risk

Operational risk is the risk of suffering losses resulting from processes that are deficient or non-compliant with requirements of external and internal regulations, losses resulting from actions of employees and system malfunctioning, as well as losses resulting from actions of third parties or from other external conditions, including legal risk (risk of penalty fees, sanctions applied by external institutions, losses resulting from litigation and other similar events), but excluding strategic risk and reputation risk. The Group further divides operational risk into the following categories: personnel risk, process risk, IT and systems risk, external risk.

The Group does not undertake / accept operational risks with unquantifiable impact that are concurrently unmanageable (it is impossible to prevent such risks or provide for their consequences – e.g. non-compliance with legal regulations etc.), irrespective of the financial gains this could bring (i.e., the Group does not perform business activities incurring such operational risks).

The Group applies following approaches for operational risk management:

- Defining operational risk indicators – use of statistical, financial and other indicators that reflect the level of various operational risk types and its changes within the Group;
- Operational risk measurement by recording and analysing operational risk events, the extent of the respective damage incurred, causes and other related information (data base of operational risk losses and incidents);
- “Four-eye-principle” and segregation of duties;
- Business continuity planning;
- Insurance;
- Investments in appropriate data processing and information protection technologies.

## Currency risk

Currency risk is related to mismatch in foreign currency asset and liability positions that impact the Group’s cash flow and financial results via fluctuations in currency exchange rates.

Currency risk management in the Group is carried out in accordance with the Group options. Day-to-day currency risk monitoring, management and reporting is the responsibility of Finance, Risk Management & Operational Department.