



Unaudited Public  
Financial Report

for the year ended  
31 December 2013

**REVERTA**

## Contents

Management Report.....	3
The Council and the Management Board .....	5
Statement of Responsibility of the Management.....	6
Statements of Comprehensive Income .....	7
Statements of Financial Position.....	8
Statements of Changes in Equity .....	9
Statements of Cash Flows .....	10
Consolidation Group Structure .....	11
Notes .....	12

## Management Report

### Reverta continues to perform in line with the plan

In 2013, the performance of JSC Reverta has been successful and the objectives stipulated in the Restructuring Plan have been achieved. During the reporting period, EUR 57.3m has been paid to the State Treasury in repayment of State Aid. This sum comprised the principal in the amount of EUR 32.2m and the interest in the amount of EUR 25.1m. The total of the cash funds recovered through the management of the loan portfolio and the realisation of the assets of Reverta was EUR 86.9m.

Overall, since 01 August 2010 to the end of 2013, Reverta has paid EUR 157.8m to the Treasury in repayment of State Aid to Parex banka. In addition the Syndicated Loan of Parex banka (which was State guaranteed) of EUR 234m was repaid in full together with interest of EUR 10.6m. The repayment to the Treasury has started significantly ahead of the term set in the Restructuring Plan.

### More than half a billion euros recovered

Since 01 August 2010 to the end of 2013, Reverta has recovered more than half a billion euros (EUR 511.7m) from the management and realisation of the distressed loans and from the sales of the bonds portfolio. The result achieved clearly shows the appropriateness of Reverta's chosen strategy and the ability of the Company to work with maximum efficiency, even in disadvantageous situations and with low quality assets.

### A significant increase of revenue from the sales of real estates

With the income level of the general population gradually stabilising and even starting to grow, the well-considered sales strategy has allowed for recovery of EUR 37.8m from the real estate portfolio during the reporting period. This is the best real estate sales performance since the beginning of Parex banka/Reverta on 01 August 2010. As a result of the many activities commenced in the real estate market and the successful sales campaigns, Reverta has become one of the three leading companies of Latvia managing and selling real estates owned by current and former banks.

In the beginning of 2013, the real estate portfolio was at its highest level by value and by quantity. Thanks to effective work in selling real estates, within a short period, the number of objects sold started to considerably exceed those repossessed by Reverta. According to the real estate portfolio management strategy, this tendency is going to prevail also in the future years.

### Losses as planned

The reporting period ended with a EUR 136.4m loss, which reflects the underlying nature of the Company and the approved Budget 2013. As in years before, the loss mostly comprises provisions for impairment of the loan portfolio and net interest expense. The interest payments to the Treasury and interest on the subordinated capital (mostly to persons associated with former Parex banka) represent most of this interest expense.

The complicated and lengthy court proceedings, the inadequacies in legislation, the low quality of the loans/assets and the counteractions of some defaulting borrowers are the main obstacles to the recovery of the State Aid in reasonable terms and amounts. There are also significant differences observed in the historical value of the collaterals pledged in favour of Parex banka and their current and actual market value – quite often the value has decreased even by 90 per cent. Taking the aforementioned facts into account, the Restructuring Plan envisages that there are losses to be expected also in the future years of Reverta.

### Asset portfolio

At the end of 2013, the total assets of Reverta were EUR 339.5m. As a result of a successful loan restructuring and recovery, the net balance sheet value of the loan portfolio has decreased to EUR 276.1m.

### Changes in the Supervisory and Management Boards of Reverta

On 26 July 2013, with the term of office of the Supervisory Board ending, an extraordinary shareholders' meeting was held and a new Supervisory Board was elected. The former Chairman of the Supervisory Board Michael Bourke was re-elected

along with the former Member of the Supervisory Board Mary Ellen Collins. Two new members – Kaspars Āboliņš and Andris Ozoliņš, were elected.

The two newly elected members of the Supervisory Board have a significant experience in the field of finances. Kaspars Āboliņš is the Treasurer of the State Treasury and has also been a member of the Board of Directors at the Nordic Investment Bank. Andris Ozoliņš has worked for more than 13 years at the DNB bank, including as the President of the bank for eight years. He has also worked as the Chairman of the Council of the Association of the Latvian Commercial Banks and has provided financial consultations.

On 01 August 2013, Michael Bourke was appointed the Chairman of the Supervisory Board for another term, and the new member of the Supervisory Board Kaspars Āboliņš was appointed the Deputy Chairman of the Board. According to the Articles of Association of Reverta, the Supervisory Board is elected for three years.

On 31 December 2013, the Chairman of the Management Board of Reverta Christopher Gwilliam discontinued his employment relationship with the Company.

#### The most significant events after the end of the reporting period

On 01 January 2014, the Supervisory Board of Reverta appointed Solvita Deglava the new Chairperson of the Management Board. She had been the Member of the Management Board and the Senior Vice-President of the Company since 2010. S.Deglava has proved herself to be a high-level professional in company management, business deals, restructuring, finances, accounting and other significant spheres. Since the takeover of the former Parex banka by the State, she has worked in several top-level positions and has participated in the restructuring process of the bank. She has many years of experience as an auditor with the international audit company PricewaterhouseCoopers. She has worked as the CFO, vice-president and the member of the board of Latvian Shipping Company.

On 01 February 2014, the Supervisory Board appointed the Head of Real Estate Management Department and Vice-President Edgars Miļūns the new Member of the Management Board. The Supervisory Board resolved to appoint E.Miļūns after having considered his valuable experience and high-level professionalism in real estate management field, as well as after having considered the recommendations of the Nominating Committee of the Privatisation Agency.

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Solvita Deglava  
Chairperson of the Management Board

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Edgars Miļūns  
Member of the Management Board

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Ruta Amtmane  
Member of the Management Board

Riga,  
28 February 2014

*These condensed financial statements are presented in EUR currency for illustrative purposes. The original financial statements' presentation currency is LVL. The translation to EUR currency has been done using the exchange rate set by the Bank of Latvia, i.e., 1 EUR: 0.702804 LVL. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.*

## 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
Mary Ellen Collins	Member of the Council
Sarmīte Jumīte	Deputy chairwoman of the Council (till 31.07.2013)
Vladimirs Loginovs	Member of the Council (till 31.07.2013)
Kaspars Āboliņš	Deputy chairman of the Council (from 01.08.2013)
Andris Ozoliņš	Member of the Council (from 01.08.2013)

### The Management Board

<b><i>Name</i></b>	<b><i>Position</i></b>
Christopher John Gwilliam	Chairman of the Management Board, p.p. (till 31.12.2013)
Solvita Deglava	Member of the Management Board, p.p. (till 31.12.2013)
Solvita Deglava	Chairperson of the Management Board (from 01.01.2014)
Ruta Amtmane	Member of the Management Board
Edgars Miļūns	Member of the Management Board (from 01.02.2014)



## 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 2013 and the results of their operations, changes in shareholders' equity and cash flows for the twelve month period ended 31 December 2013. 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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Solvita Deglava  
Chairperson of the Management Board

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Edgars Miļūns  
Member of the Management Board

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Ruta Amtmane  
Member of the Management Board

Riga,  
28 February 2014

## Statements of Comprehensive Income

	EUR 000's			
	2013	2012	2013	2012
	Group	Group	Company	Company
Interest income	8,139	10,485	8,155	10,694
Interest expense	(28,974)	(37,484)	(28,974)	(37,484)
<b>Net interest expense</b>	<b>(20,835)</b>	<b>(26,999)</b>	<b>(20,819)</b>	<b>(26,790)</b>
Commission and fee income	51	192	51	118
Commission and fee expense	(26)	(30)	(15)	(24)
<b>Net commission and fee income / (expense)</b>	<b>25</b>	<b>162</b>	<b>36</b>	<b>94</b>
Net realised loss on available-for-sale financial assets	-	(46)	-	(46)
Result of revaluation of financial instruments and foreign currency, net	(1,535)	2,627	(1,463)	2,450
Other income	90	514	1,535	1,312
<b>Net financial result of the segment</b>	<b>(22,255)</b>	<b>(23,742)</b>	<b>(20,711)</b>	<b>(22,980)</b>
Real estate segment income	5,024	1,867	120	515
Real estate segment expense	(1,865)	(1,604)	(158)	(282)
Revaluation result, net	(797)	6,104	397	5,752
<b>Net result of RE segment</b>	<b>2,362</b>	<b>6,367</b>	<b>359</b>	<b>5,985</b>
Collaterals and assets under repossession expense	(194)	(396)	(194)	(396)
Administrative expense	(10,207)	(13,336)	(9,845)	(12,742)
Amortisation and depreciation charge	(166)	(417)	(164)	(414)
Impairment of assets, net	(95,327)	(104,755)	(105,645)	(106,729)
<b>Loss before taxation</b>	<b>(125,787)</b>	<b>(136,279)</b>	<b>(136,200)</b>	<b>(137,276)</b>
Corporate income tax	(250)	(492)	(248)	(448)
<b>Loss for the period</b>	<b>(126,037)</b>	<b>(136,771)</b>	<b>(136,448)</b>	<b>(137,724)</b>
<b>Other comprehensive income:</b>				
Change in fair value of available-for-sale securities	-	693	-	693
<b>Total comprehensive loss for the period</b>	<b>(126,037)</b>	<b>(136,078)</b>	<b>(136,448)</b>	<b>(137,031)</b>

## Statements of Financial Position

	EUR 000's			
	2013	2012*	2013	2012*
	Group	Group	Company	Company
<b>Assets</b>				
Balances due from credit institutions	21,485	6,319	14,156	5,561
Shares and other non-fixed income securities	10	14	10	14
Bonds and other fixed income securities	-	111	-	111
Loans	241,846	396,279	276,127	447,929
Fixed assets	77	154	64	138
Intangible assets	90	145	90	145
Investments in subsidiaries	-	-	32,769	36,571
Investment property	72,889	91,015	5,492	7,944
Other assets	14,260	16,687	10,801	11,325
<b>Total assets</b>	<b>350,657</b>	<b>510,724</b>	<b>339,509</b>	<b>509,738</b>
<b>Liabilities</b>				
Issued debt securities	518,641	551,672	518,641	551,672
Other liabilities	3,626	4,699	3,129	3,952
Subordinated liabilities	75,675	75,603	75,675	75,603
<b>Total liabilities</b>	<b>597,942</b>	<b>631,974</b>	<b>597,445</b>	<b>631,227</b>
<b>Equity</b>				
Paid-in share capital	442,552	442,552	442,552	442,552
Share premium	18,062	18,062	18,062	18,062
Accumulated losses	(707,899)	(581,864)	(718,550)	(582,103)
<b>Total shareholders' equity attributable to the shareholders of the Company</b>	<b>(247,285)</b>	<b>(121,250)</b>	<b>(257,936)</b>	<b>(121,489)</b>
<b>Total liabilities and equity</b>	<b>350,657</b>	<b>510,724</b>	<b>339,509</b>	<b>509,738</b>

\* Auditor: SIA "PricewaterhouseCoopers"



## Statements of Changes in Equity

Group	EUR 000's				
	Issued share capital	Share premium	Fair value revaluation reserve	Retained earnings	Total equity
<b>Balance as at 31 December 2011</b>	<b>442,552</b>	<b>18,062</b>	<b>(693)</b>	<b>(445,091)</b>	<b>14,830</b>
Loss for the period	-	-	-	(136,771)	(136,771)
Other comprehensive income for the period	-	-	693	-	693
<b>Balance as at 31 December 2012</b>	<b>442,552</b>	<b>18,062</b>	<b>-</b>	<b>(581,862)</b>	<b>(121,250)</b>
Loss for the period	-	-	-	(126,037)	(126,037)
<b>Balance as at 31 December 2013</b>	<b>442,552</b>	<b>18,062</b>	<b>-</b>	<b>(707,899)</b>	<b>(247,285)</b>

Company	EUR 000's				
	Issued share capital	Share premium	Fair value revaluation reserve	Retained earnings	Total equity
<b>Balance as at 31 December 2011</b>	<b>442,552</b>	<b>18,062</b>	<b>(693)</b>	<b>(444,379)</b>	<b>15,542</b>
Loss for the period	-	-	-	(137,724)	(137,724)
Other comprehensive income for the period	-	-	693	-	693
<b>Balance as at 31 December 2012</b>	<b>442,552</b>	<b>18,062</b>	<b>-</b>	<b>(582,103)</b>	<b>(121,489)</b>
Loss for the period	-	-	-	(136,448)	(136,448)
<b>Balance as at 31 December 2013</b>	<b>442,552</b>	<b>18,062</b>	<b>-</b>	<b>(718,550)</b>	<b>(257,936)</b>

## Statements of Cash Flows

	EUR 000's			
	2013	2012	2013	2012
	Group	Group	Company	Company
<b>Cash flows from operating activities</b>				
Loss before tax	(125,786)	(136,278)	(136,200)	(137,276)
Amortisation and depreciation	166	417	164	414
Change in impairment allowances and other accruals	95,327	111,362	105,645	115,265
Interest income	(8,139)	-	(8,154)	-
Interest expense	28,974	37,321	28,974	37,321
Other non-cash items	(797)	(5,753)	(2,106)	(5,397)
Foreign currency transactions	-	(2,402)	-	(2,402)
<b>Cash generated before changes in assets and liabilities</b>	<b>(10,255)</b>	<b>4,667</b>	<b>(11,677)</b>	<b>7,925</b>
Decrease in loans and receivables	63,880	95,496	79,268	83,005
Decrease/( increase) in investment property	37,757	-	1,872	-
Decrease in deposits	-	(14,444)	-	(14,444)
(Increase)/decrease in other assets	(12,876)	(24,362)	2,221	(16,639)
(Decrease)/ increase in other liabilities	(1,074)	832	(825)	1,738
<b>Cash generated from operating activities before corporate income tax</b>	<b>77,432</b>	<b>62,189</b>	<b>70,859</b>	<b>61,585</b>
Corporate income tax paid	(250)	(492)	(248)	(448)
<b>Net cash flows from operating activities</b>	<b>77,182</b>	<b>61,697</b>	<b>70,611</b>	<b>61,137</b>
<b>Cash flows from investing activities</b>				
Purchase of intangible and fixed assets	(77)	(105)	(77)	(93)
Sale of subsidiaries	-	2,765	-	2,765
Sale of available-for-sale securities	-	182	-	182
<b>Net cash flow from investing activities</b>	<b>(77)</b>	<b>2,842</b>	<b>(77)</b>	<b>2,854</b>
<b>Cash flows from financing activities</b>				
Redemption of issued debt securities (principal)	(32,190)	(61,146)	(32,190)	(61,146)
Interest for issued debt securities	(25,134)	(28,520)	(25,134)	(28,520)
Interest for subordinated debt	(4,615)	(4,962)	(4,615)	(4,962)
<b>Net cash flow used in financing activities</b>	<b>(61,939)</b>	<b>(94,628)</b>	<b>(61,939)</b>	<b>(94,628)</b>
<b>Net cash flow for the reporting period</b>	<b>15,166</b>	<b>(30,089)</b>	<b>8,595</b>	<b>(30,637)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>6,319</b>	<b>36,408</b>	<b>5,561</b>	<b>36,198</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>21,485</b>	<b>6,319</b>	<b>14,156</b>	<b>5,561</b>

## Consolidation Group Structure as at 31 December 2013

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 "Parex Leasing and Factoring"	GE-205224461	Georgia, Tbilisi, Kazbegi avenue 44	GE	LIZ	100	100	MS
4	SIA "NIF"	LV-40103250571	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
5	SIA "NIF Dzīvojamie īpašumi"	LV-40103253915	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
6	SIA "NIF Komerčīpašumi"	LV-40103254003	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
7	SIA "NIF Zemes īpašumi"	LV-40103255348	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
8	UAB "NIF Lietuva"	LT-302462108	Lithuania, Vilnius LT03107, K.Kalinausko 13	LT	PLS	100	100	MS
9	OÜ "NIF Eesti"	EE-11788043	Estonia, Tallinn 10119, Roosikrantsi 2	EE	PLS	100	100	MS
10	SIA "NIF Projekts 1"	LV-50103300111	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
11	SIA "NIF Projekts 2"	LV-40103353475	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
12	SIA "NIF Projekts 3"	LV-40103353511	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
13	SIA "NIF Projekts 4"	LV-40103398418	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
14	SIA "NIF Projekts 5"	LV-40103398850	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
15	SIA "NIF Projekts 6"	LV-40103398865	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
16	SIA "NIF Projekts 7"	LV-40103512479	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
17	SIA "NIF Projekts 8"	LV-40103512604	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
18	SIA "NIF Projekts 9"	LV-40103512498	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
19	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.

## Notes

### Information about Reverta's structure

As at 31 December 2013 the Company had 4 representative offices.

### Issued share capital as at 31 December 2013

Shareholders	Nominal value, (LVL)	Number of shares	Paid-in share capital, (EUR)	Voting rights	Paid-in share capital, (%)
SJSC "Privatizācijas Aģentūra"	1	261 733 152	372,412,724	205 783 152	84.15%
EBRD	1	39 631 824	56,391,005	39 631 824	12.74%
Other	1	9 662 319	13,748,241	5 468 463	3.11%
<b>Total</b>		<b>311 027 295</b>	<b>442,551,970</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:

	EUR 000's					
	2013 year Period-end balance	Average interest rate *	Interest income/ (expense)	2012 year Period-end balance	Average interest rate *	Interest income/ (expense)
Loans issued by the Company	2,671	0.00%	-	2,689	0.00%	-
Subordinated financing provided to the Company	51,221	3.69%	(3,011)	51,230	3.84%	(3,265)

\* According to period-end rates

Subordinated financing contracts were entered into force in 2008 and have maturities ranging 2015 through 2022. 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 (EUR 000's) 31/12/2013	Amortised cost (EUR 000's) 31/12/2012
Notes-private placement	UK	EUR	20,000	4.844%	28/12/2007	28/12/2022	19,012	18,936
Private person	Latvia	LVL	7,500	6M Rigibid + 3%	28/09/2007	26/09/2017	10,672	10,673
Private person	Latvia	LVL	7,500	6M Rigibid + 3%	28/09/2007	26/09/2017	10,672	10,673
Notes – public issue	n/a	EUR	5,050	12%	08/05/2008	08/05/2018	5,444	5,435
Private person	Latvia	EUR	15,000	12%	20/06/2008	14/05/2015	15,075	15,085
Private person	Latvia	LVL	1,500	6M Rigibid + 3%	30/10/2008	30/10/2018	2,134	2,134
Private person	Latvia	LVL	1,500	6M Rigibid + 3%	30/10/2008	30/10/2018	2,134	2,134
Private person	Latvia	LVL	2,284	6M Rigibid + 3%	04/12/2008	17/09/2015	3,251	3,251
Private person	Latvia	LVL	2,284	6M Rigibid + 3%	04/12/2008	17/09/2015	3,251	3,251
Private person	Latvia	LVL	1,416	6M Rigibid + 3%	04/12/2008	29/09/2015	2,015	2,015
Private person	Latvia	LVL	1,416	6M Rigibid + 3%	04/12/2008	29/09/2015	2,015	2,015
<b>Total</b>							<b>75,675</b>	<b>75,603</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.

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 is 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 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.