



TRASTA KOMERCBANKA

**AS “TRASTA KOMERCBANKA”
CORPORATE GOVERNANCE REPORT
FOR THE PERIOD ENDED
ON 31 DECEMBER 2014**

The Corporate Governance Report (hereinafter - the Report) for year 2014 of AS “TRASTA KOMERCBANKA”, hereinafter - TKB, has been prepared in accordance with the provisions of Article 56.2 (3) of the Financial Instruments Market Law, the Law On Credit Institutions and Article 293 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council (June 26, 2013) on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

The Report is available on TKB website at www.tkb.eu and in TKB premises at Palasta Street 1 and Miesnieku Street 9, Riga.

TKB has introduced the risk management system, which is compliant with the provisions of laws and regulations, and applies an independent and authoritative control of risks. The risk management system of TKB is designed in order to minimize any losses associated with the occurrence of possible risks. The main objective of the risk management system is to balance or to prevent contingent losses through timely and detailed risk assessment and appropriate set of preventive measures.

TKB has established the risk management and control system based on the following principles:

Transparency principle - information on risk management is disclosed to the public in TKB financial statements and on its website at www.tkb.eu;

Risk function independence principle - TKB risk management is kept separate from the controlled structural units;

Going-concern principle - methods and systems applied by TKB to risk management are constant and continuous;

Management principle - the risk management system is a set of regular and constant measures that contribute to risk identification and management;

Control principle - TKB provides regular identification, assessment and control of its operational risk;

Precautionary principle - TKB assumes risks with caution by assessing the nature of transactions and, where appropriate, by setting transaction limits to prevent any occurrence of excessive risks;

Compliance principle - the risk management and the level of respective risk is determined in line with TKB activity and strategy;

Obligation principle - risk management requirements are mandatory for all TKB employees. Before new processes and procedures are introduced, possible risks are identified and acceptable risk values are determined;

Overarching principle - risk analysis is performed at the level of committees and risk management working groups set up thereof in order to assess the interaction of risks and the overall risk to which TKB is exposed.

Basic elements of TKB risk management system:

The risk management system at TKB is subject to documentation. TKB has developed its risk management policies, procedures, and a risk control mechanism for the risk measurement system. TKB, on a periodic basis, takes measures to make sure that its risk management policies and procedures are complied with;

TKB has established committees and risk management working groups;

TKB has set market and credit risk limits and exercises controls over their compliance;

TKB has established a reporting form and procedure for reporting on risk management results to TKB Board;

TKB has set up the Audit Committee, which consists of two members. The Audit Committee acts on the basis of Audit Committee Regulations. The Audit Committee is given the power to request and obtain information from TKB board members and other employees that is necessary for committee work, including but not limited to information about accounting methods, as well as to conduct an independent investigation, within the scope of its competence, in order to identify any irregularities in TKB operation.

TKB Risk Management and Control:

Information about TKB risk management and control is available in Paragraph 41 of TKB Consolidated Financial Statements for 2014; section *Bank's Financial Statements and Notes to Consolidated Financial Statements*.

TKB consolidated financial statements for the year ended on December 31, 2014 and the auditors' report is published on the website of TKB at www.tkb.eu, and is available in the premises of TKB at Palasta Street 1 and Miesnieku Street 9, Riga.

On behalf of the Bank's management:



Igors Buimisters
Chairman of the Council



Gundars Grieze
Chairman of the Board

Riga,
26 March 2015