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Regulations No. 42
(Min. No. 11, Item 2)

REGULATIONS ON ASSETS QUALITY ASSESSMENT AND PROVISIONING

Issued in accordance with Section 55
and Section 101³ (7), sub-paragraph 2 of the Credit Institution Law
and Article 121 (9) of the Law on the Financial Instruments Market

I. General Provisions

1. Regulations on Assets Quality Assessment and Provisioning (hereinafter – the Regulations) are binding to the banks, investment firms and investment management companies registered in the Republic of Latvia (hereinafter – the institution), to which capital adequacy requirements are applicable.

2. Provisions of the Regulations shall apply to financial assets of any type, which are presented in financial statements at amortised cost), i.e. loans and held-to-maturity financial assets (hereinafter – loans).

3. Terms used in the Regulations

3.1. Credit risk – possible occurrence of loss in case a borrower is unable or refuses to fulfil their obligations with the institution in accordance with contractual terms.

3.2. Expected loss – loss, which will occur to the institution if a borrower fails to fulfil the obligations. Expected loss may differ from impairment losses recognised in financial statements in accordance with accounting standards, because in the former the loss, which may occur due to possible unfavourable impact of future events on loan repayment, is taken into account.

3.3. Provisions – value impairment loss recognized in financial statements pursuant to the accounting standards.

3.4. Capitalization of interest – adding the accrued interest to the loan principal or repayment of accrued interest with a new loan granted to the borrower.

3.5. Restructuring of loan – concessions granted to the borrower due to economic or legal reasons that cause financial difficulties to the borrower, which would not be made by the institution in any other case and which can be expressed as:

3.5.1. Concessions made in any term of loan, e.g., extending maturity, postponing loan payments, capitalization of interest, reducing the original interest rate;

3.5.2. takeover of the collateral or other assets for partial loan repayment;

3.5.3. replacing the original borrower or introducing an additional debtor.

3.6. Financial difficulties (for the purpose of item 3.5 hereof) – the changes in the borrower’s financial standing which might result in overdue payments and/or recognition of loan value impairment loss, provided that restructuring of loan was not performed.

3.7. Collateral-dependent loan – a loan, repayment of which, fully depends on collateral realisation, as the borrower has no other source for repayment of the loan.

3.8. Independent valuer – a person, who holds relevant licence or certificate for real estate valuation and who is independent from the decision-making process of granting a loan.

3.9. Accounting Standards – International Accounting Standards, International Financial Reporting Standards issued by the International Accounting Standards Board, and interpretations of the International Financial Reporting Interpretations Committee approved by European Commission and published in “The Official Journal of European Union”.

4. Use of other terms corresponds to the terms used in the accounting standards.

II. Basic rules

5. The institution shall establish a loan review system, to evaluate the quality of the loan on a timely basis and assess expected loss amount in accordance with the bank policies and procedures, taking into account provisions of the Regulations and make provisions in accordance with the accounting standards.

6. The institution shall regularly assess the quality of loans basing on comprehensive, well documented and consistently applicable analysis of loan portfolio, using own professional judgement, reasonable assumptions and taking into consideration all known relevant internal and external information that affects the loan quality (loan repayment).

7. The institution, taking into consideration the size and structure of loan portfolio, shall develop and consistently apply their internal loan classification system that allows to reliably classify loans in accordance with inherent credit risks, identify changes in risk parameters and loan problems precisely and in due time. Internal credit classification system is the basis for credit risk management, evaluation of expected loss and determining of appropriate amount of provisions.

8. The institution shall develop and document methodology of loan quality assessment and provisioning (hereinafter – methodology) to estimate expected loss

prudently and determine provisions recognized in financial statements at the reporting date. Methodology shall be documented in policies and procedures of the institution.

9. The institution shall develop a procedure according to which the institution shall verify evaluation of loan collateral performed by an independent valuer. The institution shall evaluate assumptions, restrictive factors, projections and data used by the valuer in the assessment and adjust them if necessary.

10. In financial statements the institution shall recognize loan impairment loss and make provisions in accordance with the accounting standards.

11. The institution shall evaluate sufficiency of provisions made in accordance with the accounting standards to cover expected loss. Expected loss exceeds provisions made in accordance with the accounting standards, if the institution's loan portfolio quality is substantially influenced by considerations, which are not taken into account by the accounting standards. Positive difference between expected loss and provisions made in accordance with the accounting standards shall be taken into account when calculating institution's own funds in accordance with applicable regulations on capital requirements.

12. The institution authorized to use internal ratings based (IRB) approach to calculate minimum capital requirement for credit risk shall use expected loss calculated in accordance with IRB approach as expected loss for the purpose of the Regulations if the institution has evaluated and recognized that it has taken into account all circumstances in its IRB approach, which are material for evaluation of the quality of institution's loan portfolio.

13. The institution, which uses Standardised Approach to calculate minimum capital requirement for credit risk, shall estimate expected loss taking into account considerations laid down in Item 46 of the Regulations.

14. Management of institution (council or board) is responsible for establishment of the loan review system and its effective functioning, approves and regularly revises relevant policies and procedures of the institution, as well as assign employees / units that are responsible for implementation of these policies and procedures.

15. Management of the institution and/or a special loan assessment committee set up by the institution shall regularly revise and evaluate the credit quality assessment results and sufficiency of provisions made.

III. Loan Quality Assessment and Provisioning

16. The institution on a regular basis, at least once a quarter and every time the institution receives information indicating that quality of any loan has substantially deteriorated, shall perform a review to assess whether one or more loss events referred to in Items 21 and 22 of the Regulations have occurred.

17. The institution shall assess individually significant loans on an individual basis. The rest of loans shall be evaluated either on an individual basis or per group of loans bearing similar credit risk features.

18. To identify which loans are individually significant, the institution shall take into account relative size of the loan to assets, loan portfolio or own funds as well as qualitative information, e.g., belonging of the loan to a group of loans (loans to persons related with the institution, loans with increased country risk, loans to the borrowers from a certain industry, if the situation in the industry has a negative impact on the borrowers' financial standing, or loans for which up-dated financial information on the borrower/guarantor or on collateral is missing).

19. Loans with payments (principal or interest) is more than 90 days overdue as well as restructured loans shall be evaluated by the institution on an individual basis, except the cases where in accordance with methodology developed by the institution the loans may be evaluated on a loan group level as the loans are insignificant (small) and the cost of individual evaluation is not proportionate to the amount of possible loss.

20. Deterioration in the quality of loan or group of loans and impairment loss have occurred if there is an objective evidence of occurrence of one or more loss events after initial recognition of loan that affects the future cash flow projections and this impact can be credibly evaluated.

21. Indicators of loss events assessed on an individual basis shall be:

21.1. material financial difficulties of the borrower/issuer;

21.2. non-compliance with loan agreement, i.e. repayment of loan principal amount or interest is past-due;

21.3. concessions granted to the borrower due to the economic or legal reasons related to financial difficulties of the borrower which otherwise would not be granted by the institution (i.e. institution has restructured the loan);

21.4. relatively high probability that borrower will initiate the bankruptcy procedure or any other financial reorganisation process;

21.5. loss of active market due to financial difficulties of respective financial asset issuer;

21.6. use of borrowed funds for the purpose different from that provided in the loan agreement;

21.7. default on the credited project implementation conditions;

21.8. default on obligations by the person related to the borrower, which affects the borrower's capability to meet its liabilities to the institution;

21.9. decrease in the value of the collateral in cases when repayment of the loan is directly dependent on the collateral value;

21.10. other events, which are defined in the institution's policies and procedures as loss events.

22. Loan loss related to the loan group exists if after initial recognition a decrease in future cash flow from the group of loans has occurred and it can be reliably measured, notwithstanding that this decrease cannot yet be identified with the particular loans. Loss event evidence includes:

22.1. adverse

changes in the borrowers' creditworthiness (e.g. increased number of delayed payments or an increase in credit cards whose holders have reached their credit limit and are paying the minimum monthly amount);

22.2. the economic conditions that affect the borrower's ability to meet their liabilities timely (e.g. increasing unemployment rate, decrease in prices of real estate pledged as collateral for mortgage loans);

22.3. other loss events provided for in the institution's policies and procedures as evidence of loss events.

23. The institution shall register all loss events notwithstanding whether the borrower has breached contractual terms (overdue payment).

Loans subject to individual assessment

24. Where any objective evidence of loan impairment exists (i.e., one or more loan loss events have occurred) the institution shall calculate that decrease in value as the difference between the loan carrying amount and the value of the future cash flow, which has been discounted using the original effective interest rate. For the purpose of calculating the impairment loss for loans with fixed interest rate, the original effective interest rate, which was set at the time of initial recognition of the loan, shall be applied. For the purpose of calculating the value impairment loss for loans with variable interest rate, the effective interest rate at the moment of loan assessment under the agreement conditions shall be applied.

25. In case of short-term loan, the future cash flow shall not be discounted if the impact of discounting is not material (difference between the discounted cash flow and non-discounted cash flow is immaterial).

26. The estimate of the future cash flow shall be the best estimate of the institution in which all information available to the institution at the moment of estimation is taken into account and which is based on reasonable and well-grounded assumptions and forecasts, which are documented in due course. If in the result of assessment the institution sets a range of possible future cash flows (either amount or timing), in estimating future cash flows it shall take into account probability of occurrence of scenarios.

27. Cash flow from a collateral dependent loan shall be a cash flow that may occur as a result of realising collateral from which expenses related to sale of collateral, if they are material, shall be deducted.

28. Cash flow on a collateral dependent loan shall be determined considering:

28.1. legal procedures, their duration and selling expenses ;

28.2. liquidity of collateral;

28.3. collateral price volatility and market price dynamics;

28.4. useful life of the collateral compared with loan maturity;

28.5. institution's priority right to sale proceeds ;

28.6. existence of insurance of collateral.

29. In view of provisions of Items 9 and 28 of the Regulations, the cash flow that may occur as a result of selling a real estate shall be the best estimate of the

institution at the time of loan assessment, which is based on the real estate appraisal performed by an independent valuer, and reduced, if necessary taking into account results of the monitoring of real estate value performed by the institution.

30. Where several loans have been granted to the same borrower and one loan loss event has occurred, the institution shall assess the impairment of all loans to this borrower granted by the institution.

31. Impairment loss incurred by the institution when performing loan restructuring shall be assessed on the basis of the estimate of restructured loan future cash flow, taking into account the modified loan agreement conditions and using original effective interest rate for discounting used before modifications to the loan agreement were made.

32. Where the institution determines that no objective evidence of loan impairment exists on individually assessed loans, irrespectively of whether the loans are significant or not, these loans shall be included in the group of loans with similar credit risk characteristics and assessed collectively for impairment. If institution does not have (impossible to establish) the group of loans with similar credit risk characteristics, it does not make additional assessment.

Recognition of income

33. After the recognition of impairment of the loan (loan group) the institution shall further in its financial statements recognise interest income applying the interest rate that was used to discount the future cash flows for the purpose of measuring the impairment loss, i.e. original effective interest rate, that apply to net carrying amount of loan.

34. The institution shall recognize interest income in accordance with Item 33 of the Regulations only in case of sound assurance on repayment of full principal and interest and this assurance is based on reasonable and justified assumptions and projections, which are duly documented, and the institution shall take into account all information available at the moment of assessment.

35. The institution shall internally record information on interest that have been:

- 35.1. accrued on loans, which have overdue payments for more than 90 days;
- 35.2. accrued on restructured loans, which at the time of restructuring had overdue payments for more than 90 days and on loans recurrently restructured during a year irrespectively of duration of delay in the payment;
- 35.3. capitalized when restructuring the loan.

36. A loan shall be in the status of restructured loan until a proof is received of the borrowers ability to carry out payments in amounts and time prescribed by the modified loan agreement, i.e. at least within one year, beginning with the date when the first payment is due according to the terms of modified loan agreement, and provided that the borrower has performed all the payments amounts and time prescribed by the agreement during the year.

37. Information on the interest referred to in Item 35 hereof shall be taken into account in the calculation of own funds in accordance with conditions of Item 11 or Item 65 hereof.

Loan groups

38. Loans, which are not subject to individual assessment, for impairment assessment purposes, shall be included in groups of loans with similar credit risk characteristics, e.g., on the basis of internal classification categories, which in turn take into account the type of loan, industry, geographical location, type of collateral, past-due status and other relevant factors. The characteristics chosen shall be relevant for estimating the future cash flows for the group of loans, by being indicative of the borrowers' ability to fulfil their contractual liabilities.

39. In assessing impairment in the loan group the institution shall estimate the future cash flow of loan group on the basis of historical loss rate, which is set taking into account loss experience for loans with credit risk characteristics similar to those in the group.

40. The institution shall adjust historical loss rate on the basis of current observable data to reflect the effect of current conditions that do not affect period to which historical loss rate applies, and to remove the effect of conditions in the historical period that do not exist currently, and shall take into account the following considerations:

40.1. changes in the size of loan portfolio and risk profile and loan agreement conditions;

40.2. existence of any credit concentration and changes in concentration level;

40.3. changes in the amount of past due loans, the share of increased risk loans, the number of restructured loans and other loans with modified loan agreement conditions, tendencies and materiality of these changes;

40.4. changes in international and local economic and business situation.

41. Changes in the estimate of future cash flow shall reflect and shall be directly consistent with changes in related market data (e.g. changes in the unemployment rate, property prices, commodity prices, loan payment status and other factors that are indicative of incurred losses in the loan group and their magnitude).

42. Using information on historical loss when assessing the future cash flow, the institution shall provide that information on historical loss is applied to loan groups which are similar to those loan groups, historical loss rate of which is used. Method used by the institution shall enable each group to be associated with information about past loss experience in groups of loans with similar credit risk characteristics and relevant observable data that reflect current conditions.

43. Institution, which does not have statistical data on historical loss or these data are insufficient, may use external statistical databases, if the institution has reasonable assurance that the data are applicable to the relevant loan group.

44. Recognition of impairment in the loan group, basing on the collective assessment of such loans, shall be an interim stage for recognition of individual impairment. As soon as information becomes available to the institution indicating

impairment of a loan included in the loan group, the loan shall be excluded from the group and shall be assessed individually or included in other loan group in accordance with credit risk characteristics.

Methodology

45. The institution shall develop methodology appropriate to its size and business specifics, organizational structure, size and structure of loan portfolio. Methodology shall contain explanations and justification for analysis and calculations used in the process of provisioning, and shall define:

45.1. the list of loan loss events and procedure according to which the institution shall recognise and register loan loss events that have been occurred (both for loans subject to individual assessment and loan groups);

45.2. quantitative and qualitative criteria, according to which the institution shall determine the loans whose quality impairment shall be assessed individually;

45.3. methodology for assessment of the future cash flow and discounting for the individually evaluated loans, calculation of original effective interest rate and requirements for documenting these calculations and estimates;

45.4. procedure for reversal the established provisions in cases when the quality of loans (loan group) improves;

45.5. criteria for the derecognising of a loan in financial statements;

45.6. procedure according to which the loans that were assessed individually and no impairment was identified shall be further on included in groups to perform additional assessment, and the procedure of assessment, if such additional assessment is performed;

45.7. procedure for restructuring loans and recognition of loan impairment loss at the moment of loan restructuring, and the procedure for recognition of further interest;

45.8. criteria and procedure according to which the loans with similar credit risk characteristics shall be included in loan groups for assessment purposes, methodology for setting loss/provisioning rate for loan group, including determining of relevant historical period and qualitative factors, which influence the adjustment of the historical loss rate;

45.9. procedure for excluding the loan, which was included in loan group for assessment purposes, from the loan group in accordance with provisions of Item 44 of the Regulation.

46. Methodology shall provide for the possibility to identify factors, which substantially influence the quality of loan portfolio but that are not considered in provisioning process in accordance with the accounting standards and the possibility to assess the influence of these factors on expected loss amount. Factors, which in accordance with accounting standards, shall not be taken into consideration in provisioning, are as follows:

46.1. increased risk in loan portfolio, e.g., in comparison with the average ratios of the sector;

46.2. probable negative influence of future events on loan repayment;

46.3. indirect foreign exchange risk i.e. increased credit risk, if the borrower's income currency is different from loan currency;

46.4. country risk – risk of loss in case the borrower is unable to meet his liabilities to the institution in accordance with the agreement conditions due to the

political, social and economic situation in the country, in which the borrower performs his economic activities to generate the cash flow for repayment of loan;

46.5. phase of economic cycle;

46.6. other considerations, which materially affect the expected loss amount.

47. Guarantees and warranties issued by the institution, unused credit lines, as well as other transactions exposed to credit risk, and which are not recognised in the balance sheet, shall be assessed and provisions shall be made in accordance with provisions of IAS 37.

48. The institution shall periodically revise its methodology to ensure compliance with the institution's business strategy, macroeconomic situation, the best international practice and taking into consideration the efficiency of application of methodology to minimize differences between expected and actual losses.

IV. Documentation of Assets Quality Assessment and Provisioning Process

49. The institution shall document for each individually assessed loan and for which impairment is recognised:

49.1. reasons for assessment of a loan on an individual basis;

49.2. analysis underlying the decision on recognition of loan to be impaired and on provisioning;

49.3. calculation of the amount of provisions established for the loan:

49.3.1. projections for the amount and timing of future cash flow and assumptions underlying the cash flow, i.e., relevant historical information, current factors, which affect the forecast, the information about the borrower, assumptions made by the institution;

49.3.2. assessment of the cash flows, which might occur in the result of realisation of collateral, as required in Items 9 and 27–29 of the Regulations;

49.3.3. original effective interest rate, which was applied to discount the future cash flow.

50. The institution shall document for each loan group:

50.1. criteria for grouping loans;

50.2. method used to set provisioning rate (procedure for setting historical loss rate, incl. time period for which loss was recognized). Where the historical loss rate is chosen within the probable range, the procedure for identifying the range and logical justification that the selected rate is the best estimate within the range shall be documented;

50.3. adjustment of historical loss rates with explanations as to how the adjustment reflects current information (events, circumstances), the factors that affected loss estimates. Impact of each factor and explanations as to how the institution quantified such an impact shall be documented;

50.4. comparison of actual loan loss with loss estimates for a loan group.

51. The institution shall document deductions from own funds if any deductions are made.

V. Supervisory Approach to Assessment of Loan Quality and Provisioning Process

52. Supervisors assess the quality of the institution's loan portfolio, methodology and sufficiency of provisions on the basis of the analysis of the information given by the institution and analysis of reports and take into consideration whether:

52.1. institutions' credit assessment system is effective and provides for timely identification of credit quality deterioration, problem loan supervision and prompt actions (response) when mandated;

52.2. the management of the institution is regularly informed on the quality of loan portfolio, provisions made and additional capital needed to cover loss (deductions from own funds);

52.3. institution's assumptions, estimates and judgements are reasonable, well grounded and documented;

52.4. methodology of the institution provides that the amount of provisions corresponds to prudently estimated and duly recognized loan impairment loss, and the institution duly assesses expected loss, namely:

52.4.1. procedure used by the institution to determine an amount of provisions for individually assessed loans, is prudent and based on the future cash flow estimate taking into consideration requirements of Items 9 and 27-29 of the Regulations;

52.4.2. approach of institution to setting the amount of provisions for loan group is reasonable;

52.4.3. approach of the institution to expected loss estimate is reasonable;

52.4.4. total amount of provisions and deductions from own funds is sufficient, taking into consideration total credit risk of the bank's loan portfolio;

52.4.5. processes of making provisions and determining deductions from own funds are duly documented;

52.4.6. relevant policies, procedures and practice of the institution comply with requirements of the Regulations;

52.4.7. recognized interest income is not unduly overstated.

53. Supervisors shall have reason to regard the process of institution's credit quality assessment to be satisfactory and agree to the institution's estimates, if the institution:

53.1. maintains an effective credit quality assessment system for identification and monitoring credit quality problems, as well as taking timely actions in case of deterioration of loan quality;

53.2. appropriately analyzes all material qualitative factors, which influence the loan portfolio quality at the moment of assessment;

53.3. has established an appropriate process for determining provisions both for individual loans and loan groups in accordance with accounting standards;

53.4. estimates of expected loss are based on reasonable and well-grounded assumptions, assessments and judgements.

54. If supervisors consider the institution's process for credit quality assessment to be unsatisfactory, the supervisors shall perform assessment of loans selected for inspection in accordance with classification described in Items 55-62 of the Regulations, taking into consideration all material factors, which influence loan repayment.

55. Standard loans shall mean loans that undoubtedly will be repaid. The loans shall be classified as standard where borrowers are not expected to have repayment problems as the current and future cash flows are sufficient to meet credit liabilities, and who make the payments in accordance with contractual terms or delay in repayment does not exceed 15 calendar days.

56. Close-watch loans shall mean loans on which an intensified institution's control is needed, because of an inherent potential unreliability, which unless the situation is changed, in the future may affect ability to meet credit liabilities and inflict loss on the institution. The loans shall be classified as the close-watch loans, where:

56.1. economic or market conditions unfavourably influence the borrower or the sector where the borrower performs business activities;

56.2 tendencies for deterioration of borrower's financial position are observed, which may influence repayment of the debt;

56.3. delay in loan repayment does not exceed 30 calendar days;

56.4. delay in loan repayment does not exceed 90 calendar days, but the secondary source of loan repayment is reliable.

57. Sub-standard loans shall mean loans whose evident unreliability makes doubtful fulfilment of credit liabilities in full and which, unless the unreliability is averted, will inflict loss on the institution. The loans shall be classified as the sub-standard loans, where:

57.1. the borrower's cash flow is insufficient to make regular payments according to loan agreement conditions;

57.2. current information to the institution on the borrower's financial position is unsatisfactory or documentation on loan collateral and repayment sources is inadequate;

57.3. delay in debt repayment is 31–90 calendar days;

57.4. delay in loan principal or interest payment exceeds 90 calendar days, but the secondary source of loan repayment is reliable.

58. Doubtful loans shall mean loans that are likely to inflict loss on the institution; it is impossible to measure the amount of loss at the time of assessment though there is a reasonable hope to recover part of the amount due. The loans shall be classified as the doubtful loans, where:

58.1. the borrower encounters liquidity problems and shows actual insolvency characteristics;

58.2. the borrower is in liquidation and the value of its assets is insufficient to meet the institution's claims in full;

58.3. delay in loan repayment is 91-180 calendar days and the secondary source of loan repayment is doubtful.

59. Lost loans shall mean loans that do not have real value at the moment of assessment. The loans shall be classified as lost loans, where:

59.1. delay in debt repayment exceeds 180 calendar days;

59.2. the borrowers are dead, missing or have terminated their business activity;

59.3. the borrowers are recognized as bankrupt according to a court ruling (the bankruptcy procedure has been initiated);

59.4. the real value of loan is impossible to determine at the time of assessment, as financial statements certifying the borrower's creditworthiness are not available to the institution, the loan has been granted without collateral or the institution has failed to ensure sufficient control over collateral.

60. Several loans granted to one borrower are classified by determining a risk group for each loan separately and applying the highest risk group to all loans.

61. If the borrower belongs to a group of related clients and any single loan issued to any borrower belonging to this group is qualified as a doubtful or lost loan, the loans of this borrower shall be classified not higher than close-watch loans.

62. In exceptional cases the loans, which have been issued to one borrower or borrowers belonging to a group of related clients, may be classified differently than according to requirements of Items 60 and 61 of the Regulations provided that the decision is adequately motivated.

63. Supervisors shall compare the amount of provisions made by the institution for these loans with the amount, which is not less than 10 percent of the loan outstanding amount for the loans, which are classified as close-watch loans; not less than 30 percent of the loan outstanding amount for the loans, which are classified as sub-standard loans; 60 percent of the outstanding amount for the loans, which are classified as doubtful loans and 100 percent of the outstanding amount for the loans, which are classified as lost loans.

64. Percentages referred to in Item 63 of the Regulations are considered neither as required minimum nor advisable maximum provisions for any of loan groups (except the loans, which are classified as lost loans), but as the reason for supervisors to more carefully inspect the provisioning process, performed analysis, assumptions and judgements made by the institution, in case provisions made by the institution significantly differ from the amount determined in accordance with Item 63 of the Regulations.

65. If the amount of provisions established by the institution is not sufficient to cover expected loss, when applying prudent approach and taking into account the institution's risk profile, supervisors shall require the institution to deduct the positive difference between the assessed expected loss and provisions made from own funds. For institutions, which calculate capital requirements using the standardised approach, this positive difference shall be taken into account in accordance with the Commission's Regulations No. 60 of 02.05.2007 Regulations for Calculating the Minimum Capital Requirements (hereinafter - RCMCR), Item 348.4.

66. If the institution is authorized to use IRB approach to calculate the minimum capital requirement for credit risk, supervisors shall verify compliance with requirements of Item 12 of the Regulations by evaluating the results of annual internal inspections of IRB approach models performed by the institution, as well as by evaluating compliance of IRB approach used by the institution with RCMCR requirements on a regular basis. In case the event referred to in Item 114 of RCMCR

occurs, but supervisors consider the actions taken by the institution to be insufficient, supervisors shall request the institution to maintain additional capital for covering credit risk within the capital assessment process.

Chairwoman
Financial and Capital Market Commission

I. Krūmane

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WITH A SAFE ELECTRONIC SIGNATURE AND CONTAINS A TIME SEAL**