Information on risks in activities of AS „Meridian Trade Bank" in 2016, objectives, methods and policies of risk management, as well as on requirements to equity and internal capital adequacy.

The information has been prepared in compliance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, which sets forth the procedure for disclosing the information on the risks pertaining to operations of banks and investment brokerage companies, on purposes, methods, and policies of risk management, on own funds requirements, and internal capital adequacy assessment, as well as the remuneration policy and practices. The information is partially reflected in the AS "Meridian Trade Bank„ Bank separate and Group consolidated financial statements for the year ended on December 31, 2016 (hereinafter referred to as the Annual Report for the year 2016. (http://www.mtbank.lv/static/uploaded_files/meridian_trade_bank_as_ifrs_fs_2015_eng.pdf)

Information on the Bank's management is reflected in the Annual Report for the year 2016 on page 5, and has not changed since its publication.

Information on organizational structure of the Bank is published in the Annual report for the year 2016 on p.14 and on the Bank home page in the section "About bank" (subsection "Structure" –
"http://www.mtbank.eu/static/uploaded_files/documents/latvija/struktura_eng.pdf")

Latest information about shareholders of the Bank is published on the Bank's home page in the section "About bank" (subsections "Management" –
http://www.mtbank.eu/en_LV/about/management/).

Information on the composition of the consolidated group and methods of consolidation is reflected in the Annual Report for the year 2016 on page 16, and has not changed since its publication.

Process of an assessment of capital adequacy.

The aim of capital adequacy assessment is to ensure that the capital of the Bank in respect of amount, capital units and their proportion would be sufficient to cover existing and probable risks of current and planned activities of the Bank.

The Bank has worked out the Policy and Process of Capital Adequacy Assessment. For the purposes of the process of capital adequacy assessment the Bank is using and is going to use in the future the definition of capital given in Regulation (EU) no 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter referred to as Regulation (EU) No 575/2013). The same definition of capital Bank is using for the purposes of the own results assessment, risk management and for other decisions on current and future activity.

For identifying of significant risks for the Bank, an expert method was applied, as well as the results of researches on significant risks in banking sphere worldwide and in separate regions. Significant risks, in the opinion of the Bank's management, were Credit risk, Liquidity risk, Currency risk, Interest rate risk, Operational risk (including legal risk), Risk of non-compliance with Anti Money Laundering regulation, Country risk, Reputation risk and Strategic risk.

In 2016, the Bank carried out a capital adequacy assessment by applying „Basel's First Pillar +" approach. The capital amount required to cover the risks (further - requirements of the Internal Capital) is calculated as the sum of:

- minimum capital requirements;
- capital requirements for a risks covering of the 2nd pillar. The capital amount required to cover risks consists of the capital amount required to cover individual risks and the rest of the existing and potential risks for Bank;
- Capital reserve - the amount of capital that is needed to ensure that the Bank's capital is sufficient in case of occurrence of possible adverse events, as well as to ensure that Bank have sufficient capital over the economic cycle, i.e., during the period of economic upturn the Bank holds capital reserves to cover losses, that may arise during the period of economic downturn.

When determining the necessary capital amount for a covering of risks of the 1st pillar, the Bank uses methods according to Regula ES No. 575/2013.

The Bank applied Standardized approach for calculation of capital requirements for credit risk, according to the Regulation (EU) No 575/2013. The Bank has nominated an external credit rating institution – *Standard & Poor's Ratings Services* – for determining of credit quality level for all categories of risk transactions. In 2016, the Bank for decrease in credit risk used only cash collateral.

The bank carries out the additional estimates connected with credit risk:

- The Bank shall assess whether the 35% risk rate, to be applied to the loans secured by residential real estate, is consistent with the projected developments in real estate market. Where there is established customer solvency deterioration, collateral values decrease, the enforcement problems or other negative trends in the real estate market or the economy, when calculating the capital amount required to cover the credit risk concerning this exposure category, the bank will apply a risk weight, which is higher than 35 percent risk weight and which may differ from the risk weights in the standardised approach. During the reporting period, the Bank applied 35% degree of risk to the risk transactions provided with a mortgage. At 31.12.2016, the total amount of such transactions made 3579 thousand euro. At these transactions deterioration in solvency of clients, reduction of an assessment of providing, complexity with residential real estate selling or other negative tendencies in the real estate market or in economy haven't been stated. For other risk transactions provided with a mortgage on the residential real estate, the Bank applied risk degrees according to the standardized approach.
- The Bank estimates validity of application of 75% risk degree to a portfolio of low-risk transactions, analyzing statistical these changes of quality of an exposition and concentration of the low-risk transactions included in a portfolio. If deterioration of a low-risk transactions portfolio, Bank for determination of the necessary capital amount for a covering of credit risk of this portfolio applies the risk degree exceeding 75% that can also differ from the degrees of risk applied in the standardized approach. In 2016 the Bank does not applied 75% risk degree to a low-risk transactions portfolio.
- The Bank estimates requirements to the central governments of the member states and to the central banks in view of their financial position and applying 0% risk degree (for example – fulfilment of the Maastricht criteria, the requirement of the corresponding credit assessment according to Regula ES No. 575/2013), especially where 0% risk degree is applied for risk transactions, which are denominated and are financed in corresponding currency of the member country of the EU according to Regula ES No. 575/2013. As of 31.12.2016 all transactions with the central governments of EU countries, which are denominated and are financed in the corresponding national currency, correspond to 0% risk degree.

The Bank is allowed not to calculate the capital requirements for risk of positions of debt securities and capital securities of trading book. The conditions of application of the above approaches are determined in the Article 94 of the Regulation (EU) No 575/2013 and in the Bank's Trading Book Policy and are strictly controlled.

The capital requirement for settlement risk of trading book was calculated according to requirements of Part Three Chapter 6 Section 4 of the Regulation (EU) No 575/2013. For determining exposure value, the Bank applied the original exposure method according to the requirements of Article 275 of the Regulation (EU) No 575/2013.

The capital requirement for foreign currency risk of non-trading book and trading book was calculated according to requirements of the Part Three Title IV Chapter 3 of the Regulation (EU) No 575/2013.

The capital requirement for commodity risk of non-trading book and trading book was calculated according to requirements of the Part Three Title IV Chapter 4 of the Regulation (EU) No 575/2013.

For calculation of the capital requirement for operational risk, the Bank applied the basic index approach, according to requirements of the Part Three Title III Chapter 2 of the Regulation (EU) No 575/2013.

The capital requirement for settlement/delivery risk was calculated according to requirements of the Part Three Title V of the Regulation (EU) No 575/2013.

For calculation of the necessary capital amount for a covering of currency risk, the Bank compares net open currency positions and the volatility of the corresponding currency increased by the amount of the currency requirement of the risk capital calculated according to standard approach. For determination of the amount of the capital necessary for a covering of currency risk, the Bank uses the greatest value from calculated. Volatility of an exchange rate (standard deviation) define according to the holding period of a position and a desirable confidential interval, based on historical data and future forecasts. Comparing the received, results with the requirement of the capital, applying standard approach for calculating the currency risk (on 31.12.2016 – 25 374 EUR), it is possible to conclude that the requirement of the capital is enough to cover risks connected with volatility of an exchange rate.

For a 2nd pillar risks covering, within the necessary capital amount, the capital requirement is calculated for:

- interest rate risk in the nontrading book;
- the effect of concentration risk on the credit risk;
- money laundering and terrorism financing risk;

The Bank uses a simplified method for calculating the capital amount required to cover the interest rate risk.

The Bank uses a simplified method for calculating the capital amount required to cover the concentration risk. In addition, the Bank limits the potential exposure levels: exposure to one client, exposure to a group of mutually connected clients, exposure for customers whose activities are related to one sphere and economic sector, exposure to residents and non-residents, exposure to legal entities and individuals, exposure to clients of one region or the country, type of loan, exposure with a certain type of collateral.

The Bank uses a simplified method for calculating the capital amount required to cover the money laundering and terrorist financing risk.

The Bank uses a simplified method for calculating the capital amount required to other risks: liquidity risk, country risk, reputation risk, strategic risk, risk of an excessive financial leverage, as well as other non-essential risks. The capital amount required to cover the other risks is 5% of the total amount of regulatory minimum capital requirements.

The Bank counts recommended capital guidance in order to assure that the capital of Bank was sufficient for a covering of losses in case of possible adverse scenario, and the size of the capital of Bank was sufficient during all business cycle. During economic growth, the Bank creates a capital guidance for a covering of losses, which can appear during decline of economy.
In case of adverse events, the Bank can use a capital reserve for a covering of losses and support a smaller capital reserve, covering losses from earlier created capital reserve. At the same time, the Bank foresees necessary actions for restoration of the capital reserve in an acceptable period to cover losses in case of adverse events, and assure that the size of the capital of Bank was sufficient during all business cycle.
Determining the recommended capital reserve amount the Bank analyzes and estimates possible scenarios of development of the Bank for the 3-year period.
For an assessment of future risks, the Bank uses stress testing. Stress testing allows to identify such probable events or changes in the markets, which can negatively influence on the amount of the capital of the Bank. At a stress testing situations, which correspond to activities of the Bank and possible changes of a situation in the markets are modelled. The technique of stress testing is developed taking into account volumes and specifics of activity of the Bank.

The most essential to Bank is the credit risk, which influences scenarios of Bank development. As a basis for calculation of a capital guidance are used results and scenarios of credit risk stress testing. The Bank carried out stress tests in credit risk according 5 scenarios. When performing the credit risk stress testing, Bank analyzes how the macroeconomic indicators effects on credit risk, analyzes changes in the balance sheet, profit and equity in accordance with the Bank's current economic development strategy, for the 3-year period, as well the Bank conducts reverse stress testing. The amount of a capital guidance depends on results of stress testing and state of the economy.

Calculating capital guidance the Bank estimates:

- Whether the level of currency risk, is sufficient for a losses covering, connected with currency risks calculated, taking into account the standard of the minimum capital requirement. So, the common opened position of foreign currency within the last year didn't exceed 3% of Bank's own capital. The level of calculated currency risk, taking into account the standard of the minimum capital requirement, in 2016 was sufficient for a losses covering, connected with currency risks.

- Whether the level of operational risk, is sufficient for a covering of the losses connected with operational risk, and results of operational risk stress tests. The level of operational risk calculated taking into account the minimum capital requirement in 2016 was sufficient for a covering of the losses connected with operational risks.
- Results of stress testing of market risk of the securities portfolio, which is available for sale. Results of stress testing of market risk of the securities portfolio, which is available for sale on 31.12.2016, testify on need to increase the recommended capital guidance by 95 thousand euros.

For control of operational risk (further - OR) the Bank uses results of stress testing of operational risk. Expected losses of OR are evaluated taking into account the actual and planned maximum amounts of OR losses in a year (taking into account the returned amounts) within the last five years. For calculations data of the internal database of OR events of the Bank, and information on OR indicators of the Bank are used. Unexpected losses of OR are evaluated taking into account the maximum amount of OR losses within the last five years, based on publicly available external database of OR events, etc. information, comparing it with the volume of activities of the Bank. Results of OR stress testing demonstrate that the amount of the minimum capital requirement on operational risk is adequate to the profile of operational risk of the Bank.

In 2016, the Bank carried out stress testing of money laundering and terrorist financing risk. The following adverse events have been analysed:

- Possible termination of the correspondent relations with direct correspondent banks. Scenarios were based on the assumption that three most important correspondent banks report about the termination service of payments in USD. All three scenarios have indicated negative impact on capital adequacy of Bank.
- Loss of market segments because of possible geopolitical events has insignificantly affected capital adequacy indicators.
- Loss of some market segments because of possible restriction of activity has insignificantly affected capital adequacy indicators.

During stress testing of money laundering and terrorist financing risks, Bank modelled actions for overcoming a crisis situation and concluded that the planned actions allow to overcome negative consequences of crisis.

The Bank regularly carried out stress tests in liquidity risk (6 scenarios) as well the Bank conducts reverse stress testing. Results of stress testing of liquidity risk on 12.31.2016 –

are satisfactory. The possibility of Bank to overcome situations of scenarios is at rather high level.

The Bank carried out stress test in interest rate risk according to 1 scenario. Test results as at 31.12.2016 confirm that the Bank's capability to absorb negative consequences of realization of different scenarios is acceptable.

The Bank calculates the total capital amount required as the sum of the required amount of capital and capital guidance to cover all the risks for which the Bank provides capital in the process of capital adequacy assessment.

The legislation of the Republic of Latvia provides for the banks minimum capital adequacy index of 8%. In accordance with the requirements of the Finance and Capital Market Commission, for the reporting year, the Bank's regulative capital adequacy ratio should be greater than 9.1% and after 01.10.2016 – 10.2%
In addition to an indicator of the minimum capital adequacy, Bank, according to requirements of Art. 35.25 of the Law on credit institutions should provide that fixed amount of capital of the first level was sufficient for a covering of requirements of the general capital reserve, that at the moment, according to requirements of Art. 35.3 p.1 of the Law on credit institutions, forms the capital reserve of 2.5% of the sum of risk transactions calculated according to the Art.92 p.3 of the Regulation (ES) No. 575/2013 taking into account requirements of Chapter 1 Art. 35.4 of the Law on credit institutions, the specific countercyclical capital buffer defined according to Art.92, p.3 of the Regulation counted as the multiplying of a risk exposure and specific countercyclical buffer.

The Policy of Capital Adequacy Assessment stipulates that the Bank's capital must be sufficient for current activities and future development of the Bank. The Bank plans capital adequacy for a three-year period.
For planning of capital adequacy, the Bank takes into account:

- forecast for the Bank's activities (risk level forecast, profit forecast, forecast of amount and structure of assets and liabilities, customer needs and maximally allowable amounts of risk transactions of the Bank, results of stress tests);
- intentions of the Bank's shareholders (dividends policy, possibility of new issues);
- economic conditions and forecast for market trends.

For increase of the Bank's equity, it is supposed to use the following sources:

- increase of the Bank's net profit;
- additional contributions to capital (additional stock issue);
- attraction of subordinated capital.

In a crisis situation, when the regulatory or internal limits of capital adequacy are not observed or most likely will be exceeded, the Bank, first of all, plans to attract the subordinated capital with the help of its shareholders, and decrease volume of risk exposure.

Additional information about significant risks management methods used by the Bank is reflected in the Annual Report for the year 2016 on pages 29-82, and has not changed since its publication.

Results of calculation of the minimum capital adequacy

Table No. 1. Information on own capital during a transition period, according to requirements of the Regulation (ES) No. 1423/2013 (EUR'000)

Title	Bank	Group
Common equity Tier 1 capital		
Capital instruments and share premium accounts related to those	15910	15910
incl. shares	15651	15651
incl. share premium	260	260
Retained earnings	-3305	-4237
Accumulated other comprehensive income (and other reserves to report unrealized gains and losses in accordance with applicable accounting standards	4050	4050
Common equity Tier 1 capital before regulatory adjustments	16656	15724
Common equity Tier 1 capital: regulatory adjustments	-356	-356
Intangible assets	0	0
Total regulatory adjustments to common equity Tier 1 capital	-356	-356
Common equity Tier 1 capital	16300	15368
Tier 1 capital	16300	15368
Tier 2 capital: reserves and instruments		
Capital instruments and share premium accounts related to those	2096	2096
Common equity Tier 2 capital before regulatory adjustments	2096	2096
Common equity Tier 2 capital: regulatory adjustments	-356	-356
Total regulatory adjustments to common equity Tier 2 capital	-356	-356
Tier 2 capital	1740	1740
Total capital	18040	17108
Total risk-weighted assets	148481	148849

Title	Bank	Group
Capital ratios and reserves		
Common equity Tier 1 capital (percentage of exposure value)	10.98%	10.32%
Tier 1 capital (percentage of exposure value)	10.98%	10.32%
Total capital (percentage of exposure value)	12.15%	11.49%
Institution's specific buffer requirement (percentage of exposure value)	2.50%	2.50%
incl. the requirement for the capital conservation buffer	2.50%	2.50%
incl. institution-specific countercyclical capital buffer	0.00%	0.00%
incl. the countercyclical capital buffer	0.00%	0.00%
Common equity Tier 1 capital available for meeting the buffer requirements (percentage of exposure value)	10.49%	9.86%

Table No. 2. Results of calculation of the minimum capital adequacy on 31.12.2016 (EUR'000)

Type of the minimum capital requirement	Bank	Group
Regulatory requirements to the minimum capital (total):	11874	11908
Requirements to the credit risk capital (total):	10588	10613
incl. central governments and central banks	272	272
incl. institutions	631	631
incl. corporates	7052	5507
incl. secured by mortgages on immovable property	100	100
incl. transactions of risk on which obligations aren't fulfilled	2339	2466
incl. equity exposures	0	0
incl. other items	194	1638
Requirements to the trading risk capital (total):	25	25
incl. the requirement to the currency risk capital of a non-trading and trading portfolio	25	25
Requirement to the settlement/deliverable risk capital	0	0
Requirement to the operational risk capital	1261	1269

As a method of credit risk decrease the Bank used financial collateral.

Table No. 3. The cost of risk transactions of the Bank before and after application of Credit Risk Mitigation (CRM) as at 31.12.2016 (EUR'000)

Conversion factor	Exposure Classes	central governments or central banks	regional or local governments	Institutions	Entities	Secured by mortgages on immovable property	Exposures in default	Equity exposures	other claims
0%	before CRM	118765			6644		0		4110
	after CRM	118765			164		991		4110
20%	before CRM	17024		37376					2844
	after CRM	17024		37376					2844
	before CRM					3579			
35%	after CRM					3579			
	before CRM			806	720				
50%	after CRM			806	720				
100%	before CRM			4	89307		23029	2	1856
	after CRM			4	88042		22157	2	1856
150%	before CRM				1961		4841		
	after CRM				1961		4722		

Table No. 4. The cost of risk transactions of the Group before and after application of Credit Risk Mitigation (CRM) as at 31.12.2016 (EUR'000)

Conversion factor	Exposure Classes	central governments or central banks	regional or local governments	Institutions	Entities	Secured by mortgages on immovable property	Exposures in default	Equity exposures	other claims
0%	before CRM	118765			6644		0		4110
	after CRM	118765			164		991		4110
20%	before CRM	17024		37376					2844
	after CRM	17024		37376					2844
35%	before CRM					3579			
	after CRM					3579			
50%	before CRM			806	720				
	after CRM			806	720				
100%	before CRM			4	89307		23029	2	1856
	after CRM			4	88042		22157	2	1856
150%	before CRM				1961		4841		
	after CRM				1961		4722		

Remuneration policies and practices of the Bank.

Employees' salaries are determined based on the list of salary rates, defining salary interval boundaries applied for each post, which is approved by the Board of the Bank.

For making decisions on the employee's salary increase within the definite salary interval boundaries the Bank can use:

- the results of regular certification of employees,
- recommendation by Head of Department,
- other objective information about the employee's results compiled by the Bank staff inspector.

By developing and applying models of remuneration, the Bank ensures that the remuneration model, either directly or indirectly, does not motivate the employee to treat carelessly concerning his or her official duties, or to use his or her power contrary to the Bank's interests, including complying with the risk limits, as well as other quasi-boundary conditions, defined by the Bank's policies, procedures, or the legislation, regulations and laws of the Republic of Latvia.

In the Year 2016 both fixed and variable salary model was applied to separate categories of staff of Bank. The variable part was paid in the form of cash, simultaneously with the fixed part.

The Shareholders meeting did not make the decision on applying of a salary to members of council of the Bank.

Salary report of the Bank employees.
(According to rules of the Financial and capital market commission dd 02.07.2014 No. 126 "Standard rules of the basic principles of compensation policy" and to requirements p.450 of the Regulation (EU) 575/2013)

Table No.5. Salary information of the Bank employees (EUR)

Name of the heading	Council	Board	Investment services	Servicing of private persons and small and medium commercial entities	Asset management	Corporate support function	Internal control function	Other types of activity
Number of employees at the end of the year	4	6	3	13	2	63	44	123
Profit / (loss) after taxes	-4211905							

Total remuneration, EUR		296188	102756	229054	29823	843452	815841	1752700
Including: variable part of remuneration		687	12540		1091	65463	12254	61919

Table No.6. Salary information of employees that have an impact on a risk profile of the Bank; Year 2016 (EUR)

		Council	Board	Investment services [1]	Servicing of private persons and small and medium commercial entities [2]	Asset management [3]	Corporate support function [4]	Internal control function [5]	Other types of activity [6]
	Number of employees at the end of the year that have an impact on the institution's risk profile:		6	2	1		4	6	2
	including number of employees in the highest management positions that have an impact on the risk profile		6						
Fixed part of remuneration	Total fixed part of remuneration:		295501	63618	32026		135942	183903	65821
	including cash and other payment means		295501	63618	32026		135942	183903	65821
	including shares and related instruments								
	including other instruments								
Variable part of remuneration	Total variable part of remuneration:		687	10262			7347	6341	
	including cash and other payment means		687	10262			7347	6341	
	including shares and related instruments								
	including other instruments[7]								
Variable part of deferred	Total variable part of unpaid deferred remuneration allocated in the reporting year:								

	including deferred part of cash and other payment means								
	including deferred part of shares and related instruments								
	including deferred part of other instruments[7]								
	Total variable part of unpaid deferred remuneration allocated before the reporting year:								
	including the part to which irrevocable parts have been obtained								
	including the part to which irrevocable parts have not been obtained								
	Total variable part of deferred remuneration paid out in the reporting year								
Adjustment of the variable part of remuneration	Adjustment of the variable part of remuneration during the reporting year that concerns the variable part of remuneration allocated in the previous years								
Guaranteed Variable part of remuneration	Number of persons receiving the guaranteed variable part of remuneration (sign-on payments)								
	Amount of guaranteed variable part of remuneration (sign-on)								
Compensation for termination of legal employment relationships	Number of employees that received a compensation for termination of legal employment relationships								
	Amount of compensation for termination of legal employment relationships paid in the reporting year								
	Amount of the largest compensation for a single person for termination of								

	legal employment relationships								
Benefits related to retirement	Number of employees that receive benefits related to retirement								
	Amount of benefits related to retirement								

[1] providing of financial consultations, transactions with trade or uncommercial financial instruments in the regulated market, and also the transactions connected with purchase and sale of financial instruments.
[2] servicing of individuals and commercial organizations.
[3] management of individual investment books, and also investments into funds conforming to requirements, concerning obligations of the collective investment into the addressing securities, accepted by the European Parliament and Council 7.13.2009, the Directive 2009/65/EK, and other types of assets management.
[4] all functions which actions belong on all credit organization / group, for example – IT, the management of staff.
[5] internal audit, control function of compliance activity, function of risk control
[6] employees whose professional activity can't be correlated to above-mentioned functions. The organization attaches the additional explanation to the report, with the description of how employees carry out the professional activity.
[7] the tools which corresponds with specified in p.18.2.2 of rules of the Financial and capital market commission No. 126 dd 07.02.2014.

Information about Normative Regulations for Disclosure of Encumbered and Unencumbered Assets ar per 31.12.2016.

(according to regulation No. 24 dd 25.02.2015 of the Financial and capital market commission)

Bank

Table No.7. Assets (EUR'000)

		Carrying value of encumbered assets	Fair value of encumbered assets	Carrying value of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	Total institution assets	4863	X	298316	X
030	including equity instruments	-	-	222	222
040	including bonds and notes	-	-	70026	70491
120	including other assets	4863	X	228068	X

Table No. 8. Collateral received (EUR'000)

		Fair value of received collateral or issued bonds and notes that are encumbered	Fair value of received collateral or issued bonds and notes that are available for encumbering
		010	040
130	Total collateral received by institution	-	2357
150	including equity instruments	-	-
160	including bonds and notes	-	-
230	including other collateral received	-	2357
240	Issued bonds and notes, except issued bonds and notes with coverage,	-	-

Table No.9. Encumbered assets and received collateral serving as security for the institution's financial liabilities (EUR'000)

		Relevant liabilities, potential liabilities, loaned securities	Encumbered assets, received collateral issued bonds and notes (except issued bonds and notes with coverage,
		010	030
010	Carrying value of financial liabilities	-	4863

Group

Table No.10. Assets (EUR'000)

		Carrying value of encumbered assets	Fair value of encumbered assets	Carrying value of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	Total institution assets	4863	X	298076	X
030	including equity instruments	-	-	222	222
040	including bonds and notes	-	-	70026	70491
120	including other assets	4863	X	227828	X

Table No.11. Collateral received (EUR'000)

		Fair value of received collateral or issued bonds and notes that are encumbered	Fair value of received collateral or issued bonds and notes that are available for encumbering
		010	040
130	Total collateral received by institution	-	2357
150	including equity instruments	-	-
160	including bonds and notes	-	-
230	including other collateral received	-	2357
240	Issued bonds and notes, except issued bonds and notes with coverage,	-	-

Table No.12. Encumbered assets and received collateral serving as security for the institution's financial liabilities (EUR'000)

		Relevant liabilities, potential liabilities, loaned securities	Encumbered assets, received collateral issued bonds and notes (except issued bonds and notes with coverage)
		010	030
010	Carrying value of financial liabilities	-	4863

Leverage ratio

For identification of risk of an excessive financial leverage, it assessment and control the Bank uses an indicator of the financial leverage defined as a percentage ratio of the first level capital to the sum of the assets and off-balance obligations weighed on risk.

The larger leverage ratio allows the Bank better manage potential losses. The Bank quarterly controls the leverage ratio. The Board of the Bank is being regularly informed about the leverage ratio and its changes. The Bank includes risk of an excessive leverage ratio in the group of other risks. The Bank can manage the risk of excessive leverage ratio by reducing the exposure of assets and off-balance sheet liabilities or increasing first level capital through the issuance of additional shares or through the investing of the retained profit for the current year into the Bank's capital. In the reporting period the leverage ratio was at the acceptable level (higher than 3% as recommended).

Table No.13. Indicator of a financial leverage as per 31.12.2016

	Bank	Group
Tier 1 capital; EUR'000	16300	15368

Total amount of the exposure values of all assets and off-balance sheet items; EUR'000	305787	305355
Leverage; %	5.33	5.03

Information disclosure according Commission implementing Regulation (EU) 2016/200 dd 15.02.2016, laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No. 575/2013

CRR Leverage Ratio — Disclosure Template

Reference date	31.12.2016.
Entity name	AS "Meridian Trade bank"
Level of application	Individual

Table No.14. Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amount EUR'000
1	Total assets as per published financial statements	305787
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-

EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	-
8	**Leverage ratio total exposure measure**	305787

Table No.15. Leverage ratio common disclosure

		CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	303179
2	(Asset amounts deducted in determining Tier 1 capital)	-
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	303179
	Derivative exposures	
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	-
EU-5a	Exposure determined under Original Exposure Method	15
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivatives exposures (sum of lines 4 to 10)**	15
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-

13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	-
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	2593
18	(Adjustments for conversion to credit equivalent amounts)	-
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	2593
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
	Capital and total exposure mesure	
20	**Tier 1 capital**	16300
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	305787
	Leverage ratio	
22	**Leverage ratio**	0.0533
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

Table No.16. Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	303177
EU-2	Trading book exposures	2
EU-3	Banking book exposures, of which:	2
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	-
EU-6	Exposures to regional governments, MDB, international organisations and PSE nottreated as sovereigns	-
EU-7	Institutions	-
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	2
EU-10	Corporate	-
EU-11	Exposures in default	-
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	-

Reference date	31.12.2016
Entity name	AS "Meridian Trade bank"
Level of application	Consolidated

Table No.17. Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amount EUR'000
1	Total assets as per published financial statements	305355
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-

3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	-
8	**Leverage ratio total exposure measure**	305355

Table No.18. Leverage ratio common disclosure

		CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	302938
2	(Asset amounts deducted in determining Tier 1 capital)	-
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	302938
	Derivative exposures	
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	-
EU-5a	Exposure determined under Original Exposure Method	15
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-

7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivatives exposures (sum of lines 4 to 10)**	15

SFT exposures

12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	-

Other off-balance sheet exposures

17	Off-balance sheet exposures at gross notional amount	2401
18	(Adjustments for conversion to credit equivalent amounts)	-
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	2401

Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)

EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-

Capital and total exposure measure

20	**Tier 1 capital**	15368
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	305355

Leverage ratio

22	**Leverage ratio**	0.0503

Choice on transitional arrangements and amount of derecognised fiduciary items

EU-23	Choice on transitional arrangements for the definition of the capital measure	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	302936
EU-2	Trading book exposures	2
EU-3	Banking book exposures, of which:	2
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	-
EU-6	Exposures to regional governments, MDB, international organisations and PSE nottreated as sovereigns	-
EU-7	Institutions	-
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	-
EU-10	Corporate	2
EU-11	Exposures in default	-

EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	-

Calculation of institution-specific countercyclical capital buffer (further - CCyB) (Concern)
(according to standard rules No.133 of the Financial and capital market commission about calculation of institution-specific countercyclical capital buffer)

Table No.20 Geographical distribution of transactions of the corresponding credit risk (EUR'000)

	Assets position of credit deals		Trading portfolio positions		Positions of securitization transactions		General requirements to the capital				Spec. weight in the general requirements to the capital (%)	Norm of CCyB (%)
	CCyB	Internal models	Sum of long and short positions of CCyB	Cost of a trade portfolio for internal models	Assets cost with CCyB	Assets cost for internal models	incl. general credit assets	incl. trading portfolio assets	incl. securitization assets	Total		
	010	020	030	040	050	060	070	080	090	100	110	120
Countries:												
AT	4,546		0		0		92	0	0	92	0.86	0.0
BY	1		0		0		0	0	0	0	0.00	0.0
BE	1		0		0		0	0	0	0	0.00	0.0
CN	11		0		0		0	0	0	0	0.00	0.0
CY	3		0		0		0	0	0	0	0.00	0.0
CZ	27		0		0		0	0	0	0	0.00	0.0
DK	3,055		0		0		49	0	0	49	0.46	0.0
DE	69		0		0		0	0	0	0	0.00	0.0
JP	2		0		0		0	0	0	0	0.00	0.0
KZ	14		0		0		2	0	0	2	0.02	0.0
LV	223,085		0		0		9,195	0	0	9,195	86.39	0.0
LT	9,925		0		0		144	0	0	144	1.35	0.0
PL	4,735		0		0		0	0	0	0	0.00	0.0
RO	3,401		0		0		0	0	0	0	0.00	0.0
RU	7,517		0		0		679	0	0	679	6.38	0.0
SI	4,985		0		0		80	0	0	80	0.75	0.0
TR	669		0		0		53	0	0	53	0.50	0.0
TM	3,795		0		0		304	0	0	304	2.86	0.0
GB	1,106		0		0		34	0	0	34	0.32	0.0
US	37,962		0		0		11	0	0	11	0.10	0.0
Total:	**304,909**	**0**	**0**	**0**	**0**	**0**	**10,643**	**0**	**0**	**10,643**	**100**	

Table No.21. Amount of institution-specific countercyclical capital buffer (EUR'000)

Position		Column
		010
010	Total risk exposure amount	**149.227**
020	Institution specific countercyclical byffer rate	**0.00%**
030	Institution specific countercyclical byffer requirement	**0**