



**JSC „NORVIK BANKA”
Public report
II quarter 2015**

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Report of the Management Board

Through focused implementation of the Bank's strategy, Norvik Banka has managed to increase the volume of assets by 25% year-on-year and to achieve a new record during the first two quarters of 2015; the volume of assets as of June 30, 2015 was 1.001 billion EUR (on June 30, 2014 it amounted to 813.3 million EUR). As of June 30, 2015, the Bank's profit exceeded 5.7 million EUR, nine times greater than in the first half of 2014 (0,6 million EUR).

The management of Norvik Banka sees great potential for the bank's development in Latvia and abroad and appreciates the contribution of the Bank's personnel to its development, which is seen from the positive financial results, from the growth of the number of clients as well as the Bank's involvement in various social activities.

New products of the bank, experience in various financial markets, successful operations in the foreign currency markets and the quality of financial services has allowed Norvik Banka to increase the volume of business and to attract new clients – the volume of deposits has grown by 14.1% year-on-year and as of June 30 the deposit portfolio amounted to 828.9 million Euro.

The gross operational income of Norvik Banka has grown by 52.1% year-on-year (comparing to the results of the first half of 2014) and as of June 30, 2015 amounted to 23.6 million EUR. The volume of net interest income reached 9.5 million EUR, which is 3.4 times greater than the rate of the respective metric for the prior period (2.8 million EUR). Net commission income reached 8.2 million EUR while the net income from foreign currency exchange reached 4.8 million EUR.

The Bank's capital adequacy rate as of 30.06.2015 was 14.87% and the liquidity ratio at the end of the reporting period reached 63.76%.

Norvik Banka consistently retains the leading position in Latvia in terms of the number of client service centres and geographical coverage, offering to Latvian a convenient and full range of services in 70 client service centres (including the central office of the Bank) in 16 cities of Latvia.

Norvik Group operates by means of subsidiaries in Russia, the United Kingdom, and the Bank plans to open representative offices in Kazakhstan and Ukraine within 2015.

During the reporting period, the Bank started offering several new products. For instance, caring about the needs of entrepreneurs, Norvik Banka has formed two special sets of banking services Norvik Banka ("START" and "BUSINESS"), which are suitable for businesses of different sizes, levels of experience and profiles.

Responding to the initiative and invitation of several municipalities, which were expressed in 2014 to several commercial banks, Norvik Banka, during the reporting period, performed all possible measures to enable municipalities of Latvia to introduce the so called Citizen Bank Card. It can be used for riding public transport, for cash withdrawal from ATMs and conventional card settlements in shops and the internet.

In the beginning of June, Norvik Banka announced a special deposit promotion, under which a momentary lottery was conducted and its participants could win gift cards and increased interest rates as well as to participate in the lottery where one of the happy depositors would win a gold bar worth 750 EUR.

During the second quarter of 2015, the social campaign launched in the spring continues – Latvia Wikipedia Marathon, the purpose of which was to promote Wikipedia in the Latvian language through new articles. Thus, in April, along with the participants of the campaign – the University of Latvia, Latvian Radio 5, State Language Centre, portals Delfi.lv and Draugiem.lv – we encourage everyone to participate in the weeks of thematic articles, which continued until July (authors of the best articles will receive valuable prizes in the autumn).

Celebrating its 23rd birthday, Norvik Banka in April 2015 announced encouraging news to its clients and employees – by the end of 2015, the Bank's central office will be relocated to new buildings in the centre of Riga – on Raina Blvd. 11 and Elizabetes Str. 15. This is an important step in the Bank's development, reflecting changes launched last year. Next to the embassies of several countries, on Elizabetes Str. 15, the VIP and International client service centre will be located, the Financial Markets business team, the Bank's council and part of the Board. At Raina Blvd. 11, the building, where historically banks have been located, the contemporary and functional central office of Norvik Banka will be located serving Latvian retail and corporate clients as a flagship office. The current office will be retained on Ernesta Birznieka-Upīša Str. 21.

A special testimony of the professionalism of Norvik Banka employees in June of 2015 was the award received from Deutsche Bank for the exceptional quality of the client payments and money transfers between financial institutions in 2014 in EUR and USD. Deutsche Bank grants its award „STP Excellence Award” once a year to financial institutions whose payments from the beginning until completion are performed automatically without any interference in the process of execution of payments. Until now, Norvik Banka has received awards from Deutsche Bank and from the Commerzbank AG.

The management of Norvik Banka expresses its gratitude to its clients, partners, employees and shareholders of the bank for their confidence, cooperation and joint contribution to the development of Norvik Banka.

Bank's strategy and targets

The Bank has set itself the target of becoming a leading, successful universal bank with an extensive service network in Latvia.

The Bank Group aims to become an international financial services provider, offering customers high-quality financial products and asset management services in the European Union and across Eastern Europe.

Our vision focuses on our customers' needs, creating long-term value for the bank's customers, employees, shareholders and community.

We are aiming:

- To create a successful and stable universal bank in Latvia, meeting customer needs, and following the regulators framework for success;
- For a high-level of corporate governance to ensure well-controlled, profitable future growth and effective management of the current Non-Core assets;
- To expand the Bank's direct financial services internationally, specifically in the European Union and across Eastern Europe.

Focus on niche markets:

- Latvian residents retail customers - middle-class- multi-retail-product-in-the-wallet;
- Latvian corporate clients - well collateralized loans & low-cost deposits;
- Foreign customers - fee-based income products, trade finance.

Our strategic goals are based on the following core values:

- Innovation - The use of modern information technology through all our services and leading the financial services market in technology;
- Culture – A highly developed corporate culture based on multi - national corporate standards;
- Loyalty - Promotion of higher levels of customer loyalty through the offering of significant discounts on our services to market levels to ensure customer transition from the well-entrenched banks;
- Expansion – The further development of a network of 'branches' throughout Latvia market to expand the number customers served;
- Financial Management – Focus on resource planning and management of financial resources, including the optimization of liquid assets'.

Other main building-blocks of the Bank's strategy:

- To combine the knowledge, and experience of local experts and international experience across a variety of markets;
- To provide end-to-end servicing of the full customer range, with customer service driving all product propositions, and hi-technology driving efficiencies;
- To adhere to a prudent investment and lending policy, to maintain stability and appropriate risk-income appetite.
- To maintain a stable income stream so that the Bank is in a position to manage any further downside economic scenarios, without a decrease in capital adequacy ratios, without a loss in customer service levels, and with options that other banks on the market may not have available to them given the European Union geography and diversified customer base.

Risk analysis

Management of financial risks, the most significant of which are: liquidity risk, credit risk and market risk is being effected in accordance with the Financial risks management policy approved by the Board and the Council of the Bank, as well as with other normative documents that comprise the Bank's risk management system.

Liquidity risk includes the risk of the untimely settlement of customer and other legal creditor claims. Liquidity risk management and control is based on asset and liability term analysis, internal limit regulations regarding the net liquidity position, the effective usage of liquidity's I reserve funds and liability regulation for the remaining free resources. The Treasury department constantly manages liquidity's I reserve funds (cash, fund balances with correspondent bank accounts, short-term inter-banking transactions), in order to always have sufficient funds for fulfilment of current short-term commitments. The Board and the Assets and liabilities committee state general liquidity risk management criteria by regulating the volume, terms and directions of the Bank's activities. During the II quarter 2015 the Bank's liquidity ratio was 60-66%.

Credit risk is the risk of untimely or incomplete fulfilment of debtor liabilities. The credit risk management system includes approval of methods for evaluation of credit risks of partners, borrowers and issuers, setting of limits for types, volumes, and maturities of lending and investment into securities of the Bank's portfolio, regular assessment of assets and off-balance sheet liabilities. The Bank makes special provisions for doubtful debts, calculated as a difference between future discounted cash flows from returnable assets and the balance sheet value of those assets. The provisioning for unsecured consumer loans is made based on repayments statistics. As of 30 June 2015 the amount of special provisions was 41 187 thousand EUR or 17.21% of the total loan portfolio. Capital adequacy ratio on 30 June 2015, adjusted for special provisions, was 14.87%. The Bank's Board and the Credit Committee ensure credit risk management and the Risk Management Division constantly supervises over efficient performance of internal control of credit risk management.

Market risk is the risk of incurring losses by the Bank as a result of unfavourable changes in the market interest rates, exchange rates and prices of trade portfolio securities. By analyzing differences in the maturity and adjustment of interest rates of assets and liabilities, as well as the net interest margin and yield in relation to currencies and areas of business, the Board and the Assets and Liabilities Committee set the basic interest rates for deposits and loans for each currency group and period.

This foreign **currency risk** management is based on meeting the restrictions of the net open position of each foreign currency and the total amount of the net open positions of foreign currencies, in compliance with the requirements of the Financial and Capital Market Commission. In order to avoid losses arising from adverse changes in rates, the Treasury Department constantly supervises over the total amount of the open foreign exchange position, and the Risk Management Division controls the compliance with the restrictions of foreign currency positions. To manage the position, the Bank widely uses derivatives, such as forward transactions (conclusion of a deal at certain rates on a certain future date) and SWAP (sale of earlier purchased volume of currency on a certain date).

Operational risk is the risk of incurring losses as a result of inadequate or improper performance of internal processes, inappropriate actions of personnel or systems, or as a result of external circumstances. Operational risk management is based on well-established procedures describing all the operating processes, proper segregation of fulfilment and control functions, regular audit by the Internal Audit Service; all the events of operational risk occurrence (employees' mistakes, failures in the IT systems, etc.) are registered in the database and analyzed in order to improve operating processes and enhance internal control system.

Please see Risk management in details:

http://www.norvik.lv/files/pdf/finance/Info_atkl_2014_en.pdf

Bank's shareholders, Council and Management Board

JSC „NORVIK BANKA” Shareholders as at 30 June 2015

	Number of shares*	% of total shares	Paid up share capital EUR`000
G. Guselnikov	71 349 659	34.78	42 810
G. Guselnikov**	119 233 667	58.11	71 540
Other (individually less than 10%)	14 585 622	7.11	8 751
Total	205 168 948	100.00	123 101

* All shares are carrying identical voting rights. Each share has a par value of **EUR 0.60**.

** Indirectly (in accordance with Article 33.1 (1) 8) of the Credit Institution Law)

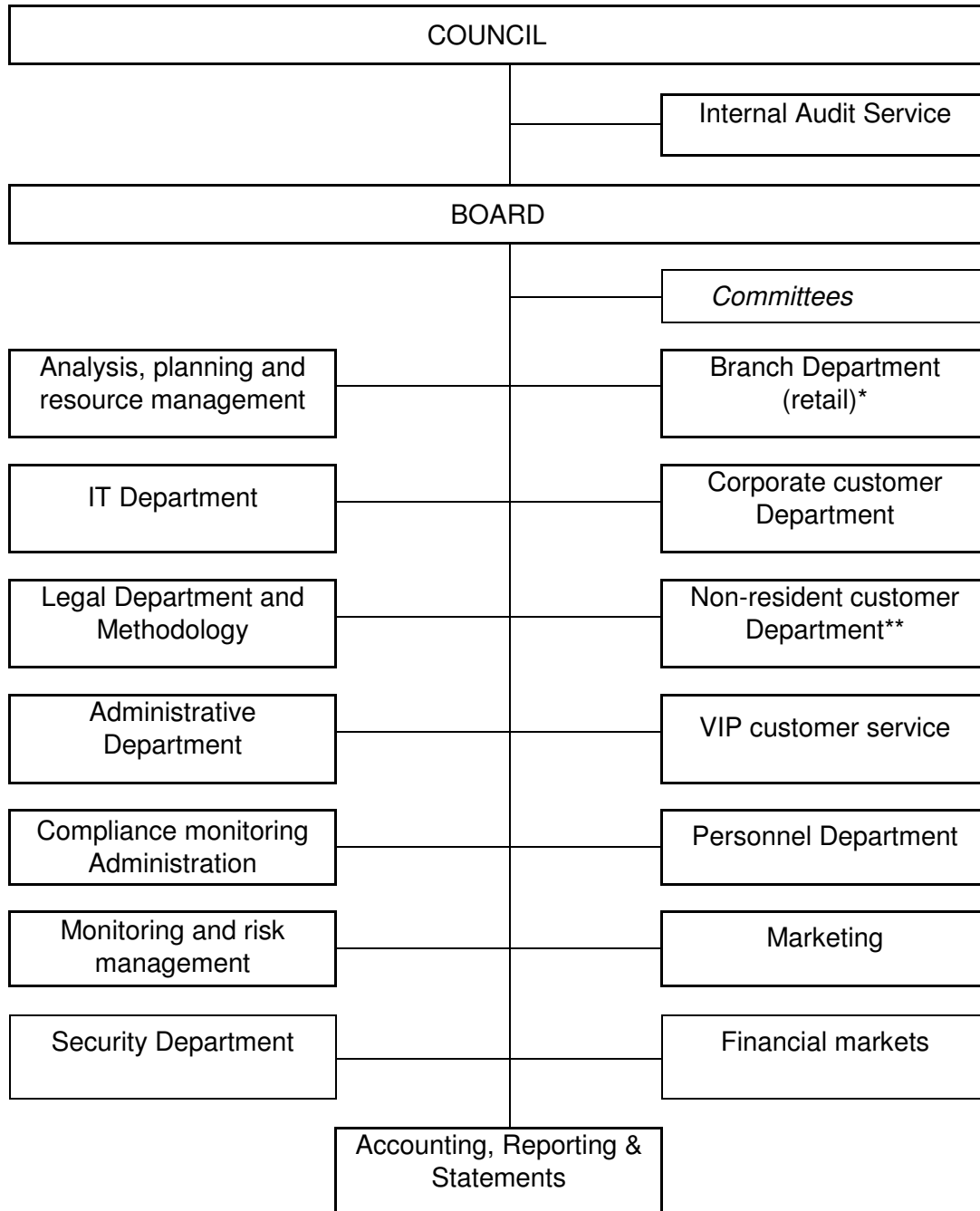
JSC „NORVIK BANKA” Supervisory Council as at 30 June 2015

Chairman of the Supervisory Council	GRIGORY GUSELNIKOV
Deputy Chairman of the Supervisory Council	IGOR SMOLIN
Members of the Supervisory Council	PETER MICHAEL ODINTSOV
	ANDRIS RUSELIS
	ANDREY DANILENKO

JSC „NORVIK BANKA” Management Board as at 30 June 2015

Chairman of the Management Board	OLIVER RONALD BRAMWELL
Members of the Management Board	RAIVIS RUSKULIS
	IGOR ROZANOV
	ALEXANDER ZYKOV
	DENIS NOVIKOV
	SERGEY GORASHCHENKO

JSC Norvik Banka organizational structure



* - Branch list please see <http://www.norvik.eu/en/map?type=branches>

** -Information about representative: <http://www.norvik.eu/en/contacts-moscow>

Consolidation Group Composition

30 June 2015

Ser No.	Name of company	Country of domicile, registration address	Company type*	Portion of a holding in share capital (%)	Portion of voting rights in the company (%)	Motivation for inclusion in the group**
1	JSC Norvik Ieguldījumu Pārvaldes Sabiedrība	LV, Latvia, Riga, E. Birznieka-Upiša street 21	IMC	100	100	SC
2	CJSC Norvik Universal Credit Organisation	AM, Armenia, Yerevan, Saryan 12	OFI	100	100	SC
3	Norvik Līzings LLC	LV, Latvia, Riga, E. Birznieka-Upiša street 21	LC	100	100	SC
4	Norvik IPS JSC CIF Nākotnes Īpašumu Fonds	LV, Latvia, Riga, E. Birznieka-Upiša street 21	SPC	100	100	SC
5	Norvik Banka UK Limited	GB, United Kingdom, London, 46/48 Grosvenor Gardens	OFI	100	100	SC
6	Vyatka Bank JSC	RU, Russia, Kirova, 610000, Preobrazhenskaya 4	BNK	97.75	97.75	SC
7	"Cecily Holdings" Limited	CY, Cyprus, Nicosia, 2 Sofouli Chanteclair Building, 8th floor, office/flat 801, 1096	OFI	100	100	SC

* BNK – bank, EMI – electronic money institution, IBC – investment brokerage company, IMC – investment management company, PF – pension fund, LC – leasing company, OFI – other financial institution, SPC – supporting company,

FMC – financial management company, MFMC – mixed financial management company.

** SC – subsidiary company; SSC – subsidiary of the subsidiary company; PC – parent company, SP – subsidiary of the parent company, OC – other company."

Balance sheet

30 June 2015

(EUR`000)

Item	Reporting period	Preceding reporting year
	Non-audited	Audited
Cash and demand deposits with the central bank	16 754	22 943
Demand deposits with credit institutions	183 047	169 325
Financial assets held for trading	1 382	11 009
Financial assets at fair value through profit or loss	0	-
Available-for-sale financial assets*	520 690	427 909
Loans and receivables	227 343	295 575
Held-to-maturity investments	19 342	18 439
Interest risk protected portfolio share's fair value changes	0	-
Deferred expenses and accrued income	1 160	1 227
Fixed assets	15 931	16 200
Investment property	6 571	6 571
Intangible assets	300	290
Participation in the share capital of associated and related undertakings	0	-
Tax assets	0	-
Other assets	8 430	6 808
Total assets	1 000 950	976 296
Liabilities to central banks	0	-
Demand liabilities to credit institutions	1 838	8 750
Financial liabilities held for trading	374	826
Financial liabilities at fair value through profit or loss	0	-
Financial liabilities at amortized value	862 921	878 596
Financial liabilities resulting from transfer of financial assets	0	-
Interest risk protected portfolio share's fair value changes	0	-
Deferred income and accrued expenses	1 169	1 335
Provisions	902	698
Tax liabilities	579	596
Other liabilities	34 270	4 473
Total liabilities	902 053	895 274
Capital and reserves	98 897	81 022
Total capital and reserves and liabilities	1 000 950	976 296
Commitments and contingencies	8 787	11 138
Contingent liabilities	3 720	5 464
Liabilities to customers	5 067	5 674

*-including participation in the share capital of the related, associated undertakings and closed investment funds (which are the Bank's auxiliaries) at the end of period amounted 246 702 EUR'000, in the previous year end – 237 149 EUR'000.

Profit/ Loss Statement

30 June 2015

(EUR'000)

Item	Reporting period	Respective period of the preceding reporting year
	Non-audited	Non-audited
Interest income	12 951	5 072
Interest expense	(3 469)	(2 303)
Dividend income	12	32
Fee and commission income	9 843	10 068
Fee and commission expenses	(1 639)	(1 404)
Net realized profit/loss from financial assets and financial liabilities amortized value	0	0
Net realized profit/loss from financial assets available for sale	1 045	(15 106)
Net profit/loss from financial assets and financial liabilities held for trading	3 890	(1 886)
Net profit/loss for financial assets and financial liabilities at fair value through profit or loss	0	0
Changes in fair value due to risk minimization accounting	0	0
Profit/loss from dealing and revaluation of foreign currencies	1 176	5 411
Profit/loss from derecognizing of property, equipment and machinery, investment property and intangible assets	0	0
Other income	894	1 036
Other expense	(1 108)	(688)
Administrative expenses	(13 868)	(10 845)
Depreciation and amortization	(486)	(539)
Provisions for debts impairment and liabilities	(3 020)	(1 453)
Impairment losses	4	13 348
Income tax	(462)	(94)
Profit/loss of the reporting period	5 763	649

Result of subsidiary liquidation in 2014 (which at the end 2013 sold the large non-profile assets portfolio) is shown in details in the two positions of the income statement: Net realized profit/ loss from financial assets available for sale (asset derecognizing loss) and Impairment losses (previously recognized impairment loss reversal).

Independent auditors haven't audited Bank's financial statements during the reporting period.

Total capital and capital requirement calculation report

30 June 2015

(EUR'000)

Ser No	Name of the position	Result of the period
1	Own funds (1.1.+1.2.)	121 237
1.1	Tier 1 capital (1.1.1.+1.1.2.)	74 209
1.1.1.	Common equity Tier 1 capital	74 209
1.1.2.	Additional Tier 1 capital	0
1.2.	Tier 2 capital	47 028
2	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	815 272
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	745 010
2.2.	Total risk exposure amount for settlement/delivery	0
2.3.	Total risk exposure amount for position, foreign Exchange and commodities risks	2 243
2.4.	Total risk exposure amount for operational risk	68 019
2.5.	Total risk exposure amount for credit valuation adjustment	0
2.6.	Total risk exposure amount related to large exposures in the trading book	0
2.7.	Other risk exposure amount	0
3	Capital ratios and capital levels	
3.1	Common equity Tier 1 (CET1) capital ratio (1.1.1./2.*100)	9.10%
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	37 522
3.3.	Tier1 Capital ratio (1.1./2.*100)	9.10%
3.4.	Surplus(+)/Deficit(-) of Tier1 capital (-) (1.1.-2.*6%)	25 293
3.5.	Total capital ratio (1./2.*100)	14.87%
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	56 015
4	Capital buffers (4.1.+4.2.+4.3.+4.4.+4.5.)	2.5
4.1.	Capital conservation buffer (%)	2.5
4.2.	Institution specific countercyclical capital buffer (%)	
4.3.	Systemic risk buffer (%)	
4.4.	Systemical important institution buffer (%)	
4.5.	Other Systemically Important Institution buffer (%)	
5	Capital ratios due to pillar ii adjustments	
5.1.	The amount of impairment or assets value adjustments, applying special policy for own funds calculation	0
5.2.	CET1 capital ratio including p. 5.1 adjustments	9.10%
5.3.	Tier1 capital ratio including p. 5.1 adjustments	9.10%
5.4.	Total capital ratio including p. 5.1 adjustments	14.87%

Liquidity ratio

30 June 2015

(EUR`000)

Ser No.	Item	Reporting period
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	460 057
1.1.	Cash	8 210
1.2.	Balances with the Bank of Latvia	8 255
1.3.	Loans to and receivables from solvent banks	177 135
1.4.	Liquid securities	266 457
2.	Current liabilities with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	721 540
2.1.	Due to the central bank and other banks	1 791
2.2.	Deposits	677 638
2.3.	Debt securities in issue	0
2.4.	Cash in transit	31 065
2.5.	Other current liabilities	5 990
2.6.	Off-balance sheet liabilities	5 056
3.	Liquidity ratio (1.:2.); (%)	63.76%
4.	Minimum liquidity ratio	30.00%

Performance Indicators of Bank

30 June 2015

Item	Reporting period	Respective period of the preceding reporting year
Return on equity (ROE) (%)	11.45	2.55
Return on assets (ROA) (%)	1.05	0.15

**Information about the total financial instruments (excluding derivatives)
the book value breakdown by the countries of which representatives of
the securities issued by a net book value more than 10 percent of the
bank's equity**

30 June 2015

Country	Portfolio available for sale* (EUR`000)	Held-to- maturity finance instruments (EUR`000)	Total book value (EUR`000)	% from Bank`s equity
USA	58 336	17 868	76 204	62.86%
incl. central government	58 336	17 868	76 204	62.86%
Russia	160 712	0	160 712	132.56%

* Excluding participation in the share capital of associated and related undertakings

For financial instruments recognized in the balance sheet at amortized value (HTM financial assets) impairment allowances have not been made.

In 2015 for available-for-sale financial assets write-down losses not recognised.