



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

## Table of contents

Report of the Management Board .....	3
Bank's strategy and targets .....	5
Risk analysis.....	6
Bank's shareholders, Council and Management Board .....	7
JSC Norvik Banka organizational structure .....	8
Consolidation Group Composition.....	9
Balance sheet.....	10
Profit/ Loss Statement .....	11
Total capital and capital requirement calculation report .....	12
Liquidity ratio.....	13
Performance Indicators of Bank .....	13
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.....	14

## Report of the Management Board

Norvik Banka experienced a number of major events in its operation in the third quarter 2015.

The amount of the bank's assets has increased reaching EUR 1.028 billion (compared with the 2nd quarter – EUR 1.001 billion); the credit portfolio at the end of the 3rd quarter was EUR 308.8 million (respectively, in the 2nd quarter – EUR 226.3 million). The bank's capital adequacy ratio has increased, as well – in particular, at the end of the 2nd quarter it was 14.87%, while in the 3rd quarter – 16.55%.

The bank's profit at the end of the reporting period was EUR 4.1 million. The amount of the deposit portfolio as of 30 September 2015 was EUR 834.5 million. The bank's liquidity ratio by the end of the 3rd quarter was 61.86%.

On 30 September 2015 the bank attracted a new investor: Devon Dodson Archer became one of Norvik Banka's shareholders. Investment in the bank's capital in the amount of EUR 8 million was made by the investment company Archer Diversified Investments, LLC. As a result of the investment, the company's owned capital share with Norvik Banka is 6.10%.

A purposeful company's development strategy launched by Norvik Banka last year came out in the 3rd quarter as the increase in the bank's value as compared to other Latvian companies. Norvik Banka has been included in the Top 100 list of the most valuable companies compiled by the exchange Nasdaq OMX Riga and investment consultants Prudentia. Norvik Banka has been ranked 61st among all Latvian companies and 10th among financial service providers.

This September Norvik Banka participated in an international conference Intax which took place in the capital of Ukraine – Kyiv. The conference became one of the most significant events in the financial sector of Eastern Europe, having gathered in the Interkontinental Hotel the leading professionals of the financial industry, taxation and legislation.

At the conference the bank's representatives delivered reports on the topical issues in the industry, listened to and exchanged opinions, learned latest trends in the world of finances. This event allowed Norvik Banka not only to meet new business partners and new customers, but also to show itself at the international forum to be a serious and knowledgeable financial institution.

This September Chairman of the Board of Norvik Banka Oliver Ronald Bramwell took part in the development of the research FICIL Sentiment Index 2015 – in the discussion of the Foreign Investor Council in Latvia on the investment climate in Latvia, which is the first such assessment of the Latvian economy and its competitive advantage by foreign investors. Oliver Bramwell has been expressed special gratitude for the participation in the research guidelines development.

In the 3rd quarter the bank successfully continued cooperation with the representatives of Wikipedia in Latvia in both – supplementation of the Latvian Wikipedia with articles in the Latvian language under the bank's initiated Wikipedia Marathon, and the voting on the Latvia's wisest people concluded under the Marathon above. The biggest number of votes was obtained by the Ex-President Vaira Vīķe-Freiberga, scientist Jānis Stradiņš, poetess and dramatist Māra Zālīte, priest Juris Rubenis and scientist Vjačeslavs Kaščejevs. In total, 930 persons took part in the voting.

During the reporting period, Norvik Banka's Citizen Card for public transport was presented, under which Norvik Banka has succeeded in ensuring travel privileges in compliance with the Regulations No.153 of the Cabinet of Ministers which will become effective on 1 January 2016.



Norvik Banka's Citizen Card combines the features of the Bank's payment card MasterCard Debit and the person identification features, and it will be issued upon municipality request. Along with a possibility to pay for the goods and services, withdraw cash and perform non-cash transactions, the Citizen Card will allow collecting benefits when paying with the card for the services specified by the municipality.

In the 3rd quarter Norvik Banka, in cooperation with a trade network Elkor, agreed on starting the creation of a new product – Elkor credit card combined with a loyalty card.

## 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 Resource management division 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 III quarter 2015 the Bank's liquidity ratio was 58-66%.

**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 September the amount of special provisions was 44 069 thousand EUR or 14.38% of the total loan portfolio. Capital adequacy ratio on 30 September 2015, adjusted for special provisions, was 16.55%. 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 Capital market 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](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 September 2015

	Number of shares*	% of total shares	Paid up share capital EUR`000
G. Guselnikov	69 926 787	32.00	41 956
G. Guselnikov **	120 656 539	55.22	72 394
Other (individually less than 10%)	27 920 174	12.78	16 752
<b>Total</b>	<b>218 503 500</b>	<b>100.00</b>	<b>131 102</b>

\* 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)

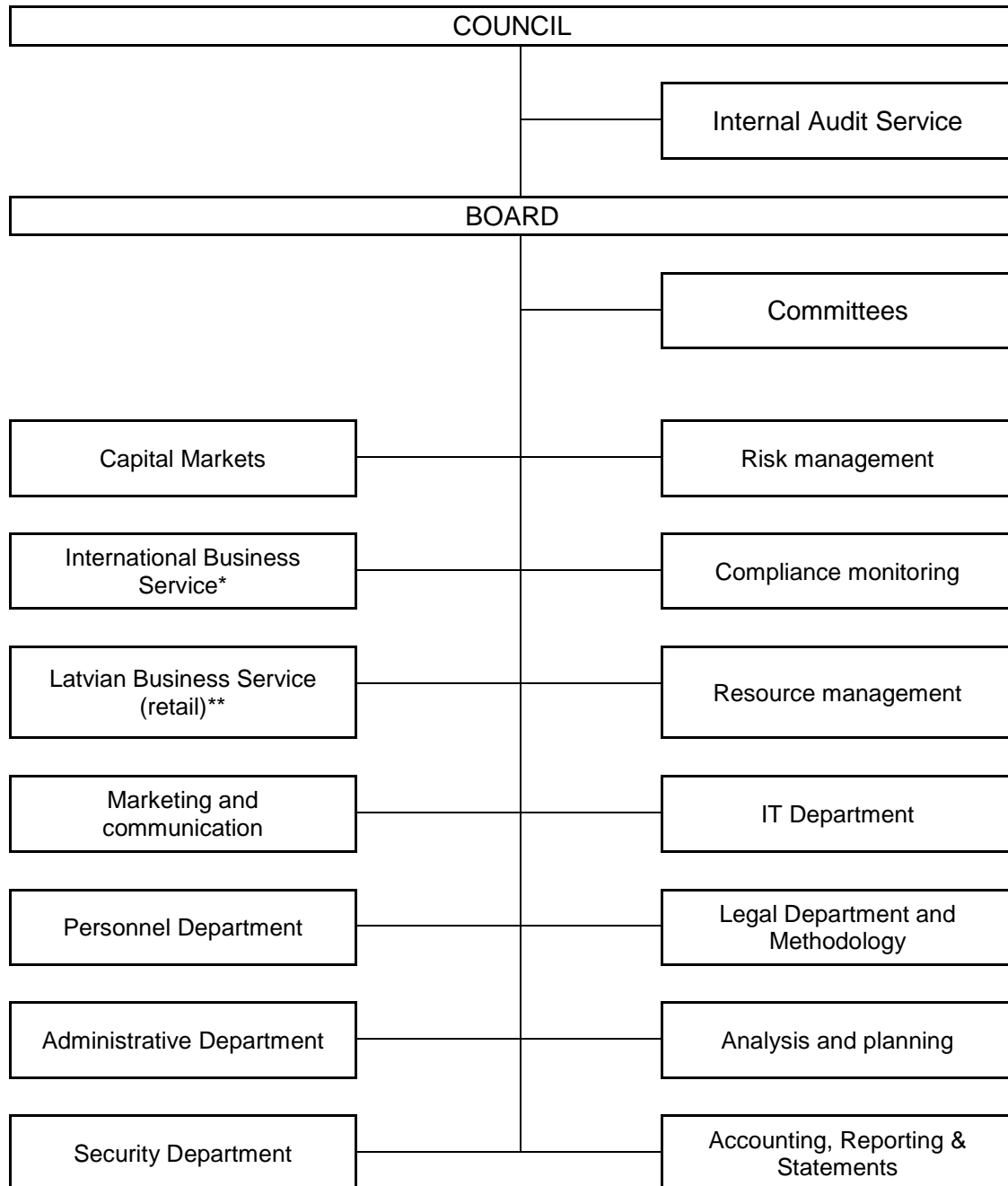
### JSC „NORVIK BANKA” Supervisory Council as at 30 September 2015

<b>Chairman of the Supervisory Council</b>	GRIGORY GUSELNIKOV
<b>Deputy Chairman of the Supervisory Council</b>	IGOR SMOLIN
<b>Members of the Supervisory Council</b>	PETER MICHAEL ODINTSOV
	ANDRIS RUSELIS
	ANDREY DANILENKO
	DEVON DODSON ARCHER

### JSC „NORVIK BANKA” Management Board as at 30 September 2015

<b>Chairman of the Management Board</b>	OLIVER RONALD BRAMWELL
<b>Members of the Management Board</b>	IGOR ROZANOV
	ALEXANDER ZYKOV
	SERGEY GORASHCHENKO
	ANATOLIY PESHKOV

## JSC Norvik Banka organizational structure



\* -Information about representative:

<http://www.norvik.eu/en/contacts-moscow>

\*\* - Branch list please see

<http://www.norvik.eu/en/map?type=branches>



## Consolidation Group Composition

30 September 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	LLC NORVIK LĪZINGS	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	"Cecily Holdings" Limited	CY, Cyprus, Nicosia, 2 Sofouli Chanteclair Building, 8th floor, office/flat 801,1096	OFI	100	100	SC
7	JSC "NORVIK EURASIA AIF"	LV, Latvia, Riga, Elizabetes 15 - 1	SPC	100	100	SC
8	NORVIK BANK PJSC	RU, Russia, Kirova, 610000, Preobrazhenskaya 4	BNK	97.75	97.75	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 September 2015

(EUR`000)

Item	Reporting period		Preceding reporting year
	Non-audited	Audited	
Cash and demand deposits with the central bank	25 274	22 943	
Demand deposits with credit institutions	249 037	169 325	
Financial assets held for trading	1 511	11 009	
Financial assets at fair value through profit or loss	0	0	
Available-for-sale financial assets*	386 987	427 909	
Loans and receivables	311 950	295 575	
Held-to-maturity investments	19 375	18 439	
Interest risk protected portfolio share's fair value changes	0	0	
Deferred expenses and accrued income	1 021	1 227	
Fixed assets	16 005	16 200	
Investment property	6 571	6 571	
Intangible assets	367	290	
Participation in the share capital of associated and related undertakings	0	0	
Tax assets	0	0	
Other assets	10 129	6 808	
<b>Total assets</b>	<b>1 028 227</b>	<b>976 296</b>	
Liabilities to central banks	0	0	
Demand liabilities to credit institutions	1 533	8 750	
Financial liabilities held for trading	279	826	
Financial liabilities at fair value through profit or loss	0	0	
Financial liabilities at amortized value	901 035	878 596	
Financial liabilities resulting from transfer of financial assets	0	0	
Interest risk protected portfolio share's fair value changes	0	0	
Deferred income and accrued expenses	1 208	1 335	
Provisions	858	698	
Tax liabilities	570	596	
Other liabilities	24 423	4 473	
<b>Total liabilities</b>	<b>929 906</b>	<b>895 274</b>	
<b>Capital and reserves</b>	<b>98 321</b>	<b>81 022</b>	
<b>Total capital and reserves and liabilities</b>	<b>1 028 227</b>	<b>976 296</b>	
<b>Commitments and contingencies</b>	<b>14 749</b>	<b>11 138</b>	
Contingent liabilities	7 103	5 464	
Liabilities to customers	7 646	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 250 479 EUR'000, in the previous year end – 237 149 EUR'000.

## Profit/ Loss Statement

30 September 2015

(EUR'000)

Item	Reporting period	Respective period of the preceding reporting year
	Non-audited	Non-audited
Interest income	18 578	7 790
Interest expense	(5 070)	(3 514)
Dividend income	12	47
Fee and commission income	14 967	15 464
Fee and commission expenses	(2 617)	(2 275)
Net realized profit/loss from financial assets and financial liabilities amortized value	0	0
Net realized profit/loss from financial assets available for sale	3 731	(15 082)
Net profit/loss from financial assets and financial liabilities held for trading	3 927	(1 735)
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	3 741	7 424
Profit/loss from derecognizing of property, equipment and machinery, investment property and intangible assets	0	0
Other income	1 241	1 602
Other expense	(1 670)	(1 145)
Administrative expenses	(21 424)	(17 786)
Depreciation and amortization	(721)	(793)
Provisions for debts impairment and liabilities	(9 961)	(2 776)
Impairment losses	4	13 348
Income tax	(685)	( 179)
<b>Profit/loss of the reporting period</b>	<b>4 053</b>	<b>390</b>

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 September 2015

(EUR`000)

Ser No	Name of the position	Result of the period
<b>1</b>	<b>Own funds (1.1.+1.2.)</b>	<b>115 660</b>
1.1	Tier 1 capital (1.1.1.+1.1.2.)	74 923
1.1.1.	Common equity Tier 1 capital	74 923
1.1.2.	Additional Tier 1 capital	0
1.2.	Tier 2 capital	40 737
<b>2</b>	<b>Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>698 843</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	629 841
2.2.	Total risk exposure amount for settlement/delivery	0
2.3.	Total risk exposure amount for position, foreign Exchange and commodities risks	984
2.4.	Total risk exposure amount for operational risk	68 018
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
<b>3</b>	<b>Capital ratios and capital levels</b>	
3.1	Common equity Tier 1(CET1) capital ratio (1.1.1./2.*100)	10.72%
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	43 475
3.3.	Tier1 Capital ratio (1.1./2.*100)	10.72%
3.4.	Surplus(+)/Deficit(-) of Tier1 capital (-) (1.1.-2.*6%)	32 992
3.5.	Total capital ratio (1./2.*100)	16.55%
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	59 753
<b>4</b>	<b>Capital buffers (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>2.5</b>
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 (%)	
<b>5</b>	<b>Capital ratios due to pillar ii adjustments</b>	
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	10.72%
5.3.	Tier1 capital ratio including p. 5.1 adjustments	10.72%
5.4.	Total capital ratio including p. 5.1 adjustments	16.55%

## Liquidity ratio

30 September 2015

(EUR`000)

Ser No.	Item	Reporting period
<b>1.</b>	<b>Liquid assets (1.1.+1.2.+1.3.+1.4.)</b>	<b>404 865</b>
1.1.	Cash	12 173
1.2.	Balances with the Bank of Latvia	12 800
1.3.	Loans to and receivables from solvent banks	250 912
1.4.	Liquid securities	128 980
<b>2.</b>	<b>Current liabilities with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)</b>	<b>654 503</b>
2.1.	Due to the central bank and other banks	1 481
2.2.	Deposits	625 931
2.3.	Debt securities in issue	0
2.4.	Cash in transit	13 157
2.5.	Other current liabilities	6 476
2.6.	Off-balance sheet liabilities	7 458
<b>3.</b>	<b>Liquidity ratio (1.:2.); (%)</b>	<b>61.86%</b>
<b>4.</b>	<b>Minimum liquidity ratio</b>	<b>30.00%</b>

## Performance Indicators of Bank

30 September 2015

Item	Reporting period	Respective period of the preceding reporting year
Return on equity (ROE) (%)	5.60	1.04
Return on assets (ROA) (%)	0.50	0.06

**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 September 2015

Country	Trading portfolio (EUR`000)	Portfolio available for sale* (EUR`000)	Held-to-maturity finance instruments (EUR`000)	Total book value (EUR`000)	% from Bank`s equity
<b>USA</b>	<b>0</b>	<b>58 200</b>	<b>17 922</b>	<b>76 122</b>	<b>65.82%</b>
incl. central government	0	58 200	17 922	76 122	65.82%
<b>Russia</b>	<b>3</b>	<b>27 314</b>	<b>0</b>	<b>27 317</b>	<b>23.62%</b>

\* 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.