



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

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Report of the Management Board

In the fourth quarter of 2015 *Norvik Banka* continued implementation of a targeted development strategy it had initiated before.

The bank's asset amount increased reaching EUR 1.065 billion (up from EUR 1.028 billion as of the end of the third quarter, while as of the end of 2014 – EUR 976.3 million). Within the reporting period the bank's capital adequacy ratio increased reaching 17.43% as of the end of the quarter (to compare, as of the end of the third quarter the ratio was 16.55%, while as of the end of 2014 – 14.48%).

The bank's profit at the end of the reporting period was EUR 5.6 million, while the amount of the deposit portfolio as of 31 December 2015 was EUR 868.9 million. The Bank's liquidity ratio at the end of the fourth quarter was 64.22% (up from 61.86% as of the end of the third quarter, while as of the end of 2014 it was 58.75%).

Within the reporting period *Norvik Banka* introduced changes to the composition of the Board of Directors: a former financial director Anna Verbicka and a senior risk manager Alexey Kutuyavin started working at the Board.

In October 2015, *Norvik Banka*, together with the representatives of different fields from more than 20 world countries, took part in an international financial conference *InvestPro Azerbaijan Baku 2015*. At the conference, where the issues of capital management and international investing were discussed, *Norvik Banka* presented its service concept and the latest offers for international customers.

Within the reporting period *Norvik Banka* launched a new product: *Norvik Banka's* ELKOR credit card which differs from other customer loyalty cards on the market as it comprises a number of benefits: the card is at the same time both an ELKOR network's loyalty card and a regular credit with 2% profit per annum.

Oliver Ronald Bramwell, Chairman of the Board of *Norvik Banka*, pointed out when commenting the launch of the new product: "A benefit of the new card to the customer is definitely connected with the offered 2% annual income which will be paid by the bank for the minimum monthly account balance. The recipient of the *Norvik Banka's* ELKOR credit card will be offered also 150 EUR as a welcome credit limit with an interest-free period for up to 55 days".

In the fourth quarter *Norvik Banka*, continuing the cooperation with representatives of Wikipedia in Latvia, supported holding an international competition "Cultural heritage in Latvia" arranged by Wikipedia in Latvia. The goal of the competition was to promote cultural heritage sites of the participating countries, and *Norvik Banka*, rating highly previous cooperation under the bank's initiated Wikipedia Marathon, is willingly supporting also other activities of the Wikipedia community.

Within the reporting period *Norvik Banka's* bank subsidiary ПАО "Норвик Банк" (Russia) celebrated an important anniversary – 25 years in business. In this context, Chairman of the Board of *Norvik Banka* O. R. Bramwell in his congratulatory speech emphasised the previous close successful cooperation between the banks and wished to successfully continue the started work so that "the products of both banks would make everyday life of customers more convenient and simple".

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 IV 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 31 December the amount of special provisions was 39 914 thousand EUR or 15.44% of the total loan portfolio. Capital adequacy ratio on 31 December 2015, adjusted for special provisions, was 17.43%. The Bank's Board and the Credit Committees 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: https://www.norvik.eu/finance/info_atklasana_2015_lv.pdf

Bank's shareholders, Council and Management Board

JSC „NORVIK BANKA” Shareholders as at 31 December 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
Total	218 503 500	100.00	131 102

* 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)

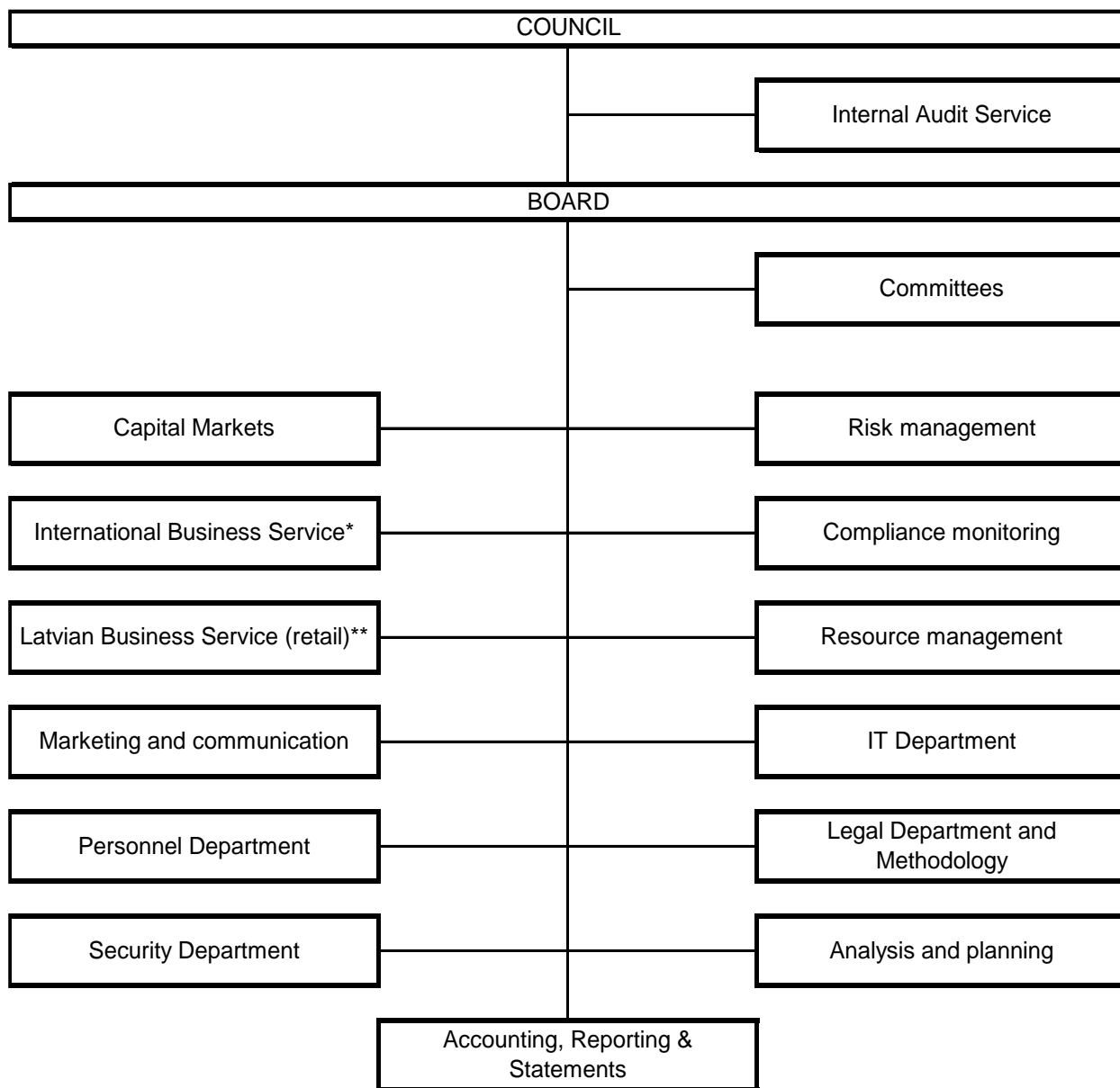
JSC „NORVIK BANKA” Supervisory Council as at 31 December 2015

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

JSC „NORVIK BANKA” Management Board as at 31 December 2015

Chairman of the Management Board	OLIVER RONALD BRAMWELL
Members of the Management Board	ALEXEY KUTYAVIN
	ANNA VERBICKA
	SERGEY GORASHCHENKO
	ANATOLIY PESHKOV

JSC Norvik Banka organizational structure



* Information about representative:

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

** Branch list please see

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

Consolidation Group Composition

31 December 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	AS "NORVIK ieguldījumu pārvaldes sabiedrība"	LV, Latvia, Riga, E. Birznieka-Upisha street 21	IMC	100	100	SC
2	"Norvik" liquidation Universal Credit Organisation CJSC	AM, Armenia, Yerevan, Saryan 12	OFI	100	100	SC
3	"Norvik IPS AS SIF Nākotnes Īpašumu Fonds"	LV, Latvia, Riga, E. Birznieka-Upisha street 21	SPC	100	100	SC
4	"Norvik Banka UK" Limited	GB, United Kingdom, London, 46/48 Grosvenor Gardens	OFI	100	100	SC
5	"Cecily Holdings" Limited	CY, Cyprus, Nicosia, 2 Sofouli Chanteclair Building, 8th floor, office/flat 801,1096	OFI	100	100	SSC
6	AS "NORVIK EURASIA AIF"	LV, Latvia, Riga, Elizabetes 15 - 1	SPC	100	100	SC
7	ПАО "Норвик Банк"	RU, Russia, Kirov,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

31 December 2015

(EUR`000)

Item	Reporting period	Preceding reporting year
	Non-audited	Audited
Cash and demand deposits with the central bank	30 626	22 943
Demand deposits with credit institutions	129 835	169 325
Financial assets held for trading	1 915	11 009
Financial assets at fair value through profit or loss	0	0
Available-for-sale financial assets*	489 601	427 909
Loans and receivables	353 608	295 575
Held-to-maturity investments	19 832	18 439
Interest risk protected portfolio share's fair value changes	0	0
Deferred expenses and accrued income	1 167	1 227
Fixed assets	19 859	16 200
Investment property	6 308	6 571
Intangible assets	351	290
Participation in the share capital of associated and related undertakings	0	0
Tax assets	0	0
Other assets	11 726	6 808
Total assets	1 064 828	976 296
Liabilities to central banks	0	0
Demand liabilities to credit institutions	1 826	8 750
Financial liabilities held for trading	319	826
Financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortized value	935 437	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	1 490	1 335
Provisions	680	698
Tax liabilities	773	596
Other liabilities	18 160	4 473
Total liabilities	958 685	895 274
Capital and reserves	106 143	81 022
Total capital and reserves and liabilities	1 064 828	976 296
Commitments and contingencies	16 223	11 138
Contingent liabilities	3 730	5 464
Liabilities to customers	12 493	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 245 163 EUR'000, in the previous year end – 237 149 EUR'000.

Profit/ Loss Statement

31 December 2015

(EUR'000)

Item	Reporting period	Respective period of the preceding reporting year
	Non-audited	Audited
Interest income	23 315	12 153
Interest expense	(6 735)	(4 801)
Dividend income	2 383	103
Fee and commission income	20 462	21 355
Fee and commission expenses	(3 671)	(3 303)
Net realized profit/loss from financial assets and financial liabilities amortized value	0	0
Net realized profit/loss from financial assets available for sale	3 313	180
Net profit/loss from financial assets and financial liabilities held for trading	4 952	(2 345)
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	5 616	10 226
Profit/loss from derecognizing of property, equipment and machinery, investment property and intangible assets	0	0
Other income	1 351	2 369
Other expense	(2 456)	(1 727)
Administrative expenses	(28 956)	(24 146)
Depreciation and amortization	(964)	(1 045)
Provisions for debts impairment and liabilities	(12 176)	(15 462)
Impairment losses	143	(36 946)
Income tax	(987)	(431)
Profit/loss of the reporting period	5 590	(43 820)

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

Total capital and capital requirement calculation report

31 December 2015

(EUR`000)

Ser No	Name of the position	Result of the period
1	Own funds (1.1.+1.2.)	114 604
1.1	Tier 1 capital (1.1.1.+1.1.2.)	76 087
1.1.1.	Common equity Tier 1 capital	76 087
1.1.2.	Additional Tier 1 capital	0
1.2.	Tier 2 capital	38 517
2	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	657 382
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	580 416
2.2.	Total risk exposure amount for settlement/delivery	0
2.3.	Total risk exposure amount for position, foreign Exchange and commodities risks	8 948
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
3	Capital ratios and capital levels	
3.1	Common equity Tier 1 (CET1) capital ratio (1.1.1./2.*100)	11.57%
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	46 505
3.3.	Tier1 Capital ratio (1.1./2.*100)	11.57%
3.4.	Surplus(+)/Deficit(-) of Tier1 capital (-) (1.1.-2.*6%)	36 644
3.5.	Total capital ratio (1./2.*100)	17.43%
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	62 013
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	11.57%
5.3.	Tier1 capital ratio including p. 5.1 adjustments	11.57%
5.4.	Total capital ratio including p. 5.1 adjustments	17.43%

Liquidity ratio

31 December 2015

(EUR`000)		
Ser No.	Item	Reporting period
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	449 634
1.1.	Cash	12 942
1.2.	Balances with the Bank of Latvia	17 684
1.3.	Loans to and receivables from solvent banks	189 428
1.4.	Liquid securities	229 580
2.	Current liabilities with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	700 111
2.1.	Due to the central bank and other banks	1 758
2.2.	Deposits	664 618
2.3.	Debt securities in issue	0
2.4.	Cash in transit	13 351
2.5.	Other current liabilities	8 044
2.6.	Off-balance sheet liabilities	12 340
3.	Liquidity ratio (1.:2.); (%)	64.22%
4.	Minimum liquidity ratio	30.00%

Performance Indicators of Bank

31 December 2015

Item	Reporting period	Respective period of the preceding reporting year
Return on equity (ROE) (%)	5.70	(68.51)
Return on assets (ROA) (%)	0.52	(4.82)

**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**

31 December 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
USA	0	188 817	18 371	207 188	180.79%
incl. central government	0	188 817	18 371	207 188	180.79%

* 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.