



**JSC „NORVIK BANKA”
Public report
IV quarter 2016**

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Report of the Management Board

Norvik Banka, while continuing to implement in the fourth quarter of 2016 the targeted and balanced development strategy in accordance with the previously established aims and objectives, has closed the fourth quarter with a profit of 11,8 million EUR.

The amount of the bank's assets in the end of the reporting period was 887,4 million EUR, the amount of the credit portfolio - 244 million EUR. The bank's capital adequacy ratio was 21,11% (compared to 31 December 2015 - 16,65%), the bank's liquidity ratio - 59,45%

During the reporting period Norvik Banka has signed the agreement on implementation of Siron® system with a well-known American company FICO TONBELLER (<http://www.tonbeller.com/en/>), which is specialized in developing modern technological solutions for financial institutions, in order to control suspicious transactions. The company is widely represented in the banking industry both in Latvia and worldwide, and is one of the leading companies in this field.

Number of participants in pension plans managed by AS "NORVIK ieguldījumu pārvaldes sabiedrība" reached 80 151 on 31 December 2016 (at the end of 2015 - 79 034), but amount of managed pension plans assets has increased to 104,9 million EUR (at the end of 2015 – 86,3 million EUR), that is a growth of 21,5% during the year.

During the reporting period the bank offered its clients a new special offer under the Christmas deposit program – “Stay on top with high profitability”, where the bank offered its clients to apply for the Christmas deposit with increased interest rate.

In November, the bank supported the biggest conference on digital technologies in the Baltics - Digital Freedom Festival, under which the project Norvik Investors Lounge was implemented and was graced by the visit of the President of Latvia Raimonds Vejonis.

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 including versatile access to services via remote interaction channels.

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 all the customer needs within the regulations 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, predominantly via developing capabilities to service customers remotely (by phone, internet, mobile app).

Focus on markets:

- Multichannel servicing the daily financial needs of Latvian community;
- Integrated product propositions including collateralised lending for small- and med-size businesses in Latvian and Eastern Europe markets;
- Integrated service for transactional needs and asset management for international corporates, making business in spheres of international trade.
- Focused development of an artisan proposition in private banking space targeted to cover traditional needs of affluent and hi-network individuals at a very high quality level.

Our strategic goals are based on the following core statements:

- The use of modern information technology and innovative trends across our entire service range;
- Mature corporate culture incorporating modern corporate standards;
- Fostering customer loyalty and keeping it up high towards long-term horizons;
- High quality levels deserving the terms and conditions the bank offers, including pricing;
- Optimize servicing network, amending it with high quality remote channels access capabilities;
- Divest from none-core assets with optimal balance of time to exit and financial result;
- Maintain robust performance characteristics in capital markets.

Other main building blocks of the Bank's strategy:

- To provide end-to-end servicing of the full customer range, with customer impression and experience driving all product propositions and tech-side enablers;
- To adhere to a prudent investment and lending policy, maintaining a healthy balance of assets risk quality and profitability.
- Enforce the Bank's capabilities to manage any further possible economic downturn influence and/or uncertainties, maintaining capital adequacy at required levels and keeping high quality servicing standards.

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 2016 the Bank's liquidity ratio was 57-65%.

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 2016 the amount of special provisions was 45 558 thousand EUR or 17.53 % of the total loan portfolio. Capital adequacy ratio on 31 December 2016, adjusted for special provisions, was 21.11 %. 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: https://www.norvik.eu/finance/info_atkl_2016_lv.pdf

Bank's shareholders, Council and Management Board

JSC „NORVIK BANKA” Shareholders 31 December 2016

	Number of shares*	% of total shares	Paid up share capital (EUR'000)
G. Guselnikov	83 705 780	38.31	50 223
G. Guselnikov **	125 985 339	57.66	75 591
Other (individually less than 10%)	8 812 381	4.03	5 288
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)

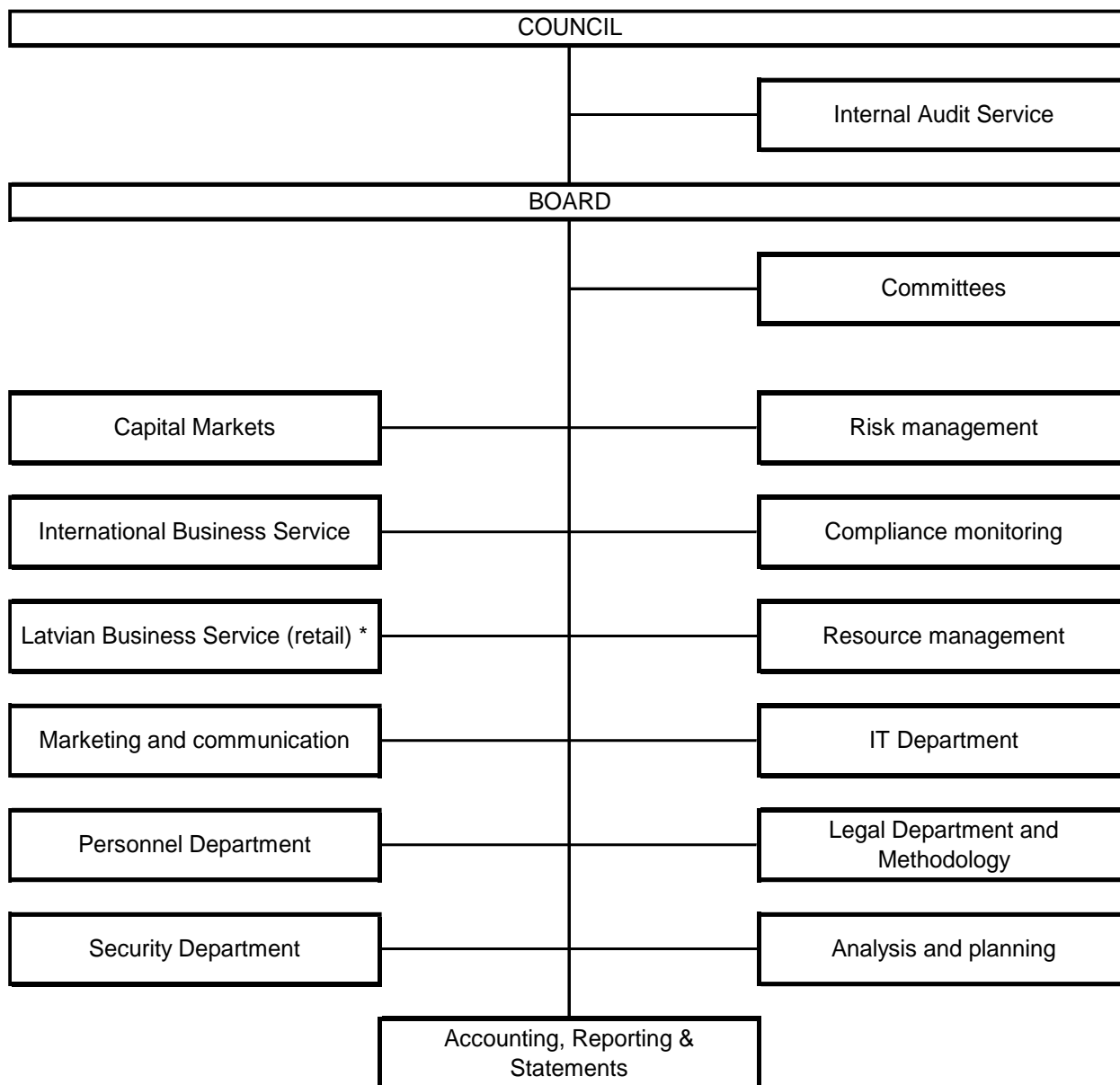
JSC „NORVIK BANKA” Supervisory Council 31 December 2016

Chairman of the Supervisory Council	GRIGORY GUSELNIKOV
Deputy Chairman of the Supervisory Council	IGOR SMOLIN
Members of the Supervisory Council	ANDRIS RUSELIS

JSC „NORVIK BANKA” Management Board 31 December 2016

Chairman of the Management Board	OLIVER RONALD BRAMWELL
Members of the Management Board	ALEXEY KUTYAVIN
	ANNA VERBICKA
	SERGEY GORASHCHENKO
	DMITRY KALMYKOV

JSC Norvik Banka organizational structure



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

Consolidation Group Composition

31 December 2016

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	"Norvik" liquidation Universal Credit Organisation CJSC	AM, Yerevan, 12 Saryan	OFI	100	100	SC
2	"Norvik IPS AS SIF Nākotnes Īpašumu Fonds"	LV, Latvija, Rīga, E. Birznieka-Upīša 21	SPC	100	100	SC
3	"Cecily Holdings" Limited	CY, 2, Sophouli Str., 8th floor, 1096 Nicosia	OFI	100	100	SSC
4	"Norvik Banka UK" Limited	GB, London, 46/48 Grosvenor Gardens, 1st floor	OFI	100	100	SC
5	AS "NORVIK ieguldījumu pārvaldes sabiedrība"	LV, Latvija, Rīga, E. Birznieka-Upīša 21	IMC	100	100	SSC
6	AS "NORVIK EURASIA AIF"	LV, Latvija, Rīga, Elizabetes 15 - 1	SPC	100	100	SC
7	ПАО "Норвик Банк"	RU, 610000, г. Киров (обл.), Преображенская, дом 4.	BNK	97.75	97.75	SC
8	SIA "Sport Leasing"	LV, Latvija, Rīga, E. Birznieka-Upīša 21	LC	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

31 December 2016

Item	EUR'000	
	Reporting period	Preceding reporting year
	Non-audited	Audited*
Cash and demand deposits with the central bank	200 001	30 626
Demand deposits with credit institutions	30 102	130 391
Financial assets held for trading	763	1 915
Financial assets at fair value through profit or loss	0	0
Available-for-sale financial assets**	342 563	476 089
Loans and receivables	243 984	308 341
Held-to-maturity investments	19 483	19 802
Interest risk protected portfolio share's fair value changes	0	0
Deferred expenses and accrued income	1 140	1 248
Fixed assets	35 230	19 859
Investment property	6 225	6 225
Intangible assets	948	351
Participation in the share capital of associated and related undertakings	0	0
Tax assets	0	0
Other assets	6 962	10 813
Total assets	887 401	1 005 660
Liabilities to central banks	0	0
Demand liabilities to credit institutions	7 361	1 827
Financial liabilities held for trading	318	319
Financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortized value	751 564	907 406
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	1 123	1 859
Provisions	718	680
Tax liabilities	726	773
Other liabilities	11 382	5 691
Total liabilities	773 192	918 555
Capital and reserves	114 209	87 105
Total capital and reserves and liabilities	887 401	1 005 660
Commitments and contingencies	8 458	16 223
Contingent liabilities	3 276	3 730
Liabilities to customers	5 182	12 493

* Detailed financial information is available on the Bank's website: www.norvik.eu.

**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 242 905 EUR'000, in the previous year end – 227 651 EUR'000.

Profit/ Loss Statement

31 December 2016

Item	EUR'000	
	Reporting period	Respective period of the preceding reporting year
	Non-audited	Audited*
Interest income	18 414	23 326
Interest expense	(7 772)	(6 737)
Dividend income	27	2 382
Fee and commission income	22 722	20 538
Fee and commission expenses	(3 731)	(3 676)
Net realized profit/loss from financial assets and financial liabilities amortized value	0	0
Net realized profit/loss from financial assets available for sale	11 283	3 313
Net profit/loss from financial assets and financial liabilities held for trading	11 802	4 965
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	(1 853)	5 616
Profit/loss from derecognizing of property, equipment and machinery, investment property and intangible assets	0	0
Other income	1 746	1 618
Other expense	(1 937)	(2 530)
Administrative expenses	(27 499)	(29 260)
Depreciation and amortization	(1 674)	(964)
Provisions for debts impairment and liabilities	(3 994)	(12 770)
Impairment losses	(5 170)	(15 229)
Income tax	(608)	(987)
Profit/loss of the reporting period	11 756	(10 395)

* Detailed financial information is available on the Bank's website: www.norvik.eu

In the reporting period the independent auditors SIA PricewaterhouseCoopers carried out verification of financial statements of the Bank/Group for six month period ended 30 June 2016.

Audited data are available: https://www.norvik.eu/finance/pusgada_parskats_2016_en.pdf.

Total capital and capital requirement calculation report

31 December 2016

		EUR'000
Ser No	Name of the position	Result of the period
1	Own funds (1.1.+1.2.)	131 308
1.1	Tier 1 capital (1.1.1.+1.1.2.)	85 023
1.1.1.	Common equity Tier 1 capital	85 023
1.1.2.	Additional Tier 1 capital	0
1.2.	Tier 2 capital	46 285
2	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	622 093
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	541 349
2.2.	Total risk exposure amount for settlement/delivery	0
2.3.	Total risk exposure amount for position, foreign Exchange and commodities risks	5 949
2.4.	Total risk exposure amount for operational risk	74 795
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)	13.67%
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	57 029
3.3.	Tier1 Capital ratio (1.1./2.*100)	13.67%
3.4.	Surplus(+)/Deficit(-) of Tier1 capital (-) (1.1.-2.*6%)	47 697
3.5.	Total capital ratio (1./2.*100)	21.11%
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	81 541
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 (%)	0.00
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	13.67%
5.3.	Tier1 capital ratio including p. 5.1 adjustments	13.67%
5.4.	Total capital ratio including p. 5.1 adjustments	21.11%

Liquidity ratio

31 December 2016

		EUR'000
Ser No.	Item	Reporting period
1	Liquid assets (1.1.+1.2.+1.3.+1.4.)	319 059
1.1.	Cash	11 026
1.2.	Balances with the Bank of Latvia	188 974
1.3.	Loans to and receivables from solvent banks	30 019
1.4.	Liquid securities	89 040
2	Current liabilities with remaining maturity up to 30 days (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	536 727
2.1.	Due to the central bank and other banks	7 332
2.2.	Deposits	510 222
2.3.	Debt securities in issue	0
2.4.	Cash in transit	8 995
2.5.	Other current liabilities	5 180
2.6.	Off-balance sheet liabilities	4 998
3	Liquidity ratio (1.:2.)	59.45%
4	Minimum liquidity ratio	30.00%

Performance Indicators of Bank

31 December 2016

Item	Reporting period	Respective period of the preceding reporting year
Return on equity (ROE) (%)	11.35	(10.77)
Return on assets (ROA) (%)	1.19	(1.05)

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 2016

Country	Portfolio available for sale* (EUR`000)	Held-to-maturity finance instruments (EUR`000)	Total book value (EUR`000)	% from Bank`s equity
USA	21 956	18 990	40 946	31.18%
incl. central government	18 976	18 990	37 966	28.91%
Russian Federation	25 661	0	25 661	19.54%

* 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.

Recognized impairment of available-for-sale financial assets is 5 165 thousand EUR.