



**JSC „NORVIK BANKA”  
Public report  
I quarter 2017**

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## Report of the Management Board

While continuing to pursue a balanced action strategy, Norvik Banka made a profit in the first quarter 2017 in the amount of EUR 1.48 million.

The Bank's capital adequacy ratio in the first quarter 2017 was 21.08%, while the liquidity ratio – 60.52% (compared with 59.45% as at 31 December 2016).

The amount of the Bank's deposit portfolio was EUR 713 million, while the amount of the Bank's loan portfolio increased reaching EUR 246.3 million (as at 31 December 2016 – EUR 244 million).

The Bank's asset amount in the reporting period was EUR 877 million.

During the reporting period, Norvik Banka concluded a cooperation agreement with MTG TV Latvia, thus becoming a partner to the charity events *Eņģeļi pār Latviju* and *Labestības diena*. Oliver Bramwell, Chairman of the Board of Norvik Banka, commented: "Norvik Banka is pleased and honoured to support *Eņģeļi pār Latviju* and *Labestības diena*, and we highly appreciate all the previous work completed by MTG TV Latvia, Rimi and the Children's Hospital Foundation. We believe that Norvik Banka's presence and support given under these charitable events will allow us to provide help to even more children and their families on their way to a new life full of happiness and hope. We have been following closely previous developments and cannot help but marvel the strength and the love of these families that not only inspire us but also, we believe, give hope to every person in Latvia".

In the first quarter, under the service range development initiative, the Bank began working on building up its ATM network. The ATMs are to be placed based on the analysis of the customer flow in various customer service places.

During the reporting period, Norvik Banka published the first issue of Norvik Wealth: the Norvik Private Banking magazine for customers is an overview of the bank's product offers and latest developments.

## 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-networth 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 I quarter 2017 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 31 March 2017 the amount of special provisions was 44 245 thousand EUR or 17.02% of the total loan portfolio. Capital adequacy ratio on 31 March 2017, adjusted for special provisions, was 21.08%. 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\\_2017\\_latv.pdf](https://www.norvik.eu/finance/info_atkl_2017_latv.pdf)

## Bank's shareholders, Council and Management Board

### JSC „NORVIK BANKA” Shareholders 31 March 2017

	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
<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)

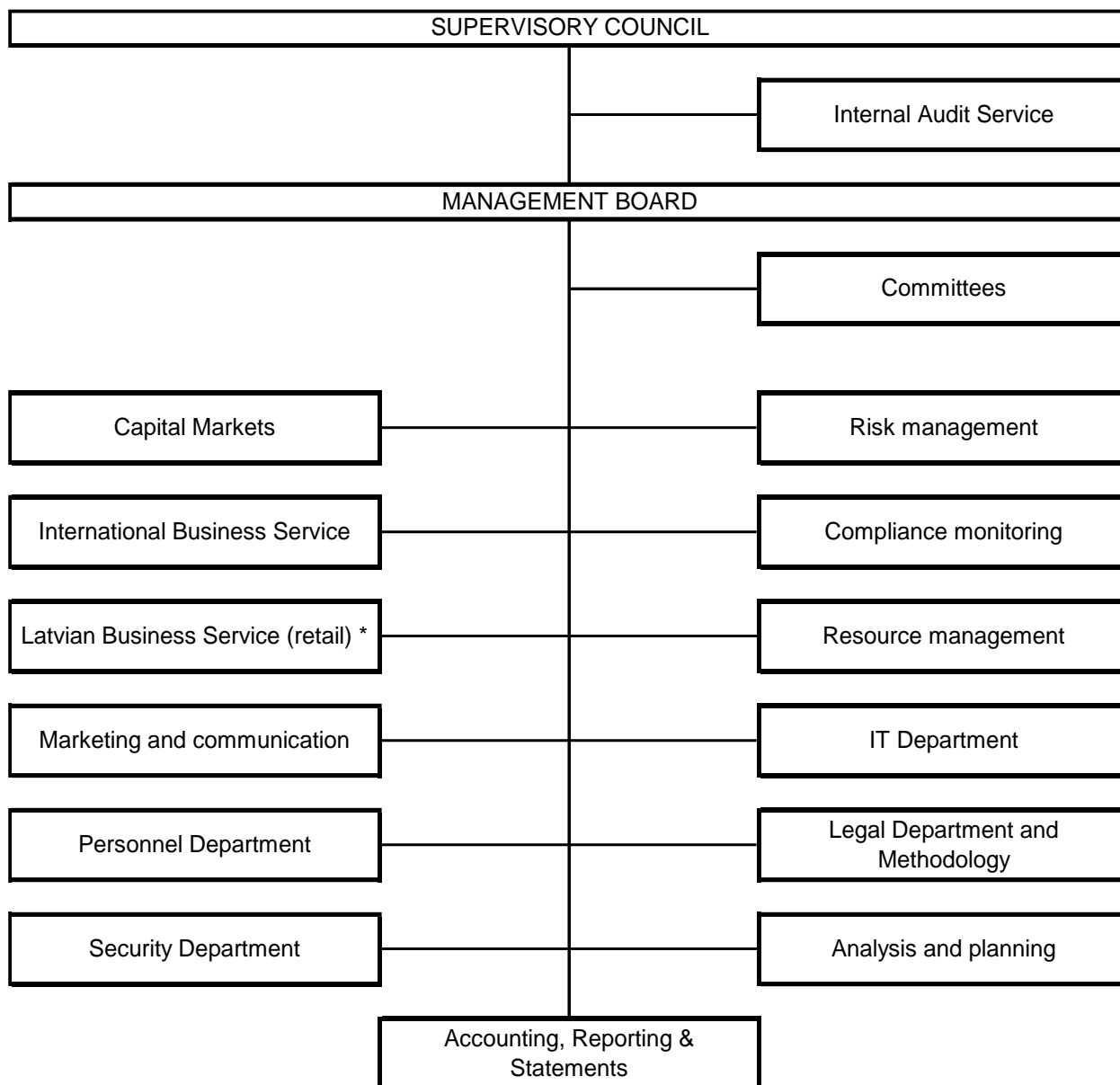
### JSC „NORVIK BANKA” Supervisory Council 31 March 2017

<b>Chairman of the Supervisory Council</b>	GRIGORY GUSELNIKOV
<b>Deputy Chairman of the Supervisory Council</b>	IGOR SMOLIN
<b>Member of the Supervisory Council</b>	ANDRIS RUSELIS

### JSC „NORVIK BANKA” Management Board 31 March 2017

<b>Chairman of the Management Board</b>	OLIVER RONALD BRAMWELL
<b>Members of the Management Board</b>	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 March 2017

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 March 2017

Item	EUR'000	
	Reporting period	Preceding reporting year
	Non-audited	Audited*
Cash and demand deposits with the central bank	128 152	200 001
Demand deposits with credit institutions	30 331	32 948
Financial assets held for trading	1 128	763
Financial assets at fair value through profit or loss	0	0
Available-for-sale financial assets**	402 885	333 210
Loans and receivables	246 310	243 983
Held-to-maturity investments	19 284	19 483
Interest risk protected portfolio share's fair value changes	0	0
Deferred expenses and accrued income	1 299	1 141
Fixed assets	35 494	35 532
Investment property	6 308	6 308
Intangible assets	986	948
Participation in the share capital of associated and related undertakings	0	0
Tax assets	0	0
Other assets	4 913	3 859
<b>Total assets</b>	<b>877 090</b>	<b>878 176</b>
Liabilities to central banks	0	0
Demand liabilities to credit institutions	1 696	7 363
Financial liabilities held for trading	248	318
Financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortized value	749 079	760 847
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	1 277	1 390
Provisions	708	718
Tax liabilities	779	792
Other liabilities	13 249	1 932
<b>Total liabilities</b>	<b>767 036</b>	<b>773 360</b>
Capital and reserves	110 054	104 816
<b>Total capital and reserves and liabilities</b>	<b>877 090</b>	<b>878 176</b>
<b>Commitments and contingencies</b>	<b>8 028</b>	<b>8 458</b>
Contingent liabilities	3 835	3 276
Liabilities to customers	4 193	5 182

\* Detailed financial information is available on the Bank's website: [www.norvik.eu](http://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 237 243 EUR'000, in the previous year-end – 233 831 EUR'000.

## Profit / Loss Statement

31 March 2017

Item	EUR'000	
	Reporting period	Respective period of the preceding reporting year
	Non-audited	Non-audited
Interest income	4 205	4 046
Interest expense	( 2 075)	( 1 793)
Dividend income	23	21
Fee and commission income	5 876	5 497
Fee and commission expenses	( 1 067)	( 748)
Net realized profit/loss from financial assets and financial liabilities amortized value	0	0
Net realized profit/loss from financial assets available for sale	457	( 31)
Net profit/loss from financial assets and financial liabilities held for trading	( 708)	( 1 269)
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	2 767	2 961
Profit/loss from derecognizing of property, equipment and machinery, investment property and intangible assets	0	0
Other income	463	498
Other expense	( 348)	( 331)
Administrative expenses	( 7 320)	( 6 854)
Depreciation and amortization	( 534)	( 308)
Provisions for debts impairment and liabilities	( 130)	99
Impairment losses	0	( 1 605)
Income tax	( 131)	( 141)
<b>Profit/loss of the reporting period</b>	<b>1 478</b>	<b>42</b>

Independent auditors have not audited Bank's financial statements during the reporting period.

## Total capital and capital requirement calculation report

31 March 2017

		EUR'000
Ser No	Name of the position	Result of the period
<b>1</b>	<b>Own funds (1.1.+1.2.)</b>	<b>136 425</b>
1.1	Tier 1 capital (1.1.1.+1.1.2.)	93 147
1.1.1.	Common equity Tier 1 capital	93 147
1.1.2.	Additional Tier 1 capital	0
1.2.	Tier 2 capital	43 278
<b>2</b>	<b>Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>647 180</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	562 953
2.2.	Total risk exposure amount for settlement/delivery	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	6 184
2.4.	Total risk exposure amount for operational risk	78 043
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)	14.39%
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	64 024
3.3.	Tier1 Capital ratio (1.1./2.*100)	14.39%
3.4.	Surplus(+)/Deficit(-) of Tier1 capital (-) (1.1.-2.*6%)	54 316
3.5.	Total capital ratio (1./2.*100)	21.08%
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	84 651
<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 (%)	0.00
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	14.39%
5.3.	Tier1 capital ratio including p. 5.1 adjustments	14.39%
5.4.	Total capital ratio including p. 5.1 adjustments	21.08%

Following the Bank auditors' instructions laid down in the auditor's report of 3 April 2017 in the Annual Statement of 2016, the Bank's management have made a decision to reflect the amount of the required provisions under the capital correction as expected losses. As at 30 April 2017, the Bank's capital ratio, considering the expected losses, was as follows: the total capital ratio was 19.48%, and the Tier 1 capital ratio was 13.65%.

## Liquidity ratio

31 March 2017

		EUR'000
Ser No.	Item	Reporting period
<b>1</b>	<b>Liquid assets (1.1.+1.2.+1.3.+1.4.)</b>	<b>313 206</b>
1.1.	Cash	10 020
1.2.	Balances with the Bank of Latvia	117 943
1.3.	Loans to and receivables from solvent banks	30 272
1.4.	Liquid securities	154 971
<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>517 562</b>
2.1.	Due to the central bank and other banks	1 675
2.2.	Deposits	495 639
2.3.	Debt securities in issue	0
2.4.	Cash in transit	11 483
2.5.	Other current liabilities	4 697
2.6.	Off-balance sheet liabilities	4 068
<b>3</b>	<b>Liquidity ratio (1.:2.)</b>	<b>60.52%</b>
<b>4</b>	<b>Minimum liquidity ratio</b>	<b>30.00%</b>

## Performance Indicators of the Bank

31 March 2017

Item	Reporting period	Respective period of the preceding reporting year
Return on equity (ROE) (%)	5.26	0.16
Return on assets (ROA) (%)	0.63	0.02

**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 March 2017**

Country	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>21 977</b>	<b>18 803</b>	<b>40 780</b>	<b>29.89%</b>
incl. central government	18 681	18 803	37 484	27.48%
<b>Russian Federation</b>	<b>53 148</b>	<b>0</b>	<b>53 148</b>	<b>38.96%</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 2017 for available-for-sale financial assets write-down losses not recognised.