



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



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Report of the Management Board

In the third quarter of 2017, Norvik Banka continued to implement purposefully its balanced development strategy, closing the quarter with EUR 3.25 million profit.

The Bank's capital adequacy ratio in the third quarter reached 19.27%, while the liquidity ratio grew by 2.65 percentage points if compared to the ratio as of the beginning of the reporting year and reached 62.10%.

The amount of the Bank's deposit portfolio – EUR 690 million, while the loan portfolio amount during the reporting period – EUR 226 million.

The Bank's asset amount during the reporting period – EUR 843 million.

During this reporting period, the Bank established a tradition to offer congratulations to the clients-centenarians on their grand centenary celebration. The head of the Latvian Business Laura Poča-Rozenblūma congratulated the first hero of an anniversary, while committing from that moment on to offer personal congratulations on behalf of the Bank to all the clients who will reach such a respectable age.

In the third quarter, too, active work on the development of new products and services continued. Following the market trends, in cooperation with MasterCard the Bank developed and started offering its clients contactless payment cards of new design.

Moreover, at the end of the reporting period a new product was successfully launched on the market – Jelgava Citizen Bank Card, which was developed in cooperation with the Jelgava City Council. "We are very pleased with the cooperation established with the Jelgava City Council, as a result of which Norvik Banka can offer Jelgava's citizens a payment card of their own city. We firmly believe that this innovation, which has already stirred significant interest and response among the citizens, will be useful for each citizen of Jelgava, acquiring such benefits as a possibility to pay for trips on public transport using travel privileges granted by the Jelgava City Council, to pay for the purchases made in shops or online, while for pupils – to pay for school lunches. According to Norvik Banka's research, a large number of Jelgava's citizens consider themselves the patriots of the city. I therefore believe that the Citizen's Bank Card will serve as an additional attestation of their affiliation with the city", Laura Poča-Rozenblūma, head of Norvik Banka's Latvian Business commented.

In this quarter, the Bank concluded a 5 year cooperation agreement with the Latvian Pensioners' Federation with the view of providing the federation with financial support and involving seniors in the employment program developed by Norvik Banka. The new initiative in the field of employment provides for involvement of seniors in active work at Norvik Banka as advisers at the Bank's branches. The seniors will have a possibility to choose the work schedule, which fits their ability, acquire knowledge on the Bank's latest digital financial solutions and transfer their knowledge to other Bank's clients – seniors.

In the third quarter, the Bank continued optimisation and modernisation of its branch network by opening new Or reconstructing the existing customer service centres in accordance with the bank's new interior concept. At the end of the reporting period, there were 63 customer service centres in the Bank's branch network.

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 III quarter 2017 the Bank's liquidity ratio was 62-68%.

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 2017 the amount of special provisions was 44 458 thousand EUR or 17.78% of the total loan portfolio. Capital adequacy ratio on 30 September 2017, adjusted for special provisions, was 19.27%. 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

Bank's shareholders, Council and Management Board

JSC „NORVIK BANKA” Shareholders 30 September 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
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 30 September 2017

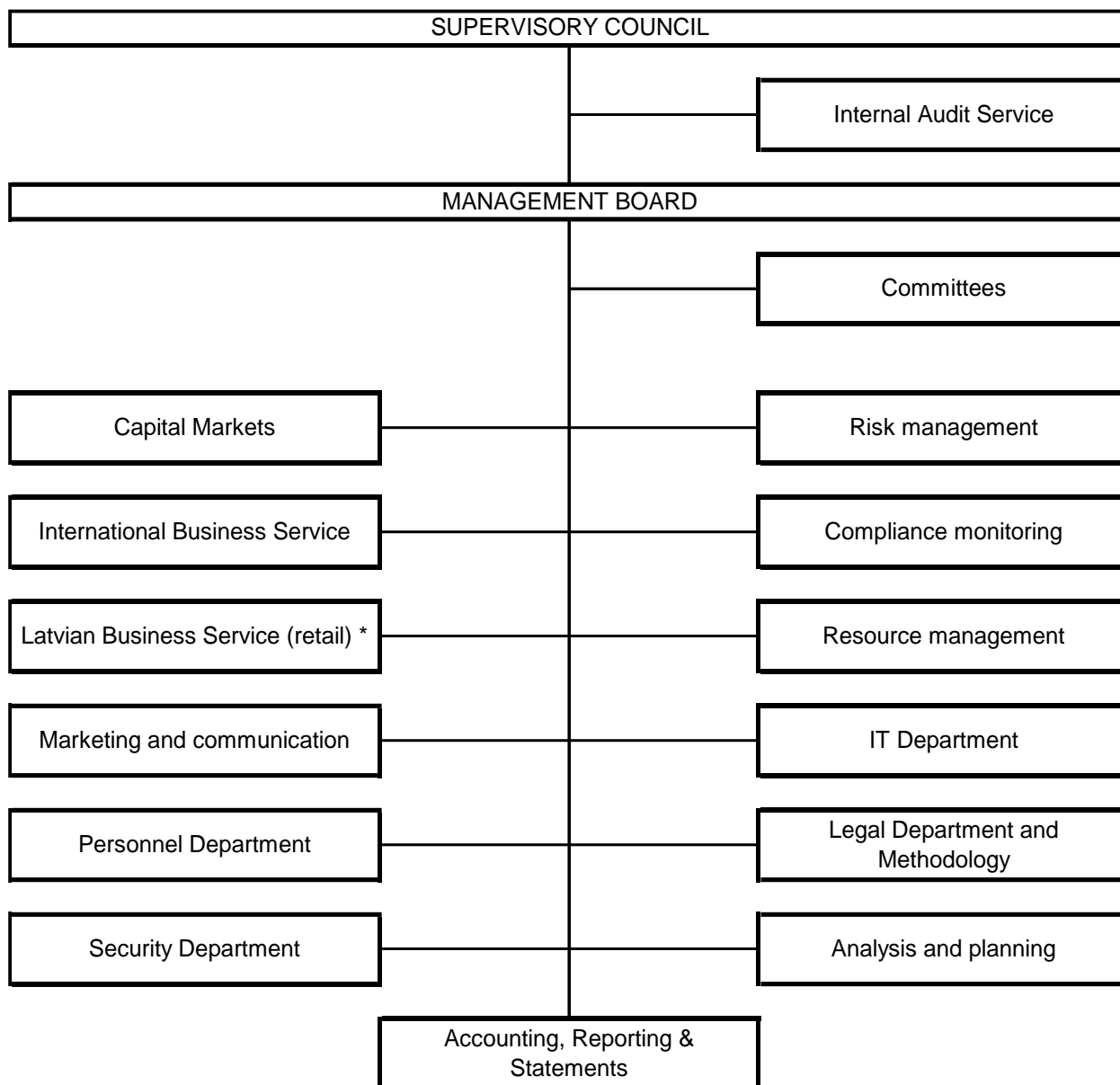
Chairman of the Supervisory Council	GRIGORY GUSELNIKOV
Deputy Chairman of the Supervisory Council	IGOR SMOLIN
Member of the Supervisory Council	ANDRIS RUSELIS
Member of the Supervisory Council	Dr. AUGUST GUSTAV PAUL HANNING

JSC „NORVIK BANKA” Management Board 30 September 2017

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



JSC Norvik Banka organizational structure



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

Consolidation Group Composition

30 September 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 Str.	OFI	100	100	SC
2	"Norvik IPS AS SIF Nākotnes Īpašumu Fonds"	LV, 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, Rīga, E. Birznieka-Upīša 21	IMC	100	100	SSC
6	AS "NORVIK EURASIA AIF"	LV, 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, 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

30 September 2017

Item	EUR'000	
	Reporting period	Preceding reporting year
	Non-audited	Audited*
Cash and demand deposits with the central bank	193 938	200 001
Demand deposits with credit institutions	18 875	32 948
Financial assets held for trading	255	763
Financial assets at fair value through profit or loss	0	0
Available-for-sale financial assets**	333 170	333 210
Loans and receivables	225 966	243 983
Held-to-maturity investments	17 511	19 483
Interest risk protected portfolio share's fair value changes	0	0
Deferred expenses and accrued income	1 093	1 141
Fixed assets	35 735	35 532
Investment property	6 308	6 308
Intangible assets	1 102	948
Participation in the share capital of associated and related undertakings	0	0
Tax assets	0	0
Other assets	9 525	3 859
Total assets	843 478	878 176
Liabilities to central banks	0	0
Demand liabilities to credit institutions	2 629	7 363
Financial liabilities held for trading	364	318
Financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortized value	724 541	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	1 359	1 390
Provisions	715	718
Tax liabilities	754	792
Other liabilities	11 470	1 932
Total liabilities	741 832	773 360
Capital and reserves	101 646	104 816
Total capital and reserves and liabilities	843 478	878 176
Commitments and contingencies	18 944	8 458
Contingent liabilities	4 007	3 276
Liabilities to customers	14 937	5 182

* 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 226 334 EUR'000, in the previous year-end – 233 831 EUR'000.

Profit / Loss Statement

30 September 2017

Item	EUR'000	
	Reporting period	Respective period of the preceding reporting year
	Non-audited	Non-audited
Interest income	11 540	13 726
Interest expense	(6 150)	(5 587)
Dividend income	23	27
Fee and commission income	18 895	16 746
Fee and commission expenses	(3 278)	(2 787)
Net realized profit/loss from financial assets and financial liabilities amortized value	0	0
Net realized profit/loss from financial assets available for sale	1 604	11 303
Net profit/loss from financial assets and financial liabilities held for trading	(10 568)	2 251
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	17 872	4 713
Profit/loss from derecognizing of property, equipment and machinery, investment property and intangible assets	0	0
Other income	1 304	1 257
Other expense	(931)	(1 458)
Administrative expenses	(23 205)	(20 050)
Depreciation and amortization	(1 635)	(1 160)
Provisions for debts impairment and liabilities	(1 423)	(4 156)
Impairment losses	(478)	(4 604)
Income tax	(317)	(408)
Profit/loss of the reporting period	3 253	9 813

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

Total capital and capital requirement calculation report

30 September 2017

EUR'000

Ser No	Name of the position	Result of the period
1	Own funds (1.1.+1.2.)	112 006
1.1	Tier 1 capital (1.1.1.+1.1.2.)	80 446
1.1.1.	Common equity Tier 1 capital	80 446
1.1.2.	Additional Tier 1 capital	0
1.2.	Tier 2 capital	31 560
2	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	581 265
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	496 742
2.2.	Total risk exposure amount for settlement/delivery	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	6 480
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
3	Capital ratios and capital levels	
3.1	Common equity Tier 1(CET1) capital ratio (1.1.1./2.*100)	13.84%
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	54 289
3.3.	Tier1 Capital ratio (1.1./2.*100)	13.84%
3.4.	Surplus(+)/Deficit(-) of Tier1 capital (-) (1.1.-2.*6%)	45 570
3.5.	Total capital ratio (1./2.*100)	19.27%
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	65 505
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	13.84%
5.3.	Tier1 capital ratio including p. 5.1 adjustments	13.84%
5.4.	Total capital ratio including p. 5.1 adjustments	19.27%

Liquidity ratio

30 September 2017

EUR'000

Ser No.	Item	Reporting period
1	Liquid assets (1.1.+1.2.+1.3.+1.4.)	303 487
1.1.	Cash	12 696
1.2.	Balances with the Bank of Latvia	181 047
1.3.	Loans to and receivables from solvent banks	18 811
1.4.	Liquid securities	90 933
2	Current liabilities with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	488 742
2.1.	Due to the central bank and other banks	2 599
2.2.	Deposits	456 831
2.3.	Debt securities in issue	0
2.4.	Cash in transit	10 141
2.5.	Other current liabilities	4 405
2.6.	Off-balance sheet liabilities	14 766
3	Liquidity ratio (1.:2.)	62.10%
4	Minimum liquidity ratio	30.00%

Performance Indicators of the Bank

30 September 2017

Item	Reporting period	Respective period of the preceding reporting year
Return on equity (ROE) (%)	4.07	12.73
Return on assets (ROA) (%)	0.47	1.31

**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 2017

Country	Portfolio available for sale* (EUR`000)	Held-to-maturity finance instruments (EUR`000)	Total book value (EUR`000)	% from Bank`s equity
USA	66 706	17 034	83 740	74.76%
incl. central government	63 171	17 034	80 205	71.61%
Russian Federation	17 030	0	17 030	15.20%

* 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 is 362 EUR'000.