JSC „NORVIK BANKA”
Public report
IV quarter 2017

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Report of the Management Board

In the fourth quarter of 2017, Norvik Banka continued to implement its balanced development strategy.

The amount of the Bank's deposit portfolio was EUR 673.4 million at the end of the reporting period, while the loan portfolio reached EUR 232 million.

The Bank's total assets at the end of the reporting period was EUR 810.5 million.

Norvik Banka closed the fourth quarter with EUR 10.5 million losses, related to the recognition of impairment losses incurred by the Bank in its investment funds and in the subsidiary that was caused by the revaluation of real estate objects. The losses are expected to be compensated in the future upon receipt of proceeds from the sale of the respective real estate at a higher price.

Despite the recognised losses, the Bank's performance indicators exceed the required regulatory norms – the capital adequacy ratio in the fourth quarter was 16.55% (FCMC the minimum regulatory indicator is 14.00%), while the liquidity ratio was 61.33%, (FCMC the minimum regulatory requirement is 50%).

In February 2018, Norvik Banka completed the transaction, which began in 2017, on the sale of 85% of PAO Norvik Bank (Russia) shares. As it has been already mentioned in the Group's 2016 report, the goal of the subsidiary's sale transaction was to reduce the exposure in the Russian Federation, which allowed to improve the Group's capital adequacy ratio.

For the second year in a row the Bank was the official Bank of the Digital Freedom Festival to jointly improve understanding of the development of financial technologies and innovations in the region. In October, the second festival was held and it was a great success. The festival congregated more than 1,300 representatives of technology and start-up companies, experts, opinion makers, investors, journalists and students from 36 countries. In the Norvik Investors Lounge, 7 discussions were held during which the listeners were invited to think about the future of the financial industry.

During the reporting period, the Bank in cooperation with MTG Latvia, Children's Hospital Foundation and Rimi Latvia supported the "Eņģeļi pār Latviju" project, the main topic of which was the delivery of care to children with autism spectrum disorders. At the end of December a charity concert was held, during which EUR 143 090.76 were donated. In parallel with this large charity project, the Bank's employees initiated and implemented Norvik's Christmas Charity Market, where everyone could buy various bank employees' handcrafted items (cakes, jewellery, knitted and crocheted items, etc.) by making donations. All the funds collected at the market were also donated to "Eņģeļi pār Latviju".

Moreover, the bank continues to implement successfully the seniors employment program which provides for the involvement of seniors in the active work at the Bank as advisors in the Bank's branches. Under this program, seniors have a possibility to choose the work schedule that fits their ability and free-time, acquire knowledge on the Bank's latest digital financial solutions and impart this knowledge to other senior clients.

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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.

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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 2017 the Bank's liquidity ratio was 58-65%.

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 2017 the amount of special provisions was 46 031 thousand EUR or 18.68% of the total loan portfolio. Capital adequacy ratio on 31 December 2017, 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: https://www.norvik.eu/finance/info_atkl_2017_latv.pdf

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Bank's shareholders, Council and Management Board

JSC „NORVIK BANKA"
Shareholders
31 December 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
31 December 2017

Chairman of the Supervisory Council	GRIGORY GUSELNIKOV
Deputy Chairman of the Supervisory Council	IGOR SMOLIN
Member of the Supervisory Council	Dr. AUGUST GUSTAV PAUL HANNING
Member of the Supervisory Council	PETER MICHAEL ODINTSOV
Member of the Supervisory Council	ANDERS FOGH RASMUSSEN

JSC „NORVIK BANKA"
Management Board
31 December 2017

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

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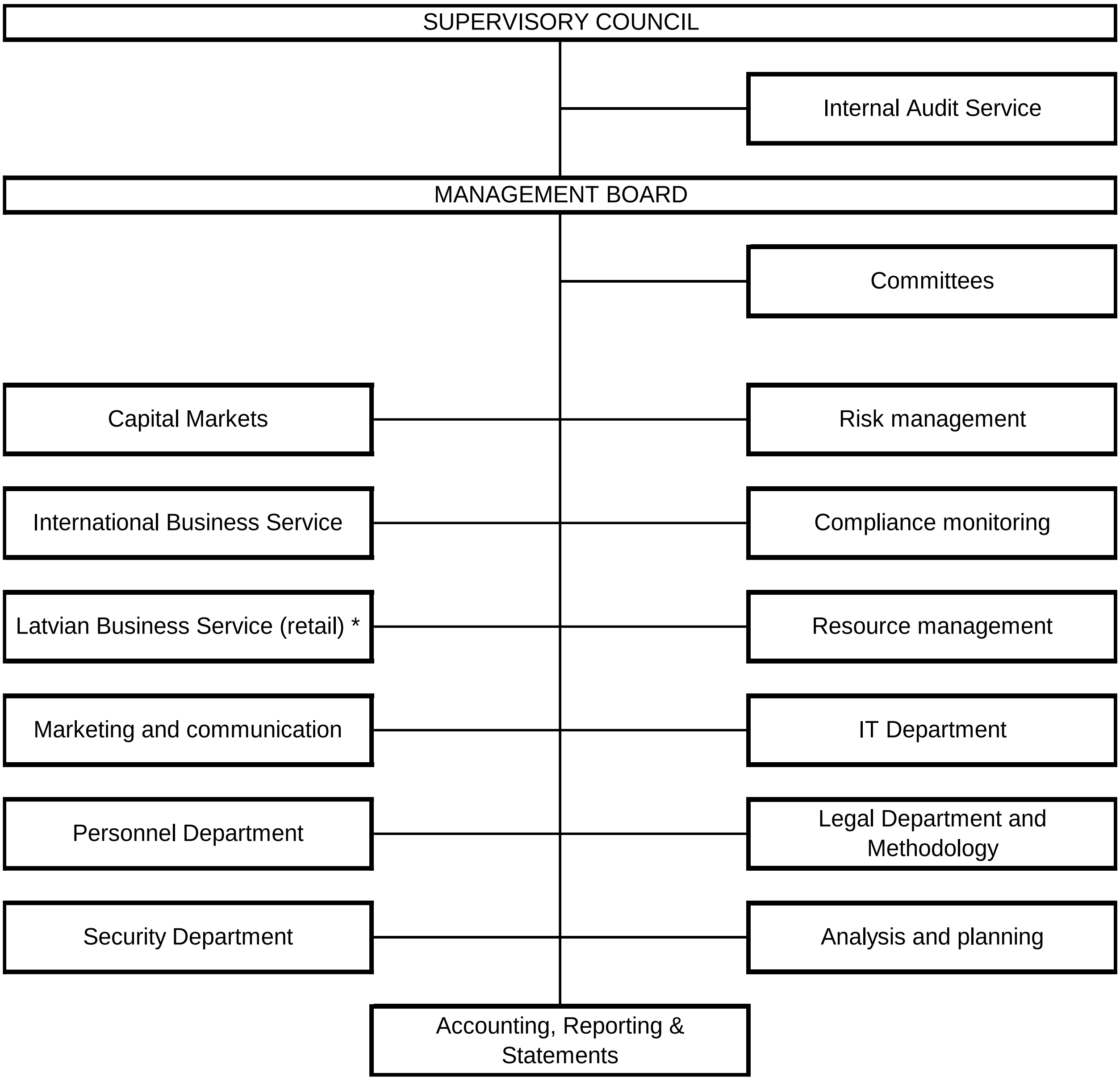
JSC Norvik Banka organizational structure



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

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Consolidation Group Composition

31 December 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	ПАО "Норвик Банк"	RU, 610000, г. Киров (обл.), Преображенская, дом 4.	BNK	97.75	97.75	SC
7	SIA "Sport Leasing"	LV, Rīga, E. Birznieka-Upīša 21	LC	100	100	SC
8	Coleum Inc Limited	CY, Nicos, Lamprou Katsoni,27, Irini Court 1ST floor, flat/office 102	OFI	100	100	SC
9	Eyesurf Limited	CY, Limassol, Agiou Andreou, 332 Patrixcian chambers, 3035	OFI	100	100	SSC

* 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."

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Balance sheet

31 December 2017

Item	Reporting period	Preceding reporting year
	Non-audited	Audited*
Cash and demand deposits with the central bank	131 977	200 001
Demand deposits with credit institutions	40 180	32 948
Financial assets held for trading	384	763
Financial assets at fair value through profit or loss	0	0
Available-for-sale financial assets**	335 062	333 210
Loans and receivables	232 074	243 983
Held-to-maturity investments	16 705	19 483
Interest risk protected portfolio share's fair value changes	0	0
Deferred expenses and accrued income	1 195	1 141
Fixed assets	37 184	35 532
Investment property	6 150	6 308
Intangible assets	1 109	948
Participation in the share capital of associated and related undertakings	0	0
Tax assets	0	0
Other assets	8 437	3 859
Total assets	**810 457**	**878 176**
Liabilities to central banks	0	0
Demand liabilities to credit institutions	477	7 363
Financial liabilities held for trading	1 199	318
Financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortized value	710 003	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	1 504	1 390
Provisions	812	718
Tax liabilities	735	792
Other liabilities	13 147	1 932
Total liabilities	**727 877**	**773 360**
Capital and reserves	82 580	104 816
Total capital and reserves and liabilities	**810 457**	**878 176**
Commitments and contingencies	**6 805**	**8 458**
Contingent liabilities	3 249	3 276
Liabilities to customers	3 556	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 192 501 EUR'000, in the previous year-end – 233 831 EUR'000.

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Profit / Loss Statement

31 December 2017

Item	Reporting period	Respective period of the preceding reporting year
	Non-audited	Audited*
Interest income	15 350	18 415
Interest expense	(8 072)	(7 772)
Dividend income	2 897	27
Fee and commission income	26 043	22 724
Fee and commission expenses	(4 297)	(3 693)
Net realized profit/loss from financial assets and financial liabilities amortized value	0	0
Net realized profit/loss from financial assets available for sale	1 469	11 283
Net profit/loss from financial assets and financial liabilities held for trading	(11 520)	11 777
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	21 958	(1 854)
Profit/loss from derecognizing of property, equipment and machinery, investment property and intangible assets	0	0
Other income	1 798	1 748
Other expense	(1 265)	(1 922)
Administrative expenses	(32 470)	(27 913)
Depreciation and amortization	(2 229)	(1 674)
Provisions for debts impairment and liabilities	(3 207)	(3 988)
Impairment losses	(16 394)	(7 123)
Income tax	(584)	(608)
Profit/loss of the reporting period	**(10 523)**	**9 427**

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

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Total capital and capital requirement calculation report

31 December 2017

Ser No	Name of the position	Result of the period
1	**Own funds (1.1.+1.2.)**	**93 378**
1.1	Tier 1 capital (1.1.1.+1.1.2.)	65 326
1.1.1.	Common equity Tier 1 capital	65 326
1.1.2.	Additional Tier 1 capital	0
1.2.	Tier 2 capital	28 052
2	**Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)**	**564 185**
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	479 888
2.2.	Total risk exposure amount for settlement/delivery	0
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	6 254
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)	11.58%
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	39 938
3.3.	Tier1 Capital ratio (1.1./2.*100)	11.58%
3.4.	Surplus(+)/Deficit(-) of Tier1 capital (-) (1.1.-2.*6%)	31 475
3.5.	Total capital ratio (1./2.*100)	16.55%
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	48 243
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	11.58%
5.3.	Tier1 capital ratio including p. 5.1 adjustments	11.58%
5.4.	Total capital ratio including p. 5.1 adjustments	16.55%

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Liquidity ratio

31 December 2017

Ser No.	Item	Reporting period
1	**Liquid assets (1.1.+1.2.+1.3.+1.4.)**	**312 345**
1.1.	Cash	14 048
1.2.	Balances with the Bank of Latvia	117 039
1.3.	Loans to and receivables from solvent banks	52 642
1.4.	Liquid securities	128 616
2	**Current liabilities with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)**	**509 285**
2.1.	Due to the central bank and other banks	456
2.2.	Deposits	487 851
2.3.	Debt securities in issue	0
2.4.	Cash in transit	10 442
2.5.	Other current liabilities	7 355
2.6.	Off-balance sheet liabilities	3 181
3	**Liquidity ratio (1.:2.)**	**61.33%**
4	**Minimum liquidity ratio**	30.00%

Performance Indicators of the Bank

31 December 2017

Item	Reporting period	Respective period of the preceding reporting year
Return on equity (ROE) (%)	-10.29	9.17
Return on assets (ROA) (%)	-1.16	1.00

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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 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	**57 537**	**16 705**	**74 242**	**79.51%**
incl. central government	53 776	16 705	70 481	75.48%
Russian Federation	**16 989**	**0**	**16 989**	**18.19%**
Latvia	**15 365**	**0**	**15 365**	**16.45%**
incl. central government	10 370	0	10 370	11.11%

* 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 16 016 EUR'000.

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