

Public Report of JSC “NORVIK BANKA”  
for 4 quarter of the year 2008

## 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 Internal 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** treatment of 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 Treasury department constantly manages liquidity's I reserve funds (cash, fund balances with correspondentbank accounts, short-term interbanking 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 2008 the Bank's liquidity ratio was 42-58% while the minimum requirement set by the FCMC is 30%.

**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 bank's assets and the nominal value of those assets. As of 30 September 2008 the amount of special provisions was 3102 thousand lats or 0.88% of the total loan portfolio. The Bank's Board and the Credit Committee ensure credit risk management and the Credit 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 policy 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 Treasury 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.

## MANAGEMENT

	Number of shares	% of total shares	Paid up share capital	
			LVL'000	EUR'000
“Straumborg Ehf.”	20 705 879	51.13	20 706	29 462
J. Šapurovs	8 007 091	19.77	8 007	11 393
A. Svirčenkovs	8 007 089	19.77	8 007	11 393
Other (individually less than 10%)	3 779 869	9.33	3 780	5 378
<b>Total</b>	<b>40 499 928</b>	<b>100.00</b>	<b>40 500</b>	<b>57 626</b>

### **JSC “NORVIK BANKA” Supervisory Council as of 31 December 2008**

Chairman of the Supervisory Council  
Deputy Chairwoman of the Supervisory Council  
Members of the Supervisory Council

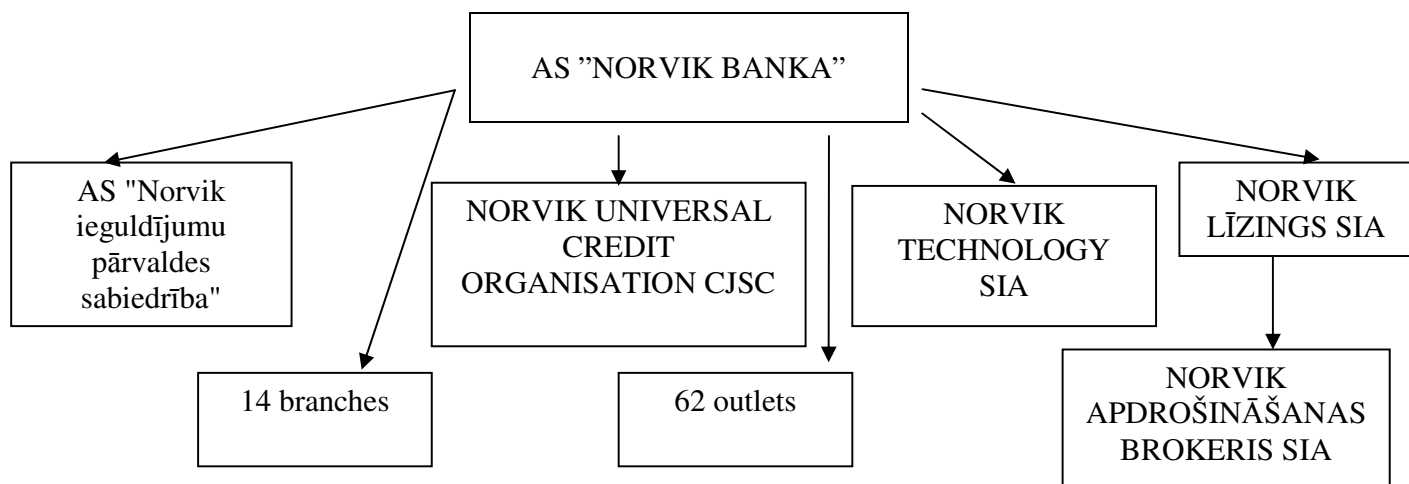
Jon Helgi Gudmundsson  
Brynja Halldorsdottir  
Hjalti Baldursson  
Valentīna Keiša  
Jeļena Svirčenkova  
Baiba Strupiša

### **JSC “NORVIK BANKA” Management Board as of 31 December 2008**

Chairman of the Management Board  
Deputy Chairman of the Management Board  
Members of the Management Board

Andrejs Svirčenkovs  
Jurijs Šapurovs  
Sergejs Gusarovs  
Aldis Upenieks  
Laima Saltuma  
Marija Stepina

## STRUCTURE



## **STRATEGY AND GOALS**

Short-term strategy –

**to put special focus on domestic market**

Strengthening of business with residents

Restructuring of the funding base through increase of local deposits and

Borrowing in the international financial markets

Personnel development through educational and incentive measures

Medium-term strategy –

**to maintain high international standards in all aspects of business**

Substantial expansion of the product range

Innovative solutions supported by advanced technology

Best possible service quality

Highly professional staff

Long-term strategy –

**to become a major financial player in the Baltic countries, to be regarded as a recognizable and reputable partner in the international banking community**

## RATINGS ASSIGNED BY RATING AGENCIES

Name of rating agency

<b>Fitch Ratings</b>	<b>Moody's Investors Service</b>
<a href="http://www.fitchratings.com/">http://www.fitchratings.com/</a>	<a href="http://www.moodys.com/">http://www.moodys.com/</a>

Types of rating assigned

<b>Fitch Ratings</b>		<b>Moody's Investors Service</b>	
Long Term Issuer Default Rating	B+	Long-term deposit rating	Ba3
Short Term Rating	B	Short-term deposit rating	Not-Prime
Outlook	Stable	Outlook	Stable
Individual	D	Bank financial strength rating (BFSR)	D-
Support	5		

### Short description of rating assigned

**Long Term Rating** - long-term foreign currency rating. Ability of timely payment of long-term exchange liabilities.

**Short Term Rating** - short-term foreign currency rating. Ability of timely payment of short-term exchange liabilities.

**Outlook** - development forecast. Rating forecast – opportunity of rating upgrade (positive), downgrade (negative) or affirmation (stable)

**Individual** - individual rating. Assessments of the bank, taking into account its independence and lack of external support.

**Support** - support rating. Bank's ability to obtain external financial support in case of need.

**Bank financial strength rating** - bank's internal stability and security estimation

Changes in ratings assigned

<b>Fitch Ratings</b>	<b>22.12.2003</b>	<b>22.08.2005</b>	<b>25.10.2006</b>	<b>15.01.2008</b>	<b>14.08.2008</b>	<b>03.12.2008</b>
Long Term Issuer Default Rating	B+	B+	B+	B+	B+	B+
Short Term Rating	B	B	B	B	B	B
Outlook	Stable	Stable	Positive	Stable	Stable	Negative
Individual	D	D	D	D	D	D
Support	5	5	5	5	5	5

<b>Moody's Investors Service</b>	<b>27.06.2007</b>	<b>04.07.2008</b>	<b>13.11.2008</b>
Long-term deposit rating	Ba3	Ba3	Ba3
Short-term deposit rating	Not-Prime	Not-Prime	Not-Prime
Outlook	Stable	Stable	Negative
Bank financial strength rating (BFSR)	D-	D-	D-

**BALANCE SHEET\* (Appendix 1)**  
**December 31, 2008 (last date of the reporting period)**

*\*excluding the data of bank's subsidiary companies*

Item	Reporting period		Preceding reporting year 31.12.2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Cash and demand claims on the central bank	58 621	83 410	42 157	59 984
Demand claims on credit institutions	34 258	48 745	39 542	56 263
Financial assets held for trading	16 948	24 115	43 239	61 524
Financial assets at fair value through profit or loss	466	663	1 454	2 069
Available-for-sale financial assets	39 395	56 054	9 238	13 144
Loans and receivables	332 108	472 547	470 811	669 904
Held-to-maturity investments	12 326	17 538	0	0
Interest risk protected portfolio share's fair value changes	0	0	0	0
Deferred expenses and accrued income	461	656	455	647
Fixed assets	2 289	3 257	2 665	3 792
Investment property	4 367	6 214	4 224	6 010
Intangible assets	808	1 150	600	854
Participation in the share capital of associated and related undertakings	3 574	5 085	3 115	4 432
Tax assets	0	0	0	0
Other assets	1 614	2 297	630	896
<b>Total assets</b>	<b>507 235</b>	<b>721 730</b>	<b>618 130</b>	<b>879 520</b>
Liabilities to central banks	0	0	0	0
Demand liabilities to credit institutions	3 433	4 885	4 847	6 897
Financial liabilities held for trading	5 621	7 998	4 974	7 077
Financial liabilities at fair value through profit or loss	0	0	0	0
Financial liabilities at amortised value	436 217	620 681	550 065	782 672
Financial liabilities resulting from transfer of financial assets	0	0	0	0
Interest risk protected portfolio share's fair value changes	0	0	0	0
Deferred income and accrued expenses	977	1 390	1 020	1 451
Provisions	261	371	222	316
Tax liabilities	531	756	446	635
Other liabilities	871	1 239	1 735	2 469
<b>Total liabilities</b>	<b>447 911</b>	<b>637 320</b>	<b>563 309</b>	<b>801 516</b>
Capital and reserves	59 324	84 410	54 821	78 003
Total capital and reserves and liabilities	507 235	721 730	618 130	879 520
Commitments and contingencies	18 680	26 579	46 586	66 285
Contingent liabilities	5 275	7 506	4 681	6 660
Liabilities to customers	13 405	19 074	41 905	59 625



**PROFIT/LOSS STATEMENT\* (Appendix 2)**  
**December 31, 2008 (last date of the reporting period)**

*\* excluding the data of bank's subsidiary companies*

Item	Reporting period		Respective period of the preceding reporting year 31.12.2007	
	LVL'000	EUR'000	LVL'000	EUR'000
Interest income	43 419	61 780	33 335	47 431
Interest expense	(21 617)	(30 758)	(17 564)	(24 991)
Dividend income	19	27	3	4
Fee and commission income	8 396	11 946	6 751	9 605
Fee and commission expenses	(1 745)	(2 483)	(1 542)	(2 194)
Net realised profit/loss from financial assets and financial liabilities amortised value	0	0	0	0
Net realised profit/loss from financial assets available for sale	(47)	(67)	0	0
Net profit/loss from financial assets and financial liabilities held for trading	1 841	2 620	(3 072)	(4 371)
Net profit/loss for financial assets and financial liabilities at fair value through profit or loss	(582)	(820)	55	78
Changes in fair value due to risk minimization accounting	0	0	0	0
Profit/loss from dealing and revaluation of foreign currencies	3 111	4 427	3 912	5 566
Profit/loss from derecognition of property, equipment and machinery, investment property and intangible assets	0	0	0	0
Other income	1 554	2 211	2 357	3 353
Other expense	(795)	(1 131)	(464)	(660)
Administrative expenses	(18 302)	(26 041)	(14 829)	(21 099)
Depreciation and amortization	(1 129)	(1 606)	(970)	(1 380)
Provisions for debts impairment and liabilities	(7 973)	(11 345)	(1 096)	(1 559)
Impairment losses	0	0	0	0
Income tax	(916)	(1 303)	(1 491)	(2 122)
<b>Profit/loss of the reporting period</b>	<b>5 234</b>	<b>7 447</b>	<b>5 385</b>	<b>7 662</b>

**PERFORMANCE INDICATORS OF JSC “NORVIK BANKA”\* (Appendix 3)**

**December 31, 2008 (last date of the reporting period)**

*\* excluding the data of bank's subsidiary companies*

Item	Reporting period	In the preceding reporting year 31.12.2007
Return on equity (ROE) (%)	8.71	13.66
Return on assets (ROA) (%)	0.94	1.22

**CONSOLIDATED GROUP COMPOSITION (Appendix 4)**

**December 31, 2008 (last date of the reporting period)**

Serial 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	JSC "Norvik ieguldījumu pārvaldes sabiedrība"	LV, Latvia, Rīga, E. Birznieka-Upīša 21	INVC	94,95	94,95	SC
2	NORVIK UNIVERSAL CREDIT ORGANISATION CJSC	AM, Armenia, Yerevan, KHANJYAN 41, APT. 3, 4, 5	OFI	100	100	SC
3	NORVIK LĪZINGS LLC	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
4	NORVIK TECHNOLOGY LLC	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OC	100	100	SC

\* BNK – bank, INSC – insurance company, INVC – investment company, PF – pension fund, OFI – other financial institution, FHC – financial holding company, OC – other company.

\*\* SC – subsidiary company; JV – joint venture; PC – parent company.