

**Norvik Banka Results for the First Half of 2007**

Profit in H1 2007 – LVL 4.6 million (€ 7.5 million)

Profit in H1 2007 materially increased by 372% to LVL 4 649 thousands (€ 6 615 thousands) in compare to LVL 985 thousands (€ 1 401 thousands) in H1 2006;

Return on equity (ROE) in H1 2007 – 26,66%;

Capital Ratio (CAD) in H1 2007 – 10,23%;

Return on Assets (ROA) in H1 2007 – 2.43%;

Cost/income ratio in H1 2007 – 59%;

Operating income in H1 2007 increased by 72,2% to LVL 13 127 thousands (€ 18 678 thousands) in compare to H1 2006;

Net interest income in H1 2007 up by 50,1% to LVL 7 373 thousands (€ 10 490 thousands) in compare to H1 2006;

Net fee and commission income in H1 2007 grew by 20,5% to LVL 2 504 thousands (€ 3 562 thousands) in compare to H1 2006;

Operating expenses in H1 2007 rose by 24,2% to LVL 7 850 thousands (€ 11 169 thousands) in compare to H1 2006;

Total assets in H1 2007 increased by 48,5 % to LVL 450 780 thousands (€ 641 402 thousands) with compare to the beginning of year 2007.

**Key figures**

<i>LVL'000</i>	<b>H1 2007</b>	<b>H1 2006</b>	<b>Change</b>
Operating income	13 127	7 621	+ 41.9%
Operating expenses	7 850	6 317	+ 19.5%
Profit for the period	4 649	985	+ 372%
Cost/income ratio	59,0%	81,7%	-
Earnings pr. share, LVL	0.21	0.06	+ 71.4%
Return on equity (ROE)	26,7%	8,8%	-

## Income Statement

<i>LVL'000</i>	<b>H1 2007</b>	<b>H1 2006</b>	<b>31/12/06</b>	<b>31/12/05</b>
Net interest income	7 373	4 911	10 615	9 074
Net fee and commission income	2 504	2 078	4 308	4 202
Net income from financial instruments	1817	476	2 483	4 451
Dividend income	-	4	4	14
Other operating income	1607	284	452	427
Other operating expenses	(174)	(132)	(293)	(192)
<b>Operating income</b>	<b>13 127</b>	<b>7 621</b>	<b>17 569</b>	<b>17 976</b>
Administrative expenses	(7 143)	(5 814)	(12 627)	(10 555)
Depreciation and amortization	(478)	(406)	(852)	(766)
Impairment losses on financial investments	(229)	(97)	(282)	15
<b>Operating expenses</b>	<b>(7 850)</b>	<b>(6 317)</b>	<b>(13 761)</b>	<b>(11 306)</b>
<b>Net operating profit before tax</b>	<b>5 277</b>	<b>1 304</b>	<b>3 808</b>	<b>6 670</b>
Income tax	628	319	572	718
<b>Profit for the period</b>	<b>4 649</b>	<b>985</b>	<b>3 236</b>	<b>5 952</b>
Profit attributable to Equity holders of the parent	4 652	986	3 241	5 952
Minority interest	3	1	5	-
Earnings per share, LVL	0.21	0.06	0.19	0.44

## Balance Sheet

<i>LVL'000</i>	<b>30/06/07</b>	<b>31/12/06</b>	<b>31/12/05</b>
Cash and balance with the central bank	36 268	28094	20 380
Loans and receivables to banks	40 190	30 930	94 179
Trading financial assets	76 547	41 248	
Financial assets designated at fair value through profit or loss	1 423	-	24 443
Derivatives financial instruments	3 479	1 065	
Loans and receivables to customers	273 365	189 820	110 725
Available-for-sale financial assets	9 850	5 681	7 783
Investment in subsidiaries	-	-	-
Goodwill	266	266	-
Intangible assets	458	443	412
Investment property	3 993	-	
Tangible assets	3 131	5 362	5 224
Deferred tax assets		12	-
Other assets	1 810	1 629	1 816
<b>Total assets</b>	<b>450 780</b>	<b>304 550</b>	<b>264 962</b>
Due to the central bank and other banks	142 814	65 465	59 514
Derivatives financial instruments	2 236	1 288	261
Customer deposits	228 796	202 156	180 288
Subordinated debt	1 776	1 777	2 030
Debt securities in issue	28 807	0	
Provisions for other liabilities	162	180	204
Deferred tax liabilities	321	107	57
Other liabilities	1 491	1 891	1 383
<b>Total liabilities</b>	<b>406 403</b>	<b>272 864</b>	<b>243 737</b>
<b>Equity</b>			

Share capital	30 500	22 500	15 500
Reserves	7	7	7
Revaluation reserve of available-for-sale financial assets	(64)	(48)	(261)
Revaluation reserve of foreign currency	40	(8)	-
Retained earning	9 220	5 979	27
Profit for the period	4 652	3 241	5 952
<b>Equity attributable to equity holders of the Bank</b>	<b>44 355</b>	<b>31 671</b>	<b>21 225</b>
<b>Minority interest</b>	<b>22</b>	<b>15</b>	<b>-</b>
<b>Total equity</b>	<b>44 377</b>	<b>31 686</b>	<b>21 225</b>
<b>Total liabilities and equity</b>	<b>450 780</b>	<b>304 550</b>	<b>264 962</b>

## Half-year highlights & Outlook

During the first half of 2007, JSC Norvik Banka has been demonstrating rather soaring growth of the business activities –the Bank’s assets have increased by 48 % comparing to the 31 December 2006.

The loan portfolio of the Bank increased by 46.6% during the first half-year of 2007, reflecting the intention of the Bank to further develop its business lending activities, particularly emphasizing the granting of industrial and commercial loans to SMEs and private individuals.

JSC Norvik Banka placed specific focus on developing its domestic business during the reporting period. The percentage of total loans granted to customers in Latvia increased to 66.5% during the first half-year of 2007.

The profit of JSC Norvik Banka has reached 4.4 million lats during the first half of the financial year of 2007. This growth is connected with the overall development of the Bank.

The Bank has broadened its scope of banking products and services to continue the process of innovation and improvement. It has updated its T-Banka telephone banking system and direct debit product. The Bank has also developed existing banking services by offering its customers an expanded range of operations available in the e-NORVIK internet banking system. JSC Norvik Banka has also opened new service centers, thus maintaining its leading position among Latvian commercial banks in terms of the number of branches. Doing this will extend its network of branches for existing customers and will also attract new ones.

JSC Norvik Banka was accepted as a member of the Baltic Stock Exchange in April 2007. Membership includes the Riga, Tallinn and Vilnius Stock Exchanges too. The Baltic Stock Exchange has 39 members as of this moment. This is another step forward in



the financial development of JSC Norvik Banka as it continues to provide ever-expanding and developing opportunities for its customers.

JSC Norvik Banka increased its paid-in capital by 8 million lats totaling to LVL 30.5 million in June 2007 that was an increase of 35.6%.

JSC Norvik Banka has signed a syndicated loan facility agreement for EUR 28.5 millions with Standard Bank Plc (UK) acted as the facility agent and Mandated Lead Arranger, and Commerzbank AG (Germany) as a publicity agent and Mandated Lead Arranger. This was the third syndicated loan successfully raised by JSC Norvik Banka. The syndicated loan period is 12 months with extension option for another 12 months upon maturity. The loan interest rate is EURIBOR+0.70%. This syndicated transaction was oversubscribed.

### **Funding and credit ratings**

JSC Norvik Banka principal sources of funding are customer deposits and borrowing in the capital markets. Other sources of funding include capital markets and financial institutions. To maintain the effectiveness of the operations, emphasis is placed on achieving the optimal funding mix in terms of cost and liquidity. JSC Norvik Banka resources are a combination of its own equity and borrowed funds. JSC Norvik Banka attracts deposits with different terms, starting from overnight deposits up to a maximum term of five years. In order to eliminate the gaps in the term structure of assets and liabilities, the Bank actively borrows medium and long-term funds on the interbank market and through syndicated loans. Capital base is strengthening in parallel with borrowings growth and diversification. Strengthening reputation in the international market proved by significant number of bilateral credit facilities from top western banks - successful wholesale funding projects: three oversubscribed syndicated loans rose during one year and debut transaction for bills placement in Iceland.

JSC Norvik Banka concluded its debut syndicated loan in June 2006, attracting an amount of EUR 21 million from a diverse group of international banks. The second syndicated loan was arranged in November 2006 and brought another EUR 21 million. And in June 2007 JSC Norvik Banka has signed the third syndicated loan facility agreement on EUR 28.5 million euros.

### **Recent rating developments**

In the first half of 2007 Moody's Investors Services assigned JSC Norvik Banka a rating of D- for financial strength (BFSR), which translates to a baseline credit assessment of Ba3, the outlook on the rating is "Stable". This decision was based on the good quality of assets of the Bank and growing capital base.

Since 2002 JSC Norvik Banka has FITCH Ratings credit rating: Long-term rating – B+. In 2006 FITCH upgraded the Bank's outlook to positive from stable with IDR (B+) possible improvement.

**Mr Andrejs Svirčenkovs** – Chairman of the Management Board JSC Norvik Banka

“During the first half of 2007, JSC Norvik Banka has been demonstrating rather soaring growth of the business activities –the Bank’s assets have increased by 48% comparing to the 31 December 2006. The loan portfolio of JSC Norvik Banka increased by 46.6% during the first half-year of 2007, reflecting the intention of the Bank to further develop its business lending activities, particularly emphasizing the granting of industrial and commercial loans to SMEs and private individuals. JSC Norvik Banka placed specific focus on developing its domestic business during the reporting period. The portion of total loans granted to customers in Latvia increased to 66.5% during the first half-year of 2007. The profit has reached LVL 4.4 million during H1 2007. This growth is connected with the overall development JSC Norvik Banka. We would like to express our gratitude to JSC Norvik Banka employees and shareholders for granted contribution in the development and profitability. We also would like to thank our clients and partners for their cooperation and trust.”

**Further information**

For further information on the results please contact **Mr. Oleg Vandish**, Head of Advertisement and Communications Department on +371 7011426 (e-mail: [olegs.vandiss@norvik.lv](mailto:olegs.vandiss@norvik.lv)) or **Ms Marija Gulajeva**, Senior Relationship Manager Financial Institutions Department on +371 7041178 (e-mail: [marija.gulajeva@norvik.lv](mailto:marija.gulajeva@norvik.lv)).

Information on JSC Norvik Banka is also available on the Bank's website [www.norvik.lv](http://www.norvik.lv)