

PUBLIC REPORT | 3.2009 OF THE BANK

norvikbanka



FOR 3RD QUARTER OF YEAR 2009

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 correspondent bank 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 2009 the Bank's liquidity ratio was 41-47% 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 2009 the amount of special provisions was 10 415 thousand lats or 3.5% 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
"Straumborg Ehf." (Iceland)	20 705 879	51.13	20 706
J. Šapurovs	8 007 110	19.77	8 007
A. Svirčenkova	8 007 089	19.77	8 007
Other (individually less than 10%)	3 780 203	9.33	3 780
Kopā	40 500 281	100.00	40 500

JSC „NORVIK BANKA”

SUPERVISORY COUNCIL AS OF 30 SEPTEMBER 2009

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

Jon Helgi Gudmundsson
Brynja Halldorsdottir
Hjalti Baldursson
Valentina Keiša
Jelena Svirčenkova
Baiba Strupiņa

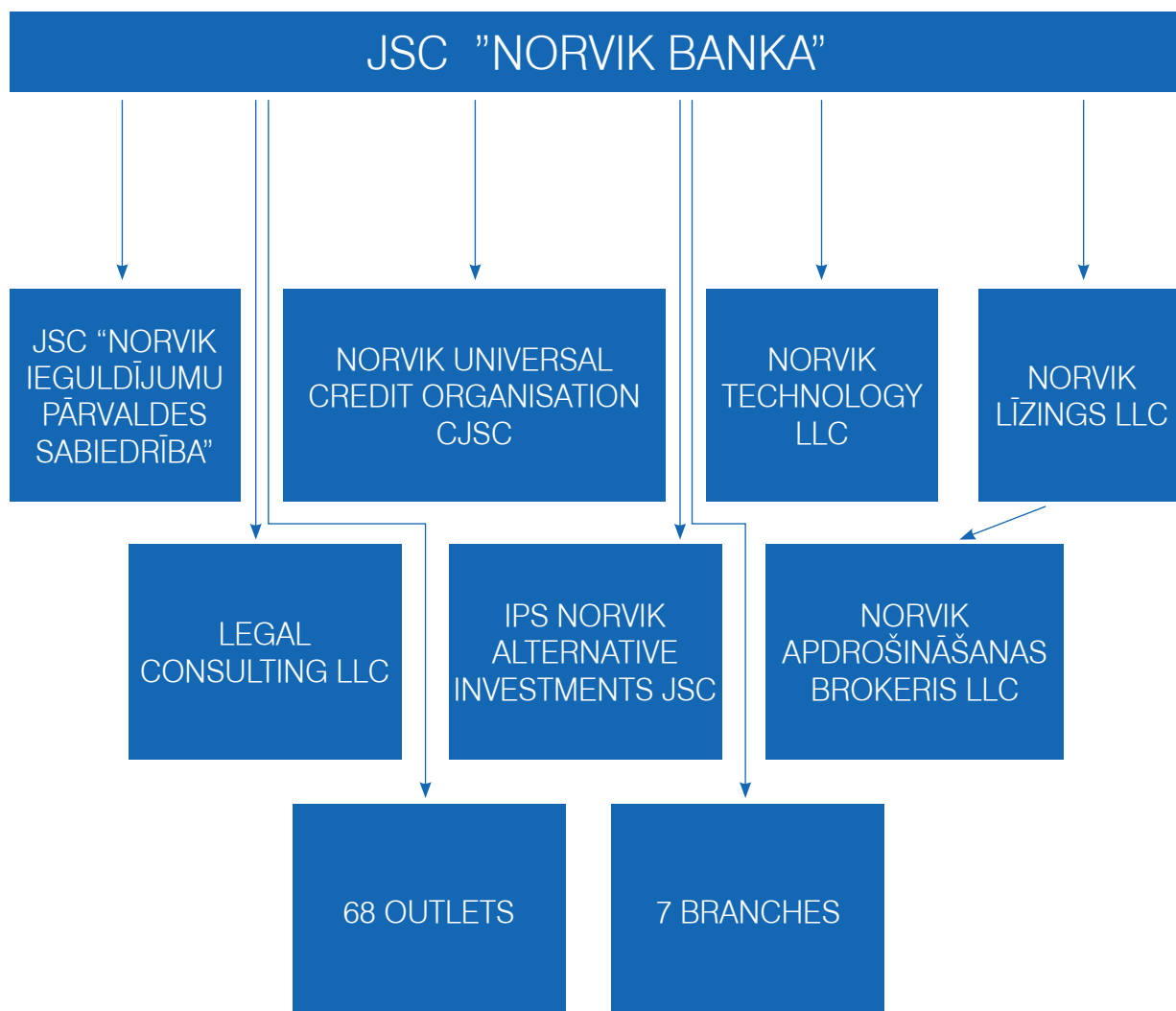
JSC „NORVIK BANKA”

MANAGEMENT BOARD AS OF 30 SEPTEMBER 2009

Chairman of the Management Board
Members of the Management Board

Andrejs Svirčenkova
Jurijs Šapurovs
Sergejs Gusarova
Aldis Upenieks
Laima Saltuma
Marija Stepiņa

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

Fitch Ratings

<http://www.fitchratings.com/>

Moody's Investors Service

<http://www.moodys.com/>

TYPES OF RATING ASSIGNED

Fitch Ratings

Long Term Issuer Default Rating
Short Term Rating
Individual
Outlook
Support

B
B
D/E
RWN
5

Moody's Investors Service

Bank financial strength rating (BFSR)

E+
(mapping to a
Baseline Credit
Assessment (BCA)
of B1)
B1
Not-Prime
Negative

Long-term deposit rating
Short-term deposit rating
Outlook

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. Assessment 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

Fitch Ratings

22.12.2003 22.08.2005 25.10.2006 15.01.2008 14.08.2008 03.12.2008 08.04.2009

Long Term Issuer Default Rating
Short Term Rating
Individual
Outlook
Support

B+	B+	B+	B+	B+	B+	B
B	B	B	B	B	B	B
D	D	D	D	D	D	D/E
Stable	Stable	Positive	Stable	Stable	RWN	RWN
5	5	5	5	5	5	5

Moody's Investors Service

27.06.2007 04.07.2008 13.11.2008 25.06.2009 25.09.2009

Bank financial strength rating (BFSR)

D-	D-	D-	E+	E+
				(mapping to a Baseline Credit Assessment (BCA) of B1)
				B1

Long-term deposit rating
Short-term deposit rating
Outlook

Ba3	Ba3	Ba3	B1	
Not-Prime	Not-Prime	Not-Prime	Not-Prime	Not-Prime
Stable	Stable	Negative	Negative	Negative

FINANCIAL STATEMENTS APPENDIX

APPENDIX 1 TO
FINANCIAL AND CAPITAL MARKET COMMISSION
15.09.2006. REGULATIONS NO. 145

BALANCE SHEET

September 30, 2009 (last date of the reporting period)

Item	Reporting period (LVL'000)	Preceding reporting year (LVL'000)
Cash and demand claims on the central bank	30 499	58 621
Demand claims on credit institutions	48 669	31 743
Financial assets held for trading	16 964	16 948
Financial assets at fair value through profit or loss	523	465
Available-for-sale financial assets	27 614	38 569
Loans and receivables	306 999	330 672
Held-to-maturity investments	0	11 441
Interest risk protected portfolio share's fair value changes		0
Deferred expenses and accrued income	320	517
Fixed assets	1 759	2 289
Investment property	4 367	4 367
Intangible assets	867	808
Participation in the share capital of associated and related undertakings	3 678	3 574
Tax assets	538	1 629
Other assets	2 214	637
Total assets	445 011	502 280
Liabilities to central banks	0	0
Demand liabilities to credit institutions	777	3 475
Financial liabilities held for trading	3 316	5 621
Financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortised value	369 104	435 800
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	448	1 085
Provisions	118	261
Tax liabilities	637	557
Other liabilities	12 577	1 197
Total liabilities	386 977	447 996
Capital and reserves	58 034	54 284
Total capital and reserves and liabilities	445 011	502 280
Commitments and contingencies	17 711	18 680
Contingent liabilities	5 815	5 275
Liabilities to customers	11 896	13 405

APPENDIX 2 TO
FINANCIAL AND CAPITAL MARKET COMMISSION
15.09.2006. REGULATIONS NO. 145

PROFIT/LOSS STATEMENT

September 30, 2009 (last date of the reporting period)

Item	Reporting period (LVL'000)	Respective period of the preceding reporting year 30.09.2008 (LVL'000)
Interest income	22 559	32 423
Interest expense	(13 942)	(16 049)
Dividend income	35	4
Fee and commission income	5 636	6 236
Fee and commission expenses	(1 052)	(1 184)
Net realised profit/loss from financial assets and financial liabilities amortised value	0	0
Net realised profit/loss from financial assets available for sale	(477)	0
Net profit/loss from financial assets and financial liabilities held for trading	969	4 102
Net profit/loss for financial assets and financial liabilities at fair value through profit or loss	166	(437)
Changes in fair value due to risk minimization accounting	0	0
Profit/loss from dealing and revaluation of foreign currencies	4 691	1 071
Profit/loss from derecognition of property, equipment and machinery, investment property and intangible assets	0	0
Other income	5 259	983
Other expense	(627)	(504)
Administrative expenses	(11 781)	(13 302)
Depreciation and amortization	(850)	(830)
Provisions for debts impairment and liabilities	(12 286)	(3 766)
Impairment losses	5 068	0
Income tax	(357)	(1 129)
Profit/loss of the reporting period	3 011	7 618

FINANCIAL STATEMENTS APPENDIX

APPENDIX 3 TO
FINANCIAL AND CAPITAL MARKET COMMISSION
15.09.2006. REGULATIONS NO. 145

PERFORMANCE INDICATORS OF BANK

September 30, 2009 (last date of the reporting period)

Item	Reporting period	Respective period of the preceding reporting year 30.09.2008
Return on equity (ROE) (%)	6,89	17,13
Return on assets (ROA) (%)	0,84	1,81

APPENDIX 4 TO
FINANCIAL AND CAPITAL MARKET COMMISSION
15.09.2006. REGULATIONS NO. 145

CONSOLIDATION GROUP COMPOSITION

September 30, 2009

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	ASC	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
5	LEGAL CONSULTING LLC	LV Latvia, Rīga, E. Birznieka-Upīša 21	OC	100	100	SC
6	IPS NORVIK ALTERNATIVE INVESTMENTS JSC	LV Latvia, Rīga, E. Birznieka-Upīša 21	ASC	75	75	SC

* BNK – bank, ASC - asset management 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.
INSC – insurance company

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