

PUBLIC REPORT OF THE BANK

4.2009

norvikbanka



FOR 4TH 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 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 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 IV quarter 2009 the Bank's liquidity ratio was 43-52% 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 31 December 2009 the amount of special provisions was 11 610 thousand LVL or 3.94% 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)	28 778 560	51.13	28 778
J. Šapurovs	11 129 726	19.77	11 130
A. Svirčenkova	11 129 698	19.77	11 130
Other (individually less than 10%)	5 252 297	9.33	5 252
Total	56 290 281	100.00	56 290

JSC "NORVIK BANKA"

SUPERVISORY COUNCIL AS OF 31 DECEMBER 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

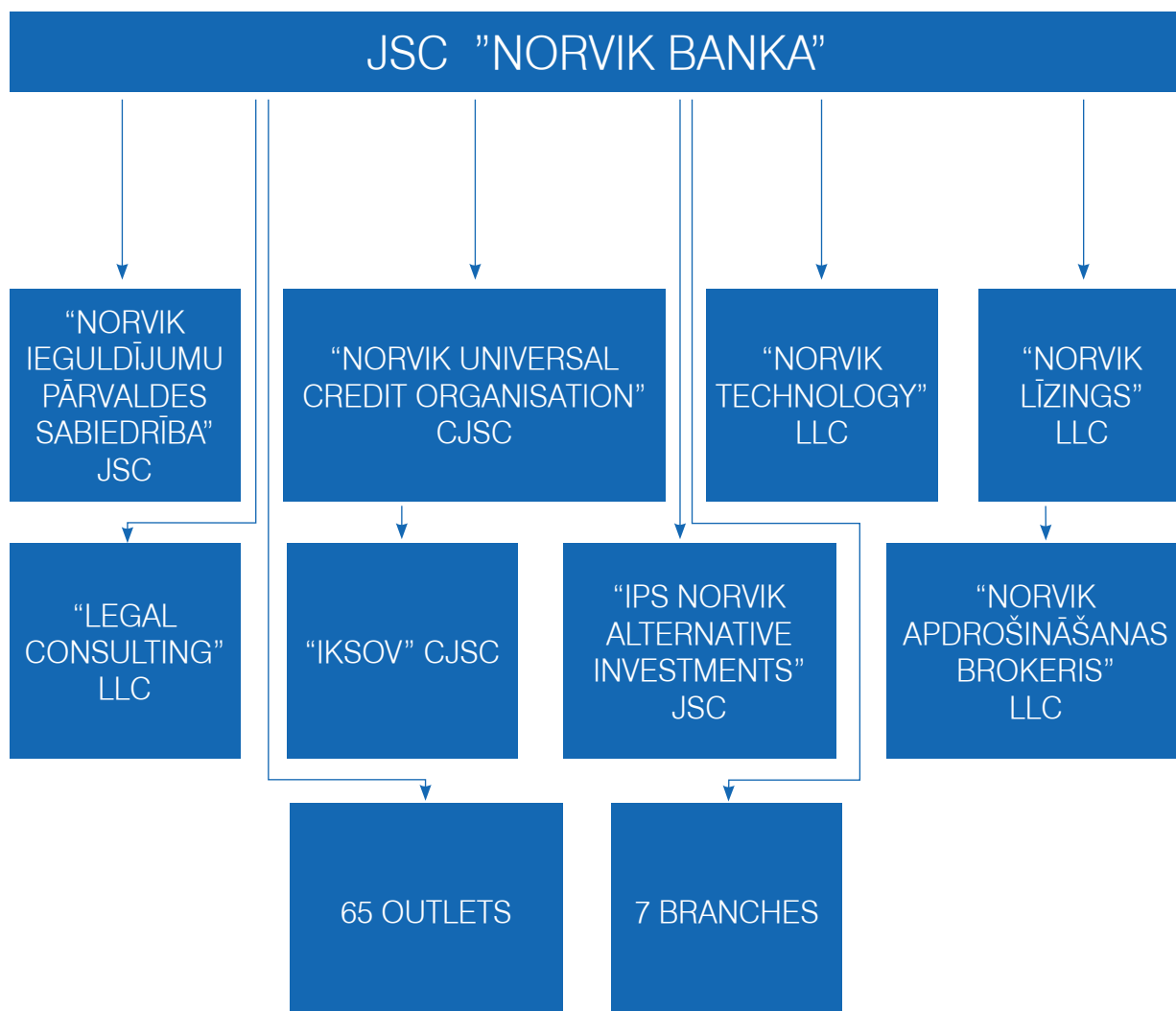
JSC "NORVIK BANKA"

MANAGEMENT BOARD AS OF 31 DECEMBER 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 AGENCIES

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
Negative
5

Moody's Investors Service

Bank financial strength rating (BFSR)

Long-term deposit rating
Short-term deposit rating
Outlook

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

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	21.12.2009
Long Term Issuer Default Rating	B+	B+	B+	B+	B+	B+	B	B
Short Term Rating	B	B	B	B	B	B	B	B
Individual	D	D	D	D	D	D	D/E	D/E
Outlook	Stable	Stable	Positive	Stable	Stable	RWN	RWN	Negative
Support	5	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	Ba3	Ba3	Ba3	B1	B1			
Short-term deposit rating	Not-Prime	Not-Prime	Not-Prime	Not-Prime	Not-Prime			
Outlook	Stable	Stable	Negative	Negative	Negative			

FINANSIAL STATEMENTS APPENDIX

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

BALANCE SHEET

December 31, 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	39 285	58 621
Demand claims on credit institutions	64 382	31 743
Financial assets held for trading	14 478	16 948
Financial assets at fair value through profit or loss	0	465
Available-for-sale financial assets	35 907	38 569
Loans and receivables	300 877	330 672
Held-to-maturity investments	0	11 441
Interest risk protected portfolio share's fair value changes	0	0
Deferred expenses and accrued income	530	517
Fixed assets	1 608	2 289
Investment property	4 367	4 367
Intangible assets	858	808
Participation in the share capital of associated and related undertakings	3 774	3 574
Tax assets	319	1 629
Other assets	2 073	637
Total assets	468 458	502 280
Liabilities to central banks	0	0
Demand liabilities to credit institutions	2 595	3 475
Financial liabilities held for trading	1 279	5 621
Financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortised value	394 733	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	595	1 085
Provisions	182	261
Tax liabilities	354	557
Other liabilities	7 947	1 197
Total liabilities	407 685	447 996
Capital and reserves	60 773	54 284
Total capital and reserves and liabilities	468 458	502 280
Commitments and contingencies	21 044	18 680
Contingent liabilities	5 256	5 275
Liabilities to customers	15 788	13 405

PROFIT/LOSS STATEMENT

December 31, 2009 (last date of the reporting period)

Item	Reporting period (LVL'000)	Respective period of the preceding reporting year 31.12.2008 (LVL'000)
Interest income	28 136	43 419
Interest expense	(17 682)	(21 617)
Dividend income	35	19
Fee and commission income	7 616	8 396
Fee and commission expenses	(1 515)	(1 745)
Net realised profit/loss from financial assets and financial liabilities amortised value	0	0
Net realised profit/loss from financial assets available for sale	1 633	(47)
Net profit/loss from financial assets and financial liabilities held for trading	1 504	1 841
Net profit/loss for financial assets and financial liabilities at fair value through profit or loss	167	(582)
Changes in fair value due to risk minimization accounting	0	0
Profit/loss from dealing and revaluation of foreign currencies	5 669	3 111
Profit/loss from derecognition of property, equipment and machinery, investment property and intangible assets	0	0
Other income	5 698	1 554
Other expense	(911)	(795)
Administrative expenses	(15 706)	(18 302)
Depreciation and amortization	(1 124)	(1 129)
Provisions for debts impairment and liabilities	(8 585)	(7 973)
Impairment losses	0	0
Income tax	(374)	(916)
Profit/loss of the reporting period	4 561	5 234

FINANCIAL STATEMENTS APPENDIX

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

PERFORMANCE INDICATORS OF BANK

December 31, 2009 (last date of the reporting period)

Item	Reporting period	Respective period of the preceding reporting year 31.12.2008
Return on equity (ROE) (%)	7,83	8,71
Return on assets (ROA) (%)	0,96	0,94

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

CONSOLIDATION GROUP COMPOSITION

December 31, 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	"NORVIK IEGULDĪJUMU PĀRVALDES SABIEDRĪBA" JSC	LV, Latvia, Rīga, E. Birznieka-Upīša 21	ASC	100	100	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, INSC – insurance company, 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.

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