

PUBLIC REPORT OF THE BANK | II.2011

norvikbanka



FOR II QUARTER OF YEAR 2011



DEAR CUSTOMERS AND SHAREHOLDERS!

The Bank's activity in the first half-year is characterised by stable main financial rates, inter alia, operating income and profit of the Group's subsidiary companies. Consolidated operating income of the Bank Group demonstrates stable progressive tendency, mainly due to successful operation in segment of products related to risks and growth of commission income.

According to the approved development strategy, the Bank continues to improve quality of credit portfolio, clearly testified by the profit indices. Losses of the first half-year of 2011 displayed at Group's level make the amount of savings kept for decrease of value of assets.

Success of the Bank is also characterised by increase of number of customers. It increased by 6 200 new customers during accounting period, and by the end of June the total number of customers was 143 500. Two new customer service centres were also opened during accounting period, and, by the 30th of June, 2011, the total number of customer service centres was 75.

Growth is also characterised by amount of deposits attracted that increased by 8 844 thousands LVL, totalling of 516 748 thousands LVL by the 30th of June.

In order to support development of business, shareholders increased Bank's equity capital for 1 100 thousands LVL. The amount of subordinated loans also increased making 10 184 thousands LVL, thus additionally strengthening basis of the Bank's capital.

"NORVIK leguldījumu pārvaldes sabiedrība" increased amount of assets of the 2nd pension level funds for 2.4 millions LVL that reached 35 millions LVL by the end of accounting period. In general, company's market share in means of number of participants of pension plans has increased by 5%.

To reach maximum stability of the Bank's operation, prior branches of development are determined, upon which it is necessary to concentrate its activity in corporate and individual segments of local and foreign markets.

In July, 2011, NORVIK BANKA repeatedly received the award by the biggest American bank JP MORGAN CHASE BANK, N.A. NEW YORK - Quality Recognition Award for high quality of processing of outgoing payments performed by the Bank. NORVIK BANKA has been also awarded by one of the biggest European banks, Deutsche Bank, for high quality of transactions processed in EUR and USD currencies in 2010.

Several subsidiary companies included in the Group also performed successfully in the first half-year of 2011. The most outstanding was subsidiary company "AS "NORVIK" Universal Credit Organization" that works in Armenian market. During accounting period it worked with profit of 565 thousands LVL.

SINCERELY YOURS,
NORVIK BANKA

Riga, 30th June 2011



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 inter-banking transactions), in order to always have sufficient funds for fulfillment 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 II quarter 2011 the Bank's liquidity ratio was 57-70%, 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 June 2011 the amount of special provisions was 27 274 thousand LVL or 8.89% of the total loan portfolio. Capital adequacy ratio for the II quarter 2011, adjusted for special provisions, was 10.07%. The Bank's Board and the Credit Committee ensure credit risk management and the Credit Supervision Department 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	50.15	28 779
J. Šapurovs	11 347 218	19.77	11 347
A. Svirčenkova	11 347 190	19.77	11 347
Other (individually less than 10%)	5 917 313	10.31	5 917
Total	57 390 281	100.00	57 390

JSC "NORVIK BANKA"

SUPERVISORY COUNCIL AS AT 30 JUNE 2011

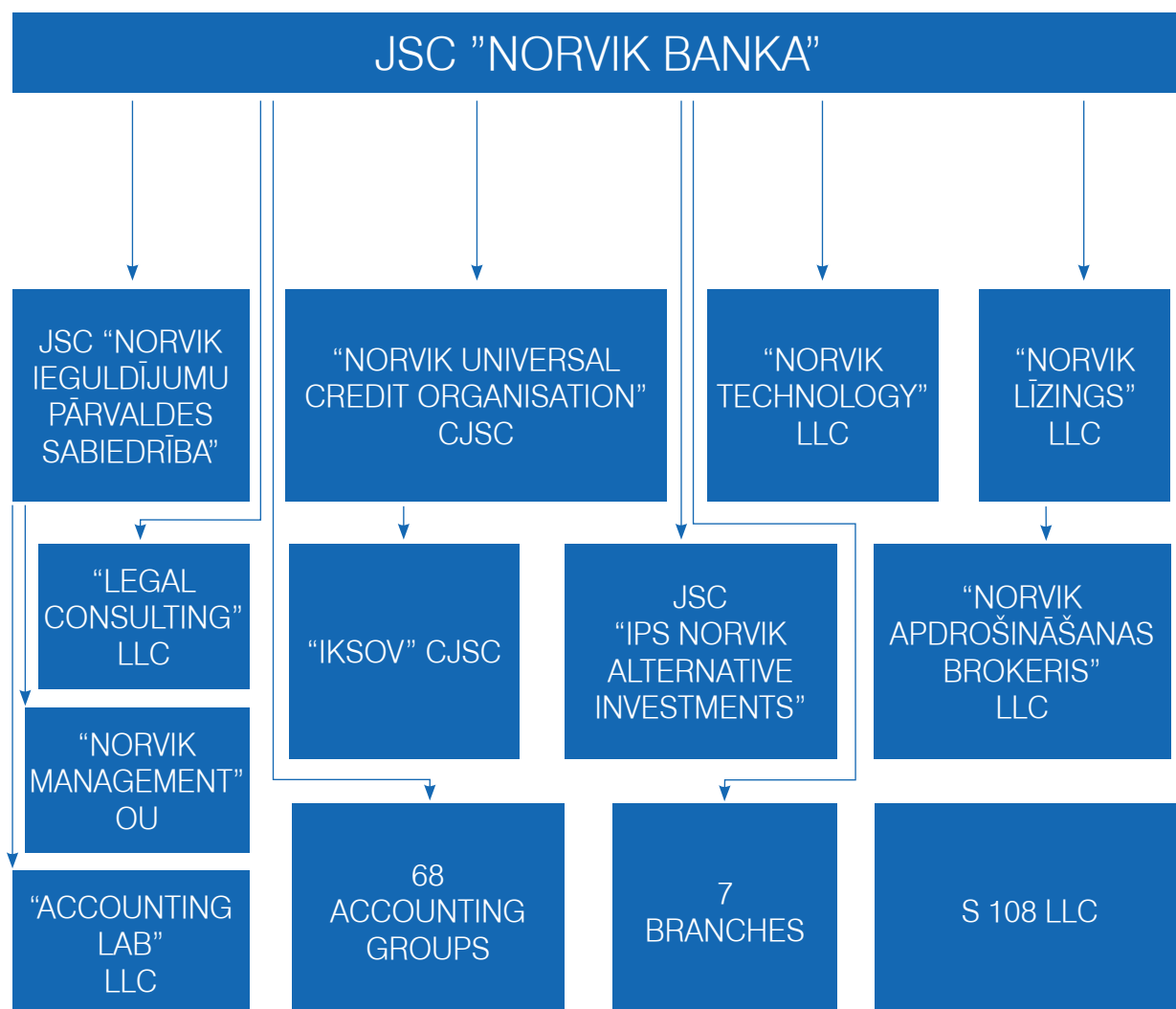
Chairman of the Supervisory Council	Jon Helgi Gudmundsson
Deputy Chairman of the Supervisory Council	Andrejs Svirčenkova
Members of the Supervisory Council	Brynja Halldorsdottir Hjalti Baldursson Valentina Keiša Jelena Svirčenkova

JSC "NORVIK BANKA"

MANAGEMENT BOARD AS AT 30 JUNE 2011

Chairwoman of the Management Board	Laima Saltuma
Members of the Management Board	Jurijs Šapurovs Aldis Upenieks Marija Stepiņa

STRUCTURE





STRATEGY AND GOALS

THE BANK RE-AFFIRMS ITS MISSION TO BE AN INNOVATIVE LATVIAN BANK WORKING TO SUPPORT ITS CUSTOMERS' BUSINESS AND THE LATVIAN ECONOMY'S DEVELOPMENT BY PROVIDING HIGH QUALITY BANKING SERVICES.

THE BANK'S/GROUP'S VALUES, NAMELY – QUALITY SERVICES, INNOVATIVE SOLUTIONS, POSITIVE WORK ENVIRONMENT AND EMPLOYEES PROFESSIONAL GROWTH, WILL REMAIN A TOP PRIORITY.

THE STRATEGY IMPLEMENTATION NEEDS TO BE BASED ON THE FOLLOWING PILLARS:

- **Enhanced efficiency** of all business lines while well-diversified balance sheet
- Prudent **risk management and control**
- High **service quality** underpinned by operational excellence, professional staff and advanced technological solutions.

GENERAL TARGETS:

- **Improve asset quality.** The asset quality has to be improved to exceed average in the sector level.
- **Maintain funding stability.** Ensure funding diversification, funding stability has to be sustained. Funding base has to be further diversified to enhance the Bank's resilience to any external downturn. More emphasis will be put on increasing term deposits.
- **Reach targeted financials.** The level of business, profitability and key performance indicators set in this strategy has to be reached.
- **Increase intangible value.** The group's intangible value has to be increased by its franchise strengthening, sophisticated products, strong management and sound corporate culture.



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

Country	Total book value (000'LVL)	% from Bank`s equity
LV	51 577	103,01
incl.central government	42 828	85,53
MT	11 008	21,99
RU	15 816	31,59

There no provisions or impairment recognized

FINANCIAL STATEMENTS APPENDIX

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

BALANCE SHEET

June 30, 2011 (last date of the reporting period)

Item	Reporting period (LVL' 000)	Preceding reporting year (LVL' 000)
Cash and demand claims on the central bank	23 747	81 360
Demand claims on credit institutions	132 022	93 717
Financial assets held for trading	30 735	27 019
Financial assets at fair value through profit or loss	0	0
Available-for-sale financial assets	79 158	48 427
Loans and receivables	293 195	313 309
Held-to-maturity investments	0	0
Interest risk protected portfolio share's fair value changes	0	0
Deferred expenses and accrued income	525	431
Fixed assets	3 470	3 641
Investment property	11 609	5 200
Intangible assets	702	785
Participation in the share capital of associated and related undertakings	15 990	3 774
Tax assets	24	1 420
Other assets	5 820	8 097
Total assets	596 997	587 180
Liabilities to central banks	0	0
Demand liabilities to credit institutions	939	2 821
Financial liabilities held for trading	2 704	1 777
Financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortised value	527 925	520 131
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	632	876
Provisions	316	139
Tax liabilities	439	439
Other liabilities	4 728	2 031
Total liabilities	537 683	528 214
Capital and reserves	59 314	58 966
Total capital and reserves and liabilities	596 997	587 180
Commitments and contingencies	25 307	41 162
Contingent liabilities	2 951	4 362
Liabilities to customers	22 356	36 800

PROFIT/LOSS STATEMENT

June 30, 2011 (last date of the reporting period)

Item	Reporting period (LVL' 000)	Respective period of the preceding reporting year 30.06.2010 (LVL' 000)
Interest income	9 290	11 196
Interest expense	(5 540)	(7 071)
Dividend income	6 128	0
Fee and commission income	4 375	4 090
Fee and commission expenses	(698)	(702)
Net realised profit/loss from financial assets and financial liabilities amortised value	0	0
Net realised profit/loss from financial assets available for sale	(26)	(740)
Net profit/loss from financial assets and financial liabilities held for trading	(181)	410
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	3 552	3 148
Profit/loss from derecognition of property, equipment and machinery, investment property and intangible assets	0	0
Other income	1 741	1 880
Other expense	(270)	(317)
Administrative expenses	(7 660)	(7 176)
Depreciation and amortization	(397)	(525)
Provisions for debts impairment and liabilities	(9 837)	(3 221)
Impairment losses	0	0
Income tax	(217)	(321)
Profit/loss of the reporting period	260	651

FINANCIAL STATEMENTS APPENDIX

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

PERFORMANCE INDICATORS OF BANK

June 30, 2011 (last date of the reporting period)

Item	Reporting period	Respective period of the preceding reporting year 30.06.2010
Return on equity (ROE) (%)	0,88	2,16
Return on assets (ROA) (%)	0,08	0,25

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

CONSOLIDATION GROUP COMPOSITION

June 30, 2011, 2011

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	100	100	SC
2	CJSC "NORVIK UNIVERSAL CREDIT ORGANISATION"	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	JSC "IPS NORVIK ALTERNATIVE INVESTMENTS"	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.

norvikbanka

www.norvik.lv