

PUBLIC REPORT | IV.2011
OF THE BANK

*norvik*banka



FOR IV QUARTER OF YEAR 2011



DEAR CUSTOMERS AND SHAREHOLDERS!

In 2011, the key factor that characterizes activity of "NORVIK BANKA" JSC and its Group is stability of main financial indices, inter alia, operating income and profit of subsidiary companies of the Group. Consolidated operating income of Bank Group retain stable growing trend, mainly due to successful operation in segment of products related to risk and increase of commission income.

Success of the Bank is also characterized by increase of number of customers during accounting period. Number of new customers increased for 5 315, reaching 150 202 people by the end of accounting period. Two new customer service centres were opened during accounting period, thus reaching total number of 78 customer service centres by the 31st of December, 2011.

Several subsidiary companies of the Group also finished year 2011 successfully. "NORVIK ieguldījumu pārvaldes sabiedrība" JSC increased amount of fund assets of the 2nd pension tier for 10.7%.

Work upon attraction of new customers was also successful, and number of customers of the company increased for 11.7%. The company finished accounting period with profit of LVL 57.3 thousands.

Armenian subsidiary company of the Bank "NORVIK Universal Credit Organization" CJSC finished accounting period with profit of LVL 1 million. Other subsidiary companies of the Bank, for example, "Legal consulting" LLC, "Norvik Technology" LLC, "Norvik Apdrošināšanas Brokeris" LLC, and "Accounting Lab" LLC finished accounting period with profit.

To achieve maximum stability of the bank, prior sectors of support are determined, upon which operation in private and corporative segments both in local and foreign markets should be concentrated.

Sincerely yours,
NORVIK BANKA



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 IV quarter 2011 the Bank's liquidity ratio was 44-59%, 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 2011 the amount of special provisions was 19 329 thousand LVL or 6.98% of the total loan portfolio. Capital adequacy ratio for the IV quarter 2011, adjusted for special provisions, was 11.26%. 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. Svirčenkovs	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 31 DECEMBER 2011

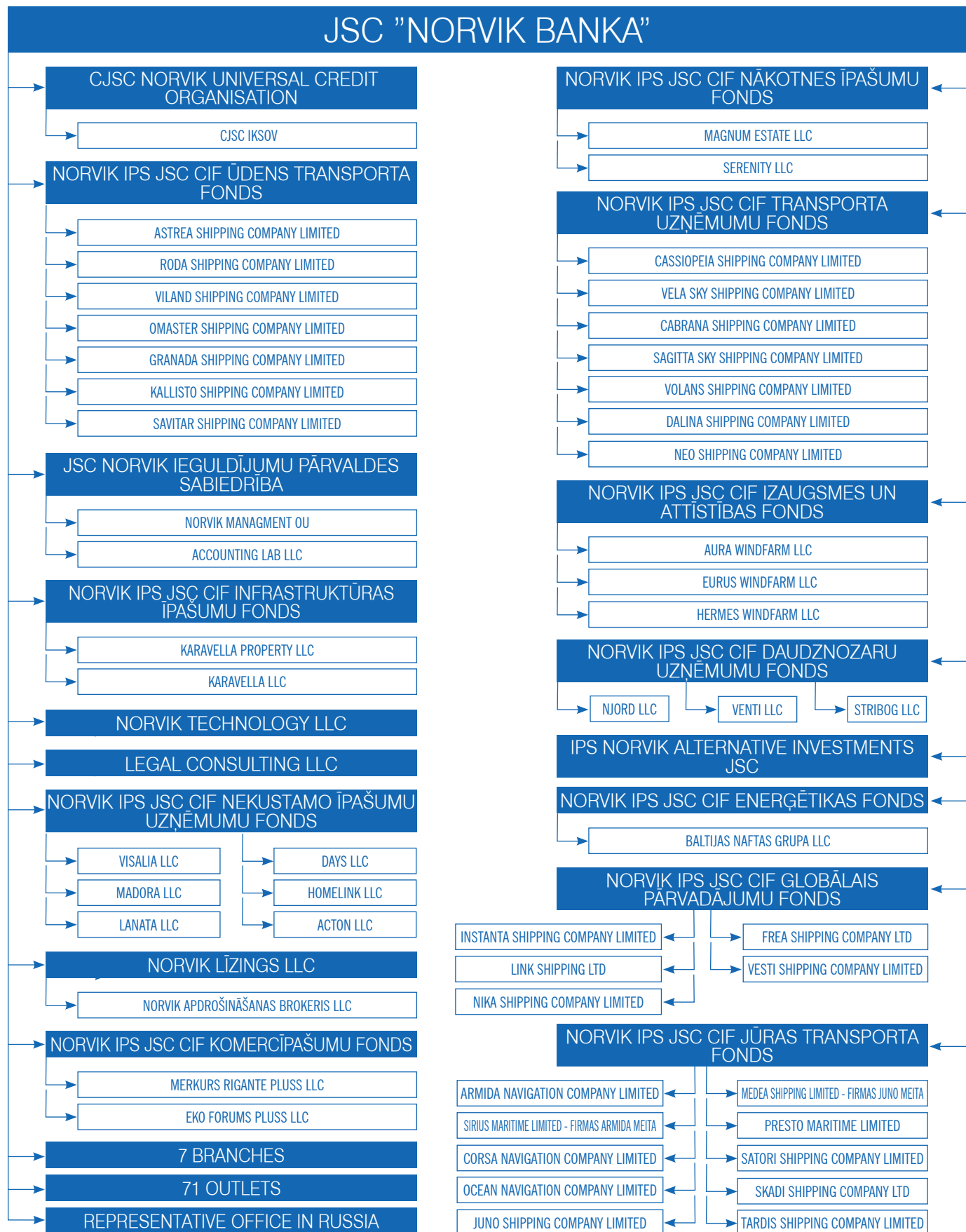
Chairman of the Supervisory Council	Hjalti Baldursson
Deputy Chairman of the Supervisory Council	Baiba Strupiša
Member of the Supervisory Council	Valentīna Keiša

JSC "NORVIK BANKA"

MANAGEMENT BOARD AS AT 31 DECEMBER 2011

Chairwoman of the Management Board	Laima Saltuma
Deputy Chairman of the Management Board	Jurijs Šapurovs
Members of the Management Board	Marija Stepiņa Aleksandrs Fedosejevs Einārs Vaivods

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	The recognised amount of the impairment (000'LVL)
LV	96 204	181,63%	-4 087
incl.central government	29 440	55,58%	
MT	10 457	19,74%	
RU	27 459	51,84%	
incl.central government	27 459	51,84%	

No impairment losses are made

FINANCIAL STATEMENTS APPENDIX

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

BALANCE SHEET

December 31, 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	29 917	81 360
Demand claims on credit institutions	44 795	93 717
Financial assets held for trading	41 330	27 019
Financial assets at fair value through profit or loss	0	0
Available-for-sale financial assets	121 893	48 427
Loans and receivables	318 890	313 309
Held-to-maturity investments	0	0
Interest risk protected portfolio share's fair value changes	0	0
Deferred expenses and accrued income	901	431
Fixed assets	12 366	3 641
Investment property	11 533	5 200
Intangible assets	581	785
Participation in the share capital of associated and related undertakings	9 772	3 774
Tax assets	24	1 420
Other assets	3 417	8 097
Total assets	595 419	587 180
Liabilities to central banks	0	0
Demand liabilities to credit institutions	1 706	2 821
Financial liabilities held for trading	964	1 777
Financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortised value	531 687	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	831	876
Provisions	464	139
Tax liabilities	544	439
Other liabilities	11 653	2 031
Total liabilities	547 849	528 214
Capital and reserves	47 570	58 966
Total capital and reserves and liabilities	595 419	587 180
Commitments and contingencies	13 142	41 162
Contingent liabilities	2 722	4 362
Liabilities to customers	10 420	36 800

PROFIT/LOSS STATEMENT

December 31, 2011 (last date of the reporting period)

Item	Reporting period (LVL' 000)	Respective period of the preceding reporting year 31.12.2010 (LVL' 000)
Interest income	18 155	21 509
Interest expense	(10 573)	(12 893)
Dividend income	6 129	2
Fee and commission income	9 770	8 588
Fee and commission expenses	(1 637)	(1 536)
Net realised profit/loss from financial assets and financial liabilities amortised value	0	0
Net realised profit/loss from financial assets available for sale	(507)	880
Net profit/loss from financial assets and financial liabilities held for trading	399	696
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	6 372	6 099
Profit/loss from derecognition of property, equipment and machinery, investment property and intangible assets	0	0
Other income	2 593	2 509
Other expense	(603)	(676)
Administrative expenses	(15 522)	(14 770)
Depreciation and amortization	(749)	(917)
Provisions for debts impairment and liabilities	(12 497)	(9 470)
Impairment losses	(4 087)	0
Income tax	(296)	243
Profit/loss of the reporting period	(3 053)	264

FINANCIAL STATEMENTS APPENDIX

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

PERFORMANCE INDICATORS OF BANK

December 31, 2011 (last date of the reporting period)

Item	Reporting period	Respective period of the preceding reporting year 31.12.2010
Return on equity (ROE) (%)	-5,38	0,48
Return on assets (ROA) (%)	-0,48	0,05

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

CONSOLIDATION GROUP COMPOSITION

December 31, 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	100	100	SC
5	NORVIK IPS JSC CIF ŪDENS TRANSPORTA FONDS	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
6	NORVIK IPS JSC CIF JŪRAS TRANSPORTA FONDS	AM, Armenia, Yerevan, KHANJYAN 41, APT. 3, 4, 5	OFI	100	100	SC
7	NORVIK IPS JSC CIF GLOBĀLAIS PĀRVADĀJUMU FONDS	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
8	NORVIK IPS JSC CIF NEKUSTAMO ĪPAŠUMU UZŅĒMUMU FONDS	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC

* BNK – bank, ASC - asset management company, INVC – investment company, PF – pension fund, OFI – other financial institution, FHC – financial holding company, OC – other company, INSC – insurance company

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

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