

**JSC „NORVIK BANKA”  
PUBLIC REPORT  
1 QUARTER 2012**

## **DEAR CUSTOMERS AND SHAREHOLDERS!**

Hereby we present the financial report on operation of the “NORVIK BANKA” JSC in the first quarter of 2012 for your assessment.

In the first quarter of 2012, the “NORVIK BANKA” JSC and its Group continued showing stable results of operation. The amount of Bank’s assets had increased for 7.8% since the beginning of the year reaching LVL 638.7 millions at the end of the accounting period. The amount of commissions and interest incomes reached LVL 6.6 millions. The Bank settled the accounting period with profit of LVL 1.8 millions.

Number of customers increased for 2 164 during the accounting period, and the total number of customers was 152 366 at the end of the period. The Bank also kept working upon the Bank’s accessibility, and two new customer service centres were opened. Thus, the total number of customer service centres makes 80. The network of ATM friendly to the Bank was extended in the accounting period, supplementing it with ATM of “Citadele” and “SEB” banks.

The Bank continued paying particular attention to development of customer deposits’ basis, as it had been done previously already. As a result of efforts made, the amount of customer deposits, comparing with the data for January, 2012, increased for LVL 37.2 millions, reaching LVL 552.7 millions on March 31, 2012.

Several subsidiary companies of the Group also completed the first quarter of 2012 successfully. “NORVIK ieguldījumu pārvaldes sabiedrība” JSC had increased amount of 2<sup>nd</sup> tier pension fund’ assets for LVL 1.59 millions since the beginning of 2012, and total amount of assets reached LVL 38.9 millions on March 31, 2012. The work on involvement of new customers was also successful. In comparison to data for January 2012, number of company customers increased for 3.3% reaching 72.5 thousands people. The Bank’s Armenian subsidiary company “NORVIK Universal Credit Organization” JSC completed the accounting period with profit of LVL 294 thousands.

Sincerely yours,  
JSC „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 I quarter 2012 the Bank's liquidity ratio was 49-58%, 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 March 2012 the amount of special provisions was 22 752 thousand LVL or 7.82% of the total loan portfolio. Capital adequacy ratio for the I quarter 2012, adjusted for special provisions, was 10.77%. The Bank's Board and the Credit Committee ensure credit risk management and the Credit and Investment 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**

	<b>Number of shares</b>	<b>% of total shares</b>	<b>Paid up share capital</b>
			<b>LVL'000</b>
“Straumborg Ehf.” (Iceland)	11 372 087	19.82	11 372
J. Šapurovs	11 347 218	19.77	11 347
A. Svirčenkovs	11 347 190	19.77	11 347
Other (individually less than 10%)	23 323 786	40.64	23 324
<b>Total</b>	<b>57 390 281</b>	<b>100.00</b>	<b>57 390</b>

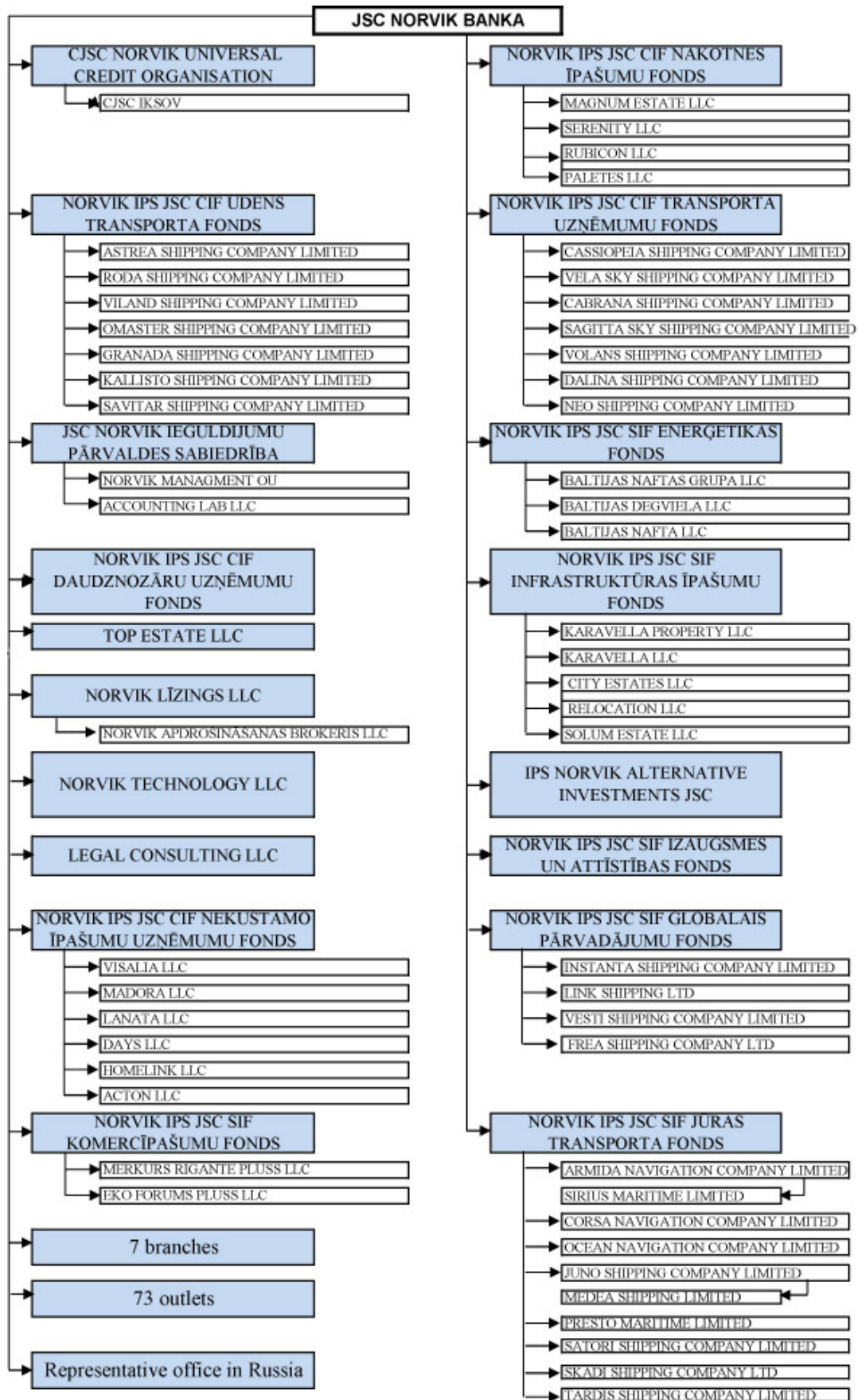
**JSC “NORVIK BANKA”  
Supervisory Council as at 31 March 2012**

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 March 2012**

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

## STRUCTURE



## STRATEGY AND GOALS

**THE BANK'S MISSION IS TO BE INNOVATIVE LATVIAN BANK OPERATING TO SUPPORT CUSTOMERS AND TO DEVELOP LATVIAN ECONOMICS, PROVIDING HIGH-QUALITY FINANCIAL SERVICES.**

**THE VALUES OF THE BANK AND THE GROUP OF ITS COMPANIES – HIGH QUALITY OF SERVICE, INNOVATIVE SOLUTIONS, POSITIVE WORK ENVIRONMENT AND PROFESSIONALISM OF EMPLOYEES – WILL BE THE MAIN PRIORITIES ALSO IN FUTURE.**

### **IMPLEMENTATION OF STRATEGY IS BASED ON FOLLOWING PRINCIPLES:**

- **Increase of business efficiency**, implementing diversification of the business structure;
- **Deliberative risk management and control**;
- **High quality of service**, based on excellence, professional employees and modern technological solutions.

### **MAIN GOALS:**

- **Increase of quality of assets.** Change of structure of assets by improving their profitability and management of current risks. Development of team of qualified and competent professionals to manage enveloped assets effectively by creating corresponding control environment to minimize damages.
- **Customer service.** Financing companies representing main segments of Latvian economics. Priorities include also transit business, agriculture, forestry, “green” energy, infrastructure, woodworking and medicine. Increase of profitability of customer service centres by improving efficiency of business processes, quality of services and implementation of new services taking into account market demands, as well as by improving repayment of consumption credits.
- **Partnership.** To become the accessible Bank with high service speed, development of partnership with public and private structures to extend range of services offered in customer service centres. Creation of modern, functional and secure mobile and Internet platforms by increasing their virtual accessibility, and development of competitiveness and advantages of existing Internet banking system e-Norvik.

## FINANCIAL STATEMENTS APPENDIX

Appendix 1  
to Financial and Capital Market Commission  
15.09.2006. regulations No. 145

### Balance Sheet

March 31, 2012

(last date of the reporting period)

(LVL' 000)

Item	Reporting period	Preceding reporting year
Cash and demand claims on the central bank	23 009	29 917
Demand claims on credit institutions	109 354	44 796
Financial assets held for trading	38 361	41 330
Financial assets at fair value through profit or loss	0	0
Available-for-sale financial assets	130 006	124 844
Loans and receivables	298 665	313 349
Held-to-maturity investments	397	0
Interest risk protected portfolio share's fair value changes	0	0
Deferred expenses and accrued income	826	916
Fixed assets	12 214	12 366
Investment property	11 533	11 533
Intangible assets	515	581
Participation in the share capital of associated and related undertakings	9 736	9 672
Tax assets	24	1 197
Other assets	4 086	2 183
<b>Total assets</b>	<b>638 726</b>	<b>592 684</b>
Liabilities to central banks	0	0
Demand liabilities to credit institutions	6 138	1 723
Financial liabilities held for trading	1 663	964
Financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortised value	570 876	541 355
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	922	809
Provisions	464	464
Tax liabilities	560	565
Other liabilities	10 870	1 855

<b>Total liabilities</b>	<b>591 493</b>	<b>547 735</b>
Capital and reserves	47 233	44 949
<b>Total capital and reserves and liabilities</b>	<b>638 726</b>	<b>592 684</b>
Commitments and contingencies	11 524	13 142
Contingent liabilities	3 210	2 722
Liabilities to customers	8 314	10 420



## Profit/Loss Statement

March 31, 2012

(last date of the reporting period)

(LVL' 000)

Item	Reporting period	Respective period of the preceding reporting year 31.03.2011
Interest income	3 816	4 617
Interest expense	( 2 411)	( 2 858)
Dividend income	0	3 324
Fee and commission income	2 810	2 096
Fee and commission expenses	( 369)	( 318)
Net realised profit/loss from financial assets and financial liabilities amortised value	0	0
Net realised profit/loss from financial assets available for sale	0	( 190)
Net profit/loss from financial assets and financial liabilities held for trading	( 348)	0
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	2 378	2 139
Profit/loss from derecognition of property, equipment and machinery, investment property and intangible assets	0	0
Other income	391	281
Other expense	( 84)	( 143)
Administrative expenses	( 3 407)	( 3 642)
Depreciation and amortization	( 234)	( 203)
Provisions for debts impairment and liabilities	628	( 4 748)
Impairment losses	( 1 318)	0
Income tax	( 37)	( 35)
<b>Profit/loss of the reporting period</b>	<b>1 815</b>	<b>320</b>

**Performance Indicators of Bank**

March 31, 2012

(last date of the reporting period)

<b>Item</b>	<b>Reporting period</b>	<b>Respective period of the preceding reporting year 31.03.2011</b>
Return on equity (ROE) (%)	15,44	2,39
Return on assets (ROA) (%)	1,11	0,23

## Consolidation Group Composition

March 31, 2012

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
9	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
10	NORVIK IPS JSC SIF TRANSPORTA UZŅĒMUMU FONDS	AM, Armenia, Yerevan, KHANJYAN 41, APT. 3, 4, 5	OFI	100	100	SC
11	NORVIK IPS JSC SIF INFRASTRUKTŪRAS ĪPAŠUMU FONDS	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
12	NORVIK IPS JSC SIF KOMERCĪPAŠUMU 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.

**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)
<b>LV</b>	<b>97 237</b>	<b>190,18%</b>	<b>-1 318</b>
incl.central government	26 278	51,40%	
<b>LT</b>	<b>5 456</b>	<b>10,67%</b>	
incl.central government	5 456	10,67%	
<b>MT</b>	<b>10 688</b>	<b>20,90%</b>	
<b>PL</b>	<b>8 699</b>	<b>17,01%</b>	
incl.central government	8 699	17,01%	
<b>RU</b>	<b>6 051</b>	<b>11,83%</b>	
<b>US</b>	<b>21 675</b>	<b>42,39%</b>	
incl.central government	21 278	41,62%	

No impairment losses are made