

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

TABLE OF CONTENTS

Bank`s strategy and goals 3
Risk analysis..... 4
Bank`s shareholders, Council and management board 6
Bank`s organizational structure 7
Members of the consolidation group 8
Balance sheet statement..... 9
Profit/Loss statement 10
Overview of total capital and capital requirement calculation report..... 11
Performance indicators of Bank..... 12

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.

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 III quarter 2012 the Bank's liquidity ratio was 42-52%, 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 30 September 2012 the amount of special provisions was 25 461 thousand LVL or 9.38 % of the total loan portfolio. Capital adequacy ratio for the III quarter 2012, adjusted for special provisions, was 9.35%. 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.

Currency risk management 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.

Please see Risk management in details:

http://www.norvik.lv/files/pdf/finance/Info_atkl_2012_en.pdf

**JSC “NORVIK BANKA”
Shareholders as at 30 September 2012**

	Number of shares*	% of total shares	Paid up share capital LVL'000
“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
Total	57 390 281	100.00	57 390

* All shares are carrying identical voting rights. Each share has a par value of LVL 1.00 (one lat)

**JSC “NORVIK BANKA”
Supervisory Council as at 30 September 2012**

Chairman of the Supervisory Council
Deputy Chairman of the Supervisory Council
Member of the Supervisory Council

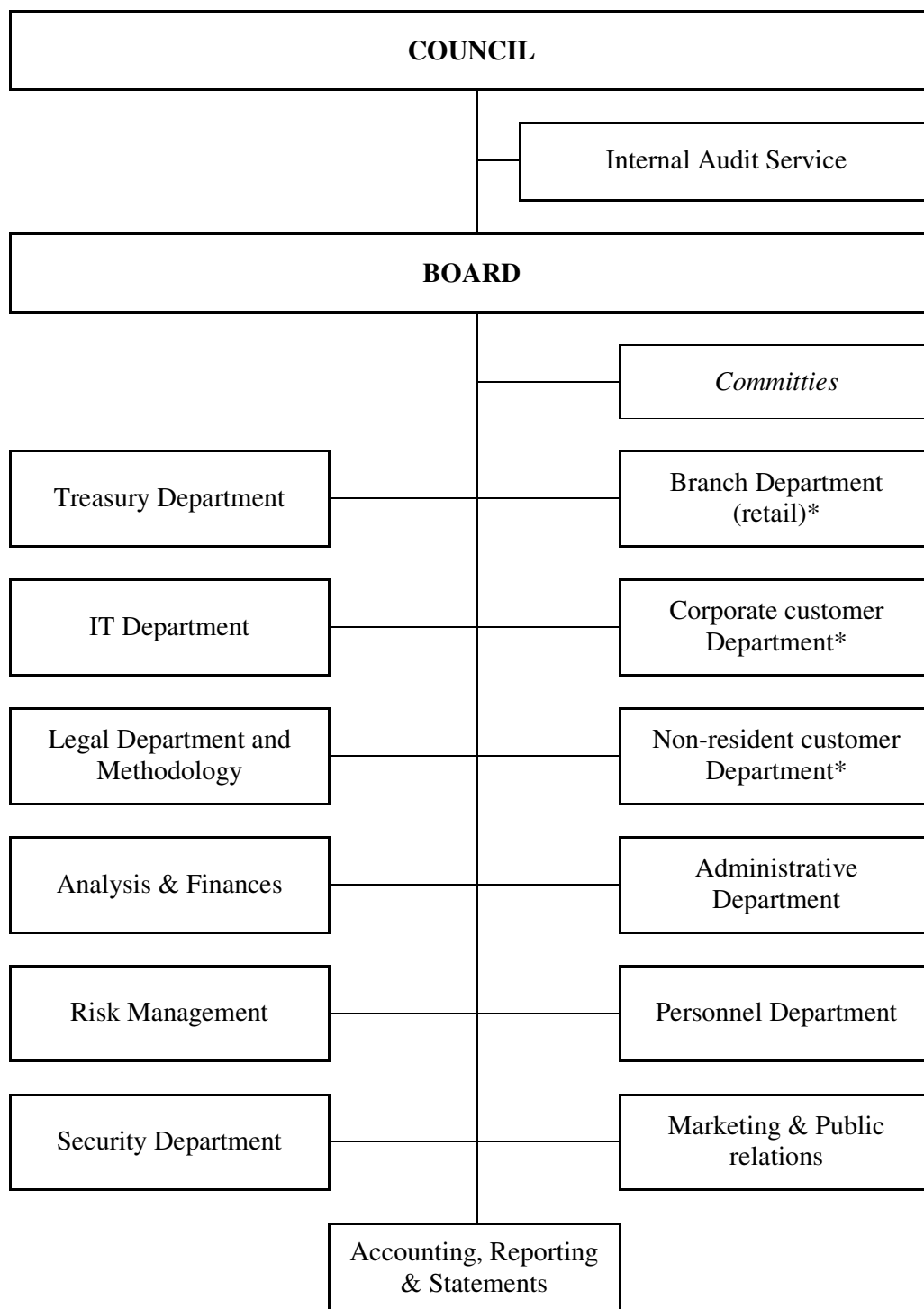
Hjalti Baldursson
Baiba Strupiša
Valentīna Keiša

**JSC “NORVIK BANKA”
Management Board as at 30 September 2012**

Chairwoman of the Management Board
Deputy Chairwoman of the Management Board
Members of the Management Board

Laima Saltuma
Jurijs Šapurovs
Marija Stepiņa
Aleksandrs Fedosejevs

JSC NORVIK BANKA ORGANISATIONAL STRUCTURE



* Branch list: <http://www.norvik.lv/lv/bank/branches/>

** Information about representative: http://www.norvik.lv/en/bank/contacts_moscow/

CONSOLIDATION GROUP COMPOSITION
30 september 2012

Ser No.	Name of company	Registration number	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 IEGULDIJUMU PARVALDES SABIEDRIBA"	40003411599	LV, Latvia, Rīga, E. Birznieka-Upīša 21	ASC	100	100	SC
2	CJSC "NORVIK UNIVERSAL CREDIT ORGANISATION"	14	AM, Armenia, Yerevan, KHANJYAN 41, APT. 3, 4, 5	OFI	100	100	SC
3	"NORVIK LĪZINGS" LLC	40003903469	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
4	JSC "IPS NORVIK ALTERNATIVE INVESTMENTS"	40103215129	LV, Latvia, Rīga, E. Birznieka-Upīša 21	ASC	100	100	SC
5	NORVIK IPS JSC CIF ŪDENS TRANSPORTA FONDS	40003411599	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
6	NORVIK IPS JSC CIF JŪRAS TRANSPORTA FONDS	40003411599	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
7	NORVIK IPS JSC CIF GLOBĀLAIS PĀRVADĀJUMU FONDS	40003411599	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
8	NORVIK IPS JSC CIF NEKUSTAMO ĪPAŠUMU UZŅĒMUMU FONDS	40003411599	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
9	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS	40003411599	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
10	NORVIK IPS JSC SIF TRANSPORTA UZŅĒMUMU FONDS	40003411599	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
11	NORVIK IPS JSC SIF INFRASTRUKTŪR AS ĪPAŠUMU FONDS	40003411599	LV, Latvia, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
12	NORVIK IPS JSC SIF KOMERCĪPAŠUMU FONDS	40003411599	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.

BALANCE SHEET
30 September 2012

(LVL '000)

Item	Reporting period	Preceding reporting year
Cash and demand claims on the central bank	78 804	29 917
Demand claims on credit institutions	69 133	44 796
Financial assets held for trading	30 320	41 330
Financial assets at fair value through profit or loss	0	0
Available-for-sale financial assets	118 242	124 844
Loans and receivables	263 251	313 349
Held-to-maturity investments	1 773	0
Interest risk protected portfolio share's fair value changes	0	0
Deferred expenses and accrued income	737	916
Fixed assets	11 964	12 366
Investment property	11 533	11 533
Intangible assets	429	581
Participation in the share capital of associated and related undertakings	9 672	9 672
Tax assets	0	1 197
Other assets	2 265	2 183
Total assets	598 123	592 684
Liabilities to central banks	0	0
Demand liabilities to credit institutions	6 099	1 723
Financial liabilities held for trading	5 328	964
Financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortised value	530 058	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	737	809
Provisions	506	464
Tax liabilities	549	565
Other liabilities	14 738	1 855
Total liabilities	558 015	547 735
Capital and reserves	40 108	44 949
Total capital and reserves and liabilities	598 123	592 684
Commitments and contingencies	10 284	13 142
Contingent liabilities	2 707	2 722
Liabilities to customers	7 577	10 420

PROFIT/LOSS STATEMENT
30 September 2012
(last date of the reporting period)

(LVL'000)

Item	Reporting period	Respective period of the preceding reporting year 30.09.2011
Interest income	11 494	13 819
Interest expense	(6 578)	(8 149)
Dividend income	2	6 129
Fee and commission income	8 690	6 970
Fee and commission expenses	(1 415)	(1 121)
Net realised profit/loss from financial assets and financial liabilities amortised value	0	0
Net realised profit/loss from financial assets available for sale	(782)	(507)
Net profit/loss from financial assets and financial liabilities held for trading	3 326	3 631
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	3 465	1 186
Profit/loss from derecognition of property, equipment and machinery, investment property and intangible assets	0	0
Other income	1 143	2 061
Other expense	(324)	(409)
Administrative expenses	(10 194)	(11 403)
Depreciation and amortization	(692)	(577)
Provisions for debts impairment and liabilities	(10 000)	(10 999)
Impairment losses	(5 704)	0
Income tax	(125)	(240)
Profit/loss of the reporting period	(7 694)	391

Independent auditors haven't audited Bank's/Group's financial statements during the reporting period.

TOTAL CAPITAL AND CAPITAL REQUIREMENT CALCULATION REPORT

30 September 2012

(last date of the reporting period)

(LVL' 000)

No.	Name of the position	Result of the period
1.	Total capital (1.1+1.2+1.3+1.6) or (1.4+1.5+1.6)	43 170
1.1	Tier 1	31 214
1.2	Tier 2	13 752
1.3	Expected loss from loans (-)	(1 796)
1.4	Tier 1 including expected loss from loans	30 316
1.5	Tier 2 including expected loss from loans	12 854
1.6	Tier 3	0
2.	Capital requirement calculation summary (2.1+2.2+2.3+2.4+2.5)	36 933
2.1	Credit risk capital requirement	31 477
2.2	Settlement / delivery risk capital requirement	0
2.3	Market risks capital requirement	1 369
2.4	Operational risk requirement	4 087
2.5	Other and transitional periods' capital requirements	0
	Additional information	
3.1	Capital requirement covered by total capital	6 237
	excluding other and transitional periods' capital requirements = 1-(2-2.5)	
3.1.a	Capital adequacy rate (%) including other and transitional periods' capital requirements = $1/(2-2.5)*8\%$	9.35%
3.2	Capital requirement covered by total capital	6 237
	(-) = 1-2	
3.2.a	Capital adequacy rate (%) = $1/2*8\%$	9.35%*

* Taking into consideration FCMC audit results and the actions taken by the Bank for capital strengthening, the CAR is 8.19%.

PERFORMANCE INDICATORS OF BANK

30 september 2012

(last date of the reporting period)

Item	Reporting period	Respective period of the preceding reporting year 30.09.2011
Return on equity (ROE) (%)	-23.49	0.89
Return on assets (ROA) (%)	-1.56	0.08

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

30 September 2012

Country	Trading portfolio (LVL'000)	Portfolio available for sale (LVL'000)	Total book value (000'LVL)	% from Bank's equity
Latvia	302	78 343	78 645	182.18%
incl.central government	302	18 084	18 386	42.59%
Lithuania	0	9 838	9 838	22.79%
incl.central government	0	9 838	9 838	22.79%
Malta	0	13 264	13 264	30.73%
Poland	0	9 049	9 049	20.96%
incl.central government	0	9 049	9 049	20.96%
Russia	8 284	0	8 284	19.19%

For financial instruments recognized in the balance sheet at amortized value (HTM financial assets) impairment allowances have not been made.

Recognized impairment of available-for-sale financial assets (LVL'000) is 5 640.