Risk management

The Group activity is a subject to different risks, and the Group's achievements depend on the effective risk management, its appropriate assessment and ongoing supervision. Risk strategy approved by the Group is based on the conservative risk management system with moderate risk appetite and use of prudent risk management methods. As a result, assets at risk should be diversified, market risk should be limited, operational risk should be minimal, and liquidity risk should be controlled. In order to manage, i.e. identify, assess, and control these risks, the Group has developed risk management policies, with the aim of achieving goals set by the risk strategy.

Risk management structure

The Management Board is ultimately responsible for identifying and controlling risks.

Supervisory Council
The Supervisory Council reviews and approves the risk management policies.

Management Board
The Management Board is responsible for the overall risk management approach, for the establishment of risk management principles and structure, as well as for the approval of the methodologies and procedures in order to ensure the implementation of risk management policies. The Management Board sets limits on total portfolios and restrictions on large exposures.

Assets and Liabilities Committee
The Assets and Liabilities Committee is responsible for monitoring of the management of assets and liabilities and sets limits on counterparties within limits and restrictions set by the Board.

Risk Management Committee
The Risk Management Committee supervises the risk management system and the capital adequacy assessment process. The Risk Management Committee is responsible for assessing the current quality of the Group's assets and off-balance sheet items, and for making decisions on provisions for and/or writing off impaired assets.

Credit Committee
The Credit Committee is responsible for the approval of the exposures within its competence and for the analysis of the credit portfolio quality.

Investments Committee
Investments Committee is responsible for matters related to the Bank's investments in financial instruments, equities (excluding listed shares), real estate etc.

Chief Risk Officer
Chief Risk Officer is responsible for performing comprehensive risk control functions, risk management, and coordination of all departments that are related to risk management.

Risk Management Department
Risk Management Department is responsible for the establishment of the Risk management system: identification and assessment of risks inherent in the Bank's activities, preparation and submission of risk reports. This unit also ensures the development of the Capital Adequacy Assessment Process.

Treasury
Treasury is responsible for managing assets and liabilities within set norms and limits, i.e. it is tasked with liquidity, funding and deposits pricing, foreign exchange risks and foreign exchange operations, mitigation of interest rate risks, cash management, as well as the Bank's securities portfolios' management.

Internal Audit
Internal Audit audits the Risk Management processes annually, examining both the adequacy of the policies and procedures, and the compliance with the internal and external requirements. Internal Audit discusses the results of its inspections with the management, and submits reports on inspection results with necessary recommendations to the Supervisory Council, Management Board, and corresponding units. Internal Audit performs follow-up engagements to check whether recommendations are followed and implemented.

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In order to ensure control and management of financial risks, the Management Board and Supervisory Council of the Group have approved the Credit policy, Investment policy, and Financial Risks Management and Control policy, with regard to such significant risks as liquidity risk, credit risk and market risk, as well as other documents that regulate the financial risk management system created by the Group.

Liquidity risk
Liquidity risk is the risk that the funds necessary to replace withdrawn deposits and other maturing liabilities, and to fulfill the lending commitments, could be insufficient when needed, leading to unexpected losses for the Bank and the Group.

The purpose of liquidity risk management is to ensure adequate liquid assets in order to be able to settle creditors' legal claims at any time.

The Bank manages liquidity at the Group level and the liquidity strategy focuses on providing liquidity to all subsidiaries included in the Group.

In order to ensure sufficient level of liquidity, the Bank:
1. evaluates and plans term structures of own assets and liabilities on a regular basis, sets internal limits on net positions and asset volumes,
2. maintains liquid assets at a required level (minimum required liquidity ratio level);
3. analyses funding structure regularly;
4. calculates and maintains the concentration limit for the liquidity ratio;
5. creates early warning indicators' system that can help identify liquidity positions weakness and the necessity to attract additional funding;
6. assesses and controls assets that could be used as collateral for borrowings in case of necessity;
7. performs liquidity stress testing in order to identify potential sources of liquidity risk and the liquidity reserve on a regular basis;
8. develops the effective activity plan for getting over the possible liquidity crisis.

The Financial Risk Management and Control Policy determines the Liquidity risk control and management system, according to which the Management Board of the Bank and the Assets and Liabilities Committee set general liquidity risk management criteria by regulating the volumes, terms and directions of the activities, the Resource division (the Treasury) manages liquidity on a daily basis, and Risk management department measures and monitors liquidity risk and submits reports.

Credit risk
Credit risk is the potential risk that the Bank's or the Group's borrower or counterparty will fail or refuse to meet its obligations in accordance with the agreed terms. Both the Group and the Bank manage the credit risk, including the country risk in accordance with of the Financial Risk Management Policy, Policy for the Sovereign Risk Management and Credit Policy.

The Group's and the Bank's Mission and Strategy of credit risk management are the following:
1) Operate in compliance with the conservative credit policy with the objective to fully cover the Bank's risks,
2) Maintain acceptable risk to income ratio, project a stable Bank's image in the financial community,
3) Reduce credit risks by decreasing the amount of high risk loans,
4) Grant loans to trustworthy borrowers,
5) Deal with reliable partners.

Goals stated in the Bank's Mission and Strategy related to credit risk are reflected and described in detail in:
- Bank's Credit Policy, which regulates the Bank's lending process as well as ensures creation of the qualitative and profitable loan portfolio;
- Bank's Investment policy, which regulates the development and management of the investment portfolio, its revaluation, as well as investment management organizational structure, and measures for risk limitation and control.

When managing credit risk, the Bank ensures its measurement assessment and supervision. Credit risk monitoring system established by the Bank is based on the following key elements:

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- 1st element – Existence of risk measurement methods. The Bank develops and consistently applies methods for assessing creditworthiness of its borrowers,
- 2nd element – A procedure for making decisions on granting loans. Decisions on granting loans are made jointly, and limits of authority are distributed across various levels in accordance with respective competence levels,
- 3rd element – Diversification of the Loan Portfolio, i.e. establishment of limits and restrictions. Setting limits and restrictions is regarded as a tool for minimization of credit risk and elimination of potential losses,
- 4th element. Monitoring of compliance with the established limits and restrictions,
- 5th element. Creation of adequate loan loss provisions to cover losses that might appear in the course of credit transactions. Created provisions are regarded as an instrument that would allow the Bank to cover future expected losses resulting from credit transaction risks, thus protecting the Bank's financial stability from negative impacts.

The credit risk management system includes the approval of analysis methods of the credit risk of the borrowers, counter-parties or issuers, as well as regular assessment of the off-balance sheet activities.
The Group and the Bank identify and control the credit risk by establishing concentrations limits for individual borrowers and groups of connected clients, economic sectors, different types of exposures, and types of collateral. The exposure limits are established in The Credit Policy and the Policy of Control over Large Exposures.
These limits are being regularly supervised and are revised by the Board annually, at the very least.

The Credit risk is managed by the Board and the Credit Committee.
The Board approves the internal documents of the Bank that are required to implement the Credit policy, considers and approves new credit exposures, as well as measures for mitigating risks related to the Loan Portfolio, exercises control over the Credit Committee.
The Credit Committee is authorized to approve exposures within set limits. It analyses the quality of the Loan Portfolio or individual loans, and, in case of its' quality deterioration, approves measures for mitigating credit risk. The Board approves the Credit Committee's decisions when the exposure exceeds 5% of the 1st and 2nd tier capital.

The Group and the Bank determines the following key principles for granting loans:

1. Conformity to the Bank's credit risk strategy and Credit policy;
2. The purpose of the loan is sound and clear;
3. The loan granting decision is based on thorough analysis, considering the inner credit rating of the borrower;
4. The amount of the loan should comply with the creditworthiness of the borrower;
5. The loan repayment source is cash flow from economic activities of the borrower, wage, or other similar types of income;
6. Collateral is regarded as a credit risk mitigating factor with the appropriate liquidity and sufficient in terms of content and value;
7. The borrower ensures participation in financing of a project depending on his risk level;
8. The price of the loan should cover the credit risk taken by the Bank.

The Credit and Investment Supervision Department manages the credit risk on a daily basis. The Credit and Investment Supervision Department is responsible for implementing the Credit Policy and supervising its fulfillment.
The Credit and Investment Supervision Department is also in charge of exposure concentration analysis, controlling the set limits, monitoring the Loan portfolio, preparing reports on the Loan portfolio and their submission to the Management Board. All breaches revealed by the Credit and Investment Supervision Department are reported to the Management Board.

The collateral is considered to be an element of credit risk mitigation. The acceptable types of collateral and methods of evaluation are established in the Credit Policy and the Procedure for the Supervision of loans. The main acceptable types of collateral are: real estate mortgage, vessel mortgage, commercial pledge of the assets of the companies, incl. fixed assets, inventory, and accounts receivable.
According to the requirements of the Credit Policy, the maximum portion of loans with a similar type of collateral should be limited up to 45% of the Loan Portfolio.

Unsecured exposures (mainly consumer and card loans) are considered as a group of homogeneous loans with the same purpose and similar credit risk, which is analyzed, assessed, and accepted when implementing the respective credit instrument. The concentration limit on unsecured loans is set to 15 percent of the total Loan portfolio.

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The Bank performs stress tests of the Loan portfolio at least once half a year, aiming to identify the effects of possible events on the Bank's and Group's capital adequacy.
The detailed information on the Maximum credit risk exposure concentration, segregation by assets types, geographical segmentation, as well as the analysis of industrial sectors of financial assets and loan types could be found in the appendix 3. of the Consolidated and Separate Financial statements 2013 "*RISK MANAGEMENT. Credit risk*", as well as appendix 16. "*LOANS AND RECEIVABLES FROM CUSTOMERS*".

The Group and the Bank are constantly monitoring the creditworthiness of the borrowers and the adequacy of collateral, as well as calculating its fair value.
The Bank classifies loans on a quarterly basis, or every time when it receives information about substantial deterioration of the quality of any loan. The classification is made with the aim of assessing the quality and risk grade of the issued loans and guarantees, as well as measuring the adequate amount of special provisions and potential losses. The loan evaluation is made by the Credit Committee and the Risk management Committee. Both Committees observe the principles of conservatism and discretion in their considerations and estimations, i.e. not to decrease the amount of assets and earnings or not to increase the amount of liabilities and costs so that the financial report is reliable.
The Risk Management Committee decides on making the provisions.

The assessment of the loan quality is made by assessing each loan, i.e. individually, or collectively by pooling together loans with similar credit risk characteristics.

When assessing the loan's quality, the Bank evaluates the risk of its impairment.
Impairment risk is the risk, that some part of the interest rate or the principal may not be fully repaid.
Impairment is calculated:

- For individually assessed loans - as a difference between the accounting amount and the amount of future cash flows discounted by the *original effective interest rate*;
- For unsecured consumer loans –past due migration statistic aggregated annually is used.

Loans considered to be *Past due* are loans with interest rate payments or principal over due of more than 15 days.

The Bank/ the Group classifies individually assessed loans and receivables depending on their quality:

- Not past due nor impaired – loans *that are not over due* and *do not have special provisions on principal* - are considered as ***not impaired***;
- Past due but not impaired – loans *that are over due* but *without special provisions on principal* - are considered as ***not impaired***;
- Impaired –loans *with special provisions on principal* - are considered as ***impaired***.

According to the impairment methodology, the following classification is used for collectively assessed unsecured consumer loans:

		Criterion	
Assessed collectively	***nether past due nor impaired***	**not over due**	*not impaired*
	past due but not impaired	**past due less than 30 days**	*not impaired*
	impaired	**past due more than 30 days** **past due less than 180 days**	*impaired*
Assessed individually	***impaired***	**past due more than 180 days**	*impaired*

As a result of the loans' quality worsening or impairment losses, **special provisions** are made. Impairment losses are recognized in the Income statement for the reporting period.

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The detailed information on quality of loans and receivables could be found in the appendix 3. of the Consolidated and Separate Financial statements 2013 *"RISK MANAGEMENT. Credit risk*", information on the provisions made against non performing loans is in appendix 17. "*IMPAIRMENT LOSSES ON FINANCIAL ASSETS*".

Market risk

Market risk is a risk of losses resulting from revaluation of balance sheet and off-balance sheet items, related to changes in market prices of financial instruments, commodities and derivatives, arising from changes in exchange rates, interest rates and other factors. The Bank determines market risk as the aggregate of the following risks:

- ***foreign currency risk*** is a risk of losses arising from revaluation of assets and off-balance liabilities, denominated in foreign currencies, due to exchange rate changes;
- ***price risk*** is a risk of losses resulting from revaluation of balance sheet items and off-balance sheet items due to changes in market prices of instruments in the Trade and AFS portfolios and derivatives;
- ***settlement risk*** is a risk of losses resulting from uncompleted settlements on transactions with the Trade and AFS portfolios' instruments;
- ***counterparty risk*** is a risk of losses that may arise if a counterparty to a transaction with the Trade or AFS portfolio does not fulfill or does not adequately fulfill his liabilities;
- ***interest rate risk*** - is a risk of the net interest income or the bank's equity decreasing due to changes in interest rates.

To limit **foreign currency risk,** there are limits on open foreign currency positions set by the Law on Credit institutions, paragraph 49, and they are as follows:

a) net open positions in a single foreign currency – 10 per cent of equity;
b) total open positions in all foreign currencies – 20 per cent of equity.

In order to minimize foreign currency risk, the Management Board sets stricter limits on the level of open long or short positions in single currencies and the total open position. In 2014, the Board has set stricter limits on foreign currencies' open positions, dividing all of the Bank's currencies into 3 groups and setting a separate limit for each of the currencies depending on its group. The Board may also set stricter limits for the Bank's subsidiaries, despite the fact that it is not required by the FCMC.

The Board of the Bank sets also maximum stop-loss limits for a day and/or a month in order to constrain speculative positions in currencies.

The *Resources Department (the Treasury)* manages and supervises the total net position of the Bank's foreign currencies on a daily basis, and the Risk management Department controls compliance with the set limits.

Interest rate risk

Interest rate risk management is performed using the following methods:

a) use of floating interest rate (especially in long-term assets);
b) management of assets and liabilities:
   - spread and interest margin management,
   - GAP analysis and duration analysis.

Managing assets and liabilities, the Bank:

1) regularly calculates and analyses:
   a) spreads, i.e. a difference between interest earning assets and interest bearing liabilities;
   b) net interest margin by the Bank's activity types, and conducts yield matching.
2) conducts GAP analysis regularly, calculating interest rate risk net positions, in order to define the Bank's /Group's sensitivity to interest rate changes, and if it is necessary, decides on balancing assets and liabilities.

In order to manage and limit interest rate risk, the Bank sets the following limits:

a) total limits on volume of assets: Loan portfolio, Trade portfolio and Available-for-sale portfolio;
b) limits on interest rate total and net positions;
c) limit on Trade portfolio duration.

The Treasury manages the interest rate risk within set policies and limits. The Risk Management Department controls compliance with set limits and measures interest rate risk monthly.

The detailed information on foreign currency risk and interest rate risk, as well as the Bank's \Group's sensitivity analysis of these risks could be found in appendix 3. of Consolidated and Separate Financial statements 2013 *"RISK MANAGEMENT. Market risk*"

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Management of the price risk is based on the Bank's Investment policy, which is aimed at gaining maximal profit by investing in financial instruments, while simultaneously ensuring an adequate protection of invested funds, with the purpose of safeguarding the Bank's capital and ensuring safety of the Bank's funds, i.e. reducing (managing) risks. In order to limit this risk, the Bank sets limits on financial instruments' types, volumes and issuers.

Counterparty risk arises when dealing with financial instruments. Before any deal, the Bank assesses the counterparty's creditworthiness according to the Bank's methodology. In order to reduce the counterparty risk, the Bank sets the limits on deal type, terms and volumes, for each of the counterparties, and can take collateral. The Risk Management Department controls compliance with set limits.

Equity investments included in the non-trading portfolio

Bank's investments in equity instruments of its subsidiaries are considered to be equity investments included in the non-trading portfolio, which, according to the Accounting policy of the Bank, are displayed on the balance sheet as Assets available for sale.

The Bank/ the Group has not other equity exposures, except investments in equity instruments of its subsidiaries.

Investments in equity instruments of subsidiaries are established for the following purposes:
- to engage in business activities and profit from them;
- to manage and further to sell repossessed assets that have been collateral to the loans.

Investments in equity instruments of the Bank's subsidiaries are accounted at fair value. Gains or losses arising due to changes in fair value are recognized as other comprehensive income, except for impairment losses. When there is objective evidence that the asset is impaired, cumulative losses that have been recognized in other comprehensive income, are reclassified from the revaluation reserve to the profit or loss statement.

Investments in subsidiaries are not listed in stock exchanges, that's why the Group uses certified valuator's assessment or evaluates investments using the equity method.

Revaluation reserve from equity investments included in the non-trading portfolio were LVL '000 6 263 as of 31.12.2013. The revaluation result was recognized as a revaluation reserve of available for sale financial assets, which is part of equity. The revaluation reserve of the above mentioned assets was not included in equity when calculating capital adequacy.

Cumulative revaluation reserve from investments in subsidiaries' equity instruments included in the non-trading portfolio, was LVL '000 891 as of 31 December 2013.

Settlement risk consists of:
1) settlement/ delivery risk, which occurs when both sides have not done settlement and delivery transactions at the value date;
2) unpaid delivery risk, which occurs when the Bank has fulfilled its liabilities (for example, paid for securities or foreign currency, or delivered them), but the counterparty has not fulfilled its liabilities in return.

To mitigate settlement risk, the Bank sets limits on daily settlements with each of the counterparties, and within these limits the Bank may fulfill its liabilities firsthand. The settlements on purchase or sale of securities are done on DVP (delivery vs payment) terms

Operational risk
Operational risk – a risk of direct or indirect losses that may arise as a result of incorrectly established business processes, as well as due to inefficiency of internal control procedures, technological failures, unauthorized activities by the personnel, or as a result of influence of external consequences.

The Group has developed a complex operational risk management system which classifies all operational risk incidents, determines procedures for identifying and measuring operational risk, as well as the operational risk management and reporting system. The Group has a database of operational risk incidents.

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The Risk Management Committee manages the operational risk in accordance with the Group Operational risk management Policy. The main principles of the policy and operational risk management principles are as follows:

a) Clearly described and defined procedures and job descriptions of the Bank's employees and their precise observance thereof;
b) Segregation of authority of the Bank's employees, in the process of fulfillment of their functional duties;
c) Involvement of the Risk management department in development of new and changes to the existing products;
d) Organization of training for the Bank's personnel, incl. seminars in which mistakes and errors most often committed by employees are analyzed and methods for correcting these errors are explained;
e) Regular audits of internal control processes;
f) Preparation of reports on operational risk to the Council, Management Board, Chief risk officer, and Vicepresidents;
g) Operational risk control on a daily basis and registration of incidents in an online database for further analysis;
h) Regular audits performed by the Internal audit, including IT systems' audits, which are performed by the IT systems' auditor.

In addition, the Internal audit examines compliance of the Group's activities with corresponding regulations, as well as internal policies and requirements.

The Group also applies the following procedures for mitigating operational risk:

- Access rights to information systems are severely restricted, user actions are controlled;
- Access rights to client information are also restricted;
- Data back-ups are performed, backed up data is stored;
- Property of the Group, transport, and fixed assets are insured.

Operation risk reports are submitted to the Board, Chief risk officer, and Vicepresidents – at least once every six months. Report on operational risk incidents – to the Board (as part of the monthly risk report) and the Risk management committee – once a month.

Reputation risk – is a risk that the Bank's or the Group's clients, counterparties, shareholders, regulatory and other stakeholders can have a low perception of the Bank, and that could negatively reflect on the Bank's ability to support relationships or create new ones with its clients and counterparties, and it can also have a negative effect on the Bank's funding accessibility. A reputation risk incident can give rise to other essential risks of the Bank and the Group, such as credit risk, liquidity risk, market risk, etc., and can have a negative impact on earnings, capital, and liquidity.

The Bank\ Group creates a good reputation and maintains it by:

1. complying in its activities with the normative acts of the Latvian Republic, with the standards set by the self-regulating bodies related to the activities of the Bank (e.g., Association of Latvian Commercial Banks), codes of professional act and ethics, and other standards of good practice related to the activities of the Bank;
2. timely performing on its obligations;
3. complying with the requirements of regulating and supervisory bodies;
4. improving the quality of its products and services;
5. improving its operational processes.

The Bank and the Group set the following reputation risk prevention system:

1) works out and improves the Bank's internal documents that regulate the Bank's activities, in compliance with the Latvian legislation, standards, professional behavior and ethics norms, as well as other best practice standards, and avoids conflicts of interest;
2) sets quality requirements for employees, including heads of business units, in order to avoid incompetent and improper activities;
3) performs security checks of potential employees;
4) sets the rules of professional ethics;
5) develops effective internal control system in the area of prevention of money laundering and terrorism financing and in the area of compliance, controls fulfillment of its obligations and claims;
6) ensures confidentiality and security of the clients' information;
7) sets information disclosure about the Bank;
8) sets up adequate and appropriate risk management system;

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9) when developing new products and services and working out the Bank's normative documents, follows the rules to be in compliance with all the necessary requirements in order to avoid reputation risk

Capital and capital requirements

The Bank/Group maintain effective capital base in order to ensure that its structure and volume provide a high level of return on equity, at the same time ensuring compliance with capital requirements. Capital requirements are closely related to risks that impact the Bank's and the Group's activities, and which have capital requirements set in the Regulation (EU) Nr. 575/2013 of the European Parliament and of the Council (1st Pillar), and in the internal capital adequacy assessment process (2nd Pillar).

The capital mainly consists of Tier 1, and additionally Tier 2. As of 31st of December 2013, the Bank's /Group's capital structure was as follows:

		LVL'000
	Group	**Bank**
Tier 1		
Paid in share capital	87 672	87 672
Reserve capital	7	7
Retained earnings for previous years	(46 388)	(37 508)
Minority interest	973	-
Revaluation reserve of available-for-sale financial assets	(1 844)	(188)
Revaluation reserve of foreign currency	(2 697)	-
Expected losses from loans*	(259)	(259)
Retained earnings /losses	(13 373)	(18 446)
Goodwill	(286)	-
Other intangible assets	(278)	(238)
Investment property revaluation (earnings)	-	(1 722)
Total tier 1	**23 527**	**29 318**
Tier 2		
Expected losses from loans*	(259)	(259)
Subordinated capital	8 761	8 761
70% from tangible fixed assets revaluation earnings	990	990
45% from investment property revaluation earnings	1 254	1 254
Total tier 2	**10 746**	**10 746**
Total capital	**34 273**	**40 064**

*When the impairment losses occur, assessing the quality of the loans, the Bank recognizes them through profit/loss, making allowance for impairment losses or/and recognizing expected losses directly through Tier 1 and Tier 2 of capital. As of 31st of December 2013, the expected losses from the loans were recognized in the future expected losses from unsecured consumer and cards loans with over due from 180 till 360days.

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Minimum capital adequacy requirement

As the FCMC applies rules that require holding additional capital for banks whose business model is focused on servicing non-residents, the minimum required capital adequacy ratio for the Banks is 11.1%.

For credit risk requirement's calculation the Bank and the Group use a Standard approach in accordance with the Regulation (EU) Nr. 575/2013 of the European Parliament and of the Council, choosing rating agency MOODY'S *INVESTORS SERVICE* as the appropriate external credit assessment's institution.
As of 31st of December 2013, a recognized credit risk mitigation tool – a deposit placed in the Bank, was applied when calculating CAD (according to the FCMC rules).
Exposures before and after credit risk mitigation are as follows:

Bank exposure values before and after credit risk mitigation, including counterparty credit risk capital requirement calculation

31.12.2013	Notional risk level	Group Value of exposure before weighing	Group Value of exposure after weighing	Bank Value of exposure before weighing	Bank Value of exposure after weighing
Assets		**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Central governments or central banks	0%	132 045	6 602	125 443	-
	20%	6 838	-	6 838	1 368
	50%	13 852	-	13 852	6 926
Financial institutions	0%	-	-	-	-
	20%	86 860	-	86 860	17 372
	100%	703	-	703	703
Private companies and individuals	100%	71 342	1 919	69 423	69 423
	150%	3 640	2 114	1 526	2 289
Pool of retail exposure claims (MRD)	75%	4 515	8	4 507	3 380
Past due exposures	100%	35 009	-	35 009	35 009
	150%	18 476	2	18 474	27 710
Collective investment undertakings (CIU)	100%	104 106	3 284	100 822	100 822
Other items	0%	8 687	-	8 687	-
	100%	58 946	3 910	55 036	55 036
Total off-balance sheet items		8 696	674	8 021	3 798
Total assets and off-balance sheet items		**553 714**	**18 513**	**535 201**	**323 836**

The detailed information on exposures and risk weighted exposures could be found in appendix 36. of the Consolidated and Separate Financial statements 2013 *CAPITAL ADEQUACY CALCULATION.*"

The Bank uses a Standard approach for calculating the market risk capital requirements and term method for general risk capital requirement for bonds. For the operational risk capital requirement calculation, the Bank uses the Basic indicator approach.

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Capital requirements as of 31 December 2013

	Group	Bank
		LVL'000
Credit risk capital requirements, incl. counterparty credit risk capital requirements**		
Central governments or central banks	663	663
Regional governments and local governments	-	-
State companies	-	-
International development banks	-	-
International organizations	-	-
Financial institutions	1 516	1 447
Private companies and individuals	5 220	5 990
Pool of retail exposure (MRD)	320	320
Real estate covered exposures	-	-
Past due exposures	5 352	5 018
Collective investment undertakings (CIU)	440	8 066
Other items	11 374	4 403
Total credit risk capital requirements, incl. counterparty credit risk capital requirements	**24 885**	**25 907**
Market risks capital requirement		
Foreign currency risk capital requirement	1 711	375
Equity position risk capital requirement	2	2
Bond position risk capital requirement	732	720
Total market risks capital requirement	**2 445**	**1 097**
Operational risk capital requirement		
Operational risk capital requirement	6 867	2 792
Total operational risk capital requirement	**6 867**	**2 792**
Total capital requirements	**34 197**	**29 796**
Capital adequacy ratio (CAD)	**8.02%**	**10.76%**

*Counterparty credit risk capital requirement has been calculated for derivative instruments, mainly forward deals, and credit risk exposure of derivative instruments as of 31st December 2013 was 1 352 thsd. LVL, which consists of the

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sum of the positive fair value adjustment of the risk exposure and the potential credit equivalent that has been calculated using the market value method. Counterparty credit risk capital requirement was 108 thsd. LVL, which consists of clients' risk exposure in the amount of 95 thsd. LVL, and financial institutions' risk exposure in the amount of 12 thsd. LVL.

The detailed information on capital adequacy could be found in the appendix 2. of the Consolidated and Separate Financial statements 2013 "SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES. BUSINESS PERSPECTIVES OF THE GROUP".

Internal capital adequacy assessment process

Internal Capital Adequacy Assessment Process is an integral part of the Bank's and Group's management, decision making culture, risk management system, and activity planning process. Internal capital adequacy assessment's aim is to ensure the capital of Bank and the Group which is adequate for covering appropriate significant risks and/or to ensure effective management of these risks.

The Bank and the Group makes the capital adequacy assessment in accordance with the "Pillar I +" approach, determining the appropriate capital requirements for risk based on minimum capital adequacy regulatory requirements, and adding to them other risk capital requirements that the Bank/Group considers significant and to which the Bank determines capital requirements.

In addition to credit risk, market risk and operational risk, the Bank determines capital requirements for the concentration risk (in relation to credit risk), interest rate risk in a non-trading book, risk of money laundering and terrorism financing, as well as reputation, strategy, and business risks.

The concentration risk capital requirements' calculation process is determined by the Bank, because only in the Bank's loan portfolio there is concentration of large borrowers, as well as concentrated positions in investment funds: the concentration is a result of investments in shipping and property development projects.

The Bank determines the capital requirement for the foreign Exchange risk in the amount of 8% of the open position.
The capital requirements for interest rate risk in the non-trading portfolio is determined by calculating the reduction of the Bank's economic value as stated in the FCMC's requirements, according to which it is assumed that unexpected parallel changes in interest rates (interest rate shock parameters) are 200 basis points.

Capital requirements for the AML, reputation, strategy, and business risks are determined using the simplified approach.

Liquidity risk is significant for the Bank and the Group, and its management is and integral part of the Bank's and the Group's activities. Liquidity risk is assessed, managed, supervised, and planned continuously. The capital requirements for liquidity risk are not attributed directly. However, when identifying the liquidity of financial instruments, according to the Regulation (EU) Nr. 575/2013 of the European Parliament and of the Council, the necessity of correcting the value of less liquid positions can be determined, and the equity of the Bank should be decreased accordingly. The necessity to correct the value of less liquid positions and, accordingly, to decrease the equity of the Bank, was not determined in 2013.

In addition to the amount of required capital for risks covering the Bank' and the Group's set capital reserve (capital buffer), in order to ensure that the Bank's and the Group's capital is sufficient to cover losses in case of potential unfavorable conditions, as well as to ensure that the amount of capital available is sufficient for the whole economic cycle.

In 2013, three emissions of equity shares were successfully completed, as a result of which the Bank's share capital has increased by 22.1 mln. LVL, and the Bank has gained a new strategic investor, who injected 20 mln. LVL into the Bank's capital, as a result of which the Bank has fully restored its capital reserve.

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Consolidation group composition and structure

JSC „NORVIK BANKA"

- The Group's subsidiaries that are established in purpose to engage in business activities and profit from them, incl.:
  - NORVIK UNIVERSAL CREDIT ORGANISATION CJSC;
  - NORVIK LĪZINGS LLC
  - NORVIK APDROŠINĀŠANAS BROKERIS LLC;
  - NORVIK IEGULDĪJUMU PĀRVALDES SABIEDRĪBA JSC.
- The Group's subsidiaries that are established in purpose to repossessed assets that have been collateral to the loan, incl.:
  - NBT ENERGY LLC;
  - NBT1 ENERGY LLC;
  - NBT3 ENERGY LLC;
  - NBT4 ENERGY LLC;
  - NBT5 ENERGY LLC;
  - NBT6 ENERGY LLC.
- Closed end investment funds, incl.:
  - NORVIK IPS JSC SIF ŪDENS TRANSPORTA FONDS;
  - NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS.
  - The Group's subsidiaries that manage and further sell repossessed assets that have been collateral to the loan.

The structure of the Group depends on purpose of the investments in subsidiaries share capital:

- to engage in business activities and profit from them;
- to manage and further to sell repossessed assets that have been collateral to the loans.

The Group's entity JSC NORVIK IEGULDĪJUMU PĀRVALDES SABIEDRĪBA manages closed end funds, which investment objects are companies that manage and further sell repossessed assets that have been collateral to the loans. All important decisions, including sales of subsidiaries owned assets, are made in agreement with Bank's Supervisory Council /Management Board.

Company name	**Registration country**	**Registration number**	**Registration address**	**Industry NACE 2**	**Share capital, shares carrying voting rights (%)**	**Justification for inclusion in the group**
JSC „NORVIK BANKA"	LV	40003072918	Riga, E.Birznieka-Upisha Str. 21	Financial intermediation, except insurance and pension funding		Parent company
NORVIK UNIVERSAL CREDIT ORGANISATION CJSC	AM	14	Armenia, Yerevan, Saryan Str. 12	Financial intermediation, except insurance and pension funding	100	JSC„NORVIK BANKA" subsidiary
IKSOV CJSC	AM	286	Armenia, Yerevan, Tpagricneri Str. 9-55	Financial intermediation, except insurance and pension funding	100	JSC„NORVIK Universal Credit Organization" subsidiary
NORVIK LĪZINGS LLC	LV	40003903469	Riga, E.Birznieka-Upisha Str. 21	Financial leasing	100	JSC„NORVIK BANKA" subsidiary
NORVIK APDROŠINĀŠANAS BROKERIS LLC	LV	40003950355	Riga, E.Birznieka-Upisha Str. 21	Insurance, reinsurance and pension funding, except compulsory social security	100	JSC „NORVIK BANKA" subsidiary
NORVIK IEGULDĪJUMU PĀRVALDES SABIEDRĪBA JSC	LV	40003411599	Riga, E.Birznieka-Upisha Str. 21	Financial intermediation, except insurance and pension funding	100	JSC „NORVIK BANKA"subsidiary

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Company name	Registration country	Registration number	Registration address	Industry NACE 2	Share capital, shares carrying voting rights (%)	Justification for inclusion in the group
ACCOUNTING LAB LLC	LV	40103259956	Riga, E.Birznieka-Upisha Str. 21	Professional, scientific and technical activities	100	NORVIK IEGULDĪJUMU PĀRVALDES SABIEDRĪBA JSC subsidiary
NBT4 ENERGY LLC	LV	40103217168	Riga, E.Birznieka-Upisha Str. 21	Financial intermediation, except insurance and pension funding	100	JSC „NORVIK BANKA"subsidiary
NBT ENERGY LLC	LV	40103680940	Riga, E.Birznieka-Upisha Str. 21	Electricity, gas, steam and air conditioning supply	100	JSC „NORVIK BANKA"subsidiary
NBT1 ENERGY LLC	LV	40103688179	Riga, E.Birznieka-Upisha Str. 21	Electricity, gas, steam and air conditioning supply	100	JSC „NORVIK BANKA"subsidiary
NBT3 ENERGY LLC	LV	40103696477	Riga, E.Birznieka-Upisha Str. 21	Electricity, gas, steam and air conditioning supply	100	JSC „NORVIK BANKA"subsidiary
MARINE HOTEL LLC	LV	40103705869	Riga, E.Birznieka-Upisha Str. 21	Administrative and support service activities	100	JSC „NORVIK BANKA"subsidiary
NBT5 ENERGY LLC	LV	40103713349	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	JSC „NORVIK BANKA"subsidiary
NBT6 ENERGY LLC	LV	40103713508	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	JSC „NORVIK BANKA"subsidiary
BALTIKS LLC (ООО БАЛТИКС)	RU	7733831827	Russia, Moscow, Shodnenskaya 10	Transportation and storage	99.917	JSC „NORVIK BANKA"subsidiary
NORVIK IPS JSC SIF ŪDENS TRANSPORTA FONDS	LV	40003411599	Riga, E.Birznieka-Upisha Str. 21	Administration of financial markets	100	JSC „NORVIK BANKA"subsidiary (supporting company)
VIVA SHIPPING COMPANY LIMITED	AG	16242	Antigva un Barbuda, St John's 60 Nevis Str.	Water transport	100	NORVIK IPS JSC SIF ŪDENS TRANSPORTA FONDS subsidiary
SKADI SHIPPING COMPANY LTD	MT	C46895	Malta, Valetta 18/2 South Str.	Water transport	100	NORVIK IPS JSC SIF ŪDENS TRANSPORTA FONDS subsidiary

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Company name	Registration country	Registration number	Registration address	Industry NACE 2	Share capital, shares carrying voting rights (%)	Justification for inclusion in the group
PRESTO MARITIME LIMITED	BZ	98,727	Beliza, p.o.box 1777, Belize City Withfield tower, 4792 Coney drive	Water transport	100	NORVIK IPS JSC SIF ŪDENS TRANSPORTA FONDS subsidiary
NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS	LV	40003411599	Riga, E.Birznieka-Upisha Str. 21	Financial intermediation, except insurance and pension funding	100	JSC „NORVIK BANKA" subsidiary (supporting company)
RUBICON LLC	LV	40103219883	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
MAGNUM ESTATE LLC	LV	40103295514	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
SERENITY LLC	LV	40103296045	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
PALETES LLC	LV	40003370229	Riga, E.Birznieka-Upisha Str. 21	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
NORVIK PORT DEVELOPMENT LLC	LV	40003934350	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
LLC TOP ESTATE	LV	40103220007	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
LAT ESTATE LLC	LV	40103214388	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
LANORA LLC	LV	40103214316	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
GAUJA CS LLC	LV	40103658723	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
PILNSKALNA 911 LLC	LV	40103667035	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
KRASTA LLC	LV	40103669801	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary

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Company name	Registration country	Registration number	Registration address	Industry NACE 2	Share capital, shares carrying voting rights (%)	Justification for inclusion in the group
MELIORATORU 1A LLC	LV	40103673667	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
SEASTONE LLC	LV	40103679763	Riga, E.Birznieka-Upisha Str. 21	Manufacture of chemicals and chemical products	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
PNB PRINT LLC	LV	40103219845	Jansili silakrogs, Ropazhu region, Latvia	Printing and reproduction of recorded media	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
BALTIJAS NAFTAS GRUPA LLC	LV	50103484321	Riga, E.Birznieka-Upisha Str. 21	Wholesale trade, except of motor vehicles and motorcycles	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
BALTIJAS DEGVIELA LLC	LV	40103516998	Riga, E.Birznieka-Upisha Str. 21	Wholesale trade, except of motor vehicles and motorcycles	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
BALTIJAS NAFTA LLC	LV	40103516856	Riga, E.Birznieka-Upisha Str. 21	Wholesale trade, except of motor vehicles and motorcycles	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
VISALIA LLC	LV	40103220115	Riga, E.Birznieka-Upisha Str. 21	Administrative and support service activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
MADORA LLC	LV	40103214354	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
LANATA LLC	LV	40103214284	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
DAYS LLC	LV	50103219851	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
HOMELINK LLC	LV	40103220172	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
ACTON LLC	LV	40103220030	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
ULTIMATE CAPITAL LLC	LV	40103593605	Riga, Brivibas Str. 194	Financial intermediation, except insurance and pension funding	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
LLC POLIMERSINTEZ (ООО ПОЛИМЕРСИНТЕЗ)	RU	1107746340063	101000 Russia, Moscow Pokrovka Str. 1/13/6 k.2, - 35	Real estate activities	99.99	ULTIMATE CAPITAL LLC subsidiary
JSC POLIMERSINTEZ (ОАО ПОЛИМЕРСИНТЕЗ)*	RU	1023303351994	600016, Russia, Vladimir, Bolshaya Nizhegorodskaya Str. 77	Real estate activities	27.8	ULTIMATE CAPITAL LLC investment in share capital

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Company name	Registration country	Registration number	Registration address	Industry NACE 2	Share capital, shares carrying voting rights (%)	Justification for inclusion in the group
TEHNO RU LLC	LV	40103596391	Riga, Tallinas Str. 1-5	Financial intermediation, except insurance and pension funding	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
JSC POLIMERSINTEZ (ОАО ПОЛИМЕРСИНТЕЗ)*	RU	1023303351994	600016, Russia, Vladimir, Bolshaya Nizhegorodskaya Str. 77	Real estate activities	27.81	TEHNO RU LLC investment in share capital
KARAVELLA PROPERTY LLC	LV	50003725061	Riga, E.Birznieka-Upisha Str. 21	Administrative and support service activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
KARAVELLA PLUS LLC	LV	40103619694	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
CITY ESTATES LLC	LV	40103219898	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
RELOCATION LLC	LV	40103220079	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
SOLUM ESTATE LLC	LV	40103295641	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
MERKURS RIGANTE PLUSS LLC	LV	40103283110	Riga, Zemaishu Str. 3	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
EKO FORUMS PLUSS LLC	LV	40003884083	Riga, Marupes Str. 19	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
ALPI TRANS PLUSS LLC	LV	40003765698	Riga, Marupes Str. 19	Real estate activities	100	EKO FORUMS PLUSS LLC subsidiary
NORVIK MANAGEMENT OÜ	EE	11914594	Estonia, Tallinn 11618 Serva 28	Financial intermediation, except insurance and pension funding	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
JSC POLIMERSINTEZ (ОАО ПОЛИМЕРСИНТЕЗ)*	RU	1023303351994	600016, Russia, Vladimir, Bolshaya Nizhegorodskaya Str. 77	Real estate activities	27.8	NORVIK MANAGEMENT OU investment in share capital
MEŽA FONDS LLC	LV	40103219811	Riga, E.Birznieka-Upisha Str. 21	Forestry and logging	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
ALFA TIMBER LLC	LV	50103384551	Riga, Daugavgrivas s. 8	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	100	MEŽA FONDS LLC subsidiary

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Company name	Registration country	Registration number	Registration address	Industry NACE 2	Share capital, shares carrying voting rights (%)	Justification for inclusion in the group
TIMBER LV LLC	LV	40103742969	Riga, E.Birznieka-Upisha Str. 21	Forestry and logging	100	MEŽA FONDS LLC subsidiary
BALTIC WOOD ENTERPRISE LLC	LV	40103743061	Riga, E.Birznieka-Upisha Str. 21	Forestry and logging	100	MEŽA FONDS LLC subsidiary
PROSPECTUM LLC	LV	40103214250	Riga, Braslas Str. 22	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
NBT2 ENERGY LLC	LV	40103692121	Riga, E.Birznieka-Upisha Str. 21	Crop and animal production, hunting and related service activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
NBT7 ENERGY LLC	LV	40103712269	Riga, E.Birznieka-Upisha Str. 21	Real estate activities	100	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
MONOLIT LLC (ООО Монолит)	RU	1124345020337	Russia, Kirov, Lenina Str. 15	Real estate activities	99.99	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
KAPITEL LLC (ООО Капитель)	RU	1124345020250	Russia, Kirov, Lenina Str. 15	Real estate activities	99.99	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
LESSTROI LLC (ООО ЛесСтрой)	RU	1124345021998	Russia, Kirov, Lenina Str. 15	Real estate activities	99.99	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary
ORION LLC (ООО Орион)	RU	5077746753497	Russia, Moscow, Shabolovka Str. 10	Real estate activities	99.99	NORVIK IPS JSC SIF NĀKOTNES ĪPAŠUMU FONDS subsidiary

* - the total Group's investment in JSC POLIMERSINTEZ (ОАО ПОЛИМЕРСИНТЕЗ) share capital is 83.41%.

In accordance with International Financial Reporting Standards in the consolidated financial statements Bank includes all companies shown in the table. All listed companies are consolidated by the full consolidation method. According to the FCMC, 2007 November 30, Rules # 166, „Regulations on the Consolidated Supervision" consolidation group includes credit, financial institutions and special purpose vehicles. In accordance with the FCMC, investments in the companies that are not included in the consolidation group, do not create a reduction in shareholders' equity when calculating own funds.

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Remuneration policy of the JSC "NORVIK BANKA" for 2013

JSC "NORVIK BANKA" informs that requirements of the Remuneration policy are considered by the level of consolidation group of the Bank, hereinafter referred as Group.

In accordance with the powers, the Board of the Bank takes risks on behalf of the Group. The Council of the Bank executes the functions of the Remuneration Committee by the level of the Group. The Council of the Bank performs the monitoring of remuneration and determines fixed component of remuneration (salary) for positions affecting the risk profile of the Bank, determines and approves core principles of Remuneration policy, and at least once per year revises them in accordance with the operations of the Group, its development strategy and changes in external factors taking into account the opinions of external experts.

According to the above mentioned criteria, in 2013 non-financial indicators of work results of positions affecting the risk profile were evaluated and fixed component of remuneration was reviewed.

In 2013 a variable component of remuneration and any other monetary or non-monetary remuneration related benefits weren't provided and paid to the positions influencing the Group's Latvian risk profile.

REMUNERATION OF POSITIONS INFLUENCING THE RISK PROFILE OF THE JSC "NORVIK BANKA" 2013 DIVIDED BY GROUPS OF POSITIONS

Divisions of remuneration of positions influencing the risk profile of the BANK divided by groups of positions		
Types of positions / Types of remuneration	Board members	Positions performing internal control functions of the Bank
Number of recipients	8	33
Amount of fixed component of remuneration (LVL)	394 890	442 722
Amount of variable component of remuneration (LVL)	0	0
Amount of paid compensation for employment termination (LVL) / the number of recipients	not available *	not available *
The larger amount of compensation for employment termination for person (LVL)	not available *	not available *

* according with Personal data Protection Law's principles of the Republic of Latvia.

REMUNERATION OF POSITIONS INFLUENCING THE RISK PROFILE OF THE JSC "NORVIK BANKA" 2013 DIVIDED BY TYPES OF OPERATIONS

Divisions of remuneration of positions influencing the risk profile of the BANK divided by types of operations		
Types of activity / Types of remuneration	Private persons or small and medium-sized commercial companies services, including Investment services	Bank's core support function
Number of recipients	4	37
Amount of fixed component of remuneration (LVL)	195 871	641 741
Amount of variable component of remuneration (LVL)	0	0
Amount of paid compensation for employment termination (LVL) / the number of recipients	0	16 637/3
The larger amount of compensation for employment termination for person (LVL)	0	13 710

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REMUNERATION OF POSITIONS INFLUENCING THE RISK PROFILE OF THE GROUP 2013 DIVIDED BY GROUPS OF POSITIONS

Divisions of remuneration of positions influencing the risk profile of the GROUP divided by groups of positions		
Types of positions / **Types of remuneration**	**Board members**	**Positions performing internal control functions of the Group**
Number of recipients	10	33
Amount of fixed component of remuneration (LVL)	589 684	448 425
Amount of variable component of remuneration (LVL)	613 822	0
Amount of paid compensation for employment termination (LVL) / the number of recipients	not available *	not available *
The larger amount of compensation for employment termination for person (LVL)	not available *	not available *

* according with Personal data Protection Law's principles of the Republic of Latvia.

REMUNERATION OF POSITIONS INFLUENCING THE RISK PROFILE OF THE GROUP 2013 DIVIDED BY TYPES OF OPERATIONS

Divisions of remuneration of positions influencing the risk profile of the GROUP divided by types of operations		
Types of activity / **Types of remuneration**	**Private persons or small and medium-sized commercial companies services, including Investment services**	**Positions performing internal control functions of the Group**
Number of recipients	4	39
Amount of fixed component of remuneration (LVL)	194 651	843 458
Amount of variable component of remuneration (LVL)	0	613 822
Amount of paid compensation for employment termination (LVL) / the number of recipients	0	16 637/3
The larger amount of compensation for employment termination for person (LVL)	0	13 710

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REMUNERATION OF ALL EMPLOYESS OF THE GROUP FOR 2013 DIVIDED BY TYPES OF OPERATIONS

Divisions of remuneration of all employees of the GROUP divided by types of operations				
Types of activity / **Types of remuneration**	**Investment services**	**Private persons or small and medium-sized commercial companies services**	**Asset management**	**Groups's core support function**
Number of recipients	6	360	8	628
Amount of fixed component of remuneration (LVL)	185 809	2 877 745	184 564	5 211 036
Amount of variable component of remuneration (LVL)	0	105 701	2 434	1 582 246

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