



Public Report of the Bank

FOR 4 QUARTER OF THE YEAR 2007

The logo for Norvikbanka, featuring the word "norvikbanka" in a blue serif font. A thin blue arc is positioned above the "i" in "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 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 is the risk of untimely settlement of customers' and other legal creditors' claims. Liquidity risk management and control is based on asset and liability term analysis, internal limit regulations regarding the net liquidity position, the effective placement of fund surplus of the I liquidity reserve, specification of liquidity requirements for clear balance of resources. The Treasury Department constantly manages funds of the I liquidity reserve (cash, correspondent account balances with other banks, short-term interbank transactions), in order to always have sufficient funds to fulfil current short-term liabilities. The Board and the Assets and Liabilities Committee determine the general liquidity risk management criteria by setting limits of volume, terms and areas of the Bank's activities. During the IV quarter 2007 the Bank's liquidity ratio was 42-57% 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 the Bank's recoverable assets and the nominal value of those assets. As of 31 December 2007 the amount of special provisions was 1008 thousand lats or 0.32% of the total loan portfolio. The Bank's Board and the Credit Committee ensure credit risk management and the Credit Division exercises constant supervision over the efficiency of 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 terms of currencies and areas of business, the Board and the Assets and Liabilities Committee set the base 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 the total net 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 swaps (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, 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 the internal control system.



Management

	Number of shares	% of total shares	Paid up share capital LVL'000
"Straumborg Ehf." (Iceland)	20 705 879	51.13	20 706
J. Šapurovs	8 007 091	19.77	8 007
A. Svirčenkova	8 007 089	19.77	8 007
Other (individually less than 10%)	3 779 869	9.33	3 780
Total	40 499 928	100.00	40 500

NORVIK BANKA JSC

Supervisory Council as of 31 December 2007

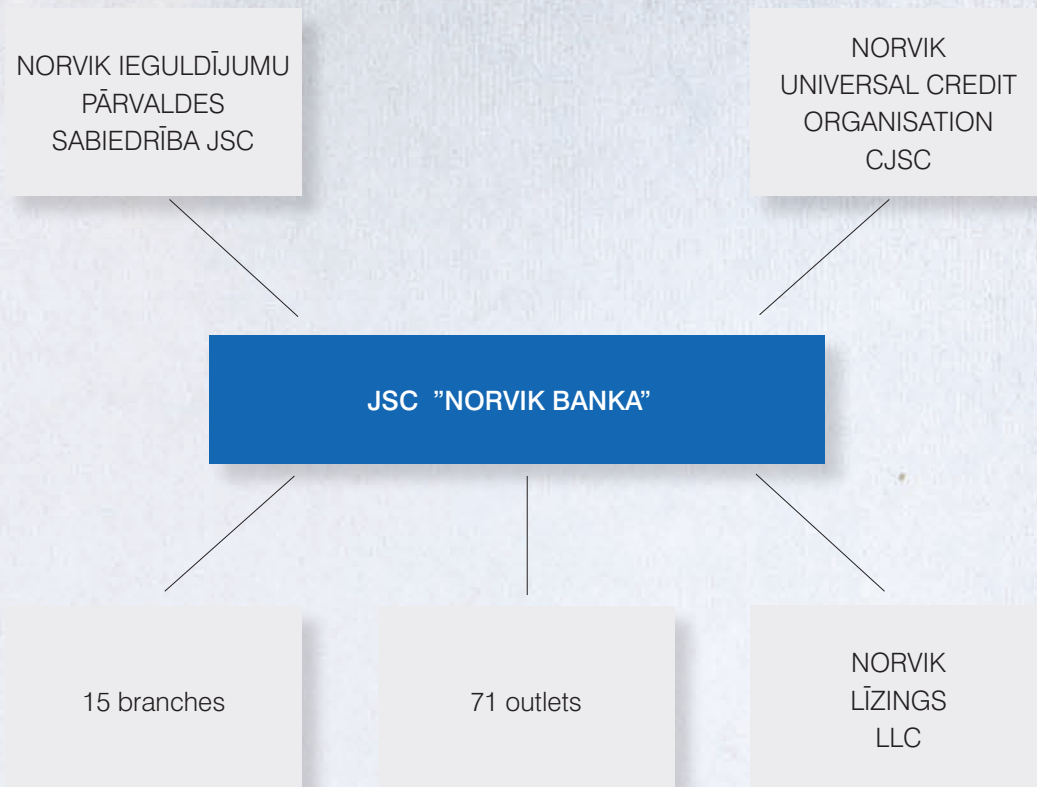
Chairman of the Supervisory Council	Jon Helgi Gudmundsson
Deputy Chairwoman of the Supervisory Council	Brynja Halldorsdottir
Members of the Supervisory Council	Hjalti Baldursson
	Valentīna Keiša
	Jelena Svirčenkova
	Baiba Strupiša

NORVIK BANKA JSC

Management Board as of 31 December 2007

Chairman of the Management Board	Andrejs Svirčenkova
Deputy Chairman of the Management Board	Jurijs Šapurovs
Members of the Management Board	Sergejs Gusarovs
	Aldis Upenieks
	Laima Saltuma

Organisational structure





Strategy and goals

Short-term strategy –

to put special focus on domestic market

- Strengthening of business with residents
- Restructuring of the funding base through increase of local deposits and borrowing in the international financial markets
- Personnel development through educational and incentive measures

Medium-term strategy –

to maintain high international standards in all aspects of business

- Substantial expansion of the product range
- Innovative solutions supported by advanced technology
- Best possible service quality
- Highly professional staff

Long-term strategy –

to become a major financial player in the Baltic countries, to be regarded as a recognizable and reputable partner in the international banking community

Ratings assigned by rating agencies

Name of rating agency

FITCH RATINGS

<http://www.fitchratings.com/>

MOODY'S INVESTORS SERVICE

<http://www.moody's.com>

Types of ratings assigned

FITCH RATINGS

Long Term Issuer Default Rating	B+
Short Term Rating	B
Outlook	Positive
Individual	D
Support	5

MOODY'S INVESTORS SERVICE

Long-term deposit rating	Ba3
Short-term deposit rating	Not-Prime
Outlook	Stable
Bank financial strength rating (BFSR)	D-

Short description of ratings assigned

Long Term Rating - long-term foreign currency rating. Ability of timely payment of long-term exchange liabilities.

Short Term Rating - short-term foreign currency rating. Ability of timely payment of short-term exchange liabilities.

Outlook - development forecast. Rating forecast – opportunity of rating upgrade (positive), downgrade (negative) or affirmation (stable).

Individual - individual rating. Assessment of the bank, taking into account its independence and lack of external support.

Support - support rating. Bank's ability to obtain external financial support in case of need.

Bank financial strength rating – assessment of internal stability and security of the bank.

Changes in ratings assigned

FITCH RATINGS

	22.12.2003	22.08.2005	25.10.2006
Long Term Issuer Default Rating	B+	B+	B+
Short Term Rating	B	B	B
Outlook	Stable	Stable	Positive
Individual	D	D	D
Support	5	5	5

MOODY'S INVESTORS SERVICE

	27.06.2007
Long-term deposit rating	Ba3
Short-term deposit rating	Not-Prime
Outlook	Stable
Bank financial strength rating (BFSR)	D-

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

Balance Sheet

December 31, 2007 (last date of the reporting period)

Item	Reporting period LVL'000		Preceding reporting year LVL'000	
Cash and demand claims on the central bank	42	157	28	094
Demand claims on credit institutions	39	542	22	343
Financial assets held for trading	43	239	42	313
Financial assets at fair value through profit or loss	1	455		0
Available-for-sale financial assets	9	258	5	681
Loans and receivables	470	814	197	439
Held-to-maturity investments		0		0
Interest risk protected portfolio share's fair value changes		0		0
Deferred expenses and accrued income		643		282
Fixed assets	2	665	5	304
Investment property	4	451		0
Intangible assets		600		436
Participation in the share capital of associated and related undertakings	3	115	1	544
Tax assets		0		0
Other assets		866	1	351
Total assets	618	805	304	787
Liabilities to central banks		0		0
Demand liabilities to credit institutions	4	559	5	679
Financial liabilities held for trading	4	974	1	288
Financial liabilities at fair value through profit or loss		0		0
Financial liabilities at amortised value	550	161	263	871
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	1	225		524
Provisions		222		170
Tax liabilities		435		107
Other liabilities	2	245	1	302
Total liabilities	563	821	272	941
Capital and reserves	54	984	31	846
Total capital and reserves and liabilities	618	805	304	787
Commitments and contingencies	46	568	38	260
Contingent liabilities	4	681	2	958
Liabilities to customers	41	905	35	302

Profit/Loss Statement

December 31, 2007 (last date of the reporting period)

Item	Reporting period	Respective period of the preceding reporting year 31.12.2006
Interest income	33 238	16 906
Interest expense	(17 704)	(6 339)
Dividend income	3	4
Fee and commission income	6 743	5 577
Fee and commission expenses	(1 512)	(1 275)
Net realised profit/loss from financial assets and financial liabilities amortised value	(57)	0
Net realised profit/loss from financial assets available for sale	0	(304)
Net profit/loss from financial assets and financial liabilities held for trading	(3 072)	(199)
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	3 912	3 000
Profit/loss from derecognition of property, equipment and machinery, investment property and intangible assets	0	0
Other income	2 595	475
Other expense	(436)	(283)
Administrative expenses	(14 737)	(12 452)
Depreciation and amortization	(970)	(814)
Provisions for debts impairment and liabilities	(1 096)	(277)
Impairment losses	0	0
Income tax	(1 491)	(584)
Profit/loss of the reporting period	5 529	3 408

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

Performance Indicators of Bank

December 31, 2007 (last date of the reporting period)

Item	Reporting period	In the preceding reporting year 31.12.2006
Return on equity (ROE) (%)	13,66	13,82
Return on assets (ROA) (%)	1,22	1,28

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

Consolidation Group Composition

December 31, 2007 (last date of the reporting period)

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	INVC	94,95	94,95	SC
2	NORVIK UNIVERSAL CREDIT ORGANISATION CJSC	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

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

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



[norvikbanka](https://www.norvikbanka.is)