

The background of the entire page is a photograph of a geothermal landscape. In the foreground, a sandy, rocky area is partially covered with white mineral deposits. A plume of white steam or smoke rises from the ground in the middle ground. The background shows rolling hills under a blue sky with scattered white clouds. Overlaid on the image are decorative swirls: blue ones in the upper left and middle left, and white ones in the lower right and middle right.

Public Report of the Bank

for 1 quarter of the year 2008

norvikbanka

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 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 set the general liquidity risk management criteria by setting limits of volume, terms and areas of the Bank's activities. During the I quarter 2008 the Bank's liquidity ratio was 46-58% 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 2008 the amount of special provisions was 2140 thousand lats or 0.65% of the total loan portfolio. The Bank's Board and the Credit Committee ensure credit risk management and the Credit Division 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.

	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

JSC „NORVIK BANKA“

Supervisory Council as of 31 March 2008

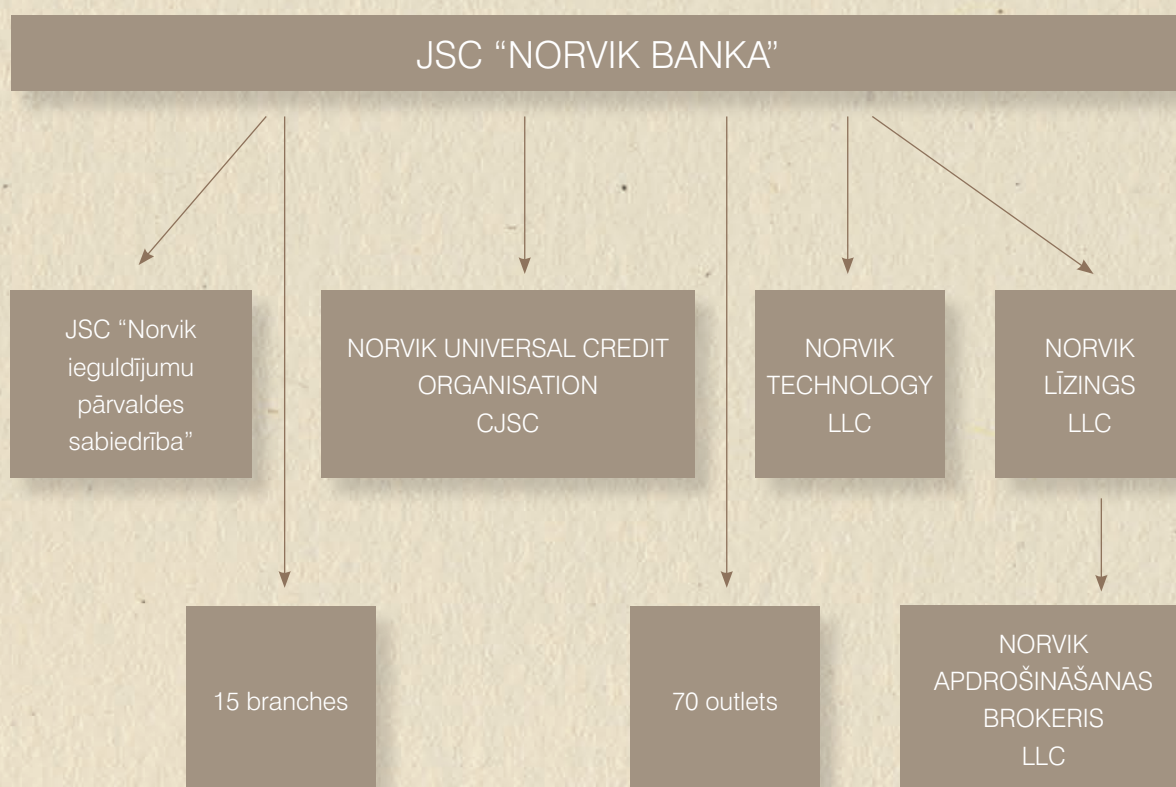
Chairman of the Supervisory Council	Jon Helgi Gudmundsson
Deputy Chairwoman of the Supervisory Council	Brynja Halldorsdottir
Members of the Supervisory Council	Hjalti Baldursson
	Valentīna Keiša
	Jeļena Svirčenkova
	Baiba Strupiņa


JSC „NORVIK BANKA“

Management Board as of 31 March 2008


Chairman of the Management Board	Andrejs Svirčenkova
Deputy Chairman of the Management Board	Jurijs Šapurovs
Members of the Management Board	Sergejs Gusarova
	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.moodys.com>

Types of rating assigned

FITCH RATINGS

Long Term Issuer Default Rating	B+
Short Term Rating	B
Outlook	Stable
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 rating 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 - bank's internal stability and security estimation

Changes in ratings assigned

FITCH RATINGS	22.12.2003	22.08.2005	25.10.2006	15.01.2008
Long Term Issuer Default Rating	B+	B+	B+	B+
Short Term Rating	B	B	B	B
Outlook	Stable	Stable	Positive	Stable
Individual	D	D	D	D
Support	5	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-			

Balance Sheet | Appendix 1 |

March 31, 2008 (last date of the reporting period)

Item	Reporting period (LVL' 000)	Preceding reporting year (LVL' 000)
Cash and demand claims on the central bank	42 827	42 157
Demand claims on credit institutions	98 372	39 542
Financial assets held for trading	33 831	43 239
Financial assets at fair value through profit or loss	2 100	1 454
Available-for-sale financial assets	9 194	9 238
Loans and receivables	347 034	470 811
Held-to-maturity investments	0	0
Interest risk protected portfolio share's fair value changes	0	0
Deferred expenses and accrued income	468	455
Fixed assets	2 503	2 665
Investment property	4 223	4 224
Intangible assets	577	600
Participation in the share capital of associated and related undertakings	3 536	3 115
Tax assets	0	0
Other assets	2 120	630
Total assets	546 785	618 130
Liabilities to central banks	0	0
Demand liabilities to credit institutions	3 338	4 847
Financial liabilities held for trading	5 610	4 974
Financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortised value	471 054	550 065
Financial liabilities resulting from transfer of financial assets	6 305	0
Interest risk protected portfolio share's fair value changes	0	0
Deferred income and accrued expenses	679	1 020
Provisions	222	222
Tax liabilities	445	446
Other liabilities	1 485	1 735
Total liabilities	489 138	563 309
Capital and reserves	57 647	54 821
Total capital and reserves and liabilities	546 785	618 130
Commitments and contingencies	57 096	46 585
Contingent liabilities	4 657	4 680
Liabilities to customers	52 439	41 905

Profit/Loss Statement | Appendix 2 |

March 31, 2008 (last date of the reporting period)

Item	Reporting period (LVL' 000)	Respective period of the preceding reporting year 31.03.2007 (LVL' 000)
Interest income	10 641	5 798
Interest expense	(5 432)	(2 508)
Dividend income	1	0
Fee and commission income	1 950	1 449
Fee and commission expenses	(408)	(255)
Net realised profit/loss from financial assets and financial liabilities amortised value	(57)	(1)
Net realised profit/loss from financial assets available for sale	0	0
Net profit/loss from financial assets and financial liabilities held for trading	9 411	(17)
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	(7 214)	438
Profit/loss from derecognition of property, equipment and machinery, investment property and intangible assets	0	0
Other income	289	101
Other expense	(130)	(73)
Administrative expenses	(4 072)	(3 229)
Depreciation and amortization	(266)	(232)
Provisions for debts impairment and liabilities	(1 418)	(87)
Impairment losses	0	0
Income tax	(468)	(188)
Profit/loss of the reporting period	2 827	1 196

Performance Indicators of Bank | Appendix 3 |

March 31, 2008 (last date of the reporting period)

Item	Reporting period	In the preceding reporting year 31.03.2007
Return on equity (ROE) (%)	19,78	14,66
Return on assets (ROA) (%)	2	1,43

Consolidation Group Composition | Appendix 4 |

March 31, 2008 (last date of the reporting period)

Serial No.	Name of company	Country of domicile, registration address	Company type*	Portion of a holding in share capital (%)	Portion of voting rights in the company (%)	Motivation for inclusion in the group**
1	JSC "Norvik ieguldījumu pārvaldes sabiedrība"	LV, Latvija, 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, Latvija, Rīga, E. Birznieka-Upīša 21	OFI	100	100	SC
4	NORVIK TECHNOLOGY LCC	LV, Latvija, Rīga, E. Birznieka-Upīša 21	OC	100	100	SC

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

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

