

**AS DNB NORD BANKA
INTERIM CONDENSED CONSOLIDATED AND
BANK FINANCIAL STATEMENTS FOR THE 6
MONTHS PERIOD ENDED 30 JUNE 2011.**

**IN ACCORDANCE WITH INTERNATIONAL ACCOUNTING STANDARD 34 AS
ADOPTED BY EUROPEAN UNION.**

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Contents

Report of the Supervisory Council and the Management Board	2
The Supervisory Council and the Management Board of the Bank	3
Statement of Responsibility of the Management Board	4
Report of the Auditors	5
Interim financial information:	
Interim consolidated statement of comprehensive income	6
Interim consolidated statement of financial position	7 - 8
Interim consolidated statement of changes in equity	9
Interim consolidated statement of cash flows	10 - 11
Notes	12 - 30

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AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

REPORT OF THE MANAGEMENT BOARD AND SUPERVISORY COUNCIL

Latvia's economy gradually began to recover during the first six months of 2011, and these positive developments had an effect on the results of the DnB NORD Banka, as well.

DnB NORD Group's operating profits before provisions and taxes amounted to LVL 11,8 million during the first six months of 2011. Revenues from core activities came to LVL 23,8 million during that period.

The net lending portfolio of DnB NORD Group amounted to LVL 1,4 billion at the end of June 2011. At that time, the group's deposit portfolio reached a level of LVL 495 million. In Latvia, DnB NORD Group managed to increase its market share, both in terms of lending and in terms of deposits.

Although the Latvian economy continued to grow gradually during the first two quarters of 2011, DnB NORD Banka, along with the banking sector as such, continued to set aside funds for insecure loans.

During the first six months of the year, the DnB NORD Group set aside net provisions in the amount of LVL 21,4 million, including expenses for non-performing commitments in amount of LVL 2,5 million. Group's losses after provisions and taxes were LVL 9,6 million at the end of the period.

There is serious competition in Latvia's banking sector over the possibility to provide loans to major companies in Latvia. Despite this fact, many companies which export products or operate in the domestic market have decided to take advantage of the financing opportunities which DnB NORD Banka offers.

The fact that DnB NORD Banka is competitive in Latvia's banking sector is also seen in the ongoing increase in the number of the bank's customers. During the first half of 2011, DnB NORD Banka gained more than 1,000 corporate and SME customers, as well as more than 5,000 new individual customers.

SIA DnB NORD Lizings, which is a subsidiary of the bank, has also been successful, with lease agreements worth more than LVL 13,4 million being signed during the first half-year. It must be emphasised that the number of signed lease agreements in the 2nd quarter of the year was more than double the number during the previous quarter.

When it comes to second-level pension funds, DnB NORD Banka achieved leadership positions in the market in terms of the rapid increase in the number of participants. During the first six months of 2011, the number of participants in the second-level pension plans of IPAS DnB NORD Fondi increased by more than 7,000 to a total of nearly 73,000 at the end of June.

Because of its belief that a high level of services cannot be achieved exclusively through short-term campaigns and that ongoing and long-term contributions are needed, DnB NORD Banka has worked hard to improve its efficiency and the quality of services which the bank offers to its customers.

During the reporting period, a leading audit firm, Dorus, rated DnB NORD Banka as one of the best service providers in terms of customers who are interested in savings and investments. The survey showed that the staff of DnB NORD was prepared to explain all available saving and investing options in great detail, emphasising the benefits of the options, as well as offering additional banking products at their own initiative. The assessment of customer services was an improvement on last year's judgment, when the bank was in second place. This shows that it is important to devote particular attention to the bank's efficiency, as well as to improve the quality of customer services both during financial crises and during periods of economic development.

DnB NORD Banka has continued to pursue several projects that are of importance to the Latvian people. The DnB NORD Latvian Barometer, for instance, is the only study in Latvia which focuses on the mood, opinions and attitudes of the country's residents vis-à-vis various socioeconomic issues, doing so regularly and in the long term.

The "Latvia Can!" project was continued successfully by the bank in partnership with the weekly magazine *Ir* and Latvian Television. The project sheds light on those companies in Latvia which are successful in the domestic market and are also capable of intensive exports.

DnB NORD Banka's Internet portal Nekrize.lv has attracted much attention. People can use the portal to find answers to their questions, share their experiences, and learn about the views of recognized economic, sociological, financial and other specialists about aspects related to the economic crisis and how it can be overcome.

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

REPORT OF THE MANAGEMENT BOARD AND SUPERVISORY COUNCIL (continued)

The second half of 2011 will be interesting and valuable for DnB NORD Group and DnB NOR Group. DnB NOR, which is the shareholder of DnB NORD, has decided that in order to provide for the more intensive integration among banks in the group, the branding of those banks and of DnB NOR itself will be changed in November of this year. The whole group will then use the brand name DNB.

DnB NOR is Norway's leading bank, and it has taken advantage of opportunities related to the global financial crisis, developing in a stable way to become the second largest bank in the entire Nordic region. We are certain that now, when 100% of shares in DnB NORD are in the hands of DnB NOR, it will be possible for DnB NORD Banka in Latvia to benefit from additional advantages in terms of shareholder support, knowledge and new opportunities. The main beneficiaries of this will certainly be the customers of DnB NORD Banka.



Terje Turnes

Chairman of the
Supervisory Council



Andris Ozolins

CEO, Chairman of the
Management Board

Riga,
24 August 2011

AS DnB NOR Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

The Supervisory Council and the Management Board of the Bank as of 30 June 2011

The Supervisory Council

<i>Name</i>	<i>Institution</i>	<i>Position</i>	<i>Date of appointment</i>
Terje Turnes	Bank DnB NOR A/S	Chairman of the Supervisory Council	28 June 2011*
Jekaterina Titarenko	Bank DnB NOR A/S	Vice Chairman of the Supervisory Council	28 June 2011**
Torstein Hagen	Bank DnB NOR A/S	Member of the Supervisory Council	26 March 2006***
Ola Landmark	DnB NOR Bank ASA	Member of the Supervisory Council	26 May 2011
Margrethe Melbye Grønn	Bank DnB NOR A/S	Member of the Supervisory Council	22 February 2010
Tony Samuelsen	DnB NOR Bank ASA	Member of the Supervisory Council	26 March 2008

* From 26 May 2011 till 28 June 2011 Terje Turnes was a member of the Supervisory Council

** From 22 February 2010 till 28 June 2011 Jekaterina Titarenko was a member of the Supervisory Council

*** From 6 June 2007 till 28 June 2011 Torstein Hagen was the Vice Chairman of the Supervisory Council

The following members of the Supervisory Council have left their positions since 31 December 2010:

<i>Name</i>	<i>Institution</i>	<i>Position</i>	<i>Date of resignation</i>
Thomas Buerkle	Bank DnB NOR A/S	Chairman of the Supervisory Council	26 May 2011*

* From 16 March 2009 till 18 March 2009 Thomas Buerkle was a member of the Supervisory Council.

The Management Board

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Andris Ozolins	Chairman of the Management Board	1 January 2004*
Sigfred Andersen	Member of the Management Board	1 May 2010
Rudolf Karges	Member of the Management Board	20 July 2000
Ivars Kapitovics	Member of the Management Board	10 August 2006
Janis Teteris	Member of the Management Board	1 August 2009

* From 29 March 2001 till 1 January 2004 Andris Ozolins was the Vice Chairman of the Management Board; from 10 September 1999 till 29 March 2001 Andris Ozolins was a member of the Management Board.

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The Management Board of AS DnB NORD Banka is responsible for the preparation of the interim condensed financial statements of the Group and the Bank.

The interim condensed financial statements are prepared in accordance with the source documents and present fairly the financial position of the Group and the Bank as at 30 June 2011 and the results of their operations and cash flows for the period ended 30 June 2011.

The interim condensed financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted in European Union (EU) on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Management Board in the preparation of the interim condensed financial statements.

The Management Board of AS DnB NORD Banka are responsible for the maintenance of proper accounting records, the safeguarding of the Group's and the Bank's assets and the prevention and detection of fraud and other irregularities. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Bank of Latvia, Financial and Capital Market Commission and other legislation of the Republic of Latvia applicable for credit institutions.

 _____ Andris Ozolins CEO, Chairman of the Management Board	 _____ Rudolf Karges Member of the Management Board	 _____ Ivars Kapitovics Member of the Management Board	 _____ Sigfred Andersen Member of the Management Board	 _____ Janis Teteris Member of the Management Board
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Riga,
24 August 2011

INDEPENDENT AUDITORS' REPORT

To the shareholder of AS DnB Nord Banka

Report on the Financial Statements

We have audited the interim condensed consolidated financial statements of AS DnB Nord Banka and its subsidiaries (hereinafter – the Group) and the accompanying interim condensed financial statements of AS DnB Nord Banka (hereinafter - the Bank), which are set out on pages 7 through 30 and which comprise the financial position as at 30 June 2011, the statements of comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2011, and explanatory notes.

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these interim condensed financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the condensed interim financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim condensed financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim condensed financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim condensed financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim condensed financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion

In our opinion, the interim condensed financial statements of the Group and the Bank have been prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the EU.

SIA Ernst & Young Baltic
Licence No. 17



Diāna Krišjāne
Chairperson of the Board



Mārtiņš Valters
Latvian Certified Auditor
Certificate No. 185


Rīga, 30 August 2011

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Interim consolidated statement of comprehensive income for the six months ended 30 June 2011


	Notes	01.01.2011- 30.06.2011 Group LVL'000	01.01.2010- 30.06.2010 Group LVL'000	01.01.2011- 30.06.2011 Bank LVL'000	01.01.2010- 30.06.2010 Bank LVL'000
Interest income		33,021	36,114	31,309	33,662
Interest expense		(16,508)	(16,232)	(15,448)	(15,319)
Net interest income		16,513	19,882	15,861	18,343
Fees and commission income	4	5,248	6,144	5,369	6,930
Fees and commission expense	5	(1,863)	(2,525)	(1,801)	(2,255)
Net fees and commissions		3,385	3,619	3,568	4,675
Net gain from operations with foreign currency, trading securities and derivative financial instruments		3,856	2,756	3,104	2,850
Other operating income		1,774	1,726	1,456	189
Dividends		-	1	422	81
Operating income		25,528	27,984	24,411	26,138
Personnel expenses		(5,712)	(5,442)	(5,572)	(5,071)
Other administrative expenses		(5,519)	(5,387)	(5,283)	(4,982)
Depreciation		(2,028)	(2,489)	(1,207)	(1,238)
Other operating expenses		(463)	(302)	(326)	(230)
Net allowances for impairment loss	8	(21,381)	(30,651)	(21,371)	(30,299)
(Loss) before income tax		(9,575)	(16,287)	(9,348)	(15,682)
Corporate income tax		(8)	-	(1)	-
(Loss) for the period from continuing operations		(9,583)	(16,287)	(9,349)	(15,682)
Total comprehensive (loss)		(9,583)	(16,287)	(9,349)	(15,682)
(Loss) attributable to:					
Equity holders of the Bank		(9,583)	(16,287)	(9,349)	(15,682)
Total comprehensive (loss) attributable to:					
Equity holders of the Bank		(9,583)	(16,287)	(9,349)	(15,682)

The financial statements on pages 6 to 30 have been approved by the Supervisory Council and the Management Board of the Bank and signed on their behalf by:



 Terje Turnes

Chairman of the Supervisory Council



 Andris Ozolins

CEO, Chairman of the
Management Board



 Rudolf Karges

Member of the Management
Board

Riga,
24 August 2011




The accompanying notes are an integral part of these financial statements

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Interim consolidated statement of financial position at 30 June 2011

Assets	Notes	30.06.2011	31.12.2010	30.06.2011	31.12.2010
		Group	Group	Bank	Bank
		LVL'000	LVL'000	LVL'000	LVL'000
Cash and balances with central banks		75,373	72,736	75,373	72,736
Due from other credit institutions (demand)		17,368	16,493	17,319	16,164
Derivatives		12,814	8,512	12,814	8,512
Financial assets designated at fair value through profit or loss		90,849	138,767	90,849	138,767
-- <i>Debt securities and other fixed income securities</i>	7	90,472	138,392	90,472	138,392
-- <i>Investment funds</i>	7	377	375	377	375
Financial assets available-for-sale		10	10	10	10
Loans and advances		1,393,790	1,499,658	1,365,208	1,454,110
-- <i>Due from other credit institutions (term)</i>		16,593	54,877	16,593	54,877
-- <i>Loans to customers</i>	6	1,377,197	1,444,781	1,348,615	1,399,233
Accrued income and deferred expenses		607	680	417	580
Investment property	9	37,139	15,448	10,217	-
Property and equipment		27,599	29,746	5,940	6,629
Intangible assets		971	1,207	648	861
Investments in subsidiaries	10	-	-	5,267	5,047
Deferred corporate income tax		6,483	6,483	6,483	6,483
Current corporate income tax		332	1,283	332	1,283
Other assets		10,297	13,898	7,150	7,821
Total assets		1,673,632	1,804,921	1,598,027	1,719,003

The financial statements on pages 6 to 30 have been approved by the Supervisory Council and the Management Board of the Bank and signed on their behalf by:

 <hr style="width: 100%;"/> <p>Terje Turnes Chairman of the Supervisory Council</p>	 <hr style="width: 100%;"/> <p>Andris Ozolins CEO, Chairman of the Management Board</p>	 <hr style="width: 100%;"/> <p>Rudolf Karges Member of the Management Board</p>
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Riga,
24 August 2011




The accompanying notes are an integral part of these financial statements

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Interim consolidated statement of financial position at 30 June 2011

Liabilities	Notes	30.06.2011 Group LVL'000	31.12.2010 Group LVL'000	30.06.2011 Bank LVL'000	31.12.2010 Bank LVL'000
Liabilities to credit institutions on demand	11	17,416	41,207	17,416	41,207
Derivatives		15,794	15,419	15,757	15,419
Financial liabilities at amortised cost:		1,469,091	1,568,878	1,366,474	1,456,059
-- Due to credit institutions (term)	11	974,272	1,087,932	861,463	964,622
-- Deposits from customers and other financial liabilities		494,819	480,946	505,011	491,437
Accrued expenses and deferred income		2,049	758	2,014	693
Deferred tax liability		537	565	-	-
Other liabilities		5,319	4,905	1,589	1,478
Provisions		167	383	27,309	27,366
Subordinated loan		54,524	54,488	54,524	54,488
Total liabilities		1,564,897	1,686,603	1,485,083	1,596,710
Shareholders` equity					
Share capital	12	134,361	134,361	134,361	134,361
Share premium		48,994	48,994	48,994	48,994
Reserve capital		53,302	53,302	53,302	53,302
Revaluation reserve		133	133	133	133
Accumulated result		(128,055)	(118,472)	(123,846)	(114,497)
Total shareholders' equity attributable to the shareholders of the Bank		108,735	118,318	112,944	122,293
Total shareholders` equity		108,735	118,318	112,944	122,293
Total liabilities and shareholders` equity		1,673,632	1,804,921	1,598,027	1,719,003

The financial statements on pages 6 to 30 have been approved by the Supervisory Council and the Management Board of the Bank and signed on their behalf by:

		
Terje Turnes	Andris Ozolins	Rudolf Karges
Chairman of the Supervisory Council	CEO, Chairman of the Management Board	Member of the Management Board

Riga,
24 August 2011

The accompanying notes are an integral part of these financial statements

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 months ended 30 June 2011

Statement of changes in equity for the six months ended 30 June 2011

Group	Attributable to equity holders					
	Share capital LVL'000	Share premium LVL'000	Reserve capital LVL'000	Revaluation reserve LVL'000	Accumulated result LVL'000	Total LVL'000
At 1 January 2010	134,361	48,994	28,491	133	(87,170)	124,809
(Loss) for the 6 months	-	-	-	-	(16,286)	(16,286)
Total comprehensive loss	-	-	-	-	(16,286)	(16,286)
Increase of reserve capital	-	-	14,176	-	-	14,176
At 30 June 2010	134,361	48,994	42,667	133	(103,456)	122,699
At 31 December 2010	134,361	48,994	53,302	133	(118,472)	118,318
(Loss) for the 6 months	-	-	-	-	(9,583)	(9,583)
Total comprehensive loss	-	-	-	-	(9,583)	(9,583)
At 30 June 2011	134,361	48,994	53,302	133	(128,055)	108,735

Bank

	Share capital LVL'000	Share premium LVL'000	Reserve capital LVL'000	Revaluation reserve LVL'000	Accumulated result LVL'000	Total LVL'000
At 1 January 2010	134,361	48,994	28,491	133	(86,337)	125,642
(Loss) for the 6 months	-	-	-	-	(15,682)	(15,682)
Total comprehensive loss	-	-	-	-	(15,682)	(15,682)
Increase of reserve capital	-	-	14,176	-	-	14,176
At 30 June 2010	134,361	48,994	42,667	133	(102,019)	124,136
At 31 December 2010	134,361	48,994	53,302	133	(114,497)	122,293
(Loss) for the 6 months	-	-	-	-	(9,349)	(9,349)
Total comprehensive loss	-	-	-	-	(9,349)	(9,349)
At 30 June 2011	134,361	48,994	53,302	133	(123,846)	112,944

The accompanying notes are an integral part of these financial statements

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Interim Statement of Cash Flows for the 6 months period ended 30 June 2011

	01.01.2011- 30.06.2011 Group LVL'000	01.01.2010- 30.06.2010 Group LVL'000	01.01.2011- 30.06.2011 Bank LVL'000	01.01.2010- 30.06.2010 Bank LVL'000
Cash flows from operating activities				
Loss before income tax and dividends	(9,575)	(16,287)	(9,348)	(15,682)
Depreciation and amortization of intangible assets and property and equipment	2,028	2,489	1,207	1,113
Provisions for doubtful debts and off-balance sheet liabilities (Profit)/loss from revaluation of securities, derivatives and loans	15,415	27,346	15,384	26,997
(Profit)/loss from sale of fixed and intangible assets	(1,827)	(1,827)	(1,827)	(1,827)
Dividends received	(72)	(45)	(4)	-
Loss/(Profit) from foreign currency revaluation	-	1	(422)	(81)
	7	74	15	74
Cash flow from operating activities before changes in assets and liabilities	5,976	11,751	5,005	10,594
Decrease/(Increase) in loans and advances to customers	49,886	81,196	32,951	36,141
Decrease/(Increase) in due from credit institutions	43	(13,624)	43	(13,591)
(Increase)/Decrease in derivatives	(192)	(4,361)	(137)	(4,361)
Decrease/(Increase) in financial assets designated at fair value through profit and loss	47,917	(34,112)	47,917	(34,112)
(Increase)/Decrease in due to credit institutions	(113,660)	(48,246)	(103,159)	35,486
Decrease/(Increase) in accrued income and deferred expenses	73	216	163	203
Decrease/(Increase) in other assets and taxes	(8,324)	(12,341)	(8,649)	(3,371)
Increase/(Decrease) in clients deposits	13,873	48,722	13,574	(9,996)
Increase/(Decrease) in derivatives	375	4,285	366	4,285
Increase/(Decrease) in accrued expenses and deferred income	1,291	5,407	1,321	5,087
Increase/(Decrease) in other liabilities	172	(28,107)	28	(21,737)
Changes in cash and cash equivalents as a result of operating activities				
Corporate income tax paid	(8)	-	(1)	-
Increase/(decrease) in cash and cash equivalents as a result of operating activities	(2,578)	10,786	(10,578)	4,628
Cash flows from investing activities				
(Acquisition) of property and equipment and intangible assets	(335)	(5,216)	(330)	(2,056)
Sale of property and equipment and intangible assets	762	2,373	28	125
(Acquisition) of participation in share capital of subsidiary and Business Unit	-	-	(220)	-
(Acquisition) of investment property	(8,815)	(5,439)	-	-
(Decrease)/Increase in cash and cash equivalents as a result of investment activities	(8,388)	(8,282)	(522)	(1,931)

The accompanying notes are an integral part of these financial statements

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Interim Statement of Cash Flows for the 6 months period ended 30 June 2011 (continued)

	01.01.2011- 30.06.2011	01.01.2010- 30.06.2010	01.01.2011- 30.06.2011	01.01.2010- 30.06.2010
	Group LVL'000	Group LVL'000	Bank LVL'000	Bank LVL'000
Cash flows from financing activities				
Increase of share capital	-	-	-	-
Increase of reserve capital	-	14,176	-	14,176
Subordinated liabilities attracted	35	(30)	35	(30)
Dividends received	-	-	422	-
Increase/(decrease) in cash and cash equivalents as a result of financing activities	35	14,146	457	14,146
Net (decrease)/ increase in cash and cash equivalents	(10,931)	16,650	(10,643)	16,843
Cash and cash equivalents at the beginning of the year	102,025	56,244	101,697	55,722
(Gain)/loss of foreign currency revaluation on cash and cash equivalents	(7)	(74)	(15)	(74)
Cash and cash equivalents at the end of the period	91,087	72,820	91,039	72,491

	30.06.2011 Group LVL'000	30.06.2010 Group LVL'000	30.06.2011 Bank LVL'000	30.06.2010 Bank LVL'000
Cash flow from interest received	33,921	36,709	32,228	34,252
Cash flow from interest paid	18,403	17,744	17,373	16,933
Dividends received	-	1	422	81

The accompanying notes are an integral part of these financial statements

AS DnB NOR Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements

1 INCORPORATION AND PRINCIPAL ACTIVITIES

AS DnB NOR Banka was established as Riga Commercial Bank on 26 June 1989. On 6 September 1991 it was incorporated in the Republic of Latvia as a joint stock company. The Bank and its subsidiaries (the Group) are engaged in banking and the financial services business.

On June, 30th, 2011 DnB NOR Bank ASA (Norway) has acquired from Bank DnB NOR A/S (Denmark) all Bank shares which belonged to Bank DnB NOR A/S (Denmark) and constituted 100% of share capital of Bank; DnB NOR Bank ASA (Norway) became the direct shareholder of the Bank.

The Bank offers a wide range of financial services to enterprises and individuals.

2 ACCOUNTING POLICIES

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)
- IAS 32 Classification of Rights Issues (Amended)
- IAS 24 Related Party Disclosures (Revised)
- Improvements to IFRSs (May 2010)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

- In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording.

- IFRS 3 Business Combinations

- IFRS 7 Financial Instruments: Disclosures
This improvement gives clarifications of disclosures required by IFRS 7 and emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

- IAS 1 Presentation of Financial Statements

- IAS 27 Consolidated and Separate Financial Statements

- IAS 34 Interim Financial Reporting
This improvement requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. The Group has illustrated those amendments in Note 7 and Note 14.

- IFRIC 13 Customer Loyalty Programmes

The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Based on the nature of the costs the reclassification of expenses for non-performing commitments from commission expenses to net allowance for impairment loss was made.

3 FINANCIAL RISK MANAGEMENT

a) Credit risk and concentration risk

The Group and the Bank bear an exposure to credit risk that is defined as the risk of losses due to failure on the part of the counterparties of the Group and the Bank to meet their payment obligations. The credit risk appetite and other relevant measures of the Group and the Bank has been defined in the credit strategy of the Group and the Bank.

The credit strategy of the Group and the Bank provides fixed limits of exposure ranges with regards to a single borrower, a group of interrelated borrowers, countries (regions) and industries. The Group has defined the concentration risk as any single (direct and/or indirect) exposure or group of exposures with the potential to

AS DnB NOR Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT

produce losses large enough to threaten the health of the Group and the Bank or its ability to maintain its core business. Thus, regular monitoring and management of the concentration risk has been ensured as well.

Strategic goal for the Group and the Bank is to ensure sustainable short and long term growth through improved understanding of credit risk as well as to keep balanced credit portfolio from concentration point of view. High risk and non-performing and doubtful portfolios should be reduced significantly through pro-active credit risk management process. The Group and the Bank also intends to grow credit portfolio only with low and medium risk customers where the Group and the Bank understand how cash for repayment will be generated, therefore, debt service capacity is the main factor during evaluation of credit risk while collateral serves mainly as a credit risk mitigant.

According to the strategy, the Group and the Bank continuously increases risk-sensitiveness of its credit risk management system by implementing appropriate credit risk measurement tools.

Thus, together with traditional credit risk assessment statistical scoring models and expert scorecards are used to evaluate probability of loss events. For corporate and medium size enterprises a sector financial indicator model is the main driver for assigning the final credit risk rating, while adjustments based on qualitative factors are limited and are closely monitored by the credit risk analysts, who do not benefit from the credit decisions. For the private sector statistical application scoring models are in use to support the credit decision process while behaviour scoring models are used to regularly monitor development of risk profile.

The Group and the Bank monitors the development of counterparts default risk profile on on-going basis. Currently 86% of credit portfolio exposure is covered by appropriate default probability measurement tools. There is temporary decrease of coverage compared to previous reporting period due to the process to replace scoring model for Property Finance Customers with new one, more accurately reflecting influence of risk drivers to the default probability calculation.

For credit risk management purposes a unified Master scale is used to reflect the risk of counterparts or sub-portfolios. The Master scale is organized in three risk categories and ten risk classes:

Risk category	Low Risk				Medium Risk			High Risk		
Risk class	1	2	3	4	5	6	7	8	9	10

The Group and the Bank monitors the compliance of respective activities with its credit risk strategy, credit manual and policy on on-going basis. The credit risk strategy, credit manual and policy is subject to annual or more frequent review. Inter alia, the changes in significant documentation can be initiated according to the stress testing results or changes in the economic environment.

Several new initiatives in order to improve the credit risk management process have been launched since the end of 2010. In addition to several smaller projects, the Bank has updated and approved the Credit Manual for Large Corporates and SME's and continues to develop credit risk stress testing tools and methodologies.

b) Market risk

Market risk contents from banking or trading activities and is the possibility for the Group and the Bank to suffer loss as a consequence of changes in foreign currency exchange rates (foreign exchange risk) and interest rates (interest rate risk). The Group is exposed to foreign currency risk (hereinafter referred to as FX risk) and interest rate risk and discloses its sensitivity to the mentioned risks below. The Group does not have any positions in equity products and is not exposed to changes in equity prices.

During first 6 months of year 2011 there were no significant changes in market risk management process.

Currency risk

FX risk is the possibility to suffer loss from revaluation of balance sheet and off-balance sheet items denominated in foreign currencies when the exchange rate changes.

The Group and the Bank seek to match assets, liabilities and off-balance sheet items denominated in foreign currencies in order to keep foreign currency exposures within limits set by the Credit Institution Law and internally by the sole shareholder DnB NOR Bank ASA. According to the Credit Institution Law the Bank's open position in each foreign currency may not exceed 10% of the Bank's own funds and that the total foreign currency open position may not exceed 20% of the Bank's own funds. During the first six months of year 2011 the Bank was in compliance with all limits.

FX risk management involves the usage of derivative financial instruments, such as foreign currency forward exchange agreements.

Sensitivity to foreign exchange risk

Sensitivity of the Bank to FX risk is calculated by multiplying foreign currency open positions by reasonably possible changes in FX rates. FX risk parameters for the Bank, prescribed by the parent DnB NOR Bank ASA, are provided in the table below:

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT

Currency	Possible change
EUR	1,5 %
PLN	2,5 %
DKK	2,5 %
USD	2,5 %
Other currencies	5,0 %

A presumable change in FX rates has an impact on the Bank's profit or loss and makes LVL 126 thousand as of June 30, 2011 (December 31, 2010: LVL 49 thousand).

Interest rate risk

Interest rate risk is the exposure of the Group's and the Bank's financial position to adverse movements in market interest rates. In normal course of business, the interest rate risk arise due to timing differences in the maturity (for fixed rate) and repricing (for floating rate) of the Group's and the Bank's assets, liabilities and off-balance sheet items.

Interest rate risk measurement

Interest rate risk from single currency positions is calculated and monitored monthly, using the Basis Point Value (BPV) analysis, which reflects the sensitivity of the present value of the Group's future cash flows to a parallel shift of 0.01% in market interest rates. The Group follows a conservative approach to interest rate risk and seeks to match maturity and repricing profiles of assets, liabilities and off-balance sheet items in order to keep BPV within limits set by the parent DnB NOR Bank ASA. Limits are set for each currency in which the Group and the Bank have significant activity as well as for all currencies altogether. During the first six months of year 2011 the Group and the Bank were in compliance with the limits.

The Group's exposure to interest rate risk (basis point value):

	LVL'000	
	June 30, 2011	December 31, 2010
LVL	(5,8)	(6,6)
EUR	(1,7)	0,2
USD	-	0,1

Interest rate risk management involves the usage of funding and fund placements for different time periods or/and different repricing periods as well as derivative financial instruments, such as interest rate swap agreements.

c) Liquidity risk

Liquidity risk is the probability that the Group and the Bank will incur financial or other losses, including negative reputation, due to its inability to fund increases in assets and meet obligations as they come due. The Group and the Bank have a low liquidity risk profile as the parent DnB NOR Bank ASA (counterparty credit rating Aa3/Stable/P-1, affirmed by Moody's Investors Service on 14 June, 2011) acts as a lender of a last resort. This fact was proven during the recent global financial turmoil, when the parent DnB NOR Bank ASA supplied the Group with liquidity at all times in sufficient amounts and in a timely manner.

The Bank's liquidity is strongly supported by a committed long-term funding line in a sufficient amount from parent DnB NOR Bank ASA.

Liquidity risk management process

The liquidity risk management process in the Group is divided into short-term (up to 1 month) and long-term (above 1 year) risk management. The aim of short-term liquidity management is to meet daily need for funds, ensure compliance with obligatory reserve requirements set by the Bank of Latvia, liquidity ratio set by the Financial and Capital Market Commission and compliance with internal liquidity limits. All metrics are regularly calculated and reported to the management bodies of the Group. Short-term liquidity is maintained through daily monitoring of liquidity status and day-to-day funding operations. Long-term liquidity risk is managed by forecasting future cash flows taking into account deposit and loan portfolio growth as well as the possible refinancing needs.

The Group and the Bank uses a set of liquidity metrics to measure liquidity risk. The main liquidity risk measures are liquidity ratio, calculated according to the regulations of the Financial and Capital Market Commission, and internally specified funding ratio and liquidity gap. The liquidity gap indicates the Group's net refinancing needs within one week and one month applying a "business as usual" approach.

According to the regulations of the Financial and Capital Market Commission, the liquidity ratio should not be less than 30%. The Bank's liquidity ratio as of June 30, 2011 is 35,66% (December 31, 2010: 45,12%).

AS DnB NORDBANKA
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT

Liquidity risk is also limited by the minimum allowed funding ratio, which indicates the stability of the Group's funding base. The limit of funding ratio is 0,85, which means that not less than 85% of all loans to customers should be funded with long term liabilities and equity. The funding ratio as of June 30, 2011 is 99,67% (December 31, 2010: 87,41%).

d) Operational risk

Operational risk is defined as all shortcomings or errors inherent in processes, work routines and system solutions, which may result in losses. Moreover, operational risk covers loss caused by own employees (violation of policies, faults, fraud, etc.) as well as loss incurred due to external events (theft, fire damage, vandalism, natural disasters, etc). The definition of operational risk also covers the legal risk, but excludes strategic, reputation risk and business risk. Operational risk is a risk that can be managed and controlled, but, generally, not eliminated.

The operational risk management in the Group is regulated by the Operational risk management policy setting minimum requirements for operational risk management and control, defining the methods for operational risk management, controlling process, and responsibility levels.

The Group manages operational risk by accepting it, minimizing it, i.e. insurance (the Group is worldwide covered under Comprehensive Crime and Professional Indemnity Insurance policy), implementation of internal control measures, outsourcing and avoiding. The operational risk losses are reported to the Group's management bodies quarterly. The Bank has implemented several methods for managing operational risk. Thus, main are declaration of operational risk events and losses, i.e. by registering all operational risk events and losses into centralized system and self assessment – one of risk inventory methods to evaluate operational risk potential. Currently the Bank is in the final stage of implementing a key risk indicators system for the early recognition of risks. The system is supposed to be finalized by the end of 2011.

The Bank dedicates much attention to ensuring business continuity; the disaster recovery and business continuity plans as well as the procedures of restoring of IT services are prepared and tested on a regular basis. Moreover, in order to ensure an uninterrupted functioning of the IT systems and data security, all critical IT components are duplicated.

The Group's and the Bank's intention is to follow the rule that effective operational risk management as well as risk management in general is based on a strong risk culture. Continuous training and educational process are in place but are also the subject for continuous improvement to raise risk awareness and understanding among employees.

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

4 FEES AND COMMISSION INCOME

	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Credit card service	2,350	3,360	2,350	3,360
Commissions on loans monitoring and service	639	683	543	608
Money transfers	793	776	793	776
Client service	961	813	704	516
Guarantees	159	184	615	1,322
Trade finance	25	24	25	24
Cash operations	145	146	145	146
Investments products	59	67	77	87
Other	117	91	117	91
Total fees and commission income	5,248	6,144	5,369	6,930

5 FEES AND COMMISSION EXPENSES

	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Credit cards service	(980)	(1,539)	(980)	(1,539)
Loans monitoring expense	(163)	(378)	(101)	(108)
Commissions on loans	(44)	(20)	(44)	(20)
Cash operations	(200)	(181)	(200)	(181)
Money transfers	(171)	(150)	(171)	(150)
Guarantees	(176)	(136)	(176)	(136)
Client service	(36)	(37)	(36)	(37)
Other	(93)	(84)	(93)	(84)
Total fee and commission expenses	(1,863)	(2,525)	(1,801)	(2,255)
Net fees and commission	3,385	3,619	3,568	4,675

6 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans by original maturity

	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Less than a year	241,314	150,253	193,084	137,370
More than a year	1,305,859	1,448,379	1,306,012	1,396,962
Accrued income	8,234	8,599	8,155	8,547
	1,555,407	1,607,231	1,507,251	1,542,879
Less: provisions for loan impairment losses	(176,733)	(160,880)	(157,159)	(142,076)
Less: provisions for unpaid interest	(1,477)	(1,570)	(1,477)	(1,570)
Total	1,377,197	1,444,781	1,348,615	1,399,233

Loan portfolio includes loans secured by the Republic of Latvia Government guarantees of LVL 1,483 thousand.

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Analysis of loans by client type

	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Individuals	902,139	922,445	879,884	898,883
Private companies	623,371	653,985	595,824	612,846
Management/employees	12,697	12,575	11,943	11,943
Local government	7,979	9,308	7,870	9,158
Public companies	987	319	783	21
Finance institutions	-	-	2,792	1,481
Accrued income	8,234	8,599	8,155	8,547
	1,555,407	1,607,231	1,507,251	1,542,879
Less: provisions for loan impairment losses	(176,733)	(160,880)	(157,159)	(142,076)
Less: provisions for unpaid interest	(1,477)	(1,570)	(1,477)	(1,570)
Total	1,377,197	1,444,781	1,348,615	1,399,233

(c) Analysis of loans by products

	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Mortgage loans	748,234	761,559	748,234	761,559
Commercial	565,442	591,085	609,314	625,489
Private loans	121,226	125,965	121,226	125,965
Leasing	92,213	99,022	264	318
Card loans	7,872	7,805	7,872	7,805
Other	6,913	7,255	6,913	7,255
Consumer loans	5,273	5,941	5,273	5,941
Accrued income	8,234	8,599	8,155	8,547
	1,555,407	1,607,231	1,507,251	1,542,879
Less: provisions for loan impairment losses	(176,733)	(160,880)	(157,159)	(142,076)
Less: provisions for unpaid interest	(1,477)	(1,570)	(1,477)	(1,570)
Total	1,377,197	1,444,781	1,348,615	1,399,233

(d) Analysis of loans by industry

	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Individuals	904,353	922,494	877,392	894,395
Management of real estate	200,135	212,420	246,368	249,775
Other	106,156	108,521	96,883	96,863
Manufacturing	102,437	105,560	85,982	86,960
Trade	101,221	108,560	87,622	92,443
Transport	70,053	74,943	53,839	59,072
Construction	16,881	18,593	9,967	11,669
Agriculture	11,510	10,407	7,256	6,564
Management/employees	11,442	12,486	10,802	11,943
Non-profit and religious organizations	1,360	1,822	1,360	1,822
Total loans to residents	1,525,548	1,575,806	1,477,471	1,511,506
Loans issued to non-residents	21,625	22,826	21,625	22,826
Accrued income	8,234	8,599	8,155	8,547
	1,555,407	1,607,231	1,507,251	1,542,879
Less: provisions for loan impairment losses	(176,733)	(160,880)	(157,159)	(142,076)
Less: provisions for unpaid interest	(1,477)	(1,570)	(1,477)	(1,570)
Total	1,377,197	1,444,781	1,348,615	1,399,233

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

LOANS AND ADVANCES TO CUSTOMERS (continued)

(e) Analysis of loans by countries

	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Latvia	1,525,548	1,575,774	1,477,471	1,511,474
Other countries	21,625	22,858	21,625	22,858
Accrued Interest	8,234	8,599	8,155	8,547
Total	1,555,407	1,607,231	1,507,251	1,542,879
Less: provisions for loan impairment losses	(176,733)	(160,880)	(157,159)	(142,076)
Less: provisions for unpaid interest	(1,477)	(1,570)	(1,477)	(1,570)
Total	1,377,197	1,444,781	1,348,615	1,399,233

(f) The following table provides the division of loans and advances to customers by quality:

	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Neither past due nor impaired	1,007,497	1,051,244	998,431	1,028,348
Past due but not impaired	153,719	154,138	133,504	133,883
Impaired	385,957	393,250	367,161	372,101
Accrued Interest	8,234	8,599	8,155	8,547
Total gross loans and advances to customers	1,555,407	1,607,231	1,507,251	1,542,879
Less allowances for loan impairment	(163,938)	(147,169)	(146,104)	(130,002)
Less allowances for homogenous groups of loans	(12,795)	(13,711)	(11,055)	(12,074)
Less allowance for unpaid interest	(1,477)	(1,570)	(1,477)	(1,570)
Total net loans and advances to customers	1,377,197	1,444,781	1,348,615	1,399,233

(g) The following table provides the division of loans and advances to customers neither past due nor impaired:

Grades	Risk classes	30.06.2011	31.12.2010	30.06.2011	31.12.2010
		Group	Group	Bank	Bank
		LVL'000	LVL'000	LVL'000	LVL'000
Large Corporate (turnover more than 20MEUR)	Low	7,647	-	7,647	-
	Medium	67,091	76,711	69,883	78,192
	High	37,450	31,811	37,450	31,811
SME (turnover less than 20MEUR)	Low	4,449	165	52,045	39,091
	Medium	170,097	176,096	124,579	128,304
	High	81,776	94,212	81,776	94,212
Private individuals	Low	304,521	315,577	304,521	315,577
	Medium	262,462	273,882	262,462	273,882
	High	58,068	67,279	58,068	67,279
	Not rated	13,936	15,511	-	-
Total		1,007,497	1,051,244	998,431	1,028,348

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

The following table provides the division of loans and advances to customers neither past due nor impaired of Group and Bank

Neither past due nor impaired

	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Commercial	327,950	335,083	375,793	373,991
Mortgage loans	545,023	573,038	545,023	573,038
Private loans	63,447	68,600	63,447	68,600
Consumer loans	4,582	5,076	4,582	5,076
Leasing	56,924	61,858	15	54
Card loans	6,990	4,253	6,990	4,253
Other	2,581	3,336	2,581	3,336
Total	1,007,497	1,051,244	998,431	1,028,348

(h) The following table provides the division of loans and advances to customers past due but not impaired of Group and Bank:

	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Commercial loans				
Past due up to 30 days	18,768	24,242	18,523	24,079
Past due 31-60 days	1,382	1,491	1,359	1,491
Past due 61-90 days	523	819	523	819
Past due over 90 days	3,353	4,429	3,353	4,429
Total	24,026	30,981	23,758	30,818
Mortgage loans (issued to private individuals secured with real estate collateral)				
Past due up to 30 days	61,204	54,368	61,204	54,368
Past due 31-60 days	20,733	18,917	20,733	18,917
Past due 61-90 days	5,070	6,587	5,070	6,587
Past due over 90 days	1,929	1,164	1,929	1,164
Total	88,936	81,036	88,936	81,036
Private loans				
Past due up to 30 days	11,350	9,798	11,350	9,798
Past due 31-60 days	3,935	4,270	3,935	4,270
Past due 61-90 days	924	1,325	924	1,325
Past due over 90 days	2,313	2,311	2,313	2,311
Total	18,522	17,704	18,522	17,704
Consumer loans				
Past due up to 30 days	292	280	292	280
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due over 90 days	-	-	-	-
Total	292	280	292	280
Leasing				
Past due up to 30 days	12,555	13,173	5	11
Past due 31-60 days	3,665	2,729	4	3
Past due 61-90 days	3,737	4,210	1	7
Past due over 90 days	-	-	-	-
Total	19,957	20,112	10	21

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Card loans				
Past due up to 30 days	341	2,727	341	2,727
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due over 90 days	-	-	-	-
Total	341	2,727	341	2,727
Other loans				
Past due up to 30 days	1,133	630	1,133	630
Past due 31-60 days	14	206	14	206
Past due 61-90 days	88	242	88	242
Past due over 90 days	410	220	410	220
Total	1,645	1,298	1,645	1,298
Past due up to 30 days	105,643	105,218	92,848	91,892
Past due 31-60 days	29,729	27,613	26,045	24,887
Past due 61-90 days	10,342	13,183	6,606	8,980
Past due over 90 days	8,005	8,124	8,005	8,124
Total	153,719	154,138	133,504	133,883
Total gross loans and advances to customers past due but not impaired				
	153,719	154,138	133,504	133,883
Fair value of collateral				
	168,749	156,851	168,749	156,851

The following table provides the division of impaired loans and advances to customers of Group and Bank

	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Commercial	213,467	225,020	209,764	220,680
Mortgage loans	114,275	107,484	114,275	107,484
Private loans	39,256	39,661	39,256	39,661
Consumer loans	399	586	399	586
Leasing	15,332	17,052	239	243
Card loans	541	825	541	825
Other	2,687	2,622	2,687	2,622
Total	385,957	393,250	367,161	372,101

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

(i) The following table provides the division of Group's loans and advances to customers individually impaired:

	Commercial loans LVL'000	Mortgage loans LVL'000	Private loans LVL'000	Consumer Loans LVL'000	Leasing LVL'000	Card Loans LVL'000	Other loans LVL'000	Total LVL'000
30 June 2011								
Impaired loans	213,467	114,275	39,256	399	15,332	541	2,687	385,957
Fair value of collateral	126,795	68,208	24,074	-	91	-	1,641	220,809
31 December 2010								
Impaired loans	225,020	107,484	39,661	586	17,053	825	2,621	393,250
Fair value of collateral	139,230	75,198	25,401	169	106	-	1,655	241,759

The following table provides the division of Bank's loans and advances to customers individually impaired:

	Commercial loans LVL'000	Mortgage loans LVL'000	Private loans LVL'000	Consumer Loans LVL'000	Leasing LVL'000	Card Loans LVL'000	Other loans LVL'000	Total LVL'000
30 June 2011								
Impaired loans	209,764	114,275	39,256	399	239	541	2,687	367,161
Fair value of collateral	126,795	68,208	24,074	-	91	-	1,641	220,809
31 December 2010								
Impaired loans	220,680	107,484	39,661	586	243	825	2,622	372,101
Fair value of collateral	139,230	75,198	25,401	169	106	-	1,655	241,759

Status past due defined based on maximum number of delay days (principal or interest).
 If the borrower delays repayment of both interest and principal amount of the loan (or share thereof), the longest of the both delay periods is specified.

(j) The following table provides the division of Group's restructured loans and advances to customers

Information regarding all kinds of restructured loans included (Impaired, past due but not impaired and neither past due nor impaired)

	30.06.2011 Group LVL'000	31.12.2010 Group LVL'000	30.06.2011 Bank LVL'000	31.12.2010 Bank LVL'000
Commercial	172,720	195,493	172,720	195,493
Mortgage loans	136,633	134,053	136,633	134,053
Private loans	29,528	29,060	29,528	29,060
Consumer loans	413	572	413	572
Leasing	18	23	18	23
Card loans	-	-	-	-
Other	1,359	1,452	1,359	1,452
Total	340,671	360,653	340,671	360,653

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

Loan is considered as restructured if at least one of following action has been performed:

- There are postponed or cancelled principal payment for the Loan for period that is longer than 90 calendar days or repeatedly postponed or cancelled principal payments and total period in last year exceeds 90 calendar days;
- There are postponed, cancelled or capitalized interest payments for the Loan for a period that is longer than 90 calendar days or repeatedly postponed, cancelled or capitalized interest payments and total period in last year exceeds 90 calendar days;
- Change of Loan principal repayment schedule that result in decrease of monthly payments by more than 30%;
- There is repossessed collateral or other assets for full or partial loan repayment;
- Substitution of initial borrower or attraction of additional borrower if in case attraction of additional borrower would not be performed that would result in overdue of payments more than 90 days;
- Decrease of loan interest rate due to financial difficulties of the customer.

7 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets designated at fair value through profit or loss	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group LVL'000	Group LVL'000	Bank LVL'000	Bank LVL'000
Debt securities				
Latvian government bills and bonds	90,472	110,248	90,472	110,248
OECD financial institutions bonds	-	28,144	-	28,144
Total debt securities	90,472	138,392	90,472	138,392
Investment funds				
DnB NORD Mērķa fonds	377	375	377	375
Total investment funds	377	375	377	375
Total	90,849	138,767	90,849	138,767

	Moody's equivalent grades	30.06.2011		31.12.2010	
		LVL'000	%	LVL'000	%
High grade					
Risk rating class 1	Aaa	-	0%	-	0%
Risk rating class 2	Aa1-A3	-	0%	28,144	20%
Risk rating class 3	Baa1-Baa2	-	0%	-	0%
Risk rating class 4	Baa3	21,185	23%	21,774	16%
Not rated*		69,664*	77%	88,849*	64%
Total		90,849	100%	138,767	100%

* Latvian Government T-bills 2011 - 59,461 (2010: 78,963)

The effective interest rate on securities at fair value through profit or loss as at 30 June 2011 was 2,81% (2010: 3,36%).

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

8 PROVISIONS FOR CREDIT LOSSES

Group provisions for impairment losses and other assets	Loans Total	Comm- ercial	Mort- gage loans	Consu- mer loans	Leasing	Card loans	Private and other	IBNR	Other assets	Total
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
31 December 2009	132,310	71,904	30,678	1,257	9,597	701	14,454	3,719	14,554	146,864
Fully provided for and written off	(12,527)	(10,966)	-	(944)	-	(392)	(225)	-	-	(12,527)
Charge to income statement :	32,344	23,541	6,193	543	29	352	1,582	104	3,639	35,983
- Individual loans and assets	32,240	23,541	6,193	543	29	352	1,582	-	3,639	35,879
- homogenous groups of loans	104	-	-	-	-	-	-	104	-	104
Interest income due to shortening of discounting period	(2,553)	(2,087)	(200)	-	-	-	(266)	-	-	(2,553)
Released during the year	(6,494)	(2,906)	(694)	(71)	(1,752)	(139)	(795)	(137)	-	(6,494)
Exchange rate difference	396	355	2	120	-	1	15	(97)	-	396
30 June 2010	143,476	79,841	35,979	905	7,874	523	14,765	3,589	18,193	161,669
31 December 2010	162,449	85,815	40,366	431	15,089	486	17,328	2,934	9,454	171,903
Fully provided for and written off	(963)	(453)	-	(263)	-	(235)	(12)	-	-	(963)
Charge to income statement :	30,040	8,616	17,065	205	770	271	3,072	41	-	30,040
- Individual loans and assets	28,779	8,238	16,223	205	770	271	3,072	-	-	28,779
- homogenous groups of loans	1,261	378	842	-	-	-	-	41	-	1,261
Interest income due to shortening of discounting period	(2,749)	(2,292)	(196)	-	-	-	(261)	-	-	(2,749)
Released during the period	(10,491)	(3,964)	(1,868)	(39)	-	(136)	(2,406)	(2,078)	(601)	(11,092)
Exchange rate difference	(76)	(29)	29	(10)	(1)	(1)	(64)	-	-	(76)
30 June 2011	178,210	87,693	55,396	324	15,858	385	17,657	897	8,853	187,063

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

8 PROVISIONS FOR CREDIT LOSSES

Bank provisions for impairment losses and other assets	Loans Total LVL'000	Comm- ercial LVL'000	Mortgage loans LVL'000	Consumer loans LVL'000	Card loans LVL'000	Private and other LVL'000	IBNR LVL'000	Off- balance sheet liabilities LVL'000	Total LVL'000
31 December 2009	118,998	68,189	30,678	1,257	701	14,454	3,719	27,866	146,864
Fully provided for and written off	(12,527)	(10,966)	-	(944)	(392)	(225)	-	-	(12,527)
Charge to income statement :	32,315	23,541	6,193	543	352	1,582	104	1,885	34,200
- individual loans and assets	32,211	23,541	6,193	543	352	1,582	-	1,885	34,096
- homogenous groups of loans	104	-	-	-	-	-	104	-	104
Interest income due to shortening of discounting period	(2,553)	(2,087)	(200)	-	-	(266)	-	-	(2,553)
Released during the period	(4,742)	(2,906)	(694)	(71)	(139)	(795)	(137)	(320)	(5,062)
Exchange rate difference	395	354	2	120	1	15	(97)	-	395
30 June 2010	131,886	76,125	35,979	905	523	14,765	3,589	29,431	161,317
31 December 2010	143,645	82,100	40,366	431	486	17,328	2,934	26,984	170,629
Fully provided for and written off	(963)	(453)	-	(263)	(235)	(12)	-	-	(963)
Charge to income statement:	29,270	8,616	17,065	205	271	3,072	41	522	29,792
- individual loans and assets	28,009	8,238	16,223	205	271	3,072	-	-	28,009
- homogenous groups of loans	1,261	378	842	-	-	-	41	522	1,783
Interest income due to shortening of discounting period	(2,749)	(2,292)	(196)	-	-	(261)	-	-	(2,749)
Released during the period	(10,491)	(3,964)	(1,868)	(39)	(136)	(2,406)	(2,078)	(363)	(10 854)
Exchange rate difference	(76)	(30)	29	(10)	(1)	(64)	-	(1)	(77)
30 June 2011	158,636	83,977	55,396	324	385	17,657	897	27,142	185,778

Income statement Item "Net allowances for impairment loss" for 6 month period ending 30 June 2011 includes recovered loans and other assets that were written-off in previous periods in net amount of LVL 102 thousand (for the 6 month period 2010 - LVL 33 thousand).

Income statement Item "Net allowances for impairment loss" for 6 month period ending 30 June 2011 includes expenses for non-performing commitments in amount of LVL 2,535 thousand (for the 6 month period 2010 - LVL 1,195 thousand).

9 INVESTMENT PROPERTY

SPV (Special Purpose Vehicle/Entity) chooses the fair value model as measurement of real estate property. All of its investment property is measured at fair value. FV is determined based on evaluation of external and certificated internal experts and market prices. Evaluation is made for each real estate property. Assumptions for future NPV calculations: discount rate - in range of 8-14%, estimated benchmark for market growth - in range 3-5% yearly.

The structure of investment property by type is following:

- 40% of investment property are apartments, parking places;
- 19% - buildings, private houses;
- 41% - land plots and objects for commercial use with and without building.

The structure of investment property by geographic location:

- 28% of investment property are located in Riga;
- 60% - in Riga region (incl. Jurmala);
- 12% - other regions.

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

9 INVESTMENT PROPERTY

	Group	Bank
	LVL'000	LVL'000
Investment property book value as at 31 December 2009	4,485	-
Additions, acquisitions of new properties	5,558	-
Net gains resulting from adjustment to fair value	-	-
Disposals	155	-
Investment property book value as at 30 June 2010	9,888	-
Investment property book value as at 31 December 2010	15,448	-
Additions, acquisitions of new properties	21,262	11,914*
Net gains resulting from adjustment to fair value	743	-
Disposals	314	1,697
Investment property book value as at 30 June 2011	37,139	10,217

*reclassification from foreclosed property to investment property was made based on the analysis of the real estate, according to the new segmentation of the real estate and approval of the sale strategy.

10 INVESTMENTS IN SUBSIDIARIES

During the reporting period the Bank has increased its investments in SIA DnB NORD Līzings in amount of LVL 200 thousand, in SIA Salvus 2 in amount of LVL 20 thousand.

11 DUE TO OTHER CREDIT INSTITUTIONS

	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Demand deposits				
Republic of Latvia credit institutions	16,402	9,536	16,402	9,536
OECD credit institutions	842	31,307*	842	31,307*
Non-OECD credit institutions	172	364	172	364
Total demand deposits	17,416	41,207	17,416	41,207
Term deposits				
Republic of Latvia credit institutions	10,909	25,622	10,909	25,622
OECD credit institutions	958,686	1,055,066	846,237	932,075
Non-OECD credit institutions	2,373	3,283	2,373	3,283
	971,968	1,083,971	859,519	960,980
Accrued interest	2,304	3,961	1,944	3,642
Total term deposits	974,272	1,087,932	861,463	964,622
Total deposits	991,688	1,129,139	878,879	1,005,829

* The difference was reflected a change in Bank's funding policy.

AS DnB NOR Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

12 EQUITY CAPITAL

On June, 30th, 2011 DnB NOR Bank ASA (Norway) has acquired from Bank DnB NOR A/S (Denmark) all Bank shares which belonged to Bank DnB NOR A/S (Denmark) and constituted 100% of share capital of Bank; DnB NOR Bank ASA (Norway) became the direct shareholder of the Bank.

13 CAPITAL ADEQUACY

The capital of DnB NOR Group is calculated and allocated for the risk coverage following the AS DnB NOR Banka Group Procedure on Minimum Capital Requirements Calculation and AS DnB NOR Banka Group Policy for the Assessment of Internal Capital Adequacy (ICAAP).

At the end of 30 June 2011 the Group's capital adequacy ratio is 10,98% and the Bank's - 11,96% (December 31, 2010: 11,40%; 11,58%).

Regular monitoring and control of capital adequacy is carried out in the Group and the Bank. During first half of 2011 several new initiatives have been launched in order to improve capital adequacy assessment and planning, including improvement of stress testing methodologies and calculation of capital requirements and capital buffer, which will continue throughout the rest of 2011.

14 OFF-BALANCE SHEET ITEMS

	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Memorandum items				
Contingent liabilities				
<i>guarantees</i>	24,517	23,960	24,517	146,951
Commitments				
<i>Loan issuing commitments</i>	73,988	69,387	105,118	97,934
<i>other liabilities</i>	1,854	2,504	1,854	2,504
<i>letters of credit</i>	1,183	349	1,183	349

15 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Related parties are defined as shareholders, members of the Supervisory Council and the Management Board, key management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, foreign currency transactions and financial instruments. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating income and expense for the year are as follows:

AS DnB NOR Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

15 RELATED PARTY TRANSACTIONS

Due from related parties	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Due from parent companies:				
DnB NOR Bank ASA	32,603	43,332	32,603	43,332
Bank DnB NOR A/S*	-	50	-	50
Due from subsidiaries:				
DnB NOR Līzings SIA	-	-	2,792	1,482
SIA Skanstes 12	-	-	20,365	20,892
SIA Salvus	-	-	22,538	17,929
SIA Salvus 2	-	-	4,559	-
SIA Salvus 3	-	-	140	139
Due from other related parties:				
AB DnB NOR Bankas	340	314	340	314
DnB NOR Polska	7	6	7	6
Bank DnB NOR A/S Eesti filiaal	145	183	145	183
DnB NOR IT AS	-	-	-	-
Bank DnB NOR A/S*	32	-	32	-
Balances due from related parties	33,127	43,885	83,521	84,327

Due to related parties	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Koncerns	Koncerns	Banka	Banka
	LVL'000	LVL'000	LVL'000	LVL'000
Due to parent companies:				
DnB NOR Bank ASA	946,209	629,636	833,400	629,636
Bank DnB NOR A/S*	-	35,454	-	35,454
Due to subsidiaries:				
DnB NOR Līzings SIA	-	-	8,472	9,242
IPAS DnB NOR Fondi	-	-	531	840
SIA Skanstes 12	-	-	12	6
SIA Salvus	-	-	1,136	375
SIA Salvus 2	-	-	33	14
SIA Salvus 3	-	-	9	13
Due to other related parties:				
AB DnB NOR Bankas	2,579	3,701	2,579	3,701
DnB NOR Polska	-	-	-	-
Bank DnB NOR A/S Eesti filiaal	380	387	380	387
DnB NOR IT AS	101	-	101	-
Bank DnB NOR A/S*	36,157	-	36,157	-
Balances due to related parties	985,426	669,178	882,810	679,668

During the reporting period Bank sold foreclosed property to SIA Salvus in amount of LVL 1,6 million, as a result Bank recognise profit amounted to LVL 255,8 thousand.

* On June, 30th, 2011 DnB NOR Bank ASA (Norway) has acquired from Bank DnB NOR A/S (Denmark) all Bank shares which belonged to Bank DnB NOR A/S (Denmark) and constituted 100% of share capital of Bank; DnB NOR Bank ASA (Norway) became the direct shareholder of the Bank.

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

15 RELATED PARTY TRANSACTIONS (continued)

The Group's and Bank's income/expenses from transactions with related parties are analysed as follows:

	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Interest received for money market deposits/ loans	960	1,412	485	318
Parent companies	75	6	75	6
Subsidiaries	882	1,298	407	204
Other Related parties	3	108	3	108
Income received from derivatives	-	-	-	-
Parent companies	-	-	-	-
Subsidiaries	-	-	-	-
Other Related parties	-	-	-	-
Derivative revaluation result	328	-	328	-
Parent companies	395	-	395	-
Subsidiaries	-	-	-	-
Other Related parties	(67)	-	(67)	-
Commission received	37	46	755	1,317
Parent companies	-	-	-	-
Subsidiaries	-	-	718	1,271
Other Related parties	37	46	37	46
Dividends	-	-	422	-
Parent companies	-	-	-	-
Subsidiaries	-	-	422	-
Other Related parties	-	-	-	-
Other income	4	3	604	86
Parent companies	1	-	1	-
Subsidiaries	-	-	600	83
Other Related parties	3	3	3	3
Interest paid on money market deposits/loans	(8,457)	(7,669)	(8,526)	(8,054)
Parent companies	(8,400)	(7,401)	(8,400)	(7,401)
Subsidiaries	-	-	(69)	(385)
Other Related parties	(57)	(268)	(57)	(268)
Expenses from derivatives	(2,165)	(7,020)	(2,165)	(7,020)
Parent companies	(2,221)	(7,022)	(2,221)	(7,022)
Subsidiaries	-	-	-	-
Other Related parties	56	2	56	2
Derivative revaluation result	-	(63)	-	(63)
Parent companies	-	(63)	-	(63)
Subsidiaries	-	-	-	-
Other Related parties	-	-	-	-
Interest paid on subordinated loan	(765)	(681)	(765)	(681)
Parent companies	(765)	(681)	(765)	(681)
Subsidiaries	-	-	-	-
Other Related parties	-	-	-	-
Commission paid	(38)	(41)	(38)	(41)
Parent companies	(38)	(40)	(38)	(40)
Subsidiaries	-	-	-	-
Other Related parties	-	(1)	-	(1)
Other expenses	(1,144)	(667)	(1,650)	(708)
Parent companies	(758)	(851)	(758)	(851)
Subsidiaries	-	-	(506)	(41)
Other Related parties	(386)	184	(386)	184
	(11,240)	(14,680)	(10,550)	(14,846)

As a result of the integration of SIA DnB NORD Līzings operations into Bank, the agreement about rendering services between Bank and subsidiary was signed.

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2011

Notes to the Financial Statements (continued)

16 HEDGE ACCOUNTING

As at part of risk management process, management identifies the financial risk to which the bank is exposed. A common strategy in risk management is reduction or elimination of the risks that the bank faces by entering into transaction that gives an offsetting risk profile.

The bank uses a fair value accounting model in accounting for the instruments used to manage interest rate risk. Fair value hedge is a hedge of the exposure to changes in the fair value of a recognised asset or liability, or an identified portion of such an asset or liability that is attributable to a particular risk and that will affect reported net income.

The Bank entered and designated the receive-variable, pay-fix IRS as the derivative hedging instruments. The Bank identified and aggregated the portfolio/group of fixed interest rate loans (mortgage and private) as the hedged item.

For the period 30 June 2011, the Bank recognised a net gain LVL 1,284 thousand on the hedging instruments. The total net loss on the hedged items attributable to the hedged risks amounted to LVL 2,284 thousand.

LVL'000	Notional amount		Gains/(losses) on the hedged item attributable to the hedge risk		Gains/(losses) on the hedging instrument	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010	30.06.2011	31.12.2010
Hedged item						
Loans portfolio	74,427	97,198	(2,284)**	(1,809)*	1,284**	948*

* Two hedge constructions were terminated and notional amount of hedged items was decreased.

** Notional amount of hedged items was decreased considerably.

17 LITIGATION AND CLAIMS

In the ordinary course of business, the Bank has been involved in a number of legal proceedings to recover outstanding credit balances and maintain collaterals. The Management of the Bank believes that any legal proceedings pending as at 30 June 2011 will not result in material losses for the Bank and/ or Group

18 EVENTS AFTER BALANCE SHEET DATE

As of the last day of the reporting period until the date of signing these consolidated financial statements there have been no events requiring adjustment of or disclosure in the consolidated financial statements or notes thereto.