

AS DnB NORD Banka

**Interim Condensed Consolidated
and Bank Financial Statements
for the 6 months period ended 30 June 2010
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 2010

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AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
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REPORT OF THE SUPERVISORY COUNCIL AND THE MANAGEMENT BOARD

During the 2nd quarter of 2010, Latvia's economy continued to experience a gradual recovery. A growth in the export and manufacturing sectors already began during the 2nd half of 2009, and during the first two quarters of this year, the trade sector also experienced a gradual increase in turnover. Although the country is still in the initial phase of its post-crisis recovery, it can be expected that Latvia's economy will continue to grow during the 2nd half of 2010.

The positive trends in Latvia's economy have also been reflected in the operations of DnB NORD Banka.

The revenues of DnB NORD Banka from its basic activities reached LVL 24.9 million during the first half of 2010. DnB NORD Banka continued to implement measures for attaining increased cost effectiveness. The bank reduced its operational costs by 8% to LVL 11.3 million during the 1st half of this year, compared to the corresponding period in 2009.

The operating profits of DnB NORD Banka before provisions and taxes reached LVL 13.4 million during the first six months of 2010.

During the 2nd quarter of this year the bank made net provisions in the amount of LVL 15.4 million. The bank's losses after provisions and taxes were LVL 15.7 million at the close of the quarter. The capital base of DnB NORD Banka was increased by LVL 14.2 million during the period.

The total assets of DnB NORD group in Latvia reached LVL 1.9 billion during the 1st half of 2010. The net loan portfolio of DnB NORD group decreased by 4.7% compared to the beginning of this year, and amounted to LVL 1.525 billion. At the end of the first half of 2010, the deposit portfolio DnB NORD group reached LVL 436.4 million, or 12.8% more than at the beginning of the year.

The competitiveness of DnB NORD Banka in the Latvian banking sector is attested to by the continued growth in the number of the bank's customers. During the first half of 2010, DnB NORD Banka gained 875 corporate customers and almost 6000 new individual customers. The number of payment cards issued by DnB NORD Banka increased by 4% during the first half of 2010. The number of iNORD users grew by 8% during the first six months of 2010.

During the first six months of this year, the volume of newly issued loans reached LVL 54.7 million. The amount of loans to companies has increased significantly in comparison to the respective period in 2009 – in the H1 of 2010 it has reached LVL 41.4 million which is almost four times more than in H1 of 2009 (LVL 10.2 million). Loans of LVL 11.7 million were issued to private individuals.

On 2 August 2010, DnB NOR Bank ASA (DnB NOR) has announced that it has exercised the option provided in the shareholder agreement with Norddeutsche Landesbank (NORD/LB) to acquire NORD/LB's 49% ownership interest in Bank DnB NORD A/S. Since 2005, DnB NOR and NORD/LB have owned 51% and 49%, respectively, of Bank DnB NORD A/S that has subsidiary banks in Latvia, Lithuania and Poland, including AS DnB NORD Banka. The acquisition process is expected to be completed early next year.

DnB NOR considers DnB NORD's geographic area of operation to be a region with a good future earnings potential, and that this is a good time to strengthen its position in the Baltic region.



Thomas Buerkle

Chairman of the
Supervisory Council



Andris Ozolins

CEO, Chairman of the
Management Board

Riga

24 August 2010

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The Supervisory Council and the Management Board of the Bank as of 30 June 2010

The Supervisory Council

<i>Name</i>	<i>Institution</i>	<i>Position</i>	<i>Date of appointment</i>
Thomas Buerkle	Bank DnB NOR A/S	Chairman of the Supervisory Council	18 March 2009*
Torstein Hagen	Bank DnB NOR A/S	Vice Chairman of the Supervisory Council	6 June 2007**
Margrethe Melbye Grønn	Bank DnB NOR A/S	Member of the Supervisory Council	22 February 2010
Cord Meyer	Norddeutsche Landesbank Girozentrale AG	Member of the Supervisory Council	22 February 2010
Tony Samuelson	DnB NOR Bank ASA	Member of the Supervisory Council	26 March 2008
Jekaterina Titarenko	Bank DnB NOR A/S	Vice Chairman of the Supervisory Council	22 February 2010

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

** From 26 March 2006 till 6 June 2007 Torstein Hagen was a member of the Supervisory Council

The following members of the Supervisory Council have left their positions since 1 January 2010:

<i>Name</i>	<i>Institution</i>	<i>Position</i>	<i>Date of resignation</i>
Christoph Dieng	Norddeutsche Landesbank Girozentrale AG	Member of the Supervisory Council	22 February 2010
Michael Kiesewetter	Norddeutsche Landesbank Girozentrale AG	Member of the Supervisory Council	22 February 2010
Jarle Mortensen	DnB NOR Bank ASA	Member of the Supervisory Council	22 February 2010

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.

The following members of the Management Board have left their positions since 1 January 2010:

<i>Name</i>	<i>Position</i>	<i>Date of resignation</i>
Björn Poetzsch	Member of the Management Board	1 May 2010

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2010

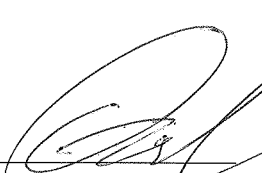

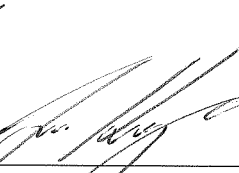
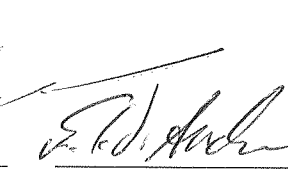
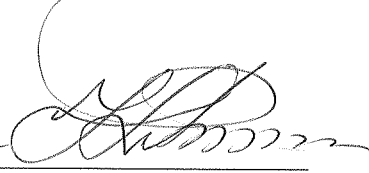
STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

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 2010 and the results of their operations and cash flows for the period ended 30 June 2010.

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

Riga

24 August 2010

INDEPENDENT AUDITORS' REPORT

To the shareholders 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 6 through 31 and which comprise the financial position as at 30 June 2010, the statements of comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2010, 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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
Latvian Sworn Auditor
Certificate No. 124


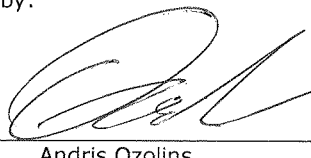

Rīga, 24 August 2010

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2010

Interim consolidated statement of comprehensive income
for the six months ended 30 June 2010

	Notes	01.01.2010- 30.06.2010 Group LVL'000	01.01.2009- 30.06.2009 Group LVL'000	01.01.2010- 30.06.2010 Bank LVL'000	01.01.2009- 30.06.2009 Bank LVL'000
Interest income	4	36,114	54,185	33,662	49,953
Interest expenses	5	(16,232)	(30,479)	(15,319)	(27,687)
Net interest income		19,882	23,706	18,343	22,266
Fees and commission income		6,144	6,938	6,930	7,556
Fees and commission expenses		(3,720)	(3,135)	(3,450)	(3,134)
Net fees and commissions		2,424	3,803	3,480	4,422
Net gain/ (loss) from operations with foreign currency, trading securities and derivative financial instruments		2,756	2,091	2,850	2,073
Other operating income		1,726	2,428	189	181
Dividends		1	1	81	1
Operating income		26,789	32,029	24,943	28,943
Personnel expenses		(5,442)	(5,434)	(5,071)	(5,000)
Other administrative expenses		(5,387)	(6,437)	(4,982)	(6,087)
Depreciation		(2,489)	(3,115)	(1,238)	(1,173)
Other operating expenses		(302)	(463)	(230)	(212)
Net allowances for impairment loss	8	(29,456)	(78,065)	(29,104)	(78,065)
(Loss) before income tax		(16,287)	(61,485)	(15,682)	(61,594)
Corporate income tax	9	-	8,757	-	8,800
(Loss) for the period		(16,287)	(52,728)	(15,682)	(52,794)
Total comprehensive (loss)		(16,287)	(52,728)	(15,682)	(52,794)
(Loss) attributable to:					
Equity holders of the Bank		(16,287)	(52,728)	(15,682)	(52,794)
Total comprehensive (loss) attributable to:					
Equity holders of the Bank		(16,287)	(52,728)	(15,682)	(52,794)

The financial statements on pages 6 to 31 have been approved by the Supervisory Council and the Management Board of the Bank and signed on their behalf by:

 Thomas Buerkle	 Andris Ozolins	 Rudolf Karges
Chairman of the Supervisory Council	Chairman of the Management Board	Member of the Management Board

Riga,
24 August 2010


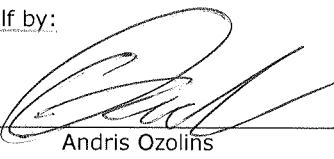

The accompanying notes are an integral part of these financial statements

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2010

Interim consolidated statement of financial position at 30 June 2010

Assets	Notes	30.06.2010 Group LVL'000	31.12.2009 Group LVL'000	30.06.2010 Bank LVL'000	31.12.2009 Bank LVL'000
Cash and balances with central banks		83,324	95,876	83,324	95,876
Due from other credit institutions (demand)		5,430	8,833	5,155	8,311
Derivatives		8,899	5,652	8,899	5,652
Financial assets designated at fair value through profit or loss		155,666	119,673	155,666	119,673
-- <i>Debt securities and other fixed income securities</i>	7	155,295	119,306	155,295	119,306
-- <i>Investment funds</i>	7	371	367	371	367
Financial assets available-for-sale		10	10	10	10
Loans and advances		1,538,988	1,612,543	1,476,555	1,515,898
-- <i>Due from other credit institutions (term)</i>		13,993	11,458	13,993	11,458
-- <i>Loans to customers</i>	6	1,524,995	1,601,085	1,462,562	1,504,440
Accrued income and deferred expenses		480	696	358	562
Investment property	10	9,888	4,449	-	-
Property and equipment		29,844	29,255	7,058	6,077
Intangible assets		1,350	1,539	982	1,146
Investments in subsidiaries		-	-	1,997	1,997
Deferred corporate income tax	9	6,483	6,483	6,483	6,483
Current corporate income tax		723	2,234	723	2,234
Other assets		18,547	13,154	13,539	8,631
Total assets		1,859,632	1,900,397	1,760,749	1,772,550

The financial statements on pages 6 to 31 have been approved by the Supervisory Council and the Management Board of the Bank and signed on their behalf by:

		
Thomas Buerkle	Andris Ozoliņš	Rudolf Karges
Chairman of the Supervisory Council	Chairman of the Management Board	Member of the Management Board

Riga,

24 August 2010


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 2010

Interim consolidated statement of financial position at 30 June 2010


Liabilities	Notes	30.06.2010 Group LVL'000	31.12.2009 Group LVL'000	30.06.2010 Bank LVL'000	31.12.2009 Bank LVL'000
Liabilities to credit institutions on demand	11	10,922	54,536	10,922	54,536
Derivatives		21,030	16,745	21,030	16,745
Financial liabilities at amortised cost:		1,644,125	1,642,561	1,516,464	1,489,886
-- Due to credit institutions (term)	11	1,207,714	1,255,970	1,070,398	1,034,922
-- Deposits from customers and other financial liabilities	12	436,411	386,591	446,066	454,964
Accrued expenses and deferred income		2,395	2,021	2,357	1,987
Deferred tax liability		685	686	-	-
Income tax liability		1	-	-	-
Other liabilities		3,324	4,558	1,958	1,408
Provisions		-	-	29,431	27,865
Subordinated loan		54,451	54,481	54,451	54,481
Total liabilities		1,736,933	1,775,588	1,636,613	1,646,908
Shareholders` equity					
Share capital		134,361	134,361	134,361	134,361
Share premium		48,994	48,994	48,994	48,994
Reserve capital	13	42,667	28,491	42,667	28,491
Revaluation reserve		133	133	133	133
Accumulated result		(103,456)	(87,170)	(102,019)	(86,337)
Total shareholders' equity attributable to the shareholders of the Bank		122,699	124,809	124,136	125,642
Total shareholders` equity		122,699	124,809	124,136	125,642
Total liabilities and shareholders` equity		1,859,632	1,900,397	1,760,749	1,772,550

The financial statements on pages 6 to 31 have been approved by the Supervisory Council and the Management Board of the Bank and signed on their behalf by:



 Thomas Buerkle

Chairman of the Supervisory Council



 Andris Ozolins

Chairman of the Management Board



 Rudolf Karges

Member of the Management Board

Riga,

24 August 2010

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 2010

Interim consolidated statement of changes in equity
for the six months ended 30 June 2010

<i>Group</i>	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 2009	99,161	48,994	214	133	(82)	148,420
Loss for the 6 months	-	-	-	-	(52,728)	(52,728)
Total comprehensive loss	-	-	-	-	(52,728)	(52,728)
Increase in share capital	35,174	-	-	-	-	35,174
At 30 June 2009	134,335	48,994	214	133	(52,810)	130,866
At 31 December 2009	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

Interim consolidated statement of changes in equity
for the six months ended 30 June 2010

<i>Bank</i>	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 2009	99,161	48,994	214	133	741
Loss for the 6 months	-	-	-	-	(52,794)	(52,794)
Total comprehensive loss	-	-	-	-	(52,794)	(52,794)
Increase in share capital	35,174	-	-	-	-	35,174
At 30 June 2009	134,335	48,994	214	133	(52,053)	131,623
At 31 December 2009	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

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 2010

Interim consolidated cash flow statement
the 6 months period ended 30 June 2010

	1.01.2010- 30.06.2010	1.01.2009- 30.06.2009	1.01.2010- 30.06.2010	1.01.2009- 30.06.2009
	Group LVL'000	Group LVL'000	Bank LVL'000	Bank LVL'000
Cash flows from operating activities				
Profit before income tax and dividends	(16,287)	(61,485)	(15,682)	(61,594)
Depreciation and amortization of intangible assets and property and equipment	2,489	3,165	1,113	1,112
Provisions for doubtful debts and off-balance sheet liabilities	27,348	77,905	26,997	77,905
Profit/(loss) from revaluation of securities, derivatives and loans	(1,827)	392	(1,827)	392
(Profit)/loss from sale of property and equipment and intangible assets	(45)	(71)	-	(71)
Dividends received	1	-	(81)	-
(Profit)/loss from foreign currency revaluation	74	160	74	160
Cash flow from operating activities before changes in assets and liabilities	11,751	20,066	10,594	17,904
(Increase)/Decrease in loans and advances to customers	81,196	120,009	36,141	69,934
(Increase)/Decrease in due from credit institutions	(13,624)	(2,408)	(13,591)	715
(Increase)/Decrease in derivatives	(4,361)	(5,838)	(4,361)	(5,838)
(Increase)/Decrease in financial assets designated at fair value through profit and loss	(34,112)	45,561	(34,112)	45,561
Increase in due to credit institutions	(48,246)	(207,178)	35,486	(203,710)
(Increase)/Decrease in accrued income and deferred expenses	216	(274)	203	(277)
(Increase)/Decrease in other assets and taxes	(12,341)	(9,489)	(3,371)	(5,357)
Increase/(Decrease) in clients deposits	48,722	(19,377)	(9,996)	15,394
Increase/(Decrease) in derivatives	4,285	2,768	4,285	2,768
Increase/(Decrease) in accrued expenses and deferred income	5,407	(797)	5,087	(99)
Increase/(Decrease) in other liabilities	(28,107)	(10,329)	(21,737)	(2,740)
Increase/decrease in cash and cash equivalents as a result of operating activities	10,786	(67,286)	4,628	(65,745)
Cash flows from investing activities				
(Acquisition) of property and equipment and intangible assets	(5,216)	(3,772)	(2,056)	(430)
Sale of property and equipment and intangible assets	2,373	2,088	125	134
(Acquisition) of participation in share capital of subsidiary and Business Unit	-	-	-	(81)
(Acquisition) of investment property	(5,439)	-	-	-
Increase/decrease in cash and cash equivalents as a result of investment activities	(8,282)	(1,684)	(1,931)	(377)

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 2010

Interim Statement of Cash Flows for the 6 months period ended 30 June 2010 (continued)

	1.01.2010- 30.06.2010	1.01.2009- 30.06.2009	1.01.2010- 30.06.2010	1.01.2009- 30.06.2009
	Group LVL'000	Group LVL'000	Bank LVL'000	Bank LVL'000
Cash flows from financing activities				
Increase of share capital	-	35,174	-	35,174
Increase of reserve capital	14,176	-	14,176	-
Subordinated liabilities attracted	(30)	13,770	(30)	13,770
Increase/decrease in cash and cash equivalents as a result of financing activities	14,146	48,944	14,146	48,944
Net increase/decrease in cash and cash equivalents	16,650	(20,026)	16,843	(17,178)
Cash and cash equivalents at the beginning of the year	56,244	84,930	55,722	84,528
(Gain)/loss of foreign currency revaluation on cash and cash equivalents	(74)	(160)	(74)	(160)
Cash and cash equivalents at the end of the period	72,820	64,744	72,491	67,190

	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	Group LVL'000	Group LVL'000	Bank LVL'000	Bank LVL'000
Cash flow from interest received	36,709	56,514	34,252	51,982
Cash flow from interest paid	17,744	36,306	16,933	34,063
Dividends received	1	-	81	-

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AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2010

Notes to the Financial Statements

1 INFORMATION ON THE BANK

AS DnB NORD 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 parent of the Bank is Bank DnB NORD A/S (Denmark) and the ultimate parent of the Bank is DnB NOR ASA (Norway). The Bank and its subsidiaries (the Group) are engaged in banking and financial services business.

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

On 30 December 2009, the board of directors of DnB NOR ASA ("DnB NOR") has decided to initiate the evaluation period of the shareholder agreement between DnB NOR and Norddeutsche Landesbank Girozentrale's ("NORD/LB") and consider whether to acquire NORD/LB ownership interest in Bank DnB NORD A/S ("DnB NORD"). On 2 August 2010 DnB NOR has said to exercise option to buy mentioned ownership interest, thus indicating end of evaluation period. According to this option DnB NOR will purchase interest in the Bank. Currently the parties are seeking to reach agreement on price; if no agreement reached, price will be determined in accordance with the agreed arbitration mechanism. It is understood that ownership of the Group will be taken by DnB NOR.

The management of the Bank strongly believes that above process does not raise significant uncertainties to its operations or funding base, as well as the Bank will be capitalised in accordance with regulatory requirements to allow it to operate continuously. Therefore the Bank has made reasonable judgments and estimates aimed at sustaining the Bank as going concern in 2010 and beyond.

2 ACCOUNTING POLICIES

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year:

- Amendment to IFRS 2 *Share-based Payment*;
- Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements*;
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* – Eligible Hedged Items;
- IFRIC 12 *Service Concession Arrangements*;
- IFRIC 17 *Distributions of Non-cash Assets to Owners*;
- IFRIC 18 *Transfers of Assets from Customers*;
- Improvements to IFRS (issued in 2008 and 2009).

The principal effects of these changes are related to amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements* and are as follows:

The Group adopted the revised IFRS 3 from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. These changes in accounting policies were applied prospectively and had no material impact on earnings per share.

The other standards and interpretations and their amendments adopted in 2010 did not impact the financial statements of the Group, because the Group did not have the respective financial statement items and transactions addressed by these changes.

Standards issued but not yet effective

The Group has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2013, once adopted by the EU).

IFRS 9 will eventually replace IAS 39. The IASB has issued the first part of the standard, establishing a new classification and measurement framework for financial assets. The Group has not yet evaluated the impact of the implementation of this standard.

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Notes to the Financial Statements (continued)

2 ACCOUNTING POLICIES (continued)

Amendments to IAS 24 Related Party Disclosures (effective for financial years beginning on or after 1 January 2011).

The amendments simplify the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. They also provide a partial exemption from the disclosure requirements for government-related entities. The implementation of these amendments will have no impact on the financial position or performance of the Group, however it may impact the related parties disclosures.

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for financial years beginning on or after 1 February 2010).

The amendment changes the definition of a financial liability to exclude certain rights, options and warrants. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have such instruments.

Improvements to IFRSs

In May 2010 IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard and the omnibus is still to be adopted by the EU. The adoption of these amendments will not have any impact on the financial position or performance of the Group.

Amendment to IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for financial years beginning on or after 1 January 2011).

The amendment modifies the accounting for prepayments of future contributions when there is a minimum funding requirement. This amendment will not have any impact on the consolidated financial statements because the Group does not have defined benefit assets.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 July 2010).

The interpretation provides guidance on accounting for extinguishing financial liabilities with equity instruments. Since the Group does not have such transactions, IFRIC 19 will not have any impact on its consolidated financial statements.

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 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 the 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 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.

According to the strategy, the Group and the Bank continuously increases risk-sensitiveness of its credit risk management system by the 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. As a result 98% of credit portfolio exposure is covered by appropriate loss probability measurement tools. For corporate and medium size enterprises 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 private sector statistical behaviour scoring model is introduced to monitor development of risk profile regularly.

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Notes to the Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

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

Risk class	Risk category: Large Corporate customers	Risk category: SME and Private customers
1	Low Risk	Low Risk
2		
3		
4		
5	Medium Risk	Medium Risk
6		
7	High Risk	High Risk
8		
9		
10		

To follow the bank's credit policy to maintain a low to medium risk profile, already at the end of 2008 the calibration level of the financial indicator model was increased to reflect the economical downturn and to strengthen the risk evaluation process.

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

b)_ Currency risk

Within common business conditions the Group and the Bank bears an exposure to the consequences of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk is the risk that the Group and the Bank incurs losses as a result of unfavourable changes in foreign exchange rates. For the assessment of this risk open FX positions are used.

The Group and the Bank follows the conservative currency risk management policy and prefer to keep FX open positions close to zero.

The Bank regularly runs and analyses respective stress tests, which are based on the DnB NORD Group-wide methodology, including three scenarios (standard, possible and worst).

According to the defined currency exchange rate range limits for standard scenario the maximum loses risk is LVL 0,15 million (impact on profit before tax).

The standard scenario assumptions are summarized in the table below:

	EUR	LTL	PLN	DKK	USD	EEK	Other currencies
Change in FX rate	0.75%	0.50%	1.25%	1.25%	1.25%	1.25%	2.50%

In case of standard scenario, the net equity would change by LVL 0.03 million.

c) Interest rate risk in the banking book

Within common business conditions the Group and the Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is the risk that the Group and the Bank incurs losses as a consequence of unfavourable changes in interest rates. For assessment and management of this risk sensitivity to changes in interest rates is calculated and limited. Such risks are monitored on a rolling basis and are subject to annual or more frequent review.

The Bank restricts interest rate risk using limits, set by Group Asset and Liabilities Management Committee. Limits are defined for every currency book in total and for every currency book particular time bucket. At the end of 6 months 2010 the Group and the Bank complied with defined limits.

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Notes to the Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

The table below allocates the Group's positions as at 30 June 2010:

	Net position (LVL) LVL'000	Net position (USD) LVL'000	Net position (EUR) LVL'000
Up to 3 months	(84,785)	(37,169)	(341,276)
3 - 6 months	(2,956)	32,180	300,261
6 - 12 months	(40,219)	1,399	3,240
1- 5 years	(15,920)	(2,111)	5,478
Over 5 years	(114)	12	133
Total	(143,994)	(5,689)	(32,164)

The table below allocates the Group's positions as at 31 December 2009:

	Net position (LVL) LVL'000	Net position (USD) LVL'000	Net position (EUR) LVL'000
Up to 3 month	(154,132)	(31,772)	(223,939)
3 - 6 months	4,245	28,546	78,684
6 - 12 months	(7,942)	330	76,139
1- 5 years	(14,717)	(1,316)	16,958
Over 5 years	(18)	12	63
Total	(172,564)	(4,200)	(52,095)

The table below allocates the Bank's positions as at 30 June 2010:

	Net position (LVL) LVL'000	Net position (USD) LVL'000	Net position (EUR) LVL'000
Up to 3 month	(84,492)	(35,764)	(251,915)
3 - 6 months	(2,942)	32,182	303,507
6 - 12 months	(40,196)	1,402	6,019
1- 5 years	(15,820)	(2,099)	12,286
Over 5 years	(114)	12	133
Total	(143,564)	(4,267)	70,030

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Notes to the Financial Statements (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

The table below allocates the Bank's positions as at 31 December 2009:

	Net position (LVL) LVL'000	Net position (USD) LVL'000	Net position (EUR) LVL'000
Up to 3 months	(153,467)	(30,290)	(108,158)
3 - 6 months	4,262	28,564	81,592
6 - 12 months	(7,902)	333	79,773
1- 5 years	(14,595)	(1,301)	28,978
Over 5 years	(18)	12	63
Total	(171,720)	(2,682)	82,248

d) Liquidity risk

Liquidity risk means the risk that the Bank is unable to meet its financial obligations in time or the risk to incur losses due to the sudden decrease in financial resources (eg. the financial crisis situations may result in the run on the bank and delay of incoming payments) as well as due to increase in price of the new resources designed for refinancing. The consequence of liquidity risk occurrence may be the failure to meet obligations to repay depositors and fulfil loan commitments. Liquidity risk is controlled on an overall DnB NORD Group level and restricted by liquidity ratio, set by the Financial and Capital Market Commission and the limits set by the ALCO of DnB NORD Group.

The Group's and the Bank's liquidity ratio, calculated using the methodology approved by the FCMC, is 47.80% as at 30 June 2010 (2009: 42.50%). The FCMC requires that the liquidity ratio should not be less than 30%.

Liquidity risk management process in the Group is divided into the long-term (1 year) risk management and short-term (up to 1 month) risk management. The aim of short-term liquidity is to meet the daily need for funds, to ensure the compliance with the reserve and liquidity requirements set by the Financial and Capital Market Commission as well as the compliance with the internal liquidity limits. Short-term liquidity is maintained through daily monitoring of the liquidity status, day-to day funding. Long-term liquidity risk is managed by analysing the predicted future cash flows taking into account the deposit and loan portfolio growth as well as the possible refinancing sources.

For the purpose of the liquidity risk assessment the liquidity gap, taking into account the maturity and the refinance ratio, are analysed. The liquidity risk is restricted by imposing the internal limits on liquidity gap and refinance ratio. These limits are subject to daily monitoring and regular reporting to the management bodies of the Group.

Liquidity gap is calculated by looking at the Group and Bank net refinancing situation within one week and one month applying a "business as usual" approach. Liquid assets and short term liabilities are included for liquidity gap calculation for respective terms (1 week and 1 month).

e) Market risk

Market risk – is the risk that the Group and the Bank incur losses as a consequence of changes of market variables. Methodology and limits of market risk assessment and management are approved by DnB NORD Group ALCO.

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Notes to the Financial Statements (continued)

4 INTEREST INCOME

	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Interest income:				
- interest on financial assets measured at amortised cost:	32,290	45,213	29,838	40,981
- interest on loans and receivables to customers	31,752	44,480	29,300	40,248
- interest on balances due from credit institutions and central banks	538	733	538	733
- interest on financial assets at fair value through profit or loss:	3,824	8,972	3,824	8,972
- interest on derivatives	-	6,222	-	6,222
- interest on held for trading financial assets	3,824	2,750	3,824	2,750
Total interest income	36,114	54,185	33,662	49,953

5 INTEREST EXPENSES

	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Interest expense:				
- interest on deposits from customers	(4,142)	(7,054)	(4,527)	(7,212)
- interest on balances due to credit institutions and central banks	(10,594)	(22,167)	(9,296)	(19,218)
- interest on subordinated liabilities	(675)	(866)	(675)	(865)
- interest on other financial liabilities	(456)	(392)	(456)	(392)
- interest on derivatives	(365)	-	(365)	-
Total interest expense	(16,232)	(30,479)	(15,319)	(27,687)
Net interest income	19,882	23,706	18,343	22,266

6 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans by original maturity

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Less than a year	147,203	186,199	138,936	156,253
More than a year	1,513,545	1,539,703	1,447,930	1,459,837
Accrued income	7,722	7,493	7,582	7,348
	1,668,470	1,733,395	1,594,448	1,623,438
Less: allowance for loan impairment losses	(141,938)	(129,375)	(130,349)	(116,063)
Less: allowance for unpaid interest	(1,537)	(2,935)	(1,537)	(2,935)
Total	1,524,995	1,601,085	1,462,562	1,504,440

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Notes to the Financial Statements (continued)

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Analysis of loans by client type

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Individuals	942,035	954,955	914,914	926,280
Private companies	695,148	746,954	646,286	665,289
Management/employees	13,181	13,647	12,508	12,750
Local government	9,893	10,321	9,739	10,321
Public companies	455	25	23	25
Finance institutions	-	-	3,396	1,425
Accrued income	7,722	7,493	7,582	7,348
	1,668,470	1,733,395	1,594,448	1,623,438
Less: allowance for loan impairment losses	(141,938)	(129,375)	(130,349)	(116,063)
Less: allowance for unpaid interest	(1,537)	(2,935)	(1,537)	(2,935)
Total	1,524,995	1,601,085	1,462,562	1,504,440

(c) Analysis of loans by products

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Commercial loans	630,027	663,826	659,341	676,717
Mortgage loans	771,168	775,111	771,168	775,111
Private loans	131,601	135,474	131,601	135,474
Consumer loans	7,648	10,521	7,648	10,521
Leasing	103,601	123,235	405	532
Card loans	8,013	8,303	8,013	8,303
Other	8,690	9,432	8,690	9,432
Accrued income	7,722	7,493	7,582	7,348
	1,668,470	1,733,395	1,594,448	1,623,438
Less: provisions for loan impairment losses	(141,938)	(129,375)	(130,349)	(116,063)
Less: provisions for unpaid interest	(1,537)	(2,935)	(1,537)	(2,935)
Total	1,524,995	1,601,085	1,462,562	1,504,440

(d) Analysis of loans by industry

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Individuals	942,852	950,508	911,752	920,639
Management of real estate	215,639	236,451	245,690	252,404
Manufacturing	126,189	135,902	107,324	110,084
Trade	115,709	121,446	100,991	104,151
Other	84,237	91,996	74,799	75,860
Transport	81,688	87,178	65,868	68,213
Construction	25,999	30,899	17,069	19,036
Agriculture	21,988	23,559	17,599	18,648
Management/employees	13,181	13,647	12,508	12,750
Non-profit and religious organizations	1,302	1,253	1,302	1,242
Total loans to residents	1,628,784	1,692,839	1,554,902	1,583,027
Loans issued to non-residents	31,964	33,063	31,964	33,063
Accrued income	7,722	7,493	7,582	7,348
	1,668,470	1,733,395	1,594,448	1,623,438
Less: allowance for loan impairment losses	(141,938)	(129,375)	(130,349)	(116,063)
Less: allowance for unpaid interest	(1,537)	(2,935)	(1,537)	(2,935)
Total	1,524,995	1,601,085	1,462,562	1,504,440

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Notes to the Financial Statements (continued)

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

(e) Analysis of loans by countries

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Latvia	1,628,765	1,692,839	1,554,883	1,583,027
Other countries	31,983	33,063	31,983	33,063
Accrued interest	7,722	7,493	7,582	7,348
Total	1,668,470	1,733,395	1,594,448	1,623,438
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Less: allowance for loan impairment losses	(141,938)	(129,375)	(130,349)	(116,063)
Less: allowance for unpaid interest	(1,537)	(2,935)	(1,537)	(2,935)
Total	1,524,995	1,601,085	1,462,562	1,504,440

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

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Neither past due nor impaired	1,110,129	1,200,593	1,063,980	1,114,559
Past due but not impaired	178,968	202,733	168,590	187,753
Impaired	371,652	322,576	354,296	313,778
Accrued interest	7,722	7,493	7,582	7,348
Total gross loans and advances to customers	1,668,471	1,733,395	1,594,448	1,623,438
Less allowances for loan impairment	(122,142)	(89,178)	(114,745)	(80,379)
Less allowances for homogenous groups of loans	(19,797)	(40,197)	(15,604)	(35,684)
Less allowance for unpaid interest	(1,537)	(2,935)	(1,537)	(2,935)
Total net loans and advances to customers	1,524,995	1,601,085	1,462,562	1,504,440

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

Grades	Risk classes	30.06.2010	31.12.2009	30.06.2010	31.12.2009
		Group	Group	Bank	Bank
		LVL'000	LVL'000	LVL'000	LVL'000
Large Corporate (turnover more than 20MEUR)	Low	-	-	-	-
	Medium	61,923	47,356	61,923	47,356
	High	73,058	67,853	73,058	67,853
	Not rated	-	-	-	-
SME (turnover less than 20MEUR)	Low	32,866	49,230	55,991	53,121
	Medium	130,971	150,971	100,262	106,297
	High	118,562	150,600	99,699	129,190
	Not rated	-	1,772	-	1,772
Private individuals	Low	307,577	426,054	307,577	426,054
	Medium	296,384	208,955	296,384	208,955
	High	69,086	70,650	69,086	70,650
	Not rated	19,702	27,152	-	3,311
Total		1,110,129	1,200,593	1,063,980	1,114,559

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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

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Commercial	355,604	392,689	390,890	405,580
Mortgage loans	581,951	611,257	581,951	611,257
Private loans	73,111	79,295	73,111	79,295
Consumer loans	6,015	8,153	6,015	8,153
Leasing	81,560	99,163	125	238
Card loans	6,895	4,342	6,895	4,342
Other	4,993	5,694	4,993	5,694
Total	1,110,129	1,200,593	1,063,980	1,114,559

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

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Commercial loans				
Past due up to 30 days	24,658	31,134	24,423	31,134
Past due 31-60 days	3,900	17,064	3,878	17,064
Past due 61-90 days	5,320	1,041	5,320	1,041
Past due over 90 days	24,801	35,905	19,968	35,905
Total	58,679	85,144	53,589	85,144
Mortgage loans (issued to private individuals secured with real estate collateral)				
Past due up to 30 days	65,102	51,284	65,102	51,284
Past due 31-60 days	18,639	18,282	18,639	18,282
Past due 61-90 days	6,342	5,689	6,342	5,689
Past due over 90 days	2,661	2,366	2,661	2,366
Total	92,744	77,621	92,744	77,621
Private loans				
Past due up to 30 days	13,821	11,345	13,821	11,345
Past due 31-60 days	3,542	5,173	3,542	5,173
Past due 61-90 days	1,109	1,990	1,109	1,990
Past due over 90 days	1,624	1,780	1,624	1,780
Total	20,096	20,288	20,096	20,288
Consumer loans				
Past due up to 30 days	516	535	516	535
Past due 31-60 days	1	1	1	1
Past due 61-90 days	-	-	-	-
Past due over 90 days	-	-	-	-
Total	517	536	517	536
Leasing				
Past due up to 30 days	1,251	1,405	30	30
Past due 31-60 days	442	581	5	18
Past due 61-90 days	325	962	1	6
Past due over 90 days	3,306	12,086	-	-
Total	5,324	15,034	36	54

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Notes to the Financial Statements (continued)

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Card loans				
Past due up to 30 days	456	2,794	456	2,794
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due over 90 days	-	-	-	-
Total	456	2,794	456	2,794
Other loans				
Past due up to 30 days	828	596	828	596
Past due 31-60 days	90	173	90	173
Past due 61-90 days	16	60	16	60
Past due over 90 days	220	487	220	487
Total	1,154	1,316	1,154	1,316
Past due up to 30 days	106,630	99,093	105,174	97,718
Past due 31-60 days	26,614	41,274	26,155	40,711
Past due 61-90 days	13,112	9,742	12,788	8,786
Past due over 90 days	32,612	52,624	24,473	40,538
Total	178,968	202,733	168,590	187,753
Total gross loans and advances to customers past due but not impaired	178,968	202,733	168,590	187,753
Fair value of collateral	212,000	334,203	212,000	334,203

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

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Commercial	221,175	189,713	214,861	185,993
Mortgage loans	96,474	86,235	96,474	86,235
Private loans	38,394	35,891	38,394	35,891
Consumer loans	1,117	1,832	1,117	1,832
Leasing	11,287	5,317	245	239
Card loans	662	1,166	662	1,166
Other	2,543	2,422	2,543	2,422
Total	371,652	322,576	354,296	313,778

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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 2010								
Impaired loans	221,175	96,474	38,394	1,117	11,287	662	2,543	371,652
Fair value of collateral	139,811	71,168	26,508	-	84	-	1,608	239,179
31 December 2009								
Impaired loans	189,713	86,235	35,891	1,832	5,317	1,166	2,422	322,576
Fair value of collateral	120,005	63,616	24,413	466	105	-	1,432	210,037

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 2010								
Impaired loans	214,861	96,474	38,394	1,117	245	662	2,543	354,296
Fair value of collateral	139,811	71,168	26,508	-	84	-	1,608	239,179
31 December 2009								
Impaired loans	185,993	86,235	35,891	1,832	239	1,166	2,422	313,778
Fair value of collateral	120,005	63,616	24,413	466	105	-	1,432	210,037

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.

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Notes to the Financial Statements (continued)

6 LOANS AND ADVANCES TO CUSTOMERS (continued)

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)

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Commercial	186,994	86,579	186,994	86,579
Mortgage loans	125,109	76,331	125,109	76,331
Private loans	28,201	17,242	28,201	17,242
Consumer loans	688	476	688	476
Leasing	27	27	27	27
Card loans	-	-	-	-
Other	1,567	1,227	1,567	1,227
Total	342,586	181,882	342,586	181,882

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 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.

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Notes to the Financial Statements (continued)

7 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets designated at fair value through profit or loss	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group LVL'000	Group LVL'000	Bank LVL'000	Bank LVL'000
Debt securities				
Latvian government securities	109,817	56,815	109,817	56,815
Latvian mortgage bonds	1,323	1,421	1,323	1,421
OECD financial institutions bonds	44,154	61,070	44,154	61,070
Total debt securities	155,295	119,306	155,295	119,306
Investment funds				
DnB NORD Mērķa fonds	371	367	371	367
Total investment funds	371	367	371	367
Total	155,665	119,673	155,665	119,673

	Moody's equivalent grades	30.06.2010		31.12.2009	
		LVL'000	%	LVL'000	%
High grade					
Risk rating class 1	Aaa	-	0%	10,701	9%
Risk rating class 2	Aa1-A3	40,640	26%	46,862	39%
Risk rating class 3	Baa1-Baa2	1,323	1%	1,421	1%
Risk rating class 4	Baa3	13,4016	9%	10,575	9%
Not rated*		92,827	64%	50,114*	42%
Total		248,493	100%	119,673	100%

* Latvian Government T-bills 2010 – LVL 92,827, (2009: LVL 43,177)

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Notes to the Financial Statements (continued)

8 PROVISIONS FOR CREDIT LOSSES

Group allowance for impairment losses and other assets	Loans LVL'000	Other assets LVL'000	Total LVL'000
31 December 2008	27,691	-	27,675
Fully provided for and written off	(2,504)	-	(2,504)
Charge to income statement:			
- individual loans and assets	61,000	-	61,000
- homogenous groups of loans	23,161	-	23,161
Released during the year	(6,085)	-	(6,085)
Exchange rate difference	(185)	-	(185)
30 June 2009	103,062	-	103,062
31 December 2009	132,310	14,554	146,864
Fully provided for and written off	(12,527)	-	(12,527)
Charge to income statement:			
- individual loans and assets	32,240	3,639	35,879
- homogenous groups of loans	104	-	104
Interest income due to shortening of discounting period	(2,553)	-	(2,553)
Released during the period	(6,494)	-	(6,494)
Exchange rate difference	395	-	395
30 June 2010	143,475	18,193	161,668

Bank provisions for impairment losses and other assets	Loans LVL'000	Off- balance sheet liabilities LVL'000	Total LVL'000
31 December 2008	25,919	1,139	27,058
Fully provided for and written off	(2,504)	-	(2,504)
Charge to income statement:			
- individual loans and assets	52,455	8,545	61,000
- homogenous groups of loans	23,161	-	23,161
Released during the year	(6,085)	-	(6,085)
Exchange rate difference	(185)	-	(185)
30 June 2009	92,662	9,684	102,446
31 December 2009	118,998	27,866	146,864
Fully provided for and written off	(12,527)	-	(12,527)
Charge to income statement:			
- individual loans and assets	32,211	1,885	34,096
- homogenous groups of loans	104	-	104
Interest income due to shortening of discounting period	(2,553)	-	(2,553)
Released during the period	(4,742)	(320)	(5,062)
Exchange rate difference	395	-	395
30 June 2010	131,886	29,431	161,317

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

Collective impairments are divided in two major parts: pool provisions and IBNR ("impaired but not reported") provisions. Pool provisions are made for four groups of products like mortgage loans, private loans (both of those groups are loans issued to private individuals secured with real estate collateral), loans to legal entities and leasing with at least 31 day principal or interest overdue. Approach is linked to overdue payments. Amount

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Notes to the Financial Statements (continued)

8 PROVISIONS FOR CREDIT LOSSES (continued)

of impairments is calculated as incurred losses based on probability of default (probability that loan which is delayed, for example, 60 days will come into default till remaining maturity) and loss given default.

IBNR provisions are made for rest of portfolio dividing loans into product groups (mortgage loans, private loans, loans to legal entities and leasing) with overdue 0 to 30 days (principal or interest), into groups where customers are included in specific risky sectors and rest of loans pooled in two groups based on either customer is legal or private entity. Provisions amount is based on historical loss rate for specific group and probability of default.

9 CORPORATE INCOME TAX

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As at 30 June 2010 tax losses of the Bank constituted LVL 110,370 thousand. In accordance with the law "On Corporate Income Tax" tax losses can be carried forward and set off against taxable income during the subsequent eight years. The deferred tax assets recognised at 30 June 2010 in respect of tax losses have been based on profitability assumptions over five year horizon. The expected future taxable profits are based on business plan assumptions taking into consideration uncertainties arising from the current adverse economic environment. If the business plan earnings and assumptions in following quarters substantially deviate from the current assumptions, the amount of existing deferred tax assets may need to be adjusted.

Following these principles the Bank has recognised deferred tax assets in amount LVL 6,483 thousand.

10 INVESTMENT PROPERTY

The major part of investment property was alienated through voluntary sales proceedings, insignificant part (≈6%) of the total volume of the investment property was alienated following the debt recovery proceedings pursuant to the court resolution. The structure of investment property as at 30 June 2010 is following:

- 47% - multi apartment house;
- 39% - land plots;
- 11% - village, buildings, apartments.

Entire increase in investment property is due to new additions. No fair value gain or loss have been recognised during first half of 2010.

11 DUE TO OTHER CREDIT INSTITUTIONS

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Demand deposits				
Republic of Latvia credit institutions	7,520	51,787	7,520	51,787
Other country credit institutions	3,402	2,749	3,402	2,749
	10,922	54,536	10,922	54,536
Accrued interest	-	-	-	-
Total demand deposits	10,922	54,536	10,922	54,536
Term deposits				
Republic of Latvia credit institutions	14,682	21,428	14,682	21,428
OECD credit institutions	1,176,149	1,215,038	1,039,102	994,147
Non-OECD credit institutions	13,606	14,891	13,606	14,891
	1,204,437	1,251,357	1,067,390	1,030,466
Accrued interest	3,277	4,613	3,008	4,456
Total term deposits	1,207,714	1,255,970	1,070,398	1,034,922
Total deposits	1,218,636	1,310,506	1,081,320	1,089,458

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12 DUE TO CUSTOMERS

Analysis of deposits by maturity and client type

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Demand deposits				
Private companies	85,802	77,501	94,839	145,349
Individuals	69,279	65,125	69,279	65,125
State institutions	4,504	2,289	4,504	2,289
Funds in transit	5,694	4,596	5,694	4,596
Non-residents	8,695	5,828	8,695	5,828
Total demand deposits	173,974	155,339	183,011	223,187
Term deposit accounts				
Individuals	96,280	113,026	96,280	113,026
Private companies	141,414	97,265	142,003	97,772
State institutions	4,094	5,570	4,094	5,570
Non-residents	19,133	13,678	19,133	13,678
Accrued interest	1,516	1,713	1,545	1,731
Total term deposits	262,437	231,252	263,055	231,777
Total deposits	436,411	386,591	446,066	454,964

13 RESERVE CAPITAL

In order to increase the Tier I Capital by way of increasing the reserve capital of the Bank, DnB NORD Bank A/S made payment in the amount of EUR 20 million (LVL 14 million) into the reserve capital of the Bank.

14 CAPITAL ADEQUACY

The capital of DnB NORD Group is calculated and allocated for the risk coverage following the AS DnB NORD Banka Group Procedure on Minimum Capital Requirements Calculation and AS DnB NORD Banka Group Policy for the Assessment of Internal Capital Adequacy (ICAAP). The Group's objectives when managing capital are:

- 1) to comply with the capital requirements set by the Financial and Capital Market Commission as well as the higher target capital requirements set by major shareholder,
- 2) to safeguard the Bank's and the Group's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders,
- 3) to support the development of the Group's business with the help of the strong capital base.

Capital adequacy report is submitted to the supervising authority monthly in accordance with the Financial and Capital Market Commission requirements.

The Group's regulatory capital is divided into two tiers:

- 1) Tier 1 capital consists of the ordinary shares, share premium, mandatory reserve, retained earnings of the previous financial year, the audited profit of current financial year, negative revaluation reserve of financial assets and less the intangible assets and part of investments to financial institutions,
- 2) Tier 2 capital consists of subordinated loans, other reserves.

The risk-weighted assets are measured by means of risk weights classified according to the nature of each assets and counterparty. A similar treatment with some adjustments is adopted for the off-balance sheet exposures.

At the end of 30 June 2010 the Group's capital adequacy ratio is 11,07% and the Bank's - 11,21% (2009: 10,78%; 10,79%).

Legislation determines minimum capital as at least 8% of the sum of the risk-weighted exposure.

According to the Financial and Capital Market Commission Regulations for Calculating the Minimum Capital Requirements, bank shall provide own funds which shall at all times exceed or equal the sum of the capital requirements for:

- credit risk;
- market risk;
- operational risk.

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Notes to the Financial Statements (continued)

14 CAPITAL ADEQUACY (continued)

In compliance with these regulations the Bank and the Group calculate credit risk minimum capital requirement by using standardised approach, the Bank and the Group do not apply any VaR or other internal models for the calculation of market risk capital requirement and apply Basic Indicators Approach for calculating of operational risk capital requirement.

The risk-weighted assets are measured by means of risk weights classified according to the nature of each assets and counterparty. A similar treatment with some adjustments is adopted for the off-balance sheet exposures.

For credit risk capital requirement calculation the Bank uses the rating agency Moody's ratings for counterparty risk assessment.

The Bank review and improve the risk identification and management policies and procedures according to the changes in the Banks and the Group activities at least once a year.

The amendments and updates mostly are done during annual internal capital adequacy assessment process when significant risks are to be reassessed or identified and assessed.

The Bank calculates its internal capital requirements as add-ons for regulatory capital requirement without taking into the account any inter-risk correlation effects.

The capital planning exercise is carried out in parallel to the internal capital adequacy assessment process enable the Bank to ensure its internal capital adequacy under changing economic conditions.

During the capital planning process, the following items are reviewed:

- current regulatory and internal capital requirements of the Bank,
- the foreseen development of risk according to defined risk types,
- planned capital consumption,
- planned organic growth and strategic expansion opportunities,
- the targeted and sustainable capital level (with a view to the Bank's strategy and risk appetite),
- the means of capital management: internal and external resources that can be employed to increase capital (profit-generating capability),
- other employable means of ensuring capital adequacy.

Regular monitoring of capital plan has been carried out afterwards through the year and new adjustments have been made during the internal capital adequacy assessment process for 2010.

15 OFF-BALANCE SHEET ITEMS

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Memorandum items				
Contingent liabilities				
<i>guarantees</i>	23,272	22,192	160,318	243,083
Commitments				
<i>Loan issuing commitments</i>	80,975	49,329	80,975	78,369
<i>other liabilities</i>	3,099	3,902	3,099	3,902
<i>letters of credit</i>	549	1,618	549	1,618

The Bank guarantees include the AS DnB NORD Banka guarantee for DnB NORD Lizingis SIA in amount of LVL 137,047 thousand as at 30 June 2010. The excess of funding is deposited in the Bank.

16 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

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Notes to the Financial Statements (continued)

16 RELATED PARTY TRANSACTIONS (continued)

out on market 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:

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Due from parent companies:				
DnB NOR Bank ASA	4,138	1,573	4,138	1,573
Bank DnB NORD A/S	166	680	166	680
NORD/LB Group	25,808	29,299	25,808	29,299
Due from subsidiaries:				
DnB NORD Lizingis SIA	-	-	3,371	1,428
SIA Skanstes 12	-	-	18,860	14,355
SIA Salvus	-	-	13,059	3,483
Due from other related parties:				
AB DnB NORD Bankas	8	7	8	7
DnB NORD Polska	11	23	11	23
Bank DnB NORD A/S Eesti filiaal	4,997	4,933	4,997	4,933
DnB NORD IT A/S	28	286	28	286
Balances due from related parties	35,157	36,801	70,446	56,067

Due to related parties

	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Due to parent companies:				
DnB NOR Bank ASA	552,357	494,370	552,357	494,370
Bank DnB NORD A/S	36,457	35,413	36,457	35,413
NORD/LB Group	612,240	709,325	475,416	489,200
Due to subsidiaries:				
DnB NORD Lizingis SIA	275	522	7,993	67,617
IPAS DnB NORD Fondi	-	-	618	526
SIA Skanstes 12	-	-	14	42
SIA Salvus	-	-	1,270	149
SIA Salvus 2	-	-	16	20
SIA Salvus 3	-	-	19	20
Due to other related parties:				
AB DnB NORD Bankas	11,368	13,123	11,368	13,123
DnB NORD Polska	-	-	-	-
Bank DnB NORD A/S Eesti filiaal	5,329	4,994	5,329	4,994
Balances due to related parties	1,218,026	1,257,747	1,090,857	1,105,474

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

	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Interest received for money market deposits/ loans	1,412	824	318	1,327
Parent companies:	6	702	6	27
Subsidiaries	1,298	-	204	1,179
Other Related parties	108	121	108	121
Income received from derivatives	2	6,164	2	6,164
Parent companies:	-	6,164	-	6,164
Subsidiaries	-	-	-	-
Other Related parties	2	-	2	-

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Notes to the Financial Statements (continued)

16 RELATED PARTY TRANSACTIONS (continued)

	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Derivative revaluation result	-	-	-	-
Parent companies:	-	-	-	-
Subsidiaries	-	-	-	-
Other Related parties	-	-	-	-
Commission received	46	43	1,317	1,171
Parent companies:	-	4	-	4
Subsidiaries	-	-	1,271	1,128
Other Related parties	46	39	46	39
Other income	3	-	86	2
Parent companies:	-	-	-	-
Subsidiaries	-	-	83	2
Other Related parties	3	-	3	-
Interest paid on money market deposits/loans	(7,669)	(16,736)	(8,054)	(16,894)
Parent companies:	(7,401)	(16,444)	(7,401)	(16,444)
Subsidiaries	-	-	(385)	(158)
Other Related parties	(268)	(292)	(268)	(292)
Expenses from derivatives	(7,022)	(7)	(7,022)	(7)
Parent companies:	(7,022)	-	(7,022)	-
Subsidiaries	-	-	-	-
Other Related parties	-	(7)	-	(7)
Derivative revaluation result	(63)	(3,698)	(63)	(3,698)
Parent companies:	(63)	(3,608)	(63)	(3,608)
Subsidiaries	-	-	-	-
Other Related parties	-	(90)	-	(90)
Interest paid on subordinated loan	(681)	(988)	(681)	(988)
Parent companies:	(681)	(988)	(681)	(988)
Subsidiaries	-	-	-	-
Other Related parties	-	-	-	-
Commission paid	(41)	(31)	(41)	(31)
Parent companies:	(40)	(31)	(40)	(31)
Subsidiaries	-	-	-	-
Other Related parties	(1)	-	(1)	-
Other expenses	(667)	(1,016)	(708)	(1,041)
Parent companies:	(851)	(1,058)	(851)	(1,058)
Subsidiaries	-	-	(42)	(25)
Other Related parties	184	42	184	42
	(14,680)	(15,446)	(14,846)	(13,995)

17 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 have applied fair value portfolio hedge on loan portfolio with fixed interest rates.

The bank for interest rate risk hedge accounting uses fair value accounting model.

Fair value hedge is a hedge of the exposure to changes in the fair value of a recognized 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.

LVL'000	Notional amount	Gains/(losses) on the hedged item attributable to the hedge risk		Gains/(losses) on the hedging instrument	
		30.06.2010	31.12.2009	30.06.2010	31.12.2009
Hedged item					
Loans portfolio	104,507	7,609	8,014	(9,012)	(8,009)

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Notes to the Financial Statements *(continued)*

18 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 2010 will not result in material losses for the Bank and/ or Group.

19 EVENTS AFTER BALANCE SHEET DATE

As of the last day of the reporting year 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.