

AS DnB NOR Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2009

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2009

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AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2009

REPORT OF THE SUPERVISORY COUNCIL AND THE MANAGEMENT BOARD

In 6 months of 2009 DnB NORD Banka continued its development, paying close attention to the challenging macro economic situation facing Latvia, and focusing on increasing operational income and promoting overall efficiency of the bank, as well as working closely with customers to ensure the quality of the current loan portfolio.

In the first half of 2009 the operational income before provisions and taxes reached LVL 16.5 million which is 16.6% higher than in the respective period of 2008.

The deposit portfolio of DnB NORD Banka grew by 3.1% in comparison with the beginning of the year, reaching LVL 453 million.

The loan portfolio of DnB NORD Banka in the end of June 2009 amounted to LVL 1.554 billion having decreased by 8 % in comparison with the beginning of the year.

The number of customers – both private persons and legal entities - continued to increase during the first half year of 2009; the number of legal entities grew by more than 400 companies and the number of private persons by more than 4200 customers.

Given the challenging economic situation of Latvia, the bank continued to maintain a strict risk policy to ensure long-term stability. The net amount of provisions in the end of June was LVL 78.1 million, the total amount of provisions amounted to LVL 92.8 million. The loss for the first six months of the year amounted to LVL 52.8 million after provisions.

End of April 2009 DnB NORD Banka received a subordinated loan by DnB NORD A/S in the amount of LVL 14 million in order to strengthen its capital base. In June DnB NORD Banka started its share emission thus planning to increase its share capital by 35.2 million LVL.



Thomas Buerkle

Chairman of the
Supervisory Council



Andris Ozolins

CEO, Chairman of the
Management Board

Riga

24 August 2009

*AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2009*

The Supervisory Council and the Management Board of the Bank

The Supervisory Council

<i>Name</i>	<i>Institution</i>	<i>Position</i>	<i>Date of appointment</i>
Thomas Buerkle	Bank DnB NORD A/S	Chairman of the Supervisory Council	18 March 2009*
Torstein Hagen	Bank DnB NORD A/S	Vice Chairman of the Supervisory Council	6 June 2007**
Michael Kieseewetter	Norddeutsche Landesbank Girozentrale AG	Member of the Supervisory Council	16 March 2009
Christoph Dieng	Norddeutsche Landesbank Girozentrale AG	Member of the Supervisory Council	16 March 2009
Dr. Juris Binde	Latvijas Mobilais Telefons SIA	Member of the Supervisory Council	21 March 2002
Jarle Mortensen	DnB NOR Bank ASA	Member of the Supervisory Council	27 March 2007
Baiba Anda Rubess	StatoilHydro Azerbaijan	Member of the Supervisory Council	21 March 2002
Tony Samuelsen	DnB NOR Bank ASA	Member of the Supervisory Council	26 March 2008

* 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 during the reporting period:

<i>Name</i>	<i>Institution</i>	<i>Position</i>	<i>Date of resignation</i>
Sven Herlyn	Bank DnB NORD A/S	Chairman of the Supervisory Council	16 March 2009
Dr. Juergen Allerkamp	Norddeutsche Landesbank Girozentrale AG	Member of the Supervisory Council	16 March 2009

The Management Board

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Andris Ozolins	Chairman of the Management Board	1 January 2004*
Gundars Andzans	Member of the Management Board	16 May 2005
Rudolf Karges	Member of the Management Board	20 July 2000
Ivars Kapitovics	Member of the Management Board	10 August 2006
Björn Poetzsch	Member of the Management Board	1 May 2007

* 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.

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Interim Condensed Consolidated and Bank Financial Statements
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STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The Management Board of AS DnB NORD Banka are 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 2009 and the results of their operations and cash flows for the period ended 30 June 2009.

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	 _____ Gundars Andzans Member of the Management Board	 _____ Rudolf Karges Member of the Management Board	 _____ Ivars Kapitovics Member of the Management Board	 _____ Björn Peitzsch Member of the Management Board
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Riga

24 August 2009

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 28 and which comprise the balance sheet as at 30 June 2009, the statements of income, changes in equity and cash flows for the nine month period ended 30 June 2009, 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.

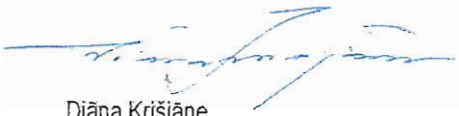
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim condensed financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim condensed financial 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


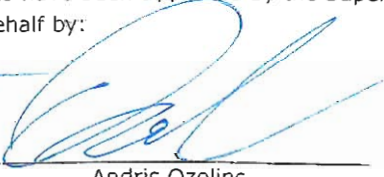
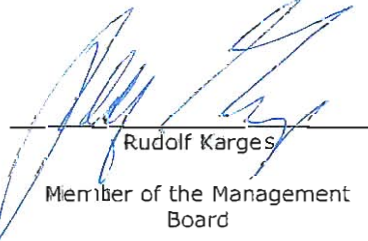
Rīga, 24 August 2009

AS DnB NORDBANKA
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2009

**Interim consolidated statement of comprehensive income
for the six months ended 30 June 2009**

Notes	01.01.2009- 30.06.2009	01.01.2008- 30.06.2008 (Unaudited)	01.01.2009- 30.06.2009	01.01.2008- 30.06.2008 (Unaudited)
	Group LVL'000	Group LVL'000	Bank LVL'000	Bank LVL'000
Interest income	54,185	63,248	49,953	57,172
Interest expenses	(30,479)	(40,880)	(27,687)	(35,894)
Net interest income	23,706	22,368	22,266	21,278
Fees and commission income	6,938	5,898	7,556	6,294
Fees and commission expenses	(3,135)	(2,090)	(3,134)	(2,087)
Net fees and commissions	3,803	3,808	4,422	4,207
Net gain/ (loss) from operations with foreign currency, trading securities and derivative financial instruments	2,091	2,636	2,073	2,569
Other operating income	2,428	3,646	181	470
Dividends	1	-	1	600
Operating income	32,029	32,458	28,943	29,124
Personnel expenses	(5,434)	(6,714)	(5,000)	(6,248)
Other administrative expenses	(6,437)	(7,981)	(6,087)	(7,497)
Depreciation	(3,115)	(3,688)	(1,173)	(1,066)
Other operating expenses	(463)	(243)	(212)	(168)
Net allowances for impairment loss	6 (78,065)	(3,150)	6 (78,065)	(3,150)
Profit before income tax	(61,485)	10,682	(61,594)	10,995
Corporate income tax	8 8,757	(1,606)	8,800	(1,572)
Profit for the period from continuing operations	(52,728)	9,076	(52,794)	9,423
Gain/(loss) after tax for the period from a discontinued operations	-	537	-	537
Profit/(loss) for the period	(52,728)	9,613	(52,794)	9,960
Cash flow hedge	-	8	-	-
Total comprehensive income	(52,728)	9,621	(52,794)	9,960
Attributable to:				
Equity holders of the Bank	(52,728)	9,612	(52,794)	9,960
Minority interests	-	1	-	-

The financial statements on pages 6 to 28 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 2009

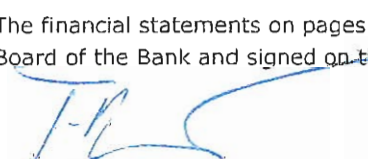


The accompanying notes are an integral part of these financial statements.

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2009

Interim consolidated statement of financial position at 30 June 2009

Assets	Notes	30.06.2009	31.12.2008	30.06.2009	31.12.2008
		Group	Group	Bank	Bank
		LVL'000	LVL'000	LVL'000	LVL'000
Cash and balances with central banks		79,165	89,328	79,165	89,328
Due from other credit institutions (demand)		6,522	3,303	5,846	2,902
Derivatives		5,141	5,593	5,141	5,593
Financial assets designated at fair value through profit or loss		80,892	119,995	80,892	119,995
-- <i>Debt securities and other fixed income securities</i>	5	80,530	119,641	80,530	119,641
-- <i>Investment funds</i>	5	362	354	362	354
Financial assets available-for-sale		10	10	10	10
Loans and advances		1,736,277	1,923,023	1,559,211	1,695,999
-- <i>Due from other credit institutions (term)</i>		5,469	6,104	5,469	6,104
-- <i>Loans to customers</i>	4	1,730,808	1,916,919	1,553,742	1,689,895
Accrued income and deferred expenses		1,047	773	936	659
Fixed assets	7	27,655	28,996	6,555	7,233
Intangible assets		1,145	1,214	742	809
Investments in subsidiaries		-	-	1,068	987
Deferred corporate income tax	8	8,258	-	8,258	-
Current corporate income tax		2,629	2,058	2,629	2,058
Other assets	9	24,617	15,769	11,873	7,101
Total assets		1,973,358	2,190,062	1,762,326	1,932,674

The financial statements on pages 6 to 28 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 2009


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 2009

**Interim consolidated statement of financial position
at 30 June 2009**

Liabilities	Notes	30.06.2009	31.12.2008	30.06.2009	31.12.2008
		Group LVL'000	Group LVL'000	Bank LVL'000	Bank LVL'000
Liabilities to credit institutions on demand	10	17,902	7,703	17,902	7,703
Derivatives		16,585	13,817	16,585	13,817
Financial liabilities at amortised cost:		1,743,378	1,971,861	1,527,217	1,717,461
-- Due to credit institutions (term)	10	1,326,927	1,534,105	1,073,922	1,277,632
-- Deposits from customers and other financial liabilities	11	416,451	437,756	453,295	439,829
Accrued expenses and deferred income	12	3,760	1,292	3,739	1,275
Deferred corporate income tax		687	1,158	-	542
Current corporate income tax		-	14	-	14
Other liabilities	13	5,550	4,937	10,630	1,759
Subordinated loan	14	54,630	40,860	54,630	40,860
Total liabilities		1,842,492	2,041,642	1,630,703	1,783,431
Shareholders' equity					
Share capital	15	134,335	99,161	134,335	99,161
Share premium		48,994	48,994	48,994	48,994
Reserve capital		214	214	214	214
Revaluation reserve		133	133	133	133
Accumulated result		(52,810)	(82)	(52,053)	741
Total shareholders' equity attributable to the shareholders of the Bank		130,866	148,420	131,623	149,243
Minority interests		-	-	-	-
Total shareholders' equity		130,866	148,420	131,623	149,243
Total liabilities and shareholders' equity		1,973,358	2,190,062	1,762,326	1,932,674

The financial statements on pages 6 to 28 have been approved by the Supervisory Council and the Management Board of the Bank and signed on their behalf by:



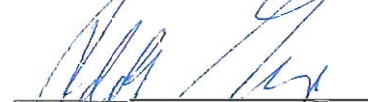
Thomas Buerkle

Chairman of the Supervisory Council



Andris Ozolins

Chairman of the Management Board



Rudolf Karges

Member of the Management Board

Riga,

24 August 2009

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 2009

**Interim consolidated statement of changes in equity
for the six months ended 30 June 2009**

<i>Group</i>	Attributable to equity holders						
	Share capital	Share premium	Reserve capital	Revaluation reserve	Accumulated result	Minority interest	Total
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
At 31 December 2007	99,161	48,994	214	133	(5,542)	39	142,999
Profit for the 6 months	-	-	-	-	9,612	1	9,613
Other comprehensive income	-	-	-	-	8	-	8
Total comprehensive income	-	-	-	-	9,620	1	9,621
Retained loss decrease after DnB NORD Liising shares sale	-	-	-	-	493	-	493
At 30 June 2008	99,161	48,994	214	133	4,571	40	153,113
At 31 December 2008	99,161	48,994	214	133	(82)	-	148,420
Loss for the 6 months	-	-	-	-	(52,728)	-	(52,728)
Total comprehensive income	-	-	-	-	(52,728)	-	(52,728)
Increase of share capital	35,174	-	-	-	-	-	35,174
At 30 June 2009	134,335	48,994	214	133	(52,810)	-	130,866

**Interim consolidated statement of changes in equity
for the six months ended 30 June 2009**

<i>Bank</i>	Share capital	Share premium	Reserve capital	Revaluation reserve	Accumulated result	Total
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
	At 31 December 2007	99,161	48,994	214	133	(5,468)
Profit for the 6 months	-	-	-	-	9,960	9,960
Total comprehensive income	-	-	-	-	9,960	9,960
At 30 June 2008	99,161	48,994	214	133	4,492	152,994
At 31 December 2008	99,161	48,994	214	133	741	149,243
Loss for the 6 months	-	-	-	-	(52,794)	(52,794)
Total comprehensive income	-	-	-	-	(52,794)	(52,794)
Increase of share capital	35,174	-	-	-	-	35,174
At 30 June 2009	134,335	48,994	214	133	(52,053)	131,623

The accompanying notes are an integral part of these financial statements.

AS DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
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Interim consolidated cash flow statement
the 6 months period ended 30 June 2009

	1.01.2009- 30.06.2009	1.01.2008- 30.06.2008 (Unaudited)	1.01.2009- 30.06.2009	1.01.2008- 30.06.2008 (Unaudited)
	Group LVL'000	Group LVL'000	Bank LVL'000	Bank LVL'000
Cash flows from operating activities				
Profit before income tax and dividends	(61,485)	11,218	(61,594)	10,932
Depreciation and amortization of intangible and fixed assets	3,165	3,688	1,112	742
Increase/(decrease) in provisions for doubtful debts and off-balance sheet liabilities	77,905	2,225	77,905	2,225
Profit/(loss) from revaluation of securities, derivatives and loans	392	(687)	392	(688)
(Profit)/loss from sale of fixed and intangible assets	(71)	(309)	(71)	(332)
(Profit)/loss from foreign currency revaluation	160	-	160	-
Cash flow from operating activities before changes in assets and liabilities	20,066	16,135	17,904	12,879
(Increase)/Decrease in loans and advances to customers	120,009	(42,110)	69,934	(54,129)
(Increase)/Decrease in due from credit institutions	(2,408)	(20,085)	715	(19,946)
(Increase)/Decrease in derivatives	(5,838)	(4,082)	(5,838)	(4,082)
(Increase) in financial assets designated at fair value through profit and loss	45,561	(20,953)	45,561	(20,953)
Increase in due to credit institutions	(207,178)	(11,986)	(203,710)	3,605
(Increase)/Decrease in accrued income and deferred expenses	(274)	1,107	(277)	1,016
(Increase)/Decrease in other assets and accrued income	(9,489)	(6,334)	(5,357)	(5,878)
Increase/(Decrease) in clients deposits	(19,377)	47,477	15,394	44,667
Increase/(Decrease) in financial liabilities held for trading	2,768	2,791	2,768	2,791
Increase/(Decrease) in accrued expenses and deferred income	(797)	3,521	(99)	714
Increase/(Decrease) in other liabilities and accrued expense	(10,329)	710	(2,740)	3,968
Changes in cash and cash equivalents as a result of operating activities				
Corporate income tax paid		(2,790)		(2,790)
Increase/decrease in cash and cash equivalents as a result of operating activities	(67,286)	(36,599)	(65,745)	(38,138)
Cash flows from investing activities				
(Acquisition) of fixed assets and intangible assets	(3,772)	(3,807)	(430)	(869)
Sale of fixed assets and intangible assets	2,088	2,566	134	894
(Acquisition) of participation in share capital of subsidiary and Business Unit		502	(81)	175
Increase/decrease in cash and cash equivalents as a result of investment activities	(1,684)	(739)	(377)	200

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 2009

Interim Statement of Cash Flows for the 6 months period ended 30 June 2009 (continued)

	1.01.2009- 30.06.2009	1.01.2008- 30.06.2008	1.01.2009- 30.06.2009	1.01.2008- 30.06.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Cash flows from financing activities				
Increase of share capital	35,174	-	35,174	-
Receipts/ (payments) for subordinated liabilities	13,770	(13)	13,770	(13)
Dividends (paid)/received	-	-	-	600
Increase/decrease in cash and cash equivalents as a result of financing activities	48,944	(13)	48,944	587
Net increase/decrease in cash and cash equivalents	(20,026)	(37,351)	(17,178)	(37,351)
Cash and cash equivalents at the beginning of the year	84,930	138,823	84,528	138,823
(Profit)/loss of foreign currency revaluation	(160)		(160)	
Cash and cash equivalents at the end of the year	64,744	101,472	67,190	101,472

	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Cash flow from interest received	56,514	63,717	51,982	57,532
Cash flow from interest paid	36,306	41,048	34,063	36,770

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 2009

Notes to the Financial Statements

Note 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.

Note 2 ACCOUNTING POLICIES

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as adopted by EU. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2008, except following revised notes.

a) Changes in accounting policies

The Group has adopted the following new and amended IFRS interpretations as of 1 January 2009:

- Amendment to IFRS 2 Share-based payment
- IFRS 8 Operating Segments
- IAS 1 (Revised) Presentation of Financial Statements
- Amendment to IAS 23 Borrowing costs
- Amendment to IFRS 7 Financial Instruments: Disclosures

Adoption of these revised standards and interpretations did not have any material effect on the financial performance or position of the Group. The key changes related to presentation as a result of revised IAS 1, where principle effects are:

This standard separates owner and non-owner changes in equity requiring all owner changes in equity to be presented in a statement of changes in equity, and all non-owner changes either in one statement of comprehensive income or in two separate statements, which are an income statement and a statement of comprehensive income. The previous standard required components of comprehensive income to be presented in the statement of changes in equity. The revised standard also requires that the income tax effect of each component of comprehensive income to be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Group has elected to present comprehensive income in one statements of comprehensive income.

c) Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are outlined below:

Impairment losses of loans and advances. The Group reviews its loan portfolio to assess impairment on a regular basis. The Group uses stress tests to determine possible impact of changes in variables used in estimation of the provisions for impairment losses on the financial result. If 7% of non-impaired loans become non-performing loans and cause 10% loss for secured part of credit portfolio and 30% loss for unsecured part of credit portfolio, additional provisions required would be LVL 13 million.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax liability is calculated using the tax rates that have been enacted or substantially enacted by the balance sheet date and that are expected to apply when the temporary differences reverse. The principal temporary differences arise from different fixed asset depreciation rates, as well as tax losses carried forward.

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 DnB NORD Banka
Interim Condensed Consolidated and Bank Financial Statements
for the 6 month ended 30 June 2009

Note 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, management of the concentration risk has been ensured as well.

For regular monitoring of the concentration risk level the Group applies its internal methodology that is based on the use of standardized Herfindahl-Hirshmann Index and observes such concentration risk areas as individual and related parties concentration, industries concentration, product groups concentration and concentration of currencies.

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

Thus, together with traditional credit risk assessment tools the usage of the Regional DnB NOR Group rating tool has been continued for the credit risk assessment of legal entities - corporate and small and medium sized companies. A financial indicator model is the main driver for assigning the final 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 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:

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

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

There are several other internal scoring models for assessing the credit risk associated with retail customers, being developed internally during 2008 and starting to implement for everyday use.

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 very conservative currency risk management policy. Currency risk is at low level due to insignificant volumes of open positions in foreign currencies.

Notwithstanding the continuously low level of currency risk the Bank regularly runs and analyses respective stress tests, which are based on the DnB NORD Group-wide methodology.

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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 2009 the Group and the Bank complied with defined limits.

The table below allocates the Group's positions as at 30 June 2009:

	Net position (LVL) LVL'000	Net position (USD) LVL'000	Net position (EUR) LVL'000
Up to 3 months	(167,558)	(16,494)	85,061
3 - 6 months	23,905	8,077	(40,086)
6 - 12 months	(155)	3,399	(61,257)
1- 5 years	(16,856)	(1,839)	6,306
Over 5 years	99	9	(40)
Total	(160,564)	(6,849)	(10,016)

The table below allocates the Group's positions as at 31 December 2008:

	Net position (LVL) LVL'000	Net position (USD) LVL'000	Net position (EUR) LVL'000
Up to 3 month	(236,577)	(13,528)	72,548
3 - 6 months	41,763	7,627	(74,942)
6 - 12 months	23,308	1,442	(4,445)
1- 5 years	(19,546)	(3,298)	(9,892)
Over 5 years	85	14	89
Total	(190,967)	(7,743)	(16,642)

The table below allocates the Bank's positions as at 30 June 2009:

	Net position (LVL) LVL'000	Net position (USD) LVL'000	Net position (EUR) LVL'000
Up to 3 month	(166,465)	(14,803)	12,433
3 - 6 months	24,145	8,081	(38,265)
6 - 12 months	(92)	3,422	(57,605)
1- 5 years	(16,361)	(1,813)	20,838
Over 5 years	99	9	(36)
Total	(158,674)	(5,103)	(62,634)

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The table below allocates the Bank's positions as at 31 December 2008:

	Net position (LVL) LVL'000	Net position (USD) LVL'000	Net position (EUR) LVL'000
Up to 3 months	(234,476)	(11,838)	34,332
3 - 6 months	41,823	7,632	(73,311)
6 - 12 months	23,587	1,453	(634)
1- 5 years	(19,317)	(3,242)	10,104
Over 5 years	85	14	131
Total	(188,298)	(5,981)	(29,378)

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 37% (2008: 39%) as at 30 June 2009. 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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4 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans by original maturity

	30.06.2009 Group LVL'000	31.12.2008 Group LVL'000	30.06.2009 Bank LVL'000	31.12.2008 Bank LVL'000
Less than a year	224,193	259,420	171,021	201,591
More than a year	1,602,132	1,676,843	1,468,422	1,506,536
Accrued income	7,545	8,331	7,061	7,688
	1,833,870	1,944,594	1,646,504	1,715,815
Less: allowance for loan impairment losses	(100,774)	(26,181)	(90,503)	(24,455)
Less: allowance for unpaid interest	(2,288)	(1,494)	(2,259)	(1,465)
Total	1,730,808	1,916,919	1,553,742	1,689,895

(b) Analysis of loans by client type

	30.06.2009 Group LVL'000	31.12.2008 Group LVL'000	30.06.2009 Bank LVL'000	31.12.2008 Bank LVL'000
Individuals	975,472	1,002,662	944,626	951,898
Private companies	817,174	895,652	667,049	717,816
Management/employees	13,300	13,889	12,158	12,630
Local government	11,093	15,085	10,902	15,085
Public companies	6,381	8,975	1,803	8,975
Finance institutions	2,905	-	2,905	1,723
Accrued income	7,545	8,331	7,061	7,688
	1,833,870	1,944,594	1,646,504	1,715,815
Less: allowance for loan impairment losses	(100,774)	(26,181)	(90,503)	(24,455)
Less: allowance for unpaid interest	(2,288)	(1,494)	(2,259)	(1,465)
Total	1,730,808	1,916,919	1,553,742	1,689,895

(c) Analysis of loans by industry

	30.06.2009 Group LVL'000	31.12.2008 Group LVL'000	30.06.2009 Bank LVL'000	31.12.2008 Bank LVL'000
Individuals	960,707	991,939	923,205	939,788
Management of real estate	257,587	254,241	264,252	257,080
Manufacturing	127,321	129,726	99,455	101,873
Trade	124,711	176,280	104,776	140,027
Other	125,816	138,291	96,573	99,343
Transport	85,996	85,449	61,612	70,330
Construction	35,487	37,622	20,204	20,259
Agriculture	27,459	25,950	21,159	21,296
Management/employees	13,300	13,889	12,158	12,630
Non-profit and religious organizations	1,235	1,205	1,175	1,117
Total loans to residents	1,759,619	1,854,592	1,604,569	1,663,743
Loans issued to non-residents	66,706	81,671	34,874	44,384
Accrued income	7,545	8,331	7,061	7,688
	1,833,870	1,944,594	1,646,504	1,715,815
Less: allowance for loan impairment losses	(100,774)	(26,181)	(90,503)	(24,455)
Less: allowance for unpaid interest	(2,288)	(1,494)	(2,259)	(1,465)
Total	1,730,808	1,916,919	1,553,742	1,689,895

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Notes to the Financial Statements (continued)

4 LOANS AND ADVANCES TO CUSTOMERS (continued)

(d) Analysis of loans by countries

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Latvia	1,759,618	1,856,367	1,604,540	1,663,743
Other countries	66,707	79,896	34,903	44,384
Accrued interest	7,545	8,331	7,061	7,688
Total	1,833,870	1,944,594	1,646,504	1,715,815
Less: allowance for loan impairment losses	(100,774)	(26,181)	(90,503)	(24,455)
Less: allowance for unpaid interest	(2,288)	(1,494)	(2,259)	(1,465)
Total	1,730,808	1,916,919	1,553,742	1,689,895

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

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Neither past due nor impaired	1,315,138	1,573,229	1,155,234	1,368,922
Past due but not impaired	229,069	276,219	212,361	254,114
Impaired	282,118	86,815	271,848	85,090
Accrued interest	7,545	8,331	7,061	7,688
Total gross loans and advances to customers	1,833,870	1,944,594	1,646,504	1,713,372
Less allowances for loan impairment	(73,326)	(21,866)	(63,055)	(20,140)
Less allowances for homogenous groups of loans	(27,448)	(4,315)	(27,448)	(4,315)
Less allowance for unpaid interest	(2,288)	(1,494)	(2,259)	(1,465)
Total net loans and advances to customers	1,730,808	1,916,919	1,553,742	1,689,895

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

Grades	Risk classes	30.06.2009	31.12.2008	30.06.2009	31.12.2008
		Group	Group	Bank	Bank
		LVL'000	LVL'000	LVL'000	LVL'000
Corporate (all legal entities with turnover more than 500 thous.LVL)	Low	10,419	61,367	22,121	66,678
	Medium	216,027	360,653	216,027	360,653
	High	124,732	79,243	124,732	79,243
	Not rated	-	-	-	-
SME	Low	898	4,604	898	4,604
	Medium	20,219	25,980	20,219	25,980
	High	31,835	30,702	31,835	30,702
	Not rated	151,820	176,835	2,973	5,706
Private individuals	Not rated	759,188	833,845	736,429	795,356
	Total	1,315,138	1,573,229	1,155,234	1,368,922

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Notes to the Financial Statements (continued)

4 LOANS AND ADVANCES TO CUSTOMERS (continued)

The following table provides the division of loans and advances to customers neither past due but not impaired of Group and Bank

Neither past due nor impaired

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Commercial	441,508	618,804	418,942	573,445
Mortgage loans	626,126	664,893	626,126	664,893
Private loans	85,933	103,454	85,933	103,454
Consumer loans	10,356	14,528	10,356	14,528
Leasing	138,380	159,574	381	627
Card loans	7,103	4,810	7,103	4,810
Other	6,393	7,166	6,393	7,166
Total	1,315,138	1,573,229	1,155,234	1,368,922

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

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Commercial loans				
Past due up to 30 days	48,468	85,575	48,415	81,761
Past due 31-60 days	4,165	13,017	4,049	13,017
Past due 61-90 days	6,019	6,820	5,926	6,820
Past due over 90 days	33,602	14,199	26,035	14,199
Total	92,254	119,611	84,425	115,797
Mortgage loans (issued to private individuals secured with real estate collateral)				
Past due up to 30 days	66,035	55,180	66,035	55,180
Past due 31-60 days	18,212	19,949	18,212	19,949
Past due 61-90 days	9,109	6,526	9,109	6,526
Past due over 90 days	2,369	18,466	2,369	18,466
Total	95,725	100,121	95,725	100,121
Private loans				
Past due up to 30 days	16,371	14,266	16,371	14,266
Past due 31-60 days	6,414	6,938	6,414	6,938
Past due 61-90 days	3,681	3,263	3,681	3,263
Past due over 90 days	2,284	9,236	2,284	9,236
Total	28,750	33,704	28,750	33,704
Consumer loans				
Past due up to 30 days	1,072	1,101	1,072	1,101
Past due 31-60 days	1	-	1	-
Past due 61-90 days	-	2	-	2
Past due over 90 days	-	-	-	-
Total	1,073	1,103	1,073	1,103

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Notes to the Financial Statements (continued)

4 LOANS AND ADVANCES TO CUSTOMERS (continued)

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Leasing				
Past due up to 30 days	1,691	8,154	82	78
Past due 31-60 days	1,024	3,607	15	62
Past due 61-90 days	785	2,183	36	10
Past due over 90 days	5,379	4,515	-	18
Total	8,879	18,459	134	168
Card loans				
Past due up to 30 days	597	2,435	597	2,435
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due over 90 days	-	-	-	-
Total	597	2,435	597	2,435
Other loans				
Past due up to 30 days	503	217	503	217
Past due 31-60 days	40	25	40	25
Past due 61-90 days	433	261	433	261
Past due over 90 days	- 682	284	682	284
Total	1,658	787	1,658	787
Past due up to 30 days*	134,819	166,927	133,075	155,037
Past due 31-60 days	29,871	43,536	28,731	39,992
Past due 61-90 days	20,063	19,055	19,185	16,882
Past due over 90 days	44,316	46,700	31,370	42,204
Total	229,069	276,219	212,361	254,114
Total gross loans and advances to customers past due but not impaired	229,069	276,219	212,361	254,114
Fair value of collateral**	403,758	423,747	403,758	423,747

*Substantial part of overdue is technical because of repayment day few days before reporting date especially for leasing and mortgage loans.

** Fair value of collateral mainly at loan issuance (not revaluated)

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

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Commercial	179,720	56,946	179,135	56,361
Mortgage loans	61,974	15,567	61,974	15,567
Private loans	26,533	9,710	26,533	9,710
Consumer loans	2,409	2,404	2,409	2,404
Leasing	9,899	1,385	215	246
Card loans	590	723	590	723
Other	993	80	993	80
Total	282,118	86,815	271,848	85,090

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Notes to the Financial Statements (continued)

4 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 2009								
Impaired loans	179,721	61,974	26,533	2,409	9,898	590	993	282,118
Fair value of collateral	126,311	48,854	18,068	650	174	-	508	194,565
31 December 2008								
Impaired loans	56,946	15,567	9,710	2,404	1,385	723	80	86,815
Fair value of collateral	63,337	27,541	24,527	-	550	-	215	116,171

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 2009								
Impaired loans	179,135	61,974	26,533	2,409	215	590	993	271,848
Fair value of collateral	126,311	48,854	18,068	650	174	-	508	194,565
31 December 2008								
Impaired loans	56,361	15,567	9,710	2,404	246	723	80	85,090
Fair value of collateral	63,337	27,541	24,527	-	550	-	215	116,171

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.
 Annual report as of year 2008 includes figures calculated based on principal overdue.

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Notes to the Financial Statements (continued)

4 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Commercial	713,484	798,583	682,502	745,603
Mortgage loans	783,825	778,138	783,825	778,138
Private loans	141,216	146,867	141,216	146,867
Consumer loans	13,837	18,035	13,837	18,035
Leasing	156,629	178,639	729	1,040
Card loans	8,290	7,968	8,290	7,968
Other	9,044	8,033	9,044	8,033
Total	1,826,325	1,936,263	1,639,443	1,705,684

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)

	30.06.2009	30.06.2009
	Group	Bank
	LVL'000	LVL'000
Commercial	44,628	44,628
Mortgage loans	14,256	14,256
Private loans	5,209	5,209
Consumer loans	-	-
Leasing	12	12
Card loans	-	-
Other	456	456
Total	64,561	64,561

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 that 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 that 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 dispossessed 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 that 90 days;
- Decrease of loan interest rate due to financial difficulties of the customer.

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5 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets designated at fair value through profit or loss	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group LVL'000	Group LVL'000	Bank LVL'000	Bank LVL'000
Debt securities				
Latvian government securities	29,994	68,415	29,994	68,415
Latvian mortgage bonds	1,350	1,329	1,350	1,329
OECD financial institutions bonds	49,186	49,897	49,186	49,897
Total debt securities	80,530	119,641	80,530	119,641
Investment funds				
DnB NORD Mērķa fonds	362	354	362	354
Total investment funds	362	354	362	354
Total	80,892	119,995	80,892	119,995

	Moody's equivalent grades	30.06.2009		31.12.2008	
		LVL'000	%	LVL'000	%
High grade					
Risk rating class 1	Aaa	-	0%	-	0%
Risk rating class 2	Aa1-A3	45,736	56%	61,750	52%
Risk rating class 3	Baa1-Baa2	1,351	2%	-	0%
Risk rating class 4	Baa3	13,007	16%	2,819	2%
Not rated*		20,799	26%	55,426	46%
Total		80,892	100%	119,995	100%

* Latvian Government 20,799 (2008: 55,073)

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Notes to the Financial Statements (continued)

6 PROVISIONS FOR IMPAIRMENT LOSSES

Group allowance for impairment losses and other assets	Loans LVL'000	Unpaid interest LVL'000	Total LVL'000
31 December 2007	11,311	171	11,482
Fully provided for and written off	(431)	(6)	(437)
Charge to income statement:			
- individual loans and assets	3,669	782	4,451
- homogenous groups of loans			
Released during the year	(833)	(419)	(1,252)
Exchange rate difference	(22)		(22)
30 June 2008	13,694	528	14,222
31 December 2008	26,181	1,494	27,675
Fully provided for and written off	(2,471)	(33)	(2,504)
Charge to income statement:			
- individual loans and assets	60,173	827	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	100,774	2,288	103,062

Bank provisions for impairment losses and other assets	Loans LVL'000	Unpaid interest LVL'000	Off-balance sheet liabilities LVL'000	Total LVL'000
31 December 2007	10,434	171	877	11,482
Fully provided for and written off	(431)	(6)		(437)
Charge to income statement:				
- individual loans and assets	3,502	782	167	4,451
- homogenous groups of loans	-	-	-	-
Released during the year	(833)	(419)	-	(1,252)
Exchange rate difference	(22)			(22)
30 June 2008	12,650	528	1,044	14,222
31 December 2008	24,455	1,465	1,139	27,059
Fully provided for and written off	(2,471)	(33)		(2,504)
Charge to income statement:				
- individual loans and assets	51,628	827	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	90,503	2,259	9,684	102,446

Income statement item "Net allowances for impairment loss" for 6 month period ending 30 June 2009 includes recovered loans and other assets that were written-off in previous periods in net amount of LVL 11 thousand.

Collective impairments are divided in two major parts: pool provisions and IBNR ('incurred 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 21 day principal or principal overdue. Approach is linked to overdue payments. Amount of impairments is calculated as incurred losses based on amount of loans defaulted and loss given default.

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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 1 to 20 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.

7 Fixed assets

During the reported period construction in progress (new Head office building construction) has increased by LVL 3,261 thousand and amounted LVL 5,389 thousand as at 30 June 2009. Operating lease has decreased by LVL 3,906 thousand and other fixed assets have decreased by LVL 668 thousand.

8 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 2009 tax losses of the Bank constituted LVL 59,775 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.

Following these principles the Bank has recognised deferred tax assets in amount LVL 8,258 thousand.

9 OTHER ASSETS

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Foreclosed properties	9,265	4,320	469	361
Office items	788	589	788	589
Prepayments and overpaid taxes	1,736	1,889	-	130
Credit card claims	2,698	2,055	2,698	2,055
Short term debts	2,418	2,683	1,037	173
Unsettled spot and forward foreign currency deals (net)	5,890	2,830	5,890	2,830
Other	1,822	1,403	991	963
Total	24,617	15,769	11,873	7,101

10 DUE TO OTHER CREDIT INSTITUTIONS

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Demand deposits				
Republic of Latvia credit institutions	16,889	5,976	16,889	5,976
OECD credit institutions	611	879	611	879
Non-OECD credit institutions	402	848	402	848
Total demand deposits	17,902	7,703	17,902	7,703
Term deposits				
Republic of Latvia credit institutions	2,679	20,137	2,679	20,137
OECD credit institutions	1,309,221	1,498,624	1,056,216	1,242,151
Non-OECD credit institutions	15,027	15,344	15,027	15,344
Total term deposits	1,326,927	1,534,105	1,073,922	1,277,632
Total deposits	1,344,829	1,541,808	1,091,824	1,285,335

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Notes to the Financial Statements (continued)

11 DUE TO CUSTOMERS

Analysis of deposits by maturity and client type

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Demand deposits				
Private companies	83,940	91,337	120,458	93,410
Individuals	63,329	59,093	63,329	59,093
State institutions	2,564	6,196	2,564	6,196
Funds in transit	6,594	8,522	6,594	8,522
Non-residents non-OECD	3,651	4,029	3,651	4,029
Non-residents OECD	5,980	2,788	5,980	2,788
Total demand deposits	166,058	171,965	202,576	174,038
Term deposit accounts				
Individuals	125,717	150,998	125,717	150,998
Private companies	97,311	85,191	97,637	85,191
State institutions	8,004	7,187	5,060	7,187
Non-residents non-OECD	11,269	13,699	11,269	13,699
Non-residents OECD	5,061	5,766	8,004	5,766
Accrued interest	3,032	2,950	3,032	2,950
Total term deposits	250,393	265,793	250,719	265,791
Total deposits and transit funds	416,451	437,756	453,295	439,829

12 Accrued expenses and deferred income

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Accrued expenses	1,975	537	1,954	522
Other deferred income	1,785	684	1,785	682
Deferred income from sale of office building	-	71	-	71
	3,760	1,292	3,739	1,275

13 Other liabilities

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Provisions for pending liabilities and payments	518	577	470	441
Provisions for off-balance sheet items	-	-	9,684	1,139
Factoring payables	2,863	2,122	-	-
Other short-term liabilities	2,169	2,238	476	179
	5,550	4,937	10,630	1,759

14 SUBORDINATED LOAN

The Bank has signed new loan agreement with Bank DnB NORD A/S (Denmark) and has received loan of EUR 20 million repayable on 30 April 2015 with interest rate 6 months EURIBOR plus 4,00%.

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Notes to the Financial Statements (continued)

15 SHARE CAPITAL

The new share issue has been commenced on 26 June 2009.

As at 30 June 2009 subscribed and paid-in share capital of the new share issue amounts to Ls 35,174 thousand . Paid-in share capital of the Bank is LVL 134,335 thousand and consists of 134,335,000 ordinary shares with voting rights with a par value of LVL 1 per share.

99.9% of the Bank's shares as at 30 June 2009 are owned by Bank DnB NORD A/S which is a joint venture owned by DnB NOR Bank ASA (51%) and the former majority shareholder Norddeutsche Landesbank Girozentrale (49%).

16 OFF-BALANCE SHEET ITEMS

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Memorandum items				
Contingent liabilities				
<i>guarantees</i>	22,604	29,159	243,495	250,050
Commitments				
<i>Loan issuing commitments</i>	108,248	114,653	108,248	114,653
<i>other liabilities</i>	11,839	8,206	11,839	8,206
<i>letters of credit</i>	4,500	10,657	4,500	10,657

The Bank guarantees include the AS DnB NORD Banka guarantee for DnB NORD Lizings SIA in amount of LVL 220,891 thousand as at 30 June 2009.

17 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:

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Due from parent companies:				
DnB NOR Bank ASA	2,144	3,184	2,144	3,184
Bank DnB NORD A/S	342	226	342	226
NORD/LB Group	25,744	23,915	25,744	23,915
Due from subsidiaries:				
DnB NORD Lizings SIA	-	-	2,905	1,723
SIA Skanstes 12	-	-	8,796	5,312
Due from other related parties:				
AB DnB NORD Bankas	115	228	115	228
DnB NORD Polska	73	3	73	3
Bank DnB NORD A/S Eesti filiaal	4,998	5,652	4,998	5,652
DnB NORD IT A/S	245	607	245	607
Balances due from related parties	33,662	33,815	45,363	40,850

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17 RELATED PARTY TRANSACTIONS (continued)

Due to related parties

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Due to parent companies:				
DnB NOR Bank ASA	583,666	628,146	583,666	628,146
Bank DnB NORD A/S	99,933	56,900	68,756	21,708
NORD/LB Group	694,231	829,533	473,078	608,642
Due to subsidiaries:				
DnB NORD Lizings SIA	-	-	36,511	1,862
IPAS DnB NORD Fondi	-	-	326	211
SIA Skanstes 12	-	-	7	-
Due to other related parties:				
AB DnB NORD Bankas	10,203	9,824	10,203	9,824
Bank DnB NORD A/S Eesti filiaal	5,157	6,368	5,157	6,368
Balances due to related parties	1,393,190	1,530,771	1,177,704	1,276,761

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

	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Interest received for money market deposits/ loans	824	4 060	1 328	1 181
Income received from derivatives	11 695	11 790	11 695	11 790
Commission received	43	54	1 171	1 136
Income from shares AS DnB NORD Banka Liising sale and from business unit AS DnB NORD Banka Eesti filiaal sale	-	537	-	537
Other income	-	-	2	14
Interest paid on money market deposits/loans	(16 736)	(28 365)	(16 894)	(28 372)
Expenses from derivatives	(5 539)	(9 777)	(5 539)	(9 777)
Derivative revaluation result	(3 698)	2 886	(3 698)	2 886
Interest paid on subordinated loan	(988)	(977)	(988)	(977)
Commission paid	(31)	(13)	(31)	(13)
Other expenses	(1 016)	(1 841)	(1 041)	(1 841)
	(15 446)	(21 646)	(13 995)	(24 436)

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Notes to the Financial Statements (continued)

17 RELATED PARTY TRANSACTIONS (continued)

The Group's and Bank's income/expenses from transactions with parent companies DnB NORD ASA (Norway) and Bank DnB NORD A/S (Denmark) and NORD/LB group are analysed as follows:

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	Group	Group	Bank	Bank
	LVL'000	LVL'000	LVL'000	LVL'000
Interest received for money market deposits/ loans	703	3 916	28	416
Income received from derivatives	11 695	11 790	11 695	11 790
Commission received	4	10	4	10
Income from shares AS DnB NORD Banka Lising sale and from business unit AS DnB NORD Banka Eesti filiaal sale	-	537	-	537
Interest paid on money market deposits/loans	(16 444)	(28 045)	(16 444)	(28 045)
Expenses from derivatives	(5 532)	(9 768)	(5 532)	(9 768)
Derivative revaluation result	(3 608)	2 962	(3 608)	2 962
Interest paid on subordinated loan	(988)	(977)	(988)	(977)
Commission paid	(31)	(13)	(31)	(13)
Other expenses	(1 058)	(1 844)	(1 058)	(1 844)
	(15 259)	(21 432)	(15 934)	(24 932)

18 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 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	
		30.06.2009	31.12.2008	30.06.2009	31.12.2008
Hedged item					
Loans portfolio	112,097	3,205	6,020	(2,220)	(6,388)

19 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 2009 will not result in material losses for the Bank and/ or Group.

20 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.