AS DnB NORD Banka

Unaudited

Financial Statement

For the period ended

30 June 2008

Statement of Responsibility of the Management Board

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

The 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 2008 and the results of their operations and cash flows for the period ended 30 June 2008.

The financial statements are prepared in accordance with International Financial Reporting Standards 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 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	Gundars Andzans	Rudolfs Karges	Ivars Kapitovics	Björn Poetzsch
Chairman of the Management	Member of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board

Riga
25 August 2008

Balance Sheet

30 June 2008
(the last date of the reported period)

Name of credit institution
AS DnB NORD Banka
Credit institution's code: 784
Address: Rīgā, Smilšu ielā 6

Position	2008.06.30 Group LVL`000	2008.06.30 Group EUR`000	2007.12.31 Group LVL`000	2007.12.31 Group EUR`000
Cash and balances with central banks	97 544	138 793	134 374	191 197
Due from other credit institutions (demand)	11 179	15 906	16 758	23 844
Financial assets held for trading	7 554	10 748	3 977	5 659
Financial assets at fair value through profit or loss	151 458	215 506	44 861	63 831
Financial assets available-for-sale	10	14	10	14
Loans and advances to customers	1 784 389	2 538 957	1 810 743	2 576 455
Fair value changes for the portion of portfolio hedged against interest rate risk	-	-	73	104
Accrued income and deferred expenses	1 606	2 285	1 078	1 534
Intangible assets	984	1 400	1 129	1 606
Fixed assets	30 951	44 039	32 943	46 874
Other assets	19 512	27 763	13 178	18 751
Total assets	**2 105 187**	**2 995 411**	**2 059 124**	**2 929 869**
Due to credit institutions (demand)	32 561	46 330	37 929	53 968
Financial liabilities held for trading	5 449	7 753	3 249	4 623
Financial liabilities at amortised cost	1 896 572	2 698 579	1 861 581	2 648 791
Fair value changes for the portion of portfolio hedged against interest rate risk	1 751	2 491	6	9
Accrued expenses and deferred income	8 076	11 491	4 894	6 963
Provisions	1 385	1 971	1 269	1 805
Tax liabilities	492	700	1 675	2 384
Other liabilities	5 788	8 236	5 522	7 857
Capital and reserves	153 113	217 860	142 999	203 469
Total liabilities	**2 105 187**	**2 995 411**	**2 059 124**	**2 929 869**
Contingent liabilities	33 252	47 313	29 724	42 293
Due to customers	174 068	247 676	176 865	251 656
Managed assets	-	-	-	-

The translation of the balance sheet items into EUR was done at the official rate quoted by the Bank of Latvia:
1 EUR = 0.702804 LVL

Chairman of the management board
Andris Ozolins

Member of the management board
Rudolf Karges

Date: 25 August 2008

Profit and Loss Account

30 June 2008
(the last date of the reported period)

Name of credit institution
AS DnB NORD Banka
Credit institution's code: 784
Address: Rīgā, Smilšu ielā 6

Position	Reported period Group LVL`000	Reported period Group EUR`000	The respective period of the preceding year Group LVL`000	The respective period of the preceding year Group EUR`000
Interest income	61 987	88 200	42 339	60 243
Interest expenses	(40 880)	(58 167)	(27 473)	(39 090)
Fees and commissions income	7 135	10 152	7 699	10 955
Fees and commissions expenses	(2 430)	(3 457)	(2 169)	(3 086)
Profit/loss from financial instruments trade transactions	2 627	3 738	3 339	4 751
Other operating income	4 183	5 952	3 514	5 000
Administrative expenses	(14 695)	(20 909)	(10 286)	(14 636)
Depreciation of intangible and fixed assets and the adjusments of their value	(3 688)	(5 248)	(3 104)	(4 417)
Other operating expenses	(250)	(356)	(179)	(255)
Provisions for bad debts and off-balance sheet liabilities	(3 670)	(5 222)	(2 457)	(3 496)
Income from the reduction of provisions	899	1 279	773	1 100
Operating profit/loss	11 218	15 962	11 996	17 069
Extraordinary income				
Extraordinary expenses				
Profit/loss before taxation	11 218	15 962	11 996	17 069
Deferred tax	-	-	-	-
Corporate income tax	(1 606)	(2 285)	(1 739)	(2 475)
Net profit for the period	**9 612**	**13 677**	**10 257**	**14 594**
Attributable to:				
Equity holders of the Bank	9 611	13 676	10 268	14 610
Minority interest	1	1	(11)	(16)
Profit on share (EPS)	0,10	0,14	0,16	0,22

The translation of the items into EUR was done at the official rate quoted by the Bank of Latvia:

1 EUR = 0.702804 LVL

Chairman of the management board
Andris Ozolins

Member of the management board
Rudolf Karges

Date: 25 August 2008

DnB NORD

Statement of Changes in Shareholders` Equity of the Group for the period ended 30 June 2008

Name of credit institution
AS DnB NORD Banka
Credit institution's code: 784
Address: Rīgā, Smilšu ielā 6

	Share capital	Share premium	Reserve capital	Revaluation reserve	Retained loss	Current year profit	Minority interest	Total
	LVL`000	LVL`000	LVL`000	LVL`000	LVL`000	LVL`000	LVL`000	LVL`000
31 December 2007	**99 161**	**48 994**	**214**	**133**	**(24 735)**	**19 193**	**39**	**142 999**
Increase of share capital								**-**
Transfer to retained loss					19 695	(19 193)		**502**
Profit for the year						9 611	1	**9 612**
31 June 2008	**99 161**	**48 994**	**214**	**133**	**(5 040)**	**9 611**	**40**	**153 113**

	Share capital	Share premium	Reserve capital	Revaluation reserve	Retained loss	Current year profit	Minority interest	Total
	EUR`000	EUR`000	EUR`000	EUR`000	EUR`000	EUR`000	LVL`000	EUR`000
31 December 2007	**141 093**	**69 712**	**304**	**189**	**(35 195)**	**27 310**	**55**	**203 469**
Increase of share capital								**-**
Transfer to retained loss					28 025	(27 310)		**714**
Profit for the year						13 676	1	**13 677**
31 June 2008	**141 093**	**69 712**	**304**	**189**	**(7 170)**	**13 676**	**56**	**217 860**

The translation of the balance sheet items into EUR was done at the official rate quoted by the Bank of Latvia:
1 EUR = 0.702804 LVL

Chairman of the management board ____________________
Andris Ozolins

Member of the management board ____________________
Rudolf Karges

Date: 25 August 2008

DnB NORD

"Regulation on preparing public quarterly reports by credit institutions"
Appendix 3

Statement of Cash Flows

30 June 2008
(the last date of the reported period)

Name of credit institution
AS DnB NORD Banka
Credit institution's code: 784
Address: Rīgā, Smilšu ielā 6

Position	Reported period Group LVL`000	Reported period Group EUR`000	The respective period of the preceding year Group LVL`000	The respective period of the preceding year Group EUR`000
Profit before income tax	11 218	15 962	11 996	17 069
Adjustments for:				
Depreciation and amortisation	3 688	5 248	3 104	4 417
Loss from revaluation of financial assets	(687)	(978)	(553)	(787)
Provisions for impairment of loans and other assets, net	2 225	3 166	1 506	2 143
Profit from sale of fixed assets	(309)	(440)	(418)	(595)
Corporate income tax paid	(2 790)	(3 970)	(985)	(1 402)
Increase in cash and cash equivalents before changes in assets and liabilities as a result of ordinary operations	**13 345**	**18 988**	**14 650**	**20 845**
(Increase) in other assets and accrued income	(5 227)	(7 437)	(5 070)	(7 214)
Increase/(decrease) in other liabilities and accrued expenses	4 231	6 020	1 954	2 780
(Increase) / decrease in securities	(22 244)	(31 650)	(52 717)	(75 010)
(Increase) / decrease in due from credit institutions	(20 085)	(28 578)	(22)	(31)
(Increase) in loans	(42 110)	(59 917)	(298 555)	(424 805)
Increase in due to credit institutions	(11 986)	(17 055)	339 108	482 507
Increase in deposits	47 477	67 554	7 235	10 295
Net cash used in operating activities	**(36 599)**	**(52 075)**	**6 583**	**9 367**
Investing activities				
Acquisition of fixed assets	(3 807)	(5 417)	(10 371)	(14 757)
Proceeds from sale of fixed assets and intangible assets	2 566	3 651	2 773	3 946
Purchase of shares of a subsidiary	502	714	-	-
Net cash used in investing activities	**(739)**	**(1 052)**	**(7 598)**	**(10 811)**
Cash flows from financing activities				
Increase of share capital	-	-	21 100	30 023
Subordinated loan	(13)	(18)	5 059	7 198
Dividends paid	-	-	-	-
Net increase in cash and cash equivalents	**(37 351)**	**(53 145)**	**25 144**	**35 777**
Cash and cash equivalents at the beginning of the year	138 823	197 527	115 241	163 973
Cash and cash equivalents at the end of the period	101 472	144 382	140 385	199 750
Net increase in cash and cash equivalents	**(37 351)**	**(53 145)**	**25 144**	**35 777**

The translation of the items into EUR was done at the official rate quoted by the Bank of Latvia:

1 EUR = 0.702804 LVL

Chairman of the management board

Andris Ozolins

Member of the management board

Rudolf Karges

Date: 25 August 2008

Notes to the Financial Statements

1 INCORPORATION AND PRINCIPAL ACTIVITIES

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Reporting Currency

The accompanying financial statements are reported in thousands of lats (LVL`000), unless otherwise stated.

b) Basis of Presentation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in EU. The financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, derivative contracts and the Bank's buildings.

The preparation of financial statements in conformity with IFRS as adopted in EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The accounting policies used in the preparation of the financial statements for the first half of 2008 are consistent with those used in the financial statements for the first half of 2007, except net interest income/expense from interest rate swaps, which was previously shown under net trading income, has been included under interest income/expense in order to be consistent with DnB NORD group policy.

c) Consolidation

Subsidiary undertakings in which the Bank, directly or indirectly, has the power to exercise control over financial and operating policies, have been consolidated.

Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated.

d) Income and Expense Recognition

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest rate method. Interest income includes coupons earned on fixed income investment securities.

When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Income and Expense Recognition (continued)

Commissions received or incurred in respect of financial assets or liabilities are deferred and recognized as an adjustment to the effective interest rate on the asset or liability. Other commissions and fees are credited and/ or charged to the income statement as earned/ incurred.

e) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in lats at actual rates of exchange set forth by the Bank of Latvia at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into lats at the rate of exchange prevailing at the end of the period. Any gain or loss resulting from a change in rates of exchange subsequent to the date of the transaction is included in the income statement as a profit or loss from revaluation of foreign currency positions.

The principal rates of exchange (LVL to 1 foreign currency unit) set by the Bank of Latvia and used in the preparation of the Group's and the Bank's balance sheets were as follows:

Reporting date	USD	EUR
As at 30 June 2008	0.447	0.702804
As at 31 December 2007	0.484	0.702804

f) *Corporate income tax*

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

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. Where an overall deferred taxation asset arises, it is only recognised in the financial statements to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

g) Cash and Cash Equivalents

For purposes of the cash flow statements cash and cash equivalents comprise cash balances, balances due from the Central Banks, due from other credit institutions with original maturity up to 3 months, less balances on demand due to other credit institutions.

h) Loans and receivables and provisions for loan impairment

Balances due from banks and loans and advances to customers are accounted for as loans and receivables and are carried at amortised cost. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. All loans and advances are recognised in the balance sheet when cash is advanced to borrowers. For the purposes of these financial statements, finance lease receivables are included in loans and advances to non-banking customers.

A credit risk provision for loan impairment is established if there is objective evidence that the Group or the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Loans and receivables and provisions for loan impairment (continued)

The Group and the Bank first assess whether objective evidence of impairment exists individually for significant loans. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. If the Group and the Bank determines that no objective evidence of impairment exists for an individually assessed loan, it is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. For the purposes of a collective evaluation of impairment loans are grouped on a basis of similar credit risk characteristics.

The Group and the Bank review their loan portfolios to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group and the Bank make judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and current economic climate in which the borrowers operate. The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Nevertheless, it is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

When a loan is uncollectible, it is written off against the related provision for impairments; subsequent recoveries are credited to the income statement.

Provisions for loan impairment are made in the currency of the related asset and are subject to revaluation at period end at the rate set by the Bank of Latvia. Foreign exchange rate differences arising from such revaluation are recorded in the income statement as additional provisions or income from the recovery of existing provisions (if any). The corresponding result of revaluing the respective asset covered by the provisions is recorded as profit/ loss to foreign currency transactions.

i) Leases - when the Group or the Bank is a lesser

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets under operating leases are recognised as fixed assets at historical cost net of accumulated depreciation. Depreciation is calculated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life of fixed assets that is determined based on useful lives of similar assets of the Group and the Bank. Rentals receivable under operating leases are credited to the income statement on a straight-line basis over the lease term.

If a sale and leaseback transaction results in an operating lease and the sales price is above fair value of the asset sold, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

j) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets are designated at fair value through profit or loss when:

- doing so significantly reduces measurement inconsistencies that would arise from measuring assets and liabilities or recognising gains and losses on them on different bases; or

- a group of financial assets are managed and evaluated on a fair value basis in accordance with a documented risk management policy and reported to key management personnel on that basis, and information about the group is provided internally on that basis to the entity's key management personnel.

Financial assets at fair value through profit or loss are measured at fair value based on quoted bid prices. In the absence of the active market, the fair value of financial assets at fair value through profit or loss is derived from the value of an instrument that is substantially the same or from discounted cash flow models. Gains and losses arising from changes in the fair value of financial assets are recognised in the income statement.

Interest earned whilst holding financial assets at fair value through profit or loss is recorded as interest income.

All regular way purchases and sales of financial assets at fair value through profit or loss are recognised at trade date, which is the date that the Group and the Bank commits to purchase or sell the asset.

k) Subsidiaries

Investments in subsidiaries in the Bank's financial statements are accounted for under the cost method.

The Bank recognises income from investment only to the extent that the Bank receives dividends from the accumulated profit of the subsidiaries arising after the date of acquisition.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

l) Property and Equipment

All property and equipment are recorded at cost or valuation less accumulated depreciation.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Depreciation is provided using the straight-line method to write off the cost or revaluated amount of each asset to their residual value over the estimated useful life of the asset. The following depreciation rates have been applied:

Category	Annual Rate
Buildings	1%
Office equipment	20% - 25%
Vehicles	20%

Maintenance and repair costs are charged to the income statement as incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Leasehold improvements are capitalised and depreciated over the shorter of their useful life and remaining lease contract period on a straight-line basis.

m) Intangible assets

Acquired computer software licences are recognised as intangible assets on the basis of the costs incurred to acquire and bring to use the software. These costs are amortised on the basis of their expected useful lives, not exceeding five years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Recognition and Derecognation of Financial Assets

Purchases and sales of trading securities and investment securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales), are recognised at settlement date, which is the date, when the asset is delivered or given to the Group or the Bank. Any change in the fair value of the asset during the period between the purchase date and the settlement date is recognised in the income statement or in equity reserve. Otherwise such transactions are treated as derivative instruments until settlement.

o) Derivative financial instruments

Derivative financial instruments including foreign exchange contracts and interest rate swaps are initially recognised at cost and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives are reported in the income statement.

The fair values of financial instruments that are not quoted on active markets are determined using valuation techniques (for example, models). Models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

p) Financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost are mainly amounts due to customers and due to banks. These are recognised initially at cost, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

q) Employee benefits

The Group and the Bank pay social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian legislation. State funded pension scheme is a defined contribution plan under which the Group and the Bank pay fixed contributions determined by the law and they will have no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

The provision for employee holiday pay is estimated for the Group's and the Bank's personnel based on the total number of holidays earned but not taken and average salary of employees including social security expense.

r) Off-balance sheet items

In the ordinary course of business, the Group and the Bank have been involved with off-balance sheet financial instruments consisting of commitments to extend loans and advances, financial guarantees and commercial letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets or liabilities, including derivative financial instruments, in active markets are based on quoted market prices. If the market for a financial asset or liability is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis and recent comparative transactions as appropriate, and may require the application of management's judgement and estimates. Where in the opinion of the management, the fair values of financial assets and liabilities differ materially from their book values such fair values are separately disclosed in the notes to the accounts.

t) Off-setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

u) Provisions

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. These provisions relate to the guarantees issued and other off balance sheet items. The assessment of provisions requires the application of management's judgement and estimates, as to the probability of an outflow of resources, the probability of recovery of resources from corresponding sources including security or collateral or insurance arrangements where appropriate, and the amounts and timings of such outflows and recoveries, if any.

v) Financial Guarantees

The Group measures issued financial guarantees initially at their fair value, which is normally evidenced by the amount of fees received. This amount is then amortised on a straight-line basis over the life of the guarantee. At each balance sheet date, the guarantees are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at balance sheet date.

w) Trust Activities

Funds managed or held in custody by the Group and the Bank on behalf of individuals, trusts and other institutions are not regarded as assets of the Group and the Bank and, therefore, are not included in the balance sheet.

x) 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 as described in Note 2(h). The Group uses stress tests to determine possible impact of changes in one or more variables used in estimation of the provision for impairment losses on the financial result..

3 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS AND NEW ACCOUNTING PRONOUNCEMENTS

Certain new IFRSs became effective for the Group from 1 January 2007. Listed below are those new or amended standards or interpretations which are relevant to the Group's operations and the nature of their impact on the Group's accounting policies.

IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). The IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. The new disclosures are made in these financial statements.

IFRIC 7, *Applying the Restatement Approach under IAS 29* (effective for periods beginning on or after 1 March 2006);

IFRIC 8, *Scope of IFRS 2* (effective for periods beginning on or after 1 May 2006);

IFRIC 9, *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006);

IFRIC 10, *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006).

The new IFRIC interpretations 7 to 10 did not significantly affect the Group's and the Bank's financial statements.

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted:

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information.

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised Standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

IFRS 3, Business combinations (revised on 10 January 2008; effective for annual periods beginning on or after 1 July 2009). The standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.

IAS 27, Consolidated and separate financial statements (revised on 10 January 2008; effective for annual periods beginning on or after1 July 2009). IAS 27 (revised) requires the effects of all transactions with noncontrolling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss.

Amendment to IFRS 2 dealing with vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009, subject also to EU adoption for certain territories). It clarifies that only service conditions and performance conditions are vesting conditions. As such these features need to be included in the grant date fair value for transactions with employees and do not impact the number of awards expected to vest or the valuation subsequent to grant date. It also specifies that all cancellations, should receive the same accounting treatment.

IFRIC 11, *IFRS 2 - Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007);

IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008);

IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008);

IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008).

The new standards and interpretations are not expected to significantly affect the Group's financial statements.

4 FINANCIAL RISK MANAGEMENT

a) Credit risk and concentration risk

The Group and the Bank bears 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 risk strategy the Group and the Bank.

The credit risk policies of the Group provides the fixed limits of exposure ranges in regards to a single borrower, a group of interrelated borrowers, countries (regions) and industries. Thus, management of the concentration risk (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) has been ensured as well. Depending upon the customer's creditworthiness and the nature and complexity of the transaction, collateral and netting agreements are used to a varying extent. The principal collateral types for loans and advances are mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable.

For corporates the regional DnB NOR Group rating tool was implemented, although with local tailoring, that is based on assessment of the probability of default (PD) of the borrower.

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.

The Group and the Bank has made all necessary amendments to its internal documentation to implement the Financial and Capital Market Commission (hereinafter – FCMC) new requirements in respect of risk measurement and risk management.

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

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.

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 (1 bp value). 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.

d) Liquidity risk

The Group and the Bank are exposed to possible cash flows inconsistency risk arising out of usage of available cash resources for further objectives: repayment of overnight deposits, current accounts liabilities management, repayment of maturing deposits, granting committed loans, guarantees, to fulfil margin and other liabilities related to derivatives. The Group and the Bank do not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Liquidity risk is assessed and managed according to the methodology, set by DnB NORD Group Asset and Liability Management Committee (ALCO). This risk is limited with the liquidity risk limits, approved by ALCO.

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.