

Second quarter report 2006



DnB NOR Bank ASA

Second quarter report 2006

The accounts for DnB NOR Bank with subsidiaries, the banking group, are based on Norwegian generally accepted accounting principles and the accounting regulations for banks. DnB NOR Bank implemented regulations from the Ministry of Finance on the accounting treatment of loans and guarantees in the accounts of DnB NOR Bank and the banking group effective 1 January 2006. For the time being, it is not permissible for Norwegian banks and finance companies to prepare accounts according to IFRS.

Introduction

DnB NOR Bank Group ¹⁾, hereinafter called "the banking group", achieved healthy profits in the first half of 2006. In spite of fierce competition and volatile stock markets, the banking group recorded a 17.9 per cent rise in income in the first half of 2006 compared with the year-earlier period, while expenses were up 11.5 per cent.

The banking group's pre-tax operating profits came to NOK 6 066 million in the first half of 2006, up 31.6 per cent from the corresponding period in 2005. After taxes, profits were up 35.0 per cent, from NOK 3 366 million to NOK 4 543 million. Return on equity was 19.6 per cent for the January through June period, up from 18.0 per cent in the first half of 2005.

The cost/income ratio improved further, representing 51.6 per cent for the first half of 2006, down from 54.5 per cent in the year-earlier period.

In the second quarter of 2006, income was up 17.7 per cent compared with the corresponding period in 2005, while expenses increased by 11.4 per cent. Pre-tax operating profits came to NOK 3 140 million, an increase from NOK 2 432 million in the year-earlier period. After taxes, profits totalled NOK 2 365 million, up NOK 590 million or 33.2 per cent from a year earlier. Return on equity was 19.4 per cent in the April through June period, an increase from 18.6 per cent in the second quarter of 2005. The cost/income ratio showed a positive development, standing at 51.6 per cent for the second quarter of 2006, down from 54.6 per cent a year earlier.

The core capital ratio for the banking group was 7.2 per cent as at 30 June 2006. A partial audit has been conducted of the accounts of DnB NOR Bank and the banking group as at 30 June 2006, thus in accordance with capital adequacy rules, 50 per cent of interim profits has been included in the official capital adequacy figures. The core capital ratio for the banking group as at 31 December 2005 was 7.7 per cent. The capital adequacy ratio was 10.6 per cent at end-June 2006, unchanged from end-December 2005.

¹⁾ DnB NOR Bank ASA is a subsidiary of DnB NOR ASA and part of the DnB NOR Group. The DnB NOR Bank Group, hereinafter called "the banking group", comprises the bank and the bank's subsidiaries. Other companies owned by DnB NOR ASA, including Vital Forsikring and DnB NOR Kapitalforvaltning, are not part of the banking group. Operations in DnB NOR ASA and the total DnB NOR Group are not covered in this report but described in a separate report and presentation.

The integration process is now completed, and synergy targets were realised ahead of schedule. During Easter 2006, DnB NOR Bank implemented a highly successful integration of the account systems of the former DnB and Union Bank of Norway, thus completing the final major technical integration project in connection with the merger.

In the second quarter of the year, DnB NOR Finans established new operations in Stockholm, which will strengthen the banking group's presence and competitive power in the Swedish financial market.

The Board of Directors of DnB NOR ASA has appointed Rune Bjerke new group chief executive, succeeding Svein Aaser, who will retire on 31 December 2006. The Board of Directors of DnB NOR Bank ASA has recommended the appointment of Rune Bjerke as chief executive officer of the bank.

Income

Income totalled NOK 6 191 million for the April through June period, an increase of NOK 933 million or 17.7 per cent from the second quarter of 2005.

Net interest income

Net interest income was NOK 3 948 million in the second quarter of 2006, up NOK 642 million or 19.4 per cent compared with the year-earlier period.

Average lending rose by NOK 138 billion or 22.9 per cent from the second quarter of 2005, while there was a rise of NOK 63 billion or 16.8 per cent in average deposits. The combined spread contracted by 0.11 percentage points compared with the year-earlier period.

The table below specifies changes in net interest income between the two quarters according to main items:

Changes in net interest income

Amounts in NOK million	2nd quarter	2nd quarter	
	2006	Change	2005
Net interest income	3 948	642	3 306
DnB NORD	156	156	
Monchebank	5	5	
Lending and deposit volumes		446	
Lending and deposit spreads		(229)	
Other balance sheet items etc.		165	
Instalment fees, standby fees etc.		32	
Other		67	

Net other operating income

Net other operating income amounted to NOK 2 243 million in the second quarter of 2006, up NOK 291 million or 14.9 per cent compared with the corresponding period of 2005. The increase in net commission income reflected a rise in brokerage fees and credit broking income as well as brisk sales of savings and pension products in the bank's branches.

Gains on the sale of fixed assets referred to, inter alia, the sale of a number of bank buildings.

Net other operating income represented 36.2 per cent of total income in the second quarter of 2006, as against 37.1 per cent in the year-earlier period.

The table below specifies changes in net other operating income between the two quarters according to main items:

Changes in net other operating income

<i>Amounts in NOK million</i>	2nd quarter 2006	Change	2nd quarter 2005
Net other operating income	2 243	291	1 952
DnB NORD	82	82	
Monchebank	5	5	
Gains on the sale of fixed assets		142	
Net commissions and fees		114	
Dividends		(55)	
Other income		3	

Operating expenses

Operating expenses totalled NOK 3 196 million in the second quarter of 2006, up NOK 326 million from the year-earlier period. The cost trend in 2006 reflects the fact that the banking group is in the midst of a period of investments, product development and international start-ups. The investments will ensure a broader income base and improve conditions for future income growth. Excluding operations in DnB NORD and Monchebank, there was a NOK 144 million rise in expenses.

The table below shows changes in operating expenses between the two quarters according to main items:

Changes in operating expenses

<i>Amounts in NOK million</i>	2nd quarter 2006	Change	2nd quarter 2005
Operating expenses	3 196	326	2 870
DnB NORD	173	173	
Monchebank	9	9	
Performance-based pay		67	
Pension expenses		73	
IT investments		27	
Marketing		25	
Wage settlements		17	
Merger synergies		(104)	
Other		39	

Write-downs on commitments

The banking group recorded low write-downs on both retail and corporate loans in the second quarter of 2006. Net reversals on write-downs on loans and guarantees came to NOK 145 million, with individual write-downs of NOK 58 million and reversals on group write-downs of NOK 204 million. The reversals on group write-downs reflected the positive trend in the Norwegian economy. The method used by the banking group to calculate group write-downs has been refined. A new, improved method was introduced in the second quarter for calculating the effect of cyclical fluctuations as well as

non-identifiable losses included in group write-downs. This resulted in a reduction in group write-downs of around NOK 150 million, which was reflected in the accounts for the second quarter of 2006.

New individual write-downs totalled NOK 251 million, while reversals and recoveries came to NOK 193 million. In the corresponding period in 2005, new write-downs were NOK 203 million, while reversals and recoveries stood at NOK 243 million.

The table below specifies changes in net write-downs between the two quarters according to main items:

Changes in write-downs

<i>Amounts in NOK million</i>	2nd quarter 2006	Change	2nd quarter 2005
Net write-downs	(145)	(105)	(40)
DnB NORD	8	8	
Monchebank	0	0	
Increase in individual write-downs		91	
Reduction in group write-downs		204	

After deductions for individual write-downs, net non-performing and impaired commitments came to NOK 4 644 million at end-June 2006, a decline of NOK 596 million from 31 December 2005. Net non-performing and impaired commitments represented 0.61 per cent of net lending at end-June 2006, down from 0.95 per cent a year earlier.

Taxes

The banking group's tax charge for the second quarter of 2006 was NOK 775 million, based on an anticipated average tax rate of 27 per cent of pre-tax operating profits. Too high provisions for taxes in 2005 resulted in a write-back of NOK 73 million in the second quarter of 2006.

Balance sheet

Total assets in the banking group's balance sheet were NOK 990 billion as at 30 June 2006, as against NOK 785 billion a year earlier.

Net lending to customers rose by NOK 146 billion or 23.6 per cent during the twelve-month period, with DnB NORD and Monchebank accounting for NOK 30 billion.

Customer deposits rose by NOK 71 billion or 18.2 per cent from the second quarter of 2005, of which NOK 11 billion stemmed from DnB NORD and Monchebank.

In order to keep the banking group's liquidity risk at a low level, the majority of customer loans are financed through customer deposits, bond debt and subordinated loan capital. With respect to short-term funding of the bank, conservative borrowing limits have been established.

The ratio of customer deposits to net lending to customers was at a satisfactory level, standing at 60.9 per cent at end-June 2006, down from 63.7 per cent a year earlier.

Securities issued by the banking group increased by NOK 75 billion or 36.1 per cent from the second quarter of 2005, totalling NOK 282 billion at end-June 2006. The majority of the securities were issued in international capital markets. DnB NOR has good access to the European and Asian capital markets, and the banking group's funding base will be further expanded through a boost in activity in the US capital market.

Risk and capital adequacy

The strong growth in corporate credit and housing loans continued in the second quarter of 2006. Credit quality was very good. As part of risk management, a number of loans were syndicated in the second quarter of 2006, particularly within shipping and offshore. DnB NOR Bank has a leading position in these industries, which have experienced a prolonged period of brisk growth.

Market risk rose by NOK 0.2 billion in the second quarter, to NOK 2.2 billion at end-June 2006.

The banking group recorded no major operational losses during the April through June period in 2006. In April, a successful integration of account systems in DnB NOR Bank was completed, which reduced operational risk. Compliance with regulations for real estate broking received special attention during the second quarter, and stricter routines were established.

Risk-weighted volume included in the calculation of the capital adequacy requirement rose by NOK 41.7 billion during the second quarter, to NOK 723.9 billion at end-June 2006. The core capital ratio was 7.2 per cent, while the capital adequacy ratio was 10.6 per cent.

Prospects for the rest of the year

The economic upturn in Norway is continuing. High oil prices and increasing investments in the oil industry are two factors stimulating

Norway's economy.

It is expected that the business sector's demand for credit will be high throughout 2006. The demand for housing loans is also very strong and is expected to remain at a high level until the end of 2006, in spite of signals from Norges Bank that it will increase its key interest rate in the coming months.

The aim of the banking group is to maintain or increase market shares in Norway. Competition will be met primarily with competitive prices, products adapted to the market and effective use of DnB NOR's extensive distribution network.

There will be considerable future activity in international operations. Operations in Sweden and in DnB NORD will be further strengthened in the years ahead. Monchebank has provided the banking group with an important foothold in North-West Russia, an area showing strong economic growth.

Favourable economic conditions for Norway and DnB NOR indicate that 2006 will be a good year for the banking group.

Oslo, 9 August 2006

The Board of Directors of DnB NOR Bank ASA

Olav Hytta
(chairman)

Bent Pedersen
(vice-chairman)

Sten Sture Larre

Per Hoffmann

Torill Rambjør

Ingjerd Skjeldrum

Marit Wiig

Heidi M. Petersen

Svein Aaser
(group chief executive)

Income statement

		DnB NOR Bank ASA				
<i>Amounts in NOK million</i>	Note	2nd quarter 2006	2nd quarter 2005 ¹⁾	1st half 2006	1st half 2005 ¹⁾	Full year 2005 ¹⁾
Interest income	2	9 206	6 607	17 284	12 973	27 536
Interest expenses	2	5 866	3 636	10 790	7 116	15 560
Net interest income and credit commissions	2	3 340	2 970	6 494	5 857	11 976
Dividends		74	200	159	210	1 465
Commissions and fees receivable		1 555	1 492	3 210	2 898	6 073
Commissions and fees payable		461	505	938	999	1 980
Net gains on foreign exchange and financial instruments		436	415	989	923	2 117
Sundry ordinary operating income		153	161	324	297	648
Gains on the sale of fixed assets		149	27	157	30	143
Net other operating income		1 908	1 789	3 901	3 359	8 467
Salaries and other ordinary personnel expenses		1 335	1 196	2 705	2 433	4 955
Administrative expenses		779	857	1 562	1 639	3 287
Depreciation		135	152	278	302	589
Sundry ordinary operating expenses		273	289	556	585	1 169
Other expenses		158	39	159	40	188
Total operating expenses		2 680	2 532	5 259	4 999	10 188
Pre-tax operating profit before write-downs		2 568	2 227	5 136	4 217	10 255
Write-downs on loans and guarantees	3	(133)	(62)	(164)	50	(32)
Net gains on long-term securities		0	3	0	99	108
Pre-tax operating profit		2 701	2 292	5 300	4 265	10 395
Taxes		665	619	1 325	1 152	2 973
Profit for the period		2 035	1 673	3 975	3 114	7 422
Earnings per share		11.82	9.86	23.09	18.35	43.12
Average total assets		886 121	753 336	869 544	739 397	771 300

Balance sheets

		DnB NOR Bank ASA			
<i>Amounts in NOK million</i>	Note	30 June 2006	31 Dec. 2005 ¹⁾	30 June 2005 ¹⁾	31 Dec. 2004 ¹⁾
Assets					
Cash and deposits with central banks		11 877	19 715	1 106	8 286
Lending to and deposits with credit institutions		147 480	86 156	94 109	54 947
Gross lending to customers		655 630	600 680	563 162	525 645
- Individual write-downs		1 458	1 478	2 373	2 494
- Group write-downs		930	3 230	3 230	3 230
Net lending to customers	4, 5	653 242	595 972	557 559	519 921
Commercial paper and bonds		92 235	78 221	69 370	64 615
Shareholdings etc.		2 405	2 610	2 204	4 213
Investments in associated companies		537	537	537	583
Investments in subsidiaries		9 271	8 122	5 814	5 597
Intangible assets		1 448	1 493	2 903	3 038
Fixed assets		2 082	2 412	2 493	2 923
Other assets		20 321	19 901	24 711	23 138
Prepayments and accrued income		4 576	4 097	3 856	3 946
Total assets		945 473	819 238	764 662	691 207
Liabilities and equity					
Loans and deposits from credit institutions		112 834	87 341	81 051	47 608
Deposits from customers		445 155	401 942	386 678	353 741
Securities issued		275 019	230 124	201 364	184 572
Other liabilities		25 782	27 024	25 774	40 337
Accrued expenses and prepaid revenues		7 003	4 832	5 966	4 318
Provisions for commitments		4 274	3 698	4 248	4 525
Subordinated loan capital		30 582	24 839	23 675	23 362
Total liabilities		900 649	779 800	728 756	658 465
Share capital		17 214	17 214	16 964	16 964
Share premium reserve		9 995	9 995	7 745	7 745
Other equity		17 614	12 228	11 196	8 033
Total equity	6, 7	44 824	39 438	35 906	32 743
Total liabilities and equity		945 473	819 238	764 662	691 207
Off-balance sheet transactions and contingencies	8				

1) Items according to former regulations on the treatment of loans and guarantees, but reclassified in accordance with new presentation models, see note 1.

Income statement

		DnB NOR Bank Group				
<i>Amounts in NOK million</i>	Note	2nd quarter 2006	2nd quarter 2005 ¹⁾	1st half 2006	1st half 2005 ¹⁾	Full year 2005 ¹⁾
Interest income	2	10 135	7 109	19 106	14 057	29 712
Interest expenses	2	6 187	3 803	11 428	7 515	16 311
Net interest income and credit commissions	2	3 948	3 306	7 678	6 542	13 401
Dividends		59	114	91	143	154
Commissions and fees receivable		1 649	1 546	3 399	3 008	6 276
Commissions and fees payable		481	521	974	1 030	2 025
Net gains on foreign exchange and financial instruments		429	409	1 006	923	2 166
Sundry ordinary operating income		407	368	806	695	1 440
Net gains on the sale of fixed assets		180	36	198	67	231
Net other operating income		2 243	1 952	4 525	3 807	8 241
Salaries and other ordinary personnel expenses		1 649	1 407	3 321	2 841	5 718
Administrative expenses		891	936	1 772	1 789	3 586
Depreciation		222	195	434	390	778
Sundry ordinary operating expenses		320	293	653	584	1 189
Other expenses		113	39	115	40	232
Total operating expenses		3 196	2 870	6 295	5 644	11 502
Pre-tax operating profit before write-downs		2 994	2 387	5 908	4 705	10 140
Write-downs on loans and guarantees	3	(145)	(40)	(158)	94	(42)
Net gains on long-term securities		0	5	0	0	203
Pre-tax operating profit		3 140	2 432	6 066	4 610	10 385
Taxes		775	657	1 523	1 245	3 058
Profit for the period		2 365	1 775	4 543	3 366	7 327
Earnings per share		13.74	10.47	26.39	19.84	42.56
Average total assets		929 684	773 396	912 883	760 026	792 357

Balance sheets

		DnB NOR Bank Group			
<i>Amounts in NOK million</i>	Note	30 June 2006	31 Dec. 2005 ¹⁾	30 June 2005 ¹⁾	31 Dec. 2004 ¹⁾
Assets					
Cash and deposits with central banks		14 022	21 229	1 593	8 780
Lending to and deposits with credit institutions		82 446	31 342	57 643	21 604
Gross lending to customers		765 932	698 881	623 856	584 230
- Individual write-downs		2 083	2 065	3 105	3 255
- Group write-downs		1 073	3 576	3 534	3 534
Net lending to customers	4, 5	762 776	693 240	617 217	577 441
Commercial paper and bonds		93 929	79 259	68 207	62 986
Shareholdings etc.		2 540	2 791	2 597	4 611
Investments in associated companies		1 395	1 261	1 262	1 354
Intangible assets		2 398	2 418	3 295	3 469
Fixed assets		4 575	4 519	4 234	4 693
Other assets		21 108	19 288	25 069	22 943
Prepayments and accrued income		5 089	4 645	4 326	4 477
Total assets		990 278	859 993	785 442	712 356
Liabilities and equity					
Loans and deposits from credit institutions		123 112	97 870	84 107	48 950
Deposits from customers		464 384	418 395	392 995	360 240
Securities issued		281 907	236 711	207 137	192 410
Other liabilities		27 562	28 527	27 053	41 140
Accrued expenses and prepaid revenues		7 567	5 426	6 455	5 013
Provisions for commitments		4 658	4 145	4 627	4 952
Subordinated loan capital		31 294	25 798	24 082	24 040
Total liabilities		940 483	816 873	746 456	676 745
Minority interests		1 551	946	6	6
Share capital		17 214	17 214	16 964	16 964
Share premium reserve		10 711	10 711	8 461	8 461
Other equity		20 319	14 248	13 555	10 179
Total equity	6, 7	49 795	43 119	38 987	35 611
Total liabilities and equity		990 278	859 993	785 442	712 356
Off-balance sheet transactions and contingencies	8				

1) Items according to former regulations on the treatment of loans and guarantees, but reclassified in accordance with new presentation models, see note 1.

Note 1 – Accounting principles

The quarterly accounts are based on Norwegian accounting legislation, the accounting regulations issued by the Ministry of Finance and Norwegian generally accepted accounting principles, including NRS 11 – the Norwegian accounting standard for interim reporting. A more detailed description of the bank's accounting principles can be found in the annual report for 2005.

DnB NOR Bank implemented regulations from the Ministry of Finance on the accounting treatment of loans and guarantees in the accounts of DnB NOR Bank and the banking group effective 1 January 2006. Figures for previous periods have not been restated, but reclassified in accordance with the new presentation format. Comparable figures have not been restated following the establishment of DnB NOR and the acquisition of Monchebank.

Note 2 – Net interest income and credit commissions

<i>Amounts in NOK million</i>	DnB NOR Bank ASA				
	2nd quarter 2006	2nd quarter 2005	1st half 2006	1st half 2005	Full year 2005
Interest on loans to and deposits with credit institutions, amortised cost ¹⁾	1 102	534	1 879	1 021	2 227
Interest on loans to customers, valued at amortised cost ¹⁾	7 077	5 351	13 506	10 508	22 199
Front-end fees, etc. ²⁾	182	241	338	451	968
Interest on commercial paper and bonds	844	481	1 561	993	2 142
Total interest income	9 206	6 607	17 284	12 973	27 536
Interest on loans and deposits from credit institutions	906	464	1 586	885	2 095
Interest on demand deposits from customers	2 226	1 244	4 167	2 414	5 611
Interest on securities issued	2 641	1 391	4 896	2 688	5 997
Interest on subordinated loan capital	320	223	606	431	912
Other interest expenses ³⁾	(227)	314	(465)	699	945
Total interest expenses	5 866	3 636	10 790	7 116	15 560
Net interest income and credit commissions	3 340	2 970	6 494	5 857	11 976

<i>Amounts in NOK million</i>	DnB NOR Bank Group				
	2nd quarter 2006	2nd quarter 2005	1st half 2006	1st half 2005	Full year 2005
Interest on loans to and deposits with credit institutions, amortised cost ¹⁾	793	432	1 257	816	1 495
Interest on loans to customers, valued at amortised cost ¹⁾	8 274	5 932	15 867	11 753	24 991
Front-end fees, etc. ²⁾	195	257	363	479	1 052
Interest on commercial paper and bonds	874	488	1 619	1 008	2 174
Total interest income	10 135	7 109	19 106	14 057	29 712
Interest on loans and deposits from credit institutions	1 015	500	1 813	981	2 278
Interest on demand deposits from customers	2 293	1 263	4 303	2 455	5 681
Interest on securities issued	2 737	1 476	5 080	2 881	6 368
Interest on subordinated loan capital	328	224	622	432	915
Other interest expenses ³⁾	(187)	341	(389)	766	1 069
Total interest expenses	6 187	3 803	11 428	7 515	16 311
Net interest income and credit commissions	3 948	3 306	7 678	6 542	13 401

1) Amortisation effects refer only to 2006.

2) In 2006, commission income included in the amortisation has been deducted from front-end fees from customers.

3) Including guarantee fund levies.

Note 3 – Write-downs on loans and guarantees

Amounts in NOK million	DnB NOR Bank ASA				
	2nd quarter 2006	2nd quarter 2005 ¹⁾	1st half 2006	1st half 2005 ¹⁾	Full year 2005 ¹⁾
Specification of write-downs					
Write-offs ^{a)}	25	39	97	200	347
Increase in individual write-downs ^{b)}	23	42	40	80	117
New individual write-downs ^{c)}	137	78	260	177	239
Total new individual write-downs	185	159	397	457	703
Reassessed individual write-downs ^{d)}	44	19	131	148	265
Total individual write-downs	141	140	266	309	438
Recoveries on commitments previously written off ^{e)}	95	202	160	259	470
Change in group-write downs ²⁾	(179)	0	(270)	0	0
Write-downs on loans and guarantees	(133)	(62)	(164)	50	(32)
Specification of changes					
Change in individual write-downs ^{b) and c) minus d) and f)}	(88)	(77)	(93)	(143)	(962)
+ Write-offs covered by individual write-downs made in previous years ^{f)}	204	178	262	252	1 053
+ Write-offs not covered by individual write-downs made in previous years ^{a)}	25	39	97	200	347
- Recoveries on commitments previously written off ^{e)}	95	202	160	259	470
+ Change in group-write downs ²⁾	(179)	0	(270)	0	0
Write-downs on loans and guarantees	(133)	(62)	(164)	50	(32)
<i>Of which net losses on guarantees</i>	<i>1</i>	<i>(7)</i>	<i>(10)</i>	<i>17</i>	<i>13</i>

Amounts in NOK million	DnB NOR Bank Group				
	2nd quarter 2006	2nd quarter 2005 ¹⁾	1st half 2006	1st half 2005 ¹⁾	Full year 2005 ¹⁾
Specification of write-downs					
Write-offs ^{a)}	38	46	112	215	404
Increase in individual write-downs ^{b)}	52	63	88	119	190
New individual write-downs ^{c)}	161	94	308	205	306
Total new individual write-downs	251	203	508	539	900
Reassessed individual write-downs ^{d)}	72	37	178	172	324
Total individual write-downs	179	166	330	367	576
Recoveries on commitments previously written off ^{e)}	121	206	201	273	618
Change in group-write downs ²⁾	(204)	0	(287)	0	0
Write-downs on loans and guarantees	(145)	(40)	(158)	94	(42)
Specification of changes					
Change in individual write-downs ^{b) and c) minus d) and f)}	(132)	(84)	(136)	(181)	(1 191)
+ Write-offs covered by individual write-downs made in previous years ^{f)}	273	204	354	333	1 363
+ Write-offs not covered by individual write-downs made in previous years ^{a)}	38	46	112	215	404
- Recoveries on commitments previously written off ^{e)}	121	206	201	273	618
+ Change in group-write downs ²⁾	(204)	0	(287)	0	0
Write-downs on loans and guarantees	(145)	(40)	(158)	94	(42)
<i>Of which net losses on guarantees</i>	<i>1</i>	<i>(7)</i>	<i>(10)</i>	<i>17</i>	<i>19</i>

a)-f) Show connections between the items.

1) Items according to former regulations on the treatment of loans and guarantees, but reclassified in accordance with new presentation models, see note 1.

2) During the second quarter of 2006, NOK 150 million was reversed due to changes in estimates reflected to the income statement.

Note 4 – Lending to customers

DnB NOR Bank ASA					DnB NOR Bank Group			
31 Dec. 2004 ¹⁾	30 June 2005 ¹⁾	31 Dec. 2005 ¹⁾	30 June 2006		30 June 2006	31 Dec. 2005 ¹⁾	30 June 2005 ¹⁾	31 Dec. 2004 ¹⁾
				<i>Amounts in NOK million</i>				
525 645	563 162	600 680	656 109	Lending to customers, nominal amount	766 416	698 881	623 856	584 230
2 494	2 373	1 478	1 458	Individual write-downs	2 083	2 065	3 105	3 255
523 151	560 789	599 202	654 651	Lending to customers, after individual write-downs	764 333	696 816	620 751	580 975
-	-	-	(479)	Amortisation (fees etc.)	(484)	-	-	-
3 230	3 230	3 230	930	Group write-downs	1 073	3 576	3 534	3 534
519 921	557 559	595 972	653 242	Net lending to customers, at amortised cost	762 776	693 240	617 217	577 441

1) Items according to former regulations on the treatment of loans and guarantees, but reclassified in accordance with new presentation models, see note 1.

Note 5 – Non-performing and impaired commitments

DnB NOR Bank ASA					DnB NOR Bank Group			
31 Dec. 2004 ¹⁾	30 June 2005 ¹⁾	31 Dec. 2005 ¹⁾	30 June 2006		30 June 2006	31 Dec. 2005 ¹⁾	30 June 2005 ¹⁾	31 Dec. 2004 ¹⁾
				<i>Amounts in NOK million</i>				
				Non-performing commitments				
5 641	5 838	4 130	3 930	Before individual write-downs	4 811	5 556	7 179	6 895
3 471	3 720	2 904	2 704	After individual write-downs	3 120	3 878	4 503	4 196
				Impaired commitments				
1 512	1 251	1 032	874	Before individual write-downs	2 066	1 914	2 009	2 460
1 091	811	642	521	After individual write-downs	1 524	1 362	1 374	1 778

1) Items according to former regulations on the treatment of loans and guarantees, but reclassified in accordance with new presentation models, see note 1.

Note 6 – Capital adequacy

DnB NOR Bank ASA				DnB NOR Bank Group		
30 June 2005	31 Dec. 2005	30 June 2006	Amounts in NOK million	30 June 2006	31 Dec. 2005	30 June 2005
16 964	17 214	17 214	Share capital	17 214	17 214	16 964
17 831	22 223	25 622	Other equity *	30 344	25 905	20 784
34 795	39 438	42 836	Total equity	47 558	43 119	37 749
5 358	5 465	5 249	Perpetual subordinated loan capital securities ^{1) 2)}	5 478	5 698	5 592
			Deductions			
(814)	(40)	(40)	Pension funds above pension commitments	(49)	(51)	(855)
(1 356)	(1 318)	(1 222)	Goodwill	(2 098)	(2 175)	(1 824)
(705)	(6)	0	Deferred tax assets	(73)	(93)	(634)
(59)	(169)	(226)	Other intangible assets	(285)	(219)	(68)
			Additions			
-	2 218	1 664	Portion of unrecognised actuarial gains/losses ³⁾	1 768	2 357	-
37 218	45 588	48 261	Core capital	52 300	48 638	39 960
5 895	5 670	8 136	Perpetual subordinated loan capital ^{1) 2)}	8 236	5 770	5 995
12 423	13 664	17 198	Term subordinated loan capital ²⁾	18 321	14 868	13 084
18 317	19 334	25 334	Supplementary capital	26 557	20 638	19 078
2 242	2 182	2 140	Deductions	2 140	2 182	2 242
53 294	62 740	71 454	Total eligible primary capital ⁴⁾	76 717	67 094	56 796
512 179	562 052	634 162	Total risk-weighted volume	723 941	635 707	561 352
7.3	8.1	7.6	Core capital ratio (per cent) *	7.2	7.7	7.1
10.4	11.2	11.3	Capital ratio (per cent) *	10.6	10.6	10.1
			Including 50 per cent of profit for the period:			
7.6	-	7.6	Core capital ratio (per cent)	7.2	-	7.4
10.7	-	11.3	Capital ratio (per cent)	10.6	-	10.4

1) Perpetual subordinated loan capital securities can represent up to 15 per cent of core capital. The excess will qualify as perpetual supplementary capital.

2) Calculations of capital adequacy include a total of NOK 741 million in subordinated loan capital in associated companies, in addition to subordinated loan capital in the banking group's balance sheet.

3) Upon implementation of NRS 6A (IAS 19) in 2005, unrecognised actuarial gains/losses for pension commitments were charged to equity in the accounts. The ministry of Finance has established a transitional rule whereby three-fifths of the amount recorded against equity can be included in the capital adequacy calculations as at 30 June 2006. This effect will be reduced by one-fifth yearly.

4) Primary capital and nominal amounts used in calculating risk-weighted volume deviate from figures in the DnB NOR Bank Group's accounts as a different consolidation method ("pro rata consolidation") is used in calculating capital adequacy in relation to associated companies.

* A partial audit has been conducted of the accounts of DnB NOR Bank and the banking group as at 30 June 2006, whereby 50 per cent of interim profits have been included in other equity.

All figures are presented in accordance with rules prevailing at the time in question.

Note 7 – Equity

DnB NOR Bank ASA		DnB NOR Bank Group		
Total equity	Amounts in NOK million	Minority interests	Other equity	Total equity
32 743	Balance sheets as at 31 December 2004	6	35 605	35 611
3 114	Profit for the period	0	3 366	3 366
50	Exchange rate movements	0	10	10
35 906	Balance sheets as at 30 June 2005	6	38 981	38 987
39 438	Balance sheets as at 31 December 2005	946	42 174	43 119
1 474	Implementation of new regulations on the treatment of loans and guarantees	0	1 615	1 615
-	Consolidation of holdings previously classified as repossessed assets	1	77	78
40 912	Balance sheets as at 1 January 2006	947	43 865	44 812
-	Minority interests DnB NORD	545	0	545
-	Minority interests Monchebank	2	0	2
3 975	Profit for the period	69	4 474	4 543
(63)	Exchange rate movements	(12)	(95)	(107)
44 824	Balance sheets as at 30 June 2006	1 551	48 245	49 795

Note 8 – Off-balance sheet transactions and contingencies

Guarantee commitments etc. and additional information

DnB NOR Bank ASA					DnB NOR Bank Group			
31 Dec. 2004	30 June 2005	31 Dec. 2005	30 June 2006	Amounts in NOK million	30 June 2006	31 Dec. 2005	30 June 2005	31 Dec. 2004
164 578	158 167	182 821	214 823	Unutilised ordinary credit lines	226 116	186 803	158 010	165 845
8 625	9 322	8 928	13 502	Documentary credit commitments	13 634	9 115	9 323	8 629
0	41	351	353	Other commitments	353	1 654	41	1
173 203	167 530	192 100	228 678	Total commitments	240 103	197 572	167 374	174 475
13 257	12 947	14 247	16 236	Performance guarantees	16 997	14 764	13 137	13 433
11 059	11 406	13 777	19 273	Payment guarantees	19 847	14 519	11 695	11 577
10 913	13 421	13 716	16 287	Loan guarantees	16 581	13 831	13 424	10 916
2 556	0	0	0	Guarantee to the Norwegian Banks' Guarantee Fund ¹⁾	0	0	0	2 676
2 766	2 887	3 050	3 339	Guarantees for taxes etc.	3 378	3 077	2 907	2 790
5 067	5 160	5 360	4 587	Other guarantee commitments	5 930	5 438	4 926	4 803
45 617	45 821	50 151	59 722	Total guarantee commitments	62 733	51 629	46 089	46 194
0	0	0	0	Support agreements	4 571	4 995	5 398	2 482
45 617	45 821	50 151	59 722	Total guarantee commitments etc. *)	67 304	56 624	51 487	48 676
				*) Of which:				
1 481	1 330	1 492	1 476	Counter-guaranteed by financial institutions	1 505	1 498	1 330	1 481
43	41	0	0	Joint and several liabilities	0	0	41	45
43 843	42 392	49 669	56 494	Securities are pledged as security for:	56 494	49 669	42 392	43 843
43 728	42 282	49 558	56 383	Loans	56 383	49 558	42 282	43 728
115	111	111	111	Other activities	111	111	111	115

1) As of 1 January 2005, members are no longer required to guarantee the minimum requirement for capital in the Norwegian Bank's Guarantee Fund.

Contingencies

Due to its extensive operations in Norway and abroad, the banking group will regularly be party to a number of legal actions. None of the current disputes are expected to have any material impact on the banking group's financial position. The disputes involving the highest amounts are described below.

DnB NOR Bank issued a writ against the Norwegian government, represented by the Central Tax Office for Large Companies, requiring that the tax assessment for 2002 be invalidated. The bank claimed that the tax authorities made incorrect use of the realisation principle with respect to interest rate and currency swaps, as no tax credit was awarded for net losses in the tax assessment. The bank lost the case in the District Court. The outcome will have no material effect on the banking group accounts. The decision has been appealed.

Note 9 – Profit and balance sheet trends

Profit and loss accounts

	DnB NOR Bank ASA				
	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter
<i>Amounts in NOK million</i>	2006	2006	2005 ¹⁾	2005 ¹⁾	2005 ¹⁾
Net interest income and commissions	3 340	3 155	3 103	3 016	2 970
Dividends	74	84	1 253	2	200
Commissions and fees receivable	1 555	1 655	1 634	1 540	1 492
Commissions and fees payable	461	478	489	492	505
Net gains on foreign exchange and financial instruments	436	553	565	629	415
Sundry ordinary operating income	153	170	216	136	161
Net gains on the sale of fixed assets	149	8	104	9	27
Net other operating income	1 908	1 993	3 283	1 825	1 789
Salaries and other ordinary personnel expenses	1 335	1 369	1 256	1 266	1 196
Administrative expenses	779	783	851	797	857
Depreciation	135	144	146	141	152
Sundry ordinary operating expenses	273	283	292	292	289
Other expenses	158	1	141	7	39
Total operating expenses	2 680	2 579	2 686	2 502	2 532
Pre-tax operating profit before write-downs	2 568	2 568	3 700	2 338	2 227
Write-downs on loans etc.	(133)	(31)	(24)	(58)	(62)
Net gains on long-term securities	0	0	3	7	3
Pre-tax operating profit	2 701	2 599	3 727	2 403	2 292
Taxes	665	660	1 172	649	619
Profit for the period	2 035	1 940	2 554	1 754	1 673
Earnings per share	11.82	11.27	14.84	10.34	9.86
Average total assets	886 121	852 967	829 107	777 299	753 336

Balance sheets

	DnB NOR Bank ASA				
	30 June	31 March	31 Dec.	30 Sept.	30 June
<i>Amounts in NOK million</i>	2006	2006	2005 ¹⁾	2005 ¹⁾	2005 ¹⁾
Assets					
Cash and deposits with central banks	11 877	1 292	19 715	23 741	1 106
Lending to and deposits with credit institutions	147 480	121 232	86 156	82 059	94 109
Gross lending to customers	655 630	622 845	600 680	591 780	563 162
- Individual write-downs	1 458	1 484	1 478	2 284	2 373
- Group write-downs	930	1 129	3 230	3 230	3 230
Net lending to customers	653 242	620 232	595 972	586 265	557 559
Commercial paper and bonds	92 235	85 106	78 221	78 406	69 370
Shareholdings etc.	2 405	2 483	2 610	2 530	2 204
Investments in associated companies	537	543	537	537	537
Investments in subsidiaries	9 271	9 034	8 122	6 463	5 814
Other assets	28 426	24 251	27 903	31 072	33 963
Total assets	945 473	864 173	819 238	811 074	764 662
Liabilities and equity					
Loans and deposits from credit institutions	112 834	90 180	87 341	91 718	81 051
Deposits from customers	445 155	409 130	401 942	402 768	386 678
Securities issued	275 019	255 693	230 124	216 381	201 364
Other liabilities	37 059	39 236	35 554	38 092	35 988
Subordinated loan capital	30 582	27 103	24 839	24 455	23 675
Equity	44 824	42 830	39 438	37 660	35 906
Total liabilities and equity	945 473	864 173	819 238	811 074	764 662

1) Items according to former regulations on the treatment of loans and guarantees, but reclassified in accordance with new presentation models, see note 1.

Note 9 – Profit and balance sheet trends (continued)**Profit and loss accounts**

<i>Amounts in NOK million</i>	DnB NOR Bank Group				
	2nd quarter 2006	1st quarter 2006	4th quarter 2005 ¹⁾	3rd quarter 2005 ¹⁾	2nd quarter 2005 ¹⁾
Net interest income and commissions	3 948	3 730	3 482	3 376	3 306
Dividends	59	32	6	4	114
Commissions and fees receivable	1 649	1 750	1 686	1 582	1 546
Commissions and fees payable	481	493	485	509	521
Net gains on foreign exchange and financial instruments	429	577	593	650	409
Sundry ordinary operating income	407	399	404	341	368
Net gains on the sale of fixed assets	180	18	151	13	36
Net other operating income	2 243	2 283	2 355	2 080	1 952
Salaries and other ordinary personnel expenses	1 649	1 672	1 390	1 487	1 407
Administrative expenses	891	881	932	866	936
Depreciation	222	212	203	186	195
Sundry ordinary operating expenses	320	333	315	290	293
Other expenses	113	2	183	9	39
Total operating expenses	3 196	3 099	3 022	2 836	2 870
Pre-tax operating profit before write-downs	2 994	2 914	2 815	2 620	2 387
Write-downs on loans etc.	(145)	(12)	(35)	(102)	(40)
Net gains on long-term securities	0	0	(5)	208	5
Pre-tax operating profit	3 140	2 926	2 845	2 929	2 432
Taxes	775	748	1 022	791	657
Profit for the period	2 365	2 178	1 823	2 139	1 775
Earnings per share	13.74	12.65	10.59	12.61	10.47
Average total assets	929 684	896 082	848 924	796 224	773 396

Balance sheets

<i>Amounts in NOK million</i>	DnB NOR Bank Group				
	30 June 2006	31 March 2006	31 Dec. 2005 ¹⁾	30 Sept. 2005 ¹⁾	30 June 2005 ¹⁾
Assets					
Cash and deposits with central banks	14 022	2 742	21 229	24 264	1 593
Lending to and deposits with credit institutions	82 446	60 849	31 342	43 872	57 643
Gross lending to customers	765 932	728 862	698 881	654 538	623 856
- Individual write-downs	2 083	2 086	2 065	2 912	3 105
- Group write-downs	1 073	1 318	3 576	3 534	3 534
Net lending to customers	762 776	725 458	693 240	648 092	617 217
Commercial paper and bonds	93 929	86 242	79 259	77 252	68 207
Shareholdings etc.	2 540	2 598	2 791	2 731	2 597
Investments in associated companies	1 395	1 408	1 261	1 298	1 262
Other assets	33 171	27 732	30 870	33 964	36 923
Total assets	990 278	907 030	859 993	831 472	785 442
Liabilities and equity					
Loans and deposits from credit institutions	123 112	100 446	97 870	93 425	84 107
Deposits from customers	464 384	426 865	418 395	409 374	392 995
Securities issued	281 907	262 498	236 711	222 156	207 137
Other liabilities	39 786	41 667	38 099	40 545	38 135
Subordinated loan capital	31 294	28 062	25 798	24 850	24 082
Equity	49 795	47 492	43 119	41 122	38 987
Total liabilities and equity	990 278	907 030	859 993	831 472	785 442

1) Items according to former regulations on the treatment of loans and guarantees, but reclassified in accordance with new presentation models, see note 1.

www.dnbnor.com