

First quarter report 2006



DnB NOR Bank ASA

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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 quarter of 2006, with a high level of activity throughout the banking group. The first quarter figures reflected sound growth in the domestic and international operations. In April 2006, the banking group implemented a large-scale integration of account systems.

Operations in DnB NOR and Monchebank are included in the banking group as of the first quarter of 2006.

The banking group's pre-tax operating profits came to NOK 2 926 million in the first quarter of 2006, up from NOK 2 178 million in the year-earlier period. Relatively low risk in the loan portfolios resulted in very low write-downs on loans and guarantees for the banking group in the first quarter of 2006. After taxes, profits totalled NOK 2 178 million, an increase from NOK 1 590 million in the corresponding period of 2005. This is the best quarterly performance in the history of the banking group. Return on equity was 19.2 per cent for the January through March period, up from 17.5 per cent in the first quarter of 2005. The cost/income ratio improved further, representing 51.5 per cent for the first quarter of 2006, down from 54.5 per cent in the year-earlier period. Excluding DnB NOR and Monchebank, the cost/income ratio for the first quarter of 2006 was 51.1 per cent.

Including 50 per cent of profits, the core capital ratio for the banking group was 7.5 per cent at end-March 2006, compared with 7.4 per cent a year earlier.

Income

Income totalled NOK 6 013 million for the January through March period, an increase of NOK 922 million or 18.1 per cent from the first quarter of 2005.

Net interest income

Net interest income was NOK 3 730 million in the first quarter of 2006, up NOK 494 million compared with the year-earlier period. Excluding DnB NOR and Monchebank, net interest income increased by NOK 322 million from the first quarter of 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.

Average lending, excluding DnB NOR and Monchebank, rose by NOK 98 billion or 16.7 per cent from the first quarter of 2005, while there was a rise of NOK 45 billion or 12.2 per cent in average deposits. The combined spread contracted by 0.14 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

	1st quarter 2006	Change	1st quarter 2005
<i>Amounts in NOK million</i>			
Net interest income	3 730	494	3 236
DnB NOR	166	166	
Monchebank	6	6	
Lending and deposit volumes		390	
Lending and deposit spreads		(224)	
Net result on equity etc.		94	
Other		62	

Net other operating income

Net other operating income amounted to NOK 2 283 million in the first quarter of 2006, up NOK 428 million or 23.1 per cent compared with the corresponding period of 2005. Adjusted for DnB NOR and Monchebank, net other operating income rose by NOK 348 million. The increase in commission income and income on foreign exchange and financial instruments reflected brisk sales of mutual fund and pension products, a high level of activity within real estate broking, healthy income from corporate finance activity and favourable stock market conditions.

Net other operating income represented 38.0 per cent of total income in the first quarter of 2006, as against 36.4 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

	1st quarter 2006	Change	1st quarter 2005
<i>Amounts in NOK million</i>			
Net other operating income	2 283	428	1 855
DnB NOR	74	74	
Monchebank	6	6	
Net commissions receivable		273	
Net gains on foreign exchange and financial instruments		44	
Other income		31	

Operating expenses

Operating expenses totalled NOK 3 099 million in the first quarter of 2006, up NOK 326 million from the year-earlier period. Excluding operations in DnB NORD and Monchebank, there was a NOK 168 million rise in expenses.

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

Changes in operating expenses

Amounts in NOK million	1st quarter 2006	Change	1st quarter 2005
Driftskostnader	3 099	326	2 773
DnB NORD	151	151	
Monchebank	7	7	
Performance-based pay		109	
Pension expenses		36	
IT-investments		25	
Wage settlements		24	
Other expenses		45	
Synergies		(101)	
New operations		30	

Write-downs on commitments

The banking group recorded low write-downs on both retail and corporate loans in the first quarter of 2006. Net reversals on write-downs on loans and guarantees came to NOK 12 million, with individual write-downs of NOK 71 million and reversals on group write-downs of NOK 83 million. The reversals on group write-downs reflected the positive trend in the Norwegian economy. In the first quarter of 2005 net write-downs came to NOK 134 million.

New individual write-downs totalled NOK 257 million while reversals and recoveries came to NOK 186 million. In 2005 new individual write-downs totalled NOK 335 million while reversals and recoveries stood at NOK 201 million. Figures for 2005 have not been restated in accordance with new lending regulations implemented as of 1 January 2006.

After deductions for individual write-downs, net non-performing and impaired commitments came to NOK 4 758 million at end-March 2006, a decline of NOK 482 million from 31 December 2005. Net non-performing and impaired commitments represented 0.66 per cent of net lending at end-March 2006. Excluding DnB NORD and Monchebank, net non-performing and impaired commitments represented 0.60 per cent of net lending, down from 1.02 a year earlier.

Taxes

The banking group's tax charge for the first quarter of 2006 was NOK 748 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 in the first quarter of 2006. The write-back was based on the Ministry of Finance's clarification with respect to tax-related adjustments to amendments in the Accounting Act.

Balance sheet

Total assets in the banking group's balance sheet were NOK 907 billion as at 31 March 2006 and NOK 758 billion a year earlier.

Net lending to customers rose by NOK 128 billion or 21.5 per cent during the twelve-month period, with DnB NORD and Monchebank accounting for NOK 26.8 billion.

Customer deposits rose by NOK 51 billion or 13.7 per cent from the first quarter of 2005, of which NOK 10.6 billion stemmed from DnB NORD and Monchebank.

The ratio of customer deposits to net lending to customers was maintained at a satisfactory level, standing at 58.8 per cent at end-March 2006, down from 62.9 per cent a year earlier.

A significant share of the banking group's operations is funded through lending in Norwegian and international capital markets. Securities issued by the banking group increased by NOK 63 billion or 31.5 per cent from the first quarter of 2005, totalling NOK 262 billion at end-March 2006.

Risk and capital adequacy

There was a further rise in corporate credit demand during the first quarter, combined with strong growth in housing loan portfolios.

Market risk remained at a low, stable level throughout the first quarter.

The banking group recorded no major operational losses during the January through March period. In April, a successful integration of account systems in the banking group was completed, which will reduce operational risk in the future.

Risk-weighted volume included in the calculation of the capital adequacy requirement rose by NOK 47 billion during the first quarter, to NOK 682 billion at end-March 2006. Including 50 per cent of profits, the core capital ratio was 7.5 per cent, while the capital adequacy ratio was 10.6 per cent.

The implementation of new regulations on the accounting treatment of loans and guarantees effective 1 January 2006 led to a slight increase in capital adequacy ratios.

Changes in group structure

During 2005, DnB NOR Bank entered into an agreement to acquire the Russian bank Monchebank, headquartered in Murmansk. The agreement came into effect on 1 January 2006, and Monchebank is included in the banking group's first quarter accounts. The acquisition of Monchebank gives the banking group access to a very interesting growth area.

Prospects for the rest of the year

The economic upturn in Norway continued throughout the first quarter. The healthy economic climate is expected to prevail. The banking group expects that oil investments will continue to increase in 2006, stimulating Norway's mainland economy. Investments are at a historically high level and are expected to remain high also over the next few years. Considerable optimism ensures strong growth in corporate investment and high demand for credit. The rise in housing prices and household debt has remained high over a long period. A strong increase in wealth during the last three years signifies that household credit growth will not be notably subdued in 2006.

Following completion of the integration process, the banking group is well equipped to intensify its efforts in the Norwegian market. The banking group aims to maintain or increase market shares in Norway. In combination with good prospects for the Norwegian economy in 2006, this should indicate strong organic growth in the banking group's Norwegian operations. The banking group also foresees considerable opportunities for strong international growth in 2006. The banking group has enhanced its position in an important growth area through the establishment of DnB NORD in the Baltic Sea region. Further expansion is planned in Sweden over the coming years. The takeover of Monchebank has given the banking group an important foothold in North-West Russia, an area showing strong economic growth and good potential for business development within areas where the banking group has considerable expertise.

Healthy income growth and rising wealth among both companies and households indicate a low level of write-downs on loans for the banking group in 2006.

Oslo, 10 May 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)

Profit and loss accounts

		DnB NOR Bank ASA			
<i>Amounts in NOK million</i>	Note	1st quarter 2006	1st quarter 2005 ¹⁾	Full year 2005 ¹⁾	Full year 2004 ¹⁾
Interest income	4	8 079	6 366	27 536	25 908
Interest expenses	4	4 924	3 479	15 560	14 280
Net interest income and credit commissions	4	3 155	2 887	11 976	11 628
Dividends		84	10	1 465	979
Commissions and fees receivable		1 655	1 406	6 073	5 546
Commissions and fees payable		478	494	1 980	1 936
Net gains on foreign exchange and financial instruments		553	508	2 117	1 689
Sundry ordinary operating income		170	136	648	651
Gains on the sale of fixed assets		8	4	143	9
Net other operating income		1 993	1 570	8 467	6 937
Salaries and other ordinary personnel expenses		1 369	1 237	4 955	4 926
Administrative expenses		783	782	3 287	3 355
Depreciation		144	151	589	653
Sundry ordinary operating expenses		283	295	1 169	1 234
Other expenses		1	2	188	903
Total operating expenses		2 579	2 467	10 188	11 072
Pre-tax operating profit before write-downs		2 568	1 990	10 255	7 493
Write-downs on loans and guarantees	5	(31)	112	(32)	79
Net gains on long-term securities		0	95	108	1 535
Pre-tax operating profit		2 599	1 973	10 395	8 950
Taxes		660	533	2 973	2 358
Profit for the period		1 940	1 441	7 422	6 592
Earnings per share		11.27	8.49	43.12	38.86
Average total assets		852 967	725 458	771 300	714 390

Balance sheets

		DnB NOR Bank ASA			
<i>Amounts in NOK million</i>	Note	31 March 2006	31 Dec. 2005 ¹⁾	31 March 2005 ¹⁾	31 Dec. 2004 ¹⁾
Assets					
Cash and deposits with central banks		1 292	19 715	7 074	8 286
Lending to and deposits with credit institutions		121 232	86 156	80 071	54 947
Gross lending to customers		622 845	600 680	543 963	525 645
- Individual write-downs		1 484	1 478	2 353	2 494
- Group write-downs		1 129	3 230	3 230	3 230
Net lending to customers	6, 7	620 232	595 972	538 379	519 921
Commercial paper and bonds		85 106	78 221	69 349	64 615
Shareholdings etc.		2 483	2 610	4 490	4 213
Investments in associated companies		543	537	537	583
Investments in subsidiaries		9 034	8 122	5 579	5 597
Intangible assets		1 460	1 493	2 964	3 038
Fixed assets		2 212	2 412	2 865	2 923
Other assets		16 231	19 901	23 866	23 138
Prepayments and accrued income		4 349	4 097	3 637	3 946
Total assets		864 173	819 238	738 812	691 207
Liabilities and equity					
Loans and deposits from credit institutions		90 180	87 341	74 808	47 608
Deposits from customers		409 130	401 942	369 912	353 741
Securities issued		255 693	230 124	193 799	184 572
Other liabilities		29 558	27 024	32 435	40 337
Accrued expenses and prepaid revenues		5 396	4 832	5 360	4 318
Provisions for commitments		4 282	3 698	4 491	4 525
Subordinated loan capital		27 103	24 839	23 800	23 362
Total liabilities		821 343	779 800	704 605	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		15 621	12 228	9 498	8 033
Total equity	8, 9	42 830	39 438	34 207	32 743
Total liabilities and equity		864 173	819 238	738 812	691 207
Off-balance sheet transactions and contingencies	10				

1) Items according to former regulations on the treatment of loans and guarantees but reclassified in accordance with new presentation models, see note 2
– Transition to new lending regulations.

Profit and loss accounts

		DnB NOR Bank Group			
<i>Amounts in NOK million</i>	Note	1st quarter 2006	1st quarter 2005 ¹⁾	Full year 2005 ¹⁾	Full year 2004 ¹⁾
Interest income	4	8 971	6 948	29 712	28 803
Interest expenses	4	5 241	3 712	16 311	15 428
Net interest income and credit commissions	4	3 730	3 236	13 401	13 376
Dividends		32	30	154	143
Commissions and fees receivable		1 750	1 463	6 276	5 764
Commissions and fees payable		493	510	2 025	2 010
Net gains on foreign exchange and financial instruments		577	514	2 166	1 675
Sundry ordinary operating income		399	327	1 440	1 541
Net gains on the sale of fixed assets		18	31	231	1 298
Net other operating income		2 283	1 855	8 241	8 412
Salaries and other ordinary personnel expenses		1 672	1 434	5 718	5 792
Administrative expenses		881	853	3 586	3 678
Depreciation		212	194	778	839
Sundry ordinary operating expenses		333	291	1 189	1 282
Other expenses		2	2	232	952
Total operating expenses		3 099	2 773	11 502	12 544
Pre-tax operating profit before write-downs		2 914	2 318	10 140	9 244
Write-downs on loans and guarantees	5	(12)	134	(42)	167
Net gains on long-term securities		0	(5)	203	106
Pre-tax operating profit		2 926	2 178	10 385	9 183
Taxes		748	588	3 058	2 397
Profit for the period		2 178	1 590	7 327	6 786
Earnings per share		12.65	9.37	42.56	40.00
Average total assets		896 082	746 656	792 357	739 328

Balance sheets

		DnB NOR Bank Group			
<i>Amounts in NOK million</i>	Note	31 March 2006	31 Dec. 2005 ¹⁾	31 March 2005 ¹⁾	31 Dec. 2004 ¹⁾
Assets					
Cash and deposits with central banks		2 742	21 229	7 366	8 780
Lending to and deposits with credit institutions		60 849	31 342	43 804	21 604
Gross lending to customers		728 862	698 881	603 638	584 230
- Individual write-downs		2 086	2 065	3 094	3 255
- Group write-downs		1 318	3 576	3 534	3 534
Net lending to customers	6, 7	725 458	693 240	597 010	577 441
Commercial paper and bonds		86 242	79 259	68 352	62 986
Shareholdings etc.		2 598	2 791	4 873	4 611
Investments in associated companies		1 408	1 261	1 264	1 354
Intangible assets		2 441	2 418	3 371	3 469
Fixed assets		4 507	4 519	4 610	4 693
Other assets		16 003	19 288	23 361	22 943
Prepayments and accrued income		4 781	4 645	4 108	4 477
Total assets		907 030	859 993	758 118	712 356
Liabilities and equity					
Loans and deposits from credit institutions		100 446	97 870	77 175	48 950
Deposits from customers		426 865	418 395	375 533	360 240
Securities issued		262 498	236 711	199 575	192 410
Other liabilities		31 113	28 527	33 600	41 140
Accrued expenses and prepaid revenues		5 840	5 426	5 816	5 013
Provisions for commitments		4 714	4 145	4 885	4 952
Subordinated loan capital		28 062	25 798	24 308	24 040
Total liabilities		859 538	816 873	720 892	676 745
Minority interests		1 520	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		18 046	14 248	11 794	10 179
Total equity	8, 9	47 492	43 119	37 226	35 611
Total liabilities and equity		907 030	859 993	758 118	712 356
Off-balance sheet transactions and contingencies	10				

1) Items according to former regulations on the treatment of loans and guarantees but reclassified in accordance with new presentation models, see note 2
– Transition to new lending regulations.

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. The most important changes in accounting principles resulting from the transition are described in note 2. Comparable figures for previous periods have not been restated.

Note 2 – Transition to new lending regulations

Measurement

Loans are recorded at amortised cost and measured using the effective interest method. When using the effective interest method, the internal rate of return for the commitment is calculated. The internal rate of return is set by discounting contractual cash flows based on the expected life of the loan. Cash flows include front-end fees and direct marginal transaction costs not covered by the customer, as well as any residual value at the end of the expected life of the loan. Amortised cost is the net present value of such cash flows discounted by the internal rate of return.

Individual write-downs

If objective evidence of a decrease in value can be found, write-downs on loans are calculated as the difference between the value of the loan in the balance sheet and the net present value of estimated future cash flows discounted by the internal rate of return on the loan. The internal rate of return used is the internal rate of return on the loan prior to the identification of objective evidence of impairment, adjusted for changes in market rates up to the measurement date. Changes in credit risk of the loan due to objective evidence of impairment are not taken into consideration, when adjusting the internal rate of return used for discounting.

Objective evidence of a decrease in value of a loan or loan portfolio includes serious financial problems on the part of the debtor, non-payment or other serious breaches of contract, the probability that the debtor will enter into debt negotiations or other special circumstances that have occurred.

Individual write-downs reduce the value of commitments in the balance sheet, and changes during the period are recorded under "Write-downs on loans and guarantees". Interest calculated according to the effective interest method on the written-down value of the loan is included in "Net interest income and credit commissions".

Group write-downs

Loans which have not been individually evaluated for impairment, are evaluated collectively in groups. Loans which have been individually evaluated, but not written down, are also evaluated in groups. The evaluation is based on objective evidence of a decrease in value that has occurred on the balance sheet date and can be related to the group.

Loans are grouped on the basis of similar risk and value characteristics in accordance with the division of customers into main sectors or industries and risk classes. The need for write-downs is estimated per customer group based on estimates of future economic developments and loss experience for the respective customer groups.

Group write-downs reduce the value of commitments in the balance sheet, and changes during the period are recorded under "Write-downs on loans and guarantees". Like individual write-downs, group write-downs are based on discounted cash flows, estimated based on statistics derived from individual write-downs. Interest is calculated on commitments subject to group write-downs according to the same principles and experience base as for commitments evaluated on an individual basis.

Interest calculated according to the effective interest method on the written-down value of the loan is included in "Net interest income and credit commissions".

Note 3 – Changes in group structure

DnB NORD

In December 2005, DnB NOR Bank and Norddeutsche Landesbank, NORD/LB, established a joint bank, DnB NORD, owned 51 per cent by DnB NOR Bank and 49 per cent by NORD/LB. Headquartered in Copenhagen, DnB NORD has operations in Denmark, Finland, Estonia, Latvia, Lithuania and Poland. DnB NORD was included in the banking group's balance sheet as of 31 December 2005.

At the beginning of 2006, loan portfolios in Denmark and Finland totalling NOK 4.5 billion were transferred from NORD/LB and DnB NOR Bank to DnB NORD. In consequence, the banking group's capitalised goodwill referring to DnB NORD increased by EUR 1 million, representing compensation to NORD/LB for excess values related to the Finnish portfolio.

Monchebank

During 2005, DnB NOR Bank entered into an agreement to acquire the Russian bank Monchebank, headquartered in Murmansk. The agreement came into effect on 1 January 2006, and Monchebank is included in the banking group's 2006 first quarter accounts.

In connection with the purchase of Monchebank, goodwill representing RUB 302.2 million was recorded in the banking group's balance sheet, the equivalent of NOK 72.4 million.

Note 4 – Net interest income and credit commissions

<i>Amounts in NOK million</i>	DnB NOR Bank ASA			
	1st quarter 2006	1st quarter 2005	Full year 2005	Full year 2004
Interest on loans to and deposits with credit institutions, amortised cost ¹⁾	777	487	2 227	2 407
Interest on loans valued at amortised cost, customers ¹⁾	6 429	5 157	22 199	20 558
Front-end fees, etc. ²⁾	156	210	968	911
Interest on commercial paper and bonds	717	512	2 142	2 031
Total interest income	8 079	6 366	27 536	25 908
Interest on loans and deposits from credit institutions	680	421	2 095	1 504
Interest on demand deposits from customers	1 941	1 169	5 611	4 544
Interest on securities issued	2 255	1 296	5 997	4 033
Interest on subordinated loan capital	286	207	912	721
Other interest expenses ³⁾	(237)	385	945	3 477
Total interest expenses	4 924	3 479	15 560	14 280
Net interest income and credit commissions	3 155	2 887	11 976	11 628

<i>Amounts in NOK million</i>	DnB NOR Bank Group			
	1st quarter 2006	1st quarter 2005	Full year 2005	Full year 2004
Interest on loans to and deposits with credit institutions, amortised cost ¹⁾	464	384	1 495	1 821
Interest on loans valued at amortised cost, customers ¹⁾	7 593	5 821	24 991	23 910
Front-end fees, etc. ²⁾	169	223	1 052	1 001
Interest on commercial paper and bonds	746	520	2 174	2 071
Total interest income	8 971	6 948	29 712	28 803
Interest on loans and deposits from credit institutions	797	481	2 278	1 794
Interest on demand deposits from customers	2 010	1 192	5 681	4 638
Interest on securities issued	2 343	1 406	6 368	4 585
Interest on subordinated loan capital	293	208	915	725
Other interest expenses ³⁾	(203)	425	1 069	3 686
Total interest expenses	5 241	3 712	16 311	15 428
Net interest income and credit commissions	3 730	3 236	13 401	13 376

1) Amortisation effects refer only to the first quarter of 2006

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

3) Including guarantee fund levies

Note 5 – Write-downs on loans and guarantees

<i>Amounts in NOK million</i>	DnB NOR Bank ASA			
	1st quarter 2006	1st quarter 2005 ¹⁾	Full year 2005 ¹⁾	Full year 2004 ¹⁾
Specification of write-downs				
Write-offs ^{a)}	72	162	347	571
Increase in individual write-downs ^{b)}	17	38	117	250
New individual write-downs ^{c)}	123	98	239	361
Total new individual write-downs	212	298	703	1 182
Reassessed individual write-downs ^{d)}	87	128	265	828
Total individual write-downs	125	170	438	354
Recoveries on commitments previously written off ^{e)}	65	58	470	275
Change in group-write downs	(91)	0	0	0
Write-downs on loans and guarantees	(31)	112	(32)	79
Specification of changes				
Change in individual write-downs ^{b) and c) minus d) and f)}	(5)	(67)	(962)	(801)
+ Write-offs covered by individual write-downs made in previous years ^{f)}	58	75	1 053	584
+ Write-offs not covered by individual write-downs made in previous years ^{a)}	72	162	347	571
- Recoveries on commitments previously written off ^{e)}	65	58	470	275
+ Change in group-write downs	(91)	0	0	0
Write-downs on loans and guarantees	(31)	112	(32)	79
<i>Of which net losses on guarantees</i>	<i>(11)</i>	<i>25</i>	<i>13</i>	<i>7</i>

<i>Amounts in NOK million</i>	DnB NOR Bank Group			
	1st quarter 2006	1st quarter 2005 ¹⁾	Full year 2005 ¹⁾	Full year 2004 ¹⁾
Specification of write-downs				
Write-offs ^{a)}	74	168	404	507
Increase in individual write-downs ^{b)}	36	56	190	378
New individual write-downs ^{c)}	147	111	306	518
Total new individual write-downs	257	335	900	1 403
Reassessed individual write-downs ^{d)}	106	134	324	924
Total individual write-downs	151	201	576	479
Recoveries on commitments previously written off ^{e)}	80	67	618	312
Change in group-write downs	(83)	0	0	0
Write-downs on loans and guarantees	(12)	134	(42)	167
Specification of changes				
Change in individual write-downs ^{b) and c) minus d) and f)}	(4)	(97)	(1 191)	(865)
+ Write-offs covered by individual write-downs made in previous years ^{f)}	81	130	1 363	837
+ Write-offs not covered by individual write-downs made in previous years ^{a)}	74	168	404	507
- Recoveries on commitments previously written off ^{e)}	80	67	618	312
+ Change in group-write downs	(83)	0	0	0
Write-downs on loans and guarantees	(12)	134	(42)	167
<i>Of which net losses on guarantees</i>	<i>(10)</i>	<i>25</i>	<i>19</i>	<i>15</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 2 – Transition to new lending regulations.

Note 6 – Lending to customers

DnB NOR Bank ASA					DnB NOR Bank Group			
31 Dec. 2004 ¹⁾	31 March 2005 ¹⁾	31 Dec. 2005 ¹⁾	31 March 2006		31 March 2006	31 Dec. 2005 ¹⁾	31 March 2005 ¹⁾	31 Dec. 2004 ¹⁾
				<i>Amounts in NOK million</i>				
525 645	525 645	525 645	525 645	Lending to customers, nominal amount	729 341	698 881	603 638	584 230
2 494	2 353	1 478	1 484	Individual write-downs	2 086	2 065	3 094	3 255
523 151	523 292	524 167	524 161	Lending to customers, after individual write-downs	727 255	696 816	600 544	580 975
-	-	-	(479)	Amortisation (fees etc.)	(479)	-	-	-
3 230	3 230	3 230	1 129	Group write-downs	1 318	3 576	3 534	3 534
519 921	538 379	595 972	620 232	Net lending to customers, at amortised cost	725 458	693 240	597 010	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 2 – Transition to new lending regulations.

Note 7 – Non-performing and impaired commitments

DnB NOR Bank ASA					DnB NOR Bank Group			
31 Dec. 2 004 ¹⁾	31 March 2005 ¹⁾	31 Dec. 2005 ¹⁾	31 March 2006		31 March 2006	31 Dec. 2005 ¹⁾	31 March 2005 ¹⁾	31 Dec. 2004 ¹⁾
				<i>Amounts in NOK million</i>				
				Non-performing commitments				
5 641	5 622	4 130	4 029	Before individual write-downs	5 111	5 556	6 987	6 895
3 471	3 613	2 904	2 753	After individual write-downs	3 409	3 878	4 432	4 196
				Impaired commitments				
1 512	1 425	1 032	861	Before individual write-downs	1 888	1 914	2 327	2 460
1 091	963	642	528	After individual write-downs	1 349	1 362	1 648	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 2 – Transition to new lending regulations.

Note 8 – Capital adequacy

DnB NOR Bank ASA				Amounts in NOK million	DnB NOR Bank Group			
31 Dec. 2004	31 March 2005	31 Dec. 2005	31 March 2006		31 March 2006	31 Dec. 2005	31 March 2005	31 Dec. 2004
16 964	16 964	17 214	17 214	Share capital	17 214	17 214	16 964	16 964
17 781	17 805	22 223	23 677	Other equity	28 134	25 905	20 799	20 774
34 745	34 769	39 438	40 891	Total equity	45 348	43 119	37 764	37 738
5 270	5 375	5 465	5 397	Perpetual subordinated loan capital securities ^{1) 2)}	5 626	5 698	5 611	5 531
				Reductions				
(814)	(814)	(40)	(40)	Pension funds above pension commitments	(52)	(51)	(857)	(853)
(1 460)	(103)	(1 318)	(1 265)	Goodwill	(2 170)	(2 175)	(587)	(1 967)
(717)	(705)	(6)	0	Deferred tax assets	(93)	(93)	(634)	(646)
(78)	(1 373)	(169)	(195)	Other intangible assets	(248)	(219)	(1 382)	(88)
				Additions				
-	-	2 218	1 664	Portion of unrecognised actuarial gains/losses ³⁾	1 768	2 357	-	-
36 945	37 148	45 588	46 452	Core capital	50 180	48 638	39 915	39 715
5 528	5 738	5 670	7 918	Perpetual subordinated loan capital ^{1) 2)}	8 490	5 770	5 601	5 367
12 565	12 687	13 664	13 725	Term subordinated loan capital ²⁾	14 448	14 868	13 451	13 538
18 092	18 425	19 334	21 643	Supplementary capital	22 938	20 638	19 053	18 905
2 514	2 511	2 182	2 170	Deductions	2 170	2 182	2 511	2 514
52 523	53 063	62 740	65 925	Total eligible primary capital ⁴⁾	70 947	67 094	56 457	56 105
480 291	498 652	562 052	598 286	Total risk-weighted volume	682 239	635 707	549 528	528 240
7.7	7.4	8.1	7.8	Core capital ratio (per cent)	7.4	7.7	7.3	7.5
10.9	10.6	11.2	11.0	Capital ratio (per cent)	10.4	10.6	10.3	10.6
				Including 50 per cent of profit for the period:				
-	7.6	-	7.9	Core capital ratio (per cent)	7.5	-	7.4	-
-	10.8	-	11.2	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 564 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 31 March 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.

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

Note 9 – Equity

DnB NOR Bank ASA		Minority interests	DnB NOR Bank Group	
Total equity	Amounts in NOK million		Other equity	Total equity
32 743	Balance sheets as at 31 December 2004	6	35 605	35 611
1 441	Profit for the period	0	1 590	1 590
24	Exchange rate movements	0	25	25
34 207	Balance sheets as at 31 March 2005	6	37 220	37 226
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
1 940	Profit for the period	34	2 144	2 178
(21)	Exchange rate movements	(9)	(37)	(46)
42 830	Balance sheets as at 31 March 2006	1 520	45 972	47 492

Note 10 – Off-balance sheet transactions and contingencies

Guarantee commitments etc. and additional information

DnB NOR Bank ASA					DnB NOR Bank Group			
31 Dec. 2004	31 March 2005	31 Dec. 2005	31 March 2006	<i>Amounts in NOK million</i>	31 March 2006	31 Dec. 2005	31 March 2005	31 Dec. 2004
164 578	153 301	182 821	208 455	Unutilised ordinary credit lines	219 144	186 803	157 200	165 845
8 625	9 917	8 928	10 430	Documentary credit commitments	10 550	9 115	12 004	8 629
0	0	351	325	Other commitments	337	1 654	0	1
173 203	163 218	192 100	219 210	Total commitments	230 031	197 572	169 204	174 475
13 257	12 876	14 247	18 793	Performance guarantees	19 514	14 764	13 033	13 433
11 059	16 558	13 777	16 616	Payment guarantees	17 489	14 519	16 887	11 577
10 913	13 927	13 716	16 177	Loan guarantees	16 336	13 831	13 930	10 916
2 556	0	0	0	Guarantee to the Norwegian Banks' Guarantee Fund ¹⁾	0	0	0	2 676
2 766	2 809	3 050	3 244	Guarantees for taxes etc.	3 268	3 077	2 833	2 790
5 067	5 167	5 360	5 210	Other guarantee commitments	5 298	5 438	0	4 803
45 617	51 337	50 151	60 040	Total guarantee commitments	61 905	51 629	46 683	46 194
0	0	0	0	Support agreements	3 109	4 995	5 398	2 482
45 617	51 337	50 151	60 040	Total guarantee commitments etc. *)	65 014	56 624	52 081	48 676
				*) Of which:				
1 481	1 330	1 492	1 402	Counter-guaranteed by financial institutions	1 426	1 498	1 330	1 481
43	43	0	0	Joint and several liabilities	0	0	43	45
43 843	47 622	49 669	55 285	Securities are pledged as security for:	55 285	49 669	47 622	43 843
43 728	47 507	49 558	55 174	Loans	55 174	49 558	47 507	43 728
115	115	111	111	Other activities	111	111	115	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.

Patricia Long and Wien Air Alaska Inc. filed a suit against, among others, DnB NOR Bank ASA before a US court, claiming compensation of USD 160 million. The bank disputed the claim and requested that the case be dismissed. The action was discontinued by the plaintiffs.

Amalie Riis filed a suit claiming up to NOK 500 million in compensation, plus interest as from 1974, for the alleged loss of inheritance as a result of Den norske Creditbank's (now DnB NOR Bank ASA) extension of credits to the shipping company Olsen & Ugelstad in 1975. The complaint was filed with the Oslo Conciliation Court in October 2004. The Conciliation Court reviewed the complaint and referred the case to the District Court. The bank disputed the claim. In the view of the bank, there was no legal basis for the claim and the limitation period had expired. The bank was also of the opinion that the same claim had been filed previously, and that the former ruling in favour of the bank is legally binding. The case is deemed to be invalid, pursuant to section 299 of the Norwegian Civil Procedure Act, as the plaintiff has not issued a claim against the bank within the statutory time limit.

DnB NOR Bank has 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 claims 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.

Note 11 – Profit and balance sheet trends

Profit and loss accounts	DnB NOR Bank ASA				
	1st quarter 2006	4th quarter 2005 ¹⁾	3rd quarter 2005 ¹⁾	2nd quarter 2005 ¹⁾	1st quarter 2005 ¹⁾
<i>Amounts in NOK million</i>					
Net interest income and commissions	3 155	3 103	3 016	2 970	2 887
Dividends	84	1 253	2	200	10
Commissions and fees receivable	1 655	1 634	1 540	1 492	1 406
Commissions and fees payable	478	489	492	505	494
Net gains on foreign exchange and financial instruments	553	565	629	415	508
Sundry ordinary operating income	170	216	136	161	136
Net gains on the sale of fixed assets	8	104	9	27	4
Net other operating income	1 993	3 283	1 825	1 789	1 570
Salaries and other ordinary personnel expenses	1 369	1 256	1 266	1 196	1 237
Administrative expenses	783	851	797	857	782
Depreciation	144	146	141	152	151
Sundry ordinary operating expenses	283	292	292	289	295
Other expenses	1	141	7	39	2
Total operating expenses	2 579	2 686	2 502	2 532	2 467
Pre-tax operating profit before write-downs	2 568	3 700	2 338	2 227	1 990
Write-downs on loans etc.	(31)	(24)	(58)	(62)	112
Net gains on long-term securities	0	3	7	3	95
Pre-tax operating profit	2 599	3 727	2 403	2 292	1 973
Taxes	660	1 172	649	619	533
Profit for the period	1 940	2 554	1 754	1 673	1 441
Earnings per share	11.27	14.84	10.34	9.86	8.49
Average total assets	852 967	829 107	777 299	753 336	725 458

Balance sheets	DnB NOR Bank ASA				
	31 March 2006	31 Dec. 2005 ¹⁾	30 Sept. 2005 ¹⁾	30 June 2005 ¹⁾	31 March 2005 ¹⁾
<i>Amounts in NOK million</i>					
Assets					
Cash and deposits with central banks	1 292	19 715	23 741	1 106	7 074
Lending to and deposits with credit institutions	121 232	86 156	82 059	94 109	80 071
Gross lending to customers	622 845	600 680	591 780	563 162	543 963
- Individual write-downs	1 484	1 478	2 284	2 373	2 353
- Group write-downs	1 129	3 230	3 230	3 230	3 230
Net lending to customers	620 232	595 972	586 265	557 559	538 379
Commercial paper and bonds	85 106	78 221	78 406	69 370	69 349
Shareholdings etc.	2 483	2 610	2 530	2 204	4 490
Investments in associated companies	543	537	537	537	537
Investments in subsidiaries	9 034	8 122	6 463	5 814	5 579
Other assets	24 251	27 903	31 072	33 963	33 332
Total assets	864 173	819 238	811 074	764 662	738 812
Liabilities and equity					
Loans and deposits from credit institutions	90 180	87 341	91 718	81 051	74 808
Deposits from customers	409 130	401 942	402 768	386 678	369 912
Securities issued	255 693	230 124	216 381	201 364	193 799
Other liabilities	39 236	35 554	38 092	35 988	42 285
Subordinated loan capital	27 103	24 839	24 455	23 675	23 800
Equity	42 830	39 438	37 660	35 906	34 207
Total liabilities and equity	864 173	819 238	811 074	764 662	738 812

1) Items according to former regulations on the treatment of loans and guarantees but reclassified in accordance with new presentation models, see note 2
– Transition to new lending regulations.

Note 11 – Profit and balance sheet trends (continued)**Profit and loss accounts**

	DnB NOR Bank Group				
<i>Amounts in NOK million</i>	1st quarter 2006	4th quarter 2005 ¹⁾	3rd quarter 2005 ¹⁾	2nd quarter 2005 ¹⁾	1st quarter 2005 ¹⁾
Net interest income and commissions	3 730	3 482	3 376	3 306	3 236
Dividends	32	6	4	114	30
Commissions and fees receivable	1 750	1 686	1 582	1 546	1 463
Commissions and fees payable	493	485	509	521	510
Net gains on foreign exchange and financial instruments	577	593	650	409	514
Sundry ordinary operating income	399	404	341	368	327
Net gains on the sale of fixed assets	18	151	13	36	31
Net other operating income	2 283	2 355	2 080	1 952	1 855
Salaries and other ordinary personnel expenses	1 672	1 390	1 487	1 407	1 434
Administrative expenses	881	932	866	936	853
Depreciation	212	203	186	195	194
Sundry ordinary operating expenses	333	315	290	293	291
Other expenses	2	183	9	39	2
Total operating expenses	3 099	3 022	2 836	2 870	2 773
Pre-tax operating profit before write-downs	2 914	2 815	2 620	2 387	2 318
Write-downs on loans etc.	(12)	(35)	(102)	(40)	134
Net gains on long-term securities	0	(5)	208	5	(5)
Pre-tax operating profit	2 926	2 845	2 929	2 432	2 178
Taxes	748	1 022	791	657	588
Profit for the period	2 178	1 823	2 139	1 775	1 590
Earnings per share	12.65	10.59	12.61	10.47	9.37
Average total assets	896 082	848 924	796 224	773 396	746 656

Balance sheets

	DnB NOR Bank Group				
<i>Amounts in NOK million</i>	31 March 2006	31 Dec. 2005 ¹⁾	30 Sept. 2005 ¹⁾	30 June 2005 ¹⁾	31 March 2005 ¹⁾
Assets					
Cash and deposits with central banks	2 742	21 229	24 264	1 593	7 366
Lending to and deposits with credit institutions	60 849	31 342	43 872	57 643	43 804
Gross lending to customers	728 862	698 881	654 538	623 856	603 638
- Individual write-downs	2 086	2 065	2 912	3 105	3 094
- Group write-downs	1 318	3 576	3 534	3 534	3 534
Net lending to customers	725 458	693 240	648 092	617 217	597 010
Commercial paper and bonds	86 242	79 259	77 252	68 207	68 352
Shareholdings etc.	2 598	2 791	2 731	2 597	4 873
Investments in associated companies	1 408	1 261	1 298	1 262	1 264
Other assets	27 732	30 870	33 964	36 923	35 449
Total assets	907 030	859 993	831 472	785 442	758 118
Liabilities and equity					
Loans and deposits from credit institutions	100 446	97 870	93 425	84 107	77 175
Deposits from customers	426 865	418 395	409 374	392 995	375 533
Securities issued	262 498	236 711	222 156	207 137	199 575
Other liabilities	41 667	38 099	40 545	38 135	44 302
Subordinated loan capital	28 062	25 798	24 850	24 082	24 308
Equity	47 492	43 119	41 122	38 987	37 226
Total liabilities and equity	907 030	859 993	831 472	785 442	758 118

1) Items according to former regulations on the treatment of loans and guarantees but reclassified in accordance with new presentation models, see note 2 – Transition to new lending regulations.

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