



DnB NOR Bank ASA

Second quarter report 2004

**DnB NOR**

# Second quarter report 2004

*All figures for previous periods presented below are pro forma accounting figures for total operations in the DnB NOR Bank Group.*

The DnB NOR Bank Group<sup>1</sup> (hereinafter called "the banking group") recorded a healthy rise in profits in the second quarter as well as in the first half of the year. The improvement can be ascribed to the fact that the banking group has maintained a high level of income in spite of the strong slide in domestic interest rates. Parallel to this, costs have been brought down in line with the targets set for the integration process. In addition, the quality of the loan portfolio was good and losses low during the period.

Pre-tax operating profits before losses stood at NOK 2 653 million in the second quarter of 2004, compared with NOK 2 245 million in the year-earlier period. After taxes, profits came to NOK 1 887 million, up from NOK 1 253 million the previous year. Return on equity before goodwill amortisation was 20.3 per cent in the second quarter, up from 14.1 per cent in the second quarter of 2003. The cost/income ratio before goodwill amortisation stood at 53.5 per cent in the second quarter of 2004, while the core capital ratio was 7.5 per cent at end-June, including 50 per cent of profits.

For the January through June period in 2004, pre-tax operating profits before losses were NOK 4 922 million, an increase from NOK 4 232 million in the year-earlier period. Profits increased from NOK 2 368 million to NOK 3 455 million. The banking group accounts showed a return on equity before goodwill amortisation at 18.6 per cent in the first half of 2004, which is 5.1 percentage points higher than the unadjusted figure for the first half of 2003.

## Net interest income

Net interest income declined by NOK 202 million from the second quarter of 2003. Adjusted for the sale of Elcon, however, net interest income was comparable to second quarter of 2003. An increase of NOK 42 billion in average lending to customers combined with a NOK 13 billion rise in deposits pushed up net interest income. Deposit spreads contracted. At the beginning of August 2004, interest rates on NOK 75 billion of the total deposit volume were below 0.25 per cent per annum. Further interest rate cuts will make it difficult to maintain the level of earnings on deposits. On the other hand, a potential increase in interest rate levels could give a boost to income. New guarantee fund rules ensured a NOK 93 million rise in net interest income in the second quarter, of which NOK 42 million represented an adjustment for the first quarter. Other factors, including a lower net funding result on equity, share investments and fixed assets, also brought down net interest income.

<sup>1</sup> 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.

## Net other operating income

Net other operating income amounted to NOK 2 143 million in the second quarter of 2004, up NOK 310 million from the year-earlier period. NOK 345 million of this refers to gains on the sale of subsidiaries to other companies in the DnB NOR Group.

The full takeover of operations in the companies Gjensidige NOR Driftspartner and Gjensidige NOR Markedsstøtte from January 2004 gave a NOK 60 million increase in income in the banking group accounts compared with the year-earlier period. Driftspartner and Markedsstøtte were previously joint ventures with Gjensidige NOR Forsikring. The above income stems from services provided under cooperation agreements. See further description of corresponding effects under operating expenses.

Income from traditional financial services, i.e. payment services and real estate broking, increased from the corresponding period of 2003. Highly volatile exchange rates resulted in a brisk level of activity within foreign exchange and interest rate instruments. Income from equity investments was down NOK 88 million.

## Operating expenses

Operating expenses totalled NOK 2 828 million in the April through June period in 2004, down NOK 302 million from the year-earlier period. Expenses incurred by Elcon represented NOK 113 million. The takeover of total operations in Driftspartner and Markedsstøtte pushed up operating expenses by NOK 60 million in the second quarter of 2004. Ordinary operating expenses were brought down by NOK 226 million relative to expenses for comparable operations in the corresponding period of 2003. The reduction can mainly be attributed to realised merger synergies and other measures to streamline operations. The ordinary cost/income ratio, i.e. ordinary expenses relative to income, was 53.5 per cent before goodwill amortisation in the second quarter of 2004, as against 55.9 per cent in 2003.

## Loan-loss provisions and non-performing commitments

Net losses on loans and guarantees totalled NOK 82 million in the second quarter of 2004, compared with NOK 811 million in the corresponding period of 2003. New losses and loan-loss provisions amounted to NOK 229 million, while reversals on previous losses and loan-loss provisions totalled NOK 147 million. The second quarter of 2003 saw new losses of NOK 961 million and reversals of NOK 150 million.

Prolonged low interest rate levels and close follow-ups continued to hold losses down in the retail market. In the corporate market, cost reductions and consolidation in companies also helped reduce losses in the second quarter of 2004 compared with the year-earlier period. Relatively stable salmon prices led to a positive trend in parts of the fish-farming industry in 2004, though the industry still represents a challenge. Credit quality in the loan portfolio was maintained at roughly the same level as at 31 March 2004. Thus, unspecified loan-loss provisions in the banking

group's balance sheet were not adjusted in the second quarter of 2004. Non-performing commitments, after specified loan-loss provisions, were scaled back by NOK 243 million in the quarter, totalling NOK 6 050 million at end-June 2004. Non-performing and doubtful commitments, after specified loan-loss provisions, were down NOK 60 million to NOK 8 325 million. There was a rise in non-performing and doubtful commitments within retail trading, fisheries and property management, while volumes were scaled back within the manufacturing industry and in the retail market.

## **Taxes**

The banking group's tax charge for the second quarter of 2004 was NOK 696 million, based on an anticipated average tax rate of 27 per cent of pre-tax operating profits.

## **Balance sheet**

At end-June 2004, total assets in the banking group's balance sheet were NOK 738 billion. Net lending rose by NOK 24 billion in the January through June period adjusted for the sale of Elcon. Customer deposits rose to NOK 356 billion, from NOK 338 billion at end-December 2003. The ratio of deposits to lending was 63.4 per cent at end-June 2004, compared with 62.6 per cent at the end of 2003, adjusted for the sale of Elcon.

## **Risk and capital adequacy**

There was a strong rise in housing loans and more moderate growth in corporate market exposure in the second quarter. Credit quality remained stable. Loan losses and non-performing commitments showed a positive trend in the quarter, thus confirming the positive trend in the Norwegian economy.

There were no material changes in market and liquidity risk during the quarter. The sale of Elcon will result in a significant reduction in the need for funding from capital markets and ensure greater flexibility in liquidity management.

The implementation of the DnB NOR merger is vital to the banking group's operational risk. Lower risk-adjusted capital for operational risk reflects the partial reduction of merger risk due to the successful integration.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement rose by NOK 9.8 billion in the second quarter, to NOK 532.1 billion. Including 50 per cent of profits, the banking group's core capital ratio was 7.5 per cent, while the capital adequacy ratio was 10.8 per cent at end-June 2004. Excluding profits would lower the ratios by around 0.3 percentage points.

DnB NOR Bank ASA had a core capital ratio of 7.5 per cent and a capital adequacy ratio of 11 per cent. Including 50 per cent of profits in the calculations would raise the ratios to 7.8 and 11.4 per cent respectively.

## **New group structure**

### **Sale of Elcon Finans**

In the first quarter of 2004, DnB NOR Bank ASA entered into an agreement with Santander Consumer Finance on the sale of Elcon for a total of NOK 3 600 million. The sale provided a gain of NOK 977 million recorded in the first-quarter accounts. A concession for implementing the transaction was granted on 2 July, and the sales price and financing items were settled in early August.

### **Sale of Postbanken Eiendomsmegling**

An agreement has been signed with Terra-Gruppen AS on the sale of the real estate brokerages Postbanken Eiendomsmegling AS and Aktiv Eiendomsmegling AS. The transaction will be reflected in the third-quarter accounts.

## **Sale of Avanse Forvaltning AS and Gjensidige NOR Kapitalforvaltning**

As part of the integration in connection with the DnB NOR merger, Avanse Forvaltning and Gjensidige NOR Kapitalforvaltning have been sold from DnB NOR Bank ASA to DnB NOR Kapitalforvaltning Holding AS. Consequently, these companies are no longer consolidated in the banking group accounts. In June 2004, Avanse Forvaltning and Gjensidige NOR Kapitalforvaltning were merged with DnB NOR Kapitalforvaltning ASA.

## **Changes in bank guarantee scheme**

In June 2004, a decision was made to combine the Savings and Commercial Banks' Guarantee Funds. Over a period of three years, savings banks will be exempt from fee payments. In addition, the proposal includes exemption from payment of fees on deposits over NOK 2 million, which are not covered by the deposit guarantee.

For 2003, DnB NOR Bank ASA paid around NOK 500 million in guarantee fund fees. After the introduction of the new regulations, the fee for 2004 is estimated at around NOK 275 million, which is reflected in the accounts for the second quarter of 2004. The guarantee fund fee was reduced from NOK 111 million in the first quarter of 2004 to NOK 28 million in the second quarter, and will represent around NOK 70 million in subsequent quarters.

## **Integration project**

The merger of DnB and Gjensidige NOR into a new and stronger financial services group is progressing according to plan. By giving priority to maintaining a brisk pace in the integration process, DnB NOR Bank will ensure that the integration is completed as quickly and smoothly as possible for customers, employees and shareholders.

## **Major results of the integration project**

During the first half of 2004, plans for implementing the integration were strictly adhered to by all business areas and staff and support units. Integration efforts were primarily focused on concession terms and on realising cost synergies, moving entities into joint premises and coordinating key products and services. The banking group aims to ensure uniform customer service from the autumn of 2004.

During the first six months of the year, DnB NOR Bank fulfilled the concession terms for the sale of Elcon and Postbanken Eiendomsmegling. The requirement to reduce ownership interests in BNbank, Storebrand, the Banks' Central Clearing House (BBS) and Norsk Tillitsmann has been fulfilled. Premises for future bank branches have been selected and on 1 June the first DnB NOR pilot branches were opened at Rolvsøy in Østfold county and Solli Plass in Oslo. The process of moving into joint premises and reprofiling all DnB NOR branches will be started in the autumn. By the end of the year, more than 70 branches will sport the new corporate image.

## **Synergies realised thus far in 2004**

Merger plans include staff cuts of 1 425 full-time positions and cost synergies of NOK 1 600 million over a period of three years.

Integration efforts made headway in the first half of 2004, realising synergies of around NOK 189 million and staff cuts of 462 full-time positions

## **Prospects for the rest of the year**

The upturn in the global economy has gained momentum and increased in scope. High oil prices and concerns about terrorism could, however, dampen this trend.

In Norway, household demand has been the main factor behind the economic upswing. A strong rise in real wages will help ensure continued high consumption growth and sound performance in companies within retail trading and the service industry. The international upturn is expected to lead to increased production and

greater optimism in large parts of the business community. Higher earnings have boosted deposit growth. On the other hand, corporate investment demand has been low due to rationalisation and surplus capacity. Growth in housing prices is expected to level off in the second half of the year. Norges Bank, the central bank of Norway, has indicated that inflation could stay low longer than previously anticipated, which implies that interest rates could remain at the current low level for the rest of the year.

DnB NOR Bank expects that prolonged low interest rate levels and the low NOK rate will gradually stimulate activity in the Norwegian business sector and lead to a slight rise in demand for credit in late 2004. DnB NOR Bank is well positioned to meet this trend. Credit demand in the retail market is expected to remain

at a relatively high level. On the other hand, competition can be expected to rise.

The rise in the volume of electronic banking services is expected to gain momentum in the years ahead, especially the use of Internet banks and electronic payment transfers.

The implementation of the merger will be given priority by managers at all levels within the banking group. DnB NOR Bank is determined to reach merger targets.

In consequence of the favourable parameters for the business sector and low interest rate levels, losses are expected to remain relatively low during the rest of 2004, though developments in certain segments, especially fish farming and related operations, are uncertain.

Oslo, 11 August 2004

The Board of Directors of DnB NOR Bank ASA



Olav Hytta  
(chairman)



Bent Pedersen  
(vice-chairman)



Sten Sture Larre



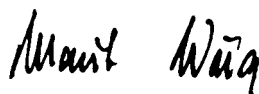
Per Hoffmann



Torill Rambjør



Ingjerd Skjeldrum



Marit Wiig



Svein Aaser

# Profit and loss accounts

<i>Amounts in NOK million</i>	DnB NOR Bank Group				
	2nd quarter 2004	Pro forma 2nd quarter 2003	1st half 2004	Pro forma 1st half 2003	Pro forma full year 2003
Interest income	7 062	10 287	14 594	21 623	38 733
Interest expenses	3 723	6 746	7 878	14 505	24 710
<b>Net interest income and credit commissions</b>	<b>3 339</b>	<b>3 541</b>	<b>6 716</b>	<b>7 117</b>	<b>14 023</b>
Dividends	88	106	102	137	211
Commissions and fees receivable	1 338	1 361	2 811	2 679	5 705
Commissions and fees payable	450	476	969	941	1 994
Net gain on foreign exchange and financial instruments	388	516	848	855	1 836
Sundry ordinary operating income	414	326	841	625	1 255
Gains on the sale of fixed assets	365	2	1 344	3	23
<b>Net other operating income</b>	<b>2 143</b>	<b>1 833</b>	<b>4 976</b>	<b>3 358</b>	<b>7 037</b>
Salaries and other ordinary personnel expenses	1 387	1 506	2 951	3 027	6 267
Administrative expenses	931	996	1 890	1 962	3 864
Depreciation	218	252	462	508	1 013
Sundry ordinary operating expenses	286	347	655	690	1 353
Other expenses	6	29	812	57	217
<b>Total operating expenses</b>	<b>2 828</b>	<b>3 130</b>	<b>6 771</b>	<b>6 243</b>	<b>12 715</b>
<b>Pre-tax operating profit before losses</b>	<b>2 653</b>	<b>2 245</b>	<b>4 922</b>	<b>4 232</b>	<b>8 344</b>
Net losses on loans etc. (note 3)	82	811	218	1 259	1 891
Net gain on long-term securities	13	33	27	33	224
<b>Pre-tax operating profit</b>	<b>2 584</b>	<b>1 467</b>	<b>4 731</b>	<b>3 006</b>	<b>6 677</b>
Taxes	696	214	1 276	637	1 715
<b>Profit for the period</b>	<b>1 887</b>	<b>1 253</b>	<b>3 455</b>	<b>2 368</b>	<b>4 963</b>
Earnings per share	11.12	7.39	20.37	13.96	29.26
Average total assets	744 761	691 807	733 884	689 768	693 389

# Balance sheets

<i>Amounts in NOK million</i>	DnB NOR Bank Group		
	30 June 2004	Pro forma 31 Dec. 2003	Pro forma 30 June 2003
<b>Assets</b>			
Cash and deposits with central banks	5 496	8 565	12 373
Lending to and deposits with credit institutions	65 436	28 060	36 402
Gross lending to customers (note 4)	569 813	573 973	555 977
- Specified loan-loss provisions	(3 870)	(4 329)	(4 645)
- Unspecified loan-loss provisions	(3 534)	(3 714)	(3 736)
Net lending to customers (note 4)	562 408	565 929	547 595
Repossessed assets	414	576	580
Commercial paper and bonds	68 248	59 677	57 165
Shareholdings etc.	4 085	3 905	4 454
Investments in associated companies	1 456	1 384	1 403
Intangible assets	3 082	3 294	4 070
Fixed assets	4 254	4 454	4 636
Other assets	17 409	23 618	20 252
Prepayments and accrued income	5 386	5 484	5 081
<b>Total assets</b>	<b>737 673</b>	<b>704 946</b>	<b>694 012</b>
<b>Liabilities and equity</b>			
Loans and deposits from credit institutions	98 975	78 508	91 554
Deposits from customers	356 340	337 807	340 794
Securities issued	192 101	181 949	164 611
Other liabilities	16 567	37 820	22 355
Accrued expenses and prepaid revenues	6 733	5 999	9 730
Provisions for commitments	2 566	2 570	2 575
Subordinated loan capital	24 293	23 709	23 463
Share capital	16 964	16 964	16 964
Share premium reserve	8 461	8 461	8 461
Equity reserves	11 219	11 158	11 135
Profit for the period	3 455	-	2 368
<b>Total liabilities and equity</b>	<b>737 673</b>	<b>704 946</b>	<b>694 012</b>
Guarantee commitments	54 212	51 306	49 432

# Profit and loss accounts

<i>Amounts in NOK million</i>	<b>DnB NOR Bank ASA</b>				
	2nd quarter 2004	Pro forma 2nd quarter 2003	1st half 2004	Pro forma 1st half 2003	Pro forma full year 2003
Interest income	6 359	9 098	13 005	19 124	34 065
Interest expenses	3 383	6 222	7 264	13 355	22 870
<b>Net interest income and credit commissions</b>	<b>2 976</b>	<b>2 875</b>	<b>5 741</b>	<b>5 769</b>	<b>11 196</b>
Dividends	86	68	190	99	1 354
Commissions and fees receivable	1 373	1 143	2 716	2 248	4 833
Commissions and fees payable	473	428	932	841	1 834
Net gain on foreign exchange and financial instruments	371	497	879	814	1 750
Sundry ordinary operating income	146	76	316	168	345
Gains/(loss) on the sale of fixed assets	(16)	1	(15)	2	9
<b>Net other operating income</b>	<b>1 486</b>	<b>1 358</b>	<b>3 155</b>	<b>2 489</b>	<b>6 457</b>
Salaries and other ordinary personnel expenses	1 209	1 205	2 486	2 416	4 881
Administrative expenses	848	872	1 696	1 697	3 364
Depreciation	154	158	314	320	634
Sundry ordinary operating expenses	295	269	613	537	1 081
Other expenses	6	27	786	35	183
<b>Total operating expenses</b>	<b>2 511</b>	<b>2 531</b>	<b>5 895</b>	<b>5 006</b>	<b>10 142</b>
<b>Pre-tax operating profit before losses</b>	<b>1 952</b>	<b>1 702</b>	<b>3 002</b>	<b>3 252</b>	<b>7 511</b>
Net losses on loans etc. (note 3)	58	660	141	1 052	1 376
Net gain/(loss) on long-term securities	(64)	(1)	1 243	0	198
<b>Pre-tax operating profit</b>	<b>1 830</b>	<b>1 041</b>	<b>4 104</b>	<b>2 199</b>	<b>6 333</b>
Taxes	494	96	1 108	409	1 473
<b>Profit for the period</b>	<b>1 336</b>	<b>946</b>	<b>2 996</b>	<b>1 791</b>	<b>4 860</b>
Earnings per share	7.88	5.58	17.66	10.56	28.65
Average total assets	721 354	661 537	708 638	650 168	664 365

# Balance sheets

<i>Amounts in NOK million</i>	<b>DnB NOR Bank ASA</b>		
	30 June 2004	Pro forma 31 Dec. 2003	Pro forma 30 June 2003
<b>Assets</b>			
Cash and deposits with central banks	4 771	8 223	11 844
Lending to and deposits with credit institutions	103 763	92 523	98 772
Gross lending to customers (note 4)	503 492	476 283	461 611
- Specified loan-loss provisions	(3 038)	(3 181)	(3 459)
- Unspecified loan-loss provisions	(3 230)	(3 147)	(3 170)
Net lending to customers (note 4)	497 224	469 955	454 983
Reposessed assets	335	310	227
Commercial paper and bonds	70 119	61 289	58 552
Shareholdings etc.	3 567	3 270	3 824
Investments in associated companies	617	633	595
Investments in subsidiaries	5 748	8 911	8 259
Intangible assets	2 643	2 304	2 349
Fixed assets	2 514	2 585	2 679
Other assets	17 215	24 269	18 709
Prepayments and accrued income	4 747	4 663	4 007
<b>Total assets</b>	<b>713 262</b>	<b>678 936</b>	<b>664 801</b>
<b>Liabilities and equity</b>			
Loans and deposits from credit institutions	96 599	76 530	88 932
Deposits from customers	349 254	330 597	332 566
Securities issued	183 217	170 935	150 963
Other liabilities	15 355	36 884	23 161
Accrued expenses and prepaid revenues	6 205	5 142	8 686
Provisions for commitments	2 336	2 320	2 345
Subordinated loan capital	23 524	22 957	22 712
Share capital	16 964	16 964	16 964
Share premium reserve	7 745	7 745	7 745
Equity reserves	9 067	8 863	8 936
Profit for the period	2 996	-	1 791
<b>Total liabilities and equity</b>	<b>713 262</b>	<b>678 936</b>	<b>664 801</b>
Guarantee commitments	52 867	50 459	48 135

## Note 1 – Accounting principles

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The quarterly accounts are based on Norwegian accounting legislation, the accounting regulations issued by Kredittilsynet (the Financial Supervisory Authority of Norway) and Norwegian generally accepted accounting principles. The quarterly accounts comply with 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 2003.

## Note 2 – New group structure

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### Sale of Elcon Finans AS

In the first quarter of 2004, DnB NOR Bank ASA entered into an agreement with Santander Consumer Finance on the sale of Elcon for a total of NOK 3 600 million. The sale provided a gain of NOK 977 million recorded in the first-quarter accounts. A concession for implementing the transaction was granted on 2 July 2004, and the sales price and financing items were settled in early August.

### Sale of Postbanken Eiendomsmegling AS

An agreement has been signed with Terra-Gruppen AS on the sale of the real estate brokerages Postbanken Eiendomsmegling AS and Aktiv Eiendomsmegling AS. The transaction will be accounted for in the third quarter.

### Operations required sold – discontinuing operations

In the accounts for the merged entity, operations in the companies required to be sold are included (see above). To facilitate analysis of operations in the banking group after the sales mentioned above, separate accounts for total operations in these companies have been prepared.

Operations in these companies will, in accordance with the Ministry of Finance's regulations for the annual accounts of banks etc., Section 2-5, second paragraph, be included in DnB NOR Bank Group's accounts until a binding sales agreement has been concluded and all substantial risk has been transferred to the purchaser. The accounts of the companies to be sold are shown below as they have been included in the DnB NOR Bank Group's accounts. Operations in the 53 branch offices DnB NOR Bank was required to sell are included in the accounts as the sale refers only to premises and equipment.

### Sale of Avanse Forvaltning AS and Gjensidige NOR Kapitalforvaltning ASA

As part of the integration in connection with the DnB NOR-merger, Avanse Forvaltning and Gjensidige NOR Kapitalforvaltning have been sold from DnB NOR Bank ASA to DnB NOR Kapitalforvaltning Holding AS. Consequently, these companies are no longer consolidated in the banking group accounts. In June 2004, Avanse Forvaltning and Gjensidige NOR Kapitalforvaltning were merged with DnB NOR Kapitalforvaltning ASA.



**Note 2 – New group structure (continued)**

<b>Profit and loss accounts</b>	<b>DnB NOR Bank Group</b>				
	<b>Discontinuing operations <sup>1)</sup></b>				
<i>Amounts in NOK million</i>	2nd quarter 2004	Pro forma 2nd quarter 2003	1st half 2004	Pro forma 1st half 2003	Pro forma full year 2003
<b>Net interest income and credit commissions</b>	<b>0</b>	<b>228</b>	<b>251</b>	<b>445</b>	<b>930</b>
Commissions and fees receivable	0	17	17	34	70
Commissions and fees payable	0	8	25	14	49
Net gain/(loss) on foreign exchange and financial instruments	0	(1)	(1)	7	6
Sundry ordinary operating income	12	23	37	42	89
Gains on the sale of fixed assets	0	0	977	0	0
<b>Net other operating income</b>	<b>12</b>	<b>31</b>	<b>1 005</b>	<b>69</b>	<b>116</b>
Salaries and other ordinary personnel expenses	1	65	76	135	291
Administrative expenses	5	24	33	45	110
Depreciation	1	4	7	9	20
Sundry ordinary operating expenses	1	20	19	39	76
<b>Total operating expenses</b>	<b>8</b>	<b>113</b>	<b>135</b>	<b>228</b>	<b>497</b>
<b>Pre-tax operating profit before losses</b>	<b>4</b>	<b>146</b>	<b>1 121</b>	<b>286</b>	<b>549</b>
Net losses on loans etc.	0	47	33	84	173
<b>Pre-tax operating profit</b>	<b>4</b>	<b>99</b>	<b>1 088</b>	<b>202</b>	<b>376</b>
Taxes	0	27	329	55	109
<b>Profit for the period</b>	<b>4</b>	<b>72</b>	<b>759</b>	<b>147</b>	<b>267</b>
<b>Balance sheets</b>					
<b>Discontinuing operations <sup>1)</sup></b>					
<i>Amounts in NOK million</i>	30 June 2004	31 Dec. 2003	Pro forma 30 June 2003		
<b>Assets</b>					
Cash and deposits with central banks	0	0	0		
Lending to and deposits with credit institutions	20	328	319		
Gross lending to customers	0	27 700	25 868		
- Specified loan-loss provisions	0	(114)	(87)		
- Unspecified loan-loss provisions	0	(181)	(182)		
Net lending to customers	0	27 405	25 599		
Reposessed assets	0	134	131		
Shareholdings etc.	0	7	0		
Intangible assets	10	146	318		
Fixed assets	2	23	18		
Other assets	1 162	296	80		
Prepayments and accrued income	0	91	69		
<b>Total assets</b>	<b>1 194</b>	<b>28 430</b>	<b>26 534</b>		
<b>Liabilities and equity</b>					
Loans and deposits from credit institutions	0	24 520	22 942		
Deposits from customers	0	283	432		
Other liabilities	0	771	376		
Accrued expenses and prepaid revenues	329	180	175		
Provisions for commitments	2	20	17		
Subordinated loan capital	0	350	350		
<b>Total liabilities</b>	<b>331</b>	<b>26 124</b>	<b>24 292</b>		
<b>Total equity</b>	<b>863</b>	<b>2 306</b>	<b>2 242</b>		
<b>Total liabilities and equity</b>	<b>1 194</b>	<b>28 430</b>	<b>26 534</b>		

1) Includes the accounts of Elcon and Postbanken Eiendomsmegling as included in the accounts of the DnB NOR Bank Group in addition to the capital gain recorded on the sale of Elcon. As at 30 June 2004, Elcon is not consolidated in the group accounts.



**Note 3 – Net losses/(reversals) on loans, guarantees etc.**

	DnB NOR Bank Group				
	2nd quarter 2004	Pro forma 2nd quarter 2003	1st half 2004	Pro forma 1st half 2003	Pro forma full year 2003
<i>Amounts in NOK million</i>					
<b>Specification of net losses/(reversals)</b>					
Write-offs <sup>a)</sup>	68	102	285	405	725
Increase in specified loan-loss provisions <sup>b)</sup>	127	179	279	251	288
New specified loan-loss provisions <sup>c)</sup>	33	678	261	931	1 657
Total new specified provisions	229	960	825	1 587	2 671
Reassessed specified provisions <sup>d)</sup>	62	77	460	193	509
Total specified provisions	167	883	364	1 394	2 162
Recoveries on commitments previously written off <sup>e)</sup>	84	73	147	139	276
Increase in unspecified provisions during the period <sup>f)</sup>	0	1	0	4	5
<b>Net losses on loans, guarantees etc. <sup>1)</sup></b>	<b>82</b>	<b>811</b>	<b>218</b>	<b>1 259</b>	<b>1 891</b>
<b>Specification of changes</b>					
Increase in/(reversals on) specified provisions <sup>b) and c) minus d) and g)</sup>	(234)	630	(391)	635	773
+ Increase in unspecified provisions <sup>f)</sup>	0	1	0	4	5
+ Write-offs covered by specified provisions made in previous years <sup>g)</sup>	333	150	471	354	664
+ Write-offs not covered by specified provisions made in previous years <sup>a)</sup>	68	102	285	405	725
- Recoveries on commitments previously written off <sup>e)</sup>	84	73	147	139	276
<b>Net losses on loans, guarantees etc. <sup>1)</sup></b>	<b>82</b>	<b>811</b>	<b>218</b>	<b>1 259</b>	<b>1 891</b>
1) <i>Of which net losses/(reversals) on guarantees</i>	2	9	(1)	1	(7)
a)-g) <i>Show connections between the items</i>					

	DnB NOR Bank ASA				
	2nd quarter 2004	Pro forma 2nd quarter 2003	1st half 2004	Pro forma 1st half 2003	Pro forma full year 2003
<i>Amounts in NOK million</i>					
<b>Specification of net losses/(reversals)</b>					
Write-offs <sup>a)</sup>	56	56	256	337	544
Increase in specified loan-loss provisions <sup>b)</sup>	99	35	214	102	116
New specified loan-loss provisions <sup>c)</sup>	11	675	171	864	1 204
Total new specified provisions	166	766	641	1 303	1 864
Reassessed specified provisions <sup>d)</sup>	49	63	392	164	306
Total specified provisions	117	703	249	1 138	1 558
Recoveries on commitments previously written off <sup>e)</sup>	59	44	108	87	183
Increase in unspecified provisions during the period <sup>f)</sup>	0	0	0	0	0
<b>Net losses on loans, guarantees etc. <sup>1)</sup></b>	<b>58</b>	<b>660</b>	<b>141</b>	<b>1 052</b>	<b>1 376</b>
<b>Specification of changes</b>					
Increase in/(reversals on) specified provisions <sup>b) and c) minus d) and g)</sup>	(172)	455	(318)	479	450
+ Increase in unspecified provisions <sup>f)</sup>	0	0	0	0	0
+ Write-offs covered by specified provisions made in previous years <sup>g)</sup>	234	193	311	323	565
+ Write-offs not covered by specified provisions made in previous years <sup>a)</sup>	56	56	256	337	543
- Recoveries on commitments previously written off <sup>e)</sup>	59	44	108	87	183
<b>Net losses on loans, guarantees etc. <sup>1)</sup></b>	<b>58</b>	<b>660</b>	<b>141</b>	<b>1 052</b>	<b>1 376</b>
*) <i>Of which net losses/(reversals) on guarantees</i>	2	10	(1)	1	(13)
a)-g) <i>Show connections between the items</i>					

**Note 4 – Non-performing and doubtful commitments**

<b>DnB NOR Bank Group</b>				<b>DnB NOR Bank ASA</b>		
Pro forma 30 June 2003	Pro forma 31 Dec. 2003	30 June 2004		30 June 2004	Pro forma 31 Dec. 2003	Pro forma 30 June 2003
<i>Amounts in NOK million</i>						
<b>Non-performing commitments</b>						
10 380	10 053	9 255	Before specified provisions	7 261	7 519	7 208
6 766	6 531	6 050	After specified provisions	4 625	4 713	4 350
<b>Doubtful commitments</b>						
4 322	2 802	3 030	Before specified provisions	2 170 <sup>1)</sup>	1 217	2 753
3 188	1 870	2 275	After specified provisions	1 684	724	2 047

1) The growth in doubtful commitments in DnB NOR Bank ASA in the first half of 2004 includes NOK 392 million in such commitments taken over from Elcon.

**Note 5 – Capital adequacy**

<b>DnB NOR Bank Group</b>				<b>DnB NOR Bank ASA</b>		
Pro forma 30 June 2003	Pro forma 31 Dec. 2003	30 June 2004		30 June 2004	Pro forma 31 Dec. 2003	Pro forma 30 June 2003
<i>Amounts in NOK million</i>						
16 964	16 964	16 964	Share capital	16 964	16 964	16 964
19 596	19 619	19 680	Other equity	16 812	16 608	16 681
35 561	36 584	36 644	Total equity	33 776	33 572	33 645
5 422	5 476	5 734	Perpetual subordinated loan capital securities <sup>1) 2)</sup>	5 315	5 195	5 375
Reductions						
(748)	(1 034)	(1 024)	Pension funds above pension commitments	(996)	(969)	(674)
(2 690)	(2 513)	(2 103)	Goodwill	(1 512)	(1 472)	(1 700)
(1 143)	(574)	(849)	Deferred tax assets	(972)	(658)	(620)
(270)	(247)	(170)	Other intangible assets etc.	(160)	(174)	(175)
37 131	37 690	38 232	Core capital	35 451	35 494	35 851
7 290	6 153	6 278	Perpetual subordinated loan capital <sup>1) 2)</sup>	6 299	6 053	7 190
10 697	11 473	13 031	Term subordinated loan capital <sup>2)</sup>	11 911	10 431	10 985
17 987	17 626	19 309	Net supplementary capital	18 210	16 484	17 256
2 794	2 171	1 617	Deductions	1 611	2 073	2 100
52 824	53 147	55 924	Total eligible primary capital <sup>3)</sup>	52 050	49 906	50 962
524 776	527 256	532 107	Total risk-weighted volume	471 384	445 523	442 783
7.1	7.1	7.2	Core capital ratio (per cent)	7.5	8.0	8.1
10.1	10.1	10.5	Capital ratio (per cent)	11.0	11.2	11.5
Including 50 per cent of profit for the period:						
7.3	-	7.5	Core capital ratio (per cent)	7.8	-	8.3
10.3	-	10.8	Capital ratio (per cent)	11.4	-	11.7

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 750 million in subordinated loan capital in associated companies, in addition to subordinated loan capital in the banking group's balance sheet.

3) 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.

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

## Note 6 – Profit and balance sheet trends

### Profit and loss accounts

	DnB NOR Bank Group				
	2nd quarter 2004	1st quarter 2004	Pro forma 4th quarter 2003	Pro forma 3rd quarter 2003	Pro forma 2nd quarter 2003
<i>Amounts in NOK million</i>					
<b>Net interest income and credit commissions</b>	<b>3 339</b>	<b>3 378</b>	<b>3 344</b>	<b>3 561</b>	<b>3 541</b>
Dividends	88	13	48	26	106
Commissions and fees receivable	1 338	1 473	1 579	1 447	1 361
Commissions and fees payable	450	518	552	501	476
Net gain on foreign exchange and financial instruments	388	460	489	493	516
Sundry ordinary operating income	414	426	316	314	326
Gains on the sale of fixed assets	365	979	13	7	2
<b>Net other operating income</b>	<b>2 143</b>	<b>2 833</b>	<b>1 893</b>	<b>1 786</b>	<b>1 833</b>
Salaries and other ordinary personnel expenses	1 387	1 564	1 685	1 556	1 506
Administrative expenses	931	959	987	915	996
Depreciation	218	245	257	249	252
Sundry ordinary operating expenses	286	369	324	339	347
Other expenses	6	806	126	35	29
<b>Total operating expenses</b>	<b>2 828</b>	<b>3 942</b>	<b>3 379</b>	<b>3 094</b>	<b>3 130</b>
<b>Pre-tax operating profit before losses</b>	<b>2 653</b>	<b>2 269</b>	<b>1 859</b>	<b>2 253</b>	<b>2 245</b>
Net losses on loans etc.	82	135	276	356	811
Net gain/(loss) on long-term securities	13	15	195	(3)	33
<b>Pre-tax operating profit</b>	<b>2 584</b>	<b>2 148</b>	<b>1 777</b>	<b>1 895</b>	<b>1 467</b>
Taxes	696	580	560	517	214
<b>Profit for the period</b>	<b>1 887</b>	<b>1 568</b>	<b>1 217</b>	<b>1 377</b>	<b>1 253</b>
Earnings per share	11.12	9.24	7.17	8.12	7.39
Average total assets	744 761	723 007	685 166	708 854	691 807

### Balance sheets

	DnB NOR Bank Group				
	30 June 2004	31 March 2004 <sup>1)</sup>	Pro forma 31 Dec. 2003	Pro forma 30 Sept. 2003	Pro forma 30 June 2003
<i>Amounts in NOK million</i>					
<b>Assets</b>					
Cash and deposits with central banks	5 496	3 242	8 565	17 100	12 373
Lending to and deposits with credit institutions	65 436	60 139	28 060	31 546	36 402
Net lending to customers	562 408	552 625	565 929	553 248	547 595
Reposessed assets	414	460	576	873	580
Commercial paper and bonds	68 248	60 147	59 677	60 140	57 165
Shareholdings etc.	4 085	3 928	3 905	4 558	4 454
Investments in associated companies	1 456	1 408	1 384	1 397	1 403
Other assets	30 131	38 656	36 850	34 975	34 039
<b>Total assets</b>	<b>737 673</b>	<b>720 603</b>	<b>704 946</b>	<b>703 837</b>	<b>694 012</b>
<b>Liabilities and equity</b>					
Loans and deposits from credit institutions	98 975	75 520	78 508	82 462	91 554
Deposits from customers	356 340	344 010	337 807	335 038	340 794
Securities issued	192 101	192 386	181 949	175 920	164 611
Other liabilities	25 866	46 190	46 388	46 150	34 661
Subordinated loan capital	24 293	24 283	23 709	23 989	23 463
Equity	40 099	38 215	36 584	40 278	38 929
<b>Total liabilities and equity</b>	<b>737 673</b>	<b>720 603</b>	<b>704 946</b>	<b>703 837</b>	<b>694 012</b>

1) As from 31 March 2004, Elcon is no longer consolidated in the group accounts.

**Note 6 – Profit and balance sheet trends (continued)****Profit and loss accounts****DnB NOR Bank ASA**

<i>Amounts in NOK million</i>	2nd quarter 2004	1st quarter 2004	Pro forma 4th quarter 2003	Pro forma 3rd quarter 2003	Pro forma 2nd quarter 2003
<b>Net interest income and credit commissions</b>	<b>2 976</b>	<b>2 765</b>	<b>2 604</b>	<b>2 823</b>	<b>2 875</b>
Dividends	86	105	1 228	27	68
Commissions and fees receivable	1 373	1 343	1 386	1 198	1 143
Commissions and fees payable	473	458	556	437	428
Net gain on foreign exchange and financial instruments	371	508	461	475	497
Sundry ordinary operating income	146	171	110	67	76
Gains/(loss) on the sale of fixed assets	(16)	0	1	6	1
<b>Net other operating income</b>	<b>1 486</b>	<b>1 668</b>	<b>2 630</b>	<b>1 337</b>	<b>1 358</b>
Salaries and other ordinary personnel expenses	1 209	1 278	1 244	1 220	1 205
Administrative expenses	848	848	881	785	872
Depreciation	154	160	159	156	158
Sundry ordinary operating expenses	295	318	267	277	269
Other expenses	6	780	113	34	27
<b>Total operating expenses</b>	<b>2 511</b>	<b>3 384</b>	<b>2 663</b>	<b>2 472</b>	<b>2 531</b>
<b>Pre-tax operating profit before losses</b>	<b>1 952</b>	<b>1 049</b>	<b>2 571</b>	<b>1 688</b>	<b>1 702</b>
Net losses on loans etc.	58	82	109	215	660
Net gain/(loss) on long-term securities	(64)	1 307	201	(3)	(1)
<b>Pre-tax operating profit</b>	<b>1 830</b>	<b>2 274</b>	<b>2 663</b>	<b>1 470</b>	<b>1 041</b>
Taxes	494	614	664	400	96
<b>Profit for the period</b>	<b>1 336</b>	<b>1 660</b>	<b>1 999</b>	<b>1 070</b>	<b>946</b>
Earnings per share	7.88	9.78	11.78	6.31	5.58
Average total assets	721 354	695 922	675 556	681 565	661 537

**Balance sheets****DnB NOR Bank ASA**

<i>Amounts in NOK million</i>	30 June 2004	31 March 2004	Pro forma 31 Dec. 2003	Pro forma 30 Sept. 2003	Pro forma 30 June 2003
<b>Assets</b>					
Cash and deposits with central banks	4 771	2 651	8 223	16 737	11 844
Lending to and deposits with credit institutions	103 763	96 498	92 523	95 611	98 772
Net lending to customers	497 224	487 825	469 955	459 480	454 983
Reposessed assets	335	307	310	438	227
Commercial paper and bonds	70 119	61 768	61 289	61 709	58 552
Shareholdings etc.	3 567	3 360	3 270	3 887	3 824
Investments in associated companies	617	621	633	595	595
Investments in subsidiaries	5 748	6 324	8 911	8 253	8 259
Other assets	27 119	36 707	33 822	29 840	27 744
<b>Total assets</b>	<b>713 262</b>	<b>696 059</b>	<b>678 936</b>	<b>676 552</b>	<b>664 801</b>
<b>Liabilities and equity</b>					
Loans and deposits from credit institutions	96 599	72 023	76 530	79 859	88 932
Deposits from customers	349 254	337 170	330 597	327 457	332 566
Securities issued	183 217	182 462	170 935	164 777	150 963
Other liabilities	23 896	45 440	44 346	44 724	34 192
Subordinated loan capital	23 524	23 527	22 957	23 238	22 712
Equity	36 773	35 436	33 572	36 496	35 436
<b>Total liabilities and equity</b>	<b>713 262</b>	<b>696 059</b>	<b>678 936</b>	<b>676 552</b>	<b>664 801</b>

