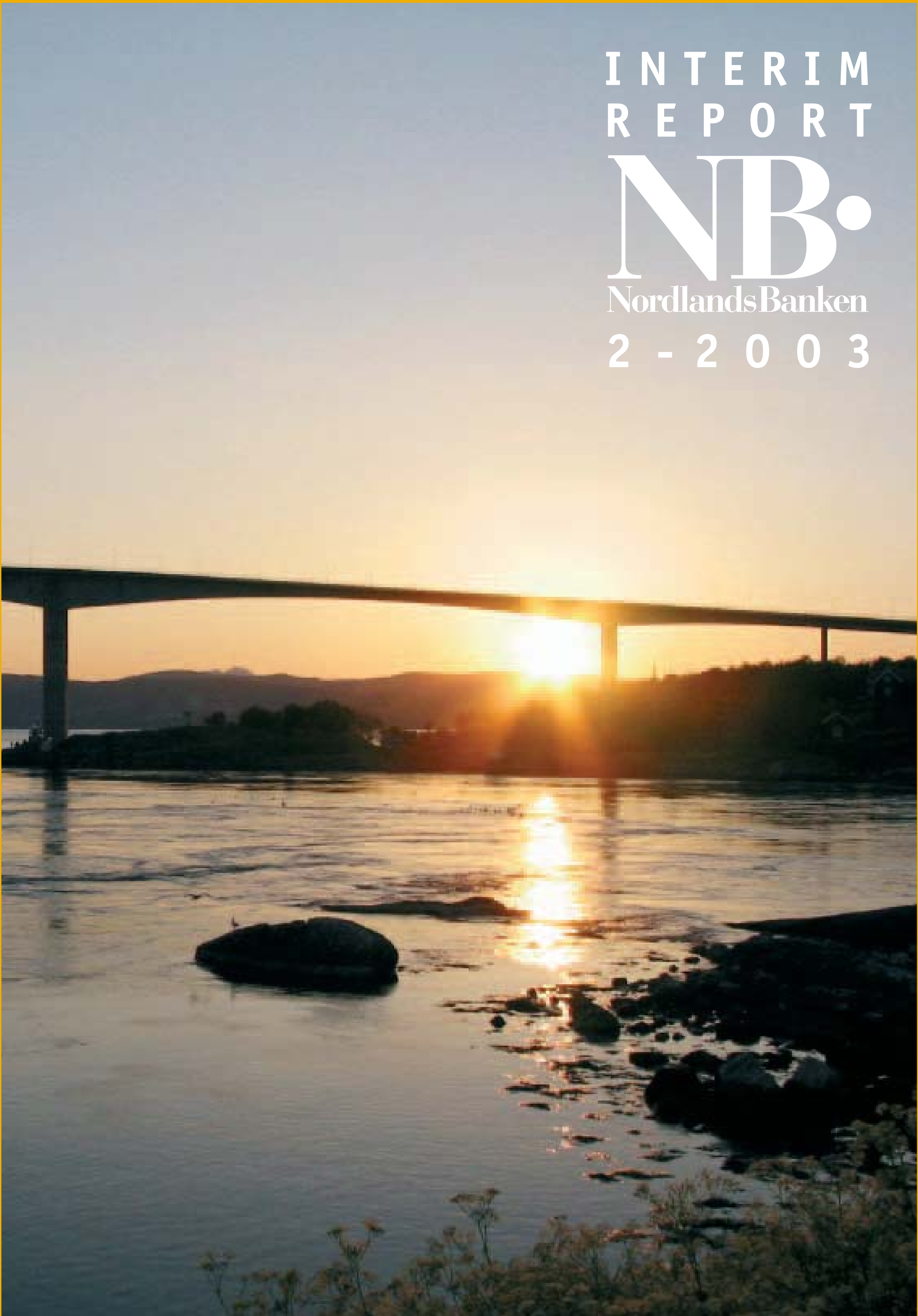
INTERIM REPORT

NordlandsBanken

2-2003



Nordlandsbanken hereby presents its consolidated and parent bank accounts for Q2 2003. As there is very little difference between the consolidated and parent bank accounts, most of the comments refer to the parent bank accounts.

The consolidated accounts include the parent bank and the wholly-owned subsidiary Det Nord-Norske Investeringsselskap AS of Bodø, as well as Norsk Forvaltningsservice AS of Oslo, in which the Bank owned a 75 per cent stake at 30 June 2003.

While the accounting principles applied to the interim reports are the same as those applied to the annual report and accounts and comply with the regulations that apply to interim reporting, the quarterly reports are not subject to the same auditing procedures as the end-of-year accounts.

THE GROUP

Income statement

The Group had a deficit after losses and tax of MNOK 75.3 at the end of Q2 2003, compared with a profit of MNOK 118.1 at 30 June 2002. The result was severely impacted by book losses of MNOK 267.6. MNOK 135 of that amount is attributable to Q1 losses incurred by Nordlandsbanken's Oslo Branch and approximately MNOK 90 to Q2 losses related to reviewing and consolidating the Bank's fish-farming portfolio. Further, Nordlandsbanken has introduced DnB's principles for evaluating losses and rating credit in the corporate and retail markets alike.

The result corresponds to earnings per share of –NOK 1.51, compared with NOK 3.96 during same months of 2002. The Q2 result was equivalent to –0.51 per cent of average total assets, compared with 0.81 per cent in Q2 2002. The return on equity was -10.65 per cent at mid-year, compared with 14.67 per cent a year earlier.

The subsidiaries posted a negative result of –MNOK 1.4 at the end of Q2 2003.

The consolidated operating profit before lending losses came to MNOK 123.8 at 30 June, MNOK 113.4 less than on the same date in 2002. The result of operations was equivalent to 0.83 per cent of average total assets, compared with 1.63 per cent at mid-year 2002. The decline in the operating profit is primarily attributable to a lower net interest margin resulting from considerable loan loss provisions as well as provisions of MNOK 31 for accounting purposes to co-ordinate the Bank's activities with DnB.

All defaults and losses on loans refer to the Parent bank. For more details, please refer to the section on the Parent bank.

Balance sheet

Consolidated assets decreased by MNOK 1 322.3, or 4.49 per cent, from Q2 2002 to Q2 2003. Thus far this year, the decrease has aggregated MNOK 834.9, or 2.88 per cent. The decline is primarily attributable to diminishing lending growth as a result of the sale of the subsidiary Nord-Finans and the transfer of commitments from the Bank's Oslo Branch to DnB. Gross lending came to MNOK 22 963.3 at 30 June 2003. Specified loss provisions added up to MNOK 909.4, while general loss provisions totalled MNOK 144.0. This brought net lending to customers to MNOK 21 908.7.

Equity and subordinated loan capital

According to current rules, at 30 June 2003, the Group had a capital adequacy ratio of 8.14 per cent, compared with 3.40 per cent at year-end 2002. At mid-year, the total equity and subordinated loan capital included in the capital adequacy calculations came to MNOK 1 658.6, of which core capital comprised MNOK 1 046.2. The risk-weighted lending volume came to MNOK 20 368.6 at the same date.

PARENT BANK

Income statement

The Parent bank reported a deficit of MNOK 73.9 after losses and taxes at 30 June 2003. During the same months of 2002, the Bank reported a profit of MNOK 118.1. The current figure corresponds to earnings per share of –NOK 1.51, compared with NOK 3.96 at mid-year 2002. The result was equivalent to -0.50 per cent of average total assets, compared with 0.81 per cent at mid-year 2002. The return on equity was -10.62 per cent at the end of Q2 2003, compared with 14.67 per cent 12 months earlier.

Prior to provisions for losses, the Q2 2003 operating profit amounted to MNOK 125.3, a decline of MNOK 108.7 compared with Q2 2002. The operating profit was equivalent to 0.84 per cent of average total assets in Q2 2003, compared with 1.61 per cent in Q2 2002 and 1.39 per cent for 2002 as a whole.

Net interest income

Net interest income and fees on loans came to MNOK 249.9 at end-quarter, down MNOK 67.7 from mid-year 2002. The net interest ratio was equivalent to 1.67 per cent of average total assets, compared with 2.19 per cent 12 months earlier. The reduction in the net interest margin was mainly ascribable to the increase in loan loss provisions and risky commitments that do not generate interest the way normal loans do, in addition to the reduction in volume from the Oslo Branch.

Other non-interest income

Total other non-interest income came to MNOK 65.8 at the end of Q2 2003. During the same months of 2002, the figure was MNOK 80.5, marking a decline of MNOK 14.7 compared with 2002. The reduction is primarily attributable to lower share dividends, lower fees on loans and a decline in other non-interest income.

Net foreign exchange and securities trading gains totalled MNOK 24.6, up MNOK 8.3 from the same date in 2002. Of that amount, gains on shares and securities totalled MNOK 13.6, while gains on currency trading came to MNOK 11.0. Other non-interest income aggregated MNOK 3.7 at the end of Q2 2003. This was a decline of MNOK 12.5 compared with the corresponding months of 2002, largely as a result of one-off income earned by the Oslo Branch in 2002.

Operating expenses

Total non-interest expenses added up to MNOK 190.4 at 30 June, compared with MNOK 164.1 at mid-year 2002. This translated into an increase of MNOK 26.3, or 16 per cent, from 2002. One-off expenses linked to co-ordinating activities with DnB accounted for roughly MNOK 6.2 of the MNOK 26.3 increase. Moreover, during Q2 2003, Nordlandsbanken made provisions for accounting purposes totalling MNOK 31 for further expenses expected to be incurred in connection with streamlining and co-ordinating activities with the DnB Group. Expenses were equivalent to 1.28 per cent of average total assets at 30 June 2003, compared with 1.18 per cent at the same date in 2002.

Payroll and general administrative expenses totalled MNOK 93.7 at mid-year 2003, up MNOK 15.6 from mid-year 2002. However, for accounting purposes, a MNOK 20 provision for downsizing was made in Q2 2003. General administrative expenses added up to MNOK 56.1 in Q2 2003, compared with MNOK 47.0 during the same quarter last year. MNOK 7 of the MNOK 9.1 increase is due to a provision for accounting purposes to co-ordinate IT systems with DnB.

The staff accounted for a total of 290.2 man-years of labour at 30 June 2003, down from 347.5 man-years a year ago. The reduction is primarily attributable to the sale of the Oslo Branch with effect from 1 April this year.

Other non-interest expenses, including depreciation, totalled MNOK 40.6, compared with MNOK 39 in Q2 2002. During the quarter, a provision of MNOK 4 was made for accounting purposes for the renovation of premises and the co-ordination of selected DnB and Nordlandsbanken branches in Nordland County and Tromsø.

Thus far this year, total expenses correspond to 60.3 per cent of total revenues. The comparable figure for the same months of 2002 was 41.2 per cent. Excluding the yield on securities and foreign exchange trading, as well as provisions for accounting purposes and one-off expenses, the corresponding figure was 52.6 per cent for Q2 2003, compared with 44.6 per cent a year earlier.

Losses on loans and guarantees

At end-June, a total of MNOK 319.8 had been booked as charge-offs and specified losses on loans and guarantees. A breakdown of the lending losses indicates MNOK 34.8 on the retail market and MNOK 285.0 on the corporate market, MNOK 135.0 of which was incurred by the Oslo Branch. In addition, MNOK 50.0 was written back on general loss provisions since the uncertainty inherent in the Oslo portfolio was eliminated when DnB acquired the portfolio at book value on 31 March 2003. This will trim Nordlandsbanken's balance sheet by roughly NOK 4 billion in 2003. Thus far this year, MNOK 1.2 has been paid in on previously written off losses and MNOK 1.0 was written back on previously specified loss provisions. Consequently, the Bank's net book losses totalled MNOK 267.6 at the end of Q2, up MNOK 198.5 from 30 June 2002.

Defaulted loans

The Bank's portfolio of defaulted (non-performing) loans demonstrates the following trend:

Amounts in MNOK	30 June 2003	30 June 2002	31 Dec 2002
Gross defaulted loans	1 818.6	572.0	1 602.4
Accumulated specified loss provisions	593.2	124.7	830.9
Net defaulted loans	1 225.4	447.3	771.6
Assets acquired by default	287.8	25.1	60.9

Net defaulted loans are booked at the estimated sales value of the collateral furnished for them.

Moreover, specified loss provisions of MNOK 316.2 were made to cover not yet defaulted commitments, compared with MNOK 30.8 during the same months last year.

Balance sheet

The Bank's assets under management came to MNOK 28 141.0 at mid-year 2003. This marks a reduction of MNOK 724.6, or 2.51 per cent, since year-end 2002.

Net lending to and claims on customers less deductions for specified and general loss provisions totalled MNOK 22 051.0. This was a decrease of MNOK 1 447.8, or 6.16 per cent, since year end. During the same period, investments in interest-bearing securities, assessed at market value, increased by an additional MNOK 215.0 to MNOK 1 810.2, while investments in shares, assessed at market value, decreased by MNOK 118.8 to MNOK 371.8.

Debt to financial institutions came to MNOK 8 975.1 at 30 June, up MNOK 2 604.2 from year end.

Deposits from and debt to customers amounted to MNOK 7 520.4 at end-June 2003. This denotes a reduction of MNOK 1 711.5 since year end. The reduction is related to the cessation of volume from Oslo as well as a decline in customers' propensity to save as interest levels drop. Loans raised against the issue of certificates amounted to MNOK 578.9 at 30 June 2003, compared with MNOK 2 398.9 at year end. Loans raised against the issue of bonds have decreased by MNOK 492.5 since year-end 2002, bringing them to MNOK 8 303.8 at 30 June 2003.

Equity and capital adequacy

According to current rules, at 30 June 2003, the Group had a capital adequacy ratio of 8.15 per cent, compared with 3.51 per cent at year-end 2002. At 30 June 2002, the Group's capital adequacy ratio was 9.71 per cent.

At mid-year, the total equity and subordinated loan capital included in the capital adequacy calculations came to MNOK 1 658.6, of which core capital comprised MNOK 1 046.2. At the same date, the risk-weighted volume of lending came to MNOK 20 357.6, down MNOK 2 724.3 from mid-year 2002.

In the event Nordlandsbanken needs to strengthen its capital adequacy, Den norske Bank has pledged to provide the requisite support. As the Oslo portfolio is gradually phased out for accounting purposes, the calculated asset base will be reduced by roughly NOK 3 billion, which, as at 30 June, would boost capital adequacy by 1.4 percentage points.

Main capital adequacy figures

Amounts in MNOK	30 June 2003	(%)	30 June 2002	(%)
Core capital	1 046.2	5.25	1 561.4	6.76
Supplementary capital	623.1	3.12	700.0	3.03
Deductions	10.6	0.05	19.8	0.08
Equity and subordinated loan capital	1 658.6		2 241.7	
Total risk-weighted volume of lending	20 357.6		23 081.9	
Capital adequacy		8.15		9.71

The time-limited subordinated loan capital counted towards the capital adequacy requirement totalled MNOK 523.1. In addition, the Bank has MNOK 100.0 in perpetual subordinated loans.

Prospects for the future

Norges Bank's repeated interest rate cuts as well as a weaker NOK exchange rate have lightened the load for some of the export enterprises located in Nordland County. However, Norway's particularly high level of costs places a heavy burden on large parts of the country's export industry where Nordlandsbanken is relatively heavily exposed. Moreover, the fish-farming industry faces formidable challenges, considering the market price of Atlantic salmon falls far short of the production costs.

Nordlandsbanken has noted weaker trends in the real estate market in towns and cities, with declining rentals and a lower utilisation factor. Nordlandsbanken's risk would increase if this trend were to become more prevalent in its market areas. On the other hand, the effect of Norges Bank's interest rate cuts should help stabilise the situation for the most risky commitments.

Thus far, other services in northern Norway have not felt any particular effects of the cyclical downturn that has affected large parts of other industries exposed to competition. However, if the fisheries and the fish-farming industry fail to rally relatively quickly, other types of businesses may be affected. This refers to those that provide services directly to exposed industry, as well as to indirect service providers such as retail outlets, hotels and restaurants.

All in all, this means that Nordlandsbanken will attach high priority to its lending portfolio and to following up exposed commitments in the months ahead. Nordlandsbanken's 2003 results will also be impacted by its review of the lending portfolio at the Oslo Branch and the generally difficult cyclical economic situation.

There is buoyant activity in Nordlandsbanken's market and the Bank has good access to new commitments. There are numerous bright spots on the horizon, despite today's difficult situation. Nordlandsbanken enjoys a favourable market trend, reflected among other things, in the Bank's 6.5 per cent retail market lending growth during the early half of the year. Despite the ebb in the business cycle, the Bank has also managed to sustain its volumes in the corporate market.

The Bank's new credit policy, new lending routines and focused new sales organisation mean that Nordlandsbanken is now on the offensive. The Bank intends to continue to be a cornerstone enterprise in Northern Norway and northern Norwegian industry – and to serve the best interests of the region and its customers alike.

The Parent Bank					Income Statement	The Group				
At 30 June 2003	At 30 June 2002	Q2 2003	Q2 2002	2002	MNOK	At 30 June 2003	At 30 June 2002	Q2 2003	Q2 2002	2002
1 121.0	1 247.0	502.1	639.5	2 648.4	Interest income and fees on loans	1 115.8	1 255.9	499.9	644.5	2 662.8
(871.1)	(929.4)	(379.6)	(477.4)	(2 005.4)	Interest expenses	(871.1)	(933.6)	(379.7)	(481.4)	(2 006.7)
249.9	**317.6**	**122.5**	**162.1**	**643.0**	**Net interest income and fees on loans**	**244.7**	**322.3**	**120.2**	**163.1**	**656.1**
6.6	13.7	5.3	8.0	17.3	Dividends and earnings on variable-yield securities	6.6	9.9	6.3	4.8	14.7
42.3	47.1	21.6	24.1	99.0	Commission income and income on bank services	44.8	49.7	24.1	25.5	104.6
(11.4)	(12.8)	(6.1)	(6.6)	(25.9)	Commission expenses and cost of bank services	(11.7)	(13.1)	(6.4)	(6.8)	(26.6)
24.6	16.3	13.2	(5.2)	34.0	Net trading gains on foreign exchange and securities	24.6	16.3	13.2	(5.2)	33.9
3.7	16.2	1.3	7.5	24.9	Other non-interest income	5.4	30.6	(1.4)	19.3	50.4
65.8	**80.5**	**35.3**	**27.8**	**149.3**	**Total other non-interest income**	**69.7**	**93.4**	**35.8**	**37.6**	**177.0**
(93.7)	(78.1)	(54.5)	(39.9)	(165.4)	Payroll and personnel expenses	(95.1)	(89.4)	(54.6)	(46.6)	(185.0)
(56.1)	(47.0)	(27.1)	(24.1)	(90.4)	General administrative expenses	(57.0)	(48.6)	(27.0)	(23.4)	(99.1)
(14.1)	(13.0)	(6.9)	(6.6)	(53.0)	Ordinary depreciation	(15.7)	(16.4)	(7.6)	(8.7)	(59.8)
(26.5)	(26.0)	(9.3)	(11.8)	(68.0)	Other non-interest expenses	(22.8)	(24.1)	(8.3)	(12.9)	(67.1)
(190.4)	**(164.1)**	**(97.8)**	**(82.4)**	**(376.8)**	**Total non-interest expenses**	**(190.6)**	**(178.5)**	**(97.5)**	**(91.6)**	**(411.0)**
125.3	**234.0**	**60.0**	**107.5**	**415.5**	**Operating profit before provisions for losses**	**123.8**	**237.2**	**58.5**	**109.1**	**422.1**
(267.6)	(69.1)	(163.0)	(39.2)	(1 618.8)	Losses on loans and guarantees, etc.	(267.6)	(70.9)	(163.0)	(40.2)	(1 624.1)
37.4	(2.8)	37.4	(2.8)	50.1	Gains/losses on long-term securities	37.4	(2.8)	37.4	(2.8)	50.1
(104.9)	**162.1**	**(65.6)**	**65.5**	**(1 153.2)**	**Operating profit after losses**	**(106.4)**	**163.5**	**(67.1)**	**66.0**	**(1 151.9)**
0.0	0.0	0.0	0.0	0.0	Minority interests deficit	0.1	0.0	0.1	0.0	0.1
31.0	(44.0)	20.0	(18.0)	318.5	Tax	31.0	(45.4)	20.0	(18.5)	317.1
(73.9)	**118.1**	**(45.6)**	**47.5**	**(834.7)**	**Profit/loss for the fiscal year**	**(75.3)**	**118.1**	**(47.0)**	**47.5**	**(834.7)**

The Parent Bank			Balance Sheet	The Group		
At 30 June 2003	At 30 June 2002	2002	MNOK	At 30 June 2003	At 30 June 2002	2002
			ASSETS			
528.7	482.3	714.7	Cash in and claims on central banks	528.7	482.3	714.7
1 993.3	1 422.2	1 110.7	Lending to and claims on credit institutions	1 993.3	809.1	394.7
22 051.0	23 952.2	23 498.8	Net lending to and claims on customers	21 908.7	24 534.6	24 176.8
287.8	25.1	60.9	Property acquired by default	287.8	25.1	60.9
1 810.2	1 980.3	1 595.2	Bonds and negotiable certificates	1 812.7	1 982.7	1 597.6
371.8	573.1	490.6	Shares	371.9	573.6	491.1
0.0	0.0	0.0	Equity in associated companies	0.0	0.0	0.0
19.1	90.2	89.0	Equity in Group companies	0.0	0.0	0.0
312.1	2.9	286.5	Intangible assets	313.6	4.1	290.0
263.7	299.1	276.2	Fixed assets	420.3	507.2	481.9
123.2	95.6	243.9	Other assets	124.3	102.9	261.0
380.1	445.9	499.1	Pre-payments and accrued earnings	380.2	442.2	507.7
28 141.0	**29 368.9**	**28 865.6**	**Total assets**	**28 141.5**	**29 463.8**	**28 976.4**
			LIABILITIES AND EQUITY			
			Liabilities			
8 975.1	6 209.8	6 370.9	Liabilities to credit institutions	8 979.3	6 208.3	6 389.4
7 520.4	10 966.4	9 231.9	Deposits from and debt to customers	7 519.9	10 965.1	9 228.0
578.9	1 844.4	2 398.9	Negotiable certificates and other short-term loans	578.9	1 844.4	2 398.9
8 303.8	7 113.3	8 796.3	Debenture debt and other long-term borrowing	8 303.8	7 113.3	8 796.3
190.5	244.4	119.2	Other liabilities	190.7	271.6	145.6
470.3	531.0	486.6	Accrued expenses and prepaid income	470.8	600.3	554.2
39.7	61.0	8.7	Provisions to cover commitments and costs	39.7	62.3	10.0
700.0	700.0	700.0	Subordinated loan capital	700.0	700.0	700.0
26 778.7	**27 670.3**	**28 112.5**	**Total liabilities**	**26 783.1**	**27 765.3**	**28 222.4**
			Equity			
0.0	0.0	0.0	Minority interests	0.9	0.0	0.9
1 436.2	1 580.5	753.1	Equity	1 432.8	1 580.5	753.1
(73.9)	118.1	0.0	Retained profits	(75.3)	118.1	0.0
1 362.3	**1 698.6**	**753.1**	**Total equity**	**1 358.4**	**1 698.5**	**754.0**
28 141.0	**29 368.9**	**28 865.6**	**Total liabilities and equity**	**28 141.5**	**29 463.8**	**28 976.4**

Bodø, 12 August 2003

Leif Teksum (Chairman), Petter Jansen (Deputy Chairman), Nikolai Stefanovic, Ingebjørg Glad Pedersen, Thor Andersen, Hilde Rolandsen, Ole Morten Kristiansen, Morten Støver (CEO)

The Parent Bank			KEY FIGURES		The Group		
At 30 June 2003	At 30 June 2002	2002			At 30 June 2003	At 30 June 2002	2002
29 803.0	28 983.9	29 811.1	Average total assets	(MNOK)	29 803.5	29 078.9	29 922.0
(1.51)	3.96	(2.78)	Earnings per share	(NOK)	(1.51)	3.96	(2.78)
(10.62)	14.67	(71.54)	Return on equity	(%)	(10.65)	14.67	(71.54)
8.15	9.71	3.51	Capital adequacy	(%)	8.14	9.56	3.40

Equity note Parent Bank

NOK 1 000	Share capital	Legal reserves	Other equity	Total equity
Balance sheet at 1 January 2003	**375 062**	**136 615**	**241 381**	**753 058**
Result thus far			(73 944)	(73 944)
Share issue	250 000	450 000		700 000
Dissolved valuation equalisation fund			(16 852)	(16 852)
Balance sheet at 30 June 2003	**625 062**	**586 615**	**150 585**	**1 362 262**

Equity note Group

NOK 1 000	Share capital	Legal reserves	Other equity	Minority interests	Total equity
Balance sheet at 1 January 2003	**375 062**	**136 615**	**241 381**	**913**	**753 971**
Result thus far			(75 444)		(75 444)
Share issue	250 000	450 000			700 000
Change in the Group's reserves			(20 100)		(20 100)
Balance sheet at 30 June 2003	**625 062**	**586 615**	**145 837**	**913**	**1 358 427**

Excerpts from the quarterly accounts:

Net consolidated profit

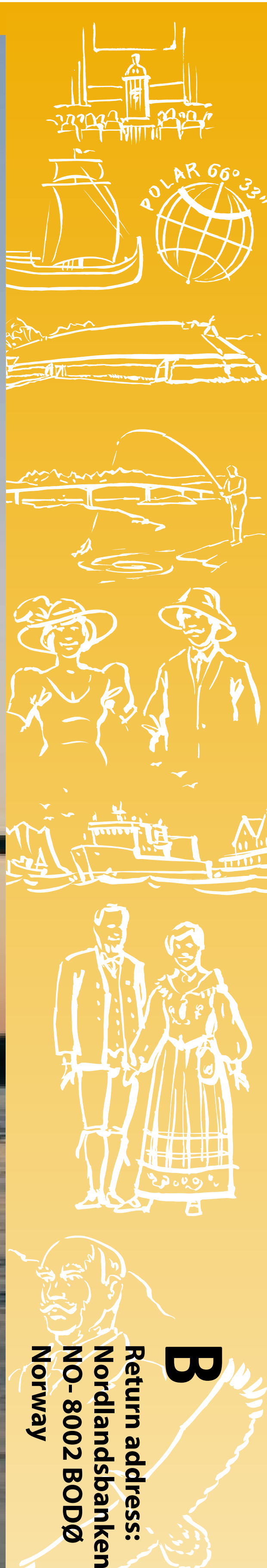
MNOK	Q2 2003	Q1 2003	Q4 2002	Q3 2002	Q2 2002
Net interest income and fees on loans	120.2	124.5	153.6	180.2	163.1
Other non-interest income	35.8	33.9	68.4	15.2	37.6
Net operating income	156.0	158.4	222.0	195.4	200.7
Wages and general administrative expenses	(81.6)	(70.5)	(78.1)	(67.9)	(70.0)
Other non-interest expenses	(15.9)	(22.6)	(64.9)	(21.5)	(21.6)
Result of operations prior to losses and write-downs	58.5	65.3	79.0	106.0	109.1
Net losses on loans and gain/loss on securities	(125.6)	(104.6)	(1 455.2)	(45.1)	(43.0)
Profit on ordinary operations before tax	**(67.1)**	**(39.3)**	**(1 376.2)**	**60.9**	**66.0**

Consolidated balance sheet

MNOK	Q2 2003	Q1 2003	Q4 2002	Q3 2002	Q2 2002
Net lending to customers	21 908.7	23 394.2	24 176.8	25 625.5	23 952.2
Deposits from customers	7 519.9	9 046.4	9 228.0	9 721.4	10 966.4
Average total assets this quarter	29 703.8	28 531.4	31 218.6	30 315.3	29 402.9

Key consolidated figures (annualised)

All figures as a percentage of average total assets	Q2 2003	Q1 2003	Q4 2002	Q3 2002	Q2 2002
Net interest margin	1.62	1.75	1.97	2.38	2.22
Other non-interest income	0.48	0.48	0.88	0.20	0.51
Wages and general administrative expenses	1.10	0.99	1.00	0.90	0.95
Other non-interest expenses	0.21	0.32	0.83	0.28	0.29
Net losses on loans and gain/loss on securities	1.69	1.47	18.65	0.60	0.59
EBT (earnings before tax)	(0.90)	(0.55)	(17.63)	0.80	0.90



Cover photo: Even Enoksen, Bodø • Translation to English: Informatic, Linda Sivesind, Ål in Hallingdal
Graphic design & production: Bedre Reklame as, Bodø • Printed by: Forretningstrykk AS, Bodø.

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Return address:
Nordlandsbanken ASA
NO- 8002 BODØ
Norway

NordlandsBanken

Nordlandsbanken on the Internet:
www.nordlandsbanken.no