Third quarter report 2003
Den norske Bank ASA

Den norske Bank

Third quarter report 2003

Den norske Bank Group[1] (hereinafter called "the banking group") recorded pre-tax profits before losses of NOK 3 777 million for the first three quarters of 2003, up from NOK 3 495 million in the year-earlier period. Profits for the period came to NOK 2 296 million, a NOK 6 million increase from the corresponding period in 2002. Performance reflected strong improvement in other operating income and cost control. Losses were higher than the previous year for the nine-month period, but were brought down in the third quarter.

Before goodwill amortisation, return on equity was 13.6 per cent, up from 13.1 per cent in the first nine months of 2002.

Pre-tax operating profits before losses came to NOK 1 303 million in the July through September period, as against NOK 1 082 million in the third quarter of 2002. After taxes, profits rose from NOK 645 million to NOK 831 million. Return on equity before goodwill amortisation was 14.3 per cent in the third quarter.

Total lending increased NOK 15.5 per cent on an annual basis up till end-September. Around half of this referred to the acquisition of Nordlandsbanken at the beginning of the year. Underlying lending growth was moderate. There was a healthy inflow of new deposits, and the ratio of deposits to lending was maintained at a high level.

Total income rose 12 per cent in the third quarter compared with the year-earlier period, from NOK 2 880 million to NOK 3 226 million. Excluding goodwill amortisation, the cost/income ratio was brought down from 62.1 per cent in 2002 to 58.9 per cent in 2003.

Third-quarter losses were on a level with the previous year. Efforts to scale back non-performing and doubtful commitments have produced good results. The banking group has taken ownership positions in some companies to secure its interest and achieve direct control of operations.

The banking group's retail banking operations experienced continued progress in the third quarter, recording brisk sales and increased income from financial services. Corporate Banking achieved strong growth in other operating income and maintained a stable cost level. DnB Markets again posted sound profits on trading in foreign exchange and interest rate products.

Income

Income totalled NOK 3 226 million in the third quarter of 2003, compared with NOK 2 880 million in the year-earlier period. The NOK 345 million increase mainly reflects the

[1] Den norske Bank ASA is a subsidiary of DnB Holding ASA and part of the DnB Group. Den norske Bank Group, hereinafter called "the banking group", comprises the bank and the bank's subsidiaries. Other companies owned by DnB Holding ASA, including Vital Forsikring and DnB Asset Management, are not part of the banking group. Operations in DnB Holding ASA and the total DnB Group are not covered in this report but described in a separate report and presentation.

positive financial market trend, though a higher level of activity in the banking group's business areas also helped boost income.

Net interest income in the banking group totalled NOK 2 085 million in the third quarter, as against NOK 2 148 million in the July through September period in 2002. The acquisition of Nordlandsbanken contributed NOK 116 million to the banking group's net interest income. The table below specifies changes in net interest income between the two quarters:

Changes in net interest income

Amounts in NOK million	3rd quarter 2003	Change	3rd quarter 2002
Net interest income	2 085	(63)	2 148
Of which:			
Lending and deposit volumes		206	
Lending and deposit spreads		73	
Net loss on non-interest-bearing items		(144)	
Interest rate instruments		(57)	
Commercial paper and bonds		(35)	
Funding costs and interest reservations on non-performing and doubtful loans		(25)	
Other		(81)	

A NOK 37 billion increase in lending volumes combined with a NOK 21 billion rise in deposits pushed up net interest income by NOK 206 million. Lending spreads expanded by an average 0.82 percentage points from the third quarter of 2002, while deposit spreads contracted by 1.04 percentage points. Overall, these changes still had a positive impact on net interest income. As lending volume exceeds total deposits, a favourable trend in lending spreads outweighs the corresponding negative effect from deposit spreads on revenues.

Declining interest rate levels gave a lower direct return on equity, but also reduced funding costs on other non-interest-earning assets. There was an overall decline in net interest income of NOK 144 million on these balance sheet items compared with the year-earlier period.

Net interest income from DnB Markets' trading in balance sheet instruments was down NOK 57 million in the third quarter compared with the corresponding period in 2002. However, the business area recorded a NOK 81 million rise in other operating income from corresponding trading. These items must be considered together.

After the acquisition of Nordlandsbanken, the banking group has increased its funding from the securities market. Combined with a further increase in funding requirements, this resulted in a NOK 35 million rise in interest expenses.

Though the volume of non-performing and doubtful commitments showed a clear increase from 2002, falling interest rate levels helped reduce funding costs for such commitments. The third-quarter accounts for 2002 included interest income totalling NOK 68 million from an insurance settlement concerning a non-performing commitment, thus there was an overall reduction in income of NOK 25 million in the third quarter of 2002 compared with the previous year.

Net other operating income amounted to NOK 1 141 million in the third quarter, as against NOK 732 million in the year-earlier period. NOK 20 million of the increase referred to the acquisition of Nordlandsbanken. Developments in operating income from the third quarter of 2002 to the same period of 2003 are specified below:

Changes in net other operating income

Amounts in NOK million	3rd quarter 2003	Change	3rd quarter 2002
Net other operating income	1 141	408	732
Of which:			
Short-term shareholdings		204	
Other financial instruments		77	
Asset management services		8	
Money transfers		39	
Securities issues		19	
Insurance services		13	
Real estate		20	
Other		27	

The stock market upturn resulted in realised gains on securities and reversals on previous write-downs on equity investments of NOK 65 million in the third quarter of 2003, compared with losses and write-downs totalling NOK 139 million in the year-earlier period. The book value of the investment in Storebrand has been held unchanged at NOK 35 per share since end-September 2002. In the third quarter of 2003, this approximated the market price.

Gains on trading in foreign exchange and interest rate instruments totalled NOK 303 million in the third quarter of 2003, up NOK 81 million on the year-earlier period. However, the increase must be viewed in light of the decline in net interest income on corresponding trading. The banking group recorded a net increase of NOK 24 million for these operations from the third quarter of 2002.

Rising volumes within payment transfers, especially electronic services, as well as an increase in advisory services, had a positive impact on income. Real estate broking operations and the sale of insurance products through the bank's distribution network also showed progress.

Operating expenses

Operating expenses totalled NOK 1 923 million in the third quarter, an increase of NOK 125 million from the third quarter of 2002. There was a NOK 160 million rise in ordinary operating expenses, with acquired operations accounting for NOK 92 million.

Changes in operating expenses from the third quarter of 2002 are shown in the table below:

Changes in operating expenses

Amounts in NOK million	3rd quarter 2003	Change	3rd quarter 2002
Total ordinary operating expenses	1 909		1 749
Other expenses	14		49
Total operating expenses	1 923	125	1 798
Of which:			
Acquired operations		92	
Non-recurring expenses		36	
Wage settlements and pensions		31	
Performance-related personnel expenses		8	
Postponed projects		(25)	
Synergies realised prior to the merger with Gjensidige NOR		(8)	
Streamlining of operations		(9)	

IT and e-development operations picked up in the third quarter compared with the previous year, when the level of

activity was particularly low. Wage settlements and higher pension costs pushed up expenses in spite of lower staff levels. Staff was scaled back by 171 full-time positions from end-December 2002 to end-September 2003, when banking group staff totalled 6 240 full-time positions. The staff cuts were implemented towards the end of the period and will thus have a more pronounced effect on future cost developments.

In a number of areas, cost developments in the third quarter were influenced by the planned merger with Gjensidige NOR. Scheduled activities and investments relating to the banking group's ordinary operations were postponed in anticipation of the merger. These cost elements must be expected to recur once the merger has been implemented. On the other hand, cost savings have been realised, e.g. in connection with the hiring freeze, which will have a permanent impact as part of the announced merger synergies. In addition to these savings, cost have also been reduced through measures previously initiated to streamline operations.

Excluding goodwill amortisation, the ordinary cost/income ratio stood at 58.6 per cent, as against 60.5 per cent in the third quarter of 2002. Restructuring expenses, write-downs etc., which are not included in ordinary expenses, totalled NOK 14 million in the third quarter of 2003, down from NOK 49 million in the year-earlier period.

Non-performing and doubtful commitments

Net losses on loans and guarantees totalled NOK 177 million in the third quarter of 2003, compared with NOK 154 million in the corresponding period of 2002. New losses and loan-loss provisions amounted to NOK 326 million, while reversals on previous losses and loan-loss provisions totalled NOK 149 million. The third quarter of 2002 saw new losses of NOK 192 million and reversals of NOK 37 million.

Close follow-ups on fisheries commitments helped ensure net reversal on losses in this sector in the July through September period. Rising salmon prices had a positive effect on the sector in the third quarter. Part of Den norske Bank's commitments with
Pan Fish was converted to shares at the company's extra-ordinary general meeting on 10 October 2003. The conversion, announced in September, is reflected in the banking group's third-quarter accounts.

Unspecified loan-loss provisions in the banking group's balance sheet were increased by NOK 204 million in connection with the acquisition of Nordlandsbanken. No changes were made in these provisions in the third quarter of the year.

Non-performing commitments, after specified loan-loss provisions, were scaled back from NOK 4 891 million to NOK 4 831 million during the third quarter. Non-performing and doubtful commitments, after specified loan-loss provisions, were brought down NOK 954 million during the third quarter of 2003, totalling NOK 6.5 billion at end-September 2003. At the beginning of the year, non-performing and doubtful commitments stood at NOK 6.3 billion for the banking group including Nordlandsbanken.

Repossessed assets, representing the value of assets in acquired operations, came to NOK 743 million at end-September 2003, up from NOK 404 million as at 31 December 2002. There were NOK 301 million increase in these assets in the third quarter of 2003 referring mainly to the conversion of debt in the fish-farming company Pan Fish. During the quarter, the value of the Pan Fish shares was written down to NOK 0.05 per share, corresponding to the conversion rate.

Taxes

The banking group's tax charge for the third quarter of 2003 was NOK 292 million, representing 26 per cent of pre-tax operating profits.

Assets

At end-September 2003, total assets in the banking group were NOK 441 billion, following a NOK 57 billion increase during the first nine months of the year, of which NOK 29 billion refers to the acquisition of Nordlandsbanken.

Net lending rose by NOK 18.2 billion in the January through September period. In addition, the acquisition of Nordlands-banken increased lending by NOK 24.2 billion. Exchange rate movements caused a NOK 2.2 billion rise in the NOK value of currency loans recorded in the balance sheet.

Lending growth represented NOK 14.9 billion in the retail market and NOK 3.7 billion in the corporate market for the first nine months of the year. Lending growth in the retail market referred to residential mortgages. Retail loans represented 50 per cent of the banking group's total lending at end-September 2003. Fixed-rate mortgages were up NOK 8 billion from end-December 2002, to NOK 20.2 billion as at 31 September 2003, representing close to 15 per cent of total residential mortgages.

Traditional bank deposits came to NOK 214 billion, up NOK 16 billion from the beginning of the year. The acquisition of Nordlandsbanken accounted for NOK 9.2 billion of the rise in deposits. The ratio of deposits to lending was 65.6 per cent at end-September 2003, compared with 69.6 per cent at end-December 2002.

Risk and capital adequacy

Overall credit quality was unchanged from end-June 2003. Estimated annual normalised losses in the credit portfolio were 0.33 per cent of net lending at end-September, on a level with the figure at end-June 2003. Non-performing and doubtful commitments are not included in calculations of risk-adjusted capital. Loan-loss provisions serve as a buffer against the uncertainty concerning non-performing and doubtful commitments. Developments in risk-adjusted capital for credit must therefore be considered in light of changes in the volume of non-performing and doubtful commitments and loan-loss provisions. These figures showed a positive trend in the third quarter.

The banking group's liquidity risk was further brought down during the third quarter. At end-September 2003, liquidity risk was at the same level as prior to the acquisition of Nordlands-banken in the first quarter of the year. There were only minimal changes in market, operational and other risk in the third quarter.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement totalled NOK 326 billion at end-September, a reduction of NOK 6.2 billion since 30 June 2003.

The banking group's core capital ratio was 7.0 per cent, while the capital adequacy ratio was 10.3 per cent. During the third quarter, Den norske Bank issued Euro 200 million of new lower tier 2 capital, thus increasing the capital adequacy ratio 0.5 percentage points. Including 50 per cent of profits in the

calculations would lift the ratios by around 0.3 percentage points.

Den norske Bank ASA had a core capital ratio of 7.6 per cent and a capital adequacy ratio of 11.2 per cent at end-September 2003. Including 50 per cent of profits in the calculations would lift the ratios to 7.9 and 11.5 per cent respectively.

Prospects for the rest of the year

Developments in the third quarter were largely in line with expectations. Norwegian consumers were more optimistic with respect to economic developments in the third quarter. The international economic upturn appears to have started.

There are still strong growth indications in the Norwegian economy. Consumption growth is up, housing prices show a new rise, and credit growth is holding firm. Low price inflation and further interest rate cuts totalling 1.5 percentage points implemented by Norges Bank (the central bank of Norway) have spurred activity levels. The banking group thus expects growth to pick up in 2004. The proposed central government budget for 2004 will have an approximately neutral effect on economic activity.

Cost cuts and consolidation have helped improve profitability in the business sector. The weaker Norwegian krone has also ensured higher exports and manufacturing production, though labour market conditions have deteriorated. A further decline in employment in the manufacturing industry and significant overcapacity for commercial real estate are expected to dampen growth through the rest of the year.

Corporate credit demand is expected to remain sluggish in the fourth quarter of the year. The banking group keeps a close watch on developments and is highly aware of the challenges represented in certain parts of the business sector. Sound credit quality in the portfolios is given high priority.

The low interest rate levels will represent a challenge in future. Any further interest rate cuts could bring down net interest income and result in narrower deposit spreads. A large volume of deposits carries low interest rates, which cannot be adjusted further down. However, Norges Bank is not expected to implement further interest rate cuts. Towards end of October 2003, the banking group had deposits of around NOK 50 billion earning interest of 1 per cent or less.

Merger with Union Bank of Norway

In September 2003, the general meetings in Den norske Bank ASA and Union Bank of Norway ASA approved the merger plan between the two banks. Provided that the authorities approve the merger between the parent companies DnB Holding ASA and Gjensidige NOR ASA, the merger will be implemented in December 2003.

Business areas

Nordlandsbanken was incorporated in the banking group as of 1 January 2003. The bank will continue to operate as a separate legal entity. During the second quarter of the year, operations in Nordlandsbanken were coordinated with the banking group's established business areas, and some activities were transferred to Den norske Bank. To allow for comparison, however, Nordlandsbanken is still reported as a separate business area. Figures for the business area Nordlandsbanken deviate somewhat from the bank's official accounts due to the transfer of business volumes and a different basis for accrual.

Corporate Banking

Pre-tax operating profits before losses came to NOK 2 184 million, as against NOK 2 246 million in the year-earlier period. Profits for the corresponding period of 2002 included a significant reversal of interest income in connection with the repayment of a non-performing commitment.

All new lending in Corporate Banking targets customers with low credit risk. Lending policy is restrictive, and quality is given priority over growth. Due to the need for consolidation and a lower willingness to invest, there has been relatively low growth in corporate credits in 2003. In spite of this, the overall volume of loans and guarantees expanded by NOK 5.2 billion in the January through September period of 2003, of which NOK 2.5 billion represented loans. In addition, the business area arranged syndicated loans and commercial paper and bond issues for a total of NOK 70.9 billion. Portfolio risk is still considered satisfactory, although risk has risen somewhat due to the challenges facing the Norwegian business community. Deposits rose by NOK 5 billion or 5 per cent from December 2002.

Due to a significant decline in interest rate markets along with an increase in non-accruing commitments, it was difficult to maintain the level of net interest income. The first nine months of the year reflected the low level of activity within corporate finance along with the negative trend in the value of some bond investments. The strong focus on advisory services within foreign exchange and interest rate products resulted in a 29.4 per cent increase in income compared with the year-earlier period. Other operating income also showed a rise, primarily relating to higher guarantee commissions and increased income within payment and cash handling services.

Thanks to sound cost control, there was only a moderate rise in expenses from the corresponding period in 2002.

Net losses on loans and guarantees came to NOK 678 million for the first nine months of 2003. The fishing industry, and fish farming in particular, was troubled by weak profitability and low prices during the first half of the year, while the third quarter saw a positive price trend. The Norwegain export industry has operated under difficult economic parameters due to high interest levels and exchange rates. There has been a sharp decline in interest rates thus far in 2003, parallel to a weakening of the NOK exchange rate. Though the negative trend appears to be levelling off, certain sectors, especially fish farming, still represent a challenge. Individual companies in other sectors, e.g. manufacturing, shipbuilding, building and construction and commercial property, may also show signs of weakness and represent a challenge unless the economic recovery gains momentum.

Customer satisfaction shows a positive trend, and Corporate Banking has seen a steady influx of new customers. The Internet bank for corporate clients has improved functionality, and the product has received a positive response among clients.

Retail Banking

The business area recorded pre-tax operating profits before losses of NOK 873 million for the first three quarters of the year, an improvement of NOK 138 million from the corresponding period in 2002. Performance is considered satisfactory.

Lending was up NOK 12.9 billion, or 10.1 per cent, from the corresponding period in 2002, referring mainly to well-secured housing loans. There was brisk demand for fixed-interest loans

during the period. Growth in deposits stood at NOK 6.8 billion or 7 per cent. Net interest income was up NOK 104 million, mainly due to rising lending and deposit volumes. Reduced interest rate levels in 2003 caused a significant decline in income from margins on salary and current accounts.

Other operating income rose by 9.7 per cent compared with the year-earlier period. The increase referred primarily to payment services and the sale of guarantee-backed investment products. In addition, income on the sale of insurance products showed a healthy trend.

The cost/income ratio was brought down 2.5 percentage points from the year-earlier period, standing at 76.6 per cent for the first three quarters. Restructuring and efficiency measures resulted in a reduction of 126 full-time positions from September 2002 till September 2003.

Net loan losses were up NOK 51 million from the January through September period in 2002, totalling NOK 132 million. This represents 0.13 per cent of the loan portfolio on an annual basis. The volume of non-performing and doubtful commitments showed a minor increase in the third quarter, but was at a satisfactory level at the end of the quarter.

The number of customers enrolled in loyalty programmes continued to rise in the third quarter. For the DnB brand, the number of customers subscribing to loyalty programmes represented 32 per cent of the total customer portfolio at end-September. Postbanken Leve, a programme covering daily banking services, was launched in the first quarter. The product was very well received, and by end-September more than 106 000 agreements had been signed.

The Internet banks had around 636 000 active customers as at 30 September 2003, corresponding to a market share of 29 per cent of the retail market. Postbanken's Internet bank has the highest number of users in Norway. There has been a significant rise in the number of customers entering into agreements to receive notices via e-mail, including account statements. At end-September, 195 000 customers had entered into such agreements.

In line with market developments, sales of investment fund units were up in the third quarter. Good sales figures were achieved for the low-risk products DnB Kompass and Postbanken's Folkefond, which were launched in the second quarter.

DnB Markets

DnB Markets showed healthy performance in the third quarter, with high volatility in currency and interest rate markets ensuring continued brisk activity. Profits for the January through September period were the highest ever for the business area.

During the third quarter, DnB Markets opened a new trading desk in Bodø. Den norske Bank was also selected as primary dealer for Norwegian treasury bills. NOK was included in the currency settlement system CLS as of 8 September 2003, with Den norske Bank as the largest clearing bank for Norwegian kroner. The business magazine Global Finance ranked Den norske Bank as the best FX bank in Scandinavia.

Pre-tax operating profits were NOK 832 million for the January through September period, up NOK 139 million on the year-earlier period. Total income amounted to NOK 1 498 million, a rise of NOK 123 million. Income on customer trading rose by 11.5 per cent and earnings from market making and other trading by 7 per cent, while expenses were brought down 2.3 per cent compared with the January through September period in 2002. Return on equity stood at 53 per cent for the first three quarters of the year and the cost/income ratio at 44 per cent.

Income on customer business amounted to NOK 1 067 million for the January through September period, a rise of NOK 110 million from 2002. Income on customer business in foreign exchange and interest rate derivatives was up NOK 102 million to NOK 532 million. Significant movements in exchange rates and interest rates resulted in higher demand for foreign exchange and interest rate hedging products.

Customer-related revenues on the sale of securities and other investment products increased by NOK 8 million from the year-earlier period, to NOK 306 million. Lower Norwegian interest rate levels caused greater interest in alternative investment products. The third quarter saw increased equity sales and commission income. Den norske Bank reduced commissions on online equities trading.

Earnings on corporate finance services amounted to NOK 121 million for the first nine months of 2003, compared with NOK 120 million in the year-earlier period. In the third quarter, DnB Markets acted as bookrunner for the Norwegian government's retail offering of Telenor shares. Moreover, activity was brisk in the maritime sector. There was also a high level of activity in arranging bond issues, and DnB Markets arranged the media group Schibsted's first bond loan in the Norwegian market.

Income from custodial services totalled NOK 108 million, compared with NOK 110 million for the first three quarters of 2002. During the third quarter, registrar responsibilities in the Norwegian Central Securities Depository for Nordlandsbanken were transferred to DnB Markets. Den norske Bank launched the product VPKreditt, securities-backed loans for online securities trading.

Earnings from market making and other trading increased by NOK 25 million from the corresponding period last year, referring to trading in fixed-income instruments.

Nordlandsbanken

Operations taken over through the acquisition of Nordlandsbanken contributed NOK 242 million to the banking group's pre-tax profits before losses in the first three quarters of 2003. Profits are calculated for Nordlandsbanken's overall operations before integration with the banking group. Further, the figures are based on Den norske Bank's appraisal of values in the acquired operations and the principles for the presentation of business areas. Overall, these adjustments result in major deviations from Nordlandsbanken's own financial accounts.

Measures to realise cost synergies were pursued, including moving operations to common premises, establishing a joint infrastructure, centralising collateral functions and loan administration and outsourcing parts of credit production in the retail market to Den norske Bank. In the third quarter, Nordlandsbanken's credit organisation was strengthened through the appointment of employees with experience from Den norske Bank. In addition, Den norske Bank's credit policy and processes were implemented in Nordlandsbanken. High priority was given to securing values, especially within fish farming.

Net interest income amounted to NOK 401 million, and the combined interest spread was 3.1 per cent for the January through September period of 2003. Other income came to

NOK 109 million, while operating expenses amounted to NOK 268 million, giving a cost/income ratio of 52.5 per cent. The banking group's accounts for the first three quarters of the year were charged with NOK 318 million in loan losses on Nordlandsbanken's portfolio. As at 30 September 2003, Nordlandsbanken's net non-performing and doubtful commitments amounted to NOK 3.4 billion.

Average lending was NOK 22.9 billion in the first nine months of 2003, while average deposits came to NOK 8.8 billion. The ratio of deposits to lending was 38.2 per cent.

The market situation continues to represent strong challenges for some of Nordlandsbanken's customers. However, lower interest rate levels and price trends for salmon had a positive effect in the third quarter.

Oslo/Bergen, 29 October 2003
The Board of Directors of Den norske Bank ASA

Jannik Lindbæk
(chairman)

Anna-Synnøve Bye

Bent Pedersen
(vice-chairman)

Per Hoffmann

Torill Rambjør

Ketil A. Stene

Anne Carine Tanum

Svein Aaser

Profit and loss accounts

Den norske Bank Group

Amounts in NOK million	3rd quarter 2003	3rd quarter 2002	First three quarters 2003	First three quarters 2002	Full year 2002
Interest income	5 337	6 315	18 213	18 462	24 953
Interest expenses	3 252	4 166	11 891	12 153	16 444
Net interest income and credit commissions	**2 085**	**2 148**	**6 322**	**6 309**	**8 509**
Dividends	11	11	85	50	59
Commissions and fees receivable	903	822	2 627	2 690	3 533
Commissions and fees payable	344	352	1 024	1 100	1 409
Net gain on foreign exchange and financial instruments	365	84	970	364	605
Sundry ordinary operating income	199	165	576	504	669
Gains on the sale of fixed assets	6	1	8	233	260
Net other operating income	**1 141**	**732**	**3 242**	**2 741**	**3 717**
Salaries and other ordinary personnel expenses	967	902	2 854	2 666	3 556
Administrative expenses	595	510	1 739	1 654	2 218
Depreciation	105	97	320	292	380
Sundry ordinary operating expenses	242	240	818	854	1 118
Other expenses	14	49	56	88	231
Total operating expenses	**1 923**	**1 798**	**5 787**	**5 555**	**7 502**
Pre-tax operating profit before losses	**1 303**	**1 082**	**3 777**	**3 495**	**4 724**
Net losses on loans etc. (note 3)	177	154	1 104	115	478
Net gain/(loss) on long-term securities	(3)	(11)	185	(293)	(315)
Pre-tax operating profit	**1 123**	**917**	**2 857**	**3 087**	**3 932**
Taxes	292	273	562	797	980
Profit for the period	**831**	**645**	**2 296**	**2 290**	**2 953**
Earnings per share	1.07	0.83	2.95	2.94	3.79
Average total assets	440 884	377 985	436 010	376 985	377 778

Balance sheets

Den norske Bank Group

Amounts in NOK million	30 Sept. 2003	31 Dec. 2002	30 Sept. 2002
Assets			
Cash and deposits with central banks	14 282	19 130	5 698
Lending to and deposits with credit institutions	25 709	20 161	23 797
Gross lending to customers (note 4)	332 764	288 161	289 390
- Specified loan-loss provisions	(3 805)	(1 796)	(1 720)
- Unspecified loan-loss provisions	(2 319)	(2 115)	(2 115)
Net lending to customers (note 4)	326 641	284 249	285 554
Repossessed assets	739	399	101
Commercial paper and bonds	42 446	33 823	33 669
Shareholdings etc.	3 013	2 700	2 810
Investments in associated companies	819	695	731
Intangible assets	1 763	886	403
Fixed assets	2 550	2 259	2 343
Other assets	19 566	16 816	16 140
Prepayments and accrued income	3 784	3 316	3 237
Total assets	**441 313**	**384 436**	**374 483**
Liabilities and equity			
Loans and deposits from credit institutions	46 633	49 083	50 127
Deposits from customers	214 140	197 795	190 889
Securities issued	106 459	74 875	70 363
Other liabilities	27 147	26 396	21 472
Accrued expenses and prepaid revenues	6 664	2 403	6 745
Provisions for commitments	1 403	1 391	1 360
Subordinated loan capital	14 542	10 502	9 685
Share capital	7 787	7 787	7 787
Share premium reserve	3 244	3 244	3 244
Equity reserves	11 000	10 961	10 522
Profit for the period	2 296	-	2 290
Total liabilities and equity	**441 313**	**384 436**	**374 483**
Guarantee commitments	38 174	40 110	33 139

Profit and loss accounts

Den norske Bank ASA

Amounts in NOK million	3rd quarter 2003	3rd quarter 2002	First three quarters 2003	First three quarters 2002	Full year 2002
Interest expenses	4 742	5 932	15 999	17 611	23 852
Interest income	3 093	4 172	10 908	12 198	16 501
Net interest income and credit commissions	**1 649**	**1 760**	**5 092**	**5 413**	**7 351**
Dividends	13	4	50	74	87
Commissions and fees receivable	772	709	2 261	2 232	2 963
Commissions and fees payable	309	321	917	966	1 240
Net gain on foreign exchange and financial instruments	353	84	933	370	612
Sundry ordinary operating income	64	90	228	248	371
Gains on the sale of fixed assets	6	1	7	3	30
Net other operating income	**899**	**567**	**2 562**	**1 961**	**2 823**
Salaries and other ordinary personnel expenses	804	802	2 378	2 323	3 086
Administrative expenses	531	467	1 531	1 489	2 015
Depreciation	68	81	209	240	312
Sundry ordinary operating expenses	198	205	663	704	945
Other expenses	13	40	35	75	218
Total operating expenses	**1 615**	**1 595**	**4 817**	**4 831**	**6 575**
Pre-tax operating profit before losses	**933**	**732**	**2 837**	**2 542**	**3 600**
Net losses on loans etc. (note 3)	86	140	898	211	594
Net gain/(loss) on long-term securities	(3)	(11)	153	(67)	(85)
Pre-tax operating profit	**844**	**581**	**2 093**	**2 263**	**2 920**
Taxes	220	171	363	592	765
Profit for the period	**625**	**410**	**1 730**	**1 672**	**2 156**
Earnings per share	0.80	0.53	2.22	2.15	2.77
Average total assets	430 829	375 570	418 669	374 538	375 344

Balance sheets

Den norske Bank ASA

Amounts in NOK million	30 Sept. 2003	31 Dec. 2002	30 Sept. 2002
Assets			
Cash and deposits with central banks	13 920	19 130	5 698
Lending to and deposits with credit institutions	54 687	39 915	43 284
Gross lending to customers (note 4)	286 972	265 009	266 432
- Specified loan-loss provisions	(2 700)	(1 330)	(1 207)
- Unspecified loan-loss provisions	(2 047)	(2 047)	(2 047)
Net lending to customers (note 4)	282 225	261 632	263 178
Repossessed assets	431	380	81
Commercial paper and bonds	43 644	33 655	33 426
Shareholdings etc.	2 414	2 320	2 415
Investments in associated companies	237	189	220
Investments in subsidiaries	4 127	2 307	2 260
Intangible assets	685	658	171
Fixed assets	1 898	1 998	2 096
Other assets	19 108	16 604	16 001
Prepayments and accrued income	3 409	3 279	3 177
Total assets	**426 785**	**382 066**	**372 006**
Liabilities and equity			
Loans and deposits from credit institutions	48 057	49 979	51 009
Deposits from customers	207 207	198 469	191 569
Securities issued	101 165	74 875	70 363
Other liabilities	27 589	24 814	20 107
Accrued expenses and prepaid revenues	6 057	2 209	6 476
Provisions for commitments	1 287	1 352	1 280
Subordinated loan capital	13 842	10 502	9 685
Share capital	7 787	7 787	7 787
Share premium reserve	3 244	3 244	3 244
Equity reserves	8 821	8 837	8 816
Profit for the period	1 730	-	1 672
Total liabilities and equity	**426 785**	**382 066**	**372 006**
Guarantee commitments	36 941	39 663	32 693

Note 1 – Accounting principles

The third-quarter accounts are based on Norwegian accounting legislation, the accounting regulations issued by the Norwegian Banking, Insurance and Securities Commission, and Norwegian generally accepted accounting principles. A more detailed description of the bank's accounting principles can be found in note 1 to the accounts in the annual report for 2002.

Note 2 – Acquisition of Nordlandsbanken

On the basis of an invitation extended by the Board of Directors in Nordlandsbanken at the end of 2002, DnB presented an offer to acquire all shares in Nordlandsbanken ASA. The offer price was NOK 35 per share, representing a total of NOK 1 050 million.

In the accounts, the acquisition of Nordlandsbanken is treated according to the purchase method. To establish a basis for the accounting treatment, an analysis was carried out to identify market values above or below book values in the acquired operations and allocate these to the appropriate balance sheet items. Nordlandsbanken's balance sheet as at 31 December 2002 was used to identify approximate values on the transaction date. Based on assessments made in the first and second quarter the market value of the loan portfolio turned out to be NOK 244 million lower than book value. The volume of non-performing and doubtful commitments has been restated based on these assessments. The market value of long-term shareholdings exceeded book value by NOK 15 million. The part of the acquisition cost exceeding recorded equity after value adjustments, costs relating to the acquisition and restructuring provisions are recorded as goodwill in the Group's balance sheet. Goodwill relating to the acquisition will be amortised over ten years based on an analysis of values in the acquired operations as well as the significance of operations for the Den norske Bank Group.

Amounts in NOK million	**Den norske Bank Group**
Acquisition cost	1 050
Recorded equity in acquired operations as at 31 December 2002	754
Value adjustments	(229)
Acquisition cost exceeding recorded equity	525
Costs relating to the acquisition	10
Restructuring provisions	76
Deferred taxes	85
Recorded goodwill in the balance sheet of the acquired operations	4
Goodwill in the DnB Group on the acquisition date	531
Annual amortisation	53

Nordlandsbanken's accounts for 2002 reflected the special circumstances leading up to the acquisition by Den norske Bank. Pro forma accounts for Den norske Bank including Nordlandsbanken will thus not provide an appropriate basis for evaluating Nordlandsbanken's impact on the Group's future accounts. Pro forma accounts for previous periods have therefore not been prepared.

In the formal accounts, Nordlandsbanken has been included as from 1 January 2003, which approximates the implementation date for the acquisition.

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

					Den norske Bank Group
Amounts in NOK million	3rd quarter 2003	3rd quarter 2002	First three quarters 2003	2002	Full year 2002
Specification of net losses/(reversals)					
Write-offs [a)]	85	22	384	96	224
Increase in specified loan-loss provisions [b)]	60	36	280	169	180
New specified loan-loss provisions [b)]	181	133	795	308	652
Total new specified provisions	326	192	1 458	573	1 056
Reassessed specified provisions [b)]	105	(7)	219	219	257
Total specified provisions	221	199	1 239	354	799
Recoveries on commitments previously written off [c)]	44	44	135	239	321
Net losses/(reversals) on loans, guarantees etc. [1)]	**177**	**154**	**1 104**	**115**	**478**
Specification of changes					
Increase in/(reversals) on specified provisions [b) minus d)]	125	123	714	(15)	157
+ Write-offs covered by specified provisions made in previous years [d)]	11	53	142	273	418
+ Write-offs not covered by specified provisions made in previous years [a)]	85	22	384	96	224
- Recoveries on commitments previously written off [c)]	44	44	135	239	321
Net losses/(reversals) on loans, guarantees etc. [1)]	**177**	**154**	**1 104**	**115**	**478**
1) Of which net losses/(reversals) on guarantees	*(6)*	*20*	*4*	*4*	*35*

a)-d) Show connections and links between the items

					Den norske Bank ASA
Amounts in NOK million	3rd quarter 2003	3rd quarter 2002	First three quarters 2003	2002	Full year 2002
Specification of net losses/(reversals)					
Write-offs [a)]	63	11	335	77	205
Increase in specified loan-loss provisions [b)]	76	24	156	124	114
New specified loan-loss provisions [b)]	72	114	684	246	571
Total new specified provisions	212	149	1 174	447	889
Reassessed specified provisions [b)]	93	(23)	192	119	138
Total specified provisions	118	172	982	328	751
Recoveries on commitments previously written off [c)]	32	32	84	117	156
Net losses on loans, guarantees etc. [1)]	**87**	**140**	**898**	**211**	**594**
Specification of changes					
Increase in/(reversals) on specified provisions [b) minus d)]	53	162	516	143	346
+ Write-offs covered by specified provisions made in previous years [d)]	2	(1)	131	107	200
+ Write-offs not covered by specified provisions made in previous years [a)]	63	11	335	77	205
- Recoveries on commitments previously written off [c)]	32	32	84	117	156
Net losses on loans, guarantees etc. [1)]	**87**	**140**	**898**	**211**	**594**
1) Of which net losses/(reversals) on guarantees	*(6)*	*20*	*4*	*4*	*35*

a)-d) Show connections and links between the items

Note 4 – Non-performing and doubtful commitments

Den norske Bank Group				Den norske Bank ASA		
30 Sept. 2002	31 Dec. 2002	30 Sept. 2003	*Amounts in NOK million*	30 Sept. 2003	31 Dec. 2002	30 Sept. 2002
			Non-performing commitments			
3 139	3 162	7 983	Before specified provisions	5 114	2 513	2 426
1 783	1 707	4 831	After specified provisions	2 680	1 403	1 463
			Doubtful commitments			
1 171	1 339	2 466	Before specified provisions	1 037	1 048	822
734	873	1 715	After specified provisions	673	702	506

Note 5 – Capital adequacy

Den norske Bank Group				Den norske Bank ASA		
30 Sept. 2002	31 Dec. 2002	30 Sept. 2003	*Amounts in NOK million*	30 Sept. 2003	31 Dec. 2002	30 Sept. 2002
23 500	23 262	22 669	Core capital	21 485	21 423	22 076
29 621	30 419	33 629	Primary capital	31 578	28 258	27 825
283 369	287 204	326 036	Risk-weighted volume (NOK billion)	282 268	262 590	259 300
268 422	271 415	305 154	- of which banking portfolio	263 801	247 291	244 700
14 947	15 789	20 882	- of which trading portfolio	19 467	15 299	14 600
8.3	8.1	7.0	Core capital ratio (per cent)	7.6	8.2	8.5
10.5	10.6	10.3	Capital adequacy ratio (per cent)	11.2	10.7	10.7

Note 6 – Profit and balance sheet trends

Profit and loss accounts — **Den norske Bank Group**

Amounts in NOK million	3rd quarter 2003	2nd quarter 2003	1st quarter 2003	4th quarter 2002	3rd quarter 2002	2nd quarter 2002
Net interest income and credit commissions	**2 085**	**2 070**	**2 166**	**2 200**	**2 148**	**2 179**
Dividends	11	69	4	9	11	31
Commissions and fees receivable	903	885	839	843	822	945
Commissions and fees payable	344	336	343	309	352	389
Net gain on foreign exchange and financial instruments	365	374	231	241	84	60
Sundry ordinary operating income	199	202	175	165	165	189
Gains on the sale of fixed assets	6	0	1	28	1	228
Net other operating income	**1 141**	**1 194**	**908**	**976**	**732**	**1 065**
Salaries and other ordinary personnel expenses	967	949	938	890	902	869
Administrative expenses	595	567	577	563	510	573
Depreciation	105	106	109	87	97	96
Sundry ordinary operating expenses	242	305	271	263	240	323
Other expenses	14	18	24	142	49	38
Total operating expenses	**1 923**	**1 945**	**1 919**	**1 947**	**1 798**	**1 899**
Pre-tax operating profit before losses	**1 303**	**1 319**	**1 155**	**1 229**	**1 082**	**1 344**
Net losses on loans etc.	177	560	367	363	154	87
Net gain/(loss) on long-term securities	(3)	188	(1)	(21)	(11)	(282)
Pre-tax operating profit	**1 123**	**948**	**787**	**845**	**917**	**975**
Taxes	292	65	205	192	273	227
Profit for the period	**831**	**882**	**582**	**653**	**645**	**748**
Earnings per share	1.07	1.13	0.75	0.84	0.83	0.96
Average total assets	440 884	436 747	430 399	380 157	377 985	374 381

Balance sheets — **Den norske Bank Group**

Amounts in NOK million	30 Sept. 2003	30 June 2003	31 March 2003	31 Dec. 2002	30 Sept. 2002	30 June 2002
Assets						
Cash and deposits with central banks	14 282	10 685	29 580	19 130	5 698	10 615
Lending to and deposits with credit institutions	25 709	31 374	23 941	20 161	23 797	22 958
Net lending to customers	326 641	324 306	318 436	284 249	285 554	284 344
Repossessed assets	739	442	550	399	101	104
Commercial paper and bonds	42 446	38 373	34 022	33 823	33 669	34 602
Shareholdings etc.	3 013	2 862	3 131	2 700	2 810	3 197
Investments in associated companies	819	839	757	695	731	708
Other assets	27 664	26 657	22 953	23 278	22 123	20 009
Total assets	**441 313**	**435 538**	**433 369**	**384 436**	**374 483**	**376 538**
Liabilities and equity						
Loans and deposits from credit institutions	46 633	52 457	59 872	49 083	50 127	39 456
Deposits from customers	214 140	216 700	210 708	197 795	190 889	203 200
Securities issued	106 459	102 166	100 277	74 875	70 363	72 063
Other liabilities	35 214	27 426	26 119	30 190	29 578	28 888
Subordinated loan capital	14 542	13 266	13 794	10 502	9 685	9 741
Equity reserves	24 326	23 523	22 599	21 992	23 842	23 191
Total liabilities and equity	**441 313**	**435 538**	**433 369**	**384 436**	**374 483**	**376 538**

Note 6 – Profit and balance sheet trends (continued)

Profit and loss accounts **Den norske Bank ASA**

Amounts in NOK million	3rd quarter 2003	2nd quarter 2003	1st quarter 2003	4th quarter 2002	3rd quarter 2002	2nd quarter 2002
Net interest income and credit commissions	**1 649**	**1 686**	**1 757**	**1 939**	**1 760**	**1 925**
Dividends	13	34	4	13	4	64
Commissions and fees receivable	772	766	722	730	709	758
Commissions and fees payable	309	304	304	274	321	325
Net gain on foreign exchange and financial instruments	353	360	220	242	84	64
Sundry ordinary operating income	64	75	88	124	90	83
Gains on the sale of fixed assets	6	0	1	28	1	1
Net other operating income	**899**	**932**	**731**	**863**	**567**	**644**
Salaries and other ordinary personnel expenses	804	788	785	762	802	750
Administrative expenses	531	502	498	526	467	519
Depreciation	68	68	72	72	81	78
Sundry ordinary operating expenses	198	248	217	241	205	262
Other expenses	13	16	6	143	40	34
Total operating expenses	**1 615**	**1 623**	**1 579**	**1 744**	**1 595**	**1 643**
Pre-tax operating profit before losses	**933**	**995**	**909**	**1 058**	**732**	**926**
Net losses on loans etc.	86	460	352	383	140	97
Net gain/(loss) on long-term securities	(3)	156	0	(18)	(11)	(56)
Pre-tax operating profit	**844**	**691**	**558**	**657**	**581**	**773**
Taxes	220	(1)	145	173	171	193
Profit for the period	**625**	**692**	**413**	**484**	**410**	**580**
Earnings per share	0.80	0.89	0.53	0.62	0.53	0.74
Average total assets	430 829	424 854	400 324	377 762	375 570	371 846

Balance sheets **Den norske Bank ASA**

Amounts in NOK million	30 Sept. 2003	30 June 2003	31 March 2003	31 Dec. 2002	30 Sept. 2002	30 June 2002
Assets						
Cash and deposits with central banks	13 920	10 157	29 168	19 130	5 698	10 615
Lending to and deposits with credit institutions	54 687	62 047	43 987	39 915	43 284	42 559
Net lending to customers	282 225	280 195	270 777	261 632	263 178	261 885
Repossessed assets	431	220	218	380	81	87
Commercial paper and bonds	43 644	39 395	34 752	33 655	33 426	34 253
Shareholdings etc.	2 414	2 307	2 316	2 320	2 415	2 801
Investments in associated companies	237	237	188	189	220	220
Investments in subsidiaries	4 127	4 132	4 049	2 307	2 260	2 263
Other assets	25 100	23 106	20 217	22 539	21 445	19 313
Total assets	**426 785**	**421 797**	**405 672**	**382 066**	**372 006**	**373 996**
Liabilities and equity						
Loans and deposits from credit institutions	48 057	54 623	53 125	49 979	51 009	40 251
Deposits from customers	207 207	209 279	202 356	198 469	191 569	204 412
Securities issued	101 165	96 220	93 132	74 875	70 363	72 063
Other liabilities	34 933	28 143	23 690	28 375	27 862	26 430
Subordinated loan capital	13 842	12 566	13 094	10 502	9 685	9 741
Equity reserves	21 581	20 966	20 275	19 867	21 518	21 100
Total liabilities and equity	**426 785**	**421 797**	**405 672**	**382 066**	**372 006**	**373 996**

Den norske Bank