INTERIM REPORT

NordlandsBanken

3-2003

Nordlandsbanken hereby presents its consolidated and parent bank accounts for Q 3 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 parent bank's accounts include the figures for the Oslo Branch in Q1, as well as earnings derived from the commitments in the Oslo portfolio from 1 April up until such time as each individual contract has physically been moved to DnB. The impact of this on Q2 and Q3 results comes to MNOK 19.9 before tax. For accounting purposes, the former Oslo Branch will be completely phased out of Nordlandsbanken during Q4 2003.

The consolidated accounts include the parent bank and the wholly-owned subsidiary Det Nord-Norske Investeringsselskap AS.

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 Group

Income statement

The Group had a deficit after losses and tax of MNOK 86.8 at the close of Q3 2003, compared with a profit of MNOK 162.8 a year earlier. The result was heavily impacted by book losses of MNOK 311.1. Of that amount, MNOK 138 is attributable to losses incurred by Nordlandsbanken's Oslo Branch and approximately MNOK 90 to Q2 losses in connection with 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.

The consolidated operating profit before lending losses came to MNOK 175.3 in Q3 2003. Annualised, the result of operations was equivalent to 0.81 per cent of average total assets, compared with 1.55 per cent in Q3 2002. The decline in the operating result is primarily attributable to a lower net interest margin resulting from considerable loan loss provisions, lower non-interest operating revenues and a provision of MNOK 31 for accounting purposes to co-ordinate the Bank's activities with DnB during the early half of 2003.

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 NOK 5.6 billion, or 18.2 per cent, from Q3 2002 to Q3 2003. Thus far this year, the decrease has aggregated NOK 3.5 billion, or 12.1 per cent. The decline is primarily attributable to a reduction in gross lending due to the sale of the subsidiary Nord-Finans and the transfer of commitments from the Bank's Oslo Branch to DnB. Commitments are being transferred gradually from Nordlandsbanken's Oslo Branch to DnB, but all contracts are scheduled for transfer by year end. This will reduce Nordlandsbanken's balance sheet by just less than NOK 2 billion in Q4 2003. Gross lending, including remaining loans in Oslo, came to MNOK 22 034.3 at the close of Q3. Specified loss provisions came to MNOK 947.8, while general loss provisions totalled MNOK 144.0. This brought net lending to customers to MNOK 20 942.5.

Equity and subordinated loan capital

According to current rules, at 30 September 2003, the Group had a capital adequacy ratio of 8.79 per cent, up from 3.40 per cent at year-end 2002. At end-September, the total equity and subordinated loan capital included in the capital adequacy calculations came to MNOK 1 683.6, MNOK 1 059.1 of which was core capital. At the same date, the risk-weighted volume of lending came to MNOK 19 147.5.

Parent Bank

Income statement

The Parent Bank reported a deficit of MNOK 69.4 after losses and tax at 30 September 2003. Earnings per share came to - NOK 1.39 at 30 September 2003, compared with NOK 5.46 at 30 September 2002 when the Bank had a profit of MNOK 162.8. The return on equity was -6.68 per cent at the end of Q3 2003, compared with 13.30 per cent in Q3 2002.

Before provisions for losses, the Q3 2003 operating profit amounted to MNOK 176.9, a decline of MNOK 161.9 compared with Q3 2002. The operating profit was equivalent to 0.81 per cent of average total assets in Q3 2003, compared with 1.54 per cent in Q3 2002, and 1.39 per cent for 2002 as a whole.

Net interest income

Net interest income and fees on loans came to MNOK 368.3 at end-quarter, down MNOK 124.7 from Q3 2002. In terms of average total assets, net interest income was 1.70 per cent, compared with 2.24 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 71.8 at the end of Q3 2003. During the comparable months of 2002, the figure was MNOK 87.4, denoting a decline of MNOK 15.6 compared with 2002. The downturn 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 12.4, an increase of MNOK 12.4 from Q3 2002. Of that amount, gains on shares and securities totalled MNOK 1.3, while gains on currency trading came to MNOK 11.0. Other non-interest income aggregated MNOK 5.4 at the end of Q3 2003. This was a decline of MNOK 15.4 compared with the corresponding months of 2002, largely as a result of one-off income earned in 2002.

Non-interest expenses

Total non-interest expenses added up to MNOK 263.2 at 30 September 2003, compared with MNOK 241.6 in Q3 2002. This translated into an increase of MNOK 21.6, or 9 per cent, from 2002. One-off expenses linked to co-ordinating activities with DnB accounted for roughly MNOK 6.2 of the MNOK 21.6 increase. Moreover, in Q2 2003 Nordlandsbanken set aside a provision for accounting purposes totalling MNOK 31 for further expenses that will accrue in connection with reorganisation and co-ordination with the DnB Group. Expenses were equivalent to 1.21 per cent of average total assets at 30 September 2003, compared with 1.10 per cent at the same date in 2002.

At 30 September 2003, payroll and general administrative expenses added up to MNOK 103.4, down MNOK 14.9 from the corresponding date last year. The decline is primarily attributable to staff downsizing. General administrative expenses added up to MNOK 69.1 in Q3 2003, compared with MNOK 65.2 during the same months last year. The increase is in its entirety ascribable to one-off expenses.

The staff accounted for 287.5 man-years of labour at 30 September 2003, compared with 349.3 man-years a year earlier. The reduction is generally a result of the transfer of the Oslo Branch employees to DnB as from 1 April this year.

Other non-interest expenses, including depreciation, totalled MNOK 69.9, compared with MNOK 37.8 at 30 September 2002. The entire increase is ascribable to provisions and one-off expenses.

Overall year-to-date expenses were equivalent to 59.8 per cent of total revenues. The comparable figure for the same months of 2002 was 41.6 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 52.8 per cent for Q3 2003, compared with 41.6 per cent a year earlier.

Losses on loans and guarantees

At end-September, a total of MNOK 399.0 had been booked as charge-offs and specified losses on loans and guarantees. A breakdown of the lending losses shows MNOK 55.5 on the retail market and MNOK 342.9 on the corporate market. MNOK 138.0 of the corporate losses were incurred by the Oslo Branch. Meanwhile, 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 1 April 2003. Thus far this year, MNOK 1.5 has been paid in on previously written off losses and MNOK 36.4 has been written back on previously specified loss provisions. Consequently, the Bank's net book losses totalled MNOK 311.1 at the end of the third quarter. This represents an increase of MNOK 197.9 from 30 September 2002.

Defaulted loans

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

Amounts in MNOK	30 Sept 03	30 Sept 02	31 Dec 02
Gross defaulted loans	2 207.6	582.7	1 602.4
Accumulated specified loss provisions	644.3	110.2	830.9
Net defaulted loans	1 563.3	472.5	771.6
Assets acquired by default	285.9	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 303.5 were made to cover not yet defaulted commitments, compared with MNOK 30.4 during the same quarter of 2002.

Balance sheet

The Bank's total assets under management aggregated MNOK 25 458.7 at the end of Q3 2003. This marks a decrease of MNOK 3 406.9 or 11.8 per cent since year-end 2002. The reduction is due to the transfer of commitments from Nordlandsbanken's Oslo Branch to DnB.

Net lending to and claims on customers, less specified and general loan loss provisions, totalled MNOK 21 087.1. This entails a decrease of MNOK 2 411.8, or 10.2 per cent, since year end. During the same period, investments in interest-bearing securities, assessed at market value, increased by MNOK 182.6 to MNOK 1 777.8, while investments in shares, assessed on the basis of the lowest value principle, declined by MNOK 135.5 to MNOK 355.1.

Debt to financial institutions came to MNOK 6 297.6 at 30 September 2003, down MNOK 73.3 from year end.

Deposits from and debt to customers came to MNOK 8 152.9 at the end of Q3, a decrease of MNOK 1 079.0 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 through the issue of bond loans have decreased by MNOK 492.3 since year end and totalled MNOK 8 304.0 at the close of Q3 2003. Nordlandsbanken's commercial paper was reduced by MNOK 2 398.9 during the year and is thus no longer a source of funding for the Bank.

Equity and capital adequacy

According to current rules, at 30 September 2003, Nordlandsbanken had a consolidated capital adequacy ratio of 8.81 per cent, compared with 3.51 per cent at year-end 2002. At the close of Q3 2002, the capital adequacy ratio was 9.58 per cent.

At 30 September 2003, the total equity and subordinated capital counted towards the Parent Bank's capital adequacy came to MNOK 1 686.0, MNOK 1 060.7 of which was core capital. At the same date, the risk-weighted volume of lending came to MNOK 19 132.6.

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 being phased out for accounting purposes in Q4, however, the calculated asset base will be reduced by yet another NOK 1.5 to 2 billion. Had this been done as at 30 September 2003, it would have raised the capital adequacy figure by 0.75 to 1.00 percentage point.

Main capital adequacy figures

Amounts in MNOK	30 Sept 2003	(%)	30 Sept 2002	(%)
Core capital	1 060.7	5.54	1 561.9	6.67
Supplementary capital	630.4	3.29	700.0	2.99
Deductions	5.1	0.03	18.6	0.08
Total equity and subordinated capital	1 686.0		2 243.3	
Total risk-weighted volume	19 132.6		23 422.5	
Capital adequacy		8.81		9.58

The time-limited subordinated loan capital counted towards the capital adequacy requirement totalled MNOK 530.6. The Bank also 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 parts of the export industry 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. In the fish-farming industry, higher salmon prices have eased the situation somewhat, but there is still a long way to go before the situation can be described as being back to normal.

Nordlandsbanken has noted weaker trends in the real estate market in towns and cities, with declining rentals and a lower occupancy 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.

In addition to the above, there is cause for concern about the economic impact an increase in employers' contributions to social security will have for an industry already operating on such small margins. It will be a formidable challenge for industry in northern Norway to adapt to a new, higher level of costs. There may be reason to fear dismissals and, in the worst case, bankruptcies, unless compensation is provided to offset the increase in the employers' contribution.

All in all, this means that Nordlandsbanken will focus on its lending portfolio and on following up exposed commitments in the months ahead.

There is, however, buoyant activity in Nordlandsbanken's market and the Bank has good access to new commitments. There are bright spots on the horizon, despite today's difficult situation. Nordlandsbanken is experiencing a satisfactory market trend, as witnessed by continued lending growth. This applies to the retail market in particular, although the corporate market also enjoyed a favourable trend in Q3.

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.

Income Statement

The Parent Bank At 30 Sept 2003	At 30 Sept 2002	Q3 2003	Q3 2002	2002	MNOK	The Group At 30 Sept 2003	At 30 Sept 2002	Q3 2003	Q3 2002	2002
1 519.8	1 939.8	398.8	692.8	2 648.4	Interest income and fees on loans	1 512.0	1 951.2	396.2	695.3	2 662.8
(1 151.5)	(1 446.8)	(280.4)	(517.4)	(2 005.4)	Interest expenses	(1 151.5)	(1 448.7)	(280.4)	(515.1)	(2 006.7)
368.3	**493.0**	**118.4**	**175.4**	**643.0**	**Net interest income and fees on loans**	**360.5**	**502.5**	**115.8**	**180.2**	**656.1**
6.6	12.5	0.0	(1.2)	17.3	Dividends and earnings on variable-yield securities	6.6	10.1	0.0	0.2	14.7
64.6	73.8	22.3	26.7	99.0	Commission income and income on bank services	64.6	77.8	19.8	28.1	104.6
(17.2)	(19.7)	(5.8)	(6.9)	(25.9)	Commission expenses and cost of bank services	(17.2)	(20.2)	(5.5)	(7.1)	(26.6)
12.4	0.0	(12.2)	(16.3)	34.0	Net trading gains on foreign exchange and securities	12.4	(0.1)	(12.2)	(16.4)	33.9
5.4	20.8	1.7	4.6	24.9	Other non-interest income	6.9	41.0	1.5	10.4	50.4
71.8	**87.4**	**6.0**	**6.9**	**149.3**	**Total other non-interest income**	**73.3**	**108.6**	**3.6**	**15.2**	**177.0**
(103.4)	(118.3)	(29.7)	(40.2)	(165.4)	Payroll and personnel expenses	(103.4)	(130.5)	(28.3)	(41.1)	(185.0)
(69.1)	(65.2)	(20.0)	(18.2)	(90.4)	General administrative expenses	(69.1)	(75.4)	(19.1)	(26.8)	(99.1)
(20.8)	(20.3)	(6.7)	(7.3)	(53.0)	Ordinary depreciation	(23.1)	(25.6)	(7.4)	(9.2)	(59.8)
(69.9)	(37.8)	(16.4)	(11.8)	(68.0)	Other non-interest expenses	(62.9)	(36.4)	(13.1)	(12.3)	(67.1)
(263.2)	**(241.6)**	**(72.8)**	**(77.5)**	**(376.8)**	**Total non-interest expenses**	**(258.5)**	**(267.9)**	**(67.9)**	**(89.4)**	**(411.0)**
176.9	**338.8**	**51.6**	**104.8**	**415.5**	**Operating profit before provisions for losses**	**175.3**	**343.2**	**51.5**	**106.0**	**422.1**
(311.1)	(113.2)	(43.4)	(44.1)	(1 618.8)	Losses on loans and guarantees, etc.	(311.1)	(116.0)	(43.5)	(45.1)	(1 624.1)
35.8	(2.8)	(1.6)	0.0	50.1	Gains/losses on long-term securities	20.0	(2.8)	0.0	0.0	50.1
(98.4)	**222.8**	**6.6**	**60.7**	**(1 153.2)**	**Operating profit after losses**	**(115.8)**	**224.4**	**8.0**	**60.9**	**(1 151.9)**
0.0	0.0	0.0	0.0	0.0	Minority interests	0.0	0.0	0.0	0.0	0.1
29.0	(60.0)	(2.0)	(16.0)	318.5	Tax	29.0	(61.6)	(2.0)	(16.2)	317.1
(69.4)	**162.8**	**4.6**	**44.7**	**(834.7)**	**Profit/loss for the fiscal year**	**(86.8)**	**162.8**	**6.0**	**44.7**	**(834.7)**

Balance Sheet

The Parent Bank At 30 Sept 2003	At 30 Sept 2002	2002	MNOK	The Group At 30 Sept 2003	At 30 Sept 2002	2002
			ASSETS			
362.5	418.0	714.7	Cash in and claims on central banks	362.5	418.0	714.7
659.0	1 667.7	1 110.7	Lending to and claims on credit institutions	659.0	1 035.8	394.7
21 087.1	25 024.8	23 498.8	Net lending to and claims on customers	20 942.5	25 625.5	24 176.8
285.9	74.7	60.9	Property acquired by default	285.9	74.7	60.9
1 777.8	2 052.0	1 595.2	Bonds and negotiable certificates	1 777.8	2 054.4	1 597.6
355.1	568.1	490.6	Shares	355.1	568.2	491.1
0.0	0.0	0.0	Equity in associated companies	0.0	0.0	0.0
14.9	88.8	89.0	Equity in Group companies	0.0	0.0	0.0
310.1	2.5	286.5	Intangible assets	311.6	2.1	290.0
257.8	298.6	276.2	Fixed assets	413.4	505.4	481.9
38.7	353.5	243.9	Other assets	39.8	362.7	261.0
309.8	490.9	499.1	Pre-payments and accrued earnings	307.9	480.3	507.7
25 458.7	**31 039.6**	**28 865.6**	**Total assets**	**25 455.5**	**31 127.1**	**28 976.4**
			LIABILITIES AND EQUITY			
			Liabilities			
6 297.6	6 669.0	6 370.9	Liabilities to credit institutions	6 297.6	6 679.0	6 389.4
8 152.9	9 728.5	9 231.9	Deposits from and debt to customers	8 152.9	9 721.4	9 228.0
0.0	3 354.0	2 398.9	Negotiable certificates and other short-term loans	0.0	3 354.0	2 398.9
8 304.0	7 879.5	8 796.3	Debenture debt and other long-term borrowing	8 304.0	7 879.5	8 796.3
130.7	196.3	119.2	Other liabilities	130.9	214.8	145.6
466.4	712.7	486.6	Accrued expenses and prepaid income	466.4	776.3	554.2
40.3	56.3	8.7	Provisions to cover commitments and costs	40.3	57.7	10.0
700.0	700.0	700.0	Subordinated loan capital	700.0	700.0	700.0
24 091.9	**29 296.3**	**28 112.5**	**Total liabilities**	**24 092.1**	**29 382.7**	**28 222.4**
			Equity			
0.0	0.0	0.0	Minority interests	0.0	1.1	0.9
1 436.2	1 580.5	753.1	Equity	1 450.2	1 580.5	753.1
(69.4)	162.8	0.0	Retained profits	(86.8)	162.8	0.0
1 366.8	**1 743.3**	**753.1**	**Total equity**	**1 363.4**	**1 744.4**	**754.0**
25 458.7	**31 039.6**	**28 865.6**	**Total liabilities and equity**	**25 455.5**	**31 127.1**	**28 976.4**

Bodø, 30 October 2003

Leif Teksum, Chairman — Petter Jansen, Deputy Chairman — Nikolai Stefanovic — Ingebjørg Glad Pedersen — Thor Andersen — Hilde Rolandsen — Hans Petter Horsgaard — Morten Støver, CEO

Key Figures

The Parent Bank At 30 Sept 2003	The Parent Bank At 30 Sept 2002	The Parent Bank 2002			The Group At 30 Sept 2003	The Group At 30 Sept 2002	The Group 2002
28 984.9	29 401.7	29 811.1	Average total assets	(MNOK)	28 981.8	29 489.2	29 922.0
(1.39)	5.46	(2.78)	Earnings per share	(NOK)	(1.74)	5.46	(2.78)
(6.68)	13.30	(71.54)	Return on equity	(%)	(8.34)	13.39	(71.54)
8.81	9.58	3.51	Capital adequacy	(%)	8.79	9.42	3.40

Equity note Parent Bank

NOK 1 000	Share capital	Undist. reserves	Valuation equalisation fund	Other equity	Total equity
Balance sheet at 1 January 2003	**375 062**	**136 615**	**16 853**	**224 528**	**753 058**
Result, year-to-date				(69 354)	(69 354)
Share issue	250 000	450 000			700 000
Dissolved valuation equalisation fund			(16 853)		(16 853)
Balance sheet at 30 September 2003	**625 062**	**586 615**	**0**	**155 175**	**1 366 852**

Equity note Group

NOK 1 000	Share capital	Undist. reserves	Other equity	Total equity
Balance sheet at 1 January 2003	**375 062**	**136 615**	**241 381**	**753 058**
Result, year-to-date			(86 776)	(86 776)
Share issue	250 000	450 000		700 000
Translation differences subsidiaries			(2 852)	(2 852)
Balance sheet at 30 September 2003	**625 062**	**586 615**	**151 753**	**1 363 430**

Excerpts from the quarterly accounts:

Net consolidated profit

MNOK	Q3 2003	Q2 2003	Q1 2003	Q4 2002	Q3 2002
Net interest income and fees on loans	115.8	120.2	124.5	153.6	180.2
Other non-interest income	3.6	35.8	33.9	68.4	15.2
Net non-interest income	119.4	156.0	158.4	222.0	195.4
Wages and general administrative expenses	(47.4)	(54.6)	(70.5)	(78.1)	(67.9)
Other non-interest expenses	(20.5)	(42.9)	(22.6)	(64.9)	(21.5)
Result of operations prior to losses and write-downs	51.5	58.5	65.3	79.0	106.0
Net losses on loans and gain/loss on securities	(43.5)	(125.6)	(104.6)	(1 455.2)	(45.1)
Profit on ordinary operations before tax	**8.0**	**(67.1)**	**(39.3)**	**(1 376.2)**	**60.9**

Consolidated balance sheet

MNOK	Q3 2003	Q2 2003	Q1 2003	Q4 2002	Q3 2002
Net lending to customers	20 942.5	21 908.7	23 394.2	24 176.8	25 625.5
Deposits from customers	8 152.9	7 519.9	9 046.4	9 228.0	9 721.4
Average total assets this quarter	25 612.3	29 703.8	28 531.4	31 218.6	30 315.3

Key consolidated figures (annualised)

All figures as a percentage of average total assets	Q3 2003	Q2 2003	Q1 2003	Q4 2002	Q3 2002
Net interest margin	1.81	1.62	1.75	1.97	2.38
Other non-interest income	0.06	0.48	0.48	0.88	0.20
Wages and general administrative expenses	0.74	0.74	0.99	1.00	0.90
Other non-interest expenses *)	0.32	0.58	0.32	0.83	0.28
Losses on loans	0.68	1.69	1.47	18.65	0.60
EBT (earnings before tax)	0.12	(0.90)	(0.55)	(17.63)	0.80

*) Includes, for accounting purposes, a provision totalling MNOK 31 in Q2 2003.

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