Annual report 2003

DnB NOR

The Group's annual report has been approved by the Board of Directors in the original Norwegian version. This is an English translation.

Shareholders registered as owners in DnB NOR ASA with the Norwegian Central Securities Depository (VPS) can now receive annual reports electronically instead of by regular mail. For more information, please contact your VPS registrar or go directly to www.vps.no/erapport.html.

Contents

This is DnB NOR

DnB NOR ASA is Norway's largest financial services group, with combined total assets of around NOK 1 200 billion. The Group has more than 2 million retail customers, around 150 000 corporate customers and more than 700 000 life insurance customers. DnB NOR's operations are based on more than 180 years' experience as a supplier of financial services in Norway.

Goals

DnB NOR aims to be the leading financial services group in Norway and among the leading financial services groups in the Nordic region.

DnB NOR's overriding financial targets include creating shareholder value through an attractive and competitive return and distributing approximately 50 per cent of profits as dividends provided that capital adequacy remains at a satisfactory level. Moreover, the Group aims to have a return on equity in excess of 14 per cent before goodwill amortisation, a core capital ratio of around 7 per cent and an AA level rating for ordinary long-term debt for banking operations.

Strategy

DnB NOR will create value for shareholders, customers, employees and other stakeholders by realising identified synergies, creating new solutions in the merged group and exploiting the opportunity for strategic repositioning provided by the merger.

DnB NOR will be the best financial partner for Norwegian retail and corporate customers and the preferred partner in Norway for international customers. The Group will develop its customer base and attractive product platforms in the home market which can also serve as a basis for growth in a Nordic and international perspective. In addition, DnB NOR will maintain a leading position in all strategic product areas.

Market leader

DnB NOR is market leader in Norway within lending, deposits, life and pension insurance, equity funds, asset management and securities operations. The Group has a leading position in Norway within real estate broking and the provision of credit cards. DnB NOR is an important partner for Norwegian businesses abroad and large international companies in Norway. The Group is Norway's leading foreign exchange bank and one of the world's foremost shipping banks. Among the strong brands included in the Group are DnB NOR, Vital, Nordlandsbanken, Cresco, Postbanken, Avanse and Carlson.

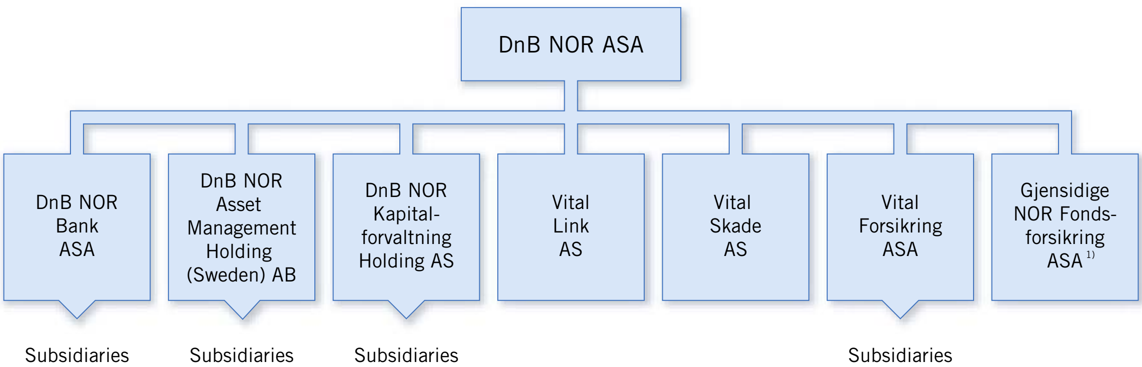
Represented throughout Norway – and abroad

After the completion of the merger in the course of 2004, DnB NOR will have 215 bank branches. The Group has a long-term cooperation agreement with Gjensidige NOR Forsikring, which among other things enables the bank to offer customers simple non-life insurance products. Cooperation with 16 regional savings banks involves the provision of technological solutions and distribution of the Group's products. Through an agreement with Norway Post, the Group's products and services are distributed through around 300 post offices, some 1 200 in-store postal outlets and more than 2 000 rural postmen. In addition, DnB NOR has an international network of 13 branches and representative offices, along with subsidiaries in Sweden, Luxembourg, Great Britain, Singapore and the US.

Legal structure

DnB NOR ASA was established on 4 December 2003 through the merger of DnB Holding ASA and Gjensidige NOR ASA. Den norske Bank ASA and Union Bank of Norway ASA merged on 19 January 2004, and Vital Forsikring ASA and Gjensidige NOR Spareforsikring ASA merged on 9 March 2004. A number of other group subsidiaries will merge during the course of 2004. Some companies will be sold.

The chart below illustrates the legal structure of the Group at end-March 2004.



1) To be sold

Key figures[1)]

Profit and loss accounts

Amounts in NOK million	2003	2002	2001	2000	1999
Net interest income	13 789	13 887	13 310	12 395	11 948
Net other ordinary operating income	8 279	5 619	7 341	7 800	6 704
Gains on the sale of fixed assets	23	39	30	15	43
Ordinary operating expenses	13 191	12 537	12 450	11 887	11 856
Other expenses	219	394	123	81	787
Pre-tax operating profit before losses	8 681	6 613	8 107	8 242	6 053
Net losses/(reversals) on loans, guarantees etc.	1 891	1 023	604	(26)	219
Net gain/(loss) on long-term securities	224	(316)	(100)	741	400
Pre-tax operating profit	7 014	5 274	7 404	9 009	6 233
Taxes	1 636	1 642	1 378	2 219	1 191
Profit for the year	5 378	3 632	6 026	6 790	5 042
Earnings per share (NOK)	4.11	2.77	4.59	5.15	3.83

Balance sheets

Amounts in NOK million	31 Dec. 2003	31 Dec. 2002	31 Dec. 2001	31 Dec. 2000	31 Dec. 1999
Total assets	705 677	638 357	594 242	556 123	514 053
Net lending to customers	557 503	488 217	469 640	430 096	391 376
Deposits from customers	335 576	317 598	300 980	275 447	264 247
Average total assets for the year	697 223	622 732	575 183	535 088	497 027

Key figures

	2003	2002	2001	2000	1999
Return on equity (%)	12.7	8.9	15.5	18.5	16.1
Dividends per share (NOK)	2.20	2.14	2.53	2.43	1.94
Core capital ratio (%)	6.8	7.1	7.1	6.3	6.3
Capital adequacy ratio (%)	9.8	9.9	10.0	9.6	9.4
Loan-loss ratio (%)	0.34	0.21	0.13	(0.01)	0.06
Combined interest rate spread (%)	2.62	2.77	2.75	2.91	3.19
Share price at year-end (NOK)	44.40	32.60	40.40	47.50	32.90
Recorded equity per share (in NOK, excl. allocated dividends)	32.18	30.32	29.74	27.34	27.98
Price/book value (excl. allocated dividends)	1.38	1.08	1.36	1.74	1.18

1) All figures have been prepared in accordance with the DnB NOR Group's accounting principles as at 31 December 2003. All figures represent the combined business of DnB and Gjensidige NOR (pro forma accounts). All figures prior to 2000 include operations in Postbanken (pro forma accounts). Asset management operations acquired from Skandia are included in the figures as from 1 June 2002 and Nordlandsbanken as from 1 January 2003.

Additional key figures and definitions can be found under "Financial analyses" on page 123. "Shareholders" on page 26 provides more key figures for the DnB NOR share.

Financial calendar 2004

First quarter:
6 May

Second quarter:
12 August

Third quarter:
28 October

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC

Annual General Meeting: 27 April

The Annual General Meeting of DnB NOR ASA will be held Tuesday, 27 April 2004 at 6 p.m. at the Hotel Bristol, Kristian IV's gt 7, Oslo, Norway.

Distribution of dividends: From mid-May

Ex-dividend date: 28 April

Establishment of the Group

On 4 December 2003, DnB Holding ASA and Gjensidige NOR ASA merged to establish Norway's largest financial services group, DnB NOR.

18 March 2003

Boards of Directors sign merger agreement

Following preliminary discussions and negotiations, the Boards of Directors in Gjensidige NOR ASA and DnB Holding ASA entered into a merger agreement.

1 April

Exchange ratio stipulated at 6.2 DnB shares plus NOK 43 per Gjensidige NOR share

To secure completion of the merger and in response to shareholder reactions, the Boards of Directors in the two groups reviewed the exchange ratio and decided to increase the cash consideration from NOK 23 to NOK 43 per share in Gjensidige NOR. The exchange ratio was maintained at 6.2 shares in DnB against one share in Gjensidige NOR. During April, DnB purchased 5 211 600 shares in Gjensidige NOR ASA to ensure approval of the merger. At the same time, large shareholders undertook to vote in favour of the merger.

19 May

Extraordinary General Meetings in both groups voted in favour of the merger proposal

The Extraordinary General Meetings in Gjensidige NOR and DnB both voted in favour of the proposal for a merger between the two groups with a large majority. In Gjensidige NOR, shareholders accounting for 85.55 per cent of the shares represented at the General Meeting voted in favour of the proposal, and 14.45 against. In DnB, 99.91 per cent voted in favour of and 0.09 per cent against the merger proposal.

20 May

Concession application sent to the Ministry of Finance

An application for a concession to merge and establish DnB NOR was sent to the Ministry of Finance, and the parties signalled their wish to enter into close dialogue with the authorities. The planning of the merger gained momentum in the organisations while operations were continued with full concentration on customers.

19 August

Competition Authority stated that it could decide against the merger

In its preliminary assessment, the Norwegian Competition Authority stated that the merger between DnB and Gjensidige NOR would significantly restrict competition and thus conflict with the pupose of the Norwegian Competition Act.

29 August

Kredittilsynet recommended the merger to the Ministry of Finance on certain conditions

Kredittilsynet (the Financial Supervisory Authority of Norway) sent its recommendation to the Ministry of Finance, suggesting that the two groups be granted a concession to merge and establish the financial services group DnB NOR, subject to certain conditions.

17 September

Gjensidige NOR and DnB responded to the Competition Authority's notification of 19 August

Gjensidige NOR and DnB presented a comprehensive response, indicating disagreement with a number of the Competition Authority's assessments.

7 November

Competition Authority approved merger subject to specific conditions

In its final statement, the Competition Authority stipulated a number of conditions for approving the merger between DnB Holding ASA and Gjensidige NOR ASA. The merger parties accepted the Competition Authority's solution. The conditions involved the sale of some subsidiaries and ownership interests, and the two companies found it possible to fulfil the conditions with no detriment to the industrial rationale for the merger.

28 November

Ministry of Finance granted a concession to establish the financial services group DnB NOR ASA

After the Ministry of Finance reached its decision, all formalities were in place for implementing the merger.

4 December

Gjensidige NOR ASA and DnB Holding ASA merged

The two holding companies Gjensidige NOR ASA and DnB Holding ASA merged, and DnB NOR ASA became a reality.

5 December

The DnB NOR share listed on Oslo Børs

The DnB NOR share was listed on Oslo Børs for the first time. The opening price was NOK 43.00.

19 January 2004

Bank merger implemented

The two banks Union Bank of Norway ASA and Den norske Bank ASA merged under the name DnB NOR Bank ASA.

9 March 2004

Life insurance companies merged

The two life insurance companies Vital Forsikring ASA and Gjensidige NOR Spareforsikring ASA merged. The name of the new entity is Vital Forsikring ASA.

The process of merging the asset management companies as well as other operations has continued according to plan after the establishment of DnB NOR ASA. The brand names Gjensidige NOR and DnB will operate side by side until the integration has been completed in the autumn of 2004.

A historic year

2003 will stand out as a historic year in the Norwegian financial services sector. While other Nordic countries emerged from the banking crisis in the early 1990s with large entities whose ambition soon became to expand in other countries in the region, various attempts to establish a Norwegian entity of a corresponding size failed – until 2003.

"We must seek to inspire innovation and creativity among our staff to ensure continued profit growth"

Nordlandsbanken was taken over by DnB early in 2003, while DnB Holding ASA and Gjensidige NOR ASA merged on 4 December 2003 to form DnB NOR. With a market capitalisation of NOK 58 billion, total combined assets of NOK 706 billion, NOK 1 192 billion in assets under management and NOK 42 billion in equity, Norway now has a financial services entity in the top Nordic division.

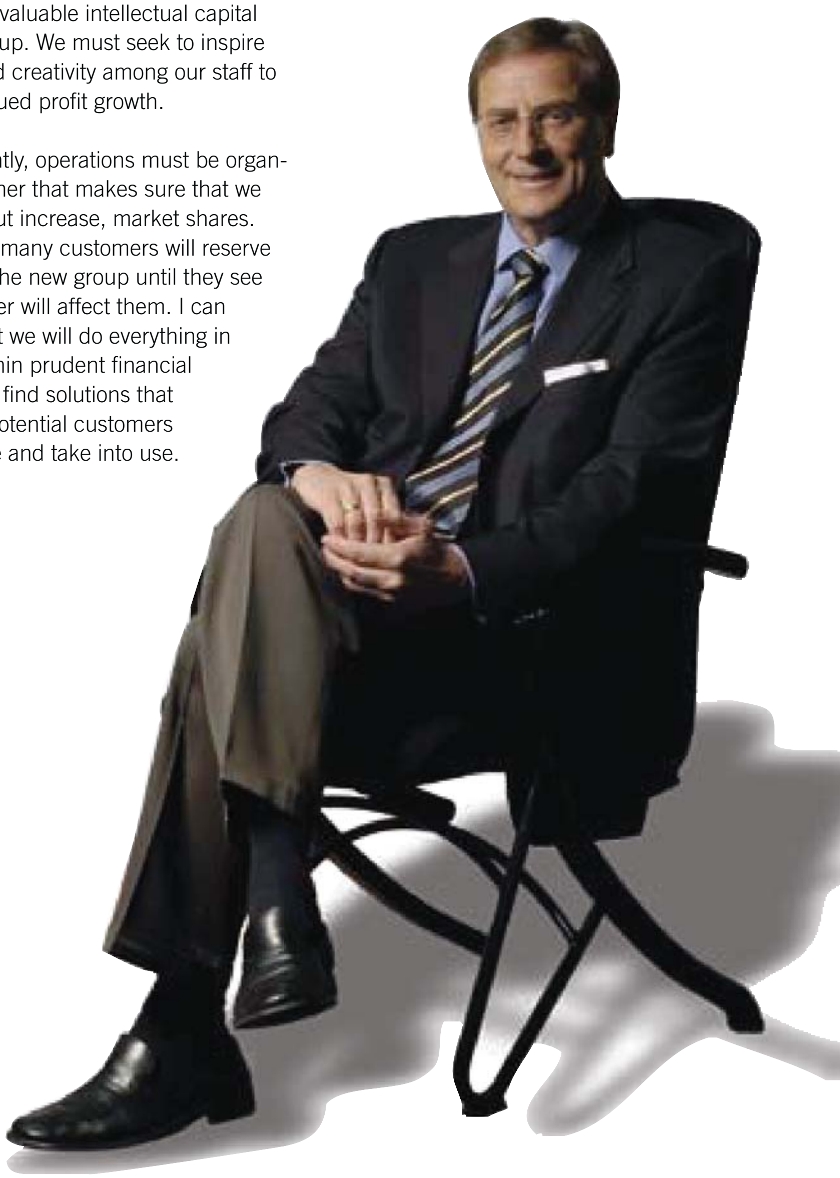
Large mergers often provoke opposition, which, of course, we also experienced during the merger process. I am, however, particularly gratified to note that we have had a much larger number of supporters than opponents. Let me point out some important factors:

- During the merger process, management experienced unique support from staff members committed to making a positive contribution to the development of DnB NOR. Naturally we had different points of departure and considerations, but our common goal has been to make the new group as dynamic as possible from day one. Special thanks should be given to the employee representatives, who have helped establish sound processes and a healthy team spirit from the very beginning.
- I would also like to commend the Norwegian authorities. Ever since the plan to establish DnB NOR was announced, the official Norway has demonstrated a positive attitude.
- Our owners gave their support to the merger plan by an overwhelming majority at Extraordinary General Meetings in May. Share price developments for Gjensidige NOR, DnB and DnB NOR during 2003 hardly give cause for regret. And I am certain that our owners will realise a competitive return in the coming years as well.

Integrating the country's former two largest financial services groups will take time. Getting two previously competing organisations to perform as a team represents a challenge, and we will have to go through substantial cost cuts and restructuring.

My job as group chief executive is to further develop the invaluable intellectual capital within the Group. We must seek to inspire innovation and creativity among our staff to ensure continued profit growth.

Most importantly, operations must be organised in a manner that makes sure that we do not lose, but increase, market shares. We know that many customers will reserve judgment on the new group until they see how the merger will affect them. I can guarantee that we will do everything in our power within prudent financial parameters to find solutions that existing and potential customers will appreciate and take into use.



Directors' report

All figures refer to total operations in the DnB NOR Group in 2002 and 2003 (pro forma accounting figures) unless otherwise stated. The figures have been prepared as if the merger took place on 1 January 2002.

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis.

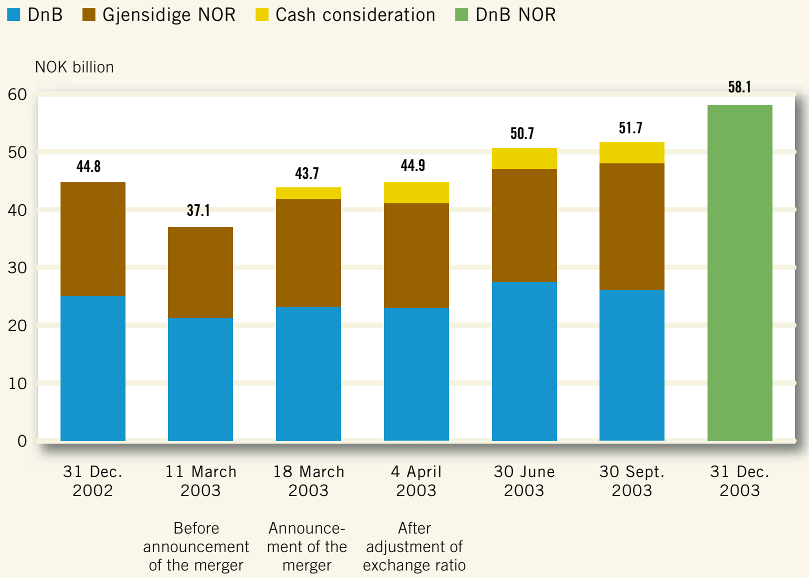
The establishment of DnB NOR

The Norwegian financial market has undergone substantial changes in recent years. What were previously delimited national markets have become Nordic or international markets. New technological solutions and changes in operating parameters for cross-border activities have contributed to fiercer competition in the financial sector. Customers' growing demand for new products and improved advisory services requires larger units with greater competence, and economies of scale within the financial services industry have become more evident. Large Nordic players benefit from their size in this new competitive climate, which is also true in the Norwegian market.

The Norwegian market is small in relative terms. Based on the current structure of the financial sector, Norwegian companies will gradually face more intense competition from international companies. In response to these challenges, the Boards of Directors in DnB Holding ASA and Gjensidige NOR ASA decided to merge and develop a new, strong and more competitive financial services group.

The Board of Directors is convinced that the Norwegian financial community needs a large financial institution where group management is localised, and decisions made, in Norway. A large Norwegian financial institution will secure Norwegian businesses access to funding in competition with other large Nordic market participants. The merger will provide considerable socio-economic gains, and in the long term, efficient operations are necessary to offer competitive terms and maintain high levels of profitability for the benefit of customers, shareholders and employees.

Market capitalisation on key dates



DnB NOR will focus mainly on the Norwegian market, though the Group will have the size and strength to permit expansion outside Norway in areas where the new Group has comparative advantages.

The merger of the two financial services groups will ensure significant synergies and a basis for profitable growth. A high market value and enhanced liquidity for the company's shares will help improve access to capital. This will strengthen competitiveness and combine a better return to shareholders with a more competitive offering to customers, as well as create a more secure workplace with greater opportunity for competence building. Over time, the new Group will secure jobs and help promote expertise in the Norwegian financial sector. Also, the size of the financial services group will reduce its financial vulnerability and contribute to a better relative pricing of the shares.

The merger process

On 18 March 2003, the Boards of Directors in Gjensidige NOR ASA and DnB Holding ASA entered into a merger agreement. At Extraordinary General Meetings on 19 May, shareholders in the two Groups approved the merger proposal with an overwhelming majority. Following close dialogue with the authorities, DnB Holding ASA and Gjensidige NOR ASA were granted a concession by the Ministry of Finance to merge and establish the financial services group DnB NOR ASA. The two holding companies Gjensidige NOR ASA and DnB Holding ASA merged on 4 December 2003, and the DnB NOR share was listed on Oslo Børs on 5 December.

Shareholder support

The basis for the merger between DnB and Gjensidige NOR was a merger of equals. The Boards of Directors in both groups considered the merger the best solution for shareholders, customers and employees. Still, some groups of shareholders voiced opposition to the merger as they believed other alternatives could provide greater returns. There was a change of attitude when the Boards of Directors, after new deliberations, agreed that the cash consideration should be increased from NOK 23 to NOK 43 per share while the exchange ratio should be maintained at 6.2 DnB shares.

In connection with the proposed new merger consideration, Stiftelsen Gjensidige NOR Sparebank (the Savings Bank Foundation) and Gjensidige NOR Forsikring undertook to vote in favour of the merger and not sell their shares to others over the next two years in the event that the merger was not approved. Large DnB shareholders giving their support to the merger proposal included the Government Bank Investment Fund and Fidelity Investments. In April, DnB acquired a large holding in Gjensidige NOR to ensure approval of the merger in the Extraordinary General Meetings on 19 May. DnB later sold these shares in the market, realising a gain of NOK 160 million, which reduced overall outlays and the estimated goodwill on the transaction.

Furthermore, the Savings Bank Foundation and the Government Bank Investment Fund entered into an agreement to harmonise their votes in matters of great significance for DnB NOR for a period up till October 2004. During the same period, the Norwegian government is expected to raise its holding to 34 per cent, as required by the Storting (Norwegian parliament).

Strategic cooperation agreements

DnB NOR will continue its long-term strategic cooperation with Gjensidige NOR Forsikring. The agreement will be subject to final negotiations in 2004 and will include targets and guidelines for mutual sales of the two groups' products.

16 regional and local savings banks have signed a cooperation agreement with DnB NOR. The agreement entails cooperation on IT solutions, product development and procurement, but not market cooperation. Gjensidige NOR had many years of experience in cooperating with savings banks, which has ensured all parties economies of scale and cost savings.

Processing of the concession

In a preliminary ruling presented on 19 August 2003, the Norwegian Competition Authority announced that it might decide to prohibit the merger. In the opinion of the Authority, the merger between DnB and Gjensidige NOR would significantly restrict competition and thus conflict with the intent of the Norwegian Competition Act. The merger parties disagreed with a number of the Competition Authority's assessments. In a comprehensive response to the Competition Authority's report, the merger parties presented their comments and a thorough analysis of the competitive aspects of and socio-economic efficiency gains resulting from the merger.

On 7 November 2003, the Competition Authority presented its final ruling, indicating approval of the merger subject to specific conditions, which involved the sale of some subsidiaries and ownership interests. The Competition Authority demanded that competitors be given the opportunity to take over the premises of bank branches and business centres scheduled to be closed. A further requirement was the sale of Aktiv Eiendomsmegling, Postbanken Eiendomsmegling, Elcon Finans and Gjensidig NOR Fondsforsikring. In addition, the agreements with Gjensidige NOR Forsikring and cooperating savings banks should not exclude these companies from distributing products for other suppliers.

The Board of Directors considered the requirements acceptable and believed that they could be fulfilled with no detriment to the industrial rationale for the merger.

The role of the authorities

The two groups entered into close dialogue with the authorities early on, and the Board has found the process orderly and constructive. The authorities showed willingness to prioritise the processing of the merger application, and in the opinion of the Board, the final merger terms provide a sound basis for operations.

Employee representatives

The Boards considered it important to maintain a close dialogue with the employee representatives throughout the process and greatly appreciated their support for the merger plans at such an early stage. After three years, the new group will have around 1 600 fewer employees than the combined groups prior to the merger. The employees received acceptance for legitimate demands during the process. The Board recognises that the staff reduction process may be difficult, but is convinced that, over time, the merger will ensure jobs.

Focus on operations during the merger process

The new group management team was formally established on the merger date, 4 December. Up till then, a working group consisting of DnB NOR's board chairman, group chief executive and the two deputy chief executive officers had overall responsibility for the merger process, both within the organisations and in discussions with the authorities.

Throughout the merger process, the two financial services groups operated as competitors.

Governing bodies

DnB NOR will ensure sound corporate governance through equal treatment of shareholders, compliance with laws, regulations and ethical standards and by facilitating the election of independent and qualified board members. DnB NOR's overall corporate governance system shall safeguard the interests of DnB NOR's shareholders, employees and other stakeholders. The Group generally meets the Norwegian standard for corporate governance, which has been endorsed by a number of the country's business organisations.

Practical implementation

The practical implementation of the merger will take time and will include the merging of group companies, job assignments, integration of IT systems and coordination of products, services, systems and routines. The market will thus not see a fully integrated DnB NOR until 2005. The Board emphasises the significance of giving proper attention to customer needs throughout this period to make sure that customers also see the merger in a positive light.

Guarantee Funds

A process is under way to merge the Commercial Banks' Guarantee Fund and the Savings Banks' Guarantee Fund. In its approval of the DnB NOR Bank merger, given on 19 December 2003, the Ministry of Finance stipulated certain conditions for approving the merger of the two banks, Den norske Bank ASA and Union Bank of Norway ASA, prior to the combination of the Guarantee Funds.

One of the conditions was that the Commercial Banks' Guarantee Fund be required to issue a guarantee to the Savings Banks' Guarantee Fund. In addition, Den norske Bank would have to issue a guarantee to the Savings Banks' Guarantee Fund corresponding to the increase in the Fund's liabilities resulting from the merger between the two banks. These conditions have been met, and the bank merger was implemented on 19 January 2004.

Strategy

DnB NOR is Norway's leading financial services group, and the Group's strong position among customers in Norway represents a foundation for future operations. At the same time, the Group's resources and size will enable it to expand outside Norway in areas where experience and competence gained from operations in Norway ensure competitive clout in a Nordic and international perspective. During the period from 2004 through 2006, the DnB NOR Group will realise major cost synergies resulting from the merger. This will be given high priority.

The work on developing and strengthening customer relationships is important. A flexible and well-developed distribution system, competent advice, cross-sales, product development and decentralised decision-making authority are instrumental in this process. DnB NOR has Norway's largest customer franchise and distribution network. The Group also offers all types of financial products and solutions. This provides a platform for becoming the market participant that best satisfies overall customer needs.

The Group will further develop a Nordic strategy within areas where it has competitive advantages based on, among other things, customer relations, product competence and industry expertise. The Group currently has a strong position within asset management in the Nordic region. The international strategy will also be further developed. The Group has a leading position within international shipping, along with a global presence and strong expertise in the energy and fisheries sectors. DnB NOR aims to be the preferred partner for international customers who conduct business in Norway within securities trading, international payments and securities services.

The new group has started the process of building a common corporate culture, which will result in a joint value base, core values and management principles. This work is closely linked to the development of the DnB NOR brand as well as the Group's other brand names. Together, these efforts form the pillars underpinning our commitment to organisational and management development. Motivated and competent managers and employees will be crucial to success in reaching group targets.

DnB NOR's financial targets aim to create shareholder value through a return on equity and increases in the share price which are competitive in a Nordic context.

This can be expressed through the following targets:

- Return on equity should be in excess of 14 per cent per annum after tax but before goodwill amortisation
- The core capital ratio should be around 7 per cent. DnB NOR envisages that roughly half the Group's profits should be distributed as dividends, provided that capital adequacy remains at a satisfactory level
- The banking operation's objective is an AA level rating for ordinary long-term debt

A process is under way to review the Group's strategy, which includes both creating a common culture and working out strategic priorities for the new Group. The reviewed strategy will be considered by the Board of Directors during the spring of 2004.

Operations in 2003

2003 was a year of brisk activity for DnB NOR. In spite of the strong impact of merger preparations, the primary focus was on ordinary operations and business as usual in all units. Customer relationships were given highest priority. The merged companies achieved progress in most market segments.

The global economy faced huge challenges at the beginning of the year. The weak international trend in 2002 continued through the first quarter of 2003. Fear of war in Iraq dampened the already weak level of economic activity. Companies concentrated on consolidating their financial position, unemployment rates were climbing and pessimism was on the rise in the household sector. Following the declaration of the end of the war in Iraq in April, however, uncertainty gradually abated and was replaced by growing confidence in the future.

Lower Norwegian interest levels and reduced interest rate differentials relative to other countries led to a lower NOK exchange rate versus most other currencies. This eased the debt burden for many companies and strengthened Norwegian companies' international competitive position.

In consequence of low interest levels, demand for housing loans was high throughout 2003. Early in the year prices on residential property showed a slight decline, though prices started to pick up in May. Joblessness was also down towards the end of 2003. The earlier downward trend in prices on commercial property levelled off at the end of the year, with clear signs of improvement in price levels.

Declining interest levels in Norway and abroad presented both opportunities and challenges for DnB NOR. The interest rate level in Norway dropped so low in 2003 that it was difficult to implement corresponding interest rate cuts on deposit accounts. As a consequence, banks' income on deposits declined. Further, reduced interest rate levels also led to a lower direct return on equity, though this was partly offset by lower funding costs on non-interest-earning assets.

After a number of years with falling global equity prices, the trend reversed in the second quarter of 2003. This led to greater interest in share investments and improved the earnings base for several of the business areas.

Operations within asset management showed strong progress in 2003. Higher values on assets under management due to rising share prices and a lower NOK rate helped boost earnings. Parallel to this, there was a major restructuring of operations, combining overlapping functions across geographical areas. This resulted in substantial cost reductions. The merger between Gjensidige NOR and DnB led to management changes at many levels, however this was handled without affecting operational efficiency.

DnB NOR recorded strong progress in the sale of services other than traditional lending and deposits in 2003, with appreciable growth in savings agreements and a rise in the number of payment transactions. The increase referred to electronic transactions, while the volume of manual transactions declined. Strong fluctuations in exchange rates and interest levels during the year led to a high level of activity within trading in foreign exchange and interest rate instruments. Customers showed strong interest in currency hedging.

Through measures initiated by the two merger partners in previous periods, along with measures launched in connection with the announced merger between Gjensidige NOR and DnB, total staff numbers were reduced by around 542 full-time positions in 2003. A hiring freeze was imposed in both groups at end-June 2003. The merger process has been administered by a special project in the form of an integration committee, where the employee representatives have played a major role in the quality assurance of the process. The Boards of Directors in the two merging groups followed the process closely, and the new Board will follow up in the same manner.

The improvement in the Norwegian and international economies, along with increased activity and investment willingness in the business sector, gave a noticeable reduction in the banks' losses and non-performing commitments towards the end of 2003. DnB NOR participated actively in the restructuring of parts of the Norwegian business sector during the year, particularly within fish farming. An improved balance was achieved between production and demand for farmed salmon, which had a positive impact on prices in the last part of 2003. Overall losses in 2003 approximated the normalised level, with a downward trend towards the end of the year.

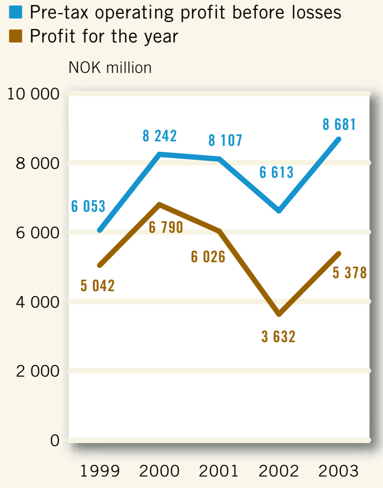
In the first quarter of 2003, Den norske Bank acquired Nordlandsbanken ASA after it encountered problems due to heavy loan losses towards the end of 2002. The integration into the Group started in March 2003. The takeover was more complicated than first assumed, largely because the crisis within fish farming caused greater losses than anticipated. It soon became clear that there was a need for fast integration and for adapting credit procedures in Nordlandsbanken to the Group's routines and practice. Credit expertise was transferred from DnB to Nordlandsbanken, and Nordlandsbanken's Oslo office was taken over by Den norske Bank. Following these changes Nordlandsbanken will concentrate operations around the local market in the county of Nordland.

In 2003, DnB NOR established a subsidiary in New York which will specialise in advisory services to the US market in areas where DnB NOR has special competence. In February 2004, a representative office was opened in Shanghai, and in April a branch will be opened in Helsinki which will primarily serve Norwegian corporate customers abroad.

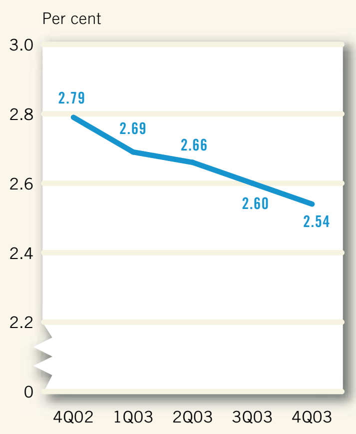
On a comparable basis the DnB NOR share showed a rise in total market capitalisation including dividends of NOK 19.1 billion or 44.7 per cent during 2003. At year-end, the share had a market capitalisation of NOK 58.1 billion, which represented 9.1 per cent of the total value of all companies on Oslo Børs. In January 2004, the DnB NOR share was the fourth most traded share on the exchange.

The Board of Directors in DnB NOR ASA held its first meeting on 4 December 2003.

Profit performance



Development in average interest rate spread [1)]



1) Combined average spread for lending and deposits.

By end-January three board meetings had been held. Items on the agenda included the code of ethics for DnB NOR and the appointment of the Group's audit committee. Following up merger activities will be an ongoing theme at board meetings in DnB NOR.

Substantial resources within the organisation were channelled into merger preparations in 2003. The Board wishes to thank each and every employee for outstanding efforts in a hectic year, which helped the merger process move ahead according to schedule.

Review of the annual accounts

The DnB NOR Group's official profits for 2003, which only include profits for DnB, totalled NOK 3 017 million. Corresponding profits for 2002 totalled NOK 2 334 million. The merger between DnB and Gjensidige NOR was implemented according to the purchase method effective as from 31 December 2003.

On a pro forma basis, the DnB NOR Group recorded profits after taxes of NOK 5 378 million in 2003, up from NOK 3 632 million in 2002. The pro forma figures reflect the combined operations of DnB and Gjensidige NOR as of 1 January 2002, while Nordlandsbanken is included only in the 2003 figures. Only pro forma accounts are analysed below.

Annual profits for 2003 for combined operations represented a return on equity excluding goodwill amortisation of 14.3 per cent, as against 10.2 per cent the previous year. Earnings per share came to NOK 4.61 and NOK 3.19 for the two years. After goodwill amortisation, return on equity was 12.7 per cent in 2003 and 8.9 per cent in 2002, while earnings per share stood at NOK 4.11 and NOK 2.77 respectively.

Income

Income totalled NOK 22 091 million, up 13 per cent from NOK 19 545 million in 2002. The increase mainly reflects the acquisition of Nordlandsbanken and a higher level of activity in the Group's business areas.

Net interest income was reduced by NOK 98 million from 2002 to 2003. The acquisition of Nordlandsbanken contributed to a NOK 451 million rise in interest income. Other growth in lending and deposits lifted interest income by a total of NOK 901 million, while narrower customer spreads gave a reduction of NOK 146 million. This can be ascribed to the significant reduction in money market rates through 2003 and pressure on deposit margins. On average, interest spreads narrowed by 0.18 percentage points from 2002 to 2003. The decline in the average USD rate also had a negative impact on net interest income in 2003 compared with 2002, corresponding to NOK 147 million. Other effects on net interest income, including a lower direct return on equity based on prevailing money market rates, along with higher net funding costs on non-performing loans, brought interest income down by a total of NOK 1 155 million.

Net other operating income amounted to NOK 8 302 million in 2003, an increase of NOK 2 644 million from 2002. The acquisition of Nordlandsbanken gave a NOK 119 million rise in income. Net profits from life insurance operations were up NOK 1 031 million compared with 2002, mainly due to improved returns on financial investments. Higher share prices gave NOK 530 million in higher gains on the bank's share investments. Trading in foreign exchange and interest rate instruments showed strong progress in 2003, mainly due to an increase in customer trading. Gains on trading in foreign exchange and interest rate derivatives rose by NOK 533 million, though the increase must be viewed in light of the NOK 260 million reduction in interest rate income on related balance sheet items.

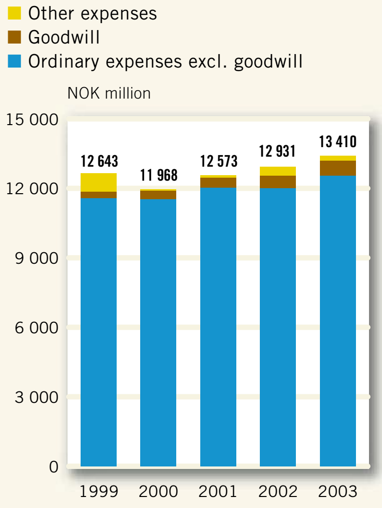
Rising market values on capital under management for customers, higher exchange rates and the acquisition of Skandia Asset Management as of 1 June 2002 gave a NOK 114 million increase in commission income on asset management operations from 2002 to 2003. Increased financial market activity ensured a NOK 102 million rise in income from advisory services and issue activity. Due to higher transaction volumes, income on payment transactions was up NOK 68 million. There was also a rise in income from real estate broking of NOK 65 million due to increased sales among the Group's broking companies. Brisker sales of insurance services and other financial services through the Group's Norwegian network provided a NOK 82 million boost in income.

Operating expenses

Operating expenses totalled NOK 13 410 million in 2003, an increase of NOK 479 million from 2002. The 3.7 per cent increase can be attributed to the acquisition of Nordlandsbanken's operations in 2003 and the annualised effect of the acquisition of Skandia Asset Management, which was taken over in June 2002. Together, the acquisitions represented a rise in costs of NOK 607 million, thus there was an underlying reduction in operating expenses of NOK 128 million. The cost/income ratio, representing total costs relative to income, was 57.9 per cent before goodwill amortisation in 2003, as against 63.6 per cent in 2002.

Ordinary operating expenses rose from NOK 12 537 million to NOK 13 191 million. Ordinary expenses represented 57 per cent of income in 2003, compared with 61.7 per cent the previous year. Stringent cost controls were implemented in both merging groups, while synergies relating to the merger were realised already in the 2003 accounts, partly due to the postponement of new recruitment and marketing measures.

Cost developments



Due to the acquisition of Skandia Asset Management, costs were up NOK 269 million in 2002 while the acquisition of Nordlandsbanken pushed up costs NOK 434 million in 2003.

Restructuring expenses, write-downs etc. totalled NOK 219 million in 2003, down from NOK 394 million in the previous year. This includes allocations to the employee funds of NOK 114 million in 2003, compared with NOK 46 million in 2002. Life Insurance and Pensions made additional allocations of NOK 8 million in 2003 and NOK 4 million in 2002.

In addition to the restructuring expenses charged to the accounts, provisions for restructuring measures of NOK 76 million were made directly in the balance sheet in connection with the acquisition of Nordlandsbanken and an additional NOK 930 million upon the merger between DnB and Gjensidige NOR. The latter provisions are expected to be increased by a further NOK 930 million which will be charged to the accounts once the Board of Directors has considered a complete restructuring plan. This plan will also include operations in DnB, which in the accounts represented the acquiring company in the merger.

Non-performing and doubtful commitments

Losses totalled NOK 1 891 million in 2003, compared with NOK 1 023 million in 2002. Losses in 2003 were in line with the normalised level over a business cycle. The increase from 2002 was due to a rise in new losses, especially on repossessed commitments in the fisheries, building and construction, services and manufacturing industries. DnB NOR was actively involved in the refinancing and restructuring of commitments in the fisheries industry in 2003.

Non-performing and doubtful commitments in the retail market were brought down by NOK 190 million during 2003. In the corporate market, there was an increase in non-performing and doubtful commitments in the fisheries sector, while volumes were scaled back in most other industries. Extensive efforts were devoted to securing values in connection with loss-exposed commitments. Non-performing, doubtful and repossessed commitments were reduced by a total of NOK 279 million in 2003. Unspecified loan-loss provisions remained unchanged in 2003.

Long-term investments in securities

Net gains on long-term investments in securities were NOK 224 million in 2003, compared with a net loss of NOK 316 million recorded in 2002. The investment in Storebrand was written down by NOK 468 million in 2002 and further reduced in 2003. In line with the concession terms set by Kredittilsynet, the DnB NOR Group has sold more Storebrand shares in 2004. At year-end 2003, the book value of the remaining investment was NOK 43.30 per share, which approximated the market price. The share price development for Storebrand through 2003 along with the sale of shares ensured sales gains and reversals on previous write-downs totalling NOK 209 million.

Taxes

The DnB NOR Group's tax charge for 2003 totalled NOK 1 636 million, representing 23 per cent of pre-tax operating profits. The tax charge for 2002 was NOK 1 642 million or 31 per cent of pre-tax operating profits.

Changes in the tax rate can largely be explained by variations in profit contributions from the life insurance companies Vital Forsikring and Gjensidige NOR Spareforsikring, which are presented in the group accounts according to the equity method. The main reason for the particularly low tax charge for 2003 was that the Central Tax Office for Large Companies accepted adjustments in the tax assessment for Den norske Bank ASA for previous years, which reduced the tax charge by a total of NOK 180 million.

The DnB NOR Group anticipates a normalised tax level of 27 per cent of operating profits before taxes in the future.

Lending and deposits

Total lending in the Group's balance sheet was NOK 557.5 billion at the end of 2003, up from NOK 488.2 billion a year earlier. Nordlandsbanken, which was acquired in the first quarter of 2003, added NOK 24 billion to the Group's lending volume. Underlying growth in lending for other operations was 8.8 per cent in 2003.

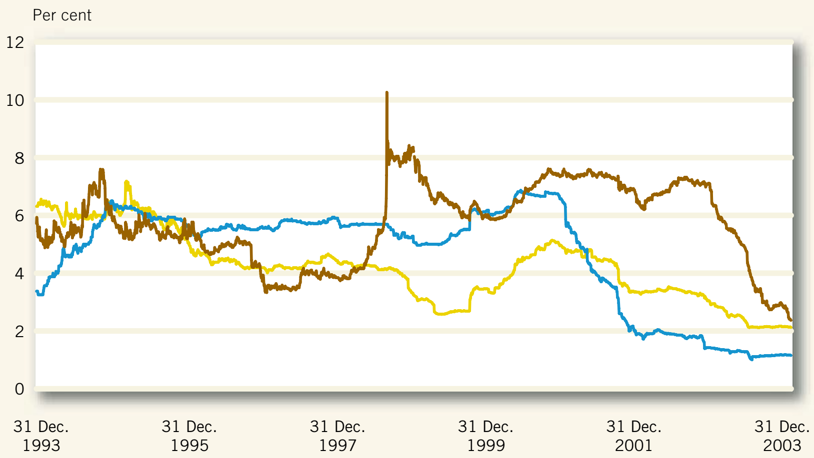
The combination of low credit demand and a restrictive lending policy gave a 2.2 per cent rise in lending in the corporate market in 2003. In the retail market, DnB NOR recorded lending growth of 15 per cent, of which close to 80 per cent represented residential mortgages. These mortgages totalled 87 per cent of DnB NOR's lending to the segment at the end of 2003.

Bank deposits rose from NOK 318 billion to NOK 336 billion in 2003, with NOK 9.2 billion stemming from the acquisition of Nordlandsbanken. The ratio of deposits to lending declined from 65.1 per cent to 60.2 per cent at the end of 2003. Low Norwegian deposit rates coupled with the stock market upturn has caused greater demand for alternative savings products at the expense of traditional bank deposits. A lower ratio of deposits to lending and the acquisition of operations increased the Group's need for alternative funding sources, and securities issued rose from NOK 139 billion to NOK 182 billion during 2003.

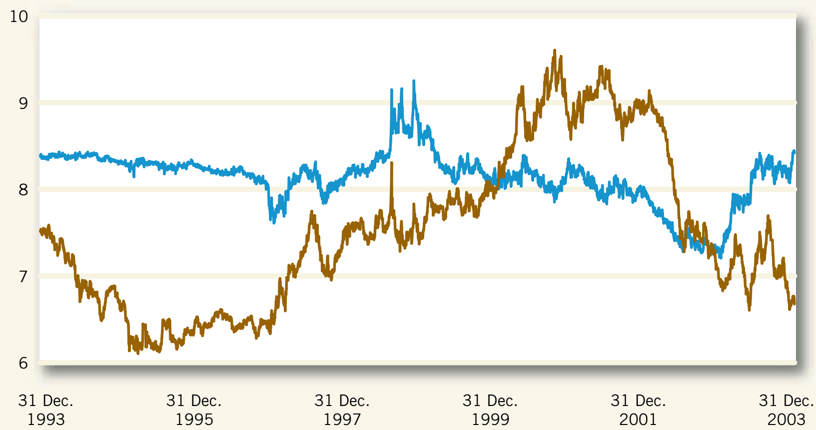
Assets under management

In addition to deposits in the balance sheet, the DnB NOR Group managed savings for customers in the form of investment funds, insurance policies etc. for a total of NOK 483 billion at the end of 2003. This represented an increase of NOK 71 billion during the year. Mutual fund investments were up NOK 73 billion, of which NOK 39 billion stemmed from rising share values and NOK 32 billion from an increase in the value of investments in foreign currency converted to Norwegian kroner. There was a net inflow of assets for investment of NOK 2 billion.

Norwegian and international interest rates



NOK exchange rate against the euro and the US dollar



Risk

2003 was characterised by strong fluctuations in interest rates, exchange rates and share prices. The number of bankruptcies was the highest since 1992. Thanks to its moderate risk profile and active risk management, DnB NOR came through the year without extraordinary losses or negative surprises. Credit losses were roughly at the normalised level, and though there were sizeable losses within certain sectors such as fish farming, other sectors, shipping for example, recorded very low losses or net reversals on previous loan-loss provisions. While industries exposed to international competition went through a difficult time in 2002 and 2003, other sectors of the Norwegian economy showed a stable trend. This was supported by government budget policy, where weaker tax revenues were offset by increased use of petroleum revenues. Norges Bank (the central bank of Norway) reduced key interest rates by as much as 4.25 percentage points in 2003, from 6.50 to 2.25 per cent. At end-December, Norwegian interest rates were at their lowest level since 1969. In the course of 2003, the Norwegian krone depreciated 15.4 per cent against the euro and 11.8 per cent against a trade-weighted currency basket. The low interest rate level and weaker Norwegian krone will have a positive impact on future competitiveness and debt servicing capacity in the corporate sector.

Housing prices climbed 1.8 per cent from 2002 to 2003, and lending growth in the retail market was brisk even before Norges Bank lowered interest rates. The extraordinary interest rate situation requires sound customer advisory services and a robust credit policy to meet the long-term interests of customers and the Group.

The merger between DnB and Gjensidige NOR has led to a further diversification in credit exposure. As the two groups had few major customers in common, large commitments constitute a markedly lower percentage of total exposure than in the former institutions. There is also less concentration in the commercial property, shipping and fisheries/fish farming sectors. The quality of the Group's credit portfolio is considered to be just as high as a year earlier, and normalised losses remain roughly unchanged at 0.31 per cent of net customer lending.

Operations within Life Insurance and Pensions reflected sound profit performance. After bottoming out in March, stock markets showed a strong and steady upturn. Along with rising bond values due to declining interest rates, this resulted in a value-adjusted return on capital of 11 per cent, including changes in unrealised gains on long-term securities. This provided the basis for building up buffer capital in the form of unrealised gains on securities and additional allocations, totalling NOK 7 339 for combined operations in Vital Forsikring and Gjensidige NOR Spareforsikring at the end of 2003. In the long term, however, the lower interest rate level will have a negative effect. For the owner, the risk relating to the base rate on life insurance policies is thus greater than earlier, in spite of the fact that the Ministry of Finance has decided that the maximum base rate for new entitlements as from 1 January 2004 under insurance contracts for group occupational pensions should be reduced from 4 to 3 per cent.

DnB NOR has set low risk limits in interest rate and currency markets, which has ensured moderate profit fluctuations. However, volatile markets have boosted income due to customers' increasing need for interest rate and foreign exchange products. DnB NOR's risk limits will be considerably lower than aggregate limits in the former DnB and Gjensidige NOR. Through the year, DnB NOR reduced its exposure in the equity market, and net equity investments in financial institutions were down by around NOK 870 million.

DnB NOR has experienced a high level of stability in funding markets, and rating agencies are positive to the merger. In 2004, the planned sale of Elcon Finans will reduce the funding requirement by just under NOK 30 billion parallel to an increase in the Group's capital adequacy.

During 2003, DnB recorded only minor operational losses. Much attention is given to the various types of operational risk associated with the completion of the merger. Experience gained during the merger process has been positive thus far, and planning and follow-ups have produced the intended results.

The core capital ratio of the DnB NOR Group at the end of 2003 was 6.8 per cent, with a core capital ratio of 7.2 per cent for the banking group. Excluding the book value of Elcon Finans, Gjensidige NOR Fondsforsikring and the real estate broking companies from the balance sheet would give a 0.3 percentage point rise in core capital for the Group and a 0.4 percentage point increase for the banking group. In the opinion of the Board of Directors, the Group is adequately capitalised considering the current risk situation and relative to the Group's risk profile and rating targets.

Business areas

Corporate Banking

Performance in DnB NOR Corporate Banking in 2003 reflected sound operations and cost control.

The integration with Nordlandsbanken continued through most of 2003. The portfolio was restructured and credit policies coordinated. The Shipping Division's new initiatives within maritime logistics developed favourably during 2003, and a new representative office was established in Shanghai. Corporate Banking registered a strong increase in demand for DnB NOR's Internet services in 2003. New card and cash handling solutions for customers in the Nordic region were established during the year.

Pre-tax operating profits before loan losses totalled NOK 4 855 million in 2003, compared with NOK 4 563 million in the previous year. In 2002, NOK 215 million in interest paid on a previously non-performing commitment was taken to income. Nordlandsbanken accounted for NOK 251 million of the rise in pre-tax profits before losses.

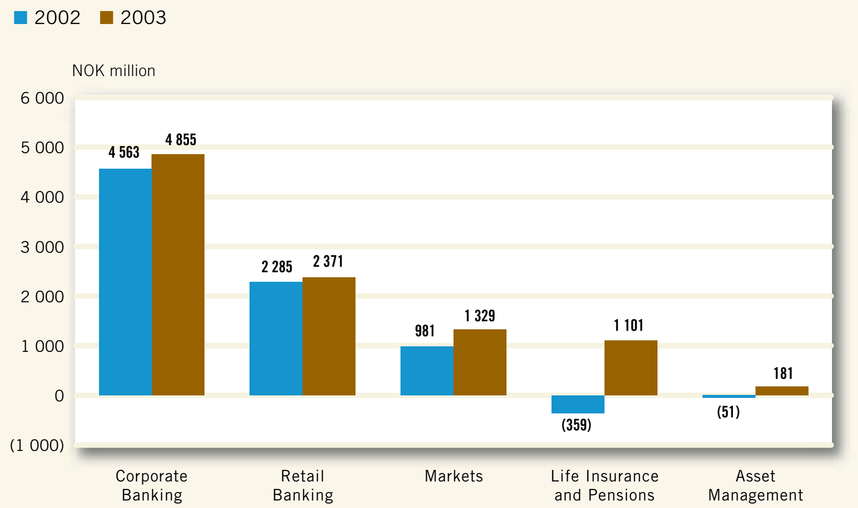
The slide in interest rates along with a rising volume of non-accruing loans contributed to the pressure on net interest income. There was a moderate level of activity within corporate finance, while greater interest in advisory services within foreign exchange and interest rate products lifted income 22 per cent.

Losses were relatively high in the first part of 2003, but showed a downward trend towards the end of the year. Credit growth was low in Norway in 2003 parallel to reduced willingness to invest in the business sector. Excluding Nordlandsbanken, loans and guarantees within Corporate Banking expanded by 3.2 per cent in 2003. Lending policy was restrictive, and quality and low risk was given priority over growth.

DnB NOR is one of the world's foremost shipping banks and leads the corporate market in Norway. Through the establishment of DnB NOR Markets Inc. in the US, the Group will expand its range of services to include investment banking services to international clients. Corporate Banking has a sound position among small and medium-sized companies in Norway and attracted a number of new customers in 2003. Among other things, the acquisition of Nordlandsbanken ensured increased access to corporate customers in the northernmost parts of the country.

A positive trend is expected in the Norwegian business community in 2004. Still, Corporate Banking will continue to pursue a restrictive lending policy. A new office will be opened in Helsinki in April 2004, which will supplement the offices in Stockholm and Copenhagen in the Nordic market. Internet banking solutions targeting corporate customers will be further developed in 2004, and the use of such services is expected to increase.

Business areas – pre-tax operating profit before losses



Retail Banking

Retail Banking recorded satisfactory overall profits in 2003, though repeated interest rate cuts put strong pressure on deposit margins in the second half of the year. Activity within the business area was brisk, and a number of new savings products were launched and well received in the market in 2003. Postbanken introduced the loyalty programme Postbanken Leve, an offer fulfilling customers' day-to-day banking needs at favourable terms, and a new and improved Internet portal was introduced.

The acquisition of Nordlandsbanken strengthened Retail Banking's position in the northern parts of the country. The process of integrating operations in Nordlandsbanken with the business area's other activities is well under way, including the introduction of joint credit procedures. Nordlandsbanken is not included in the pro forma figures for 2002 or in the financial analysis below.

Retail Banking achieved pre-tax operating profits before losses of NOK 2 371 million in 2002. Strong pressure on deposit spreads and the decrease in interest income on allocated capital due to lower interest levels put interest income on a level with 2002 in spite of good volume growth in both deposits and lending. Income on payment services, insurance products, commissions on sales of guarantee-backed savings products and loyalty programmes showed a positive trend. Due to good cost control, expenses in Retail Banking were up only 1.4 per cent from 2002 to 2003. Loan losses were moderate at NOK 283 million. The volume of doubtful and non-performing loans remained at a satisfactory level at year-end.

The market share for household deposits went down 0.5 percentage points to 37.4 per cent during 2003, while the market share within lending rose by 0.5 percentage points to 38.3 per cent.

The low interest rate level is expected to continue through 2004, and the strong credit demand will be upheld. The proposed pension reform is expected to increase demand for insurance and savings products. In 2004, Retail Banking will implement the first stage of the integration plan for the DnB NOR merger. The process of moving branch offices with geographical overlap into joint premises will start in the autumn of 2004.

Markets

DnB NOR Markets achieved its best results ever in 2003. Volatile currency and interest rate markets along with the positive trend in stock and credit markets led to increased activity and sound earnings. Strong fluctuations in the Norwegian krone rate triggered greater demand for currency hedging products, and interest rate cuts by Norges Bank gave an increase in customer requests for interest rate hedging products.

Demand for fixed-income securities rose in 2003. The decline in Norwegian interest rates also resulted in greater interest in alternative investment products such as real estate with sound long-term tenants. Lower interest rates and narrower credit spreads gave a further boost to activity in arranging bond issues in 2003.

The business area launched several new products and services during the year, including bank deposits linked to hedge funds and a number of Internet services.

Markets recorded pre-tax operating profits before losses of NOK 1 329 million, as against NOK 981 million in 2002. Income came to NOK 2 501 million, compared with NOK 2 146 million the year before. Activity within currency, interest rate and fixed-income trading in particular contributed to the rise in income. Expenses were up NOK 6 million as a result of the acquisition of Nordlansbanken and higher performance-based pay, while synergies realised through the DnB NOR merger totalled NOK 24 million in 2003. The cost/income ratio stood at a satisfactory 46.8 per cent.

The business area achieved a satisfactory return on equity in 2003. Markets continued to pursue a long-term strategy of diversified operations and a moderate risk profile.

Markets aims to be the leading capital markets operation for Norwegian and Norwegian-related customers, providing foreign exchange, interest rate and debt and equity capital services, as well as offering international clients services relating to Norway and the Norwegian krone. In 2003, Markets enhanced its leading position within equity derivatives and capital-guaranteed investment products. The rise in prices on Oslo Børs in 2003 resulted in a higher level of activity and an improved market position for DnB NOR within equities trading on the stock exchange.

The beginning of 2004 saw improved prospects for the stock market, especially within equities trading, but also for corporate finance and securities services. Continued fluctuations in the krone exchange rate and Norwegian interest rate levels will be decisive for future earnings.

The merger has formed the basis for further development and marketing of DnB NOR Markets' product range targeting a broader customer base.

Life Insurance and Pensions

Performance in the life insurance industry was affected by the upturn in global stock markets and the slide in Norwegian interest rates in 2003, and Life Insurance and Pensions recorded a high return on capital. The business area achieved a satisfactory return on equity in 2003.

Life Insurance and Pensions posted pre-tax operating profits of NOK 1 101 million after additional allocations of NOK 896 million. The recorded and value-adjusted returns on capital came to 7.9 and 9.7 per cent respectively in 2003, compared with 1.6 and 1.5 per cent in 2002. Figures do not include unrealised gains on long-term securities totalling NOK 2 842 million at the end of 2003. The interest result was NOK 4 575 million, up from NOK 3 million a year earlier. The figures reflect an increase of NOK 896 million in additional allocations in 2003 and the application of NOK 2 796 million in additional allocations in 2002. The administration result was negative at NOK 190 million in 2003, compared with a negative NOK 242 million the previous year. The risk result was negative at NOK 903 million, reflecting allocations to increase premium reserves for disability pensions of NOK 811 million. A further strengthening of disability reserves by around NOK 185 million is planned in 2004.

In 2003, Life Insurance and Pensions recorded a rise in premium payments from policyholders and achieved record sales of individual products with guaranteed returns as well as unit linked products. At the end of 2003, the business area managed more municipal pension schemes in Norway than any other private life insurance companies. Life Insurance and Pensions' total assets were NOK 158 billion at the end of 2003, an increase of 12.4 per cent from the previous year.

The focus on the work of the Pension Commission has helped draw attention to the necessity of putting aside savings for retirement. Life Insurance and Pensions sees interesting growth opportunities in both the corporate and retail markets and in the public sector over the next few years. At the end of 2003, 31 per cent of assets managed by the life insurance operations were invested in fixed-interest instruments classified as long-term securities. Over the next three years, this portfolio will give an annual return of over 6 per cent. Building up buffer capital will make it possible to increase exposure in areas with higher returns. These factors, along with the backing of the DnB NOR Group, will enable the life insurance operations to withstand low interest rate levels and volatility in financial markets in future.

Asset Management

DnB NOR Asset Management completed the establishment of a global management and operative organisation in 2003. At the same time, the range of advisory services and other services was expanded.

Pre-tax operating profits before losses was at a satisfactory level at NOK 181 million in 2003, as against comparable pro forma profits including Skandia Asset Management of NOK 7 million in 2002. Income in 2003 totalled NOK 873 million. Investment management income was NOK 814 million, while the comparable figure for 2002 was NOK 806 million. Operating expenses totalled NOK 692 million in 2003, down NOK 171 million relative to pro forma accounts for 2002 as a result of the streamlining of the management and operative organisation.

As at 31 December 2003, DnB NOR Asset Management had a total of NOK 464 billion under management, up from NOK 391 billion a year earlier. Assets under management for retail customers came to NOK 37 billion, while NOK 427 billion represented investment funds from institutional clients, compared with NOK 33 billion and NOK 358 billion respectively at the end of 2002. The rise in assets under management in 2003 can largely be attributed to developments in stock and interest rate markets, along with the decline in the Norwegian krone rate. The net inflow of assets for investment in 2003 was NOK 1.9 billion.

At the end of 2003, Asset Management had a market share of around 35 per cent in the Norwegian institutional market. Carlson Investment Management AB has a leading position in the Swedish institutional market. Together, DnB Investor and Avanse Forvaltning constitute Norway's largest fund management operation with a market share of 42.7 per cent.

The merger between DnB and Gjensidige NOR will strengthen Asset Management's operations and provide further opportunities for meeting customer needs and taking part in the anticipated increase in private pension savings in Norway and Sweden. Developments in financial markets will have a strong impact on performance in the business area.

Corporate social responsibility

As Norway's largest financial services group and an active participant in Norwegian society, DnB is committed to sustainable development locally, nationally and internationally. This will be achieved through a business strategy which includes the pursuit of socially responsible business practices by the DnB NOR Group with priority on ethics and social responsibility as well as environmental considerations. A policy for pursuing and highlighting corporate social responsibility in the DnB NOR Group is being drawn up.

Socially responsible performance will be a prerequisite for the long-term competitiveness and profitability of the Group, and DnB NOR will focus on ethical, social and environmental issues in line with the demands of investors, customers, the authorities and employees.

Code of ethics

As a financial services group, DnB NOR is highly dependent on the confidence of the wider community in the professionalism and integrity of the Group. The Group must always act with due care, fairness and objectivity. The new code of ethics for employees and elected officers covers aspects relating to customers and suppliers, the duty of confidentiality, notification requirements, personal finances, participation and positions in business enterprises, trading in financial instruments and insider trading.

Social responsibility

DnB NOR's social responsibility is reflected in the Group's human resources policy and efforts within health, safety and environment. Furthermore, contributions are made to various cultural and social activities, research, education and Norwegian sports activities through Sparebankstiftelsen DnB NOR and DnB NOR's sponsorship activities. Funds are also earmarked for DnB NOR's annual innovation award and awards in sports medicine from Life Insurance and Pensions. Another aspect is the development of products for socially responsible investment, while the development of Internet banks and electronic banking services lightens the burden on the environment by reducing the need for transportation and paper.

External environment

The DnB NOR Group's environmental policy provides guidelines and action plans with respect to maintaining order in its own house and ensuring satisfactory focus on ethical and environmental issues relating to various business activities.

DnB NOR's direct impact on the external environment is of little significance. The environmental policy focuses primarily on energy efficiency, reductions in the use of paper and in air travel, eco-friendly procurement as well as responsible waste treatment. Environmental certification of DnB NOR's financial services centres and other large units is in the pipeline.

DnB NOR has, however, a substantial indirect impact on the external environment through its business activities. In this area, environmental policy especially targets the Group's credit and asset management operations. Guidelines for ethical and environmental risk factors are stipulated for credit activity and incorporated in DnB NOR Asset Management's standard procedures for managing customer funds.

DnB NOR ASA is included in FTSE4Good Europe, an index for investors wishing to invest in companies that take ethical, social and environmental issues into consideration in their business practices.

Health, safety and environment

The Group has well-established routines for dealing systematically with health, safety and environment (HS&E) issues. The Group's HS&E model ensures an annual review of physical, safety and psychosocial issues relating to the working environment. Health, safety and environment is a priority area where importance is attached to training of managers and safety representatives along with specific preventive measures.

The Group's internal HS&E and working environment training involved 79 managers and 78 safety representatives in 2003. Various forms of physical exercise during working hours were introduced in 2003 for more than 1 000 staff members. The initiatives have strengthened social bonds and had a positive impact on efforts to prevent repetitive strain injuries. In 2003, the Group carried out four emergency exercises as well as 85 courses and drills in coping with robberies and threats, in which both managers and staff were actively involved.

As part of the agreement on an inclusive working environment, the Group has approved an extension of the use of self-certified sick leave up to 24 days during a 12-month period. In addition, a new group standard procedure has been introduced for closer and more active follow-ups of persons with health problems. The goal is to reduce sickness absenteeism, which has remained at a stable level in recent years.

Absence due to illness averaged 4.95 per cent of total working days in 2003, compared with 4.49 per cent in 2002. A total of 13 occupational injuries were reported, with eight employees exposed to robberies. None of the employees exposed to robberies reported physical problems.

Equal rights

DnB NOR has an approximate gender balance, however, women represented a total of 92.8 per cent of the 1 397 part-time employees. The number of men at senior management levels was 421, compared with 112 women. These factors are part of the reason that average salaries for women employees are lower than for men employed in the Group.

The Group has a stated goal of achieving greater diversity in its management teams. Measures aimed at increasing the representation of women in senior executive positions were implemented in 2003, including the preparation of a list of women displaying managerial talent and women in current management positions in the Group with senior executive potential. Several women have participated in an external mentor programme run by the Administrative Research Foundation. The Group has also realised its target of increasing the number of women participants in all management training programmes to 50 per cent.

DnB NOR still has a way to go before achieving the preferred gender balance at management level. The Group will work actively on initiatives and analyses relating to how women can gain greater access to executive positions. Mapping women's situation in the Group and their attitudes towards a management career in DnB NOR is among the initiatives under review, which will be used as the basis for considering specific measures.

DnB NOR is represented in a working group set up by the Norwegian Financial Services Association to assess measures designed to increase the number of women on boards of directors and in executive positions within the financial sector.

Future prospects

The international economy passed the trough in 2003, and there are sound prospects for economic growth in 2004. Demand for Norwegian goods and services is expected to increase, parallel to rising economic growth in Norway. The low interest rate level at the beginning of 2004 was reduced further during the first few months of the year. Household consumption growth and demand for housing rose appreciably in the second half of 2003 and is expected to continue to climb in 2004. Household credit demand was high throughout 2003, and the low interest levels can help sustain this demand in 2004. A moderate increase in interest rates is expected in the second half of the year.

Cost cuts and consolidation have helped improve profitability in the business sector. A weaker krone has also contributed to upholding the level of exports of traditional goods and manufacturing production. There is, however, still surplus capacity in several sectors, and it could take some time before the increase in demand and production has any substantial impact on employment and investments. Corporate credit demand is expected to grow somewhat. Parts of the business community will most likely still face problems in 2004, though certain sectors will reflect the upturn in the global economy. Overall, a certain rise in equity prices is expected, along with an increase in the value of mutual and policyholders' funds. Interest in these savings alternatives is also likely to rise at the expense of bank deposits.

A fall in oil prices is anticipated in consequence of increased production in non-OPEC countries and much higher production in Iraq. This could cause a certain decline in the NOK exchange rate. Inflation is expected to remain low throughout 2004. Tough competition from international companies in Norway and rising imports from low-cost countries will probably counteract the effects of higher inflationary trends abroad.

In 2004, DnB NOR will focus on retaining and strengthening customer relationships in the new group by offering a full range of products at competitive terms and by making the Group's overall competence available to customers. Through the merger, DnB NOR has acquired a unique market position and will be able to expand its product offering to existing customers.

The low interest rate level at the beginning of 2004 presents both opportunities and challenges for DnB NOR. Low interest rate levels will strengthen the debt servicing capacity of both households and the business sector, thus giving reason to assume that the level of loan losses and non-performance will be relatively low in 2004. Low interest levels will stimulate demand for alternative savings products, including mutual funds, insurance products and other investment alternatives, and increase the growth potential in these areas.

On the other hand, low interest rates represent a challenge with respect to the Group's net interest income. The direct return on equity measured against short-term money market rates has been reduced, and deposit margins are under pressure. A prolonged low interest rate level could, in time, also present challenges for insurance operations. DnB NOR's stance, however, is that low interest levels will stimulate new activity in the business community and thus gradually bring about higher inflation, which in turn will provide the impetus for higher interest levels.

The integration between the merger parties provides ample opportunities for realising synergies through the discontinuation and combination of operations. These efforts will be given high priority in 2004 and followed up closely by management and the Board of Directors. The process is on schedule and will have a significant impact on profits in 2004.

The Group's capital adequacy at year-end 2003 was marginally below the group target, however, it is anticipated that the sale of operations pursuant to the terms of the merger concession will improve the capital adequacy position, inter alia by reducing risk-weighted assets. DnB NOR expects capital adequacy to reach the target level within one or two years without making it necessary to reduce the Group's overall growth. Expansion within individual business areas will nonetheless be monitored carefully with regard to risk and earnings base.

Dividends and allocation of profits

DnB NOR's primary aim is to create shareholder value through an attractive and competitive return in the form of increases in share price and the distribution of dividends. In line with the Group's dividend policy, DnB NOR intends to distribute approximately 50 per cent of annual profits as dividends, provided that capital adequacy is at a satisfactory level.

In 2002, DnB distributed a dividend of NOK 2.40 per share to shareholders, while Gjensidige NOR's shareholders received a dividend of NOK 11 per share, which corresponds to NOK 1.77 per DnB share based on an exchange ratio of 6.2 DnB NOR shares. The weighted comparable dividend for DnB NOR in 2002 came to NOK 2.14 per share. The proposed dividend of NOK 2.20 per share gives a direct return of 5 per cent, based on a share price of NOK 44.40 as at 31 December 2003.

DnB NOR ASA will distribute a total of NOK 2 919 million in dividends for 2003, of which NOK 2 880 million represents dividends on shares issued as of 31 December 2003. In addition, DnB NOR ASA will, in accordance with the subscription rights programme approved by the Annual General Meeting in DnB Holding ASA on 27 April 2000, allocate a total of NOK 39 million in dividends for 2003 for shares which in March 2004 are expected to be subscribed for by employees in the former DnB. Further details are found under "Shareholders" on page 26.

According to the subscription rights programme the shares are entitled to dividends for 2003. The allocated amount represents the maximum dividend which can be required paid out in connection with the scheme, assuming that all of the rights are exercised. Any remaining amount will be reversed to other equity in 2004.

Profits for 2003 in DnB NOR ASA came to NOK 3 118 million, attributing mainly to the transfer of group contributions and dividends from subsidiaries. Upon the merger between DnB Holding ASA and Gjensidige NOR ASA, NOK 2 567 million in profits for 2003 in Gjensidige NOR ASA was transferred directly to equity.

The Group's capital adequacy ratio is 9.8 per cent with a core capital ratio of 6.8 per cent. Correspondingly, pro forma capital adequacy in DnB NOR Bank ASA is 11.2 per cent and core capital 8 per cent. The banking group, which includes the bank and its subsidiaries, has a pro forma core capital ratio of 7.2 per cent and a total capital ratio of 10.1 per cent.

In the opinion of the Board of Directors, following allocations, DnB NOR ASA will have adequate financial strength and flexibility to provide satisfactory support to operations in the subsidiaries.

The Board of Directors recommends allocating profits for the year, which represented NOK 3 118 million in the formal accounts of DnB NOR ASA, as follows:

Amounts in NOK million	
Share dividend, NOK 2.20 per share	2 919
Transfers to other equity	200
Total allocations	3 118

At the beginning of 2003, DnB and Gjensidige NOR had approved different schemes for the allocation of shares to employee investment funds. In accordance with defined criteria for each of the schemes, when finalising the accounts the Board of Directors decided to allocate the following to the employees' share investment funds:

Amounts in NOK million	2003	2002
DnB-ansattes Fond AS	86	44
Gjensidige NOR Ansattefond AS	37	5

Oslo, 8 March 2004
The Board of Directors of DnB NOR ASA

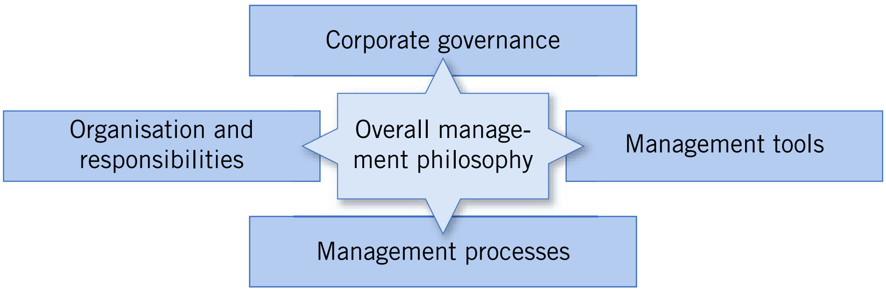
Jannik Lindbæk (vice-chairman) | Olav Hytta (chairman) | Bjørn Sund (vice-chairman)

Helge Leiro Baastad | Sverre Finstad | Per Hoffmann | Berit Kjøll | Jørn O. Kvilhaug

Bent Pedersen | Ingjerd Skjeldrum | Anne Carine Tanum | Per Terje Vold | Svein Aaser (group chief executive)

Corporate governance in DnB NOR

This article focuses on how DnB NOR's internal and external bodies function in relation to one another within the Group's management structure. Corporate governance in DnB NOR also embraces stakeholders other than owners. Management processes, descriptions of responsibilities, requirements as to independence and impartiality, remuneration systems and shareholders' ability to exert influence all serve to protect the interests of shareholders, customers, employees, public authorities and others.



Principles for corporate governance in DnB NOR ensure:

- Creation of shareholder value
- Establishment and communication of the Group's goals, strategies and values
- Equal treatment of all shareholders
- Shareholder involvement and influence
- Independent and qualified board members
- Information that is clearly expressed, timely and readily understood
- Relevant and timely reporting to shareholders and other stakeholders
- Compliance with laws, regulations and ethical standards
- No conflicts of interest regarding remuneration to board members and management
- Sound internal control
- That the Board of Directors and management have thorough insight into the Group's development and operations
- Independent audits

DnB NOR's management philosophy

A primary objective of DnB NOR is to create shareholder value by generating competitive returns. DnB NOR's management philosophy is based on Norwegian legislation, the company's Articles of Association and its code of ethics for employees and elected officers. This philosophy is designed to ensure good management and control at group level by way of sound guidelines for corporate governance, objectives, strategies and values. Operative leadership and control in DnB NOR are also viewed in conjunction with the management philosophy. The management model is constructed around the following four dimensions: corporate governance, organisation and responsibilities, processes and tools.

Organisation and responsibilities

DnB NOR's principal bodies are the General Meeting, Supervisory Board, Board of Directors, Control Committee, the internal and external auditor, group chief executive and group management. Several of the above have sub-committees and committees that play important roles in the overall management and control of the Group's business. See pages 22 and 23 for further details on external and internal bodies.

DnB NOR is a customer-oriented organisation which is divided into business areas, support units and staff units. The business areas are wholly responsible for customer relationships and for optimal customer service. They are also responsible for ensuring that the Group's products are geared to customer and market needs at all times. Clear-cut targets for profits, growth and returns are set for the business areas. The support and staff units assist the business areas and the rest of the Group and are primarily responsible for ensuring that the products they deliver are cost-effective and of high quality. Defined targets and requirements for returns, earnings and efficiency are set for all parts of the organisation.

The responsibilities of the various governing bodies in DnB NOR and its subsidiaries are defined in legislation, regulations and Articles of Association. Responsibilities are operationalised via terms of reference, authorisation structures and instructions to subsidiaries.

DnB NOR has a comprehensive code of ethics which applies to all employees and elected officers in governing bodies. A high ethical standard among employees and elected officers will strengthen the confidence that DnB NOR enjoys in society at large. The code of ethics addresses impartiality, conflicts of interest, relations with the media, securities trading, insider trading and relevant financial interests of a personal nature.

Processes and management tools

DnB NOR carries out an annual strategy process with a three-year rolling horizon. Principal goals and strategic choices are established through a dynamic process – first at group level, thereafter in the business areas. Budgets, forecasts and risk-adjusted profit targets are set for all entities where it is natural to do so, based on adopted strategies and targets.

DnB NOR's internal control system shall ensure that risk analyses and management supervision are carried out, and that the Group runs its business in accordance with adopted strategies and guidelines. Internal control is an integral part of the Group's management and planning process. The current position, and any risk brought to light during the control processes, are reported via the organisation to the group chief executive and the Board of Directors.

Responsibility for overall management and control of the Group's credit process rests with Group Credit, which operates separately from the business areas. Each business area manages its own credit processes based on established guidelines. Management and supervision of the overall risk picture (credit risk, market risk, liquidity risk, insurance risk and operational risk) are also attended to by a dedicated unit within Group Staff.

Risk management is a key element in DnB NOR's management process. Information is provided to the market, shareholders and public authorities through annual and quarterly reports. This information builds on internal risk reports which are subject to quality assurance by internal supervisory bodies and committees, including the Group Credit Committee and the Asset & Liability Committee (see page 23). Findings and reporting are assessed on a continual basis by Group Audit, the Audit Committee and the Board of Directors.

Ownership restrictions, voting rights and restrictions on trading

On 1 January 2004 the Ministry of Finance changed the rules on restrictions on holdings set out in Act No. 40 of 10 June 1988 to a system based on the EEA banking and insurance directives. The new rules replace the earlier absolute 10 per cent limit on holdings in banks and insurance companies with a discretionary test of the suitability of acquirers of qualifying holdings. Anyone wishing to acquire more than 10 per cent of the capital of a financial institution has to apply to the Norwegian authorities beforehand. Entry into option contracts is deemed to be on a par with share acquisitions. The authorities will give attention to the holder's suitability, supervisory aspects, the institution's independence in relation to individual shareholders, other commercial activity and competitive considerations. The earlier restrictions on voting rights lapsed with the changes made in the restrictions on ownership.

The company's Articles of Association give the Board of Directors discretionary authority to bar a share transfer. According to stock exchange regulations, however, such authority may only be exercised when just cause can be shown.

Contd. page 22

DnB NOR has established a corporate governance structure that generally meets the requirements of the provisional Norwegian recommendation. The Group also aims to comply with important international standards of good corporate governance.

1. Principles of corporate governance

DnB NOR's management philosophy is based on Norwegian legislation, group objectives, strategies, values and code of ethics. DnB NOR's management philosophy underscores the owners' requirements and expectations of long-term growth and value creation while maintaining the right balance between long-term growth, good customer relationships and value creation.

2. Business activity

DnB NOR's Articles of Association describe the company's mission as follows: "The object of the company is ownership or ownership interests in other enterprises engaged in banking, insurance, or financing, and any related activities, within the scope of Norwegian legislation in force at any time". The Articles of Association are available in extenso at www.dnbnor.com.

3. Equal treatment

DnB NOR has one share class, and all shareholders have equal voting rights. See "Shareholder information" on page 26 and the section on ownership restrictions on this page.

4. Free negotiability

DnB NOR's shares are quoted on Oslo Børs (the Oslo Stock Exchange), and 69.46 per cent of the shares are defined by Oslo Børs as free float. See the section on ownership restrictions on this page and "Shareholders" on page 26.

5. Capital

See the Directors' report on page 19.

6. Dividend

DnB NOR strives for a clear and predictable shareholder and dividend policy. See "Shareholders" on page 26.

7. General Meeting

DnB NOR wishes to facilitate owners' involvement in the control of the company via their participation in the General Meeting. See the section on how the shareholders can participate in and vote at the General Meeting on page 22.

8. Supervisory Board and Board of Directors, composition and independence

The Supervisory Board of DnB NOR is broad-based (see description of the Supervisory Board on page 23). Members of the Board of Directors are elected by the Supervisory Board based on an assessment of the expertise required. See description of the Board of Directors on page 23. DnB NOR's guiding principle is that directors should be independent and impartial, see the account of Board impartiality on page 22. The chairman and deputy chairman of the Board of Directors are elected separately by the Supervisory Board for a one-year term of office.

9. Election Committees

DnB NOR's Articles of Association require the Group to have two Election Committees: the General Meeting's Election Committee and the Supervisory Board's Election Committee. See page 22 for further details of the Election Committees' responsibilities.

10. Board of Directors

See description of the Board of Directors on page 23.

11. Remuneration to the Board of Directors

The Supervisory Board's Election Committee recommends the remuneration to be paid to members of the Board of Directors. The criteria underlying the Election Committee's assessment include responsibilities, competence and DnB NOR's complexity. Remuneration is not related to results achieved. Should board members receive other remuneration, the Supervisory Board must be informed.

12. Remuneration to senior employees

The Board of Directors establishes the remuneration to be paid to the chief executive and shall be informed of remunerations to senior employees. See page 22 for further details of remuneration systems.

13. Information and communication

DnB NOR gives great emphasis to openness and equal treatment of all shareholders, as demonstrated by the Group's information policy which is described on page 26.

14. Acquisitions

DnB NOR's Board of Directors represents all shareholder interests in a long-term perspective. In the event of changes in corporate structure, the Board will exercise special care in relation to shareholders.

15. External auditor

The Audit Committee annually reviews the audit plans and confirmation of the auditor's compliance with all requirements as to independence. The auditor attends Audit Committee meetings where he gives an account of the company's financial statements, risk areas and internal control routines. The Board of Directors is nonetheless responsible for all decisions taken and final approvals given.

Owners' ability to influence the management of the company

Shareholders exercise the highest authority in DnB NOR via the General Meeting. DnB NOR facilitates shareholder participation in and influence on the management of the company by:

- informing the market at an early stage of the following year's General Meeting and the deadline for notifying attendance. The Articles of Association state that notice of the General Meeting must be given at least two weeks in advance. Agenda documents accompany the notice;
- aiming for the best possible preparation and presentation of agenda items and presentation of candidates for offices to be filled at the General Meeting;
- distributing the notice and the agenda in both Norwegian and English;
- endeavouring to set the deadline for notifying attendance as close as possible to the date of the General Meeting;
- publishing the agenda, notice of the General Meeting and registration form on the company's website www.dnbnor.com and enabling notification of attendance to be given via the Internet.

As a general rule, all decisions at the General Meeting are by simple majority, with the exception of amendments to the Articles of Association. Votes are cast in writing at the meeting, unless all present consent to another procedure. Votes may be cast by proxy.

The Board of Directors' independence and impartiality

DnB NOR's code of ethics states that "No employee or elected officer may participate in or seek to influence a decision where special circumstances exist which might bring the issue of his or her impartiality into question". The Supervisory Board's Election Committee emphasises that shareholder-elected members of the Board of Directors must at the outset be independent of the company's day-to-day management and main business associates.

A member of the Board of Directors will be considered biased if circumstances exist that may lead others to believe that he or she promotes interests other than those of the DnB NOR Group, i.e. in cases where there is a conflict between the individual's personal and/or financial interests on the one hand and the interests of the Group and/or customers of the Group on the other. Where such a conflict of interest comes to light, the individual in question must immediately withdraw and abstain from further involvement in the matter to hand.

Directors' independence is assured by requiring the Supervisory Board to be informed in the event that a director receives remuneration other than that normally paid by the company to its Board of Directors. Directors' remuneration is related neither to performance nor to options in DnB NOR ASA.

The plan of merger between DnB Holding and Gjensidige NOR, which was considered and duly adopted by the General Meetings of DnB and Gjensidige NOR in the spring of 2003, put forth former president and CEO of Gjensidige NOR, Olav Hytta, as chairman of the Board of Directors of DnB NOR. The merger plan also states that Hytta will hold this position on a full-time basis, and that he will in addition head the Group's Strategy Committee and participate in the Integration Committee (see page 23 for an account of the committees). The precise distribution of responsibilities between the chairman and group chief executive has been reviewed by the Board of Directors, and the Supervisory Board and Control Committee have been duly informed of the outcome. The distribution of responsibilities between the Board, board chairman and group chief executive will be along customary lines, but the chairman will assist the group chief executive in his contact with customers and with shareholders and public authorities, and will have special responsibility for promoting relations with Norwegian savings banks.

Remuneration systems

An extraordinary emolument may be awarded to senior employees in the DnB NOR Group on a discretionary basis. The criteria for such awards embrace results achieved in the respective areas and are established with a basis in ordinary compensation arrangements in these areas. It is important for such arrangements to be performance-related without encouraging undue risk. They are intended to promote the company's competitiveness in the labour market. It is important that they promote the Group's profitability and the desired trend in income and costs, as well as cooperation and team spirit throughout the Group. Note 10 on page 84 shows remunerations to the Board of Directors and management of DnB NOR. Both DnB and Gjensidige NOR had established various employee share programmes prior to the merger.

DnB NOR – statutory bodies

General Meeting

The shareholders exercise the highest authority in DnB NOR through the General Meeting. The General Meeting handles its business – which includes amendments to the Articles of Association and approval of the financial statements and annual report along with the distribution of dividends – in compliance with Norwegian law. The General Meeting also elects members to the Supervisory Board, the General Meeting's Election Committee, the Control Committee as well as the external auditor.

Supervisory Board

The Supervisory Board has 30 members who together reflect the Group's stakeholder groups, customer structure and social function. Ten members are elected from among the employees, the twenty others by the General Meeting, ten of whom are replaced by new appointees each year. The Supervisory Board oversees the Board of Directors' and the group chief executive' management of the company and elects the company's Board of Directors. The Supervisory Board also makes decisions in matters related to major investments and matters related to rationalisation or reorganisation of operations which are of major consequence for the workforce. Furthermore, the Supervisory Board submits its opinions to the General Meeting on the Board of Directors' proposal for the profit and loss account and balance sheet, application of the net profit or coverage of loss, makes recommendations to the General Meeting regarding the election of the auditor and establishes instructions for the Control Committee.

Election Committees

DnB NOR has two Election Committees, the General Meeting's Election Committee and the Supervisory Board's Election Committee. The first, elected by the General Meeting, has four members, one of whom is neither a member of the Supervisory Board nor of the Board of Directors. This committee is charged with preparing elections of members and deputy members to the Supervisory Board and the Control Committee. The General Meeting's Election Committee also recommends the remuneration to be paid to the members of the Supervisory Board, the Control Committee, the Supervisory Board's Election Committee and the General Meeting's Election Committee.
The Supervisory Board's Election Committee prepares elections of members to the Board of Directors and recommends the remuneration to be paid to the members. The Election Committee has five members, one of whom is elected by the employees. The chairman of the Supervisory Board also chairs the Election Committee.

At the Annual General Meeting in April 2004, the Board of Directors will propose that DnB NOR should have only one election committee, elected by the General Meeting.

Board of Directors

The Board of Directors of DnB NOR ASA has twelve members, four of whom are elected by the employees. The chairman of the Board holds this position on a full-time basis and assists the group chief executive in certain areas. The Board is broad-based and has overall responsibility for the management and organisation of the company's business. The Board establishes plans, budgets and guidelines for the business and oversees the day-to-day management. The Board also appoints or dismisses the group chief executive and the head of Group Audit, and has established instructions for these positions. The Board issues an annual report and accounts for each accounting year. Annual plans are prepared for the work of the Board, and its performance is evaluated on a semi-annual basis. The remuneration paid to the Board reflects its responsibilities, competence and time spent.

The Audit Committee, a sub-committee of the Board of Directors, makes a thorough assessment of specific issues, above all those associated with auditing, internal control, loan-loss assessments and financial reporting. The committee consists of four board members and meets at least five times a year. The Board of Directors' accountability is in no way diminished as a result of the work of the Audit Committee. The Audit Committee's fee is fixed by the Supervisory Board.

Control Committee

The Control Committee has four members and two deputy members elected by the General Meeting. The committee oversees that the Group conducts its business in an appropriate and satisfactory manner in compliance with laws, regulations and standard procedures. The committee also oversees that the Board of Directors and the group chief executive maintain adequate supervision and control of the subsidiaries. Group Audit acts as secretariat to the committee.

External auditor

The external auditor will assess whether the information given in the annual report concerning the annual accounts, the company's accounting principles, handling of risk areas, the going concern assumption and recommendation for the application of the net profit or coverage of the loss are in compliance with laws and regulations. The external auditor also assesses whether management has arranged for the registration and documentation of accounting data in compliance with laws and regulations and that the internal control system functions satisfactorily. The Audit Committee considers, in advance, all significant consultancy assignments that the external auditor is to perform for the Group.

DnB NOR – internal bodies

Group chief executive

The group chief executive is the chief executive officer of DnB NOR ASA and is responsible for the day-to-day management of the company. He is responsible for the Group's results and is in charge of selecting the group management team, supervises the establishment of salary and incentive schemes and chairs the Integration Committee. His responsibilities do not extend to matters which by the company's standards are of an unusual nature or of major significance. Such matters are referred to the Board of Directors. The group chief executive may however decide on a matter when authorised by the Board to do so or in cases where waiting for the Board's decision would be of significant inconvenience to the company. The group chief executive will implement the Group's strategy and further develop this strategy in cooperation with the chairman of the Board of Directors.

The group chief executive reports each month to the Board of Directors on the Group's business, position and profit performance and as a rule participates in the Board's deliberations and is entitled to express his opinions.

The group chief executive is also the chief executive officer of DnB NOR Bank ASA.

Group management

The group management team in DnB NOR consists of the group chief executive, two deputy chief executive officers and seven group executive vice presidents. Through participation in group management meetings, the group executive vice presidents assist the group chief executive in following up his responsibilities. The group management meetings serve as a coordinating and advisory body in matters related to the operation of the Group and also contribute to the development of group strategy, makes recommendations regarding the Group's risk profile and monitors the Group's overall risk exposure.

Strategy Committee

This committee, which was established in conjunction with the merger between Gjensidige NOR and DnB, initiates and supervises the shaping and implementation of an overall strategy for DnB NOR. The committee consists of the chairman of the Board of Directors, the group chief executive and the deputy chief executive officers. The committee is headed by the board chairman and reports to the Board of Directors.

Integration Committee

This committee, which was established in conjunction with the merger between Gjensidige NOR and DnB, is charged with ensuring that the process of integration of the two companies has a successful outcome. The committee, which comprises DnB NOR's board chairman, the group management team and employee representatives, is headed by the group chief executive. The committee reports to the Board of Directors.

Group Audit

Group Audit ensures, on behalf of the Board of Directors and the group chief executive, that adequate internal controls are established and implemented throughout the Group. Group Audit assesses whether risk identification, established management processes and control measures effectively strengthen the Group's ability to achieve its targets. The unit reports to the Board of Directors, the group chief executive and the Audit Committee.

Group committees

DnB NOR has established a number of group committees whose role is to assist the management by providing a basis for decisions, and by performing follow-up and control tasks in various areas. The principal ones are:

Asset & Liability Committee (ALCO): ALCO's role is to ensure ample breadth and depth of argumentation for asset and liability management and risk management performed by the business areas and support units and is empowered to decide on measures with a bearing on overall risk exposure. The committee handles capital and balance sheet structure, capital allocation, rate of return targets, internal pricing of capital, debt and equity financing, liquidity risk and structural interest rate and currency risk. The committee is headed by the Group's chief financial officer and comprises key personnel from the business areas and the Group's units in the field of financial and risk management.

Group Credit Committee: Established by the group chief executive, this committee is the highest ranking of several credit committees established by each business area. The committees' task is to promote a common perception and credit culture and to improve the quality of the credit process. The Group Credit Committee deals with all credit proposals in excess of defined limits and makes recommendations in cases destined for the Board of Directors for final decision. The group chief executive has delegated his authority to the responsible group executive vice president and senior credit officer, whose joint approval is required in order for a valid decision to be made.

Group Operational Risk Management Committee: This committee monitors operational risk in the ongoing operation and management of the Group. It is charged with ensuring a sound infrastructure and solutions in the field of risk management.

Investment Committee: This committee decides on acquisitions and disposals of equity instruments in the banking portfolio as well as purchases and sales worth up to NOK 25 million. The committee acts as adviser to the group chief executive and Board of Directors on investments in excess of this amount.

IT Committee: This committee ensures that all important IT issues are reviewed by group management and that the group dimension is taken into account. All IT projects involving more than NOK 2 million, projects delivering to two or more business areas and innovation projects are handled by this committee.

DnB NOR – group management

Svein Aaser (born 1946)
Group chief executive

Aaser was group chief executive in DnB from 1998. He is former president and CEO of Hafslund Nycomed and deputy CEO of Nycomed Amersham. Aaser has also been managing director of Storebrand Skade and of NORA matprodukter. He is a graduate of the Norwegian School of Economics and Business Administration in Bergen and has a degree from IMEDE, Lausanne.

Retail Banking:

Åsmund Skår (born 1959)
Group executive vice president

Skår held the same responsibilities for the Savings Bank in Gjensidige NOR. After joining the Group in 1986, he held various positions, including group director in the core area Oslo/Akershus/Østfold in Union Bank of Norway. Skår has also been employed by Skaarfish Group and Statoil. He is a graduate of the Norwegian School of Economics and Business Administration in Bergen.

IT and Payment Services:

Bente A. Landsnes (born 1957)
Group executive vice president

Landsnes was earlier responsible for Banking Products in Gjensidige NOR, including IT, Securities and Payment Services. She was previously group director responsible for Financial and Payment Services and director of International Services/Settlement in Union Bank of Norway, head of the IT and Interbank Section at the Banks' Central Clearing House and general manager at Bankenes Utredningsselskap AS.

Strategy, Development and Corporate Communications:

Karl-Olav Hovden (born 1944)
Deputy group chief executive

Hovden was deputy president in Gjensidige NOR, responsible for group finance, and previously held various positions in the Gjensidige NOR Group (Fellesbanken AS) from 1974. Hovden holds a law degree from the University of Oslo.

Markets:

Ottar Ertzeid (born 1965)
Group executive vice president

Prior to the merger between DnB and Gjensidige NOR, Ertzeid was in charge of DnB Markets. He was previously deputy head of DnB Markets and held various positions within the FX/Treasury area in DnB. His prior professional experience includes the position as chief financial officer in DnB Boligkreditt and head of finance in Realkreditt. Ertzeid is a graduate of the Norwegian School of Management, BI.

Corporate Banking:

Leif Teksum (born 1952)
Group executive vice president

Teksum held the same responsibilities for Corporate Banking in DnB. Teksum has experience from the petroleum industry and from various managerial positions in DnB and Bergen Bank. He has been executive vice president in charge of DnB Markets and Asset Management, and group executive vice president responsible for Financial Services. Teksum is a graduate of the Norwegian School of Economics and Business Administration in Bergen.

Group Staff:

Tom Grøndahl (born 1949)
Deputy group chief executive and chief financial officer

Grøndahl was group executive vice president responsible for Group Staff in DnB. He formerly headed DnB's Company Secretariat and DnB's International Division. Prior to this, he was deputy chief executive in Bergen Bank. Grøndahl has broad managerial experience also from Citibank, where he held various managerial positions in London and New York and was chief executive for Citibank's Oslo office. He is a graduate of the Norwegian School of Economics and Business Administration in Bergen and holds an MBA from INSEAD.

Life Insurance and Pensions:

Bård Benum (born 1962)
Group executive vice president

Benum was earlier in charge of life insurance and pensions in Gjensidige NOR. He has previously held various managerial positions in Gjensidige Bank, Reitangruppen, Statoil and Norsk Hydro. Benum holds an engineering degree in industrial economics from NTNU (the Norwegian University of Science and Technology) in Trondheim.

Human Resources and Group Services:

Evlyn Raknerud (born 1947)
Group executive vice president

Raknerud was responsible for Financial, Payment and Group Services in DnB. She was previously head of Postbanken's Human Resources Department and, prior to this, head of human resources within Corporate Banking and responsible for job training in DnB. For a few years, she also served as chief employee representative. Raknerud was educated at the Norwegian College of Banking and has additional management training from the Norwegian School of Management, BI.

Asset Management:

Øyvind Birkeland (born 1955)
Group executive vice president

Birkeland was previously group director responsible for the Capital Markets business area in Union Bank of Norway, head of Gjensidige NOR Merchant Bank, deputy president in Gjensidige NOR, head of Corporate Customers in Gjensidige NOR, and held various other positions since joining the Group in 1979. He is a graduate of the Norwegian School of Economics and Business Administration in Bergen.

DnB NOR – Board of Directors

Olav Hytta (born 1943)
Board chairman in DnB NOR and DnB NOR Bank

Hytta is a board member in Sparebankforeningen (the Savings Banks' Association) and Länsforsäkringer AB and board vice-chairman in Vital Forsikring. He was group chief executive of Gjensidige NOR from 2000 until December 2003. Hytta was employed in Fellesbanken in 1968 and has been deputy president in Gjensidige NOR and Union Bank of Norway, managing director of the Oslo/Akershus region in Union Bank of Norway and general manager and operations director in ABC Bank. Education includes secondary school, commercial school and agricultural college.

Sverre Finstad (born 1955)
Board employee representative in DnB NOR and deputy board representative in DnB NOR Bank

Finstad is chairman of the Finance Sector Union, Oppland region. He was employed in Union Bank of Norway in 1977 and has been a full-time employee representative since 1986. Former board member in both Gjensidige NOR and Union Bank of Norway.

Ingjerd Skjeldrum (born 1957)
Board employee representative in DnB NOR and DnB NOR Bank

Skjeldrum has been a full-time employee representative since the formation of Union Bank of Norway and chief group employee representative for the savings bank since 1 February 2000. She is a member of the national board of the Finance Sector Union, a former board member in Union Bank of Norway and Gjensidige NOR and has previously held positions within the retail market in Gjensidige NOR.

Jannik Lindbæk (born 1939)
Board vice-chairman in DnB NOR

Lindbæk has worked as an independent consultant since 1999 and has a number of board memberships. Lindbæk is board chairman in Statoil. Other board memberships include AL Industrier, Gearbulk Holding, Kristian Gerhard Jebsen Skipsrederi, the foundation Festspillene in Bergen and Plan Norway. Lindbæk is former board chairman in DnB Holding and Den norske Bank and board member in Vital Forsikring. He was previously group chief executive of Storebrand, managing director of Den Nordiske Investeringsbank (NIB) in Helsinki and executive vice president in International Finance Corporation (LFFC), the World Bank Group in Washington D.C. He is a graduate of the Norwegian School of Economics and Business Administration in Bergen.

Jørn O. Kvilhaug (born 1951)
Board employee representative in DnB NOR

Kvilhaug works as an insurer in Vital Forsikring. Former board member in DnB Holding.

Helge Leiro Baastad (born 1960)
Board member in DnB NOR

Baastad is chief executive in Gjensidige NOR Forsikring. He has been employed in Gjensidige Skadeforsikring since 1998. Board member in Borge and former board member in Gjensidige NOR. He was previously employed in Jordan Norge and Denofa & Lilleborg fabrikker. Baastad is a graduate of the Norwegian School of Economics and Business Administration in Bergen.

Bjørn Sund (born 1945)
Board vice-chairman in DnB NOR and chairman of the Audit Committee

Sund is managing director and board chairman in Advansia. Former board chairman in Gjensidige NOR and board member in Union Bank of Norway. Sund headed the development of the Winter Olympics site at Lillehammer, the development of Norway's main airport at Gardermoen and the Telenor project at Fornebu. He is a graduate of the Norwegian University of Technology in Trondheim.

Anne Carine Tanum (born 1954)
Board member in DnB NOR and a member of the Audit Committee

Tanum is managing director and owner of the Tanum book store chain. Board chairman in NRK (the Norwegian Broadcasting Corporation) and a board member in Vital Forsikring. Former board member in Den norske Bank. She previously worked in the Norwegian Ministry of the Environment. Tanum holds a law degree from the University of Oslo.

Per Terje Vold (born 1945)
Board member in DnB NOR

Vold is director general of the Norwegian Oil Industry Association. Former board member in Gjensidige NOR, Union Bank of Norway, Statkraft, Moelven Industrier, the Association of Norwegian Insurance Companies and Verdalsbruket. Former member of the supervisory boards of DnB, Aker, Saga Petroleum and Hafslund Nycomed. He is a graduate of the University of Oslo and the Norwegian School of Economics and Business Administration in Bergen.

Berit Kjøll (born 1955)
Board member in DnB NOR

Kjøll is vice president in Telenor and a board member in SAS and Tusenfryd. Former board member in DnB Holding and managing director of Universitetenes Reisebyråkjede (now Kilroy Travels), Tusenfryd, Flytoget and Steen & Strøm. She is a graduate of the BI Norwegian School of Marketing.

Per Hoffmann (born 1951)
Board employee representative in DnB NOR and DnB NOR Bank

Hoffmann is chief employee representative in DnB NOR Bank and former board member in DnB Holding and Den norske Bank.

Bent Pedersen (born 1942)
Board member in DnB NOR, board vice-chairman in DnB NOR Bank and a member of the Audit Committee

Pedersen is CEO of KIRKBI A/S in Billund, Denmark. He has a number of board memberships in Denmark, including board chairman of Eksportkreditfonden, Glud & Marstrand and Kompan and vice-chairman in Axcel IndustriInvestor, Højgaard Holding and Kirkbi AG in Switzerland. Former board member in DnB Holding and vice-chairman in Den norske Bank. Pedersen previously held executive positions in Privatbanken in Denmark including several years as deputy chairman of the management board. He was also a member of the group management team in Unibank in Denmark. He holds an Msc. (econ.) degree from Copenhagen Business School.

DnB NOR stakeholders

Shareholders

DnB NOR had a market capitalisation of NOK 58 billion at end-December 2003, and the first trading day for the new share was 5 December 2003. At year-end, the new company had 1 309 million shares divided between close to 54 000 shareholders. There was a significant increase in the value of both DnB and Gjensidige NOR shares in 2003. The proposed dividend of NOK 2.20 per share provides a direct return of 5 per cent.

Shareholder and dividend policy

DnB NOR aims to manage group resources in a manner which will ensure shareholders a competitive return in the form of dividends and increases in share price relative to comparable investment alternatives. All shareholders will be treated equally and have the same opportunity to exert influence through the principle of one share – one vote. DnB NOR intends to distribute approximately 50 per cent of net annual profits as dividends provided that capital adequacy is at a satisfactory level. Dividends will be determined on the basis of expected profit levels in a normalised market situation, external parameters and the need for core capital.

Market communication

DnB NOR wishes to maintain an open dialogue with shareholders and other participants in the stock market. In the opinion of the Group, transparent, accurate and relevant information at the right time promotes confidence and predictability and correct pricing of the company's shares. Information subject to disclosure requirements will be provided in the form of notices to Oslo Børs (the Oslo Stock Exchange) and immediately thereafter be published on DnB NOR's website and sent via e-mail to registered subscribers as well as to the Norwegian and international press. In addition, the company will hold regular presentations for investors, analysts and the press, both in Norway and internationally, in the form of results presentations, capital markets days and one-to-one meetings with investors.

A large number of equity analysts follow developments in the DnB NOR share. The share is covered by institutional investors' own analysts and a total of 20 both large and small investment banks/brokerage houses, of which 12 are Nordic-based and eight international. It is in the interest of DnB NOR that high-quality financial analyses are published. DnB NOR is committed to providing information of sound quality, and all analysts, independent of their recommendations, will receive equal treatment at all times. A list of analysts covering the DnB NOR share can be found on www.dnbnor.com.

Daily contact with investors and analysts is handled by the Investor Relations department.

Financial calendar for 2004:	
Annual General Meeting	27 April
Ex-dividend date	28 April
Distribution of dividends	Mid-May
1st quarter	6 May
2nd quarter	12 August
3rd quarter	28 October

Preliminary accounts for 2004 will be released in February 2005.

Market conditions, returns and share turnover

At the end of 2003, DnB NOR was the fourth largest company on Oslo Børs with a market capitalisation of NOK 58.1 billion or 9.1 per cent of the value of all companies listed on the stock exchange.

The proposed dividend of NOK 2.20 per share will give a direct return of 5 per cent. The overall annual returns on DnB and Gjensidige NOR (GNO) shares, which reflect both price increases and dividends, show that both shares outperformed their Nordic competitors each year over the past five years (table 1).

Oslo Børs showed a healthy trend in 2003. After a difficult start, trading picked up, with an overall rise in volume of 25 per cent to NOK 553 billion. The benchmark index (OSEBX) developed favourably, providing a return of 48.4 per cent.

Gjensidige NOR and DnB were traded as two separate shares up till 5 December 2003, the first trading day for the DnB NOR share. The opening price of the DnB NOR share was NOK 43.00, closing at NOK 44.40 on the last trading day in 2003 with an average daily volume of more than 7.7 million shares for the first 15 days. Up till the conversion to one share, both the DnB and Gjensidige NOR shares showed a healthy trend and brisk turnover. The average daily volume for the DnB share rose from 2.3 million shares in 2002 to 3.8 million in 2003, with a corresponding rise for the GNO share from 249 000 to 429 000 shares. In terms of value, the combined trading volume for the companies' shares rose by NOK 21.4 billion to NOK 59.8 billion in 2003, and the relative share of total trading volume on Oslo Børs was up 2.2 percentage points to 10.8 per cent (table 2).

At the beginning of 2004, the DnB NOR share was weighted on all relevant Oslo Børs indices, with 12.36, 8.60, 13.57 and 10 per cent respectively on the benchmark, all-share, OBX and mutual fund indices. DnB NOR is also represented in various global indices, but with relative low weights.

Derivative trading on Oslo Børs in 2003 was higher than the previous year, though trading in standardised option contracts showed a decline. A total of 69 461 DnB and DnB NOR contracts at a total value of NOK 13.5 million were sold.

Table 1: Total annual return as at 31 December 2003

Total annual return (%)	Last year	Last 2 years	Last 3 years	Last 4 years	Last 5 years
DnB	43.6	10.4	2.7	12.8	15.7
Gjensidige NOR [1)]	45.1	12.8	12.2	19.3	21.3
Nordic average [2)]	38.7	5.2	0.7	10.0	7.7

1) The closing price for Gjensidige NOR as at 31 December 2003 has been set at NOK 318.28 on the basis of the exchange ratio with DnB.

2) Unweighted average of Danske Bank, FöreningsSparbanken, Nordea, SEB and Svenska Handelsbanken.

Table 2: The DnB NOR share (DnB and GNO) in 2003 and 2002

(in NOK unless otherwise stated)	DnB and DnB NOR 2003	DnB 2002	Gjensidige NOR (GNO) up through 4 Dec. 2003	Gjensidige NOR (GNO) 2002
Highest closing price	45.30	47.70	309.50	307.50
Lowest closing price	26.80	30.30	179.50	213.00
Closing price as at 31 Dec.	44.40	32.60	309.50 1)	227.00
Market capitalisation (NOK million) at year-end	58 121	25 121	26 925 1)	19 748
Tax value as at 1 Jan. the following year	44.90	33.50	-	231.00
"RISK" adjustment as at 1 Jan. the same year	6.44	(3.66)	(0.07)	2.83
Dividends for the accounting year	2.20	2.40	-	11.00
Annual turnover (in 1 000)	1 000 255	570 637	100 841	62 451
Average daily turnover (in 1 000)	4 001	2 292	429	249
Annual turnover (NOK millon)	35 623	24 464	24 158	15 916
Turnover rate (%)	124	74	116	120

1) Closing price and market capitalisation as at 4 December 2003.

Share capital, share repurchase, subscription, cancellation and subscription rights programmes

In connection with the merger between DnB Holding ASA and Gjensidge NOR ASA, the share capital in Gjensidige NOR was converted to share capital in DnB NOR ASA through the issue of new shares with DnB Holding as the acquiring company. Each share in Gjensidige NOR was exchanged for 6.2 DnB NOR shares with effect from 4 December 2003.

Neither DnB nor Gjensidige NOR used the authorisations to repurchase shares during 2003. At the Annual General Meeting in April 2004, DnB NOR will request a new authorisation to repurchase up to 10 per cent of the Group's share capital through the stock market and/or from the Ministry of Trade and Industry at market price. Gjensidige NOR issued shares awarded under the employee subscription rights programme in 2003 (table 3).

Outstanding subscription rights under the DnB and Gjensidige NOR schemes for employees have all been converted to subscription rights on DnB NOR shares (table 4). When fully exercised, the subscription rights may have a dilutive effect of around 2.5 per cent. The final exercise period for outstanding subscription rights under the former Gjensidige NOR scheme is from 1 to 15 October 2004 at an exercise price of NOK 27.95 per share, while rights under the former DnB scheme can be exercised between 1 and 15 March in 2004 and 2005 at an exercise price of NOK 32.83 per share. In both schemes, the right to exercise the subscription rights is accumulative,

Table 3: Share capital and number of shares in 2003

	DnB NOR ASA	DnB Holding ASA	Gjensidige NOR ASA
Share capital as at 31 Dec. 2002 (NOK)		7 705 904 750	8 699 646 700
Nominal value (NOK)	10	10	100
No. of shares as at 31 Dec. 2002		770 590 475	86 996 467
No. of shares (cancelled)/subscribed		(960 000) 1)	3 006
Shares for conversion		769 630 475	86 999 473
Exchange ratio		1	6.2
Shares converted and outstanding DnB NOR shares as at 31 Dec. 2003	1 309 027 207	769 630 475	539 396 732

1) Share repurchase in 2002.

Share price development

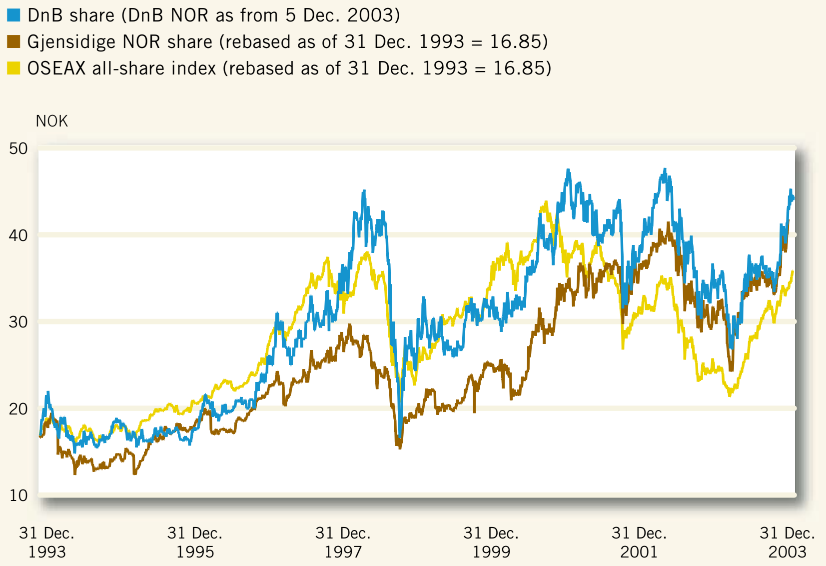
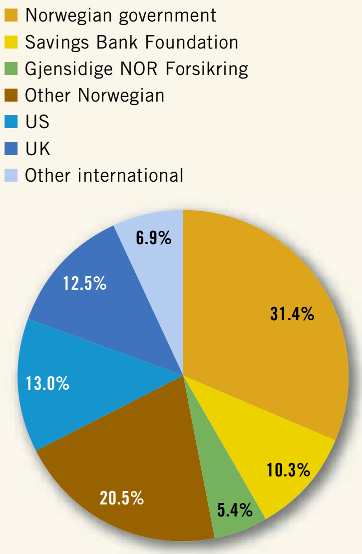


Table 4: Subscription rights in DnB NOR			
	DnB NOR ASA	DnB Holding ASA	Gjensidige NOR ASA
Subscription rights		26 396 000	1 106 500
Exchange ratio		1	6.2
Subscription rights converted and outstanding DnB NOR subscription rights as at 31 Dec. 2003	33 256 262	26 396 000	6 860 262
Exercise price per share		32.83	27.95
No. of shares diluted as at 31 Dec. 2003	1 317 773 293		

which means that subscription rights which are not exercised can be used during the next period. Furthermore, under the DnB scheme the price of the DnB NOR share must show a rise equal to or higher than a reference index comprising five other financial institutions (Danske Bank, Sparebanken Midt-Norge, Nordea, SEB and Svenska Handelsbanken). In 2003, the Annual General Meeting in DnB Holding gave holders of subscription rights under the DnB scheme an unconditional right to subscribe for shares for the first third, as the return on the DnB share outperformed the reference index, and decided to use the same criteria on future calculation dates. In addition, calculations will no longer be based on the price on a certain date, but on a period of five days. During the calculation period from 17 to 23 February 2004, the DnB NOR share price had outperformed the reference index, and rights holders were presented with an offer to subscribe for DnB NOR shares.

Ownership according to investor category as at 31 December 2003



Norwegian investors: 67.6%
International investors: 32.4%

Shareholder structure

DnB NOR has close to 54 000 shareholders, of which the largest are the Government Bank Investment Fund (the Bank Investment Fund), Sparebankstiftelsen DnB NOR (the Savings Bank Foundation) and Gjensidige NOR Forsikring. After the merger, the Bank Investment Fund increased its holding from 28.1 to 31.4 per cent by offering all shareholders NOK 43 per share through a bookbuilding process. This holding will be increased to 34 per cent by the end of October 2004.

The Norwegian parliament has decided to wind up the Bank Investment Fund. Management of the Fund's shareholdings will be transferred to the Ministry of Trade and Industry. The transfer requires the approval of the Ministry of Finance. Kredittilsynet (the Financial Supervisory Authority of Norway) has considered the matter and recommended that the Ministry of Finance approve the transfer. In its assessment, Kredittilsynet noted that holdings should be managed by a department which has no other responsibilities than managing ownership interests and is subject to special guidelines for management activities. The guidelines stipulate that the government cannot have representatives on the boards of directors or supervisory boards of financial institutions and that the government, through participation in election committees, will ensure that the company's governing bodies acquire a composition that represents all shareholder groups. The guidelines are also aimed to ensure that the Ministry will not conduct itself in a manner likely to raise doubt about the independence of the institution with respect to customers, e.g. in connection with credit decisions and monitoring of commitments. Further, the Ministry must act in a way which helps promote equal treatment of the financial institution's shareholders.

The Savings Bank Foundation was established in the autumn of 2002 as part of the conversion of Union Bank of Norway to a limited company. The base capital of the Foundation stems from the savings bank's reserves. The object of the Foundation is to manage its long-term ownership interests in DnB NOR and support the company in its efforts to continue the savings bank tradition. As part of this strategy, the Foundation can use a portion of annual profits to make financial contributions to non-profit causes. The Foundation's governing body is the general meeting, with members elected among the bank's depositors and by county councils in eastern Norway. The general meeting has elected a board with six members.

Largest shareholders as at 31 December 2003 (per cent)	
Government Bank Investment Fund	31.4%
Savings Bank Foundation	10.3%
Gjensidige NOR Forsikring	5.4%
National Insurance Scheme Fund	2.3%
Fidelity Investments (total)	1.5%
Orkla ASA	1.4%
DnB Investor (total)	1.3%
DnB NOR employee funds	1.1%
Mutual Series Fund (total)	1.0%
Total other Norwegian fund management companies	4.3%
Total other Norwegian insurance companies and private pension funds	2.0%
Other shareholders*	41.3%
Total	100.0%

* Including nominee accounts.

Restrictions on ownership are described under "Corporate governance in DnB NOR".

Rating

The creditworthiness of DnB NOR Bank ASA is assessed by the rating agencies

Shareholders according to number of shares and percentage ownership as at 31 December 2003

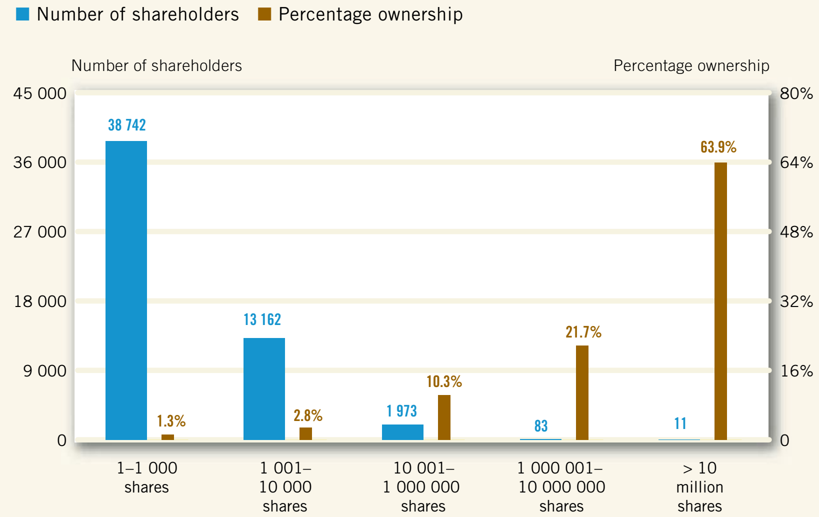


Table 5: Credit ratings (DnB NOR Bank ASA's credit ratings in bold type)

Standard & Poor's Short-term	Standard & Poor's Long-term	Moody's Short-term	Moody's Long-term
A-1+	AAA	**P-1**	Aaa
A-1	AA+	P-2	Aa1
A-2	AA	P-3	Aa2
A-3	AA-	Not prime	**Aa3**
B	A+		A1
C	**A**		A2
	A-		A3
	BBB+		Baa1

Moody's Investors Service and Standard & Poor's. During 2003, Den norske Bank and Union Bank of Norway were subject to credit rating. When the merger agreement was signed in March 2003, Moody's confirmed Den norske Bank's Aa3 rating with a negative outlook, while the A1 rating of Union Bank of Norway was confirmed with a positive outlook and upgraded to Aa3 with a negative outlook following the Norwegian Competition Authority's approval of the merger on certain conditions. After the merger between the banks, Moody's gave DnB NOR Bank ASA a Aa3 rating with a negative outlook for long-term debt and the best rating, P-1, for short-term debt. The negative outlook is due to the implementation risk relating to the merger. Prior to the merger, Standard and Poor's gave both banks a credit rating of A with a positive outlook. After a review, the agency has assigned DnB NOR Bank a long-term debt rating of A with a positive outlook and a short-term debt rating of A1 (table 5).

Tax adjustments and withholding tax

"RISK" adjustments apply only to Norwegian tax payers. The "RISK" adjustment is allocated to shareholders on 1 January of the year following the financial year. The figures will be positive in years where the company's net taxable profits exceed dividend payments.

Dividends to shareholders not liable to Norwegian taxation will as a general rule be subject to Norwegian withholding tax at a rate of 25 per cent. If the shareholder is resident in a country which has a tax treaty with Norway, the withholding tax will generally be reduced, normally to 15 per cent. When a foreign company owns a majority of the shares in the company paying the dividend, the withholding tax is often reduced to 5 per cent and in some cases to zero. Dividends are normally taxable in the country in which the shareholder is resident. A legal action has been brought before Norwegian courts where one of the issues is whether the deduction of Norwegian withholding tax from dividends paid to shareholders resident in an EEA country conflicts with article 40 in the the EEA agreement on free movement of capital.

The preliminary "RISK" adjustment as at 1 January 2004 is negative at NOK 7.34, of which a negative NOK 2.86 stems from the cash consideration of NOK 3.7 billion paid to Gjensidige NOR shareholders in connection with the merger. Previous years' "RISK" adjustments will be different for former shareholders in DnB and Gjensidige NOR respectively. The following "RISK" adjustments have been allocated to former shareholders in DnB and Gjensidige NOR as at 1 January each year:

Table 6: "RISK" adjustments for former DnB and Gjensidige NOR shareholders

	"RISK" DnB	"RISK" GNO*	"RISK" DnB NOR
1 Jan. 2004			(7.34) estimate
1 Jan. 2003	6.44	(0.07)	
1 Jan. 2002	(3.66)	2.83	
1 Jan. 2001	2.64	4.53	
1 Jan. 2000	(0.39)	3.25	
1 Jan. 1999	(0.98)	1.98	
1 Jan. 1998	(1.43)	3.36	
1 Jan. 1997	(1.29)	3.55	
1 Jan. 1996	(0.89)	0.71	
1 Jan. 1995	(1.24)	(0.37)	
1 Jan. 1994	0.00	(2.94)	
1 Jan. 1993	0.00	0.00	

* Gjensidige NOR's "RISK" has been adjusted by 1:6.2.

Customers

DnB NOR's success in the market is dependent on satisfied customers, and customers and their needs are therefore at the core of the Group's corporate vision and strategies.

This is also reflected in the organisation of the Group into the business areas Retail Banking, Corporate Banking, Markets, Asset Management and Life Insurance and Pensions.

DnB NOR is a Norwegian-based enterprise with a nationwide branch network, which ensures proximity to customers through strong local presence and expertise. DnB NOR places importance on accessibility and helpful and competent staff members who understand customer needs. At the same time DnB NOR offers a unique distribution range which allows customers the choice of using branches, Internet banks or telephone services. Whatever the channel, professional advisory services will be available when sought by customers.

A guiding principle for DnB NOR is that decisions should be made as close to the customer as possible. This implies that personal credit approval authorisations will be delegated at the local level, so that decision-making is largely in the hands of staff members who know the customers and the markets.

DnB NOR will be as well represented locally as each of the two banks was before the merger. A broader customer base will be a better platform for maintaining a local presence. In a large number of places where DnB and Gjensidige NOR each had a small share of the market, DnB NOR now has enough customers to maintain one branch office. The branch network will continue to undergo gradual change as customer preferences adapt to new technology providing access to Internet and telephone banking services along with cash withdrawals from ATMs and in shops. The need for branches will thus be continually reviewed.

Customers will find special expertise available at the local level. Advisory services concerning savings, mutual fund and other investment alternatives and financing will be offered in around 20 investment centres nationwide and through DnB NOR Privat-Bank. A number of local business centres will ensure that small and medium-sized businesses are served by advisers with local knowledge and broad authorisations. DnB NOR Markets also has 13 regional sales desks throughout the country.

DnB NOR operates primarily in Norway, though the Group is also represented internationally. Through the Group's international network, with a number of branches and representative offices on several continents, DnB NOR is an important partner for Norwegian businesses operating abroad. For large foreign companies, DnB NOR aims to be the preferred partner in Norway. DnB NOR is one of the world's leading shipping banks. In Sweden, asset management services are offered to retail customers as well as institutional clients, while the office in Luxembourg provides banking services to Norwegian customers residing abroad.

Part of the DnB NOR Group

Brands

The DnB NOR Group encompasses a number of brands.

DnB NOR builds on the best from operations in DnB and Gjensidige NOR. Nordlandsbanken will be a partner for business interests in Nordland county, while Postbanken is the bank for everyone, with unique accessibility through post offices, in-store postal outlets and rural postmen.

The Group also includes the brand names Cresco for card products and financing solutions, and Carlson and Avanse within asset management. Through Vital, DnB NOR will offer the best state-of-the-art solutions within life insurance and pensions in both the retail and corporate markets.

Overview:

- More than 2 million retail customers
- Around 150 000 corporate customers
- Around 700 000 life insurance customers
- Around 38 per cent of lending to the retail market
- Around 37 per cent of lending to Norway's small and medium-sized businesses
- Principal bankers for around 60 per cent of Norway's 300 largest companies
- 215 bank branches throughout Norway (after the merger)
- Cooperation and distribution agreements with Gjensidige NOR Forsikring (non-life insurance), 16 regional and local savings banks, around 300 post offices, some 1 200 in-store postal outlets and more than 2 000 rural postmen
- International network comprising 13 branches and representative offices

Best deposit guarantee

DnB NOR offers a better deposit guarantee than its Nordic competitors. All customers in Norwegian banks are, pursuant to legislation on guarantee schemes, individually covered for deposits of up to NOK 2 million, or around EUR 235 000. In comparison, the guarantee amount for Danish banks is EUR 40 000, for Swedish banks EUR 28 000 and for Finnish banks EUR 20 000.

Increased competition

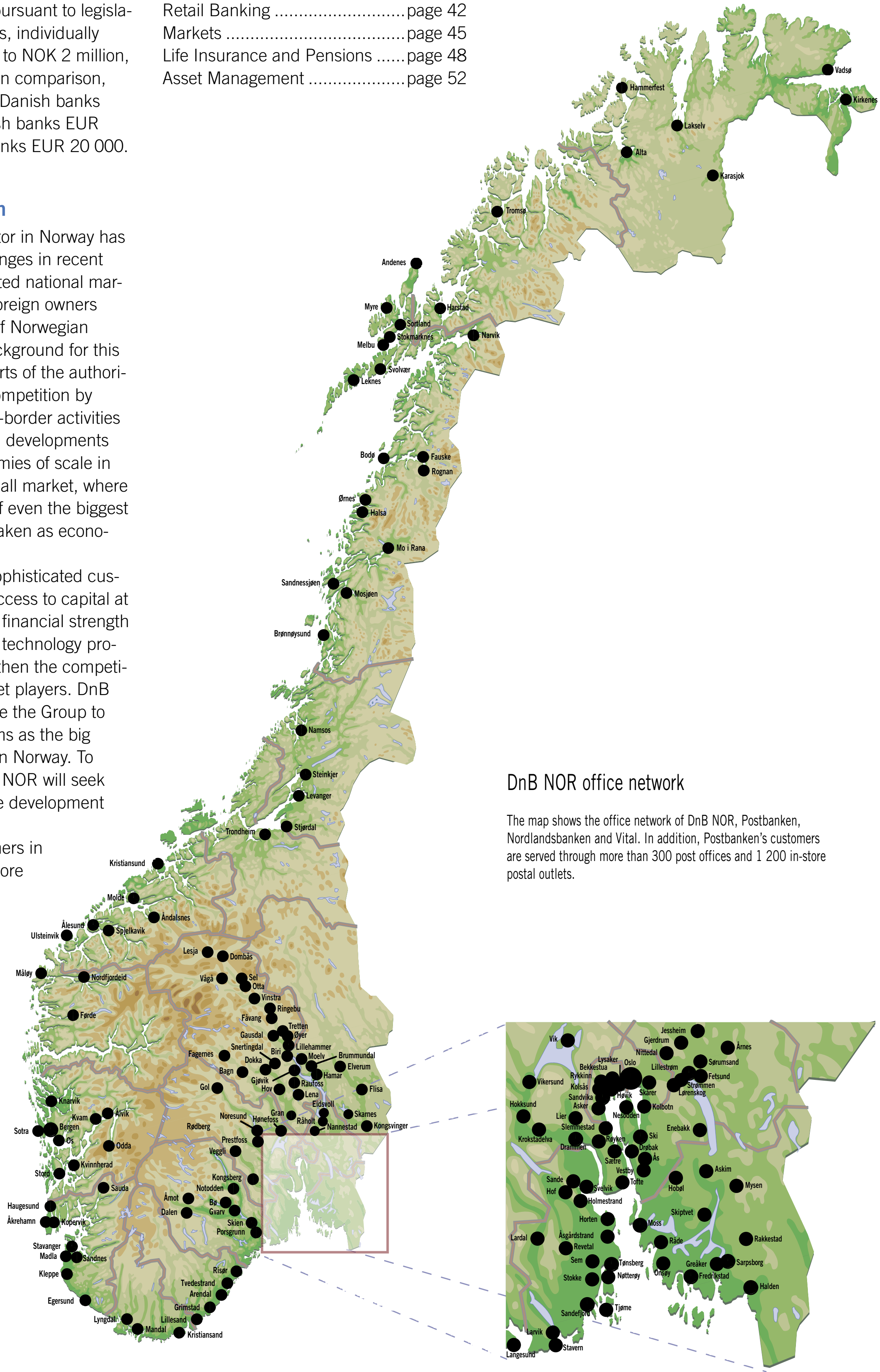
The financial services sector in Norway has undergone numerous changes in recent years, going from a delimited national market to an industry where foreign owners control around one-third of Norwegian financial services. The background for this trend lies partly in the efforts of the authorities to stimulate market competition by removing barriers to cross-border activities and partly in technological developments which highlight the economies of scale in the sector. Norway is a small market, where the competitive strength of even the biggest Norwegian players will weaken as economies of scale increase.

Growing demand for sophisticated customer service concepts, access to capital at a reasonable cost and the financial strength to utilise the opportunities technology provides will over time strengthen the competitiveness of the large market players. DnB NOR has the size to enable the Group to compete on the same terms as the big international participants in Norway. To enhance its position, DnB NOR will seek to be at the forefront in the development of new financial products.

Competition for customers in Norway has never been more intense due to technological developments and the fact that there are around 150 banks represented in the domestic market. The use of Internet banks and telephony, for example, has challenged the importance of local branches. Competition is further strengthened by the transparency of the banking and financial markets, which makes it easier for customers to follow market trends.

Details on customers and markets in each business area:

Corporate Banking .... page 39
Retail Banking .... page 42
Markets .... page 45
Life Insurance and Pensions ...... page 48
Asset Management .... page 52



DnB NOR office network

The map shows the office network of DnB NOR, Postbanken, Nordlandsbanken and Vital. In addition, Postbanken's customers are served through more than 300 post offices and 1 200 in-store postal outlets.

Employees

The DnB NOR merger involves an extensive integration and adjustment process which will place heavy demands on employees and management. The Group will devote determined effort to maintaining performance levels and job satisfaction while implementing various measures to enable employees and managers to master new challenges.

Attention will be focused on competence building and managerial capacity in the months ahead. DnB NOR is committed to carrying out the restructuring process in a fair and considerate manner and will as far as possible use voluntary measures to reduce staff numbers.

As at 31 December 2003, DnB NOR Group staff comprised 11 678 employees, 51.7 per cent women and 48.3 per cent men. The number of employees was scaled back by 696 during 2003. Employees' average age was 45 years and the average period of service 17 years.

Human Resources

Human Resources is a centralised function in DnB NOR, based on the need for a coordinated and uniform approach to key challenges during the merger period. DnB NOR will devote considerable resources to carrying out the coming restructuring and staff reductions.

During the restructuring phase, efforts will also target development programmes which the new group will need to implement: management development, organisational development, competence development and the streamlining of work processes. Success in this area is vital to ensure that the merged entitites blend to form a competent, customer-focused and cost-efficient organisation where employees thrive and do a good job.

The centralisation of the Human Resources function is conditional on close cooperation with the business areas, support and staff units. A special person has thus been designated in each area to look after the area's needs and serve as a link to the centralised Human Resources function.

Restructuring and staff cuts

During the merger process between Gjensidige NOR and DnB, the need for staff reductions in the DnB NOR Group was estimated at 1 630 full-time positions. The cuts will be carried out over a three-year period from the merger date. Guidelines and procedures for implementing staff reductions have been prepared. Before assigning positions in the new organisation, managers will conduct interviews with all subordinates. All managers receive the necessary information and training prior to the process of assigning positions in the relevant units.

Redundancies will primarily be handled through natural attrition and other voluntary schemes. Employees throughout the Group will receive equal treatment, and staff reductions will be carried out at all levels of the organisation. Adequate funds have been allocated for restructuring and staff reduction measures, and those concerned will receive compensation upon termination of employment.

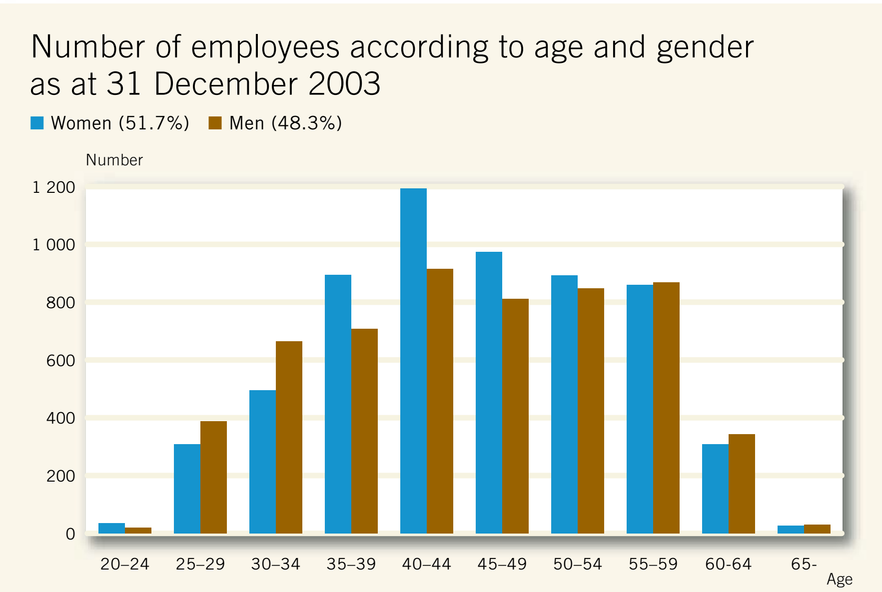
Parallel to preparations for the DnB NOR merger, the Group implemented staff cuts relating to previous acquisitions and restructuring processes during 2003. The reductions were carried out primarily through voluntary exits involving severance pay. A total of 186 persons received severance packages, of whom 57 entered into contractual pension agreements and 29 signed other early retirement contracts.

Recruitment

A hiring freeze was introduced in early 2003. Thus, only a very limited number of external recruits joined the Group. Later in the year, an internal job market encompassing the entire new group was launched. 378 vacant positions were filled during 2003, 311 through internal recruitment.

Trainees and talented staff

DnB NOR has an 18-month trainee programme which will be continued with new candidates in March 2004. Due to the merger and the restructuring process, however, only a limited number of candidates will be accepted. Between 1994 and 2003, close to one hundred graduates from colleges and universities in Norway and abroad completed the programme. Surveys show that the programme is ranked among the best of its kind in Norway.



DnB NOR is strongly committed to maintaining contact with a range of colleges and universities in Norway and abroad. The Group holds presentations and participates in business and career seminars, student conferences etc.

In addition, the Group has a special programme which helps promote talented staff and key personnel.

Management training

DnB NOR is committed to systematic and continual training of managers and their teams. Various programmes for new managers, middle managers and senior executives have been established and are carried out at regular intervals. The programmes cover both business aspects and challenges directly linked to managerial roles. In addition, a management laboratory has been set up, offering invidual career advancement opportunities for managers at all levels. DnB NOR also has resources available to all managers in the Group seeking professional training relating to subjects such as coaching, teambuilding and change management, aiming to ensure that good leadership remains one of the Group's competitive advantages.

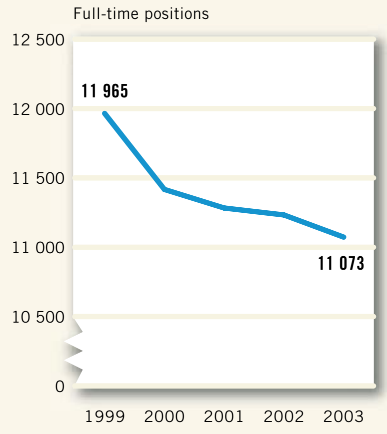
Competence

The Group's overall competence is of great strategic and competitive value, and systematic and targeted competence development is a key priority. Interviews regarding competence planning are carried out for individual employees, and development plans are worked out to ensure and promote the knowledge base in line with the Group's challenges and targets.

One of the most important measures is to update and develop the skills necessary to carry out day-to-day responsibilities. Great attention has also been given to advanced training and higher education. DnB NOR facilitates professional development through support schemes for further education.

A vital tool in competence development is the creation of effective learning processes and training arenas which give the individual employee a better chance of meeting special learning needs. E-learning has provided new opportunities – more learning at the same cost and greater access to individual training. DnB NOR provides access to 291 e-learning programmes, which have 3 600 users. In addition, in-house training is implemented through various courses, on-the-job training and training programmes in cooperation with external institutions. Internal training represented 17 055 training days in 2003. In addition, 407 employees participated in college programmes, including internal business courses.

Staff numbers



Share-related incentives for employees

DnB NOR has various schemes providing employees with ownership interests in the Group. The schemes are designed to motivate staff and let them take part in value generation in the Group.

Both the merged companies have established limited companies owned by the employees. Funds allocated to these are divided equally among the employees. For the 2003 financial year, the Board of Directors allocated NOK 86 million to DnB-ansattes Fond AS after an evaluation of the following criteria: cost ratio, customer satisfaction, team spirit and participation in training programmes. A further NOK 37 million was allocated to Gjensidige NOR Ansattefond AS in 2003, based on the achieved return on equity. The major part of the capital in the employee funds is invested in shares in DnB NOR ASA, and at end-December 2003, the funds were among the company's largest shareholders with a total of 13.8 million shares.

DnB NOR has two subscription rights programmes for employees, one for staff in the former DnB and the other for staff in the former Gjensidige NOR. The schemes will remain in force up till March 2005 and October 2004 respectively. Subject to certain conditions, the DnB scheme entitles 6 376 employees to subscribe for a total of 26 396 000 shares at the price of NOK 32.83 per share, while the Gjensidige NOR scheme gives 4 444 employees the right to subscribe for a total of 6 860 262 shares at the price of NOK 27.95 per share. See note 10 to the accounts and "Shareholders" on page 26.

A share purchase programme for employees in the former DnB was implemented in 2003 at a discounted rate as stipulated by tax legislation, with a total of 3 382 employees subscribing. A similar programme for employees in the former Gjensidige NOR was carried out, with 1 995 subscribers. Around 46 per cent of the employees subscribed for shares under the programmes.

Society

Through more than two million customer relationships DnB NOR plays a key part in meeting society's need for effective financial services, and pledges to do this in an ethical and socially sustainable manner. DnB NOR seeks to reduce its environmental impact to a minimum and wants its staff to view DnB NOR as a good employer. DnB NOR intends to remain a major player in the communities in which the Group operates.

The value base for the DnB NOR Group's corporate social responsibility includes:

- Values as reflected in Norwegian legislation
- Ethical standards and rules supplementing Norwegian legislation
- UN conventions on human rights
- International conventions on employee rights
- OECD guidelines for multinational corporations
- The UNEP statement on the environment and sustainable development

This implies that DnB NOR will refrain from participating in, or contributing to, the implementation of transactions which conflict with Norwegian law, represent a risk of complicity in unethical actions, involve infringement of human and employee rights, corruption or a major hazard to the environment.

An overall policy for practising and enhancing recognition of social responsibility in the DnB NOR Group is being drawn up.

DnB NOR is a member of Transparency International, a coalition devoted to combating corruption.

Code of ethics

A financial services group is highly dependent on the trust of the community around it.

Customers, public authorities and other financial institutions must at all times have confidence in the professionalism and integrity of the Group. This places demands on the Group to act with due care, fairly and objectively, as well as comply loyally with regulations laid down by the authorities.

For a group to earn that trust, it is not, however, sufficient that it as an institution acts in this manner. It is equally important that each employee and elected officer exercises due care and refrains from acts that could weaken this trust.

Complying with the code of ethics is not necessarily enough to maintain high ethical standards. High ethical standards cannot be learned – they have to be an integral part of employees' attitudes.

A new code of ethics for employees and elected officers in the DnB NOR Group was approved at the first board meeting in DnB NOR ASA. The guidelines cover aspects relating to customers and suppliers, the duty of confidentiality, notification requirements, personal finances, participation and positions in business enterprises, trading in financial instruments and insider trading.

DnB NOR's environmental policy

In 2003 the Group approved a revised environmental policy and a new action plan for the period from 2003 to 2005. The environmental policy is based, among other things, on the principles set forth in the UNEP Statement by Financial Institutions on the Environment and Sustainable Development, which was signed by the Group in 1999, demonstrating DnB NOR's recognition that sustainable development is a fundamental aspect of sound business management.

The action plan focuses particularly on maintaining good environmental order in our own house and ensuring sufficient awareness of ethical and environmental issues relating to business operations.

Order in our own house

The DnB NOR Group's direct impact on the environment relates to its use of materials and energy along with services necessary for carrying out business operations. Energy consumption and air travel were monitored closely in 2003.

DnB and Gjensidige NOR's energy consumption in 2003 totalled around 110 GWh. Electricity was used as the primary source of energy for heating and cooling where district heating and cooling is unavailable. The majority of large buildings used by DnB NOR have built-in energy conservation systems that automatically regulate ventilation, lighting and temperature. At the head office at Aker Brygge in Oslo, energy consumption is mainly based on district heating and heat pumps powered by seawater. The merger between DnB and Gjensidige NOR will involve a substantial reduction in total energy consumption as well as office space.

Vital Eiendomsforvaltning, which manages properties owned by the DnB NOR Group, has, in cooperation with the Government Energy Fund, represented by Enova, established a programme for eco-friendly and cost-effective energy consumption. The programme will be implemented during the period 2003 to 2005 and involves some 239 000 m^2, of which around 65 000 m^2 are used by DnB NOR with a total annual consumption of around 23 GWh. Estimated annual savings are calculated at 10 per cent or 2.3 GWh. In addition, it is expected that similar programmes can be used in other buildings. The programme includes the replacement of light fixtures containing PCB by 1 January 2005.

A group standard procedure for procurement has been worked out by DnB NOR to ensure efficient purchasing routines including environmental requirements for products, producers and suppliers.

DnB NOR has initiated measures to quantify the use of paper for the most paper-intensive products, including account statements and other notices, as well as copying paper. Procedures requiring fewer paper-based account statements have been implemented, which has significantly reduced paper consumption as well as printing and postage expenses. In addition, measures for sorting and recycling waste have been effected.

During 2003, six of DnB NOR's financial services centres as well as Vital's head office in Bergen were certified in accordance with the "eco-lighthouse" programme. Eco-lighthouse certification is an official Norwegian environmental management and certification programme supported by several business and environmental organisations. Certification under this programme will help DnB NOR fulfil its targets in accordance with the action plan for the period 2003–2005, especially with respect to priority areas such as energy, air travel, paper use, waste treatment and procurement. Eco-lighthouse certification of four additional financial services centres, three other large units as well as the head office at Aker Brygge is under way. Eco-lighthouse certification will be a continuing programme which will ensure good environmental order in our own house in the years ahead.

Business activities

DnB NOR has an indirect impact on the environment through the Group's business activities. This applies in particular to the extension of credit to a variety of companies and activities, and to asset management operations, where DnB NOR Asset Management manages substantial funds on behalf of investors.

DnB NOR is a major lender to retail customers, the business community and the public sector. As a lender, DnB NOR bears strong responsibility, which includes ensuring that lending propositions are in harmony with public interests and standards. The group standard procedure for credit activity stipulates that ethical and environmental issues must be thoroughly assessed and included in risk analyses. Special emphasis is placed on such considerations in the training of new credit officers.

DnB NOR Asset Management has incorporated ethical and environmental considerations in standard procedures for investment management activities. DnB NOR has established four funds and offers portfolio management for institutional investors whose investment preferences reflect social, ethical and environmental considerations. The asset management operations in Sweden also offer several funds based on ethical criteria. Investments are not made in companies where earnings are linked to products such as alcohol, tobacco, weapons or pornography. The funds invest in companies which fulfil national and international environmental requirements and support sustainable development. Responsibility and performance relative to the UN Convention on Human Rights and the international Labour Rights Convention are also reviewed. In addition, DnB NOR offers two environmental funds, Grønt Norden and Miljøinvest.

Innovation

DnB NOR seeks to promote Norwegian business development and launched an innovation competition in 2003. The DnB NOR Innovation Award of NOK 250 000 went to the company Axis-Shield, located in Oslo and Bodø, for the development of new technology for blood tests. The two runners-up for commercial innovation were awarded NOK 25 000 each. The innovation awards target knowledge-based business development with emphasis on the entire innovation process.

Initiatives to boost entrepreneurial activity in Norway are encouraged by DnB NOR. However, responsibility for future value creation cannot be left solely to entrepreneurs. Established companies must play their part, for their own sake as well as in the interests of the Norwegian business sector. DnB NOR's innovation award can therefore just as well be won by established businesses, associations or municipalities as entrepreneurs. DnB NOR is the first group in Norway to launch such an idea competition.

DnB NOR's experience with idea generation has been good. The Group has set up an innovation laboratory for testing commercial ideas. The winners of DnB NOR's inno-

vation award will receive an offer to test out their ideas by means of an attractiveness test and an overall profitability assessment.

Sponsorship and support

In cooperation with the Norwegian Red Cross, DnB NOR has launched an affinity debit and credit card where a portion of every transaction goes to humanitarian efforts. DnB NOR also sponsors PLAN Norway and gives widespread support to Norwegian sports and a number of cultural activities and arrangements. In 2003, Vital Livsforsikring gave out two sports medicine awards of NOK 20 000 each for research and the prevention of sports injuries. Various athletic and cultural activities in which DnB NOR employees participate are also sponsored.

Sparebankstiftelsen DnB NOR

Sparebankstiftelsen (the Savings Bank Foundation), which owns 10.3 per cent of the shares in DnB NOR ASA, intends to manage its holdings in DnB NOR and donate up to 25 per cent of its net profits to deserving causes. In this way DnB NOR ensures that good financial results will benefit the community. A number of fields including arts and culture, social activities, research, education and Norwegian sports can qualify for financial contributions from the Foundation.

Historical buildings

DnB NOR owns and uses historical buildings in several localities in Norway. A number of them have been rehabilitated in recent years based on requirements for the preservation of buildings.

Business areas

The activities of DnB NOR are organised into five functional business areas and four staff and support units. The business areas are set up according to the customer segments served by the Group as well as the products offered.

Each business area operates as an independent profit centre. The functional structure in DnB NOR deviates from its legal structure as activities in subsidiaries fall in under the business area relevant to the company's primary operations. Activities in some subsidiaries, e.g. Nordlandsbanken, are divided between several business areas.

The business areas carry responsibility for specific customer segments and key distribution channels, including sales of customer products, marketing, customer service, distribution and risk assessment in addition to product development, production and product pricing. The business areas are also responsible for the most business-critical support functions and have the opportunity to influence other staff and support units in the Group.

Cooperation between the business areas is an important element in DnB NOR's strategy. A wide range of products, services and distribution channels enables the Group to offer customer solutions across business areas.

Financial targets

Differentiated financial and non-financial requirements have been set for the business areas which in combination will help the DnB NOR Group reach its financial targets. Return on equity is the key ratio for the business areas, representing each area's profits after taxes relative to financial capital requirements. The need for financial capital is based on the risk involved in operations in accordance with DnB NOR's risk management model.

Internal pricing

DnB NOR's financial management model and functional organisation entail the sale of products and services between the business areas in the Group. The pricing of such intra-group transactions is regulated by internal agreements generally based on market terms.

Services provided by staff and support units will as far as possible be scaled and priced according to use. Joint expenses incurred by group staff units and other group expenditures that cannot be debited according to use, are charged to the business areas' accounts on the basis of special distribution formulas. Goodwill amortisation and costs relating to the Group's equity transactions, including strategic investments, are not charged to the business areas. Nor are the business areas charged with direct shareholder-related expenses and expenses concerning the Group's governing bodies.

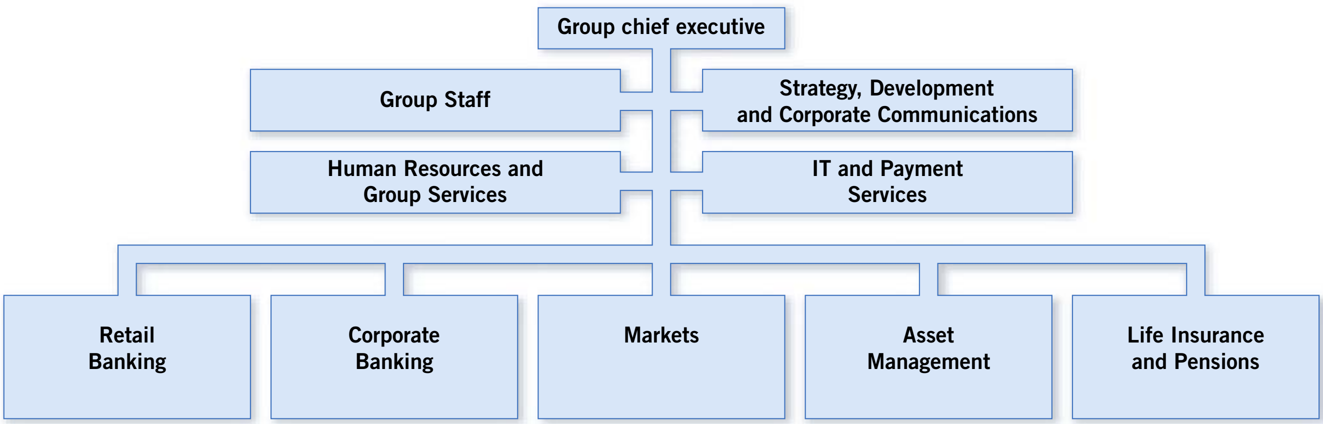
Certain customers and transactions of major importance require extensive cooperation within the Group. To stimulate such cooperation, net income relating to some of these transactions is recorded in the accounts of all relevant business areas. This refers primarily to income from customer trading in Markets. In 2003, such income totalled NOK 667 million. Double entries are eliminated in the group accounts. The effects of internal transactions between the Group's trading portfolio and banking portfolio are, however, not eliminated.

Sale of companies

In accordance with the conditions for the merger determined by the authorities, certain entities must be sold by the DnB NOR Group. This applies to Elcon Finans, Postbanken Eiendomsmegling, Aktiv Eiendomsmegling and Gjensidige NOR Fondsforsikring. The sales are expected to be carried out over a two-year period.

The description of the business areas in the annual report, including financial information, has been prepared as though these companies are no longer part of the Group. In the accounts for the business areas, pro forma accounts for the companies are combined under the entry "Discontinued operations".

The terms of the merger also require the sale of a total of 53 banking outlets. However, these outlets are included in the accounts and descriptions of the business areas.



Pro forma profit and loss and balance sheet items and selected key figures*

Profit and loss accounts	Net interest income		Net other operating income		Operating expenses		Pre-tax operating profit/(loss) before losses		Net losses on loans and long-term securities	DnB NOR Group
Amounts in NOK million	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Corporate Banking	5 908	5 664	2 214	1 870	3 267	2 971	4 855	4 563	1 467	690
Retail Banking	6 909	6 693	2 553	2 344	7 091	6 751	2 371	2 285	264	269
Markets	466	706	2 035	1 441	1 171	1 165	1 329	981	(1)	(38)
Life Insurance and Pensions	0	0	1 101	(359)	0	0	1 101	(359)	0	0
Asset Management	45	38	828	664	692	754	181	(51)	0	(1)
Discontinued operations	829	572	144	152	530	468	443	256	172	76
Other operations	(368)	213	(572)	(454)	659	821	(1 599)	(1 062)	(235)	344
DnB NOR Group	13 789	13 887	8 302	5 658	13 410	12 931	8 681	6 613	1 667	1 339

Balance sheet items (average balances)	Net lending to customers		Customer deposits		Assets under management		Allocated capital	DnB NOR Group
Amounts in NOK billion	2003	2002	2003	2002	2003	2002	2003	2002
Corporate Banking	248.7	226.9	158.6	147.8			17.8	15.8
Retail Banking	260.5	227.2	180.4	163.4			6.9	6.2
Markets	1.5	1.0	10.2	9.2			2.0	1.9
Life Insurance and Pensions					136.7	129.2	7.5	6.5
Asset Management					435.4	307.7	0.9	0.6
Discontinued operations	24.8	21.7	0.4	0.3				
Other operations	1.2	2.0	(11.4)	(10.2)	(120.5)	(112.4)	7.3	9.8
DnB NOR Group	536.6	478.8	338.2	310.6	451.5	324.5	42.2	40.7

Key figures	Cost/income ratio excl. goodwill amortisation		Ratio of deposits to lending		Return on equity		Full-time positions (at year-end) DnB NOR Group
Per cent	2003	2002	2003	2002	2003	2002	2003
Corporate Banking	40.1	39.3	63.8	65.2	13.7	17.7	1 935
Retail Banking	74.7	74.4	69.2	71.9	22.1	23.3	4 660
Markets	46.8	54.3			48.1	39.5	610
Life Insurance and Pensions					12.5	(5.0)	970
Asset Management	79.2	107.3			15.0	(5.9)	359
Discontinued operations							458
Other operations							2 081
DnB NOR Group	57.9	63.6	63.0	64.9	12.7	8.9	11 073

* The tables above as well as the descriptions of business areas and staff and support units below refer to the combined operations of DnB and Gjensidige NOR.

Corporate Banking

Corporate Banking serves large corporates, shipping clients and small and medium-sized companies. DnB NOR leads the corporate market in Norway. The Group is one of the world's foremost shipping banks.

The business area serves customers through central units, telephone and Internet banking, 33 financial services and business centres and 268 regional offices and branches in Norway. In addition, Nordlandsbanken serves corporate clients in the county of Nordland. DnB NOR's international network comprises six branches and a number of representative offices. Through cooperation with other business areas and support functions in the Group, particularly within corporate finance and foreign exchange and interest rate instruments, Corporate Banking offers a broad range of financial products and services.

Operations in Norway are organised in five customer divisions and also include the subsidiaries DnB NOR Finans, DnB NOR Næringsmegling and DnB NOR Hypotek and Nordlandsbanken's activities in the corporate market.

Corporate Banking serves the large corporate segment through DnB NOR's branch network and international units, e.g. in New York, London and Singapore. DnB NOR provides services to Norwegian and international shipping and offshore clients from offices in Oslo, Bergen, London, New York and Singapore. Through the establishment of DnB NOR Markets Inc. in the US, DnB NOR offers investment banking services, including merger and acquisition advisory services, to international clients, particularly in the shipping and energy sectors.

DnB NOR Finans is a leading finance company in Norway, offering a range of services in the corporate market and public sector, including leasing, rentals, fleet management, corporate loans and factoring. DnB NOR Finans has 14 sales offices in Norway and cooperates closely with the bank's branch network and distribution channels.

Strategy

DnB NOR Corporate Banking aims to be the best financial partner for Norwegian companies and international customers' preferred partner in Norway. In certain industries, such as shipping, oil and energy, DnB NOR will also be a partner for companies operating outside Norway.

Highlights in 2003

DnB NOR's acquisition of Nordlandsbanken was reflected in the accounts as of 1 January 2003. The acquisition enhances DnB NOR's position in Norway's northernmost counties, especially Nordland, where a number of the most important companies are customers of Nordlandsbanken. In the course of 2003, operations in Nordlandsbanken were largely integrated with operations in the rest of the Group, and joint credit procedures were established.

DnB NOR's representative office in Shanghai was established in 2003 and opened in February 2004.

The Shipping Division's new initiatives within maritime logistics developed favourably during 2003, enabling DnB NOR to offer a wider range of financing options for shipping clients. Several new business transactions were carried out with customers figuring among the world's leading port and terminal operators. DnB NOR served as adviser for Lasco Shipping Co. in Portland, Oregon on the sale of its operations to Clipper Group Ltd. in Copenhagen and for Teekay Shipping Corporation's acquisition of Navion ASA. Advisory services were also provided to Leif Høegh & Co in connection with their decision to delist the company's shares.

Corporate Banking registered brisk growth in demand for DnB NOR's Internet services in 2003. The Group's Internet banking solutions in the corporate market were improved during the year and are now used by more than 50 000 corporate clients. Nettregnskap, an Internet accounting service which integrates customers' payment transactions with other information relating to the accounts, was launched in June 2003.

During the year, card and cash handling solutions were established for customers in the Nordic region.

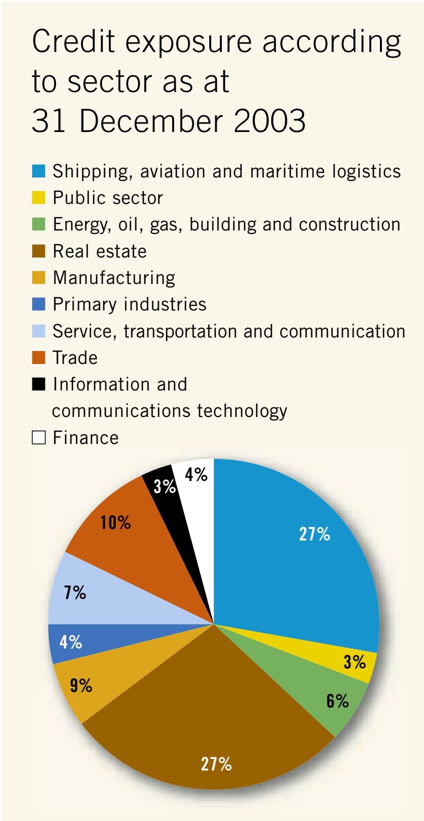
Financial performance

Pre-tax operating profits before losses totalled NOK 4 855 million in 2003, compared with NOK 4 563 million in the previous year. Nordlandsbanken accounted for NOK 251 million of the overall NOK 292 million increase in profits. Performance reflected a reduced level of activity in the corporate market and low interest rate levels. Losses were relatively high in the first part of 2003, but showed a downward trend towards the end of the year. In 2002, NOK 215 million in interest paid on a previously non-performing commitment was taken to income. Nordlandsbanken is not included in the pro forma figures for 2002 nor in the financial analysis below.

The slide in interest rates along with a rising volume of non-accruing loans contributed to the pressure on net interest income. There was a moderate level of activity within

Financial performance

Amounts in NOK million	2003	2003 of which Nordlands-banken	2002
Net interest income	5 908	420	5 664
Net other operating income	2 214	32	1 870
Operating expenses	3 267	201	2 971
Pre-tax operating profit before losses	4 855	251	4 563
Net losses on loans and long-term securities	1 467	464	690
Taxes	949	(60)	1 084
Profit/(loss)	2 439	(153)	2 789
Cost/income ratio excl. goodwill amortisation (per cent)	40.1	-	39.3
Return on equity (per cent)	13.7	-	17.7



corporate finance, while greater interest in advisory services within foreign exchange and interest rate products lifted income 22 per cent. There was an increase in guarantee commissions and income from payment and cash handling services.

Thanks to sound cost control, there was only a slight increase in operating expenses from 2002 to 2003.

Credit growth was relatively low in 2003 due to reduced willingness to invest in the business sector. The overall volume of loans and guarantees expanded by NOK 8.7 billion from December 2002. In addition, loans totalling NOK 73 billion were syndicated. In cooperation with DnB NOR Markets, the business area arranged commercial paper and bond issues for a total of NOK 86 billion. Portfolio risk rose somewhat during the year due to the challenges facing the Norwegian business community, but is considered satisfactory. Deposits rose by NOK 2.2 billion or 1.5 per cent from December 2002.

All new lending in Corporate Banking targets customers with low credit risk. Lending policy was restrictive in 2003, and quality was given priority over growth. New loan-loss provisions on loans and guarantees totalled NOK 1 946 million. Of this, NOK 539 million referred to overall operations taken over from Nordlandsbanken, including NOK 357 million from the remaining operations in Nordlandsbanken ASA. DnB NOR has developed sound risk management systems, where several possible risk aspects of a commitment are reviewed.

Customers and markets

DnB NOR leads the Norwegian corporate market. The Group is one of the world's leading shipping banks.

DnB NOR has a sound position among small and medium-sized companies in Norway, which was further strengthened by gaining 7 500 new customers in 2003. Local presence ensures proximity to customers and a good understanding of their needs. DnB NOR is committed to building up regional expertise and decision-making capacity, while making the competence of a large bank available to local businesses. At the end of 2003, more than 8 000 of DnB NOR's small and medium-sized corporate customers used one of the Group's service concepts for this segment.

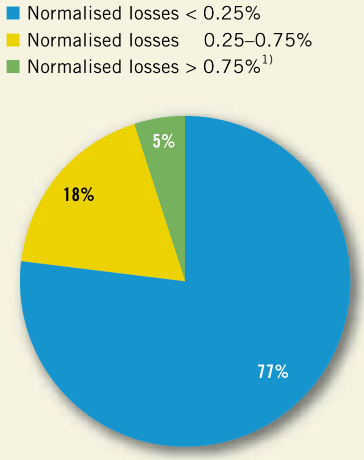
More than 50 000 customers make use of DnB NOR's extensive range of Internet services and Internet-based financial tools. In addition to traditional products, electronic solutions are offered for equity and foreign exchange and documentary credit and guarantee services. A number of customers have started using the Group's liquidity and profitability models.

At end-December 2003, DnB NOR Finans had a 23 per cent market share within asset finance, up 3 percentage points from the previous year. At the end of the year, more than 85 per cent of factoring clients used the web-based solution Telefactor.

External factors

2003 was a challenging year for the Norwegian business community. The fishing industry, and fish farming in particular, was troubled by weak profitability and low prices during the first half of the year. This was reflected in DnB NOR's earnings from the fisheries portfolio and spurred the Group's strong involvement in the future development of the industry, which included restructuring and taking over commitments to secure values. Measures were initiated to reduce activity and dampen production growth, which helped ensure an improved market balance and positive price trends. The Norwegain export industry operated under difficult economic parameters in 2002 and parts of 2003 due to the high interest levels and high NOK exchange rate. There was a sharp decline in interest rates in 2003, parallel to a weakening of the NOK exchange rate. Though the negative trend appears to be levelling off, certain sectors, especially manufacturing, shipbuilding, building and construction and

Risk classification of credit portfolio as at 31 December 2003



1) This risk category also includes commitments with normalised losses below 0.75 per cent in cases where the loss ratio is low but combined with a high probability of future losses.

commercial property, still represent a great challenge. These sectors will be closely monitored by DnB NOR.

Employees

At the end of 2003, Corporate Banking in DnB NOR had 1 935 employees, with 1 810 employed in Norway, including 476 in subsidiaries, while staff in international units numbered 125.

Staff competence represents an integral part of DnB NOR's business operations. Systematic competence building aims to ensure that customers receive the best advisory services and derive the full benefit of the Group's products and services. Measures are adapted to customer needs in each segment. A thorough understanding of financial analysis and risk assessment is given high priority. By sharing experience in professional environments, employees gain sound industry expertise and an understanding of customers' overall needs. To provide optimal service to customers, parts of the Group's customer operations are organised across divisions and business areas through teams of employees from different product and customer units.

The business area underwent a major restructuring process in 2003 which resulted in staff cuts corresponding to 88 full-time positions. Staff levels will be brought down by a further 200 full-time positions by the end of 2006.

Future prospects

The business area anticipates a positive trend in the Norwegian business community and the international shipping industry in 2004, but will continue to pursue a restrictive lending policy giving quality priority over growth. Portfolio developments will be followed closely, drawing upon extra resources if necessary.

In cooperation with DnB NOR Markets, focus in 2004 will remain on providing customers with advisory services in areas such as risk assessment, hedging and restructuring of operations. A further aim is to strengthen customer relations and establish new customer relationships by adapting the product range and improving local access to the Group's entire range of products and centralised expertise.

A new office will be opened in Helsinki in April 2004, which will supplement the offices in Stockholm and Copenhagen in the Nordic market. An increasing number of Norwegian companies establish their own business or become an integrated part of a Nordic-based operation, and DnB NOR wishes to follow its customers abroad.

DnB NOR's Internet services will be expanded. Among other things, there are plans to launch a network for customers where they can share experience and exchange views regarding special subjects. Priority will be given to efforts to ensure sound operational stability as well as efficient and user-friendly solutions.

The integration process within Corporate Banking reflects both the acquisition of Nordlandsbanken and the merger between DnB and Gjensidige NOR. The integration of Nordlandsbanken is expected to be completed during the first half of 2004, while the integration between DnB and Gjensidige NOR is expected to span a three-year period.

Retail Banking

Retail Banking in DnB NOR includes the brand names DnB NOR, Postbanken, Cresco and Nordlandsbanken. Serving more than 2 million retail customers and 41 000 small companies, the business area is Norway's largest retail banking operation, with NOK 261 billion in lending and NOK 180 billion in deposits.

Retail Banking is represented in all of Norway's counties and currently has a network comprising 268 DnB NOR offices and branches, 18 Nordlandsbanken offices and 37 Postbanken offices. Postbanken's customers are also served through more than 300 post offices and around 1 200 in-store postal outlets. The agreement with Norway Post on the sale of Postbanken's services provides customers with access to Norway's largest service network. The number of DnB NOR branch offices will be reduced to around 215, primarily by moving units with geographical overlap into joint premises.

The business area offers customers Internet banking solutions which provide an overview of all aspects of their customer relationships with the DnB NOR Group. The number of Internet banking contracts in DnB NOR as of December 2003 was around 550 000, while Postbanken had entered into 385 000 agreements. Retail Banking's Internet banks handle 2.7 million online banking transactions each month.

The organisation reflects a distribution model based on proximity to customers, accessibility and strong interaction between the distribution channels. Retail Banking is organised into eight divisions, five customer divisions and three staff units.

Customers seeking advisory services requiring special competence are served through Investment Advisory Services, which includes private banking, investment centres and external distribution. All operational procedures and production within Retail Banking are organised under the division Bank Production. Organising staff, support and operational functions into separate highly professional units ensures top quality and the effective use of resources.

Card operations, previously carried out by DnB Kort and Cresco, will be coordinated under DnB NOR Kort and organised as an 'internal company' in DnB NOR Bank ASA. Cresco will be maintained as a brand name for external distribution. Real estate broking activities will be integrated in DnB NOR Eiendom AS and run from 59 offices once the integration is completed. Postbanken Eiendomsmegling will, in accordance with terms set by the Norwegian Competition Authority, be sold out of the DnB NOR Group. The subsidiaries DnB NOR Meglerservice, Union Bank of Norway International Luxembourg SA and Vital Skade AS are also organised under Retail Banking.

Strategy

Strategy in DnB NOR Retail Banking is based on the use of four structural competitive advantages: a large customer base, an extensive distribution network, strong brand names and high expertise, along with high-quality and cost-effective product suppliers and support functions. Through close interaction between distribution channels and attractive service concepts adapted to the various customer segments, DnB NOR will seek to further improve its competitive strength relative to customers.

Customer service in the branch network is based on the following four pillars: advisory services and customer relationships, effective customer service, simplicity and recognition as well as local knowledge. Telephone banking and Internet channels will be developed to gain recognition as a leading bank in this area. The greatest challenge during the integration phase is to build customer confidence while at the same time realising the synergies which underlie the merger. Harmonising and coordinating the product range, customer loyalty programmes and service concepts will be a key activity in 2004. The business area's strategy will be further developed and endorsed by the organisation through an extensive development process in 2004.

Highlights in 2003

Retail Banking launched several new savings products in 2003, DnB Kompass and Postbanken Folkefond in the first half of the year and Avanse Sikring in the second half. Lower interest levels and a sharp rise in equity values resulted in brisk sales.

In 2003, Postbanken introduced the loyalty programme Postbanken Leve, an offer fulfilling customers' day-to-day banking needs at favourable terms.

New Internet banking solutions were launched in 2003, and a joint platform will be developed for the Internet banks in DnB NOR in 2004. Postbanken.no strengthened its position as the leading Internet bank in Norway. A large number of Retail Banking customers have accepted the offer to receive information via e-mail, including electronic account statements.

The acquisition of Nordlandsbanken strengthened Retail Banking's position in the northern parts of the country. The process of integrating operations in Nordlandsbanken with the business area's other activities is well under way, including the introduction of joint credit procedures.

Financial performance

Amounts in NOK million	2003	of which Nordlands-banken	2002
Net interest income	6 909	216	6 693
Net other operating income	2 553	54	2 344
Operating expenses	7 091	245	6 751
Pre-tax operating profit before losses	2 371	25	2 285
Net losses/(reversals) on loans and long-term securities	264	(20)	269
Taxes	590	13	565
Profit	1 517	33	1 452
Cost/income ratio excl. goodwill amortisation (per cent)	74.7	-	74.4
Return on equity (per cent)	22.1	-	23.3

Financial performance

Retail Banking achieved pre-tax operating profits before losses of NOK 2 371 million in 2003, up NOK 86 million compared with 2002, of which NOK 25 million referred to Nordlandsbanken. The sharp decline in interest levels in 2003 put deposit spreads under heavy pressure, which largely outweighed the effects of the strong growth in volume. Nordlandsbanken is not included in the pro forma figures for 2002 or in the financial analysis below.

Lending rose by NOK 25 billion, relating primarily to well-secured housing loans. An increasing number of these credits represented fixed-interest loans.

Growth in deposits amounted to NOK 12 billion. The strongest growth was recorded on high-interest savings accounts and equity-linked deposits.

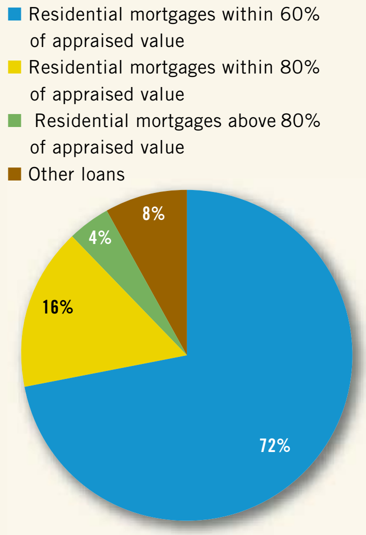
Net interest income remained on a level with 2002. Margin income on current accounts weakened considerably due to a number of interest rate cuts during the year, which largely outweighed the effect of volume growth. Interest income on allocated capital went down NOK 141 million due to the reduction in interest rate levels.

Net other operating income was up NOK 155 million on the previous year. Income on payment services, loyalty programmes and commissions on the sale of guarantee-backed savings products showed sound growth. Income on the sale of insurance products also reflected a healthy trend, along with substantial growth in new savings agreements and MasterCard sales.

Expenses totalled NOK 6 846 million, a rise of NOK 95 million from 2002. Costs showed a satisfactory trend, however, due to strict cost control and staff reductions. The cost/income ratio was reduced by 0.2 percentage points from 2002 to 2003, representing 74.2 per cent for 2003. Including Retail Banking's share of Nordlandsbanken gave a cost/income ratio of 74.7 per cent.

Loan losses were moderate, totalling NOK 283 million. Losses within consumer finance were up NOK 21 million. The volume of non-performing and doubtful commitments remained at a satisfactory level at year-end.

Retail market lending as at 31 December 2003



Customers and markets

Through the brands DnB NOR, Postbanken, Cresco and Nordlandsbanken, DnB NOR Retail Banking has obtained large market shares, aiming primarily to boost sales to existing customers. The market share for household savings went down 0.5 percentage points in 2003 and stood at 37.4 per cent. The market share within lending rose 0.5 percentage points to 38.3 per cent in 2003.

External factors

Norges Bank lowered its key rate from 6.50 to 2.25 per cent during 2003, followed by a corresponding reduction in interest rates on housing loans and investment accounts in the retail market. There was limited opportunity to adjust interest rates on low-interest deposits in step with declining interest levels, and spreads on these products narrowed. The stock market showed a positive trend in 2003, and mutual fund savings in the retail market climbed. The sale of equity funds was up 43 per cent from 2002 to 2003.

Employees

At the beginning of 2004, staff numbered around 4 660 full-time positions in DnB NOR Retail Banking. The integration plan stipulated around 3 900 full-time positions at the end of 2006, which means cuts of around 740 full-time positions over three years. Staff will be reduced through the realisation of synergies as well as ordinary efficiency measures. To achieve the targets for restructuring and staff cuts, measures must be fully implemented. The processes will be carried out in close cooperation with the employee organisations.

Future prospects

The low interest rate level is expected to continue through most of 2004, and the strong demand for loans will be upheld. The proposed pension reform has drawn greater attention to pension savings, which is expected to increase demand for insurance and savings products. The stock market showed a very positive trend in 2003, and the growing interest in mutual fund savings among retail customers is expected to last.

During 2004, DnB NOR will implement the first stage of the integration plan. The process of moving offices and branches into joint premises will start in the autumn of 2004.

Markets

DnB NOR Markets is Norway's largest capital markets operation with a market share of over 40 per cent in terms of revenues. The DnB NOR merger resulted in a larger customer base, broader presence and greater local expertise in Norway.

The market is served from the head office in Oslo, 13 regional sales desks in Norway, offices in London, New York and Singapore, as well as through electronic channels. In addition, products are sold through other business areas in the Group as well as external channels.

Key products include foreign exchange and interest rate products, securities and other investment products, debt and equity financing, research and advisory services, as well as custodial and other securities services.

The organisation of Markets favours decentralised customer service, e.g. through the regional sales desks. Service to major clients, risk-taking and operational and support functions have, on the other hand, been centralised.

During 2003, preparations were made for the effective integration of DnB and Gjensidige NOR's capital markets operations, including systems adaptations. During the first weeks of 2004, most of the integration was completed, cost synergies realised and staff levels adapted to the new organisation, along with the establishment of joint trading and management systems.

Gjensidige NOR Equities ASA will be wound up in 2004 and activities in the company transferred to Markets' operations in DnB NOR Bank ASA.

Strategy

Markets aims to be the leading capital markets operation providing foreign exchange, interest rate and debt and equity capital services to Norwegian and Norwegian-related clients, as well as offering international customers services relating to Norway and the Norwegian krone. Activities targeting Norwegian and Norway-based customers represent the primary area of business. Small and medium-sized business clients along with investment offerings to retail customers have become increasingly important to the business area. Service concepts and financial advisory services are continually adapted to differing customer needs.

Markets pursues a long-term strategy of diversified operations and a moderate risk profile.

Highlights in 2003

In March 2003, Markets became a member of the global settlement system CLS (Continuous Linked Settlement), engaged in the settlement of transactions in major global currencies. The Norwegian krone was included in CLS in September, with DnB NOR as the largest settlement bank.

Nordlandsbanken's foreign exchange and interest rate operations in Oslo were integrated in Markets as of 1 April, and a new regional sales desk was subsequently established in Bodø.

In August, Norges Bank introduced a system for primary dealing in Norwegian treasury bills in which DnB NOR participates.

The custody product alliance with Swedbank in Sweden was expanded to include OKO Bank in Finland in October. This represented a further step towards the provision of pan-Nordic securities services.

Towards the end of 2003, the company DnB NOR Markets Inc. in New York received approval to offer investment banking services in the US. Operations are primarily aimed towards DnB NOR's international clients within the shipping and energy sectors.

The business area launched several new products and services during the year, such as bank deposits linked to hedge funds, and introduced a number of services with the Internet as distribution channel. Services include currency trading, equities trading over 12 new stock exchanges in Europe and the US, securities-backed loans for online securities trading and electronic contract notes. Exchange Traded Funds over the Internet were also made available to customers.

DnB NOR received a number of international rankings during the year and was "Top Rated" by Global Custodian for the 15th consecutive year. The business magazine Global Finance named the bank the best foreign exchange bank in Scandinavia in 2003.

Financial performance

Markets achieved its best results ever in 2003. Pre-tax operating profit before losses rose by 35 per cent compared with 2002, while there was a 17 per cent increase in total revenues. Increases in activity and income were most pronounced within currency and interest rate instruments and fixed-income securities. Volatile currency and interest rate markets, especially for the Norwegian krone, and positive trends in stock and credit markets contributed to the healthy performance.

Expenses were up NOK 6 million compared with 2002. The acquisition of Nordlandsbanken pushed up costs NOK 13 million, while increased activity and good results contributed to a rise in performance-based pay. Synergies realised through the DnB NOR merger totalled NOK 24 million in 2003.

In 2003, the business area recorded a satisfactory cost/income ratio and return on equity.

Financial performance

Amounts in NOK million	2003		2002
		of which Nordlands-banken	
Net interest income	466	(1)	706
Net other operating income	2 035	33	1 441
Operating expenses	1 171	13	1 165
Pre-tax operating profit before losses	1 329	20	981
Net gains on long-term securities	1	0	38
Taxes	373	5	286
Profit	958	14	734
Cost/income ratio excl. goodwill amortisation (per cent)	46.8	-	54.3
Return on equity (per cent)	48.1	-	39.5

Income within the various segments		
Amounts in NOK million	2003	2002
Foreign exchange and interest rate derivatives	866	766
Investment products	565	491
Corporate finance	220	182
Custodial and other securities services	171	174
Total customer income	1 823	1 613
Income from market making and other proprietary trading	592	406
Interest on equity capital	86	127
Total income	2 501	2 146

Income on customer business in foreign exchange and interest rate derivatives rose by NOK 100 million from 2002 to 2003. Major fluctuations in the NOK exchange rate and in Norwegian interest rate levels led to increased customer demand for hedging products, however, DnB NOR's strong position in Norwegian kroner also helped boost income.

Customer-related revenues on investment products increased by NOK 74 million from 2002 to 2003. Positive trends in the stock market resulted in higher income on trading in shares and other equity instruments, supplemented by growing demand for fixed-income securities. Substantially lower Norwegian interest rates helped spur demand for other investment products such as property investments.

Income from corporate finance activities in 2003 was up NOK 38 million on the year-earlier figure. Activity in connection with the arrangement of bond and commercial paper issues rose due to lower interest rates and narrower credit spreads. The market for share issues and initial public offerings remained sluggish, while there was a high level of activity within advisory services.

Income on custodial and other securities services was on a level with 2002. Transaction volumes climbed throughout 2003, not least due to brisk activity on the part of international remote access members on Oslo Børs. The number of securities lending transactions doubled from 2002. The positive impact on income of increased activity was, however, offset by lower unit prices.

Income from market making and other proprietary trading rose by NOK 186 million from 2002 to 2003, reflecting lower NOK interest rates and narrower credit spreads. The moderate risk profile was maintained throughout 2003. In line with Markets' targets, trading in foreign exchange and financial instruments on own account provided an attractive risk-adjusted return with limited exposure.

Customers and markets

Fluctuations in the Norwegian krone rate and Norwegian interest levels resulted in greater customer demand for hedging agreements. The number of foreign exchange spot and forward contracts with customers was up 29 per cent and 18 per cent respectively relative to 2002, with the number of interest rate swaps up 40 per cent.

The benchmark index on Oslo Børs climbed by 48.4 per cent in 2003. For DnB NOR, the rise led to increased activity and a firmer position in the stock market. In 2003, Markets achieved recognition for sound share recommendations to customers. Markets maintained its leading position within equity derivatives in 2003.

Demand for fixed-income securities increased in 2003, though the decline in domestic interest rates also focused greater attention on alternative investment products. In 2003, Markets sold equity-linked bank deposits for a total of NOK 3 923 million and capital-guaranteed index-linked bonds for NOK 1 002 million. Demand for direct investment in real estate (holdings in limited partnerships) was high, especially for properties with sound long-term tenants.

Markets has expanded its retail customer product range and has maintained its leading position within investment products to this segment.

Bond issue activity was brisk in 2003, and Markets arranged loans for several new well-established names in the Norwegian capital market, including Entra Eiendom, Schibsted and Elkem. The volume of listed commercial paper issues also increased. Markets enhanced its position as the leading arranger of debt financing for Norwegian borrowers.

Activity remained low in the market for equity issues and initial public offerings in 2003. Assignments handled by Markets included the arrangement of an initial public offering for TFDS and the government sale of Telenor shares to the general public. Business in connection with advisory services, however, was good, and Markets had a number of assignments relating to the repurchase of shares, mergers and acquisitions and financial restructuring. Special competence within sectors such as shipping/maritime and fishing/fish farming resulted in several large advisory services contracts, which strengthened the position of the business area in these fields.

Custody and Investor Services showed an increase in transaction volume during 2003, not least due to the high level of activity among international remote access members of Oslo Børs. In 2003, DnB NOR

obtained a market share of remote access member volumes in Norway of over 70 per cent.

Securities under custody totalled NOK 537 billion at year-end, underpinning DnB NOR's strong market position. In 2003, the Group handled the settlement of over 65 per cent of international investors' securities trading in Norway.

As at 31 December 2003, DnB NOR was registrar in the Norwegian Central Securities Depository for over 242 000 investors, 61 per cent of limited companies, 36 per cent of bond issues and 44 per cent of commercial paper issues registered in the depository.

Employees

The organisation and staff levels were also in 2003 continually adapted to market trends and product development. As a result of the merger, the number of full-time positions in 2003 was reduced from 650 to 610. By the end of the first quarter of 2004, the number of full-time positions will be reduced to around 550. The targets set in connection with the integration process will thus be fulfilled.

During the merger process, Markets has given priority to retaining the competencies of the two merged groups, as well as maintaining the good relations between customers and staff within brokerage and advisory services in both operations. Markets has satisfactorily completed the process of ensuring optimal staff and competence profiles early in 2004. Employees carrying out trading, research and advisory functions were brought together in a joint working environment in February. The relocation of the support and operational units will be completed in the second quarter of 2004.

Future prospects

The outlook for the stock market improved in the beginning of 2004, especially within equities trading, but also for corporate finance and securities services. Continued fluctuations in the krone exchange rate and Norwegian interest levels will be a decisive factor for the business area's results, particularly for foreign exchange and interest rate activities.

Life Insurance and Pensions

Life Insurance and Pensions has a leading position in Norway within life and pension insurance. At the end of 2003, the business area had total assets of NOK 158 billion.

The business area Life Insurance and Pensions in DnB NOR comprises Vital Forsikring ASA including subsidiaries and the sister company Vital Link AS, as well as Gjensidige NOR Spareforsikring including subsidiaries. Gjensidige NOR Spareforsikring and Vital Forsikring merged in March 2004, and life insurance operations will be continued in Vital Forsikring ASA while unit linked products will be provided by Vital Link AS. Gjensidige NOR Fondsforsikring AS, which is required sold according to the concession terms, is not included in the figures below.

Life Insurance and Pensions is divided into divisions for corporate clients, retail clients and the public sector. The business area offers individual and group pensions to businesses, adapted to customer needs for defined-benefit, defined-contribution and single premium pension schemes. In the retail market, long-term savings alternatives are offered in the form of individual pension agreements and annuities. Products are offered with guaranteed returns or with a choice of investment profile (unit linked). Life Insurance and Pensions also sells the savings products of other units in the DnB NOR Group, including investment funds from DnB NOR Asset Management and equity-linked bonds from DnB NOR Markets. Other products include group life, endowment and personal insurance.

The business area's main functions are carried out in Bergen and Trondheim and market-oriented functions in Oslo. Operations are represented in most parts of the country through sales offices, DnB NOR and Postbanken's distribution networks and independent agents, as well as on the Internet.

Strategy

Life Insurance and Pensions aims to be Norway's strongest entity within pension savings. The business area seeks continued growth within its various divisions and aims to deliver good results to its owner and policyholders. Devoting further efforts to improving cost efficiency, providing top-quality advisory services, maintaining high levels of service and customer relationship management and serving as an attractive entry portal for customers into the DnB NOR Group will be instrumental in reaching these targets.

Highlights in 2003

In spite of the merger process, operations reflected a strong commitment to customer-related activities in 2003. To ensure good customer service, employees with customer contact have as far as possible been sheltered from direct involvement in merger preparations.

Financial performance

Performance in the life insurance industry was strongly affected by the upturn in global stock markets and the slide in Norwegian interest rates in 2003, and Life Insurance and Pensions recorded a high return on capital. The business area achieved a satisfactory return on equity and posted pre-tax operating profits before goodwill amortisation of NOK 1 101 million after additional allocations of NOK 896 million. Corresponding figures for 2002 were a loss of NOK 359 million following the application of NOK 2 796 million in additional allocations. The recorded and value-adjusted returns on capital came to 7.9 and 9.7 per cent respectively in 2003, compared with 1.6 and 1.5 per cent in 2002. Figures do not include unrealised gains on long-term securities totalling NOK 2 842 million at the end of 2003. The interest result was NOK 4 575 million, up from NOK 3 million a year earlier. The figures reflect an increase of NOK 896 million in additional allocations in 2003 and the application of NOK 2 796 million in additional allocations in 2002.
The business area continually assesses risk exposure based on established risk limits, operative rules and requirements for reporting to the Board of Directors. Financial risk developments in the investment portfolio were monitored and measured continually

Financial performance [1)]

Amounts in NOK million	2003	2002
Interest result	4 575	3
Risk result [2)]	(903)	(69)
Administration result	(190)	(242)
Other	(72)	(79)
Transferred from/(to) security reserve [3)]	(17)	52
Profit for allocation from life insurance operations	3 393	(335)
Funds transferred to policyholders	2 254	31
Tax charge/(revenues)	236	(229)
Profit/(loss) for the year for life insurance operations	904	(137)
Loss for the year in Vital Link	42	33
+ Adjustments in the group accounts [4)]	21	53
+ Taxes	218	(242)
Pre-tax operating profit/(loss) before goodwill amortisation for the business area	1 101	(359)

1) Note 7 to the annual accounts gives a more detailed description of the profit and loss accounts, a breakdown of balance sheet and profit and loss items on the various segments within life insurance, adjustments in the profit and loss accounts of the DnB NOR Group when accounting for Life Insurance and Pensions, selected key figures as well as information on solvency.
2) Including increases in disability provisions of NOK 811 million in 2003 and NOK 206 million in 2002. There are plans to further strengthen disability provisions by NOK 185 million in 2004.
3) After approval by Kredittilsynet (the Financial Supervisory Authority of Norway), Life Insurance and Pensions transferred funds in excess of the minimum requirement from the security reserve in 2002. The remaining security reserve totalled NOK 197 million at the end of 2003.
4) Includes adjustments for group allocations of costs and capital.

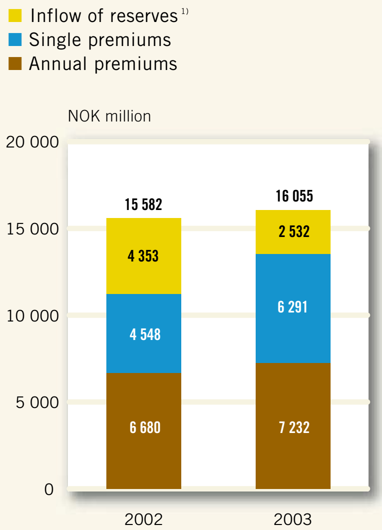
relative to the composition and size of solvency capital.

Life Insurance and Pensions posted a negative administration result of NOK 190 million in 2003, compared with a negative NOK 242 million the previous year. A programme aimed at reducing annual costs by minimum NOK 100 million in the period 2003 through 2005 was initiated in 2002. Cost cuts of NOK 40 million were realised in 2003, resulting in improved competitiveness. The risk result was negative at NOK 903 million, compared with a negative NOK 69 million in 2002. The result for 2003 reflects allocations to increase premium reserves for disability pensions of NOK 811 million. A further strengthening of disability reserves by around NOK 185 million is planned in 2004.

In 2003, Life Insurance and Pensions recorded a rise in premium payments from policyholders and achieved record sales of individual products with guaranteed returns as well as unit linked products, along with a healthy rise in annual and single premiums from companies and the public sector. Overall growth in annual and single premiums in 2003 was 17.4 per cent relative to the previous year.

In the retail market, premium income from individual guarantee-backed products totalled NOK 3 848 million, up 29 per cent compared with 2002. Premium income

Inflow of reserves and premium income – Life Insurance and Pensions



1) The figures do not include transferred reserves from group companies of NOK 1 931 million in 2002 and NOK 545 million in 2003. Total recorded premium income was NOK 16 600 million in 2003 and NOK 17 513 million in 2002.

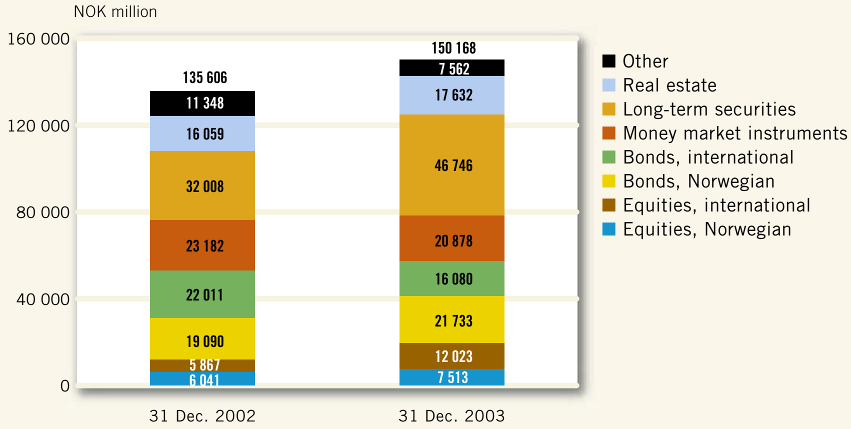
from unit linked products rose by 67 per cent to NOK 2 553 million, which can be attributed to greater customer interest in these products and brisk sales of Vital Link Kapital, a new savings product.

Overall, premium income recorded by Life Insurance and Pensions was reduced from NOK 17.5 billion in 2002 to NOK 16.6 billion in 2003. The decline must be seen in light of the fact that Union Bank of Norway's pension fund was moved to Life Insurance and Pensions in 2002, resulting in the transfer of reserves totalling NOK 1.6 billion. In addition, fewer municipalities transferred their schemes in 2003 due to unclarified questions relating to legislation and collective wage agreements in the municipal sector.

Life Insurance and Pensions' total assets were NOK 158 billion at the end of 2003, an increase of 12.4 per cent from the previous year.

Solvency capital, which can be applied to cover the guaranteed rate of return on policyholders' funds, came to NOK 16 billion as at 31 December 2003, up from NOK 11.2 billion a year earlier.

Balance sheet structure – Life Insurance and Pensions [1)]



1) The figures apply to life insurance operations.

Customers and markets

The total market share of Life Insurance and Pensions in terms of premium income (excluding transfers) was 37.1 per cent at end-September 2003, a 6.4 percentage point increase from a year earlier. The business area's total market share of policyholders' funds was 35.4 per cent as at 30 September 2003, on a level with the year-earlier figure. Vital Link consolidated its position as Norway's leading provider of unit linked insurance, with a market share of policyholders' funds of 37.3 per cent at end-September 2003, as against 34.0 per cent a year earlier.

2003 saw continued fierce competition between life insurance companies with respect to the transfer of pension schemes in the corporate market. Through cooperation with other units in DnB NOR, Life Insurance and Pensions gained access to several large corporate clients. Amendments to the Act on defined-contribution pensions opened new market opportunities among customers who have not previously been offered pension schemes by their employers. In addition, several companies converted from defined-benefit to defined-contribution schemes. A number of small and medium-sized companies that did not previously offer a pension scheme entered into pension agreements with Life Insurance and Pensions in 2003.

In the autumn of 2003, the market for municipal pension schemes was characterised by uncertainty with respect to what was included in the various products offered by life insurance companies. These had not been clarified when the municipalities' deadline for terminating the agreement with Kommunal Landspensjonskasse (KLP) expired on 31 October 2003. As a consequence, only six municipalities decided to change pension providers, of which four chose companies organised within Life Insurance and Pensions as from 1 January 2004. At the end of 2003, the business area had a leading position among private life insurance companies in this segment, with 52 municipalities as customers.

The positive trend in the retail market showed that a number of customers are interested in long-term savings. The focus on the work of the Pension Commission has helped draw attention to the necessity of putting aside savings for retirement. Due to stock market developments, sales of unit linked products rose NOK 1 billion compared with 2003, parallel to strong demand for products with guaranteed interest rates. The growth experienced by Life Insurance and Pensions in the retail market was not least due to the business area's extensive distribution network, where DnB NOR channels are the most important.

External factors

In 2003, the Bank Law Commission published interim reports concerning regulations for municipal pension schemes and rules concerning the equalisation of premiums for group pensions in the private sector.

Legislative proposals including new rules for group life insurance are expected to be presented in 2004. The new rules will probably imply tariff rates for all services from life insurance companies. Life Insurance and Pensions has started to prepare for the necessary changes resulting from the new rules.

The Pension Commission has proposed significant changes in the Norwegian pension system. In view of the coming consideration of the proposals by Norwegian politicians and possible implementation as from 2010, there will be uncertainty attached to the pension system for quite some time. For Life Insurance and Pensions, it will be important to communicate to the market that, independent of pension scheme, it will be sensible to save for retirement through both private and occupational schemes.

The Ministry of Finance has decided that the maximum base rate for new entitlements as from 1 January 2004 under insurance contracts for group occupational pensions should be reduced from 4 to 3 per cent. In the short term, the lower base rate will offer no significant improvement in returns.

Employees

Life Insurance and Pensions is strongly committed to retaining and developing a high level of expertise within insurance products, management and other relevant areas of competence. Training and development activities are organised within the business area, in the DnB NOR Group and in cooperation with external institutions. Including employees in subsidiaries, staff in Life Insurance and Pensions represented 970 full-time positions as at 31 December 2003, down from 1 014 a year earlier.

The integration plan assumes staff cuts equalling 135 full-time positions by the end of 2006. Staff levels will be reduced by realising synergy gains and streamlining operations. The process will take place in close cooperation with the employees.

Future prospects

Life Insurance and Pensions sees sound growth opportunities in both the corporate and retail markets and in the public sector over the next few years. The market for defined-contribution pensions is expected to show increased growth. By taking advantage of the strength of the DnB NOR Group's total distribution network, the business area will be well placed to enjoy continued market progress.

In connection with the merger between DnB and Gjensidige NOR, Life Insurance and Pensions will realise annual synergies of NOK 150 million. This process got off to a good start with the establishment of the business area's new organisation. The new life insurance company was established and launched in the market in March 2004.

At the end of 2003, 31 per cent of assets managed by the life insurance operations were invested in fixed-interest instruments classified as long-term securities. Over the next three years, this portfolio will give an annual return of over 6 per cent. Building up buffer capital will make it possible to increase exposure in areas with higher returns. These factors, along with the backing of the DnB NOR Group, will enable the life insurance operations to withstand low interest rate levels and volatility in financial markets in future.

Asset Management

DnB NOR Asset Management is Norway's largest fund manager and has a leading position within discretionary asset management for institutional clients in Norway and Sweden.

Asset Management serves the Norwegian and Swedish savings markets, offering domestic and international asset management services. Operations are carried out under the brand names DnB NOR Asset Management in the Norwegian institutional market and DnB Investor and Avanse Forvaltning in the Norwegian retail market. The brand names Carlson and DnB NOR Asset Management are used in the Swedish market. While customer activity is concentrated in Norway and Sweden, in order to provide competitive global asset management, investment operations have also been established in London, New York and Hong Kong.

The services provided comprise investment fund and discretionary portfolio management. An important aspect of operations is the management and monitoring of investment portfolios, as well as advising customers with respect to asset allocation and risk levels.

In Norway, asset management products are distributed to retail customers through DnB NOR's wide-ranging network of branches, post offices and regional financial services centres, as well as over the Internet and via external channels including brokers, investment advisers and cooperating savings banks. In Sweden and Germany, the business area's products are sold through local distributors. Sales and customer relationship management in the Swedish institutional market are handled by the business area's own organisation. In Norway, these activities are carried out in cooperation with Corporate Banking.

A presence in major financial markets gives the business area's asset managers and customers better access to information on companies and financial markets. The combination of regional and sector-oriented management teams provides the basis for selecting the best equity and bond investments to construct optimal portfolios for each individual customer.

Strategy

DnB NOR aspires to be the leading asset manager primarily for customers in the Nordic region, providing sound long-term returns and a high level of service based on a thorough understanding of customer needs, including preferred risk profiles and investment horizons.

Highlights in 2003

The establishment of a global management and operative organisation was completed in 2003. In addition, the organisation further strengthened its customer orientation in the form of advisory services and the adaptation of products and services. The range of savings products was adapted to the market situation, including the introduction of the international balanced funds DnB Kompass, Postbanken Folkefond and Avanse Sikring. The funds appear to have met an unfulfilled need in the savings market, and net subscriptions in 2003 totalled NOK 1 640 million.

In February 2003, the hedge fund Primus was launched for Swedish institutional clients, aiming to provide returns on equity investments. An additional hedge fund, Prisma, was introduced in the same segment in October. The hedge funds have performed in line with expectations.

During 2003, DnB NOR Asset Management invested in the further development of systems for updating information to institutional clients. Among other things, this enables customers to monitor their own portfolios on the Internet. In addition, administrative processes have been further streamlined, aiming to reduce the number of manual steps to a minimum. The changes have resulted in cost reductions in combination with higher quality and greater security for customers.

To further improve customer services, systems have been developed for risk simulation and risk control. The systems used by DnB NOR Asset Management are at the leading edge with respect to simulating, monitoring and measuring portfolio risk.

Financial performance

DnB NOR Asset Management showed satisfactory performance in a market characterised by uncertainty at the beginning of the year, followed by a gradual upturn, partly due to rising interest in equity investments.

Pre-tax operating profits before losses came to NOK 181 million in 2003, compared with pro forma profits of NOK 7 million in 2002. Income totalled NOK 873 million in 2003. Investment management income was NOK 814 million, up NOK 9 million compared with 2002.

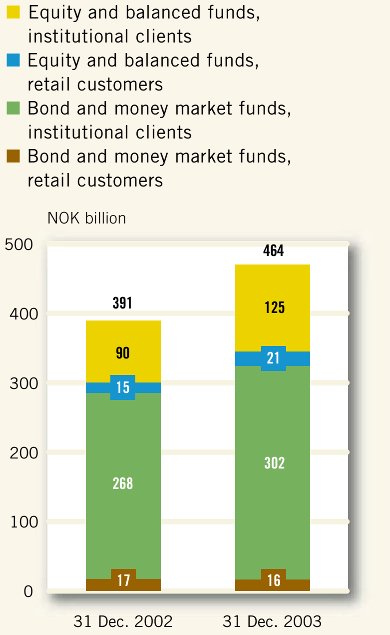
Operating expenses totalled NOK 692 million in 2003, down NOK 171 million relative to comparable operations in 2002 as a consequence of the restructuring of

Financial performance

Amounts in NOK million	2003	2002 1)	2002 2)
Net interest income	45	66	38
Commission income			
- from retail customers	239	275	218
- from institutional customers	575	530	448
Other income	14	(2)	(2)
Total income	873	870	703
Operating expenses	692	863	754
Pre-tax operating profit/(loss) before losses	181	7	(51)
Taxes	51	2	(14)
Profit/(loss)	131	5	(37)
Cost/income ratio excl. goodwill amortisation (per cent)	79.2	99.2	107.3
Return on equity (per cent)	15.0	0.6	(5.9)

1) Pro forma including Skandia Asset Management as from 1 January 2002.
2) Including Skandia Asset Management as from the acquisition date 1 June 2002.

Assets under management



operations into a global management organisation with automated routines and processes along with staff cuts involving 108 full-time positions in 2003.

Customers and markets

Development in assets under management

As at 31 December 2003, DnB NOR Asset Management had a total of NOK 464 billion under management. Assets under management for the retail market came to NOK 37 billion while NOK 427 billion represented investment funds from institutional clients. At the end of 2002, assets under management totalled NOK 391 billion, with NOK 33 billion from retail customers and NOK 358 billion from institutional clients.

The rise in assets under management in 2003 can largely be attributed to developments in stock and interest rate markets, along with the decline in the Norwegian krone rate. The net inflow of assets for investment in 2003 was NOK 1.9 billion.

During the year, Morgan Stanley's global equity index (MSCI World) rose 34 per cent measured in local currency and by 29 per cent measured in Norwegian kroner. The stock exchanges in Stockholm and Oslo climbed 33 and 48 per cent respectively during this period.

As a consequence of market developments, assets under management for operations in Norway rose 14 per cent during 2003. For acquired operations outside Norway, there was an increase of 11 per cent, corresponding to 8 per cent expressed in the customers' base currencies.

The savings rate in the Norwegian market was positive in 2003. The net inflow of assets for investment in 2003 was NOK 13 billion for operations in Norway. In Sweden, there was a NOK 11.1 billion reduction in assets under management, which can mainly be ascribed to the age structure of those entitled to a pension. The gross inflow of capital in 2003 from both the retail and institutional markets in Norway and Sweden was mainly channelled into fixed-income investments, including money market funds.

Market shares and number of customers

The business area's largest clients are Skandia Liv and DnB NOR Life Insurance and Pensions. Assets under management for the latter were NOK 128 billion as at 31 December 2003.

At the end of 2003, Asset Management had a market share of around 35 per cent in the Norwegian institutional market. Carlson Investment Management AB has a leading position in the Swedish institutional market.

Together, DnB Investor and Avanse Forvaltning constituted Norway's largest fund management operation in 2003, with NOK 62.5 billion under management. The market shares of Avanse Forvaltning and DnB Investor were 21.4 and 21.3 per cent respectively as at 31 December 2003. The products of DnB Investor and Avanse Forvaltning have a unique position within fixed-income and money market funds and lead the market within Norwegian corporate bond, treasury bond and money market funds.

The number of customer relationships in the retail market, calculated as the cumulative total of mutual fund investments or mandates per customer, exceeded 1.3 million at the end of 2003. This included more than 244 000 savings agreements.

Fund management outside Norway is carried out by the Carlson Fund Management Company S.A. in Luxembourg, Carlson Fonder AB in Sweden, GN Asset Managers (Ireland) Ltd and through DnB Absolute Return Investments AB, a hedge fund company jointly owned with Skandia Liv. At the end of 2003, capital under management in these operations totalled NOK 14.3 billion. The market share of fund management in Sweden was 1.3 per cent as at 31 December 2003.

Returns on fund investments

Returns on a number of major client portfolios and funds outperformed relevant benchmark indices in 2003. Healthy returns were also achieved for a number of sector-specific funds in 2003. Funds which outperformed the relevant benchmarks included DnB Global Health Care at 8.4 percentage points, DnB Nordic Technology at 19.4 percentage points, Avanse Telecom at 25.2 percentage points and Avanse Navigator at 12.9 percentage points. Avanse Helse and Avanse Industri both outperformed their benchmark indices by just over 8 percentage points. 31 per cent of the DnB NOR funds assessed by the rating company Morningstar had received the top or second highest ranking at the end of 2003.

External factors

Earlier, Norwegian legislation did not permit discretionary management and fund management operations to be carried out by the same company. In August 2003, legislation was amended, opening up for granting a concession to combine discretionary management and fund management in the same company. Asset Management will take this opportunity to merge operations in Norway into one operative company during 2004.

Mutual funds under management in Norway

Amounts in NOK million and per cent	31 December 2003 Capital	31 December 2003 Market share	31 December 2002 Capital	31 December 2002 Market share
Equity funds, Norwegian	8 552	33.8	6 288	31.1
Equity funds, international	13 595	30.0	10 687	42.4
Balanced funds	3 093	56.2	1 322	51.7
Bond funds	8 972	42.3	2 801	22.1
Money market funds	28 282	57.3	26 362	57.0
Mutual funds under management in DnB Investor and Avanse Forvaltning	62 495	42.7	47 461	44.3

Employees

Asset Management invests in the recruitment and competence building of staff in combination with the use of advanced technology to provide the basis for futher organic and structural growth. Around 60 per cent of the employees are directly involved in management, research, customer advisory services and sales.

After staff cuts corresponding to 108 full-time positions during the year, there were 359 full-time positions in the business area at end-December 2003.

Future prospects

The merger between DnB and Gjensidige NOR will strengthen Asset Management's customer relations, product range, competence, systems and distribution network. The size of the new business area provides further opportunities for meeting special customer needs and providing services and products of the highest quality.

The integration of the two organisations' asset management operations will provide synergy gains in the form of lower costs. Total annual cost savings are estimated at NOK 110 milion after net restructuring provisions of NOK 125 million. Staff levels will be reduced by around 70 full-time positions. In 2003, synergies of around NOK 10 million were realised, while staff was scaled back by 15 full-time positions as a consequence of the merger.

The combination of asset management operations will be carried out in several steps. Asset management operations in Norway will be coordinated in DnB NOR Kapitalforvaltning ASA, which as of 1 February 2004 took over the management, operation, customer service and administration from Avanse Forvaltning, Gjensidige NOR Kapitalforvaltning and DnB Investor. During the first half of 2004, these companies will be merged into DnB NOR Kapitalforvaltning ASA, operating as a fund management company authorised to engage in discretionary asset management.

In 2004, priority will be given to core products, i.e. the management of Norwegian, Swedish and global equity and bond investments as well as balanced funds.

The expectations of private and institutional investors regarding developments in financial markets will have a strong impact on performance in the business area, including investor confidence in the stock market. New business, e.g. in equity funds, is expected to pick up in 2004. DnB NOR Asset Management is well-positioned for the anticipated increase in private pension savings in Norway and Sweden.

Staff and support units

The DnB NOR Group's staff and support units include functions that can provide cost efficiencies for several areas and support functions that are not considered critical relative to operations in the business areas. The staff and support units include IT, payment services, human resource functions and core staff units.

Staff and support units are responsible for developing relevant products and services, as well as ensuring efficient and effective operations at competitive terms. The business areas set requirements for price and service levels on the products and services offered, and the units sell their services to other parts of the organisation in accordance with internal contracts between the relevant parties. For those staff units that cannot sell their services according to use, costs are allocated to the business areas on the basis of special distribution formulas. Shareholder-related expenses and costs linked to management's strategic decisions are not allocated.

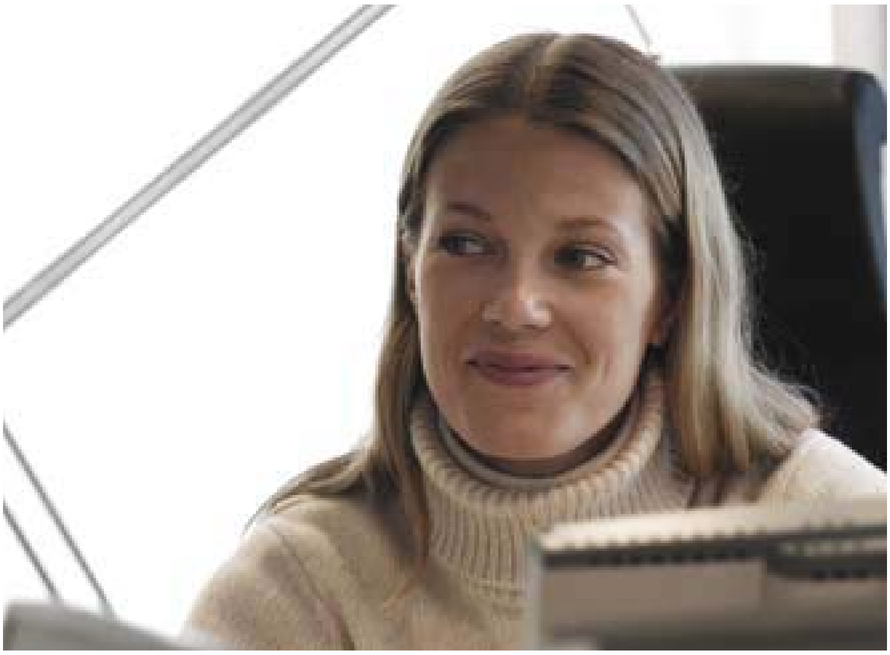
Human Resources and Group Services

The units provide the entire Group with services ranging from strategic assessments at group level to the delivery of actual products and services. Other areas in the Group are charged with expenses on the basis of actual use of the units' products and services pursuant to special agreements.

Human Resources will facilitate the development of staff and management by preparing a human resources strategy, management principles, organisational culture and core values. These units are also responsible for employer strategy, collective salary agreements and administrative guidelines. The business areas receive help in connection with recruitment, reorganising, career changes and advice on various human resource issues.

Group services carry strategic responsibility for procurement, targeting substantial discounts and savings. Responsibilities also include acquiring suitable premises for the Group, through either ownership or rental, and to ensure that the overall management of properties is cost-effective and functional. There are separate units in charge of the Group's security systems and the prevention of economic crime.

The business areas are also provided with operating and advisory services, such as salary, cash and ATM services, procurement and remittance, settlement and control, accounting and internal service.



Strategy

The units provide the products and services required by group management, the business areas and other parts of the Group with an agreed level of service at competitive prices. The strategy employed to achieve this target is to seek the optimal organisation of the units and continually evaluate the products and services delivered by the units relative to competitors. Deliveries are adapted to demand.

Employees

The units comprise staff totalling 758 full-time positions. Subsequent to the implementation of the merger, the number of full-time positions will be around 650.

Future prospects

The units anticipate substantial gains stemming from the coordination of routines and systems within core banking operations and in relation to other companies within the Group.

IT and Payment Services

IT and Payment Services is responsible for the development and production of competitive payment services offered to customers by the DnB NOR Group. In addition, the area carries responsibility for the sale of cash management services and related advisory services. The product range is determined in cooperation with the business areas, including the coordination of outsourced operating services, internal management of existing systems, the development of new IT systems and coordination of IT resources in subsidiaries. IT and Payment Services invoices other units in the Group for expenses relating to actual use of the unit's products and services pursuant to special agreements.

Strategy

Together with the Group's business areas, IT and Payment Services aims to ensure that the chosen solutions will simplify daily banking for the Group's customers, as well as enable the Group to reach its business goals.

This means that the solutions should help increase profitability and customer satisfaction and that production should be fast, effective and of high quality.

The area will also cover the Group's need for IT applications and the operation and development of IT systems. The basic strategy involves efficient production and development to meet the organisation's changing needs for IT adaptations.

External factors

Greater market demand for advisory services and the increased use of automated payment transactions make it necessary to adapt service channels. Enabling customers to carry out transactions between banks and across national borders requires compliance with international standards. Using the Internet as a distribution channel increases the demand for competitive IT solutions. The same applies to changes in official requirements for information from the Group, e.g. through adaptation to international accounting principles.

Employees

IT and Payment Services comprises a total of 987 full-time positions. The need for using external consultants varies, especially in connection with big IT development projects. Priority will be given to updating internal resources and increasing competence in areas of major strategic importance instead of using external consultants.

Future prospects

Requirements from the EEA regarding the processing and pricing of payment services could have an impact on activities within this area and lead to further rationalisation. At the same time, substantial gains are expected on the coordination of IT routines and systems stemming from the merger of DnB and Gjensidige NOR. This process will extend over a three-year integration period, the effects of which will be most noticeable towards the end of the period.

Staff units

In additions to the business areas and support units, the organisation includes a number of core staff units.

Strategy, Development and Corporate Communications encompasses key functions within the further development of group strategy, the Group's equity investments, legal resources and corporate communications.

Group Staff covers the Group's financial reporting and management, risk management and overall credit management.

Contents – annual accounts

DnB NOR Group

DnB NOR ASA

Review of the annual accounts

Pre-tax operating profits before losses totalled NOK 8 681 million in 2003, up 31 per cent compared with 2002. Profits for the year increased 48 per cent to NOK 5 378 million. Earnings per share before goodwill amortisation were NOK 4.61, as against NOK 3.19 a year earlier.

The analysis of DnB NOR's accounts below is based on pro forma accounting figures which have been prepared as if the merger between DnB and Gjensidige NOR took place on 1 January 2002. The pro forma figures for 2002 do not include operations in Nordlandsbanken.

After goodwill amortisation, earnings per share stood at NOK 4.11 in 2003, up from NOK 2.77 in 2002. Return on equity was 14.3 per cent in 2003 before goodwill amortisation, compared with 10.2 per cent in 2002. Corresponding figures after goodwill amortisation were NOK 12.7 and 8.9 per cent respectively.

Income

Income totalled NOK 22 091 million, up from NOK 19 545 million in 2002. The NOK 2 546 million increase mainly reflects a higher level of activity in the Group's business areas.

Net interest income in the DnB NOR Group came to NOK 13 789 million in 2003, as against NOK 13 887 million in 2002. The acquisition of Nordlandsbanken contributed NOK 451 million to the Group's net interest income compared with 2002. Table 1 specifies changes in net interest income between the two years.

A NOK 34 billion increase in lending volume combined with a NOK 18 billion rise in deposits lifted net interest income NOK 901 million. Lending spreads expanded by an average 0.24 percentage points compared with 2002, while deposit spreads contracted by 0.42 percentage points. Due to a significant rise in lending volume, however, these changes still had a positive impact on net interest income. Falling interest rate levels through 2003 caused strong pressure on deposit spreads, especially in the second half of the year. At end-December 2003, interest rates on NOK 32 billion of the total deposit volume were below 0.25 percentage points. At end-February 2004, the corresponding figure was NOK 59 billion. Further interest rate cuts 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 significant boost to income.

Declining interest rate levels resulted in 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 705 million on these balance sheet items compared with the previous year.

Net interest income from DnB Markets' trading in balance sheet instruments was down NOK 260 million in 2003 compared with 2002. However, the business area recorded a NOK 533 million rise in other operating income from corresponding trading. These items must be considered together.

Though the volume of non-performing and doubtful commitments showed an increase due to the acquisition of Nordlandsbanken, falling interest rate levels helped reduce funding costs on such commitments compared with the previous year.

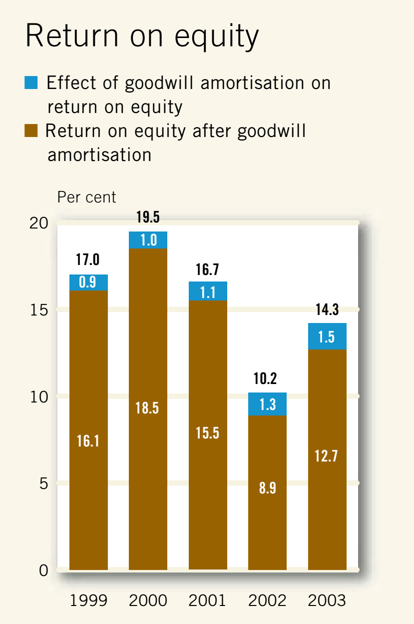


Table 1: Changes in net interest income			
Amounts in NOK million	2003	Change	2002
Net interest income	13 789	(98)	13 887
Net interest income in Nordlandsbanken in 2003		451	
Change in net interest income excl. Nordlandsbanken		(549)	
Of which:			
Lending and deposit volumes		901	
Lending and deposit spreads		(146)	
Exchange rate movements		(147)	
Funding costs on equity, share investments and fixed assets		(705)	
Interest rate instruments		(260)	
Net funding costs on non-performing and doubtful loans		(122)	
Front-end fees		85	
Other		(153)	

The accounts for 2002 included interest income totalling NOK 215 million from an insurance settlement concerning a non-performing commitment.

Net other operating income amounted to NOK 8 302 million in 2003, as against NOK 5 658 million in 2002. NOK 288 million of the increase referred to the acquisition of Nordlandsbanken and Skandia Asset Management. Developments in net other operating income from 2002 to 2003 are specified in table 2.

The stock market upturn resulted in realised gains on securities and reversals on previous write-downs on equity investments of NOK 187 million in 2003, compared with losses and write-downs totalling NOK 343 million the previous year.

The business area Life Insurance and Pensions recorded profits for allocation of NOK 3 393 million in 2003, compared with a loss of NOK 335 million in 2002. DnB NOR's share of profits was NOK 760 million in 2003, compared with a negative contribution of NOK 271 million a year earlier. A securities adjustment reserve of NOK 2 448 million was built up during 2003, while additional allocations were increased by NOK 839 million.

Gains on trading in foreign exchange and interest rate instruments totalled NOK 1 650 million in 2003, up NOK 533 million on the year-earlier period. However, the increase must be viewed in light of the decline in net interest income on corresponding trading. DnB NOR recorded a net increase of NOK 279 million for these operations from 2002 to 2003.

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 improvement.

Table 2: Changes in net other operating income

Amounts in NOK million	2003	Change	2002
Net other operating income	8 302	2 644	5 658
Net other operating income in Nordlandsbanken in 2003		119	
Change in net other operating income excl. Nordlandsbanken		2 525	
Of which:			
Short-term shareholding		530	
Net profit from Life Insurance and Pensions		1 031	
Other financial instruments		533	
Asset management services		114	
Payment transfers		68	
Securities issues		102	
Insurance services		50	
Real estate broking		65	
Other		32	

Table 3: Changes in operating expenses

Amounts in NOK million	2003	Change	2002
Total ordinary operating expenses	13 191		12 537
Other expenses	219		394
Total operating expenses	13 410	479	12 931
Total operating expenses in Nordlandsbanken in 2003		434	
Total operating expenses excl. Nordlandsbanken		45	
Of which:			
Wage settlements and pensions		252	
Skandia Asset Management incl. goodwill amortisation		173	
Performance-based pay		148	
Reimbursement to Norway Post		72	
Restructuring expenses		(262)	
Provisional cost savings		(126)	(600)
Streamlining of operations		(119)	
Merger synergies		(93)	

Operating expenses

Operating expenses totalled NOK 13 410 million in 2003, an increase of NOK 479 million from 2002. There was a NOK 654 million rise in ordinary operating expenses, with the acquisition of Nordlandsbanken and Skandia Asset Management accounting for NOK 490 million. In addition, there was a rise in goodwill amortisation relating to the acquisitions of NOK 117 million from 2002 to 2003. Changes in operating expenses from 2002 to 2003 are shown in table 3.

Wage settlements and higher pension costs pushed up expenses in spite of a reduction in staff levels during the year. At the end of 2003, staff totalled 11 073 full-time positions, 542 fewer than at the beginning of the year. On average, however, there was a rise of 60 full-time positions as a result of the acquisition of Nordlandsbanken at the beginning of 2003.

A number of restructuring measures were initiated in connection with the integration of operations in the merged entities. Staff reductions relating to these measures represented 178 full-time positions at the end of 2003. Most of the employees involved left the Group towards the end of the year, and the staff cuts will therefore have an increasing impact on future cost developments.

The merger affected cost developments in a number of areas during the second half of 2003, including the postponement of planned activities and investments related to ordinary operations. Some of these cost elements must be expected to recur once the merger has been completed. On the other hand, lasting cost savings were achieved as part of scheduled synergy gains from the merger. Cost savings have also been realised through earlier measures to streamline operations.

Excluding goodwill amortisation, the cost/income ratio stood at 57.9 per cent in 2003, as against 63.6 per cent in 2002.

Restructuring expenses, write-downs, allocations to the employee funds etc. totalled NOK 219 million in 2003, down from NOK 394 million in the previous year. In connection with the acquisition of Nordlandsbanken and the merger between DnB and Gjensidige NOR, restructuring provisions of NOK 76 million and NOK 930 million were included in the respective cost prices. Allocations to the employee funds totalled NOK 114 million in 2003, as against NOK 46 million in 2002. In addition, provisions of NOK 8 million in 2003 and NOK 4 million in 2002 were made by Life Insurance and Pensions.

Non-performing and doubtful commitments

Net losses on loans and guarantees totalled NOK 1 891 million in 2003, compared with NOK 1 023 million in 2002. New losses and loan-loss provisions amounted to NOK 2 676 million in 2003, while reversals on previous losses and loan-loss provisions totalled NOK 785 million. 2002 saw new losses of NOK 1 820 million and reversals of NOK 797 million.

New losses and loan-loss provisions in the corporate market came to NOK 2 134 million parallel to reversals of NOK 519 million in 2003. Corresponding figures for 2002 were losses of NOK 1 308 million and reversals of NOK 508 million. The increase in new losses stemmed primarily from commitments classified as repossessed assets in the fishing industry and commitments in the building and construction, services and manufacturing industries, which due to the difficult competitive climate experienced a shortfall in revenues and a weakened financial position. There were signs of an economic upturn towards the end of the year, with a downward trend in losses. DnB NOR was actively involved in the restructuring of the fish farming and processing company Pan Fish in 2003. Part of the commitment was converted to share capital. Losses and write-downs totalling NOK 323 million were recorded on the Pan Fish commitment. After the restructuring, DnB NOR's exposure represented credits of just under NOK 600 million, while the shares were recorded at around NOK 200 million and classified as repossessed assets. The share was written down to NOK 0.04 per share at the end of 2003, which implied a total write-down of NOK 100 million. The fish-farming company Dåfjord Laks was taken over and classified under repossessed assets. Due to price developments after the acquisition, new losses had to be recorded on the commitment. At the beginning of 2004, there were signs of an upturn in both prices and turnover in the fisheries sector, though developments in important international markets remain uncertain. DnB NOR has established a specialist unit which closely monitors loss-exposed commitments.

In the retail market, net losses came to NOK 271 million in 2003, compared with NOK 224 million in 2002. There was a decline in losses on residential mortgages and ordinary credits, while losses on credit card operations showed an increase. Overall, losses are in line with the rise in lending volumes and remain within normalised levels.

Lending growth in the corporate market was moderate in 2003. In the retail market, growth was somewhat higher, referring primarily to well-secured housing loans. Overall credit quality was maintained at roughly the same level as in 2002, and normalised losses were 0.31 per cent at the end of 2003. Unspecified loan-loss provisions remained unchanged in 2003 and came to NOK 3.7 billion at end-December, which includes NOK 204 million in provisions taken over through the acquisition of Nordlandsbanken and unspecified loan-loss provisions of NOK 5 million stemming from the loan portfolio taken over from Gjensidige NOR Spareforsikring.

At the end of 2003, non-performing and doubtful commitments after specified loan-loss provisions totalled NOK 8.4 billion, compared with NOK 8.6 billion including Nordlandsbanken a year earlier. Non-performing and doubtful commitments were down NOK 190 million in the retail market, parallel to a NOK 11 million reduction in the corporate market. While there was an increase in the fisheries, services, manufacturing and financial sectors, non-performing and doubtful commitments were brought down in other sectors. The decline in non-performing and doubtful commitments from the start of 2003 refers mainly to commitments from Nordlandsbanken. Repossessed assets in DnB NOR's balance sheet declined by NOK 78 million in 2003 as a result of the restructuring of some fisheries commitments and the Group's efforts to secure values in connection with weak commitments.

Taxes

The DnB NOR Group's tax charge for 2003 totalled NOK 1 636 million, representing 23 per cent of pre-tax operating profits. In 2002, the tax charge was NOK 1 642 million or 31 per cent of pre-tax operating profits.

Variations in the tax charge can mainly be explained by changes in profit contributions from the life insurance companies Vital Forsikring and Gjensidige NOR Spareforsikring, which are presented in the group accounts according to the equity method. Net profits from these operations represent the companies' profits after tax. As payable taxes for life insurance companies are thus not included in the Group's tax charge, the relative tax charge in the group accounts will be lower. In years where the insurance companies record weak profits or a net loss, however, this way of presenting the accounts will have the opposite effect as the Group's tax charge will be relatively higher. While the life insurance companies recorded net losses in 2002, profits after taxes totalled NOK 760 million in 2003.

The particularly low tax charge for 2003 was due to the fact that the Central Tax Office for Large Companies, which is responsible for the tax assessment of the Group, accepted adjustments in the tax assessment of Den norske Bank ASA for previous years, which reduced the tax charge by a total of NOK 180 million. The matter concerned the distribution of debt interest in the taxation of the bank's Norwegian operations and its international branches. Seen in isolation, the distribution of debt interest in the financial years 2002 and 2003 resulted in a somewhat higher tax charge than in previous years, which can be explained by the significant interest rate differential between Norwegian kroner and foreign currencies. Based on falling interest rates in Norway and reduced interest rate differentials vis-à-vis abroad there is reason to believe that this effect will be less pronounced in future. Based on the current presentation of the accounts and prevailing accounting regulations, the DnB NOR Group anticipates a normalised future tax level of 27 per cent of operating profits before taxes.

Assets under management

As at 31 December 2003, total combined assets in the DnB NOR Group were NOK 1 192 billion, a rise of NOK 145 billion since the end of 2002. Total assets in the Group's balance sheet were NOK 706 billion, compared with NOK 638 billion a year earlier. The acquisition of Nordlandsbanken caused a NOK 29 billion rise in assets. Total assets in the life insurance and unit linked companies stood at NOK 160 billion and NOK 142 billion at the end of 2003 and 2002 respectively, while other assets under management represented NOK 326 billion and NOK 267 billion respectively. Due to developments in market prices, the value of funds under management for customers rose NOK 45 billion in 2003, while exchange rate movements caused a NOK 32 billion increase.

Lending to customers in the DnB NOR Group totalled NOK 558 billion at the end of 2003, an increase of NOK 45 billion since end-December 2002. In addition, the acquisition of Nordlandsbanken increased lending by an additional NOK 24 billion. Lending to retail customers rose by a total of NOK 39.5 billion during the year, of which around 80 per cent represented residential mortgages, which totalled NOK 261.1 billion or 87 per cent of total lending to this customer group at year-end.

In the corporate market, lending grew by NOK 5.6 billion or 2.2 per cent in 2003. The relatively modest growth can be ascribed to DnB NOR's restrictive lending policy along with generally low credit demand from Norwegian companies. Lending to companies engaged in property management and shipping rose by NOK 4.4 billion and NOK 4.8 billion respectively in 2003, while there were only minor changes for other customer groups.

Savings under management in the DnB NOR Group totalled NOK 818 billion at end-December 2003, an increase of NOK 89 billion during the year. Traditional bank deposits rose from NOK 318 billion to NOK 336 billion, with the acquisition of Nordlandsbanken accounting for NOK 9.2 billion. The ratio of deposits to lending was 60.2 per cent at the end of 2003, as against 65.1 per cent at the beginning of the year. The average ratio of deposits to lending was 63 per cent in 2003.

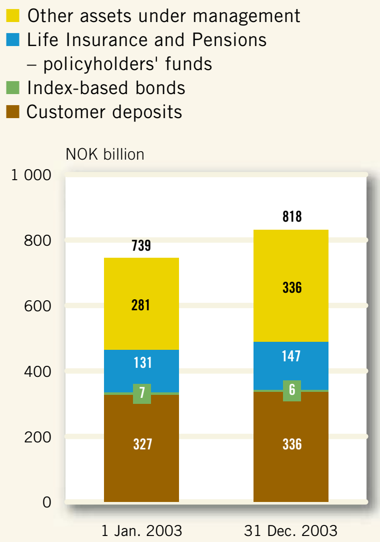
As at 31 December 2003, NOK 483 billion was under discretionary management and placed in investment funds in DnB NOR, of which insurance provisions in life insurance companies represented NOK 147 billion. Assets under management for retail customers totalled NOK 93 billion, while institutional clients accounted for NOK 390 billion.

A lower ratio of deposits to lending required other funding sources than bank deposits. At the end of 2003, DnB NOR's funding in the form of bonds and commercial paper totalled NOK 182 billion, compared with NOK 139 billion a year earlier. The increase was a result of the Group's issue of bonds in foreign currency to finance rising credit demand and the acquisition of operations. During the year, subordinated loan capital rose from NOK 18.8 billion to NOK 23.7 billion.

Lending to principal sectors

Nordlandsbanken is included as from 1 January 2003.

Customer savings



Nordlandsbanken is included as from 1 January 2003.
Totals are net of inter-company balances.

Risk and capital management

Monitoring and managing risk is an integral part of financial operations. In DnB NOR, risk management is a strategic tool to enhance value generation. A sound risk culture is a core element in effective risk management, characterised by strong awareness of risk and risk management throughout the Group. The profitability of DnB NOR will depend on the Group's ability to identify, manage and accurately price risk arising in connection with financial services.

For some time, both DnB and Gjensidige NOR have devoted considerable resources to the development of processes, systems and methods for measuring and managing risk. Risk management in DnB NOR shall be in compliance with international best practice. DnB NOR derives benefit from utilising the best solutions from each of the merged groups.

DnB NOR will maintain a moderate risk profile, which is reflected in the banking group's aim to achieve an AA level rating for ordinary long-term debt and ensure risk-adjusted capital measurement in accordance with this ambition.

The Group's risk is measured in the form of risk-adjusted capital, calculated for main risk categories and for all of the Group's business areas. Return on risk-adjusted capital is a key measure in calculating profits and monitoring performance in the business areas. In addition, risk is controlled and followed up based on the monitoring of positions and the utilisation of limits, key figures, portfolio risk measurement and other relevant figures.

Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas. All authorisations are personal. Authorisations and limits are determined by the Board of Directors and can be delegated to lower levels in the organisation according to the principle that any delegation requires approval by an immediate superior.

The reporting and monitoring of risk limits and authorisations are important aspects of risk management. Risk limits are reviewed annually in connection with budget and planning processes and are considered by the Board of Directors. In addition to the stipulation of overall risk limits and guidelines, more detailed guidelines, routines and limitations must be set for the individual business areas.

All executives are responsible for risk within their own area of responsibility. Consequently, all risk reporting must ensure that they receive the required information. Reports should generally be prepared by units operating independently of the operations where the risk arises. Independent reporting is a key principle of risk management in DnB NOR. Each quarter, a summary and analysis of the Group's risk situation is presented in a special risk report to the Board of Directors.

Responsibility for risk management and control

Risk management and control is an integral part of corporate governance in DnB NOR, as described under 'Corporate governance'. Responsibility for risk management and control has been assigned as follows:

The Board of Directors in DnB NOR carries responsibility for ensuring that the Group is adequately capitalised relative to the risk inherent in operations. The Board of the holding company stipulates all group limits, authorisations and guidelines for risk management. Responsibility for some internal parameters will rest with the Board of Directors of the bank or one of the other subsidiaries.

The group chief executive is responsible for risk management within the Group, including the development of effective management systems, internal control and monitoring of compliance with existing routines. The group chief executive manages operations in line with this, and is backed by the group management team in carrying out overall management. All decisions concerning risk and risk management are made by the group chief executive or a person authorised by him. All key decisions will generally be made in consultation with members of the group management team.

Business areas and support units are responsible for overall risk management within their own unit. The main principle for risk management in DnB NOR is that all senior executives in the Group must be familiar with all significant risk factors within their area of responsibility to be able to handled risk in a prudent and financially sound manner.

The organisational structure of DnB NOR aims to ensure independence between the line organisation and units supervising these operations. Group Credit Risk Management is an independent staff unit responsible for the credit process and standard procedures for credit activity in addition to credit risk measurement and reporting. All credit decisions above a certain size and level of complexity must be signed off by an independent senior credit officer from this unit. Group Risk Management is responsible for developing sound models for quantifying various types of risk, including credit, market and operational risk and to ensure consistent measurement. The department carries responsibility for analysing and reporting the Group's aggregate risk. In addition, the unit is responsible for coordination of operational risk management. Group Security is a support function within Human Resources and Group Services which is responsible for operative security measures and is organised independently of the business areas. The main focus is on advisory services and preventive measures. The unit plays a key role in reporting and measuring operational risk.

The role of Group Audit within risk management is primarily to assure the quality of the work carried out by monitoring compliance with procedures and regulations and ensuring that models, tools and reporting help give management and the Board of Directors a correct picture of the risk situation.

The following committees have been established to assist the group chief executive in matters pertaining to risk management:

- The Group Credit Committee considers large individual credit proposals and other credits of an extraordinary nature. The committee plays a key role in formulating the Group's credit policy and credit strategies and in assessing portfolio risk.
- The Asset & Liability Committee (ALCO) handles matters relating to capital structure, liquidity risk, market risk, internal pricing of capital, allocation of capital and risk limits, and financial targets.
- The Group Operational Risk Management Committee helps ensure effective and consistent monitoring and reporting of operational risk throughout the Group. A key task is to make sure that the Group's routines relating to internal control and quality assurance are designed to provide added value relative to group operations.

Risk measurement and management

Risk management entails a considered and systematic approach to risk relating to operations and operative targets. In DnB NOR, the following risk categories are subject to special measurement and monitoring:

- credit risk
- market risk
- liquidity risk
- ownership risk for life insurance companies (Life Insurance and Pensions)
- operational risk

The various risks are described in further detail in note 44 to the accounts. Risk-adjusted capital has been established as a uniform risk measurement tool for these risk categories. The basis for quantifying risk-adjusted capital is an assessment of how much capital is required to operate within the risk tolerance set by the Board of Directors. The capital requirement increases in step with the risk level. In DnB NOR, risk-adjusted capital is the term used for required capital. This methodology makes it possible to compare risk across risk categories and business areas. Calculations of risk-adjusted capital are based on discretion and estimates, which, if changed, could have an impact on capital estimates.

Table 1: Risk-adjusted capital for different risk categories

Amounts in NOK million	31 Dec. 2003	31 Dec. 2002
Credit risk	18 036	16 362
Market risk	1 630	2 007
Liquidity risk	1 107	792
Ownership risk for Life Insurance and Pensions	8 498	6 326
Operational risk	6 350	5 550
Total risk-adjusted capital before diversification [1]	35 620	31 037
Total risk-adjusted capital after diversification [1]	24 888	23 617
Addition for variations in expected credit losses [1]	5 320	4 595
Estimated capital requirement	30 208	28 212

1) The diversification effect refers to the effect achieved by the Group in reducing risk by operating within several risk categories where unexpected losses are unlikely to occur at the same time.

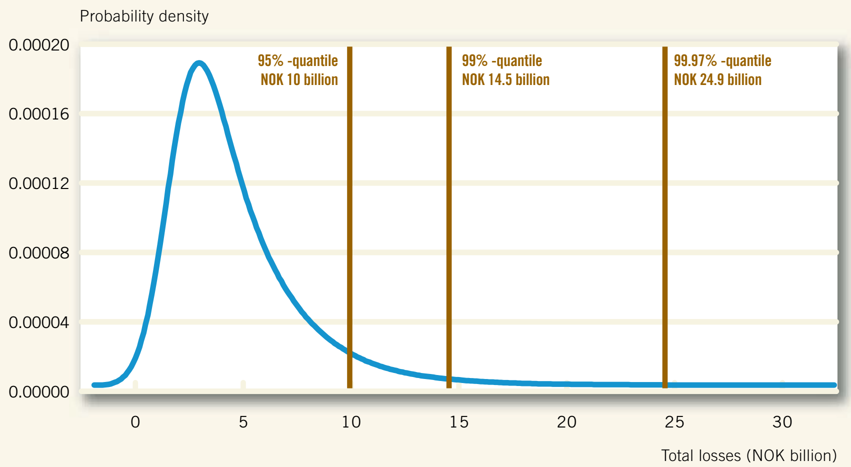
Expected losses, whether in the form of losses on loans or operational losses, represent operating expenses to be covered by current margins and through other prices. The quantification of risk-adjusted capital focuses on unexpected losses. In spite of sound risk management, occasional unexpected losses do occur. These losses make it necessary to maintain an equity base. As it is impossible to guard against all potential losses, DnB NOR has stipulated that risk-adjusted capital should cover 99.97 per cent of potential losses within a one-year horizon. This level is in accordance with an AA level rating for ordinary long-term debt.

Risk-adjusted profitability is the key strategic performance measurement in the internal management of the DnB NOR Group. Capital is thus allocated to the business areas on the basis of the estimated risk of operations, and return on capital is continually monitored. Capital requirements reflect the inherent risk in operations. Capital is also a scarce resource which must be utilised effectively. A high return on equity creates shareholder value and indicates potential growth areas.

Table 1 shows the distribution of risk-adjusted capital for the various risk categories at the end of 2003 and 2002. The gross risk-adjusted capital requirement represents the sum of the individually assessed risks. The net risk-adjusted capital requirement represents the total requirement after taking account of the diversification between the different risk types. The figures are to some extent based on discretion and estimates.

Annual normalised losses should equal average expected losses over a normal business cycle. Within a business cycle, losses will vary significantly from one year to the next. In calculating the minimum capital requirement, a figure corresponding to three times the normalised losses is added

Estimated distribution of losses at year-end 2003



to risk-adjusted capital to ensure that DnB NOR will always be adequately capitalised to meet unexpected losses.

DnB NOR's credit process is based on the credit policy approved by the Board of Directors, stipulating limits for the granting of credit to specific customers. Limits are set for risk exposure to individual customers, industries and geographical locations. Credit strategies are prepared for all business areas carrying credit risk. These are reviewed annually. Credit approval authorisations are personal and graded on the basis of expected default frequency. For large credits, there is a two-layered decision-making procedure where credit approval authority rests with the business units subject to approval by Group Credit. All commitments within Corporate Banking are up for annual renewal.

DnB NOR divides customers into the following categories based on expected default frequency:

Table 2: Expected default frequency

Rating category	Lower limit	Upper limit
1	0.01%	0.10%
2	0.10%	0.25%
3	0.25%	0.50%
4	0.50%	0.75%
5	0.75%	1.25%
6	1.25%	2.00%
7	2.00%	3.00%
8	3.00%	5.00%
9	5.00%	8.00%
10	8.00%	15.00%

The largest corporate customers are assigned a category based on an internal rating model reflecting both financial and non-financial aspects and requiring manual processing. Other customers are ranked according to automated credit scoring models based on accounting data. Within retail banking, all customers are assigned a risk category by means of different scoring models.

Risk-adjusted capital for credit rose appreciably from the end of 2002 till the end of 2003. This was largely a result of the acquisition of Nordlandsbanken in January 2003 and relatively brisk credit growth. Housing loans expanded by 14 per cent and represented 46 per cent of the overall credit portfolio at the end of 2003. Normalised losses for the aggregate portfolio represented 0.31 per cent of net lending to customers. A slight increase in the corporate portfolio was offset by a rise in the percentage of housing loans with low normalised losses.

Table 3: Lending to customers [1)]

Amounts in NOK million and percent	DnB NOR	%	DnB	%	Gjensidige NOR	%
Retail market	301 579	53.7	169 564	51.5	132 015	57.0
Shipping	31 167	5.6	25 898	7.9	5 269	2.3
Real estate	82 155	14.6	40 324	12.2	41 831	18.0
Manufacturing	24 758	4.4	14 591	4.4	10 167	4.4
Services	36 613	6.5	24 180	7.3	12 433	5.4
Trade	23 849	4.2	15 191	4.6	8 658	3.7
Oil and gas	4 238	0.8	3 760	1.1	478	0.2
Transportation and communication	14 026	2.5	10 444	3.2	3 582	1.5
Building and construction	8 428	1.5	3 370	1.0	5 058	2.2
Power and water supply	6 276	1.1	4 432	1.3	1 844	0.8
Fishing	10 440	1.9	9 622	2.9	818	0.4
Hotels and restaurants	4 113	0.7	1 754	0.5	2 359	1.0
Agriculture and forestry	4 749	0.8	947	0.3	3 802	1.6
Other sectors	8 825	1.6	5 344	1.6	3 481	1.5
Total lending to customers	561 217		329 422		231 795	

1) Lending after specified loan-loss provisions

The merger between DnB and Gjensidige NOR has led to a further diversification in credit exposure. As the two groups had few major customers in common, large commitments constitute a markedly lower percentage of total exposure than in the former institutions. There is also less concentration in the commercial property, shipping and fisheries/fish farming sectors.

Market risk

DnB NOR makes a distinction between market risks stemming from the Group's trading activities in interest rate, currency and equity markets, and from banking activities, where investments have a longer-term perspective. Market risk is managed through detailed limits for risk exposure, where the guiding principle is that the aggregate of awarded limits at lower levels should not exceed the limit at a higher level. Risk-taking is centralised, as all units in the banking group must hedge their interest rate and currency positions through DnB NOR Markets. The limits are reviewed at least once a year and considered by the Group's Asset and Liability Committee. Overall limits are determined by the bank's Board of Directors.

DnB NOR's market risk limits are lower than aggregate limits in the former DnB and Gjensidige NOR. Consequently, risk-adjusted capital for market risk, estimated on the basis of current limits for foreign exchange and interest rate exposures, was lower at the end of 2003 than a year earlier. Still, the main reason for the decline in risk-adjusted capital was a reduction in equity investments as part of banking operations. Equity investments in financial institutions were down by around NOK 870 million.

Ownerhip risk for Life Insurance and Pensions

According to current parameters for life insurance operations in Norway, ownership risk includes fulfilling an annual guaranteed rate of return on insurance policies. For combined operations in Vital Forsikring and Gjensidige NOR Spareforsikring, the guaranteed rate of return was 3.75 per cent at the end of 2003. The return on financial assets must be sufficient to meet the guaranteed rate of return specified in life insurance policies. If this is not the case, additional allocations will have to be used, representing buffer capital based on allocated policyholders' funds, built up from profits in previous years. The owner is responsible for covering any outstanding amount. The risk situation within Life Insurance and Pensions is followed closely, including daily updates on returns on financial assets and forecasts for future developments.

Life Insurance and Pensions has established separate guidelines for the management of financial assets which adjust the risk profile relative to financial buffers. The business area is also subject to government regulations on asset management, including risk diversification and limitations on investment options. Through consideration by the Asset and Liability Committee, risk relating to return on financial assets in Life Insurance and Pensions is assessed along with market risk in other parts of the Group.

Returns achieved in 2003 made it possible to build financial buffers. The securities adjustment reserve for combined operations rose from nil to NOK 2 448 million, while additional allocations increased by NOK 839 million to NOK 2 049 million. Nevertheless, the risk-adjusted capital of the business area expanded by around NOK 2 billion. This was a result of rising volumes, an increase in the percentage of equity investments from 9 to 13 per cent and a substantial drop in interest rate levels. Bonds held to maturity grew from 24 to 31 per cent during the year. The yield on these bonds will be around 6 per cent over the next few years, which will be a main factor enabling the business area to meet the guaranteed rate of return.

Effective 1 January 2004, the Ministry of Finance has decided that the maximum base rate for new entitlements under insurance contracts for group occupational pensions should be reduced from 4 to 3 per cent. However, it will take several years for this to result in any appreciable decline in the average guaranteed rate of return.

Liquidity risk

Overall management of liquidity risk is based on DnB NOR Bank ASA being responsible for funding subsidiaries such as Nordlandsbanken, DnB NOR Finans and DnB NOR Hypotek as well as international branches and subsidiaries. Limits have been set for liquidity risk, defined as the relationship between refinancing requirements and available liquidity reserves during different periods. In addition, a limit has been approved for structural liquidity risk, which implies that lending to the general public should largely be financed through customer deposits and long-term funding.

At the end of 2003, risk-adjusted capital for liquidity risk was higher than a year earlier. This must be viewed in light of the requirement to sell Elcon Finans. The sale is expected to provide liquid funds of just below NOK 30 billion, which will significantly reduce funding volumes.

DnB NOR is committed to having a range of sources for funding operations, based on established funding programmes in different markets. DnB NOR has a commercial paper programme of USD 8 billion in the US and a commercial paper programme of USD 2 billion in Europe. Priority is also given to maintaining sound business relations with a large number of international banks and on promoting the Group in international capital markets.

Operational risk

In connection with the merger, a number of measures were implemented to reduce both short and long-term operational risk. Special analyses have been carried out for the various types of risk resulting from the merger, and measures have been initiated to remedy the situation. The IT integration process is regarded as particularly important and vulnerable, and appreciable resources have been channelled into analyses and follow-ups in this area. Risk-adjusted capital for operational risk has been estimated to increase by NOK 1 billion due to risk relating to the merger.

The new group has given priority to organising operations on the basis of well-defined and clear-cut responsibilities from the outset. Risk management is based on ensuring that the Group will meet the various requirements for organisational solutions contained in the coming new rules for supervision and capital adequacy (Basel II), including independent reporting lines and risk measurement. A special group committee for operational risk has been established, whose responsibilities include ensuring that quality assurance procedures and internal control are designed to improve value creation in the business areas. The statutory annual internal control reporting in Norway will be an integral part of the ordinary budget and planning process. Priority will be given to establishing a consistent system for reporting losses which complies with the Basel II requirements with respect to operational risk.

Insurance coverage is a means of managing the financial impact of operational risk. Scope, deductible etc. will be analysed to ensure that the new group has insurance coverage geared to its risk-bearing capacity and risk profile in different areas.

Group Audit has an important function with respect to identifying areas with high operational risk and through its activities provides the basis for management follow-ups. Group Audit in DnB NOR had 52 employees as at 31 December 2003.

Profit and loss accounts

				DnB NOR Group	
Amounts in NOK million	Note	2003	2002	Pro forma 2003	Pro forma 2002
Interest income	3, 5	22 520	24 660	38 430	42 959
Interest expenses	3, 5	14 384	16 282	24 641	29 072
Net interest income and credit commissions	3, 5	**8 136**	**8 378**	**13 789**	**13 887**
Dividends	6	116	61	212	171
Net profit/(loss) from Life Insurance and Pensions	7	304	(114)	760	(271)
Commissions and fees receivable on banking services	6	4 302	3 925	6 335	5 869
Commissions and fees payable on banking services	6	1 463	1 411	2 056	1 971
Net gain on foreign exchange and financial instruments	6, 8	1 394	611	1 847	774
Sundry ordinary operating income	6	687	587	1 181	1 046
Gains on the sale of fixed assets	6	9	35	23	39
Net other operating income	6	**5 348**	**3 694**	**8 302**	**5 658**
Salaries and other personnel expenses	9, 10, 11, 12	4 264	3 791	6 577	6 005
Administrative expenses	9	2 794	2 689	3 982	3 947
Depreciation	9	604	486	1 200	1 077
Sundry ordinary operating expenses	9	786	792	1 433	1 508
Other expenses	9	158	255	219	394
Total operating expenses	9	**8 605**	**8 013**	**13 410**	**12 931**
Pre-tax operating profit before losses		**4 879**	**4 059**	**8 681**	**6 613**
Net losses on loans, guarantees, etc.	14, 15	1 266	478	1 891	1 023
Net gains/(losses) on long-term securities	16	221	(314)	224	(316)
Pre-tax operating profit		**3 835**	**3 268**	**7 014**	**5 274**
Taxes	17	818	934	1 636	1 642
Profit for the year		**3 017**	**2 334**	**5 378**	**3 632**
Dividends	40	2 919	1 848	2 919	2 805
Transferred to other equity	40	98	486	2 459	828
Total transfers and adjustments		**3 017**	**2 334**	**5 378**	**3 632**
Earnings per share (NOK)		3.91	3.03	4.11	2.77
Diluted earnings per share (NOK)		3.90	3.01	4.10	2.76

Balance sheets

Amounts in NOK million	Note	31 Dec. 2003	31 Dec. 2002	Pro forma 31 Dec. 2002
		DnB NOR Group		
Assets				
Cash and deposits with central banks	18	8 570	19 133	22 944
Lending to and deposits with credit institutions	18	28 331	20 391	26 615
Gross lending to customers	18, 20, 21, 22, 24	565 546	282 660	494 601
- Specified loan-loss provisions	23	(4 329)	(1 796)	(2 884)
- Unspecified loan-loss provisions	23	(3 714)	(2 115)	(3 501)
Net lending to customers		557 503	278 748	488 217
Repossessed assets	31	576	399	651
Commercial paper and bonds	18, 26	59 398	33 870	51 745
Shareholdings etc.	18, 27, 28, 29	4 011	2 751	4 364
Investments in Life Insurance and Pensions and associated companies	7, 18, 30	7 365	3 773	7 184
Intangible assets	17, 18, 32	6 484	3 815	6 733
Fixed assets	18, 31, 33, 34	4 475	2 295	4 425
Other assets	18	23 643	16 783	19 382
Prepayments and accrued income	18	5 321	3 206	6 098
Total assets		**705 677**	**385 164**	**638 357**
Liabilities and equity				
Loan and deposits from credit institutions	35	78 497	49 071	80 302
Deposits from customers	35, 36	335 576	194 803	317 598
Securities issued	35, 37, 38	181 649	74 850	138 568
Other liabilities	35	35 305	25 901	35 359
Accrued expenses and prepaid revenues	35	5 992	2 427	5 034
Provisions for commitments	35	2 834	1 540	3 000
Subordinated loan capital	39	18 126	7 716	13 519
Perpetual subordinated loan capital securities	39	5 583	2 740	5 292
Total liabilities		**663 562**	**359 048**	**598 672**
Share capital	40	13 090	7 696	13 090
Share premium reserve	40	11 353	3 244	11 353
Other equity	40	17 672	15 177	15 242
Total equity		**42 115**	**26 117**	**39 685**
Total liabilities and equity		**705 677**	**385 164**	**638 357**
Other commitments and conditional commitments	49, 50, 51, 52			

Cash flow statements

Amounts in NOK million	2003	2002	Pro forma 2003	Pro forma 2002
				DnB NOR Group
OPERATIONS				
Lending and funding activity				
Net payments made on instalment loans	(25 973)	(12 927)	(46 759)	(27 449)
Net receipts/payments on credit lines and other current accounts	12 198	(10)	23 920	10 417
Receipts on loans and guarantees previously written off	176	321	275	426
Net receipts/payments on time deposits from customers	(2 285)	6 998	(12 481)	8 782
Interest and commissions received from customers	19 336	20 280	34 922	35 643
Interest paid to customers	(6 911)	(9 693)	(11 595)	(15 623)
Other operations				
Other receipts on commissions and fees	4 531	3 769	5 966	4 916
Net receipts/payments on trading in short-term investments in shares	107	(188)	292	(340)
Net receipts/payments on trading in fixed-income securities	(4 628)	1 446	(2 674)	(1 617)
Net receipts/payments on trading in foreign exchange and financial derivatives	(593)	(6 302)	350	(7 372)
Dividends received on short-term investments in shares and other participations	31	26	114	116
Interest earned on securities	1 485	1 664	2 263	2 622
Other receipts	994	531	1 658	992
Payments to operations	(8 256)	(8 694)	(12 617)	(12 801)
Taxes paid	(1 653)	(523)	(1 984)	(1 403)
Net cash flow relating to operations	**(11 441)**	**(3 302)**	**(18 350)**	**(2 691)**
INVESTMENT ACTIVITY				
Receipts on the sale of fixed asses	42	116	99	195
Payments on the acquisition of fixed assets	(152)	(171)	(256)	(419)
Receipts on the sale of long-term investments in shares and other participations	1 037	275	1 046	304
Payments on the acquisition of long-term investments in shares and other participations	(4 791)	(2 694)	(4 845)	(2 714)
Dividends received on long-term investments in shares and other participations	114	35	128	54
Net cash flow relating to investment activity	**(3 750)**	**(2 439)**	**(3 828)**	**(2 580)**
FUNDING ACTIVITY				
Net investments in/loans from credit institutions	(12 885)	14 160	(9 630)	18 146
Net issue of bonds and commercial papers	19 485	12 659	30 062	10 313
Net receipts/payments on other short-term liabilities	(6 407)	48	(2 867)	(569)
Net payments on other long-term liabilities	(283)	(351)	(283)	(351)
Issue of subordinated loan capital	4 063	2 150	5 747	6 147
Redemption of subordinated loan capital	(903)	(990)	(2 088)	(1 966)
Inflows of perpetual subordinated loan capital securities	0	0	0	2 552
Dividend payments	(1 848)	(1 850)	(2 805)	(2 647)
Repurchases of own shares	0	(35)	0	(35)
Net interest payments on funding activity	(5 476)	(3 737)	(10 378)	(8 396)
Net cash flow from funding activity	**(4 254)**	**22 054**	**7 758**	**23 194**
Net cash flow	**(19 445)**	**16 313**	**(14 420)**	**17 923**
Cash and deposits with Norges Bank as at 1 January	19 133	2 820	22 990	5 067
Increase in cash and deposits with Norges Bank through mergers and acquisitions	8 882	0	0	0
Net receipts/payments on cash and deposits with Norges Bank	(19 445)	16 313	(14 420)	17 923
Cash and deposits with Norges Bank as at 31 December	8 570	19 133	8 570	22 990

The cash flow statements show cash flows grouped according to source and use. Cash equivalents are defined as cash and deposits with Norges Bank.

Accounting principles

The accounts of DnB NOR are based on Norwegian accounting legislation, the accounting regulations issued by Kredittilsynet (the Financial Supervisory Authority of Norway), and Norwegian generally accepted accounting principles.

CHANGES IN ACCOUNTING PRINCIPLES

The effects of changes in accounting principles are recorded directly against equity, with the exception of changes concerning life insurance operations. The only changes made in accounting principles in 2003 are certain insignificant reclassifications, which have also been reflected in the pro forma figures.

CONSOLIDATION

The consolidated accounts of DnB NOR ASA ("DnB NOR") include DnB NOR Bank ASA (previously Den norske Bank ASA and Union Bank of Norway ASA), Vital Forsikring ASA, Vital Link AS, Gjensidige NOR Spareforsikring ASA, Gjensidige NOR Fondsforsikring AS, DnB NOR Kapitalforvaltning ASA, DnB NOR Asset Management AB and Vital Skade AS including subsidiaries and associated companies. Subsidiaries are defined as companies in which DnB NOR has control, directly or indirectly, through a long-term ownership interest and a holding of more than 50 per cent of the voting share capital or primary capital and a decisive influence on the company's operations. Subsidiaries are consolidated from the time DnB NOR takes over control of the company, including financial risk.

Vital Forsikring ASA, Vital Link AS, Gjensidige NOR Spareforsikring ASA and Gjensidige NOR Fondsforsikring AS are presented in the group accounts according to the equity method. This implies that the profit to DnB NOR is presented net after deductions for goodwill amortisation and eliminations in the Group's profit and loss account, while the net value of the investment in these operations is shown as an asset in the balance sheet. Operations in Life Insurance and Pensions are fundamentally different from operations in the rest of the Group. Also, regulations relating to profit sharing between the owner and policyholders in life insurance companies limit the Group's access to revenues and assets in these operations.

Other subsidiaries are consolidated. In the accounts of DnB NOR ASA, investments in subsidiaries are recorded at cost.

Associated companies in which DnB NOR has a long-term holding of between 20 and 50 per cent and a significant influence on operations, are carried in the group accounts according to the equity method. In the accounts of the individual companies, ownership interests in the form of share investments are valued at cost, while holdings in general partnerships are recorded according to the equity method.

Holdings of a short-term nature are not consolidated in the accounts. Holdings taken over in connection with non-performing commitments are generally of a short-term nature.

Balance sheet items of foreign branches and subsidiaries are translated into Norwegian kroner at the rates prevailing on the balance sheet date, while average rates are used for items in the profit and loss account. Changes in net assets due to exchange rate fluctuations are recorded directly against equity.

The balance sheet items of acquired operations to be consolidated according to the equity method, are recorded at fair market value. Any intangible assets identified are considered and classified separately. Any positive residual value is classified as goodwill. Goodwill is amortised in the group accounts over its expected useful economic life. Any negative residual value which cannot be linked to assets or conditional commitments is recorded as negative goodwill and charged systematically to the profit and loss account over the relevant period of time.

Goodwill recorded in the balance sheet is reviewed on each reporting date. Assets generating joint cash flows are considered collectively. Future cash flows are estimated based on the market situation for comparable assets, taking account of expected price developments, growth prospects, return requirements and the duration of cash flows. Any decrease in value which is not considered to be temporary is written down in the accounts. Goodwill from the acquisition of companies generating cash flows in foreign currencies is recorded in the balance sheet in the same currency and translated at rates of exchange ruling on the balance sheet date.

CLASSIFICATION AND VALUATION

Trading portfolio and banking portfolio

DnB NOR makes a distinction in the accounting treatment of financial instruments entered into as part of proprietary trading to achieve a gain by exploiting price differences and changes, and agreements regarding the management of other group operations. Agreements in the first category constitute the trading portfolio and are part of DnB NOR Markets' operations, while all other agreements are included in the banking portfolio.

The trading portfolio includes negotiable securities, investment fund holdings, interest rate instruments recorded in the balance sheet, foreign currency positions and financial derivatives. The trading portfolio is recorded according to the market value principle.

Income from trading in interest rate and currency positions recorded in DnB NOR Markets' balance sheet is classified as interest income. Other income from the trading portfolio is included under "Net gain on foreign exchange and financial instruments" and "Commissions and fees receivable on banking services".

Life and pension insurance

The accounts for the Group's life insurance companies have been prepared in conformity with general accounting principles and regulations issued by Kredittilsynet for the annual accounts etc. of insurance companies, containing rules which in certain respects deviate from the accounting principles and definitions used for other operations. The accounts for the life insurance companies are used as a basis for presentation in the group accounts without adjustment for differences in principles.

Insurance premiums and insurance payments are entered in the profit and loss accounts when earned as income or incurred as expenses according to the accrual and the matching principle. Transfers of premium reserves on the transfer of insurance contracts are recorded as premium income in the company taking over the contract and as premium payments in the company transferring the contract. Such items are recorded in the profit and loss accounts when the risk relating to insurance payments is transferred.

Financial assets include short-term investments in shares, bonds and other financial instruments. Such financial assets are stated at market value. Differences between market value and cost are recorded in the accounts, and unrealised gains are provisionally allocated to the securities adjustment reserve.

Investments in buildings and real estate are classified as financial assets, and changes in value during the year are recorded in the profit and loss accounts. No ordinary depreciation is made on buildings and real estate classified as financial assets.

Bonds to be held until maturity are classified and recorded as fixed assets. Such bonds are stated at cost (acquisition cost plus transaction costs), and premiums/discounts are amortised over the remaining maturity according to the straight line principle.

With respect to life insurance operations the effects of changes in accounting principles are recorded directly in the profit and loss account for the period in which the changes come into effect. This contrasts with the procedure followed for other group operations.

Allocations to the insurance funds are charged to the profit and loss account. The insurance funds comprise the premium reserve, additional allocations, the premium and pension adjustment funds, the claims reserve and other technical reserves. Additional allocations are distributed to policyholders and can be used to meet any shortfall between the actual and guaranteed return on policyholders' funds.

Profits after compulsory provisions are allocated to policyholders and the company's owner. Taxes are deducted from the profits allocated to the owner. Pursuant to limits stipulated by Kredittilsynet, a maximum of 35 per cent of profits can be allocated to the owner. The actual allocation, which must be within the limit stipulated, will represent a return on equity corresponding to it's relative share of return on financial assets, adjusted for the corresponding relative share of the security reserve and subordinated loans less interest expenses, with the addition of a percentage of policyholders' funds plus a percentage of the adjusted risk premium.

Loans and non-performing and doubtful commitments

Loans are recorded at their nominal value with the exception of non-performing and doubtful commitments, reduced-rate loans and loans to customers in debt rescheduling countries. All loans, guarantees and other outstanding claims against a customer are considered collectively.

Loans and other commitments which are not serviced in accordance with the loan agreement are classified as non-performing unless the situation is considered to be temporary. Commitments will be classified as non-performing no later than 90 days past the formal due date. Loans, guarantees etc. which are classified as high-risk without being in default are subject to special surveillance and risk considerations. If a loss is likely to occur as a result of the value of collateral and the customer's financial position, the commitments are classified as doubtful.

Repossessed assets

Repossessed assets are assets acquired by units within the Group as part of the management of non-performing and doubtful commitments. At the time of acquisition such assets are valued at their estimated realisable value. When assets are repossessed for prompt resale, they are classified as current assets. Any losses on the resale of and write-down for the diminution in value of such assets are recorded under losses on loans and guarantees, etc. as losses/write-downs on repossessed assets. Any gains or reversals of previous write-downs are classified as a reassessment of repossessed assets.

If assets are acquired for own use or for long-term administration and development, the assets are classified and evaluated as fixed assets in the balance sheet. Gains, losses, write-downs and reassessments of such assets are made according to the principles for assessing fixed assets.

Losses on loans and guarantees, etc.

Commitments classified as non-performing, doubtful or high-risk commitments are continuously monitored with respect to their loss potential. Any losses are classified as specified loan-loss provisions or write-offs. Specified loan-loss provisions represent an estimate of losses which are linked to identified customers. When, in all probability, losses must be considered final, they are classified as write-offs. Specified loan-loss provisions represent the difference between the nominal value of the commitment and the value of collateral and the customer's estimated solvency. When assessing the need for provisions, the credit risk element of other exposures to the customer, e.g. financial derivatives, is taken into account. In some segments with homogeneous customer characteristics, an alternative model is used to assess loan losses, based on previous experience concerning collateral value, customer solvency and the general economic situation. The resulting provisions are classified as specified.

Specified provisions reduce the book value of the commitments in the balance sheet, and changes in provisions during the period are recorded under losses in the profit and loss account. Write-offs covered by previous specified loan-loss provisions are netted against these provisions. Write-offs are recorded directly in the profit and loss account when the losses are not covered by previous loan-loss provisions or when there are deviations from previous provisions when losses are considered final. Subsequent repayments on commitments previously classified as final losses are classified as recoveries on loans previously written off.

Once a commitment is classified as non-performing, unpaid interest taken to income and other income is reversed, and no further income is recorded unless coverage is provided by underlying values in the commitment. Interest accrued during the year is reversed under net interest income, while accrued, unpaid interest referring to previous years is charged to loan losses. The same procedure is applied for doubtful commitments, though interest paid is taken to income if collateral values and the customer's financial position provide adequate coverage.

Loans with significantly reduced interest rate terms are classified as reduced-rate loans. The difference between the original and the reduced interest rate terms is recorded as a write-off. The difference in interest income on these loans is calculated on the basis of actual maturity and discounted by the original loan rate to net present value.

Unspecified loan-loss provisions cover losses which, based on the situation on the balance sheet date, are likely to occur in addition to identified losses and specified loan-loss provisions. Unspecified loan-loss provisions will cover losses resulting from current events which have not yet been reflected in assessments of collateral values and the customer's financial position, as well as current events which must be expected to affect loan-loss assessments at a later date. Calculations of unspecified provisions are based on risk management systems and the division of the credit portfolio into risk categories. Provisions derive directly from volume, risk and previous experience regarding loss developments in various parts of the credit portfolio. Changes in unspecified loan-loss provisions during the period are recorded in the profit and loss account.

Accumulated specified and unspecified loan-loss provisions are deducted from lending in the balance sheet. Specified and unspecified provisions are also made on losses on guarantees which are considered doubtful. These provisions are entered under liabilities in the balance sheet.

Leasing

Assets and buildings for rent (leasing) are defined as lease financing and classified as lending in the accounts. Leasing income is recorded according to the annuity method. The interest component of the lease receipts is recorded as interest income, while the instalment component reduces the value of the lease in the balance sheet. Contracts with guaranteed residual value are reduced to residual value over the term of the contract. For tax purposes, the declining balance method is applied.

Factoring

Accounts receivable where the credit risk of the account debtors has been assumed, are recorded under other assets in the balance sheet. Financing of accounts receivable in excess of the credit risk assumed and financing of accounts receivable without any credit risk coverage is recorded under lending in the balance sheet. In the event that advances paid on accounts receivable for which credit risk has been assumed amount to less than the credit risk, the difference is included under liabilities in the balance sheet. Accounts receivable factored without assuming credit risk and without financing, are not recorded in the balance sheet.

Financial instruments

Financial instruments include securities such as shares, PCCs, bonds and commercial paper, as well as investment fund holdings, other short-term debt instruments and financial derivatives.

Securities in the trading portfolio

Securities included in the trading portfolio are recorded at market value on the balance sheet date.

Short-term debt instruments included in the trading portfolio are reported at net present value, and unrealised gains and losses are recorded in the accounts.

Securities in the banking portfolio

Short-term investments in shares are recorded at the lower of the total portfolio's acquisition cost and market value.

Bonds and commercial paper are recorded at the lower of the total portfolio's acquisition cost and market value. Holdings of bonds issued by DnB NOR and included in the banking portfolio are netted against bond debt in the balance sheet.

Issued index-linked bonds are classified as securities issued. The bond element is recorded as a zero-coupon bond. Discounts or yields on the bond are recorded in the profit and loss account over the life of the bond. The remaining element is recorded as an option. The value of the option is netted against the hedging contract, and any gains or losses are entered in the accounts when the index-linked bond is issued.

Shares held as long-term investments are stated at cost. If the fair market value of the shares is significantly lower than cost, and the decrease in value is not expected to be temporary, the shares will be written down. Write-downs are reversed when the conditions for writing down the shares no longer apply.

Financial derivatives

Financial derivatives are contracts stipulating financial values in the form of interest rate terms, exchange rates and the value of equity instruments for fixed periods of time. Corresponding contracts stipulating prices on commodities and indexes are defined as financial derivatives in this context. Derivatives include swaps, forward contracts and options as well as combinations thereof, including forward rate agreements (FRAs), financial futures and agreements on the transfer of securities.

Interest rate and foreign exchange contracts are classified as part of either the trading portfolio or banking portfolio when entered into, depending on the intentions behind the individual agreement.

When financial derivatives are used to hedge securities recorded in the balance sheet, the value of the derivatives is included when stipulating the securities' market value. Positions are hedged when financial instruments are linked to other identified financial instruments on the transaction date, and the maturities and prices of the instruments are closely related.

Financial derivatives included in the trading portfolio are recorded at market value. Gains and losses on financial derivatives included in the banking portfolio are amortised according to the underlying maturity and reported under the related items in the profit and loss account.

When financial derivatives are used to manage risk on balance-sheet items, due to cost factors such agreements are entered into through the business units in the Group trading such instruments in the market. Internal transactions between the trading portfolio and the banking portfolio are valued according to principles relevant to these portfolios without eliminating internal gains and losses. See note 49.

Properties and other fixed assets

Assets generating joint cash flows are considered collectively. Future cash flows are estimated based on the market situation for comparable assets, taking account of expected price developments, growth prospects, return requirements and the duration of cash flows.

Assets are written down when there are clear indications of a decrease in value which is not expected to be temporary. Such write-downs are reversed when the reasons for writing down the assets no longer apply.

Bank buildings and other properties in the balance sheet are stated at cost adjusted for previous revaluations with the deduction of accumulated ordinary depreciation and write-downs. Properties belonging to similar categories are evaluated on a portfolio basis.

When negative net future cash flows related to leases on vacated and sublet premises are identified, the net present value of the cash flow is charged to the profit and loss account.

Other ordinary operating assets have been valued according to the same principle as that applied for bank buildings and other properties.

Software

Development of software is classified as intangible assets provided that the criteria for being recorded in the balance sheet are met. Costs related to the development of software are recorded in the balance sheet when significant and the software is expected to have sustainable value. Software developed by DnB NOR which is recorded in the balance sheet is depreciated on the basis of a conservative estimate of expected life. Such software is written down if the value of expected financial benefits is lower than recorded value.

Costs for reestablishing or maintaining the financial value of IT systems and systems applications are classified as maintenance and charged to the accounts as they occur.

Software acquired in connection with the purchase of personal computers is considered collectively with the hardware.

Assets and liabilities in foreign currency

Assets and liabilities denominated in foreign currencies are recognised as financial assets and translated to NOK according to exchange rates prevailing on the balance sheet date.

ACCRUALS

Income is recorded in the profit and loss account when accrued. Costs are matched against income and charged to the accounts in the same accounting period as related income. Incurred costs related to income earned in subsequent periods are deferred. Costs which will occur in future periods concerning accrued income are charged to the profit and loss account during the same period. Future costs not related to future income are charged to the accounts when the costs are identified.

Recording of interest and fees

Interest and commissions are included in the profit and loss account when earned as income or incurred as expenses. Unrealised gains and losses on loans, deposits and borrowings arising on interest rate hedges in connection with changes in market rates, are amortised under net interest income.

Fees which represent direct payment for services rendered are recognised as income upon payment. Fees for the establishment of loan agreements in excess of the actual costs involved are amortised over the life of the loan.

Employee subscription rights programme

Issued subscription rights with no intrinsic value are not charged to the accounts. When rights are exercised, the increase in the number of shares, the share capital and the share premium reserve will be recorded directly against equity. The net present value of the employer's national insurance contributions relating to the exercise of employee options is calculated based on the assumption that the subscription rights will have economic value when exercised and that all options will be exercised. The net present value of the estimated employer's national insurance contributions will be charged to the accounts over the time to maturity according to the straight line principle. See note 10.

Premiums and discounts on bonds issued

Issued bonds are recorded in the balance sheet at their nominal value with the addition of premiums or deduction of discounts. Premiums and discounts are amortised as an adjustment to current interest expenses until final maturity of the bonds. Discounts on raising other long-term capital are treated correspondingly.

DnB NOR will regularly repurchase bonds issued by itself in connection with ongoing funding activity. Gains or losses resulting from the repurchase and resale of own bonds are in this respect amortised over the remaining term of the bonds according to the straight line principle.

Provisions for restructuring measures

If restructuring plans are approved which change the scope of operations or the way operations are carried out, the need for provisions for restructuring measures will be considered. If expenses arising from the implementation of such measures are not linked to future income and the future expenses represent actual commitments on the balance sheet date, the net present value of future cash flows is charged to the accounts and recorded under liabilities in the balance sheet. The provisions are reversed when costs are incurred.

Pension expenses and pension commitments

Expenses related to accrued pension entitlements are recorded as personnel expenses in the accounts. The basis for calculating pension expenses is a linear distribution of pension entitlements measured against estimated accumulated commitments at the time of retirement. Expenses are calculated on the basis of pension entitlements earned during the year with the deduction of the return on funds assigned to pensions.

Pension commitments which are administered through life insurance companies or pension funds are matched against funds within the scheme. When total pension funds exceed estimated pension commitments on the balance sheet date, the net value is classified as an asset in the balance sheet if it has been rendered probable that the overfunding can be utilised to cover future commitments. When pension commitments exceed pension funds, the net commitments are classified under liabilities in the balance sheet. Each scheme is considered separately.

Pension commitments which are not administered through life insurance companies or pension funds are recorded as liabilities in the balance sheet.

Pension commitments represent the present value of probable future pension payments. The calculation is based on actuarial assumptions about life expectancy, rise in salaries, early retirement and other changes concerning those entitled to a pension.

Assumptions on which the calculation of pension commitments is based are reviewed annually and must be expected to change over time. Such changes may include:

- changes in pension schemes
- changes in economic parameters
- changes in actuarial assumptions
- deviations between the anticipated and actual return on pension funds

The financial effects of changes in pension-schemes are amortised over the average remaining service period of the employees. The accumulated effect of other changes or deviations is amortised in the profit and loss accounts over the average remaining service period or measured against the higher of total pension commitments and pension funds at the beginning of the financial year. In cases where the effect of changes in a scheme is not amortised and total unamortised changes and deviations exceed 10 per cent of the higher of these two figures, the excess is amortised in the profit and loss account over the average remaining service period of the employees in the scheme.

Depreciation of operating assets and intangible assets

Ordinary depreciation is based on the estimated economic life of the asset. The straight line principle is applied.

Taxation

Taxes for the year comprise payable taxes for the financial year and changes in the value of deferred taxes and deferred tax assets. Any changes in the value of deferred taxes and deferred tax assets will be shown as taxes for the year in the profit and loss account along with the tax liability for the year.

Deferred taxes are calculated on the basis of differences between the profits stated in the accounts and the profits computed for tax purposes which will be offset in the future. Evaluations are based on the balance sheet and tax position on the balance sheet date. Taxable and tax-deductible timing differences will be netted against each other within the same time interval. Deferred tax assets can be recognised as assets in the balance sheet when it is considered probable that the tax-deductible timing differences may be realised.

BUSINESS AREAS

Profit and loss accounts and balance sheets for the business areas are based on internal financial reporting for the functional organisation of the DnB NOR Group. Segment information is not reported according to geographic location, as there are no appreciable differences in risk and return in the various geographic regions. Figures for the business areas are based on DnB NOR's management model, developed in connection with the integration of the two financial services groups. The activities of DnB NOR are organised into five functional business areas and four staff and support units. The business areas are set up according to the customer segments served by the Group, as well as the products offered. The organisation and division of responsibilities between business areas and between the business areas and staff and support units deviate from the organisational structure of the two former groups.

One of the terms of the concession for the merger between DnB and Gjensidige NOR was the sale of the companies Elcon Finans, Gjensidige NOR Fondsforsikring, Postbanken Eiendomsmegling and Aktiv Eiendomsmegling. In the business area accounts, profit and loss and balance sheet items for these companies are shows as a separate area. Profit and loss accounts and balance sheets for the business areas are based on a number of assumptions, estimates and discretionary distribution. The accounts are pro forma and have been prepared as if the merger had taken place at the beginning of 2002.

According to DnB NOR's management model, the five business areas are independent profit centres with responsibility for meeting requirements for return on allocated capital. All of the Group's customer activities are divided among the business areas, along with the related balance-sheet items, income and expenses.

Excess liquidity and liquidity deficits in the business areas are placed in or borrowed from the Domestic Treasury at market terms, where interest rates are based on duration and the Group's financial position.

When business areas cooperate on the delivery of financial services to customers, internal deliveries are based on market prices or simulated market prices according to special agreements. In certain cases where it is particularly difficult to find relevant principles and prices for the distribution of items between two cooperating business areas, DnB NOR has chosen to show net contributions from each transaction in both business areas. The impact on profits will be eliminated at group level.

Services provided by group services or staff units are charged to the business areas in accordance with service agreements. Joint expenses which are indirectly linked to activities in the business areas are charged to the business areas' accounts on the basis of general distribution formulas.

A number of key functions along with profits from activities not related to the business areas' strategic operations are entered in the accounts under the Group Centre. This item comprises income and expenses relating to the Group's liquidity management, income from investments in equity instruments not included in the trading portfolio and interest income on the Group's unallocated capital. Further entries include ownership-related expenses and income from the management of the bank's real estate portfolio. Goodwill and identified unrealised gains as well as related write-downs linked to the Group's takeover of shares in Vital, Postbanken, Skandia Asset Management and the merger between DnB and Gjensidige NOR are charged to this item.

Return on capital is calculated relative to allocated capital. Allocated capital is determined on the basis of internal models giving capital requirements which deviate from official requirements stipulated by Kredittilsynet. The allocation of capital to the business areas is based on the principles for calculating risk-adjusted capital. Risk-adjusted capital is a joint measure for credit risk, market risk, liquidity risk, operational risk and ownership risk associated with life insurance operations. A figure corresponding to three years' normalised credit losses in the business areas is added. The allocation is based on a number of assumptions and assessments. Other approaches to the distribution of capital could result in substantial changes in return on capital for the business areas.

The distribution method implies that there will be major or minor deviations between the sum of capital distributed to the business areas and the equity entered in the Group's balance sheet. The difference could be attributed to short-term variations in group profits, or possible supplementary reserves for uncertainty in economic developments, the need for capital reserves for growth as well as technical and legal factors.

CASH FLOW STATEMENTS

As banking represents the main line of business in the DnB NOR Group, the consolidated cash flow statements are structured on the basis of banking operations. The statements reflect the main aspects of the Group's liquidity management, with special emphasis on cash flows relating to lending and funding activities.

Note 1 – Changes in group structure

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 of 2003 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 DnB NOR Group.

Amounts in NOK million	**DnB NOR 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 NOR Group on the acquisition date	531
Annual amortisation	53

Nordlandsbanken's accounts for 2002 reflected the special circumstances leading up to the acquisition by DnB NOR. Pro forma accounts for DnB NOR including Nordlandsbanken will thus not provide an appropriate basis for evaluating Nordlandsbanken's impact on DnB NOR'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. Nordlandsbanken is not included in the pro forma accounts for 2002.

Merger between DnB Holding ASA and Gjensidige NOR ASA

The Boards of Directors in DnB Holding ASA and Gjensidige NOR ASA agreed on a merger of the two companies on 18 March 2003. The merger was approved by the Ministry of Finance on 28 November 2003. The two holding companies merged on 4 December 2003 and formed DnB NOR ASA. For practical reasons, the implementation date for accounting purposes will be the date ending the quarter in which the approval was granted, i.e. 31 December 2003. The merger will be accounted for as an equity transaction under § 5-14 (1) (1) of the Norwegian Accounting Act (the acquisition method), with Gjensidige NOR's assets and liabilities as a non-cash contribution to DnB.

Harmonisation of accounting principles and estimates

No significant deviations have been found in the accounting principles or estimates applied by DnB and Gjensidige NOR respectively. Restated pro forma accounting figures have been prepared for previous periods in accordance with harmonised accounting principles and estimates. See accounting principles for the DnB NOR Group above.

Goodwill

The difference between the cost price and actual value as at 31 December 2002 of the balance sheet transferred will constitute goodwill on the transaction. The cost price of the transaction will constitute the value of the consideration to shareholders in Gjensidige NOR ASA valued on the basis of the exchange ratio and market value of the shares in DnB Holding ASA on the date prior to the exchange ratio first being published, with the addition of restructuring expenses which can be related to the acquired business. The exchange ratio was based on share prices of NOK 27.70 for DnB Holding ASA and NOK 187.50 for Gjensidige NOR ASA, and the initially proposed cash consideration of NOK 23 per Gjensidige NOR share. The cash consideration was later adjusted to NOK 43 per Gjensidige NOR share.

Goodwill will be capitalised and mainly expensed over 20 years. Goodwill relating to the credit card business and the business of Elcon Finans AS will be amortised over eight years. One of the terms stipulated by the Norwegian Competition Authority in its approval of the merger on 7 November 2003 was the sale of some companies, including Elcon Finans AS. The cost price relating to the transaction has not been adjusted for this, and the allocated goodwill relating to Elcon Finans AS will be deducted from the balance sheet when accounting for the sale of the company.

To ensure approval of the merger at the Extraordinary General Meeting, DnB acquired 5.2 million Gjensidige NOR shares. DnB later sold these shares in the market, realising a gain of NOK 157 million. After tax and financing costs, NOK 105 million was deduced from the overall cost relating to the transaction.

Note 1 – Changes in group structure (continued)

Calculation of goodwill **DnB NOR Group**

Amounts in NOK million	
Issue of shares in DnB NOR ASA	13 646
Cash consideration	3 741
Deduction of gain on the sale of Gjensidige NOR shares after taxes	105
Total merger consideration	17 282
Equity in the Gjensidige NOR Group as at 31 December 2002	16 236
Estimated restructuring expenses after tax, related to the operations of Gjensidige NOR	670
Goodwill in the DnB NOR Group	1 717
Annual amortisation	135

Allocation of goodwill [1)] **DnB NOR Group**

Amounts in NOK million	Amortisation period (no. of years)	Annual amortisation	Goodwill
Savings bank – bank branches [2)]	20	29	586
Savings bank – corporate customers [2)]	20	23	471
Cresco – credit card portfolio	8	59	471
Elcon Finans – business in Norway	8	24	189
Total		135	1 717

1) *Goodwill and goodwill amortisation have been adjusted compared with the calculations presented in the prospectus for the merger to reflect the gain on the sale of Gjensidige NOR shares.*
2) *The savings bank business (Union Bank of Norway) is considered to be of a very long-term nature, with substantial values attaching to the general business. The importance of the earnings potential of this business will be significant for the new group over a long time horizon.*

Annual goodwill amortisation totalling NOK 135 million is included in the pro forma accounts. Annual financing costs of NOK 94 million relating to the cash consideration are charged to the pro forma accounts. Net costs of NOK 144 million relating to the share issue have been charged against equity.

Other aspects
Up till 31 December 2003, Gjensidige NOR and Gjensidige NOR Forsikring owned 50 per cent each of the company Gjensidige NOR Driftspartner AS. In Gjensidige NOR's accounts, Driftspartner was classified as a joint venture, and income and expenses were netted. Still, Gjensidige NOR recorded the cost of services provided by Driftspartner as ordinary expenses. In the pro forma accounts, income and expenses referring to Driftspartner are presented net.

DnB NOR took over 100 per cent of Driftspartner in 2004, and income and related expenses incurred by Driftspartner referring to external parties and life insurance operations will be recorded gross. This is expected to result in an increase of an estimated NOK 230 million in operating income and operating expenses in 2004 compared with pro forma figures for 2003.

Operations required sold in connection with the merger – discontinued operations
In connection with the Norwegian Competition Authority's approval of the merger, DnB NOR was required to sell some companies, including Elcon Finans AS, Postbanken Eiendomsmegling AS and Gjensidige NOR Fondsforsikring AS. In the pro forma accounts for the merged entity, operations in these companies are included. To facilitate analysis of operations in DnB NOR after the planned sales, separate accounts for the companies to be sold have been prepared.

Operations in these companies will, in accordance with the Ministry of Finance's regulation for banks etc. paragraph 2-5 (2), be included in DnB NOR'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 as they are included in the DnB NOR Group's accounts are shown below. In note 2, Business areas, these companies are shown separately under the caption "Discontinued operations".

Note 1 – Changes in group structure (continued)

Profit and loss accounts

Amounts in NOK million	Discontinued operations [1] Pro forma 2003	Pro forma 2002
Net interest income and credit commissions	**927**	**718**
Commissions and fees receivable on banking services	81	73
Commission and fees payable on banking services	61	18
Net gain/(loss) on foreign exchange and financial instruments	6	(1)
Sundry ordinary operating income	118	97
Net other operating income	**144**	**152**
Salaries and other personnel expenses	290	244
Administrative expenses	115	120
Depreciation	25	21
Sundry ordinary operating expenses	97	81
Other expenses	2	1
Total operating expenses	**530**	**468**
Pre-tax operating profit before losses	**541**	**402**
Net losses on loans, guarantees, etc.	172	76
Pre-tax operating profit	**369**	**326**
Taxes	107	92
Profit for the year	**262**	**234**

Balance sheets

Amounts in NOK million	Discontinued operations [1] 31 Dec. 2003	Pro forma 31 Dec. 2002
Assets		
Cash and deposits with central banks	0	104
Lending to and deposits with credit institutions	375	364
Gross lending to customers	27 669	23 508
- Specified loan-loss provisions	(113)	(65)
- Unspecified loan-loss provisions	(180)	(177)
Net lending to customers	27 376	23 267
Repossessed assets	134	238
Shareholdings etc.	40	32
Intangible assets	152	334
Fixed assets	22	18
Other assets	374	42
Prepayments and accrued income	115	63
Total assets	**28 537**	**24 462**
Liabilities and equity		
Loans and deposits from credit institutions	24 507	20 858
Deposits from customers	283	287
Other liabilities	771	627
Accrued expenses and prepaid revenues	174	144
Provisions for commitments	23	34
Subordinated loan capital	350	375
Total liabilities	**26 108**	**22 325**
Share capital	2 043	1 768
Others equity	386	369
Total equity	**2 429**	**2 137**
Total liabilities and equity	**28 537**	**24 462**

1) *Includes the accounts of Elcon Finans AS, Postbanken Eiendomsmegling AS and Gjensidige NOR Fondsforsikring AS as included in the accounts of the DnB NOR Group.*

Note 2 – Business areas (pro forma figures)

Profit and loss accounts [1]

DnB NOR Group

Amounts in NOK million	Net interest income 2003	Net interest income 2002	Of which interest on allocated capital 2003	Of which interest on allocated capital 2002	Net other operating income 2003	Net other operating income 2002	Operating expenses 2003	Operating expenses 2002	Pre-tax operating profit/(loss) before losses 2003	Pre-tax operating profit/(loss) before losses 2002	Net losses/(gains) on loans and long-term securities 2003	Net losses/(gains) on loans and long-term securities 2002
Corporate Banking	5 908	5 664	765	1 075	2 214	1 870	3 267	2 971	4 855	4 563	1 467	690
Retail Banking	6 909	6 693	296	425	2 553	2 344	7 091	6 751	2 371	2 285	264	269
Markets	466	706	86	127	2 035	1 441	1 171	1 165	1 329	981	(1)	(38)
Life Insurance and Pensions	0	0			1 101 [2]	(359) [2]	0	0	1 101	(359)	0	0
Asset Management	45	38	38	42	828	664	692	754	181	(51)	0	(1)
Discontinued operations [3]	829	572			144	152	530	468	443	256	172	76
Other operations [4]	(368)	213			(572)	(454)	659	821	(1 599)	(1 062)	(235)	344
DnB NOR Group	13 789	13 887			8 302	5 658	13 410	12 931	8 681	6 613	1 667	1 339

Main balance sheet items, average balances [1]

Amounts in NOK billion	Net lending to customers 2003	Net lending to customers 2002	Customer deposits 2003	Customer deposits 2002	Assets under management [5] 2003	Assets under management [5] 2002	Allocated capital [6] 2003	Allocated capital [6] 2002
Corporate Banking	248.7	226.9	158.6	147.8			17.8	15.8
Retail Banking	260.5	227.2	180.4	163.4			6.9	6.2
Markets	1.5	1.0	10.2	9.2			2.0	1.9
Life Insurance and Pensions					136.7	129.2	7.5	6.5
Asset Management					435.4	307.7	0.9	0.6
Discontinued operations	24.8	21.7	0.4	0.3				
Other operations [4]	1.2	2.0	(11.4)	(10.2)	(120.5)	(112.4)	7.3	9.8
DnB NOR Group	536.6	478.8	338.2	310.6	451.5	324.5	42.2	40.7

Key figures

Per cent	Cost/income ratio excl. goodwill amortisation 2003	Cost/income ratio excl. goodwill amortisation 2002	Ratio of deposits to lending 2003	Ratio of deposits to lending 2002	Return on equity 2003	Return on equity 2002	Full-time positions at year-end 2003
Corporate Banking	40.1	39.3	63.8	65.2	13.7	17.7	1 935
Retail Banking	74.7	74.4	69.2	71.9	22.1	23.3	4 660
Markets	46.8	54.3			48.1	39.5	610
Life Insurance and Pensions					12.5	(5.0)	970
Asset Management	79.2	107.3			15.0	(5.9)	359
Discontinued operations							458
Other operations							2 081
DnB NOR Group	57.9	63.6	63.0	64.9	12.7	8.9	11 073

Profit and loss accounts with full allocation of goodwill amortisation [7]

Amounts in NOK million	Pre-tax operating profit/(loss) 2003	Pre-tax operating profit/(loss) 2002	Goodwill amortisation etc. 2003	Goodwill amortisation etc. 2002	Adjusted pre-tax operating profit/(loss) 2003	Adjusted pre-tax operating profit/(loss) 2002
Corporate Banking	3 388	3 873	55	23	3 332	3 850
Retail Banking	2 107	2 016	167	147	1 940	1 869
Markets	1 331	1 020	36	41	1 295	979
Life Insurance and Pensions	1 101	(359)	101	101	1 000	(460)
Asset Management	181	(51)	231	167	(49)	(218)
Discontinued operations	270	180	28	26	243	154
Other operations [4]	(1 364)	(1 406)	(618)	(505)	(746)	(901)
DnB NOR Group	7 014	5 274			7 014	5 274

1) *Figures for the business areas are based on internal management reporting. The figures have been restated in accordance with the Group's current principles for allocating costs and capital between business areas. The management principles applied have been coordinated, thus the figures are not comparable with figures for previous periods for DnB and Gjensidige NOR.*

2) *Interest on allocated capital totalled NOK 322 million in 2003 and NOK 440 million in 2002.*

3) *Recorded equity in these operations has been eliminated and interest calculated on the funding requirement. Estimated interest charges for 2003 and 2002 were NOK 99 million and NOK 146 million respectivily.*

Note 2 – Business areas (pro forma figures) (continued)

4) *Other operations*

Amounts in NOK million	Net interest income 2003	Net interest income 2002	Net other operating income 2003	Net other operating income 2002	Operating expenses 2003	Operating expenses 2002	Pre-tax operating profit/(loss) before losses 2003	Pre-tax operating profit/(loss) before losses 2002	Net losses/(gains) on loans and long-term securities 2003	Net losses/(gains) on loans and long-term securities 2002	Pre-tax operating profit/(loss) 2003	Pre-tax operating profit/(loss) 2002
Group Centre	(372)	232	544	182	995	1 097	(823)	(683)	(320)	307	(504)	(990)
Double entries	(12)	(16)	(654)	(597)	2	(5)	(669)	(608)	0	0	(669)	(608)
Eliminations	16	(3)	(461)	(38)	(338)	(270)	(107)	299	85	37	(191)	192
Total	(368)	213	(572)	(454)	659	821	(1 599)	(1 062)	(235)	344	(1 364)	(1 406)

Eliminations refer mainly to internal deliveries between the support units Human Resources and Group Services, IT and Payment Services and the business areas. Further, inter-company transactions and possible gains and losses on transactions between companies in the Group are eliminated. The elimination of double entries concerns double entries of net profits on customer business carried out in cooperation between Markets and other business areas and taken to income in both areas.

Group centre – pre-tax operating profit/(loss) in NOK million	2003	2002
Ownership-related expenses (costs relating to shareholders, investor relations, strategic planning etc.)	(101)	(133)
Allocation to employee funds (concerns employees in the Group Centre)	(27)	(10)
Income on equity investments	209	(794)
Income on unallocated capital	313	669
Goodwill amortisation	(618)	(505)
Other	(280)	218
Pre-tax operating profit/(loss)	(504)	(990)

5) *The "Other operations" line includes assets managed by Asset Management on behalf of Life Insurance and Pensions, representing NOK 120.2 billion in 2003 and NOK 110.8 billion in 2002.*

6) *The figures include the average capital requirement for the period. The allocation of capital is based on DnB NOR's internal management model, which includes credit, market, insurance, liquidity and operational risk for each business area. In addition, capital is maintained to comply with statutory requirements, cover uncertainty in risk estimates and serve as a buffer to meet future needs.*

7) *Goodwill related to mergers and acquisitions initiated by the Group is not allocated to the business areas. Goodwill related to the merger between DnB and Gjensidige NOR totalled NOK 1 717 million, which will generally be amortised over twenty years starting in January 2003. Goodwill related to Cresco and Elcon Finans will be amortised over eight years. Goodwill amortisation of NOK 135 million is included in the pro forma figures for both 2002 and 2003. Goodwill related to the acquisition of Nordlandsbanken amounted to NOK 531 million and is amortised over ten years starting in January 2003. Goodwill related to the acquisition of Skandia Asset Management amounted to SEK 3 402 million and is amortised over twenty years starting in January 2002. Amortisation for the period January-May 2002 has been charged to equity. Goodwill in Vital is amortised by NOK 25 million each quarter, ending in 2005. The amortisation of Postbanken's fair value adjustments amounts to NOK 10 million per quarter, ending in 2004. In connection with the merger between Gjensidige and Union Bank of Norway in the second quarter of 1999, goodwill totalling NOK 849 million was capitalised with an amortisation period of between five and eight years. In 2001, goodwill in the Gjensidige NOR companies totalling NOK 383 million was capitalised. The remaining goodwill as at 31 December 2003 was NOK 341 million, with annual amortisation of NOK 180 million.*

Note 3 – Net interest income and credit commissions

Amounts in NOK million	2003	2002	DnB NOR Group Pro forma 2003	Pro forma 2002
Interest on loans to and deposits with credit institutions	1 928	1 928	2 773	3 161
Interest and credit commissions on instalment loans	15 547	17 351	26 944	30 181
Interest and credit commissions on overdraft and working capital facilities	2 013	2 186	3 141	3 462
Interest and commissions on building loans	159	224	419	527
Leasing income	670	728	1 599	1 949
Factoring income	67	71	185	202
Front-end fees, back-end fees	427	388	868	686
Interest on other loans to customers	93	138	181	180
Total interest income on loans to customers	18 976	21 086	33 336	37 188
Interest on commercial paper, bonds, etc.	1 523	1 597	2 222	2 555
Other interest income	94	49	98	56
Total interest income	**22 520**	**24 660**	**38 430**	**42 959**
Interest on loans and deposits from credit institutions	1 428	1 463	2 362	2 579
Interest on demand deposits from customers	5 129	7 404	8 373	11 782
Interest on time deposits from customers	103	105	373	415
Interest on special-term deposits from customers	1 695	2 154	2 824	4 022
Total interest expenses on deposits from customers	6 927	9 664	11 570	16 219
Interest on securities issued	2 453	1 751	4 796	4 731
Interest on subordinated loan capital	344	298	662	517
Contributions to the Commercial Banks Guarantee Fund	326	309	499	471
Other interest expenses	2 906	2 797	4 752	4 556
Total interest expenses	**14 384**	**16 282**	**24 641**	**29 072**
Net interest income and credit commissions	**8 136**	**8 378**	**13 789**	**13 887**

Note 4 – Unrecorded interest on loans

Amounts in NOK million	2003	2002	DnB NOR Group Pro forma 2003	Pro forma 2002
Accrued, unrecorded interest on non-performing and doubtful loans as at 1 January	1 139	1 424	1 224	1 481
- Recorded interest on non-performing and doubtful loans accrued in previous periods 1)	256	333	272	348
- Identified loss of unrecorded interest accrued in previous periods 2)	668	154	698	159
+ Accrued, unrecorded interest on non-performing and doubtful loans during the period 3)	772	302	829	350
+ Exchange rate movements	17	(100)	17	(100)
Accrued, unrecorded interest on non-performing and doubtful loans as at 31 December	1 003	1 139	1 099	1 224

1) *Included in the profit and loss account as a reduction in net loan losses.*

2) *Will result in a reduction in accrued interest recorded in the balance sheet, but no further changes provided that such interest has been reversed in previous years. Indentified losses of interest accrued in previous periods in excess of previous provisions are recorded as loan losses.*

3) *Included in the profit and loss account as a reduction in net interest income.*

The note shows changes in accrued interest on non-performing and doubtful commitments (see notes 21 and 22) which has not been taken to income, but recorded in the balance sheet as a claim against customers set off against provisions. Changes during the year represent payments of interest accrued in previous years on such commitments, write-offs of such claims when it is highly probable that the loss is final, provisions for accrued, unrecorded interest on the commitments, along with changes in accrued interest recorded in the balance sheet due to exchange rate movements.

Note 5 – Interest rates on selected balance sheet items

Average interest rate — **DnB NOR Group**

Per cent	2003	2002	Pro forma 2003	Pro forma 2002
Commercial paper and bonds				
Trading portfolio	3.29	4.10	3.46	3.81
Banking portfolio	5.84	6.34	4.36	5.68
Loans and deposits from credit institutions				
Loans and deposits with no fixed term or period of notice	6.24	7.97	5.99	7.89
Loans and deposits with a fixed term or period of notice	3.16	4.56	3.42	4.88
Deposits from customers				
Deposits with no fixed term	2.71	4.30	2.86	5.03
Fixed-term deposits	3.89	5.74	4.00	6.06
Securities issued				
Commercial paper issued	3.91	4.62	4.12	5.63
Bond debt	4.25	4.75	4.54	5.22
Own bonds included in the banking portfolio			5.78	6.03

The average interest rate is calculated as interest in per cent of average capital.

Note 6 – Net other operating income

DnB NOR Group

Amounts in NOK million	2003	2002	Pro forma 2003	Pro forma 2002
Dividends	**116**	**61**	**212**	**171**
Net profit/(loss) from Life Insurance and Pensions	**304**	**(114)**	**760**	**(271)**
Money transfer fees receivable	2 080	2 027	3 069	3 019
Fees on asset management services	686	561	986	888
Fees on custodial services	117	117	159	155
Fees on securities	342	262	453	362
Guarantee commissions	284	240	378	327
Interbank fees	134	117	214	192
Credit-broking commissions	82	109	117	144
Sales commissions on insurance products	131	85	226	172
Sundry commissions and fees receivable on banking services	445	407	734	611
Total commissions and fees receivable on banking services	**4 302**	**3 925**	**6 335**	**5 869**
Money transfer fees payable	855	885	1 166	1 221
Interbank fees	169	153	258	243
Sundry commissions and fees payable on banking services	440	373	632	507
Total commissions and fees payable on banking services	**1 463**	**1 411**	**2 056**	**1 971**
Net gain/(loss) on short-term shareholdings	124	(282)	163	(343)
Net gain on commercial paper and bonds	355	29	523	199
Net gain on trading in foreign exchange and financial derivates [1)]	1 248	1 157	1 494	1 210
Net loss on other short-term interest rate instruments [1)]	333	292	333	292
Net gain on foreign exchange and financial instruments	**1 394**	**611**	**1 847**	**774**
Operating income on real estate	35	27	61	58
Rental income	60	59	63	61
Fees on real estate broking	326	266	595	516
Share of profit in associated companies	109	72	159	111
Remunerations	20	26	21	27
Miscellaneous operating income	138	138	282	272
Total sundry ordinary operating income	**687**	**587**	**1 181**	**1 046**
Gains on the sale of fixed assets	**9**	**35**	**23**	**39**
Net other operating income	**5 348**	**3 694**	**8 302**	**5 658**

1) As these activities are managed collectively, the items must be evaluated together and relative to interest income on the same activities.

Note 7 – Life Insurance and Pensions

Net profit from Life Insurance and Pensions

The business area Life Insurance and Pensions in DnB NOR comprises Vital Forsikring ASA including subsidiaries and the sister company Vital Link AS, as well as Gjensidige NOR Spareforsikring including subsidiaries. Vital Forsikring ASA and Gjensidige NOR Spareforsikring merged in March 2004, and life insurance operations will continue in Vital Forsikring ASA while unit linked products will be provided by Vital Link AS. Gjensidige NOR Fondsforsikring AS, which is required to be sold according to the concession terms, is not included in the figures. Engaged in life and united linked insurance, the business area applies accounting standards which in certain respects deviate from the principles used for the Group's other operations, cf. description of the Group's accounting principles. Regulations relating to profit sharing between the owner and policyholders in life insurance companies limit the DnB NOR Group's access to revenues and assets from life insurance operations. The item "Net profit/(loss) from Life Insurance and Pensions" in the group accounts represents the DnB NOR Group's share of profits from the business area less goodwill amortisation. Information entitled "Vital Forsikring" reflect life insurance operations prior to the merger between DnB and Gjensidige NOR and include Vital Forsikring ASA and subsidiaries. Information entitled "Life insurance" refer to operations in Vital Forsikring ASA including subsidiaries and Gjensidige NOR Spareforsikring ASA including subsidiaries. Information entitled "Life Insurance and Pensions" refer to the life insurance companies and unit linked operations in Vital Link.

Profit and loss accounts [1]	**Vital Forsikring**		**Life insurance**	
			Pro forma	Pro forma
Amounts in NOK million	2003	2002	2003	2002
Premium income	7 362	7 366	14 047	15 984
Income from financial assets	12 900	10 265	22 864	28 796
Other insurance-related income	122	60	122	60
Insurance settlements	5 398	4 148	10 876	8 272
Increase in insurance provisions etc.	4 579	4 985	8 107	11 392
Insurance-related operating expenses	689	662	1 215	1 177
Expenses related to financial assets	5 728	9 523	9 784	26 930
Other insurance-related expenses	124	77	165	82
Transferred from/(to) securities adjustment reserve	(1 191)	53	(2 448)	53
Result of technical profit and loss account before special provisions	2 675	(1 651)	4 438	(2 960)
Transferred from/(to) additional allocations	(802)	1 650	(896)	2 796
Funds transferred to policyholders	1 235	1	2 254	31
Result of technical profit and loss account for life insurance operations	638	(2)	1 288	(195)
Other expenses	45	66	148	171
Pre-tax operating profit [2]	593	(68)	1 140	(366)
Taxes/(tax revenues)	145	(88)	236	(229)
Profit/(loss) for the year [3]	448	20	904	(137)

Adjustments in the DnB NOR Group's accounts when accounting for Life Insurance and Pensions			**DnB NOR Group**	
			Pro forma	Pro forma
Amounts in NOK million	2003	2002	2003	2002
Profit/(loss) for the year in life insurance operations	448	20	904	(137)
- Goodwill amortisation [4]	101	101	101	101
Net profit/(loss) from life insurance operations	347	(81)	803	(238)
Net loss from unit linked activities	42	33	42	33
Net profit/(loss) from Life Insurance and Pensions	**304**	**(114)**	**760**	**(271)**

Balance sheets [1]	**Vital Forsikring**		**Life insurance**	
			Pro forma	Pro forma
Amounts in NOK million	31 Dec. 2003	31 Dec. 2002	31 Dec. 2003	31 Dec. 2002
Financial assets	72 521	64 070	140 243	126 650
Accounts receivable	1 295	2 655	2 175	4 025
Other assets	2 097	1 473	5 283	2 720
Prepaid expenses and accrued income	1 524	1 245	2 467	2 211
Total assets	77 437	69 443	150 168	135 606
Paid-in capital	674	674	2 343	2 343
Retained earnings	2 340	2 340	3 512	3 512
Subordinated loan capital and perpetual subordinated loan capital securities	937	1 349	2 663	3 052
Securities adjustment reserve	1 191	0	2 448	0
Insurance provisions	69 741	64 140	135 135	125 221
Provisions for commitments	499	0	756	35
Liabilities	1 562	806	2 792	1 281
Accrued expenses and prepaid income	493	134	519	162
Total equity and liabilities	77 437	69 443	150 168	135 606
Market value above acquisition cost of long-term securities	1 431	506	2 842	924

Note 7 – Life Insurance and Pensions (continued)

1) *The profit and loss accounts and balance sheets have been prepared in conformity with general accounting principles and regulations for the annual accounts of insurance companies issued by Kredittilsynet (the Financial Supervisory Authority of Norway), cf. description of the Group's accounting principles.*

2) *Breakdown of profit and loss accounts*

	Vital Forsikring		**Life insurance**	
			Pro forma	*Pro forma*
Amounts in NOK million	*2003*	*2002*	*2003*	*2002*
Administration result	*(105)*	*(138)*	*(190)*	*(242)*
Interest result	*3 326*	*(1 645)*	*5 472*	*(2 793)*
Risk result before additional provisions for disability	*105*	*182*	*(92)*	*137*
Total	*3 326*	*(1 601)*	*5 190*	*(2 898)*
Transferred from/(to) security reserve	*(13)*	*65*	*(17)*	*52*
*Additional provisions for disability *)*	*612*	*142*	*811*	*206*
Result from other activities/other allocations	*(72)*	*(39)*	*(72)*	*(79)*
Profits for distribution	*2 629*	*(1 717)*	*4 290*	*(3 131)*
Transferred from/(to) additional allocations	*(802)*	*1 650*	*(896)*	*2 796*
Funds transferred to policyholders	*1 235*	*1*	*2 254*	*31*
Pre-tax operating profit/(loss)	*593*	*(68)*	*1 140*	*(366)*

**) Life Insurance and Pensions plans to further strengthen disability provisions by NOK 185 million in 2004.*

3) *Pro forma profits for allocation to the owner and taxes for products subject to profit sharing in Life Insurance and Pensions have been calculated on the basis of the profit-sharing model applied by Vital Forsikring ASA. The following elements are included:*
- *return on equity, subordinated loan capital and the security reserve, calculated as the company's return on capital, less accrued interest on subordinated loans and allocations to the security reserve*
- *margin on policyholders' funds*
- *margin on effective risk premium adjusted for survival risk on contracts providing sufficient profits*

The introduction of a new profit-sharing model as from 2004 is under consideration.
According to regulations, profits for allocation to the owner and taxes cannot exceed 35 per cent of total profits for allocation to policyholders, the owner and taxes. If this figure is negative, the entire amount should be charged to the owner. Profits for allocation to the owner and taxes include profits from operations not subject to profit sharing.

4) *Goodwill is amortised over ten years, cf. note 32 Intangible assets.*

Key figures	**Vital Forsikring**		**Life Insurance and Pensions**	
			Pro forma	Pro forma
Per cent	2003	2002	2003	2002
Recorded return 1)	8.6	1.2	7.9	1.6
Value-adjusted return excl. unrealised gains on bonds held to maturity 1)	10.3	1.2	9.7	1.5
Value-adjusted return incl. unrealised gains on bonds held to maturity 1)	11.5	1.8	11.0	2.0
Return on equity after taxes 2)	11.7	(0.5)	12.5	(5.0)
Costs in per cent of insurance provisions 1) 3)	1.10	1.13	1.01	1.05
Capital adequacy ratio 1) 4)	11.6	14.8	13.8	15.3
Core capital ratio 1) 4)	8.9	10.4	9.6	10.1
Policyholders' funds (NOK billion) 5)	78	69	144	130
Solvency margin capital in per cent of solvency capital requirement 1) 4) 6)	147	155	152	155

1) *Life insurance.*
2) *Calculated on the basis of allocated capital.*
3) *Costs charged to the administration result.*
4) *Figures at end of period.*
5) *Policyholders' funds consist of insurance provisions and 75 per cent of the securities adjustment reserve.*
6) *Solvency margin capital is measured against the solvency margin requirement, which is linked to the company's insurance commitments in the balance sheet. The solvency margin requirements for Norwegian life insurance companies are subject to regulations on the calculation of solvency capital requirements and solvency margin capital, as laid down by the Ministry of Finance on 19 May 1995.*

Note 7 – Life Insurance and Pensions (continued)

Solvency

Solvency capital

The solvency capital consists of the securities adjustment reserve, additional allocations, the security reserve, equity, subordinated loan capital and perpetual subordinated loan capital securities and unrealised gains on long-term securities. All these elements, with the exception of part of the security reserve, can be used to meet the guaranteed rate of return on policyholders' funds.

The table shows the composition of and developments in solvency capital.

	Vital Forsikring		**Life insurance**	
			Pro forma	Pro forma
Amounts in NOK million	31 Dec. 2003	31 Dec. 2002	31 Dec. 2003	31 Dec. 2002
Securities adjustments reserve	1 191	0	2 448	0
Additional allocations	1 505	726	2 049	1 211
Security reserve	118	105	197	180
Equity	3 014	3 014	5 856	5 856
Subordinated loan capital and perpetual subordinated loan capital securities	937	1 349	2 663	3 052
Unrealised gains on long-term securities	1 431	506	2 842	924
Total solvency capital	8 197	5 701	16 055	11 223
Guaranteed return on policyholders' funds	2 559	2 432	4 966	4 689

Capital adequacy

Capital adequacy regulations regulate the relationship between the company's primary capital and the investment exposure on the asset side of the balance sheet. Life insurance companies are subject to a minimum capital adequacy requirement of 8 per cent. At the end of 2003, life insurance operations had a pro forma capital adequacy ratio of 13.8 per cent, compared with 15.3 per cent at the end of 2002. The pro forma core capital ratio was 9.6 per cent, as against 10.1 per cent a year earlier.

The table gives a specification of weighted volumes and primary capital.

	Vital Forsikring				**Life insurance**			
	2003		2002		Pro forma 2003		Pro forma 2002	
Amounts in NOK million	Book value	Weighted	Book value	Weighted	Book value	Weighted	Book value	Weighted
Total assets	77 437	30 555	69 443	26 615	150 168	56 151	135 606	51 016
Primary capital								
Core capital		2 724		2 767		5 390		5 169
Net supplementary capital		937		1 231		2 437		2 709
Financial deduction		(104)		(71)		(104)		(71)
Total eligible primary capital		3 558		3 927		7 724		7 807
Capital adequacy requirement		2 444		2 129		4 492		4 081
Capital in excess of requirement		1 114		1 798		3 232		3 726

Solvency margin capital

Solvency marginal capital is measured against the solvency margin requirement, which is linked to the company's insurance commitments on the liabilities side of the balance sheet. The solvency margin requirements for Norwegian life insurance companies are subject to regulations on the calculations of solvency capital requirements and solvency margin capital, as laid down by the Ministry of Finance on 19 May 1995. As at 31 December 2003, life insurance operations had pro forma solvency margin capital of NOK 8 838 million, compared with NOK 8 493 million a year earlier. The estimated pro forma solvency margin requirements at end-December 2003 was NOK 5 827 million. Solvency margin capital as at 31 December is calculated as follows:

	Vital Forsikring		**Life insurance**	
			Pro forma	Pro forma
Amounts in NOK million	2003	2002	2003	2002
Total eligible primary capital	3 558	3 927	7 724	7 807
Additional allocations (50 per cent)	753	363	1 025	605
Security reserve in excess of the lower limit (55 per cent)	53	47	89	81
Solvency margin capital	4 364	4 337	8 838	8 493
Solvency margin capital requirement	2 963	2 795	5 827	5 468

Note 8 – Net gain on foreign exchange and financial instruments

			DnB NOR Group	
			Pro forma	Pro forma
Amounts in NOK million	2003	2002	2003	2002
Net gain on trading portfolio	1 186	801	1 484	1 005
Net gain/(loss) on equity investments in the banking portfolio	118	(232)	156	(293)
Net gain on other investments in the banking portfolio	90	42	206	62
Net gain on foreign exchange and financial instruments	**1 394**	**611**	**1 847**	**774**
Unrecorded market value above book value in the banking portfolio at end of period				
Short-term shareholdings	45	0	45	0
Commercial paper and bonds	57	0	57	12

Note 9 – Operating expenses

			DnB NOR Group	
			Pro forma	Pro forma
Amounts in NOK million	2003	2002	2003	2002
Ordinary salaries	3 189	2 965	4 836	4 550
Employer's national insurance contributions	446	444	712	691
Pension expenses	418	218	666	456
Social expenses	211	164	363	308
Total ordinary salaries and other personnel expenses	**4 264**	**3 791**	**6 577**	**6 005**
Fees	395	405	526	576
EDP expenses [1)]	923	893	1 361	1 271
Postage and telecommunications	321	300	554	531
Office supplies	67	89	117	150
Marketing and public relations	239	222	451	477
Travel expenses	121	129	194	219
Reimbursement to Norway Post for transactions executed [2)]	563	491	563	491
Training expenses	33	39	46	56
Sundry administrative expenses	134	121	169	176
Total administrative expenses	**2 794**	**2 689**	**3 982**	**3 947**
Depreciation on EDP equipment etc.	175	208	278	310
Goodwill amortisation	231	116	550	437
Depreciation on other machinery, equipment and vehicles	94	76	228	206
Depreciation on properties and premises	92	75	132	111
Other depreciation	12	12	12	12
Total depreciation	**604**	**486**	**1 200**	**1 077**
Rent and operating expenses on rented premises	369	369	659	703
Operating expenses on real estate	158	139	218	198
Operating expenses on machinery, vehicles and office equipment taken to expense	52	43	103	81
Insurance	36	29	60	49
Membership fees, Norwegian Financial Services Association and Savings Banks Association	10	9	17	12
Miscellaneous ordinary operating expenses	161	203	376	465
Total sundry ordinary operating expenses	**786**	**792**	**1 433**	**1 508**
Allocations to employee funds	78	40	114	46
Provisions for restructuring measures	38	194	38	299
Losses on the sale of fixed assets	27	9	28	10
Write-downs on rental contracts and fixed assets	15	12	40	39
Total other expenses	**158**	**255**	**219**	**394**
Total operating expenses	**8 605**	**8 013**	**13 410**	**12 931**

1) These expenses concern the purchase, operation and maintenance of computers and software. The Group's IT expenses totalled NOK 2 512 million and NOK 2 399 million in the pro forma accounts for 2003 og 2002 respectively, which in addition to EDP expenses include depreciation, systems development, remuneration to external consultants, as well as salaries and other operating expenses relating to the Group's IT operations.

2) Other reimbursement to Norway Post is included in "Interest expenses" and "Commissions and fees payable on banking services".

Note 10 – Remunerations etc.

Terms for the group chief executive

The group chief executive in DnB NOR ASA received an ordinary salary of NOK 3 202 000 in 2003, compared with NOK 3 048 000 in 2002. The bonus payment for 2003 was NOK 400 000, compared with NOK 533 000 in 2002, representing payment for extraordinary effort. Benefits in kind were estimated at NOK 269 000, as against NOK 263 000 in 2002, and the pension premium paid during the year was NOK 118 000, compared with NOK 115 000 in 2002. The figures represent the total remuneration to the group chief executive. Costs are divided between DnB NOR Bank ASA and DnB NOR ASA.

The Board of Directors of DnB NOR ASA has stipulated the annual remuneration of the group chief executive at NOK 3 850 000 as of 1 January 2004. According to the employment contract, the group chief executive is entitled to two years' salary (reduced from three years, effective as at 1 January 2004 at the request of the group chief executive) if employment is terminated prior to the age of 60. If, during this period, he were to receive income from other permanent employment, negotiations will be initiated to reduce the amount to be paid by DnB NOR.

The new salary has been determined after consideration in two meetings of the Board of Directors in DnB NOR ASA held on 13 February and 25 February 2004, pending a decision by the bank's Supervisory Board on the amount to be covered by the bank (proposed at 50 per cent). The salary to be paid by the Group has been approved.

Both the group chief executive and DnB NOR have the right to request his retirement with pension entitlements after he reaches the age of 60. During the first year, the pension will represent 100 per cent of the salary at the time of retirement, which will be reduced by an amount corresponding to 10 percentage points the first three years until the pension constitutes 70 per cent for the fourth and consecutive years. The pension, which will be covered through DnB NOR's operations, will be coordinated with pension entitlements from previous employers and be adjusted annually in line with the consumer price index. Costs for DnB NOR in connection with the group chief executive's pension scheme were NOK 1 970 000 for the 2003 accounting year.

The group chief executive has subscribed for 20 000 subscription rights under the general subscription rights programme for all former DnB employees. See more detailed description of the programme below.

Terms for the chairman of the Board of Directors

Olav Hytta was group chief executive in Gjensidige NOR up till the merger became effective on 4 December 2003, and became chairman of the Board of Directors of DnB NOR ASA as of the same date. As group chief executive in Gjensidige NOR, he received a total remuneration of NOK 2 950 000 in 2003, compared with NOK 2 393 000 in 2002. These figures included bonus payments of NOK 400 000 in 2003, and NOK 150 000 in 2002, in recognition of extraordinary effort. Benefits in kind were estimated at NOK 181 000, compared with NOK 146 000 in 2002.

Hytta resigned as group chief executive in Gjensidige NOR with an annual pension payable as from 1 January 2004 of NOK 1 700 000, corresponding to 70 per cent of his annual salary. DnB NOR's expenses in conjunction with the former chief executive's pension scheme came to NOK 1 979 000 for the 2003 accounting year. As chairman of the Board of Directors in DnB NOR ASA, Hytta will receive an annual remuneration of NOK 300 000, plus additional remuneration for other board positions within the Group. In accordance with the merger agreement Hytta is entitled to remuneration terms at least on a par with what he received as group chief executive in Gjensidige NOR.

The chairman of the Board has subscribed for 1 550 subscription rights under the general subscription rights programme for all former Gjensidige NOR employees. See more detailed description of the programme below.

Terms relating to other senior executives

Group executive vice president Ottar Ertzeid, head of DnB NOR Markets, has a performance-based salary including both fixed and variable payments. Ertzeid's salary depends on results achieved by the business area and long-term performance.

Lump sum payments can be made to senior executives in DnB NOR on a discretionary basis. Criteria for such payments relate to results achieved in the respective areas of responsibility. Any payments will be determined on the basis of the individual's ordinary salary and in accordance with usual remuneration schemes within the area of responsibility.

Remunerations to elected representatives	**DnB Holding ASA**		**Gjensidige NOR ASA**	
Amounts in NOK 1 000	2003	2002	2003	2002
Remuneration to the Board of Directors	2 111	1 977	1 482	1 752
Remuneration to the Supervisory Board	463	482	372	440
Remuneration to the Control Committee	823	782	114	148

No remuneration was paid to elected representatives in the merged DnB NOR ASA in 2003.

Subscription rights programme for employees

In 2000, the Annual General Meeting of DnB Holding ASA decided to establish a general subscription rights programme giving all DnB Group employees the right to purchase shares in the company. The scheme will be continued in DnB NOR. The scheme gives employees the right to subscribe for a specified number of shares in the holding company during the period 2003 to 2005 corresponding to one-third of the awarded right for each year at a price of NOK 32.83 per share. Subscription rights were granted on the basis of the pensionable salary of the individual employee ranging from 2 000 to 20 000 subscription rights. Each subscription right entitles the subscriber to demand the issue of one share. The subscription rights cannot be transferred and will be cancelled upon termination of employment. At the end of 2003, a total of 26 396 000 subscription rights were registered under the scheme.

The rights can only be exercised if the return on the DnB share is as good as or better than the return on a share index consisting of Nordic financial institutions. This requirement was met in both 2003 and 2004. In 2003, however, the share price was lower than the subscription price. It will also be possible to exercise this third of the subscription rights in 2004. The subscription period is from 1 through 15 March 2004.

The Annual General Meeting of Gjensidige NOR ASA decided in 2002 to give employees in the Group 250 subscription rights on shares in the company at a price of NOK 248.92 per share. Up to half of the subscription rights could be exercised during the period 1 through 15 October 2003 and the remainder during the period 1 through 15 October 2004. In October 2003, a total of 3 006 subscription rights were exercised. Upon the establishment of DnB NOR ASA, it was necessary to convert the number of subscription rights and the exercise price for shares in the new company. Thus, as at 31 December 2003 there were 6 860 262 independent subscription rights outstanding at a subscription price of NOK 27.95 per share.

Note 10 – Remunerations etc. (continued)

Loan facilities to employees and elected representatives as at 31 December 2003

Amounts in NOK 1 000	Lending
Employees in the DnB NOR Group	
Senior employees	
Svein Aaser, CEO	0
Tom Grøndahl, deputy CEO	772
Karl-Olav Hovden, deputy CEO	266
Bård Benum, group executive vice president	2 296
Øyvind Birkeland, group executive vice president	1 614
Ottar Ertzeid, group executive vice president	0
Frode Helgerud, group executive vice president	1 256
Harald Jægtnes, group executive vice president, Group Audit	1 435
Bente A. Landsnes, group executive vice president	2 964
Evlyn Raknerud, group executive vice president	0
Åsmund Skår, group executive vice president	3 004
Leif Teksum, group executive vice president	2 091
Employees, total	8 603 000
Elected representatives in DnB NOR ASA	
Board of Directors	
Olav Hytta, chairman	0
Jannik Lindbæk, vice-chairman	0
Bjørn Sund, vice-chairman	0
Helge Leiro Baastad	0
Sverre Finstad	273
Per Hoffmann	1 263
Berit Kjøll [1)]	3 489
Jørn O. Kvilhaug	523
Bent Pedersen	0
Ingjerd Skjeldrum	178
Anne Carine Tanum	0
Per Terje Vold	0
Supervisory Board	
Harald Norvik, chairman	0
Total members of the Supervisory Board	165 518
Control Committee, total	2 403

1) *Co-debtor with spouse.*

Loans to shareholders-elected representatives as well as their family members and close associates are extended on ordinary customer terms. Loans to DnB NOR employees are extended on special terms, which are close to ordinary customer terms.

Remuneration to the statutory auditor

			DnB NOR Group	
Amount in NOK 1 000	2003	2002	Pro forma 2003	Pro forma 2002
Auditor's remuneration				
Audit of operations in DnB Holding ASA	400	440		
Audit of operations in DnB NOR ASA			590	715
Audit of other operations in Norway	3 609	3 644	7 775	8 377
Audit of international operations	1 645	1 824	1 914	1 932
Other audit-related remuneration				
Operations in Norway	1 269	2 640	4 624	6 050
International operations	162	151	162	151
Remunerations for tax advice				
Operations in Norway	191	330	1 191	722
International operations	38	150	38	150
Other remunerations				
Operations in Norway	380	547	567	2 554
International operations	0	130	92	130
Total remuneration to the statutory auditor	7 694	9 856	16 953	20 781

Note 11 – Pensions

At year-end, the DnB NOR Group had a company pension plan in the form of separate defined benefit schemes relating to the former Gjensidige NOR Group and to individual companies in the former DnB Group. The schemes were funded by Gjensidige NOR Spareforsikring and Vital Forsikring respectively. In addition to these pension schemes, employees in the former Postbanken AS were covered through a group pension plan in the Norwegian Public Service Pension Fund.

The Group also has commitments relating to salaries exceeding the National Insurance Fund's base rate and to agreements on early retirement. With few exceptions, companies in the Group participate in the contractual pension (CPA) schemes for banks and the financial services sector. An additional contractual pension agreement has been entered into in accordance with public sector rules for employees with membership in the Norwegian Public Service Pension Fund.

Pension commitments relating to salaries exceeding the National Insurance Fund's base rate and early retirement agreements are funded through operations for employees in companies from the former DnB Group. In the former Gjensidige NOR Group, commitments relating to salaries exceeding the base rate as well as most rights relating to early retirement agreements, are organised as group pension insurance schemes. Upon retirement under a contractual pension agreement, employees continue as members of the respective company pension plans, earning benefits up till ordinary retirement age. Under other forms of early retirement employees resign from the company pension plans and consequently no longer earn further benefits. In both of the former groups, these employees will, upon reaching the ordinary retirement age, be compensated for the reduction in benefits earned.

Work is currently under way to coordinate all of the pension schemes of the DnB NOR Group. Most of this coordination will take place during 2004.

Branches and subsidiaries outside Norway have separate schemes for their employees.

As from 2003, joint assumptions have been applied for the entire Group in calculating pension costs and commitments:

Per cent	DnB NOR 2003	DnB 2002	Gjensidige NOR 2002
Discount rate	6.0	7.0	6.5
Anticipated return	7.0	8.0	7.0
Anticipated rise in salaries	3.5	3.3	4.0
Anticipated increase in base rate	3.0	2.5	4.0
Anticipated rise in pensions	3.0	2.5	4.0
Anticipated CPA acceptance	40.0	40.0	54.0

The economic assumptions have a long-term perspective.

Pension expenses **DnB NOR Group**

Amounts in NOK million	2003	2002	Pro forma 2003	Pro forma 2002
Net present value of pension entitlements – regular pension	255	176	418	293
Net present value of pension entitlements – CPAs	23	26	38	46
Interest expenses on pension commitments	361	316	527	497
Actual return on pension funds 1)	377	193	581	266
Actual pension expenses	262	325	402	570
Deviation between estimated and actual return on pension funds	78	(130)	134	(189)
Net amortisation	78	24	130	76
Net pension expenses *)	418	218	666	456
**) Of which: Funded schemes*	*323*	*104*	*532*	*261*
Unfunded schemes	*96*	*113*	*134*	*196*

1) The actual return is calculated on the basis of estimated profit sharing in the pension scheme with Vital Forsikring and Gjensidige NOR Spareforsikring.

Note 11 – Pensions (continued)

Pension commitments

Amounts in NOK million	31 Dec. 2003	31 Dec.2002	Pro forma 31 Dec. 2002
	DnB NOR Group		
Accrued pension commitments – regular pensions	7 748	4 148	6 394
Accrued pension commitments – CPAs	748	520	825
Total accrued pension commitments	8 496	4 668	7 220
Estimated effect of future salary adjustments	1 282	830	1 347
Estimated pension commitments	9 778	5 498	8 567
Pension funds at market value	7 615	4 386	6 426
Pension commitments above pension funds	2 163	1 113	2 141
Deviation between actual and estimated market value of pension funds	(405)	(245)	(684)
Actuarial gain/(loss) not recorded in the accounts	(1 252)	(308)	(601)
Net recorded pension commitments [1)]	506	560	856
1) Of which: Net overfunding in funded schemes	*893*	*531*	*585*
Commitments in unfunded schemes	*1 399*	*1 091*	*1 441*

Pension schemes based on investment funds were overfunded by NOK 1 026 million and underfunded by NOK 132 million respectively as at 31 December 2003. Pension commitments which are not financed through investment funds and where future pension payments are funded through DnB NOR's operations, so-called unfunded schemes, amounted to NOK 1 399 million as at 31 December 2003.

	31 Dec. 2003	31 Dec. 2002
Number of persons covered by		
pension schemes in former DnB companies	9 621	9 472
pension schemes in the former Gjensidige NOR	3 961	4 171

Note 12 – Number of employees/full-time positions [1)]

	2003	2002	Pro forma 2003	Pro forma 2002
			DnB NOR Group	
Number of employees as at 31 December	7 336	7 326	11 678	11 971
of which in Life Insurance and Pensions	611	652	1 006	1 042
Number of employees calculated on a full-time basis as at 31 December	7 047	7 023	11 073	11 233
of which in Life Insurance and Pensions	591	632	970	1 014
Average number of employees	7 518	7 315	11 950	11 987
of which in Life Insurance and Pensions	630	648	1 056	1 097
Average number of employees calculated on a full-time basis	7 221	7 008	11 341	11 281
of which in Life Insurance and Pensions	610	628	1 020	1 069

1) Nordlandsbanken was acquired as of 1 January 2003 with 402 employees and 382 full-time positions.

Note 13 – Restructuring provisions

DnB NOR Group

Amounts in NOK million	31 Dec .2003	Accrued expenses 2003	New provisions 2003	Provisions upon merger/ acquisition 2003	31 Dec. 2002
Gjensidige NOR	0	105	0	0	105
Acquisition of Skandia Asset Management 1)	50	58	0	0	108
Acquisition of Nordlandsbanken	18	58	0	76 2)	-
DnB NOR Group *)	856	74	0	930 3)	-
Other restructuring provisions	29	62	38	0	53
Total	953	357	38	1 006	266

**) Of which:*	*IT*	*14*
	Human Resources	*34*
	Others	*26*

1) Expenses of NOK 6 million have been netted against changes in provisions due to exchange rate movements.
2) Provisions relating to the acquisition of Nordlandsbanken are included in the acquisition cost.
3) Representing 50 per cent of total restructuring provisions in the DnB NOR merger and included in the acquisition cost.

Note 14 – Losses on loans, guarantees, etc.

DnB NOR Group

Amounts in NOK million	2003	2002	Pro forma 2003	Pro forma 2002
Specification of net losses/(reversals)				
Write-offs a)	492	224	725	461
Increase in specified loan-loss provisions b)	243	180	288	283
New specified loan-loss provisions b)	1 075	652	1 657	1 076
Total new specified provisions	1 811	1 056	2 671	1 820
Reassessed specified provisions b)	369	257	509	371
Total specified provisions	1 442	799	2 162	1 449
Recoveries on commitments previously written off c)	176	321	276	425
Increase in unspecified provisions d)	0	0	5	0
Net losses on loans, guarantees, etc. 1) 2)	**1 266**	**478**	**1 891**	**1 023**
1) Of which net losses/(reversals) on guarantees	*(20)*	*35*	*(7)*	*35*
2) Total gross losses for the 20 largest loss-exposed commitments	*1 044*	*513*	*1 248*	*623*
Specification of changes				
Increase in specified provisions during the period b) minus e)	657	157	773	343
+ Increase in unspecified provisions for the period d)	0	0	5	0
+ Write-offs covered by specified provisions made in previous years e)	293	418	664	646
+ Write-offs not covered by specified provisions made in previous years a)	492	224	725	461
- Recoveries on commitments previously written off c)	176	321	276	425
Net losses on loans, guarantees, etc.	**1 266**	**478**	**1 891**	**1 023**

a)-e) Show connections and links between the items.

Note 15 – Losses on loans, guarantees, etc. for principal sectors

DnB NOR Group

Amounts in NOK million	2003 New specified provisions [1]	2003 Reassessed specified provisions	2003 Recoveries on commitments previously written off	2003 Net losses/ (reversals) on loans and guarantees	2002 New specified provisions [1]	2002 Reassessed specified provisions	2002 Recoveries on commitments previously written off	2002 Net losses/ (reversals) on loans and guarantees
Retail customers	311	54	113	145	242	10	173	59
International shipping	19	40	27	(48)	9	96	21	(109)
Real estate	67	63	14	(10)	29	22	5	1
Manufacturing	253	55	1	197	222	17	15	190
Services	265	70	9	185	243	23	28	192
Trade	113	20	3	90	82	36	16	30
Oil and gas	6	6	4	(3)	0	33	32	(65)
Transportation and communication	67	6	2	60	30	2	15	13
Building and construction	122	4	1	117	16	3	6	6
Power and water supply	0	0	0	0	0	1	1	(3)
Fishing	143	49	1	93	46	4	3	39
Hotels and restaurants	23	3	0	21	6	5	1	1
Agriculture and forestry	2	1	0	2	31	0	1	29
Other sectors	29	0	1	28	7	4	4	(1)
Total customers	1 420	369	176	876	961	257	321	383
Credit institutions	5	0	0	5	0	0	0	0
Repossessed assets	385	0	0	385	95	0	0	95
Increase in unspecified provisions				0				0
Total losses/reversals on loans, guarantees, etc.	**1 811**	**369**	**176**	**1 266**	**1 056**	**257**	**321**	**478**

Amounts in NOK million	Pro forma 2003 New specified provisions [1]	Pro forma 2003 Reassessed specified provisions	Pro forma 2003 Recoveries on commitments previously written off	Pro forma 2003 Net losses/ (reversals) on loans and guarantees	Pro forma 2002 New specified provisions [1]	Pro forma 2002 Reassessed specified provisions	Pro forma 2002 Recoveries on commitments previously written off	Pro forma 2002 Net losses/ (reversals) on loans and. guarantees
Retail customers	537	74	192	271	512	37	251	224
International shipping	21	53	28	(60)	10	98	21	(110)
Real estate	158	76	14	67	225	36	5	183
Manufacturing	414	70	2	342	315	58	21	236
Services	443	103	20	319	307	30	42	235
Trade	173	27	5	141	177	52	20	105
Oil and gas	6	6	4	(3)	0	33	32	(65)
Transportation and communication	80	9	3	69	37	6	16	15
Building and construction	176	18	2	156	25	3	6	15
Power and water supply	0	0	0	0	0	1	1	(3)
Fishing	187	55	4	128	66	4	3	59
Hotels and restaurants	42	5	0	38	8	5	1	3
Agriculture and forestry	13	2	1	11	38	3	2	32
Other sectors	30	12	1	17	7	4	4	(1)
Total customers	2 280	509	276	1 495	1 725	371	425	928
Credit institutions	5	0	0	5	0	0	0	0
Repossessed assets	385	0	0	385	95	0	0	95
Increase in unspecified provisions				5				0
Total losses/reversals on loans, guarantees, etc.	**2 671**	**509**	**276**	**1 891**	**1 820**	**371**	**425**	**1 023**

1) New specified provisions include direct write-offs, increases in specified loan-loss provisions and new specified loan-loss provisions.

The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway. Customers are classified according to their main line of business. Losses are specified in accordance with note 14.

Note 16 – Net gains/(losses) on long-term securities

			DnB NOR Group	
Amounts in NOK million	2003	2002	Pro forma 2003	Pro forma 2002
Gains				
Bolig- og Næringsbanken	22	0	22	0
Europay Norge	(1)	176	(1)	176
Other	11	1	13	1
Losses				
Other	0	0	0	1
Write-downs				
Storebrand	(209)	468	(209)	468
Nordlandsbanken	0	19	0	19
NOS	12	0	12	0
Other	7	3	7	5
Net gains/(losses) on long-term securities	**221**	**(314)**	**224**	**(316)**

Note 17 – Taxes

In consequence of permanent differences between the accounts and the tax base according to Norwegian rules, DnB NOR will regularly show a tax charge relative to pre-tax operating profits which is lower than the ordinary tax rate for Norwegian companies. The long-term, normalised tax charge is estimated at 27 per cent of pre-tax operating profits. The relatively low tax level is partly attributable to the fact that taxes have been deducted from profit contributions from life insurance companies and that dividends received on investments in Norwegian equities are tax-exempt. Further, there will be no taxes on income in certain international units as the units have tax-deductible timing differences against which such income is netted. These differences are not included in the basis for calculating deferred taxes. Furthermore, goodwill amortisation on share investments is not tax-deductible. For 2003, such amortisation came to NOK 560 million. A corresponding adjustment needs to be made when estimating the Group's tax charge as a percentage of pre-tax operating profits.

In 2003, the Central Tax Office for Large Companies, which is responsible for the tax assessment of the Group, accepted adjustments in the tax assessment of Den norske Bank ASA for 1995 and 1996, which reduced the bank's tax charge by a total of approximately NOK 180 million. In consequence of the decision to adjust the tax assessment, the tax charge for the bank and the DnB NOR Group was reduced by a corresponding amount. The matter concerned the distribution of debt interest in the taxation of the bank's Norwegian operations and its international branches. In 1997, the bank received approval for its interpretation of the rules concerning the distribution of taxes. The bank has later worked to ensure the full application of this interpretation for operations in all international branches also for the 1995 and 1996 financial years. By adjusting the tax assessment, the Central Tax Office has accepted this view.

The tax treatment of interest rate and currency swaps in Den norske Bank is subject to discussion with the tax authorities. DnB NOR has pursued Den norske Bank's practice from 2002 in this area. DnB NOR has also issued a request to use an alternative taxation method for items in foreign currency if the current taxation principle is not acceptable. No financial consequences are expected of a possible revision of the taxation principle.

In connection with the requirement to sell Elcon Finans, deferred taxes in the Group's balance sheet have been restated to adjust the taxable value of the investment to book value as at 31 December 2003. This resulted in a NOK 44 million reduction in the tax charge for 2003.

Life Insurance and Pensions is presented according to the equity method in the group accounts and reports profits after taxes. Timing differences for life insurance operations are not included in the basis for calculating deferred taxes in the DnB NOR Group.

Taxes			DnB NOR Group	
Amounts in NOK million	2003	2002	Pro forma 2003	Pro forma 2002
Norway	20	1 505	75	1 663
Abroad	89	83	104	97
Total payable taxes	109	1 588	179	1 760
Deferred taxes	(62)	(732)	513	(847)
Changes in deferred taxes resulting from the acquisition of companies	574	78	314	78
Taxes on group contributions to/from subsidiaries consolidated according to the equity method	377	0	810	651
Effect of debt interest distribution in previous years	(180)	0	(180)	0
Total taxes	**818**	**934**	**1 636**	**1 642**

Note 17 – Taxes (continued)

Balancing tax charges against pre-tax operating profit

			DnB NOR Group	
Amounts in NOK million	2003	2002	Pro forma 2003	Pro forma 2002
Operating profit before taxes	3 835	3 268	7 014	5 274
Estimated income tax – nominal tax rate (28 per cent)	1 074	915	1 964	1 477
Tax effect of net profit from Life Insurance and Pensions and taxation of international units	(204)	(126)	(346)	(98)
Tax effect of permanent differences	36	62	113	142
Tax assets in discontinued operations [1)]	0	0	(44)	0
Taxes payable abroad	89	83	104	97
Inadequate tax provisions in previous years	3	0	25	24
Effect of debt interest distribution in preious years	(180)	0	(180)	0
Total taxes	818	934	1 636	1 642
Effective tax rate	21%	29%	23%	31%

Tax base

Amounts in NOK million	2003	2002	Pro forma 2003	Pro forma 2002
Operating profit in DnB NOR Group	**3 835**	**3 268**	**7 014**	**5 274**
Reversal of net profit from Life Insurance and Pensions and taxation of international units	(727)	(450)	(1 227)	(329)
Permanent differences	129	221	404	505
Changes in timing differences and tax losses carried forward				
Timing differences	332	2 254	(1 992)	2 647
Changes in timing differences due ot the acquisition of operations	(2 051)	0	(1 121)	0
Use of losses carried forward	(111)	83	(102)	83
Use of losses carried forward in subsidiaries consolidated according to the equity method	(1 345)	0	(2 894)	(2 325)
Tax base for the year – Norwegian operations	62	5 376	82	5 855

Elements in the calculation of deferred taxes

Amounts in NOK million	31 Dec. 2003	31 Dec. 2002	Pro forma 31 Dec. 2002
Taxable timing differences			
Fixed assets	562	430	697
Market values above book values – merger with Postbanken	214	255	255
Prepaid pension entitlements	1 010	578	614
Financial instruments [2)]	28	0	0
Other taxable timing differences	729	417	778
Total taxable timing differences	2 543	1 680	2 344
Tax-deductible timing differences			
Fixed assets	1 577	1 911	2 821
Accrued pension commitments	1 527	1 140	1 433
Financial instruments [2)]	0	40	176
Other tax-deductible timing differences	1 822	647	1 968
Total tax-deductible timing differences	4 926	3 738	6 398
Losses carried forward and tax allowance for dividends [3)]	71	182	233
Tax-deductible timing differences incl. losses carried forward	4 997	3 920	6 631
Of which differences that cannot be offset [4)]	(164)	(164)	(164)
Tax-deductible timing differences to be offset	4 833	3 756	6 467
Calculation base for deferred taxes [1)]	(2 290)	(2 076)	(4 123)
Deferred tax assets	642	581	1 154

1) *The 2003 figure includes tax-deductible timing differences of NOK 159 million relating to Elcon Finans. The timing differences have been taken to income in 2003 as the company will be sold during 2004.*
2) *In the financial accounts, financial instruments are recorded at market value, while in the tax assessment, they are recorded at realisation value. The same applies to balance sheet transactions which are linked to forward contracts through swap agreements.*
3) *Tax allowance for dividends received, converted to tax-deductible timing differences.*
4) *Concerns mainly tax-deductible differences and losses carried forward in the international units which do not reduce the Norwegian tax base.*

Amounts in NOK per share	Estimate 2003	DnB final 2002	Gjensidige NOR final 2002 [1)]
"RISK" adjustment	(7.34)	6.44	(0.07)

1) *Gjensidige NOR's "RISK" for 2002 has been adjusted for the 1:6.2 exchange ratio.*
The estimated "RISK" adjustment as at 1 January 2004 is negative at NOK 7.34, of which a negative NOK 2.86 stems from the cash consideration paid in connection with the merger.

Note 18 – Assets

Amounts in NOK million	DnB NOR Group 31 Dec. 2003	31 Dec. 2002	Pro forma 31 Dec. 2002
Cash and deposits with central banks	**8 570**	**19 133**	**22 944**
Lending to and deposits with credit institutions with no fixed term or period of notice	7 065	6 833	8 003
Lending to and deposits with credit institutions with a fixed term or period of notice	21 268	13 560	18 614
Specified loan-loss provisions	(2)	(2)	(2)
Lending to and deposits with credit institutions	**28 331**	**20 391**	**26 615**
Instalment loans	500 531	247 769	431 137
Overdraft and working capital facilities	32 268	24 017	33 494
Building and construction loans	5 410	2 199	5 546
Finance leases	24 861	7 903	22 256
Factoring receivables	946	380	616
Factoring loans	1 449	331	1 468
Other loans	81	63	84
Gross lending to customers	**565 546**	**282 660**	**494 601**
Specified loan-loss provisions	**(4 329)**	**(1 796)**	**(2 884)**
Unspecified loan-loss provisions	**(3 714)**	**(2 115)**	**(3 501)**
Net lending to customers	**557 503**	**278 748**	**488 217**
Repossessed assets	**576**	**399**	**651**
Commercial paper and bonds issued by central and local government	7 842	3 206	4 467
Commercial paper and bonds issued by financial institutions	35 994	18 426	34 282
Commercial paper and bonds issued by others	14 049	12 024	12 783
Own bonds and commercial paper, trading portfolio	1 514	214	214
Commercial paper and bonds	**59 398**	**33 870**	**51 745**
Short-term investments in shares, mutual funds and PCCs	3 051	1 251	2 753
Long-term investments in shares, mutual funds and PCCs	940	1 495	1 593
Shares in general and limited partnerships	20	4	19
Shareholdings etc.	**4 011**	**2 751**	**4 364**
Investment in Gjensidige NOR Spareforsikring	2 843	-	2 842
Investment in Vital Forsikring and Vital Link	3 138	3 078	3 078
Investments in associated credit institutions	1 241	639	1 154
Investments in other associated companies	143	56	110
Investments in Life Insurance and Pensions and associated companies	**7 365**	**3 773**	**7 184**
Goodwill	5 601	3 075	5 309
Deferred tax assets	642	581	1 154
Systems development recorded in the balance sheet	172	54	164
Other intangible assets	70	105	106
Intangible assets	**6 484**	**3 815**	**6 733**
Machinery, equipment and vehicles	1 265	589	1 413
Buildings and other properties	3 121	1 700	2 923
Other fixed assets	89	6	89
Fixed assets	**4 475**	**2 295**	**4 425**
Financial derivatives	19 756	15 396	15 396
Amounts due on documentary credits and other payment services	722	206	262
Other amounts due	3 165	1 182	3 724
Other assets	**23 643**	**16 783**	**19 382**
Accrued interest income	3 661	2 337	4 726
Prepaid pension entitlements	1 026	586	694
Other prepayments and accrued income	634	283	679
Prepayments and accrued income	**5 321**	**3 206**	**6 098**
Total assets	**705 677**	**385 164**	**638 357**

Note 19 – Credit risk

Commitments according to risk category — **DnB NOR Group**

Amounts in NOK billion	Gross loans	Guarantee commitments	Undrawn limits (committed)	Total commitments
Risk category relative to percentage of normalised losses 1) 2)				
<0.25	432	27	94	553
0.25-0.75	69	19	11	99
>0.75 3)	51	2	3	56
Non-performing and doubtful commitments	13	0	0	13
Total commitments as at 31 December 2003	**566**	**48**	**107**	**721**
Risk category relative to percentage of normalised losses 1)				
<0.25	224	24	71	319
0.25-0.75	36	11	10	57
>0.75 3)	19	1	9	28
Non-performing and doubtful commitments	4	0	0	4
Total commitments as at 31 December 2002	**283**	**35**	**90**	**408**
Risk category relative to percentage of normalised losses 1) 2)				
<0.25	373	31	86	491
0.25-0.75	77	12	12	101
>0.75 3)	36	2	11	49
Non-performing and doubtful commitments	8	0	0	8
Total commitments as at 31 December 2002 (pro forma)	**495**	**44**	**109**	**649**

Loan-loss level 1)

	2003 2)	2002	Pro forma 2002 2)
Normalised losses including loss of interest income in per cent of net lending	0.31	0.32	0.31

1) *The calculation of the loan-loss level is based on an evaluation of the probability of future losses (default frequency), exposure at default and the size of the estimated loss (loss ratio).*

2) *In consequence of the merger between DnB and Gjensidige NOR, calculations are to some extent based on discretion and estimates, which means that a degree of uncertainty is attached to the figures.*

3) *The risk category also includes commitments with normalised losses below 0.75 per cent in cases where the loss ratio is low but combined with a high probability of future losses.*

Retail market — **DnB NOR Group**

Amounts in NOK million	31 Dec. 2003	31 Dec. 2002	Pro forma 31 Dec. 2002
Home mortgages <80 per cent of appraised value	248 707	119 742	211 391
Home mortgages >80 per cent of appraised value	8 542	3 564	6 402
Credit card loans	8 080	3 146	8 009
Other loans	36 250	10 850	27 531
Total retail market loans	301 579	137 302	253 332

Note 20 – Commitments for principal sectors

DnB NOR Group

Amounts in NOK million	Loans 1) as at 31 December 2003	2002	Pro forma 2002	Guarantees 1) as at 31 December 2003	2002	Pro forma 2002	Committed limits 2) as at 31 December 2003	2002	Pro forma 2002
Retail customers	301 579	137 302	253 332	266	118	250	316 489	147 467	275 734
International shipping	31 167	21 920	25 841	8 307	7 366	8 539	55 224	39 729	46 380
Real estate	82 155	32 394	74 018	4 043	686	1 909	95 275	36 989	84 570
Manufacturing	24 758	17 299	26 593	5 582	4 366	4 930	51 596	34 022	48 817
Services	36 613	24 736	35 766	7 206	5 592	6 823	58 770	45 167	58 514
Trade	23 849	13 691	21 193	2 687	1 919	2 699	40 252	27 746	36 125
Oil and gas	4 238	3 485	4 073	2 253	1 574	1 593	13 927	10 987	11 593
Transportation and communication	14 026	8 907	13 546	2 947	2 622	3 004	26 478	19 282	24 619
Building and construction	8 428	2 567	7 417	2 679	1 906	2 541	15 000	6 546	13 574
Power and water supply	6 276	5 976	8 027	7 606	6 075	7 722	21 600	16 802	20 501
Central and local government	2 094	1 838	2 779	65	54	54	6 698	5 072	6 450
Fishing	10 440	6 490	7 520	188	201	201	10 480	7 808	8 855
Hotels and restaurants	4 113	1 423	3 246	245	62	252	4 786	1 610	7 691
Agriculture and forestry	4 749	689	4 238	0	(18)	97	5 406	833	5 265
Other sectors	6 730	2 147	4 128	3 629	2 792	3 835	14 440	7 527	11 735
Total customers	561 217	280 864	491 718	47 701	35 315	44 450	736 419	407 585	660 423
Credit institutions 3)	8 911	5 016	6 715	3 482	4 672	4 873	16 676	13 308	15 572
Total	570 127	285 879	498 433	51 184	39 987	49 323	753 096	420 894	675 994

1) Loans and guarantees after specified provisions.

2) Total committed limits for credit exposure.

3) Loans to credit institutions are entered in the balance sheet under "Lending to and deposits with credit institutions".

The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway. Customers are classified according to their main line of business.

Note 21 – Non-performing and doubtful commitments for principal sectors

DnB NOR Group

Amounts in NOK million	Net non-performing commitments 1) as at 31 December 2003	2002	Pro forma 2002	Doubtful commitments 1) as at 31 December 2003	2002	Pro forma 2002	Total specified provisions as at 31 December 2003	2002	Pro forma 2002
Retail customers	2 159	802	1 773	310	258	275	1 034	489	928
International shipping	21	73	76	5	0	1	63	141	144
Real estate	1 026	174	588	617	95	337	372	64	279
Manufacturing	547	129	191	393	119	80	743	447	608
Services	684	145	239	195	93	145	1 083	366	449
Trade	194	89	204	68	70	80	282	165	215
Oil and gas	8	3	8	0	0	1	37	21	21
Transportation and communication	87	51	83	43	29	31	99	59	62
Building and construction	613	51	137	49	5	15	355	48	88
Power and water supply	1	0	0	0	0	0	0	0	0
Fishing	881	158	141	144	195	240	217	53	105
Hotels and restaurants	141	14	124	31	6	16	56	18	26
Agriculture and forestry	58	12	40	11	3	7	57	38	42
Other sectors	112	5	17	1	0	6	48	10	59
Total customers	6 531	1 707	3 622	1 865	873	1 232	4 445	1 919	3 026
Credit institutions 2)	0	0	0	5	0	0	9	2	2
Total	6 531	1 707	3 622	1 870	873	1 232	4 454	1 921	3 028

1) The amounts represent commitments after specified loan-loss provisions.

2) Loans to credit institutions are entered in the balance sheet under "Lending to and deposits with credit institutions".

The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway. Customers are classified according to their main line of business.

Note 22 – Non-performing, doubtful and non-accruing commitments

DnB NOR Group

Amounts in NOK million	Private customers as at 31 December 2003	2002	Pro forma 2002	Corporate customers as at 31 December 2003	2002	Pro forma 2002	Total as at 31 December 2003	2002	Pro forma 2002	Pro forma 2001	Pro forma 2000
Non-performing commitments *)											
Before specified provisions	3 064	1 168	2 559	6 989	1 995	3 348	10 053	3 162	5 906	5 083	5 168
After specified provisions 1)	2 143	802	1 769	4 388	904	1 852	6 531	1 707	3 622	3 062	3 018
Doubtful commitments *)											
Before specified provisions	436	375	413	2 366	964	1 563	2 802	1 339	1 976	1 725	1 524
After specified provisions 1)	317	258	276	1 553	615	956	1 870	873	1 232	996	999
*) Of which:											
Non-accruing commitments											
Before specified provisions	2 365	1 010	1 824	6 045	1 993	2 933	8 410	3 003	4 757	4 292	5 093
After specified provisions	1 422	600	1 034	3 419	890	1 369	4 841	1 490	2 403	2 243	2 698

1) Includes provisions for losses on lending to credit institutions.

Non-performing commitments represent total commitments to customers which are not serviced in accordance with the loan agreement, unless the situation is considered to be temporary. Commitments are classified as non-performing no later than 90 days past the formal due date. Total commitments to customers which are not classified as non-performing, but where a loss is likely to occur due to the value of collateral and the customer's financial position, are classified as doubtful. Non-accruing commitments are included in non-performing and doubtful commitments and represent total commitments to customers subject to interest reversals, see note 4.

Reduced-rate commitments — **DnB NOR Group**

Amounts in NOK million	31 Dec. 2003	31 Dec. 2002	Pro forma 31 Dec. 2002
Reduced-rate commitments	361	578	578

Reduced-rate commitments are total commitments to customers where payment terms have been renegotiated in connection with debt negotiations or inadequate cash flows, and where the discounted reduction in payment flows is significant.

Note 23 – Provisions for losses on loans and guarantees

DnB NOR Group

	Total provisions		Loans		Guarantees	
Amounts in NOK million	2003	2002	2003	2002	2003	2002
Specified loan-loss provisions as at 1 January	1 921	1 840	1 798	1 766	123	74
Write-offs covered by specified provisions made in previous years	1 163	417	1 176	432	(13)	(14)
Provisions for the period						
Increase in specified loan-loss provisions	243	177	241	163	2	15
New specified loan-loss provisions	1 075	688	1 049	652	26	35
Reassessed specified loan-loss provisions	369	288	321	272	48	16
Loan-loss provisions in Nordlandsbanken as at 1 January	1 555		1 555		0	
Loan-loss provisions in Gjensidige NOR as at 31 December	1 185		1 178		7	
Exchange rate movements	6	(78)	6	(78)	0	0
Specified loan-loss provisions as at 31 December 1)	**4 454**	**1 921**	**4 331**	**1 798**	**122**	**123**
Unspecified loan-loss provisions as at 1 January	2 116	2 116	2 115	2 115	1	1
Unspecified loan-loss provisions for the period	0	0	0	0	0	0
Unspecified loan-loss provisions in Nordlandsbanken as at 1 January	204		204		0	
Unspecified loan-loss provisions in Gjensidige NOR as at 31 Desember	1 396		1 396		0	
Exchange rate movements	0	0	0	0	0	0
Unspecified loan-loss provisions as at 31 December 2)	**3 715**	**2 116**	**3 714**	**2 115**	**1**	**1**
Total loan-loss provisions as at 31 December	**8 169**	**4 038**	**8 046**	**3 914**	**123**	**124**
1) Of which specified loan-loss provisions to: Customers			*4 329*	*1 796*	*115*	*123*
Credit institutions			*2*	*2*	*7*	*0*
2) Of which unspecified loan-loss provisions to: Customers			*3 714*	*2 115*	*1*	*1*
Credit institutions			*0*	*0*	*0*	*0*

	Total provisions		Loans		Guarantees	
	Pro forma	Pro forma	Pro forma	Pro forma	Pro forma	Pro forma
Amounts in NOK million	2003	2002	2003	2002	2003	2002
Specified loan-loss provisions as at 1 January	3 028	2 746	2 886	2 648	143	98
Write-offs covered by specified provisions made in previous years	1 579	645	1 587	660	(8)	(14)
Provisions for the period						
Increase in specified loan-loss provisions	288	280	286	266	2	15
New specified loan-loss provisions	1 678	1 112	1 649	1 074	29	37
Reassessed specified loan-loss provisions	522	374	463	356	59	18
Loan-loss provisions in Nordlandsbanken as at 1 January	1 555		1 555		0	
Exchange rate movements	5	(90)	5	(86)	0	(4)
Specified loan-loss provisions as at 31 December 1)	**4 454**	**3 028**	**4 331**	**2 886**	**122**	**143**
Unspecified loan-loss provisions as at 1 January	3 502	3 502	3 501	3 501	1	1
Unspecified loan-loss provisions for the period	5	0	5	0	0	0
Unspecified loan-loss provisions in Nordlandsbanken as at 1 January	204		204		0	
Unspecified loan-loss provisions purchased portfolio	5		5		0	
Exchange rate movements	0	0	0	0	0	0
Unspecified loan-loss provisions as at 31 December 2)	**3 715**	**3 502**	**3 714**	**3 501**	**1**	**1**
Total loan-loss provisions as at 31 December	**8 169**	**6 531**	**8 046**	**6 387**	**123**	**143**
1) Of which specified loan-loss provisions to: Customers			*4 329*	*2 884*	*115*	*143*
Credit institutions			*2*	*2*	*7*	*0*
2) Of which unspecified loan-loss provisions to: Customers			*3 714*	*3 501*	*1*	*1*
Credit institutions			*0*	*0*	*0*	*0*

Unspecified loan-loss provisions

Amounts in NOK million	31 Dec. 2003 1)	31 Dec. 2002	Pro forma 31 Dec. 2002
Unspecified loan-loss provisions in the DnB NOR Group 2)			3 501
Elements in the calculation			
Provisions for probable, unidentified losses	1 634	1 076	
+ Provisions for risk margins in the ordinary portfolio	1 731	909	
+ Supplementary provisions due to uncertainty in estimates	349	130	
Unspecified loan-loss provisions in the accounts	**3 714**	**2 115**	**3 501**

1) Includes NOK 204 million in unspecified loan-loss provisions from the acquisition of Nordlandsbanken and NOK 5 million in unspecified provisions from the acquisition of the loan portfolio of Gjensidige NOR Spareforsikring ASA.

2) As reported in the accounts of the DnB Group and the Gjensidige NOR Group.

Note 24 – Loans and guarantees according to geographical location [1)]

DnB NOR Group

	Lending to customers as at 31 December			Lending to credit institutions as at 31 December			Guarantees as at 31 December		
Amounts in NOK million	2003	2002	Pro forma 2002	2003	2002	Pro forma 2002	2003	2002	Pro forma 2002
Oslo	126 295	53 911	109 710	5 025	2 391	2 827	17 518	14 343	18 380
Eastern and Southern Norway	232 951	93 665	210 928	12	0	0	14 500	9 721	13 263
Western Norway	75 643	61 761	72 128	1 877	1 483	1 757	10 815	9 073	9 274
Northern and Central Norway	90 758	43 909	65 152	142	0	56	2 885	2 172	2 991
Total Norway	525 648	253 247	457 918	7 057	3 874	4 640	45 718	35 309	43 908
Western Europe	18 350	11 289	17 619	726	805	1 407	2 953	2 345	2 516
Russia	197	285	285	33	0	0	1	1	1
Other Eastern European countries	541	287	358	546	24	355	144	20	28
Total Europe outside Norway	19 089	11 860	18 261	1 305	829	1 762	3 098	2 366	2 545
USA and Canada	5 762	6 400	6 786	66	192	192	421	1 617	1 777
Bermuda and Panama [2)]	5 578	4 330	4 521	0	8	8	280	171	171
Argentina [3)]	3	0	3	0	0	0	44	51	51
Other South and Central American countries	818	475	490	70	63	63	917	159	273
Total America	12 162	11 205	11 800	136	262	262	1 663	1 999	2 273
Singapore	2 565	2 682	2 705	0	0	0	414	183	486
Hong Kong	282	144	150	0	0	0	7	9	9
Indonesia	7	10	11	0	0	0	121	126	126
Thailand	32	46	60	0	0	0	1	0	0
Malaysia	135	176	183	0	0	0	19	17	17
Other Asian countries	494	499	529	413	51	51	251	97	97
Total Asia	3 516	3 558	3 639	413	52	52	813	431	734
Liberia [2)]	3 743	2 423	2 593	0	0	0	7	0	0
Other African countries	26	15	25	1	0	0	6	6	6
Australia and New Zealand	1 364	353	366	1	0	0	2	0	0
Total	565 546	282 660	494 601	8 912	5 018	6 717	51 306	40 110	49 465

1) Based on the customer's address.

2) Represents shipping commitments.

3) Concerns a commitment guaranteed by a company in Norway.

All amounts represent gross lending and guarantees respectively before specified loan-loss provisions.

Note 25 – Subordinated loans to customers

DnB NOR Group

	31 December 2003		31 December 2002		Pro forma 31 December 2002	
Amounts in NOK million	Loans	Bonds	Loans	Bonds	Loans	Bonds
In credit institutions	4	443	20	0	21	440
In other enterprises	1 728	326	107	301	816	341
Total subordinated loans	1 732	769	127	301	837	781

The note shows total subordinated loans extended to customers. The terms applying to such loans indicate a higher risk for DnB NOR than ordinary loans and investments in bonds.

Note 26 – Commercial paper and bonds

DnB NOR Group

Amounts in NOK million	31 December 2003 Acquisition cost	Book value	Fair value	31 December 2002 Acquisition cost	Book value	Fair value	Pro forma 31 December 2002 Acquisition cost	Book value	Fair value
Commercial paper and bonds									
Listed	54 959	55 190	55 247	27 537	27 610	27 610	45 201	45 202	45 213
Unlisted	4 170	4 208	4 208	6 222	6 259	6 259	6 447	6 543	6 544
Total short-term commercial paper and bonds 1)	**59 129**	**59 398**	**59 455**	**33 759**	**33 870**	**33 870**	**51 648**	**51 745**	**51 758**
1) Of which: Trading portfolio	*33 453*	*33 735*	*33 735*	*26 383*	*26 496*	*26 496*	*28 945*	*29 045*	*29 045*
Banking portfolio	*25 676*	*25 663*	*25 720*	*7 376*	*7 373*	*7 373*	*22 703*	*22 700*	*22 712*

Note 27 – Shareholdings etc.

DnB NOR Group

Amounts in NOK million	31 December 2003 Acquisition cost	Book value	Fair value	31 December 2002 Acquisition cost	Book value	Fair value	Pro forma 31 December 2002 Acquisition cost	Book value	Fair value
Short-term shareholdings etc.									
Listed Norwegian	485	502	537	242	203	243	451	370	410
Unlisted Norwegian	721	643	612	646	614	549	671	639	574
Mutual funds	1 746	1 751	1 760	406	309	309	1 728	1 619	1 619
International	135	155	186	130	125	150	130	125	150
Total short-term shareholdings etc. 1)	3 086	3 051	3 096	1 424	1 251	1 251	2 980	2 753	2 753
Long-term shareholdings etc.									
Listed Norwegian	723	480	480	2 037	1 192	1 190	2 037	1 189	1 190
Unlisted Norwegian	183	171	249	9	9	11	95	95	99
International	309	309	331	323	299	302	351	327	330
Total long-term shareholdings etc. 2)	1 215	960	1 060	2 369	1 500	1 502	2 484	1 611	1 619
Total shareholdings etc.	**4 301**	**4 011**	**4 155**	**3 793**	**2 751**	**2 753**	**5 464**	**4 364**	**4 372**
1) Of which: Trading portfolio	*304*	*271*	*271*	*120*	*118*	*118*	*342*	*298*	*298*
Banking portfolio	*2 783*	*2 780*	*2 825*	*1 304*	*1 133*	*1 133*	*2 638*	*2 455*	*2 455*

2) The holding in Storebrand was reduced by NOK 484 million in 2003.
The holding in Bolig- og Næringsbanken was sold in 2003. As at 31 Deccember 2002, the book value of these holdings totalled NOK 162 million.

Note 28 – Short-term investments in shares, mutual funds and PCCs as at 31 December 2003

DnB NOR Group

Amounts in 1 000 *Values in NOK unless otherwise indicated*	Share capital	Number of shares	Nominal value	Ownership share in per cent [1)]	Book value	Market value
Financial institutions						
Acta Holding	42 307	1 901 675	342	0.81	19 004	4 089
Factor Insurance Group	12 546	20 025	200	1.60	5 035	4 005
Høland Sparebank Grunnfond	50 000	16	2	0.00	2	2
Privatbanken	500 000	3 230 000	32 300	6.46	33 915	25 840
Romsdals Fellesbank	156 788	23	1	0.00	3	3
Sparebanken Rana	50 935	27 900	2 790	5.48	3 655	3 655
Viking Ship Finance Ltd.	CHF 30 000	13 500	CHF 4 050	13.50	25 036	49 610
Voss Veksel- og Landmannsbank	9 500	6 972	697	7.34	1 177	8 018
Norwegian companies						
Aker Kværner	894 134	222 089	4 442	0.50	25 873	25 873
Aktiv Kapital	3 464	441 700	44	1.28	29 704	29 704
Aspmyra Næringsbygg	16 714	274 006	2 740	16.39	3 859	0
Bergen Industriutvikling	60 250	784	7 840	13.01	7 840	6 409
Bryggeriet KS					4 500	4 500
BTV-Fond	49 004	37 278	3 728	7.61	3 787	3 787
Elkem	985 600	458 964	9 179	0.93	77 435	89 498
Elva Fritz Dusseldorf	48 542	588 235	5 882	12.12	20 000	20 000
Ementor	231 903	1 150 778	1 151	0.50	6 445	6 445
Energivekst	540	45 000	45	8.33	4 500	3 101
Energos	6 800	1 900 239	190	2.79	22 800	0
Euroskilt	914	177	177	19.37	9 482	10 425
Fjord Seafood	474 967	2 000 000	2 000	0.42	7 180	7 180
Helgelandske	14 196	498 953	4 990	35.15	31 434	39 916
Industrifinans Boligeiendom	1 453	576 975	58	3.97	5 190	1 154
Industrifinans Næringseiendom	477 207	800 113	8 001	1.68	12 001	7 201
Industrifinans SMB III	61 457	49 781	4 978	8.10	25 663	16 328
IT Fornebu	68 443	42 551	4 255	6.22	5 190	2 128
IT Fornebu Eiendom	1 050 629	1 314 130	131 413	12.51	133 634	102 634
iTet	20 002	16 718 771	16 719	83.59	17 292	0
Iticket	30 000	2 442 000	24 420	81.40	13 378	13 382
KS Norsk Vekst II					8 557	5 452
KS Venturos Technology III					20 086	7 291
Lawson & Haug	118	616	6	5.23	4 002	0
Lerøy Seafood Group	32 441	884 320	884	2.73	24 808	31 040
Natumin Pharma	13 606	185 201	926	6.81	5 000	834
Nordisk Terapi	38 730	20 000	2 000	5.16	3 400	3 400
Nordnorsk Vekst	74 375	3 863	3 863	5.19	4 830	2 161
Norlandia Holding	55 000	1 708 996	1 709	3.11	6 642	0
Norman	21 169	50 000	100	0.47	3 088	3 088
Norrøna Hotell	11 040	39	1 196	10.83	10 700	10 700
Norsk Hydro	5 331 933	85 300	1 706	0.03	35 541	35 541
Norske Skogindustrier	1 330 371	460 129	4 601	0.35	59 832	59 832
Opticom	1 940	28 800	4	0.22	3 427	3 427
Orkla	1 336 934	713 372	4 459	0.33	110 387	106 487
Oslo Børs Holding	50 000	433 213	4 332	8.66	61 695	78 845
OVDS	116 739	2 324 195	23 242	19.91	83 671	115 048
Photocure	8 789	135 000	68	0.77	7 290	7 290
Plastogruppen	2 292	514	514	22.43	8 995	8 995
Prosafe	339 579	71 300	713	0.21	9 554	9 554
Rieber & Søn	795 757	423 282	4 233	0.53	6 780	21 164
Saltens Bilruter	10 959	18 125	1 813	16.54	14 152	14 152
Sarsia Innovation (HIB demerger)	43 331	7 648	1 912	4.41	3 291	3 728
Scan-Sense	20 321	2 749 385	2 749	13.53	12 714	0
Sentech	345	4 243	42	12.30	3 000	1 697
Såkorninvest Midt-Norge	60 489	43 236	4 324	7.15	4 540	3 978
Såkorninvest Nord	9 277	11 020	1 102	11.88	4 408	4 496
Tandberg	131 685	78 329	78	0.06	3 832	3 832
Tjuvholmen Eiendomsutvikling	20 000	2 000	2 000	10.00	3 000	3 000
Tomra Systems	178 487	608 905	609	0.34	30 432	24 571
Troms Fylkes DS	10 673	256 440	513	4.81	33 337	29 234
Whitecliff	60 005	300 000	3 000	5.00	23 997	23 343

Note 28 – Short-term investments in shares, mutual funds and PCCs as at 31 December 2003 (continued)

DnB NOR Group

Amounts in 1 000 *Values in NOK unless otherwise indicated*		Share capital	Number of shares		Nominal value	Ownership share in per cent 1)	Book value	Market value
Companies based abroad								
Cape Invest	USD	42	4 162	USD	4	9.91	50 066	81 517
Euroclear	EUR	3 795	15 625	EUR	16	0.41	36 582	36 582
Star Reefers	USD	76	200 000	USD	2	2.62	8 692	12 000
Usienergy	USD	25	31 200	USD	0	1.27	936	936
Mutual funds								
Avanse Kort Likviditet II			33 582				66 905	66 861
Avanse Kort Likviditet III			121 571				1 218 523	1 218 523
Avanse Obligasjon II			3 116				33 010	34 658
Avanse Obligasjon III			6 944				69 328	69 328
DnB Aktiehedgefond Primus			499 403				46 317	48 848
DnB Global Consumer			116 187				11 677	7 929
DnB Global Hedge			1 384 204				113 718	124 272
DnB Likviditet II			1 054 000				4 867	4 867
DnB Likviditet III			1 050 000				66 077	66 077
Fidelity UBN Am. Growth			50 000				4 305	4 305
Fidelity UBN Global SmallCap			50 000				4 558	4 558
Fidelity UBN Nordic			50 000				4 278	4 278
MLIM UBN European Opportunities			25 000				2 107	2 107
MLIM UBN World Energy			25 000				2 250	2 250
MLIM UBN World New Energy			25 000				1 227	1 227
MLIM UBN World Technology			25 000				1 658	1 658
NB Pengemarkedsfond			356 097				37 905	37 486
NB Plussfond			249 501				16 218	23 773
Postbanken Helse			177 078				17 708	12 743
Postbanken Teknologi			145 344				14 535	11 485
Thawee – II Fund			150 000				288	288
Viking Venture			43 030				4 303	4 303
WarrenWicklund Multi-Strategy			8 333				10 000	10 958
Other shareholdings etc.							115 351	71 667
Elimination of internal gains							(38 029)	
Adjustment for unrealised gains in the banking portfolio							(52 035)	
Total short-term investments in shares, mutual funds and PCCs							3 050 974	3 095 680

1) Ownership share in per cent is based on the company's total share capital.

Note 29 – Long-term investments in shares, mutual funds and PCCs as at 31 December 2003

DnB NOR Group

Amounts in 1 000 *Values in NOK unless otherwise indicated*		Share capital	Number of shares		Nominal value	Ownership share in per cent	Book value	Market value
Financial institutions								
Export Credit Insurance Corporation of Singapore	SGD	127 590	250 000	SGD	250	0.20	1 175	1 502
Nordenfjeldske livsforsikring		100 000	10 000		10 000	10.00	5 683	5 683
Storebrand		1 390 353	11 088 392		55 442	3.99	480 127	480 127
Viking Ship Finance	CHF	30 000	9 000	CHF	2 700	9.00	14 591	33 074
Norwegian companies								
Bankpower		1 000	40		200	20.00	700	1 400
BTV-Fond		49 004	25 883		2 588	5.28	2 588	2 629
DnB-ansattes Fond, B shares		12 388	200 000		200	1.61	200	200
Grenland Investeringsfond		47 000	1 000		1 000	2.13	1 000	1 000
Hafjell Ferie og Fritid		15 000	15		7 350	49.00	735	735
Karihaugen Eiendom		1 000	1 000		1 000	100.00	1 293	1 293
Kirkegt. 74		500	250		250	50.00	250	250
Norsk Tillitsmann		11 600	23 942		2 394	20.64	2 394	8 775
NOS		15 983	2 233 408		2 233	13.97	14 517	14 517
Oslo Børs Holding		50 000	483 512		4 835	9.67	55 945	87 999
Sikon Øst		50 013	52 500		5 250	10.50	10 475	8 925
SK Eiendom		100	100		100	100.00	147	147
Spama		3 156	7 674		767	24.32	747	6 383
Såkorninvest Innlandet		30 000	2 500		1 000	3.33	1 000	500
Vestfold Flyplassinvest		7 324	340		340	4.64	340	27
VPS Holding		50 000	727 580		7 276	14.55	52 215	87 310
Companies based abroad								
CLS Services, A shares	USD	1	1 000	USD	0	1.49	1 669	1 669
CLS Services, D shares	USD	298 097	46 800	USD	4 680	1.57	5 007	5 007
FSN Capital Limited Partnership 1	EUR						9 768	9 768
Lorentzen Empreendimentos, class B [1]	USD	1 768	47 813 984	USD	354	20.01	120 021	120 021
Procuritas MBO Invest	SEK						4 631	4 631
Swift	EUR	10 898	477	EUR	59	0.54	861	4 424
Vertex Participacoes [1]	USD	12 721	188 644 371	USD	12 721	100.00	81 242	81 242
Vittoria Participacoes [1]	USD	10 008	188 649 371	USD	10 008	100.00	70 332	70 332
Other shareholdings etc.							20 176	20 098
Total long-term investments in shares, mutual funds and PCCs							959 829	1 059 668

1) *Investments in Lorentzen Empreedimentos, Vertex and Vittoria relate to previously converted loans in Brazil.*

Note 30 – Investments in Life Insurance and Pensions and associated companies [1]

DnB NOR Group

Amounts in NOK million	Share capital 31 Dec. 2003	Number of shares 31 Dec. 2003	Ownership share (%) 31 Dec. 2003	Book value 31 Dec. 2003	Additions/ (disposals) [2] 2003	Share of profit 2003	Book value 31 Dec. 2002
Gjensidige NOR Spareforsikring	1 670	1 670 000	100.00	2 843	(456)	456	2 842
Vital Forsikring [3]	674	26 936 964	100.00	3 014	(448)	448	3 014
Fondsforsikringsselskapet Vital Link	75	75 000	100.00	124	102	(43)	65
Eksportfinans	1 594	71 661	47.21	1 224	(32)	113	1 143
Other shareholdings [4]				157	7	34	117
Shares in general partnerships				2	(12)	11	2
Investments in Life Insurance an Pensions and associated companies				7 365	(838)	1 020	7 184

1) *The note shows companies presented in the group accounts according to the equity method.*
2) *In the group accounts, the investment is adjusted by an amount corresponding to the difference between received and estimated dividends for 2002, the estimated dividend for 2003 and group contributions. The adjustment is included under "Additions/(disposals)".*
3) *Share of profit before goodwill amortisation totalling NOK 101 million.*
4) *The column "Additions/(disposals)" includes NOK 14 million taken to income as part of the gain on the sale of Postbanken's Clearing House to the Banks' Central Clearing House. Gains on the sale have been taken to income in accordance with the expected five-year realisation plan, ending in 2005, in the column "Share of profit".*

Note 31 – Repossessed properties and other repossessed assets

DnB NOR Group

Amounts in NOK million	Book value 31 Dec. 2003	Additions 2003	Disposals 2003	Book value 31 Dec. 2002	Pro forma book value 31 Dec. 2002
Properties, current assets	47	30	1	5	18
Properties, fixed assets	2	0	3	5	5
Other repossessed current assets [1]	529	944	1 056	394	632
Total	578	974	1 059	404	656

1) *Of which:* *NOK 45 million represents shares in Kjørbo Eiendom AS, which is wholly owned by DnB NOR.*
NOK 66 million represents shares in Aurora Salmon (former Dåfjord Laks), which is wholly owned by DnB NOR.
NOK 134 million represents leasing assets in Elcon Finans.
NOK 201 million represents shares in Pan Fish ASA, where DnB NOR has a holding of around 25 per cent.

Note 32 – Intangible assets

Goodwill **DnB NOR Group**

Amounts in NOK million	Amortisation plan	Book value 31 Dec. 2003	Effect of exchange rate movements	Ordinary amortisation 2003	Acquired goodwill 2003	Book value 31 Dec. 2002	Total amortisation before 2003	Original goodwill
DnB Asset Management	20 years [1]	2 803	402	146		2 547	225	2 772
Savings bank – bank branches	20 years [2]	557		29		586		586
Savings bank – corporate customers	20 years [2]	448		23		471		471
Cresco – credit card portfolio	8 years [2]	412		59		471		471
Elcon Finans – business in Norway	8 years [2]	165		24		189		189
Nordlandsbanken	10 years [3]	478		53	531			531
Vital Forsikring	10 years [4]	203		101		304	708	1 012
American Express	10 years [5]	134		24		158	84	243
IT Solutions	10 years [6]	46		7		52	15	66
Aktiv Eiendomsmegling	10 years [7]	11		3		14	14	27
Vital Skade	10 years	3		1		4	3	6
Netaxept	2 years	(2)		(2)		(4)	0	(4)
Credit card portfolio, Cresco	8 years [8]	125		38		163	144	307
Gjensidige NOR Kapitalforvaltning	5 years	42		30		72	76	148
Gj.NOR Spareforsikring's portfolio	4 years	15		14	1	29	26	55
Gjensidige NOR Equities	5 years	80		36		115	94	209
Offices in Bø and Vinje	5 years	18		6		25	7	32
Avanse Forvaltning	5 years	59		56	10	105	174	279
Other	3-5 years	4		4		8	9	17
Total goodwill		5 601	402	651	542	5 309	1 579	7 417

1) *The goodwill relates to the acquisition of Skandia's asset management operations, taken over as of 1 June 2002. The estimated life of the operations is taken into account in considering the investment, which is regarded as the basis for further organic and structural growth in the business area. The value of operations is also considered in light of possible synergies and rationalisation measures for overall asset management operations.*
2) *Refers to the merger with Gjensidige NOR ASA as at 31 December 2003, with DnB Holding ASA as the acquiring company. The savings bank business is considered to be of a very long-term nature. See note 1 for more information.*
3) *Refers to the acquisition of Nordlandsbanken at the beginning of 2003. Operations are expected to have long-term value.*
4) *The amortisation period is based on the company's strategic importance for the financial services group DnB NOR. The sale of Vital's insurance products in DnB NOR's principal market segments is a key element in the Group's business strategy. Goodwill amortisation in Vital Forsikring is included under "Net profit/(loss) from Life Insurance and Pensions" in the profit and loss accounts.*
5) *Refers to the acquisition of the Norwegian card operations of American Express. The acquisition is part of DnB NOR Group's long-term strategy to provide a full range of card products. Experience shows that such products have a long economic life.*
6) *The amortisation period is based on the company's strategic importance for DnB NOR. IT Solutions' financing solutions within information technology and telecommunications expand the product range in line with DnB NOR Finans' long-term business strategy.*
7) *Goodwill is linked to the value of the Aktiv brand name. The value is expected to be of long-term duration.*
8) *Refers to the acquisition of the credit card portfolio of Gjensidige Bank in 1999. The amortisation period is based on the portfolio's expected remaining economic life at the time of acquisition.*

Note 32 – Intangible assets (continued)

Other intangible assets [1] **DnB NOR Group**

Amounts in NOK million	Depreciation plan	Book value 31 Dec. 2003	Ordinary depreciation 2003	Disposals 2003	Recorded in the balance sheet 2003	Book value 31 Dec. 2002	Total depreciation and write-downs before 2003	Original cost recorded in the balance sheet
Capitalised systems development	3 years	12	28	14		54	313	368
Postbanken brand name	10 years	62	12			74	45	119
Sundry intangible assets	5 years	7	24			31	90	120
Software	3-5 years	160	36		85	111	31	142
Total		242	100	14	85	270	479	749

1) For information on deferred taxes, see note 17.

DnB NOR is not involved in systematic research and development, apart from the development of new administrative IT solutions. The cost of such activity is under continuous review, and costs entered in the balance sheet are considered relative to future earnings.

Note 33 – Fixed assets

DnB NOR Group

Amounts in NOK million	Machinery, equipment and vehicles	Bank buildings and other properties	Pro forma machinery, equipment and vehicles	Pro forma bank buildings and other properties
Original cost	2 760	2 379	4 852	3 997
Revaluations before 2003	0	443	0	443
Total write-downs and depreciation before 2003	2 171	1 122	3 439	1 517
Book values as at 1 January 2003	589	1 700	1 413	2 923
Additions	933	1 545	347	428
Disposals (sales value)	20	18	25	91
Losses	5	21	5	22
Gains	1	8	3	20
Ordinary depreciation	234	81	447	118
Depreciation on revaluations	0	11	0	14
Write-downs	0	0	20	5
Reversal of previous write-downs	0	0	0	0
Book value as at 31 December 2003	1 265	3 121	1 265	3 121

Note 34 – Real estate as at 31 December 2003

DnB NOR Group

Book value in NOK million	Bank buildings	Commercial properties	Sites/ projects	Total
Oslo	1 534	107	48	2 206
Eastern Norway and southern Norway	616	13	26	109
Bergen	383	2	3	404
Rest of western Norway	31	0	1	45
Northern Norway and central Norway	251	60	27	338
Abroad	15	0	4	20
Total book value	2 830	181	100	3 121
Floor space in 1 000 square metres				
Own use	272	22	6	300
Tenants	44	11	2	56
Not rented out	23	1	0	24
Total floor space	338	34	8	380
Number of tenants	48	36	1	85
Annual rental income from external tenants in NOK million	15	12	1	28

Note 35 – Liabilities

			DnB NOR Group
Amounts in NOK million	31 Dec. 2003	31 Dec. 2002	Pro forma 31 Dec. 2002
Loans and deposits from credit institutions with no fixed term or period of notice	16 716	10 507	17 011
Loans and deposits from credit institutions with a fixed term or period of notice	61 781	38 563	63 291
Loans and deposits from credit institutions	**78 497**	**49 071**	**80 302**
Deposits from customers with no fixed term or period of notice	268 034	156 763	240 243
Deposits from customers with a fixed term or period of notice	67 541	38 040	77 355
Deposits from customers	**335 576**	**194 803**	**317 598**
Commercial paper issued	38 953	26 334	37 640
Less own commercial paper included in the banking portfolio	0	0	90
Bond debt	150 169	50 132	109 343
Less own bonds included in the banking portfolio	7 473	1 617	8 324
Securities issued	**181 649**	**74 850**	**138 568**
Long-term funding	60	343	343
Short-term funding	354	483	499
Liabilities related to factoring	80	73	73
Documentary credits, cheques and other payment services	1 493	1 199	1 695
Allocated to dividends	2 919	1 848	2 805
Accrued unassessed payable taxes	212	1 656	2 010
Financial derivatives	21 148	17 136	18 324
Sundry liabilities	9 039	3 162	9 609
Other liabilities	**35 305**	**25 901**	**35 359**
Accrued interest expenses	2 765	923	2 729
Other accrued expenses and prepaid revenues	3 227	1 504	2 304
Accrued expenses and prepaid revenues	**5 992**	**2 427**	**5 034**
Pension commitments	1 531	1 146	1 551
Specified provisions for losses on guarantee commitments	69	81	101
Unspecified provisions for losses on guarantee commitments	1	1	1
Deferred taxes	0	0	0
Other provisions	1 233	313	1 348
Provisions for commitments	**2 834**	**1 540**	**3 000**
Term subordinated loan capital	11 973	3 793	6 506
Perpetual subordinated loan capital	6 153	3 923	7 014
Subordinated loan capital	**18 126**	**7 716**	**13 519**
Perpetual subordinated loan capital securities	**5 583**	**2 740**	**5 292**
Total liabilities	**663 562**	**359 048**	**598 672**

Note 36 – Customer deposits for principal sectors

			DnB NOR Group
			Pro forma
Amounts in NOK million	31 Dec. 2003	31 Dec. 2002	31 Dec. 2002
Retail customers	167 056	92 472	153 868
International shipping	14 150	13 520	14 010
Real estate	16 083	6 347	13 873
Manufacturing	13 824	9 907	13 428
Services and management	47 998	29 856	42 004
Trade	16 571	10 586	16 551
Oil and gas	1 393	1 523	1 584
Transportation and communication	9 745	6 467	7 907
Building and construction	6 372	1 909	4 113
Power and water supply	3 337	3 790	5 982
Central and local government	17 378	9 531	16 120
Fishing	1 144	941	1 082
Hotels og restaurants	1 275	626	1 273
Agriculture and forestry	1 730	454	1 859
Finance	17 521	6 893	23 945
Total customers	335 576	194 803	317 598
Credit institutions	3 240	3 728	7 597
Total	338 816	198 531	325 196

Note 37 – Maturity structure on bond debt as at 31 December 2003 [1)]

			DnB NOR Group
Amounts in NOK million	NOK	Foreign currency	Total
Maturity (year)			
2004	6 319	19 991	26 310
2005	8 378	22 284	30 663
2006	6 392	17 237	23 629
2007	7 642	16 953	24 595
2008	3 435	27 873	31 308
2009	1 322	420	1 742
2010 and later	2 267	2 008	4 275
Effect of currency hedging	0	261	261
Capitalised costs and amortised discounts	(36)	(51)	(87)
Total	35 719	106 977	142 696

1) Less holdings of own bonds included in the banking portfolio.

Note 38 – Premiums/discounts on own bonds in the banking portfolio as at 31 December 2003

		DnB NOR Group
Amounts in NOK million	Premiums/(discounts) [1)]	Book value
Maturity (year)		
2004	(24)	1 634
2005	(13)	2 124
2006	(11)	386
2007	3	1 794
2008	(2)	851
2009	(2)	295
2010 and later	(7)	390
Total	(55)	7 473

1) The amounts will be amortised over the remaining term of the bonds.

The market value of own bonds included in the banking portfolio as at 31 December 2003 totalled NOK 7 738 million.

Note 39 – Subordinated loan capital and perpetual subordinated loan capital securities

DnB NOR Group

Amounts in NOK million	Balance sheet 31 Dec. 2003	Issued 2003	Matured/ redeemed 2003	Exchange rate movements 2003	Net change in capitalised costs 2003	Pro forma balance sheet 31 Dec. 2002	Balance sheet 31 Dec. 2002
Term subordinated loan capital	11 973	6 348	1 252	380	(10)	6 506	3 793
Perpetual subordinated loan capital	6 153	100	836	(123)	(1)	7 014	3 923
Perpetual subordinated loan capital securities 1)	5 583			288	3	5 292	2 740
Total	**23 709**					**18 812**	**10 456**

1) *Perpetual subordinated loan capital securities are eligible for inclusion in core capital by an amount not exceeding 15 per cent of total core capital. Kredittilsynet may require that the securities be written down proportinally to equity if the bank's core capital ratio falls below 5 per cent or capital adequacy falls below 6 per cent. Amounts written down on the securities must be revalued before the distribution of dividends to shareholders or revaluation of equity.*

Year raised	Book value in foreign currency		Interest rate	Maturity	Call date	Book value in NOK
Term subordinated loan capital						
2000	EUR	6	3-month LIBOR + 0.90%	2008	-	52
2000	NOK	170	3.81% p.a.	2010	2005	170
2000	NOK	130	8.05% p.a.	2010	2005	130
2000	USD	63	3-month LIBOR + 0.55%	2010	2005	418
2001	NOK	300	4.13% p.a.	2011	2006	300
2001	USD	45	3-month LIBOR + 0.63%	2011	2006	299
2001	USD	125	3-month LIBOR + 0.75%	2011	2006	834
2002	EUR	200	3-month LIBOR + 0.75%	2012	2007	1 680
2002	EUR	200	3-month EURIBOR + 0.60%	2012	2007	1 684
2002	USD	100	3-month LIBOR + 0.09%	2012	2007	666
2003	EUR	200	3-month LIBOR + 0.45%	2013	2008	1 684
2003	EUR	200	3-month EURIBOR + 0.70%	2013	2006	1 684
2003	GBP	200	5.13% p.a.	2015	2010	2 380
Net change in capitalised costs						(10)
Total term subordinated loan capital						11 973
Perpetual subordinated loan capital						
1985	USD	215	6-month LIBOR		2004	1 435
1986	USD	150	3-month LIBOR		2004	1 001
1986	USD	200	6-month LIBOR		2004	1 335
1996	JPY	10 000	4.00% p.a.		2011	624
1996	USD	105	7.65% p.a.		2008	701
1997	NOK	100	4.56% p.a.		2007	100
1999	JPY	10 000	4.51% p.a.		2029	624
2000	USD	50	8.61% p.a.		2005	334
Net change in capitalised costs						(1)
Total perpetual subordinated loan capital						6 153
Perpetual subordinated loan capital securities						
2001	USD	400	6-month LIBOR		2011	2 634
2002	EUR	350	7.07% p.a.		2012	2 947
Net change in capitalised costs						3
Total perpetual subordinated loan capital securities						5 583

Note 40 – Equity

Amounts in NOK million	Share capital	Share premium reserve	Other equity	Total equity
				DnB NOR Group
Balance sheet as at 31 December 2002	**7 696**	**3 244**	**15 177**	**26 117**
Merger between DnB and Gjensidige NOR				
Share issue	5 394	8 253	0	13 647
Issue costs after taxes		144	0	144
Profit for the year Gjensidige NOR			2 564	2 564
First year goodwill amortisation			135	135
Profit for the year			3 017	3 017
Dividends			2 919	2 919
Exchange rate movements			(32)	(32)
Balance sheet as at 31 December 2003	**13 090**	**11 353**	**17 672**	**42 115**

Note 41 – Earnings per share

	2003	2002	Pro forma 2003	Pro forma 2002
				DnB NOR Group
Profit for the year (NOK million)	3 017	2 334	5 378	3 632
Average number of shares (in 1 000)	771 108	770 155	1 309 027	1 309 552
Effect of dilution (in 1 000)	773 466	774 531	1 311 737	1 314 781
Earnings per share (NOK)	3.91	3.03	4.11	2.77
Earnings per share fully diluted (NOK) [1)]	3.90	3.01	4.10	2.76

1) Reflects the impact of the subscription rights programme for employees.

Note 42 – Largest shareholders

Shareholder structure in DnB NOR ASA as at 31 December 2003	Shares in 1 000	Ownership in per cent
Government Bank Investment Fund	410 754	31.38
Stiftelsen Gjensidige NOR Sparebank	134 788	10.30
Gjensidige NOR Forsikring	70 473	5.38
State Street Bank, Clients Omnibus D [1)]	58 762	4.49
JPMorgan Chase Bank, Clients Treaty Account [1)]	45 781	3.50
National Insurance Scheme Fund	29 866	2.28
The Northern Trust, Treaty Account [1)]	23 055	1.76
Orkla ASA	18 783	1.43
Mellon Bank as Agent [1)]	17 491	1.34
Citybank, UK Residents Client Account [1)]	15 221	1.16
Skandinaviska Enskilda Banken, Oslo	12 223	0.93
Skandinaviska Enskilda Banken, Global Securities [1)]	9 794	0.75
JPMorgan Chase Bank, Fidelity Lending Account [1)]	9 532	0.73
The Northern Trust, USL Exempt Account [1)]	8 937	0.68
The Northern Trust, USL Treaty Account [1)]	8 583	0.66
DnB-ansattes Fond AS	8 220	0.63
Carter Allen International Stock	8 083	0.62
State of New Jersey	8 020	0.61
JPMorgan Chase Bank, Omnibus Lending Account [1)]	7 809	0.60
Capital World	7 600	0.58
Total 20 largest shareholders	**913 775**	**69.81**
Other	395 252	30.19
Total	**1 309 027**	**100.00**

1) Registered as nominee in the Norwegain Central Securities Depository.

Note 43 – Capital adequacy

Amounts in NOK million	DnB NOR Group 31 Dec. 2003	31 Dec. 2002	Pro forma 31 Dec. 2002
Share capital	13 090	7 696	13 090
Other equity	29 025	18 420	26 595
Total equity	42 115	26 117	39 685
Perpetual subordinated loan capital securities 1) 2)	5 476	2 740	5 440
Pension funds above pension commitments	(1 354)	(765)	(940)
Goodwill	(5 728)	(3 094)	(5 756)
Deferred tax assets	(808)	(666)	(1 179)
Other intangible assets etc.	(431)	(122)	(446)
Core capital	39 270	24 210	36 802
Perpetual subordinated loan capital 1) 2)	6 154	3 923	7 014
Term subordinated loan capital 2)	11 945	5 111	8 800
Subordinated loan capital not eligible 3)	0	118	118
Net supplementary capital	18 099	8 916	15 696
Deductions	880	1 092	1 240
Total eligible primary capital 4)	56 489	32 034	51 258
Total risk-weighted volume	579 445	312 230	516 664
Core capital ratio (per cent)	6.8	7.8	7.1
Capital ratio (per cent)	9.8	10.3	9.9

Specification of risk-weighted volume

Amounts in NOK million	Risk-weight: 0%	4%	10%	20%	50%	100%	31 Dec. 2003	31 Dec. 2002	Pro forma 31 Dec. 2002
	Risk-weighted volume Nominal amounts as at 31 December 2003 4)								
Banking portfolio									
Cash and ordinary deposits with banks	7 541	0	0	20 123	0	0	4 025	1 276	3 214
Short-term investments in securities	32 141	2 016	844	58 048	0	23 551	35 325	18 405	33 640
Lending	8 601	0	10	30 359	270 668	280 409	421 815	218 337	375 853
Other assets	1 826	0	0	1 733	5 463	4 404	7 482	5 442	9 138
Fixed assets	20 291	0	4 577	27 613	0	28 115	34 095	14 783	28 388
Total assets	70 400	2 016	5 431	137 876	276 131	336 477	502 742	258 243	450 233
Guarantee commitments	63			1 549	30	17 761	18 086	9 991	16 835
Approved, undrawn credits	91 878		375	3 974	260	50 556	25 759	18 992	21 992
Financial derivatives							1 424	472	1 301
Other	997		7	4 640	43	32 776	16 617	13 831	13 908
Total off-balance-sheet instruments							61 887	43 286	54 036
Total risk-weighted volume, banking portfolio							564 628	301 529	504 269
Trading portfolio									
Position risk, equity instruments							562	403	713
Position risk, debt instruments							12 142	9 148	11 234
Settlement risk							0	2	22
Counterparty risk and other risks							12 607	6 236	8 171
Total risk-weighted volume, trading portfolio							25 311	15 789	20 140
Total risk-weighted volume, banking and trading portfolios							589 940	317 318	524 409
Deduction for:									
Investments in primary capital in other financial institutions							881	1 092	1 240
Unrealised gains on securities in insurance operations							1 498	0	0
Specified and unspecified loan-loss provisions							8 116	3 996	6 505
Total risk-weighted volume							579 445	312 230	516 664

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) *Pursuant to capital adequacy regulations the lower of the exchange rates prevailing at the time the loan was raised and on the balance sheet date should be applied when including perpetual subordinated loan capital and other eligible primary capital. Calculations of capital adequacy include a total of NOK 1 194 million in subordinated loan capital in life insurance operations and associated companies, in addition to subordinated loan capital in the Group's balance sheet. See note 39.*

3) *Includes deductions for subordinated loans not approved as supplementary capital. Term subordinated loan capital is reduced proportionally by 20 percentage points per year over the final five years prior to maturity.*

4) *Primary capital and nominal amounts used in calculating risk-weighted volume deviate from figures in the DnB NOR Group's accounts as a different consolidation method is used in calculating capital adequacy.*

All figures are presented in accordance with rules prevailing at the time in question. Figures for 2002 are pro forma for DnB (excluding Nordlandsbanken) and Gjensidige NOR. Figures for 2003 refer to DnB NOR including Nordlandsbanken.

Note 44 – Risk-adjusted capital

			DnB NOR Group
Amounts in NOK million	31 Dec. 2003	31 Dec. 2002	Pro forma 31 Dec. 2002
Credit risk	18 036	11 251	16 362
Market risk	1 630	1 571	2 007
Liquidity risk	1 107	438	792
Ownership risk for insurance operations	8 498	3 789	6 326
Operational risk	6 350	4 050	5 550
Total risk-adjusted capital before diversification effects	**35 620**	**20 994**	**31 037**
Total risk-adjusted capital after diversification effects	**24 888**	**16 216**	**23 617**
Addition for variations in expected credit losses	5 320	2 722	4 595
Estimated capital requirement	**30 208**	**18 938**	**28 212**

Risk-adjusted capital (RAC) is a joint measure for quantifying risk. The quantification of credit risk, market risk, ownership risk for insurance operations and operational risk is based on statistical distribution. By use of a simulation technique, risk-adjusted capital is calculated for each of the risk categories and for total risk-adjusted capital, taking account of the diversification effects between the risk categories. Liquidity risk and other risk is not modelled as a statistical distribution, but is included as a fixed addition in the calculations irrespective of the quantile chosen for other risks. In consequence of the merger between DnB and Gjensidige NOR, calculations are to some extent based on discretion and estimates, which means that a degree of uncertainty is attached to the figures.

Credit risk

Credit risk is the risk of losses due to failure on the part of the Group's counterparties (customers) to meet their obligations to DnB NOR.

Commitments are classified with respect to quality according to expected default frequency and the relative magnitude of expected losses in the event of default. Commitments are divided into ten risk categories depending on expected default frequency. In addition, there is a separate category for credits which are already classified as non-performing or doubtful commitments. The classification is based on accounting data and non-financial factors such as managerial aspects. The portfolio classification provides the basis for statistical calculations of normalised losses and risk-adjusted capital.

Annual normalised losses should equal average losses over a normal business cycle. Within a business cycle, losses will vary significantly from one year to the next. In calculating the minimum capital requirement, a figure corresponding to three times the normalised losses is added to risk-adjusted capital. Thus, even with a very uneven distribution of expected losses, within normal business cycles DnB NOR will always be adequately capitalised to meet losses in excess of the normalised level.

Insurance

Ownership risk for Vital and Gjensidige NOR Spareforsikring is the risk that the DnB NOR Group, as owner of the insurance companies, will have to report a net loss for these operations and that the Group may have to provide the insurance companies with new equity.

In calculating risk-adjusted capital for Vital and Gjensidige NOR Spareforsikring, developments in financial assets in the insurance companies are simulated. Assets in Vital and Gjensidige NOR Spareforsikring are divided into individual portfolios, and changes in values are simulated on a daily basis, taking account of the correlations between the portfolios. The total value is tested against limits indicating when DnB NOR will have to record losses. These limits will be affected by the securities adjustment reserve, interim profits and additional allocations, as well as the guaranteed rate of return. Moreover, the need to further strengthen disability provisions will influence the calculation.

Market risk

Market risk arises as a consequence of the bank's open positions in the foreign exchange, interest rate and capital markets, and the risk is linked to variations in financial results due to fluctuations in market prices or exchange rates.

DnB NOR makes a distinction between market risks stemming from the Group’s brokerage activities, mainly in interest rate and currency markets, and from banking activities, where investments have a longer-term perspective, e.g. in equity instruments. Risk is quantified by simulating expected losses based on the anticipated utilisation of limits, liquidation times for positions and estimated correlations between the various market risks. Liquidation times vary from 250 trading days for equity investments to two trading days for positions in the most commonly traded currencies.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations by means of normal liquidity reserves. Liquidity risk is quantified on the basis of the ratio between short-term funding minus liquid assets, and less liquid assets.

Operational risk

Operational risk is linked to direct or indirect losses resulting from internal factors such as inadequate or ineffective internal processes and systems as well as fraud, or from external events such as natural disasters and criminal acts.

DnB NOR devotes substantial resources to internal control and quality assurance procedures. Operational risk is quantified on the basis of international benchmarks and the Group’s own assessments.

Note 45 – Expected time to interest rate adjustments as at 31 December 2003

DnB NOR Group

Amounts in NOK million		Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No interest rate	Total
Assets								
Loans and deposits with	NOK	7 378					999	8 376
central banks	Foreign currency	15					179	194
Lending to and deposits with	NOK	8 949	3 633	1 340	32			13 953
credit institutions	Foreign currency	10 503	2 478	924	347	126		14 378
Net lending to customers [1)]	NOK	198 645	185 265	31 039	64 197	6 179	(3 236)	482 089
	Foreign currency	27 431	33 619	14 077	553	212	(478)	75 414
Commercial paper and bonds	NOK	1 329	7 874	2 684	9 189	497	196	21 769
	Foreign currency	12 481	14 970	1 164	6 404	2 610		37 629
Sundry assets	NOK	345	98	55	2		45 930	46 432
	Foreign currency		1				5 442	5 443
Total assets		**267 076**	**247 938**	**51 283**	**80 724**	**9 624**	**49 033**	**705 677**
	NOK	216 646	196 871	35 118	73 419	6 676	43 890	572 620
	Foreign currency	50 430	51 067	16 164	7 304	2 948	5 143	133 057
Liabilities and equity								
Loans and deposits from	NOK	14 434	1 528	2 133				18 094
credit institutions	Foreign currency	23 545	21 894	14 962	2			60 403
Deposits from customers	NOK	306 369	3 283	1 175	51			310 879
	Foreign currency	23 919	342	368	67			24 697
Securities issued	NOK	3 130	6 268	4 010	23 971	3 836		41 216
	Foreign currency	52 704	68 994	10 547	6 427	1 501	261	140 433
Sundry liabilities	NOK	651	66	100			39 539	40 355
	Foreign currency	80		60			3 637	3 777
Subordinated loan capital and perpetual	NOK					700		700
subordinated loan capital securities	Foreign currency	721	12 009		1 035	9 244		23 009
Equity	NOK						41 231	41 231
	Foreign currency						884	884
Total liabilities and equity		**425 552**	**114 383**	**33 355**	**31 554**	**15 281**	**85 552**	**705 677**
	NOK	324 584	11 145	7 418	24 023	4 536	80 770	452 476
	Foreign currency	100 968	103 238	25 938	7 531	10 745	4 781	253 201
Net time to interest rate		**(158 477)**	**133 555**	**17 928**	**49 170**	**(5 657)**	**(36 519)**	**0**
adjustments on balance sheet items	NOK	(107 939)	185 726	27 701	49 397	2 140	(36 881)	120 144
	Foreign currency	(50 538)	(52 171)	(9 773)	(227)	(7 797)	362	(120 144)

1) *Overdraft and working capital facilities are grouped under "Up to 1 month". Specified and unspecified loan-loss provisions are grouped under "Over 5 years" and "No interest rate" respectively.*

Net nominal values		**(6 068)**	**(11 020)**	**(5 843)**	**(9 940)**	**3 264**		**(29 606)**
on financial derivatives	NOK	(32 078)	(52 428)	(22 257)	(12 683)	(2 728)		(122 174)
	Foreign currency	26 010	41 409	16 413	2 743	5 992		92 567

Note 46 – Interest rate sensitivity

The vaule of items on and off the balance sheet is affected by interest rate movements. The table below shows potential losses for DnB NOR resulting from parallel one percentage point changes in all interest rates.

The calculations are based on a hypothetical situation where interest rate movements in all currencies are unfavourable for DnB NOR relative to the Group's positions. Also, all interest rate movements within the same interval will be unfavourable for the Group. The figures will thus reflect maximum losses for DnB NOR. In the trading portfolio, such losses will be charged to the accounts as they occur. In the banking portfolio, the losses will be amortised over the remaining maturity.

The calculations are based on the Group's positions as at 31 December 2003 and market rates on the same date.

Interest rate sensitivity for different intervals **DnB NOR Group**

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Trading portfolio						
NOK	0	11	44	4	31	82
USD	0	22	24	10	5	39
EUR	0	6	3	4	11	23
GBP	0	0	0	0	0	0
Other currencies	1	5	13	4	1	14
Banking portfolio						
NOK	9	33	81	20	20	56
Total						
NOK	9	45	38	24	52	26
USD	0	22	24	10	5	39
EUR	0	6	3	4	11	23
GBP	0	1	4	1	0	2
Other currencies	1	4	8	3	1	12

The table does not include administrative interest rate risk and interest rate risk tied to non-interest-earning assets.

Note 47 – Currency positions

The table below shows the DnB NOR Group's net currency positions as at 31 December 2003, as defined by Norges Bank. Net positions in individual currencies may represent up to 15 per cent of the Group's eligible primary capital. Aggregate currency positions must be within 30 per cent of the eligible primary capital. Foreign exchange risk related to investments in subsidiaries is included in the currency position by the amount recorded in the accounts.

DnB NOR Group

Amounts in NOK million	Norwegian kroner	Other currencies	of which: USD	EUR	GBP	SEK	DKK	JPY
Assets								
Cash and deposits with central banks	8 376	194	43	73	15	32	21	1
Lending to and deposits with credit institutions	13 953	14 378	6 145	1 816	1 793	896	444	1 160
Net lending to customers	482 089	75 414	36 579	10 374	3 137	11 284	3 660	1 924
Commercial paper and bonds	21 769	37 629	8 281	25 011	2 335	74	725	768
Shareholdings etc.	3 523	487	0	311	0	56	0	0
Sundry assets	42 910	4 956	1 839	346	808	2 661	17	20
Total assets	572 620	133 057	52 886	37 951	8 089	15 003	4 866	3 874
Liabilities and equity								
Loans and deposits to credit institutions	18 094	60 403	39 091	10 983	4 047	424	852	116
Deposits from customers	310 879	24 697	18 395	2 752	1 647	660	430	249
Securities issued	41 216	140 433	64 421	57 440	12 710	0	0	187
Sundry liabilities	40 355	3 777	2 782	484	246	95	127	13
Subordinated loan capital	700	23 009	9 646	9 734	2 380	0	0	1 249
Equity	41 231	884	243	258	862	(446)	(35)	0
Total liabilities and equity	452 476	253 201	134 557	81 651	21 892	733	1 374	1 814
Net currency positions on balance sheet items	120 144	(120 144)	(81 690)	(43 700)	(13 804)	14 300	3 492	2 060
Financial derivatives	(119 934)	119 934	81 538	43 785	13 675	(14 268)	(3 482)	(2 096)
Net currency exposure	210	(210)	(152)	85	(129)	32	10	(36)

Note 48 – Residual maturity as at 31 December 2003

DnB NOR Group

Amounts in NOK million		Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets								
Cash and deposits with	NOK	7 378					999	8 376
central banks	Foreign currency	10					184	194
Lending to and deposits with	NOK	8 739	2 559	1 874	781			13 953
credit institutions	Foreign currency	10 056	997	1 675	1 523	126		14 378
Net lending to customers 1)	NOK	27 644	14 212	26 013	103 039	314 417	(3 236)	482 089
	Foreign currency	9 636	4 374	9 175	30 109	22 598	(478)	75 414
Commercial paper and bonds	NOK	140	3 393	3 718	12 516	2 002		21 769
	Foreign currency		797	3 933	18 317	14 581		37 629
Sundry assets	NOK	1 970	116	37	129	12	44 168	46 432
	Foreign currency	162	7	4	43	11	5 215	5 443
Total assets		**65 735**	**26 456**	**46 430**	**166 457**	**353 747**	**46 852**	**705 677**
	NOK	45 872	20 279	31 643	116 465	316 431	41 931	572 620
	Foreign currency	19 863	6 176	14 787	49 992	37 316	4 922	133 057
Liabilities and equity								
Loans and deposits from	NOK	10 254	1 660	6 173	6			18 094
credit institutions	Foreign currency	26 254	21 382	12 548	218			60 403
Deposits from customers	NOK	297 365	4 931	6 740	1 840	3		310 879
	Foreign currency	21 916	738	1 974	69			24 697
Securities issued	NOK	4 265	2 925	4 602	25 887	3 538		41 216
	Foreign currency	12 323	21 759	19 365	84 298	2 428	261	140 433
Sundry liabilities	NOK	1 704	4 257	254	7	334	33 799	40 355
	Foreign currency	361	73	1 921	43	11	1 368	3 777
Subordinated loan capital and perpetual	NOK					600	100	700
subordinated loan capital securities	Foreign currency				52	11 320	11 637	23 009
Equity	NOK						41 231	41 231
	Foreign currency						884	884
Total liabilities and equity		**374 442**	**57 724**	**53 577**	**112 420**	**18 235**	**89 280**	**705 677**
	NOK	313 589	13 773	17 769	27 740	4 475	75 130	452 476
	Foreign currency	60 854	43 951	35 808	84 680	13 759	14 149	253 201
Net residual maturity on		**(308 707)**	**(31 269)**	**(7 147)**	**54 037**	**335 513**	**(42 428)**	**0**
balance sheet items	NOK	(267 717)	6 507	13 874	88 725	311 955	(33 200)	120 144
	Foreign currency	(40 990)	(37 775)	(21 021)	(34 687)	23 557	(9 228)	(120 144)

1) *Overdraft and working capital facilities are grouped under "Up to 1 month". Specified and unspecified loan-loss provisions are grouped under "Over 5 years" and "No fixed maturity" respectively.*

Net nominal values		**(429)**	**(960)**	**(1 333)**	**(4 120)**	**280**		**(6 562)**
on financial derivatives	NOK	13 605	(31 061)	(27 871)	(65 295)	(16 493)		(127 114)
	Foreign currency	(14 034)	30 101	26 538	61 175	16 773		120 553

Note 49 – Financial derivatives

Financial derivatives are traded in order to cover liquidity and market risk arising from the bank's ordinary activities (banking portfolio). The bank also employs financial derivatives in own-account trading (trading portfolio).

Forward exchange contracts
Contracts between two parties to exchange foreign currencies on a specified future date at a fixed price.

FRAs
Agreements that fixes the interest rate for a future period for an agreed amount. When the contract matures, only the difference between the agreed interest rate and the market interes rate is exchanged.

Interest rate options
Contracts giving the buyer the right to demand payment of the difference between the interest rate in the money market and the interest rate agreed to by the seller. The difference is calculated on a fixed amount for a specified period.

Currency options
Agreements giving the buyer the right to buy or sell a specific quantity of one foreign currency in exchange for another on a future date at a fixed price.

Interest rate swaps
Contracts in which two parties agree to exchange interest payment obligations on a fixed amount for a specified period.

Interest rate futures
Standardised contracts where the counterparties agree to exchange specific interest rate instruments at a fixed price on a specified date. The contracts are traded on an exchange. The value of interest rate futures folllows the price trend on underlying interest rate instruments.

Cross-currency interest rate swaps
Contracts in which the parties exchange both currency and interest payments on a specified amount for a specified period.

DnB NOR Group

	31 December 2003			31 December 2002			Pro forma 31 December 2002		
Amounts in NOK million	Nominal amount [1]	Positive market value [2]	Negative market value [2]	Nominal amount [1]	Positive market value [2]	Negative market value [2]	Nominal amount [1]	Positive market value [2]	Negative market value [2]
Trading portfolio									
Interest rate agreements	2 269 234	33 111	32 945	1 146 154	11 379	7 573	2 151 049	16 728	12 563
Foreign exchange agreements [3]	931 075	29 126	37 045	478 436	16 299	21 231	930 886	35 739	44 412
Equity-related agreements	28 855	1 507	1 328	21 475	740	695	23 074	795	704
Commodity-related agreements	1	0	0	1	1	1	1	1	1
Banking portfolio									
Interest rate agreements	58 117	996	1 627	39 578	171	2 006	51 690	666	2 047
Foreign exchange agreements	24 715	759	1 683				13 901	198	945
Netting									
Effect of netting agreements [4]		(23 258)			(14 248)			(19 175)	

1) *Nominal amount represents the underlying principal used as a basis for calculating interest income, interest expenses and net trading profits in the profit and loss account.*
2) *Market prices represent the average of purchase and sales prices quoted by information services accessible to the public. In some cases, market prices are calculated by extrapolation or interpolation of available prices.*
3) *Cross-currency interest rate swaps are included under foreign exchange agreements.*
4) *Includes only contracts where legally binding agreements with the customer covering such netting have been signed.*

Financial derivatives included in the trading portfolio are recorded at market value in the accounts, and changes in market value are recorded as they occur. With respect to agreements included in the banking portfolio, gains and losses are amortised over the remaining maturity.

Internal transactions between the trading portfolio and the banking portfolio are valued according to principles relevant to these areas of business without eliminating internal gains and losses. Up till the end of 2003, a total of NOK 1 940 million was recorded as gains on such transactions, while gains of NOK 970 million were recorded in 2003 alone.

Note 50 – Other off-balance sheet transactions and additional information

		DnB NOR Group		
Amounts in NOK million		31 Dec. 2003	31 Dec. 2002	Pro forma 31 Dec. 2002
Unutilised ordinary credit lines		121 191	81 747	113 356
Documentary credit commitments		5 705	3 590	4 002
Other commitments		1 218	455	455
Total commitments		**128 113**	**85 793**	**117 814**
Payment guarantees [1]		14 198	15 897	16 968
Loan guarantees		14 331	9 321	11 261
Performance guarantees		12 611	7 662	11 479
Guarantee to the Commercial Banks Guarantee Fund		2 383	2 263	2 263
Guarantee to the Savings Banks Guarantee Fund		293	-	166
Guarantees for taxes etc.		2 655	2 096	2 689
Other guarantee commitments		4 835	2 871	4 638
Total guarantee commitments		**51 306**	**40 110**	**49 465**
Support agreements		1 643	1 231	1 231
Total guarantee commitments etc. *)		**52 948**	**41 341**	**50 696**
*) Of which:				
Counter-guaranteed by financial institutions		1 300	473	473
Joint and several liabilities		45	37	37
Securities [2) 3)]		42 892	16 793	33 120
Total mortgages etc.		**42 892**	**16 793**	**33 120**
are pledged as security for:	Loans [2)]	1 230	342	342
	Other activities [3)]	8 610	1 823	1 823

1) *The reduction is attributable the normalisation of the situation in the power market.*

2) *NOK 34 218 million in securities has been pledged as collateral for credit facilities with Norges Bank (the Norwegian central bank). According to regulations, these loans must be fully collateralised by a mortgage on interest-bearing securities and/or the bank's deposits with Norges Bank. As at 31 December 2003, DnB NOR had borrowed NOK 1 171 million from Norges Bank.*

3) *In March 2003, DnB NOR Markets became a member of the global settlement system CLS (Continuous Linked Settlement), engaged in the settlement of transactions in major global currencies. The Norwegian krone was included in CLS in September, with DnB NOR as the largest settlement bank. NOK 8 610 million represents securities in favour of Bank of England and Landeszentralbank for settlement in foreign currencies.*

Note 51 – Contingencies

Due to its extensive operations in Norway and abroad, the DnB NOR Group will regularly be party to a number of legal actions. None of the current disputes are expected to have any material impact on the Group's financial position. The disputes involving the highest amounts are described below.

DnB NOR Bank ASA and Norway Post are in disagreement on the calculation of remuneration in connection with the business agreement between the two parties. The disagreement is estimated to involve a maximum amount of around NOK 300 million over a five-year period. The dispute will be settled by arbitration in 2004.

Nordlandsbanken ASA has filed a suit against KPMG claiming compensation of up to NOK 489 million. The claim is based on KPMG's audit procedures in connection with Finance Credit AS.

With respect to contingencies concerning taxes, please refer to note 17.

Note 52 – Post balance-sheet events

On 19 December 2003, the Ministry of Finance approved the merger of Den norske Bank ASA and Union Bank of Norway ASA prior to the combination of the Commercial Banks' Guarantee Fund and the Savings Banks' Guarantee Fund on certain conditions. One condition was that the Commercial Banks' Guarantee Fund and Den norske Bank ASA be required to issue a guarantee to the Savings Banks' Guarantee Fund. On 15 January 2004, the Board of Directors in the Commercial Banks' Guarantee Fund decided to issue the required guarantee. A corresponding decision was made by the Board of Directors of Den norske Bank ASA. The two banks merged to form DnB NOR Bank ASA on 19 January 2004. The merger will be reflected in the accounts as of 1 January 2004.

Note 53 – Information on related parties

Amounts in NOK million	DnB NOR Group 31 Dec. 2003	31 Dec. 2002	Pro forma 31 Dec. 2002
Intra-group items – assets			
Lending to and deposits with credit institutions	75 059	26 460	60 021
Net lending to customers	13 189	8 877	9 719
Intra-group items – liabilities			
Loans and deposits from credit institutions	79 897	28 202	61 150
Deposits from customers	3 449	3 745	3 993
Subordinated loan capital	1 253	264	1 227

Gjensidige NOR Forsikring

At end-2003 ,Gjensidige NOR Forsikring held 70 472 696 shares in DnB NOR ASA at a market value of NOK 3 129 million. DnB NOR ASA has a long-term strategic cooperation with Gjensidige NOR Forsikring, primarily targeting mutual product distribution.

Cooperating banks

DnB NOR has establisched a mutually binding, strategic collaboration with four regional and twelve local savings banks. The banks distribute DnB NOR products in the areas of savings and other financial products. The collaboration also includes development of products, services and systems as well as purchasing.

Agreement with Norway Post

In cooperation with Norway Post, DnB NOR has established a joint service concept – in-store postal outlets – where customers can carry out everyday banking transactions. At the end of 2003, this concept was established in about 1 200 stores throughout Norway. In addition, customers gain access to DnB NOR's products through the postal distribution network of post offices and rural postmen.

Profit and loss accounts

		DnB NOR ASA	
Amounts in NOK million	Note	2003	2002
Interest income		169	273
Interest expenses		276	360
Net interest income and credit commissions		**(107)**	**(87)**
Dividends/group contributions from subsidiaries	1	3 629	3 504
Commissions and fees payable		4	11
Net other operating income		**3 625**	**3 493**
Salaries and other ordinary personnel expenses		19	(3)
Administrative expenses		63	79
Sundry operating expenses		7	5
Total operating expenses		**89**	**81**
Pre-tax operating profit before losses		**3 429**	**3 325**
Net losses on long-term securities		0	1
Pre-tax operating profit before taxes		**3 429**	**3 324**
Taxes	3	311	935
Profit for the year		**3 118**	**2 389**
Group contributions to subsidiaries	6	0	54
Dividends	6	2 919	1 847
Transferred to other equity	6	200	488
Total transfers and adjustments		**3 118**	**2 389**
Earnings per share (NOK)		4.04	3.10

Balance sheets

		DnB NOR ASA	
Amounts in NOK million	Note	31 Dec. 2003	31 Dec. 2002
Assets			
Lending to and deposits with credit institutions (subsidiaries)		1 423	2 267
Lending to other subsidiaries		1 825	1 563
Investments in subsidiaries	4	46 121	28 539
Outstanding claims against subsidiaries		6 103	3 517
Other assets	3	30	10
Total assets		**55 502**	**35 896**
Liabilities and equity			
Loans from credit institutions (subsidiaries)	5	6 370	3 690
Loans from other subsidiaries		2 319	1 674
Accrued expenses and prepaid revenues		102	170
Other liabilities and provisions		2 919	2 810
Total liabilities		**11 709**	**8 344**
Share capital	6, 7	13 090	7 696
Share premium reserve	6	11 324	3 244
Other equity	6	19 379	16 612
Total equity		**43 793**	**27 552**
Total liabilities and equity		**55 502**	**35 896**

Cash flow statements

	DnB NOR ASA	
Amounts in NOK million	2003	2002
Operations		
Payments to operations	(85)	(91)
Taxes paid	(912)	(430)
Net cash flow relating to operations	**(997)**	**(521)**
Investment activity		
Payments on the acquisition of long-term investments in shares	(3 233)	(2 019)
Net cash flow relating to investment activity	**(3 233)**	**(2 019)**
Equity funding		
Group contributions from subsidiaries	3 407	4 740
Dividend payments	(1 847)	(1 849)
Repurchases of own shares	0	(35)
Net cash flow relating to equity funding	**1 560**	**2 856**
Other liquidity financing		
Net payments on long-term liabilities	2 000	(217)
Net investments in credit institutions	844	(1)
Net interest payments on other liquidity financing	(174)	(98)
Net cash flow relating to other liquidity financing	**2 670**	**(316)**
Net cash flow	**0**	**0**

Note 1 – Dividends/group contributions from subsidiaries

	DnB NOR ASA	
Amounts in NOK million	2003	2002
Group contributions received from		
Den norske Bank ASA	3 140	2 800
DnB Finans AS	0	329
DnB Kort AS	0	156
DnB Invest Holding AS	0	38
Other group companies	41	181
Dividends received from		
Vital Forsikring ASA	448	0
Total dividends/group contributions from subsidiaries 1)	3 629	3 504

1) *In addition, DnB NOR ASA has received NOK 2 704 million in group contributions and dividends from Union Bank of Norway ASA and NOK 456 million in net dividends from Gjensidige NOR Spareforsikring ASA. These items are included in annual profits for Gjensidige NOR ASA, which have been recorded against equity.*

Note 2 – Remunerations etc.

All employees in DnB NOR ASA are also employed in one of the underlying companies within the Group. The holding company purchases services from other units within the Group. The group chief executive, group executive vice presidents and the heads of certain staff units are employed in both DnB NOR ASA and one of the subsidiaries in the Group. Personnel expenses and other administrative expenses relating to these individuals are divided between the subsidiaries and DnB NOR ASA according to use.

See note 10 for the DnB NOR Group for further details on remunerations etc. See also note 7 for DnB NOR ASA, specifying shares in DnB NOR ASA owned by senior management and members of governing bodies.

Note 3 – Taxes

Amounts in NOK million	DnB NOR ASA 2003	2002
Tax base		
Operating profit in DnB NOR ASA	3 429	3 324
Dividends/group contributions from subsidiaries	(2 319)	0
Changes in timing differences	19	(3)
Permanent differences	0	13
Tax base for the year	1 129	3 334
Elements in the calulation of deferred taxes		
Tax-deductible timing differences	36	17
Calculation base for deferred taxes	(36)	(17)
Deferred tax assets	10	5
Taxes		
Payable taxes	316	934
Deferred taxes	(5)	1
Total taxes	**311**	**935**

Note 4 – Investments in subsidiaries as at 31 December 2003 [1)]

DnB NOR ASA

Amounts in 1 000 *Values in NOK unless otherwise indicated*		Share capital	Number of shares		Nominal value	Ownership share in per cent	Book value
Den norske Bank [2)]		7 786 579	778 657 895		7 786 579	100	22 134 012
DnB Asia Ltd. Singapore	SGD	20 000	20 000 000	SGD	20 000	100	
DnB Eiendomsmegling		2 503	25 033		2 503	100	
DnB Finans		512 000	5 120 000		512 000	100	
DnB Invest Holding		200 000	200 000		200 000	100	
DnB Kort		391 300	3 913 000		391 300	100	
DnB Meglerservice		700	7		700	100	
DnB Næringsmegling		1 000	10 000		1 000	100	
Kredittfinans		21 000	42 000		21 000	100	
Luxcap S.A.	EUR	30 000	800 000	EUR	30 000	100	
Den norske Investments Ltd	GBP	40 210	40 210 108	GBP	40 210	100	
Netaxept		10 500	10 500 000		10 500	100	
Nordlandsbanken		625 062	50 004 984		625 062	100	
Postbanken Eiendomsmegling [3)]		20 000	20		20 000	100	
DnB NOR Kapitalforvaltning Holding		100 050	100 050		100 050	100	1 015 929
DnB Investor [4)]		1 600	16 000		1 600	100	
DnB NOR Kapitalforvaltning		109 497	109 497		109 497	100	
DnB NOR Asset Management Holding (Sweden) AB	SEK	135 100	1 351 000	SEK	135 100	100	1 087 916
DnB Kapitalforvaltning Holding AB	SEK	211 000	21 100 000	SEK	211 000	100	
DnB Asset Management AB	SEK	170 000	1 700 000	SEK	170 000	100	
Union Bank of Norway [2)]		67 857	67 857 244		67 857	100	14 258 490
Avanse Forvaltning [4)]		3 265	3 265 000		3 265	100	
Elcon Finans [3)]		1 895 011	1 895 011		1 895 011	100	
Gjensidige NOR Eiendomsmegling [5)]		39 100	1 955		39 100	100	
Gjensidige NOR Equities [6)]		43 266	131 109		43 266	100	
Gjensidige NOR Kapitalforvaltning [4)]		75 000	75 000		75 000	100	
Sparebankgårdene		204 920	204 920		204 920	100	
Sparebankkreditt		825 000	8 250 000		825 000	100	
UBN INT SA Luxembourg	EUR	17 352	70 000	EUR	17 352	100	
UBN Reinsurance SA Luxembourg		11 000	10 999		10 999	100	
Gjensidige NOR Spareforsikring [7)]		1 670 000	1 670 000		1 670 000	100	3 075 045
Gjensidige NOR Fondsforvaltning		35 000	3 500		35 000	100	
Gjensidige NOR Næringseiendom		10 000	10 000		10 000	100	
Gjensidige NOR Pensjonstjenester		11 936	746		11 936	100	
Gjensidige NOR Sparing		3 000	100		3 000	100	
Gjensidige NOR Fondsforsikring [3)]		12 800	128 000		12 800	100	145 840

Note 4 – Investments in subsidiaries as at 31 December 2003 [1] (Continued)

DnB NOR ASA

Amounts in 1 000 *Values in NOK unless otherwise indicated*	Share capital	Number of shares	Nominal value	Ownership share in per cent	Book value
Vital Forsikring	673 424	26 936 964	673 424	100	4 163 000
Vital Pekon	1 400	1 400	1 400	100	
Vital Eiendomsforvaltning	10 000	1 000	10 000	100	
Vital Eiendom	3 000	3 000	3 000	100	
Vital Link	75 000	75 000	75 000	100	202 000
Vital Skade	13 500	13 500	13 500	100	38 440
Total investments in subsidiaries					46 120 672

Amounts in 1 000	Share capital	Number of shares	Nominal value	Ownership share in per cent	Profit for the year [8]	Equity [8]	Book value
Unconsolidated sub-subsidiaries							
Kjørbo Eiendom [9]	91 000	91 000 000	91 000	100	23 000	114 000	45 229
Esor	1 000	2 000	1 000	100	(600)	1 100	29

1) *Major subsidiaries and sub-subsidiaries in the DnB NOR Group.*
2) *The banks were merged on 19 January 2004 under the name DnB NOR Bank ASA.*
3) *Will be sold within two years pursuant to the terms for the DnB NOR merger.*
4) *Will be merged with DnB NOR Kapitalforvaltning ASA.*
5) *Will be merged with DnB Eiendomsmegling AS.*
6) *Will be wound up and operations transferred to DnB NOR Bank ASA.*
7) *Will be merged with Vital Forsikring ASA.*
8) *Figures are based on preliminary accounts.*
9) *Kjørbo Eiendom is classified as a repossessed asset.*

Note 5 – Loans and deposits from credit institutions

The entire loan of NOK 6 370 million has been granted by Den norske Bank ASA and Union Bank of Norway ASA at general market terms.

Note 6 – Equity

DnB NOR ASA

Amounts in NOK million	Share capital	Share premium reserve	Other equity	Total equity
Balance sheet as at 31 December 2002	**7 696**	**3 244**	**16 612**	**27 552**
Merger between DnB Holding ASA and Gjensidige NOR ASA				
Share issue	5 394	8 253	0	13 647
Issue costs after taxes [1]		173	0	173
Profit for the year Gjensidige NOR ASA			2 567	2 567
Profit for the year			3 118	3 118
Dividends			2 919	2 919
Balance sheet as at 31 December 2003	**13 090**	**11 324**	**19 379**	**43 793**

The share capital of DnB NOR ASA is NOK 13 090 272 070 divided into 1 309 027 207 shares of NOK 10 each. Each share carries one vote at the Annual General Meeting.

1) *NOK 29 million represents intra-group fees.*

Note 7 – Shares in DnB NOR ASA held by members of governing bodies and senior management

	Shareholdings 31 Dec. 2003
Supervisory Board of DnB NOR ASA	
Members elected by shareholders	
Harald Norvik, chairman	10
Rannveig Munkeby Arentz, vice-chairman	0
Wenche Agerup	0
Widar Slemdal Andersen	629 720
Nils Halvard Bastiansen	0
Elisabeth Berge	0
Anne Cathrine Frøstrum	124
Herbjørn Hansson	120 000
Jan Willy Hopland	1
Finn Jebsen	15 421
Knut Hartvig Johannson	10 000
Erik Sture Larre sr.	2 185 239
Ole-Eirik Lerøy	0
Odd Lunde	0
Trond Mohn	2 643 060
Anita Roarsen	1
Benedicte Berg Schilbred	4 001
Jan Olav Steensland	38 600
Marit Tønsberg	0
Tor Petter Øwre	0
Members elected by employees	
Else Carlsen	1 136
Bente H. Espenes	7
Jon-Sigurd Hjørerød	134
Bjørg Dalberg Karlstad	378
Randi G. Krøtøy	0
Jorunn Løvaas	0
Knut Netteland	1 240
Berit Pedersen	1 803
Truls Sandvik	0
Tove Tveiten	0

	Shareholdings 31 Dec. 2003
Control Committee of DnB NOR ASA	
Helge B. Andresen, chairman	0
Kristin Normann Aarum, vice-chairman	0
Geir Dege	0
Frode Hassel	0
Board of Directors of DnB NOR ASA	
Olav Hytta, chairman	5 301
Jannik Lindbæk, vice-chairman	0
Bjørn Sund, vice-chairman	19 524
Helge Leiro Baastad	688
Sverre Finstad	1 562
Per Hoffmann	752
Berit Kjøll	0
Jørn O. Kvilhaug	436
Bent Pedersen	12 701
Ingjerd Skjeldrum	5 313
Anne Carine Tanum	0
Per Terje Vold	156
Senior management	
Svein Aaser, CEO	40 578
Tom Grøndahl, deputy CEO	5 584
Karl-Olav Hovden, deputy CEO	11 346
Bård Benum, group executive vice president	868
Øyvind Birkeland, group executive vice president	14 415
Ottar Erzeid, group executive vice president	10 646
Frode Helgerud, group executive vice president	25 792
Bente A. Landsnes, group executive vice president	4 421
Evlyn Raknerud, group executive vice president	1 052
Åsmund Skår, group executive vice president	4 364
Leif Teksum, group executive vice president	5 736
Group Audit	
Harald Jægtnæs, group executive vice president	976

The statutory auditor owns no shares in DnB NOR ASA.

The figures also include shares held by the immediate family and companies in which the shareholder has such influence as stated in Section 1-5 of the Act on Public Limited Companies.

Note 8 – Information on related parties

Amounts in NOK million	**DnB NOR ASA** 31 Dec. 2003	31 Dec. 2002
Intra-group items – assets		
Lending to and deposits with credit institutions	1 423	2 267
Lending to subsidiaries	1 825	1 563
Outstanding claims against subsidiaries	6 103	3 517
Intra-group items – liabilities		
Loans from credit institutions	6 370	3 690
Loans from other subsidiaries	1 825	1 563
Liabilities to subsidiaries	494	111

Oslo, 8 March 2004
The Board of Directors of DnB NOR ASA

Jannik Lindbæk
(vice-chairman)

Olav Hytta
(chairman)

Bjørn Sund
(vice-chairman)

Helge Leiro Baastad

Sverre Finstad

Per Hoffmann

Berit Ǩjøll

Jørn O. Kvilhaug

Bent Pedersen

Ingjerd Skjeldrum

Anne Carine Tanum

Per Terje Vold

Svein Aaser
(group chief executive)

Auditor's Report for 2003

To the Annual General Meeting and the Supervisory Board of DnB NOR ASA

We have audited the annual financial statements of DnB NOR ASA as of 31 December 2003, showing a profit of NOK 3 118 million for the parent company and a profit of NOK 3 017 million for the group. We have also audited the information in the Directors' Report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Group Chief Executive. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of 31 December 2003, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information given in the Directors' Report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, 8 March 2004
PricewaterhouseCoopers DA

Geir Julsvoll
State Authorised Public Accountant (Norway)

Einar Westby
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Control Committee's Report

To the Supervisory Board and the Annual General Meeting of DnB NOR ASA

The Control Committee has carried out internal controls in DnB NOR ASA and the Group in accordance with law and instructions laid down by the Supervisory Board.

In connection with the closing of the accounts for the 2003 financial year, the Control Committee has examined the Directors' Report, the annual accounts and the Auditor's Report for DnB NOR ASA.

The Committee finds that the Board of Directors gives an adequate description of the financial position of the holding company and the Group, and recommends the approval of the Directors' Report and annual accounts for the 2003 financial year.

Oslo, 18 March 2004

Helge B. Andresen
(chairman)

Kristin Normann Aarum
(vice-chairman)

Geir Dege

Thorstein Øverland
(deputy)

Frode Hassel

Key figures 1999 – 2003 1)

	DnB NOR Group				
	Pro forma 2003	Pro forma 2002	Pro forma 2001	Pro forma 2000	Pro forma 1999
Interest rate analysis					
1. Combined average spread for lending and deposits (%)	2.62	2.77	2.75	2.91	3.19
2. Spread for ordinary lending to customers (%)	1.76	1.48	1.34	1.33	1.49
3. Spread for deposits from customers (%)	0.87	1.29	1.41	1.58	1.70
Rate of return/profitability					
4. Net other operating income, % of total income	37.6	28.9	35.6	38.7	36.1
5. Cost/income ratio (%)	60.7	66.2	60.8	59.2	67.6
6. Cost/income ratio excl. goodwill amortisation (%)	57.9	63.6	58.9	57.6	66.3
7. Return on equity (%)	12.7	8.9	15.5	18.5	16.1
8. Return on equity excl. goodwill amortisation (%)	14.3	10.2	16.7	19.5	17.0
9. Goodwill amortisation (NOK million)	651	539	429	368	283
10. Average equity (NOK million)	42 206	40 738	38 768	36 750	31 236
Financial strength					
11. Core (Tier 1) capital ratio at end of period (%) 2)	6.8	7.1	7.1	6.3	6.3
12. Capital adequacy ratio at end of period (%) 2)	9.8	9.9	10.0	9.6	9.4
13. Core capital at end of period (NOK million) 2)	39 270	36 802	37 007	30 364	27 024
14. Total eligible primary capital at end of period (NOK million) 2)	56 489	51 258	52 138	46 164	40 439
15. Risk-weighted volume at end of period (NOK million) 2)	579 445	516 664	519 202	483 299	429 748
Loan portfolio and loan-loss provisions					
16. Loan-loss ratio (%)	0.34	0.21	0.13	(0.01)	0.06
17. Net non-performing and doubtful commitments, % of total lending 2)	1.47	0.97	0.92	0.98	1.47
18. Loan-loss provisions relative to total gross lending (%) 2)	1.45	1.29	1.30	1.44	1.80
19. Non-performing commitments at end of period (NOK million) 2)	6 531	3 622	3 062	3 018	3 992
20. Doubtful commitments at end of period (NOK million) 2)	1 870	1 232	996	999	1 607
Liquidity					
21. Ratio of deposits to net lending at end of period (per cent) 2)	60.2	65.1	64.1	64.0	67.5
Total assets owned or managed					
22. Assets under management (NOK billion) 2)	489	412	216	207	182
23. Average total combined assets (NOK billion)	1 120	930	789	732	659
24. Total combined assets at end of period (NOK billion) 2)	1 192	1 047	812	765	699
25. Customer savings at end of period (NOK billion) 2)	824	729	519	483	446
Staff					
26. Number of full-time positions at end of period 2)	11 073	11 233	11 283	11 417	11 965
- of which in Life Insurance and Pensions 2)	970	1 014	1 106	1 128	1 155
The DnB NOR share					
27. Number of shares at end of period (1 000) 2)	1 309 027	1 309 027	1 309 968	1 318 036	1 318 036
28. Average number of shares (1 000)	1 309 027	1 309 552	1 313 965	1 318 036	1 318 036
29. Average number of shares – fully diluted (1 000)	1 311 737	1 314 781	1 319 863	1 318 036	1 318 036
30. Earnings per share (NOK)	4.11	2.77	4.59	5.15	3.83
31. Earnings per share excl. goodwill amortisation (NOK)	4.61	3.19	4.91	5.43	4.04
32. Earnings per share fully diluted (NOK)	4.10	2.76	4.57	5.15	3.83
33. Equity per share at end of period (NOK) 2)	32.18	30.32	29.74	27.34	27.98
34. Share price at end of period (NOK) 2)	44.40	32.60	40.40	47.50	32.90
35. Price/book value 2)	1.38	1.08	1.36	1.74	1.18
36. Market capitalisation (NOK billion) 2)	58.1	42.7	52.9	62.6	43.4
37. Dividend per share (NOK)	2.20	2.14	2.53	2.43	1.94
38. "RISK" adjustment for the DnB share as at 1 Jan. the consecutive year (NOK) 3)	(8.43)	3.52	(3.66)	2.64	(0.39)
39. "RISK" adjustment for the Gjensidige NOR share as at 1 Jan. the consecutive year (NOK)		(0.46)	17.53	28.11	20.18

1) All figures have been prepared in accordance with the DnB NOR Group's accounting principles as at 31 December 2003. All figures represent the combined business of DnB and Gjensidige NOR (pro forma accounts). Figures prior to 2000 include operations in Postbanken (pro forma accounts). Asset management operations acquired from Skandia are included as from 1 June 2002 and Nordlandsbanken as from 1 January 2003.

2) Official figures at end-2003.

3) Estimated "RISK" adjustment for 2003.

Definitions

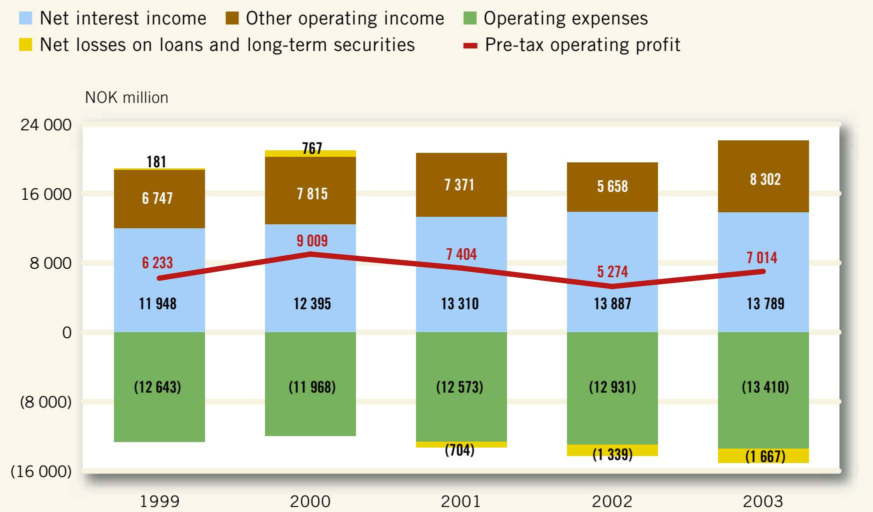
7. Profit for the period as a percentage of average equity.
16. Net losses on loans (excluding guarantees) as a percentage of lending after the deduction of specified loan-loss provisions at end of period.
17. Non-performing and doubtful commitments after the deduction of specified loan-loss provisions relative to lending after the deduction of specified loan-loss provisions. Figures at end of period.
18. Accumulated specified and unspecified loan-loss provisions relative to gross lending at end of period.
30. Profit for the period divided by the average number of shares.
35. The last quoted share price on the Oslo Børs at end of period relative to the book value of equity at end of period.
36. Number of shares multiplied by the share price at end of period.

Survey of results 1999 – 2003 1)

					DnB NOR Group
Amounts in NOK million	Pro forma 2003	Pro forma 2002	Pro forma 2001	Pro forma 2000	Pro forma 1999
Interest income	38 430	42 959	43 655	38 850	35 914
Interest expenses	24 641	29 072	30 345	26 455	23 966
Net interest income and credit commissions	**13 789**	**13 887**	**13 310**	**12 395**	**11 948**
Dividends	212	171	218	329	296
Net profit/(loss) from Life Insurance and Pensions	760	(271)	206	632	640
Commissions and fees receivable	6 335	5 869	5 434	5 395	4 559
Commissions and fees payable	2 056	1 971	1 507	1 238	1 174
Net gain on foreign exchange and financial instruments	1 847	774	1 440	1 779	1 485
Sundry ordinary operating income	1 181	1 046	1 551	902	899
Gains on the sale of fixed assets	23	39	30	15	43
Net other operating income	**8 302**	**5 658**	**7 371**	**7 815**	**6 747**
Salaries and other personnel expenses	6 577	6 005	5 873	5 498	5 190
Administrative expenses	3 982	3 947	4 129	4 051	3 909
Depreciation	1 200	1 077	1 074	959	961
Sundry ordinary operating expenses	1 433	1 508	1 374	1 379	1 795
Other expenses	219	394	123	81	787
Total operating expenses	**13 410**	**12 931**	**12 573**	**11 968**	**12 643**
Pre-tax operating profit before losses	**8 681**	**6 613**	**8 107**	**8 242**	**6 053**
Net losses/(reversals) on loans, guarantees etc.	1 891	1 023	604	(26)	219
Net gain/(loss) on long-term securities	224	(316)	(100)	741	400
Pre-tax operating profit	**7 014**	**5 274**	**7 404**	**9 009**	**6 233**
Taxes	1 636	1 642	1 378	2 219	1 191
Profit for the year	**5 378**	**3 632**	**6 026**	**6 790**	**5 042**
Earnings per share (NOK)	4.11	2.77	4.59	5.15	3.83
Diluted earnings per share (NOK)	4.10	2.76	4.57	5.15	3.83
Average total assets	697 223	622 732	575 183	535 088	497 027

1) All figures have been prepared in accordance with the DnB NOR Group's accounting principles as at 31 December 2003. All figures represent the combined business of DnB and Gjensidige NOR (pro forma accounts). Figures prior to 2000 include operations in Postbanken (pro forma accounts). Asset management operations acquired from Skandia are included as from 1 June 2002 and Nordlandsbanken as from 1 January 2003.

Profit and loss accounts

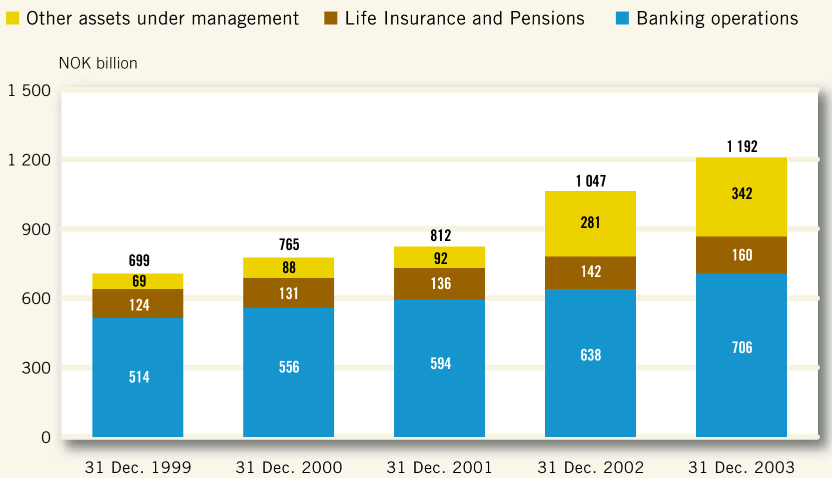


Balance sheet summary 1999 – 2003 1)

Amounts in NOK million	31 Dec. 2003	Pro forma 31 Dec. 2002	Pro forma 31 Dec. 2001	Pro forma 31 Dec. 2000	Pro forma 31 Dec. 1999
					DnB NOR Group
Assets					
Cash and deposits with central banks	8 570	22 944	5 067	11 751	17 578
Lending to and deposits with credit institutions	28 331	26 615	25 731	27 047	21 465
Gross lending to customers	565 546	494 601	475 811	436 368	398 543
- Specified loan-loss provisions	(4 329)	(2 884)	(2 670)	(2 768)	(3 767)
- Unspecified loan-loss provisions	(3 714)	(3 501)	(3 501)	(3 504)	(3 399)
Net lending to customers	557 503	488 217	469 640	430 096	391 376
Repossessed assets	576	651	181	137	126
Commercial paper and bonds	59 398	51 745	54 591	46 788	46 275
Shareholdings etc.	4 011	4 364	4 956	4 297	4 327
Investments in Life Insurance and Pensions	5 981	5 920	5 837	5 519	5 328
Investments in other associated companies	1 384	1 264	1 277	1 407	1 336
Intangible assets	6 484	6 733	3 974	4 181	4 276
Fixed assets	4 475	4 425	3 774	4 143	5 016
Other assets	23 643	19 382	11 415	13 613	9 623
Prepayments and accrued income	5 321	6 098	7 797	7 143	7 326
Total assets	**705 677**	**638 357**	**594 242**	**556 123**	**514 053**
Liabilities and equity					
Loans and deposits from credit institutions	78 497	80 302	64 834	81 021	84 083
Deposits from customers	335 576	317 598	300 980	275 447	264 247
Securities issued	181 649	138 568	141 602	115 908	91 239
Other liabilities	35 305	35 359	24 800	28 625	29 440
Accrued expenses and prepaid revenues	5 992	5 034	2 330	2 747	2 004
Provisions for commitments	2 834	3 000	2 342	2 122	2 293
Subordinated loan capital	18 126	13 519	14 675	14 219	8 694
Perpetual subordinated loan capital securities	5 583	5 292	3 601	0	0
Total liabilites	**663 562**	**598 672**	**555 163**	**520 090**	**482 000**
Subordinated loan capital	13 090	13 090	13 100	13 181	13 181
Share premium reserve	11 353	11 353	11 353	11 353	11 353
Other equity	17 672	15 242	14 626	11 499	7 518
Total liabilities and equity	**705 677**	**638 357**	**594 242**	**556 123**	**514 053**

1) All figures have been prepared in accordance with the DnB NOR Group's accounting principles as at 31 December 2003. All figures represent the combined business of DnB and Gjensidige NOR (pro forma accounts). Figures prior to 2000 include operations in Postbanken (pro forma accounts). Asset management operations acquired from Skandia are included as from 1 June 2002 and Nordlandsbanken as from 1 January 2003.

Total combined assets



Totals are net of inter-company balances.

The integration project

The merger of DnB and Gjensidige NOR into a new and stronger financial services group represents one of the most extensive integration projects ever carried out in Norway. Completing the integration at a swift pace and in a manner which serves the interests of customers, employees and owners alike is essential to DnB NOR's future development.

Organisation

The integration process has been organised as a project supervised by an integration committee consisting of the new group management team and employee representatives, headed by group chief executive Svein Aaser. The project was structured to reflect the new DnB NOR organisation, with a project group for each business area, staff and support unit. Emphasis was placed on attaining a balanced representation from the two merging entities in the project.

Main results of the integration project

During the autumn of 2003, major strategic targets and challenges for all of the business areas and staff and support units were clarified, and models for cooperation between the various units were defined.

One of the primary aims of the integration project was to establish an optimal organisation and size of the Group. The functional organisation of the business areas into divisions and sections was determined during the autumn. Further, optimal staff levels were defined on the basis of the human resources required to fulfil the responsibilities carried out by the units.

Appointments to most managerial positions in the new organisation were also completed in 2003 and the first months of 2004. Special attention was given to carrying out the process in a proper and orderly manner. DnB NOR is dependent on executives capable of leading the Group forward, and the employees must feel confident that the process has been fair and balanced. The recruitment process was conducted in close cooperation with the Group's employee representatives.

The integration of IT systems applications represents a major challenge in all mergers. The main systems solutions for all business areas within the Group were selected during the autumn of 2003. Major importance is attached to rapid integration of the systems in order to best safeguard the interests of customers as well as the Group. The process will take place in several phases, with major milestones in 2004 and final integration in 2006. This strategy will ensure the quickest realisation of synergies within the business areas and staff units while maintaining a high level of customer satisfaction.

The synergy effects communicated to the market in connection with the merger prospectus in April 2003 were based on an evaluation at top level in the business areas. During a review in autumn, synergy targets were clarified and confirmed by the managers who will be responsible for realising the gains. Detailed and ambitious plans for achieving the synergies have been worked out, and the implementation of measures set out in the plans is well under way in the organisation.

Table 1: Annual cost and revenue synergies following full implementation in 2007

Amounts in NOK million	Cost synergies	Revenue synergies	Net synergies	Staff reductions (full-time positions)	Restructuring costs
Retail Banking [1]	745	(180)	565	740	365
Corporate Banking [2]	150	(95)	55	200	145
Markets [3]	110	(30)	80	105	125
Asset Management [4]	110	(20)	90	70	175
Life Insurance and Pensions (effect for owner) [4]	50	(10)	40	135	75
IT and Payment Services [5]	235	(20)	215	85	560
Human Resources and Group Services [5]	160	0	160	110	160
Staff units/other [6]	200	0	200	185	255
Total	1 760	(355)	1 405	1 630	1 860

1) Includes card operations and real estate broking.
2) Includes small and medium-sized business customers. Synergy figures for DnB NOR Finans and Elcon are not included.
3) Includes Treasury. Figures are adjusted for internal rent and IT costs relative to the merger prospectus.
4) Asset Management and Life Insurance and Pensions include IT and premises costs. For other units these costs are placed in IT and Group Services, respectively.
5) Adapted to the new organisation model
6) A number of measures apply to all business areas. These synergies and restructuring costs are not allocated to specific areas.

Table 2: Time schedule for phasing in net synergies				
Amounts in NOK million	2004	2005	2006	2007
Total annual net synergies	422	843	1 265	1 405
Cumulative share of net synergies	30%	60%	90%	100%

Synergies resulting from the merger

A thorough assessment of the measures and savings resulting from the merger has confirmed the feasibility of realising the ambitious synergy targets.

Table 1 provides an overview of annual cost and revenue synergies following full implementation in 2007. The figures in the table have been adjusted relative to the merger prospectus to reflect the final organisation. Total synergies and restructuring expenses for the DnB NOR Group are nonetheless on a level with the figures presented in the merger prospectus. Through measures initiated at group level, it will be possible to realise the synergies as initially planned. These measures are entered under the item “Staff units/other”.

The time schedule for phasing in synergies has also been upheld. Table 2 shows the schedule for phasing in net synergies.

The business area Retail Banking will realise the greatest synergies, which will be obtained by combining overlapping branch networks and investment centres as well as staff, support and operational units. The merging and streamlining of card operations, real estate broking businesses and distribution channels will also provide substantial savings. Measures will be introduced to limit any negative income effects of the merger, e.g. through the harmonisation of prices on customer products, though some loss of customers is to be expected.

The coordination of operations in regional offices will be the biggest challenge for the business area Corporate Banking, along with the coordination of activities within the large corporate units and key staff and support units. Allowance has been made for a certain loss of customers, primarily where the two merging banks previously represented the no. 1 and no. 2 bank for the same customer.

The majority of synergies within Markets will be achieved through staff cuts resulting from the integration of operations. Reduced pay to external providers of e.g. information services will also lead to substantial savings.

Asset Management will obtain major cost savings through the integration of the investment management organisation, mutual fund companies and systems management and operations.

Synergy gains for Life insurance and Pensions will largely derive from IT/systems applications along with the general coordination of activities. Measures will be implemented over time in the best interests of customers.

Cost savings within IT and Payment Services will stem primarily from the operation, management and development of IT systems. Future investment requirements will be reduced where the Group can adopt a single or fewer systems solutions, e.g. within salary and administrative systems, customer account systems and management and information systems. In addition, savings are anticipated on payment transactions operations and infrastructure.

With respect to Human Resources and Group Services, synergies will for the most part be realised on better utilisation of properties owned by the Group and the coordination of procurement functions.

The coordination of group staff functions along with a scaling back of sponsorship activities will provide synergies within the Group’s staff functions.

The integration process got off to a good start in 2003, and synergies in the area of NOK 93 million were realised during the year. The most significant changes in processes, systems and routines affecting customers and employees will be in place by the end of 2005, and cost cuts will be implemented at a pace which will minimise possible negative effects for customers.
A number of the measures require joint IT solutions to be fully realised. Handling the IT integration successfully will be vital for realising synergies on schedule, while maintaining good and stable IT operations. Against this background, a special project organisation has been established for planning, implementing and monitoring the IT integration.

Total restructuring expenses are estimated at NOK 1 860 million, of which NOK 930 million is recorded in the balance sheet of the new group. The remaining restructuring costs will be charged to the accounts when the final action plan has been decided. A major part, around 50 per cent, of restructuring costs relates to the planned scaling back of staff by a total of 1 630 full-time positions. The staff cuts will, as far as possible, be realised through natural attrition. There is close cooperation with the Group’s employee representatives on the selection and appointment of management and staff members in the new DnB NOR Group.

Following up the integration

The successful completion of the integration will be among group management’s main priorities in 2004. The integration committee will continue as a steering group for the integration. Status reports will be prepared every fourteen days and the realisation of synergies followed up on a monthly basis.

New brand – new corporate identity

The process of introducing the new DnB NOR Group was started as a separate project in June 2003.

The aim was to ensure internal and external recognition of the merged group as a distinctive entity, and to help establish the DnB NOR brand in a forceful, clear and positive manner in the minds of customers, shareholders, employees and society at large.

Other priorities involved customer information, a number of internal information and motivational measures, internal and external surveys on attitudes towards the merger, the replacement of various types of signage, graphic elements etc. and updating of templates for legal documents and agreements. A major challenge was to design a graphic profile and logo for DnB NOR.

In the project, importance has been placed on coordinating the introduction of the new brand name by the various units. A primary consideration has been to postpone taking the DnB NOR brand into use until customers are provided with a fully coordinated offering. Due to differences in the pace of the integration process, certain units, e.g. the capital markets operation DnB NOR Markets, has already taken the new brand name into use. The large corporate divisions and international offices will introduce the brand name earlier than the branch network. The coordination of the branch networks presents special challenges, and the integration and re-profiling of the branch offices will not be completed until the autumn of 2004.


nB NOR

How things are done in DnB NOR

Strong focus on work methods will be a key factor in developing the DnB NOR culture.

"We will soon have a corporate culture in place which clearly reflects that 'this is DnB NOR'," says chairman of the Board of Directors Olav Hytta and group chief executive Svein Aaser.

The board chairman and group chief executive demonstrated early on in the planning of the merger that corporate culture would be a priority. Group management and senior management in the business areas will follow up this in practice and have initiated a review of work methods and processes adapted to each management team.

"Our corporate culture will affect the way we work. Culture is thus also a way of creating financial results. It is important to assign a specific meaning to the idea of a corporate culture, and not just let it be airy theories and empty words," says Svein Aaser.

Early on the agenda

"Many have perceived DnB and Gjensidige NOR as quite dissimilar organisations, with very different corporate cultures, which would be a challenging starting point for any organisational process. Therefore, we wanted to show that we really take this matter seriously," says Hytta.

"Several months prior to the merger we introduced corporate culture as a separate issue. We presented a survey documenting and analysing cultural aspects in the two organisations that were about to join forces. I don't believe this has been done before in connection with a large merger," says Aaser. Hytta points out that right from the start this helped establish the credibility of efforts to build a common corporate culture.

"Within the organisation there is a general commitment to creating something new. No one believes that one culture will dominate the other," says Hytta.

Role of the chief executives

Olav Hytta adds that another insight gained during the merger process is that cooperation between the two chief executives has had an enormous impact on the success of the merger. Their cooperation reflected harmony and was based on mutual respect.

"The two of us cooperated extremely well and agreed early on that what is most important is the achievement of our designated goals. The good chemistry between us has probably meant a lot in getting the merger process off to a good start," says Olav Hytta.

"There was openness and confidence between Olav and myself from the start, which was perceived by the two former organisations. This was a major factor behind the relaxed atmosphere during the merger process," says Aaser.

The two chief executives add that the employee representatives have also played an important part in achieving the current degree of integration in such a short time. "Their participation is greatly appreciated," says Svein Aaser.

Work methods

The development of a common organisational culture started as soon as the formal aspects of the merger were in place. Group management and management teams in the business areas assessed demeanour and their own work methods relative to practical solutions, management principles and the processing of strategic and business plans.

The process has engaged large parts of the organisation. The platform for the Group's strategy has been developed with the participation of over 500 executives and staff members throughout the organisation.

The board chairman and the group chief executive have high hopes that the attention given to demeanour and work procedures will have an impact on the integration process and corporate culture.

"Building a corporate culture takes time, but we got off to a good start," says Olav Hytta.

This is how things are done

"The first step in building and implementing a corporate culture is to reach agreement on our core values. Everyone in DnB NOR will be involved in staking out the course for our efforts and making the necessary choices to achieve our goals. We will ensure satisfaction for both customers and employees. We must reach consensus and work together to accomplish our goals," says Olav Hytta.

"I hope that within a year and a half, we will have completed most of the integration, while concentrating on customers throughout the process. Moreover, I hope we can then look back on a period where our united efforts helped DnB NOR earn Norway's respect and appreciation," says Svein Aaser.

"We will create a corporate culture which includes recognition of our management style and the way we work," conclude Olav Hytta and Svein Aaser. The board chairman and the group chief executive envision an organisation where the development of the Group's corporate culture inspires a feeling of belonging among employees where they can stand in unison behind the slogan: "This is how things are done in DnB NOR".

Svein Aaser (left) and Olav Hytta

IFRS – new international accounting rules

Based on a resolution by the European Commission, all listed companies are required to prepare consolidated accounts in accordance with International Financial Reporting Standards (IFRS, previously International Accounting Standards, IAS) as from 1 January 2005. This resolution also applies to Norwegian companies by virtue of the EEA Agreement.

IFRS project in DnB NOR

IFRS implementation in DnB NOR is organised as a project with broad participation from central staff units and business areas. Eleven working groups have been set up, each focusing on implementation within a defined area of functions. The groups are to review the new accounting principles and consider the implications on systems and processes as well as financial and business consequences. The Group's Audit Committee receives project reports at regular intervals.

The IFRS project will clarify the impact of the new principles on accounting procedures and systems by the end of June 2004, after which a review of the project findings will be conducted by the Audit Committee. However, this requires that the international standard-setting body, IASB (International Accounting Standards Board) completes the new standards within the existing timetable, i.e. in the first quarter. The timetable for consideration of financial instruments requires the standards in question (IAS 32 and 39) to be approved by the EU in the first half of 2004.

Impact of new rules on DnB NOR

The consequences of the introduction of IFRS for DnB NOR are summarised below. Since the rules have yet to be finalised in several important areas, the following assessment is preliminary. Current accounting principles are detailed on page 69.

Implementation effects of the transition to IFRS

As part of the transition to IFRS, DnB NOR will prepare an opening balance based on the new accountings standards. This will entail complete reassessment of all balance sheet items. However, exceptions are made in regard to accounting for business integrations and to variance between actual and estimated pension obligations that is not recorded in the accounts. The effect of such factors for DnB NOR has yet to be fully clarified.

Financial assets and liabilities

Classification and valuation

IAS 39 designates financial assets and liabilities to four classes, each with a different valuation. The valuation rules bring no significant changes to the trading portfolio, since DnB NOR accounts for such assets at fair value and the effect of value changes is already included in the profit and loss account under the present accounting principles. There may be changes in the classification and valuation of securities in the banking portfolio. However, the classification of portfolios and the review of accounting effects have yet to be completed.

IFRS requires loan to be written down based on an individual impairment test using discounted expected cash flows. A similar method should be applied for portfolios of loans. The new accounting standards entail substantial challenges to IT systems. Work on adapting IT systems is under way.

Hedging interest rate risk

DnB NOR uses financial derivatives to cover interest rate risk. The IASB has issued an exposure draft that allows hedging of net positions, so-called macro hedging, in financial statements in accordance with set criteria. In DnB NOR's assessment the new rules can be employed in their present form once certain adjustments are made to systems and routines. They may, however, lead to wider fluctuations in the profit and loss accounts. DnB NOR's assessment of accounting and system-related effects has yet to be finalised.

Internal transactions

DnB NOR units hedge interest rate risk using financial derivative contracts entered into with counterparties within the Group. To comply with IFRS rules on macro hedging of interest rate risk (see above), such transactions must involve external counterparties. Efforts are under way within the Group to bring routines into line with the rules on macro hedging.

Acquisitions and consolidation

Consolidation requirement

DnB NOR employs the equity method to evaluate insurance business in the group accounts. According to IFRS, all business under a company's control has to be consolidated in the group's profit-and-loss and balance-sheet accounts on a gross basis using the same principles as are applied across the entire group.

In general, DnB NOR's short-term ownership interests, including commitments taken over as a result of default, are not consolidated under the current accounting regime. IFRS requires such business to be consolidated.

The implications for DnB NOR of the required consolidation of insurance business and short-term ownership interests have yet to be clarified.

Amortisation of goodwill

Goodwill does not have to be amortised systematically under IFRS, but must be considered for possible amortisation at each balance sheet date. DnB NOR currently amortises goodwill over expected useful economic life. Goodwill is written down in cases where there are clear indications that a fall in value is not temporary. IFRS may lead to more volatile results in the accounts due to changes in the value of acquired business.

Non-current assets (investments or fixed assets) available for sale
A draft version of the IFRS standard proposes special rules for valuation and presentation of non-currents assets available for sale. DnB NOR assesses such assets based on ordinary valuation criteria and does not change the classification in the accounts when considering disposal of parts of its business.

Assumptions in calculating pension commitments
DnB NOR employs a long-term time horizon when calculating pension commitments, also when establishing estimates for economic parameters. IFRS requires the use of market-based long-term parameters on the balance sheet date. IFRS may entail more frequent changes in economic parameter values.

Equity-based remuneration
IASB has recently issued an accounting standard for reporting equity-based remuneration which will require such compensation to be accounted for at fair value. Under DnB NOR's present accounting principles, allotted subscription rights with no intrinsic value are not charged to profit. The current value of employer's contribution that is assumed to accrue once subscription rights are exercised, is charged to the accounts on a straight-line basis over the time to maturity. The effect of the new standards on DnB NOR's present subscription rights programme has yet to be fully clarified.

Insurance business
The rules governing accounting for insurance contracts have yet to be finalised. Based on a preliminary assesment the accounting for insurance contracts will not change significantly from 2005. However, the life insurance industry operates under rules specific to Norway. The implications of IFRS on the Norwegian rules is uncertain.

From 2007 onwards insurance contracts will be accounted for at fair value, which will require adjustment to systems and actuarial calculations. The accounting standards have yet to be finalised.

Impact on capital adequacy

Capital adequacy rules in Norway are set by Kredittilsynet (the Financial Supervisory Authority of Norway). These rules are not harmonised with IFRS. DnB NOR will have to await new rules from Kredittilsynet to be able to calculate the impact of IFRS on the Group's capital adequacy.

BASEL II

New international parameters

A new set of rules for supervision and capital adequacy based on a proposal from the Bank for International Settlements (BIS), Basel II, is due to take effect from 2007 with parallel reporting based on prevailing rules in 2006.

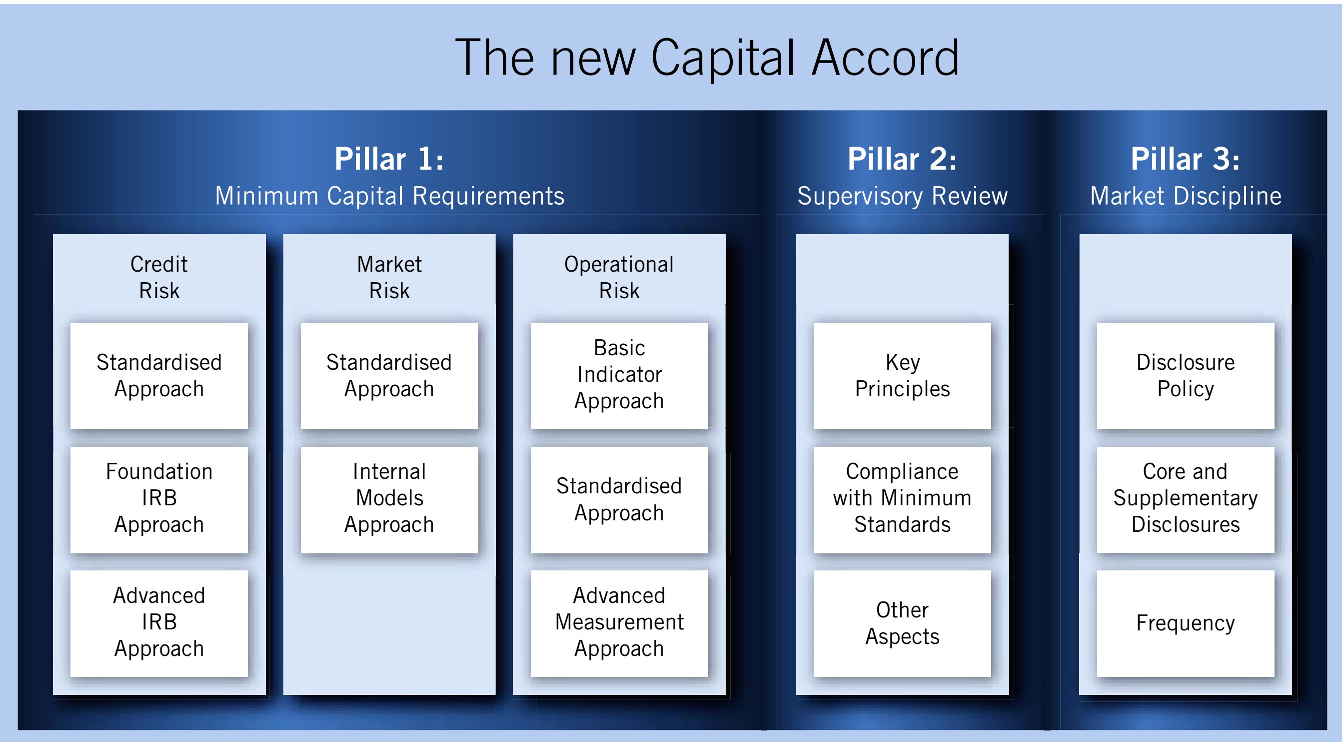
In Norway, the rules will be introduced on the basis of the new EU directive on capital adequacy, CAD 3 (Capital Adequacy Directive), which is currently under review in relevant EU bodies.

In future, public authorities' supervision and requirements will focus on actual credit quality and total risk. The new regulatory framework should help ensure better pricing of credit risk and healthier market conditions. It is based on three pillars.

- **The first pillar**, which defines minimum capital requirements, seeks to bring the capital requirement for credit risk and market risk more in line with actual financial risk. In addition, a capital requirement for operational risk will be introduced. Current rules will still apply to market risk. As previously, primary capital should represent minimum 8 per cent of risk-weighted assets. There are no significant changes in the definition of primary capital, which comprises core capital and supplementary capital. Core capital is basically equity less goodwill and other intangible assets, while supplementary capital comprises various forms of subordinated loans. Up to 50 per cent of the capital included in the 8 per cent minimum capital requirement can represent supplementary capital.

- **The second pillar**, which deals with the supervisory role of the authorities, will ensure that financial institutions and supervisory authorities continually improve their insight into financial institutions' portfolios and risk factors. Under pillar 2, national supervisory authorities can stipulate capital requirements in excess of minimum requirements following a review of the risk profile of the individual institution.

- **The third pillar**, which deals with market discipline, sets out more stringent requirements for disclosure and the scope of financial institutions' risk reporting. These requirements will be partially fulfilled as early as 2005 in connection with the introduction of new international accounting standards, IFRS, in the EU/EEA area.



There are three approaches to calculating minimum capital requirements for credit risk. While the standardised approach is based on standard rates and external risk rating, the two others, the foundation and the advanced internal rating based approaches, apply institutions' own models for credit risk. Based on the institutions' own credit portfolio history, the capital requirement will, among other things, depend upon the probability of default and the size of potential losses.

With respect to operational risk there are also three alternatives. According to the basic indicator approach, the minimum capital requirement is stipulated as a fixed percentage of the financial institution's income. In the standardised approach, the same principle is applied, though the requirement is specified for business areas, so that the ratio of capital to income varies between the business areas. The advanced measurement approach estimates capital requirements based on analyses of internal and external data regarding operational losses.

Consequences for DnB NOR

DnB NOR seeks to have risk management procedures in line with international best practice for credit risk, market risk and operational risk, which requires good communication with the market and the supervisory authorities. DnB NOR largely complies with the main principles behind the new regulations. The current methodology for internal risk models is under constant development at both the customer and portfolio level. The new Basel II rules also present a number of requirements with respect to a clear internal division of responsibilities, which is reflected in the organisation of the new group.

Both Gjensidige NOR and DnB were involved in the international test reporting according to the new regulations, which has been important in determining the final rules. Using the internal rating based approach, calculations indicate that total risk-weighted assets could be reduced by around 30 per cent relative to calculations according to prevailing rules as well as the standardised approach in Basel II. The main categories requiring reduced capital according to the new rules are housing loans and loans to small and medium-sized companies. The new rules more accruately reflect DnB NOR's real risk profile. Thus, the deviation between estimated capital requirements according to the external regulations and risk-adjusted capital requirements based on DnB NOR's internal models may be significantly reduced.

In relation to rating agencies and funding sources, however, formal capital adequacy is only one of several relevant factors. These institutions have most likely already taken into account the fact that current rules provide an imperfect picture of real risk. This implies that there is no direct connection between changes in minimum capital requirements and potential changes in DnB NOR's need for capital. This applies particularly to core capital. The size of supplementary capital (subordinated loans), however, will largely reflect formal risk-weighted assets.

Based on several years' experience with internal models of the same type as those required by Basel II, DnB NOR is well prepared to start using the internal rating based approach for capital adequacy purposes. In 2003, both DnB and Gjensidige NOR carried out projects to break down the Basel II requirements in detail in relation to systems and procedures in the two institutions and identify the need for IT development. Major IT adaptations are required to meet the requirements. The integration of IT systems in connection with the merging of DnB and Gjensidige NOR will take place parallel to preparations for Basel II and compliance with the new international accounting standards, IFRS. The integration represents both opportunities and challenges relative to the implementation of Basel II and IFRS.

Supervisory Board, Control Committee, Board of Directors, Audit Committee, Group Management and Auditors

Supervisory Board

Members elected by shareholders

Wenche Agerup, Oslo (0)
Widar Slemdal Andersen, Rælingen (629 720)
Rannveig Munkeby Arentz, Åsen (vice-chairman) (0)
Nils Halvard Bastiansen, Bærum (0)
Elisabeth Berge, Stavanger (0)
Anne Cathrine Frøstrup, Oslo (124)
Herbjørn Hansson, Sandefjord (120 000)
Jan Willy Hopland, Oslo (1)
Finn Jebsen, Oslo (15 421)
Knut Hartvig Johannson, Snarøya (10 000)
Erik Sture Larre sr., Oslo (2 185 239)
Ole-Eirik Lerøy, Bergen (0)
Odd Lunde, Bærum (0)
Trond Mohn, Paradis (2 643 060)
Harald Norvik, Nesodden (chairman) (10)
Anita Roarsen, Oslo (1)
Benedicte Berg Schilbred, Tromsø (4 001)
Jan Olav Steensland, Oslo (38 600)
Marit Tønsberg, Sørumsand (0)
Tor Peter Øwre, Tromsø (0)

Deputies elected by shareholders

Morten Sig. Bergesen, Oslo (0)
Erik Buchmann, Oslo (310)
Turid Dankertsen, Oslo (1 767)
Rolf Domstein, Måløy (0)
Jan-Erik Dyvi, Oslo (27 664)
Eva Granly Fredriksen, Oslo (1)
Rolf Hodne, Stavanger (0)
Liv Johannson, Oslo (2 480)
Fred N. Johanssen, Bærum (4 650)
Herman Mehren, Nevlunghamn (6 510)
Aage Møst, Bærum (50 220)
Einar Nistad, Rådal (0)
Asbjørn Olsen, Skedsmo (855)
Oddbjørn Paulsen, Bodø (10)
Anne Kathrine Slungård, Trondheim (0)
Birger Solberg, Oslo (100 000)
Tove Storrødvann, Ski (209)
Anne-Grete Strøm-Erichsen, Hjellestad (0)
Anne Bjørg Thoen, Oslo (341)
Lars Wenaas, Måndalen (0)

Members elected by employees

Else Carlsen, Bødalen (1 136)
Bente H. Espenes, Oslo (7)
Jon-Sigurd Hjørnerød, Gressvik (134)
Bjørg Dalberg Karlstad, Ringebu (378)
Randi G. Krøtøy, Ranheim (0)
Jorunn Løvaas, Bergen (0)
Knut Netteland, Bergen (1 240)
Berit Pedersen, Arendal (1 803)
Truls Sandvik, Lillestrøm (resigned)
Tove Tveiten, Krogstadelva (0)

Deputies elected by employees

Heidi Ambjørndalen, Oslo (151)
Sigrunn Ballo, Vadsø (1 550)
Rune Bernbo, Drøbak (0)
Erik Grøtting, Oslo (6 448)
Vigdis M. Gutterud, Krogstadelva (396)
Atle Heum, Tønsberg (291)
Nils Kvam, Trondheim (179)
Trond Erik Mikkelsen, Bergen (397)
Marianne Steinsbu, Oslo (1 336)
Siri E. Stensrud, Oslo (788)
Torill Tvedt, Bergen (903)

Control Committee

Members

Helge B. Andresen, Hamar (chairman) (0)
Geir Dege, Fredrikstad (0)
Frode Hassel, Trondheim (0)
Kristin Normann Aarum, Oslo (vice-chairman) (0)

Deputy

Thorstein Øverland, Oslo (0)

Board of Directors

Members

Helge Leiro Baastad, Vollen (688)
Sverre Finstad, Lillehammer (1 562)
Per Hoffmann, Oslo (752)
Olav Hytta, Oslo (chairman) (5 301)
Berit Kjøll, Oslo (0)
Jørn O. Kvilhaug, Hokksund (436)
Jannik Lindbæk, Oslo (vice-chairman) (0)
Bent Pedersen, Billund (12 701)
Ingjerd Skjeldrum, Drammen (5 313)
Bjørn Sund, Bekkestua (vice-chairman) (19 524)
Anne Carine Tanum, Sandvika (0)
Per Terje Vold, Hosle (156)

Deputies for the employee representatives

Bjørn Davidsen, Oslo (2 341)
Nina Britt Husebø, Bergen (1 315)
Tor Norvold, Skedsmokorset (1 488)
Janne C. Sundby, Stavern (576)

Audit Committee

Bent Pedersen, Billund (12 701)
Bjørn Sund, Bekkestua (chairman) (19 524)
Anne Carine Tanum, Sandvika (0)
Per Terje Vold, Hosle (156)

Group Management

Group chief executive
Svein Aaser (40 578)

Retail Banking
Åsmund Skår (4 364)

Corporate Banking
Leif Teksum (5 736)

DnB NOR Markets
Ottar Ertzeid (10 646)

Life Insurance and Pensions
Bård Benum (868)

Asset Management
Øyvind Birkeland (14 415)

Human Resources and Group Services
Evlyn Raknerud (1 052)

IT and Payment Services
Bente A. Landsnes (4 421)

Group Staff
Tom Grøndahl (5 584)

Strategy, Development and Corporate Communications
Karl-Olav Hovden (11 346)

Auditors

Geir Julsvoll (0)
Harald Jægtnes (976)

The figures in parentheses indicate shareholdings in DnB NOR ASA as at 31 December 2003. Shares held by the immediate family and companies in which the shareholder has such influence as stated in Section 1-5 of the Act on Public Limited Companies are also included.

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in their new research laboratory for micro and nano
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