

INTERIM
REPORT

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Nordlands Banken

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Nordlandsbanken hereby presents its consolidated and parent bank accounts for Q1 2003. As there is little difference between the consolidated and parent bank accounts, most of the comments refer to the parent bank accounts.

The consolidated accounts include the parent bank and the three wholly-owned subsidiaries NordMegler AS, Bodø, NordMegler-Oslo as and Det Nord-Norske Investerings-

selskap AS, as well as Norsk Forvaltningsservice AS, in which the Bank owned a 75 per cent stake at 31 March 2003.

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

THE GROUP

Income statement

The Group had a deficit after losses and tax of MNOK 28.3 at the end of Q1 2003, compared with a profit of MNOK 70.6 twelve months earlier. The result was deeply impacted by further loan loss provisions of MNOK 135 made at Nordlandsbanken's Oslo branch. These provisions were made as a result of a full review of the entire lending portfolio in connection with DnB's take-over of the branch on 1 April 2003.

The result corresponds to earnings per share of NOK -0.57, compared with NOK 9.47 during the same quarter of 2002. The Q1 result was equivalent to -0.40 per cent of average total assets, compared with 0.99 per cent in Q1 2002. The return on equity was -7.94 per cent at end-quarter, compared with 17.67 per cent at 31 March 2002.

The subsidiaries contributed a profit after taxes of MNOK 1.0 at the end of Q1.

The consolidated operating profit before lending losses came to MNOK 65.3 at 31 March, MNOK 62.9 less than on the same date in 2002. The result of operations was equivalent to 0.92 per cent of average total assets, compared with 1.81 per cent at 31 March 2002. The drop in the operating result was primarily attributable to a lower net interest margin and lower gains on securities.

Net losses on loans and guarantees totalled MNOK 104.6 at the end of the quarter, compared with MNOK 30.7 at 31 March 2002. Losses include general charge-offs of MNOK 50.0, up from MNOK 9.2 at the end of Q1 2002. All losses on loans refer to the Parent bank. Gross defaulted loans totalled MNOK 1 912.3. Accumulated specified loan loss provisions on defaulted loans came to MNOK 1 089.6, meaning net defaulted loans totalled MNOK 822.7 at the end of Q1. Compared with the same date in 2002, this translates into an increase of MNOK 1 306.1 in gross defaulted loans and MNOK 312.4 in net defaulted loans. Net defaulted loans have increased by MNOK 51.1 since year end.

Balance sheet

Consolidated assets decreased by MNOK 116.8, or 0.40 per cent from Q1 2002 to Q1 2003. Thus far this year, the decrease has aggregated MNOK 135.8, or 0.47 per cent. The decline is primarily attributable to the reduction in the Group's lending growth as a result of the sale of the subsidiary Nord-Finans. Gross lending came to MNOK 25 210.3 at 31 March 2003. Specified loss provisions added up to MNOK 1 672.1, while general loss provisions totalled MNOK 144.0. This brought net lending to customers to MNOK 23 394.2.

Equity and subordinated loan capital

According to current rules, at 31 March 2003, the Group had a capital adequacy ratio of 8.13 per cent, compared with 9.68 per cent at year-end 2002. At 31 March 2003, the total equity and subordinated capital counted towards capital adequacy came to MNOK 1 764.5, of which MNOK 1 119.8 was core capital. The risk-weighted lending volume came to MNOK 21 704.6 at the same date.

PARENT BANK

Income statement

The Parent bank posted a deficit of MNOK 28.3 after losses and taxes at 31 March 2003, including a profit of MNOK 1 contributed by the subsidiaries. This is ascribable to the use of the equity method for consolidation. During the same months of 2002, the Bank earned a profit of MNOK 70.6. This corresponds to earnings per share of NOK -0.57 in Q1 2003, compared with NOK 9.47 in Q1 2002. The result was equivalent to -0.40 per cent of average total assets in Q1, compared with 1.00 per cent a year earlier. The return on equity was -7.94 per cent at the end of the quarter, compared with 17.67 per cent in Q1 2002.

Prior to provisions for losses, the Q1 2003 operating profit amounted to MNOK 65.3, a decline of MNOK 61.2 compared with Q1 2002. The operating profit was equivalent to 0.92 per cent of average total assets in Q1 2003, compared with 1.79 per cent in Q1 2002 and 1.39 per cent for 2002 as a whole.

Net interest income

Net interest income and fees on loans came to MNOK 127.4 at end-quarter, down MNOK 28.1 from Q1 2002. The net interest ratio was equivalent to 1.79 per cent of average total assets, compared with 2.20 per cent 12 months earlier. The reduction in the net interest margin was mainly ascribable to the increase in loan loss provisions and risky commitments that do not generate interest the way normal loans do.

Non-interest income

Total non-interest income came to MNOK 30.5 at the end of Q1 2003. During the same months of 2002, the figure was MNOK 52.7, marking a decline of MNOK 22.2 on the year from 31 March 2002. The slide is mainly ascribable to lower trading gains on the securities portfolio and lower share dividends.

Net foreign exchange and securities trading gains totalled MNOK 11.4, down MNOK 10.1 from the same date in 2002. Of this, gains on securities were MNOK 0.7 and gains on currency amounted to MNOK 10.7. Other non-interest income aggregated MNOK 2.4 at the end of Q1 2003, a decline of MNOK 6.3 from the corresponding quarter of 2002.

Non-interest expenses

Total non-interest expenses added up to MNOK 92.6 at 31 March 2003 compared with MNOK 81.7 in Q1 2002, a rise of MNOK 10.9, or 13.3 per cent, from 2002. One-off expenses linked to co-ordination with DnB accounted for roughly MNOK 6.2 of the MNOK 10.9 increase. Expenses were equivalent to 1.30 per cent of average total assets at 31 March 2003, compared with 1.14 per cent at the same date in 2002.

At 31 March 2003, payroll and general administrative expenses totalled MNOK 39.2, up MNOK 1.0 from the corresponding quarter in 2002. General administrative expenses

amounted to MNOK 29.0 in Q1 2003, compared with MNOK 22.9 during the same months last year.

The staff represented 341.6 man-years of labour at 31 March 2003, a reduction from 345.7 man-years a year ago.

Other non-interest expenses, including depreciation, totalled MNOK 24.4, compared with MNOK 20.6 in Q1 2002. Thus far this year, total expenses correspond to 58.6 per cent of total revenues. The comparable figure for the same months of 2002 was 39.2 per cent. Excluding the yield on securities and foreign exchange trading, the corresponding figure for Q1 2003 was 63.2 per cent, compared with 43.8 per cent a year earlier.

Losses on loans and guarantees

At end-March, a total of MNOK 155.5 had been booked as charge-offs and specified losses on loans and guarantees. MNOK 9.1 of the losses were incurred on the retail market, and MNOK 146.4 on the corporate market, of which MNOK 135.0 were incurred by the Oslo branch. In addition, MNOK 50.0 was written back on general loss provisions since the uncertainty inherent in the Oslo portfolio was eliminated when DnB acquired the portfolio at book value on 31 March 2003. This will trim the balance sheet by roughly NOK 4 billion in Q2 2003. During the quarter, MNOK 0.4 was paid in on previously written off losses and MNOK 0.5 was received on previously specified loss provisions. Consequently, the Bank's net book losses totalled MNOK 104.6 at the end of the first quarter. This represents an increase of MNOK 74.7 from 31 March 2002.

Defaulted loans

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

Amounts in MNOK	31.03.03	31.03.02	31.12.02
Gross defaulted loans	1 912.3	583.2	1 602.4
Accumulated specified loss provisions	1 089.6	86.8	830.9
Net defaulted loans	822.7	496.4	771.6
Assets acquired by default	320.6	25.8	60.9

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

Moreover, specified loss provisions of MNOK 582.5 were made to cover not yet defaulted commitments, compared with MNOK 30.8 during the same months last year.

Balance sheet

The Bank's assets under management came to MNOK 28 845.1 at the end of Q1 2003. This marks a reduction of MNOK 20.5, or 0.07 per cent, since year-end 2002.

Net lending to and claims on customers less deductions for specified loss provisions totalled MNOK 23 542.3, up MNOK 43.5, or 0.19 per cent, since year end. Based on their market values, investments in securities increased by MNOK 117.3 during the quarter. Lending to and claims on credit institutions have decreased by MNOK 55.6 since year end.

Debts to financial institutions came to MNOK 7 498.6, a rise of MNOK 1 127.7 since year end.

Deposits from and debt to customers amounted to MNOK 9 056.1 at the end of Q1. This is a reduction of MNOK 175.8, or 1.9 per cent, since year end. Loans raised against the issue of certificates amounted to MNOK 883.9 at 31 March 2003, compared with MNOK 2 398.9 at year end. Loans raised against the issue of bonds remain virtually unchanged since year end.

Equity and capital adequacy

According to the current rules, Nordlandsbanken's capital adequacy was 8.13 per cent at end-March 2003, compared with 3.51 per cent at the end of 2002. At the end of Q1 2002, the Bank's capital adequacy ratio was 9.84 per cent.

At end-quarter, the total equity and subordinated capital counted towards the Parent bank's capital adequacy came to MNOK 1 763.0, of which MNOK 1 118.8 was core capital. At the same date, the risk-weighted volume of lending came to MNOK 21 694.9, up MNOK 137.9 since year end.

Main capital adequacy figures

Amounts in MNOK	31.03.03	(%)	31.03.02	(%)
Core capital	1 118.8	5.16	1 561.1	6.85
Supplementary capital	659.4	3.04	700.0	3.07
Deductions	15.3	0.07	19.1	0.08
Equity and subordinated loan capital	1 763.0		2 242.0	
Total risk-weighted volume of lending	21 694.5		22 783.7	
Capital adequacy		8.13		9.84

The time-limited subordinated loan capital counted towards the capital adequacy requirement totalled MNOK 559.4. In addition, the Bank has MNOK 100.0 in perpetual subordinated loans.

Prospects for the future

Repeated interest rate cuts on the part of Norges Bank and a slightly weaker NOK exchange rate ought to bring some relief for many of the Bank's customers. However, Norway's particularly high level of costs is placing a heavy burden on large parts of the country's export industry where Nordlandsbanken is relatively heavily exposed.

Trends in the real estate market are disquieting, with declining rental prices and a decline in the utilisation factor in towns and cities. Nordlandsbanken's risk would increase if this trend were to become more prevalent in its market areas.

All in all, this means that high priority will be attached to the lending portfolio and to following up risky commitments in the months ahead. Nordlandsbanken's 2003 results will also be impacted by the tidying up of the lending portfolio at the Oslo branch and the generally difficult global economic situation.

Notwithstanding, Nordlandsbanken's market is bustling with activity and the Bank has experienced no adverse effects in terms of customers as a result of DnB's acquisition of the Bank. On the contrary, there has been a healthy demand for new loans, and the Bank's customers are taking advantage of increasingly more of the range of products on offer. A prime illustration of this is the 6.7 per cent growth rate in the use of Internet banking in Q1 2003. Given that 78 per cent of the Bank's customers are card-users, this is reason for optimism when it comes to improving the efficiency of banking operations.

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

Parent Bank			Income Statement	Group		
At 31 March 2003	At 31 March 2002	2002 as a whole	MNOK	At 31 March 2003	At 31 March 2002	2002 as a whole
618.9	607.5	2 648.4	Interest income and fees on loans	615.9	611.4	2 662.8
(491.5)	(452.0)	(2 005.4)	Interest expenses	(491.4)	(452.2)	(2 006.7)
127.4	155.5	643.0	Net interest income and fees on loans	124.5	159.3	656.1
1.3	5.7	17.3	Dividends and income on variable-yield securities	0.3	5.1	14.7
20.7	23.0	99.0	Credit commission income and incoming fees on banking services	20.7	24.2	104.6
(5.3)	(6.2)	(25.9)	Credit commission expenses and outgoing fees on banking services	(5.3)	(6.3)	(26.6)
11.4	21.5	34.0	Net trading gains on foreign exchange and securities	11.4	21.5	33.9
2.4	8.7	24.9	Non-interest income	6.8	11.3	50.4
30.5	52.7	149.3	Total other non-interest income	33.9	55.8	177.0
(39.2)	(38.2)	(165.4)	Payroll and personnel expenses	(40.5)	(42.8)	(185.0)
(29.0)	(22.9)	(90.4)	General administrative expenses	(30.0)	(25.2)	(99.1)
(7.2)	(6.4)	(53.0)	Depreciation	(8.1)	(7.7)	(59.8)
(17.2)	(14.2)	(68.0)	Other non-interest expenses	(14.5)	(11.2)	(67.1)
(92.6)	(81.7)	(376.8)	Total non-interest expenses	(93.1)	(86.9)	(411.0)
65.3	126.5	415.5	Operating profit before provisions for losses	65.3	128.2	422.1
(104.6)	(29.9)	(1 618.8)	Losses on loans and guarantees, etc.	(104.6)	(30.7)	(1 624.1)
0.0	0.0	50.1	Profit on long-term securities	0.0	0.0	50.1
(39.3)	96.6	(1 153.2)	Operating profit after losses	(39.3)	97.5	(1 151.9)
0.0	0.0	0.0	Profit on minority interests	0.0	0.0	0.1
11.0	(26.0)	318.5	Tax	11.0	(26.9)	317.1
(28.3)	70.6	(834.7)	Profit/loss for the fiscal year	(28.3)	70.6	(834.7)

Parent Bank			Balance Sheet	Group		
At 31 March 2003	At 31 March 2002	2002 as a whole	MNOK	At 31 March 2003	At 31 March 2002	2002 as a whole
			ASSETS			
412.0	173.4	714.7	Cash in and claims on central banks	412.0	173.4	714.7
1 055.1	1 340.7	1 110.7	Lending to and claims on credit institutions	1 054.9	759.8	394.7
23 542.3	23 836.9	23 498.8	Net lending to and claims on customers	23 394.2	24 371.8	24 176.8
320.6	25.8	60.9	Property acquired by default	320.6	25.8	60.9
1 712.5	2 009.9	1 595.2	Certificates, bonds	1 715.0	2 012.2	1 597.6
454.5	573.7	490.6	Shares	454.6	574.4	491.1
19.2	87.0	89.0	Equity in Group companies	0.0	0.0	0.0
292.1	3.2	286.5	Intangible assets (Goodwill)	293.6	4.5	290.0
273.9	286.1	276.2	Fixed assets	432.7	489.1	481.9
309.5	101.8	243.9	Other assets	311.4	109.2	261.0
453.4	433.1	499.1	Pre-paid and accrued earnings	451.6	437.2	507.7
28 845.1	28 871.6	28 865.6	Total assets	28 840.6	28 957.4	28 976.4
			LIABILITIES AND EQUITY			
			Liabilities			
7 498.6	6 809.0	6 370.9	Liabilities to credit institutions	7 498.6	6 820.7	6 389.4
9 056.1	10 263.4	9 231.9	Deposits from and debt to customers	9 046.4	10 251.0	9 228.0
883.9	2 149.4	2 398.9	Negotiable certificates and other short-term loans	883.9	2 149.4	2 398.9
8 802.5	6 523.0	8 796.3	Bond debt and other long-term borrowing	8 802.5	6 523.0	8 796.3
53.4	269.6	119.2	Other liabilities	56.5	290.9	145.6
435.3	435.7	486.6	Accrued expenses and prepaid income	436.5	498.8	554.2
11.3	70.3	8.7	Provisions to cover commitments and costs	11.3	71.5	10.0
700.0	700.0	700.0	Subordinated loan capital	700.0	700.0	700.0
27 441.1	27 220.4	28 112.5	Total liabilities	27 435.7	27 305.3	28 222.4
			Share capital			
0.0	0.0	0.0	Minority interests	0.9	0.9	0.9
1 432.3	1 580.6	753.1	Share capital	1 432.3	1 580.6	753.1
(28.3)	70.6	0.0	Retained profits	(28.3)	70.6	0.0
1 404.0	1 651.2	753.1	Total equity	1 404.9	1 652.1	754.0
28 845.1	28 871.6	28 865.6	Total liabilities and equity	28 840.6	28 957.4	28 976.4

Bodø, 7 May 2003

Leif Teksum Petter Jansen Nikolai Stefanovic Ingebjørg Glad Pedersen Thor Andersen Hilde Rolandsen Ole Morten Kristiansen Morten Støver
Chairman Deputy Chairman Managing Director

Parent Bank			Key Figures	Group		
At 31 March 2003	At 31 March 2002	2002 as a whole		At 31 March 2003	At 31 March 2002	2002 as a whole
28 535.9	28 662.9	29 811.1	Average total assets (MNOK)	28 531.4	28 747.6	29 922.0
(0.57)	9.47	(2.78)	Earnings per share (NOK)	(0.57)	9.47	(2.78)
(7.94)	17.67	(71.54)	Return on equity (%)	(7.94)	17.67	(71.54)
8.13	9.84	3.51	Capital adequacy (%)	8.13	9.68	3.40

Equity note Parent Bank

NOK 1 000	Share capital	Legal reserves	Reserve for valuation variances	Other equity	Total equity
Balance sheet at 1 January	375 062	136 615	16 853	224 529	753 059
Balance sheet at 1 January				(28 300)	(28 300)
Share issue	250 000	450 000			700 000
Sale of subsidiary			(20 800)		(20 800)
Balance sheet at 31 March 2003	625 062	586 615	(3 947)	196 229	1 403 959

Excerpts from the quarterly accounts:

Net consolidated profit

MNOK	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
Net interest income and fees on loans	124.5	153.6	180.2	163.1	159.3
Other non-interest income	33.9	68.4	15.2	37.6	55.8
Net operating income	158.4	222.0	195.4	200.7	215.1
Payroll and general administrative expenses	(70.5)	(78.1)	(67.9)	(70.0)	(68.0)
Other non-interest expenses	(22.6)	(64.9)	(21.5)	(21.6)	(18.9)
Operating profit before losses and write-downs	65.3	79.0	106.0	109.1	128.2
Net losses on loans and profits/losses on securities	(104.6)	(1 455.2)	(45.1)	(43.0)	(30.7)
Profit on ordinary operations before tax	(39.3)	(1 376.2)	60.9	66.0	97.5

Consolidated balance sheet

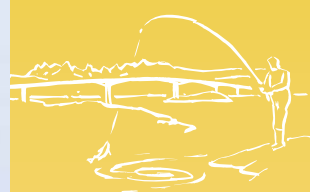
MNOK	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
Net lending to customers	23 394.2	24 176.8	25 625.5	23 952.2	24 371.8
Deposits from customers	9 046.4	9 228.0	9 721.4	10 966.4	10 251.0
Average total assets this quarter	28 531.4	31 218.6	30 315.3	29 402.9	28 747.6

Key consolidated figures (annualised)

All figures as a percentage of average total assets	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
Net interest margin	1.75	1.97	2.38	2.22	2.22
Non-interest income	0.48	0.88	0.20	0.51	0.78
Payroll and general administrative expenses	0.99	1.00	0.90	0.95	0.95
Other non-interest expenses	0.32	0.83	0.28	0.29	0.26
Loan losses	1.47	18.65	0.60	0.59	0.43
EBT	(0.55)	(17.63)	0.80	0.90	1.36



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