

Interim Report 1st quarter 2003
Nordea Bank Norge Group

Profit and profitability

Nordea Bank Norge's profit for the 1st quarter 2003 amounted to NOK 75m (485), corresponding to a return on equity of 1.7 % (11.3). Total income and expenses have been on the same level as last year, while loan losses have increased to NOK 637m (-7).

Income

Total income amounted to NOK 1,771m (1,806), a decrease of 2%.

Net interest income increased by 4.4% to NOK 1,247m. Net interest income in percentage of average total assets was 2.23% (2.00) in the first quarter, annualised.

The difference between the average deposit rate of interest and lending rate of interest amounted to 2.45 percentage points (2.44) in the first quarter. This is somewhat lower than the average in 2002 that was 2.54 percentage points. Lending to customers was on average 3.5% higher than in the first quarter of 2002. Average deposits from customers were 5.9% higher than in the corresponding period the previous year.

Dividends and profit from associated companies were NOK 13m (19). The most significant contribution was the share of profit from Eksportfinans ASA.

Net commission income increased by NOK 17m to NOK 246m. This is mainly due to income from payment services.

Net change in value and profit (loss) on securities was NOK 50m (113) in the first quarter, divided between NOK 0m (80) on equities and NOK 50m (33) on certificates and bonds.

Net change in value and profit (loss) on foreign exchange and financial derivatives was NOK 181m (211) in the first quarter. It is mainly customer trading that has contributed to this result.

Other non-interest income amounted to NOK 34m (39).

Expenses

Total non-interest expenses were NOK 1,032m representing an increase of NOK 28m compared to the corresponding period the previous year. Personnel expenses amounted to NOK 579m (548). The average number of full time equivalent positions was 3,979 (4,081) at the end of the quarter.

Relative to the average total assets, the costs represented 1.85% (1.68), annualised. The cost/income ratio, exclusive of net changes in value and profit (loss) on securities, amounted to 60.0% (59.3) in the first quarter.

Loan losses

The provision for losses on loans and guarantees was NOK 637m (-7) in 2002. This is equivalent to 1.3% of total lending, annualised. Provision for losses on loans and guarantees is made up of NOK 3m (-10) in the retail market, NOK 421m (5) on lending to small and medium sized companies, NOK 214m (1) on major corporate customers in Norway and NOK -1m (-3) on lending by branches outside Norway.

Previously booked loan losses and provisions were recovered in the amount of NOK 15m.

Taxes

Profit before taxes amounted to NOK 102m (809) while the tax expense was NOK 27m (324), corresponding to a tax rate of 27%.

Financial structure

Consolidated total assets amounted to NOK 249.8bn at the end of the quarter, an increase of NOK 11.9bn compared to the corresponding date the previous year.

Lending

Loans to customers increased during the last 12 months by 3.6% to NOK 193.6bn, which represents 78% of total assets. Growth in lending was concentrated in the regional banking activities, while there has been a decrease in lending to customers in Corporate and Institutional Banking.

Gross non-performing and doubtful loans increased from NOK 7.5bn to NOK 8.1bn the last quarter. Net non-performing and doubtful loans, which represent the booked value of these loans, were NOK 5.9bn as at 31 March 2003, which is an increase of NOK 0.5bn during the quarter.

Interest-bearing securities

Current assets

Interest bearing current assets consist of a trading portfolio, reported at market value, at NOK 7.5bn (5.9) and a banking portfolio, recognised in the accounts at the lower of cost or market value, of NOK 9.2bn (10.0). There is an unrealised profit on the banking portfolio, adjusted for unrealised loss on hedging instruments, of NOK 40m.

Fixed assets

Holdings of interest-bearing securities to be held to maturity consist of one listed bond, representing a book value of NOK 22.7m (527.7).

Shares and participations

The activity in NBN's subsidiary Nordea Equity Holdings AS has been considerably reduced after the sale of the main part of the equity portfolio during 2002. This is a result of the fact that Nordea has reduced its risk willingness and therefore the risks allocated to equities. At the end of the quarter the book value of shares and participations amounted to NOK 291m (1,427), which is at the same level as at the end of 2002.

Deposits

Deposits from customers constitute the most important source of funding, representing 44% (42) of total assets at the end of the quarter. Deposits from customers grew by 9% during the last 12 months, to NOK 109bn, which is approximately at the same level as at the end of 2002.

Other funding

In addition to deposits from customers and shareholder's equity, funding is primarily in the form of loans from other financial institutions, principally

within the Nordea group, and by issuance of commercial papers, bonds and subordinated loans.

At the end of the quarter, debt securities in issue amounted to NOK 50.9bn including subordinated loans of NOK 4.2bn. Deposits from credit institutions totalled NOK 53.9bn whereof NOK 41.2 from other Nordea companies.

Other liabilities

Other liabilities, accrued expenses and prepaid receivables and allowances for liabilities amounted to NOK 18.3bn, of which NOK 3.2bn consisted of valuation items pertaining to derivative instruments and NOK 1bn to pension liabilities.

Capital adequacy

The risk-weighted asset base of the Group was NOK 200.9bn as at 31 March 2003, which is an increase of NOK 2.0bn in the last quarter.

Under current legislation, the capital ratio is required to be at least 8 per cent at all times. The Group's total capital amounted to NOK 20,892m, which represents a capital ratio of 10.4%. In Nordea Bank Norge ASA the capital ratio was 10.4%. The Group's core capital was NOK 16,347m, equalling 8.1%. The profit for the period is not included in the calculation.

Statement of income

NOK million	Note	The Group			The Parent Bank		
		1st quarter	Full year		1st quarter	Full year	
		2003	2002	2002	2003	2002	2002
Interest income		3,961	3,865	16,434	3,514	3,444	14,684
Interest expenses		2,714	2,670	11,651	2,448	2,399	10,517
Net interest income		1,247	1,195	4,783	1,066	1,045	4,167
Dividends and profit from group companies and associated companies		13	19	94	113	58	242
Commissions and fees		335	317	1,338	335	317	1,337
Commission expenses		- 89	- 88	- 342	- 89	- 88	- 342
Net change in value and profit (loss) on securities		50	113	- 6	50	45	117
Net change in value and profit (loss) on foreign exchange and financial derivatives		181	211	891	181	211	892
Other non-interest income		34	39	189	19	24	120
Total non-interest income		524	611	2,164	609	567	2,366
Personnel expenses		579	548	2,241	546	518	2,120
Administrative expenses		286	296	1,147	276	287	1,109
Ordinary depreciation and write-downs		67	74	295	64	71	282
Other non-interest expenses		100	86	489	95	85	482
Total non-interest expenses		1,032	1,004	4,172	981	961	3,993
Operating profit before loan losses and profit on long-term securities		739	802	2,775	694	651	2,540
Provision for losses on loans and guarantees	2, 3	637	- 7	1,242	635	-11	1,225
Profit (losses/write-downs) on long-term securities		-	-	165	-	-	190
Operating profit		102	809	1,698	59	662	1,505
Income taxes	4	27	324	670	-16	177	477
Net profit		75	485	1,028	75	485	1,028
Earnings per share, fully diluted (NOK) (per quarter/year)		0.14	0.88	1.86			

Interim results

NOK million	3rd quarter 2001	4th quarter 2001	1st quarter 2002	2nd quarter 2002	3rd quarter 2002	4th quarter 2002	1st quarter 2003
Interest income	4,155	4,134	3,865	3,964	4,160	4,445	3,961
Interest expenses	2,970	2,892	2,670	2,769	3,015	3,197	2,714
Net interest income	1,185	1,242	1,195	1,195	1,145	1,248	1,247
Dividends and profit from associated companies	- 1	35	19	42	17	16	13
Commissions and fees	380	394	317	342	318	361	335
Commission expenses	- 83	- 83	- 88	- 92	- 72	- 90	- 89
Net change in value and profit (loss) on securities	- 99	85	113	- 52	- 91	24	50
Net change in value and profit (loss) on foreign exchange and financial derivatives	184	152	211	166	227	287	181
Other non-interest income	45	269	39	43	40	67	34
Total non-interest income	426	852	611	449	439	665	524
Personnel expenses	539	611	548	524	587	582	579
Administrative expenses	298	443	296	318	259	274	286
Ordinary depreciation and write-downs	70	86	74	75	72	74	67
Other non-interest expenses	79	194	86	121	98	184	100
Total non-interest expenses	986	1,334	1,004	1,038	1,016	1,114	1,032
Operating profit before loan losses and profit on long-term securities	625	760	802	606	568	799	739
Provision for losses on loans and guarantees	222	321	- 7	79	273	897	637
Profit (losses/write-downs) on long-term securities	-	-	-	- 1	- 7	173	-
Operating profit	403	439	809	526	288	75	102
Income taxes	129	- 75	324	146	148	52	27
Net profit	274	514	485	380	140	23	75
Average total assets	235,344	235,125	238,979	234,224	236,251	246,255	223,440

Balance sheet

NOK million	Note	The Group			The Parent Bank		
		31.03.03	31.03.02	31.12.02	31.03.03	31.03.02	31.12.02
Assets							
Cash and deposits with central banks		13,455	13,886	12,312	13,455	13,886	12,312
Deposits with and loans to credit institutions		3,571	9,349	5,929	8,125	13,971	11,776
Total cash and claims on credit institutions		17,026	23,235	18,241	21,580	27,857	24,088
Loans to customers	6	197,553	189,719	194,703	170,845	162,836	168,653
Specific allowance	3, 6	-2,270	-1,229	-2,153	-2,200	-1,136	-2,084
General allowance for loan losses	6	-1,638	-1,633	-1,633	-1,525	-1,524	-1,525
Net loans to customers		193,645	186,857	190,917	167,120	160,176	165,044
Reposessed assets		293	59	33	288	52	27
Certificates and bonds	5	16,699	15,919	18,529	16,861	15,715	18,335
Equities and investments	5	291	1,427	295	62	115	61
Total securities		16,990	17,346	18,824	16,923	15,830	18,396
Associated companies		621	599	608	621	599	608
Equities and investments in group companies		-	-	-	5,236	5,042	5,124
Deferred tax asset, goodwill and other intangible assets		797	927	780	729	894	704
Real estate and machinery		2,418	2,550	2,448	2,354	2,484	2,384
Other assets		14,120	2,005	5,333	14,511	1,816	5,663
Prepaid expenses and accrued income		3,877	4,349	3,991	3,567	4,036	3,757
Total assets		249,787	237,927	241,175	232,929	218,786	225,795
Liabilities and equity							
Deposits from credit institutions		53,960	51,618	54,589	48,218	48,901	50,529
Deposits from customers		109,422	100,817	110,978	110,634	101,478	112,408
Total deposits		163,382	152,435	165,567	158,852	150,379	162,937
Certificates and bond loans		46,688	51,921	39,455	34,774	36,545	27,360
Other liabilities		12,905	3,290	8,295	12,884	3,007	8,300
Accrued expenses and prepaid receivables		4,303	5,688	5,516	3,960	5,313	4,905
Allowances for liabilities		1,049	1,023	1,145	1,001	992	1,099
Total other liabilities		64,945	61,922	54,411	52,619	45,857	41,664
Subordinated loan capital		4,213	6,129	4,045	4,211	5,109	4,042
Share capital		3,860	3,860	3,860	3,860	3,860	3,860
Reserves		13,312	13,096	13,292	13,312	13,096	13,292
Profit for the period		75	485	-	75	485	-
Total equity	7	17,247	17,441	17,152	17,247	17,441	17,152
Total liabilities and equity		249,787	237,927	241,175	232,929	218,786	225,795

Nordea Bank Norge ASA
Oslo, 7 May 2003

Lars G Nordström
Chairman of the Board

Markku Pohjola
Deputy Chairman of the Board

Liv Irene Haug

Carl Erik Krefting

Arne Liljedahl

Hege Marie Norheim

Tom Ruud

Baard Syrrist
Managing director

Key figures

NOK million	30.09.01	31.12.01	31.03.02	30.06.02	30.09.02	31.12.02	31.03.03
Total assets	244,572	230,321	237,927	227,888	248,879	241,175	249,787
Net loans to customers	185,537	184,232	186,857	187,769	190,572	190,917	193,645
Net loans to customers as percentage of total assets	75.9	80.0	78.5	82.4	76.6	79.2	77.5
Deposits from customers	103,629	104,332	100,817	106,162	101,902	110,978	109,422
Deposits from customers as percentage of total assets	42.4	45.3	42.4	46.6	40.9	46.0	43.8
Deposit ratio (customer deposits to net loans to customers)	55.9	56.6	54.0	56.5	53.5	58.1	56.5
Total non-performing commitments	2,289	2,162	2,160	2,402	2,567	5,062	2,937
Net non-performing commitments	1,421	1,273	1,265	1,644	1,638	3,493	1,423
Risk-weighted assets	211,100	203,200	202,900	200,900	202,100	198,900	200,900
Book equity per share (NOK) *	33.45	30.75	31.63	32.35	32.60	31.11	31.28
Earnings per share (per quarter) (NOK)	0.50	0.93	0.88	0.69	0.25	0.04	0.14
Cost/income ratio (excluding net change in value and profit (loss) on securities per quarter)	57.7	66.4	59.3	61.2	60.7	60.0	60.0
Numbers of employees (full-time positions)	4,093	4,096	4,081	4,001	4,003	4,007	3,979

* Excluding allocations of dividend, not yet paid at the time, of NOK 3.63 as at 4Q01 and NOK 1.45 as at 4Q02.

Notes to the statement of income and the balance sheet

Note 1 General principles and composition of the Group

The quarterly accounts have been set out in accordance with the same principles as the 2002 annual accounts. Unless stated otherwise, the notes show Group figures.

Note 2 Provision for losses on loans and guarantees

Loan loss provision by industry

	1st quarter 2003		Full year 2002	
	NOK million	Percentage of total loans*)	NOK million	Percentage of total loans
Retail market	3	-	- 31	-
Primary industries (agriculture/fisheries)	156	5.3	576	5.3
Mining, oil extraction and drilling	71	12.6	17	0.6
Manufacturing industry	115	3.4	84	0.6
Power and water supply, building and construction	1	-	21	0.3
Wholesale and retail trade	7	0.4	42	0.6
Hotels and restaurants	-3	-0.6	- 4	-0.2
Shipping and aviation	1	-	49	0.2
Real estate	-	-	212	0.6
Commercial services	277	4.4	270	1.1
Other	9	1.5	6	0.2
Total	637	1.3	1,242	0.6
Change in general allowance	-		-	
Net loan loss provision	637	1.3	1,242	0.6

*) Annualised

Note 3 Charge-offs and changes in allowances

NOK million	1st quarter 2003	Full year 2002
Specific allowance, beginning of period	2,153	1,271
New loan loss provisions	413	1,314
Purchased commitments	-	17
Sold commitments	-	- 130
Change in previous allowances	- 279	- 27
Charge-offs	- 28	- 278
Exchange rate differences	11	- 14
Specific allowance, end of period	2,270	2,153
Of which specific allowance on guarantees	-	-
Specific allowance on loans, end of period	2,270	2,153

Net losses on loans and guarantees during the period

New specific loan loss provisions	413	1,314
Charge-offs that affect the result	- 3	31
Change in previous allowances	- 279	- 27
Net loss (profit) on repossessed assets etc.	521	19
Recoveries on commitments previously written off	- 15	- 95
Change in general allowance	-	-
Provision for losses on loans and guarantees	637	1,242

Note 4 Taxes

The tax charge for the period includes payable taxes and changes in deferred taxes. The calculated taxes for the first quarter 2003 are NOK 27 million corresponding to 27 per cent of profit before taxes.

Following a ruling made by Central Taxation Office for Large-Sized Enterprises on 1 October 2002 the tax assessment of Nordea Bank Norge ASA regarding the income year 2001 was changed. Due to this ruling NOK 88 million in increased taxes were expensed in the third quarter of 2002. In March 2003 "Ligningsnemda" reached the same conclusion, but increased the income with further NOK 62 million. Due to this approximately NOK 17 million in increased taxes were expensed in the first quarter of 2003. The case concerns the Bank's sales of its foreign branches in London and Singapore. The Bank has lodged an appeal to "Overligningsnemda".

"Ligningsnemda" handed down a ruling on 25 February 2002, which caused a change in the tax assessment of Nordea Finans Norge AS regarding the income year 1999. Due to this ruling NOK 96 million in increased taxes were expensed in the first quarter of 2002. The case concerns the right to carry forward losses after a merger with a subsidiary. In December 2002 "Overligningsnemda" reached the same conclusion, but on a different basis. The deadline regarding a possible writ to "Oslo Tingrett" is 6 June 2003.

On 9 October 2002 Central Taxation Office for Large-Sized Enterprises handed down a ruling which caused a change in the tax assessment of Christiania Forsikring AS regarding the income year 2001. Due to this ruling NOK 11 million in increased taxes were expensed in the fourth quarter of 2002. The case concerns the sale of its subsidiary K-Fondsforsikring AS. The company has lodged an appeal.

Note 5 Securities

	31.03.03		31.03.02		31.12.02	
Trading portfolio	Cost	Book value/ market value	Cost	Book value/ market value	Cost	Book value/ market value
Certificates and bonds	7,490	7,530	5,876	5,872	8,865	8,911
Equities and investments	3	3	702	802	3	3
Total trading portfolio	7,493	7,533	6,578	6,674	8,868	8,914

Short positions *)

Certificates and bonds	923	936	107	107	877	887
Equities and investments	-	-	50	50	-	-

Other current and fixed assets	Book value		Book value	
	31.03.03	31.12.02	31.03.02	31.12.01
Certificates and bonds	9,169	10,047	9,618	9,618
Equities and investments	288	625	292	292
Total other current and fixed assets	9,457	10,672	9,910	9,910

Unrealised gains on other current and fixed assets

Certificates and bonds	138	47	130	130
Equities and investments **)	-	-	-	-

*) Included in Other liabilities

**) Unrealised gains on unquoted stocks not included

Equities and investments classified as other current and fixed assets include only non-listed equities and investments.

During the second half year of 2002 the subsidiary Nordea Equity Holdings AS reduced its activity considerably through sale of the main part of the equity portfolio. The reason is that Nordea has reduced its risk willingness and therefore the risks allocated to equities. In addition, these activities will in the future be concentrated in Copenhagen.

Note 6 Analysis of the loan portfolio

	Total NOK million		Allowances NOK million		%		Net NOK million	
	31.03.03	31.12.02	31.03.03	31.12.02	31.03.03	31.12.02	31.03.03	31.12.02
Non-performing commitments	2,937	5,062	1,514	1,569	52	31	1,423	3,493
Doubtful commitments	5,186	2,485	756	584	15	24	4,430	1,901
Total	8,123	7,547	2,270	2,153	28	29	5,853	5,394
Of which guarantees etc.	- 984	-1,139	-	-	-	-	- 984	-1,139
Other loans	190,414	188,295	1,638	1,633	0.9	0.9	188,776	186,662
Total	197,553	194,703	3,908	3,786	2	2	193,645	190,917

Non-performing commitments were distributed as follows

	Total non-performing NOK million		Allowances NOK million		%		Net non-performing NOK million	
	31.03.03	31.12.02	31.03.03	31.12.02	31.03.03	31.12.02	31.03.03	31.12.02
Corporate commitments	2,403	4,577	1,332	1,403	55	31	1,071	3,174
Retail commitments	534	485	182	166	34	34	352	319
Total	2,937	5,062	1,514	1,569	52	31	1,423	3,493

Note 7 Equity

NOK million	2003	2002
Equity as at 1 January	17,152	16,957
Profit for the period	75	485
Difference between provision and actual group contribution to companies outside NBN group	17	-
Exchange rate differences	3	- 1
Equity as at 31 March	17,247	17,441

Note 8 Capital ratio

	NOK billion	
Risk-weighted assets as at	31.03.03	31.03.02
Total assets	171.2	169.0
Total off-balance sheet items	21.7	26.0
Total market and foreign exchange risk	8.0	7.9
Risk-weighted assets	200.9	202.9

	NOK million		%	
Capital ratio as at	31.03.03	31.03.02	31.03.03	31.03.02
Core capital	16,347	16,493	8.1	8.1
Supplementary capital	4,559	6,518	2.3	3.2
Deductions	-14	-37	-	-
Total capital	20,892	22,974	10.4	11.3

The capital ratio requirement is 8 per cent.