



2003



ANNUAL REPORT 2003

Fokus Bank

del av Danske Bank

## MANAGEMENT'S REPORT 2003

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In 2003, the Fokus Bank Group recorded a pre-tax operating profit of NOK 552.6 million before loan losses, against a profit of NOK 528.0 million the previous year. The net profit fell from NOK 443.2 million to NOK 296.1 million. The fall from the year before should be seen in the light of the gains recognised in 2002 on the sale of shares in Europay Norway AS. Fokus Bank enjoyed good underlying growth in 2003.

Fokus Bank made a profit on ordinary operations corresponding to a return on equity of 7.0% after tax.

During the year, assets under management rose by NOK 8.5 billion, or 14.4%, to NOK 67.7 billion. Ordinary deposits fell 4.0% during the year, while gross lending rose 13.3%.

## THE BANK IN 2003

In 2003, Fokus Bank achieved high growth and good profitability in a market affected by a weak trend in the global economy and low investment activity. Fokus Bank achieved higher growth as a result of substantial investments in the market, whereas the Bank maintained its profitability through higher income and operational efficiency. This trend has increased Fokus Bank's market share both in the corporate and the retail markets.

The Bank's growth in the corporate market is strongest at the high end of the market. Fokus Bank is now the principal banker of more than 10% of the top 500 Norwegian enterprises. Surveys of existing and potential business customers show that the Bank's general profile is sharper and that Fokus Bank is perceived as a very competent supplier of international solutions.

The successful introduction of Business Online – the Bank's new international office banking system – supported this image. Moreover, the Bank strengthened its service through Fokus Markets, the department in charge of interest rate and foreign exchange hedging. Fokus Bank allocated large resources to special areas such as structured finance, cash management and trade finance. Customer surveys show that business customer satisfaction is high.

Fokus Bank achieved very good growth also in the retail market. Growth was high in and around the four largest cities, Oslo, Bergen, Trondheim and Stavanger in particular. Growth was strongest in Oslo and the Østland region that achieved a rise in gross lending of nearly 40% in 2003. A common feature is that Fokus Bank is getting an increasing number of customers in the highest income brackets and among customers with high savings potential in all the major cities. The Bank's self-service solutions have been a major success with these customers and have resulted in an increasing number of customers that bank exclusively with Fokus Bank.

One of the reasons for the growth in 2003 was the opening of new branches. Fokus Bank expanded the activities of all the branches that were opened in 2002 and opened four new branches in 2003. Additional branch openings are in the pipeline. All branch openings took place in the Bank's geographical focus areas. In connection with this adjustment of the branch network, three branches were sold in the course of the year.

Growth in the retail market is also the result of good advisory services. Fokus Bank offers product neutral advisory services based on the needs of the individual customer. This approach resulted in major adjustments to the Bank's asset management operations. The customer-oriented services were strengthened, and operations were outsourced to ensure that the customer achieves the most competitive product. As a result, customers are now offered the best products from the best suppliers. For example, Fokus Bank now distributes the products of the best Norwegian and international investment funds. The asset management area was affected by the general uncertainty about developments on the equity markets, and customer demand for hedged investment products has risen.

The inflow of new customers has risen in response to generally good conditions, in particular for fixed-rate loans. Fokus Bank was able to offer its customers these conditions because it was able to benefit from the Danske Bank Group's AA rating.

To make its products and services more easily available to customers, Fokus Bank adopted a solution that incorporates both electronic channels and a physical presence. Among the new internet banking services are personalisation and easier ways to contact the customer's personal adviser. Several independent surveys show that internet banking customers consider Fokus Netbank to be one of Norway's best internet banks.

Growth in investments rose and operations became more efficient. Investments focus on strengthening customer-oriented services in the form of new offices, increasing competencies and new electronic services. As a result of the increase in operational efficiency Fokus Bank was able to achieve higher growth without need for additional administrative resources.

Over quite some time, Fokus Bank has given credit quality a high priority. Fokus Bank has benefited vastly from the Danske Bank Group's risk management competencies, and loss provisions are now at a moderate level. The need for this type of risk management was underlined by the uncertain economic trends.

Customer satisfaction is also a target area for the Bank's development of its human resources. Fokus Bank has therefore expanded its management development programme. At the beginning of 2003, Fokus Bank introduced a concept called "Fokus ambassador" for the purpose of developing positive role models among the Bank's staff. In 2003, the employee survey at Fokus Bank showed that general satisfaction is very high and that the number of employees who take pride in working at the Bank has now reached a very high level. This is considered important because competent employees with the right attitudes will be one of the strongest competitive parameters in the market.

## PROFIT AND LOSS ACCOUNT

In 2003, the Fokus Bank Group recorded a pre-tax operating profit of NOK 552.6 million before loan losses, against a profit of NOK 528.0 million the previous year. The net profit fell from NOK 443.2 million to NOK 296.1 million. The fall from the year before should be seen in the light of the gains recognised in 2002 on the sale of shares in Europay Norway AS.

The profit for 2003 was affected by an increase in interest income, a rise in operating income and a sharp increase in investment in branches and new IT solutions to customers.

### Income

Net interest income amounted to NOK 1 285.6 million, which is NOK 51.6 million higher than in 2002. The increase in net interest income was generated by a sound increase in loans and higher income from trading activities in Markets. In 2003, Fokus Bank changed its interest rates seven times after changes in the leading rates of Norges Bank.

Other operating income totalled NOK 447.9 million, an increase of NOK 29.7 million on 2002. The increase was, to a large extent, due to a higher income from commission and gains from securities.

Dividends from shares and income from other securities fell NOK 7.1 million from 2002 to 2003. This fall is due to a reduction in the Bank's holding of long-term shares.

Net commission income rose by NOK 15.4 million from 2002 to 2003. The rise was generated mainly by an increase in transaction income from payments services.

Net gains on securities rose by NOK 19.5 million from 2002 to 2003. The increase is due mainly to capital gains on bonds.

Net gains on foreign exchange and derivatives rose by NOK 7.1 million.

Other operating income totalled NOK 65.7 million, which is a fall of NOK 5.2 million on 2002. The fall is due primarily to the reversal in 2002 of a provision for claims at Fokus Kredittforsikring AS.

## Expenses

Operating expenses totalled NOK 1 180.9 million, which is an increase of NOK 56.7 million on 2002. The main reasons for the increase are the opening of new branches and investment in new electronic solutions.

Staff costs were NOK 45.8 million higher than in 2002. The increase is due primarily to the opening of new offices and to a general rise in pay.

General administrative expenses rose by NOK 21.6 million, primarily because of higher development costs for, among other things, Business Online.

Depreciation of fixed assets went down by NOK 5.5 million. The fall stems from a lower level of IT purchases in 2003 than in 2002.

The cost/income ratio, defined as total operating expenses in relation to total operating income, stood at 0.68 unchanged from 2002.

## Losses on loans and guarantees

Net losses on loans stood at NOK 147.8 million in 2003, against NOK 128.6 million in 2002. Specific loan loss provisions on business customers accounted for 84.6% of total loan loss provisions, while retail customers accounted for 15.4%.

Fokus Bank reduced its general loan loss provisions by NOK 46.1 million in 2003 and increased its specific loan loss provisions by the same amount. These changes in loss provisions reflect that an increasing number of facilities are assessed on an individual basis.

See the note on expected losses for further information.

## Gains on long-term securities

Gains on long-term shares fell NOK 147.4 million from 2002 to 2003. The fall is due to the Europay Norge AS shares that were sold in 2002.

## Tax

The Fokus Bank Group had a tax charge of NOK 119.7 million in 2003. The tax charge consists primarily a reduction of a deferred tax credit.

## Allocation of profit

It is proposed that the NOK 283.8 million profit for the year be transferred to other equity.

## BALANCE SHEET

### Assets under management

In 2003, total assets under management increased by NOK 8.5 billion, or 14.4%, and amounted to NOK 67.7 billion at the end of the year.

Gross lending totalled NOK 57.9 billion, which is an increase of 13.3% on the previous year. Business customers accounted for 9.6% and retail customers for 17.1% of this increase. Customer deposits stood at NOK 28.7 billion at year-end, a fall of NOK 1.2 billion, or 4.0% below the level at the end of 2002. Deposits from retail customers rose by 1.5%, whereas deposits from business customers fell by 6.9%.

The Bank's deposit coverage ratio – defined as customer deposits as a percentage of gross lending – stood at 49.5% at the end of the year. This figure is 8.9 percentage point lower than the ratio at the end of 2002.

Most of Fokus Bank's other funding takes place through Danske Bank. Consequently, the volume of securities issued by Fokus Bank was reduced to NOK 5.4 billion, and deposits from credit institutions (Danske Bank) rose by NOK 10.5 billion.

### Capital adequacy ratio and equity capital

At the end of 2003, the core capital ratios of Fokus Bank ASA stood at 9.5% (parent company) and 7.4% (Group). The corresponding figures at the end of 2002 were 9.7% and 8.0%. The capital adequacy ratio at end-2003 was 13.4% for the Parent Bank and 10.5% for the Group.

The annual accounts were prepared on the basis of the going-concern principle.

## Risk management

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Fokus Bank's risk management concentrates on credit risk, market risk, operational risk and liquidity risk. The credit risk represents the highest risk at the Bank and consequently attracts the most attention.

The management and monitoring of the credit risk of the Bank's loan portfolio is centralised and regulated by the Bank's credit policy and credit strategies. The composition of the loan portfolio is managed according to specific limits for maximum exposure within specific sectors. All exposures are classified according to clearly defined rules.

The combination of knowledge of the local area, common guidelines and central monitoring has reduced the exposure to problem industries and has moreover reduced the number of facilities in default. The quality of the total loan portfolio is considered satisfactory.

The Bank continually monitors operational risk that may result in losses caused by failure of internal processes or systems and losses caused by fraud or other external factors.

The Bank's market risk is defined as interest rate, share price and foreign exchange risk. The risk is low compared with the Bank's equity capital. The Bank does not trade for its own account in short-term share holdings. Interest rate and foreign exchange risks are kept at a very low level. Positions are monitored regularly to ensure that the risk is kept within the prescribed limits.

The Bank has defined clear limits for its liquidity management.

## Staff

At the end of the year, the Group had a staff of 1 064. This corresponds to a full-time-equivalent of 1 029, including 1 007 employed by Fokus Bank ASA. In the course of the year, the number of full-time employees increased by 2.

The Bank has entered into a local agreement with staff which governs agreements between staff and management on salary policies, working hours, the development of professional skills and recruitment.

Fokus Bank employs approximately as many women as men, women accounting for 53% of the staff today. One of the Bank's overall recruitment targets is to ensure an even distribution between men and women. Women hold 27% of managerial positions.

The Bank has an occupational health service to ensure the well-being of the staff. This service focuses on preventive measures. No serious injuries or accidents happened at Fokus Bank in 2003. Absence due to illness was 4.3% in 2003, down from 4.5% in 2002.

By its nature, the business of Fokus Bank does little to pollute the environment.

## Outlook

The outlook for the global economy was cautiously optimistic at the beginning of 2004.

Norwegian enterprises have become more competitive on the back of the lower level of interest rates in Norway and the considerable drop in the krone rate. Fokus Bank expects demand for corporate credits to rise somewhat and credit risk on its corporate exposures to fall. In the retail market, credit facilities is expected to remain in high demand. Demand for asset management products is likely to rise, in particular products with a medium to low risk.

In 2004, Fokus Bank will follow the same strategies as in 2003 and will strengthen its focus on customer relationship, core activities and strong credit management, in particular. However, structural changes in the financial industry in Norway will present new opportunities. Fokus Bank is in a good position to exploit these opportunities and aims at acquiring additional market share. The Bank lives by a simple, but demanding rule - happy customers are profitable customers.

## Board of Directors

The Board of Directors of Fokus Bank consists of:

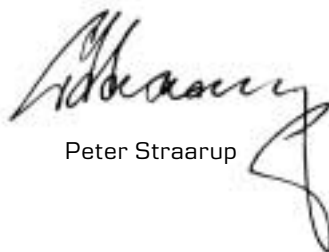
Søren Møller Nielsen, Chairman  
Peter Straarup, Deputy Chairman  
Bjørn Arnestad  
Mette Cecilie Greve  
Anton Jenssen jr.  
Torbjørn R. Skjerve  
Thomas F. Borgen  
Vibeke Ulvin (elected by the staff)

Alternate Directors:

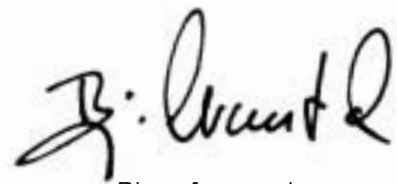
Terje Svendsen  
Jon Magnar Hagen (elected by the staff)  
Finn Roy Orholm (elected by the staff)



Søren Møller Nielsen



Peter Straarup



Bjørn Arnestad



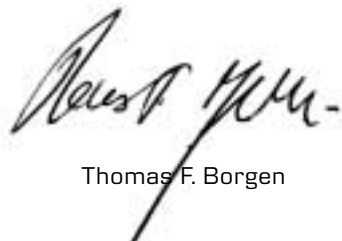
Mette Cecilie Greve



Anton Jenssen jr.



Torbjørn R. Skjerve



Thomas F. Borgen



Vibeke Ulvin

Trondheim, Januar 30, 2004

## PROFIT AND LOSS ACCOUNT

Parent Bank				Group	
2002	2003	NOK million	Note	2003	2002
4 352,3	3 631,7	Interest income and related income	30	4 510,6	5 163,5
3 316,6	2 654,6	Interest expenses and related expenses	30	3 225,0	3 929,5
1 035,7	977,1	<b>Net interest and credit commission income</b>		<b>1 285,6</b>	1 234,0
168,2	240,6	Dividends and other income from securities		20,4	27,5
366,9	400,9	Commission income and other income from banking services		354,3	335,8
(68,3)	(64,5)	Commissions paid and other expenses for banking services		(67,8)	(64,7)
4,7	24,2	Net gains/(losses) on securities		24,2	4,7
47,0	56,7	Net gains/(losses) on foreign exchange and derivatives		51,1	44,0
69,6	68,2	Other operating income		65,7	70,9
588,1	726,1	<b>Other operating income, net</b>	31	<b>447,9</b>	418,2
1 623,8	1 703,2	<b>Total operating income</b>		<b>1 733,5</b>	1 652,2
513,2	561,6	Salaries, pensions and other staff costs	27, 28	575,1	529,3
365,9	385,6	Administrative expenses	27	391,2	369,6
28,2	22,8	Depreciation and write-downs of fixed assets	23	22,8	28,3
189,1	186,8	Other operating expenses	32	191,8	197,0
1 096,4	1 156,8	<b>Total operating expenses</b>		<b>1 180,9</b>	1 124,2
		<b>Operating profit before loan losses and net profit on</b>			
527,4	546,4	<b>long-term investments in securities</b>		<b>552,6</b>	528,0
128,6	147,8	Losses/(gains) on loans and guarantees	4, 5	147,8	128,6
(158,4)	(3,8)	Losses/(gains) on financial fixed assets		(11,0)	(158,4)
557,2	402,4	<b>Pre-tax profit on ordinary operations</b>		<b>415,8</b>	557,8
114,6	118,6	Tax	35	119,7	114,6
442,6	283,8	<b>Profit on ordinary operations after tax</b>		<b>296,1</b>	443,2
0,0	0,0	Extraordinary expenses		0,0	0,0
0,0	0,0	Tax		0,0	0,0
442,6	283,8	<b>Net profit for the year</b>		<b>296,1</b>	443,2
		<b>Allocations and transfers</b>			
0,0	0,0	Transferred from other equity capital		0,0	0,0
0,0	0,0	<b>Total transfers</b>		<b>0,0</b>	0,0
332,0	0,0	Dividends		0,0	332,0
0,0	0,0	Transferred to reserve for valuation differences		0,0	0,0
110,6	283,8	Retained profits	16	296,1	111,2
442,6	283,8	<b>Total allocations</b>		<b>296,1</b>	443,2

## BALANCE SHEET

Parent Bank

Group

2002	2003	NOK million	Note	2003	2002
ASSETS					
1 343,5	182,2	Cash and deposits with central banks		182,2	1 343,5
11 639,7	14 574,3	Loans to and deposits with credit institutions	9	2 797,7	3 477,4
12 983,2	<b>14 756,5</b>	<b>Loans to credit institutions</b>		<b>2 979,9</b>	4 820,9
33 430,5	31 849,7	Gross lending to customers	2,5,6,7,8,29,37	57 949,4	51 144,6
(1 281,6)	(1 245,1)	- Specific loan loss provisions	3	(1 245,1)	(1 281,6)
(171,7)	(125,6)	- General loan loss provisions	3	(125,6)	(171,7)
31 977,2	<b>30 479,0</b>	<b>Net lending to customers</b>		<b>56 578,7</b>	49 691,3
1,3	2,3	Repossessed assets	25	2,3	1,3
2 900,8	6 375,0	Commercial paper and bonds	19	6 378,5	2 904,2
284,0	339,4	Shares and other securities	22	320,9	284,0
32,4	16,9	Holdings in associated companies	20	35,4	32,4
872,6	1 309,2	Holdings in consolidated companies	21,37	0,0	0,0
743,9	636,2	Intangible assets	23, 35	643,2	750,0
214,1	202,9	Fixed assets	23,24,25,26	202,6	213,8
175,0	373,5	Other assets		238,7	192,0
292,5	575,7	Prepayments	28	367,8	344,0
50 477,0	<b>55 066,6</b>	<b>TOTAL ASSETS</b>		<b>67 748,0</b>	59 233,9
LIABILITIES AND EQUITY CAPITAL					
6 756,6	13 163,1	Amounts due to credit institutions	12	25 512,0	14 975,9
29 856,6	28 675,7	Deposits from and amounts due to customers	13	28 668,2	29 856,6
6 281,4	5 458,7	Commercial paper and bonds issued	14	5 458,7	6 281,4
1 155,2	1 194,2	Other liabilities		1 437,6	1 468,1
146,5	354,8	Accrued expenses and prepaid income		452,6	365,4
528,9	204,3	Provisions for obligations and expenses	28,35,38	204,4	528,9
1 565,2	1 516,2	Subordinated debt	15	1 516,2	1 565,2
46 290,4	<b>50 567,0</b>	<b>TOTAL LIABILITIES</b>		<b>63 249,7</b>	55 041,5
1 843,4	1 863,4	Paid-in capital *)	18	1 863,4	1 854,8
2 343,2	2 636,2	Retained profits		2 634,9	2 337,6
4 186,6	<b>4 499,6</b>	<b>TOTAL EQUITY CAPITAL</b>	<b>16,17</b>	<b>4 498,3</b>	4 192,4
50 477,0	55 066,6	<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>		67 748,0	59 233,9

Off-balance-sheet items: See Notes 33, 34, 36, 39

\*) Total share capital: 136 324 267 shares with a nominal value of NOK 11,-

Trondheim, January 30, 2004



Søren Møller Nielsen



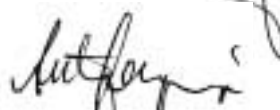
Peter Straarup



Bjørn Arnestad



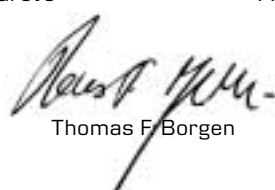
Mette Cecilie Greve



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Thomas F. Borgen



Vibeke Ulvin

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## NOTE 1. ACCOUNTING POLICIES

### General

The annual accounts for the Fokus Bank Group and Fokus Bank ASA have been prepared in compliance with Norwegian accounting legislation, the accounting regulations of the Financial Supervisory Authority of Norway as well as generally accepted accounting practices. Shares in subsidiaries are included in the Parent Bank accounts at cost.

### Consolidation

The Group Accounts include Fokus Bank and companies in which the Bank alone, or with subsidiaries, has a shareholding in excess of 50% of the share capital. These companies are presented in Note 21. Furthermore, associated companies in which the Group has 20-50% ownership that gives an influence and is considered a long-term investment for the Group have been included in the consolidated accounts. These companies are listed in Note 20.

Associated companies are carried in the Group Accounts according to the equity method. Intra-group accounts, interest, commissions and internal profits between companies in the Group have been eliminated. The profit and loss accounts of subsidiaries acquired during the accounting year are consolidated from the time of acquisition.

### Accounting for loan losses

Loans are recorded at nominal value less loan loss provisions. Loan loss provisions are made on the basis of an evaluation of the individual facilities. When performing this evaluation, emphasis is placed on the customer's financial position as well as the realisable value of existing collateral.

When a credit facility is defined as non-performing, interest will, as a general rule, no longer be recognised. Likewise, recognised unpaid interest on the same facility during the year will, as a general rule, be reversed in the current year's Profit and Loss Account.

Confirmed losses are all losses resulting from bankruptcy, compulsory composition, debt renegotiation or other similar proceedings.

Specific loan loss provisions are provisions made to cover probable losses on facilities having been identified as non-performing or doubtful on the balance sheet date. Calculated loan losses represent the difference between the facility's nominal value and the value of the collateral, if any. In performing this evaluation, account will be taken of the customer's overall financial position and any steps which may have been taken to improve this.

A facility is defined as non-performing when payment is not effected as agreed and 90 days have lapsed after the due date.

In situations where the loan conditions are changed, leading to the value of the loan being substantially lower than it would have been under normal interest conditions, the difference will be treated as a confirmed loss. The difference between the nominal value and the written-down value of the loan will be taken to income over the remaining term of the loan.

In certain situations, the Bank will assume title to assets which have been pledged as security for a credit facility. When these assets are taken over for quick disposal, they will be valued at their fair value and included in a separate entry under other current assets in the Balance Sheet.

If the Bank takes over such assets for its own use or considers the assets long-term investments, they will be valued at their fair value at the time of acquisition and classified as fixed assets.

## General provisions for loan losses

General provisions for loan losses cover provisions for probable losses on credit facilities not identified and assessed according to the rules governing specific provisions. General loan loss provisions include provisions for retail customer and corporate customer exposures.

At the end of the year, the Bank had not identified specific industries or geographical areas which required general loss provisions. Provisions made are based on historical data and relevant statistics.

## Valuation of property

Bank buildings and other properties are valued on the basis of the accounting regulations of the Financial Supervisory Authority of Norway and the requirements of the Norwegian Accounting Act applicable to fixed assets.

Reposessed assets are valued on the basis of the accounting regulations laid down by the Financial Supervisory Authority of Norway and the requirements of the Norwegian Accounting Act applicable to current assets (see also Note 26).

## Securities

The Bank's holding of bonds and commercial paper constitutes its trading portfolio. The trading portfolio consists of readily marketable securities available for sale. The trading portfolio is valued at market value.

The Bank's holding of shares consists of shares in subsidiaries, associated companies and other long-term shares. Shares to be held for a long period of time and shares in subsidiaries are defined as long-term shares.

Shares held as long-term investments are recognised at cost. If the value of a long-term investment is lower than the book value of the shares, and the decrease is not temporary, the shares will be written down to their fair value.

Major participations in partnerships are included in the accounts using the net method, while minor participations are included in the accounts using the cost method.

## Bonds issued

Bonds issued are recorded in the Balance Sheet at market value at the date of issue. Premiums and discounts on bonds issued are accrued over the remaining time to maturity according to the straight-line method, (see Note 14).

Stock-indexed bonds are classified as debt funded by the issue of securities. In the accounts, the bond element of the stock-indexed bonds is classified as a zero-coupon bond. Any discount on the bond is recognised in the Profit and Loss Account over the lifetime of the bond. The valuation of the option inherent in a stock-indexed bond takes into account the associated hedging transaction, and any price effects are recognised in the Profit and Loss Account.

## Leasing

Lease agreements entered into by the Group as the lessor are generally finance leases. Finance leases are classified as lending in the Balance Sheet. The interest portion of the lease payment is recognised as income, while the repayment portion is recognised as repayments of principal. Most of the Group's lease agreements concern leasing of vehicles and machinery.

## Foreign exchange

Assets and liabilities in foreign currency are converted into Norwegian kroner on the basis of the mid-market rate at December 31, 2003. Net profit or loss is booked as net gains or losses on foreign exchange. Assets and liabilities in foreign currency are hedged either by similar items on the opposite side of the Balance Sheet or by off-balance-sheet hedging transactions. Unrealised gains and losses on assets and liabilities in foreign currency are netted against the related gains and losses on the hedging transactions. Income and expenses in foreign currencies are converted into Norwegian kroner at the rate prevailing at the time of booking (see Note 39).

## Derivatives

Derivatives are classified in two portfolios, the banking portfolio and the trading portfolio. The banking portfolio includes derivatives traded for the purpose of hedging specific balance-sheet items. All other derivatives are included in the trading portfolio.

Derivatives are interest rate and currency contracts (swaps), forward contracts, options and combinations of the individual instruments.

### Hedging contracts

Contracts made to secure a future interest or foreign exchange rate for items in the Bank's Balance Sheet are defined as hedging contracts. Hedging contracts are normally defined at a 1:1 ratio to the underlying balance-sheet item. Any items too small to be hedged 1:1 are hedged by contracts with almost identical maturity and principal. The balance-sheet item and the corresponding hedging are identified either by own portfolio or by the relationship being established and reported together. This is the case in particular for interest rate derivatives.

### Trading contracts

All contracts not hedging balance-sheet items are defined as trading contracts.

Foreign exchange derivatives are marked to market and recorded as net gains or losses on foreign exchange and derivatives.

The result from interest rate derivatives is marked to market and booked as gains or losses on foreign exchange and derivatives.

Market valuations are based on actual market values, possibly values based on yield curves or other data. The value of the portfolio is calculated as if liquidated at the balance-sheet date. The value does not necessarily correspond to the value the company might achieve in the market.

## Portfolio and other risk management

The Bank has a portfolio management system registering all lending commitments. All customers have been classified by. These categories facilitate management and monitoring of the Bank's credit risk (see also the sections describing loan losses and loan loss provisions).

The Bank uses derivatives to hedge interest, price and foreign exchange risks. For interest rate risk management purposes and to manage risk limits, sensitivity limits are used. Calculation of positions and their sensitivity follows the structure imposed by these limits (see Note 34).

## Accrual of interest, fees and commissions

Interest, commissions and fees are recorded as income or expenses, as the case may be, as they occur. Fees which constitute direct income for services rendered are recorded when received. Fees exceeding the costs of establishing an individual loan are accrued.

## Income recognition and reversal of interest on doubtful loans

Interest taken to income but not paid will be reversed if it is uncertain whether the customer is able to service its facilities and if the interest on the facility is not sufficiently secured.

## Provisions for restructuring measures

In case of restructuring of the company, an evaluation will be made as to the need to make provisions for restructuring measures. If expenses for measures implemented will not contribute to generating income in future accounting periods, and if these future obligations represent actual obligations on the balance-sheet date, the expenses will be charged against income in the current accounting period and provisions will be made in the Balance Sheet. Provisions will be reversed as expenses are incurred.

## Depreciation

Fixed assets are booked at cost with the addition of revaluations and after deduction of accumulated ordinary depreciation and write-downs. The depreciation rates used are based on estimated economic life. Depreciation is made according to the straight-line method. The following depreciation rates are used: office machinery 20%, machinery and equipment 10%, vehicles 20%, staff PCs 30% and buildings 2%. IT equipment is expensed in full in the year of acquisition. Revaluations are amortised at the same rates as ordinary depreciation. Fixed assets are written down if their real value is substantially lower than the book value and the fall in value is considered to be of a permanent nature. Lease assets are normally depreciated according to the annuity method.

## Pensions

Pension costs are treated in accordance with the Norwegian accounting standards regarding pension costs. The accounting policies, including methods for evaluation of pension funds and actuarial calculations appear in Note 28.

Net pension costs are recognised in the Profit and Loss Account under Salaries, pensions and other staff costs. Net pension funds are included under Prepayments in the Balance Sheet, while net pension commitments are included under Other liabilities and provisions for obligations and expenses.

## Tax

Deferred tax and deferred tax benefits are treated in accordance with the preliminary accounting standard for tax on profit. Payable tax and changes in deferred tax and deferred tax benefits are shown as tax for the year in the Profit and Loss Account. Deferred tax is calculated on the basis of timing differences between the booking of income/charges for tax and for accounting purposes, as the case may be, at the end of the accounting year. Positive and negative differences within the same period are offset against each other. Certain items are evaluated separately, including pension commitments and revaluations.

Deferred tax benefits stem from timing differences which will result in future tax deductions. Deferred tax benefits are posted on the Balance Sheet as intangible assets when it is likely that the tax reducing items can be realised.

## International Financial Reporting Standards (IFRS)

The Fokus Bank Group expects to present its report for the first quarter of 2005 in accordance with the IFRS. The financial effect of the implementation of the IFRS will be announced in the Annual Report for 2004.

## NOTE 2. LOANS AND LOAN LOSSES BY CUSTOMER SEGMENT AND INDUSTRY

## Group

NOK million	Gross lending		Guarantees		Overdraft facilities	
	2003	2002	2003	2002	2003	2002
Segment/industry sector						
Retail market	29 492	25 177	48	34	304	341
Corporate market,	27 288	24 892	1 689	1 588	5 918	4 826
including:						
Agriculture/forestry	782	853	9	9	109	149
Fishing/fish farming	973	966	76	24	59	90
Industry/mining	3 019	2 667	406	497	1 531	959
Oil and gas	303	38	113	166	373	60
Shipping	2 773	1 164	57	1	14	13
Building and construction, power, water supply	980	971	258	143	364	483
Trade	3 601	3 057	237	194	2 077	1 947
Hotels and restaurants	304	278	15	15	6	14
Real estate	11 052	9 336	245	269	748	591
Financial services	1 840	2 810	160	149	315	323
Transport, storage	1 035	2 089	96	109	214	144
Services	626	663	17	12	108	53
Public sector	326	260	252	40	1 186	865
International finance	843	815	849	762	77	197
Total Group (gross)	57 949	51 144	2 838	2 424	7 485	6 229

NOK million	Non-performing loans		Doubtful loans		Specific loan loss provisions	
	2003	2002	2003	2002	2003	2002
Segment/industry sector						
Retail market,	265	378	151	75	192	221
Corporate market	456	591	1 682	1 228	1 033	994
including:						
Agriculture/forestry	19	28	41	10	21	22
Fishing/fish farming	42	39	159	16	101	41
Industry/mining	13	37	548	268	220	95
Oil and gas	0	27	23	0	20	35
Shipping	34	0	298	344	157	84
Building and construction, power, water supply	27	29	28	21	46	59
Trade	59	76	93	78	113	108
Hotels and restaurants	28	26	47	29	60	30
Real estate	101	220	262	168	114	165
Financial services	34	60	19	23	50	190
Transport, storage	79	24	72	117	60	97
Services	20	25	92	154	71	68
Public sector	0	0	0	0	0	0
International finance	29	6	11	95	20	66
Total Group (gross)	750	975	1 844	1 398	1 245	1 281

## cont'd. NOTE 2. LOANS AND LOAN LOSSES BY CUSTOMER SEGMENT AND INDUSTRY

## Parent Bank

NOK million	Gross lending		Guarantees		Overdraft facilities	
	2003	2002	2003	2002	2003	2002
Segment/industry sector						
Retail market	8 130	10 957	48	34	304	341
Corporate market,	22 577	21 398	1 689	1 588	5 918	4 826
including:						
Agriculture/forestry	744	818	9	9	109	149
Fishing/fish farming	961	965	76	24	59	90
Industry/mining	3 010	2 662	406	497	1 531	959
Oil and gas	303	38	113	166	373	60
Shipping	2 773	1 164	57	1	14	13
Building and construction,						
power, water supply	941	941	258	143	364	483
Trade	3 486	2 990	237	194	2 077	1 947
Hotels and restaurants	301	273	15	15	6	14
Real estate	6 676	6 149	245	269	748	591
Financial services	1 797	2 719	160	149	315	323
Transport, storage	1 000	2 062	96	109	214	144
Services	585	617	17	12	108	53
Public sector	326	260	252	40	1 186	865
International finance	816	815	2 145	2 546	77	197
Total Parent Bank (gross)	31 849	33 430	4 134	4 208	7 485	6 229

NOK million	Non-performing loans		Doubtful loans		Specific loan loss provisions	
	2003	2002	2003	2002	2003	2002
Segment/industry sector						
Retail market	246	357	151	75	192	221
Corporate market	456	591	1 682	1 228	1 033	994
including:						
Agriculture/forestry	19	28	41	10	21	22
Fishing/fish farming	42	39	159	16	101	41
Industry/mining	13	37	548	268	220	95
Oil and gas	0	27	23	0	20	35
Shipping	34		298	344	157	84
Building and construction,						
power, water supply	27	29	28	21	46	59
Trade	59	76	93	78	113	108
Hotels and restaurants	28	26	47	29	60	30
Real estate	101	220	262	168	114	165
Financial services	34	60	19	23	50	190
Transport, storage	79	24	72	117	60	97
Services	20	25	92	154	71	68
Public sector	0	0	0	0	0	0
International finance	29	6	11	95	20	66
Total Parent Bank (gross)	731	954	1 844	1 398	1 245	1 281

## NOTE 3. CHANGES IN SPECIFIC AND GENERAL PROVISIONS FOR LOSSES

Parent Bank			Group	
2002	2003	NOK million	2003	2002
1 545.2	1 281.6	Specific provisions for losses on loans, guarantees etc., at 01.01	1 281.6	1 545.2
(395.6)	(231.0)	Confirmed losses in the period on loans, guarantees, etc., previously provided for by specific provisions	(231.8)	(395.6)
114.8	112.5	Increase in specific provisions for losses in the period	112.5	114.8
293.7	288.8	New specific provisions for losses in the period	288.8	293.7
(276.5)	(206.8)	Reversals of specific provisions for losses in the period	(206.0)	(276.5)
1 281.6	1 245.1	Specific provisions for losses on loans, guarantees etc., at 31.12	1 245.1	1 281.6

Parent Bank			Group	
2002	2003	NOK million	2003	2002
171.6	171.7	General provisions for losses on loans, guarantees, etc., at 01.01	172.5	176.9
0.1	(46.1)	General provisions in the period for losses on loans, guarantees, etc.	(46.9)	(4.4)
171.7	125.6	General provisions for losses on loans, guarantees, etc., at 31.12	125.6	172.5
171.7	125.6	Including general provisions for loan losses at 31.12	125.6	171.7
0.0	0.0	Including general provisions for guarantees at 31.12	0.0	0.8

## NOTE 4. LOSSES ON LOANS AND GUARANTEES

Parent Bank			Group	
2002	2003	NOK million	2003	2002
(263.6)	(36.5)	Changes in specific provisions for losses on loans and guarantees in the period	(36.5)	(263.6)
0.1	(46.1)	Changes in general provisions for losses on loans and guarantees in the period	(46.9)	(4.4)
395.6	231.0	Confirmed losses in the period, previously provided for by specific provisions	231.8	400.1
20.0	18.9	Confirmed losses in the period, not previously provided for by specific provisions	18.9	20.0
(23.5)	(19.5)	Recoveries of losses confirmed in prior periods	(19.5)	(23.5)
0.0	0.0	Debt remission, subsidiaries	0.0	0.0
128.6	147.8	Losses on loans and guarantees in the period	147.8	128.6

## Net provisions for losses on loans and guarantees, etc.

Parent Bank			Group	
2002	2003	NOK million	2003	2002
20.0	18.9	Confirmed losses charged against income	18.9	20.0
114.8	112.5	Increase in specific provisions for losses	112.5	114.8
293.7	288.8	New specific provisions for losses	288.8	293.7
428.5	420.2	Total new losses	420.2	428.5
0.1	(46.1)	Reversal of general provisions for losses	(46.9)	(4.4)
(276.6)	(206.8)	Reversal of specific provisions for losses	(206.0)	(272.1)
152.0	167.3	Total specific losses	167.3	152.0
(23.5)	(19.5)	Recovered on previously confirmed losses	(19.5)	(23.5)
0.1	0.0	Increase in/(reversal of) general provisions for losses	0.0	0.1
128.6	147.8	Losses on loans and guarantees in the period	147.8	128.6

## NOTE 5. LOANS AND LOSSES BY REGION

NOK million Region	Gross lending 31.12.03				Losses 2003			Accrued, non-recognised*)	
	Retail	Corporate	Total	%	Gross	Recoveries **)	Net	Amount	%
Region Troms	624	1 453	2 077	7	101	21	80	2	29
Region Midt-Norge	2 810	10 550	13 360	42	135	102	33	3	43
Region Hordaland / Sogn og Fjordane	823	1 376	2 199	7	48	27	21	1	14
Region Rogaland	1 085	3 447	4 532	14	89	30	59	0	0
Region Telemark	811	909	1 720	5	31	16	15	1	14
Region Oslo / Østlandet	1 084	5 843	6 927	22	15	25	(10)	0	0
Not allocated on regions	891	141	1 032	3	1	51	(50)	0	0
Shared capital	2		2	0			0	0	0
Parent Bank	8 130	23 719	31 849	100	420	272	148	7	100
Subsidiary ***)	21 362	4 738	26 100		0	0	0	0	
Eliminations		0	0						
Group	29 492	28 457	57 949		420	272	148	7	

\*) "Accrued, not recognised interest" is interest on credit facilities defined as non-performing or doubtful. According to the regulations of the Financial Supervisory Authority of Norway, interest on such facilities shall not be booked as income and will therefore reduce the Parent Bank's net interest income.

See the definition of non-interest bearing facilities in Note 6.

\*\*\*) Recoveries consist of reversed loss provisions and recoveries on previously ascertained losses.

\*\*\*) Lending to the retail market breaks down in nearly the same proportions as the Parent Bank's lending. The corporate market is concentrated in Oslo/Østlandet.

## NOTE 6 DOUBTFUL, NON-PERFORMING AND NON-INTEREST BEARING FACILITIES

NOK million	Total Parent Bank 1)				
	2003	2002	2001	2000	1999
<b>Doubtful loans *) 2]</b>					
Gross doubtful loans	1 844	1 398	1 383	1 661	514
Specific loan loss provisions	718	445	556	434	166
Net doubtful loans	1 126	953	827	1 227	348
Loan loss provisions in % of gross doubtful loans	39	32	40	26	32
<b>Non-performing loans *) 3]</b>					
Gross non-performing loans	750	975	1 287	1 160	1 150
Specific loan loss provisions	527	836	971	743	641
Net non-performing loans	223	139	316	417	509
Loan loss provisions in % of gross non-performing loans	70	86	75	64	56
Net non-performing loans in % of gross lending	0,4	0,3	0,9	1,0	1,3
*) Of these:					
Non-interest bearing loans 4)					
Gross non-performing loans	689	850	1 000	1 035	919
Specific loan loss provisions	527	836	971	743	641
Net non-performing loans	162	14	29	292	278
Loan loss provisions in % of gross non-performing loans	76	98	97	72	70
Net non-performing loans in % of gross lending	0,3	0,1	0,1	0,7	0,7
Accrued, non-recognised interest	7	18	28	49	47
Development in soft loans 5)					
Soft loans	3	75	80	113	107

- 1) The Parent Bank figures are almost identical to the Group figures.
- 2) Doubtful loans are loans where an evaluation of the customer's financial situation has led to a specific loan loss provision being made, although the loan is currently performing.
- 3) Loans with overdrawn/overdue amounts are classified as non-performing, unless the situation is assessed as temporary. If repayments have been overdue for more than 90 days, loans are always classified as non-performing.
- 4) Non-interest bearing facilities are loans with accrued non-recognised interest and commissions.
- 5) Loans where, owing to the customer's financial position, the customer and the Bank have agreed that an interest rate lower than the market rate shall be applied for a period of time.

## NOTE 7. LEASE AGREEMENTS

Agreements NOK million	2003			2002		
	Retail	Corporate	Total	Retail	Corporate	Total
Fokus Bank	2,9	155,3	158,2	7,2	264,2	271,4
Losses on agreements						
NOK million	Brutto	Inngang	Netto	Brutto	Inngang	Netto
Fokus Bank	7,4	10,7	(3,3)	6,2	0,0	6,2

The subsidiary Fokus Finans AS merged with Fokus Bank ASA at 01.01.02.

Lease operations were transferred to Nordania Leasing, which is part of Danske Bank, and the portfolio of lease agreements at Fokus Bank ASA will be settled during the remaining term of the leases.

## NOTE 8. LOANS GRANTED AS SUBORDINATED DEBT

Loans granted to other companies as subordinated debt consist of:

NOK million	2003	2002
Loans to and amounts due from credit institutions	0,0	0,0
Bonds and other interest-bearing securities	0,0	0,0
Total granted to financial institutions	0,0	0,0
Granted to others	36,3	35,9
Total subordinated debt granted	36,3	35,9

## NOTE 9. LOANS TO AND AMOUNTS DUE FROM CREDIT INSTITUTIONS

Parent Bank			Group	
2002	2003	NOK million	2003	2002
1 119,9	982,9	Undated loans to and amounts due from credit institutions	56,3	1 119,9
10 519,8	13 591,4	Dated loans to and amounts due from credit institutions	2 741,4	2 357,5
11 639,7	14 574,3	Total loans to and amounts due from credit institutions	2 797,7	3 477,4

## NOTE 10. CHANGES IN ACCRUED, NON-RECOGNISED INTEREST ON LOANS

Parent Bank			Group	
2002	2003	NOK million	2003	2002
45,0	48,6	Accrued, non-recognised interest on loans at 01.01	48,6	45,0
(6,5)	(8,0)	Earlier periods' interest income on loans, recognised this period	(8,0)	(6,5)
(8,4)	(24,2)	Accrued, non-recognised interest on loans that are no longer on the Balance Sheet	(24,2)	(8,4)
18,5	7,2	The period's accrued, non-recognised interest on loans identified as doubtful loans	7,2	18,5
48,6	23,6	Accrued, non-recognised interest on Balance Sheet loans at 31.12.	23,6	48,6

## NOTE 11. LOANS AND GUARANTEES BY TYPE OF RISK

Fokus Bank classifies all loan customers by risk. The risk category is determined on the basis of, among other things, a credit analysis of the individual customers. The category reflects the risk that the customer will default on loans. The risk is not reduced if collateral has been provided.

Over the year, the risk inherent in the Bank's portfolio of loans and guarantees showed a satisfactory downward trend.

### Corporate market

Risk	Gross lending		Guarantees		Overdraft facilities		Specific loan loss provisions	
	2003	2002	2003	2002	2003	2002	2003	2002
NOK million								
Low	9 264	9 185	977	1 581	3 223	3 117		
Medium	14 512	11 791	1 549	635	3 605	2 452		
High	4 850	4 991	263	174	353	319	1 053	1 060
Total	28 626	25 967	2 789	2 390	7 181	5 888	1 053	1 060

### Retail market

Category	Gross lending		Guarantees		Overdraft facilities		Specific loan loss provisions	
	2003	2002	2003	2002	2003	2002	2003	2002
NOK million								
Low	25 140	21 829	36	23	277	310		
Medium	3 573	2 682	11	11	24	29		
High	611	666	0	0	2	2	192	221
Total	29 324	25 177	47	34	303	341	192	221

General loan loss provisions are not classified.

### Expected annual level of loss

Empirical data dating back several years on loan loss provisions made by major Norwegian banks, suggest a level of losses of approximately 0.3% to 0.4% of total loans in a normal business cycle. The upgrading of the Bank's credit policy and completed and ongoing reductions of the proportion of weak facilities make us expect that Fokus Bank will not, over a normal business cycle, incur losses higher than what is considered normal for similar banks.

## NOTE 12. DEPOSITS FROM CREDIT INSTITUTIONS

Parent Bank			Group	
2002	2003	NOK million	2003	2002
443,9	1 914,8	Undated loans and deposits from credit institutions	1 914,8	443,9
6 312,7	11 248,3	Dated loans and deposits from credit institutions	23 597,2	14 532,0
6 756,6	13 163,1	Total loans and deposits from credit institutions	25 512,0	14 975,9

Specification of debt in main currencies. The amounts are translated into Norwegian kroner at the rate prevailing on the balance sheet date.

USD	1 401,6
SEK	561,0
EUR	2 451,1

The average rate of interest on loans and deposits from credit institutions is 4.52%.

The calculation of the average rate is based on real interest expenses in relation to average capital.

No accounts have special rates.

## NOTE 13. DEPOSITS FROM CUSTOMERS

Parent Bank			Group	
2002	2003	NOK million	2003	2002
28 429,7	27 184,5	Call deposits from and other undated liabilities to customers	27 177,0	28 429,7
1 426,9	1 491,2	Time deposits from and other dated liabilities to customers	1 491,2	1 426,9
29 856,6	28 675,7	Total deposits from customers	28 668,2	29 856,6

Liabilities by main currency. The amounts are translated into Norwegian kroner at the rate prevailing on the balance sheet date.

USD	737,9
EUR	143,5
GBP	46,8
SEK	56,3

The average rate of interest on deposits from customers is 3.54%.

The calculation of the average rate is based on real interest expenses in relation to average capital.

No accounts have special rates.

## NOTE 14. BONDS ISSUED

## Loan information

## Bond loans, nominal value

NOK million

Issued	Type	Price	Maturity	Currency Type	Amount in currency*)	Amount in NOK	Interest terms
26.02.97	Open	100	26.02.04	NOK		300,0	Floating rate with floor
22.10.03	Open	100	22.03.04	NOK		400,0	Fixed rate 2.84%
25.09.03	Open	100	25.03.04	NOK		562,0	Fixed rate 2.73%
19.06.03	Open	100	18.06.04	NOK		160,0	Floating NOK rate
24.08.98	Open	99,26	02.07.04	GBP	12,0	143,6	Fixed rate 6.5%
19.08.97	Open	100,01	19.08.04	EUR	127,8	1 076,2	Floating EUR rate
27.06.03	Open	100	27.06.05	NOK		500,0	Floating NOK rate
01.09.98	Open	99,74	01.09.05	USD	250,0	1 684,7	Floating USD rate
17.12.01	Closed	100	19.12.05	NOK		85,2	Stock index
05.07.02	Closed	100	05.07.06	NOK		101,0	Stock index
22.12.00	Closed	68,15	22.12.06	NOK		60,2	Stock index
15.03.02	Closed	100	15.03.07	NOK		147,1	Stock index
14.03.02	Open	100	14.03.08	NOK		300,0	Fixed rate 7%
						5 520,0	

\*) The currency amounts are calculated at mid-rate USD 6.7386, GBP 11.9678 and EUR 8.4205 at December 31, 2003.

The bonds issued have been hedged by interest rate swaps at a ratio of 1:1.

## Bond loans, book value in NOK

NOK million	2003	2002
Bonds issued in USD - in NOK (nominal value)	1 684,7	3 826,0
Bonds issued in EUR - in NOK (nominal value)	1 076,2	932,1
Bonds issued in GBP - in NOK (nominal value)	143,6	134,3
Bonds issued in NOK - (nominal value)	2 615,5	1 473,5
Total bonds issued	5 520,0	6 365,9
Discount	(61,3)	(84,5)
Balance Sheet value of bonds issued **)	5 458,7	6 281,4
Certificates of deposit issued	0,0	0,0
Total Balance Sheet value	5 458,7	6 281,4

\*\*\*) Book value is equal to the nominal value. Discount and proprietary holding are booked separately.

At December 31, 2003, the bonds issued had a total market value of NOK 5 458.7 million.

At December 31, 2002, the bonds issued had a total market value of NOK 6 281.4 million.

## cont'd. NOTE 14. BONDS ISSUED

Special conditions:

### **Fokus Bank 05.07.06**

Fokus Bank has issued a stock-index-linked bond loan with maturity on 05.07.06.

The return on the bond loan will depend on the movements of two different stock indices.

The return on the bonds will be paid at maturity.

The bond issue is hedged by an option and an interest-rate swap at a ratio of 1:1.

### **Fokus Bank 22.12.06**

Fokus Bank has issued a stock-index-linked bond loan with maturity on 22.12.06.

The return on the bond loan will depend on the movements of three different stock indices.

The bond issue is hedged by an option and an interest-rate swap at a ratio of 1:1.

### **Fokus Bank 15.03.07**

Fokus Bank has issued a stock-index-linked bond loan with maturity on 15.03.07.

The return on the bond loan will depend on the movements of a stock index.

The return on the bond loan will be paid at maturity.

The bond issue is hedged by an option and an interest-rate swap at a ratio of 1:1.

Average rate 2.96%

The average rate has been calculated as interest expenses in relation to average annual capital.

## NOTE 15. SUBORDINATED DEBT

The figures apply to the Parent Bank.

The Bank's subordinated debt of NOK 1 516.2 million is issued in foreign currency.

Issued year	Maturity year	Amount in currency	Equivalent in NOK million	Interest rate	Expenses excl. interest for the year	Value issue
1999	2009	USD 75,0 mill	505,4	1,92000	0	589,6
2001	2011	USD 50,0 mill	336,9	2,07000	0	468,6
1997	Perpetual	USD 100,0 mill	673,9	1,91824	0	675,5
	Total	USD 225,0 mill	1 516,2			1733,7

The currency loans are converted at a mid-rate of USD 6.7386 at December 31, 2003.

The currency loans bear a floating rate of interest, which is adjusted every six months.

The rates stated are the rates in force at the end of the year.

The currency loans are included in the Bank's overall net currency position and are therefore continuously hedged against exchange rate fluctuations.

## NOTE 16. SPECIFICATION OF CHANGES IN EQUITY CAPITAL

## Parent Bank

	Share capital	Premium fund	Other invested equity	Reserve for valuat. diff.	Other equity	Total
At December 31, 2003, the Bank's credit equivalent values amounted to:						
NOK million						
Fokus Bank ASA 01.01.03	1 499,6	309,4	34,5	123,9	2 219,2	4 186,6
Merger Skårersletta Eiendom AS					4,8	4,8
Merger Danske Securities ASA			11,4		4,5	15,9
Group contribution from DDB Fokus Invest AS			8,5			8,5
Allocation of 2003 result					283,8	283,8
Fokus Bank ASA 31.12.03	1 499,6	309,4	54,4	123,9	2 512,3	4 499,6

## Group

	Share capital	Premium fund	Other invested equity	Reserve for valuat. diff.	Other equity	Total
NOK million						
Fokus Bank Konsern 01.01.03	1 499,6	309,4	45,9	0,0	2 337,6	4 192,5
Prior-year adjustment					1,2	1,2
Group contribution from DDB Fokus Invest			8,5			8,5
Allocation of 2003 result					296,1	296,1
Fokus Bank Konsern 31.12.03	1 499,6	309,4	54,4	0,0	2 634,9	4 498,3

## NOTE 17. CAPITAL ADEQUACY

According to regulations concerning minimum capital requirements for financial institutions, the Parent Bank and the Group are required to have a capital adequacy ratio of at least 8% of the risk-weighted assets.

At December 31, 2003, Fokus Bank ASA had the following capital adequacy:

Parent Bank			Group	
2002	2003	NOK million	2003	2002
1 500	1 500	Share capital	1 500	1 500
1 819	2 240	Other equity capital	2 213	1 812
(72)	(64)	Non-eligible excess pension funds	(64)	(73)
3 247	3 676	Total core capital	3 649	3 239
869	842	Book value of subordinated debt (excl. perpet.sub.debt)	842	869
0	0	Non-eligible subordinated debt	0	0
869	842	Total eligible subordinated debt	842	869
676	674	Other supplementary capital	674	676
1 545	1 516	Total supplementary capital	1 516	1 545
4 792	5 192	Gross equity and subordinated capital	5 165	4 784
0	0	Deductions	0	0
4 792	5 192	Net equity and subordinated capital	5 165	4 784
33 397	38 815	Risk-weighted assets	49 238	40 379
9,72	9,47	Core capital ratio	7,41	8,02
14,35	13,38	Capital adequacy ratio	10,49	11,85

## cont'd. NOTE 17. CAPITAL ADEQUACY

## Specification of risk-weighted assets

Parent Bank			Group	
2002	2003	NOK million	2003	2002
31 622	33 179	Assets not included in the trading portfolio	43 602	38 604
1 480	4 444	Off-balance-sheet items not included in the trading portfolio	4 444	1 480
295	1 192	Items included in the trading portfolio	1 192	295
0	0	Risk-weighted assets, currency risk	0	0
33 397	38 815	Total risk-weighted assets, net	49 238	40 379

Subordinated debt is included as supplementary capital in accordance with the regulations concerning Parent Bank capital adequacy, as follows:

Perpetual subordinated debt	673,9
Subordinated debt (excl. perpet. sub. debt)	842,3
Total subordinated debt	1 516,2*)
Subordinated debt (excl. perpet. sub. debt)	842,3
Reductions over the last 5 years	0,0
Restrictions according to the 50% rule	0,0
Eligible subordinated debt (excl. perpet. sub. debt)	842,3
Perpetual subordinated debt (included in other supplementary capital)	673,9
Eligible subordinated debt	1 516,2

\*) Total subordinated debt stated on the Balance Sheet at December 31, 2003: NOK 1 516.2 million.

The perpetual loan in USD is included as other supplementary capital in the capital adequacy calculation.

Group figures for core and supplementary capital include holdings in associated companies.

## Specification of difference between core capital and equity capital according to the Balance Sheet:

Parent Company			Group	
2002	2003	NOK million	2003	2002
3 247	3 676	Core capital	3 649	3 239
4 187	4 500	Balance sheet equity capital	4 498	4 192
940	824	Difference	849	953

The difference is due to the fact that reserve for valuation differences, deferred tax benefits, excess pension funds and other intangible assets have been deducted from the core capital before calculating the capital adequacy.

## NOTE 18. OWNERSHIP

Fokus Bank ASA is wholly owned by DDB Fokus Invest AS.

The share capital at December 31, 2003, consists of a total of 136 324 267 shares with a nominal value of NOK 11.-

## NOTE 19. BONDS AND COMMERCIAL PAPER

The portfolio of bearer bonds and commercial paper breaks down as follows:

Parent Bank		Trading portfolio	Group	
2002	2003	NOK million	2003	2002
<b>Bonds</b>				
518.8	2 353.9	Government and government-backed bonds	2 353.9	518.8
0.0	0.0	Foreign bonds	0.0	0.0
1 626.3	3 361.8	Other bearer bonds	3 365.3	1 629.7
2 145.1	5 715.7	Book value of bearer bonds	5 719.2	2 148.5
2 145.1	5 715.7	Market value of bearer bonds	5 719.2	2 148.5
0.0	0.0	Surplus value of bearer bonds	0.0	0.0
<b>Commercial paper</b>				
0.4	3.9	Government and government-backed commercial paper	3.9	0.4
139.8	135.0	Municipalities and financial institutions	135.0	139.8
125.0	130.0	Other types of negotiable commercial paper	130.0	125.0
265.2	268.9	Book value of commercial paper	268.9	265.2
265.2	268.9	Market value of commercial paper	268.9	265.2
0.0	0.0	Surplus value of commercial paper	0.0	0.0

All bonds are quoted on the stock exchange

In the commercial paper portfolio, only the commercial paper issued by the Norwegian Government and

BN-Kreditt are listed.

The nominal value of own bonds is NOK 255.7 million (not included in the table above).

The nominal value of own bonds is USD 134.7 million (not included in the table above).

The book value of own bonds total NOK 390.4 million.

Book values and market values are identical.

Average yield to maturity of the trading portfolio is 4.63%.

## NOTE 20. ASSOCIATED COMPAGNIES

Compagny name	Business office	Owner-ship %	Balance sheet valuation 31.12.02	Additions/ disposals in 2003	Equity at time of acquisition	Balance-sheet goodwill	Share of result	Dividends received	Goodwill write-off	Balance sheet valuation 31.12.03
NOK 1,000										
Held by Fokus ASA:										
Nordenfjeldske Personforsikring AS										
	Trondheim	39,00	28 869	0	26 084	10 295	12 800	7 800	1 950	31 919
Meglerhuset Nylander AS Trondheim										
		40,00	3 437	0	0	0	0	0	0	3 437
Shares in associated compagnies										
			32 306	0		10 295	12 800	7 800	1 950	35 356

None of the compagnies are listed.

## NOTE 21. SHARES IN SUBSIDIARIES

## Consolidated subsidiaries of Fokus Bank ASA

	Business-office	Share capital	Number of shares	Nominal value	Owner-ship share %	Equity capital	Result in 2002	Book value
NOK1.000								
<u>Credit institutions</u>								
Fokus Kreditt AS	Oslo	1 300 000	1 300 000	1 300 000	100,0	1 300 549	158 545	1 300 000
<u>Other compagnies</u>								
Fokus Eiendomsmegling AS	Skien	1 000	1 000	1 000	100,0	3 338	1 147	1 000
Firstnordic Fondene AS	Oslo	6 000	6 000	6 000	100,0	8 657	217	8 200
Total								1 309 200

## ADDITIONS/DISPOSALS OF SUBSIDIARIES

Danske Securities ASA and Skårersletta Eiendom AS have merged with Fokus Bank ASA.

The mergers affected the accounts as from January 1, 2003.

Fokus Kredittforsikring AS was wound up in 2003.

Fokus Bank ASA did not sell off any subsidiaries in 2003.

Fokus Eiendomsmegling AS was sold off with effect from January 1, 2004

None of the companies are listed.

## NOTE 22. OTHER LONG-TERM SHARES

	Share capital	Number of shares	Nominal value	Ownership share %	Book value
NOK 1,000					
Held by Fokus Bank ASA					
<u>Credit institutions</u>					
Eksportfinans AS	1 593 500	12 276	128 898	8,09	194 500
<u>Other companies</u>					
Other companies, net					126 400
Total held by Fokus Bank ASA					320 900

## NOTE 23. CHANGES IN FIXED ASSETS

	Parent Bank			Group			
	Machinery, fixtures and vehicles	Buildings and other real property	Intangible assets	Machinery, fixtures and vehicles	Buildings and other real property	Intangible assets	Goodwill
NOK million							
Cost at 01.01.03	119,6	194,2	0,0	125,3	194,2	0,0	0,0
+ Additions during the year	21,3	0,0	0,0	21,3	0,0	0,0	0,0
- Disposals during the year	24,6	23,9	0,0	24,6	23,9	0,0	0,0
Cost at 31.12.03	116,3	170,3	0,0	122,0	170,3	0,0	0,0
+ Revaluations at 01.01.03		63,8			63,8		
- Total depreciation and write-downs at 01.01.03	41,5	127,7	0,0	47,5	127,7	0,0	0,0
- Ordinary depreciation during the year	17,6	3,3	0,0	17,6	3,3	0,0	0,0
- Write-down of revaluation during the year		0,1			0,1		
- Other depreciation/write-downs during the year	1,8	0,0	0,0	1,8	0,0	0,0	0,0
+ Disposals depreciation/write-downs during the year	24,2	20,3		24,2	20,3		
Book value at 31.12.03	79,6	123,3	0,0	79,3	123,3	0,0	0,0
Booked gains on sales/disposals	0,3	0,0	0,0	0,3	0,0	0,0	
Booked losses on sales/disposals	0,0	0,5	0,0	0,0	0,5	0,0	
Rate of ordinary depreciation	10% - 30%	2%	20% - 30%	10% - 30%	2%	20% - 30%	10%

## NOTE 24. INVESTMENTS IN AND SALE OF FIXED ASSETS 1999 - 2003

NOK million	Parent Bank				Group			
	Machinery, fixtures and vehicles		Bank buildings and other real property		Machinery, fixtures and vehicles		Bank buildings and other real property	
	Invested	Sold	Invested	Sold	Invested	Sold	Invested	Sold
1999	33.4	0.7	6.0	1.4	34.1	0.9	6.5	1.7
2000	56.5	0.8	37.1	0.0	61.0	0.8	37.1	0.0
2001	52.8	10.1	1.1	34.6	52.8	10.4	1.1	34.6
2002	13.8	1.4	0.0	52.3	13.8	1.6	0.0	52.3
2003	21.3	0.5	0.0	9.2	21.3	0.5	0.0	9.2

## NOTE 25. REPOSSESSED ASSETS

Parent Bank			Group	
2002	2003	NOK million	2003	2002
1.3	2.3	Shares	2.3	1.3
1.3	2.3	Total repossessed assets	2.3	1.3

## NOTE 26 - REAL PROPERTY AND TENANCY AGREEMENTS

The Group's real property portfolio is split into two categories depending on the objective and time perspective of the usage/realisation of the asset.

The following categories are used:

	Book value NOK million	Gross area m <sup>2</sup>	Number	Book value per m <sup>2</sup> (NOK)
Own buildings for banking operations	117,9	19 900	1	5 924
Staff residences, etc.	5,2	332	10	15 663
Bank buildings and other real property	123,1	20 232	11	6 084
Land	0,2	10 539	2	19

### Utilisation of real property:

Utilisation of area (m<sup>2</sup>)

	Own use	Rented	Vacant
Own buildings for banking operations	16 423	3 377	100
Staff residences, etc.	85	247	0
Total	16 508	3 624	100

### Own buildings for banking operations

Real property purchased for banking operations, and from which Fokus Bank runs its main activities in the area, is included in "Own buildings for banking operations".

Own buildings are assessed as one portfolio and recorded at cost less ordinary depreciation, including revaluations and write-downs.

### Tenancy agreements

The Bank has entered into tenancy agreements for premises which are used by the Bank or sublet.

The net cost of tenancy agreements for premises not used by the Bank is discounted over the remaining period of the tenancy agreement at a rate of 5.0% for agreements with long maturities and 3.6% for agreements with short maturities.

## NOTE 27. SALARIES AND ADMINISTRATIVE EXPENSES

Parent Bank			Group	
2002	2003	NOK million	2003	2002
388,9	424,9	Salaries	438,0	404,2
48,1	51,4	Pensions	50,8	48,3
76,2	85,3	Other staff costs	86,3	76,8
513,2	561,6	Total staff costs	575,1	529,3
87,3	74,0	Office costs	74,8	88,2
143,2	163,5	IT rent/operations	164,6	143,2
135,4	148,1	Other administrative expenses	151,8	138,2
365,9	385,6	Total administrative expenses	391,2	369,6

In the 2003 accounting year, the average number of employees of the Parent Bank was 1 000 and of the Group 1 023.

For the Parent Bank, total expenses for salaries, pension commitments and other benefits to the Managing Director, Members of the Board of Directors, the Supervisory Board, the Control Committee and other staff representatives amounted to NOK 4 464 552, of which NOK 1 891 763 is salary and other benefits to Thomas F. Borgen, Managing Director. To that amount should be added NOK 541 957 as premium for a pension scheme.

The Managing Director has received 2 312 conditional shares of Danske Bank. In addition, he has received 37 000 options as part of the general scheme for allocation of options in the Danske Bank Group.

The options are non-negotiable and may not be exercised until three years after their allotment.

The options cease to be valid if the contract of employment is terminated.

Bonus in the form of conditional shares may be allocated to executives of the Danske Bank Group. The criteria for allocation are linked to performance in the various areas. Shares are vested three years after the rights have been granted. The right to conditional shares ceases to be valid if the contract of employment is terminated.

Fokus Bank ASA has made an agreement with the Managing Director for two years' guaranteed salary in addition to salary granted under a severance agreement.

Apart from this, Fokus Bank ASA has not undertaken any obligations towards the Managing Director or the Chairman of the Board concerning specific compensation if the contract of employment is changed or terminated.

According to the articles of association, the Managing Director must retire at the age of 60.

## NOTE 28. PENSIONS, PARENT BANK

In 2003, Fokus Bank ASA established a defined contribution schemes as its ordinary pension scheme. Staff employed after April 1, 2003, have joined this scheme. All employees who were members of the defined benefit scheme were invited to join the defined contribution scheme. 325 employees elected to join the defined contribution scheme from January 1, 2003.

The Bank's defined benefit scheme is organised in a separate pension fund. Pension benefits are based on the number of years of service as well as the salary level at pension age. The assets of the pension fund consist mainly of money market instruments, bonds and shares.

At December 31, 2003, the number of persons included in the pension schemes was:

Working	781
Retired	641
Defined contribution scheme	375

In addition, the Bank has charged pension commitments against income. These commitments are early retirement pensions, supplementary pensions and pension commitments to managers who may retire before their ordinary retirement age.

At December 31, 2003, the number of persons included in the pension scheme charged against income was:

Working	61
Retired	378

In accordance with the GRS standard for pension costs, future commitments under the Contractual Early Retirement Scheme (CERS) for the financial services industry were calculated. In 1998, the CERS was extended to include 62-year olds. All employees are covered by the scheme, and the Bank has chosen to calculate the costs based on a 50% utilisation. In accordance, with the GRS standard for pension costs, the increased commitment as a result of the reduced pension age is treated as a change of scheme.

Consequently, the Bank may either charge the costs to income immediately or amortise them over the average remaining amortisation period. The Bank has chosen the latter alternative.

### Pension funds and pension commitment:

Financial assumptions:	2003	2002
Discount rate	6,0%	6,0%
Salary adjustments	3,0%	3,0%
Adjustment of current pensions	3,0%	3,0%
Adjustment of National	2,0%	2,0%
Insurance basic amount		
Adjustment of paid-up policies	2,0%	2,0%
Return on pension funds	7,0%	7,0%

## contin'd. NOTE 28. PENSIONS, PARENT BANK

**Pension fund**

	2003	2002
NOK million		
Accrued pension commitments	920,8	884,3
Pension funds*)	(879,7)	(916,2)
Deferred commitments on (losses)/gains	(104,1)	(39,7)
Under-/ (over-)funded pension commitments	(63,0)	(71,6)

**Pension fund expenses for the year**

	2003	2002
NOK million		
Pension entitlements for the year	26,8	26,9
Interest expenses	51,6	49,4
Return on pension funds	71,4	60,9
Charged to income	1,6	0,0
Pension expenses for the year	8,6	15,4

\*) The 2003 figures reflect fair value.

**Pension payments charged to income**

NPV of pension payments charged to income	2003	2002
NOK million		
Early retirement pensions, etc.	82,3	89,4
CERS, total commitments	125,8	109,6
- deferred commitments	(17,8)	(20,2)
CERS, total commitments charged to income	108,0	89,4
Total booked commitments	190,3	178,8

Pension expenses for the year charged to	2003	2002
Net change before early-retirement pensions	(7,1)	(6,9)
Net change in CERS	18,6	15,1
Pension payments for the year charged to income	25,6	24,7
Defined contributions	5,7	0,0
Pension expenses for the year charged to income	42,8	32,9

## NOTE 29. LOANS TO EMPLOYEES AND STAFF REPRESENTATIVES

At December 31, 2003, loans to employees amounted to NOK 806.8 million, including housing loans for NOK 782.1 million.

Employees benefit from a preferential rate of interest equal to the best rate offered to customers less 0.75 of a percentage point, amounting to NOK 5.7 million on employee loans in 2003.

Included in the above amounts are loans to representatives, employees, former employees who have an agreement to continue to receive preferential employee interest rates, as well as retired employees. The preferential rate of interest reduces the Bank's net interest income.

The average rate of interest charged on employee loans was 0.9% above the average marginal cost on all loans in 2003.

Loans to the Managing Director, the other members of the Executive Board, members of the Board of Directors, the Supervisory Board and the Control Committee:

Thomas F. Borgen	301 850
Terje Svendsen	730 300
Bjørn Arnestad	2 705 000

No other members of the Board of Directors, the Supervisory Board and the Control Committee had loans or guarantees at December 31, 2003.

## NOTE 30. INTEREST INCOME AND INTEREST EXPENSES

Parent Bank			Group	
2002	2003	NOK million	2003	2002
802,2	572,1	Interest from loans to and amounts due from credit institutions	424,4	763,7
3 430,2	2 865,5	Interest from loans to and amounts due from customers	3 892,1	4 279,9
119,9	194,1	Yield on bonds, CPs and other securities	194,1	119,9
4 352,3	3 631,7	Interest income	4 510,6	5 163,5
623,6	800,2	Interest on amounts due to credit institutions	1 703,5	1 475,7
2 385,1	1 600,2	Interest on deposits from and debt to customers	1 243,0	2 145,8
204,2	162,1	Interest on issued securities	162,1	204,2
49,7	34,4	Interest on subordinated debt	34,4	49,7
6,6	15,5	Other interest expenses	39,8	6,7
47,4	42,2	Levy to the Commercial Bank Guarantee Fund	42,2	47,4
3 316,6	2 654,6	Interest expenses	3 225,0	3 929,5

## NOTE 31. OTHER OPERATING INCOME

Parent Bank			Group	
2002	2003	NOK million	2003	2002
22,4	9,7	Income from shares and other securities	9,7	22,4
5,1	10,7	Income from holdings in associated companies	10,7	5,1
140,7	220,2	Income from holdings in Group companies	0,0	0,0
168,2	240,6	Dividends and other income from securities	20,4	27,5
31,0	34,9	Guarantee commissions	20,5	21,5
13,6	76,5	Credit broking	20,4	21,1
51,8	47,3	Securities trading and asset management	56,8	71,8
210,5	229,5	Payment services	243,9	210,5
6,3	7,3	Insurance services	7,3	6,3
53,7	5,4	Other operations	5,4	4,6
366,9	400,9	Commission and fee income	354,3	335,8
5,1	4,5	Securities trading and asset management	7,6	5,1
63,2	60,0	Payment services	60,2	59,6
68,3	64,5	Commissions and fees paid	67,8	64,7
5,5	16,0	Net gains/(losses) on CPs, bonds, etc.	16,0	5,5
(0,8)	8,2	Net gains/(losses) on shares and other securities	8,2	(0,8)
4,7	24,2	Net gains/(losses) on securities	24,2	4,7
47,0	56,7	Net gains/(losses) on foreign currency and derivatives	51,1	44,0
51,7	80,9	Net gains/(losses)	75,3	48,7
15,4	15,1	Operating income from real property	10,5	16,6
0,0	0,0	Profit on sale of fixed assets	0,0	0,0
54,2	53,1	Other operating income	55,2	54,3
69,6	68,2	Other operating income	65,7	70,9
588,1	726,1	Total other operating income	447,9	418,2

## NOTE 32. OTHER OPERATING EXPENSES

Parent Bank			Group	
2002	2003	NOK million	2003	2002
80,3	85,6	Rent	86,2	80,9
1,0	1,0	Real estate charges	1,0	1,0
5,2	3,7	IT maintenance	4,3	5,2
0,1	0,6	Loss from sale of fixed assets	0,6	0,1
14,1	11,4	Processing of cash	11,4	14,1
34,6	26,4	Operating and maintenance expenses, real estate	26,4	34,6
53,8	58,1	Other operating expenses	61,9	61,1
189,1	186,8	Total	191,8	197,0

In 2003, the Fokus Bank Group paid fees to external auditors for the 2003 accounting year amounting to NOK 1 142 416. Of this amount fees for non-auditing services accounted for NOK 391 113.

## NOTE 33. REMAINING LIFE FOR MAIN ITEMS AT 31.12.03

	1 month and below	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Without remaining life	TOTAL
NOK million							
<b>ASSETS, NOK</b>							
Cash and deposits with central banks and loans eligible for refinancing at central banks							
	0,0	0,0	0,0	0,0	0,0	170,5	170,5
Loans to and deposits with credit institutions	455,0	4,2	75,0	583,0	0,0	383,2	1 500,4
Loans to and amounts due from customers	9 659,4	295,1	1 516,4	882,3	41 581,8	0,0	53 935,0
Bonds, CPs and other interest-bearing securities	318,4	2 955,8	2 943,8	19,8	6,0	0,0	6 243,8
Other assets with remaining life	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Assets without remaining life	0,0	0,0	0,0	0,0	0,0	1 753,7	1 753,7
<b>Total assets, NOK</b>	<b>10 432,8</b>	<b>3 255,1</b>	<b>4 535,2</b>	<b>1 485,1</b>	<b>41 587,8</b>	<b>2 307,4</b>	<b>63 603,4</b>
<b>LIABILITIES AND EQUITY CAPITAL, NOK</b>							
Amounts due to credit institutions	3 231,3	3 490,0	2 200,0	8 990,5	1 273,5	2 787,6	21 972,9
Deposits from and debt to customers	27 360,2	1,5	22,7	261,5	1,6	0,0	27 647,5
Debt securities in issue	0,0	1 262,0	160,0	1 132,1	0,0	0,0	2 554,1
Other debt with remaining life	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Debt without remaining life	0,0	0,0	0,0	0,0	0,0	1 762,6	1 762,6
Subordinated debt	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity capital	0,0	0,0	0,0	0,0	0,0	4 498,3	4 498,3
<b>Total liabilities and equity capital, NOK</b>	<b>30 591,5</b>	<b>4 753,5</b>	<b>2 382,7</b>	<b>10 384,1</b>	<b>1 275,1</b>	<b>9 048,5</b>	<b>58 435,4</b>
<b>ASSETS IN FOREIGN CURRENCY</b>							
Cash and deposits with central banks and loans eligible for refinancing at central banks							
	0,0	0,0	0,0	0,0	0,0	11,7	11,7
Loans to and amounts due from credit institutions	785,4	308,9	51,4	151,6	0,0	0,0	1 297,3
Loans to and amounts due from customers	615,5	139,2	32,6	71,0	1 785,4	0,0	2 643,7
Bonds, CPs and other interest-bearing securities	0,0	134,7	0,0	0,0	0,0	0,0	134,7
Other assets with remaining life	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Assets without remaining life	0,0	0,0	0,0	0,0	0,0	57,2	57,2
<b>Total assets in foreign currency</b>	<b>1 400,9</b>	<b>582,8</b>	<b>84,0</b>	<b>222,6</b>	<b>1 785,4</b>	<b>68,9</b>	<b>4 144,6</b>
<b>LIABILITIES AND EQUITY CAPITAL IN FOREIGN CURRENCY</b>							
Amounts due to credit institutions	416,1	421,0	499,3	1 852,8	343,2	6,7	3 539,1
Deposits from and debt to customers	1 018,7	0,6	0,0	1,4	0,0	0,0	1 020,7
Debt securities in issue	0,0	0,0	1 219,9	1 684,7	0,0	0,0	2 904,6
Other debt with remaining life	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Debt without remaining life	0,0	0,0	0,0	0,0	0,0	332,0	332,0
Subordinated debt	0,0	0,0	0,0	0,0	1 516,2	0,0	1 516,2
Equity capital	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total liabilities and equity capital in foreign currency</b>	<b>1 434,8</b>	<b>421,6</b>	<b>1 719,2</b>	<b>3 538,9</b>	<b>1 859,4</b>	<b>338,7</b>	<b>9 312,6</b>
Net liquidity exposure							
<b>Total balance-sheet items</b>	<b>(20 192,6)</b>	<b>(1 337,2)</b>	<b>517,3</b>	<b>(12 215,3)</b>	<b>40 238,7</b>	<b>(7 010,9)</b>	<b>0,0</b>
<b>INCOMING/OUTGOING PAYMENTS ON OFF-BALANCE SHEET DERIVATIVES</b>							
Norwegian kroner	82,3	(740,1)	(1 134,4)	(3 105,1)	0,0	0,0	(4 897,3)
Foreign currency	(85,4)	718,7	1 031,9	2 350,4	0,0	0,0	4 015,6
<b>NET TOTAL ALL ITEMS</b>	<b>(20 195,7)</b>	<b>(1 358,6)</b>	<b>414,8</b>	<b>(12 970,0)</b>	<b>40 238,7</b>	<b>(7 010,9)</b>	<b>(881,7)</b>

## NOTE 34. AGREED TIME FOR CHANGE IN INTEREST RATE ON MAIN ITEMS AT 31.12.03

	1 month and below	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Without remaining life	TOTAL
NOK million							
<b>ASSETS, NOK</b>							
Cash and deposits with central banks and loans eligible for refinancing at central banks	0,0	0,0	0,0	0,0	0,0	170,5	170,5
Loans to and amounts due from credit institutions	454,8	662,2	0,0	0,0	0,0	383,4	1 500,4
Loans to and amounts due from customers	26 464,2	16 505,0	1 143,0	8 784,1	1 038,7	0,0	53 935,0
Bonds, CPs and other interest-bearing securities	318,4	2 955,8	2 943,8	19,8	6,0	0,0	6 243,8
Other assets with remaining life	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other assets without remaining life	0,0	0,0	0,0	0,0	0,0	1 753,7	1 753,7
<b>Total assets, NOK</b>	<b>27 237,4</b>	<b>20 123,0</b>	<b>4 086,8</b>	<b>8 803,9</b>	<b>1 044,7</b>	<b>2 307,6</b>	<b>63 603,4</b>
<b>LIABILITIES AND EQUITY CAPITAL, NOK</b>							
Amounts due to credit institutions	3 874,7	12 740,0	3 490,5	0,0	0,0	1 867,7	21 972,9
Deposits from and debt to customers	27 647,5	0,0	0,0	0,0	0,0	0,0	27 647,5
Debt securities in issue	0,0	2 060,7	160,0	333,4	0,0	0,0	2 554,1
Other debt with remaining life	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Debt without remaining life	0,0	0,0	0,0	0,0	0,0	1 762,6	1 762,6
Subordinated debt	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Equity capital	0,0	0,0	0,0	0,0	0,0	4 498,3	4 498,3
<b>Total liabilities and equity capital, NOK</b>	<b>31 522,2</b>	<b>14 800,7</b>	<b>3 650,5</b>	<b>333,4</b>	<b>0,0</b>	<b>8 128,6</b>	<b>58 435,4</b>
<b>ASSETS IN FOREIGN CURRENCY</b>							
Cash and deposits with central banks and loans eligible for refinancing at central banks	0,0	0,0	0,0	0,0	0,0	11,7	11,7
Loans to and amounts due from credit institutions	317,1	376,2	51,4	0,0	0,0	552,6	1 297,3
Loans to and amounts due from customers	2 489,1	154,6	0,0	0,0	0,0	0,0	2 643,7
Bonds, CPs and other interest-bearing securities	0,0	134,7	0,0	0,0	0,0	0,0	134,7
Other assets with remaining life	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Assets without remaining life	0,0	0,0	0,0	0,0	0,0	57,2	57,2
<b>Total assets in foreign currency</b>	<b>2 806,2</b>	<b>665,5</b>	<b>51,4</b>	<b>0,0</b>	<b>0,0</b>	<b>621,5</b>	<b>4 144,6</b>
<b>LIABILITIES AND EQUITY CAPITAL IN FOREIGN CURRENCY</b>							
Amounts due to credit institutions	614,8	2 273,9	650,4	0,0	0,0	0,0	3 539,1
Deposits from and debt to customers	1 020,1	0,6	0,0	0,0	0,0	0,0	1 020,7
Debt in issue	0,0	2 761,0	143,6	0,0	0,0	0,0	2 904,6
Other debt with remaining life	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Debt without remaining life	0,0	0,0	0,0	0,0	0,0	332,0	332,0
Subordinated debt	0,0	1 516,2	0,0	0,0	0,0	0,0	1 516,2
Equity capital	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total liabilities and equity capital in foreign currency</b>	<b>1 634,9</b>	<b>6 551,7</b>	<b>794,0</b>	<b>0,0</b>	<b>0,0</b>	<b>332,0</b>	<b>9 312,6</b>
<b>Net interest rate exposure</b>							
<b>Total balance-sheet items</b>	<b>(3 113,5)</b>	<b>(563,9)</b>	<b>(306,3)</b>	<b>8 470,5</b>	<b>1 044,7</b>	<b>(5 531,5)</b>	<b>0,0</b>
<b>OFF-BALANCE-SHEET FINANCIAL DERIVATIVES AFFECTING INTEREST RATE EXPOSURE</b>							
Norwegian kroner	435,6	(113,5)	(1 721,3)	(9 873,4)	(1 542,3)	0,0	(12 814,9)
Foreign currency	(16,6)	913,4	1 019,2	1 282,1	0,0	0,0	3 198,1
<b>Net total all items</b>	<b>(2 694,5)</b>	<b>236,0</b>	<b>(1 008,4)</b>	<b>(120,8)</b>	<b>(497,6)</b>	<b>(5 531,5)</b>	<b>(9 616,8)</b>

## INFORMATION REGARDING INTEREST RATE SENSITIVITY AT YEAR-END

Effect on the Profit and Loss Account of an interest-rate increase of 1%

	TRADING	BANK	TOTAL
P&L effect of an interest-rate increase of 1%	(7 089,0)	(1 178,0)	(8 267,0)

The figures show the net effect on the Bank's Profit and Loss Account if the rate of interest for all net interest positions in foreign currency increases by 1%.

## NOTE 35. TAXATION, PARENT BANK

At the end of the accounting year, there are timing differences between values for accounting and for tax purposes. Deferred tax liabilities/deferred tax benefits are calculated on the basis of these differences.

TAX EXPENSE FOR THE YEAR	31.12.03	31.12.02
Tax payable on the profit for the year	0,0	0,0
Gross change in deferred tax, Norwegian companies	118,6	114,6
Total tax expense for the year	118,6	114,6
Including tax on extraordinary items	0,0	0,0
Tax expense on profit on ordinary operations	118,6	114,6

## PAYABLE TAX EXPENSE FOR THE YEAR:

Profit before tax on ordinary operations		402,4	557,2
Profit on extraordinary items before tax		0,0	0,0
Permanent differences	+/-	4,5	1,1
Change in timing differences	+/-	(406,9)	(558,3)
Basis for payable tax, Norwegian companies		0,0	0,0
Payable tax	1) Tax rate:28%	0,0	0,0
Refund on dividend received from Norwegian companies		0,0	0,0
Payable tax on the profit for the year, Norwegian companies		0,0	0,0
Payable tax on the profit for the year, foreign companies		0,0	0,0
Total payable tax on the profit for the year		0,0	0,0

## 1) PAYABLE TAX ON THE BALANCE SHEET:

Payable tax on the net profit for the year		0,0	0,0
Tax payable on group contributions given		0,0	0,0
Total payable tax		0,0	0,0

## SPECIFICATION OF THE BASIS FOR DEFERRED TAX/DEFERRED TAX BENEFITS:

Differences to be offset:			
Fixed assets	+/-	(1 735,9)	(1 925,5)
Current assets	+/-	(277,8)	(477,7)
Debt	+/-	(270,4)	(227,8)
Loss carried forward	-	0,0	(44,8)
Total		(2 284,1)	(2 675,8)
Deferred (tax benefits) / Deferred tax on the Balance Sheet	Tax rate: 28%	(639,5)	(749,2)

## DIFFERENCES THAT ARE NOT OFFSET:

Fixed assets	-	0,0	0,0
Current assets	-	0,0	0,0
Debt	-	0,0	0,0
Loss carried forward	+	0,0	0,0
Total		0,0	0,0
Deferred tax benefit	Tax rate: 28%	0,0	0,0

## DEFERRED TAX BENEFIT / DEFERRED TAX ON THE BALANCE SHEET:

Deferred (tax benefit) / deferred tax		(639,5)	(749,2)
Deferred tax benefit on Group contributions received		3,3	0,0
Total deferred (tax benefit) / deferred tax on the Balance Sheet		(636,2)	(749,2)

## DEFERRED TAX BENEFIT IN THE CONSOLIDATED FINANCIAL STATEMENTS:

A number of the Group companies have negative timing differences. Net deferred tax benefit at December 31, 2003, are recognised at NOK 643.2 million.

## NOTE 36. GUARANTIES, PLEDGED ASSETS

Parent Bank			Group	
2002	2003	NOK million	2003	2002
1 521	1 031	Payment guarantees	1 031	1 521
233	863	Contract guarantees	863	233
2 025	1 332	Loan guarantees	36	241
104	343	Guarantees for taxes due, etc.	343	104
325	565	Other guarantee liabilities	565	325
4208	4134	Guarantee liabilities	2838	2424
		Pledged assets		
1 598	3 240	Government bonds and CPs at a total book value of:	3 240	1 598
		Pledged as security for:		
0	0	Total Group property and stockbroking activities:	0	0
1 598	3 240	Total Group daily lending from Norges Bank:	3 240	1 598

Fokus Bank ASA has provided a guarantee to the Commercial Bank Guarantee Fund.  
At January 1, 2004, the guarantee amounts to NOK 268 705 000.

## NOTE 37. SUBSIDIARIES

The Parent Bank's Balance Sheet includes the following outstandings with subsidiaries:

NOK million	2003	2002
LOANS AND OTHER AMOUNTS DUE		
Loans to and amounts due from credit institutions	11 776.6	8 162.0
Other amounts due	265.9	194.5
Total loans and other amounts due	12 042.5	8 356.5
DEPOSITS AND OTHER LIABILITIES		
Amounts due to credit institutions	54.4	420.2
Total deposits and other liabilities	54.4	420.2
Guarantees	1 296.0	1 784.0

## NOTE 38. PROVISIONS FOR OBLIGATIONS AND COSTS

Parent Bank			Group	
2002	2003	NOK million	2003	2002
178,8	190,3	Pension obligations, etc.	190,4	178,8
0,0	0,0	General provisions for guarantee liabilities	0,0	0,0
332,0	0,0	Provisions for dividends	0,0	332,0
18,1	14,0	Other provisions for obligations and costs	14,0	18,1
528,9	204,3	Total provisions for obligations and costs	204,4	528,9

## NOTE 39. DERIVATIVES AND FINANCIAL RISK MANAGEMENT

NOK 1,000

Derivatives is the blanket term describing agreements whose value depends on one or more financial products.

Fokus Bank enters into such agreements to lock in future foreign exchange and interest rates, both as a service to its customers and to meet its own business needs.

**HEDGING TRANSACTIONS**

Foreign exchange derivatives and interest rate derivatives are used actively to hedge Balance Sheet items and thus reduce foreign exchange and interest rate risk. Hedging transactions are removed from the Bank's trading portfolio as soon as they are entered into, but are included in the Bank's total foreign exchange and interest rate positions. All other derivatives are termed trading contracts/transactions.

At 31. 12. 03, the Bank had the following outstanding derivatives:

	Nominal value 2003		Fair value 2003	
	Hedging	Trading	Hedging	Trading
<b>Foreign exchange derivatives</b>				
Forward exchange contracts	845 115	38 262 950	24 061	4 428
Currency options bought		323 395		(15 176)
Currency options written		323 395		15 500
Currency and interest rate swaps	3 578 463	1 975 577	(3 450)	(4 378)
<b>Interest rate derivatives</b>				
FRAs bought	500 000		(2 970)	
FRAs sold	500 000		3 191	
Futures				
Interest rate swaps	9 909 600	20 971 584	(646 075)	(135 921)
Interest rate options bought	55 000	2 968 912		20 337
Interest rate options written		2 968 912		(19 200)

**Comments**

Intra-group transactions are not included. Only one side of foreign exchange-related contracts is included, that is the part the Bank is to receive. The nominal value is calculated on the basis of the contract amount upon which the interest calculation is based or upon which a possible future foreign currency swap is based.

The contract amounts in foreign currency are translated into Norwegian kroner at the year-end foreign exchange rates.

**CREDIT AND MARKET RISKS**

The Bank's total exposure in foreign exchange and interest rate instruments is credit related. The major transactions are mainly carried out with Danske Bank, the owner.

Trading in the instruments is assessed by the Bank's ordinary credit committees.

The individual counterparties are assessed and limits established for the credit risk which they typically incur on these kinds of instrument.

The instruments that each counterparty can utilise are specified within the limits. Different weightings are attached to the products within the limits subject to the credit risk inherent in each product.

## contin'd. NOTE 39. DERIVATIVES AND FINANCIAL RISK MANAGEMENT

The Bank's foreign exchange system is updated with the customers' utilisation of single products as well as groups of products within the established limits.

The assigned limits are monitored in order to avoid limit excesses.

Credits are monitored by regular reporting between the Foreign Exchange Department and the credit committees on limit utilisation and compliance.

Netting has been arranged with other banks. The Bank endeavours to establish netting agreements with other customers just as this type of transaction is also comprised by collateral set aside.

At December 31, 2003, the Bank's credit equivalent values amounted to:

	Hedging	Trading	Total
<b>Foreign exchange derivatives</b>			
Forward exchange contracts	32 573	1 130 426	1 162 999
Currency options	0	8 833	8 833
Foreign currency and interest rate swaps	131 771	92 063	223 834
<b>Interest rate derivatives</b>			
FRAs	2 970		2 970
Futures	0	0	0
Interest rate swaps	138 230	740 487	878 717
Interest rate options	0	36 587	36 587
<b>Total</b>	<b>305 544</b>	<b>2 008 396</b>	<b>2 313 940</b>

The credit equivalent value is calculated as the total risk related to contracts which, according to the current market value, will give the Bank a gain and the probability of further gains from future movements in market values. The contract amounts in foreign currency were translated into Norwegian kroner at December 31, 2003.

Market risk is limited by position limits and continuous reporting and monitoring of foreign exchange and interest rate positions. Position limits are defined at section and department levels based on overall limits established by the Bank's Board of Directors and administration. Foreign exchange exposure is based largely on the recommendations and limits laid down by Norges Bank. The limits for interest rate positions have been established at a level which reduces risk while at the same time allowing daily business to be conducted.

All interest rate limits are based on sensitivity limits and gap distributions. The capital markets department conducts ordinary monitoring of operations. In addition, the settlements department carries out monitoring/supervision of position limits. Positions in equity instruments are controlled by position limits that are monitored by the trading department and the settlements department. The Bank's liquidity risk is controlled by guidelines and internal procedures for the composition of the Bank's funding. The guidelines are followed up daily by the head of the department and monthly by reporting to the Bank's management.

## cont'd. NOTE 39. DERIVATIVES AND FINANCIAL RISK MANAGEMENT

## FOREIGN EXCHANGE RATE SENSITIVITY AT YEAR-END

Effect on the Profit and Loss Account of a negative change in exchange rates

	TRADING	BANK	TOTAL
All currencies	9 912	0	9912
1.0 % change	99	0	99

The figures show the effect on the Profit and Loss Account of a negative change in exchange rates for all net positions.

The total of all absolute values per currency is used to calculate the effect on the Profit and Loss Account.

## LENDING COMMITMENTS

The Bank has undertaken commitments that may result in credit exposure.

At December 31, 2003, these commitments amounted to NOK 6 602 million in addition to the amounts presented in the Bank's Balance Sheet.

## NOTE 40. CONTINGENT LIABILITIES

In consequence of its ordinary operations, the Bank is a party to lawsuits and the processing of disputed claims, including claims for compensation against the Bank. The claims are assessed in accordance with the Norwegian accounting standards for contingent liabilities. The assessment concludes that it is not likely that the claims will lead to any substantial compensations. Hence, no specific provisions for such payments have been made.

## NOTE 41. CASH FLOW STATEMENT

Parent Bank			Group	
2002	2003	NOK million	2003	2002
4 631	3 559	Interest and commission income	4 433	5 392
3 358	2 676	Interest and commission expenses	3 413	3 752
550	641	Other operating income	486	384
1 015	1 086	Other operating expenses	1 094	1 251
23	20	Reversals of prior-year provisions	20	23
0	0	Tax paid	0	0
831	458	Net cash flow from operations	432	796
		Decrease/(increase) in loans to and deposits from credit institutions	1 830	2 000
(4 496)	(1 785)	Decrease/(increase) in lending	(7 055)	(6 118)
1 126	1 331	Decrease/(increase) in other amounts due	(8)	241
400	(149)	Increase/(decrease) in loans and deposits from credit institutions	10 536	4 404
3 974	6 407	Increase/(decrease) in deposits from customers	(1 188)	3 008
2 913	(1 181)	Increase/(decrease) in CP liabilities	0	0
0	0	Increase/(decrease) in other liabilities	185	860
545	236	Net cash flow from ordinary financial activities	4 300	4 395
4 462	4 859	Investments in fixed assets	(139)	(14)
(38)	(734)	Sale of fixed assets	59	196
135	59	Net cash flow from investments	(80)	182
97	(675)	Increase/(decrease) in bonds issued	(823)	(3 463)
(3 463)	(823)	Increase/(decrease) in subordinated debt	(48)	(464)
(464)	(49)	Injected share capital/preference capital	0	0
0	0	Change in equity capital	6	(21)
(36)	17	Net cash flow from long-term financing	(865)	(3 948)
(3 963)	(855)	Net change in cash and short-term investments	3 787	1 425
1 427	3 787	Decrease/(increase) in cash	12	(47)
(47)	12	Dividend paid for the year before	(332)	0
0	(332)	Net purchase/(sale) of short-term securities	(3 467)	(1 380)
(1 380)	(3 467)	Total change in cash and short-term investments	(3 787)	(1 425)
(1 427)	(3 787)			



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Enterprise NO 935 174 627 MVA

To the Annual Shareholders' Meeting and the Committee of Shareholders' Representatives of  
Fokus Bank ASA

### AUDITOR'S REPORT FOR 2003

#### Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of the Fokus Bank ASA as of 31 December 2003, showing a profit of NOK 283,8 mill. for the parent company and a profit of NOK 296,1 mill. for the group. We have also audited the information in the Board of 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 Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

#### Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway. Good auditing practice 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 good auditing practice 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.

#### Opinion

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in accordance with good accounting practice in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good accounting practice
- the information in the Board of 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.

Trondheim, 30<sup>th</sup> January 2004  
KPMG AS

Hallvard Strømme  
State Authorised Public Accountant

Note: This translation of the Norwegian statutory Audit Report has been prepared for information purposes only

#### Offices in:

Oslo  
Bodo  
Alta  
Arndal  
Bergen  
Elsvum  
Fosnes  
Hamar

Haugesund  
Kristiansund  
Lillehammer  
Molde  
Rane  
Sandnessjøen

Sandnessjøen  
Steinengen  
Stord  
Trondheim  
Tromsø  
Tvedestrand  
Ålesund

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