

Half Year Report at June 30, 2000

Local

business bank

with strenght and

international

network



Fokus Bank is part of Den Danske Bank Group and has the operational responsibility for the Group's Norwegian activities, which also include Den Danske Bank's Oslo Branch and Danske Securities.

Fokus Bank's core business includes ten regional banks and a total of 67 branches. Its head office is located in Trondheim. The Bank has 1100 employees, and its managing director is Svein Sivertsen.

The Fokus Bank Group made a pre-tax profit on ordinary operations of NKR154.1m for the quarter ended on June 30, 2000. The profit for the same period of 1999 was NKR242.9m. The operating profit before provisions for bad and

doubtful debts was NKR255.4m against NKR317.7m for the same period last year.

Group total assets were 7.5 per cent up on the figure at the turn of the year. During the past 12 months total assets have risen 8.3 per cent. Gross lending has risen 4 per cent since the turn of the year. Gross lending has risen NKR3.3bn, or 8.9 per cent, during the past 12 months.

General observations

Fokus Bank is going through a phase of integration with Den Danske Bank. A major project has been initiated to integrate the IT systems. When this work is completed, in time Fokus Bank will be more competitive and will have reduced its costs.

The entire Danske Bank Group will be changing its logo and design profile on September 1. The new profile will signal more

clearly that Fokus Bank is part of Den Danske Bank. It will be accompanied by the launch of new products, a change in the names of the district banks, and an intensified marketing effort. In a way, September 1 will symbolise a turning point for Fokus Bank. The activities accompanying the change in profile will strengthen Fokus Bank's hand as a dynamic commercial bank with high professional standards.

Fokus Bank has a vision: it wants to be a chosen partner in the fields of electronic banking and e-commerce, and it wants to be at the forefront in the market when it comes to new technology. Fokus Nettbank Bedrift was launched at the beginning of May and is now one of the market's best electronic banking solutions for corporate customers; it is also Norway's first web-based corporate terminal with full functionality. The sales of this product are most encouraging. The sale of Fokus Nettbank to personal customers has tripled in the first half of 2000 compared with the same period last year. In the autumn of 2000, Fokus Bank will be offering share trading on the Internet and other Internet-based banking services.

On July 1, the new financial contracts act came into force. The act regulates all material aspects of

Fokus Bank's client-related contracts. This legislation is very much in the interests of both clients and the bank because the act clearly defines the rights and responsibilities of both. An extensive effort has been made to implement measures to comply with the requirements of the act.

Profit and loss account

Net interest income amounted to NKR557.7m, which was NKR11.7m down on the same period last year. NKR6.4m in interest from previous periods was booked as income as at June 30, 2000. The corresponding figure last year was NKR4.1m. Measured against average total assets, net interest was 2.36 per cent against 2.56 per cent for the year 1999. The reduction is mainly due to reduced customer margin and raised moneymarket-interest.

Other income amounted to NKR240.3m. This is NKR8.9m less than for the same period last year. Commission income has risen nicely, one reason being the acquisition of Danske Securities. Net gains on securities amounted to NKR9.2m, which is NKR63.1m down on the same period last year. Fokus Bank's trading portfolio of equities and bonds is booked at market value. NKR26.5m of net booked gains was apportioned to shares and a

negative figure of Nkr17.3m to certificates or bonds.

Operating expenses amounted to Nkr542.6m, which was Nkr41.7m up on the same period last year. The increase is caused by gained wage expenses which is caused by higher manning levels and consolidation of Danske Securities AS. Measured as a percentage of average total assets, operating expenses amounted to 2.30 per cent against 2.26 per cent for the whole of 1999. At the end of the quarter, The Fokus Bank Group had 1,047 full-time employees. This is the same level as at the end of 1999. During the past 12 months, the number of full-time employees has risen by 125, of whom Danske Securities accounts for 35. The cost/income ratio is 68 per cent compared with 61.3 per cent in 1999.

The change in Fokus Bank's deferred tax position is estimated at Nkr39.5m for the first two quarters (see our comments on the bank's tax position).

Losses on loans and guarantees

After the second quarter, net losses on loans amounted to Nkr106.7m as compared with net losses of Nkr79.5m for the same period in 1999. Gross losses amounted to Nkr160.1m, of which the corporate sector

accounted for 88.1 per cent and the retail sector 11.9 per cent. Estimated losses amounted to 98.9 per cent of gross losses as at June 30, 2000.

Gross non-performing loans rose to Nkr1,212m, which is an increase of 3.8 per cent since the turn of the year. Gross non-performing loans account for 3.0 per cent of gross lending. Specific loan loss provisions amounted to 55.9 per cent of gross non-performing loans. Net non-performing loans amounted to Nkr535m.

Balance sheet

Fokus Bank's total assets amounted to Nkr47.7bn. This is an increase of Nkr3.3bn since the turn of the year and corresponds to a growth of 6.9 per cent. Growth for the same period last year was 8.3 per cent. The increase is mainly due to an increase of 4.3 per cent in the volume of lending. Customer deposits reached Nkr24.1bn as at June 30, 2000, an increase of Nkr811m since the turn of the year. The bank's own funding, measured as ordinary deposits against net loans, amounted to 61.0 per cent.

Fokus Bank's tax position

The bank's tax position remains undecided. The Norwegian tax authorities question the bank's right to deduct write-downs on

preference capital of Nkr2.15bn. In September 1998, the bank issued a writ against the government represented by the Sør-Trøndelag tax office. The case had previously been postponed for 18 months, and the bank has been granted a further postponement of 18 months. The bank's accounts have been drawn up on the assumption that the bank will win the case.

Equity capital

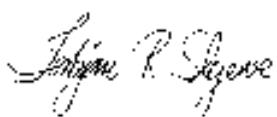
The capital ratio at June 30, 2000, was 11.12 per cent for the group and 10.74 per cent for the parent bank, of which the tier 1 ratios were 7.30 per cent and 7.04 per cent respectively. At the turn of the year the group had a solvency ratio of 13.06 per cent and the parent bank a solvency ratio of 11.61 per cent. If 50 per cent of the profit at June 30, 2000, is included, the solvency ratios are 7.45 per cent and 7.17 per cent respectively.


Booked equity per share, including 50 per cent of the profit for the period, amounted to Nkr50.65 at the end of the quarter.


Trondheim, August 17, 2000

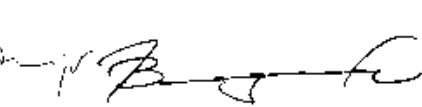
PARENT BANK			PROFIT AND LOSS ACCOUNT	GROUP		
31.12.99	30.06.99	30.06.00	NOK mill.	30.06.00	30.06.99	31.12.99
3,607.1	1,884.1	1,820.6	Interest income and related income	1,826.8	1,894.5	3,616.7
2,500.5	1,323.8	1,282.4	Interest expenses and related expenses	1,269.1	1,325.1	2,492.5
1,106.6	560.3	538.2	Net interest and credit commissions	557.7	569.4	1,124.2
57.1	33.7	15.5	Dividend and other income from securities	11.7	23.8	46.9
258.9	126.6	137.5	Commissions and fees receivable on banking services	198.2	135.8	280.2
-64.2	-33.3	-31.0	Commissions and fees payable on banking services	-31.4	-33.3	-64.2
120.3	72.3	9.4	Net profit(loss) securities	9.2	72.3	120.3
52.5	23.3	25.6	Net profit(loss) foreign exchange and financial derivatives	25.6	23.3	52.5
48.6	23.8	27.3	Other operating income	27.0	27.3	57.4
473.2	246.4	184.3	Net other operating income	240.3	249.2	493.1
1,579.8	806.7	722.5	Total operating income	798.0	818.6	1,617.3
402.1	186.2	214.4	Salaries, pensions and other personnel expenses	246.8	197.0	414.8
343.9	197.3	162.9	Administration expenses	178.7	197.3	355.9
53.9	28.3	23.0	Depreciations and write-downs fixed assets	29.0	29.4	56.1
163.1	77.7	87.5	Other operating expenses	88.1	77.2	164.1
963.0	489.5	487.8	Total operating expenses	542.6	500.9	990.9
616.8	317.2	234.7	Oper. result before loan losses and net profit long-term investments securities	255.4	317.7	626.4
189.8	79.0	98.9	Net losses(reversals) on loans and guarantees	106.7	79.5	191.5
25.9	4.7	5.4	Write-down and profit/loss long-term investments in securities	5.4	4.7	26.0
452.9	242.9	141.2	Pre-tax result from ordinary operations	154.1	242.9	460.9
111.5	68.0	39.5	Tax ordinary operations	39.5	68.0	115.1
341.4	174.9	101.7	Result from ordinary operations after tax	114.6	174.9	345.8
0.0	0.0	0.0	Extraordinary expenses	0.0	0.0	0.0
0.0	0.0	0.0	Tax from extraordinary result	0.0	0.0	0.0
341.4	174.9	101.7	Result	114.6	174.9	345.8



Peter Straarup
Chairman

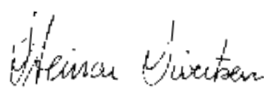

Torbjørn R. Skjerve



Jan Henry T. Olsen



Anton Jensen jr.


Jakob Brogaard


Mette Cecilie Greve


Steinar Sivertsen


Jo Morten Aunet


Svein Sivertsen
Managing Director

PARENT BANK			BALANCE SHEET	GROUP		
31.12.99	30.06.99	30.06.00	NOK mill.	30.06.00	30.06.99	31.12.99
387.9	260.0	826.2	Cash and receivables from central Banks	826.2	260.0	387.9
520.5	1,513.8	1,153.2	Lending to and receivables from credit institutions	1,206.4	1,515.1	553.1
			Lending to and receivables from central banks, credit institutions etc.	2,032.6	1,775.1	941.0
908.4	1,773.8	1,979.4				
38,865.4	37,150.5	40,761.9	Gross lending to customers	40,502.1	37,188.0	38,895.1
807.2	765.0	870.8	– Specific loan loss provisions	880.1	768.4	811.4
169.0	159.0	169.0	– General loan loss provisions	171.6	161.8	171.7
37,889.2	36,226.5	39,722.1	Net lending to customers	39,450.4	36,257.8	37,912.0
3.0	9.4	2.3	Repossessed assets	2.3	9.4	3.0
2,676.9	2,694.3	2,956.9	Certificates and bonds	2,964.8	2,696.9	2,684.9
669.2	442.9	715.0	Shares and other securities	726.9	443.5	690.1
48.4	418.0	45.5	Ownership in associated companies	45.5	418.0	48.4
282.0	170.1	1,082.0	Ownership in consolidated companies	0.0	0.0	0.0
682.1	721.3	641.1	Intangible assets	790.2	721.3	833.5
452.5	444.3	469.1	Machinery, fixtures, vehicles and real estate	506.2	476.7	490.8
111.2	35.8	24.6	Other fixed assets	23.9	35.1	110.5
466.3	1,076.2	929.4	Accrued income and prepaid expenses	1 126.3	1 170.2	599.9
44,189.2	44,012.6	48,567.4	Total assets	47,669.1	44,004.0	44,314.1
3,428.5	2,077.0	5,271.6	Due to credit institutions	5,271.7	2,077.0	3,428.5
23,358.9	22,971.6	25,249.3	Deposits from and liabilities to customers	24,054.7	22,838.0	23,243.1
10,826.0	11,754.9	10,736.3	Debt securities in issue	10,736.3	11,754.9	10,826.0
329.0	836.6	632.2	Other liabilities	784.3	839.9	430.5
698.8	679.7	916.4	Accrued expenses and prepaid income	928.6	690.4	718.3
223.8	229.1	223.2	Provisions for commitments and expenses	228.6	234.5	230.1
1,813.3	1,769.4	1,926.0	Subordinated loan capital	1,926.0	1,769.4	1,813.3
40,678.3	40,318.3	44,955.0	Total liabilities	43,930.2	40,204.1	40,689.8
1,109.0	1,109.0	1,109.0	Subscribed capital or equivalent funds	1,109.0	1,109.0	1,109.0
2,401.9	2,410.4	2,401.7	Retained earnings	2,515.3	2,516.0	2,515.3
0.0	174.9	101.7	Profit this period	114.6	174.9	0.0
3,510.9	3,710.0	3,612.4	Equity capital	3,738.9	3,799.9	3,624.3
44,189.2	44,012.6	48,567.4	Total liabilities and equity capital	47,669.1	44,004.0	44,314.1

Accounting principles

General

The interim accounts have been prepared in accordance with generally accepted accounting practices, and the Banking, Insurance and Securities Commissions' regulations concerning year-end and interim reporting.

As a consequence of the new accounting law, associated companies and subsidiaries have been included in the Parent Bank's accounts according to the equity method. Furthermore, deferred tax benefits have been included in the Balance Sheet as Intangible Assets. The change has been booked directly against the equity. The market based current financial assets that are included in the trading portfolio have been booked at market value. Pro forma figures have been produced for previous years in order to make the figures comparable.

Income received on an annual basis is periodised. For a complete account of the Accounting Principles, see the 1999 Annual Report.

The Bank's tax situation

The Bank's tax situation remains undecided. In 1995, the tax authorities raised the question of the banks' rights to deduct the write-downs made on the preference capital issued during the banking industry crisis. To Fokus Bank, this preference capital amounted to NOK 2.15 billion. The Tax Committee in Trondheim supported the Bank's view, but the County Tax Committee overruled the decision in April 1998. In September 1998, the Bank chose to take legal action against the Government represented by the Sør-Trøndelag County Tax Office. The Bank thereafter petitioned for the case to be postponed. The request was granted. The tax-loss carried forward is included in the basis for calculating the deferred tax benefit with NOK 422 million at January 1, 2000. The tax expense in the accounts is entirely attributable to the change in deferred tax benefit.

CHANGES IN SPECIFIC AND GENERAL PROVISIONS FOR GROUP LOSSES

	NOK mill.	30.06.00	1999
Specific provisions 01.01.		811.4	724.1
- Confirmed losses on loans, guarantees etc. in the period previously provided for by specific provisions		43.8	90.8
+ Increased specific loan loss provisions in the period		51.7	37.3
+ New specific loan loss provisions in the period		104.1	174.5
- Reversals on specific loan loss provisions in the period		43.3	33.7
Specific provisions		880.1	811.4

	NOK mill.	30.06.00	1999
General provisions 01.01.		177.0	166.6
+/- The period's general loan loss provisions		0.0	10.4
General provisions		177.0	177.0
Herav uspesifisert avsetning til dekning tap på utlån per 30.06.		171.6	171.6

LOSSES ON LOANS AND GUARANTEES IN THE GROUP

	NOK mill.	30.06.00	1999
Changes in specific loan loss provisions in the period		63.6	87.3
+ Changes in general loan loss provisions in the period		0.0	10.4
+ Confirmed losses in the period previously provided for by specific loan loss provisions		51.6	91.8
+ Confirmed losses in the period not previously provided for		1.6	23.0
- Reversals on previous periods' confirmed losses in the period		10.1	21.0
+ Gjeldsettergivelse døtre		0.0	0.0
Net loan losses in the period		106.7	191.5

CAPITAL ADEQUACY RATIO

PARENT BANK			NOK mill.	GROUP
31.12.99	30.06.00		30.06.00	31.12.99
2,614	2,658	Core capital	2,670	2,629
1,412	1,412	Additional capital	1,412	1,412
4,026	4,070	Equity and subordinated capital	4,082	4,041
20	13	Deduction	13	20
4,006	4,057	Net equity and subordinated capital	4,069	4,021
34,836	37,762	Risk-weighted assets	36,583	34,753
11.50	10.74	Capital adequacy ratio	11.12	11.57
7.50	7.04	Core capital ratio	7.30	7.56

KEY FIGURES

GROUP	30.06.00	1999	
Cost/income ratio ¹⁾	68.0	61.3	1) Ordinary operating expenses in per cent of the total net interest income and other operating income
General provision for loan losses in per cent of gross loans ²⁾	0.43	0.44	2) General loan loss provisions in per cent of gross loans after deducting specific loan loss provisions
Loans in per cent of total assets ³⁾	83.1	86.0	3) Gross loans after deducting specific loan loss gross provisions in per cent of total assets
Losses in per cent ⁴⁾	0.53	0.49	4) Net loan losses, excluding guarantees, in per cent of gross loans at the end of the period (p.a)
Deposit coverage ratio ⁵⁾	59.4	59.8	5) Customer deposits in per cent of gross ordinary loans
Return on equity ⁶⁾	6.27	9.39	6) Result in per cent of average equity capital (p.a)
Earnings per share in NOK ⁷⁾	3.15	4.76	7) Result divided by average number of shares (p.a)

KEY FIGURES QUARTERLY ACCOUNTS

NOK mill.											
Profit and loss Account	2nd Q 00	1st Q 00	4th Q 99	3rd Q 99	2nd Q 99	1st Q 99	4th Q 98	3rd Q 98	2nd Q 98	1st Q 98	4th Q 97
Net interest income	276.4	281.3	273.1	281.7	280.6	288.8	307.9	266.0	240.8	245.8	242.6
Other operating income	85.9	154.4	120.2	123.7	103.2	146.0	139.7	(69.7)	106.7	135.5	217.1
Net operating income	362.3	435.7	393.3	405.4	383.8	434.8	447.6	196.3	347.5	381.3	459.7
Operating expenses	268.8	273.8	262.1	227.9	286.7	214.2	273.0	230.7	212.0	226.1	259.1
Oper. res. before losses/net res. long-term sec.	93.5	161.9	131.2	177.5	97.1	220.6	174.6	(34.4)	135.5	155.2	200.6
Net loan losses	71.7	35.0	59.1	52.9	49.4	30.1	26.7	25.4	2.8	(1.7)	1.6
Profit/loss/write-downs long-term securities	0.0	5.4	21.3	0.0	0.1	4.6	0.6	(0.1)	2.6	0.0	4.8
Pre-tax result from ordinary operations	21.8	132.3	93.4	124.6	47.8	195.1	148.5	(59.9)	135.3	156.9	203.8
Balance Sheet	30.06.00	31.03.00	31.12.99	30.09.99	30.06.99	31.03.99	31.12.98	30.09.98	30.06.98	31.03.98	31.12.97
Gross loans to customers	40,502.1	39,441.9	38,865.0	37,574.0	37,188.0	36,978.1	36,024.5	35,430.6	35,282.4	34,880.1	33,769.9
Customers deposit	24,054.7	24,058.6	23,243.1	21,751.4	22,838.0	21,148.1	22,693.8	21,203.9	22,743.7	23,776.6	23,593.2
Total assets	47,669.1	45,724.0	44,314.0	44,045.3	44,004.0	43,117.9	42,141.3	41,833.4	41,641.3	41,117.9	39,988.7
Quarterly average total assets	48,158.7	45,888.2	44,623.4	44,069.1	43,837.8	42,906.9	42,582.0	42,222.9	41,747.4	40,621.1	40,316.2
Average total assets	47,209.2	45,888.2	43,890.2	43,612.4	43,408.7	42,906.9	41,844.5	41,554.4	41,190.8	40,621.1	38,545.0
Loan loss provisions											
Specific loan loss provisions	880.1	817.9	807	790.5	768.4	740.9	724.1	704.6	710.2	700.8	743.6
General loan loss provisions	171.6	171.5	169	172.1	161.8	161.3	161.3	161.1	151.1	141.1	141.1
Total loan loss provisions	1,051.7	989.4	976.0	962.6	930.2	902.2	885.4	865.7	861.3	841.9	884.7
Loan loss provisions in % of gross loans	2.6	2.5	2.5	2.6	2.5	2.4	2.5	2.4	2.4	2.4	2.6
Non-performing loans											
Total non-performing loans	1,214	1,170	1,150	1,225	1,226	1,174	1,150	1,188	1,131	1,088	1,103
Specific loan loss provisions	679	660	641	699	681	651	631	623	620	604	629
Net non-performing loans	535	510	509	526	545	523	519	565	511	484	474
Loan loss prov. in % of total non-perf. loans	55.9	56.4	55.7	57.1	55.6	55.5	54.9	52.4	54.8	55.5	57.0
Net non-performing in % of gross loans	1.3	1.3	1.3	1.4	1.5	1.4	1.4	1.6	1.4	1.4	1.4
Doubtful loans											
Total doubtful loans	415	435	514	207	215	218	244	227	240	258	276
Specific loan loss provisions	192	153	166	88	87	90	93	82	90	97	115
Net doubtful loans	223	282	348	119	128	128	151	145	150	161	161
Loan loss provisions in % of total doubtful loans	46.3	35.2	32.3	42.5	40.5	41.3	38.1	36.1	37.5	37.6	41.7
Development softloans											
Softloans	99	100	107	106	100	103	113	94	95	97	100

Accounts with overdrawn/overdue amounts are classified as non-performing unless the situation is considered passing. If the loan has been overdrawn for more than 90 days, it is always classified as non-performing.

Doubtful loans are exposures where an evaluation of the customer's economic situation has led the Bank to make a specific loan loss provision, although the loan is still performing.

English



Return: Fokus Bank
N-7466 Trondheim
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