

# Nordlandsbanken in 1997

- The Nordlandsbanken Group reported record-breaking results in 1997, achieving a consolidated profit of MNOK 147.8.
- The following factors contributed to Nordlandsbanken's strong performance: rapid growth in lending volume, fewer losses, lower operating expenses, higher revenues from banking services and stronger gains on securities trading.
- Total assets reached NOK 16.9 billion at the end of the year. Gross lending was up 18.5 per cent, although deposits edged down by 3.5 per cent.
- Net lending losses came to MNOK 70.3, including MNOK 16.8 in provisions for unspecified losses. This adds up to a net reduction of MNOK 17 in specified losses from 1996 to 1997.
- NB Unit Trusts continued on a positive trend throughout the year under review. The Bank sold MNOK 230 worth of unit trust products in 1997.
- In October, the Bank launched its own range of insurance products in collaboration with Nordenfjeldske Livforsikring AS of Trondheim. Then, in December, the Bank introduced an IPA (individual pension agreement) scheme.
- Based on voluntary arrangements, the ten per cent staff cut target was reached during the year, as the staff was reduced from 436 to 390 man-years of labour.
- All subsidiaries posted a profit in 1997.

# Key figures

## The Group

BALANCE SHEET		1997	1996	1995	1994	1993
Total assets	NOK million	16 949.9	14 322.6	12 730.1	11 288.9	9 812.1
Average total assets	NOK million	15 495.0	13 585.0	12 072.0	10 515.0	9 715.0
Deposits from customers	NOK million	7 052.5	7 306.5	6 691.7	7 427.5	6 489.6
Gross lending	NOK million	14 444.0	12 191.0	10 982.9	9 307.4	8 425.9
Shareholders' equity	NOK million	920.9	818.6	720.6	672.4	544.8
- Share capital	NOK million	315.4	313.6	310.1	309.9	234.8
- Reserves	NOK million	605.5	505.0	410.5	362.5	326.4
Net interest	%	2.74	2.83	3.08	3.48	3.91
Net loan losses as a percentage of gross lending		0.49	0.63	1.10	0.80	2.07
PROFITABILITY						
Return on equity	%	17.00	12.07	13.11	9.04	19.00
Return on total assets before losses and taxes	%	1.76	1.47	2.01	1.27	2.82
Net return on total assets	%	0.95	0.68	0.76	0.48	1.00
CAPITAL ADEQUACY						
Equity ratio according to current rules	%	10.51	10.84	10.68	10.55	10.90
Mathematical value of the shares*)	NOK	145.97	130.58	116.18	108.50	116.07
PER SHARE*						
Price/earnings ratio	NOK	8.50	8.88	7.30	8.40	3.93
Earnings per share	NOK	23.54	14.92	14.72	10.53	20.65
Dividends per share	NOK	8.00	7.50	7.00	5.00	5.00
Payout ratio	%	34.14	50.60	47.60	55.20	24.20
Effective yield	%	4.00	5.70	6.90	6.73	6.67
Average number of shares in 1997		6 281 286	6 224 132	6 201 941	5 617 850	4 695 624

## The Parent Bank

BALANCE SHEET		1997	1996	1995	1994	1993
Total assets	NOK million	16 746.1	14 116.7	12 526.0	11 182.9	9 630.0
Average total assets	NOK million	15 282.5	13 405.8	11 870.0	10 420.0	9 542.0
Deposits from customers	NOK million	6 940.3	7 269.6	6 594.3	7 435.1	9 502.2
Gross lending	NOK million	14 059.4	11 914.1	10 769.2	9 151.7	8 166.5
Shareholders' equity	NOK million	904.2	805.0	711.4	666.7	540.8
- Share capital	NOK million	315.4	313.6	310.1	309.9	234.8
- Reserves	NOK million	588.8	491.4	401.3	356.8	306.0
Net interest	%	2.69	2.82	3.09	3.49	3.89
Net loan losses as a percentage of gross lending		0.49	0.64	1.11	0.80	2.11
PROFITABILITY						
Return on equity	%	16.98	11.56	12.62	8.83	17.96
Return on total assets before losses and taxes	%	1.72	1.44	1.99	1.22	2.74
Net return on total assets	%	0.95	0.65	0.73	0.38	0.94
CAPITAL ADEQUACY						
Equity ratio according to current rules	%	10.65	10.95	10.85	10.77	11.19
Mathematical value of the shares*)	NOK	143.32	128.35	114.71	107.57	115.17
PER SHARE*						
Price/earnings ratio	NOK	8.65	9.41	7.30	8.40	3.93
Earnings per share	NOK	23.11	14.08	14.24	9.66	19.08
Dividends per share	NOK	8.00	7.50	7.00	5.00	5.00
Payout ratio	%	34.77	53.30	49.90	57.10	26.20
Effective yield	%	4.00	5.66	6.87	6.73	6.67
Average number of shares in 1997		6 281 286	6 224 132	6 201 941	5 617 850	4 695 624

\*) Adjusted for the share split in 1994

# Directors' Report



## 1997 in review

1997 was another good year for Nordlandsbanken ASA, as the Group's consolidated profits reached MNOK 147.8, translating into a return on equity of 17 per cent. Based on this strong performance, the Directors recommend a dividend of NOK 8 per share.

The Group's progress reflects smooth operations in the parent bank and subsidiaries alike. The strong corporate profit is also indicative of Norway's buoyant economic growth in general, and burgeoning expansion in the financial services sector in particular.

Nordlandsbanken's 1997 performance was boosted

by rapid growth in lending volume, and also by fewer losses, lower operating expenses, higher revenues from banking services and stronger gains on securities trading.

The Bank experienced strong growth in lending volume, as total assets rose by 18.6 per cent.

Although deposits edged down by 4.5 per cent, gross lending climbed 18 per cent.

In 1997, Nordlandsbanken continued its efforts as a full-service bank and financial services provider. In October, the Bank launched its own range of insurance products in co-operation with Nordenfeldske Livforsikring AS

of Trondheim. Then, in December, it introduced an IPA (individual pension agreement) scheme.

The downscaling adopted by the Board in autumn 1996 was implemented during that year. The Bank's 10 per cent downscaling target was achieved through successful voluntary arrangements.

The Directors' Report mainly refers to the parent bank's activities and accounts, as there is little difference between the parent bank and consolidated balance sheets.

## Profit

### Profit for the year

The profit for the year came to MNOK 145.2 for the parent bank and MNOK 147.8 for the Group.

All subsidiaries earned a profit in 1997 and retained their profits in an effort to build up capital strength.

Financial data from the Bank's subsidiaries are itemised in Note 37 to the Annual Accounts.

### Net interest income

Interest income climbed by MNOK 12.9 in 1997, while interest expenses dropped by MNOK 19.8. This translates into an increase of MNOK 32.7, bringing total interest income and fees on loans to MNOK 411.2.

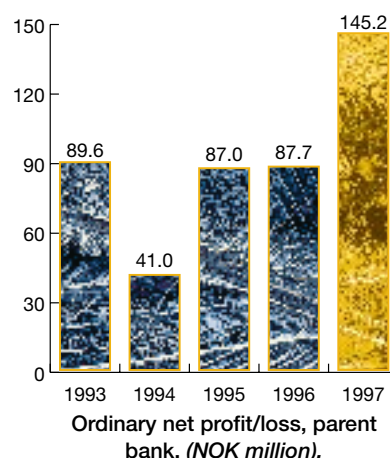
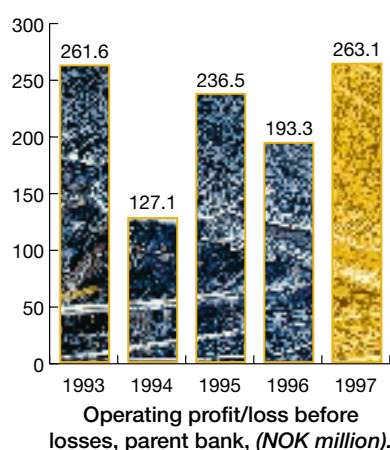
Measured as a percentage of total assets, the net interest ratio was 2.69 per cent in 1997, compared with 2.82 per cent in 1996. In other words, the margins have continued to fall, largely due to keener competition for well collateralised loans.

### Other non-interest income

Other non-interest income and fees on loans aggregated MNOK 125.2, against MNOK 106.7 in 1996. These figures include income derived from payment transactions and securities trading activities.

### Securities trading

Investing in securities is one of the Bank's standard activities. Results will fluctuate in line with interest rates,



among other things. Securities trading resulted in total gains of MNOK 33.4 (MNOK 25.9 on shares and MNOK 7.5 on bonds) in 1997, compared with MNOK 25.7 in 1996.



**Harald Mellerud**  
Born 1937  
Managing Director  
Salten Kraftsamband AS  
Chairman of the Board  
of Directors  
On the Board since 1995

The Bank has taken advantage of share-related derivatives in 1997, but had no positions at the close of the year. Derivatives have generally been used to reduce risk on the share portfolio.

The Board is of the opinion that the Bank's securities trading activities are handled in a satisfactory manner. The level of risk was well within acceptable limits in 1997, and follow-up and reporting routines have followed the Bank's official instructions. In the early half of 1997, new reporting routines were introduced to improve internal quality control further. The Bank may not exceed moderate risk exposure on its investments in shares and bonds.

#### Currency trading/financial instruments

Gains on currency trading and financial instruments came to MNOK 14.3, MNOK 1.8 less than in 1996.

The Bank's trading in currency and financial instruments remained within the parameters of an overall moderate level of risk, and within the very definite limits placed on speculative positions.

The Bank has drawn up its own currency trading handbook, outlining its framework for taking positions, as well as its procedures for following up and reporting positions. In 1997, the Bank was well within the guidelines adopted to govern the risk associated with trading in currency and financial instruments.

#### Non-interest expenses

Aggregated non-interest expenses declined by MNOK 18.4 to MNOK 273.4, resulting in a drop of 6.3 per cent. Non-interest expenses were equivalent to 50.96 per cent of the Bank's income in 1997, compared with a figure of 60.15 in 1996.

The Bank's non-interest expenses include an allocation of MNOK 8 to the Employee Welfare Fund, while the 1996 figure included an allocation of MNOK 19 to cover the cost of the downscaling programme. Adjusted accordingly, non-interest expenses were reduced by 2.8 per cent.

#### Loan losses and provisions for losses

The Bank's gross losses on loans totalled MNOK 77.4, against MNOK 75.9 in 1996. The 1997 losses included

an allocation of MNOK 16 to cover unspecified losses, compared with an allocation of MNOK 6 in 1996. During the year under review, MNOK 8.3 was received on previously written-off lending losses, bringing net losses on loans and guarantees to MNOK 69.1 in 1997, a reduction of MNOK 6.8 from 1996.

The lending loss trend was more or less as expected. With the exception of one or two major commitments, the general trend was satisfactory. As a percentage of gross lending, losses were reduced from 0.64 per cent in 1996 to 0.49 per cent in 1997.

A breakdown of lending losses shows that 86.4 per cent were incurred on loans to corporate customers and 13.6 per cent on loans to the retail market.

A geographical breakdown of the specified losses indicates that MNOK 35.7 in losses was incurred by the branch offices in Nordland County (excluding Bodø), MNOK 22.9 by the Bodø branch office, and MNOK 2.9 by the Oslo branch office.

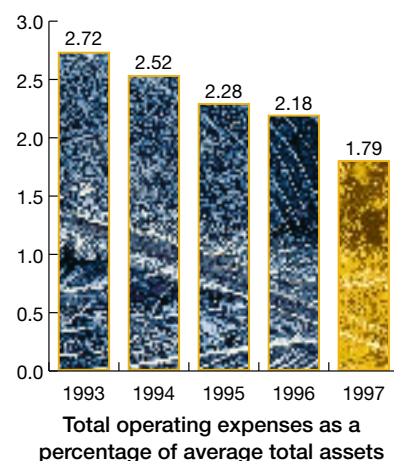
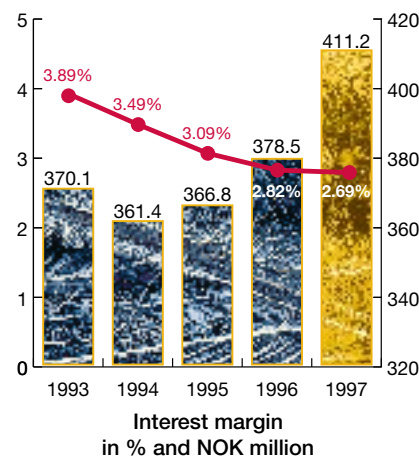
A more detailed breakdown of the losses by sector and industry is provided in Note 14 to the Annual Accounts.

The Directors are of the opinion that the Bank's lending activities entail an acceptable level of risk, and that the loss provisions are sufficient to cover the risk inherent in the Bank's loan and guarantee portfolio.

#### Allocation of the profit

The annual profit came to MNOK 145.2. It is recommended that the profit be allocated as follows:

Dividends	MNOK 50.5
Group contribution	MNOK 0.4
Transferred to legal reserves	MNOK 14.5
Transferred to distributable reserves	MNOK 79.7



## The balance sheet

### Total assets

The growth that characterised the lending market was also reflected in the figure for total assets, which rose by 18.6 per cent to MNOK 16 746.1 during the year. As a daily average throughout the year, average total assets came to MNOK 15 282.5, 14 per cent higher than the average for 1996. Average total assets have increased by an average of 8.3 per cent per year over the past decade.

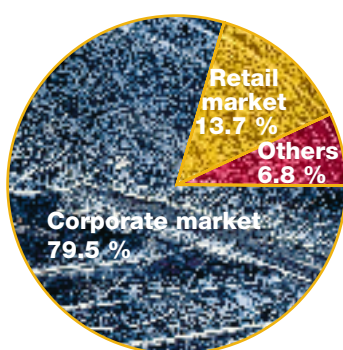
### Investments in securities

The Bank's investments in bonds and negotiable certificates increased by MNOK 249.2 to MNOK 1 136.5 in 1997. The market value of the bond portfolio exceeded its book value by MNOK 9.4 at the end of the year.

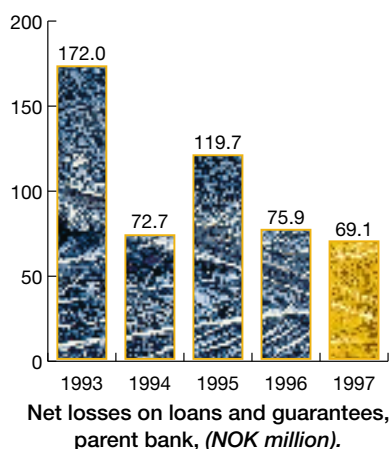
The Bank's portfolio of short-term investments climbed by MNOK 39.9 to a value of MNOK 388.3 at the end of the year. At 31 December, the market value of the short-term investments was MNOK 94.1 higher than their book value.

### Borrowing

Total customer deposits rose by MNOK 330 to MNOK 6 940 at the end of the year. Although deposits declined on the corporate and retail markets alike in 1997, they have increased by an annual average of 5.2 per cent over the past decade.



Gross lending losses 1997



Generally speaking, it appears that customers are switching their financial savings activities away from traditional bank deposits and towards other forms of saving, including saving in unit trusts. This is partly due to the low interest rates paid on traditional bank deposits. Nordlandsbanken has taken a proactive stance in the face of this trend by introducing its own unit trust products through NB-fondene, selling more MNOK 230 worth of such products in 1997.

Nordlandsbanken's debenture debt and other long-term loans rose by MNOK 1 803.6 to MNOK 2 653.2 during the 12-month period. Further, a five-year loan for USD 110 million was raised from foreign banks in October 1997. In the years ahead, the Bank plans to increase its lending on the debenture market to obtain longer term loans, thus reducing liquidity-related risk.

### Lending

Gross lending came to MNOK 14 059.4 at the end of the year. The term 'gross lending' refers to total loans and credits before deduction of specified and general loan loss provisions. Growth amounted to MNOK 2 145.2, or 18 per cent.

Annual lending growth has averaged 8.3 per cent over the past 10 years.

In 1997, lending growth was somewhat more pronounced at the Oslo and Bodø branch offices than at the smaller branch offices in Nordland County. Moreover, lending growth was stronger on the corporate market than on the retail market. Debt instrument loans were the type of loan to experience the strongest growth.

At 31 December, the branch offices in Nordland County, apart from Bodø, accounted for MNOK 6 858.1 of overall lending, while Oslo accounted for MNOK 4 219.8, and Bodø for MNOK 2 981.4. The loans break down into MNOK 8 464 to the corporate market, including the public sector (60.2 per cent), and MNOK 5 595.4 to the retail market (39.8 per cent).

### Defaults

A loan is considered defaulted (non-performing) when interest payments, repayment instalments or overdrafts have not been serviced for more than 90 days. Gross defaulted commitments amounted to MNOK 222 at 31 December 1997, down MNOK 12.2 from a year earlier.

Accumulated specified loan loss provisions came to MNOK 88.2, and net defaulted loans amounted to MNOK 133.8 at the end of the fiscal year. This is a decline of MNOK 22.4 during the year. Net defaulted loans equal the calculated liquidation value of the collateral furnished against them.

In addition, MNOK 8 was set aside as a specified provision for non-defaulted commitments, bringing total specified loss provisions to MNOK 96.2.

The Bank also made provisions for unspecified losses to cover the risk of loss on that part of the lending portfolio for which no specific loss provisions have been



Ivar Jørgensen

Born 1939

Managing Director Elektro AS

Deputy Chairman

On the Board since 1988

made. General loan loss provisions totalled MNOK 41 at the end of the year.

### International activities



**Elise Thue-Nilsen**  
Born 1949  
Managing Director Nilsson AS  
On the Board 1985-87  
and since 1989

A broad range of corporate customers takes advantage of Nordlandsbanken's full-service expertise in computer-based payment transactions, international finance, and foreign currency and interest arbitrage. These customers are mainly from the shipping, manufacturing and fisheries sectors.

Most of the Bank's international activities are conducted by the Oslo branch office, which, among other things, manages a foreign currency lending portfolio valued at MNOK 5 200. Net foreign currency lending is listed at MNOK 3 200 on the balance sheet. Customers in the shipping industry account for most of that figure.

The Arbitrage Section is in charge of funding foreign currency loans and contributes to the Group's funding activities. The Section deals in foreign currency trading and hedges customers' loans and claims against interest and exchange rate fluctuations. The Arbitrage Section cooperates with the branch offices in Nordland County, offering the same range of services to customers there.

The Oslo branch office is becoming increasingly important, with activities based largely on a well-developed network of contacts and on co-operation with other banks the world over.

#### Freja Finance S.A., Luxembourg

As a continuation of the First Nordic Bank S.A. of Luxembourg, Freja Finance S.A. of Luxembourg was established in 1993. The company is co-owned (1/3 each) by Nordlandsbanken of Norway, Meritabank of Finland and Sydbank of Denmark, i.e., it has the same owners and ownership structure as the First Nordic Bank (FNB). The object of Freja Finance S.A. is to wind up FNB's former lending portfolio.

The winding-up of Freja Finance S.A. is progressing according to plan through the sale of collateral and reduction in commitments. Closure was achieved on several commitments during the year under review, leaving

very few remaining. It may be possible to wind up the last ones in 1998. The residual lending portfolio totalled MLUF 125 (MNOK 25) at 31 December 1997, down from MLUF 412 (MNOK 82.4) a year earlier.

### Financial strength

#### Capital adequacy

Norwegian banks are required to have equity and subordinated capital equivalent to eight per cent of a defined asset base in which their various assets, both on and off the balance sheet, are weighted on the basis of probable risk.

Pursuant to these rules, at 31 December 1997, Nordlandsbanken had a capital adequacy ratio of 10.65 per cent, compared with 10.95 per cent 12 months earlier. Accordingly, the Group's shareholders' equity exceeded the minimum capital adequacy requirement by a comfortable margin at the end of 1997. For more detailed information, please see Note 32 to the Annual Accounts.

During the year, 36 779 shares were issued to Bank employees at NOK 136 per share, increasing the Bank's share capital by MNOK 1.8 and its legal reserves by MNOK 3.2.

In October, the Bank floated a perpetual subordinated debenture issue of MNOK 100. The Bank can redeem it in whole or in part at par on 30 October 2002, or every fifth year subsequent to that date.

Although there is no immediate need to increase shareholders' equity in Nordlandsbanken, the Board will continue to monitor the growth and earnings situation closely.

The composition of equity and the Bank's capital adequacy are discussed in more detail in Notes 30 and 32 to the Annual Accounts and in the section on "Ownership" on pages 15 to 17.

### Organisation

#### Staff and organisation

The Nordlandsbanken Group's staffing was equivalent to 436 man-years of labour at the beginning of the year and 390 at the end. Of that number, the main office and Bodø branch office accounted for 125 man-years (down 24) and the branch offices accounted for 264 (down 22). The subsidiaries accounted for 90 man-years of labour at 1 January and 106.5 at 31 December. The increase was chiefly attributable to NordlandsData's acquisition of TromsData.

On 10 October 1996, Nordlandsbanken's Board of Directors voted to reduce payroll costs by ten per cent in 1997. That target was reached through voluntary schemes such as early retirement, severance pay and leaves-of-absence for further education.

In October, the Directors decided to propose that Nordlandsbanken opens a branch office in Tromsø. A final decision on the matter will be taken at a joint

meeting of the Board of Directors and Supervisory Board. Given a positive decision, the new branch office will open in 1998.

A study was conducted in 1997 to determine the optimal future locations for Nordlandsbanken's activities in Bodø. In November, the Directors voted to commission the construction of a new bank building at Moloveien 16. Featuring a total area of approximately 10 000 sq.m., the new building is scheduled for completion in late 1999.

In May, the Directors voted to close the Royal branch in Bodø. Its last day of business was 6 June. Nordlandsbanken now has two urban branches in Bodø.

For more information about pensions, and the like, please see Note 9 to the Annual Accounts. Note 8 refers to the managing director's salary and the fees paid to elected officers, while the auditor's fee is specified in Note 11.

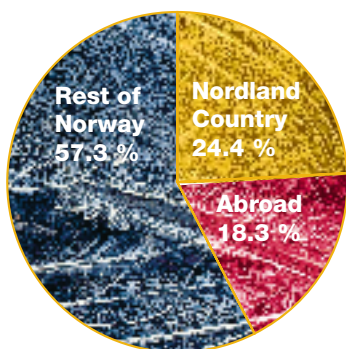
### Training, safety and the working environment

Nordlandsbanken's staff is talented and keenly-motivated. Most on-the-job training courses organised in 1997 were related to the introduction of new unit trust, insurance and pension insurance products. Employees also completed the two-year introduction to the new office support and customer service systems.

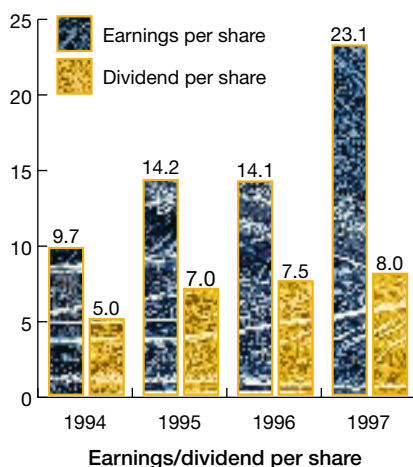
The Oslo branch office was robbed on 23 June, and several bank employees were threatened at gunpoint.

Considerable resources have been invested in post-trauma counselling, and all those involved are back at work once again. The stolen money was covered by the Bank's insurance policies.

The Bank's activities entail little pollution of the outdoor environment. The Board considers the Bank's working environment to be good. The Health and Safety delegates and members of the Working Environment Committee attended the mandatory training courses. The Bank experienced no labour disputes in 1997.



Nordlandsbanken's shares at 31 December 1997, by owner's place of residence



### Employee Welfare Fund

On 12 December, the Board voted to establish a foundation to guarantee that employees share in the Group's profits. According to the Articles of Association, most of the foundation's assets will be invested in shares in Nordlandsbanken ASA. This will ensure a direct link between the Bank's performance and the value of the individual employees' holdings. The regulations specify that employees will earn a prorated interest in the foundation for each year of employment.

The Board has allocated basic capital of MNOK 8 to the foundation. The amount was expensed in 1997. Subsequent contributions will be subject to the Directors' discretion on a year-by-year basis, depending on factors such as profits, dividends and the return on equity.



**Carl Jakhelln**  
Born 1931  
Director, Julius Jakhelln AS  
On the Board since 1997

### Management update

Director Carl Jakhelln was elected to the Board of Directors on 27 February. He succeeded John Løvold who had served on the Board since 1990.

In August, Personnel Manager Roger Saksenvik was appointed Senior General Manager, earning a place on the executive management team along with Managing Director Nils Moe, Deputy Managing Director Finn Strøm-Gundersen, and Senior General Managers Odd Eben, Morten Støver, Stig Karlsen, Toril V. Lundestad and Bjørn Willumsen.



**Arnt-Johan Hunstad**  
Born 1958  
Deputy Manager  
Nordlandsbanken ASA  
Employee Representative  
On the Board since 1987

### Shares and shareholders

#### Ownership structure

The number of shareholders declined from 11 029 to 10 854 during the year. A list of the Bank's 20 principal shareholders and other shareholder information is provided on pages 15 to 17.

#### Shareholder policy

The Board has adopted the following dividend policy for Nordlandsbanken ASA: "The Bank's goal is to give shareholders a competitive return on their investments compared with other forms of long-term saving. The Bank will strive to provide this yield through a combina-

tion of dividends and appreciation in share value. The objective is to ensure shareholders a sustained high stable return, which will also reflect Nordlandsbanken's value added."



**Nils Moe**  
Born 1940  
Managing Director  
Nordlandsbanken ASA

The price of Nordlandsbanken shares appreciated steadily during the year from NOK 132.50 at 31 December 1996 to NOK 200 a year later.

The Board finds that the increase in the dividend to NOK 8 per share, combined with the appreciation in share value during the year, indicate that the Bank achieved the above-mentioned objective in 1997.

In 1996, the General Assembly authorised a private placement with the Bank's employees, making it possible to increase share capital by new subscriptions for up to 250 000 shares over a five-year period. The second round of the private placement was completed in 1997. Bank

employees subscribed 36 779 shares at a price of NOK 136 per share. This means that a total of 100 725 shares has been subscribed in the first two years of the programme.

### Prospects for the future

Nordlandsbanken occupies a strong position in Nordland County, but competition is becoming increasingly keen in finance markets. New players are offering products for traditional banking services and insurance.

It is a significant challenge to face the new competitive environment with a powerful, proactive attitude. In late 1997, the Bank began drawing up its market strategy for 1998 – 2000. Special attention will be devoted

to designing new, income-generating products to avoid the vulnerability engendered by dependence on interest income.

The general conditions under which Nordlandsbanken operates are determined by the authorities, the prevailing economic situation and trends in the financial markets.

Net interest rates are of the utmost importance to Nordlandsbanken, as they are to other banks. Profit margins have been subjected to downward pressures for years, and there is every indication that this trend will continue. The Bank is therefore making sustained efforts to increase its efficiency. The downscaling programme implemented in 1997 was an essential cost-cutting measure, and the Bank plans to incorporate new computer technology to streamline operations further.

### Litigation against the Bank

On 14 September 1994, Nordlandsbanken ASA was summonsed to appear before the Oslo City Court by the Spanish shipyard Astilleros y Talleres del Noroeste S.A. (Astano) concerning payment of a claim totalling ESP 331 979 036.00. Based on the ESP/NOK exchange rate at 31 December 1997, that amounted to approximately MNOK 16.1 plus interest and costs.

The shipyard sued the Bank as a result of a customer's unsettled accounts for dry-docking two vessels in 1992. On 19 July 1996, the Oslo City Court found in favour of Nordlandsbanken. The parties were each adjudged liable for their own legal costs. The plaintiff subsequently filed an appeal with the High Court - Civil Division.

### In conclusion

Nordlandsbanken ASA can look back on yet another good year. The Board wishes to take this opportunity to thank all shareholders, customers, elected officers and employees for making this possible.

Bodo, 5 February 1998

Harald Mellerud

CHAIRMAN

Ivar Jørgensen

DEPUTY CHAIRMAN

Elise Thue-Nilsen

Petter Dahlberg

Carl Jakhelln

Arnt-Johan Hunstad

Nils Moe

MANAGING DIRECTOR

# Profit and loss account

## The Parent Bank

## The Group

1997	1996	(NOK 1 000)	Note	1997	1996
1 005 604	992 720	Interest income, etc.	2	1 025 163	1 005 361
( 594 380)	( 614 234)	Interest expenses, etc.	2	( 599 911)	( 620 529)
<b>411 224</b>	<b>378 486</b>	<b>Net interest income and fees on loans</b>		<b>425 252</b>	<b>384 832</b>
13 041	12 553	Dividends and income on variable-yield securities	3	13 883	9 743
76 573	64 641	Commission income and income on bank services	4	79 926	67 549
( 22 146)	( 22 101)	Commission expenses and expenses on bank services	5	( 22 146)	( 22 101)
33 358	25 748	Net gain/loss on securities trading	6	33 358	25 748
14 294	16 058	Net gain/loss on foreign exchange trading	6	14 294	16 058
10 077	9 779	Other non-interest income	7, 10	48 841	53 744
<b>125 197</b>	<b>106 678</b>	<b>Total other non-interest income</b>		<b>168 156</b>	<b>150 741</b>
( 137 696)	( 133 106)	Payroll, pensions and social security expenses	8, 9	( 171 564)	( 160 880)
( 66 035)	( 64 249)	General administrative expenses	8	( 74 726)	( 68 863)
( 28 277)	( 25 884)	Depreciation, etc. on fixed assets	10	( 30 598)	( 32 475)
( 41 357)	( 68 596)	Other non-interest expenses	11	( 46 880)	( 72 877)
<b>( 273 365)</b>	<b>( 291 835)</b>	<b>Total other non-interest expenses</b>		<b>( 323 768)</b>	<b>( 335 095)</b>
<b>263 056</b>	<b>193 329</b>	<b>Operating profit before provisions for losses</b>		<b>269 640</b>	<b>200 478</b>
( 69 126)	( 75 904)	Losses on loans and guarantees, etc.	12, 13, 14	( 70 337)	( 76 970)
1 056	0	Gain/loss on long-term securities	10, 15	0	0
<b>194 986</b>	<b>117 425</b>	<b>Operating profit after losses</b>		<b>199 303</b>	<b>123 508</b>
0	0	Profit on minority interests		( 83)	( 101)
( 49 832)	( 29 773)	Tax on ordinary profit	17	( 51 385)	( 30 520)
<b>145 154</b>	<b>87 652</b>	<b>Profit on ordinary operations after tax</b>		<b>147 835</b>	<b>92 887</b>
0	64 433	Extraordinary income		0	64 433
0	( 18 041)	Taxes on extraordinary profit		0	( 18 041)
<b>145 154</b>	<b>134 044</b>	<b>Profit/loss for the fiscal year</b>		<b>147 835</b>	<b>139 279</b>

1997	1996	Distribution of the profit for the year
( 50 471)	( 47 041)	Allocated to dividends
( 420)	0	Allocated to Group contributions
( 14 535)	( 13 612)	Transferred to undistributable reserves
( 79 728)	( 73 391)	Transferred to distributable reserves
<b>( 145 154)</b>	<b>( 134 044)</b>	<b>Total for distribution</b>

# Balance Sheet

The  
Parent  
Bank

## ASSETS

The  
Group

1997	1996 (NOK 1 000)		Note	1997	1996
222 601	114 090	Cash in and claims on central banks		223 311	115 228
303 058	372 753	Lending to and claims on credit institutions	14, 16	119 470	222 130
14 047 505	11 914 139	Gross lending to and claims on customers	14, 18, 19	14 435 581	12 190 990
(96 198)	(101 739)	Specific loss provisions	12, 18	(98 561)	(104 109)
(41 000)	(25 000)	General loss provisions	12, 18	(43 390)	(26 570)
<b>13 910 307</b>	<b>11 787 400</b>	<b>Total net loans to and claims on customers</b>		<b>14 293 630</b>	<b>12 060 311</b>
37 678	48 171	Assets acquired by default	20	37 678	48 171
1 136 461	887 340	Negotiable certificates, bonds and other interest-bearing securities	21	1 136 461	887 340
482 943	311 988	Shares (and other variable-yield securities)	24	483 216	312 257
<b>1 619 404</b>	<b>1 199 328</b>	<b>Total short-term investments in securities</b>		<b>1 619 677</b>	<b>1 199 597</b>
1 500	1 000	Equity in associated companies	24	1 998	656
24 784	31 139	Equity in Group companies	24	0	0
0	0	Intangible assets (Goodwill)	22	2 409	121
318 376	323 521	Fixed assets	10	322 888	428 362
148 939	95 333	Other assets	23	149 080	96 085
159 416	143 967	Prepayments and accrued income	25	179 777	151 955
<b>16 746 063</b>	<b>14 116 702</b>	<b>Total assets</b>		<b>16 949 918</b>	<b>14 322 616</b>

Harald Mellerud  
CHAIRMAN

Ivar Jørgensen  
DEPUTY CHAIRMAN

Elise Thue-Nilsen

Petter Dahlberg



The  
Parent  
Bank

## LIABILITIES AND EQUITY

The  
Group

1997	1996 (NOK 1 000)		Note	1997	1996
50 202	151 266	Loans and deposits from credit institutions (demand)		50 202	151 266
3 645 347	2 066 442	Loans and deposits from credit institutions (term)		3 671 465	2 065 080
<b>3 695 549</b>	<b>2 217 708</b>	<b>Total liabilities to credit institutions</b>		<b>3 721 667</b>	<b>2 216 346</b>
3 244 473	3 412 421	Demand deposits from customers		3 245 680	3 359 571
3 695 846	3 857 174	Time deposits from customers		3 806 812	3 946 953
<b>6 940 319</b>	<b>7 269 595</b>	<b>Total deposits from and liabilities to customers</b>		<b>7 052 492</b>	<b>7 306 524</b>
1 500 000	2 075 000	Negotiable certificates and other short-term loans		1 500 000	2 075 000
2 653 176	849 604	Debenture debt	26	2 653 176	849 604
<b>4 153 176</b>	<b>2 924 604</b>	<b>Total loans raised by issuing securities</b>		<b>4 153 176</b>	<b>2 924 604</b>
233 470	242 806	Other liabilities	27	244 675	366 973
123 949	73 593	Accrued expenses and prepaid income		159 373	99 337
29 304	35 337	Provisions to cover commitments and costs	28	31 069	35 408
666 070	548 050	Subordinated loan capital	29	666 070	548 050
0	0	Minority interests		502	6 751
315 444	313 605	Share capital (6 308 870 shares at NOK 50 per share)		315 444	313 605
588 782	491 404	Reserves		605 450	505 018
<b>904 226</b>	<b>805 009</b>	<b>Total shareholders' equity</b>	<b>30</b>	<b>920 894</b>	<b>818 623</b>
<b>16 746 063</b>	<b>14 116 702</b>	<b>Total liabilities and equity</b>		<b>16 949 918</b>	<b>14 322 616</b>
<b>1 033 227</b>	<b>863 086</b>	<b>Guarantee liabilities</b>	<b>33</b>	<b>1 033 227</b>	<b>863 086</b>
<b>239 903</b>	<b>330 482</b>	<b>Assets pledged as collateral</b>	<b>39</b>	<b>239 903</b>	<b>330 482</b>

Bodø, 5 February 1998

Carl Jakhelln

Arnt-Johan Hunstad

Nils Moe

MANAGING DIRECTOR

# Cash Flow Analysis

**The  
Parent  
Bank**

**The  
Group**

1997	1996 (NOK million)		1997	1996
		<b>LIQUIDITY PROVIDED BY OPERATIONS</b>		
977	990	Interest income, etc.	984	1 007
( 544)	( 614)	Interest expenses, etc.	( 550)	( 621)
123	107	Other income	166	151
( 230)	( 247)	Operating expenses	( 269)	( 283)
0	64	Extraordinary income	0	64
( 52)	( 6)	Taxes paid	( 53)	( 7)
<b>274</b>	<b>294</b>	<b>Net cash flow provided by operations</b>	<b>278</b>	<b>311</b>
		<b>LIQUIDITY PROVIDED BY INVESTMENT ACTIVITIES</b>		
82	( 217)	Decrease/increase in lending to credit institutions	111	( 175)
( 2 204)	( 1 242)	Decrease/increase in lending to customers	( 2 312)	( 1 305)
( 420)	( 170)	Decrease/increase in short-term investments in securities	( 420)	( 169)
( 24)	( 58)	Investments in fixed assets	( 30)	( 59)
1	1	Sale of fixed assets	102	1
( 39)	49	Decrease/increase in other assets	( 44)	49
<b>( 2 604 )</b>	<b>( 1 637 )</b>	<b>Net cash flow used on investment</b>	<b>( 2 593 )</b>	<b>( 1 658 )</b>
		<b>LIQUIDITY PROVIDED BY FINANCIAL ACTIVITIES</b>		
5	6	Fresh shareholders' funds	5	6
1 478	( 415)	Increase/decrease in liabilities to credit institutions	1 506	( 404)
( 330)	675	Increase/decrease in customer deposits	( 255)	615
1 228	1 200	Increase/decrease in liabilities based on securities	1 232	1 200
( 13)	( 102)	Increase/decrease in other liabilities	( 136)	( 55)
118	88	Increase/decrease in subordinated loan capital	118	88
( 47)	( 43)	Dividends paid	( 47)	( 43)
<b>2 439</b>	<b>1 409</b>	<b>Net cash flow provided by financial activities</b>	<b>2 423</b>	<b>1 407</b>
109	66	Net change in liquid assets	108	60
114	48	Liquid assets at 1 January 1997	115	55
<b>223</b>	<b>114</b>	<b>Liquid assets at 31 December 1997</b>	<b>223</b>	<b>115</b>

# Auditor's Report

We have audited Nordlandsbanken's annual report and accounts for 1997, which show a profit for the year of NOK 145 154 000 for the parent bank and a profit of NOK 147 835 000 for the Group. The annual report and accounts, consisting of the Annual Report, Profit and Loss Account, Balance Sheet, Cash Flow Analysis, Notes to the Accounts and the Group Accounts, have been presented by the Bank's Board of Directors.

Our responsibility is to examine the Bank's annual report and accounts, its accounting records and other related matters.

We have conducted our audit in accordance with current legislation, regulations and generally accepted Norwegian auditing standards. We have performed those auditing procedures which we considered necessary to confirm that the annual report and accounts contain no material misstatements or omissions. We have examined selected parts of the evidence supporting the accounts, and assessed the accounting principles applied and the estimates made by the management, as well as the content and presentation of the annual report and

accounts. To the extent required by generally accepted Norwegian auditing standards, we have reviewed the Bank's internal control and the management of its financial affairs.

The Board of Directors' proposal for the allocation of the profit for the year is in accordance with the requirements of the Companies Act (Norway).

In our opinion, the annual report and accounts have been prepared in accordance with the current legislation, and give an accurate picture of the Bank's and the Group's financial standing at 31 December 1997 and of their performance during the fiscal year under review, in accordance with generally accepted Norwegian auditing standards.

Bodø, 18 February 1998

NORAUDIT NORDLAND DA

Hans P. Ulriksen  
Partner

# Report of the Control Committee

The Control Committee has conducted its activities in accordance with statutory provisions, regulations, current instructions and the Bank's Articles of Association.

The Control Committee held a total of 26 meetings in 1997. Monthly meetings were held at the main office and the Control Committee visited all branch offices. The Committee has maintained regular contact with the Bank's management, and the Bank's independent auditor attended some of the meetings. Otherwise, the Committee's duties have been performed with considerable assistance from and in close cooperation with the Bank's in-house auditor.

The Control Committee has reviewed the Board meeting minutes and the minutes of loan approvals at the Bank's main office as well as at the branch offices. The Committee has evaluated the Bank's administrative and control systems and feels they provide a satisfactory overview of the Bank's risk exposure and operations. The Committee has also reviewed the Bank's routines for reporting and limiting loss risks, and has found the routines satisfactory. Otherwise, the Committee has attached special importance to making a critical review and evaluation of the collateral furnished for loans and credit extended by the Bank. Particular attention has been paid to large and risky commitments. Any exceptional circumstances have been discussed with the Bank's management.

The Control Committee's minutes have been submitted to the Board of Directors on a regular basis and periodically signed by the Chairman of the Supervisory Board.

The Control Committee finds the Directors' evaluation of

the Bank's financial standing to be accurate. It is the view of the Control Committee that the Bank's operations have been conducted in a satisfactory manner and in accordance with current legislation and regulations, as well as with the Bank's Articles of Association.

Today the Control Committee has reviewed the Board of Director's proposal for the annual report and accounts for 1997. In the opinion of the Control Committee, the annual report and accounts present the Bank's annual result and financial standing in a manner consistent with current legislation and generally accepted Norwegian accounting standards.

The Control Committee refers to the above, as well as to the Auditor's Report, and recommends that the Board's proposal for the annual report and accounts for 1997 be adopted as the Bank's accounts.

Bodø, 18 February 1998

Harald Angell  
(Chairman)  
Niels Erik Aavatsmark  
Karl Sørensen



*Chairman of the  
Control Committee,  
Harald Angell*

# Managing Director's statement

1997 was an exceedingly good year for Nordlandsbanken ASA.

During the year, Nordlandsbanken's basic activities had sufficient volume to cover current operating costs, provide a satisfactory return on equity, and ensure further allocations to reserves. Substantial allocations were made to cover future unspecified loan losses.

One of the Bank's goals is to ensure good dividends for its owners.

Losses are declining. From that perspective, the trend observed in recent years has continued.



Norwegian banks' net interest margins dropped in 1997, and Nordlandsbanken was no exception. However, the Bank managed to offset the drop through growth in volume that can hardly be ascribed to poor credit risk management.

Compared with other banks,

Nordlandsbanken has also managed to keep its costs under control. Spending will continue to be monitored closely, as this is an area in which the Bank can strongly influence its own results in the years to come.

Staff was downsized by approximately ten per cent in 1997, and the full effect of the measure will be felt in 1998. There are currently no concrete plans for further downsizing, but it is no less than sensible to keep this issue open at all times.

Technical developments in the banking industry are such that we would already be downsizing again if all customers took advantage of all the technical solutions available to them.

The price of Nordlandsbanken shares climbed dramatically in 1997, with shares being traded for as much as NOK 205 per share. As mentioned earlier, the net interest margin dropped in 1997 and appears to be stagnating. This may be because the skewed competitive market situation that evolved in the wake of the banking crisis no longer exerts the same effect as it did a few years ago. Eventually, of course, these effects will disappear completely.

The second phase in the Bank's private placement with employees was completed in 1997, and it is a pleasure to note that employee ownership increased once again.

In 1996, the Bank was one of the co-founders of Norsk Forvaltnings-service AS, a project that has turned

out to be a great success so far.

In 1997, the Bank introduced the sale of various insurance products through Nordenfeldske Forsikring AS. This, too, has proved successful. The Bank's employees have invested considerable effort and enthusiasm in the new programmes, ably supported by the trade unions. My most sincere thanks to all of them.

The Bank's independence and firm foothold in Bodø have proven unshakeable. These days, the Bank is rarely mentioned as a candidate for acquisition or take-over.

The Bank's Board of Directors has voted to establish a new branch office in Tromsø. The final decision on this question will be taken at a joint meeting between the Supervisory Board and the Board of Directors on 4 March 1998.

It was also decided that the Bank would build new headquarters in Bodø. Preparations are well underway, and completion is scheduled for late 1999. The new building will incorporate much-needed streamlining of the Bank's activities in Bodø, which are currently spread among six or seven different locations. Gathering all activities under one roof will offer obvious advantages.

New bank managers were hired at Rognan and Ørnes in 1997. A new bank manager has already been hired at Sortland in 1998. The present bank manager of the Sandnessjøen branch office will be retiring later this year.

There is every reason to believe that the Bank's future operations will greatly benefit its owners, customers and employees alike.

Nils Moe

# Ownership

## Shares and shareholders

Nordlandsbanken ASA has share capital of NOK 315 443 500, distributed among 6 308 870 shares with a nominal value of NOK 50 each. The company's shares are not divided into different classes. At 31 December 1997, the Bank had 10 854 shareholders, 175 fewer than a year earlier. A total of 3 461 833 Nordlandsbanken ASAS shares were traded in 1997.

## Shareholder policy

### Returns

Nordlandsbanken's goal is to pay its shareholders a competitive return on their investment compared with other comparable investments carrying the same level of risk. Efforts will be made to achieve this return through a combination of annual dividends and appreciation in the value of the Bank's shares. The objective is to ensure shareholders a sustained high, stable return which also reflects Nordlandsbanken's value added.

### Share issues

Current shareholders will usually be given preference for new share issues. The Bank will make every effort to set an issue price that will give preferential rights a reasonable financial advantage. Any private placement of shares will take place at market prices to prevent the value of existing shares from being watered down.

In addition to share issues, and within the limitations set by the Commercial Banks Act, subordinated loan capital will be raised in Norwegian kroner as well as in foreign currencies. Nordlandsbanken will also consider other ways of raising subordinated loan capital, including convertible debentures, loans with call options and/or other instruments believed to be in the interest of Nordlandsbanken's shareholders.

### Information

Nordlandsbanken maintains a high information profile. Candour in respect of the stock market is an important aspect of the Bank's sharehold-

er policy. In addition to its annual reports, Nordlandsbanken publishes three quarterly reports. The publishing schedule for 1998 is roughly early May, August and November. Annual and quarterly reports are sent to shareholders, the news media and a number of stock market players and financial communities.

Nordlandsbanken also issues press releases outside regular reporting times to give the public, and thereby the shareholders, an opportunity to keep abreast of the Bank's progress.

## Nordlandsbanken's shareholder service

Nordlandsbanken's shares are registered with the Norwegian Registry of Securities (VPS). The Bank has found this system to function well. The VPS registry is updated continually. Shareholders receive annual statements of account and immediate notification of any changes in their portfolios.

Shareholders should ordinarily direct any questions or information regarding shares, change of address, etc. to their own registrar (bank or stockbroker).

Otherwise, Nordlandsbanken's

## Key figures for Nordlandsbanken shares

	1997	1996	1995
No. of shares at 31 December*)	6 308 870	6 272 091	6 201 941
Nominal value per share	50	50	50
Share price			
Maximum	200	136	121
Minimum	130	98	70
At 31 December	200	132.50	121
Dividend per share	8	7.50	7
Earnings per share	23.11	14.08	14.04
Book equity per share	143.32	128.35	114.71
Price-earnings ratio	8.65	9.41	7.30

### Definitions:

<i>Earnings per share</i>	<i>Book equity per share</i>	<i>Price-earnings ratio</i>
Ordinary net profit divided by the average number of shares during the year.	Shareholders' equity divided by the number of shares.	Share price at 31 December divided by earnings per share.

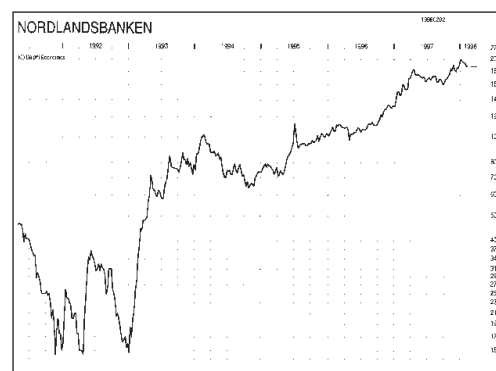


Diagram caption:  
Share price over the course of time.  
This diagram illustrates the price of Nordlandsbanken shares from 1992 to 1997, expressed as weekly averages.



*The speaker at the Annual General Meeting in 1997, Mr. Per Olaf Lundteigen (left) and Mr. Harald Mellerud, Chairman of the Board.*

shareholder service, telephone No. +47 75 54 11 00, ext. 1215/1216, is available to serve the Bank's shareholders.

#### **A listed company**

Nordlandsbanken's shares are listed on the Oslo Stock Exchange. The ticker tape code is NBK. The shares are listed under securities number (ISIN) 30 14 00.

#### **Special share register**

Nordlandsbanken ASA complies with the provision of the Norwegian Companies Act which requires that a special register be kept of any transactions undertaken by elected officers or managers that involve buying or selling company shares.

Pursuant to the rules laid down in the Act related to Securities Trading, Nordlandsbanken issues quarterly reports to the Stock Exchange Committee of the Oslo Stock Exchange about any transactions undertaken by elected officers or managers that involve buying or selling Nordlandsbanken shares.

#### **Limitations on ownership and voting rights**

Each share carries one vote at Nordlandsbanken's Annual General Meeting. According to the Bank's

Articles of Association, laid down pursuant to the provisions of the Act related to Financial Institutions, no single shareholder's vote may represent more than 10 per cent of the total number of shares or more than 20 per cent of the shares represented at the Annual General Meeting.

Limitations also exist on the right to own shares in Nordlandsbanken ASA, as no single party is allowed to own more than 10 per cent of the Bank's shares.

#### **The Annual General Meeting**

Nordlandsbanken's ordinary Annual General Meeting will be held on Friday, 17 April 1998, at 11 am at the Quality Diplomat Hotel in Bodø. Shareholders will receive a copy of this annual report along with registration forms and proxies.

#### **Rules regarding capital adequacy**

The capital adequacy requirements that apply to Norwegian financial institutions are based on regulations stipulated by the Bank of International Settlements (BIS).

According to the rules, financial institutions' capital adequacy shall amount to no less than 8.0 per cent of a specific asset base in which different balance sheet assets and off-balance sheet liabilities and commitments are weighted on the basis of risk.

#### **Risk-weighting loans**

Loans will be risk-weighted according to the following rules:

##### **0 per cent risk weight:**

- Loans to the State
- Loans guaranteed by the State
- Loans with collateral in bank deposits

##### **10 per cent risk weight:**

- Loans to government enterprises

##### **20 per cent risk weight:**

- Loans to municipalities and county municipalities
- Loans to banks/financial institutions

##### **50 per cent risk weight:**

- Loans with collateral in homes within 80 per cent of the fair value

##### **100 per cent risk weight:**

- All other loans and credits

#### **Risk-weighting securities**

A bank's securities are risk-weighted in the same way:

Government bonds and government-guaranteed certificates have 0 weight, while shares and bonds issued by municipalities or enterprises with municipal guarantees, and securities in financial institutions are weighted at 20 per cent. The same applies to securities in financial institutions. All other shares and bonds have a risk weight of 100 per cent.

Off-balance sheet transactions also count when calculating the capital requirement for determining capital adequacy. This includes loan guarantees, payment guarantees, letters of credit and financial instruments related to interest and foreign exchange activities.

It is the total of the weighted amounts for the various assets and commitments that makes up the calculated asset base. The Bank's capital adequacy shall amount to at least 8 per cent of this risk-weighted asset base.

This means that a State-guaranteed loan of NOK 1 million would not raise the capital requirement at all. The same loan to a municipality, on the other hand, would increase the capital requirement by NOK 16 000. (Municipal loans are weighted by 20 per cent. The capital adequacy base in this case amounts to NOK 200 000, eight per cent of which equals NOK 16 000).

Similarly, a home loan of NOK 1

million, within 80 per cent of the home's fair market value, would increase the Bank's capital requirement by NOK 40 000, while a comparable business loan would increase the requirement by NOK 80 000.

### Composition of equity and subordinated loan capital

A financial institution's equity and subordinated loan capital are composed as follows:

#### Core capital:

\* Paid-up share capital

\* Taxed reserves 1)

#### Supplementary capital: 2)

\* Revaluation fund

\* Subordinated loan capital 3)

- 1) Undistributable and distributable reserves are considered taxed reserves.
- 2) Total supplementary capital cannot exceed total core capital.
- 3) Dated subordinated loan capital that counts as equity and subordinated loan capital shall not exceed 50 per cent of the core capital. Subordinated loan capital must originally be repayable over at least five years. Loan capital with a term of less than five years shall be reduced by 20 per cent each year. A subordinated loan shall not be counted as capital during the final year prior to its date of maturity.

### Nordlandsbanken's capital adequacy

Nordlandsbanken's risk-weighted volume of lending, securities and commitments at 31 December 1997 amounted to NOK 13 146.3 million.

At the same date, Nordlandsbanken's total equity and subordinated capital came to NOK 1 400.3 million. Core capital comprised NOK 904.2 million of that amount.

According to the regulations, a total of NOK 505.4 million of the Bank's subordinated loan capital of NOK 519.2 million counts as equity.

### The Bank's 20 largest shareholders at 31 December 1997

Shareholder	No. of shares	Percentage
Fokus Bank ASA	554 424	8.78
OVDS AS	346 383	5.49
Meieribrukets Pensjonskasse	250 000	3.96
Verdipapirfondet Avanse Kapital	238 200	3.77
Sparebank1 Nord-Norge	201 706	3.19
Fokus SMB	200 000	3.17
Lloyds Bank Plc. (Great Britain)	200 000	3.17
Lloyds Bank Plc. (Great Britain)	200 000	3.17
Storebrand AMS	132 800	2.10
Citibank N. A. (Great Britain)	126 000	1.99
Brown Brothers Harriman & Co. (USA)	125 000	1.98
Verdipapirfondet K-Kapital	123 700	1.96
Clydesdale Bank Plc. (Great Britain)	122 000	1.93
Fidelity Funds - European Growth (Luxembourg)	94 150	1.49
Salten Kraftsamband A/S	90 000	1.42
Norsk Hydros Pensjonskasse	90 000	1.42
Skandinaviska Enskilda Banken (Sweden)	78 922	1.25
Verdipapirfondet Avanse	75 000	1.18
Vital Forsikring ASA	70 000	1.10
Gjensidige Invest	70 000	1.10
	3 388 500	53.62

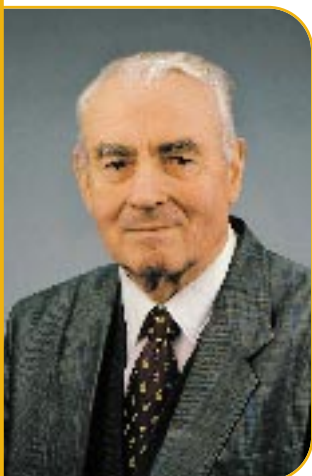
### Distribution of shares by size of shareholding

Shares per shareholder	SHAREHOLDERS		SHARES	
	Number	Per cent	Number	Per cent
1 - 10	2 499	23.0	14 015	0.2
11 - 100	5 357	49.4	218 790	3.5
101 - 200	1 229	11.3	179 385	2.8
201 - 1 000	1 429	13.2	624 023	9.9
More than 1 000	340	3.1	5 272 657	83.6
	10 854	100.0	6 308 870	100.0

### Geographical distribution of shares

	SHAREHOLDERS		SHARES	
	Number	Per cent	Number	Per cent
Troms and Finnmark County	364	3.4	244 382	3.9
Nordland County	7 324	67.5	1 541 805	24.4
Oslo	753	6.9	1 729 470	27.4
Rest of Norway	2 338	21.5	1 639 453	26.0
Abroad	75	0.7	1 153 760	18.3
	10 854	100.0	6 308 870	100.0

# The Bank's governing bodies



*Konrad Fjellgaard,  
Meløy,  
Chairman of the  
Supervisory Board*

## **Annual General Meeting (AGM)**

By virtue of the Annual General Meeting, the shareholders are the Bank's supreme governing body. The AGM shall adopt the Bank's Articles of Association and ratify guidelines and the accounts. The AGM shall also decide whether to increase share capital or raise subordinated loans. The AGM elects the Control Committee and 11\15 members of the Bank's Supervisory Board.

## **Supervisory Board**

Nordlandsbanken's Supervisory Board has 30 members: twenty-two are elected by the AGM and the other eight by and from among bank employees. The Supervisory Board lays down guidelines for the Bank's operations, then submits them to the AGM for approval. The Supervisory Board is also responsible for electing the Board of Directors and Branch Office Boards.

The AGM elections in 1996 and 1997 resulted in the Supervisory Board having the following shareholder-elected

### **MEMBERS:**

Electrician Konrad Fjellgaard, Meløy, **CHAIRMAN** (elected by shareholders from Salten/Ofoten)  
General Manager Ingebjørg Glad Pedersen, Sortland, **DEPUTY CHAIRMAN**  
(elected by shareholders from the northern part of the county)

### **DEPUTY MEMBERS:**

#### **ELECTED FROM THE SOUTHERN PART OF THE COUNTY:**

Fisherman Geir Bjørnvik, Træna  
Managing Director Bjørn Sørhøy, Bindal  
Businessman Terje Baadstrand, Vefsn  
General Manager Niels Erik Aavatsmark, Rana  
Manager Jarl Høberg, Dønna

#### **ELECTED FROM THE SOUTHERN PART OF THE COUNTY:**

General Manager Bjørn Berg Hansen, Bindal  
Shipowner Leif Slotvik, Brønnøy  
Merchant Trond Arne Drevvatne, Vefsn  
Merchant Borghild Hagh, Alstahaug  
General Manager Tove Leknes Strøm, Rana

#### **ELECTED FROM THE NORTHERN PART OF THE COUNTY:**

Chemist Inger N. Benjaminsen, Vestvågøy  
Manufacturer Knut Johansen, Flakstad  
Shipowner Ola-Helge Holmøy, Sortland  
Director Kjartan Arctander, Vestvågøy

#### **ELECTED FROM THE NORTHERN PART OF THE COUNTY:**

Manufacturer John Pedersen, Røst  
Engineer Asbjørn Holm, Sortland  
Manufacturer Bjørn-Ottar Statile, Vestvågøy  
Advocate Arnt Egil Tjønndal, Vestvågøy  
Farmer Einar Kristiansen, Sortland

#### **ELECTED FROM SALTEN/OFOTEN:**

Supreme Court Advocate Nils Aga, Bodø  
Member of Parliament Ivar Kristiansen, Bodø  
Engineer Oddbjørn Paulsen, Bodø  
Advocate Tor J. Strand, Narvik  
Engineer Kjell A. Nyvold, Bodø  
Merchant Jacob Normann, Saltdal

#### **ELECTED FROM SALTEN/OFOTEN:**

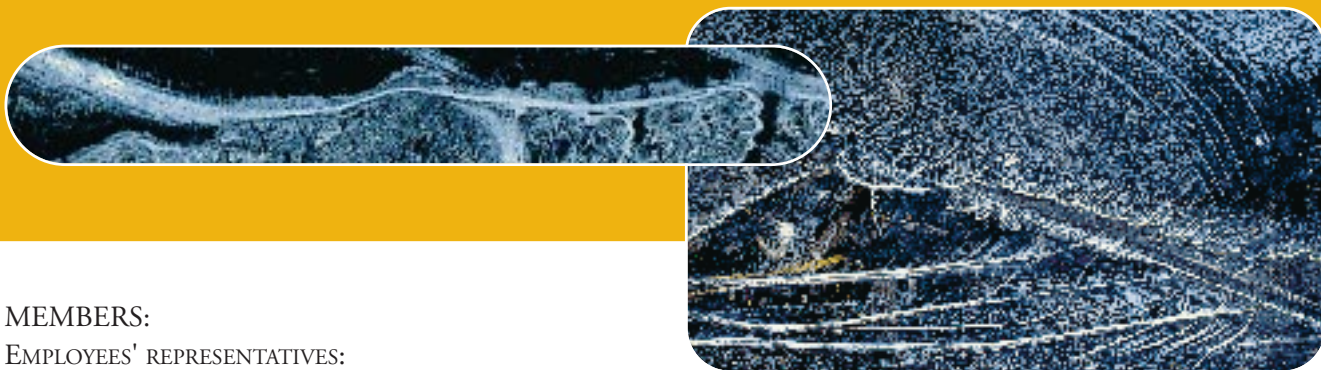
Local Social Security Officer Harald Tormod Skjelstad, Bodø  
Merchant Cato Pedersen, Fauske  
Goldsmith Georg Øiesvold, Bodø  
Dentist Gunnar Rasmussen, Fauske  
General Manager Ole Martin Imingen, Bodø  
General Manager Torill Christensen, Bodø  
Director Magne-J. Schille, Narvik

#### **ELECTED AT LARGE:**

Homemaker Lisbeth Gundersen, Bodø  
Merchant Karl Sørensen, Meløy  
Advocate Annfinn Johansen, Bodø  
Professor John Skår, PhD, Bodø  
Finance Director Fridthjov Haavardsson, Asker

#### **ELECTED AT LARGE:**

Fisherman Olav Olavsens Jr., Vestvågøy  
Director Finn Aurdal, Bodø  
Managing Director Frits E. Løvli, Bodø  
Managing Director Carl Fr. Sejersted Bødtker, Oslo  
Managing Director Claus Johansen, Bodø



#### MEMBERS:

##### EMPLOYEES' REPRESENTATIVES:

(Elected by and from among the employees pursuant to § 11 of the Commercial Banking Act)

Customer Adviser Bjørnar Ingebrigtsen, Bodø  
 Consultant Unni Lillegaard, Bodø  
 Computer Consultant Rune Viken, Bodø  
 Corporate Adviser Kurt Haugen, Oslo  
 Customer Adviser Bjørn Milde, Alstahaug  
 Deputy Manager Johan Myklebust, Rana  
 Deputy Manager Helge Torbergsen, Fauske  
 Corporate Adviser Alf Norum, Sortland

#### DEPUTY MEMBERS:

(elected by and from among the Bank's employees)

Economist Bengt Olsen, Bodø  
 Computer Consultant Anne Kristin Rødolv, Bodø  
 Consultant Ole Morten Kristiansen, Bodø  
 Deputy Manager Katrine Lunøe, Oslo  
 Customer Adviser Tore Hansen, Vefsn  
 Deputy Manager Anita Hjertø, Narvik  
 Corporate Adviser Sture Olsen, Hadsel

#### Board of Directors

The Board of Directors consists of seven members, one of whom shall be elected by and from among the employees. The Managing Director is required by law to serve on the Board. The Supervisory Board shall elect the other five members. The Board of Directors is responsible for the Bank's operations and decides matters relating to credit, although extensive authority has been delegated to the Managing Director in order to facilitate operations.

#### MEMBERS:

Managing Director Harald Mellerud, Fauske, Chairman  
 Managing Director Ivar Jørgensen, Bodø, Deputy Chairman  
 Managing Director Elise Thue-Nilsen, Bodø  
 Director Petter Dahlberg, Fauske  
 Director Carl Jakhelln, Bodø  
 Deputy Manager Arnt-Johan Hunstad, Bodø,  
 (employee representative)  
 Managing Director Nils Moe, Bodø

#### DEPUTY MEMBERS:

Managing Director Thor Andersen, Bodø  
 Dean Sverre Are Jenssen, Bodø  
 Corporate Adviser Ketil L. Johnsen, Leknes  
 (for the employee representative)  
 Deputy Managing Director Finn Strøm-Gundersen, Oslo  
 (for the Managing Director)

#### Branch Office Boards

The Branch Office Boards each have four members. Two are elected by the Supervisory Board and one by and from among the branch office's employees. The General Managers of the Branch Offices are required by law to serve on the Branch Office Boards, which supervise the activities of the branch offices in accordance with guidelines laid down by the corporate Board of Directors. These supervisory tasks are performed in close co-operation with the main office and the branch offices' general managers.

The members of the Branch Office Boards are listed on pages 24 to 37, in conjunction with more detailed descriptions on the individual branch offices.

#### Control Committee

The Annual General Meeting elects the Control Committee, which comprises three members, one of whom must be a lawyer who fulfils the requirements for a judgeship as laid down by the Courts Act. The Control Committee monitors the Bank's operations, ensuring, for example, that the Bank is run in accordance with current legislation, the Articles of Association and approved guidelines.

#### MEMBERS:

Supreme Court Advocate Harald Angell, Bodø, Chairman  
 General Manager Niels Erik Aavatsmark, Rana  
 Merchant Karl Sørensen, Meløy

#### DEPUTY MEMBER:

Manufacturer Knut Johansen, Flakstad

# Nordlandsbanken - In Brief

In recent years, Nordlandsbanken has taken important steps towards becoming a full-service provider of financial services. This has been accomplished through the systematic expansion of the Bank's range of products.

## **NB-fondene**

In September 1996, the Bank launched proprietary unit trust products through NB-fondene. Right from the start, the response to Nordlandsbanken's unit trust products far exceeded expectations, and that positive trend continued in 1997.


From the launch through the end of 1997, gross sales aggregated no less than NOK 350 million, while net sales (after redemptions) reached NOK 279 million. Nearly 8 000 unit-holders have invested their savings in

NB-fondene, with an average lump sum deposit of NOK 45 000.

NB-fondene consist of three different unit trusts: NB Aksjefond (shares), NB Obligasjonsfond (bonds) and NB Pengemarkedsfond (money market). The unit trusts are managed by Norsk Forvaltningsservice AS, Oslo, of which Nordlandsbanken owns 50 per cent. In collaboration with the management company, the Bank is planning to increase its selection of unit trust products.

## **Insurance**

In October 1997, Nordlandsbanken introduced proprietary insurance products in collaboration with Nordenfjeldske Livsforsikring AS of Trondheim. The products are Pension Insurance and Critical Illness



Forsikring  
NB-fondene  
Bank  
- alt på ett sted  
NB  
NordlandsBanken



NB PensjonSpar  
Tenk lenger...  
Individual Pensjonsparettale IPA i Nordlandsbanken  
NB  
NordlandsBanken



Insurance as well as insurance for children and young people. Nearly 1 000 policies were sold during the few months from product launch to the end of the year.

### **Pension plans**

The latest product to be introduced in 1997 was the IPA (individual pension agreement), a product designed to accord with Norway's taxation legislation.

Sales were good in 1997, considering the product was only available for three weeks and marketing efforts were modest.

Nearly 100 IPAs were established in 1997, with an average deposit of NOK 22 000.

### **Lending**

Nordlandsbanken increased its lending by some 18 per cent in 1997. The Oslo and Bodø branch offices saw the greatest increases, 25 and 20 per cent respectively, while the other branch offices in Nordland County increased lending by an average of some 13 per cent.

Lending growth was considerable in the retail market, but even stronger in the corporate market. Approximately 40 per cent of the Bank's lending is to the retail market.

### **Deposits**

While lending increased substantially, deposits from customers declined by NOK 330 million, or slightly more than 4.5 per cent, from 1996 to 1997.

The decrease in deposits from customers applies to the corporate and retail markets alike.

One likely explanation for the decline is the relatively low rate of interest paid on traditional bank deposits, since it has been possible to get higher returns on savings by investing them elsewhere, in securities funds, for instance.

### **Cards gain popularity**

A growing number of Nordlandsbanken's customers are becoming active card users. The number of cardholders,

mainly NB Personkort with or without MasterCard, increased by 10 per cent in 1997. At 31 December 1997, 33 000 customers carried cards issued by Nordlandsbanken.

These cards were used to make more than two million purchases, for a total amount of NOK 790 million. The number of transactions increased by 35 per cent on the year. Nordlandsbanken's card customers also made more than 1.2 million withdrawals from ATMs in 1997, a rise of 11 per cent from 1996. Altogether, the Bank's cardholders made more than NOK 1 billion in ATM withdrawals in 1997.

### **BrevGiro**

Inssofar as giro payments are concerned, statistics indicate that the number of giros is increasing, but fewer are being paid directly in the bank. More customers are paying their bills by BrevGiro or electronically by direct transfer, company terminal giro, AvtaleGiro, AutoGiro or TeleGiro. The number of payment transactions increased by 11 per cent in 1997. Of those transactions, 30.6 per cent were paid across the counter, compared with 35.4 per cent the year before. Of the transactions made on standard giro forms, some 55 per cent were paid through the BrevGiro scheme, and the percentage is continuing to grow.





### Internet

On 1 July, Nordlandsbanken established a site on the Internet at the following address: [www.nordlandsbanken.no](http://www.nordlandsbanken.no). This home page contains detailed information on the Bank and the products it offers.

Developments are moving very quickly in this area, and the Bank's net services will be upgraded significantly in the early half of 1998.

### Subsidiaries

Nordlandsbanken has several wholly-owned subsidiaries. Three of them focus their activities in Bodø, while one is located in the same building as the Oslo branch office.

The active, wholly-owned subsidiaries are the real estate agencies NordMegler AS and NordMegler-Oslo AS, in addition to NordlandsData AS and Nord-Finans AS.

## Nord Megler AS

### Real estate activities

NordMegler AS handled 323 ordinary transactions in 1997, accounting for total sales of NOK 403.7 million.

This is a sharp increase from the previous year in terms of the number of transactions and the turnover involved.

Despite the keen competition on the real estate market in Bodø, the company won considerable market share during the year. NordMegler is Nordland County's leading agency for the sale of real estate.

NordMegler-Oslo AS handled 51 transactions, accounting for total sales of NOK 100.7 million. The company's average sales figure is considerably higher than the industry average.

### NordlandsData

NordlandsData AS offers main-frame services as well as PC network management. NordlandsData has a team of custom software systems developers, and sells hardware, other software and peripherals.



In 1997, NordlandsData bought three companies in Tromsø and established TromsData AS, in which the company owns 60 per cent of the shares.

### Nord-Finans

Nord-Finans AS provides accountancy, lending, leasing and factoring services. The company is headquartered in Bodø, and has subsidiaries in Sandnessjøen and Mo.



Total assets rose by 34 per cent during the year, to NOK 393 million as of 31 December. Customers' interest in leasing and lending increased steadily throughout 1997. Factoring sales also showed a marked increase during the year under review.

# The Branch Offices

Nordlandsbanken dominates the merchant banking scene in Nordland County. Hand-in-hand with business and industry, the Bank shoulders its share of the economic development risks that must be taken to protect jobs and keep people in the local area.

However, the Bank's strong position in the corporate market does not limit it to a few select customers only. The retail market accounts for around 40 per cent of the Bank's lending activities, that is, mortgages, consumer loans, and the like.

The branch offices are the backbone of the Bank's activities. Although general trends in the world of banking and finance have moved towards centralisation, Nordlandsbanken has opted to follow a different route. With its network of 13 branch offices and six branches,

the Bank covers the vast expanse of Nordland County, in addition to serving customers at the Oslo branch office.

Each branch office is headed by a local branch manager and has its own Board of Directors. The branch offices enjoy considerable autonomy, which is usually sufficient to handle loan applications at the local level. Nordlandsbanken is the only commercial bank in Norway that still maintains the tradition of local branch office boards. This is because we feel the scheme provides invaluable local contacts and insight. The local Boards of Directors play an active role in credit evaluations at the branch offices.

Throughout the next few pages, please join us on a visit to our branch offices, from Andenes and Narvik in the north, to Brønnøysund and Oslo in the south.



# Andenes



*General Manager Bjørnar Solvoll has headed Nordlandsbanken Andenes since 1985.*



*The Andøya Rocket Range enjoyed another good year in 1997.*

## THE BOARD OF DIRECTORS:

Parliamentarian Odd-Roger Enoksen, Chairman  
General Manager Oddbjørn Stave, Deputy Chairman  
Deputy Manager Greta Jacobsen (employee representative)  
General Manager Bjørnar Solvoll

## THE ADMINISTRATION:

General Manager Bjørnar Solvoll  
Senior Manager Jostein Dalseng  
Senior Manager Bjørn Karoliussen

## KEY FIGURES:

Lending: NOK 845.6 million  
Deposits: NOK 195.8 million

## FISHERIES STILL A MAINSTAY

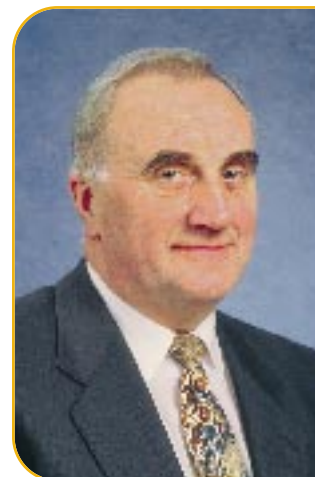
Cutbacks at the Andøya Air Base have qualified Andøya for official status as a municipality in transition. Notwithstanding, the municipality's economic development in 1997 can only be described as positive. This is largely ascribable to positive trends in the fisheries industry. The coastal fleet and the onshore facilities can all look back on a good year. 1997 brought some renewal to the fishing fleet and increased recruitment to the industry.

The second primary industry, agriculture, remains stable. Farming is an important part of economic development, particularly in the southern part of the municipality.

The ferry route between Andenes and Gryllefjord has provided a boost for tourism, an increasingly important industry for the local community. 1997 was a record year for whale safari tours.

The Andøya Rocket Range continues to prosper, and has now opened a 'branch' on Svalbard.

# Sortland



*General Manager Ole Aasmoe has been in charge of Nordlandsbanken Sortland since 1970.*

*Due to good weather late in the year, farmers in Vesterålen earned more than what might have been expected, given the severity of the preceding winter.*

## THE BOARD OF DIRECTORS:

Manufacturer Gunnar Jarl Klo, Chairman  
Engineer Arnulf Olsen, Deputy Chairman  
Customer Adviser Kristin N. Larsen (employee representative)  
General Manager Ole Aasmoe

## THE ADMINISTRATION:

General Manager Ole Aasmoe  
Assistant General Manager Tor Bønes  
Deputy General Manager Dagfinn Endresen (Myre)  
Senior Manager Trond Hellstad (Myre)

## KEY FIGURES:

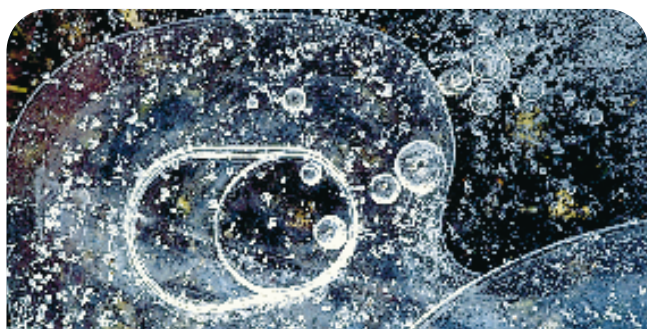
Lending: NOK 1 126.1 million  
Deposits: NOK 559.3 million

## A STRONG YEAR FOR THE PRIMARY INDUSTRIES

This branch office has two locations, Sortland and Myre. Nordlandsbanken's activities in this part of the county reflected the fact that the main primary industry – fisheries – made money in 1997. It was also a prosperous year for agriculture as good weather late in the season helped farmers earn more than what might have been expected, given the severity of the preceding winter.

The building and construction sector is beginning to emerge from the doldrums. A surge in commercial activity, combined with more building and construction, boosted demand for loans. Although lending has been on the rise, traditional deposits have remained stable.

The sale of unit trusts and insurance products was most gratifying during the year under review.



# Melbu



*Ståle Risjord has been General Manager and head of Nordlandsbanken in Hadsel since 1988.*



*Stokmarknes (photo) and Melbu are the two towns located in Hadsel municipality.*

## THE BOARD OF DIRECTORS:

Farmer Dagfinn Kristiansen, Chairman  
Watchmaker Nikolai Bøe Olsen, Deputy Chairman  
Deputy Manager Rigmor Holdø (employee representative)  
General Manager Ståle Risjord

## THE ADMINISTRATION:

General Manager Ståle Risjord  
Senior Manager Svein Roar Hadsel  
Branch Manager Sturla Rønning (Stokmarknes)

## KEY FIGURES:

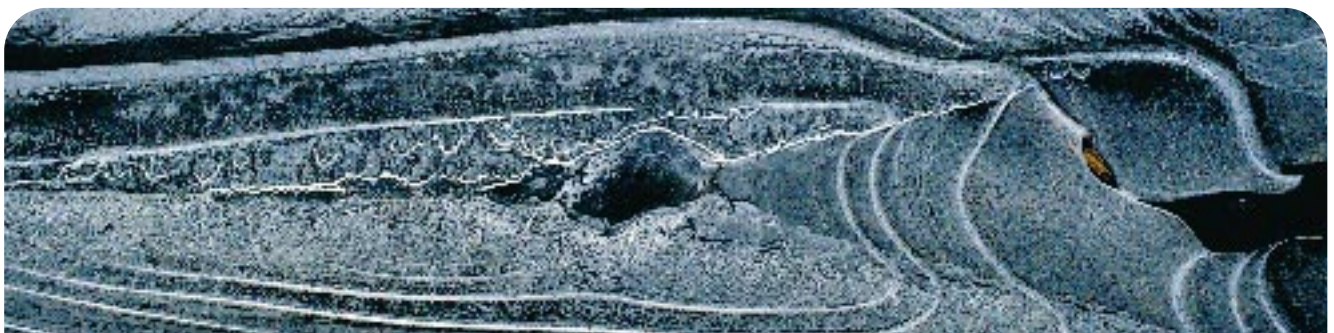
Lending: NOK 546.2 million  
Deposits: NOK 183.4 million

## 1997 WAS A BUSY YEAR

Nordlandsbanken Melbu has two locations, Melbu and Stokmarknes, and both locations kept very busy in 1997. Lending climbed by a total of 19.1 per cent, largely as a result of more new housing and an upswing in business activity, at the same time as the branch office downsized its staff by about 20 per cent.

Many businesses in the municipality of Hadsel had a thriving year in 1997. Cornerstone enterprises such as the Melbu Fish Group boosted production, adding new employees and generating positive ramifications for the area as a whole.

The number of bankruptcies filed in Vesterålen declined last year, and unemployment dropped by six per cent in Hadsel during the same period.



# Leknes

## THE BOARD OF DIRECTORS:

General Manager Thorbjørn Sandnes, Chairman  
General Manager Gunnar Skoglund, Deputy Chairman  
Deputy Manager Nann-Kristin Lauritzen  
(employee representative)  
General Manager Børge Breivik

## THE ADMINISTRATION:

General Manager Børge Breivik  
Senior Manager Arne Christoffersen  
Senior Manager Bjørn Sturla Horn

## KEY FIGURES:

Lending: NOK 624.0 million  
Deposits: NOK 288.1 million

*The fisheries continue to be the economic mainstay of Lofoten.  
Fishing with Danish seines on the Lofoten fishing grounds.*

## OPTIMISM IN BUSINESS AND INDUSTRY

The drain of people from sparsely populated areas to the cities has affected Lofoten, although Vestvågøy appears to be managing better than neighbouring communities. Business activities reflect an optimistic attitude, exemplified by spin-offs and rejuvenation in the fisheries sector, in particular.

Tourism is another important industry here. Cruise ships call by frequently. Among the local attractions are a Viking museum and local arts and crafts, not to mention the appeal of holidays in fishermen's shanties.

In terms of operations, Nordlandsbanken Leknes had a good year. Although some of the losses incurred were quite significant, the lending volume is growing, and there is a satisfactory influx of new customers.

Deposits are declining when measured as a percentage of lending, at the same time as customers are moving their savings out of deposit accounts and into unit trusts.



*Børge Breivik, General Manager of Nordlandsbanken Leknes since 1993.*



# Narvik



*Kirstin L. Mobakken has been General Manager of Nordlandsbanken Narvik since 1992.*



*Narvik is now in its final year of economic transition, and can look back on 1997 as a year characterised by rapid economic development in local business and industry.*

## THE BOARD OF DIRECTORS:

General Manager Per Indresand, Chairman  
Advocate Bjørg Haavorstad, Deputy Chairman  
Senior Manager Odd Svenningdal (employee representative)  
General Manager Kirstin L. Mobakken

## THE ADMINISTRATION:

General Manager Kirstin L. Mobakken  
Senior Manager Reidar Ramsvik

## KEY FIGURES:

Lending: NOK 524.4 million  
Deposits: NOK 156.2 million

## THE FINAL YEAR IN TRANSITION

Following a positive economic development trend in 1997, 1998 will mark the final year of Narvik's transition programme. While unemployment was a problem until recently, the tables have turned and it is now hard to find enough skilled labour for existing and new enterprises in the municipality.

Nordlandsbanken Narvik recorded a positive trend in 1997, improving considerably from the year before.

There has been a steady stream of new customers in 1997, despite the fact that the local banking market has many players and stiff competition. The branch office deems the expansion of its product range to include insurance as an unconditional success.

# Bodø

## THE ADMINISTRATION:

General Manager Toril V. Lundestad  
Deputy General Manager Svein A. Solheim  
Assistant General Manager Sverre Haugland  
Branch Manager Mari Reppe  
Branch Manager Jan Volnes

## KEY FIGURES:

Lending: NOK 3 078.0 million  
Deposits: NOK 1 953.9 million

## BURGEONING GROWTH IN BODØ

Bodø is the locomotive that powers economic development in Nordland County, as the number of schools, businesses, colleges and jobs continues to grow. The community has enjoyed population growth each year for a number of years now.

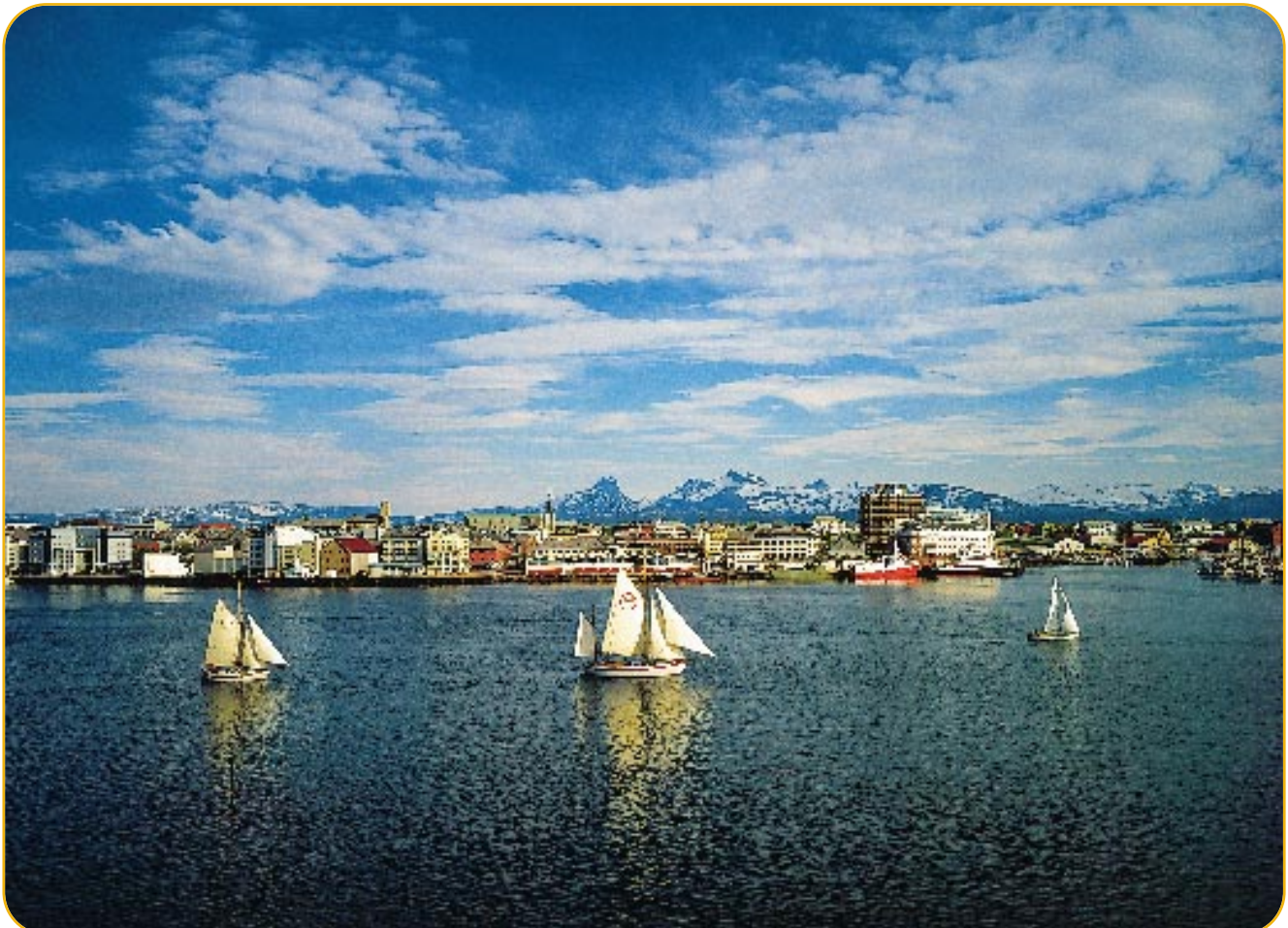
*Bodø, capital of Nordland County, is one of the few municipalities in the county that has experienced a net influx of people in recent years.*

The customer catchment area of Nordlandsbanken Bodø extends far beyond the city limits. This branch office has customers in Harstad, Lofoten, Værøy and Røst, to name just a few places. Nordlandsbanken Bodø is the bank of choice for several large fish export enterprises; 1997 was a good year for stock fish exporters in particular.

Nordlandsbanken Bodø is responsible for the activities of the Group as a whole in several areas of corporate expertise. In 1997, it was decided to build new headquarters at Moloveien 16. It was subsequently decided to incorporate the Bodø branch office into the same building, and to convert the current premises in Storgaten into a branch.



*Toril V. Lundestad has been General Manager of Nordlandsbanken Bodø since it became a separate branch office in 1995.*





*Karsten Gundersen has been General Manager of Nordlandsbanken Fauske since 1994.*

#### THE BOARD OF DIRECTORS:

General Manager Per-Arne Mosti,  
Chairman  
Master Painter Snorre Nicolaisen,  
Deputy Chairman  
Deputy Manager Liv Lund  
(employee representative)  
General Manager Karsten Gundersen

#### THE ADMINISTRATION:

General Manager Karsten Gundersen  
Senior Manager Per-Kristian Løkås

#### KEY FIGURES:

Lending: NOK 583.9 million  
Deposits: NOK 465.3 million

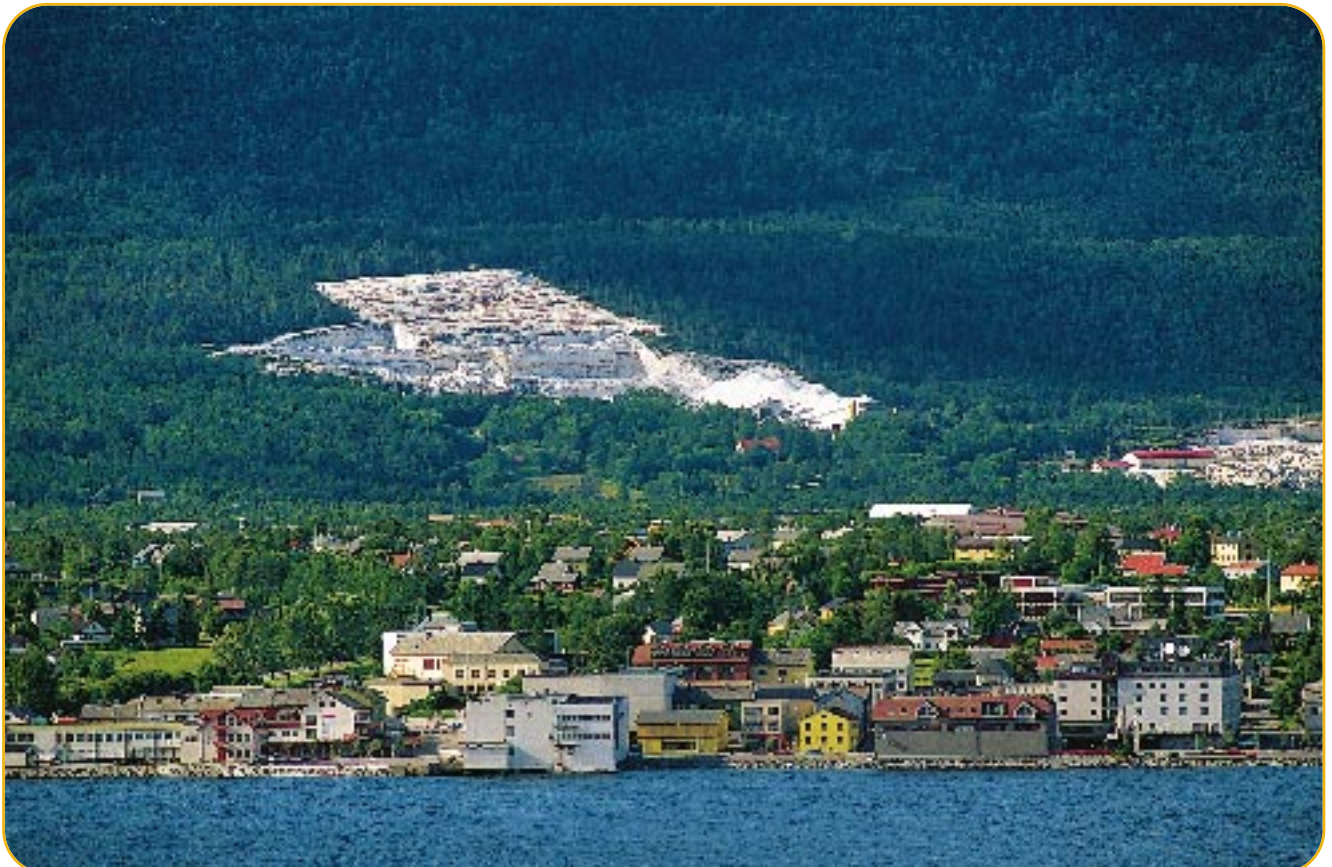
#### THE HUB OF INDRE SALTEN

Fauske's importance as a traffic, commercial and service hub contributed to an upswing for local business and industry in 1997. A new shopping centre was opened late in the year, further enhancing Fauske's position as the commercial hub of Indre Salten.

Norway Post stepped up its activities in Fauske in 1997. A new sports centre was completed at Valnesfjord, and the engineering industry expanded further. Indre Salten Vekst AS is a vital partner for business and industry.

Nordlandsbanken Fauske remodelled and modernised its offices, making them more pleasant and convenient for customers and employees alike.

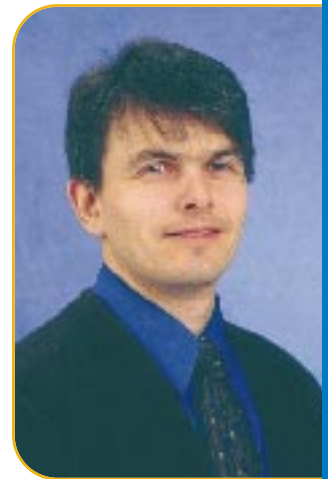
*In 1997, Fauske improved its position as a commercial hub for Indre Salten.*



# Rognan



*The primary industries, illustrated here by forestry, continue to be of vital importance to the economic situation in Saltdal.*



*Jon-Arne Nymo has been General Manager of Nordlandsbanken Rognan since March 1997.*

## THE BOARD OF DIRECTORS:

General Manager Kristian Brenne, Chairman  
Farmer Arne Engan, Deputy Chairman  
Customer Adviser Heidi P. Unosen (employee representative)  
General Manager Jon-Arne Nymo

## THE ADMINISTRATION:

General Manager Jon-Arne Nymo  
Senior Manager Solveig Bentsen

## KEY FIGURES:

Lending: NOK 304.9 million  
Deposits: NOK 165.6 million

## ENCOURAGING NEW BUSINESSES

The municipality of Saltdal is determined to attract new business activities to Vensmoen. The municipality has hired a special projects manager for this project and two others: the new national park centre at Storjord and the completion of the Bryggene complex at Rognan.

Saltdal seems to be enjoying economic progress. Following a period characterised by empty shopfronts, new businesses are now moving into the community, and existing enterprises are expanding once again. One of the local cornerstone companies, Alcatel, is currently enlarging its production capacity.

Nordlandsbanken Rognan celebrated its 25th anniversary in 1997. The occasion was commemorated by various activities arranged for retail and corporate customers.

Thanks to successful sales promotion activities, local Rognan customers have become adept at using the new payment systems. Expanded customer self-service allows the branch office to devote more time to selling the Bank's other products and services.



*General Manager Olav Hogstad has headed Nordlandsbanken Ørnes since 1 April 1997.*



*A cruise ship rides the waves of the Holand Fjord in Meløy, with Svartisen in the background.*

## THE BOARD OF DIRECTORS:

Shipping Agent Fredrik Finne, Chairman  
 Power Supply Manager Karsten I. Hansen, Deputy Chairman  
 Sales Manager Svanhild Myrvang (employee representative)  
 General Manager Olav Hogstad

## THE ADMINISTRATION:

General Manager Olav Hogstad

## KEY FIGURES:

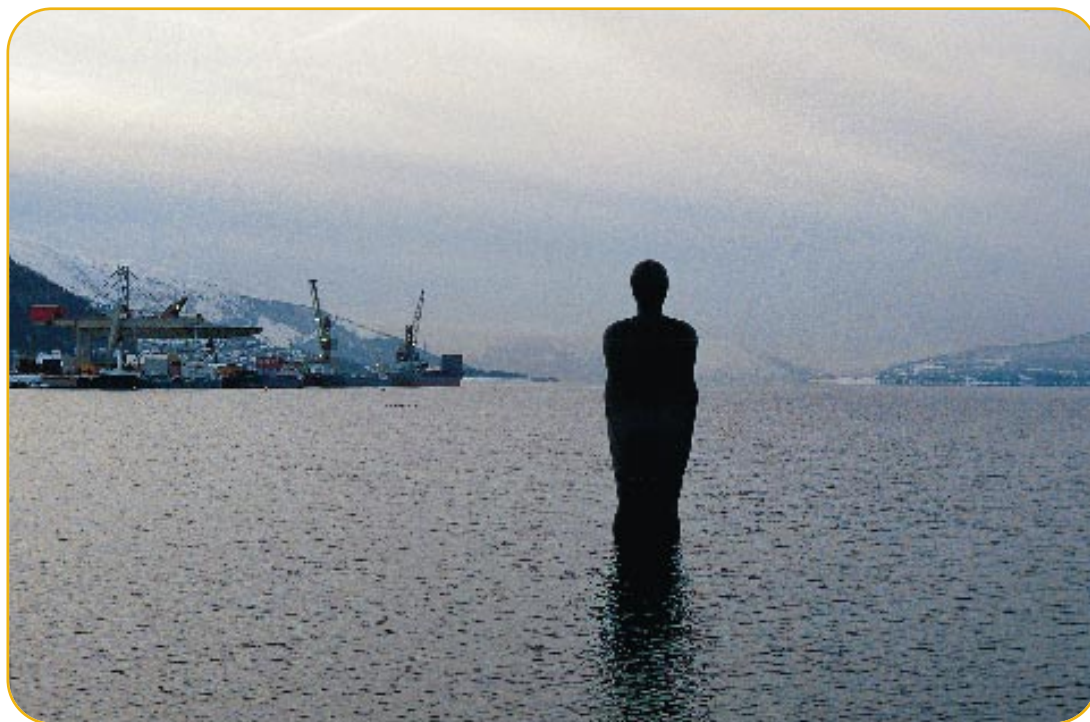
Lending: NOK 278.0 million  
 Deposits: NOK 260.3 million

## STABILITY IN MELØY

1997 was not a particularly eventful year: few new businesses opened and there was little industrial investment. The current situation is one of stability, with Norsk Hydro in Glomfjord being the largest, most influential player.

Meløy Næringsutvikling AS is an economic development company jointly owned by the municipality and Norsk Hydro. The company's objective is to promote the establishment and reinforcement of industrial enterprises. Among other things, the company was instrumental in the establishment of ScanWafer AS.

Local unemployment has decreased substantially, from 8.1 per cent at the end of 1996 to 5 per cent a year later.



*The Merman, Rana's contribution to the Nordland Sculpture Garden.*



*Roar Tverå has headed Nordlandsbanken Mo since 1977.*

### THE BOARD OF DIRECTORS:

Managing Director Ørjan Rimer, Chairman  
 Director Arne Ostad, Deputy Chairman  
 Customer Adviser Anne Kirsti Elstad  
 (employee representative)  
 General Manager Roar Tverå

### THE ADMINISTRATION:

General Manager Roar Tverå  
 Assistant General Manager Eirik Røtnes  
 Senior Manager Lisbeth Breivik

### KEY FIGURES:

Lending: NOK 741.2 million  
 Deposits: NOK 229.6 million

### BUSINESS IS BOOMING AT MO

Local business and industry advanced considerably in 1997. All the land reclaimed from the fjord has now been developed, and numerous new buildings have been erected.

The hospital expansion, educational reform and the strong progress made by most of the companies in the industrial park are exerting pressure on the building industry.

Along with other improvements to roads, the E12 motorway has changed local traffic patterns. Even though Rana has a vital and dynamic commercial precinct, people have faith in the viability of new shopping centres outside the city. Many people are involved in these projects.

The real estate business is booming as well. Houses near the town centre are fetching especially high prices.



# Mosjøen



*Einar E. Nilsen has been General Manager of Nordlandsbanken Mosjøen since the winter of 1997.*



*Mosjøen is an industrial area as well as being the main commercial hub in the Vefsn region.*

## THE BOARD OF DIRECTORS:

General Manager Frank Arntsberg, Chairman  
Financial Affairs Manager Brit Digermul,  
Deputy Chairman  
Customer Adviser Linda Wikkelsmo  
(employee representative)  
General Manager Einar E. Nilsen

## THE ADMINISTRATION:

General Manager Einar E. Nilsen  
Senior Manager Albert Selstad

## KEY FIGURES:

Lending: NOK 329.3 million  
Deposits: NOK 125.1 million

## A GROWING COMMERCIAL HUB

Mosjøen's role as a commercial hub in the Vefsn area became even more important in 1997. Businesses had a good year, reporting progress in all sectors.

The area experienced strong economic growth, and a number of major public and private sector construction projects got underway during the year. The upswing in building activities has had positive ramifications for local contractors and suppliers.

Local economic development in the Vefsn region depends on the situation of its cornerstone enterprise, Elkem Aluminium Mosjøen, at any given time. The national debate about the renewal of power supply contracts was a hot topic in 1997. No final clarification has yet been reached, but the political signals are promising. As a result, Elkem Aluminium is considering plans to set up an automotive parts factory in Mosjøen. If realised, these plans would result in the creation of 200 new jobs.

Local unemployment dropped by 20 per cent in 1997, meaning skilled labour is currently in short supply.

# Sandnessjøen

## THE BOARD OF DIRECTORS:

General Manager Terje Sandnes, Chairman  
General Manager Odd Ragnar Holmvik, Deputy Chairman  
Customer Adviser Anton Breistrand (employee representative)  
General Manager Einar Dypvik

## THE ADMINISTRATION:

General Manager Einar Dypvik  
Deputy General Manager Jan Harald Dalen

## KEY FIGURES:

Lending: NOK 731.7 million  
Deposits: NOK 398.9 million

## THE OIL SPILLOVER

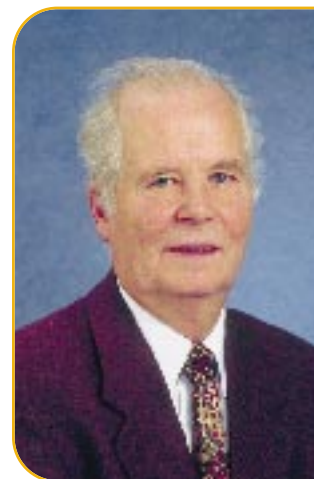
The side effects of the oil activities off the coast of Helgeland are filtering through to local businesses as the Norne field gets under production. There is no longer any doubt that the finds on the Vøring Plateau will have a significant impact on the economic development of

the Ytre Helgeland area.

The fish farming industry is entering yet another difficult year. While the current situation gives fish farmers stable minimum prices, their profits are not sufficient to the equity capital they need to survive.

The private and municipal sectors are thriving in Sandnessjøen. With a view to the future, Slipen Mek. Verksted, a mechanical engineering enterprise, has won several major contracts, there are new commercial buildings being put up on the harbourside, and there are plans to expand the airport, adding offshore supply bases at Høvding and Horves.

The only serious problem looming on the horizon is that of keeping people in the area. The municipalities around Sandnessjøen registered considerable net emigration in 1997, although the population of Alstahaug remained stable.



*Einar Dypvik has been General Manager of Nordlandsbanken Sandnessjøen since 1975.*

*The side effects of the oil activities off the coast of Helgeland are filtering through, as illustrated by the new offshore supply base at Horves.*



# Brønnøysund



*General Manager Bernt Chr. Grønvold has headed Nordlandsbanken Brønnøysund since 1992.*

## THE BOARD OF DIRECTORS:

Dairy Director Bjørn Vågan, Chairman  
Managing Director Bjørn Johansen, Deputy Chairman  
Chief Teller Thor-Arne Baustad (employee representative)  
General Manager Bernt Chr. Grønvold

## THE ADMINISTRATION:

General Manager Bernt Chr. Grønvold  
Senior Manager Walther Nøstvik

## KEY FIGURES:

Lending: NOK 276.8 million  
Deposits: NOK 212.1 million

## A BUMPER YEAR FOR AGRICULTURE

Bumper years like 1997 are few and far between for farmers in Sør-Helgeland.

It was a good year for fish farmers as well, and the Torgnes Group has become a significant player on a national scale, with some 20 wholly-owned food fish licences. The Group also includes fish hatcheries, killing and processing facilities.

In the absence of further oil finds off the coast of Helgeland, Norsk Marmor AS and Brønnøy Kalk AS, with their extensive lime-quarrying in Velfjorden and construction projects in Ursfjorden, contributed to the creation of new jobs and activities.

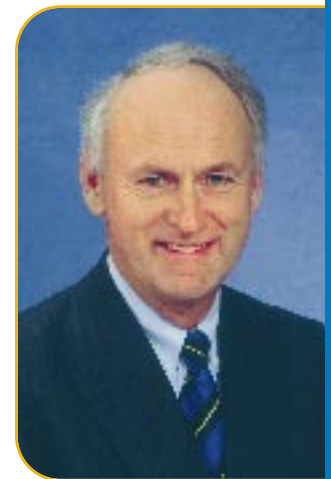
Otherwise, the area still enjoys a surge in building activities, with all the positive ramifications that entails for various sectors in the community.

*Torghatten is a familiar landmark at Brønnøysund. Taking a walk through the hole in the mountain is popular with the tourists who visit the area.*

# Oslo



*Nordlandsbanken Oslo posted impressive growth in 1997. The Oslo branch office is conveniently located in Rosenkrantzgate in the central business district.*



*Finn Strøm-Gundersen has headed the Oslo branch office since 1989. In 1995, he was appointed Deputy Managing Director of Nordlandsbanken.*

## THE BOARD OF DIRECTORS:

Director Gunnar Viken, Chairman  
Director Finn Røgenæs, Deputy Chairman  
Deputy Manager Berit Granan (employee representative)  
Deputy Managing Director Finn Strøm-Gundersen

## THE ADMINISTRATION:

Deputy Managing Director Finn Strøm-Gundersen  
General Manager Geir L. Sagen  
Deputy General Manager, Ole Jakob Skeie  
Esben Jensrud, Head of Trade and Treasury Department  
Ingrid Aga, Head of International Division

## KEY FIGURES:

Lending: NOK 4 309.3 million  
Deposits: NOK 5 442.1 million

## BUSINESS IS FLOURISHING AT THE OSLO BRANCH OFFICE

1997 was an excellent year for Nordlandsbanken Oslo, as total assets under management climbed by 29 per cent to NOK 1.3 billion.

The Bank has earned a good reputation in the Oslo market, and receives numerous queries about financing from existing and potential customers. However, competition is keen in terms of profit margins as well as the modalities of the products offered to customers.

A new foreign exchange system allows Nordlandsbanken to offer foreign currency packages to meet customers' international financing needs in an appropriate, competitive manner.

The Oslo branch office bears corporate responsibility for foreign currency loans and funding, international banking relations, arbitrage, banking products in foreign currencies, and insurance products.



# This is Nordlandsbanken

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Telefax (+47) 75 54 14 90

## Rønvik Branch

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N-8018 Mørkved  
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Thursday 9 am - 5.00 pm  
Friday 9 am - 3.30 pm

## Mo

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## Sandnessjøen

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Telefax (+47) 75 04 23 66

## Sandnessjøen Hospital Branch

PO Box 602, N-8801 Sandnessjøen  
Telephone (+47) 75 07 05 09  
Telefax (+47) 75 04 23 66  
Closed from noon to 1 pm every day

## Mosjøen

PO Box 581, N-8651 Mosjøen  
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## Brønnøysund

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## Oslo

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## Subsidiaries

### NordlandsData AS

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### TromsData AS

Forskningsparken, N-9005 Tromsø  
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### Nord-Finans AS

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75 54 54 60

### Nord-Finans Sandnessjøen AS

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### NordMegler AS

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### NordMegler-Oslo AS

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Inge Ove Tysnes, Sandnessjøen	35
Scan-Foto, Oslo	37

### Annual General Meeting

The ordinary Annual General Meeting will be held on Friday, 17 April 1998 at the Quality Diplomat Hotel in Bodø.

### Information

Nordlandsbanken ASA publishes the following financial reports during the year:

- \* Annual Report (Norwegian and English versions), including the Board of Director's Report and the Annual Accounts (early April)
- \* Quarterly/semi-annual reports (Early May, August and November)

### Annual Report 1997

Lay-out, design and production: Nordlandsbanken ASA and Lyche Grafisk AS

Printing: Lyche Grafisk AS, Drammen

English translation: Informatic/Linda Sivesind, Oslo



**Accounting principles**

**Notes to the accounts**

**Profit analysis**

**General information**

The annual accounts have been prepared in accordance with the banking regulations laid down by the Banking, Insurance and Securities Commission and generally accepted accounting standards.

**Consolidated accounts**

Subsidiaries are companies in which the parent bank alone or together with other subsidiaries owns more than 50 per cent of the voting shares or holds a controlling interest in the company. Uniform accounting principles have been applied to all the subsidiaries included in the consolidated accounts. The subsidiaries are included in the accounts using the acquisition method of accounting.

Associated companies are companies in which the Bank owns between 20 and 50 per cent of the share capital and where this gives the Bank significant influence in the company. These holdings are long-term, strategic investments. Such companies have been included in the consolidated accounts using the equity method of accounting.

**Securities**

The Bank's portfolios of bonds and negotiable certificates have been booked at market value or cost, whichever is lower.

Shares classified as current assets are evaluated on the basis of comparable principles.

Long-term shareholdings are evaluated at acquisition cost. Depreciation is taken on long-term shareholdings if the market value is significantly lower than the acquisition cost, and the difference is assumed to be permanent.

**Depreciation**

The straight line method has been applied to ordinary depreciation, based on the expected useful life of the capital asset.

The rates applied to ordinary depreciation have also been applied to depreciation on revaluation.

The following depreciation rates have been applied: Machinery, equipment and vehicles 10 to 30 per cent. Buildings 2 to 4 per cent. Goodwill is depreciated at a rate of 20 per cent per annum.

**Revaluation**

Revaluation is treated according to the straight line method of depreciation. That means that any deferred tax associated with market value in excess of book value is listed under liabilities on the balance sheet. A deferred tax rate of 28 per cent is applied to revaluations of buildings.

**Loan losses and provisions for loan losses**

Loans are booked on the balance sheet at their nominal value, with the exception of loans already written off as losses. Losses are booked once a loan is defaulted or when for some other reason the Bank deems there is an imminent risk of default. Loan reviews attach importance to the assessed value of any collateral that exists, as well as to the borrower's financial situation.

As a general rule, interest income is no longer booked once a loan is actually defaulted or at risk. Interest booked during the fiscal year, but not paid by the customer, is carried back in the profit and loss account.

Actual losses include all losses incurred due to bankruptcy, confirmed composition proceedings, debt negotiations, etc.

Probable losses on defaulted and high-risk loans are booked as specified losses. Specified losses will equal the difference between a loan's nominal value and the value of any collateral furnished for it. Account is also taken of any measures implemented to improve the customer's situation and other circumstances.

General loan loss provisions are those set aside to cover losses which, due to conditions prevailing on the date of balance sheet recognition, must be expected on commitments that have not been identified and reviewed according to the rules that apply to specific loan loss provisions.

**Defaulted commitments**

A loan is considered defaulted when a customer is in arrears with loan payments or when the overdraft on lines of credit has not been covered as agreed. In any event, a default is declared when no payment has been made within 90 days after falling due or when a line of general credit has been overdrawn for more than 90 days.

Once a loan is defined as defaulted, the Bank assesses its loss based on the customer's total debt to the Bank, taking into account the value of the collateral and the customer's financial situation.

### **Property acquired by default**

Property acquired in full or partial settlement of obligations is booked on the balance sheet at its estimated market value. Any difference from the nominal value of the loan will be booked under loan losses. Defaulted property is booked as a separate item on the balance sheet.

### **Leasing**

When it involves transfer to the lessees of all the rights and obligations connected with the leased objects, financial leasing is treated as a loan in the accounts.

The interest portion of the leasing income is booked as interest income, while instalments on the principal are treated as repayment of loans.

### **Factoring**

Pursuant to guidelines issued by the Banking, Insurance and Securities Commission, factoring commitments and claims are booked at net amounts.

### **Loan establishment charges**

Charges for establishing loan agreements are booked as income against loan processing costs. The Banking, Insurance and Securities Commission's ceilings for booking income and the accruals principle are used as the basis for accounting.

### **Foreign exchange**

Nordlandsbanken has a number of off balance sheet financial instruments with banks and/or customers that deal with the stipulation of future interest rates, foreign exchange rates and raw materials prices. Nordlandsbanken distinguishes between instruments used to hedge the Bank's assets in ordinary banking operations, so-called hedge transactions, and instruments related to the Bank's own trading activities to earn a profit by exploiting price differences and price changes, so-called trading transactions.

Nordlandsbanken's foreign exchange risks are mainly on the spot and futures markets. Assets and liabilities in foreign currencies have been converted to Norwegian kroner at the mid-rates quoted by Norges Bank on 31 December 1997. Foreign exchange items are hedged against comparable items on the other side of the balance sheet or against off-balance sheet hedging agreements. Currency fluctuations are booked as gains or losses on foreign exchange.

In order for an instrument to be defined as a hedge transaction, it must be possible to identify it and document the probability that value changes in the hedge transaction and the position to be hedged have a high degree of negative correlation, i.e., enough to reduce financial risk substantially. Foreign exchange and interest agreements entered into for the purpose of hedging are considered together with, and in the same way as, the hedged item. Instruments not defined as hedge transactions are trading transactions. Trading transactions are valued at market prices and the net profit/loss elements are recognised in the accounts. The risk inherent in the Bank's trading activities at any given time is evaluated on a daily basis.

**Inter-group transactions and accounts** *Note 1*

The following share dividends and interest income paid to and received from subsidiaries are included in the parent bank's profit and loss account under the following items:

(NOK 1 000)	1997	1996
Interest income	7 794	12 624
Interest expenses	577	51
Dividends and income on variable-yield securities	0	2 466
Other non-interest income	493	561
Other non-interest expenses	6 472	6 443

The following inter-Group accounts with subsidiaries are included in the parent bank's balance sheet:

(NOK 1 000)	1997	1996
Deposits in and loans to financial institutions	170 183	150 623
Loans to and claims on customers	4 960	86 014
Prepayments and accrued income	51	2 592
Demand deposits	2 626	52 849
Liabilities to credit institutions	3 694	1 362
Other liabilities	0	816
Outstanding Group contributions	420	0

**Interest income and interest expenses** *Note 2*

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
		Interest income, etc. on loans to and claims on credit institutions	72 052	48 305
78 640	55 211			
		Interest income, etc. on loans to and claims on customers	886 185	893 433
877 443	887 919			
		Interest income on negotiable certificates, bonds and other interest-bearing securities	48 622	49 590
48 622	49 590			
899	0	Other interest income and similar income	943	0
0	0	Factoring income	3 154	2 639
0	0	Leasing income	14 207	11 394
<b>1 005 604</b>	<b>992 720</b>	<b>Total interest income</b>	<b>1 025 163</b>	<b>1 005 361</b>
		Interest expenses, etc. on deposits from and debt to credit institutions	186 124	114 224
184 530	122 250			
		Interest expenses, etc. on deposits from and debt to customers	233 732	344 452
229 802	329 761			
141 809	136 219	Interest expenses, etc. on securities issued	141 809	136 219
38 239	26 004	Interest expenses, etc. on subordinated loan capital	37 793	25 634
0	0	Other interest expenses and similar expenses	453	0
<b>594 380</b>	<b>614 234</b>	<b>Total interest expenses</b>	<b>599 911</b>	<b>620 529</b>

**Dividends and other variable-yield income** *Note 3*

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
		Income from shares and other variable-yield securities	13 041	10 087
13 041	10 087			
0	0	Income from shares in associated companies	842	(344)
0	2 466	Income from shares in Group companies	0	0
<b>13 041</b>	<b>12 553</b>	<b>Total</b>	<b>13 883</b>	<b>9 743</b>

**Note 4 Credit commission income and incoming fees on banking services**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
15 719	12 934	Guarantee commissions	15 792	12 934
1 564	286	Securities trading	1 564	286
47 324	41 279	Payment services	47 324	41 279
11 966	10 142	Other activities	11 966	10 142
0	0	Factoring commissions	3 280	2 908
<b>76 573</b>	<b>64 641</b>	<b>Total</b>	<b>79 926</b>	<b>67 549</b>

**Note 5 Credit commission expenses and outgoing fees on banking services**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
0	0	Guarantee commission expenses	0	0
22 146	22 101	Inter-bank transfer fees	22 146	22 101
<b>22 146</b>	<b>22 101</b>	<b>Total</b>	<b>22 146</b>	<b>22 101</b>

**Note 6 Net profit/loss on securities**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
7 502	905	Net profit/loss negotiable certificates and bonds	7 502	905
25 856	24 843	Net profit/loss shares	25 856	24 843
14 294	16 058	Net profit/loss financial derivatives	14 294	16 058
<b>47 652</b>	<b>41 806</b>	<b>Total</b>	<b>47 652</b>	<b>41 806</b>

**Note 7 Other non-interest income**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
9 762	9 274	Non-interest income, real estate	9 762	18 393
315	505	Other non-interest income	39 079	35 351
<b>10 077</b>	<b>9 779</b>	<b>Total</b>	<b>48 841</b>	<b>53 744</b>

**Note 8 Payroll and general administrative expenses**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
121 058	117 288	Wages and salaries	151 021	144 269
4 938	4 039	Pensions	5 506	4 132
11 700	11 779	Social security	15 037	12 479
66 035	64 249	Administrative expenses	74 726	68 863
<b>203 731</b>	<b>197 355</b>	<b>Total</b>	<b>246 290</b>	<b>229 743</b>

This year's payroll expenses include an allocation of NOK 8 million in initial capital for a new employee's foundation.

Salaries and other remuneration paid to the managing director, board members and other elected officers totalled NOK 4 079 339.

Of that amount, salary and other remuneration to the managing director accounted for NOK 1 127 175, while fees to

board members came to NOK 2 519 330, of which NOK 652 830 was for fees to the corporate Board of Directors. Fees totalling NOK 447 834 were paid the Control Committee and Supervisory Board.

As of 1 September 2005, the managing director can retire and draw a pension comparable to 60 per cent of his salary upon retirement. The managing director has a

special clause in his contract which entitles him to two years of severance pay upon leaving the Bank's employment in order to re-establish his legal practice.

Nordlandsbanken had an average of 428 employees in 1997, who worked the equivalent of 402 man-years of labour.

At 31 December 1997, Nordlandsbanken

had 416 employees, working the equivalent of 390 man-years of labour.

At 31 December 1997, Nordlandsbanken had granted loans totalling NOK 87.1 million to elected officers. Total lending to employees aggregated NOK 234.5 million as at the same date.

## Pensions Note 9

The Group has an employee pension programme based on a policy with a life insurance company. The scheme covers 512 employees of the Group, 440 of whom are covered under the parent bank's policy. In addition, the parent bank charged NOK 2 621 701 against operating income to pay 34 pension commitments in 1997.

Most of the annual premium for service pensions was charged to the Bank's pension premium fund.

The parent bank is also under an obligation to provide additional non-insured benefits for certain executives. The uninsured benefits represent an obligation of NOK 11.85 million.

Pension costs and pension commitments have been calculated in accordance with the preliminary Norwegian accounting standard for pension expenses issued by the Norwegian Accounting Standards Board.

The following conditions apply:		<i>Adjustment of current pensions</i>	<i>2.5 per cent</i>
<i>Discount rate</i>	<i>7.0 per cent</i>	<i>Adjustment of basic pension</i>	<i>3.3 per cent</i>
<i>Wage adjustment</i>	<i>3.3 per cent</i>	<i>Expected yield on pension funds</i>	<i>8.0 per cent</i>

Early retirement:

Two per cent for employees under age 40, zero per cent for employees over age 40.

Standard Norwegian tables for mortality, disability, etc.

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
4 207	4 243	Pension earnings for the year	4 659	4 699
6 202	5 812	Interest expenses on pension commitments	6 685	6 228
( 7 865)	( 7 378)	Yield on pension funds	( 8 558)	( 7 970)
0	0	Amortisation of gains due to pension plan changes	( 115)	( 185)
0	0	Amortisation of estimated loss	( 16)	( 24)
2 543	2 677	Net pension expenses	2 655	2 747
269	840	Employer's contribution	297	862
2 812	3 517	Gross pension expenses, including employer's contribution	2 952	3 610
<b>Financial status at 31 December</b>				
97 453	91 946	Pension commitments	105 229	98 727
( 105 519)	( 101 874)	Value of pension funds	( 115 083)	( 110 179)
0	0	Deferred commitment due to change of pension plan	371	556
2 728	3 824	Deferred commitment for (loss)/gain	3 514	4 600
		Employer's contribution due to positive/(negative)		
596	328	pension commitments	607	339
( 4 741)	( 5 776)	Recognised pension commitments at 31 December	( 5 362)	( 5 957)
<b>Change in net pension commitments</b>				
( 5 776)	( 2 185)	Net pension commitments at 1 January	( 5 957)	( 1 709)
0	0	Adjustment in shareholders' equity, including employer's contribution	0	0
2 812	3 517	Net pension expenses, including employer's contribution	2 952	3 610
0	( 5 905)	Group pension subsidy, including employer's contribution	( 580)	( 6 655)
( 1 777)	( 1 202)	Payments charged to operations, including employer's contribution	( 1 777)	( 1 214)
		Overfunded commitment in the Group	5 602	6 407
( 4 741)	( 5 776)	Recognised pension commitments	( 239)	( 439)

## Note 10 Depreciable assets

### Parent bank

(NOK 1 000)	Buildings	Machinery, equipment, vehicles	Land, etc.
Cost at 1 January 1997	255 706	154 781	40 498
+ Previously revalued	51 610	0	0
+ Additions 1997	7 572	15 894	1 555
- Disposals 1997 (at acquisition cost)	0	( 1 125)	0
- Accumulated depreciation	( 100 920)	( 107 195)	0
<b>= Book value at 31 December 1997*</b>	<b>213 968</b>	<b>62 355</b>	<b>42 053</b>
Ordinary depreciation 1997	8 275	20 003	0
Percentage depreciation	2-4	10-33.3	0

### Group

(NOK 1 000)	Buildings	Machinery, equipment, vehicles	Land, etc.	Goodwill
Cost at 1 January 1997	366 724	181 188	40 498	604
+ Previously revalued	51 610	0	0	0
+ Additions 1997	7 572	17 782	1 555	3 011
- Disposals 1997 (at acquisition cost)	( 111 018)	( 1 290)	0	0
- Accumulated depreciation	( 100 920)	( 130 813)	0	( 1 206)
<b>= Book value at 31 December 1997*</b>	<b>213 968</b>	<b>66 867</b>	<b>42 053</b>	<b>2 409</b>
Ordinary depreciation 1997	8 275	21 658	0	665
Percentage depreciation	2-4	10-33.3	0	20

\*) Of which NOK 40.0 million was derived from revaluations at 31 December 1997.

### Additions and disposals of fixed assets and real estate over the past five years:

Parent bank				Group	
Buildings	Machinery, equipment and vehicles	(NOK 1 000)	Buildings	Machinery, equipment and vehicles	
7 269	10 433	1992	Additions	7 269	9 187
3 288	79		Disposals	3 288	79
57 535	8 143	1993	Additions	57 535	10 553
661	100		Disposals	893	342
5 426	24 667	1994	Additions	114 614	28 529
711	715		Disposals	711	715
7 211	27 744	1995	Additions	9 166	28 980
7 331	33 700		Disposals	7 331	33 762
25 706	32 014	1996	Additions	25 747	34 174
1 282	8 736		Disposals	1 282	9 790

### Equity in companies other than limited liability companies

Company's name	Equity interest in %	Book value (NOK 1 000)	Profit incl. in accounts
I/S Stokmarknes havneterminal	84.96	513	( 170)
ANS Sentrumsgården	99.03	81 220	( 1 990)

### Gains/losses on the sale of non-current assets

All gains/losses are booked on the Profit and Loss Account as non-interest income, with the exception of non-current (long-term) assets, which are listed as a separate item.

Parent bank			Group	
1997	1996	(NOK 1 000)	1997	1996
0	( 218)	Profit/loss on the sale of real estate	0	( 218)
1 056	0	Profit/loss on long-term shareholdings	0	0
23	453	Profit/loss on the sale of other assets	23	265
<b>1 079</b>	<b>235</b>	<b>Total</b>	<b>23</b>	<b>47</b>

**Other non-interest expenses**
**Note 11**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
5 223	5 487	Operating expenses, real estate	5 461	6 260
7 118	7 317	Rent	10 138	8 644
0	19 000	Allocation for restructuring and downscaling costs	473	19 000
12 160	16 763	Dues to the Commercial Banks' Guarantee Fund	12 160	16 763
16 856	20 029	Other non-interest expenses	18 648	22 210
0	0	Loss on the non-consolidation of subsidiary (Norsk Luftfartssenter Bodø AS) *)	(2 658)	0
<b>41 357</b>	<b>68 596</b>	<b>Total other non-interest expenses</b>	<b>46 880</b>	<b>72 877</b>

Fees for the independent auditor came to NOK 318 000 in 1997, including consultancy fees of NOK 56 750.

\*) This loss has been incurred as a result of the fact that the deferred, accumulated reserves in the former subsidiary, Norsk Luftfartssenter Bodø AS, are no longer included in the consolidated accounts. Accordingly, in the consolidated accounts, the parent bank's remaining shares in Norsk Luftfartssenter Bodø AS are recognised at their acquisition price. The resultant decrease in consolidated shareholders' equity has been recognised in the Profit and Loss Account on the basis of the principle of congruency.

**Loans to customers and losses on loans and guarantees, etc.**
**Note 12**
**Loans to customers**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
101 739	128 555	Specified provision to cover losses on loans and guarantees at 1 January	104 109	130 763
(61 071)	(96 027)	- Actual losses during period for which provisions were made earlier	(63 391)	(98 550)
55 530	69 211	+ Specified provision for the period to cover losses on loans/guarantees, etc.	57 843	71 896
96 198	101 739	= Specified provision to cover losses on loans/guarantees at 31 December	98 561	104 109
25 000	19 000	General provision to cover losses on loans, etc. at 1 January	26 570	20 000
16 000	6 000	+/- The period's general allocation for losses on loans and guarantees	16 820	6 570
41 000	25 000	Unspecified provision to cover losses on loans and guarantees at 31 December	43 390	26 570

**Losses on loans and guarantees, etc.**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
(5 930)	(26 816)	Change in specified provisions for losses during the period	(5 937)	(26 654)
16 000	6 000	Change in general provisions for losses during the period	16 820	6 570
61 496	98 975	+ Actual losses incurred during the period	62 425	99 608
(2 440)	(2 255)	- Collected on previous actual losses	(2 971)	(2 554)
<b>69 126</b>	<b>75 904</b>	<b>= Losses on loans, guarantees, etc.</b>	<b>70 337</b>	<b>76 970</b>
61 071	96 027	Actual losses during the period in which loan loss provisions were made previously	61 071	96 550
425	2 948	+ Actual losses during the period in which no loan loss provisions were made	425	3 058
<b>61 496</b>	<b>98 975</b>	<b>= Total actual losses</b>	<b>61 496</b>	<b>99 608</b>

**Note 13**
**Defaulted commitments**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
222 036	234 178	Gross defaulted commitments	233 867	242 072
88 198	77 993	Specified loss provisions	90 511	81 933
133 838	156 185	Net defaulted loans	143 356	160 139
82 904	109 441	Net non-performing loans	92 372	113 395

Net non-performing loans correspond to the estimated sales value of the collateral furnished for them. Specified loss provisions set aside to cover commitments that are not yet defaulted came to an additional NOK 8 million in 1997 and NOK 23.75 million in 1996.

**Note 14**
**Gross losses on loans and guarantees by commercial sector**

<i>Parent bank</i>			<i>Group</i>		
Loan	Loan loss	% (NOK 1 000)	Loan	Loan loss	%
5 733 978	8 344	0.15	5 823 859	8 424	0.14
		<b>Retail market</b>			
		<b>Corporate market</b>			
784 592	1 901	0.24	821 386	1 931	0.24
32 624	0	0.00	33 359	0	0.00
785 029	22 864	2.91	815 204	23 036	2.83
387 885	5 622	1.45	448 227	5 622	1.25
1 396 509	12 523	0.90	1 456 851	12 896	0.89
1 255 535	0	0.00	1 255 535	0	0.00
432 641	2 041	0.47	474 299	2 314	0.49
1 749 151	3 461	0.20	1 797 562	3 461	0.19
211 710	469	0.22	221 258	469	0.21
7 035 676	48 881	0.69	7 323 681	49 729	0.68
1 550 074	4 248	0.27	1 550 074	4 248	0.27
<b>14 319 728</b>	<b>61 473</b>	<b>0.43</b>	<b>14 697 614</b>	<b>62 401</b>	<b>0.42</b>
-	24	-	-	24	-
-	<b>61 497</b>	<b>0.43</b>	-	<b>62 425</b>	<b>0.42</b>

**Note 15**
**Gains on long-term securities**

The gain of NOK 1 056 million is ascribable to the sale of 1 743 shares in the Norsk Luftfartssenter Bodø AS.

## Loans to and claims on credit institutions

Note 16

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
		Loans to and claims on		
195 895	64 277	credit institutions (demand)	25 719	64 277
		Loans to and claims on		
107 163	308 476	credit institutions (time)	93 751	157 853
<b>303 058</b>	<b>372 753</b>	<b>Total loans to and claims on credit institutions</b>	<b>119 470</b>	<b>222 130</b>

## Tax

Note 17

Deferred taxes and the deferred tax advantage are calculated as follows:

Positive differences (NOK 1 000)	1997	1996
Bank buildings, revaluation	39 999	41 289
Bank buildings, excl. revaluation	15 384	17 136
Machinery, equipment, vehicles	83	
Profit and loss account	1 811	2 264
Shares and bonds	6 639	7 582
Overfunded pension commitments	4 741	5 776
<b>Total positive differences</b>	<b>68 657</b>	<b>74 047</b>
Deferred taxes 28 %	19 224	20 733
Of which, deferred taxes on revaluations	( 11 200)	( 11 561)
<b>Deferred taxes for assessment</b>	<b>8 024</b>	<b>9 172</b>

Negative differences (NOK 1 000)	1997	1996
Machinery, equipment, vehicles	0	1 602
Shares and bonds	0	0
Net pension commitments	0	0
Allocations pursuant to accepted Norwegian accounting standards	14 000	14 100
<b>Total negative differences</b>	<b>14 000</b>	<b>15 702</b>
Deferred tax advantage	3 920	4 397
Assessment of deferred taxes	8 024	9 172
Deferred tax advantage recognised on the balance sheet	0	0
<b>Deferred tax advantage that cannot be recognised on the balance sheet</b>	<b>0</b>	<b>0</b>
Deferred tax recognised on the balance sheet	15 304	16 337

Taxable income for the year (NOK 1 000)	1997	1996
Profit before taxes	194 985	117 425
Extraordinary income	0	64 433
Permanent differences	( 16 595)	( 11 093)
Group contribution to subsidiaries	( 420)	0
Change, temporary differences	3 688	5 654
<b>Income liable to taxation</b>	<b>181 658</b>	<b>176 419</b>

Taxation for the year (NOK 1 000)	1997	1996
Payable tax	50 864	49 397
Change, deferred tax	( 1 033)	( 1 583)
Change, deferred tax advantage	0	0
<b>Tax expenses for the year</b>	<b>49 832</b>	<b>47 814</b>

**Note 18 Loans to and claims on customers**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
957 900	882 214	Overdraft facilities	957 900	882 519
389 000	323 122	Building loans	389 000	323 122
10 641 336	8 969 331	Term loans	10 778 640	8 986 451
152	410	Bills of exchange and hire-purchase agreements	152	410
0	0	Accounts receivable (factoring)	38 703	93 152
0	0	Financial leasing	212 069	166 274
2 059 117	1 739 062	Other loans	2 059 117	1 739 062
<b>14 047 505</b>	<b>11 914 139</b>	<b>Total gross lending</b>	<b>14 435 581</b>	<b>12 190 990</b>
(96 198)	(101 739)	Specified loss provisions	(98 561)	(104 109)
(41 000)	(25 000)	General loss provisions	(43 390)	(26 570)
<b>13 910 307</b>	<b>11 787 400</b>	<b>Total net lending</b>	<b>14 293 630</b>	<b>12 060 311</b>

**Note 19 Subordinated loan capital in other enterprises**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
10 000	5 000	Subsidiaries (Nord-Finans AS)	0	0
1 875	1 875	Other credit institutions	1 875	1 875
15 035	19 868	Other enterprises	15 035	19 868
<b>26 910</b>	<b>26 743</b>	<b>Total</b>	<b>16 910</b>	<b>21 743</b>

**Note 20 Acquisitions**

The property acquired by the Bank consists largely of buildings and real estate:

Site	Description	Book value (NOK 1 000)
Mosjøen	2 commercial properties	4 824
Mo i Rana	1 commercial property	26 634
Narvik	Various lots	2 346
Oslo	1 lot in Oslo	3 200
Øvrig	Small properties acquired by other offices	674
<b>Total property acquired</b>		<b>37 678</b>

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
260 354	115 733	Government bonds	260 354	115 733
664 618	173 017	Government-guaranteed bonds	664 618	173 017
10	10 595	Municipalities/power companies	10	10 595
0	466 570	Other commercial paper	0	466 570
<b>924 982</b>	<b>765 915</b>	<b>Total government-issued paper</b>	<b>924 982</b>	<b>765 915</b>
<b>Non-government issued bonds:</b>				
5 120	0	Banks	5 120	0
166 482	115 115	Mortgage companies	166 482	115 115
39 877	6 310	Other enterprises/companies	39 877	6 310
<b>211 479</b>	<b>121 425</b>	<b>Total issued by others</b>	<b>211 479</b>	<b>121 425</b>
<b>1 136 461</b>	<b>887 340</b>	<b>Total bonds and certificates</b>	<b>1 136 461</b>	<b>887 340</b>

The portfolio of negotiable certificates and bonds had a duration of 1.7 at 31 December 1996 and 1.05 at 31 December 1997.

The market value of the portfolio was NOK 9.4 million higher than its book value at 31 December 1997, compared with NOK 14.9 million higher at 31 December 1996.

## Goodwill

## Note 22

The goodwill entailed by the acquisition of NordMegler AS in 1993 was valued at NOK 604 058. It is being depreciated over a five-year period, at a rate of NOK 120 812 per year, and was finally depreciated in 1997.

When NordlandsData acquired 60 per cent of the shares in TromsData AS, the former paid NOK 2 871 429 for goodwill. That sum will be depreciated according to the principle of straight line depreciation over a five-year period.

## Other property

## Note 23

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
16 502	69 119	Various assets	16 502	69 119
63 157	25 934	Time credit	63 157	25 934
65 388	0	Futures sales of securities	65 388	0
3 892	280	Other property	4 033	1 032
<b>148 939</b>	<b>95 333</b>	<b>Total, other property</b>	<b>149 080</b>	<b>96 085</b>

## NORLANDSBANKEN'S INTEREST

Subsidiaries:	Share capital		Nominal	Book
	(NOK million)	Number	value (NOK 1 000)	value (NOK 1 000)
Det Nord-Norske Investeringsselskap AS	0.10	200	100	100
Nord-Finans AS (Credit institution)	16.10	161 000	16 100	16 184
NordMegler AS	0.20	400	200	2 073
NordMegler-Oslo AS	1.00	8 775	877	877
NordlandsData AS	3.00	29 990	2 999	2 999
NordBroking AS	2.50	2 500	2 500	2 500
Norske Skipsinvesteringer AS	0.01	51	51	51
<b>Total subsidiaries</b>				<b>24 784</b>

Long-term shareholdings	(NOK million)	Number	(NOK 1 000)	(NOK 1 000)
Norsk Forvaltningsservice AS, Oslo *)	1.00	500	500	1 000
NFS Garanti, Oslo *)	0.10	200	250	500
EuroNordic AS	10.00	2 500	2 500	10 000
Eksportfinans ASA	1 075.00	92	9 200	1 875
Europay Norge AS	17.81	3 550	3 550	2 324
Leonhard Nielsen & Sønner AS	-	2 900	2 900	2 900
Leonhard Nielsen & Sønner Eiendom AS	-	4 000	4 000	4 000
Fokus Bank ASA	722.57	604 600	6 649	41 254
Saltens Bilruter AS	-	1 625	163	9 152
Other long-term shareholdings	-	-	-	9 877
<b>Total long-term shareholdings</b>				<b>82 882</b>

\*) Associated companies in which Nordlandsbanken has a controlling interest.

### Regarding the share portfolio on the next page:

The shares listed represent 90 per cent of Nordlandsbanken's shareholdings, based on book value. The market value of the short-term shares was NOK 94.1 million higher than their book value, while the estimated market value of long-term shareholdings was NOK 28 million higher than their book value.

The following codes are used in the table of the next page:

Listed shares:		Unlisted shares:	
OR	Ordinary shares	U	Unlisted shares
A	A shares	Mutual fund	Various types of unit trusts
B	B shares	K	Converted shares

Short-term shareholdings (NOK 1 000)	Share type	Share capital	Number	Nominal value	Book value	Market value
DEN NORSKE BANK	A	6 405 000	250 000	2 500	7 105	8 825
CORROCEAN	OR	19 740	40 000	40	1 400	1 440
AKER RGI	A	1 134 360	50 000	1 000	6 421	6 700
AKER RGI	B	433 080	19 000	380	2 075	2 299
AKER MARITIME	OR	283 590	27 500	138	3 235	4 400
ASK	OR	75 150	80 000	160	3 958	5 360
AVANTOR	OR	16 683	61 800	62	3 201	4 449
AWILCO SHIPPING	A	254 800	65 080	813	5 616	5 629
AWILCO SHIPPING	B	254 800	25 780	322	1 884	2 230
BERGESEN	B	132 740	40 200	100	7 115	6 955
BODØ FISKEINDUSTRI	U	12 000	4 200	420	2 100	2 100
BODØ GLIMT SPORT	U	3 333	37 851	378	2 271	2 271
BONHEUR	OR	57 450	5 500	28	1 067	2 310
KREDITKASSEN	OR	3 858 099	400 000	2 800	9 404	12 120
DET SØNDENFJELDSKE NORSKE D.S.	OR	31 746	9 700	10	1 389	1 523
DYNO INDUSTRIER	OR	511 660	25 000	500	4 282	3 563
EKORNES	OR	166 545	30 000	150	1 890	1 860
ELKEM	OR	985 600	80 000	1 600	10 419	8 040
ELKJØP NORGE	OR	71 600	26 000	260	4 689	7 150
FARSTAD SHIPPING	OR	113 322	100 000	250	3 631	4 200
FESIL	OR	79 990	20 000	200	1 748	1 640
FRED OLSEN ENERGY	OR	1 160	20 000	400	3 321	3 070
HELGELANDSGRUPPEN	U	2 700	10 713	1 071	1 583	3 750
HELIKOPTER SERVICE GROUP	OR	234 485	20 000	230	2 054	1 770
KVÆRNER AS	A	423 825	30 000	375	11 096	11 295
LEIF HØEGH & CO	OR	60 000	20 000	40	2 311	3 100
NARVESEN	OR	200 000	10 000	200	1 878	1 634
NAVIS	OR	3 694	43 750	4	1 400	1 400
NCL HOLDING	OR	477 782	99 438	229	2 662	2 685
NERA	OR	38 732	70 000	14	3 085	2 884
NORDIC GROUP ASA	U	12 594	82 010	410	1 111	328
NORDIC WATER SUPPLY	U	2 710	70 000	35	1 765	3 850
NORSK HYDRO	OR	4 581 460	70 000	1 400	24 233	25 410
NORSK LUFTFARTSSENTER BODØ	U	10 500	4 525	4 525	4 526	4 526
NORSKE SKOGINDUSTRIER	B	188 320	72 450	1 449	15 372	14 490
NYCOMED AMERSHAM PLC	A	17 515	19 583	5	3 309	5 454
NYDALENS COMPAGNIE	A	168 830	103 000	1 030	4 302	5 923
ORKLA	B	987 224	27 000	675	9 632	15 660
OVDS	U	87 230	2 317 148	23 171	38 234	81 100
PETROLEUM GEO-SERVICES	OR	180 095	7 000	35	3 074	3 317
RIEBER & SØN	A	358 425	10 000	300	2 300	2 150
RIEBER & SØN	B	398 246	10 000	300	2 090	2 000
ROMSDALS FELLESBANK	U	69 680	30 000	1 500	3 250	5 700
SAGA PETROLEUM	A	1 541 985	80 000	1 200	10 874	10 200
SAS NORGE	B	235 000	90 000	900	7 966	9 270
SCHIBSTED	OR	69 250	10 000	10	1 243	1 280
SMEDVIG	B	81 849	5 000	15	1 113	775
STORLI	A	30 935	20 000	200	2 955	2 560
TANDBERG DATA	OR	103 455	40 000	120	2 998	3 440
TORGHATTEN TRAFIKKSELSKAP	OR	2 259	5 328	524	671	8 905
NORDLANDSPOSTEN	U	1 500	803	803	2 587	2 587
WIDERØE'S FLYVESELSKAP ASA	U	48 000	12 130	1 213	2 422	3 033
WIDERØE'S FLYVESELSKAP ASA	K	-	6 400	640	1 600	1 600
NB AMS/AKSJEFOND	Mutual Fund	-	497 136	49 714	50 000	73 720
NB PENGEMARKED	Mutual Fund	-	250 000	26 572	26 565	26 572
NB OBLIGASJONSFOND	Mutual Fund	-	250 000	26 962	26 989	26 962
OTHER SHORT-TERM SHAREHOLDINGS		-	-	-	36 090	28 153
TOTAL SHORT-TERM SHAREHOLDINGS AND INTERESTS IN UNIT TRUSTS			997 136	103 248	401 561	495 617
<b>Total shareholdings (and interests in unit trusts)</b>					<b>509 227</b>	

**Note 25 Prepayments and accrued income**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
132 772	103 707	Accrued income and prepaid expenses	133 860	110 822
4 741	5 776	Overfunding of pension commitments	5 602	6 407
		Activated loan expenses and exchange rate losses		
2 799	2 612	on long-term loan	2 799	2 854
19 104	31 872	Other accruals	37 516	31 872
<b>159 416</b>	<b>143 967</b>	<b>Prepayments and accrued income</b>	<b>179 777</b>	<b>151 955</b>

**Note 26 Debenture debt**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
1 800 000	550 000	1998-2000 (1997-1999)	1 800 000	550 000
850 000	300 000	2001 and later (2000)	850 000	300 000
3 176	(396)	Funding premium/discount	3 176	(396)
<b>2 653 176</b>	<b>849 604</b>	<b>Total bond debt</b>	<b>2 653 176</b>	<b>849 604</b>

Funding discounts are charged as interest distributed across the next lock-in period for the individual loan.

**Note 27 Other liabilities**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
33 136	29 137	Bank remittances	33 136	29 137
6 842	7 986	Other payment transactions	6 842	7 986
50 471	47 041	Dividends for past year	50 471	47 041
9 104	9 619	Withholding tax and employer's contribution, employees	11 718	11 974
54 299	54 499	Assessed tax and accrued, unassessed tax	54 237	56 317
17 382	65 411	Transaction clearances	17 382	65 411
53 039	19 655	Documentary credit debt	53 039	19 655
9 197	9 458	Other liabilities	17 850	129 452
<b>233 470</b>	<b>242 806</b>	<b>Total other liabilities</b>	<b>244 675</b>	<b>366 973</b>

**Note 28 Allocations for commitments and expenses**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
15 304	16 337	Deferred tax	16 599	16 408
14 000	19 000	Allocation for restructuring and staff downscaling	14 470	19 000
<b>29 304</b>	<b>35 337</b>	<b>Total allocations for commitments and expenses</b>	<b>31 069</b>	<b>35 408</b>

The Bank booked NOK 666.07 million in subordinated loan capital, raised under five agreements:

		Interest rate per annum
1) USD 20.0 million	due on 31 October 1998	LIBOR+1.25 %
2) NOK 69.2 million	due on 31 December 2001	9.60 %
3) NOK 200.0 million	due on 20 October 2005	8.05 %
4) NOK 150.0 million	due on 19 December 2006	6.46 %
5) NOK 100.0 million	perpetual debenture issue	6.30 %

Re 2) This is a subordinated convertible debenture originally in the amount of NOK 75.0 million, which will mature on 31 December 2001, at which time it will be convertible at a rate of NOK 72.50. If the entire loan were converted, the number of outstanding shares would increase by approximately 954 482.

Re 3) Nordlandsbanken has the unilateral right to terminate the loan at 20 October 2000 under certain terms and conditions.

Re 4) Nordlandsbanken has the unilateral right to terminate the loan at 19 October 2001 under certain terms and conditions.

Re 5) Nordlandsbanken has the unilateral right to terminate the loan at 30 October 2002, and then every fifth year under certain terms and conditions.

The first loan does not count as equity and subordinated loan capital, while 80 per cent of the second loan counts as equity and subordinated loan capital.

The other loans count fully, bringing total equity and subordinated loan capital to NOK 505.36 million.

(NOK 1 000)	<i>Parent bank</i>			
	Share capital	Undist. reserves	Dist. reserves	Total shareholders' equity
<b>Balance sheet at 1 January 1997</b>	<b>313 605</b>	<b>298 801</b>	<b>192 603</b>	<b>805 009</b>
Profit for the year	-	14 535	130 619	145 154
Private placement with employees	1 839	3 115	-	4 954
Group contribution received	-	-	( 420)	( 420)
Dividends	-	-	( 50 471)	( 50 471)
<b>Balance sheet at 31 December 1997</b>	<b>315 444</b>	<b>316 451</b>	<b>272 331</b>	<b>904 226</b>

(NOK 1 000)	<i>Group</i>		
	Share capital	Group reserves	Total shareholders' equity
<b>Balance sheet at 1 January 1997</b>	<b>313 605</b>	<b>505 018</b>	<b>818 623</b>
Equity adjustments, subsidiaries	-	( 47)	( 47)
Profit for the year	-	147 835	147 835
Private placement with employees	1 839	3 115	4 954
Dividends	-	( 50 471)	( 50 471)
<b>Balance sheet at 31 December 1997</b>	<b>315 444</b>	<b>605 450</b>	<b>920 894</b>

The Annual General Meeting held on 24 April 1996 authorised the Board to issue up to 250 000 shares in a private placement for employees of the parent bank and subsidiaries. The authorisation is valid until the ordinary Annual General Meeting in 2001.

In 1996, 63 946 shares were subscribed by employees, and in 1997, 36 779 were subscribed by employees, leaving 149 275 shares remaining under the authorisation.

**Note 31**

**Foreign currency and financial instruments**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
2 594 063	2 183 792	Assets in foreign currency	2 594 063	2 183 792
2 576 501	1 443 262	Forward purchases in foreign currency	2 576 501	1 443 262
4 537 831	3 162 242	Liabilities in foreign currency	4 537 831	3 162 242
792 629	495 083	Forwards sales in foreign currency	792 629	495 083
<b>Currency options</b>				
0	15 993	Sold	0	15 993
0	31 986	Purchased	0	31 986
<b>Interest instruments</b>				
0	0	Sold FRA (Forward Rate Agreements)	0	0
100 000	206 160	Purchased FRA	100 000	206 160
972 745	700 949	Sold interest rate swaps	972 745	700 949
972 745	662 294	Purchased interest rate swaps	972 745	662 294
346 829	180 390	Sold interest options	346 829	180 390
346 829	180 390	Purchased interest options	346 829	180 390

The Bank undertakes no commodities risk and passes on to the market all risk involved in trading on behalf of customers.

At the end of fiscal 1997, the Bank had purchased commodities swaps for NOK 78 117 000, and sold commodities swaps for NOK 78 117 000.

**FUTURES**

At 31 December 1997, the Bank had no open futures contracts, compared with NOK 130 460 625 in open futures contracts on 31 December 1996.

All foreign currency exchanges have been calculated at the mid-rates quoted by Norges Bank on 31 December 1997.

**Note 32**

**Capital adequacy**

<i>Parent bank</i>			<i>Group</i>	
1997	1996	(NOK 1 000)	1997	1996
6	22	Vault cash and deposits with banks:	6	22
<b>Short-term investments in securities</b>				
811	552	Trading portfolio - securities	811	552
13	36	Other securities	13	36
11 189	9 477	Lending	11 507	9 719
213	222	Other receivables	216	230
423	375	Fixed assets	419	450
<b>12 655</b>	<b>10 684</b>	<b>Total assets</b>	<b>12 972</b>	<b>11 009</b>
137	127	- Loss provisions	142	131
628	469	Off-balance sheet items	628	469
<b>13 146</b>	<b>11 026</b>	<b>Total risk-weighted volume</b>	<b>13 458</b>	<b>11 347</b>
<b>Capital adequacy:</b>				
901	805	Core capital	917	819
505	403	Supplementary capital	505	409
6	-	Deductions	8	-
<b>1 400</b>	<b>1 208</b>	<b>Total equity and subordinated capital</b>	<b>1 414</b>	<b>1 228</b>
<b>10.65 %</b>	<b>10.95 %</b>	<b>Capital adequacy</b>	<b>10.51 %</b>	<b>10.84 %</b>

(Only the parent bank has furnished guarantees)

Guarantee liability by category	(NOK million)	1997	1996
Payment guarantees		281.7	297.7
Contract guarantees		246.3	144.7
Loan guarantees		119.8	107.1
Guarantees for taxes		9.8	8.3
Other		375.6	305.3
<b>Total</b>		<b>1 033.2</b>	<b>863.1</b>

Guarantees by sector importance	(NOK million)	1997	1996
Private mortgage companies		126.6	202.3
State-owned enterprises		0.0	0.0
Private sector excl. sole proprietorships		548.6	413.0
Sole proprietorships		18.6	15.6
Self-employed		19.2	21.3
Other sectors		320.2	210.9
<b>Total</b>		<b>1 033.2</b>	<b>863.1</b>

Guarantees by major industries	(NOK million)	1997	1996
Primary industry		3.8	2.6
Manufacturing		219.9	180.4
Building and construction, power and water supply		123.6	95.6
Wholesale and retail trade, hotel and restaurant		108.5	94.3
Transportation, post, etc.		34.7	30.2
Financing, property management, etc.		94.1	45.4
Other industries		3.4	1.8
<b>Total</b>		<b>588.0</b>	<b>450.3</b>

Of the total guarantees, those to the Commercial Banks' Guarantee Fund accounted for NOK 133 902.

### Elected officers' shareholdings in Nordlandsbanken

Note 34

No single shareholder owns more than 20 per cent of the shares in Nordlandsbanken.

In accordance with the provisions of the Companies Act, it is hereby declared that the following numbers of shares are held and/or controlled by members of the Supervisory Board, the Board of Directors, the Managing Director and the Auditor.

#### Supervisory Board:

Niels Erik Aavatsmark	7 376
Nils Aga	2
Kjartan Arctander	484
Terje Baadstrand	8
Inger N. Benjaminsen	150
Geir Bjørnvik	0
Konrad Fjellgaard	328
Lisbeth Gundersen	85
Fridthjov Haavardsson	100
Kurt Haugen	1 000
Ola-Helge Holmøy	2 598
Jarl Høberg	2 242
Bjørnar Ingebrigtsen	120
Annfinn Johansen	162
Knut Johansen	325
Ivar Kristiansen	0
Unni Lillegaard	85

Bjørn Milde	1 000
Johan Myklebust	40
Jacob Normann	335
Alf Norum	53
Kjell A. Nyvold	3 040
Oddbjørn Paulsen	1
Ingebjørg Glad Pedersen	103
John Skår	2
Tor J. Strand	0
Karl Sørensen	70
Bjørn Sørhøy	2
Helge Torbergsen	412
Rune Viken	302
<b>Board of Directors:</b>	
Petter Dahlberg	114
Arnt-Johan Hunstad	131
Carl Jakhelln	572
Ivar Jørgensen	2 116
Harald Møllerud	58
Nils Moe	1 005
Elise Thue-Nilsen	1 014
<b>Auditor:</b>	
Hans P. Ulriksen	0

For a list of the Bank's 20 largest shareholders and other shareholder statistics, see the section on 'Ownership'.

**Note 35 Term to maturity assets/liabilities**

PARENT BANK (NOK million)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Without time remaining		Total
					More than 5 years	to maturity	
<b>Assets</b>							
Vault cash and claims on central banks	223	0	0	0	0	0	223
Loans to and claims on credit institutions	107	0	0	0	0	196	303
Loans to and claims on customers	246 a)	761 b)	1 801 c)	6 212 d)	4 890 e)	0	13 910
Negotiable certificates	100	277	518	189	52	0	1 136
Other assets with time remaining to maturity	0	116	0	0	0	0	116
Assets without time remaining to maturity	0	0	0	0	0	1 058	1 058
<b>Total assets</b>	<b>676</b>	<b>1 154</b>	<b>2 319</b>	<b>6 401</b>	<b>4 942</b>	<b>1 254</b>	<b>16 746</b>
<b>Liabilities</b>							
Liabilities to credit institutions	647 f)	2 137 g)	912 h)	0	0	0	3 696
Deposits from and liabilities to customers	1 910	900	886	0	0	3 244	6 940
Liabilities incurred through the issue of securities	250	400	850	2 403 i)	250	0	4 153
Other liabilities with time remaining to maturity	160	31	11	0	30	0	232
Liabilities without time remaining to maturity	0	0	0	0	0	155	155
Subordinated loan capital	0	0	147 j)	69	350	100	666
Shareholders' equity	0	0	0	0	0	904	904
<b>Total liabilities and shareholders' equity</b>	<b>2 967</b>	<b>3 468</b>	<b>2 806</b>	<b>2 472</b>	<b>630</b>	<b>1 159</b>	<b>16 746</b>
Net liquidity exposure on the balance sheet	(2 291)	(2 314)	(487)	3 929	4 312	95	0
Paid in/paid out,							
off-balance sheet financial derivatives	18	(6)	(12)	0	0	0	0
<b>Net total all items</b>	<b>(2 273)</b>	<b>(2 320)</b>	<b>(499)</b>	<b>3 929</b>	<b>4 312</b>	<b>95</b>	<b>0</b>

In the following items, the foreign currency positions are:

- a) NOK 19 million
- b) NOK 131 million
- c) NOK 623 million
- d) NOK 1 764 million
- e) NOK 1 466 million
- f) NOK 12 million
- g) NOK 1 837 million
- h) NOK 612 million
- i) NOK 1 196 million
- j) NOK 147 million

**Note 36 Probable timing for interest-rate adjustments**

PARENT BANK (NOK million)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Without		Total
					More than 5 years	interest exposure	
<b>Assets</b>							
Vault cash and claims on central banks	173	0	0	0	0	50	223
Loans to and claims on credit institutions	97 a)	10 b)	0	0	0	196	303
Loans to and claims on customers	1 893 c)	9 979 d)	1 614 e)	417	7	0	13 910
Negotiable certificates and other interest-bearing securities	100	277	518	189	52	0	1 136
Other interest-bearing assets	63	0	0	0	0	0	63
Non-interest-bearing assets	0	0	0	0	0	1 111	1 111
<b>Total assets</b>	<b>2 326</b>	<b>10 266</b>	<b>2 132</b>	<b>606</b>	<b>59</b>	<b>1 357</b>	<b>16 746</b>
<b>Liabilities</b>							
Liabilities to credit institutions	1 247 f)	1 837 g)	612 h)	0	0	0	3 696
Deposits from and liabilities to customers	4 456	1 958	340	0	0	33	6 787
Liabilities incurred through the issue of securities	850 i)	1 853 j)	1 100	350	0	0	4 153
Other interest-bearing liabilities	49	0	0	0	0	0	49
Non-interest-bearing liabilities	0	0	0	0	153	338 k)	491
Subordinated loan capital	0	200	397 l)	69	0	0	666
Shareholders' equity	0	0	0	0	0	904	904
<b>Total liabilities and equity</b>	<b>6 602</b>	<b>5 848</b>	<b>2 449</b>	<b>419</b>	<b>153</b>	<b>1 275</b>	<b>16 746</b>
<b>Net interest exposure on the balance sheet</b>	<b>(4 276)</b>	<b>4 418</b>	<b>(317)</b>	<b>187</b>	<b>(94)</b>	<b>82</b>	<b>0</b>
Off-balance sheet financial derivatives							
that influence interest exposure	200	(400)	100	100	0	0	0
<b>Net interest exposure, including off-balance sheet financial derivatives</b>	<b>(4 076)</b>	<b>4 018</b>	<b>(217)</b>	<b>287</b>	<b>(94)</b>	<b>82</b>	<b>0</b>
Net interest exposure							
as a percentage of average total assets	(26.67 %)	26.29 %	(1.42 %)	1.88 %	(0.62 %)	0.54 %	109.58 %

In the following items, the foreign currency positions are:

- a) NOK 14 million
- b) NOK 10 million
- c) NOK 376 million
- d) NOK 1 291 million
- e) NOK 1 614 million
- f) NOK 612 million
- g) NOK 1 837 million
- h) NOK 612 million
- i) NOK 497 million
- j) NOK 699 million
- k) NOK 24 million
- l) NOK 147 million

## Det Nord-Norske Investeringselskap AS, Bodø

Balance Sheet at 31 December 1997

(NOK 1 000)

Assets		Liabilities and equity	
Cash/bank deposits	100	Short-term liabilities	0
Other current assets	0	Long-term liabilities	0
Fixed assets	0	Share capital/reserves	100
<b>Total assets</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>100</b>

Profit and Loss Summary (NOK 1 000)

Operating income	-
Operating expenses	-
Financial expenses	-
<b>Profit/loss before tax</b>	<b>0</b>

## NordBroking AS, Oslo

Balance Sheet at 31 December 1997

(NOK 1 000)

Assets		Liabilities and equity	
Cash/bank deposits	2 556	Short-term liabilities	3
Other current assets	0	Long-term liabilities	0
Fixed assets	0	Share capital/reserves	2 553
<b>Total assets</b>	<b>2 556</b>	<b>Total liabilities and equity</b>	<b>2 556</b>

Profit and Loss Summary (NOK 1 000)

Operating income	0
Operating expenses	(1)
Financial expenses	1
<b>Profit/loss before tax</b>	<b>0</b>

## AS Norske Skipsinvesteringer, Bodø

Balance Sheet at 31 December 1997

(NOK 1 000)

Assets		Liabilities and equity	
Cash/bank deposits	49	Short-term liabilities	0
Other current assets	420	Long-term liabilities	0
Fixed assets	0	Share capital/reserves	469
<b>Total assets</b>	<b>469</b>	<b>Total liabilities and equity</b>	<b>469</b>

Profit and Loss Summary (NOK 1 000)

Operating income	420
Operating expenses	0
Financial expenses	0
<b>Profit/loss before tax</b>	<b>420</b>

## Nord-Finans AS, Bodø

Balance Sheet at 31 December 1997

(NOK 1 000)

Assets		Liabilities and equity	
Current assets	5 262	Short-term liabilities	367 279
Net lending and hire-purchase financing	387 323	Pension commitments	240
Other fixed assets	2 325	Subordinated loan capital	10 000
<b>Total assets</b>	<b>394 910</b>	Share capital/reserves	17 391
		<b>Total liabilities and equity</b>	<b>394 910</b>

Profit and Loss Summary (NOK 1 000)

Interest income and fees on loans	26 243
Interest expenses, etc.	(12 020)
Non-interest income	13 828
Non-interest expenses	(22 460)
Losses on leasing/loans	(1 000)
<b>Profit/loss on ordinary operations after tax</b>	<b>4 591</b>

**NordMegler AS, Bodø**

Balance Sheet at 31 December 1997

(NOK 1 000)

**Assets**

Cash/bank deposits	1 258
Other current assets	1 461
Fixed assets	570
<b>Total assets</b>	<b>3 289</b>

**Liabilities and equity**

Short-term liabilities	1 274
Long-term liabilities	400
Share capital/reserves	1 615
<b>Total liabilities and equity</b>	<b>3 289</b>

**Profit and Loss Summary (NOK 1 000)**

Operating income	6 471
Operating expenses	( 6 062)
Financial expenses	19
<b>Profit/loss before tax</b>	<b>428</b>

**NordMegler-Oslo AS, Oslo**

Balance Sheet at 31 December 1997

(NOK 1 000)

**Assets**

Cash/bank deposits	1 016
Other current assets	18
Fixed assets	86
<b>Total assets</b>	<b>1 120</b>

**Liabilities and equity**

Short-term liabilities	356
Long-term liabilities	3
Share capital/reserves	761
<b>Total liabilities and equity</b>	<b>1 120</b>

**Profit and Loss Summary (NOK 1 000)**

Operating income	1 974
Operating expenses	( 2 011)
Financial expenses	9
<b>Profit/loss before tax</b>	<b>( 28)</b>

**NordlandsData AS, Bodø**

Balance Sheet at 31 December 1997

(NOK 1 000)

**Assets**

Cash/bank deposits	3 022
Other current assets	15 742
Fixed assets	4 182
<b>Total assets</b>	<b>22 946</b>

**Liabilities and equity**

Short-term liabilities	11 791
Long-term liabilities	3 492
Share capital/reserves	7 663
<b>Total liabilities and equity</b>	<b>22 946</b>

**Profit and Loss Summary (NOK 1 000)**

Operating income	26 839
Operating expenses	( 25 934)
Financial expenses	( 221)
<b>Profit/loss before tax</b>	<b>684</b>

**Dronningensgt. 35 AS, Narvik**

This real estate company was taken over by the Bank in 1975. It is not currently active.

**Opdahl Terminalen AS, Oslo**

The company is not included in the consolidated accounts for 1997, as it was sold in January 1998.

**Note 38**
**Selected data from branch office balance sheets**

(NOK 1 000)	Bodø	Brønnøy- sund	Sandnes- sjøen	Mosjøen	Mo i Rana
<b>Total assets</b>	<b>8 974 215</b>	<b>288 376</b>	<b>744 650</b>	<b>336 900</b>	<b>784 223</b>
Overdraft facilities	404 836	20 436	105 370	13 903	29 245
Building loans	119 170	2 091	34 382	6 988	34 067
Other loans	2 554 009	254 252	591 967	308 377	677 926
<b>Total lending</b>	<b>3 078 015</b>	<b>276 779</b>	<b>731 719</b>	<b>329 268</b>	<b>741 238</b>
Liabilities to credit institutions	53 945	107	0	0	47
Deposits from customers	1 899 974	212 010	398 925	125 120	229 591
<b>Total deposits</b>	<b>1 953 919</b>	<b>212 117</b>	<b>398 925</b>	<b>125 120</b>	<b>229 638</b>

(NOK 1 000)	Ørnes	Rognan	Fauske	Narvik	Leknes
<b>Total assets</b>	<b>285 569</b>	<b>306 479</b>	<b>595 272</b>	<b>530 658</b>	<b>627 226</b>
Overdraft facilities	8 248	14 196	46 748	18 429	68 675
Building loans	11 151	5 220	29 435	11 011	29 032
Other loans	258 629	285 525	507 698	494 934	526 285
<b>Total lending</b>	<b>278 028</b>	<b>304 941</b>	<b>583 881</b>	<b>524 374</b>	<b>623 992</b>
Liabilities to credit institutions	0	0	0	1	0
Deposits from customers	260 303	165 599	465 348	156 227	288 087
<b>Total deposits</b>	<b>260 303</b>	<b>165 599</b>	<b>465 348</b>	<b>156 228</b>	<b>288 087</b>

(NOK 1 000)	Melbu	Sortland	Andenes	Oslo
<b>Total assets</b>	<b>728 745</b>	<b>1 376 686</b>	<b>857 016</b>	<b>5 768 411</b>
Overdraft facilities	27 494	102 118	52 711	215 725
Building loans	15 241	42 431	28 302	20 501
Other loans	503 468	981 579	764 630	4 073 049
<b>Total lending</b>	<b>546 203</b>	<b>1 126 128</b>	<b>845 643</b>	<b>4 309 275</b>
Liabilities to credit institutions	0	0	0	3 094 346
Deposits from customers	183 423	559 303	195 756	2 347 755
<b>Total deposits</b>	<b>183 423</b>	<b>559 303</b>	<b>195 756</b>	<b>5 442 101</b>

The balance sheet data from Stokmarknes and Myre are included in the accounts from Melbu and Sortland, respectively.

The sum of the branch offices' total assets deviate from the sum of the parent bank's total assets due to inter-Group transactions.


**Note 39**
**Collateral**

<b>Parent bank</b>			<b>Group</b>	
1997	1996	(NOK 1 000)	1997	1996
239 903	204 340	Bonds and certificates at book value put up as collateral for D-loans in Norges Bank	239 903	204 340
0	126 142	Bonds and certificates at book value put up as collateral for the Commercial Banks' Guarantee Fund	0	126 142
<b>239 903</b>	<b>330 482</b>	<b>Total collateral</b>	<b>239 903</b>	<b>330 482</b>

	31 Dec.	% of av.	31 Dec.	% of av.
<i>Parent bank</i> (NOK million)	1997	total assets	1996	total assets
Interest income, etc.	1 005.6	6.58	992.7	7.41
Interest expenses, etc.	(594.4)	(3.89)	(614.2)	(4.58)
<b>Net interest income and fees on loans</b>	<b>411.2</b>	<b>2.69</b>	<b>378.5</b>	<b>2.82</b>
Dividends and income from variable-yield securities	13.0	0.09	12.6	0.09
Commissions earned and income from banking services	76.6	0.50	64.6	0.48
Commissions paid and expenses for banking services	(22.1)	(0.14)	(22.1)	(0.16)
Net gain/loss on securities	33.4	0.22	25.7	0.19
Net gain/loss on foreign exchange	14.3	0.09	16.1	0.12
Other non-interest income	10.1	0.07	9.8	0.07
<b>Total other non-interest income</b>	<b>125.2</b>	<b>0.82</b>	<b>106.7</b>	<b>0.80</b>
Payroll, pensions and social security expenses	(137.7)	(0.90)	(133.1)	(0.99)
General administrative expenses	(66.0)	(0.43)	(64.2)	(0.48)
Write-downs, etc. on fixed assets	(28.3)	(0.19)	(25.9)	(0.19)
Other non-interest expenses	(41.4)	(0.27)	(68.6)	(0.51)
<b>Total other non-interest expenses</b>	<b>(273.4)</b>	<b>(1.79)</b>	<b>(291.8)</b>	<b>(2.18)</b>
<b>Operating profit/loss before loss provisions</b>	<b>263.1</b>	<b>1.72</b>	<b>193.3</b>	<b>1.44</b>
Losses on loans and guarantees, etc.	(69.1)	(0.45)	(75.9)	(0.57)
Gains/losses on long-term securities	1.1	0.01	0.0	0.00
<b>Operating result after losses</b>	<b>195.0</b>	<b>1.28</b>	<b>117.4</b>	<b>0.88</b>
Profit/loss on minority interests	0.0	0.00	0.0	0.00
Tax on ordinary profit	(49.8)	(0.33)	(29.8)	(0.22)
<b>Profit/loss on ordinary operations after tax</b>	<b>145.2</b>	<b>0.95</b>	<b>87.7</b>	<b>0.65</b>
Extraordinary income	0.0	0.00	64.4	0.48
Tax on extraordinary income	0.0	0.00	(18.0)	(0.13)
<b>Profit for the fiscal year</b>	<b>145.2</b>	<b>0.95</b>	<b>134.0</b>	<b>1.00</b>

**Group** (NOK million)

Interest income, etc.	1 025.2	6.62	1 005.4	7.40
Interest expenses, etc.	(599.9)	(3.87)	(620.5)	(4.57)
<b>Net interest income and fees on loans</b>	<b>425.3</b>	<b>2.74</b>	<b>384.8</b>	<b>2.83</b>
Dividends and income from variable-yield securities	13.9	0.09	9.7	0.07
Commissions earned and income from banking services	79.9	0.52	67.5	0.50
Commissions paid and expenses for banking services	(22.1)	(0.14)	(22.1)	(0.16)
Net gain/loss on securities	33.4	0.22	25.7	0.19
Net gain/loss on foreign exchange	14.3	0.09	16.1	0.12
Other non-interest income	48.8	0.32	53.7	0.40
<b>Total other non-interest income</b>	<b>168.2</b>	<b>1.09</b>	<b>150.7</b>	<b>1.11</b>
Payroll, pensions and social security expenses	(171.6)	(1.11)	(160.9)	(1.18)
General administrative expenses	(74.7)	(0.48)	(68.9)	(0.51)
Write-downs, etc. on fixed assets	(30.6)	(0.20)	(32.5)	(0.24)
Other non-interest expenses	(46.9)	(0.30)	(72.9)	(0.54)
<b>Total other non-interest expenses</b>	<b>(323.8)</b>	<b>(2.09)</b>	<b>(335.1)</b>	<b>(2.47)</b>
<b>Operating profit/loss before loss provisions</b>	<b>269.6</b>	<b>1.74</b>	<b>200.5</b>	<b>1.48</b>
Losses on loans and guarantees, etc.	(70.3)	(0.45)	(77.0)	(0.57)
Gains/losses on long-term securities	0.0	0.00	0.0	0.00
<b>Operating result after losses</b>	<b>199.3</b>	<b>1.29</b>	<b>123.5</b>	<b>0.91</b>
Profit/loss on minority interests	(0.1)	(0.00)	(0.1)	(0.00)
Tax on ordinary profit	(51.4)	(0.33)	(30.5)	(0.22)
<b>Profit/loss on ordinary operations after tax</b>	<b>147.8</b>	<b>0.95</b>	<b>92.9</b>	<b>0.68</b>
Extraordinary income	0.0	0.00	64.4	0.47
Tax on extraordinary income	0.0	0.00	(18.0)	(0.13)
<b>Profit for the fiscal year</b>	<b>0.0</b>	<b>0.00</b>	<b>139.3</b>	<b>1.03</b>



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### AIR AND WATER

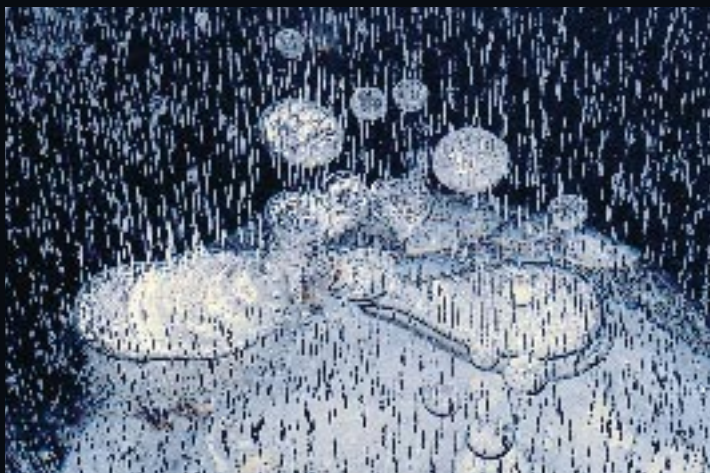
Shaped by wind, water and currents

Coloured by cold

Captured by frost



The photographs of ice illustrating the 1997 annual report were taken by Bjørn Erik Olsen/Nordlandsbilder of Bodø in the winter of 1997.





# Annual Report 1997

**NB.**  
NordlandsBanken

# NordlandsBanken

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