



# Storebrand Bank ASA

Annual results

4. quarter 2003

## **STOREBRAND BANK GROUP**

Storebrand Bank reported a loss of NOK 3 million for Q4 before loan losses and write-downs (pro forma loss of NOK 75 million). Net new loan loss provisions of NOK 19 million were made in Q4 (pro forma NOK 22 million). Securities held as fixed assets were written down by NOK 38 million, principally as a result of the sale of Finansbanken Formuesforvaltning ASA. Q4 therefore produced a pre-tax loss of NOK 60 million (pro forma loss of NOK 100 million) bringing the loss for 2003 as a whole to NOK 109 million (pro forma loss of NOK 448 million). After a tax write-back of NOK 50 million, the post-tax result for the quarter was a loss of NOK 10 million.

Net interest income amounted to NOK 108 million in Q4 (pro forma NOK 142 million) and NOK 493 million for the year as a whole (pro forma NOK 605 million). This represents a net interest margin calculated on average total assets of 1.68% for Q4 and 1.85% for 2003 as a whole. Net interest income has fallen as a result of lower lending volumes and a shift in lending towards retail lending and a lower risk profile. The net interest margin was also adversely affected by the low level of interest rates.

Operating expenses for 2003 totalled NOK 709 million (pro forma NOK 830 million). This represents a reduction in the overall cost base of NOK 121 million from 2002, equivalent to 15%. This development is principally due to the cost synergies created by the merger of Storebrand Bank ASA and Finansbanken ASA. Q4 operating expenses were NOK 208 million (pro forma NOK 257 million). Operating expenses for Q4 were affected by non-recurring items in respect of property lease commitments for premises no longer occupied, write-downs of fixed assets and costs incurred in reducing employee numbers. All these provisions will lead to lower costs in future.

Net new loan loss provisions of NOK 19 million were recognised in Q4. General loan loss provisions were unchanged. Gross non-performing and loss-exposed loans totalled NOK 1,717 million at the close of 2003, representing a reduction of NOK 483 million in Q4. The bank's loan loss provisions totalled NOK 841 million at the close of 2003, of which specific loan loss provisions account for NOK 528 million. Lower interest rates and more favourable conditions in financial markets have helped to create opportunities to find solutions for problem loans, and have thus contributed to a reduction in the total volume of non-performing loans in Q4.

The bank's total assets fell by NOK 360 million in Q4 to NOK 25.5 billion. This reduction principally reflects a fall in gross lending in the commercial portfolio. The deposit-to-loan ratio was 54.5%, representing an improvement from 51.1% at the start of 2003. Storebrand Bank's net primary capital amounted to NOK 2,1 billion, giving a capital ratio of 12.3% and a core capital ratio of 9.8%.

Retail Sales, which is the Storebrand group's main distribution channel for the retail market, reported improved sales in Q4. Sales of life insurance savings products were particularly strong. The improving trend reflects both more favourable market conditions and improved sales efficiency combined with strict cost control.

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## PROFIT AND LOSS ACCOUNT

(NOK million)	GROUP		PARENT BANK	
	01.01.03 - 31.12.03	01.01.02 - 31.12.02	01.01.03 - 31.12.03	01.01.02 - 31.12.02
Total interest income and similar income	1 803,9	2 600,8	1 759,8	2 549,7
Total interest expenses and related expenses	-1 311,2	-1 996,1	-1 300,2	-1 976,2
<b>Net interest and credit commission income</b>	<b>492,7</b>	<b>604,7</b>	<b>459,5</b>	<b>573,5</b>
Total dividends and other income from securities with a variable retur	2,4	-4,2	2,5	4,6
Total commission receivable and income from banking service	89,1	108,8	69,0	80,4
Total commission payable and cost of banking service	-19,1	-22,2	-14,8	-21,2
Net gain/loss on foreign exchange and securities held as current assets	32,4	-12,1	26,4	-16,1
Other operating income	214,5	184,7	212,8	186,6
<b>Total non-interest income</b>	<b>319,2</b>	<b>255,1</b>	<b>295,9</b>	<b>234,3</b>
Salaries and general administration expenses	-481,4	-592,1	-440,9	-500,2
Depreciation of fixed and intangible assets	-37,2	-91,5	-34,7	-48,3
Other operating expenses	-190,2	-146,6	-176,4	-128,3
<b>Total non-interest expenses</b>	<b>-708,8</b>	<b>-830,2</b>	<b>-652,0</b>	<b>-676,7</b>
<b>Operating profit before losses and write-downs</b>	<b>103,1</b>	<b>29,6</b>	<b>103,5</b>	<b>131,0</b>
Loan losses and provisions	-173,8	-411,8	-175,2	-408,6
Profit/losses from long term shares	-38,3	-65,9	-38,1	-220,6
<b>Ordinary profit before tax</b>	<b>-109,0</b>	<b>-448,0</b>	<b>-109,9</b>	<b>-498,2</b>
Tax on ordinary profit	63,1	95,1	15,6	136,3
<b>Ordinary profit after tax</b>	<b>-45,9</b>	<b>-352,9</b>	<b>-94,3</b>	<b>-361,9</b>

## BALANCE SHEET

(NOK million)	GROUP		PARENT BANK	
	31.12.2003	31.12.02	31.12.2003	31.12.02
Cash and deposits with central banks	55,0	363,7	24,4	278,5
Loans to and receivables from credit institutions	284,4	364,7	263,1	299,8
Total lending before specific and general loss provisions	22 697,1	25 851,4	21 720,2	25 164,7
- Specific loss provisions	-527,9	-504,0	-509,4	-481,5
- General loss provisions	-313,4	-312,7	-313,4	-312,7
<b>Total net lending and due from customers</b>	<b>21 855,8</b>	<b>25 034,7</b>	<b>20 897,4</b>	<b>24 370,5</b>
Assets repossessed	169,4	12,6	169,4	12,6
Commercial paper, bonds and other int.bearing fixed-return sec.	2 082,5	1 821,5	2 031,3	1 776,6
Shares, other equity inv. and other sec. with a variable return	24,6	33,0	7,9	12,5
Shareholdings in associated companies	7,2	5,2	7,2	5,5
Shareholding in group companies	0,0	0,0	306,3	229,3
Intangible assets	310,1	291,1	297,4	287,9
Fixed assets	35,8	48,0	32,9	41,6
Other assets	438,3	202,7	386,5	165,5
Prepaid expenses and accrued income	262,3	343,1	261,4	342,4
			-	0,0
<b>Total Assets</b>	<b>25 525,3</b>	<b>28 520,3</b>	<b>24 685,2</b>	<b>27 822,6</b>
Debt to credit institutions	3 211,3	4 290,6	3 088,1	4 290,0
Deposits from and due to customers	12 362,4	13 199,0	11 645,6	12 462,9
Securities issued	6 853,3	7 855,9	6 853,3	7 855,9
Other debt	462,0	257,7	457,1	251,9
Accrued expenses and prepaid income	207,4	323,5	206,9	323,0
Provisions for accrued expenses and commitments	38,5	54,5	36,8	43,9
Subordinated loan capital	421,1	524,0	421,1	524,0
<b>Total Liabilities</b>	<b>23 556,0</b>	<b>26 505,1</b>	<b>22 708,9</b>	<b>25 751,4</b>
Paid-in share capital	2 030,4	2 030,4	2 030,4	2 030,4
Accrued reserves	-61,1	-15,1	-53,5	40,8
<b>Total Equity</b>	<b>1 969,3</b>	<b>2 015,2</b>	<b>1 976,9</b>	<b>2 071,2</b>
<b>Total Liabilities and Equity</b>	<b>25 525,3</b>	<b>28 520,3</b>	<b>24 685,8</b>	<b>27 822,6</b>

## QUARTERLY RESULTS - GROUP

(NOK million)	4th Qtr. 2003	3rd Qtr. 2003	2nd Qtr. 2003	1st Qtr. 2003	4th Qtr. 2002
Total interest income and similar income	350,7	416,9	485,0	551,3	613,5
Total interest expenses and related expenses	-242,3	-288,6	-359,9	-420,4	-471,8
<b>Net interest and credit commission income</b>	<b>108,4</b>	<b>128,4</b>	<b>125,1</b>	<b>130,9</b>	<b>141,7</b>
Total dividends and other income from securities with a variat	-0,5	2,5	0,4	0,0	-0,5
Total commission receivable and income from banking service	24,6	20,3	23,3	20,8	24,6
Total commission payable and cost of banking service	-3,8	-4,4	-4,1	-6,8	-5,9
Net gain/loss on foreign exchange and securities held as curre	7,9	5,2	5,2	14,1	-33,9
Other operating income	68,4	51,9	45,9	48,3	56,6
<b>Total non-interest income</b>	<b>96,5</b>	<b>75,5</b>	<b>70,8</b>	<b>76,4</b>	<b>41,0</b>
Salaries and general administration expenses	-130,1	-101,5	-117,1	-132,7	-182,5
Depreciation of fixed and intangible assets	-15,4	-6,8	-7,5	-7,5	-45,1
Other operating expenses	-62,6	-47,0	-43,1	-37,5	-29,7
<b>Total non-interest expenses</b>	<b>-208,1</b>	<b>-155,3</b>	<b>-167,7</b>	<b>-177,7</b>	<b>-257,3</b>
<b>Operating profit before losses and write-downs</b>	<b>-3,2</b>	<b>48,6</b>	<b>28,2</b>	<b>29,6</b>	<b>-74,6</b>
Loan losses and provisions	-19,5	-56,9	-32,2	-65,2	-21,8
Profit/losses from long term shares	-37,6	0,0	-0,7	0,0	-3,2
<b>Ordinary profit before tax</b>	<b>-60,3</b>	<b>-8,4</b>	<b>-4,7</b>	<b>-35,6</b>	<b>-99,7</b>
Tax on ordinary profit	50,3	2,2	0,9	9,7	2,0
<b>Ordinary profit after tax</b>	<b>-10,0</b>	<b>-6,2</b>	<b>-3,8</b>	<b>-26,0</b>	<b>-97,7</b>

## QUARTERLY RESULTS - PARENT BANK

(NOK million)	4th Qtr. 2003	3rd Qtr. 2003	2nd Qtr. 2003	1st Qtr. 2003	4th Qtr. 2002
Total interest income and similar income	338,4	406,5	477,1	537,8	600,9
Total interest expenses and related expenses	-239,1	-286,9	-359,8	-414,5	-467,8
<b>Net interest and credit commission income</b>	<b>99,3</b>	<b>119,6</b>	<b>117,3</b>	<b>123,3</b>	<b>133,1</b>
Total dividends and other income from securities with a variat	0,1	2,5	0,0	0,0	4,4
Total commission receivable and income from banking service	18,8	17,0	17,4	15,8	19,2
Total commission payable and cost of banking service	-3,2	-3,2	-2,6	-5,7	-4,6
Net gain/loss on foreign exchange and securities held as curre	5,4	4,6	2,9	13,6	-35,2
Other operating income	68,9	50,6	46,4	47,0	58,7
<b>Total non-interest income</b>	<b>89,8</b>	<b>71,4</b>	<b>64,0</b>	<b>70,7</b>	<b>42,5</b>
Salaries and general administration expenses	-120,9	-91,2	-107,3	-121,6	-167,3
Depreciation of fixed and intangible assets	-17,7	-5,8	-5,6	-5,5	-20,7
Other operating expenses	-58,9	-43,5	-41,0	-32,9	-25,0
<b>Total non-interest expenses</b>	<b>-197,5</b>	<b>-140,6</b>	<b>-153,9</b>	<b>-160,0</b>	<b>-213,0</b>
<b>Operating profit before losses and write-downs</b>	<b>-8,3</b>	<b>50,4</b>	<b>27,4</b>	<b>33,9</b>	<b>-37,4</b>
Loan losses and provisions	-21,3	-57,5	-32,2	-64,2	-21,3
Profit/losses from long term shares	-37,4	0,0	-0,7	0,0	-189,8
<b>Ordinary profit before tax</b>	<b>-67,0</b>	<b>-7,1</b>	<b>-5,5</b>	<b>-30,3</b>	<b>-248,4</b>
Tax on ordinary profit	3,6	2,0	1,5	8,5	66,3
<b>Ordinary profit after tax</b>	<b>-63,4</b>	<b>-5,1</b>	<b>-3,9</b>	<b>-21,8</b>	<b>-182,1</b>

## NON-PERFORMING LOANS AND LOSSES ON LOANS, GUARANTEES, ETC.

(NOK million)	GROUP		PARENT BANK	
	01.01.03 - 31.12.03	01.01.02 - 31.12.02	01.01.03 - 31.12.03	01.01.02 - 31.12.02
<b>Non-performing loans</b>				
Non-performing loans where interest is accrued	425,1	987,1	364,4	927,3
Non-performing loans where no interest is accrued	1 274,5	1 138,7	1 266,4	1 125,0
Other doubtful loans where no interest is accrued				
<b>Gross non-performing loans</b>	<b>1 699,6</b>	<b>2 125,8</b>	<b>1 630,8</b>	<b>2 052,3</b>
Specified loss provisions	-518,1	-435,3	-499,6	-412,8
<b>Net non-performing loans</b>	<b>1 181,5</b>	<b>1 690,5</b>	<b>1 131,2</b>	<b>1 639,5</b>
<b>Doubtful loans</b>				
Doubtful loans where interest continues to accrue	17,4	235,6	17,4	235,6
Specified loss provisions	-9,8	-68,8	-9,8	-68,8
<b>Net doubtful loans</b>	<b>7,6</b>	<b>166,9</b>	<b>7,6</b>	<b>166,9</b>
<b>Total non-performing and doubtful loans</b>	<b>1 189,1</b>	<b>1 857,4</b>	<b>1 138,8</b>	<b>1 806,4</b>
Losses on loans and guarantees etc. during period				
Change in specified loss provisions during period	23,7	178,3	27,8	176,3
Change in general loss provisions during period	0,7	-1,8	0,7	-1,8
Realised losses previously provided for	147,6	90,5	144,9	88,6
Realised losses not previously provided for	-0,6	145,5	-0,7	145,5
Recoveries on previous realised losses	-1,2	-0,7	-1,0	0,0
<b>Losses on loans and guarantees etc.</b>	<b>170,2</b>	<b>411,8</b>	<b>171,7</b>	<b>408,6</b>
<b>Assets repossessed</b>	<b>169,4</b>	<b>12,6</b>	<b>169,4</b>	<b>12,6</b>

## KEY FIGURES

(NOK million and percentage)	GROUP				PARENT BANK			
	01.10.03 - 31.12.03	01.10.02 - 31.12.02	01.01.03 - 31.12.03	01.01.02 - 31.12.02	01.10.03 - 31.12.03	01.10.02 - 31.12.02	01.01.03 - 31.12.03	01.01.02 - 31.12.02
<b>Profit and Loss account: (as % of average total assets)</b>								
Interest and credit commission income	5,44 %	7,94 %	6,77 %	8,41 %	5,41 %	7,98 %	6,77 %	8,47 %
Interest and related expenses	-3,76 %	-6,10 %	-4,92 %	-6,46 %	-3,82 %	-6,21 %	-5,01 %	-6,56 %
<b>Net interest and commission income</b>	<b>1,68 %</b>	<b>1,83 %</b>	<b>1,85 %</b>	<b>1,96 %</b>	<b>1,59 %</b>	<b>1,77 %</b>	<b>1,77 %</b>	<b>1,90 %</b>
Income on securities with variable yield	-0,01 %	-0,01 %	0,01 %	-0,01 %	0,00 %	0,06 %	0,01 %	0,02 %
Commission and other income from banking services	0,38 %	0,32 %	0,33 %	0,35 %	0,30 %	0,26 %	0,27 %	0,27 %
Commission and other expense for banking services	-0,06 %	-0,08 %	-0,07 %	-0,07 %	-0,05 %	-0,06 %	-0,06 %	-0,07 %
Net gain/loss on securities and foreign exchange	0,12 %	-0,44 %	0,12 %	-0,04 %	0,09 %	-0,47 %	0,10 %	-0,05 %
Other operating income	1,06 %	0,73 %	0,80 %	0,60 %	1,10 %	0,78 %	0,82 %	0,62 %
<b>Total non-interest income</b>	<b>1,50 %</b>	<b>0,53 %</b>	<b>1,20 %</b>	<b>0,83 %</b>	<b>1,44 %</b>	<b>0,56 %</b>	<b>1,14 %</b>	<b>0,78 %</b>
Salaries and general administration expenses	-2,02 %	-2,36 %	-1,81 %	-1,92 %	-1,93 %	-2,22 %	-1,70 %	-1,66 %
Depreciation of fixed and intangible assets	-0,24 %	-0,58 %	-0,14 %	-0,30 %	-0,28 %	-0,27 %	-0,13 %	-0,16 %
Other operating expenses	-0,97 %	-0,38 %	-0,71 %	-0,47 %	-0,94 %	-0,33 %	-0,68 %	-0,43 %
<b>Total non-interest expenses</b>	<b>-3,23 %</b>	<b>-3,33 %</b>	<b>-2,66 %</b>	<b>-2,69 %</b>	<b>-3,16 %</b>	<b>-2,83 %</b>	<b>-2,51 %</b>	<b>-2,25 %</b>
<b>Operating profit before losses and write-downs</b>	<b>-0,05 %</b>	<b>-0,97 %</b>	<b>0,39 %</b>	<b>0,10 %</b>	<b>-0,13 %</b>	<b>-0,50 %</b>	<b>0,40 %</b>	<b>0,44 %</b>
Loan losses and provisions	-0,30 %	-0,28 %	-0,65 %	-1,33 %	-0,34 %	-0,28 %	-0,67 %	-1,36 %
Profit/losses from long term shares	-0,58 %	-0,04 %	-0,14 %	-0,21 %	-0,60 %	-2,52 %	-0,15 %	-0,73 %
<b>Ordinary profit before tax</b>	<b>-0,94 %</b>	<b>-1,29 %</b>	<b>-0,41 %</b>	<b>-1,45 %</b>	<b>-1,07 %</b>	<b>-3,30 %</b>	<b>-0,42 %</b>	<b>-1,65 %</b>
Tax on ordinary profit	0,78 %	0,03 %	0,24 %	0,31 %	0,06 %	0,88 %	0,06 %	0,45 %
<b>Ordinary profit after tax</b>	<b>-0,16 %</b>	<b>-1,26 %</b>	<b>-0,17 %</b>	<b>-1,14 %</b>	<b>-1,01 %</b>	<b>-2,42 %</b>	<b>-0,36 %</b>	<b>-1,20 %</b>
<b>Main balance sheet figures</b>								
Total assets	25 525,3	28 520,3	25 525,3	28 520,3	24 685,8	27 822,6	24 685,8	27 822,6
Average total assets	25 784,4	30 917,8	26 657,2	30 917,8	25 039,9	30 113,7	25 979,1	30 113,7
Gross loans to customers	22 697,1	25 851,4	22 697,1	25 851,4	21 720,2	25 164,7	21 720,2	25 164,7
Equity	1 969,3	2 015,2	1 969,3	2 015,2	1 976,9	2 071,2	1 976,9	2 071,2
<b>Other key figures</b>								
Total non-interest income as a percentage of total income	47,10 %	22,42 %	39,31 %	29,67 %	47,49 %	24,21 %	39,17 %	29,00 %
Loan losses and provision as a percentage of average gross len	0,34 %	0,34 %	0,77 %	1,59 %	0,39 %	0,34 %	0,81 %	1,62 %
Cost as a percentage of operating income	101,58 %	140,86 %	87,30 %	96,55 %	104,41 %	121,27 %	86,30 %	83,78 %
Return on equity after tax 1)	-2,02 %	-19,00 %	-2,30 %	-17,15 %	-12,50 %	-33,83 %	-4,60 %	-16,81 %

### Definitions:

1) Profit for the year or period as a percentage of average equity p.a.

## CAPITAL ADEQUACY

(NOK million and percentage)	GROUP		PARENT BANK	
	31.12.03	31.12.02	31.12.03	31.12.02
Core capital	1 656,1	1 718,6	1 676,3	1 776,9
Supplementary capital	421,1	524,0	421,1	524,0
Other deductions				
<b>Net capital base</b>	<b>2 077,1</b>	<b>2 242,5</b>	<b>2 097,4</b>	<b>2 300,9</b>
Total assets, other portfolio	17 131,9	19 806,6	16 423,1	19 266,7
Total off-balance sheet items, other portfolio	522,9	584,5	406,3	584,5
Foreign exchange risk and trading portfolio	100,1	82,7	43,9	82,7
Deduction for loss provisions, revaluation account	-841,3	-818,3	-822,8	-794,2
<b>Total risk-weighted assets</b>	<b>16 913,7</b>	<b>19 655,5</b>	<b>16 050,5</b>	<b>19 139,7</b>
Capital ratio	12,28 %	11,41 %	13,07 %	12,02 %
Excess capital	724,0	670,1	813,4	769,7
<b>Core capital ratio</b>	<b>9,79 %</b>	<b>8,74 %</b>	<b>10,44 %</b>	<b>9,28 %</b>