



**Storebrand Bank AS**

**Annual Report**

**1999**



# Report of the Board of Directors for 1999

Storebrand Bank AS is a wholly owned subsidiary of Storebrand ASA, and commenced operations in 1996. The Storebrand Bank group comprises Storebrand Bank AS, the subsidiary Storebrand Finans AS and a 50% interest in Bertel O. Steen Finans AS (BOS Finans). Storebrand Finans is engaged in running down its finance company activities, and its collection activities cover both its own claims as well as liabilities owed to other members of the Storebrand group. BOS Finans was incorporated in March 1999, and offers financing services through the Bertel O. Steen network of car dealerships.

## Business vision

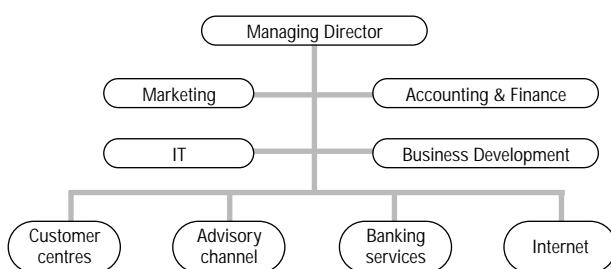
Storebrand Bank intends to be a leading one-stop supplier of financial services to personal customers who have savings to invest and are looking for financial advice.

## Business strategy

Storebrand Bank's goal is to offer the combination of a unified financial advice concept through a local presence with the cost advantages and accessibility of direct service in order to become the main connection for customers' financial service requirements.

## Organisation

In order to establish a uniform financial advice concept for the retail market and a better operational structure, Storebrand decided in 1999 that all distribution activities for the retail market would be carried out under the auspices of Storebrand Bank. With effect from 1 January 2000 all distribution-related functions such as financial advice, customer service and marketing carried out by Storebrand for the retail market were brought together at Storebrand Bank. The integration of these activities involved the transfer of a total of 230 employees from Storebrand ASA and Storebrand Livsforsikring AS. Total employee numbers at Storebrand Bank accordingly increased from 146 at the start of 1999 to 392 at the start of 2000.



## Storebrand Bank focuses on the retail banking market

Storebrand Bank principally targets the middle and upper segments of the retail market as measured by customer income or wealth. These target groups account for the major proportion of total household financial saving. The customers targeted represent 45% of Norwegian taxpayers, but account for 95% of total savings. Important services for customers in these segments of the market include both savings and lending products as well as individual lines of insurance.

Storebrand Bank currently serves approximately 378,000 customers, of whom 278,000 are life insurance customers, 42,000 are depositors, 33,000 are borrowers and 100,000 are mutual funds customers. Storebrand's target is to encourage customers to concentrate the largest possible proportion of their total financial affairs with Storebrand. Storebrand offers a first-class and unified range of customer programmes and product packages together with integrated information on each customer's total situation, and thereby aims to be the customer's main relationship in the savings area.

## Storebrand Bank offers a unique service concept for the retail market

Storebrand Bank employs over 250 financial advisers at its central customer centre and in advisory offices throughout Norway. Three main targets reflect Storebrand Bank's intention to further develop Storebrand's existing position in the market:

- *The market's best provider of financial advice*  
Storebrand Bank intends to train and develop its financial advisers to offer advice that genuinely focuses on each customer's individual requirements.
- *The best direct services available in the market*  
Storebrand Bank intends to further develop Norway's best Internet bank, and to offer a first-class telephone based service.
- *A complete and customer-oriented product range*  
Storebrand Bank intends to market a customer friendly range of readily understandable products which meet all types of requirements for personal financial services as well as operating customer programmes which encourage customers to concentrate more of their business with Storebrand.

Storebrand Bank is well positioned to achieve these targets and thereby take a leading position in the market. The principal initial challenge is to successfully implement this strategy whilst continuing to focus on further innovation to ensure that Storebrand Bank is recognised as the most forward-looking player in the market.

## Distribution is based on sales through a number of different channels based on financial advice

Customers have varying requirements for advice and use a variety of channels to do business with Storebrand Bank, and by offering a combination of skilled and knowledgeable financial advisers in our personal sales channels and cost-effective direct service channels, we can satisfy all these requirements and ensure cost-effective distribution. Storebrand Bank bases its distribution model on a portal concept with the overall target of making Storebrand Bank the main relationship and the main supplier of financial services to each customer, but with a product range which is supplemented by services from other business partners.

Our distribution channels operate as advice-based sales channels. This implies a focus on recommending the best solution for each customer's specific requirements. We expect a great deal from all our advisers, and insist that they have extremely strong technical expertise as well as personal qualities that engender customer confidence.

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# Report of the Board of Directors for 1999

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The profile and expertise represented by advisers are fundamental to the success of advice-based sales. Storebrand Bank also recognises the importance of continuing to develop new tools to support the advisory process and ensure an appropriate analysis of customer needs in order to deliver sound and appropriate advice.

*We make contact with our customers through the following channels:*

- Financial advisers. Senior financial advisers, who possess a particularly high level of expertise and personal qualities, are allocated to selected customers. Financial advisers operate from advisory offices in the largest towns and cities throughout Norway, and we are also represented in selected smaller locations.
- Customer centre. Storebrand Bank's customer centre provides advice and service to both existing Storebrand customers and new customers. The customer centre functions as a channel for sales and customer maintenance, as well as handling the response to specific marketing campaigns.
- Internet. The Internet is developing extremely rapidly. A strong commitment to Internet services is extremely important for Storebrand Bank, both as a channel for information, support and advice to customers and as a straightforward sales channel. The process of simplifying products and developing standardised product packages is making an important contribution to rapid growth in the use of the Internet channel.

Storebrand Bank attaches great importance to the further development of its CRM (Customer Relationship Management) function in order to support the distribution activities carried out through its various channels. The CRM function supports the distribution channels in their customer maintenance and new sales activities through a combination of systematic and creative use of the available customer information activities.

## A small number of core initiatives are central to Storebrand Bank's growth strategy

*Storebrand Bank concentrates its efforts on the following areas:*

- Further developing its integrated customer centre with first-class support systems
- Further developing the advice channel with new concepts for financial advice
- Taking a leading position in use of the Internet
- Further developing the CRM function
- Implementing projects to enhance productivity in order to improve the basis for profitability
- Further developing the bank's commercial and financial management systems

## Profit and loss account

The Storebrand Bank group recorded a profit of NOK 3.1 million in 1999, which represents a drop in profit from the NOK 11.7 million reported for 1998. However the operating loss for the year of NOK 32.1 million represents a marked improvement on the loss of NOK 66.6 million incurred in the previous year. The parent company Storebrand Bank AS reported a profit for the year of NOK 3.1 million. The profit for the year of NOK 142.0 million reported by Storebrand Bank AS in 1998 must be seen in the light of the

return of share capital by Storebrand Finans and the provision for a dividend for 1999. Storebrand Finans produced a profit for the year of NOK 41.7 million in 1999 as compared to NOK 72.7 in 1998. Storebrand Bank's share in the results of BOS Finans was a loss of NOK 0.4 million.

### Net interest income

Net interest income increased by NOK 48.5 million in 1999 to NOK 139.3 million. The increase in net interest income reflects both a higher net interest margin and growth in the total balance sheet. Net interest margin for Storebrand Bank AS rose from 1.29% in 1998 to 1.50% in 1999. The overwhelming majority of both customer deposits and mortgage loans are on floating rate terms. Other interest-bearing balance sheet items are fixed for short-term interest periods.

### Non-interest income

Total non-interest income increased by NOK 10.1 million to NOK 61.8 million in 1999. Net commission income grew strongly as a result of an increase in the number of active customers and greater use of the various services offered by the bank. An amount of NOK 4.9 million was recognised to income in respect of net securities gains caused by lower interest rates, reversing the situation seen in 1998 when a net loss of NOK 17.9 million was recorded. Other non-interest income, which largely consists of commission income from the sale of mutual funds products and the mortgage loan servicing, fell by NOK 20.3 million to NOK 35.8 million. The reduction reflects changes to the commission structure on sales of mutual funds products and a drop in the loan portfolio administered for Storebrand Livsforsikring.

### Non-interest expenses

Total non-interest expenses increased by NOK 24.2 million to NOK 233.3 million. The increase in non-interest expenses is principally the result of increased staffing and the opening of a number of local advice offices, as well as increased IT expenditure on the further development of the bank's systems. Salaries and general administrative expenses increased by NOK 21.1 million to NOK 143.0 million, whilst ordinary depreciation of NOK 8.7 million and other non-interest expense of NOK 81.5 million were both somewhat higher than in 1998.

### Loan losses and provisions

The Storebrand Bank Group, principally through the activities of Storebrand Finans, recognised a write-back to profit and loss in respect of loan loss provisions of NOK 36.6 million in 1999, as compared to a write-back of NOK 77.5 million in 1998. The figures for 1998 include the recovery of losses on two large cases. Reductions in loan loss provisions amounted to NOK 23.6 million, realised loan losses were NOK 18.3 million and NOK 31.3 million was written back in respect of loan losses and provisions booked in previous years. At the end of the year the net total of loans in default or considered doubtful was NOK 85.4 million.

### Profit allocation

It is proposed that the profit for the year of NOK 3.1 million for Storebrand Bank AS be allocated to other equity.

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# Report of the Board of Directors for 1999

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## Balance sheet

Total assets of the Storebrand Bank group increased by NOK 1,844 million in 1999 to NOK 8,091 million at the end of the year. The increase in total assets reflects balanced growth in lending and deposits, but represents somewhat slower growth than was seen in the previous year.

## Loan portfolio

Net loans totalled NOK 6,811 million, representing an increase from NOK 5,007 million at 31 December 1998. The bank's loan portfolio is principally made up of loans secured on residential properties. The growth in lending came largely from new lending and, to a decreasing degree, from loans taken over from Storebrand Livsforsikring.

## Securities portfolio

Storebrand Bank's investment assets grew marginally from NOK 918 million at the end of 1998 to NOK 926 million at the end of 1999. Investments in securities fell as a proportion of the bank's total assets as a result of both better deposit cover for lending and improved access to other sources of funding. The bank's securities portfolio, which includes commercial paper and bonds with limited credit and market risk, is booked at market value at the year-end. Storebrand Bank holds no securities classed as trading portfolio.

## Customer deposits

Customer deposits, principally from retail banking customers, increased by NOK 1,637 million to NOK 5,156 million at the end of 1999. Growth in deposits was somewhat slower than in 1998, which was a period affected by the bank's launch of a new savings account at a time of increasing interest rates. Deposits were equivalent to 77% of lending at year-end.

## Other funding

The bank's balanced growth and strong liquidity meant that there was only a very small increase in other funding during 1999. Deposits from other banks increased over year-end to stand at NOK 520 million, whilst commercial paper issued was somewhat lower at NOK 975 million. No new bond loans were issued during 1999, and total bond loan outstandings amounted to NOK 550 million. The bank's revolving credit facility was refinanced through an international banking syndicate in the third quarter. The facility now has a limit of NOK 1,000 million and a maturity of five years.

## Primary capital

Primary capital totalled NOK 617.7 million, equivalent to a capital adequacy ratio of 15.3%. Primary capital consists solely of Tier 1 capital reduced by a deduction of NOK 127.3 million in respect of intangible assets. Tier 1 capital is made up of NOK 125 million in share capital, NOK 469.7 million of share premium reserve and NOK 155.0 million of other equity, less NOK 4.7 million in respect of over-funded pension provision. New share capital of NOK 175 million was received during the course of the year.

## Financial condition and business review

In the view of the Board of Directors the annual accounts provide a satisfactory description of the company's financial condition at the end of 1999. The annual accounts are based on the going concern assumption since the Board does not believe that there are any matters which might suggest this not to be the case.

The 1999 results are in line with the bank's budgets. 1999 was a year characterised by a programme of internal measures aimed at establishing an integrated platform for the bank to be fully recognised as a one-stop supplier for the Norwegian retail market. The bank has expanded the range of services it offers and has significantly increased its internal resources, and now represents the Storebrand group's integrated marketing commitment to the Norwegian retail market.

The greater role the bank is playing in the Storebrand group has caused an appreciable increase in its cost base. Income will be generated from commission income on sales and customer service carried out for other product suppliers in the group in the areas of life and health insurance, mutual funds and unit linked products.

Storebrand Bank will continue to invest significant amounts in developing the bank's concept of service based on a combination of best advice and direct service, as well as in developing a complete and readily understandable product range.

The Storebrand Bank group expects to report a modest profit for 2000. The improvement in operating profit seen in 1999 is expected to continue in 2000, but the income generated by recoveries of previous losses in Storebrand Finans will be lower. Storebrand Bank has set a target of maintaining a prudent capital adequacy ratio which exceeds the minimum requirements laid down by the authorities.

## Risk management

The bank's aim is to control the risks arising from changes in cash flow and from movements in market interest rates, as well as to minimise loan losses. The Board is responsible for ensuring that asset and liability management is appropriate for the satisfactory control and organisation of the bank, and it determines limits for risk exposure, delegated authorities, and reporting requirements. The Managing Director is responsible for ensuring that asset and liability management is carried out in a satisfactory manner, as well as making proposals to the Board and ensuring that its decisions in this regard are implemented. An Asset and Liability Management Committee has been established, with members drawn from the management of the bank and its group. The Committee's remit is to provide advice to the Managing Director. The function of the Bank's Asset and Liability Committee is to ensure effective and efficient exercise of the Managing Director's authority in the management of interest rate and liquidity exposure. The bank is currently engaged in implementing an advanced asset and liability management system which will improve the management of interest and liquidity risk and improve profitability.

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## Interest rate risk

Storebrand Bank manages its interest rate exposure in such a way as to limit the financial and commercial impact of unfavourable changes in interest rates. Interest rate risk is measured in terms of both accounting and commercial limits. The accounting risk measure calculates the full year effect of a 1% change in interest rates, whilst the commercial risk measure concentrates on the immediate impact of a 1% change in rates. In addition, a sensitivity test is employed which looks at the change in available risk capital which a 2% change in interest rates would cause. At the end of the year, the bank's sensitivity to interest rate movements was calculated in total as NOK 4.8 million.

## Liquidity risk

Liquidity is managed in such a way that the bank is able to meet all its commitments as and when they fall due. It is intended that liquidity in Storebrand Bank should always be sufficient to support growth in the balance sheet as well as meeting loan and deposit obligations as they mature. Storebrand Bank's liquidity is managed on the basis of the 90 day mis-match between expected cash inflows and outflows at the balance sheet date. Storebrand Bank has a sound liquidity position on the basis of the current balance sheet composition and the bank's access to liquidity.

## Credit risk

Credit risk arising from lending is managed with the help of a credit manual and delegated levels of approval, and credit exposure is monitored routinely. Credit scoring is used to an increasing extent in the management of the bank's credit exposure. The bank's booked loans principally consist of mortgage loans based on conservative valuations and with a low credit risk.

In view of the bank's risk management procedures, its sound capital base and liquidity, and the limited nature of its credit exposure, the risk of losses is not expected to be significant in the foreseeable future.

## Other matters

The Board thanks all the staff for their efforts in continuing to promote the development of the bank over the past year. Regular surveys of employee satisfaction are carried out and these show that the working environment is considered good. Storebrand Bank's staff co-operation committee met four times in 1999. Absence due to sickness amounted to the equivalent of 4.14 working years, equivalent to 2.74% of total working time. No personal injuries or damage to the bank's assets were sustained in 1999. Storebrand Bank's activities are solely service based, and do not pollute the environment. Storebrand Bank implements environmentally friendly measures such as paper recycling. Ola Mørkved Rinnan retired from the Board of Directors in order to take a position as Chief Executive Officer at Norgeskredit. The Board would like to express its appreciation of Mr Rinnan's contribution to the company.

Oslo, 23 February 2000

The Board of Directors of Storebrand Bank AS



Åge Korsvold  
Chairman of the Board



Espen Klitzing



Peter Thelin



Idar Kreutzer



Hans Henrik Klouman



Toril Klokkeråsen



Kai Gjesdal Henriksen  
Chief Executive Officer

## Statement of income

Storebrand Bank AS					Storebrand Bank Consolidated			
1997	1998	1999	Notes	NOK mill.	Notes	1999	1998	1997
4,1	2,4	4,3		Interest on interest-earning deposits with banks		7,7	2,4	4,1
39,8	242,3	438,2		Interest on loans		466,5	269,1	63,6
13,5	46,0	52,9		Interest on commercial paper, bonds and other interest-earning securities		53,6	46,0	16,1
0,0	0,8	6,0		Other interest income		6,0	5,4	1,1
<b>57,3</b>	<b>291,6</b>	<b>501,4</b>		<b>Total interest income</b>		<b>533,8</b>	<b>322,9</b>	<b>85,0</b>
7,7	16,4	13,4		Interest on loan from banks		13,4	16,4	7,7
24,1	102,7	273,2		Interest on interest-bearing deposits		273,2	102,7	24,1
8,3	106,0	90,7		Interest on commercial paper		90,7	106,0	8,3
3,1	6,9	17,3	2	Other interest expenses		2	17,3	6,9
<b>43,1</b>	<b>232,0</b>	<b>394,5</b>		<b>Total interest expenses</b>		<b>394,5</b>	<b>232,0</b>	<b>43,2</b>
<b>14,2</b>	<b>59,6</b>	<b>106,9</b>		<b>Net interest income</b>		<b>139,3</b>	<b>90,9</b>	<b>41,8</b>
0,0	128,1	41,3	18	Dividends and other income from securities	18	-0,4	0,0	0,0
9,3	18,2	27,1	3	Commission income and income on banking services	3	28,1	20,0	11,7
-3,5	-6,5	-6,6	3	Commission expense and expense on banking services	3	-6,6	-6,5	-3,5
-0,9	-17,9	4,9		Gain/loss on foreign exchange and securities		4,9	-17,9	-0,9
59,5	49,5	29,0	4	Other operating income	4	35,8	56,1	62,9
<b>64,3</b>	<b>171,4</b>	<b>95,6</b>		<b>Total non-interest income</b>		<b>61,8</b>	<b>51,7</b>	<b>70,2</b>
101,7	108,4	129,1	1,5,6	Staff costs and general administration expenses	1,5,6	143,0	121,9	114,8
2,6	6,5	8,6		Depreciation of machinery and equipment		8,7	6,8	2,8
37,1	74,7	73,8	1,7	Other operating expenses		1,7	81,5	80,5
<b>141,3</b>	<b>189,7</b>	<b>211,4</b>		<b>Total non-interest expenses</b>		<b>233,3</b>	<b>209,1</b>	<b>159,4</b>
<b>-62,8</b>	<b>41,4</b>	<b>-9,0</b>		<b>Operating income</b>		<b>-32,1</b>	<b>-66,6</b>	<b>-47,4</b>
-1,0	-3,3	-2,7	8	Provision for credit losses	8	36,6	77,5	46,7
17,9	29,1	14,8	10	Tax on ordinary result	10	-1,4	0,8	0,2
<b>-45,9</b>	<b>67,1</b>	<b>3,1</b>		<b>Net income</b>		<b>3,1</b>	<b>11,7</b>	<b>-0,5</b>
0,0	74,9	0,0		Extraordinary income and expenses		0,0	0,0	0,0
0,0	0,0	0,0		Tax on extraordinary result		0,0	0,0	0,0
<b>-45,9</b>	<b>142,0</b>	<b>3,1</b>		<b>Profit/loss for the year</b>		<b>3,1</b>	<b>11,7</b>	<b>-0,5</b>
Profit/loss for the year is distributed as follows:								
-45,9	142,0	3,1		Transferred to/from other funds		3,1	11,7	-0,5
<b>-45,9</b>	<b>142,0</b>	<b>3,1</b>		<b>Total distribution</b>		<b>3,1</b>	<b>11,7</b>	<b>-0,5</b>

# Balance sheet

Storebrand Bank AS				Storebrand Bank Consolidated		
1998	1999	Notes	NOK mill.	Notes	1999	1998
<b>Assets</b>						
22,1	28,1		Cash and due from central banks		28,1	60,7
0,8	1,7	8	Interest-earning deposits with banks	8	62,2	0,8
16,0	28,0		Overdraft and working capital facilities		28,0	16,0
4 577,8	6 217,2		Instalment loans		6 217,2	4 577,8
321,9	503,2		Other loans		792,6	646,8
-2,6	-2,9	8	Specified provision for credit losses	8	-223,2	-232,0
-1,7	-3,8	8	Unspecified provision for credit losses	8	-3,8	-1,7
4 911,4	6 741,6	9,12,13,14	Net loans and receivables from customers	9,12,13,14	6 810,6	5 006,9
0,0	0,0		Other repossessed assets		0,0	0,3
895,8	925,7	16	Commercial paper, bonds and other interest-earning investments	16	925,7	917,7
0,0	0,0	17	Shares	17	2,6	0,0
0,0	2,1	18	Shares in associated companies	18	2,1	0,1
95,9	95,9	18	Shares in subsidiaries		0,0	0,0
69,0	82,8	10,19	Intangible assets incl. deferred tax asset	10,19	127,3	129,8
17,2	17,4	19	Premises, furniture and equipment	19	17,5	17,5
71,0	53,6	20	Other assets	20	13,6	6,0
103,0	96,7		Prepayments and accrued income		101,4	107,6
<b>6 186,2</b>	<b>8 045,7</b>		<b>TOTAL ASSETS</b>		<b>8 091,2</b>	<b>6 247,2</b>
<b>Liabilities and shareholders' equity</b>						
358,0	520,0	21	Loan from banks	21	520,0	358,0
3 519,2	5 155,8	22	Interest-bearing deposits	22	5 155,8	3 519,2
1 649,6	1 524,8	23	Commercial paper and bond debt	23	1 524,8	1 649,6
43,1	49,3	24	Other liabilities	24	51,8	44,4
59,6	58,7		Accruals and deferred income		64,6	65,7
6,9	9,2	25	Provisions for liabilities and charges	25	24,6	38,8
<b>5 636,5</b>	<b>7 317,8</b>		<b>TOTAL LIABILITIES</b>		<b>7 341,5</b>	<b>5 675,7</b>
100,0	125,0	26	Share capital		125,0	100,0
319,7	469,7		Share premium reserve		469,7	319,7
130,0	133,1		Other funds		155,0	151,9
<b>549,7</b>	<b>727,8</b>	27, 28	<b>TOTAL SHAREHOLDERS' EQUITY</b>	27, 28	<b>749,7</b>	<b>571,6</b>
<b>6 186,2</b>	<b>8 045,7</b>		<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>8 091,2</b>	<b>6 247,2</b>
<b>Conditional commitments</b>						
245,0	597,2		Collateralised securities related to loan from central banks		597,2	245,0
0,0	0,0		Loan guarantees		26,4	97,7
1,4	18,1		Guarantee to the Commercial Banks Guarantee Fund		18,1	1,4
0,0	0,0		Other guarantees		0,2	0,2

Oslo, 23 February 2000

The Board of Directors of Storebrand Bank AS

Åge Korsvold  
Chairman of the Board

Espen Klitzing

Peter Thelin

Idar Kreutzer

Hans Henrik Klouman

Toril Klokkeråsen

Kai Gjesdal Henriksen  
Chief Executive Officer

# Accounting principles

## Basis of the accounts

The accounts have been prepared in accordance with the new Accounting Act (1999) and the regulations issued by the Banking, Insurance and Securities Commission in respect of the annual accounts of banks and finance companies.

The Storebrand Bank group comprises Storebrand Bank AS and the subsidiary Storebrand Finans AS. Storebrand Finans is engaged in running down its finance company activities, and its collection activities cover both its own claims as well as liabilities owed to other members of the Storebrand group. During the course of 1999 Storebrand Bank AS acquired a 50% interest in Bertel O. Steen Finans AS. This company offers financing services through the Bertel O. Steen network of car dealerships.

All figures in the accounts are shown in NOK million to one decimal place, unless otherwise specified. All comparable figures for previous periods have been restated in accordance with the new Accounting Act.

## Consolidation

Shares in subsidiaries are treated in accordance with the past equity method of accounting, whereby the book value of shares in subsidiaries is offset against the equity of the subsidiary in question. The ownership interest in Bertel O. Steen Finans AS has been consolidated in accordance with the equity method of accounting.

Internal transactions are eliminated in the profit and loss account and the balance sheet.

## Securities

All holdings of bonds and commercial paper are classified as current assets. No holdings of securities are classified as trading portfolio.

The portfolio principle is applied to financial investments in bonds and commercial paper. Investments are valued as a single portfolio at the lower of acquisition cost and market value on the balance sheet date. Any reduction in value is written down and debited to ordinary profit.

## Lending

Loans are recorded in the balance sheet at nominal value, less a deduction for loan loss provisions. Loan loss provisions are determined in accordance with the regulations of the Banking, Insurance and Securities Commission.

Specific loan loss provisions are intended to represent estimated losses on loans which are identified as bad or doubtful on the balance sheet date. Provisions are established in respect of all loans subject to legal recovery action, loans in the current portfolio which are considered to be doubtful on a case by case basis and all loans where payments are more than 67 days overdue.

General loss provisions are booked to cover losses which, due to matters existing on the balance sheet date, must be expected to occur on facilities which have not been identified and valued in accordance with the rules for specific loss provisions. This type of provision is made for all current loans where there has not been a payment default exceeding 67 days. The provision is made on the basis of past experience and sector data.

Realised losses on facilities are losses which are considered

to be final. These include losses arising on the borrower's bankruptcy, insolvency or composition with creditors, or where the company considers it is overwhelmingly likely that the loss is final.

Loans and other credit exposure are considered to be in default when payments are more than 90 days overdue. Once a loan is in default interest, commissions and fees cease to be recognised to income, and interest income for the current year which has been recognised to profit but not received is reversed.

## Pension costs

The group applies the provisional Norwegian accounting standard for pension costs. Net pension cost for the period consists of the sum of pension liabilities accrued in the period, the interest charge on the estimated liability and the expected return on pension funds.

Prepaid pension is the difference between the actual value of the pension funds and the present value of estimated pension liabilities, and is booked as a long-term asset in the balance sheet. Correspondingly a long-term liability arises in the accounts when the pension liability is greater than the pension funds. A distinction is made between insured and uninsured schemes. The uninsured scheme will always be entered as a liability, as such a scheme does not have a pension fund.

The cumulative effect of changes in assumptions, deviations between calculated and estimated pension liabilities, and the difference between the expected and actual return achieved on pension funds is not charged to profit and loss until such time as it exceeds 10% of the higher of the pension liability or pension funds at the start of the year ("the corridor approach").

## Deferred tax

The calculation of deferred tax in the profit and loss account and balance sheet is made on the basis of the provisional Norwegian accounting standard for corporate tax on income. Tax payable is calculated on the basis of the taxable profit for the year and changes in deferred tax/deferred tax assets.

Deferred tax/assets are calculated on the basis of timing differences between accounting and tax values as well as the tax effects of the loss and unused allowances carried forward. Deferred tax assets are capitalised at a rate of 28% of the base amount for tax calculation. Changes in deferred tax assets are recognised in the profit and loss account as deferred tax expense or tax income.

## Financial instruments

Storebrand Bank makes use of off-balance sheet financial derivatives in order to achieve the required risk and return profile. The bank uses interest rates swaps and forward rate agreements for this purpose, and the interest income and expense incurred on such instruments is recognised to profit and loss on a continuous basis. The bank does not hold any financial instruments classified as trading portfolio.

## Discount on bond loans

Discounts on bond loans issued are amortised as interest expense over the interest-fixing period of the bond loan.

## Notes

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### **Note 1: Remuneration to elected representatives etc.**

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#### **Storebrand Bank AS:**

NOK	No. of shares owned *	Remuneration	Loan **	Interest rate at 31.12.99
Chief Executive Officer	0	1 711 365	2 401 055	5,9%-7,05%
Chairman of th Board	0	0	0	
Other Board members	2 398	200 000	7 638 609	5,9%-7,05%
Control Committee	322	407 000	0	

\* No. of shares in Storebrand ASA.

\*\* Loan from Storebrand Bank AS and Storebrand Livsforsikring AS.

There is no obligations to the Chairman of the Board of Directors and the CEO relating to special compensation on termination or change of appointment or employment.

### **Remuneration to the statutory auditor**

<b>Storebrand Bank AS</b>			<b>Storebrand Bank Consolidated</b>	
<b>1998</b>	<b>1999</b>	<b>NOK</b>	<b>1999</b>	<b>1998</b>
335 900	328 453	Ordinary remuneration *	398.453	410.555
12 000	37 445	Fees for other assistance	37 445	26 200
<b>347 900</b>	<b>365 898</b>	<b>Total remuneration to the statutory auditor</b>	<b>435 898</b>	<b>436 755</b>

### **Note 2: Contribution to the Commercial Banks Guarantee Fund**

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<b>Storebrand Bank AS</b>		
<b>NOK mill.</b>		
Contribution to the Commercial Banks Guarantee Fund		1,2
		0,3

Contribution to the Commercial Banks Guarantee Fund has been recorded under the item "Other interest expenses" in accordance with requirements about the accounts for banks and finance companies.

Contribution has been recorded as an operating expense in previous periods. Comparable figures for previous periods have been restated in accordance with new accounting requirements.

### **Note 3: Commissions and fees on banking services**

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<b>Storebrand Bank AS</b>			<b>Storebrand Bank Consolidated</b>	
<b>1998</b>	<b>1999</b>	<b>NOK mill.</b>	<b>1999</b>	<b>1998</b>
		<b>Commission income and income on banking services</b>		
0,8	0,8	Commissions on lines of credit	0,8	0,8
0,0	0,0	Guarantee commissions	1,0	1,8
6,1	7,6	Loan fees	7,6	6,1
7,3	11,0	Money transfer fees	11,0	7,3
3,9	6,1	Service charges on deposit accounts	6,1	3,9
0,1	1,6	Other commission income	1,6	0,1
<b>18,2</b>	<b>27,1</b>	<b>Total commission income and income on banking services</b>	<b>28,1</b>	<b>20,0</b>
		<b>Commission expense and expense on banking services</b>		
-3,8	-5,3	Money transfer fees	-5,3	-3,8
-0,9	-0,3	Fee on securities to Norwegian Registry of Securities	-0,3	-0,9
-1,7	-0,7	Commitment fee on revolving credit arrangement	-0,7	-1,7
-0,1	-0,2	Other commission expense	-0,2	-0,1
<b>-6,5</b>	<b>-6,6</b>	<b>Total commission expense and expense on banking services</b>	<b>-6,6</b>	<b>-6,5</b>

# Notes

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## **Note 4: Other operating income**

Storebrand Bank AS			Storebrand Bank Consolidated	
1998	1999	NOK mill.	1999	1998
21,2	14,9	Income on distribution and management of loans	14,9	21,2
26,2	13,2	Income on distribution of mutual funds	13,2	26,2
		Income on collection of liabilities on behalf of companies		
0,0	0,0	within the Storebrand group	6,9	6,6
2,1	0,9	Other income	1,0	2,1
<b>49,5</b>	<b>29,0</b>	<b>Total other operating income</b>	<b>36,0</b>	<b>56,1</b>

Storebrand Bank AS is responsible for distribution and management of the loan portfolio on behalf of Storebrand Livsforsikring AS and Storebrand Skadeforsikring AS.

Storebrand Bank AS is also responsible for distribution of mutual funds on behalf of Storebrand Fondene AS.

Storebrand Finans AS is responsible for collection of liabilities owed to all companies within the Storebrand group.

## **Note 5: Pension cost and pension liabilities**

Staff pension costs are provided by a group scheme, primarily with Storebrand Livsforsikring AS, in accordance with the rules on private occupational pension schemes.

Pensions are available at pension age which is 67 for executives and 65 for underwriters. The ordinary retirement age is 65, and a retirement pension equivalent to 70% of pensionable salary becomes payable on retirement. If the period of service to retirement is less than 30 years, a proportionate reduction in pension is made. The pension benefits form a part of the Storebrand group's collective employment terms.

Pension costs and pension liabilities are treated for accounting purposes in accordance with the accounting standards for pension costs issued by the Norwegian Accounting Standards Foundation (see also Accounting principles). Both funded and unfunded schemes are treated as benefit plans. The following assumptions have been used in the calculation:

### **Financial assumptions:**

- Return on pension funds	8,00 %
- Discount rate	7,00 %
- Annual salary growth	3,00 %
- Expected adjustment of Social Security Fund's basic amount (G)	3,00 %
- Annual pension increase	2,50 %
- Average rate of employers' contributions	13,50 %

### **Actuarial assumptions:**

- Standardised assumptions on mortality/disability and other demographic factors as produced by the Norwegian Insurance Association.
- Average employee turnover rate of 2-3% of entire workforce.
- Linear earnings profile.

The calculation applies to 142 employees in Storebrand Bank AS and 175 employees in Storebrand Bank group.

Net accrued pension costs are shown in the table below.

## Notes

<b>Storebrand Bank AS</b>						<b>Net pension cost</b>	<b>Storebrand Bank Consolidated</b>					
<b>1998</b>			<b>1999</b>			NOK mill.	<b>1999</b>			<b>1998</b>		
Funded scheme	Non-funded	Total	Funded scheme	Non-funded	Total		Funded scheme	Non-funded	Total	Funded scheme	Non-funded	Total
-2,9	-1,1	-4,0	-2,8	-0,7	-3,5	Pension contributions due for the year	-3,6	-1,0	-4,6	-3,7	-1,3	-5,0
-6,0	-1,4	-7,4	-1,0	-0,4	-1,4	Interest expense pension liability	-3,4	-0,8	-4,2	-7,5	-1,7	-9,2
8,5	0,0	8,5	1,3	0,0	1,3	Expected return pension funds	4,5	0,0	4,5	10,6	0,0	10,6
<b>-0,4</b>	<b>-2,5</b>	<b>-2,9</b>	<b>-2,5</b>	<b>-1,1</b>	<b>-3,6</b>	<b>Net pension cost</b>	<b>-2,5</b>	<b>-1,8</b>	<b>-4,3</b>	<b>-0,6</b>	<b>-3,0</b>	<b>-3,6</b>

### Calculated liability

Shown below is a reconciliation of estimated pension liabilities and the pension funds held in respect of these against the liability recorded in the balance sheet.

<b>Storebrand Bank AS</b>						<b>Net pension liabilities</b>	<b>Storebrand Bank Consolidated</b>					
<b>1998</b>			<b>1999</b>			NOK mill.	<b>1999</b>			<b>1998</b>		
Funded scheme	Non-funded	Total	Funded scheme	Non-funded	Total		Funded scheme	Non-funded	Total	Funded scheme	Non-funded	Total
-18,5	-5,3	-23,8	-22,0	-4,5	-26,5	Earned pension liability	-44,2	-9,5	-53,7	-39,8	-10,3	-50,1
-1,5	-0,7	-2,2	-2,0	-1,0	-3,0	Calculated effect of future salary growth	-4,5	-1,8	-6,3	-3,8	-1,6	-5,4
-20,0	-6,0	-26,0	-24,0	-5,5	-29,5	Calculated pension liability	-48,7	-11,3	-60,0	-43,6	-11,9	-55,5
20,0	0,0	20,0	20,2	0,0	20,2	Pension funds at market value	47,9	0,0	47,9	48,5	0,0	48,5
<b>0,0</b>	<b>-6,0</b>	<b>-6,0</b>	<b>-3,8</b>	<b>-5,5</b>	<b>-9,3</b>	<b>Net calculated pension liabilities/funds</b>	<b>-0,8</b>	<b>-11,3</b>	<b>-12,1</b>	<b>4,9</b>	<b>-11,9</b>	<b>-7,0</b>
Estimated deviation as at 1.1. *												
-0,2	0,0	-0,2	1,0	0,0	1,0	Pension funds	2,3	0,0	2,3	-0,4	0,0	-0,4
0,0	0,1	0,1	0,2	-0,3	-0,1	Pension liabilities	0,5	-0,6	-0,1	0,0	0,2	0,2
<b>-0,2</b>	<b>-5,9</b>	<b>-6,1</b>	<b>-2,6</b>	<b>-5,8</b>	<b>-8,4</b>	<b>Net pension liabilities recorded in balance sheet **</b>	<b>2,0</b>	<b>-11,9</b>	<b>-9,9</b>	<b>4,5</b>	<b>-11,7</b>	<b>-7,2</b>

\* Deviations from estimate are recorded against the "corridor" in accordance with Norwegian Accounting Standards, and are not reflected in the balance sheet or statement of income.

(See Accounting Principles).

\*\*Calculated employers' contribution (NOK 0,8 mill.) of recorded pension liability are included in the balance sheet under the item "Provision for liabilities and charges".

### Note 6: Staff costs and general administration expenses

<b>Storebrand Bank AS</b>			<b>Storebrand Bank Consolidated</b>		
<b>1998</b>	<b>1999</b>	NOK mill.	<b>1999</b>	<b>1998</b>	
47,2	53,7	Ordinary salaries		63,8	56,8
7,6	9,0	Employer's contribution		10,6	9,2
3,3	3,3	Other social security contributions *		3,8	3,7
3,1	3,7	Pension costs		4,4	3,8
61,2	69,7	Total staff costs		82,6	73,5
10,2	24,8	Equipment rentals and maintenance		25,2	10,7
9,0	9,5	Stationery, supplies and postage		9,8	9,2
3,8	4,3	Travel expenses and training expenses		4,7	4,2
24,2	20,8	Marketing and advertising		20,8	24,3
47,2	59,4	Total administration expenses		60,5	48,4
<b>108,4</b>	<b>129,1</b>	<b>Total staff costs and general administration expenses</b>		<b>143,1</b>	<b>121,9</b>
0,6	1,0	* expenses related to interest rate subsidies on loans to employees		1,2	0,7
142	154	Average number of employees calculated on a full-time basis		189	175

## Notes

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### Note 7: Other operating expenses

Storebrand Bank AS			Storebrand Bank Consolidated	
1998	1999	NOK mill.	1999	1998
17,2	11,2	Contract personell	12,0	17,5
4,4	4,3	Operating expenses on rented premises	5,8	5,9
53,1	58,3	Inter-company charges for services	60,6	54,8
0,0	0,0	Other operating expenses	3,2	2,3
<b>74,7</b>	<b>73,8</b>	<b>Total other operating expenses</b>	<b>81,6</b>	<b>80,5</b>

### Note 8: Credit and guarantee losses

#### Change in specified provision for credit losses to cover losses on loans to customers

Storebrand Bank AS			Storebrand Bank Consolidated	
1998	1999	NOK mill.	1999	1998
0,6	2,6	Specified provision for credit losses as of 1.1	232,0	263,8
		- This periods charge-offs covered by specified		
0,0	0,0	provisions made in previous years	-16,1	-8,8
0,7	0,1	+ Increase in specified provision for credit losses in the period	20,1	0,0
1,3	0,2	+ New specified provision for credit losses in the period	1,2	22,3
0,0	0,0	- Recoveries of loans in the period previously charged-off	-14,0	-45,3
<b>2,6</b>	<b>2,9</b>	<b>Specified provision for credit losses as of 31.12.</b>	<b>223,2</b>	<b>232,0</b>

The Bank has none specified provision for losses related to loans to other financial institutions.

#### Change in unspecified provision for credit losses to cover losses on loans to customers

Storebrand Bank AS			Storebrand Bank Consolidated	
1998	1999	NOK mill.	1999	1998
0,5	1,6	Unspecified provision for credit losses as of 1.1.	27,8	42,5
1,1	2,2	+/- Change in unspecified provision for credit losses in the period	-14,8	-14,7
<b>1,6</b>	<b>3,8</b>	<b>Unspecified provision for credit losses as of 31.12. *</b>	<b>13,0</b>	<b>27,8</b>

The Bank has none unspecified provision for losses related to loans to other financial institutions.

\* Figures for Storebrand Bank Consolidated includes unspecified provision for losses on guarantees.

#### Credit and guarantee losses etc.

Storebrand Bank AS			Storebrand Bank Consolidated	
1998	1999	NOK mill.	1999	1998
-2,0	-0,3	Change in specified provision for credit losses in the period	8,8	31,8
-1,1	-2,2	+ Change in unspecified provision for credit losses in the period	14,8	14,7
		+ Charge-offs in the period covered by specified		
0,0	0,0	provisions made in previous years	16,1	-5,5
		+ Charge-offs in the period not covered by provisions		
-0,2	-0,2	made in previous years	-2,2	-8,8
0,0	0,0	- Recoveries of loans in the period previously charged-off	31,3	45,3
<b>-3,3</b>	<b>-2,7</b>	<b>Total credit and guarantee losses in the period</b>	<b>36,6</b>	<b>77,5</b>

## Notes

### Note 9: Change in interest accrual on lending

Storebrand Bank AS			Storebrand Bank Consolidated		
1998	1999	NOK mill.	1999	1998	
0,0	0,2	Interest accrued but not recognised to profit and loss on loans in the balance sheet at 1.1. - Interest accrued in prior period recognised to profit and loss this period		0,2	0,0
0,2	0,0	- Interest accrued but not recognised to profit and loss on loans no longer in the balance sheet		0,0	0,2
0,0	0,0	+ Interest accrued but not recognised to profit and loss on bad and doubtful loans		0,0	0,0
0,0	0,0	<b>Interest accrued but not recognised to profit and loss on loans in the balance sheet at 31.12.</b>		0,0	0,0
<b>0,2</b>	<b>0,2</b>			<b>0,2</b>	<b>0,2</b>

### Note 10: Deferred tax/tax benefit

#### Storebrand Bank AS:

NOK mill.	1999		1998		Net change
	Positive	Negative	Positive	Negative	
Temporary differences:					
Securities	3,8		13,9		10,1
Operating assets	2,1		0,4		-1,7
Pension liabilities	8,6		6,1		-2,5
<b>Total temporary differences</b>	<b>0,0</b>	<b>14,5</b>	<b>0,0</b>	<b>20,4</b>	<b>5,9</b>
Loss carried forward	132,5		73,8		-58,7
Tax allowances carried forward	138,0		138,0		0,0
Set-off	0,0	0,0	0,0	0,0	0,0
<b>Net temporary differences</b>	<b>0,0</b>	<b>285,0</b>	<b>0,0</b>	<b>232,2</b>	<b>-52,8</b>
Limitation in deferred tax benefit	0,0		0,0		0,0
<b>Base for balance sheet entries</b>	<b>0,0</b>	<b>285,0</b>	<b>0,0</b>	<b>232,2</b>	<b>-52,8</b>
Tax	79,8		65,0		-14,8
<b>Deferred tax/tax benefit</b>	<b>0,0</b>	<b>79,8</b>	<b>0,0</b>	<b>65,0</b>	<b>-14,8</b>

#### Storebrand Bank Consolidated:

NOK mill.	1999		1998		Net change
	Positive	Negative	Positive	Negative	
Temporary differences:					
Securities	3,8		13,9		10,1
Operating assets	22,8		26,2		3,4
Provision for liabilities and charges	12,7		30,5		17,8
Prepaid pension	4,7		4,6		0,1
Pension liabilities	14,8		11,8		-3,0
Profit and loss account	7,6		9,5		1,9
<b>Total temporary differences</b>	<b>4,7</b>	<b>61,7</b>	<b>4,6</b>	<b>91,9</b>	<b>30,3</b>
Loss carried forward	698,9		661,6		-37,3
Tax allowances carried forward	139,6		139,6		0,0
Set-off	-4,7	-4,7	-4,6	-4,6	0,0
<b>Net temporary differences</b>	<b>0,0</b>	<b>895,5</b>	<b>0,0</b>	<b>888,5</b>	<b>-7,0</b>
Limitation in deferred tax benefit	-451,5		-439,4		12,1
<b>Base for balance sheet entries</b>	<b>0,0</b>	<b>444,0</b>	<b>0,0</b>	<b>449,1</b>	<b>5,1</b>
Tax	0,0	124,3	0,0	125,7	1,4
<b>Deferred tax/tax benefit</b>	<b>0,0</b>	<b>124,3</b>	<b>0,0</b>	<b>125,7</b>	<b>1,4</b>

## Notes

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### Note 11: Operating loss carried forward

NOK mill.	Storebrand Bank AS	Storebrand Bank Consolidated
Year		
1993	-	547,7
1994	-	18,7
1995	-	0,0
1996	10,0	10,0
1997	63,8	63,8
1999	58,7	58,7
<b>Total loss carried forward</b>	<b>132,5</b>	<b>698,9</b>

### Note 12: Loan and guarantees to elected representatives and employees

NOK mill.	Storebrand Bank AS 1999	Storebrand Bank AS 1998
Loans to and guarantees for employees <sup>1)</sup>	1 315,4	905,9
Loans to and guarantees for the CEO <sup>2)</sup>	2,4	0,0
Loans to and guarantees for the Chairman of the Board of Directors	0,0	0,0
Loans to and guarantees for other members of the Board of Directors <sup>3)</sup>	7,6	7,9

<sup>1)</sup> Relates to loans to employees of Storebrand ASA.

<sup>2)</sup> NOK 0,8 million level instalment loan repayable in monthly instalments to 2029, current interest rate 5,9%.

NOK 1,6 million term loan repayable in monthly instalments to 2014, current interest rate 7,05%.

<sup>3)</sup> 1999 figure includes loans of NOK 2,4 million from Storebrand Livsforsikring AS.

### Note 13: Loans

Storebrand Bank AS		Loans classified according to geographical location		Storebrand Bank Consolidated	
1998	1999	NOK mill.		1999	1998
1 952,6	2 135,3	Oslo		2 135,3	1 952,6
1 569,2	3 054,9	Eastern Norway		3 054,9	1 569,2
344,5	146,3	Southern Norway		146,3	344,5
542,1	884,9	Western Norway		884,9	542,1
507,3	489,5	Central Norway/Northern Norway		489,5	507,3
0,1	37,5	Abroad		37,5	0,1
4 915,7	6 748,4	Total loan		6 748,4	4 915,7
0,0	0,0	Receivables from customers within Storebrand Finans AS		289,4	324,9
<b>4 915,7</b>	<b>6 748,4</b>	<b>Total loans and receivables from customers</b>		<b>7 037,8</b>	<b>5 240,6</b>

## Notes

		Loans for principal sectors			
Storebrand Bank AS				Storebrand Bank Consolidated	
1998	1999	NOK mill.		1999	1998
0,2	0,2	<b>Sole proprietors/small business</b>		0,2	0,2
0,0	0,0	of this past due loans		0,0	0,0
0,0	0,0	of this non-performing assets		0,0	0,0
4 891,3	6 710,7	Specified provision for credit losses on loans to sole proprietors/small business		0,0	0,0
10,3	19,2	<b>Retail customers</b>		7 000,1	5 216,2
0,0	0,0	of this past due loans		308,6	335,2
2,6	2,9	of this non-performing assets		0,0	0,0
24,2	37,5	Specified provision for credit losses on loans to retail customers		223,3	232,0
0,0	0,0	<b>Abroad</b>		37,5	24,2
0,0	0,0	of this past due loans		0,0	0,0
0,0	0,0	of this non-performing assets		0,0	0,0
4 915,7	6 748,4	Specified provision for credit losses on loans to abroad		0,0	0,0
<b>Net loans and receivables from customers</b>				7 037,8	5 240,6

		<b>Lines of credit</b>		
<b>Storebrand Bank AS</b>			<b>Storebrand Bank Consolidated</b>	
<b>1998</b>	<b>1999</b>	NOK mill.	<b>1999</b>	<b>1998</b>
16,0	28,0	Drawn lines	28,0	16,0
34,2	58,4	Credit limit	58,4	34,2
47 %	48 %	Line utilisation	48 %	47 %

#### **Note 14: Past due loans and non-performing assets**

Past due loans and non-performing assets									
Storebrand Bank AS					Storebrand Bank Consolidated				
1996	1997	1998	1999	NOK mill.	1999	1998	1997	1996	
0,2	2,4	10,3	19,2	Past due loans	308,6	335,2	361,5	419,7	
-0,1	-0,6	-2,6	-2,9	Specified provision for credit losses	-223,2	-232,0	-263,8	-293,3	
0,1	1,8	7,7	16,3	Net past due loans	85,4	103,2	97,7	126,4	
0,0	0,0	0,0	0,0	Non-performing assets	0,0	0,0	0,0	0,0	
0,0	0,0	0,0	0,0	Specified provision for credit losses	0,0	0,0	0,0	0,0	
0,0	0,0	0,0	0,0	Net non-performing assets	0,0	0,0	0,0	0,0	
<b>0,1</b>	<b>1,8</b>	<b>7,7</b>	<b>16,3</b>	<b>Net past due loans and non-performing assets</b>	<b>85,4</b>	<b>103,2</b>	<b>97,7</b>	<b>126,4</b>	

Key figures									
Storebrand Bank AS					Storebrand Bank Consolidated				
1996	1997	1998	1999	NOK mill.	1999	1998	1997	1996	
2,4	2 040,9	4 915,7	6 748,3	Gross loans and receivables from customers					7 037,8
0,2	2,4	10,3	19,2	Past due loans					308,6
0,0	0,0	0,0	0,0	Non-performing assets					0,0
<b>0,2</b>	<b>2,4</b>	<b>10,3</b>	<b>19,2</b>	<b>Total past due loans and non-performing assets</b>					<b>308,6</b>
8,0 % 0,1 % 0,2 % 0,3 %				Total past due loans and nonperforming assets in percent of gross loans					4,4 %
50,0 % 25,0 % 25,2 % 15,1 %				Specified provision for credit losses in % of total past due loans and nonperforming assets					69,2 %
4,5 % 0,0 % 0,0 % 0,1 %				Unspecified provision for credit losses in % of net loans					0,1 %

# Notes

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## Note 15: Financial derivatives

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Storebrand Bank AS							Storebrand Bank Consolidated						
Nominal volume							Nominal volume						
Average	Gross	Net	Credit equivalent amount	Book value	Market value		Average	Gross	Net	Credit equivalent amount	Book value	Market value	
178,1	400,0	400,0	0,0	0,0	-0,1	Forward rate agreements	178,1	400,0	400,0	0,0	0,0	-0,1	
1 018,8	1 070,4	29,6	0,0	0,0	1,0	Interest rate swaps	1 018,8	1 070,4	29,6	0,0	0,0	1,0	

## Note 16: Securities

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Storebrand Bank AS							Storebrand Bank Consolidated							
Commercial paper and bonds			Other interest-earning securities				NOK mill.	Commercial paper and bonds			Other interest-earning securities			
Acquisition cost	Book value	Market value	Acquisition cost	Book value	Market value		Acquisition cost	Book value	Market value	Acquisition cost	Book value	Market value		
180,6	180,6	180,8	0,0	0,0	0,0	Norwegian government & govt. entities	180,6	180,6	180,8	0,0	0,0	0,0		
256,5	254,4	254,4	0,0	0,0	0,0	Public sector lending institutions	256,5	254,4	254,4	0,0	0,0	0,0		
19,9	20,0	20,0	0,0	0,0	0,0	Commercial banks	19,9	20,0	20,0	0,0	0,0	0,0		
47,8	47,9	47,9	0,0	0,0	0,0	Savings banks	47,8	47,9	47,9	0,0	0,0	0,0		
51,2	51,2	51,2	0,0	0,0	0,0	Mortgage lending institutions	51,2	51,2	51,2	0,0	0,0	0,0		
148,8	148,9	148,9	0,0	0,0	0,0	Norwegian regional authorities	148,8	148,9	148,9	0,0	0,0	0,0		
112,6	112,3	112,3	0,0	0,0	0,0	Norwegian municipal authorities	112,6	112,3	112,3	0,0	0,0	0,0		
41,1	40,0	40,0	0,0	0,0	0,0	State owned enterprises	41,1	40,0	40,0	0,0	0,0	0,0		
71,0	70,4	70,4	0,0	0,0	0,0	Municipal enterprises	71,0	70,4	70,4	0,0	0,0	0,0		
<b>Total current assets not valued as per Accounting Act §5-8</b>							<b>929,7</b>	<b>925,7</b>	<b>925,8</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>		
19,9	20,0	20,0	0,0	0,0	0,0	of which listed securities	19,9	20,0	20,0	0,0	0,0	0,0		
breakdown of current assets by currency:														
929,7	925,7	925,8	0,0	0,0	0,0	Norwegian kroner	929,7	925,7	925,8	0,0	0,0	0,0		

Average effective yield: Commercial paper 5.73%, bonds 6.09%.

## Note 17:

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Storebrand Bank AS							Storebrand Bank Consolidated						
Shares			Other securities				Shares			Other securities			
Acquisition cost	Book value	Market value	Acquisition cost	Book value	Market value		Acquisition cost	Book value	Market value	Acquisition cost	Book value	Market value	
0,0	0,0	0,0	0,0	0,0	0,0	<b>Total current assets not valued as per Accounting Act §5-8</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>2,6</b>	<b>2,6</b>	<b>2,6</b>	
0,0	0,0	0,0	0,0	0,0	0,0	of which listed securities	0,0	0,0	0,0	0,0	0,0	0,0	

## Notes

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### **Note 18: Shares in subsidiary and associated company**

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#### **Group companies:**

	Ownership interest (%)	Acquisition cost	Share in 1999 profit	Book value
NOK mill.				31.12.99
Storebrand Finans AS	100,0 %	95,9	39,5	95,9

Storebrand Finans AS is consolidated on the past equity method. The profit of Storebrand Finans AS is recognised in full as a dividend receipt by the parent company Storebrand Bank AS.

#### **Associated companies:**

	Ownership interest (%)	Acquisition cost	Share in 1999 profit	Book value
NOK mill.				31.12.99
Bertel O. Steen Finans AS	50,0 %	2,5	-0,4	2,1

The shareholding in Bertel O. Steen Finans AS was acquired in March 1999, and is consolidated on the equity method of accounting.

### **Note 19: Operating assets**

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Storebrand Bank AS							Storebrand Bank Consolidated						
1998			1999				1999			1998			
Machinery equipment	Real plant and assets	Intan- gible assets	Machin., plant and equipment	Real estate	Intan- gible assets	NOK mill	Machinery equipment	Real estate	Intan- gible assets	Machin., plant and equipment	Real estate	Intan- gible assets	
14,5	0,0	0,0	25,2	0,0	5,0	Acquisition cost 1.1.	27,2	0,0	5,0	16,5	0,0	0,0	
12,2	0,0	5,0	8,0	0,0	0,0	Additions during year	8,0	0,0	0,0	12,3	0,0	5,0	
-1,5	0,0	0,0	-0,2	0,0	0,0	Disposals at acquisition cost	-0,7	0,0	0,0	-1,7	0,0	0,0	
-8,0	0,0	-1,0	-15,5	0,0	-2,0	Accumulated depreciation and write-downs	-16,9	0,0	-2,0	-9,6	0,0	-1,0	
<b>17,2</b>	<b>0,0</b>	<b>4,0</b>	<b>17,4</b>	<b>0,0</b>	<b>3,0</b>	<b>Book value at 31.12.</b>	<b>17,5</b>	<b>0,0</b>	<b>3,0</b>	<b>17,5</b>	<b>0,0</b>	<b>4,0</b>	
<b>5,5</b>	<b>0,0</b>	<b>1,0</b>	<b>7,6</b>	<b>0,0</b>	<b>1,0</b>	<b>Ordinary depreciation for the year</b>	<b>7,7</b>	<b>0,0</b>	<b>1,0</b>	<b>5,8</b>	<b>0,0</b>	<b>1,0</b>	
4 year	5 year	4 year	5 year	Estimated economic life of the asset		3-4 year		5 year	3-4 year		5 year		

In the statement of income the straight line principle is applied, which is based on the estimated economic life of the asset.

### **Note 20: Other assets**

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Storebrand Bank AS			Storebrand Bank Consolidated		
1998	1999	NOK mill.	1999	1998	
1,6	5,9	Receivables group companies		5,9	1,6
65,0	41,7	Dividend from Storebrand Finans AS		0,0	0,0
3,4	3,7	Cash automatic teller-machines		3,7	3,4
1,0	2,4	Other assets		4,0	1,0
<b>71,0</b>	<b>53,6</b>	<b>Total other assets</b>		<b>13,6</b>	<b>6,0</b>

# Notes

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## **Note 21: Liabilities to other financial institutions**

<b>Storebrand Bank AS</b>			<b>Storebrand Bank Consolidated</b>	
<b>1998</b>	<b>1999</b>	NOK mill.	<b>1999</b>	<b>1998</b>
108,0	450,0	Due to Norges Bank <sup>1)</sup>	450,0	108,0
250,0	0,0	Due to commercial banks	0,0	250,0
0,0	70,0	Due to savings banks	70,0	0,0
<b>358,0</b>	<b>520,0</b>	<b>Total liabilities to other financial institutions</b>	<b>520,0</b>	<b>358,0</b>

All liabilities to other financial institutions are denominated in Norwegian kroner.

The average interest rate on borrowing from Norges Bank is 5.60% and the average maturity of such loans is 11 days.  
The average interest rate on borrowing from savings banks is 6.25%, with an average maturity of 3 days.

<sup>1)</sup> Securities pledged as security for fixed rate borrowing from Norges Bank amounted to NOK 597.2 million at 31.12.99.

## **Note 22: Deposits from and liabilities to customers**

<b>Deposits by type of account</b>			<b>Storebrand Bank Consolidated</b>	
<b>Storebrand Bank AS</b>		NOK mill.	<b>1999</b>	<b>1998</b>
643,6	838,2	Total current accounts	838,2	643,6
2 865,5	4 304,0	Total savings accounts	4 304,0	2 865,5
10,0	13,6	Total fixed term deposits	13,6	10,0
<b>3 519,2</b>	<b>5 155,8</b>	<b>Total deposits from and liabilities to customers</b>	<b>5 155,8</b>	<b>3 519,2</b>
Which represent the following break down by maturity:				
3 509,2	5 142,2	Deposits from and liabilities to customers with no fixed maturity	5 142,2	3 509,2
10,0	13,6	Deposits from and liabilities to customers for a fixed period	13,6	10,0

The average interest rate paid on deposits was 5.45% and the average maturity of deposits was 0.5 months.

Fixed term deposits (deposits on specific terms) attracted an average interest rate of 5.75% and had an average maturity of 0.5 months.

## **Deposits by type of depositor**

<b>Deposits by type of depositor</b>			<b>Storebrand Bank Consolidated</b>	
<b>Storebrand Bank AS</b>		NOK mill.	<b>1999</b>	<b>1998</b>
549,8	819,1	Commercial customers	819,1	549,8
2 923,2	4 233,2	Private individuals	4 233,2	2 923,2
46,2	103,5	Foreign depositors	103,5	46,2
<b>3 519,2</b>	<b>5 155,8</b>	<b>Total deposits from and liabilities to customers</b>	<b>5 155,8</b>	<b>3 519,2</b>

## **Note 23: Liabilities incurred by issuing securities**

<b>Storebrand Bank AS</b>			<b>Storebrand Bank Consolidated</b>	
<b>1998</b>	<b>1999</b>	NOK mill.	<b>1999</b>	<b>1998</b>
1 100,0	975,0	Commercial paper issued	975,0	1 100,0
549,6	549,8	Bond loans issued	549,8	549,6
<b>1 649,6</b>	<b>1 524,8</b>	<b>Total liabilities incurred by issuing securities</b>	<b>1 524,8</b>	<b>1 649,6</b>

The average effective yield on commercial paper issued is 6.27% and the average maturity is 3.9 months, whilst the average effective yield on bond loans is 6.16% with average maturity of 1.2 years and an average period to the next interest fixing date of 2.1 months.

Bond loans are due to redeem in full in 2001.

Any discount on the issue of securities is amortised as interest expense for the borrowing in question over the period to the next interest fixing date.

All liabilities incurred by issuing securities are denominated in Norwegian kroner.

## Notes

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### Note 24: Other liabilities

Storebrand Bank AS			Storebrand Bank Consolidated	
1998	1999	NOK mill.	1999	1998
15,8	0,4	Payable group companies	0,5	15,9
26,9	40,1	Money transfers	40,1	26,9
0,4	8,7	Other liabilities	11,1	1,6
<b>43,1</b>	<b>49,3</b>	<b>Total other liabilities</b>	<b>51,8</b>	<b>44,4</b>

### Note 25: Provision for liabilities and charges

Storebrand Bank AS			Storebrand Bank Consolidated	
1998	1999	NOK mill.	1999	1998
0,0	0,0	Unspecified provision for guarantees	9,2	26,2
6,1	8,4	Pension liabilities *	14,6	11,8
0,8	0,8	Other provisions	0,8	0,8
<b>6,9</b>	<b>9,2</b>	<b>Total provision for liabilities and charges</b>	<b>24,6</b>	<b>38,8</b>

\* See note 5 - Pension cost and pension liabilities

### Note 26: Share capital

NOK			
Number of shares in Storebrand Bank AS			125 000
Nominal value			1 000
Share capital			125 000 000

Storebrand Bank AS is a wholly owned subsidiary (100% interest) of Storebrand ASA.

### Note 27: Change in equity

Storebrand Bank AS	1999				1998			
	Share capital	Share premium	Other funds	Total equity	Share capital	Share premium	Other funds	Total equity
<b>NOK mill.</b>								
Equity as of 1.1.	100,0	319,7	130,1	549,8	75,0	196,8	36,0	307,7
New equity	25,0	150,0	0,0	175,0	25,0	75,0	0,0	100,0
Net income for the year	0,0	0,0	3,1	3,1	0,0	47,9	94,1	142,0
<b>Equity as of 31.12.</b>	<b>125,0</b>	<b>469,7</b>	<b>133,2</b>	<b>727,9</b>	<b>100,0</b>	<b>319,7</b>	<b>130,1</b>	<b>549,7</b>

Storebrand Bank Consolidated	1999				1998			
	Share capital	Share premium	Other funds	Total equity	Share capital	Share premium	Other funds	Total equity
<b>NOK mill.</b>								
Equity as of 1.1.	100,0	319,7	151,9	571,6	75,0	196,8	188,1	459,9
New equity	25,0	150,0	0,0	175,0	25,0	75,0	0,0	100,0
Net income for the year	0,0	0,0	3,1	3,1	0,0	47,9	-36,2	11,7
<b>Equity as of 31.12.</b>	<b>125,0</b>	<b>469,7</b>	<b>155,0</b>	<b>749,7</b>	<b>100,0</b>	<b>319,7</b>	<b>151,9</b>	<b>571,6</b>

## Notes

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### Note 28: Restatement of accounts in accordance with new accounting legislation

Storebrand Bank AS			Storebrand Bank Consolidated	
01.01.1998	01.01.1999	NOK mill.	01.01.1999	01.01.1998
271,8	419,7	Equity as of 31.12. last year in accordance with old accounting legislation	445,8	334,9
36,0	65,0	Implementation of deferred tax	125,8	125,0
0,0	65,0	Dividends from Storebrand Finans AS	0,0	0,0
<b>307,7</b>	<b>549,7</b>	<b>Equity in accordance with new accounting legislation</b>	<b>571,6</b>	<b>459,9</b>

### Note 29: Capital adequacy

Storebrand Bank AS			Storebrand Bank Consolidated	
1998	1999	NOK mill.	1999	1998
0,0	0,0	Assets included in the trading portfolio	0,0	0,0
3 073,1	4 077,2	Assets not included in the trading portfolio	4 023,1	3 046,2
0,0	9,1	Off-balance-sheet items	22,3	48,9
0,0	0,0	Currency risk	0,0	0,0
3 073,1	4 086,3	Total risk-weighted assets	4 045,4	3 095,1
549,7	727,8	Core capital	745,0	566,9
0,0	0,0	Supplementary capital	0,0	0,0
69,0	82,8	Deduction for intangible assets	127,3	129,8
480,7	645,0	Total capital	617,7	437,1
15,6 %	15,8 %	Total capital ratio	15,3 %	14,1 %
549,7	727,8	Booked equity	749,7	571,6
549,7	727,8	- Core capital	745,0	566,9
0,0	0,0	Net	4,7	4,6
0,0	0,0	Overfinancing of pension liabilities	4,7	4,6
0,0	0,0	Total	4,7	4,6

## Notes

### **Note 30: Residual maturity on balance sheet items for Storebrand Bank AS**

NOK mill.	1-30 Days	31 Days to 90 Days	91 Days to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total
Cash and due from central banks	28,1						28,1
Interest-earning deposits with banks	1,7						1,7
Net loans	1,0	5,6	53,7	418,8	6 262,4		6 741,6
Securities	20,0	313,7	249,2	302,8	40,0		925,7
Other assets with fixed maturity	13,1	11,4	47,7	149,2	29,2		250,6
Assets with no fixed maturity						98,0	98,0
<b>Total assets</b>	<b>63,9</b>	<b>330,7</b>	<b>350,6</b>	<b>870,8</b>	<b>6 331,6</b>	<b>98,0</b>	<b>8 045,7</b>
Loan from banks	520,0						520,0
Interest-bearing deposits	1 257,6	13,6			3 884,6		5 155,8
Commercial paper	100,0	425,0	450,0	549,8			1 524,8
Other liabilities with fixed maturity	61,2	10,3	13,7	23,7	8,4		117,3
Shareholders' equity						727,8	727,8
<b>Total liabilities and shareholders' equity</b>	<b>1 938,8</b>	<b>448,9</b>	<b>463,7</b>	<b>573,5</b>	<b>3 893,0</b>	<b>727,8</b>	<b>8 045,7</b>
Liquidity exposure gap on balance sheet items	-1 874,8	-118,2	-113,1	297,3	2 438,6	-629,8	0,0
Receipts/payments of derivates not recorded in the balance sheet	-	-	-	-	-	-	-
Net all items	-1 874,8	-118,2	-113,1	297,3	2 438,6	-629,8	0,0

Storebrand Bank AS has established a committed line of credit facility of NOK 1.000 mill., of which NOK 0 has been drawn.

### **Note 31: Interest Rate Gap Analysis - Storebrand Bank AS**

NOK mill.	1-30 Days	31 Days to 90 Days	91 Days to 1 Year	1 Year to 5 Years	Over 5 Years	Noninterest sensitive	Total
Cash and due from central banks	28,1						28,1
Interest-earning deposits with banks	1,7						1,7
Net loans		6 188,3		449,0	104,2		6 741,6
Securities	20,0	313,7	249,2	302,8	40,0		925,7
Other interest-earning assets						250,6	250,6
Noninterest-earning assets						98,0	98,0
<b>Total assets</b>	<b>49,8</b>	<b>6 502,1</b>	<b>249,2</b>	<b>751,9</b>	<b>144,2</b>	<b>348,6</b>	<b>8 045,7</b>
Loan from banks	520,0						520,0
Interest-bearing deposits		5 155,8					5 155,8
Commercial paper	100,0	425,0	450,0	549,8			1 524,8
Other interest-bearing liabilities						117,3	117,3
Shareholders' equity						727,8	727,8
<b>Total liabilities and shareholders' equity</b>	<b>620,0</b>	<b>5 580,8</b>	<b>450,0</b>	<b>549,8</b>	<b>-</b>	<b>845,1</b>	<b>8 045,7</b>
Interest exposure gap on balance sheet items	-570,2	921,3	-200,8	202,1	144,2	-496,5	0,0
Interest exposure gap, average of total assets	-8 %	13 %	-3 %	3 %	2 %	-7 %	0 %

# Notes

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## Statement of cash flows

Storebrand Bank AS			Storebrand Bank Consolidated	
1998	1999	NOK mill.	1999	1998
<b>Cash flows from operating activities:</b>				
-3 724,4	-3 242,4	Payments made on loans to customers	-3 242,4	-3 724,4
863,2	1 433,7	Payments received on loans to customers	1 461,3	897,4
-118,0	-81,9	Payments made on credit lines and overdraft	-81,9	-118,0
105,2	64,6	Payments received on credit lines and overdraft	64,6	105,2
9 837,6	10 861,4	Interest-bearing deposits from customers	10 861,4	9 837,6
-7 290,8	-9 459,6	Repayment of customer deposits	-9 459,6	-7 290,8
226,3	450,6	Interests and commissions received	515,0	306,5
66,6	25,9	Other income	25,9	66,6
-21,3	-24,0	Interests and commissions paid	-24,0	-21,4
-172,1	-191,0	Noninterest expenses paid	-215,4	-203,1
-12,2	-8,0	Investment in and sale of operating assets	-8,0	-12,2
<b>-239,9</b>	<b>-170,7</b>	<b>Net cash flows provided by operating activities</b>	<b>-103,1</b>	<b>-156,5</b>
<b>Cash flows from investing activities:</b>				
173,3	600,6	Receipts on sale of short-term investments in bonds	600,6	173,3
-653,6	-663,9	Payments on purchases of short-term investments in bonds	-663,9	-653,6
429,3	772,7	Receipts on sale of short-term investments in commercial paper	772,7	429,3
-461,6	-734,5	Payments on purchases of short-term investments in commercial paper	-734,5	-461,6
19,9	60,3	Interest on securities received	60,3	19,9
-5,1	-2,5	Payments on purchase of shares	-2,5	-5,1
<b>-497,8</b>	<b>32,8</b>	<b>Net cash flows provided by investing activities</b>	<b>32,8</b>	<b>-497,8</b>
<b>Cash flows from financing activities and other liquidity financing:</b>				
100,0	175,0	Infows of share capital	175,0	100,0
800,0	-125,0	Net receipts/payments on the issue of commercial paper	-125,0	800,0
-317,0	162,0	Net receipts/payments on loans from credit institutions	162,0	-317,0
-108,4	-132,2	Interest paid on other liquidity financing	-132,2	-108,4
138,0	65,0	Net receipts/payments on dividends	0,0	0,0
<b>612,6</b>	<b>144,8</b>	<b>Net cash flows from financing activities and other sources of liquidity</b>	<b>79,8</b>	<b>474,6</b>
-125,1	6,9	Net change in cash flow	9,5	-179,7
148,0	22,9	+ Cash at 1.1.	83,4	263,1
<b>22,9</b>	<b>29,8</b>	<b>= Cash at 31.12.</b>	<b>92,9</b>	<b>83,4</b>
which consist of:				
22,1	28,1	Cash and due from central banks	28,1	22,1
0,8	1,7	Interest-bearing deposits with banks	62,2	39,4
0,0	0,0	Other interest-earning securities	2,6	21,9

## Auditors report for 1999

### Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of Storebrand Bank AS as of 31 December 1999, showing a profit of MNOK 3,1 for the parent company and a profit of MNOK 3,1 for the group. We have also audited the information in the Director's report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and other information according to the requirements of the Norwegian Act on Auditing and Auditors.

### Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant accounting estimates made by management, as

well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards and practices an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion,

- the financial statements have been prepared in accordance with law and regulations of the Act on Commercial Bank and the Companies Act and present the financial position of the Company and of the Group as of December 31, 1999, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway.
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit/coverage of the loss is consistent with the financial statements and comply with the law and regulations.

Oslo, 22 February 2000  
KPMG AS

Translation, not to be signed

Arne Frogner  
*State Authorised Public Accountant*

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

Storebrand Bank AS  
**Control Committee's Statement 1999**

The Control Committee of Storebrand Bank AS has reviewed the Board of Directors' proposed Annual Accounts for 1999.

With reference to the auditor's report of 22 February 2000 the Control Committee recommends that the Income Statement and the Balance Sheet are adopted as the Accounts of Storebrand Bank AS for 1999.

Oslo, 10 March 2000

Translation, not to be signed

Hanne Harlem  
*Chairman of the Control Committee*

Storebrand Bank AS  
**Board of Representative's Statement 1999**

The Board of Directors' proposal for the Annual Report and Accounts, together with the Auditor's report and the Control Committee's statement have, in the manner required by law, been presented to the Board of Representatives. The Board of Representatives recommends that the Annual General Meeting approve the Board of Director's proposal

for the Profit and Loss Account for 1999 and the 31 December 1999 Balance Sheet for Storebrand Bank AS.

The Board of Representatives recommends the Board of Director's proposal to the appropriation of the profit for 1999.

Oslo, 14 March 2000

Translation, not to be signed

Sven Ullring  
*Chairman of the Board of Representatives*







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