

## **Press release**

# **SpareBank 1 Nord-Norge**

## **Preliminary report and accounts 2003**

**SpareBank 1 Nord-Norge earns NOK 273 million in 2003. Banking operations doing well, but credit losses are higher.**

SpareBank 1 Nord-Norge today presents its preliminary report and accounts for 2003. The Bank's underlying banking operations put in a good performance, but credit losses were higher than in 2002.

The preliminary accounts for 2003 show a profit of NOK 273 million after credit losses, but before tax. This is a NOK 115 million improvement on 2002. NOK 318 million has been set aside for credit losses, NOK 73 million up on 2002. The bulk of the loss provisions was in the marine sector. Group assets totalled NOK 40.9 million at the end of 2003.

The Bank enjoyed significant growth within the savings area. Deposits were up by some NOK 1.5 billion and the sale of other savings products amounted to NOK 358 million. Aggregate loans expanded by 9.8 per cent ; the retail banking area accounted for the strongest rate of growth, 15.5 per cent in relation to 2002. The Bank's overall effectiveness has improved, partly through a voluntary reduction in staff numbers amounting to 107 man-years.

The Bank's main Board of Directors is of the opinion that SNN is well placed to actively meet the challenges and make the most of the opportunities within the Bank's area of operations. Furthermore, the Bank's financial position is strong. The Bank's capital adequacy ratio has improved from 9.99 per cent in 2002 to 11.82 per cent at the end of 2003, the core capital ratio amounting to 9.03 per cent. The after-tax return on equity capital for 2003 ended up at 9.04 per cent.

A dividend of NOK 14.00 payable on each Primary Capital Certificate (PCC) has been proposed. The final decision on this will be made by the Bank's Board of Trustees at its meeting on 24 March this year.

More details about the various areas of the Group's operations can be found in the attached financial information.

Any questions should be directed to Hans Olav Karde, Managing Director, telephone number 77 62 24 01 or Oddmund Aasen, Deputy Managing Director, telephone number 77 62 20 94.

Tromsø, 4 February 2004  
**Sparebanken Nord-Norge**

Kjell Kolbeinsen  
Head of Information and Public Relations Department

## **UNDERLYING BANKING OPERATIONS DOING WELL, BUT LOSS PROVISIONS ARE UP**

**Pre-tax operating result NOK 273 million (2002: NOK 158 million)**

**Increased loss provisions at NOK 318 million (2002: NOK 245 million)**

**Staff numbers reduced by NOK 107 man-years**

**Significant savings growth:**

**Deposits up by NOK 1,484 million**

**Sale of other savings products up by NOK 358 million**

**Strong loan growth within the retail banking market – 15.5 per cent up on 2002**

**Strong improvement in SpareBank 1 Gruppen AS's result**

**9.04 per cent after-tax return on equity capital**

**NOK 14.01 earnings/profit per PCC (Primary Capital Certificate)**

**NOK 14.00 proposed cash dividend per PCC**

### **From the Profit and Loss Account**

SpareBank 1 Nord-Norge's ordinary operating result – after credit losses, but before tax – totalled NOK 273 million for 2003. This is equivalent to 0.69 per cent of average assets. The corresponding figures for 2002 were NOK 158 million and 0.43 per cent respectively. The Group's after-tax return on equity capital ended up at 9.04 per cent. Earnings/profit per PCC totalled NOK 14.01. The taxation cost has been estimated at NOK 62 million. The 'RISK' amount for 2003 has been calculated at NOK 0.01 per PCC.

In relation to 2002, the main reasons for the improved 2003 result are as follows:

The annual profit for allocation has been divided between the Savings Bank's Fund and the PCC capital in accordance with their relative shares of the Parent Bank's equity capital as at 1.1.2003.

Increase in net interest income	+ NOK 17 million
Net income, gains and value changes relating to foreign exchange and securities	+ NOK 5 million
SpareBank 1 Gruppen AS	+ NOK 156 million
Increase in other (non-interest) income	+ NOK 31 million
Increased costs	- NOK 21 million
Increase in net losses on loans	- NOK 73 million

The result from the Group's core operations (i.e. excluding securities, SpareBank 1 Gruppen AS and loan losses) improved by NOK 34 million during the last 12 months.

### **Proposed allocation of profit for the year**

The Board of Directors proposes to the Bank's Board of Trustees that a NOK 14.00 cash dividend is paid on each PCC, totalling NOK 92.4 million, and that NOK 0.1 million is transferred to the Dividend Equalisation Fund.

Parent Bank profit for the year NOK 210 million

Allocated as follows:

Cash dividend	NOK 92 million
Dividend Equalisation Fund	NOK 0 million
Donations	NOK 15 million
Savings Bank's Fund	<u>NOK 103 million</u>
Total allocations	<u>NOK 210 million</u>

The Bank's PCC goes ex dividend on 25 March 2004.

### **Net interest income and average interest margin**

Group net interest income was NOK 17 million up on 2002, totalling NOK 1,038 million. In relation to average assets this amounted to 2.64 per cent, after a shrinkage of 0.15 percentage point during the last 12 months. The fourth quarter of 2003 recorded an interest margin of 2.63 per cent. Net interest income in 2003 was affected by changes in Norges Bank's signal rate and by the increase in the amount of interest not booked as income as a result of a higher net level of bad and doubtful commitments.

### **Net income from banking services**

Net other (non-interest) income, excluding income from foreign exchange and securities, amounted to NOK 325 million in 2003. This amount includes net commissions and income from banking services, as well as other operating income.

### **Sale of other financial products and services**

SpareBank 1 Nord-Norge intends to boost income from risk-free areas by offering a broad range of products within the savings- and placement market and through the sale of non-life insurance.

In 2003, commissions earned from these product areas amounted to NOK 95.0 million, up from NOK 84.0 million in 2002 and NOK 86.0 million in 2001.

SpareBank 1 Nord-Norge is a big player within the savings- and placement market in the region. Deposits from customers were up by NOK 1,484.0 million in 2003, whereas the sale of other savings – and placement products amounted to NOK 358.0 million.

The Bank will continue to make every effort to increase revenue generation from risk-free areas.

### **Income from foreign exchange and securities**

In 2003, the net result from foreign exchange and securities, plus the return/dividends from securities, totalled NOK 49 million, up from NOK 44 million in 2002.

The 2003 net result of NOK 49 million is arrived at as follows:

Net gains from foreign exchange	+ NOK 36 million
Dividends	+ NOK 3 million
Net realised/unrealised gains/losses	

and value change relating to securities

+ NOK 10 million

### **Subsidiaries**

In 2003, the Bank's subsidiaries achieved an aggregate after-tax operating result of NOK 12.9 million, up from NOK 4.1 million in 2002.

### **SpareBank 1 Gruppen AS**

The SpareBank 1 alliance is a Nordic banking- and product joint venture – the SpareBank 1 banks in Norway work together through the jointly-owned holding company, SpareBank 1 Gruppen AS.

The equity stake in SpareBank 1 Gruppen AS must be regarded as participation in a joint venture and is shown in the Bank's accounts in accordance with the equity method of accounting. This means that the Bank's 2003 accounts include a 14.08 per cent share of SpareBank 1 Gruppen AS's result.

In 2003, SpareBank 1 Gruppen AS made an preliminary after-tax loss of NOK 54 million (compared with a loss of NOK 1,290 in 2002). SpareBank 1 Nord-Norge's share of SpareBank 1 Gruppen AS's loss is NOK 8 million (as against a loss of NOK 163 million in 2002). SpareBank 1 Gruppen AS's final result looks like being somewhat better than the preliminary prognosis. A correction in respect of this expected change will be incorporated in the Bank's first quarter accounts this year.

The improved result has been achieved through a programme aimed at improving overall effectiveness within the SpareBank 1 Gruppen. Comprehensive changes relating to the management of the group have been implemented, with particular emphasis on risk management. Effective operations, enhanced competence levels and improved profitability represent key areas which have been focused on.

The efficiency improvement programme, which was initiated at the beginning of the fourth quarter of 2002, will be producing an annual efficiency improvement bonus of NOK 244 million, the full impact of which will be seen from 2004.

FoereningsSparBanken is the largest shareholder in SpareBank 1 Gruppen AS with 25 per cent. SpareBank 1 and FoereningsSparBanken renewed their joint venture agreement at the beginning of February 2003.

In 2003, SpareBank 1 Gruppen AS sold operations units which had so far failed to achieve the targeted results and required business volumes. SpareBank 1 Gruppen AS sold its 65 per cent shareholding in EnterCard in 2003.

Sparebanken Vest left the alliance at the end of 2003 but will continue to sell SpareBank 1 products.

**Operating costs**

In 2003, total Group operating costs amounted to NOK 814 million, up by NOK 21 million or 2.6 per cent on 2002.

However, operating costs in relation to average assets improved from 2.17 per cent in 2002 to 2.07 per cent in 2002.

The increase in costs in cash terms is due to NOK 14 million earmarked for restructuring measures relating to a shrinkage of overall manning levels, coupled with a NOK 4 million rise in pension costs. In 2003, the Bank reduced staff levels by 107 man-years and sold 8 bank buildings.

**Higher credit losses**

As expected at the beginning of 2003, commitments in default and bad and doubtful commitments have been at a high level. This is primarily ascribable to the fact that the marine sector in the region had a difficult year in 2003 too. However, by the end of the year, the level of commitments in default had improved, partly as a result of significantly lower interest rates and a weaker Norwegian krone.

In 2003, NOK 318 million was charged to the profit and loss account in respect of specific losses, representing 0.86 per cent of gross loans, up from NOK 203 million and 0.60 per cent respectively in 2002.

The corporate- and retail banking markets accounted for NOK 298 million and NOK 20 million respectively of total specific loan losses.

80 per cent of total corporate losses in 2003 came from export-related businesses (especially the fishing industry and fish farming).

At the end of 2003, net commitments in default and bad and doubtful commitments totalled NOK 644 million – down by NOK 72 million on 2002 – representing 1.75 per cent of gross lending. The corresponding ratio in 2002 was 2.13 per cent.

Non-specific loss provisions amounted to NOK 322 million, unchanged since last year. The Board of Directors deemed it appropriate not to increase the level of provisions, due to the fact that there has been a reduction in commitments in default, and as the level of corporate loans only went up by 3 per cent in 2003. Non-specific loss provisions represent 0.87 per cent of total loans.

**Assets**

At the end of 2003, Group assets stood at NOK 40,892 million, up by NOK 3,013 or 8.0 per cent during the last 12 months.

**Loans**

Gross lending expanded 9.8 per cent, from NOK 33,574 million in 2002 to NOK 36,869 million at the end of 2003. The retail banking- and corporate markets grew by 15.5 and

3.1 per cent respectively, whereas public sector customers borrowed less than the year before. Retail banking-, corporate- and public sector borrowers accounted for 58, 41 and 1 per cent respectively of total loans.

In order to maintain overall credit risk at an acceptable level as far as its lending activities are concerned, the Bank attaches particular importance to borrowers' ability to service their loans, and to satisfactory security coverage.

### **Deposits from customers**

In 2003, deposits from customers went up by NOK 1,484 million or 7.4 per cent to NOK 21,666 million. Retail banking-, corporate- and public sector deposits increased by 8.0, 5.5 and 9.3 per cent respectively.

The levels of gross loans and deposits from customers showed internally generated financing of 58.8 per cent at the end of 2003, down from 60.1 per cent a year earlier.

### **Equity capital and capital adequacy ratio**

In 2003, risk-weighted assets increased by NOK 2,414 million or 9.1 per cent to NOK 29,009 million. During the first half of 2003, the Bank boosted its core capital by issuing a US\$ 60 million bond in the US market.

At the end of 2003, the core capital – after deduction of items which are not to be included when core capital is calculated – totalled NOK 2,619 million. This is equivalent to a core capital adequacy ratio of 9.03 per cent, up from 7.87 per cent at the end of 2002. The Parent Bank's core capital coverage ended up at 9.26 per cent.

Aggregate equity and related capital at the end of 2003 was NOK 3,431 million, after deduction of equity participations in other financial institutions. This produces a capital adequacy ratio of 11.82 per cent, up from 9.99 per cent in 2002.

During the first quarter of 2004, the Bank will be repaying NOK 269 million of its outstanding subordinated loans, which were refinanced before the end of 2003. After adjusting for these repayments, the capital adequacy ratio will amount to 10.90 per cent.

### **The Bank's PCC-holders**

The Bank has a NOK 659.7 million PCC-capital. Since the beginning of the year, the number of PCC-holders has increased by 821 to 4,320. As at 31.12.2003, there were 1,774 PCC-holders domiciled in Nord-Norge. A summary of the Bank's 20 largest PCC-holders is included in Notes to the Accounts.

### **Automated services**

SpareBank 1 Nord-Norge now has some 69,000 customers with an Internet bank agreement; about 52,000 of whom are active users of this service. More and more customers seem to want to opt for self-service, taking advantage of the various forms of automated services offered by the Bank. Bills paid through our Internet bank accounted

for 32.0 per cent of total giro transfers in 2003, after a 10.6 per cent increase during the last 12 months.

Giro transfers paid through our Internet bank, corporate net or telephone bank represented some 85 per cent of all giro transactions at the end of 2003.

### **Summary**

In 2003, SpareBank 1 Nord-Norge managed to strengthen its market position, particularly within the retail banking sector. In addition, the Bank succeeded in enhancing overall effectiveness levels, preparing the ground for a more aggressive operational approach, through a reduction of total staff numbers, without this having had any adverse impact on the working environment and the level of output.

As far as the overall result is concerned, there were many positive factors in 2003. The ordinary banking operations are being improved all the time and despite large credit losses the after-tax return on equity capital ended up at 9.04. There is reason to believe that results will improve in 2004 – in this connection a reduction in the level of loss provisions will be the most important factor. On the other hand, the very low level of interest rates will mean that income derived from certain investment activities (particularly deposits) will be reduced.

Tromsø, 3 February 2004

**The main Board of Directors of SpareBank 1 Nord-Norge**

## PROFIT AND LOSS ACCOUNT

(AMOUNTS IN NOK MILLION)

### PARENT BANK

31.12.01	4th Q.02	4th Q.03	31.12.02	31.12.03	
2 889	776	487	2 972	2 448	Interest- and similar income
1 957	514	223	1 953	1 418	Interest- and similar costs
932	262	264	1 019	1 030	Net interest- and credit commission income
47	-10	-1	23	15	Dividends and other income from securities with variable yield
-57	-39	-6	-163	-7	Income from shareholdings in Group companies
296	75	90	302	329	Commission income and revenues from banking services
72	20	20	76	75	Commission costs and expenditure generated from banking services
0	-9	38	24	46	Net change in value and gains/losses from securities and foreign exch.classified as curr. assets
9	5	4	12	9	Other operating income
223	4	105	122	317	Total other income
1 155	265	369	1 141	1 347	Total net income
540	151	156	570	596	Wages, salaries and general administration costs
57	10	7	53	45	Depreciation etc. of fixed and intangible assets
119	29	31	124	126	Other operating costs
716	190	194	747	767	Total costs
439	76	175	394	580	Result before losses and tax
136	83	118	239	314	Losses on loans, guarantees etc.
0	0	0	0	0	Write-downs/reversed write-downs and gains/losses on securities classified as fixed assets
136	83	118	239	314	Net losses and write-downs
303	-8	57	155	266	Result before tax
99	1	14	92	56	Tax payable on ordinary result
204	-9	43	63	210	Result from ordinary operations after tax
					Minority interests
204	-9	43	63	210	Profit for the year
					TRANSFER AND ALLOCATIONS
					Transfer from funds
-60			-86		Transferred from the Fund for Evaluation Differences
-60			-86		Total transfer from funds
					Allocation of profit for the year
99			66	92	Return on Primary Capital Certificates
				15	Donations
					Transferred to the Fund for Evaluation Differences
138			81	103	Transferred to the Savings Bank's Fund
27			2	0	Transferred to the Dividend Equalisation Fund
264			149	210	Total allocations
204			63	210	TOTAL TRANSFER AND ALLOCATIONS

(AMOUNTS IN NOK MILLION)

### GROUP

31.12.01	31.12.02	4th Q.03	4th Q.02	31.12.01
2 452	2 965	466	774	2 880
1 414	1 944	200	511	1 948
1 038	1 021	266	263	932
3	20	0	-5	37
-7	-163	-6	-39	-57
355	328	97	82	310
86	85	22	22	72
46	24	38	-9	0
56	51	16	16	44
367	175	123	24	262
1 405	1 196	389	287	1 194
647	619	172	167	584
59	68	10	14	70
108	106	28	28	93
814	793	210	209	747
591	403	179	78	447
318	245	120	88	138
0	0	0	0	0
318	245	120	88	138
273	158	59	-10	309
62	94	16	-1	104
211	64	43	-9	205
1	1	1	0	1
210	63	42	-9	204

## PROFIT AND LOSS ACCOUNT

(IN % P.A. OF AVERAGE ASSETS)

### PARENT BANK

31.12.01	4th Q.02	4th Q.03	31.12.02	31.12.03	
8,43 %	8,27 %	4,81 %	8,13 %	6,22 %	Interest- and similar income
5,71 %	5,48 %	2,20 %	5,34 %	3,60 %	Interest- and similar costs
2,72 %	2,79 %	2,61 %	2,78 %	2,62 %	Net interest- and credit commission income
0,14 %	-0,10 %	-0,01 %	0,06 %	0,04 %	Dividends and other income from securities with variable yield
-0,17 %	-0,41 %	-0,06 %	-0,45 %	-0,02 %	Income from shareholdings in Group companies
0,86 %	0,80 %	0,89 %	0,83 %	0,84 %	Commission income and revenues from banking services
0,21 %	0,21 %	0,20 %	0,21 %	0,19 %	Commission costs and expenditure generated from banking services
0,00 %	-0,09 %	0,38 %	0,07 %	0,12 %	Net change in value and gains/losses from securities and foreign exch.classified as curr. assets
0,03 %	0,06 %	0,04 %	0,03 %	0,02 %	Other operating income
0,65 %	0,04 %	1,04 %	0,33 %	0,81 %	Total other income
3,37 %	2,83 %	3,64 %	3,12 %	3,42 %	Total net income
1,58 %	1,61 %	1,54 %	1,56 %	1,51 %	Wages, salaries and general administration costs
0,17 %	0,10 %	0,07 %	0,14 %	0,11 %	Depreciation etc. of fixed and intangible assets
0,35 %	0,31 %	0,31 %	0,34 %	0,32 %	Other operating costs
2,09 %	2,02 %	1,92 %	2,04 %	1,95 %	Total costs
1,28 %	0,81 %	1,73 %	1,08 %	1,47 %	Result before losses and tax
0,40 %	0,89 %	1,17 %	0,65 %	0,80 %	Losses on loans, guarantees etc.
0,00 %	0,00 %	0,00 %	0,00 %	0,00 %	Write-downs/ reversed write-downs and gains/ losses on securities classified as fixed assets
0,40 %	0,89 %	1,17 %	0,65 %	0,80 %	Net losses and write-downs
0,88 %	-0,08 %	0,56 %	0,42 %	0,68 %	Result before tax
0,29 %	0,01 %	0,14 %	0,25 %	0,14 %	Tax payable on ordinary result
0,60 %	-0,10 %	0,42 %	0,17 %	0,53 %	Result from ordinary operations after tax

(IN % P.A. OF AVERAGE ASSETS)

### GROUP

31.12.01	31.12.02	4th Q.03	4th Q.02	31.12.01
6,23 %	8,11 %	4,60 %	8,25 %	8,41 %
3,59 %	5,32 %	1,97 %	5,44 %	5,69 %
2,64 %	2,79 %	2,63 %	2,80 %	2,72 %
0,01 %	0,05 %	0,00 %	-0,05 %	0,11 %
-0,02 %	-0,45 %	-0,06 %	-0,41 %	-0,17 %
0,90 %	0,90 %	0,96 %	0,88 %	0,91 %
0,22 %	0,23 %	0,22 %	0,24 %	0,21 %
0,12 %	0,07 %	0,38 %	-0,09 %	0,00 %
0,14 %	0,14 %	0,16 %	0,17 %	0,13 %
0,93 %	0,48 %	1,21 %	0,25 %	0,76 %
3,57 %	3,27 %	3,84 %	3,06 %	3,49 %
1,64 %	1,69 %	1,70 %	1,78 %	1,71 %
0,15 %	0,19 %	0,10 %	0,15 %	0,20 %
0,27 %	0,29 %	0,28 %	0,30 %	0,27 %
2,07 %	2,17 %	2,07 %	2,22 %	2,18 %
1,50 %	1,10 %	1,77 %	0,83 %	1,31 %
0,81 %	0,67 %	1,18 %	0,94 %	0,40 %
0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
0,81 %	0,67 %	1,18 %	0,94 %	0,40 %
0,69 %	0,43 %	0,58 %	-0,10 %	0,90 %
0,16 %	0,26 %	0,16 %	-0,01 %	0,30 %
0,54 %	0,17 %	0,42 %	-0,10 %	0,60 %



**BALANCE SHEET**

(AMOUNTS IN NOK MILLION)

**PARENT BANK**

(AMOUNTS IN NOK MILLION)

**GROUP**

31.12.01	31.12.02	31.12.03	ASSETS	31.12.03	31.12.02	31.12.01
345	436	548	Cash-in-hand and claims on central banks	548	436	345
659	848	709	Loans to and claims on credit institutions	101	289	184
30 850	33 344	36 573	Loans to and claims on customers	36 869	33 574	30 973
241	351	495	- specific loss provisions	503	357	245
278	318	318	- non-specific loss provisions	322	322	281
30 331	32 675	35 760	Net loans to and claims on customers	36 044	32 895	30 447
7	9	7	Reposessed assets	8	9	7
1 908	2 186	2 435	Certificates, bonds and other interest-bearing securities with fixed yield	2 435	2 186	1 908
825	595	369	Shares and other securities with variable yield	372	596	827
319	266	258	Equity stakes in associated companies and joint ventures	258	266	319
145	147	152	Equity stakes in Group companies	0	0	0
29	22	9	Deferred tax benefit	38	56	58
144	134	131	Fixed assets	553	565	591
94	84	50	Other assets	59	93	119
461	488	471	Prepayments and accrued income	476	488	461
35 267	37 890	40 899	<b>TOTAL ASSETS</b>	<b>40 892</b>	<b>37 879</b>	<b>35 266</b>
31.12.01	31.12.02	31.12.03	LIABILITIES AND EQUITY CAPITAL	31.12.03	31.12.02	31.12.01
3 175	4 478	3 394	Liabilities to credit institutions	3 366	4 452	3 142
18 499	20 249	21 727	Deposits from and liabilities to customers	21 666	20 182	18 429
9 772	9 298	11 171	Borrowings raised through the issuance of securities	11 171	9 298	9 772
339	325	314	Other liabilities	329	340	379
357	432	435	Incurred costs and prepaid income	494	490	411
0	0	0	Provisioning against incurred liabilities and costs	5	5	4
885	871	1 503	Subordinated loan capital	1 502	871	885
33 027	35 653	38 544	<b>TOTAL LIABILITIES</b>	<b>38 533</b>	<b>35 638</b>	<b>33 022</b>
			Minority interests	4	4	4
660	660	660	PCC capital	660	660	660
8	8	8	Premium Fund	8	8	8
668	668	668	<b>Total paid in equity capital</b>	<b>668</b>	<b>668</b>	<b>668</b>
86	0	0	Fund for evaluation differences	0	0	20
1 173	1 254	1 357	The Savings Bank's Fund	1 357	1 254	1 173
313	315	315	Dividend Equalisation Fund	315	315	313
0	0	15	Other equity capital	15	0	66
1 572	1 569	1 687	<b>Total retained earnings</b>	<b>1 687</b>	<b>1 569</b>	<b>1 572</b>
2 240	2 237	2 355	<b>Total equity capital</b>	<b>2 355</b>	<b>2 237</b>	<b>2 240</b>
35 267	37 890	40 899	<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>40 892</b>	<b>37 879</b>	<b>35 266</b>

## NOTES TO THE ACCOUNTS

## CAPITAL ADEQUACY

(AMOUNTS IN NOK MILLION)

PARENT BANK				GROUP		
31.12.01	31.12.02	31.12.03		31.12.03	31.12.02	31.12.01
2 053	2 128	2 653	Core capital	2 619	2 094	2 110
885	871	1 104	Supplementary capital in addition to the core capital	1 110	871	885
			Deduction items:			
34	0	249	Subord. loan-and equity cap. participations in other financial institutions	0	0	34
0	0	0	Capital adequacy reserves	298	306	316
2 903	3 000	3 508	Net equity and related capital resources	3 430	2 659	2 644
24 891	26 546	28 662	Total risk-weighted assets base	29 019	26 595	24 988
11,66 %	11,29 %	12,24 %	Capital adequacy ratio	11,82 %	9,99 %	10,58 %

## CHANGES IN EQUITY CAPITAL

(AMOUNTS IN NOK MILLION)

PARENT BANK				GROUP	
31.12.02	31.12.03			31.12.03	31.12.02
2 240	2 237		Equity Capital at 1. 1.	2 237	2 240
63	210		Profit for the year	210	63
-66	-92		Return on Primary Capital Certificates	-92	-66
2 237	2 355		Equity Capital at 31.12.	2 355	2 237

## SECURITIES (CURRENT ASSETS)

(AMOUNTS IN NOK MILLION)

PARENT BANK			
	31.12.03	31.12.02	31.12.01
Unrealised gains/ losses from certificates and bonds	4	0	1
Unrealised gains/ losses from ordinary shares/PCCs	0	0	142

## NET BAD AND DOUBTFUL COMMITMENTS

(AMOUNTS IN NOK MILLION)

PARENT BANK				GROUP		
31.12.01	31.12.02	31.12.03		31.12.03	31.12.02	31.12.01
471	518	704	Credit loss portfolio	723	525	477
173	543	404	+ Non performing loans(not incl. in credit loss portfolio)	424	549	178
241	351	495	- Specific loss provisions	503	357	245
403	710	613	= Net bad and doubtful commitments	644	717	410

Net bad and doubtful commitments as at 31.12.2003 include two commitments amounting to NOK 220 million, with specific loss provisions of NOK 146 million; agreements relating to the refinancing/sale of assets entered into in this connection have been partly completed. Once the agreements have been completed, this will mean a further reduction in net bad and doubtful commitments, amounting to about NOK 75 million.

## LOSSES INCORPORATED IN THE ACCOUNTS

(AMOUNTS IN NOK MILLION)

PARENT BANK				GROUP		
31.12.01	31.12.02	31.12.03		31.12.03	31.12.02	31.12.01
5	36	94	+ Increase in loss provisions for commitments against which specific loss provisioning has previously been raised	94	36	5
110	153	224	+ Loss provisions for commitments against which specific loss provisioning has not previously been raised	227	159	111
12	15	30	- Reversal of previous years' loss provisions	30	18	13
40	40	0	+ Change in non-specific loss provisions	0	42	41
19	55	53	+ Confirmed losses on commitments against which specific loss provisioning has not previously been raised	54	56	20
26	30	27	- Recoveries in respect of previously confirmed losses	27	30	26
136	239	314	= Total losses on loans, guarantees etc.	318	245	138

## CONFIRMED LOSSES

(AMOUNTS IN NOK MILLION)

PARENT BANK				GROUP		
31.12.01	31.12.02	31.12.03		31.12.03	31.12.02	31.12.01
38	63	144	+ Period's confirmed losses against which specific loss provisions were previously made	145	65	39
19	55	53	+ Period's confirmed losses against which specific loss provisions were not previously made	54	56	20
57	118	197	= Period's confirmed losses	199	121	59

31.12.03	31.12.02	31.12.01
----------	----------	----------

31.12.01	31.12.02	31.12.03		31.12.03	31.12.02	31.12.01
			Specific loss provisions:			
177	241	351	Specific loss provisions against losses on loans, guarantees etc. as at 01.01.	357	245	181
38	63	144	- Confirmed losses during the period on loans, guarantees etc., against which spec.loss provisioning has prev. been raised	145	65	39
13	16	30	- Reversal of previous years' loss provisions	30	18	13
5	36	94	+ Increase in loss provisions for commitments against which specific loss provisions were previously made	94	36	5
110	153	224	+ Loss provisions for commitments against which no loss provisioning was previously raised	227	159	111
241	351	495	= Specific provisions against losses on loans, guarantees etc.	503	357	245
			Non-specific loss provisions:			
238	278	318	Non-specific provisions against losses on loans, guarantees etc. as at 01.01.		322	281
40	40	0	+ Period's non-specific provisions against losses on loans, guarantees etc.		0	41
278	318	318	= Non-specific loss provisions against losses on loans, guarantees etc.		322	322

GROUP AS	31.12.03
----------	----------

GROUP AS	31.12.02
----------	----------

GROUP AS			GROUP AS		
%SHLOSSES	LOSSES	LOANS	% SHARE LOSSES	LOSSES	LOANS
0 %	0	1	0 %	0	1
0 %	0	316	0 %	0	361
24 %	84	2 589	7 %	18	2 561
0 %	0	10	0 %	0	1
30 %	104	1 994	17 %	47	2 169
2 %	7	910	3 %	9	1 125
15 %	53	1 733	13 %	36	2 015
-1 %	-4	106	0 %	1	42
5 %	17	1 655	4 %	11	1 792
13 %	46	5 313	27 %	75	4 259
0 %	0	616	3 %	7	560
0 %	0	144	0 %	0	88
0 %	0	41	0 %	0	47
11 %	38	21 441	11 %	29	18 553
0 %	0		14 %	38	
0 %	0		1 %	4	
100 %	345	36 869	100 %	275	33 574
	27			30	
	318			245	

## DEPOSITS BROKEN DOWN BY SECTOR AND INDUSTRY

GROUP  
(AMOUNTS IN NOK MILLION)

	31.12.03	31.12.02	31.12.01
Central government administration and social security administration	687	677	55
Counties and municipalities	1 828	1 624	1 686
Agriculture, forestry, fisheries, hunting and fish farming	622	671	787
Production of crude oil and natural gas	3	8	11
Industry and mining	477	492	435
Building and construction, power and water supply	903	990	1 093
Wholesale and retail trade; hotel and restaurant industry	1 004	983	982
International shipping and pipeline transport	16	35	14
Financing, property management and business services	1 397	1 175	1 110
Transport and communication	611	437	0
Insurance, fund management and financial services	336	318	366
Other service industries	1 338	1 252	1 544
Retail banking market	12 259	11 345	10 190
Foreign retail banking market	185	175	156
Deposits from customers	21 666	20 182	18 429

## SUBSIDIARIES

## (AMOUNTS IN NOK 1000)

RESULT FROM ORDINARY OPERATIONS  
AFTER TAX

## EQUITY CAPITAL

	SHARE OF EQ %	31.12.03	31.12.02	31.12.01	31.12.03	31.12.02	31.12.01
SpareBank 1 Finans Nord-Norge AS	100,00	<b>10 308</b>	5 207	6 403	<b>75 912</b>	65 605	60 397
AS Fiskerikreditt	100,00	<b>610</b>	-1 241	1 099	<b>29 551</b>	28 857	30 098
Eiendomsdrift AS	100,00	<b>2 191</b>	644	5 208	<b>39 833</b>	37 712	38 486
EiendomsMegler 1 Nord-Norge AS	100,00	<b>-2 369</b>	-1 645	-3 225	<b>4 452</b>	7 568	8 467
SpareBank 1 Nord-Norge Securities ASA	65,00	<b>2 025</b>	1 068	1 762	<b>6 919</b>	6 509	6 539
Mymten AS	100,00	<b>79</b>	35	21	<b>195</b>	116	81
ANS Bygginvestor 1	52,36	<b>31</b>	23	15	<b>511</b>	511	547

QUARTERLY SUMMARY - PROFIT AND LOSS ACCOUNT FIGURES

(AMOUNTS IN NOK MILLION)	GROUP								
	4th Q.03	3rd Q.03	2nd Q.03	1st Q.03	4th Q.02	3rd Q.02	2nd Q.02	1st Q.02	4th Q.01
Result before losses and write-downs	179	160	135	117	78	-8	102	231	112
Result from ordinary operations after losses	59	86	69	59	-10	-74	48	194	38

QUARTERLY SUMMARY - BALANCE SHEET FIGURES

(AMOUNTS IN NOK MILLION)	GROUP								
	4th Q.03	3rd Q.03	2nd Q.03	1st Q.03	4th Q.02	3rd Q.02	2nd Q.02	1st Q.02	4th Q.01
Deposits	21 666	20 946	21 164	20 167	20 182	19 634	20 475	19 441	18 429
Gross lending	36 869	36 300	35 089	34 091	33 574	33 246	32 265	31 497	30 973
Balance sheet total	40 892	40 125	39 808	38 033	37 879	37 207	36 656	35 853	35 266

PCC HOLDERS

	NUMBER OF PCCs	PERCENTAGE SHARE OF TOTAL PCC CAPITAL
Swedbank - client account	642 350	9,74%
Folketrygdfondet	290 000	4,40%
Wenaas Holding AS	125 350	1,90%
Tine Pensjonskasse	124 400	1,89%
Framo Development AS	115 750	1,75%
Tonsenhagen Forretningssenter AS	101 750	1,54%
Troms Fylkes Dampskibsselskap AS	87 700	1,33%
SpareBank 1 Rogaland	84 567	1,28%
Haugaland Kraft AS	76 310	1,16%
Rasmussen Holding AS	72 000	1,09%
JP Morgan Chase Bank	63 280	0,96%
Bergen Kommunale Pensjonskasse	60 000	0,91%
SIS Sega Intersettle	51 869	0,79%
Ringerikes Sparebank	51 700	0,78%
Troms Kraft AS	46 000	0,70%
Warrenwicklund Utbyt	45 835	0,69%
National Financial S.Citibank N.A.	44 985	0,68%
Olsen, Fred & Co's Pensjonskasse	42 500	0,64%
Holla Sparebank	38 500	0,58%
Meltzers Høyskolefond	35 000	0,53%
TOTAL	2 199 846	33,35%

## KEY FIGURES

PARENT BANK				GROUP			
31.12.01	31.12.02	31.12.03			31.12.03	31.12.02	31.12.01
9,31%	2,72%	<b>9,04%</b>	After-tax return on equity capital	1	<b>9,04%</b>	2,76%	9,36%
61,99%	65,47%	<b>56,94%</b>	Costs as a percentage of overall contribution margin	2	<b>57,94%</b>	66,30%	62,56%
61,99%	66,88%	<b>58,95%</b>	Costs as a perc.of overall contrib.margin excl.net gains	3	<b>59,90%</b>	67,66%	62,56%
59,96%	60,73%	<b>59,41%</b>	Deposits as a percentage of gross lending	4	<b>58,76%</b>	60,11%	59,50%
0,31%	0,60%	<b>0,86%</b>	Net specific losses as a percentage of gross lending	5	<b>0,86%</b>	0,60%	0,31%
0,44%	0,72%	<b>0,86%</b>	Net losses as a percentage of gross lending	6	<b>0,86%</b>	0,73%	0,45%
1,31%	2,13%	<b>1,68%</b>	Net commitments in default	7	<b>1,75%</b>	2,13%	1,32%
19,13	10,29	<b>14,01</b>	Earnings per PCC (NOK)	8			
148,70	149,01	<b>149,01</b>	Equity capital per PCC (NOK)	9			
34 272	36 559	<b>39 354</b>	Average assets	10	<b>39 347</b>	36 572	34 250

(1) Result after tax, recalculated on an annual basis.

(2) Costs as a percentage of total income.

(3) Costs as a percentage of total income, excluding net gains (losses) relating to foreign exchange and securities.

(4) Deposits as a percentage of gross lending.

(5) Net losses, excluding the changes in non-specific loss provisions, as a percentage of gross lending recalculated on an annual basis.

(6) Net losses as a percentage of gross lending recalculated on an annual basis.

(7) Customer loans in default, after deducting interest provisions and specific loss provisioning, as a percentage of gross lending.

(8) After-tax profit multiplied by the PCC holders' share of the equity capital as at 1.1., divided by the number of PCCs issued, recalculated on an annual basis.

(9) PCC capital + Premium Fund + Dividend Equalisation Fund, divided by the number of PCCs issued.

(10) Average assets are based on total assets for each of the quarters in the current year, including total assets at the end of the previous year.

All figures are calculated as a percentage of NOK amounts, to the nearest whole million. In view of this rounding up of figures, there may be some smaller differences in comparison with previously published amounts, as these were computed on the basis of amounts in whole NOK thousand.

## CASH FLOW ANALYSIS

(AMOUNTS IN NOK MILLION)

## PARENT BANK

2001	2002	2003
311	155	266
57	52	45
0	1	0
136	239	314
99	92	56
0	0	0
99	66	92
306	289	477

PROVIDED FROM THE YEAR'S OPERATIONS

(AMOUNTS IN NOK MILLION)

## GROUP

2003	2002	2001
273	158	317
58	66	70
1	2	0
318	245	138
62	94	104
0	0	0
92	66	99
496	311	322

68	61	-8	Change in sundry liabilities: + increase/ - decrease	-7	41	91
-101	-12	65	Change in various claims: - increase/ + decrease	64	-2	-132
-1 684	-2 583	-3 399	Change in gross lending to and claims on customers: - increase/ + decrease	-3 467	-2 693	-1 779
151	-48	-23	Change in short term-securities: - increase/ + decrease	-25	-47	151
1 097	1 750	1 478	Change in deposits from and debt owed to customers: + increase/ - decrease	1 484	1 753	1 112
599	1 303	-1 084	Change in debt owed to credit institutions: + increase/ - decrease	-1 086	1 310	590
436	760	-2 494	A. NET LIQUIDITY CHANGE FROM OPERATIONS	-2 541	673	356

-50	-43	-41	- Investment in fixed assets	-64	-56	-75
4	0	0	+ Sale of fixed assets	17	14	6
-595	51	3	Change in holdings of long-term securities: - increase/ + decrease	8	53	-586
-641	8	-38	B. LIQUIDITY CHANGE IN RESPECT OF INVESTMENTS	-39	11	-655

242	-474	1 873	Change in borrowings through the issuance of securities: + increase/ - decrease	1 873	-474	242
-17	-14	632	Change in subordinated loan capital: + increase/ - decrease	631	-14	-17
225	-488	2 505	C. LIQUIDITY CHANGE FROM FINANCING	2 504	-488	225

20	280	-27	A + B + C. TOTAL CHANGE IN LIQUIDITY	-76	196	-75
984	1 004	1 284	+ Liquid funds at the start of the period	725	529	604
1 004	1 284	1 257	= LIQUID FUNDS AT THE END OF THE PERIOD	649	725	529

Liquid funds are defined as cash-in-hand, claims on central banks,  
plus loans to and claims on credit institutions.