

Storebrand Bank ASA – Q3 2004 RESULTS

- The Storebrand Bank group reports an ordinary pre-tax profit of NOK 35 million for Q3 2004.
- The bank continues to reduce its non-performing loans as planned, and has strengthened the level of loan loss provisioning relative to the volume of non-performing loans.

The Storebrand Bank group reported a profit for Q3 of NOK 35 million (NOK 49 million) before loan loss provisions and write-downs. Net new loan loss provisions and write-downs were less than NOK 1 million in the quarter (NOK 57 million). Pre-tax profit for the quarter was therefore NOK 35 million (loss of NOK 8 million). The Storebrand Bank group's pre-tax profit for the first nine months was NOK 72 million (loss of NOK 49 million).

Net interest income amounted to NOK 106 million in Q3 (NOK 128 million). This represents an interest margin calculated on average total assets of 1.6%. Interest margin continues to be affected by the volume of non-performing loans. The shift in the focus of the lending portfolio towards retail market customers and a lower risk profile has also reduced net interest margin.

Operating expenses amounted to NOK 152 million in Q3 (NOK 155 million), of which approximately NOK 58 million relates to the Storebrand group's joint distribution unit for the retail market. Q3 operating expenses were in line with Q2. The bank has achieved a lower and more stable cost base following the merger of Storebrand Bank AS and Finansbanken ASA in March 2003.

Net new loan loss provisions in Q3 were NOK 1 million. In view of the lower level of risk in the loan portfolio, the bank wrote back NOK 25 million of general loan loss provisions in Q3. Gross non-performing and loss-exposed loans totalled NOK 955 million at the close of Q3, representing a reduction of NOK 61 million for the quarter. The bank's loan loss provisions totalled NOK 627 million at the close of Q3, of which specific loan loss provisions accounted for NOK 351 million. This represents a level of provisioning relative to non-performing and loss-exposed loans of 66%, up from 63% at the close of Q2 2004 and 49% at the start of the year. The fall in the volume of non-performing loans demonstrates that the bank's focus on reducing its risk exposure is producing good results.

The bank's total assets were stable in Q3 at NOK 26.5 billion. The deposit-to-loan ratio was 48.2% at 30 September 2004, a reduction from 54.5% at the close of 2003. Storebrand Bank's net primary capital amounted to NOK 2.1 billion at 30 September 2004, giving a capital ratio of 12.4% (13.1% for the parent bank) and a core capital ratio of 10.1% (10.7% for the parent bank) at the end of the quarter.

Storebrand Bank AS sold the Storebrand Group's joint unit for retail distribution to Storebrand Livsforsikring AS with effect from 1 October 2004. The unit reported higher profitability in Q3, due in part to favourable conditions in the market for savings products. Sales of personal risk products were somewhat lower than in Q3 2003. The unit achieved a significant improvement in its sales effectiveness in Q3.

PROFIT AND LOSS ACCOUNT

NOK million	GROUP			PARENT BANK		
	01.01.04 - 30.09.04	01.01.03 - 30.09.03	01.01.03 - 31.12.03	01.01.04 - 30.09.04	01.01.03 - 30.09.03	01.01.03 - 31.12.03
Total interest income and related income	886,6	1 453,2	1 803,9	850,8	1 421,3	1 759,8
Total interest expenses and related expenses	-569,8	-1 068,8	-1 311,2	-558,8	-1 061,2	-1 300,2
Net interest and related income	316,9	384,4	492,7	292,0	360,2	459,5
Total dividends and other income from securities with a variable return	7,2	2,9	2,3	4,9	2,5	2,5
Total commission income and other income from banking services	68,4	64,5	89,1	55,4	50,2	69,0
Total commission expenses and other expenses from banking services	-13,5	-15,3	-19,1	-10,4	-11,6	-14,8
Net gain/loss on foreign exchange and securities held as current assets	14,1	24,5	32,4	12,1	21,0	26,4
Other operating income	175,4	146,1	214,5	173,9	144,0	212,8
Total non-interest income	251,6	222,7	319,2	235,9	206,1	295,9
Staff costs and general administration expenses	-293,0	-351,3	-481,4	-264,1	-320,1	-440,9
Depreciation of fixed and intangible assets	-12,9	-21,9	-37,2	-12,1	-16,9	-34,7
Other operating expenses	-162,8	-127,6	-190,2	-156,2	-117,4	-176,4
Total non-interest expenses	-468,7	-500,7	-708,8	-432,4	-454,5	-652,0
Operating profit before losses and write-downs	99,8	106,3	103,1	95,5	111,8	103,5
Loan losses and provisions	-24,8	-154,3	-173,8	-27,1	-154,0	-175,2
Profit/losses from fixed asset securities	-2,6	-0,7	-38,3	0,5	-0,7	-38,1
Profit before tax	72,3	-48,7	-109,0	68,9	-42,9	-109,9
Tax	-17,8	12,8	63,1	-19,3	12,0	15,6
Profit after tax	54,5	-35,9	-45,9	49,6	-30,9	-94,3

BALANCE SHEET

NOK million	GROUP			PARENT BANK		
	30.09.2004	30.09.2003	31.12.03	30.09.2004	30.09.2003	31.12.03
Cash and deposits with central banks	118,9	130,0	55,0	39,4	101,7	24,4
Loans to and receivables from credit institutions	347,0	277,2	284,4	270,4	262,3	263,1
Total lending before specific and general loss provisions	23 827,7	23 278,1	22 697,1	22 890,8	22 412,2	21 720,2
- Specific loss provisions	-351,3	-557,6	-527,9	-337,5	-534,8	-509,4
- General loss provisions	-276,4	-313,4	-313,4	-276,4	-313,4	-313,4
Total net lending and due from customers	23 200,0	22 407,1	21 855,8	22 277,0	21 564,1	20 897,4
Assets repossessed	98,6	105,4	169,4	98,6	105,4	169,4
Short-term debt instruments, bonds and other int.bearing fixed-return sec.	1 789,7	2 026,1	2 082,5	1 767,1	1 964,0	2 031,3
Shares, other equity inv. and other sec. with a variable return	33,8	28,8	24,6	4,8	11,3	7,9
Shareholdings in associated companies	7,5	7,4	7,2	7,5	7,7	7,2
Shareholdings in group companies	0,0	0,0	0,0	273,6	339,3	306,3
Intangible assets	291,5	299,0	310,1	277,4	297,9	297,4
Fixed assets	31,3	45,9	35,8	28,2	41,4	32,9
Other assets	355,2	228,1	438,3	332,2	163,4	387,1
Prepaid expenses and accrued income	193,0	331,0	262,3	191,2	330,7	261,4
Total Assets	26 466,6	25 885,9	25 525,3	25 567,3	25 189,1	24 685,8
Debt to credit institutions	2 764,9	2 798,4	3 211,3	2 691,4	2 679,3	3 088,1
Deposits from and due to customers	11 493,9	12 981,2	12 362,4	10 690,7	12 359,6	11 645,6
Securities issued	8 984,9	6 885,7	6 853,3	8 984,9	6 885,7	6 853,3
Other debt	483,1	358,0	462,0	459,9	345,0	457,1
Accrued expenses and prepaid income	294,1	433,1	207,4	294,1	433,1	206,9
Provisions for accrued commitments and expenses	35,3	25,8	38,5	33,2	21,6	36,8
Subordinated loan capital	386,5	424,6	421,1	386,5	424,6	421,1
Total Liabilities	24 442,7	23 906,6	23 556,0	23 540,7	23 148,8	22 708,9
Paid-in share capital	2 030,4	2 030,4	2 030,4	2 030,4	2 030,4	2 030,4
Accrued reserves	-6,5	-51,1	-61,1	-3,8	9,9	-53,5
Total Equity	2 023,9	1 979,3	1 969,3	2 026,5	2 040,3	1 976,9
Total Liabilities and Equity	26 466,6	25 885,9	25 525,3	25 567,3	25 189,1	24 685,8

QUARTERLY RESULTS - GROUP

NOK million	3rd Qtr. 2004	2nd Qtr. 2004	1st Qtr. 2004	4th Qtr. 2003	3rd Qtr. 2003
Total interest income and similar income	283,7	306,4	296,6	350,7	416,9
Total interest expenses and relatet expenses	-177,7	-203,7	-188,4	-242,3	-288,6
Net interest and related income	106,1	102,7	108,2	108,4	128,4
Total dividends and other income from securities with a variable return	2,0	3,9	1,3	-0,5	2,5
Total commission income and other income from banking services	19,6	19,9	28,9	24,6	20,3
Total commission expenses and other expenses from banking services	-3,8	-4,9	-4,8	-3,8	-4,4
Net gain/loss on foreign exchange and securities held as current assets	4,0	4,0	6,2	7,9	5,2
Other operating income	59,8	56,0	59,6	68,4	51,9
Total non-interest income	81,5	78,8	91,3	96,5	75,5
Staff costs and general administration expenses	-112,4	-112,6	-104,8	-125,1	-101,2
Depreciation of fixed and intangible assets	-4,2	-4,3	-4,5	-15,4	-6,8
Other operating expenses	-35,8	-34,8	-55,4	-67,7	-47,2
Total non-interest expenses	-152,4	-151,6	-164,7	-208,1	-155,3
Operating profit before losses and write-downs	35,2	29,8	34,8	-3,2	48,6
Loan losses and provisions	-0,6	-10,5	-13,8	-19,5	-56,9
Profit/losses from long term shares	-0,1	-2,4	-0,1	-37,6	0,0
Profit before tax	34,5	16,9	20,9	-60,3	-8,4
Tax	-8,7	-6,3	-2,8	50,3	2,2
Profit after tax	25,9	10,7	18,0	-10,0	-6,2

QUARTERLY RESULTS - PARENT BANK

NOK million	3rd Qtr. 2004	2nd Qtr. 2004	1st Qtr. 2004	4th Qtr. 2003	3rd Qtr. 2003
Total interest income and related income	271,1	295,0	284,7	338,4	406,5
Total interest expenses and relatet expenses	-173,7	-200,5	-184,6	-239,1	-286,9
Net interest and credit commission income	97,4	94,5	100,1	99,3	119,6
Total dividends and other income from securities with a variable return	2,0	2,2	0,8	0,1	2,5
Total commission income and other income from banking services	15,9	15,5	24,0	18,8	17,0
Total commission expenses and other expenses from banking services	-2,8	-3,8	-3,7	-3,2	-3,2
Net gain/loss on foreign exchange and securities held as current assets	3,0	4,1	4,9	5,4	4,6
Other operating income	59,0	55,6	59,3	68,9	50,6
Total non-interest income	77,1	73,5	85,3	89,8	71,4
Staff costs and general administration expenses	-102,0	-102,5	-96,4	-115,8	-91,0
Depreciation of fixed and intangible assets	-3,9	-4,0	-4,2	-17,7	-5,8
Other operating expenses	-33,7	-32,5	-53,3	-64,0	-43,8
Total non-interest expenses	-139,6	-138,9	-153,9	-197,5	-140,6
Operating profit before losses and write-downs	34,9	29,1	31,5	-8,3	50,4
Loan losses and provisions	-2,8	-10,7	-13,6	-21,3	-57,5
Profit/losses from fixed asset securities	-2,1	2,8	-0,1	-37,4	0,0
Profit before tax	30,0	21,2	17,8	-67,0	-7,1
Tax	-8,4	-5,9	-5,0	3,6	2,0
Profit after tax	21,6	15,3	12,8	-63,4	-5,1

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

NOK million	GROUP			PARENT BANK		
	01.01.04 - 30.09.04	01.01.03 - 30.09.03	01.01.03 - 31.12.03	01.01.04 - 30.09.04	01.01.03 - 30.09.03	01.01.03 - 31.12.03
Non-performing loans						
Non-performing loans where interest continues to accrue	70,1	591,4	364,4	68,9	523,3	364,4
Non-performing loans where interest is not accrued	819,7	1 557,5	1 266,4	819,7	1 547,9	1 266,4
Other doubtful loans where interest is not accrued	0,0	0,0	0,0	0,0	0,0	0,0
Total non-performing loans	889,8	2 148,9	1 630,8	888,6	2 071,2	1 630,8
Specific loss provisions	-336,8	-544,6	-499,6	-336,8	-521,8	-499,6
Net non-performing loans	553,0	1 604,3	1 131,2	551,8	1 549,4	1 131,2
Doubtful loans						
Doubtful loans where interest continues to accrue	58,0	50,9	78,1	0,2	50,9	17,4
Doubtful loans where interest is not accrued	7,5	0,0	8,1	1,7	0,0	0,0
Specific loss provisions	-14,5	-13,0	-28,3	-0,7	-13,0	-9,8
Net doubtful loans	51,0	37,9	57,9	1,2	37,9	7,6
Total non-performing and doubtful loans	604,0	1 642,2	1 189,1	553,0	1 587,3	1 138,8
Losses on loans and guarantees etc. during period						
Change in specific loss provisions during period	82,3	154,0	27,3	84,6	153,5	31,3
Change in general loss provisions during period	-40,0	0,7	0,7	-40,0	0,7	0,7
Realised losses specifically provided for previously	-18,1	-2,0	147,6	-18,1	-2,0	144,9
Realised losses not specifically provided for previously	0,6	1,8	-0,6	0,6	1,8	-0,7
Recoveries on previous realised losses	0,0	-0,2	-1,2	0,0	0,0	-1,0
Losses on loans and guarantees etc.	24,8	154,3	173,8	27,1	154	175,2
Breakdown of net loan losses by sector						
Wholesale/retail trade, hotels and restaurants	0,0	0,0	0,0	0,0	0,0	0,0
International shipping and pipelines	1,3	50,7	47,0	1,3	50,7	47,0
Other transportation and communications	0,0	0,0	0,0	0,0	0,0	0,0
Services and real estate operations	50,9	82,3	80,9	50,9	82,3	80,9
Retail customers	14,2	24,3	27,5	14,2	24,3	27,5
Foreign	-1,6	-3,7	17,7	0,7	-4,0	19,1
General loss provisions	-40,0	0,7	0,7	-40,0	0,7	0,7
Total loan losses	24,8	154,3	173,8	27,1	154	175,2
Assets repossessed	98,6	105,4	169,4	98,6	105,4	169,4

KEY FIGURES

NOK million and percentage	GROUP			PARENT BANK		
	30.09.2004	30.09.2003	31.12.03	30.09.2004	30.09.2003	31.12.03
Profit and Loss account: (as % of average total assets)						
Interest income and related income	4,56 %	7,19 %	6,77 %	4,52 %	7,20 %	6,77 %
Interest expenses and related expenses	-2,93 %	-5,29 %	-4,92 %	-2,97 %	-5,38 %	-5,00 %
Net interest and related income	1,63 %	1,90 %	1,85 %	1,55 %	1,83 %	1,77 %
Income on securities with variable yield	0,04 %	0,01 %	0,01 %	0,03 %	0,01 %	0,01 %
Commission income and other income from banking services	0,35 %	0,32 %	0,33 %	0,29 %	0,25 %	0,27 %
Commission expenses and other expenses from banking services	-0,07 %	-0,08 %	-0,07 %	-0,06 %	-0,06 %	-0,06 %
Net gain/loss on securities and foreign exchange	0,07 %	0,12 %	0,12 %	0,06 %	0,11 %	0,10 %
Other operating income	0,90 %	0,72 %	0,80 %	0,92 %	0,73 %	0,82 %
Total non-interest income	1,29 %	1,10 %	1,20 %	1,25 %	1,04 %	1,14 %
Staff costs and general administration expenses	-1,51 %	-1,74 %	-1,81 %	-1,40 %	-1,62 %	-1,70 %
Depreciation of fixed and intangible assets	-0,07 %	-0,11 %	-0,14 %	-0,06 %	-0,09 %	-0,13 %
Other operating expenses	-0,84 %	-0,63 %	-0,71 %	-0,83 %	-0,60 %	-0,68 %
Total non-interest expenses	-2,41 %	-2,48 %	-2,66 %	-2,30 %	-2,30 %	-2,51 %
Operating profit before losses and write-downs	0,51 %	0,53 %	0,39 %	0,51 %	0,57 %	0,40 %
Loan losses and provisions	-0,13 %	-0,76 %	-0,65 %	-0,14 %	-0,78 %	-0,67 %
Profit/losses from fixed asset securities	-0,01 %	0,00 %	-0,14 %	0,00 %	0,00 %	-0,15 %
Ordinary profit before tax	0,37 %	-0,24 %	-0,41 %	0,37 %	-0,22 %	-0,42 %
Tax	-0,09 %	0,06 %	0,24 %	-0,10 %	0,06 %	0,06 %
Ordinary profit after tax	0,28 %	-0,18 %	-0,17 %	0,26 %	-0,16 %	-0,36 %
Main balance sheet figures						
Total assets	26 466,6	25 885,9	25 525,3	25 567,3	25 189,1	24 685,8
Average total assets	25 925,4	26 959,4	26 657,2	25 101,1	26 308,7	25 979,1
Total lending to customers	23 827,7	23 278,1	22 697,1	22 890,8	22 412,2	21 720,2
Equity	2 023,9	1 979,3	1 969,3	2 026,5	2 040,3	1 976,9
Other key figures						
Total non-interest income as percentage of total income	44,26 %	36,68 %	39,31 %	44,69 %	36,39 %	39,17 %
Loan losses and provision as percentage of average total lending	0,14 %	0,94 %	0,80 %	0,16 %	0,97 %	0,83 %
Costs as percentage of operating income	82,45 %	82,48 %	87,30 %	81,91 %	80,26 %	86,30 %
Return on equity after tax 1)	3,65 %	-2,40 %	-2,30 %	3,31 %	-2,00 %	-4,60 %

Definitions:

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

CAPITAL ADEQUACY

NOK million and percentage	GROUP			PARENT BANK		
	30.09.2004	30.09.2003	31.12.03	30.09.2004	30.09.2003	31.12.03
Core capital	1 710,9	1 674,7	1 656,1	1 730,8	1 736,0	1 676,3
Supplementary capital	386,6	424,6	421,1	386,6	424,6	421,1
Net primary capital	2 097,5	2 099,3	2 077,2	2 117,4	2 160,6	2 097,4
Total assets, other portfolio	17 003,3	17 778,2	17 131,9	16 344,0	17 094,8	16 423,1
Total off-balance sheet items, other portfolio	452,3	467,3	522,9	361,6	383,3	406,3
Foreign exchange risk and trading portfolio	83,4	117,8	100,1	26,7	48,7	43,9
Deduction for loss provisions, revaluation account	-627,7	-872,9	-841,3	-613,8	-850,0	-822,8
Total risk-weighted assets	16 911,3	17 490,4	16 913,6	16 118,5	16 676,8	16 050,5
Capital ratio	12,40 %	12,00 %	12,28 %	13,14 %	12,96 %	13,07 %
Excess capital	744,6	700,1	724,1	827,9	826,5	813,4
Core capital ratio	10,12 %	9,57 %	9,79 %	10,74 %	10,41 %	10,44 %