



# Storebrand Bank ASA

## Quarterly Report 2rd Quarter 2004

### **Main Office:**

Filipstad Brygge 1,  
Post Office Box 1693 Vika,  
0120 Oslo

Phone.:+47 - 22 31 50 50

Fax: +47 - 23 23 51 08

E-mail: [bank@storebrand.no](mailto:bank@storebrand.no)

Internet: [www.storebrand.no](http://www.storebrand.no)

# Storebrand Bank ASA – Q2 2004 RESULTS

*Storebrand Bank ASA is a company in the Storebrand Group  
Storebrand Group Q2 results are available at [www.storebrand.no/ir](http://www.storebrand.no/ir)*

- Operating profit before tax NOK 17 million
- Positive development in non-performing loans
- Operating expenses reduced further

Storebrand Bank reported a profit before loan losses and write-downs of NOK 30 million for Q2 (NOK 28 million). Net new loan loss provisions and write-downs totalled NOK 13 million in the quarter (NOK 33 million), bringing pre-tax profit for the quarter to NOK 17 million (loss of NOK 5 million) and pre-tax profit for the first six months to NOK 38 million (loss of NOK 40 million).

Net interest income amounted to NOK 103 million in Q2 (NOK 125 million). This represents a net interest margin calculated on average total assets of 1.6%. The shift in the focus of the lending portfolio towards the retail market and a lower risk profile has reduced net interest margin. The margin also continues to be affected by the volume of non-performing loans.

Operating expenses amounted to NOK 152 million in Q2 (NOK 168 million). This represents a continuation of the reduction in operating expenses seen in Q1.

Net new loan loss provisions in Q2 of NOK 10 million were at a low level relative to previous periods. In view of the lower level of risk in the loan portfolio, the bank wrote back NOK 10 million of general loan loss provisions. Gross non-performing and loss-exposed loans totalled NOK 1,016 million at the close of Q2, representing a reduction of NOK 404 million for the quarter, primarily in non-performing loans.

The bank's loan loss provisions totalled NOK 639 million at the close of Q2, of which specific loan loss provisions totalled NOK 341 million. This represents a level of provisioning relative to non-performing and loss-exposed loans of 63%, up from 55% at the close of Q1 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 the desired results.

The bank's total assets were stable in Q2 at NOK 26.0 billion. The deposit-to-loan ratio was 50.9%, down from 54.5% at the close of 2003. Storebrand Bank's net primary capital amounted to NOK 2.1 billion at the close of Q2, giving a capital ratio of 12.3% (13.1% for the parent bank) and a core capital ratio of 10.0% (10.7% for the parent bank) at the end of the quarter.

The Storebrand Group's unit for retail distribution operates as a separate unit within the bank. The Retail Sales unit reported higher profitability in Q2, due in part to favourable conditions in the market for savings products and very strong sales of life insurance savings products in the quarter. Sales of personal risk products were somewhat lower than in Q2 2003. The unit has improved its sales efficiency.

Oslo, 17 august 2004  
The Board of directors of Storebrand Bank ASA

## PROFIT AND LOSS ACCOUNT

NOK million	GROUP			PARENT BANK		
	01.01.04 - 30.06.04	01.01.03 - 30.06.03	01.01.03 - 31.12.03	01.01.04 - 30.06.04	01.01.03 - 30.06.03	01.01.03 - 31.12.03
Total interest income and related income	602,9	1.036,3	1.803,9	579,7	1.014,9	1.759,8
Total interest expenses and related expenses	-392,1	-780,3	-1.311,2	-385,1	-774,3	-1.300,2
<b>Net interest and related income</b>	<b>210,8</b>	<b>256,0</b>	<b>492,7</b>	<b>194,6</b>	<b>240,6</b>	<b>459,5</b>
Total dividends and other income from securities with a variable return	5,2	0,4	2,3	3,0	0,0	2,5
Total commission income and other income from banking services	48,8	44,2	89,1	39,5	33,2	69,0
Total commission expenses and other expenses from banking services	-9,7	-10,9	-19,1	-7,6	-8,3	-14,8
Net gain/loss on foreign exchange and securities held as current assets	10,2	19,3	32,4	9,0	16,5	26,4
Other operating income	115,6	94,2	214,5	114,9	93,4	212,8
<b>Total non-interest income</b>	<b>170,1</b>	<b>147,2</b>	<b>319,2</b>	<b>158,8</b>	<b>134,7</b>	<b>295,9</b>
Staff costs and general administration expenses	-234,6	-249,8	-481,4	-216,0	-228,9	-440,9
Depreciation of fixed and intangible assets	-8,8	-15,0	-37,2	-8,2	-11,1	-34,7
Other operating expenses	-73,0	-80,6	-190,2	-68,6	-73,9	-176,4
<b>Total non-interest expenses</b>	<b>-316,3</b>	<b>-345,4</b>	<b>-708,8</b>	<b>-292,8</b>	<b>-313,9</b>	<b>-652,0</b>
<b>Operating profit before losses and write-downs</b>	<b>64,6</b>	<b>57,8</b>	<b>103,1</b>	<b>60,6</b>	<b>61,4</b>	<b>103,5</b>
Loan losses and provisions	-24,3	-97,4	-173,8	-24,3	-96,4	-175,2
Profit/losses from fixed asset securities	-2,6	-0,7	-38,3	2,7	-0,7	-38,1
<b>Profit before tax</b>	<b>37,8</b>	<b>-40,3</b>	<b>-109,0</b>	<b>39,0</b>	<b>-35,8</b>	<b>-109,9</b>
Tax	-9,1	10,6	63,1	-10,9	10,0	15,6
<b>Profit after tax</b>	<b>28,7</b>	<b>-29,7</b>	<b>-45,9</b>	<b>28,1</b>	<b>-25,8</b>	<b>-94,3</b>

## BALANCE SHEET

NOK million	GROUP			PARENT BANK		
	30.06.04	30.06.03	31.12.03	30.06.04	30.06.03	31.12.03
Cash and deposits with central banks	67,8	666,6	55,0	1,4	587,6	24,4
Loans to and receivables from credit institutions	186,9	172,9	284,4	299,0	134,2	263,1
Total lending before specific and general loss provisions	22.997,0	24.110,3	22.697,1	21.958,3	23.334,2	21.720,2
- Specific loss provisions	-341,0	-529,6	-527,9	-324,9	-506,5	-509,4
- General loss provisions	-298,4	-312,2	-313,4	-298,4	-312,2	-313,4
<b>Total net lending and due from customers</b>	<b>22.357,6</b>	<b>23.268,5</b>	<b>21.855,8</b>	<b>21.335,1</b>	<b>22.515,4</b>	<b>20.897,4</b>
Assets repossessed	123,7	110,9	169,4	123,7	110,9	169,4
Short-term debt instruments, bonds and other int.bearing fixed-return sec.	2.133,7	1.854,3	2.082,5	2.080,4	1.802,2	2.031,3
Shares, other equity inv. and other sec. with a variable return	34,9	27,6	24,6	5,5	11,2	7,9
Shareholdings in associated companies	8,8	5,2	7,2	8,8	5,5	7,2
Shareholdings in group companies	0,0	0,0	0,0	282,0	337,9	306,3
Intangible assets	300,4	297,9	310,1	285,8	296,6	297,4
Fixed assets	31,6	49,9	35,8	28,2	45,1	32,9
Other assets	526,2	210,0	438,3	487,3	151,1	387,1
Prepaid expenses and accrued income	227,7	327,5	262,3	226,0	326,1	261,4
<b>Total Assets</b>	<b>25.999,3</b>	<b>26.991,1</b>	<b>25.525,3</b>	<b>25.163,3</b>	<b>26.324,0</b>	<b>24.685,8</b>
Debt to credit institutions	3.095,1	3.738,2	3.211,3	3.024,2	3.707,8	3.088,1
Deposits from and due to customers	11.713,1	13.654,4	12.362,4	10.979,4	13.008,3	11.645,6
Securities issued	8.060,7	6.277,7	6.853,3	8.060,7	6.277,7	6.853,3
Other debt	442,3	459,2	462,0	405,9	412,3	457,1
Accrued expenses and prepaid income	266,5	401,4	207,4	266,1	401,4	206,9
Provisions for accrued commitments and expenses	34,8	47,9	38,5	33,2	44,1	36,8
Subordinated loan capital	388,7	424,6	421,1	388,7	426,9	421,1
<b>Total Liabilities</b>	<b>24.001,2</b>	<b>25.003,4</b>	<b>23.556,0</b>	<b>23.158,4</b>	<b>24.278,6</b>	<b>22.708,9</b>
Paid-in share capital	2.030,4	2.030,4	2.030,4	2.030,4	2.030,4	2.030,4
Accrued reserves	-32,3	-42,6	-61,1	-25,4	15,0	-53,5
<b>Total Equity</b>	<b>1.998,0</b>	<b>1.987,8</b>	<b>1.969,3</b>	<b>2.005,0</b>	<b>2.045,4</b>	<b>1.976,9</b>
<b>Total Liabilities and Equity</b>	<b>25.999,3</b>	<b>26.991,1</b>	<b>25.525,3</b>	<b>25.163,3</b>	<b>26.324,0</b>	<b>24.685,8</b>

## QUARTERLY RESULTS - GROUP

NOK million	2nd Qtr. 2004	1st Qtr. 2004	4th Qtr. 2003	3rd Qtr. 2003	2nd Qtr. 2003
Total interest income and similar income	306,4	296,6	350,7	416,9	485,0
Total interest expenses and relatet expenses	-203,7	-188,4	-242,3	-288,6	-359,9
<b>Net interest and related income</b>	<b>102,7</b>	<b>108,2</b>	<b>108,4</b>	<b>128,4</b>	<b>125,1</b>
Total dividends and other income from securities with a variable return	3,9	1,3	-0,5	2,5	0,4
Total commission income and other income from banking services	19,9	28,9	24,6	20,3	23,3
Total commission expenses and other expenses from banking services	-4,9	-4,8	-3,8	-4,4	-4,1
Net gain/loss on foreign exchange and securities held as current assets	4,0	6,2	7,9	5,2	5,2
Other operating income	56,0	59,6	68,4	51,9	45,9
<b>Total non-interest income</b>	<b>78,8</b>	<b>91,3</b>	<b>96,5</b>	<b>75,5</b>	<b>70,8</b>
Salaries and general administration expenses	-110,1	-124,5	-130,1	-101,5	-117,1
Depreciation of fixed and intangible assets	-4,3	-4,5	-15,4	-6,8	-7,5
Other operating expenses	-37,3	-35,7	-62,6	-47,0	-43,1
<b>Total non-interest expenses</b>	<b>-151,6</b>	<b>-164,7</b>	<b>-208,1</b>	<b>-155,3</b>	<b>-167,7</b>
<b>Operating profit before losses and write-downs</b>	<b>29,8</b>	<b>34,8</b>	<b>-3,2</b>	<b>48,6</b>	<b>28,2</b>
Loan losses and provisions	-10,5	-13,8	-19,5	-56,9	-32,2
Profit/losses from long term shares	-2,4	-0,1	-37,6	0,0	-0,7
<b>Profit before tax</b>	<b>16,9</b>	<b>20,9</b>	<b>-60,3</b>	<b>-8,4</b>	<b>-4,7</b>
Tax	-6,3	-2,8	50,3	2,2	0,9
<b>Profit after tax</b>	<b>10,8</b>	<b>18,0</b>	<b>-10,0</b>	<b>-6,2</b>	<b>-3,8</b>

## QUARTERLY RESULTS - PARENT BANK

NOK million	2nd Qtr. 2004	1st Qtr. 2004	4th Qtr. 2003	3rd Qtr. 2003	2nd Qtr. 2003
Total interest income and related income	295,0	284,7	338,4	406,5	477,1
Total interest expenses and relatet expenses	-200,5	-184,6	-239,1	-286,9	-359,8
<b>Net interest and credit commission income</b>	<b>94,5</b>	<b>100,1</b>	<b>99,3</b>	<b>119,6</b>	<b>117,3</b>
Total dividends and other income from securities with a variable return	2,2	0,8	0,1	2,5	0,0
Total commission income and other income from banking services	15,5	24,0	18,8	17,0	17,4
Total commission expenses and other expenses from banking services	-3,8	-3,7	-3,2	-3,2	-2,6
Net gain/loss on foreign exchange and securities held as current assets	4,1	4,9	5,4	4,6	2,9
Other operating income	55,6	59,3	68,9	50,6	46,4
<b>Total non-interest income</b>	<b>73,5</b>	<b>85,3</b>	<b>89,8</b>	<b>71,4</b>	<b>64,0</b>
Staff costs and general administration expenses	-100,0	-116,1	-120,9	-91,2	-107,3
Depreciation of fixed and intangible assets	-4,0	-4,2	-17,7	-5,8	-5,6
Other operating expenses	-35,0	-33,6	-58,9	-43,5	-41,0
<b>Total non-interest expenses</b>	<b>-138,9</b>	<b>-153,9</b>	<b>-197,5</b>	<b>-140,6</b>	<b>-153,9</b>
<b>Operating profit before losses and write-downs</b>	<b>29,1</b>	<b>31,5</b>	<b>-8,3</b>	<b>50,4</b>	<b>27,4</b>
Loan losses and provisions	-10,7	-13,6	-21,3	-57,5	-32,2
Profit/losses from fixed asset securities	2,8	-0,1	-37,4	0,0	-0,7
<b>Profit before tax</b>	<b>21,2</b>	<b>17,8</b>	<b>-67,0</b>	<b>-7,1</b>	<b>-5,5</b>
Tax	-5,9	-5,0	3,6	2,0	1,5
<b>Profit after tax</b>	<b>15,3</b>	<b>12,8</b>	<b>-63,4</b>	<b>-5,1</b>	<b>-3,9</b>

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

NOK million	GROUP			PARENT BANK		
	01.01.04 - 30.06.04	01.01.03 - 30.06.03	01.01.03 - 31.12.03	01.01.04 - 30.06.04	01.01.03 - 30.06.03	01.01.03 - 31.12.03
<b>Non-performing loans</b>						
Non-performing loans where interest continues to accrue	101,3	662,7	364,4	101,3	590,3	364,4
Non-performing loans where interest is not accrued	841,7	1.599,3	1.266,4	841,7	1.589,7	1.266,4
Other doubtful loans where interest is not accrued	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total non-performing loans</b>	<b>943,0</b>	<b>2.262,0</b>	<b>1.630,8</b>	<b>943,0</b>	<b>2.180,0</b>	<b>1.630,8</b>
Specific loss provisions	-324,1	-495,6	-499,6	-324,1	-472,5	-499,6
<b>Net non-performing loans</b>	<b>618,9</b>	<b>1.766,4</b>	<b>1.131,2</b>	<b>618,9</b>	<b>1.707,5</b>	<b>1.131,2</b>
<b>Doubtful loans</b>						
Doubtful loans where interest continues to accrue	65,1	120,0	78,1	3,4	120,0	17,4
Doubtful loans where interest is not accrued	8,2	0,0	8,1	2,3	0,0	0,0
Specific loss provisions	-16,9	-34,3	-28,3	-0,8	-34,3	-9,8
<b>Net doubtful loans</b>	<b>56,4</b>	<b>85,7</b>	<b>57,9</b>	<b>4,9</b>	<b>85,7</b>	<b>7,6</b>
<b>Total non-performing and doubtful loans</b>	<b>675,3</b>	<b>1.852,1</b>	<b>1.189,1</b>	<b>623,8</b>	<b>1.793,2</b>	<b>1.138,8</b>
<b>Losses on loans and guarantees etc. during period</b>						
Change in specific loss provisions during period	56,0	94,2	27,3	56,0	93,2	31,3
Change in general loss provisions during period	-15,0	-0,5	0,7	-15,0	-0,5	0,7
Realised losses specifically provided for previously	-17,1	-0,5	147,6	-17,1	-0,5	144,9
Realised losses not specifically provided for previously	0,4	4,2	-0,6	0,4	4,2	-0,7
Recoveries on previous realised losses	0,0	0,0	-1,2	0,0	0,0	-1,0
<b>Losses on loans and guarantees etc.</b>	<b>24,3</b>	<b>97,4</b>	<b>173,8</b>	<b>24,3</b>	<b>96,4</b>	<b>175,2</b>
<b>Breakdown of net loan losses by sector</b>						
Wholesale/retail trade, hotels and restaurants	0,0	0,0	0,0	0,0	0,0	0,0
International shipping and pipelines	1,3	14,5	47,0	1,3	14,5	47,0
Other transportation and communications	0,0	0,0	0,0	0,0	0,0	0,0
Services and real estate operations	30,8	76,7	80,9	30,8	76,6	80,9
Retail customers	7,2	11,4	27,5	7,2	11,4	27,5
Foreign	0,0	-4,7	17,7	0,0	-5,6	19,1
General loss provisions	-15,0	-0,5	0,7	-15,0	-0,5	0,7
<b>Total loan losses</b>	<b>24,3</b>	<b>97,4</b>	<b>173,8</b>	<b>24,3</b>	<b>96,4</b>	<b>175,2</b>
<b>Assets repossessed</b>	<b>123,7</b>	<b>110,9</b>	<b>169,4</b>	<b>123,7</b>	<b>110,9</b>	<b>169,4</b>

## KEY FIGURES

NOK million and percentage	GROUP			PARENT BAN	
	30.06.04	30.06.03	31.12.03	30.06.04	30.06.03
<b>Profit and Loss account: (as % of average total assets)</b>					
Interest income and related income	4,69 %	7,57 %	6,77 %	4,65 %	7,59 %
Interest expenses and related expenses	-3,05 %	-5,70 %	-4,92 %	-3,09 %	-5,79 %
<b>Net interest and related income</b>	<b>1,64 %</b>	<b>1,87 %</b>	<b>1,85 %</b>	<b>1,56 %</b>	<b>1,80 %</b>
Income on securities with variable yield	0,04 %	0,00 %	0,01 %	0,02 %	0,00 %
Commission income and other income from banking services	0,38 %	0,32 %	0,33 %	0,32 %	0,25 %
Commission expenses and other expenses from banking services	-0,08 %	-0,08 %	-0,07 %	-0,06 %	-0,06 %
Net gain/loss on securities and foreign exchange	0,08 %	0,14 %	0,12 %	0,07 %	0,12 %
Other operating income	0,90 %	0,69 %	0,80 %	0,92 %	0,70 %
<b>Total non-interest income</b>	<b>1,32 %</b>	<b>1,07 %</b>	<b>1,20 %</b>	<b>1,27 %</b>	<b>1,01 %</b>
Staff costs and general administration expenses	-1,82 %	-1,82 %	-1,81 %	-1,73 %	-1,71 %
Depreciation of fixed and intangible assets	-0,07 %	-0,11 %	-0,14 %	-0,07 %	-0,08 %
Other operating expenses	-0,57 %	-0,59 %	-0,71 %	-0,55 %	-0,55 %
<b>Total non-interest expenses</b>	<b>-2,46 %</b>	<b>-2,52 %</b>	<b>-2,66 %</b>	<b>-2,35 %</b>	<b>-2,35 %</b>
<b>Operating profit before losses and write-downs</b>	<b>0,50 %</b>	<b>0,42 %</b>	<b>0,39 %</b>	<b>0,49 %</b>	<b>0,46 %</b>
Loan losses and provisions	-0,19 %	-0,71 %	-0,65 %	-0,20 %	-0,72 %
Profit/losses from fixed asset securities	-0,02 %	-0,01 %	-0,14 %	0,02 %	-0,01 %
<b>Ordinary profit before tax</b>	<b>0,29 %</b>	<b>-0,29 %</b>	<b>-0,41 %</b>	<b>0,31 %</b>	<b>-0,27 %</b>
Tax	-0,07 %	0,08 %	0,24 %	-0,09 %	0,08 %
<b>Ordinary profit after tax</b>	<b>0,22 %</b>	<b>-0,22 %</b>	<b>-0,17 %</b>	<b>0,23 %</b>	<b>-0,19 %</b>
<b>Main balance sheet figures</b>					
Total assets	25.999,3	26.991,1	25.525,3	25.163,3	26.324,0
Average total assets	25.737,2	27.378,5	26.657,2	24.936,9	26.728,7
Total lending to customers	22.997,0	24.110,3	22.697,1	21.958,3	23.334,2
Equity	1.998,0	1.987,8	1.969,3	2.005,0	2.045,4
<b>Other key figures</b>					
Total non-interest income as percentage of total income	44,65 %	36,50 %	39,31 %	44,94 %	35,89 %
Loan losses and provision as percentage of average total lending	0,21 %	0,89 %	0,80 %	0,22 %	0,90 %
Costs as percentage of operating income	83,04 %	85,67 %	87,30 %	82,84 %	83,65 %
Return on equity after tax 1)	2,90 %	-2,98 %	-2,30 %	2,82 %	-2,51 %

### Definitions:

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

## CAPITAL ADEQUACY

NOK million and percentage	GROUP			PARENT BAN	
	30.06.04	30.06.03	31.12.03	30.06.04	30.06.03
Core capital	1.684,7	1.684,3	1.656,1	1.707,5	1.742,4
Supplementary capital	388,7	426,9	421,1	388,7	426,9
<b>Net primary capital</b>	<b>2.073,4</b>	<b>2.111,2</b>	<b>2.077,2</b>	<b>2.096,2</b>	<b>2.169,3</b>
Total assets, other portfolio	16.900,2	18.469,4	17.131,9	16.149,9	17.982,2
Total off-balance sheet items, other portfolio	472,0	595,9	522,9	384,6	403,3
Foreign exchange risk and trading portfolio	118,0	114,9	100,1	38,5	57,1
Deduction for loss provisions, revaluation account	-639,4	-843,7	-841,3	-623,3	-820,6
<b>Total risk-weighted assets</b>	<b>16.850,8</b>	<b>18.336,5</b>	<b>16.913,6</b>	<b>15.949,7</b>	<b>17.622,0</b>
Capital ratio	12,30 %	11,51 %	12,28 %	13,14 %	12,31 %
Excess capital	725,3	644,3	724,1	820,2	759,5
<b>Core capital ratio</b>	<b>10,00 %</b>	<b>9,19 %</b>	<b>9,79 %</b>	<b>10,71 %</b>	<b>9,89 %</b>