

## Second quarter 2003

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*(Unless otherwise stated, the comments and figures in this report refer to the Sparebanken Midt-Norge Group. Unless otherwise stated, figures in parenthesis refer to 2002.)*

### Results

Sparebanken Midt-Norge recorded a net post-tax profit of NOK 20 (119) million in the first half-year.

The bank recorded an operating profit before losses, gains and write-downs of NOK 267 (191) million in the first half-year.

The profit reduction of NOK 99 million compared with the same period last year is due to the bank's takeover of business and assets in the integrated fish farming company Midnor Group AS. Loan losses totalling NOK 207 million were booked in connection with the takeover.

Profit measured 0.20% (1.04%) of average total assets.

Return on equity for the first half-year was 1.9% (10.8%).

The price of the bank's primary capital certificate (PCC) declined from NOK 154 at end-2002 to NOK 152 at end-June 2003. Dividend of NOK 7.50 per PCC was paid in the period.

### Net interest income

Net interest and credit commission income totalled NOK 429 (424) million.

The interest spread was 2.37% (2.53%) as of the second quarter of 2003. The spread for the full year 2002 was 2.63%.

The reduction in the interest spread is mainly due to a lower deposit spread resulting from the generally low level of interest rates. The higher lending spread in the business market resulting from the continuing increase in risk pricing has not been sufficient to compensate for this.

Any assessment of the bank's interest spread has to take into account the fact that interest income of NOK 8 (7) million on the bank's investment in fixed income funds and treasury bills is re-

corded as a gain on securities in the profit and loss account.

### Capital gains

Overall capital gains and dividends on securities came to NOK 39 (-7) million. As of the second quarter of 2003 the bank's portfolio of short-term share investments and PCCs showed a first half return of NOK 31 (-14) million.

Return on money market funds, treasury bills, bonds and derivatives came to NOK 8 (7) million.

Currency gains came to NOK 7 (7) million.

### Commission income and other operating income

Net commission income and other operating income totalled NOK 158 (140) million, an increase of 13.3 since last year.

Both ordinary commission income and income from the subsidiaries is increasing. Of the net increase of NOK 18 million in commission income, NOK 6 million refers to money transfer services, NOK 6 million to savings products and insurance, and NOK 5 million to increased income generated by the subsidiaries.

### Subsidiaries

Overall profit reported by the bank's subsidiaries came to NOK 8.8 (6.6) million after tax. Eienomsiegler 1 posted a profit of NOK 4.1 (3.8) million, SpareBank 1 Finans NOK 5.0 (3.3) million and Midt-Norge Regnskap NOK 0.6 (1.1) million. Allegro Finans ASA reported a loss of NOK 0.4 (-0.3) million and the bank's property company a loss of NOK 0.4 (-1.2) million.

### SpareBank 1 Group

The bank's stake in the SpareBank 1 Group is regarded as participation in a joint venture, and is accounted for by the equity method in the bank's accounts. SpareBank 1 Midt-Norge's stake is 14.1%.

The SpareBank 1 Group recorded a first-half loss of NOK 13.8 (-171) million. SpareBank 1 Midt-Norge's share of the SpareBank 1 Group's first-half result is a negative NOK 2 (-22) million.

The non-life and life insurance companies showed a positive trend compared with the first half of 2002.

Bank 1 Oslo AS reported a pre-tax loss of NOK 28 (+23) million in the first half of 2003. The loss is due to loan losses of NOK 112 million so far this year.

The SpareBank 1 Group posted a net profit of NOK 14 million in the second quarter in isolation of which NOK 2 million accrues to SpareBank 1 Midt-Norge.

Thus far steps taken in connection with the efficiency drive by the SpareBank 1 Group are estimated to produce an effect of about NOK 130 million in 2003.

The change process initiated in the SpareBank 1 Group is producing the results planned for. The mid-year result is all of NOK 157 million better than at the same point in 2002

### Operating expenses

Operating expenses total NOK 365 (350) million, showing overall growth of 4.3%.

Personnel expenses amounted to NOK 184 (172) million, other operating expenses amounted to NOK 181 (178) million as of the second quarter.

Staffing was stable in the second quarter. As of 30 June 2003 the group employed 712 FTEs, of which the parent bank accounted for 594 (586), i.e. the same as at the end of 2002.

Relative operating expenses measured 2.02% (2.09%) of average total assets. In terms of income (exc. capital gains and affiliates), group expenses measured 61% (61%) while parent bank expenses measured 59% (59%).

The rise in personnel expenses is ascribable to wage growth and to some increase in resource use on the part of both the parent bank and subsidiaries. Other operating expenses are rising primarily as a result of a new agreement with Fellesdata AS.

To meet future competitive challenges and the effect of the generally low level of interest rates, the

bank will implement a cost-reduction programme designed to identify measures that will achieve an annual cost reduction of at least NOK 50 million from 2004 onwards.

#### **Write-down of long-term shareholdings and gain on disposal of fixed assets**

Reversals of previous write-downs of long-term shareholdings totalled NOK 6 (+36) million, net, in the first half-year.

#### **Loan losses and defaults**

Loan losses totalled NOK 237 (53) million.

The main reason for the rise in loan losses is the bank's involvement with the fish farming company Midnor Group AS which alone accounts for NOK 207 million of the loss figure.

Of the losses, NOK 269 (35) million are specified losses referring to business customers, while specified losses on retail customers came to NOK 14 (7) million.

In the period under review the bank carried out a thoroughgoing review of risk represented by loans to the real estate industry. As a result of this, and of specified loss provisioning of the bank's largest fish farming commitments, unspecified loss provisions were reduced by NOK 46 (+11) million.

After the review unspecified loss provisions totalled NOK 318 (399) million, 1.0% of overall lending.

As of 30 June 2003, specified loss provisions totalled NOK 594 million, an increase of NOK 64 million since end-2002.

Loans in default for more than 90 days have risen by NOK 34 million to NOK 603 million since year-end. Loans in default between 30 and 90 days have risen by NOK 141 million to NOK 315 million.

Of defaults exceeding 90 days totalling NOK 603 (571) million, NOK 291 (271) million or 48% (47%) are loss provisioned.

Other doubtful commitments total NOK 802 (339) million of which NOK 303 (135) million or 38% (40%) are loss provisioned. The increase in other doubtful commitments is entirely ascribable to Midnor Group AS and Pan Fish.

The default in the retail market is reduced.

#### **Nye Midnor AS**

It became clear in the course of the second quarter that the bank's customer Midnor Group AS would be unable to continue operations without a substantial capital injection. The main reason for the company's problems was the low salmon price. The company's owners were unable to raise the capital needed.

After a thorough review the bank opted to take over the business in order to secure its claim and position as far as possible, which included securing an opportunity to recover all or parts of the loss totalling NOK 207 million that was recorded upon taking over the business.

The bank took over the business by acquiring a recently founded company, Nye Midnor AS, which prior to the takeover had taken over the core business of former Midnor Group AS and its subsidiaries. The business taken over includes smolt production with five hatchery licences, fish breeding with 26 food fish licences, as well as slaughter and processing operations.

Nye Midnor AS is a wholly-owned subsidiary of the bank. First Securities ASA has been engaged as adviser in connection with the takeover, restructuring and subsequent sale of the company. The bank will take the time needed to ensure that any sale to previous owners or new partners takes due account of the bank's aim to recover its loss and its desire to safeguard the jobs of the company's more than 250 employees. A number of potential investors have already indicated their, in some cases keen, interest in the company.

#### **Balance sheet**

The bank's assets totalled NOK 37.6 billion at 30 June 2003, NOK 1.6 billion (4.4%) more than at the end of 2002.

#### **Loans**

Total outstanding loans rose by NOK 0.9 billion (3.0%) in the first half-year to reach NOK 32.0 billion at mid-year. Loans to the retail market rose by 5.0% (4.6%), while loans to the business market fell

by 0.4% (-0.3%).

Lending grew by NOK 2 billion (6.7%) in the 12 months to end-June. Loans to the retail market grew by 11.2% in the same period, loans to the business market by 0.9%.

Loans to the retail market accounted for 59% (57%) of ordinary loans to customers as of 30 June 2003

#### **Deposits**

Total customer deposits rose by NOK 0.9 billion (4.9%) to reach NOK 20.0 billion at end-June.

Retail customer deposits grew by NOK 0.9 billion (9.5%) in the second quarter, business customer deposits showed zero growth. These figures do not include capitalised interest.

Deposits grew by NOK 1.5 billion (7.9%) in the 12 months to end-June. Growth from the retail market was 6.6%, from the business market 9.5%.

#### **Other savings products and insurance**

The value of equity and fixed income funds sold to our customers in the first half-year totalled NOK 844 million, NOK 81 million higher than at year-end. The bank's overall portfolio of unit linked, pension saving and annuity products rose from NOK 404 million to NOK 501 million in the first half of 2003.

The bank's insurance portfolio continues to show moderate but stable growth, both for life and non-life products.

#### **Financial strength**

At end-June total capital adequacy was 11.7% compared with 11.1% at year-end. For core capital adequacy the figures were 8.3%, 8.1% at year-end.

Over the year the bank has reduced its risk-weighted assets (measurement base) due to reduced exposure to the business market and reduced market risk.

| <b>Financial strength</b> | <b>30.06.03</b> | <b>2002</b>   |
|---------------------------|-----------------|---------------|
| Core capital              | 2.054           | 2.049         |
| Subordinated loans        | 1.137           | 1.064         |
| Capital adequacy reserve  | -308            | -310          |
| <b>Capital base</b>       | <b>2.883</b>    | <b>2.802</b>  |
| Risk-weighted volume      | 24.738          | 25.222        |
| <b>Capital adequacy</b>   | <b>11,7 %</b>   | <b>11,1 %</b> |
| Core capital share        | 8,3 %           | 8,1 %         |

#### **Primary capital certificates (PCCs)**

The book value of the bank's PCC as of end-June was NOK 187.

The price of the bank's primary capital certificate (PCC) declined

from NOK 154 at end-2002 to NOK 152 at end-June 2003. Dividend of NOK 7.50 per PCC was paid in the period.

#### **Outlook ahead**

Disregarding the loss provisions on Midnor Group AS, the bank's operations are satisfactory. The Directors prioritise measures designed to reduce exposure to the bond market, including reduction of lending activity targeted at large customers, higher risk pricing and general improvement of portfolio quality.

The Directors will also focus on

measures designed to maintain sound underlying banking operations in the longer term. In view of the prospect that interest rates will remain low for some time, the Directors consider it particularly important to reduce the bank's operating expenses.

SpareBanken Midt-Norge is satisfied with the positive trend now shown by the Group

The Directors expect therefore substantially improved results for the second half of 2003.

Trondheim, 12. August 2003  
The Board of Directors of Sparebanken Midt-Norge

*Per Axel Koch*  
(chair)

*Eli Arnstad*  
(deputy chair)

*Terje Roll Danielsen*

*Grete Bakken Hoem*

*Anne-Brit Skjetne*

*Egill Vatne jr.*

*Kjell Eriksen*

*Frode Kalland*  
(employee rep.)

*Finn Haugan*  
(man.dir.)

## Second quarter 2003

### Main figures SpareBank 1 Midt-Norge, the group

| From the profit and loss account                | 30.06.03   |             | 30.06.02   |             | 2002       |             |
|---|------------|-------------|------------|-------------|------------|-------------|
|   | mill kr    | %           | mill kr    | %           | mill kr    | %           |
| Net interest and credit commission income       | 429        | 2,37        | 424        | 2,53        | 896        | 2,63        |
| Total other operating income                    | 202        | 1,12        | 117        | 0,70        | 62         | 0,18        |
| <b>Total income</b>                             | <b>631</b> | <b>3,49</b> | <b>541</b> | <b>3,23</b> | <b>958</b> | <b>2,81</b> |
| Salaries, fees and other personnel costs        | 184        | 1,02        | 172        | 1,03        | 331        | 0,97        |
| Total other operating expenses                  | 181        | 1,00        | 178        | 1,06        | 350        | 1,03        |
| <b>Total operating expenses</b>                 | <b>365</b> | <b>2,02</b> | <b>350</b> | <b>2,09</b> | <b>681</b> | <b>2,00</b> |
| Operating profit before losses, gains and write | 267        | 1,48        | 191        | 1,14        | 277        | 0,81        |
| Losses on loans and guarantees                  | -237       | -1,31       | -53        | -0,32       | -229       | -0,67       |
| Gains and write-downs on disposals of fixed a   | 6          | 0,03        | 36         | 0,22        | 30         | 0,09        |
| <b>Operating profit</b>                         | <b>36</b>  | <b>0,20</b> | <b>175</b> | <b>1,04</b> | <b>77</b>  | <b>0,23</b> |
| Taxes   | 16         | 0,09        | 56         | 0,33        | 70         | 0,21        |
| <b>Profit</b>                                   | <b>20</b>  | <b>0,11</b> | <b>119</b> | <b>0,71</b> | <b>7</b>   | <b>0,02</b> |

| <b>Key figures and ratios</b> | <b>30.06.03</b> | <b>30.06.02</b> | <b>2002</b> |
|-------------------------------|-----------------|-----------------|-------------|
| Average total assets          | 36.163          | 33.488          | 34.140      |
| Core capital                  | 8,3 %           | 8,3 %           | 8,1 %       |
| Capital adequacy ratio        | 11,7 %          | 11,4 %          | 11,1 %      |
| Loans to customers (net)      | 31.092          | 29.176          | 30.194      |
| Customer deposits             | 19.981          | 18.513          | 19.049      |
| Capital base                  | 2.883           | 2.837           | 2.802       |
| Post-tax return on equity     | 1,9 %           | 10,8 %          | 0,4 %       |
| Cost/income ratio             | 0,58            | 0,65            | 0,71        |
| Loan-to-deposit ratio         | 64 %            | 63 %            | 63 %        |
| No. of branches               | 56              | 64              | 56          |

| <b>Key figures PCC</b>                         | <b>30.06.03</b> | <b>2002</b> | <b>2001</b> | <b>2000</b> | <b>1999</b> | <b>1998</b> |
|--|-----------------|-------------|-------------|-------------|-------------|-------------|
| PCC ratio                                      | 53,1 %          | 53,1 %      | 54,0 %      | 56,2 %      | 58,1 %      | 58,1 %      |
| Total issued PCCs (mill)                       | 6,15            | 6,15        | 6,10        | 6,05        | 6,00        | 6,00        |
| PCC price                                      | 152             | 154         | 199         | 187         | 228         | 179         |
| Stock value (mNOK)                             | 935             | 947         | 1.214       | 1.131       | 1.368       | 1.074       |
| Adjusted profit per PCC, in NOK                | 1,7             | 5,4         | 26,2        | 16,3        | 33,3        | 25,5        |
| Dividend per PCC                               |                 | 7,50        | 18          | 17          | 17          | 16          |
| P/E  | 43,8            | 28,7        | 7,6         | 11,5        | 6,8         | 7,0         |
| Dividend per PCC / PCC price                   |                 | 4,9 %       | 9,0 %       | 9,1 %       | 7,5 %       | 8,9 %       |
| Booked equity capital per PCC (including divic | 187             | 189         | 199         | 197         | 182         | 160         |
| Price / Booked equity capital                  | 0,81            | 0,82        | 1,00        | 0,95        | 1,25        | 1,12        |

| Morbank   |            |            |            |            | Konsern   |            |            |            |            |            |
|---|------------|------------|------------|------------|---|------------|------------|------------|------------|------------|
| 31.12.02  | Q2.02      | Q2.03      | 30.06.02   | 30.06.03   | Profit and loss account (in NOKm)                               | 30.06.03   | 30.06.02   | Q2.03      | Q2.02      | 31.12.02   |
| 2.691   | 641        | 588        | 1.268      | 1.228      | Interest income   | 1.236      | 1.275      | 591        | 645        | 2.707      |
| 1.818   | 434        | 380        | 853        | 810        | Interest expenses   | 807        | 851        | 378        | 433        | 1.811      |
| <b>873</b>                                      | <b>207</b> | <b>208</b> | <b>415</b> | <b>418</b> | <b>Net interest and credit commission income</b>                | <b>429</b> | <b>424</b> | <b>213</b> | <b>211</b> | <b>896</b> |
| 18  | 4          | 3          | 12         | 5          | Dividend on securities with variable return                     | 5          | 12         | 3          | 4          | 18         |
| -168  | -17        | 2          | -22        | -2         | Income from holdings in associated/jointly controlled companies | -2         | -22        | 2          | -17        | -168       |
| 7   | 6          | 7          | 7          | 9          | Income from holdings in group companies                         | 0          | 0          | 0          | 0          | 0          |
| -85   | -36        | 45         | -19        | 34         | Net gain/loss on securities                                     | 34         | -19        | 45         | -37        | -85        |
| 14  | 4          | 2          | 7          | 7          | Net gain/loss on currency                                       | 7          | 7          | 2          | 4          | 14         |
| 251   | 64         | 72         | 120        | 134        | Commission income   | 169        | 151        | 90         | 82         | 310        |
| -75   | -19        | -19        | -36        | -36        | Commission expenses   | -33        | -34        | -18        | -18        | -73        |
| 8   | 0          | 2          | 1          | 3          | Other operating income  | 22         | 23         | 12         | 13         | 45         |
| <b>-29</b>                                      | <b>7</b>   | <b>114</b> | <b>70</b>  | <b>154</b> | <b>Total other operating income</b>                             | <b>202</b> | <b>117</b> | <b>137</b> | <b>32</b>  | <b>62</b>  |
| <b>844</b>                                      | <b>214</b> | <b>321</b> | <b>485</b> | <b>572</b> | <b>Total income</b>   | <b>631</b> | <b>541</b> | <b>350</b> | <b>243</b> | <b>958</b> |
| 268   | 70         | 75         | 142        | 151        | Salaries, fees and other personnel costs                        | 184        | 172        | 91         | 85         | 331        |
| 205   | 53         | 56         | 106        | 110        | Administrative expenses   | 119        | 116        | 60         | 58         | 224        |
| 34  | 9          | 8          | 17         | 17         | Depreciation etc., of fixed assets etc.                         | 20         | 21         | 10         | 10         | 42         |
| 74  | 17         | 17         | 35         | 35         | Other operating expenses  | 43         | 41         | 21         | 20         | 84         |
| <b>582</b>                                      | <b>149</b> | <b>156</b> | <b>300</b> | <b>312</b> | <b>Total operating expenses</b>                                 | <b>365</b> | <b>350</b> | <b>182</b> | <b>174</b> | <b>681</b> |
| <b>263</b>                                      | <b>66</b>  | <b>165</b> | <b>185</b> | <b>260</b> | <b>Operating profit before losses, gains and write-downs</b>    | <b>267</b> | <b>191</b> | <b>168</b> | <b>69</b>  | <b>277</b> |
| 218   | 26         | 176        | 49         | 234        | Losses on loans and guarantees                                  | 237        | 53         | 176        | 29         | 229        |
| 30  | 7          | 6          | 36         | 6          | Gains and write-downs on disposals of fixed assets              | 6          | 36         | 6          | 7          | 30         |
| <b>74</b>                                       | <b>46</b>  | <b>-5</b>  | <b>172</b> | <b>32</b>  | <b>Operating profit</b>   | <b>36</b>  | <b>175</b> | <b>-3</b>  | <b>48</b>  | <b>77</b>  |
| 66  | 16         | 1          | 53         | 12         | Taxes   | 16         | 56         | 4          | 18         | 70         |
| <b>7</b>  | <b>29</b>  | <b>-6</b>  | <b>119</b> | <b>20</b>  | <b>Profit</b>   | <b>20</b>  | <b>119</b> | <b>-6</b>  | <b>29</b>  | <b>7</b>   |
| 31.12.02  | Q2.02      | Q2.03      | 30.06.02   | 30.06.03   | Key figures   | 30.06.03   | 30.06.02   | Q2.03      | Q2.02      | 31.12.02   |
| Result as a percentage of average total assets: |            |            |            |            |   |            |            |            |            |            |
| 2,56  | 2,48       | 2,29       | 2,48       | 2,31       | Net interest and credit commission income                       | 2,37       | 2,53       | 2,36       | 2,53       | 2,63       |
| -0,08   | 0,42       | 1,25       | 0,42       | 0,85       | Total operating income  | 1,12       | 0,70       | 1,52       | 0,70       | 0,18       |
| 1,70  | 1,79       | 1,72       | 1,79       | 1,72       | Total operating expenses  | 2,02       | 2,09       | 2,02       | 2,09       | 2,00       |
| 0,77  | 1,10       | 1,82       | 1,10       | 1,44       | Operating profit before losses and write-downs                  | 1,48       | 1,14       | 0,93       | 1,14       | 0,81       |
| 0,64  | 0,29       | 1,94       | 0,29       | 1,29       | Losses on loans and guarantees                                  | 1,31       | 0,32       | 0,98       | 0,32       | 0,67       |
| 0,22  | 1,03       | -0,06      | 1,03       | 0,18       | Operating profit  | 0,20       | 1,04       | -0,01      | 1,04       | 0,23       |
| 0,69  | 0,62       | 0,49       | 0,62       | 0,55       | Cost/income ratio   | 0,58       | 0,65       | 0,52       | 0,65       | 0,71       |
| 0,54  | 0,58       | 0,59       | 0,59       | 0,59       | Cost/income ratio ex capital losses/SP1 group                   | 0,61       | 0,61       | 0,61       | 0,59       | 0,57       |
| 65 %  |            |            | 65 %       | 66 %       | Ordinary lending financed by ordinary deposits                  | 64 %       | 63 %       |            |            | 63 %       |
| 0,4 %   | 5,1 %      | -1,2 %     | 10,8 %     | 1,9 %      | Return on equity  | 1,9 %      | 10,8 %     | -1,2 %     | 5,1 %      | 0,4 %      |

| <b>31.12.02</b> | <b>30.06.02</b> | <b>30.06.03</b> | <b>Balance sheet (in NOKm)</b>              | <b>30.06.03</b> | <b>30.06.02</b> | <b>31.12.02</b> |
|-----------------|-----------------|-----------------|---|-----------------|-----------------|-----------------|
| 884             | 221             | 564             | Cash and claims on central banks            | 564             | 221             | 884             |
| 1.838           | 1.120           | 2.795           | Loans to and claims on credit institutions  | 2.130           | 458             | 1.149           |
| 30.409          | 29.339          | 31.273          | Loans before loss provisions                | 32.004          | 29.983          | 31.089          |
| -525            | -405            | -586            | - Specified loan loss provisions            | -594            | -407            | -531            |
| -349            | -384            | -303            | - Unspecified loan loss provisions          | -318            | -399            | -364            |
| 29.535          | 28.550          | 30.384          | Loans to and claims on customers            | 31.092          | 29.176          | 30.194          |
| 2.342           | 2.507           | 2.443           | CDs, bonds and other interest-bearing inst  | 2.443           | 2.714           | 2.342           |
| 1.444           | 1.596           | 1.440           | Other assets                                | 1.353           | 1.382           | 1.422           |
| <b>36.044</b>   | <b>33.993</b>   | <b>37.626</b>   | <b>Total assets</b>                         | <b>37.581</b>   | <b>33.951</b>   | <b>35.991</b>   |
| 2.131           | 1.347           | 1.589           | Debt to credit institutions                 | 1.589           | 1.347           | 2.131           |
| 19.082          | 18.529          | 20.012          | Deposits from, and debt to, customers       | 19.981          | 18.513          | 19.049          |
| 10.778          | 9.379           | 11.661          | Debt incurred by issue of securities        | 11.661          | 9.379           | 10.778          |
| 294             | 587             | 341             | Other current liabilities                   | 304             | 554             | 250             |
| 508             | 714             | 679             | Accrued expenses and prepaid incomes        | 694             | 716             | 527             |
| 80              | 93              | 79              | Provisions for commitments and expenses     | 88              | 99              | 86              |
| 1.064           | 1.077           | 1.137           | Subordinated loan capital                   | 1.137           | 1.077           | 1.064           |
| <b>33.938</b>   | <b>31.725</b>   | <b>35.499</b>   | <b>Total liabilities</b>                    | <b>35.455</b>   | <b>31.683</b>   | <b>33.885</b>   |
|                 |                 |                 | Minority interests                          | 0               | 0               | 0               |
| 615             | 610             | 615             | Primary capital                             | 615             | 610             | 615             |
| -12             | -4              | -12             | Holding of own primary capital certificates | -12             | -4              | -12             |
| 472             | 491             | 473             | Equalisation fund                           | 473             | 491             | 472             |
| 10              | 6               | 10              | Equity premium fund                         | 10              | 6               | 10              |
| 0               | 54              | 0               | Revaluation reserve                         | 0               | 20              | 0               |
| 958             | 930             | 958             | Permanent capital fund                      | 958             | 930             | 958             |
| 6               | 6               | 6               | Gift fund                                   | 6               | 6               | 6               |
| 57              | 57              | 57              | Other equity                                | 57              | 91              | 57              |
| 0               | 119             | 20              | Retained profits after losses               | 20              | 119             | 0               |
| <b>2.106</b>    | <b>2.268</b>    | <b>2.127</b>    | <b>Total equity</b>                         | <b>2.127</b>    | <b>2.268</b>    | <b>2.106</b>    |
| <b>36.044</b>   | <b>33.993</b>   | <b>37.626</b>   | <b>Total liabilities and equity</b>         | <b>37.581</b>   | <b>33.951</b>   | <b>35.991</b>   |

## Results from quarter accounts

|   | Q2         | Q1         | Q4         | Q3         | Q2         | Q1         | Q4         | Q3         | Q2         |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| (Group) Figures in millions of kroner             | 2003       | 2003       | 2002       | 2002       | 2002       | 2002       | 2001       | 2001       | 2001       |
| Interest income                                   | 591        | 645        | 757        | 675        | 644        | 630        | 695        | 626        | 682        |
| Interest expenses                                 | 378        | 428        | 514        | 447        | 433        | 418        | 473        | 418        | 478        |
| <b>Net interest and credit commission income</b>  | <b>213</b> | <b>216</b> | <b>244</b> | <b>228</b> | <b>211</b> | <b>213</b> | <b>222</b> | <b>208</b> | <b>204</b> |
| Dividend on securities with variable return       | 3          | 2          | 5          | 1          | 4          | 8          | 10         | 0          | 4          |
| Income holdings in associated controlled comp     | 2          | -4         | -44        | -102       | -17        | -6         | -16        | -22        | -5         |
| Income from holdings in group companies           | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Net gain/loss on securities                       | 45         | -11        | -31        | -35        | -36        | 17         | 13         | -14        | 9          |
| Net gain/loss on currency                         | 2          | 5          | 2          | 7          | 3          | 3          | 3          | 10         | 10         |
| Commission income                                 | 90         | 79         | 77         | 82         | 82         | 69         | 74         | 68         | 74         |
| Commission expenses                               | -18        | -16        | -17        | -21        | -18        | -17        | -20        | -18        | -17        |
| Other operating income                            | 12         | 10         | 12         | 11         | 13         | 10         | 13         | 12         | 26         |
| <b>Total other operating income</b>               | <b>137</b> | <b>65</b>  | <b>3</b>   | <b>-57</b> | <b>31</b>  | <b>85</b>  | <b>78</b>  | <b>36</b>  | <b>101</b> |
| <b>Total income</b>                               | <b>350</b> | <b>281</b> | <b>246</b> | <b>171</b> | <b>243</b> | <b>297</b> | <b>300</b> | <b>243</b> | <b>305</b> |
| Personnel expenses                                | 91         | 92         | 69         | 90         | 85         | 86         | 80         | 85         | 88         |
| Admin. expenses                                   | 60         | 59         | 52         | 56         | 58         | 58         | 60         | 51         | 51         |
| Ordinary depreciation                             | 10         | 10         | 11         | 11         | 10         | 10         | 11         | 10         | 12         |
| Other operating expenses                          | 21         | 22         | 21         | 21         | 20         | 21         | 20         | 23         | 19         |
| <b>Operating expenses</b>                         | <b>182</b> | <b>183</b> | <b>153</b> | <b>178</b> | <b>174</b> | <b>176</b> | <b>172</b> | <b>168</b> | <b>170</b> |
| <b>Profit before losses/gains and write-downs</b> | <b>168</b> | <b>99</b>  | <b>93</b>  | <b>-7</b>  | <b>69</b>  | <b>122</b> | <b>127</b> | <b>75</b>  | <b>135</b> |
| Loss on loans and guarantees                      | 176        | 60         | 138        | 39         | 29         | 24         | 56         | 34         | 29         |
| Write-downs and gain/loss on disposals            | 6          | 0          | 1          | -8         | 7          | 29         | -13        | 26         | -1         |
| <b>Ordinary pre-tax profit</b>                    | <b>-3</b>  | <b>38</b>  | <b>-43</b> | <b>-55</b> | <b>48</b>  | <b>127</b> | <b>58</b>  | <b>67</b>  | <b>105</b> |
| Tax charge  | 4          | 12         | 0          | 14         | 18         | 37         | 21         | 27         | 29         |
| <b>Ordinary post-tax profit</b>                   | <b>-6</b>  | <b>26</b>  | <b>-42</b> | <b>-70</b> | <b>29</b>  | <b>90</b>  | <b>37</b>  | <b>39</b>  | <b>76</b>  |

## Balance sheet figures from quarterly accounts

|   |        |        |        |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Loans to customers (gross)                  | 32.004 | 31.448 | 31.089 | 30.691 | 29.983 | 29.464 | 29.278 | 28.451 | 28.136 |
| Customer deposits                           | 19.981 | 19.167 | 19.049 | 17.723 | 18.513 | 18.442 | 17.871 | 17.019 | 18.002 |
| Total assets                                | 37.581 | 35.422 | 35.991 | 34.509 | 33.951 | 32.970 | 33.286 | 31.728 | 33.296 |
| Average total assets in the quarter         | 35.957 | 35.888 | 34.117 | 33.754 | 33.488 | 33.153 | 32.539 | 32.271 | 31.884 |
| Change in outstanding loans, last 12 months | 6,7 %  | 4,9 %  | 6,2 %  | 7,9 %  | 6,6 %  | 8,8 %  | 10,0 % | 14,6 % | 15,4 % |
| Change in deposits, last 12 months          | 7,9 %  | 3,5 %  | 6,6 %  | 4,1 %  | 2,8 %  | 6,7 %  | 3,4 %  | 8,9 %  | 11,5 % |

## Defaulted commitments

|                            |     |     |     |     |     |     |     |       |     |
|----------------------------|-----|-----|-----|-----|-----|-----|-----|-------|-----|
| Defaults more than 90 days | 603 | 596 | 569 | 553 | 570 | 595 | 632 | 753   | 615 |
| Defaults 30-90 days        | 315 | 283 | 174 | 278 | 314 | 291 | 273 | 332   | 293 |
| Total defaults             | 918 | 879 | 743 | 831 | 884 | 886 | 905 | 1.085 | 908 |

## Capital adequacy

|                          |        |        |        |        |        |        |        |        |        |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Primary capital          | 603    | 603    | 603    | 611    | 606    | 606    | 605    | 615    | 609    |
| Dividend adjustment fund | 472    | 472    | 472    | 490    | 490    | 491    | 489    | 443    | 443    |
| Other core capital       | 979    | 974    | 974    | 984    | 983    | 983    | 984    | 867    | 867    |
| Core capital             | 2.054  | 2.049  | 2.049  | 2.086  | 2.080  | 2.080  | 2.079  | 1.926  | 1.920  |
| Capital base             | 2.883  | 2.819  | 2.802  | 2.891  | 2.837  | 2.853  | 2.842  | 2.677  | 2.696  |
| Risk weighted volume     | 24.738 | 25.634 | 25.222 | 25.240 | 24.991 | 23.810 | 23.554 | 23.608 | 24.416 |
| Core capital ratio       | 8,3 %  | 8,0 %  | 8,1%   | 8,3%   | 8,3%   | 8,7%   | 8,8%   | 8,2%   | 7,9 %  |
| Overall capital ratio    | 11,7 % | 11,0 % | 11,1%  | 11,5%  | 11,4%  | 12,0%  | 12,1%  | 11,3%  | 11,0 % |

## Operations and profitability

|  |       |        |       |        |       |       |       |       |        |
|--|-------|--------|-------|--------|-------|-------|-------|-------|--------|
| Interest margin in % p.a.                    | 2,37% | 2,41 % | 2,85% | 2,70%  | 2,53% | 2,56% | 2,71% | 2,64% | 2,61 % |
| Expenses / income (exc. cap. gains/dividend) | 0,61  | 0,62   | 0,48  | 0,58   | 0,58  | 0,59  | 0,61  | 0,57  | 0,60   |
| Return on equity per quarter                 | -1,2% | 5,0 %  | -7,6% | -12,6% | 5,1%  | 16,4% | 7,0%  | 7,8%  | 15,4 % |

## Key figures, primary capital certificates (PCCs)

|  |     |     |     |     |      |      |      |      |     |
|--|-----|-----|-----|-----|------|------|------|------|-----|
| PCC price at end of quarter                    | 152 | 140 | 154 | 189 | 228  | 222  | 199  | 177  | 176 |
| Book equity per PCC, in NOK                    | 187 | 188 | 189 | 196 | 199  | 202  | 199  | 190  | 190 |
| Post-tax earnings per PCC for the year, in NOI | 1,7 | 2,3 | 5,4 | 4,4 | 21,0 | 31,9 | 19,6 | 22,0 | 26  |

## No. of person-years worked

|                                 |     |     |     |     |     |       |     |     |     |
|---------------------------------|-----|-----|-----|-----|-----|-------|-----|-----|-----|
| ... of which at the parent bank | 712 | 710 | 718 | 711 | 694 | 673   | 675 | 669 | 681 |
|                                 | 594 | 593 | 594 | 596 | 586 | 568,5 | 570 | 563 | 573 |

**Notes**  
(in million NOK)

**1. Accounting principles**

The accounts are set up in accordance with the same principles as the annual accounts for 2002.

**2. Other off-balance sheet commitments**

| Parent bank |          |          |                                | Group    |          |          |
|-------------|----------|----------|--------------------------------|----------|----------|----------|
| 31.12.02    | 30.06.02 | 30.06.03 |                                | 30.06.03 | 30.06.02 | 31.12.02 |
| 18.090      | 12.619   | 17.298   | <b>Commitments:</b>            |          |          |          |
| 18.656      | 12.475   | 17.281   | Sales agreements               | 17.298   | 12.619   | 18.090   |
| 2.887       | 3.040    | 2.690    | Purchase agreements            | 17.281   | 12.475   | 18.656   |
|             |          |          | Other commitments              | 2.615    | 3.040    | 2.887    |
|             |          |          | <b>Conditional commitments</b> |          |          |          |
| 1.079       | 1.171    | 830      | Guarantee liabilities          | 830      | 1.171    | 1.079    |

**3. Losses on loans and guarantees**

| Parent bank |          |          |   | Group    |          |          |
|-------------|----------|----------|---|----------|----------|----------|
| 31.12.02    | 30.06.02 | 30.06.03 |   | 30.06.03 | 30.06.02 | 31.12.02 |
| 110         | -10      | 62       | Change in specified losses in the period  | 63       | -10      | 114      |
| -26         | 10       | -46      | Change in general losses in the period  | -46      | 11       | -23      |
| 106         | 50       | 189      | Actual losses in the period on loans for which loss provisions were made earlier.     | 190      | 51       | 110      |
| 43          | 5        | 34       | Actual losses in the period on loans for which not loss provisions were made earlier. | 35       | 5        | 43       |
| -14         | -6       | -4       | Incomings in the period on loans for which loss provisions were not made earlier.     | -5       | -6       | -14      |
| 218         | 49       | 234      | Losses of the year on loans and guarantees  | 237      | 53       | 229      |

**4. Losses**

| Parent bank |          |          |   | Group    |          |          |
|-------------|----------|----------|---|----------|----------|----------|
| 31.12.02    | 30.06.02 | 30.06.03 |   | 30.06.03 | 30.06.02 | 31.12.02 |
| 414         | 414      | 525      | Specification of loss provisions at start of period   | 531      | 417      | 417      |
| 19          | 34       | 17       | + Increase in spec. loss provisions in prev. periods  | 18       | 34       | 22       |
| 55          | 15       | 10       | - Reduction in spec. loss provisions in prev. periods | 10       | 15       | 55       |
| 252         | 22       | 244      | + New specified loss provisions during the period     | 246      | 23       | 256      |
| 106         | 50       | 189      | - Actual losses previously provided for               | 190      | 51       | 110      |
| 525         | 405      | 586      | Specification of loss provisions at end of period     | 594      | 407      | 531      |
| 149         | 55       | 222      | Actual losses   | 225      | 57       | 153      |

**5. Defaults**

| Parent bank |          |          |  | Group    |          |          |
|-------------|----------|----------|--|----------|----------|----------|
| 31.12.02    | 30.06.02 | 30.06.03 |  | 30.06.03 | 30.06.02 | 31.12.02 |
|             |          |          | <b>Total defaults</b>                  |          |          |          |
| 569         | 571      | 603      | Loans in default for more than 90 days | 603      | 571      | 569      |
| 240         | 271      | 291      | - Specified loss provision             | 291      | 271      | 240      |
| 329         | 300      | 312      | Net defaults                           | 312      | 300      | 329      |
| 42 %        | 47 %     | 48 %     | Provision rate                         | 48 %     | 47 %     | 42 %     |
|             |          |          | <b>Problem Loans</b>                   |          |          |          |
| 519         | 339      | 802      | Problem loans (not in default)         | 802      | 339      | 519      |
| 285         | 134      | 295      | - Specified loss provision             | 303      | 134      | 291      |
| 234         | 205      | 507      | Net problem loans                      | 499      | 205      | 228      |
| 55 %        | 40 %     | 37 %     | Provision rate                         | 38 %     | 40 %     | 56 %     |

**6. Other assets**

| Parent bank |          |          |  | Group    |          |          |
|-------------|----------|----------|--|----------|----------|----------|
| 31.12.02    | 30.06.02 | 30.06.03 |  | 30.06.03 | 30.06.02 | 31.12.02 |
| 0           | 0        | 0        | Reposessed assets                                    | 0        | 0        | 0        |
| 486         | 581      | 459      | Shares (and other securities with variable yield)    | 459      | 375      | 487      |
| 439         | 442      | 443      | Holdings in associated companies and group companies | 266      | 303      | 269      |
| 44          | 40       | 44       | Immaterial assets                                    | 53       | 50       | 57       |
| 148         | 90       | 149      | Fixed assets   | 185      | 191      | 184      |
| 35          | 146      | 98       | Other assets   | 144      | 159      | 133      |
| 293         | 298      | 247      | Prepayments and accrued incomes                      | 247      | 305      | 293      |
| 1.444       | 1.596    | 1.440    | Other assets   | 1.353    | 1.382    | 1.422    |

## 7. Distribution of loans by sector/industry

| Parent bank |          |          |                             | Group    |          |          |
|-------------|----------|----------|-----------------------------|----------|----------|----------|
| 31.12.02    | 30.06.02 | 30.06.03 |                             | 30.06.03 | 30.06.02 | 31.12.02 |
| 17,958      | 16,951   | 18,852   | Retail customers            | 18,855   | 16,954   | 17,961   |
| 246         | 393      | 99       | Public sector               | 126      | 416      | 270      |
| 1,271       | 1,296    | 1,421    | Wholesale and retail trade  | 1,620    | 1,505    | 1,466    |
| 3,097       | 2,988    | 3,236    | Primary industries          | 3,306    | 3,038    | 3,166    |
| 4,184       | 3,635    | 3,657    | Financing, real estate etc. | 3,760    | 3,665    | 4,233    |
| 410         | 402      | 482      | Building and construction   | 633      | 542      | 571      |
| 855         | 892      | 869      | Manufacturing               | 975      | 1,012    | 938      |
| 1,810       | 1,827    | 2,065    | Transportation and services | 2,135    | 1,896    | 1,908    |
| 578         | 955      | 592      | Other                       | 592      | 955      | 578      |
| 30,409      | 29,339   | 31,273   |                             | 32,004   | 29,983   | 31,089   |

## 8. Capital adequacy

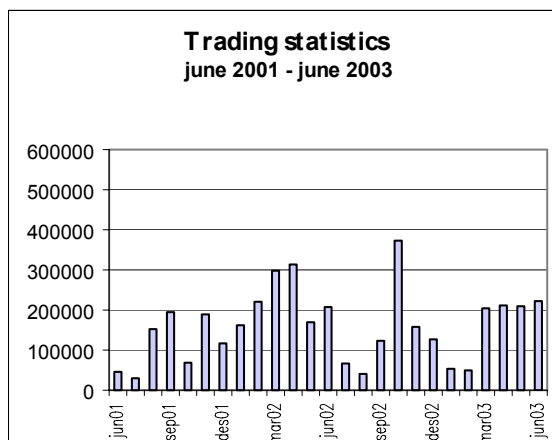
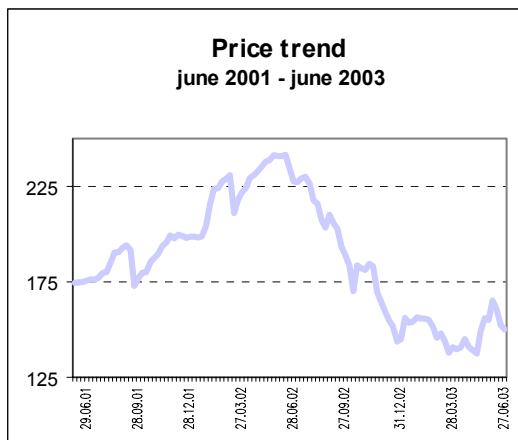
| Parent bank |          |          |   | Group    |          |          |
|-------------|----------|----------|---|----------|----------|----------|
| 31.12.02    | 30.06.02 | 30.06.03 |   | 30.06.03 | 30.06.02 | 31.12.02 |
| 2,062       | 2,055    | 2,063    | Core capital                                    | 2,054    | 2,080    | 2,049    |
| 1,064       | 1,077    | 1,137    | Qualifying subordinated loan capital            | 1,137    | 1,077    | 1,064    |
| 0           | 0        | 0        | - Capital adequacy reserve                      | 308      | 319      | 310      |
| 3,125       | 3,132    | 3,200    | Capital base                                    | 2,883    | 2,837    | 2,802    |
| 25,742      | 25,383   | 25,141   | Risk-weighted asset base (basis of calculation) | 24,738   | 24,991   | 25,222   |
| 8,01 %      | 8,10 %   | 8,20 %   | Core capital ratio                              | 8,30 %   | 8,32 %   | 8,12 %   |
| 12,14%      | 12,34%   | 12,73%   | Capital adequacy ratio                          | 11,65%   | 11,35%   | 11,11%   |

## 9. Equity capital

|   | Total equity capital | Owners' capital contribution | Premium fund | Equalisation fund | Savings bank's fund | Other funds and gift fund |
|---|----------------------|------------------------------|--------------|-------------------|---------------------|---------------------------|
| Book figures, parent bank 01.01.03            | 2,106                | 603                          | 10           | 472               | 958                 | 63                        |
| Reversals of dividend of own holding of PPC's | 1                    |                              |              | 1                 |                     |                           |
| Result at 30 June 2003                        | 20                   |                              |              |                   |                     | 20                        |
| Equity capital at 30 June 2003                | 2,127                | 603                          | 10           | 473               | 958                 | 83                        |
| Book figures, parent bank                     | 2,127                | 603                          | 10           | 473               | 958                 | 83                        |
| Book figures, group                           | 2,127                | 603                          | 10           | 473               | 958                 | 83                        |

| Parent bank |          |          | Cash Flow Statement                                      | Group    |          |          |
|-------------|----------|----------|--|----------|----------|----------|
| 31.12.02    | 30.06.02 | 30.06.03 |  | 30.06.03 | 30.06.02 | 31.12.02 |
| 74          | 172      | 32       | Profit before tax  | 36       | 175      | 77       |
| -50         | -43      | -3       | -/+ Gains/Loss on sale of fixed assets                   | -3       | -43      | -50      |
| 54          | 23       | 13       | + Depreciations and write-downs on fixed assets          | 16       | 27       | 62       |
| 218         | 49       | 234      | Losses on loans and guarantees                           | 237      | 53       | 229      |
| -70         | -53      | -12      | - Payable tax  | -15      | -56      | -66      |
| -46         | 0        |          | - Dividend   |          | 0        | -46      |
| 181         | 149      | 264      | Net cash increase from ordinary operations               | 270      | 156      | 207      |
| 559         | 443      | -17      | Decrease/(increase) other receivables                    | 36       | 477      | 472      |
| 21          | 519      | 218      | Increase/(decrease) short term debt                      | 224      | 493      | -8       |
| -10         | 0        | 0        | Increase/(decrease) pension cost commitments             | -        | 0        | -8       |
| -6          | -2       | -1       | Increase/(decrease) other debt                           | -1       | -2       | -6       |
| 565         | 960      | 200      | <b>Net cash changes in profit and loss accounts</b>      | 259      | 968      | 451      |
| -1.787      | -632     | -1.083   | Decrease/(increase) loans to customers                   | -1.135   | -756     | -1.938   |
| -648        | 70       | -957     | Decrease/(increase) loans credit institutions            | -981     | 135      | -556     |
| 1.169       | 616      | 929      | Increase/(decrease) deposits and debt to customers       | 931      | 642      | 1.178    |
| 55          | -730     | -542     | Increase/(decrease) debt to credit institutions          | -542     | -746     | 55       |
| -370        | -656     | -101     | Increase/(decrease) in short term investments            | -101     | -629     | -369     |
| -835        | -223     | -1.290   | <b>A) NET CASH FLOW FROM OPERATIONS</b>                  | -1.299   | -230     | -972     |
| -88         | -11      | -18      | Increase in tangible fixed assets                        | -20      | -7       | -96      |
| 1           | 0        | 2        | Reductions in tangible fixed assets                      | 6        | 0        | 79       |
| 21          | 52       | 29       | Net investments in long-term shares and partnerships     | 36       | 56       | 87       |
| -66         | 41       | 13       | <b>B) NET CASH FLOW FROM INVESTMENTS</b>                 | 22       | 49       | 71       |
| 0           | 0        | 0        | Increase/(decrease) in deposits from Norges Bank         | 0        | 0        | 0        |
| -49         | -36      | 74       | Increase/(decrease) in subordinated loan capital         | 74       | -36      | -49      |
| -2          | 2        | 0        | Increase/(decrease) in equity                            | -        | 2        | -2       |
| 1.593       | 194      | 883      | Increase/(decrease) in other long term loans             | 883      | 194      | 1.593    |
| 1.541       | 159      | 957      | <b>C) NET CASH FLOW FROM FINANCAL ACTIVITIES</b>         | 957      | 159      | 1.542    |
| 641         | -23      | -320     | <b>A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVAL</b> | -320     | -23      | 641      |
| 243         | 243      | 884      | Cash and cash equivalents at 01.01                       | 884      | 243      | 243      |
| 884         | 221      | 564      | Cash and cash equivalents at 31.12                       | 564      | 221      | 884      |
| -641        | 23       | 320      | Net changes in cash and cash equivalents                 | 320      | 23       | -641     |

# Primary capital certificates (PCCs)



## 20 largest PCC holders

|                              | <u>Number</u>    | <u>Share</u>    |
|------------------------------|------------------|-----------------|
| FöreningsSparbanken          | 598.300          | 9,73 %          |
| Gjensidige NOR               | 313.865          | 5,11 %          |
| Folketrygdfondet             | 294.300          | 4,79 %          |
| Frank Mohn AS                | 258.625          | 4,21 %          |
| Investors Bank & Trust       | 177.255          | 2,88 %          |
| Sparebanken Midt-Norge Finan | 161.300          | 2,62 %          |
| I.K. Lykke, T.Lykke m.fl.    | 112.100          | 1,82 %          |
| Sparebanken Rogaland         | 105.830          | 1,72 %          |
| Haugaland Kraft AS           | 83.050           | 1,35 %          |
| Tveteraas Invest AS m.fl.    | 81.072           | 1,32 %          |
| Studentsamskipnaden i Trondl | 59.900           | 0,97 %          |
| Roll Severin AS              | 55.850           | 0,91 %          |
| Wenaas Holding AS            | 54.050           | 0,88 %          |
| Ringerikes Sparebank         | 51.700           | 0,84 %          |
| Tine Pensjonskasse           | 51.500           | 0,84 %          |
| Brødrene Johanssen Holding / | 51.000           | 0,83 %          |
| Otto Morcken                 | 46.000           | 0,75 %          |
| SMN Ansattes Fond Stiftelsen | 45.450           | 0,74 %          |
| Corneliussen Invest AS       | 40.000           | 0,65 %          |
| Johan Wullum                 | 41.000           | 0,67 %          |
|                              | <b>2.682.147</b> | <b>43,63 %</b>  |
| Others                       | <b>3.465.913</b> | <b>56,37 %</b>  |
| Total issued PCCs            | <b>6.148.060</b> | <b>100,00 %</b> |

## Dividend policy

SpareBank 1 Midt-Norge's financial goals for its operations are to achieve results that yield a good and stable return on the bank's total equity.

SpareBank 1 Midt-Norge's basis is that profit will be divided between the primary capital certificate owners and the savings bank's reserves so as to reflect their share of overall core capital.

SpareBank 1 Midt-Norge will place emphasis on achieving a competitive cash dividend. Variations may exist in the proportionate distribution between cash dividend and the equalization reserve when the consideration for the bank's equity development is emphasized.