

# **Preliminary annual report as at 31 December 1999**

Parent bank			Profit and loss account (in NOKm)	The Group		
31.12.97	31.12.98	31.12.99		31.12.99	31.12.98	31.12.97
1,267	1,590	1,915	Interest income	1,912	1,591	1,268
594	885	1,148	Interest expenses	1,145	884	592
<b>673</b>	<b>704</b>	<b>767</b>	<b>Net interest and credit commission income</b>	<b>767</b>	<b>707</b>	<b>676</b>
8	9	12	Dividend on securities with variable return	12	9	8
9	13	16	Dividends and profit from associated companies	8	3	0
188	185	206	Commission income	235	210	212
-65	-61	-69	Commission expenses	-69	-61	-65
-5	6	74	Net gain/loss on currency and securities	74	6	-5
5	6	3	Other operating income	27	19	15
<b>139</b>	<b>157</b>	<b>242</b>	<b>Total other operating income</b>	<b>286</b>	<b>186</b>	<b>164</b>
<b>813</b>	<b>861</b>	<b>1,009</b>	<b>Total income</b>	<b>1,054</b>	<b>893</b>	<b>840</b>
226	228	259	Salaries, fees and other personnel costs	286	253	248
151	179	172	Administrative expenses	180	187	158
22	25	24	Depreciation etc. of fixed assets etc.	40	38	35
63	65	63	Other operating expenses	55	46	46
<b>463</b>	<b>497</b>	<b>518</b>	<b>Total operating expenses</b>	<b>560</b>	<b>524</b>	<b>488</b>
<b>350</b>	<b>364</b>	<b>491</b>	<b>Operating profit before losses, gains and write-downs</b>	<b>494</b>	<b>369</b>	<b>352</b>
-1	38	106	Losses on loans and guarantees	106	38	-1
13	0	50	Gains and write-downs on disposals of fixed assets	50	0	13
<b>364</b>	<b>327</b>	<b>435</b>	<b>Operating profit</b>	<b>437</b>	<b>331</b>	<b>366</b>
97	83	104	Taxes	105	87	99
<b>267</b>	<b>244</b>	<b>331</b>	<b>Profit</b>	<b>331</b>	<b>244</b>	<b>267</b>

Parent bank			Key Figures	The Group		
31.12.97	31.12.98	31.12.99		31.12.99	31.12.98	31.12.97
<i>Result as a percentage of average total assets:</i>						
3.42	3.24	3.20	Net interest and credit commission income	3.20	3.26	3.44
0.71	0.72	1.01	Total operating income	1.19	0.86	0.83
2.35	2.29	2.16	Total operating expenses	2.34	2.42	2.48
1.78	1.68	2.05	Operating profit before losses and write-downs	2.06	1.70	1.79
0.07	-0.17	-0.23	Losses and write-downs	-0.24	-0.18	0.07
1.85	1.51	1.82	Operating profit	1.82	1.52	1.86
0.57	0.58	0.51	Cost/income ratio	0.53	0.59	0.58
76%	71%	69%	Ordinary lending financed by ordinary deposits	69 %	70 %	75 %
15.5 %	14.3 %	18.9 %	Return on equity	18.9 %	14.3 %	15.5 %

Parent bank			Balance sheet (in NOKm)	The Group		
31.12.97	31.12.98	31.12.99		31.12.99	31.12.98	31.12.97
281	245	979	Cash and claims on central banks	979	245	281
373	612	575	Loans to and claims on credit institutions	293	340	171
18,475	20,038	22,843	Loans before loss provisions	22,957	20,144	18,558
-544	-508	-448	- Specified loan loss provisions	-448	-509	-545
-227	-253	-299	- Unspecified loan loss provisions	-302	-256	-229
17,704	19,277	22,097	Loans to and claims on customers	22,206	19,379	17,785
1,255	1,612	1,752	CDs, bonds and other interest-bearing instruments	1,752	1,612	1,255
713	822	951	Other assets	1,140	1,002	795
<b>20,327</b>	<b>22,568</b>	<b>26,354</b>	<b>Total assets</b>	<b>26,371</b>	<b>22,579</b>	<b>20,287</b>
933	1,257	1,378	Debt to credit institutions	1,378	1,257	933
13,430	13,659	15,253	Deposits from, and debt to, customers	15,238	13,636	13,387
3,083	5,076	6,634	Debt incurred by issue of securities	6,634	5,076	3,083
894	470	608	Other liabilities	636	500	894
124	103	97	Provisions for commitments and expenses	101	106	126
350	350	500	Subordinated loan capital	500	350	350
<b>18,814</b>	<b>20,914</b>	<b>24,470</b>	<b>Total liabilities</b>	<b>24,487</b>	<b>20,925</b>	<b>18,774</b>
600	600	600	PCC holders' equity	600	600	600
62	26	35	Evaluation fund	0	0	0
525	628	756	Accumulated reserves	756	628	525
282	358	450	Equalisation fund	450	358	282
44	42	43	Other equity capital	78	68	106
1,513	1,654	1,884	Total equity	1,884	1,654	1,513
<b>20,327</b>	<b>22,568</b>	<b>26,354</b>	<b>Total liabilities and equity</b>	<b>26,371</b>	<b>22,579</b>	<b>20,287</b>

## **Preliminary annual report, 31.12.1999**

The accounts are set up in accordance with the new Accounting Act. The main changes refer to consolidation of subsidiaries by the equity method in the parent bank and to entry of net deferred tax benefit in the balance sheet. See also note 1.

Unless otherwise stated, the comments and figures below refer to the Sparebanken Midt-Norge Group.

### **Best performance ever**

Sparebanken Midt-Norge's result of ordinary operations came to NOK 437 million in 1999, i.e. NOK 106 million up on last year. The ordinary result measures 1.82 % of average total assets (ATA) compared with 1.52 % in 1998. Return on equity, after estimated tax, was 18.9 % compared with 14.3 % last year.

The result for the fourth quarter alone was NOK 76 million.

The good performance is ascribable to sound growth, improved net interest income and price gains on securities.

The cost trend is satisfactory. Relative operating expenses measure 2.34 % of ATA and 53 % of income, i.e. a fall of 6 percentage point on 1998.

Loan losses total NOK 106 million, net, compared with NOK 38 million in 1998.

The result effect of FöreningsSparbankens entry into SpareBank 1 Gruppen AS is entered as income in an amount of NOK 51 million.

The post-tax result was NOK 331 million, i.e. NOK 87 million higher than at the end of 1998.

### **Proposed application of the profit**

Of the profit of NOK 331 million, the Directors proposes a cash dividend of NOK 17 per primary capital certificate, i.e. NOK 102 million; NOK 92 million to be set aside to the dividend equalisation fund and the remainder, NOK 137 million, to be transferred to the savings bank's fund.

### **Capital strength**

	31.12.99	1.1.99
Tier 1 capital	1.884	1.654
Subordinated debt	500	350
Cross-ownership items	-198	-15
Capital	2.186	1.989
Risk-weighted volume	20.001	17.482
Capital adequacy ratio	10,93 %	11,38 %
Tier 1 capital ratio	9,42 %	9,46 %

In connection with the new Accounting Act the opening

balance was reworked.

In 1999 the bank raised a new subordinated loan of NOK 150 million.

### **Strong growth in deposits and lending**

At year-end total assets came to NOK 26.4 billion, i.e. an increase of NOK 3.8 billion on the end of 1998.

Lending growth totalled NOK 2.8 billion or 13.8 %, breaking down to 15 % on corporate customers and 13 % on personal customers. As at 31.12.99 loans to personal customers accounted for 56.8 % of the total. Customer deposits amounted to NOK 15.2 billion, i.e. an increase of NOK 1.3 billion or 9.5 %. The sound growth is above all attributable to a stronger focus on higher deposits from and loans to the personal market.

### **Improvement in 2001**

In April the Directors implemented a comprehensive programme to improve deposit and lending growth and sales of investment and insurance products, above all on the personal customer front. Steps were also taken to enhance quality. The programme has incentive schemes attached, and good results triggered employee bonuses varying according to the degree to which the programme's objectives were achieved.

### **Higher net interest income**

Net interest income rose NOK 60 million from 1998 to 1999, and at year-end came to NOK 767 million. The relative interest margin in the fourth quarter showed no change on the second and third quarter, i.e. NOK 189 million. The relative interest margin was 3.20 % for the year as a whole compared with 3.26 % at the end of 1998. The fourth quarter figure was 2.94 %.

### **Price gains and commission earnings**

Price gains on securities and dividend came to NOK 94 million compared with NOK 18 million the previous year. Of the gains on securities, NOK 36 million is attributable to a change in accounting principles allows the bank to take to income unrealised gains on securities in the trading portfolio as from 1999.

Commission earnings total NOK 235 million, i.e. an increase of NOK 25 million over 1998.

### **Operating expenses**

The bank's operating expenses totalled NOK 560 million, breaking down to NOK 286 million to personnel expenses and NOK 274 million on other operating expenses. Personnel expenses were NOK 33 million higher than in 1998 owing to a costly wage round and expensing of a bonus of NOK 20 million in 1999.

Person-years worked in the parent bank came to 601 as at 31 December 1999, an increase of 11 on the end of 1998. At the same point Group staff totalled 818 employees, equivalent to 675 person-years.

Other operating expenses rose by NOK 4 million from 1998 to 1999. Total operating expenses measured 2.34 % of ATA in 1999 compared with 2.42 % in 1998.

## Loan losses

Net loan losses for 1999 were recorded in an amount of NOK 106 million compared with NOK 38 million in 1998.

Specified loan losses came to NOK 109 million, breaking down to NOK 31 million on personal customers and NOK 78 million on corporate customers. Incomings on previously verified losses and reduction of specified loss provisions total NOK 59 million. Additional loss upon resulting from new loss verification came to NOK 10 million. Specified loss provisions amount to NOK 448 million. General loss provisions totalled NOK 46 million in 1999, of which NOK 17 million refers to the last quarter. General loss provisions came to NOK 302 million at year-end, equivalent to 1.32 % of the bank's outstanding loans.

Defaults in excess of 30 days were reduced by NOK 128 million to NOK 754 million over the year. The reduction breaks down to NOK 62 million on personal customers and NOK 66 million on corporate customers.

## Subsidiaries

Subsidiaries and associated companies contributed a total of NOK 16 million, i.e. NOK 3 million more than the previous year. Of this figure, NOK 8 million constitutes the bank's share of Sparebank 1 Gruppen AS's ordinary operating profit.

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The Directors are well satisfied with the bank's performance in 1999.

*Trondheim, 27 January 2000*

### ***The Board of Directors, Sparebanken Midt-Norge***

*Stein Atle Andersen* (Chairman) *Per Axel Koch* (Cep. Chairman)

*Joar Grimsbu* *Ivar Martin Johansen*

*Anne-Brit Skjetne* *Egill Vatne jr.*

*Kjell Eriksen* *Frode Kalland* (Employee Rep.)

*Odd Arve Bartnes* (Proxy) *Finn Haugan* (Man. Director.)

## 1. Accounting principles

The accounts are set up in accordance with the same principles as the annual accounts for 1998 with the exception of changes resulting from new accounting legislation and new regulations governing annual reports and accounts. The main changes are related to the application of the equity method to subsidiaries and entry of net deferred tax benefits in the balance sheet.

As at 1 January 1999 the changes break down as follows (in NOKm):

	<u>Parent bank</u>	<u>The group</u>
Profit	-31	-2
Other assets		
-Subsidiaries/associated companies	25	-6
-Deferred tax benefit	48	56
Equity		
-Fund for valuation differences	25	-6
-Other equity	48	56

Figures for comparison purposes are correspondingly reworked.

## 2. Off-balance sheet items

	<u>Parent bank</u>		<u>The Group</u>	
<u>Commitments:</u>	<u>31.12.99</u>	<u>31.12.98</u>	<u>31.12.99</u>	<u>31.12.98</u>
Sales agreements	4,785	6,198	4,785	6,198
Purchase agreements	6,283	4,724	6,283	4,724
Other commitments	2,647	2,307	2,647	2,307
<u>Conditional commitments</u>				
Guarantee liabilities	910	847	910	847

Figures in NOK 1,000

## 3. Loss expenses 1999

Change in specified loss provisions	-59,997
Change in general loss provisions	46,088
Actual losses for which specified loss provisions previously made	116,827
Actual losses for which specified loss provisions not previously made	9,683
<u>Incomings on previous periods' actual losses</u>	<u>-6,120</u>
<u>Loss expenses</u>	<u>106,481</u>

Figures in NOK 1,000

## 4. Losses

<i>The Group</i>	<u>31.12.99</u>	<u>31.12.98</u>	<u>31.12.97</u>	<u>31.12.96</u>	<u>31.12.95</u>
Specification of loss provisions at start of period	508*	541	633	711	774
+ Increase in spec. loss provisions in prev. periods	48	20	25	22	60
- Reduction in spec. loss provisions in prev. periods	53	60	59	56	65
+ New specified loss provisions during the period	61	62	32	41	51
- Actual losses previously provided for	117	57	91	85	118
+ Provision for non-accrued interest receivable	0	0	0	0	10
<u>Specification of loss provisions at end of period</u>	<u>448</u>	<u>505</u>	<u>541</u>	<u>633</u>	<u>711</u>
Actual losses	127	56	73	90	109

Figures in NOKm

Specified loan loss provisions are NOK 3 million higher by start of period than by end of previous period due to changes in accounting principles.

## 5. Default

<i>The Group</i>	<u>31.12.99</u>	<u>31.12.98</u>	<u>31.12.97</u>	<u>31.12.96</u>	<u>31.12.95</u>
Loans to collection	232	258	202	259	321
Loans with "interest-freeze" agreement	42	74	102	132	147
Loans with reduced interest	73	77	57	55	54
Defaults in excess of 90 days	236	234	380	465	525
<b>Non-performing loans over 90 days</b>	<b>583</b>	<b>643</b>	<b>741</b>	<b>911</b>	<b>1,047</b>
<b>Defaults between 30 and 90 days</b>	<b>171</b>	<b>238</b>	<b>315</b>	<b>323</b>	<b>391</b>
<b>Total defaults</b>	<b>754</b>	<b>881</b>	<b>1,056</b>	<b>1,234</b>	<b>1,438</b>
Specified loan loss provisions	448	505	541	633	711
Specified loss provisions in per cent of defaults	59 %	57%	51%	51%	49%

*Figures in NOKm*

## 6. Distribution of loans by sector/industry

<i>The Group</i>	<u>31.12.99</u>	<u>31.12.98</u>	<u>31.12.97</u>	<u>31.12.96</u>	<u>31.12.95</u>
Private customers	13,041	11,536	10,812	10,154	9,600
Public sector	481	533	434	413	379
Wholesale and retail trade	967	892	853	742	669
Primary industries	2,684	2,603	2,403	2,217	1,794
Financing, real estate etc.	2,774	2,302	1,715	1,383	1,073
Building and construction	445	310	349	275	383
Manufacturing	767	670	648	544	451
Transportation and services	1,687	1,148	1,058	1,001	890
Other	108	150	285	130	60
	<u>22,954</u>	<u>20,144</u>	<u>18,557</u>	<u>16,859</u>	<u>15,299</u>

*Figures are in NOKm and are inclusive interests*

## 7. Capital adequacy

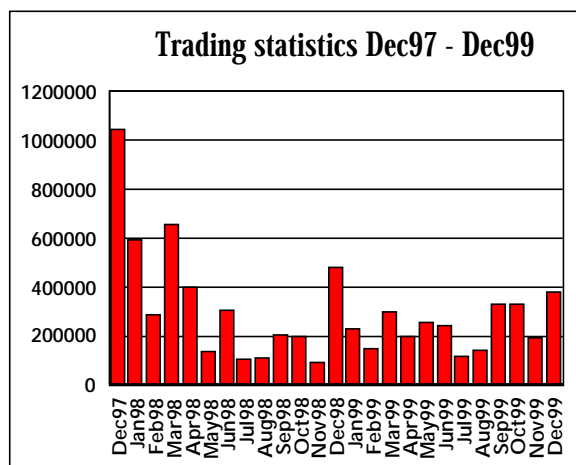
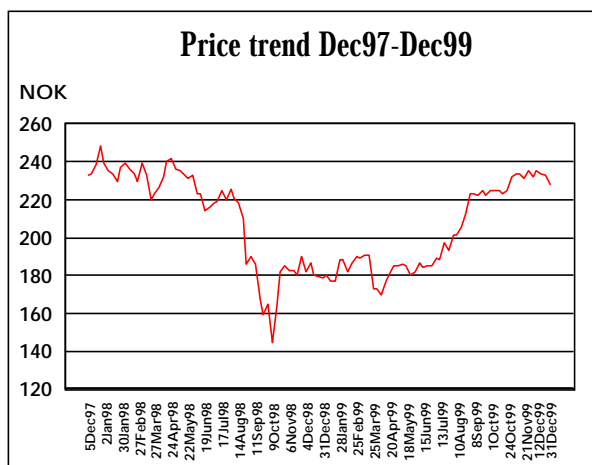
<i>The Group</i>	<u>31.12.99</u>	<u>31.12.98</u>	<u>31.12.97</u>	<u>31.12.96</u>	<u>31.12.95</u>
Core capital	1,884	1,654	1,513	1,287	1,151
Qualifying subordinated loan capital	500	350	350	350	358
Qualifying unspecified loan loss provisions	0	0	0	0	58
- Cross-ownership items	198	15	22	0	11
Capital base	2,186	1,989	1,841	1,637	1,556
Risk-weighted asset base (basis of calculation)	20,001	17,482	15,223	13,047	11,384
Core capital ratio	9.42 %	9.46 %	9.94 %	9.86%	10.11 %
Capital adequacy ratio	10.93 %	11.38 %	12.09 %	12.55 %	13.67 %

*Figures in NOKm*

## Quarterly trends

	Q4 1999	Q3 1999	Q2 1999	Q1 1999	Q4 1998	Q3 1998	Q2 1998	Q1 1998	Q4 1997
Interest income	459	447	481	525	517	402	337	335	328
Interest expenses	<u>271</u>	<u>260</u>	<u>293</u>	<u>321</u>	<u>315</u>	<u>227</u>	<u>168</u>	<u>163</u>	<u>158</u>
<b>Net interest and credit commission income</b>	<b>188</b>	<b>187</b>	<b>188</b>	<b>204</b>	<b>202</b>	<b>174</b>	<b>168</b>	<b>172</b>	<b>170</b>
Net gain/loss on securities	36	10	16	25	17	-19	15	4	18
Dividends and profit from associated companies	-3	1	4	6	0	0	0	0	0
Commission and fee income	62	60	59	54	53	51	54	52	53
Commission expenses	-17	-19	-17	-16	-14	-16	-14	-14	-18
Other operating income	<u>11</u>	<u>4</u>	<u>7</u>	<u>5</u>	<u>-1</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>3</u>
<b>Total operating income</b>	<b>87</b>	<b>56</b>	<b>69</b>	<b>74</b>	<b>56</b>	<b>23</b>	<b>62</b>	<b>49</b>	<b>56</b>
<b>Total income</b>	<b>270</b>	<b>248</b>	<b>257</b>	<b>278</b>	<b>258</b>	<b>197</b>	<b>230</b>	<b>221</b>	<b>226</b>
Personnel expenses	82	78	65	61	73	65	59	57	75
Data processing expenses	51	43	46	39	58	43	47	42	41
Ordinary depreciation	11	12	8	9	11	9	9	9	9
Other operating expenses	<u>18</u>	<u>8</u>	<u>14</u>	<u>15</u>	<u>6</u>	<u>15</u>	<u>17</u>	<u>16</u>	<u>20</u>
<b>Total operating expenses</b>	<b>161</b>	<b>141</b>	<b>133</b>	<b>124</b>	<b>148</b>	<b>131</b>	<b>131</b>	<b>124</b>	<b>146</b>
<b>Operating profit before losses and write-down</b>	<b>110</b>	<b>106</b>	<b>124</b>	<b>154</b>	<b>110</b>	<b>66</b>	<b>99</b>	<b>96</b>	<b>80</b>
Write-downs and gains on disposals of fixed asset	29	23	32	22	26	18	-0	-7	-6
Losses on loans and guarantees	-5	0	4	51	-0	-2	0	2	13
<b>Operating profit</b>	<b>76</b>	<b>83</b>	<b>95</b>	<b>183</b>	<b>83</b>	<b>45</b>	<b>99</b>	<b>105</b>	<b>99</b>
Taxes	25	22	25	34	15	15	26	30	12
<b>Profit</b>	<b>52</b>	<b>61</b>	<b>70</b>	<b>149</b>	<b>68</b>	<b>30</b>	<b>73</b>	<b>76</b>	<b>87</b>
Loans to customers (gross)	22,835	21,229	20,488	20,181	20,144	19,429	19,059	18,685	18,558
Customer deposits	15,256	14,248	14,579	14,112	13,631	13,720	13,674	13,173	13,387
Total assets	26,159	24,765	23,171	23,394	22,622	22,516	21,888	20,927	20,278
Average total assets in the quarter	25,599	24,227	23,283	23,075	22,450	22,250	21,550	20,850	20,080
Defaults more than 90 days	583	616	619	216	643	734	727	780	741
Defaults 30-90 days	<u>171</u>	<u>243</u>	<u>203</u>	<u>239</u>	<u>238</u>	<u>219</u>	<u>259</u>	<u>228</u>	<u>315</u>
Total defaults	754	859	822	455	881	953	986	1,008	1,056
Core capital	600	600	600	600	600	600	600	600	600
Equalisation fund	450	358	358	358	358	282	282	282	282
Other core capital	<u>834</u>	<u>701</u>	<u>701</u>	<u>775</u>	<u>696</u>	<u>595</u>	<u>595</u>	<u>594</u>	<u>631</u>
Core capital	1,884	1,659	1,659	1,733	1,654	1,477	1,477	1,476	1,513
Capital base	2,186	1,742	1,747	1,908	1,989	1,809	1,809	1,911	1,841
Risk-weighted asset base	20,001	18,647	18,422	17,719	17,462	16,781	16,342	15,605	15,223
Core capital ratio	9.4 %	8.9 %	9.0 %	9.8 %	9.5 %	8.8 %	9.0 %	9.5 %	9.9 %
Capital adequacy ratio	10.9 %	9.3 %	9.5 %	10.8 %	11.4 %	10.8 %	11.1 %	12.2 %	12.1 %
PCC price at end of quarter	228	225	186	173	179	167	216	224	248
Post-tax result for the year per PCC (in NOK)	19	24	27	55	26	12	29	30	34
No. of full-time positions	675	659	657	657	662	659	658	662	673
of which Parent Bank accounts for	601	583	585	585	590	588	587	593	604

# Primary capital certificates (PCCs)



## 20 biggest owners as at 31 December 1999

	No. of PCCs	Share
Swedbank	598,300	9.97 %
Folketrygdfondet	294,300	4.91 %
Den norske Bank/Postbanken	171,150	2.85 %
Tveteraas Eiendomsselskap m.fl.	165,633	2.76 %
I. K. Lykke AS m.fl.	164,600	2.74 %
Sparebanken Rogaland	142,450	2.37 %
Ila Finans AS, Ila Jern AS	115,800	1.93 %
Wenaasgruppen AS	80,100	1.34 %
Stiftelsen Uni	70,000	1.17 %
Frank Mohn AS	60,565	1.01 %
Sparebanken NOR	54,400	0.91 %
Ringerikes Sparebank	51,700	0.86 %
Oslo kommunale pensjonskasse	51,250	0.85 %
Institusjonen Fritt Ord	47,700	0.80 %
Otto B Morcken	46,000	0.77 %
Stiftelsen SMN-ansattes fond	45,450	0.76 %
Studentsamskipnaden i Trondhei	45,000	0.75 %
Adresseavisens pensjonskasse	42,500	0.71 %
Arne B Corneliussen Invest AS	40,000	0.67 %
Odd Berg AS	40,000	0.67 %
	<u>2,326,898</u>	<u>38.78 %</u>

## Dividend policy

The financial objective of Sparebanken Midt-Norge's operations is to achieve results that provide a sound return on the bank's overall core capital.

An aim is to distribute the annual profit between primary capital certificate holders and the savings bank's reserves so as to reflect their share of overall core capital.

Sparebanken Midt-Norge will attach importance to a competitive cash dividend.

Variations may occur in the relative distribution between cash dividend and the dividend-equalisation fund in situations where particular importance must be attached to the trend in the bank's core capital.