



# 1ST QUARTERLY REPORT 2001

**Fokus Bank**

part of Danske Bank

# Quarterly Report per March 31, 2001

The Fokus Bank Group made a pre-tax profit on ordinary operations of NOK 83.1 mill. for the three months ended on March 31, 2001. The profit for the same period of 2000 was NOK 132.3 mill. The result of the first quarter of 2001 includes expenses in the amount of NOK 46.5 mill. incurred in the process of integrating the IT systems of Fokus Bank and Danske Bank. The

operating profit before losses on loans and write-downs was NOK 110.3 mill. against NOK 161.9 mill. for the same period last year.

The result for the three months ended on March 31, 2001, represents an after-tax return on equity of 6.8 per cent and earnings per share (p.a.) in the amount of NOK 3.27.

Group total assets were 0.9 per cent up on the figure at the turn of the year. During the past twelve months, total assets have risen 10.9 per cent. Gross lending remained at the level recorded at the beginning of the year. Gross lending has risen NOK 5.2 billion, or 13.1 per cent, during the past 12 months.

## General observations

Global equity markets suffered badly during the first quarter of 2001. Although Norway outperformed most other countries, the global trend also affected the Oslo Stock Exchange. The overall plunge in equity prices meant unrealised losses to investors holding shares or unit trust funds domestically and abroad. The customers of the Bank generally adopted a wait-and-see approach to equity investment, and they now seem to switch from equities to fixed-income investment.

Fokus Bank has a strategy: it wants to be a chosen partner in the fields of electronic banking, and it wants to be at the forefront in the market

when it comes to new technology. This quarter the Bank launched a new netbanking solution which allows customers to trade equities on the Internet. The new netbanking solution gives customers the option of personalising their user interface. This means that the customer may choose functions from a menu of various payment and equity trade alternatives, etc. This will further enhance communication between the customer and the Bank.

Fokus Bank is going through a phase of integration with Danske Bank. The first stage of the process was completed when the office systems were integrated successfully on the

joint IT platform. During 2001, all IT systems of the Group will be implemented on the platform. The joint IT platform will make Fokus Bank more competitive and reduce expenses.

The Bank introduced additional measures in the first quarter of 2001 to adjust the activities of the Bank to market demand. This is important to perfect the professionalism of Fokus Bank even more in compliance with the core values of the Group, i.e. expertise, integrity, value creation, accessibility, and commitment.

## Profit and loss account

Net interest income amounted to NOK 252.9 mill., which was NOK 28.4 mill. down on the same period last year. NOK 0.8 mill. in interest from previous periods was booked as income as at March 31, 2001. The corresponding figure last year was NOK 2.3 mill. Measured against average total assets, net interest was 1.98 per cent against 2.45 per cent for the first quarter of 2000. This fall is attributable to smaller margins and the effects of the new financial contracts act

which came into force on July 1, 2000. During the first quarter of 2001, net interest and lending margins showed a stable trend.

Other operating income amounted to NOK 159.4 mill. This is NOK 5.0 mill. more than for the same period last year. Net gains on securities amounted to NOK 28.1 mill., which is NOK 0.4 mill. up on the same period last year. Fokus Bank's trading portfolio of equities and bonds is booked at market value. NOK

19.6 mill. of net booked gains was apportioned to shares and NOK 8.5 mill. to bonds.

Operating expenses amounted to NOK 302.0 mill., which was NOK 28.2 mill. up on the same period last year. This increase is primarily ascribable to expenses in the amount of NOK 46.5 mill. incurred in the process of integrating the IT systems of Fokus Bank and Danske Bank. Other operating expenses showed a downward trend.

Measured as a percentage of average total assets, operating expenses amounted to 2.36 per cent against 2.83 per cent for the whole of 2000. At the end of the quarter, the Fokus Bank Group had 1,003 full-time employees. This repre-

sents a reduction in the staff of 81 full-time employees since the end of 2000. During the past twelve months, the number of full-time employees has fallen by 41. The cost/income ratio is 73.2 per cent compared with 84.4 per cent in

2000.

The decline in Fokus Bank's deferred tax position is estimated at NOK 23.6 mill. for the first quarter (see our comments on the Bank's tax position).

### Losses on loans and guarantees

After the first quarter, net losses on loans amounted to NOK 27.9 mill. as compared with net losses of NOK 35.0 mill. for the same period in 2000. Gross losses amounted to NOK 63.1 mill.; 86.5 per cent was attributable to business and industry and 13.5 per

cent to retail customers. Estimated losses amounted to 97 per cent of gross losses as at March 31, 2001.

Gross non-performing loans stood at NOK 1,123 mill., which is a decrease of 3.2 per cent since the turn of the year. Gross non-perfor-

ming loans account for 2.52 per cent of gross lending. Specific loan loss provisions amounted to 64.1 per cent of gross non-performing loans. Net non-performing loans amounted to NOK 403 mill.

### Balance sheet

Fokus Bank's total assets amounted to NOK 50.7 billion. This is an increase of NOK 0.5 billion since the turn of the year and corresponds to a growth rate of 0.9 per

cent. Growth for the same period last year was 10.9 per cent. Lending went up by 13.1 per cent. Customer deposits reached NOK 26.9 billion as at March 31, 2001, a de-

crease of NOK 0.7 billion since the turn of the year. The Bank's own funding, measured as ordinary deposits against net loans, amounted to 62.2 per cent.

### Fokus Bank's tax position

The Bank's tax position remains undecided. The Norwegian tax authorities question the Bank's right to deduct write-downs on preference

capital of NOK 2.15 billion. In September 1998, Fokus Bank issued a writ against the government represented by the Sør-Trøndelag tax of-

fice. The case will now be heard in October 2001. The accounts have been drawn up on the assumption that the Bank will win the case.

### Equity capital

The capital ratio as at March 31, 2001, was 11.53 per cent for the Group and 12.26 per cent for the parent bank, of which the tier 1 ratios were 7.36 per cent and 7.91 per cent, respectively. During the

first quarter, the Bank has increased its share capital by NOK 400 mill. At the turn of the year, the Bank had a capital adequacy ratio of 10.31 per cent and the parent bank a capital adequacy ratio of

10.94 per cent. The tier 1 ratios stood at 6.20 per cent for the Group and 6.68 per cent for the parent bank.

Trondheim, April 24, 2001  
Board of Directors, Fokus Bank

Parent Bank			Profit and loss account	Group		
31.12.00	31.03.00	31.03.01	NOK million	31.03.01	31.03.00	31.12.00
4,009.3	871.4	1,059.7	Interest income and related income	1,107.5	875.2	4,038.4
2,946.2	596.1	836.6	Interest expenses and related expenses	854.6	593.9	2,913.8
1,063.1	275.3	223.1	<b>Net interest and credit commissions</b>	<b>252.9</b>	281.3	1,124.6
75.7	5.6	17.5	Dividend and other income from securities	17.5	5.6	31.7
294.9	71.8	80.0	Commissions and other income from banking services	102.1	112.6	415.5
(64.1)	(15.8)	(16.1)	Commissions and other expenses from banking services	(16.1)	(16.4)	(64.8)
20.2	26.9	28.1	Net profit (loss) on securities	28.1	27.7	9.7
52.6	13.0	15.4	Net profit (loss) on foreign exchange and financial derivatives	15.4	13.0	59.3
56.5	13.6	15.5	Other operating income	12.4	11.9	51.5
435.8	115.1	140.4	<b>Total operating income, other</b>	<b>159.4</b>	154.4	502.9
489.9	107.8	117.8	Salaries, etc.	133.1	125.1	575.0
359.5	80.3	110.2	General administrative expenses	122.2	83.4	400.2
217.2	11.8	11.0	Depreciation of and write-downs on tangible assets	14.6	14.8	230.3
164.6	42.3	27.1	Other operating expenses	32.1	50.5	167.5
1,231.2	242.2	266.1	<b>Total operating expenses</b>	<b>302.0</b>	273.8	1,373.0
267.7	148.2	97.4	<b>Operating result before loan losses and write-downs</b>	<b>110.3</b>	161.9	254.5
498.0	34.0	27.5	Losses on loans and guarantees, etc.	27.9	35.0	514.7
(12.2)	(5.4)	(0.7)	Write-downs and profit/loss on long-term securities	(0.7)	(5.4)	(12.2)
(218.1)	119.6	70.6	<b>Result from ordinary operations before tax</b>	<b>83.1</b>	132.3	(248.0)
(70.4)	30.1	19.7	Tax	23.6	30.1	(71.9)
(147.7)	89.5	50.9	<b>Result from ordinary operations after tax</b>	<b>59.5</b>	102.2	(176.1)
0.0	0.0	0.0	Extraordinary income	0.0	0.0	0.0
0.0	0.0	0.0	Extraordinary expenses	0.0	0.0	0.0
0.0	0.0	0.0	Tax	0.0	0.0	0.0
(147.7)	89.5	50.9	<b>Result</b>	<b>59.5</b>	102.2	(176.1)

Parent Bank			Balance sheet	Group		
31.12.00	31.03.00	31.03.01	NOK million	31.03.01	31.03.00	31.12.00
257.2	307.3	179.7	Cash and receivables from central banks	179.7	307.3	257.2
748.1	561.9	646.4	Lending to and receivables from credit institutions	706.8	589.9	822.9
42,260.1	39,421.0	40,614.4	Gross lending to customers	44,592.5	39,441.9	44,621.2
(1,177.2)	(812.7)	(1,165.2)	Specific loan loss provisions	(1,181.4)	(817.5)	(1,193.1)
(169.0)	(169.0)	(169.0)	General loan loss provisions	(171.9)	(171.6)	(171.9)
40,913.9	38,439.3	39,280.2	<b>Net lending to customers</b>	<b>43,239.2</b>	<b>38,452.8</b>	<b>43,256.2</b>
2.3	2.4	2.3	Repossessed assets	2.3	2.4	2.3
3,265.7	2,987.1	3,616.5	Certificates and bonds	3,628.6	2,995.0	3,277.8
706.8	752.9	592.2	Shares and other securities	618.7	779.3	724.4
47.6	45.5	51.5	Ownership in associated companies	51.5	45.5	47.6
1,129.0	382.0	1,129.0	Ownership in consolidated companies	0.0	0.0	0.0
786.8	652.1	786.8	Intangible assets	856.6	717.2	858.3
374.2	454.5	371.8	Tangible assets	382.4	493.5	380.5
34.5	90.8	496.9	Other assets	496.2	90.1	33.8
453.6	904.3	325.5	Accrued income and prepaid expenses	524.9	1,251.2	580.3
48,719.7	45,580.1	47,478.8	<b>Total assets</b>	<b>50,686.9</b>	<b>45,724.2</b>	<b>50,241.3</b>
3,702.8	2,545.8	2,972.0	Due to credit institutions	5,959.4	2,545.8	5,152.3
27,724.9	24,276.7	26,973.2	Deposits from and liabilities to customers	26,902.9	24,058.6	27,622.4
10,269.1	11,652.1	10,563.1	Debt securities in issue	10,563.1	11,652.1	10,269.1
701.2	856.6	515.5	Other liabilities	753.8	1,070.3	850.8
599.6	519.3	225.0	Accrued expenses and prepaid income	266.8	536.0	626.3
233.5	223.0	229.0	Other liabilities and provisions	238.8	228.4	239.2
1,996.3	1,906.4	2,057.6	Subordinated loan capital	2,057.6	1,906.4	1,996.3
45,227.4	41,979.9	43,535.4	<b>Total liabilities</b>	<b>46,742.4</b>	<b>41,997.6</b>	<b>46,756.4</b>
1,130.2	1,108.9	1,530.1	Share capital	1,530.1	1,108.9	1,130.2
2,362.1	2,401.8	2,362.4	Funds	2,354.9	2,515.5	2,354.7
0.0	89.5	50.9	Profit this period	59.5	102.2	0.0
3,492.3	3,600.2	3,943.4	<b>Total equity</b>	<b>3,944.5</b>	<b>3,726.6</b>	<b>3,484.9</b>
48,719.7	45,580.1	47,478.8	<b>Total liabilities and equity capital</b>	<b>50,686.9</b>	<b>45,724.2</b>	<b>50,241.3</b>

## Accounting policies

### General

The quarterly report has been prepared in accordance with generally accepted accounting standards and the instructions laid down by the Banking, Insurance and Securities Commission of Norway governing the preparation of annual and interim reports.

Subsidiaries are included in the accounts of the parent bank using the cost method, while associated companies are included in the accounts using the equity method. Deferred tax benefits have been included in the balance sheet as intangible assets. The market-based financial instruments included in the trading portfolio are booked at market value.

Income received annually as one amount is accrued over the year. A full version of the accounting policies applied is available in the Annual Report for 2000.

## The Bank's tax position

The Bank's tax position remains undecided. In 1995, the Norwegian tax authorities questioned the Bank's right to deduct write-downs on preference capital of NOK 2.15 billion issued during the Norwegian banking crisis. After the Trondheim Overligningsnemd found for the Bank, the case was heard before the Sør-Trøndelag fylkesskatte-nemd in April 1998. The outcome of the case was negative seen from the Bank's point of view. In September 1998, the Bank issued a writ against the government represented by Sør-Trøndelag fylke's tax office. The case will now be heard in October 2001.

The tax-loss carried forward is included in the basis for calculating the deferred tax benefit at a value of NOK 601 mill. as at January 1, 2001. Tax expenses in the accounts equal the change in deferred tax benefit.

**Changes in specific and general provisions for Group losses**

NOK million	31.03.01	31.03.00
Specific provisions as at 01.01.	1,193.1	811.4
- Confirmed losses during the period previously provided for by specific provisions	(39.6)	(34.2)
+ Increased specific loan loss provisions during the period	10.2	33.3
+ New specific loan loss provisions during the period	50.8	36.5
- Reversal of specific loan loss provisions during the period	(33.1)	(29.5)
<b>Specific provisions</b>	<b>1,181.4</b>	<b>817.5</b>

NOK million	31.03.01	31.03.00
General provisions for losses on loans, guarantees, etc., as at 01.01.	177.0	177.0
+/- General provisions for losses on loans, guarantees, etc., during the period	0.0	(0.1)
<b>General provisions</b>	<b>177.0</b>	<b>176.9</b>
Of which general provisions for loan losses as at 31.03.	171.9	171.6

**Losses on loans and guarantees in the Group**

NOK million	31.03.01	31.03.00
Changes in specific loan loss provisions during the period	(12.0)	5.5
+ Changes in general loan loss provisions during the period	0.0	0.0
+ Confirmed losses during the period previously provided for by specific loan loss provisions	40.0	35.2
+ Confirmed losses during the period not previously provided for by specific loan loss provisions	2.0	0.8
- Reversals of previous periods' confirmed losses during the period	(2.1)	(6.5)
+ Debt remission subsidiaries	0.0	0.0
<b>Loan losses during the period</b>	<b>27.9</b>	<b>35.0</b>

Parent Bank		Capital adequacy	Group	
31.12.00	31.03.01	NOK million	31.03.01	31.12.00
2,485	2,879	Core capital	2,795	2,391
1,593	1,593	Supplementary capital	1,593	1,593
4,078	4,472	Total equity and subordinated capital	4,388	3,984
10	8	Deduction	8	10
4,068	4,464	Net equity and subordinated capital	4,380	3,974
37,196	36,416	Risk-weighted assets	37,973	38,554
10.94	12.26	Capital adequacy ratio	11.53	10.31
6.68	7.91	Core capital ratio	7.36	6.20

**Ratios**

	31.03.01	2000
Cost/income ratio 1)	73.2	84.4
General provisions for loan losses in per cent of loans 2)	0.40	0.40
Loans in per cent of total assets 3)	85.6	86.4
Losses in per cent 4)	0.25	1.15
Deposit coverage ratio 5)	60.3	61.9
Return on equity 6)	6.80	(4.85)
Earnings per share (NOK) 7)	3.27	(2.42)

1) Ordinary operating expenses in per cent of the total net interest income and other operating income

2) General loan loss provisions in per cent of gross loans after deducting specific loan loss provisions

3) Gross loans after deducting specific loan loss provisions in per cent of total assets

4) Net loan losses, excluding guarantees, in per cent of gross loans at the end of the period (p.a.)

5) Customer deposits in per cent of gross ordinary loans

6) Result in per cent of average equity capital (p.a.)

7) Result divided by average number of shares (p.a.)

## Key figures, quarterly reports

Result NOK million	1st Q 01	4th Q 00	3rd Q 00	2nd Q 00	1st Q 00	4th Q 99	3rd Q 99	2nd Q 99	1st Q 99	4th Q 98	3rd Q 98
<b>Net interest income and credit</b>											
commissions	252.9	298.7	268.2	276.4	281.3	273.1	281.7	280.6	288.8	307.9	266.0
Other operating income, net	159.4	109.7	152.9	85.9	154.4	120.2	123.7	103.2	146.0	139.7	(69.7)
Total operating income	412.3	408.4	421.1	362.3	435.7	393.3	405.4	383.8	434.8	447.6	196.3
Total operating expenses	302.0	539.1	291.3	268.8	273.8	262.1	227.9	286.7	214.2	273.0	230.7
Oper. res. before losses and wr.-downs	110.3	(130.7)	129.8	93.5	161.9	131.2	177.5	97.1	220.6	174.6	(34.4)
Losses on loans and guarantees	27.9	343.7	64.3	71.7	35.0	59.1	52.9	49.4	30.1	26.7	25.4
<b>Write-downs and profit/loss on</b>											
long-term securities	0.7	7.8	(1.0)	0.0	5.4	21.3	0.0	0.1	4.6	0.6	(0.1)
Result from ordinary operations	83.1	(466.6)	64.5	21.8	132.3	93.4	124.6	47.8	195.1	148.5	(59.9)
<b>Balance sheet</b>											
	31.03.	31.12.	30.09.	30.06.	31.03.	31.12.	30.09.	30.06.	31.03.	31.12.	30.09.
Gross lending to customers	44,592.5	44,621.2	42,419.0	40,502.1	39,441.9	38,895.1	37,574.0	37,188.0	36,978.1	36,024.5	35,430.6
Customer deposits	26,902.9	27,622.4	26,719.6	24,054.7	24,058.6	23,243.1	21,751.4	22,838.0	21,148.1	22,693.8	21,203.9
Total assets	50,686.9	50,241.3	49,449.3	47,669.1	45,722.0	44,314.1	44,045.3	44,004.0	43,117.9	42,141.3	41,833.4
Quarterly average total assets	51,081.0	50,893.3	48,764.5	48,158.7	45,830.2	44,623.4	44,069.1	43,837.8	42,906.9	42,582.0	42,222.9
Average total assets	51,081.0	48,531.7	47,785.2	47,209.2	45,830.2	43,890.2	43,612.4	43,408.7	42,906.9	41,844.5	41,554.4
<b>Loan loss provisions</b>											
Specific loan loss provisions	1,181.4	1,193.1	927.6	880.1	817.5	811.4	790.5	768.4	740.9	724.1	704.6
General loan loss provisions	171.9	171.9	171.6	171.6	171.6	171.7	172.1	161.8	161.3	161.3	161.1
Total loan loss provisions	1,353.3	1,365.0	1,099.2	1,051.7	989.1	983.1	962.6	930.2	902.2	885.4	865.7
Loan loss prov. in % of total loans	3.0	3.1	2.6	2.6	2.5	2.5	2.6	2.5	2.4	2.5	2.4
<b>Non-performing loans</b>											
Total non-performing loans	1,123	1,160	1,191	1,214	1,170	1,150	1,225	1,226	1,174	1,150	1,188
Specific loan loss provisions	720	743	713	679	660	641	699	681	651	631	623
Non-performing loans, net	403	417	478	535	510	509	526	545	523	519	565
<b>Loan loss provisions in % of total</b>											
non-performing loans	64.1	64.1	59.9	55.9	56.4	55.7	57.1	55.6	55.5	54.9	52.4
<b>Non-performing loans in % of</b>											
total loans, net	0.9	0.9	1.1	1.3	1.3	1.3	1.4	1.5	1.4	1.4	1.6
<b>Doubtful loans</b>											
Total doubtful loans	1,623	1,661	308	415	435	514	207	215	218	244	227
Specific loan loss provisions	445	434	205	192	153	166	88	87	90	93	82
Doubtful loans, net	1,178	1,227	103	223	282	348	119	128	128	151	145
<b>Loan loss provisions in % of total</b>											
doubtful loans	27.4	26.1	66.6	46.3	35.2	32.3	42.5	40.5	41.3	38.1	36.1
<b>Development, soft loans</b>											
Soft loans	89	113	111	99	100	107	106	100	103	113	94

Accounts with overdrawn or overdue amounts are classified as non-performing, unless the situation is considered temporary.

If the loan has been overdrawn for more than 90 days, it is always classified as non-performing.

Doubtful loans are exposures where an evaluation of the customer's financial situation has led the Bank to establish specific loan loss provisions, although the customer's loan is currently performing.