Annual Report

IN 2004 WE DID IT WITH PURPOSE

SpareBank 1 SR-Bank

WILLP

OWER

What separates one bank from another? Interest rates, fees and products are often the same. But have you ever asked your bank what they want? Or what role they want to play?

Our answer is simple.

The objective of SpareBank 1 SR-Bank is to help create values for the region we are part of. Building a society is a everybody's responsibility. In our region there are plenty of people that want to shoulder their share of work. The community spirit is more than a grand word. It is our philosophy.

Everything we build, we build with a purpose.

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The SpareBank 1 SR-Bank Group

HISTORY
Sparebanken Rogaland, the legal name of SpareBank 1 SR-Bank, was established on 1 October 1976 by merging 22 savings banks to become the country's first regional savings bank. After 28 years of operations and merging of a total of 39 savings banks, the bank has become Rogaland's leading bank. In November 1996, Sparebanken Rogaland was party to the formation of the SpareBank 1 alliance, a Nordic banking and product partnership.

THE GROUP
In addition to the bank, the group consists of the finance company SpareBank 1 SR-Finans AS, the real estate brokerage EiendomsMegler 1 Rogaland AS and the bank's company for asset management, SR-Forvaltning ASA. The Group has 891 employees, and total assets of NOK 59.2 billion.

THE BANK
SpareBank 1 SR-Bank is the country's second largest savings bank. The bank's market areas are Rogaland, Agder and Sunnhordland, and the bank currently has 50 branch offices in its market area. The head office is located in Stavanger. The customer-directed activities are organised into a private market division and a corporate market division.

Private market
With 183,700 customers, SpareBank 1 SR-Bank is the leading private customer bank in Rogaland. In addition to private customers, the private market division serves more than 8,600 small businesses and agricultural customers. The bank supplies products and services in the fields of financing, placing of investments, payment transfer, pensions, non-life insurance and life assurance. At the end of 2004, SpareBank 1 SR-Bank had 69,200 non-life insurance customers.

Corporate market
SpareBank 1 SR-Bank holds a solid position in the corporate market. About 40% of all businesspeople in the bank's traditional market state SpareBank 1 SR-Bank as their main bank. The bank is a relatively new player in the corporate market of the Agder counties, but has observed a positive market trend in this region as well. In total, the bank's corporate market division serves approx. 4,000 customers in corporate and public administration, in addition to 8,600 small businesses and agricultural customers served by the private market division.

EIENDOMSMEGLER 1 ROGALAND AS
The EiendomsMegler 1 chain is the Norwegian market leader in real estate. EiendomsMegler 1 Rogaland AS is the largest firm in this chain, and a regional market leader. In 2004 the company brokered approximately 5,000 dwellings from its 18 real estate offices in Rogaland and Agder. The company has 105 employees. In addition to brokering dwellings, EiendomsMegler 1 Rogaland AS has a separate division for business and project brokering, a separate division for the sale of new dwellings in Spain, as well as a division for brokering dwellings in housing co-operatives.

SPAREBANK 1 SR-FINANS AS
SpareBank 1 SR-Finans AS is the leading leasing company in Rogaland, with more than NOK 1.8 billion in total assets, and 22 employees. In order to strengthen the company's profile and shared identity with SpareBank 1 SR-Bank, the company changed its name from Westbroker Finans AS in the first quarter of 2005. The company is co-located with the bank's corporate market division for Stavanger and Jæren at Forus outside of Stavanger.

SR-FORVALTNING ASA
SR-Forvaltning ASA manages portfolios for more than 1,300 external customers, and for SpareBank 1 SR-Bank and SpareBank 1 SR-Bank's pension fund. The objective of SR-Forvaltning is to be a local alternative with a high level of expertise in asset management. The company has total assets of NOK 3 billion, and seven employees.

THE SPAREBANK 1 ALLIANCE
The overall objective of the SpareBank 1 alliance is to ensure the independence and regional roots of the individual banks through high levels of competitiveness, profitability and solidity.

The Norwegian banks in the alliance co-operate through the jointly owned holding company SpareBank 1 Gruppen AS.

In addition to Sparebanken Rogaland, the other participant banks are Sparebanken Nord-Norge, Sparebanken Midt-Norge and Samarbeidende Sparebanker AS (15 local savings banks in eastern and northwest Norway). Other owners and partners through the SpareBank 1 Gruppen AS include FöreningsSparbanken AB (publ) in Sweden and the Norwegian Federation of Trade Unions (LO). SpareBank 1 Gruppen AS owns the companies Bank 1 Oslo AS, SpareBank 1 Livsforsikring AS, SpareBank 1 Fondsforsikring AS, SpareBank 1 Skadeforsikring AS, Odin Forvaltning AS, SpareBank 1 Bilplan AS (19.9%) and First Securities ASA (33.3%).

The Group management team in SpareBank 1 SR-Bank. From the left, Tore Medhus, Executive Vice President Corporate Market; Tor Dahle, Executive Group Controller; Svein Ivar Førland, Executive Vice President, Business Support, IT and Security; Arild Langberg Johannessen, Executive Vice President Human Resources; Terje Vareberg, CEO; Sveinung Hestnes, Deputy CEO, CFO; Rolf Aarsheim, Executive Vice President Retail Market, and Thor-Christian Haugland, Executive Vice President Public Relations.

STRATEGY

SpareBank 1 SR-Bank shall be a profitable and solid bank that is attractive for customers, capital markets, primary capital certificate owners and employees. This is to be ensured through:

- A savings bank philosophy with a strong brand identity and modern operations, in which values are created locally and channelled back to the community
- A clear set of priorities based on customer requirements and profitability
- A market area consisting primarily of Rogaland, Agder and Sunnhordland
- A considerable position in the savings and pension market
- Able employees who are proud to work for SpareBank 1 SR-Bank

VISION

"SpareBank 1 SR-Bank – the recommended bank"

Highlights

- High profits, due to increased operating income and reduced losses
- Return on equity after tax: 19.5% (15.2%)
- Group profit after tax: NOK 583 million (NOK 408 million)
- Net interest margin: 2.03% (2.12%)
- Other operating income, net: NOK 701 million (NOK 632 million)
- Operating expenses: NOK 961 million (NOK 922 million)
- Net losses: NOK 81 million (NOK 250 million), 0.1% of gross lending
- Gross defaults: NOK 203 mill (NOK 426 million)
- Annual growth in lending in the past 12 months: 11.4% (7.5%)
- Annual growth in deposits in the past 12 months: 17.0% (2.3%)
- Dividend per primary capital certificate: NOK 23 (NOK 16.7)
- Allocated to the endowment fund: NOK 60 million (NOK 32 million)

(the figures in parentheses are for 2003)

Main figures

SpareBank 1 SR-Bank Group (NOK mill)	**2004**	2003	2002	2001	2000
Net interest income	**1 129**	1 095	1 050	979	934
Net other operating income	**701**	632	163	397	332
Total operating costs	**961**	922	838	785	705
Result before losses and write-downs	**869**	805	375	591	561
Losses and write-downs	**81**	236	357	169	-72
Result of ordinary activities	**788**	569	18	422	633

Key figures

SpareBank 1 SR-Bank Group	**2004**	2003	2002	2001	2000
Total assets 31.12. (NOK mill)	**59 198**	52 642	49 538	48 471	43 624
Net loans to customers (NOK mill)	**53 839**	48 183	44 674	43 120	38 789
Deposits from customers (NOK mill)	**33 062**	28 266	27 634	24 011	22 120
Growth in loans (gross)	**11 %**	8 %	4 %	11 %	20 %
Growth in deposits	**17 %**	2 %	15 %	9 %	15 %
Capital adequacy ratio	**11,57**	12,32	10,81	12,69	11,65
Core capital ratio	**9,08**	9,11	7,24	7,92	8,15
Net equity and subordinated loan capital (NOK mill)	**4 411**	4 213	3 519	4 059	3 444
Return on equity (%)	**19,5**	15,2	-1,3	11,2	19,5
Cost percentage	**54,5**	57,0	61,8	56,9	56,2
Number of full time positions	**813**	829	818	807	711
Number of offices	**50**	52	53	53	50
Market price at the close of the year	**360**	269	150	205	206
Profit per primary capital certificate	**37,6**	27,2	-2,3	20,6	33,7
Dividend per primary capital certificate	**23**	16,7	8,3	15,8	17,5
Effective return on the primary capital certificate	**40,0**	85,0	-19,3	8,1	5,3
RISK-amount as of 1. january	**15,1**	10,8	-2,4	7,9	15,4

Referring to page 63-67 for a complete list of key figures and definitions.

A bank that is ready and able to contribute

2004 was a very good year for SpareBank 1 SR-Bank. Customer satisfaction with the bank has risen again, and the position of the bank has been strengthened by the influx of 2,400 new customers during the year. Its financial achievement has positioned the bank among the foremost Norwegian banks.

We have every reason to thank our customers for the trust they have placed in us in using our services. This inspires us to do our utmost to ensure that they continue to be satisfied. As a savings bank we want to be a different bank. Being different, compared to national and international banking groups, means that we fully identify ourselves with the region in which we run our operations. It is very important to SpareBank 1 SR-Bank that Rogaland and Agder continue their growth as attractive regions in which to live and build vigorous businesses. In fact, our existence is entirely bound up with the success of the businesses and jobs in our region.

How can the fact that SpareBank 1 SR-Bank is a bank with a difference help promote expansion and development? We contribute in a number of fields. As the leading bank in this part of the country, we provide a significant inflow of capital to crucial rural and urban investments. The Group's overall lending at the end of the year was NOK 54 billion. NOK 0.60 of each kroner lent out is from regional depositors, while the bank raises NOK 0.40 for each kroner of lending, largely from abroad. In this sense, the bank supplies a vital service, by procuring capital for good investment objectives.

In addition to being a bank with the objective of producing a financial profit, SpareBank 1 SR-Bank's objectives include serving the public good. In practice, this means that we channel a large share of value creation back to the local communities. By clearly stating its objective of working for the public benefit and putting its intentions into practice, the bank shows that it is ready to shoulder its share of responsibility for ensuring Rogaland's and Agder's positive development.

The bank has demonstrated this determination by supporting numerous important measures in rural districts and large towns. On 29 October 2004 the Government approved the Stavanger University College as a new university, the University of Stavanger. We are proud to have been given the opportunity of putting NOK 16 million into the communal pot that was required to finance this effort. From a long-term point of view, this may be our best investment to date.

We know that there is a need to create thousands of new, productive places of work over the next ten to fifteen years. Many of these will come in companies that have not yet seen the light of day. This means that business development and measures must be in place in order to promote the establishment of new enterprises, and the development of existing ones. The fact that Norway has joined the EU's single market also means that business and industry in our country, in general terms, needs the same framework conditions as the countries we are competing with. In absolute terms, equal framework conditions are the single most important measure for the positive development of business and industry.

SpareBank 1 SR-Bank is an active partner in the dialogue to develop equity capital communities in the region, and was one of the initiators in the formation of Energivekst AS, as well as having a minor ownership stake in Energy Ventures and Såkorn Invest. The fact that the Storting (the Norwegian Parliament) has made allocations to seed corn funds linked to the University cities is very positive. The bank actively participates in the work to establish similar seed corn funds in Stavanger. Commercialisation of research results is a demanding but essential process, if we are to be able to live on more knowledge-based products and services in the future.

We know that in the future, new places of work will largely be in small and medium-sized businesses, and a result of individuals setting up their own businesses. Seed corn funds are important in this context. Usually, the problem is not obtaining the equity capital in itself, but the linkage between commercially viable ideas and able capital.

Society at large, and schools in particular, should give greater attention to the benefits, and pleasure, of starting one's own business. There is every reason to salute the work invested in school-based and pupil-run businesses by Young Enterprise Norway. This work creates awareness around the concept of value creation, and an interest in starting up businesses. Young Enterprise Rogaland received NOK 1 million from SpareBank 1 SR-Bank in 2004 to help fund operations. The bank considers this work to be highly important to promoting positive attitudes in children and youths.

The region's vitality is closely linked to industrial and business diversity. When structural changes in the economy lead to the re-location of businesses' head offices away from our region, this results in an impoverished employment market, affecting the area's attractiveness to young, able people as a place to live and work.

SpareBank 1 SR-Bank wishes to stimulate a debate as to what drives regional development in a ten to fifteen-year perspective. We have therefore commissioned research to be carried out by Rogaland Research, assisted by Agder Research, under the name of Rogaland Agder Scenarios 2020.

We want to gain a better understanding of driving forces and consequences in the longer term. The work will produce conclusions towards the end of 2005, and will hopefully be able to serve as a good basis for the debate we need to have regarding the development we want in Agder and Rogaland in the period to 2020.

The destiny of SpareBank 1 SR-Bank is bound up with that of cities and rural districts in which the bank operates. We rely on customers who require our services, and every day we must exert ourselves so that we are perceived as attaining our goal of being close by and capable. In order to attain this goal, we need to change as quickly within our organisation as the customers do in their markets. This requires that expertise must be built up and updated.

Every year, SpareBank 1 SR-Bank employs substantial resources on adoption measures, increased professional expertise, management development and talent programmes. Profitable operations allow us to carry out this sort of long-term investment in human capital. As a company with specialised expertise, the bank depends on retaining capable employees, and being an attractive employer, so that able women and men wish to work for SpareBank 1 SR-Bank in the future.

SpareBank 1 SR-Bank has high levels of operational efficiency, top-end profitability, and employees that enjoy their work. The bank had 3% absence due to illness in 2004. Proud, happy and busy employees deliver good results.

Stavanger, March 2005

Terje Vareberg
Managing Director

The bank council in Bryne, here gathered in the park they helped build: From the left, Heidi Brosten Vaaland, Bjørn Moi, Arve Edland, Torvald Søiland (General Manager) and Anne Karin Undheim.

In 1983 a bank paid to have three swords put up on a hill near Hafrsfjord. The swords were made by Fritz Røed, who was born in Bryne in 1928. Perhaps it is only a coincidence, but 20 years later the same bank speeded up a planned sculpture park with works by the same artist in the middle of Bryne city centre - actually only 20 metres from the artist's birth place. The bank council's members were never in doubt.

IN JANUARY THE MOULDS WERE READY

The local bank council must take some of the credit for the sculpture park with works by Bryne's own Fritz Røed right in Bryne city centre. Even if the idea did not originally come from the members, the good-will of the bank council was crucial for allowing the idea to become a reality.

FROM THE ENDOWMENT FUND

The idea was first introduced by Bryne patriots and friends of the artist. The bank council wanted to breathe life into these ideas, and in 2001 the council allocated NOK 400,000 of the bank's endowment fund towards this objective. In January 2004 they passed an important milestone; the moulds for the sculptures were ready in Italy. All that was left was pouring the liquid bronze. Bryne and Rogaland could look forward to the opening in October.

BANK COUNCILS IN ALL MUNICIPALITIES

Bjørn Moi is part of the backbone of the bank council in Bryne, and he has a very definite opinion of the council's role. “Our role is to help make the bank a community bank,” he says. “We are ordinary people who are good at catching vibes. Our job is to help spot opportunities and intercept the local market’s reactions to the bank’s activities.”

LOCAL MOTIVES

If you think the bank council is an exclusive old boy’s club, you could not be more mistaken. The members receive only a modest fee for each meeting. General Manager Torvald Søiland in SpareBank 1 SR Bank in Bryne treats the members to a good dinner once a year. And perhaps a gift of traditional salted mutton leg for Christmas. But the council does not complain. They have other reasons for being members of the council. Like all the other 124 members in the 31 bank councils in SpareBank 1 SRBank, the bank council at Bryne is committed to life in its local community. And this they know a lot about.

A LISTENING POST

“For me as general manager the bank council is a vigilant listening post which gives me valuable feedback from the local community,” says General Manager Torvald Søiland. ”As an external body the bank council is also free to criticise us whenever necessary. Praise is always nice, but sometimes well-meant criticism can be priceless.”

FIRST AID FOR GOOD IDEAS

“It is important to us council members that the bank really matters to the local community and the individual,” Arve Edland emphasises. “How the bank's endowment fund is distributed can mean a lot to an individual, and here we play an important part. You could call it first aid for good ideas.”

THE APPROPRIATION TO THE ENDOWMENT FUND INCREASED TO NOK 60 MILLION

In 2003 SpareBank 1 SR-Bank's allocation to the endowment fund for the public good amounted to NOK 32 million. In 2004 this was increased to NOK 60 million. As of 2004, the SpareBank 1 SR-Bank Supervisory Board was reduced to 56 members, giving the bank councils’ an even greater role. In 2004 the bank councils were given the task of outlining how SpareBank 1 SR-Bank centrally and locally could contribute to the creation of values locally.

THE ENTIRE BUSINESS ENVIRONMENT

Not least the children are enthusiastic about the park. Some of the little ones even know the names of all the sculptures. But the park has also made a difference to business and industry, even before the opening. As early as 2002 the plans for the park were taken over by the recently established City Development Project in Bryne. The realisation that local businesses had an important role to play quickly dawned on the project members, and an enthusiastic business community promptly moved to back the plans. The beginning of the process proved to be a useful exercise in collaboration and joint efforts. “The park has promoted this great team spirit that is typical of Jæren,” says Heidi Brosten Vaaland. Several businesses have helped fund the park sculptures, she says. One of the sculptures is backed by as many as 15 companies. Art was the most important part of this project, says Heidi, but the fact that new networks are created is great, too.

JANUARY:

THE BANK COUNCILS

SpareBank 1 SR-Bank has a bank council in each municipality in which the bank is represented. The councils consist of local key personalities who act as advisors to the local bank offices. In addition to the council members, the general manager and an employee representative are present at the council meetings. A bank council must consist of three to five members, and one of their tasks is to work with local business development, and ensure that the bank's endowment means are put to good use in the local community.

Four of the quick brains in "1,618" – which was voted the best youth-run business in Rogaland last year: Lena Suljanovic, Thomas Voilås, Ruth Siri Espedal and Margot Lande. Solveig Kvadsheim, Marita Skorpe, Ida Aase, Kristin Malde Lende, Christer B. Runde, Elisa Våge and Nadja Biscevic were also a part of the business.

The excitement was at breaking point. The cinema auditorium in Madlaleiren was crammed with youth from all over Rogaland. They had worked harder than ever, been creative and set up their own business from nothing. Now the judges had said their piece. It was time to tear open the envelope! On the paper there was a number: 1,618.

IN FEBRUARY THEY WERE VOTED THE BEST YOUTH-RUN BUSINESS

Tuesdays were the best. Then they could put everything else aside and just concentrate on their youth-run business. Shirking was never an issue. They were certainly motivated.

As students in the subject area ”media and communication” at Forus upper secondary school, they had chosen to sell reasonably priced graphic solutions to business and industry. They called their company “1,618”, or the golden section, the relationship in geometry and nature which combines different disciplines such as mathematics, architecture, pictorial art and biology.

REAL CUSTOMERS

“ For us it was a motivating and realistic exercise in what it means to establish our own business,” says Ruth Siri Espedal, who was in charge of marketing at “1,618”. “Very quickly, we got real customers. For instance, we did a job for a driving school, Rogaland County Municipality and the European Youth Parliament. We worked like crazy. After all, this was our business, with real customers and assignments. On many evenings we worked overtime.”

“We got a lot of attention when we won the county finals in Madlaleiren, says Thomas Voilås, responsible for staff management. In fact we had to turn down several clients. The customers poured in, but we were almost at the end of the school year and could not take on any more jobs. We were even approached by the Norwegian embassy in Seoul and unfortunately had to turn them away.

SIMPLY THE BEST

One of the first things they made was a commercial film for themselves. TV-Vest sponsored the company with free runs in best airing time in the days leading up to the county exhibition. “ Needless to say this created high expectations. People were curious,” says Lena Suljanovic, who was responsible for PR.

“ We thought that we might win a prize for the best brochure, but winning the prize for best youth-run business was beyond our wildest hope”, says Margot Lande who was in charge of administration. During the award ceremony they played ”Simply the best” with Tina Turner. Now I get goose bumps just hearing when I hear a few bars from the song.

Some weeks later five of the students were sent to Lillestrøm for the national final. There they were runners-up for best website and got third prize for the commercial film.

STARTING UP ON THEIR OWN

Even if the competitive element meant a lot, the youths in “1,618” felt that the most important lesson they learned was what starting your own business entails. They stress the importance of collaboration and how important it is to relate to one another, while at the same time keeping with the delivery times. They learned what time pressure can do to a team that works together, and how to handle difficult and good situations.

ONE MILLION IN SUPPORT

Over several years SpareBank 1 SR-Bank has cooperated with "Ungt Entreprenørskap" (Young Enterprise Norway) in Rogaland. Now the bank has awarded the organisation NOK 1 million over a five-year period to help fund their important work. Studies show that pupils who have run their own business at school are five times as likely to set up their company later in life as those who do not have such training.

In the age group 25 to 34 years 20% of them have established their own company. The normal rate of establishment is 4%.

FEBRUARY: YOUNG ENTREPRENEURSHIP

"Ungt Entreprenørskap" is an organisation that promotes the will and ability to set up a business. In the course of one year, pupils must start up, run and close down a company. In the 2004/05 school year approximately 900 students in Rogaland are involved in a youth-run business. Last year SpareBank 1 SR-Bank gave NOK 1 million NOK to this work.

Arild Jørgensen is General Manager of RPT Production, Klepp.

It's about bending pipes – but mostly about entrepreneurship and persistence. RPT Production at Klepp is roaring to go for Jæren's favourite exercise. The determination to create something, to get it right. Arild Jørgensen and Roald Aas were elite welders at Kværner, and moved on to be active in the IKM system. But eventually they had had their share of growth and take-overs at the expense of efficiency measures. They took their skills with them, and started their own business North of the Skjævelandsbrua bridge. They were about to prove that it was possible to built up a business in an industry everybody else thought was doomed. Together with a group of employees, they started in 1999. And they found a bank that believed in their business idea.

THEY STARTED BENDING IT IN MARCH

Do you think it's easy to bend a pipe? If you are going to do this in the international offshore business, the challenges are tremendous.

When RPT AS was established five years ago, the company experienced a quick growth. Skilled professionals made the company a reliable subcontractor in the offshore market. Cityfolk with the typical Jæren team spirit built a modern facility at Klepp. They were experts on welding exotic materials such as titanium, they mastered machine welding, hard surfacing welding and orbital welding. Quality was put before quantity. Professional expertise and a ton of willpower gave nice figures on the bottom line every year. Everyone respected each other. The absence due to illness was low, as was the labour turnover.

Still, something was missing. The test results from the laboratory. The proof that they could bend pipes pursuant to Norsok and ASME. This would give them even better opportunities. And in March 2004 it finally came.

SMARTER

Entrepreneur Arild Jørgensen strides over a stack of gas pipes which they have welded together for Godalen upper secondary school. A forklift rushes by with entirely new steel tanks for Ormen Lange. The boss himself jumps out and puts down a few pallets so that the truck driver can put his load nicely down on the concrete floor. In Jæren county nobody is afraid to get his hands dirty.

"If we are to be competitive here in Norway, in a work intensive industry like ours, we have to be smarter," says Arild. "We must have better methods and skills. We must pull together regionally, and realise that we are all part of a community. I would rather that a competitor from Jæren got an assignment than somebody from abroad."

A DEMANDING BANK HELPED

A Roxar subsea sensor is standing on a trolley. Aarbakke made the components, and the welding experts at RPT put them together. The sensor is state-of-the-art, so much so that the photographer was told not to take any photos.

When Jørgensen and his colleagues decided to start their own business in 1999, they needed a bank with faith in them. SpareBank 1 SR-Bank gave them just that.

"SpareBank 1 SR-Bank trusted us from the very beginning – and placed demands on us. That was re-assuring," he says. He says that when the new building at Klepp was built, the shareholders put in a huge amount of their own time and labour, in order to reduce the need for equity capital.

"The voluntary effort showed the bank that we really wanted to do this – and that made them want to do it too," Arild says with a smile. "We are good at what we do. The bank is good with advice. They are good advisers and were a great support.

"We have strived to be totally honest with the bank," he says. "Of course it's embarrassing to admit that there are problems, turn to them, and ask: what do we do now? But the bank is there for us when we need it. They say they're in the same boat as us, and we believe that they mean what they say."

FULL THROTTLE

He is right. If SpareBank 1 SR-Bank's customers do not succeed, nor will the bank. It is looking as if the Klepp business is about to succeed, too, with gas. It was just like the employees to come up with NOK 1.7 million for the issue that was required to start up RPT Gas. Their effort says mountains about how they feel about their jobs.

MARCH:
BUDDING ENTREPRENEURS

RPT Production AS at Klepp was started by Arild and Roald in 1999. Today, the company has 30 employees, 20 of which own the new building that houses the company. The activities are divided into three companies with a turnover of approx. NOK 50 million in 2004. The company has made a profit every year since it was set up.

Annual report 2004

In 2004, SpareBank 1 SR-Bank attained a group profit before tax of NOK 788 million. This is NOK 219 million above the profit for 2003. The profit after tax was NOK 583 million, up from NOK 408 million in 2003. The return on equity after tax was 19.5%, compared to 15.2% in 2003.

The Group owes its very good performance to the general growth in all business areas. This includes good underlying banking operations, improved performance in its subsidiaries and SpareBank 1 Gruppen AS, as well as good earnings on securities and low losses.

The Board of Directors is extremely pleased with the profit for 2004.

The Group had a growth in lending of 11.4%, and a growth in deposits of 17% in 2004.

Deposits measured as a percentage of gross lending were 60.7% at the end of the year. Net interest income rose by NOK 34 million in 2004.

The net interest rate margin in 2004 was 2.03%. This is a decline from 2.12% in 2003.

Other income (excluding capital gains from securities, dividends, and income from equity interests) rose by 14.5% in 2004, constituting 34.5% of total income.

Costs rose by 4.1% in 2004. The parent bank's cost percentage was 49.9. Net losses were NOK 81 million, a reduction of NOK 169 million compared to 2003.

Defaults fell by NOK 223 million in 2004, amounting to NOK 203 million.

The Board of Directors proposes allocating NOK 208 million of the profit to dividends, equal to NOK 23 per primary capital certificate, NOK 132 million appropriated to the equalisation reserve, and NOK 60 million to endowment funds.

THE DEVELOPMENT OF THE GROUP

The rise in profits is due to general progress in all the Group's business areas. The Group has confirmed its position in Rogaland as a market leader in the retail market, the corporate market and real estate, and has also developed positively in the retail and corporate markets in Agder. This has resulted in a positive impact, bringing new customers, and greater product coverage per customer. The collaboration among the retail market, the corporate market, subsidiaries and the bank's specialist departments in the fields of currency/interest instruments, cash management and insurance, have greatly contributed to the performance improvement in 2004.

The low interest rate has remained stable throughout 2004 and has contributed to increased activity in the bank's market area. Towards the end of 2004 there was a growth in lending volumes in the corporate market, for the first time in more than a year.

The Group has worked actively in connection with the transition to new accounting rules, IFRS (International Financial Reporting Standard), which entered into force from 1 January 2005, as well as adapting to the new international capital adequacy ratio rules, BASEL II, which will enter into force on 1 January 2007. In both these areas, the bank is on schedule with the necessary adjustments.

The Group attained its targets in 2004, with a minimum of 15% return on equity capital after tax and 8% core capital. The capital adequacy ratio was 11.57%.

The bank's objective of a 50% cost percentage in the parent bank has also been achieved, in spite of low interest rate levels. The cost percentage in the parent bank ended up at 49.9%.

The Board believes that it is important for business and industry that SpareBank 1 SR-Bank, as a solid and well-established local bank, can inject the capital required for growth and development in the bank's market area, which is primarily Rogaland, Agder and Sunnhordland.

DEVELOPMENT IN THE GROUP'S MARKET AREA

In the first half of 2003, the Norwegian economy moved past a cyclical low point. In 2004, the economy underwent a pronounced improvement, and a positive development is expected in 2005 as well. The improvement in the economic climate appears to be greater than anticipated, and is, according to Statistics' Norway's Economic Trend Report expected to last towards 2007. Nevertheless, we do not expect the cyclical peak to be as pronounced as it was in the late '90s.

The low interest rates have contributed to a considerable growth in private consumption and housing investments. Household demand continues to expand, contributing to high levels of activity in several industries. This particularly applies to the service industries, the retail trade, and the building and contracting industry. The high levels of oil investment, the upturn in the international economy, and the low exchange rate for the Norwegian kroner throughout the past year have all helped improve conditions for industry, and led to greater profitability.

Investments in the oil sector are expected to remain high in 2005. Although growth is expected to be moderate, willingness to invest onshore is rising. Due to low inflation, the domestic level of interest rates may remain fairly low for a period, but this will depend on the expansiveness of the domestic financial policy, and how strong the cyclical upturn is internationally. Employment has not, so far, increased on a par with the growth of the economy. We know from experience that the growth in employment tends to come later on in the cyclical upturn. We therefore expect the unemployment rate to fall somewhat in the future, relative to Statistics Norway's Economic Trend Report.

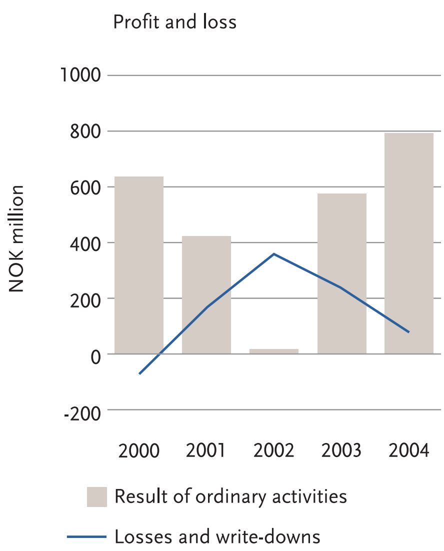
The most recent "Cyclical Barometer for Rogaland" shows that large business and industry segments are anticipating positive market developments, with increased profitability, and more employees in 2005. In addition, greater investments are expected in the public sector, while investment levels in business and industry are expected to be slightly lower. The region's business and industry will also benefit from higher investments in oil activities in 2005. Business and industry in this region are solidly grounded, and have in the past shown that they are highly adaptable in connection with changing conditions. The loss of workplaces in onshore industry during the last few years has so far been offset by new workplaces in other areas. Because of the adaptability of the business and industry sector we can be optimistic with a view to Rogaland's prospects during the next few years.

The recently published "Cyclical Barometer for Agder" also confirms that business and industry in Agder are experiencing an upward trend with rising turnover, profitability, and employment. In addition, the Agder counties have had a steeper decline in unemployment than any other county over the past year. There are a number of indications that the positive economic development will continue in 2005, and we expect increased investment in most industries in the next few years.

At the end of December 2004, there were 6,887 people unemployment in Rogaland. This is 3.3% of the labour force, and equals a decline of 1,116 people (i.e. 0.6% percentage points) compared to the end of 2003. In December 2004, unemployment in Rogaland was somewhat lower than the national average of 3.6%. Over the past year, only the Agder counties can boast a greater percentage decline in unemployment than Rogaland. In the Agder counties, 4,900 people were registered as without any employment at the end of December 2004, equalling 3.8% of the labour force. (3.5% of these were in Vest-Agder, and 4.2% in Aust-Agder.) This is a fall of 1,062 people (i.e. 0.8% percentage points) compared to the end of 2003.

Rogaland had 392,150 inhabitants at the end of the third quarter of 2004. The population in the county rose by 3,302 people (0.8%) in the first quarter of 2004. Only Oslo and Akershus have experienced a higher population growth than Rogaland. The municipalities in Jæren, including Stavanger and Sandnes, have had the highest percentage rise in the county. The number of inhabitants in the Agder counties was 264,528 at the end of the third quarter of 2004. This is an increase of 1,027 (0.4%) in the first three quarters of 2004. The population growth in the Agder counties is somewhat lower than the growth in the remainder of the country in the same period, which was 0.5%. The regional differences are large, also within the Agder counties. The percentage growth was strongest in Kristiansand and the municipalities in its vicinity.

PROFIT PERFORMANCE



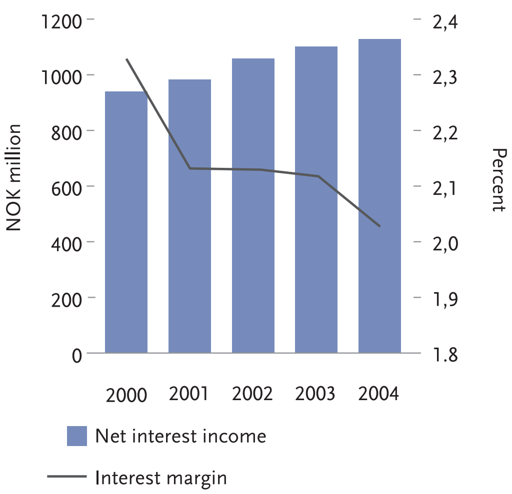
NET INTEREST INCOME

Net interest and credit commission income was NOK 1,129 million (2.03%), which is NOK 34 million higher than in 2003. The net interest margin has been reduced by 9 basic points since 2003.

In June 2004 a decision was made to merge the Savings Banks' Guarantee Fund and the Commercial Banks' Guarantee Fund. As a result of the merger, the savings banks will be granted an exemption from the premium for the guarantee fund for a three-year period, as of 2004. This entailed a reduction in interest costs of NOK 40 million for SpareBank 1 SR-Bank in 2004.

OTHER INCOME
Other income (excluding capital gains on securities, dividend, and income from ownership interests) constituted 34.5% of total income. The Group's net commission income rose by 12.5% in 2004, from NOK 303 million to NOK 341 million.

Net interest income and interest margin



The commission income from payments services in the parent bank continues to be the largest contributor to other income, and amounted to NOK 152 million in 2004. Insurance income also exhibited a positive trend, and was NOK 83 million in 2004, an increase of 23%.

Commission income from the sale of funds and structured products (stock index index bonds) rose by 17% and amounted to NOK 56 million. Income from trade in interest and currency rose by 15% in 2004, to NOK 64 million.

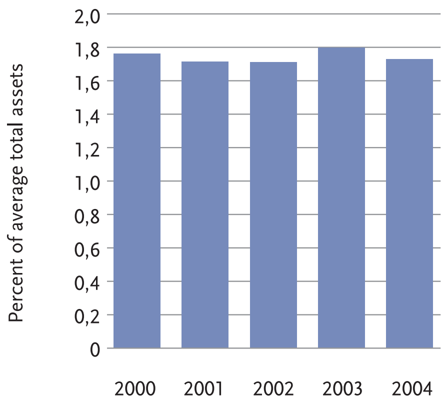
Dividend and income from ownership interests was NOK 39 million, a rise of 457%. The improvement is mainly due to the fact that the Group's share of profits and losses in SpareBank 1 Gruppen AS rose from a loss of NOK 7 million in 2003 to a profit of NOK 25 million. The profit of SpareBank 1 Gruppen AS is based on preliminary accounting figures. SpareBank 1 Gruppen AS's final figures will be available at the end of February, and will be incorporated in the bank's accounts in the first quarter of 2005.

The bank's holdings of stock and primary capital certificates amounted to NOK 294 million at the end of the year, compared to NOK 260 million in 2003. Capital gains were NOK 61 million, as opposed to NOK 86 million in 2003.

OPERATING COSTS
Costs as a proportion of income for 2004 were 49.9% for the parent bank, and 54.5% for the Group, compared to 53.5% and 57.0% respectively in 2003. The Group's operating costs were NOK 961 million in 2004, compared to NOK 922 million in 2003, a rise of 4.1%.

Personnel costs in the Group rose by 9.0%, from NOK 483 million in 2003, to NOK 527 million in 2004. The rise in personnel costs was due to supplements in the collective wage settlement, allocations of NOK 18 million for change and expertise-enhancing measures, as well as new recruitment in the fields of risk management, cash management, and the corporate market. The underlying growth in personnel costs was 5.3%. Other costs declined by 1.3%. Operating costs amounted to 1.72% of average total assets, compared to 1.78% in 2003.

Total operating costs



LOSSES AND DEFAULTS
Defaults in the Group underwent a pleasant development, being more than halved in 2004. Defaults were in other words reduced by NOK 223 million to NOK 203 million. Gross default in percentage of gross lending was 0.37% as at 31 December 2004, a decline from 0.87% at the end of 2003.

Net losses on lending in the Group were NOK 81 million, a decline of NOK 169 million from 2003.

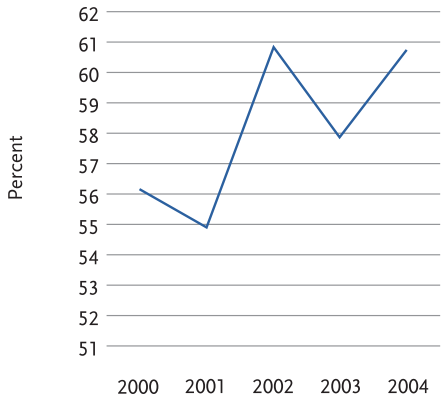
Losses in the corporate market were NOK 80 million, while losses in the retail market amounted to NOK 1 million.

Losses as a percentage of gross lending were 0.15%, compared with 0.51% in 2003.

Total specified loss allocations as at 31 December 2004 were NOK 222 million, while unspecified loss allocations were NOK 372 million, 0.68% of total lending.

Gross lending, percentage growth, retail and corporate market

Deposit to loan ratio



THE BALANCE SHEET

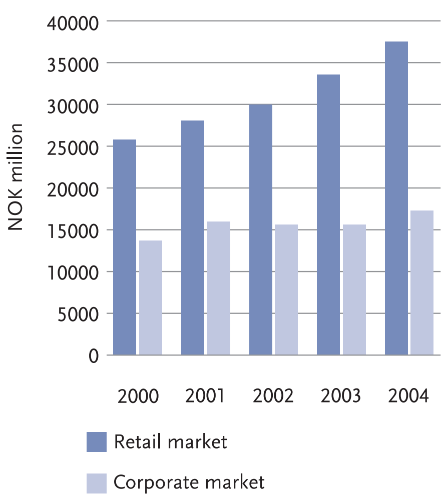
As at 31 December 2004, the Group's equity capital amounted to NOK 59.2 billion, up NOK 6.6 billion from 2003.

The growth in lending was 11.4% in 2004, and overall lending as at 31 December 2004 amounted to NOK 54.4 billion. Lending to the retail market rose by NOK 3.9 billion, an increase of 11.7%, while lending to the corporate market and public sector rose by NOK 1.6 billion, a 10.6% rise. Lending to the retail market and the corporate market constituted 68.5% and 31.5% respectively.

As at 31 December 2004, total deposits amounted to NOK 33.1 billion, corresponding to an increase of 17.0%. The growth in the retail and corporate/public sector market was 5.3% and 32.1% respectively.

The deposit to loan ratio was improved in 2004, and was 60.7% as at 31 December 2004.

Gross lending, retail and corporate market



SUBSIDIARIES

Through the subsidiaries' products and services, the Group is able to offer its customers a better range of services. Through collaboration and joint marketing, the Group aims to emerge as a full-service supplier of financial services and products.

EiendomsMegler 1 Rogaland AS is the leading real estate agent in Rogaland, with a marketing share and position corrresponding to that of the bank. In addition, the company has during the last few years established itself with significant market shares in Lyngdal, Mandal and Kristiansand. It has now been decided that the company, together with the bank, will establish an office in Grimstad during the spring of 2005. The company is active in the fields of real estate, business and project brokering, and disposed of 5,000 properties at an overall value of NOK 9 billion in 2004. The overall turnover in 2004 amounted to NOK 180 million. Profit before tax amounted to NOK 23.7 million.

Westbroker Finans AS sells leasing expertise and products. In addition to the bank's market in Rogaland and Agder, the company has distribution agreements with Sparebanken Vest, as well as 12 SamSpar banks. In order to strengthen the company's profile and identification with SpareBank 1, the company changed its name to SpareBank 1 SR-Finans AS in the first quarter of 2005. The portfolio rose by 10% to NOK 1.6 billion in 2004. Profit before tax amounted to NOK 20.8 million.

Management of the customer's and bank's security portfolios is organised in the company SR-Forvaltning ASA. The company has seven employees, managing securities for private customers, businesses, pension funds, as well as the bank and the bank's pension fund. Management increased by 32% in 2004, to NOK 3.0 billion. Profit before tax amounted to NOK 13.3 billion.

THE SPAREBANK 1 ALLIANCE

The SpareBank 1 Gruppen AS is owned by SpareBank 1 SR-Bank, SpareBank 1 Midt-Norge, SpareBank 1 Nord-Norge and Samarbeidende Sparebanker AS, each of which owns a 15.46% stake. The other owners are FöreningsSparbanken AB (19.5%), LO (the Norwegian Federation of Trade Unions, 10%), and Sparebanken Vest (8.67%). The financial services Group SpareBank 1 Gruppen AS owns 100% of the businesses Bank 1 Oslo AS, SpareBank 1 Livsforsikring AS, SpareBank 1 Fondsforsikring AS, SpareBank 1 Skadeforsikring AS and ODIN Forvaltning AS – as well as 33.3% of First Securities ASA and 19.9% of SpareBank 1 Bilplan AS.

At the same time, SpareBank 1 Gruppen AS has an administrative responsibility for the processes involving bank collaboration in the SpareBank 1 alliance, in which IT operations, management and development, branding, expertise enhancement, joint processes/utilisation of best practices and purchases play a central role. The alliance has also established two centres of expertise for the Payment Area (in Trondheim) and Lending (in Stavanger).

As the profit performance of SpareBank 1 Gruppen AS during the last few years shows, the Group has fulfilled its ambitions regarding a satisfactory return on equity capital by the end of 2004. In 2004, SpareBank 1 Gruppen AS has attained improved performance in all areas, and the effect of the turn-around that was implemented in 2002 is highly satisfactory. The programme of efficiency measures resulted in cost savings of NOK 242.6 million in 2004, compared to the starting point in the autumn of 2002. A survey of the working climate among the 934 employees has also shown that staff satisfaction has grown in SpareBank 1 Gruppen AS.

SpareBank 1 Gruppen's product companies deliver good and competitive products to the banks in the field of savings, pensions and insurance. The development in the Odin unit trust fund in particular has been positive in 2004.

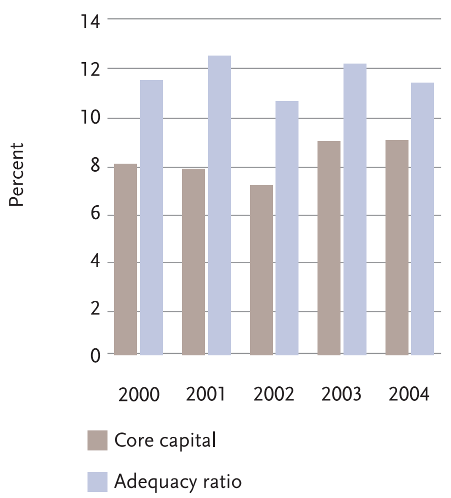
The strategy of the SpareBank 1 alliance for 2004-2007 was reviewed in 2004. This work has confirmed that the alliance is pulling in the same direction in connection with the principal challenges, and that the level of ambitions for the bank collaboration has risen.

THE CAPITAL ADEQUACY RATIO

At the end of 2004, the Group's capital adequacy ratio was 11.57%, of which 9.08% was core capital. The corresponding figures for the parent bank were 11.88% and 9.32% respectively. In March 2004 a new, non-perpetual subordinated loan of EUR 65 million was taken out. This loan replaces a non-perpetual subordinated loan of USD 84 million, which was repaid in August 2004. No new unit trust bonds were issued in 2004. As at 31 December 2004, the unit trust bonds contributed 1.19% of the Group's core capital and capital adequacy ratio. Up to 15% of the core capital may consist of unit trust bonds. Any amounts in excess of this are subordinate loans, and enter into the capital adequacy ratio.

The Group has an objective of a core capital adequacy ratio of 8%, and of a capital adequacy ratio of 12%.

Core capital and capital adequacy ratio



THE TRANSITION TO THE NEW ACCOUNTING STANDARD IFRS-/IAS (INTERNATIONAL FINANCIAL REPORTING STANDARD)

As of 2005, companies listed on the stock exchange in the EU/EEA shall report their consolidated accounts according to IFRS/IAS. The objective is that the new accounting standard shall lead to a greater use of actual values, so that the accounts can reflect the company's actual balance sheet values to a greater degree. The transition to IFRS/IAS will bring about both positive and negative accounting effects. In accordance with the transition rules, these effects can be entered directly against equity. The Group has not reached any final conclusions on all areas associated with the transition to IFRS/IAS. Preliminary calculations on the consequences and estimates associated with the one-off impact of the transition rules indicate an overall negative effect after tax on the Group's core capital of approx. NOK 100 million, or 0.3 percentage points in reduced core capital adequacy ratio. The ultimate financial effect of the transition to IFRS/IAS will be clear by the end of the first quarter of 2005.

BASEL II

In accordance with the new international regulatory framework, BASEL II, the SpareBank 1 SR-Bank Group continued the process of adapting to the new framework for risk management and new capital adequacy ratio requirements in 2004. The objective is to establish effective risk management systems on a par with those of the best small and medium-sized banks internationally. BASEL II will enter into force on 1 January 2007. There is reason to believe that the implementation of the BASEL II regulatory framework will positively affect the Group's capital adequacy ratio.

STOCKHOLDER MANAGEMENT AND CORPORATE GOVERNANCE IN SPAREBANK 1 SR-BANK

Stockholder management and corporate governance in SpareBank1 SR-Bank includes the targets and paramount principles according to which the Group is directed and supervised in order to ensure that the interests of the primary capital certificate holders, the depositors, and other groups, are safeguarded. The Group's management of activities shall ensure prudent management of the assets, and result in greater assurance that all communicated objectives and strategies are in fact achieved and realised.

In consequence of this, the bank has set up the following main principles for stockholder management and corporate governance, building on three main pillars: openness, predictability and transparency:

- Value creation for the primary capital certificate holders and other interest groups
- A structure that ensures goal-oriented and independent management and control
- Systems that ensure measurement and accountability
- Effective risk management
- Well set-out, easily understandable, and timely information
- Equal treatment of primary capital certificate holders, and a well-balanced relationship to other interest groups
- Compliance with laws, regulations and ethical standards

The Group's annual report contains a more detailed description of the Group's policy for stockholder and corporate governance.

RISK MANAGEMENT

The Group places great emphasis on continuous management and follow-up of risk in order to attain its strategic goals through effective risk management systems on a par with the best small and medium-sized international banks. The bank has a moderate risk profile, in which no individual events shall be able to damage the bank's financial position seriously.

Credit risk

Credit risk is defined as the risk for losses due to a customer or other party not being able or willing to meet their obligations vis-à-vis the bank. The bank's strategy contains objectives for the bank's risk profile, and is adopted by the Board of Directors on an annual basis. The risk profile and the management of the lending portfolio is carried out via the bank's credit strategy, with target figures for expected default and expected losses, as well as target figures for concentration risks associated with geographic areas, the size of individual commitments in relation to equity and subordinate loan capital, the share of major commitments as a percentage of the portfolio and growth in the portfolio. The development is followed up through quarterly reports to the Board.

The credit granting criterias are related to the likelihood of default and colleteral coverage, and apply within the credit strategy and credit policy guidelines. The credit strategy and policy are evaluated by the Board of Directors on an annual basis.

The corporate market

Since 2001, the risk classification system has been based on a rating model as a basis for calculating the expected default and loss probability. The classification matrix comprises 55 risk categories in relation to their default probability and colleteral coverage.

The bank is restrictive with regard to approving new high risk commitments. Together with other measures emphasising risk-adjusted returns, this has contributed to a risk profile with a lower high-risk percentage in 2004.

The retail market

The risk classification system based on the customer's financial ability to service new loans, was further developed in 2004 to a rating model as a basis for calculating the expected default and loss. The classification matrix comprises 55 risk categories in relation to their likelihood of default and colleteral coverage.

Market risk

The market risk is the risk of losses because the value of the banks assets and liability will change with volatile interest rates, currency and security portfolios. The market risk is managed through defined limits for, inter alia, investments in stocks, bonds, and for positions in the interest rate and currency markets, and is reported to the Board on a monthly basis. The limits are reviewed and adopted by the bank's Board at least once per year. The bank has conservative limits for market risk, and its limits are well below the maximum limits stipulated by the authorities.

Liquidity risk

Liquidity risk is the risk that the bank will not be able to meet its obligations at the due date. The management of the bank's financial structure is based on a liquidity strategy that is reviewed and adopted by the Board of Directors minimum once per year. The liquidity strategy reflects the bank's conservative risk profile.

The liquidity risk is reduced by spreading the funding among different markets, funding sources, instruments and running periods.

Customer deposits are the bank's most important source of financing and the deposit to loan ratio coverage in the Group has risen from 57.8% as at 31 December 2003 to 60.7% as at 31 December 2004.

The bank's liquidity situation as at 31 December 2004 is good. As at 31 December 2004 only 22% of the bank's total net re-financing requirements shall be re-financed in 2005. International and national sources of funding are distributed evenly. In addition, the bank has undrawn, committed drawing rights of EUR 270 million.

Operational risk
The operational risk can be defined as loss risk following from:

- Insufficient competence
- Human error
- Failure in internal systems and processes
- Criminality and fraud
- External events

The bank implemented a new, overall process and new systems for effective measurement and management of operational risk in 2004. This includes the implementation of new systems for the identification and follow-up of undesirable events that are due to operational risk.

The bank has also carried out comprehensive risk analyses of the operational risk in the bank's business processes, and has implemented several new measures during the year in order to reduce the operational risk in the business processes.

MEASURES FOR IMPROVED PERFORMANCE AND REDUCED RISK

The Board of Directors is concerned with ensuring that good and stable Group profits are in place.

In 2004 the Board has, among other things, focused on the following areas:

- The further development of collaboration in the SpareBank 1 Alliance
- Expertise enhancement and new recruitment for continued corporate market development, including strengthening of the credit analysis function in order to further increase the quality of the credit assessments
- The bank's funding strategy with a view to further reducing vulnerability to market fluctuations
- Strengthening the risk management within credit, currency/finance and operational risk, including the development of a system for overall risk management as part of adapting to Basel II
- Increased focus on other income, particularly in the savings and insurance fields
- Measures to further increase operational efficiency

In the view of the Board, the measures within the above-mentioned areas have contributed to the positive trend in profits, better credit quality and lower volatility in the Group's performance.

AUDITING

External auditor
PricewaterhouseCoopers are the bank's external auditors.

Internal auditor
The internal audit has been outsourced to Ernst & Young. The internal audit reports to the bank's Board of Directors.

STAFF AND WORKING ENVIRONMENT

By the end of 2004, the Group had 891 employees, equalling 813 man-years. The staff was reduced by 16 man-years over the course of the year. Most of the decline was due to the transfer of activities of the bank's night safe division to Norsk Kontantservice A/S as of 31 December 2003.

The Group carried out another annual organisational and working environment survey showing that the staff have a positive view of the company as employer. The Group's staff are sales-oriented, able and willing to adapt, and want to further raise their level of expertise. Absence due to sickness was further reduced in 2004, and is low compared to other financial institutions. Absence due to sickness fell by one percentage point from 2003 to 2004, from 4.1% to 3.1%. Long-term absences showed a particular decline, partly due to the Group's participation in the scheme for a more inclusive working life (IA).

The Group is actively working in the fields of health, safety and the environment, and, among other things, continually working to fortify the bank's safety programme. The bank has not been the victim of any robberies in 2004, but tested its preparedness and follow-up of employees in connection with the Nokas robbery in April.

External environment
The bank does not use input or production methods that have any significant environmental impact. The Group's impact on the external environment is limited to materials and energy that are required for the Group to carry out its activities. Through its continuous work in connection with the transition to electronic internal and external communication, the Group is working towards reduced paper consumption.

In the view of the Board, the Group's activities result in minimal pollution of the external environment.

Management of the Group's overall expertise
The Group is concerned with ensuring continual enhancement of expertise for all its employees. Expertise is defined as the interaction of knowledge, skills and attitudes, and the Group is investing in continuous expertise-enhancement in all these areas. This entails that the staff attend courses and carry out exercises or individual studies in 5% of overall working hours.

Management development has been identified as a focus area for two years from 2004. Management development is a critical success factor for the Group's continued development as a full-service supplier of financial services. There are currently approx. 100 employees in the Group enrolled in expertise-enhancing courses via university colleges. Of these, 60 are managers and key persons participating in management development projects running over eighteen months in a partnership project with the Norwegian School of Management BI.

In addition to accrued time, NOK 7.5 million was allocated to expertise-enhancing measures in 2004.

Policy on the staff's life phases
SpareBank 1 SR-Bank has adopted a policy in relation to staff's life phases that is intended to encourage older employees to continue at work for longer. The Group's objective is for the average retirement age to rise from 60 to 63 by the end of 2006. Individual adjustments and flexibility are the policy instruments used in order to achieve this. Annual health checks have been introduced for all staff above the age of 58, as well as the offer of exercise and individually tailored expertise enhancement. At the age of 62, working hours and tasks are tailored to individual requirements with a view to putting off retirement age.

Equal opportunities
Women account for 55% of the Group's 813 man-years. This percentage has been stable in recent years.

The Group management consists of seven people, of which all seven are men. There are no women in the Group management. There are 35 people in the extended Group management, of which 26 are men and nine are women.

The average wage for bank employees is NOK 340,000, with women's and men's average wages being NOK 310,000 and 385,000 respectively.

The Group recruited 27 new employees in 2004, of which 16 are women and 11 are men.

There are 200 employees with reduced working hours, working a total of 137 man-years. Of these, 11 are men, accounting for five man-years, and 189 are women, accounting for 132 man-years.

The Group has worked to raise the percentage of women in management positions for several years, and the following measures have been implemented in recent years with a view to, inter alia, promoting equal opportunities:

- Adopting the objective of increasing the percentage of women in management positions.
- Establishment of a talent promotion programme, in which most of the participants are women.
- Accommodating flexible working conditions.
- Reviewing wages in order to ensure that the Group has equal wages for equal work

The efforts have resulted in the percentage of women in management positions rising from 14% to 32% over the past five years.

BANK ADVISORY COUNCILS
The bank advisory councils are intended to help identify opportunities, and intercept signals regarding the bank's activities in the local market. They are made up of local resource persons who act as advisers to the local offices in their market work. SpareBank1 SR-Bank has good bank advisory councils in the municipalities in which the bank is represented, and the councils have been active in their work. As in previous years, the directors of the local bank advisory councils held a joint meeting, in which the bank's management, among other things, received valuable input in connection with the bank's development work in relation to business and industry, and the use of endowment funds. The bank advisory councils administer some of the bank's endowment funds, and have committed themselves to ensure that the funds are put to good use in the local community.

PRIMARY CAPITAL
At the end of 2004, 8,080 holders of the bank's primary capital certificates were registered. This is an increase of 1,015 (equalling 14%), since the end of 2003. The percentage of primary capital certificates held by foreigners was 14.4% (17.1%), while 47.2% (48.8%) were resident in Rogland and Agder. At the end of the year, the 20 largest owners controlled 30.3% (34.6%) of the primary capital.

27% of the issued primary capital certificates were traded in 2004. This is somewhat below the figures for 2003, when 31% of the number of issued certificates were traded. At the end of 2004, the price of the bank's primary capital certificates was NOK 360, compared to NOK 269 at the end of 2003 (adjusted for the bonus issue which took place in March 2004). Inclusive of the dividend paid, the bank's primary capital had an effective rate of return of 40.0% in 2004. For purposes of comparison, the primary capital index at the Oslo Stock Exchange (GFBX) rose by 38.4% in 2004.

Over the course of 2004, the bank has sold a net of 38,088 own primary capital certificates, and the bank's stock as at

31 December 2004 was 574 primary capital certificates. As in previous years, the bank made use of the Supervisory Board's authority to sell the bank's own primary capital certificates (a total of 79,620 certificates) to its employees at a discount, instead of raising the primary capital in connection with a staff issue.

A capitalisation issue was carried out in March 2004, resulting in the transfer of NOK 150.8 million from the equalisation fund. 1,507,640 new primary capital certificates (free certificates) were issued with a flotation price and nominal price per certificate of NOK 100. Five old certificates entitled holders to one new primary capital certificate.

The Board proposes to the Supervisory Board that the nominal value of the primary capital certificates be split in two, and that a capitalisation issue be carried out. The proposal entails that the primary capital certificates are split in two, and the number of primary capital certificates will then amount to 18,091,668 at the nominal value of NOK 50 each. Next, a capitalisation issue will be carried out by transferring NOK 226,145,850 from the equalisation fund to the primary capital. Four old certificates will entitle holders to one new primary capital certificate. 4,522,917 new primary capital certificates (free issues) will be issued. After the split, the number of primary capital certificates will be 22,614,585. The new primary capital certificates will entitle the holders to dividend as of and including the 2005 accounting year.

The profit per primary capital certificate for 2004 was NOK 37.6. Based on the bank's dividend policy and other considerations, the Board proposes to pay a dividend for 2004 of NOK 23 per primary capital certificate. The RISK amount (adjustment of original cost of stock by taxed profits) as at 1 January 2004 is set at NOK 10.8 per primary capital certificate (adjusted for the capitalisation issue), while the RISK amount as per 1 January 2005 is calculated at NOK 15.1 per primary capital certificate.

ENDOWMENT FUNDS

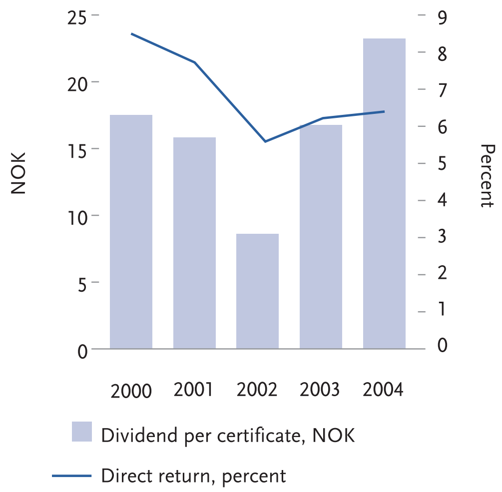
Pursuant to the (Norwegian) Saving Banks' Act, the bank may allocate a maximum of 25% of the Saving Banks' Guarantee Funds' share of the profit to an endowment fund for public benefit. The Board proposes to allocate NOK 60 million (equalling 25%) to endowment funds for 2004.

CONTINUED OPERATIONS

Together with the implemented and planned measures, the performance prospects and the macro-economic framework conditions provide good conditions for the Group's progress in 2005. The core capital and the capital adequacy ratio signify good solidity, and are well above the authorities' requirements.

The annual accounts and report indicate that the premise for continued operations exists.

Dividend per certificate and direct return



ALLOCATION OF THE ANNUAL PROFIT/DIVIDEND

The Board proposes that the annual profit for 2004 is allocated as follows:

	NOK million
Profit for the year	583
Valuation difference fund /group contributions	0
Available for distribution	583
Dividend (NOK 23 per primary capital certificate)	208
Equalisation fund	132
The saving banks' fund	183
Endowment fund	60
Total	583

FUTURE PROSPECTS

Interest rate levels remained at a stable, low level throughout 2004. We expect interest rate levels to remain at this level in 2005. The economic outlook for business and industry at the beginning of 2005 is positive, and the Board expects an increase in borrowing demand from business and industry, although this is not expected to have a significant impact on further reductions in unemployment.

The low interest rate levels also have a positive impact on the household sector, with reduced costs and hence the possibility of savings. The growth in lending within the retail market is expected to remain at the same level as in 2004. We expect a lower growth in deposits in 2005 than in 2004. This is due to the low interest rate levels, expected increases in business investments, the high level of private consumption, as well as the fact that bank deposits will face fiercer competition from other investment alternatives in 2005 than in 2004.

The Board expects the bank to further strengthen its position within its market area in 2005. The Board attaches weight to SpareBank 1 SR-Bank continuing to be a profitable and solid bank that is attractive to customers, capital markets, primary capital certificate holders and staff. This shall be ensured through:

- A savings bank philosophy with a strong brand and modern bank operations in which values are created locally, and channelled back to the local community
- Clear priority based on customer needs and profitability
- Rogaland, Agder and Sunnhordland as primary market area
- A clear position within the savings and pension market
- Able employees that are proud to work for SpareBank 1 SR-Bank

Increased customer demands and expectations combined with continuous technological progress place great demands on the organisation's ability to change.

The Board is of the view that the bank is well equipped to handle these challenges in the future years. The SpareBank 1 Alliance collaboration is important in this connection, where the bank can benefit from economies of scale in branding, technology and competitive products.

The Board expects additional pressure on the interest margin in 2005, but through the increase in other income, cost-efficient operations and moderate losses, the Board expects a positive development for the Group in 2005.

The Board would like to thank the Group's employees for their efforts and their contribution to the bank's performance in 2004.

The Board would also like to thank the Group's customers and employee representatives for the support they have given SpareBank 1 SR-Bank in 2004.

Stavanger, 3 March 2005

The Board of Directors of Sparebanken Rogaland

Geir Worum
Chairman of the Board

Ole Gladhaug

Anne Elisabeth Kroken

Kristian Eidesvik
Deputy Chairman of the Board

Gunn-Jane Håland

John P. Hernes

Magne Vathne

Torstein Plener

Terje Vareberg
Managing Director

SpareBank 1 SR-Bank's Board of Directors. From the left, John Peter Hernes, Geir Worum, Anne Elisabeth Kroken, Kristian Eidesvik, Terje Vareberg, Ole Gladhaug, Gunn-Jane Håland, Magne Vathne and Torstein Plener.

Geir Worum
Born in: 1947
Chairman of the Board
Elected for the first time in: 1999
Term of office until: 2006
Managing Director of Woco AS, Haugesund
Chairman of the Board in the following companies:
Oma Baatbyggeri AS and subsidiaries
Oma Slipp og Mekaniske Verksted
Solve IT-Stavanger AS
Rasmussen Elektro AS
Helifuel AS
Teleconsult AS
Woco AS
Karmsundgaten 77 AS
Director in the following companies:
Sinvest ASA
Data Design System ASA
Carbontech Holding AS and subsidiaries
Carbontech AS
Haugaland Gass AS

Kristian Eidesvik
Born in: 1945
Deputy Chairman of the Board
Elected for the first time in: 1997
Term of office until: 2005
Ship owner, Bømlo
Director in:Wilson AS
Green Reefers ASA
Caiano AS

Ole Gladhaug
Born in: 1954
Elected for the first time in: 1998
Term of office until: 2005
Finance Director
Kristian Gerhard Jebsen Group, London

Anne Elisabeth Kroken
Born in: 1962
Elected for the first time in: 2003
Term of office until: 2005
Attorney running her own law firm

Gunn-Jane Håland
Born in: 1963
Elected for the first time in: 2003
Term of office until: 2005
Senior advisor, Petoro AS, Stavanger

John Peter Hernes
Born in: 1959
Elected for the first time in: 2001
Term of office until: 2005
General Manager, SåkornInVest, Forus
Chairman of the Board:
Kino 1 Stavanger/Sandnes AS
Director in:
Novel Diagnostics ASA
Nordic Sounds AS

Magne Vathne
Born in: 1944
Elected for the first time in: 1998
Term of office until: 2006
Managing Director Coop Økonom BA, Stavanger
Director in:
OBS AS
Coop Økonom BA
Marieroparken AS

Terje Vareberg
Born in: 1948
CEO SpareBank 1 SR-Bank
Deputy Chairman of the Board in:
Rogaland Teater
Director in:
SpareBank 1 Gruppen AS
The Norwegian Savings Banks' Association

Torstein Plener
Born in: 1961
Elected for the first time in: 2000
Term of office until: 2006
Group employee representative in SpareBank 1 SR-Bank
Director in:
SpareBank 1 Gruppen AS

Annual accounts

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Profit and loss account

SpareBank 1 SR-Bank					*SpareBank 1 SR-Bank group*		
2002	2003	**2004**		NOTE	**2004**	2003	2002
3 593	2 921	**2 081**	Interest income	1	**2 143**	3 009	3 696
2 588	1 871	**999**	Interest costs	1	**1 014**	1 914	2 646
1 005	1 050	**1 082**	**Net interest income**		**1 129**	1 095	1 050
-115	14	**77**	Dividends	2	**39**	7	-135
345	360	**386**	Commission income	2	**405**	369	352
-74	-67	**-65**	Commission costs	2	**-64**	-66	-73
-115	163	**131**	Net change in fair market value of securities	2	**131**	163	-115
8	8	**9**	Other operating income	2	**190**	159	134
49	478	**538**	**Net other operating income**		**701**	632	163
1 054	1 528	**1 620**	**Total operating income**		**1 830**	1 727	1 213
571	622	**643**	Wages and general administration costs	3	**769**	727	666
54	55	**49**	Depreciation and write-downs	16	**57**	63	61
69	83	**83**	Other operating costs	4	**135**	132	111
694	760	**775**	**Total operating costs**		**961**	922	838
360	768	**845**	**Profit before losses and write-downs**		**869**	805	375
335	218	**76**	Loss on loans and guarantees	5, 13	**81**	250	341
16	-14	**0**	Loss/gain on long-term financial assets	6	**0**	-14	16
9	564	**769**	**Result of ordinary activities**		**788**	569	18
43	156	**186**	Taxes	7	**202**	160	51
-34	408	**583**	**Profit/loss for the year**		**586**	409	-33
			Including minority interests		**3**	1	1
-75	-151	**-208**	Dividend		**-208**	-151	-75
124	0	**0**	Transferred from reserve for valuation variances		**0**	0	124
20	-95	**-132**	Transferred to/from equalization reserve		**-132**	-95	20
-35	-130	**-183**	Transferred to savings bank's reserve		**-183**	-130	-35
0	-32	**-60**	Transferred to endowment fund		**-60**	-32	0
34	-408	**-583**	**Total allocation of profit/coverage of loss for the year**		**-583**	-408	34
-2,3	27,2	**37,6**	**Profit/loss per primary capital certificate**		**37,6**	27,2	-2,3

Geir Worum
Chairman

Ole Gladhaug

Anne Elisabeth Kroken

Kristian Eidesvik
Vice Chairman

Gunn-Jane Håland

John P. Hernes

Magne Vathne

Torstein Plener

Terje Vareberg
Chief Executive Officer

Balance sheet

SpareBank 1 SR-Bank					*SpareBank 1 SR-Bank group*		
2002	2003	**2004**		NOTE	**2004**	2003	2002
			Assets				
631	545	**942**	Cash and claims on central banks		**942**	545	631
333	668	**1 610**	Claims on credit institutions	8	**67**	149	144
44 078	47 379	**52 789**	Gross loans to customers	9,11,12,2	**54 433**	48 874	45 445
-383	-299	**-208**	Specified loss provisions	10	**-222**	-316	-396
-360	-360	**-360**	Unspecified loss provisions	10	**-372**	-375	-375
43 335	46 720	**52 221**	**Net loans to customers**		**53 839**	48 183	44 674
1	0	**0**	Repossessed assets	17	**0**	32	2
2 268	2 375	**2 867**	Certificates and bonds	14	**2 867**	2 375	2 268
1 094	769	**813**	Shares and ownership stakes	15	**661**	617	940
104	34	**31**	Intangible assets	16	**52**	65	151
322	309	**297**	Tangible fixed assets	16	**309**	321	332
61	69	**112**	Other assets	17	**159**	48	95
300	300	**294**	Prepayments and accrued income	18	**302**	307	301
48 449	51 789	**59 187**	**Total assets**		**59 198**	52 642	49 538
			Liabilities and equity				
5 066	4 928	**2 749**	Debt to credit institutions	19	**2 690**	4 912	4 959
26 716	27 548	**33 382**	Deposits from customers	20, 29	**33 062**	28 266	27 634
31 782	32 476	**36 131**	**Total deposits**		**35 752**	33 178	32 593
4 535	2 248	**2 000**	Certificates and other short-term borrowings		**2 000**	2 248	4 535
7 316	11 412	**15 111**	Bond and other long-term dept	21	**15 111**	11 412	7 316
11 851	13 660	**17 111**	**Debt established by issuance of securities**		**17 111**	13 660	11 851
142	94	**63**	Financial derivative		**63**	94	142
281	403	**560**	Other debt		**838**	452	414
278	362	**283**	Accrued costs and income paid in advance		**344**	415	376
139	150	**154**	Cost accruals and other provisions	22, 23	**163**	157	144
1 420	1 835	**1 720**	Subordinated loan capital	24	**1 760**	1 875	1 460
747	750	**905**	Primary capital certificate capital		**905**	750	747
16	18	**20**	Premium reserve		**20**	18	16
0	0	**0**	Reserve for valuation variances		**0**	0	0
1 002	1 132	**1 313**	Savings bank's reserve		**1 313**	1 132	1 002
16	37	**69**	Endowment fund		**69**	37	16
775	872	**858**	Dividend equalization reserve		**858**	872	775
0	0	**0**	Minority interests		**2**	2	2
2 556	2 809	**3 165**	**Total equity**	**25**	**3 167**	2 811	2 558
48 449	51 789	**59 187**	**Total liabilities and equity**		**59 198**	52 642	49 538

For off-balance sheet items, please see notes 26 and 27.

Cash flow statement

SpareBank 1 SR-Bank				SpareBank 1 SR-Bank group		
2002	2003	**2004**		**2004**	2003	2002
-34	408	**583**	Profit for the year	**583**	408	-34
124	0	**0**	Retained earnings in subsidiaries and joint ventures	**0**	0	0
-75	-151	**-208**	Dividend to owners of primary capital certificates	**-208**	-151	-75
20	7	**38**	Dividends from subsidiaries	**0**	0	0
1	1	**6**	Gain/loss on long-term financial assets	**6**	1	1
15	-15	**-6**	Revaluations/write-downs on long-term financial assets	**-6**	-15	15
54	55	**49**	Depreciation and write-downs	**57**	63	61
335	218	**76**	Loss on loans	**81**	250	341
440	523	**538**	**Transferred from the year's activity**	**513**	556	309
-1 781	-3 520	**-5 486**	Change in gross loans to customers	**-5 639**	-3 680	-2 020
2	1	**0**	Change in repossessed assets	**32**	-30	4
92	-239	**-1 030**	Change in claims on credit institutions	**0**	91	157
3 817	831	**5 835**	Change in deposits from customers	**4 796**	632	3 623
-1 265	-138	**-2 179**	Change in debt to credit institutions	**-2 222**	-47	-866
-352	-107	**-493**	Change in certificates and bonds	**-493**	-107	-352
303	-29	**-129**	Change in other claims	**-198**	42	302
108	159	**-63**	Change in other short-term liabilities	**285**	25	218
1 364	-2 519	**-3 007**	**A Net cash flow from the activity**	**-2 926**	-2 518	1 375
-60	-37	**-32**	Change in fixed assets	**-37**	-43	-63
448	340	**-44**	Change in shares and ownership stakes	**-45**	337	396
388	303	**-76**	**B Net cash flow, investments**	**-82**	294	333
-50	0	**0**	Change in deposits from Norges Bank	**0**	0	-50
-1 086	1 808	**3 451**	Change in debt established by issuance of securities	**3 451**	1 808	-1 086
-703	417	**-59**	Change in other long-term liabilities	**-128**	425	-659
-1 839	2 225	**3 392**	**C Net cash flow, financing**	**3 323**	2 233	-1 795
-87	9	**309**	**A+B+C Net cash flow during the year**	**315**	9	-87
771	684	**693**	Cash and cash equivalents January 1st	**694**	684	771
684	693	**1 002**	Cash and cash equivalents December 31st	**1 009**	693	684
-87	9	**309**	**Net cash flow during the year**	**315**	9	-87

The liquidity balance includes cash and receivables from central banks, and the share of total deposits in and lending to credit institutions that apply to pure investments in credit institutions.
The cash flow analysis shows how SpareBank 1 SR-Bank and the SpareBank 1 SR-Bank Group respectively have been provided with liquid assets, and how these have been used.

Overall, the liquidity balance of the SpareBank 1 SR-Bank Group rose by NOK 315 million.
Operations in 2004 were characterised by a higher growth in lending and customer deposits. Debt from the issuing of securities has risen, while amounts owed to credit institutions have fallen.

Accounting principles

GENERAL

The annual accounts for 2004 have been prepared in accordance with the applicable laws, regulations and generally accepted accounting practices in Norway. Unless otherwise stated, all amounts are given in NOK million. The same accounting principles have been applied in the parent bank's accounts and the consolidated accounts.

CONSOLIDATION OF SUBSIDIARIES

The consolidated accounts include SpareBank 1 SR-Bank and companies in which SpareBank 1 SR-Bank directly and indirectly owns more than 50% of the shares, or has a controlling interest in the company's operations. Investments in the subsidiaries have been presented according to the acquisition method of accounting in the consolidated accounts, and according to the equity method of accounting in the company's accounts.

AFFILIATED COMPANIES

Companies in which the bank holds long-term investment with an interest between 20 and 50% and in which the bank has a significant influence are defined as affiliated companies. Such investments are assessed according to the equity method of accounting both in the company's accounts and in the consolidated accounts.

JOINT VENTURES

Joint ventures are financial undertakings regulated by an agreement between the bank and one or more participants so that the bank and the participants jointly control the undertaking. No single participant has a controlling interest. In cooperation with SpareBank 1 Nord-Norge, SpareBank 1 Midt-Norge, Sparebanken Vest And Samarbeidende Sparebanker AS, the bank owns SpareBank 1 Gruppen AS. The parties own 15.46% each of the shares in the company, with the exception of Sparebanken Vest which owns 8.67%. In addition, the Swedish FöreningsSparbanken AB owns 19.5% of the shares in the company, and the Norwegian Federation of Trade Unions (LO) and federations affiliated to LO own 10% of the shares. The governing structure for the SpareBank 1 cooperation is regulated in an agreement among the owners. In the accounts of SpareBank 1 SRBank the shares in the Sparebank 1 Gruppen AS are assessed according to the equity method both in the company's accounts and in the consolidated accounts. This is because the activities in the SpareBank 1 Group differ significantly from the bank's other activities, in which the use of the cost method would result in difficult-to-grasp accounting information.

ENTERING INCOME AND COSTS

Interest and commissions are entered in the profit and loss account at the time they accrue as income or as costs. Fees that are a direct payment for performed services are carried entered as income when they are acquired. Fees for the establishment of loan agreements are carried to income in accordance with the costs that accrue in connection with considering the loan. Pre-paid income and accrued, unpaid costs at the end of the year are accrued, and entered as liabilities in the balance sheet. Deferred income is carried to income and entered as a receivable in the balance sheet. Dividends from shares and dividends from money market funds are entered as income the year they are received. Dividends from shares and group contributions minus deferred tax assets from subsidiaries, affiliated companies and joint ventures are entered directly against book interest in affiliated businesses. Profit/loss from the sale of securities is calculated on the basis of the average cost of sold securities. The purchase and sale of securities is entered at the time of the settlement.

SHARES AND UNITS

Shares, primary capital certificates and shares in unit trusts that are sold on the Stock Exchange or in a regulated market and have good liquidity and dispersion of owners, are part of the trading portfolio, and are assessed at market value on the balance sheet date. If there is no continuous market, the value is assessed on the basis of the company's best market understanding. Securities that are not listed on the stock exchange are assessed at the lowest of acquisition cost and calculated market value. Long-term share investments are assessed at initial cost. If the real value is significantly lower than the initial cost, and the decline in value is not considered to be temporary, the share is written down to the real value. The write-down is reversed when the basis for the write-down no longer exists.

CERTIFICATES AND BONDS

Certificates and bonds are classified as trading portfolio, and are assessed at market value on the balance sheet date.

CURRENCY

The bank's accounts receivable and debts in foreign currency have been converted at middle market prices at 31 December. Income and costs in currency have been converted to NOK according to the exchange rates at the time of transaction. The currency items are largely hedged by corresponding items on the opposite side of the balance sheet, or with hedging items off the balance sheet.

FINANCIAL INSTRUMENTS

Financial instruments include transferable financial assets and liability items, in addition to financial derivative instruments. Financial instruments on the balance sheet include shareholdings, primary capital certificates, bonds, certificates and units in money market instruments, as well as financial derivatives. Financial derivative instruments are agreements the bank enters into with financial institutions or customers in order to determine financial values, either as interest rate conditions, exchange rates or the value of equity instruments for specific periods.

Such agreements include forward exchange contracts, interest swap agreements (currency swaps), currency and interest options and forward rate agreements (FRAs).

We distinguish between agreements that enter into own transactions in order to attain profit in connection with price differences and price changes (the trading portfolio), and agreements that are entered into in connection with ordinary activities. At the time of entering into the agreement, interest and currency agreements are classified as part of the trading portfolio or banking activities, depending on the individual agreement. The trading portfolio consists of certificates and bonds, shares and primary capital certificates on the bank's balance sheet, as well as off-balance sheet currency, interest and equity instruments.

Off-balance sheet portfolios are assessed according to the market value principle, and changes in the market value are entered into the profit and loss account under the item net agio/disagio. Agreements entered into in order to reduce the bank's risk exposure in connection with interest rate and/or currency fluctuations on balance sheet items are defined as hedging agreements.

In order for a currency or interest rate agreement to be defined as a hedging agreement, the expected value development of the hedging agreement must be closely linked to the balance sheet item being secured.

Income and costs relating to hedging agreements and the appurtenant balance sheet items are accrued and classified in the same manner.

LOSSES ON LENDING

Lending is assessed at nominal value with the exception of loans at risk, default loans and re-negotiated loans.

IN DEFAULT/AT RISK

The customer's overall commitment is considered to be in default, and is included in the bank's overview of default commitments, when the instalments and interest due have not been paid 90 days after the due date, or the credit ceiling has been overdrawn for 90 days or more. Lending and other commitments not defaulted on, but in which the customer's financial situation makes it likely that the bank will carry losses, are classified as at-risk.

SPECIFIED LOSS ALLOCATIONS

When commitments have been in default for 60 days or are classified as commitments at risk, unpaid interest is reversed and further entering as income is stopped, unless there is security in the values underlying the commitment. The difference between the commitment and the value of the security, adjusted for the customer's assumed ability to service the loan, is entered as a cost under lending and guarantee losses. The estimation of the securities' value is based on objective value estimation rules for maximum value and objective downward adjustment rules. Nevertheless, there is some uncertainty tied to the actual realisation value of the individual security item and to the customer's financial ability to service the loans.

UNSPECIFIED LOSS ALLOCATIONS

Unspecified loss allocations shall cover losses that, on the basis of circumstances on the balance sheet date must be assumed to come in addition to losses that have been identified and calculated for individual customers. Loss allocations of this type are calculated on the basis of portfolio estimations, experience, and general trends. Allowances will be made for change in the size of the lending portfolio.

WRITE-OFFS

When there is a predominant probability that the losses are final, the losses are classified as write-offs. Write-offs covered by loss allocations carried out previously are entered against the allocations. Write-offs that are not provided for in the loss allocations, as well as excess or insufficient provisions in relation to former loss allocations, shall be entered in the profit and loss account.

SEIZED ASSETS

As part of the handling of loans and commitments in default, the bank sometimes seizes the assets that have been offered as security for such commitments. In the event of seizing the assets, they are valued at their estimated realisation value. Seized assets that are to be realised are classified as current assets. Any losses/gains in connection with the disposal or re-estimating the value of such assets are entered as a loss/reduction in losses on lending.

LEASING

In accounting terms, the leasing portfolio is classified as leasing agreements under the principal item lending to and accounts receivable from customers. Income from leasing is entered as leasing income under interest received, and costs as interest paid.

TANGIBLE FIXED ASSETS

Tangible fixed assets are entered at initial cost in the accounts, plus former appreciation, minus write-downs and ordinary accumulated depreciation. Ordinary depreciation is based on cost and the depreciation is distributed in straight line depreciation over the economic life of the tangible assets. If the actual value of a tangible fixed asset is significantly lower than the book value and the decrease in value is not expected to be of a temporary nature, the asset will be written down to its real value.

The write-down is reversed when the basis for the write-down is no longer present.

ISSUED BONDS AND OTHER BORROWING

Issued bonds are entered in the balance sheet at nominal value, plus any premium and minus any discount. Premium is entered as income, and discount is entered as cost according to plan as an adjustment of the running interest costs up to the bond's maturity, or if applicable up to the time of the first interest rate regulation. Any capital discount when taking up other long-term debt is handled correspondingly. Direct costs in connection with taking up bond loans and other borrowings are entered according to plan as an adjustment of the running interest cost until the maturity of the bond or the loan.

SUBORDINATED LOANS/BOND FUNDS

Subordinated loans have lower priority than bond loans, and therefore have a higher price. Up to 50% of non-perpetual subordinated loans can be included in calculating the core capital of the capital adequacy ratio, while 100% of perpetual subordinated loans can be included in the core capital.

In April 2003 SpareBank 1 SR-Bank issued a bond fund loan of USD 75 million. A bond fund is a so-called hybrid, lying somewhere between equity and subordinated loans inter alia with regard to priority. A bond fund is a security, but the bank is not obliged to pay interest in periods in which no dividend is paid. Nor is the investor subsequently entitled to deferred interest. Interest is in other words not accumulated. The bond fund can amount to no more than 15% of overall core capital. The issuing of bond funds does not affect book equity. Costs in connection with taking up loans are accrued over the term of the loan.

PENSION COMMITMENTS

Pension expenses and pension commitments are calculated according to linear earning, based on the assumption of discount rate, future wage and salaries adjustments, retirement pensions and national insurance benefits, future return on pension assets, as well as actuary assumptions regarding mortality, voluntary retirement, etc. On the balance sheet net pension assets are presented within the group scheme as fixed assets, while net uncovered pension commitments are classified as long-term debt. The employer's national insurance contribution, which accrues according to applicable rates, is also included in the amount for uncovered pension commitments. Total net pension expenses are classified under wages and salaries in the profit and loss account, and include the period's earning of entitlements to pension benefits and interest paid on liabilities, minus the estimated return on pension funds. The financial impact of changes in the pension funds is accrued over the remaining earning period. Other changes or variances are assessed together against the higher of the overall pension commitments and overall pension funds. If overall changes and estimate variances at the beginning of the accounting year amount to more than 10% of this basis, the excess will be accrued in the profit and loss account over the average remaining earning period.

TAXES

The year's tax expense in the profit and loss account consists of tax payable on income for the year, adjusted by too much/too little allocated in earlier years, as well as changes in deferred tax. Deferred tax is calculated on the basis of temporary differences between accounting and fiscal assets at the end of the accounting year.

Nominal tax rates are used in the calculation. Positive and negative differences are assessed against each other, and their net result is shown in the balance sheet. Deferred tax advantages arise if there is a temporary difference giving rise to future tax allowances.

DEBT

Debt is entered at the price of taking up the loan. Interest is continuously entered as cost in the profit and loss account.

BUSINESS AREAS

SpareBank 1 SR-Bank considers the bank's operations to be a single business area.

Notes to the accounts

SpareBank 1 SR-Bank				SpareBank 1 SR-Bank group		
2002	2003	**2004**	**NOTE 1 INTEREST INCOME AND INTEREST COSTS**	**2004**	2003	2002
79	40	**37**	Interest on claims on credit institutions	**22**	30	73
3 360	2 753	**1 971**	Interest on loans to customers	**2 047**	2 851	3 469
154	128	**73**	Interest on certificates and bonds	**74**	128	154
3 593	2 921	**2 081**	**Interest income**	**2 143**	3 009	3 696
365	194	**184**	Interest on debt to credit institutions	**185**	193	347
1 441	961	**423**	Interest on deposits from customers	**436**	1 003	1 514
673	617	**323**	Interest on issued securities	**323**	617	673
73	59	**69**	Interest on subordinated loan capital	**70**	61	76
36	40	**0**	Other interest costs	**0**	40	36
2 588	1 871	**999**	**Interest costs**	**1 014**	1 914	2 646

In June 2004 a decision was made to merge the Savings Banks' Guarantee Fund and the Commercial Banks' Guarantee Fund. As a result of the merger, the savings banks will be granted an exemption from the premium for the guarantee fund for a three-year period, from and including 2004.

2002	2003	**2004**	**NOTE 2 NET OTHER OPERATING INCOME**	**2004**	2003	2002
33	14	**14**	Income on shares	**14**	14	33
-168	-7	**25**	Income on ownership stakes in affiliated companies	**25**	-7	-168
20	7	**38**	Income on ownership stakes in Group companies	**0**	0	0
-115	14	**77**	**Dividends**	**39**	7	-135
29	25	**23**	Interbank commissions	**23**	25	29
21	21	**20**	Underwriting commission	**18**	21	21
171	178	**189**	Payment facilities/payment terminals	**189**	178	171
47	48	**56**	Securities trading and management	**77**	60	56
58	68	**83**	Insurance products	**83**	68	58
19	20	**15**	Other commissions and fees	**15**	17	17
345	360	**386**	**Commission income**	**405**	369	352
20	18	**17**	Interbank commissions	**17**	18	20
46	41	**42**	Payment facilities	**42**	41	46
8	8	**6**	Other commissions	**5**	7	7
74	67	**65**	**Commission costs**	**64**	66	73
-25	22	**6**	Net profit/loss on certificates and bonds	**6**	22	-25
-118	86	**61**	Net profit/loss on shares and primary capital certificates	**61**	86	-118
28	55	**64**	Net profit/loss on exchange and financial derivates	**64**	55	28
-115	163	**131**	**Net change in fair market value of securities**	**131**	163	-115
6	5	**6**	Operating income, real estate	**6**	4	5
2	3	**3**	Other operating income	**4**	3	2
0	0	**0**	Real estate sales	**180**	152	127
8	8	**9**	**Other operating income**	**190**	159	134
49	478	**538**	**Net other operating income**	**701**	632	163

SpareBank 1 SR-Bank				*SpareBank 1 SR-Bank group*		
2002	2003	**2004**	**NOTE 3 WAGES AND GEN. ADM. COSTS**	**2004**	2003	2002
262	293	**316**	Wages	**393**	358	320
34	46	**46**	Pensions	**52**	51	38
37	38	**40**	Social costs	**53**	47	46
23	23	**25**	Other personnel costs	**29**	27	27
356	400	**427**	**Personnel costs**	**527**	483	431
111	123	**119**	IT-costs	**124**	127	114
33	27	**32**	Marketing	**44**	37	41
36	38	**33**	Postage/Telephone	**35**	40	38
21	19	**20**	Travel/meetings/accessories	**24**	23	25
14	15	**12**	Other administrative costs	**15**	17	17
215	222	**216**	**General administrative costs**	**242**	244	235
571	622	**643**	**Wages and general administrative costs**	**769**	727	666
			Staff			
700	708	**686**	Number of man-years as of 31 December	**813**	829	818
763	767	**756**	Number of employees as of 31 December	**891**	894	891
771	760	**752**	Average number of employees	**886**	888	892

	(Amount in NOK 1000)
Remuneration to the Board	1 178
Remuneration to the Audit Committee	347
Remuneration to the Supervisory Board	445

The consideration for the Managing Director was NOK 2,231 thousand. On reaching the age of 62 the Managing Director may retire with a retirement pension equalling 70% of his salary at the time of retirement. There are no contractual bonus schemes, option schemes or compensation in the event of cessation of employment relationship for the general manager, chairman of the Board of Directors, the directors or the individual employee at management level.

Loans and security furnished to employees in management positions

	Loan balance in NOK 1000
CEO	4 113
Chairman of the Board	0
Chairman of the Audit Committee	0
Chairman of the Supervisory Board	0
Board members with loans in the bank	
Kristian Eidesvik	10 639
Gunn Jane Håland	2 278
John Peter Hernes	178
Magne Vathne	636
Torstein Plener	1 434
Employees in management positions	
Deputy CEO, CFO	2 461
Executive Group Controller	2 700
Executive Vice President, Business Support	2 225
Executive Vice President, Corporate Market	1 399
Executive Vice President, Retail Market	2 580
Executive Vice President, Human resources	2 200
Audit Committee	1 713
The Supervisory Board	30 122

No security has been furnished. Loan conditions do not differ from the general conditions for employees.

SpareBank 1 SR-Bank				SpareBank 1 SR-Bank group		
2002	2003	**2004**	**NOTE 4 OTHER OPERATING COSTS**	**2004**	2003	2002
20	21	**21**	Operating costs, real estate	**22**	22	21
15	16	**17**	External remunerations	**20**	18	17
34	46	**45**	Other operating costs	**93**	92	73
69	83	**83**	**Other operating costs**	**135**	132	111

The bank's auditor's fees entered as costs amount to NOK 1,410,926 (NOK 1,815,297 for the Group). Of this NOK 547,745 are for ordinary auditing services (NOK 782,130 for the Group), while NOK 863,181 are for other, audit-related services (NOK 1,033,167 for the Group). In addition, NOK 46,531 has been entered as costs for other services (NOK 51,367 for the Group). All amounts are inclusive of value-added tax. The auditor's fees are divided into "audit" and "other services," in accordance with the recommendations of the Norwegian Institute of Public Accountants.

2002	2003	**2004**	**NOTE 5 LOSS ON LOANS AND GUARANTEES**	**2004**	2003	2002
334	210	**89**	The period's change in specified loss provisions	**92**	220	341
19	0	**0**	The period's change in unspecified loss provisions	**-3**	0	19
2	18	**5**	Actual loan losses on commitments for which no provision has been made	**12**	41	3
-20	-10	**-18**	Recoveries on previous actual loan losses	**-20**	-11	-22
335	218	**76**	**Loss on issued loans and guarantees**	**81**	250	341
233	294	**180**	Actual loan losses on commitments for which specified loss provisions have been made previous years	**186**	300	234
2	18	**5**	Actual loan losses on commitments for which provisions have not been made previous years	**12**	41	3
235	312	**185**	**Actual loan losses**	**198**	341	237

2002	2003	**2004**	**NOTE 6 LOSS/GAIN ON LONG-TERM FINANCIAL ASSETS**	**2004**	2003	2002
17	4	**3**	Write-down of securities	**3**	4	17
-2	-19	**-9**	Reversal of (previous) write-down on securities	**-9**	-19	-2
1	1	**6**	Net price gains on securities	**6**	1	1
16	-14	**0**	**Loss/gain on long-term financial assets**	**0**	-14	16

SpareBank 1 SR-Bank | *SpareBank 1 SR-Bank group*

2002	2003	**2004**	**NOTE 7 TAXES**	**2004**	2003	2002
			Taxable profit			
9	564	**769**	Profit before taxes	**788**	569	18
129	-20	**-116**	Permanent differences	**-77**	-12	151
-1	-58	**-8**	Group contribution	**0**	0	0
126	-228	**6**	Change in temporary differences	**-20**	-277	152
263	258	**651**	Taxable profit for the year	**691**	280	321
74	72	**182**	Tax payable for the year (Taxes payable)	**193**	78	90
			Tax expense			
74	72	**182**	Tax payable	**193**	78	90
0	16	**2**	Tax effect of group contribution	**0**	0	0
3	4	**4**	Wealth tax	**4**	4	3
-35	64	**-2**	Change in deferred tax	**5**	78	-43
1	0	**0**	Insufficient/excess tax expense in previous year	**0**	0	1
43	156	**186**	**Tax expense**	**202**	160	51
			Temporary differences			
-70	-65	**-63**	Accelerated depreciation of fixed assets	**-120**	-153	-203
31	29	**28**	Revaluation of fixed assets	**28**	29	31
65	127	**136**	Pension funds	**140**	133	67
-190	0	**-1**	Securities	**0**	0	-190
-138	-149	**-154**	Pension liabilities	**-162**	-156	-143
-18	-35	**-48**	Other negative differences	**-57**	-41	-27
-320	-93	**-102**	**Net temporary differences**	**-171**	-188	-465
-90	-26	**-28**	**Deferred tax/(benefit)**	**-48**	-53	-130
			Explanation as to why taxes for the year do not amount to 28 % of the profit before tax			
3	157	**215**	28 % tax on profit before tax	**220**	161	11
36	-5	**-33**	28 % on permanent differences *	**-22**	-5	36
1	0	**0**	Insufficient/excess tax expense in previous year	**0**	0	1
3	4	**4**	Wealth tax	**4**	4	3
43	156	**186**	Estimated taxes	**202**	160	51

* This includes tax-free dividends, non-tax deductible costs, net tax-free profit on the realisation of shares after 26 March 2004, risk on sold securities before 26 March, as well as tax allowances for profit attributable to affiliated companies (the percentage of the profit is extracted, as it has already been taxed in the individual company).

Unrealised profits/losses on shares and dividends paid are regarded as permanent differences in accordance with the exemption model. The change in temporary differences has therefore been partly considered in the permanent differences.

RISK-adjustment
The RISK adjustment amount (adjustment of original cost of shares by taxed earnings) for the bank's primary capital certificates has been set at NOK 12.93 as at 1 January 2005. As at 1 January 2005 the RISK amount has been calculated at NOK 15.14 per primary capital certificate

2002	2003	**2004**	**NOTE 8 CLAIMS ON CREDIT INSTITUTIONS**	**2004**	2003	2002
52	149	**60**	Claims w/o stipulated loan per. or notice of withdrawal	**67**	149	52
281	519	**1 550**	Claims with stipulated loan per. and notice of withdrawal	**0**	0	92
333	668	**1 610**	**Claims on credit institutions**	**67**	149	144

SpareBank 1 SR-Bank				*SpareBank 1 SR-Bank group*		
2002	2003	**2004**	**NOTE 9 GROSS LOANS TO CUSTOMERS**	**2004**	2003	2002
2 427	2 906	**4 485**	Overdrafts	**4 485**	2 906	2 427
1 127	948	**1 448**	Building loans	**1 499**	962	1 127
40 524	43 525	**46 856**	Amortised loans	**47 000**	43 672	40 694
0	0	**0**	Leasing agreements	**1 449**	1 334	1 197
44 078	47 379	**52 789**	**Gross loans to customers**	**54 433**	48 874	45 445
			Hereby subordinated loan capital			
60	60	**60**	Subordinated loan capital in credit institutions	**0**	0	0
43	43	**43**	Subordinated loan capital in other financial institutions	**43**	43	43
33	33	**0**	Other subordinated loan capital	**0**	33	33
136	136	**103**	**Subordinated loan capital posted under loans**	**43**	76	76
			Loans to employees			
625	702	**726**	Loans to employees	**888**	839	736
16	18	**9**	Interest subsidies	**11**	21	19

Apart from ordinary staff terms, there are no special terms for these loans.

2002	2003	**2004**	**NOTE 10 LOSS PROVISIONS**	**2004**	2003	2002
			Specified loss provisions:			
282	383	**299**	Specified loss provisions, January 1	**316**	396	290
-233	-294	**-180**	- Actual loan losses during the period for which specified loss provisions have been made previously	**-186**	-300	-234
334	210	**89**	+/- The period's specified loss provisions	**92**	220	340
383	299	**208**	**Specified loss provisions, December 31**	**222**	316	396
			Unspecified loss provisions:			
341	360	**360**	Unspecified loss provisions, January 1	**375**	375	356
19	0	**0**	+/- The period's changes in unspecified loss provisions	**-3**	0	19
360	360	**360**	**Unspecified loss provisions, December 31**	**372**	375	375

SpareBank 1 SR-Bank						*SpareBank 1 SR-Bank group*				
2000	2001	2002	2003	**2004**	**NOTE 11 NON-PERFORMING, PROBLEM AND NON-ACCRUAL LOANS**	**2004**	2003	2002	2001	2000
					Non-performing loans for which loss provisions have been made					
					Retail market:					
147	164	166	163	**93**	Gross non-performing loans	**93**	163	167	166	157
59	71	72	78	**49**	Specified loss provisions	**49**	78	72	72	59
88	93	94	85	**44**	**Net non-perf. retail market loans**	**44**	85	95	94	98
40 %	43 %	43 %	48 %	**53 %**	**Loan loss prov. ratio, retail market**	**53 %**	48 %	43 %	43 %	38 %
					Corporate:					
140	132	127	229	**99**	Gross non-performing loans	**110**	263	149	141	163
61	57	35	53	**22**	Specified loss provisions	**30**	60	41	59	73
79	75	92	176	**77**	**Net non-perf. loans, corporate**	**80**	203	108	82	90
44 %	43 %	28 %	23 %	**22 %**	**Loan loss prov. ratio, corporate**	**27 %**	23 %	28 %	42 %	45 %
					Total:					
287	296	293	392	**192**	Gross non-performing loans	**203**	426	316	307	320
120	128	107	131	**71**	Specified loss provisions	**79**	138	113	131	132
167	168	186	261	**121**	**Net non-performing loans**	**124**	288	203	176	188
42 %	43 %	37 %	33 %	**37 %**	**Loan loss provision ratio**	**39 %**	32 %	36 %	43 %	41 %
					Of which gross non-accrual loans:					
76	97	104	124	**80**	Retail customers	**80**	124	105	99	84
67	35	31	120	**49**	Corporate customers	**56**	142	38	40	88
143	132	135	244	**129**	**Total**	**136**	266	143	139	172
					Performing loans for which loss provisions have been made					
					Retail market:					
71	99	119	157	**139**	Perf. loans for which loss prov. have been made	**139**	157	119	99	72
34	37	46	48	**44**	Specified loss provisions	**44**	48	46	37	35
37	62	73	109	**95**	**Net retail-market loans for which loss provisions have been made**	**95**	109	73	62	37
48 %	37 %	39 %	31 %	**32 %**	**Loan loss prov. ratio, retail market**	**32 %**	31 %	39 %	37 %	49 %
					Total:					
393	306	578	242	**238**	Perf. loans for which loss prov. have been made	**247**	262	632	322	400
116	117	230	120	**93**	Specified loss provisions	**99**	130	237	122	119
277	189	348	122	**145**	**Net loans for which loss provisions have been made**	**148**	132	395	200	281
30 %	38 %	40 %	50 %	**39 %**	**Loan loss prov. ratio corporate**	**40 %**	50 %	38 %	38 %	30 %
					Total:					
464	405	697	399	**377**	Perf. loans for which loss prov. have been made	**386**	419	751	421	472
150	154	276	168	**137**	Specified loss provisions	**143**	178	283	159	154
314	251	421	231	**240**	**Net loans for which loss provisions have been made**	**243**	241	468	262	318
32 %	38 %	40 %	42 %	**36 %**	**Loan loss provision ratio**	**37 %**	42 %	38 %	38 %	33 %

When instalments or interest due are not paid 90 days after their due date, or the credit limit has been overdrawn for 90 days or more, the overall commitment to a customer is regarded as in default, and is included in the Group's overview of commitments in default. Loss assessments are carried out on commitments that have been in default for more than 60 days.

NOTE 12 RISK CLASSIFICATION OF LOANS

The bank's risk classification (rating) system has been designed to the bank's portfolio in accordance with the bank's credit strategy, and credit policy for granting loans. Together with the credit approval procedures, the rating system defines the requirements on the processes for credit granting and risk assessment. The credit strategy is derived from the bank's business strategy.

THE CORPORATE MARKET

The rating system for classification of corporate market customers is based on a statistical model that calculates the probability of default based on internal and external data. The ratings reflect the financial key areas such as earnings and solvency, as well management charatheristics. The rating procedure is defined to ensure that the rating assigned to a customer is unbiased (only objective criterias are included). For more specific groups in terms of size and risk, further tailored analyses of future development are carried out as a basis for rating. SR-Bank regularly monitors the developments in the exposures to identify any weaknesses in the credit quality at each customer. For high-risk commitments, there are more detailed follow-up routines including quarterly reviews.

We use 11 risk categories (A - K) to express the different probability of default intervals. The limit values for the intervals have been chosen on a discretionary basis on the assumption of a near-normal distribution of the portfolio. The underlying colleteral values have been divided into five categories (1-5) according to compulsory objective assessment rules for the maximum values for each colleteral object.

The risk matrix

The risk matrix is divided into five risk groups – lowest, low, middle, high, and maximum risk respectively. Exposures include all types of capital services provided for customers through loans, overdrafts, guarantees including letters of credit, accrued, unpaid interest and commissions and forward transactions with currency and debt instruments.

The risk matrix as at 31 December 2004:

	Security>	1	2	3	4	5	
Class		>100 %	75-100 %	50-75 %	25-50 %	0-25 %	Total
A	0-1 %	42	20	0	1	2 084	2 147
B	1-2 %	1 419	680	448	312	175	3 034
C	2-3 %	2 065	870	347	676	814	4 772
D	3-4 %	1 050	516	134	421	128	2 249
E	4-5 %	325	335	130	216	1 069	2 075
F	5-7 %	1 039	702	2 131	438	99	4 409
G	7-9 %	101	144	48	110	142	545
H	9-16 %	1 042	612	199	197	315	2 365
I	16-25 %	23	4	7	29	62	125
J	25-50 %	63	24	71	25	6	189
K	50-100 %	56	57	83	63	110	369
Total		7 225	3 964	3 598	2 488	5 004	22 279

	2003	**2004**	2003	**2004**
Risk group			%	**%**
Lowest and low risk	11 050	**11 829**	52,5	**53,1**
Normal risk	7 733	**8 728**	36,7	**39,2**
Highest and high risk	2 273	**1 722**	10,8	**7,7**
TOTAL	21 056	**22 279**	100,0	**100,0**

The bank is restrictive with regard to granting new high risk commitments. Together with other measures, e.g. through emphasising risk-adjusted return, this has contributed to an improved risk profile with a lower share of high risk exposures in 2004.

Overall exposures have had a growth in volume of 5.8% in 2004.

Pricing

The bank aims to price its exposures based on the risk each exposure contributes so that the exposures with the highest risk are priced highest. The pricinge model is based on the bank's required rate of return on risk-adjusted capital (RORAC – model).

Specification by risk group:

	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**
	Loan	Loan	Credit	Credit	Guarantees	Guarantees	Total	Total
Lowest and low risk	6 965	**7 315**	3 523	**3 606**	562	**908**	11 050	**11 829**
Normal risk	3 787	**4 717**	2 696	**2 882**	1 250	**1 129**	7 733	**8 728**
Highest and high risk	1 387	**904**	821	**689**	65	**129**	2 273	**1 722**
TOTAL	12 139	**12 936**	7 040	**7 177**	1 877	**2 166**	21 056	**22 279**

NOTE 12 continued

Specification by business and industry sectors

The business market commitments are divided among 19 business and industry sectors. There are separate market committees for most business and industry sectors. These shall, among other things, follow up market and structural developments. The business and industry sector committees are also bodies for the development of experience within the SpareBank1 collaboration.

Distribution of business market commitments by industry sectors:

	2003 Loan	**2004 Loan**	2003 Credit	**2004 Credit**	2003 Guarantees	**2004 Guarantees**	2003 Total	**2004 Total**
Farming	1 391	**1 506**	558	**518**	5	**5**	1 954	**2 029**
Fishing	223	**158**	13	**30**	12	**0**	248	**188**
Fish farming	220	**207**	259	**310**	20	**66**	499	**583**
Oil/gas extraction	642	**365**	87	**182**	49	**43**	778	**590**
Food production	96	**172**	407	**166**	77	**12**	580	**350**
Printing/publishing	614	**539**	26	**93**	9	**23**	649	**655**
Industry	454	**471**	293	**259**	130	**113**	877	**843**
Shipbuilding	49	**74**	300	**340**	290	**198**	639	**612**
Power and water supply	71	**99**	378	**204**	148	**182**	597	**485**
Building and construction	452	**482**	606	**712**	433	**496**	1 491	**1 690**
Commodity trade	952	**977**	407	**392**	104	**112**	1 463	**1 481**
Hotel and restaurant	217	**176**	28	**30**	6	**15**	251	**221**
Shipping	1 595	**1 658**	46	**80**	2	**1**	1 643	**1 739**
Transportation	133	**115**	70	**61**	162	**191**	365	**367**
Real estate	3 632	**4 526**	715	**1 587**	225	**360**	4 572	**6 473**
Commercial service industry	673	**707**	415	**358**	143	**258**	1 231	**1 323**
Social/private service industry	462	**555**	309	**145**	12	**12**	783	**712**
Finance	170	**90**	163	**4**	50	**50**	383	**144**
Public sector	93	**59**	1 960	**1 706**	0	**29**	2 053	**1 794**
Total	12 139	**12 936**	7 040	**7 177**	1 877	**2 166**	21 056	**22 279**

Distribution of non-performing loans, problem loans and loan loss provisions by industry:

	2003 Non-performing loans	**2004 Non-performing loans**	2003 Problem loans	**2004 Problem loans**	2003 Loan loss prov.	**2004 Loan loss prov.**
Farming	3	**4**	4	**16**	2	**3**
Fishing	64	**23**	2	**27**	3	**13**
Fish farming	13	**0**	16	**2**	4	**1**
Oil/gas extraction	0	**0**	0	**0**	0	**0**
Food production	0	**0**	0	**10**	0	**5**
Printing/publishing	0	**0**	1	**0**	1	**0**
Industry	6	**7**	27	**56**	13	**20**
Shipbuilding	0	**0**	0	**0**	0	**0**
Power and water supply	0	**0**	2	**2**	1	**1**
Building and construction	2	**14**	13	**1**	4	**1**
Commodity trade	4	**4**	8	**4**	8	**4**
Hotel and restaurant	2	**2**	24	**16**	13	**9**
Shipping	54	**9**	36	**0**	50	**5**
Transportation	0	**0**	14	**7**	11	**5**
Real estate	54	**12**	14	**30**	16	**7**
Commercial service industry	25	**23**	75	**63**	43	**38**
Social/private service industry	2	**1**	6	**4**	4	**3**
Finance	0	**0**	0	**0**	0	**0**
Public sector	0	**0**	0	**0**	0	**0**
Total	229	**99**	242	**238**	173	**115**

NOTE 12 continued

Fordeling av bedriftsmarkedskunder på geografiske områder:

	2003	**2004**
Rogaland/Agder/Hordaland	18 143	**18 240**
Other	2 913	**4 039**
Total	21 056	**22 279**

THE PRIVATE MARKET

The classification system for the private market has been based on the customer's financial ability to service new loans in relation to standard (Norwegian) National Institute for Consumer Research norms for the cost of living for different family sizes. In 2004 the system was further developed to become a rating model. The rating model calculates the probability for expected defaults over three years, based on financial key figures (earnings potential and financial resilience) as well as non-financial criteria for behaviour, and the age of the customer. All criteria are objective and based on financial information from public bodies, publicly available credit information and information in own records.

We use 11 risk categories (A - K) to express the different probability intervals for expected default. The limit values for the intervals have been chosen on a discretionary basis on the assumption of a near-normal distribution of the portfolio. The security values have been divided into five categories (1-5) according to compulsory objective assessment rules for the maximum values for each security object.

The risk matrix is based on the old classification system with five risk categories (A-E). The risk matrix based on the new rating model will be available in the course of the first quarter of 2005.

Risk matrix:

Ability to service loans relative to the (Norwegian) National Institute for Consumer Research norm:

Collateral	A	B	C	D	E	Total
1-within 60 %	10 882	1 602	1 086	317	53	13 940
2-within 80 %	6 590	2 417	717	665	46	10 435
3-within 90 %	2 503	1 444	365	282	22	4 616
4-over 90 %	2 995	1 945	812	534	36	6 322
5-without collateral	815	506	304	298	21	1 944
Total	23 785	7 914	3 284	2 096	178	37 257

Distribution of risk categories:

Risk group	2003	**2004**	2003 %	**2004 %**
Low	28 090	**32 086**	84,3	**86,1**
Normal	3 112	**3 144**	9,3	**8,4**
High	2 143	**2 027**	6,4	**5,5**
TOTAL	33 345	**37 257**	100,0	**100,0**

Distribution of private market customers among geographical areas:

	2003	**2004**
Rogaland/Agder/Hordaland	31 509	**35 180**
Other	1 836	**2 077**
Total	33 345	**37 257**

Price setting

Price setting is differentiated on the basis of the position in the matrix. Emphasis is placed both on financial ability and security, as well as in relation to the profitability targets for the private market.

THE RISK OF LOSS IN THE PORTFOLIO

Expected annual losses

For the business market, expected loss is measured on the basis of the probability of customer defaults, estimated exposure at a future point in time and the size of estimated losses (loss ratio).

NOTE 12 continued

Average losses (per year) are, at 31 December 2004, calculated at 0.34% of total lending volume for the business market. Expected losses are distributed as follows among the various risk groups:

Lowest risk:	0,04 %
Low risk:	0,08 %
Medium risk:	0,42 %
High risk:	1,11 %
Highest risk:	4,36 %
Average:	**0,34** %

The risk of loss for the private market is significantly lower than for the business market. Expected average losses (per year) are, at 31 December 2004, calculated at 0.05 of total lending volume for the lending market.

NOTE 13 LOSSES ON LENDING AND GUARANTEES IN 2004 DISTRIBUTED BY BUSINESS AND INDUSTRY SECTOR

SpareBank 1 SR-Bank group	Loans and guarantees	Gross losses	Recoveries	Net losses	Loss percentage
Agriculture/forestry	1 940	2	0	2	0,10 %
Fishing/fish farming	477	60	13	47	9,85 %
Mining/extraction	520	2	0	2	0,38 %
Industry	1 992	49	4	45	2,26 %
Power and water supply/building and construction	1 747	2	6	-4	-0,23 %
Commodity trade, hotel and restaurant business	1 524	12	7	5	0,33 %
Foreign trade shipping, pipeline transport and other transport activities	2 241	9	18	-9	-0,40 %
Real estate business	5 832	1	4	-3	-0,05 %
Service industry	2 060	4	6	-2	-0,10 %
Public sector and financial services	1 070	0	0	0	0,00 %
Transferred from unspesified loss provisions			3	-3	
Total corporate sector	19 403	141	61	80	0,41 %
Retail customers	37 308	32	31	1	0,00 %
Total	**56 711**	**173**	**92**	**81**	**0,14 %**

SpareBank 1 SR-Bank				*SpareBank 1 SR-Bank group*		
2002	2003	**2004**	**NOTE 14 CERTIFICATES AND BONDS**	**2004**	2003	2002
211	278	**175**	Certificates and bonds issued by the government	**175**	278	211
2 057	2 097	**2 692**	Certificates and bonds issued by others	**2 692**	2 097	2 057
2 268	2 375	**2 867**	**Certificates and bonds**	**2 867**	2 375	2 268
2 268	2 375	**2 867**	Trade portfolio	**2 867**	2 375	2 268
2 294	2 378	**2 868**	Original cost	**2 868**	2 378	2 294
75 %	70 %	**60 %**	Portion listed on stock exchange	**60 %**	70 %	75 %
2 268	2 375	**2 785**	NOK	**2 785**	2 375	2 268
7,0 %	5,1 %	**2,5 %**	Average effective interest rate	**2,5 %**	5,1 %	7,0 %
211	278	**175**	Public sector	**175**	278	211
1 304	1 260	**1 689**	Financial businesses	**1 689**	1 260	1 304
753	837	**1 003**	Non-financial businesses	**1 003**	837	753
2 268	2 375	**2 867**	**Certificates and bonds**	**2 867**	2 375	2 268

SpareBank 1 SR-Bank				*SpareBank 1 SR-Bank group*		
2002	2003	**2004**	**NOTE 15 SHARES AND OWNERSHIP INTERESTS**	**2004**	2003	2002
598	260	**294**	Short-term investment in shares and primary capital certificates	**294**	261	599
79	100	**53**	Short-term investment in fund	**53**	103	80
261	253	**311**	Ownership interests in associated companies	**314**	253	261
131	131	**130**	Ownership interests in credit institutions	**0**	0	0
25	25	**25**	Ownership interests in other Group companies	**0**	0	0
1 094	769	**813**	**Shares and ownership stakes**	**661**	617	940

Investments in shares, units and primary capital certificates

(Amounts in NOK thousand)	The company's share capital	Ownership interest in percent	Number of shares	Acquisition cost	Book value/ market value
Short-term investment in shares, equity interests and primary capital certificates:					
Listed companies					
Storebrand	1 390 909	0,1	283 115	10 804	16 491
Kongsberg Gruppen	150 000	0,5	152 924	14 634	15 139
Veidekke	71 522	0,4	109 771	8 041	10 977
Prosafe	340 636	0,3	105 791	15 081	17 561
Telenor	10 498 182	0,0	179 245	9 237	9 948
DOF	153 536	0,9	707 644	6 178	14 294
Kverneland	124 006	1,0	128 254	11 025	10 228
Norsk Hydro	4 830 366	0,0	22 461	9 564	10 725
Statoil	5 473 964	0,0	80 668	7 389	7 623
Norske Skogindustrier	1 331 371	0,1	135 602	17 367	17 967
Lerøy Seafood Group	34 441	1,2	416 598	11 640	15 081
Vmetro	11 491	1,6	376 802	11 113	10 626
Orkla	1 326 889	0,0	60 000	10 182	11 970
Sparebanken Nord-Norge	659 702	1,1	70 848	8 548	19 483
Sparebanken Midt-Norge	768 508	0,9	70 947	6 916	19 298
Sparebanken Øst	363 680	0,2	7 240	1 737	1 872
Sparebanken Pluss	125 000	0,6	7 210	1 290	1 622
Helgeland Sparebank	125 000	0,6	30 863	1 735	2 021
Shares secured with options					
Aker Yards	412 043	0,9	194 500	19 026	19 026
Norsk Hydro	4 830 366	0,0	30 000	14 760	14 760
Statoil	5 473 964	0,0	100 000	9 800	9 800
Lerøy Seafood Group	34 441	0,1	25 000	953	953
Other shares secured with options				21 031	21 031
Total hares secured with options				**65 570**	**65 570**
Other listed companies				10 049	10 339
Total listed companies				**238 100**	**288 835**
Unlisted companies				23 749	5 507
Total short-term investment in shares, equity interest and primary capital certificates				**261 849**	**294 342**

NOTE 15 continued

Long-term investments in shares, units and primary capital certificates:

Listed companies	The company's share capital	Ownership interest in percent	Number of shares	Acquisition cost	Book value/ market value
Kverneland	124 006	0,8	98 600		7 863
Total listed companies					**7 863**
Unlisted companies					
Romsdals Fellesbank	156 788	0,6	35 300		4 989
Bankenes Betalingssental	165 000	4,3	283 830		4 940
NOS	15 983	1,4	223 950		616
Energivekst (38 % av kommitert kapital)	2 605	7,2	188 769		18 877
Energy Ventures (36 % avkommitert kapital)	114 142	1,6	10		1 819
Marin Vekst	10 920	2,3	25 000		2 500
Viking Fotball	8 216	7,3	600 000		5 000
Stiftelsen Tou Brug	4 000	50,0	2 000 000		2 000
Other					3 947
Total unlisted companies					**44 688**
Total SpareBank 1 SR-Bank shares, equity interest and primary capital certificates					**52 551**
EiendomsMegler Sunnhordland	200	50,0	100	100	561
Solheimsveien 3	100	49,0	49	49	49
Total SpareBank 1 SR-Bank Group shares, equity interest and primary capital certificates					**53 161**

Change in long-term investment in shares, equity interest and primary capital certificates	
Book value 01.01.2004	100 085
Additions/disposals	-53 366
Reversal of previous write-downs	5 832
Book value 31.12.2004	52 551

Ownership interest in affiliated and joint ventures	**Book value**
Admi-Senteret	0
SpareBank 1 Utvikling	7 000
SpareBank 1 Gruppen	304 100
Total SpareBank 1 SR-Bank ownership interest in affiliated and joint ventures	**311 100**
SpareBank 1 Bilplan	2 878
Total SpareBank 1 SR-Bank group ownership interest in affiliated and joint ventures	**313 978**

Shares in subsidiaries SpareBank 1 SR-Bank	The company's share capital	Ownership interest in percent	Number of shares	Face value	Book value/ market value
SpareBank 1 SR-Finans	67 000	100,0	134 000	67 000	130 305
Total ownership in vredit institutions				**67 000**	**130 305**
EiendomsMegler 1 Rogaland	1 500	100,0	150	1 500	12 736
Bjergsted Boliger	100	100,0	100	100	8 086
SR-Forvaltning	6 000	66,7	4 000	4 000	4 136
Total ownership in other Group companies				**5 600**	**24 958**

All the companies have the same voting percentages and ownership interests.

Subsidiaries, affiliated companies and joint ventures

Company	Year of acquisition	Registered office	Ownership interest in %
SpareBank 1 SR-Finans	1987	Stavanger	100,00
EiendomsMegler 1 Rogaland	1990	Stavanger	100,00
Bjergsted Boliger	1990	Stavanger	100,00
SpareBank 1 Gruppen	1996	Oslo	15,46
Admi-senteret	1984	Jørpeland	50,00
EiendomsMegler Sunnhordland	2000	Stord	50,00
SR-Forvaltning	2001	Stavanger	66,67
SpareBank 1 Bilplan	2003	Trondheim	26,70
SpareBank 1 Utvikling	2004	Oslo	20,00

Investments in all the companies are assessed according to the equity method.

NOTE 15 continued

Investment in subsidiaries **Excess value analysis**	SR- Finans	Eiendoms- Megler 1	Bjergsted Boliger	SR- Forvaltning	Eiendoms- Megler Sunnhordland
Equity entered in balance sheet at time of purchase	53 400	8 000	50	4 000	100
Goodwill	40 000	0	0	18	0
Acquisition cost	93 400	8 000	50	4 018	100
Calculation of book value as of 31.12.2004					
Opening balance as of 01.01.2004	130 913	12 736	8 165	4 136	411
Profit for the year	14 921	17 077	118	6 313	300
Transferred to company (group contribution)	5 219	0	508	0	0
Transferred from companies (dividends)	-20 140	-17 077	-705	-6 313	-150
Corrected equity	-608	0	0	0	0
Closing balance as of 31.12.2004	**130 305**	**12 736**	**8 086**	**4 136**	**561**

Investments in affiliated and jointly controlled businesses

Excess value analysis	SpareBank 1 Gruppen	Admi- Senteret	SpareBank 1 Bilplan	SpareBank 1 Utvikling
Equity entered in balance sheet at time of purchase	145 900	1 000	816	7 000
Goodwill	0	0	1 182	0
Acquisition cost	145 900	1 000	1 998	7 000
Calculation of value capitalized as of 31 Dec. 2004				
Opening balance as of 1 January 2004	253 308	0	1 998	0
Share of profit for the year	22 744	0	72	0
Correction to last years result	2 635	0	0	0
Corrections against equity	-1 658	0	-607	0
New shares	27 361	0	1 499	7 000
Profit due to dilution	-290	0	-84	0
Closing balance as of 31 Dec. 2004	**304 100**	**0**	**2 878**	**7 000**

The SpareBank 1 Group

SpareBank 1 Gruppen AS is owned by SpareBank 1 Nord-Norge, SpareBank 1 Midt-Norge, SpareBank 1 SR-Bank, and Samarbeidende Sparebanker AS, with a 15.46% stake each, and Sparebanken Vest (8.67%), FöreningsSparbanken AB (publ) (19.5%) and the Norwegian Federation of Trade Unions (LO) and affiliates (10%). The ownership stake in the SpareBank 1 Gruppen AS should be considered as participation in a joint venture, and is entered according to the equity method.

Company name	Company's share capital mill kr	Ownership	Number of votes
SpareBank 1 Gruppen AS	1 562,4	15,46 %	15,46 %

The joint ventures consist of the parent company SpareBank 1 Gruppen AS, SpareBank 1 Livsforsikring AS, SpareBank 1 Skadeforsikring AS, SpareBank 1 Fondsforsikring AS, Bank 1 Oslo AS, Sparebankutvikling AS, ODIN Forvaltning AS, SpareBank 1 Aktiv Forvaltning ASA, SpareBank 1 Finans AS, IDA A/S, Enter Card AS (65 %). The subsidiaries are engaged in business within banking, insurance, brokering and securities management activities. All transactions between the bank and the subsidiaries in the SpareBank 1 Gruppen AS have been based on business-like terms. Internal compensation between the bank and SpareBank 1 Gruppen AS that is not related to sales and portfolio counseling, is based on the full cost principle.

	2004		2003	
Profit and loss	**100 %**	**15,46 %**	100 %	14,08 %
Profit after tax	**285,0**		108,7	
Goodwill- and value added write-downs	**-132,0**		-133,7	
Other eliminations	**-4,0**		-9,6	
Minority share	**-0,1**		-0,4	
Loss for the year	**148,9**	**25,1**	-35,0	-4,9

NOTE 16 TANGIBLE FIXED ASSETS

SpareBank 1 SR-Bank	**Machines, fixtures and transport vehicles**	**Bank buildings and other real prop.**	**Total**
Acquisition cost 1 January 2004	416	354	770
Additions this year	41	0	41
Disposals 2004	1	8	9
Total depreciation and write-downs 31 December 2004	352	153	505
Book value 31 December 2004	**104**	**193**	**297**
Ordinary depreciation and write-downs this year	38	6	44
Of this written-off on revaluated assets	0	1	1
Gain on realization	0	2	2
Percentage used on ordinary depreciation and write-downs	14 - 33 %	2 %	

Of overall book equity in bank buildings, NOK 183 million is for use in bank activities.

Sparebank 1 SR-Bank konsern	**Machines, fixtures and transport vehicles**	**Bank buildings and other real prop.**	**Total**
Acquisition cost 1 January 2004	450	356	806
Additions this year	45	0	45
Disposals 2004	1	8	9
Total depreciation and write-downs 31 December 2004	380	153	533
Book value 31 December 2004	**114**	**195**	**309**
Ordinary depreciation and write-downs this year	43	6	49
Of this written-off on revaluated assets	0	1	1
Gain on realization	0	2	2
Percentage used on ordinary depreciation and write-downs	14 - 33 %	2 %	

Real estate of significance to the Group:

Geographical location	Type	Total sq. meters	Rental portion sq. meters
Stavanger Bjergsted	Bank building	8 954	704
Centre of Sola	Bank building	3 783	1 947
Centre of Haugesund	Bank building	3 536	803
Centre of Stavanger	Bank building	3 085	930
Centre of Aksdal, Tysvær	Bank building	2 288	1 157
Egersund	Bank building	2 069	132
Centre of Randaberg	Bank building	1 903	928

Intangible fixed assets	**SpareBank 1 SR-Bank**	**SpareBank 1 SR-Bank Group**
Acquisition cost Goodwill January 1, 2004	32	45
Total depreciation and write-downs December 31, 2004	29	41
Book value December 31, 2004	3	4
Deferred tax asset	28	48
Total	**31**	**52**
The years ordinary depreciation and write-downs on goodwill	5	8

The individual items under goodwill are depreciated with straight line depreciation over five years.

SpareBank 1 SR-Bank				*SpareBank 1 SR-Bank group*		
2002	2003	**2004**	**NOTE 17 OTHER ASSETS**	**2004**	2003	2002
15	15	**15**	Equity, SpareBank 1 SR-Bank pension fund	**15**	15	15
12	49	**44**	Dividends not receivable from subsidiaries	**0**	0	0
34	5	**53**	Other assets	**144**	33	80
61	69	**112**	**Other assets**	**159**	48	95
			Repossessed assets			
1	0	**0**	Repossessed stock	**0**	0	1
0	0	**0**	Repossessed property	**0**	32	1
1	0	**0**	**Repossessed assets**	**0**	32	2

2002	2003	**2004**	**NOTE 18 ADVANCE PAYMENTS AND ACCRUED INCOME**	**2004**	2003	2002
235	155	**142**	Accrued, unpaid income and non-accrued costs paid in advance	**146**	157	235
65	127	**136**	Net pension funds	**140**	132	66
0	18	**16**	Other non-accrued costs paid in advance	**16**	18	0
300	300	**294**	**Prepayments and accrued income**	**302**	307	301

2002	2003	**2004**	**NOTE 19 AMOUNTS OWED TO CREDIT INSTITUTIONS**	**2004**	2003	2002
189	50	**119**	Debt without agreed loan period or notice of withdrawal	**61**	34	83
4 877	4 878	**2 630**	Debt with agreed loan period or notice of withdrawal	**2 629**	4 878	4 876
5 066	4 928	**2 749**	**Debt to credit institutions**	**2 690**	4 912	4 959
2,7 %	1,3 %	**1,1 %**	Average interest rate	**1,1 %**	1,3 %	2,7 %
			Debt allocated to the most essential currencies			
3 220	2 359	**0**	USD	**0**	2 359	3 220
451	2 317	**2 165**	EURO	**2 165**	2 317	451

Average interest is calculated on the basis of actual interest paid per year as a percentage of average amounts owed to credit institutions.

2002	2003	**2004**	**NOTE 20 CUSTOMER DEPOSITS**	**2004**	2003	2002
20 713	20 682	**23 306**	Deposits from customers without agreed term to maturity	**22 990**	21 404	21 634
6 003	6 866	**10 076**	Deposits from customers with agreed term to maturity	**10 072**	6 862	6 000
26 716	27 548	**33 382**	**Deposits from customers**	**33 062**	28 266	27 634
5,8 %	3,7 %	**1,5 %**	Average interest rate	**1,5 %**	3,7 %	5,9 %

Customer deposits are largely in NOK. Average interest is calculated on the basis of actual interest paid per year as a percentage of average customer deposits.

SpareBank 1 SR-Bank				SpareBank 1 SR-Bank group		
2002	2003	**2004**	**NOTE 21 BOND DEBTS AND OTHER LONG-TERM LENDING**	**2004**	2003	2002
			Maturity dates			
2 050	0	**0**	2003	**0**	0	2 050
1 907	3 596	**0**	2004	**0**	3 596	1 907
2 340	3 785	**3 737**	2005	**3 737**	3 785	2 340
297	526	**1 388**	2006	**1 388**	526	297
214	1 967	**6 108**	2007	**6 108**	1 967	214
0	1 169	**1 664**	2008	**1 664**	1 169	0
0	600	**1 265**	2009	**1 265**	600	0
0	0	**500**	2010	**500**	0	0
560	560	**605**	2011	**605**	560	560
0	0	**305**	2014	**305**	0	0
0	2	**1**	Premium	**1**	2	0
-46	-790	**-456**	Holdings of own bonds	**-456**	-790	-46
-6	-3	**-6**	Capitalized costs in connection with bond loans	**-6**	-3	-6
7 316	11 412	**15 111**	**Bond debt and other long-term loans**	**15 111**	11 412	7 316
7,2 %	4,3 %	**2,2 %**	Average interest rate	**2,2 %**	4,3 %	7,2 %
			Debt divided among significant foreign currencies			
4 098	5 800	**7 709**	NOK	**7 709**	5 800	4 098
3 218	3 898	**6 703**	EURO	**6 703**	3 898	3 218

Premium in connection with taking up loans is entered as income over the course of the term of the loan. All loans run without instalments. Average interest is calculated on the basis of actual interest paid in the year including any interest and currency swaps as a percentage of the average bond balance.

2002	2003	**2004**	**NOTE 22 PROVISIONS FOR LIABILITIES AND COSTS**	**2004**	2003	2002
138	149	**153**	Uncovered pension liabilities	**162**	156	143
1	1	**1**	Other allocations to commitments and costs	**1**	1	1
139	150	**154**	**Allocations to commitments and costs**	**163**	157	144

NOTE 23 PENSION SCHEMES

The SpareBank 1 SR-Bank Group has group pension schemes for its employees. The pension schemes of SpareBank 1 SR-Bank, SR-Forvaltning ASA and EiendomsMegler 1 Rogaland AS are covered by the bank's pension fund, while the scheme of SpareBank 1 SR-Finans AS is covered in Storebrand.

SpareBank 1 SR-Bank, SR-Forvaltning ASA and EiendomsMegler 1 Rogaland AS have uniform schemes, in which the principal terms are 30 years of earning entitlements to pension benefits, 70% retirement pension relative to the pension basis as at 1 January the year the employee reaches the age of 67, as well as invalidity, spouse and children's pension. All pension benefits are coordinated with expected benefits from the national insurance. If changes are made in the national insurance leading to reduced benefits, such reductions will not be compensated through the pension schemes. As at 31 December 2004 the pension schemes had 929 active members (SR-Bank 820) and 220 pensioners (218 in SR-Bank).

The pension scheme in SpareBank 1 SR-Finans has the same period for earning of entitlements, but a somewhat lower coverage than the schemes that are covered in the pension fund. In total, the SpareBank 1 SR-Finans includes 22 active members and nine pensioners.

In addition to the pension commitments that are covered through the insurance schemes, the Group has uncovered pension commitments that cannot be covered by the assets in the group schemes. The commitments apply to people that are not enrolled in the insurance schemes, supplementary pensions in excess of 12 G (1 G = the national insurance basic amount), ordinary early retirement pensions and early retirement contractual pensions.

NOTE 23 continued

We use estimated assets when assessing the pension assets and when measuring accrued liabilities. These estimates are corrected every year in accordance with the actual value of the pension assets in the pension fund, statements of the pension assets in the event of being moved from the insurance company, and actuary calculations regarding the size of the liabilities. The calculation of future pensions is based on the following principles:

	31.12.2004	31.12.2003	31.12.2002
Discount rate	5,70 %	6,00 %	6,75 %
Expected return on plan assets	6,70 %	7,00 %	7,50 %
Expected rate of compensation increas	3,00 %	3,50 %	3,50 %
G (base) adjustment/inflation	3,00 %	2,50 %	2,50 %
Annual adjustments to pensions in percent	3,00 %	2,50 %	2,50 %

The calculations are based on standardised assumptions regarding death and invalidity trends and other demographic factors prepared by Norges Forsikringforbund (the Norwegian federation of life- and non-life offices). Furthermore, a resignation frequency of 2% is assumed up to 45 years of age, and 0% for the age group over 45. For the calculation of the contractual pension scheme liabilities, we have based ourselves on the fact that 30% of employees entitled to the scheme will make use of it at the age 62, and that the remaining 70% will make use of the scheme when they reach 64 years.

The year's pension costs are as follows:

SpareBank 1 SR-Bank				*SpareBank 1 SR-Bank konsern*		
2002	2003	**2004**		**2004**	2003	2002
20	23	**25**	Service cost	**29**	27	23
32	35	**36**	Interest costs of accrued pension liabilities	**38**	37	34
-23	-25	**-30**	Expected return on plan assets	**-31**	-27	-25
0	0	**0**	Effects of pension plan changes taken to profits	**1**	1	1
			Estimate changes and deviations between			
3	6	**8**	actual and expected return taken to profits	**8**	6	3
0	4	**3**	Number of early retirements this year	**3**	4	0
2	3	**4**	Social security tax	**4**	3	2
34	46	**46**	**Pension costs**	**52**	51	38

Pension assets and pension liabilities in group schemes:

-357	-468	**-527**	Accumulated benefit obligation incl. social security tax	**-564**	-500	-380
351	397	**467**	Estimated value of plan assets	**495**	422	372
-6	-71	**-60**	**Projected benefit obligation**	**-69**	-78	-8
64	184	**181**	Unrecognized effect of change in estimates	**182**	196	69
0	0	**0**	Unrecognized effect of change in pension plans	**12**	0	0
6	14	**15**	Social security tax	**15**	14	6
64	127	**136**	**Net pension assets**	**140**	132	67

Pension commitments in uncovered schemes:

-164	-173	**-148**	Accumulated benefit obligation incl. social security tax	**-157**	-184	-173
22	21	**-8**	Unrecognized effect of change in estimates	**-9**	24	25
4	3	**3**	Unrecognized effect of change in pension plans	**4**	4	5
-138	-149	**-153**	**Net benefit obligation including social security tax**	**-162**	-156	-143

The pension funds are managed according to the guidelines stipulated by the pension fund's Board of Directors. The assets consist largely of bearer bonds and shares/unit trusts.

SpareBank 1 SR-Bank				SpareBank 1 SR-Bank group		
2002	2003	**2004**	**NOTE 24 SUBORDINATED LOAN CAPITAL**	**2004**	2003	2002
			Time of maturity/interest rate			
			Fixed maturity:			
0	0	**0**	2012 - 3 mnd Nibor + margin	**40**	40	40
619	557	**0**	2009 - USD 83,7 mill 3 months Libor + margin	**0**	557	619
300	300	**300**	2010 - 3 months Nibor + margin	**300**	300	300
8	1	**0**	Premium	**0**	1	8
0	0	**536**	2014 EURO 65 mill 3 months Libor + margin	**536**	0	0
0	0	**-4**	Capitalised transaction	**-4**	0	0
927	858	**832**	**Total fixed maturity**	**872**	898	967
			Perpetual:			
521	501	**454**	USD 75 mill 3 months Libor + margin	**454**	501	521
-28	-23	**-18**	Capitalised transaction	**-18**	-23	-28
493	478	**436**	**Total perpetual**	**436**	478	493
			Perpetual subordinated loan capital securities:			
0	501	**454**	USD 75 mill 3 mnd Libor + margin	**454**	501	0
0	-2	**-2**	Capitalised transaction costs on perpetual subordinated loan capital securities n	**-2**	-2	0
0	499	**452**	**Total perpetual subordinated loan capital securities**	**452**	499	0
1 420	1 835	**1 720**	**Subordinated loan capital**	**1 760**	1 875	1 460

Subordinated loan capital and bond funds in foreign currencies (USD 150 million and EUR 65 million as at 31 December 2004) enter into the bank's total currency position, so that there is no currency risk associated with the loans, see note 27. Subordinated loans of NOK 300 million that are due in 2010 can be redeemed in 2005. Subordinated loans of NOK 40 million in the Group that are due in 2012 can be redeemed in 2007. Of the total subordinated loan capital, as at 31 December 2004, all is considered supplementary capital. Premiums/discounts in connection with borrowing are entered as costs over the term of the loan. Fund bonds can constitute a maximum of 15% of the overall core capital. Any fund bonds in excess of this are considered perpetual subordinated loan capital.

NOTE 25 PRIMARY CAPITAL, OWNERSHIP STRUCTURE AND EQUITY MOVEMENTS

Primary capital

The primary capital of Sparebank 1 SR-Banks amounts to NOK 904,583,400, divided among 9,045,834 primary capital certificates, each with the nominal value of NOK 100. In March 2004 a capitalisation issue was carried out, entailing that NOK 150.8 million was transferred from the equalisation reserve and 1,507,640 new primary capital certificates ("free certificates") were issued, with an issuing price and nominal value per certificate of NOK 100. Five old certificates entitled owners to one new primary capital certificate. The primary capital was raised in the following manner and at the following time:

Year	Change	Change in pcc capital	Total pcc capital	Number of pcc
1994	Public issue	744,0	744,0	7 440 000
2000	Employee issue	5,0	749,0	7 489 686
2001	Employee issue	4,8	753,8	7 538 194
2004	"Free certificates"	150,8	904,6	9 045 834

The share of the profit attributable to primary capital certificate owners:

The profit per primary capital certificate is calculated by dividing the profit attributable to the owners of the primary capital certificates by the number of outstanding primary capital certificates as at 31 December. The profit attributable to primary capital certificate owners equals the share of the bank's total equity of the primary capital, the equalisation reserve and the share premium account, minus the revaluation reserve.

NOTE 25 continued

SpareBank 1 SR-Bank/SR-Bank group	Primary capital certificate capital	Premium reserve	Reserve for valuation variances	Saving bank's reserve	Endow-ment fund	Dividend equalization reserve	Total equity
Equity as of 31 Dec. 2003	750	18	0	1 132	37	872	2 809
Transfers	151			-1	-28	-151	-29
Purchase of own primary capital certificates	4	2				5	11
Profit/loss for the year				390	60	132	582
Dividends				-208			-208
Balance sheet as at 31 Dec. 2004 SR-Bank	**905**	**20**	**0**	**1 313**	**69**	**858**	**3 165**
Minority interests							2
Balance sheet as of 31 December 2004 SR-BankGroup							**3 167**

1) Turnover of own primary capital certificates in 2004:

(amounts in NOK thousand)	
Holding of shares as 31 Dec. 2003	3 866
Change in holding of shares 2004	-3 809
Holding of shares as of 31 Dec. 2004	**57**

The 20 major primary capital certificate owners as at 31 December 2004:

Owner	Number of primary capital certificates	Sharepercentage
Swedbank	890 340	9,80 %
Folketrygdfondet	450 920	5,00 %
Institusjonen Fritt Ord	168 480	1,90 %
Brown Brothers Harriman & Co.	120 000	1,30 %
Tveteraas Finans AS	119 990	1,30 %
Clipper AS	100 440	1,10 %
Audley AS	90 000	1,00 %
Investors Bank & Trust Comp.	79 489	0,90 %
Otto B. Morcken	78 000	0,90 %
Solvang Shipping AS	72 000	0,80 %
T.S. Eiendom AS	72 000	0,80 %
J.P Morgan Chase bank	65 880	0,70 %
Westco AS	61 748	0,70 %
Ringerike Sparebank	60 840	0,70 %
Forsand kommune	59 182	0,70 %
Sentralinvest AS	53 400	0,60 %
Haugaland Kraft AS	52 901	0,60 %
Arne B. Corneliussen Invest AS	48 000	0,50 %
Artel Invest AS	48 000	0,50 %
Stavanger Aftenblad ASA	41 664	0,50 %
20 largest owners	2 733 274	30,30 %
Other owners	6 312 560	69,7 %
Issued primary capital certificates	9 045 834	100,0 %

The total number of primary capital certificate owners as at 31 December 2004 is 8,080. This is a rise of 1,015 since the beginning of the year. The percentage of primary capital certificates owned in Rogaland is 47.2%, and the percentage owned abroad is 14.4%. Reference is also made to the overview of primary capital certificate owners in the Board of Directors and the Supervisory Board.

SpareBank 1 SR-Bank				*SpareBank 1 SR-Bank group*		
2002	2003	**2004**	**NOTE 26 GUARANTEES/SECURED DEBT**	**2004**	2003	2002
1 450	878	**1 058**	Payment guarantees	**1 058**	878	1 450
629	735	**868**	Contract guarantees	**868**	735	629
33	13	**1**	Loan guarantees	**1**	13	33
26	27	**28**	Guarantee for taxes	**28**	27	26
140	264	**255**	Other guarantees	**255**	264	140
12	68	**68**	Guarantee towards the Savingsbanks guarantee fund	**68**	68	12
2 290	1 985	**2 278**	**Total**	**2 278**	1 985	2 290

The bank does not have secured debt of significant value.

2002	2003	**2004**	**NOTE 27 CURRENCY POSITION AND CURRENCY INTEREST RATE AGREEMENTS**	**2004**	2003	2002
			Net position in foreign currency:			
5 175	5 994	**5 496**	Assets in foreign currency	**5 496**	5 994	5 175
5 314	8 321	**7 945**	Forward purchases in foreign currency	**7 945**	8 321	5 314
9 636	12 368	**11 494**	Debt in foreign currency	**11 494**	12 368	9 636
1 156	1 859	**1 954**	Forward sales in foreign currency	**1 954**	1 859	1 156

Currency risk:
Currency risk can be defined as the bank's risk for incurring losses as a consequence of changes in exchange rates. The bank has a policy of limited currency risk on its own books. The Board of Directors has stipulated limits for the bank's maximum currency position, both overall and with regard to individual currencies. The bank's maximum limits are conservative, and well within the limits set by Norges Bank, the Norwegian central bank. Furthermore, the bank can only take on currency risk in the currencies for which Norges Bank stipulates exchange rates on a daily basis. In relation to the bank's size, currency risk has been low throughout 2004. At the end of the year, the aggregated currency position was NOK 56 million. The largest positions were in EUR, with NOK 48 million, CHF with NOK 40 million and USD with NOK 10 million, and only minor positions in other currencies. All currency items have been converted according to the market rate on 31 December 2004.

Off-balance sheet interest, currency and share-related agreements (financial derivatives)

	Nominal amount Dec. 31, 2004	Nominal amount average for 2004	Book value Dec. 31, 2004
Trading portfolio:			
Interest	8 008	6 130	18
Currency	1 389	1 885	(8)
Hedging portfolio:			
Interest	10 486	9 927	33
Currency	11 077	11 443	(44)
Share swaps	1 363	1 501	(71)

The nominal amount equals the principal sum of the contract.

Off-balance sheet interest, currency and share-related agreements (financial derivatives)
Trade in financial derivatives is largely carried out in order to reduce interest and currency risk on the balance sheet. The Board of Directors has drawn up clear limits, both for currency and interest derivatives, on the extent of risk that may be placed in the trading portfolio. Relative to the size of the bank, the limits for trade in derivatives is considered conservative, and the market risk as a consequence of trade in these products is therefore considered to be small. Share-related agreements such as share options, share swaps etc., are largely used to secure guarantee products sold to customers. Derivatives are mostly carried out with solid Norwegian and international banks as counterparts. The credit risk is therefore considered to be small. Transactions with customers are part of the bank's continuous credit assessment of individual commitments. All instruments that are used throughout the year are subject to daily turnover in liquid markets. These are described below:

Interest agreements largely comprise:
Interest swap agreements (interest swaps) are agreements to change interest terms on nominal amounts with customers or banks. Forward rate agreements (FRAs) are agreements that set an interest rate for a nominal amount for a period in the future. Interest options are agreements entitling the buyer to claim the difference between the money market rate and the agreed interest paid by the seller. The difference is calculated on the basis of an agreed principal sum.

NOTE 27 continued

Currency agreements largely comprise:
Currency forward agreements are agreements to buy or sell a specific amount of currency at a future point in time at an agreed exchange rate against a different currency. Currency swap agreements (currency swaps) are agreements with customers or banks to change currency amounts at a previously agreed exchange rate, and pay interest on them for an agreed period.

Share agreements largely comprise:
Share swaps ensure the buyer a given rate of return on specific share index(es) and/or funds/trusts in return for the payment of floating/fixed interest for a previously agreed period.

NOTE 28 CONDITIONAL COMMITMENTS

The Group is party to several lawsuits. The lawsuits' total financial extent is not considered to be of great significance. This is because the bank has made loss allocations in the cases in which there is a probability that the bank will suffer losses as a consequence of the suits.

NOTE 29 DISTRIBUTION OF LENDING, GUARANTEES AND DEPOSITS ACCORDING TO INDUSTRY SECTOR AND GEOGRAPHIC AREA

SpareBank 1 SR-Bank group	Loans	Guarantees	Deposits
Agriculture/forestry	1 933	7	663
Fishing/fish farming	411	66	68
Mining/extraction	499	21	368
Industry	1 665	327	1 037
Energy and water supply/building and construction	1 068	679	1 106
Commodity trade, hotel and restaurant business	1 403	121	1 141
Foreign-trade shipping, pipeline transport and other transport activities	2 048	193	1 160
Real estate	5 457	375	1 539
Service industry	1 787	273	2 645
Public sector and financial services	898	172	6 548
Total corporate sector	17 169	2 234	16 275
Retail customers	37 264	44	16 787
Total	**54 433**	**2 278**	**33 062**

SpareBank 1 SR-Bank group	Loans	Guarantees	Deposits
Oslo and surrounding area	2 465	489	5 455
Vest-Agder	2 765	157	1 114
Rogaland	46 166	1 573	24 898
Hordaland	1 767	59	1 072
Other domestic	1 044	0	180
Foreign countries	226	0	343
Total	**54 433**	**2 278**	**33 062**

NOTE 30 TRANSACTIONS WITH SUBSIDIARIES

Income and expenses:	**2004**	2003	2002
Interest income from subsidiaries	**17**	12	9
Interest costs to subsidiaries	**2**	5	23
Commission income from subsidiaries	**3**	3	2
Commission costs from subsidiaries	**1**	2	1
Other income from subsidiaries	**1**	1	1
Claims on subsidiaries:			
Overdraft	**522**	1	0
Other loans	**1 028**	518	189
Other claims	**44**	50	12
Total claims	**1 594**	569	201
Debt to subsidiaries:			
Deposits from subsidiaries	**379**	155	258
Other liabilities	**7**	59	0
Total liabilities	**386**	214	258

On-demand and loans to affiliated companies	Loan	Deposits	Subordinated Loans
Admi-senteret AS	19	1	0
SpareBank 1 Gruppen AS	65	0	43

SpareBank 1 SR-Bank				*SpareBank 1 SR-Bank group*		
2002	2003	**2004**	**NOTE 31 CAPITAL ADEQUACY RATIO**	**2004**	2003	2002
1 002	1 132	**1 313**	Savings bank's reserve	**1 313**	1 132	1 002
-46	-91	**-98**	- Pension fund	**-101**	-95	-48
754	754	**905**	Primary capital certificate capital	**905**	754	754
-7	-4	**0**	- Own holding of primary capital certificates	**0**	-4	-7
16	37	**69**	Endowment reserve	**69**	37	16
16	18	**20**	Premium reserve	**20**	18	16
775	872	**858**	Dividend equalization reserve	**858**	872	775
0	473	**452**	Perpetual capital securities	**452**	467	0
-104	-34	**-31**	Goodwill and other intangible fixed assets	**-52**	-65	-151
2 406	3 157	**3 488**	**Core capital**	**3 464**	3 116	2 357
521	504	**436**	Perpetual subordinated loan capital	**436**	510	521
919	858	**832**	Time-limited subordinated loan capital	**872**	898	959
1 440	1 362	**1 268**	**Supplementary capital**	**1 308**	1 408	1 480
3 846	4 519	**4 756**	**Gross equity and subordinated loan capital**	**4 772**	4 524	3 837
0	0	**0**	Capital adequacy reserve acc. to §2a-9	**-346**	-296	-303
-15	-262	**-314**	Equity and subord. loan capital in other finance inst. acc. to § 7e	**-15**	-15	-15
-15	-262	**-314**	**Deduction in equity and sub. loan capital**	**-361**	-311	-318
3 831	4 257	**4 442**	**Net equity and subordinated loan capital**	**4 411**	4 213	3 519
30 396	31 764	**34 864**	Total assets (weighted)	**35 716**	32 632	31 296
1 322	1 377	**1 603**	Total off-balance-sheet items (weighted)	**1 555**	1 330	1 322
1 036	1 235	**1 821**	Currency risk and items in the trade balance	**1 821**	1 235	1 036
-15	-262	**-314**	Deductions made according to §§ 7e-f	**-15**	-15	-15
-743	-660	**-569**	Loss prov. not incl. in equity and subord. loan capital	**-595**	-693	-771
0	0	**0**	Capital adequacy reserve according to §2A-9	**-346**	-296	-303
0	0	**0**	Reserve for valuation variances	**0**	0	0
31 996	33 454	**37 405**	**Total basis for calculation**	**38 136**	34 193	32 565
11,97 %	12,72 %	**11,88 %**	**Capital adequacy ratio**	**11,57 %**	12,32 %	10,81 %

The statement shows the capital adequacy ratio of SpareBank 1 SR-Bank and the SpareBank 1 SR-Bank Group. The capital adequacy ratio shall not be below eight per cent. The equity value of non-perpetual subordinated loan capital is reduced by 20% each year during the last five years before they are due. To the extent that the bank has equity and subordinated capital in other financial institutions, this is directly deducted from the bank's own equity and subordinated capital for the percentage that exceeds 2% of the equity and subordinated capital of the receiving financial institution. If the bank has equity and subordinated capital in other financial institutions amounting to less than 2% of the equity and subordinated capital of the financial institution in question, the sum of such capital is deducted from the bank's equity and subordinated capital that exceeds 10% of the bank's equity and subordinated capital. The basis for calculation is weighted according to risk. There are five risk categories, namely 0%, 10%, 20%, 50% and 100%, with the percentage indicating how much of the balance sheet item shall be included in the calculation basis.

NOTE 32 REMAINING TERM OF THE LOAN AND INTEREST RATE COMMITMENT TERM SPAREBANK 1 SR-BANK

Remaining term to maturity	Up to 1 month	1-3 month	3-12 month	1-5 years	More than 5 years	Without terms	Total
NOK:							
Cash and claims on central banks	756					172	928
Claims on credit institutions	1 387						1 387
Loans to customers	4 957	560	1 297	5 725	35 107	-568	47 078
Certificates and bonds	75	25	184	2 446	55		2 785
Assets without residual term						1 513	1 513
Foreign currency:							
Cash and claims on central banks						14	14
Claims on credit institutions	223						223
Loans to customers	160	9		403	4 571		5 143
Certificates and bonds				82			82
Assets without residual term						34	34
Total assets	**7 558**	**594**	**1 481**	**8 656**	**39 733**	**1 165**	**59 187**

Remaining term to maturity	Up to 1 month	1-3 month	3-12 month	1-5 years	More than 5 years	Without terms	Total
NOK:							
Debt to credit institutions	535						535
Deposits from customers	27 392	3 047	1 791	810	10		33 050
Debt established on issue of securities	200	2 300	1 000	5 104	1 105		9 709
Debt without residual term						1 037	1 037
Subordinated loan capital					300		300
Total equity						3 165	3 165
Foreign currency:							
Debt to credit institutions	124	9		1 710	371		2 214
Deposits from customers	332						332
Debt established on issue of securities		32	1 817	5 248	305		7 402
Subordinated loan capital					1 420		1 420
Debt w/o term to maturity						23	23
Total liabilities and equity	**28 583**	**5 388**	**4 608**	**12 872**	**3 511**	**4 225**	**59 187**
Net total all items	**-21 025**	**-4 794**	**-3 127**	**-4 216**	**36 222**	**-3 060**	

Fixed interest periods	Up to 1 month	1-3 month	3-12 month	1-5 years	More than 5 years	Without terms	Total
NOK:							
Cash and claims on central banks	756					172	928
Claims on credit institutions	1 387						1 387
Loans to customers	3 242	40 312	1 195	2 725	172	-568	47 078
Certificates and bonds	592	2 052	141				2 785
Non-interest-bearing assets						1 513	1 513
Foreign currency:							
Cash and claims on central banks						14	14
Claims on credit institutions	223						223
Loans to customers	377	2 066	2 700				5 143
Certificates and bonds		82					82
Non-interest-bearing assets						34	34
Total assets	**6 577**	**44 512**	**4 036**	**2 725**	**172**	**1 165**	**59 187**

NOTE 32 continued

Fixed interest periods	Up to 1 month	1-3 month	3-12 month	1-5 years	More than 5 years	Without terms	Total
NOK:							
Debt to credit institutions	535						535
Deposits from customers	28 284	3 053	1 609	104			33 050
Debt established on issue of securities	1 431	3 589	507	3 077	1 105		9 709
Non-interest-bearing debt						1 037	1 037
Subordinated loan capital		300					300
Total equity						3 165	3 165
Foreign currency:							
Debt to credit institutions	1 443	405	201		165		2 214
Deposits from customers	332						332
Debt established on issue of securities	2 606	4 203	267	227	99		7 402
Subordinated loan capital	454	966					1 420
Non-interest-bearing debt						23	23
Total liabilities and equity	**35 085**	**12 516**	**2 584**	**3 408**	**1 369**	**4 225**	**59 187**
Net interest exposure on the balance sheet	-28 508	31 996	1 452	-683	-1 197	-3 060	
Off balance finance deriv. affecting the interest exposure	287	-513	-1 833	865	1 194	0	
Net int. exp. incl. off balance finance deriv.	**-28 221**	**31 483**	**-381**	**182**	**-3**	**-3 060**	
In percent of total assets	**-48 %**	**53 %**	**-1 %**	**0 %**	**0 %**	**-5 %**	

Bank overdraft has been included under the inverval 0-1 months. The statement shows the remaining term of various balance sheet items. The Statement of fixed interest periods shows how long the bank is bound to the applicable interest of various balance sheet items. The bank's interest risk has been low throughout the year compared with the bank's balance sheet. At the end of the year total interest sensitivity was such that a change in the interest rate of 1 percent would have yielded approximately NOK 25 million in the profit and loss account. All items in the balance sheet, and off-balance sheet items such as interest swaps, etc., are included in this calculation.The trade portfolio, which mainly consists of bonds and certificates, has had a low duration throughout the year. At the end of the year this portfolio had a duration of 0.2 and a change in the interest rate of 1 percent would have yielded nearly NOK 15 million in the profit and loss account.

NOTE 33 ACCOUNT SUMMARY FOR SUBSIDIARIES

Profit and loss account – subsidiaries (Amounts in NOK thousand)	SR-Finans	Eiendoms Megler 1	Bjergsted Boliger	SR-Forvaltning	Total subsidiaries
Interest income	78 057	2 152	84	833	81 126
Interest costs	32 280	308	0	5	32 593
Net interest income	**45 777**	**1 844**	**84**	**828**	**48 533**
Dividend	-11	398	7	0	394
Commission income	29	0	0	22 112	22 141
Commission costs	-2 609	0	0	-100	-2 709
Net change in fair market value of securities	-85	1	0	48	-36
Other operating income	2 388	179 685	110	0	182 183
Net other operating income	**-288**	**180 084**	**117**	**22 060**	**201 973**
Total operating income	**45 489**	**181 928**	**201**	**22 888**	**250 506**
Wages and general administration costs	15 669	102 708	0	8 051	126 428
Depreciation and write-downs	1 397	5 791	19	452	7 659
Other operating costs	3 019	49 718	48	1 100	53 885
Total operating costs	**20 085**	**158 217**	**67**	**9 603**	**187 972**
Profit before losses and write-downs	**25 404**	**23 711**	**134**	**13 285**	**62 534**
Loss/gain long-term financial assets	55	0	-131	0	-76
Loss on loans and guarantees	4 507	0	0	0	4 507
Profit from ordinary activities	**20 842**	**23 711**	**265**	**13 285**	**58 103**

Balance sheet – subsidiaries					
Assets					
Cash and claims on central banks	0	6	0	0	6
Claims on credit institutions	58 541	306 389	5 567	15 297	385 794
Gross loans to customers	1 644 370	0	0	0	1 644 370
Specified loss provisions	-13 859	0	0	0	-13 859
Unspecified loss provisions	-12 000	0	0	0	-12 000
Net loans to customers	**1 618 511**	**0**	**0**	**0**	**1 618 511**
Repossessed assets	0	0	0	0	0
Securities	2 927	561	0	0	3 488
Fixed assets	19 137	10 372	2 395	845	32 749
Prepayments and accrued income	95 092	5 275	139	6 309	106 815
Total assets	**1 794 208**	**322 603**	**8 101**	**22 451**	**2 147 363**
Liabilities and equity					
Debt to credit institutions	1 489 832	0	0	0	1 489 832
Deposits from customers	0	0	0	0	0
Debt established on issue of securities	70 592	305 159	15	16 274	392 040
Cost accruals and other provisions	3 479	4 708	0	0	8 187
Subordinated loan capital	100 000	0	0	0	100 000
Total equity	130 305	12 736	8 086	6 177	157 304
Total liabilities and equity	**1 794 208**	**322 603**	**8 101**	**22 451**	**2 147 363**

Auditor's statement for 2004

We have audited the annual accounts for Sparebanken Rogaland for the accounting year 2004, showing a profit of NOK 583 million for the parent company, and a profit of NOK 586 for the Group. We have also audited the information in the annual report regarding the annual accounts, the going concern assumption, and the proposal for the application of the profit. The annual accounts consist of the profit and loss account, the balance sheet, the cash flow statement, notes to the accounts, and the consolidated accounts. The annual accounts and the annual report have been submitted by the Board of Directors and Managing Director. It is our responsibility to make a statement on the annual accounts and other matters in accordance with the requirements of the (Norwegian) Accounting Act.

We have performed the audit in accordance with the (Norwegian) Accounting Act and generally accepted accounting standards in Norway. Generally accepted accounting standards require that we plan and perform the audit in a manner that provides assurance and security that the annual accounts are free of material errors. The audit includes the examination, on a sample basis, of the material supporting the information in the annual accounts, assessment of the accounting principles applied and significant accounting estimates, and an assessment of the contents and presentation of the annual accounts. To the extent this is required by generally accepted accounting standards, the audit also includes a review of the company's asset management and accounting and internal control systems. We are of the opinion that our audit provides a fair basis for our statement.

We are of the view that

- The annual accounts have been submitted in accordance with the (Norwegian) laws and regulations and express the financial position as at 31 December 2004 of the company and the Group, and of the profit and the cash flow in the accounting year, in accordance with generally accepted accounting principles in Norway.
- The management has fulfilled its obligation to ensure that the records and documentation of accounting information are proper and well set-out, in accordance with Norwegian law and generally accepted accounting standards.
- The information in the annual report regarding the annual accounts, the going concern assumption and the proposal for the application of the profit are consistent with the annual accounts, and are in accordance with (Norwegian) laws and regulations.

Forus, 3 March 2005
PricewaterhouseCoopers AS

Torbjørn Larsen
State-authorised public accountant

The Audit Committee's statement for 2004

The Audit Committee has carried out its duties in accordance with the (Norwegian) Saving Banks Act and the instructions for the committee.

The bank's activities in 2004 were in accordance with the (Norwegian) Saving Banks Act, the bank's Articles of Association, and other provisions the bank is obliged to follow.

The annual report and accounts have been submitted in accordance with the regulations of the (Norwegian) Saving Banks Act and of the Norwegian Banking, Insurance and Securities Commission. The Supervisory Board may adopt the profit and loss account and the balance sheet as the bank's accounts for 2004.

Stavanger, 4 March 2005

Odd Rune Torstrup (leder) *Odd Broshaug* *Kåre Hansen*

Svein Hodnefjell *Berit Skjæveland*

Primary capital certificates

PRIMARY CAPITAL

At the end of 2004 SpareBank 1 SR-Bank had primary capital in the amount of NOK 905 million, divided among 9,045,260 outstanding primary capital certificates, each with a nominal value of NOK 100. The number of issued certificates is 9,045,834. In addition, the capital of the equalisation reserve attributable to the primary capital certificate owners was NOK 858 million, as well as NOK 20 million of the share premium account.

In March a capitalisation issue was carried out, entailing that NOK 150.8 million was transferred from the equalisation reserve, and 1,507,640 new primary capital certificates (free issues) were issued, with issue price and nominal value per certificate at NOK 100. Five old certificates entitled owners to one new primary capital certificate.

The Supervisory Board of SpareBank 1 SR-Bank has decided to split the nominal value of the primary capital certificates in two, and to carry out a capitalisation issue. The decision entails that the primary capital certificates are split in two. After the split, the number of primary capital certificates will be 18,091,668, with a nominal value of NOK 50 each. Next, a capitalisation issue will be carried out by transferring NOK 226,145,850 from the equalisation reserve to the primary capital. Four old primary capital certificates entitle owners to one new primary capital certificate. 4,522,917 new primary capital certificates (free issues) will be issued. The number of primary capital certificates after the split and the capitalisation issue will be 22,614,585. The new primary capital certificates will entitle owners to dividend from and including the 2005 accounting year.

DIVIDEND POLICY

The financial objective of Sparebanken Rogaland is to attain profits giving good, stable return on the bank's total funds, thus creating values for the primary capital certificate owners by delivering competitive dividends and value appreciation on the primary capital certificates. The bank's profit for the year will be divided between the primary capital certificate owners and the saving bank's fund in concurrence with their respective percentage of the bank's equity. In the pro rata distribution between cash dividend and the equalisation reserve, there may be variations in the emphasis placed on the bank's equity development.

The profit per primary capital certificate for 2004 was NOK 37.6. Based on the bank's dividend policy and other assessments, the Board proposes paying a dividend of NOK 23 per primary capital certificate for 2004.

INVESTOR POLICY

The bank is greatly concerned that correct, relevant and updated information on the bank's development and results inspire the investor market with confidence. The bank communicates information through quarterly investor presentations, Internet pages, press releases and accounting reports. The bank also regularly holds presentations vis-à-vis international partners, lenders and investors, largely in London.

INFORMATION ADDRESSES

SpareBank 1 SR-Bank is also accessible via the Internet, with information for investors, the press and the broker business:

- SpareBank 1 SR-Bank's homepage is www.sr-bank.no
- Other links for financial data: www.huginonline.no

FINANCIAL CALENDAR FOR 2005

• Ex dividend date:	1 April 2005
• First quarter:	28 April 2005
• Second quarter:	11 August 2005
• Third quarter:	25 October 2005

• The accounting figures for 2005 will be published in February 2006

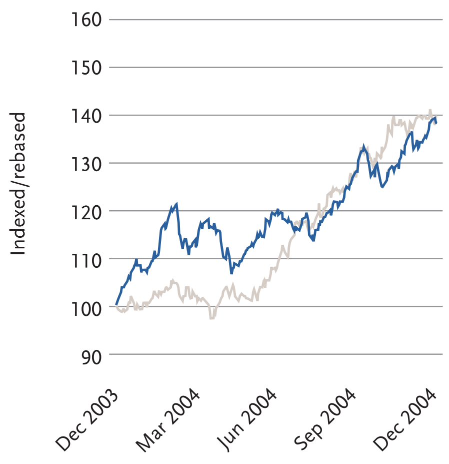
OWNERSHIP

It is the objective of SpareBank 1 SR-Bank to attain good liquidity in its primary capital certificates, and attain a high level of owner diversification, representing customers, regional investors, as well as Norwegian and foreign institutions. Over the course of 2004, the bank has sold net 38,088 own primary capital certificates and at 31 December 2004 the bank had a reserve of 574 primary capital certificates. The bank uses purchase and sale of its own primary capital certificates as a measure to improve liquidity.

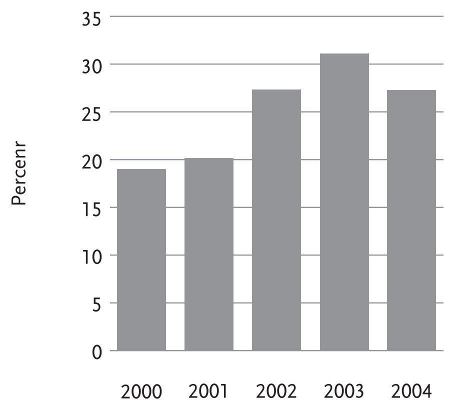
As in previous years, the bank in 2004 made use of the authority from the Supervisory Board to sell its own primary capital certificates (a total of 79,620 certificates) to its employees at a discount, instead of increasing the primary capital in connection with an employee placement.

At the end of 2004, 8,080 owners of the bank's primary capital certificates were registered. This is an increase of 1,015 (corresponding to 14%) compared to the end of 2003. The share of the primary capital certificates owned by foreigners was 14.4% (17.1%), while 47.2% (48.8%) were resident in Rogaland and Agder. The 20 largest owners controlled 30.3% (34.6%) of the primary capital at the end of the year.

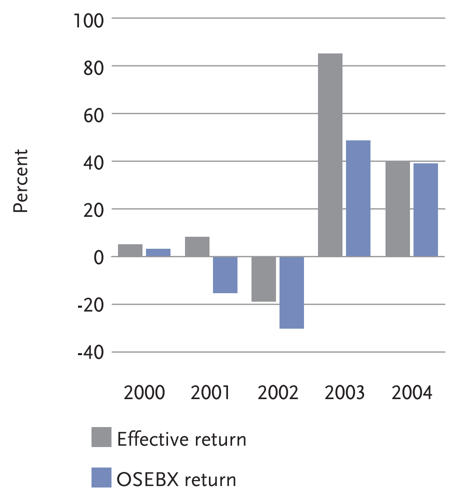
Price performance for 2004



Trading volume for the bank's primary capital certificates



Return on the bank's primary capital certificates



The following overview shows the ten major owners of primary capital certificates as at 31 December 2004:

1. Swedbank	890 340	9,8 %
2. Folketrygdfondet	450 920	5,0 %
3. Institusjonen Fritt Ord	168 480	1,9 %
4. Brown Brothers Harriman & Co.	120 000	1,3 %
5. Tveteraas Finans AS	119 990	1,3 %
6. Clipper AS	100 440	1,1 %
7. Audley AS	90 000	1,0 %
8. Investors Bank & Trust Comp.	79 489	0,9 %
9. Otto B. Morcken	78 000	0,9 %
10. Solvang Shipping AS	72 000	0,8 %
Total 10 largest owners	2 169 659	24,0 %

The ownership structure as at 31 December for the past five years has been as follows:

	2004	2003	2002	2001	2000
Rogaland based owners 1)	47%	49%	46%	47%	47%
Other Norwegian owners	39%	34%	37%	38%	42%
Foreign owners	14%	17%	17%	15%	11%
Total number of owners	8 080	7 065	6 412	6 438	6 363

1) Including Agder in 2004 and 2003

RISK-ADJUSTMENT

In order to prevent double taxation of the bank and the owners, the taxable original cost for Norwegian owners is adjusted once a year. This is done using the RISK rules (RISK stands for "adjustment of original cost of shares by taxed profit"). The RISK amount as at 1 January 2004 has been set at NOK 10.8 per primary capital certificate (adjusted for the capitalisation issue in March 2004), and the RISK amount as at 1 January 2005 is calculated at NOK 15.1 per primary capital certificate.

RETURN ON THE BANK'S PRIMARY CAPITAL CERTIFICATES IN 2004

At the end of 2004 the price of the bank's primary capital certificates was NOK 360, compared to NOK 269 at the end of 2003 (adjusted for the capitalisation issue on 26 March 2004). Including paid dividends, the bank's primary capital certificate has resulted in an effective return of 40% in 2004. For purposes of comparison, the primary capital certificate index at the Oslo Stock Exchange (GFBX) has risen by 38.4% in the same period.

The liquidity in the primary capital of SpareBank 1 SR-Banks declined somewhat in 2004. 27% of the issued primary capital certificates were sold in 2004, compared with 31% in 2003.

CREDIT RATING

Moody's Investor Service maintained its rating of Sparebanken Rogaland (Long Term Bank Deposit) in 2004 at A2, while the Short Term Deposit was maintained at Prime 1. Fitch IBCA maintained its rating of Sparebanken Rogaland at A- (long-term) and F2 (short-term) in 2004.

KEY FIGURES

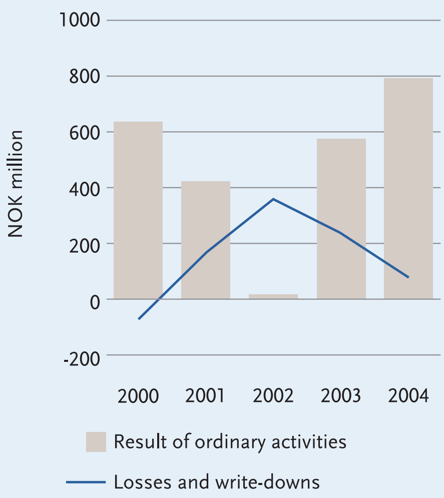
	2004	2003	2002	2001	2000
Market price 31 December, NOK	**360,0**	269,2	150,0	205,4	206,3
Taxable price as of 1 January following year, NOK	**234,00**	174,15	149,17	203,75	205,83
Dividend per certificate, NOK	**23,0**	16,7	8,3	15,8	17,5
Direct return 1)	**6,4%**	6,2%	5,6%	7,7%	8,5%
Effective return 2)	**40,0%**	85,0%	-19,3%	8,1%	5,3%
Book value per certificate, NOK 3)	**197**	182	172	182	178
Earnings per certificate, NOK 4)	**37,6**	27,2	-2,3	20,6	33,7
Allocated to equalization reserve per certificate, NOK	**14,6**	10,5	-2,2	8,7	15,4
Payout ratio, net 5)	**61%**	61%	-357%	77%	52%
Primary capital certificate percentage 6)	**56,3%**	58,4%	60,2%	61,2%	63,0%
RISK amount as of 1 January following year, NOK	**15,14**	10,78	-2,43	7,88	15,39
Number of issued primary capital certificates 31 December	**9 045 834**	9 045 834	9 045 834	9 045 834	8 987 623
Own primary capital certificates 31 December	**574**	46 394	82 668	67 200	0
Number of primary capital certificates outstanding 31 December	**9 045 260**	8 999 440	8 963 166	8 978 634	8 987 623
Primary capital certificates traded per year (in of issued certificates)	**27%**	31%	27%	20%	19%

1) Dividend as a percentage of the Stock Exchange price at the end of the year
2) Price rise during the year, plus paid dividends, as a percentage of the Stock Exchange price at the beginning of the year
3) Book equity multiplied by the primary capital certificate percentage, divided by the number of outstanding certificates
4) The share of profit after tax attributable to primary capital certificates
5) Dividend per certificate as a percentage of profit per certificate
6) The primary capital, the equalisation reserve and the share premium account as a percentage of the parent bank's equity at the end of the year (excluding the revaluation reserve)

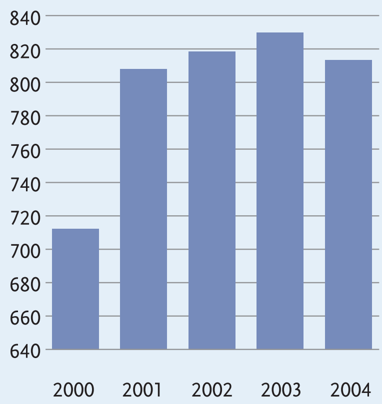
Key figures during the past years

Key figures in SpareBank 1 SR-Bank group	2004	2003	2002	2001	2000
Profit and loss account					
Net interest income	**1 129**	1 095	1 050	979	934
Net exchange and capital gains/losses	**131**	163	-115	32	52
Other operating income	**570**	469	278	365	280
Total operating income	**1 830**	1 727	1 213	1 376	1 266
Total operating costs	**961**	922	838	785	705
Profit before losses and write-downs	**869**	805	375	591	561
Losses and write-downs	**81**	236	357	169	-72
Result of ordinary activities	**788**	569	18	422	633
Taxes	**202**	160	51	127	170
Profit for the year	**586**	409	-33	295	463
Including minority interests	**3**	1	1	1	0
Profit and loss account (% of average total assets)					
Net interest income	**2,03 %**	2,12 %	2,13 %	2,13 %	2,33 %
Net change in fair market value of securities	**0,24 %**	0,32 %	-0,23 %	0,07 %	0,13 %
Other operating income	**1,02 %**	0,91 %	0,56 %	0,80 %	0,70 %
Total operating income	**3,28 %**	3,34 %	2,46 %	3,00 %	3,16 %
Total operating costs	**1,72 %**	1,78 %	1,70 %	1,71 %	1,76 %
Profit before losses and write-downs	**1,56 %**	1,56 %	0,76 %	1,29 %	1,40 %
Losses and write-downs	**0,15 %**	0,46 %	0,72 %	0,37 %	-0,18 %
Result of ordinary activities	**1,41 %**	1,10 %	0,04 %	0,92 %	1,58 %
Taxes	**0,36 %**	0,31 %	0,10 %	0,28 %	0,42 %
Profit for the year	**1,05 %**	0,79 %	-0,07 %	0,64 %	1,16 %
Volumes (NOK million)					
Total assets	**59 198**	52 642	49 538	48 471	43 624
Loans to retail customers	**37 264**	33 353	29 819	27 935	25 770
Loans to corporate sector	**17 169**	15 521	15 626	15 831	13 613
Deposits from retail customers	**16 787**	15 944	15 375	13 815	12 476
Deposits from corporate sector	**16 275**	12 322	12 259	10 196	9 644
Growth in loans to retail customers %	**11,7**	11,9	6,7	8,4	23,1
Growth in loans to corporate sector %	**10,6**	-0,7	-1,3	16,3	14,0
Growth in deposits from retail customers %	**5,3**	3,7	11,3	10,7	13,9
Growth in deposits from corporate sector %	**32,1**	0,5	20,2	5,7	16,8
Equity (NOK million)					
Primary-capital-certificate capital	**905**	750	747	748	749
Savings bank's reserve	**1 313**	1 132	1 002	967	850
Dividend equalization reserve	**858**	872	775	796	725
Other equity	**89**	55	32	175	215
Minority interests	**2**	2	2	2	0
Total equity	**3 167**	2 811	2 558	2 688	2 539
Key-figures					
Return on equity %	**19,5**	15,2	-1,3	11,2	19,5
Costs as a percentage of income	**54,5**	57,0	61,8	56,9	56,2
Number of man-years	**813**	829	818	807	711
Gross non-performing loans as a percentage of loans	**0,4**	0,9	0,7	0,7	0,8
Net non-performing loans as a percentage of loans	**0,2**	0,6	0,4	0,4	0,5
Unspecified loss provisions as a percentage of loans	**0,68**	0,77	0,83	0,81	0,78
Capital adequacy ratio %	**11,57**	12,32	10,81	12,69	11,65
Core capital ratio %	**9,08**	9,11	7,24	7,92	8,15
Average total assets	**55 718**	51 725	49 351	45 866	40 010

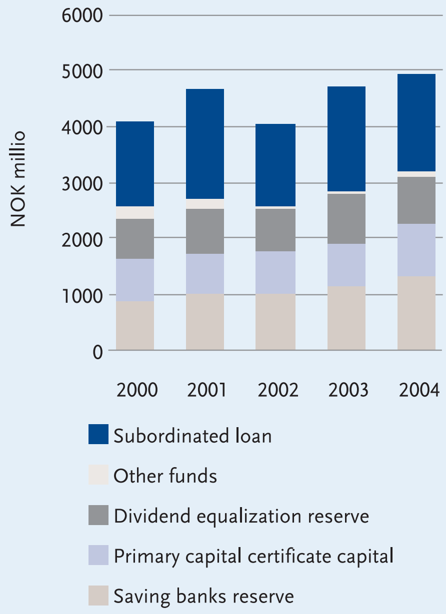
Profit and loss



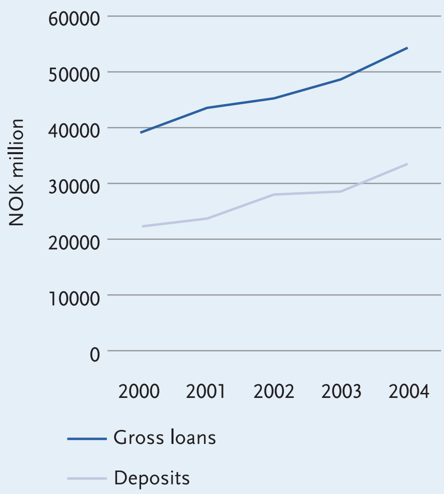
Man years, group



Equity and subordinated loan

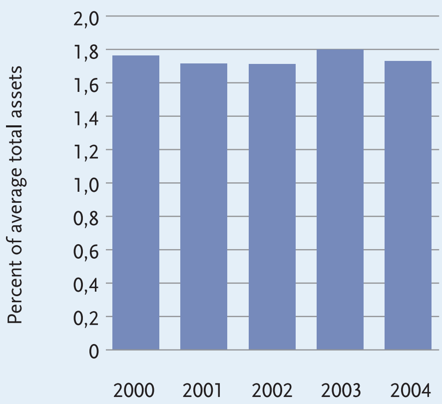


Deposits and loans



Return of equity

Total operating costs

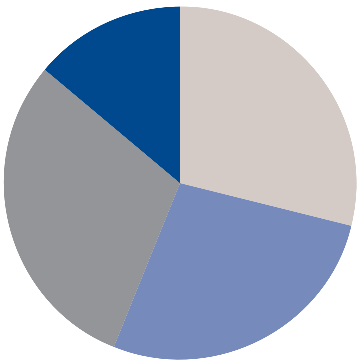


The value added statement

Through its activities the SpareBank 1 SR-Bank Group creates considerable values. In 2004, we created measurable values worth almost NOK 1.3 billion.

- 30% (approx. NOK 390 million) are ploughed back into the community through taxes paid by the company and its employees, and gifts for public benefit
- 29% (approx. NOK 370 million) goes to the employees, in the form of net wages, pensions and benefits
- 27% (approx. NOK 340 million) is distributed to our primary capital certificate owners in the form of cash dividend and allocations to the equalisation reserve
- 14% (approx. NOK 180 million) is retained in the Group with a view to prepare for further growth in our market area

Allocation of value creation



Employees 29 percent
PCC-owners 27 percent
The community 30 percent
SpareBank 1 SR Bank Group 14 percent

A BANK WILLING TO MAKE USE OF LOCAL BUSINESS COMMUNITIES

In addition to direct value creation, the Group's activities also create spill over effects by creating a demand for goods and services from local businesses.

Over the course of the past year the SpareBank 1 SR-Bank Group has purchased goods and services of different types for more than NOK 400 million. In addition to consuming IT services on a large scale, the Group expends large sums on communication (telecommunication, postage and freight charges) and marketing – both services and materials. The Group's considerable number of buildings all over the Group's catchment area also requires maintenance work, giving work to craftsmen of all trades. In as far as possible we use local suppliers of goods and services, providing they are competitive. The willingness to make use of local business resources implies that most of the overall goods and services we require are supplied by local players.

A BANK THAT CONTRIBUTES TO THE COMMUNITY

The SpareBank 1 SR-Bank Group is among Rogaland's decidedly most important taxpayers. Almost NOK 200 million of last year's profit goes to the community through taxes. In accordance with the Norwegian Parliament's tax decisions, these are channelled to public authorities. The state goes on to distribute these assets among a number of purposes serving the public good. The services we help fund in this manner therefore depend on the decisions made by our elected representatives.

In addition to tax, the Group also pays significant amounts in charges and fees, mostly in the form of value added tax. The amount is well above NOK 50 million.

A BANK THAT IS WILLING AND ABLE TO SUPPORT ITS LOCAL COMMUNITY

The SpareBank 1 SR-Bank Group has earmarked NOK 60 million of its 2004 profit to the endowment fund. This money goes to projects serving the public good in our district, and is the maximum amount we are allowed to allocate to such ends under the applicable regulations. In total, we have allocated NOK 140 million to be expended for the public benefit over the last few years. These are resources that benefit many people living in our local community – directly and indirectly. The funds have been distributed among a large range of activities, from support to NGOs to building civic institutions on a larger scale. The establishment of the University of Stavanger serves as an example of the latter. We have supported this measure with a total of NOK 16 million.

Every single year, many local associations and societies receive small and large amounts in order to maintain their level of activities. This type of support is important because it contributes to diversity in organisational and cultural life. In 2004 we awarded about NOK 8 million to organisational and cultural life through sponsor agreements and supportive advertising. These are charged to the Group's current activities and are in addition to the NOK 60 million set aside for projects serving the public good.

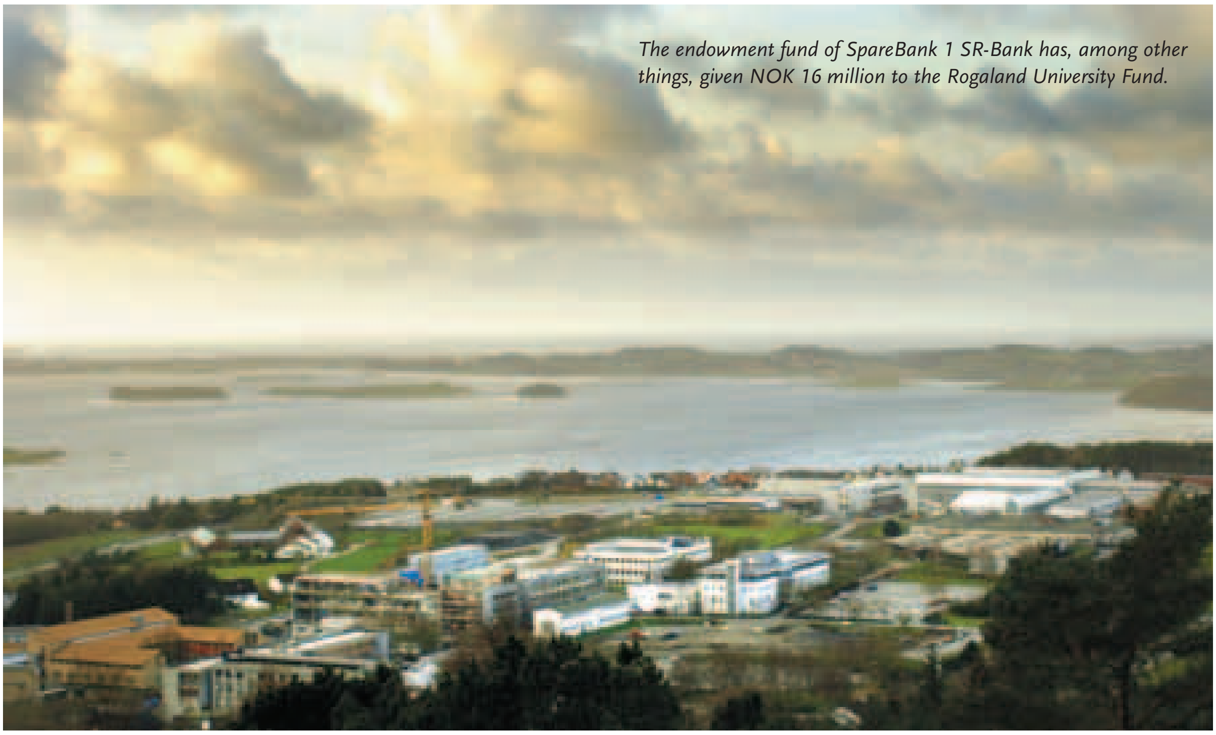
JOBS
Almost 900 employees work for the SpareBank 1 SR-Bank Group. In total the employees received over NOK 370 million in net wages, pensions and benefits in 2004. We are among the largest employers in our district, and are very preoccupied with being an attractive employer, and an employer that attracts people that are knowledgeable and able.

Our presence as a major, locally-based financial institution contributes to the diversity of business activities needed to ensure that our district remains a good and attractive place to live.

In 2004 the employees paid a total of NOK 125 million in taxes. These tax assets are in addition to the almost NOK 200 million paid by the Group, and also help maintain a well-developed range of services offered by the public authorities in the region.

A BANK THAT GIVES ITS OWNERS SOLID RETURNS
A significant percentage of the equity the SpareBank 1 SR-Bank Group requires to run its operations has been gathered by issuing primary capital certificates. Almost half of these primary capital certificates are owned by people, companies and institutions in Rogaland and Agder. In order to make owning these primary capital certificates attractive, it is important that we offer competitive rates of return. This requires that we continually achieve solid profits. These profits raise the value of the primary capital certificates and allow us to pay a competitive dividend - both through cash dividends and allocations to the equalisation reserve that can ensure the payment of competitive cash dividends in times with less solid results. In 2004, a total of NOK 340 million was allocated to primary capital certificate owners, of which NOK 208 million was cash dividends, and NOK 132 million was allocated to the equalisation fund.

A BANK THAT IS WILLING AND ABLE TO GROW MORE
The SpareBank 1 SR-Bank Group shall, through its activities, further the continued growth and development of Rogaland and Agder counties. We shall be a bank with a local identity, a bank that is able and willing to shoulder its share of the responsibility for further developing Rogaland and Agder as vigorous, attractive regions to live in. In order to achieve this, we must be able to grow in tune with the development of the local community we serve. That is why we have allocated more than NOK 180 million of the profits to ensuring that the Group continues to have the strength to expand in the future.



The endowment fund of SpareBank 1 SR-Bank has, among other things, given NOK 16 million to the Rogaland University Fund.

Networking is important – both in personal and business terms. Geir Piel from Invivo, Oddvar Waldeland from Dør & Vindu Eksperten and Ådne Stensland from Golf Management are three of the many participants at SpareBank 1 SR-Bank's ARENA events.

Familiarity. Trust. Closeness. Fortunately, humans are sociable creatures. Because when people are enjoying themselves together, things happen. This is true both in the personal arena, and when we are wearing our business hat. The quality of our network matters. The ARENA gatherings are organised at six different locations in Agder and Rogaland. Here our corporate customers meet well-informed lecturers who share their experiences. Probably just as important is the fact that they meet one another.

IN APRIL, THE NETWORK GOT BIGGER

There are few who can captivate their audiences the way the Norwegian doctor, educationalist and children's TV star Trond Viggo Torgersen does. On a Wednesday morning in April he filled up the Sandnes Culture Centre with business people from a variety of backgrounds. The approximately 160 people enjoying a good breakfast and an inspiring lecture included a representative from a company for people with occupational handicaps, a windows-and-doors expert, and a man who makes his living from developing golf courses.

NETWORKING

Oddvar Waldeland has his own company, Dør & Vindu Eksperten, in Strandgaten in Sandnes, a mere stone's throw from the culture centre. "Naturally, after 20 years in the business, I have a network in the building trade," Oddvar says. "Being a one-man business I need to establish contacts and relationships within and beyond the building trade." Oddvar has been to most of the ARENA gatherings, and claims that they are about more than the lectures. "Of course it's important to see other people, to see and be seen. I am sure that this applies to most industries."

MAINTENANCE

Through the company Golf Management Ådne Stensland has developed no less than twelve Norwegian golf courses. He is an able player himself, with a handicap of three. "A network can never be large enough," says Ådne. "There will always be new people, new contacts, and new golf players. I go to quite a lot of ARENA-type gatherings. In addition to meeting new people this is a good opportunity to meet old acquaintances and renew acquaintances. Maintaining a network is important, too."

SEEING AND BEING SEEN

Geir Piel represents Invivo. He works as a facilitator for the labour market project "Assisted Working." This means that people with occupational handicaps can find work and keep a job in ordinary working life. Invivo has several divisions, and creating relations with business and industry is important – both as customers, partners and potential places of work. "Invivo carries out a series of different assignments, and we try to create relationships all the time. The ARENA meetings are quite literally a good arena for us," says Geir. "Being seen is important for those of us who are not regular commercial players, too. Network is everything. We can't run our business by looking up companies in the Yellow Pages, or waiting for the customers to call us. We need to have and create relationships with people all the time."

FOOD FOR THOUGHT

All three agree that attending the ARENA gatherings is about more than networking. They emphasise that inspiration and food for thought is important in an ever more stressful life. Small recesses in which they can take a break from everyday working.

It's a small world. Ådne holds golfing classes for the staff at Invivo, and Geir admits that he should have registered for one. Maybe next spring.

APRIL:

ARENA

In 2004, 18 ARENA meetings were organised at different places in Rogaland and Agder. ARENA is a forum for business and industry. In 2005 ARENA is a collaboration among SpareBank 1 SR-Bank, Stavanger Aftenblad, Lyse Energi, Haugaland Kraft, Haugesunds Avis, Dalane Tidende and Dalane Næringshage.

"SpareBank 1 SR-Bank helped support us throughout the entire stadium project," Ole Rugland, chairman of the board for the Viking football club says.

Some moments become instant history. On the first of May last year a blonde player from Fyn football club in Denmark powered the ball straight into the net at Viking's new stadium in Jåttåvågen for the very first time – and the whole town went mad. Being Danish in Stavanger is just great.

IN MAY STAVANGER GOT A NEW STADIUM

The chairman of the board gingerly steps onto a corner of the grass mat, hoping that the pitch caretaker does not discover him. The grass has only just been sown, but the photographer has told him to stand on it. The heat below the grass has been turned on. The new season is about to sprout up.

Ole Rugland was an active club member himself, from the age of eight to twenty, but readily admits that he wasn't good enough to make first team. But as the chairman of the board he has performed a hat trick for his club: Ole can claim much of the honour for the fact that Norway's most modern stadium is situated in Stavanger.

AN AMAZING DAY

"The inauguration was one of the biggest moments of my life," says Ole. "I must admit that I don't remember all that much of the match itself. But when I went down to the centre of Stavanger after the match, I discovered how much this meant to people."

It has been said that football is not a question of life or death. In fact, it is more than that - also in Stavanger. Now football Stavanger had a new showplace. It was spring, 20° C, and there were smiles on everybody's faces. Who was going to care that the game ended up a draw, 1-1.

NEW REQUIREMENTS

Many people have wondered why Viking couldn't just go on at their old stadium at Eiganes. Ole explains that the club realised during the 1990s that it needed better conditions, and a better earning basis. "We had to offer our customers - both the audiences and the sponsors - a better product," he says. That meant better grandstands, where people could sit comfortably and have a good view, and special VIP areas. In addition, there were UEFA requirements.

The old pitch at Eiganes – once the first grass pitch for elite football was playing on overtime. Now we had to ask the question: where? Ole remembers the heated debate as to where the stadium should be located. "In the beginning, my first choice was to build at Eiganes but for several reasons this could not be done. That made Jåttåvågen a clear favourite."

BETTER CONDITIONS FOR ALL

After the first season it was clear that something had happened to the club. Something had happened to the audience numbers, too. The new stadium had a capacity of 15,300, and on average there were more than 12,000 spectators at matches in 2004. Ole is especially happy that the share of women and children has risen.

"Football has traditionally been for men between 18 and 50, equipped with Wellingtons and a Mack," Ole says with a smile. The new facility welcomes the entire family. It is dry and warm, there is more space between the benches, and Stavanger is the first stadium in Norway to have gas heaters in the grandstands.

The business community is also offered better conditions. Viking has developed a much broader network, among other things through bigger and more sponsors. "Now we can offer businesses, their employees and customers a first class product," says Ole.

THE SAME BANK FOR 100 YEARS

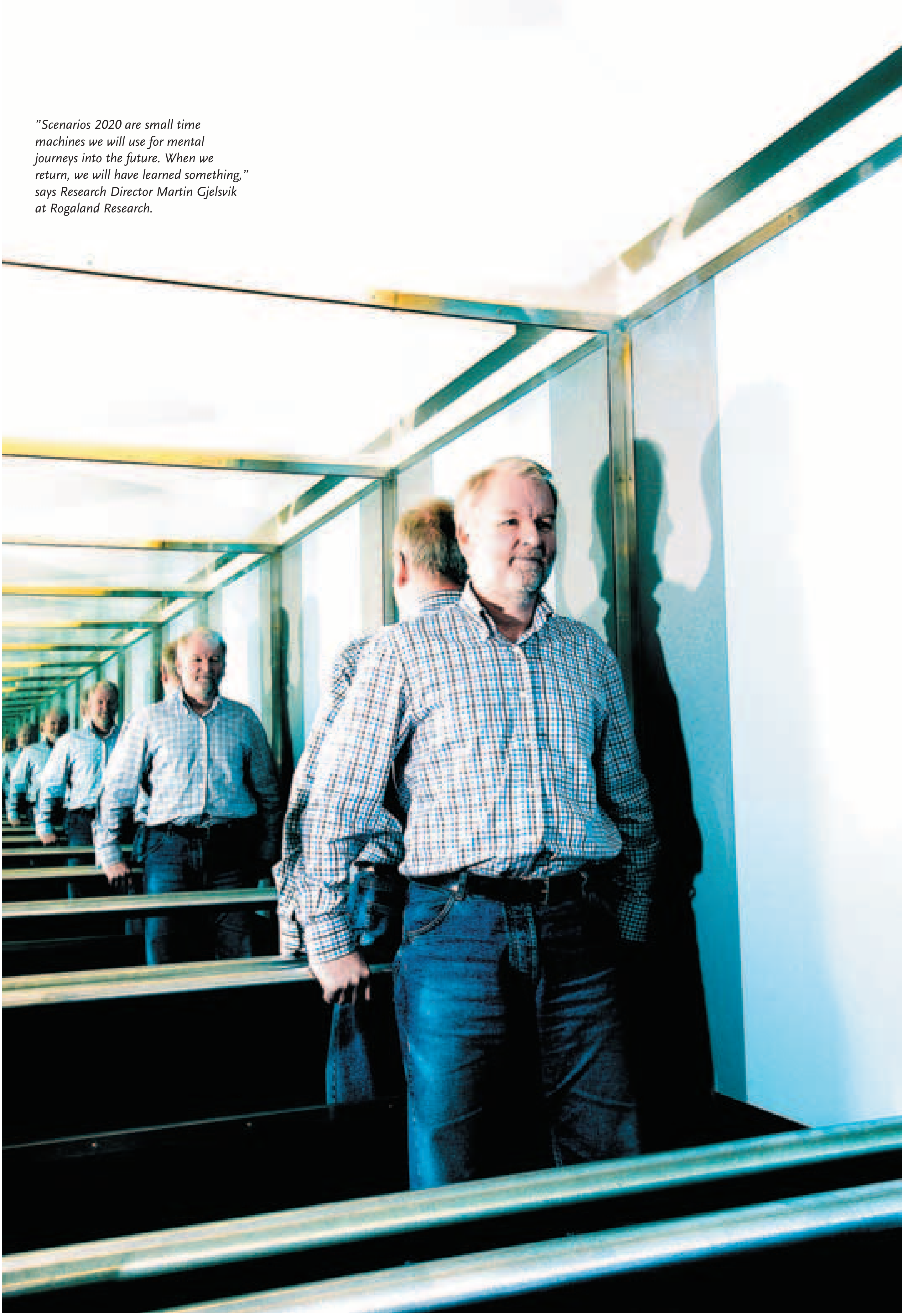
Viking was set up on 10 August 1899, and is among the aristocracy of Norwegian football. And from its first day the club has had the same bank. "SpareBank 1 SR-Bank was with us and supported us throughout the stadium project," he says. "Even when the new arena was just a dream some of us within the club believed in, the bank stood behind us."

"I would have understood a bank that was less willing – easily," he says, and reminds us that Viking's finances were nothing to write home about a few years ago. "True to style, the banks are all waiting in line for us now that our finances are in better shape," the chairman says. But there is something special about supporting a team for better or worse.

MAY:

VIKING STADIUM

Viking Stadion in Jåttåvågen opens its gates for the very first time. The facility accommodates 15,300 spectators and offers the players, the audience and the press a state-of-the art stadium. SpareBank 1 SR-Bank has been the club's bank for more than a century. The total costs were NOK 162 million.



"Scenarios 2020 are small time machines we will use for mental journeys into the future. When we return, we will have learned something," says Research Director Martin Gjelsvik at Rogaland Research.

Change is the only constant. In all likelihood, what we have today will be gone by tomorrow and replaced by something new. But what? What will Rogaland and Agder be like in 2020? How will we earn our livelihood in fifteen years' time? And is there anything we can do today in order to be prepared?

IN JUNE HE STARTED THE TIME MACHINE

Reportedly, when an IBM engineer saw a micro chip for the first time in 1962, he said "So far so good, but what on earth are we going to do with it?" Seeing clearly with hindsight is easy. Given the benefit of hindsight, many of us would have made different choices. Imagine if the engineer in question could have travelled to our time, and experienced our reality, before returning to the 1960s. What choices would he have made?

Research Director Martin Gjelsvik's job is to look into the future. In June 2004 SpareBank 1 SR-Bank gave Gjelsvik and his colleagues at Rogaland Research and Agder Research the assignment of looking fifteen years into the future. The question they are faced with is nothing less than "What can we do today in order to prepare ourselves for the future?" The project carries the name of Rogaland and Agder Scenarios 2020 and has a cost limit of NOK 4 million.

WE CAN LEARN FROM THE FUTURE

Normally we say that we learn from our past," says Martin. "But it is possible to learn from the future, too. In Scenarios 2020 we will create alternative histories about the future. If we manage to create lively stories about our lives in 2020, it is possible that when we get to – say – 2007, we will recognise things we have already experienced in one of the stories. In a sense, we will have been there before, and it will be easier to see what to do next." Martin directs Scenarios 2020, which will develop three main scenarios: "Business as usual," "The Journey Upwards," and "The Journey Downwards." Separate analyses will be drawn up for a total of four regions - Southern Norway, Dalane/Lister, the Stavanger region, and Haugalandet.

STRAIGHT TIPS

"Although we are a small region, we have a lot of expertise, also in a global context – in several areas. There is a lot we can do, as long as we act in time. The future will be upon us in no time. The greatest threats are probably smugness and indifference."

The researchers shall have drawn up the various future scenarios by the spring of 2006. But for the impatient ones, Martin has a few straight tips.

"The local companies that are successful in 2020 are those that work well today internally, within their own company - while also being part of global networks. They are also team players with the regional knowledge communities, such as the University of Stavanger. The level of expertise in products, services and processes will rise. It is therefore of decisive importance that business and industry and research and educational institutions learn to work together even better than is now the case. This requires several things, including knowing one another's rules of the game.

DISTINCTIVE FEATURES

"It is also of decisive importance to this region that we preserve and develop our distinctive features," he concludes. We must get even better in the areas we are good at already, such as oil and gas, and food – at the same time as keeping an open mind for the new and unexpected. As a region, we must get even better at making communal efforts." Martin reminds us that it is the spirit of community work that is characteristic of many success regions throughout the world.

JUNE:

SCENARIOS 2020

SpareBank 1 SR-Bank grants NOK 4 million to the research project Scenarios 2020. The project shall be carried out as a collaboration between Rogaland Research and Agder Research. The aim is to create greater insight into and commitment to the development of Rogaland and Agder, especially with regard to local and regional opportunities and challenges.

Corporate governance

Corporate governance in SpareBank 1 SR-Bank comprise the goals and paramount principles according to which the bank is managed and controlled in order to ensure that the interests of the primary capital certificate owners, the depositors and other groups are safeguarded. Governance of the bank's activities shall ensure prudent asset management and greater assurance that communicated goals and strategies are attained and realised.

Consequently, the bank has established the following main principles for ownership and company management. The principles rest on the following three main pillars: openness, predictability and transparency:

- Value creation for the primary capital certificate owners and other interest groups
- A structure that ensures goal-oriented and independent management and supervision
- Systems that ensure measurement and accountability
- Effective risk management
- Well set-out, easily understandable and up-to-date information
- Equal treatment of the primary capital certificate owners and a well-balanced relationship with other interest groups
- Compliance with laws, regulations and ethical standards

VALUE CREATION FOR PRIMARY CAPITAL CERTIFICATE OWNERS AND OTHER INTEREST GROUPS
The bank's dividend policy:

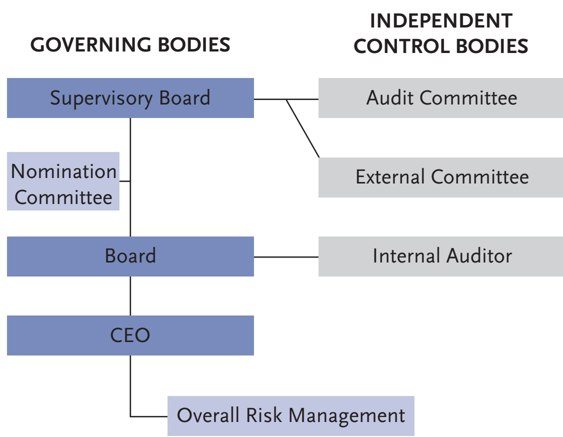
"Sparebanken Rogaland's financial objective for its activities is to attain profits. These shall offer good and stable returns on the bank's overall equity, and thus create values for the primary capital certificate owners in the form of competitive dividends and value appreciation on the primary capital certificates. The bank's profit for the year will be divided among the primary capital certificate owners and the saving bank's reserve in concurrence with their percentage of the bank's equity. In the pro rata distribution between cash dividend and the equalisation reserve, there may be variations in the emphasis given to the bank's equity development."

The bank's required rate of return after tax is a long-term government bond rate after tax, plus six percentage points risk premium.

A STRUCTURE THAT ENSURES GOAL-ORIENTED AND INDEPENDENT MANAGEMENT AND SUPERVISION
The bank's management structure is built on the bank's vision, goals, strategies and value basis.

Management and supervision comprise all the processes and supervisory measures that have been implemented by the bank's management to ensure efficient business operations and implementation of the bank's strategies.

In order to better assure that the primary capital certificates and other interest groups receive correct information regarding business and financial matters, the bank has several independent supervisory bodies.



The bank's management and supervisory bodies therefore have separate tasks and objectives. The roles and responsibilities of the various top level bodies are defined in legislation, regulations and Articles of Association.

MANAGEMENT BODIES
The Supervisory Board
The Supervisory Board is the bank's paramount body, and its principal tasks include the following:

- Supervising the Board's management of the company
- Adopting the accounts
- Electing the members of the bank's Board of Directors, the Audit Committee, and the Election Committee
- Choosing an external auditor

Jointly with the Board of Directors, the Supervisory Board makes decisions on the following matters:

- Appointment of the CEO
- Establishing and shutting down branches in municipalities in which the bank does not have its main office, other branches or division offices

- Allocation of the amount which, pursuant to Article 28 of the Saving Banks' Act, can be used for the public good
- Raising subordinated loan capital

In the preparations for meetings of the Supervisory Board, the bank shall ensure that all members receive notice of the meeting by mail, not later than eight days before the meeting, cf. Section 11 of the Saving Banks' Act.

The Supervisory Board cannot make decisions in other matters than those that have been specifically listed in the notice of the meeting.

The Supervisory Board has 56 members and 56 deputies, representing the following groups as follows:
- The primary capital certificate owners: 22 members and 22 deputy members
- The municipalities in Rogaland and Aust and Vest-Agder: 10 members and 10 deputy members
- Depositors: 10 members and 10 deputy members
- Staff: 14 members and 14 deputy members

The Supervisory Board normally has three meetings per year. Minutes from the meetings of the past three years are published on www.sr-bank.no

Election committee

The Supervisory Board elects the Election Committee among the members of the Supervisory Board. The Election Committee consists of five members, two of whom represent the primary capital certificate owners. Publicly elected representatives, depositors and employees are represented with one member each. One deputy member is elected from each group. The term of office is two years at a time.

The Election Committee prepares for:
- The election of the Chairman and Deputy Chairman of the Supervisory Board
- The primary capital certificate owners' and depositors' election of members and deputy members to the Supervisory Board
- The election of members and deputy members of the Board of Directors, not including the employees' representatives
- Election of the members and deputy members of the Audit Committee
- Election of the members and deputy members of the Election Committee

In its work, the Election Committee shall consider the fact that the Supervisory Board, the Audit Committee, the Election Committee and the Board of Directors have the required skills and expertise. In addition, the Election Committee shall aim at a certain distribution of district representation, and that both genders are amply represented.

The Board of Directors

The Board of Directors is elected by the Supervisory Board, and consists of nine members. One of these is elected by the employees. The CEO is a member of the Board of Directors, cf. Section 14 of the Saving Banks' Act and the bank's Articles of Association. The first deputy member and the first deputy member for the employees' representative have the right to appear and speak before the Board.

All elected board members are elected for a term of two years and the deputy members for a term of one year. The members and the deputy members may be re-elected. In order to ensure continuity in the board membership, half of the Board's members are elected every other year.

The Board has the paramount responsibility for the administration and organisation of the bank in accordance with the laws, Articles of Association, and the regulations issued by the Supervisory Board. The Board is responsible for the safe and appropriate management of the assets at the bank's disposal. It follows from this that the Board is also obliged to ensure that accounting and asset management are subject to prudent supervision. In exercising their responsibility and carrying out their tasks, the members of the Board shall exhibit prudence and discretion.

In addition, the Board of Directors has the following principal tasks: determining instructions for the day-to-day management; determining the bank's strategy, budget, market and organisational objectives; and appointing and discharging the manager of the internal audit.

The Board receives periodic reports regarding performance development; market development; management, staff and organisational development, and trends in the bank's risk picture and risk exposure.

In addition to the above, the CEO's score cards are presented at regular intervals. These contain financial, organisational, market and quality targets. The bank's ethical rules state that "representatives and staff shall not participate in considering and decision-making in cases if this may be detrimental to confidence in the person's impartiality." None of the board members elected by the Supervisory Board shall have any employee or commissioned relationship to the bank beyond their office as representatives.

When considering commitments in which a board member has an interest, he/she shall declare himself/-herself disqualified and leave the meeting.

The Board's members are defined as primary insiders and must comply with the bank's regulations with regard to acquiring primary capital certificates in the bank and in the SpareBank 1 Alliance banks. This also applies to the purchase of shares in companies that are in a customer relationship with the bank.

Pursuant to Norwegian law, the Board of Directors is jointly responsible for the decisions made. In view of this, the Board has not appointed any permanent sub-committees. Instead, the Board appoints ad hoc committees that prepare individual cases for consideration by the Board, for instance in connection with considering compensation schemes in the organisation.

The members of the Board receive an annual compensation that is determined by the bank's Supervisory Board. No remuneration is paid in addition to this. Further information on compensation and loans to the members of the Board is supplied in Note 3 to the annual accounts.

The Board's work is regulated in separate Board Regulations, and annual plans are drawn up for the Board's work. Every year, the Board carries out an evaluation of its work. In connection with the evaluation, the Board looks at how it carries out its work and considers cases, the structure of meetings, and its prioritisation of tasks.

The Board normally has eleven meetings per year.

Chief Executive Officer

The CEO is responsible for the day-to-day management of the Bank's activities, in accordance with (Norwegian) law, the Articles of Association, authorities and orders. Cases that are of an unusual nature in relation to the bank's activities or are of great significance are presented to the Board. If provided with authorisation by the Board, or if waiting for a board decision would constitute a significant disadvantage for the Group, the CEO may, however, make decisions. The CEO shall implement the bank's strategy, as well as, in cooperation with the Board, develop the bank's strategy further. The CEO briefs the Board on the bank's activities, its position and profit performance every month, and participates as a member of the board in the Board's consideration of cases. The CEO's overall performance is evaluated by the Board on an annual basis.

SUPERVISORY BODIES

The Audit Committee

The Audit Committee is elected by the Supervisory Board and consists of five members who elect their own chairman. The members are elected for a term of two years at a time.

The Audit Committee shall carry out supervision to ensure that the bank operates appropriately and prudently in accordance with laws and regulations, Articles of Association, guidelines determined by the Supervisory Board, as well as orders by the (Norwegian) Banking, Insurance and Securities Commission. The Audit Committee shall also assure that operations in the entire bank are carried in an appropriate and proper manner. The Audit Committee usually has eleven meetings per year.

External auditor

The principal task of the external auditor is to assess whether the bank's annual accounts have been provided in accordance with laws and regulations. Furthermore, the external auditor shall evaluate the assets have been managed satisfactorily, and with prudent supervision. The external auditor is chosen by the Supervisory Board.

The external auditor reports to the Supervisory Board and the Audit Committee on these matters.

Internal auditor

The internal audit is the Board and the management's tool for monitoring that the risk management processes are goal-oriented, effective, and working as planned. The bank's internal audit operations are handled by an external supplier of audit services, ensuring independence, expertise and capacity. In terms of the organisation the internal audit reports to the Board. The internal audit's reports and recommendations regarding improvements in the bank's risk management are continually reviewed and implemented in the bank.

Division for overall risk management

The unit is independent of the customer units and is responsible for:

- Further development of the bank's framework for comprehensive risk management.
- Overall risk management and follow-up.

The bank has established a separate controller function in order to cover the areas of credit risk, operational risk and currency and finance risk.

SYSTEMS THAT ENSURE MEASUREMENT AND ACCOUNTABILITY

Effective management by objectives is a precondition if the bank is to be able to continually measure whether it is achieving its strategic objectives. The bank has developed guidelines and effective measuring variables according to which the business units are measured and governed. In addition, the bank uses strategic planning, forecasting and budget management as effective management tools.

Accountability is ensured through clear communication of business plans and the bank's adopted objectives to the employees. This is carried out via clearly defined roles, responsibilities and expectations, in which the leaders are made accountable for goal attainment within the various areas of responsibility. We have established compensation schemes based on the management's and employees' performance in relation to these measured values.

EFFECTIVE RISK MANAGEMENT

Effective risk management is an important factor in achieving the bank's strategic objectives. Risk management is an integrated part of the management's decision-making processes, routines and systems.

The bank carries out analyses, management and follow-up of significant risks as part of the bank's continuing risk management process. This is to ensure that the bank is run in accordance with the approved risk profile and adopted strategies.

The Board and the management review the bank's risk profile at least once per year with regard to strategic, operational and transactional matters. The development of the risk picture is reported to the CEO and the Board periodically.

WELL SET-OUT, EASILY UNDERSTANDABLE AND UP-TO-DATE INFORMATION

Well set-out, easily understandable and up-to-date information cements the relationship of trust among the owners, the Board and the management, and ensures that the bank's interest groups have continual opportunity to assess the bank, and relate to it at the same time. The bank's information policy therefore emphasises a comprehensive dialogue with the bank's various interest groups, with a focus on openness, dependability and transparency.

Furthermore, the bank emphasises that correct, relevant and up-to-date information on the bank's development and performance shall inspire the investor market's confidence. The market is kept informed through quarterly investor presentations. The bank also gives regular presentations for international partners, lenders and investors. All quarterly reports, press releases and presentations are available on www.sr-bank.no, where individual quarterly results can be found.

EQUAL TREATMENT OF PRIMARY CAPITAL CERTIFICATE OWNERS AND A WELL-BALANCED RELATIONSHIP WITH OTHER INTEREST GROUPS

General

The bank's relations with its interest groups, including the primary capital certificate owners, depositors, lenders, customers, employees and society at large, shall be based on the bank's visions, goals, strategies and value base. The value base shall be realised through long-term, open and honest conduct, and by acting responsibly, showing respectfulness, willingness and ability to improve.

Primary capital certificate owners

The Board's most important objective is to preserve the bank's, and thus the primary capital certificate owners', long-term interests in all connections and regards.

The bank shall, through continual dialogue, give opportunity to all primary capital certificate owners to express their views on the bank's activities and development. The bank shall have a profile that gives it credibility and predictability in the market. The bank shall aim for long-term and competitive rates of return. The bank shall provide the market with relevant and comprehensive information as a basis for a well-balanced and correct valuation of the primary capital certificate.

Depositors

One of the Board's principal tasks is to secure the depositors' assets. This shall be done through the bank's financial development, which is to result in prudent asset management, and not taking any risks that are greater than is prudent on the basis of the bank's earning and capital adequacy ratio.

Lenders

Through its paramount objective, namely solid and sound bank operations that enable the bank to meet its future obligations, the bank's liquidity management strategy attends to its own as well as the lenders' interests. In addition, this strategy is intended to lower the likelihood of questions being raised or uncertainty regarding the bank's solidity.

Customers

In order to create the best possible basis for the bank's development, the bank shall engage in an active dialogue with the customers through normal customer contact, user surveys and customer panels. All customer contact shall build on businesslike principles, the bank's value base, ethical guidelines, and the vision of the recommended bank.

By giving the value base a specific and practical meaning in everyday life, the bank wishes to promote cooperation among individual employees and units – always with the objective of offering the customers the best solutions and a high quality of service.

It is the Board's responsibility to ensure that the bank facilitates and maintains effective, appropriate and ethically justifiable products and advice in order to ensure the best possible relationship to its customers.

The employees

The bank's value base states how the bank's employees should act with a view to ethics and conduct. Management and collaboration are cemented in the bank's value base, routines, guidelines and work regulations. In order to succeed, all the employees shall have expertise and quality in everything they do.

The bank shall have a corporate culture that supports and further develops the organisation's employees to become a dynamic winning team. The bank places great emphasis on a corporate culture that promotes well-being, pleasure in work, and a good working environment. This is measured through quarterly surveys.

The bank's employees shall behave in a dependable manner, have high ethical standards and show respect for the bank's tradition as a regional and locally-rooted savings bank. Security for the bank's employees and customers is designed with a view to protecting the employees and customers against physical and psychological damage, as well as protecting the values the bank shall manage.

Social responsibility
With its regional identity and its network of branches, the bank is an integrated part of the local community, and is actively involved in creating and participating in local and regional meeting places. Profitability is a precondition for being able to contribute to local development projects. As a savings bank, SpareBank 1 SR-Bank is able to allocate parts of its profits for the benefit of the public good by placing them in the bank's endowment fund. This is used purposefully to further growth and development in the region.

Gifts and sponsor contributions shall be grounded in the bank's vision and business idea, and shall be distributed in a manner that supports breadth and diversity.

COMPLIANCE WITH LAWS, REGULATIONS AND ETHICAL STANDARDS

Ethics and morals are an important precondition for long-term profitability and goal attainment. Compliance with laws, regulations and ethical standards are further preconditions for sound bank operations. The bank has drawn up ethical guidelines and internal instructions for own transactions and insider trading. The instructions describe the laws and regulations that apply to all employees, temporary staff and representatives, both internally and in relation to the bank's interest groups. The ethical guidelines are communicated clearly within the organisation and define desirable and undesirable conduct. All employees are bound to confidentiality and shall sign a promise of confidentiality. The obligation to maintain confidentiality shall not impede employees from notifying the appropriate bodies of matters within the Group that are assumed to be in breach of applicable laws, regulations and instructions. If employees become aware of matters that are in breach of regulations, this shall be reported in accordance with the bank's ethical guidelines. The promise of confidentiality and the ethical guidelines are re-examined by all employees every other year through a verification of their understanding, acceptance and compliance. Breach of the guidelines and routines are not accepted, and serious matters are automatically reported to the police.

The bank's intranet contains a security gateway that deals with regulations and emergency preparedness plans.


SpareBank 1 SR-Bank's offices at Bjergsted.

Risk and capital management in SpareBank 1 SR-Bank

In order to achieve SpareBank 1 SR-Bank's objectives as they are set out in the bank's overall strategy, risk management and capital application are crucial instruments. The Group's profitability and opportunities for attaining its goals in relation to the primary capital certificate owners, employees and society, depend on the ability to identify, measure, manage and price the risks that arise in connection with offering financial services.

DEVELOPMENT OF RISK AND CAPITAL MANAGEMENT

Both independently and through the SpareBank 1 collaboration, SpareBank 1 SR-Bank has for several years invested substantial resources in developing effective risk management processes in order to identify, measure and manage the risk on a par with the best small and medium-sized international banks. Risk management is developed with a view to contributing to a risk culture that promotes a high level of risk awareness, and awareness of the need to manage this throughout the entire organisation.

SpareBank 1 SR-Bank's risk management shall sustain the bank's strategic development and goal achievement. Risk management shall ensure financial stability and prudent asset management. This shall be attained through a moderate risk profile:

- Aim for optimum capital allocation within the adopted business strategy
- Aim for an equal, risk-adjusted rate of return for customers over time, within the adopted business strategy
- Utilisation of synergy and diversification effects
- Sufficient risk-adjusted capital on the basis of the risk profile chosen

The Group has the objective of at least maintaining its current international rating. This is to ensure long-term, positive development as regards access to ordinary funding from the capital markets. The Group's risk-adjusted capital shall be in accordance with this ambition. The basis for calculating risk-adjusted capital is to assess how much capital is required to cover the actual risk the Group is taking on.

Risk-adjusted capital is calculated for the main categories of risk and for all operational areas within the Group. By calculating the risk-adjusted capital it is possible to compare profitability and risk, across both risk types and business areas. Return on risk-adjusted capital is an important dimension in performance measurement and follow-up of the individual business areas.

The risk strategy is quantified through earning targets on the risk-adjusted capital, and through measuring positions and applying limits. The follow-up is carried out through reporting in relation to strategic risk target figures, limits and authorities. Reporting follows fixed routines, and is directed at defined organisational levels. This is done in order to ensure that all governance and management levels receive the information they require in order to supervise and manage the bank's development in accordance with strategies and objectives.

RESPONSIBILITY FOR RISK MANAGEMENT AND SUPERVISION

Risk management and control is a part of SpareBank 1 SR-Bank's operations management described in the chapter "Stockholder management and corporate governance." Considerable emphasis is given to accountability. This is done via personal authorisations, and by keeping business areas and the organisational units that monitor the business areas independent of one another. In order to ensure effective risk management and supervision, the following distribution of responsibilities has been established.

The Board of SpareBank 1 SR-Bank is responsible for ensuring that the bank and its subsidiaries have equity that is proportionate to the risk of the enterprise. The Group's Board determines the paramount objectives, willingness to take risks, strategies, limits and authorities for the management of the various risk areas. The Board delegates the carrying out of these tasks to the CEO. In carrying out their tasks, the Boards of Directors in the bank's subsidiaries follow up the decisions made by the bank's Board of Directors.

The Board of the bank approves all significant aspects of the risk management models and the decision-making processes. The Board is also responsible for ensuring that these are implemented, that the organisation is appropriate, that there is sufficient expertise and capacity to comply with this in a satisfactory manner, and that the incentive systems support the agreed objectives.

The CEO is responsible for risk management and implementing the Board's decisions. Furthermore, the CEO is responsible for the drawing up of subsidiary goals for the individual business and support areas, and the development of necessary and appropriate systems for measurement, reporting and follow-up of risk and appurtenant routines. The CEO is also responsible for delegating authorities, as well as reporting to the Board.

The Group management is the collegium of the CEO in connection with attending to the paramount direction of the bank.

The business areas are responsible for the operative risk management within their respective areas with the necessary knowledge on all significant risks.

The division for risk management is organised independently of the business units and reports to the Director for Finance and Risk management.

Credit support is a support function within the business areas. It is responsible for ensuring that the decision-making processes and the basis for making decisions in connection with applications for loans and credit are in accordance with the bank's credit policy and credit processing routines – as well as ensuring that the bank is aware of the various risks. The division is in charge of drawing up proposals for credit strategy target figures, credit policy guidelines for the various industrial sectors, and credit processing routines.

Internal audit is a board and management tool for monitoring that the risk management processes are goal-oriented, effective, and working according to plan. The bank's internal audit function is attended to by an external supplier of auditing services. This ensures independence, expertise and capacity. In organisational terms, the internal audit reports to the Board. The internal audit's reports and recommendations for improvements in the bank's risk management are continually reviewed and implemented in the bank.

Credit committee. The bank has separate credit committees for the business market, the private market and its subsidiaries. In addition, the bank has a joint principal credit committee. The credit committees are responsible for submitting an independent recommendation to the authorised person containing:

1. An assessment of the loan and credit applications in accordance with the applicable credit strategy, credit policy, procedure for granting loans and credit processing routines
2. Special emphasis on uncovering risk in connection with individual applications, as well as carrying out a separate, independent credit risk assessment and
3. Ensuring that the consequences for the bank of the various risks have been mapped out

The balance sheet committee is responsible for processing cases in connection with asset structure and liquidity risk, market risk, transfer pricing of capital and compliance with the limits set by the Board.

RISK AREAS

Managing the credit risk

Credit risk is defined as the risk of loss due to customers or other parties being unable or unwilling to fulfil their commitments to the bank.

In drawing up the rules for credit management, SpareBank 1 SR-Bank has established the following main principles:

- **Completeness,** i.e. there shall be regulations governing the business in all situations that may arise
- **Reporting**, i.e. that all regulations, routines and decisions shall be traceable, and that their use shall be reported
- **Independence**, i.e. separation between the business units that grant the credit and the division for risk management that is responsible for the independent monitoring of the credit risk
- **"Arm's length,"** i.e. all credit granting criteria shall be objective
- **The Board's and the management'**s responsibility and tasks with clear delimitations, descriptions and definitions

The credit risk is managed by means of:

a) **Strategic credit target figures** that are stipulated by the Board annually. These comprise the most important target figures for managing the portfolio in accordance with the bank's objectives. The credit risk strategy includes target figures for risk-adjusted earnings, risk-adjusted capital, expected annual losses, expected probability of default, growth and concentration risks. The concentration risks are governed by maximum limits for exposure with regard to the market (geographic), size of individual commitments and commitment groups, as well as industry sectors.

b) **Credit policy guidelines** are determined annually. These comprise the definition of the market area, time perspective on the customer relationship, the requirement of due care in relation to persons with which the bank shall have commitments, and ethics, with regard to norms, laws, and regulations.

c) **Procedures for granting loans**
The Board in the bank that is responsible for granting the bank's loan and credit delegates authority to the Managing Director for the operational responsibility for the decisions in loan and credit cases. The CEO may, within the scope of his authority, re-delegate authorities.

The corporate market has since 2001 used a risk classification system that has been based on a rating model as a basis for the calculation of the probability of default and losses. The classification matrix contains 55 risk categories describing the probability for default and security coverage.

The bank has a restrictive practice for granting new high-risk commitments. Together with other measures placing emphasis on risk-adjusted earning, this has in 2004 helped create a risk profile with a lower share of high risk.

The retail market uses a risk classification system based on the customer's financial ability to service new loans. In 2004 this was developed further into a rating model as a basis for calculating the expected probability for default and loss. The classification matrix contains 55 risk categories describing the probability of default and security coverage.

The division for risk management is responsible for the continual and independent monitoring of the credit risk.

For further information, reference is made to note 12.

Managing market risk
Market risk is the risk for loss due to changes in observable market variables such as interest rates, exchange rates and securities markets. The risk for changes in securities prices that is because of changes in general credit prices and credit risk tied to individual securities is also considered market risk.

In SpareBank 1 SR-Bank market risk largely arises from the bank's investments in bonds, certificates and shares, and as a consequence of activities that are carried out to support bank operations, such as funding, and interest rate and currency trading.

The division for risk management is responsible for the continual, independent monitoring of the market risk.

The market risk is measured and monitored on the basis of limits that have been adopted by the bank's Board. The limits are reviewed and renewed annually. The size of the limits is stipulated on the basis of stress tests and analyses of negative market trends. SpareBank 1 has moderate market risk exposure.

Interest rate risk is the risk for losses that arise as a result of changes in the level of interest rates. This is largely measured and monitored on the basis of the framework described above. The risk largely arises from lending at fixed interest rates and funding in fixed-rate securities. The interest rate risk for all interest rate positions can be expressed by looking at the change in value of interest rate instruments in the event of a change in interest rates of 1%. The bank uses analyses that show the effect of the above-mentioned change in interest rates for different term limits, and there are separate limits for interest rate exposure within the individual periods. Interest terms on the bank's instruments are largely short and the bank's interest rate risk is therefore low.

Exchange rate risk is the risk of losses based on changes in exchange rates. The bank measures the currency risk on the basis of net positions in the different currencies. The limits for exchange rate risk are expressed in limits for maximum aggregated currency positions and maximum positions in individual currencies. The currency risk is considered low.

The securities price risk is the risk for losses that arises in the event of changes in the value of bonds, certificates and equity securities in which the bank has invested. The value of these securities depends on factors that are specific to the individual issuers and depend on general market trends. The bank's risk exposure against this form of risk is regulated by limits for maximum investments in the various portfolios.

Managing liquidity risk
Liquidity can be defined as the ability of a financial undertaking to finance asset increases and meet its commitments as the financing requirements gradually rise. The management of the bank's financing structure is based on a paramount liquidity strategy that is reviewed and adopted by the Board at least once a year. The liquidity risk is reduced by spreading the deposits over various markets, sources of deposits, instruments and terms.

Customer deposits are the bank's most important source of finance. Deposit coverage has been at a stable, high level throughout 2004, and was 60.7% at the end of the year, compared with 57.8% at the end of 2003.

The bank's liquidity situation as at 31 December 2004 is good. National and international sources of funding are evenly distributed. The bank has undrawn, committed drawing rights of EUR 270 million. The bank uses the liquidity indicator of Norges Bank, the Norwegian Central Bank, as a parameter in measuring the liquidity management. The liquidity indicator is arrived at by dividing the bank's stable funding with the bank's non-liquid assets. Stable financing includes deposits from the public, bearer bonds, subordinated loan capital and equity.

Non-liquid assets mean gross lending to the public, other receivables, seized assets, fixed-asset investments and real capital. As at 31 December 2004 the indicator value was 101.5%, including drawing rights (97.3% without drawing rights). This is a significant increase since 2003, when the indicator value was 93.1% including drawing facilities (88.2% without drawing facilities).

Managing operational risk
Operational risk can be defined as the risk of losses following from:

- Inadequate expertise
- Human error
- Failure in the routines, internal systems and processes
- Criminality and irregularities
- External events

A paramount risk strategy for operational risk in the Group has been approved, defining the Group's risk profile for operational risk. In 2004 SpareBank 1 SR-Bank implemented new models for quantifying operational risk, as well as a new process for managing the operational risk. This also includes the establishment of a database for losses and events to identify and follow up undesirable operational incidents.

In the course of 2004 the bank has carried out comprehensive risk analyses of the operational risk in the bank's business processes, and several new measures have been implemented over the year in order to reduce the operational risk.

The division for risk management is responsible for the continual, independent monitoring of operational risk.

The BASEL II adaptation process
The SpareBank 1 SR-Bank Group in 2004 continued the process of adapting to the new framework for risk management and the new capital adequacy requirements pursuant to the new international regulatory framework, BASEL II. The objective is to establish effective risk management systems on a par with those of the best international small and medium-sized banks.

BASEL II will enter into force on 1 January 2007. There is reason to believe that BASEL II will have a positive impact on the Group's capital adequacy ratio.

From the left, Frode Bøe, Risk Manager; Gunnar Kristiansen, Risk Controller Credit and Joar Johnsen, Risk Controller currency/finance.

Overview of our offices:

Åse and Tobias Skretting have a very important job, namely putting food on Norwegian tables.

They call it pigging. Once a month they pig as best they can at Varhaug. Just for the record – we are talking about pig insemination on the farm of Åse and Tobias Skretting. They are two young, enterprising farmers in Norway's most productive agricultural area. Last July, this resulted in about 250 lovely piglets.

IN JULY ÅSE AND TOBIAS HAD PIGLETS

Taking the final turn towards Åse and Tobias Skretting's friendly-looking farm, it is evident that they are determined farmers. Their farm is situated on the hills just outside of Varhaug in the municipality of Hå. Two red dwelling houses and several well-maintained outbuildings surround the pretty farmyard. There are signs everywhere that the farmers work hard. The view is fabulous, with the North Sea stretching below the ancestral farm.

There is life everywhere. The three children aged five to eight appear to be thriving in the company of the farm's many animals.

CREATING VALUES, HANDS-ON

"Creating value in the hands-on way we do here is very meaningful to us," says Tobias, struggling to quieten little Piglet in his arms.

In addition to the pigs, Tobias and Åse have sheep and cows. They also have a sand pit and grow Christmas trees. Tobias is in charge of the pigs, and Åse is responsible for all things cow and sheep-related. "My father mostly takes care of the Christmas trees," Tobias adds with a smile.

WE LIVE OFF THEM

Åse and Tobias put food on Norwegian tables. The farm produces about 2400 piglets a year, as well as having 250 sheep and 50 cattle. Hå is mostly about producing food-stuffs. The municipality is at the very centre of "Norway's pantry," and is the largest milk municipality, with an overall annual production of 46 million litres of milk, produced by 327 farmers.

BUSY YEARS

Over the last seven-eight years the couple has put a lot of work into the farm. In 1997 the former sportsman moved home to his family's farm, bringing with him Åse, who is originally from Etne. Tobias built the house himself, and – local man that he is – built his own stone walls. In 2000 they bought the animals and machinery from Tobias' parents, who continue to live on the farm. In 2001 they built a new cowshed, and two years later they invested in a brand-new pigsty.

QUALITY

Åse and Tobias think quality, not least with regard to cleanliness. Nobody is allowed in to the animals unless they have followed thorough hygienic routines. Not surprisingly, the couple is one of two suppliers who have entered into agreements to deliver piglets to the model farm belonging to Felleskjøp, the agricultural co-operative society.

THE BANK IS IMPORTANT

"We have made large investments over the last few years," says Åse. "Being young, having a bank that has trusted us has been very good for us. Trust is important in a bank. That means that you can air discussions, and be open – both ways. Sometimes, that is more important than tiny variations in interest rates and terms." "Modern farming is very much about knowledge," Tobias adds. "SpareBank 1 SR-Bank has respect for what we do, as well as insight."

LAMBING SEASON

It is almost spring and the lambing season. That means little sleep for the couple, for about a month. Making a farm produce a profit is not for the idle. Once a year, Åse and Tobias go on holiday – for a weekend break to southern Norway. "Things don't happen on their own," Tobias says.

There is a lot of determination in Norwegian agriculture. Not least in the Jæren region.

JULY: THE AGRICULTURAL REGION

Åse and Tobias Skretting are among the 3,200 agricultural customers of SpareBank 1 SR-Bank. The primary industries are an important area for our region. That is why they are important to our bank.

Eirik Verås Larsen has started preparations for the world championship 2005. His long-term goal is the Olympic Games in Beijing in 2008.

There are not many who know what winning an Olympic gold medal in paddling takes. There are even fewer who fathom what it takes to win a bronze medal for a different distance – just a few hours later. Eirik Verås Larsen from Flekkefjord is one of the few who knows. When the Norwegian national anthem ”Ja, vi elsker” resounded over the Greek landscape, and Eirik showed that even men made of steel can shed tears, it wasn't only Agder patriots who had to hold back a tear or two.

IN AUGUST EIRIK EARNED GOLD

It was done over the course of a few hours. Two competitions – one gold, one bronze. A telegramme from the Prime Minister. Behind days such as these lie huge talent, tremendous effort and will power. Often, money plays a role too. Shortly after the Olympic Games in Sydney in 2000, Eirik Verås Larsen and Nils Olav Fjeldheim shared the first prize in SpareBank 1 SR-Bank's talent competition G9alt and received NOK 100,000 each for their further efforts. The money was from the bank's endowment fund. The objective for the endowment fund is to help young talents in Rogaland and Agder reach their goals.

AN IMPORANT TIME

”When we won the G9alt in 2000, that was just after we had earned a decent ninth place in Sydney," Eirik says. "Paddling doesn't make you rich, so the bank's donation was important to me, and it came at a key point in time. I got a chance to pay my bills and concentrate exclusively on further training."

Because Eirik's had his eyes set on something more than the ninth place.

EARLY START

Eirik knew that he wanted to paddle ever since he was ten. He had tried football and other athletic disciplines, but he felt that he had, quite literally, a good grip on the paddle. On that morning in Athens he was rewarded for thousands of hours of training. "I knew I could win gold, and I was in great shape – but accidents will happen."

Luckily for us Norwegians, and above all for Eirik himself, they didn't, and things worked out as they did.

READY FOR THE WORLD CHAMPIONSHIP – AND THE OLYMPIC GAMES

For the first time in eight years, Eirik took a longer break in the autumn of 2004. Eirik and his body needed a break. But now, at the beginning of 2005, he is working away at the paddling machine at Toppidrettssenteret (the Centre for Elite Athletics). He spends his day doing basic training and quantity training, skiing miles by the dozen. He is to participate in the Vasalöppet race and will travel to the East coast of Florida for five weeks. In the middle of April, when paddling conditions improve in Norway, he will return home and start the run-up to the world championship in Zagreb this summer.

”I would love to win K1 500 in the world championship. That is a distance I have struggled with. In fact, my best placing is fourth place at the Olympic Games in Athens. I am also trying for K4 1000 metres. Getting somewhere together with others is great fun – getting a team to work and achieve something together!"

AUGUST:

FROM TALENT TO OLYMPIC GOLD

In 2000 the paddler Eirik Verås won the first place and NOK 100,000 in SpareBank 1 SR-Bank's talent competition G9alt. The money was from the bank's endowment fund. In 2004 he won gold and bronze at the Olympic Games in Athens.

Corporate market division

Facts

Number of customers:	*approx. 4 000*
Growth in lending:	*11.8%*
Growth in deposits:	*54.4%*
Gross lending:	*MNOK 13,239*
Deposits:	*MNOK 12,706*

THIS HAPPENED IN 2004

The corporate market customer centre (telephone number +47 02008) was opened in January 2004.

ARENA meetings have been carried out with more than 1,400 participants from business and industry.

The bank strengthened its position in the public sector during 2004. Sauda and Hå municipalities decided to become SpareBank 1 SR-Bank customers, and we are now the main bank for 19 municipalities. In addition, we extended our agreements with Stavanger municipality and Rogaland county municipality during the year.

SpareBank 1 SR-Bank was one of the first banks in the country to enter into agreements regarding BankID. Stabenfelt Forlag (a publishing house) and Stavanger municipality have entered into agreements with the bank.

In June SpareBank 1 SR-Bank entered into an agreement regarding bank services with Revus Energy AS. After Statoil, this company is the first Norwegian-owned oil company to establish its head office in Stavanger.

WE CREATE VALUES AT THE LOCAL LEVEL

The corporate market division serves customers from Sunnhordland in the North to Aust-Agder in the south. We are represented in the market by our six regional corporate market divisions and 50 local offices. In addition, customers are served via our website (www.sr-bank.no) and through a newly-established customer centre (+47 02008), where the telephone is the most important channel. Overall, SpareBank 1 SR-Bank has business relations with more than 9,600 business customers.

STRATEGY

It is our objective to help our customers create values. In this manner we want to help put into practice the bank's vision of being "the recommended bank." We believe in being present at the local level, and being well acquainted with the region we are to serve. Furthermore, it is our objective to be able to offer our customers a wide range of financial services. We are the only local alternative with a full range of products.

EMPLOYEES

Overall, the corporate market division has 95 employees, of which approx. 30% are women and 70% are men.

The average age is 42 years. There are two women in executive positions. Over the past three years we have recruited 30 new man-years externally, all with high levels of skills. In 2004, we hired three new employees in Haugalandet; ten are employed in Nord-Jæren and three in Agder. During the past year we have particularly recruited employees in the fields of consulting, cash management and insurance.

Tormod Tønnesen and Astri Lie Maaseide in Cash Management

Throughout 2004 we have invested considerable resources in the further development of the employees' expertise. This is one of our most important competitive advantages in our meetings with customers.

CUSTOMERS AND MARKETS

We have more than 4,000 customers in the corporate market division. Overall, more than 40% of the businesses in Rogaland are our customers. The percentage in Agder is lower, but rising rapidly. Overall, we obtained 233 new customers in 2004.

The bank is strongly positioned in relation to the public sector. We are dedicated to serving this customer group in a professional, good manner. We also believe that we share a clearly defined value base with this sector as regards the emphasis on making our region a good place to live and run businesses in. In total, we serve 19 of 27 municipalities in Rogaland, in addition to being the bank of both the regional health authority and Rogaland county municipality.

As in previous years, we carried out a number of marketing measures in 2004. We have published four issues of "Following on the heels of business". This publication is distributed to more than 15,000 businesses, and highlights businesses that succeed in different sectors. So far, our customers have responded with positive feedback to this effort.

Together with our highly valued partners, we have organised three different events within the ARENA concept during the year. Overall, these events have gathered a total of 1,400 business executives to lectures and discussions on a number of interesting topics.

As in previous years, we have published the "Cyclical Barometer for Rogaland." This was done in collaboration with Rogaland county, the Norwegian Federation of Trade Unions (LO), the Norwegian Confederation of Business and Industry (NHO), the Labour Market Administration (Aetat), ARNE and Innovation Norway. In the "Barometer" we focus on macro-economic trends that are of direct relevance to businesses in our market area. The presentation of the cyclical barometer attracted 450 people in the course of the year.

During 2004 we have been working on a similar barometer for Agder, with the same collaborators. The first cyclical barometer for Agder was published in January 2005. In June we also published a major commodity trade analysis for Rogaland, in which we focused on changing trade flows in the region.

As in previous years, we organised several breakfast meetings in the bank's premises in Bjergsted in 2004. In connection with this, customers have met both the Governor of Norges Bank, the Norwegian Central Bank, and ministers for discussions in 2004.

PRODUCTS AND SERVICES

As the region's leading financial supplier within the business market we are preoccupied with having state-of-the-art expertise on our customer's activities. This provides the foundation we need to offer our customers the right solutions. In tune with our customers' changing needs, we have built up expertise and skills in a number of new fields during the past year.

Our long tradition has given us a sound understanding of different financing solutions. During recent years we have also developed broad expertise within the various placement alternatives for our customers. In connection with this and in order to meet our customers' particular

requirements we work closely with our investment management company, SR-Forvaltning ASA.

Through a number of internationally-oriented customers, we have developed considerable knowledge over some time within different services directed abroad. This applies to payment solutions, currency trade, letters of credit and general consulting services.

As of 2002, SpareBank 1 has invested in the sale of insurance solutions. Through this effort we have built up expertise both within life and non-life insurance. For a long time, traditional payment solutions constituted the bank's core expertise. This business area has now been expanded to cover complex cash flow analyses for our customers and the sale of solutions, connected to – among other things – safe authentication on the internet (BankID).

FINANCIAL RESULTS

Corporate market NOK 1000	Year 2004	% of total income	Year 2003	% of total income
Net interest income	256 931	77,5 %	263 287	82,0 %
Payment facilities/terminals	18 802	5,7 %	15 447	4,8 %
Insurance products	11 976	3,6 %	7 073	2,2 %
Saving/investment products	5 643	1,7 %	2 691	0,8 %
Profit/loss on exchange and financial derivates	17 580	5,3 %	6 924	2,2 %
Other income	20 761	6,3 %	25 694	8,0 %
Net other operating income	74 763	22,5 %	57 829	18,0 %
Total operating income	331 695	100,0 %	321 115	100,0 %

Profit before losses and tax for the division amounted to NOK 285 million, compared to NOK 273 million the previous year. The increase is largely due to increased investment in off-balance sheet income. Throughout the year income from payment services, insurance and currency/interest rates rose by a total of NOK 17 million. This corresponds to an increase of as much as 29.3% since 2003. Net interest income fell throughout the year, largely due to a lower deposit margin.

Costs have been reduced somewhat compared with the previous year.

The deposits volume rose by 54.4%. Some of this was due to increased resource input linked to time deposits. Overall growth in lending was 11.8%. The growth was negative until the third quarter, when it improved. As a result of active risk pricing, the lending margin improved somewhat.

The overall return on equity for the year amounted to 10.2% after losses and tax.

CREDIT RISK TRENDS

The percentage of high and highest risk has been greatly reduced over the course of the year. This share of the portfolio amounts to 7.1%, compared to 10.3% in 2003. The bank focuses on customers within low to medium risk in a goal-oriented fashion. There has been a significant rise in these risk categories.

Credit risk trends	2002	2003	2004
Lowest	23,5 %	28,7 %	31,3 %
Low	28,2 %	23,2 %	21,4 %
Medium	33,7 %	37,8 %	40,2 %
High	9,6 %	4,5 %	3,5 %
Highest	5,0 %	5,8 %	3,6 %

A loss of a total of NOK 73.3 million was entered in the accounts. This constitutes 0.61% of the average lending volume. Gross default at the end of the year was 0.90%. This is significantly lower than at the same time last year, when default amounted to 2.18% of the average lending volume. The bank determineded to adapt to the new framework conditions within Basel II. During the last few years, a new credit system with a scoring model has been developed, providing a better decision-making basis for granting credit. A new model for risk-pricing has been put into use during the past year.

OUTLOOK FOR 2005

We expect a positive development in the corporate market in 2005. Business and industry are expecting increased activity, and there are signs of increased investment in several industries. Lending activities are expected to rise above 2004 levels. However, our efforts will continue to be directed at activities with low to medium risk. We will continue to closely follow ongoing risk development.

In the course of the year, we will invest considerable resources in areas such as insurance and national and international payment solutions. The law regarding company pension is expected to result in a further rise in attention given to deposit-based pensions among small and medium-sized businesses.

The Retail market division

Facts

Number of private customers with SpareBank 1 SR-Bank as their main bank:	*183,700*
Number of agricultural customers:	*3,170*
Number of small and medium-sized businesses:	*5,490*
Number of clubs and associations:	*7,500*
Number of customers with savings agreements:	*15,419*
Number of customers with investments in ODIN funds:	*40,350*
Number of customers with general insurance:	*69,200*
Lending:	*NOK 38,545 million*
Deposits:	*NOK 19,881 million*
Off-balance sheet savings investments	*NOK 6,127 million*

STRATEGY

The general lines of the private market strategy remained constant through the year, and are being continued in 2005. We aim to be known as a single-source supplier of financial services that meets customers' need for advisory services and solutions through the various phases of life. Our multi-channel strategy is designed so to give customers a sense of close contact, ready availability and smooth interplay between the channels.

Our internet and telephone banking services and customer centre are undergoing continuous development, and are of cutting edge quality in the market. The advisors in our branch office network are in close proximity to their customers, have sound local knowledge, a high level of expertise and are proactive in following up their customers. The result of the close interaction between the various business units in the Group and our product suppliers should be greater real value as experienced by our customers, and the volume of business should increase accordingly.

The attainment of a clear position in the savings and pension market is a focal strategic objective which continues to receive high priority in the division.

FINANCIAL DEVELOPMENTS

Personmarkedet Inntekter - NOK 1000	Året 2004	% av sum inntekter	Året 2003	% av sum inntekter
Netto renteinntekter	795 404	74,6 %	759 693	75,6 %
Betalingsformidling	131 261	12,3 %	122 070	12,1 %
Forsikring	71 475	6,7 %	60 519	6,0 %
Sparing/Plassering	54 252	5,1 %	45 571	4,5 %
Kursgevinst valuta	5 077	0,5 %	8 180	0,8 %
Andre inntekter	9 088	0,9 %	8 757	0,9 %
Sum andre inntekter	271 153	25,4 %	245 098	24,4 %
Sum driftsinntekter	1 066 557	100,0 %	1 004 791	100,0 %

The division's profitability is sound, with a return on equity after losses and tax of 20.4%. Higher volumes, good cross-sales, very low losses and firm cost control characterise deliveries.

DEPOSITS AND LENDING

A deposit growth of 8.2% is very satisfactory, particularly in view of the historically low interest rate level and aggressive pricing from a number of competitors. The lending growth of 11.4% lies at the average for growth in our market areas. This is satisfactory considering that it is a condition that customers taking up loans must be able to tolerate an interest rate increase of up to 5 percentage points on the current level. Margins have been under pressure, and net interest income has fallen by a total of 17 basis points. The main explanation for this is the combination of increased competition and two interest rate cuts by Norges Bank. Efforts are being made to compensate for the pressure on balance sheet income by increasing other operating income and applying stringent cost control.

OTHER OPERATING INCOME

Growth has been 10.6%, or NOK 26 million. Developments in insurance and payment mediation show a stable, satisfactory trend. As a result of extensive redemption of equity funds, net new sales for the year were marginally negative. Profit-taking and redemption for the purpose of miscellaneous investment in capital goods explain this to a large extent. Developments in other savings and investment products have been positive.

COSTS

Costs increased by 1.4%. Stringent cost control and a cut-back in the number of man-years resulted in satisfactory developments for the year.

NON-PERFORMING LOANS AND LOSSES

Gross non-performing loans have shown a falling tendency from an initially low level, and at the end of the year accounted for 0.34% of the lending portfolio. This is a historically low level, and is related to the stable, low unemployment rate, historically low interest rate level and sound working processes in the bank. Losses have been a marginal NOK 3.5 million, or 0.01% of the portfolio.

BANKING VIA SEVERAL CHANNELS – THE CUSTOMER'S CHOICE

At the end of 2004, SpareBank 1 SR-Bank had 50 branch offices which form the core of its distribution network. At the recommendation of the bank, more and more customers are using a combination of our internet and

From the left: customer Einar Rosnes from Austre Åmøy, Elin Garborg, responsible for agricultural customers, and Elin Schancke, head of the Agricultural Division.

telephone banking facilities and our Customer Centre to deal with simple and more everyday banking transactions. These channels are being constantly developed to ensure that functionality and services are among the best in the market.

There is therefore ongoing work to focus the use of resources and expertise at the offices on advisory services and proactive sales. The customer centre handles all incoming telephone traffic and communication in the internet bank, and cooperates ever more closely with the advisers in the office network. This is important to ensure that our customers experience a high degree of availability and smooth interaction between the channels.

EVENTS IN 2004

The upgrading of the office network through total refurbishment, relocation and adaptation to a new office concept has continued apace. The largest project in 2004 was moving banking and brokerage operations together in Kristiansand on 1 November 2004. SpareBank 1 SR-Privat was established, legally and physically, at NordJæren (Forus) on 1 December 2004, and is to provide a specialised range of services to selected customer groups with an extensive need for expert advisory services. SpareBank 1 SR-Bank is among the first to implement BankID (secure authentication on the internet). This is intended to make customers feel they are getting more real value and offers a great potential for changing and rationalising work processes. New savings products offering combinations of stocks and shares and bonds were launched in October. This was well received in the market, and development will continue in the first half of 2005. Flexiloans, which have been offered in the market for two years, received broad media coverage in the national newspapers and local media through the year. The volume of business for this product has grown strongly.

EXTERNAL CONDITIONS

Norges Bank's key rate was reduced from 2.25% to 1.75% through two interest rate cuts in the first half of the year. The historically low interest rate level, combined with relatively low unemployment and considerable optimism in the household sector, has led to high demand for loans for various purposes. A stock exchange rally of an annualised 38.4% has led to many selling out of or down in equity funds in order to take the profits and finance the procurement of capital goods and home improvements. Others have placed their assets in bank accounts in anticipation of entering the market.

INTERACTION

The degree of interaction among the different business units in the group and the product companies in the SpareBank 1 group increased through the year. As a result SpareBank 1 SR-Bank is perceived as an ever more professional supplier of financial services. Interaction is an area that will remain in focus.

EMPLOYEES

At the end of 2004, the Private Market Division (branch offices, Customer Service, Business Support and Marketing Department) had 512 employees. This is three man-years less than the previous year. About 55% of the employees are women and 45% are men. The average age is 44. There are 16 women in leading positions.

Rationalisation and adaptation of employees' expertise in connection with changes in customer behaviour (more self-service), and acquiring more capacity for advisory sales visits, continue to present challenges and remain in sharp focus in the organisation.

SUMMARY OF THE DIVISION'S SUB-AREAS

Private customers

The number of customers who define SpareBank 1 SR-Bank as their main bank has increased by 2,600, from 181,100 to 183,700. If we take into account the intensified competition from existing and new participants in the banking market, this is satisfactory. Customer satisfaction has advanced appreciably, both generally and in the youth sector in particular, and lies at a high level. In the bank's most profitable segment, 90% of the customers visited their personal adviser in the branch office network. In 75% of the cases they were acting on an initiative from an adviser. This shows that the work put into the shift to new work processes is now yielding solid results.

Agriculture

There has been an extensive need for restructuring in agriculture in order to adapt the individual farmer's activities to a new regulatory framework, and this remains the case. 2004 was a very challenging year for tomato and pork production in particular as a result of increased cheap imports and overproduction. Larger units, specialisation and new types of operation provide challenges for the bank as partner. Feedback from the market and from the organisations that cooperate with agriculture indicates that the bank is perceived as an ever more expert and active partner. The bank's role as a clear market leader implies a responsibility, and is one of the forces behind the development of expertise in the sector.

Small and medium-sized businesses

About 5,500 small businesses are connected to the Private Market Division through the individual branch offices. The businesses are typically organised as sole traders, with a low level of complexity and risk from the bank's point of view. If the nature of the business changes, it is transferred to the Corporate Market Division, which can provide specialist expertise. Developments in this market were satisfactory in 2004.

THE OUTLOOK AHEAD

Households' financial status is sound and they are optimistic regarding the future. Unemployment is at a relatively low level, and the interest rate level is not expected to rise by more than 0.5 to 1.0 percentage point in the course of the 2005. This should result in a level of demand for banking products and services that is comparable with 2004 in most areas. The capacity of market suppliers will increase in 2005 and result in more intense competition. The Private Market Division is well equipped for this increased competition, and sound developments are expected again in 2005.

The Stranddalen tourist cabins 975 metres above sea level offer a taste to remember. Come the middle of summer 2005, Solfrid Laugaland and Solfrid Moen invite you to experience new, expanded tourist facilities characterised by old-fashioned building customs - and if possible, even better komler (potato dumplings).

The komler of Stranddalen, located on the Ryfylke moors, are legendary. Of course, experienced hands and top quality raw materials are vital factors. But the long foot-tour up into the mountains is also an important ingredient. People have been enjoying the Stranddalen tourist cabins for over 80 years.

IN SEPTEMBER THE MOUNTAINS GREW A LITTLE LARGER

Norwegians' interest in experiencing nature flourished during the years immediately following World War I, and that was when the story of Stranddalen started. It was decided that a Mecca for mountain tourists should be built high up on the Ryfylke moors of south-western Norway. Hardy locals from Suldal Valley bore planks and timber up the steep slopes with the aid of horses. Over the next 80 years, no small number of cheerful faces has gathered around the tables in the old cabin 975 metres above sea level.

Now it is history. New requirements for establishments providing catering facilities, and an increase in the number of visitors have put a stop to one of Norway's most popular tourist cabins. In order to continue operations, the cabin was required to provide an approved supply of drinking water and energy which met up to the Norwegian Food Safety Authority's hygiene requirements. In addition, the increased flow of guests in recent years made it necessary to increase both overnight and indoor recreational capacity.

PRESERVING TRADITIONS

Kjell Helle Olsen, day-to-day manager of Stavanger Tourist Association, has a soft spot for Stranddalen. No-one knows how many komler he has put away up there. Now he has been along to help burn down the old cabin.

”I was devastated that we couldn't keep the old building,” he says. “The very walls were steeped in tradition and in feelings. But the cabin was in poor shape after doing its job for many years.”

Now Stavanger Tourist Association is investing NOK 10 million in a modern facility with capacity for 60-70 overnight guests.

”Our original idea was to keep the old building and integrate it with the new one, but that was too expensive. But we have kept the old fittings and furnishings. The standard will be higher and more modern, but we are going to continue the old traditions, like bread baking and komler”, Kjell assures us.

IMPORTANT INVESTMENT FOR RYFYLKE

The Tourist Association's responsibility is first and foremost to communicate all the fantastic experiences the Norwegian countryside has to offer us. Society goes faster and faster, and stress increases continually. And there is little that is more refreshing than a walk in the mountains. The Tourist Association does an excellent job of meeting its responsibilities. In consequence the association is increasingly popular, and at the end of 2004 had 17,750 members. The association's investment will benefit the whole region. This is why SpareBank 1 SR-Bank gave the association NOK 1 million in September for the work at Stranddalen.

But the Tourist Association's willingness to invest in Stranddalen is also important for people other than tourists. In 2004, Stavanger Tourist Association had about 55,000 overnight visits at the tourist cabins in the Ryfylke moors, which is a new record. The cabin in Stranddalen has felt the increase in particular. These figures are important for the local business sector, not least the important tourist industry.

WELCOME TO STRANDDALEN THIS SUMMER

In summer 2005, the ”new” Stranddalen will be ready. This time the materials have been brought in by helicopter. There will be four new buildings, and the old style has been retained in the new buildings. The Suldal firm Kon-Sul has been given the job of designing the facility. They have presented a solution that reflects the old building style of Suldal and Ryfylke, among other things through the roof angles and materials used. The architects have taken pains to ensure that the buildings blend smoothly into the landscape. This is the reason they have chosen to break up the facility into several smaller buildings. This will make them lower, and create variation and a number of protected outdoor nooks and crannies.

When the new complex opens on 2 July, the conditions for both guests and staff will be improved. And not least the people making the komler.

SEPTEMBER:

STRANDDALEN

Stavanger Tourist Association is investing NOK 10 million in new buildings at Stranddalen on the Ryfylke moors. Almost 80 years of tourist history in the Norwegian mountains is to be continued with the aid of a new, larger and more functional complex. In September, SpareBank 1 SR-Bank donated NOK 1 million to the project from the bank's endowment fund.

The Mayor of Stavanger, Leif Johan Sevland, is Director of the Rogaland University Fund.

It is Friday, 29 October 2004. HRH Crown Prince Haakon Magnus signs the document. ”Pursuant to Section 1, item 2 of Act no. 22 of 12 May 1995 relating to universities and regional colleges, it is hereby decreed that with effect from 1 January 2005, the Regional College of Stavanger will acquire the status of university. The name of the institution will be the University of Stavanger.”

IN OCTOBER STAVANGER BECAME A UNIVERSITY CITY

It is very rare for Norway’s prime minister not to be present in Council. This Friday he was somewhere else, however. He was making his way, accompanied by Minister of Education Kristin Clemet, through a throng of more than 1000 highly expectant people at Ullandhaug, Stavanger. The pre-announced press conference had clearly aroused interest. And when Kjell Magne Bondevik said what he had come to say, enthusiastic cheers could be heard all over Ullandhaug. For those who were listening, it could be heard all over Norway.

THE PREMISE OF THE STORY

The concept ’premise’ is used in dramaturgy, and means the point the story is actually trying to make - the moral, if you wish. The premise of this story would be: You can achieve anything if you want it enough. For the drama culminating in the university status is both long and thorny. And ’will’ has been the key to success.

The first political initiative was taken as early as 1962, but Norway’s fourth university was placed in Tromsø. Since then, a great many people have put an incredible amount of work into the matter. The Norwegian word dugnad – meaning a community project to get a job done – is almost inadequate. Everybody has pulled together – individuals, businesses, institutions and politicians. People in this region are not in the habit of giving up.

THE DUGNAD

Perhaps one of the keenest members of the dugnad team was Leif Johan Sevland, Mayor of Stavanger and Director of the Rogaland University Fund. He has no idea how much time has been invested by all those who have contributed. Nobody has been counting the hours put into the project. But he is in no doubt that this is the most profitable venture he has ever been involved in. And when the finish line was reached, the emotions came.

”I have to admit that I had known about this for a while,” he says, “but when Prime Minister Bondevik announced the Storting’s decision, it was difficult to hold back the tears. We had worked for this for such a long time, and suddenly we were there. It was a fantastic moment.”

AN IMPORTANT CHEQUE

”One of the most important moments along the way was when Terje Vareberg of SpareBank 1 SR-Bank presented the project with a check for NOK 10 million at semester start in 2000,” relates Leif Johan. It came at a decisive moment, and launched a rush of generosity in the business sector that resulted in NOK 270 million. The fact that the bank made its gesture in such an early phase was a deciding factor. The bank was one of the pioneers among the university-builders.”

How impressive is NOK 270 million? When Norway's Conservative Party held its national convention in Stavanger three years ago, the Mayor opened the convention with an address. When the amount was mentioned, he was interrupted by a storm of applause. That doesn’t happen often during the opening address at political conventions.

COMMUNITY BUILDING

”The bank has contributed to community building in the true sense of the expression”, says Leif Johan. “It reminds me of the way things used to be, when banks had a natural role in the local community. They were there, they stepped into the breach and did what was necessary. This is the historical role that Sparebank 1 SR-Bank has assumed. It has roots, and is faithful to the local community.”

The Mayor says that 2004 was a milestone in more than one way. ”A new stadium, and Stavanger’s status as European Cultural Capital are very good,” he says. ”But the university is much, much bigger. In my opinion, the gift from the bank is of the once in a thousand years order.”

OCTOBER:

THE UNIVERSITY

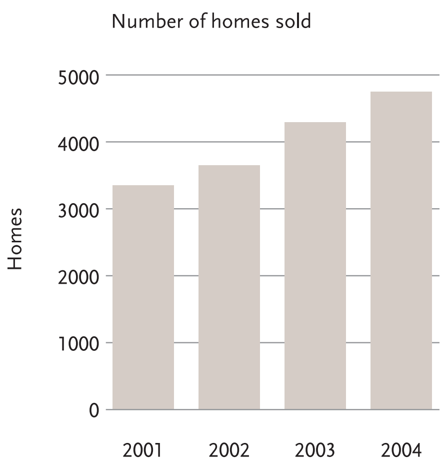
At the Royal Palace in Oslo, the Crown Prince Regent signs the document making Stavanger a university city. SpareBank 1 SR-Bank is one of many that contributed, in the bank’s case with NOK 16 million from its endowment fund. The University of Stavanger is the only university in Norway that has achieved its status purely on the grounds of high academic quality.

Our subsidiaries

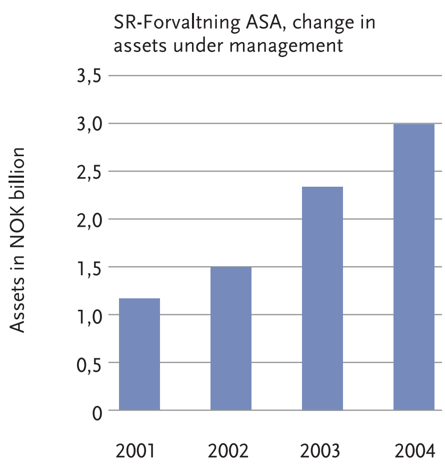
EIENDOMSMEGLER 1 ROGALAND AS
In 2004 the EiendomsMegler 1 chain brokered approx. 14,000 dwellings nationwide, with an overall value of approx. NOK 19 billion. The chain has also had a satisfactory development in commercial properties, with a brokered value of approx. NOK 2.5 billion in 2004. Despite the disappearance of EiendomsMegler 1 Vest, the chain has grown in 2004.

With an overall income of approx. NOK 180 million and brokering of approx. 5,000 dwellings distributed among 18 real estate offices in Rogaland and Agder, EiendomsMegler 1 Rogaland AS is the largest single company in the chain, and the region's market leader.

The activity in Rogaland and Agder is based on brokering used dwellings, commercial properties and the sale of new, planned dwellings, as well as a separate division for the brokering of cooperative housing dwellings. Activity has been particularly high in connection with the sale of new, planned flats. In 2004 we sold approx. 800 units of planned flats. Our communication with the market runs under the slogan "a deal you can live with." This is based on the recognition that the purchase of a new home may be the customers' most important deal in the course of their lives. It is our job to take this seriously, and be equally thorough and committed every time. We attain the best prices when both the seller and the buyer trust our recommendations. The experience and expertise of our 105 employees is therefore decisive for continuing our success.



SR-FORVALTNING ASA
SR-Forvaltning ASA is a securities enterprise, licensed to conduct active investment management. The objective of SR-Forvaltning is to be a local alternative with high skills in the area of financial management.



SR-Forvaltning ASA manages the portfolios for SpareBank 1 SR-Bank and Sparebank 1 SR-Bank's Pension fund, as well as portfolios for approx. 1,300 external customers. The external customer base consists of pension funds, public and private enterprises and wealthy individuals. Total assets as at 31 December 2004 are NOK 3 billion, of which NOK 700 million are investment management for SpareBank 1 SR-Bank and SpareBank 1 SR-Bank's pension fund. The growth in external investment management in 2004 was NOK 600 million. The company has seven employees.

The activities of SR Forvaltning are based on a conservative and long-term philosophy. Different portfolio models form the basis for the structure and adaptation of the individual investor's investment management. The investment management concept is based on applying different placement alternatives in combinations that contribute to greater returns and reduced risk. The objective is to supply the individual investor with a good, risk-adjusted profit.

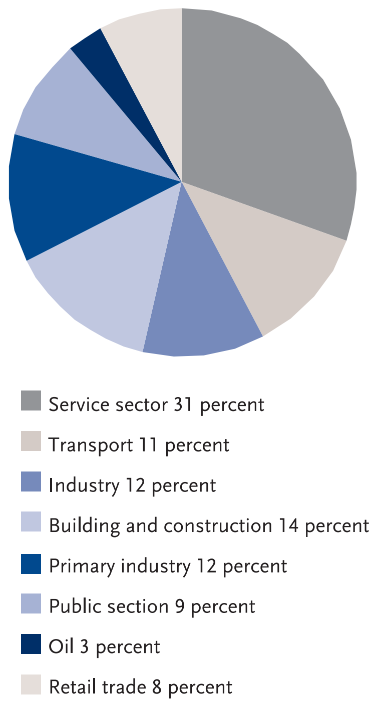
SPAREBANK 1 SR-FINANS AS

The new name of Westbroker Finans AS is SpareBank 1 SR-Finans AS. The company changed its name in order to better underline the link to its owner, SpareBank 1 SR-Bank. The company has 22 employees, and is an integrated part of the business market professional community of SpareBank 1 SR-Bank. Like its parent company, SpareBank 1 SR-Finans is preoccupied with offering its customers a high level of expertise on finance, as well as possessing intimate knowledge of the local business and industry we are part of.

SpareBank 1 SR-Finans AS is a local company. Its management and administration are located at Forus in Stavanger. The company also has an employee at the division office in Bergen. This employee serves the market in Hordaland and Sogn og Fjordane. In addition, SpareBank 1 SR-Finans AS cooperates with banks in eastern Norway that are part of the SpareBank 1 alliance.

The company has built up its position to become the leading finance company in Rogaland, and had total assets of NOK 1.8 billion at the beginning of the year. The company's principal product is leasing, and the leasing portfolio consists of a wide range of products. Our customers represent the region's most important industries.

SpareBank 1 SR-Finans AS
Portfolio broken down by sector
Total portfolio is NOK 1.6 billion



The executives of the subsidiaries of SpareBank 1 SR-Bank. From the left, Knut Sirevåg, Managing Director SpareBank 1 SR-Finans AS, Johannes Vold, Managing Director of EiendomsMegler 1 Rogaland AS and Dag Sønsterud, Managing Director of SR-Forvaltning ASA

Human capital

SpareBank 1 SR-Bank places great emphasis on continuous development of expertise and skills, at the same time as we encourage individual employees to be aware of their own development. Good management plays an important role if we, as a company, are to further develop within sales and consulting, and at the same time succeed in exploiting our resources in terms of expertise.

A VALUE-BASED, LEARNING ORGANISATION
As an organisation, SpareBank 1 SR-Bank wants to be a learning organisation based on a set of values, and emerge as "the recommended employer". Our value base forms the foundation for our conduct, both internally and externally.

The courage in conviction, the strength to create	through having	• a Long-term perspective
	through being	• open and honest
	and by showing	• responsibility and respect
		• will and ability to improve

Our value base shall permeate the entire business and everything we do.

The Group has a clear and goal-oriented vision, which all employees shall embrace:

SpareBank 1 SR-Bank – the recommended bank

The Group challenges all employees to think through what the vision means for the individual employee and how he or she performs his or her work. High levels of quality and service are important in this regard.

SpareBank 1 SR-Bank works with a long-term perspective, focusing on high customer satisfaction, reputation, loyalty and trust as important factors.

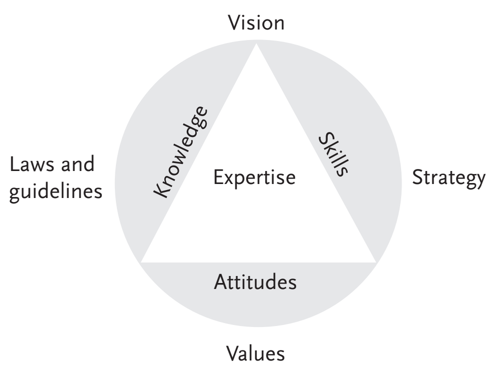
In all its work, the Group places the customer in the centre, and will always seek to optimise the business areas' operations and profits on the basis of customer requirements. In this context, cooperation among the units is an important precondition for success.

The Group focuses on well-being and a good working environment in which the fellowship is characterised by the ability and willingness to work in a team. However, there will always be room for individual differences.

SpareBank 1 SR-Bank is preoccupied with continual improvement at all levels. This requires that every single employee shall, in their work, take responsibility that their own tasks are developed further and improved in order to benefit the customer and the company. SpareBank 1 SR-Bank considers change and adaptation important for our employees and the company. This will result in increased learning and greater cooperation across different business areas and among our employees. Through knowledge sharing our employees shall learn from each other, benefiting the customers and the Group.

As a company we are concerned that our employees shall have a sound balance among work, health and leisure time. We facilitate flexible work situations for our employees, as well as contributing to measures that further health and prevent illness. The Group has adopted a life phase policy in which the objective is to, in as far as possible, adapt the work situation in accordance with individual employees' phase in life and the needs these bring. Flexibility and individual adaptation are keywords in this context. The Group also wishes to develop a corporate culture in which the "caring" dimension holds a strong position.

EXPERTISE
The Group's overall expertise and skills are of great strategic and competitive value, and the Group systematically invests in goal-oriented expertise and skills development. Development plans to assure and further develop the expertise of the employees are drawn up in connection with individual conversations with all employees.



In SpareBank 1 SR-Bank we see expertise as the interplay among knowledge, skills and attitudes. The bank's vision, strategy, value base, laws and guidelines constitute the framework for the development of expertise.

What the future will demand of the company's employees will be based on customer expectations and the authorities' requirements of us as a financial institution. The company gives interested employees the opportunity to acquire the required expertise, while employees that are not able or willing to do this are helped to find alternative solutions outside the company.

SpareBank 1 SR-Bank has a special development scheme for talented employees. The programme is built on the bank's vision, value base and strategic objectives. Able employees are defined as a critical competitive edge for the Group. High quality among its key employees and executive talents are of decisive importance if we are to achieve our ambitious future goals.

SpareBank 1 SR-Bank attaches great importance to contact with university colleges and universities and contributes to company presentations where this is possible. In this manner we wish to further develop our employees, at the same time as this helps us attract new expertise for the future.

MANAGER DEVELOPMENT

In this connection all our managers shall undergo an 18-month manager programme prepared specially for SpareBank 1 SR-Bank in collaboration with the (Norwegian) School of Management. The programme consists of six modules that build on our vision, value base, strategy and management philosophy, at the same time as providing all managers with a shared platform. The programme has both a theoretical and a practical aspect, and can count as study credits both for a master's and a bachelor's degree, if the managers attending it want this.

Employees at SpareBank 1 SR-Bank in Bryne. From the left, Ragnhild Åmodt, Anne Karin Undheim, Ståle Hoff, Bank Director Torvald Søiland, Wenche Winge and Judith Marie Taarland.

The mayor of Sauda, Torfinn Opheim, believes that the Sauda Conference is important for Ryfylke. In that case it is important to SpareBank 1 SR-Bank, too.

In common with many other mayors, Torfinn Opheim in Sauda has attended his share of conferences. Not all have been time worth his while. But when the report of the district commission was presented at the idyllic Sauda Fjordhotell during last year's Sauda conference, mayors from all over Ryfylke knew that this was time well spent.

IN NOVEMBER RYFYLKE WAS UNITED

In November last year the Sauda Conference was organised for the fifth year running. The organiser is SpareBank 1 SR-Bank and the conference gathers people from the public sector and business development in Ryfylke. In 2004 the mayors from the municipalities of Finnøy, Sauda, Suldal, Forsand, Rennesøy and Hjelmeland were gathered at the intimate Sauda Fjordhotell. There were also several city managers and representatives from the county municipality. Business and industry were represented by their associations.

SHARED CHALLENGES

The mayor of Sauda, Torfinn Opheim, was very satisfied with the conference. "First and foremost, the Sauda Conference deals with topical matters, and that makes it significant," he says. "Those of us living in smaller municipalities, above all here in western Norway, share a number of challenges. Meeting all the players once a year is an important end in itself. I would like to give SpareBank 1 SR-Bank all the credit for having initiated this."

"These conferences are clearly important for the region, and the Sauda Conference always has good and interesting lecturers – lecturers that inspire interest with topics in the public eye," Torfinn reports. "It gathers central players and creates a good network. Here, we can work with the conditions for growth and value creation in our municipalities, and what we can do in the future."

He also emphasises the importance of cooperation among the municipalities in the rural areas. Young people leaving the rural areas never to return are typical challenges. "How can we get the young people to move back," he asks. "They won't come back just like that. Jobs and a social environment must be there to attract them. In turn, that means communications, building roads, industry."

THE FUTURE OF THE MUNICIPALITIES

Sauda Fjordhotell is not all that big. There is no space for a huge conference. The intimacy lent by the hotel creates a special framework. The discussions following the lecture follow naturally.

The future of many municipalities and county municipalities has been uncertain for many years. Torfinn is not the only one who thinks the central Government's contribution has been vague at best. Will there be specific proposals on the table? Of the many interesting lectures at least year's conference, the most eagerly awaited was by Johan Petter Barlindhaug, the Chairman of the District Commission. Did he have any answers for Norwegian municipalities?

The commission obtained its terms of reference in February of 2003 and was to look at district policy and all administrative levels. How is one of the richest countries in the world to improve the balance between municipal tasks and municipal financial resources? Do we have an income system that takes account of geographic differences? How can the municipalities facilitate the development and creative zest of individuals – for men and women, and for different needs and wishes? The commission's report was fresh off the press when it was presented in Sauda.

RIGHT TO THE HEART

"This went right to the heart of municipal Norway," says Torfinn. "The report was very interesting for us residents of Ryfylke, and we got this while it was at the top of the public agenda." Every single municipality in the country is currently faced with the following challenge: which services shall we offer, and what level should they be at? The mayor claims that the commission has some useful arguments in this context.

"By organising this conference, SpareBank 1 SR-Bank shoulders a large social responsibility. The bank is showing its willingness to create values together with us locally."

NOVEMBER:

THE SAUDA CONFERENCE

Five years ago SpareBank 1 SR-Bank took the initiative to the Sauda Conference at the small and intimate Sauda Fjordhotell. The conference has become a success and unites municipalities and county municipalities. Business and industry are represented through their confederations.

He may be a broker worth using. He believes that humanity is worth investing in. Every Monday "street" vicar Per Arne Tengesdal serves breakfast to Stavanger's homeless.

A lot has changed in Stavanger since St. Petri church was inaugurated in 1864. Such is the price of building. In its time, building of the beautiful basilica cost 200,000 kroner. Today it is surrounded by scaffolding and about to be renovated for a sum about a hundred times what it cost to build. Other things are just the same. Eating breakfast, for instance, is still a good thing. Especially if you don't have a home.

IN DECEMBER BREAKFAST GOT A BIT BETTER

It is 8 a.m. Street vicar Per Arne Tengesdal is preparing breakfast together with volunteers and staff at the Church City Mission, the cathedral and St. Petri parish. They are expecting their guests. Those of us who don't have a home. Every Monday during the past ten years they have served a solid meal to the homeless in the centre of Stavanger. Many of us need a hand. And Per Arne is happy to reach out his hand.

Together with the Salvation Army the Church City Mission was given NOK 1 million from SpareBank 1 SR-Bank's endowment fund. Both organisations do exemplary work among people that are often labelled the weakest members of society.

"This may sound odd, but these people have great resources," says Per Arne, adding "Maybe the branches heavy with fruit are the ones that break first."

A GENERATIONAL SHIFT

Per Arne reports that there is a new generation of the people living on the street – a frightening change that has taken place in a very few years.
"Today it's not just the old crowd at the Cathedral Square that are homeless," he says. "We have homeless people as young as 18 dropping by. Being young and homeless in one of the world's richest countries is tough."

CHARITY

The Salvation Army and the Church City Mission both have a social profile and are motivated by charity (probably a word that should be mentioned in annual reports more often). Their efforts are a valuable supplement and alternative to public welfare. The gift to the Salvation Army goes towards their work in Rogaland and Agder. The money is placed in an internal fund to which the local units can apply for funds. This will stimulate greater activity.

The purpose of the gift to the Church City Mission is to help give the social and voluntary service a long-term financial basis, so that easily accessible service and preventive work can be developed further. The breakfasts at St. Petri are one of several measures in this area. NOK 100,000 of the gift was given to the Church City Mission in Kristiansand.

DEPENDENT ON VOLUNTARY EFFORTS

"One million is a huge figure for us," says the Street Vicar. "This money will benefit some of the most vulnerable among us. Contributions such these are incredibly important to us. It is a paradox that the part of our work that is about caring for those that really struggle is also the most difficult to fund. When the money for welfare is divided up, the so-called 'non-statutory services' are the first to go. That is why we depend so absolutely on voluntary efforts. This is money that enables us to tell our users: yes, we'll be here next year too."

COMPREHENSIVE WORK

The Church City Mission carries out comprehensive work helping drug addicts and alcoholics, child welfare, low threshold services, preventive work and upper secondary education in the county of Rogaland. The Church City Mission Rogaland today consists of the Rogaland A-Centre, the Dreieskjevå development centre for youth, Vibemyr school workshop, Offer of a home for women, the City Mission Centre and the Preventive Work Resource Team Haugalandet. The Church City Mission has about 100 employees and as many volunteers in Rogaland. In addition to breakfasts on Mondays, the street vicar serves dinner every Thursday, participates in discussion groups and does reaching-out case work among those living on the street.

A GOOD INVESTMENT

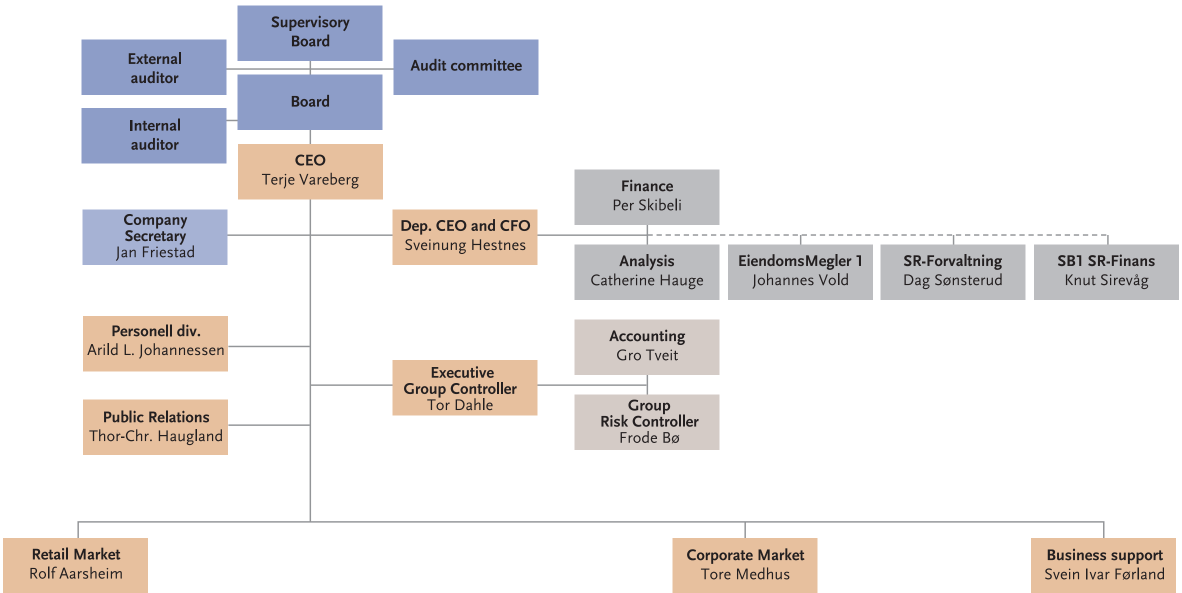
The chairs around the worn Formica table at St. Petri's parish hall are beginning to fill up. Eggs, cheese, bread and coffee are finished off rapidly. "The best part of this work is when we manage to get through to people," says Per Arne. Most of the people sitting around the table have suffered defeat again and again. Many come from troubled homes.

DECEMBER:

CHARITY

The Church City Mission and the Salvation Army receive NOK 1 million each from SpareBank 1 SR-Bank's endowment fund. Both help making everyday life better for the most disadvantaged among us. The visible and invisible poverty among us needs a hand that reaches out. We hope that our gift can help make this happen.

Organisational chart (simplified)



Governing bodies

The Supervisory Board
(The figures in the brackets state how many primary capital certificates the person in question owned in the Sparebanken Rogaland as at 31 December 2004. We have also included primary capital certificates owned by close family members and known companies in which the person has decisive influence, cf. Section 1-2 of the Companies Act. We have also included primary capital certificates belonging to the institution that has elected the person as its representative.)

Members elected by primary capital certificate owners
Andersson Bjarne, Oslo (450,920)
Apeland Bjørn, Tysvær
Egenäs Ulf, Sweden (890,340)
Erevik Alf, Hønefoss (60,917)
Gudmestad Martha, Stavanger (5,220)
Haugan Finn, Trondheim (16,348)
Hedberg Per, Stavanger (18,039)
Hystad Anne Elise, Karmøy (1,700)
Jacobsen Trygve, Stavanger (67,208)
Kolnes Mona Iren, Stavanger (1,540)
Kræmer Hanne Karoline, Tromsø (30,892)
Larre Erik Sture, Oslo (19,800)
Nysted Terje, Forsand (59,182)
Næsheim Birte, Stavanger (4,320)
Næss Knut, Jørpeland (75,000)
Pedersen Harald Sig., Stavanger (41,664)
Risa Bjarne, Nærbø (11,390)
Risa Einar, Chairman, Stavanger (12,000)
Stangeland Trygve, Sola (113,460)
Stave Torill, Oslo (100,440)
Tandberg Øyvind Andreas, Hønefoss (5,000)
Tveteraas Ove, Stavanger (120,000)

Members elected from and by the depositors
Bakke Synnøve I., Hauge i Dalane
Ersdal Rolf, Strand (600)
Hansen Kåre, Egersund
Hognestad Kjell, Bryne
Hovland Mandrup, Aksdal
Igland Karl Endre, Lyngdal
Nordtveit Sølvi Lysen, Vats
Reke Mette, Sola (240)
Vaage Anbjørn, Suldal
Østensjø Inger, Stavanger (360)

Members appointed by the municipalities
Alvestad Svein Ove, Bokn (710)
Eikeland Peder, Bjerkreim
Fredriksen Kjell H., Egersund
Haram Per, Stavanger (240)
Hidle Terjer, Nord Hidle (384)
Maudal Arne, Forsand
Sølhusvik Lasse, Haugesund
Søyland Svein Kj., Gjesdal
Aarenes Hans Greger, Flekkefjord
Aass Tor Syvert, Nærbø

Members elected from and by the employees
Berland Bjørn, Stavanger (866)
Clausen Janne, Mandal
Ellingsen Kirsten Siv, Stavanger (24)
Erga Morten, Jæren
Halvorsen Arnt Eivind Roth, Finnøy (400)
Hamre Harald Utvik, Stavanger (747)
Hegrestad Ragnhild, Egersund (477)
Kvale Anne Nystrøm, Stavanger (674)
Markhus Lars Magne, Stavanger (1,806)
Solheim Vibeke, Stavanger (200)
Throndsen Astrid H., Finnøy (290)
Trædal Erling, Ølen (417)
Wells Eli Lunde, Stavanger (409)
Østhus Grethe Berge, Vedavågen (746)

The Board of Directors
General Manager Geir Worum, Chairman of the Board
Ship owner Kristian Eidesvik, Deputy Chairman of the Board
Managing Director John Peter Hernes
Director Finance Ole Gladhaug (960)
Managing Director Magne Vathne
Attorney Anne Elisabeth Kroken
Senior consultant Gunn Jane Håland
Managing Director Terje Vareberg (7,779)
Employee representative Torstein Plener (922)
Deputy member for the employees (regularly attends board meeetings)
Birte Wereide (799)
Deputy member (regularly attends board meeetings)
Lise Hansson

The Audit Committee
Attorney Odd Rune Torstrup, Chairman
Head of Division Odd Broshaug, Deputy Chairman of the Board
Manager Svein Hodnefjell
Farmer Berit Skjæveland
Technical director Kåre Hansen

Group management
Terje Vareberg (7,779)
Sveinung Hestnes (758)
Tor Dahle (2 534)
Svein Ivar Førland (432)
Rolf Aarsheim (1 850)
Tore Medhus (1 074)
Arild Langberg Johannessen (914)
Thor-Christian Haugland (248)

External auditor
PricewaterhouseCoopers DA
Attn. state-authorised public accountant Torbjørn Larsen

SpareBank 1 SR-Bank

CENTRAL SWITCHBOARD +47 02002

HEAD OFFICE/ADMINISTRATION:
Bjergsted Terrasse 1, P.O. Box 218
4001 Stavanger, Norway
Fax +47 51 88 22 78
E-mail: sparebank1@sr-bank.no
Website: www.sr.bank.no

Photographs: Anne Lise Norheim, except pages 1, 14 Sigbjørn Sigbjørnsen, pages 88, 104 Bjørn-Eivind Årtun, page 96 Kjell Helle Olsen, page 69 Elisabeth Tønnesen.
The photograph on the front page shows the winners of the Best Youth Enterprise in Rogaland in 2004, Lena Suljanovic, Thomas Voilås, Ruth Siri Espedal and Margot Lande.

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SpareBank 1 SR-Bank
Bjergsted Terrasse 1
P.O. Box 218, 4001 Stavanger, Norway
Telephone +47 02002
Fax +47 51 53 18 64
www.sr-bank.no

SpareBank 1 SR-Bank