

ANNUAL REPORT 1998

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Main points

Pre-tax profit:

NOK 333 million

Deposit growth for current year:

1.8 per cent. Lending growth: 8.5%

175th Anniversary with around 400 local activities

New products:

Unit link

Non-life insurance

Introduction of benefits programme:

Privat Ekstra

Privat Pluss

FöreningsSparbanken (Swedbank) acquires 24% of SpareBank 1 Gruppen. New, important alliance partner

Preparations for the turn of the millennium

Main figures from the Parent Bank:

Ratings:

Fitch IBCA	Long term A-
	Short term F2
	Individual B/C
	Support 2

Moody's Investors Service

Long and short term deposit: Baal/Prime-2

Counterparty: Baa1

Financial strength: D+



Main figures

	(Group)				
From the profit and loss account:	1998	1997	1996	1995	1994
(in millions of kroner):					
Net interest income	717	693	679	694	711
Other operating income	188	165	183	175	128
Operating expenses	-535	-505	-558	-504	-483
Result before losses and write-down	371	353	303	365	355
Losses and write-downs	-38	14	14	-37	-15
Pre-tax result of ordinary operations	333	367	317	328	340
From the balance sheet:	31.12.98	31.12.97	31.12.96	31.12.95	31.12.94
(in millions of kroner):					
Total assets	22.573	20.277	18.629	17.339	15.742
Outstanding loans (gross)	20.144	18.558	16.859	15.299	13.839
Customer deposits	13.631	13.387	12.830	12.128	11.385
Key figures:					
Capital base	1.634	1.476	1.287	1.151	1.014
Ris-weighted volume	17.482	15.223	13.047	11.384	10.219
Capital adequacy ratio	11,3%	11,9%	12,6%	13,7%	14,5%
Post-tax return on equity	15,4%	19,7%	18,0%	20,3%	26,1%
No. of staff	795	794	872	881	918
Person-years worked	662	673	712	729	749
No. of branches	74	75	79	77	77

Improvement

SpareBank 1 Midt-Norge can look back on seven good years of steadily improving profits. However, 1998 was not merely another such year in economic terms. The year also bore the positive imprint of our 175th anniversary. The anniversary was actively used to raise staff satisfaction and customer satisfaction levels and to present SpareBank 1 Midt-Norge as Norway's most community-minded bank. All this to increase our market shares, improve profits and ensure a sound foundation for the future.

In 1998 we decided to establish an additional distribution channel to further the branch network, namely online banking via the Internet. This embodies what is set to become our organisation's most important engine of change, namely information technology. The local-bank concept is a key element of the bank's business idea. The relationship between the staff and its customers is probably the bank's greatest asset. In a future world where the Internet could become the most important distribution channel for financial products our main task will be in the following two areas. First we must develop a competitive Internet distribution and maintain necessary support and secondly we have to safeguard the extensive branch network built up through prodigious investment in the course of the bank's 175-year history. The only way to achieve this is to radically improve our basic business concept to ensure that the local branch will continue to be our customers' preferred supplier of banking products and services for many years ahead. To achieve our goals branches must be transformed from providing transaction-oriented customer services to providing advisory and sales services based on high-quality expertise and a strong customer focus. This will require further cost reductions, investment in new technology and knowledge as well as continued expansion of our product range. Moreover, our organisation must be realigned to ensure that every member of staff has one clear common focal point, namely the customer.

In 1998 the SpareBank 1 alliance was enlarged to include FöreningsSparbanken (Swedbank). This greatly strengthens the alliance and we see a strong potential for substantial synergies in both the short and long term. In the short term our position in the corporate market has benefited, enabling us to maintain our place as the region's leading bank in both the personal and corporate sectors.

At the time of writing a fairly gloomy picture is being drawn up regarding the Norwegian economy. Low oil prices, high interest rates and growing problems above all for oil-based industries could exacerbate the bank's operating environment. We are prepared for this. Moreover a comprehensive quality enhancement drive is under way which will be given high priority in 1999 and 2000. I believe a potential remains for improvement of our operations. This potential combined with the bank's solid financial platform leads me, my colleagues and staff throughout the organisation to be optimistic on the bank's behalf.

Finn Haugan
Managing Director

Directors' report

For Sparebanken Midt-Norge 1998 proved a good year with a result of ordinary operations worth NOK 333 million. The Directors recommend that the parent bank's profit of NOK 275 million be allocated as follows: NOK 96 million to cash dividend (NOK 16 per primary capital certificate), NOK 76 million to the dividend-equalisation fund and NOK 103 million to the savings bank's fund. Lending grew by 8.5% and net deposits by 1.8%. Ordinary customer deposits, however, rose 4.1%. Strong growth in electronic services produced a 10% increase in the volume of payments transfers. 1998 was an eventful year featuring extensive celebration of the bank's 175th anniversary involving staff, customers and the region in general.

Framework conditions

Several years of falling interest rates came to an end in 1998. Lower oil prices and a wage round that was viewed as expansionary weakened international confidence in the Norwegian krone. Hence, as part of the government policy objective of exchange rate stability, Norges Bank raised its key rates on five occasions. Short-term interest rates rose from 3.25% p.a. to around 8% p.a. over the year. Government bonds were not affected to the same degree, falling 0.16 per cent to end the year at 5.34%.

Domestic credit expansion slowed in 1998 compared with 1997, ending the year at just over NOK 90 billion. This represents a growth of about 8.5%. Commercial and savings banks' market share was unchanged in relation to 1997 after recent years' credit supply shift entailing a steady increase in banks' market share. Bank lending growth thereby fell into line with total credit growth nationwide after remaining above it in recent years.

The economy continued to expand in 1998 accompanied by continued falls in unemployment. The consumer price index rose by 2.3% p.a. compared with 2.6% p.a. in 1997, still higher than our main trading partners.

At the start of 1999 there are clear signs that growth is slowing down, and that we are on the brink of a weaker period for the economy.

Developments in Mid-Norway

Our region makes up about 10% of Norway's economy and has traditionally followed the trend in the national economy with a lag of about six months. The fairly strong growth in employment witnessed in the two Trøndelag counties in recent years is coming to a halt. However, somewhat slow growth in the labour force, partly due to a net population outflow, serves to dampen unemployment.

Figures from Statistics Norway show a population increase in 1998 of just under 500 persons for Trøndelag as a whole, and a continuing trend towards a more urban settlement pattern. While Trondheim recorded a growth of just over 900 persons, the trend in Nord-Trøndelag is one of emigration, with the exception of Stjørdal, Levanger and Leksvik.

Agriculture remains a key industry in Mid-Norway. More and more farmers are adapting to a new farming policy by investing in rural development initiatives and improved production methods. In 1998 the bank experienced continued demand for farm credits, particularly for building purposes. Capital spending on tractors, machinery and implements was lower than in previous years, probably because investment decisions were postponed pending the removal of investment tax as from 1 January 1999.

The fish farming industry continued to show strong growth both in terms of production volume and added value. In coastal areas of Mid-Norway fish farming has evolved into a dominant industry and a major employer.

Manufacturing grew both in terms of employment and investment in Trøndelag. Compared with the country as whole employment growth is weaker at 5.9% against 8%, while investment growth is somewhat stronger at 0.9% against 0.7%.

The market has stabilised after an agreement was signed with the EU Commission. In 1998 Norwegian salmon exports rose by 8% in volume terms, as in 1997, while the value of salmon exports climbed 15%. Thanks to the depreciation of the krone, fish farmers earned 1 krone more per kilogram of salmon sold for export in 1998 than in 1997. Given the year-on-year fall in production costs, the fish farming industry as a whole can look back on an excellent year of operation.

The industry's main challenge remains trade barriers and securing entry for Norwegian salmon to established markets.

Construction

Applications from developers for approval of construction plans ahead of the new Building and Planning Act which came into force on 1 January 1998 led to long processing queues in many municipalities. Even so the year featured high activity levels in the construction industry, causing capacity shortages in many construction trades. Activity levels were high both in private development projects, refurbishments and public construction. In the Trondheim region the largest project has been the maths and science building at NTNU, the Norwegian University of Science and Technologies.

Activity levels in the two Trøndelag counties differed widely in 1998. Nord-Trøndelag showed a decline in housing and commercial building starts and in the refurbishment market, whereas Sør-Trøndelag witnessed substantial growth in all areas.

The interest rate increases in the autumn of 1998 led to a marked fall in new private-sector development projects. With persistent high interest rates we expect some surplus capacity in the industry, resulting in redundancies and curtailed development plans. In the Trondheim region several major public construction projects assure fairly high capacity utilisation in most construction trades in 1999. Major public construction projects include completion of the university's science building, Statens Hus (a commercial building) and the start of RiT 2000 (a major hospital refurbishment project).

Retail trade

Retail trade in Norway showed 7.3% turnover growth in 1998, to which shopping centres made the biggest contribution. In Trøndelag the ten largest centres increased their turnover by 7.8%. Shopping centres account for one out of eight kroner spent in stores in Norway, and they now account for a substantial share of total wholesale and retail trade in Trøndelag. Sparebanken Midt-Norge strengthened its position as one of the country's leading banks for chainstores in 1998.

Market developments

Sparebanken Midt-Norge is Mid-Norway's largest bank with about one-third of total assets. Its share of the retail market is 46%, and it is now the preferred bank for 82% of the farming community and 42% of corporate customers in Mid-Norway.

Seventy-four local branches staffed by people who know their customers and the market are the bank's biggest market asset compared with other large banks. A strong local commitment and base, high-quality banking and insurance skills as well as excellent customer relations are central elements to maintaining a continued sound market trend.

In 1998 the bank further strengthened its position in the corporate market, especially in relation to bulk customers with major payments-transmission and cash-handling needs. Vinmonopolet AS (the state liquor retail monopoly) and Rema 1000 Norge AS (a groceries chain) chose Sparebanken Midt-Norge for their main banking affairs after an extensive round of competitive tendering. Further development of banking solutions based on SpareBank 1's distribution network provides excellent possibilities for further strengthening of our position in the Norwegian chain market. In the retail market our market share remains unchanged from 1997 despite strong and growing competition. The bank has introduced regular polls of customer satisfaction to improve its ability to respond to customer needs.

Sparebank Midt-Norge's logo *"Trøndernes nærmeste bank i 175 år"* (Trøndelag's local bank for 175 years) was a feature of all marketing activities in 1998, and several hundred events of varying size were arranged for various customer groups in all districts where the bank is present.

In 1998 as is customary Sparebanken Midt-Norge was active on a broad front to further enhance the bank's dialogue with its customers. Twenty-five information meetings covering a variety of themes were arranged for local commerce and industry.

In April and October, in conjunction with Statistics Norway and the other banks in the SpareBank 1 collaboration, the bank published economic indicators focusing on agriculture in Mid-Norway and the new currency, the Euro. In 1998 the bank's annual international study tour for business leaders in Trøndelag - arranged in conjunction with Scandinavian Airlines, the Norwegian Trade Council, and the Confederation of Norwegian Business and Industry (NHO) - took place in South Africa.

During the year we gradually introduced sales of non-life insurance in collaboration with the SpareBank 1 Group's newly established non-life insurance company. Sparebanken Midt-Norge is one of Mid-Norway's largest distributors of personal insurance. In the autumn of 1998 the bank introduced its new benefit programmes for adults: Privat Pluss and Privat Ekstra. The intention is to improve facilities for good customers by providing them with their own contact person in the bank, no-charge payments transactions, assistance abroad and free accident insurance. These programmes

also offer our best customers consumer finance on favourable terms via a consumer credit card issued by the bank.

The total volume of payment transactions rose by a healthy 10% in 1998. Electronic services rose by 17.4% while paper-based services decreased by 7.4% compared with 1997.

The decline in paper-based services was uneven. Giro transactions over the counter fell by 6%, postal giro transactions by 3.5% and use of cheques by 52% in 1998. Use of plastic cards in the distributive trades continues on a steep upward trend. Turnover at payment terminals installed by Sparebanken Midt-Norge passed the NOK 5 billion mark in 1998, i.e. an increase of almost NOK 2 billion on the previous year. Alongside the general increase in the use of payment cards for retail purchases, the growth was mainly due to the bank's acquisition of all payment terminals in Vinmonopol's stores in Norway.

Payments by plastic card are particularly widespread in the grocery sector where the bulk of cash sales at almost half the stores are via payment terminals.

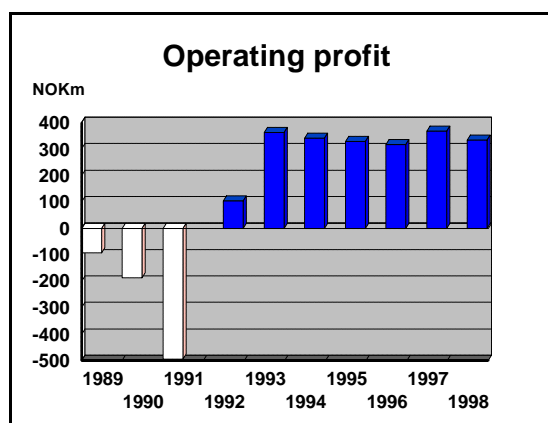
Two hundred and eleven corporate customers introduced company terminals in 1998. The volume of payment transactions via the company terminal system rose by 40%. In the retail market online services via the Internet gained 3,250 new users in 1998, i.e. an increase of almost 61% on the previous year.

Use of plastic cards has shown a steady increase in recent years, and our card base is now close to 118,000, i.e. an increase of 13.5% on 1997. Card use is greatest in payment terminals, showing a 17% increase from the previous year, while use of cash dispensers rose 7%.

Profit trend

In 1998 Sparebanken Midt-Norge posted a profit of NOK 371 million before losses and gains related to disposal of fixed assets, i.e. NOK 18 million higher than in 1997. The Directors have decided to earmark a total of NOK 27 million to increase the bank's general loss provisions, bringing overall losses to NOK 38 million. This is NOK 39 million higher than in 1997 and leaves the result of ordinary operations at NOK 333 million (1997: NOK 367 million).

The ordinary operating profit corresponds to 1.53% of average total assets (ATA), down from the 1997 figure of 1.86%. The pre-loss result was 1.70% compared with 1.79% the previous year.



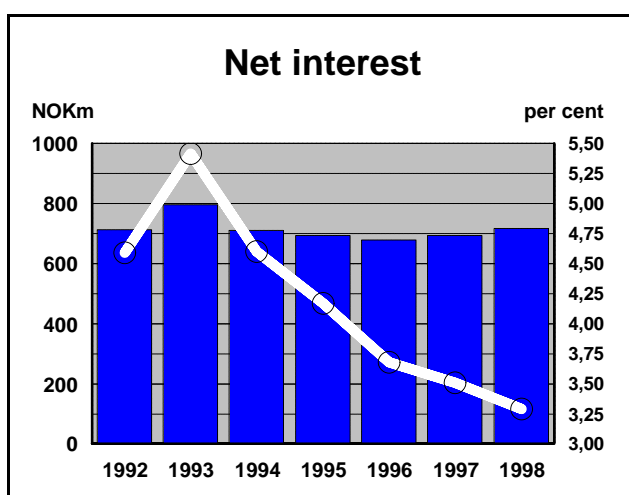
Net interest income rose by NOK 24 million from 1997 to 1998. The growth in net interest income is due to higher loan and deposit volumes combined with a moderate reduction of the bank's interest margin. Net interest income fell from 3.51% of ATA in 1997 to 3.29% in 1998.

Other operating income came to NOK 188 million in 1998, an increase of NOK 23 million from the previous year. In terms of ATA this income rose from 0.83% in 1997 to 0.87% in 1998. The improvements are ascribable to improved results from payments transmission services due to higher volumes and reduced costs. Other commission income showed a small reduction owing to reduced sales of investment products while income posted by our partially-owned company in SpareBank 1 Gruppen AS (SpareBank 1 Forsikring) rose by NOK 1.1 million from the previous year. In 1998 the bank recorded overall currency and securities gains of NOK 6 million of which currency gains come to NOK 14 million while losses on the bank's securities portfolio total NOK 8 million. No unrealised gains remain in the bank's securities portfolio.

Overall operating expenses for 1998 total NOK 535 million, i.e. NOK 30 million higher than in 1997. The increase is due to sizable costs in connection with the bank's 175th anniversary and scrutiny of the bank's computer systems with a view to the transition to a new millennium. The bank's operating expenses in per cent of total income came to 59% in 1998, matching the previous year's figure. In terms of ATA, relative operating costs were reduced from 2.55% in 1997 to 2.46% in 1998.

In 1998 the bank also recorded steep growth in wage costs resulting in higher personnel expenses in 1998 than in 1997, despite a staff reduction of 16 person-years from 1997 to 1998. At end-1998 person-years worked at the parent bank totalled 590.5. NOK 6 million have been set aside in the accounts to a staff bonus fund.

Loan losses totalled NOK 38 million, of which increased general loss provisions account for NOK 27 million and net losses on corporate customers for NOK 11 million. Net losses on retail customers was non-existent. General loss provisions rose owing to growth in lending and because growth in the corporate segment was stronger than in the private segment. General loss provisions now total NOK 256 million or 1.27% of outstanding loans. Specified loss provisions were reduced by NOK 36 million in 1998 and now amount to NOK 505 million.

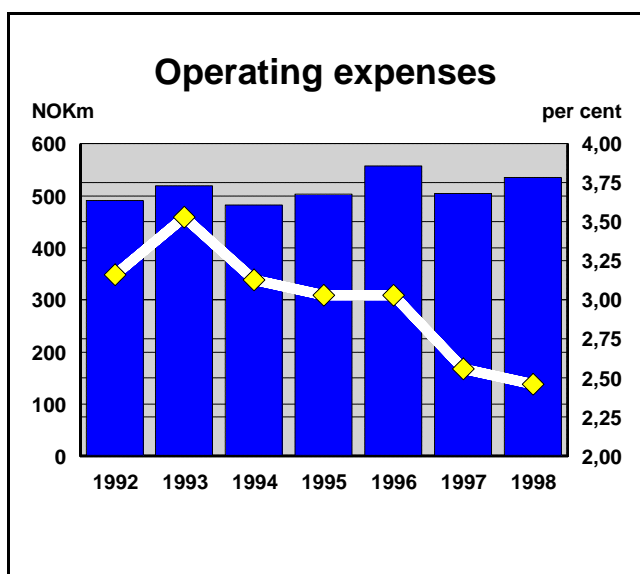


Defaults in excess of 30 days were reduced to NOK 881 million, which is NOK 175 million lower than at end-1997. NOK 68 million of the reduction refers to the retail market and NOK 107 million to the corporate market. The Directors regard the risk in the portfolio as acceptable, and provisions as being at a satisfactory level.

The bank has previously written down the share capital in subsidiaries, notably Property Number 1 (Gårdsnummer 1), by NOK 42.6 million owing to an uncovered deficit. The share capital in these companies has now been recovered through several years of profit and a

basis for the write-downs therefore no longer exists. The write-down has accordingly been reversed in the parent bank's accounts. This reversal has been eliminated at Group level.

The scope of the bank's operations in off-balance-sheet financial instruments is limited, and overall exposure as well as the associated risk is under continual review.



The bank has set maximum limits for currency and interest rate exposure as well as credit lines for the bank's counterparties. The Directors receive regular updates on risk elements and associated risk. This activity is therefore considered to be under satisfactory control.

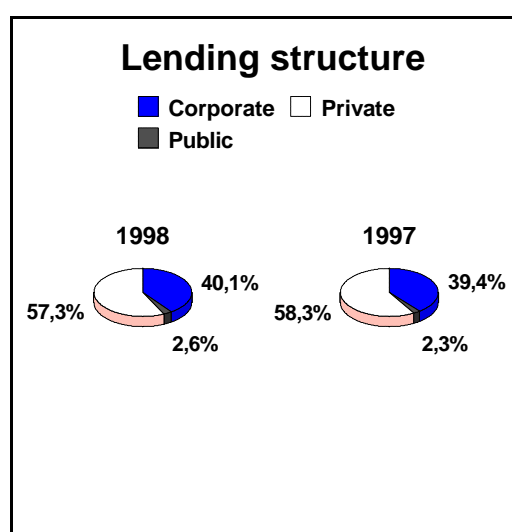
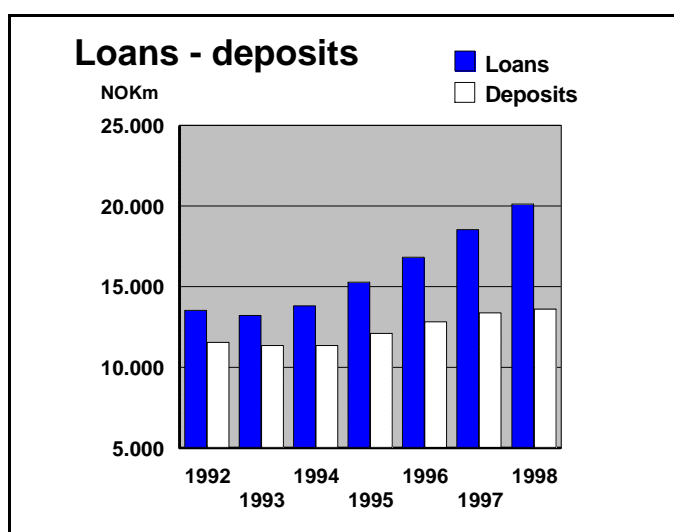
After tax calculated at NOK 85 million the bank's profit amounts to NOK 246 million. This entails a return of 15.4% on equity, i.e. down from 19.7% in 1997 but still well above the average for the banking sector.

Balance sheet trend

Gross advances at year-end totalled NOK 20.1 billion, entailing growth of about NOK 1.6 billion or 8.5% in 1998. Growth was strongest in lending to the corporate market. At year-end 57.3% of loans were to retail customers compared with 58.3% at end-1997. Customer deposits at end-1998 came to NOK 13.6 billion, an increase of NOK 250 million or 1.8% in the past year.

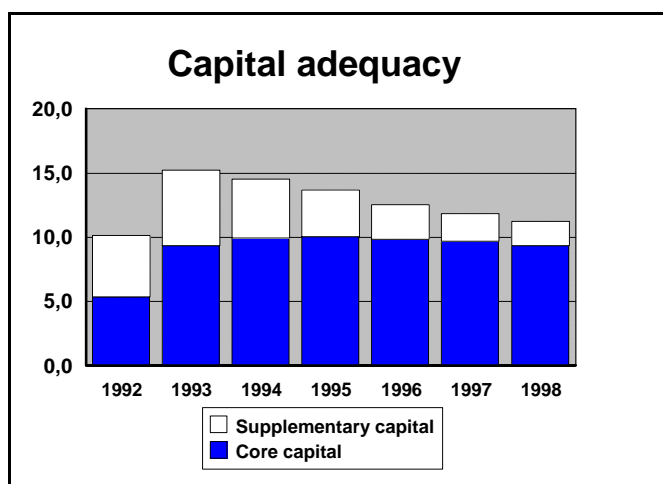
The weak growth is largely ascribable to the lapse of random deposits from the capital market. Ordinary banking operations showed growth of 4.1%.

Total assets at year-end came to NOK 22.6 billion, i.e. an increase of 11.3% from 1997.



Capital adequacy

The capital ratio on a group basis is 11.3% while the core capital ratio is 9.3%.



Subsidiaries / SpareBank 1 Gruppen AS

The subsidiaries' overall profit contribution is NOK 18 million, of which the bank's share of the result of SpareBank 1 Gruppen AS adds up to about NOK 3 million.

Primary capital certificates

The number of PCC holders rose from 2,557 at the end of 1997 to 2,907 at the end of 1998. Of these, 18 are foreign owners representing a holding totalling 137,958 or 2.30%. The PCC price fell from NOK 186 to NOK 177 over the year.

Staff and work environment

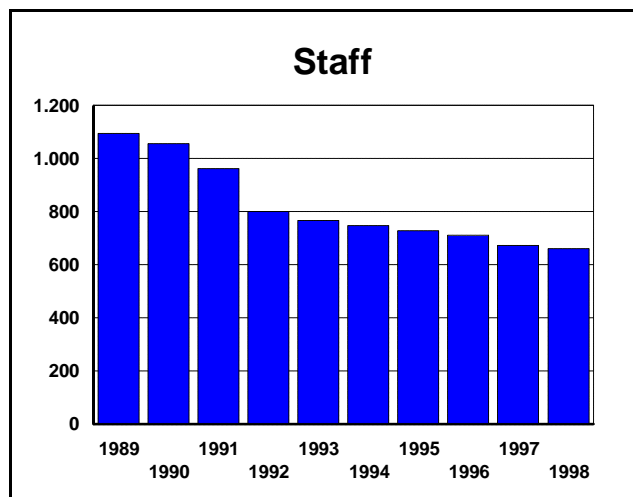
At the end of 1998 the parent bank employed 669 staff (590.5 person-years) compared with 682 (604 person-years) in 1997. The Group employed 795 staff (662.2 person-years) compared with 794 (673 person-years) as at 31 December 1997.

Competence building was a focal area in 1998 as in the previous year with a view to further development of the organisation. In 1998 about 10% of the staff attended college-level courses. Information technology training was particularly in focus in 1998.

In the autumn of 1998 the bank conducted its fifth organisation diagnosis, partly with a view to possible organisational measures. The diagnosis was favourable, showing a clear tendency for staff who complete further education programmes to find their work situation more rewarding.

Collaboration with the corporate health service was expanded and is expected to have a positive impact on sickness absence. The aim is to bring sickness absence below the average for the sector; the second half of 1998 shows a positive trend.

Cooperation between the management and the staff representatives was fruitful. The liaison committee, which also functions as a work environment committee, met four times. The Directors consider the work environment to have been satisfactory in 1998. Internal control systems for health, environment and safety were implemented and courses attended.



In 1998 the Norwegian Banks Employers' Association and the Finance Sector Union of Norway negotiated an entirely new agreement structure which presupposes the negotiation of a company agreement to promote local needs. Negotiations on a new agreement structure in the new company agreement were completed and signing took place on 22 January 1999. The new agreement allows for more flexible opening hours, and in 1999-2000 the bank will conduct a project involving up to four branches with Saturday opening.

The bank's operations are not of a type that pollutes the external environment.

Participation in the SpareBank 1 alliance

Competition in banking and financial markets demands increasingly efficient production of services and products to meet customers' individual needs and expectations. Through the medium of the SpareBank 1 Group an efficient production apparatus has been set up to develop such services and products. By means of joint product development, united action in relation to structural change in the financial industry and joint building of the SpareBank 1 brand name, the SpareBank 1 banks have established an alliance that will strengthen Sparebanken Midt-Norge's position in its market.

In 1998 the establishment of a strategic alliance with a foreign bank that can ensure financial strength and competence received high priority. After considering various alternatives the Swedish FöreningsSparbanken (Swedbank) was chosen as an alliance partner because this bank stood out from the others as the best goal achiever. In 1998 SpareBank 1 and FöreningsSparbanken entered a strategic alliance based on a cooperation agreement involving product companies, branch establishment in Oslo and competence development. The Oslo branch was set up to strengthen the SpareBank 1 banks in the money and capital market sphere and in foreign banking services. The aim is partly to enhance the facilities for international payments and financing in foreign currency, including the Euro. Within the framework of the branch's operations a joint regime will also be established to work on major Norwegian firms. With the alliance establishment FöreningsSparbanken became a 24% owner in the SpareBank 1 Group through a placing worth NOK 720 million. This prices SpareBank Gruppen AS at NOK 2.16 billion, giving the SpareBank 1 banks a solid return on the work done and the investments made in the two years that have elapsed since SpareBank 1 Gruppen AS was established. As a result of the issues the Norwegian alliance banks' ownership stake was reduced from 20% to 15.2%.

In 1998 SpareBank 1 Gruppen AS's holding in Fokus Bank ASA was sold. A 10% holding in BN Bank was concurrently acquired.

A major aim of SpareBank 1 is to develop and establish a broad product platform allowing the alliance banks to offer their customers a full-value product range. The product portfolio was also extended in 1998 with a series of new product companies. SpareBank 1 Skadeforsikring (non-life insurance) was built up from scratch, and in a short space of time has become established as a highly competitive player in the Norwegian insurance market. SpareBank 1 Fondsforsikring (investment products) also started from scratch and will be SpareBank 1's spearhead in the important unit-linked market. In the summer of 1998 the SpareBank 1 alliance also increased its stake in Sparebankkort to 54.46%. Through its ownership in Sparebankkort and the establishment of SpareBank 1 Kredittkort, the SpareBank 1 alliance will build up a strong and competent milieu focusing on the important area of plastic cards and payments transmission.

At the end of 1998 the SpareBank 1 alliance was among the four largest financial enterprises in Norway. Via its strategic alliance with FöreningsSparbanken (Swedbank), SpareBank 1 is also part of one of the leading alliances in the Nordic financial market. After a permission was granted to FöreningsSparbanken (Swedbank) to join SpareBank 1 Gruppen AS in January 1999, the following banks now own and are participants in SpareBank 1:

SpareBank 1 SR-bank, SpareBank 1 Vest, SpareBank 1 Midt-Norge, SpareBank 1 Nord-Norge, SpareBank 1 Gudbrandsdal, SpareBank 1 Eiker Drammen, SpareBank 1 Vestfold, SpareBank 1 Ringerike, SpareBank 1 Jevnaker Lunner, SpareBank 1 Gran, SpareBank 1 Hallingdal, Gjerpen og Solum Sparebank, Halden Sparebank, Lillestrømbanken, Lom og Skjåk Sparebank, Modum Sparebank, Nøtterø Sparebank, Rygge-Vaaler SpareBank, Sandsvær Sparebank, Sparebanken Grenland and FöreningsSparbanken.

The banks making up the SpareBank 1 alliance are a substantial financial player with total assets worth NOK 850 million, a good 6 million customers, 15,000 employees and 1,220 branches in Norway and Sweden.

The jointly-owned holding company SpareBank 1 Gruppen AS now includes the following product companies: Odin Forvaltning (51%), SpareBank 1 Livsforsikring, SpareBank 1 Skadeforsikring and SpareBank 1 Fondsforsikring, Sparebankkort and SpareBank 1 Kredittkort (under establishment).

Other conditions

Sparebanken Midt-Norge has allocated substantial resources to deal with the Year 2000 problem. A special project has identified problem areas and put in place measures considered necessary and critical in relation to Year 2000. The activities were started at the end of 1997. All activities associated with IT systems, internal infrastructure and external infrastructure must be completed, tested and approved by 30 June 1999. The bank expects Year 2000 related activities to continue to end-June 2000.

Sparebanken Midt-Norge has also assumed an active role in relation to corporate customers' handling of the Year 2000 problem. For firms defined as critical, the firms' own measures and status are included as an essential element in the bank's credit rating process.

The Directors consider the bank's handling of the Year 2000 problem to be under satisfactory control.

Future prospects

In recent years Sparebanken Midt-Norge has recorded stable performances with buoyant operating profits. At the start of 1999 the Directors see signs of a deteriorating operating climate. Continued high interest rates, low oil prices and growing problems for parts of the country's manufacturing industry prompt expectations of slower growth and in time larger losses for the banking sector. The Directors consider it highly important to prepare Sparebanken Midt-Norge for a more demanding future. Work on ensuring higher quality credit ratings, and a good overview of the trend in the bank's risk profile, continues to receive high priority.

The Directors also anticipate changes in the bank's competitive situation. Foreign banks' increased focus on Norway, the development of Internet-based distribution of banking services and a general increase in competitive intensity in the financial industry necessitates action to strengthen Sparebanken Midt-Norge's position. The Directors see a continued sizable potential for improved banking operations. The Directors also see the necessity of implementing considerable changes in the bank's distribution network in order to ensure long-term competitive power. Inherent in this is a focus on new and improved Internet distribution, increased capacity, accessibility and competence in telephony as well as changes in operating concepts in the bank's branch network so that this can be maintained in the future, but at a far lower cost, with greater competence and improved information technology.

Efforts to change and improve the bank remain a priority. A wide-ranging quality improvement initiative has started which is expected to have the required effect in both the long term and short term.

The Directors also attach much importance to contributing actively to the evolution of the SpareBank 1 alliance. The Directors consider the most important areas of collaboration in the current year to be a fruitful implementation of the cooperation agreement with FöreningsSparbanken, development of shared online banking services via the Internet and consolidation and quality improvement of the product companies.

In 1999 as previously it will be important for the Directors to ensure high quality in customer relations work. Strengthening of competence and products in the corporate market and development of a new and improved retail market strategy in combination with a continued considerable focus on enhancement of staff skills are at centre-stage here. The Directors also intend to see to it that the work done on organisation development and measures to increase staff well-being continues. Despite the Directors' expectation of a more demanding operating climate for the bank, they believe that Sparebanken Midt-Norge, based on the bank's solid financial position and market-leader role in Mid-Norway, will continue its buoyant financial trend and further improve operations.

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In conclusion the Directors would like to thank all the bank's customers and partners for great cooperation and warm support for the bank in 1998 as in previous years. The Directors would also like to express their gratitude to the banks's officers and staff for excellent work and purposeful efforts to satisfy the bank's customers and attain the bank's goals.

Further details of the annual report and accounts are shown in the profit and loss account, balance sheet and notes to the accounts.

Trondheim, 25 February 1999

Board of Directors of Sparebanken Midt-Norge

Stein Atle Andersen (chairman) Per Axel Koch (dep. chairman)

Joar Grimsbu

Ivar M. Johansen

Egill Vatne Jr.

Kjell Eriksen

Anne-Brit Skjetne

Frode Kalland

Finn Haugan (man. dir.)

Parent bank		Profit and loss account		Specifications/ Note:	Group	
1998	1997	(in millioner kroner)			1998	1997
1.590	1.267	Interest income	a	1.591	1.268	
877	577	Interest expenses	b	874	575	
712	690	Net interest and credit comission income		717	693	
9	8	Share dividend and other income from variable-yield securities	c	12	7	
185	188	Total comission and fee income	d	210	212	
-59	-65	Total commission charges	e	-59	-65	
-8	-17	Net gain (loss) on securities	f	-8	-16	
14	12	Net gain (loss) on foreign curr. and financial instruments	f	14	12	
6	5	Other operation income	g	19	15	
147	130	Total other operating income		188	165	
859	820	Total income		905	858	
228	226	Salaries, fees and other personnel expenses	h, 1, 2	253	248	
181	151	Other administrstive expenses	h	189	158	
25	22	Ordinary depreciation	i	38	35	
73	80	Other expenses	i	54	63	
507	480	Total operation expenses		535	504	
352	340	Result before losses		371	353	
38	-1	Losses on loans and guarantees	j	38	-1	
43	13	Gain (loss) on financial assets	k	0	13	
357	355	Operating profit		333	367	
82	84	Taxes	29	86	86	
275	271	Profit for the year	30	246	281	
<u>Allocation of profit</u>						
96	96	Dividend on primary capital certificates		96	96	
76	80	Transferred to dividend equalisation fund		76	80	
-0	-0	Transferred to/from other funds		-29	10	
103	95	Transferred to Sparebankens fund		103	95	
275	271	Amount allocated		246	281	

Parent Bank		Balance sheet (in millions kroner)	Specification/ Note:	Group	
31.12.98	31.12.97			31.12.98	31.12.97
245	281	Cash and receivables from central banks	l, 20	245	281
612	373	Loans to and receivables from credit institutions	m	340	171
20.038	18.475	Loans before provision for losses	n	20.144	18.558
-508	-544	- Specified loan loss provisions	n, 6	-505	-541
<u>-253</u>	<u>-227</u>	- Unspecified loan loss provisions	n, 6	<u>-256</u>	<u>-229</u>
19.277	17.704	Loans to and receivables from customers		19.383	17.789
1	4	Repossessed assets	s	19	22
1.612	1.255	CDs, bonds and other interest-bearing securities	o	1.612	1.255
213	118	Shares (and other securities with variable yield)	p	215	119
329	277	Holdings in associated companies and group companies	q, 21	147	134
65	90	Fixed assets	r, 17	414	339
50	27	Other assets	s, 32	45	38
140	102	Prepayments and accrued incomes	s	153	128
22.545	20.231	Total assets		22.573	20.277
1.257	933	Debt to credit institutions	t	1.257	933
13.687	13.430	Deposits from and debt to customers	u	13.631	13.387
5.076	3.083	Debt created by issuance of securities	v	5.076	3.083
470	894	Other debt and accrued expenses etc.	w	496	895
120	134	Provision for commitments and costs	x	130	152
350	350	Subordinated debt	y, 22, 26, 28	350	350
600	600	Primary capital	z, 25	600	600
0	0	Legal reserve	z	2	4
<u>628</u>	<u>525</u>	Accumulated reserves	z	<u>657</u>	<u>577</u>
628	525	Undistributable reserves	30	659	581
0	0	Distributable reserve	z	17	13
358	282	Equalisation fund	z	358	282
358	282	Revenue reserves/retained profits after loss	30	375	295
22.545	20.231	Total liabilities and equity		22.573	20.277
		Off-balance sheet items	9, 10		
		<u>Liabilities:</u>			
6.198	2.988	Forward sales of foreign currency		6.198	2.988
4.724	1.649	Forward purchases of foreign currency		4.724	1.649
2.307	2.088	Other liabilities		2.239	2.023
		<u>Contingent liabilities</u>			
847	870	Guarantees		847	870
683	599	Mortgages		1.012	711
45	39	Other conditional commitments		45	39

Parent bank		Specifications	Group	
1998	1997		1998	1997
		NOK 1.000		
			Note:	
a) Interest and similar income				
58.976	28.812	Interest and similar income on loans to and receivables from	27	45.304 22.518
1.454.488	1.146.666	Interest and similar income on loans to and receivables from	1,6,7,16,27	1.468.701 1.153.782
		Interest and similar income on CDs, bonds and		0 0
74.864	90.679	other interest-bearing securities	28	74.864 90.679
1.226	746	Other interest and similar income		1.863 1.247
1.589.553	1.266.902	Total interest income etc.		1.590.732 1.268.227
b) Interest and similar expenses				
70.536	38.851	Interest and similar expenses on debt to credit institutions	27	69.810 38.863
523.301	358.601	Interest and similar expenses on deposits from and debt to	c/27	520.124 356.932
252.650	136.625	Interest and similar expenses on issued securities	28	252.650 136.625
30.555	41.987	Interest and similar expenses on subordinated debt	28	30.555 41.987
256	739	Other interest and similar expenses		499 879
877.296	576.803	Total interest expenses etc.		873.636 575.286
712.257	690.099	Net interest and credit commission income		717.096 692.941
c) Dividend and other income from securities with variable yield				
8.858	7.507	Income from shares and other securities with variable yield		8.858 7.507
0	0	income from holdings in associated/jointly controlled companies		3.235 -200
0	0	Income from holdings in group companies		0 0
8.858	7.507	Total dividend and gain on securities		12.093 7.307
d) Commissions and income from banking services				
7.224	7.291	Guarantee commission		7.152 7.153
26	566	Other commissions		26 566
0	0	Broker's commission		14.926 14.509
25.198	32.688	Charges on securities trading and management		25.198 32.688
5.849	4.753	Charges on sale of insurance services		5.849 4.753
605	639	Charges on property management and sale		2.128 1.524
14	25	Charges on keeping customer accounts		9.156 8.933
128.697	124.918	Charges from payments transmission system		128.697 124.918
17.275	16.816	Other charges		17.275 16.816
184.888	187.695	Total commission income		210.406 211.860
e) Commission expenses and expenses on banking services				
94	43	Guarantee commission		93 42
57.935	65.361	Charges on payment transmission		57.935 64.005
912	0	Charges of purchases of securities		925 1.371
58.941	65.404	Total commission expenses and expenses on banking services		58.953 65.418
f) Net gain/loss on foreign currency and securities				
1.591	-1.020	Net gain/loss on CDs, bonds and		
		other interest-bearing securities		1.591 -1.020
-9.829	-15.689	Net gain/loss on shares and other securities		
		with variable yield	21	-9.829 -15.014
13.905	11.815	Net gain/loss on foreign exchange and financial derivatives		13.905 11.815
5.668	-4.894	Total net gain/loss on foreign currency and derivatives		5.668 -4.219

		g) Other operating income			
892	1.431	Real estate income	27	10.340	10.156
5.372	3.807	Other operating income		8.837	4.880
6.264	5.238	Total other operating income		19.177	15.036
146.737	130.142	Commission income and other operating income		188.391	164.566
		Specification (continued)		Group	
Parent bank	1998	1997	NOK 1.000	1998	1997
		h) Salaries and general administrative expenses			
180.521	175.925	Salaries	1	201.167	194.200
13.430	16.590	Pensions	2	14.768	18.319
34.123	33.369	Sosial costs		37.446	35.956
228.073	225.884	Salaries etc.		253.381	248.474
57.423	60.067	EDP expenses		58.272	60.822
32.156	28.330	Telephone, postage, freight, computer-line rental		32.683	28.758
37.010	18.533	Marketing		40.577	22.689
8.245	6.695	Travel expenses		8.787	7.069
7.769	6.052	Training expenses		8.020	6.562
8.755	10.367	Office accessories, printed matter		9.667	11.142
29.586	21.321	Other administrative expenses		31.419	21.426
180.945	151.366	Administrative expenses		189.425	158.468
409.018	377.250	Salaries and general administrative expenses		442.806	406.942
		i) Other operating expenses			
25.247	22.236	Ordinary depreciation	17	38.292	34.517
0	0	Write-downs		0	0
25.247	22.236	Depreciation etc., of fixed assets etc.		38.292	34.517
44.634	43.496	Expenses on leased premises	27	9.866	12.134
2.406	4.391	Operating expenses, real properties		17.736	16.561
10.009	8.712	Machinery, fixtures, vehicles		10.520	9.295
3.508	3.055	Dues/fees/insurance		3.791	3.340
8.170	16.877	Premium to Savings Banks' Guarantee Fund		8.170	16.877
101	89	Loss on disposal of capital assets	18	101	89
4.129	3.726	Misc. operating expenses		3.615	4.659
72.957	80.346	Other operating expenses		53.798	62.956
98.204	102.582	Total depreciation and other operating expenses		92.089	97.473
507.222	479.832	Operating income		534.895	504.415
351.772	340.410	Pre-tax profit		370.591	353.092
		j) Losses on loans and guarantees			
37.569	-1.834	Loans losses		38.100	-886
-1	340	Losses on guarantees		-1	340
0	0	Credit loss on certificates/bonds/other interest-bearing securities		0	0
37.568	-1.494	Total losses on loans and guarantees	5, 6, 13	38.099	-546
		k) Write-down and gain/loss on long-term securities			
-40.353	0	Write-downs	21, 27	2.247	0
2.330	13.113	Gains/losses		2.330	13.113
42.682	13.113	Total write-down and gain/loss on long-term securities		82	13.113
356.886	355.017	Result from ordinary operations		332.574	366.751

244.518	281.236	l) Cash and receivables from central banks		244.519	281.236
		m) Loans to and receivables from credit institutions			
355.648	58.941	Loans to and receivables from credit institutions without agreed term or period of notice	27	87.518	59.611
256.270	314.405	Loans to and receivables from credit institutions with agreed term or period of notice	27	252.616	111.834
611.918	373.346	Total loans to and receivables from credit institutions		340.134	171.445
		n) Loans to and receivable from customers			
0	0	Leasing		321.615	227.528
1.618.698	1.425.838	Bank-, operating overdraft	27	1.594.447	1.362.883
509.686	414.851	Building loans		509.686	414.851
17.907.989	16.630.498	Pay off loan	27	17.716.640	16.549.495
1.645	3.600	Other loan		1.645	3.600
20.038.018	18.474.787	Gross outstanding loans	7,8,12,15	20.144.033	18.558.357
-507.836	-543.868	Specified loss provisions	5, 6	-505.061	-540.873
-252.800	-226.700	General loan loss provisions	5, 6	-255.847	-228.910
19.277.381	17.704.219	Total loans to and receivables from customers		19.383.125	17.788.574
		o) CDs, bonds and other interest-bearing securities			
988.069	541.613	CDs and bonds issued by public institutions		988.069	541.613
624.129	713.230	CDs and bonds issued by other institutions		624.129	713.230
1.612.199	1.254.843	Total CDs, bonds and other interest-bearing securities	8, 19	1.612.199	1.254.843
		p) Shares (and other securities with variable yield)			
212.581	117.345	Shares, units and primary capital certificates		214.144	118.677
401	375	Units in general partnerships, limited partnerships etc.		641	375
212.982	117.721	Total shares (and other securities with variable yield)	21	214.785	119.053
		q) Ownership interests in group companies			
145.900	135.900	Ownership interest in connected companies		147.160	133.925
40.000	36.500	Ownership interests in credit institutions		0	0
143.551	104.451	Ownership interests in other group companies		61	61
329.451	276.851	Total ownership interests in group companies	27	147.221	133.986
		r) Fixed assets			
61.711	54.348	Machinery/fixtures/vehicles		67.198	60.949
3.266	35.879	Buildings and real property		346.896	277.635
0	0	Other fixed assets		0	113
64.977	90.227	Total fixed assets	17, 18	414.094	338.697
		s) Prepayments and accrued revenues, other assets			
123.141	90.970	Accrued, unpaid revenues and prepaid non-accrued expenses		127.678	101.716
16.232	9.942	Deferred tax assets		23.749	25.591
1.096	1.162	Other accruals		1.096	1.162
140.470	102.074	Total prepayments and accrued revenues		152.524	128.469
1.021	3.654	Repossessed assets		19.475	22.484
49.681	26.897	Other assets	32	45.040	38.267
191.172	132.625	Total prepayments and accrued revenues, other assets		217.039	189.219
22.544.597	20.231.068	ASSETS		22.573.115	20.277.052

		t) Debt to credit institutions		
220.316	154.492	Loans and deposits from credit institutions without agreed term or period of notice	220.240	154.965
1.036.312	778.397	Loans and deposits from credit institutions with agreed term or period of notice	1.036.312	778.397
1.256.629	932.889	Total debt to credit institutions	1.256.553	933.362
		u) Deposits from and debt to customers		
13.209.301	12.661.740	Deposits from and debt to customers without agreed term	13.153.690	12.618.555
477.496	768.736	Deposits from and debt to customers with agreed term	477.496	768.736
13.686.797	13.430.476	Total deposits from and debt to customers	13.631.186	13.387.291
		v) Debt created by issuance of securities		
3.299.222	1.849.661	Negotiable certificates and other short-term funding	3.299.222	1.849.661
1.853.394	1.299.920	Bonds	1.853.394	1.299.920
-76.693	-66.587	- Own, non-amortised bonds	-76.693	-66.587
5.075.923	3.082.993	Total debt created by issuance of securities	5.075.923	3.082.993
		w) Other debt, accrued expenses and prepaid income		
0	0	Accounts payable to customers	11.012	0
280.416	667.349	Other current liabilities	285.577	682.423
280.416	667.349	Total other liabilities	296.589	682.423
189.305	226.303	Accrued expenses and prepaid incomes	199.118	213.018
469.721	893.652	Sum annen gjeld, påløpte kostn. og forskuddsbet. inntekter	495.707	895.441
		x) Provision for commitments and expenses		
63.590	71.353	Pension commitments etc.	66.338	73.353
16.232	9.942	Deferred tax	23.749	25.600
39.899	53.043	Other provisions	39.899	53.043
119.721	134.338	Provisions for commitments	129.986	151.996
		y) Other capital		
350.000	350.000	Subordinated loan capital	350.000	350.000
350.000	350.000	Total other capital	350.000	350.000
		z) Equity capital		
600.000	600.000	Company capital (primary capital certificates)	600.000	600.000
0	0	Legal reserve	1.798	4.042
627.806	524.720	Savings bank's fund	627.806	524.720
0	0	Other undistributable reserves	29.249	52.219
627.806	524.720	Undistributable reserves	658.853	580.980
0	0	Distributable reserves	16.908	12.988
358.000	282.000	Equalisation fund	358.000	282.000
358.000	282.000	Free reserves/retained profits	374.908	294.988
1.585.806	1.406.720	Total equity capital	1.633.761	1.475.969
22.544.597	20.231.068	DEBT AND EQUITY CAPITAL	22.573.115	20.277.052

ACCOUNTING AND VALUATION PRINCIPLE

General comments

Sparebanken Midt-Norge's annual report and accounts are drawn up in accordance with applicable laws and provisions and good accounting practice. In the application of accounting principles, and presentation of transactions and other matters, emphasis is given to financial realities in addition to legal formalities. The same accounting principles are applied in the accounts of the parent bank and of the group.

Group accounts

The group accounts encompass Sparebanken Midt-Norge and subsidiaries. Subsidiaries are defined as companies in which the bank has a long-term investment of more than 50% of the capital in the company. All investments in subsidiaries are consolidated using the acquisition method. Mutual balance sheet items, and all significant result components linked to these items, a profit/loss elements linked to the same items are eliminated.

The bank's ownership interest in SpareBank Gruppen AS is valued as participation in joint controlled activity. In the parent bank's accounts the interest in SpareBank Gruppen AS is valued using the cost method. In the consolidated accounts the equity method is used since the scale of SpareBank Gruppen AS' operations is very limited compared with the bank's other activities.

Inclusion in income/expences

Interest and commissions are included in the accounts as revenues or expenses as they are earned or incurred.

Arrangement and deposit fees charged to private individuals upon taking out a loan are taken to income in their entirety. Share dividend and other commissions and fees received by the bank are taken to income as they accrue.

Share dividend and group contributions from group companies are taken to income by the recipient company in the year they are allocated by the donor company. Deferred income or accrued expenses at year-end are treated on an accruals basis and booked as liabilities. Accrued income is taken to income and shows as a receivable. Gains on sales of assets are booked when risk has been transferred to the purchaser. Gains on sales of short-term shareholdings are calculated using the FIFO method. See also section on bonds/interest rate agreements.

Loans, problem loans not formally in default and loans in default

Loans are valued at nominal values except for problem loans not formally in default and loans in default.

Loans in default are loans where the borrower pursuant to the loan agreement is behind with payments and where 30 days have passed since the due date or overdraft date. A customer in default on one or more loans is reported as being in default overall. Not all defaults result in provision for specified losses. See note 5,6 and 13 on losses.

Losses on the above types of loans are assessed in the light of the bank's total exposure to the customer, the value of security the value of the underlying security, the customer's financial position and any measures applied at the customer. Security is valued on the basis of the assumed realisation value.

Loss assessments is carried out quarterly and corporate loans are reviewed individually, and virtually all loans in default are appraised. All loans exceeding NOK 3 million are subject to loss assessment regardless of whether or not the borrower is in default. Renegotiated loans with a rate-lock agreement are subject to loss provision in their entirety. Personal loans summarily assessed on the basis of the degree of default, and losses are calculated on the basis of past experience.

Losses on loans and guarantees

The shortfall in value of loans in default and of problem loans not formally in default is deducted in the balance sheet in the form of specified loss provisions on loans and specified loss provisions on guarantees . Actual losses reduce gross outstanding loans in the balance sheet. Changes related to loss provisions and actual losses show in the profit and loss account under “Losses on loans and guarantees”.

Realised loan losses are losses regarded as final, and include losses where the bank has lost its claim on the debtor after bankruptcy proceedings, composition proceedings etc. Other registered losses are losses on loans where it is highly probable that the loss is final, but where the bank has not cancelled its claim on the customer.

Specified provisions are provisions for estimated, unrealised, losses on defaulted loans and problem loans not formally defaulted loans.

General loss provisions against loan losses are intended to cover losses which are expected to arise in addition to losses actually identified and measured. Such provisions are made based on evidence indicating loss risk associated with overall loan structure , changes in sectoral composition and trend in the loan portfolio. The provision ratio varies between 0,5 and 3 per cent depending on the degree of risk represented by loans.

The average ratio for corporate loans is 2.1 per cent and for personal loans 0.8 per cent. The bank has not previously incurred such loss on guarantees as to indicate that guarantees should be included in the basis for general loss provisions. Hence the bank has no provisions in respect of guarantees.

Interest is not taken to income on loans under liquidation or soft loans.

Reversal of loss provisions

Specified loss provisions are reversed when a new assessment makes it clear that basic conditions requiring loss provisions are no longer present.

Reposessed assets

Assets that are entirely or partially reposessed as settlement for loans are valuated at their assumed realisation value on the repossession date and subsequently valuated on the balance sheet date. Write-down as a result of possible decline in value or loss incurred on disposal is entered as a loan loss. Gain on sale of assets is booked , when risk has been transferred to the purchaser, as reduction in/recovery of losses. Assets reposessed for rapid realisation are classified as current assets, while assets reposessed for permanent ownership or use are classified as capital assets.

Real estate and Capital assets

Buildings and other real estate in the bank’s balance sheet are valuted at acquisition cost with the addition of any revaluation value, but with deduction for accumulated write-off and possible write-down.

The revaluations are approved by the Savings Banks Guarantee Fund. Write-downs are undertaken when the difference between actual value and book value of buildings is substantial and not assumed to be of a transient nature. Other ordinary fixed assets are valuated in the same manner.

Capital assets are booked at acquisition cost and are depreciated by the straight line method. Revaluations are subject to depreciation. The following depreciation rates apply:

Machinery, inventories and means of transportation	20%
Computer software (for mainframes)	33%

Computer hardware and PC software	25%
Buildings	2,5%- 4%

Leasing

Leasing as administered by the subsidiary Midt-Norge Leasing AS. This is financial leasing where rights and obligations pertaining to the leased objects rest with lessee. Leasing is entered as lending in the group accounts, and the interest segment of the rental as interest income.

Securities/interest rate and foreign exchange agreements

Shares

Short-term investments in shares are valued at the lowest of overall acquisition cost and market value. Long-term investments in shares and units are valued at acquisition cost. Shares are written down when their true value is substantially lower than acquisition cost. Share are written down when their true value is substantially lower than acquisition cost and the drop in value is not assumed to be transient. Certain long-term shareholdings in subsidiaries were previously written up with approval from the Savings Banks Guarantee Fund.

Bonds, interest rate and foreign exchange agreements

All on- and off-balance sheet items with a fixed -interest period are assigned to three portfolios: two hedging portfolios and a trading portfolio (see note 28)

The hedging portfolios were introduced to limit interest rate risk on the bank's subordinated debt, loans and funding at fixed interest and to accrue agreed margins over the term of the transactions. One hedging portfolio comprises fixed interest loans and funding and interest rate hedging of both. The other portfolio comprises required holdings of government paper (the liquidity requirement), subordinated debt and interest rate hedging of both.

The individual transactions included in the hedging portfolios are classified under their respective items in the bank's balance sheet at acquisition cost. The bank's strategy for the hedging portfolios limits interest rate risk in the portfolios to certain levels. All asset, liability and off-balance sheet items included in the hedging portfolios are valued at market value. Net unrealised capital gain/loss shows in the profit and loss account as interest, with accrued interest as the contra entry in the balance sheet. All realised capital gain/loss is entered in the profit and loss account as interest as earned or incurred.

To ensure correct interest rates in hedging transactions, paper is included with both premiums and discounts. This entails capital gain/loss corresponding to low or high return. For instruments (e.g. fixed interest loans) which are not quoted, values are calculated on the basis of the yield curve for mortgage company bonds adjusted for any originally agreed margin. Own borrowings are valued at an interest rate differential against government bonds no larger than at the contracting date. Any extraordinary low prices, of paper, due to credit risk are valued as loan losses.

The bank's own subordinated bond debt is booked in the balance sheet at net nominal value after deduction of its own holding. The bank's ordinary bond debt is booked in the balance sheet at nominal value less its own holding booked at acquisition cost. The trading portfolio comprises bonds and interest rate instruments which the bank trades in on a daily basis, and where the bank's net interest exposure is placed. The bank's directors have set limits on the size of interest exposure. The portfolio's asset and debt items are valued at the lowest of acquisition cost and market value so that unrealised losses are expensed and set aside as capital loss. Off-balance-sheet interest-rate and foreign-exchange instruments are related to agreements entered into with banks or customers on future interest rates and exchange rates. The agreements include forward exchange contracts, interest rate and currency swaps, interest rate and currency options and forward rate agreements,

listed financial futures and the like. Hedging contracts are valued according to the same principle as the listed items.

Accounting for such agreements follows the intentions behind the agreement depending on whether it is defined as a hedging or trading transaction. Agreements designed to reduce the bank's exposure to interest rate or exchange rate fluctuations on on-balance sheet items are defined as hedging transactions. Capital gain/loss as a result of hedging transactions are booked and accrued as interest.

Assets and liabilities in foreign currency

Assets and liabilities in foreign currency are converted at the middle rate quoted by Norges Bank on 31 December 1998. Income and expenditure in the bank's accounts are converted at the prices in effect on the date they were earned/incurred. The foreign exchange items are hedged by corresponding items on the opposite side of the balance sheet or by off-balance sheet hedging transactions.

Pension costs and pension commitments

In 1995 the bank chose to co-ordinate pension arrangements for its employees in its own pension fund, Sparebanken Midt-Norge's Pension Fund. This pension fund is an independent legal entity which keeps its own accounts. It is headed by a board of six members with four alternates. Coordination and implementation of the new arrangement for accounting purposes took place in 1996.

The group's pension commitments and pension costs are calculated in conformity with Norwegian accounting standards for pension costs. This entailed a change of accounting principles amounting to a fundamental accounting reform, and the effect of the change is adjusted directly via equity capital as at 1 January 1994.

Sparebanken Midt-Norge has joined the agreement entered into by the entire banking and insurance industry regarding a contractual pension scheme from age 62. This commitment is included in the overall pension commitment.

The actuarial pension commitment exceeds total pension resources, and the difference is shown as a liability item in the balance sheet.

Tax

Deferred tax is calculated against the background of differences between future profit for tax purposes and accounting purposes. The appraisal is based on the current balance sheet and tax position. Positive and negative differences within the same time interval are eliminated. Write-up and write-down of capital assets and pension commitments are nonetheless appraised separately. Deferred tax advantages can only be entered in the balance sheet in an amount corresponding to the amount of deferred tax entered in the balance sheet.

Business area

Sparebanken Midt-Norge regards the operations of the bank as a single business area.

Specifications and explanation of notes

Information given in specifications (marked with letters) is in conformity with the notice issued by the Banking, Insurance and Securities Commission. All figures are given in whole thousands of Norwegian kroner.

Information given in the notes applies to the parent bank unless otherwise stated in the individual note. Amounts in all tables are given in whole thousands of kroner, while some amounts in the text may be given in millions of kroner. Notes are referred to both in the accounts and the specifications.

NOTES

Parent bank	Beløp i 1000kr		Group	Group
Note 1	Salaries, fees and other personnel expenses			
1998	1997		1998	1997
211.149	205.502	Salaries and remuneration to employees and electe	231.380	222.317
861	672	Of which emoluments to the Board of Directors	861	672
1.285	1.037	incl. remuneration to the Managing Director 1)	1.285	1.037
838	1.170	Salaries and remuneration to employees and elected officers include interest subsidies totalling 2	891	1.209
580	580	Fees to external auditor:		
56	134	- Audit	724	728
		- Advisory services	100	143

1) Addition for pensions costs as from 1998 in an amount of NOK 260,929,-. Under employment contract with the managing director the bank is obliged to cover salary and other supplementary remuneration for up to 24 months in the event of retirement. No particular agreements of a financial nature were made with the chairman of the board of directors. The parent bank workforce averaged 675 in 1998.

Note 2 Pension costs and pension commitments

Pension arrangements are administered by the bank's own pension fund, and confer the right to pension payments upon reaching the age of 67. The arrangements also encompass spouses, child's pension and disability pension pursuant to specific rules. The group also has pension commitments vis-a-vis early retirees and certain workers earning in excess of 12 times the basic amount under the national insurance scheme. As from 1994 the banking and insurance industry concluded an agreement on contractual early retirement pension for employees as from their 64th birthday in 1997. The bank contributes about 60% of pensions disbursed to employees who avail themselves of the scheme. From 1997, 100% per year from 62 to 64 years. In calculations it is expected that 50% will accept from 62 years and 100% from 64 years. The cost of the scheme will be systematically distributed over the employees' average remaining qualifying period.

Pension costs and pension commitments are entered in the profit and loss account in accordance with the Norwegian Accounting Standards Board's provisional standard for treating pension costs. The pension schemes are treated as contributory schemes and encompass 943 members. Member data as at 21 December have been used as a basis for estimating the actuarial pension commitment as at 31 December 1997.

1998	1997	Pension costs	1998	1997
9.552	9.749	Current value of accumulated pension rights for the	10.644	10.722
18.580	18.172	Interest expenses on pension commitments	19.153	18.637
-17.469	-16.145	Return on pension resources	-17.938	-16.330
10.663	11.776	Net pension costs excl. employer contribution	11.859	13.029

1998	1997	Pension commitments	1998	1997
297.182	292.845	Current value of accrued commitment	307.555	301.657
237.666	225.573	(incl. the employer's national insurance contribution:	244.296	228.379
4.074	4.081	Transitional amount not entered in profit and loss ac	3.078	75
63.590	71.353	Net pension commitment in the balance sheet	66.338	73.353

Assumptions employed	
Discount rate	7 %
Expected wage adjustment	3.3 %
Expected pension adjustment	2.5 %
Expected return on pension resources	8 %
Average annual retirement frequency up to 50 yrs.	2 - 3 %
Thereafter	0 %
Annual adjustment of basic amount under national insurance	2.5 %
Annual adjustment of pensions	2.5 %

The assumptions employed for calculation are the same as in 1997. The employer's national insurance contributions are in addition to the pension costs shown above, but is calculated and included in the balance sheet under allocation for commitments. Deferred tax benefit is calculated and booked in the profit and loss account in accordance with the accepted accounting practice for dealing with deferred tax.

Note 3		Special funding			
1998	1997			1998	1997
0	80.559	Deposits arranged by finance brokers		0	80.559
10	22	Commission paid to finance brokers		10	22
<hr/>					
Note 4		Assets and liabilities in foreign currency			
1998	1997			1998	1997
455.879	215.248	Assets		455.879	215.248
461.955	432.115	Liabilities		461.955	432.115
<hr/>					
Note 5		Losses on loans and guarantees			
1998	1997			1998	1997
760.636	770.568	Loss provisions at 31 December		760.908	769.783
770.568	839.293	- Loss provisions as at 1 January		769.783	837.583
55.920	72.873	+ Actual losses for the year		56.170	72.896
8.420	5.642	- Recoveries on actual losses in previous periods		9.196	5.642
37.569	-1.494	Losses on loans and guarantees		38.100	-546
<hr/>					
Note 6		Tapsavsetninger og misligholdte-/tapsutsatte lån			
1998	1997			1998	1997
SPECIFIED LOSS PROVISIONS					
Specified provisions to cover losses as at 1 January					
543.868	636.393	Loans		540.873	633.233
0	0	Guarantees		0	0
19.401	25.219	Increase in specific loss provisions from previous period		19.500	25.219
60.030	58.389	Reduction in specified loss provisions from previous period		60.030	58.544
61.693	31.951	New specified losses in the period		62.013	32.271
57.095	91.306	- Reduction in specified losses due to previous realizations		57.295	91.306
507.837	543.868	Specified provisions to meet losses as at 31 December		505.061	540.873
<hr/>					
GENERAL LOAN LOSS PROVISIONS					
226.700	202.900	General provisions to meet losses as at 1 January		228.910	204.350
		- Reduction in specified loss and provisions as a result of loss verification			
26.100	23.800	+ General loss provisions in the period		26.937	24.560
252.800	226.700	General provision to meet the losses as at 31 December		255.847	228.910
<hr/>					
TOTAL DEFAULTS					
881.000	1.056.000	Loans in default for more than 30 days			
386.000	426.120	- Specified loss provision			
495.000	629.880	Net defaults			
<hr/>					
PROBLEM LOANS					
645.100	378.000	Problem loans			
122.206	117.748	- Specified loss provision			
522.894	260.252	Net problem loans			
<hr/>					
Loans on which interest accruals have been suspended					
436.000	392.000	Loans in default for more than 90 days			
324.000	320.100	- Specified loss provision			
112.000	71.900	Net loans on which interest accruals have been suspended			
<hr/>					
Interest not taken to income on non-performing loans amounted to NOK 28 million in 1998. This amount is calculated on the basis of the average interest rate over the year on total advances					

Note 7 Loans and guarantees to employees and elected officers

1998	1997		1998	1997
22.201	11.035	Loan to elected officers	22.201	11.035
368.807	308.573	Loan to employees	368.807	308.573

All loans and guarantees are recorded in the account of the parent bank. Loans of this kind are subjected to strict collateral requirements. The interest subsidy for 1998 is estimated at about NOK 0,8 mill measured against the interest rate which the basis for taxation of fringe benefits to employees.

Note 8 Subordinated loan capital in other institutions

1998	1997		1998	1997
36.490	58.608	Bearer bonds	36.490	58.608
32.909	36.375	Loans	32.909	36.375
69.399	94.983	Total subordinated loan capital	69.399	94.983
39.790	62.183	Of which placed with financial institutions	39.790	62.183

The bearer bonds have a nominal value of NOK 36,5 millions as at 31 December 1998.
Please refer to note 28 (valuation of hedging portfolios)

Note 9 Interest rate and foreign exchange agreements

Off-balance sheet financial instruments are employed to meet customer's financing requirements, and to guide the bank's foreign exchange and interest rate exposure. These instruments are also used to exploit expected interest rate and exchange rate movements. The bank has no netting agreements. In the context interest rate and exchange rate agreements are financial instruments defined as follows:

FORWARD CONTRACTS IN FOREIGN CURRENCIES

These are agreements to buy or sell a specific amount in foreign currency at a future date at a predetermined exchange rate. It also includes agreements to exchange specific amounts of two different foreign currencies at a predetermined exchange rate and pay interest on these for an agreed period of time (foreign currency

INTEREST RATE SWAPS

An agreement whereby interest rate on nominal amounts are exchanged with customers or banks

FORWARD RATE AGREEMENTS (FRAs)

Agreements which stipulate a certain interest rate on a nominal amount for a future period of time

CURRENCY OPTION

A contract that gives the buyer a right, but not an obligation, to buy or sell a currency at a fixed price on a specified date or within a specified period.

INTEREST RATE CAP:

An agreement between a seller and buyer (borrower) where the borrower puts a cap on his floating interest rate over a specified period. The reference rate which the buyer wishes to hedge may for example be NIBOR. At each due date NIBOR shows whether the reference rate is below or above the interest rate cap agreed by the buyer.

Settlement is such that if the short-term reference rate at a given due date is higher than the cap, the buyer will be paid the difference between the two rates.

INTEREST RATE FLOOR:

In contrast to a cap, the buyer of an interest rate floor will set a lower limit or minimum return for his high-floating investment. Settlement is the same as in the case of the cap, but with opposite signs.

INTEREST RATE COLLAR:

Agreement between a seller and buyer (borrower) that combines a cap and a floor. The buyer secures a maximum and minimum borrowing rate. By combining a cap and a floor a fluctuation range is established for the interest rate. In reality the buyer of a collar buys a cap and sells a floor, thereby ensuring that the interest rate will remain within a pre-agreed corridor.

INTEREST RATE FUTURES:

Agreements to purchase or sell a specific number of bonds at a future date. Contracts are settled with the Norwegian Options Central. Agreements of this kind are often made to reduce the interest rate exposure attached to a bond portfolio.

The directors have set an overall limit for maximum interest rate risk in losses/gains at 1 per cent parallel shift in the general interest rate level, and limit for total foreign currency exposure. Part of the interest rate risk covered in the balance sheet is hedged by interest rate swaps, FRAs and bond futures (see note 28). The bank considers it has good control over, and well-balanced, interest rate and foreign currency exposure.

The interest rate and foreign exchange agreements are essentially contracted with high-quality financial institutions, such that the bank regards the credit risk as minimal. See note 28.

	Contract amount	
	Purchase	Sale
Forward exchange transaction	2.524.172	2.335.986
Interest rate swaps	2.731.589	1.446.274
FRAs	680.000	680.000
Currency put options	68.400	68.400
Currency call options	68.400	68.400
Interest rate corridor	37.000	37.000
Interest rate futures	0	0
Interest rate cap	88.100	88.100
	<u>6.197.661</u>	<u>4.724.160</u>

Average amounts for forward transactions are 803,00,-, interest swaps 894,00,-, FRAs 51,000,-, options 98,000,- and futures 175,000,-.

Note 10 Other off-balance sheet commitments

1998	1997		1998	1997
		GUARANTEE COMMITMENTS		
640.551	661.145	Payment guarantees	640.551	661.145
180.332	158.247	Performance guarantees	180.332	158.247
3.046	4.540	Loan guarantees	3.046	4.540
4.150	4.759	Guarantees for taxes	4.150	4.759
0	22.869	Guarantees for Savings Banks' Guarantee Fund	0	22.869
19.080	18.758	Other guarantee commitments	19.080	18.758
<u>847.159</u>	<u>870.318</u>	Total guarantee commitments	<u>847.159</u>	<u>870.318</u>
0	0	Of which counter-guaranteed by banks	0	0
		OTHER COMMITMENTS		
45.496	39.103	Letters of credit	45.496	39.103
2.306.930	2.087.905	Unutilised ordinary block credit	2.238.686	2.022.747
<u>2.352.426</u>	<u>2.127.008</u>	Total commitments	<u>2.284.182</u>	<u>2.061.850</u>

Re foreign exchange, see note 9.

Assets pledged as security

0	0	Bank buildings, other real property and repossessed properties at book value	329.150	112.294
0	0	are pledged as security for mortgage loans	219.480	30.000
682.871	598.913	Bearer bonds at book value	682.871	598.913
0	0	are pledged as security for overnight loans (D-loans) from Norges B	0	0
0	0	Bearer bonds at book value	0	0
0	0	have been furnished as security for guarantees in favour of Savings Banks' Guarantee Fund	0	0
0	55.000	Treasury bills at book value	0	55.000
0	50.000	are pledged as a guarantee to Kredittilsynet for securities trading activity.	0	50.000

Note 11 Distribution of guarantees by sector/industry				
	1998	1997		
			1998	1997
			SECTORS	
75	75		Public sector	75 75
734.364	828.762		Commercial sector	734.364 828.762
20.052	18.612		Private customers	20.052 18.612
92.668			Other sectors	
847.159	847.449		Total (not incl. guarantee to Savings Bank's Guarantee Fund)	847.159 847.449
			INDUSTRIES	
494.193	502.907		Commerce/hotels	494.193 502.907
10.432	7.070		Primary industries	10.432 7.070
77.324	79.982		Financing, real estate etc.	77.324 79.982
58.907	95.931		Building and constructions	58.907 95.931
42.559	39.299		Manufacturing	42.559 39.299
50.949	103.573		Transportation and services	50.949 103.573
734.364	828.762		Total	734.364 828.762
Geographical division see note 15				
Note 12 Distribution of loans by sector/industry				
	1998	1997		
			1998	1997
			SECTORS	
527.800	429.004		Public administration	533.324 433.717
7.828.217	6.948.458		Commercial sectors	7.924.627 7.027.316
11.532.000	10.812.382		Private customers	11.536.082 10.812.382
150.000	284.941		Other sectors	150.000 284.941
20.038.017	18.474.785		Total	20.144.033 18.558.356
			Industries	
828.000	807.633		Commerce/hotels	891.901 853.256
2.589.185	2.391.236		Primary industries	2.603.111 2.403.297
2.447.992	1.797.772		Property operation/business services	2.301.944 1.714.542
241.681	299.863		Building and construction	310.309 349.495
623.659	621.548		Manufacturing	669.601 648.255
1.097.700	1.030.406		Transportation	1.147.761 1.058.471
7.828.217	6.948.458		Total	7.924.627 7.027.316
Geografisk fordeling se note 15				
Note 13 Distribution of losses on loans and guarantees by sector/industry				
	1998	1997		
			1998	1997
			SECTORS	
17.305	-19.268		Commercial sector	16.999 -19.080
164	-6.026		Private customers	164 -6.026
-6.000			Other sectors/foreign countries	-6.000
26.100	23.800		General losses for the year	26.937 24.560
37.569	-1.494		Total	38.100 -546
			Industries	
5.558	5.851		Commerce/hotels	5.567 5.901
-7.373	-4.681		Primary industries	-7.393 -4.671
632	-17.757		Property operation/business services	522 -17.702
-1.024	686		Building and construction	-979 686
18.116	8.729		Manufacturing	18.116 8.769
1.396	-12.091		Transportation and services	1.166 -12.058
0	-5		Various industries	0 -5
17.305	-19.268		Total	16.999 -19.080

Note 14 Distribution of customer deposits by sector/industry				
	1998	1997		
			1998	1997
			SECTORS	
	632.406	766.737	Public sector	632.406 766.737
	5.208.887	5.151.590	Commercial sector	5.164.939 5.140.115
	7.539.915	7.011.019	Private customers	7.539.915 7.011.019
	305.589	501.130	Other sectors	305.589 469.420
	13.686.797	13.430.476	Total	13.642.849 13.387.291
			INDUSTRIES	
	1.305.324	1.461.202	Commerce/hotels	1.305.324 1.461.202
	941.334	949.807	Primary industries	941.334 949.807
	1.272.836	1.139.884	Property operation/business services	1.228.888 1.128.409
	291.367	289.062	Building and construction	291.367 289.062
	308.350	274.119	Manufacturing	308.350 274.119
	1.089.676	1.037.516	Transportation and services	1.089.676 1.037.516
	5.208.887	5.151.590	Total	5.164.939 5.140.115
Note 15 Geographical division of customer loans and guarantees as at 31.12.98				
PARENT BANK			GROUP	
Loans	Guarantees		Loans	Guarantees
9.343.621	271.434	Sør-Trøndelag	9.416.695	271.434
9.112.245	134.186	Nord-Trøndelag	9.182.536	134.186
188.908	12.560	Møre og Romsdal	189.337	12.560
86.178	884	Nordland	86.839	884
1.185.148	423.474	Other parts of Norway	1.207.541	423.474
121.918	4.621	Foreign	121.918	4.621
20.038.018	847.159		20.204.866	847.159
Loans are gross loans before specified loss provisions				
Note 16 Credit commissions and fees				
	1998	1997	1998	1997
			Arrangement fees which exceed the cost of arranging the particular loan are taken to income over 5 years calculated on the basis of the average maturity of a repayment loan.	
	3.250	7.466	3.250	7.466
			The accrued amount in the balance sheet is	
			Such charges are not accrued for new loans in 1997 and 1998.	

Note 17**Specification of fixed assets**

	PARENT BANK		GROUP	
	Machinery Equipment/Vehicles	Buildings #)/ Properties	Machinery Equipment/Vehicles	Buildings #)*/ Properties
Cost at 1 January 1998				
incl. previous revaluations	263.210	76.333	276.537	441.953
+ Additions	30.185	462	31.205	83.943
- Disposals at cost	111	30.540	116	2.851
- Acc. depn. and write-downs	231.574	40.305	240.428	155.011
Book value at 31 December 1998	61.711	5.949	67.198	368.034
Residual revaluations at 31 Dec		0		71.243
Ordinary depreciation	22.712	2.534	25.026	13.265
of which depn. on revaluations		1.167		2.926

#) Incl. tenants' deposits with a book value of NOK 2,883,000.

*) The properties at Heimdal Sentrumsgård AS, previously classified as buildings and other real estate, are reclassified as repossessed assets in the consolidated accounts with booked value of NOK 18,454,000.

Sparebanken Midt-Norge has transferred bank buildings and sites to its wholly-owned subsidiary Eiendomsselskapet Gårdsnummer 1 AS

This transaction entailed no accounting gain for the bank. The title to the transferred properties remains with the bank.

The assumed economic lifetime for the machinery/fixtures and vehicles is about 5 years, for EDB equipment between 3 and 4 years, and for buildings 50 years and 25 years for properties in urban and rural areas respectively.

The depreciation rates are shown in the section on the bank's accounting principles.

Note 18**Purchases and disposals of machinery, equipment, vehicles, bank buildings and other property**

		1994	1995	1996	1997	1998
PARENT BANK						
Machinery/equipment/ vehicles	Additions	18.041	34.044	18.531	31.791	30.185
	Disposal	1.110	1.565	1.160	133	187
	Gain/loss	136	347	-2.305	133	84
Bank buildings and other property	Additions	35	90	565	2.091	462
	Disposal	4	4	874	1.295	30.524
	Gain/loss	0	53	-119	346	-16
KONSERN						
Machinery/equip vehicles	Additions	13.489	20.517	35.047	34.768	31.205
	Disposal	560	2.734	1.709	133	192
	Gain/loss		138	-2.305	133	84
Bank buildings a other property	Additions	14.675	6.374	6.401	10.968	83.343
	Disposal	1.514	1.504	68	3.275	2.667
	Gain/loss		1.329	230	1.422	-9

Note 19 Bearer bonds and negotiable certificates

	Risiko	Bokført	Markedsverdi
Government issues	0,00%	995.959	977.505
Issued by Norwegian counties and financial institutions	20,00%	574.749	560.835
Issued by others	100,00%	41.490	41.372
Total bearer bonds and certificates *)		1.612.198	1.579.712
Short-term investments in shares		139.583	137.309
Total short-term investments in securities		1.751.781	1.717.021

*) Of which NOK 915.496 in bonds

As shown in note 28, the difference between book value and market value is entered in the profit and loss account as follows: - from the hedging portfolio NOK - 32,6 million as unrealised interest.

Note 20 Residual maturity

Norw. kr	Up to	From 1 to	From 3 months:	From 1 year	Over	No	Total
Assets	1 month	3 months	to 1 year	to 5 years	5 years	residual	maturity
Cash and receivables from central banks	244.518					0	244.518
Loans to and receivables from credit institutions	402.786			209.132			611.918
Loans to and receivables from customers	1.814.120	240.497	1.160.586	7.384.410	8.677.768		19.277.381
Bonds/CDs and other interest-bearing securities	275.807	232.749	636.938	279.837	186.868		1.612.199
Assets with no residual maturity						798.581	798.581
Total assets	2.737.231	473.246	1.797.524	7.873.379	8.864.636	798.581	22.544.597
Liabilities							
Debt to credit institutions	1.135.579			121.050			1.256.629
Deposits from and debt to customers	10.309.160		197.762	3.179.875	0		13.686.797
Debt created by issuance of securities		3.835.572	149.955	990.476	99.920		5.075.923
Other debt with no residual maturity						493.529	493.529
Subordinated debt					350.000		350.000
Equity capital						1.681.719	1.681.719
Total liabilities and equity capital	11.444.739	3.835.572	347.717	4.291.401	449.920	2.175.248	22.544.597
Net liq. exposure, bal. sheet items	-8.707.508	-3.362.326	1.449.807	3.581.978	8.414.716	-1.376.667	0
In/outpayments on off-balance-sheet financial instruments							0
Net total all items							0

Overdraft, operating and similar facilities are grouped under 3 months' residual maturity

Foreign currency	Up to	From 1 to	From 3 months:	From 1 year	Over	No	Total
Assets	1 month	3 months	to 1 year	to 5 years	5 years	residual	maturity
Loans to and receivables from credit institutions	80.704						80.704
Loans to and receivables from customers	41.173				261.858		303.031
Total assets	121.877				0	261.858	383.735
Liabilities							0
Debt to credit institutions	143.928			248.002			391.930
Deposits from and debt to customers	66.222			3.800			70.022
Liability by issue of securities	111.855						111.855
Total liabilities and equity capital	322.005			251.802			573.807
Net liq. exposures, bal. sheet items	-200.128			-251.802			-451.930

Agreed/Probable timing of interest rate changes

Norw. kroner	Up to	From 1 to	From 3 months:	From 1 year	Over	No	Total
Assets	1 month	3 months	to 1 year	to 5 years	5 years	residual	maturity
Cash and receivables from central banks	244.518						244.518
Loans and receivables from credit institutions	586.918		25.000				611.918
Loans to and receivables from customers	19.277.381						19.277.381
Bonds/CDs and other interest-bearing securities	275.807	232.749	636.938	279.837	186.868	0	1.612.199
Assets with no residual maturity						798.581	798.581
Total assets	20.384.624	232.749	661.938	279.837	186.868	798.581	22.544.597

Liabilities							
Debt to credit institutions	1.135.579			121.050			1.256.629
Deposits from and debt to customers	10.309.160		197.762	3.179.875	0		13.686.797
Debt created by issuance of securities		3.835.572	149.955	990.476	99.920		5.075.923
Other debt with no residual maturity						493.529	493.529
Subordinated debt					350.000		350.000
Equity capital						1.681.719	1.681.719
Total liabilities and equity capital	11.444.739	3.835.572	347.717	4.291.401	449.920	2.175.248	22.544.597
Net liq. exposure, bal. sheet items	-8.707.508	-3.362.326	1.449.807	3.581.978	8.414.716	-1.376.667	0
In/outpayments on off-balance-sheet fin.							0
Net total all items							0

Overdraft, operating and similar facilities are grouped under 3 months' residual maturity

Foreign currency	Up to	From 1 to	From 3 months:	From 1 year	Over	No	Total
Assets	1 month	3 months	to 1 year	to 5 years	5 years	residual	maturity
Loans to and receivables from credit insti	80.704						80.704
Loans to and receivables from customers	41.173				261.858		303.031
Total assets	121.877			0	261.858		383.735
							0
Liabilities							0
Debt to credit institutions	143.928			248.002			391.930
Deposits from and debt to customers	66.222			3.800			70.022
Liability by issue of securities	111.855						111.855
Total liabilities and equity capital	322.005			251.802			573.807
Net liq. exposures, bal. sheet items	-200.128			-251.802			-451.930

Agreed/Probable timing of interest rate changes

Norw. kroner	Up to	From 1 to	From 3 months:	From 1 year	Over	No	Total
Assets	1 month	3 months	to 1 year	to 5 years	5 years	residual	maturity
Cash and receivables from central banks	244.518						244.518
Loans and receivables from credit institut	586.918		25.000				611.918
Loans to and receivables from customers	19.277.381						19.277.381
Bonds/CDs and other interest-bearing securities	275.807	232.749	636.938	279.837	186.868	0	1.612.199
Assets with no residual maturity						798.581	798.581
Total assets	20.384.624	232.749	661.938	279.837	186.868	798.581	22.544.597
							0
Liabilities							0
Debt to credit institutions	1.238.629		15.000	3000			1.256.629
Deposits from and debt to customers	13.686.797						13.686.797
Debt created by issuance of securities	0	3.835.572	149.955	990.476	99.920		5.075.923
Other debt with no residual maturity						493.529	493.529
Subordinated debt					350.000		350.000
Equity capital						1.681.719	1.681.719
Total liabilities and equity capital	14.925.426	3.835.572	164.955	993.476	449.920	2.175.248	22.544.597
Net liq. exposure, bal. sheet items	5.459.198	-3.602.823	496.983	-713.639	-263.052	-1.376.667	0
In/outpayments on off-balance-sheet fin.							0
Net total all items							0

Overdraft, operating and similar facilities are grouped under 3 months' residual maturity

Foreign currency Assets	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No residual	Total maturity
Loans to and receivables from credit insti	80.704				0		80.704
Loans to and receivables from customers	41.173				261.858		303.031
Total assets	121.877			0	261.858		383.735
Liabilities							
Debt to credit institutions	143.928			248.002			391.930
Deposits from and debt to customers	66.222			3.800			70.022
Liability by issue and securities	111.855						111.855
Total liabilities and equity capital	322.005			251.802			573.807
Net liq. exposure, bal. sheet items	-200.128						-200.128
In/outpayments on off-balance-sheet fin.							0
Net total all items							0

The directors have set an overall limit for maximum interest rate risk in losses/gains at 1 per cent parallel shift in the general interest rate level, and a limit to total exposure. Part of the interest rate risk covered in the balance sheet is secured by interest rate swaps, FRAs and bond futures (see note 28). The tables above do not include interest rate positions for off-balance sheet financial instruments.

Note 21 Shares, units and PCC's

Shares/units	PARENT BANK		GROUP	
	Book value	Market value	Book value	Market value
Short-term investments in shares *)	139.583	137.309	139.583	137.309
Long-term investments in				
- shares in other companies	72.997		74.560	
- units in other companies	401		641	
- in shares in jointly controlled activity	145.900		147.160	
- in shares in subsidiaries	183.551		61	
Total investments in shares and units	542.432		362.005	

*) Short-term investments in shares are included in the trading portfolio (see note 28), and losses on sales of securities are booked under other liabilities.

Specifications:

	Company's share capital (NOKm)	Owner-share (%)	Our holding (No.)	Nominal value (NOK 1,000)	Book value (NOK 1,000)	Market value (NOK 1,000)
Short - terms investments						
Parent bank:						
Listed companies						
Adresseavisen	38,0	0,2	625	13	151	225
Bolig- og Næringsbanken	488,0	0,2	22.000	1.100	3.854	4.059
Ecuator AS	41,0	0,8	32.000	320	0	40
Namsos Trafikkselskap AS	9,4	4,5	179.000	1.790	10.779	9.398
Nordic VLSI	1,4	0	18.000	5	933	945
Nordlandsbanken	320,0	0,8	55.500	5.550	10.701	8.491
Odin Norge			26.153	2.615	10.000	11.131
Odin Norden			40.263	4.026	9.973	14.939
RCS			5.000	500	0	0
Sparebanken NOR	4.689,0	0,2	276.764	27.676	39.472	40.823
Sparebanken Nord-Norge	644,3	4,2	224.500	22.450	37.522	33.226
Sparebanken Rogaland	744,0	1,6	73.850	7.385	16.198	14.032
Wind Force Technology			10.000	1.000	0	0
Total parent bank		0,00	0,00	74.430	139.583	137.309
Subsidiaries:						
Other short-term shareholdings					0	0
Total group				74.430	139.583	137.309

	Company's share capital (NOKm)	Owner-share (%)	Our holding (No.)	Nominal value (NOK 1,000)	Book value (NOK 1,000)
ASSOCIATED/JOINTLY CONTROLLED COI					
Parent bank					
SpareBank 1 Gruppen AS, Oslo	479,5	20,0	95.900	95.900	145.900

*)valued in consolidated accounts by equity r

147.160

	Company's share capital (NOKm)	Ow ner- share (%)	Our holding (No.)	Nominal value (NOK 1,000)	Book value (NOK 1,000)
LONG-TERM INVESTMENTS					
Parent bank:					
BBS/Bank-Axcept AS	165,0	4,2	273.319	6.833	4.405
Four Seasons Venture	0,3	1,8	4.800	0	5
Eurotunnel			420.927	6.267	4.518
FöreningsSparbanken	7.037,0	0,1	250.000	52.000	49.712
Hitra-Frøya Fastlandsforb. AS	0,9	8,0	722	72	72
Innovasjonsmarkedet ASA	16,9	8,0	150	450	450
Namsos Hotell AS	1,3	27,79	500	351,5	176
Nidaros Foods AS	2,2	9,10	200	200	500
Sparebankkort AS	4,3	6,86	294	294	257
Steinkjer Næringspark ASA	10,2	4,81	1.750	490	263
Steinkjer Næringssselskap AS	1,6	6,07	1.000	100	75
Støren Hotell AS	0,8	50,00	400	400	0
Støren Trelast AS	6,6	5,23	3.450	345	131
Trøndelag Vekst	66,0	12,70	83.720	8.372	12.221
Visa Norge AS	8,0	3,50	280	280	70
Other long-term shareholdings					122
Total parent bank					72.997
Subsidiaries:					
Sentrumsgården AS, Leksvik	4,1	28,4	1.150	1.000	1.380
AS Kapital Candy Eiendom	0,5	34,0	170	1.000	170
Other long-term shareholdings					13
Total for the group					74.560
SHARES IN SUBSIDIARIES:					
Eiendomsselsk. Gårdsnummer 1 AS	113,3	100,00	1.133	113.300	113.300
Midt-Norge Fonds AS	31,4	100,00	31.400	31.400	28.200
Midt-Norge Leasing AS	40,0	100,00	4.000	40.000	40.000
Midt-Norge Regnskap AS	1,0	100,00	20	1.000	1.000
Bolig-Torget AS	1,5	66,00	330	990	990
Heimdal Sentrumsgård	0,1	100,00	1,00	50	0
Nye KSH AS	0,4	50,00	200	100	61
Total parent bank holdings in subsidiaries	0,00	0,00	0,00	0,00	183.551
<p>The share capital in Gårdsnummer 1 (earlier Midt-Norge Bygg AS) was written up in previous years. The net written up value at year end 1998 is NOK 57,97 millions</p> <p>In 1998 the share capital in Midt-Norge Fonds AS was written up by NOK 6.4 million through transfer from reserves.</p> <p>Based on the assumed true value of shares in subsidiaries, the bank in 1998 reversed earlier years' write-down of shares in Midt-Norge Bygg AS (now Gårdsnummer 1) and Midt-Norge Leasing AS. The reversal is included in the item write-down and gain/loss on securities in an amount of NOK 42.6 million. After the reversal the bank's share capital in these companies equals the book share capital in the respective companies.</p>					
ANS and KS shares			Holding %	Book value	Result
Owned by the bank:					
ANS Rennebu Butikkcenter			9,62	5	0
ANS Malm Servicebygg			9,70	71	49
ANS Sparebankebygg Namdal			1,43	325	21
Total				401	70
Owned by subsidiary ANS Søndre gt 10			1 %	240	0
Total				641	70
Holdings below 20% are included in the accounts using the cost method and are written down to true value.					

Note 22 Bond debt and subordinated debt**Subordinated debt**

Maturity date (year)	Securities reg. No.		1998			1997		
			Nominal value	Ow n holding Nominal value	Market value	Nominal value	Ow n holding Nominal value	Market value
2008	180608-0	NOK 5,9%	350.000	0,00	0,00	350.000	0,00	0,00

The capital with accrued interest in the above loans ranks behind all other debt of the bank except repayment of and return on primary capital contributions.

Bond debt

Maturity date (year)	Securities reg. No.	Nominal value	1998		Nominal value	1997	
			Ow n holding Nominal value	Market value		Nominal value	Ow n holding Market value
1999	180604-6	500.000	66.520	63.695	500.000	66.520	67.119
2000	180605-3	500.000	2.910	3.021	400.000	2.780	2.891
2001	180606	200.000			200.000		
2001	180607	200.000			200.000		
2001	180609	300.000	10.000	9.977			
1999	180610	50.000					
2005	180611	100.000					

Expenses in connection with the various loans raised are not capitalised. The loans are interest-rate hedged by investment in other bonds. The difference between interest on the borrowing date and corresponding borrowings today is booked together with any realised and unrealised gains and losses on contra transactions. Such funding is valued at an interest rate differential against bonds no larger than the contraction date (see note 28)

Note 23 Disputes

The bank is a party in several legal disputes of minor financial significance to its ordinary business activity. No provisions have been made in the accounts for these disputes. As at 31.12.98 no subsidiary was involved in a legal dispute of particular financial significance.

Note 24 Contractual commitments

The bank has entered into rental agreements costing NOK 11,9 (1998 price) relating to business premises with parties other than subsidiaries. The agreements are of varying duration, but most are renegotiable in the period 1998 - 2000. A total of NOK 6 million has been set aside for unutilised premises to cover future rental expenses.

Note 25 Primary capital certificate holders

The bank holds PCC capital of NOK 6000,000,000 distributed on 6,000,000 PCCs with a face value of NOK 100 per PCC. As at 1 January 1999 the risk amount is provisionally estimated at NOK 14,14 per PCC.

The largest PCC holders as at 31 December 1998

Holder	Number (in 1000)	Share in %
Hafslund Invest AS	329,3	5,5
Folketrygdfondet	294,3	4,9
Postbanken	215,3	3,6
I. K. Lykke AS, Trond Lykke, Lykke Finans	164,6	2,7
Sparebanken Rogaland	139,1	2,3
Tveteraas Eiendomsselskap	138,5	2,3
Ila Finans AS, Ila Jern AS	105,8	1,8
Wenaasgruppen AS	80,1	1,3
Leif Høegh & Co. Shipping AS	70,6	1,2
Stiftelsen Uni	70,0	1,2
Ringerikes Sparebank	51,7	0,9
Oslo kommunale Pensjonskasse	49,3	0,8
Høyteknologisenteret i Bergen	49,0	0,8
Bergen kommunale Pensjonskasse	47,0	0,8
Avanse Finans	46,8	0,8
Otto B. Mørcken	46,0	0,8
Sparebanken Midt-Norge Ansatte Fond	45,5	0,8
Anders Romsbotn	40,0	0,7
Arne B. Corneliussen Invest	40,0	0,7
Odd Berg AS	40,0	0,7
Other holders	3.937,1	65,6
Total issued PCCs	6.000,0	100,0

As at 31 December 1998, PCC totalled 2907, of which 18 foreign.

PCCs owned by elected officers as at 31 December 1998

Holders	Location	No. of PCCs
Members/alternates of the Board of Directors		
Joar Grimsbu	Trondheim	300
Torbjørn Vik (a.Man. Dir)	Trondheim	200
Odd Arve Bartnes	Steinkjer	100
Members/alternates of the Board of Governors		
Oddbjørn Kulseth	Stjørdal	300
Erik Sture Larre	Oslo	11.000
Arne Norheim	Sandnes	1.000
Sigbjørn Rishaug	Trondheim	8.500
Lars Sjømo	Trondheim	33.000
Johan Peder Strøm	Trondheim	10.000
Tove Valmøt	Trondheim	1.300

Note 26 Capital

Parent bank		Specification of basis measurement	Group	
1998	1997		1998	1997
825	47	10 %	825	47
324.998	296.987	20 %	330.925	298.760
4.486.896	3.962.290	50 %	4.494.916	3.971.763
11.214.703	10.627.894	100 %	11.297.144	10.645.452
16.027.422	14.887.218	Total assets off the trading portfolio	16.123.810	14.916.022
425.350	428.248	Total off-trading-portfolio and off-balance-sheet	425.350	428.248
		Total measurement base, forex risk and items included in trading portfolio	1.688.617	670.765
1.689.576	670.765	- Less ineligible items:		
15.342	22.433	Capital in other financial institutions	15.342	22.433
760.636	770.567	Loss provisions	760.908	769.783
17.366.370	15.193.231	Basis of measurement of capital	17.461.527	15.222.819
1998	1997	Eligible capital	1998	1997
600.000	600.000	Subscribed capital	600.000	600.000
627.806	524.720	The bank's reserves and other funds	675.761	593.969
358.000	282.000	Equalisation fund	358.000	282.000
1.585.806	1.406.720	Total core capital	1.633.761	1.475.969
350.000	350.000	Subordinate debt	350.000	350.000
0	0	Reduction past 5 years	0	0
350.000	350.000	Net supplementary capital	350.000	350.000
15.342	22.433	- Less ineligible share of capital in other financial institutions	15.342	22.433
1.920.464	1.734.287	Net capital	1.968.419	1.803.536
11,06	11,41	Capital adequacy in %	11,27	11,85
11,39	11,57	Capital adequacy in % by reduction method	11,62	12,03

Note 27 Subsidiaries and associated companies**The most important balance sheet items and profit and loss account items between the parent bank and the subsidiaries are shown within the items below**

	1998	1997
Overdraft, working capital and similar facilities	24.351	62.955
Repayment loans	130.516	81.003
Specified loss provisions	3.700	3.700
Loans and deposits from Norwegian financial institutions	426.149	346.529
Sight deposits	43.948	43.185
Other debt	0	20.000
Interest and credit commissions from customers	8.723	7.684
Interest on deposits in and loans to financial institutions	16.408	8.088
Interest on customer deposits	2.741	1.669
Interest on deposits and loans from financial institutions	22.390	14.103
Guarantees furnished for the companies	10.000	80.000

Outstanding interest between the parent bank and subsidiaries is less payable at ordinary customer rates or the interbank rate.

Eiendomsselskapet Gårdsnummer 1 AS owns large sections of the premises leased by the parent bank.

12.081 26.206

Rentals generally conform with ordinary market conditions.

Subsidiaries - financial figures	Our holding %	Profit/loss	Assets	Liabilities	Net equity
Consolidated subsidiaries:					
Eiendomsselskapet Gårdsnummer 1 AS	100,0	1.694	365.922	252.100	113.822
Midt-Norge Fonds AS	100,0	1.297	33.240	528	32.712
Midt-Norge Leasing AS	100,0	8.301	329.663	273.231	56.432
Midt-Norge Regnskap AS	100,0	192	4.418	3.653	765
Heimdal Sentrumsgård AS	100,0	812	21.161	22.426	-1.265
Bolig-Torget AS	66,0	-1.560	16.012	15.109	903
Other subsidiaries:					
Nye KSH AS	50,0	46	3.867	1.391	2.476

Information about the share capital of subsidiaries is shown in note 21
All consolidated subsidiaries have their own registered offices in Trondheim

Eiendomsselskapet Gårdsnummer 1 AS, Trondheim

The property held by this company was previously written up by NOK 90,9 million including deferred tax. As at 31 December 1998 the non-depreciated value was NOK 71 million. This company replaced its former name (Midt-Norge Bygg AS) with its present name in 1998. ANS Søndre gt 10 was consolidated in the accounts of Eiendomsselskapet Gårdsnummer 1 AS in 1998

Midt-Norge Fonds AS, Trondheim

The parent bank wrote down its shareholdings in this company by NOK 3,2 million. in 1995. NOK 20 million was added to the company's share capital in 1996. Business was transferred to the parent bank with effect from January 1997, but the company will no be wound up with for the time being. The company's share capital was written up by NOK 6.4 million transferred from reserves.

Midt-Norge Leasing AS, Trondheim

The company's business area is financial leasing. In 1994 the original share capital was written down by NOK 21.5 million. In 1997 the company was supplied with new capital worth NOK 20 million by the parent bank, bringing the total share capital to NOK 40 million at 31 December 1997.

Midt-Norge Regnskap AS, Trondheim

This company provides accountancy services for business, and it operates within the parent bank's business district.

Heimdal Sentrumsgård AS, Trondheim

This company manages a number of commercial properties in the Trondheim area. These are classified as repossessed properties in the consolidated accounts with a value of NOK 19 million.

Bolig-Torget AS, Trondheim

This company is a pure estate agency business operating in Trøndelag, with offices in Trondheim, Stjørdal, Levanger and Steinkjer. It is also represented in Namsos. In a bonus issue in 1996, TOBB (short for Trondheim og Omegn Boligbyggelag, a housing cooperative) bought 17,5% of the shares. In 1997 TOBB's shares increased to 34%.

In the consolidated accounts the company is treated as a wholly-owned since TOBB's minority holding is regarded as insignificant.

JOINTLY CONTROLLED ACTIVITIES - SpareBank I Gruppen AS, Oslo

The bank owns Sparebankgruppen AS in cooperation with Sparebanken Nord-Norge, Sparebanken Rogaland Sparebanken Vest and Samarbeidende Sparebanker AS.

Each party owns 20% of the shares in the company. The management structure for the Sparebank 1 collaboration is regulated in an agreement between the owners. Each holding is to be regarded as participation in jointly controlled activity.

The shares in Sparebankgruppen AS are valued in the parent bank's accounts using the cost method. In the group accounts the equity method is applied to jointly controlled activity. This is justified on the ground that activity in Sparebankgruppen AS is limited compared with the bank's other activities.

Company name	Share capital NOKm	Holding	Voting share
Sparebank I Gruppen AS	479,5	0,00	20%

Sparebanken Midt-Norge has granted a subordinated loan of NOK 16.6 million to Sparebankgruppen AS. The loan runs to 2006 and carries interest at the 3-month NIBOR rate + 110 basis points.

The jointly controlled activity comprises the parent company Sparebankgruppen AS, Sparebank 1 Livsforsikring AS, Sparebank 1 Skadeforsikring AS and ODIN Forvaltning AS (51%). The subsidiaries operate in the insurance and investment products markets. The table below shows a summary of the profit and loss account and balance sheet for the Sparebank 1 Gruppen group:

All transactions between the bank and the subsidiaries in SpareBank 1 Gruppen are carried out on commercial terms. Internal remuneration between the bank and Sparebank 1 Gruppen AS that is not related to sales and portfolio advice is based on the full cost principle.

Tabellen nedenfor viser et sammendrag av resultat og balanse i Sparebank I Gruppen konsern

Figures (millions of kroner)	1998		1997	
Results	100%	20%	100%	20%
Premium income, non-life insurance	11,1	2,2		
Premium income, life insurance	375,4	75,1	419,8	84,0
Net income from financial assets	165,4	33,1	133,6	26,7
Compensations and technical provisions, non-life	-18,7	-3,7	0,0	0,0
Compensations and technical provisions, life	-348,0	-69,6	-414,1	-82,8
Funds transferred to insurance customers	-9,1	-1,8	-29,5	-5,9
Other income	244,0	48,8	171,5	34,3
Operating expenses	-390,0	-78,0	-229,6	-45,9
Operating profit	31,3	6,3	51,7	10,3
Minority interests and tax	-4,1	-0,8	-29,4	-5,9
Tax	-7,7	-1,5	-23,1	-4,6
Profit after tax	19,4	3,9	-0,8	-0,2
	31.12.98	0,0	31.12.97	0,0
Balance	100%	20%	100%	20%
Financial assets	2.797,4	559,5	2.616,6	523,3
Intangible assets and goodwill	80,4	16,1	86,2	17,2
Other assets	573,3	114,7	530,0	106,0
Total assets	3.451,1	690,2	3.232,8	646,6
Equity	739,4	147,9	670,0	134,0
Minority interests	7,1	1,4	22,0	4,4
Subordinated debt	113,0	22,6	113,0	22,6
Insurance provisions	2.490,7	498,1	2.222,5	444,5
Other debt	100,9	20,2	205,3	41,1
Total equity and liabilities	3.451,1	690,2	3.232,8	646,6

On 23.01.99 the Ministry of Finance granted FöreningsSparebanken AB, Stockholm, a licence to acquire 25% of the shares in SpareBank1 Gruppen AS.

SpareBank1 Gruppen AS issued options to FöreningsSparbanken AB to buy 50% of the shares in Odin Forvaltning AS, 10% of the shares in SpareBank1 Livsforsikring AS and 90% of the shares in SpareBank1 Fondsforsikring AS. In connection with the entry into an agreement on strategic cooperation with FöreningsSparbanken AB the option agreements were extended until the result of applications for all the required public authorisations becomes available. If all public authorisations are given conditions which the parties accept, the options will lapse without further notice. If the options lapse the group shall remit NOK 160 million to FöreningsSparebanken AB as payment for such lapse of the options. The payment and expensing of NOK 160 million by SpareBank 1 Gruppen AS in 1999 is conditional upon FöreningsSparebanken AB having paid in NOK 720 million to the group in the form of a placed increase of share capital.

Note 28 Valutaion of hedging and trading portfolios

Hedging portfolios					
Type of business	Booked amount	Accrued interest		Realised gain/loss	Result this year
		31.12.1997	31.12.1998		
Government stock	970.553	-13.131	-18.738	-16.124	-21.731
Other bonds	384.761	-902	-13.774	1.013	-11.859
Subordinated loan stock	36.490	434	-78	-907	-1.419
Fixed interest loans	64.025	3.946	1.633	66	-2.247
Total assets		-9.653	-30.957	-15.952	-37.256
Total own bonds	-831.147	-19.577	401	-22	19.956
Total own subordinated loan stock	-350.000	-10.500	0	-5.125	5.375
Fixed interest deposits	-86.500	-625	0	0	625
Total liabilities		-30.702	401	-5.147	25.956
Net futures	0	0	0	1.754	1.754
Net FRAs	0	0	0	0	0
Net interest rate sw aps	621.855	2.957	684	1.294	-979
Total interest rate related agreements	0	2.957	684	3.048	775
Net	0	-37.398	-29.872	-18.051	-10.526

Trading portfolio					
Type of business	Booked amount	Accrued interest		Realised gain/loss	Result this year
		31.12.1997	31.12.1998		
Bonds/CDs	220.395	154	157	2.070	2.073
Short-term shareholdings	139.583	37.427	-2.275	-7.554	-47.256
Total assets		37.581	-2.118	-5.484	-45.184
Own bonds/certificates	-4.244.776	280	4.634	-907	3.447
Total liabilities	0	280	4.634	-907	3.447
Net futures	0	0	0	154	154
Net FRAs	1.360.000	0	412	276	688
Net interest rate sw aps	3.556.008	116	0	0	-116
Total interest rate related agreements	0	116	412	430	726
Capital gains not taken to income	0	37.977	5.203	0	-32.774
	0				
Net capital loss, trading portfolio	0	0	-2.275	-5.961	-8.236

The hedging portfolios were introduced to limit interest rate risk on the bank's subordinated debt, loans and funding at fixed interest and to accrue agreed margins over the term of the transaction. The individual transactions included in the hedging portfolios are classified under their respective items in the bank's balance sheet at acquisition cost.

In the hedging portfolios all asset, liability and off-balance-sheet items are shown at market value. Net unrealised capital gains/losses are entered in the profit and loss account as interest received/paid and in the balance sheet as interest accrued. All realised gains/losses are entered in the profit and loss account as they arise. To ensure correct interest in hedging transactions, paper is included at both premium and discount. In 1998 this entailed a net capital loss of NOK 10.5 million in the hedging portfolios. This loss is matched by a correspondingly high interest yield, and is entered as interest as at 31 December 1997. The trading portfolio comprises bonds and interest rate instruments in which the bank trades on a daily basis. The portfolio is valued at the low est of a acquisition cost and market valu

Note 29 Tax calculations

PARENT BANK		POSITIVE TEMPORARY DIFFERENCES RELATED TO:	GROUP	
31.12.98	31.12.97		31.12.98	31.12.97
0	16.637	Revaluations of buildings	71.243	91.398
57.970	18.870	Write-up of shares in subsidiaries	0	0
0	0	Capital assets	22.805	0
0	0	Elimination of negative differences	9.229	0
57.970	35.507	Basis for deferred tax	84.819	91.398
16.232	9.942	Deferred tax at 28%	23.749	25.591

PARENT BANK		NEGATIVE TEMPORARY DIFFERENCES RELATED TO:	GROUP	
31.12.98	31.12.97		31.12.98	31.12.97
40.788	52.326	Current assets/short-term debt	41.717	65.856
117.305	64.559	Capital assets	108.853	52.496
35.124	50.543	Long-term debt	35.124	50.543
63.590	71.353	Pension commitments	64.887	73.353
256.807	238.781		250.581	242.248
0	0	Tax loss carry-forward	15.696	20.764
0	0	Elimination of positive differences	9.229	0
256.807	238.781	Basis for deferred tax advantage	257.048	263.012
71.906	66.859	Assessed deferred tax advantage (28%)	71.973	73.643
55.674	56.917	- Reduction in deferred tax advantage	48.224	48.052
16.232	9.942	= Deferred tax advantage (balance sheet item)	23.749	25.591

		Taxes for 1998:
354.091	355.016	Profit before tax
1.261	-2.241	Permanent differences
200	173	Group contribution
-75.533	-48.022	Change in temporary differences
280.019	304.926	Tax base for the year
78.405	85.379	28 % tax of the tax base
3.300	2.815	0,3 % tax on the net capital wealth
-2.480	-2.100	Dividend payment deduction
79.225	86.094	Payable tax
2.775	-2.094	Allocated previous years
0	0	Change, deferred tax
82.000	84.000	Tax burden for the year

Note 30 Equity capital

	PARENT BANK	GROUP
Primary capital certificates	600.000	600.000
Equalisation fund	282.000	282.000
The bank's reserves	524.719	524.719
Other reserves	0	69.249
Equity capital as at 31 December 1997	1.406.719	1.475.968
Profit for the year after group contributions	275.087	246.287
Dividend to PCC holders	-96.000	-96.000
Net capital change, subsidiary		7.506
Equity capital as at 31 December 1998	1.585.806	1.633.761
distributed as follows:		
Subscribed capital	600.000	600.000
Equalisation fund	358.000	358.000
The bank's reserves	627.806	627.806
Other reserves	0	47.955
	1.585.806	1.633.761

Other reserves in the Group include equity in subsidiaries written down by the value of equity in jointly controlled activity (see note 27)

Note 31 Provision for reorganisation

Stronger compensation, weakened margins and introduction of new technology will require substantial reorganisation in the period ahead. In previous years the bank made provisions to cover parts of the cost that will accrue in connection reorganisation. This provision totals NOK 29.1 million at 31.12.98.

Reorganisation will essentially refer to reduction of human resources, and the provision will cover costs of scaling down parent bank staffing to 520 person-years by the end of 2002

Note 32 Other assets/liabilities

Parent bank			Group	
1998	1997	Other assets	1998	1997
2.683	2.843	Tenants' rentals	2.683	2.843
7.732	5.732	Capital contributions, pension fund	7.732	5.732
28.847		Receivables from subsidiaries		
10.419	18.322	Debtors	34.625	29.691
49.681	26.897	Total other assets	45.040	38.266
		Other liabilities		
36.208	49.195	Draw ing debt	36.208	49.195
83.417	87.296	Payable and accrued tax	86.494	89.209
500	1.173	Group contributions	0	0
160.291	172.613	Suppliers and other creditors	162.875	186.947
280.416	310.277	Total other liabilities	285.577	325.351

Primary capital certificates

Dividend policy

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

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

Sparebanken Midt-Norge will attach importance to competitive cash dividends.

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

	1998	1997
Number of holders as at 31 December:	2,907	2,557
of which foreign owners:	18	13
Primary capital certificates traded:	3,556,633	7,842,872
Total primary capital:	NOK 600 million	

KPMG as

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To the Supervisory Committee of
Sparebanken Midt-Norge

Audit report for 1998

We have audited the annual report and accounts of Sparebanken Midt-Norge for 1998, showing a profit for the year of NOK 274 886 000,- for the parent bank and a consolidated profit for the year of NOK 246 287 000,-. The annual report and accounts, which comprise the annual report proper, profit and loss account, balance sheet, funds flow statement and notes to the accounts and consolidated accounts are presented by the company's Board of Directors.

Our responsibility is to examine the company's annual report and accounts, its accounting records and other related matters.

We have conducted our audit in accordance with relevant laws, regulations and generally accepted auditing standards. We have performed those audit procedures which we considered necessary to confirm that the annual report and accounts are free of material misstatements. We have examined selected parts of the evidence supporting the accounts and assessed the accounting principles applied, the estimates made by management, and the content and presentation of the annual report and accounts. To the extent required by generally accepted auditing standards we have reviewed the company's internal control and the management of its financial affairs.

The Board of Directors' proposal for the application of the profit for the year is in accordance with the requirements of the Saving Banks Act and the Banking, Insurance and Securities Commission of Norway.

In our opinion, the annual report and accounts have been prepared in accordance with the requirements of the Saving Banks Act and the Banking, Insurance and Securities Commission of Norway and present fairly the financial position of the bank and the group as of 31 December 1998 and the result of its operations for the financial year, in accordance with generally accepted accounting principles.

Trondheim, 2 March 1999

KPMG as

Hallvard Strømme

State Authorized Public Accountant (Norway)

Report of the Control Committee

The Control Committee had 11 meetings in 1998, of which one was held at Rørvik. At these meetings the committee reviewed the minutes of the main board's proceedings and associated documents.

The Committee is satisfied with the reporting and replies made by the bank's chief auditor and the bank's administration. In 1998 the Committee held meetings with the bank's corporate management, external auditor and directors. The Control Committee has had continual exchange of information with the bank's chief auditor. At the meetings with the Committee the bank's administration gave information on matters which it considered merited closer attention.

The Control Committee verified that the statutory requirements as to qualified collateral security for loans to officers are satisfied.

The Control Committee has examined the annual report and accounts for 1998. Where the annual accounts are concerned it should in particular be mentioned that the legal requirements and constraints imposed on shares and units, real properties, maximum loans per customer, credit to municipalities/county municipalities, liquidity requirements and capital adequacy, are complied with.

The Control Committee believes that it discharged its duties in conformity with the Savings Banks Act and the existing instructions in 1998. The bank's activities were carried out in conformity with the Savings Banks Act, the bank's articles of association and other provisions with which the bank has undertaken to comply.

The Control Committee has not in the course of its work brought to light significant flaws or deficiencies related to the operation of the bank.

The Control Committee recommends the Board of Trustees to pass the following resolution:

" The profit and loss account and the balance sheet are hereby adopted as the bank's financial statement for 1998."

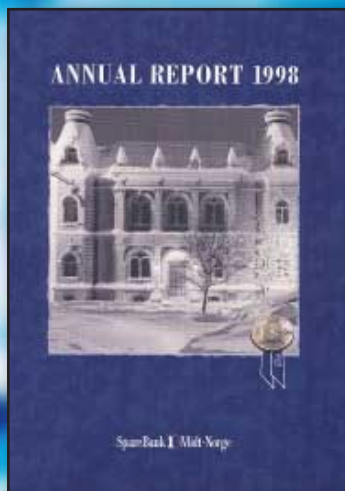
Trondheim, 12. April 1999
Control Committee
of
SPAREBANKEN MIDT-NORGE

ANNUAL REPORT 1998



SpareBank **1** Midt-Norge

SpareBank 1 Midt-Norge



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