

Annual General Meeting

The Annual General Meeting will be held on 29 April 1997 at 2 p.m. in the Congress Hall, Folkets Hus, Barnhusgatan 12–14, Stockholm.

Notification

Shareholders who wish to participate in the meeting must

- be recorded in the share register maintained by Värdepapperscentralen VPC AB (the Swedish Securities Register Centre) no later than Friday, 18 April 1997,
- notify the Legal Department at the Bank's head office, Grev Turegatan 30, S-114 91 Stockholm, telephone +46 8 782 37 75, of their intention to participate in the Meeting no later than Thursday, 24 April 1997, 1 p.m.

Shareholders whose shares are registered in the names of trustees must, in order to be entitled to participate in the Meeting, also temporarily re-register their shares in the share register maintained by VPC. Shareholders must notify their trustees of their intention in good time prior to 18 April 1997.

The record date for ordinary dividends to shareholders is 5 May 1997, and for possible bonus dividends to ordinary shareholders three days after Sparbanken Sverige AB announces that the offering to the shareholders in Föreningsbanken AB will be carried out. VPC then expects to be able to send out ordinary dividends to shareholders on 13 May 1997 and any bonus dividends 5 banking days after the record date for the bonus dividend.

Financial Information 1997

Preliminary Report for 1996:	18 February
Annual Report for 1996:	7 April
Interim Reports:	
January – March:	29 April
January – June:	21 August
January – September:	4 November

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Important events



Operating profit amounted to SEK 1,160 M, an improvement of 14 per cent over the previous year.

Föreningsbanken's share was transferred to the Stockholm Stock Exchange's A list on 3 April 1996. On the final trading day of the year, the share was quoted at SEK 34.30, representing a rise of 82 per cent in 1996. This upward trend has continued.

The winding-up of Mandamus AB – Föreningsbanken's company for the management and disposal of repossessed assets – intensified. Real properties with a book value of more than SEK 800 M were sold during the year. In January 1997, properties were sold for an additional amount in excess of SEK 900 M. Along the lines of other banks' companies formed to manage repossessed assets, the intention is to distribute Mandamus AB to the shareholders.

Within the framework of the EU's "Growth and Environment" programme, Föreningsbanken – as the only bank in Sweden – was chosen to offer small business customers advantageous environmental loans. In addition, Föreningsbanken started an Environmental Fund and launched an environmental card, Världsnaturkortet, together with the World Wide Fund For Nature (WWF).

A new organisation was introduced in March 1996. The five regional offices were phased out and branch offices were divided into 16 market areas. This new organisation gave the branches greater authority and more effective business support, while costs could be trimmed still further.

In December 1996, Föreningsbanken opened its manned telephone service, Ring & Svar. This new service complements the branch offices and allows customers to carry out their banking business by telephone 16 hours a day.

The Bank started its own insurance business during the year. LTF Liv and parts of the insurance portfolio in LTF Sak were acquired from Lantbrukarnas Ekonomi AB.

On Tuesday, 18 February 1997, the Boards of Föreningsbanken and Sparbanken Sverige presented their joint proposal for a merger and the formation on equal terms of an entirely new people's bank – FöreningsSparbanken.



Key figures for the Group

	1996	1995	1994	1993	1992
Profit before loan losses, SEK M	2,251	2,467	1,952	2,036	2,070
Loan losses, SEK M	1,091	1,447	2,393	4,408	3,503
Operating profit, SEK M	1,160	1,020	-441	-2,372	-1,433
Balance sheet total, SEK M	116,843	108,951	108,718	105,800	100,654
Capital base, SEK M	10,062	8,558	7,233	7,024	5,882
Income/expense					
before loan losses	1.78	1.86	1.74	1.66	1.63
Income/expense					
after loan losses	1.29	1.24	0.91	0.68	0.79
Investment margin, %	3.22	3.34	3.34	3.55	3.84
Return on equity after actual tax, %	18.3	21.1	-8.8	-52.2	-31.3
Return on equity after standard tax, %	14.9	15.3	-7.0	-42.2	-26.1
Return on total capital, %	1.0	0.9	-0.4	-2.3	-1.3
Reserve ratio for bad debts, %	55	52	51	40	40
Proportion of bad debts, %	1.7	2.5	4.0	7.2	6.9
Loan loss level, %	1.2	1.7	2.73	4.77	3.28
Capital ratio, %	13.5	12.5	10.7	10.3	8.1
Primary capital ratio, %	7.5	7.3	6.4	6.9	4.6
Equity ratio, %	5.2	4.9	4.0	4.5	3.4
Earnings per share after standard tax ¹ , SEK	3.20	2.81	-1.69	-9.09	-5.49
Net earnings per share ¹ , SEK	3.92	3.90	-1.52	-8.11	-5.15
Equity per share ¹ , SEK	23.15	20.52	16.61	18.06	12.94
Average number of employees	3,864	3,952	4,051	4,543	5,109
Number of branch offices	496	507	537	579	614

Key figures for 1995 have been changed in accordance with the new accounting legislation. Furthermore, definitions for some key ratios have been changed for all years, see Definitions on page 74. However, valuation principles for previous years have been applied to 1992-94.

¹ Prior to exercise of options.

Letter to shareholders

In all probability 1996 will be Föreningsbanken's last financial year as an independent and self-contained bank. On 18 February 1997 plans were announced for the proposed formation together with Sparbanken Sverige of an entirely new bank for the 21st century. It is our firm conviction that the new, nationwide people's bank, FöreningsSparbanken, will offer an extremely powerful alternative in the Swedish banking market. Föreningsbanken's traditional qualities – a strong local presence, personal service and a clearly defined profile towards small businesses – will continue to characterise the newly formed bank.

Weak market

In terms of earnings 1996 was a good year for all Swedish banks, although the economic trend in general was uneven. Demand for loans was subdued by continued high unemployment, uncertainty over economic development and weak faith in the future of the home market, particularly in the household sector. At the same time the banks increased their deposits as a result of continued high household savings.

Falling interest rates had a positive impact on the banks' earnings. Customers' ability to pay their interest improved, and all the banks reported considerable value appreciation of their securities portfolios.

In recent years margins have been under pressure from the increasingly intense competition from both new and old players. Although we at Föreningsbanken noted some improvement in the interest margin in the second half of the year, the average for the full year was lower than in 1995. Over the next few years increased competition, combined with continuing weak market growth, will probably lead to a further decline in banks' interest margins.

Best result

Föreningsbanken's operating profit for 1996 improved by 14 per cent over the previous year to SEK 1,160 M and was the best ever in history of the Bank. We could also note that this positive trend strengthened towards the end of the financial year.

Return on equity was 18.3 per cent. Our target is a return on equity which is above the average for the other major banks in Sweden. We needed a further four percentage points to achieve this goal, corresponding to an additional SEK 235 M improvement in the result.

A combination of factors contributed to this favourable earnings trend. Loan losses have continued to fall and have now reached a level of 1.2 per cent of the lending portfolio. We will not be satisfied until this has been halved. Since the proportion of problem loans continues to decrease, we anticipate that – in comparison with our competitors – we should be able to report an acceptable level of loan losses already in the current year.

As a result of relentless efforts to raise efficiency, our costs were more or less unchanged compared with the previous year. This was achieved in spite of a number of innovations carried out in 1996. Among other things, the use of the Bank's automated services increased considerably, the computer environment in the branches was improved, newly formed Föreningsbanken Försäkring started its insurance operations, and the new Ring & Svar telephone service was launched. The regional offices were phased out during the year which gave the local branches greater authority and more effective business support, while enabling costs to be trimmed still further.

In view of the result and Föreningsbanken's financial strength, the Board of Directors proposes a substantial increase in dividend. The dividend on class A ordinary shares will be increased from SEK 0.50 to SEK 1.25.

Success in the market

In spite of the increasingly tough competitive climate, Föreningsbanken strengthened its position in a number of market segments in 1996. Several new products have been launched in recent years, all of which have been well received by our customers.

One of the best examples is our bonus programmes, which favour customers who place all their banking business with Föreningsbanken. The bonus programmes have been a great success among private customers and small businesses. Another example is the strong focus on home mortgages, which in December 1996 and January 1997 alone pro-



vided some SEK 5 billion in new loans. The total mortgage volume rose by 28 per cent during 1996 to SEK 35.5 billion. A third example was saving in funds with an increase in fund assets of nearly 50 per cent.

Taken overall, Föreningsbanken has achieved a very strong position in its priority markets. Föreningsbanken has been Sweden's leading bank in the agricultural sector for many years. The Bank is also capturing a top position in the household market and among small businesses.

Need for co-operation

Föreningsbanken survived the bank crisis through its own efforts with a ruthless action programme, new issue and listing in the form of a limited liability banking company. Ever since, all the curves have been heading in the right direction. In a few years, we have become a profitable and modern bank. In some areas we have even been a forerunner, for example in matters relating to small businesses and the banks' environmental work.

Now that the Bank is clearly on the right track, much of the work of the Board and management has involved planning for the future. Our analyses of conceivable trends in the bank market provide an unambiguous picture. Intensifying competition will put pressure on interest margins, which will increase demands for extensive cost efficiency and a focus on alternative sources of revenue. Increasingly sophisticated customer requirements will demand a greater competence among the Bank's employees. The rapid growth of IT, combined with the EMU and the introduction of the euro, will have an enormous impact on the banking industry.

All these changes indicate that in the longer term it will be hard for a comparatively small bank to hold its own in a highly competitive banking market. In order for Föreningsbanken to achieve its goals – a sustained high level of profitability with a continued local presence while being the best bank for private individuals, the

agricultural sector and small businesses – the Board has become more and more convinced of the necessity of some form of co-operation, alliance or merger with another strong player in the finance industry.

A people's bank for the future

When, on Tuesday 18 February 1997, the Boards of Föreningsbanken and Sparbanken Sverige presented their joint proposal for the formation of an entirely new bank on equal terms, this news was well received. The share prices rose sharply. Most analysts realised that a merger was logical and the most natural transaction ahead of the anticipated transformation of the Swedish banking market.

By merging with Sparbanken Sverige we will be able to meet tomorrow's requirements for banking services and offer the best possible human and technical competence, as well as ensuring a local presence and service in the long term. The new bank will also create the conditions and potential to meet shareholder demands for a good return on their investment. The fact that the merger will take place on equal terms means that Föreningsbanken's philosophy and profile will become part of the new bank. We will also still have the local bank boards, which will be appointed by local customer and shareholder meetings.

Both we and Sparbanken are convinced that with FöreningsSparbanken we will create an effective bank with strong resources. Building an entirely new, nationwide bank for the 21st century is one of the most exciting projects in the Swedish banking market. A strong local presence and professional, personal service will remain key concepts in FöreningsSparbanken.

Winners in the new bank

The negotiations with Sparbanken have been carried out in a highly positive and constructive spirit. It could also be seen in the boards' declaration of intent that we have a



shared view of basic values, business concept and financial targets, as well as market focus and organisation.

The formation of the new bank will take place from a position of strength. It is first now when Föreningsbanken is at its strongest, that we have the opportunity to make a business move to the benefit of our shareholders, customers and employees.

For our shareholders this will provide better opportunities for satisfactory dividends and a favourable value appreciation. The goal is that the shares in the new bank shall provide a good, long term investment.

Our customers will benefit from an effective, nationwide bank which will make it possible to force down prices and offer a broad product range on a wide front. Other advantages include improved accessibility through a continued focus on automated services and the fact that it will be easier to obtain qualified financial advice. Exactly as today, the business decision will be made locally and customer responsibility will rest with the branch offices.

In the long term the merger will also be good for our employees. The new bank will offer better opportunities for personal development in a profitable and strong company.

In FöreningsSparbanken we can further develop a powerful banking alternative with a focus on the general public. Sweden's rural areas will benefit from a stable and strengthened local presence, a wider range of services and better access to more qualified competence. The continued local influence will provide new and improved opportunities for a strong development of rural Sweden.

New challenges

Members' contributions, which were converted into shares at the end of 1993, together with the extensive involvement of the Federation of Swedish Farmers (LRF) and the agricultural co-operative movement, were a prerequisite for Föreningsbanken's survival and its ability to endure the finance crisis in the 1990s. Prior to this we were very close to the Bank being taken over by the state due to the totally inadequate equity ratio. It is therefore gratifying to be able to say that those who at

the time subscribed for shares and showed confidence in the Bank's survival and ability, made a very sound investment.

Due to the support of our shareholders and customers we have not only taken ourselves out of the crisis, we have also become a strong bank and a key business partner who can be relied upon. This is reflected in particular in the price trend for the Föreningsbanken share, which has more or less quadrupled in just two years.

Finally, we would like to extend our heartfelt thanks to all employees and elected representatives, who with great expertise and total commitment have made Föreningsbanken's success possible. Over the years, employees have shown an admirable ability to overcome the challenges facing the Bank. We are convinced that this performance can be repeated, now when we build Sweden's best people's bank – FöreningsSparbanken – for private individuals, small businesses and the agricultural community, as well as shareholders and employees.



Stockholm, March 1997

A handwritten signature in black ink, appearing to read 'Bo Dockered'.

Bo Dockered
Chairman of the Board

A handwritten signature in black ink, appearing to read 'Bo Söderberg'.

Bo Söderberg
President & CEO



Priority customer groups

Föreningsbanken's most important customers are private individuals, farmers and small businesses.

Business concept, targets, strategy and dividend policy

Föreningsbanken's business concept is to offer high-quality, personal banking services through a strong network of local branch offices.

Föreningsbanken's target is to achieve a return on equity which is higher than the average for the five largest banks in Sweden. Revenues from the Bank's core business will be increased and a strict control of costs will continue.

Priority customer groups

Föreningsbanken's priority customer groups are individuals, small and medium-sized businesses, the agricultural sector and companies linked to the agricultural co-operative movement. Providing these customers with personal banking services requires a strong local presence and a nationwide network of branches, combined with the new distribution channels created through modern telecommunications and information technology.

The Bank is represented in the major cities to a limited extent. The main focus is on rural areas and small and medium-sized towns.

Föreningsbanken offers all the products and services demanded by its priority customer groups. Operations are dominated by savings, loans and payment services.

Strategy

Each branch of Föreningsbanken has considerable freedom to decide how to conduct its operations in the local market. The branch has overall responsibility for all business relations with its customers as well as for credit risks and profitability. The Bank's subsidiaries and central units provide local operations with support.

Each local bank has a board comprising people who represent the local community and local business in various ways. Board members are elected locally at customer and shareholders' meetings.

Strong decentralisation requires effective control systems. Fast and detailed follow-up of branch profitability and ongoing control of operations are important factors in the way Föreningsbanken works.

Dividend policy

The intention of the Board is to distribute between 25 and 40 per cent of net profit as dividends, provided the Bank has sufficient financial strength.

Organisation



Göran Nilsson, Lars Idermark, Tomas Johansson, Bo Söderberg, Lars Nyberg and Jonas Lindholm

Bank Management

Föreningsbanken works in a decentralised manner. This involves extensive delegation of responsibility for business and profitability. The most important instruments of control are effective financial management and a distinct business concept, combined with a strong corporate culture.

The Bank's Management comprises, in addition to the Chief Executive, the heads of the four central units – Banking Operations, Credit, Securities-Treasury-International, and Group Staffs, as well as the deputy head of Banking Operations.

Banking Operations

Banking Operations conducts business through **496 branch offices** throughout Sweden. The branch offices are organised in **281 local banks**. A local bank can comprise one or more branch offices and is headed by a board and a local bank manager.

The branch offices are divided into **16 market areas**. Each market area has an average of 30 branch offices with approximately 170 employees. Business volume amounts to an average of SEK 10 billion. The market area is headed by an operations manager with profit responsibility.

The manned telephone service **Ring & Svar** complements the branch network by allowing customers to conduct their banking business over the telephone. The Ring & Svar lines are open between 7 a.m. and 11 p.m. every day of the year.

Special Customers is responsible for the Group's business relations with large companies.

Business & Market Development is responsible for the Bank's business and product development. The department draws up the overall marketing policy and provides the branch offices with market support.

Office Development is responsible for the Bank's rules and regulations, development of branch office routines, organisation and efficiency, as well as for changes to office premises.

Credit

Credit has overall responsibility for the Group's credit management including credit policy and routines, as well as analysis and risk assessment of the loan portfolio. The unit also prepares loan applications for processing by the Central Credit Committee and the Bank's Board.

The unit is divided into **six geographical credit areas**. Each area is headed by a credit manager who is responsible for ensuring that credit is granted in accordance with the Bank's credit policy and instructions.

Claims has central responsibility for the Bank's claims activities, where these require legal action.

Property Analysis supports the branch offices on matters related to property valuations and management.

Credit Reports/Analyses prepares and co-ordinates credit reports as required by the Bank's management and public authorities.

Credit Administration is responsible for credit instructions and the development of credit systems. Credit controllers make sure the granting of credit is carried out in accordance with the Bank's policy and instructions, and that internal credit controls function properly.

Group Staffs

Group Staffs is a business support unit.

Group Controlling analyses and follows up the Group's profitability and development and is responsible for financial control systems. The unit also has line controller responsibility for Banking Operations.

Finance is responsible for bookkeeping, consolidated accounting and the Bank's clearing function.

Computer Support develops computer systems and is responsible for their maintenance and administration.

Security is responsible for analysis and handling of the Group's security issues and insurance.

Premises manages the Group's own premises and handles supplies.

Corporate Communications has overall responsibility for the Group's information, contacts with the community and profile matters.

Legal Affairs is responsible for Group-wide legal issues and provides legal advice.

Competence Development is responsible for the Group's management and leadership development and other employee training activities.

Personnel has overall responsibility for the Group's personnel policy and salary administration. This unit supports managers on personnel matters via six units located around the country.

Securities–Treasury–International

Securities-Treasury-International conducts business on the stock, money, and foreign exchange markets and provides the branch offices with business support and services within these areas. The unit also manages the Bank's surplus liquidity.

Equity Trading conducts stock exchange trading on behalf of the branch offices and handles the Bank's participation in new issues on the venture capital market.

Institutional Trading and Analysis conducts share trading with institutional customers.

Money Market & Foreign Exchange conducts trading on the money and foreign exchange markets and is responsible for the Bank's commitments as a Primary Dealer in government securities and currencies. The department also manages the Group's surplus liquidity.

Group Finance is responsible for the Group's issues of long-term debt instruments in Sweden and abroad.

Financial Analysis and Investor Relations is responsible for analysis of financial risks and handles contacts with analysts and the Bank's major investors.

International is responsible for the Bank's range of international services and for the Bank's contacts with correspondent banks.

Other Units

Internal Audit works directly under the Chief Executive and is responsible for internal auditing within the Group.

Subsidiaries

Föreningsbanken Kredit AB is the Group's long-term home mortgage institution. Sales and marketing are conducted through the branch offices.

Föreningsbanken Företagskredit AB offers financing, primarily for commercial and industrial properties.

Föreningsbanken Finans AB provides finance company services via the Bank's branches.

Föreningsbanken Fond & Kapitalförvaltning AB is the Group's company for fund management and discretionary trust management. Fund units are bought and sold through the Bank's branch offices.

Föreningsbanken Försäkring comprises two companies, Föreningsbanken Försäkring Livförsäkringsaktiebolag and Föreningsbanken Försäkring Skadeförsäkringsaktiebolag. These provide life and non-life insurance via the Bank's branch offices and other outlets.

Mandamus AB owns and manages real and other property taken over to protect claims.

Sverige Fastigheter Förmedlings AB is Föreningsbanken's property agency and grants franchises to some 60 estate agents who conduct their own business. The estate agents are located together with Föreningsbanken's branches around the country.

Special committees and working groups

The Finance Committee is responsible for analysis of the Group's financial structure and risks.

The Central Credit Committee makes decisions on credits in accordance with credit instructions. Credit matters decided by Föreningsbanken's Board must be approved by the committee.

The Area Credit Committees make decisions on loans in accordance with the current credit instruction.

The Environmental Committee is a forum for consultation and preparation of policy issues related to the environment.



Confidence

Föreningsbanken's strength lies in working in close proximity to the customer. The Bank must always be simple and uncomplicated to deal with and, as far as possible, make all business decisions close to the customer. Confidence in the Bank is based on the fact that Föreningsbanken knows its customers and customers know their

Personnel

The competence and commitment of its employees are two key factors behind the success of Föreningsbanken. Development of new products and services places high demands on employees. The rapid pace of change that characterises the banking sector is also placing new demands on leadership at all levels. Competence and management development are therefore given priority at Föreningsbanken.

Competence development

All competence development must support the Bank's business. Extensive training activities are conducted in order to meet rising demands. During the year some 3,600 employees attended one of the Bank's internal courses. Subjects included property matters, finance company services, insurance and the environment. In addition, several managers and specialists participated in external training activities.

Management resources

The "Reach for the stars" training programme, intended to meet the future need for managers, was started in 1996. Some 40 employees were recruited internally to the two-year training programme which includes studies at university level combined with qualified banking work.

Profit-sharing foundation

In order to encourage Föreningsbanken's employees, the 1995 Annual General Meeting formed a profit-sharing foundation. The Bank's Board has decided to allocate half of the surplus profit generated in the Bank to this foundation, although with a maximum ceiling of one-third of the dividend on ordinary and preference shares. Surplus profit is defined as return on equity above the average for the sector. The foundation's assets are mainly invested in Föreningsbanken shares.

In view of the excellent performance of employees in 1996, the Board has decided to allocate SEK 10 M for that year, although the allocation criteria were not met. At year-end 1996 the foundation's assets totalled SEK 139 M, corresponding to SEK 33,742 per full-time employee.

Number of employees

The average number of employees at the end of 1996 was 3,864, which is 88 less than in the previous year.

Absence due to illness among Föreningsbanken's employees was below 2.5 per cent (2.6) in 1996.

Equal opportunities

At the end of the year 63 per cent of Föreningsbanken's employees were women. Of these, 41 per cent were part-time employees while the corresponding figure for men was 3 per cent. Seven women were appointed as managers of local banks in 1996. As a result, one-fourth of all the bank office managers are women.

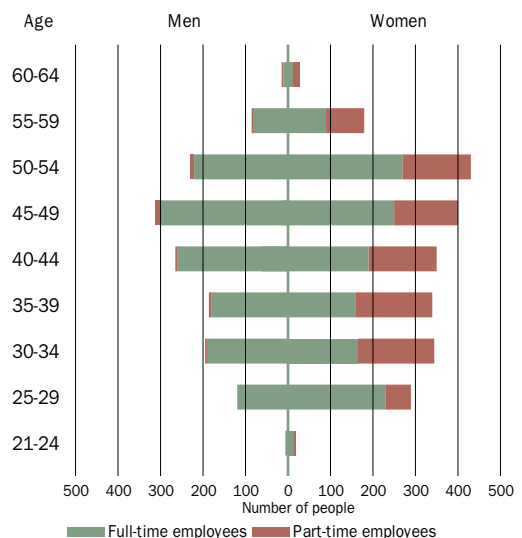
Average number of employees in the Group¹

	1996	1995	1994	1993	1992
Head office	668	521	530	523	581
Branch offices	2,960	3,221	3,347	3,561	3,970
Subsidiaries ²	236	210	174	459	558
Total	3,864	3,952	4,051	4,543	5,109
Change, %	-2	-2	-11	-11	-7

¹ Calculated on a normal working schedule of 1,570 hours per year.

² Subsidiaries include Lantbruksdata from 1992 until October 1993. Föreningsbanken Försäkring which was acquired during the year is included as from 1996.

Group personnel structure
Breakdown by age, gender and terms of employment





The employees

Competent and highly motivated employees are one of Föreningsbanken's key competitive tools. Every customer contact gives the Bank's employees an opportunity to show their expertise.

Environment

Föreningsbanken integrates environmental issues in its operations on an ongoing basis. Continued favourable profitable development for Föreningsbanken will require a well-planned environmental programme and a carefully considered attitude to environmental issues among the Bank's employees. Föreningsbanken's environmental policy and environmental plan form the basis of environmental work.

In 1996 a number of steps were taken towards the realisation of the intentions of the environmental policy and actions in the environmental plan. All employees received basic environmental training and several specialised courses were given on environmental aspects relevant to credit officers and purchasers.

In several parts of the country Föreningsbanken has co-operated with the municipal authorities in projects linked to Agenda 21 work. The branch offices took part in municipal environment events, local exhibitions and other activities related to environmental issues, as well as the production of information material about measures by municipalities, local industry and commerce in this field.

Environmental aspects of lending

Starting in 1996 the effects of environmental aspects on ability to pay and the value of collateral will always be considered when assessing loans to companies. The intention is to improve the long-term quality and profitability of the loan portfolio. This assessment is done against checklists and routines in Föreningsbanken's credit limit system. The development of methods for weighing up and considering environmental issues in credit assessment will continue.

Taking environmental consideration in credit assessments has in a number of cases led to customers taking measures related to the environment in order to obtain the loan applied for.

Products with an environmental profile

In 1996 three new products were launched as a result of Föreningsbanken's focus on environmental issues. Föreningsbanken's Environmental Fund started in January. Investment is focused on Nordic companies, leaders in their industry, whose operations actively contribute to the environment and environmental work.

In co-operation with the World Wide Fund for Nature, Föreningsbanken's Världsnaturkort was launched in the autumn. Föreningsbanken donates 0.5 per cent of customer purchases on the card to the WWF's Swedish nature conservation projects. The card is available as a charge card and as a bank card. The card is made of recyclable plastic.

In the autumn Föreningsbanken became the only Swedish bank to offer its small business customers advantageous environmental loans in co-operation with the EU's Growth and Environment programme. Fifty per cent of the loans are guaranteed by the European Investment Fund and can thus be granted with favourable interest terms. The loans are issued for investments which provide tangible environmental gains.

Environmental compliance in own operations

Föreningsbanken's environmental plan states how the Bank's own environmental impact will be reduced. Pilot projects at a number of branches are aimed at developing methods to limit the Bank's environmental impact. Environmentally compliant solutions are tested in connection with new building and refurbishment of offices. The project is also intended to develop financial key ratios for environmental work.

Recycling, source separation and reuse are applied within the Bank. All electronic waste and scrapped computer accessories are taken care of by specialist companies.

Föreningsbanken's suppliers have been asked to submit a policy and action plans for their environmental work.

Responsibility for environmental issues in the Bank follows the line responsibility. A person at head office has been assigned to co-ordinate, provide advice, and collect environment-related information. A committee is responsible for consultation, preparation of policy matters, etc.



Miljöfonden



Världsnaturkortet

Environmental work

Föreningsbanken's Environment Fund, Världsnaturkort (in co-operation with WWF) and environmental loan for small businesses were launched during the year.

Market trends

In 1996, confidence in the Swedish economy increased and interest rates fell. Domestic demand remained weak, however, and household savings were high. Small businesses and the agricultural sector noted another year with a rising level of investment.

At the beginning of 1996 the Central Bank of Sweden judged that inflation had stabilised to between 1 and 3 percent and started a series of reductions of the repo interest rate. During the year the repo rate was cut on 25 occasions by a total of 4.8 percentage points. As confidence grew, long-term interest rates also fell. A five-year Swedish government bond was listed at approximately 8.1 per cent in January and around 5.5 per cent in December. The difference between the German and Swedish long-term interest rates decreased by approximately 1.5 percentage points and amounted to 0.9 percentage points by the end of the year, more or less the same level as at the beginning of 1994.

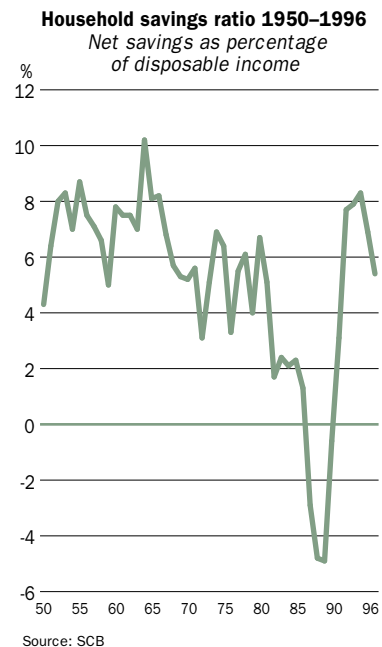
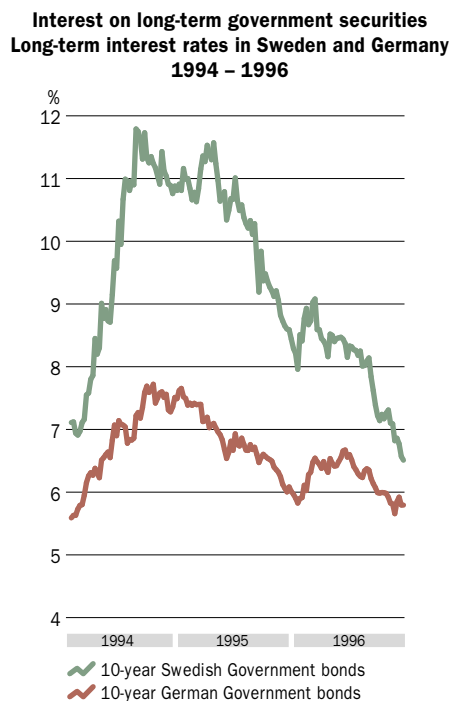
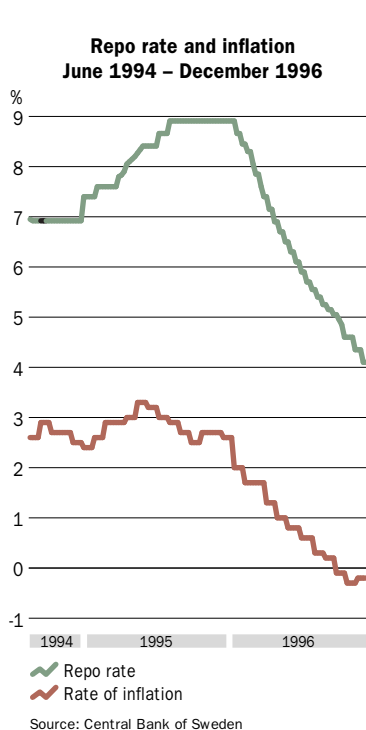
Development on the Stockholm Stock Exchange was strong during the year and the General Index rose by 38 per cent. Turnover rose from SEK 665 billion to SEK 918 billion.

The Swedish krona increased in value by 4.3 percent against the German mark during the year and fell 3.7 per cent against the American dollar.

Growth in the Swedish economy was weak during 1996 and GNP increased by 1.1 per cent according to National Accounts from Statistics Sweden (SCB). The boost in demand mainly came from investments and exports, which rose 4.7 and 5.6 per cent respectively. Private consumption increased by 1.5 per cent, while public spending fell by 1.7 per cent.

In the latter part of 1996 this trend reversed and economic activity increased. Private consumption is expected to grow by between 2 and 3 per cent in 1997.

Household savings have been high in recent years, viewed in an historical perspective. Saving has changed character, however, and households are increasingly choosing to save outside the traditional bank saving alternatives.



Household savings, 1992–1996. Form of saving, %

	1996 ¹	1995	1994	1993	1992
Bank deposits	31	30	32	33	34
National Savings Accounts	3	4	4	5	6
Bonds and debentures	11	12	10	8	9
Shares	22	21	22	22	21
Unit trusts	10	9	9	10	10
Insurance	19	20	18	17	15
Other assets	4	4	5	5	5
Total	100	100	100	100	100
Total saving, SEK bn	1,484	1,384	1,329	1,267	1,212

Source: SCB

¹ At 30 June 1996.

Bank lending to the public has fallen sharply in the 1990s, due among other things to weak economic growth and high real interest rates. Some recovery was noted in 1996 and bank lending to the public rose by 4 per cent.

Total lending to households increased by 9 per cent, of which lending by insurance companies accounted for the major part. The banks' share of lending to households continued to fall.

Lending to households, 1992–1996. Form of lending, %

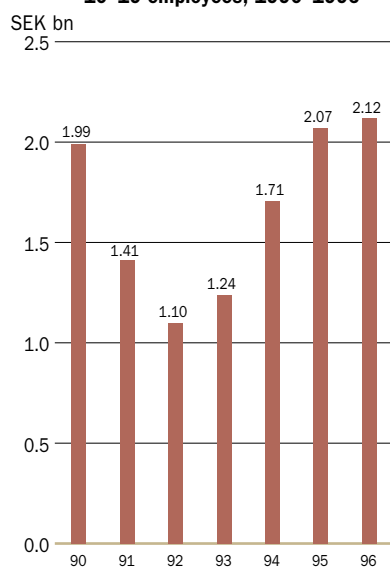
	1996 ¹	1995	1994	1993	1992
Banks	21	24	25	26	29
Credit institutions	61	64	63	63	60
Insurance companies	7	1	1	1	1
Government loan funds	11	11	11	10	10
Total	100	100	100	100	100
Total lending, SEK bn	874	803	803	808	820

Source: SCB

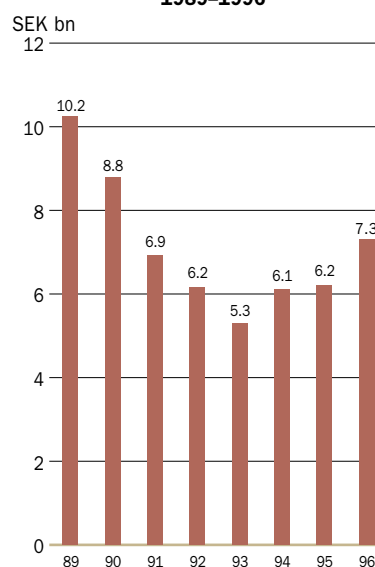
¹ At 30 June 1996.

Föreningsbanken's corporate customers are mostly found among small companies and in the agricultural sector. Small businesses in the manufacturing industry increased their investments in 1996, but the rate of increase was lower than in 1995. In a survey conducted in autumn 1996, 40 per cent of small businesses (excluding construction companies and the retail trade) announced plans for new investments over the next 12 months.

Investment in the agricultural sector has risen every year since 1994. The economic trend has been heavily influenced by Sweden's membership of the EU and its agricultural policy.

Investment in the manufacturing industry, 10–19 employees, 1990–1996

Source: SCB

Investment in the agricultural sector 1989–1996

Source: SCB

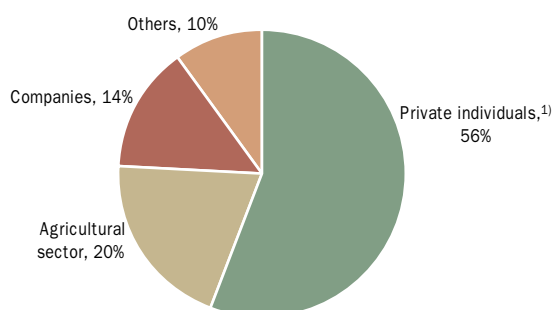
Market

Föreningsbanken in the market

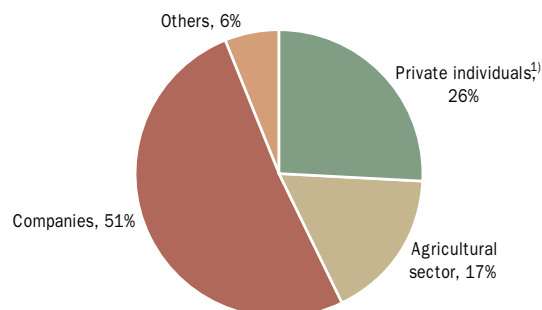
Föreningsbanken's priority customer groups are private individuals, small and medium-sized companies, and the agricultural sector. Private customers account for nearly 60 per cent of the Bank's deposits while companies are the main borrowers. The agricultural sector's deposits

and lending account for 20 per cent each. Föreningsbanken concentrates on traditional banking services such as savings, financing and payment services. These services are primarily offered through the nationwide network of branch offices, although complementary distribution channels are increasing.

The Bank's deposits by customer group

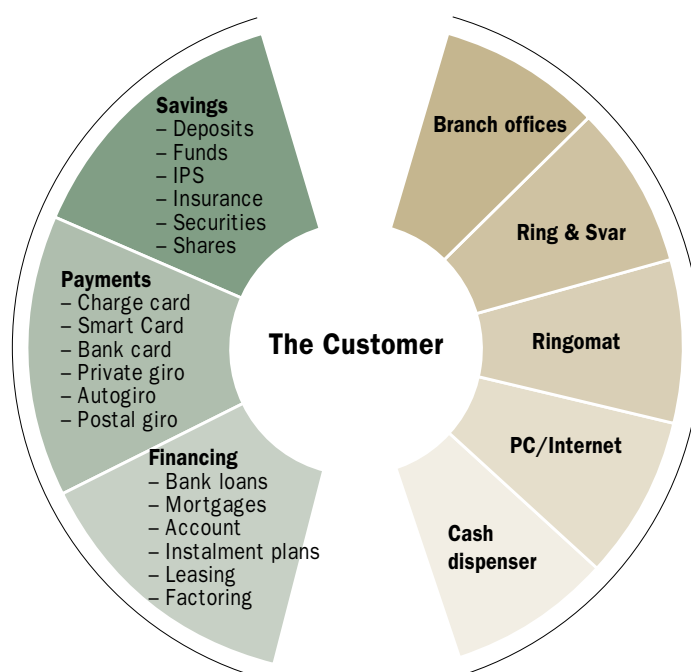


The Bank's lending by customer group



1) SCB's definitions of customer group affiliation have been changed compared to previous years. Now all customers reporting income liable to VAT are placed in a group separate from private individuals

Products and distribution channels



Savings

Bank deposits

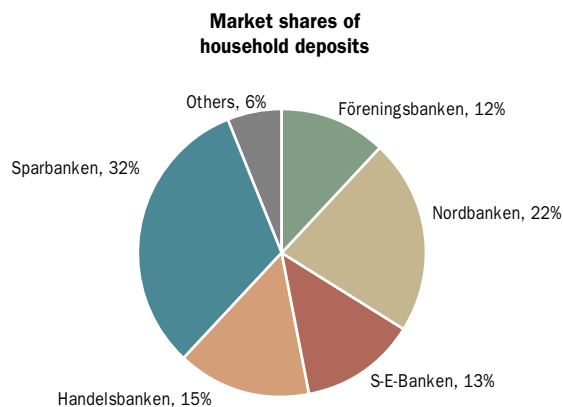
Bank deposits are the dominant product among the Group's various forms of saving. The Bank provides transaction accounts, to which various self-service elements can be linked, as well as a number of different types of account for more long-term savings. Of the Bank's total deposits from the public, transaction deposits amounted to 26 per cent at the end of the year.

Total bank deposits from the public in Sweden increased by 12 per cent in 1996. During the same period, Föreningsbanken's bank deposits rose by 7 per cent to SEK 66.3 billion. This corresponds to a market share of 9 per cent. Föreningsbanken's share of household deposits was 12 per cent at year-end 1996. In the agricultural sector, Föreningsbanken has a share of deposits that is over 50 per cent.

Other forms of saving

Föreningsbanken offers saving in 18 funds with different investment profiles. These are managed in the subsidiary Föreningsbanken Fond & Kapitalförvaltning. Assets managed in these funds increased by 47 per cent to SEK 12.4 billion in 1996, which corresponds to a market share of 4 per cent of the fund market.

Savings within the scope of individual pension savings (IPS) rose 68 per cent in 1996 to SEK 741 M, which corresponds to a market share of 11 per cent for Föreningsbanken. Investments were 31 per cent funds on deposit, 47 per cent units in funds, and 22 per cent securities.



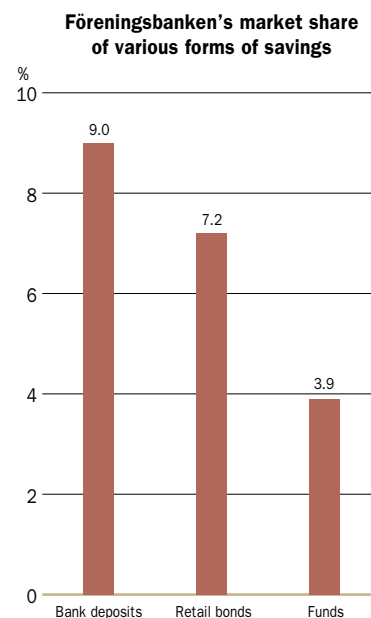
Föreningsbanken AB and its subsidiary Föreningsbanken Kredit issue retail bonds directed at the Swedish private market. Turnover volume (including index-linked bonds and subordinated loans registered on the Stockholm Stock Exchange) amounted to SEK 8.8 billion at the end of 1996, corresponding to a market share of 7 per cent. All bonds are sold by the branch offices.

Insurance savings in the form of pension and endowment insurance, complemented with personal insurance such a life, accident, sickness and children's insurance, are available through Föreningsbanken Försäkring and sold via the branch offices.

Föreningsbanken is a member of the Stockholm Stock Exchange and Bond Brokers (OM). Here the Bank conducts trading on behalf of its customers in shares, bonds and derivative instruments. The Bank's market share of equity trading amounted to 2 per cent of turnover and 5 per cent of the number of closing contracts. Market share of bond trading was 12 per cent of turnover and 19 per cent of the number of closing contracts.

Financing services

Lending to the public increased by 11 per cent in 1996 to SEK 86.5 billion. Mortgages increased while bank loans decreased.



Bank lending

Bank lending amounted to SEK 55.8 bn at the end of 1996, a reduction of 2 per cent compared with the previous year. Market share of bank lending amounted to 8 per cent.

The Bank's market share of lending to households amounted to 15 per cent at year-end 1996. In the agricultural sector, the Bank has a market share of over 50 per cent.

Other financing services

Föreningsbanken Kredit provides long-term housing financing via the branch network for single-family homes, multi-family buildings and tenant-owner flats. The lending volume in Föreningsbanken Kredit rose by 28 per cent to SEK 35.5 billion in 1996. Market share amounted to 4 per cent.

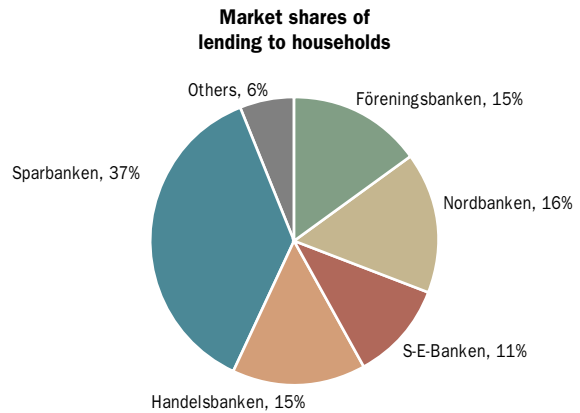
Föreningsbanken Företagskredit provides financing for office, commercial and industrial properties. These services are sold via the Bank's branch office network. The lending volume in Föreningsbanken Företagskredit totalled SEK 0.9 billion at the end of 1996.

Föreningsbanken Finans offers finance company services such as instalment payments, leasing, factoring and contract financing. These services are sold via Förenings-

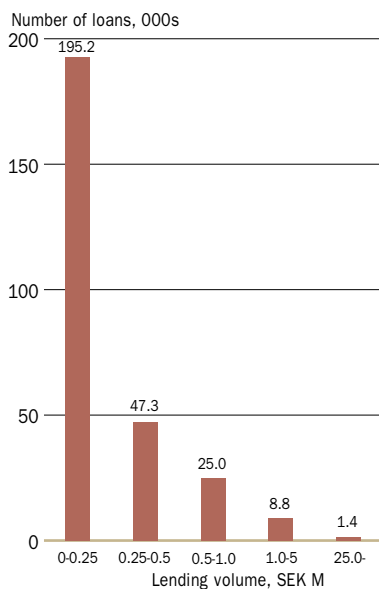
banken's branches. Lending in Föreningsbanken Finans rose by 61 per cent in 1996 to SEK 1.4 billion which provides a market share of 2 per cent.

Payments

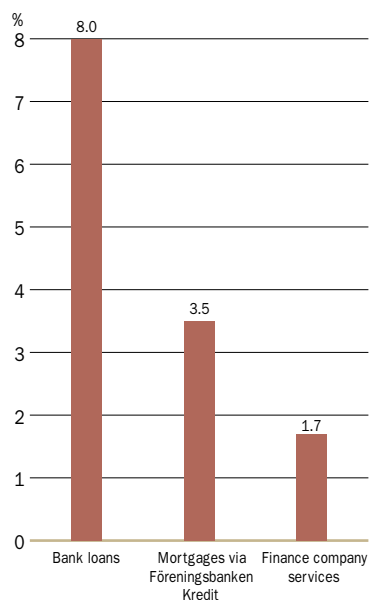
Föreningsbanken's domestic payment services mainly take the form of a number of card and bank giro services. Automated transaction services account for an increasing part of the payment flow.



Breakdown of lending volume by size



Föreningsbanken's market share of various forms of lending



Föreningsbanken's bonus programme gives customers who place all their business in the Bank a number of advantages, related among other things to payment services.

The Småföretagargiro (small business bank giro) payment service is especially designed to facilitate small companies' payments.

During the year the Världsnaturkortet (in co-operation with WWF) was launched as a charge and bank card.

Number of customers using the following services

000s	1996	1995	Change, %
Privatbonus	433	405	7
Privatgiro	281	286	-2
Småföretagarbonus	75	59	28
Småföretagargiro	57	49	17
Charge card	498	485	3

Other operations

Under the joint marketing name Sverige Fastigheter – Föreningsbankens Fastighetsbyrå, some 60 franchisees offer estate agent services. Single-family homes and holiday cottages dominate these activities, although agricultural and forest properties account for a significant portion of this business.

Distribution channels

Branch network

Föreningsbanken's main distribution channel is the nationwide network of branch offices, with 496 banks.

The Bank is represented in the major cities to a limited extent. The main focus is on rural areas and in small and medium-sized towns. As a complement to the branch network, Föreningsbanken has agreements with 260 agents, such as food shops, through which customers can operate their accounts.

Customers' increased use of self-service products and automated transactions means that the focal point of the branch offices' activities is gradually changing. From having mainly been a distribution channel for traditional banking services, the branches are increasingly becoming an advisory and sales channel in the local market.

Complementary distribution channels.

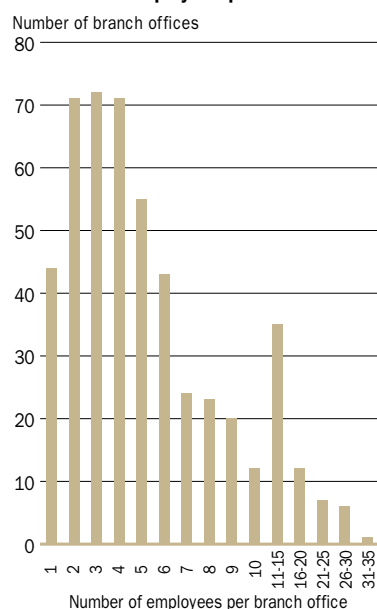
Since December 1996 Föreningsbanken's customers have been able to carry out their banking transactions via the Ring & Svar telephone service. The unit is manned every day of the year between 7 a.m. and 11 p.m. and offers customers increased availability. Ring & Svar also provides the branch offices with telephone sales.

Through the automated telephone service, Ringomat, customers can move money between their accounts and obtain details of balances and transactions.

Customers also have access to 2,400 cash dispensers throughout Sweden, 168 of which are owned by Föreningsbanken.

Starting on 1 March 1997, the Bank will be offering some services via the Internet. The range of banking services available on the Internet will be gradually extended during the year.

Number of employees per branch office





Ring & Svar

Ring & Svar offers Föreningsbanken's customers a personal banking service over the telephone. Ring & Svar will make it easier for customers to carry out their banking business and free employees for more profitable work at the branch offices.

Income trend

Föreningsbanken's operating profit increased to SEK 1,160 M (1,020), an improvement of 14 per cent. Loan losses fell by 25 per cent to SEK 1,091 M (1,447). Return on equity after actual tax amounted to 18.3 per cent (21.1). Equity per share rose to SEK 23.15 (20.52).

Income

Föreningsbanken's total income decreased by 4 per cent compared with 1995 to SEK 5,206 M (5,398).

Net interest income rose by 2 per cent excluding the deposit guarantee charge. Taking the new deposit guarantee charge for 1996 of SEK 118 M into account, net interest income decreased by 1 per cent to SEK 3,611 M (3,656). The margin between interest rates on deposits and lending improved in the second half of 1996. On average, however, the interest margin was lower in 1996 than in the previous year. Volume increases for both deposits and lending made a positive contribution to net interest income as did falling problem loans. Financing costs for repossessed assets decreased as a result of disposals of properties and lower market interest rates.

Net commissions rose by 15 per cent to SEK 792 M. This increase was mainly attributable to commissions from payment services and investment management.

Net result on financial transactions decreased by SEK 181 M to SEK 217 M (398).

Other operating income rose by SEK 21 M to SEK 507 M, if the 1995 capital gain of SEK 80 M from the sale of Föreningsbanken Jordbrukskredit is excluded. Operating net from collateral taken over amounted to SEK 391 M (375), excluding interest subsidies. Other operating income includes earnings of SEK 20 M from Föreningsbanken Försäkring Skadeförsäkringsaktiebolag, whose operations were acquired during the year.

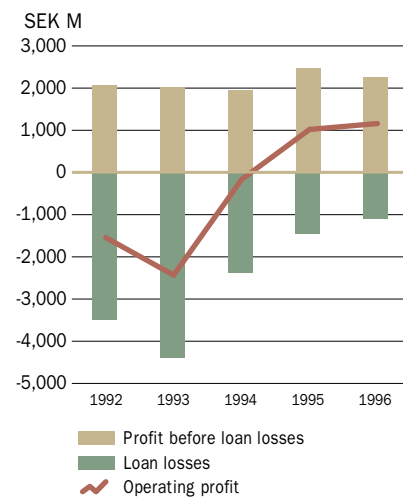
Expenses

Operating expenses were largely unchanged and amounted to SEK 2,955 M (2,931). The ongoing efficiency programme helped to reduce staff costs by 4 per cent, in spite of the negotiated 4 per cent increase in salaries. The average number of employees decreased by 88 to 3,864. Efficiency enhancement measures were carried out both at the head office and in the branch offices.

Other operating expenses rose by 6 per cent. One key reason for this is the change in how customers use the

Bank's services towards more automated services such as cash dispensers, bank giro, etc. Föreningsbanken's focus on automated services, the build up of a new computer environment for the branches, the introduction of insurance business, and the launching of the Bank's new Ring & Svar telephone service, also help to explain the increase in costs.

Consolidated profit before loan losses and operating profit, 1992-1996



Loan losses

Föreningsbanken's loan losses, excluding changes in value of repossessed assets, fell by 41 per cent to SEK 693 M (1,172). Loan losses, including changes in value of property taken over, fell by 25 per cent to SEK 1,091 M (1,447). Loan losses were mainly attributable to property and construction companies as well as service companies. The loan loss level, i.e. loan losses in relation to the total lending portfolio, was 1.2 per cent (1.7). The reserve ratio for bad debts was 55 per cent (52).

Of these loan losses, 94 per cent (88) were losses of less than SEK 25 M and 77 per cent (60) less than SEK 5 M. No loan loss exceeded SEK 50 M compared with one loan loss in 1995.

Breakdown of loan losses by size, 31 December 1996

Size of loss SEK M	Volume	Share of total losses, %
0-0.1	105	10
0.1-1.0	401	37
1.0-5.0	332	30
5.0-25.0	185	17
25.0-	68	6
Total	1,091	100

The Group's loan losses, including change in value of repossessed assets

31 December 1996	SEK M	Share of total loan losses, %	Share of volume for each customer group, %
Private individuals	136	13	0.4
Agricultural sector	47	4	0.4
Industrial companies	65	6	1.2
Property and construction companies	645	59	4.1
Service companies	167	15	1.3
Finance companies	0	0	0
Public sector	0	0	0
Other companies	27	3	0.7
Other	4	0	0.4
Total	1,091	100	1.2

Lending volume includes lending to the public and credit institutions (excluding banks).

Tax situation

The Bank's remaining unutilised loss carry-forward of SEK 672 M was used in 1996. The tax charge amounted to SEK 138 M, i.e. 12 per cent of pre-tax profit. SEK 55 M of the tax charge comprised deferred tax.

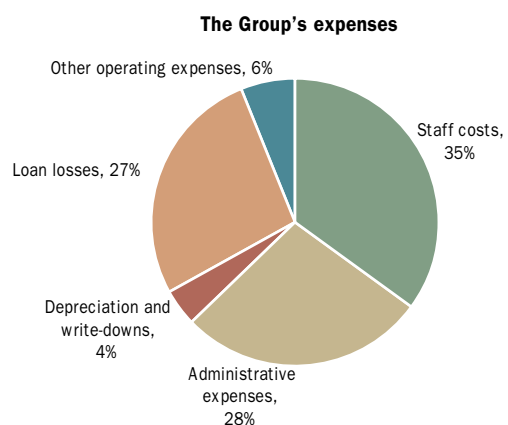
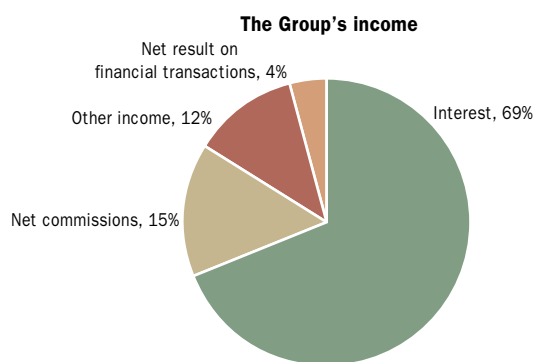
Sensitivity analysis

The sensitivity analysis shows the impact of different factors on operating profit.

	Change	Effect	
		SEK M	SEK/Share ³
Short-term market interest rate, Bank ¹	+/- 1 %	-/+ 50	-/+ 0.19
Interest rate on lending, Bank ¹	+/- 1 %	+/- 542	+/- 2.08
Interest rate on deposits, Bank ¹	+/- 1 %	-/+ 666	-/+ 2.55
Volume of deposits, Bank	+/- 1 %	+/- 13	+/- 0.05
Volume of lending, Bank	+/- 1 %	+/- 21	+/- 0.08
Number of employees	+/- 100	-/+ 37	-/+ 0.14
Salary level	+/- 1 %	-/+ 14	-/+ 0.05
Other operating expenses	+/- 1 %	-/+ 15	-/+ 0.06
Interest on problem loans	+/- 1 %	+/- 37	+/- 0.14
Volume of problem loans ²	+/- 100 SEK M	-/+ 10	-/+ 0.04

¹ Percentage point. ² Effect on net interest income. ³ Based on 261 million shares.

A sensitivity analysis of property holdings, Mandamus AB, is provided on page 26.



Financial structure

At the end of the year, Föreningsbanken's lending to the public amounted to 74 per cent of assets and deposits and borrowing from the public amounted to 57 per cent of liabilities.

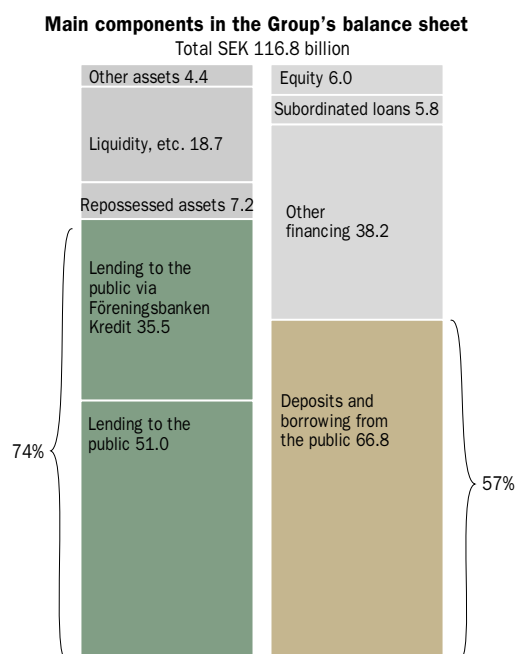
Deposits totalling SEK 66.3 billion financed the branch offices' lending of SEK 55.8 billion. The Bank lent SEK 3.5 billion to Föreningsbanken Kredit and SEK 1.8 billion to Mandamus. Föreningsbanken Kredit's SEK 35.5 billion loan book was also financed by retail and index-linked bonds and borrowing in the market. The Bank's surplus liquidity was mainly placed in interest-bearing securities.

Assets

Lending

In 1996 Föreningsbanken increased its lending to the public by SEK 8.4 billion to SEK 86.5 billion, of which 3 per cent was in foreign currencies. Customers in rural areas and small towns accounted for 92 per cent of the lending volume.

A breakdown of the total lending volume by size per borrower shows that customers with loans of SEK 0.5 M or below accounted for 35 per cent and customers with loans of SEK 5 M or below for 70 per cent of the total volume.



Lending to the public, SEK M

31 December	1996	1995	Change, %
Föreningsbanken AB	55,765	56,886	-2
Föreningsbanken Kredit	35,530	27,468	29
Föreningsbanken Finans	1,116	651	71
Föreningsbanken Företagskredit	903	137	559
Group eliminations	-6,802	-7,021	-3
Total	86,512	78,121	11

Breakdown of lending volume by size, 31 December 1996

Size of loan SEK M	Number of loans	Volume SEK M	Share of total volume, %	Accum. share, %
0.0-0.25	195,247	14,675	17	17
0.25-0.5	47,346	16,064	18	35
0.5-1.0	25,015	15,980	18	53
1.0-5.0	8,820	15,256	17	70
5.0-25.0	1,153	9,740	11	81
25.0-100	188	7,728	9	90
100-500	32	5,156	6	96
500-1,000	2	1,340	1	97
1,000-	2	2,357	3	100
Total	277,805	88,296	100	

Lending volume includes lending to the public and credit institutions (excluding banks).

The Group's lending volume, SEK M

31 December 1996	SEK M	%
Private individuals	35,950	41
Agricultural sector	12,042	14
Industrial companies	5,489	6
Property and construction companies	15,692	18
Service companies	13,147	15
Finance companies	141	0
Public sector	859	1
Other companies	4,047	4
Others	929	1
Total lending volume	88,296	100
Of which:		
Single-family homes	29,440	33
Tenant-owner flats	1,039	1
Agriculture and forestry	8,401	10
Rental properties	12,510	14
Commercial properties	7,438	8
Other property-related	6,700	8
Total property-related	65,528	74

According to law, loans exceeding 10 per cent of the capital base may not exceed 800 per cent of the capital base. Föreningsbanken had two exposures in excess of 10 per cent, which together corresponded to 23 per cent of the capital base.

The Group's major exposures, 31 December 1996

Industry	Exposure SEK M	Share of capital base, %	Accum. share, %
Insurance	1,315	13.0	13.0
Food industry	1,042	10.3	23.3
Total	2,357	23.3	

10% of the capital base = SEK 1,010 M.

Assets taken over to protect claims

Assets taken over to protect claims totalled SEK 7.2 billion (8.3) at the end of 1996. Most of these assets were placed in Mandamus. The value of real property taken over amounted to SEK 7.1 billion, of which SEK 1.3 billion outside Sweden. The occupancy rate was 88 per cent (87) for Mandamus' Swedish properties and 92 per cent (91) for properties outside Sweden. Direct return was 7.5 per cent (7.2) for the Swedish properties and 6.7 per cent (6.3) for properties abroad. If interest subsidies are excluded, the direct return on the Swedish properties was 5.2 per cent (4.9).

During the year Mandamus sold properties with a book value of SEK 809 M (118).

An additional major sale of property took place in January 1997 with a book value of SEK 960 M. Additional information is provided in the section on Mandamus on page 37.

Assets taken over to protect claims

SEK M	1996	1995
Mandamus	7,019	7,787
Föreningsbanken Kredit	141	442
Föreningsbanken AB	59	93
Total	7,219	8,322
of which, properties and tenant-owner flats	7,091	8,164

Sensitivity analysis of the property portfolio

A sensitivity analysis of the property portfolio shows the effect on earnings based value, net operating income and direct return in the event of a change in some key parameters. The earnings based value is calculated according to a cash flow method, see Accounting Principles, page 47.

Sensitivity analysis of the real property portfolio, Mandamus AB

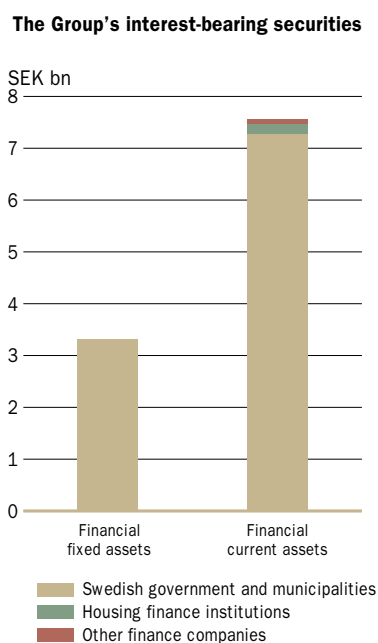
Parameter	Change %	Effect on direct return percentage points	Effect on net operating income, SEK M	Effect on earnings based value SEK M
Swedish properties				
Rental income, residential	+/- 1	+/- 0.08	+/- 4	+/- 44
Rental income, commercial	+/- 1	+/- 0.04	+/- 2	+/- 23
Vacancy rate	+/- 1 ¹⁾	-/+ 0.13	-/+ 7	-/+ 78
Operating and maintenance expenses	+/- 1	-/+ 0.06	-/+ 3	-/+ 36
Properties abroad				
Rental income, residential	+/- 1	+/- 0.00	+/- 0	+/- 1
Rental income, commercial	+/- 1	+/- 0.08	+/- 1	+/- 12
Vacancy rate	+/- 1 ¹⁾	-/+ 0.09	-/+ 1	-/+ 14
Operating and maintenance expenses	+/- 1	-/+ 0.02	-/+ 0	-/+ 3

¹⁾ Percentage point.

Interest-bearing securities

The interest-bearing securities that are classified as current assets comprise a trading portfolio and have a market value of SEK 7.6 billion in the Group. Of this amount, SEK 7.3 billion is securities issued by the Swedish government and municipalities, SEK 0.2 billion relates to housing finance institutions, and SEK 0.1 billion other finance companies.

The interest-bearing securities that are classified as financial fixed assets comprise government securities and are booked at SEK 3.0 billion. The market value is SEK 0.3 billion higher than the book value.



Liabilities

Deposits

During the year Föreningsbanken's deposits increased by SEK 4.3 billion to SEK 66.3 billion. Only a small portion of deposits were in foreign currencies.

As in the case of lending, customers in rural areas and small towns accounted for most of deposits.

The Bank's deposits by customer group and region, SEK M

31 December	1996	%	1995	%
Private individuals ¹⁾	36,931	56	41,127	66
Companies	9,370	14	7,571	12
Agricultural sector	12,811	19	6,671	11
Municipalities	668	1	655	1
Other	6,494	10	5,925	10
Total	66,274	100	61,949	100
of which				
Stockholm, Göteborg and Malmö	4,983	8	3,060	5
Rest of Sweden	61,291	92	58,889	95
Total	66,274	100	61,949	100

¹⁾ SCB's definitions of customer group affiliation have been changed compared to previous years. Now all customers reporting income liable to VAT are placed in a group separate from private individuals compared, as was the case in previous years, with only those reporting income in excess of SEK 200,000.

Market borrowing

The Group's debt instruments issued in the capital market amounted to SEK 26.2 billion (19.9) at the end of 1996, of which SEK 2.5 billion (0.7) was taken up by the Bank.

In 1996 Föreningsbanken concluded an agreement for a Euro MTN (Medium Term Notes) programme with a USD 1 billion ceiling. A dated subordinated debenture of MUSD 100 and an undated subordinated debenture of MUSD 100 were issued under this programme. Following these issues, the total volume of subordinated debentures amounted to SEK 5.7 billion, of which SEK 2.0 billion was undated.

Rating

In 1996 Föreningsbanken received a short-term rating from the rating agency Standard and Poor's. Föreningsbanken has had ratings from IBCA and Moody's since 1995.

	IBCA	Moody's	Standard & Poor's
Short-term rating	A1	P2	A2
Long-term rating	A	A3	–
Individual/financial strength	C	C	–

Shareholders' equity

At year-end the Föreningsbanken Group's equity amounted to SEK 5.4 billion. Of this amount, SEK 0.4 billion was earmarked for dividends. After the addition of net profit for the year of SEK 1.0 billion, equity amounted to SEK 6.0 billion before the proposed dividend of SEK 0.4 billion for 1996.

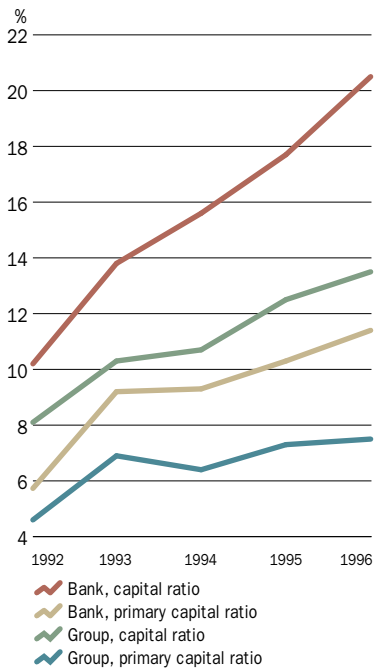
Capital adequacy

Föreningsbanken's capital base amounted to SEK 10.1 billion (8.6) after deduction for the dividend proposed by the Board. Primary capital accounted for SEK 5.6 billion (5.0).

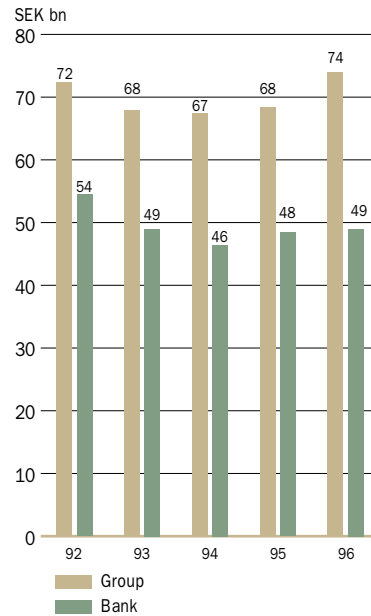
The capital ratio improved by 1.0 percentage points in 1996 to 13.5 per cent. The primary capital ratio was 7.5 per cent (7.3) at the end of 1996. The Bank's capital ratio amounted to 20.5 per cent (17.7).

The bonus dividend, which will be paid if the merger with Sparbanken is carried out, has not been taken into account when calculating the capital ratio and the primary capital ratio.

**Capital ratios for the Group and the Bank
1992 – 1996**



**Risk-weighted assets for the Group and the Bank
1992 – 1996**



Risk management

Credit risks

Continued intensive efforts to reduce problem loans and the volume of repossessed assets resulted in a net 25 per cent reduction in the Group's volume of bad debts, and a 60 per cent decrease in loans with interest remissions compared with 1995. Between the different customer groups, the corporate sector – primarily the property and construction industry – accounts for the majority of total problem loans.

The reserve ratio for bad debts was 55 per cent at the end of 1996 compared with 52 per cent in 1995.

Föreningsbanken's strict focus on its priority customers has resulted in a loan portfolio comprising a large number of small loans granted to small businesses from a wide range of industries. In addition, private individuals and the agricultural sector have accounted for low loan losses compared with other borrowers viewed over a period of several years.

Monitoring the loan portfolio

Every credit is followed up continuously by the branch office responsible for the customer. The composition and risk structure of the loan portfolio is also followed up continuously at Group and market area level and at subsidiaries through monthly reports, specific reviews and annual evaluations. A credit controller function makes sure the credit handling process is conducted in accordance with current policy and rules.

Loans in excess of SEK 1 M have a set credit limit which remains valid for a maximum of one year at a time. Annual reviews of credit limits are made as if they were new loan applications. This means that the borrower's

operations are analysed in terms of ability to pay, solvency, and future prospects. Collateral is also revalued and customer classification is reviewed. Loans not covered by a credit limit are reviewed on an ongoing basis during the year.

Risk classification of loans

A follow-up and control system is applied to large corporate loans and substantial loans to private individuals where the Bank identifies a risk that the borrower will be unable to meet his commitments. This system involves risk classification of loans after which a more extensive analysis is performed and an action plan is drawn up.

These loans can be divided into two categories. Category 1 includes loans where the customer is still meeting his commitments but where the Bank decides that close monitoring is required. If a customer's ability to pay deteriorates, this can result in such a classification.

Category 2 includes loans where the customer is not meeting his commitments, has been declared bankrupt or payments have been suspended, and where the loan is classified as a large problem loan for another reason.

Risk classified volumes

31 December, SEK M	1996	%	1995	%
Category 1	1,984	59	3,058	67
Category 2 ^{1) 2)}	1,375	41	1,536	33
Total	3,359	100	4,594	100

¹⁾ Net after deduction for provision to reserve for possible loan losses.

²⁾ Included as part of total problem loans.

Problem loans

	Volume SEK M	Share of lending volume for % customer group, %	
Private individuals	495	26	1
Agricultural sector	124	7	1
Industrial companies	86	4	2
Property and construction companies	672	36	4
Service companies	302	16	2
Finance companies	0	0	0
Public sector	0	0	0
Other companies	109	6	3
Other	92	5	10
Total	1,880	100	2

Lending volume includes lending to the public and credit institutions (excluding banks).

Breakdown of Risk Category 2 loans by industry

31 December	1996 SEK M	Share of lending volume, %	1995 SEK M	Share of lending volume, %
Private individuals	255	1	334	1
Agricultural sector	96	1	132	2
Industrial companies	50	1	84	2
Property and construction companies	643	4	373	3
Service companies	221	2	405	4
Other companies	56	1	135	4
Other	54	3	73	3
Total	1,375	2	1,536	2

Granting credit

Föreningsbanken's credit organisation is based on decentralised responsibility and decision-making. This is intended to improve awareness of customer circumstances which leads to a lower credit risk than if the credit decision is made centrally.

The local banks decide credit matters themselves within set limits and in accordance with the Group's credit policy and instructions.

These credit limits for the granting of loans are divided into six groups. The group to which a local bank belongs primarily depends on the competence of its employees as well as on conditions in the market, lending volume, and so on. Loans in excess of the set limit are decided by a central committee or by the Board.

Limits for credit decisions in the Bank

Local bank	Maximum between SEK 3 M and SEK 16 M
Credit Area Committee	Up to SEK 70 M
Central Credit Committee	Up to SEK 400 M
Board	Unlimited

Föreningsbanken's subsidiaries authorise the branch offices to make credit decisions on their behalf. Subsidiaries' large loans are assessed in the central committees.

Even if a loan decision has been made at central level, it is the unit responsible for the customer, normally the branch office, that is responsible for that loan.

Since all credit granting units are obliged to report and register their activities, total exposure to individual customers can be monitored centrally.

Claims

A claims unit, which handles matters where some form of legal action is required, was set up during the year. Subsidiaries' claims activities are being successively integrated with normal claims routines in the branch offices, thus allowing a better overall view of the customer.

Property analysis

The Bank's existing loan stock is largely property-related. The branch offices are therefore offered central support in their analysis of property companies and individual properties. A computer-based system for valuing single-family

homes is used by the branch offices. Training in property-related matters is provided on an ongoing basis.

Market risks

Interest rate risk is the most significant market risk for Föreningsbanken. Counterpart, currency and share price risks also arise, although to a lesser extent. At year-end 1996 market risks only accounted for SEK 158 M of the Group's total capital base of SEK 10.1 billion.

Capital requirement for market risks¹

tives	Total		Of which deriva	
	Risk-weighted amount	Capital requirement, 8%	Risk-weighted amount	Capital requirement, 8%
31 December 1996 SEK M				
Counterpart risk				
– Trading portfolio	110	9	110	9
– Other operations	186	15	186	15
– Other counterpart risks	2	0	0	0
Total counterpart risk	298	24	296	24
Settlement risk	0	0	0	0
Share price risk				
– General risk	3	0	25	2
– Specific risk	53	4	0	0
Interest rate risk				
– General risk	1,243	99	1,646	132
– Specific risk	245	20	0	0
Currency risk	0	0	0	0
Other risks	174	14	2	0
Total market risk	2,016	161	1,969	158

¹ According to capital adequacy rules on market risk. Counterpart risks for derivatives in other operations are also included, which meet capital adequacy requirements according to the rules for credit risks.

Responsibility for and follow-up of market risks

At Föreningsbanken the Board decides total limits for the Group's interest rate, currency and share price risks. The CEO then allocates these total limits based on proposals from the Finance Committee. Interest rate, currency and share price risks in the Group are confined to Securities-Treasury-International (STI).

It rests with every manager to ensure that risks are transferred either through internal loans to STI or in some cases directly to the market in accordance with specified risk limits. The head of STI is responsible for Group-wide financial risk management.

Trading on the fixed-income, foreign exchange and equities market is controlled on an ongoing basis by the

line managers responsible within STI. Trading is also subject to daily control by an administrative function independent of trading, primarily with regard to allocated limits.

The risks in the Bank's portfolios are reported to the head of STI on a weekly basis, and to the Board and the Finance Committee once a month.

Interest rate risks

Interest rate risks mainly arise at the branch offices, Föreningsbanken Kredit, Mandamus and STI.

Since at the branch offices the majority of deposits and lending carry floating-rate interest, interest rate risk is low. The interest rate risk on fixed-rate volume is minimised through internal loans with a matching volume and fixed-interest term. The remaining interest rate risk is primarily attributable to bad debts and soft loans.

Föreningsbanken Kredit's lending at year-end was 86 per cent fixed-rate and 14 per cent floating-rate. Föreningsbanken Kredit minimises the interest rate risk on fixed-rate loans through borrowing on the market, internal loans and interest rate swaps.

Mandamus has SEK 5.6 billion in Swedish properties. 30 per cent of the long-term lending is financed with short-term borrowing. The remainder is financed with fixed-rate loans.

STI trades in interest rate risks and is responsible for the Bank's role as a Primary Dealer on the money market. Instruments used are bonds, interest rate futures, and forward rate agreements. The interest rate risks in the trading portfolio, excluding financial fixed assets, amounted to SEK 44 M at the end of the year, measured as a one percentage point parallel change in the yield curve. The interest rate risk for financial fixed assets, measured in the same way, amounted to SEK 105 M.

Fixed interest periods for assets and liabilities as per 31 December 1996 are shown in Note 44.

Currency risk

At year-end Föreningsbanken's currency risks amounted to a net position of SEK 104 M and an aggregated net position of SEK 143 M, defined according to the Central Bank of Sweden's Currency Trading Permit.

Deposits and lending in foreign currencies were low

and decreased compared with the previous year. Currency risks which arise in business activities are lifted over to STI. The subsidiary Mandamus has taken over property outside Sweden with a book value of SEK 1.3 billion. These assets are protected through matching borrowing in foreign currencies. Föreningsbanken's borrowing in foreign currencies is hedged.

Trading in currencies and exchange-rate related derivatives is controlled by limits set by the Board, which are considerably below the limits set by the Central Bank according to the Currency Trading Permit.

Share price risk

Föreningsbanken conducts trading in Swedish and foreign shares and equity-price related derivatives. The share price risk is minimised by set limits that are low.

Off-balance sheet commitments

Derivatives are mainly used to eliminate interest rate, currency and share price risks. Interest rate swaps are mainly used to reduce interest rate risks in long-term housing financing and currency swaps to reduce currency risks on foreign borrowing. Forward rate agreements are used as part of short-term liquidity management.

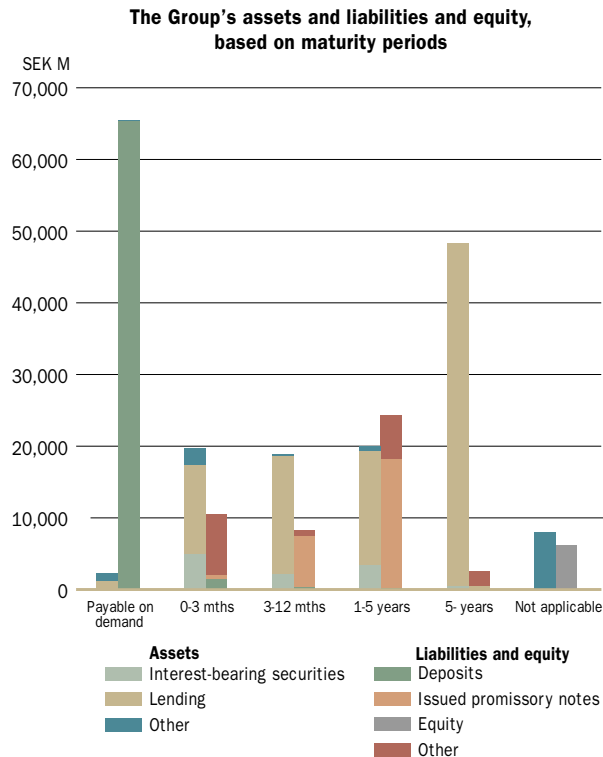
Own trading is primarily conducted in conjunction with the market maker commitment. Market making is conducted in standardised, cleared equity futures, share options and interest rate futures.

Future payment flows which can arise from derivatives comprise small amounts and only have a marginal impact on the Group's liquidity.

Föreningsbanken's derivative instruments are specified in Note 43.

Counterpart risk

In order to reduce counterpart risks in trading with financial instruments, Föreningsbanken primarily uses clearing houses where settlement is made against delivery. In other cases a standard agreement is signed with the counterpart, e.g. an ISDA agreement.



Liquidity risk

Matching of maturity periods between investments and financing is good for maturities up to five years. The period five years and more is characterised by considerably larger investment than financing, approximately SEK 48.2 billion in investments compared to approximately SEK 2.5 billion in financing. The reason for this is that housing financing is provided with long maturity periods, up to 40 years.

Maturity periods for investments and financing as per 31 December 1996 are specified in Note 39.

Operational risks

Inadequacies in administrative routines, buildings, transport systems, computer systems and other technical systems give rise in security terms to so-called operational risks, which can result in injury to life, health, environment and property.

Every manager at Föreningsbanken has primary respon-

sibility for identifying, limiting and controlling the operational risks at his or her unit. The group staff Legal Affairs is responsible for co-ordinating and monitoring legal risks. In a similar manner Security co-ordinates and monitors EDP risks, administrative risks, and technical risks.

Föreningsbanken has plans for crisis, disaster and war situations, and a contingency plan in the event of a complete failure of the computer system. There is also a group ready to deal with economic coups. A rehabilitation group for the Bank's crime victims, following robberies for example, is being formed.

Föreningsbanken's buildings and equipment are adequately insured against fire. The risks associated with banking operations such as damage to property, crime against property and third party liability have also been insured in an amount that is considered reasonable. The risks of computer operations has been taken into account. In order to reduce external premium costs, these risks are reinsured with the Bank's wholly owned reinsurance company, FB Reinsurance AG.

Föreningsbanken Kredit AB

Föreningsbanken Kredit is Föreningsbanken's wholly owned finance institution for long-term prime mortgage financing of housing. Sales and marketing are conducted through Föreningsbanken's branch offices.

Conditions in the home mortgage market were favourable during the year due to falling market interest rates. The level of building starts was low but turnover on existing properties, particularly in major cities and university towns, rose.

Föreningsbanken's total customer concept complemented with target oriented campaigns had a positive impact on mortgage volumes.

Föreningsbanken Kredit authorises the Föreningsbanken branches to make credit decisions and within set limits to decide the terms of loans granted. The combination of the local bank's awareness of the customer's situation and structured follow-up guarantees the quality of the loan portfolio.

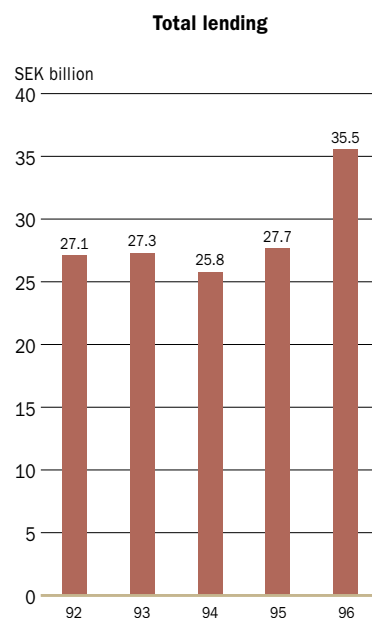
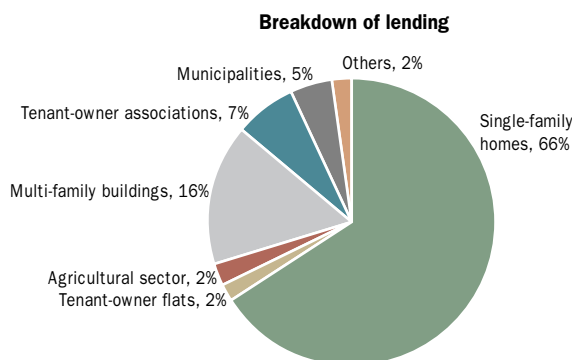
During the year properties taken over to protect claims decreased by SEK 300 M to SEK 141 M. Several disposals are planned in 1997.

Lending

Lending amounted to SEK 35.5 billion at year-end, an increase of 28 per cent. SEK 2 billion of this increased volume was attributable to mortgages transferred from SBAB. This means the entire original volume of SEK 5 billion transferred to SBAB in 1992 has now been repurchased. Föreningsbanken Kredit's market share amounted to 3.5 per cent, an increase of 0.7 percentage points compared with 1995.

The mortgage limit on properties was kept within 75 per cent of market value in spite of intensifying competition.

There is considerable potential for new lending among Föreningsbanken's existing customers who have their prime mortgages in other mortgage institutions. Branch office campaigns focused on these customers were successful during 1996. A continued favourable development in terms of volume and profit is anticipated over the next few years.



Borrowing

The company's refinancing is mainly through loans in Föreningsbanken and through issuing bonds and commercial papers in Sweden under its own name.

At year-end outstanding bonds totalled SEK 20.5 billion (16.8), of which retail bonds accounted for 25 per cent. During the year outstanding commercial paper volume rose by SEK 1.3 billion to SEK 5.8 billion due to increased demand for mortgages.

Rating

	Short-term	Long-term	Individual
IBCA	A1	A–	C

Income

Net interest income increased during the year by SEK 39 M to SEK 307 M. This improvement was mainly due to increased lending. Higher income and reduced operating expenses improved profit before loan losses by 15 per

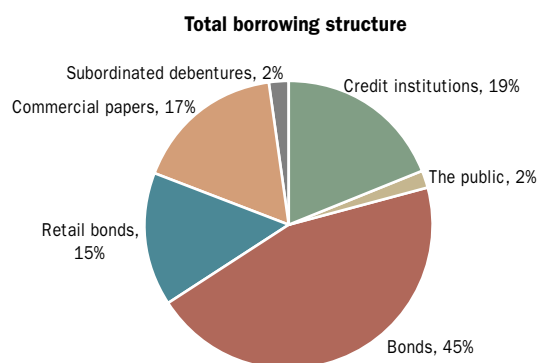
cent to SEK 266 M. The negative loan loss trend is explained by losses on disposals of properties taken over to protect claims and losses on loans to tenant-owner associations. Other loan losses, however, decreased in 1996.

Profit and Loss Account

SEK M	1996	1995
Operating income	314	281
Staff costs	25	21
Other operating expenses	23	28
Total operating expenses	48	49
Profit before loan losses	266	232
Loan losses	235	159
Operating profit	31	73

Key Figures

Lending, 31 December	35,534	27,739
Loan losses as % of lending	0.8	0.5
Return on equity, %	2.1	5.1
Average number of employees	66	66



Föreningsbanken Fond & Kapitalförvaltning AB

Föreningsbanken Fond & Kapitalförvaltning AB manages investment funds totalling SEK 12.4 billion (7.8), and has SEK 5.7 billion (3.7) in management assignments.

Föreningsbanken Fond & Kapitalförvaltning AB, which is a wholly owned subsidiary of Föreningsbanken, is the parent company of three investment companies which manage the Group's funds. In addition to these companies, the subsidiary Föreningsbanken Kapitalförvaltning AB offers investment management services primarily to companies, organisations, municipalities and county councils.

Föreningsbanken's branch offices increased their sales of fund savings during the year. As a result, market share rose by 0.4 percentage points to 3.9 per cent of Swedish fund volume at year-end. Föreningsbanken Fond & Kapitalförvaltning is Sweden's fifth largest fund manager in terms of managed volume.

On 1 January 1996 the unit-linked insurance funds were merged with corresponding unrestricted funds. In addition, Föreningsbanken Fondspar was merged with Föreningsbanken Sverige due to a similar investment strategy for the two funds.

A new fund, Föreningsbanken Miljöfond (Environment Fund) was launched at the beginning of the year. The fund's assets totalled SEK 122 M with some 14,000 investors at year-end.

Another new fund, Föreningsbanken Östeuropa (Eastern Europe) was introduced at the end of the year. After this, the number of funds totalled 18 (23).

Profit and Loss Account

SEK M	1996	1995
Operating income	48	44
Staff costs	13	9
Other operating expenses	25	26
Total operating expenses	38	35
Operating profit	10	9

Key Figures

Volume of managed funds, 31 December ¹	18,071	11,540
Average number of employees	21	17

¹ Including SEK 5,692 M in Föreningsbanken Kapitalförvaltning for 1996 and SEK 3,700 M for 1995 (as of 1 July 1995).

Föreningsbanken's Funds

31 December 1996	Number of of funds	Number of of investors	Managed volume, SEK M
Public savings programmes	2	135,495	5,475
Swedish unit trusts	2	54,389	1,880
Foreign unit trusts	8	92,078	1,407
Swedish interest-bearing funds	4	46,628	2,719
Foreign interest-bearing funds	1	514	22
Mixed investment funds	1	33,630	876
Total	18	362,734	12,379
Of which IPS	16	45,070	349

Föreningsbanken Finans AB

Föreningsbanken Finans, a wholly owned subsidiary of Föreningsbanken, offers through the Bank's branch network investment loans in the form of leasing and hire purchase, as well as working capital loans in the form of factoring and contract financing.

Föreningsbanken Finans' market share was 1.7 per cent at the end of 1996. This represents an increase of 0.6 percentage points compared with the previous year.

Outstanding loans rose by 61 per cent to SEK 1.4 billion. This was due, among other things, to the fact that branch offices have started directing marketing activities to Föreningsbanken's existing customers to a greater extent than before.

The car loan, which was launched in 1995, showed strong growth in 1996.

During the year the branch offices' competence in finance company services was further improved. In addition, routines were simplified in order to facilitate administration and credit decisions.

Income

Operating income increased by 4 per cent to SEK 116 M. The considerable expansion in credit did not provide a greater increase due to falling interest margins and the fact that most of the increased volume occurred in the second half of the year.

Operating expenses fell by SEK 3 M in 1996. Loan losses recovered on leasing contracts totalled SEK 2 M.

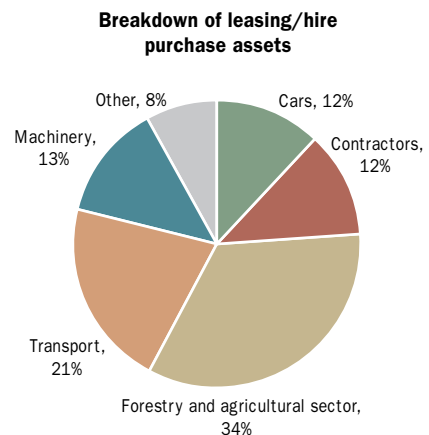
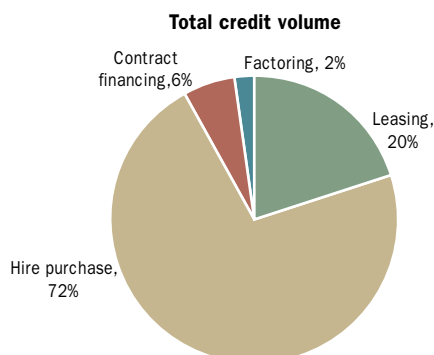
Operating profit increased by 67 per cent to SEK 25 M during 1996. Return on equity amounted to 15.9 per cent (10.0).

Profit and Loss Account

SEK M	1996	1995
Operating income	116	112
Staff costs	13	12
Other administrative expenses	12	13
Depreciation and write-downs of tangible fixed assets	67	70
Other operating expenses	1	1
Total operating expenses	93	96
Profit before loan losses	23	16
Loan losses	+2	1
Operating profit	25	15

Key Figures

Lending, 31 December	1,398	871
Return on equity, %	15.9	10.0
Average number of employees	33	32



Mandamus AB

Mandamus is a wholly owned subsidiary of Föreningsbanken. The company owns and manages real property and other assets taken over to protect claims. The key task is to minimise Föreningsbanken's losses by managing, developing and selling these properties. The company was formed in 1992.

Operations can be divided into four phases: take-over, restructuring, management and disposal. The Mandamus Group has essentially passed the taking-over phase. The volume of new repossessed assets was low in 1996 and only a few properties are expected to be candidates for acquisition in the future.

Management of properties taken over was made more efficient in 1996. Action was taken to remedy the previously neglected maintenance of the property portfolio.

Winding up is the final phase and ultimate goal of these operations. A new organisation designed to accelerate the rate of property disposals was formed in 1996. This resulted in a substantial increase in sales compared with the previous year.

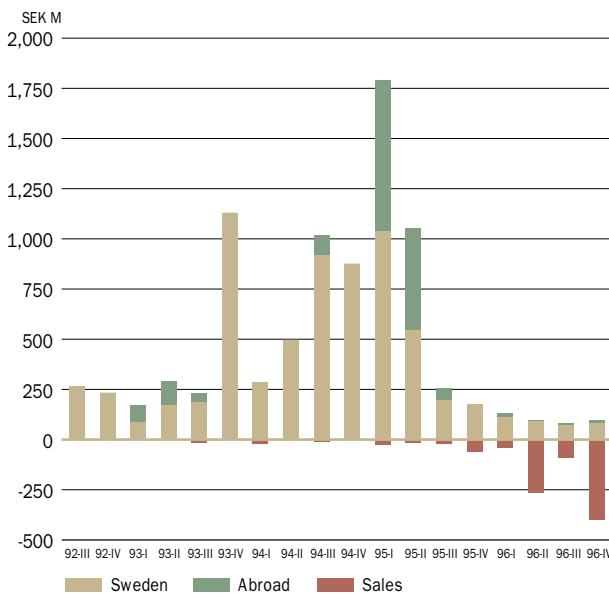
As agreed between the boards of Föreningsbanken and Sparbanken Sverige, the intention is to distribute Mandamus to FöreningsSparbanken's shareholders in spring 1998.

Financing

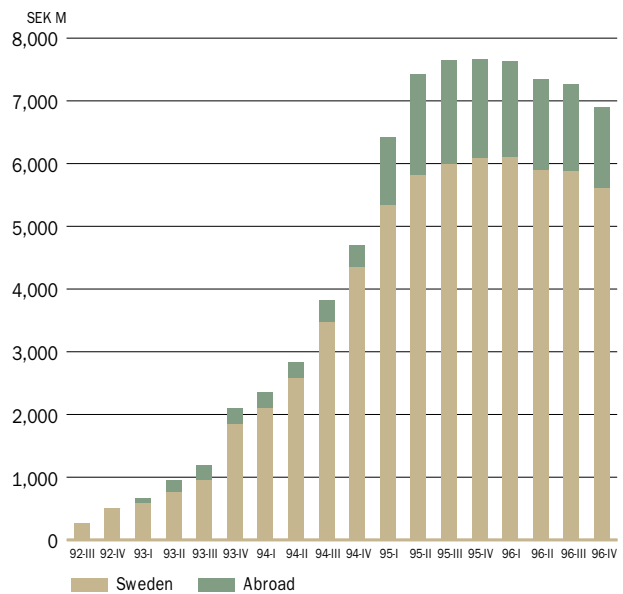
Mandamus finances approximately 30 per cent of the long-term loan requirement with short-term borrowing. The remainder is funded with fixed-rate loans. Maturity periods are evenly divided over a five-year period.

The portfolio of properties outside Sweden is mostly financed through loans in corresponding currencies.

Property volume trend, Sweden and abroad



Book value of properties, Sweden and abroad



Income

Income excluding interest subsidies totalled SEK 771 M (704), of which the Swedish properties accounted for SEK 647 M (563) and properties outside Sweden for SEK 124 M (141). After deduction for operating expenses, the operating net amounts to SEK 392 M (362), of which SEK 296 M (252) for the Swedish properties and SEK 96 M (110) for properties abroad. In addition, expenses of SEK 20 M relating to non-consolidated subsidiaries have been charged against operating net.

Recalculated on an annualised basis this provides a direct return of 5.2 per cent (4.9) excluding interest subsidies for properties in Sweden. Including interest subsidies, the direct return was 7.5 per cent (7.2). Direct return for the foreign properties was 6.7 per cent (6.3).

Administrative expenses amounted to SEK 82 M (90). A considerable proportion of these expenses was attributable to restructuring.

During the years the book values of the properties were written down by SEK 293 M (198). A large part of this amount was due to a decrease in the present value of future interest subsidies as the value of remaining interest subsidy payments declines.

Other write-downs in the Mandamus Group pertain to repossessed assets such as shares, machinery and equipment and claims on non-consolidated subsidiaries, a total of SEK 12 M (26).

Properties

At the end of the year the Mandamus Group owned properties in Sweden with a book value of SEK 5,608 M (6,084). The present value of interest subsidies accounted for SEK 344 M (562) of book value. The book value of the foreign properties amounted to SEK 1,295 M (1,578). Exchange rate fluctuations account for SEK 61 M of the decrease in value of the foreign properties, which was matched by a corresponding change in liabilities. A breakdown of property holdings per country and by county in Sweden is provided in the table on the next page.

Breakdown of properties by location

	Book value SEK M	Space 1,000 sq m
Greater Stockholm, Göteborg, Malmö	557	122
Residential and university towns	1,537	279
Other locations, Sweden	3,514	816
Outside Sweden	1,295	149
Total	6,903	1,366

Profit and Loss Account ¹

SEK M	1996	1995
Operating income	771	704
Operating expenses	398	341
Operating net ²	372	362
Net run-off	-30	-51
Write-downs	305	224
Administrative expenses	82	90
Operating result before depreciation	-44	-2
Depreciation	1	1
Operating result after depreciation	-45	-3
Financial items ³	-403	-450
Income before Group contributions and tax	-448	-453
Group contributions	458	455
Profit before taxes	10	2
Taxes	10	1
Net profit for the year	0	1

Balance Sheet ¹

31 December, SEK M	1996	1995
Assets		
Real property	6,903	7,662
Shares and participations	107	112
Other assets	500	292
Total assets	7,510	8,066
Liabilities and equity		
Owed to Föreningsbanken Group	6,235	6,400
Loans from external credit institutions	790	1,300
Other liabilities	367	254
Equity	118	112
Total liabilities and equity	7,510	8,066
Average number of employees	94	95

¹ The consolidated accounts include property companies in which the parent company directly or indirectly holds shares or participations with voting rights in excess of 50 per cent. Subsidiaries, that are not engaged in property management, are not included in these accounts.

² Of which costs related to non-consolidated subsidiaries SEK 20 M (0).

³ Of which interest subsidy SEK 144 M (144).

Breakdown of properties by country and county

	Value SEK M	Share, %	Space 1,000 sq m	Share, %
Sweden				
Stockholm	303	4	57	4
Uppsala	35	1	12	1
Södermanland	52	1	19	1
Östergötland	199	3	59	4
Jönköping	173	3	35	3
Kronoberg	425	4	106	8
Kalmar	118	2	24	2
Gotland	17	0	2	0
Blekinge	0	0	0	0
Kristianstad	78	1	18	1
Malmöhus	1,297	19	238	18
Halland	665	10	122	9
Göteborgs och Bohus	72	1	18	1
Älvsborg	263	4	82	6
Skaraborg	245	4	55	4
Värmland	489	7	82	6
Örebro	69	1	22	2
Västmanland	135	2	27	2
Kopparberg	116	2	43	3
Gävleborg	210	3	47	4
Västernorrland	63	1	18	1
Jämtland	264	4	58	4
Västerbotten	167	2	40	3
Norrbottnen	153	2	33	2
Total Sweden	5,608	81	1,217	89
Outside Sweden				
Belgium	63	1	14	1
Germany	430	6	38	3
Denmark	135	2	18	1
Norway	63	1	6	1
Netherlands	580	9	59	4
USA	23	0	14	1
Total outside Sweden	1,295	19	149	11
Total	6,903	100	1,366	100

Residential properties account for 66 per cent (61) of the book value in Sweden. The majority of the Swedish properties are located outside major cities, which reflects Föreningsbanken's market structure.

Outside Sweden, commercial properties dominate with 96 per cent (95) of the book value.

Property sales

During the year 106 (38) properties were sold with a book value of SEK 809 M (118). The majority of these were Swedish properties. Taken overall, property sales provided a loss of SEK 39 M (2) or 5 per cent (2) of the book values of the sold properties.

In January 1997, 117 properties with a book value of SEK 960 M were sold. Of this book value, more than SEK 900 M was attributable to sales to the newly formed company Hallström & Nisses Fastighets AB. Mandamus has thus sold nearly all its properties in Norrland. Mandamus and Oskarsborg, owned by BPA AB, PEAB and companies affiliated to the Swedish Trade Union Confederation (LO), have together formed Hallström & Nisses. The company will be owned initially by Oskarsborg. Mandamus has a convertible corresponding to 63 per cent of the share capital at the formation of the company.

This property company will own properties in Norrland with a total lettable space of 370,000 sq m. The intention is to introduce Hallström & Nisses on the stock exchange at a later date. No conversion to shares from the convertible in Hallström & Nisses will take place as long as Mandamus is owned by the Bank.

Valuation of properties taken over

Properties taken over to protect claims constitute current assets and have been valued at the lower of acquisition value and fair value. The latter has been calculated according to a cash flow method described in more detail in Accounting principles on page 47. This calculation does not take funding into account. The residual value has been assessed based on a direct return requirement of 7–12 per cent, which has remained unchanged since 1993. Payment flows have been estimated at present values at a discount rate of 8 per cent.

These valuations have mainly been performed by Mandamus' employees.

Mandamus Holding AB

In order to achieve a more distinct structure for the group a new subsidiary has been formed, Mandamus Holding AB, to which shares in operating companies and associated companies have been transferred. Mandamus Holding AB has the necessary competence to manage the taken over operating companies and shares that have been placed in this company.

The Mandamus group owns, for protection of claims, shares in 9 (8) operating companies. These companies employ a total of 330 (270) people and have total annual

sales of SEK 370 M (300). The book value of these shares amounts to SEK 27 M (25). Internal lending to the companies amounted to SEK 355 M (258), which means the total risk exposure was SEK 382 M (288).

During the year the shares in Nya Norrlandsvagnar AB were sold while Indata Stansservice AB and Skara Sommarland Nöjes AB were acquired. The operations in Has-sela Sport & Konferens AB were sold in January 1997.

The book value of blocks of shares where the holding amounted to 50 per cent or less was SEK 80 M (82). Large holdings included Nya Bofast AB, formed in 1994 together with Statens Bostadsfinansieringsaktiebolag, SBAB, with a book value of SEK 23 M. At year-end Mandamus also owned 17 per cent of the shares in Åre Invest AB, which were sold in January 1997.

Breakdown of properties by type

	Book value, SEK M		Space 1,000 sq m		Direct return, % excl. interest subsidy		Direct return, % incl. interest subsidy		Vacancy rate, %	
	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995
Residential	3,693	3,685	678	647	5.3	5.6	8.7	9.1	7	7
Hotel	118	89	36	29	1.6	2.4	1.6	2.4	10	1
Industrial	736	885	292	339	4.8	3.8	4.8	3.8	22	24
Commercial	825	1,245	169	249	6.1	4.5	6.2	4.9	11	13
Land	61	35	–	–	–3.3	–1.2	–2.1	–1.2	–	–
Other properties	175	145	42	35	7.8	4.5	8.1	5.0	19	38
Total Sweden	5,608	6,084	1,217	1,299	5.2	4.9	7.5	7.2	12	13
Total outside Sweden	1,295	1,578	149	187	6.7	6.3	6.7	6.3	8	9
Total	6,903	7,662	1,366	1,487	5.5	5.2	7.5	7.0	11	13

Föreningsbanken Försäkring

Föreningsbanken Försäkring (insurance) conducts operations in two wholly owned subsidiaries of Föreningsbanken, Föreningsbanken Försäkring Livförsäkringsaktiebolag and Föreningsbanken Försäkring Skadeförsäkringsaktiebolag. These companies develop security insurance which is sold through the branch offices and other outlets.

Operations

In March 1996 an agreement was signed for acquisition of the shares in a wholly owned subsidiary of Lantbrukarnas Ekonomi AB, the insurance company LTF Liv, and parts of the insurance portfolio in LTF Sak. This acquisition meant that Föreningsbanken Försäkring started with an insurance portfolio of nearly 200,000 life, sickness and accident policies taken out by more than 90,000 members of the Federation of Swedish Farmers or the National Association of Forest Owners. These operations were acquired as per 1 January 1996.

Insurance launched during the year included mortgage payment cover, i.e. life insurance which in the event of the death of the policyholder redeems the loans with Föreningsbanken, life insurance, and an occupational and private pension insurance. Endowment, accident and sickness insurance will be launched in 1997.

Income

Premiums written amounted to SEK 77 M for the life insurance company and SEK 87 M for the non-life company. A total of 20,200 life insurance policies in the form of mortgage payment cover and Föreningsbanken's life insurance were sold. The introduction of pension insurance provided premium income of SEK 8 M in November and December.

Operating expenses amounted to SEK 28 M for the life insurance company, of which SEK 10 M were non-recurring costs for the development and launch of new products. The non-life company's operating expenses amounted to SEK 9 M.

Investment income including unrealised gains amounted to SEK 80 M (69) or 20.2 per cent (14.7) in the life insurance company and SEK 53 M or 18.8 per cent in the non-life company.

The life insurance company's operating profit improved by 12 per cent to SEK 66 M compared with

1995. The non-life company's operating profit amounted to SEK 20 M. The collective reserve amounted to SEK 301 M (247) and SEK 135 M respectively.

The non-life company is consolidated in Föreningsbanken according to the equity method. The life insurance company is not consolidated since the entire result accrues to policyholders. The average number of employees was 20.

Profit and Loss Account

SEK M	Life Insurance Company		Non-Life Company
	1996	1995	1996
Premiums written	77	63	87
Change in premium reserve	-25	-17	12
Investment income (incl. unrealised gains)	80	69	53
Claims incurred	-38	-50	-109
Operating expenses	-28	-8	-9
Write-down of goodwill	-	-	-14
Operating profit	66	57	20
Provisions and taxes	-23	-21	-12
Net profit for the year	43	36	8

Balance Sheet

SEK M	Life Insurance Company		Non-Life Company
	1996	1995	1996
Total assets	516	424	517
Equity	75	75	98
Untaxed reserves	20	10	24
Bonus funds	195	156	-
Technical provisions	178	173	382
Provisions for other risks and expenses	18	8	3
Other liabilities, etc.	30	2	10
Total equity, provisions and liabilities	516	424	517

Föreningsbanken Företagskredit AB

Föreningsbanken Företagskredit AB is Föreningsbanken's wholly owned subsidiary for mortgages on office, commercial and industrial properties.

The market for property mortgages benefited from falling interest rates in 1996. Föreningsbanken Företagskredit's operations were built up during the year and the lending portfolio totalled SEK 0.9 billion at year-end. The portfolio primarily comprises mortgages on industrial and rental properties. The proportion of floating rate loans amounted to 21 per cent.

Income

Operating profit for 1996 amounted to SEK 16 M. No loan losses arose during the year.

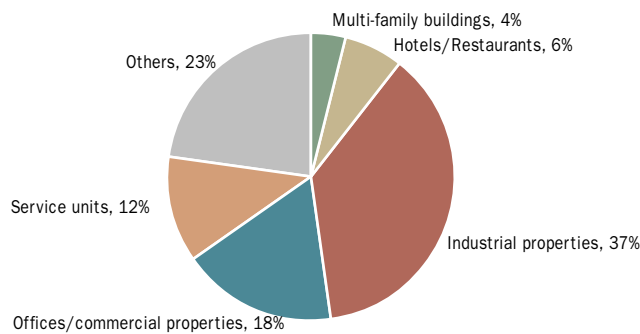
Profit and Loss Account

SEK M	1996	1995
Operating income	18	2
Staff costs	1	- 1
Other operating expenses	1	0
Total operating expenses	2	- 1
Profit before loan losses	16	1
Loan losses	-	-
Operating profit	16	1

Key Figures

Lending, 31 December	903	137
Return on equity, %	9.2	3.1
Average number of employees	3	1

Breakdown of loans by collateral





Accounting principles

The annual report is prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and in accordance with instructions and guidelines issued by the Swedish Financial Supervisory Authority.

Changed accounting principles

The Swedish Annual Accounts Act for Credit Institutions and Securities Companies came into effect on 1 January 1996. The Act represents an adjustment of accounting and valuation principles to the EU's Accounting Directive for Banks and Other Credit Institutions. In this connection, the Swedish Financial Supervisory Authority has issued guidelines and general recommendations, which became effective on 1 January 1996.

Valuation rules

Under the former rules, holdings of interest-bearing securities were divided between an investment portfolio (long-term investments) and a trading portfolio (short-term investments). In both cases valuations were made in the balance sheet according to the lower of cost or market value principle. Net profit was therefore affected by changes in unrealised deficit values but not by unrealised surplus values. Changes in unrealised deficit values in the trading portfolio were reported in net interest income and thus affected operating profit while the corresponding change in the investment portfolio was reported as an appropriation, through provision to a value adjustment reserve.

According to the new accounting rules, securities which represent long-term holdings, in principle until maturity, are classified as financial fixed assets. These are stated in the balance sheet at deferred acquisition value. For other securities and derivative instruments – classified as financial current assets – either the lower value principle or fair value can be applied. In the event of fair value assessments, unrealised gains also affect net profit for the period. Unrealised gains are transferred to the Reserve for unrealised gains. These gains are not available for dividend distribution.

Profit and loss account

The most important changes are as follows:

Net interest income, which prior to 1996 was stated as an item in the profit and loss account, is now reported as a

note to the profit and loss account. Net interest income has also been changed in content and is therefore not directly comparable with the net interest income reported under the previous rules. Realised gains and losses and unrealised losses which arose in the trading portfolio were then reported in net interest income. These are now stated in the new item “Net result on financial transactions”.

Interest subsidies for repossessed assets were previously reported under other income but are now reported as a deductible item under “Interest payable”.

Net result on financial transactions is included as an item in the profit and loss account with the following components:

- Realised gains and losses and unrealised changes in value pertaining to interest-rate related financial current assets. These were previously included in “Net interest income”.
- Realised gains and losses and unrealised changes in value on equity-related current assets. These were previously included in the item “Other income”.
- Exchange rate fluctuations including foreign exchange income. These were previously included in “Commission income”.

Expenses. Planned depreciation on leasing assets was previously included in net interest income but is now reported under “Depreciation and write-down in value of tangible and intangible fixed assets”.

Costs of services purchased in order to earn commission (e.g. transaction, custodian and brokerage fees) are stated as “Commission payable” and included as a deductible item among income.

The below specification shows the effect on operating profit for 1995.

SEK M	1995
Operating profit according to former accounting principles	746
Change in value of the investment portfolio, which was previously reported as an appropriation ¹⁾	274
Operating profit according to new accounting principles	1,020

¹⁾ Included in Net result on financial transactions.

Balance sheet

The most important changes are the following:

Derivative instruments. Negative and positive values, respectively, of derivative instruments are reported gross, i.e. not net as before. This will lead to an increase in total assets.

Transaction date accounting. The former settlement date accounting (accounting as per the date payment is made) is now replaced by transaction accounting (accounting as per the date the agreement was concluded) for transactions in interest-rate related financial instruments. This will lead to an increase in total assets through statement of claims and liabilities on securities settlement proceeds.

The below specification shows the effect on the balance sheet in 1995.

MSEK	1995
Total assets according to former accounting principles	106,471
Gross statement of derivative instruments	807
Adjustment to transaction date accounting	1,969
Other	-296
Total assets according to new accounting principles	108,951

Capital adequacy rules

New capital adequacy rules apply from 1996. These mean that credit institutions, in addition to the former capital adequacy requirements for credit risks, must also calculate the requirement for market risks. By market risks are meant interest-rate, currency and share price risks.

Consolidated accounts

The consolidated accounts are prepared based on guidelines from the Swedish Accounting Standards Council, whereby the purchase method is applied. This means that the book value of shares in subsidiaries is eliminated against subsidiaries' equity on the acquisition date. Equity includes untaxed reserves after deduction for deferred tax liability (tax rate 28 per cent).

Föreningsbanken Försäkring Skadeförsäkringsaktiebolag, whose operations were acquired in 1996, is included in the consolidated accounts applying the purchase method. Föreningsbanken Försäkring Livförsäkringsaktiebolag is not included in the consolidated accounts since the company is operated on a mutual basis. The entire surplus in the life insurance operations is returned to policyholders in the form of bonuses.

Property companies taken over to protect claims are included in the consolidated accounts. At consolidation of foreign subsidiaries translation of the balance sheet

has been applied at an average of listed buying and selling rates at year-end and the profit and loss account has been translated at the average rate for the year. Translation differences are taken direct to consolidated equity. Other companies taken over to protect claims are not included in the consolidated accounts.

Assets and liabilities in foreign currencies

Assets and liabilities in foreign currencies have been valued at the average of listed buying and selling rates at year-end.

Holdings of foreign bank notes have been valued at the buying price for notes on the accounting date.

Forward contracts in foreign currencies have been valued at forward rates on the accounting date. Unrealised foreign exchange losses and unrealised exchange gains on assets and liabilities not currency hedged are recognised in income.

Financial assets

Holdings of securities and derivative instruments are reported as financial fixed assets or financial current assets.

Purchases and sales of securities and currencies are recognised on the transaction date, i.e. the day the transaction was carried out. The counterpart's claim/liability is reported net between the transaction date and the settlement date under "Other assets" or "Other liabilities", if clearing takes place via a clearing house. If this is not the case, the settlement is reported gross under "Other assets" or "Other liabilities".

Genuine repurchase transactions, repos, in interest-bearing securities are reported as per the settlement date as borrowing. This means that the asset that is the subject of the repurchase remains in the balance sheet and is reported under the item "Treasury bills payable" or "Bonds and other interest-bearing securities". Securities are also reported among memorandum items as pledged collateral.

Reversed repurchase transactions are reported as loans. Securities received are not reported in the balance sheet.

Securities that have been lent out are reported as an asset. Deposited securities are not reported in the balance sheet. If a deposited security has been sold, known as blanketing, it is reported as a liability at fair value.

Financial fixed assets

Limits for holdings of financial fixed assets are decided by the Board and each individual purchase is decided by the CEO. Föreningsbanken's financial fixed assets consist of interest-bearing securities issued by the Swedish government. Securities purchased as fixed assets can only be transferred to current assets as an exception. A prerequisite for reclassification is that a significant event has occurred.

Financial fixed assets are stated at acquisition value. Acquisition value for interest-bearing securities is the deferred acquisition value. The deferred acquisition value is the discounted present value of future payments where the discount rate is the effective acquisition rate. No unrealised gains and losses are reported in the profit and loss account since the securities are intended to be held until maturity.

Financial current assets

Financial current assets are divided into trading portfolio and other financial current assets.

The trading portfolio comprises securities and derivative instruments. The trading portfolio is valued at fair value. Unrealised gains and losses are reported together with realised gains and losses in the profit and loss account under the item "Net result on financial transactions". Unrealised gains caused by the book value exceeding the acquisition value are reported in the balance sheet as "Reserve for unrealised gains".

Other financial current assets consist of derivative instruments which are mainly intended to reduce interest rate risk in the Bank's long-term lending. These are valued according to the lower value principle. Any unrealised losses are reported in the profit and loss account under the item "Net result on financial transactions" and in the balance sheet under the item "Other liabilities".

Financial liabilities

Financial liabilities are taken up either at the deferred liability amount or, when the liabilities have a short fixed-interest period, at the nominal amount.

Long-term borrowing is mainly through bond issues. To manage interest rate risks, repurchase of own securities

and buying and selling of external bonds also takes place. Surplus and deficit rates connected to this are accrued over the remaining maturity of the debenture loan.

Hedge accounting

Derivative contracts entered into to protect the Bank from interest rate and share price risks on long-term borrowing are subject to hedge accounting and valued at acquisition value. This means that the derivative contract is not reported with any value in the balance sheet and that the asset or liability is reported at acquisition value. Exceptions are made for options which are stated at acquisition value under the item "Other assets" or "Other liabilities".

Lending

Receivables are accounted for in the balance sheet after deduction for confirmed and possible loan losses.

A *confirmed loan loss* is a loss the amount of which is regarded as finally established or highly probable because a receiver in bankruptcy has provided an estimate of the proceeds from the estate when a proposed composition of claims has been accepted or when the claim has been forgiven in some other manner.

A *non-performing loan* is a loan for which payment of interest, amortisation or overdraft is more than 60 days overdue.

A *bad debt* is a non-performing loan, or a loan for which other circumstances provide grounds for uncertainty as to its value, and for which the value of collateral does not cover both the principal and accrued interest by a secure margin. Bad debts also include loans with interest remissions for which a provision to a reserve for possible loan losses has been made. Accrued unpaid interest on bad debts is not recognised as income. In future, interest payments on such loans will be reported according to the cash principle.

Loans with interest deferments, credit with interest remissions, are loans where the interest terms following negotiation have been temporarily reduced due to the borrower's inadequate ability to pay.

Problem loans are bad debts and loans with interest deferments.

Write-downs for *possible loan losses* are made for a bad debt if the borrower's ability to pay is deemed unlikely to improve sufficiently within two years and the value of collateral does not cover the principal. The write-down is made to the amount which, taking the fair value of the collateral on the accounting date into consideration, is expected to be realised. If the collateral is a listed asset, the valuation is based on the listed value and in other cases based on the earnings-based value or market value estimated in another manner. If the collateral is a mortgage on real property, the property is valued in the same way as property taken over (see next section).

A general reserve for country risks has reduced the value of receivables covered by the reserve.

Repossessed assets

Property taken over to protect claims

Properties taken over to protect claims are current assets and are valued at the lower of acquisition value and fair value.

Fair value is calculated according to a cash flow method, where anticipated payment flows and anticipated future residual values are discounted to a present value. Payment flows are forecast based on the individual property and the local market conditions that apply. These include rent, vacancies, and operating and maintenance costs over a 5-year period. Interest subsidies are calculated in a separate flow. If the property is of limited value, simplified valuation methods are used.

If the property is a single-family home, the local price method is used. This method is based on market analyses. This means the appraised value is based on prices paid for similar properties, comparable assets, in a free and open market.

Shares and participations taken over to protect claims

Shares are valued at the lower of acquisition value and net worth, or if they are listed, at the lower of acquisition value and listed value.

Tenant-owner flats taken over to protect claims are valued according to the lower value principle.

Pension commitments

All pension commitments are covered by pension insurance or through provisions to a pension reserve, apart from the commitments specified in Note 6.

Depreciation

Machinery and equipment are depreciated on a straight-line basis by 20 per cent of acquisition value annually.

Properties for own use are depreciated on a straight-line basis by the highest permitted fiscal amount. Depreciation on the Group's surplus value in properties is based on the remaining fiscal depreciation period.

Properties taken over to protect claims are current assets and therefore not depreciated. (Re. valuations, see above).

Leasing assets are depreciated using an annuity method down to the residual value guaranteed by the lessee. The majority of leasing assets are depreciated over 3–5 years. Individual assets may due to their economic useful life, be depreciated by up to 8 years.

Goodwill is depreciated on a straight-line basis by 20 per cent annually.

Other intangible assets, such as rental contracts, are depreciated on a straight-line basis by 20 per cent annually.

Profit and Loss Account

Amounts in SEK M		Group		Bank	
		1996	1995	1996	1995
INCOME					
Interest receivable	Note 1	10,887	11,770	9,439	10,421
Leasing income	Note 1	90	95	–	–
Interest payable	Note 1	–7,297	–8,139	–5,800	–6,590
Dividends received	Note 2	10	20	10	6
Commission receivable	Note 3	840	741	785	673
Commission payable	Note 3	–48	–53	–41	–47
Net result on financial transactions	Note 4	217	398	207	399
Other operating income	Note 5	507	566	84	222
Total income		5,206	5,398	4,684	5,084
EXPENSES					
Staff costs	Note 6	1,412	1,475	1,327	1,400
Other administrative expenses	Note 7	1,136	1,053	1,096	1,006
General administrative expenses		2,548	2,528	2,423	2,406
Depreciation and write-down in value of tangible and intangible fixed assets	Note 1, 24, 25	170	191	90	109
Other operating expenses	Note 8	237	212	176	137
Total expenses		2,955	2,931	2,689	2,652
Profit before loan losses		2,251	2,467	1,995	2,432
Loan losses, net	Note 9	–693	–1,172	–519	–1,033
Change in value of repossessed assets	Note 10	–398	–275	–3	–1
Operating profit		1,160	1,020	1,473	1,398
Appropriations	Note 11			–447	–362
Tax on profit for the year	Note 12	–138	–3	–90	0
Other taxes		1	0	–	–
Net profit for the year		1,023	1,017	936	1,036
Net interest income	Note 1	3,611	3,656	3,639	3,831

Balance Sheet

At 31 December

Amounts in SEK M		Group		Bank	
		1996	1995	1996	1995
ASSETS					
Cash and balances with central banks	Note 13, 39, 44	1,095	839	1,095	838
Treasury bills payable	Note 14, 15, 38	10,290	9,765	10,244	9,744
Loans to credit institutions	Note 16, 38	7,033	5,676	13,946	7,282
Loans to the public	Note 17, 38	86,512	78,121	55,765	56,886
Bonds and other interest-bearing securities	Note 18, 19, 20, 38	294	1,532	2,892	3,645
Shares and participations	Note 20, 21	392	247	364	224
Shares and participations in associated companies	Note 20, 40	52	57	–	–
Shares and participations in Group companies	Note 20, 22, 23, 40	236	30	1,815	1,620
Intangible fixed assets	Note 24	1	0	1	0
Equipment	Note 25	188	192	168	165
Leasing assets	Note 25	282	220	–	–
Buildings and land	Note 21, 25, 41	7,926	8,931	549	615
Other assets	Note 21, 26, 43	1,350	1,935	992	1,825
Prepayments and accrued income	Note 27	1,192	1,406	1,428	1,524
Total assets		116,843	108,951	89,259	84,368
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY					
Liabilities to credit institutions	Note 39, 44	6,293	9,273	3,669	5,730
Deposits from the public	Note 37, 38	66,274	61,949	66,593	62,107
Borrowing from the public	Note 38	568	1,556	–	–
Issued securities	Note 38	26,191	19,858	2,486	733
Other liabilities	Note 37, 38	3,514	3,731	3,499	4,020
Accruals and deferred income	Note 28, 43	2,198	2,025	1,295	1,415
Provisions	Note 29	75	15	33	1
Subordinated liabilities	Note 37, 42	5,689	5,189	5,687	4,991
Total liabilities and provisions		110,802	103,596	83,262	78,997
Untaxed reserves	Note 30			84	4
Minority shares		0	3		
Share capital	Note 31	1,305	1,305	1,305	1,305
Revaluation reserve		57	0	–	–
Other reserves	Note 32	3,162	3,032	3,095	3,026
Profit or loss brought forward		494	–2	577	0
Net profit for the year		1,023	1,017	936	1,036
Total shareholders' equity	Note 31	6,041	5,352	5,913	5,367
Total liabilities, provisions and shareholders' equity		116,843	108,951	89,259	84,368
Pledged assets and similar collateral to secure own liabilities	Note 33	2,589	5,324	2,045	5,036
Other pledged assets and similar collateral	Note 34	2	–	2	–
Contingent liabilities	Note 35	3,654	4,019	4,661	2,808
Commitments	Note 36, 43	71,617	63,956	77,155	71,717

Notes to the Financial Statements

Note 1	Group		Bank	
	1996	1995	1996	1995
Interest receivable, leasing income and interest payable				
<i>Interest receivable</i>				
Loans to credit institutions	218	297	584	519
Loans to the public	8,196	8,634	5,523	6,160
Interest-bearing securities	806	1,136	950	1,209
Other interest receivable	1,667	1,703	2,382	2,533
Total	10,887	11,770	9,439	10,421
<i>Interest payable</i>				
Owed to credit institutions	-550	-945	-255	-551
Deposits and borrowing from the public	-2,637	-3,120	-2,573	-3,111
Interest-bearing securities	-1,907	-2,017	-41	-10
Subordinated liabilities	-415	-458	-388	-418
Other interest payable ¹⁾	-1,788	-1,599	-2,543	-2,500
Total	-7,297	-8,139	-5,800	-6,590
Leasing income	90	95	-	-
Depreciation according to plan	69	70	-	-
Net leasing income	21	25	-	-
Net interest income	3,611	3,656	3,639	3,831
Interest receivable on current assets	716	447	710	419
Average interest rate for the year on loans to the public			9.93	11.01
Average interest rate for the year on deposits from the public			4.09	5.32
Financial income relating to Group companies			1,621	1,642
Financial expenses relating to Group companies			640	753

¹⁾ Other interest payable includes interest subsidy for repossessed assets.

Note 2	Group		Bank	
	1996	1995	1996	1995
Dividends received				
Dividends on shares and participations attributable to:				
- shares and participations	10	6	10	6
- shares and participations associated companies	-	14	-	-
Total	10	20	10	6

Note 3	Group		Bank	
	1996	1995	1996	1995
Commission receivable and commission payable				
<i>Commission receivable</i>				
Payment services	246	170	246	170
Lending	150	163	129	143
Deposits	52	63	52	63
Guarantees	25	25	25	25
Securities	308	259	274	211
Other	59	61	59	61
Total	840	741	785	673
<i>Commission payable</i>				
Payment services	-20	-24	-17	-22
Securities	-28	-29	-24	-25
Total	-48	-53	-41	-47
Net commission income	792	688	744	626

Note 4	Group		Bank	
	1996	1995	1996	1995
Net result on financial transactions				
Realised gains/losses				
– shares and participations	–6	10	–6	10
– interest-bearing securities	85	116	84	116
– other financial instruments	–15	–28	–14	–28
	64	98	64	98
<i>Unrealised changes in value</i>				
– shares and participations	8	–4	8	–5
– interest-bearing securities	82	277	79	275
– other financial instruments	9	9	9	9
	99	282	96	279
<i>Foreign exchange gains/losses</i>	54	18	47	22
	54	18	47	22
Total	217	398	207	399

As a result of the new accounting rules, unrealised changes in value on interest-bearing securities for 1995 include a positive amount of SEK 274 M, which was reported as an appropriation in 1995.

Note 5	Group		Bank	
	1996	1995	1996	1995
Other operating income				
Income from property	68	69	46	48
Operating net income from properties taken over for protection of claims ¹⁾	391	375	–	1
Equity share	20	–	–	–
Other ²⁾	28	122	38	173
Total	507	566	84	222
¹⁾ External income	788	747	–	3
Operating expenses	–397	–372	–	–2
Operating net income	391	375	–	1

²⁾ Other operating income for 1995 includes a capital gain from the sale of Föreningsbanken Jordbrukskredit of SEK 80 M in the Group and SEK 140 M in the Bank.

Note 6	Group		Bank	
	1996	1995	1996	1995
Staff costs				
Salaries and fees ¹⁾	884	883	827	835
Pension costs	120	151	114	147
Social insurance contributions	330	317	309	300
Training costs	23	17	22	15
Other staff costs ²⁾	55	107	55	103
Total	1,412	1,475	1,327	1,400
¹⁾ Specification of salaries and fees:				
Board	2	2	2	2
Senior executives	13	17	9	14
Other employees in Sweden	869	864	816	819
Other employees abroad	0	0	0	0
²⁾ Of which allocation to profit-sharing scheme	10	61	10	61

Terms of employment

President

Salary including other emoluments amounted to SEK 2,684,988. In the event employment is terminated by the Bank, the notice period is one year and severance pay corresponds to one annual salary. Retirement age for the president is 60. Between the age of 60 and 65 pension will be paid in the amount of 72% of the pension-entitled salary and thereafter in accordance with the collective agreement between the Employers' Organisation of the Swedish Banking Institutions and the Union of Financial Sector Employees.

Note 6, cont.

Chairman

Fees including other emoluments amounted to SEK 701,493.

Other Board members

A separate fee totalling SEK 218,405 was paid to Board members who were also members of regional boards or the boards of subsidiaries.

Notice period and severance pay for senior executives

In addition to the president, 10 persons (5 in the Bank) have special employment contracts with agreed rules for notice periods, waiving the provisions of rules under collective agreement and replacing them with rules on salary during the notice period and severance pay, a maximum of 24-months salary.

Pension provisions for senior executives¹⁾

Normal retirement age is 65. Retirement age for the Deputy Chief Executive Officer is 60. However, 9 persons (4 in the Bank) are entitled to retire at 60 if they are still employed at that time. In these cases, the Bank is entitled to demand retirement at that time. Since the Bank's extended pension commitments, as described above, cannot be estimated with any certainty, no provisions to reserves have been made to cover these commitments, nor are they covered through insurance. Other pension commitments are covered through insurance.

Total pension costs for the year pertaining to board members, the President and Vice Presidents amounted to SEK 2.9 M.

Loans to Board members and senior executives¹⁾

At year-end 1996, loans totalling SEK 17.2 M were outstanding, of which SEK 0.3 M to the President, and SEK 0.9 M to the Deputy Chief Executive Officer.

¹⁾ Board members refers to the Bank's board. Presidents and vice presidents include the presidents of the Bank and subsidiaries.

	Group		Bank	
	1996	1995	1996	1995
Average number of employees	3,864	3,952	3,628	3,742

Note 7

Other administrative expenses	Group		Bank	
	1996	1995	1996	1995
Premises	187	188	220	224
Offices	103	95	101	92
Postage and telephone	121	125	116	119
EDP	184	177	171	164
Bank giro costs	114	97	114	97
Purchased services	273	245	249	209
Other	154	126	125	101
Total	1,136	1,053	1,096	1,006

Note 8

Other operating expenses	Group		Bank	
	1996	1995	1996	1995
Property costs	90	81	53	41
Marketing costs	96	74	81	57
Other	51	57	42	39
Total	237	212	176	137

Note 9

Loan losses, net	Group		Bank	
	1996	1995	1996	1995
<i>A. Individually assessed claims</i>				
– The year's write-down for confirmed loan losses	–1,250	–2,300	–1,088	–1,830
– Reversal of previous provisions for possible loan losses reported as confirmed loan losses during the year	736	1,550	638	1,331
– Provision for possible loan losses during the year	–559	–814	–401	–671
– Recovery of loans losses confirmed in previous years	136	103	105	80
– Reversal of previous provisions for possible loan losses	230	259	213	247
Total	–707	–1,202	–533	–843

Note 9, cont.

	Group		Bank	
	1996	1995	1996	1995
<i>B. Claims assessed groupwise</i>				
– Provisions to/releases from reserve for possible loan losses	–	50	–	–
Total	–	50	–	–
<i>C. Country risks</i>				
– Provisions to/releases from reserve for possible loan losses	14	1	14	1
Total	14	1	14	1
<i>D. Contingent liabilities</i>				
– Net cost for the year for redemption of guarantees and other contingent liabilities	0	–21	0	–191
Total	0	–21	0	–191
Net cost for the year for loan losses	–693	–1,172	–519	–1,033

Net loan losses by category	Group		Bank	
	1996	1995	1996	1995
<i>Write-downs</i>				
Amounts owed by credit institutions	–	–2	–	–2
Amounts owed by the public	–1,825	–2,945	–1,506	–2,690
Total	–1,825	–2,947	–1,506	–2,692
<i>Reversals</i>				
Amounts owed by credit institutions	0	–	0	–
Amounts owed by the public	1,132	1,775	987	1,659
Total	1,132	1,775	987	1,659
Net	–693	–1,172	–519	–1,033

Note 10

Change in value of repossessed assets	Group		Bank	
	1996	1995	1996	1995
<i>Unrealised change in value</i>				
Real property taken over	–313	–239	–	–
Other property taken over	–9	–26	–	–
Total	–322	–265	–	–
<i>Realised change in value</i>				
Real property taken over	–81	–3	–3	–1
Other property taken over	5	–7	–	–
Total	–76	–10	–3	–1
Total	–398	–275	–3	–1

Note 11

Appropriations	Bank	
	1996	1995
Dissolution of investment reserve	–	1
Allocation to tax allocation reserve	–80	–
Group contribution provided	–460	–455
Group contribution received	93	92
Total	–447	–362

Note 12

Tax on profit for the year	Group		Bank	
	1996	1995	1996	1995
Income tax	-83	-4	-63	0
Deferred tax	-55	1	-27	-
Total	-138	-3	-90	0

Note 13

Assets divided into current and fixed assets	Group	1996		1995	
		Current assets	Fixed assets	Current assets	Fixed assets
Cash and balances with central banks		1,095	-	839	-
Treasury bills payable		7,276	3,014	6,109	3,656
Loans to credit institutions		479	6,554	1,845	3,831
Loans to the public		44	86,468	4	78,117
Bonds and other interest-bearing securities		294	-	98	1,434
Shares and participations		349	43	198	49
Shares and participations in associated companies		52	-	57	-
Shares and participations in Group companies		27	209	30	0
Intangible fixed assets		-	1	-	0
Equipment		9	179	16	176
Leasing assets		-	282	-	220
Buildings and land		7,091	835	8,164	767
Other assets		1,350	-	1,935	-
Prepayments and accrued income		1,192	-	1,406	-
Total		19,258	97,585	20,701	88,250

Bank	1996		1995	
	Current assets	Fixed assets	Current assets	Fixed assets
Cash and balances with central banks	1,095	-	838	-
Treasury bills payable	7,230	3,014	6,088	3,656
Loans to credit institutions	393	13,553	1,885	5,397
Loans to the public	45	55,720	4	56,882
Bonds and other interest-bearing securities	2,892	-	335	3,310
Shares and participations	321	43	176	48
Shares and participations in Group companies	-	1,815	-	1,620
Intangible fixed assets	-	1	-	0
Equipment	0	168	1	164
Buildings and land	47	502	60	555
Other assets	992	-	1,825	-
Prepayments and accrued income	1,428	-	1,524	-
Total	14,443	74,816	12,736	71,632

Note 14		Group		Bank	
		1996	1995	1996	1995
Treasury bills payable					
	Government securities payable	10,290	9,765	10,244	9,744
	Total	10,290	9,765	10,244	9,744
	Difference between book and nominal value:				
	Higher book value	356		356	
	Lower book value	-55		-55	
	Net	301		301	

The nominal value is the value redeemed at maturity.

Note 15		1996				1995		
		Deferred acquisition value	Fair value	Book value	Duration	Deferred acquisition value	Fair value	Book value
Treasury bills payable	Group							
	<i>Current assets</i>							
	Swedish Government	7,235	7,275	7,275	0.4	6,061	6,062	6,062
	Swedish municipalities	1	1	1	1.5	47	47	47
	Total	7,236	7,276	7,276	0.4	6,108	6,109	6,109
	<i>Fixed assets</i>							
	Swedish Government	3,014	3,304	3,014	3.4	3,656	3,677	3,656
	Total	3,014	3,304	3,014	3.4	3,656	3,677	3,656
	Total duration				1.4			

	1996				1995		
	Deferred acquisition value	Fair value	Book value	Duration	Deferred acquisition value	Fair value	Book value
Bank							
<i>Current assets</i>							
Swedish Government	7,192	7,229	7,229	0.4	6,042	6,042	6,042
Swedish municipalities	1	1	1	1.5	46	46	46
Total	7,193	7,230	7,230	0.4	6,088	6,088	6,088
<i>Fixed assets</i>							
Swedish Government	3,014	3,304	3,014	3.4	3,656	3,677	3,656
Total	3,014	3,304	3,014	3.4	3,656	3,677	3,656
Total duration				1.4			

Note 16		Group		Bank	
		1996	1995	1996	1995
Loans to credit institutions					
	Loans to credit institutions after reserve for loan losses but before reserve for country risks ¹⁾	7,038	5,693	13,951	7,299
	Reserve for country risks	-5	-17	-5	-17
	Total	7,033	5,676	13,946	7,282
	¹⁾ of which claims covered by reserves for country risks	10	41	10	41
	of which loans to Group companies			6,999	1,594

Note 17		Group		Bank	
		1996	1995	1996	1995
Loans to the public		86,512	78,121	55,765	56,886
	Loans to the public			5,601	6,847
	– of which loans to Group companies				
Non-performing loans and problem loans					
	Bad debts on which interest will not be reported as income until payment ¹⁾	3,287	4,215	2,787	3,616
	Less reserve for possible loan losses ²⁾	1,792	2,211	1,572	2,034
	Bad debts, net	1,495	2,004	1,215	1,582
	Claims on which interest has been reduced in relation to market interest rates	385	963	326	807
	Total problem loans	1,880	2,967	1,541	2,389
	Current return on problem loans during the financial year	138	256	102	187
	Annual current return on problem loans, %	5.0	7.3	4.6	6.8
	Annual interest on claims that are not problem loans	9.5	11.4	9.2	11.7
	¹⁾ In addition there are non-performing loans on which interest has been reported as income	454	343	3	6
	²⁾ Reserve for possible loan losses is included in the following balance sheet items:				
	Loans to credit institutions	5	18	5	18
	Loans to the public	1,787	2,193	1,567	2,016
	Reserve for possible loan losses	1,792	2,211	1,572	2,034
	In addition there are reserves for guarantees and repossessed assets	891	685	18	51
	Total reserve for possible loan losses	2,683	2,896	1,590	2,085

Note 18		Group		Bank	
		1996	1995	1996	1995
Bonds and other interest-bearing securities		294	1,532	2,892	3,645
	Issued by other lenders ¹⁾	294	1,532	2,892	3,645
	Total	294	1,532	2,892	3,645
	¹⁾ of which holding in Group companies			2,619	2,137
	Difference between book and nominal value				
	Higher book value	10		428	
	Lower book value	0		-80	
	Net	10		348	
	The nominal value is the value redeemed at maturity.				

Note 19		1996				1995		
		Deferred acquisition value	Fair value	Book value	Duration	Deferred acquisition value	Fair value	Book value
Bonds and other interest-bearing securities								
	Group							
	<i>Current assets</i>							
	Swedish housing finance institutions	186	190	190	1.6	94	94	93
	Other Swedish issuers:							
	– non-financial companies	0	0	0	0.5	3	3	3
	– other financial companies	96	104	104	2.6	2	2	2
	Total	282	294	294	2.5	99	99	98
	<i>Fixed assets</i>							
	Swedish housing finance institutions	–	–	–	–	532	530	532
	Other Swedish issuers:							
	– other financial companies	–	–	–	–	902	904	902
	Total	–	–	–	–	1,434	1,434	1,434
	Total duration				2.5			

Note 19, cont.

	1996				1995		
	Deferred acquisition value	Fair value	Book value	Duration	Deferred acquisition value	Fair value	Book value
Bank							
<i>Current assets</i>							
Swedish housing finance institutions	2,754	2,789	2,789	0.6	332	334	333
Other Swedish issuers:							
– non-financial companies	0	0	0	0.5	0	0	0
– other financial companies	96	103	103	2.6	2	2	2
Total	2,850	2,892	2,892	0.8	334	336	335
<i>Fixed assets</i>							
Swedish housing finance institutions	–	–	–	–	2,408	2,398	2,408
Other Swedish issuers:							
– non-financial companies	–	–	–	–	0	0	0
– other financial companies	–	–	–	–	902	905	902
Total	–	–	–	–	3,310	3,303	3,310
Total duration				0.8			

Note 20**Listed and unlisted securities**

	Group		Bank	
	1996	1995	1996	1995
<i>Listed securities</i>				
Bonds and other interest-bearing securities	293	1,362	1,075	2,229
Shares and participations	356	241	329	218
Total	649	1,603	1,404	2,447
<i>Unlisted securities</i>				
Bonds and other interest-bearing securities	1	170	1,817	1,416
Shares and participations	36	6	35	6
Shares and participations in associated companies	52	57	–	–
Shares and participations in Group companies	236	30	1,815	1,620
Total	325	263	3,667	3,042

Note 21**Reposessed assets**

Group	1996			1995		
	Book value	Net return ¹⁾	Net return, % ²⁾	Book value	Net return ¹⁾	Net return, % ²⁾
Shares and other participations	119	–20	–	142	–	–
Tenant-owner flats	0	–	–	–	–	–
Buildings and land	7,091	391	5.2	8,164	375	4.8
Other reposessed assets	9	–	–	16	–	–
Total	7,219	371		8,322	375	

Bank	1996			1995		
	Book value	Net return ¹⁾	Net return, % ²⁾	Book value	Net return ¹⁾	Net return, % ²⁾
Shares and other participations	12	0	–	33	–	–
Tenant-owner flats	0	0	–	–	–	–
Buildings and land	47	0	0.0	60	1	2.0
Other reposessed assets	0	–	–	1	–	–
Total	59	0		94	1	

¹⁾ Net return for buildings and land refers to operating net income.

²⁾ Net return as a percentage of average book value.

See also Note 42.

Note 22	Group		Bank	
	1996	1995	1996	1995
Write-down of financial fixed assets				
Write-down of shares in Group companies	–	–	–	90

A revaluation of shares in Group companies has been carried out in the same amount.

Note 23	1996	
	Property companies	Other companies
Shares and participations in non-consolidated subsidiaries		
Book value of shares/participations	–	27
Group's share of capital and reserves	–	0
– Of which accumulated deficit/unrestricted equity	–	–53
Book value of amount owed to the Group by companies	–	355
Group's share of profit for the year before allocations and tax	–	–33

Note 24	1996		1995	
	Group	Other intangible fixed assets	Group	Other intangible fixed assets
Intangible fixed assets				
Acquisition value	–	10	88	16
Additions during the year	1	–	–	–
Disposals during the year	–	–4	–	–
Accumulated depreciation according to plan	0	–6	–88	–16
– Of which the year's depreciation according to plan	0	0	–10	–1
Total book value	1	0	0	0

Bank	1996		1995	
	Goodwill	Other intangible fixed assets	Goodwill	Other intangible fixed assets
Acquisition value	–	9	86	9
Additions during the year	1	–	–	–
Disposals during the year	–	–4	–	–
Accumulated depreciation according to plan	0	–5	–86	–9
– Of which the year's depreciation according to plan	0	0	–10	–1
Total book value	1	0	0	0

Note 25	1996			1995			
	Group	Equipment	Leasing assets	Buildings and land	Equipment	Leasing assets	Buildings and land
Equipment, Leasing assets and Buildings and land							
Acquisition value	855	352	1,001	958	414	979	
Additions during the year	97	130	109	103	114	10	
Disposals during the year	–61	–86	–107	–211	–176	–8	
Accumulated depreciation according to plan	–712	–112	–222	–674	–125	–214	
– Of which the year's depreciation according to plan	–83	–69	–20	–91	–70	–20	
Accumulated write-downs	–	–2	–4	–	–7	–	
– Of which the year's write-downs	–	2	–4	–	1	1	
Accumulated revaluations ¹⁾	–	–	58	–	–	–	
– Of which the year's revaluations ¹⁾	–	–	58	–	–	–	
Total book value	179	282	835	176	220	767	
Tax value			582			640	
Buildings and land used in own operations			811			740	

¹⁾ The revalued amount has been allocated to the revaluation reserve.

Note 25, cont.

	1996		1995		
	Bank	Equipment	Buildings and land	Equipment	Buildings and land
Acquisition value		759	706	873	704
Additions during the year		92	53	96	10
Disposals during the year		-60	-107	-210	-8
Accumulated depreciation according to plan		-623	-150	-595	-151
– Of which year's depreciation according to plan		-78	-12	-85	-13
Planned residual value ¹⁾		168	502	164	555
Accumulated depreciation in excess of plan		–	–4	–	–4
– Of which year's depreciation in excess of plan		–	–	–	–
Total book value		168	498	164	551
Tax value			341		444
¹⁾ Buildings and land used in own operations			502		554

Note 26

Other assets	Group		Bank	
	1996	1995	1996	1995
Claims on securities settlement proceeds	148	565	95	565
Derivative instruments	424	807	424	807
Index-related options	74	–	–	–
Other	704	563	473	453
Total	1,350	1,935	992	1,825

Note 27

Prepayments and accrued income	Group		Bank	
	1996	1995	1996	1995
Accrued interest receivable	1,034	1,294	1,314	1,360
Other prepayments and accrued income	158	112	114	164
Total	1,192	1,406	1,428	1,524

Note 28

Other liabilities	Group		Bank	
	1996	1995	1996	1995
Liabilities on securities settlement proceeds	103	551	103	551
Liabilities on deposited securities	337	152	337	152
Preliminary tax interest	454	614	454	614
Bank giro	62	163	55	163
Own tax liability	98	20	79	11
Reserve for guarantees	18	51	18	51
Derivative instruments	400	807	400	807
Index-related options	74	–	–	–
Cashier's cheques	826	604	826	604
Other	1,142	769	1,227	1,067
Total	3,514	3,731	3,499	4,020

Note 29

Accruals and deferred income	Group		Bank	
	1996	1995	1996	1995
Accrued interest payable	1,791	1,610	1,045	1,126
Other accruals and deferred income	407	415	250	289
Total	2,198	2,025	1,295	1,415

Note 30	Bank	
	1996	1995
Untaxed reserves		
Tax allocation reserve	80	–
Accumulated excess depreciation, properties	4	4
Total	84	4

Note 31	Group		Bank	
	1996	1995	1996	1995
Shareholders' equity				
Restricted equity ¹⁾	4,524	4,337	4,400	4,331
Unrestricted equity	1,517	1,015	1,513	1,036
Total equity	6,041	5,352	5,913	5,367
¹⁾ of which share capital	1,305	1,305	1,305	1,305
182,500,000 A shares with par value of SEK 5				
18,500,000 B shares with par value of SEK 5				
60,000,000 C shares with par value of SEK 5				

In 1997 all class C shares have been converted or called in for conversion to ordinary class A shares.

Change in shareholders' equity	1996			
	Group	Share capital	Restricted reserves	Unrestricted reserves
Opening balance	1,305	3,032	1,015	5,352
Allocated to legal reserve		1	–1	0
Transfer between restricted and unrestricted equity		1	–1	0
Reserve for unrealised gains		71	–71	0
Revaluation reserve		57		57
Change in translation difference			–1	–1
Change in equity share of untaxed reserves		57	–57	0
Dividend			–390	–390
Net profit for the year			1,023	1,023
Closing balance	1,305	3,219	1,517	6,041

Bank	1996			
	Share capital	Restricted reserves	Unrestricted reserves	Total
Opening balance	1,305	3,026	1,036	5,367
Reserve for unrealised gains		69	–69	0
Dividend			–390	–390
Net profit for the year			936	936
Closing balance	1,305	3,095	1,513	5,913

Note 32	Group		Bank	
	1996	1995	1996	1995
Other reserves				
Legal reserve	3,030	3,029	3,026	3,026
Reserve for unrealised gains ¹⁾	71	–	69	–
Equity share of untaxed reserves	61	3	–	–
Total	3,162	3,032	3,095	3,026
¹⁾ Balance sheet items				
Treasury bills payable	27	–	27	–
Bonds and other interest-bearing securities	32	–	30	–
Shares and participations	6	–	6	–
Other assets	6	–	6	–
Reserve for unrealised gains	71	–	69	–

Note 33	Group		Bank	
	1996	1995	1996	1995
Pledged assets and similar collateral to secure own liabilities				
Collateral security pledged for own liabilities	2,589	5,324	2,045	5,036
– of which guarantees pledged in favour of Group companies			–	–
Total	2,589	5,324	2,045	5,036

Note 34	Group		Bank	
	1996	1995	1996	1995
Other pledged assets and similar collateral				
Securities	2	–	2	–
Total	2	–	2	–

Note 35	Group		Bank	
	1996	1995	1996	1995
Contingent liabilities				
<i>Guarantees</i>				
Loan guarantees	1,878	2,179	2,125	546
Other guarantees	1,647	1,743	1,882	1,716
Subscription guarantees	10	10	10	10
<i>Unutilised irrevocable import letters of credit</i>	103	84	189	84
<i>Other contingent liabilities</i>	16	3	455	452
Total	3,654	4,019	4,661	2,808
<i>Assets pledged or contingent liability in favour of</i>				
– Group companies			1,066	452
– associated companies			–	–

In addition, there is an undertaking from the Bank to ensure that the subsidiary Mandamus AB's share capital remains intact.

Note 36	Group		Bank	
	1996	1995	1996	1995
Commitments				
<i>Commitments for future payment</i>				
– Other commitments for future payments	16	–	–	–
<i>Other interest-, equity- and exchange rate-related contracts</i>	61,535	55,354	67,090	63,115
<i>Other commitments</i>				
– Unutilised portion of approved overdraft facilities	9,564	8,166	9,563	8,166
– Other commitments	502	436	502	436
Total	71,617	63,956	77,155	71,717

Note 37	Group		Bank	
	1996	1996	1996	1996
Hedged assets and liabilities				
<i>Liabilities</i>				
Liabilities to credit institutions	165		165	
Issued securities	2,061		2,061	
Subordinated liabilities	1,967		1,967	
Total	4,193		4,193	
USD	3,435		3,435	
JPY	593		593	
DKK	165		165	
Total	4,193		4,193	

Note 38 Book value and fair value	Group		Bank	
	1996			
	Book value	Fair value	Book value	Fair value
<i>Assets</i>				
Treasury bills payable	10,290	10,580	10,244	10,534
Loans to credit institutions	7,033	7,062	13,946	14,199
Loans to the public	86,512	87,947–88,933	55,765	55,791–55,864
Bonds and other interest-bearing securities	294	294	2,892	2,892
Other assets	12,714	13,209	6,412	6,415
Total	116,843	119,092–120,078	89,259	89,831–89,904
<i>Liabilities</i>				
Liabilities to credit institutions	6,293	6,466	3,669	3,669
Deposits and borrowing from the public	66,842	66,842	66,593	66,593
Issued promissory notes	26,191	27,834	2,486	2,517
Subordinated liabilities	5,689	6,171	5,687	6,169
Other liabilities	5,787	5,806	4,827	4,830
Total	110,802	113,119	83,262	83,778
<i>Memorandum items</i>				
Positive derivative instruments	0	1,041	0	1,235
Negative derivative instruments	0	884	0	1,167
Total	0	157	0	68

Note 39 Maturity information	1996							
	Payable on demand	Remaining maturity period max 3 months	Remaining maturity period 3 months– 1 year	Remaining maturity period 1 year – 5 years	Remaining maturity period more than 5 years	Not applicable	Total	Average remaining maturity period, years
Group								
Treasury bills payable, etc. ¹⁾	0	4,810	2,009	3,200	271		10,290	1.7
Loans to credit institutions ⁴⁾	373	6,003	7	650	0		7,033	0.5
Loans to the public ⁴⁾	702	6,421	16,552	15,159	47,678		86,512	17.8
Bonds and other interest-bearing securities ²⁾	0	12	1	168	113		294	4.6
Other assets	1,126	2,510	204	797	151	7,926	12,714	–
Total assets	2,201	19,756	18,773	19,974	48,213	7,926	116,843	–
Liabilities and shareholders' equity								
Liabilities to credit institutions	176	3,085	263	1,884	885		6,293	1.5
Deposits from the public	65,188	1,078	8	0	0		66,274	0.0
Borrowing from the public	0	279	163	126	0		568	0.6
Issued securities ³⁾	0	604	7,254	17,916	417		26,191	1.4
Other liabilities and shareholders' equity	16	5,375	570	4,341	1,174	6,041	17,517	–
Total liabilities and shareholders' equity	65,380	10,421	8,258	24,267	2,476	6,041	116,843	–

1) Period more than 5 years: 5–10 years SEK –109 M and 10 years SEK 380 M

2) Period more than 5 years: 5–10 years SEK 113 M

3) Period more than 5 years: 5–10 years SEK 417 M

4) Based on repayments per each due date

Note 39, cont.

1996

Maturity information	Payable on demand	Remaining maturity period max 3 months	Remaining maturity period 3 months– 1 year	Remaining maturity period 1 year – 5 years	Remaining maturity period more than 5 years	Not applicable	Total	Average remaining maturity period, years
Bank								
Treasury bills payable, etc. ¹⁾	0	4,799	2,004	3,170	271		10,244	1.7
Loans to credit institutions ³⁾	1,761	7,937	487	3,262	499		13,946	1.1
Loans to the public ³⁾	703	7,934	15,046	13,037	19,045		55,765	7.8
Bonds and other interest-bearing securities ²⁾	0	924	1,354	501	113		2,892	1.0
Other assets	1,128	2,441	145	409	1,740	549	6,412	–
Total assets	3,592	24,035	19,036	20,379	21,668	549	89,259	–
Liabilities and shareholders' equity								
Liabilities to credit institutions	176	3,027	181	285	0		3,669	0.3
Deposits from the public	65,508	1,078	7	0	0		66,593	0.0
Issued securities	0	217	79	2,190	0		2,486	2.3
Other liabilities and shareholders' equity	15	4,533	569	4,237	1,244	5,913	16,511	–
Total liabilities and shareholders' equity	65,699	8,855	836	6,712	1,244	5,913	89,259	–

¹⁾ Period more than 5 years: 5–10 years SEK –109 M and 10 years SEK 380 M. ²⁾ Period more than 5 years: 5–10 years SEK 113 M ³⁾ Based on repayments per each due date

	0–3 months	3 months–1 year
Loans to the public with a remaining maturity according to the above	18,000	10,000
of 1–5 years and more than 5 years can be called in for payment as follows:	Bank Group	17,000 10,000

Note 40

1996

Shares and participations in Group companies	Name	Number of shares	Book value	Share of voting rights and capital
	<i>Subsidiaries to the Bank</i>			
	Fastighets AB Kärven	15,000	10	100
	Fastighets AB Repslagaren	15,000	61	100
	Föreningsbanken Finans AB	1,000,000	117	100
	Föreningsbanken Fond & Kapitalförvaltning AB	10,000	8	100
	Föreningsbanken Företagskredit AB	200,000	120	100
	Föreningsbanken Försäkring Livförsäkrings AB	75,000	105	100
	Föreningsbanken Försäkring Skadeförsäkrings AB	25,000	90	100
	Föreningsbanken Kredit AB	600,000	1,044	100
	Hällsta Dataproduktion och Fastighets AB	7,350	114	100
	Mandamus AB	500	120	100
	Mälardalens län Fastighetsbolag AB	30,000	14	100
	FB Reinsurance AG, Switzerland	2,000	12	100
	The Bank's holding¹⁾		1,815	
	<i>Subsidiaries' holdings</i>			
	Other companies and associations		0	
	Companies taken over to protect claims ²⁾		27	
	The Group's holdings		236	

¹⁾ Of which holdings in credit institutions 1,281
Group holdings include Föreningsbanken Försäkring Livförsäkrings AB and Föreningsbanken Försäkring Skadeförsäkrings AB with addition for equity share of SEK 14 M.

²⁾ A list of shares and participations in Group companies taken over to protect claims is available from the Bank upon request.

Shares and participations in associated companies

A list of shares and participations in associated companies is available from the Bank upon request. The holdings comprise entirely assets taken over to protect claims. The book value of these companies amounts to SEK 52 M.

Note 41

Properties taken over to protect claims

Group	Number of properties	Book value	1996					
			Fair value	sq m	Book value SEK/lettable space	Financial vacancy rate, %	Area vacancy rate, %	Direct return, %
Sweden								
Apartment buildings								
Metropolitan areas	34	247	304		4,570	4.8	2.6	5.8
Rest of Sweden	486	3,574	3,828		5,421	7.5	8.1	5.1
Office and commercial properties								
Metropolitan areas	5	79	83		6,274	27.5	23.6	3.6
Rest of Sweden	57	747	781		4,761	8.6	10.4	6.4
Industrial and warehouses								
Metropolitan areas	16	202	221		3,832	15.9	18.0	5.0
Rest of Sweden	84	554	612		2,235	21.8	25.0	4.7
Hotels and conference complexes								
Metropolitan areas	1	17	25		5,723	0.0	0.0	6.4
Rest of Sweden	12	101	101		3,027	15.7	10.8	0.7
Other properties								
Metropolitan areas	20	12	12		–	–	–	1.6
Rest of Sweden	129	263	303		5,328	11.8	19.8	5.3
Outside Sweden								
Apartment buildings								
	6	58	58		3,440	13.2	13.2	7.8
Office and commercial properties								
	23	1,237	1,239		9,353	7.8	7.8	6.7
Total	873	7,091	7,567					

Bank	Number of properties	Book value	1996					
			Fair value	sq m	Book value SEK/lettable space	Financial vacancy rate, %	Area vacancy rate, %	Direct return, %
Sweden								
Apartment buildings								
Rest of Sweden	2	8	8		5,140	4.0	4.0	8.5
Industrial and warehouses								
Rest of Sweden	1	4	4		1,680	90.0	88.0	0.0
Other properties								
Rest of Sweden	40	35	35		0	0	0	0
Total	43	47	47					

Details of the valuation method chosen are provided in the section Accounting Principles on page 44. Appraisals have mainly been carried out by Mandamus' employees. Details of changes in property holdings are given in the section on Mandamus, page 37.

Risk exposure in property portfolio	Repossessed properties, Mandamus AB	
	Book value	Fair value
Swedish properties	5,608	6,067
Properties outside Sweden	1,295	1,297
Total	6,903	7,364

Sensitivity analysis of property portfolio

A sensitivity analysis of the property portfolio shows the effect on the properties' value determined on an earnings basis, operating net income and direct return in the event of changes to some key parameters. The earnings-based value calculated according to a cash flow method, corresponds to fair value, see Accounting Principles page 47. The effects are shown separately for the Swedish and foreign properties. When calculating the effect on earnings-based value, a direct return requirement of 9 per cent has been assumed.

Note 41, cont.

Sensitivity analysis of property portfolio, Mandamus AB

	Change %	Effect on direct return percentage points	Effect on operating net, SEK M	Effect on earnings-based value, SEK M
Swedish properties				
Rental income, residential	+/- 1	+/- 0.08	+/- 4	+/- 44
Rental income, commercial	+/- 1	+/- 0.04	+/- 2	+/- 23
Vacancy rate	+/- 1	-/+ 0.13	-/+ 7	-/+ 75
Operating and maintenance expenses	+/- 1	-/+ 0.06	-/+ 3	-/+ 36
Properties outside Sweden				
Rental income, residential	+/- 1	+/- 0.00	+/- 0	+/- 1
Rental income, commercial	+/- 1	+/- 0.08	+/- 1	+/- 12
Vacancy rate	+/- 1	-/+ 0.09	-/+ 1	-/+ 14
Operating and maintenance expenses	+/- 1	-/+ 0.02	-/+ 0	-/+ 3

Note 42

Specification of
subordinated debentures
which comprise more than
10 per cent of all the
Groups' subordinated
liabilities

	1996				
	Nominal amount	Book amount	Interest rate %	Interest conversion	Step-up
Subordinated debentures, dated					
Bank					
940218 - 040218	MUSD 100	687	6.79	semi-annually	1999
961216 - 031216	MUSD 100	687	6.09	quarterly	
Total		1,374			
Subordinated debentures, undated					
Bank					
941229 -	MJPY 10,000	592	5.65	-	1999
951106 -	MUSD 100	687	6.77	quarterly	2000
961218 -	MUSD 100	687	6.29	quarterly	2001
Total		1,966			
Total Bank		3,340			
Total Group		3,340			

Subordinated debentures are subordinated liabilities which means that they are taken into account for repayment in the event of liquidation after the claims of other creditors have been met.

Terms of subordination:

(for complete terms and conditions, refer to the respective prospectus)

A subordinated debenture is a subordinated liability which means that they are considered for repayment in the event of liquidation after the claims of other creditors have been met.

Dated subordinated debentures are on a par with each other. Undated subordinated debentures have lower priority than dated debentures. Undated subordinated debentures are on a par with each other.

Early redemption

(for complete terms and conditions, refer to the respective prospectus)

Dated subordinated debentures issued prior to 1 January, 1996

Redemption prior to maturity is possible. However, the company is obliged to notify such action to the Swedish Financial Supervisory Authority.

Dated subordinated debentures issued after 1 January, 1996 and undated debentures

Redemption prior to maturity or redemption in conjunction with utilisation of a call is not possible without the approval of the Swedish Financial Supervisory Authority. In addition, undated subordinated debentures may only be considered for redemption in the event of bankruptcy or liquidation.

Note 43

Group	1996								
	Interest-rate related			Exchange-rate related			Equity-price related		
	Book value	Fair value	Nominal amount	Book value	Fair value	Nominal amount	Book value	Fair value	Nominal amount
Derivative instruments with positive values or zero value									
<i>Derivative instruments reported under Other assets</i>									
Options acquired	0	0	0	0	0	0	130	149	982
Forward contracts	3	3	200	325	325	7,859	0	0	20
Interest-rate swaps	8	8	100	0	0	0	0	0	0
FRAs	31	31	10,625	0	0	0	0	0	0
Total	42	42	10,925	325	325	7,859	130	150	1,002
of which cleared	19	19	5,525	0	0	0	14	14	160
<i>Derivative instruments not reported in the balance sheet</i>									
Interest-rate swaps	0	1,041	8,805	0	0	0	0	0	0
FRAs	0	0	0	0	0	0	0	0	0
Total	0	1,041	8,805	0	0	0	0	0	0
of which cleared	0	0	0	0	0	0	0	0	0
Derivative instruments with negative values									
<i>Derivative instruments reported under Other liabilities</i>									
Options acquired	0	0	0	0	0	0	119	138	950
Forward contracts	2	2	171	323	323	7,276	0	0	24
FRAs	31	31	10,600	0	0	0	0	0	0
Total	33	33	10,771	323	323	7,276	119	138	974
of which cleared	3	3	571	0	0	0	3	3	131
<i>Derivative instruments not reported in the balance sheet</i>									
Interest-rate swaps	0	884	13,924	0	0	0	0	0	0
Total	0	884	13,924	0	0	0	0	0	0
of which cleared	0	0	0	0	0	0	0	0	0

Note 43, cont.

Bank	1996								
	Interest-rate related			Exchange-rate related			Equity-price related		
	Book value	Fair value	Nominal amount	Book value	Fair value	Nominal amount	Book value	Fair value	Nominal amount
Derivative instruments with positive values or zero value									
<i>Derivative instruments reported under Other assets</i>									
Options acquired	0	0	0	0	0	0	56	59	385
Forward contracts	3	3	200	325	325	7,859	0	0	20
Interest-rate swaps	8	8	100	0	0	0	0	0	0
FRAs	31	31	10,625	0	0	0	0	0	0
Total	42	42	10,925	325	325	7,859	56	59	405
of which cleared	19	19	5,525	0	0	0	14	14	160
<i>Derivative instruments not reported in the balance sheet</i>									
<i>Options acquired</i>									
Interest-rate swaps	0	1,235	12,605	0	0	0	0	0	0
Total	0	1,235	12,605	0	0	0	0	0	0
of which cleared	0	0	0	0	0	0	0	0	0
Derivative instruments with negative values									
<i>Derivative instruments reported under Other liabilities</i>									
Options acquired	0	0	0	0	0	0	44	48	353
Forward contracts	2	2	171	323	323	7,276	0	0	24
FRAs	31	31	10,600	0	0	0	0	0	0
Total	33	33	10,771	323	323	7,276	45	48	377
of which cleared	3	3	571	0	0	0	3	3	131
<i>Derivative instruments not reported in the balance sheet</i>									
<i>Interest-rate swaps</i>									
Interest-rate swaps	0	1,167	16,871	0	0	0	0	0	0
Total	0	1,167	16,871	0	0	0	0	0	0
of which cleared	0	0	0	0	0	0	0	0	0

Note 44**Exposure to interest-rate risks****Fixed-interest periods for assets and liabilities in the Group at 31 December 1996**

SEK M	0-3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	5-7 years	7-10 years	10- years	Not applicable	Total
Assets											
Cash and balances with central banks	1,095	0	0	0	0	0	0	0	0	0	1,095
Treasury bills payable, etc.	4,809	2,009	1	124	1,393	1,600	-109	83	380	0	10,290
Loans to credit institutions	6,550	7	475	0	0	0	0	0	0	0	7,032
Loans to the public	56,006	7,218	8,764	5,084	3,809	5,167	61	202	202	0	86,513
Bonds and other interest-bearing securities	29	1	109	16	36	103	0	0	0	0	294
Buildings and land	0	0	0	0	0	0	0	0	0	7,925	7,925
Other assets, etc.	2,166	120	26	148	12	31	0	0	3	1,188	3,694
Total assets	70,655	9,355	9,375	5,372	5,250	6,901	-48	285	585	9,113	116,843
of which in foreign currencies	2,438	673	191	65	0	0	0	0	0	0	3,367
Liabilities and shareholders' equity											
Liabilities to credit institutions	3,209	724	767	419	849	325	0	0	0	0	6,293
Deposits from the public	66,263	10	0	0	0	0	0	1	0	0	66,274
Borrowing from the public	279	163	63	29	17	16	0	0	0	0	567
Issued promissory notes	2,665	7,254	657	9,801	2,611	2,786	0	208	209	0	26,191
Subordinated debentures	2,950	611	400	886	0	396	0	381	65	0	5,689
Other liabilities, etc.	4,937	118	26	140	12	30	0	0	0	525	5,788
Shareholders' equity	0	0	0	0	0	0	0	0	0	6,041	6,041
Total liabilities and shareholders' equity	80,303	8,880	1,913	11,275	3,489	3,553	0	590	274	6,566	116,843
of which in foreign currencies	6,685	796	223	825	217	0	0	0	0	5	8,751
Total in balance sheet	-9,648	475	7,462	-5,903	1,761	3,348	-48	-305	311	2,547	0
of which in foreign currencies	-4,247	-123	-32	-760	-217	0	0	0	0	-5	-5,384
Derivatives (nominal net position)	4,830	-1,173	-1,379	31	-894	-1,700	179	-150	0	0	-256
of which in foreign currencies	2,984	-150	-131	575	0	0	0	0	0	0	3,278
TOTAL	-4,818	-698	6,083	-5,872	867	1,648	131	-455	311	2,547	-256
of which in foreign currencies	-1,263	-273	-163	-185	-217	0	0	0	0	-5	-2,106

Note 45**Foreign currency exposure**

At year-end Föreningsbanken's exchange rate risks amounted to a net position of SEK 104 M and an aggregated net position of SEK 143 M, defined in accordance with the Central Bank of Sweden's currency trading permit.

Note 46

	Group		Bank		
Capital base and risk-weighted assets	<i>Capital base, 31 December</i>	1996	1995	1996	1995
	Shareholders' equity ¹⁾	5,573	4,963	5,616	4,977
	Primary capital	5,573	4,963	5,616	4,977
	Dated subordinated debentures	2,729	2,358	2,729	2,357
	Undated subordinated debentures	1,967	1,332	1,967	1,332
	Supplementary capital	4,696	3,690	4,696	3,689
	Total primary and supplementary capital	10,269	8,653	10,312	8,666
	Less holdings of subordinated debentures in credit institutions	–	–95	–	–95
	Less holdings in insurance companies/credit institutions	–207	–	–207	–
	Capital base	10,062	8,558	10,105	8,571
	Total risk-weighted amount	74,425	68,417	49,206	48,421
	Capital ratio, %	13.5	12.5	20.5	17.7

1996	Group			Bank		
<i>Credit risks</i>	On balance sheet	Off balance sheet	Total	On balance sheet	Off balance sheet	Total
A Receivables from government and municipalities	0	0	0	0	0	0
B Receivables from banks and similar institutions	1,372	212	1,584	1,312	209	1,521
C Receivables backed by mortgages on residential property	21,788	41	21,829	5,157	92	5,249
D Other assets	48,033	1,149	49,182	39,246	1,360	40,606
Total	71,193	1,402	72,595	45,715	1,661	47,376
<i>Market risks</i>						
Interest-rate risks			1,488			1,488
Share price risks			56			56
Run-off risks			0			0
Counterpart and other risks			286			286
Currency risks			0			0
Total			1,830			1,830
Total risk-weighted amount			74,425			49,206

1995	Group			Bank		
<i>Credit risks</i>	On balance sheet	Off balance sheet	Total	On balance sheet	Off balance sheet	Total
A Receivables from government and municipalities	0	0	0	0	0	0
B Receivables from banks and similar institutions	1,257	335	1,592	1,240	326	1,566
C Receivables backed by mortgages on residential property	19,435	1,042	20,477	6,025	73	6,098
D Other assets	45,207	1,141	46,348	39,329	1,428	40,757
Total	65,899	2,518	68,417	46,594	1,827	48,421

¹⁾ After deduction of dividend proposed by the Board excluding any bonus dividend.

The Föreningsbanken share

The Föreningsbanken's share is the second most widely spread in Sweden. The Bank had slightly more than 490,000 shareholders on 31 December 1996. The largest owner is the Federation of Swedish

Farmers and the Farmers' Co-operative Movement. More than 47 per cent of the shares are owned by Swedish institutions and some 7 per cent by foreign shareholders. The price of an ordinary share rose during the year from SEK 18.80 to SEK 34.30. After the proposed merger of Föreningsbanken and Sparbanken was announced on 18 February 1997, the share price rose at the highest to SEK 48.00. When the Annual Report was signed on 20 March 1997, the share price was SEK 41.10.

Classes of Shares

The Bank has three classes of shares: Series A ordinary shares, series B and C preference shares. All preference shares will be converted into ordinary shares. This will occur no later than 1998 for series B shares and no later than 1999 for series C shares. Each share carries entitlement to one vote and has a par value of SEK 5.

Series A ordinary shares and series B preference shares were listed on the unlisted securities list of the Stockholm Stock Exchange on 3 January 1994 and transferred to the A list on 3 April 1996.

Series B preference shares have a cumulative preference right to dividends after series C preference shares for the financial years 1993–1997, of SEK 2.75/share. Series C preference shares have a cumulative preferential right, before series B preference shares, to a dividend for the financial years 1994–1998 corresponding to the average interest rate on six-month treasury bills based on SEK 15 per share.

Share capital

	Number of shares	Share capital SEK M	Share of total, %	Share of votes, %
31 December 1996				
Series A ordinary shares	182,500,000	912.5	69.9	69.9
Series B preference shares	18,500,000	92.5	7.1	7.1
Series C preference shares	60,000,000	300.0	23.0	23.0
Total	261,000,000	1,305.0	100.0	100.0

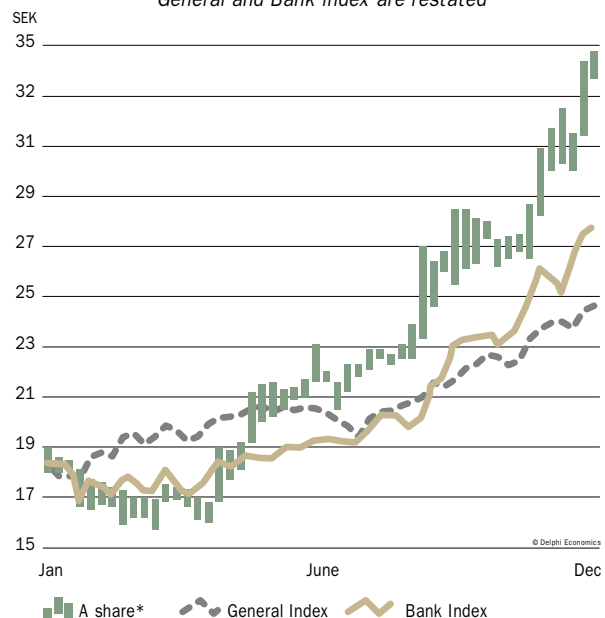
Data per share¹

	1996	1995	1994
Equity, SEK	23.15	20.52	16.61
Net worth, SEK	23.95	20.57	16.82
Net earnings, SEK	3.92	3.90	-1.52
Equity after full conversion and exercise of option rights, SEK	22.29	19.76	15.99
Net worth after full conversion and exercise of option rights, SEK	23.06	19.82	16.97
Net earnings after full conversion and exercise of option rights, SEK	3.77	3.75	-1.46
Dividend on Series A ordinary shares, SEK	1.25	0.50	-
Listed price 29 December, SEK			
Series A ordinary shares	34.30	18.80	14.50
Series B preference shares	36.00	28.50	22.00
Listed price Series A ordinary shares/ equity after full conversion and exercise of option rights, %	154	95	91

¹ Föreningsbanken was listed on the stock exchange in January 1994

Share price trend Föreningsbanken's ordinary A shares

General and Bank index are restated



* The curve shows the highest and lowest share price per week

Dividend and conversion of C shares

The Board of Directors proposes that the Bank issues a dividend on preference series B shares of SEK 2.75 per share and of SEK 1.25 per share on series A ordinary shares.

All series C shares have been converted or called for conversion to ordinary series A shares in 1997. As a result of this the number of ordinary shares will increase to 242,500,000.

Ownership structure

The Föreningsbanken share is the second most widely spread share in Sweden. On 31 December 1996 the Bank had more than 490,000 shareholders. The majority, 94 per cent, had a holding of less than 1,000 shares.

The largest Swedish owners include the Federation of Swedish Farmers (LRF) and the Farmers' Co-operative Movement with a total of 22 per cent of the total number of shares, Sparbanken Sverige AB with 5 per cent, and Sparinstitutens Pensionskassa with 5 per cent. Foreign owners represent more than 7 per cent of the total stock of shares.

LRF and Farmers' Co-operatives own 18 million ordinary shares (7 per cent of the ordinary shares), 0.2 mil-

lion series B preference shares (1 per cent of series B preference shares), and 39 million series C preference shares (66 per cent of series C preference shares). The total holding is estimated at 57 million shares, corresponding to 22 per cent of the total stock of shares.

Länsförsäkringsgruppen owns 4 per cent of the total stock of shares.

Institutions together own 55 per cent of the total stock of shares, of which Swedish institutions account for some 47 per cent. The number of institutions with holdings of at least 100,000 shares is 44 Swedish and 30 foreign respectively.

Distribution of shares

Shareholding	Number of shares	Number of shareholders	Ownership share, %
1 – 500	36,469,478	431,026	14.0
501 – 1,000	24,270,819	32,866	9.3
1,001 – 2,000	27,251,709	21,177	10.4
2,001 – 5,000	15,813,768	5,286	6.1
5,001 – 10,000	6,470,432	895	2.5
10,001 – 20,000	3,843,722	278	1.5
20,001 – 50,000	3,735,065	114	1.4
50,001 – 100,000	2,660,722	35	1.0
100,001–	140,484,285	77	53.8
Total	261,000,000	491,754	100.00

The Largest Shareholders ¹⁾

31 December 1996	Series A ordinary	Series B preference	Series C preference	Total holding	Ownership share, %
LRF and farmers' co-operatives of which	17,691,049	178,800	39,398,334	57,268,183	21.94
Lantmännenföreningar	4,537,859	31,802	6,666,667	11,236,328	4.31
Slakteriföreningar	2,835,728	49,460	6,666,667	9,551,855	3.66
Landshypotek	4,309,902	0	0	4,309,902	1.65
Sparbanken Sverige and independent savings banks	13,721,503	0	0	13,721,503	5.26
Sparinstitutens Pensionskassa	0	0	13,033,333	13,033,333	4.99
Länsförsäkringar	2,572,008	219,625	6,666,667	9,458,300	3.62
Föreningsbankens fonder	6,684,302	5,649	0	6,689,951	2.56
SPP	5,890,200	0	0	5,890,200	2.26
Fidelity	5,883,925	0	0	5,883,925	2.25
Svenska Metallindustriarbetareförbundet	5,441,000	0	0	5,441,000	2.08
Skandia	4,299,500	0	0	4,299,500	1.65
Resultatandelsstiftelsen Kärven	1,912,000	0	901,666	2,813,666	1.08

¹⁾ Foreign owners own a total of 19 million shares corresponding to 7.4 per cent of the total share book.

Brokerage-free trading in March 1996

In December 1992 Föreningsbanken changed its form from a co-operative to a limited liability banking company. At the subsequent distribution of shares to former members many only received a small number of shares. The brokerage cost on the sales of these or complementary purchases up to a round lot is high in relation to the traded amount. During a few weeks in March 1996, in order to make it easier for shareholders to dimension their holdings, Föreningsbanken invited all shareholders to buy or sell up to 500 shares (a round lot) free of brokerage.

During the period of this offer, approximately 2.5 million ordinary shares were purchased and 3.8 million were sold. More than 0.8 million series B preference shares were purchased and just below 0.5 million were sold.

Warrants to employees

In May 1994 the Bank issued a debenture of SEK 50 M with detachable warrants. The warrants were detached and offered to the employees at a price of SEK 1.60 each. Each warrant carries entitlement to subscribe to one ordinary share at a price of SEK 21 during the period until 29 October 1999. If all the warrants are exercised, the number of outstanding ordinary shares will increase by 10 million to 271 million. This increase corresponds to 3.8 per cent of the total number of outstanding shares.

The Bank has no outstanding convertible debentures.

FöreningsSparbanken

The Boards of Föreningsbanken AB and Sparbanken Sverige AB on 18 February 1997 unanimously decided to propose that Föreningsbanken and Sparbanken should merge and form FöreningsSparbanken.

The merger will take place through Sparbanken making a public offer to Föreningsbanken's shareholders with the following content.

- For each full number of seven series A ordinary shares in Föreningsbanken to receive two newly issued ordinary shares in Sparbanken.
- For each full number of three series B preference shares in Föreningsbanken to receive one newly issued share in Sparbanken.

Holders of subscription warrants will be offered five newly issued ordinary shares in Sparbanken for every full hundred 1994/1999 subscription warrants.

The Board of Directors of Föreningsbanken has proposed to the 1997 Annual General Meeting:

- An ordinary dividend of SEK 1.25 on series A ordinary shares, and a SEK 4 bonus dividend subject to implementation of the offering.
- An ordinary dividend of SEK 2.75 on series B preference shares.

One prerequisite for the merger between Föreningsbanken and Sparbanken is, among other things, that a non-cash issue of ordinary shares directed to shareholders and holders of subscription warrants in Föreningsbanken is approved by the Annual General Meeting of shareholders in Sparbanken to be held on 23 April 1997.

A prospectus describing this offering will be published at the beginning of April.

Profit and Loss Accounts and Balance Sheets 1992 – 1996

Amounts in SEK M

PROFIT AND LOSS ACCOUNTS, GROUP	1996	1995	1994	1993	1992
Interest and leasing income	10,977	11,865	10,938	11,783	14,783
Interest payable	-7,297	-8,139	-7,189	-8,005	-10,368
Commissions, net	792	688	733	708	608
Other income	734	984	198	783	540
Total income	5,206	5,398	4,680	5,269	5,563
Staff costs	1,412	1,475	1,276	1,514	1,585
Other expenses	1,543	1,456	1,452	1,719	1,908
Total operating expenses	2,955	2,931	2,728	3,233	3,493
Profit before loan losses	2,251	2,467	1,952	2,036	2,070
Loan losses, net	-693	-1,172	-1,930	-4,213	-3,461
Change in value of repossessed assets	-398	-275	-463	-195	-42
Operating profit	1,160	1,020	-441	-2,372	-1,433
Net interest income	3,611	3,656	3,645	3,629	4,223
BALANCE SHEETS, GROUP					
Loans to the public	86,512	78,121	77,407	79,691	84,344
Loans to credit institutions	7,033	5,676	2,038	5,187	1,723
Interest-bearing securities	10,584	11,297	16,747	14,398	7,068
Other assets	12,714	13,857	12,526	6,524	7,519
Deposits and borrowing from the public	66,842	63,505	62,577	61,910	58,685
Liabilities to credit institutions	6,293	9,273	9,850	10,037	12,186
Issued securities	26,191	19,858	18,554	18,812	15,382
Subordinated liabilities	5,689	5,189	4,708	3,171	3,607
Other liabilities	5,787	5,771	8,694	7,157	7,416
Equity	6,041	5,355	4,335	4,713	3,378
Balance sheet total	116,843	108,951	108,718	105,800	100,654
PROFIT AND LOSS ACCOUNTS, BANK					
Interest and leasing income	9,439	10,421	9,069	9,958	13,023
Interest payable	-5,800	-6,590	-5,525	-6,422	-9,135
Commissions, net	744	626	718	659	598
Other income	301	627	-5	481	270
Total income	4,684	5,084	4,257	4,676	4,756
Staff costs	1,327	1,400	1,205	1,326	1,389
Other expenses	1,362	1,252	1,263	1,426	1,572
Total operating expenses	2,689	2,652	2,468	2,752	2,961
Profit before loan losses	1,995	2,432	1,789	1,924	1,795
Loan losses, net	-519	-1,033	-2,243	-4,012	-3,288
Change in value of repossessed assets	-3	-1			
Operating profit	1,473	1,398	-454	-2,088	-1,493
Net interest income	3,639	3,831	3,544	3,536	3,888
BALANCE SHEETS, BANK					
Loans to the public	55,765	56,886	51,299	49,403	54,558
Loans to credit institutions	13,946	7,282	5,015	7,158	4,093
Interest-bearing securities	13,136	13,389	18,021	17,780	13,615
Other assets	6,412	6,811	10,824	8,225	8,265
Deposits and borrowing from the public	66,593	62,107	61,474	61,375	58,199
Liabilities to credit institutions	3,669	5,730	6,797	7,382	9,824
Issued securities	2,486	733	-	-	307
Subordinated liabilities	5,687	4,991	4,498	2,861	3,491
Other liabilities	4,827	5,436	8,055	6,414	5,355
Equity and untaxed reserves	5,997	5,371	4,335	4,534	3,355
Balance sheet total	89,259	84,368	85,159	82,566	80,531

Definitions

Administrative risk

The risk that errors made when handling business transactions will have a negative impact on the results or reputation of the Group.

Average number of employees

Average number of employees based on 1,570 working hours per year.

Bad debts

Loans for which interest, principal payments or overdrawn amounts are more than 60 days overdue (non-performing loans), or loans for which other circumstances give rise to uncertainty as to their value and for which the value of the collateral does not cover the principal and accrued interest by a secure margin. Bad debts also include loans with interest remissions for which provisions to reserve for possible loan losses have been made.

Capital base

Primarily adjusted equity and dated and undated debentures. Deduction has been made for the dividends proposed by the Board.

Capital ratio

Capital base in relation to the risk-weighted volume.

Confirmed loss

A loss where the amount has been determined or is highly likely as a result of an official receiver providing an estimate of bankruptcy proceeds, the acceptance of composition recommendations, or the reduction of claims in some other way.

Counterpart risk

Risk that a party to agreement cannot meet commitments under an agreement. The risk that Föreningsbanken will not receive payment for financial instruments provided or that Föreningsbanken will not receive delivery of financial instruments for which payment has already been made.

Currency risk

Risk that the value or result of the assessed unit will be adversely affected by a change in exchange rates. Currency risk is measured according to the Central Bank in two way, net position and aggregated net position.

Net position is defined as the sum of call positions and forward rate positions in the respective currency. This means the net position expressed in Swedish kronor equals the sum of the net position in individual foreign currencies.

Aggregated net position is defined as the sum of all negative net positions in the individual currency.

Equity ratio

Equity including minority share expressed as a percentage of balance sheet total.

Households

Households include private individuals.

Income/expenses

When calculating the income/expenses ratio (I/E ratio) income and expenses respectively are adjusted with respect to planned depreciation on leasing assets.

Interest rate risk

Risk that the assessed unit's value or earnings will be adversely affected by a change in interest rates.

Specific risk is defined as the risk of a price change in an instrument due to circumstances attributable to the person issuing the instrument or in the case of derivative instruments, the person issuing the underlying instrument.

General risk is defined as the risk of a price change in an instrument due to a general change in price levels. Measured by the Bank using a duration-based method.

Investment margin

Net interest income in relation to total assets.

Legal risk

The risk that agreement terms cannot be maintained in accordance with local legislation and that this will have a negative impact on earnings.

Lending volume

Loans to the public and credit institutions (non-bank). Sector classification of lending volume applies Statistics Sweden's classification codes which are EU-adapted since 1994.

Liquidity risk

The risk that the Group cannot acquire the necessary volume of liquid funds at a reasonable cost.

Loan loss level

Loan losses and changes in value of repossessed assets as a percentage of opening balance for loans to the public, credit institutions (non-bank), repossessed assets and loan guarantees.

Loans with interest remissions

Loans on which the contractual rate of interest has been reduced in relation to market interest rates due to the borrower's reduced ability to pay.

Net earnings per share

Profit after appropriations and actual tax divided by the number of shares before the exercise of subscription warrants.

Non-performing loan

A loan on which interest, principal payments or overdrawn amounts are more than 60 days overdue.

Operating profit per share

Operating profit after standard tax divided by the number of shares prior to exercise of subscription warrants.

Operating volume

Volume for which branch offices are responsible for the business relation with customers. This term thus includes the Group's overall savings and credit products.

Primary capital ratio

Primary capital in relation to the risk weighted volume on and off the balance sheet.

Problem loans

Bad debts and loans with interest remissions, excluding non-performing loans for which interest has been recognised as income.

Property-related loans

Lending against collateral in the form of mortgages on single-family homes, other properties, tenant-owner flats and loans granted to companies engaged in property management and construction.

Reserve ratio for bad debts

Provisions to reserves for possible loan losses in relation to gross bad debts.

Return on equity

Operating result in relation to average equity including minority shares.

Return on total capital

Pre-tax operating profit as a percentage of average total assets.

Share of bad debts

Net bad debts in relation to net lending volume.

Share price risk

The risk that the assessed unit's value or result will be suffer negative change in the event of a change in share prices.

Specific risk is defined as the risk of a price change in an instrument due to circumstances attributable to the person issuing the instrument or in the case of derivative instruments, the person issuing the underlying instrument.

General risk is defined as the risk of a price change in an instrument which is due to a general change in price level.

Proposed Disposition of Earnings

The Föreningsbanken Group's unrestricted equity amounts to: SEK 1,517 M
Of which SEK 0 M will be transferred to restricted reserves.

Föreningsbanken's unappropriated earnings amount to: SEK 1,513 M

The Board of Directors proposes that the earnings be allocated as follows:

Ordinary dividends to shareholders	
Per series A ordinary share SEK 1.25	SEK 303 M
Per series B preference share SEK 2.75	<u>SEK 51 M</u>
Total dividends	SEK 354 M
Carried forward to new account	<u>SEK 1,159 M</u>
Total	SEK 1,513 M

A bonus dividend will be issued to shareholders, subject to implementation of Sparbanken Sverige AB's offer of SEK 4.00 per series A ordinary share, maximum SEK 1,010 M

Stockholm, 20 March 1997

Bo Dockered
Chairman

Åke Bergström

Lars Lamberg

Karin Starrin

Lennart Frennemo

Anders Netterheim

Krister Steén

Harry Grape

Anna-Stina Nordmark-Nilsson

Laina Tecsi

Håkan Hellmo

Jan Persson

Leif Zetterberg

Birgitta Johansson-Hedberg

Lars Göran Pettersson

Bo Söderberg
President

Auditors' Report

We have examined the Annual Report, the Consolidated Financial Statements, the accounting records and the Board of Directors' administration for the 1996 financial year. Our examination was carried out in accordance with generally accepted auditing standards.

In our examination of the internal control and accounting records, we were assisted by Föreningsbanken's internal auditing department.

Bank

The Annual Report has been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

We recommend,

that the Profit and Loss Account and the Balance Sheet be adopted,

that the profit be treated as recommended in the Board of Directors' Report, and

that the members of the Board of Directors be discharged from liability for the financial year.

Group

The Consolidated Financial Statements have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

We recommend,

that the Consolidated Profit and Loss Account and the Consolidated Balance Sheet be adopted.

Stockholm, 21 March 1997

Bo Lindén

Authorised Public Accountant

Gunnar Abrahamson

Authorised Public Accountant

Anders Andersson

Hans Sköld

Britt-Marie Gulda

Authorised Public Accountant

Appointed by the Swedish Financial
Supervisory Authority

Board of Directors

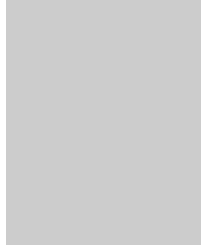
Board of Directors

Holdings of shares and warrants as of 1 January 1997



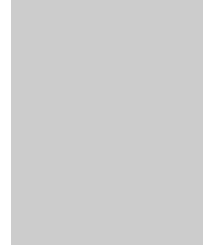
Bo Dockered

Born 1941, Sjövik, Chairman of the Board since 1996. Other directorships: Chairman of Spira AB, AB Trav och Galopp, Centralförbundet Folk och Försvar, Svenska FAO-kommittén, AmuGruppen AB and Nationella Stiftelsen för Hästhållningens Främjande. Director of AssiDomän AB and the Royal Academy of Agriculture and Forestry. Shareholding: 2,838
Warrants: –



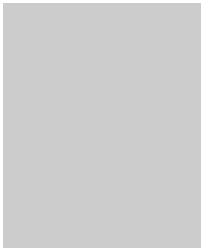
Åke Bergström

Born 1933, Frånsta, school superintendent. Appointed 1989. Shareholding: 2,231
Warrants: –



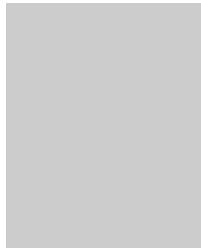
Lennart Frennemo

Born 1938, Stenungsund, Professor. Appointed 1992. Shareholding: 1,215
Warrants: –



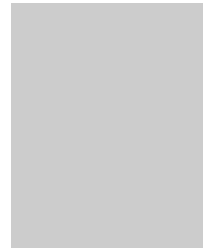
Harry Grape

Born 1938, Övertorneå, former Municipal Commissioner. Appointed in 1980. Shareholding: 500
Warrants: –



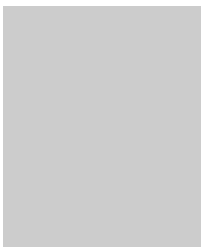
Håkan Hellmo

Born 1941, Höllviken, President of the Swedish Farmers' Supply & Crop Marketing Association. Appointed in 1996. Other directorships: Director of the Swedish Farmers' Supply & Crop Marketing Association, Cerealia AB, Nord Mills AB, Svalöf Weibull AB, Lantmännens Maskin AB, Lantmännens Foderutveckling AB, Scandinavian Poultry AB. Shareholding: 3,000
Warrants: –



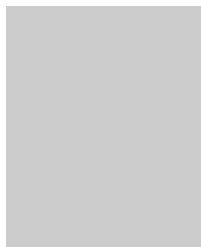
Birgitta Johansson-Hedberg

Born 1947, Lidingö. Resident Director of Wolters Kluwer Scandinavia and President and CEO of Liber AB. Appointed in 1994. Other directorships: Chairman of AB Lindex. Deputy Chairman of the National Insurance Pension Fund's 4th Board. Director of Telia AB and Södra Skogsägarna. Shareholding: –
Warrants: –



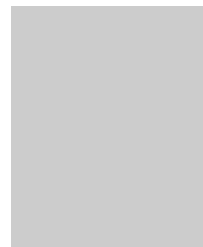
Lars Lamberg

Born 1939, Jönåker, Agronomist. Appointed in 1992. Other directorships: Chairman of Arla. Director of the Swedish Dairies Association. Shareholding: 1,500
Warrants: –



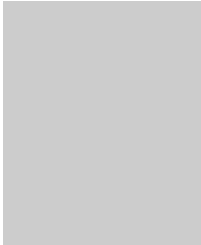
Anders Netterheim

Born 1950, Höör, Employee Representative, Bank manager. Appointed deputy in 1988, member in 1996. Other directorships: Member of the Union of Financial Sector Employees and Sparinstituttens Pensionskassa. Shareholding: 681
Warrants: 3,000



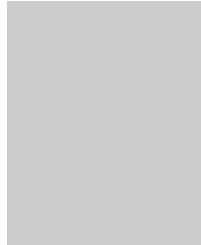
Anna-Stina Nordmark-Nilsson

Born 1956, Piteå. President of Piteå Tidningen AB. Appointed in 1996. Other directorships: Director of AssiDomän AB, Stiftelsen Norrlandsfonden, Mitthögskolan and Statliga kommittén, National Advisory Council for Mass Media. Shareholding: 1,206
Warrants: –



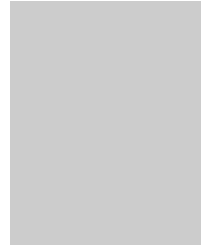
Jan Persson

Born 1943, Höllviken, President of Skånska Lantmännen. Appointed in 1996. Other directorships: Director of Scandinavian Poultry AB, Kungsörnen AB, Lactamin AB, Svalöf Weibull AB, Lantmännen Invest and Skånska Lantmännen.
Shareholding: 1,510
Warrants: –



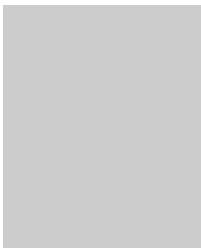
Lars Göran Pettersson

Born 1949, Kvånum, Farmer. Appointed in 1994. Other directorships: Chairman of Scan Farmek and Scan HB. Director of Slakteriförbundet Invest and the Swedish Farmers Meat Marketing Association.
Shareholding: 1,008
Warrants: –



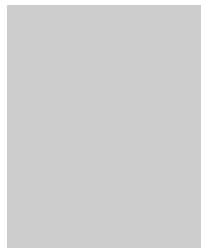
Karin Starrin

Born 1947, Edsbyn, member of parliament. Appointed in 1996. Other directorships: Director of Innovationscentrum för uppfinare.
Shareholding: 1,000
Warrants: –



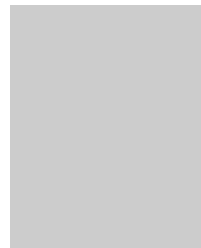
Krister Stéen

Born 1947, Gryt, Farm foreman. Appointed in 1992. Other directorships: Director of Carrefour East Sweden.
Shareholding: 2,844
Warrants: –



Bo Söderberg

Born 1942, Bromma, President and CEO of Föreningsbanken. Appointed in 1991. Other directorships: Director of the Swedish Bankers' Association, LRF Konsult and Statistics Sweden.
Shareholding: 5,000
Warrants: 10,000



Laina Tecsi

Born 1941, Nykvarn, Employee Representative, Bank manager. Appointed in 1993.
Shareholding: 1,239
Warrants: 5,000

Deputies

Håkan Johnson

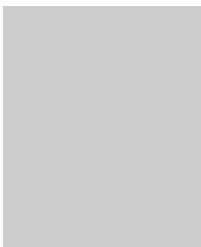
Born 1955, Umeå, Employee Representative, Bank clerk. Appointed in 1993.
Shareholding: 163
Warrants: 2,000

Lena Rabe Josefsson

Born 1952, Kungsbacka, bank employee. Appointed in 1996.
Shareholding: 1,491
Warrants: 3,000

Lars Nyberg

Born 1945, Stockholm, Executive Vice President of Föreningsbanken and Deputy Chief Executive Officer. Appointed in 1993. Member of the Swedish Shareholders' Association, Kapitalmarknadsgruppen, Enator and Sirius International.
Shareholding: 3,500
Warrants: 10,000



Leif Zetterberg

Born 1949, Bålsta, President of the Federation of Swedish Farmers. Deputy Chairman since 1996. Other directorships: Director of TV 4 AB, the Natural Step Foundation, ICC-Sweden, the National Insurance Pension Fund's 3rd Board, the Commercial Employers' Association and the Swedish Equestrian Association.

Selection committee for Föreningsbanken's Board of Directors

Olle Hakelius

Born 1938, Enköping, agronomist. Chairman of the Swedish Farmers' Supply & Crop Marketing Association and Cerealia AB. Deputy Chairman of the Federation of Swedish Farmers, Svalöf Weibull AB, Kungsörnen AB and Skogaholms Bröd AB. Member of the 5th National Pension Fund and the Swedish University of Agricultural Sciences.

Bengt Brynell

Born 1933, Malmö, company director. Chairman of Bengt Brynell AB. Director of Saturnus AB.

Christer Lundgren

Born 1945, Tvåårlund, farmer. Chairman of the municipal board of Vindeln's municipality. Director of Norrmejerier Ek För.

Solweig Ekström

Born 1942, Märsta, head of administration. Director of HS Landsbygdskonsult AB and Svenska Skogsplantor AB. Deputy director of Föreningsbanken Allemansfondförvaltning AB.

Auditors

Appointed by the AGM

Anders Andersson

Born 1959, Kristinehamn, President of Värmlands Läns Hushållningskällskap. Auditor since 1994.

Bo Lindén

Born 1934, Upplands Väsby, Authorised Public Accountant, Deloitte & Touche. Auditor since 1987.

Gunnar Abrahamson

Born 1947, Lidingö, Authorised Public Accountant, Deloitte & Touche. Auditor since 1995. Deputy Auditor 1987–1994.

Hans Sköld

Born 1940, Bettna, Farm foreman. Auditor since 1995.

Appointed by the Swedish Financial Supervisory Authority

Britt-Marie Gulda

Born 1948, Halmstad, Authorised Public Accountant, Ernst & Young. Auditor since 1991.

Deputies

Ingemar Nilsson

Born 1943, Vallentuna, Authorised Public Accountant, Deloitte & Touche. Deputy Auditor since 1995. Auditor 1993–1994.

Folke Rosengren

Born 1934, Varberg. Deputy Auditor since 1995.

Karin Friberg

Born 1959, Bromma. Authorised Public Accountant, Deloitte & Touche. Deputy Auditor since 1996.

Lennart Casteryd

Born 1949, Uppsala, agronomist. Deputy Auditor since 1996.

Senior Executives

Bank Management

President and Chief Executive Officer

Bo Söderberg

Born 1942, Bromma. Employed since 1991. Shareholding: 5,000 Warrants: 10,000

Deputy Chief Executive Officer

Lars Nyberg

Born 1945, Stockholm, Executive Vice President and Head of Treasury-Securities-International. Employed since 1993. Shareholding: 3,500 Warrants: 10,000

Lars Idermark

Born 1957, Fagerhult, Executive Vice President and Head of Group Staffs. Employed since 1993. Shareholding: 1,598 Warrants: 10,000

Tomas Johansson

Born 1950, Lidingö, Executive Vice President and Head of Banking Operations. Employed since 1968. Shareholding: 7,332 Warrants: 10,000

Jonas Lindholm

Born 1946, Lidingö, Executive Vice President and Head of Credit. Employed since 1991. Shareholding: 1,000 Warrants: 10,000

Göran Nilsson

Born 1947, Kristianstad, Executive Vice President and Deputy Head of Banking Operations. Employed since 1989. Shareholding: 2,225 Warrants: 10,000

Subsidiary Presidents

Peter Carlén

Born 1954, Bromma, President of Föreningsbanken Finans AB. Employed since 1993. Shareholding: – Warrants: 6,000

Lennart Engström

Born 1947, Uppsala, President of Föreningsbanken Fond & Kapitalförvaltning AB. Employed since 1987. Shareholding: – Warrants: 10,000

Per Ericson

Born 1951, Vreta Kloster, President of Föreningsbanken Försäkring. Employed since 1996. Shareholding: – Warrants: –

Anders Johansson

Born 1943, Stockholm, Executive Vice President and President of Mandamus AB. Employed since 1993. Shareholding: – Warrants: 10,000

Bengt-Olof Nilsson

Born 1957, Staffanstorps, President of Föreningsbanken Företagskredit AB. Employed since 1976. Shareholding: 167 Warrants: 1,000

Kjell Stillman

Born 1948, Västerås, President of Föreningsbanken Kredit AB. Employed since 1988. Shareholding: 1,000 Warrants: 10,000

Other Senior Executives

Banking Operations

Bo Andersson
Special Customers

Anders Kruuse
Stockholm

Bengt Janson
Stockholm County, excl. Stockholm inner city, Counties of Uppsala and Södermanland.

Göran Ekdahl
Counties of Östergötland, Gotland and northern part of county of Kalmar.

Lars-Rune Svensson
Counties of Jönköping and Kronoberg.

Bo Nilsson
County of Blekinge and southern part of County of Kalmar (incl. Öland)

Bengt Söderlind
County of Kristianstad

Bertil Andersson
County of Malmöhus

Gert-Owe Ohlsson
County of Halland

Hans Ericson
County of Älvsborg

Leif Ekbom
Counties of Göteborg and Bohus

Peter Tell
County of Skaraborg

Per-Olof Bertholdson
Counties of Värmland, Örebro and Västmanland

Lars-Göran Törnquist
Counties of Kopparberg and Gävleborg

Lennart Kvist
Counties of Jämtland and Västernorrland

Ulf Ejelöf
County of Västerbotten

Stefan Sjöberg
County of Norrbotten

David Jones
Ring & Svar

Ivar Fransson
Business and Market Development

Hans Sundholm
Branch Office Development

Credit

Göran Hedman
Credit Staffs and Deputy Head of Credit

Arne Andersson
Credit Administration

Eva Eriksson
Property Analysis

Britt Henriksson
Credit Reports/Analyses

Stig Jonsson
Claims

Magnus Bromark
Credit Area North Norrland

Håkan Svensson
Credit Area South Norrland

Bror-Erik Lundin
Credit Area Stockholm

Anders Sternö
Credit Area East Sweden

Erling Håstrand
Credit Area West Sweden

Anders Jerntorp
Credit Area South Sweden

Group Staffs

Lars Holmgren
Finance and Deputy Head of Group Staffs

Ingrid Ruppert
Group Controller

Ada Hagström
Personnel

Jesper Berggren
Corporate Communications

Kjell Turesson
Computer Support

Torbjörn Kyhlstedt
Legal Affairs

Sven-Åke Lundkvist
Security

Per Håkan Genberg
Premises

Gyrit Fröhlén
Competence Development



Profitability league

Employees at Föreningsbanken's branch office in Åstorp – profitability league winners in 1996. From left: Lena Ragnvid, Asta Nilsson, Ros-Marie Jönsson, Ulrika Olsson, Bo Söderberg (President), Lars-Erik Pettersson (local bank manager), Ingvar Johansson, Lars-Anders Åkesson, Ulla Alfredsson and Lisbeth Waltersson.

Not pictured: Agneta Lennartsson and Ulrika Pommer.

Åstorp is in northwest Skåne, some 20 kilometres from Helsingborg. Föreningsbanken in Åstorp was founded in 1931.

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