

FöreningsSparbanken

Group overview

Business concept and strategy

FöreningsSparbanken's business concept is to be the best, most natural banking alternative in Sweden for private individuals, the agricultural sector, small and medium-size businesses, municipalities, county councils, nationwide organisations and a limited number of large companies. Products and services shall be of high quality. Operations shall be conducted with requirements for high profitability.

The operations of the merged bank shall have a strong capacity for self-renewal and be based on the following six cornerstones:

- The large number of customers, which gives it the character of a people's bank.
- A nationwide branch network in Sweden in cooperation with the independent savings banks, with a local presence and personal service for customers.
- Understanding of the importance of environmental and ethic issues for sustainable profitability.
- A high level of competence in order to meet and develop customers' needs in both rural and metropolitan areas.
- High availability for customers through, among other things, automated services.
- High cost effectiveness by taking advantage of economies of scale.

FöreningsSparbanken shall have a business based on strong local ties. Customers shall normally be able to receive all the services they require via their local branch office. The branch network which today is of fundamental importance to both Föreningsbanken and Sparbanken Sverige will serve as the base for the commercial operations of FöreningsSparbanken as well.

FöreningsSparbanken will maintain a close relationship with its approximately 600,000 shareholders, of whom most are also customers of the bank.

Part of the business concept of FöreningsSparbanken is to combine the resources, competencies and international network of contacts of a large bank with a local bank's knowledge of its customers' needs and wishes.

In order to increase its availability and level of services for customers and support the branches in their customer activities, FöreningsSparbanken will continue to develop new ways to distribute banking services. The use of cards, automatic teller machines, telephone services, "mobile" sales representatives and the Internet are such examples.

FöreningsSparbanken's objective is to offer

services with a high degree of personal service that are the best value for money in the Swedish banking market.

To meet customers' demands for professional advice, FöreningsSparbanken will be working systematically and with a long-term perspective to develop the skills of its employees.

FöreningsSparbanken sees the other Nordic countries and the Baltic region as a part of its sphere of interests and has the ambition to strengthen its position in these areas through acquisitions, alliances and cooperations.

FöreningsSparbanken's name and logotype shall represent a combination of Föreningsbanken's and Sparbanken Sverige's identities. The name planned for the merged bank is FöreningsSparbanken AB, with the international additional company name of Swedbank. The bank's logotype will combine Föreningsbanken's sheaf to the right and Sparbanken's oak symbol to the left of the name.

Financial objectives

FöreningsSparbanken shall have as its financial objective to reach a return on equity that over the long term exceeds a weighted average for listed banks in Sweden and to have a capital adequacy ratio and primary capital ratio that provides it with long-term stability. The Group's capital adequacy ratio shall amount to no less than 11 per cent, of which the primary capital ratio over the long term shall fall in the range of 6.5 to 8.5 per cent, with 7.5 per cent as the target.

Dividend policy

An investment in shares in FöreningsSparbanken should represent a good long-term capital investment. FöreningsSparbanken's aim is that the dividend in the long term shall amount to no less than 30 per cent of net income, provided that the bank's capital adequacy ratio is not affected in such a way that its future expansion is jeopardised.

Risk management

FöreningsSparbanken shall maintain a low risk profile with a diverse loan portfolio and limited financial risks. Business operations shall be based on long-term relationships between the bank and its customers. Each branch office shall be responsible for its day-to-day

operations with respect to earnings and risks.

Credit risks

The Board of Directors shall stipulate the credit policy and rules for credit delegation. Because of the bank's decentralised organisation, the majority of the credit decisions will be made locally.

FöreningsSparbanken shall strive to maintain a loan portfolio with a good spread of risks in terms of customer categories and industry affiliations, and a limited volume of large exposures.

Lending shall be conducted with consideration given to the bank's overall environmental and ethical rules. All risk assessments shall be based on analyses made with the help of modern technology to increase safety and speed in credit processing.

To ensure the quality and spread of risks in the loan portfolio both locally and centrally, a credit control unit independent of the commercial operations will supervise and monitor the processing, structure and risk profile of the portfolio.

Financial risks

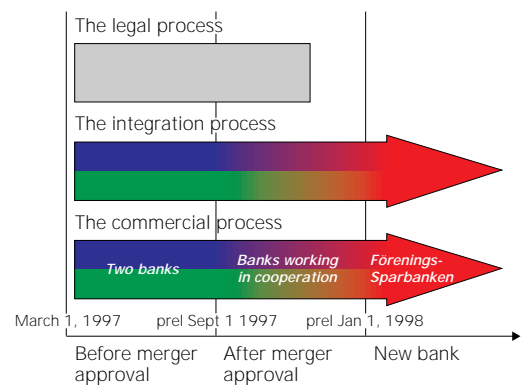
The Group's financial risk limits shall be determined by the Board of Directors. Risks shall be minimised in units which do not have the management of financial risks as their main responsibility and be well-balanced in other units.

All risks will be identified, measured and controlled. Controls shall be made by a unit independent of the commercial operations.

The amalgamation process

The amalgamation of the banks is being imple-

Three parallel processes

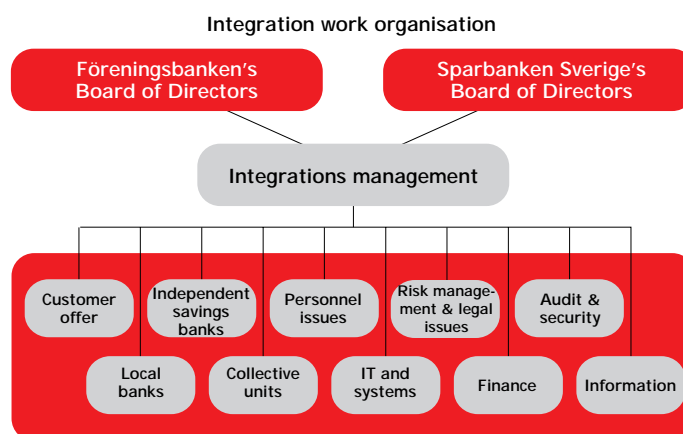


mented on the basis of three parallel processes: the legal process, the integration process and the commercial process. Scheduling is determined by the legal process.

The purpose of *the legal process* is to bring about the formal merger between Föreningsbanken and Sparbanken Sverige and involves, among other things, the current offer, the required approvals by the two banks' general meetings and the consent of the authorities.

The integration process comprises three stages. During the preparation stage, the philosophy, values and objectives of Förenings-Sparbanken will be set down. Strategies will then be formulated for, among other things, the market, products and customer offers. At the conclusion of the preparation stage, the new bank's structure and organisation will be decided.

The implementation stage begins when the general meetings have made the decision to approve the merger, which is expected at the end of August 1997. During this stage appointments will be made first to managerial positions and then of specialists and other services.



The third stage of the integration process involves structural and transformation work in the amalgamated FöreningsSparbanken and will begin according to plan on January 1, 1998.

The integration work is being conducted by an independent organisation in order to avoid interrupting the day-to-day operations of Föreningsbanken and Sparbanken Sverige. The work will be carried out by various project groups led by senior executives from both banks.

The commercial process refers to day-to-day customer activities. Until the decision of the merger, Föreningsbanken and Sparbanken Sverige will operate as competing banks. Both banks will strive to further enhance their commercial operations throughout the amalgamation process through a high level of activity in the market. The merger bonus described below should be seen against this background.

Personnel

Against the background of the new competitive situation, it is essential that FöreningsSparbanken maintains and develops its existing competencies, with an emphasis on business professionalism and out-turned customer activities. Competency will be the decisive factor with respect to staffing at FöreningsSparbanken. By competency is meant knowledge, ability and willingness. Consideration should be given in this regard to the bank's need for individuals with a business orientation and a focus on profitability.

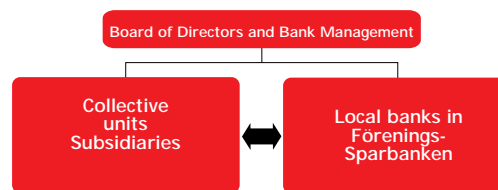
All positions at FöreningsSparbanken will be filled on the basis of the bank's needs and all persons will be judged on the same principles.

The aim is to introduce a profit-sharing system for employees of FöreningsSparbanken.

The Boards of Directors of Föreningsbanken and Sparbanken Sverige have decided that a merger bonus corresponding to SEK 15,000 per full-time employee will be paid if 1997 income reaches no less than SEK 9 billion for the two banks combined before loan losses and non-recurring expenses in connection with the amalgamation. The bonus payment is also contingent upon the approval of FöreningsSparbanken's prospective Board of Directors.

Organisation

The operations of FöreningsSparbanken shall be based on the needs of the local market. Each branch office will constitute an independent unit with responsibility for the customers in its operating area, and the branch manager will have responsibility for earnings and risks. Branch offices in close geographic proximity will be combined within



a local FöreningsSparbank with its own board of directors. This decentralised organisation will comprise two main levels, one of which includes the board of directors and management, and the other local banks and the collective units and subsidiaries.

A strong decentralisation requires efficient monitoring systems. Fast and appropriate monitoring of the profitability of the bank's branch offices will be a priority at FöreningsSparbanken.

Collective units within FöreningsSparbanken will comprise operations that are motivated in order to take advantage of economies of scale and market and to offer specialised expertise. Business support units will, among other things, be responsible for the development of new products and support for the branch offices in their day-to-day operations.

During the amalgamation process, FöreningsSparbanken will design its branch structure based on an evaluation of the current branch offices of both banks with respect to, among other things, market situation, degree of modernisation, efficiency and customer interest. The organisational amalgamation and integration at the local level will be done in consultation with the local boards of directors.

The composition of the board of directors of each local bank initially should reflect the size and significance of each branch's operations in terms of total business volume. Members of the board should be appointed with the goal of creating a board that consists of a broad, diverse range of skilled individuals who reflect the customer structure of the local bank's market. The members of the board of directors will be appointed in connection with local customer and shareholder meetings.

Other information

Relationship with the independent savings banks

Cooperation agreements, etc.

Sparbanken Sverige has since long maintained a cooperation with the independent savings banks.

The current cooperation between Sparbanken Sverige and each of the independent savings banks is based on individual and similarly worded agreements that were drawn up in 1994. The aim of the cooperation is to create a largely shared marketing strategy, without limiting, however, the freedom of the individual banks to set their own interest rates and prices for customers. The co-operation also comprises extensive development work on, among other things, products and services. The banks have agreed – taking into account that Sparbanken Sverige and each of the independent savings banks are independent legal entities – to act jointly towards the market, authorities and other interest groups, based, however, on various local conditions.

The cooperation also regulates the parties' exchange of services and the principles for setting prices for them. The services provided by Sparbanken Sverige to the independent savings banks are sold at Sparbanken Sverige's cost to produce them. This means that Sparbanken Sverige receives compensation for fixed and variable costs. The independent savings banks also act as intermediaries in selling Sparbanken Sverige Group's products to customers and account for around one-fourth of all sales in certain of the Group's important product areas. The independent saving banks do not participate in the clearing system managed by Sverige Riksbank. Instead, Sparbanken Sverige serves as clearing bank for them.

The Swedish Competition Authority has decided to grant an exception in accordance with the Competition Act for the cooperation agreements between Sparbanken Sverige and the independent savings banks. The exception applies through the end of February 1999. An application for an extension of the exception is intended to be submitted in 1998.

With respect to the cooperation agreements with the independent savings banks, see also the section Supplementary information on page 51.

Sparbanken Sverige – outside the framework of the co-operation agreements – has stated that it is prepared to grant subordinated loans to the independent savings banks on market terms, within certain limitations. Such loans have been granted in a few cases with the consent of the Financial Supervisory Authority.

Offer to acquire branch operations

Following the amalgamation of Föreningsbanken and Sparbanken Sverige, FöreningsSparbanken

will initially have 1,100 branch offices. The independent savings banks have approximately 350 branch offices. Föreningsbanken currently has branch offices in around 240 locations where Sparbanken Sverige also has branch offices and in around 140 locations where the independent savings banks are established.

Through the amalgamation of Föreningsbanken and Sparbanken Sverige, FöreningsSparbanken will have branch offices in locations where Sparbanken Sverige currently is not active, but where Föreningsbanken and the independent savings banks have branch offices.

Pending the amalgamation, the Boards of Directors of Föreningsbanken and Sparbanken Sverige have agreed to offer independent savings banks the opportunity to acquire local branch operations from FöreningsSparbanken in locations where both Föreningsbanken and an independent savings bank are established today. Should the independent savings bank decide not to acquire the branch operations it is offered, FöreningsSparbanken may conduct banking operations in such locations in competition with the independent savings bank.

In cases where the independent savings bank accepts an offer to acquire branch operations, an agreement to this effect will be executed by Föreningsbanken, after consultation with the local board of directors involved, and the principal board of directors of the independent savings bank. Such transfer implies, among other things, that the above-mentioned cooperation with the independent savings bank continues and that the economies of scale that follow from the co-operation are utilised.

Against this background, Föreningsbanken and Sparbanken Sverige have reached an agreement in principle with the National Association of Independent Savings Banks (FSR). The agreement regulates, among other things, the principles that would apply in connection with the planned transfers of branch operations to independent savings banks. The principles, which conform with those that apply in respect of the amalgamation of Föreningsbanken and Sparbanken Sverige, concern, among other things, the composition of boards of directors, personnel, market strategy and profile and continued computer system collaboration. With respect to transfers of branch operations to independent savings banks, see also page 12.

An alternative to the acquisition of branch operations could be that an independent savings bank, if it so desires, after having been converted into a limited liability banking company, merges with FöreningsSparbanken. The Boards of Directors of Föreningsbanken and Sparbanken Sverige have agreed to make this opportunity available. Such merger, which will

Pro forma statements

The following condensed pro forma income statements and balance sheets have been prepared for 1996. The calculations are based on the application of the purchase method of accounting.

Consolidated income statement 1996

SEK M	Föreningsbanken	Sparbanken Sverige	Adjustment	FöreningsSparbanken pro forma
Interest income	10,887	42,736		53,623
Leasing income	90	1,031		1,121
Interest expenses	- 7,297	- 32,622	- 55	- 39,974
Dividends received	10	103		113
Commission revenue	840	3,292		4,132
Commission expenses	- 48	- 615		- 663
Net income from financial operations	217	1,145		1,362
Other operating revenue	507	780		1,287
Total revenue	5,206	15,850	- 55	21,001
Administrative expenses				
- Personnel expenses	- 1,412	- 4,222		- 5,634
- Other	- 1,373	- 3,456		- 4,829
Depreciation and writedowns of tangible and intangible assets	- 170	- 1,044		- 1,214
Goodwill		- 175	- 125	- 300
Total expenses	- 2,955	- 8,897	- 125	- 11,977
Income before loan losses	2,251	6,953	- 180	9,024
Loan losses, net	- 693	- 1,546		- 2,239
Change in the value of property taken over	- 398	- 105		- 503
Operating income	1,160	5,02	- 180	6,282
Appropriations		5		5
Taxes	- 137	- 1,435	15	- 1,557
Net income	1,023	3,872	- 165	4,730
Net interest income	3,611	10,361	- 55	13,917
of which, charge for deposit guarantee	118	228		346

Consolidated balance sheet 1996

SEK M	Föreningsbanken	Sparbanken Sverige	Acquisition	Elimination	FöreningsSparbanken pro forma
Lending to the general public	86,512	381,187			467,699
Lending to credit institutions	7,033	53,858			60,891
Interest-bearing securities					
– Financial fixed assets	3,014	8,519			11,533
– Financial current assets	7,570	20,511			28,081
Leasing assets	282	2,345			2,627
Shares in Föreningsbanken		445	8,627	– 9,072	–
Goodwill		1,555		2,500	4,055
Building and land	7,926	4,146			12,072
Other assets	4,506	29,884		460	34,850
Total assets	116,843	502,450	8,627	– 6,112	621,808
Deposits from the general public	66,842	146,121			212,963
Loans from credit institutions	6,293	70,393			76,686
Securities issued, etc.	26,191	212,343			238,534
Subordinated loans	5,689	17,242			22,931
Other liabilities	5,787	36,301			42,088
Minority interests		1			1
Shareholders' equity	6,041	20,049	8,627	– 6,112	28,605
Total liabilities and shareholders' equity	116,843	502,450	8,627	– 6,112	621,808

Key figures and data per share 1996

	Föreningsbanken	Sparbanken Sverige	FöreningsSparbanken pro forma
Income/costs ratio (I/C ratio)			
– before loan losses	1.78	1.86	1.83
– after loan losses	1.29	1.54	1.47
Investment margin, %	3.22	1.99	2.24
Interest margin, %	2.88	1.75	1.93
Return on equity (28% standard tax), % ¹⁾	14.9	20.1	15.8
Capital adequacy ratio, %	13.5	13.0	13.3
Primary capital ratio, %	7.5	7.0	7.2
Share of doubtful claims, %	1.7	1.5	1.5
Loan loss ratio, %	1.2	0.4	0.6
Net income per share after full tax, SEK	3.92	13.92	13.40
Net income per share (28% standard tax), SEK	3.20	13.72	12.82
Equity per share, SEK	23.15	72.07	81.09
Number of shares outstanding, million	261.00	278.18	352.78 ²⁾
Capital base, SEK M	10,062	33,115	43,731
Number of full-time employees	3,504	9,130	12,634
Number of branches	496	597	1,093

1) For the new Group, pro forma shareholders' equity at year-end 1996 is used as the basis for computation of earnings capacity.

2) In calculating the number of shares, it has been assumed that all warrant holders have exercised their warrants to subscribe for new shares in Föreningsbanken. If all warrant holders instead accept the offer, the number of shares will amount to 351.42 million.

Sensitivity analysis

	Change	Effect on income, SEK M
Net interest income: Market interest rate	+ 1 percentage point	– 190
Net interest income: Market interest rate	– 1 percentage point	– 200
Number of employees	+/- 100 people	-/+ 39
Salary changes	+/- 1 per cent	-/+ 50
Loan loss level	+/- 0,1 percentage point	-/+ 480
Volume of problem loans	+/- SEK 1,000 M	-/+ 40

Income statement¹⁾

SEK M	Bank	Mortgage lenders	Finance companies	Fund management	Others	Adjustments	Group 1996
Interest income	28,462	29,054	370	8	243	- 4,514	53,623
Leasing income	-	-	1,160	-	26	- 65	1,121
Interest expenses	- 18,640	- 24,941	- 302	-	- 606	4,515	- 39,974
Dividends received	276	0	-	0	1	- 164	113
Commission revenue	2,956	50	149	489	592	- 104	4,132
Commission expenses	- 312	- 250	- 10	0	- 135	44	- 663
Net income from financial operations	1,344	- 3	1	18	53	- 51	1,362
Other operating revenue	833	43	28	-	587	- 204	1,287
Total revenue	14,919	3,953	1,396	515	761	- 543	21,001
Administrative expenses							
- Personnel expenses	- 5,067	- 143	- 114	- 66	- 257	13	- 5,634
- Other	- 4,319	- 231	- 118	- 93	- 437	369	- 4,829
Depreciation and writedowns of tangible and intangible assets	- 285	- 12	- 876	- 3	- 35	- 3	- 1,214
Goodwill	-	-	-	-	-	- 300	- 300
Total expenses	- 9,671	- 386	- 1,108	- 162	- 729	79	- 11,977
Income before loan losses	5,248	3,567	288	353	32	- 464	9,024
Loan losses, net	- 1,469	- 781	10	-	2	- 1	- 2,239
Change in the value of property taken over	0	- 59	-	-	- 582	138	- 503
Operating income	3,779	2,727	298	353	- 548	- 327	6,282
Appropriations							5
Taxes							- 1,557
Net income							4,730

Balance sheet¹⁾

SEK M	Bank	Mortgage lenders	Finance companies	Fund management	Other	Elimination	Adjustments	Group 1996
Lending to the general public	187,174	282,118	3,835	-	1,079	-	- 6,507	467,699
Lending to credit institutions	73,070	2,063	64	251	2,490	-	- 17,047	60,891
Interest-bearing securities								
- Financial fixed assets	20,781	-	-	-	-	-	- 9,248	11,533
- Financial current assets	39,792	108	-	-	168	-	- 11,987	28,081
Leasing assets	-	-	2,648	-	30	-	- 51	2,627
Shares in Föreningsbanken	9,072	-	-	-	-	- 9,072	-	-
Goodwill	-	-	-	-	-	4,230	- 175	4,055
Building and land	4,555	151	-	-	7,341	23	2	12,072
Other assets	44,330	7,303	235	569	848	- 13,405	- 5,030	34,850
Total assets	378,774	291,743	6,782	820	11,956	- 18,224	- 50,043	621,808
Deposits from the general public	211,277	805	13	-	1,356	-	- 488	212,963
Loans from credit institutions	77,628	7,662	4,864	107	8,616	-	- 22,191	76,686
Securities issued, etc.	14,722	244,496	-	-	-	-	- 20,684	238,534
Subordinated loans	14,629	8,841	141	-	-	-	- 680	22,931
Other liabilities	29,764	15,472	780	622	759	-	- 5,309	42,088
Untaxed reserves	1,489	-	-	-	39	-	- 1,528	-
Minority interests	-	-	-	1	-	-	-	1
Shareholders' equity	29,265	14,467	984	90	1,186	- 18,224	837	28,605
Total liabilities and shareholders' equity	378,774	291,743	6,782	820	11,956	- 18,224	- 50,043	621,808

¹⁾ Included in the table under Bank are the parent banks Sparbanken Sverige and Föreningsbanken, under Mortgage lenders Spintab and Föreningsbanken Kredit, under Finance companies Sparbanken Finans and Föreningsbanken Finans, under Fund management Robur and Föreningsbanken Fond & Kapitalförvaltning, and under Other, among others, Mandamus, Sparbanken Sverige Administration and Föreningsbanken Försäkring. In the above tables, each bank group's operations have been divided under the headings indicated without adjustment.

Use of purchase method as the accounting method for the amalgamation

In connection with the announcement in February 1997 of the proposed amalgamation between Föreningsbanken and Sparbanken Sverige, the financial consequences of the amalgamation were reported in accordance with the so-called pooling of interests accounting method. This method was selected since, in the opinion of Föreningsbanken's and Sparbanken Sverige's Boards of Directors and auditors, it best reflects the proposed amalgamation on an equal basis between the two banks.

In spite of the fact that the pooling of interests accounting method, in the opinion of the Boards of Directors, provides the truest and fairest view of the amalgamation, certain questions of interpretation arise with respect to the application of current recommendations and laws. It has proven to be difficult to reach a full consensus with, among others, the authorities involved regarding the questions of interpretation in the short time from February 1997 until the public release of this prospectus.

To avoid delaying the amalgamation process, the Boards of Directors have therefore decided to account for the amalgamation between Föreningsbanken and Sparbanken Sverige in this prospectus in accordance with the more traditional purchase accounting method.

Comments on the pro forma accounts

The pro forma accounts describe the amalgamation as if it had been effected as of December 31, 1996 with respect to the balance sheet and January 1, 1996 with respect to the income statement under the conditions described below. The pro forma adjustments do not take into account, among other things, any efficiency improvements or cost savings in operations that can be achieved through the amalgamation. As a result, the pro forma accounts do not necessarily give a true and fair view of the financial position or earnings which would have resulted had the amalgamation been implemented as per the day, or the beginning of the period, from which the effects of the amalgamation have been taken into account.

The compensation for the remaining shares in Föreningsbanken has been estimated to correspond to 74.6 million new shares in Sparbanken Sverige at the average listed

share price during the ten business days prior to the announcement of the proposed amalgamation. Together with Sparbanken Sverige's book value of earlier holdings (excluding the holding in the trading portfolio) corresponding to 4.98 per cent of the shares in Föreningsbanken, SEK 445 M, the value of all the shares in Föreningsbanken is estimated at

SEK 9,072 M. According to a preliminary acquisition analysis at the estimated time of the acquisition – and which may change depending on, among other things, the results of the sale of branch operations to independent savings banks – this results in goodwill of approximately SEK 2,500 M. This goodwill is amortised in the pro forma accounts over 20 years by SEK 125 M a year. The main reason for selecting this amortisation period is the amalgamation's long-term structural significance for both banks. Föreningsbanken's and Sparbanken Sverige's well-established brand names, with their long, stable customer relationships, are another reason for selecting this amortisation period.

Income statement

The income statement is based on a consolidation of both companies' income statements. Income is charged with annual goodwill amortisation of SEK 125 M. It is also charged with interest expenses of SEK 55 M based on the assumption that Föreningsbanken's contingent bonus dividend, after the deduction of the new issue proceeds, was financed with loans from January 1, 1996.

The income statement for Sparbanken Sverige for 1996 excludes Fastighets AB Tornet, which was distributed to Sparbanken Sverige's shareholders in 1996.

Balance Sheet

The preliminary acquisition analysis has been taken into account in the pro forma balance sheet. The analysis is based on a purchase price for all the shares in Föreningsbanken of SEK 9,072 M according to above. Also reported is a preliminary assessment of surplus values in certain of Föreningsbanken's assets, including, among other things, a conservative estimate of the outcome of the sale of branch operations to independent savings banks. After deducting estimated taxes and dividends, among other things, a net receivable of SEK 460 M is reported

Operations

Calculated pro forma for the operating year 1996, FöreningsSparbanken has a revenue level of SEK 21.0 billion, operating income of SEK 6.3 billion, lending to the public of SEK 468 billion and a capital adequacy ratio as of January 1, 1997 of 13.3 per cent. The new bank group will initially have the equivalent of 12,634 full-time employees.

The primary competitors within the most important product areas are, aside from other Swedish commercial banks, insurance companies and various niche players.

The credit institutions in the table below account for the dominant share of Swedish credit institutions' total assets.

Key figures for certain Swedish credit institutions at Group level 1996

	Förenings- Sparbanken pro forma	Handels- banken ¹⁾	Stadshypotek ¹⁾	Nordbanken	S-E-Banken
Net interest income, SEK M	13,917	9,410	4,311	10,655	7,576
Total revenues, SEK M	21,001	15,510	4,722	15,576	17,814
Total expenses, SEK M	- 11,977	- 6,992	- 1,131	- 7,493	- 10,641
Operating income before loan losses, SEK M	9,024	8,518	3,591	8,083	7,173
Loan losses and change in the value of property taken over, SEK M	- 2,742	- 1,799	- 575	- 651	- 1,303
Operating income after loan losses, SEK M	6,282	6,719	3,016	7,432	5,870
Loan loss level, %	0.6	0.6	0.2	0.3	0.5
Investment margin, %	2.2	1.8	1.2	3.0	1.4
Capital adequacy ratio, %	13.3	12.2	14.6	11.8	12.7
I/C ratio before loan losses	1.83	2.41	4.18	2.20	1.79
I/C ratio after loan losses	1.47	1.86	2.77	2.0	1.57
Lending to the general public, SEK bn	467.7	272.8	283.7	256.5	251.4
Total assets, SEK bn	621.8	571.1	298.2	367.6	550.6
Shareholders' equity, SEK bn	28.6	27.6	18.8	17.4	21.3
Average number of employees	14,483 ²⁾	7,395	1,386	6,291	9,579
Number of branches in Sweden	1,093	479	44	281	273

Source: Annual reports.

1) Stadshypotek is now part of the Handelsbanken Group. Pro forma figures for the new Handelsbanken Group could not be compiled, however, due to a lack of sufficient data.

2) The number of employees recalculated in terms of full-time positions was 12,634 as of December 31, 1996.

The tables below indicate the amalgamated bank's pro forma market shares and volumes in various sectors of the market. In the case of mortgage loans, securities funds, securities trading, card services and insurance products, the figures include sales via the independent savings banks.

**Household market – FöreningsSparbanken
volume and share of the total market
December 31, 1996 pro forma**

	SEK bn	%
Bank deposits	146	35
Bank lending incl. mortgage financing	229	37
Individual pension savings	3	36
Private market bonds and private subordinated loans	32	26
Fund management	103	32

**Corporate market¹⁾ – FöreningsSparbanken
volume and share of the total market
December 31, 1996 pro forma**

	SEK bn	%
Bank deposits	34	14
Bank lending	89	25
Leasing	3	7
Installment plans	3	18

1) Relates to "non-financial companies".

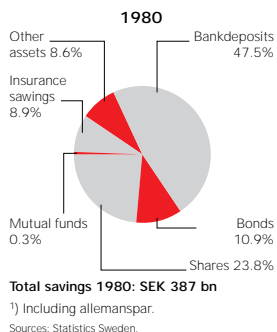
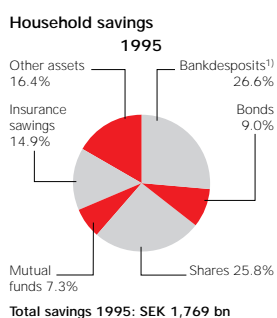
**Municipal market¹⁾ – FöreningsSparbanken
volume and share of the total market
December 31, 1996 pro forma**

	SEK bn	%
Bank deposits	8	39
Bank lending	8	31
Mortgage lending	9	41
Municipal commercial paper	3 ²⁾	45

1) Includes non-municipally owned companies.

2) Outstanding amount as of December 31.

Sources: Riksbanken, Statistics Sweden, Obligationsfrämjandet, Fondbolagens Förening.



Lending

Public demand for credit has been weak during the 1990s compared with the second half of the 1980s. Since 1990, bank lending to the general public has declined by approximately 19 per cent. The decline in lending to the household sector has been particularly sharp. A comparison between 1990 and 1996 shows that lending to households declined by about 40 per cent. In contrast, mortgage institutions increased their lending to households by about 27 per cent during the same comparative years.

Savings

Household savings has risen during the past 15 years and at the same time changed character. In Sweden, as in other countries, traditional bank savings have increased less than other savings associated with the growing financial markets, primarily stocks, bonds and mutual funds with different investment goals.

In the 1990s the trend toward new forms of savings has been accentuated. Between 1991 and 1995 bank deposits increased by 3 per cent, while new savings forms such as mutual funds, insurance annuities, individual pension savings (IPS) and private market bonds increased by over 70 per cent, including appreciation in value. Traditional pension savings and savings in stocks and bonds grew by more than 80 per cent.

Banking operations

Pro forma, SEK M	1996
Income	
Operating revenues	14,919
Personnel expenses	- 5,067
Other operating expenses	- 4,604
Income before loan losses	5,248
Loan losses	- 1,469
Income after loan losses	3,779
Investment margin, %	2.6
Interest margin, %	2.2
I/C ratio before loan losses	1.55
Return on equity, %	9.4
Balance sheet data	
Lending, SEK bn	187.2
Stockholders' equity, SEK bn	29.3
Total assets, SEK bn	378.8
Credit quality	
Loan loss ratio, %	0.7
Share of doubtful claims, %	1.8
Other	
Average number of employees	13,098
Number of branches	1,093

The local banks of FöreningsSparbanken, together with the collective commercial and service units, will comprise FöreningsSparbanken's banking operations. The branch network will serve as an advisory and sales channel for traditional banking services and account for the sales of other products, such as mortgage loans, fund participations and insurance products. Telephone banking and the Internet are examples of new, complementary ways of distributing the bank's services.

Deposit and lending services

Products on the deposit side include, among others, transaction accounts with self-service options and savings accounts. Bank deposits from the general public amounted to SEK 211 billion pro forma in 1996 in FöreningsSparbanken's banking operations. The market share for bank deposits amounted to approximately 25 per cent pro forma.

FöreningsSparbanken's banking operations had lending to the general public in 1996 totaling SEK 187 billion pro forma, which corresponded to approximately 26 per cent of the entire market.

Cards and payment services

Automated payments and transactions that customers handle themselves account for a growing share of the total payment flow. FöreningsSparbanken will offer a complete range of card products with withdrawal, payment and credit functions, as well as giro services for private individuals and businesses. Systems for salary payments and electronic payment services for businesses are among the other products in the payment services area.

The card market is dominated by banking and supplier-owned companies. Sparbanks-kortet, which was developed by Sparbanken Sverige, is Sweden's most widely spread bank card. In cooperation with the World Wildlife Fund (WWF), Föreningsbanken launched its "Världsnaturkortet" in the fall of 1996. Föreningsbanken donates 0.5 per cent of the purchases customers make on their cards to the WWF's Swedish conservation project.

During the year Sparbanken Sverige launched a pilot programme with cash cards, or so-called smart cards, for small purchases. This operation will be expanded in 1997.

Brokerage services, international services and large corporate customers

FöreningsSparbanken will conduct extensive

commercial operations in the stock, money and currency markets. In bond trading, its pro forma market share in 1996 for spot customer trading in government bonds and mortgage bonds was 14 and 16 per cent, respectively. In the currency market, the market share for customer trading in SEK and foreign currencies pro forma was 11 per cent. FöreningsSparbanken's market share for stock trading on the Stockholm Stock Exchange in 1996 was 10 per cent in terms of volume and 17 per cent in terms of number of trades. Trading in Swedish stocks for customers outside Sweden is also handled via New York and London.

FöreningsSparbanken will offer a wide range of international services as well as a number of services and products targeted to large Swedish corporations and institutions. In addition to international branches in London and New York, the bank has a representative office in Tokyo and a subsidiary in Luxembourg.

Mortgage lending operations

Pro forma, SEK M	1996
Operating revenues	3,953
Personnel expenses	- 143
Other operating expenses	- 243
Income before loan losses	3,567
Loan losses	- 840
Income after loan losses	2,727
Investment margin, %	1.4
Interest margin, %	1.0
I/C ratio before loan losses	10.2
Return on equity, %	13.6

Balance sheet data

Lending, SEK bn	282.1
Shareholders' equity, SEK bn	14.5
Total assets, SEK bn	291.7

Credit quality

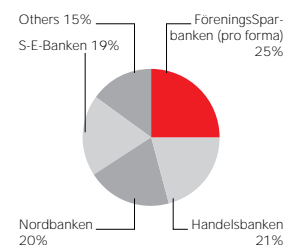
Loan loss ratio, %	0.3
Share of doubtful claims, %	1.1

Other

Average number of employees	366
Number of loans, thousands	861

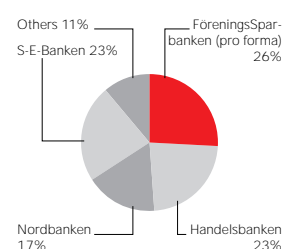
The FöreningsSparbanken Group will include the second largest mortgage lending institution in Sweden. Both Sparbanken Sverige's mortgage operations (Spintab) and

Saving deposits from the general public¹⁾, market shares 1996



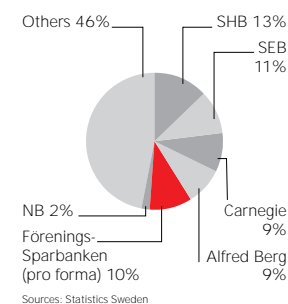
¹⁾ Relates to Swedish and international general public (SEK and foreign currency).
Sources: Riksbanken, Statistics Sweden

Banklending to the general public¹⁾, market shares 1996



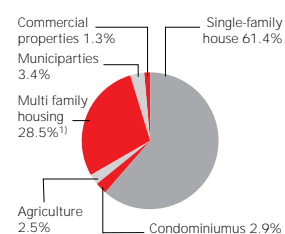
¹⁾ Relates to Swedish and international general public (SEK and foreign currency).
Sources: Riksbanken, Statistics Sweden

SAX trading (including premium bonds and conversion loans) Share of trading volume 1996



Sources: Statistics Sweden

Mortgage loans December 31, 1996 pro forma



¹⁾ Includes condominium associations

The mortgage lending operations will include long-term financing of, among other things, housing and municipal investments. FöreningsSparbanken has a pro forma market share of approximately 36 per cent of the private market.

In private market bonds, FöreningsSparbanken is pro forma the second largest issuer.

Mortgage institution lending Dec. 31, 1996

	SEK bn	%
Stadshypotek	284	28
FöreningsSparbanken pro forma	282	28
SBAB	135	13
Nordbanken Hypotek	104	10
Handelsbanken Hypotek	103	10
S-E-Banken Bolån	88	9
Venantius	23	2
Total	1,019	100

Source: National Housing credit Guarantee Board.

In the discussions that led to the amalgamation proposal, one of the issues that was brought up concerned the possible future transfer of shares in Sparbankernas Jordbrukskreditaktiebolaget, which is a wholly owned subsidiary of AB Spintab, to Landshypotek AB. At the same time a transfer would be made of the shares in Lantbrukskredit AB, which is owned by Landshypotek AB, to FöreningsSparbanken. No negotiations have been held and none are planned at present.

Spintab and Föreningsbanken Kredit are also described on pages 44 and 114, respectively.

Fund management

Pro forma, SEK M	1996
Operating revenues	515
Personnel expenses	- 66
Other operating expenses	- 96
Operating income	353
Fund assets, SEK bn	105
Average number of employees	89

In the area of fund management, FöreningsSparbanken will manage a wide range of equity and interest-bearing funds with investments in the Swedish and international capital market.

FöreningsSparbanken's fund management operations are the largest in Sweden, with total assets under management pro forma of SEK 105 billion at year-end 1996. Both Robur and Föreningsbanken Fonder raised their market shares in 1996 and at year-end both fund management companies accounted for nearly one-third of the Swedish fund market. The total number of fund investors in Robur and Föreningsbanken Fonder was approximately 1.7 million.

Fund market in Sweden – assets under management and market shares Dec. 31, 1996

	SEK bn	%
FöreningsSparbanken ¹⁾	103	32
S-E-Banken Fonder	70	22
Nordbanken Kapitalförvaltning	61	19
Handelsbanken Fonder	31	10
Others	54	17
Total	319	100

¹⁾Robur (excluding institutional funds) and Föreningsbanken Fonder.

Source: Fondbolagens förening.

Robur and Föreningsbanken Fond & Kapitalförvaltning are described on page 44 and 115, respectively.

Finance company services

Pro forma, SEK M	1996
Operating revenues	1,396
Personnel expenses	- 114
Other operating expenses	- 994

Income before loan losses **288**

Loan losses 10

Income after loan losses **298**

Investment margin, % 5,5

Interest margin, % 4,6

I/C ratio before loan losses 2,3

Return on equity, % 21,7

Balance sheet data

Lending, SEK bn 3,8

Shareholders' equity, SEK bn 1,0

Total assets, SEK bn 6,8

Credit quality

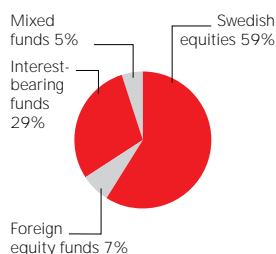
Loan loss ratio, % - 0,3

Share of doubtful claims, % 2,4

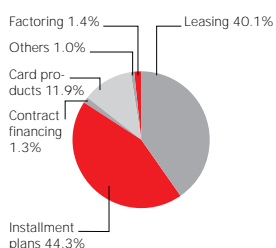
Other

Average number of employees 285

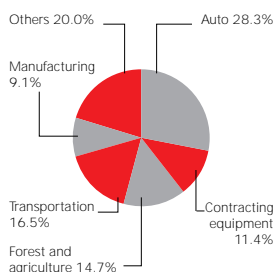
Fund assets December 31, 1996 pro forma



Finance Company Loans December 31, 1996 pro forma



Leasing and installment plans December 31, 1996 pro forma



In the area of finance company operations, FöreningsSparbanken will offer services that complement the bank's traditional selection of loans. These services will primarily be offered by local bank branches, though also via retailers, brokers and organisations.

The total market for leasing in Sweden amounted to slightly more than SEK 40 billion at year-end 1996. FöreningsSparbanken's share pro forma amounted to approximately 7 per cent.

At year-end 1996 FöreningsSparbanken had a pro forma share of the instalment plan market of approximately 18 per cent.

The large part of the card operations in Sparbanken Sverige was transferred in 1996 from Sparbanken Finans to the bank, which explains the decrease in income for the finance company operations between 1995 and 1996.

Sparbanken Sverige's and Föreningsbanken's finance company operations are described on page 45 and 116, respectively.

Other operations

In addition to the insurance operations and Mandamus, Other operations include Sparbanken Sverige Administration and Swedbank Luxembourg.

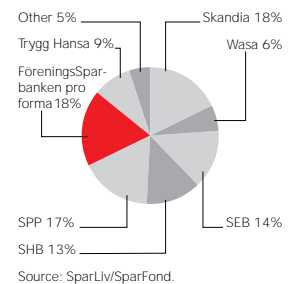
Insurance operations

Sparbanken Sverige and Föreningsbanken both conduct traditional insurance operations in the form of life and pension insurance. In addition, Föreningsbanken offers a specific form of non-life insurance. Sparbanken Sverige's insurance operations are conducted by two companies it owns jointly with the insurance company Folksam, SparLiv and SparFond. Föreningsbanken's insurance operations were acquired from Lantbrukarnas Trygghetsförsäkring ("LTF") in 1996.

FöreningsSparbanken's pro forma market share with respect to new premiums for life and pension insurance was 18 per cent in 1996. Total capital under management amounted to approximately SEK 9 billion on December 31, 1996.

Sparbanken Sverige's and Föreningsbanken's respective insurance operations are described on pages 46 and 121.

New premiums for life and pension insurance, market shares 1996



Shareholder structure

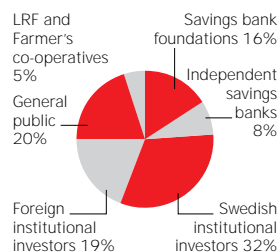
The FöreningsSparbanken share is expected to be one of the most widely distributed shares in Sweden. The number of shareholders in FöreningsSparbanken is estimated at approximately 600,000.

Provided that this offer is fully accepted, FöreningsSparbanken's ownership structure pro forma will be distributed as follows:

Shareholder	No. of shares	%
Savings bank foundations	57,039,020	16.3
– via the Management Company	32,552,211	9.3
– directly	24,486,809	7.0
Independent savings banks	27,828,897	7.9
LRF and Farmer's co-operatives	16,370,852	4.7
SPP	11,249,466	3.2
Sparinstitutens pensionskassa	10,497,869	3.0
Fjärde AP-Fonden	10,300,000	2.9
AMF pensions-försäkrings AB	9,802,260	2.8
Folksam	6,060,000	1.7
Förbundsdepån	5,798,092	1.6
JP Morgan Capital Corp.	5,300,000	1.5
AMF sjukförsäkring AB	5,250,000	1.5
Fidelity funds	5,194,021	1.5
Trygg-Hansa Försäkring	5,125,300	1.5
S-E-Banken equity funds	5,037,240	1.4
Skandia	4,640,064	1.3
Sparbanken equity funds	3,920,000	1.1
Others	162,005,717	46.1
Total	351,418,798	100.0

Sources: Föreningsbanken and Sparbanken Sverige.

Shareholder structure pro forma



Board of Directors and Executive Management

The Central Board of Directors of FöreningsSparbanken will be proposed to consist of 18 members and one deputy, in addition to employee representatives. The aim over time is to reduce the number of members of the Board of Directors and increase the proportions of women.

The principal shareholders in Föreningsbanken and Sparbanken Sverige, the Federation of Swedish Farmers (LRF) and the Management Company of the savings bank foundations, respectively, are in agreement in proposing the following candidates to the Board of Directors of FöreningsSparbanken:

Göran Collert, Executive Chairman

Bo Dockered, First Deputy Chairman¹⁾

Göran Ahlström, Second Deputy Chairman, President of Sydkraft AB

Bo Forslund, Second Deputy Chairman, former Member of Parliament, Chairman of Sparbanksstiftelsen Norrland

Reinhold Geijer, President and Chief Executive Officer

Ronald Bergman, Chairman of Nordström & Thulin AB

Håkan Hellmo, President of Svenska Lantmännen

Birgitta Johansson-Hedberg, President and Chief Executive Officer of Liber AB

Göran Johnsson, Chairman of the Swedish Metal Workers' Union

Hans Jonsson, Chairman of the Federation of Swedish Farmers

Kurt Lodenius, former Municipal Commissioner, Chairman of Roslagens Sparbank

Per Molin, former President of Avesta Sheffield AB

Anna-Stina Nordmark-Nilsson, President of Piteå Tidningen AB

Per-Göran Nyberg, Chairman of Sparbanksstiftelsen Alfa

Marianne Qvick Stoltz, Businesswoman

Karin Starrin, Governor of Halland County

Hans Tidlund, President of Folksam

Leif Zetterberg, President of the Federation of Swedish Farmers

Bo Söderberg, Deputy Member and Deputy President and Chief Executive Officer

¹⁾ Bo Dockered will have special tasks related to small companies and agriculture and related industry matters in addition to environmental and ethic issues.

Management, Nominating Committee and Executive Committee

Reinhold Geijer will be proposed to serve as President and Chief Executive Officer of FöreningsSparbanken and Bo Söderberg as his deputy.

The principal shareholders are in agreement that seven candidates shall be nominated prior to the Annual General Meeting in 1998 to serve on the Nominating Committee of FöreningsSparbanken.

The intention is that FöreningsSparbanken's Executive Committee of the Central Board of Directors shall include the Chairman of the Central Board of Directors, the First and Second Deputy Chairmen and the bank's President and his deputy.

Definitions

Average number of employees

The average number of employees of FöreningsSparbanken is calculated based on 1,570 working hours a year.

Capital adequacy ratio

Capital base in relation to the risk-weighted amount.

Capital base

The capital base is the sum of primary and supplementary capital less deductions in accordance with chapter 2 § 7 of the legislation on capital adequacy. By primary capital is meant taxed equity less goodwill and 72 per cent of the untaxed reserves in the Parent Company, etc. By supplementary capital is meant fixed-term subordinated loans as well as reserves and undated capital contributions approved by the Swedish Financial Supervisory Authority.

Credit institutions

By credit institutions is meant banking companies, savings banks, member banks, credit market companies, such finance companies and credit market companies that conduct operations with the support of points 3–5 in the transitional regulations of the Credit Market Company Act (1992:1610), Konungariket Sveriges stadshypotekskassa, Sveriges allmänna hypoteksbank and Svenska skeppshypotekskassan. By securities firm is meant a Swedish corporation that has been approved to conduct securities operations in accordance with the Securities Operations Act (1991:981).

Doubtful claims

Claims for which interest, principal or overdrafts are overdue by more than 60 days (nonperforming loan) and loans for which other circumstances cause uncertainty as to their value and for which the value of their collateral does not cover both principal and accrued interest by a safe margin. Doubtful claims also include loans with interest concessions, for which provisions are made for anticipated loan losses.

<i>Equity per share</i>	Stockholders' equity divided by the number of shares.
<i>Households</i>	Households include private individuals.
<i>I/C ratio before loan losses</i>	Operating revenues in relation to total costs, excluding loan losses.
<i>I/C ratio after loan losses</i>	Operating revenues in relation to total costs, including loan losses.
<i>Interest margin</i>	The difference between average interest on total assets and average interest on total liabilities.
<i>Interest risk</i>	The risk that the value or earnings of a unit of measurement will be adversely affected by a change in interest rates.
<i>Investment margin</i>	Net interest income in relation to average total assets.
<i>Loan losses, net</i>	Established losses and provisions for anticipated losses during the period less restored provisions and recoveries related to loan claims as well as the net cost for the year of discharging guarantees and other contingent liabilities.
<i>Loan loss level</i>	Loan losses, net, including changes in the value of property taken over.
<i>Net income per share</i>	Income after appropriations and standard tax divided by the number of shares.
<i>Net income per share after full tax</i>	Income after appropriations and full tax in relation to the number of shares.
<i>Operating income per share</i>	Operating income after standard tax divided by the number of shares carried forward.
<i>Primary capital ratio</i>	Primary capital in relation to the risk-weighted amount.
<i>Problem loans</i>	Doubtful claims for which interest is not entered as income until payment is made and claims with interest concessions.
<i>Return on shareholders' equity</i>	Operating income after standard tax and minority interest, divided by average shareholders' equity.

<i>Risk-weighted amount</i>	The sum of risk-weighted values of all assets and off-balance-sheet items. The capital adequacy regulations of the Swedish Banking Act stipulate the percentage of the book value of the assets for which capital must be provided. The percentage reflects the degree of credit risk and market risk that is deemed to exist and may be 0 per cent, 20 per cent, 50 per cent or 100 per cent depending on the counterparty or collateral in the individual transaction.
<i>Share of doubtful claims</i>	Doubtful claims, net, in relation to total lending.
<i>Standard tax</i>	Standard tax rate of 28 per cent.
<i>Shareholders' equity</i>	The sum of taxable shareholders' equity and untaxed reserves less standard tax.

Sparbanken Sverige

Group overview

This is Sparbanken Sverige

Sparbanken Sverige is one of Sweden's largest banks and focuses primarily on savings, loans and payment services to private individuals, local businesses, municipalities, nationwide organisations and a number of large corporations in Sweden.

Sparbanken Sverige cooperates with 87 independent savings banks and two partly owned savings banks corporations.¹⁾ Together, they have the country's largest distribution network for financial services.

¹⁾ Sparbanken Borås AB and Eskilstuna Rekarne Sparbank AB. Shares in the latter company were acquired in 1997.

Key figures, Group	New accounting standard		Old accounting standard			
	1996	1995	1995	1994	1993	1992
Income						
Operating income, SEK M	5,302	4,423	4,306	4,064	-3,665	-11,660
Investment margin, %	1.99	2.06	2.35	2.06	2.26*	2.52*
Interest margin, %	1.75	1.75	2.00	1.80	2.00*	2.08*
I/C ratio before loan losses	1.86	1.84	1.79	1.96	1.98	1.74
I/C ratio after loan losses	1.54	1.44	1.41	1.34	0.82	0.58
Return on equity, %	20.4	17.5	16.4	19.3	-26.7	-70.3
Return on total capital, %	1.08	0.90	0.91	0.82	-0.73	-2.26
Operating income per share, SEK	13.72	11.45	11.15	10.52	-13.17	-41.91
Earnings per share, SEK	13.92	11.91	11.91	13.81	-11.88	-11.29
Dividend per share, SEK	5.50	3.50	3.50	2.50 ¹⁾	0.00	0.00
Income before loan losses per employee, SEK thousand	738	676	664	760	714	544
Capital						
Capital adequacy ratio, %	13.0	13.9	13.9	12.7	9.3	9.3
Primary capital ratio, %	7.0	7.4	7.4	6.9	4.7	5.7
Equity/assets ratio, %	4.0	4.2	4.3	3.7	2.3	3.1
Credit quality						
Loan loss ratio, %	0.4	0.6	0.6	0.9	2.7	4.3
Share of doubtful claims, %	1.5	2.2	2.2	3.2	4.1	4.8
Provision ratio for doubtful claims, %	52	57	57	59	61	53
Other						
Number of employees	9,130	9,661		9,901	10,639	11,945
Number of branches	597	607		624	660	700

* Not recalculated for repurchase agreements.

¹⁾ Distributed among the current number of shares.

Business concept

Sparbanken Sverige shall be the best bank for private individuals, local businesses, municipalities, nationwide organisations and a number of large corporations.

The Group's services shall be of high quality and its operations shall be long-term with a requirement for good profitability.

Sparbanken Sverige shall combine a local presence close to customers and personal customer service with the financial resources and expertise of a large bank.

Financial objectives

The return on equity should exceed the average for listed Swedish banks over one business cycle.

The loan loss level in Sparbanken Sverige should not exceed 0.5 per cent over one business cycle.

In the long term, the dividend to the shareholders should amount to between 30 and 50 per cent of income after standard tax. The level of the dividend is determined on the basis of, among other things, the Group's requirement of primary capital and the market's required rate of return. Over time, steady dividend growth is strived for equivalent to no less than the rate of inflation.

The Group's capital adequacy ratio should amount to at least 11 per cent, of which primary capital in the long term should fall in the range of 6.5 to 8.5 per cent, with a target of 7.5 per cent.

Market strategy

Because of its large customer base and geographic proximity to its customers, Sparbanken Sverige holds a special place in the Swedish financial market. In a future with ever-increasing competition between banks, Sparbanken Sverige will continue to improve efficiency in its operations and allow most decisions to be made at the local level. The goal to have at least 95 per cent of all business decisions taken by the local savings banks has already been attained.

The decentralisation of operations to local financial marketplaces with a collective range of the Group's products shall lead to more satisfied customers, lower costs and greater expertise.

Cost efficiency is improved through standardisation and automation, which will lead to greater accessibility at the same time that employees are freed up to devote more

time to sales and individual advisory services for customers.

Services shall be priced based on the value-added provided to customers.

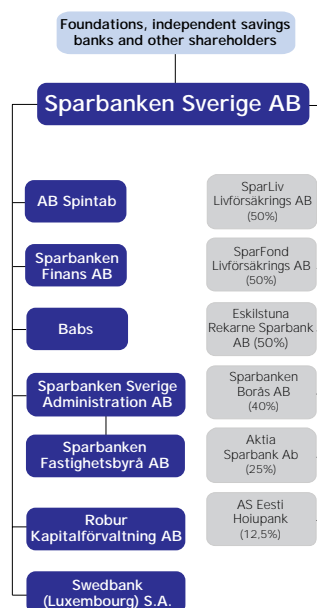
Vision 2005

Sparbanken Sverige's assumptions regarding the future include the following:

The number of branches will be no fewer, but will work differently than branches do today. Savings bank branches of the future will be flexible sales and service offices and will be located where the most people can utilise the Bank's services. The processing of cash will have decreased substantially in favor of automatic and electronic transactions.

Efficiency in the Bank will have greatly improved. Administrative tasks will have decreased and employees at branch offices will be able to spend more time on customer contacts, advisory services and active sales. Thanks to new technology and new work routines, the customers and the Bank will be able to interact more efficiently. With business volume twice the current level, the number of employees would be the same. Should business volume remain unchanged, the number of employees would perhaps be only half of what it is today.

The number of full-service banks with nationwide branch networks will have declined in the Swedish financial market and Sparbanken Sverige will have comprehensive cooperations with savings banks in the Nordic and Baltic regions and close alliances with banks in Europe, the U.S. and Asia.



Five-year summary

Profit and loss accounts according to new accounting standard 1996

SEK M	1996	1995
Interest income	42,736	45,787
Leasing income	1,031	1,105
Interest expenses	- 32,622	- 35,741
Dividends received	103	62
Commission income	3,292	2,599
Commission expenses	- 615	- 497
Net income from financial operations	1,145	1,209
Other operating income	780	859
Total income	15,850	15,383
Overhead expenses	- 7,678	- 7,528
Depreciation and writedowns of tangible and intangible fixed assets	- 1,219	- 1,216
Total expenses	8,897	8,744
Income before loan losses	6,953	6,639
Loan losses, net, and the change in the value of property taken over	- 1,651	- 2,216
Operating income	5,302	4,423
Appropriations	5	- 31
Taxes	- 1,435	- 1,080
Net income	3,872	3,312

Income statement according to old accounting standard

SEK M	1995	1994	1993	1992
Income	14,787	16,042	16,331	16,138
Expenses	- 8,265	- 8,188	- 8,265	- 9,289
Income before loan losses	6,522	7,854	8,066	6,849
Loan losses	- 2,216	- 3,790	- 11,731	- 18,509
Operating income	4,306	4,064	- 3,665	- 11,660
Appropriations	86	- 127	97	4,958
Taxes	- 1,080	- 96	263	3,562
Net income	3,312	3,841	- 3,305	- 3,140

Explanation of differences in the income statement for 1995

According to the old accounting standard, income was reduced by the depreciation of leasing assets of SEK 825 M. According to the new standard, this is reported as Depreciation and writedowns of tangible and intangible fixed assets under expenses. Expenses previously included commission expenses of SEK 378 M, which, according to the new standard, instead is deducted from income under the heading "Commission expenses."

Appropriations in the old accounting standard included a Value adjustment of interest-bearing securities in the so called investment portfolio of SEK 115 M and Share of income of associated companies of SEK 2 M. According to the new standard, the change in value is reported as Net income from financial operations under income.

In addition, headings have been changed for items under total income and total expenses.

	Income	Expenses	Loan losses	Appropriations	Taxes	Net income
Old standard	14,787	- 8,265	- 2,216	86	- 1,080	3,312
Depreciation of leasing assets	+ 825	- 825				
Commission expenses	- 378	+ 378				
Value adjustment of investment portfolio, etc	+ 117			- 117		
Other	+ 32	- 32				
New standard	15,383	- 8,744	- 2,216	- 31	- 1,080	3,312

Balance sheets according to new accounting standard 1996

SEK M	1996	1995
Assets		
Lending to the general public	381,187	381,599
Lending to credit institutions	53,858	28,250
Interest-bearing securities		
Treasury discount notes	11,481	15,249
Bonds and other interest-bearing securities	17,548	9,819
Share and participations	4,423	3,685
Other assets	33,953	42,102
Total assets	502,450	480,704
Liabilities, allocations and shareholders' equity		
Deposits from the general public	146,121	147,983
Loans from credit institutions	70,393	57,478
Securities issued, etc.	212,343	203,307
Subordinated loans	17,242	17,910
Other liabilities	36,302	33,720
Shareholders' equity	20,049	20,306
Total liabilities, allocations and shareholders' equity	502,450	480,704

Balance sheets according to old accounting standard

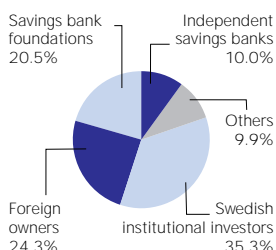
SEK M	1995	1994	1993	1992
Assets				
Swedish and foreign banks	26,987	20,161	29,979	32,460
Lending	384,792	394,140	421,504	423,913
Interest-bearing securities	28 215	40,447	30,091	23,282
Other	27,360	25,269	24,494	24,589
Total assets	467,354	480,017	506,068	504,244
Liabilities and shareholders' equity				
Deposits	141,484	144,086	144,077	142,239
Funding	220,977	226,698	265,100	250,449
Other liabilities	84,587	91,507	85,088	95,933
Shareholders' equity	20,306	17,726	11,803	15,623
Total liabilities, allocations and shareholders' equity	467,354	480,017	506,068	504,244

Explanation of differences in the balance sheet for 1995

When the balance sheet for 1995 is prepared according to the new accounting standard, total assets increase by SEK 13,350 M. The increase is due to the introduction of transaction day accounting for financial instruments and gross accounting for positive and negative values for derivative instruments. In addition, headings have been changed for items in the balance sheet.

The share and shareholder structure

Ownership structure



The Sparbanken Sverige share

The number of shares in Sparbanken Sverige amounts to 278,180,702. The par value of the share is SEK 20. The share capital of Sparbanken Sverige amounts to SEK 5,563,614,040. Should the offer be implemented according to this prospectus, the number of shares will increase with up to 74,595,239 and the share capital with up to SEK 1,491,904,780.

There is only one series of shares and all shares have equal voting rights and equal right to share in the Bank's assets and profit. The share is listed on the A-list of the Stockholm's Stock Exchange.

As far as Sparbanken Sverige is aware, there are no shareholder agreements between shareholders in the Bank.

As of December 31, 1996, Sparbanken Sverige did not hold any of its own shares.

Dividend

The Bank's Board of Directors has proposed a cash dividend of SEK 5.50 per share in respect of the 1996 financial year, or a total of SEK 1,530 M, which represents approximately 40 per cent of the Group's income after standard tax.

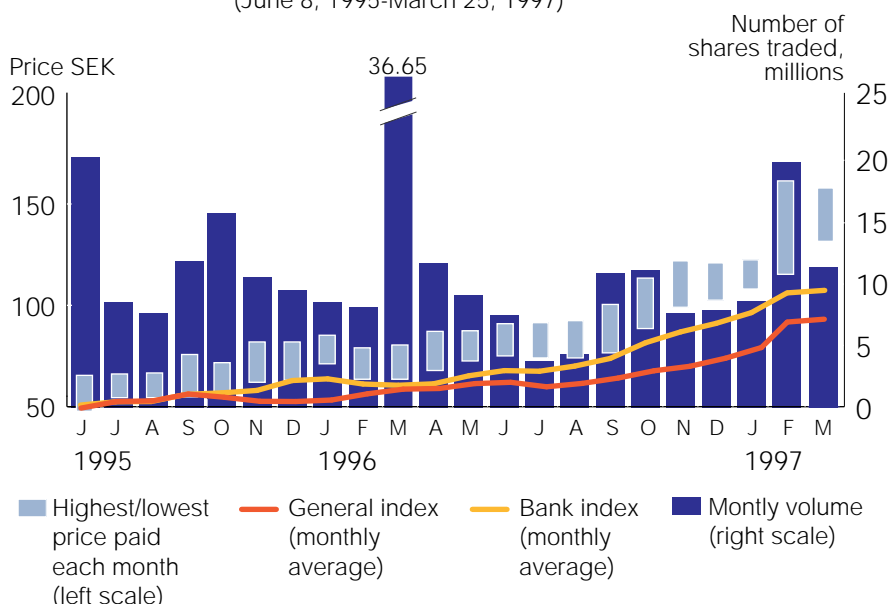
Shareholders

	%
Savings bank foundations	20.5
Independent savings banks	10.0
Fjärde AP-Fonden	3.7
AMF Pensionsförsäkrings AB	3.5
SPP	3.4
Sparinstitutens pensionskassa	2.4
Förbundsdepån	2.1
Folksam	2.0
AMF Sjukförsäkring AB	1.9
SEB Funds	1.8
Trygg-Hansa	1.8
Sparbanken equity funds	1.4
Other Swedish institutional investors	11.3
Foreign owners	24.3
Others	9.9
Total	100.0

Source: DN Ägarservice, December 31, 1996. Adjustments have been made for known changes.

The Sparbanken Sverige share

(June 8, 1995-March 25, 1997)



Changes in the share capital

Year	Transaction	Par value per share, SEK	Price, %	Additional number of shares	Cumulative number of shares	Share capital SEK M
1990					4,880,000	2,440
1990	New issue	500	100	1,000,000	5,880,000	2,940
1991	New issue	500	120	960,000	6,840,000	3,420
	New issue	500	100	1,200,000	8,040,000	4,020
1992	Split 5:1	100		32,160,000	40,200,000	4,020
	New issue	100	100	10,000,000	50,200,000	5,020
1993	Split 10:1	10		451,800,000	502,000,000	5,020
1994	New issue	10	573	38,000,000	540,000,000	5,400
1995	New issue/ reduction	10	650/630 ¹⁾	- 261,819,298	278,180,702	2,782
	Bonus issue	20	-	0	278,180,702	5,564
1996	-	20	-	0	278,180,702	5,564

1) The prices were in respect of conversion of four separate classes of preference shares in the spring of 1995 and should be seen in light of a subsequent reduction and bonus issue.

Data per share

	New accounting standard		Old accounting standard		
	1996	1995	1994	1993	1992
Operating income per share, SEK	13.72	11.45	10.52	- 13.17	- 41.91
Earnings per share, SEK	13.92	11.91	13.81	- 11.88	- 11.29
Equity per share, SEK	72.07	73.00	77.07	61.47	81.37
Cash dividend per share, 1996 according to the Board of Directors' proposal, SEK	5.50	3.50	2.50 ¹⁾	0.00	0.00
Price at year-end, SEK	116.50	84.50	50.75		
Yield, %	4.70	4.10	4.90		
P/E	8.49	7.38	4.82		
Price/equity per share, %	162	116	66		

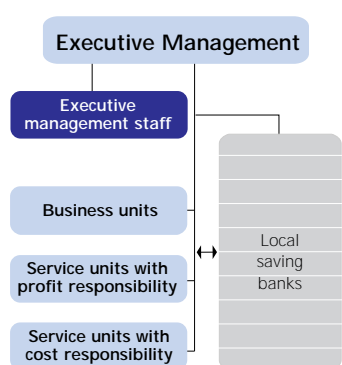
1) Distributed among the current number of shares.

Operations

Sparbanken Sverige AB

The Group's traditional banking operations are carried out by the Parent Company, Sparbanken Sverige AB, which consists primarily of local savings banks and central business and service units.

The organisation structure of the bank is shown below.



Local savings banks

The Bank's 597 branches are organised in 128 local savings banks, each of which is managed by a local president and its own local board of directors appointed by the Central Board of Directors. The branches have responsibility for contacts with customers and, in addition to traditional banking services, also handle the Group's sale of other products and services such as mortgage loans, fund investments, Sparbankkort and insurance.

To support the decentralisation of operations to the branches, a system has been put in place to monitor results and efforts have been made to assure that the local savings banks' results reflect the entire Group's operations. Local savings banks' results therefore include the results of collaborations with the central business units. Each local savings bank has specific objectives for income and operating income per employee, commission income and other income in relation to personnel expenses and income/cost ratios both before and after loan losses.

The development of each local savings bank is also monitored from a broader perspective to ensure stable, long-term profitability. This is done with a so-called balanced scorecard called *The Developing Contract*, which measures profitability,

customer opinions of the bank, credit risk, employee skills and especially quality of leadership.

One of the most important responsibilities of the local board of directors is to ensure that the local savings bank meets its stipulated goals.

Central business units

Swedbank Markets is the largest of the central business units in the Parent Company. The others are Sparbanken Företag (corporate), Sparbanken Kort (card operations) and Sparbanken Organisation. Also included are the subsidiaries Spintab, Robur, Sparbanken Finans and the associated companies SparLiv/SparFond.

Central service units

Within their respective areas of responsibility, the central service units, in cooperation with the Group's business units, ensure that stipulated objectives are met with regard to income and policy. The Group's data production and central systems development resources are combined in the largest single service unit, Spadab.

Central service units comprise a number of units with full profit responsibility, units that in principle are open to competition, and a number of units which operate with cost responsibility. The units with profit responsibility are:

- Payments
- Institute of Personal Finance
- Internal services for properties and purchasing
- Legal Services
- Group Finance
- Branch Development
- Market
- Human Resources Administration, Training and Skills Development

The service units with cost responsibility are:

- Controller
- Information
- Group Accounting
- Credit
- Spadab
- Systems/IT

Sparbanken Swedbank Markets

The Bank's capital market, international and large corporation operations are encompassed within Swedbank Markets.

The two main functions of its operations are to provide business support and services to the savings banks and to offer financial business solutions to businesses, institutions, organisations and municipalities. More than 550 people work at Swedbank Markets. Business support for the savings banks is provided via Swedbank Markets' branch offices in Umeå, Stockholm, Gothenburg and Malmö.

Swedbank Markets' organisation comprises the Bank's international branches in London and New York and the representative office in Tokyo. The international units support the Bank's corporate customers and participate in the Group's global capital market operations.

Swedbank Capital Market & Securities is responsible for trading in equities and interest-bearing instruments. The unit is also involved with the development of new investment products and analyses of the stock, money and currency markets. Furthermore, the analysis unit produces long-term macroeconomic analyses and forecasts from both a Nordic and international perspective.

Within the analysis operations, continuous research is done on around 70 Swedish companies, representing 95 per cent of the market capitalisation of the Stockholm Stock Exchange, as well as more limited research on other Nordic companies. Trading in Swedish equities for customers outside Sweden is also carried out in London and New York.

Swedbank Foreign Exchange & Money Market is responsible for currency trading, deposits and lending in Swedish and foreign currency, demand loans, securities repurchase and resale agreements and interest hedges via the derivative market. Trading in currencies and interest-bearing instruments is also done by the branches in London and New York.

Swedbank Corporate Finance is responsible

for financial advisory services and capital procurement via the risk capital market through new issues and initial public offerings. The unit also provides advisory services for mergers and acquisitions.

Swedbank Debt Financing is responsible for the interest-bearing capital market, medium-term lending, export credits and project financing.

Swedbank Asset Management is responsible for discretionary equity and fixed income investments primarily on behalf of Swedish institutions, businesses, municipalities and county councils, as well as trust accounting for large public institutions.

Swedbank Global Trade and Banking Services is responsible for development, handling and specialist support for the payment and financing of exports and imports. The unit provides custody services for Swedish and international institutions.

Swedbank Financial Institutions has overall customer responsibility for international financial institutions. The unit also produces analyses and evaluations of country and bank limits.

Swedbank Large Corporate Customers has overall customer responsibility for large Swedish corporations and institutions.

Swedbank Business Administration sells back-office and other administrative services to the business units within Swedbank Markets.

Sparbanken Kort

Because of the increasing importance of bank cards to the relationship between customers and the Bank, a new business area, Sparbanken Kort, was established in 1996. The card operations, whose main sales channel is Sparbanken, were transferred from Sparbanken Finans to the Bank. The Sparbanken Kort business area consists of three units: card sales, which is managed by Sparbankskort; transaction redemptions, which are handled by Babs, and business development.

Sparbanken Kort is the issuer of Sweden's most frequently used bank card, Sparbankskort, and a business card, Visa Business Card. Babs develops and supplies most of the payment systems that make card payments the fastest way to get through a cashier's line.

Sparbankskort

This unit, working in close cooperation with the local and independent savings banks, provides a complete range of debit, charge and credit cards.

Two completely new card products were launched during 1996, Sparbankskort Maestro and Sparbankskort Cash. Sparbanks-kortkredit, Sweden's most inexpensive debit card with a built-in credit line, became more easily accessible for customers through Minuten ATMs and Sparbanken Direct Personal Assistance telephone banking.

Card products

Sparbanken Kort's market-leading position in charge cards is best indicated by Sparbanks-kort, Sweden's most widely used bank card, with nearly 1.4 million cards currently in use, of which approximately 400,000 are held by customers of the independent savings banks. The main function of Sparbankskort is to offer savings bank customers a means of payment that works just as well in Sweden as abroad. The link with Visa makes the Sparbankskort one of the world's most widely accepted means of payment.

The new Maestro card being offered to customers from age 16 works in the ATMs of most Swedish banks and is accepted in stores

and restaurants with electronic payment terminals.

Sparbanken also offers a debit card linked to MasterCard.

Babs

Babs is the market leader in redemptions of charge card transactions from retailers and other service providers. In 1996 the number of transaction redemptions amounted to 84 million, an increase of 24 per cent compared with 1995. Through Babs, Sparbanken offers redemptions and guaranteed payment for more cards than any other redemption company.

Services are provided for Sparbanken's own charge card operations and external card issuers. The majority of card transactions are processed through various types of store terminals, which are sold or leased to the sales locations.

Babs helps to improve card processing for retailers by offering efficient, competitive solutions for card payments, thereby supporting the savings banks' emphasis on self-service and card use. Because sales and customer service are provided by the savings banks, operations remain close to the customers.

Slightly more than 20,000 retailers are linked to Babs' redemption system.

Business development

The business development unit enhances existing charge card products and develops new payment products in order to provide Sparbanken's customers better accessibility to cashless payments in accordance with Sparbanken's self-service strategy. Simplified administration, very good accessibility and high security, in combination with good operating economy, are important factors for the new payment products. The goal of the operations is to create value-added for Sparbanken's customers and thereby new income sources for Sparbanken, as Sweden's leading payment provider for both private individuals and corporations.

IT-operations

Central systems

During the spring of 1996 major changes were made in central systems to improve and raise the efficiency in loan and collateral processing for both Sparbanken Sverige and the independent savings banks.

A new system for administration of salary payments was introduced which allows customised solutions for businesses, municipalities and county councils.

Internet

During 1996 the Internet made its major breakthrough as a new way of accessing the Bank's services. This applies to retrieving information on the Bank's various products and services and conducting various types of banking business directly from a PC in the home or office. An example of information services is Sparbanken Fastighetsbyrå's real estate service, where customers can go on-line to view available properties and use Spintab's housing expense calculator. Robur and SparLiv/SparFond also have home pages to show their products and services. In May 1996, Sparbanken Sverige was one of the first companies to introduce equity trading via the Internet, under the name Net Trade. During the fall of 1996 the Bank also introduced Sparbanken over the Internet, where customers can review their accounts, transfer funds or issue payments via postal or bankgiro. In 1997 new functions will gradually be added.

Cards

During the fall a pilot project was started in cooperation with Nordbanken to test electronic cash card systems using smart card technology on a large scale. In the future this technology will make it possible to add new applications to cards such as electronic bank identification, charge card services, credit and so on.

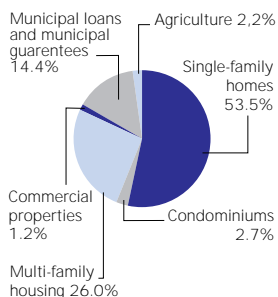
New technical platform

In 1996 the Bank decided on a new technical platform, Platform 2000, which will carry its information technology systems into the next century and involve the modernisation of communication networks, workplace equipment and parts of the central systems. Platform 2000 is based on open standards and creates greater flexibility for the Bank's various business operations. The Savings banks' new group network, SPARWAN, is based on the same standard as the Internet (TCP/IP), which ensures that it can be expanded and modified as needed. An intranet called Kanal-1 was created to simplify the Bank's internal information flows and make shared information and handbooks available. Various types of routines, such as customer complaints and purchasing, are based on Kanal-1, which is revolutionising internal information processing in the Bank.

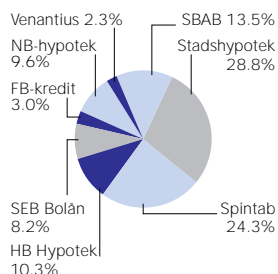
Year 2000 and EMU

In 1996 Sparbanken prepared and planned for the system changes that will have to be made come the year 2000. Preparations for the EMU have also begun, since the savings banks' IT systems will be affected by the use of dual currencies regardless of whether or not Sweden joins the EMU. The actual implementation will take place mainly in 1997 and 1998.

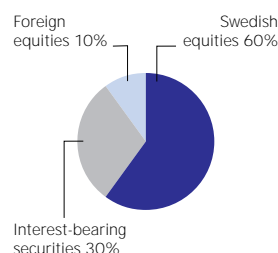
Spintab's credit portfolio
(December 31, 1996)



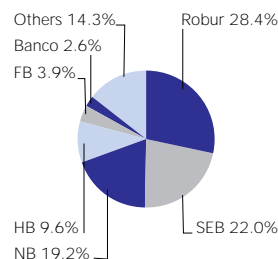
Swedish mortgage Institutions' market shares
(June 30, 1996)



Fund assets
(December 31, 1996)



Market shares by total fund assets
(December 31, 1996)



Spintab

Spintab, a wholly owned subsidiary of Sparbanken Sverige, is the savings banks' mortgage institution for the long-term financing of residential housing, municipal investments and family-owned farms. Spintab is one of the largest mortgage institutions in the country, with approximately one-fourth of the total market. In the retail market, Spintab's position is even stronger and its share is 31 per cent at year-end 1996. Over half of Spintab's loan portfolio consists of

by the households who live in them. Spintab grants loans only against collateral in the form of real estate, condominiums or guarantees by the government, municipalities, banks, insurance companies or other credit market companies. Loans are normally granted for up to 75 per cent of the market value of a property. Sales and customer contacts on Spintab's behalf are handled by the branches of Sparbanken Sverige and the independent savings banks.

Spintab five-year summary

SEK M	New accounting standard		Old accounting standard		
	1996	1995	1994	1993	1992
Income					
Operating income before loan losses	3,301	3,031	2,600	2,712	2,890
Loan losses	- 605	- 756	- 958	- 1,307	- 1,681
Operating income	2,696	2,275	1,642	1,405	1,209
Interest margin, %	1.0	1.0	0.9	0.8	1.0
Investment margin, %	1.5	1.4	1.2	1.1	1.3
Return on equity, %	16.9	17.1	14.1	12.8	13.7
Capital					
Lending, SEK-billion	246.6	239.4	240.5	242.5	233.7
Shareholders' equity	13,419	10,419	8,782	8,130	7,565
Total assets, SEK billion	255.4	252.9	248.0	255.9	254.4
Capital adequacy ratio, %	18.7	17.5	15.2	14.3	12.3
Primary capital ratio, %	11.7	9.5	7.9	7.2	7.0
Other					
Average number of employees	300	334	367	355	341
Number of loans, thousands	751	762	775	791	766

Robur Kapitalförvaltning AB

Robur, a wholly owned subsidiary of Sparbanken Sverige, is the savings banks' fund management company. Robur manages a wide range of mutual funds and interest-bearing funds that invest in both the Swedish and international capital markets. Robur is

Sweden's largest fund management company, with a market share of 28 per cent. Sales and customer contacts on Robur's behalf are handled by the branches of Sparbanken Sverige and the independent savings banks.

Robur five-year summary

SEK M	1996	1995	1994	1993	1992
Income					
Income including net financial items	467	390	359	278	170
Expenses and depreciation	- 124	- 109	- 112	- 118	- 104
Operating income	343	281	247	160	66
Assets under management					
Fund assets, SEK billion	92.4	65.0	52.3	51.6	37.6
Other					
Average number of employees	68	59	57	48	47

Sparbanken Finans AB

Sparbanken Finans is a wholly owned subsidiary of Sparbanken Sverige and adds finance company services to the traditional range of bank services provided by the savings banks.

The range of services is offered primarily by local and independent savings banks, though also through retailers and brokers, organisations and its own sales force.

Sparbanken Finans supports the Bank's focus on corporations

Operations are divided into three business areas: Corporate Customers, Customer Collections and Retail.

The Corporate Customers business area offers a complete range of services such as leasing, instalment payments, car leasing, fleet financing with various added services, supplier financing and factoring.

Customer Collections provides debt collection services to companies and private individuals.

The Retail business area markets sales-supporting customer financing solutions. Services range from affinity charge cards that can be linked to either Visa or MasterCard to instalment payment plans for boats, cars and recreational vehicles. The operations of Sparbankskort were transferred to the Bank in 1996.

Sparbanken Finans five-year summary

SEK M	New accounting standard		Old accounting standard		
	1996	1995	1994	1993	1992
Income					
Operating income before loan losses	264	484	418	512	315
Loan losses	8	28	17	-172	-153
Operating income	272	512	435	340	162
Return on equity, % *	22.6	50.9	52.5	42.7	24.9
I/C ratio before loan losses	2.2	1.9	1.9	2.0	1.7
Capital					
Shareholders' equity	869	867	581	580	513
Total assets	5,357	6,011	5,934	6,847	8,430
Capital adequacy ratio. %	17.9	17.1	13.0	12.4	9.2
Other					
Average number of employees	252	359.	364	368	298

* After standard tax.

Sparbanken Sverige Administration AB

Sparbanken Sverige Administration, a wholly owned subsidiary of Sparbanken Sverige, is a holding company for operations that are not directly related to banking. The operating companies are Sparbanken Fastighetsbyrå AB and Skepparholmen Hotell och Konferens AB. During 1996 the wholly owned real estate

management company Mälarstaden Förvaltning AB was sold. Sparbanken Fastighetsbyrå is the holding company's largest subsidiary and one of Sweden's leading real estate brokers.

Sparbanken Fastighetsbyrå five-year summary

SEK M	1996	1995	1994	1993	1992
Income					
Commission income	284	253	246	216	207
Operating income	5	- 17	- 6	- 33	- 47
Other					
Number of transactions	15,530	14,564	14,528	13,014	13,202
Average number of employees	441	444	423	407	612

Swedbank (Luxembourg) S. A.

Swedbank (Luxembourg) S.A., a wholly owned subsidiary of Sparbanken Sverige, specialises in banking services for Swedes living abroad and other expatriate Nordic citizens, particularly with regard to savings,

investments and asset management. The Bank also provides administrative services for Robur International SICAV. Operating income for 1996 amounted to SEK 13 M.

Associated companies and other companies

Eskilstuna Rekarne Sparbank AB

During the first quarter of 1997 the operations of Sparbanken Sverige and Rekarne Sparbank in Eskilstuna were coordinated, while at the same time Sparbanken Sverige acquired 50 per cent of the shares in Eskilstuna Rekarne Sparbank AB, after the bank's transformation into a limited liability banking company.

SparLiv/SparFond

SparLiv and SparFond are Sparbanken Sverige's 50-per cent owned insurance companies for pension and life insurance products. The two companies' other 50-per cent owner is the insurance company Folksam. SparLiv and SparFond market their insurance policies through the branches of Sparbanken Sverige and the independent savings banks. SparLiv sells group life, capital and pension insurance, while SparFond offers insurance savings in equity funds, primarily managed by Robur.

Sparbanken Borås AB

Sparbanken Borås is a banking company 40-per cent owned by Sparbanken Sverige and 60-per cent by Sparbankstiftelsen Borås. In 1995 it took over the operations previously conducted by Borås Sparbank. The bank has 15 branches in Sjuhäradsbygden in southwestern Sweden and is the leading bank in its region. Operating income in 1996 amounted to SEK 40 M.

AS Eesti Hoiupank

Eesti Hoiupank is Estonia's third largest bank and the country's market leader in the household sector. It operates on a nationwide basis and has approximately 200 branches and 1,300 employees. Eesti Hoiupank is 12.5-per cent owned by Sparbanken Sverige. Operating income in 1996 amounted to SEK 44 M.

Aktia Sparbank Ab

Aktia Sparbank, the largest savings bank in Finland, was created in 1991 and 1992 when Helsingfors Sparbank merged with a number of coastal savings banks in southern Finland. It was converted to a limited liability banking

company in 1993 and currently has slightly more than 60 branches in Finland's bilingual coastal area. Aktia Sparbank Ab acts as coordinating bank for the approximately 40 savings banks in Finland. Sparbanken Sverige owns 25 per cent of Aktia. Operating income in 1996 amounted to SEK 65 M.

Sparbanken Sverige and other shareholders in Aktia, who together with Sparbanken Sverige control nearly 76 per cent of total shares and votes, have joined into a shareholder agreement. The agreement regulates issues such as coordination when taking certain important decisions and cooperation in purpose of developing the operating conditions of Aktia.

Norden Banking Group

Sparbanken Sverige has entered into a cooperation agreement with Aktia Sparbank Ab, Bikuben Girobank A/S of Denmark (in which Sparbanken Sverige owns nearly 5 per cent of the share capital) and Sparebanken Nor of Norway according to the standards of the so-called Norden Banking Group. The purpose of the cooperation is to give each bank's customers better service within the Nordic region.

SparLiv/SparFond five-year summary

SEK M	SparLiv					SparFond				
	1996	1995	1994	1993	1992	1996	1995	1994	1993	1992
Premium income	2,027	728	520	471	493	1,137	434	847	157	60
Operating income ¹⁾	567 ²⁾	185	15	181	43	- 3	17	- 6	17	- 6
Number of new policies	240,000 ³⁾	45,300	44,200	37,000	60,200	21,000	8,500	12,025	5,800	3,500
Assets under management	5,318	2,058	1,531	1,164	847	3,208	1,561	1,056	279	79

1) SparLiv's profits are set aside for its policyholders.

2) 1996 income also includes unrealized exchange gains.

3) Includes loan insurance.

Customer contact

Sparbanken Sverige has a broad base of customers and focuses its operations on private individuals, businesses, county councils, municipalities and municipal companies, and nationwide and local organisations. The basis for these operations is the proximity to customers through 597 branches and local ties with 128 local boards whose representation reflects the local market.

This, together with the cooperation with independent savings banks and their branches, allows us to offer customers a broad-based, multi-faceted, nationwide range of banking services.

The "global-local" bank

To meet customers' needs for specific business solutions, the local branches have access to the specialised expertise in the business areas at the central level, which is shared as needed. The "global-local" bank is a combination of local presence and global expertise.

To meet the needs of customers who wish to conduct their banking business regardless of the time of day or place, the branch network has been complemented by the Sparbanken Direkt telephone bank. Without assistance from Bank employees, customers are able to find out their balances, the status of transactions and fund contributions and transfer funds between accounts. Telephone banking with personal assistance provides nearly the same wide range of services that is offered at the branches. The telephone bank

currently has 1.2 million customers, of whom around 250,000 use personal assistance.

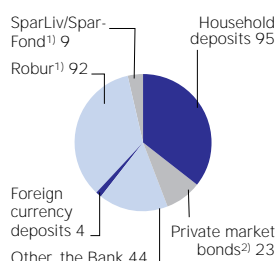
Sparbanken via the Internet

In December 1996 Sparbanken became accessible on the Internet. In other words, a new means of reaching the Bank was made available via PC at home, the office or elsewhere. Initially customers are able to check their balances and transactions, make transfers between accounts and pay bills. Since the beginning of 1996 they have also been able to trade equities over the Internet with Swedbank's new Net Trade system. Additional services will be introduced in 1997. To further increase accessibility and freedom of choice for customers, the local branches are gradually adapting their open hours and their staffs' working hours to suit customers' wishes and local conditions. In addition, new types of branches with customised services are opening at workplaces, in shopping centers and in other public places.

Women and finances

For ten years Sparbanken has conducted information activities targeted specifically to women in the form of meetings and individual advisory services. Hundreds of thousands of women have participated in these seminars. The seminars are held primarily at the local level and aimed at strengthening business contacts with female customers and attracting new customers.

Savings and investments in the Sparbanken Sverige Group, SEK billion (December 31, 1996)



¹⁾ Incl. change in value
²⁾ Nominal value

Savings and investments

The need for increased private and individual pension savings opens considerable business opportunities for Sparbanken Sverige and independent savings banks.

Sparbanken Sverige's subsidiary Robur, which is the largest fund manager in Sweden, further strengthened its market position during the year. Robur's funds contain Swedish and foreign equities as well as participations in interest-bearing securities.

Private market bonds are bonds adapted specially to the household market in terms of the way they are marketed and sold and their

denominations. Sparbanken Sverige's subsidiary Spintab, together with the Bank, is Sweden's largest issuer of private market bonds. Its market share increased slightly in 1996.

Insurance savings via banks have expanded greatly in recent years, and banks are dominating in new pension and life insurance policies. Sparbanken Sverige's 50-per cent-owned companies SparLiv/SparFond were market leaders in 1996 in terms of new life and pension insurance policies.

Lending

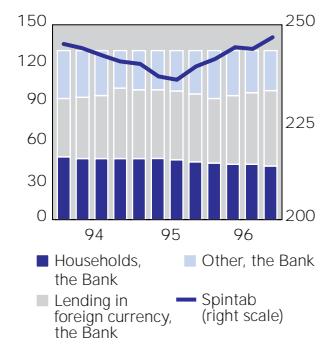
Increased lending

The Sparbanken Sverige Group's total lending to the general public and credit institutions amounted to SEK 382 billion at year-end 1996. This does not include lending to the National Debt Office or to banks. Lending to businesses – primarily in manufacturing, agriculture and forestry – rose by SEK 3 billion. Lending to municipalities rose by SEK 1 billion and to households by SEK 2 billion during the year. Mortgage lending by Spintab increased by slightly more than SEK 7 billion. The largest part of the increase originated

from the household market and a significant part were loans that customers chose to transfer from the Bank to Spintab due to lower long-term interest rates.

The Group's lending to real estate management operations decreased in 1996 by approximately SEK 6 billion due to, among other things, the distribution of Fastighets AB Tornet and the continued liquidation of problem loans.

Lending to the general public
1994–1996 (excl. repurchase
agreements, incl. insurance cos.) SEK billion



Summary of Sparbanken Sverige's customer base

Retail market

	Market shares, per cent					Volumes, SEK billion				
	1996	1995	1994	1993	1992	1996	1995	1994	1993	1992
Deposits, SEK	22	23	24	25	26	95	94	98	96	100
Bank lending, SEK	23	23	25	25	26	40	44	47	50	58
Mortgage financing via Spintab	31	31	31	31	31	139	131	132	133	130
Individual pension savings	26	23	22	–	–	2	1	1	–	–
Retail market bonds	19	18	17	14	–	23	23	16	7	–
Number of credit/charge cards (thousands)	47 *	46	42	41	42	1,920	1,763	1,697	1,525	1,460
Fund management	28	27	25	26	27	92	65	52	52	34
Life and pension insurance	18	8				9	4	3	1	1

*Preliminary.

Corporate market

	Market shares, per cent					Volumes, SEK billion				
	1996	1995	1994	1993	1992	1996 *	1995 *	1994	1993	1992
Bank deposits, SEK	10	12	13	12	12	22	18	21	16	16
Bank lending, SEK	17	18	20	19	19	51	56	59	52	63
Bank lending, foreign currency	16	15	14	14	16	10	11	11	17	30
Leasing via finance companies	6	7	7	9	10	2	3	3	3	4
Instalment purchases via finance companies	12	15	17	21	27	2	2	1	2	2

*Source: As of January 1996, the Riksbank's monthly statistics, non-financial companies, and prior to that, Statistics Sweden's figures on gross loans.

Municipality market*

	Market shares, per cent					Volumes, SEK billion				
	1996	1995	1994	1993	1992	1996	1995	1994	1993	1992
Bank deposits	36	39	43	41	36	7	7	9	9	6
Bank lending	28	30	38	38	33	7	7	6	5	6
Mortgage lending (Spintab)	32	35	35	36	36	7	7	7	9	10
Municipal commercial papers**	45	41	32	40	31	3	2	3	2	2

* Not including municipally owned companies.

** Outstanding amount on December 31.

Households Sparbanken Sverige

Preferential customers	
(Eken customers)	1.0 million
ATM card customers	1.0 million
Sparbanksgiro customers	0.9 million
Sparbankskort customers	0.9 million
Telephone banking customers without personal assistance	0.9 million
Telephone banking customers with personal assistance	0.3 million
Spintab mortgage customers	0.7 million
Robur customers	1.0 million
SparLiv/SparFond customers	1.0 million

Human resources unit

– *Skills and business development* serves as internal consultants on organisational change, management/leadership issues and special training efforts.

– *Human resources administration* provides information on collective agreement issues and handles salary administration and personnel reporting.

– *Training* produces training and development programs on request. Training is also responsible for the implementation of certain major development/training programmes.

Tools for the future is the Bank's method to measure the opinion about the Bank among employees and customers. Tools for the Future consists of a human capital survey, a market capital survey and an integrated analysis of profitability.

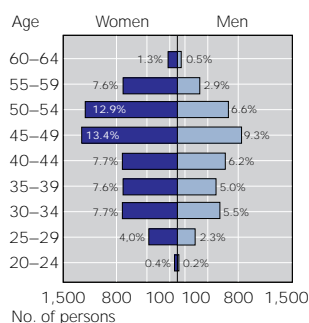
The cooperation with Finansförbundet within the framework of the local co-determination agreement, the Handshake, has been very satisfactory and is unprecedented in the Swedish banking industry.

The *Personnel Changes Group* has worked on a project basis with special efforts with regard to downsizing and outplacement.

During 1996 a profit-sharing system called *PersonalEken* was introduced. If Sparbanken's return on equity is higher than that of four specific competing banks and if certain other conditions are met, the Bank's Board of Directors may decide to allocate up to one half of one basic amount according to the National insurance Act per full-time employee. The amount may be withdrawn no sooner than five years after its allocation. No allocation to PersonalEken was made for 1996.

The human resources unit, in cooperation with Finansförbundet, has formulated a *Central Equal Opportunity Plan* to establish objectives for equal opportunity work in the Group and to support local equal opportunity work. In accordance with the collective agreement, the Bank during the year, in collaboration with the union, sought to rectify any unwarranted salary differences on the grounds of gender for equivalent work.

Group employees by age and gender (December 31, 1996)



Personnel

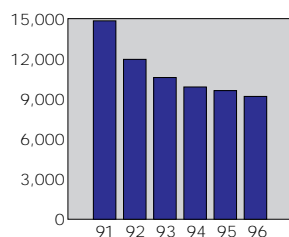
Sparbanken Sverige's human resources policy expresses the values that guide human resource work. The focus of the policy is to create conditions for a learning organisation, where a decentralised organisational structure, delegated decision-making and individual responsibility are fundamental concepts.

Managers' responsibilities for operations are a cornerstone of the Bank's organisation model. Operative responsibility also includes responsibility for personnel.

The policy also states that "our profitability and long-term survival are based on the skills demonstrated by employees in their interaction with customers." An important responsibility for the manager is to ensure that employees maintain a high level of expertise, i.e. know-how, desire and ability. The role of the human resources unit is to advise and support the Bank's managers on issues of skills and business development.

Conditions in the banking market are changing ever more rapidly, in part as a result of development in information technology. Because of this, operations have to be adapted quickly and employees have to be willing to accept change. Among the responsibilities of the human resources unit is to implement various operational changes at the request of the Executive Management.

Number of employees 1991*-1996 (full-time positions)



* Total number of employees in the banks that were merged into Sparbanken Sverige in 1992.

Supplementary information

Important agreements

As described in the section Relationship with the independent savings banks on page 18, Sparbanken Sverige conducts extensive co-operation with the independent savings banks. Sparbanken Sverige assigns great importance to this co-operation and intends to continue the co-operation as far as possible even after the amalgamation with Föreningsbanken. Sparbanken Sverige does not consider that it has reason to believe other than that the co-operation largely will continue as previously, at least with most of the independent savings banks. In this respect, the following conditions should however be considered. The agreements regulating the co-operation include mutual cancellation periods of one year. The co-operation is carried out based on an exception granted by the Competition Authority in 1994, which is currently effective through February 1999. The co-operation with an independent savings bank, which does not accept an offer from FöreningsSparbanken to acquire branch office operations in locations where Föreningsbanken currently has a branch office, will have to be adapted to the partly changed conditions which occur to the extent that such savings bank has a branch office network which overlaps FöreningSparbanken's network.

Litigation

Companies within the Sparbanken Sverige Group are parties to a number of civil law disputes. No single current or pending item of litigation or dispute in court or subject to arbitration is expected to have, or recently has had, a material effect on the Group's financial position. Regarding tax disputes see section Taxes on page 64.

Insurance

Sparbanken Sverige's overall insurance protection is considered to be satisfactory. The insurance includes protection from criminal offences in respect of theft, fraud and computer related violations, as well as robbery and damage to real estate.

Samsparbanken

In March 1997, Sparbanken Sverige agreed with Dagengruppen AB to form a new common bank – Samsparbanken, provided that a charter is granted by the government. The bank will be owned to 60 per cent by Sparbanken Sverige and to 40 per cent by Dagengruppen. The operations are planned to start on January 1, 1998.

The new bank will at the start up assume the operations from Samspar, Dagengruppen's finance and insurance operations, which currently has total assets of slightly more than SEK 1 billion. Samsparbanken will address to Christian communities and organisations and their members.

Loans to Board members, management etc.

In common with other banks, employees of the Group including management enjoy the benefit of an interest rate subsidy in respect of loans granted to them by the Bank, primarily in the form of housing finance.

Loans to non-executive Board members and their deputies are made on the same terms as apply in the case of lending to the general public. Members of the Bank's management receive the same interest rate subsidy as other members of staff when borrowing from the Bank. Loans from Spintab do not carry any interest rate subsidy. See note 8 on page 74 for a detailed description.

Remuneration of the Board, management and auditors

Auditing fees for the 1996 financial year amounted to SEK 7.4 M. See note 8 on page 74 for a detailed description.

Facts from the articles of association, etc.

Facts from the articles of association after changes confirmed on July 8, 1996.

Name and purpose (§ 1)

The name of the Bank is Sparbanken Sverige AB with Swedbank as the secondary name for the Bank's international operations. The company is public (publ). The Bank, founded by Swedish savings banks, has as its task to carry out banking operations and activities connected therewith.

Share capital and voting rights (§ 3 and § 12)

The Bank's share capital shall be not less than SEK 2 000 000 000 and not more than SEK 8 000 000 000. Shares shall have a nominal value of SEK 20. All shares entitle the holder to one vote each. At the annual general meeting, each person entitled to vote may speak and exercise voting rights for the full number of shares which such person owns or represents.

Record date (§ 4)

The Bank is a so-called VPC-company, meaning that it does not issue any share certificates and its share register is maintained by VPC.

Principal office (§ 5)

The Board of Directors shall have its principal office in Stockholm.

Board of Directors (§ 6)

In addition to those members who are by law appointed other than by the general meeting, the Bank's Board of Directors shall comprise not less than nine nor more than fifteen members together with one deputy member.

Financial year (§ 8)

The Bank's accounts shall be prepared and ended on a calendar year basis.

Annual general meeting (§ 10 and § 12)

The annual general meeting is to be held in Stockholm before the end of April in each year. (The Board of Directors has proposed to the 1997 Annual General Meeting to decide on a change in the articles of association to the effect that general meetings may be held also in other locations in Sweden.)

Other information

Organisation number: 502017-7753.

1942 was the Bank's first year of operations. The Bank was formed – with a number of savings banks as founders – and granted a bank charter on December 30, 1941. The Bank's original name was Sparbankernas Bankaktiebolag. In 1976, the name was changed to Sparbankernas Bank. In connection with the merger of eleven regional limited liability savings bank companies into Sparbankernas Bank on December 31, 1992, the name was again changed, this time to Sparbanken Sverige AB.

The Bank is a limited liability banking company. The legislation which is applicable to the operations of a limited liability banking company is mainly found in the Banking Companies Act (1987:618), the Banking Business Act (1987:617) and the Act on Capital Adequacy and Large Exposures for Credit Institutions and Securities Companies (1994:2004).

Board of Directors, Auditors and Executive Management

Directors

Elected by the Annual General Meeting

Göran Collert
Nils Stormby
Bo Forslund
Göran Ahlström
Ronald Bergman
Reinhold Geijer
Kurt Lodenius
Per Molin
Per-Göran Nyberg
Hans Olsson
Marianne Qvick Stoltz
Madeleine Ramel
Bengt Rosén
Håkan Tidlund
Monica Ulfhielm

Employee representatives

Kaisa Bratt
Lillemor Smedenvall

Company Secretary

Olov Lydén

Deputy Directors

Elected by the Annual General Meeting

Lars-Erik Kvist

Employee representatives

Björn Nykvist
Carina Raderman

Auditors

Ulf Egenäs

Authorised Public Accountant,
Deloitte & Touche AB.

Olle Gunnarsson

Authorised Public Accountant, Öhrlings,
Coopers & Lybrand AB. Appointed by the
Swedish Financial Supervisory Authority.

Torbjörn Hanson

Authorised Public Accountant,
Ernst & Young AB.

Per Nilson

President of Varbergs Sparbank.

Christian Westrup

B.LL.

Deputy Auditors

Olof Cederberg

Authorised Public Accountant,
Ernst & Young AB.

Jan Larsson

Authorised Public Accountant,
Deloitte & Touche AB.

Valdemar Löwhagen

President of Sparbanken i Lidköping.

Jan Åkesson

President of Sparbanken i Enköping.

Directors

Göran Collert

Executive Chairman since 1995, Born 1937. Elected 1978. Other directorships: Chairman of AB Spintab and SparFond Livförsäkrings AB and Board Member of Fastighets AB Tornet. SparLiv Livförsäkrings AB and Nutida svenskt silver. Member of the Board of Directors' Credit and Capital Market Committee and Finance Committee.
Holding: 20,000 shares.

Nils Stormby

First Deputy Chairman. Senior Research Fellow. Born 1929. Elected 1991. Other directorships: Chairman of the Savings Bank Foundation Skåne. Board Member of Ad Hoc AB, Medscand Diagnostik AB and Medscand Medical AB. Member of the Board of Directors' Credit and Capital Market Committee and Audit and Security Committee.
Holding: –

Bo Forslund

Second Deputy Chairman. Former Member of the Swedish Parliament. Born 1939. Elected 1991. Other directorships: Chairman of the Savings Bank Foundation Norrland and Långsele Tvätten AB. Member of the Board of Directors' Credit and Capital Market Committee and Finance Committee.
Holding: 2,321 shares.

Göran Ahlström

President of Sydkraft AB. Born 1936. Elected 1995. Other Directorships: Chairman of Fastighets AB Tornet and OKG AB. Board Member of Sydkraft AB, Svensk Danska Broförbindelsen AB, Öresundskonsortiet, PreussenElektra AG, Neste Sverige AB, the Federation of Swedish Industries and the Swedish Power Association. Member of the Board of Directors' Credit and Capital Market Committee and Audit and Security Committee.
Holding: –

Ronald Bergman

Chairman of Nordström & Thulin AB. Born 1931. Elected 1991. Other directorships: Board Member of Argonaut AB, Nordström & Thulin with subsidiaries in Sweden and

abroad. Lloyds Register Nordic Committee, Nordisk Skibs Redarförening, Norwegian Veritas, the Swedish Shipowners' Association, the Baltic and International Maritime Council and Governor of the Stockholm Chamber of Commerce. Member of the Board of Director's Finance Committee.
Holding: 5,321 shares.

Reinhold Geijer

President of Sparbanken Sverige AB since 1995. Born 1953. Elected 1995. Other directorships: Chairman of Sparbanken Finans AB. Board Member of the Wahlgrenska Foundation, the Swedish Bankers' Association and Affärsbankernas Serviceaktiebolag. Member of the Board of Directors' Credit and Capital Market Committee and Finance Committee.
Holding: 8,321 shares.

Kurt Lodenius

Former Municipal Commissioner. Born 1936. Elected 1983. Other directorships: Chairman of Roslagens Sparbank and Sparbankernas Andra Allemansfond AB. Board Member of the Independent Savings Bank Association, Fastighetsbolaget Nica HB and Norrtelje Tidning AB. Member of the Board of Directors' Credit and Capital Market Committee.
Holding: 1,143 shares.

Per Molin

Former President of Avesta Sheffield AB. Born 1937. Elected 1995. Other directorships: Board Member of Höganäs AB, ERRCE AB, Nordstjernan AB, ABB Service AB, the Federation of Swedish Industries, the Swedish Steel and Metals Association, the Council of the Swedish Iron Masters' Association (Steering Committee of the Nordic Steel Association) and the Industrial Council of the Swedish Academy of Engineering Sciences.
Holding: –

Per-Göran Nyberg

Former Bank Executive. Born 1936. Elected 1984. Other directorships: Chairman of the Savings Bank Foundation Alfa. Deputy Chairman of European Savings Bank Group (ESBG). Board Member of Elmia AB. Member of the Board of Directors' Credit and Capital Market Committee.
Holding: –

Hans Olsson

Controller, the Swedish Metal Workers' Union
Born 1942. Elected 1992, Other
directorships: Board Member of Bergaliden
AB, Fastighets AB Storheden and M2
Fastigheter AB. Member of the Board of
Directors' Credit and Capital Market
Committee and Finance Committee.
Holding: –

Marianne Qvick Stoltz

Businesswoman. Born 1949. Elected 1994.
Other directorships: Board Member of
HIAGAB, Aug. Magnussons Eftr. AB, Tidsforum
i Göteborg AB, Göteborgs Auktionsverk.
Göteborgs Pantbelåning AB, Västsvenska
Handelskammarens Service AB and
Företagarna Göteborgsdistriktet Servicebolag.
Member of the Board of Director's Audit and
Security Committee.
Holding: 214 shares.

Madeleine Ramel

Born 1927. Elected 1991. Member of the
Board of Directors' Audit and Security
Committee.
Holding: 321 shares.

Bengt Rosén

B.L.L. Born 1936. Elected 1992. Other
directorships. Board Member of Skaraborgs
Läns Sparbank, Svenska Foder AB, the
Lundsbrunn Spa Foundation and the Feed and
Grain Trade Association. Member of the Board
of Directors' Audit and Security Committee.
Holding: –

Håkan Tidlund

President of Folksam. Born 1943. Elected
1994. Other directorships: Chairman of
SparLiv Livförsäkrings AB. Board Member of
Folksam ömsesidig sakförsäkring. Folksam
ömsesidig livförsäkring, KP Pension &
Försäkring, Kooperationens
Förhandlingsorgan, SparFond Livförsäkrings
AB and the Federation of Swedish Insurance
Companies, Member of the Board of
Directors' Credit and Capital Market
Committee and Finance Committee.
Holding: 642 shares.

Monica Ulfhielm

Executive. Born 1942. Elected 1992. Other
directorships: Board Member of Akademiska
Hus i Stockholm AB, the Royal Institute of

Executive Management

Reinhold Geijer
Lars-Erik Kvist
Gunnar Andersson
Sören Andersson
Lars Eklund
Gert Engman
Roger Gullqvist
Göran Gunnarsson

Håkan Källåker
Jan Lidén
Nils-Fredrik Nyblæus
Ingrid Persson
Anders Rex (from February 1,
1997)
Birgitta Schött
Bengt Skoglund

Lars Strandberg
Göran Theodorsson
Lars-Olof Ödlund

Valdemar Svensson,
co-opted member

Internal audit/security

Judith Sand

*Reinhold Geijer**

President and CEO. Born 1953. Employed since 1985.
Holding: 8,321 shares.

*Lars-Erik Kvist**

Deputy President. Chief Credit Officer. Born 1945. Employed since 1974.
Holding: 1,721 shares.

Gunnar Andersson

Head of Corporate Communications. Born 1939. Employed since 1992.
Holding: 1,321 shares.

*Sören Andersson**

Head of Bank Development. Born 1945. Employed since 1969.
Holding: 321 shares.

Lars Eklund

Head of Savings Bank Zone Stockholm and Sparbanken Sverige Corporate Unit. Born 1945. Employed since 1989.
Holding: 1,321 shares.

Gert Engman

Head of Savings Bank Zone West. Born 1949. Employed since 1993.
Holding: 321 shares.

Roger Gullqvist

Responsible for Information Technology IT. Born 1952. Employed since 1996.
Holding: –

*Göran Gunnarsson**

Head of Savings Bank Zone Central. Born 1943. Employed since 1984. Previously employed 1966–1978.
Holding: 1,142 shares.

*Håkan Källåker**

Head of Swedbank Markets, Born 1949. Employed since 1990. Previously employed 1980–1989.
Holding: 500 shares.

*Jan Lidén**

President of AB Spintab. Born 1949. Employed since 1990.
Holding: 321 shares.

*Nils-Fredrik Nyblæus**

Head of Accounting and Financial control. Born 1951. Employed since 1991.
Holding: –

Ingrid Persson

Head of Personnel. Born 1948. Employed since 1994.
Holding: 500 shares.

Anders Rex

Head of Savings Bank Zone Skåne. Born 1959. Employed since 1994.
Holding: 321 shares.

Birgitta Schött

Head of Savings Bank Zone North. Born 1937. Employed since 1975.
Holding: 321 shares.

Bengt Skoglund

Responsible for relations with Independent savings banks. Born 1933. Employed since 1991. Previously employed 1955–1986. Holding: 1,321 shares.

Lars Strandberg

Responsible for the Group's restructuring work and efficiency projects. Born 1935. Employed since 1993. Holding: 1,321 shares.

Göran Theodorsson

Head of Savings Bank Zone South. Born 1948. Employed since 1969. Employed by Spadab 1969–1980. Holding: 321 shares.

Lars-Olof Ödlund

Head of Group Finance and Credit Support. Born 1937. Employed since 1993. Holding: 3,321 shares.

Valdemar Svensson, co-opted member

Head of IT production. Born 1943. Employed since 1988. Holding: –

Judith Sand

Head of Internal Audit/Security. Born 1942. Employed since 1985. Holding: 321 shares.

** Member of the Executive Management Working Committee.
Holdings of shares refer to Executives' own holdings and those of family and closely held interests as of March 17, 1997.*

Financial statements

Accounting principles

The Financial statements has been prepared in accordance with the Annual Report Act for Credit Institutions and Securities Firms (1995:1559) and the regulations of the Swedish Financial Supervisory Authority.

As of January 1, 1996, new accounting legislation applies for credit institutions. The regulations of the Swedish Financial Supervisory Authority have been amended as well. The headings used in the income statements and balance sheets for 1994 and 1995 have been changed in accordance with the new standard.

Important changes as a consequence of the new rules

- Reclassification of the previous trading and investment portfolios to financial current assets and fixed assets.
- Valuation at fair value of transferable securities that are classified as current assets.
- Valuation at fair value of derivatives not covered by hedging accounting.
- Clarified requirements regarding hedging accounting.
- Gross accounting of positive and negative values of derivative instruments.
- Transaction-day accounting of transactions in the money and bond markets.
- Comprehensive restructuring of income statements and balance sheets.

Consolidated accounting

The consolidated accounts have been prepared in accordance with Recommendation RR 01:91 of the Swedish Accounting Standards Board.

The consolidated accounts comprise Sparbanken Sverige and those companies in which the Bank directly or indirectly holds more than 50 per cent of the voting rights of the shares. These companies are reported in the consolidated accounts in accordance with the purchase accounting method. In addition, the consolidated accounts comprise associated companies, which are companies in which the Bank directly or indirectly holds more than 20 per cent of the voting rights of the shares and where the ownership interest is an element in a long-term association between the Bank and the company. Associated companies are consolidated in

accordance with the equity method, with the exception of the associated company SparLiv, a mutual insurance company whose profits are therefore distributed among its policyholders.

Dormant companies and other companies of insignificant size are not consolidated.

Companies taken over to protect claims have not been consolidated since they are of little significance or are expected to be liquidated within the near future.

The difference between accrued acquisition value in the Bank's holding of securities issued by subsidiaries and the corresponding liability in the respective subsidiary is amortised over the remaining fixed interest period of the loan.

Foreign subsidiaries and associated companies

Shares in foreign subsidiaries and associated companies that are refinanced in the same currency are valued at their acquisition price in the Parent Company.

In the Group, subsidiaries and associated companies are translated in accordance with the current method. This means that assets and liabilities are translated to SEK at the closing day rate, while the income statement is translated at the average rate for the fiscal year. Translation differences that arise from the use of the current method directly affect restricted and non-restricted equity. As a result, any translation differences attributable to the financing in foreign currency of the investment in subsidiaries' shares is also transferred directly to shareholders' equity, taking into account deferred tax.

Assets and liabilities in foreign currency

Assets and liabilities in foreign currency are valued at the average rate on the closing date. This means unrealised exchange gains and losses are also included in operating income. Outstanding forward contracts are valued at their final market price.

Fixed assets and current assets

Assets classified as fixed are intended to be held for the long term and consumed in operations. Other assets are classified as current.

Fixed assets are valued at acquisition value, while current assets consisting of transferable

securities and derivatives are valued at fair value. Other current assets are valued according to the lower of acquisition value and market value principle. An exception is made from the stated valuation principles for current assets reported in accordance with accounting for hedging, which are valued at acquisition value.

Lending and provisions for loan losses

Claims are reported at the maximum value at which they are expected to be received. In the balance sheet, claims are reported net after the deduction of write-downs for both established and anticipated loan losses. On the liability side, anticipated loan losses are reported with regard to guarantees and other contingent liabilities. Operating income is charged with established and anticipated losses less restored provisions and recoveries as well as with the net cost of discharging guarantees and other contingent liabilities.

Provisions for loan losses as a rule are based on an individual assessment of loans and guarantees. For homogenous groups of claims with limited value and similar credit risks, collective valuations have been used. Provisions are made for anticipated losses if the solvency of the borrower is not expected to improve sufficiently within two years and the value of the collateral does not cover both the principal and accrued interest by a safe margin. Accrued interest on doubtful claims is not reported as income.

Property taken over to protect claims or are used as collateral for doubtful claims

Property taken over to protect claims is valued at the lower of acquisition value and net sales value. The sales value of properties is determined based on the location method, cash flow method or a combination of the two. The method selected is the one that best reflects the sales value on the closing date. The cash flow method is used for properties that generate rental income, in which case payment flows and future residual values are forecast for the specific calculation period. The yield requirements used are long-term.

Changes in value and realised gains and losses with regard to properties taken over are reported in the income statement under "Change in the value of property taken over."

Property used as collateral for doubtful claims is valued at fair value. By fair value is meant the price that presumably would be obtained in a market that permits sales in due

course and where reasonable time is given for negotiations.

Financial instruments

The holding of financial instruments is divided into financial fixed assets and financial current assets. Securities which are intended to be held until maturity or for the long term are classified as financial fixed assets. Other securities as well as derivatives are classified as financial current assets.

Financial fixed assets are valued at their accrued acquisition value.

The transfer of financial current assets to financial fixed assets is done at market value at the time of transfer.

Financial current assets consisting of transferable securities and derivatives are valued at fair value. The gain that arises when book value exceeds acquisition value is allocated to a reserve for unrealised gains. The reserve is reported under restricted shareholders' equity after taking into account deferred tax. Other financial current assets are valued at the lower of accrued acquisition value and fair value. The fair value of financial instruments with a low turnover is determined by applying a conservative valuation.

Derivatives with a positive value are reported under "Other assets" and those with a negative value under "Other liabilities." Realised and unrealised exchange rate gains and losses on financial current assets are reported under "Net income from financial operations." Realised gains and losses on financial fixed assets are reported under "Other operating income" and "Other operating expenses," respectively. Amortised premiums and discounts are reported as interest.

Repurchase transactions

Where in substance the repurchase is irrevocable, the asset is still reported on the selling party's balance sheet and the proceeds obtained are reported as a liability. The security sold is reported as a pledged asset on the balance sheet. The receiving party does not report the security on its balance sheet. The proceeds it pays are instead reported as a loan receivable from the selling party. The difference between the proceeds based on the spot rate and forward rate is amortized over the maturity as interest.

Stock loans

Stock loans to others remain on the balance

sheet as securities, while stocks on loan from others are not reported as assets. Stocks on loan to others are valued in the same way as other security holdings of the same category. In cases where stocks on loan from others are sold, an amount corresponding to the security's fair value is taken up as a liability.

Accounting for hedges

To protect certain assets and liabilities or payment flows stipulated by contract against interest, market or currency risks, these positions are matched against positions with corresponding flows and maturities. Hedge accounting is applied for positions that are individually or collectively identified and which have an effective hedge, i.e. a high correlation when values change. The effectiveness of the hedge is evaluated regularly throughout the maturity of the hedge.

The Group primarily applies deferred hedge accounting, i.e. hedge accounting with valuations at acquisition value. The hedged and the protected position are reported in the income statements and balance sheets without taking into account unrealized changes in value.

If hedge accounting is suspended because the protected position is realised although the hedged position remains on the balance sheet at acquisition value, the capital gain or loss is accrued over the remaining maturity of the hedged position.

Leasing assets

Leasing assets are reported under "Tangible assets" at acquisition value less scheduled depreciation and, when applicable, less write-downs owing to the lessee's solvency problems. Scheduled depreciation is based on acquisition value and is calculated with the annuity method over the contract period. Scheduled depreciation is taken down to nil or to the guaranteed residual value. Residual value is determined in view of the estimated market value of the asset at the end of the contract period. Leasing income is accrued with regard to the period during which income is generated.

Funding

Premiums and discounts that arise in the issue of fixed interest rate financial instruments of the subsidiary Spintab are entered as income in such a way that a constant effective yield is obtained over their term corresponding to the market rate of interest on the issue date.

Accrued premiums and discounts are included in the value of the financial instruments.

Price differences realised through repurchases of the company's own financial instruments in order to reduce the interest rate exposure in funding and lending are amortised over the remaining interest fixing period of the repurchased instruments. The accrued price differences are reported under "Accrued income and prepaid expenses" and "Accrued expenses and prepaid income", respectively.

Depreciation

Goodwill is amortised according to schedule by 10 per cent. Refurbishment of rented premises is capitalised and depreciated according to schedule by 5 per cent.

Equipment and fixed assets in buildings used in operations are depreciated according to schedule by 20 per cent of acquisition value.

Real estate, with the exception of properties taken over to protect claims, is depreciated at the highest amount allowable for tax purposes.

Pension obligations

The Group's pension obligations have been covered through insurance, allocations to pension funds and allocations in the balance sheet under "Provision for pensions."

A computed pension expense relating to pension obligations which are covered by pension funds or the provision for pensions account is reported as an operating expense. The computed pension premium is restored as an appropriation under "Settlement of pensions," where settlement is made against paid pensions, tax on salaries and dividends and an allowance from or allocation to the pension funds.

Taxes

Calculated tax on net income including deferred taxes and adjustment for previous years' income taxes is reported under Tax on income for the year.

Foreign taxes on capital is reported under Other taxes.

Property tax, payroll tax and tax on the capital gains on pension funds are reported under Operating expenses.

Income and shareholders' equity according to US GAAP.

The consolidated financial statements have

Income Statements

SEK M	Note	Group			The Bank
		1996	1995	1994	1996
Interest income	1	42,736	45,787	48,456	19,023
Leasing income	1, 2	1,031	1,105	1,204	–
Interest expenses	1	– 32,622	– 35,741	– 38,498	– 12,785
Dividends received	3	103	62	40	266
Commission income	4	3,292	2,599	2,451	2,171
Commission expenses	5	– 615	– 497	– 345	– 271
Net income from financial operations	6	1,145	1,209	335	1,137
Other operating income	7	780	859	2,845	749
Total income		15,850	15,383	16,488	10,290
Personnel expenses	8	– 4,222	– 4,401	– 4,121	– 3,739
Other general administrative expenses	9	– 3,304	– 2,982	– 3,197	– 2,936
Total general administrative expenses		– 7,526	– 7,383	– 7,318	– 6,675
Depreciation and write-downs of tangible and intangible assets	10	– 1,219	– 1,216	– 1,265	– 195
Other operating expenses	11	– 152	– 145	– 142	– 111
Total expenses		– 8,897	– 8,744	– 8,725	– 6,981
Income before loan losses		6,953	6,639	7,763	3,309
Loan losses, net	12	– 1,546	– 654	– 2,839	– 950
Change in the value of property taken over	13	– 105	– 1,562	– 951	3
Write-downs on financial fixed assets	14			– 27	
Operating income		5,302	4,423	3,946	2,362
Appropriations	15	5	– 31	– 9	2,166
Tax on income for the year	16	– 1,427	– 1,069	– 88	– 1,073
Other taxes		– 8	– 11	– 8	–
Net income		3,872	3,312	3,841	3,455
Net interest income		10,361	10,326	10,214	6,238
Of which, charge for deposit guarantee		– 228	–		– 228

Balance Sheets

SEK M	Note	Group			The Bank
		96-12-31	95-12-31	94-12-31	96-12-31
Assets					
Cash and balances with central banks		2,831	2,838	2,444	2,831
Treasury bills, etc.	17	11,481	15,249	33,352	11,349
Lending to credit institutions	12,18	53,858	28,250	22,145	59,124
Lending to the general public	12,19	381,187	381,599	390,894	131,410
Bonds and other interest-bearing securities	20	17,548	9,819	8,699	36,087
Shares and participations	21	3,794	2,823	2,502	3,322
Shares and participations in associated companies	22	617	416	214	610
Shares and participations in Group companies	23	12	446	106	12,257
Intangible fixed assets	24	1,558	1,732	–	3
Tangible assets	25	6,925	7,223	7,305	4,349
Other assets	26, 27	16,263	22,155	17,004	16,392
Prepaid expenses and accrued income	28	6,376	8,154	9,532	3,154
Total assets		502,450	480,704	494,197	280,888
Assets pledged for Group liabilities	38	38,121	24,406	22,300	37,690
Other pledged collateral	38	4,402	4,512	1,155	4,397

SEK M	Note	Group			The Bank
		96-12-31	95-12-31	94-12-31	96-12-31
<i>Liabilities, allocations and shareholders' equity</i>					
Loans from credit institutions	29	70,393	57,478	67,073	73,959
Deposits and funding from the general public	30	146,121	147,983	149,940	144,684
Securities issued, etc.	31	212,343	203,307	208,257	12,236
Other liabilities	27, 32	25,539	20,928	21,768	22,103
Accrued expenses and prepaid income	33	9,547	12,089	11,386	2,348
Allocations	34	1,215	702	346	486
Subordinated liabilities	35	17,242	17,910	17,701	8,942
Minority interests		1	1	–	–
Untaxed reserves	36	–	–	–	1,405
Share capital	37	5,564	5,564	5,400	5,564
Other reserves	37	7,683	5,828	4,679	3,071
Retained earnings	37	2,930	5,602	3,806	2,635
Net income	37	3,872	3,312	3,841	3,455
Total liabilities, allocations and shareholders' equity		502,450	480,704	494,197	280,888
Contingent liabilities	38	6,742	7,680	8,820	7,727
Guarantees	38	1,630,375	1,307,889	1,407,661	1,587,922

Notes not directly related to the income statement or balance sheet.

Note 39 – Capital adequacy analysis

Note 40 – Disclosure of financial income and expenses as well as commission income and expenses for insurance and reinsurance attributable to the Bank and with regard to other companies in the Group, and information on subordinated assets

Note 41 – Summary of material differences between generally accepted accounting principles in Sweden and the U.S.

Note 42 – Disclosure of fair value

Note 43 – Interest fixing periods

Comments and notes

Financial analysis

Income

The Group's operating income for 1996 was the highest ever and amounted to SEK 5,302 M, an increase of 20 percent or SEK 879 M compared with 1995. The most important reasons for the improvement in operating income were increased commission income and lower loan losses.

The return on equity in 1996 was 20.4 percent (17.5).

Stable net interest income

The Group's net interest income amounted to SEK 10,361 M (10,326), an increase of SEK 35 M compared with 1995. Expenses associated with the recently adopted compulsory deposit guarantee amounted to SEK 228 M, because of which net interest income excluding the compulsory deposit guarantee rose by SEK 263 M or slightly more than two percent. Net interest income of the subsidiary Spintab rose by SEK 276 M, which is primarily due to a decrease in expenses for unsettled loans. The capitalisation of Fastighets AB Tornet prior to its distribution to the shareholders is estimated to have affected net interest income negatively in 1996 by more than SEK 100 M.

Dividends received

The increase in dividends received is primarily due to the increase in the Bank's holding of shares in Svensk Exportkredit.

Higher net commission income

Net commission income rose by 27 percent or SEK 575 M to SEK 2,677 M. Of the net commission income, SEK 443 M was management fees earned by Robur. Sales commissions to the Bank from the funds managed by Robur amounted to SEK 320 M.

Commission income from payment services amounted to SEK 994 M (845), of which the large part of the increase compared with 1995 is attributable to card operations. Also included, among other things, is the price customers pay to utilise services as part of the Eken offer and various service packages.

Securities trading also developed well, with commission incomes rising substantially. Commissions from insurance operations in SparLiv/SparFond rose by 36 percent in 1996

to SEK 38 M.

Net income from financial transactions

Income from financial transactions amounted to SEK 1,145 M (1,209), of which slightly more than SEK 500 M was realised. The large part of the income is due to appreciation in the value of the holding of interest-bearing securities owing to falling interest rates. Net income for 1996 includes SEK 146 M due to the effect of the change in accounting principles with regard to the holding of interest-bearing securities at year-end 1995. Since the amount was not considered significant, the effect of the change was carried over to income for 1996 rather than adjusted against shareholders' equity at the beginning of the year.

Other operating income

The Group's other operating income primarily consists of the sale of EDP services to independent savings banks and income from external tenants in Group properties.

Expenses under control

Expenses increased by just under two percent or SEK 153 M to SEK 8,897 M compared with 1995. The increase in expenses due to the acquisition of Robur, including the amortisation of goodwill, amounted to SEK 251 M, because of which expenses for comparable operations decreased by slightly more than one percent relative to 1995.

Personnel expenses decreased by four percent compared with 1995. The number of employees decreased by 531 in 1996 to 9,130 as of December 31, 1996.

Other expenses rose primarily due to rising computer and marketing investments.

Depreciation and write-downs

This item includes the depreciation of leasing assets, which was previously reported as a deduction from net interest income.

The amortisation of goodwill relates to the acquisition of Robur.

Credit losses

Loan losses, the Group

SEK M	Corporate		Private		Total	
	1996	1995	1996	1995	1996	1995
The Bank*	855	1 185	201	302	1 056	1 487
Spintab	540	682	65	74	605	756
Sparbanken Finans	0	- 18	- 8	-10	- 8	- 28
Swedbank Luxembourg	- 2	0	0	1	- 2	1
Total	1,393	1,849	258	367	1,651	2,216

* Including Group adjustment

Loan losses by size, the Group

SEK M	1996		1995	
	Number	Amount	Number	Amount
< 50	> 100	1 308	> 100	1 974
50–500	3	343	3	242
500–1 000	0	0	0	0
Total		1,651		2,216

Loan losses, the Group

SEK M	1996	1995
New provisions	2,282	2,410
Established, net	1,707	3,466
Recoveries	- 2,338	- 3,660
Total	1,651	2,216

Loan losses by industry, the Group

SEK M	1996	%	1995	%
Households	252	15	367	17
Real estate management	893	54	2,136	96
Retail, hotels, restaurants	54	3	108	5
Construction	19	1	15	1
Manufacturing	45	3	19	1
Transportation	104	6	74	3
Other	284	18	- 503	- 23
Total	1,651	100	2,216	100

Loan losses

Loan losses, net, including the change in value of property taken over, amounted to SEK 1,651 M, a decrease of 25 percent or SEK 565 M compared with 1995. The loan loss ratio was 0.4 percent (0.6).

Appropriations

In 1996 all subsidiary earnings were passed on to the Bank in order to facilitate a collective allocation to untaxed reserves. During the year SEK 1,128 M (263) was allocated to the tax accrual reserve.

Taxes

The tax deductions claimed by the Bank for the tax years 1992 and 1993 for loan losses stemming from receivables taken over from foreign subsidiaries were not accepted by the county administrative court. The decision has been appealed to the administrative court of appeal. If the Bank were to win the case, it would reduce its future reported tax expense by approximately SEK 230 M.

Group assets

The Group's total assets amounted to SEK 502 billion (481) at year-end 1996. The increase is primarily attributable to lending to credit institutions as well as bonds and other interest-bearing securities. Lending to foreign banks increased substantially during the year owing to securities purchased under resale agreements.

In light of the trend in interest rates in 1996 and the anticipated future trend, the Bank decided in December to increase its holding of financial fixed assets and at the same time reduce its strategic holding of financial current assets.

In December, securities that were previously classified as financial current assets were therefore transferred to financial fixed assets. This was done at market value. After the transfer, the assets are reported at their accrued acquisition value, which is based on the value when they were transferred.

When transferred, the instruments had a market value of SEK 2,063 M. Market value exceeded accrued acquisition value by SEK 133 M, which is included in unrealised net income from financial operations. An amount corresponding to the difference between the instruments' book value and accrued acquisition value calculated on the basis of their original acquisition value has been taken into account in shareholders' equity when determining the size of the reserve for unrealised gains.

Lending

The Group's total lending to the general public and credit institutions amounted to SEK 382 billion at year-end 1996. This amount does not include lending to the National Debt Office or to banks. Lending to businesses - primarily in manufacturing, agriculture and forest products - rose by SEK 3 billion. Lending to municipalities rose by SEK 1 billion and to households by SEK 2 billion during the year. Mortgage lending by Spintab increased by slightly more than SEK 7 billion. The large part of the increase came from the household

market and a significant portion were loans that customers chose to transfer from the Bank to Spintab due to lower long-term interest rates.

The Group's lending to real estate management operations decreased in 1996 by approximately SEK 6 billion due, among other things, to the distribution of Fastighets AB Tornet and the continued liquidation of problem loans.

Lending increased by slightly more than SEK 6 billion during the fourth quarter of 1996.

Group lending, net, by industry

SEK M	1996	%	1995	%
Households	184,529	48	182,379	48
Real estate management	104,517	27	110,112	29
Credit institutions, excl. banks ¹⁾	1,619	1	2,022	1
Retail, hotels, restaurants	8,942	2	8,443	2
Construction	7,877	2	8,629	2
Manufacturing	6,539	2	4,626	1
Transportation	3,486	1	2,982	1
Forest products and agriculture	7,651	2	6,676	2
Municipalities	14,502	4	13,451	3
Other ²⁾	41,851	11	43,087	11
Total	381,513	100	382,407	100
¹⁾ Incl. resale agreements – Credit institutions	496		632	
²⁾ Incl. resale agreements – Others	10,801		13,796	

Group lending, net, by collateral

SEK M	1996
Residential properties, incl. condominiums	227,060
Other real estate	28,695
Municipalities, county councils, etc.	54,338
Credit institutions ¹⁾	1,619
Chattel mortgages	8,878
Guarantees	7,697
Unsecured	26,509
Other ²⁾	26,717
Total	381,513
¹⁾ Incl. resale agreements – Credit institutions	496
²⁾ Incl. resale agreements – Others	10,801

Problem loans

The Sparbanken Sverige Group's problem loans, net, declined during the year by SEK 2,919 M or 31 per cent compared with 1995 and amounted to SEK 6,398 M (9,317) on December 31, 1996. The share of doubtful claims, net, decreased to 1.5 per cent (2.2) of the Group's lending.

Problem loans, the Group

SEK M	1996		1995	
	Gross	Net	Gross	Net
The Bank	6,955	2,953	14,250	5,576
Spintab	4,872	3,119	5,303	3,130
Sparbanken Finans	154	85	266	139
Swedbank Luxembourg	34	24	41	29
Other*	383	217	672	443
Total	12,398	6,398	20,532	9,317

* Loans guaranteed by the Bank in Swedbank Luxembourg, etc.

Problem loans by industry, the Group

SEK M	Gross	Provi- sions	Net	Shares of net loans, %
Households	2,155	1,263	892	0
Real estate management	6,695	2,607	4,088	4
Retail, hotels, restaurants	558	281	277	3
Construction	166	78	88	1
Manufacturing	241	89	152	2
Transportation	140	61	79	2
Forest products and agriculture	138	54	84	1
Other	2,305	1,567	738	1
Total	12,398	6,000	6,398	2

Problem loans, gross, by size, the Group

SEK M	1996		1995	
	Number	Amount	Number	Amount
< 50	> 100	7,505	> 100	12,740
50–500	43	4,185	70	7,792
500–1 000	1	708	0	0
> 1 000	0	0	0	0
Total		12,398		20,532

Property taken over

The book value of property taken over to protect claims decreased substantially to SEK 279 M (1,394) at year-end. A large part of the decline is due to a decrease in shares and participations taken over as a result of, among other things, the distribution of the shares in Fastighets AB Toronet.

Properties used in operations

The book value of the Group's properties used in operations amounted to SEK 4,089 M (4,202) at year-end 1996. The decrease is due to the sale of properties during the year. Among those sold was the former regional office in Umeå. The Group intends to continue to review its holdings of properties used in operations.

Liabilities

The Group's liabilities increased by SEK 22 billion, of which loans from credit institutions accounted for SEK 13 billion and securities issued for SEK 9 billion. The increase in loans from credit institutions relates to repurchase agreements with foreign banks.

Funding and deposits from the general public

During the year deposits from the general public remained largely unchanged, while other savings forms increased. Deposits in

transaction accounts increased during the year as a result of the Bank's offer of a higher interest rate for private customers who combined their transaction accounts with the Sparbankskort, Sparbanksgiro and Sparbanken Direct Personal Assistance telephone banking.

Securities issued

Securities issued by the Group amounted to SEK 212 billion (203) on December 31, 1996 and consist in large part of bonds issued by the subsidiary Spintab. The increase in bonds issued is due to higher demand for long-term fixed-rate mortgages as a result of the relatively low interest rates.

Capital base and capital adequacy

The calculation of the capital base and capital adequacy (Note 38) is based on the so-called financial companies group, not the group definition in accordance with the Annual Report Act. The financial companies group includes financial companies in which the ownership interest exceeds 20 per cent. Insurance companies are not included in the financial companies group. The Sparbanken Sverige financial companies group includes the Sparbanken Sverige Group, though not the Sparia insurance group. It also includes Sparbanken Borås AB and Aktia Sparbank Ab in Finland in their entirety.

The capitalisation of Fastighets AB Toronet in 1996 resulted in a decrease in the Group's primary capital of approximately SEK 3 billion, which negatively affected the capital adequacy ratio. The capital adequacy ratio for the financial companies group amounted to 13.0 per cent (13.9) on December 31, 1996, of which the primary capital ratio was 7.0 per cent (7.4). As of 1996, the capital adequacy requirement applies to market risks as well as

credit risks.

The share of market risks of the total capital adequacy ratio was 0.3 percentage points. Volume growth and lower provisions increased the risk-weighted amount, as did the addition of market risks and shares in Sparbanken Aktia Ab.

Liquidity

Sparbanken Sverige's deposits from households are approximately double the volume of loans to the same group. This is the main reason for the Group's good liquidity. On December 31, 1996 surplus liquidity amounted to approximately SEK 50 billion.

A large part of household deposits and account-based deposits from the general public are placed in transaction accounts with balances that vary continually during the month. Of the Group's surplus liquidity, approximately SEK 30 billion was invested in the Group's strategic portfolios. These mainly contain mortgage and government bonds in SEK which may be hypothecated with Sveriges Riksbank and serve as a stable liquidity reserve for the Bank. The investments are regarded as long-term. Approximately two-thirds are classified as fixed assets and the rest as current assets.

A large part of the Bank's strategic portfolios is invested in Spintab bonds, which are eliminated in the consolidated balance sheet. Consequently, the Group's strategic portfolios amount to only about SEK 15 billion, of which half is classified as financial fixed assets.

The remaining share of the Bank's surplus deposits, which usually fluctuate during the

month, are invested short-term by the Bank's trading operations in interest-bearing securities and as short-term loans to banks and the general public.

Interest rate risks

Interest rate risks arise in the Group when interest fixing periods on assets and liabilities do not coincide. Interest rate risks in the Group may not exceed the limits stipulated by the Board of Directors.

The Group's interest rate risks primarily arise because the Bank's surplus liquidity is invested in securities with fixed interest rates in the Bank's strategic portfolios. Furthermore, a small share of the Bank's fixed-rate lending is financed with deposits that carry variable interest rates. In the subsidiary Spintab, non-refinanced fixed-rate lending occurs within a stipulated limit which does not exceed the company's shareholders' equity. This also creates a certain interest rate risk. In the Bank's trading operations, interest rate risks arise as a result of positions that are taken to benefit from short-term fluctuations in interest rates.

Because of these interest rate risks, the Bank's net interest income is affected when interest rates fluctuate. In addition, the value of the Group's assets and liabilities with fixed interest rates are affected as well. To the extent that financial instruments are classified as current assets which are valued at market value, changes in value have a direct impact on the Bank's earnings. Otherwise, the Bank's net interest income is affected indirectly over the remaining interest fixing period of the instruments.

Effect on the value of assets and liabilities in SEK, including derivatives, if market interest rates rise by one percentage point

SEK M	< 3 mos.	3-12 mos.	1- 2 yrs.	2-3 yrs.	3-4 yrs.	4-5 yrs.	5-10 yrs.	> 10 yrs.	Total
Financial fixed assets and related derivatives	- 3	- 17	- 39	- 80	- 103	- 94	- 1	0	- 337
Financial current assets valued at fair value	- 25	- 54	- 40	- 54	36	18	- 6	- 34	- 159
The Bank's other assets, liabilities and related derivatives	- 18	- 20	- 42	22	- 22	- 5	- 7	9	- 83
Total, the Bank	- 46	- 91	- 121	- 112	- 89	- 81	- 14	- 25	- 579
Spintab	8	- 4	8	- 47	- 46	- 84	- 42	0	- 207
Group	- 38	- 95	- 113	- 159	- 135	- 165	- 56	- 25	- 786
Financial current assets valued at fair value in the Group	- 21	- 46	- 30	- 46	50	18	- 3	- 34	- 112

The most important items in the consolidated balance sheet as per December 31, 1996, SEK billion

Assets	SEK	Foreign currency	Total
Lending to households	184.1	0.4	184.5
Other lending to the general public	173.9	22.8	196.7
Total lending to the general public	358.0	23.2	381.2
<i>of which</i>			
<i>loans by the Bank</i>	108.7	22.7	131.4
<i>of which</i>			
<i>lending to households</i>	40.4	0.4	40.8
<i>resale agreements</i>	10.2	0.6	10.8
<i>lending by Spintab</i>	246.6	0.0	246.6
Lending to Swedish banks and other credit institutions	12.4	1.5	13.9
Lending to foreign banks	31.6	8.4	40.0
Total lending to banks and other credit institutions	44.0	9.9	53.9
<i>of which, resale agreements</i>	34.4	0.0	8.5
Interest-bearing securities	25.2	3.8	29.0
<i>of which</i>			
<i>financial fixed assets</i>	8.5	0.0	8.5
<i>financial current assets</i>	16.7	3.8	20.5
<i>of which</i>			
<i>trading portfolio</i>	9.4	3.8	13.2
(elimination of the Bank's holding of Spintab bonds – 18.6)			
Other	32.1	6.3	38.4
<i>of which</i>			
<i>trading portfolio, shares</i>	2.1	0.0	2.1
<i>buildings and land</i>	4.0	0.1	4.1
<i>cash</i>	2.4	0.1	2.5
<i>accrued interest</i>	5.0	0.6	5.6
Total assets	459.3	43.2	502.5
Liabilities	SEK	Foreign currency	Total
Deposits from households	94.6	0.0	94.6
<i>of which</i>			
<i>saving accounts</i>	66.5	0.0	66.5
Other deposits from the general public	46.9	4.6	51.5
Total funding and deposits from the general public	141.5	4.6	146.1
<i>of which</i>			
<i>repurchase agreements</i>	2.2	0.0	2.2
Loans from Swedish banks and credit institutions	25.2	4.1	29.3
Loans from foreign banks	22.2	18.9	41.1
Total loans from credit institutions	47.4	23.0	70.4
<i>of which</i>			
<i>repurchase agreements</i>	23.7	0.0	23.7
Securities issued and subordinated loans	168.1	61.5	229.6
<i>of which</i>			
<i>subordinated loans</i>	3.0	14.2	17.2
(elimination of the Bank's holding of Spintab bonds – 18.1)			
Other	29.7	6.7	36.4
<i>of which</i>			
<i>accrued interest</i>	5.7	1.3	7.0
Shareholders' equity, including net income for the year	20.0	0.0	20.0
Total liabilities, allocations and stockholders' equity	406.7	95.8	502.5

Risk control

The Group's interest rate risk exposure at year-end was such that if market interest rates had risen by one percentage point, the value of the Group's assets and liabilities in SEK would have fallen by SEK 786 M, of which SEK 112 M relates to financial current assets reported at market value in the balance sheet. In the theoretical event that such an increase had fully impacted the Group's deposits and lending with variable interest rates, the Group's net interest income would have decreased by an estimated SEK 170 M.

Interest rate risks in foreign currency are taken exclusively by the Bank's trading operations. At year-end the Group's interest rate exposure in foreign currency was such that the market value of these positions would decline by approximately SEK 25 M if market interest rates in each currency changed by one percentage point in an unfavorable direction.

Currency risk exposure

Approximately 9 per cent of the Group's assets and approximately 19 per cent of its liabilities were denominated in foreign currency at year-end. The currency risk in the residual portion of the liabilities is largely eliminated through forward contracts and combined interest rate and current swaps. The largest net exposure in a single currency amounted to a value of SEK 90 M. The Group's assets and liabilities in foreign currency have arisen in part because the Bank and the subsidiary Spintab have raised loans in foreign currency that are converted to SEK through currency swaps when it has been more beneficial than domestic funding. Another reason is that the Bank accepts deposits and grants loans in foreign currency. The currency risks that this can generate are managed by the Bank's trading operations, which, when it considers it advantageous, can take positions in individual currencies within stipulated limits.

Slightly over half of the Bank's assets and liabilities in foreign currency at year-end were denominated in USD. Other currencies of significance to the Bank's operations are DEM, GBP and JPY. On the asset side, DEM and GBP, which are about the same size, followed by USD, are the largest currencies. At year-end the two former currencies together accounted for a share of approximately 25 per cent. Among liabilities, DEM and JPY are about equal in size and at year-end together accounted for a share of approximately 25 per cent.

Credit risks

The Bank's Central Board of Directors, which appoints the Board's Credit and Capital Market Committee, is ultimately responsible for the Group's lending. The Board also appoints the boards of directors of the local savings banks.

When Sparbanken Sverige was formed, a new credit approval procedure and loan policy were drawn up to conform to the Bank's marketing strategy. The aim is to make more than 95 per cent of the business decisions at the local level concerning mainly households, residential financing, municipalities and local companies. This target has been attained.

Credit approval procedure

The local savings banks are organised in three categories depending on business volume, customer base and expertise. Depending on the category, a local savings bank is able to grant loans up to SEK 5, 10 and 25 M. Loans in excess of these amounts up to SEK 100 M are decided by the Central Credit Committee, while loans in excess of SEK 100 M are decided by the Board's Credit and Capital Market Committee. Special approval procedures apply for subsidiaries.

With regard to day-to-day management, each local savings bank has responsibility for its respective portion of the Group's loan portfolio. This means that local savings banks are currently responsible for 66 per cent of the Bank's total loan portfolio and, through integrated credit processing systems, have customer responsibility for a large part of Spintab's portfolio.

Credit policy

Sparbanken Sverige's credit policy is to strive for long-term business relationships based on customer benefits and sustainable profitability. The purpose and understanding of a loan arrangement should be decisive to whether or not it is granted. Furthermore, a diverse spread of risks is sought within the Bank's market segments.

The objective is to create a well-balanced loan portfolio with a satisfactory yield in relation to normal credit risks. Over a normal business cycle, the loan loss level in the Group should not exceed 0.5 per cent.

Monitoring and analysis

The Central Staff Unit is responsible for coordinating the credit organisation and the credit instructions. The Credit Staff Unit is responsible for the preparation and processing of credit matters that are decided by the Central Credit Committee and by the Board of Directors and its Credit and Capital Market Committee.

An overriding principle is that all credit decisions in Sparbanken Sverige are made by at least two persons or, in the case of small loans, by one person with the support of an EDP-based evaluation system. All corporate loan exposure over a certain level is subject to internal rating, in which exposures are classified on the basis of an assessment of the borrower's solvency and the quality of the collateral.

The Central Staff Unit's responsibility also includes instructions and routines relating to risk control and monitoring. Among other things, the Unit prepares reports and analyses relating to new lending, lending by industry, collateral and risk class. It also monitors existing and new problem loans. The managements and boards of the local savings banks are responsible for local monitoring.

In addition, the Central Staff Unit is responsible for ongoing analyses and monitoring of changes in the loan portfolio locally and centrally. It is also involved with quality control and support activities as well as the development of routines and skills within the credit area.

Financial risks

The Bank's Board of Directors is ultimately responsible for how the Group manages financial risks. It decides on the overall objectives for capital adequacy, liquidity and limits for the Group's exposure for various market risks. The Board appoints a Finance Committee of its own members. The Finance Committee prepares issues regarding the monitoring of the Group's market risks, i.e. interest, currency and share price risks, that are decided by the Board of Directors. The Committee also prepares issues regarding the planning and control of the Group's liquidity and financing with its own and external capital. The Board of Directors also appoints the Bank's Finance Sub-Committee and Trading Sub-Committee.

The Finance Sub-Committee distributes and monitors risk mandates within the limits set by the Board of Directors to Group

Treasury, which manages the Bank's strategic portfolios and in-house bank; Swedbank Markets, which is responsible for the Bank's trading operations; and Spintab, the Group's mortgage institution.

The Trading Sub-Committee distributes risk mandates between the various trading departments within Swedbank Markets' area of responsibility.

Spintab's Board of Directors sets risk limits for the company and its Finance Committee monitors Spintab's financial risks on a day-to-day basis.

Policy for financial risks

Financial risks within the Group must be carefully considered and calculated.

Market risks must be of such a size that they are limited in relation to the Group's shareholders' equity and capital base. The Group must maintain sound liquidity.

Monitoring and analysis

A special analysis unit within Group Treasury compiles and reports the Group's financial risks on a continuous basis to the Finance Committee and Finance Sub-Committee. Within the risk-taking units, special risk management functions are responsible for continuous monitoring and analysis.

Derivatives

Derivatives are used in the Group by Swedbank Markets, Group Treasury and certain subsidiaries. In Swedbank Markets, derivatives are used to meet customer needs and to cover and take market positions. In other units, derivatives are used primarily to reduce interest and currency risks.

Note 27 shows all of the Group's derivative positions broken down into interest derivatives, currency derivatives and equity derivatives. These groups are in turn divided into options, futures and swaps. Contracts with positive market values and negative values are summed up separately. The table also indicates how large a share of the Group's derivatives are cleared, i.e. those transactions that are settled via a clearing organisation.

In the case of contracts with positive market values, the Group has a receivable from a counterparty. To the extent a contract is cleared, collateral exists for the receivable. As a result, these contracts are not considered a credit risk for the Bank and are not included in the risk-weighted amount when calculating the Bank's capital requirements for

counterparty risks. For other contracts, positive market values can be said to entail a credit risk.

Derivative risks

As stated above, derivatives may entail credit risks. These risks are managed with customary credit processes by each company. In some instances, customers have placed collateral in favor of the Group. Credit risks are treated as either a certain proportion of the nominal amount or the current positive market value.

Derivatives also create market risks whereby the value of the transactions, and therefore also the credit risk, can be affected by fluctuations in market prices of interest rates and foreign exchange rates. These risks are limited and monitored within the overall management of financial risks; see the section Financial risks. Cash flows that arise through the Group's derivative transactions are monitored and controlled in the same way as other cash flows within the Group. They are therefore not considered to have any unexpected impact on the Group's liquidity.

Sensitivity analysis

Income analysis

		Effect on operating in- come, SEK M
Net interest income:		
Market interest rate	+/- 1%-point	- 170
Market interest rate	-1%- point	- 100
Net income from financial operations:		
Market interest rate	+/- 1 %-point	-/+ 112
Problems loans ¹⁾	+/- 1 SEK 1 billion	-/+ 60
Net commissions	+/- 1%	+/- 27
Personnel changes	+/- 100 employees	-/+ 40
Salary changes	+/- 1%	-/+ 37
Loan loss level	+/- 0,1% point	-/+ 390

¹⁾ Cost of capital 6.0 per cent.

Notes

1 Net interest income

Group	1996			1995			Full year		1994	
	Monthly average	Interest	Interest rate, %	Monthly average	Interest	Interest rate, %	Monthly average	Interest	Interest rate, %	
<i>Interest income</i>										
Credit institutions	60,731	3,433	5.65	36,965	2,595	7.02		2,154		
Lending to the public	377,812	37,431	9.91	378,119	40,926	10.82		40,993		
Interest-bearing securities	30,837	1,825	5.92	37,297	2,237	6.00		3,065		
Other	51,155	47		49,877	29			2,244		
Total interest income	520,535	42,736	8.21	502,258	45,787	9.12	508,574	48,456	9.53	
Leasing income		1,031			1,105			1,204		
Total interest income incl. leasing income	520,535	43,767	8.41	502,258	46,892	9.34	508,574	49,660	9.76	
<i>Interest expenses</i>										
Credit institutions	73,583	4,270	5.80	61,973	4,380	7.07		4,105		
Deposits and funding from the general public	152,798	6,729	4.40	147,218	8,183	5.56		7,224		
Securities issued	209,381	19,805	9.46	209,329	20,866	9.97		23,344		
Subordinated loans	17,480	1,542	8.82	17,782	1,780	10.01		1,736		
Other	48,299	276		45,674	532			2,089		
Total	501,541	32,622	6.50	481,976	35,741	7.42	493,261	38,498	7.80	
Depreciation of leasing assets		784			825			948		
Total interest expenses incl. depreciation of leasing assets	501,541	33,406	6.66	481,976	36,566	7.59	493,261	39,446	8.00	
Shareholders' equity	18,994			20,282			15,313			
Total net interest income excl. depreciation of leasing assets		11,145			11,151			11,162		
Total net interest income incl. depreciation of leasing assets		10,361			10,326			10,214		
Interest margin			1.75			1.75			1.76	
Investment margin	520,535		1.99	502,258		2.06	508,547		2.01	

The Bank	1996		
SEK M	Monthly average	Interest	Interest rate, %
<i>Interest income</i>			
Credit institutions	69,714	3,912	5.61
Lending to the public	130,987	11,318	8.64
Interest-bearing securities	49,755	3,712	7.46
Other	49,431	81	
Total	299,887	19,023	6.34
<i>Interest expenses</i>			
Credit institutions	77,392	4,409	5.70
Deposits and funding from the general public	151,672	6,682	4.41
Securities issued	14,053	900	6.40
Subordinated loans	8,320	616	7.40
Other	34,997	178	
Total	286,434	12,785	4.46
Shareholders' equity	13,453		
Total net interest income		6,238	
Interest margin			1.88
Investment margin	299,887		2.08

Monthly averages are calculated as an average of the balances at the beginning and end of each month of the year. The average interest rate during the year on the Bank's loans to and deposits from the general public were 8.64 per cent (10.16 per cent) and 4.41 per cent (5.54 per cent), respectively.

2 Leasing income

SEK M	Group			The Bank
	1996	1995	1994	1996
Leasing income	1,031	1,105	1,204	–
Scheduled depreciation	– 784	– 825	– 948	–
Net leasing income	247	280	256	–

3 Dividends received

SEK M	Group			The Bank
	1996	1995	1994	1996
Shares and participations	103	62	40	102
Shares in Group companies	–	–	–	164
Total	103	62	40	266

4 Commission income

SEK M	Group			The Bank
	1996	1995	1994	1996
Payment processing commissions	994	845	622	736
Lending commissions	155	154	157	123
Deposit commissions	105	88	125	105
Guarantee commissions	63	59	70	63
Securities commissions				
Brokerage	338	265	312	339
Fund savings	322	250	163	319
Trust services	516	121	63	47
Other securities commissions	80	125	251	84
Other commissions				
Advice commissions	59	77	125	59
Insurance commissions	38	28	27	38
Real estate brokerage commissions	284	253	246	–
Other	338	334	290	258
Total	3,292	2,599	2,451	2,171

5 Commission expenses

SEK M	Group			The Bank
	1996	1995	1994	1996
Payment processing commissions	289	166	90	179
Securities commissions	70	105	84	57
Other commissions	256	226	171	35
Total	615	497	345	271

6 Net income from financial operations

SEK M	Group			The Bank
	1996	1995	1994	1996
<i>Realised gains/losses</i>				
Shares/participations	390	132	– 37	388
Interest-bearing securities	508	837	234	509
Other financial instruments**	– 394	115	137	– 417
Total	504	1,084	334	480
<i>Unrealised changes in value</i>				
Shares/participations	424	– 30	– 38	405
Interest-bearing securities	589	194	– 392	845
Other financial instruments**	– 451	44	312	– 664
Total	562	208	– 118	586
Change in exchange rates	79	– 83	119	71
Total	1,145 *	1,209	335	1,137

* Income includes a surplus value of SEK 146 M in the investment portfolio at year-end 1995.

** Income from derivative trading is reported in other financial instruments and is an integrated part of the income under shares and interest-bearing securities.

7 Other operating income

SEK M	Group			The Bank
	1996	1995	1994	1996
Income from real estate operations	208	201	178	230
Net operating income, other properties taken over	16	23	12	–
Capital gains, fixed assets	47	41	411	36
EDP services	192	170	213	246
Other operating income	317	424	2,031	237
Total	780	859	2,845	749

8 Personnel expenses

SEK M	Group			The Bank
	1996	1995	1994	1996
Wages, salaries and other remuneration	2,726	2,705	2,599	2,406
Pension expenses				
Calculated expenses	45	113	99	42
Premiums paid	240	374	336	215
Social insurance charges	979	972	880	866
Training expenses	64	62	43	59
Other personnel expenses	168	175	164	151
Total	4,222	4,401	4,121	3,739

Cont. note 8

Personnel expenses SEK M	Group			The Bank
	1996	1995	1994	1996
Wages, salaries and remuneration to the Board, President and Executive Vice Presidents	44	45	41	31
to other employees in Sweden	2,610	2,578	2,485	2,328
to other employees outside Sweden	69	82	73	47
Bonuses and comparable remuneration to the Board, President and Executive Vice Presidents	3	–	–	–
Total	2,726	2,705	2,599	2,406

Number of hours worked (thousands)	1996	1995	1994
	16,672	17,083	17,738

Average number of employees in the Group calculated based on 1,570 hours per employee

	1996	1995	1994
Sparbanken Sverige	9,470	9,452	9,956
Spintab	300	334	367
Sparbanken Finans	252	359	364
Robur Kapitalförvaltning	68	59	–
Tornet	–	16	11
Sparbanken Sverige Administration	482	612	545
Swedbank Luxembourg	47	49	55
Total	10,619	10,881	11,298

of whom outside Sweden	1996	1995	1994
Luxembourg	55	60	68
Great Britain	27	29	28
USA	26	29	24
Japan	2	2	–
Total	110	120	120

Number of employees in the Group on December 31 calculated based on the number of employees excluding long-term absentees related to hours worked expressed as full-time positions

The average number of employees by gender: Group, 59 per cent women and 41 per cent men; the Bank, 61 per cent women and 39 per cent men.

Average number of employees in %	Women	Men
Sweden	59	41
Luxembourg	47	53
Great Britain	32	68
USA	29	71
Japan	50	50

Information on remuneration paid to senior executives, SEK thousands

Directors' fees and remuneration, 1996

Annual remuneration to the Board of Directors approved by the Annual General Meeting	2,500
of which, to the Chairman	1,050
Remuneration paid to the President	3,390
Remuneration paid to other members of the Executive Management	23,469

A contracted pension is paid to the Chairman.

No remuneration is paid to Members of the Board with employment agreements with the Group. All external Directors' fees to the Chairman and members of the Executive Management are paid to the Bank.

Board Members and Deputy Members with the exception of the Chairman and employees of the Bank receive, in addition to the annual remuneration, SEK 6,000 per full-day meeting and SEK 3,000 per half-day meeting.

Pensions SEK thousands	Group	The Bank
	1996	1996

The year's expenses for pensions or similar benefits to the Board, President and Executive Vice Presidents	21,694	18,223
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Commitments with regard to pensions or similar benefits to the Board, President and Executive Vice Presidents have been secured through pension funds and pension insurance.

Pension commitments

As President, Reinhold Geijer has the right to retire at age 56. His pension, amounting to 75 per cent of his salary, is earned gradually over the years leading up to retirement and is fully vested at age 56. The Bank is charged annually for this expense at the same rate at which his pension is earned.

For other members of the Executive Management: From age 60, 70 per cent of salary.

Notice of termination

On notice of termination from the Bank, salary is paid during the term of notice, which is 12 months. To this is added severance pay for 24 months. Settlement is made if the individual obtains new employment before age 55.

Loans to senior executives in the Group

SEK thousands	1996
Senior executives	13,532
Members of the Board of Directors and Deputy Members	35,244

The Group has not pledged assets, other collateral or committed to contingent liabilities on behalf of any of the senior executives

Loans to companies or guarantees to companies where Members of the Board have significant influence, exist to a limited extent only.

9 Other general administrative expenses

SEK M	Group			The Bank
	1996	1995	1994	1996
Expenses for premises	320	275	309	298
Rents	442	421	457	395
Telecommunications, postage	523	500	467	448
Consulting and outside services	462	419	457	400
EDP expenses	344	249	286	269
Travel, entertainment	118	104	90	101
Office supplies	157	140	160	145
Advertising, public relations, marketing	376	349	368	242
Rentals, leasing of equipment	105	94	136	171
Security transport, alarm system	116	110	106	116
Other overhead expenses	341	321	361	351
Total	3,304	2,982	3,197	2,936

Depreciation and write-downs of tangible and intangible assets 10

SEK M	Group			The Bank
	1996	1995	1994	1996
<i>Depreciation</i>				
Equipment	198	299	257	131
Real estate	71	70	54	64
Refurbishment of leased premises	–	–	6	–
Leasing assets	784	825	948	–
Goodwill	175	22	–	–
<i>Write-downs</i>				
Leasing assets	–9 *	–	–	–
Total	1,219	1,216	1,265	195

* of which, SEK 6 M relates to the restoration of a previously made write-down.

With regard to depreciation principles, see "Accounting Principles".

Other operating expenses 11

SEK M	Group			The Bank
	1996	1995	1994	1996
Capital losses, fixed assets	43	26	1	41
Other	109	119	141	70
Total	152	145	142	111

12 Loan losses, net

SEK M	Group			The Bank
	1996	1995	1994	1996
<i>Claims assessed individually</i>				
The year's write-down for established loan losses	7,025	8,554	11,799	5,751
Restored provisions previously made for anticipated loan losses	– 5,654	– 6,884	– 10,076	– 4,864
The year's provisions for anticipated loan losses	2,237	2,377	4,543	1,386
Recoveries from previous years' established loan losses	– 398	– 1,104	– 401	– 198
Recovered provisions for anticipated loan losses	– 1,649	– 2,280	– 3,175	– 1,193
The year's net expense for individually assessed loan losses	1,561	663	2,690	882
<i>Claims assessed collectively</i>				
The year's established loan losses	138	163	247	129
Recoveries from previous years' established loan losses	– 13	– 61	– 76	– 3
Allocations/withdrawals from loan loss reserve	– 143	– 154	– 39	– 46
The year's net expense for collectively assessed claims	– 18	– 52	132	80
<i>Contingent liabilities</i>				
The year's net expense for discharged guarantees and other contingent liabilities	3	43	17	– 12
Net loan loss expense for the year	1,546	654	2,839	950

Of the year's write-downs in the Group and the Bank, SEK 192 M relates to credit institutions. Other write-downs and all restorations and recoveries relate to the general public.

Cont. note 12

Problem loans

Group SEK M	Households			Business			Total		
	1996	1995	1994	1996	1995	1994	1996	1995	1994
Unsettled claims for which even accrued interest has been entered as income	647	859	921	669	1,155	1,255	1,316	2,014	2,176
<i>Problem loans</i>									
Doubtful claims	792	1,295	1,856	4,797	7,088	10,840	5,589	8,383	12,696
Claims with interest concessions	131	181	166	678	753	594	809	934	760
Total net problem loans	923	1,476	2,022	5,475	7,841	11,434	6,398	9,317	13,456
Provisions	1,230	2,121	2,424	4,770	9,094	15,847	6,000	11,215	18,271
Total gross problem loans	2,153	3,597	4,446	10,245	16,935	27,281	12,398	20,532	31,727
Provision ratio, doubtful claims, %	60.8	62.1	56.6	49.9	56.2	59.4	51.8	57.2	59.0
Loss of interest on problem loans*	161	466	623	907	2,298	3,379	1,068	2,764	4,002
Current yield on problem loans during the fiscal period, SEK M							585	758	944
Yield on average gross book value relating to problem loans, %							3.46	2.75	2.33
Average interest rate on claims in SEK which do not constitute problem loans, %							9.28	11.23	11.13

The Bank SEK M	Households 1996	Business 1996	Total 1996
Unsettled claims for which interest has been entered as income	63	49	112
<i>Problem loans</i>			
Doubtful claims	697	1,786	2,483
Claims with interest concessions	131	339	470
Total net problem loans	828	2,125	2,953
Provisions	919	3,083	4,002
Total gross problem loans	1,747	5,208	6,955
Provision ratio, doubtful claims %	56,9	63,3	61,7
Loss of interest on problem loans*	133	548	681
Current yield on problem loans during the fiscal period, SEK M			217
Yield on average gross book value relating to problem loans, %			1.95
Average interest rate on claims in SEK which do not constitute problem loans, %			7.22

* The loss of interest has been calculated as the difference between the interest payments which were received on problem loans and the interest income which would have been reported had the loans not constituted problem loans.

13 Change in the value of property taken over

SEK M	Group			The Bank
	1996	1995	1994	1996
Realised change in value				
Real estate	- 1	2	6	- 2
Other property	- 56	- 229	1	53
Total	- 57	- 227	7	51
Unrealised change in value				
Real estate	- 2	- 36	- 26	- 2
Other property	- 46	- 1,299	- 932	- 46
Total	- 48	- 1,335	- 958	- 48
Total	- 105	- 1,562	- 951	3

Property taken over

SEK M	Group			The Bank
	1996	1995	1994	1996
Book value				
Buildings and land	57	119	141	47
Condominiums	4	5	5	4
Shares and other participations	212	838	628	212
Other property taken over	6	432	277	6
Total	279	1,394	1,051	269

Yield (net operating income) on property taken over

1996	Group		The Bank	
	SEK M	%	SEK M	%
Reported yield during the year				
on other property taken over	16	7.3	-	-

The yield (net operating income) on buildings and land, condominiums and shares and other participations amounted to SEK 0 M in 1996.

Property taken over for the protection of claims

Group	Property category	Number	Book value	Actual value	Book value/sq. m. lettable area	Yield
			SEK M	SEK M	SEK	%
<i>Sweden</i>						
	Multi-family housing	4	10	10	6,490	8.7
	Office and commercial properties	2	10	10	2,145	9.7
	Industrial and commercial properties	7	19	30	878	5.3
	Single-family homes	31	15	17	-	-
	Other properties	10	3	3	-	-
	Total	54	57	70		

None of the properties are located in Stockholm, Göteborg or Malmö.

14 Write-downs on financial fixed assets

SEK M	Group			The Bank
	1996	1995	1994	1996
Real estate	-	-	-	-
Other property	-	-	27	-
Total	-	-	27	-

15 Appropriations

SEK M	Group			The Bank
	1996	1995	1994	1996
Allocation/withdrawal untaxed reserves	-	-	-	- 1,136
Group contributions, net	-	- 134	- 123	3,300
Shareholders' contribution	-	-	- 3	-
Settlement of pensions	5	103	117	2
Total	5	- 31	- 9	2,166

The SEK 134 M reported in the Group in 1995 (123 M 1994) relates to funds contributed to companies which were not included in the consolidated accounts.

Allocations/withdrawals

SEK M	The Bank
	1996
Accumulated accelerated depreciation	- 8
Tax allocation reserve	- 1,128
Total	- 1,136

Cont. note 15

Group contributions	The Bank	
	Paid	Received
	1996	1996
SEK M		
Bankkortsadministrativ		
ButiksService AB	–	27
Robur Kapitalförvaltning AB	–	342
Sparbanken Finans AB	–	263
AB Spintab	–	2,697
Fastighets AB Tornet	–	–
Sparbanken Sverige		
Administration AB	– 9	3
Sparia Försäkringsbolag AB	– 23	–
Nordic Aircraft Management AB	–	–
Total	– 32	3,332

Shareholders' contributions	Group			The Bank
	1996	1995	1994	1996
SEK M				
Fastighets AB Tornet	–	–	–	–
AB Spintab	–	–	–	–
Spafi *	–	–	–	–
Other	–	–	– 3	–
Total	–	–	– 3	–

* Name changed to Nordic Aircraft Management AB during 1995.

Settlement of pensions	Group			The Bank
	1996	1995	1994	1996
SEK M				
Calculated pension expenses	45	113	99	42
Pensions paid	– 10	– 12	– 9	– 10
Payroll tax and tax on yield	– 44	– 62	– 44	– 44
Allowance from pension funds	35	87	95	35
Provisions to pension funds	– 21	– 23	– 24	– 21
Total	5	103	117	2

16 Tax on income for the year

SEK M	Group			The Bank
	1996	1995	1994	1996
Tax related to previous years	45	– 3	1	45
Estimated income tax for the year	– 965	– 714	– 81	– 949
Deferred tax	– 507	– 352	– 8	– 169
Total	– 1,427	– 1,069	– 88	– 1,073

17 Treasuries etc.

Group	Fair value			1996	Book value			Accrued acquisition value			Nominal amount		
	1996	1995	1994		1995	1994	1996	1995	1994	1996	1995	1994	
<i>Treasuries</i>													
<i>Current assets</i>													
Swedish Government													
Treasury bills	1,766	5,596	4,463	1,766	5,575	4,463	1,759	5,573	4,464	1,805	5,854	4,733	
Bonds	2,610	7,456	4,846	2,326	7,102	4,850	2,138	7,086	5,028	2,366	6,923	5,266	
Sveriges Riksbank													
Commercial paper	5,377	811	23,174	5,377	811	23,174	5,377	810	23,174	5,382	812	23,205	
Swedish municipalities													
Bonds	–	2	3	–	2	3	–	2	3	–	2	3	
Commercial paper	835	353	117	835	353	117	835	353	117	841	359	118	
Foreign governments													
Bonds	1,135	1,363	722	1,135	1,360	722	1,134	1,358	722	1,141	1,377	722	
Total	11,723	15,581	33,325	11,439	15,203	33,329	11,243	15,182	33,508	11,535	15,327	34,047	
<i>Fixed assets</i>													
Swedish municipalities													
Bonds	48	48	23	42	46	23	42	46	23	42	46	23	
Total	48	48	23	42	46	23	42	46	23	42	46	23	
Total	11,771	15,629	33,348	11,481	15,249	33,352	11,285	15,228	33,531	11,577	15,373	34,070	
of which													
in foreign currency				1,503	943	1,083							

Cont. note17

The Bank	Fair value	Book value	Accrued acquisition value	Nominal amount
SEK M	1996	1996	1996	1996
<i>Treasuries</i>				
<i>Current assets</i>				
Swedish Government				
Treasury bills	1,636	1,636	1,629	1,674
Bonds	2,608	2,324	2,136	2,364
Sveriges Riksbank				
Commercial paper	5,377	5,377	5,377	5,382
Swedish municipalities				
Bonds	–	–	–	–
Commercial paper	835	835	835	841
Foreign governments				
Bonds	1,135	1,135	1,134	1,141
Total	11,591	11,307	11,111	11,402
<i>Fixed assets</i>				
Swedish municipalities				
Bonds	48	42	42	42
Total	48	42	42	42
Total	11,639	11,349	11,153	11,444
of which in foreign currency		1,503		

Summary of maturities	Group	The Bank
SEK M	1996	1996
Remaining maturity payable on demand	–	–
≤ 1 year	8,744	8,614
> 1 year – 5 years	974	974
> 5 year – 10 years	641	639
> 10 years	1,122	1,122
Total	11,481	11,349
Average remaining maturity	2.0 år	2.1 år

Book value in the Group in 1996 is SEK 96 M less than nominal value.

SEK M	Discounting instrument	Coupon instrument	Total
Surplus value	–	67	67
Discounted value	– 67	– 96	– 163
Total	– 67	– 29	– 96

Book value in the Bank in 1996 is SEK 95 M less than nominal value.

SEK M	Discounting instrument	Coupon instrument	Total
Surplus value	–	67	67
Discounted value	– 66	– 96	– 162
Total	– 66	– 29	– 95

18 Lending to credit institutions

Fixed assets SEK M	Group			The Bank
	1996	1995	1994	1996
<i>Swedish banks</i>				
Sveriges Riksbank	144	–	–	144
Checks in course of collection	613	484	775	613
Banking companies	9,744	6,392	3,256	9,733
Savings banks	1,770	2,241	3,290	1,770
Total	12,271	9,117	7,321	12,260
<i>Other Swedish credit institutions</i>				
Mortgage institutions	20	1	519	995
Other credit market companies	1,759	1,633	1,717	5,188
Brokerage/securities firms	–	632	63	–
Other	0	401	14	–
Provision for anticipated loan losses	– 160	– 330	– 411	– 160
Total	1,619	2,337	1,902	6,023
<i>Foreign banks</i>				
Foreign banks	39,973	16,886	13,074	40,846
Provision for anticipated loan losses	– 5	– 90	– 152	– 5
Total	39,968	16,796	12,922	40,841
Total	53,858	28,250	22,145	59,124
Of which				
in foreign currency	9,861	9,706	11,060	11,027
Group companies	–	–	–	5,295
associated companies	1,062	–	–	1,062
Subordinated loans				
SEK M	Group			The Bank
	1996			1996
Group companies	–			120
Associated companies	130			130
Other	22			22
Total	152			272
Summary of maturities *				
SEK M	Group			The Bank
	1996			1996
Remaining maturity payable on demand	7,897			6,308
≤ 3 months	36,410			43,066
> 3 months – 1 year	8,544			8,566
> 1 year – 5 years	1,007			1,159
> 5 years	–			25
Total	53,858			59,124
Average remaining maturity	0.3 years			0.3 years

Lending to the general public 19

Fixed assets SEK M	Group			The Bank
	1996	1995	1994	1996
SEK**	363,230	364,832	375,671	112,144
Foreign currency	23,792	27,514	32,848	23,103
Provision for anticipated loan losses*	– 5,835	– 10,747	– 17,625	– 3,837
Total	381,187	381,599	390,894	131,410
Of which				
Group companies	65			140
subordinated loans				
others	160			160
* of which, in foreign currency				
	– 551	– 1,007	– 2,406	– 374
** Public savings accounts, gross				
	– 11,449	– 13,195	– 14,111	– 11,449
of which, claim on the National Debt Office				
	11,981	13,653	14,724	11,981
Net	532	458	613	532
Summary of maturities*				
SEK M	Group			The Bank
	1996			1996
Remaining maturity payable on demand	5,152			4,973
≤ 3 months	71,429			32,959
> 3 months – 1 year	81,974			26,616
> 1 year – 5 years	175,614			38,869
> 5 years	47,018			27,993
Total	381,187			131,410
Average remaining maturity				
	2.7 years			3.7 years

* The Bank always retains the right to terminate loans for repayment within one year according to chap. 2 § 19 of the Swedish Banking Act.

20 Bonds and other interest-bearing securities

Group	Fair value			Book value			Accrued acquisition value			Nominal amount		
	1996	1995	1994	1996	1995	1994	1996	1995	1994	1996	1995	1994
SEK M												
<i>Issued by other than public agencies</i>												
<i>Current assets</i>												
Swedish mortgage institutions												
Bonds	4,455	4,649	3,080	4,455	4,809	3,080	4,249	4,771	3,083	4,023	4,762	3,101
Commercial paper	2,138	889	1,024	2,138	883	1,024	2,131	882	1,024	2,164	902	1,027
Other Swedish issuers												
Non-financial companies												
Bonds	685	987	1,374	685	987	1,374	683	984	1,377	680	1,225	1,379
Commercial paper	605	97	50	605	97	50	605	96	50	614	99	50
Financial companies												
Bonds	959	928	1,056	940	915	1,056	940	915	1,056	972	997	1,161
Commercial paper	49	146	25	49	146	25	49	146	25	50	147	26
Other issuers outside Sweden												
Bonds	200	508	837	200	507	837	200	508	1,837	200	510	837
Total	9,091	8,204	7,446	9,072	8,344	7,446	8,857	8,302	7,452	8,703	8,642	7,581
<i>Fixed assets</i>												
Swedish mortgage institutions												
Bonds	7,798	457	331	7,496	459	331	7,496	459	357	6,965	460	359
Other Swedish issuers												
Non-financial companies												
Bonds	39	44	48	37	43	48	37	43	48	37	43	48
Commercial paper	892	973	853	889	973	853	889	973	851	899	993	868
Other financial companies												
Bonds	54	–	21	54	–	21	54	–	21	51	–	21
Total	8,783	1,474	1,253	8,476	1,475	1,253	8,476	1,475	1,277	7,952	1,496	1,296
Total	17,874	9,678	8,699	17,548	9,819	8,699	17,333	9,777	8,729	16,655	10,138	8,877
of which												
in foreign currency				2,287	2,430	3,597						
listed				16,011								
associated companies				296								

Cont. note 20

The Bank	Fair value	Book value	Accrued acquisition value	Nominal amount
SEK M	1996	1996	1996	1996
<i>Issued by other than public agencies</i>				
<i>Current assets</i>				
Swedish mortgage institutions				
Bonds	13,547	13,515	13,052	12,735
Commercial paper	2,377	2,377	2,370	2,403
Other Swedish issuers				
Non-financial companies				
Bonds	685	685	683	680
Commercial paper	597	597	597	606
Financial companies				
Bonds	959	940	940	972
Commercial paper	49	49	49	50
Other issuers outside Sweden				
Bonds	200	200	200	200
Total	18,414	18,363	17,891	17,646
<i>Fixed assets</i>				
Swedish mortgage institutions				
Bonds	17,584	16,744	16,744	16,063
Other Swedish issuers				
Non-financial companies				
Bonds	39	37	37	37
Commercial paper	892	889	889	899
Other financial companies				
Bonds	54	54	54	51
Total	18,569	17,724	17,724	17,050
Total	36,983	36,087	35,615	34,696
of which				
in foreign currency		3,691		
Group companies		18,318		
associated companies		296		
listed		31,994		

Book value in the Group in 1996 exceeds nominal value by SEK 893 M.

SEK M	Discounting instrument	Coupon instrument	Total
Surplus value	–	1,037	1,037
Discounted value	– 81	– 63	– 144
Total	– 81	974	893

Book value in the Bank in 1996 exceeds nominal value by SEK 1,391 M

SEK M	Discounting instrument	Coupon instrument	Total
Surplus value	–	1,543	1,543
Discounted value	– 76	– 76	– 152
Total	– 76	1,467	1,391

Summary of maturities

SEK M	Group 1996	The Bank 1996
Remaining maturity		
≤ 1 year	5,549	9,695
> 1 year – 5 years	11,215	21,937
> 5 years – 10 years	784	4,455
Total	17,548	36,087
Average remaining maturity	2.5 years	2.8 years

21 Shares and participations

Group SEK M	Number	Book value 1996	Share of voting rights 1996
<i>Current assets in Sweden</i>			
Trading stock*		2,071.7	
<i>Credit institutions</i>			
Föreningsbanken AB*	13,000,000	445.3	4.98
<i>Other</i>			
Fund participations		450.6	
Shares for protection of claims		200.9	
Condominiums for protection of claims		3.7	
Total		3,172.2	
<i>Fixed assets in Sweden</i>			
<i>Other</i>			
Upplysningscentralen UC AB, Stockholm	1,500	0.2	15.0
Bankgirocentralen BGC AB, Stockholm	5,100	0.5	11.0
Värdepapperscentralen VPC AB	13,600	0.2	2.3
AB Svensk Exportkredit	62,200	259.8	8.9
Stockholms Fondbörs AB	61,404	1.2	4.1
Penningmarknadsinformation PMI AB	75	0.5	9.0
OM Gruppen AB*	16,200	0.4	0.0
Other**		2.3	
Condominiums		34.2	
Total		299.3	
<i>Fixed assets outside Sweden</i>			
<i>Credit institutions</i>			
Bikuben Girobank A/S*, DKK	985,270	264.2	3.4
AS Eesti Hoiupank*, EEK, Tallinn, Estonia	2,062,500	58.8	12.5
Total		323.0	
Total		3,794.5	

Cont. note 21

The Bank		Book value	Share of voting rights
SEK M	Number	1996	1996
<i>Current assets in Sweden</i>			
Trading stock*		2,053.3	
<i>Credit institutions</i>			
Föreningsbanken AB*	13,000,000	445.3	4.98
<i>Other</i>			
Shares for protection of claims		200.3	
Condominiums for protection of claims		3.7	
Total		2,702.6	
<i>Fixed assets in Sweden</i>			
<i>Other</i>			
Upplysningscentralen UC AB, Stockholm	1,500	0.2	15.0
Bankgirocentralen BGC AB, Stockholm	5,100	0.5	11.0
Värdepapperscentralen VPC AB	13,600	0.2	2.3
AB Svensk Exportkredit	62,200	259.8	8.9
Stockholms Fondbörs AB	61,404	1.2	4.1
Penningmarknadsinformation PMI AB	75	0.5	9.0
OM Gruppen AB*	16,200	0.4	0.0
Other**		2.2	
Condominiums		31.6	
Total		296.6	
<i>Fixed assets outside Sweden</i>			
<i>Credit institutions</i>			
Bikuben Girobank A/S*, DKK	985,270	264.2	3.4
AS Eesti Hoiupank*, EEK, Tallinn, Estonia	2,062,500	58.8	12.5
Total		323.0	
Total		3,322.2	

The market value of the shares in Föreningsbanken AB was 445.3, SEK M at yearend.

The market value of the shares in OM Gruppen AB was SEK 3.3 M at yearend.

The market value of the shares in Bikuben Girobank A/S was SEK 315.0 M at yearend.

The market value of the shares in AS Eesti Hoiupank was SEK 78.4 M at yearend.

* These companies are listed; the others are not. All holdings in the trading stock are listed.

** A specification can be obtained from Sparbanken, Group Accounting.

The share of the voting rights in each company corresponds to the share of their equity.

22 Shares and participations in associated companies

Group SEK M	Number	Book value 1996	Share of voting rights 1996
<i>Fixed assets in Sweden</i>			
<i>Credit institutions</i>			
Sparbanken Borås AB, Borås	400,000	200.0	40
Share of income according to equity method		6.9	
<i>Other</i>			
SparFond Livförsäkrings AB, Stockholm	75,000	94.0	50
Share of income according to equity method		- 10.0	
SparLiv Livförsäkrings AB, Stockholm	75,000	125.6	50
Sambox Väst AB, Gothenburg	167	0.2	33
Other		0.0	
Total		416.7	
<i>Fixed assets outside Sweden</i>			
<i>Credit institution</i>			
Aktia Sparbank Ab, FIM, Helsinki, Finland	8,600,000	190.5	25
Share of income according to equity method		9.7	
Total		200.2	
Total		616.9	

The Bank SEK M	Number	Book value 1996	Share of voting rights 1996
<i>Fixed assets in Sweden</i>			
<i>Credit institutions</i>			
Sparbanken Borås AB, Borås	400,000	200.0	40
<i>Other</i>			
SparFond Livförsäkrings AB, Stockholm	75,000	94.0	50
SparLiv Livförsäkrings AB, Stockholm	75,000	125.6	50
Sambox Väst AB, Gothenburg	167	0.2	33
Other		0.0	
Total		419.8	
<i>Fixed assets outside Sweden</i>			
<i>Credit institution</i>			
Aktia Sparbank Ab, FIM, Helsinki, Finland	8,600,000	190.5	25
Total		190.5	
Total		610.3	

All shares are unlisted.

The share of the voting rights in each company corresponds to the share of their equity.

23 Shares and participations in Group companies

Group SEK M	Number	Book value 1996	Share of voting rights 1996
<i>Current assets</i>			
<i>For protection of claims</i>			
Brälanda Esslingetorp AB	500	0.0	100
Etigrafen AB	510	11.0	100
Fastighets AB Riggen	100	0.9	100
Vastgoed Queens BV in liquidation, NLG	40	0.0	100
Connecta SA in liquidation, FRF	219,695	0.0	100
Lak Leasing AB	500	0.0	100
Total		11.9	
<hr/>			
The Bank SEK M	Number	Book value 1996	Share of voting rights 1996
<i>Current assets</i>			
<i>For protection of claims</i>			
Brälanda Esslingetorp AB	500	0.0	100
Etigrafen AB	510	11.0	100
Fastighets AB Riggen	100	0.9	100
Vastgoed Queens BV in liquidation, NLG	40	0.0	100
Connecta SA in liquidation, FRF	219,695	0.0	100
Lak Leasing AB	500	0.0	100
Total		11.9	
<hr/>			
<i>Fixed assets in Sweden</i>			
<i>Credit institutions</i>			
AB Spintab, Stockholm	18,000,000	9,427.6	100
Sparbanken Finans AB, Stockholm	345,000	415.1	100
<i>Other</i>			
Robur Kapitalförvaltning AB, Stockholm	10,000,000	1,946.2	100
Sparbanken Sverige Administration AB, Stockholm	10,000	1.0	100
Sparia Försäkringsbolag AB, Stockholm	30,000	30.0	100
Bankkortsadministrativ ButiksService AB	100	0.1	100
Sparbankskort Administration AB	10,000	0.1	100
Total		11,820.1	
<hr/>			
<i>Fixed assets outside Sweden</i>			
<i>Credit institutions</i>			
Swedbank (Luxembourg) S.A, LUF	300,000	420.1	100
Other		0.0	
<i>Other</i>			
Swedbank Securities Inc, USD	100	4.9	100
Total		425.0	
Total		12,257.0	

All shares are unlisted.

The share of the voting rights in each company corresponds to the share of their equity.

24 Intangible fixed assets

SEK M	Group			The Bank
	1996	1995	1994	1996
Goodwill	1,555	1,730	–	–
Refurbishment of leased premises	3	2	–	3
Total	1,558	1,732	–	3

SEK M	Group			The Bank
	1996	1995	1994	1996
Acquisition value	1,755	1,754	–	3
of which, due	1	1,754	–	1
Accumulated amortisations	– 197	– 22	–	0
of which, amortisation during the year	– 175	– 22	–	0
Total	1,558	1,732	–	3

With regard to amortisation principles, see "Accounting Principles."

Specification of tangible fixed assets

	Equipment			Leasing assets			Properties used in Group operations				
	Group		The Bank	Group		The Bank	Group		The Bank		
	1996	1995	1994	1996	1995	1994	1996	1995	1994	1996	
Acquisition value	1,986	1,777	1,891	1,610	3,866	4,133	4,078	3,936	4,031	3,860	3,788
of which, assets due	255	128	464	231	1,269	1,714	1,201	26	225	1,397	167
of which, deductible assets	46	210	15	15	1,536	1,691	2,298	121	55	246	74
Accumulated depreciation	1,552	1,360	1,202	1,268	1,489	1,610	1,659	417	399	336	398
of which, depreciation for the year	198	299	257	131	784	825	948	71	70	54	64
Accumulated write-downs	–	–	–	–	32	38	38	–	–	–	–
of which, write-downs for the year	–	–	–	–	– 6	–	–	–	–	–	–
Accumulated revaluations	–	–	–	–	–	–	–	370	570	570	570
Total	434	417	689	342	2,345	2,485	2,381	4,089	4,202	4,094	3,960
Tax assessment values								2,787 *	3,392 *	3,316 *	2,787

* Tax assessment values are not available for foreign assets booked at SEK 128 M, 137 M 1995 and 167 M 1994.

With regard to depreciation principles, see "Accounting Principles."

26 Other assets

SEK M	Group			The Bank	
	1996	1995	1994	1996	
<i>Current assets</i>					
Other assets, protection of claims	6	432	277	6	
Securities settlement claims*	512	3,199	1,109	512	
Derivatives*	12,622	9,668	11,262	11,640	
Other assets**	3,123	8,866	4,363	902	
Provision for anticipated loan losses	0	–10	– 7	0	
Receivables from Group companies	–	–	–	3,332	
Total	16,263	22,155	17,004	16,392	
Of which					
in foreign currency		4,697	724	2,242	3,717
* Booked in the balance sheet according to current netting rules.					
Gross securities settlement claims		5,696			5,696
Gross derivatives		13,790			12,808

** Repossessed leasing assets amounted 1996 to SEK 1 M (3 M 1995, 4 M 1994).

Tangible assets 25

SEK M	Group			The Bank
	1996	1995	1994	1996
<i>Current assets</i>				
Properties taken over to protect claim	57	119	141	47
Total	57	119	141	47

SEK M	Group			The Bank
	1996	1995	1994	1996
<i>Fixed assets</i>				
Equipment	434	417	689	342
Leasing assets	2,345	2,485	2,381	–
Properties used in the Group's operations	4,089	4,202	4,094	3,960
Total	6,868	7,104	7,164	4,302
Total	6,925	7,223	7,305	4,349

27 Derivatives

Group, 1996	Interest-rate related			Foreign exchange-related			Equity related		
	Actual value	Book value	Nominal value	Actual value	Book value	Nominal value	Actual value	Book value	Nominal value
SEK M									
Derivatives with positive values or nil value									
<i>Current assets</i>									
<i>Derivatives reported under Other assets</i>									
Options held	25	25	4,160	125	125	16,136	100	100	2,617
Forward contracts with positive value	1,874	1,874	534,783	2,916	2,916	166,922	7	7	337
Swaps with positive value	6,251	6,251	72,794	983	983	19,716	–	–	–
Swaps with positive value, reported as hedges	1,252	607	11,706	3,041	846	23,422	–	–	–
Other derivatives with positive value	56	56	8,367	0	0	900	–	–	–
Total	9,458	8,813	631,810	7,065	4,870	227,096	107	107	2,954
of which, cleared	1,175	1,175	356,314	–	–	–	74	74	1,879
<i>Derivatives not reported in the balance sheet</i>									
Forward contracts with positive value	109	–	98	118	–	1,005	–	–	–
Swaps with positive value	–	–	34	–	–	–	–	–	–
Total	109	–	132	118	–	1,005	–	–	–
Derivatives with negative values									
<i>Derivatives reported under Other liabilities</i>									
Options issued	55	55	4,803	115	115	15,388	222	222	1,503
Forward contracts with negative value	1,962	1,962	526,352	2,781	2,781	150,178	188	188	1,561
Swaps with negative value	7,285	7,285	77,691	294	294	7,297	–	–	–
Swaps with negative value, reported as hedges	1,587	693	30,336	5,574	1,893	29,329	–	–	–
Other derivatives with negative value	46	46	11,817	1	1	1,261	–	–	–
Total	10,935	10,041	650,999	8,765	5,084	203,453	410	410	3,064
of which, cleared	1,174	1,174	375,311	–	–	–	252	252	2,086
<i>Derivatives not reported in the balance sheet</i>									
Forward contracts with positive value	–	–	–	88	–	98	–	–	–
Swaps with negative value	22	–	1,188	–	–	–	–	–	–
Total	22	–	1,188	88	–	98	–	–	–

The unrealized gain on positive derivatives deferred due to hedging accounting is SEK 3,067 M.
The unrealized loss on negative derivatives deferred due to hedging accounting is SEK 4,685 M.

Cont. note 27

The Bank, 1996

SEK M	Interest-rate related			Foreign exchange-related			Equity related		
	Actual value	Book value	Nominal value	Actual value	Book value	Nominal value	Actual value	Book value	Nominal value
Derivatives with positive values or nil value									
<i>Current assets</i>									
<i>Derivatives reported under Other assets</i>									
Options held	25	25	4,160	125	125	16,136	100	100	2,617
Forward contracts with positive value	1,874	1,874	534,783	2,916	2,916	166,922	7	7	337
Swaps with positive value	6,307	6,307	73,826	983	983	19,716	–	–	–
Swaps with positive value, reported as hedges	458	300	8,088	446	115	7,325	–	–	–
Other derivatives with positive value	56	56	8,367	0	0	900	–	–	–
Total	8,720	8,562	629,224	4,470	4,139	210,999	107	107	2,954
of which, cleared	1,175	1,175	356,314	–	–	–	74	74	1,879
<i>Derivatives not reported in the balance sheet</i>									
Swaps with positive value	–	–	34	–	–	–	–	–	–
Total	–	–	34	–	–	–	–	–	–
<i>Derivatives reported under Other liabilities</i>									
Options issued	55	55	4,803	115	115	15,388	222	222	1,503
Forward contracts with negative value	1,962	1,962	526,352	2,781	2,781	150,178	188	188	1,561
Swaps with negative value	7,670	7,670	82,959	294	294	7,297	–	–	–
Swaps with negative value, reported as hedges	1,000	425	20,518	129	129	70	–	–	–
Other derivatives with negative value	46	46	11,817	1	1	1,261	–	–	–
Total	10,733	10,158	646,449	3,320	3,320	174,194	410	410	3,064
of which, cleared	1,174	1,174	375,311	–	–	–	252	252	2,086
<i>Derivatives not reported in the balance sheet</i>									
Swaps with negative value	22	–	1,188	–	–	–	–	–	–
Total	22	–	1,188	–	–	–	–	–	–

The unrealised gain on positive derivatives deferred due to hedging accounting is SEK 489 M.

The unrealised loss on negative derivatives deferred due to hedging accounting is SEK 597 M.

The Group and the Bank use derivatives in the normal course of business and for the purpose of hedging certain positions with regard to price fluctuations in equities, interest rates and currencies. The above specification is made in accordance with the directives of the Swedish Financial Supervisory Authority and includes all derivatives in the Group. With regard to derivatives used in trading operations, book value and fair value are equivalent. The differences above between book value and fair value are matched by offsetting differences in the part of the Group's operations where hedging accounting is applied.

28 Prepaid expenses and accrued income

SEK M	Group			The Bank
	1996	1995	1994	1996
<i>Current assets</i>				
Prepaid expenses	434	607	268	163
Accrued interest	5,598	7,105	8,350	2,762
Accrued income	344	442	914	229
Total	6,376	8,154	9,532	3,154
Of which				
in foreign currency	760	1,694	1,790	652

29 Loans from credit institutions

SEK M	Group			The Bank
	1996	1995	1994	1996
<i>Swedish banks</i>				
Liabilities in the course of clearing	3,854	4,575	4,071	3,854
Sveriges Riksbank	2,230	–	2	2,230
Banking companies	10,679	6,395	7,009	10,227
Saving banks	9,323	6,572	7,645	9,323
Total	26,086	17,542	18,727	25,634
<i>Other Swedish credit institutions</i>				
Mortgage institutions	768	4,446	1,398	2,826
Other credit market companies	2,243	1,347	150	2,284
Brokerage/securities firms	172	920	2,606	172
Other	–	564	259	–
Secured loans on Group's own properties	0	57	239	0
Total	3,183	7,334	4,652	5,282
Foreign banks	41,124	32,602	43,694	43,043
Total	70,393	57,478	67,073	73,959
Of which				
in foreign currency	22,960	28,379	33,692	23,412
Group companies	–			4,262
associated companies	646			646

Summary of maturities		Group	The Bank
SEK M		1996	1996
Remaining maturity payable on demand		14,726	16,325
≤ 3 months		40,214	42,959
> 3 months – 1 year		14,855	14,602
> 1 year – 5 years		492	1
> 5 years		106	72
Total		70,393	73,959
Average remaining maturity		0.3 years	0.2 years

Funding and deposits from the general public 30

SEK M	Group			The Bank
	1996	1995	1994	1996
<i>Deposits in SEK</i>				
<i>Households</i>				
transaction accounts	20,383	15,764	16,298	20,383
other accounts	66,482	70,014	74,389	66,386
<i>Businesses/Non-profits</i>				
transaction accounts	4,193	4,326	5,050	4,193
other accounts	4,666	3,782	3,569	3,846
Money market accounts	29,387	24,859	25,362	29,387
Special/fixed-interest accounts	7,819	8,648	8,192	7,819
Insurance companies	3,903	4,458	3,763	3,911
Other	4,587	10,151	6,409	4,579
Total	141,420	142,002	143,032	140,504
Deposits in foreign currency	4,440	5,665	6,637	4,169
Total	145,860	147,667	149,669	144,673
Funding in SEK	61	105	48	11
Funding in foreign currency	200	211	223	0
Total	261	316	271	11
Total	146,121	147,983	149,940	144,684
Of which				
Group companies	–			179

Deposits

Summary of maturities		Group	The Bank
SEK M		1996	1996
Remaining maturity payable on demand		136,429	135,270
≤ 3 months		8,837	8,812
> 3 months – 1 year		328	325
> 1 year – 5 years		32	32
> 5 years		234	234
Total		145,860	144,673
Average remaining maturity		0.0 years	0.0 years

Funding

Summary of maturities		Group	The Bank
SEK M		1996	1996
Remaining maturity payable on demand		–	–
≤ 3 months		22	–
> 3 months – 1 year		31	–
> 1 year – 5 years		192	2
> 5 years		16	9
Total		261	11
Average remaining maturity		2.1 years	7.4 years

31 Securities issued, etc.

SEK M	Group			The Bank
	1996	1995	1994	1996
<i>Promissory notes issued</i>				
Commercial papers	2,480	11,171	5,438	1,568
Eurocommercial papers	–	124	258	–
Certificates in foreign currency	4,877	821	2,230	4,877
Certificates in SEK	12,170	12,974	6,850	–
Bond loans	190,560	174,543	186,935	3,848
Other	2,256	3,674	6,546	1,943
Total	212,343	203,307	208,257	12,236
Of which				
in foreign currency	47,306	42,505	38,128	9,749
Group companies	–			6

Summary of maturities

SEK M	Group		The Bank
	1996	1996	1996
Remaining maturity payable on demand		–	–
≤ 1 year		80,122	7,626
> 1 year – 5 years		118,952	4,513
> 5 years – 10 years		13,269	97
Total		212,343	12,236
Average remaining maturity		2.1 years	1.1 years

32 Other liabilities

SEK M	Group			The Bank
	1996	1995	1994	1996
Own tax liabilities	979	346	132	949
Securities settlement liabilities*	418	894	1,141	418
Derivatives*	14,368	9,782	12,328	12,720
Preliminary tax, interest	1,144	1,522	–	1,144
Due to Group companies	–	34	18	15
Other	8,630	8,350	8,149	6,857
Total	25,539	20,928	21,768	22,103
Of which				
in foreign currency	5,335	162	3,148	3,467

* Booked in the balance sheet according to current netting rules.

Gross securities settlement liabilities	5,603			5,603
Gross derivatives	15,535			13,888

Accrued expenses and prepaid income

SEK M	Group			The Bank
	1996	1995	1994	1996
Accrued interest	6,939	8,805	9,513	1,622
Accrued wages and salaries	287	226	180	267
Accrued social insurance charges	142	155	122	124
Accrued expenses and prepaid income	2,179	2,903	1,571	335
Total	9,547	12,089	11,386	2,348
Of which				
in foreign currency	1,254	2,627	2,341	533

Allocations

SEK M	Group			The Bank
	1996	1995	1994	1996
Provisions for pensions	17	42	50	16
Provisions for taxes				
deferred tax	847	333	–	169
other	157	175	116	–
Other allocations	194	152	180	301
Total	1,215	702	346	486

The Bank's and Group's pension commitments are covered by insurance, through pension funds or through provisions in the balance sheet to a "Provision for pensions" reserve.

Other allocations consist of provisions for guarantees of SEK 135 M (152 M 1995, 157 M 1994) in the Group and SEK 301 M in the Bank.

Subordinated loans

SEK M	Group			The Bank
	1996	1995	1994	1996
Subordinated loans	7,956	9,614	11,262	3,960
Undated subordinated loans	9,095	8,058	6,165	4,982
Other	191	238	274	–
Total	17,242	17,910	17,701	8,942
Of which				
in foreign currency	14,227	13,661	12,298	7,402

Expenses for subordinated loans are reported in Note 1.

Requirements call for a specification of individual subordinated loans if they exceed 10 per cent of all subordinated loans. The Groups' subordinated loans amount to SEK 17.2 billion. No loan in the Group exceeds 10 per cent of the subordinated loans in the Group.

The Bank's subordinated loans amount to SEK 8.9 billion. The subordinated loans consist of fixed-term and undated subordinated loans. By subordinated loans are meant loans that, in event of the borrower's liquidation or bankruptcy, give the lender the right to payment from the borrower's assets junior to other receivables.

Type	Nominal in original currency	Book value in SEK M	Interest rate	Prepayment right for Sparbanken Sverige AB
Undated subordinated loan	USD 150 billion	1,024	6 mos. LIBOR + 1.75% (the first five years)	Oct. 20, 1998
Undated subordinated loan	USD 150 billion	1,001	7.5% (the first ten years)	Nov. 01, 2006

The loan conditions are approved by the Swedish Financial Supervisory Authority. No other single loan accounts for more than 10 percent of the sum total of the subordinated loans.

Specification of subordinated loans

Fixed term subordinated loans

Maturity	Right to prepayment for Sparbanken Sverige AB	Currency	Nominal amount	Book value in SEK M	Coupon interest rate (%)
1982/1997		SEK	0	0	12.10%
1985/1997		USD	70	481	Variable
1990/1997		SEK	50	50	14.32%
1991/1997		SEK	50	50	12.20%
1992/1997		SEK	1	1	11.60%
1988/1998		SEK	100	100	11.60%
1991/1998		SEK	25	25	11.95%
1991/1998		SEK	25	25	11.95%
1991/1998		SEK	26	26	11.95%
1984/1999		SEK	2	2	11.90%
1989/1999		SEK	350	350	Variable
1989/1999		SEK	50	50	11.65%
1985/2000		SEK	5	5	11.95%
1985/2000		SEK	5	5	11.95%
1990/2000	1997	DEM	50	221	Variable
1990/2000	1997	DEM	50	221	Variable
1986/2001		SEK	5	5	12.25%
1990/2001		SEK	30	30	Variable
1990/2001		SEK	30	30	Variable
1990/2001		SEK	200	200	13.30%
1991/2001		SEK	50	50	11.94%
1991/2001		SEK	5	3	1)
1991/2001		SEK	8	6	1)
1992/2002		XEU	4	34	Variable
1992/2002	1997	XEU	35	299	Variable
1992/2002		USD	20	136	9.05%
1992/2002	1997	USD	100	686	Variable
1992/2002	1997	JPY	3,126	185	6.36%
1992/2002	1997	USD	23	158	Variable
1994/2010		SEK	1,664	415	1)
1989/2019		SEK	111	111	11.00%
Total				3,960	

Undated subordinated loans

Maturity	Right to prepayment for Sparbanken Sverige AB	Currency	Nominal amount	Book value in SEK M	Coupon interest rate (%)
1993/undated	1998	USD	150	1,024	Variable
1993/undated	1998	USD	50	342	Variable
1993/undated	1999	JPY	10,000	581	5.00%
1995/undated	2002	JPY	10,000	583	3.60%
1995/undated	2002	USD	125	858	Variable
1996/undated	2011	JPY	10,000	593	4.35%
1996/undated	2006	USD	150	1,001	7.50%
Total				4,982	

¹⁾ Zero-coupon bond

36 Untaxed reserves

Change in untaxed reserves

The Bank	Balance brought forward	With-drawal	Allo-cation	Balance carried forward
SEK M	1996	1996	1996	1996
Accumulated accelerated depreciation				
equipment	–	–	8	8
real estate	6	0	–	6
Allocation to tax allocation reserve	263 *	–	1,128	1,391
Total	269	0	1,136	1,405

* Allocated 1995

Shareholders' equity 37

SEK M	Group			The Bank
	1996	1995	1994	1996
<i>Restricted equity</i>				
Capital stock *	5,564	5,564	5,400	5,564
Legal reserve	5,417	4,817	4,505	2,638
Reserve for unrealized gains	415	–	–	433
Other reserves	1,851	1,011	1,881	–
Total, other reserves	7,683	5,828	4,679	3,071
<i>Non-restricted equity</i>				
Retained earnings	2,930	5,602	3,806	2,635
Net income	3,872	3,312	3,841	3,455
Total	20,049	20,306	17,726	14,725

* 278,180,702 shares at a par value of SEK 20

Change in shareholders' equity

Group, SEK M	Capital stock	Other reserves/ restricted reserve	Nonrestricted reserves	Net income	Total
Balance brought forward	5,564	5,828	5,602	3,312	20,306
Transfer between restricted and non-restricted equity		1,855	1,457	– 3,312	0
Dividend			– 974		– 974
Dividend from subsidiary			– 3,143		– 3,143
Translation difference			– 12		– 12
Net income				3,872	3,872
Balance carried forward	5,564	7,683	2,930	3,872	20,049

The Bank, SEK M	Capital stock	Legal reserve	Reserve for unrealised gains	Retained earnings	Net income	Total
Balance brought forward	5,564	2,638	–	5,461	1,300	14,963
Income distribution according to decision of AGM				1,300	– 1,300	0
Dividend				– 974		– 974
Dividend from subsidiary				– 2,719		– 2,719
Transfer between restricted and non-restricted equity			433	– 433		0
Net income					3,455	3,455
Balance carried forward	5,564	2,638	433	2,635	3,455	14,725

Distribution of reserve for unrealised gains as of December 31

SEK M	Group	The Bank
	1996	1996
<i>Balance sheet item</i>		
Treasury bonds	218	218
Bonds	255	440
Shares and participations	338	325
Other assets	3,166	3,166
Other liabilities	– 3,562	– 3,716
Total	415	433

38 Assets pledged, contingent liabilities and commitments

SEK M	Group			The Bank
	1996	1995	1994	1996
<i>Assets pledged for own liabilities</i>				
Real estate mortgages, nominal amount	0	174	377	0
Government securities and bonds pledged for liabilities, credit institutions	22,864	8,644	14,477	22,864
Government securities and bonds pledged for deposits from the general public	2,198	3,863	4,082	2,194
Other pledges	–	15	32	–
Government securities and bonds pledged with Sveriges Riksbank	12,632	10,459	1,803	12,632
Loans pledged for certain outstanding bonds	427	1,251	1,529	–
Total assets pledged for own liabilities	38,121	24,406	22,300	37,690
<i>Other collateral pledged</i>				
Shares pledged for stock loans	2,891	2,135	11	2,891
Government securities and bonds pledged for other liabilities	1,511	2,377	1,144	1,506
Total other collateral pledged	4,402	4,512	1,155	4,397
Total assets pledged	42,523	28,918	23,455	42,087
Collateral is stated at book value unless otherwise indicated.				
<i>Contingent liabilities, nominal amount</i>				
Loan guarantees	1,277	2,212	2,535	1,779
Other guarantees	4,749	4,830	5,644	4,719
Accepted and endorsed notes	252	235	287	252
Letters of credit granted but not utilised	422	393	305	422
Other contingent liabilities	42	10	49	555
Total	6,742	7,680	8,820	7,727
<i>Provision for anticipated loan losses</i>	– 135	– 152	– 157	– 301
<i>Commitments, nominal amount</i>				
Commercial paper and certificate programs	2,430	1,693	1,903	2,430
Other interest-, equity- or foreign-exchange-related contracts	1,568,825	1,257,560	1,354,919	1,535,016
Loans granted but not utilised	13,960	8,454	2,977	7,697
Overdraft facilities granted but not utilised	31,480	32,365	30,617	29,099
Other commitments	13,680	7,817	17,245	13,680
Total	1,630,375	1,307,889	1,407,661	1,587,922

39 Capital adequacy analysis

I. Calculation of total capital base

SEK M	Financial companies group			The Bank
	1996	1995	1994	1996
Primary capital (net)	17,749	17,622	17,022	14,197
Supplementary capital	15,971	16,309	14,676	7,726
Settlement, equities, etc.	- 605	- 587	- 373	- 605
Total	33,115	33,344	31,325	21,318

II. Calculation of risk-weighted amount with regard to credit risks

Financial companies group On-balance-sheet item, SEK M	1996		1995		1994				
	Total investments	Risk-weighted amount	Total investments	Risk-weighted amount	Total investments	Risk-weighted amount			
Group A -0%	114,772	0	0	99,933	0	113,640	0		
Group B -20%	45,394	9,079		38,617	7,723	26,727	5,346		
Group C -50%	224,955	112,477		219,928	109,964	219,364	109,682		
Group D -100%	116,451	116,451		111,230	111,230	120,287	120,287		
Off-balance-sheet items									
	Nominal amount	Converted amount	Risk-weighted amount	Nominal amount	Converted amount	Risk-weighted amount	Nominal amount	Converted amount	Risk-weighted amount
Group A -0%	5,916	1,583	0	10,580	544	0	15,056	1,009	0
Group B -20%	340,721	7,487	1,497	547,009	15,526	3,105	536,199	17,481	3,496
Group C -50%	75,763	2,720	1,360	78,494	2,777	1,389	105,085	3,634	1,817
Group D -100%	13,605	7,476	7,476	9,908	5,667	5,667	10,241	6,170	6,170
Total			248,340			239,078			246,798

The Bank On-balance-sheet items, SEK M	Total investments		Risk-weighted amount
	1996	1996	1996
Group A -0%	108,185		0
Group B -20%	43,272		8,654
Group C -50%	24,869		12,435
Group D -100%	86,420		86,420
Off-balance-sheet items			
	Nominal amount	Converted amount	Risk-weighted amount
Group A -0%	7,051	1,602	0
Group B -20%	290,588	3,926	785
Group C -50%	72,484	2,159	1,080
Group D -100%	12,974	7,142	7,142
Total			116,516

III. Calculation of risk weighted amount with regard to market risks

SEK M	Financial companies group		The Bank
	1996	1996	1996
Risk-weighted amount for interest risks	2,736		2,736
of which, specific risks	1,030		1,030
of which, general risks	1,706		1,706
Risk-weighted amount for stock price risks	1,626		1,626
of which, specific risks	1,057		1,057
of which, general risks	569		569
Risk-weighted amount for liquidation risks	1		1
Risk-weighted amount for counterparty risks and other risks	2,329		2,329
Risk-weighted amount for currency risks	223		448
Total	6,915		7,140

IV. Calculation of total capital adequacy ratio

SEK M	Financial companies group			The Bank
	1996	1995	1994	1996
Total capital base	33,115	33,344	31,325	21,318
Total risk-weighted amount for credit risks and market risks	255,255	239,078	246,798	123,656
Capital adequacy ratio, percent	13.0	13.9	12.7	17.2
Primary capital ratio, percent	7.0	7.4	6.9	11.5

40 Disclosure of financial income and expenses and commission income and expenses for insurance and reinsurance attributable to the Bank and with regard to other companies within the Group, etc. (SEK M) as well as information on subordinated assets.

<i>Received from other Group companies:</i>		<i>1996</i>
Financial income		2,682
Commission income for insurance and reinsurance		–
<i>Paid to other Group companies:</i>		<i>1996</i>
Financial expenses		315
Premium expenses for insurance and reinsurance		19

Subordinated assets

The total volume of assets which the Bank may own in accordance with chap. 2 § 15 of the Swedish Banking Act amounts to 30 percent of the capital base. Thus, the limit for such assets is SEK 6,395 M. Assets of this type amounted to SEK 5 M in 1996.

41 Summary of material differences between generally accepted accounting principles in Sweden and the U.S.

Securities

Securities in part include a trading portfolio and in part securities that are held as protection against interest rate risks in fixed interest rate funding. The securities that are held as protection against interest rate risks are valued at accrued acquisition value, while the trading portfolio is valued at market value.

According to U.S. GAAP, a holding of securities is reported as either a fixed asset, a trading portfolio or an asset held for resale. Interest-bearing securities that are intended to be held until maturity are reported at accrued acquisition value. Securities, including derivatives, that are traded on an ongoing basis are reported at market value, with changes in market value included in reported income. Other securities are reported in the balance sheet at market value, with the change in market value during the time they are held reported separately in shareholders' equity without inclusion in reported income. Not until these securities are sold is their realised gain or loss included in reported income.

Repurchase of own bonds

Price differences that are realised from the repurchase of Sparbanken Sverige's own bonds are amortised over the remaining interest-fixing period of the repurchased securities. According to U.S. GAAP, such differences are recognised in their entirety when they arise.

Interest income compensation from loan prepayments

Interest income compensation received when loans are prepaid is amortised over the remaining interest fixing period of the loans. According to U.S. GAAP, such interest income compensation is recognised in its entirety when it arises.

Reporting of gain on sale of subsidiary

In 1994 90 percent of the shares in the subsidiary Robur was sold to independent savings banks with the right to repurchase the shares not later than 1997. In 1995 these shares were repurchased. According to U.S. GAAP, the gain reported on the sale is not included in shareholders' equity, since the risks and opportunities associated with the transferred operations in essence were not transferred to the buyers.

The application of the above U.S. GAAP would have had the following effect on the income and shareholders' equity of the Sparbanken Sverige Group:

SEK M	1996	1995
Net income according to Swedish GAAP	3,872	3,312
Reporting of securities	– 444	97
Repurchase of own bonds	– 265	89
Interest income compensation	547	20
Reporting of gain on sale of subsidiary	177	8
Deferred tax on the above adjustments	45	– 58
Estimated income according to U.S. GAAP	3,932	3,468

SEK M	1996	1995
Shareholders' equity according to Swedish GAAP	20,049	20,306
Reporting of securities	304	259
Repurchase of own bonds	132	397
Interest income compensation	772	225
Reporting of gain on sale of subsidiary	– 1,555	– 1,732
Deferred tax on the above adjustments	– 338	– 247
Estimated shareholders equity according to U.S. GAAP	19,364	19,208

The application of U.S. GAAP would not have significantly affected the reported balance sheet items in the Sparbanken Sverige Group, with the exception of goodwill, which would be omitted.

42 Disclosure of fair value

Comparison between book and fair value of the Group's assets and liabilities.

Assets			1996	
SEK billion	Book value		Fair value	Difference
Assets not reported at fair value in the balance sheet				
<i>Financial instruments</i>				
<i>Interest-bearing</i>				
Treasury bills, etc.				
Current assets – reported as hedges	0.9		1.2	0.3
Bonds and interest-bearing securities				
Current assets – reported as hedges	0.4		0.4	0.0
Fixed assets	8.5		8.8	0.3
Other assets				
Current assets – reported as hedges	1.4		4.5	3.1
<i>Shares/participations</i>				
Fixed assets	1.2		1.3	0.1
<i>Lending</i>				
Lending to credit institutions	53.9		53.9	0.0
Lending to the general public	381.2		396.4–400.7	15.2–19.5
<i>Real estate</i>				
Tangible assets	4.1		5.1	1.0
<i>Income carried forward discontinued hedge accounting</i>				
Prepaid expenses and accrued income	0.2		0.0	– 0.2
Assets reported at fair value in the balance sheet				
Current assets	45.7		45.7	0.0
Other	5.0		5.0	0.0
Total	502.5		522.3–526.6	19.8–24.1
Liabilities				
SEK billion	Book value		1996	Difference
			Fair value	
Liabilities not reported at fair value in the balance sheet				
<i>Financial instruments</i>				
<i>Interest-bearing</i>				
Securities issued	212.3		223.8	11.5
Other liabilities				
Reported as hedges	2.6		7.3	4.7
Other valued at acquisition value	18.5		18.5	0.0
Subordinated loans	17.2		18.8	1.6
<i>Deposits and funding</i>				
Loans from credit institutions	70.4		70.4	0.0
Deposits from the general public	146.1		146.1	0.0
<i>Income carried forward discontinued hedge accounting</i>				
Accrued expenses and prepaid income	1.4		0.0	– 1.4
Liabilities reported at fair value in the balance sheet				
Current assets with negative value	12.9		12.9	0.0
Other	1.1		1.1	0.0
Total	482.5		498.9	16.4

In accordance with the provisions of the Swedish Financial Supervisory Authority, credit institutions are obligated to report a comparison of book and fair value of balance sheet items.

The table compares book and fair values of asset and liability items that are not booked at fair value. An indication is made on which line on the balance sheet each item belongs.

The book value of current assets reported in the balance sheet at fair value is indicated in the table in two lump sums, one for assets and one for liabilities.

A special calculation of the fair value of shares that constitute fixed assets but are not publicly listed has not been considered significant. The same judgment was made in the case of the items intangible assets, allocations and equipment. In the table, the fair value of these items has therefore been equated with book value. The book value of these items is indicated in the table in two lump sums, one for assets and one for liabilities.

Financial instruments

In the table, financial instruments are divided into the categories fixed assets and current assets reported as hedges.

Accounting for hedges is applied when current assets are held to offset market risks in assets and liabilities reported at acquisition value in the balance sheet. Current assets accounted for as hedges are reported in the balance sheet at (accrued) acquisition value. If the hedging is effective, the decline in the value of the protected item is compensated by a corresponding increase in the value of the protecting position, and vice versa. To the extent the fair value of the hedged instrument deviates from the book value, this deviation is offset by an equivalent deviation but in the opposite direction between the book value and fair value of the protected position.

Financial instruments that constitute current assets and are not accounted for as hedges are reported in the balance sheet at fair value. Fair value of other financial instruments (assets or liabilities) is calculated in the same way as the value of these current assets. This means that to the extent listed market prices exist for assets and liabilities, fair value is calculated on the basis of the median price when the market closed as of December 31, 1996. For OTC instruments, the calculation of fair value is based on prices for comparable listed instruments.

Deposits and lending

Variable rate deposits and lending are valued at nominal amounts. The fair value of deposits and lending with fixed interest rates has been calculated by discounting future contracted cash flows during the fixed interest period. The calculation therefore does not include an estimation of the value that future, non-contracted margins on deposits and lending represent.

When calculating the fair value of the Bank's fixed interest rate deposits, discounting has been done with the Bank's estimated financing expense. This corresponds to the interest rates in the deposit market for maturities up to one year and by interest rates on Spintab's so-called benchmark bonds for longer

maturities.

Fair value of the Group's fixed interest rate lending has been stated in the form of an interval. The lower amount in the interval is calculated by discounting the loan portfolio's contracted cash flow with new lending rates for different maturities that were applied at the end of 1996. The higher amount is calculated by discounting the loan portfolio's contracted cash flow with the Group's funding rate for various maturities.

According to the instructions of the Swedish Financial Supervisory Authority, the discount rate selected in part reflects each loan's interest fixing period and in part the market's valuation of the credit risk in the individual loans. The discount rate should also reflect a potential buyer's cost to administer the loans and his or her required return on invested risk capital. In Sparbanken's opinion, too many subjective considerations come into play to determine such an interest level. Since there is practically no trading in loan portfolios in Sweden, it is also likely that opinions of the correct level will differ among different experts. Therefore, instead of stating an fair value figure, the Bank has chosen to use the above-mentioned interval, which is based on easily explained, fairly objective discount rates.

Buildings and land

Fair value of buildings and land is based to an overwhelming extent on internal appraisals. Market value has been estimated with the support of a net capitalisation method. This method is based on the properties' standardised net operating income divided by a required return.

In the valuation, the required return of the properties is estimated as follows: downtown Stockholm, 6.25 per cent; central Stockholm, 7.0 per cent; downtown Malmö and Gothenburg, 7.5 per cent; and an average for the rest of the country, 9.0 per cent.

To the extent that the current net operating income due to current rental contracts deviates from the standardized net operating income, this has been taken into account in the calculation.

Income carried forward realized through discontinued hedging accounting

If accounting for hedges is discontinued when the protecting position is realised at the same time that the protected position remains on the balance sheet and is reported at acquisition value, the capital gain or loss is amortised over the remaining maturity of the protected position.

Realised gains that have not been entered as income are reported in the balance sheet as prepaid income and realised losses that have not been entered as expenses are reported as prepaid expenses. Since these items do not represent an actual receivable from, or liability to, an outside party, the fair value of the items amounts to SEK 0.

43 Interest fixing periods

The Group's interest-bearing assets and liabilities including interest-related derivatives distributed by interest fixing periods

	< = 3 mos.	3 mos.–1 yrs.	1–2 yrs.	2–3 yrs.	3–4 yrs.	4–5 yrs.	5–10 yrs.	> 10 yrs.	Total
<i>Assets, nominal value, SEK M</i>									
Financial fixed assets	946	488	478	742	3,202	2,136	1	0	7,993
Financial current assets	11,229	5,200	1,565	828	1,972	458	611	1,206	23,069
Lending	188,684	77,096	72,268	39,441	29,658	22,240	5,657	1	435,045
Total assets	200,859	82,784	74,311	41,011	34,832	24,834	6,269	1,207	466,107
<i>Liabilities, nominal value, SEK M</i>									
Deposits and funding from credit institutions	– 50,632	– 16,254	– 413	0	0	0	0	0	– 67,299
Deposits from the general public	– 140,097	– 334	– 27	– 190	0	0	0	0	– 140,648
Securities issued	– 33,325	– 59,079	– 61,781	– 29,879	– 24,569	– 15,797	– 6,499	– 2,377	– 233,306
Total liabilities	– 224,054	– 75,667	– 62,221	– 30,069	– 24,569	– 15,797	– 6,499	– 2,377	– 441,253
Net	– 23,195	7,117	12,090	10,942	10,263	9,037	– 230	– 1,170	24,854
Derivatives, nominal value, net*	4,911	6,997	– 6,554	– 1,392	– 3,312	– 2,612	1,438	945	421
Net, including derivatives	– 18,284	14,114	5,536	9,550	6,951	6,425	1,208	– 225	25,275

* For options, delta-weighted nominal amounts are stated.

Definitions

Capital adequacy ratio

Capital base in relation to the risk-weighted amount.

Capital base

The capital base is the sum of primary and supplementary capital less deductions in accordance with chapter 2 § 7 of the legislation on capital adequacy. By primary capital is meant taxed equity less goodwill and 72 per cent of the untaxed reserves in the Parent Company. By supplementary capital is meant fixed-term subordinated loans (less a certain reduction if their remaining maturity is less than five years) as well as reserves and undated capital contributions approved by the Swedish Financial Supervisory Authority.

Doubtful claims

Claims which are overdue by more than 60 days and loans for which other circumstances cause uncertainty as to their value and for which the value of their collateral does not cover both principal and accrued interest by a safe margin.

Duration

The average weighted maturity in years of payment flows calculated at present value.

Earnings per share

Income after appropriations and estimated taxes divided by the number of shares. For the years 1992-1995, the dividend on preferred shares was treated as interest and affected income.

Equity ratio

Shareholders' equity carried forward as a percentage of total assets at year-end.

I/C ratio

Total incomes in relation to total costs, both of which are adjusted for scheduled depreciation of leasing assets. The I/C ratio is calculated excluding and including loan losses.

Income before loan losses per employee

Income before loan losses per employee in relation to the average number of employees.

Interest fixing period

Contracted period during which interest on an asset or liability is fixed.

Interest margin

The difference between average interest on total assets after deducting scheduled depreciation of leasing assets and average interest on total liabilities.

Investment margin

Net interest income in relation to average total assets.

Loan losses

Established losses and provisions for anticipated losses during the period less restored provisions and recoveries related to loan claims as well as the net cost for the year of discharging guarantees and other contingent liabilities.

Loan loss level

Loan losses and changes in the value of property taken over in relation to the balance brought forward as well as property taken over and loan guarantees.

Maturity

Time remaining until a liability or asset falls due for payment.

Number of employees

The number of full-time positions at year-end is calculated as the number of employees in relation to hours worked excluding long-term absences.

Operating income per share

Operating income after standard tax divided by the number of shares carried forward.

P/E ratio

Share price at year-end in relation to operating income per share.

Primary capital ratio

Primary capital in relation to the risk-weighted amount.

Problem loans, gross

Doubtful loans for which interest is not entered as income until payment is made and claims with interest concessions.

Problem loans, net

Problem loans, gross, less provisions made for anticipated loan losses.

Provision ratio for doubtful claims

Provisions for anticipated loan losses in relation to doubtful claims, gross.

Return on stockholders' equity

Net income in relation to average shareholders' equity. Average shareholders' equity is adjusted for new issues and dividends, and includes minority interests. For the years 1992-1994, standard tax is used.

Return on total capital

Operating income in relation to the average of total assets at the beginning and end of the year.

Risk-weighted amount

The total of risk-weighted values of all assets and off-balance-sheet items. The capital adequacy regulations of the Swedish Banking Act stipulate the percentage of the book value of the assets for which capital must be provided. The percentage reflects the degree of credit risk and market risk that is deemed to exist and may be 0, 20, 50 or 100 per cent depending on the counterparty or collateral in the individual transaction.

Share of doubtful claims

Doubtful claims, net, in relation to total lending.

Standard tax

Standard tax rate of 28 per cent (1992-1993: 30 per cent).

Total lending

Lending to the general public excluding the National Debt Office and to credit institutions excluding banks.

Yield

Dividend per share as a percentage of the share price at year-end.

Föreningsbanken

Most of the description of Föreningsbanken is taken from
Föreningsbanken's Annual Report on the 1996 financial year.

Group overview

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 to the shareholders, provided the Bank has sufficient financial strength.

Organisation

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 & Kapitalför-

valtning 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.

Sverigefastigheter 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.

Five-year summary

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/costs before loan losses	1.78	1.86	1.74	1.66	1.63
Income/costs 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. However, valuation principles for previous years have been applied to 1992–1994. See Definitions on page 161.

¹⁾ Prior to exercise of options.

Profit and loss accounts and balance sheets

Profit and loss accounts, Group

SEK M	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

SEK M	1996	1995	1994	1993	1992
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
Shareholders' 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 and balance sheet for 1995 have been changed in accordance with the new accounting legislation. Old accounting standard has been applied for the years 1992–1994.

Profit and loss accounts, Bank

SEK M	1996	1995	1994	1993	1992
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

SEK M	1996	1995	1994	1993	1992
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
Shareholders' 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

Profit and loss accounts and balance sheet for 1995 have been changed in accordance with the new accounting legislation. Old accounting standard has been applied for the years 1992–1994.

The share and shareholder structure

The Föreningsbanken share

Classes of shares

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

The shares were listed on the unlisted securities list of the Stockholm Stock Exchange on January 3, 1994 and transferred to the A list on April 3, 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.

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 common share at a price of SEK 21 during

the period until October 29, 1999. If all the warrants are exercised, the number of outstanding common 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.

Ownership structure

The Föreningsbanken share is the second most widely spread share in Sweden. On December 31, 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, Sparinstitutens Pensionskassa with 5 per cent and Länsförsäkringsgruppen with 4 per cent.

Share capital

April 2, 1997	Number of shares	Share capital SEK M	Share of capital, %	Share of votes %
Series A common shares	242,500,000	1,212.5	92.9	92.9
Series B preference shares	18,500,000	92.5	7.1	7.1
Total	261,000,000	1,305.0	100.0	100.0

Data per share

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

Institutions together own 55 per cent of the total stock of shares, of which Swedish institutions account for some 47 per cent. Foreign owners represent more than 7 per cent of the total stock of shares of which Fidelity accounts for approximately 2 per cent. The number of institutions with holdings of at least 100,000 shares is 44 Swedish and 30 foreign respectively.

Share price trend

The price of a common share rose during 1996 from SEK 18.80 to SEK 34.30. On 2 April, 1997, the share price was SEK 41.50.

Distribution of shares

Shareholding December 31, 1997	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

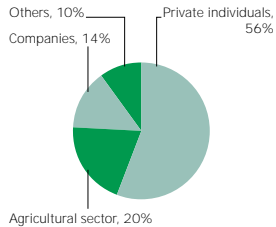
The largest shareholders¹⁾

April 2, 1997	Series A common	Series B preference	Total holding	Ownership share, %
LRF and farmers co-operatives	57,089,383	178,800	57,268,183	21.9
of which:				
– Lantmannaföreningar	11,204,526	31,802	11,236,328	4.3
– Slakteriföreningar	9,502,395	49,460	9,551,855	3.7
– Landshypotek	4,309,902	0	4,309,902	1.7
Sparbanken Sverige and independent savings banks	13,721,503	0	13,721,503	5.3
Sparinstitutens Pensionskassa	13,033,333	0	13,033,333	5.0
Länsförsäkringar	9,238,675	219,625	9,458,300	3.6
Föreningsbankens Funds	6,684,302	5,649	6,689,951	2.6
SPP	5,890,200	0	5,890,200	2.3
Fidelity	5,883,925	0	5,883,925	2.3
Svenska Metallindustriarbetareförbundet	5,441,000	0	5,441,000	2.1
Skandia	4,299,500	0	4,299,500	1.7
Kärven Profit-sharing foundation	2,813,666	0	2,813,666	1.1

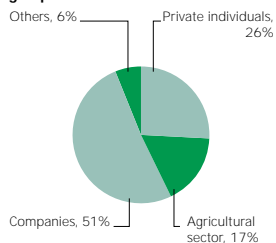
1) Foreign owners own a total of approximately 19 million shares corresponding to 7.4 per cent of the total share book.

Operations

The Bank's deposits by customer group



The Bank's lending by customer group

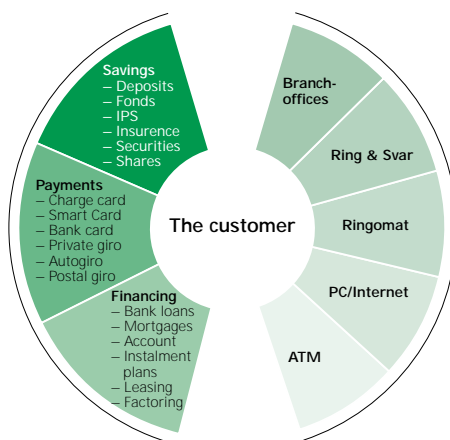


Market

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.

Products and distribution channels



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 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 and its subsidiary Föreningsbanken Kredit issue retail bonds directed to the private market in Sweden. Turnover volume (including index-linked bonds and subordinated loans registered at 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 as 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 Optionsmäklarna (optionsbrokers) (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 transactions at the end of 1996. The market share of bond trading was 12 per cent of turnover and 19 per cent of the number of transactions.

Financing services

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

Bank lending

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

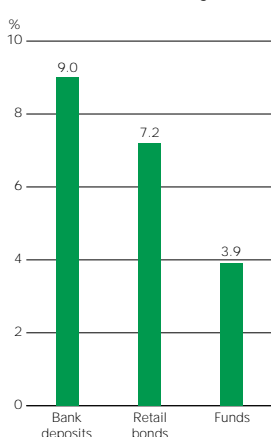
Savings

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. Out 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 of over 50 per cent.

Föreningsbanken's market share of various forms of savings



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. The 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 Föreningsbanken's branch office network. 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.

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 1996, the Världsnaturkortet was launched as a charge card and a bank card.

Number of customers using the following services

000s	1996	1995	Change, %
Private bonus	433	405	7
Private giro	281	286	- 2
Småföretagarbonus	75	59	28
Small business bank giro	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 offices.

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

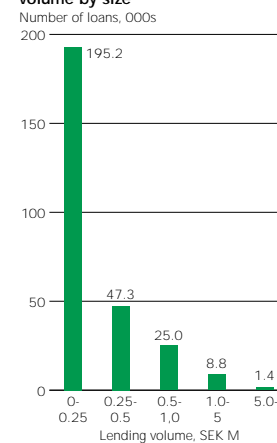
Since December 1996 Föreningsbanken's customers have been able to carry out their banking transactions via the Ring & Svar telephone service. The unit is manned every day of the year between 7 a.m. and 11 p.m. and offers customers increased availability. Ring & Svar also provides the branch offices with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

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

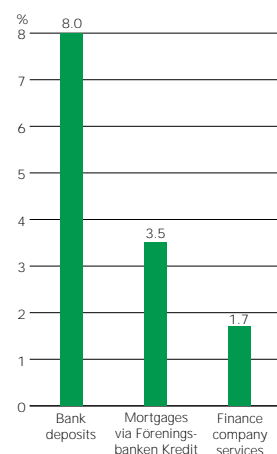
Customers also have access to 2,400 cash dispensers throughout Sweden, 168 of which are owned by Föreningsbanken.

Starting on March 1, 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.

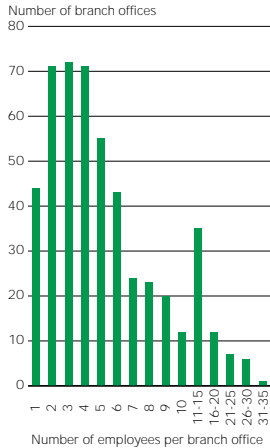
Breakdown of lending volume by size



Föreningsbanken's market share of various forms of lending



Number of employees per branch office



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" trainee 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.

Kärven 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 1996, 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.

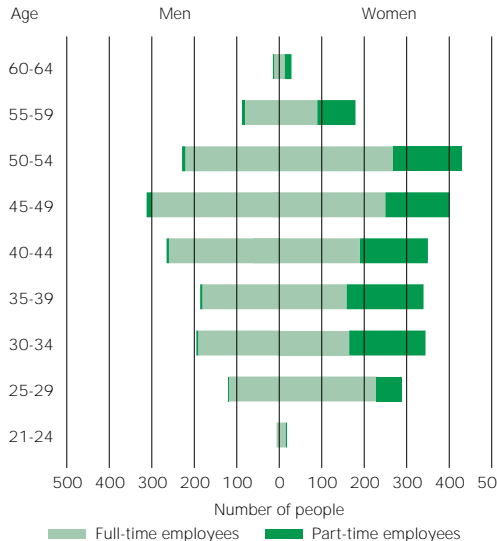
Average number of employees in the Group¹⁾

	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 1996 is included as from 1996.

Group personnel structure

Breakdown by age, gender and terms of employment



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, 1996. Investment is focused on Nordic companies, leaders in their industry, whose operations actively contribute to the environment and environmental work.

In co-operation with WWF, 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 1996, 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 projects are 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.

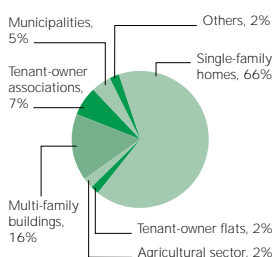
Föreningsbanken's suppliers have been asked to submit a policy and action plans for their environmental work.

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.

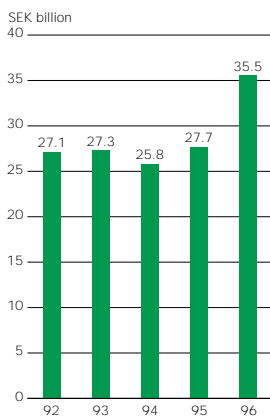
Föreningsbanken Kredit AB

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.

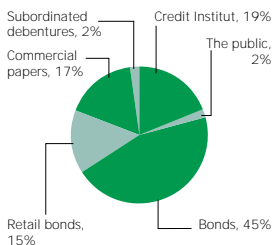
Breakdown of lending



Total lending



Total borrowing structure



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 1996 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

	1996	1995
Lending, December 31, SEK M	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 manages investment funds totalling SEK 12.4 billion (7.8), and has SEK 5.7 billion (3.7) in management assignments.

Föreningsbanken Fond & Kapitalförvaltning, 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 1996. 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 January 1, 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 1996. 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 1996. 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, December 31, SEK M 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 July 1, 1995).

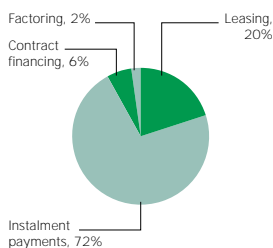
Föreningsbanken's Funds

December 31, 1996	Number of funds	Number 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

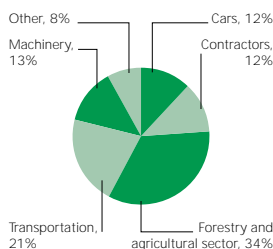
Föreningsbanken Finans AB

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

Total credit volume



Breakdown of leasing/ instalment payment assets



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 during 1996. 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 1996, 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

In 1996, 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

	1996	1995
Lending, December 31, SEK M	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.

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.

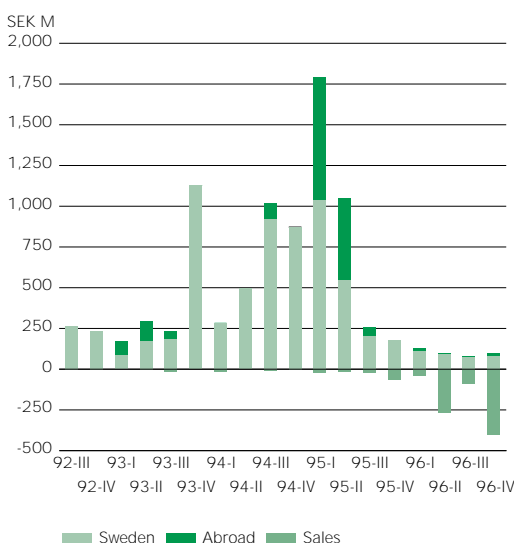
The portfolio of properties outside Sweden is mostly financed through loans in corresponding currencies.

Income

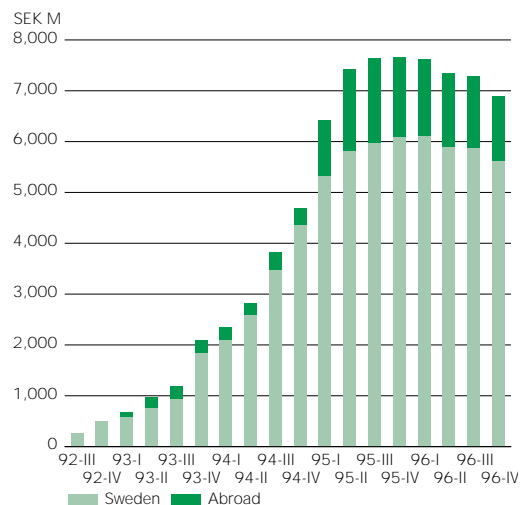
Income excluding interest subsidies totalled SEK 771 M (704), of which the Swedish properties accounted for SEK 647 M (563) and properties outside Sweden for SEK 124 M (141). After deduction for operating expenses, the operating net amounts to SEK 392 M (362), of which SEK 296 M (252) for the Swedish 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 yield of 5.2 per cent (4.9)

Property volume trend, Sweden and abroad



Book value of properties, Sweden and abroad



excluding interest subsidies for properties in Sweden. Including interest subsidies, the direct yield was 7.5 per cent (7.2). Direct yield 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 1996 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 account¹⁾

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 sheet¹⁾

December 31, 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, %1,000 sq m	Space	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
Norrbottn	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 1996 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 127. This calculation does not take funding into account. The residual value has been assessed based on a direct yield 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 1996 the shares in Nya Norrlands-vagnar AB were sold while Indata Stansservice AB and Skara Sommarland Nöjes AB were acquired. The operations in Hassela 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 1996, 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 yield, % excl. interest subsidy		Direct yield, % excl. 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.

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 January 1, 1996.

Insurance launched during 1996 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

In 1996, 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 1996 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
Depreciation of goodwill	-	-	- 14
Operating profit	66	57	20
Provisions and taxes	- 23	- 21	- 12
Net profit for the year	43	36	8

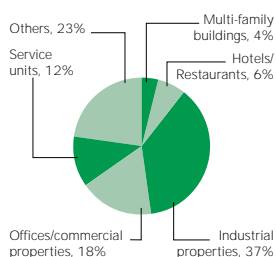
Balance Sheet

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

Breakdown of loans by collateral



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, December 31	903	137
Return on equity, %	9,2	3,1
Average number of employees	3	1

Other information

Litigation

Companies within the Group are parties to a number of civil law disputes. No single current or pending item of litigation or dispute in court or subject to arbitration is expected to have, or recently has had, a material effect on the Group's financial position.

Insurance

The Bank's overall insurance protection is considered by it to be satisfactory. The insurance includes protection from criminal offences in respect of theft, fraud and computer related violations, as well as robbery and damage to real estate.

Board of Directors, Auditors and Executive Management

Board of Directors

Board members elected at the annual general meeting

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, Fränsta, school superintendent. Appointed 1989. Shareholding: 2,231 Warrants: –

Lennart Frennemo

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

Harry Grape

Born 1938, Overtorneå, 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 Sparinstitutens 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, Mitt-högskolan 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 Farnmek 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 uppfinnare. 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

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. Shareholding: 3,500 Warrants: –

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

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, Tvärålund, 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 annual general meeting

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.

Executive Management

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

Staffan Malm

Born 1953, Stockholm, President of
Föreningsbanken Företagskredit AB. Employed since
1989. Shareholding: –. Warrants: –

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

Securities-Treasury- International

Erik Öhman
Financial Markets

Nils Erik Edström
Group Finance

Catharina Lagerstam
Financial Analysis and Investor
Relations

Sten Wibäck
Equity Trading

Thomas Kährström
Institutional Trading and Analysis

Eva Sohlman Knave
International

Gitte Sundqvist
Training and Sales Support

Elisabeth Mattisson
Finance and Administration

Stefan Nelson
Administrative Development

Internal Audits

Mats Tunbjörk

Financial statements

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 January 1, 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 January 1, 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.

SEK M	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 deferrals*, 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 deferrals.

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 estate, 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.

Reposessed 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. (Regarding 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	Note	Group		Bank	
		1996	1995	1996	1995
<i>Income</i>					
Interest receivable	1	10,887	11,770	9,439	10,421
Leasing income	1	90	95	–	–
Interest payable	1	– 7,297	– 8,139	– 5,800	– 6,590
Dividends received	2	10	20	10	6
Commission receivable	3	840	741	785	673
Commission payable	3	– 48	– 53	– 41	– 47
Net result on financial transactions	4	217	398	207	399
Other operating income	5	507	566	84	222
Total income		5,206	5,398	4,684	5,084
<i>Expenses</i>					
Staff costs	6	1,412	1,475	1,327	1,400
Other administrative expenses	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	1, 24, 25	170	191	90	109
Other operating expenses	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	9	– 693	– 1,172	– 519	– 1,033
Change in value of repossessed assets	10	– 398	– 275	– 3	– 1
Operating profit		1,160	1,020	1,473	1,398
Appropriations	11			– 447	– 362
Tax on profit for the year	12	– 138	– 3	– 90	0
Other taxes		1	0	–	–
Net profit for the year		1,023	1,017	936	1,036
Net interest income	1	3,611	3,656	3,639	3,831

Balance sheet

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

Comments and notes

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.

Loan losses

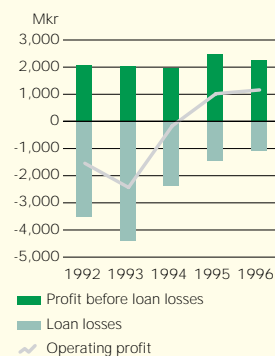
Föreningsbanken's loan losses, excluding changes in value of repossessed assets, fell by 41 per cent to SEK 693 M (1,172). Loan losses, including changes in value of property taken over, fell by 25 per cent to SEK 1,091 M (1,447). Loan losses were mainly attributable to property and construction companies 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.

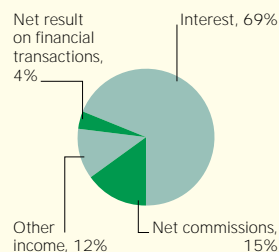
Breakdown of loan losses by size, December 31, 1996

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

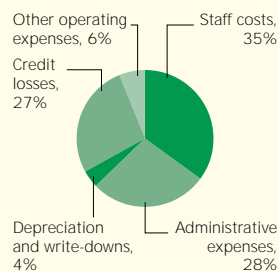
Consolidated profit before loan losses and operating profit, 1992-96



The Group's income



The Group's expenses



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

December 31, 1996	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 Mkr	-/+ 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 136.

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.

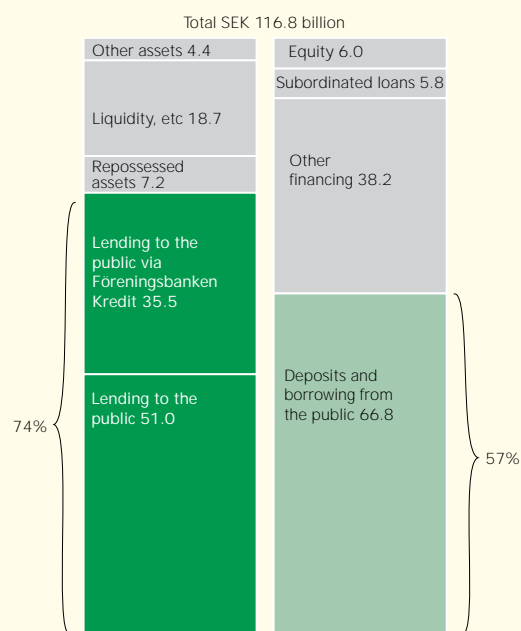
Assets

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.

Main components in the Group's balance sheet



Lending to the public

December 31, SEK M	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, December 31, 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 – 1000	2	1,340	1	97
1000–	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, December 31, 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-realised	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,
December 31, 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 117.

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 127.

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

December 31	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 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

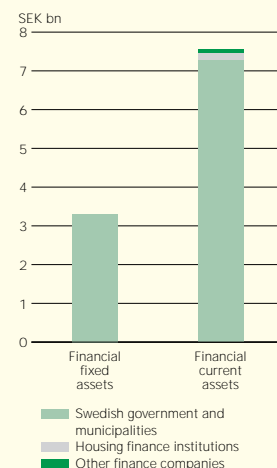
At year-end the Föreningsbanken Group's equity amounted to SEK 5.4 billion. Of this amount, SEK 0.4 billion was earmarked for dividends. After the addition of net profit for the year of SEK 1.0 billion, equity amounted to SEK 6.0 billion before the proposed dividend of SEK 0.4 billion for 1996.

Capital adequacy

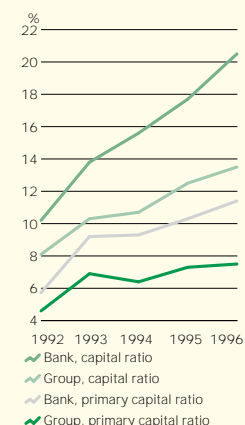
Föreningsbanken's capital base amounted to SEK 10.1 billion (8.6) after deduction for the dividend proposed by the Board. Primary capital accounted for SEK 5.6 billion (5.0). The capital ratio improved by 1.0 percentage points in 1996 to 13.5 per cent. The primary capital ratio was 7.5 per cent (7.3) 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.

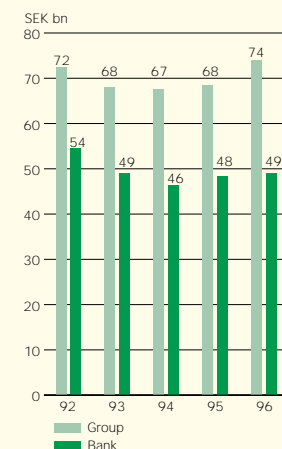
The Group's interest-bearing securities



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.

Problem loans

	SEK M	Volume %	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).

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

December 31, 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.

Breakdown of Risk Category 2 loans by industry

December 31	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 credits

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.

December 31, 1996 SEK M	Total		Of which derivatives	
	Risk-weighted amount	Capital requirement, 8%	Risk-weighted amount	Capital requirement, 8%
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 December 31, 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 December 31, 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 responsibility 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.

Notes

1 Interest receivable, leasing income and interest payable

SEK M	Group		The Bank	
	1996	1995	1996	1995
<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.				

2 Dividends received

SEK M	Group		The Bank	
	1996	1995	1996	1995
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

Commission receivable and commission payable

SEK M	Group		The Bank	
	1996	1995	1996	1995
<i>Commission payable</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

Net result on financial transactions

SEK M	Group		The Bank	
	1996	1995	1996	1995
<i>Realised gains/losses</i>				
- 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
Total	217	398	207	399

As a result of the new accounting rules, 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.

5 Other operating income

SEK M	Group		The Bank	
	1996	1995	1996	1995
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.

6 Personnel expenses

SEK M	Group		The Bank	
	1996	1995	1996	1995
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 personnel expenses 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
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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 percent of the pension-entitled salary and thereafter in accordance with the collective agreement between the Employers' Organisation of the Swedish Banking Institutions and Union of Financial Sector Employees.

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 of 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 senior executives totalled 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 includes the presidents of the Bank and subsidiaries.

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

7 Other administrative expenses

SEK M	Group		The 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 expenses	114	97	114	97
Purchased services	273	245	249	209
Other	154	126	125	101
Total	1,136	1,053	1,096	1,006

8 Other operating expenses

SEK M	Group		The 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

9 Loan losses

SEK M	Group		The 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
<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

SEK M	Group		The 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

10 Change in value of repossessed assets

SEK M	Group		The 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

Appropriations 11

SEK M	The 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

Tax on profit for the year 12

SEK M	Group		The Bank	
	1996	1995	1996	1995
Income tax	-83	-4	-63	0
Deferred tax	-55	1	-27	-
Total	-138	-3	-90	0

13 Assets divided into current and fixed assets

SEK M	1996		1995	
	Current assets	Fixed assets	Current assets	Fixed assets
Group				
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
The Bank				
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

14 Treasury bills payable

SEK M	Group		The Bank	
	1996	1995	1996	1995
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.

15 Treasury bills payable

SEK M	Group				The Bank		
	1996				1995		
	Accrued acquisition value	Market value	Book value	Duration	Accrued acquisition value	Market value	Book value
<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			

SEK M	Group				The Bank		
	1996				1995		
	Accrued acquisition value	Market value	Book value	Duration	Accrued acquisition value	Market value	Book value
<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			

16 Loan to credit institutions

SEK M	Group		The Bank	
	1996	1995	1996	1995
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

17 Loans to the public

SEK M	Group		The Bank	
	1996	1995	1996	1995
Loans to the public	86,512	78,121	55,765	56,886
– of which loans to Group companies			5,601	6,847

Non-performing 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 return on loans 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
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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

18 Bonds and other interest-bearing securities

SEK M	Group		The Bank	
	1996	1995	1996	1995
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.

19 Bonds and other interest-bearing securities

Group	1996				1995		
	Accrued acquisition value	Market value	Book value	Duration	Accrued acquisition value	Market value	Book value
SEK M							
<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			

The Bank	1996				1995		
	Accrued acquisition value	Market value	Book value	Duration	Accrued acquisition value	Market value	Book value
SEK M							
<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			

20 Listed and unlisted securities

SEK M	Group		The 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

21 Repossessed property

Group	1996			1995		
	Book value	Net return ¹⁾	Net return % ²⁾	Book value	Net return ¹⁾	Net return % ²⁾
SEK M						
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 repossessed assets	9	-	-	16	-	-
Total	7,219	371		8,322	375	

The Bank	1996			1995		
	Book value	Net return ¹⁾	Net return % ²⁾	Book value	Net return ¹⁾	Net return % ²⁾
SEK M						
Shares and other participations	12	0	-	33	-	-
Tenant-owner flats	0	0	-	-	-	-
Buildings and land	47	0	0.0	60	1	2.0
Other repossessed 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 41.

22 Write-down of financial fixed assets

SEK M	Group		The Bank	
	1996	1995	1996	1995
Write-down of shares in Group companies	-	-	-	90

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

Shares and participations in non-consolidated subsidiaries 23

	Property companies	Other companies
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

24 Intangible fixed assets

Group	1996		1995	
	Goodwill	Other intangible fixed assets	Goodwill	Other 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

The 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

25 Equipment, Leasing assets and Buildings and land

Group	1996			1995		
	Equipment	Leasing assets	Buildings and land	Equipment	Leasing assets	Buildings and land
SEK M						
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.

The Bank	1996		1995	
	Equipment	Buildings and land	Equipment	Buildings and land
SEK M				
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 the year's depreciation according to plan	-78	-12	-85	-13
Planned residual value ¹⁾	168	502	164	555
Accumulated accelerated depreciation	–	-4	–	-4
– Of which the year's accelerated depreciation	–	–	–	–
Total book value	168	498	164	551
Tax value		341		444
¹⁾ Buildings and land used in own operations		502		554

26 Other assets

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

Prepayments and accrued income 27

SEK M	Group		The Bank	
	1996	1995	1996	1995
Accrued interest payable	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

28 Other liabilities

SEK M	Group		The 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

29 Accruals and deferred income

SEK M	Group		The 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

30 Untaxed reserves

SEK M	The Bank	
	1996	1995
Tax allocation reserve	80	–
Accumulated excess depreciation, properties	4	4
Total	84	4

31 Shareholders' equity

SEK M	Group		The Bank	
	1996	1995	1996	1995
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 series A shares with par value of SEK 5
18,500,000 series B shares with par value of SEK 5
60,000,000 series C shares with par value of SEK 5

In 1997 all series C shares have been converted to series A common shares.

Cont. note 31

Change in shareholders' equity

Group	1996			Total
	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

The Bank	1996			Total
	Share capital	Restricted reserves	Unrestricted reserves	
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

Other reserves 32

SEK M	Group		The Bank	
	1996	1995	1996	1995
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	–

33 Guarantees and assets pledged as collateral security

SEK M	Group		The Bank	
	1996	1995	1996	1995
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

Other pledged assets and similar collateral 34

SEK M	Group		Total	
	1996	1995	1996	1995
Securities	2	–	2	–
Total	2	–	2	–

35 Contingent liabilities

SEK M	Group		The Bank	
	1996	1995	1996	1995
<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

Assets pledged or contingent liability in favour of

– 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.

36 Commitments

SEK M	Group		The Bank	
	1996	1995	1996	1995
<i>Commitments for future payment</i>				
– Other commitments for future payment	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

37 Hedged assets and liabilities

SEK M	Group 1996	The Bank 1996
<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

Book value and market value **38**

SEK M	Group		The Bank	
	1996		1996	
	Book value	Market value	Book value	Market 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>Items above the line</i>				
Positive derivative instruments	0	1,041	0	1,235
Negative derivative instruments	0	884	0	1,167
Total	0	157	0	68

Maturity information

Group	Payable on demand	Remaining maturity period	Remaining maturity period	Remaining maturity period	Remaining maturity period	Not applicable	Total	Average remaining maturity period, years
		max 3 months	3 months–1 year	1 year – 5 years	more than 5 years			
<i>Assets</i>								
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	–
<i>Liabilities and shareholders' equity</i>								
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 amortization payments per each due date

Cont. note 39

1996									
The Bank									
SEK M	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	
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 amortization payments per each due date

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

40 Shares and participations in Group companies

Name	Number of shares	Book value	Shares 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
Other companies		0	
FB Reinsurance AG, Schweiz	2,000	12	100
The Bank's holding ¹⁾		1,815	

Cont. note 40

Name	Number of shares	Book value	Shares of voting rights and capital
<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.

Properties taken over to protect claims

41

Group	1996						
	Number of properties	Book value	Market value	Book value SEK/sq m lettable space	Financial vacancy rate, %	Area vacancy rate, %	Direct return, %
Sweden							
<i>Apartment buildings</i>							
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
<i>Office and commercial properties</i>							
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
<i>Industrial and warehouses</i>							
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
<i>Hotels and conference complexes</i>							
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
<i>Other properties</i>							
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				

Cont. note 41

1996							
	Number of properties	Book value	Market value	Book value SEK/sq m lettable space	Financial vacancy rate, %	Area vacancy rate, %	Direct return, %
The Bank							
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 chosen valuation method are provided in the section Accounting Principles on page 127. Appraisals have mainly been carried out by Mandamus' employees. Details of changes in property holdings are given in the section on Mandamus, page 117.

Risk exposure in property portfolio

Reposessed properties, Mandamus AB	Book value	Market 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 market value, see Accounting Principles page 127. 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.

Sensitivity analysis of property portfolio, Mandamus AB

	Change %	Effect on direct return, percentage points	Effect on operation 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

Specification of subordinated debentures which comprise more than 10 per cent of all the Groups' subordinated liabilities **42**

	1996				
	Nominal amount	Book amount	Interest rate %	Interest conversion	Step-up
Subordinated debentures, dated					
The Bank					
940218 – 040218	MUSD 100	687	6.79	semi-annually	1999
961216 – 031216	MUSD 100	687	6.09	quarterly	
Total		1,374			
Subordinated debentures, perpetual					
The Bank					
941229 –	MJPY 10000	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 considered 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 taken 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. Perpetual subordinated debentures have lower priority than dated debentures. Perpetual 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 January 1, 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 January 1, 1996 and perpetual subordinated 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, perpetual subordinated debentures may only be considered for redemption in the event of bankruptcy or liquidation.

Derivate instruments **43**

Group	1996								
	Interest-rate related			Exchange-rate related			Equity-price related		
	Book value	Market value	Nominal amount	Book value	Market value	Nominal amount	Book value	Market 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

Cont. note 43

Group	Interest-rate related			Exchange-rate related			Equity-price related		
	Book value	Market value	Nominal amount	Book value	Market value	Nominal amount	Book value	Market value	Nominal amount
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
The Bank									
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>									
Options acquired									
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>									
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

Exposure to interest-rate risks 44

Fixed-interest periods for assets and liabilities in the Group at December 31, 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

Foreign currency exposure 45

At year-end 1996 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 Sveriges Riksbank's currency trading permit.

46 Capital base and risk-weighted assets

Capital base December 31, 1996 SEK M	Group		The Bank	
	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
Perpetual 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 institution	–	–95	–	–95
Less holdings in insurance companies/credit institutions	–207	–	–207	–
Capital base	10,062	8,558	10,105	8,571
Total risk-weighted capital	74,425	68,417	49,206	48,421
Capital ratio, %	13.5	12.5	20.5	17.7

Risk-weighted assets 1996

<i>Credit risks</i>	Group			The Bank		
	On balance sheet	Off	Total	On balance sheet	Off	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

Market risks

Interest-rate risks		1,488	1,488
Share price risks		56	56
Settlement risks		0	0
Counterpart and other risks		286	286
Exchange-rate risks		0	0
Total		1,830	1,830
Total risk-weighted amount		74,425	49,206

Risk-weighted assets 1995

<i>Credit risks</i>	Group			The Bank		
	On balance sheet	Off	Total	On balance sheet	Off	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.

Definitions

<i>Administrative risk</i>	Risk that errors made when handling business transactions will have a negative impact on the results or reputation of the Group.
<i>Average number of employees</i>	Average number of employees based on working hours of 1,570 per year.
<i>Bad debts</i>	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.
<i>Capital base</i>	The capital base is the sum of primary and supplementary capital less deductions in accordance with chapter 2 § 7 of the legislation on capital adequacy. By primary capital is meant taxed equity less goodwill and 72 percent of the untaxed reserves in the Parent Company. By supplementary capital is meant fixed-term subordinated loans (less a certain reduction if their remaining maturity is less than five years) as well as reserves and undated capital contributions approved by the Swedish Financial Supervisory Authority. Deduction has been made for the dividend proposed by the Board.
<i>Capital ratio</i>	Capital base in relation to the risk-weighted volume.
<i>Confirmed loss</i>	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.
<i>Counterpart risk</i>	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.
<i>Currency risk</i>	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 net aggregated position. Net position is defined as the sum of call positions and forward rate positions in the

	<p>respective currency. This means the net position expressed in Swedish kronor equals the sum of the net position in individual foreign currencies.</p> <p>Aggregated net position is defined as the sum of all negative net positions in the individual currency.</p>
<i>Equity ratio</i>	Equity including minority share expressed as a percentage of balance sheet total by year end.
<i>Households</i>	Households include private individuals.
<i>Income/costs</i>	When calculating the income/costs ratio (I/C ratio) income and costs respectively are adjusted with respect to planned depreciation on leasing assets.
<i>Interest rate risk</i>	<p>Risk that the assessed unit's value or earnings will be adversely affected by a change in interest rates.</p> <p>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.</p> <p>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.</p>
<i>Investment margin</i>	Net interest income in relation to average total assets.
<i>Legal risk</i>	The risk that agreement terms cannot be maintained in accordance with local legislation and that this will have a negative impact on earnings.
<i>Lending volume</i>	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.
<i>Liquidity risk</i>	The risk that the Group cannot acquire the necessary volume of liquid funds at a reasonable cost.
<i>Loan loss level</i>	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
<i>Loans with interest remissions</i>	Loans on which the contractual rate of interest has been reduced in relation to market interest due to the borrower's reduced ability to pay.

<i>Net earnings per share</i>	Profit after appropriations and actual tax divided by the number of shares before the exercise of subscription rights.
<i>Non-performing loan</i>	A loan on which interest, principal payments or overdrawn amounts are more than 60 days overdue.
<i>Operating profit per share</i>	Operating profit after standard tax divided by the number of shares prior to exercise subscription rights.
<i>Operating volume</i>	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.
<i>Primary capital ratio</i>	Primary capital in relation to the risk weighted volume on and off the balance sheet.
<i>Problem loans</i>	Bad debts and loans with interest remissions, excluding non-performing loans for which interest has been recognised as income.
<i>Property-related loans</i>	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.
<i>Reserve ratio for bad debts</i>	Provisions to reserves for possible loan losses in relation to gross bad debts.
<i>Return on equity</i>	Operating result in relation to average equity including minority shares.
<i>Return on total capital</i>	Pre-tax operating profit as a percentage of average total assets.
<i>Share of bad debts</i>	Net bad debts in relation to net lending volume.
<i>Share price risk</i>	<p>The risk that the assessed unit's value or result will suffer negative change in the event of a change in share prices.</p> <p>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.</p> <p>General risk is defined as the risk of a price change in an instrument which is due to a general change in price level.</p>