

FöreningsSparbanken
(Swedbank)
Annual Report
1998

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While every care has been taken in the translation of this Annual Report, readers are reminded that the original Annual Report, signed by the Board of Directors, is in Swedish.

Annual General Meeting

The Annual General Meeting will be held at the Royal Dramatic Theater in Stockholm at 1:00 p.m. on Thursday, April 29, 1999.

Registration for the meeting begins at 11:30 a.m.

Notification, etc.

Shareholders who wish to participate in the meeting must be recorded in the share register maintained by Värdepapperscentralen VPC AB ("VPC") (the Swedish Securities Register Center) as of Monday, April 19, 1999 and must notify the Company of their desire to attend not later than 3:00 p.m. on Monday, April 26 in writing to FöreningsSparbanken, Company Secretary, SE-105 34 Stockholm, Sweden, or by telephoning +46-8-670 21 40 or faxing +46-8-411 56 64.

Notifications may also be submitted on-line at www.foreningssparbanken.se/ir under the heading *bolagsstämma* (Annual General Meeting).

When notifying the Company, please indicate your name, personal or corporate registration number (in the case of Swedish citizens or companies), address and telephone number. Proxies acting on behalf of shareholders must submit a signed proxy statement and, in cases where the issuer of the proxy is a legal entity, certified proof of registration or other documentation indicating the authorization of the signatory prior to the meeting.

To be entitled to attend, shareholders whose shares are nominee-registered must have them temporarily re-entered in their own names in the share register maintained by VPC. This registration process, which normally takes several days, must be effected by April 19, 1999. Shareholders therefore should notify their nominee well in advance of this date.

Agenda

Matters that by law and the articles of association shall come before the Annual General Meeting include the presentation of the annual report of the Board of Directors and the Auditors' report as well as the consolidated financial statements and the consolidated Auditors' report for the financial year 1998, the adoption of the profit and loss account and the balance sheet as well as the consolidated profit and loss account and the consolidated balance sheet, the discharging of the members of the Board of Directors from liability for the period covered by the report, the disposition of the Bank's profit in accordance with the adopted balance sheet, the approval of the record day for the dividend and the election of the Board of Directors and Auditors.

The Board of Directors' proposal for a bonus issue, which would increase the

Bank's subscribed capital by SEK 3,519 M to SEK 10,556 M through a transfer from restricted funds to subscribed capital, whereby every two old shares would convey the right to receive one new share. The proposed record day for the right to participate in the bonus issue is Friday, June 4, 1999. The last day for trading in the Bank's share with the right to participate in the bonus issue is June 1, 1999.

The Board of Directors' proposal to amend the Articles of Association owing in part to the new legislation on business entities for banking companies, which has necessitated changes in, among other things, the mandate period for the Auditors and notification and registration procedures for the Annual General Meeting, and in part to the proposed bonus issue, which will require changes in equity limits with respect to the size of the subscribed capital.

A list of the matters that will be brought before the Annual General Meeting will be included in the notification, which is expected to be published on Tuesday, April 6, 1999 in, among others, the following newspapers: Dagens Nyheter, Svenska Dagbladet, Göteborgs-Posten, Sydsvenska Dagbladet and The Financial Times.

Dividend

The Board of Directors recommends that shareholders receive a dividend of SEK 7.00 per share. Tuesday, May 4, 1999 has been proposed as the record day for the right to the 1999 dividend.

The last day for trading in the Bank's share with the right to the dividend is Thursday, April 29, 1999.

If the Annual General Meeting adopts the Board of Directors' recommendation, the cash dividend is expected to be paid by VPC on May 11, 1999.

Financial information 1999

FöreningsSparbanken's financial reports will be released preliminarily on the following dates:

April 27	Interim report January-March 1999
August 24	Interim report January-June 1999
October 20	Interim report January-September 1999
February 2000	Preliminary year-end report for 1999

The Group's financial reports can be ordered by telephone at +46-20-22 11 22 (press 3#) or at the nearest FöreningsSparbanken branch, or can be accessed on the Bank's home page on the Internet at www.foreningssparbanken.se/ir. Shareholder information is also published in Sweden on TV4's text-TV page 182.

Highlights of 1998

- The shares in Mandamus Fastigheter AB were distributed to the Bank's shareholders. The Mandamus share was listed for the first time on the Stockholm Stock Exchange on June 15.
- FöreningsSparbanken sold the greater part of its operating properties outside Stockholm.
- FöreningsSparbanken completed the sale of 144 branches to independent savings banks and jointly owned banks, in addition to consolidating 240 branches during the year.
- The number of full-time positions was reduced by 720 in 1998 to 11,734 at year-end, of which 526 represented new employees recruited during the year.
- Preparations for the year 2000 continued in 1998. By year-end, around 90 per cent of the Group's systems had been modified and placed back in operation.
- The new GP 2000 technical platform was installed for approximately 7,900 employees at around 700 branches.
- The replacement of approximately 1,000 ATM's began during the year.
- FöreningsSparbanken was the first bank in Europe to introduce an electronic billing service.
- The number of Telephone banking customers with personal assistance services rose by around 60 per cent to approximately 600,000 and the number of Internet banking customers rose by 166 per cent to around 170,000.
- Two new jointly owned banks were established during the year: FöreningsSparbanken Söderhamn AB and FöreningsSparbanken Öland AB.
- FöreningsSparbanken and Färs & Frosta Sparbank decided to coordinate operations in Skåne, where a jointly owned bank will be created.
- FöreningsSparbanken decided to acquire 25 per cent of the shares in Norway's SpareBank 1 Group.
- FöreningsSparbanken acquired a significant shareholding in Estonia's Hansapank and at year-end held 49.98 per cent of the voting rights.
- SparFond became a wholly owned subsidiary of FöreningsSparbanken during the year.
- Standard & Poor's upgraded the Bank's short-term rating to A-1.

Shareholder value is based on customer value

Society is undergoing rapid changes. And since banking is a reflection of society's development, these changes are leading to rapidly evolving banking needs for customers. Only financial institutions that can meet these needs and thereby create value-added for customers will be able to fulfil their shareholders' expectations in the long term.

This is our big challenge, since increased value-added for customers is the key to the Bank's continued success. Only by enhancing customer value over time will we create conditions for good, enduring profitability and, as a result, improved shareholder value.

The development efforts at FöreningsSparbanken are a reflection of this realization. In our vision, "New Bank 2005," we assume that the predominant share of our employees' time will be devoted to active work with customers in order to increase the value they receive in their relationship with the Bank. To facilitate this, we will not only be changing the way we work, but also gradually offer customers new technology and opportunities for their day-to-day banking needs. These changes having begun needs are being pursued with great energy and determination.

RAPIDLY EVOLVING CUSTOMER NEEDS

These developments are best illustrated by the areas of Telephone and Internet banking, card services and electronic payments. The number of customers who use Telephone banking with personal assistance services has doubled to 600,000 in the past two years. During the same period, the number of bank card customers has risen to over two million, slightly more than 30 per cent. For our Internet bank, the number of customers at year-end was over 170,000 and is currently growing by more than 2,000 a week. More than one of every ten bank payments is already made via the Internet.

The introduction of a new electronic billing service to the Bank's business customers began during the year and has met with a very positive response by the market.

In 1999, we will complete the merger that created FöreningsSparbanken as the computer systems of the two former banks are fully integrated into a single, shared systems environment. At the same time, new,

more user-friendly systems for sales support, customer relations and administration will be placed in operation. At that point a technical foundation will have been laid in order to gradually realize significant parts of our vision in the year 2000.

These changes will significantly enhance accessibility for customers and help us avoid the accessibility problems we experienced at times in 1998.

The merger is all-encompassing, comprising all parts of the Bank and its operations. That is why I am very gratified to be able to say that the process of change has progressed well and, in fact, is 3-6 months ahead of the original schedule.

STABLE PROFIT TREND AND PROMISED COST SYNERGIES

Operating profit in 1998 – even excluding non-recurring income and expenses – was in line with 1997, which is quite satisfactory considering the major merger efforts carried out in 1998.

Expenses in 1998 remained largely in line with our stated goals. 1999, the last year for completing the merger, will be characterized by efforts to achieve the synergy objectives for the year 2000, when expenses will be reduced by SEK 1,500 M from the pro forma expense level of 1996, excluding newly added operations.

LIMITED RISKS

Against the backdrop of what in many respects were turbulent global conditions in 1998, I am pleased to say that the Group's total risk level in terms of loans and financial exposure is limited. This is also true internationally considering our rather significant investments in neighbouring regions.

We are working actively to limit our operative risks, the large part of which relate to information technology. Risks in the IT area are not only the result of an enormously high transaction volume, but a function of the rapid development stage that

the Group is currently in. In this area, we are utilizing the best available international expertise. With respect to the millennium shift, I am confident that the measures will prove sufficient.

NEW INCOME SOURCES

Savings is an important market for FöreningsSparbanken and, in most respects, we are the largest in the sector. Changes in the national social security and pension systems therefore have a major impact on the Group's operations.

Through our wholly owned subsidiary SparFond, we are currently the leader in the market for pension savings in funds and we are larger than any other bank or insurance company when it comes to new pension insurance policies. Add to that the success of our

fund management company, Robur, the Group during the year was able to further consolidate its position as the Savers' Bank. Thanks to our strong local presence and many customers, I am very optimistic about our opportunities to grow further in the savings area.

With respect to lending, as a bank with a large customer base we have traditionally held a very strong position in financing for single-family homes and other housing. Through increased integration between our banking and mortgage operations, we have considerable potential to continue to "win over" mortgage financing that for historical reasons has stayed with competing mortgage companies.

I also see significant income potential in the fast-growing card payment area through continued growth and pricing based on convenience and accessibility for the customer.

THE BANK OF BUSINESSES AND BUSINESSMEN

More than 40 per cent of all companies in Sweden, including close companies, use FöreningsSparbanken as their main bank. At the same time, the volume of our business with a number of very large corporations increased significantly during the year.

Given this strong base and increased activity on our part, we have a great opportunity to increase our business in the corporate market and by promoting the spirit of enterprise, contribute to the economic development of society.

INCREASED PRESENCE IN NORDIC AND BALTIC REGIONS

Our business customers including small, local companies increasingly see the Nordic and Baltic regions as a part of their home market. As a commercial bank, we find it natural to serve them as a partner in this development. The successful introduction of the euro and likelihood of the EU's and EMU's expansion in the future make our Nordic/Baltic alliance especially timely and appealing.

With a considerably larger customer base than the Swedish market alone affords, we hope to create economies of scale with respect to technical development, products and distribution.

Our goal is to create a strong regional bank from a European perspective. Our strategy is to expand our presence in the Nordic and Baltic regions, primarily through alliances and co-ownership.



Reinhold Geijer, President and Chief Executive Officer.

We have extensive experience with alliances from our cooperation with independent savings banks and jointly owned banks in Sweden. As a result of this cooperation, these banks currently account for approximately 25 per cent of the Group's product sales.

Our alliances in the Baltic region and Norway attracted considerable attention in 1998. Our work there, as well as in Finland and Poland, where we had established alliances earlier, is just getting under way. However, I expect that as early as 1999 we may see a positive impact, especially for our business customers, through the contacts and services our local banks can provide from allied banks to support trade in the Baltic region. For the Bank as a whole, investments in neighbouring countries are long-term, i.e. a major contribution to our financial results is not expected for another three to five years.

A BANK FOR 21ST CENTURY CUSTOMERS

In 1999 we will complete the merger and take the first major steps towards our New Bank 2005 vision. Success will depend greatly on skills development and new technology, allowing us to improve accessibility for customers in various ways and enhance the value they receive.

When I look at what our employees accomplished in 1998 and their willingness to adjust, I am convinced that we will fulfil the market's expectations in terms of creating value-added for both customers and shareholders.

Stockholm, February 1999



Reinhold Geijer
President and CEO

Five-year summary

Key ratios, the Group	1998	1997	1996 [*] Pro forma	1996 ^{**}	1995 ^{**}	Old accounting standard 1994 ^{**}
Profit						
Operating profit SEK M	6,326	2,400	6,282	5,302	4,423	4,064
Investment margin, %	1.61	1.94	2.24	1.99	2.06	2.06
Interest margin, %	1.42	1.71	1.93	1.75	1.75	1.80
I/E ratio before loan losses	1.61	1.54	1.82	1.85	1.84	1.96
I/E ratio after loan losses	1.49	1.14	1.46	1.54	1.44	1.34
Return on equity, %	16.9	1.4	16.1	20.4	17.5	19.3
Return on total capital, %	0.91	0.37	1.01	1.08	0.9	0.82
Operating profit per share, SEK	12.94	4.91	12.82	13.72	11.45	10.52
Profit per share, SEK	13.13	1.07	13.40	13.92	11.91	13.81
Profit before loan losses per employee, SEK 000	628	537	707	738	676	760
Profit after loan losses per employee, SEK 000	542	190	493	563	450	393
Capital						
Capital adequacy ratio, %	11.6	11.8	13.3	13.0	13.9	12.7
Primary capital ratio, %	6.1	6.1	7.2	7.0	7.4	6.9
Equity/assets ratio, %	4.0	4.1	4.6	4.0	4.2	3.7
Credit quality						
Loan loss ratio, net, %	0.2	0.3 ^{***}	0.6	0.4	0.6	0.9
Share of doubtful claims, %	0.8	1.3	1.5	1.5	2.2	3.2
Provision ratio for doubtful claims, %	49	50	52	52	57	59
Other						
Number of employees	11,734	12,454	12,749	12,749	13,613	13,952
Number of branches	695	1,077	1,093	1,093	1,114	1,161

^{*} Refers to Föreningsbanken and Sparbanken Sverige.
^{**} Refers to the former Sparbanken Sverige except "Other," which is pro forma
^{***} The loan loss level, gross, was 1.2%.

Financial figures using the old accounting standard were prepared according to previous regulations rather than the current Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559).
 For definitions, see page 66.

Banking analysts who follow FöreningsSparbanken's performance

Firm	Analyst	Firm	Analyst
ABG Securities	Sigmund Håland	HSBC	Fredrik Myrén
Alfred Berg FK	Patrik Tillman	JP Morgan	Catherine Woods
Aros Securities	Ingemar Persson	Lehman Brothers	Ian McEwen
BT Alex Brown	Fiona Swaffield	Matteus FK	Hans Jedemark
Carnegie	Per Griberg	Merrill Lynch	Denise Vergot-Holle
Cheuvreux de Virieu Nordic	Peter Salomon-Sörensen	Morgan Stanley	Olaf Conrad
Credit Suisse First Boston	Haakon Boenes	Myrberg FK	Mikael Hallåker
Daiwa Europe	Tetsuaki Iwamoto	Nordbanken	Johan Ekwall
Den Danske Bank	Troels Jensen	Nordiska FK	Jan Wolter
Deutsche Bank	Hans-Olov Öberg	Orkla Securities	Andreas Ossmark
Dresdner Kleinwort Benson	Jean-Pierre Lambert	Paribas	Peter Thorne
Enskilda Securities	Erik Rune	Rabobank	Piers Brown
Erik Penser FK	Håkan Persson	Salomon Smith-Barney	Ronit Ghose
Fox-Pitt Kelton	William Hawkins	Schroder	Marc Rubinstein
Goldman Sachs	Susan Leadem	Warburg Dillon Reed	Kian Abouhossein
Handelsbanken	Mats Anderson	Öhman FK	Magnus Andersson

Profit and loss account

SEK M	1998	1997	1996 Pro forma	1996 *	1995 *	Old accounting standard 1994 *
Interest receivable	44,304	46,348	52,224	42,983	46,067	50,902
Interest payable	-32,940	-33,557	-38,307	-32,622	-35,741	-40,525
Net interest income	11,364	12,791	13,917	10,361	10,326	10,377
Dividends received	155	232	113	103	62	40
Commissions receivable	5,364	5,173	4,137	3,292	2,599	2,336
Commissions payable	-1,084	-948	-784	-615	-497	
Net profit on financial operations	827	930	1,363	1,145	1,209	
Other operating income	2,728	1,133	1,290	780	859	3,289
Total income	19,354	19,311	20,036	15,066	14,558	16,042
General administrative expenses, etc.	-11,358	-11,914	-10,350	-7,678	-7,528	-7,871
Depreciation/amortization and write-downs of tangible and intangible fixed assets	-668	-596	-673	-435	-391	-317
Total expenses	-12,026	-12,510	-11,023	-8,113	-7,919	-8,188
Profit before loan losses	7,328	6,801	9,013	6,953	6,639	7,854
Loan losses, net, and change in the value of property taken over	-1,002	-1,512	-2,731	-1,651	-2,216	-3,790
Write-down of acquired property		-2,889				
Operating profit	6,326	2,400	6,282	5,302	4,423	4,064
Profit earned prior to acquisition	-32	-666	-429			
Appropriations	44	6	5	5	-31	-127
Taxes	-1,719	-1,398	-1,557	-1,435	-1,080	-96
Profit for the financial year	4,619	342	4,301	3,872	3,312	3,841

Balance sheet

SEK M	1998	1997	1996 *	1995 *
Assets				
Loans to the public	516,909	499,110	383,533	384,084
Loans to credit institutions	71,462	89,202	53,858	28,250
Interest-bearing securities				
Treasury bills and other bills eligible for refinancing with central banks	37,121	5,929	11,481	15,249
Bonds and other interest-bearing securities	23,101	23,366	17,548	9,819
Shares and participating interests	9,331	6,082	4,423	3,685
Other assets	62,024	44,686	31,607	39,617
Total assets	719,948	668,375	502,450	480,704
Liabilities, provisions and shareholders' equity				
Deposits and borrowings from the public	190,355	216,941	146,121	147,983
Amounts owed to credit institutions	120,755	99,900	70,393	57,478
Debt securities in issue	290,778	251,294	212,343	203,307
Subordinated liabilities	24,754	23,321	17,242	17,910
Other liabilities	64,468	49,542	36,302	33,720
Shareholders' equity	28,838	27,377	20,049	20,306
Total liabilities, provisions and shareholders' equity	719,948	668,375	502,450	480,704

Old accounting standard

SEK M	1994 *
Assets	
Swedish and foreign banks	20,161
Lending	394,140
Interest-bearing securities	40,447
Other	25,269
Total assets	480,017
Liabilities and shareholders' equity	
Deposits	144,086
Funding	226,698
Other liabilities	91,507
Shareholders' equity	17,726
Total liabilities and shareholders' equity	480,017

* Refers to the former Sparbanken Sverige.

Owners and share data

RETURN ON EQUITY

The Group's objective is a return on equity that exceeds the weighted average for listed Swedish banks over the long term.

CAPITAL ADEQUACY

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

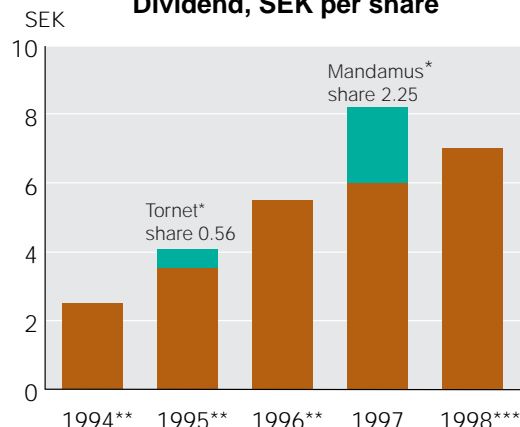
DIVIDEND

In the long term the dividend will amount to at least 30 per cent of profit for the financial year.

LOAN LOSSES

The loan loss ratio in the Group will not exceed 0.5 per cent over a business cycle.

Dividend, SEK per share

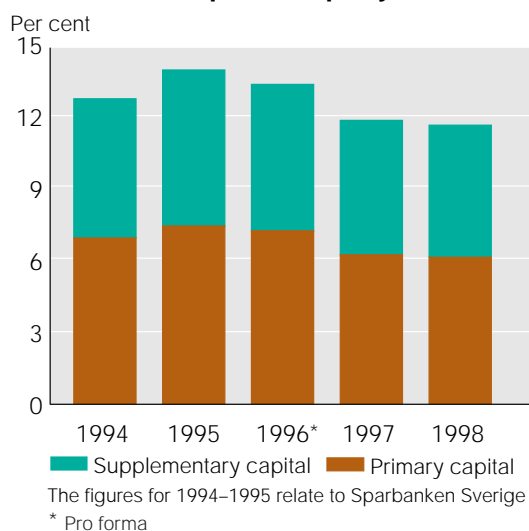


* Based on price the first day of trading.

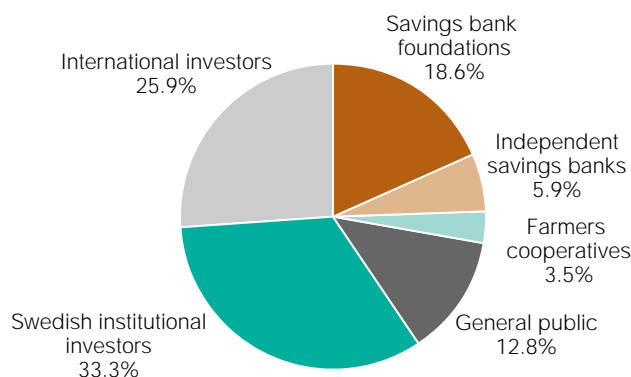
** The figures for 1994 -1996 relate to Sparbanken Sverige.

*** According to Board of Directors' proposal.

Capital adequacy



Ownership structure, December 31, 1998



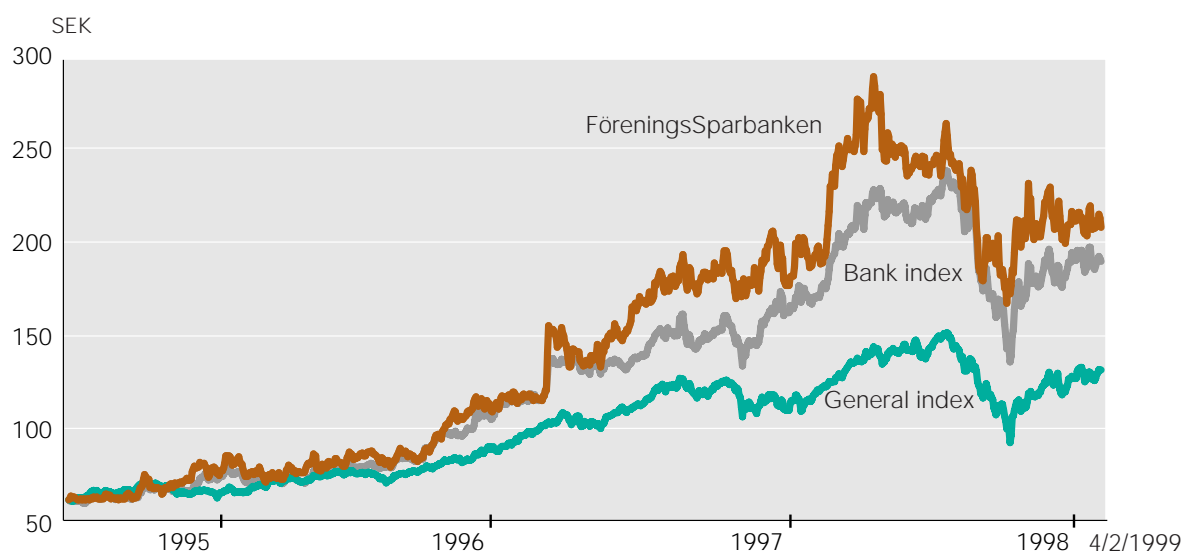
No. of shareholders, December 31, 1998

Size of holding	No. of shares	No. of shareholders
1 – 500	33,983,320	444,814
501 – 1,000	5,752,557	7,733
1,001 – 2,000	3,237,936	2,145
2,001 – 5,000	2,195,978	688
5,001 – 10,000	1,638,731	221
10,001 – 20,000	1,780,370	121
20,001 – 50,000	4,959,490	152
50,001 – 100,000	6,840,434	93
100,001 –	291,483,746	262
Total	351,872,562	456,229
of which, nominee-registered	244,602,437	11,189

Shareholders, December 31, 1998

	Per cent
Savings bank foundations	18.6
Independent savings banks	5.9
Fourth National Pension Insurance Fund	4.2
SPP	3.6
Farmers' cooperatives	3.5
SPK	2.6
Robur funds	2.3
Skandia	2.0
SEB-Trygg funds	2.0
AMF Pension	1.8
Föbundsdepån	1.8
Capital Group	1.5
Other international investors	24.4
Other Swedish institutional investors	13.0
General public	12.8
Total	100.0

Share performance compared with bank and general indexes



Changes in subscribed capital

Year	Transaction	Par value per share, SEK	Price, %	Added number of shares	Accumulated number of shares	Subscribed capital SEK M
1990					4,880,000	2,440
1990	New share issue	500	100	1,000,000	5,880,000	2,940
1991	New share issue	500	120	960,000	6,840,000	3,420
	New share 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 share 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 share issue	10	573	38,000,000	540,000,000	5,400
1995	New share issue/reduction	10	650/630 ¹⁾	- 261,819,298	278,180,702	2,782
	Bonus issue	20			278,180,702	5,564
1996		20			278,180,702	5,564
1997	New share issue	20		72,717,269	350,897,971	7,018
1997	New share issue	20		974,591	351,872,562	7,037
1998		20			351,872,562	7,037

A bonus issue 1:2 has been proposed to the Annual General Meeting of 1999. If approved, it would raise the number of shares to 527,808,843 and the subscribed capital to SEK 10,556 M.

¹⁾ Prices refer to the conversion of four different classes of preferred shares in the spring of 1995.

Data per share

SEK	1998	1997	1996	1995	Old accounting standard 1994
Operating profit per share	12.94	4.91	13.72	11.45	10.52
Profit per share	13.13	1.07	13.92	11.91	13.81
Equity per share	81.96	77.80	72.07	73.00	77.07
Net worth per share	100.17	89.47	n.a.	n.a.	n.a.
Adjusted equity per share	82.37	77.87	72.88	73.37	62.28
Cash dividend per share	7.00 ¹⁾	6.00	5.50	3.50	2.50 ²⁾
Distribution of shares in real estate companies per share ³⁾		2.25		0.56	
Share price at year-end	209.00	179.50	116.50	84.50	50.75
Yield, %	3.35	3.34	4.70	4.10	4.90
P/E	16.15	36.55	8.49	7.38	4.82
Price/equity per share, %	255	231	162	116	66

¹⁾ According to Board of Directors' proposal.

²⁾ Based on 278,180,702 shares.

³⁾ Based on price first day of trading.

Historical background

The first Swedish savings bank was established in 1820 and the first agricultural cooperative bank (or *föreningsbank*) in 1915, based on concepts that originated in Scotland and Germany. The savings bank is a special type of company, while Föreningsbanken, formerly *Jordbrukskassan*, was a cooperative association. The current FöreningsSparbanken, which is a public banking company, is the product of the Sparbanken Sverige / Föreningsbanken merger in 1997.

FÖRENINGSSPARBANKEN'S HISTORICAL BACKGROUND

The original idea behind savings banks was to promote long-term savings and investments and to create financial security for individuals. The first Swedish savings bank was established in Gothenburg in 1820. Savings banks are a specific business form in accordance with special legislation. At their peak, in the early 1930's, there were nearly 500 savings banks in Sweden.

In the early 1940's, the savings banks formed a jointly owned central bank, Sparbankernas Bank. In the 1960's and 1970's the number of savings banks declined substantially as they merged into larger units. In 1992, eleven of the largest regional savings banks, which had earlier been converted into banking companies, merged into Sparbankernas Bank. Together they formed Sparbanken Sverige, which was publicly listed in June 1995.

Nearly 90 other independent savings banks retained their original business form but cooperated closely with Sparbanken Sverige and accounted for approximately a fourth of its total operations.

Föreningsbanken dates back to Sweden's agricultural banking cooperatives, the first of which was established in Västerhaninge, outside Stockholm, in 1915. In the cooperatives each member had one vote. Operations fell under special legislation for agricultural banking cooperatives. Individual cooperatives were affiliated with regional central associations. Beginning in 1958 the organization included a shared central bank, which in 1974 changed its name to Föreningsbankernas Bank. In the early 1990's the 12 regional cooperative banks merged to form Sveriges Föreningsbank. In 1992, this bank joined with the local cooperative banks to form a single banking company, Föreningsbanken, which was publicly listed in January 1994.

Föreningsbanken and Sparbanken Sverige merged in 1997 to form FöreningsSparbanken.

Integration of the new bank

1998 was characterized by intensive work in the newly merged FöreningsSparbanken. The merger will be completed in 1999.

The merger between Föreningsbanken and Sparbanken Sverige to form FöreningsSparbanken was decided on in 1997. The idea was to create a totally new bank for the 21st century – a bank that is accessible to customers and for which the interplay between customer and bank is the best in the market.

The merger prospectus described objectives for efficiency enhancements that the merger would lead to. Total efficiency gains beginning in the year 2000 were projected at no less than SEK 1.5 billion, in part through a net reduction of at least 2,000 employees.

EMPLOYEES

After an extensive dialogue on the Bank's vision, all employees were asked to decide whether they wished to continue working for the Bank, take early retirement or leave. Approximately 11,000 employees have chosen to continue and devote their energies to the Bank.

The first stage of the merger, which focused on internal changes, was implemented according to, and in some cases ahead of schedule. In 1997 values and strategies for the new bank were established, the legal process was completed, boards, managers and specialists were appointed, and Föreningsbanken's headquarters and Föreningsbanken Data were sold.

BRANCH NETWORK

A new branch structure was established with 139 geographic operating areas i.e. local banks. They

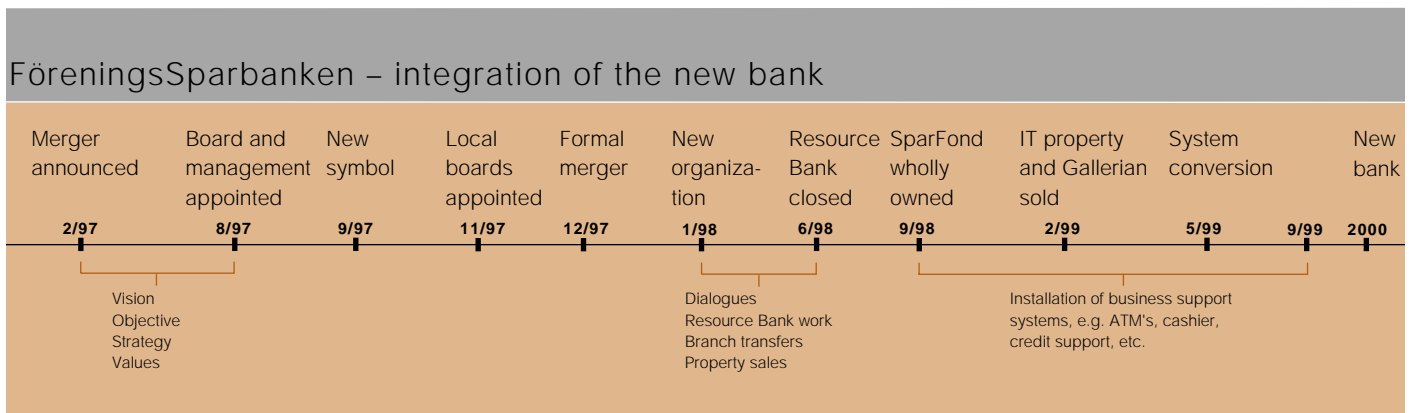
held their first customer and shareholder meetings in 1997, at which local boards were nominated. In 1998, 240 of the 253 branch consolidations that had been decided on were completed.

In 1997 the majority of the Föreningsbanken branches that fit in to independent savings banks' geographic areas were sold to those banks. In 1998, 144 branch transfers were implemented. FöreningsSparbanken's branch network comprised 695 branches as of December 31, 1998. Together with independent savings banks and jointly owned banks, the Bank has the entire country covered with around 1,100 branches.

IT SYSTEM

To date, branches have used both of the former banks' computer systems. A full integration of IT systems will be completed in May 1999, four months ahead of the original schedule.

A new technical platform, GP 2000, with new customer and sales systems, is scheduled to be placed in service over the course of 1999. The replacement of FöreningsSparbanken's ATM's began during the autumn of 1998 and is expected to be completed in 1999.



Vision

FöreningsSparbanken's vision is to be the leading bank for households as well as small and medium-size companies, within its primary geographic area, the Nordic/Baltic region. This creates value-added and opportunities for customers, shareholders, employees and the local community – “The Bank of my Opportunities.”

The world is undergoing a major social transformation. We are leaving industrial society behind and quickly replacing it with a society in which knowledge and innovation are the most important production factors. The knowledge society is also creating accelerated globalization, where the flow of capital, skills and ideas across national borders meeting with fewer restrictions. This, together with the deregulation of financial markets and rapid developments in information technology, is leading to new competitive conditions. At the same time, the market for financial services will increase in terms of both volume and complexity as social conditions and skills level change.

VISION 2005

Our vision for the year 2005 is based on the changing needs and technological progress that the knowledge society brings with it. This vision involves increased convenience for the customer within the framework of The Bank of my Opportunities. In this vision the Bank is like a gigantic financial supermarket, where the customer has access to all the products and opportunities he sees through branches, in-store banking, telephone banking, Internet banking, smart card technology, interactive television and much more to come.

Considerably greater convenience for customers

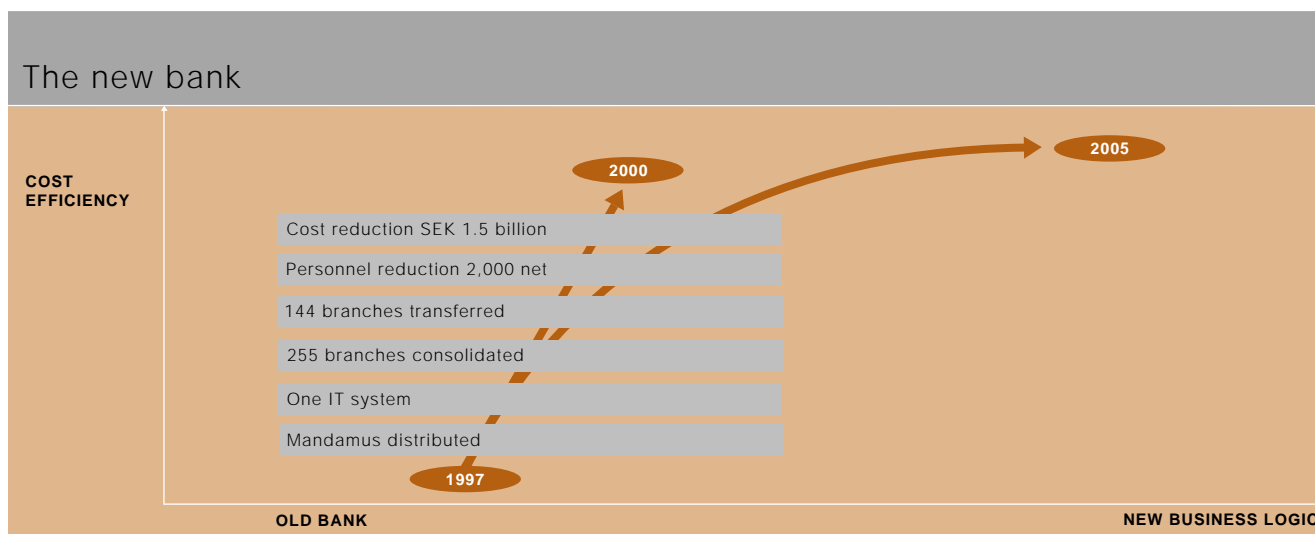
is combined with more extensive financial advisory services, creating constantly new value-added for customers.

This highly advanced personal service is facilitated by a shift in competence within the Bank, whereby new technology reduces administrative needs, leaving four out of five employees in customer-orientated operations.

In our vision, value-added must be created for all the Bank's stakeholders: customers, shareholders, employees and the local community. This is especially important in times of major change, so as to guarantee the Bank's legitimacy. Our employees have to feel that their work offers positive personal development, since the interplay between customer and employee is essential to creating value-added for other stakeholders. As a result, increased shareholder value is a byproduct of creating value-added for the three other stakeholder groups.

Our vision necessitates a broad customer base that can be further developed. This is precisely the aim of the Nordic/Baltic strategy, which is also designed to strengthen the “glocal” approach that has characterized our vision and the process of change.

Our goal is to increase the Bank's local presence in the Nordic region and countries around the Baltic Sea, to create a large enough customer base to



achieve additional economies of scale and to assure the convenience of The Bank of my Opportunities.

The idea, basically, is to carry on local banking in each country in alliance or co-ownership form, while utilizing global competence and shared resources.

NEW COMMUNICATION LOGIC

The basis of the vision is a business system with a new communication logic, a simpler, more clear-cut way to broaden and streamline the dialogue between customer and bank. The system also includes new, concrete tools for the customer and bank in their interaction.

The new communication logic also makes it possible to conduct banking business when, where and how the customer wishes without considering the local branch's hours of operation.

FöreningsSparbanken was the first bank in the Nordic region to offer banking services by telephone, now offers one of the most advanced Internet

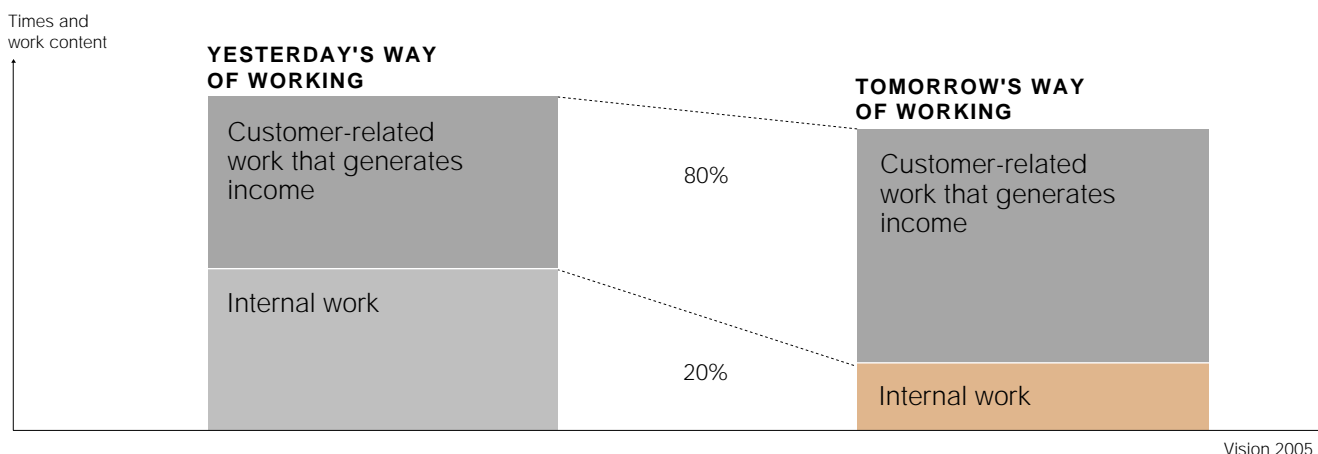
services as well. In the future the Bank will also play a leading role in the development of new services and products based on new technology, in order to increase opportunities for each and every customer to create new value-added together with the Bank.

This will be accomplished through a strong local presence as well as by consistently and systematically taking advantage of the benefits that the new technology offers in terms of creating closeness, accessibility and convenience for customers.

In order to continuously track the Bank's expertise and customers' opinions of our competence, qualitative periodic surveys are taken. Part of the vision is to build a forward-looking company that knows how to transform experience into innovation and ongoing renewal on the customer's terms.

The Bank will also further enhance its market image by integrating global competence and a local presence under a strong, recognizable trademark.

New business logic 80/20



Vision 2005

"The Bank of my Opportunities provides convenience for customers."

- A new, convenient and personal "financial supermarket" is created.
- Increased interaction between the customer and the Bank: Branches, Telephone, Internet, Cards, In-store Banking, Interactive TV...
- Greater value-added for the customer through convenience in combination with professional advisory services (80/20).
- Broader customer relations lead to more product sales.
- No more than 30 per cent of branches handle cash thanks in part to the Bank's CASH function.
- A customer base of at least 15 million retail customers out of 90 million in the Nordic/Baltic region, along with at least one million business customers.

Independent savings banks

Cooperation with independent savings banks is an important part of FöreningsSparbanken's operations. Independent savings banks and jointly owned banks account for about a fourth of FöreningsSparbanken's total product sales.

COOPERATION WITH INDEPENDENT SAVINGS BANKS

When Sparbanken Sverige was formed in 1992, there were 90-odd savings banks that conducted local banking operations in close cooperation with the former Sparbankernas Bank, which was converted to Sparbanken Sverige.

This cooperation offered significant advantages for both the independent savings banks and Sparbanken Sverige. The independent savings banks gained access to the entire Sparbanken Sverige Group's range of products and services, while Sparbanken Sverige gained nationwide coverage and the ability to spread its fixed costs across a larger business volume.

When FöreningsSparbanken was formed in 1997 through the merger of Föreningsbanken and Sparbanken Sverige, practically all independent savings banks chose to maintain this cooperation. An important element in the continued cooperation was that the independent savings banks were offered the opportunity to acquire Föreningsbanken branches in their respective operating areas. Sparbanken Finn, Sparbanken Gripen and Nova Sparbank decided against any branch acquisitions, however.

Cooperation between FöreningsSparbanken and the Finn and Gripen savings banks will cease in 1999.

COORDINATED MARKET PRESENCE

An important part of the cooperation is a uniform market presence. An agreement has been reached between FöreningsSparbanken and the independent

savings banks to coordinate their marketing under a single symbol.

Two savings banks, Ölands Sparbank and Söderhamns Sparbank, have decided to convert into banking companies with FöreningsSparbanken as a co-owner. FöreningsSparbanken's local branch operations on the island of Öland and in Söderhamn are now part of the newly established banking companies that began their operations at the end of 1998. In December 1998 Färs och Frosta Sparbank and FöreningsSparbanken reached an agreement whereby Färs och Frosta Sparbank acquired FöreningsSparbanken's branch operations in Lund, Staffanstorps, Löddeköpings and Svalöv. Färs och Frosta Sparbank will be converted to a banking company with FöreningsSparbanken as a co-owner of 30 per cent. The conversion is expected to be effected no earlier than the fourth quarter of 1999.

The cooperation with independent savings banks and jointly owned banks is stipulated in a cooperation agreement. In addition to marketing matters, close collaboration is maintained in a number of administrative areas. For example, FöreningsSparbanken is the clearing bank for the independent savings banks and provides them with a complete range of IT services on a fee basis.

Besides being important partners, the independent savings banks together are one of the largest shareholders in FöreningsSparbanken. Their combined holding amounts to approximately six per cent of the Bank's capital and voting rights.

Branch sales

Number of branches sold to independent savings banks	129
Number of branches sold to jointly owned banks	15
Number of employees in branches sold	690
Lending in branches sold	SEK 11 billion
Deposits in branches sold	SEK 16 billion
Impact on net interest income in 1998	SEK – 730 M
Impact on FöreningsSparbanken's commissions and other income in 1998	SEK – 114 M
Impact on FöreningsSparbanken's expenses in 1998	SEK – 426 M

Independent savings banks and jointly owned banks December 31, 1998 *

Deposits	81,580
Lending	70,200
Lending via Spintab	64,940
Savings via Robur	47,620
Business volume	264,340
Number of legal units	89
Aggregate assets	104,920

* Including FöreningsSparbanken Öland and Eskilstuna Rekarne Sparbank, which are part of the FöreningsSparbanken Group.

International alliances

FöreningsSparbanken's priority geographic areas are the Nordic region and the countries around the Baltic Sea. This area has a total population of around 90 million. In 1998 FöreningsSparbanken reached agreements to acquire approximately 25 per cent of the shares in SpareBank 1 Group in Norway and increase its share of the voting rights in Hansapank in Estonia to 49.98 per cent.

INTERNATIONAL ALLIANCES – NORDIC/BALTIC STRATEGY

As globalization increases, so does customer demand for banking services beyond Sweden's borders. In other words, a bank's international presence translates into greater customer benefit through increased service and, over time, an expanded product range.

For FöreningsSparbanken, there is also a financial advantage in its geographic expansion, in terms of added product sales in new markets as well as economies of scale and a broader base over which to spread both product development and technology expenditures.

FöreningsSparbanken's geographic sphere of interest is the Nordic region and Baltic nations. The Bank has decided to expand by entering into alliances with a strategic partner in each market. In

most cases it has also acquired an interest in its allied banks.

FöreningsSparbanken already has a very positive experience with alliances from its long-standing cooperation with independent savings banks in Sweden.

Cooperation via alliances instead of acquisitions has several advantages, including local character of the allied bank and lower investment requirements and thus lower tied-up capital and risks.

In 1998 the Bank strengthened its positions in a number of Nordic/Baltic markets.

In Norway, an agreement was reached to acquire 25 per cent of the shares in SpareBank 1 Group through a new share issue in 1999. SpareBank 1 Group is owned by five Norwegian savings bank groups serving as a joint product company on their behalf. The Group's operations comprise the Odin fund

The Nordic/Baltic alliance

Country	Sweden	Norway *	Finland	Poland	Baltic region	Total
Bank	FöreningsSparbanken + jointly owned banks + independent savings banks	SpareBank 1 Group	Aktia + independent savings banks + cooperatively owned banks	Bank Handlowy	Hansapank	
Share of voting rights	–	25 %	approx. 25 %	FSPAR 6% Zurich 6% JP Morgan 12%	49.98 %	
Investment	–	SEK 770 M	SEK 190 M	SEK 390 M	SEK 2,340 M	SEK 3,690 M
Branches	695+38+350	380	66+180+65	64	163	2,001
ATM's	1,030	420	200		385	2,035
Retail customers	4.4 million	1.2 million	0.7 million		0.5 million	6.8 million
Business customers	225,000	104,000	130,000	11,000	30,000	500,000

* As of 1999.



management company, bank cards, finance companies and unit-linked insurance.

In the Baltic region, FöreningsSparbanken gradually increased its interest in Hansapank. At year-end it held 49.98 per cent of the voting rights. Hansapank is the region's largest bank and the Estonian market leader. It also has operations in Latvia and Lithuania.

In Finland, cooperation with Aktia Sparbank has continued. FöreningsSparbanken owns approximately 25 per cent of the shares in Aktia Sparbank. Cooperation between the banks was expanded during the year, particularly in the fund area.

In Poland, FöreningsSparbanken owns approximately six per cent of the shares and voting rights in Bank Handlowy following full conversion. Bank Handlowy is currently a bank for large companies, but its goal is to grow in the retail sector, which could be of major strategic importance for FöreningsSparbanken considering the Polish market's size and growth rate.

REALIZING THE POTENTIAL OF ALLIANCES

During the year, FöreningsSparbanken strengthened its alliances by placing its personnel at allied banks. Further more a number of cooperative projects were initiated, in order to realize the commercial potential of the alliances.

FöreningsSparbanken also has a cooperation agreement with, and a small ownership interest in, Austria's second largest bank, Erste Bank, whose network in Central Europe is of major interest to the Bank's customers.

In addition to the alliances in the Nordic/Baltic region, FöreningsSparbanken has a subsidiary in Luxembourg, international branches in London and New York, and a representative office in Tokyo. The international units support FöreningsSparbanken's business customers and take part in the Bank's global capital market operations.

FöreningsSparbanken's customers

FöreningsSparbanken has the largest customer base of Sweden's banks with respect to private individuals, small and medium-size businesses, municipalities, county councils and organizations.

Through its long-term commitment to the local community, FöreningsSparbanken has built strong relationships with a large sector of Sweden's population, businesses and organizations. These relationships have been and will continue to be by far the Bank's most important resource.

FöreningsSparbanken today has working relationships with approximately 4.4 million private individuals, the majority of Sweden's municipalities and county councils, and a large part of the country's small and medium-size businesses.

The Bank's competitiveness is dependent on how well it succeeds in maintaining and developing customer relationships. In the interaction with the customer, value-added is created for both the customer and the Bank when they together see and enhance the customer's financial and business opportunities.

FINANCIAL SITUATION

Everyone can't be financially independent, but for most people, finances and money can be something that adds happiness and security to their lives. If the Bank can help customers with this, it opens up great opportunities.

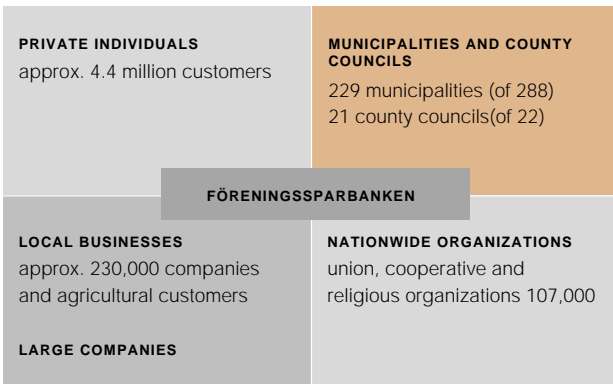
One way to achieve this is to describe the customer base in terms of a customer's financial situation, i.e. his or her income and savings. The Bank can then better understand and satisfy various customers groups' needs.

FöreningsSparbanken has the largest number of customers of Sweden's banks in every customer group. Through its broad base of expertise and wide range of products and services, it also has good opportunities to help each and every customer based on their unique situation.

FöreningsSparbanken wants to be a bank for business and a wide range of people and sees opportunities in all these customer groups.

PAYMENTS

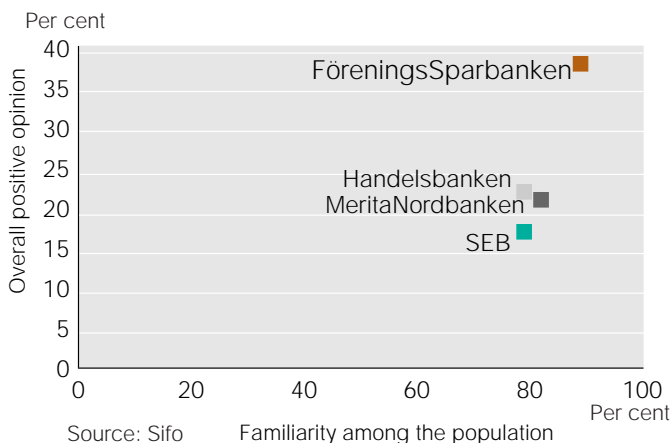
During youth and early adulthood, much energy is devoted to finding a first job, a place to live and



PRIVATE INDIVIDUALS

FöreningsSparbanken has a very strong position in the retail market. No less than 95 per cent of the population is familiar with the new graphic symbol and many associate the Bank with positive values and perceive it as service-oriented and accessible.

Familiarity with, and opinion of, Swedish banks



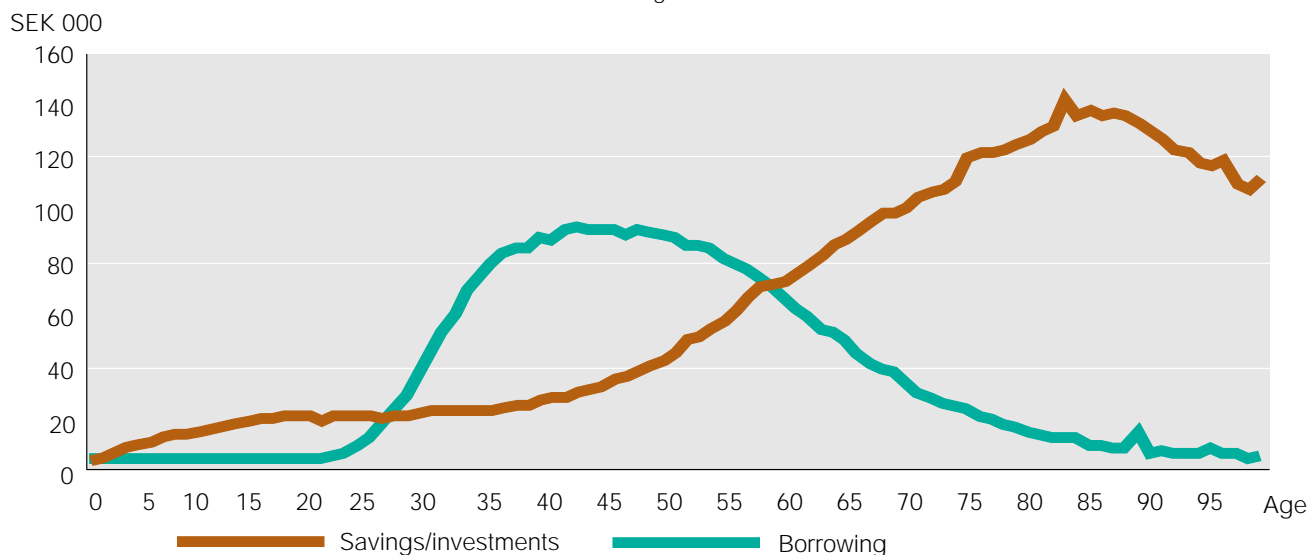
Share of the population who are customers of the Bank

(main bank)



Retail customers

Average volumes



gaining some financial stability. The Bank has payment products that can help to simplify day-to-day life for those with either small or large financial needs.

One example is the Internet bank, which has grown quickly since its start in December 1996. Around 170,000 customers use it today to manage their day-to-day finances, and around 10 per cent of the Bank's customers' postal giro and bank giro payments go via the Internet bank.

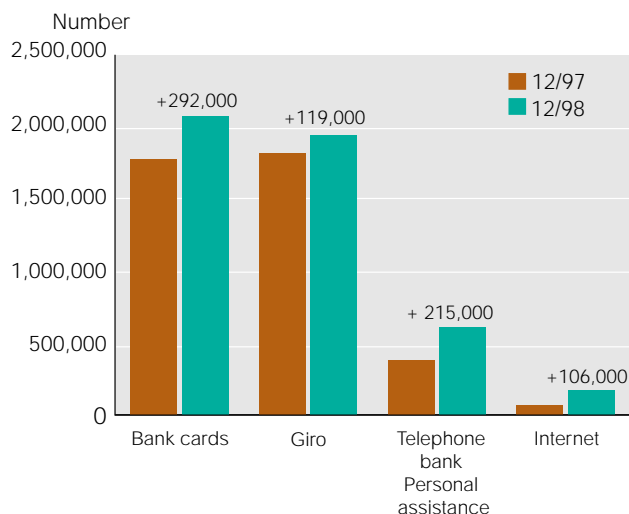
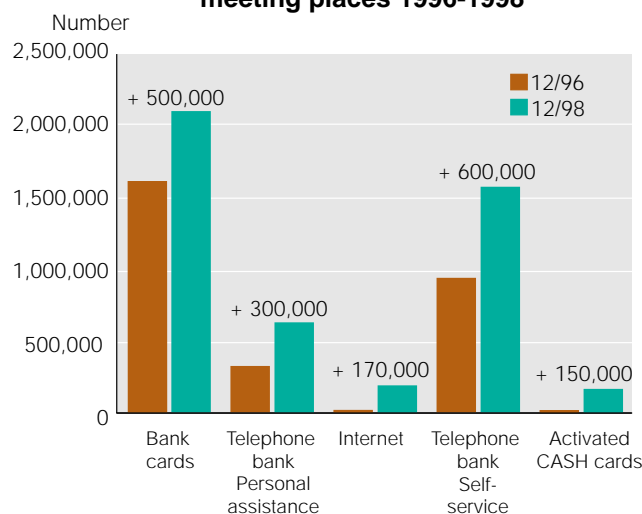
Target savings is also an important product for many customers. FöreningsSparbanken's cooperations with construction and housing companies are examples of this.

During the year bank cards with built-in cash

functions were launched on a broad basis, electronic billing was developed and the Internet bank was further improved. This shows that the Bank, on the strength of its size and competence, has major opportunities to lead developments in the banking sector and create new, efficient payment systems, and in fact has often been the first to introduce new services.

The number of customers who use the Telephone bank with personal assistance increased by approximately 60 per cent during the year to 600,000. The number of Internet banking customers rose by 166 per cent to 170,000.

During the year a new customer offer was introduced for retail customers. Those with bank or

Customer offer**Positive trend in products and meeting places 1996-1998**

charge cards and who use the Bank's giro system or Internet bank for payments were offered a higher interest rate on their private accounts. During the year 610,000, or slightly over a third of all salary-account customers, signed up for the offer.

Sales of cards have also been very good, and there is major potential in this area in the future.

LENDING

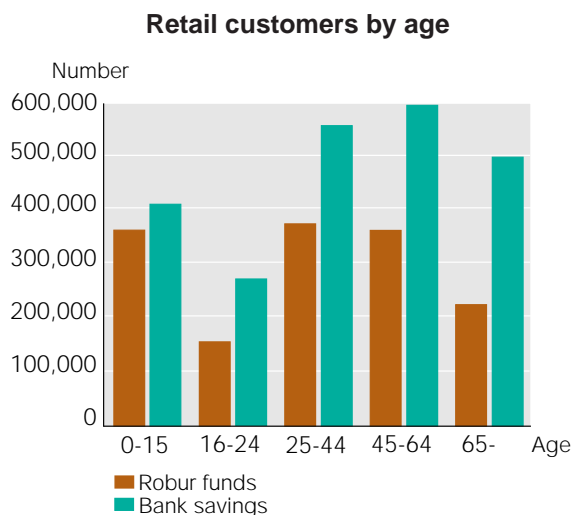
For most people, their home and its financing is their largest economic commitment. The Bank's range of loan products gives customers the freedom to choose the solution that best suits their particular needs and opportunities.

The Bank has also developed loans for auto and boat financing, for example, where the asset serves as collateral for the loan. As a whole, personal solutions can be offered for every customer's individual lending needs.

Customers in the age group 25-64 have the largest lending needs. Those around 40 years of age have the highest average loans. In older age groups, the average loan volume per customer gradually declines.

During the year the Bank successfully raised its share of the mortgage loan market in heavy competition.

SAVINGS/INVESTMENTS



The types of savings that a customer chooses depend on his or her attitude toward risk, security and accessibility. The Bank offers a very wide range of products to suit different needs and is the market leader in both fund investments and bank savings.

Fund investments have increased primarily among higher age groups. Today's retirees have a better understanding of, and interest in, different investment alternatives than previous generations, as is reflected in their choice of investment products.

PENSION SAVINGS

A growing number of people need individual pension savings and are beginning to save earlier in life.

The Bank has a very good position in the fast-growing pension savings market, with relationships with half the Swedish population. Today the Bank conducts over a million customer meetings with investment advisors each year. The close relationship with so many customers over time provides the Bank with opportunities to increase its market share.

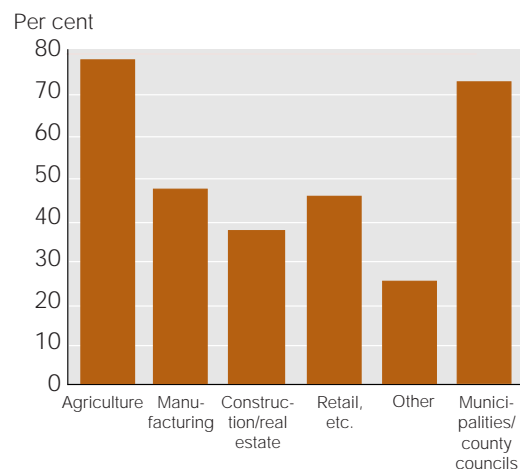
BUSINESS CUSTOMERS

FöreningsSparbanken has working relationships with a large part of the country's small and medium-size companies.

Business customers' attitudes toward the Bank are closely monitored. This is done to ensure that the Bank is constantly working to increase value-added for the customer and thus improve their relationship. Customer surveys in 1998 ranked FöreningsSparbanken highest in perceived customer quality and second highest in value for the money and loyalty.

Business customers' needs differ depending on, among other things, the industry they are in and their size. The Bank offers a wide range of business products suited to the needs of various customer groups.

Share of business customers who use FöreningsSparbanken as their main bank



During the year a growing number of customers chose more efficient and convenient payment services, such as giro accounts and electronic payments. This means simpler administration for both the business and the Bank.

The EU and introduction of the euro entail major changes for business customers. In many cases their competition increases, although their export opportunities do as well. The Bank offers a wide range of products for foreign markets. This also gives it an obvious potential for added sales to many of business customers.

AGRICULTURE

The Bank has succeeded well in further developing and strengthening its relationships with the country's farmers. Around 80 per cent of all farmers are customers of the Bank.

The Group's mortgage company for the agricultural sector, Jordbrukskredit, increased its lending by approximately 60 per cent during the year. The Bank works actively with this very important customer group. One example is interactive television broadcasts, where local banks invite their customers to evening information gatherings and discussions with an expert panel in the studio.

Agricultural customers generally are very pleased with the Bank, as indicated by our own and others' opinion surveys.

ORGANIZATIONS

The Bank has a very strong position among Swedish organizations, especially among unions, religious groups and sports clubs. The long, positive relationship with unions has helped the Bank to secure a large share of salary-account customers. This close cooperation has resulted in projects such as the Swedish Metal Workers Union's IT school.

MUNICIPALITIES AND COUNTY COUNCILS

The Bank also has a very large share of Sweden's municipalities and county councils as customers and is by far the dominant bank in the municipal sector in terms of both municipal payment flows and their financing and investments. The close cooperation with the country's municipalities, municipal companies and county councils was further expanded and broadened during the year. One of many examples of the importance of the Bank's attention to the municipal market is the new Skåne region's selection of FöreningsSparbanken as its main banking connection.

Why does the Bank survey customers' opinions?

Customers' opinions are vital to the Bank's opportunities to create consistent long-term profitability. That is why continuous surveys are taken of customer attitudes toward, and opinions of, the Bank. In addition, our employees' attitudes toward the Bank are monitored on an ongoing basis.

The goal is that customers will remain loyal and see the Bank as their best alternative and that they therefore expand their relationship with the Bank.

There is a strong correlation between customers' and employees' opinion of the Bank and the Bank's profitability. Motivated employees create satisfied customers, which in turn improves profitability and thereby increases shareholder value.

Surveys show that satisfied, loyal customers do a large share of their banking business with the Bank. There is a clear connection between professionalism and increased product sales.

If employees create satisfied customers and value-added for customers, they will increase their business with the Bank. This in turn leads to increased value-added and improved profitability for the Bank.

Market shares

Retail market

FöreningsSparbanken	Market shares, per cent					Volumes, SEK billion				
	1998	1997	1996	1995	1994	1998	1997	1996	1995	1994
Deposits, SEK	29 (32) ¹⁾	34	35	37	38	119 (132) ¹⁾	131	145	142	146
Bank loans, SEK	30 (34) ²⁾	36	39	40	40	59 (67) ²⁾	67	65	72	73
Mortgage financing	37	37	36	35	34	182	173	164	151	152
Individual pension savings	35	36	37	36	33	5	4	3	1	1
Retail market bonds	24	27	26	26	26	23	28	32	33	24
Fund investments	35	35	33	30	29	193	158	105	73	59
Unit-linked insurance *	34	38	17	12	22	18	10	9	5	3
Bank cards (thousands)	n.a.	n.a.	n.a.	n.a.	n.a.	2,035	1,751	1,570	1,413	1,367
Credit/charge cards (thousands)	n.a.	n.a.	n.a.	n.a.	n.a.	741	671	566	518	426

Corporate market

FöreningsSparbanken	Market shares, per cent					Volumes, SEK billion				
	1998	1997	1996	1995	1994	1998	1997	1996	1995	1994
Bank deposits, SEK	15 (16) ³⁾	17	14	18	17	31 (34) ³⁾	37	31	35	29
Bank loans, SEK	25 (26) ⁴⁾	27	24	27	28	91 (94) ⁴⁾	87	73	82	82
Bank loans, foreign currency	14	18	18	18	16	9	12	11	12	12
Leasing via finance companies	5	6	6	7	8	3	3	3	3	3
Installment purchases via finance companies	16	17	18	19	22	5	4	3	2	2

Municipal market **

FöreningsSparbanken	Market shares, per cent					Volumes, SEK billion				
	1998	1997	1996	1995	1994	1998	1997	1996	1995	1994
Bank deposits	31	33	42	45	53	7	7	8	8	10
Bank loans	28	29	29	31	40	8	8	7	7	6
Mortgage financing	51	47	50	55	39	8	8	8	7	8
Municipal commercial paper	35	39	48	30	32	1	2	3	2	3

¹⁾ Incl. deposits of SEK 13 billion, corresponding to a 3-per cent market share, that was transferred to independent savings banks and jointly owned banks.

²⁾ Incl. bank loans of SEK 8 billion, corresponding to a 4-per cent market share, that was transferred to independent savings banks and jointly owned banks.

³⁾ Incl. bank deposits of SEK 3 billion, corresponding to a 1-per cent market share, that was transferred to independent savings banks and jointly owned banks.

⁴⁾ Incl. deposits of SEK 3 billion, corresponding to a 1-per cent market share, that was transferred to independent savings banks and jointly owned banks.

* Market shares refer to new policies.

** Does not include municipally owned companies.

Sources: Statistics Sweden, Sveriges Riksbank, Spar- och Placeringsfrämjandet, Europay, VISA, Nyhetsbrevet Fond och Bank, Försäkringsförbundet.

FöreningsSparbanken's position in the market

SAVINGS AND INVESTMENTS

- 1st household deposits
- 1st equity and fixed income funds
- 1st individual pension savings
- 1st pension insurance
- 1st-2nd retail market bonds
- 2nd-5th stock brokerage

SALARIES AND PAYMENTS

- 1st salary direct deposits
- 1st card clearance transactions
- 1st bank cards
- 1st CASH cards
- 1st-2nd giro payments
- 2nd Internet banking

HOUSING

- 1st-2nd mortgage loans
- 1st-2nd real estate brokerage

CORPORATE MARKET, 10-25 %

- Deposits
- Lending
- Payments
- Leasing and factoring

Meeting places

More and new meeting places give the customer greater freedom of choice and convenience. The traditional meeting place, the branch, is being complemented by other meeting places, such as the Internet and Telephone banks, which are showing very strong growth.

New meeting places give the customer greater opportunities to choose when he or she would like to contact the Bank. Today FöreningsSparbanken and the customer have many opportunities to come into contact with each other, and changes are taking place all the time. The trend in terms of meeting places is toward greater flexibility, so that the Bank to the greatest extent possible will be available where and when customers want.

PERSONAL INTERACTION

Customers and the Bank currently have a large number of opportunities to interact through personal meetings:

- *Branch offices* offer customers full service in everything from simple cashier transactions to advanced advisory services for both private and business customers. Branches are open during daytime hours and usually stay open one evening a week.
- *Advisory offices* offer customers advisory services. These offices do not handle cashier's transactions. Customer meetings are usually booked in advance and office hours are customer driven.
- *Mobile sales representatives* call on customers at their home or business. In this case as well, all meetings are scheduled in advance, so that the customer can choose a convenient time.
- *Telephone banking – Personal assistance.* The customer can receive assistance by telephone for everything from simple cashier's transactions to advanced advisory services, for example, discussing sales from a stock portfolio. The Telephone bank is available to both private and business customers and is open from 6:00 a.m. to 12 midnight seven days a week.

INTERACTING FROM A DISTANCE

More and more, customers want to be able to reach the Bank quickly, simply and at any time of day. To meet this demand, new meeting places have been developed where the customer can take care of his banking business at any time.

- The *Internet bank* offers customers the opportunity to take care of their banking business via the Internet at any time of day.

- *The Telephone bank - Self-service* gives customers the opportunity to handle simple banking transactions by telephone round the clock.
- *In-store banking* gives customers the opportunity to deposit or withdraw up to SEK 8,000 from their FöreningsSparbanken accounts.
- Many branches have *self-service corners* where customers can quickly and easily use the Internet or Telephone bank for transactions.
- *On-the-job banking* allows customers, while at work, to link up to the Internet or Telephone bank as well as transfer money to their CASH cards.
- *ATM's* allow customers to quickly and easily withdraw money and receive balances on all their accounts with FöreningsSparbanken.

Customer interaction

PERSONAL INTERACTION	INTERACTING FROM A DISTANCE
BRANCHES	INTERNET BANK
MOBILE SALES REPRESENTATIVES	TELEPHONE BANK Self-service
TELEPHONE BANK Personal assistance	ATM
	IN-STORE BANKING
	ON-THE-JOB BANKING
	CASH CARD

MEETING PLACES IN THE FUTURE

Branches

In 1998 the operations were consolidated in locations where both Sparbanken Sverige and Föreningsbanken had branches.

In the summer of 1998 several branches at times experienced unusually long waiting lines, but during the autumn accessibility was significantly improved. In 1999 new computer systems (GP 2000) will be installed, which will facilitate work at the branches and give employees more time to devote to customers.

Self-service corners

Today customers can reach the Telephone bank via a direct phone from many branches.

To better satisfy demand for ease of use, speed and convenience, so-called self-service corners are being added at a number of branches. They will offer access to the Internet and Telephone banks and allow customers to transfer money to their CASH cards.

ATM's

The replacement of FöreningsSparbanken's approximately 1,000 automated teller machines (ATM's) began during the autumn of 1998 and will be completed in 1999. The new ATM's facilitate fast, more cost-effective development of new functions and services.

In 1999 FöreningsSparbanken will be the first bank to offer customers the opportunity to transfer funds to their CASH cards at home using a reloader that attaches to a telephone.

Mobile sales representatives

Many customers today are visited by their advisers, particularly business customers. To further facilitate this type of customer visit, FöreningsSparbanken is developing a PC solution for financial advisers. The advisers will carry with them an overview of the customer's accounts and be able to handle transactions directly on site.

In-store banking/On-the-job banking/ My Bank At School

In-store banking is currently in use at 72 stores around the country. In 1999 the service will be further enhanced by giving stores access to the Internet bank, Telephone bank and CASH card reloaders. This will give customers the opportunity to contact the Bank during the store's opening hours to a greater extent than today.

On-the-job banking and My Bank At School will be developed in 1999. They will offer largely the same services as in-store banking, with Internet banking, Telephone banking and CASH card transfers.

Internet and Telephone banking

The positive development for Internet and telephone banking in 1997 continued in 1998 and exceeded expectations.

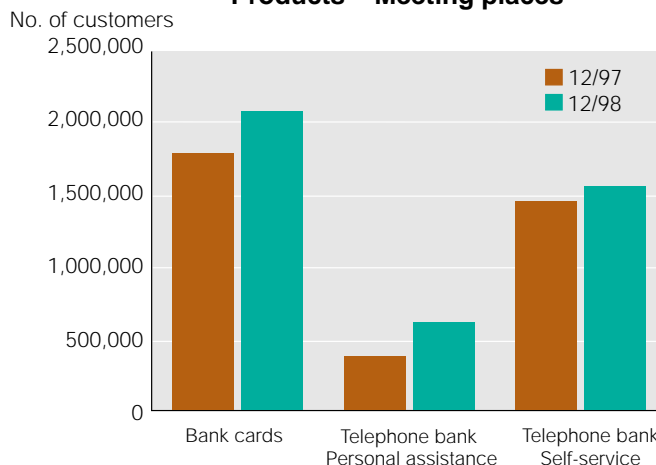
The number of giro payments in the Internet and Telephone bank exceeded the number of corresponding payments in the branches in 1998.

Telephone bank

The number of Telephone banking customers who

use personal assistance rose from around 380,000 to 600,000, while the touch-tone self-service rose from around 100,000 to 1.5 million customers. This consolidates FöreningsSparbanken's position as one of Europe's largest, and by far Sweden's largest, telephone bank. In total, more than 40 million customer visits to the Telephone Bank were recorded in 1998. FöreningsSparbanken via Telephone – Personal Assistance today offers a complete range of services, including the option of borrowing up to SEK 100,000, which was introduced during the year. The Telephone Bank's development will be dominated by efforts in the area of self-service, through the introduction of additional services that can be accessed with touch-tone telephones.

**Positive development in 1998
Products – Meeting places**



Internet bank

The number of Internet banking customers nearly tripled, from just over 60,000 to approximately 170,000. The expectation for 1999 is that the Internet bank will grow to upwards of 350,000 customers. In the year 2000 FöreningsSparbanken via the Internet will have the capacity to serve a million customers, 100,000 of whom will be able to use the service simultaneously. In 1998 Internet banking was introduced for business and agricultural customers. Customers today can transact most of their banking services via the Internet, including:

- Payments (postal and bank giro)
- Transfers within and outside the Bank.
- Fund contributions and redemptions and information on fund balances.
- Stock purchases and sales (NetTrade).
- Deposit and loan information.

Due to the rapid increase in the number of new

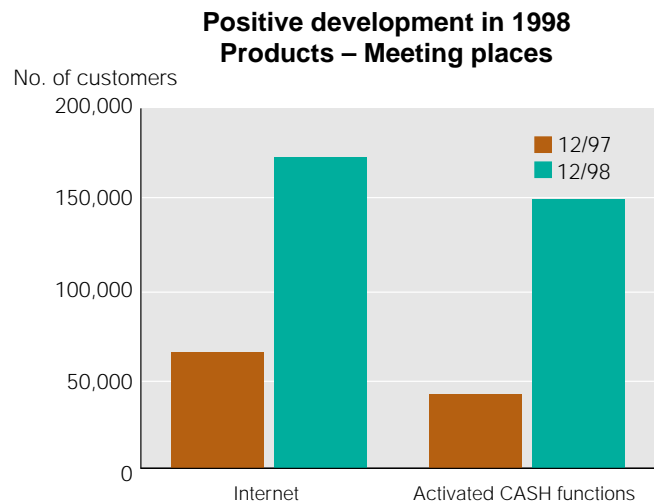
customers, considerable resources have been allocated for 1999 to build a new architecture for the Internet bank.

The Bank's project to introduce electronic billing over the Internet (E-billing) was a major success in 1998 and is now in full-scale operation. Seven companies with significant billing volumes are sending their bills via the Internet to FöreningsSparbanken customers with Internet accounts.

A cooperation has been initiated with other large banks in Sweden to create a clearing function so that transactions from all Internet banking customers can be processed uniformly.

In 1999 the first step will be taken to allow customers to customize their own bank on the Internet. They will be able to create web pages with news, stock or price monitoring, links to other sites and so on. FöreningsSparbanken will also introduce a service for buying and selling pension and life insurance in connection with the ongoing deregulation of the pension market. During the year the Bank also plans to begin a pilot program with

Internet telephony between FöreningsSparbanken via the Internet and FöreningsSparbanken via Telephone, whereby customers will be able to talk with the Telephone bank at the same time that they are on line with the Internet bank without needing two phone lines.



Employees

The Bank's employees' commitment stems from a personal choice made soon after the merger. This choice was the result of an interactive process called the "pedagogic process" in which individuals were asked to evaluate their own situation and development and the Bank's current position, future and vision.

Competence – defined as knowledge, attitude and ability – has been identified as one of the Bank's key strategic development areas. To develop employees' competence in these three dimensions requires that all managers in the Bank create conditions for learning based on the willingness of individuals to learn and develop.

PERSONAL COMMITMENT

In the letter of intent that served as the basis for the merger between Sparbanken Sverige and Föreningsbanken, a framework was outlined for personnel changes.

When looking at FöreningsSparbanken's future, it became evident that a major shift in competence would be necessary. To achieve this, it would not be enough to merely continue with the skills development efforts already under way within the Bank. New competence from outside would be needed as well.

In view of this, it was decided to reduce the number of employees by approximately 1,000, in addition to the 2,000 that had been stated as one of the synergy objectives. In this way, room would be made for the recruitment of new people with the skills needed for the future. The goal was to accomplish the reduction on a voluntary basis.

To achieve this, two general offers were made to the employees: to leave the Bank via the Resource Bank outplacement service for jobs elsewhere or, in the case of those born in or before 1941, to apply for early retirement.

THE PEDAGOGIC PROCESS

A method was developed for interactive dialogue with all employees. On four occasions during the winter of 1997-1998, all 14,000 employees of the Bank discussed FöreningsSparbanken's vision, customer base, future job assignments and the demands that would be placed on the individual employee in the future.

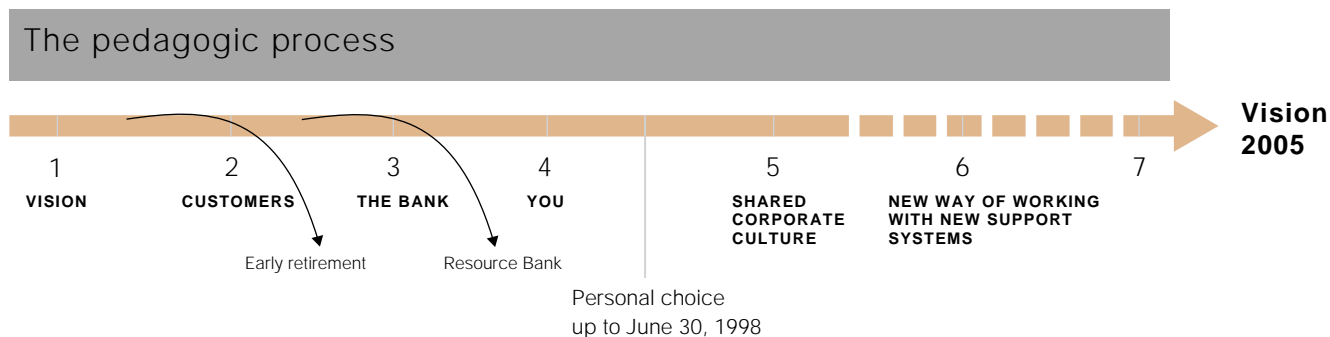
The first four dialogues in 1997-1998 served as the basis for each employee's personal choice whether to leave or stay and help to develop the new bank. The fifth dialogue focused on building a strong, shared corporate culture. The work was done in small groups of employees who met with the Bank's managers for one or two days to discuss issues of strategic importance to the Bank. The results from the first four dialogues showed that around 75 per cent of employees felt that the process helped to promote a communal feeling and increased their sense of commitment. Around 60 per cent felt that the Bank's visions and values and their understanding of the future way of working had been crystallized.

RETIREMENT

An early retirement offer was made to all 1,400 employees born in or before 1941. Nearly all accepted and have left or are leaving the Bank by December 31, 1999.

RESOURCE BANK

In addition to the retirement offer, all employees



received a general offer to leave the Bank through the “Resource Bank”.

On June 30, 1998, the last day for responses, over 11,000 employees had chosen to stay at the Bank, while 1,358 decided to leave via the Resource Bank. As of February 28, 1998 approximately 500 employees had found other jobs, of whom 220 had already left the Resource Bank.

The Resource Bank is staffed by around 30 personal counselors who provide professional support to help participants find employment outside the Bank as quickly as possible. By December 31, 1999 all participants in the Resource Bank must have left FöreningsSparbanken.

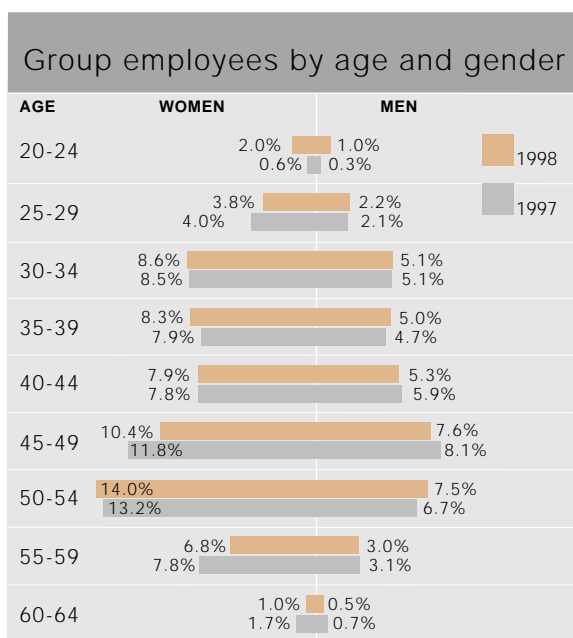
GROWTH IN HUMAN CAPITAL

FöreningsSparbanken’s human capital is measured continuously.

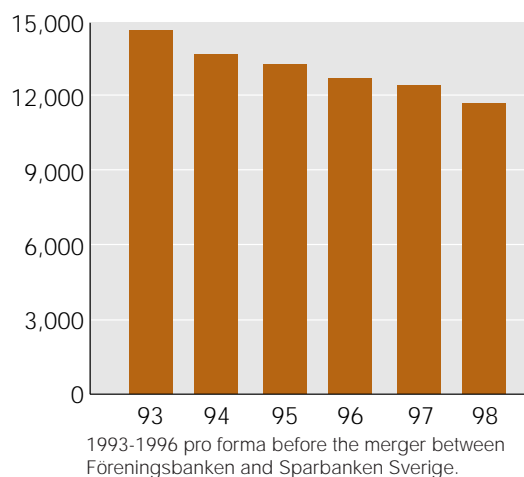
In these measurements, the Bank’s professionalism is looked at in a number of areas:

- Are we working with the same values and objectives?
- Are we providing customers with value-added?
- Are we offering customers all our collective knowledge and competence?
- Are we learning from customers, competitors and each other?
- Are we continuously adapting our way of working to today’s requirements?

Leadership at all levels is followed up regularly and each manager receives personal feedback to



Number of full-time positions 1993–1998



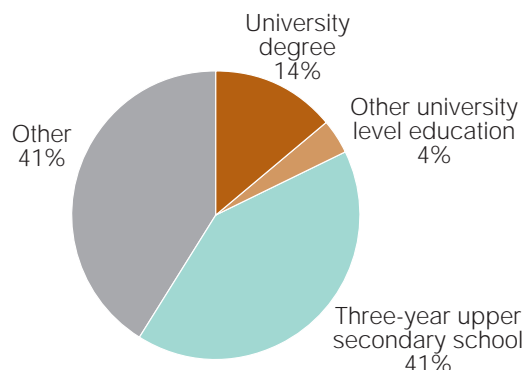
work with. This creates pedagogic leadership and a basis for a dialogue with employees. The working climate and solidarity among employees at all units is also measured to ensure cooperation.

RECRUITMENT

In 1997 and 1998 the Bank implemented a systematic approach to the appointment of all positions. The goal was to identify personal solutions for each and everyone based on competence. Nearly 700 managerial and 300 specialist positions were filled through a Group-wide selection process.

One of the objectives of the Bank’s diversity work, that at least 30 per cent of managerial and specialist positions be filled by women, was achieved during the year.

Employees' level of education



Quality and environmental work

FöreningsSparbanken works actively in the areas of quality and the environment. During the year quality work was expanded. FöreningsSparbanken's environmental work is integrated with its business operations and is designed to contribute to the long-term profitability of the Bank and sustainable development of society.

QUALITY WORK AT FÖRENINGSSPARBANKEN

Various quality-related activities have been developed at FöreningsSparbanken over time. Examples include periodic market and human capital measurements, one of the purposes of which is to identify the demands that external and internal customers place on FöreningsSparbanken and its organization.

A more clearly defined competitive situation is gradually taking shape, with a focus on customers, their needs, values, lifestyles and individual desires. In 1998 a support process was established for quality work at FöreningsSparbanken. The process will lead to a structured approach to quality issues and thereby actively contribute to the development of a quality culture within the Group.

WORK DURING THE YEAR

Questionnaires have been sent to correspondent banks abroad and to customers of FöreningsSparbanken to identify the most important demands and expectations that partners and customers have with respect to the Bank. Quality ratios were developed in order to facilitate periodic measurements and follow-ups of quality work.

Training in the use of TQM tools (Total Quality Management) was conducted during the year primarily for change leaders in the human resources unit.

A project to utilize employees' improvement suggestions began in 1998.

To gain access to new contacts and knowledge, the Bank became a member of the interest group organization of the Swedish Quality Institute in the spring of 1998.

PLANS FOR 1999

In 1999 the quality process will be further expanded, partly using the knowledge gained from a trial study on quality and environmental management systems that will serve as the basis for a pilot project at three local banks. After this project is completed, the

intention is to gradually introduce a quality and environmental management system that eventually leads to ISO 9000 and 14000 certification. Swedbank Markets Custody has already received ISO 9002 certification and FöreningsSparbanken Finans' Autoplan has been ISO 9001 certified. Efforts are under way to have the entire operations of the subsidiary AB Spintab ISO 9001 certified.

ENVIRONMENTAL WORK AT FÖRENINGSSPARBANKEN

Early on FöreningsSparbanken understood the growing importance of environmental issues for customers and other interested parties. During the past year this analysis was confirmed by the growing attention that the Bank's environmental work attracted from various interest groups, including the capital market and the media.

ENVIRONMENTAL OBJECTIVES

In the long term, FöreningsSparbanken, as a means of increasing profitability, will consider the environmental aspects of all areas of its business operations. When designing future ways of working and meeting places, the Bank will integrate the demands of a sustainable society.

Environmental factors will be taken into account in profitability and risk assessments. Development of environmentally related products, such as FöreningsSparbanken's Environmental Fund, the World Wildlife Card in cooperation with the World Wildlife Fund (WWF) and the environmental loan guaranteed by the European Investment Fund will continue to be a priority.

All Bank branches and other workplaces will conserve resources and continually reduce their impact on the environment.

ENVIRONMENTAL WORK IN 1998

In 1998 a PC-based environmental analysis model for business loans was developed. The aim is to systematize and develop a method for evaluating the environmental factors that can affect a customer's

solvency and the value of his or her collateral. The environmental analysis model will be introduced at Bank branches in 1999.

A qualitative environmental analysis has been made of branch operations and the Bank's head-quarters. Customers have been interviewed to gauge their familiarity with, and demands with respect to, FöreningsSparbanken's environmental work.

Of the environmentally related bank products, FöreningsSparbanken's Environmental Fund has developed especially well. Assets under management increased by approximately 20 per cent during the year to SEK 0.5 billion at year-end.

PLANS FOR 1999

In 1999 a pilot project will be conducted at several local banks to prepare for the introduction of an environmental management system. Moreover, a model for internal resource conservation and an energy efficiency system are under development. A new, enhanced version of FöreningsSparbanken's intranet-based environmental training program is also being designed.

Environmental objectives for 1998-1999	Fulfillment of environmental objectives in 1998
Interplay <ul style="list-style-type: none"> Establish a dialogue with customers and interest groups in the environmental area 	Completed.
Products <ul style="list-style-type: none"> Develop an environmental loan (EIF loan) Develop the Energy Savings product Develop the Environmental Fund Develop the World Wildlife card Develop savings forms with environmental tie-ins 	<p>Completed.</p> <p>Begun. 850,000 mortgage loan customers have been informed about the product.</p> <p>Completed. Criteria are being further developed. The fund's assets rose by 20 per cent in 1998.</p> <p>Begun.</p> <p>"Talenten," an environmental fund, was established.</p>
Opportunities and risks <ul style="list-style-type: none"> Introduce a new IT-based support system for evaluating environmental risks in loan applications 	Support system developed. Introduced in 1999.
Internal operations <ul style="list-style-type: none"> Conduct an environmental analysis of the total operations Begin the development of an environmental management system Establish environmental ratios for energy consumption and other environmental factors Conduct environment status analyses of the Bank's properties Perform environmental tours of all offices Train environmentally certified inspectors Develop an energy efficiency program Prepare an environmental manual for renovation and construction work Consider environmental criteria in all purchases 	<p>Completed.</p> <p>Trial study completed. Pilot operations in 1999.</p> <p>Begun.</p> <p>Completed.</p> <p>Begins in 1999.</p> <p>Completed.</p> <p>Begun.</p> <p>Completed.</p> <p>Completed with regard to central purchasing.</p>
Skills development <ul style="list-style-type: none"> Hold an environmental seminar for key individuals in the Bank Conduct special environmental training for loan evaluators Establish a system for skills development via the Bank's intranet Consider environmental aspects in the overall training operations 	<p>Planned in 1999.</p> <p>Begun, to be completed in 1999.</p> <p>Planned in 1999.</p> <p>Begun.</p>

IT work at FöreningsSparbanken

IT work is an integral part of all the Bank's operating areas. The aim of these efforts is to contribute to higher customer value and increase internal efficiency, which in time will lead to greater value for the customer. Security aspects have a high priority.

FÖRENINGSSPARBANKEN IT

The pace of change and development activity in the IT area will be high in 1999. Related factors include the year 2000 transition, EMU, the integration of the former Föreningsbanken's and former Sparbanken Sverige's systems, and the introduction of the new GP 2000 technical platform and new infrastructure. This will require great effort from the IT organization, and in 1999 the Bank will again utilize the resources of outside consultants to a large extent.

CENTRAL SYSTEMS

In addition to year 2000 modifications of the central systems, a new account ledger system for card processing was placed in operation to meet the needs of volume growth and service development in the next century. Moreover, EMU modifications were made during the year to meet customer demand for euro products right from the start of 1999.

Extensive investments to expand the production environment were made as well, partly due to customers' increasing use of self-services. Resources were also needed to transfer the former Föreningsbanken's system to the Bank's shared system. The system conversion is expected to be completed in May 1999, four months ahead of the original schedule.

BRANCH SYSTEMS

In 1998 a new branch system designed for the new GP 2000 technical platform was delivered to the local banks, independent savings banks and jointly owned banks to allow more time for value-creating customer work and less administration.

A comprehensive skills development program with, among other things, interactive, computer-supported training is being conducted to assist the process of change.

NEW AUTOMATED TELLER MACHINES

During the year the installation of a new generation of automated teller machines began. Around 300 of a total of just over 1,000 ATM's were placed in operation in 1998.

The new ATM's facilitate more self-service functions. All older ATM's will be replaced by September 1999.

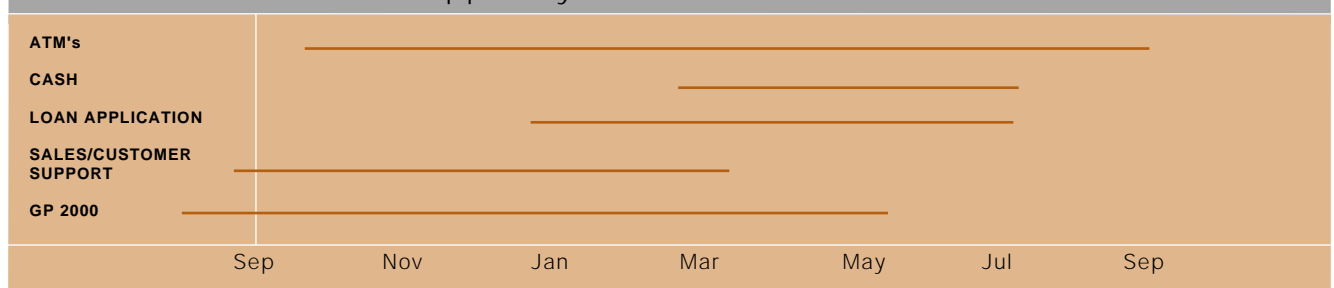
INTERNET

A new technical platform for FöreningsSparbanken via the Internet was developed in 1998 to handle the substantial increase in customers and the rapid development of new services that the market demands. The platform will have the capacity for millions of customers and is designed with expanded Nordic cooperation in mind.

SECURITY SYSTEM

In 1998 a new security system was developed for the GP 2000 platform based on personal smart cards that facilitate encryption and the use of digital signatures for balance-altering transactions.

Installations – Business support system 1998-1999



Year 2000 compliance

Work has been under way at FöreningsSparbanken since 1996 to ensure the IT system's compliance with year 2000 requirements. Most of this work had been completed by year-end 1998. During the year business risks stemming from the year 2000 and related societal aspects were given greater priority.

FöreningsSparbanken's compliance work, which has been under way since 1996, will be completed during the first half of 1999 at a total estimated cost of nearly SEK 200 million.

MORE THAN AN IT PROBLEM

Since society's reliance on computer technology both at home and abroad is so complex, the effects of year 2000 problems stretch far beyond the computer systems of companies, government agencies and organizations. Society as a whole could be affected in various ways.

OUR "INTERNAL" SYSTEMS

FöreningsSparbanken's own internal computer systems naturally account for most of the preparation work. In this respect efforts have been under way since 1996 and at year-end 1998 most of the Bank's systems had been analyzed, modified and tested, according to plan.

Important activities that remain during the first half of 1999 include the testing of systems operated by customers, suppliers, partners, government agencies and other interested parties.

INTERDEPENDENCE

Communication and the exchange of information between the Bank's own computer systems and those of various interest groups is another priority area. One example are the payment systems in which the Bank is the last and decisive link for the individual customer to gain access to his or her money. This type of dependence is being analyzed and is included in the Bank's preparation work and planning.

COOPERATION WITH SOCIETY

FöreningsSparbanken is taking part in the government's 2000 delegation, Sveriges Riksbank's council on year 2000 issues and the planning work being done by the Swedish Bankers Association. A close cooperation is also under way with the independent savings banks.

SIX SUB-PROJECTS

FöreningsSparbanken's year 2000 work comprises six sub-projects:

- Technical modifications
- Credit risks

- Access to capital and liquidity
- Legal, contractual and insurance issues
- Other business risks
- Communication and information.

In 1998 greater emphasis in the Bank's preparation work was placed on business risks in various forms as well as the year 2000's societal dimension.

EXTENSIVE INFORMATION

Through special customer events, specially produced brochures and the Bank's web site on the Internet, customers have been informed about the millennium shift and its problems.

As an element in the Bank's review of credit risks related to the millennium shift, extensive information activities have been conducted.

In addition, since 1998 an evaluation of business customers' year 2000 preparations has been part of the Bank's loan application process.

TECHNICAL MODIFICATIONS

Technical modifications of the Bank's IT systems have been implemented in the following stages:

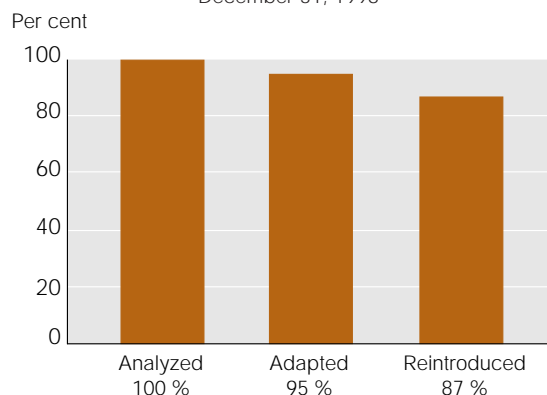
- analysis of the changes necessary in all systems,
- modifications,
- gradual reintroduction into production.

During the second half of 1999 major restrictions will be placed on changes to existing systems and the introduction of new systems.

On December 31, 1998 the majority of the Bank's systems had been analyzed, adapted and reintroduced into production.

Year 2000 modifications of IT systems

December 31, 1998



EMU

With the launch of Europe's single currency, the euro, on January 1, 1999, a totally new market for euro-based products and services was created in Sweden. The Bank's strategy is that euro expertise should be made available wherever the Bank interacts with its customers, which is why information and training activities are being conducted at the local level.

THE EURO IS HERE

European Monetary Union, EMU, was established on January 1, 1999. Eleven countries are participating, while Sweden, Denmark, the UK and Greece remain outside for now.

In its work, the Bank is planning for Sweden to join as of January 1, 2002.

GROWING INTEREST

In connection with the euro's introduction in 1999, a new market for euro-based products and services was created in Sweden, since nearly half of all the country's foreign trade is with EU member states. Initially, demand is coming primarily from business customers, with private individuals expected to join later.

BUSINESS MARKET

Payment services, both domestic and international, foreign currency accounts, forward currency contracts, operating loans, investment products and insurance are some of the euro-based products that the Bank's customers have started to request in 1999. The introduction of the euro changes the competitive situation for many of the Bank's customers. New opportunities to compare prices will mean greater competition, although EMU also creates access to a larger market. Naturally the Bank will also be affected as a business, partly because its customers face a new situation and partly because the Bank itself also faces a changing market.

For business customers, the euro will probably become an increasingly popular currency for invoices. This is especially true of transactions to and from EMU member states, though it also applies to domestic payments within Sweden. Because the euro has quickly become such a large currency, it can be assumed that in many cases it will replace the dollar. As more and more large corporations switch over to the euro as their main currency, Swedish companies with import and export transactions will also become more dependent on it.

RETAIL MARKET

Today there is little demand for euro-based products from retail customers. The consensus is that this demand will remain low as long as Sweden stays outside EMU. FöreningsSparbanken was the first bank in the market to offer mortgage loans in euro and to date a small number of customers have chosen this alternative. At this point commitments in euro still entail a currency risk for the majority of the Bank's customers unless they have income or assets in euro. For this reason, the Bank usually advises retail customers against borrowing in euro. In the area of savings and investments, various types of euro-based funds are offered.

MUNICIPALITIES AND COUNTY COUNCILS

Municipalities and county councils are not expected to demand euro-based products as long as Sweden remains outside EMU. On the other hand, they may be interested in seeking funding in the euro debt market.

FAST PACE OF PREPARATIONS

The comprehensive information and training program that began for the Bank's employees in 1997 was intensified during the late autumn of 1998. The Bank's strategy is that expertise should be made available wherever the Bank interacts with its customers. This year additional information and training will be offered.

Board of Directors' report

FöreningsSparbanken consists of FöreningsSparbanken AB (publ) and its subsidiaries and associated companies. The Group's structure, with the Parent Company and the most important wholly and partly owned companies, is shown in the illustration on the following page.

Notes 20 and 21 to the balance sheet contain a specification of the holdings of shares in subsidiaries and associated companies. A summary of the Group's financial development with key ratios, profit and loss accounts and balance sheets for the past five years is shown on pages 8 and 9.

CHANGES IN THE GROUP STRUCTURE

The Annual General Meeting on April 23, 1998 approved the Board of Directors' proposal to distribute the shares in Mandamus Fastigheter AB to the Bank's shareholders. The company's share was listed on the Stockholm Stock Exchange for the first time on June 15. Consequently, Mandamus Fastigheter AB is no longer included in the Group's accounts.

In September FöreningsSparbanken and Folksam announced that FöreningsSparbanken AB was buying Folksam's holding of shares in SparFond Livförsäkrings AB and selling its holding of shares in SparLiv Livförsäkrings AB to Folksam. Both companies had previously been jointly owned by FöreningsSparbanken and Folksam. As a result, SparFond became a wholly owned subsidiary of FöreningsSparbanken and was consolidated according to the purchase method as of September 30, 1998. Earlier, SparFond had been consolidated according to the equity method. The purchase price for the remaining shares in SparFond was SEK 1,000 M, and goodwill of approximately SEK 890 M arose from the acquisition. At year-end 1998 SparFond had total assets of SEK 18.6 billion. The sale of the shares in SparLiv resulted in a capital gain of approximately SEK 150 M. SparLiv is a mutual insurance company and therefore has not been consolidated.

At the beginning of the year FöreningsSparbanken had a shareholding in AS Eesti Hoiupank corresponding to 19.9 per cent of the voting rights. During the third quarter Hoiupank was merged with AS Hansapank, as a result of which FöreningsSparbanken received shares in Hansapank corresponding to 6.9 per cent of the total shares and voting rights. Following the merger, FöreningsSparbanken gradually increased its holding in Hansapank to 30.1 per cent of the subscribed capital and voting rights as

of September 30, 1998. During the remainder of the year the Bank acquired additional shares in Hansapank from SEB and through a new share issue. FöreningsSparbanken's share of the subscribed capital and voting rights thereafter amounted to 55.1 per cent. The aim is to reduce the ownership interest to 25-35 per cent by selling excess shares mainly to strategic partners in the international financial market.

In December 1998 FöreningsSparbanken transferred 5.1 per cent of the shares and voting rights in Hansapank to Bank Handlowy. The shares were sold with a so-called double option that expires in 2002. The sale is reported as a repo transaction. FöreningsSparbanken's share of the voting rights in Hansapank subsequently amounts to 49.98 per cent, due to which Hansapank, in accordance with the Group's accounting principles, is reported according to the equity method.

In December 1998 Ölands Sparbank acquired the former Föreningsbanken's branch operations on the island of Öland. As part of the branch acquisitions and to fulfill capital adequacy requirements, Ölands Sparbank at the same time was converted to a banking company with the name FöreningsSparbanken Öland AB, with FöreningsSparbanken AB as a co-owner with 60 per cent of the subscribed capital and voting rights. As a result, FöreningsSparbanken Öland AB is a subsidiary of FöreningsSparbanken AB and is consolidated according to the purchase method.

During the first quarter of 1998 Söderhamns Sparbank acquired the former Föreningsbanken's branch operations in Söderhamn and Mo from FöreningsSparbanken. In order to create a bank for the future, the savings bank was converted during the fourth quarter to a banking company with the name FöreningsSparbanken Söderhamn AB, with FöreningsSparbanken AB as a co-owner with 40 per cent of the subscribed capital and voting rights. As a result, FöreningsSparbanken Söderhamn AB is an associated company of FöreningsSparbanken AB and is consolidated according to the equity method.

In connection with the branch transfers, FöreningsSparbanken increased its interest in FöreningsSparbanken Sjuhärad AB during the year from 40 to 47.5 per cent of the number of shares and voting rights.

CHANGES IN THE BRANCH NETWORK

As an element in its continued cooperation with the

independent savings banks and jointly owned banks, FöreningsSparbanken last year offered them the opportunity to acquire existing Föreningsbanken branches in their respective operating areas. The negotiations that followed led to agreements with 49 independent savings banks and jointly owned banks to buy 144 branches. Five of these sales related to branches that were previously owned by Sparbanken Sverige. In 1998 all the transfers were effected.

In addition, another 240 branches were consolidated in areas where it did not affect the Bank's market presence. One new branch was opened and one was acquired from Hudiksvalls Sparbank. Following these changes, FöreningsSparbanken had 695 (1,077) branches at year-end.

In December 1998 an agreement was reached between FöreningsSparbanken and Färs & Frosta Sparbank on the acquisition of FöreningsSparbanken's branch operations in Lund, Staffanstorps, Löddeköpinge and Svalöv. The purchase price amounted to approximately SEK 230 M. Färs & Frosta Sparbank intends to become a banking company with FöreningsSparbanken AB as a co-owner with 30 per cent of the subscribed capital and voting rights. The change is expected at the earliest in the fourth quarter of 1999.

OTHER IMPORTANT CHANGES IN 1998

During the first quarter the Bank sold its shares in BG Bank for a capital gain of SEK 240 M.

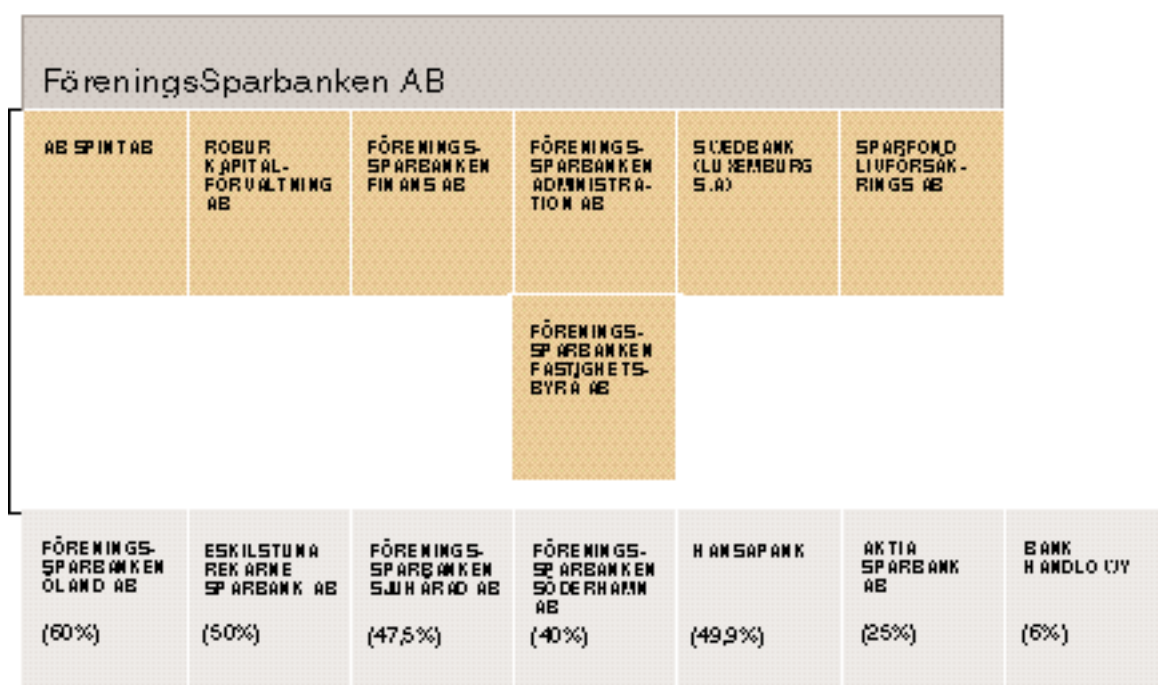
To focus on its core operations, increase its flexibility in the face of future change and free up capital, the Bank sold the large part of its operating properties outside Stockholm during the first half of 1998. The sales, which comprised around 240 properties with a book value of SEK 1.8 billion, resulted in a capital gain of approximately SEK 1 billion.

ACQUISITION OF FOLKSAM'S MORTGAGE LOAN PORTFOLIO

During the autumn FöreningsSparbanken acquired Folksam's loan portfolio of approximately SEK 3 billion, consisting primarily of mortgages and other property loans.

AGREEMENT WITH SPAREBANK 1 GROUP

During the year FöreningsSparbanken reached an agreement on a strategic alliance with Norway's SpareBank 1 Group, as a result of which FöreningsSparbanken will establish a branch office in Oslo in 2000 and acquire 25 per cent of the shares in SpareBank 1 Group in 1999 for NOK 737 M. Approval



has been received from the appropriate authorities in Norway and Sweden.

SpareBank 1 Group is owned by five Norwegian savings bank groups and serves as a joint product company on their behalf. Its operations consist of bank cards, unit-linked insurance, finance companies and Odin the fund management company.

PROFIT-SHARING SYSTEM

The Annual General Meeting in 1998 approved a profit-sharing system for the employees of the FöreningsSparbanken Group.

According to the system, Group employees, under certain circumstances and conditions, will annually share in the added profit that is generated to the extent that the FöreningsSparbanken Group's return on equity exceeds the weighted average return for other listed Swedish banking groups. The allocation, including social insurance charges, taxes, etc., may not exceed one third of the dividend on the Bank's common shares, to a maximum of one basic amount (SEK 36,400 in 1999) per full-time employee excluding additional taxes, social insurance charges, etc. The Board of Directors annually decides whether a profit allocation will be made, and in doing so has the right to change the allocation criteria or refrain from authorizing a profit allocation if it judges that this is justified.

No allocations to the profit-sharing fund were made in the 1998 accounts.

HIGHLIGHTS AFTER DECEMBER 31, 1998

SALE OF OPERATING PROPERTIES

In December an agreement in principle was reached between FöreningsSparbanken and AMF Pension on the sale of the Gallerian retail and office complex and the Bank's IT property, both in Stockholm, for a total of SEK 4,260 M. In February 1999 the parties agreed that AMF Pension will take over the properties on April 1, 1999. The Board of Directors of FöreningsSparbanken also intends to sell the Bank's property commitments in London and Luxembourg. The transactions are expected to generate a net gain of SEK 1,350 M during the first quarter of 1999.

FöreningsSparbanken will continue to operate out of these properties after their sale. The leases agreed to in connection with the sale of the Stockholm properties are based on market terms. The contract period for the IT property is longer than those of the other properties, however.

Following the sale, the property portfolio consists of three properties that are of historical interest to the Bank and the Bank's training center, aside from small properties that are held by jointly owned banks in Sweden.

PROPOSED BONUS ISSUE

The Board of Directors of the Bank is recommending that the Annual General Meeting approve a bonus issue of 1:2 through the transfer of SEK 3,519 M from restricted reserves to subscribed capital. Provided that the Annual General Meeting approves the Board's proposal, the subscribed capital will then amount to SEK 10,556 M. The number of shares would increase by 175,936,281 to 527,808,843.

Business areas

In order to better disclose the Group's financial development, profit is being presented by business area beginning with this annual report.

The business areas chosen for reporting purposes are Retail Banking, Swedbank Markets and Asset Management. Lastly, there is Other, which comprises operations that do not fall under any of the business areas.

Retail Banking comprises deposits and lending, including mortgage lending, as well as card and financing products. Also included are other commission- and fee-based services within the branch operations.

Swedbank Markets comprises capital market, international and large corporate customer

operations, as well as equity and fixed income brokerage operations, trading and corporate finance.

Asset Management comprises the management of equity and fixed income funds, discretionary asset management and unit-linked insurance.

Other consists of income and expenses from other operations. This includes, among other things, FöreningsSparbanken Fastighetsbyrå (real estate brokerage), computer services for independent savings banks and operations of jointly owned banks outside Sweden. It also includes capital gains and the staff reduction program in the Resource Bank.

Profit per business area 1998

SEK M	Retail Banking	Swedbank Markets	Asset Management incl. insurance	Other	Group
Income	12,656	1,945	2,095	2,658	19,354
Internal sales commissions	1,336	- 262	- 1,074	0	0
Expenses	- 8,416	- 1,058	- 533	- 2,019	- 12,026
Profit before loan losses	5,576	625	488	639	7,328
Loan losses	- 1,032	- 8	0	38	- 1,002
Business area profit after loan losses	4,544	617	488	677	6,326
Estimated shareholders' equity	15,391	4,837	2,370	4,671	27,269
Return on equity	21.3%	9.2%	14.8%		16.9%

The reported profit per business area includes both external and internal income and expenses. Internal sales commissions refer to market-based compensation paid to customer service units for brokered transactions.

Shareholders' equity has been distributed according to capital adequacy regulations, i.e. in relation to risk according to these regulations plus unamortized goodwill in each business area.

The return on equity for the business areas is calculated after standard tax and for the Group after appropriations and reported tax.

Retail Banking

The Retail Banking business area includes traditional banking operations as well as Cards, Payments, Telephone and Internet banking. Also included are the operations of the Group companies Spintab and FöreningsSparbanken Finans and the jointly owned banks in Sweden.

Profit from Retail Banking in 1998

SEK M

Income	12,656
Internal sales commissions	1,336
Expenses	- 8,416
Profit before loan losses	5,576
Loan losses	- 1,032
Business area profit after loan losses	4,544
Estimated shareholders' equity	15,391
Return on equity after standard tax	21.3%

Business area income and expenses are attributable to operations. Shareholders' equity, distributed according to capital adequacy regulations, includes unamortized goodwill in the Group related to this business area, SEK 1,562 M. The goodwill amortization, SEK 85 M, is also charged against the business area's profit.

Retail Banking consists of:

- Local banks
- Spintab
- FöreningsSparbanken Card and Payments
- FöreningsSparbanken Finans
- Jointly owned banks in Sweden

RETAIL BANKING

New meeting places increase opportunities for the customer to decide how and when he or she wants to contact the Bank. Today FöreningsSparbanken and the customer have many opportunities to come into contact, and changes are occurring continuously. The emphasis is on increased flexibility, so that the Bank to the greatest extent possible will be available where and when customers want.

PERSONAL INTERACTION

Customers and the Bank currently have a large number of opportunities to interact through personal meetings:

- *Branch offices* offer customers full service in everything from simple cashier's transactions to advanced advisory services for both private and business customers. Branches are open during daytime hours and usually stay open one evening a week.
- *Advisory offices* offer customers advisory services. These offices do not handle cashier's transactions. Customer meetings are usually booked in advance and office hours are customer driven.

- *Mobile sales representatives* call on customers at their home or business. In this case as well, all meetings are scheduled in advance, so that the customer can choose a convenient time.
- *Telephone banking – Personal assistance.* The customer can receive assistance by telephone for everything from simple cashier's transactions to advanced advisory services, for example, discussing sales from a stock portfolio. The Telephone bank is available to both private and business customers and is open from 6:00 a.m. to 12 midnight seven days a week.

INTERACTING FROM A DISTANCE

More and more, customers want to be able to reach the Bank quickly, simply and at any time of day. To meet this demand, new meeting places have been developed where the customer can take care of his or her banking business at any time.

- The *Internet bank* offers customers the opportunity to take care of their banking business via the Internet at any time.
- The *Telephone bank - Self-service* gives customers

the opportunity to handle simple banking transactions by telephone round the clock.

- *In-store banking* gives customers the opportunity to deposit or withdraw up to SEK 8,000 from their FöreningsSparbanken accounts.
- Many branches have *self-service corners* where customers can quickly and easily use the Internet or Telephone bank for transactions.
- *On-the-job banking* allows customers, while at work, to link up to the Internet or Telephone bank as well as transfer money to their CASH cards.
- *ATM's* allow customers to quickly and easily withdraw money and receive balances on all their accounts with FöreningsSparbanken.

Customer interaction	
PERSONAL INTERACTION	INTERACTING FROM A DISTANCE
BRANCHES	INTERNET BANK
MOBILE SALES REPRESENTATIVES	TELEPHONE BANK Self-service
TELEPHONE BANK Personal assistance	ATM
	IN-STORE BANKING
	ON-THE-JOB BANKING
	CASH CARD

THE LOCAL BANK

The nearly 700 branches of the Bank are organized into 139 local banks. FöreningsSparbanken has branches from Smygehamn in the south to Kiruna in the north. In total, including independent savings banks and jointly owned banks, FöreningsSparbanken has access to around 1,100 branches. The local branch has overall responsibility for business contacts with customers in their operating area. The management of the branch thus also has responsibility for all meeting places in its operating area.

At year-end 1998 6,474 of the Group's 11,734 employees worked at local banks. To support the decentralization of operations, a system of profit follow-ups has been put in place that emphasizes having the local bank's profit reflect that of the entire Group. Each local bank has specific objectives in terms of income, expenses and operating profit, as

well as net interest income, commissions receivable and other income in relation to staff costs. There are also objectives for profit per employee both before and after loan losses.

The local bank's development is monitored from a broad perspective to ensure long-term profitability. This is done with a so-called balance scorecard called Det Utvecklande Kontraktet ("The Developing Contract"), which measures profitability, customers' opinions of the bank, credit risk, employees' skills and especially quality of leadership.

LOCAL BOARD OF DIRECTORS

As an element in the Bank's decentralized way of working, each local bank has its own board of directors. The board, which has delegated responsibility, reflects the local bank's customer structure and operations. The work of the local board is distinguished by forward-looking issues such as visions, strategies and policies for the local market, all in concordance with the Bank's overall objectives. One of the board's most important duties is to ensure that the local bank fulfills the objectives that are established.

BRANCH SALES

As an element in the cooperation with the independent savings banks, FöreningsSparbanken offered jointly owned banks and independent savings banks the opportunity to acquire former Föreningsbanken branches in their respective operating areas. The offer was made to 60 banks. Agreements were reached with 49 of them, to acquire 139 Föreningsbanken branches and, in order to create a more uniform branch structure, five former Sparbanken Sverige branches. The branch transfers were effected in 1998.

The branches that were transferred were of varying size but in total comprised significant business volume. The number of employees at these branches totaled 690.

BRANCH CONSOLIDATION

In 1998 the work that began in 1997 as a result of the merger between Föreningsbanken and Sparbanken Sverige was concluded. For the local banks, this has involved a major transition. In 1998 signs with the Bank's new symbol were installed at all branches. Redundancies in branches in certain locations have led to mergers and the establishment of shared branch offices. In some cases branches have been shut down or opened as well.



Branches of FöreningsSparbanken, independent savings banks and jointly owned banks as of December 31, 1998.

Where branches were closed, customers were offered alternative meeting places such as in-store banking and advisory offices.

NEW CUSTOMER OFFER

During the year a new customer offer was launched to FöreningsSparbanken customers. This offer received a very large, positive response, and during the year just over a third of all salary account customers (610,000) signed up for the offer.

IMPROVED ACCESSIBILITY

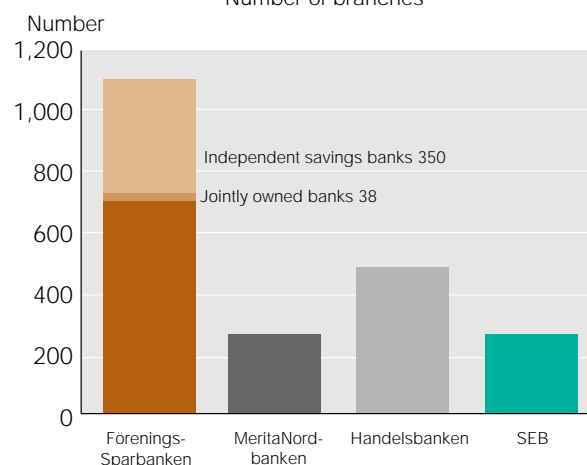
During the spring and early summer branches in several locations in the country at times experienced unusually long lines. Many different circumstances happened to coincide, causing customers long waiting times. During the late summer and autumn the Bank's management monitored customers' accessibility to the Bank's meeting places. The measures that were taken achieved good results.

Increased convenience with new meeting places

	1998	1996
Internet bank	170,000	0
Telephone bank with self-service	1,500,000	900,000
Telephone bank with personal assistance	600,000	300,000
In-store banking	70	20
Branches	1,100	1,400

Sweden's largest banks

Number of branches



SPINTAB

Spintab is the mortgage institution of the Bank, independent savings banks and jointly owned banks for the long-term financing of residential housing, municipal investments and the agricultural and forestry sectors.

Spintab is the largest mortgage institution in the country in terms of retail mortgage financing, with around 37 per cent of the market. Spintab's total market share as of December 31, 1998 was approximately 29 per cent, a slight increase for the year.

Nearly 60 per cent of Spintab's loan portfolio consists of mortgages for owner-occupied residences. 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. The sale of the company's products and services is handled through the nearly 1,100 branches of FöreningsSparbanken, independent savings banks and jointly owned banks around the country, in addition to Telephone and Internet services.

Around one fourth of Spintab's funding is arranged outside Sweden, and Spintab's bonds are listed on six foreign exchanges. Other funding is obtained from Swedish institutional and private investors.

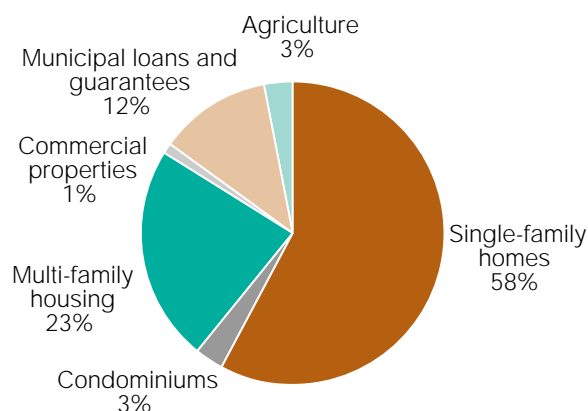
Spintab has a subsidiary, FöreningsSparbanken Jordbrukskredit AB, which during the year increased its market share for mortgage lending to the agricultural and forestry sectors.

Spintab five-year summary

SEK M	1998	1997	1996	1995	1994
Profit					
Net interest income	3,677	3,375	3,806	3,530	3,066
Operating profit before loan losses	3,050	2,801	3,301	3,031	2,600
Loan losses	-360	-572	-605	-756	-958
Operating profit	2,690	2,229	2,696	2,275	1,642
Interest margin, %	0.9	0.8	1.0	1.0	0.9
Investment margin, %	1.2	1.3	1.5	1.4	1.2
Return on equity, %	11.6	11.4	16.9	17.1	14.1
Capital					
Lending, SEK billion	296.4	285.3	246.6	239.4	240.5
of which, acquired subsidiary		37.7			
Shareholders' equity	16,192	15,929	13,419	10,419	8,782
Total assets, SEK billion	317.0	298.4	255.4	252.9	250.2
Capital adequacy ratio, %	16.0	17.9	18.7	17.5	15.2
Primary capital ratio, %	11.1	11.8	11.7	9.5	7.9
Other					
Number of employees	197	249	221	296	311
Number of loans, thousands	898	876	751	762	775

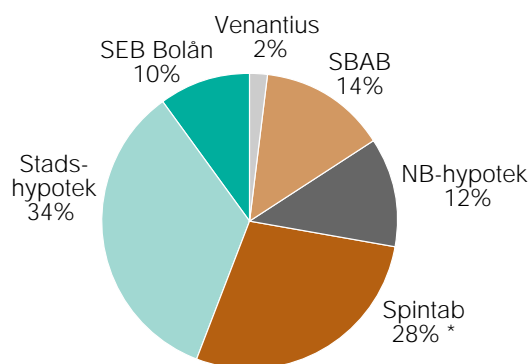
Spintab's loan portfolio

December 31, 1998



Swedish mortgage institutions' market shares

June 30, 1998



*Approximately 29% as of December 31, 1998

CARDS

Through FöreningsSparbanken Kort, the Bank has a leading position in the card area. FöreningsSparbanken's bank card is the largest in Sweden, with over two million in issue, of which around 550,000 are held by customers of independent savings banks and jointly owned banks. The bank card's main function is to offer customers a means of payment that works just as well in Sweden as abroad. The link with Visa and MasterCard makes it one of the world's most widely accepted means of payment.

During the spring of 1998 the CASH card, a smart card, was launched nationwide, beginning in Stockholm. In addition to the separate CASH card, bank cards with built-in chips and CASH functions were introduced during the year. At year-end there were around 400,000 cards with the CASH function in issue from FöreningsSparbanken, of which around 150,000 are activated. Around 25,000 points of sale are affiliated with the CASH system.

ALLIANCES

Through alliances with sales companies and organizations, FöreningsSparbanken offers affinity cards and installment payment products.

Two examples are the cooperation with the Swedish Golf Association on a MasterCard golf card and a Visa card with a bonus program in alliance with British Airways.

FöreningsSparbanken cooperates with all of Sweden's major retail chains. Together with Hemköp, it launched the first environmentally friendly wooden card with a built-in magnetic strip and chip.

During the year a card was launched in cooperation with Agro Oil and the National Federation of Swedish Farmers (LRF) and Svenska Lantmännen that offers LRF members gasoline discounts at four oil companies.

BABS

Babs, FöreningsSparbanken's clearing unit for charge card transactions, was established in 1985. Babs offers safe, fast payment systems for card payments. FöreningsSparbanken is currently the leader in technological development in this area. The Bank has also developed solutions that facilitate card payments for small purchases and systems for safe payments over the Internet, and remains on the forefront in international card clearing technology.

OTHER PAYMENTS

PRIVATE PAYMENTS

Giro payments are one of Sweden's most frequently used payment systems, with approximately 1.9 million customers at FöreningsSparbanken, independent savings banks and jointly owned banks. In 1998, 103 million payments for SEK 117 billion were processed. Approximately six per cent were Internet payments.

BUSINESS PAYMENTS

FöreningsSparbanken is the market leader in direct-deposit salary payments. The strongest customer segment is municipalities and their affiliated companies. In this area the Bank is also strong among large and medium-size companies. In all, salary payments total more than SEK 110 billion a year.

FöreningsSparbanken was the first bank in Europe to offer electronic billing and has invited other banks to join it in an alliance. With E-billing, a business customer sends its bills electronically to the Internet bank. The recipient then opens the bill on his or her screen, reviews it and pays it with a click. The response from customers has been positive.

During the year international payments increased by 12 per cent, at the same time that the number of customers that handle their payments by computer rose by approximately 100 per cent. The Bank has launched a Windows-based product called VisIT, an advanced cash management tool that integrates customers' accounting systems with the Bank's IT system.

FÖRENINGSSPARBANKEN FINANS

FöreningsSparbanken Finans, a wholly owned subsidiary of FöreningsSparbanken, complements the Bank's range of finance company products. The company's role is to develop, market and produce the following products: installment payments, leasing, car leasing/fleet financing and factoring. Operations consist primarily of two business units: Banking and Commercial. The range of services is targeted to both companies and private individuals.

BANKING

The Banking business unit serves as sales and administrative support for local banks, independent savings banks and jointly owned banks. Operations consist in large part of training, marketing and sales efforts.

COMMERCIAL

The Commercial business unit cooperates with leading suppliers and retailers in selected industries. The business idea is to help the supplier or retailer offer its customers product financing. *Heavy Machinery* is active in agriculture, construction and contracting, fork-lift trucks, forestry equipment and heavy vehicles. *Computer/Offices* handles IT solutions and copying and communication equipment. *Retailer operations* target private individuals in the form of installment loans for boats, recreational vehicles, motorcycles and so on. *Releasing* offers large customers fleet financing and administration and is one of the market's most popular systems. In December this system, AutoPlan, was ISO 9001 certified. In 1998 Releasing increased its market shares.

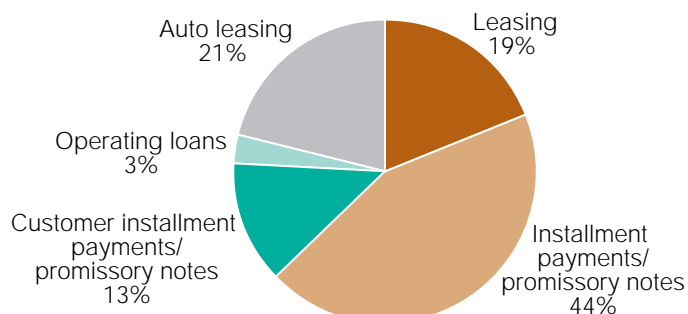
FöreningsSparbanken Finans five-year summary

SEK M	1998	1997 ¹⁾	1996 ¹⁾	1995	Old accounting standard 1994
Profit					
Profit before loan losses	179	241	264	484	418
Loan losses	13	3	8	28	17
Operating profit	192	244	272	512	435
Return on equity, %	12.3	18.5	22.6	50.9	52.5
I/E ratio before loan losses	2.4	2.1	2.2	1.9	1.9
Capital					
Lending	8,360	7,000	5,084	5,533	5,242
of which, acquired subsidiary		1,928			
Shareholders' equity	1,218	1,035	870	867	581
Total assets	8,769	7,311	5,357	6,011	5,934
Capital adequacy ratio, %	18.5	16.0	18.0	17.1	13.0
Other					
Number of employees	128	153	235	358	385

¹⁾ Bank card operations were transferred to the Bank in 1996, and Allianskort and Kundinkasso K.I.A.B. were transferred to the Bank in 1997.

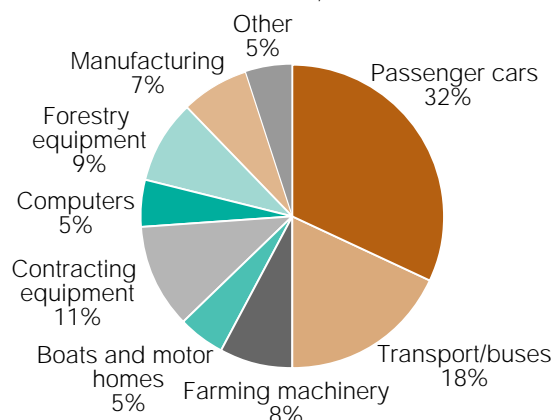
Products

December 31, 1998



Asset groups

December 31, 1998



JOINTLY OWNED BANKS

FÖRENINGSSPARBANKEN SJUHÄRAD

FöreningsSparbanken Sjuhärad is a banking company that is 47.5-per cent owned by FöreningsSparbanken and 52.5-per cent by a local foundation, Stiftelsen FöreningsSparbanken Sjuhärad. The bank, which has 17 branches in Sjuhäradsbygden in southwestern Sweden, is the leader in its operating area.

Total assets are approximately SEK 5.7 billion. Operating profit amounted to SEK 64.5 M in 1998.

ESKILSTUNA REKARNE SPARBANK AB

Eskilstuna Rekarne Sparbank is a banking company half-owned by FöreningsSparbanken. The other half is owned by a local foundation, Sparbanksstiftelsen Rekarne. The bank has seven branches in Eskilstuna and is the leader in its operating area.

Total assets are approximately SEK 2.6 billion. Operating profit amounted to SEK 37 M in 1998.

FÖRENINGSSPARBANKEN ÖLAND

In December 1998 Ölands Sparbank acquired the former Föreningsbanken's operations on the island of Öland, comprising branches in Borgholm, Färjestaden, Mörbylånga and Löttorp. At the same time that the branches were transferred, Ölands Sparbank was converted to a banking company with the name FöreningsSparbanken Öland AB, with FöreningsSparbanken as co-owner with 60 per cent of the shares. The remaining 40 per cent are owned by a local foundation, Sparbanksstiftelsen Öland.

The bank is the leader in its operating area.

Total assets are approximately SEK 1.6 billion. Operating profit amounted to SEK 7 M in 1998.

FÖRENINGSSPARBANKEN SÖDERHAMN

On February 1, 1998 Söderhamn Sparbank acquired the former Föreningsbanken's branches in Söderhamn and Mo.

In December 1998 Söderhamn Sparbank was converted to a banking company with the name FöreningsSparbanken Söderhamn AB. Sparbanksstiftelsen Söderhamn, a local foundation, owns 60 per cent of the shares and FöreningsSparbanken the remainder. The bank has three branches and 40 employees.

The bank is the leader in its operating area.

Total assets are approximately SEK 0.9 billion. Operating profit amounted to SEK 8 M in 1998.

Swedbank Markets

FöreningsSparbanken's capital market, international and large corporate customer operations are encompassed within Swedbank Markets. This means that Swedbank Markets procures and manages capital, custom-designed financing solutions, trades in financial instruments and currencies, manages international payment flows and coordinates large customer operations for all the Bank's business areas.

Swedbank Markets' two main functions are to provide business support and service to FöreningsSparbanken's local banks, independent savings banks and jointly owned banks and to offer financial business solutions to companies, institutions, organizations and municipalities.

Around 600 people work at Swedbank Markets. Business support for local banks is provided via branch offices in Umeå, Stockholm, Gothenburg and Malmö.

Swedbank Markets represents FöreningsSparbanken in the international markets via branch offices in London and New York, a representative office in Tokyo, and alliances and cooperations with banks in the Nordic and Baltic regions.

Swedbank Markets' operations are organized as follows:

Swedbank Capital Market & Securities is responsible for trading in equities and equity-related derivatives, as well as FöreningsSparbanken's equity trading via the Internet, NetTrade. The unit is also involved in the development of new investment products, such as stock index bonds. Its analysis operations continuously monitor around 150 Nordic companies. To meet a growing demand for sector analyses, the focus has shifted to Nordic industries and industry teams.

Swedbank FX & Fixed Income is responsible for fixed income and currency trading, derivatives in the

fixed income and currency areas, and brokering commodity derivatives. The analysis unit produces fixed income and currency forecasts, as well as FöreningsSparbanken's economic reports on the Swedish economy and macroeconomic analyses from a Nordic and international perspective.

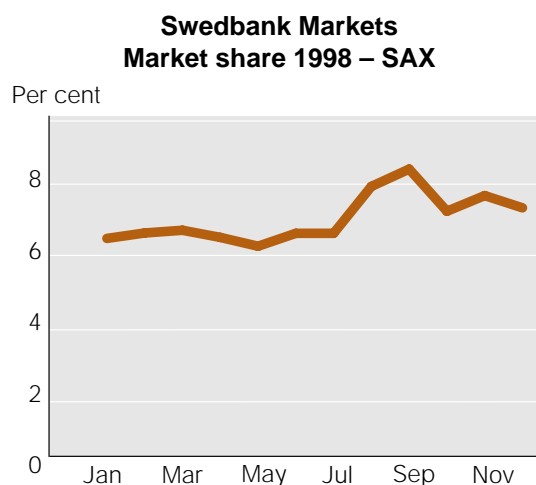
Swedbank Corporate Finance provides advice to owners, boards of directors and corporate managements on ownership issues, risk capital procurement and stock market concerns. The unit works with, among other things, initial public offerings, new equity issues and corporate mergers and acquisitions.

Swedbank Debt Financing is responsible for custom-designing financing solutions for businesses, institutions, organizations and municipalities. The unit offers capital market products such as commercial paper and bond loans, as well as loan products, project financing and export credits.

Swedbank Global Trade and Banking Services is responsible for developing, executing and specialist support for export and import payments and financing. The unit also handles custody services for Swedish and international institutional investors.

Swedbank Financial Institutions is responsible for the Bank's monitoring of various geographic markets around the world. The unit also has customer responsibility for Swedish and international financial institutions and for the Bank's local representatives at allied banks in Finland, Estonia, Poland and Austria.

Swedbank Large Corporate Customers has overall responsibility for coordinating FöreningsSparbanken's specialized services for Nordic corporate and institutional customers.



Profit from Swedbank Markets in 1998

SEK M	
Income	1,945
Internal sales commissions	– 262
Expenses	– 1,058
Profit before loan losses	625
Loan losses	– 8
Business area profit after loan losses	617
Estimated shareholders' equity	4,837
Return on equity after standard tax	9.2 %

Shareholders' equity, distributed according to capital adequacy regulations, has been increased by unamortized goodwill in the Group related to this business area, SEK 47 M. The goodwill amortization, SEK 2 M, is also charged against the business area's profit.

Asset Management

“Asset management” includes the operations of Robur, SparFond and FöreningsSparbanken Kapitalförvaltning.

Profit from the Asset management business area 1998

SEK M

Income	2,095
Internal sales commissions	– 1,074
Expenses	– 533
Profit before loan losses	488
Loan losses	0
Business area profit after loan losses	488

Estimated shareholders' equity	2,370
Return on equity after standard tax	14.8 %

Business area income and expenses are attributable to operations. Shareholders' equity, distributed according to capital adequacy regulations, includes unamortized goodwill in the Group related to this business area, SEK 2,353 M. The goodwill amortization, SEK 205 M, is also charged against the business area's profit.

Assets Management consists of:

- Robur
- SparFond
- FöreningsSparbanken Kapitalförvaltning

Savings and investments

SEK billion	1998	1997	1996	1995	1994
Robur*	197	171	110	77	64
SparFond	18	10	9	5	3
of which in Robur	– 18	– 10	– 3	– 2	– 1
Discretionary asset management	25	17	15	8	6
Total	222	188	131	88	72

* 1994-1996 include Föreningsbanken Fond and Kapitalförvaltning.

ROBUR

Robur Kapitalförvaltning AB is a wholly owned subsidiary of FöreningsSparbanken. Robur manages a wide range of equity and fixed income funds that invest in the Swedish and international capital markets. Robur is the largest fund management company in the Nordic region.

Sales and customer contacts are handled locally on Robur's behalf by the branches of FöreningsSparbanken, independent savings banks and jointly owned banks.

In recent years the market for funds has developed very positively. Net contributions to Robur's funds amounted to SEK 15 billion during the

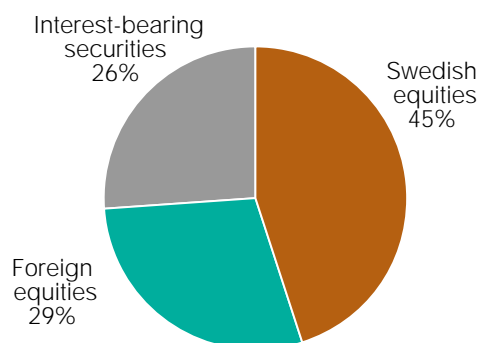
year. Robur's share of the fund market remained largely unchanged.

The world's major stock markets were distinguished by dramatic swings in 1998. After noting large gains during the first half of the year, prices dropped substantially in the late summer. Toward the end of the year markets again recovered. The Stockholm Stock Exchange ended the year with a 10-per cent gain.

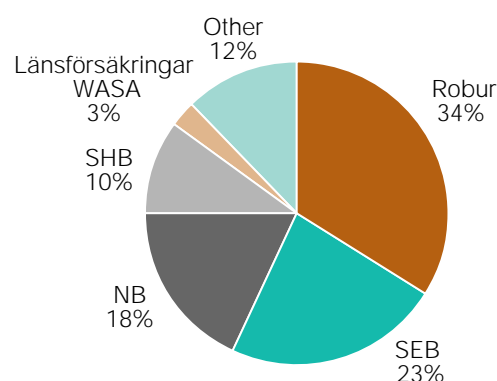
One notable trend during the year was an increased interest in European equity funds. Toward the end of the 1998 Robur introduced four new European fixed income funds that invest in the new single currency, the euro.

Robur five-year summary					
SEK M	1998	1997	1996	1995	1994
Profit					
Income including net financial items	800	749	467	390	359
Expenses and depreciation	- 244	- 173	- 124	- 109	- 112
Operating profit	556	576	343	281	247
Assets under management, SEK billion	197.2	170.6	97.9	69.3	56.6
of which, fund management	192.9	157.7	92.4	65.0	52.3
Shareholders' equity	92.1	90.2	83.0	232.9	205.9
Other					
Number of employees	110	97	68	59	57
Number of customers, thousands	2,300	2,000	1,380	1,230	1,130

Fund assets
December 31, 1998



The fund market in Sweden
December 31, 1998
Total SEK 560.9 billion



SPARFOND

SparFond is FöreningsSparbanken's insurance company for pension and life insurance. SparFond markets its policies through the branches of FöreningsSparbanken, independent savings banks and jointly owned banks. It offers insurance savings in equity and fixed income funds (unit-linked insurance) and group life insurance.

In September 1998 FöreningsSparbanken and Folksam reached an agreement whereby FöreningsSparbanken purchased half the shares in SparFond and Folksam purchased half the shares in SparLiv from the Bank. As part of the agreement, a portion of SparLiv's group life insurance policies were transferred to SparFond.

The life and pension insurance market has undergone and continues to undergo strong growth and change. Large-scale marketing activities were conducted in 1998, primarily focusing on the more than 900,000 private sector employees who during the autumn were allowed to select their own

managers and investment forms for their negotiated pension plan. In 2000 municipal and county council employees will also be able to choose whom they wish to manage a portion of their pension. Negotiations are currently under way on behalf of private salaried employees to deregulate the current ITP plan.

In the new public sector retirement pension system, an employee's aggregate lifetime income will serve as the basis for his or her pension. The level of the new pension will probably be lower than the current ATP, partly because of shorter active working lives and longer average life spans. A portion of the pension fees paid into the new system is the so-called premium pension, which will be invested in funds that individuals may choose from. The annual volume of this portion is estimated at SEK 15 billion and is growing in pace with the system's implementation.

Against this backdrop and the fact that there will be a large demand for pension savings in the future, growth in the pension area is expected to remain strong.

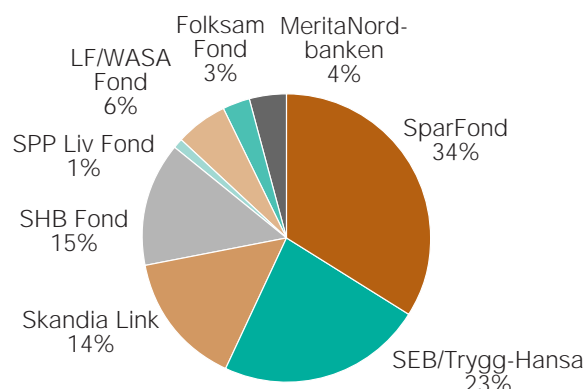
SparFond five-year summary

SEK M	1998	1997	1996	1995	1994
Premium income	7,631	6,130	1,137	434	847
Profit for the financial year	87	25	-3	17	-6
No. of new policies	71,800	62,500	21,000	8,500	12,025
No. of customers	200,000	120,000	50,000	35,000	25,000
Assets under management	18,500	9,900	9,000	4,600	3,100

As of January 1, 1999 SparFond took over the group life insurance portfolio from SparLiv Livförsäkrings AB, comprising around 900,000 policyholders (of whom around 90,000 were added in 1998) and premium income of approximately SEK 300 M.

Market shares for new life and pension insurance policies

Oct. 1997 – Sep. 1998



FÖRENINGSSPARBANKEN KAPITALFÖRVALTNING

In 1998 FöreningsSparbanken established a special company for the Group's discretionary asset management, FöreningsSparbanken Kapitalförvaltning.

The company will be responsible for the Group's overall discretionary equity and fixed income asset

management services for municipalities, county councils, organizations and large private investors, as well as for trust administration for large public institutions. In 1998 and in previous years these operations were handled within the Bank.

Assets under management amounted to approximately SEK 25 billion on December 31, 1998.

As of October 31, the company is a wholly owned subsidiary of Robur.

Other

Other includes income and expenses from other operations in the Group that do not fall under any of the three business areas.

Computer services provided to cooperating banks are an important part of the operations of FöreningsSparbanken IT. Income, expenses and profit in the Parent Company from these operations are included here, as are capital gains from the sale of tangible and financial fixed assets. Expenses for the employee reduction program in the Resource Bank are charged against these earnings as well.

FÖRENINGSSPARBANKEN ADMINISTRATION

FöreningsSparbanken Administration, a wholly owned subsidiary of FöreningsSparbanken AB, is a holding company for operations not directly related to banking. The operating company FöreningsSparbanken Fastighetsbyrå is the holding company's largest subsidiary and one of Sweden's leading real estate brokers. Operating profit was charged with restructuring expenses from the conversion of parts of these operations to franchises.

Also included is the Bank's training center, Skepparholmen Hotell och Konferens.

KUNDINKASSO AKTIEBOLAG K.I.A.B.

The company is a wholly owned subsidiary of FöreningsSparbanken.

Kundinkasso offers a full range of collection and billing services to FöreningsSparbanken, independent savings banks, jointly owned banks and external customers in a technically advanced environment. The majority of all IT development is handled internally, and new systems and routines are developed continuously to adapt to changing conditions.

The company's billing service for small and medium-size companies, which operates under the name FöreningsSparbanken FakturaService, continued to develop positively during the year and is included together with Inkassotjänster (Collection Services) as additional services in the Bank's business packages.

Kundinkasso Aktiebolag K.I.A.B. five-year summary

SEK M	1998	1997	1996	1995	1994
Net sales	199.0	171.4	63.3	52.0	43.2
Operating expenses	-25.8	-24.9	-22.1	-22.5	-22.2
Operating profit	173.2	146.5	41.2	29.5	21.0

SWEDBANK (LUXEMBOURG) S.A.

Swedbank (Luxembourg), a wholly owned subsidiary of FöreningsSparbanken AB, specializes in banking services for Swedes living abroad and other expatriate Nordic citizens, particularly with respect to savings, investments and asset management. The Bank also provides administrative services for Robur International SICAV. The number of customers and volume of assets rose by just over 20 per cent in 1998.

Total assets amounted to SEK 1.8 billion on December 31, 1998 and profit was nearly SEK 14 M (14).

AKTIA SPARBANK AB

Aktia Sparbank is Finland's largest savings bank. It is also the central bank for 39 savings banks in Finland and serves as the central financial institution for the 44 cooperatively owned local banks around the country. Aktia Sparbank is approximately 25-per cent owned by FöreningsSparbanken.

Total assets amounted to SEK 22.5 billion at year-end and profit was SEK 123 M (99).

HANSAPANK

Hansapank is Estonia's largest bank and the country's leader in the household sector. It also has operations in Latvia and Lithuania. Hansapank has a total of 163 branches. FöreningsSparbanken holds 49.98 per cent of the voting rights in Hansapank.

Total assets amounted to SEK 15.9 billion on September 30, 1998.

Financial analysis

PROFIT TREND

The Group's operating profit for 1998 amounted to SEK 6,326 M (2,400). The return on equity was 16.9 per cent (1.4) and earnings per share amounted to SEK 13.13 (1.07).

Operating profit for 1998 therefore exceeded the 1997 result by SEK 3,926 M. The increase is primarily due to lower loan losses and the write-down of acquired property last year following the merger with Föreningsbanken. Capital gains rose as well.

Profit before loan losses rose by SEK 527 M, or 8 per cent. Group income rose slightly, while expenses declined. Among income items, net interest income declined by 11 per cent primarily due to the effects of branch transfers and a slightly lower lending margin. Net commissions rose slightly, while the net profit on financial operations decreased. Other income rose substantially, mainly from capital gains on property sales. Expenses fell by four per cent primarily as a result of lower staff costs. The decrease in staff costs was offset, however, by substantially higher IT expenses.

The Bank's profit amounted to SEK 8,985 M (2,109). The improvement is mainly due to lower loan losses and the write-down of acquired property in the previous year, as well as higher capital gains. In addition, the change in the reporting of Group contributions in accordance with the pronouncement of the Swedish Financial Accounting Standards Council's so-called acute group in September 1998 led to higher reported dividends in the Bank.

Spintab's operating profit amounted to SEK

2,690 M (2,229), FöreningsSparbanken Finans' to SEK 192 M (244), and Robur's to SEK 556 M (576). SparFond's profit rose to SEK 87 M (25).

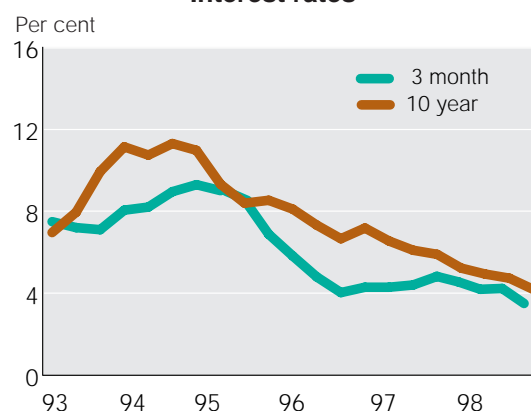
NET INTEREST INCOME

The Group's net interest income amounted to SEK 11,364 M (12,791), which is 11 per cent lower than the previous year.

Approximately SEK 730 M of the decrease was due to the effect of branch transfers and sales. Deposits and lending amounting to SEK 16 and 11 billion, respectively, were transferred during the year to jointly owned banks and independent savings banks. The interest received on the purchase price partly offset the loss of income from the transferred business volumes.

Lower margins on the Bank's lending also contributed to the decrease in net interest income.

Interest rates



Quarterly trend in Group profit

SEK M	Q4 1998	Q 3 1998	Q 2 1998	Q1 1998	Q4 1997
Net interest income*	2,828	2,694	2,790	3,052	3,143
Net commissions	1,039	1,127	1,086	1,028	1,106
Net profit on financial operations	326	62	297	142	110
Other income	570	378	1,317	618	227
Total income	4,763	4,261	5,490	4,840	4,586
Staff costs	1,555	1,390	1,436	1,379	2,066
Other expenses	1,896	1,431	1,531	1,408	1,949
Total expenses	3,451	2,821	2,967	2,787	4,015
of which merger costs	441	194	298	174	871
Operating profit before loan losses	1,312	1,440	2,523	2,053	571
Loan losses including change in value	-26	-266	-285	-425	-12
Write-down of acquired property					-2,889
Operating profit	1,286	1,174	2,238	1,628	-2,330
Operating profit excluding merger costs	1,727	1,368	2,536	1,802	-1,459
* of which, charge for deposit guarantee	146	146	150	152	170

The decline in net interest income was offset to some extent by improved deposit margins and higher lending volumes.

Mortgage lending in the Spintab Group developed well in terms of volume in a highly competitive market.

Expenses for the State's compulsory deposit guarantee were charged against net interest income in the amount of SEK 594 M (680).

The Group's interest margin was 1.42 per cent (1.71) and its investment margin 1.61 per cent (1.94). The corresponding margins for Spintab were 0.89 per cent (0.80) and 1.21 per cent (1.30).

DIVIDENDS RECEIVED

Dividends received declined by SEK 77 M to SEK 155 M. Dividend income was attributable primarily to the shareholding in Svensk Exportkredit as well as from Swedbank Markets' trading portfolios. The decrease was due to the fact that the dividend that the former Sparbanken Sverige received from the former Föreningsbanken before the merger in 1997 had no equivalent in 1998.

NET COMMISSION INCOME

Net commission income rose in 1998 by SEK 55 M, or one per cent, to SEK 4,280 M. Taking into account the branch transfers to independent savings banks and jointly owned banks, net commission income rose by SEK 160 M, or four per cent.

Commissions receivable rose by SEK 191 M, or four per cent. Growth in the savings area for both Robur's fund operations and SparFond's insurance products contributed greatly to this increase, as did income from payment services. Brokerage commissions and commissions from public savings accounts, which were abolished at year-end 1997, decreased.

Commissions payable rose by SEK 136 million, or 14 per cent, compared with 1997. The increase was primarily caused by payment processing commissions, which rose due to a higher transaction volume and the increased compensation Spintab paid to jointly owned banks and independent savings banks for brokering mortgage loans.

NET PROFIT ON FINANCIAL OPERATIONS

The Group's net profit on financial operations amounted to SEK 827 M (930). Excluding nonrecurring income, net profit rose by SEK 224 M,

or 65 per cent, compared with 1997. Of this amount, realized gains accounted for SEK 460 M (1,127), unrealized appreciation in value for SEK 135 M (-503) and positive exchange rate fluctuations for SEK 232 M (306). SEK 375 M of the net profit was attributable to Swedbank Markets' trading operations.

In connection with the agreement on a strategic cooperation with SpareBank 1 Group, Förenings-Sparbanken sold its options to acquire shares in certain of SpareBank 1 Group's subsidiaries. Net profit includes SEK 160 M from this sale. It also includes SEK 98 M for the appreciation in value of warrants on shares in OM, which were reclassified from current to fixed assets during the year.

OTHER OPERATING INCOME

Other operating income rose during the year by SEK 1,595 M to SEK 2,728 M. The increase is due in large part to capital gains on property sales during the second quarter of 1998 amounting to approximately SEK 1,000 M. The sales were a consequence of the Bank's effort to focus on its core business, increase its flexibility in the face of future changes and free up capital. In December 1998 the Bank also announced that it was selling the Gallerian office and retail complex and IT property in Stora Essingen, both in Stockholm, during the first quarter of 1999.

In addition to the transfers of former Föreningsbanken branches, the income from which was reported in the acquisition analysis in 1997, other branches were sold or agreed to be sold to independent savings banks during the year. These sales resulted in a capital gain of slightly over SEK 300 M.

The sale of shares in BG Bank, Sparliv and other financial fixed assets led to additional capital gains of approximately SEK 500 M.

Due to the sale of operating properties, income from real estate operations declined. Net operating income from property taken over in 1997 was primarily attributable to Mandamus, which was distributed to the shareholders after the Annual General Meeting in 1998.

EXPENSE TREND

The Group's expenses decreased by SEK 484 M, or four per cent, to SEK 12,026 M compared with 1997. Excluding merger costs of SEK 1,107 M (1,235), expenses decreased by three per cent. Merger costs consisted mainly of personnel reduction costs of approximately SEK 550 M and IT costs of

approximately SEK 300 M, but also of costs for premises and marketing and for the bonus paid to employees in the second quarter of 1998.

Merger costs are defined as costs that gradually arise as a result of the merger between Föreningsbanken and Sparbanken Sverige and which are charged against income on an ongoing basis, while restructuring costs are costs that are a direct and necessary consequence of the acquisition and which were applied to the acquisition analysis in 1997.

In addition to the merger costs that were charged against profit, SEK 286 M (464) was charged against the reserve for restructuring costs that arose last year in connection with the establishment of FöreningsSparbanken. The reserve, which originally amounted to SEK 750 M, was thereby fully utilized in 1998.

Due to the branch transfers, expenses decreased by approximately SEK 420 M.

STAFF COSTS

Staff costs decreased by SEK 651 M, or 10 per cent, compared with 1997. Excluding merger costs, the decrease was also 10 per cent. Excluding merger costs and after eliminating the effect of the branch transfers, staff costs declined by seven per cent.

During the past year the number of full-time positions has been reduced by 720 and on December 31, 1998 amounted to 11,734. Since the start of 1997 the number of full-time positions has dropped by 1,015. From the same point in time 705 interim full-time positions have been filled and 180 employees have been added through acquired businesses, primarily from SparFond. The number of temporary employees at the same time rose by 660 to a total of 1,058 on December 31, 1998.

Since December 31, 1996 the equivalent of 2,560 full-time positions have been eliminated from the Group, of which around 900 have been through

Personnel changes

Decrease in full-time positions by the year 2000	
Goal for net decrease in full-time positions	2,000
Goal for gross decrease in full-time positions	3,000
Decrease due to business transfers	890
Total	3,890
Gross decrease, Dec. 31, 1996 to Dec. 31, 1998	2,560
Remainder left to reach gross goal	1,330
Contracted reductions:	
Resource Bank, approx.	1,080
Retirement, etc., approx.	450
Total, approx.	1,530

business transfers and the remainder primarily due to the Group's personnel reduction program. Of the 11,734 full-time positions at year-end 1998, 1,080 were in the Resource Bank outplacement service. These employees will leave FöreningsSparbanken by December 31, 1999. Aside from the employees in the Resource Bank and temporary employees, the number of full-time positions as of year-end 1998 included another 450 employees who have agreed to leave the Bank in 1999, primarily those who accepted the Bank's early retirement offer in 1997. The expense related to this offer has been fully allocated. The goal of a 3,000 gross decrease in the number of full-time positions that was established at the time of the merger on 1997, excluding the effect of business transfers, has therefore been achieved.

OTHER CHARGES

Other charges amounted to SEK 5,598 M, an increase of SEK 95 M, or two per cent, compared with 1997.

Expenses for premises and rents rose by four per cent. The restructuring of the branch network led to higher costs for premise modifications.

External IT expenses rose by 29 per cent during the year. The Group's total IT expenses, after deducting income from independent savings banks and jointly owned banks, thus rose by 14 per cent, to SEK 2,241 M (1,960). In addition to charges for integrating the computer systems of the former Föreningsbanken with the Bank's systems and for year 2000 compliance, major development resources were allocated for customer-orientated and efficiency-raising systems. These include the new technical platform and new generation of ATM's, as well as the Internet bank and sales support, credit support and card systems. Operating charges for redundant computer systems also affected the expense level in 1998.

Personnel changes

Change in the number of full-time positions from Dec. 31, 1996 to Dec. 31, 1998

Retirement, approximately	- 720
Branch transfers and sales	- 690
Other business transfers	- 200
Other attrition, etc.	- 950
Gross decrease	- 2,560
Acquired operations	+ 180
New hires - permanent positions	+ 705
New hires - temporary employees	+ 660
Net change	- 1,015
- of which in 1997	- 295
- of which in 1998	- 720

Higher expenses for telecommunications and postage were due in part to the rapid increase in the number of customers who utilize the Internet and Telephone bank and to the promotion of the new Customer Offer during the year. Other charges declined during the year.

DEPRECIATION AND WRITE-DOWN OF TANGIBLE ASSETS

The depreciation and write-down of tangible assets increased during the year by SEK 13 M, or four per cent, to SEK 374 M. Property depreciation decreased after the sales during the year, while the depreciation of equipment rose. Substantially higher investments in new technology caused the increase.

AMORTIZATION OF GOODWILL

The Group's goodwill amortization amounted to SEK 294 M (235). The 1997 charge included only a half-year's amortization of the goodwill value that arose from the acquisition of Föreningsbanken.

ACQUISITION ANALYSIS

The merger with Föreningsbanken is reported according to the purchase accounting method as of the acquisition date, June 1, 1997. The acquisition analysis is based on an evaluation of acquired assets and liabilities at market value. The subsequent revaluations related to, among other things, assets earmarked for sale. Consequently, the transfers of former Föreningsbanken branches to jointly owned banks and independent savings banks were expected to result in net income of SEK 3,300 M. In 1998 an additional SEK 78 M was applied to the acquisition analysis in the form of increased income from branch transfers. At the same time, it was charged with the same amount for the year's established loan losses on commitments transferred to jointly owned banks and independent savings banks. As a result, the goodwill value attributable to the acquisition was not affected.

LOAN LOSSES, NET, AND CHANGE IN VALUE OF PROPERTY TAKEN OVER

Loan losses, net, and the change in value of property taken over amounted to SEK 1,002 M (1,512). The loan loss level, net, was 0.2 per cent (0.3). The acquisition analysis was charged with SEK 78 M for loan losses on commitments transferred to jointly owned banks and independent savings banks. A distribution of the loan losses is shown in the following tables.

The Group's loan losses and changes in value		
	1998	1997
SEK M		
Established	1,282	1,813
Provisions	1,810	3,368
Recoveries	- 2,027	- 2,151
Change in value of property taken over	15	2,528
Total	1,080	5,558
Less: applied to acquisition analysis	- 78	- 4,046
Total	1,002	1,512

Loan losses and changes in value divided within the Group		
	1998	1997
SEK M		
FöreningsSparbanken AB	815	2,023
Spintab	360	572
Other	- 95	2,963
Total	1,080	5,558
Less: applied to acquisitions analysis	- 78	- 4,046
Total	1,002	1,512

Loan losses and changes in value by sector				
	1998	%	1997	%
SEK M				
Households	237	22	481	9
Real estate management	468	43	3,840	69
Retail, hotels, restaurants	175	16	576	10
Construction	72	7	92	2
Manufacturing	170	16	300	5
Transportation	15	1	60	1
Other	- 57	- 5	209	4
Total	1,080	100	5,558	100
Less: applied to acquisition analysis	- 78		- 4,046	
Total	1,002		1,512	

TAX CHARGE

The Group's profit before tax amounted to SEK 6,338 M (1,740) and the tax charge to SEK 1,719 M (1,398), corresponding to an effective tax rate of 27.1 per cent.

THE GROUP'S ASSETS

The Group's assets amounted to SEK 720 billion (668) at year-end 1998.

LENDING

Of the Group's assets, loans to the public accounted for 72 per cent (75) and loans to credit institutions for 10 per cent (13).

The Group's total loans to the public and credit institutions other than banks and the National Debt Office, excluding resale agreements (so-called repos), amounted to SEK 494 billion (481) at year-end 1998. During the year loans of SEK 11 billion, net, were transferred to jointly owned banks and independent savings banks, and loans of SEK 3

billion were acquired from Folksam. Adjusted for these items, lending increased by SEK 21 billion.

Nearly half, or SEK 236 billion, of the loans are to households, with mortgage loans accounting for SEK 185 billion. This makes Spintab the market leader in terms of single-family home financing, with a market share of around 37 per cent.

Group loans, net, by sector				
SEK M	1998	%	1997	%
Households	236,015	48	227,719	47
Real estate management	122,115	25	118,515	25
Credit institutions, excl. banks	1,068	1	1,292	1
Retail, hotels, restaurants	16,252	3	17,716	4
Construction	8,551	2	9,217	2
Manufacturing	13,563	3	13,349	3
Transportation	4,230	1	5,857	1
Forestry and agriculture	20,646	4	23,136	5
Other service businesses	12,214	2	10,975	2
Other business loans	30,630	6	25,354	5
Municipalities	16,362	3	16,157	3
Other	12,423	2	11,863	2
Total	494,069	100	481,150	100
Resale agreements (repos)	10,137		13,178	
Total loans	504,206		494,328	

Group loans, net, by collateral	
SEK M	1998
Residential properties, incl. condominiums	285,667
Other real estate	53,196
Municipalities, county councils, etc.	53,001
Credit institutions	1,068
Chattel mortgages	11,038
Guarantees	11,338
Unsecured	42,703
Other	36,058
Total	494,069
Resale agreements (repos)	10,137
Total loans	504,206

PROBLEM LOANS AND PROPERTY TAKEN OVER

The Group's problem loans, net, declined by SEK 2.3 billion, or 33 per cent, compared with 1997, and amounted to SEK 4.6 billion on December 31, 1998. As a result, the share of doubtful claims, net, declined to 0.8 per cent (1.3) of the Group's loans. The provision ratio for doubtful claims was 49 per cent (50).

Property taken over to protect claims amounted to just under SEK 0.1 billion (3.1) at year-end. The decrease was primarily due to the distribution of the shares in Mandamus Fastigheter AB to the Bank's shareholders.

The Group's problem loans 1998

SEK M	Gross	Provisions	Net
FöreningsSparbanken AB	4,327	2,312	2,015
Spintab	3,666	1,469	2,197
FöreningsSparbanken			
Företagskredit	55	46	9
FöreningsSparbanken			
Finans	233	61	172
Eskilstuna-Rekarne			
Sparbank	30	10	20
FöreningsSparbanken			
Öland	70	28	42
Swedbank			
Luxembourg S.A.	44	16	28
Group adjustments*	73	0	73
Total	8,498	3,942	4,556

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

The Group's problem loans 1997

SEK M	Gross	Provisions	Net
FöreningsSparbanken AB	7,518	4,176	3,342
Spintab	5,075	1,949	3,126
FöreningsSparbanken			
Företagskredit	19	2	17
FöreningsSparbanken			
Finans	217	69	148
Eskilstuna-Rekarne			
Sparbank	34	15	19
Swedbank			
Luxembourg S.A.	34	10	24
Group adjustments*	240	68	172
Total	13,137	6,289	6,848

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

The Group's problem loans by sector 1998

SEK M	Gross	Provisions	Net	% of net loans
Households	1,240	643	597	0.3
Real estate management	4,284	1,681	2,603	2.1
Retail, hotels, restaurants	770	330	440	2.7
Construction	249	108	141	1.6
Manufacturing	389	169	220	1.6
Transportation	118	49	69	1.6
Forestry and agriculture	262	87	175	0.8
Other	1,186	875	311	0.4
Total	8,498	3,942	4,556	0.9

INTEREST-BEARING SECURITIES

FöreningsSparbanken's holding of interest-bearing securities, including Treasury bills and other bills eligible for refinancing with central banks, amounted to approximately SEK 60 billion (29) at year-end. The increase was partly due to the replacement of the Bank's holding of Spintab bonds with bonds from other institutions, since bonds issued by Group companies are no longer eligible for refinancing with Riksbanken.

The Bank's long-term holding of interest-bearing securities is placed in a strategic portfolio. The large part of this holding is eligible for refinancing with Riksbanken and therefore is an immediately disposable liquidity reserve. The remaining holding is included primarily in the Bank's securities operations. The exact distribution between strategic portfolios and securities operations is shown in the table below.

Interest-bearing securities including Treasury bills and other bills eligible for refinancing with central banks, 1998.		
Holdings distributed by operations		
	Group	The Bank
Strategic portfolios		
Fixed assets	4.9	6.7
Current assets	40.8	41.1
Securities operations	13.5	19.1
Holdings in other Group companies	1.0	
Total	60.2	66.9

LOW INTERNATIONAL RISK EXPOSURE

FöreningsSparbanken's risk exposure in Asia, Eastern Europe and Latin America is low. A specification of exposure by region is provided below.

FöreningsSparbanken's exposure in specific countries and regions as of december 31 1998							
SEK M	Lending ¹⁾	Derivatives ²⁾	Investments ³⁾	Guaranties ⁴⁾	Other ⁵⁾	Total	Of which ⁶⁾ credit institutions
Sweden	495,326	9,190	57,518	10,564	422	573,020	71,313
OECD ⁷⁾	29,659	11,999	1,728	161	841	44,388	36,150
Latin America ⁸⁾	580	0	39	0	189	808	291
Of which Brazil ⁹⁾	406	0	0	0	1	407	34
Baltic region ¹⁰⁾	808	4	0	0	3,094	3,906	3,752
Russia	0	0	0	0	0	0	0
Japan	2,502	125	589	0	16	3,232	3,232
Rest of East Asia ^{11), 12)}	935	1	0	235	127	1,298	413
Of which South Korea ¹³⁾	226	0	0	0	66	292	292
Of which China	19	0	0	0	40	59	59
Other countries ^{12), 14)}	1,372	2	0	87	456	1,917	624

¹⁾ Including the public and credit institutions. Excluding repos. Book value in SEK M.
²⁾ Including clearing institutions. Primarily forward contracts and swaps in interest rates and currencies. Market value in SEK M.
³⁾ Holdings in securities excluding trading portfolios in stocks. Book value in SEK M.
⁴⁾ Loan guaranties, construction guaranties and performance guaranties. Book value in SEK M.
⁵⁾ Letters of credit, endorsed acceptances and shareholdings in, among others, Hansapank, Aktia Sparbank, Bank Handlowy and Erste Bank. The Sparebank 1 Group is not included.
⁶⁾ Including National Debt Office. For countries outside the categories OECD, Japan and Sweden, the exposure is with credit institutions and is primarily trade-related.
⁷⁾ Excluding Sweden, Japan, Hungary, Mexico, Poland, Turkey, South Korea and the Czech Republic.
⁸⁾ Of which with subsidiaries of listed Swedish companies SEK 446 M.
⁹⁾ Of which with subsidiaries of listed Swedish companies SEK 363 M.
¹⁰⁾ Estonia, Latvia, Lithuania and Poland.
¹¹⁾ China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, Sri Lanka, South Korea, Taiwan, Thailand and Vietnam.
¹²⁾ Of which shipping: Rest of East Asia, SEK 843 M. Other countries according to definition in point 14, SEK 982 M. These commitments do not entail any true country risk, since they are merely the countries in which ship-owners are registered.
¹³⁾ Of which SEK 226 M with state guaranty.
¹⁴⁾ Algeria, Bahamas, Bermuda, British Virgin Islands, Croatia, Cyprus, Czech Republic, Egypt, Gibraltar, Hungary, Iran, Israel, Jordan, Kenya, Lebanon, Liberia, Malta, Monaco, Netherlands Antilles, Oman, Saudi Arabia, Slovenia, South Africa, Tunisia, Turkey, United Arab Emirates, Vanuatu and Zimbabwe.

The most important items in the consolidated balance sheet as per December 31, 1998, SEK billion			
ASSETS	SEK	Foreign currency	Total
Loans to households	235.4	0.6	236.0
Loans to the public, other	257.8	23.1	280.9
Total loans to the public	493.2	23.7	516.9
<i>of which</i>			
<i>loans by the Bank</i>	<i>186.3</i>	<i>23.5</i>	<i>209.8</i>
<i>of which</i>			
<i>loans to households</i>	<i>48.2</i>	<i>0.6</i>	<i>48.8</i>
<i>resale agreements</i>	<i>12.9</i>	<i>0.0</i>	<i>12.9</i>
<i>loans by Spintab</i>	<i>296.4</i>	<i>0.0</i>	<i>296.4</i>
Loans to Swedish banks and other credit institutions	16.9	0.7	17.6
Loans to foreign banks	38.5	15.4	53.9
Total loans to banks and other credit institutions	55.4	16.1	71.5
<i>of which, resale agreements</i>	<i>43.7</i>	<i>1.8</i>	<i>45.5</i>
Total interest-bearing securities	56.2	4.0	60.2
<i>of which</i>			
<i>financial fixed assets</i>	<i>5.3</i>	<i>0.0</i>	<i>5.3</i>
<i>financial current assets</i>	<i>50.9</i>	<i>4.0</i>	<i>54.9</i>
<i>of which</i>			
<i>trading portfolio</i>	<i>9.5</i>	<i>4.0</i>	<i>13.5</i>
<i>(elimination of the Bank's holding of Spintab's securities 7.6 bn)</i>			
Other	58.2	13.4	71.6
<i>of which</i>			
<i>shares in the trading portfolio (listed Swedish and foreign)</i>	<i>3.0</i>	<i>0.6</i>	<i>3.6</i>
<i>shares in associated companies</i>	<i>0.4</i>	<i>2.8</i>	<i>3.2</i>
<i>shares/participating interests for which life insurance policyholders bear the investment risk</i>	<i>18.1</i>	<i>0.0</i>	<i>18.1</i>
<i>derivatives</i>	<i>9.3</i>	<i>7.9</i>	<i>17.2</i>
<i>buildings and land</i>	<i>2.7</i>	<i>0.1</i>	<i>2.8</i>
<i>cash</i>	<i>2.7</i>	<i>0.1</i>	<i>2.8</i>
<i>goodwill</i>	<i>4.1</i>	<i>0.0</i>	<i>4.1</i>
<i>accrued interest</i>	<i>5.4</i>	<i>0.6</i>	<i>6.0</i>
Total assets	662.7	57.2	719.9
LIABILITIES	SEK	Foreign currency	Total
Deposits and borrowing from households	120.0	0.0	120.0
<i>of which</i>			
<i>transaction accounts</i>	<i>40.6</i>	<i>0.0</i>	<i>40.6</i>
Deposits and borrowings from the public, other	65.9	4.5	70.4
Total deposits and borrowings from the public	185.9	4.5	190.4
<i>of which</i>			
<i>repurchase agreements</i>	<i>4.5</i>	<i>0.0</i>	<i>4.5</i>
Amounts owed to Swedish banks and credit institutions	50.5	2.7	53.2
Amounts owed to foreign banks	34.0	33.6	67.6
Total amount owed to credit institutions	84.5	36.3	120.8
<i>of which</i>			
<i>repurchase agreements</i>	<i>54.2</i>	<i>0.1</i>	<i>54.3</i>
Securities in issue and subordinated liabilities	217.0	98.5	315.5
<i>of which</i>			
<i>retail market bonds</i>	<i>10.4</i>	<i>0.0</i>	<i>10.4</i>
<i>of which</i>			
<i>subordinated liabilities</i>	<i>1.4</i>	<i>0.0</i>	<i>1.4</i>
<i>other subordinated liabilities</i>	<i>2.3</i>	<i>21.1</i>	<i>23.4</i>
<i>(elimination of the Bank's holding of Spintab's securities 7.6 bn)</i>			
Other	54.8	9.6	64.4
<i>of which</i>			
<i>provisions for life insurance for which policyholders bear the risk</i>			
<i>Accrued interest</i>	<i>18.1</i>	<i>0.0</i>	<i>18.1</i>
<i>derivatives</i>	<i>5.9</i>	<i>1.1</i>	<i>7.0</i>
<i>derivatives</i>	<i>11.8</i>	<i>8.0</i>	<i>19.8</i>
Shareholders' equity, including profit for the financial year	28.8	0.0	28.8
Total liabilities, provisions and shareholders' equity	571.0	148.9	719.9

OTHER ASSETS

Other assets rose in 1998 by SEK 21 billion to SEK 71 billion at year-end. The change is attributable to SEK 18 billion from the assets in SparFond's operations for which policyholders bear the risk and which were not included on the balance sheet the previous year, since SparFond was consolidated according to the equity method.

The Group's total goodwill at year-end amounted to SEK 4.1 billion (3.3), of which SEK 1.8 billion relates to the acquisition of Föreningsbanken and most of the remainder to Robur Kapitalförvaltning AB and SparFond Livförsäkrings AB. Goodwill related to Föreningsbanken and SparFond is amortized over 20 years, while goodwill related to Robur is amortized over ten years. Other goodwill is amortized over five years.

The book value of the Group's operating properties amounted to SEK 2.8 billion (4.6) at year-end. In December 1998 an agreement in principle was reached to sell the large part of the portfolio.

Investments in equipment amounted to SEK 827 M (472) during the year and consisted primarily of new ATM's and personal computers, as well as other equipment for the new GP 2000 technical platform.

THE GROUP'S LIABILITIES

Of the SEK 691 billion (641) in Group's liabilities, securities in issue accounted for 42 per cent (39), deposits and borrowings from the public for 27 per cent (34) and amounts owed to credit institutions for 16 per cent (15). The Group's shareholders' equity amounted to SEK 29 billion (27) at year-end.

DEPOSITS AND BORROWINGS FROM THE PUBLIC

The Group's total deposits and borrowings from the public amounted to SEK 190 billion (217) at year-end 1998. During the year deposits of SEK 16 billion, net, were transferred to independent savings banks and jointly owned banks, making the underlying decrease SEK 11 billion.

At the same time, the Group's other savings products, primarily fund savings in Robur, increased by SEK 24 billion, of which SEK 15 billion was net fund contributions.

Households were the Group's largest group of deposit customers, with SEK 119 billion in deposits at year-end. After eliminating the effects of the branch transfers, deposits slightly exceeded the level of the previous year.

Other deposits and borrowings from the public consist largely of deposits from businesses, organizations and municipalities.

SECURITIES IN ISSUE AND SUBORDINATED LIABILITIES

FöreningsSparbanken's securities in issue amounted to SEK 291 billion (251) at year-end. The increase was partly due to the replacement of the Bank's holding of Spintab bonds with bonds from other institutions, as mentioned above, because of which intra-Group holdings of securities in issue declined.

The Group's securities in issue are primarily issued by Spintab to finance fixed-term mortgage loans. The interest fixing periods of Spintab's funding are well matched with its lending. The average remaining interest fixing period on Spintab's funding was 2.1 years (1.85). For the Group as a whole, the average remaining interest fixing period for securities in issue was 1.9 years (1.7). Of the securities, 79 per cent were bonds and the remaining 21 per cent primarily short-term funding instruments.

In addition to bond loans and commercial paper programs, both the Bank and Spintab issue subordinate liabilities in the form of fixed-term and undated subordinated liabilities. Altogether, this type of subordinated liability amounted to SEK 25 billion (23) at year-end.

OTHER LIABILITIES

Other liabilities increased by SEK 15 billion in 1998 to SEK 64 billion at year-end. The change was attributable to SEK 18 billion from the liabilities in SparFond's operations, which were not included on the balance sheet in the previous year when SparFond was consolidated according to the equity method.

INTEREST RATE RISKS

The Group's interest rate risks arise when interest fixing periods on assets, liabilities and derivatives do not coincide. A rise in market interest rates of one percentage point would have resulted in a decrease in the value of the Group's assets and liabilities with fixed interest rates, including derivatives, of approximately SEK 490 M (614) as of December 31, 1998. The decrease in the value of positions in SEK would have been approximately SEK 440 M (603) and in foreign currency approximately SEK 50 M (11). In terms of instruments that are reported as financial current assets at fair market value, changes in value are reported in the profit and loss account as net

profit on financial operations. The impact of a one-per cent rise in interest rates would have reduced the Group's net profit on financial operations by approximately SEK 194 M (98).

An increase in interest rates would also impact net interest income. The extent would depend on the remaining interest fixing period on the Group's fixed-term assets, liabilities and derivatives and on how much the Bank matches the interest rates on variable-term deposits and lending. If market interest rates rise by one percentage point and then remain at the new level for one year, at the same time that the Bank raises its deposit and loan rates accordingly, the Group's net interest income would fall by an estimated SEK 130 M (180).

RISK EXPOSURE

Approximately eight per cent of the Group's assets and 21 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 currency swaps. A large part of the Group's liabilities in foreign currency stems from the fact that the subsidiary Spintab has raised loans in foreign currency that are swapped into SEK.

Strategic holdings in foreign companies are financed in each company's national currency. One exception, however, is approximately SEK 1.6 billion of the Bank's holding in Hansapank, which is financed in DEM.

The value of the Estonian currency (EEK) is based on a currency board with the euro and according to Estonian law the exchange rate between EEK and DEM is totally fixed. A future adjustment in the exchange rate cannot be ruled out, however. This risk is balanced against an increased expense for additional financing in EEK.

The Bank also accepts deposits and grants loans in foreign currency. The currency risks that this can entail are managed by the Bank's currency trading and securities operations, which can take positions in individual currencies within stipulated limits. Slightly more than 65 per cent of the Group's assets and liabilities in foreign currency at year-end were denominated in USD. The corresponding figure for euro was 20 per cent and for JPY approximately five per cent.

The largest net exposure in a single currency, not including the Bank's financing of strategic holdings in foreign currency, amounted to a value of approximately SEK 60 M at year-end. The aggregate value of assets and liabilities in foreign currency is shown in the table on page 56.

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 rate and currency risks. Derivatives impact the Group's financial risks because the value of the instruments is affected by movements in interest rates and the price of currencies and equities. Financial risks linked to derivatives are limited and monitored as part of the overall management of financial risks. The cash flows that arise from the Group's derivative transactions are monitored and followed up in the same way as other cash flows within the Group. The table in Note 25 divides the Group's total derivative positions as of December 31, 1998 into interest, currency and equity derivatives.

Contracts with positive and negative market values are summed up separately. The table also

Impact 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
The Bank									
Financial fixed assets and related derivatives	-2	-4	-23	-8	-4	-4	0	0	-45
Financial current assets valued at fair value	-32	-70	22	-72	-21	-38	12	23	-176
The Parent Company's other assets, liabilities and related derivatives	-36	40	-20	15	-19	-23	-18	8	-53
Total, Parent Company	-70	-34	-21	-65	-44	-65	-6	31	-274
Spintab, assets and liabilities not valued at fair value									
	-1	-8	-77	-9	-47	-68	-273	317	-166
Total, FöreningsSparbanken Group	-71	-42	-98	-74	-91	-133	-279	348	-440
Financial current assets valued at fair value in the Group									
	-32	-70	22	-72	-21	-38	12	23	-176

indicates how large a share of the Group's derivatives are cleared, i.e. transactions settled via a clearing organization.

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.

Credit risks in derivatives are managed using customary credit procedures. In some instances, customers have placed collateral in favor of the Group. Credit risks are treated as either a certain portion of the nominal amount or the current positive market value plus a mark-up. The mark-up is added to cover the chance that the instrument's value – and thus the credit risk – may increase if market prices change.

CAPITAL BASE AND CAPITAL ADEQUACY

The calculation of the capital base and capital adequacy (Note 40) is based on the concept of the "financial companies group," which is not the same as the group definition according to the Annual Accounts Act. The financial companies group includes financial companies in which the ownership interest exceeds 20 per cent. Insurance companies are not included. As of December 31, 1998 the FöreningsSparbanken financial companies group included the FöreningsSparbanken Group, Eskilstuna Rekarne Sparbank AB, FöreningsSparbanken Sjuhärad AB, FöreningsSparbanken Söderhamn AB, FöreningsSparbanken Öland AB, Aktia Sparbank Ab in Finland and AS Hansapank in Estonia.

The capital adequacy ratio amounted to 11.6 per cent (11.8) on December 31, 1998, of which the primary capital ratio was 6.1 per cent (6.1). Market risks as a share of the total capital adequacy ratio amounted to 0.5 percentage points (0.4).

SENSITIVITY ANALYSIS

Sensitivity analysis		Effect on operating Change profit, SEK M
<i>Net interest income 12 months</i>		
<i>market interest rate</i>	<i>+ 1% point</i>	
Increased interest rates on variable-rate deposits and loans		– 130
<i>market interest rate</i>	<i>– 1% point</i>	
Decreased interest rates on variable-rate deposits and loans		– 280
<i>Net profit on financial operations</i>		
Market interest rate	+ 1% point	– 194
	– 1% point	+ 186
Problem loans ¹⁾	+/- SEK 1 billion	-/+ 38
Net commissions	+/- 1%	+/- 43
Staff changes	+/- 100 employees	-/+ 49
Salary changes	+/- 1%	-/+ 50
Loan loss level	+/- 0.1% point	-/+ 500

¹⁾ Cost of capital 3.7 per cent.

RATING

Rating, February 1999	FöreningsSparbanken	Spintab
Moody's		
Short-term	P-1	P-1
Long-term	A1	Aa3
Bank Financial Strength	C+	–
BankWatch		
Short-term	TBW-1	TBW-1
Issuer	B/C	B/C
Long-term	AA–	AA–
FitchIBCA		
Short-term	F–1	F–1+
Long-term	A+	AA–
Japan R & I		
	AA–	–
S&P		
Short-term	A-1	A-1
Long-term	A	–

Capital adequacy analysis

	Change, SEK billion	Effect on operating profit, SEK M
Risk-weighted amount	+/- 10	-/+ 0.3
Operating profit	+/- 1	+/- 0.2
Capital base	+/- 1	+/- 0.3

The Group's risk control

CREDIT RISKS

The Board of Directors, which appoints the Credit and Capital Market Committee from among its members, is ultimately responsible for the Group's lending. The Board also appoints the Central Credit Committee and the boards of the local banks.

The local banks are divided into three categories based on business volume, customer base and specialization. Depending on the category, a local bank may grant loans up to SEK 10, 20 and 30 M. Loans in excess of these amounts up to SEK 100 M are approved by the Central Credit Committee, while loans in excess of SEK 100 M are approved by the Board's Credit and Capital Market Committee. Special approval procedures apply for subsidiaries.

Local banks have credit and commercial responsibility for approximately 70 per cent of the Bank's total loan portfolio and, through an integrated credit processing system, have customer responsibility for a large part of Spintab's portfolio.

Loan limits		
CENTRAL BOARD OF DIRECTORS		Unlimited
CENTRAL LEVEL	The Board's Credit Committee	SEK 2,000 M
	Central Credit Committee	SEK 100 M
LOCAL BANK	Local board	SEK 10/20/30 M
	Local delegation	SEK 5/10/15 M
	Two loan officers	SEK 0,25/1,0 M

MONITORING AND ANALYSIS

The Central Staff Unit is responsible for coordinating the loan organization and loan instructions, as well as for monitoring the loan operations. It is also responsible for preparing and handling credit matters that are approved by the Central Credit Committee and by the Board of Directors and its Credit and Capital Market Committee. As an overriding principle, all credit decisions at FöreningsSparbanken are made by at least two persons or, in the case of small loans, by one person with the support of an IT-based evaluation system. All corporate loan exposure over a certain

level is subject to internal ratings, where it is classified based on an assessment of the borrower's solvency and the quality of the collateral.

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

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

FINANCIAL RISKS

The Board of Directors sets the financial policy for the Group. This includes risk profiles, delegation of responsibilities, risk management, risk control and reporting.

FöreningsSparbanken maintains a low risk profile with limited risks in financial markets. When trading financial products, the Bank weighs risk against expected return. FöreningsSparbanken's activities in financial markets are designed to meet customers' long-term needs and, in addition, facilitate the Group's own financing and portfolio management.

The Bank participates in trading in markets in Sweden and internationally in such a way and to such



an extent that it maintains its reputation as a professional business partner. The Group's own funding is structured in such a way as to ensure a stable, long-term investor base in a number of markets in the world. The financial risks covered by the financial policy include liquidity risk, interest rate risk, share price risk and currency risk. Also covered are financial credit risks – namely, counterparty risk and disposal risk.

RESPONSIBILITIES

FöreningsSparbanken's Board of Directors is ultimately responsible for how the Group manages its financial risks. It decides on the overall objectives for capital adequacy, liquidity and limits for the Group's exposure to various market risks. The Board appoints a Finance Committee from among its own members. The Finance Committee prepares issues regarding the monitoring of the Group's market risks, i.e. interest rate, currency and share price risks, for the Board's approval. It 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. The Trading Sub-Committee distributes risk mandates between the various departments within Swedbank Markets' area of responsibility.

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

OPERATIVE RISKS

BACKGROUND

FöreningsSparbanken Group's risk policy defines operative risks as administrative risks, IT risks and legal risks. Responsibility for how they develop rests within the entire Group and with each responsible

Overall risk policy

PROFESSIONALISM

Assuming risks in a deliberate manner is a fundamental aspect of all banking. Risks should always be weighed against expected returns.

LOW RISK PROFILE

FöreningsSparbanken maintains a low risk profile with a well-diversified loan portfolio and limited risks in financial markets. Risks of an administrative and legal nature are minimized.

UNDERSTANDING THE TRANSACTION

The basis of all risk management is that every employee is familiar with his or her customer or counterparty, fully understands each individual transaction and can explain the risk entailed.

INTERPLAY WITH THE CUSTOMER

The Bank's business is based on long-term relationships with its customers. Identifying and understanding the risk in each transaction together with the customer facilitates the right decision – for both the customer and the Bank.

BUSINESS RESPONSIBILITY

All risks should be disclosed and documented. Each business unit is fully responsible for the risks generated in its own operations.

GOOD RISK CONTROL

Duality should be the guiding principle in all risk management. Responsibility for risk control should be separated from the business operations.

GOOD RISK CULTURE

Risk management is a science, but also an art. Quantitative methods cannot substitute for experience and good judgment. A good risk culture is created through a shared platform of values and measurement methods, but above all through good judgment on the part of all managers.

manager, who must see to it that he or she identifies, limits and controls his or her unit's operative risks. The Board of Directors' Audit and Security Committee has responsibility for especially monitoring operative risks.

ADMINISTRATIVE RISKS

By administrative risk is meant the risk of disruptions and losses, financial or in terms of confidence, owing to internal deficiencies in the organization, for example, a lack of competence on the part of the personnel, poorly defined lines of authority and shortcomings in execution, control, information or follow-ups.

The organization and routines are reviewed on a continuous basis. During the year extensive efforts were made to identify and limit administrative risks.

IT RISKS

By IT risks is meant the risk of losses, both financial or in terms of confidence, that may arise, for example, as a result of disruptions in computer operations and telecommunications, deficiencies in equipment or its use, insufficiencies in security products, and system or software errors.

The Bank's IT environment has been undergoing major change for some time, primarily in terms of modernization of the infrastructure and the introduction of completely new applications in a number of areas. This change, which will eventually lead to, among other things, limits on both IT and administrative risks, initially entails a slight increase in risks.

Another issue involves the year 2000. The Group is well-prepared for the transition, even with regard to old structures. The new structure is designed to bring the Group into the new millennium and is therefore safe in this respect, which has also been verified.

LEGAL RISKS

By legal risks is meant the risk of losses, financial or in terms of confidence, owing to a lack of knowledge of applicable regulations, erroneous advice given to customers or insufficient documentation and control of agreements and confirmations with business and contractual partners. By legal risks is also meant, in the case of transactions of an international nature, the risks entailed in the application and interpretation of international law.

Work is done continuously within the Group to minimize insufficiencies in documentation and confirmations with business and contractual partners, as well as to promote the overall skills development of the employees. Terms in the Bank's standard contracts are always well-documented and comply with current laws and other regulations. In individually designed contracts, uniform standards are sought.

INTERNAL AUDIT

The purpose of Internal Audit is to review and evaluate internal controls in the Banking Group. Internal Audit is an internal review function independent from the operative units in accordance with the general advice of the Swedish Financial Supervisory Authority (FFFS 1994:35).

Internal Audit is directly subordinate to the Board of Directors.

Accounting principles

The annual report has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulations and general advice of the Swedish Financial Supervisory Authority.

CHANGE IN ACCOUNTING PRINCIPLE

Group contributions have been accounted for in accordance with the September 1998 pronouncement of the Swedish Financial Accounting Standards Council's so-called acute group. As a result, Group contributions received have been reported as dividends and Group contributions paid have been reported directly against shareholders' equity. Comparable figures from the previous year have been recalculated.

CONSOLIDATED ACCOUNTING

The consolidated accounts have been prepared in accordance with Recommendation RR 1:91 of the Swedish Financial Accounting Standards Council.

Companies that have been acquired and become subsidiaries over the course of a given year are included in the profit and loss account as subsidiaries of the Group for the entire year. Profit earned by the subsidiary prior to its date of acquisition is reported as a special adjustment item. In the case of acquisitions of small companies, in similar fashion only their income and expenses from the time after acquisition are included in the consolidated profit and loss account.

The consolidated accounts comprise FöreningsSparbanken AB and those companies in which the Bank 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. The consolidated accounts also comprise associated companies, which are companies in which the Bank 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 affiliation between the Bank and the company. Associated companies are consolidated in accordance with the equity method, with the exception of Eskilstuna Rekarne Sparbank AB, which is consolidated according to the proportional method.

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 divested within the near future.

FOREIGN SUBSIDIARIES AND ASSOCIATED COMPANIES

Shares in foreign subsidiaries and associated companies that are refinanced in the same currency (or in the case of Hansapank partly in a related 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 profit and loss account is translated at the average rate for the financial year. Translation differences that arise from the use of the current method directly impact restricted and non-restricted equity. As a result, any translation differences attributable to refinancing are applied directly against shareholders' equity, taking into account deferred tax.

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Assets and liabilities in foreign currency are valued at the average of the closing day's quoted buying and selling rates according to the Bank's official exchange rate list. Outstanding forward contracts are valued at closing-day market prices and are not covered by hedge accounting. Holdings of foreign bank notes have been valued at the closing-day buying rates for each currency.

FINANCIAL ASSETS

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, which consist of interest-bearing securities, are valued at their accrued acquisition value. This means that premiums and discounts arising from the acquisition of these instruments are accrued so that the effective interest income during the instrument's fixed interest period is constant and corresponds to the instrument's interest rate at the time of acquisition. Accrued premiums/discounts are reported as interest. The reclassification of financial current assets to financial fixed assets is done at market value at the time of reclassification. Realized gains/losses on financial fixed assets are reported under Other operating income and Other operating charges, respectively.

Financial current assets, which consist of transferable securities and derivatives in the trading operations, are valued at fair value. The gain that arises when book value exceeds acquisition value is allocated to a reserve for unrealized 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. In the profit and loss account, both unrealized and realized gains are reported under Net profit on financial operations. The change in accrued acquisition values is reported in net interest income.

Derivatives with positive book value are reported under Other assets, while those with negative book value fall under Other liabilities. The gain/loss on interest rate swaps held for hedging purposes is reported in net interest income.

REPURCHASE TRANSACTIONS

In a true repurchase transaction, 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 and a memorandum item 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 claim from the selling party. The difference between the proceeds based on the spot rate and forward rate is accrued over the maturity of interest.

STOCK LOANS

Stock loans to others remain on the balance sheet as securities, although stocks on loan from others are not reported as assets. Stock loans to others are valued in the same way as other security holdings of the same type. In cases where the borrowed stocks are sold, i.e. short-selling, an amount corresponding to the security's fair value is taken up as a liability.

HEDGE ACCOUNTING

To protect certain assets and liabilities or payment flows stipulated by contract against interest rate, share price 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 until maturity.

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

At Spintab, all fixed-rate funding is reported according to hedge accounting, since it is matched by fixed-rate lending. As a result, any exchange rate differences realized from the repurchase of Spintab's funding are accrued over the remaining maturity of that funding. When the Bank buys Spintab's debt instruments, there is a corresponding accrual in the consolidated accounts of the difference between the Bank's acquisition value of the purchased instrument and Spintab's book value of the same.

LENDING AND PROVISIONS FOR LOAN LOSSES

Claims are reported at the maximum value at which they are expected to be received. On 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 profit is charged with established and anticipated loan losses less restored provisions and recoveries, as well as with the net cost of discharging guarantees and other contingent liabilities.

Provisions for anticipated 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 is valued at the lower of acquisition value and fair value.

Changes in value and capital gains/losses with regard to property taken over are reported in the profit and loss account under Change in value of property taken over.

Property used as collateral for doubtful claims is valued at fair value.

LEASING ASSETS

The Group's leasing operations consist of financial leasing and are therefore reported as lending in

accordance with the recommendation (RR6) the Swedish Financial Accounting Standards Council. As such, leasing fees are reported partly as an interest receivable and partly as amortization.

FINANCIAL LIABILITIES

Financial liabilities are reported at either accrued acquisition value or, when the liability has a short fixed-interest period, at nominal value. Premiums and discounts that arise in the issue of fixed-rate financial instruments are taken up as profit in such a way that a constant effective yield is obtained over their term corresponding to the issue rate, i.e. the market rate of interest on the date of issue. Accrued premiums/discounts are reported as interest.

DEPRECIATION

Equipment used in operations is depreciated according to schedule by 20 per cent of acquisition value. Investment expenditures for IT systems and new products, excluding the equipment portion, are charged against earnings as they arise.

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

Goodwill that has arisen in connection with the acquisitions of Föreningsbanken and SparFond is amortized according to schedule by 5 per cent a year. Goodwill related to Robur is amortized according to schedule by 10 per cent a year. Amortization periods have been determined based on the nature of the goodwill and its estimated duration.

PENSION OBLIGATIONS

The Group's pension obligations are covered through insurance, allocations to pension funds and

allocations on the balance sheet under Provision for pensions. The Bank also has certain pension commitments which are not secured through insurance or allocations according to the above.

The computed pension expense relating to pension obligations 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 pension payments, payroll tax, tax on yield and any allowance from, or allocation to, the pension funds.

TAX

Estimated tax on profit for the financial year, including deferred tax and adjusted for income taxes from previous years, is reported under Tax on profit for the financial year.

Other taxes is foreign tax on capital.

PROFIT AND EQUITY ACCORDING TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE U.S. (U.S. GAAP)

The consolidated accounts have been prepared in accordance with generally accepted accounting principles in Sweden, which in certain respects differ from generally accepted accounting principles in the U.S.

A summary of the estimated effects on the Group's profit and equity of the application of U.S. principles is reported in Note 42.

Definitions

ADJUSTED EQUITY PER SHARE

Shareholders' equity according to the balance sheet and the equity portion of the difference between the book value and fair value in the holding of financial fixed assets divided by the number of shares brought forward at year-end.

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 Act on the Capital Adequacy. By primary capital is meant equity less goodwill and 72 per cent of the untaxed reserves in the Parent Company. By supplementary capital is meant fixed-term subordinated liabilities (less a certain reduction if their remaining maturity is less than five years) as well as reserves and undated equity contributions approved by the Swedish Financial Supervisory Authority.

DOUBTFUL CLAIMS

Claims which are overdue for payment 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 expressed in number of years.

EQUITY/ASSETS RATIO

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

I/E RATIO

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

INTEREST FIXING PERIOD

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

INTEREST MARGIN

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

INVESTMENT MARGIN

Net interest income in relation to average total assets.

LOAN LOSSES, NET

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

LOAN LOSS LEVEL, GROSS

Loan losses, net, and changes in the value of property taken over plus loan losses and changes in value applied in the acquisition analysis in relation to the loan balance brought forward as well as property taken over and loan guarantees.

LOAN LOSS LEVEL, NET

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

MATURITY

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

MERGER COSTS

Merger costs are costs that gradually arise as a result of the merger of Föreningsbanken and Sparbanken Sverige and which are written off directly against profit.

NET WORTH PER SHARE

Shareholders' equity according to the balance sheet and the equity

portion of the difference between the book value and fair value of the assets and liabilities divided by the number of shares brought forward at year-end.

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 PROFIT PER SHARE

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

P/E RATIO

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

PRIMARY CAPITAL RATIO

Primary capital in relation to the risk-weighted amount.

PROBLEM LOANS, GROSS

Doubtful claims 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.

PROFIT BEFORE LOAN LOSSES PER EMPLOYEE

Profit before loan losses in relation to the average number of employees.

PROFIT PER SHARE

Profit after appropriations and estimated tax divided by the number of shares. For the years 1994-1995, the dividend on preferred shares was treated as interest and affected profit.

PROVISION RATIO FOR DOUBTFUL CLAIMS

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

RESTRUCTURING COSTS

Restructuring costs are costs that are a direct, necessary consequence of Sparbanken Sverige's acquisition of Föreningsbanken and which are applied to the acquisition analysis.

RETURN ON EQUITY

Profit for the financial year in relation to average shareholders' equity. Average shareholders' equity is adjusted for new issues and dividends, and includes minority interests. For 1994, standard tax is used.

RETURN ON TOTAL CAPITAL

Operating profit in relation to the average of total assets brought forward at the beginning of the year and carried forward at year-end.

RISK-WEIGHTED AMOUNT

The total of assets on the balance sheet and off-balance-sheet commitments, divided by credit and market risks, valued and risk-weighted according to current capital adequacy regulations. Volumes are weighted in relation to estimated risk so that they will be included in the risk-weighted volume at 0, 20, 50 or 100 per cent.

SHARE OF DOUBTFUL CLAIMS

Doubtful claims, net, in relation to total lending.

STANDARD TAX

Standard tax rate of 28 per cent.

TOTAL LENDING

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

YIELD

Dividend per share in relation to the share price at year-end.

Profit and loss account

SEK M	Note	Group		The Bank	
		1998	1997	1998	1997
Interest receivable	1	44,304	46,348	22,725	21,702
Interest payable	1	– 32,940	– 33,557	– 15,368	– 12,730
Net interest income*		11,364	12,791	7,357	8,972
Dividends received	2	155	232	6,204	3,178
Commissions receivable	3	5,364	5,173	4,035	3,906
Commissions payable	4	– 1,084	– 948	– 672	– 631
Net profit on financial operations	5	827	930	758	881
Other operating income	6	2,728	1,133	2,779	897
Total income		19,354	19,311	20,461	17,203
Staff costs	7	– 5,760	– 6,411	– 5,222	– 5,754
Other administrative expenses	8	– 5,598	– 5,503	– 5,040	– 4,896
Depreciation/amortization and write-downs of tangible and intangible fixed assets	9	– 668	– 596	– 434	– 384
Total expenses		– 12,026	– 12,510	– 10,696	– 11,034
Profit before loan losses		7,328	6,801	9,765	6,169
Loan losses, net	10	– 987	– 1,349	– 735	– 739
Change in value of property taken over	11	– 15	– 163	– 2	– 2
Write-down of acquired property			– 2,889		– 2,889
Write-down of financial fixed assets				– 43	– 430
Operating profit		6,326	2,400	8,985	2,109
Profit earned prior to acquisition		– 32	– 666		– 786
Appropriations	12	44	6	– 933	– 1,086
Tax on profit for the year	13	– 1,718	– 1,388	– 1,916	– 1,225
Other taxes		– 1	– 10		
Profit for the financial year		4,619	342	6,136	– 988
* of which, charge for deposit guarantee		– 594	– 680	– 590	– 680

Balance sheet

SEK M	Note	Group		The Bank	
		1998	1997	1998	1997
<i>Assets</i>					
Cash and balances with central banks		2,794	3,622	2,749	3,611
Treasury bills and other bills eligible for refinancing with central banks	14	37,121	5,929	37,002	5,746
Loans to credit institutions	10, 15	71,462	89,202	91,573	101,075
Loans to the public	10, 16	516,909	499,110	209,758	210,401
Bonds and other interest-bearing securities in the banking operations	17	22,753	23,366	29,883	40,351
Bonds and other interest-bearing securities in the insurance operations	18	348			
Shares and participating interests	19	6,146	5,201	5,343	4,295
Shares and participating interests for which life insurance policyholders bear the investment risk		18,097			
Shares and participating interests in associated companies	20	3,185	659	3,243	735
Shares and participating interests in Group companies	21		222	16,196	16,255
Intangible fixed assets	22	4,130	3,326	1,860	1,945
Tangible assets	23	4,057	8,461	3,765	5,010
Other assets	24, 25	25,302	23,213	22,940	23,252
Prepayments and accrued income	26	7,644	6,064	7,124	2,580
Total assets		719,948	668,375	431,436	415,256

Balance sheet

SEK M	Note	Group		The Bank	
		1998	1997	1998	1997
<i>Liabilities, provisions and shareholders' equity</i>					
Amounts owed to credit institutions	27	120,755	99,900	131,137	105,377
Deposits and borrowings from the public	28	190,355	216,941	187,308	217,008
Debt securities in issue	29	290,778	251,294	36,528	17,758
Other liabilities	25, 30	32,604	35,924	30,730	33,107
Accruals and deferred income	31	11,625	12,095	3,270	2,482
Actuarial provisions		150	101		
Provisions for life insurance for which the policyholder bears the investment risk		18,097			
Provisions	32	1,911	1,421	318	610
Subordinated liabilities	33	24,754	23,321	17,070	15,655
Minority interests		81	1		
Untaxed reserves	34			3,555	2,580
Subscribed capital	35	7,037	7,037	7,037	7,037
Other reserves	35	16,724	15,423	10,091	9,753
Profit/loss brought forward	35	458	4,575	–1,744	4,877
Profit/loss for the financial year	35	4,619	342	6,136	–988
Total liabilities, provisions and shareholders' equity		719,948	668,375	431,436	415,256
Assets pledged for own liabilities	36	79,951	91,365	79,676	90,893
Other assets pledged	37	22,682	4,532	7,464	4,432
Contingent liabilities	38	13,694	9,750	13,765	11,112
Commitments	39	1,897,637	2,085,098	1,841,013	2,026,714

Notes not directly related to the profit and loss account or balance sheet.

Note 40 – Capital adequacy analysis

Note 41 – Disclosure of financial income and expenses as well as premium 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 42 – Summary of material differences between generally accepted accounting principles in Sweden and USA

Note 43 – Disclosure of fair value

Note 44 – Interest fixing periods

Notes

NOTE 1 – INTEREST INCOME

Group SEK M	1998 Interest	1998 Average balance	1997 Interest	1997 Average balance
Interest receivable				
Credit institutions	5,238	97,525	3,764	
SEK	4,593	87,257	2,871	
Foreign currency	645	10,268	893	
Loans to the public	36,916	507,101	40,877	
SEK	35,543	482,763	39,380	
Foreign currency	1,373	24,338	1,497	
Interest-bearing securities	2,113	46,009	1,466	
SEK	1,866	41,605	1,466	
Foreign currency	247	4,404	0	
Other	37		241	
SEK	37		241	
Foreign currency	0		0	
Total	44,304		46,348	
SEK	42,039		43,958	
Foreign currency	2,265		2,390	
Interest payable				
Credit institutions	6,124	112,854	4,017	
SEK	4,704	88,307	2,522	
Foreign currency	1,420	24,557	1,495	
Deposits and borrowings from the public	5,696	201,598	5,863	
SEK	5,419	195,824	5,618	
Foreign currency	277	5,774	245	
Debt securities in issue	18,965	286,076	21,319	
SEK	14,642	210,899	16,989	
Foreign currency	4,323	75,177	4,330	
Subordinated liabilities	1,850		1,807	
SEK	454		533	
Foreign currency	1,396		1,274	
Other	305		551	
SEK	305		551	
Foreign currency	0		0	
Total	32,940		33,557	
SEK	25,524		26,213	
Foreign currency	7,416		7,344	
Total net interest income	11,364		12,791	
SEK	16,515		17,745	
Foreign currency	– 5,151		– 4,954	
Total average balance, assets		707,139		658,291
Total average balance, liabilities		679,657		629,904
Interest margin	1.42		1.71	
Investment margin	1.61		1.94	
Average interest rate on loans to the public	7.28		n.a.	
Average interest rate on deposits from the public	2.83		n.a.	
Interest receivable on securities classified as current assets	1,779		1,115	

The Bank SEK M	1998 Interest	1998 Average balance	1997 Interest	1997 Average balance
Interest receivable				
Credit institutions	5,939	112,587	4,378	
SEK	5,290	102,202	3,493	
Foreign currency	649	10,385	885	
Loans to the public	14,226	209,181	14,308	
SEK	12,861	185,004	12,787	
Foreign currency	1,365	24,177	1,521	
Interest-bearing securities	2,518	52,634	2,861	
SEK	2,111	45,564	1,892	
Foreign currency	407	7,070	969	
Other	42		155	
SEK	42		155	
Foreign currency	0		0	
Total	22,725		21,702	
SEK	20,304		18,327	
Foreign currency	2,421		3,375	
Interest payable				
Credit institutions	6,319	119,873	4,032	
SEK	4,874	95,129	2,576	
Foreign currency	1,445	24,744	1,456	
Deposits and borrowings from the public	5,614	199,586	5,786	
SEK	5,375	194,497	5,565	
Foreign currency	239	5,089	221	
Debt securities in issue	1,913	34,621	1,169	
SEK	795	15,443	262	
Foreign currency	1,118	19,178	907	
Subordinated liabilities	1,225		1,152	
SEK	293		330	
Foreign currency	932		822	
Other	297		591	
SEK	297		591	
Foreign currency	0		0	
Total	15,368		12,730	
SEK	11,634		9,324	
Foreign currency	3,734		3,406	
Total net interest income	7,357		8,972	
SEK	8,670		9,003	
Foreign currency	- 1,313		- 31	
Total average balance, assets		428,884		406,515
Total average balance, liabilities		405,971		380,946
Interest margin	1.51		2.00	
Investment margin	1.72		2.21	
Average interest rate on loans to the public	6.80		7.16	
Average interest rate on deposits from the public	2.81		2.70	
Interest receivable on securities classified as current assets	1,981		1,892	

NOTE 2 – DIVIDENDS RECEIVED

SEK M	Group		The Bank	
	1998	1997	1998	1997
Shares and participating interests	155	231	152	230
Shares in associated companies		1	30	1
Shares in Group companies*			6,022	2,947
Total	155	232	6,204	3,178
* of which through Group contributions			3,195	2,946

NOTE 3 – COMMISSIONS RECEIVABLE

SEK M	Group		The Bank	
	1998	1997	1998	1997
Payment processing commissions	1,399	1,323	1,395	1,292
Lending commissions	322	372	299	321
Deposit commissions	80	201	75	197
Guarantee commissions	118	112	118	112
Securities commissions				
Brokerage	494	568	485	564
Asset management	1,979	1,592	1,007	794
Other securities commissions	161	216	168	211
Other commissions				
Real estate brokerage commissions	241	298		
Other	570	491	488	415
Total	5,364	5,173	4,035	3,906

NOTE 4 – COMMISSIONS PAYABLE

SEK M	Group		The Bank	
	1998	1997	1998	1997
Payment processing commissions	574	509	570	504
Securities commissions	89	111	71	85
Other commissions	421	328	31	42
Total	1,084	948	672	631

NOTE 5 – NET PROFIT ON FINANCIAL OPERATIONS

SEK M	Group		The Bank	
	1998	1997	1998	1997
Realized gains/losses				
Shares/participating interests	180	428	152	396
Interest-bearing securities	278	698	236	694
Other financial instruments	2	1	5	4
Total	460	1,127	393	1,094
Unrealized changes in value				
Shares/participating interests	220	-183	207	-167
Interest-bearing securities	-86	-320	-72	-361
Other financial instruments	1	0	1	0
Total	135	-503	136	-528
Change in exchange rates	232	306	229	315
Total	827	930	758	881

NOTE 6 – OTHER OPERATING INCOME

SEK M	Group		The Bank	
	1998	1997	1998	1997
Income from real estate operations	168	247	192	271
Net operating income, properties taken over	0	257	2	3
Capital gains, financial fixed assets	518	3	575	3
Capital gains, properties, equipment	1,019		1,077	5
Capital gains, operations sold	312	68	312	133
IT services	415	304	437	332
Share of profit of associated companies	44	42		
Other operating income	252	212	184	150
Total	2,728	1,133	2,779	897

NOTE 7 – STAFF COSTS

SEK M	Group		The Bank	
	1998	1997	1998	1997
Wages, salaries and other remuneration	3,722	4,028	3,378	3,610
Pension costs				
Calculated costs	79	116	74	107
Premiums paid	396	576	362	532
Social insurance charges	1,282	1,445	1,165	1,299
Training costs	130	106	123	98
Other staff costs	151	140	120	108
Total	5,760	6,411	5,222	5,754
Wages, salaries and remuneration to the Board, President and Executive Vice Presidents	68	74	46	49
to other employees in Sweden	3,590	3,908	3,296	3,518
to other employees outside Sweden	62	43	35	43
Bonuses and comparable remuneration to the President and Executive Vice Presidents	2	3	1	
Total	3,722	4,028	3,378	3,610

Number of hours worked (thousands)	20,917	22,261	19,039	20,300
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	Group	
	1998	1997
Average number of employees based on 1,570 hours per employee		
FöreningsSparbanken	12,127	12,930
Spintab	233	305
FöreningsSparbanken Finans	140	165
Robur Kapitalförvaltning	113	114
Mandamus	11	72
Sparbanken Sverige Administration	371	447
Swedbank Luxembourg	46	44
Kundinkasso	37	39
Föreningsbanken Försäkring		11
FöreningsSparbanken Företagskredit	1	1
Späria	2	1
Sparfond	123	
FöreningsSparbanken Öland	65	
Eskilstuna Rekarne Sparbank	56	50
Total	13,325	14,179
of whom, in		
Luxembourg	46	46
Great Britain	23	24
USA	31	31
Japan	2	2
Total	102	103

The number of employees in the Group on December 31 based on the number of employees excluding long-term absentees in relation to hours worked expressed as full-time positions **11,734** 12,454

The average number of employees by gender: Group, 60% women and 40% men; the Bank, 61% women and 39% men. The underlying employee turnover was 4 per cent, excluding the offer issued in connection with the merger.

Average number of employees in %	Women	Men
Sweden	60	40
Luxembourg	40	60
Great Britain	30	70
USA	31	69
Japan	50	50

Information on remuneration paid to senior executives**Directors' fees and remuneration**

Annual remuneration to the Board of Directors approved by the Annual General Meeting	6,100
of which, to the Chairman	1,200
Remuneration paid to the President	5,006
of which non pension qualifying bonus	700

The Chairman of the Board, in his capacity as Chairman of the Board of AB Spintab, receives an annual director's fee of SEK 225,000.

No cost is charged to the Bank for an expiring pension to the Chairman. Remuneration is not paid to members of the Board with employment agreements with the Bank. All external Directors' fees to members of the Executive Management are paid to the Bank.

In addition to his fee determined by the Annual General Meeting, the First Deputy Chairman receives as a benefit free housing in Stockholm.

Pensions SEK thousands	Group 1998	The Bank 1998
The year's costs for pensions or similar benefits:		
To the Board	—	—
To the President and Executive Vice Presidents	14,333	9,768

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 cost at the same rate at which his pension is earned. Other members of the Executive Management have the right to retire at age 60 with 60-70 per cent of their salary less other pensions received.

Termination conditions for the Executive Management

On notice of termination from the Bank, salary is paid during the term of notice, which is 6-12 months. To this is added severance pay for 12-24 months and in one case 36 months. Settlement is made if the individual in question obtains new employment before age 55.

Loans to senior executives in the Group

SEK thousands	Group 1998	The Bank 1998
President, Deputy President and Executive Vice Presidents (a total of 55 individuals)	53,817	31,862
Members of the Board of Directors and their deputies (a total of 111 individuals)	66,606	10,233

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

NOTE 8 – OTHER ADMINISTRATIVE EXPENSES

SEK M	Group		The Bank	
	1998	1997	1998	1997
Expenses for premises	249	382	232	345
Rents, etc.	715	542	689	551
IT expenses	1,222	949	1,110	853
Telecommunications, postage	757	668	667	589
Consulting and outside services	635	860	576	795
Travel, entertainment	235	249	212	228
Office supplies	233	190	224	180
Advertising, public relations, marketing	594	659	440	521
Security transports, alarm systems	165	135	165	135
Other administrative expenses	648	651	611	593
Other overhead expenses	145	218	114	106
Total	5,598	5,503	5,040	4,896

Compensation to the Group's Auditors for accounting work and consultations:

SEK M	Group		The Bank	
	1998	1997	1998	1997
Deloitte & Touche	8	9	6	6
Öhrlings PricewaterhouseCoopers	1	1	1	0
Ernst & Young	2	2	1	1
Total	11	12	8	7

NOTE 9 – DEPRECIATION/AMORTIZATION AND WRITE-DOWNS OF TANGIBLE AND INTANGIBLE ASSETS

SEK M	Group		The Bank	
	1998	1997	1998	1997
Depreciation				
Equipment	307	272	269	209
Real estate	67	89	64	77
Amortization of goodwill	294	235	101	98
Total	668	596	434	384

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

NOTE 10 – LOAN LOSSES, NET

SEK M	1998	Group 1997	1998	The Bank 1997
Claims assessed individually				
The year's write-down for established loan losses	3,510	4,846	2,502	3,515
Reversal of provisions previously made for anticipated loan losses	- 2,325	- 3,169	- 1,643	- 2,389
The year's provisions for anticipated loan losses	1,782	3,325	895	1,993
Recoveries from previous years' established loan losses	- 411	- 499	- 208	- 276
Recovered provisions for anticipated loan losses	- 1,546	- 1,570	- 830	- 926
The year's net expense for individually assessed loan losses	1,010	2,933	716	1,917
Claims assessed collectively				
The year's established loan losses	94	129	93	108
Recoveries from previous years' established loan losses	- 13	- 12	- 11	- 4
Allocations/withdrawals from loan loss reserve	- 52	- 36	- 4	- 7
The year's net expense for collectively assessed claims	29	81	78	97
Contingent liabilities				
The year's net expense for discharged guarantees and other contingent liabilities	26 *	16 *	19	7
Total loan losses	1,065	3,030	813	2,021
Less: loan losses applied directly to the acquisition analysis	- 78	- 1,681	- 78	- 1,282
Net loan loss expense for the year	987	1,349	735	739
* of which				
established	3	7		
provisions	28	43		
recovered	- 5	- 34		

Loan losses divided by category

SEK M	1998	Group 1997	1998	The Bank 1997
Write-down of, and provisions for, claims				
Credit institutions	18	52	18	52
General public	3,074	5,129	1,867	3,250
Total	3,092	5,181	1,885	3,302
Recoveries of claims				
Credit institutions	- 75	0	- 75	0
General public	- 1,952	- 2,151	- 997	- 1,281
Total	- 2,027	- 2,151	- 1,072	- 1,281
Total	1,065	3,030	813	2,021

Loan losses and change in value of property taken over

SEK M	1998	Group 1997	1998	The Bank 1997
Total loan losses	1,065	3,030	813	2,021
Total change in value of property taken over, see Note 11	15	2,528	2	2
Total	1,080	5,558	815	2,023
Less: loan losses applied directly to the acquisition analysis	- 78	- 1,681	- 78	- 1,282
Less: change in value of property taken over applied to the acquisition analysis		- 2,365		
The year's net expense for loan losses and change in value of property taken over	1,002	1,512	737	741

Problem loans

SEK M	Group		The Bank	
	1998	1997	1998	1997
Unsettled claims for which accrued interest has also been entered as income	1,885	1,872	583	154
Problem loans				
Doubtful claims	4,118	6,222	1,803	3,015
Claims with interest concessions	438	626	212	327
Total net problem loans	4,556	6,848	2,015	3,342
Provisions	3,942	6,289	2,312	4,176
Total gross problem loans	8,498	13,137	4,327	7,518
Provision ratio, doubtful claims, %	48.9	50.3	56.2	58.1
Lost interest on problem loans*	668	992	273	482
Current yield on problem loans during the financial year, SEK M	352	579	179	282
Yield on average gross book value of problem loans, %	3.11	4.12	2.90	3.40
Average interest rate on claims in SEK which do not constitute problem loans, %	6.85	8.16	5.72	6.51

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

NOTE 11 – CHANGE IN VALUE OF PROPERTY TAKEN OVER

SEK M	Group		The Bank	
	1998	1997	1998	1997
Realized change in value				
Real estate	1	716	2	4
Other property	11	-8	0	-8
Total	12	708	2	-4
Unrealized change in value				
Real estate	0	1,816	0	2
Other property	3	4	0	4
Total	3	1,820	0	6
Total	15	2,528	2	2
Change in value of property taken over applied to the acquisition analysis		-2,365		
Total	15	163	2	2

Property taken over

SEK M	Group		The Bank	
	1998	1997	1998	1997
Book value				
Buildings and land	25	3,032	19	40
Condominiums	1	3	0	3
Shares and other participating interests	25	28	16	16
Other property taken over	5	8	5	5
Total	56	3,071	40	64

Changes from the beginning of the year are attributable to the demerger of Mandamus Fastigheter AB from the Group.

Property taken over for the protection of claims

	Number	Book value SEK M	Fair value SEK M	Book value/sq.m. lettable area SEK	Yield %
Group 1998					
Sweden					
Multi-family housing	1	4	4	6,731	3.4
Industrial and warehouse properties	3	7	7	1,263	12.2
Single-family homes	8	4	4		
Other properties	9	1	1		
Other countries					
Other properties	2	9	9		
Total	23	25	25		

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

NOTE 12 – APPROPRIATIONS

SEK M	Group		The Bank	
	1998	1997	1998	1997
Allocation to untaxed reserves			– 975	– 1,088
Settlement of pensions	44	6	42	2
Total	44	6	– 933	– 1,086
Allocations/withdrawals The Bank				
SEK M			1998	1997
Accumulated accelerated depreciation				
Equipment			– 113	
Real estate			4	
Tax allocation reserve			– 866	– 1,088
Total			– 975	– 1,088

Settlement of pensions

SEK M	Group		The Bank	
	1998	1997	1998	1997
Calculated pension costs	86	115	82	108
Pensions paid	– 11	– 10	– 11	– 10
Payroll tax and tax on yield	– 84	– 94	– 82	– 91
Allowance from pension funds	47	6	47	6
Provisions to pension funds	6	– 11	6	– 11
Total	44	6	42	2

NOTE 13 – TAX ON PROFIT FOR THE YEAR

SEK M	Group		The Bank	
	1998	1997	1998	1997
Tax related to previous years	– 1	34	1	5
Estimated tax on profit for the year	1,010	1,245	1,805	1,234
Deferred tax	709	109	110	– 14
Total	1,718	1,388	1,916	1,225

NOTE 14 – TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS

Group	Fair value		Book value		Accrued acquisition value		Nominal amount	
	1998	1997	1998	1997	1998	1997	1998	1997
SEK M								
Treasury bills and other bills eligible for refinancing with central banks								
Current assets								
Swedish Government	35,859	5,385	35,451	5,097	35,398	4,997	34,792	5,242
Sveriges Riksbank								
Swedish municipalities	1,018	74	1,018	74	991	74	986	75
Foreign governments	615	718	615	718	615	722	797	1,043
Total	37,492	6,177	37,084	5,889	37,004	5,793	36,575	6,360
Fixed assets								
Swedish municipalities	39	43	37	40	37	40	36	39
Total	39	43	37	40	37	40	36	39
Total	37,531	6,220	37,121	5,929	37,041	5,833	36,611	6,399
of which								
in foreign currency			937	1,083				
The Bank								
SEK M								
Treasury bills and other bills eligible for refinancing with central banks								
Current assets								
Swedish Government	35,740	5,202	35,332	4,914	35,274	4,814	34,679	5,062
Sveriges Riksbank								
Swedish municipalities	1,018	74	1,018	74	991	74	986	75
Foreign governments	615	718	615	718	614	722	797	1,043
Total	37,373	5,994	36,965	5,706	36,879	5,610	36,462	6,180
Fixed assets								
Swedish municipalities	39	43	37	40	37	40	36	39
Total	39	43	37	40	37	40	36	39
Total	37,412	6,037	37,002	5,746	36,916	5,650	36,498	6,219
of which								
in foreign currency			937	1,028				

Summary of maturities SEK M	Group		The Bank	
	1998	1997	1998	1997
Remaining maturity				
≤ 1 year	27,021	3,578	26,956	3,444
> 1 year — 5 years	7,533	829	7,492	800
> 5 year — 10 years	1,251	1,522	1,238	1,502
> 10 years	1,316		1,316	
Total	37,121	5,929	37,002	5,746

Average remaining maturity	1.2 years	2.2 years	1.2 years	2.3 years
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The book value in the Group in 1998 exceeded the nominal value by SEK 510 M.

Group SEK M	Discounting instrument	Coupon instrument	Total
Surplus value		1,119	1,119
Discounted value	– 430	– 179	– 609
Total	– 430	940	510

The book value in the Bank in 1998 exceeded the nominal value by SEK 504 M.

The Bank SEK M	Discounting instrument	Coupon instrument	Total
Surplus value		1,112	1,112
Discounted value	– 430	– 178	– 608
Total	– 430	934	504

NOTE 15 – LOANS TO CREDIT INSTITUTIONS

SEK M	Group		The Bank	
	1998	1997	1998	1997
Fixed assets				
Swedish banks				
Swedish banks	13,088	12,801	13,226	12,778
Total	13,088	12,801	13,226	12,778
Other Swedish credit institutions				
Other Swedish credit institutions	4,501	3,620	24,263	15,252
Provision for anticipated loan losses	– 36	– 210	– 36	– 210
Total	4,465	3,410	24,227	15,042
Foreign banks				
Foreign banks	53,917	72,998	54,128	73,262
Provision for anticipated loan losses	– 8	– 7	– 8	– 7
Total	53,909	72,991	54,120	73,255
Total	71,462	89,202	91,573	101,075
of which				
in foreign currency	16,131	7,201	16,087	7,549
Group companies			20,360	12,053
associated companies	220	660	220	660
Subordinated assets	1998	1997	1998	1997
Group companies			174	1,199
Associated companies	150	130	150	130
Other	112	22	112	22
Total	262	152	436	1,351

Summary of maturities SEK M	Group		The Bank	
	1998	1997	1998	1997
Remaining maturity				
payable on demand	12,309	2,689	18,335	2,118
= 3 months	52,831	81,827	58,364	88,673
≤ 3 months – 1 year	5,348	3,650	10,485	4,456
> 1 year – 5 years	974	1,028	4,344	5,275
> 5 years	0	8	45	553
Total	71,462	89,202	91,573	101,075

Average remaining maturity	0.2 years	0.2 years	0.3 years	0.4 years
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NOTE 16 – LOANS TO THE PUBLIC

SEK M	Group		The Bank	
	1998	1997	1998	1997
Fixed assets				
Swedish public*	501,195	481,897	192,640	191,360
Foreign public	13,019	13,312	12,794	13,027
Insurance companies	6,593	9,972	6,593	9,972
Provision for anticipated loan losses, Swedish public	- 3,739	- 5,886	- 2,120	- 3,850
Provision for anticipated loan losses, foreign public	- 159	- 185	- 149	- 108
Total	516,909	499,110	209,758	210,401
of which				
in foreign currency	23,732	25,848	23,499	26,090
Group companies			29	4,098
subordinated assets				
other	160	160	160	160
* Public savings accounts, gross		- 7,158		- 7,158
of which, claim on the National Debt Office		7,844		7,844
Net		686		686

Summary of maturities* SEK M	Group		The Bank	
	1998	1997	1998	1997
Remaining maturity payable on demand	8,388	14,534	6,535	15,203
= 3 months	123,260	106,500	68,524	56,809
≤ 3 months – 1	84,986	86,448	40,170	34,555
> 1 year – 5 years	213,391	224,231	36,919	54,393
> 5 years	86,884	67,397	57,610	49,441
Total	516,909	499,110	209,758	210,401

Average remaining maturity 3.5 years 3.2 years 4.1 years 3.9 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.

NOTE 17 – BONDS AND OTHER INTEREST-BEARING SECURITIES IN THE BANKING OPERATIONS

Group SEK M	Fair value		Book value		Accrued acquisition value		Nominal amount	
	1998	1997	1998	1997	1998	1997	1998	1997
Issued by other than public agencies								
Current assets								
Swedish mortgage institutions	12,506	12,694	12,506	12,688	12,316	12,602	12,066	12,386
Other Swedish issuers								
Non-financial companies	1,542	1,243	1,542	1,243	1,522	1,242	1,554	1,251
Financial companies	1,622	2,717	1,622	2,717	1,626	2,716	1,629	2,720
Other issuers outside	1,812	804	1,812	804	1,805	795	1,805	797
Total	17,482	17,458	17,482	17,452	17,269	17,355	17,054	17,154
of which, subordinated			366	22				
Fixed assets								
Swedish mortgage institutions	3,262	3,049	3,103	3,049	3,102	3,049	2,964	2,814
Other Swedish issuers								
Non-financial companies	1,534	1,467	1,529	1,461	1,529	1,461	1,550	1,470
Other financial companies	674	1,435	639	1,404	639	1,404	631	1,409
Total	5,470	5,951	5,271	5,914	5,270	5,914	5,145	5,693
of which, subordinated			104	98				
Total	22,952	23,409	22,753	23,366	22,539	23,269	22,199	22,847
of which								
in foreign currency			3,029	3,193				
listed			14,855	15,186				

The Bank	Fair value		Book value		Accrued acquisition value		Nominal amount	
SEK M	1998	1997	1998	1997	1998	1997	1998	1997
Issued by other than public agencies								
Current assets								
Swedish mortgage institutions	18,286	26,820	18,286	26,816	18,100	26,582	17,780	26,386
Other Swedish issuers								
Non-financial companies	1,531	1,231	1,531	1,231	1,510	1,230	1,542	1,239
Financial companies	1,604	2,717	1,604	2,717	1,609	2,716	1,612	2,720
Other issuers outside	1,812	804	1,812	804	1,805	795	1,805	797
Total	23,233	31,572	23,233	31,568	23,024	31,323	22,739	31,142
of which, subordinated			366	22				
Fixed assets								
Swedish mortgage institutions	4,636	6,036	4,483	5,918	4,483	5,918	4,345	5,667
Other Swedish issuers								
Non-financial companies	1,534	1,467	1,529	1,461	1,529	1,461	1,550	1,470
Other financial companies	673	1,435	638	1,404	638	1,404	630	1,409
Total	6,843	8,938	6,650	8,783	6,650	8,783	6,525	8,546
of which, subordinated			104	98				
Total	30,076	40,510	29,883	40,351	29,674	40,106	29,264	39,688
of which								
in foreign currency			5,662	6,086				
Group companies			7,609	17,667				
listed			21,337	29,252				

The book value in the Group in 1998 exceeded the nominal value by SEK 554 M.

Group	Discounting instrument	Coupon instrument	Total
SEK M			
Surplus value		648	648
Discounted value	- 74	- 20	- 94
Total	- 74	628	554

The book value in the Bank in 1998 exceeded the nominal value by SEK 619 M.

The Bank	Discounting instrument	Coupon instrument	Total
SEK M			
Surplus value		717	717
Discounted value	- 78	- 20	- 98
Total	- 78	697	619

Summary of maturities
SEK M

	Group		The Bank	
	1998	1997	1998	1997
Remaining maturity				
≤ 1 year	11,202	10,319	14,585	21,711
> 1 year — 5 years	10,768	11,266	13,084	14,179
> 5 years — 10 years	625	1,595	1,895	4,227
> 10 years	158	186	319	234
Total	22,753	23,366	29,883	40,351

Average remaining maturity

	1.5 years	1.8 years	1.7 years	1.8 years
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NOTE 18 – BONDS AND OTHER INTEREST-BEARING SECURITIES IN THE INSURANCE OPERATIONS

Group SEK M	Fair value		Book value		Accrued acquisition value		Nominal amount	
	1998	1997	1998	1997	1998	1997	1998	1997
Current assets								
Swedish Government	109		109		105		99	
Swedish mortgage institutions	122		122		118		113	
Other Swedish issuers	106		106		106		106	
Non-financial companies	11		11		10		10	
Total	348		348		339		328	
of which listed			348					

Summary of maturities

SEK M	1998
Remaining maturity	
≤ 1 year	126
> 1 year – 5 years	208
> 5 years– 10 years	14
> 10 years	
Total	348

Average remaining maturity 1.9 years

The book value in the Group in 1998 exceeded the nominal value by SEK 20 M.

Group SEK M	Discounting instrument	Coupon instrument	Total
Surplus value		21	21
Discounted value	– 1	0	– 1
Total	– 1	21	20

NOTE 19 – SHARES AND PARTICIPATING INTERESTS

SEK M	Group		The Bank	
	1998	1997	1998	1997
Current assets				
Trading stock	3,645,3	2,649,6	3,552,4	2,583,4
For protection of claims	25,7	31,6	16,0	18,6
Fund shares	673,0	822,7		
Total	4,344,0	3,503,9	3,568,4	2,602,0
Fixed assets				
Condominiums	34,8	38,7	31,3	34,5
Shares in credit institutions	1,215,2	1,651,4	1,215,2	1,651,4
Other shares	527,8	6,8	527,8	6,8
Total	1,777,8	1,696,9	1,774,3	1,692,7
Shares and participating interests	6,121,8	5,200,8	5,342,7	4,294,7

Insurance operations

Fixed assets	
Other shares	23.7
Total	23.7

Banking operations

Group	Number	Book value	Share of voting rights
SEK M		1998	1998
Current assets in Sweden			
Trading stock*		3,645.3	
Other			
Fund shares		673.0	
Shares for protection of claims		24.7	
Condominiums for protection of claims		1.0	
Total		4,344.0	
Fixed assets in Sweden			
Credit institutions			
HSB Bank AB	2,000	52.0	9.10
AB Svensk Exportkredit	74,200	272.6	10.59
Other			
OM Gruppen AB*	3,723,721	505.7	4.45
Hedera Group Treasury AB	97,250	17.0	4.60
Upplysningscentralen UC AB	2,000	0.2	20.00
Bankgirocentralen BGC AB	6,150	0.6	13.10
Värdepapperscentralen VPC AB	13,900	0.2	2.37
AKTIVA Jämtland & Härjedalen AB	450	0.6	4.50
Other**		3.4	
Condominiums		34.8	
Total		887.1	
Fixed assets outside Sweden			
Credit institutions			
Baltic Rim Fund Ltd, Jersey	750	6.7	8.86
Bank Handlowy*, PLN shares	3,249,000	227.4	3.50
Bank Handlowy*, PLN convertibles***	2,331,000	163.1	
Erste Bank Wien*, ATS	750,000	285.3	1.69
Sparebanken Nor*, NOK, primary capital certificates	1,633,667	206.9	3.48
Other**		1.3	
Total		890.7	
Total		6,121.8	

Insurance operations

Tornet	200,000	23.7	0.70
Total		23.7	

The Bank	Number	Book value	Share of voting rights
SEK M		1998	1998
Current assets in Sweden			
Trading stock*		3,552.4	
Other			
Shares for protection of claims		16.0	
Total		3 568.4	
Fixed assets in Sweden			
Credit institutions			
HSB Bank AB	2,000	52.0	9.10
AB Svensk Exportkredit	74,200	272.6	10.59
Other			
OM Gruppen AB*	3,723,721	505.7	4.45
Hedera Group Treasury AB	97,250	17.0	4.60
Upplysningscentralen UC AB	2,000	0.2	20.00
Bankgirocentralen BGC AB	6,150	0.6	13.10
Värdepapperscentralen VPC AB	13,900	0.2	2.37
AKTIVA Jämtland & Härjedalen AB	450	0.6	4.50
Other**		3.4	
Condominiums		31.3	
Total		883.6	
Fixed assets outside Sweden			
Credit institutions			
Baltic Rim Fund Ltd, Jersey	750	6.7	8.86
Bank Handlowy*, PLN shares	3,249,000	227.4	3.50
Bank Handlowy*, PLN convertibles***	2,331,000	163.1	
Erste Bank Wien*, ATS	750,000	285.3	1.69
Sparebanken Nor*, NOK, primary capital certificates	1,633,667	206.9	3.48
Other**		1.3	
Total		890.7	
Total		5,342.7	

The market value of the shares in OM Gruppen AB was SEK 380 M at year-end.

The market value of the shares in Bank Handlowy was SEK 324 M at year-end.

The market value of the shares in Erste Bank was SEK 322 M at year-end.

The market value of the primary capital certificates in Sparebanken Nor was SEK 257 M at year-end.

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

** A specification can be obtained from FöreningsSparbanken AB, Group Accounting.

*** After conversion, 2.5 per cent of the capital. The share of the voting rights in each company corresponds to the share of their equity.

NOTE 20 – SHARES AND PARTICIPATING INTERESTS IN ASSOCIATED COMPANIES

SEK M	Group		The Bank	
	1998	1997	1998	1997
Fixed assets in Sweden				
Credit institutions	3,185.1	438.6	3,242.6	515.5
Other associated companies	0.2	220.4	0.2	219.9
Total	3,185.3	659.0	3,242.8	735.4
Group		Number	Book value	Share of voting rights
SEK M			1998	1998
Fixed assets in Sweden				
Credit institutions				
FöreningsSparbanken Sjuhärad AB		950,000	287.5	47.50
Share of profit according to equity method			12.6	
FöreningsSparbanken Söderhamn AB		256,000	62.3	40.00
Other				
Sambox Väst AB		250	0.2	50.00
Other			0.0	
Total			362.6	
Fixed assets outside Sweden				
Credit institutions				
Aktia Sparbank Ab, FIM		8,600,000	190.5	24.39
Share of profit according to equity method			59.4	
Hansapank**, EEK		43,370,150	2,577.3	49.98
Share of profit according to equity method			- 4.5	
Total			2,822.7	
Total			3,185.3	
The Bank		Number	Book value	Share of voting rights
SEK M			1998	1998
Fixed assets in Sweden				
Credit institutions				
FöreningsSparbanken Sjuhärad AB		950,000	287.5	47.50
Eskilstuna-Rekarne Sparbank AB*		865,000	125.0	50.00
FöreningsSparbanken Söderhamn AB		256,000	62.3	40.00
Other				
Sambox Väst AB		250	0.2	50.00
Other			0.0	
Total			475.0	
Fixed assets outside Sweden				
Credit institutions				
Aktia Sparbank Ab, FIM		8,600,000	190.5	24.39
Hansapank**, EEK		43,370,150	2,577.3	49.98
Total			2,767.8	
Total			3,242.8	

Information on registered addresses and registration numbers can be found in the list of addresses.

* Eskilstuna Rekarne Sparbank AB is consolidated according to the proportional method.

** Book value includes SEK 237.7 M, corresponding to the acquisition value of 5.1 per cent of the voting rights sold to Bank Handlowy with a so-called double option expiring in the year 2002. FöreningsSparbanken also holds an option to acquire additional shares in Hansapank corresponding to 2.6 per cent of the voting rights in December 1999. The latter is reported among other assets. Hansapank is a listed company and its market capitalization at year-end was SEK 1,279 M.

Other companies are not publicly listed.

NOTE 21 – SHARES AND PARTICIPATING INTERESTS IN GROUP COMPANIES

SEK M	Group		The Bank	
	1998	1997	1998	1997
For protection of claims	0.0	0.0	0.0	0.0
Shares in subsidiaries which are not consolidated		117.7		0.0
Shares in Group companies according to the equity method		104.3		90.0
Fixed assets				
Shares in Swedish credit institutions			12,597.7	12,462.7
Shares in credit institutions outside Sweden			118.9	118.9
Shares in other Swedish companies			3,463.1	3,554.9
Shares in other companies outside Sweden			16.3	28.0
Total	0.0	222.0	16,196.0	16,254.5

Group	Number	Book value	Share of voting rights
SEK M		1998	1998
Current assets			
For protection of claims			
Connecta SA in liquidation, FRF	219,695	0.0	100
Pamir Holding BV in liquidation, NLG	40	0.0	100
Total		0.0	

The Bank	Number	Book value	Share of voting rights
SEK M		1998	1998
Current assets			
For protection of claims			
Connecta SA in liquidation, FRF	219,695	0.0	100
Pamir Holding BV in liquidation, NLG	40	0.0	100
Total		0.0	
Fixed assets in Sweden			
Credit institutions			
AB Spintab	23,000,000	11,927.6	100
FöreningsSparbanken Finans AB	345,000	415.1	100
FöreningsSparbanken Företagskredit AB	200,000	120.0	100
FöreningsSparbanken Öland AB	780,000	135.0	60
Other			
FöreningsSparbanken Administration AB	10,000	1.0	100
Kundinkasso AB	5,000	5.0	100
Robur Kapitalförvaltning AB	10,000,000	1,946.2	100
SparFond Livförsäkringsbolag AB	150,000	1,097.3	100
Späria Försäkringsbolag AB	30,000	30.0	100
Fastighets AB Kärven	15,000	20.5	100
Fastighets AB Repslagaren	15,000	116.1	100
Hällsta Fastighets AB	7,350	112.3	100
Mandamus AB	500	120.0	100
Mälarprovinsernas Fastighets AB	30,000	14.2	100
Other		0.5	
Total		16,060.8	
Fixed assets outside Sweden			
Credit institutions			
Swedbank (Luxembourg) S.A, LUF	299,999	118.9	100
Other credit institutions		0.0	
Other			
Swedbank Securities Inc, USD	100	16.3	100
Other		0.0	
Total		135.2	
Total		16,196.0	

None of the shares are listed.

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

Information on registered addresses and registration numbers can be found in the list of addresses.

NOTE 22 – INTANGIBLE FIXED ASSETS

SEK M	Group		The Bank	
	1998	1997	1998	1997
Goodwill	4,129	3,323	1,859	1,942
Other	1	3	1	3
Total	4,130	3,326	1,860	1,945

	Group		The Bank	
	1998	1997	1998	1997
Acquisition value*	4,853	3,758	2,020	2,043
due during the year*	1,097	2,003	18	2,040
Accumulated amortizations	- 723	- 432	- 160	- 98
of which, amortization	- 294	- 235	- 101	- 98
Total	4,130	3,326	1,860	1,945

* Of which, SEK 887 million relates to goodwill that arose in 1998 from the acquisition of SparFond and SEK 2,000 million to goodwill that arose in 1997 from the acquisition of Föreningsbanken.

NOTE 23 – TANGIBLE ASSETS

SEK M	Group		The Bank	
	1998	1997	1998	1997
Current assets				
Properties taken over to protect claims	25	3,032	19	40
Total	25	3,032	19	40
Fixed assets				
Equipment	1,245	797	1,154	712
Properties used in the Group's operations	2,787	4,632	2,592	4,258
Total	4,032	5,429	3,746	4,970
Total	4,057	8,461	3,765	5,010

Specification of tangible fixed assets

	Equipment				Properties used in operations			
	Group		The Bank		Group		The Bank	
	1998	1997	1998	1997	1998	1997	1998	1997
Acquisition value	3,008	3,093	2,663	2,724	2,531	4,720	2,301	4,241
due during the year	827	472	739	442	73	149	30	133
deductible during the year	- 912	- 103	- 800	- 76	- 2,262	- 473	- 1,970	- 342
Accumulated depreciation of which for the year	- 1,763	- 2,296	- 1,509	- 2,012	- 314	- 654	- 279	- 553
	- 307	- 272	- 269	- 209	- 67	- 89	- 64	- 77
Accumulated write-downs						4		
Accumulated revaluations					570	570	570	570
Total	1,245	797	1,154	712	2,787	4,632	2,592	4,258
Tax assessment values					2,137	3,743	2,107	3,619

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

NOTE 24 – OTHER ASSETS

SEK M	Group		The Bank	
	1998	1997	1998	1997
Current assets				
Security settlement claims*	1,584	3,789	1,584	3,000
Derivatives*	17,185	12,953	16,319	12,182
Other assets**	6,533	6,471	1,842	5,124
Group contributions, shareholders' contributions			3,195	2,946
Total	25,302	23,213	22,940	23,252
of which				
in foreign currency	8,322	7,349	7,472	6,193

* Booked on the balance sheet according to current netting rules.				
Gross security settlement claims	4,039	10,787	4,039	9,998
Gross derivatives	17,769	13,377	16,903	12,606

** Repossessed leasing assets amounted to SEK 1 M (2).

NOTE 25 – DERIVATIVES

Group, 1998

**Derivatives with positive fair values or nil value
Derivatives reported wholly or in part on the balance sheet**

SEK M	Interest-rate-related			Currency-related			Equity-related			Other Book value	Nominal value
	Fair value	Book value	Nominal value	Fair value	Book value	Nominal value	Fair value	Book value	Nominal value		
Options held	26	26	677	326	326	15,640	1,473	1,247	8,973		
Forward contracts with positive value	1,151	1,151	414,457	4,431	4,431	226,199	52	52	296		
Swaps with positive value	9,573	8,191	162,194	3,851	1,139	43,400					
Other derivatives with positive value	67	67	4,711	2	2	6,545					
Total	10,817	9,435	582,039	8,610	5,898	291,784	1,525	1,299	9,269	2	13
of which, cleared	467	467	159,647				185	185	3,381	2	13

Derivatives not reported on the balance sheet

Forward contracts with positive value	197		8,763	170		4,763					
Other derivatives with positive value											
Total	197		8,763	170		4,763					
of which, cleared											

Total	11,014	9,435	590,802	8,780	5,898	296,547	1,525	1,299	9,269	2	13
of which, cleared	467	467	159,647				185	185	3,381		

The unrealized gain on positive derivatives deferred due to hedge accounting is SEK 4,687 M.

**Derivatives with negative fair values
Derivatives reported wholly or in part on the balance sheet**

Options issued	0	0	107	387	387	16,895	1,606	1,380	8,686		
Forward contracts with negative value	1,157	1,157	448,973	4,433	4,433	221,075	35	35	371		
Swaps with negative value	11,344	10,559	189,612	1,684	1,539	31,690					
Other derivatives with negative value	54	54	9,792	7	7	4,979				0	6
Total	12,555	11,770	648,484	6,511	6,366	274,639	1,641	1,415	9,057	0	6
of which, cleared	464	464	186,647				185	185	3,796	0	6

Derivatives not reported on the balance sheet

Forward contracts with negative value				345		9,272					
Other derivatives with negative value											
Total				345		9,272					
of which, cleared											

Total	12,555	11,770	648,484	6,856	6,366	283,911	1,641	1,415	9,057	0	6
of which, cleared	464	464	186,647				185	185	3,796		

The unrealized loss on negative derivatives deferred due to hedge accounting is SEK 1,502 M.

The Bank, 1998

Derivatives with positive fair values or nil value
Derivatives reported wholly or in part on the balance sheet

SEKM	Interest-rate-related			Currency-related			Equity-related			Other	Nominal value
	Fair value	Book value	Nominal value	Fair value	Book value	Nominal value	Fair value	Book value	Nominal value		
Options held	26	26	677	326	326	15,640	1,256	1,174	8,385		
Forward contracts with positive value	1,148	1,148	414,457	4,459	4,459	231,426	52	52	296		
Swaps with positive value	8,871	7,986	150,530	1,495	1,391	22,574					
Other derivatives with positive value	67	67	4,711	2	2	6,545				2	2
Total	10,112	9,227	570,375	6,282	6,178	276,185	1,308	1,226	8,681	2	2
of which, cleared	464	464	159,647				185	185	3,381		13
Derivatives not reported on the balance sheet											
Forward contracts with positive value	197		8,763	141		3,866					
Other derivatives with positive value											
Total	197		8,763	141		3,866					
of which, cleared											
Total	10,309	9,227	579,138	6,423	6,178	280,051	1,308	1,226	8,681	2	13
of which, cleared	464	464	159,647				185	185	3,381		

The unrealized gain on positive derivatives deferred due to hedge accounting is SEK 1,409 M.

Derivatives with negative fair values
Derivatives reported wholly or in part on the balance sheet

Options issued	0	0	107	387	387	16,895	1,392	1,309	8,112		
Forward contracts with negative value	1,157	1,157	448,973	4,468	4,468	224,831	35	35	371		
Swaps with negative value	10,874	10,717	173,755	875	918	17,407					
Other derivatives with negative value	54	54	9,792	7	7	4,979				0	0
Total	12,085	11,928	632,627	5,737	5,780	264,112	1,427	1,344	8,483	0	6
of which, cleared	464	464	186,647				185	185	3,796		
Derivatives not reported on the balance sheet											
Forward contracts with negative value				338		8,238					
Other derivatives with negative value											
Total				338		8,238					
of which, cleared											
Total	12,085	11,928	632,627	6,075	5,780	272,350	1,427	1,344	8,483	0	6
of which, cleared	464	464	186,647				185	185	3,796		

The unrealized loss on negative derivatives deferred due to hedge accounting is SEK 534 M.

NOTE 26 – PREPAYMENTS AND ACCRUED INCOME

SEK M	Group		The Bank	
	1998	1997	1998	1997
Accrued interest income	5,947	5,232	3,022	2,383
Prepayments and accrued income	1,697	832	4,102	197
Total	7,644	6,064	7,124	2,580
of which				
in foreign currency	610	648	629	657

NOTE 27 – AMOUNTS OWED TO CREDIT INSTITUTIONS

SEK M	Group		The Bank	
	1998	1997	1998	1997
Swedish banks	49,409	35,383	49,277	33,804
Other Swedish credit institutions	3,764	1,841	12,987	7,380
Foreign banks	67,582	62,676	68,873	64,193
Total	120,755	99,900	131,137	105,377
of which				
in foreign currency	36,231	17,516	36,614	17,772
Group companies			12,352	7,508
associated companies	756	886	756	886

Summary of maturities SEK M	Group		The Bank	
	1998	1997	1998	1997
Remaining maturity payable on demand	26,721	12,168	26,623	13,655
≤ 3 months	81,647	82,651	93,587	88,409
> 3 months – 1 year	11,106	4,392	10,857	3,213
> 1 year – 5 years	1,281	535	70	0
> 5 years	0	154	0	100
Total	120,755	99,900	131,137	105,377

Average remaining maturity	0.2 years	0.2 years	0.2 years	0.2 years
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NOTE 28 – DEPOSITS AND BORROWINGS FROM THE PUBLIC

SEK M	Group		The Bank	
	1998	1997	1998	1997
Deposits in SEK				
Swedish public	179,282	192,303	177,883	194,486
Foreign public	1,192	1,960	317	742
Other	5,297	16,673	5,332	16,691
Total	185,771	210,936	183,532	211,919
Deposits in foreign currency	4,088	5,284	3,768	5,009
Total	189,859	216,220	187,300	216,928
Borrowings in SEK	115	340	8	80
Borrowings in foreign currency	381	381		
Total	496	721	8	80
Total	190,355	216,941	187,308	217,008
of which				
Group companies			864	3,154

Deposits Summary of maturities SEK M	Group		The Bank	
	1998	1997	1998	1997
Remaining maturity payable on demand	178,026	191,785	175,467	192,823
≤ 3 months	10,054	23,194	10,054	22,869
> 3 months – 1 year	533	1,177	533	1,172
> 1 year – 5 years	1,246	64	1,246	64
> 5 years	0		0	
Total	189,859	216,220	187,300	216,928
Average remaining maturity	0.0 years	0.0 years	0.0 years	0.0 years

Borrowings Summary of maturities SEK M	Group		The Bank	
	1998	1997	1998	1997
Remaining maturity payable on demand	0		0	
≤ 3 months	189	71	0	
> 3 months – 1 year	99	86	0	
> 1 year – 5 years	202	549	2	72
> 5 years	6	15	6	8
Total	496	721	8	80
Average remaining maturity	1.6 years	2.7 years	10.1 years	4.2 years

NOTE 29 – DEBT SECURITIES IN ISSUE

SEK M	Group		The Bank	
	1998	1997	1998	1997
Promissory notes in issue				
Commercial paper	15,988	4,134	5,567	693
Certificates in foreign currency	11,549	6,588	11,549	6,588
Certificates in SEK	31,095	47,186	8,661	273
Bond loans	230,365	192,064	9,601	10,054
Other	1,781	1,322	1,150	150
Total	290,778	251,294	36,528	17,758
of which				
in foreign currency	77,436	59,444	22,495	13,143
Group companies				16

Summary of maturities SEK M	Group		The Bank	
	1998	1997	1998	1997
Remaining maturity				
≤ 1 year	118,477	98,827	27,996	10,058
> 1 year – 5 years	152,680	149,314	8,372	6,359
> 5 years – 10 years	14,384	3,104	159	1,340
> 10 years	5,237	49	1	1
Total	290,778	251,294	36,528	17,758
Average remaining maturity	2.1 years	1.7 years	0.7 years	1.5 years

NOTE 30 – OTHER LIABILITIES

SEK M	Group		The Bank	
	1998	1997	1998	1997
Own tax liabilities	204	978	139	901
Security payment liabilities*	193	2,211	193	345
Liability, security loans	1,543	155	1,543	155
Derivatives*	19,791	16,733	18,465	15,212
Preliminary tax on interest	2	900		900
Group contributions, shareholders' contributions			2,978	2,864
Other	10,871	14,947	7,412	12,730
Total	32,604	35,924	30,730	33,107
of which				
in foreign currency	8,600	9,561	7,016	7,153

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

Gross security payment liabilities	2,648	9,209	2,648	7,343
Gross derivatives	20,375	17,157	19,049	15,636

NOTE 31 – ACCRUALS AND DEFERRED INCOME

SEK M	Group		The Bank	
	1998	1997	1998	1997
Accrued interest	7,004	6,995	441	480
Accruals and deferred income	4,621	5,100	2,829	2,002
Total	11,625	12,095	3,270	2,482
of which				
in foreign currency	1,073	970	249	176

NOTE 32 – PROVISIONS

SEK M	Group		The Bank	
	1998	1997	1998	1997
Provisions for pensions	30	38	11	18
Provisions for taxes				
Deferred tax	1,554	841	221	83
Other	241	129		28
Other provisions	86	413	86	481
Total	1,911	1,421	318	610

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

Other allocations include provisions for guarantees of SEK 86 M (128) in the Group and SEK 86 M (196) in the Bank.

NOTE 33 – SUBORDINATED LIABILITIES

SEK M	Group		The Bank	
	1998	1997	1998	1997
Subordinated liabilities	8,662	7,723	6,582	5,642
Undated subordinated liabilities	15,948	15,434	10,488	10,013
Other	144	164		
Total	24,754	23,321	17,070	15,655
of which				
in foreign currency	21,091	19,219	14,508	12,674

Expenses for subordinated liabilities are reported in Note 1.

Liability conditions are approved by the Swedish Financial Supervisory Authority. No single liability accounts for more than 10 per cent of the sum total of the subordinated liabilities.

Specification of subordinated liabilities, the Bank

Fixed-term subordinated liabilities						
Maturity	Right to prepayment for FöreningsSparbanken	Currency	Nominal amount	Book value in SEK M	Coupon interest rate(%)	
1984/1999		SEK	5	5		6.90
1984/1999		SEK	1	1		6.10
1989/1999		SEK	50	50		11.65
1989/1999		SEK	10	10		13.60
1989/1999		SEK	20	20		6.70
1992/1999		SEK	200	200		12.50
1989/1999		SEK	350	350		Variable
1985/2000		SEK	3	3		11.95
1985/2000		SEK	2	2		11.95
1990/2001		SEK	30	30		Variable
1990/2001		SEK	30	30		Variable
1986/2001		SEK	3	3		12.25
1990/2001		SEK	200	200		13.30
1991/2001		SEK	50	50		11.94
1991/2001		SEK	4	3		Zero-coupon bond
1991/2001		SEK	7	6		Zero-coupon bond
1991/2001		SEK	647	484		Zero-coupon bond
1992/2002		USD	20	160		9.05
1992/2006		SEK	950	476		Zero-coupon bond
1993/2004	1999	JPY	1,700	119		Variable
1993/2004	1999	JPY	1,300	91		4.65
1993/2003	1999	USD	3	24		Variable
1996/2003		USD	100	807		Variable
1994/2004	1999	USD	100	807		Variable
1993/2008		SEK	216	81		Zero-coupon bond
1998/2008		FRF	1,000	1,420		5.50
1998/2008		FRF	400	593		5.50
1994/2010		SEK	1,387	446		Zero-coupon bond
1989/2019		SEK	111	111		11.00
Total				6,582		

Undated subordinated liabilities						
Maturity	Right to prepayment for FöreningsSparbanken	Currency	Nominal amount	Book value in SEK M	Coupon interest rate(%)	
1993/undated	1999	USD	144	1,161		Variable
1993/undated	1999	JPY	10,000	696		5.00
1994/undated	1999	JPY	10,000	700		5.65
1995/undated	2002	JPY	10,000	693		3.60
1995/undated	2000	USD	100	806		Variable
1995/undated	2002	USD	125	1,007		Variable
1996/undated	2001	USD	100	807		Variable
1996/undated	2011	JPY	10,000	700		4.35
1996/undated	2006	USD	150	1,182		7.50
1997/undated	2012	USD	50	403		8.01
1997/undated	2007	USD	50	403		7.74
1997/undated	2012	USD	200	1,581		7.50
1998/undated	2028	JPY	5,000	349		5.00
Total				10,488		

NOTE 34 – UNTAXED RESERVES

Change in untaxed reserves

The Bank, 1998 SEK M	Opening balance	With- drawal	Allo- cation	Closing balance
Accumulated accelerated depreciation				
equipment	11		118	129
real estate	9	– 9		
Allocation to tax				
allocation reserve	2,560		866	3,426 *
Total	2,580	– 9	984	3,555

* Allocated 1995	264
Allocated 1996	1,208
Allocated 1997	1,088
Allocated 1998	866

NOTE 35 – SHAREHOLDERS' EQUITY

SEK M	Group		The Bank	
	1998	1997	1998	1997
Restricted equity				
Subscribed capital *	7,037	7,037	7,037	7,037
Share premium reserve	7,049	7,049	7,049	7,049
Legal reserve	5,483	5,482	2,638	2,638
Reserve for unrealized gains	396	74	404	66
Other reserves	3,796	2,818		
Total reserves	16,724	15,423	10,091	9,753
Non-restricted equity				
Profit brought forward	458	4,575	– 1,744	4,877
Profit for the financial year	4,619	342	6,136	– 988
Total	28,838	27,377	21,520	20,679

* 351,872,562 shares at a par value of SEK 20

Group, SEK M	Subscribed capital	Restricted reserves	Non-restricted reserves	Profit for financial year	Total
Balance brought forward	7,037	15,423	4,575	342	27,377
Transfer between restricted and non-restricted equity		1,301	– 959	– 342	0
Dividend			– 2,111		– 2,111
Dividend, Mandamus Fastigheter AB			– 1,056		– 1,056
Translation difference			9		9
Profit for the financial year				4,619	4,619
Balance carried forward	7,037	16,724	458	4,619	28,838

The Bank, SEK M	Subscribed capital	Share premium reserve	Legal reserve	Reserve for unrealized gains	Profit brought forward	Profit for financial year	Total
Balance brought forward	7,037	7,049	2,638	66	4,877	– 988	20,679
Profit disposition according to decision of AGM					– 988	988	0
Dividend					– 2,111		– 2,111
Distribution of subsidiary					– 1,056		– 1,056
Transfer between restricted and non-restricted equity				338	– 338		0
Group contributions paid					– 2,962		– 2,962
Tax reduction due to Group contributions paid					834		834
Profit for the financial year						6,136	6,136
Balance carried forward	7,037	7,049	2,638	404	– 1,744	6,136	21,520

Specification of reserve for unrealized gains

	Group		The Bank	
	1998	1997	1998	1997
Balance sheet item				
Treasury bonds		71		71
Bonds	387	217	404	214
Shares and participating interests	9	5		
Other liabilities		– 219		– 219
Total	396	74	404	66

NOTE 36 – ASSETS PLEDGED FOR OWN LIABILITIES

SEK M	1998	Group 1997	1998	The Bank 1997
Assets pledged for own liabilities, book amount				
Real estate mortgages, nominal amount		236		37
Government securities and bonds pledged for liabilities, credit institutions	51,943	69,072	51,943	69,072
Government securities and bonds pledged for deposits from the public	6,641	6,450	6,641	6,450
Other pledges	278	70	238	
Government securities and bonds pledged with Sveriges Riksbank	20,854	15,334	20,854	15,334
Loans pledged for certain outstanding bonds	235	203		
Total assets pledged for own liabilities	79,951	91,365	79,676	90,893

NOTE 37 – OTHER ASSETS PLEDGED

SEK M	1998	Group 1997	1998	The Bank 1997
Other assets pledged, book amount				
Shares pledged for stock loans	2,416	2,584	2,416	2,584
Government securities and bonds pledged for other liabilities	2,165	1,948	5,048	1,848
Funds shares pledged for insurance policyholders	18,101			
Total other assets pledged	22,682	4,532	7,464	4,432

NOTE 38 – CONTINGENT LIABILITIES

SEK M	1998	Group 1997	1998	The Bank 1997
Contingent liabilities, nominal amount				
Loan guarantees	5,353	1,531	5,440	2,287
Other guarantees	6,756	6,916	6,736	6,888
Accepted and endorsed notes	335	301	335	301
Letters of credit granted but not utilized	926	787	926	787
Other contingent liabilities	324	215	328	849
Total	13,694	9,750	13,765	11,112
Provision for anticipated loan losses	- 86	- 128	- 86	- 196

NOTE 39 – COMMITMENTS

SEK M	1998	Group 1997	1998	The Bank 1997
Commitments, nominal amount				
Commercial paper and certificate programs	403	393	403	393
Other interest-, equity- or currency-related contracts	1,838,876	2,019,968	1,782,136	1,971,724
Loans granted but not utilized	24,601	25,006	23,645	14,214
Overdraft facilities granted but not utilized	33,757	39,731	34,829	40,383
Total	1,897,637	2,085,098	1,841,013	2,026,714

NOTE 40 – CAPITAL ADEQUACY ANALYSIS

I. Calculation of total capital base

SEK M	Financial companies group		The Bank	
	1998	1997	1998	1997
Primary capital (net)	23,625	21,689	19,666	17,412
Supplementary capital	23,266	21,427	15,505	13,849
Settlement, equities, etc.	- 1,970	- 1,433	- 1,970	- 1,433
Total	44,921	41,683	33,201	29,828

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

SEK M				
On-balance-sheet items				
	1998	1997	1998	1997
Group A – 0%	0	0	0	0
Group B – 20%	12,487	11,419	11,098	10,448
Group C – 50%	146,070	138,524	19,644	19,069
Group D – 100%	191,786	178,746	138,605	142,910
Off-balance-sheet items				
	1998	1997	1998	1997
Group A – 0%	0	0	0	0
Group B – 20%	3,350	2,479	2,247	1,580
Group C – 50%	1,802	2,018	1,578	1,919
Group D – 100%	15,879	9,518	14,299	9,333
Total	371,374	342,704	187,471	185,259

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

SEK M				
	1998	1997	1998	1997
Risk-weighted amount for interest rate risks	5,887	4,525	5,527	4,499
of which, specific risks	1,511	1,804	1,259	1,791
of which, general risks	4,376	2,721	4,268	2,708
Risk-weighted amount for share price risks	4,610	4,400	4,552	4,397
of which, specific risks	1,996	1,705	1,975	1,704
of which, general risks	2,614	2,695	2,577	2,693
Risk-weighted amount for liquidation risks	30	7	30	7
Risk-weighted amount for counterparty risks and other risks	3,419	2,778	3,419	2,778
Risk-weighted amount for currency risks	1,111	0	1,325	31
Total	15,057	11,710	14,853	11,712

IV. Calculation of total capital adequacy ratio

SEK M				
	1998	1997	1998	1997
Total capital base	44,921	41,683	33,201	29,828
Total risk-weighted amount for credit risks and market risks	386,431	354,414	202,324	196,971
Total capital adequacy ratio, per cent	11.6	11.8	16.4	15.1
Primary capital ratio, per cent	6.1	6.1	9.7	8.8

Specification of II.

Financial companies group

SEK M			1998		1997	
		Total	Risk-weighted		Total	Risk-weighted
On-balance-sheet items		investments	amount		investments	amount
Group A – 0%		163,848	0		150,098	0
Group B – 20%		62,436	12,487		57,097	11,419
Group C – 50%		292,140	146,070		277,048	138,524
Group D – 100%		191,786	191,786		178,746	178,746
Off-balance-sheet items	Nominal amount	Converted amount	Risk-weighted amount	Nominal amount	Converted amount	Risk-weighted amount
Group A – 0%	3,298	819	0	1,483	688	0
Group B – 20%	511,256	16,752	3,350	469,195	12,394	2,479
Group C – 50%	92,724	3,604	1,802	89,462	4,035	2,018
Group D – 100%	26,439	15,879	15,879	18,559	9,518	9,518
Total			371,374			342,704

The Bank

SEK M		1998		1997	
		Total	Risk-weighted	Total	Risk-weighted
On-balance-sheet items		investments	amount	investments	amount
Group A – 0%		165,087	0	157,722	0
Group B – 20%		55,489	11,098	52,238	10,448
Group C – 50%		39,288	19,644	38,139	19,069
Group D – 100%		138,605	138,605	142,910	142,910
Off-balance-sheet items	Nominal	Converted	Risk-weighted	Nominal	Risk-weighted
	amount	amount	amount	amount	amount
Group A – 0%	16,339	1,035	0	11,926	0
Group B – 20%	422,230	11,239	2,247	403,522	1,580
Group C – 50%	87,155	3,156	1,578	86,104	1,919
Group D – 100%	24,214	14,299	14,299	18,106	9,333
Total			187,471		185,259

NOTE 41 – DISCLOSURE OF FINANCIAL INCOME AND EXPENSES AND PREMIUM 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

Received from other Group companies:

Financial income	1,401
Premium income for insurance and reinsurance	125

Paid to other Group companies:

Financial expenses	406
Premium expenses for insurance and reinsurance	22

Subordinated assets

The total volume of assets which the Bank may own in accordance with chap. 2 § 15 a. of the Swedish Banking Act amounts to 30 per cent of the capital base. Thus, the limit for such assets is SEK 9,960 M. Assets of this type amounted to SEK 971 M on December 31, 1998.

NOTE 42 – SUMMARY OF MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN SWEDEN AND THE U.S.

Marketable securities

Marketable securities include a trading portfolio and securities held as protection against interest rate risks in fixed interest rate funding. Securities held as protection against interest rate risks are stated at amortized cost, while the trading portfolio is marked to market. According to U.S. GAAP, marketable securities are classified as marked to market, trading or available for sale. Interest-bearing securities intended to be held to maturity are stated at amortized cost. Securities, including derivatives, currently traded are marked to market with the change in market value included in reported earnings. Other securities are stated in the balance sheet at market with the change in market value during the holding period reported as a separate component of equity without being included in reported earnings. When these securities are sold, the realized gain or loss is included in reported earnings.

Repurchase of own bonds

Price differences realized as a result of the repurchase of the company's own bonds are amortized over the remaining maturity of these securities. According to U.S. GAAP, such differences are recognized in their entirety when they arise.

Interest income compensation from loan prepayments

Interest income compensation received when loans are prepaid is accrued over the remaining maturity of the loans. According to U.S. GAAP, such interest income compensation is recognized in its entirety when it arises.

Accounting for Robur Kapitalförvaltning

In 1994 90 per cent of the shares in the subsidiary Robur Kapitalförvaltning was sold to independent savings banks with an option to repurchase the shares in 1997 at the latest. In 1995 these shares were repurchased. According to U.S. GAAP, the income recognized on this sale should not be included in shareholders' equity as the risks and reward were not, in substance, transferred to the buyers.

Write-down of acquired property

In connection with the acquisition of Föreningsbanken, certain assets were written down based on a discounting of future cash flows. According to U.S. GAAP, such write-downs should not be made if the nominal value of future cash flows exceeds book value. The write-down would be accounted for as goodwill and amortized using a declining balance depreciation method over 20 years.

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

SEK M	1998	1997
Profit for the financial year according to Swedish GAAP	4,619	342
Reporting of securities	- 50	- 200
Repurchase of own bonds	- 408	- 396
Interest income compensation	60	139
Reporting of gain on sale of subsidiary	173	177
Write-down of acquired property	- 363	2,666
Deferred tax on the above adjustments	111	128
Estimated profit for the financial year according to U.S. GAAP	4,142	2,856
SEK M	1998	1997
Shareholders' equity according to Swedish GAAP	28,838	27,377
Reporting of securities	408	287
Repurchase of own bonds	- 559	- 151
Interest income compensation	1,042	982
Reporting of gain on sale of subsidiary	-1,205	- 1,378
Write-down of acquired property	2,303	2,666
Deferred tax on the above adjustments	-249	- 313
Estimated shareholders' equity according to U.S. GAAP	30,578	29,470

The application of U.S. GAAP would not have significantly affected the reported balance sheet items in FöreningsSparbanken.

NOTE 43 – DISCLOSURE OF FAIR VALUE

In accordance with the provisions of the Swedish Financial Supervisory Authority, credit institutions are obligated to provide a comparison of the book and fair values of balance sheet items. The table compares the book and fair values of asset and liability items that are not booked at fair value. Each item is indicated on the line in the balance sheet where it belongs. The book value of current assets reported on the balance sheet at fair value is shown in the table as two lump sums, one for assets and one for liabilities.

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

Assets SEK billion	Book value	1998 Fair value	Difference
Assets not reported at fair value on the balance sheet			
Financial instruments			
Interest-bearing			
Treasury bills and other bills eligible for refinancing with central banks			
Current assets – reported as hedges	0.7	1.1	0.4
Bonds and interest-bearing securities			
Fixed assets	5.3	5.5	0.2
Other assets			
Swaps – reported as hedges*	1.5	3.4	1.9
Other current assets reported as hedges	0.9	1.1	0.2
Shares/participating interests			
Fixed assets	4.4	3.0	– 1.4
Loans			
Loans to credit institutions	71.5	71.6	0.1
Loans to the public	516.9	531.0 – 537.3	14.1 – 20.4
Real estate			
Tangible assets	2.6	3.9	1.3
Profit brought forward, discontinued hedge accounting			
Accruals and deferred income	0.2		– 0.2
Assets reported at fair value on the balance sheet			
Current assets	109.7	109.7	
Other	6.2	6.2	
Total	719.9	736.5 – 742.8	16.6 – 22.9
Liabilities SEK M	Book value	1998 Fair value	Difference
Liabilities not reported at fair value on the balance sheet			
Financial instruments			
Interest-bearing			
Securities in issue	290.8	302.6	11.8
Other liabilities			
Swaps – reported as hedges *	1.3		– 1.3
Other current assets reported as hedges	0.9	1.1	0.2
Others valued at acquisition value	24.5	24.5	
Subordinated liabilities	24.8	28.1	3.3
Deposits and borrowings			
Amounts owed to credit institutions	120.8	121.1	0.3
Deposits and borrowings from the public	190.4	190.1	– 0.3
Liabilities reported at fair value on the balance sheet			
Current assets with negative value	35.5	35.5	
Other	2.1	2.1	
Total	691.1	705.1	14.0

* The fair value of swaps reported as hedges is reported net under assets.

It has not been considered meaningful to include a special calculation of the fair value of shares that constitute fixed assets but are not publicly listed. The same decision was made in the case of the following items: intangible assets, provisions and equipment. In the table, the fair value of these items has therefore been equated with book value.

Financial instruments

In the table, financial instruments are divided into the categories fixed assets and current assets reported as hedges. Hedge accounting is applied when current assets are held to offset market risks in assets and liabilities reported at acquisition value on the balance sheet. Current assets reported as hedges are taken up on the balance sheet at (accrued) acquisition value. If the hedge is effective, any 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 its book value, this deviation is offset by an equivalent deviation in the opposite direction between the book value and fair value of the protected position. Financial instruments that constitute current assets and are not reported as hedges are taken up on the balance sheet at fair value. The 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 on December 31, 1998. For OTC instruments, the calculation of fair value is based on prices of comparable listed instruments.

Deposits and loans

Variable rate deposits and loans are valued at nominal amounts. The fair value of deposits and loans 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 represented by future margins that have not been stipulated in advance on deposits and loans. When calculating the fair value of the Bank's fixed interest rate deposits, discounting has been applied with the Bank's estimated financing expense. This corresponds to the interest rates in the deposit market for maturities of up to one year and by the interest rates on Spintab's so-called benchmark bonds for longer maturities.

The fair value of the Group's fixed interest rate loans has been stated in the form of an interval. The lower end of the interval is calculated by discounting the loan portfolio's contracted cash flow with the new loan rates for various maturities applied at the end of 1998. The high end 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 should reflect both the loan's interest fixing period and the market's valuation of the credit risk in each loan. The discount rate should also reflect a potential buyer's cost to administer the loans and its required return on invested risk capital. In FöreningsSparbanken's opinion, too many subjective considerations come into play in determining such an interest level. Since there is practically no trading in loan portfolios in Sweden, it is also likely that opinions of what constitutes a correct level will differ among different experts. Therefore, instead of using a 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

The fair value of buildings and land is reported at the sales price according to the agreement signed in February 1999 between FöreningsSparbanken and AMF Pension, less expenses in connection with the sale.

Profit brought forward realized by discontinuing hedge accounting

If hedge accounting is discontinued when the protecting position is realized 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 accrued over the remaining maturity of the protected position. Realized gains that have not been entered as profit are reported on the balance sheet as deferred income, while realized losses that have not been entered as expenses are reported as prepayments. Since these items do not represent an actual receivable from, or liability to, an outside party, the fair value of the items is SEK 0.

NOTE 44 – 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 yr.	1 – 2 yrs.	2 – 3 yrs.	3 – 4 yrs.	4 – 5 yrs.	5 – 10 yrs.	>10 yrs.	Total
Assets, nominal value, SEK M									
Loans to credit institutions	65,655	4,836	418	209	210	134	0	0	71,462
Loans to the public	235,568	59,137	67,056	53,675	33,799	36,648	28,550	2,476	516,909
Financial fixed assets	540	25	1,791	391	167	806	1,454	7	5,181
Financial current assets	28,374	11,046	5,170	5,790	659	400	785	1,405	53,629
Total assets	330,137	75,044	74,435	60,065	34,835	37,988	30,789	3,888	647,181
Liabilities, nominal value, SEK M									
Amounts owed to credit institutions	106,915	12,342	526	459	424	89	0	0	120,755
Deposits and borrowings from the public	188,670	526	417	359	48	328	7	0	190,355
Securities in issue and subordinated liabilities	88,612	58,221	47,729	38,350	25,676	27,676	18,441	9,816	314,521
Total liabilities	384,197	71,089	48,672	39,168	26,148	28,093	18,448	9,816	625,631
Net	-54,060	3,955	25,763	20,897	8,687	9,895	12,341	-5,928	21,550
Derivatives, nominal value, net*	45,012	2,919	-13,498	-14,141	-5,456	-7,303	-8,728	1 914	719
Net, including derivatives	-9,048	6,874	12,265	6,756	3,231	2,592	3,613	-4,014	22,269

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

Proposed disposition of profit

SEK M

The following amounts are at the disposal of the Annual General Meeting:

Profit for the financial year	6,136
Profit brought forward	– 1,744
Total available	4,392
The Board of Directors recommends:	
Dividend to shareholders:	
Cash	– 2,463
To be carried forward	1,929

The Group's non-restricted earnings thereafter amount to SEK 2,614 M. The proposed allocation to restricted reserves in Group companies is SEK 7.7 M.

Board of Directors

Following the Annual General Meeting of 1998, the Board of Directors consists of the following members: Göran Ahlström, Tore Andersson, Ronald Bergman, Göran Collert, Bo Dockered, Bo Forslund, Reinhold Geijer, Håkan Hellmo, Birgitta Johansson-Hedberg, Göran Johnsson, Hans Jonsson, Kurt Lodenius, Per Molin, Anna-Stina Nordmark-Nilsson, Per-Göran Nyberg, Marianne Qvick Stoltz, Karin Starrin and Leif Zetterberg.

In addition, the Board of Directors includes the following employee representatives: Kaisa Bratt and Håkan Johnson.

The Board of Directors has elected Göran Collert as Chairman, Bo Dockered as First Deputy Chairman and Göran Ahlström and Bo Forslund as Second Deputy Chairmen.

Stockholm, February 19, 1999

Göran Collert

Bo Dockered

Göran Ahlström

Bo Forslund

Reinhold Geijer

Tore Andersson

Ronald Bergman

Håkan Hellmo

Birgitta Johansson-Hedberg

Göran Johnsson

Hans Jonsson

Kurt Lodenius

Per Molin

Anna-Stina Nordmark-Nilsson

Per-Göran Nyberg

Marianne Qvick Stoltz

Karin Starrin

Leif Zetterberg

Kaisa Bratt

Håkan Johnson

Auditors' report

To the Annual General Meeting of FöreningsSparbanken AB (publ), registration number 502017-7753.

We have examined the annual report, the consolidated financial statements, the accounting records and the administration by the Board of Directors of FöreningsSparbanken AB for the year 1998. Assistance has been provided by FöreningsSparbanken's internal auditing department.

The accounting records and the administration of the Company are the responsibility of the Board of Directors. Our responsibility is to express an opinion of the annual report, the consolidated financial statements and the administration on the basis of our audit.

Our audit was carried out in accordance with generally accepted auditing standards. This means that we planned and implemented the audit in such a way as to reasonably assure ourselves that the annual

report and the consolidated financial statements are free of material errors. An audit includes a review of a selection of the documents that support the amounts and other information in the financial statements. An audit also includes the examination of the accounting principles and their application by the Board of Directors and an evaluation of the overall information in the annual report and the consolidated financial statements. We have examined important decisions, actions taken and the condition of the Company in order to determine whether any of the members of the Board of Directors is liable for damages to the Company or in any other way has acted in violation of the Banking Companies Act, the Swedish Banking Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Company's articles of association. We believe that our audit has provided us with a reasonable basis for our opinion as set forth below.

In our opinion, the annual report and the consolidated financial accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, because of which we recommend:

- that the profit and loss accounts and balance sheets of the Parent Company and the Group be adopted, and
- that the profit in the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report.

In our opinion, the members of the Board of Directors have not taken any measures or committed any acts of omission which could give rise to damages against the Company, because of which we recommend:

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

Stockholm, February 19, 1999

Ulf Egenäs
Authorized Public Accountant

Torbjörn Hanson
Authorized Public Accountant

Olle Gunnarsson
Authorized Public Accountant
appointed by the Swedish
Financial Supervisory Authority

Board of Directors and Auditors

DIRECTORS

Elected by the Annual General Meeting

Göran Collert, Chairman
Bo Dockered, First Deputy Chairman
Göran Ahlström, Second Deputy Chairman
Bo Forslund, Second Deputy Chairman
Reinhold Geijer, President
Tore Andersson
Ronald Bergman
Håkan Hellmo
Birgitta Johansson-Hedberg
Göran Johnsson
Hans Jonsson
Kurt Lodenius
Per Molin
Anna-Stina Nordmark-Nilsson
Per-Göran Nyberg
Marianne Qvick Stoltz
Karin Starrin
Leif Zetterberg

Employee representatives

Kaisa Bratt
Håkan Johnson

COMPANY SECRETARY

Olov Lydén

DEPUTY DIRECTORS

Elected by the Annual General Meeting

Lars Idermark

Employee representatives

Anders Netterheim
Ulla Vilu

AUDITORS

Ulf Egenäs
Authorized Public Accountant,
Deloitte & Touche AB.
Chairman.

Olle Gunnarsson
Authorized Public Accountant,
Öhrlings PricewaterhouseCoopers.
Appointed by the Swedish
Financial Supervisory Authority.

Torbjörn Hansson
Authorized Public Accountant,
Ernst & Young AB.

Deputy auditors
Olof Cederberg
Authorized Public Accountant,
Ernst & Young AB.

Jan Larsson
Authorized Public Accountant,
Deloitte & Touche AB.

NOMINATING COMMITTEE FOR THE ANNUAL GENERAL MEETING OF 1999

Thomas Halvorsen, President of
the Fourth National Pension
Insurance Fund, Chairman of the
Nominating Committee.

Lorentz Andersson, Municipal
Commissioner of Skellefteå.

Jan-Erik Erenius, former President
of AMF Pension.

Eva Karin Hempel, Farmer,
Board Member of the Federation
of Swedish Farmers.

Carl Axel Petri, former President
of the Court of Appeal, Chairman
of Sparbanksstiftelsernas
Förvaltnings AB.

Arne Torstensson, President of
Ulricehamns Sparbank.

Kent Torwald, Executive Vice
President of the Federation of
Swedish Farmers.

Board work

BOARD WORK DURING THE YEAR

During the year the Board of Directors held a total of 19 meetings.

The Board's work during the year was devoted to, among other things, the following issues:

- The merger and integration process resulting from the merger between Föreningsbanken and Sparbanken Sverige from the perspective of the years 2000 and 2005.
- The Board's internal procedures.
- The development of the Bank's Nordic/Baltic strategy.
- Overall risk policy (credit policy, finance policy and policy for operative risks) for the Förenings-Sparbanken Group.
- Strategic IT issues.
- Strategic and operational development in the card area.
- Strategic and operational development in the area of unit-linked insurance.
- The Bank's market development in major metropolitan areas.
- Ethical policy for the FöreningsSparbanken Group.
- Environmental policy for the FöreningsSparbanken Group.
- The profit-sharing system for employees of the FöreningsSparbanken Group.

THE BOARD'S CREDIT AND CAPITAL MARKET COMMITTEE

The Board has established a Credit and Capital Market Committee, which consists of the Chairman of the Board, the President and seven other members appointed from within the Board.

The Committee held 24 meetings during the year.

The Committee responds to credit and limit queries submitted to the Board within certain limits, provided that the cases in question are not of a principle nature or otherwise are of major significance.

During the year the Committee had the following members: Göran Collert, Chairman, Bo Forslund, Deputy Chairman, Göran Ahlström, Reinhold Geijer, Birgitta Johansson-Hedberg, Kurt Lodenius, Per Molin, Anna-Stina Nordmark-Nilsson and Per-Göran Nyberg.

THE BOARD'S FINANCE COMMITTEE

The Board has established a Finance Committee, which consists of the Chairman of the Board, the First Deputy Chairman of the Board, the President and four other members appointed from within the Board.

The Committee held seven meetings during the year.

The Committee is responsible, in accordance with the principles instituted by the Board, for setting

guidelines for the Group's long-term supply of equity and loan capital and for approving the Bank's market funding with a maturity of over ten years.

In addition, within the overall framework instituted by the Board, the Committee establishes guidelines for managing the Group's financial risks, i.e. interest rate, currency and share price risks, as well as liquidity risks, and approves limits on these risks.

During the year the Committee had the following members: Göran Collert, Chairman, Bo Dockered, Deputy Chairman, Ronald Bergman, Bo Forslund, Reinhold Geijer, Göran Johnsson and Leif Zetterberg.

THE BOARD'S AUDIT AND SECURITY COMMITTEE

The Board has established an Audit and Security Committee, which consists of six members appointed from within the Board.

The Committee held five meetings during the year.

The Committee is responsible for, among other things, maintaining the Board's contacts with internal audit and security functions and the external auditors appointed by the Bank in order to provide the Board with greater access to information on auditing and security operations in the Bank, to facilitate and improve opportunities for the internal audit unit and external auditors to communicate with the Board and to evaluate the Bank's security work.

In addition, the Committee is responsible for reviewing the report compiled at least once a year that describes and evaluates the operative risks in the Bank. The Committee also has the right to initiate action on matters regarding operative risks and conditions noted in the Bank's organization that relate to such risks.

During the year the Committee had the following members: Göran Ahlström, Chairman, Bo Forslund, Deputy Chairman, Håkan Hellmo, Anna-Stina Nordmark-Nilsson, Per-Göran Nyberg and Marianne Qvick Stoltz.

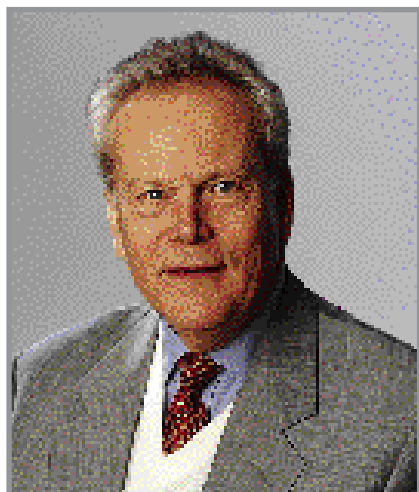
THE BOARD'S NOMINATING COMMITTEE

The Board has established a Nominating Committee, which consists of three members appointed from within the Board.

The Committee is responsible for preparing issues regarding the nomination of the members and chairmen of the boards of the local banks prior to the elections at the Board's meeting held in connection with the Bank's Annual General Meeting.

During the year the Committee had the following members: Bo Forslund, Chairman, Per-Göran Nyberg, Deputy Chairman, and Karin Starrin.

Board of Directors



GÖRAN COLLERT

Executive Chairman since 1995. Born 1937. Graduate Business administrator and Bachelor of Laws. Elected 1978. Other directorships: Chairman of AB Spintab and SparFond Livförsäkrings AB, and Board Member of Fastighets AB Törnet, the Supervisory Board of Aktia Sparbank Ab, Bank Handlowy w Warszawie and Nutida svenskt silver. Chairman of the Board of Directors' Credit and Capital Market Committee and Finance Committee.
Holding: 20,000 shares.



BO DOCKERED

First Deputy Chairman since 1997. Born 1941. Honorary Doctor of Agronomy. Elected 1984. Other directorships: Chairman of AMUGruppen AB, AB Trav och Galopp, Svenska FAO-kommittén and Nationella Stiftelsen för Håsthållningens Främjande, Deputy Chairman of Spira AB and AssiDomän AB, and Board Member of Beridna Högvakten, the Royal Swedish Academy of Agriculture and Forestry and the Prime Minister's Baltic Sea Council. Deputy Chairman of the Board of Directors' Finance Committee.
Holding: 900 shares.



GÖRAN AHLSTRÖM

Second Deputy Chairman since 1997. Born 1936. Master of Engineering. Elected 1995. Other directorships: Chairman of Fastighets AB Törnet and Board Member of Sydkraft AB, Svensk-Danska Broförbindelsen AB, the Öresund Consortium, PreussenElektra AG, Hamburgische Elektrizitäts-Werke AG and the Federation of Swedish Industries. Member of the Board of Directors' Credit and Capital Market Committee and Chairman of the Audit and Security Committee.
Holding: -.



BO FORSLUND

Second Deputy Chairman since 1997. Former Member of the Swedish Parliament, Chairman of the Sundsvall City Council. Born 1939. Elected 1991. Other directorships: Chairman of the Savings Bank Foundation Norrland and Board Member of the Supervisory Board of Aktia Sparbank Ab, Norrlands Travsällskap and Stall Apanage AB. Deputy Chairman of the Board of Directors' Credit and Capital Market Committee and the Audit and Security Committee and Member of the Finance Committee.
Holding: 2,321 shares.



REINHOLD GEIJER

President and CEO of FöreningsSparbanken. Born 1953. Graduate Business Administrator. Elected 1995. Other directorships: Board Member of the Wahlgrenska Foundation, the Swedish Bankers' Association and the Sweden-America Foundation. Member of the Board of Directors' Credit and Capital Market Committee and Finance Committee.
Holding: 10,000 shares.



TORE ANDERSSON

President of Folksam. Born 1943. Folk High School. Elected 1998. Other directorships: Chairman of Folksam Auto, Folksam Inter, Folksam/LO Fondförsäkring and Hälsoinvest AB, and Board Member of Euresa Holding, Folksam ömsesidig sakförsäkring, Folksam ömsesidig livförsäkring, the Board of the Swedish Insurance Association, ICMIF International Co-operative and Mutual Insurance Federation, KFO Kooperationens Förhandlingsorganisation, KP Pension & Försäkring and Vår Bank og Forsikring.
Holding: -.

**RONALD BERGMAN**

Chairman of Nordström & Thulin AB. Born 1931. Elected 1991. Other directorships: Chairman of the Baltic and International Maritime Council and Föreningen Sveriges Sjöfartsmuseum i Stockholm, and Board Member of Lloyds Register General Committee, Governor of the Stockholm Chamber of Commerce, Council Member of Norske Veritas, Nordisk Skibsførerforening, Stockholms Rederiförening, Singapore MPA International Advisory Group and Svenska Sjöräddningssällskapet. Member of the Board of Directors' Finance Committee. Holding: 5,321 shares.

**HÅKAN HELLMÖ**

President of Svenska Lantmännen. Born 1941. Elected 1996. Agronomist. Other directorships: Chairman of Svalöf Weibull AB, Lantmännens Foderutveckling AB, Lactamin AB and Lantmännens Maskin AB, and Board Member of Cerealia AB, Karlshamns AB, Kungsörnen AB, AB Skogaholms Bröd, Solanum AB and Spira AB. Member of the Board of Directors' Audit and Security Committee. Holding: 858 shares.

**BIRGITTA JOHANSSON-HEDBERG**

President and CEO of Liber AB and Resident Director of Wolters Kluwer Scandinavia (through the spring of 1999). Born 1947. Reg. Psychologist. Elected 1994. Other directorships: Chairman of AB Lindex, Deputy Chairman of the Fourth National Pension Insurance Fund, and Board Member of Aktiemarknadsnämnden, Telia AB, Ekonomi + Teknik AB, Liber AB, ProfilGruppen AB, Spira AB, Hotel Birger Jarl AB, Probitas AB and Södra Skogsägarna. Member of the Board of Directors' Credit and Capital Market Committee. Holding: 3,430 shares.

**GÖRAN JOHNNSSON**

Chairman of the Swedish Metal Workers' Union. Born 1945. Elementary School and Labour movement training. Elected 1997. Other directorships: Board Member of Fastighetsbolaget Svärdfisken HB, LO Landsorganisationen i Sverige and the Fourth National Pension Insurance Fund. Member of the Board of Directors' Finance Committee. Holding: 10 shares.

**HANS JONSSON**

Chairman of the Federation of Swedish Farmers. Born 1949. Graduate Economist, Ecôle Berlitz. Elected 1997. Other directorships: President of CEA Confédération européenne de l'agriculture, Vice President of COPA Comité des Organisations Professionnelles Agricoles, Chairman of the Swedish Department of the Central Board of Nordic Farmers' Organizations NBC, and Board Member of the IFAP International Federation of Agricultural Producers, Swedish Meats, Svensk Mjolk, the Royal Swedish Academy of Agriculture and Forestry, the Fourth National Pension Insurance Fund, the General Association of Swedish Exporters and the Minister of Finance's Reference Group on Sweden's Euro Preparations. Holding: 203 shares.

**KURT LODENIUS**

Former Municipal Commissioner. Chairman of the Norrtälje Municipal Council. Born 1936. Economist. Elected 1983. Other directorships: Chairman of Roslagens Sparbank, Deputy Chairman of Norrtälje Tidning AB, and Board Member of FöreningsSparbanken Kapitalförvaltning AB. Member of the Board of Directors' Credit and Capital Market Committee. Holding: 1,200 shares.



PER MOLIN

Former President of Avesta Sheffield AB. Born 1937. Mining Engineer. Elected 1995. Other directorships: Chairman of Linjebuss AB and the Industrial Council of the Swedish Academy of Engineering Sciences, Deputy Chairman of Hydropulsor AB, and Board Member of ASG AB, Becker Acroma AB, Bulten AB, Finarvedi SpA, Gradic Wire AB, Höganas AB, Johnson Metall AB, Scancem AB, Siemens AB and Wilh. Beckers AB. Member of the Board of Directors' Credit and Capital Market Committee.
Holding: -.



ANNA-STINA NORDMARK-NILSSON

President of Piteå Tidningen AB. Born 1956. Graduate Business Administrator. Elected 1996. Other directorships: Chairman of Almi Företagspartner Norrbotten AB and Board Member of Assi Domän AB, the Norrland Foundation and Umeå University. Member of the Board of Directors' Credit and Capital Market Committee and the Audit and Security Committee.
Holding: 346 shares.



PER-GÖRAN NYBERG

Former Bank Executive. Born 1936. Graduate Business Administrator. Elected 1984. Other directorships: Chairman of the Savings Bank Foundation Alfa, Byggmästare Axel Alms Stiftelse, FöreningsSparbankens stiftelse för bevarande av bankens historiska värden, Första Sparbankens stiftelse för vetenskaplig forskning, Stiftelsen för internationellt utvecklingssamarbete, Stiftelsen Sparbankernas Företagsinstitut, and Board Member of European Savings Bank Group (ESBG) and World Savings Banks Institute. Deputy Chairman of the Board of Directors' Nominating Committee and Member of the Credit and Capital Market Committee and the Audit and Security Committee.
Holding: 200 shares.



MARIANNE QVICK STOLTZ

Businesswoman. Born 1949. Diploma in Retail Economics. Elected 1994. Other directorships: Board Member of Göteborgs Auktionsverk AB, Göteborgs Pantbelåning AB and Västsvenska Handelskammarens Service AB. Member of the Board of Directors' Audit and Security Committee.
Holding: 214 shares.



KARIN STARRIN

Governor, Halland County. Born 1947. Economist. Elected 1996. Other directorships: Chairman of Hallands Akademi, Hallands Museiförening, Parlamentariska regionkommittén and Kvinnor Kan, and Board Member of the Royal Opera. Member of the Board of Directors' Nominating Committee.
Holding: 2,300 shares.



LEIF ZETTERBERG

President of the Federation of Swedish Farmers. Born 1949. Secondary School Graduate. Elected 1996. Other directorships: Chairman of LRF Media, Landia, Lantbrukarnas Trygghetsförsäkring, Spira AB, Swede Agri, Mandamus Fastigheter AB and Mandamus Sverige AB, Board Member of ICC-Sweden, the Royal Swedish Academy of Agriculture and Forestry, the Swedish Equestrian Association and TV4 AB. Member of the Board of Directors' Finance Committee.
Holding: 2,000 shares.



KAISA BRATT

Bank employee. Born 1941. Secondary School Graduate. Elected 1992. Other directorship: Delegate of Sparinstitutens Pensionskassa (SPK). Holding: 321 shares.



HÅKAN JOHNSON

Bank employee. Born 1955. Economist. Elected 1997. Other directorships: Board Member of Finansförbundet and Delegate of Sparinstitutens Pensionskassa (SPK). Holding: 349 shares.



OLOV LYDÉN

Secretary of the Board of Directors. Bachelor of Laws. Born 1948. Employed since 1982. Holding: 1,200 shares.

Executive Management



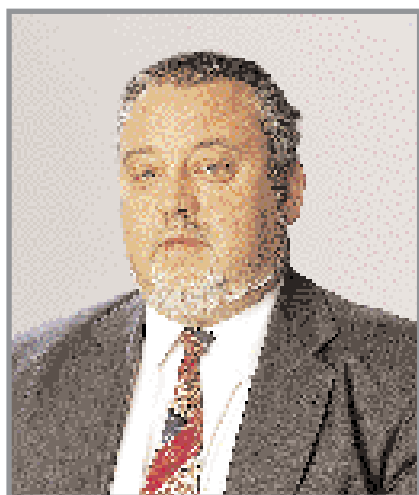
REINHOLD GEJER*
President and CEO. Born 1953. Graduate Business Administrator. Employed since 1985.
Holding: 10,000 shares.



LARS IDERMARK*
Deputy President. Synergy year 2000. Product Area Savings and Security. Born 1957. Agronomist.
Employed since 1993.
Holding: 1,959 shares.



LENA AHLSTRÖM*
Human Resource Development. Born 1953. Graduate Business Administrator. Employed since 1997.
Holding: -.



SÖREN ANDERSSON
Strategy, Development and Planning. Born 1945.
Bachelor of Arts. Employed since 1969.
Holding: 321 shares.



KJELL ARDHEDE
Market Area Gothenburg and northern Halland.
Born 1944. Business Economist. Employed since 1993.
Holding: 400 shares.



ANDERS BORGCRA NTZ
Business Cooperation with Sparebank 1 Group in Norway. Born 1961. Graduate Business Administrator.
Employed since 1985.
Holding: 100 shares

** Member of the Executive Management's Working Committee.*

**LEIF EKBOM**

Market Area Skaraborg, Värmland, Älvsborg, Bohuslän.
Born 1954. Business Economist. Employed since 1977.
Holding: 103 shares.

**LARSEKLUND**

Market Area Stockholm and Gotland. Born 1945.
Bachelor of Laws. Employed since 1989.
Holding: 1,321 shares.

**GERT ENGMAN**

FöreningsSparbanken by Telephone and the Internet.
Born 1949. University studies. Employed since 1993.
Holding: 321 shares.

**ROGER GULLQVIST**

Chief Information Officer CIO. Born 1952. Master of
Engineering. Employed since 1996
Holding: -.

**GÖRAN GUNNARSSON***

Independent Savings Banks, Jointly Owned Banks and
Local Market Development. Born 1943. Employed since
1984. Previously employed 1966-1978.
Holding: 1,142 shares.

**TOMAS JOHANSSON***

Local Bank Coordination. Born 1950. Employed since
1968.
Holding: 3,897 shares.

** Member of the Executive Management's Working Committee.*



LARS-ERIK KVIST*
Credit, Legal and Environmental Affairs. Born 1945.
Graduate Business Administrator. Employed since 1974.
Holding: 1,721 shares.



HÅKAN KÄLLÅKER*
Swedbank Markets, until March 1999. Born 1949.
Graduate Business Administrator. Employed since 1990.
Previously employed 1980-1989.
Holding: 500 shares.



JAN LIDÉN*
IT Coordination and Product Areas Payments and
Lending, President of AB Spintab. Born 1949. Graduate
Business Administrator. Employed since 1990.
Holding: 321 shares.



BENGT-ERIK LINDGREN
Market Area Dalarna, Gävleborg and Jämtland.
Born 1950. University studies. Employed since 1975.
Holding: -.



GÖRAN NILSSON
Market Area Blekinge, Kristianstad and Kronoberg.
Born 1947. Business Economist. Employed since 1989.
Holding: 586 shares.



ANDERS NYBLÖM
Market Area Jönköping and Kalmar. Born 1954. Business
Economist. Employed since 1993.
Holding: -.

** Member of the Executive Management's Working Committee.*



NILS-FREDRIK NYBLÆUS*

Accounting and Financial Control, Finance, Human Resource Administration, Internal Services, Investor Relations. Born 1951. Graduate Business Administrator. Employed since 1991.
Holding: -.



INGRID PERSSON

Market Area Östergötland, Örebro, Västmanland, Uppsala and Sörmland. Born 1948. University studies. Employed since 1994.
Holding: 500 shares.



ANDERS REX

Market Area Skåne and southern Halland. Born 1959. Graduate Business Administrator. Employed since 1994.
Holding: 341 shares.



EVA SREJBER

European Issues and EMU, coordination of trade and government contacts. Born 1951. Economist. Employed until January 1999.
Holding: -.



ELISABETH STRÖM

Market Communications and Public Relations. Born 1962. Diploma in Marketing Economics DRMI. Employed since 1997.
Holding: 200 shares.



GÖRAN THEODORSSON

Outplacement Services. Born 1948. Economist. Employed since 1969.
Holding: 321 shares.

** Member of the Executive Management's Working Committee.*



JUDITH SAND
Internal Audit. Born 1942. Bachelor of Laws and
Sociologist. Employed since 1985.
Holding: 321 shares.

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