



Interim report for FöreningsSparbanken (Swedbank) January - June 1999

Intensive merger work nearing an end

- Operating profit amounted to SEK 3,608 M (3,866)
- Net commission income rose to SEK 2,339 M (2,114)
- Loan losses declined to SEK 260 M (710)
- Problem loans, net, declined to SEK 2,947 M (5,517)
- Earnings per share amounted to SEK 4.92 (5.20)
- The savings area increased by nine percent
- Lending rose by six percent
- FöreningsSparbanken's Internet bank is now the largest in Sweden
- Norway's SpareBank 1 Group acquired FöreningsSparbanken's Internet banking solution
- The number of employees amounted to 10,746 (12,749 on December 31, 1996)
- Moody's and FitchIBCA upgraded the Bank's rating

The road to a "New bank" - facing the 21st century

Two banks have become one

During the first half of 1999 the merger work at FöreningsSparbanken was at its most intense. Since the merger between Föreningsbanken and Sparbanken Sverige was decided on in 1997, the work has focused on combining two banks into one, while at the same time building a bank for the future.

Well-known trademark

FöreningsSparbanken's trademark was introduced in September 1997 and after just two years has become one of Sweden's most well-known and, according to surveys, has the highest recognition factor of all trademarks used by financial institutions in Sweden.

Consolidation of redundant branches

The branch network has been updated through the consolidation of 266 branches and sale of 156 others to independent savings banks and jointly owned banks. This was largely accomplished without leaving any local market. As of June 30, 1999 there were 995 branches of FöreningsSparbanken, the independent savings banks and jointly owned banks, compared with approximately 1,450 at year-end 1996. During the first half of 1999, 26 FöreningsSparbanken branches were consolidated, in addition to decisions to consolidate another 14 during the second half of the year.

Shared computer system

A shared IT system for the entire Bank was successfully placed in operation at the end of May 1999. As a result, all customers are now incorporated in a single system and can be offered all products and services. The system facilitates efficient customer service by giving the Bank's employees access to all customer and product information in one system.

Successful personnel transition work

Many of the employees who chose to seek work outside the Bank with the help of the Resource Bank outplacement service have been successful in their efforts. The Bank has thereby taken an active role in the ongoing transition efforts that are affecting many employees.

The number of full-time positions in the Resource Bank, expressed in terms of individuals, was 383 as of June 30, 1999, a decrease of 642 since the end of the first quarter of 1999 and 817 since the Resource Bank was established in mid-1998. The Resource Bank's operations will be dissolved in December 1999. The number of employees who have agreed to take early retirement before year-end declined by 195 during the second quarter to 230.

By year-end the number of temporary employees is expected to drop to around 600.

Since the merger, around a thousand employees have been recruited with skills in IT and sales, for example.

Number of full-time positions since 1996

	1999 June 30	1999 Mar 31	1998 Dec 31	1998 Sep 30	1998 June 30	1996 Dec 30
Permanent employees	8,978	9,075	9,146	8,895	8,840	12,350
Resource Bank	383	1,025	1,080	1,050	1,200	0
Early retirement etc.	333	425	450	630	700	0
Temporary employees	1,052	1,014	1,058	588	452	399
Total	10,746	11,539	11,734	11,163	11,192	12,749

Sale of operating properties completed

In order to improve the opportunities of finding new branch locations in the future and thereby increase flexibility and adapt to the market, as well as to free up capital, the Bank has sold its operating properties. In addition, two headquarters have been combined into one. This has resulted in, among other things, a reduction in the property area used in the banking operations. Significant financial gains from the lower space requirements are not expected until year 2000, when leasing agreements are gradually cancelled or the space is sublet.

Mandamus distributed to shareholders

All the shares in the property management company Mandamus were distributed to the Bank's shareholders in May 1998. The Mandamus share was listed for the first time on the Stockholm Stock Exchange on June 15, 1998.

One bank about to become a "New bank"

Increased focus on savings and investments

Greater focus has been placed on the savings area through the acquisition in September 1998 of the remaining shares in SparFond, the Bank's provider of unit-linked insurance. SparFond currently has around one third of all new unit-linked insurance policies in the Swedish market. At the same time, Robur has retained its strong position in fund savings, in part thanks to increased sales to former customers of Föreningsbanken.

New IT platform being introduced - major training efforts

The considerable resources that have been invested in information technology are essential if the Bank is to realize its vision of having 80 percent of branch employees' time spent on customer service.

All employees now have access to new computer equipment based on a new technical platform called GP 2000. In addition, a comprehensive training program has been offered. The new platform includes a Windows-based customer support system that makes it easy to quickly review a customer's accounts and promptly handle all types of banking business. The new platform also includes a new loan approval system, a new cashier's system and a system for internal administrative routines. The transition to a new IT environment has placed tough demands on employees, and the training period that has been under way during the spring and summer and which will continue during the autumn to some extent has affected the level of service and accessibility the Bank has been able to offer.

New ATM's

By mid-August 934 of 1,039 ATM's had been replaced. Besides improving reliability and lowering costs for operation and maintenance, the new ATM's will be able to handle new applications, such as cash transfers to CASH cards and Internet banking services.

Leader in Internet banking - now Sweden's largest

The major resources that have been devoted to FöreningsSparbanken's Internet and telephone banking services have made the Bank one of the leaders in Europe in this area. This was confirmed when the Bank was recently named Europe's best Internet bank and the second best in the world in a survey by IBM and Interbrand. FöreningsSparbanken will maintain its rapid rate of development in this area.

In late June 1999 FöreningsSparbanken's Internet bank had approximately 260,000 customers, of whom 243,000 were private customers and 17,000 business customers. As of mid-August the number was around 290,000, making FöreningsSparbanken's Internet bank Sweden's largest. At present between 5,000 and 6,000 new customers are joining each week, compared with an average of just over 2,000 customers a week in 1998. One reason for the higher rate of increase is that former Föreningsbanken customers are now able to sign up for the Internet bank after conversion of the IT systems in May. The number of Internet payments rose substantially during the first half of 1999, to 6 million from 2.4 million during the first half of 1998, an increase of approximately 150

percent. The number of fund transactions was approximately 110,000 during the second quarter of 1999, an increase of about 25,000 from the first quarter of 1999.

Wider geographic base for Internet solution

In June an agreement was reached with SpareBank 1 Group in Norway whereby the banks in the alliance will invest in FöreningsSparbanken's Internet solution. This means that SpareBank 1 Group can use FöreningsSparbanken's concept in the Norwegian market, at the same time that FöreningsSparbanken will receive a contribution for development expenses.

Integration of Internet and telephone banking - IP telephony

Another new development is the combination of sound and data with the help of an Internet protocol called IP telephony. During the autumn FöreningsSparbanken plans to test launch an IP telephony service between the Internet and telephone banks. This will allow customers to speak via the Internet with a customer service representative at the telephone bank at the same time that the customer is logged onto the Internet bank. This increases the opportunity for interactivity, since both parties have access to the same information in the Internet bank.

New Internet banking solution

In early July FöreningsSparbanken launched the latest in a line of innovations in Internet banking, "Dialogen," which allows customers to create their own Internet bank profile based on their lifestyle and personal interests. The customer gains access to information related to those areas of interest and links to, among others, their local bank. He or she can order products and services directly via the net - e.g. various forms of savings - or apply for a loan. The customers can also receive and send encrypted messages to their adviser, as well as give their opinions and ask questions about FöreningsSparbanken. This version of Dialogen gives the Bank Sweden's best available solution for direct communication and marketing.

Positive trend continues for telephone banking

Part of the Bank's fundamental strategy is to be the most accessible of all Swedish banks. "FöreningsSparbanken by Telephone" dates as far back as 1985, when "Sparbanken Direkt" was launched as Europe's second telephone bank with personal assistance. Today FöreningsSparbanken by Telephone has approximately 750,000 customers with personal assistance, an increase of 150,000 or 25 percent since the beginning of the year. Those customers who use the self-service option total approximately 1.8 million, making FöreningsSparbanken by Telephone by far Sweden's largest telephone bank and one of the largest in Europe. In 1999 the combined telephone banking services are expected to handle around 125 million transactions and receive slightly less than 60 million customer visits.

Internet for telephone bank users

In September FöreningsSparbanken will launch a new Internet banking service designed for telephone bank customers. Using a

PIN code, they will be able to utilize portions of the large range of Internet banking services that do not require the highest security, i.e. using the Active Card security device. The idea is to give more customers the opportunity to try the Internet as a meeting place for banking business and thereby increase the number of those who sign up for FöreningsSparbanken by Internet. The aim is to have over a million active Internet bank customers before the end of 2001.

Strong increase for NetTrade

As of June 30, 1999 FöreningsSparbanken's online equity trading service, NetTrade, had around 18,000 customers, an increase of about 8,000 or 80 percent since the beginning of the year. NetTrade accounts for approximately 20 percent of the stock trades at FöreningsSparbanken.

The average NetTrade customer makes 15 trades a year, trades for approximately SEK 100,000 and has a brokerage account worth approximately SEK 200,000.

Stronger alliances

The alliance with the independent savings banks in Sweden has been further strengthened and the creation of a Nordic/Baltic alliance has been in progress for several years. Through its alliances, FöreningsSparbanken has a presence in Norway, Finland, Poland and the Baltic states. The idea is to utilize a broader customer base to improve the shared competitive strength of the allied banks in an increasingly global banking market and share development costs for, among other things, IT and product development. By coordinating the allied banks' product and IT platforms step by step, there is an opportunity to bring products and services to a larger customer base. FöreningsSparbanken is also co-owner of four large independent savings banks which have been converted to banking companies. Altogether, the Bank has received approximately SEK 3.5 billion from the sale of branches and invested approximately SEK 4 billion in its Swedish and Nordic allied partners.

Marketing campaign planned

During the autumn the Bank plans to launch a marketing campaign in the retail market to facilitate contacts between the Bank and its customers. The cost of approximately SEK 175 M will be charged primarily against the third quarter.

Business volumes

Savings area grows

Customer savings in FöreningsSparbanken continued to rise during the first half of 1999, with volumes in the savings area amounting to approximately SEK 469 billion (431) as of June 30, 1999, an increase of approximately SEK 38 billion or 9 percent compared with June 30, 1998.

Household deposits remain stable

Household deposits amounted to approximately SEK 124 billion (121) as of June 30, 1999, an increase of SEK 3 billion or slightly over

2 percent compared with the corresponding date in 1998. Other deposits also rose, to SEK 74 billion (61), an increase of approximately SEK 13 billion or 21 percent compared with June 30, 1998.

Robur's fund assets continue to rise

Net contributions to Robur's funds during the past 12-month period totaled slightly over SEK 14 billion, of which more than SEK 7 billion was attributable to insurance savings in SparFond. Robur's share of net savings in the fund market was 27 percent during the corresponding period.

Assets under management in Robur's funds amounted to SEK 231 billion (192), the highest level ever and an increase of SEK 39 billion or 20 percent since June 30, 1998. Robur's market share for assets under management in the fund market was 34.6 percent (34.5) as of June 30, 1999.

In addition to fund management, the Robur Group includes approximately SEK 28 billion in discretionary asset management, of which approximately SEK 24 billion is handled by the subsidiary FöreningsSparbanken Kapitalförvaltning.

High demand for unit-linked insurance

Sales of unit-linked insurance continued to rise substantially. As of June 30, 1999 SparFond's assets under management amounted to approximately SEK 26 billion (16), an increase of approximately SEK 10 billion or 70 percent since June 30, 1998. On a moving 12-month basis, SparFond's market share for new unit-linked insurance policies was 31.7 percent as of June 30, 1999, making it the leader in the Swedish market. At the end of the first half of 1999 SparFond had around 307,000 (150,000) insurance contracts. In addition, it has around 900,000 group life insurance policyholders. During the second quarter of 1999 a unit-linked insurance business was established in the Finnish market in cooperation with Aktia Sparbank.

Savings and investments, the Group

	June 30 1999	Dec. 31 1998	June 30 1998
SEK billion			
Deposits from the public			
Households, SEK	123.7	119.1	120.5
Other, SEK	65.2	59.2	53.8
Foreign currency	8.8	9.1	7.3
Total	197.7	187.4	181.6
Discretionary management	27.5	29.1	33.4
Public savings accounts	-	-	0.5
Fund management	231.1	192.6	192.4
Retail bonds, interest-bearing	5.7	13.0	15.9
Retail bonds, stock index	5.6	6.0	6.9
Unit-linked insurance	27.1	18.5	15.5
Of which own companies	- 26.0	- 18.1	- 15.5
Total	468.7	428.5	430.7

Lending rose by six percent

The Group's loans to the public and credit institutions other than banks, excluding repurchase agreements (repos), amounted to

SEK 505 billion (477) as of June 30, 1999, an increase of approximately SEK 28 billion or 6 percent during the past 12-month period.

Loans to the household sector amounted to SEK 245 billion (228), an increase of approximately SEK 17 billion or 8 percent compared with the corresponding period of 1998.

Lending, the Group

	June 30 1999	Dec. 31 1998	June 30 1998
SEK billion			
Households	244.9	236.0	227.6
of which Spintab	193.2	184.7	176.9
Real estate management	123.7	122.1	122.2
Credit institutions excl. banks	5.6	1.1	0.6
Retail, hotels, restaurants	15.7	16.3	16.9
Construction	7.2	8.6	9.0
Manufacturing	12.0	13.6	13.4
Transportation	4.5	4.2	4.4
Forestry and agriculture	21.8	20.6	20.2
Other service businesses	13.1	12.2	11.0
Other business lending	28.8	30.6	28.2
Municipalities*	15.5	16.4	16.2
Other	12.2	12.4	7.4
Total	505.0	494.1	477.1
Repurchase agreements (repos)	14.6	10.1	35.5
Total lending	519.6	504.2	512.6

* Municipal companies not included

Strong increase in bank cards

FöreningsSparbanken's card operations continued to report high growth. As of June 30, 1999 there were 2.4 million bank cards in issue, an increase of around half a million or 27 percent compared with a year earlier. The number of card transactions cleared also rose, to approximately 61 million, up 29 percent compared with the first half of 1998.

The number of CASH function users was around 240,000 as of June 30, 1999, an increase of 90,000 during the first half of 1999. The number of cards in issue with the CASH function, including bank cards with an integrated CASH function, rose by about one million during the first six months to around 1.4 million, of which around 1.1 million are bank cards with an integrated CASH function.

During the second quarter of 1999 the number of CASH transactions in FöreningsSparbanken was approximately 800,000, an increase of approximately 40 percent compared with the first quarter. As of June 30, 1999 there were nearly 33,000 points of sale where the CASH card was accepted, up around 10,000 from the beginning of the year.

New system for issuing cards

A new card issuance system was introduced during the first half of 1999, giving the Bank's customers a larger, better range of services with more customized products. For the Bank, the new system means simpler administration at the branch level.

Group profits

The Group's operating profit amounted to SEK 3,608 M (3,866). The return on equity amounted to 18.1 percent (20.6) and earnings per share were SEK 4.92 (5.20).

Branch sales affected net interest income

The Group's net interest income amounted to SEK 5,580 M (5,842), which is SEK 262 M lower than the first half of 1998.

Approximately SEK 150 M was due to the sale of branches - and their deposit and lending volumes - to independent savings banks and jointly owned banks during the first half of 1998.

Despite growth in both deposit and lending volume, net interest income declined due to reduced margins and a lower return on equity.

Continued increase in net commission income

Net commission income rose by SEK 225 M or 11 percent to SEK 2,339 M (2,114). The improvement is attributable primarily to fund and insurance savings.

Net profit on financial operations

Net profit on financial operations amounted to SEK 128 M (439). An important reason for the decrease is that last year's gains in the bond portfolio could not be repeated due to change in interest rates.

Other income

Other income amounted to SEK 1,823 M during the first half of 1999, compared with SEK 1,788 M during the first half of 1998. Both periods included capital gains of approximately SEK 1,350 M.

Expenses affected by IT and staff reduction programs

Expenses for the first half of 1999 amounted to SEK 6,146 M (5,754), an increase of 392 M or 7 percent from the corresponding period of 1998. The increase is mainly attributable to higher IT expenses and the reduction in personnel, which is proceeding according to plan.

Expenses associated with the Resource Bank, which are written off directly, amounted to SEK 184 M during the quarter, or a total of SEK 348 M for the first six months. This includes all expenses for employees who have left the Resource Bank thus far this year. The expenses associated with the Resource Bank during the second half of 1999 are estimated at no more than SEK 200 M.

To express appreciation to employees for their fine work during the merger process, an allocation of SEK 50 M (including social insurance charges) was made to "Kopparmyntet", the Bank's profit-sharing fund, as of June 30 1999.

During the first half of 1999 total IT expenses before the deduction of income from independent savings banks and jointly owned banks amounted to approximately SEK 1,360 M. IT expenses are expected to be lower during the second half of 1999 than the first

half. For the full-year, the Group's IT expenses should remain largely in line with 1998.

The Group's total expenses are expected to be nearly SEK 350 M lower during the second half of 1999 than the first half.

Continued decline in loan losses and problem loans

Loan losses declined during the first half of 1999 to SEK 260 M (710). During the second quarter loan losses were affected positively by a number of major recoveries totaling approximately SEK 200 M. The loan loss level was 0.1 percent (0.3). The Group's problem loans, net, declined substantially to SEK 2,947 M (5,517).

A specification of loan losses and problem loans is provided in Notes 3 and 4.

Low international risk exposure and low interest rate risk

FöreningsSparbanken's international risk exposure (as indicated in previous reports) remains low.

An increase in market interest rates of one percentage point as of June 30, 1999 would have reduced the value of the Group's interest-bearing assets and liabilities, including derivatives, by approximately SEK 490 M (630). The decrease in value for positions in SEK would have amounted to approximately SEK 535 M (590) as of June 30, 1999. Given a corresponding increase in interest rate levels, the value of the Group's positions in foreign currency would have risen by SEK 45 M. As of June 30, 1998 such an interest rate increase would have resulted in a decline of approximately SEK 40 M in the Group's positions in foreign currency. A one-percent increase in real interest rates would have also reduced the value of positions in real fixed income instruments, denominated in SEK, by approximately SEK 55 M (5).

An increase in interest rates of one percentage point would have reduced the Group's net profit from financial operations by approximately SEK 110 M (180) as of June 30, 1999.

Capital adequacy ratio 11.7 percent

The capital adequacy ratio amounted to 11.7 percent on June 30, 1999 (12.4), of which the primary capital ratio was 6.6 percent (6.5). Market risks as a share of the total capital adequacy ratio amounted to 0.3 percentage points (0.4). Profit for the first six months of the year is included in the capital base. The goal of a primary capital ratio of between 6.5 and 8.5 percent, with a target of 7.5 percent, remains unchanged.

Specification of capital adequacy	June 30	Dec. 31	June 30
SEK M	1999	1998	1998
Primary capital	25,496	23,625	23,145
Supplementary capital	22,905	23,266	22,241
Less shares, etc.	- 3,067	- 1,970	- 1,325
Capital base	45,334	44,921	44,061
Risk-weighted amount for credit risks	376,327	371,374	343,741
Risk-weighted amount for market risks	10,084	15,057	11,760
Total risk-weighted amount	386,411	386,431	355,501

Capital adequacy ratio %	11.7	11.6	12.4
Primary capital ratio %	6.6	6.1	6.5

As of June 30, 1999 the FöreningsSparbanken financial companies group includes the FöreningsSparbanken Group, Eskilstuna Rekarne Sparbank AB, FöreningsSparbanken Sjuhärad AB, FöreningsSparbanken Söderhamn AB, Aktia Sparbank Ab in Finland, Sparebank 1 Group in Norway and AS Hansapank in Estonia. The Group's insurance companies are not included.

Other

Year 2000 compliance

The Group's year 2000 preparations have essentially been completed. All major systems have been analyzed, modified, returned to production and Y2K tested. Restrictions will be placed on system changes and the introduction of new systems during the second half of 1999. The Bank's work with year 2000 compliance now enters a stage where information issues in a broad perspective becomes more important. FöreningsSparbanken has i. a. informed its corporate customers by a CD containing support for year 2000 preparations.

Cooperation with independent savings banks and jointly owned banks

During the second quarter of 1999 Södra Hestra Sparbank acquired FöreningsSparbanken's branch operations in Hyltebruk and Torup. Skurups Sparbank during the same period acquired the branch operations in Skurup and Rydsgård. The sales proceeds are applied to the acquisition analysis that was prepared in connection with the merger between Föreningsbanken and Sparbanken Sverige and do not impact earnings. The deposit and lending volumes involved totaled SEK 558 M.

New company for payment terminals

In order to increase efficiency in the development and administration of payment terminals, FöreningsSparbanken/BABS at mid-year 1999 established a separate company 49-percent owned by the Bank and 51-percent by Point Transaction System AB. BABS' terminal operations will gradually be transferred to the new company. Customer relations responsibility will stay with the local banks, independent savings banks and jointly owned banks. The new company will manage around 30,000 terminals and is expecting new sales of around 10,000 units a year.

VPC

Together with the three other major Swedish banks, FöreningsSparbanken has agreed to buy 75 percent of the shares of Värdepapperscentralen VPC AB (the Swedish Securities Register Center) for SEK 900 M. Since they previously held shares in VPC, the four banks together will own 98.6 percent of the shares after the purchase, with each bank's share amounting to 24.65 percent. FöreningsSparbanken's share of the total purchase price amounts to SEK 268 M.

Moody's and FitchIBCA upgrade FöreningsSparbanken

In June the rating agency Moody's upgraded FöreningsSparbanken's long-term rating from A1 to Aa3. Moreover, FitchIBCA in June raised the Bank's so-called individual rating from B/C to B.

Hansapank rated by Moody's

In July Moody's gave Hansapank, the Estonian bank co-owned by FöreningsSparbanken, a long-term rating of Baa3.

Operating properties in Luxembourg sold

As previously announced, FöreningsSparbanken has sold its operating properties in Luxembourg. The loss on the sale is covered by previously allocated provisions.

Agreement with "Svensk Handel"

FöreningsSparbanken has established a cooperation with Svensk Handel, a retail trade organization, and its 20,000 member firms to launch a new credit card. The new card will utilize all the capabilities offered by new technology.

Bonus issue effected

The Annual General Meeting on April 29, 1999 approved a bonus issue of 1:2 through a transfer of restricted funds to share capital. The bonus issue, which was effected in early June, raised the number of shares to 527,808,843 and the share capital to slightly over SEK 10.5 billion.

Highlights after June 30, 1999

Bank Handlowy

Discussions are under way on a merger between Bank Handlowy and BRE Bank which would create the strongest corporate bank in Poland, with attractive development possibilities. FöreningsSparbanken's ownership interest would be diluted, Ceteris Paribus, from approximately 6 percent at present to 3.6 percent.

Stockholm, August 24, 1999
FöreningsSparbanken AB (publ)

Reinhold Geijer
President and CEO

Statement by President and CEO Reinhold Geijer:

"The merger work is now largely complete, at the same time that we have installed a new IT platform and become the leading Internet bank in Europe. We are now entering a period

of increased customer and market activity,
with the focus on stronger profitability."

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Key ratios for the Group

January - June	1999	1998
Return on equity, %	18.1	20.6
Earnings per share, SEK	4.92	5.20
Operating profit per share, SEK	4.92	5.27
Equity per share, SEK	54.87	51.06
I/E ratio before loan losses	1.63	1.80
I/E ratio after loan losses	1.56	1.60
Capital adequacy ratio, %	11.7	12.4
Primary capital ratio, %	6.6	6.5
Loan loss ratio, net, %	0.1	0.3

A bonus issue during the second quarter raised the number of shares to 527,808,843. Comparative per share figures for 1998 have been recalculated.

BUSINESS AREA REPORT

Profit per business area

Retail Banking	Swedbank Markets	Asset Mgmt. incl.	Other	Group
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SEK M	insurance									
January - June	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Income	5,759	6,438	1,158	1,066	1,197	944	1,900	1,882	10,014	10,330
Internal sales										
commissions	787	637	-140	- 120	-647	- 517				
Expenses	-4,115	-4,242	-553	- 524	-308	- 225	-1,170	- 763	-6,146	-5,754
Profit before										
loan losses	2,431	2,833	465	422	242	202	730	1,119	3,868	4,576
Loan losses	-269	- 713	-5	0			14	3	-260	- 710
Profit after										
loan losses	2,162	2,120	460	422	242	202	744	1,122	3,608	3,866
Estimated share-										
holders' equity	18,443	17,544	5,280	4,873	2,276	1,594	2,609	2,557	28,608	26,568
Return on equity										
after tax	16.9%	17.4%	12.5%	12.5%	15.3%	18.2%			18.1%	20.6%

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 with the addition of unamortized goodwill in each business area. The return on equity for the business areas is calculated after standard tax and for the Group after reported tax.

Retail Banking

Retail Banking comprises Local banks, Spintab, FöreningsSparbanken Cards, FöreningsSparbanken Finans and jointly owned banks in Sweden.

Income declined by SEK 529 M or 7 percent compared with the first half of 1998, of which approximately SEK 200 M was attributable to the branch sales to the independent savings banks and jointly owned banks. Net interest income from lending and deposits in the local bank declined due to lower margins. Net interest income from mortgage lending remained unchanged. Internal sales commissions developed positively due to growth in fund and insurance savings.

Expenses declined by SEK 127 M or 3 percent due to the reduction in the number of employers and lower office space requirements. Around two thirds of the cost decrease is attributable to branch transfers. Loan losses also declined, because of which profit after loan losses rose by SEK 42 M or 2 percent. The return on equity fell slightly due to higher calculated equity.

Swedbank Markets

Swedbank Markets comprises the Bank's capital market, international and large corporate customer operations, as well as securities brokerage and corporate finance.

Income rose during the period and exceeded the first half of 1998 by 9 percent, mainly due to the trading operations' positive development. The profit increase compared with the first half of 1998 was SEK 38 M, or 9 percent. The return on equity stayed unchanged.

Asset Management

Asset Management comprises Robur, including the Group's discretionary asset management and SparFond (as of September 30, 1998).

Due to volume growth for fund and insurance savings and the acquisition of SparFond during the third quarter of 1998, income rose by approximately SEK 250 M or 27 percent compared with the first half of 1998.

The SparFond acquisition also affected the expense level, as well as capital utilization through the allocation of goodwill that arose from the acquisition, due to which the return on equity fell to 15.3 percent, compared with 18.2 percent in the first half of 1998.

Other

Other comprises income and expenses that do not fall under any of the business areas. This includes FöreningsSparbanken Fastighetsbyrå (real estate brokerage), computer services for independent savings banks and jointly owned banks, and the Nordic/Baltic alliance. Income includes capital gains of approximately SEK 1,350 M in the first half of both 1999 and 1998. The expense level was affected by personnel reduction expenses for the Resource Bank amounting to SEK 348 M.

For quarterly profit trends for the business areas, see appendix.

Profit and loss accounts SEK M	Group			The Bank		
	1999 Jan- Jun	1998 Jul- Dec	1998 Jan- Jun	1999 Jan- Jun	1998 Jul- Dec	1998 Jan- Jun
Interest receivable	19,580	21,768	22,536	9,894	11,055	11,670
Interest payable	-14,000	-16,246	-16,694	-6,431	-7,603	-7,765
Net interest income	Note 1 5,580	5,522	5,842	3,463	3,452	3,905
Dividends received	144	8	147	176	6,022	182
Commissions receivable	2,914	2,733	2,631	2,166	2,033	2,002
Commissions payable	- 575	- 567	- 517	- 342	- 349	- 323
Net commission income	2,339	2,166	2,114	1,824	1,684	1,679

Net profit on financial operations	Note 2	128	388	439	97	365	393
Other operating income		1,823	940	1,788	1,702	925	1,854
Total income		10,014	9,024	10,330	7,262	12,448	8,013
Administrative expenses							
- Staff costs		-2,983	-2,945	-2,815	-2,702	-2,675	-2,547
- Other		-2,796	-2,968	-2,630	-2,527	-2,682	-2,358
Depreciation and write-down of tangible assets		- 198	- 203	- 171	- 180	- 181	- 152
Amortization of goodwill		- 169	- 156	- 138	- 50	- 51	- 50
Total expenses		-6,146	-6,272	-5,754	-5,459	-5,589	-5,107
Profit before loan losses		3,868	2,752	4,576	1,803	6,859	2,906
Loan losses, net	Note 3	- 258	- 278	- 709	- 215	- 291	- 444
Change in value of property taken over	Note 3	- 2	- 14	- 1	0	- 2	0
Write-down of financial assets					- 40	- 43	
Operating profit		3,608	2,460	3,866	1,548	6,523	2,462
Acquired loss			- 32				
Minority interest		- 4	1	- 1			
Appropriations		53	48	- 4	53	- 934	1
Tax		-1,061	- 600	-1,119	- 475	-1,243	- 673
Profit for the period		2,596	1,877	2,742	1,126	4,346	1,790

Note 1.

Of which charge for deposit guarantee

- 280 - 292 - 302 - 273 - 290 - 300

The charge is calculated based on account deposits as of December 31 of the year prior to the year in question and in 1999 amounts to 0.499 percent (0.516)

Note 2. Specification of net profit on financial operations

SEK M	Group			The Bank		
	1999 Jan- Jun	1998 Jul- Dec	1998 Jan- Jun	1999 Jan- Jun	1998 Jul- Dec	1998 Jan- Jun
Capital gains						
Shares and participations	73	140	40	54	132	20
Interest-bearing securities	-44	- 68	346	-46	- 87	323
Other financial instruments	3	2	0	4	2	3
Total	32	74	386	12	47	346
Unrealized changes in value						
Shares and participations	-3	124	96	-17	111	96
Interest-bearing securities	-92	102	- 188	-79	112	- 184
Other financial instruments	-2	1	0	-2	1	0
Total	-97	227	- 92	-98	224	- 88
Exchange rate fluctuations	193	87	145	183	94	135
Total	128	388	439	97	365	393

Note 3. Specification of loan losses, net, and change in the value of property taken over

SEK M	Group			The Bank		
	1999 Jan- Jun	1998 Jul- Dec	1998 Jan- Jun	1999 Jan- Jun	1998 Jul- Dec	1998 Jan- Jun
Claims assessed individually						
The period's write-down for established loan losses	1,090	1,939	1,571	701	1,422	1,080

Reversal of provisions previously made for anticipated loan losses	- 603	-1,151	-1,174	- 386	- 808	- 835
The period's provisions for anticipated loan losses	1,165	569	1,213	499	271	624
Recoveries from previous years' established loan losses	- 429	- 210	- 201	- 296	- 109	- 99
Recovered provisions for anticipated loan losses	- 986	- 837	- 709	- 273	- 455	- 375
The period's net expense for individually assessed claims	237	310	700	245	321	395

Claims assessed collectively

The period's established loan losses	46	51	43	45	51	42
Recoveries from previous years' established loan losses	- 6	- 7	- 6	- 6	- 6	- 5
Allocations/withdrawals from loan loss reserve	- 20	- 16	- 36	- 24	- 15	11
The period's net expense for collectively assessed claims	20	28	1	15	30	48

Contingent liabilities

The period's net expense for discharged guarantees and other contingent liabilities	1	18	8	- 45	18	1
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The period's net loan loss expense	258	356	709	215	369	444
Change in the value of property taken over	2	14	1	0	2	0
Total	260	370	710	215	371	444
Less: applied to acquisition analysis		- 78			- 78	
Loan losses, net, and change in value of property taken over	260	292	710	215	293	444

Note 4. Problem loans

	Group			The Bank		
	1999	1998	1998	1999	1998	1998
SEK M	6/30	12/31	6/30	6/30	12/31	6/30
Doubtful claims, gross	6,158	8,060	10,369	3,281	4,115	5,725
Provisions for anticipated loan losses	3,534	3,942	5,345	2,189	2,312	3,318
Doubtful claims, net	2,624	4,118	5,024	1,092	1,803	2,407
Claims with interest concessions	323	438	493	139	212	250
Problem loans, net	2,947	4,556	5,517	1,231	2,015	2,657
Unsettled claims for which accrued interest has been entered as income	1,832	1,885	2,288	765	583	207
<i>Property taken over to protect claims:</i>						
- Buildings and land	26	25	49	19	19	40
- Shares and participations	15	26	29	6	16	16
- Other	5	5	5	5	5	5
Total	46	56	83	30	40	61
Doubtful claims as % of total lending	0.5%	0.8%	1.0%	0.4%	0.8%	1.1%
Provision ratio for doubtful claims	57%	49%	52%	67%	56%	58%

Quarterly profit trend for the Group

	1999	1999	1998	1998	1998	1998
SEK M	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income*	2,717	2,863	2,828	2,694	2,790	3,052
Commissions, net	1,258	1,081	1,039	1,127	1,086	1,028
Financial operations, net	23	105	326	62	297	142

Other income	349	1,618	570	378	1,317	618
Total income	4,347	5,667	4,763	4,261	5,490	4,840
Staff costs	1,564	1,419	1,555	1,390	1,436	1,379
Other expenses	1,631	1,532	1,896	1,431	1,531	1,408
Total expenses	3,195	2,951	3,451	2,821	2,967	2,787
Profit before loan losses	1,152	2,716	1,312	1,440	2,523	2,053
Loan losses, incl. changes in value	- 2	- 258	- 26	- 266	- 285	- 425
Operating profit	1,150	2,458	1,286	1,174	2,238	1,628
* Of which deposit guarantee fee	137	143	146	146	150	152

Balance sheets

	Group			The Bank		
SEK M	1999	1998	1998	1999	1998	1998
	6/30	12/31	6/30	6/30	12/31	6/30
Loans to the public	515,966	516,909	510,999	202,255	209,758	212,388
Loans to credit institutions	88,696	71,462	95,829	127,828	91,573	110,464
Interest-bearing securities	56,063	60,222	42,769	60,535	66,885	49,007
- Financial fixed assets	6,089	5,307	5,744	7,034	6,687	7,996
- Financial current assets	49,974	54,915	37,025	53,501	60,198	41,011
Other assets	72,255	71,355	45,067	54,167	63,220	50,420
Total assets	732,980	719,948	694,664	444,785	431,436	422,279
Deposits and borrowings from the public	205,843	190,355	197,794	203,231	187,308	195,698
Amounts owed to credit institutions	111,206	120,755	102,018	122,356	131,137	111,636
Debt securities in issue	290,548	290,778	295,431	44,362	36,528	39,631
Subordinated liabilities	24,176	24,754	24,144	16,495	17,070	16,781
Other liabilities	72,244	64,468	48,326	38,158	37,873	39,230
Shareholders' equity	28,963	28,838	26,951	20,183	21,520	19,303
Total liabilities, provisions and shareholders' equity	732,980	719,948	694,664	444,785	431,436	422,279

Condensed statement of cash flows

	Group		The Bank	
January - June, SEK M	1999	1998	1999	1998
Liquid assets at the beginning of the period *	54,486	40,785	54,819	39,921
Operating activities				
Operating profit	3,608	3,866	1,548	2,462
Adjustments for items not included in cash flow				

including taxes paid	-2,202	-2,166	3,933	2,401
Increase/decrease in short-term investments	-4,783	-10,375	-24,981	-13,101
Increase/decrease in loans to the public	-3,623	-17,938	3,002	- 7,696
Increase/decrease in holdings of securities classified as current assets	4,275	- 952	4,969	9,673
Increase/decrease in deposits and borrowings from the public including retail bonds	3,627	-3,400	11,541	-5,831
Increase/decrease in amounts owned to credit institutions	5,834	-2,157	6,602	166
Change in other assets and liabilities, net	878	-1,143	-2,122	- 101
Cash flow from operating activities	7,614	-34,265	4,492	-12,027
Investing activities				
Purchase of fixed assets	-1,541	- 747	-1,609	- 734
Sale of fixed assets	5,112	3,833	5,262	4,419
Branch transfers	17	3,189	17	3,189
Cash flow from investing activities	3,588	6,275	3,670	6,874
Financing activities				
Issuance of interest-bearing securities	90,817	99,410	6,652	19,120
Redemption of interest-bearing securities	-107,250	-79,933	-1,684	-16,461
Increase in other funding	23,686	25,406	2,873	20,532
Dividend paid	-2,463	-2,111	-2,463	-2,111
Cash flow from financing activities	4,790	42,772	5,378	21,080
Cash flow for the period	15,992	14,782	13,540	15,927
Liquid assets at the end of the period*	70,478	55,567	68,359	55,848
* of which securities pledged for OM, etc.				
at beginning of period	4,769	1,523	4,769	1,523
at end of period	5,439	2,712	5,439	2,712

Liquid assets include cash and balances with central banks, for net claims the net of demand loan receivables and demand loan liabilities with maturities up to five days, and Treasury bills, other bills and mortgage bonds eligible for refinancing with Sveriges Riksbank, taking into account repos and short-selling.

Derivatives

The Group uses derivatives in the normal course of business and for the purpose of hedging certain positions with regard to the value of equities, interest rates and currencies. The following specification is prepared in accordance with the directives of the Swedish Financial Supervisory Authority and includes all derivatives in the Group.

Generally, derivatives are reported at fair value. Exceptions are made for derivatives that are accounted for as hedges. The deviations between book and fair value reported below correspond to opposing deviations for other positions that are included in the portion of the Group's operations covered by hedging accounting.

Specification of derivatives in the Group as of June 30, 1999

Derivatives with positive fair values or nil value

SEK M	Interest-related		Currency-related		Equity-related		Other	
	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value
Derivatives reported entirely or in part on the balance sheet	8,769	7,741	12,380	9,203	1,969	1,662	2	2
Derivatives not reported on the balance sheet	129		259					

Derivatives with negative fair values

SEK M	Interest-related		Currency-related		Equity-related		Other	
	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value
Derivatives reported entirely or in part on the balance sheet	10,494	9,891	7,407	7,560	1,879	1,513	0	0
Derivatives not reported on the balance sheet	1		0					

Auditors' report

We have reviewed this interim report, and in doing so followed the recommendations of the Swedish Institute of Authorized Public Accountants. A review as such is considerably limited in comparison with an audit. We have found no indications that the interim report does not fulfill the requirements in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, August 24, 1999

Ulf Egenäs
Authorized Public
Accountant

Torbjörn Hanson
Authorized Public
Accountant

Peter Markborn
Authorized Public
Accountant appointed by the Swedish
Financial Supervisory Authority

FöreningsSparbanken's rating

S&P	Moody's			Bankwatch			FitchIBCA		Japan R/I
Short Long	Short	Long	BFSR*	Short	Long	Issuer	Short	Long	Long
A-1 A	P-1	Aa3	B	TBW-1	AA-	B/C	F-1	A+	AA-

*Bank Financial Strength Rating

Spintab's rating

S&P	Moody's			Bankwatch			FitchIBCA	
Short Long	Short	Long		Short	Long	Issuer	Short	Long
A-1 -	P-1	Aa3		TBW-1	AA-	B/C	F-1+	AA-

Financial information

The Group's financial reports can be accessed on FöreningsSparbanken's home page on the Internet at www.foreningssparbanken.se or ordered by telephone at +46-20-22 11 22 (press 3# followed by 60#) or at the nearest branch of FöreningsSparbanken. Current financial information is also published in Sweden on TV4's text-TV, page 182. The next issue of the Swedish shareholder magazine *Banktidningen* will be published in September 1999.

FöreningsSparbanken will preliminarily release earnings reports on the following dates: The interim report for the third quarter of 1999 on October 20 and the preliminary year-end report in February 2000.

Appendix

Quarterly profit trend by business area

SEK M	1999 Q2	1999 Q1	1998 Q4	1998 Q3	1998 Q2
Retail Banking					
Income	2,857	2,902	3,135	3,083	3,290
Internal sales commissions	414	373	341	358	328
Expenses	-2,187	-1,928	- 2,234	- 1,940	- 2,186
Profit before loan losses	1,084	1,347	1,242	1,501	1,432
Loan losses	-1	-268	-56	-263	-313
Profit after loan losses	1,083	1,079	1,186	1,238	1,119
Estimated shareholders' equity	18,362	18,285	18,019	17,519	17,301
Return on equity after tax	17.0%	17.0%	19.0%	20.4%	18.6%
Swedbank Markets					
Income	574	584	539	340	592
Internal sales commissions	- 71	- 69	-77	-65	- 63
Expenses	- 276	- 277	- 284	- 250	- 270
Profit before loan losses	227	238	178	25	259
Loan losses	- 4	- 1	-6	- 2	0
Profit after loan losses	223	237	172	23	259
Estimated shareholders' equity	5,255	5,223	5,054	4,874	4,790
Return on equity after tax	12.2%	13.1%	9.8%	1.4%	15.6%
Asset Management					
Income	624	573	503	648	477
Internal sales commissions	-343	- 304	- 264	- 293	- 265
Expenses	-159	-149	- 149	- 159	- 115
Profit before loan losses	122	120	90	196	97
Loan losses					
Profit after loan losses	122	120	90	196	97
Estimated shareholders' equity	2,276	2,334	2,371	2,427	1,594
Return on equity after tax	15.4%	14.8%	10.9%	23.3%	17.5%
Other					
Income	292	1 608	586	190	1 131
Internal sales commissions					
Expenses	- 573	- 597	- 784	- 472	- 396
Profit before loan losses	- 281	1 011	- 198	- 282	735
Loan losses	3	11	36	- 1	28
Profit after loan losses	- 278	1 022	- 162	-283	763
Estimated shareholders' equity	2,600	2,589	2,876	2,557	2,478