



**FöreningsSparbanken**  
**Preliminary year-end report for 2005**  
*February 15, 2006*

**Fourth quarter 2005:**

- Operating profit rose by 12 percent or SEK 357 M to SEK 3,279 M (2,922)
- Profit for the period rose by 25 percent to SEK 2,570 M (2,063)
- Earnings per share rose to SEK 4.99 (4.02)
- Net interest income amounted to SEK 3,712 M (4,039)
- Net commission income rose by 22 percent to SEK 1,896 M (1,554)
- Expenses rose by 10 percent to SEK 3,717 M (3,376)
- Hansabank's reported operating profit rose by 26 percent to SEK 596 M (473)
- FöreningsSparbanken was named Bank of the Year.

**Full-year 2005:**

- Operating profit rose by 42 percent to SEK 15,010 M (10,578)
- Excluding capital gains, operating profit rose by 21 percent to SEK 12,789 M (10,578)
- Profit for the period rose by 30 percent to SEK 11,879 M (9,157)
- The return on equity rose to 24.6 percent (21.8). Excluding capital gains, ROE rose to 20.4 percent (19.1)
- Earnings per share rose to SEK 23.14 (17.50)
- Hansabank's reported operating profit rose by 31 percent to SEK 2,388 M (1,819)
- The proposed dividend is raised by 15 percent to SEK 7.50 (6.50).

## **Accounting changes in summary**

Since the EU in November 2005 approved the use of the so-called fair value option for financial liabilities, FöreningsSparbanken started valuating Spintab's lending and funding at fair value retroactively from the start of the year. The opening equity balance and the profit and loss accounts and balance sheets for the first three quarters have been restated.

EnterCard Holding is treated as a joint venture instead of a subsidiary and is therefore consolidated according to the equity method. The result is included in the line "Share of profit/loss of associated companies."

Balance sheets for the second and third quarters of the year and the profit and loss account for the third quarter of the year have been restated.

The business area report has been adapted to the new organization. Comparative figures for 2004 and for the first three quarters of 2005 have been restated.

The changes are described in more detail on page 10.

## **Profit trend for the Group in fourth quarter 2005**

Comparative figures refer to the fourth quarter of 2004. Key ratios are based on profit and equity allocated to FöreningsSparbanken's shareholders unless indicated otherwise.

Operating profit rose by 12 percent to SEK 3,279 M (2,922). Income rose by 9 percent to SEK 6,997 M (6,397), while expenses rose by 10 percent to SEK 3,717 M (3,376). The return on equity rose to 19.7 percent (19.0) and earnings per share rose to SEK 4.99 (4.02).

### **Income rose 9 percent**

Income rose by 9 percent in the fourth quarter to SEK 6,997 M (6,397). Net interest income decreased by 8 percent, net commission income rose by 22 percent and net gains and losses on items at fair value more than doubled. The introduction of IAS 39 affected income positively by SEK 188 M.

### **Net interest income**

Net interest income decreased by 8 percent to SEK 3,712 M (4,039). Net interest income in the Swedish Banking operations fell by SEK 317 M to SEK 2,908 M (3,225). Net interest income was positively affected by further increases in lending and deposit volumes, while lower interest rates and margin pressure affected it negatively. The introduction of IAS 39 affected net interest income negatively by SEK 72 M due to the elimination of accruals of repurchase differences and interest income compensation in Spintab. Net interest income for EnterCard amounted to SEK 58 M in the fourth quarter of 2004. If EnterCard had been reported as a subsidiary, net interest income in the fourth quarter 2005 would have been SEK 98 mkr higher. In Baltic Banking operations, net interest income rose by SEK 235 M through a strong volume trend. Net interest income was charged with SEK 97 M for an accrual of the revalued loan portfolio. Swedbank Markets' net interest income fell by SEK 25 M. In Treasury and central units, net interest income declined by SEK 123 M.

### **Net commission income rose 22 percent**

Net commission income rose by 22 percent to SEK 1,896 M (1,554). Mutual fund contributions and a favorable stock market climate raised assets management commissions by 25 percent to SEK 880 M (702). Net commission income for EnterCard amounted to SEK 26 M in the fourth quarter of 2004. In First Securities, net commission income amounted to SEK 151 M.

### **Net gains and losses on items at fair value**

Net gains and losses on items at fair value rose to SEK 1,006 M (413). Income from financial assets and liabilities classified as trading as well as derivatives amounted to SEK 1,160 M (316). Income from other financial instruments at fair value decreased to SEK -232 M (9). Changes in exchange rates amounted to SEK 78 M (88). The introduction of IAS 39 affected net gains and losses on items at fair value positively by SEK 260 M mainly interest income compensation paid by customers and positive changes in value of holdings of primary capital certificates in Norwegian savings banks.

## Net insurance

Net insurance includes life and property insurance operations in Robur Försäkring and Hansabank. Income from unit-linked insurance is included in net commission income. Net insurance premiums and provisions amounted to SEK 67 M (43).

## Share of profit/loss of associated companies

The share of profit/loss of associated companies amounted to SEK 48 M (88). The fourth quarter 2004 included SEK 19 M from First Securities and SEK 12 M from Aktia.

## Other income

Other income rose to SEK 268 M (260).

## Expenses rose 10 percent

The Group's expenses rose in the fourth quarter by 10 percent or SEK 341 M to SEK 3,717 M (3,376). The increase is mainly due to higher expenses in Baltic Banking operations and Swedbank Markets. In Baltic Banking, expenses rose by SEK 203 M. In Swedbank Markets, expenses rose by SEK 216 M, mainly through First Securities, while in other Swedish operations expenses decreased by SEK 78 M.

## Staff costs

Total staff costs rose by SEK 326 M or 18 percent to SEK 2,109 M (1,783). In the expansive Baltic Banking area, staff costs rose by SEK 95 M to SEK 346 M (251). In Swedbank Markets, staff costs amounted to SEK 293 M (153) and thus rose by SEK 140 M, mainly through First Securities. In other parts of the Group, staff costs rose by SEK 91 M to SEK 1,470 M (1,379).

Profit-based staff costs rose by SEK 156 M to SEK 378 M (222). The increase was mainly attributable to First Securitie. Staff change costs in the Swedish operations amounted to SEK 79 M (30).

## Number of Group employees expressed in terms of full-time positions

	Dec. 31 2005	Sept. 30 2005	June 30 2005	March 31 2005	Dec. 31 2004
Group excl. Baltic Banking	8,922	8,905	8,911	8,932	9,087
<i>of which First Securities</i>	<i>132</i>	<i>121</i>	<i>121</i>		
<i>of which EnterCard AS</i>				55	55
Baltic Banking	7,226	6,847	6,497	6,255	6,069
<b>Total</b>	<b>16,148</b>	<b>15,752</b>	<b>15,408</b>	<b>15,187</b>	<b>15,156</b>

## Other general and administrative costs

Other general administrative costs fell by 1 percent to SEK 1,447 M (1,458). In Baltic Banking, costs amounted to SEK 304 M (218), while in other parts of the Group they amounted to SEK 1,143 M (1,240).

## Depreciation/amortization and write-down of tangible and intangible fixed assets

Depreciation/amortization of tangible and intangible fixed assets rose to SEK 161 M (135).

## IT expenses

IT expenses include all development and production expenditures as well as computer equipment service costs and depreciation. Quarterly IT expenses, after deducting income from savings banks and partly owned banks, amounted to SEK 575 M (586).

## Loan losses continued to decrease

Loan losses decreased to SEK 1 M (99). In Baltic Banking, loan losses amounted to SEK 57 M (26). A specification of loan losses and claims is provided in Notes 3 and 4.

## **Tax expense 21 percent**

Profit before tax amounted to SEK 3,279 M (2,922) and the tax expense was SEK 675 M (687), or an effective tax rate of 21 percent (24).

## **Profit trend for the Group full-year 2005**

Comparative figures refer to January – December 2004 unless indicated otherwise. Key ratios are based on profit and equity allocated to shareholders in FöreningsSparbanken unless indicated otherwise.

Operating profit rose by SEK 4,432 M or 42 percent to SEK 15,010 M (10,578). Profit for the period rose by 23 percent to SEK 12,229 M (9,949). Earnings per share rose to SEK 23.14 (17.50). The return on equity was 24.6 percent (21.8).

Profit for the year includes capital gains of SEK 800 M on the sale of 50 percent of EnterCard and SEK 1,421 M on the sale of KIAB. Excluding capital gains, operating profit rose by 21 percent to SEK 12,789 M (10,578), earnings per share by 24 percent to SEK 18.81 (15.20) and return on equity to 20.4 percent (19.1).

As of June 15, 2005 First Securities is included in the Group as a subsidiary. First Securities' income amounted to SEK 549 M, its expenses to SEK 342 M and operating profit to SEK 207 M.

## **Income**

Income rose by 19 percent or SEK 4,777 M to SEK 29,460 M (24,683). Excluding capital gains, the income increase was 10 percent. The introduction of IAS 39 affected income positively by SEK 860 M.

Net interest income rose by SEK 340 M or 2 percent to SEK 15,539 M (15,199). Net interest income was affected positively by higher business volumes in Sweden and the Baltic countries, while margin pressure and lower interest rates had a negative impact. Net interest income was also charged with SEK 255 M for an accrual of Baltic Banking's revalued loan portfolio. The introduction of IAS 39 affected net interest income negatively by SEK 106 M.

Net commission income rose by 17 percent or SEK 1,048 M to SEK 7,170 M (6,122). Net commission income from payment operations rose by 9 percent and from asset management by 16 percent. First Securities' net commission income amounted to SEK 434 M.

Net gains and losses on items at fair value rose by SEK 1,150 M to SEK 2,957 M (1,807). The introduction of IAS 39, which is commented on page 10, had a positive effect of SEK 966 M.

## **Expenses**

Expenses rose by 4 percent or SEK 545 M to SEK 14,156 M (13,611). In Baltic Banking, expenses rose by SEK 552 M and in Swedbank Markets by SEK 434 M, mainly through First Securities, which is reported as a subsidiary as of June 15, 2005. In other parts of the Group, expenses decreased by SEK 441 M.

Profit-based staff costs rose by SEK 332 M to SEK 1,354 M (1,022). The increase was mainly attributable to First Securities and Baltic Banking. Staff change costs in the Swedish operations amounted to SEK 265 M (274).

The Group's IT expenses, after deducting income from savings banks and partly owned banks, amounted to SEK 2,222 M (2,265).

Depreciation/amortization rose by 7 percent or SEK 40 M to SEK 603 M (563). The increase is due to SEK 61 M in amortization of intangible assets that arose in connection with the acquisition of all the outstanding shares in Hansabank in the second quarter of 2005.

## **Loan losses**

Loan losses remained very low, decreasing by SEK 200 M or 41 percent to SEK 294 M (494). The loan loss level was 0.04 percent (0.07) and the provision ratio was 171 percent (151). In Baltic Banking, loan losses amounted to SEK 243 M (206), with a loan loss level of 0.44 percent and a provision ratio of 194 percent.

The Group's doubtful claims, gross, amounted to SEK 2,219 M (2,579), while provisions for these claims totaled SEK 1,072 M (1,042). Provisions for other claims amounted to SEK 2,711 M (2,862).

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

### **Tax charge**

Profit before tax amounted to SEK 15,010 M (10,578) with a tax expense of SEK 2,781 M (2,399), which corresponds to an effective tax rate of 19 percent (23). The lower tax rate in 2005 is mainly due to a higher share of tax-exempt income.

### **Interest rate risk**

An increase in all market interest rates of one percentage point as of December 31, 2005 would have reduced the value of the Group's interest-bearing assets and liabilities, including derivatives, by SEK 1,298 M (650). This calculation includes part of the Bank's deposits which have been assigned a duration of between 2 and 3 years. The decrease in the value of positions in SEK would have been SEK 1,276 M (714), while positions in foreign currency would have decreased in value by SEK 22 M (value increase of SEK 64 M). Comparative figures refer to December 31, 2004. The increase in the interest rate risk in SEK is mainly due to the Parent Company's management of structural interest rate risks.

An interest rate increase of one percentage point would have reduced the Group's net profit on financial operations by SEK 19 M (220) as of December 31, 2005.

### **Capital adequacy**

The capital adequacy ratio, which is calculated for the financial companies group, was 9.7 percent (11.6) on December 31, 2005, of which the primary capital ratio was 6.5 percent (8.2).

During the first half year FöreningsSparbanken acquired all the outstanding shares in Hansabank for SEK 15.8 billion. The acquisition reduced the primary capital ratio by approximately 2.3 percentage points.

Primary capital as of December 31 includes profit for the period after deducting the estimated dividend. The risk-weighted amount for credit risks rose to SEK 590 billion (503), mainly due to volume increases in the parent bank, Spintab and Hansabank. The risk-weighted amount for market risks rose to SEK 26 billion (21).

### **Specification of capital adequacy**

<b>SEK M</b>	<b>Dec. 31 2005</b>	<b>Dec. 31 2004</b>
Primary capital	39,939	42,995
<i>of which primary capital contribution</i>	<i>5,992</i>	<i>4,526</i>
Supplementary capital	23,374	20,034
Less shares, etc.	-3,945	-3,109
Expanded portion of capital base	361	820
<b>Capital base</b>	<b>59,729</b>	<b>60,740</b>
Risk-weighted amount for credit risks	590,261	503,172
Risk-weighted amount for market risks	25,791	21,378
<b>Total risk-weighted amount</b>	<b>616,052</b>	<b>524,550</b>
Capital adequacy ratio, %	9.7	11.6
Primary capital ratio, %	6.5	8.2

As of December 31, 2005 the FöreningsSparbanken financial companies group included the FöreningsSparbanken Group, Eskilstuna Rekarne Sparbank AB, Färs och Frosta Sparbank AB, FöreningsSparbanken Sjuhärad AB, FöreningsSparbanken Söderhamn AB, Bergslagens Sparbank AB, Vimmerby Sparbank AB and EnterCard Holding AB. The Group's insurance companies are not included according to the capital adequacy rules for financial groups.

## Adaptation to new capital adequacy rules - Basel II

In recent years FöreningsSparbanken has conducted a comprehensive review and refinement of the Group's risk classification of credits, in part to ensure that credit risk management in the Swedish operations will meet the requirements to apply the internal models approach in the calculation of capital adequacy requirements for credit risks according to the new rules that will be introduced in 2007. An application to apply this method was submitted to the Financial Supervisory Authority in summer 2005. At the same time the bank also sought to apply the standard method to calculate the capital adequacy requirement for operational risks in the Swedish operations. Corresponding applications for the Baltic operations are planned in 2006, with the goal of applying the new methods in the Baltic countries in 2008.

Along with other major Swedish banks, FöreningsSparbanken took part in the Basel Committee's QIS-5 study to investigate how the new capital adequacy rules affect the capital adequacy requirement for the banking sector as a whole. The study confirms that FöreningsSparbanken is a bank with low risks in its credit portfolio relative to the risk weights in today's capital adequacy rules. The study indicates for FöreningsSparbanken's part that the aggregate risk-weighted amount for credit risks, operational risks and market risks according to the new rules will be nearly 30 percent below the current level. The calculation is based on the risk exposures that existed as of September 30, 2005. Due to the special transitional rules that will be in place during the period 2007-2009, the effect of the new rules on the capital adequacy requirement initially will be limited, before increasing and attaining their full impact in 2010.

## Savings and investments

Customers' total savings and investments in FöreningsSparbanken amounted to SEK 729 billion (596) as of December 31, 2005, an increase of 22 percent or SEK 133 billion from the beginning of the year. Customers' deposits, excluding repurchase agreements (repos), rose by 17 percent or SEK 48 billion to SEK 325 billion (277). Deposits in SEK rose to SEK 247 billion (215) and deposits in foreign currency to SEK 78 billion (62).

Robur's share of fund investments (net contributions) in the Swedish mutual fund market was 11 percent (24). The lower market share is due in large part to redemptions from fund investments and endowment insurance. For new household deposits, the market share rose to 31 percent (10), mainly through FöreningsSparbanken's attractive, new customer offering of high-interest accounts such as the future account and e-savings account. The market share for issue volumes of equity linked bonds was 36 percent (27). The market share for total new household savings in Sweden rose to 19 percent (17).

### Savings and investments, the Group

SEK billion	Dec. 31 2005	Dec. 31 2004	Change %
<b>Deposits from the public</b>			
Households	151.3	136.4	11
Households, foreign currency	30.7	20.3	51
<i>of which Hansabank</i>	30.6	20.2	51
Businesses and other	96.1	78.7	22
Businesses and other, foreign currency	47.2	41.7	13
<i>of which Hansabank</i>	37.4	24.6	52
<b>Total deposits from the public</b>	<b>325.3</b>	<b>277.1</b>	<b>17</b>
Discretionary asset management *	24.0	21.3	13
Fund management	364.5	285.9	27
<i>of which unit-linked insurance in own companies</i>	54.0	41.3	31
Retail bonds, interest-bearing	2.0	1.6	25
Retail bonds, equity linked	12.7	9.9	28
<b>Total savings and investments</b>	<b>728.5</b>	<b>595.8</b>	<b>22</b>

\* excluding investments in Robur's funds

## Lending

The Group's total credit exposure, including contingent liabilities and derivatives, amounted to SEK 996 billion (902). Since December 31, 2004 credit exposure in the Swedish market has risen by SEK 45 billion and in the Baltic market by SEK 49 billion.

The preliminary analysis of the acquisition of additional shares in Hansabank necessitated a revaluation of lending, which thereafter rose by SEK 1.6 billion. Excluding the revaluation, the Group's lending to the public rose by 13 percent or SEK 93 billion.

During 2005 lending by the Swedish operations rose by 9 percent to SEK 706 billion (646). Lending to private customers in the Swedish operations rose by 9 percent to SEK 384 M (352), while lending to business customers climbed 10 percent to SEK 309 billion (280). Lending by Hansabank rose to SEK 88 billion (53). Lending to private customers rose by 80 percent to SEK 33 billion, while lending to business customers climbed 62 percent to SEK 55 billion. Excluding the revaluation, lending rose by 65 percent from the beginning of the year.

### **Lending, the Group**

<b>SEK billion</b>	<b>Dec. 31 2005</b>	<b>Jan. 1 2005*</b>	<b>Change. %</b>	<b>Dec. 31 2004</b>
Private individuals	417.8	372.4	12	367.8
<i>of which Spintab</i>	<i>340.2</i>	<i>305.4</i>	<i>11</i>	<i>300.7</i>
Real estate management	164.0	143.4	14	142.1
Retail, hotels, restaurants	27.1	24.3	12	24.2
Construction	11.2	9.3	21	9.3
Manufacturing	23.7	20.9	13	20.9
Transportation	13.8	11.1	24	11.1
Forestry and agriculture	41.6	37.2	12	37.2
Other service businesses	25.5	16.6	53	16.7
Other business lending	57.0	51.7	10	51.2
Municipalities excl. municipal cos.	14.0	13.8	1	13.8
<b>Total lending to the public</b>	<b>795.7</b>	<b>700.7</b>	<b>14</b>	<b>694.3</b>
<i>of which Hansabank</i>	<i>88.5</i>	<i>52.6</i>	<i>68</i>	<i>52.7</i>
Credit institutions incl. Nat'l Debt Office	68.5	61.5	11	61.5
Repurchase agreements (repos)	110.6	80.6	37	80.6
<b>Total lending</b>	<b>974.8</b>	<b>842.8</b>	<b>16</b>	<b>836.4</b>

\* After restatement to fair value according to IAS 39

## Payments

### **Card payments**

FöreningsSparbanken has 3.2 million bank cards in issue in the Swedish market. The trend toward greater card use is continuing. During 2005, the number of card purchases rose by 19 percent and the number of card processing transactions by 22 percent.

### **Giro payments**

Customers continue to switch from paper-based giro payments to an electronic, Internet-based giro system through the Internet bank. Among private customers in the Swedish market, the number of paper-based giro accounts is 1.4 million (1.4), while the number of Internet-based accounts is 1.4 million (1.2).

### **Electronic payments**

With e-billing, bills are sent directly to the Internet bank, where customers can securely and conveniently approve payment. A total of 328 companies in Sweden offer the service, compared with 272 on December 31, 2004. The number of e-bills is rising steadily. During the year 1.3 million e-bills were sent (1.0).

## **Other**

### **FöreningsSparbanken named Bank of the year**

FöreningsSparbanken was named Bank of the Year for 2005 in the magazine Privata Affärer's annual survey of Swedish banks. Earlier in the year FöreningsSparbanken was named Commercial Bank of the Year for the third consecutive year in the Financial Barometer survey, conducted among more than 2,000 of the largest companies and organizations in Sweden.

### **The Hansabank acquisition**

The preliminary acquisition analysis, following FöreningsSparbanken's purchase of all the shares outstanding in Hansabank, has been adjusted so that the goodwill item that arose in connection with the acquisition has increased by SEK 0.6 billion. The goodwill item thereafter amounts to SEK 10.2 billion. The value allocated to the trademark has been reduced by SEK 0.6 billion and amounts to SEK 0.1 billion. The change in the acquisition analysis does not affect the reported profit or primary capital ratio.

### **FöreningsSparbanken opened branch in Helsinki**

In November FöreningsSparbanken opened a branch in Helsinki. Swedbank Helsinki offers advice and service to Swedish and Finnish businesses with operations in the Nordic and Baltic countries and Russia.

### **FöreningsSparbanken opened branch in Marbella**

In October FöreningsSparbanken, through Swedbank Luxembourg, opened a representative office in Nueva Andalucia, just outside Marbella, Spain. The office offers products and services to Swedish individuals and businesses that are resident or operate in Spain.

### **FöreningsSparbanken closed branch in London**

On December 31, 2005 FöreningsSparbanken closed its branch in London. FX and Fixed Income activities will be conducted in the future from the branches in New York and Stockholm.

### **Annual General Meeting and dividend**

FöreningsSparbanken's Annual General Meeting will be held in Malmö on April 25, 2006.

The Board of Directors proposes that the Annual General Meeting approve a cash dividend of SEK 7.50 per share (6.50). The proposed record day for the 2005 dividend is April 28, 2006. The last day for trading in the bank's share with the right to the dividend is April 25, 2006. If the Annual General Meeting resolves to adopt the Board's recommendation, the dividend is expected to be paid by VPC (the Swedish Central Securities Depository) on May 4, 2006.

## **Events after December 31, 2005**

### **New incentive program for retail banking operations in Sweden**

In January 2006 the Board of Directors of FöreningsSparbanken approved a new incentive program for the Swedish retail banking operations. Branch employees will be eligible to receive up to an extra month of salary if established targets are met. The targets are set at the branch, local bank and regional level, and payouts are distributed one third each. At the same time the maximum payout in the Kopparmyntet profit-sharing system is being reduced from one and a half to one basic amount. The introduction of the incentive program and reduction in the maximum payout in Kopparmyntet is not expected to change the total cost.

## **Accounting principles compared with annual report 2004**

### **General**

From 2005 all listed companies in the European Union (EU) must prepare their consolidated accounts according to the standards adopted by the EU – the International Financial Reporting Standards, IFRS. The



standards are issued by the International Accounting Standards Board (IASB) and become mandatory for listed companies once approved by the EU. The introduction of IFRS principles in reports for 2005 also means that comparative periods in 2004 must be restated according to the principles that apply to the year-end report. There is an exemption from the requirement to restate comparative periods for 2004 according to the new standards applied by the Group for IAS 39 Financial Instruments: Recognition and Measurement, which instead applies from 2005 forward.

As in previous periods, the Bank – the Parent Company – has prepared its financial statements in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the directives of the Financial Supervisory Authority and recommendation RR 32 of the Swedish Financial Accounting Standards Council.

The year-end report for the Group has been prepared in accordance with IAS 34, Interim Financial Reporting, which means that it follows the same accounting principles as the last annual report with the exception of the changes described in the report. The amount of the differences is detailed in the attachment. The effects of the changes in accounting rules on equity are also indicated in the equity statement.

### **Consolidated accounts**

Minority interests are now included in both equity and profit. In connection with the profit and loss statement, information is provided on how profit is allocated between the shareholders and minority. Within equity, shareholders and minority equity are reported separately.

In the preparation of the acquisition analysis, acquisition values are divided between the fair value of identified assets, liabilities and contingent liabilities on the date of acquisition. Acquired balances comprise all intangible assets that can be identified and valued separately even if they are not reported by the acquired company. The remainder that cannot be separated constitutes goodwill, which is tested for impairment instead of amortized.

### **Financial instruments**

Financial assets are divided into the categories financial instruments at fair value through profit or loss and loan receivables.

Financial instruments at fair value comprise instruments held for trading and all derivatives, regardless of the purpose of the holding. Derivatives were previously reported according to the principle for deferred hedge accounting when they hedged other financial instruments valued at amortized cost. The category also includes other financial assets that were initially reported irrevocably at fair value, through the so-called fair value option. Previous hedge accounting at amortized cost has mainly been replaced by this option. The option is used for certain, distinct portfolios of loans, securities in issue and deposits, since they together essentially eliminate the portfolio's aggregate interest rate risk. The choice is made to eliminate the accounting volatility that would arise because divergent accounting principles would have been used for the financial instruments. The Group has also chosen to value certain shares and participations that are not held for sale and are not subsidiaries or associated companies at fair value with changes in value recognized through profit or loss. Both holdings of securities and corresponding financial liabilities where the customers bear the investment risk have also been reported at fair value through profit or loss.

As in previous reports, loan receivables are reported at amortized cost as long as they are not considered uncertain, in which case they are instead valued at estimated recovery value. Certain types of commission income in connection with new loans is accrued as interest. Such commissions were previously reported as commission income.

Financial liabilities held for trading are irrevocably valued at fair value and derivatives are recognized at fair value through profit or loss. Other financial liabilities are valued at amortized cost.

Net gains and losses on items at fair value in the profit and loss account comprise changes in the value of financial instruments at fair value, the instruments' dividends and interest on trading instruments. The change in value attributable to the debtor's insolvency is attributed to loan losses.

### **Hedge accounting**

Hedge accounting at fair value is applied in certain cases when the interest exposure in a reported financial asset or financial liability is hedged with derivatives. With hedge accounting, the hedged risk in the hedged instrument is also revalued at fair value. Both the change in the value of the hedging instrument (i.e., the derivative) and the change in the value of the hedged risk are reported in the profit and loss account in Net gains and losses on items at fair value.

### **Insurance contracts**

Insurance contracts with an insignificant insurance risk, including unit-linked insurance, are reported as financial instruments. In the profit and loss account, the income is included in net commission income. Other insurance contracts are reported in the balance sheet under provisions. In the profit and loss account, premiums received and insurance provisions for these contracts are reported on separate lines.

### **Discontinued operations**

Significant discontinued operations are reported on an aggregate basis after tax on a separate line in the profit and loss account after profit for the period from continuing operations. The divestment of FI-Holding in 2004 is therefore reported according to this principle, while profit and loss and balance sheet items related to KIAB are not reclassified since KIAB's operations are not considered significant in relation to the Group's total operations.

## **Effects of changes in accounting principles compared with previous interim reports 2005**

### **Effects of fair value option in IAS 39**

In November 2005 the EU Commission approved a change in IAS 39 whereby the so-called "fair value option" can also be applied to financial liabilities when certain conditions are met. One of the conditions is that valuation at fair value reduces accounting volatility that does not reflect underlying economic conditions. The option allows financial instruments to irrevocably be valued at fair value.

After earlier preparations, FöreningsSparbanken decided in the fourth quarter to apply the option to value certain distinct portfolios of fixed-rate loans and related liabilities at fair value since their aggregate interest rate exposure is hedged with derivatives. In this way, the same valuation category is used for all financial instruments in these portfolios, and reports therefore provide a more accurate picture of operations. This means that SEK 368 billion of the Group's lending, SEK 4 billion of the Group's deposits and SEK 398 billion of securities in issue are valued at fair value. The change, which is reported in the profit and loss account on the line "Net gains and losses on items at fair value," is mainly due to Swedish Banking operations through Spintab, although Swedbank Markets has also been affected.

Due to application of the option, the previously reported quarters of 2005 and opening balances have been restated. Shareholders' opening equity balance rose by SEK 775 M compared with the previously restated amount. Compared with previously reported values, net gains and losses on items at fair value operating profit have been affected as follows:

Quarter 1	- SEK 65 M
Quarter 2	+ SEK 106 M
Quarter 3	- SEK 255 M
<b>Total</b>	<b>- SEK 214 M</b>

### **Consolidation of EnterCard**

EnterCard Holding and its subsidiary were consolidated after their establishment in June 2005 as subsidiaries. It was felt at the time that because FöreningsSparbanken controlled over 60% of the votes at the general meeting, it could exercise a decisive influence over the company.

Since a joint venture agreement was also signed by FöreningsSparbanken and EnterCard's other owner, Barclaycard, which stipulates that all decisions on issues of importance to the company and its operations must be made by the owners acting jointly, FöreningsSparbanken has now determined that EnterCard will not be consolidated as a subsidiary but rather as a joint venture. The two owners also have an equal share of the company's net assets. In the annual accounts for 2005 EnterCard is therefore consolidated according to the

equity method. The accounts for the second and third quarters of 2005 have been restated. Income and expenses are marginally affected, while profit for the period allocated to shareholders is unchanged.

### **Key ratios for the Group**

Key ratios are based on profit and shareholders' equity allocated to shareholders of FöreningsSparbanken.

	<b>Q4 2005</b>	<b>Q4 2004</b>	<b>Full-year 2005</b>	<b>Full-year 2004</b>
Return on equity, %	19.7	19.0	24.6	21.8
<i>Excl. capital gains</i>	<i>19.7</i>	<i>19.0</i>	<i>20.4</i>	<i>19.1</i>
Return on total equity, %			1.33	1.00
Earnings per share, SEK <sup>1)</sup>	4.99	4.02	23.14	17.50
<i>Excl. capital gains</i>	<i>4.99</i>	<i>4.02</i>	<i>18.81</i>	<i>15.20</i>
Earnings per share after dilution, SEK <sup>2)</sup>		4.02		17.50
Earnings per share from continuing operations, SEK <sup>1)</sup>	4.99	4.02	23.14	14.12
Earnings per share from continuing operations after dilution, SEK <sup>2)</sup>		4.02		14.12
Equity per share, SEK <sup>3)</sup>			104.07	86.16
Equity per share after dilution, SEK <sup>4)</sup>			104.07	86.14
C/I ratio before loan losses	0.53	0.53	0.48	0.55
<i>Excl. capital gains</i>	<i>0.53</i>	<i>0.53</i>	<i>0.52</i>	<i>0.55</i>
Capital adequacy ratio, %			9.7	11.6
Primary capital ratio, %			6.5	8.2
Loan loss ratio, net, %			0.04	0.07
Share of doubtful claims, %			0.12	0.18
Provision ratio for doubtful claims (Note 4), %			171	151

1) Average number of shares outstanding

513,412,862 523,171,365

2) Average number of shares outstanding after dilution

513,412,862 523,272,978

3) Number of shares outstanding

515,373,412 512,871,312

4) Number of shares outstanding after dilution

515,373,412 512,972,925

## **Profit and loss account, the Group**

SEK M	Full-year			Q4		
	2005	2004	%	2005	2004	%
<i>Interest receivable</i>	34,204	35,442	-3	8,477	8,897	-5
<i>Interest payable</i>	-18,665	-20,243	-8	-4,765	-4,858	-2
Net interest income	15,539	15,199	2	3,712	4,039	-8
<i>Commissions receivable</i>	9,525	8,382	14	2,503	2,157	16
<i>Commissions payable</i>	-2,355	-2,260	4	-607	-603	1
Net commission income (Note 1)	7,170	6,122	17	1,896	1,554	22
Net gains and losses on items at fair value (Note 2)	2,957	1,807	64	1,006	413	
<i>Insurance premiums</i>	1,114	888	25	236	211	12
<i>Insurance provisions</i>	-960	-745	29	-169	-168	1
Net insurance	154	143	8	67	43	56
Share of profit/loss of associated companies	301	366	-18	48	88	-45
Other income	3,339	1,046		268	260	3
<b>Total income</b>	<b>29,460</b>	<b>24,683</b>	<b>19</b>	<b>6,997</b>	<b>6,397</b>	<b>9</b>
General administrative expenses						
Staff costs excluding profit-based staff costs	-6,837	-6,569	4	-1,731	-1,561	11
Profit-based staff costs	-1,354	-1,022	32	-378	-222	70
Other costs	-5,362	-5,457	-2	-1,447	-1,458	-1
<b>Total general administrative expenses</b>	<b>-13,553</b>	<b>-13,048</b>	<b>4</b>	<b>-3,556</b>	<b>-3,241</b>	<b>10</b>
Depreciation and write-off of tangible and intangible fixed assets	-603	-563	7	-161	-135	19
<b>Total costs</b>	<b>-14,156</b>	<b>-13,611</b>	<b>4</b>	<b>-3,717</b>	<b>-3,376</b>	<b>10</b>
<b>Profit before loan losses</b>	<b>15,304</b>	<b>11,072</b>	<b>38</b>	<b>3,280</b>	<b>3,021</b>	<b>9</b>
Loan losses (Note 3)	-294	-494	-41	-1	-99	-99
<b>Operating profit</b>	<b>15,010</b>	<b>10,578</b>	<b>42</b>	<b>3,279</b>	<b>2,922</b>	<b>12</b>
Tax	-2,781	-2,399	16	-675	-687	-2
<b>Profit from continuing operations</b>	<b>12,229</b>	<b>8,179</b>	<b>50</b>	<b>2,604</b>	<b>2,235</b>	<b>17</b>
Profit from discontinued operations after tax		1,770			14	
<b>Profit for the period</b>	<b>12,229</b>	<b>9,949</b>	<b>23</b>	<b>2,604</b>	<b>2,249</b>	<b>16</b>
<i>Profit for the period allocated to:</i>						
<b>FöreningsSparbanken's shareholders</b>	<b>11,879</b>	<b>9,157</b>	<b>30</b>	<b>2,570</b>	<b>2,063</b>	<b>25</b>
Minority	350	792	-56	34	186	-82
Earnings per share, SEK <sup>1)</sup>	23.14	17.50	32	4.99	4.02	24
Earnings per share after dilution, SEK <sup>1)</sup>		17.50			4.02	
Earnings per share from continuing operations, SEK <sup>1)</sup>	23.14	14.12	64	4.99	4.02	24
Earnings per share from continuing operations after dilution, SEK <sup>1)</sup>		14.12			4.02	

<sup>1)</sup> See key ratios on page 11 for number of shares

## Quarterly profit trend for the Group

SEK M	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Net interest income	3,712	3,860	4,028	3,939	4,039	3,979	3,722	3,459
Net commission income	1,896	1,910	1,834	1,530	1,554	1,533	1,531	1,504
Net gains and losses on items at fair value	1,006	789	785	377	413	167	460	767
Net insurance	67	38	18	31	43	36	37	27
Share of profit/loss of associated companies	48	124	57	72	88	128	69	81
Other income	268	1,677	1,069	325	260	272	288	226
<b>Total income</b>	<b>6,997</b>	<b>8,398</b>	<b>7,791</b>	<b>6,274</b>	<b>6,397</b>	<b>6,115</b>	<b>6,107</b>	<b>6,064</b>
Staff costs	-1,731	-1,700	-1,709	-1,697	-1,561	-1,682	-1,651	-1,675
Profit-based staff costs	-378	-349	-444	-183	-222	-300	-213	-287
Other costs	-1,447	-1,182	-1,416	-1,317	-1,458	-1,282	-1,383	-1,334
<b>Total general administrative expenses</b>	<b>-3,556</b>	<b>-3,231</b>	<b>-3,569</b>	<b>-3,197</b>	<b>-3,241</b>	<b>-3,264</b>	<b>-3,247</b>	<b>-3,296</b>
Depreciation and write-off of tangible and intangible fixed assets	-161	-133	-173	-136	-135	-135	-143	-150
<b>Total costs</b>	<b>-3,717</b>	<b>-3,364</b>	<b>-3,742</b>	<b>-3,333</b>	<b>-3,376</b>	<b>-3,399</b>	<b>-3,390</b>	<b>-3,446</b>
<b>Profit before loan losses</b>	<b>3,280</b>	<b>5,034</b>	<b>4,049</b>	<b>2,941</b>	<b>3,021</b>	<b>2,716</b>	<b>2,717</b>	<b>2,618</b>
Loan losses	-1	-97	-97	-99	-99	-133	-120	-142
<b>Operating profit</b>	<b>3,279</b>	<b>4,937</b>	<b>3,952</b>	<b>2,842</b>	<b>2,922</b>	<b>2,583</b>	<b>2,597</b>	<b>2,476</b>
Tax	-675	-817	-736	-553	-687	-592	-532	-588
<b>Profit from continuing operations</b>	<b>2,604</b>	<b>4,120</b>	<b>3,216</b>	<b>2,289</b>	<b>2,235</b>	<b>1,991</b>	<b>2,065</b>	<b>1,888</b>
Profit from discontinued operations after tax					14	1,362	164	230
<b>Profit for the period</b>	<b>2,604</b>	<b>4,120</b>	<b>3,216</b>	<b>2,289</b>	<b>2,249</b>	<b>3,353</b>	<b>2,229</b>	<b>2,118</b>
Profit for the period attributable to:								
<b>FöreningsSparbanken's shareholders</b>	<b>2,570</b>	<b>4,037</b>	<b>3,184</b>	<b>2,088</b>	<b>2,063</b>	<b>3,161</b>	<b>2,039</b>	<b>1,894</b>
Minority	34	83	32	201	186	192	190	224

## **Business area report**

SEK M	Swedish Banking		Baltic Banking		Swedbank Markets		Asset Management and Insurance		Shared and new operations		Eliminations	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net interest income	12,266	12,578	2,752	2,313	873	996	27	29	-228	-97	-151	-620
Net commission income	3,854	3,394	1,102	836	926	583	1,258	1,292	30	10	0	7
Net gains and losses on items at fair value	546	138	548	443	754	446	14	10	930	135	165	635
Share in profit of associated companies	205	169	4	2	25	39			67	156		
Other income	3,380	956	118	199	78	39	161	124	3,226	3,112	-3,470	-3,241
<b>Total income</b>	<b>20,251</b>	<b>17,235</b>	<b>4,524</b>	<b>3,793</b>	<b>2,656</b>	<b>2,103</b>	<b>1,460</b>	<b>1,455</b>	<b>4,025</b>	<b>3,316</b>	<b>-3,456</b>	<b>-3,219</b>
Staff costs	-4,399	-4,423	-1,174	-909	-941	-606	-290	-254	-1,417	-1,448	30	49
IT expenses	-736	-686	-182	-148	-225	-204	-109	-96	-756	-761	792	666
Other costs	-4,396	-4,453	-728	-532	-369	-293	-232	-221	-1,055	-1,233	2,634	2,504
Depreciation/amortization	-88	-104	-233	-176	-12	-10	-2	-3	-268	-270		
<b>Expenses</b>	<b>-9,619</b>	<b>-9,666</b>	<b>-2,317</b>	<b>-1,765</b>	<b>-1,547</b>	<b>-1,113</b>	<b>-633</b>	<b>-574</b>	<b>-3,496</b>	<b>-3,712</b>	<b>3,456</b>	<b>3,219</b>
<b>Profit before loan losses</b>	<b>10,632</b>	<b>7,569</b>	<b>2,207</b>	<b>2,028</b>	<b>1,109</b>	<b>990</b>	<b>827</b>	<b>881</b>	<b>529</b>	<b>-396</b>		
Loan losses	-27	-289	-243	-206	-7	-14			-17	15		
<b>Operating profit</b>	<b>10,605</b>	<b>7,280</b>	<b>1,964</b>	<b>1,822</b>	<b>1,102</b>	<b>976</b>	<b>827</b>	<b>881</b>	<b>512</b>	<b>-381</b>		
Return on allocated equity, %	31.3	21.4	13.5	33.9	28.0	29.2	41.6	40.2	50.8	26.7		
C/I ratio before loan losses	47.5	56.1	51.2	46.5	58.2	52.9	43.4	39.4	86.9	111.9		
Full-time employees	6,266	6,615	7,226	6,069	714	534	255	249	1,687	1,689		

## **Business area accounting principles**

The business area report is based on FöreningsSparbanken's accounting principles, organization and internal accounts. The business area report has been adapted to the new business area organization as of September 2005. Historical values have been restated as of the first quarter 2004.

Market-based compensation is applied between business areas, while all costs for IT, other shared services and Group Staffs are transferred at full cost-based internal prices to the business areas. Executive Management expenses are not distributed.

The Group's equity allocated to shareholders (the year's opening equity balance excluding the dividend) is allocated to each business area at the beginning of the year. The allocation is based on capital adequacy rules and estimated capital requirements during the year. Estimated interest on allocated equity is calculated based on average Swedish demand loan rates.

Goodwill and other surplus values, including the effects on profit, financial expense and amortization, are allocated to each business area.

The return for the business areas, in relation to allocated equity, is based on operating profit less estimated tax and minority interests.

## **Swedish Banking**

Swedish Banking is FöreningsSparbanken's dominant business area. It comprises the bank's network of 476 branches, organized in 61 local banks in six regions. The cooperation with the partly owned and independent savings banks adds another 282 branches. The branch network is complemented by 203 in-store banking locations. The agreement with Svensk Kassaservice (the Swedish postal service) also gives customers access to certain transactions at around 800 post offices, while the agreement with ICA Banken allows customers to withdraw cash at 1,400 ICA food stores. Responsibility for all Swedish customers, with the exception of financial institutions, rests with the bank branches or special business units within the regions. Of the business area's 6,300 full-time positions, around 4,900 are in the six regions.

The business area also comprises the telephone and Internet banks as well as the subsidiaries Spintab and FöreningsSparbanken Finans, whose products are sold through FöreningsSparbanken and the cooperating savings banks' distribution network. The subsidiaries FöreningsSparbanken Fastighetsbyrå (real estate

brokerage), FöreningsSparbanken Juristbyrå (legal services) and FöreningsSparbanken Företagsförmedling (company sales) operate according to a franchise concept.

The Customer and Product Offerings unit produces and coordinates offerings for various customer groups and is responsible for the further development and launch of new products based on customer needs.

Swedish Banking also includes the private banking operations of the subsidiary Swedbank Luxembourg, whose customers are predominately Swedish expatriates, as well as the jointly owned card company EnterCard, with operations in Sweden and Norway. Robur, which specializes in mutual fund and asset management, pensions and insurance is reported separately from Swedish Banking in the business area report.

## Profit trend

SEK M	Full-year 2005	Full-year 2004	Q4 2005	Q3 2005	Q2 2005	Q 1 2005	Q 4 2004	Q 3 2004
Net interest income	12,266	12,578	2,908	3,093	3,103	3,162	3,225	3,309
Net commission income	3,854	3,394	986	983	1,004	881	883	837
Net gains and losses on items at fair value	546	138	111	258	288	-111	14	28
Share in profit of associated companies	205	169	31	95	33	46	0	97
Other income	3,380	956	261	1,697	1,073	349	257	280
<b>Income</b>	<b>20,251</b>	<b>17,235</b>	<b>4,297</b>	<b>6,126</b>	<b>5,501</b>	<b>4,327</b>	<b>4,379</b>	<b>4,551</b>
Staff costs	-4,399	-4,423	-1,121	-1,052	-1,185	-1,041	-1,056	-1,231
IT expenses	-736	-686	-193	-163	-192	-188	-190	-178
Other costs	-4,396	-4,453	-1,127	-1,011	-1,171	-1,087	-1,179	-1,089
Depreciation/amortization	-88	-104	-23	-20	-23	-22	-24	-27
<b>Expenses</b>	<b>-9,619</b>	<b>-9,666</b>	<b>-2,464</b>	<b>-2,246</b>	<b>-2,571</b>	<b>-2,338</b>	<b>-2,449</b>	<b>-2,525</b>
<b>Profit before loan losses</b>	<b>10,632</b>	<b>7,569</b>	<b>1,833</b>	<b>3,880</b>	<b>2,930</b>	<b>1,989</b>	<b>1,930</b>	<b>2,026</b>
Loan losses	-27	-289	43	-35	25	-60	-50	-77
<b>Operating profit</b>	<b>10,605</b>	<b>7,280</b>	<b>1,876</b>	<b>3,845</b>	<b>2,955</b>	<b>1,929</b>	<b>1,880</b>	<b>1,949</b>
Tax	-2,313	-2,064	-535	-664	-574	-540	-538	-543
<b>Profit for the period</b>	<b>8,292</b>	<b>5,216</b>	<b>1,341</b>	<b>3,181</b>	<b>2,381</b>	<b>1,389</b>	<b>1,342</b>	<b>1,406</b>
Profit for the period attributable to:								
FöreningsSparbanken's shareholders	8,287	5,214	1,340	3,179	2,381	1,387	1,342	1,406
Minority	5	2	1	2	0	2	0	0
Allocated equity	26,456	24,325	26,456	26,456	26,456	26,456	24,325	24,325
Return on allocated equity, %	31.3	21.4	20.3	48.1	36.0	21.0	22.1	23.1
<b>Income items</b>								
Income from external customers	18,587	16,070	3,847	5,690	5,116	3,934	4,072	4,244
Income from transactions with other segments	1,664	1,165	450	436	385	393	307	307
<b>Business volumes, SEK billion</b>								
Lending	688	629	688	673	668	645	629	619
Deposits	234	216	234	234	230	224	216	217
Mutual funds & insurance	236	190	236	228	215	198	190	186
Other investment volume	11	9	11	10	10	10	9	8
Shares and participating interests in associated companies, SEK billion	2	2	2	1	1	1	2	1
Risk-weighted volume, SEK billion	467	422	467	453	454	431	422	415
Total assets, SEK billion	766	686	766	752	765	729	686	704
Total liabilities, SEK billion	740	662	740	726	739	703	662	680
Full-time employees	6,266	6,615	6,266	6,287	6,312	6,447	6,615	6,669

Operating profit for the fourth quarter of 2005 was SEK 1,969 M lower than the third quarter of 2005. A capital gain of SEK 1,421 M on the sale of KIAB was reported in the third quarter.

Operating profit for the full-year amounted to SEK 10,605 M, an increase of SEK 3,325 M or 46 percent from the previous year.

Income rose by SEK 3,016 M or 17 percent to SEK 20,251 M, of which SEK 800 M related to the capital gain on the sale of 50 percent of EnterCard to Barclaycard and SEK 1,421 M to the gain on the sale of KIAB. Expenses decreased by SEK 47 M to SEK 9,619 M.

Loan losses amounted to SEK 27 M, a decrease of SEK 262 M or 91 percent compared with the previous year. The loan loss ratio was 0.00 percent (0.05). The return on allocated equity was 31.3 percent (21.4).

The number of full-time positions was reduced by 349 compared with the previous year and by 21 compared with the previous quarter.

## Baltic Banking

The Baltic Banking business area includes the operations of the subsidiary Hansabank. Because of the acquisition of the remaining shares in Hansabank for SEK 15.8 billion, allocated equity for the business area rose by SEK 8.7 billion between 2005 and 2004.

SEK M	Full-year 2005	Full-year 2004	Q4 2005	Q3 2005	Q2 2005	Q 1 2005	Q 4 2004	Q 3 2004
Net interest income	2,752	2,313	749	738	620	645	611	601
Net commission income	1,102	836	316	284	268	234	221	210
Net gains and losses on items at fair value	548	443	143	166	134	105	127	95
Share in profit of associated companies	4	2	2	1	1	0	1	0
Other income	118	199	29	33	35	21	42	64
<b>Income</b>	<b>4,524</b>	<b>3,793</b>	<b>1,239</b>	<b>1,222</b>	<b>1,058</b>	<b>1,005</b>	<b>1,002</b>	<b>970</b>
Staff costs	-1,174	-909	-346	-297	-276	-255	-251	-221
IT expenses	-182	-148	-56	-46	-45	-35	-46	-36
Other costs	-728	-532	-248	-164	-178	-138	-172	-121
Depreciation/amortization	-233	-176	-67	-42	-80	-44	-45	-39
<b>Expenses</b>	<b>-2,317</b>	<b>-1,765</b>	<b>-717</b>	<b>-549</b>	<b>-579</b>	<b>-472</b>	<b>-514</b>	<b>-417</b>
<b>Profit before loan losses</b>	<b>2,207</b>	<b>2,028</b>	<b>522</b>	<b>673</b>	<b>479</b>	<b>533</b>	<b>488</b>	<b>553</b>
Loan losses	-243	-206	-57	-64	-81	-41	-25	-68
<b>Operating profit</b>	<b>1,964</b>	<b>1,822</b>	<b>465</b>	<b>609</b>	<b>398</b>	<b>492</b>	<b>463</b>	<b>485</b>
Tax	-149	-139	-42	-32	-38	-37	-26	-29
<b>Profit for the period</b>	<b>1,815</b>	<b>1,683</b>	<b>423</b>	<b>577</b>	<b>360</b>	<b>455</b>	<b>437</b>	<b>456</b>
Profit for the period attributable to: FöreningsSparbanken's shareholders	1,551	966	423	515	357	256	251	264
Minority	264	717	0	62	3	199	186	192
Allocated equity	11,522	2,852	11,522	11,522	11,522	11,522	2,852	2,852
Return on allocated equity, %	13.5	33.9	14.7	17.9	12.4	8.9	35.2	37.0
<b>Income items</b>								
Income from external customers	4,524	3,793	1,239	1,222	1,058	1,005	1,002	970
<b>Business volumes, SEK billion</b>								
Lending	89	53	89	77	69	61	53	49
Deposits	68	45	68	59	58	49	45	43
Mutual funds & insurance	8	6	8	7	6	5	6	5
Shares and participating interests in associated companies, SEK billion	0	0	0	0	0	0	0	0
Risk-weighted volume, SEK billion	98	61	98	86	82	73	61	59
Total assets, SEK billion	130	76	130	113	101	94	76	71
Total liabilities, SEK billion	118	73	118	101	89	82	73	68
Full-time employees	7,226	6,069	7,226	6,847	6,497	6,255	6,069	6,049



In the business area, profit is reported according to the accounting principles that apply to the business area report. This differs from the reports that Hansabank publishes. For 2005 net interest income was affected negatively by slightly over SEK 40 M, although there was some negative effect on net commission income and expenses as well.

Operating profit amounted to SEK 1,964 M, an increase of SEK 142 M or 8 percent from the previous year.

The return on allocated equity for Baltic Banking was 13.5 percent (33.9). The reasons for the change were an increase in allocated equity, accrual of revaluations and the writedown of intangible assets associated with the acquisition of Hansabank.

Hansabank's reported operating profit in the fourth quarter of 2005 amounted to SEK 596 M (473). Reported operating profit for the full year 2005 rose by 31 percent to SEK 2,388 M (1,819). The reported return on equity was 25.2 percent (24.7).

The number of full-time positions in Baltic Banking rose by 1,157 compared with the previous year and by 379 from the previous quarter. The increase was due to organic growth in the Baltic countries and new operations in Russia.

## Swedbank Markets

Swedbank Markets comprises capital market products and various types of project and corporate finance. It also has customer responsibility for financial institutions. In addition to operations in Sweden, the business area includes the international branch in New York, First Securities in Norway and the representative office in Shanghai. The international branch in London was closed in December 2005.

Swedbank Markets offers trading in securities and derivatives in the equity, fixed income and foreign exchange markets, as well as financing solutions and professional analysis and advice. The research unit issues a steady stream of analyses on around 150 Nordic companies. For individual investors, Swedbank Markets offers stock trading and broad-market products, such as equity linked bonds, through the Group's Swedish branch network, through savings banks and partly owned banks, and through the Internet bank and telephone bank.

### Profit trend

SEK M	Full-year 2005	Full-year 2004	Q4 2005	Q3 2005	Q2 2005	Q 1 2005	Q 4 2004	Q 3 2004
Net interest income	873	996	245	205	201	222	270	241
Net commission income	926	583	283	250	282	111	133	145
Net gains and losses on items at fair value	754	446	262	143	185	164	171	-8
Share in profit of associated companies	25	39	3	0	7	15	19	2
Other income	78	39	14	15	33	16	12	13
<b>Income</b>	<b>2,656</b>	<b>2,103</b>	<b>807</b>	<b>613</b>	<b>708</b>	<b>528</b>	<b>605</b>	<b>393</b>
				8		9	3	
Staff costs	-941	-606	-293	-250	-244	-154	-153	-148
IT expenses	-225	-204	-59	-53	-62	-51	-50	-47
Other costs	-369	-293	-124	-86	-86	-73	-60	-75
Depreciation/amortization	-12	-10	-5	-3	-2	-2	-2	-2
<b>Expenses</b>	<b>-1,547</b>	<b>-1,113</b>	<b>-481</b>	<b>-392</b>	<b>-394</b>	<b>-280</b>	<b>-265</b>	<b>-272</b>
<b>Profit before loan losses</b>	<b>1,109</b>	<b>990</b>	<b>326</b>	<b>221</b>	<b>314</b>	<b>248</b>	<b>340</b>	<b>121</b>
Loan losses	-7	-14	18	1	-25	-1	-21	-2
<b>Operating profit</b>	<b>1,102</b>	<b>976</b>	<b>344</b>	<b>222</b>	<b>289</b>	<b>247</b>	<b>319</b>	<b>119</b>
Tax	-309	-273	-97	-62	-72	-78	-89	-34
<b>Profit for the period</b>	<b>793</b>	<b>703</b>	<b>247</b>	<b>160</b>	<b>217</b>	<b>169</b>	<b>230</b>	<b>85</b>
Profit for the period attributable to: FöreningsSparbanken's shareholders	712	703	214	141	188	169	230	85
Minority	81		33	19	29			
Allocated equity	2,545	2,405	2,545	2,545	2,545	2,545	2,405	2,405
Return on allocated equity, %	28.0	29.2	33.6	22.2	29.5	26.6	38.3	14.1
<b>Income items</b>								
Income from external customers	2,355	1,805	728	541	625	461	521	328
Income from transactions with other segments	301	298	79	72	83	67	84	65
<b>Business volumes, SEK billion</b>								
Lending	19	12	19	16	16	11	12	12
Deposits	23	16	23	26	30	31	16	25
Mutual funds & insurance	2	1	2	1	1	1	1	1
Other investment volume	15	12	15	13	13	13	12	11
Shares and participating interests in associated companies, SEK billion	0	0	0	0	0	0	0	0
Risk-weighted volume, SEK billion	47	37	47	50	47	39	37	46
Total assets, SEK billion	305	263	305	312	313	286	263	307
Total liabilities, SEK billion	302	261	302	309	310	283	261	305
Full-time employees	714	534	714	686	683	568	534	554

Operating profit for the fourth quarter rose by SEK 122 M compared with the previous quarter.

Swedbank Markets' operating profit for 2005 amounted to SEK 1,102 M, which was SEK 126 M or 13 percent higher than the previous year. Income from capital market operations amounted to SEK 1,421 M and expenses SEK 573 M. In First Securities, income amounted to SEK 549 M and expenses SEK 342 M.

The return on allocated equity was 28,0 percent (29,2).

## Asset Management and Insurance

Asset Management and Insurance comprises the Robur Group and its operations in fund management, institutional and discretionary asset management, insurance and individual pension savings.

### Profit trend

SEK M	Full-year 2005	Full-year 2004	Q4 2005	Q3 2005	Q2 2005	Q 1 2005	Q 4 2004	Q 3 2004
Net interest income	27	29	8	5	6	8	7	7
Net commission income	1,258	1,292	305	338	313	302	331	330
Net gains and losses on items at fair value	14	10	3	3	5	3	4	-2
Other income	161	124	74	31	28	28	37	29
<b>Income</b>	<b>1,460</b>	<b>1,455</b>	<b>390</b>	<b>377</b>	<b>352</b>	<b>341</b>	<b>379</b>	<b>364</b>
Staff costs	-290	-254	-76	-71	-77	-66	-50	-70
IT expenses	-109	-96	-34	-25	-27	-23	-30	-23
Other costs	-232	-221	-65	-53	-54	-60	-55	-54
Depreciation/amortization	-2	-3	0	-1	0	-1	-1	-1
<b>Expenses</b>	<b>-633</b>	<b>-574</b>	<b>-175</b>	<b>-150</b>	<b>-158</b>	<b>-150</b>	<b>-136</b>	<b>-148</b>
<b>Profit before loan losses</b>	<b>827</b>	<b>881</b>	<b>215</b>	<b>227</b>	<b>194</b>	<b>191</b>	<b>243</b>	<b>216</b>
<b>Operating profit</b>	<b>827</b>	<b>881</b>	<b>215</b>	<b>227</b>	<b>194</b>	<b>191</b>	<b>243</b>	<b>216</b>
Tax	-184	-259	-47	-50	-44	-43	-89	-56
<b>Profit for the period</b>	<b>643</b>	<b>622</b>	<b>168</b>	<b>177</b>	<b>150</b>	<b>148</b>	<b>154</b>	<b>160</b>
Profit for the period attributable to: FöreningsSparbanken's shareholders	643	622	168	177	150	148	154	160
Allocated equity	1,547	1,547	1,547	1,547	1,547	1,547	1,547	1,547
Return on allocated equity, %	41.6	40.2	43.4	45.8	38.8	38.3	39.8	41.4
<b>Income items</b>								
Income from external customers	3,244	2,866	912	824	758	750	754	703
Income from transactions with other segments	-1,784	-1,411	-522	-447	-406	-409	-375	-339
<b>Business volumes, SEK billion</b>								
Mutual funds & insurance	357	280	357	343	323	297	280	273
Other investment volume	24	21	24	23	21	20	21	22
Risk-weighted volume, SEK billion	0	0	0	0	0	0	0	0
Total assets, SEK billion	60	46	60	58	54	50	46	46
Total liabilities, SEK billion	59	44	59	57	53	49	44	44
Full-time employees	255	249	255	251	250	247	249	251

Operating profit amounted to SEK 827 M, a decrease of SEK 54 M or 6 percent from the previous year. The decrease arose due to higher sales commissions paid to Swedish Banking.

The return on allocated equity was 41.6 percent (40.2).

### Fund savings, volumes and flows

Net contributions to Robur's own mutual funds and those funds Robur markets amounted to SEK 9.7 billion during the year, against SEK 13.1 billion in the previous year. Of net contributions, SEK 4.1 billion (3.6) was

from premium pension investments and SEK 0.0 billion (1.4) from unit-linked insurance in Robur Försäkring.

Robur's assets under management as of December 31, 2005 amounted to SEK 355 billion (280). The change is due to an appreciation in the value of fund assets of SEK 65.3 billion, mainly from rising stock prices during the year. After net fund contributions of SEK 9.7 billion, the increase in fund assets during the year was SEK 75 billion. The institutional asset management operations managed SEK 54 billion (43), of which SEK 30 billion (22) was invested in Robur funds.

Robur's share of net contributions in the Swedish mutual fund market was 11 percent (24) in 2005. Its share of assets under management in the fund market was 27 percent (28) on December 31, 2005.

	<b>Dec 31 2005</b>	<b>Dec 31 2004</b>
<b>Fund management</b>		
Assets under management (SEK billion)	355	280
<i>of which: Swedish equities, %</i>	<i>30.5</i>	<i>29.4</i>
<i>foreign equities, %</i>	<i>36.7</i>	<i>34.2</i>
<i>interest-bearing securities, %</i>	<i>32.8</i>	<i>36.4</i>
Number of customers (thousands)	2,793	2,795
<b>Unit-linked insurance</b>		
Assets under management (SEK billion)	54.7	41.4
<i>of which in Robur funds</i>	<i>54.0</i>	<i>41.3</i>
Number of policies (thousands)	758	724
<b>Discretionary asset management</b>		
Assets under management (SEK billion)	54	43
<i>of which in Robur funds</i>	<i>30</i>	<i>22</i>

### **Unit-linked insurance**

Sales (premiums paid) of unit-linked insurance during the year amounted to SEK 7.5 billion (5.1). Robur Försäkring's assets under management amounted to SEK 54.7 billion (41.4) on December 31, 2005. The market share for new unit-linked insurance was 11 percent (14) on September 30, 2005. Robur Försäkring had 758,000 (724,000) policies at year-end, in addition to around 1 million group life insurance policies.

### **Fund management results**

All of Robur's funds had a positive return during the period. Swedish equity funds rose in value by more than 36 percent, while public savings funds returned slightly over 31 percent. Blend funds rose between 11 and 28 percent, while its Swedish fixed income funds gained between 1 and 4 percent. Among equity funds, 79 percent posted higher returns than their comparative indexes. The Sweden, Eastern Europe and Small Cap funds had the highest returns relative to their indices. The blend funds outperformed 91 percent of their indexes, while the fixed income funds fell slightly short of theirs. Morningstar's average rating on Robur's funds at the end of the year was 3.33 (3.28).

## Shared Services and new operations

The business area includes IT and other service functions, Treasury, Group Staffs, the Group's own insurance company Sparia, the international branches in Norway, Finland and Denmark, the representative office in Tokyo and the shareholdings in SpareBank 1 Gruppen and Aktia. Due to smaller ownership interests, SpareBank 1 Gruppen is no longer reported as an associated company as of June 2004, nor Aktia as of December 2004.

### Profit trend

SEK M	Full-year 2005	Full-year 2004	Q4 2005	Q3 2005	Q2 2005	Q 1 2005	Q 4 2004	Q 3 2004
Net interest income	-228	-97	-25	-104	-102	3	-8	-79
Net commission income	30	10	4	57	-30	-1	-25	22
Net gains and losses on items at fair value	930	135	273	169	373	115	27	-49
Share in profit of associated companies	67	156	12	28	16	11	68	29
Other income	3,226	3,112	889	697	859	781	754	768
<b>Income</b>	<b>4,025</b>	<b>3,316</b>	<b>1,153</b>	<b>847</b>	<b>1,116</b>	<b>909</b>	<b>816</b>	<b>691</b>
Staff costs	-1,417	-1,448	-287	-387	-370	-373	-276	-324
IT expenses	-756	-761	-189	-166	-212	-189	-180	-190
Other costs	-1,055	-1,233	-227	-194	-334	-300	-277	-311
Depreciation/amortization	-268	-270	-66	-67	-68	-67	-63	-66
<b>Expenses</b>	<b>-3,496</b>	<b>-3,712</b>	<b>-769</b>	<b>-814</b>	<b>-984</b>	<b>-929</b>	<b>-796</b>	<b>-891</b>
<b>Profit before loan losses</b>	<b>529</b>	<b>-396</b>	<b>384</b>	<b>33</b>	<b>132</b>	<b>-20</b>	<b>20</b>	<b>-200</b>
Loan losses	-17	15	-5	1	-16	3	-3	14
<b>Operating profit</b>	<b>512</b>	<b>-381</b>	<b>379</b>	<b>34</b>	<b>116</b>	<b>-17</b>	<b>17</b>	<b>-186</b>
Tax	174	336	46	-9	-8	145	55	70
Discontinued operations		1,770					14	1,362
<b>Profit for the period</b>	<b>686</b>	<b>1,725</b>	<b>425</b>	<b>25</b>	<b>108</b>	<b>128</b>	<b>86</b>	<b>1,246</b>
Profit for the period attributable to: FöreningsSparbanken's shareholders	686	1,652	425	25	108	128	86	1,246
Minority		73						
Allocated equity	1,350	6,192	1,350	1,350	1,350	1,350	6,192	6,192
Return on allocated equity, %	50.8	26.7	125.9	7.4	32.0	37.9	5.6	80.5
<b>Income items</b>								
Income from external customers	968	551	282	173	388	125	199	-51
Income from transactions with other segments	3,057	2,765	871	674	728	784	617	742
<b>Business volumes, SEK billion</b>								
Lending	0	0	0	0	0	0	0	0
Shares and participating interests in associated companies, SEK billion	0	0	0	1	0	1	0	1
Risk-weighted volume, SEK billion	4	5	4	4	9	5	5	23
Total assets, SEK billion	167	127	167	149	153	131	127	92
Total liabilities, SEK billion	166	121	166	148	152	130	121	86
Full-time employees	1,687	1,689	1,687	1,681	1,666	1,670	1,689	1,660

Operating income improved by SEK 345 M between quarters 3 and 4. The improvement arose in part through higher income in Treasury operations.

The business area reported operating income of SEK 512 M for the year. The market valuation of primary capital certificates and VAT recoveries contributed to the income improvement of SEK 893 M compared with the previous year.

## Eliminations

SEK M	Full-year 2005	Full-year 2004	Q4 2005	Q3 2005	Q2 2005	Q 1 2005	Q 4 2004	Q 3 2004
Net interest income	-151	-620	-173	-77	200	-101	-66	-100
Net commission income	0	7	2	-2	-3	3	11	-11
Net gains and losses on items at fair value	165	635	214	50	-200	101	70	103
Other income	-3,470	-3,241	-932	-758	-941	-839	-799	-846
<b>Income</b>	<b>-3,456</b>	<b>-3,219</b>	<b>-889</b>	<b>-787</b>	<b>-944</b>	<b>-836</b>	<b>-784</b>	<b>-854</b>
Staff costs	30	49	14	8	-1	9	3	12
IT expenses	792	666	221	165	206	200	138	172
Other costs	2,634	2,504	654	614	739	627	643	670
Depreciation/amortization						0		
<b>Expenses</b>	<b>3,456</b>	<b>3,219</b>	<b>889</b>	<b>787</b>	<b>944</b>	<b>836</b>	<b>784</b>	<b>854</b>
<b>Business volume, SEK billion</b>								
Mutual funds & insurance	-246	-191	-246	-236	-216	-199	-191	-187
Other investment volume	-11	-9	-11	-10	-10	-10	-9	-8
Total assets	-231	-176	-231	-220	-216	-196	-176	-215
Total liabilities	-231	-176	-231	-220	-216	-196	-176	-215

## **Profit and loss account, Parent Company**

SEK M	Full-year			Q4		
	2005	2004	%	2005	2004	%
<i>Interest receivable</i>	18,538	16,741	11	4,746	4,220	12
<i>Interest payable</i>	-11,866	-9,606	24	-2,994	-2,429	23
Net interest income	6,672	7,135	-6	1,752	1,791	-2
Dividends received	1,125	7,896	-86	767	5,357	-86
<i>Commissions receivable</i>	5,943	5,402	10	1,629	1,377	18
<i>Commissions payable</i>	-1,284	-1,153	11	-397	-306	30
Net commission income (Note 1)	4,659	4,249	10	1,232	1,071	15
Net gains and losses on items at fair value (Note 2)	1,844	1,011	82	706	418	69
Other operating income	3,550	1,901	87	321	324	-1
<b>Total income</b>	<b>17,850</b>	<b>22,192</b>	<b>-20</b>	<b>4,778</b>	<b>8,961</b>	<b>-47</b>
General administrative expenses						
- Staff costs	-6,255	-6,154	2	-1,549	-1,415	9
- Other costs	-4,076	-4,356	-6	-1,040	-1,198	-13
<b>Total general administrative expenses</b>	<b>-10,331</b>	<b>-10,510</b>	<b>-2</b>	<b>-2,589</b>	<b>-2,613</b>	<b>-1</b>
Depreciation and write-off of tangible fixed assets	-306	-339	-10	-74	-78	-5
Amortization of goodwill	-119	-119		-30	-43	-30
<b>Total costs</b>	<b>-10,756</b>	<b>-10,968</b>	<b>-2</b>	<b>-2,693</b>	<b>-2,734</b>	<b>-1</b>
<b>Profit before loan losses</b>	<b>7,094</b>	<b>11,224</b>	<b>-37</b>	<b>2,085</b>	<b>6,227</b>	<b>-67</b>
Loan losses (Note 3)	-184	-504	-63	45	-129	
Write-off of financial fixed assets	-11	-21	-48	-11		
Reversal of write-off of financial fixed assets		7				
<b>Profit before appropriations and tax</b>	<b>6,899</b>	<b>10,706</b>	<b>-36</b>	<b>2,119</b>	<b>6,098</b>	<b>-65</b>
Appropriations	-221	4,857		-208	4,851	
Tax	-1,211	-3,322	-64	-656	-3,040	-78
<b>Profit for the period</b>	<b>5,467</b>	<b>12,241</b>	<b>-55</b>	<b>1,255</b>	<b>7,909</b>	<b>-84</b>

## Balance sheet

SEK M	Group			Parent Company		
	Dec. 31 2005	Jan. 1 2005	Dec. 31 2004	Dec. 31 2005	Jan. 1 2005	Dec. 31 2004
<i>Assets</i>						
Loans to credit institutions	152,348	109,674	109,674	258,445	181,622	181,622
Loans to the public	822,425	733,131	726,675	235,095	221,069	221,069
Interest-bearing securities	87,506	80,372	80,370	91,396	92,464	92,462
Shares and participating interests	63,338	49,171	48,714	44,233	28,282	27,608
- for which customers bear the investment risk	55,008	41,576	41,576			
Derivatives	32,170	36,032	33,105	25,640	36,381	34,973
Other assets	39,496	23,658	23,743	12,612	16,160	16,238
<b>Total assets</b>	<b>1,197,283</b>	<b>1,032,038</b>	<b>1,022,281</b>	<b>667,421</b>	<b>575,978</b>	<b>573,972</b>
<i>Liabilities, provisions and equity</i>						
Amounts owed to credit institutions	110,066	100,863	101,924	145,799	137,125	137,125
Deposits and borrowings from the public	338,894	285,610	285,540	269,417	240,471	240,471
Debt securities in issue	517,582	435,361	435,029	117,453	71,677	71,507
Liabilities for which customers bear the investment risk	55,249	41,580	41,580			
Derivatives	30,144	47,108	37,663	26,205	36,197	35,629
Other liabilities and provisions	59,258	46,341	46,758	42,428	31,338	31,493
Subordinated liabilities	32,221	27,831	26,430	27,982	23,015	21,792
Untaxed reserves				3,358	3,122	3,122
Equity	53,869	47,344	47,357	34,779	33,033	32,833
- Minority's	232	3,169	3,169			
- Shareholders'	53,637	44,175	44,188	34,779	33,033	32,833
<b>Total liabilities, provisions and equity</b>	<b>1,197,283</b>	<b>1,032,038</b>	<b>1,022,281</b>	<b>667,421</b>	<b>575,978</b>	<b>573,972</b>
Assets pledged for own liabilities	125,677	100,921	100,921	52,339	59,076	59,076
Other assets pledged	11,873	17,583	17,583	29,965	17,529	17,529
Contingent liabilities	30,104	23,077	23,077	33,791	27,027	27,027
Commitments	4,819,110	4,083,592	4,083,592	4,560,638	3,857,216	3,857,216

## Statement of cash flows

SEK M	Group		Parent Company	
	2005	2004	2005	2004
Liquid assets at beginning of period *)	<b>80,032</b>	<b>66,241</b>	<b>69,537</b>	<b>52,240</b>
<b>Operating activities</b>				
Operating profit	15,010	10,578	6,899	10,706
Adjustments for non-cash items	-1,284	3,227	639	-452
Taxes	-5,206	-1,464	-3,682	-1,239
Change in receivables from credit institutions	-18,288	-16,747	-53,208	-38,846
Change in loans to the public	-76,661	-36,105	-4,639	-294
Change in securities classified as current assets	-15,111	-10,971	14,519	-15,022
Change in deposits and borrowings from the public, including retail bonds	46,569	7,804	24,933	11,463
Change in amounts owed to credit institutions	13,620	6,549	14,710	14,810
Change in other assets and liabilities, net	-3,368	2,123	840	4,722
<b>Cash flow from operating activities</b>	<b>-44,719</b>	<b>-35,006</b>	<b>1,011</b>	<b>-14,152</b>
<i>of which discontinued operations</i>		2,206		
<b>Investment activities</b>				
Purchase of strategic and other financial assets	-18,638	-5,141	-16,615	-5,562
Sale of strategic and other financial assets	5,850	11,162	4,676	11,278
<b>Cash flow from investment activities</b>	<b>-12,788</b>	<b>6,021</b>	<b>-11,939</b>	<b>5,716</b>
<i>of which discontinued operations</i>		40		
<b>Financing activities</b>				
Issuance of interest-bearing securities	151,267	230,083	12,624	2,541
Redemption of interest-bearing securities	-124,914	-203,884	-2,180	-342
Change in other funding	42,705	28,954	29,886	28,787
Dividend paid	-3,334	-3,035	-3,333	-3,035
Share repurchase		-2,218		-2,218
New share issue	468		468	
<b>Cash flow from financing activities</b>	<b>66,192</b>	<b>49,900</b>	<b>37,465</b>	<b>25,733</b>
<i>of which discontinued operations</i>		-561		
<b>Cash flow for the period</b>	<b>8,685</b>	<b>20,915</b>	<b>26,537</b>	<b>17,297</b>
<b>Exchange rate differences in liquid assets</b>	<b>470</b>	<b>0</b>		
<b>Acquired liquid assets</b>	<b>327</b>			
<b>Sold liquid assets</b>		-7,124		
<b>Liquid assets at end of period *)</b>	<b>89,514</b>	<b>80,032</b>	<b>96,074</b>	<b>69,537</b>
*) of which securities pledged for OMHEX				
- at beginning of period	2,296	3,207	2,296	3,207
- at end of period	2,729	2,296	2,729	2,296



## **Change in equity, the Group**

SEK M	Minority equity	Shareholders' equity	Total equity
<b>Opening balance January 1, 2004</b>	<b>5,198</b>	<b>40,356</b>	<b>45,554</b>
Share repurchase		-2,218	-2,218
Dividend	-377	-3,035	-3,412
Translation difference	-36	-274	-310
Change in value of foreign net investment		202	202
Acquisition from minority	-2,408		-2,408
Profit for the period	792	9,157	9,949
<b>Closing balance December 31, 2004</b>	<b>3,169</b>	<b>44,188</b>	<b>47,357</b>
Change in accounting principle for IAS 39 Financial Instruments: Recognition and Measurement		-13	-13
<b>Opening balance January 1, 2005</b>	<b>3,169</b>	<b>44,175</b>	<b>47,344</b>
Dividend	-1	-3,334	-3,335
New share issue		468	468
Translation difference	59	722	781
Change in value of hedge of foreign net investment		-267	-267
Revaluation of net assets from acquisition of subsidiary		-6	-6
New minority from acquisition of subsidiary	44		44
Acquisition from minority	-3,389		-3,389
Profit for the period	350	11,879	12,229
<b>Closing balance December 31, 2005</b>	<b>232</b>	<b>53,637</b>	<b>53,869</b>
<i>Reconciliation with previously applied accounting principles</i>			
<b>Closing balance December 31, 2003 according to previous accounting principles</b>		<b>41,919</b>	<b>41,919</b>
New minority	5,198		5,198
Change in accounting principle for IAS 19 Employee Benefits		-1,563	-1,563
<b>Closing balance IFRS January 1, 2004</b>	<b>5,198</b>	<b>40,356</b>	<b>45,554</b>
<b>Closing balance December 31, 2004 according to previous accounting principles</b>		<b>43,624</b>	<b>43,624</b>
New minority	3,145		3,145
Change in accounting principle for IFRS 3, Business acquisition			
- translation difference		-1	-1
- acquisition from minority	-12		-12
- effect on profit for the period	36	565	601
<b>Closing balance IFRS December 31, 2004</b>	<b>3,169</b>	<b>44,188</b>	<b>47,357</b>

## Change in equity, Parent Company

SEK M	Restricted equity	Non-restricted equity	Total equity
<b>Opening balance Jan. 1, 2004</b>	<b>19,127</b>	<b>6,689</b>	<b>25,816</b>
Transfers between restricted and non-restricted equity	-193	193	
Share repurchase		-2,218	-2,218
Dividend		-3,035	-3,035
Group contributions, net		-42	-42
Merger result FSB Boländirekt Bank		71	71
Profit for the year		12,241	12,241
<b>Closing balance Dec. 31, 2004</b>	<b>18,934</b>	<b>13,899</b>	<b>32,833</b>
Change in accounting principle for IAS 39 Financial Instruments: Recognition and Measurement	-2,090	2,290	200
<b>Adjusted opening balance Jan. 1, 2005</b>	<b>16,844</b>	<b>16,189</b>	<b>33,033</b>
Dividend		-3,334	-3,334
New share issue	468		468
Change in value of hedge of foreign net investment		-267	-267
Group contributions, net		-588	-588
Profit for the period		5,467	5,467
<b>Closing balance December 31, 2005</b>	<b>17,312</b>	<b>17,467</b>	<b>34,779</b>

## Notes

### Note 1. Net commission income

Group, SEK M	Full-year 2005	Full-year 2004	Q4 2005	Q4 2004
Payment processing commissions	3,690	3,365	950	880
Lending commissions	454	435	128	97
Brokerage	698	407	264	106
Asset management	3,150	2,713	880	702
Other securities commissions	106	169	42	44
Other commissions receivable	1,427	1,293	239	328
<b>Total commissions receivable</b>	<b>9,525</b>	<b>8,382</b>	<b>2,503</b>	<b>2,157</b>
Payment processing commissions	-1,176	-1,068	-343	-265
Securities commissions	-206	-208	-66	-66
Other commissions payable	-973	-984	-198	-272
<b>Total commissions payable</b>	<b>-2,355</b>	<b>-2,260</b>	<b>-607</b>	<b>-603</b>
<b>Total commissions, net</b>	<b>7,170</b>	<b>6,122</b>	<b>1,896</b>	<b>1,554</b>

Parent Company, SEK M	Full-year 2005	Full-year 2004	Q4 2005	Q4 2004
Payment processing commissions	2,639	2,489	673	645
Lending commissions	430	417	120	95
Brokerage	375	334	117	86
Asset management	1,600	1,256	465	324
Other securities commissions	102	168	41	44
Other commissions receivable	797	738	213	183
<b>Total commissions receivable</b>	<b>5,943</b>	<b>5,402</b>	<b>1,629</b>	<b>1,377</b>
Payment processing commissions	-960	-884	-283	-219
Securities commissions	-144	-150	-48	-48
Other commissions payable	-180	-119	-66	-39
<b>Total commissions payable</b>	<b>-1,284</b>	<b>-1,153</b>	<b>-397</b>	<b>-306</b>
<b>Total commissions, net</b>	<b>4,659</b>	<b>4,249</b>	<b>1,232</b>	<b>1,071</b>

## Note 2. Net gains and losses on items at fair value

Group, SEK M	Full-year 2005	Full-year 2004	Q4 2005	Q4 2004
<b>Financial instruments classified as trading as well as derivatives</b>				
Shares and participating interests	567	306	240	188
- <i>Change in value</i>	420	282	236	188
- <i>Dividend</i>	147	24	4	
Interest-bearing instruments	1,192	999	901	132
- <i>Change in value</i>	1,052	320	660	149
- <i>Interest</i>	140	679	241	-17
Other financial instruments	39	-2	19	-4
- <i>Change in value</i>	39	-2	19	-4
<b>Total</b>	<b>1,798</b>	<b>1,303</b>	<b>1,160</b>	<b>316</b>
<b>Other financial instruments at fair value</b>				
Shares and participating interests	572	62	202	
- <i>Change in value</i>	510		202	
- <i>Dividend</i>	62	62		
Interest-bearing instruments	-2	17	-434	9
- <i>Change in value</i>	-2	17	-434	9
<b>Total</b>	<b>570</b>	<b>79</b>	<b>-232</b>	<b>9</b>
<b>Change in exchange rates</b>	<b>589</b>	<b>425</b>	<b>78</b>	<b>88</b>
<b>Total</b>	<b>2,957</b>	<b>1,807</b>	<b>1,006</b>	<b>413</b>

<b>Net profit on financial operations</b>				
<b>Parent Company, SEK M</b>	<b>Full-year 2005</b>	<b>Full-year 2004</b>	<b>Q4 2005</b>	<b>Q4 2004</b>
Capital gains/losses				
Shares and participating interests	343	284	94	161
Interest-bearing securities	130	9	-104	14
Other financial instruments				
<b>Total</b>	<b>473</b>	<b>293</b>	<b>-10</b>	<b>175</b>
Unrealized changes in value				
Shares and participating interests	529	-15	330	8
Interest-bearing securities	600	282	410	116
Other financial instruments				
<b>Total</b>	<b>1,129</b>	<b>267</b>	<b>740</b>	<b>124</b>
<b>Change in exchange rates</b>	<b>242</b>	<b>451</b>	<b>-24</b>	<b>119</b>
<b>Total</b>	<b>1,844</b>	<b>1,011</b>	<b>706</b>	<b>418</b>

## Note 3. Loan losses, net, and change in the value of property taken over

Group, SEK M	Full-year 2005	Full-year 2004	Q4 2005	Q4 2004
<i>Specific provisions for claims assessed individually</i>				
The period's write-off for established loan losses	-535	-927	-197	-228
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established	270	459	82	42
The period's provisions for anticipated loan losses	-490	-403	-173	-53
Recoveries from previous periods' established loan losses	293	446	23	105
Reversal of provisions for anticipated loan losses	179	258	47	34
<b>The period's net expense</b>	<b>-283</b>	<b>-167</b>	<b>-218</b>	<b>-100</b>
<i>Collective provisions for individually assessed claims</i>				
<b>Allocations to collective provisions</b>	<b>123</b>	<b>-218</b>	<b>238</b>	<b>23</b>
<i>Collectively valued homogeneous groups of claims with limited value and similar credit risk</i>				
The period's write-off for established loan losses	-103	-118	-18	-33
Recoveries from previous years' established loan losses	14	13	5	6
Allocations/withdrawals from loan loss reserve	-23	21	-13	-1
<b>The period's net expense for collectively assessed claims</b>	<b>-112</b>	<b>-84</b>	<b>-26</b>	<b>-28</b>
<i>Contingent liabilities</i>				
<b>The period's net expense for discharged guarantees and other contingent liabilities</b>	<b>-22</b>	<b>-25</b>	<b>5</b>	<b>6</b>
<b>The period's net loan loss expense</b>	<b>-294</b>	<b>-494</b>	<b>-1</b>	<b>-99</b>
<b>Change in the value of property taken over</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total loan losses, net, and change in value of property taken over</b>	<b>-294</b>	<b>-494</b>	<b>-1</b>	<b>-99</b>

Parent Company, SEK M	Full-year 2005	Full-year 2004	Q4 2005	Q4 2004
<i>Specific provisions for claims assessed individually</i>				
The period's write-off for established loan losses	-424	-608	-152	-143
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established	208	325	71	31
The period's provisions for anticipated loan losses	-294	-250	-149	-64
Recoveries from previous periods' established loan losses	41	103	5	18
Reversal of provisions for anticipated loan losses	82	92	22	12
<b>The period's net expense</b>	<b>-387</b>	<b>-338</b>	<b>-203</b>	<b>-146</b>
<i>Collective provisions for individually assessed claims</i>				
<b>Allocations to collective provisions</b>	<b>287</b>	<b>-63</b>	<b>284</b>	<b>60</b>
<i>Collectively valued homogeneous groups of claims with limited value and similar credit risk</i>				
The period's write-off for established loan losses	-70	-76	-13	-26
Recoveries from previous years' established loan losses	1	1	1	0
Allocations/withdrawals from loan loss reserve	-7	3	-2	6
<b>The period's net expense for collectively assessed claims</b>	<b>-76</b>	<b>-72</b>	<b>-14</b>	<b>-20</b>
<i>Contingent liabilities</i>				
<b>The period's net expense for discharged guarantees and other contingent liabilities</b>	<b>-8</b>	<b>-31</b>	<b>-22</b>	<b>-23</b>
<b>The period's net loan loss expense</b>	<b>-184</b>	<b>-504</b>	<b>45</b>	<b>-129</b>
<b>Change in the value of property taken over</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total loan losses, net, and change in value of property taken over</b>	<b>-184</b>	<b>-504</b>	<b>45</b>	<b>-129</b>

#### Note 4. Loans to credit institutions and loans to the public

SEK M	Group		Parent Company	
	Dec. 31 2005	Dec. 31 2004	Dec. 31 2005	Dec. 31 2004
Book value (before accounting for provisions)	978,556	840,253	496,069	405,533
Specific provisions for individually assessed claims	-921	-858	-630	-624
Provisions for collectively valued homogeneous groups of claims with limited value and similar credit risk	-151	-184	-74	-105
Collective provisions for individually assessed claims	-2,711	-2,862	-1,825	-2,113
<b>Total provisions</b>	<b>-3,783</b>	<b>-3,904</b>	<b>-2,529</b>	<b>-2,842</b>
<b>Book value</b>	<b>974,773</b>	<b>836,349</b>	<b>493,540</b>	<b>402,691</b>
Book value of doubtful claims	1,147	1,537	574	743
Book value of unsettled claims not included in doubtful claims and for which accrued interest has been entered as income	208	271	59	77
<b>Property taken over to protect claims:</b>				
- Buildings and land	1	1	0	0
- Shares and participating interests	12	12	7	7
- Other	2	2	0	0
<b>Total</b>	<b>15</b>	<b>15</b>	<b>7</b>	<b>7</b>
Doubtful claims as % of total lending,	0.12	0.18	0.12	0.18
Total provision ratio for doubtful claims, % *	171	151	198	193
Provision ratio for individually identified doubtful claims, %	48	40	55	50

\* Total provision, i.e., all provisions for claims in relation to doubtful claims, gross.

## Specification of claims

Sector/Industry SEK M December 31, 2005				Provisions for collectively valued	Book value of claims after provisions	Book value of doubtful claims	Book value of unsettled claims for which interest is entered as income
	Book value before provisions	Specific provisions for individually assessed claims	Collective provisions for individually assessed claims	homogeneous groups of claims		(unsettled)	
Private individuals	418,151	25	143	151	417,832	145	154
Real estate management	164,308	71	258		163,979	88	3
Retail, hotels, restaurants	27,671	110	434		27,127	341	3
Construction	11,386	69	87		11,230	48	1
Manufacturing	24,399	256	412		23,731	206	4
Transportation	13,865	18	70		13,777	57	1
Forestry and agriculture	41,792	33	178		41,581	49	6
Other service businesses	25,611	44	106		25,461	42	35
Other business lending	58,283	260	1,023		57,000	171	1
Municipalities	13,980				13,980		
<b>Lending</b>	<b>799,446</b>	<b>886</b>	<b>2,711</b>	<b>151</b>	<b>795,698</b>	<b>1,147</b>	<b>208</b>
Credit institutions incl. Nat'l Debt Office	68,547	35			68,512		
Repurchase agreements - credit institutions incl. Nat'l Debt Office	84,336				84,336		
Repurchase agreements - public	26,227				26,227		
<b>Total lending to credit institutions and the public</b>	<b>978,556</b>	<b>921</b>	<b>2,711</b>	<b>151</b>	<b>974,773</b>	<b>1,147</b>	<b>208</b>

## Derivatives in the Group on December 31, 2005

The Group trades in derivatives in the normal course of business and to hedge certain positions with regard to the value of equities, interest rates and foreign currencies. The following table is prepared in accordance with the directives of the Financial Supervisory Authority and includes all derivatives in the Group.

SEK M	Interest-related	Currency-related	Equity-related, etc.
Derivatives with positive book values	18,678	12,018	2,547
Derivatives with negative book values	20,225	8,103	2,889

## Ratings, December 31, 2005

	S&P		Moody's		BFSR*	Fitch		R/I
	Short	Long	Short	Long		Short	Long	Long
<b>FöreningsSparbanken</b>	A-1	A	P-1	Aa3	B	F1	A+	AA-
<b>Spintab</b>	A-1	-	P-1	Aa3	-	F1+	AA-	-
<b>Hansabank</b>	-	-	P-1	A1	C+	F1	A	-

\* Bank Financial Strength Rating

In October 2005 the ratings institute Standard & Poor's raised the outlook for FöreningsSparbanken's long-term rating to positive from stable.

Stockholm, February 15, 2006

*Jan Lidén*  
President and Chief Executive Officer

### **Audit report**

This preliminary year-end report has not been reviewed by the bank's auditors.

### **Financial information**

The Group's financial reports can be obtained or ordered on FöreningsSparbanken's website at <http://www.fsb.se/ir> or at the nearest branch of FöreningsSparbanken.

The annual report for 2005 is expected to be available at [www.fsb.se](http://www.fsb.se) in early April 2006.

FöreningsSparbanken will (preliminarily) publish financial reports on the following dates:

- Interim report Q1 2006 on April 28
- Interim report Q2 2006 on August 10
- Interim report Q3 2006 on October 26

The Annual General Meeting for 2006 will be held in Malmö on April 25.

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## Attachment

### Restatement of consolidated profit and loss account Q4 2004 for transition to IFRS

SEK M	Profit and loss account according to previous accounting rules	Restate- ment of profit	Reclassifi- cations	Discon- tinued operations	Profit and loss account restated to IFRS
Net interest income	3,923		116		4,039
Net commission income	1,685		-131		1,554
Net gains and losses on items at fair value	421		-8		413
Net insurance			43		43
Share of profit/loss of associated companies		69	19		88
Other income	301	-1	-19	-21	260
<b>Total income</b>	<b>6,330</b>	<b>68</b>	<b>20</b>	<b>-21</b>	<b>6,397</b>
Staff costs	-1,561				-1,561
Profit-based staff costs	-222				-222
Other costs	-1,459			1	-1,458
<b>Total general administrative expenses</b>	<b>-3,242</b>			<b>1</b>	<b>-3,241</b>
Depreciation and right off of tangible and intangible fixed assets	-250	115			-135
<b>Total costs</b>	<b>-3,492</b>	<b>115</b>		<b>1</b>	<b>-3,376</b>
<b>Profit before loan losses</b>	<b>2,838</b>	<b>183</b>	<b>20</b>	<b>-20</b>	<b>3,021</b>
Loan losses	-99				-99
Share of profit/loss of associated companies	20		-20		0
<b>Operating profit</b>	<b>2,759</b>	<b>183</b>	<b>0</b>	<b>-20</b>	<b>2,922</b>
Tax	-693			6	-687
Minority interests	-182	-4	186		
<b>Profit for the period from continuing operations</b>	<b>1,884</b>	<b>179</b>	<b>186</b>	<b>-14</b>	<b>2,235</b>
Profit from discontinued operations after tax				14	14
<b>Profit for the period</b>	<b>1,884</b>	<b>179</b>	<b>186</b>	<b>0</b>	<b>2,249</b>
Profit for the period attributable to: <b>FöreningsSparbanken's shareholders</b>					<b>2,063</b>
Minority					186

## Restatement of consolidated profit and loss account 2004 for transition to IFRS

SEK M	Profit and loss account according to previous accounting rules	Restatement of profit	Reclassifications	Discontinued operations	Profit and loss account restated to IFRS
Net interest income	16,273		-314	-760	15,199
Net commission income	6,658		-465	-71	6,122
Net gains and losses on items at fair value	1,047		783	-23	1,807
Net insurance			143		143
Share of profit/loss of associated companies		110	301	-45	366
Other income	2,496	-71	-147	-1,232	1,046
<b>Total income</b>	<b>26,474</b>	<b>39</b>	<b>301</b>	<b>-2,131</b>	<b>24,683</b>
Staff costs	-6,672			103	-6,569
Profit-based staff costs	-1,022				-1,022
Other costs	-5,537			80	-5,457
<b>Total general administrative expenses</b>	<b>-13,231</b>	<b>0</b>	<b>0</b>	<b>183</b>	<b>-13,048</b>
Depreciation and right off of tangible and intangible fixed assets	-1,137	562		12	-563
<b>Total costs</b>	<b>-14,368</b>	<b>562</b>	<b>0</b>	<b>195</b>	<b>-13,611</b>
<b>Profit before loan losses</b>	<b>12,106</b>	<b>601</b>	<b>301</b>	<b>-1,936</b>	<b>11,072</b>
Loan losses	-495			1	-494
Share of profit/loss of associated companies	301		-301		0
<b>Operating profit</b>	<b>11,912</b>	<b>601</b>	<b>0</b>	<b>-1,935</b>	<b>10,578</b>
Tax	-2,564			165	-2,399
Minority interests	-756	-36	792		0
<b>Profit for the period from continuing operations</b>	<b>8,592</b>	<b>565</b>	<b>792</b>	<b>-1,770</b>	<b>8,179</b>
Profit from discontinued operations after tax				1,770	1,770
<b>Profit for the period</b>	<b>8,592</b>	<b>565</b>	<b>792</b>	<b>0</b>	<b>9,949</b>
Profit for the period attributable to: <b>FöreningsSparbanken's shareholders</b>					<b>9,157</b>
Minority					792

The restatement uses the operational profit and loss account as a starting point, but profit for the period does not differ between the operational and legal profit and loss accounts applied in 2004.



## Restatement of consolidated balance sheet for transition to IFRS

	Adopted acc. to annual report 2004	Reclassi- fications	Re- valuation IFRS 3	Restated balance sheet Dec. 31 2004	Revaluation IAS 39	Balance sheet Jan. 1, 2005
<b>SEK M</b>						
<i>Assets</i>						
Loans to credit institutions	108,039	1,635		109,674	0	109,674
Loans to the public	726,701	-26		726,675	6,456	733,131
Interest-bearing securities	79,007	1,363		80,370	2	80,372
Assets in insurance operations	43,366	-43,366				0
Shares and participating interests		48,604	110	48,714	457	49,171
- for which customers bear the investment risk		41,576		41,576		41,576
Derivatives		33,105		33,105	2,927	36,032
Other assets	63,346	-40,081	478	23,743	-85	23,658
<b>Total assets</b>	<b>1,020,459</b>	<b>1,234</b>	<b>588</b>	<b>1,022,281</b>	<b>9,757</b>	<b>1,032,038</b>
<i>Liabilities, provisions and equity</i>						
Amounts owed to credit institutions	101,924			101,924	-1,061	100,863
Deposits and borrowings from the public	285,540			285,540	70	285,610
Debt securities in issue	433,830	1,199		435,029	332	435,361
Liabilities in insurance operations	43,280	-43,280		0		0
Liabilities for which customers bear the investment risk		41,580		41,580		41,580
Derivatives		37,663		37,663	9,445	47,108
Other liabilities and provisions	82,686	-35,928		46,758	-417	46,341
Subordinated liabilities	26,430			26,430	1,401	27,831
Minority interests	3,145	-3,145				0
Equity	43,624	3,145	588	47,357	-13	47,344
- Minority's		3,145	24	3,169		3,169
- Shareholders'		43,624	564	44,188	-13	44,175
<b>Total liabilities, provisions and equity</b>	<b>1,020,459</b>	<b>1,234</b>	<b>588</b>	<b>1,022,281</b>	<b>9,757</b>	<b>1,032,038</b>

## Restated consolidated balance sheet for transition to fair value according to IAS 39

SEK M	Sept. 30 2005	June 30 2005	March 31 2005
<i>Assets</i>			
Loans to credit institutions	130,640	125,919	127,231
Loans to the public	805,977	789,968	758,011
Interest-bearing securities	85,711	79,915	83,931
Shares and participating interests	59,254	56,962	51,833
- of which customers bear the investment risk	52,777	49,073	43,844
Derivatives	37,792	59,498	33,517
Other assets	43,633	55,949	38,956
<b>Total assets</b>	<b>1,163,007</b>	<b>1,168,211</b>	<b>1,093,479</b>
<i>Liabilities, provisions and equity</i>			
Amounts owed to credit institutions	125,495	139,968	122,129
Deposits and borrowings from the public	329,178	318,651	309,777
Debt securities in issue	485,054	487,551	450,564
Liabilities for which customers bear the investment risk	52,826	49,106	43,854
Derivatives	35,744	47,297	34,497
Other liabilities and provisions	51,632	47,184	54,694
Subordinated liabilities	31,940	31,655	30,630
Equity	51,138	46,799	47,334
- Minority's	199	180	1,017
- Shareholders'	50,939	46,619	46,317
<b>Total liabilities, provisions and equity</b>	<b>1,163,007</b>	<b>1,168,211</b>	<b>1,093,479</b>