

NB
NORDBANKEN

Annual Report
1996



Annual Report *1996*



*The oldest banking operation within Nordbanken
dates from 1832. The bank had its most profitable
year in its history in 1996.*

Contents

	Page		Page
Nordbanken in 1996	5	Financial structure	59
Nordbanken in brief	5	Legal proceedings	70
Statement by the CEO	6	Income statements	72
The Nordbanken share	10	Balance sheets	73
Five-year summary	12	Accounting principles	74
Key ratios	13	Notes to the financial statements	78
Definitions and glossary	14	Proposed distribution of earnings	104
Report of the Directors		Auditors' report	105
Focus and objectives	16	Board of Directors	106
Structural changes	18	Management	108
Organization	19	Auditors	110
Markets	21	Addresses	111
Products	25	Branch offices and branch managers	112
Distribution	32		
Regional banks/Corporate Group	35		
Other operating units	40		
Product and service units	43		
Closely related company	49		
Personnel	50		
Information technology	52		
Environment	53		
Economic and monetary union (EMU)	55		
Profit and profitability	56		

Financial Information 1997

■ Interim report as of March 31	April 29
■ Interim report as of June 30	August 14
■ Interim report as of September 30	October 29

This is a translation of the original Swedish Annual Report, which is available on request from Nordbanken's Group Staff Information. For net profit and shareholders' equity in accordance with U.S. GAAP, see page 99.

Annual General Meeting

The Annual General Meeting of Nordbanken AB will be held Thursday, March 20, 1997, at 11:00 a.m., in the Stockholm Concert Hall (Konserthus), Hötorget, Stockholm.

Application

Shareholders who wish to participate in the Meeting:

must be recorded in the share register maintained by Värdepapperscentralen VPC AB (Swedish Securities Register Center) not later than Monday, March 10, 1997, and

must notify Nordbanken AB (publ), Group Legal Staff, S-105 71, Stockholm, Sweden by telephone (+46-8 670 20 80) or telefax (+46-8 614 87 70) not later than 1:00 p.m. Monday, March 17, 1997.

To be entitled to participate in the Meeting, shareholders whose shares are held in the name of a trustee must temporarily reregister the shares in their own name. Such reregistration must be in effect at VPC AB (Swedish Securities Register Center) on March 10, 1997. Accordingly, shareholders must advise trustees of the need for such action.

Dividend and record date

The Board of Directors will propose payment of a dividend of SEK 9.50 per share, and Tuesday, March 25, 1997 as the record date for payment. If shareholders at the Annual General Meeting approve this proposal, it is expected that dividend payments will be mailed by VPC on Thursday, April 3, 1997.

■ ■ ■

Nordbanken in 1996

- Operating profit rose 10%, to SEK 7,432 M
- Return on shareholders' equity was 27.8%
- Net profit per share amounted to SEK 29.41
- A dividend of SEK 9.50 per share is proposed, an increase of 27%

- Operating costs continue to be low
- Loan loss level reduced to 0.3%
- Strong earnings on bond portfolio
- Lending increased, mainly to companies

- New agreement with Sweden Post – "Postbanken" trademark launched
- Redemption of shares for SEK 5 billion implemented, Kingdom of Sweden holding reduced to 59.4%

Nordbanken in Brief

Nordbanken is one of Sweden's largest banking groups, offering a broad range of banking and financial services to private individuals, small and medium-sized companies, the public sector and a selection of major Swedish companies.

As of December 31, 1996, Nordbanken had total assets of SEK 368 billion, lending amounting to SEK 266 billion and deposits of SEK 161 billion. The Group had 7,300 employees at year-end 1996.

Nordbanken's assets and operating income are derived almost entirely from business in Sweden. The

Bank's customer base comprises more than 3.5 million private individuals, approximately 130,000 small and medium-sized companies and more than 30,000 non-governmental organizations.

The Bank markets its full range of products through a nationwide network consisting of nearly 300 branch offices. In addition, customers can conduct many of their Nordbanken transactions at 1,200 post offices in Sweden, or via Nordbanken Direkt, the country's largest telephone bank with personal service and 270,000 customers. ■ ■ ■

Statement by the CEO



Nineteen ninety six was a very good year for Nordbanken and its owners. Earnings improved and strong development was noted for the price of the Nordbanken share.

After a tumultuous start in the 1990s, the Bank is now prepared to meet the future, which will be characterized by sweeping changes. New technologies, increased internationalization, more competitors and new customer demands will generate growing competition that will require strong adaptability to changes as well as a sharp focus.

Nordbanken will take an active part in structuring the financial market of the 21st Century in our part of the world. Our efforts will be highlighted by the type of direction and concentration that has guided us during the past five years: creating value for our shareholders by serving as a bank that provides customers with diversified, reliable and cost-efficient services in parallel with efforts to offer our employees job stimulation and continuous opportunities for personal skills development.

Nordbanken's operating profit in 1996 amounted to SEK 7.4 billion (1995: 6.7 billion). Return on shareholders' equity rose to a full 27.8% (26.8). Accordingly, profitability was well above the Bank's ambitious, long-term objectives.

Several factors that cannot be expected to arise again contributed to Nordbanken's strong result in 1996. These include a halving of interest rates during the year, and opportunities to reverse older provisions for loan losses. The year 1996 was a unique year for Swedish banks, characterized by stabilization of interest rates at a lower level than previously. These conditions should be duly noted when forming expectations of operating profits in future years.

The achievement of strong profitability, however, requires more than favorable market conditions even during good times. Internal work efforts in accordance with Nordbanken's focused business strategy also made significant contributions to our strong results last year. The following comprise just a few highlights:

- Productivity development
- Continued reduction of loan losses
- Installation of Nordbanken's new computer system in the former Gota Bank's branch offices.
- Development of the telephone bank and introduction of services on the Internet.
- Acquisition of Industrikredit
- Establishment of Postbanken

During the financial crisis of the early 1990s, change was a requirement for survival. The pace of renewal is now being maintained by our commitment to create value for the shareholders. As a result, the taxpayers can be repaid what was invested in the bank through dividends and the selling price.

In parallel with the Bank's improved financial results, a favorable price trend was noted for Nordbanken shares. In addition to a general revaluation of Swedish bank shares by the financial market, our decision to redeem shares with a maximum value of SEK 5 billion appears to have become an important factor in external evaluations of Nordbanken during the past year.

At the Annual General Meeting in March 1996, I announced that the Swedish Government's investment as the main shareholder in Nordbanken would almost certainly be repaid. The conditions have now improved further so that the reconstruction contributions of about SEK 40 billion should be more than fully recovered.

Nordbanken's growth and development during the past five years has been driven by a distinct and focused strategy pursued consistently by management and all bank employees. This also means that we shall

seek new opportunities where we recognize new needs.

Most indicators point toward a rate of change that will be much faster than what we have experienced during the past 10 years, although the past decade was the most eventful in the history of Swedish banking.

- Information technologies have created completely new forms of distribution via telephones, computers and the Internet. New services are now available to intensify customer relations.
- A wave of internationalization characterizes banking and financial markets today. Sweden's entry into the EU has increased competition from abroad. Trends in our country's financial sector are dictated as much in London and New York as they are in Stockholm. Work within the EU to create an economic and monetary union also place heavy demands on aligning the Bank's product offering and on development and integration of necessary IT solutions.
- New players entering the marketplace have necessitated continuous redefinition of the financial sector. Nordbanken competes today with retail chains, insurance companies, furniture companies as well as computer firms – in addition to other major banks and new niche banks.
- New and demanding customers benefit from the ongoing trends and changes. Customers in the younger generations are particularly demanding, as they compare alternatives and strive to interface with their banks via the Internet. The services we offer today must be provided more cheaply, faster and simpler, compared with traditional bank services.

With its strong market position, reduced operating costs, modern computer system and focused strategic approach, Nordbanken has excellent potential to adapt to new market trends and conditions by serving as a force of renewal for the benefit of its customers and owners. Three main areas come to mind, whereby what's good for the bank's customers is also good for the bank.

Industry and employment.

Sweden and Nordbanken need more entrepreneurs and more growth companies, meaning more private individuals who want to become entrepreneurs and more companies that see profitability through growth. We shall continue to develop new products and services to strengthen our role as a financial partner who contributes to industrial endeavors, growth and employment.

Renewal and competition

The Swedish market for financial services needs renewal and competition so that bank customers can

benefit from a portion of the rationalization gains made as a result of new distribution technology and services offered.

**Nordbanken's role in the Nordic countries,
Baltic States and Europe.**

Nordbanken is and will continue to be a Swedish bank. For many people, however, the Nordic countries comprise a single market, and distribution forms or services that function satisfactorily in Sweden should also be used in the other Nordic countries. Comprehensive efforts are being concentrated on making the Baltic States a strong growth region in Europe. Nordbanken intends to seize opportunities now being created. Sweden's membership in EU, EMU's progress and industry's continued internationalization require the emergence of Swedish banks able to stand on equal ground with the best European banks.

In the structural transformation of the Swedish finance market now under way, Nordbanken must guard its positions and take advantage of the opportunities which could emerge. The starting point must be to seek combinations which can increase the Bank's competitiveness, create added benefits for customers and value for shareholders while capitalizing on the Nordbanken's strengths and development.

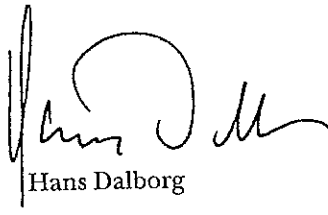
The ability to recognize new challenges, accept them and create new business opportunities within the

framework for our focused strategy is the highway that will lead to optimal long-term value appreciation for Nordbanken's owners. We must proceed under conditions of risk control, however, and comply with banking ethics that formed the foundation of our results in 1996.

Nordbanken's employees deserve a heartfelt expression of gratitude for their efforts during 1996. Only skilled and committed employees have the ability to deal with a continuing pace of change.

Market trends during the next few years will place continued heavy demands on the development and flexibility of all our employees. Those of us entrusted to manage and lead Nordbanken during this exciting chapter in history are fully aware of our responsibility. Working together, we shall try new angles of approach in our firm belief that we will conquer the future.

Stockholm, February 1997



Hans Dalborg



Nordbanken's proposal on redemption of shares in the amount of SEK 5 billion received positive response from the stock market as well as the media. The redemption was effected in October, reducing the Kingdom of Sweden's holding to 59.4%.

The Nordbanken Share

The Nordbanken share has been listed on the Stockholm Stock Exchange A-List since November 2, 1995 and, since January 2, 1996, on the list of most-traded shares. The shares are also traded in London (SEAQ International) and New York (Portal). The price of Nordbanken shares increased by 79.6% in 1996. The value of other listed Swedish banks rose by 39.3%. The Affärsvärlden General Index rose 38.2% in the same period.

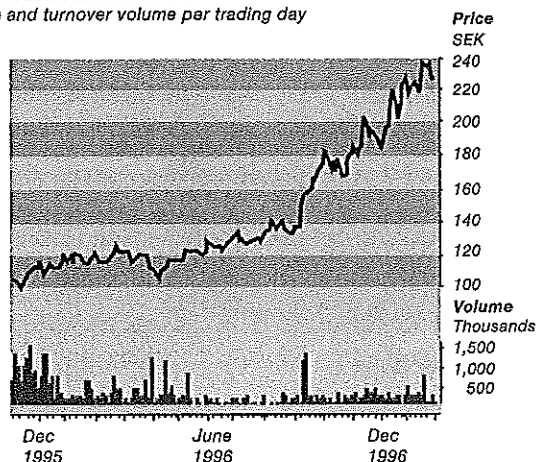
Share price

When the share was introduced on the stock exchange in November 1995, the price was set at SEK 92. Private individuals who were allotted shares could purchase shares at a discount (SEK 85 per share). The price was quoted at SEK 115 at year-end 1995. The price rose

steadily in the first half of 1996. In the autumn, the share price rose sharply, reaching a peak of SEK 222 on December 18. There were several reasons for this favorable trend. In addition to Nordbanken's favorable earnings trend, the main factor was the announcement of Nordbanken's share-redemption program on September 10. The offer resulted in an increase in profit per share and an improvement in the return on shareholders' equity which affected the price favorably. Bank shares also tended to benefit from the lower interest rates which applied in 1996. In the autumn, there was intensive speculation about a restructuring of the Swedish banking market. This also affected the price of bank shares as well as the situation that prices for Swedish bank shares were aligned with international conditions. For example, P/E multiples for Swedish bank shares began to approach the figures prevailing for internationally comparable banks.

The Nordbanken share

Price and turnover volume per trading day



Turnover

In 1996, the Stockholm Stock Exchange broke previous trading records. Shares valued at SEK 918 billion were traded. In 1996, turnover in Nordbanken shares totaled SEK 8,005 M, or 58.3 million shares. This corresponded to an average per trading day of SEK 32 M, or 232,000 shares.

Largest holders of Nordbanken shares, December 31, 1996

	Number of shares	Percent of capital stock and votes
Kingdom of Sweden	108,573,586	59.4
Swedbank mutual funds and national share investment accounts	7,055,800	3.9
SPP	6,215,900	3.4
Trygg-Hansa	3,540,594	1.9
AMF Pension	3,065,200	1.7
Fidelity Investments	2,316,440	1.3
Skandia	2,227,150	1.2
Nordbanken Profit-sharing Foundation	1,781,400	1.0
Föreningsbanken mutual funds	1,298,200	0.7
BT International Funds	1,127,299	0.6
Fourth National Pension Fund	1,109,900	0.6

Source: VPC (Swedish Securities Register Center).

Market value

At December 31, 1996 the market value of Nordbanken's shares amounted to SEK 37.7 billion. Market capitalization was 206 percent of adjusted shareholders' equity.

Shareholders

The Bank had approximately 85,000 shareholders at year-end, a reduction of 37,000 over the year. The Kingdom of Sweden, with a holding corresponding to 59.4% of the equity, continued to be the largest owner. Swedish institutional owners (insurance companies, funds, pension funds, etc.), including the Kingdom of Sweden, held approximately 95% of the shares, while the estimated proportion held by non-Swedish shareholders was about 17%.

Share capital and number of shares

On October 23, 1996, an Extraordinary General Meeting approved a proposal by the Board to reduce the share capital by redeeming shares and reimbursing shareholders, and to make a bonus issue of SEK 914 M to restore the restricted shareholders' equity. Subsequently, the share capital amounted to SEK 5,482.3 M, represented by 182,741,935 shares, each carrying one vote, and with a par value of SEK 30. All shares carry equal rights to the Bank's assets and profit. Each person entitled to vote at the Annual General Meeting may vote the full number of shares he or she represents, with no restriction on voting rights. The Board of Directors is not authorized to approve an increase in the share capital. There are no known shareholder agreements.

number of voting rights, or a holding which permits significant influence to be exerted over the company's management in some other way. The same restrictions apply to acquisitions that cause an increase of a qualified holding to 20, 33, 50% or more, of the share capital or number of voting rights, or which causes the bank to become a subsidiary.

Options

On October 14, 1996, the Stockholm Options Market (OM) started dealings in standardized options and futures for the Nordbanken share. Options and futures are traded on the OM exchanges in Stockholm and London. ■ ■ ■

Shareholdings that exceed 10%

In accordance with Swedish law, a direct or indirect acquisition of shares in a Swedish bank corporation that causes the acquirer's total holding to become a "qualified" shareholding must be approved by the Swedish Financial Supervisory Authority. A "qualified" holding is defined as 10% or more of the equity capital or

Distribution of shares, December 31, 1996

Size of holding	Number of shareholders	Percent	Number of shares	Percent	Average number of shares per shareholder
1 - 200	82,348	96.6	8,408,367	4.6	102
201 - 500	1,392	1.6	541,229	0.3	389
501 - 5,000	1,168	1.4	1,405,390	0.8	1,203
5,001 - 50,000	180	0.2	3,202,221	1.7	17,790
50,001 -	133	0.2	169,184,728	92.6	1,272,066
Total	85,257	100.0	182,741,935	100.0	

Source: VPC (Swedish Securities Register Center).

Changes in share capital

Year	Transaction	Increase in share capital SEK M	Total share capital SEK M	Number of shares
1991	3:2 new share issue at SEK 20.00	3,223.2	5,372.0	429,760,655
1995	Bonus issue ¹⁾	3.0	5,375.0	430,000,000
1995	1:2 reverse split	-	5,375.0	215,000,000
1996	Redemption of shares, bonus issue	107.3	5,482.3	182,741,935

¹⁾ Bonus issue, 239,345 shares, to permit reverse split.

Per-share data¹⁾

	1996	1995	1994	1993	1992
Number of shares, 000s	182,742	215,000	429,761	429,761	429,761
Net profit/loss, SEK ²⁾	29.41	22.65	13.97	12.53	-8.80
Adjusted shareholders' equity, SEK ²⁾	100.27	88.23	76.78	68.50	52.68
Dividend, SEK ^{2) 3)}	9.50	7.50	4.65	2.75	-
Share price, Dec. 31, SEK	206.50	115.00	..	..	..
Price/adjusted shareholders' equity	2.06	1.30	..	..	..
P/E ratio	7.0	5.1	..	..	..
Direct yield, %	4.6	6.5	..	..	..

¹⁾ See definitions on page 14. Key ratios for the years prior to 1995 have not been adjusted to reflect the change in accounting principles. A description of the changes is presented on pages 74-77.

²⁾ Data per share prior to 1995 has been adjusted to reflect the increase in the par value of the shares from SEK 12.50 to SEK 25.00 and the corresponding reduction in the number of shares, which was combined with a small bonus issue prior to the reversed split in 1995.

³⁾ An extra dividend of SEK 9.30 per share was paid on September 29, 1995. Proposed dividend 1996 by the Board of Directors.

Five-year Summary

New accounting principles for financial institutions became effective on January 1, 1996. A description of the changes is presented on pages 74-77. Information for 1995 is presented below in accordance with the new and the previous accounting principles.

In accordance with previous accounting principles							
SEK M	1996	1995	SEK M	1995	1994	1993	1992
INCOME STATEMENT			INCOME STATEMENT				
Interest income	26,805	29,731	Net interest income	11,114	10,950	9,618	7,064
Leasing income	1,061	1,065	Commissions, fees, and foreign exchange income	2,669	2,333	2,687	2,303
Interest expense	- 16,470	- 18,613	Other income	649	819	1,568	629
Net commission income	2,188	2,096	Total operating income	14,432	14,102	13,873	9,996
Net income from financial operations	1,427	678	Personnel costs	- 2,947	- 2,700	- 2,177	- 2,390
Other operating income	565	632	Other operating costs	- 4,312	- 4,409	- 4,814	- 4,976
Total operating income	15,576	15,589	Total operating costs	- 7,259	- 7,109	- 6,991	- 7,366
Personnel costs	- 2,846	- 2,947	Profit before loan losses	7,173	6,993	6,882	2,630
Other operating costs	- 4,647	- 4,627	Loan losses	- 1,269	- 2,176	- 4,222	- 19,231
Total operating costs	- 7,493	- 7,574	Operating profit/loss	5,904	4,817	2,660	- 16,601
Profit before loan losses	8,083	8,015	Shareholder contribution	-	-	-	11,664
Loan losses, net	- 651	- 1,269	Minority interest	-	-	- 21	6
Operating profit	7,432	6,746	Appropriations, net	1,028	- 1,219	- 17	- 229
Appropriations	- 172	- 186	Taxes	- 1,795	- 595	71	3,268
Tax on profit for the year	- 1,885	- 1,691	Net profit/loss	5,137	3,003	2,693	- 1,892
Net profit for the year	5,375	4,869					
Net interest income ¹⁾	10,655	11,481					
BALANCE SHEET			BALANCE SHEET				
Assets			Assets				
Loans to the public	256,527	221,579	Loans to the public	221,487	230,486	252,422	227,215
Loans to financial institutions	19,760	28,769	Banks and financial institutions	29,533	26,515	43,917	37,946
Interest-bearing securities			Interest-bearing securities	62,439	64,534	76,366	33,667
- Fixed assets	17,370	15,031	Other assets	25,647	24,244	29,034	32,955
- Current assets	30,189	47,935	Total assets	339,106	345,779	401,739	331,783
Other assets	43,747	38,585					
Total assets	367,593	351,899					
Liabilities and shareholders' equity			Liabilities and shareholders' equity				
Deposits from the public	160,740	148,049	Deposits	148,051	180,664	196,927	148,932
Due to financial institutions	45,740	55,506	Banks and financial institutions	55,967	47,671	59,960	72,588
Debt instruments outstanding	91,812	77,993	Other borrowing	88,148	84,004	101,210	81,925
Other liabilities	41,230	41,527	Other liabilities	28,297	16,932	29,518	17,219
Subordinated debt	10,662	10,174	Total liabilities	320,463	329,271	387,615	320,664
Total liabilities	350,184	333,249	Shareholders' equity	18,643	16,508	14,124	11,119
Shareholders' equity	17,409	18,650	Total liabilities and shareholders' equity	339,106	345,779	401,739	331,783
Total liabilities and shareholders' equity	367,593	351,899					

¹⁾ Net of interest income, leasing income - after deduction for depreciation according to plan on equipment leased to customers which is included in operating costs - and interest expense.

Key Ratios

Per-share data is shown on page 11.

	1996	1995
Return on shareholders' equity, %	27.8	26.8
Return on total capital, %	2.1	2.0
Overall interest margin, %	3.0	3.3
Interest margin, %	2.7	3.0
Income-to-cost ratio before loan losses	2.2	2.2
Income-to-cost ratio after loan losses	2.0	1.8
Loan loss level, %	0.3	0.5
Nonperforming loans ratio, %	0.8	1.3
Risk-weighted total assets, SEK bns	210.0	175.2
Capital base, SEK bns	24.7	25.3
Total capital ratio, %	11.8	14.4
Core capital ratio, %	7.4	9.7
Average number of employees	7,124	7,124
Number of full-time equivalents, December 31	6,291	6,465
Number of branch offices, December 31	281	323

In accordance with previous accounting principles

	1995	1994	1993	1992
Return on shareholders' equity, %	23.7	23.4	15.1	neg
Return on total capital, %	1.8	1.3	0.8	neg
Overall interest margin, %	3.4	3.1	3.0	2.2
Interest margin, %	3.1	2.8	2.7	1.9
Income-to-cost ratio before loan losses	2.0	2.0	2.0	1.4
Income-to-cost ratio after loan losses	1.7	1.5	1.2	0.4
Loan loss level, %	0.5	0.8	1.6	7.1
Nonperforming loans ratio, %	1.3	1.6	2.6	6.8
Risk-weighted total assets, SEK bns	175.2	192.6	244.1	229.7
Capital base, SEK bns	25.3	26.4	23.6	18.7
Total capital ratio, %	14.4	13.7	9.7	8.2
Core capital ratio, %	9.7	8.0	5.5	4.8
Average number of employees	7,124	7,582	5,743	6,548
Number of full-time equivalents, December 31	6,465	6,631	7,422	5,722
Number of branch offices, December 31	323	345	400	204

Definitions and Glossary

Adjusted shareholders' equity per share

Shareholders' equity as shown in the balance sheet and the equity portion of the difference between book value and fair value in holdings of financial instruments, divided by the number of shares outstanding at year-end.

Capital base

The capital base constitutes the numerator in calculating the total capital ratio. It consists of the sum of core capital (see definition) and supplementary capital (consisting of subordinated debenture loans), after deduction for the percentage of ownership in excess of five percent in companies that conduct insurance or finance operations requiring a license issued by the Swedish Financial Supervisory Authority.

Core capital

Consists of shareholders' equity, including the percentage of equity in untaxed reserves, reduced by goodwill. A part of the capital base (see definition).

Core capital ratio

Core capital as a percentage of risk-weighted assets.

Credit scoring

A statistical method for determining creditworthiness which takes into account the loan applicant's behavior and financial resources.

Direct yield per share

Proposed dividend as a percentage of the market price of the shares at December 31.

Duration

The average weighted maturity of future payment flows expressed as the number of years.

Forward transaction

A contract to purchase or sell that is intended to be implemented on a predetermined future date at a price which is determined when the contract is made.

FRA

"Forward Rate Agreement." An agreement between two parties on a rate of interest on borrowing or lending transactions in the future; for example, a lending transaction covering six months and taking effect three months from the date of the agreement. The agreed rate is locked in at the beginning of the period and the difference between the agreed rate and actual market rate constitutes the resulting profit or loss.

Income-to-cost ratio before loan losses

Operating income in relation to operating costs. When calculating the income-to-cost ratio, however, depreciation on equipment leased to customers is transferred from operating costs to operating income.

Income-to-cost ratio after loan losses

Operating income in relation to operating costs, including loan losses. When calculating the income-to-cost ratio, however, depreciation on equipment leased to customers is transferred from operating costs to operating income.

Interest margin

Difference between the average (rate of) interest on all assets and the average (rate of) interest on all liabilities.

Interest-rate swap

An agreement whereby two parties exchange interest-payment flows with each other without affecting the principal amount.

Loan loss level

Loan losses (annualized) as a percentage of loans to the public and to non-bank financial institutions, plus leasing assets, properties taken over and loan guarantees in the beginning of the year.

Market value

The price prevailing in a market, for example the price when buying or selling a bond at the current market interest rate.

Net profit per share

Net profit divided by the number of shares at year-end.

Nonperforming loans ratio

Net nonperforming loans, as a percentage of total loans to the public and to non-bank financial institutions, as well as leasing assets.

Off-balance-sheet items

Obligations outside the balance sheet: interest-rate swaps, forward transactions, FRA's and options.

Overall interest margin

Net interest income as a percentage of average total assets.

Price/Earnings (P/E) ratio

The share price at December 31 relative to net profit per share.

Repo

"Repurchase Agreement." A financing arrangement involving a sale of interest-bearing securities linked with a future repurchase at a predetermined interest rate/price.

Reserve ratio for nonperforming loans

Reserve for possible loan losses as a percentage of gross nonperforming loans.

Return on shareholders' equity

Net profit as a percentage of average shareholders' equity. Average shareholders' equity is adjusted for new share issues and dividends, and includes minority interest in earnings.

Return on total capital

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

Risk-weighted total assets

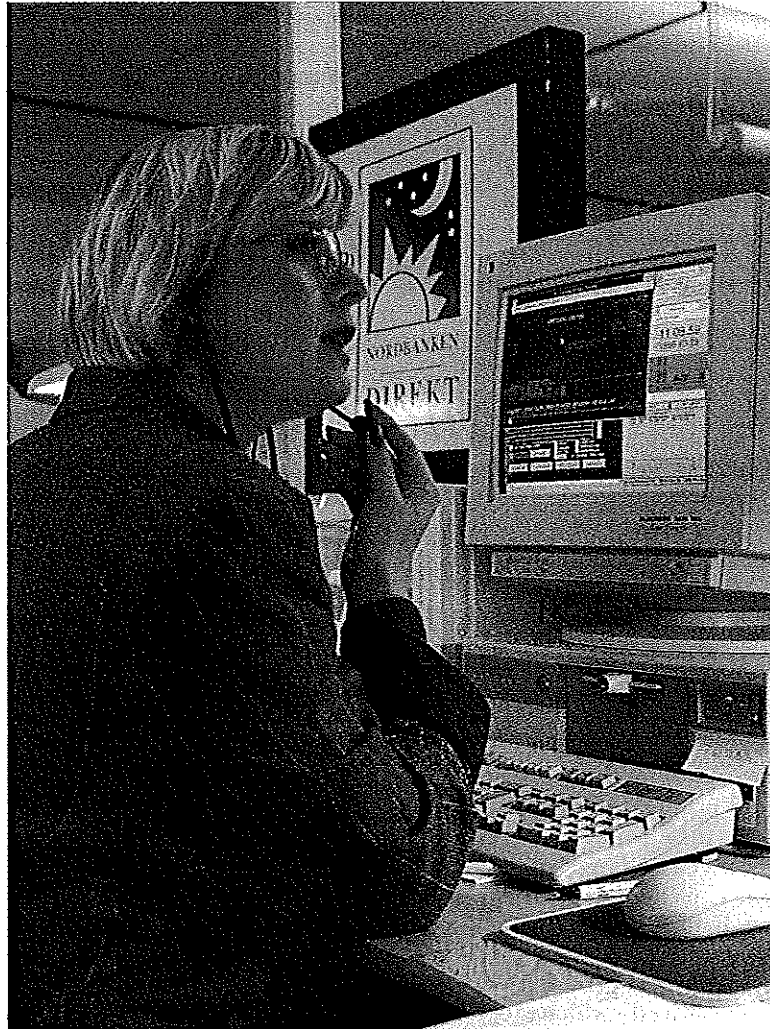
Total assets as shown in balance sheet and off-balance-sheet items valued on the basis of credit and market risks in accordance with Swedish regulations governing capital adequacy.

Total capital ratio

Capital base as a percentage of risk-weighted assets.

VaR (Value-at-Risk)

A risk measure for market risks. VaR is the most probable expected loss from unfavorable market movements over a specified time period.



The Nordbanken Direkt customer service number received an average of one call every five seconds, 24 hours a day, year-round. Every twelfth call was handled personally. During 1996 the number of bank-by-telephone customers rose by 80,000 to 270,000.

Report of the Directors

The terms "Nordbanken" and "the Bank" are used throughout the Annual Report to designate the Nordbanken Group: Nordbanken AB (publ) and subsidiaries.

Focus and Objectives

Applying a focused strategy and with Sweden as its base, Nordbanken will develop, market and supply financial products which are readily available to a broad spectrum of private individuals, small and medium-sized companies, public sector organizations and a selection of major corporations.

Nordbanken will serve customers in a manner that promotes lasting and profitable "full-service customer" relationships. This is to be achieved as a result of superior service, a well-conceived range of products and efficient distribution. The expressed wishes of the customer will guide the Bank's operations and development.

The range will consist of simple products – mainly standardized and reasonably priced – which meet most customers' needs. These products will be offered to a large number of customers via cost-effective distribution channels. In addition, Nordbanken will offer more advanced or specialized products in carefully selected areas.

Nordbanken will increase the number of "full-service customers" – customers who use the Bank for the greater part of their business transactions – by offering superior payment systems, flow management, and a strong focus on customers and professionalism.

Organization

In order to fulfill the overall goals, Nordbanken's organization must have a distinct structure with a specified focus for each unit.

The distribution of responsibility and financial reporting must facilitate management by objectives and an extensive delegation of decision-making within the framework of common guidelines for operations.

The main principle is that the branch office shall have business responsibility for all customers and products within its geographical area. Deviation from this principle may occur when there are justifiable reasons.

Priority issues

The focus is on the following areas:

■ **Business development**

The substantial potential in Nordbanken's broad customer base will be utilized to develop business relationships with existing customers, with the object of establishing full-service customer relationships which are beneficial for both parties.

Nordbanken will take advantage of opportunities to achieve additional cost savings by continuing to simplify its products and customer contacts, and initiating further rationalization of its internal operations – including greater use of information technology which should also increase accessibility and convenience for the customer.

Cooperation with Sweden Post is highly important and will be extended. Following the new agreement with Sweden Post, a new trademark was launched in 1996 – "Postbanken".

There will be further development of services to customers in connection with foreign business, and such services will receive greater publicity.

■ *Computer systems development*

The major computer development project which commenced in the autumn of 1993 resulted in the installation in October 1995 of comprehensive systems which enhanced the level of customer service and significantly improved the efficiency of banking operations. The changeover was completed in May 1996, when the activities of the former Gota Bank were fully coordinated with Nordbanken's operations.

Future development will primarily focus on additional improvements in customer service as a result of quicker, more reliable and more efficient methods. In this context, considerable effort will be devoted to further development of employee's computer skills and competence.

Preparations for adapting Group IT support operations to comply with the year 2000 and the establishment of the EMU have commenced.

■ *Risk-control operations*

There will be further development of expertise to monitor and limit the risk factor in lending and finance operations, for example by introducing "credit scoring" and "Value-at-Risk" techniques.

■ *Employee development and commitment*

The professionalism and service-mindedness of the employees is decisive for future success. Nordbanken's aim is to continually contribute to enhancing competence through training programs as well as ongoing efforts to increase computer skills.

Economic and financial objectives

Nordbanken's basic *economic* objective is to achieve a return on shareholders' equity that is competitive in the market for risk capital. The current objective is to achieve a return of at least 15% over the business cycle. Nord-

banken's aim with respect to return on shareholders' equity is to be one of the best banks in Sweden with nationwide coverage.

Nordbanken's basic *financial* objective is to maintain a total capital ratio that comfortably exceeds the statutory 8% limit. The current objective is to keep this ratio above 10%. In addition, the Bank should maintain a core capital ratio well above 6.5% so that it can achieve a high rating and cost-effective financing, making it possible to apply a sound dividend policy.

To meet its economic and financial objectives, Nordbanken must focus on certain economic targets:

- A sufficiently high income-to-cost ratio (including loan losses) must be achieved and maintained. The current target is a ratio of at least 1.8.
- The risk profile in lending operations should ensure that loan losses average less than 0.5% over the business cycle.
- Income from commissions should increase, both in absolute terms and relative to net interest income.
- Operations should be focused and controlled to ensure efficient utilization of core capital and the capital base. Interest-rate, foreign exchange rate and liquidity risks must be kept within acceptable limits - this also applies to operating risks.

Dividend policy

The Board of Directors' objective is that between 30% and 50% of net profit should be distributed to shareholders. The level will be primarily determined in the light of Nordbanken's need for core capital/capital base, and the market's direct yield requirements. The Board will also endeavor to achieve stable dividend growth which at least matches the rate of inflation.

■ ■ ■

Structural Changes

Redemption of shares

One of Nordbanken's overall financial objectives is to maintain a core capital ratio well above 6.5%.

Nordbanken's strong profitability increased its core capital from SEK 11.1 billion in 1992 to SEK 18.8 billion on June 30, 1996.

By restructuring its loan portfolio, the bank's risk-weighted total assets were reduced during the same period, despite significant business acquisitions, from SEK 230 billion to SEK 194 billion. In parallel, the quality of Nordbanken's loan portfolio improved substantially.

As a result of these changes, the *core capital ratio* rose from 4.8% in 1992 to 9.7% on June 30, 1996.

Nordbanken's equity capital, accordingly, was greater than required for the type of business operations conducted by the bank and its capacity to generate equity capital in the future was also considered greater than basic requirements needed to capitalize on expansion opportunities presented by market conditions during the next few years.

The Bank's strong financial capacity, therefore, provided ample scope for a carefully planned reduction of its own equity capital through redemption of shares. Such an action would improve the potential to maintain high profitability without jeopardizing development and growth opportunities.

In formulating the share redemption proposal, Nordbanken considered heavily that the Kingdom of Sweden – as part of its continued divestment of share ownership in Nordbanken – declared its intention to provide the total number of shares covered by the redemption procedure. In justifying its decision, the Government stated that Nordbanken's offer was more advantageous than selling its shares on the market, as occurred in 1995.

The redemption amount was equal to the price per share less 3% of average market price during the application period, but not lower than SEK 130 per share nor higher than SEK 155 per share.

The total redemption amount, SEK 5 billion, was approved at an Extraordinary General Meeting of Nordbanken's shareholders on October 23, 1996. A total of 32,258,065 shares were redeemed at SEK 155 each, of which 99.98% pertained to shares owned by the Kingdom of Sweden. The Kingdom of Sweden's ownership in Nordbanken was thereby reduced from 65.5% to 59.4%.

The redemption procedure also reduced the total number of Nordbanken shares from 215 million to 182.7 million. At the same time, the bank effected a bonus issue totaling SEK 914 M. The par value of Nordbanken shares, accordingly, rose from SEK 25 to SEK 30 each. The decision to redeem shares reduced the core capital ratio from 9.7% on June 30, 1996 to 7.0% on September 30, 1996, still well above 6.5%. By year-end, the core capital ratio rose to 7.4%.

By reducing the total number of shares, earnings per shares have risen, thereby contributing to strong price trends for the Nordbanken share.

Acquisition of AB Industrikredit

AB Industrikredit was established in 1934 by the Kingdom of Sweden and several banks to contribute to the supply of long-term loans to small and medium-sized industrial companies.

In the beginning of March 1996, Nordbanken increased its ownership share from 19.2 to 100% by acquiring the Kingdom of Sweden's 50% holding and the remaining 30.8% of Industrikredit shares owned by other banks.

The acquisition significantly strengthened Nordbanken's market position. The volume of long-term loans to small and medium-sized industrial companies tripled, and the bank gained more than 4,000 new customers. The activities of Nordbanken Företagskredit AB were transferred on September 1, 1996 to AB Industrikredit, which was successfully incorporated in Nordbanken during 1996.

Nordbanken Hypotek AB and Nordbanken Kredit AB

The activities of Nordbanken Hypotek AB and Nordbanken Kredit AB in the area of mortgage loans to physical and legal entities as well as municipalities were coordinated during 1996. The aim was to enhance operating efficiency and to simplify relations with the branch offices. The coordination program was completed by merging Nordbanken Hypotek AB as a subsidiary with Nordbanken Kredit AB, which then changed its name to Nordbanken Hypotek AB. ■ ■ ■

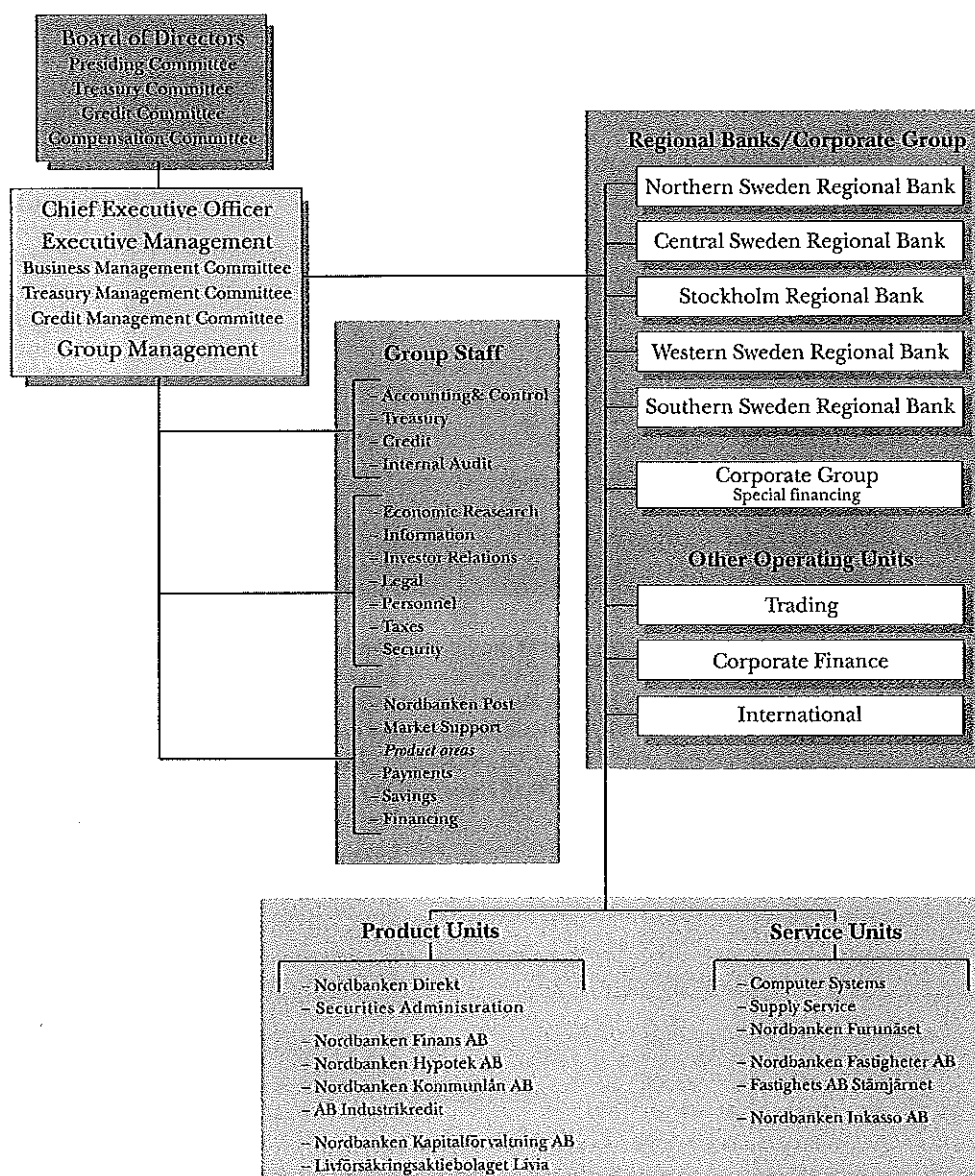
Organization

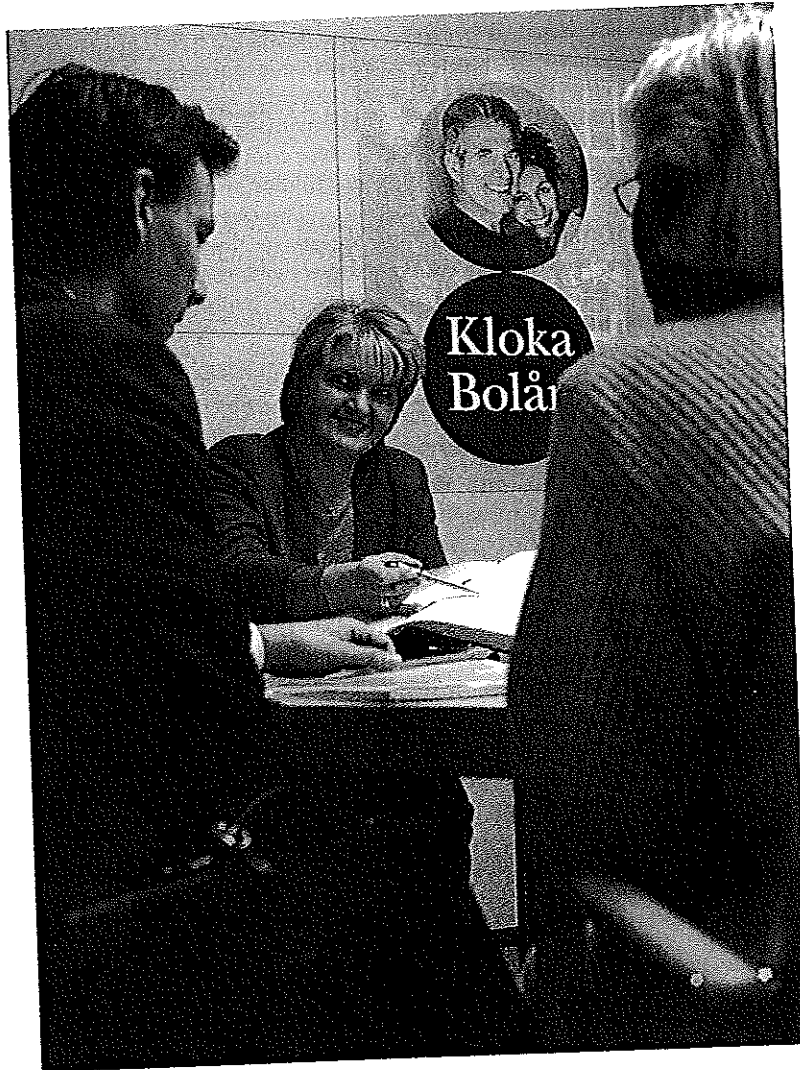
Regional Banks/Corporate Group and the Other Operating Units have customer, marketing and profit responsibilities for the full range of Nordbanken's products, as well as responsibility for credit risks and the use of capital. Most of the Bank's employees and operations are located in these units.

The *product units* provide the regional banks and the other operating units with a range of competitive products as part of Nordbanken's total market offering. In special cases, a product unit may be responsible for external customer business. Product unit income and expenses are included in the earnings of operating units in the operational accounting system.

The *service units* provide services to other units in the Bank, for a fee, in situations where coordination of service is appropriate for financial or strategic reasons. In special cases, a service unit may have business responsibility for external customers, for example real estate companies. Computer Systems is a service unit of particular strategic importance.

The *Group staffs* plan and implement decisions and supervise Nordbanken's operations. In certain cases, these units may perform Groupwide services. In addition, the product areas have certain product responsibilities.





Nordbanken seeks to increase the number of "full-service customers," meaning customers who conduct all their financial business through the bank. Customers are invited to sign up as PLUS customers, entitling them to either receive discounts, or become Priority Customers with a Personal Bank Representative.

Markets

Essentially, Nordbanken has decided to concentrate its business operations on the Swedish market. Nordbanken is actively offering a full range of products in all finance segments, including certain areas of the insurance market. The Bank faces keen competition in all market areas.

The Swedish economy

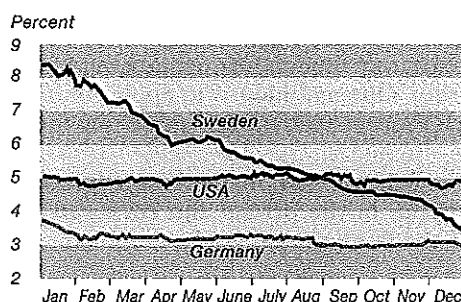
The Swedish economy entered into a calmer phase in the final quarter of 1995 and the first quarter of 1996. A combination of the slowing down of the European economy and a strengthening of the Swedish krona slowed exports, while the domestic market continued to remain weak in the first half of the year. Unemployment remained high.

Household consumption only increased by about 1.5%, however, and since disposable income rose somewhat more rapidly, this meant a further increase in the proportion of household savings in 1996 – from a relatively high starting point. Increased savings have taken the form of various financial investments and continued debt amortization. This is reflected, for example, in a substantial increase in bank deposits in 1996, following stagnation in 1995, and very weak consumer demand for credit.

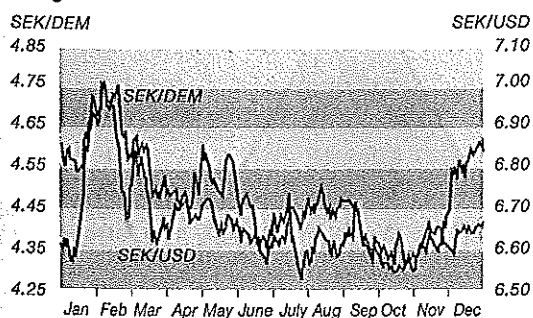
The confidence of the financial markets in Sweden was restored in recent years in pace with the improvement in the imbalance in the economy. Increasing surpluses in the balance of trade, sustained low inflation and efforts to put public finances on a sound foot-

ing have contributed to a self-reinforcing favorable effect. When the Swedish Central Bank confirmed the positive economic trend by making a series of small reductions in the repo interest rate, commencing in January 1996, this provided further reinforcement of the decline in long-term interest rates. As a result, the interest-rate differential for ten-year government bonds compared with other countries fell virtually continuously in 1996, apart from a slight increase in February-March. Thus, Swedish long-term rates declined by slightly more than 1.5 percentage points in 1996 and the repo rate fell from 8.91% in January to 4.10% in December.

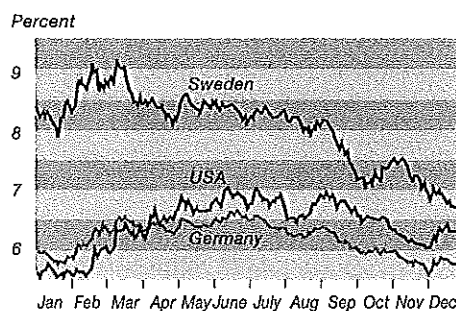
Short-term interest rates, 3-month Treasury bills



Exchange-rate trend



Bond rates, 10-year



The Swedish finance market

Nordbanken is one of five commercial banks in Sweden with nationwide coverage, but it also competes with a number of local banks and with specialized companies such as finance companies, card companies, mortgage institutions and fund-management companies.

A number of "niche banks" owned by insurance companies, by retail chains or other types of businesses have set up operations in recent years. Niche banks offer a small range of services, chiefly deposits.

Foreign banks continue to establish themselves in the Swedish market, but often aiming at special target groups and with a focus, for example, on corporate finance, equity and currency trading. Other foreign financial corporations are increasingly competing for bank customers in Sweden, without formally setting up operations within the country. This is particularly prevalent in the large company sector, but it also applies in other areas.

The demarcation line between banking and insurance has become increasingly blurred in recent years. The consolidation to larger units has commenced. The driving forces are possibilities of cross-selling of banking and insurance products and cost synergies.

Competition intensifies in all the sectors in which Nordbanken is operating. In response, Nordbanken is primarily endeavoring to maintain a high level of profitability and to expand business with existing customers; customers who conduct the major part of their transactions through the Bank often represent more profitable business, and can thus be offered better terms and service than other customers who purchase services from several financial institutions. Nordbanken has developed its own models for encouraging a full-service relationship. One ambition is to apply equitable pricing which ensures that customers pay for the services they use.

Accessibility is also an important factor in competition, both in the private and corporate markets. Access to the Bank should not be confined to branch-

office and post-office hours of business. Telephone services, ATMs and other automatic devices, credit and banking card services in shops, the Internet, links directly to the customer's PC as well as other channels are helping to achieve an increasing degree of accessibility.

Private customers

Nordbanken's main competitors in the private customer area are the other major commercial Swedish banks, regional commercial banks and local savings banks.

In the case of consumer-related loans, credit cards and deposits, Nordbanken has relatively stable market shares, despite competition from niche banks and finance companies in this area.

Independent mortgage institutions and the mortgage subsidiaries of the other commercial banks are the major competitors in the mortgage market. Nordbanken's market share in this area is rising, and currently amounts to nearly 12%.

Nordbanken has more than 3.5 million private customers. Of this number, approximately 1.9 million have salary accounts and 0.6 million receive pension payments via accounts in the Bank. It is estimated that about half these private customers have a deposit account in another bank and that half a million customers have housing loans issued by another bank or mortgage institution.

In order to increase the volume of business with its present customers, Nordbanken has developed two special "PLUS Customer" and "Priority Customer" packages. Customers who can use these product packages receive discounts on certain banking services. In addition, a Priority Customer also has access to a "Personal Banker" who gets to know his customers and their special requirements, functioning as an adviser on investment and financial matters, plus routine legal problems.

The requirements for becoming a PLUS Customer were tightened during the year, resulting in a reduction

Lending from Swedish financial institutions

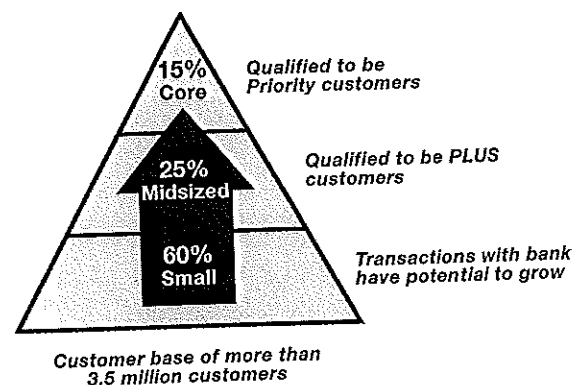
SEK Bn	1996 ¹⁾	1995	1994	1993	1992
Banks ¹⁾	705	698	703	748	926
Finance companies ¹⁾	48	46	47	65	64
Mortgage institutions ¹⁾	1,007	989	972	984	938
Other financial institutions ¹⁾	102	99	101	104	104
Insurance companies and National Pensions Funds	55	64	62	64	71
Government credit Institutions	122	120	158	170	151
Total	2,039	2,016	2,043	2,135	2,254

¹⁾ Institutions in this category could be part of a bank group.

²⁾ September 30, 1996

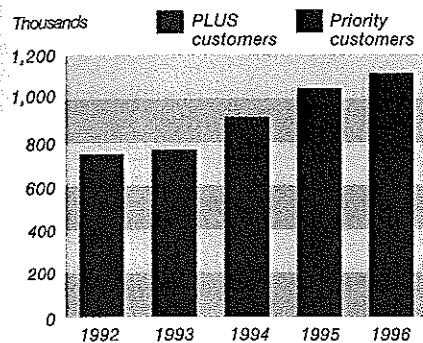
Source: Statistics Sweden

Growth strategy, private market



in the number of customers entitled to this service. In 1996, many PLUS Customers were upgraded to Priority Customers as the volume of their business increased. The number of trained Personal Bankers has risen from 300 to almost 800 in the past three years. As a result, there is a potential for a further increase in the number of Priority Customers. In the spring of 1997, several changes will be introduced in the Priority package, primarily designed to make the package more attractive, but also to ensure fairer terms.

Number of PLUS and Priority customers



Corporate market

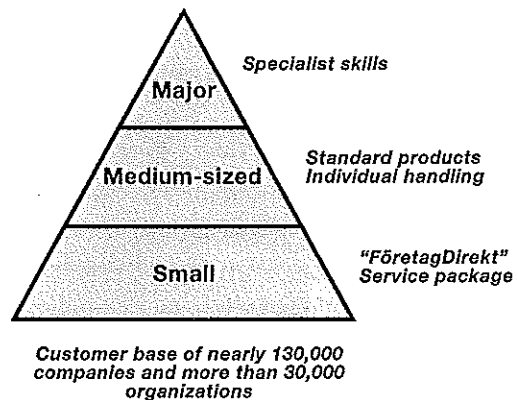
Nordbanken's main competitors in the market for small and medium-sized companies are the other nationwide Swedish commercial banks. In the case of

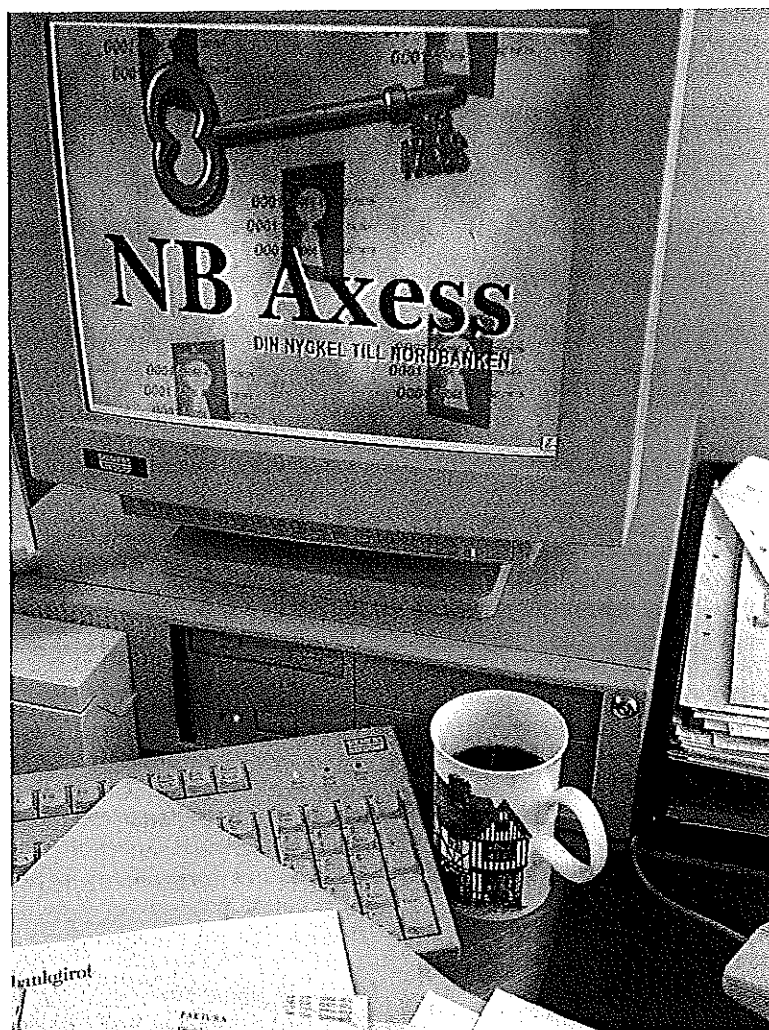
large companies and the public sector, competition is becoming increasingly global.

Today, Nordbanken's customer base includes almost 130,000 small and medium-sized companies, more than 30,000 organizations, the greater part of Sweden's municipalities and county councils, and a number of large corporations. Nearly a quarter of all the small and medium-sized companies in Sweden are Nordbanken customers. In the public sector, Nordbanken's market share is nearly 18% for lending, and 28% for deposits.

These customers can be offered favorable terms and efficient service as a result of automation and packaging of products. Personal relationships with small and medium-sized companies help to build closer customer relations. As a result, most corporate customers have a special banking contact at their branch. ■ ■ ■

Growth strategy, corporate market





NB Axess, the latest stage of product development, enables the customer to perform various transactions via the Internet. Nordbanken's Internet address is <http://www.nb.se>.

Products

Nordbanken offers a large number of products in such areas as Payments, Savings, and Financing. The Bank is leading the way in many product areas, both in technological development and in terms of volume.

Payments



Manager Roland Olsson, Executive Vice President

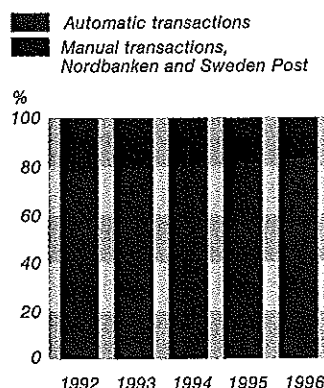
Payment products for private individuals

Nordbanken has a strong position in the segment involving payment transactions for private individuals. The Bank has one third of the total number of accounts of this type in the Swedish market. The most important payment flows to private individuals are wage and salary payments and pensions, and the Bank has had a strong position in this area for many years. As a result of these accounts, Nordbanken also has direct contacts with a large number of customers which provides the possibility of further developing banking transactions.

Increased automation

Nordbanken makes great efforts to change the pattern of transactions from manual deposits and disbursements at branch offices and post offices to automatic withdrawals and payments, thus offering customers better value in the form of

Manual and automatic transactions handled by Nordbanken and Sweden Post



improved access and convenience, while also reducing the Bank's costs.

Many customers have wage or salary accounts in Nordbanken but place their savings in another bank. Since it is reasonable to expect that customers who use costly services should pay for them, the Bank introduced special charges two years' ago for checks and giro payments. Its NB Giro and Privatgiro products give Nordbanken a third of the payment services market for private individuals. NB Giro customers continue to receive a statement showing each post giro and bank giro transaction, which is still the highest level of service in the industry.

Card products and ATMs

Nordbanken is one of the major issuers of cards in Sweden, and also measures up well by international standards. In all, the Bank has issued nearly 900,000 ATM cards, nearly 600,000 bank cards and more than 100,000 credit cards and payment cards to private individuals. Nordbanken issues both Master Cards and Visa Cards. All bank cards, credit cards and payment cards issued by Nordbanken are linked to one of these systems.

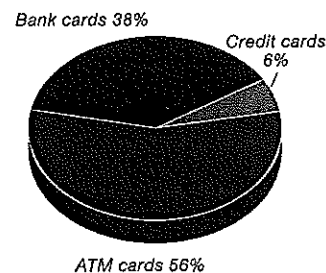
The volume of Nordbanken cards and the proportion of purchases made by card increased in 1996, especially in the case of Nordbanken's Electroncard, which increased by 40,000 cards to a total of 105,000.

The Swedish market for card products continued to be characterized by structural change in 1996.

Nordbanken will be taking over the contract for issuing cards from one of the bank's subsuppliers. This contract involves the issue of credit and payment cards, customer service for these cards, and customer service for international transactions. There has been intensive development of inhouse computer systems in this context.

In 1996, a major development project to establish a standard for cash cards was initiated jointly with Swedbank. Nordbanken's own version, NB Cash, was launched in November in two pilot cities, Halmstad and

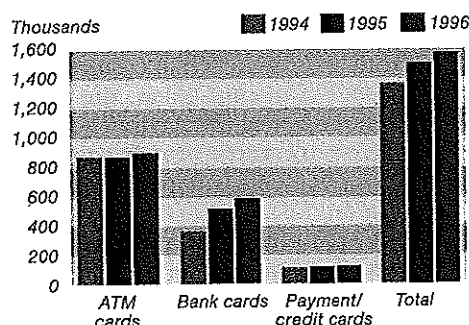
Cards issued



Uppsala, and to a limited extent in central Stockholm. In all, there are now 2,000 Cash terminals in these test locations, and almost 20,000 cards had been issued by December 1996.

In the course of the year, Swedbank and Nordbanken agreed on interchangeability of Swedbank and Nordbanken Visa and Master Cards in their ATMs. In addition, the ATM replacement and installation program for some 100 machines which commenced in 1995 continued in 1996. In conjunction, these two factors contributed to higher withdrawal volumes from ATMs.

Trend of number of cards issued by Nordbanken, 1994-1996



Travel currency

Demand for foreign currency notes remains stable, but sales of travelers' checks are declining in favor of increased use of cards. This is a distinct trend throughout the banking system. PLUS Customers are offered competitive prices for foreign currency and accessibility is excellent, since foreign currencies are stocked both by Nordbanken's branches and by 600 post offices.

Payment products for corporate customers

Competition for corporate payment business continues to increase and several of the new banks have established themselves in the market for corporate payments via the bank giro system. Nordbanken offers small and medium-sized companies cost-effective payment and information services by telephone and PC modem. Automatization and attractive packaging make it possible to offer customers flexible alternatives, adapted to meet their needs. Personal relationships are also developed simultaneously, and this contributes to customer loyalty.

There is a special customer organization for payment products for major corporations which cooperates with the Bank's other units to offer its customers enhanced tailor-made services.

FöretagDirekt is a banking services package specifically designed for companies with up to 20 employees or revenues of up to SEK 20 M. This package includes financial advice, a company club, investment accounts, credit facilities, factoring, leasing, credit cards, cash management services and automatic access to a bank giro or postal giro account. The number of customers increased to almost 17,000 in 1996. FöretagDirekt customers also have access to the telephone bank.

New products

Technological progress is rapid, particularly in computer services and telecommunications. As a result, Nordbanken is continually developing its products to keep pace with the latest advances.

In 1996, Telia Autograf, a telephone with a card-reader feature which enables customers to undertake banking transactions was introduced in cooperation with Telia, the leading telecom operator in Sweden. The card reader can be used by FöretagDirekt customers, Företagskonto customers or customers who subscribe to the NB Telegiro service. By late 1996, approximately 2,000 customers used Telia Autograf for their banking transactions. Nordbanken is the only bank in Sweden offering telephone bank services to corporate customers in this form.

At the end of the year, NB Axess, the Bank's new PC service, was launched in pilot form. Full-scale introduction will commence in early 1997. NB Axess enables customers to access the Bank's central system from an ordinary PC with an Internet link.

Customers have access to information about accounts, market information and interest-rate, currency and securities reports. Other services offered include routines for payments to bank accounts, postal giro accounts and payees in other countries. Customers can also open import letters of credit and transmit files from their own financial and wage and salary systems. Thus, NB Axess offers corporate customers a broad spectrum of self-service functions which comply fully with increasingly sophisticated demands for banking services.

Wage and salary payments

A high proportion of wage, salary and pension payments in Sweden are made through Nordbanken. More than 7,000 employers and other customers use this service. More than 90% of such payments are made electronically, and the Bank explicitly aims to achieve an increase in the number of deposits made via electronic media.

In 1996, a call-off agreement was signed between Nordbanken and the National Audit Bureau (RRV), under which Nordbanken was exclusively entitled to supply both payment services and salary, wage and pension payments (administrative services) for all central government authorities. This agreement is for a period of 2.5 years, with an option for an extension by RRV. The agreement makes it possible to offer the bank's products to all 285 government agencies. The Swedish Government makes wage, salary and pension payments to approximately 600,000 persons.

Foreign payments

As part of the Bank's efforts to increase the degree of self-service in payment transactions, it has been conducting a major program to encourage companies to make their international payments via electronic media. The proportion of computerized payments continues to increase.

The new agreement between Nordbanken and other European banks concerning "Euro payments" strengthens Nordbanken's position, enabling it to offer corporate customers inexpensive transfers of funds to and from countries within the European Union as specified in a proposed EU Commission directive.

Card redemption

Nordbanken and six other banks are currently acting as card redemption banks in Sweden.

In 1996, Nordbanken decided to take over card redemption operations from a supplier, utilizing the Bank's own organization and systems instead.

Savings



Manager Karl-Olof Hammarkvist,
Executive Vice President

Savings by private individuals

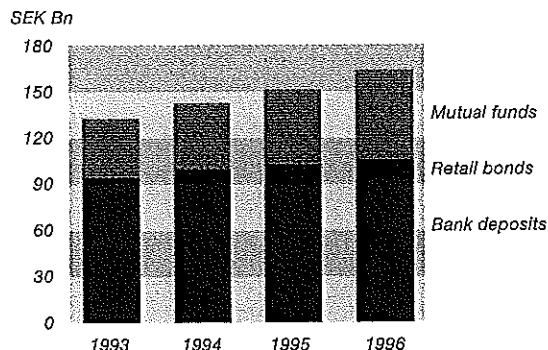
Nordbanken offers a complete range of standardized savings products with many combination possibilities for customers, providing opportunities to adapt savings in accordance with individual preferences regarding growth in value, yield, access, risk and security.

Bank deposits

Bank deposits are the most important form of savings for households. The volume of deposits in banks increased by 6% in 1996, following several years in which there was virtually no change in household savings. A high savings propensity, resulting from a greater need for security and a stagnant market for retail bonds, is the underlying factor for this marked increase in deposits. Low interest rates will probably result in lower growth in the volume of deposits, and savings will tend to be channeled into share-related alternatives.

Nordbanken's market share declined a few tenths of a percentage point in the beginning of 1996, but remained basically unchanged since March 1996. The main competition in 1996 came from the new telephone banks which, since they do not provide branch-

Household savings in Nordbanken



Nordbanken's share of household savings, SEK, September 30, 1996

	Total market SEK Bn	Nordbanken SEK Bn	%
Bank deposits	437	96	22.0
National Public Savings	46	10	20.9
Mutual Funds	287	57	19.7
Retail bonds ¹⁾	121	13	10.5
Total	891	176	20.0

¹⁾ Nominal amount

Source:
Statistics Sweden, Svensk Fondstatistik AB and Bond Association

office services, were able to offer a high rate of interest on deposits. Nordbanken responded to this competition by offering customers a similar or higher level of interest via its own telephone bank, Nordbanken Direkt.

In 1996, there was a continuous decline in interest rates. The Swedish Central Bank reduced the repo rate 25 times, and Nordbanken cut its rates to customers on 14 occasions. The nominal interest rates on long-term savings accounts were approximately one third of the rate which applied at the beginning of the year. Nominal rates have not been so low since the 1950s. However, since inflation is also very low, these interest levels generate a real yield which often exceeds the yield obtained in periods of high rates of interest.

Mutual funds

Net savings in mutual funds in 1996 amounted to SEK 15.4 billion, an increase of nearly SEK 7 billion compared with 1995. This increase is the result of low interest rates and greater interest in long-term savings and a very favorable year on the stock exchange. Mutual funds proved attractive, despite the Government's decision to increase taxation on national savings funds from January 1, 1997. Some investors decided to cash in their gains before the year-end. In all, Nordbanken's national savings funds lost SEK 2.8 billion and fund capital at year-end amounted to SEK 22.3 billion. To a large extent, customers who sold their national savings funds reinvested the proceeds in one or more of the Bank's other mutual funds.

Share funds and mixed bond/equity funds were the most attractive products in 1996, with total net savings of SEK 3.9 billion. Nordbanken's East European Fund, which attracted considerable interest, was launched at the end of the year.

Nordbanken's market share of the total mutual fund market at year-end was 19.2%.

There were 1.2 million mutual fund accounts and good potential for further expansion as a result of the range and quality of fund products and Nordbanken's large customer base and extensive distribution network and access-ibility.

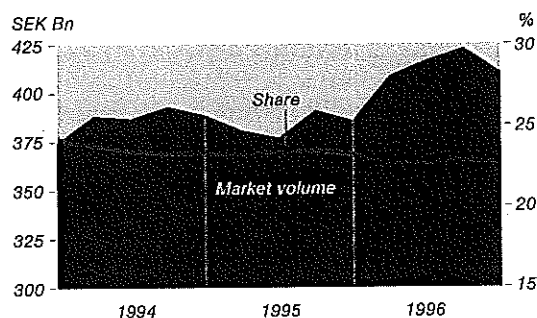
Pension savings funds and life insurance

Nordbanken offers two forms of pension savings: individual pension savings plans (IPS) and pension insurance via its insurance company, Livförsäkringsaktiebolaget Livia. Customers are offered IPS in the form of deposit accounts, mutual funds or individual securities.

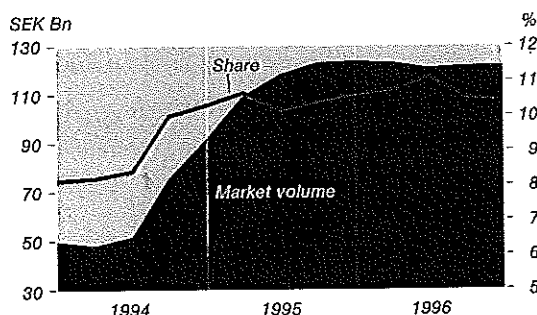
Pension savings via IPS started on January 1, 1994. At year-end 1996, Nordbanken had 43,000 pension savings accounts – more than 10% of the market – with a total volume of SEK 887 M.

Through its Livia subsidiary, Nordbanken can offer pension insurance adapted to the needs of most customers. Livia provides simple and flexible insurance coverage which can also be combined with effective group life insurance with favorable survivor benefits.

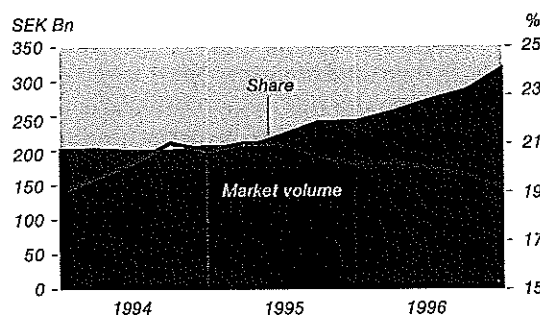
Bank deposits from households (excl. National Public Savings) and Nordbanken's market share



Retail bonds and Nordbanken's market share



Savings in mutual funds and Nordbanken's market share



Corporate investments

One third of Nordbanken's deposits are held by companies, municipalities, non-governmental organizations, etc. Most of these funds are in transaction accounts, but a proportion is placed in other forms of deposit accounts on a short or long-term basis.

There was no significant change in 1996 in total bank deposits held by companies and other organizations. Nordbanken's market share declined slightly in the case of SEK deposits, but increased somewhat for foreign currency deposits, leaving the overall share unchanged.

Deposits from companies, in SEK and other currencies, September 30, 1996

	Total market SEK Bn	Nordbanken SEK Bn	%
Public sector	25	7	28.0
Companies	264	45	17.0
Foreign	107	7	6.5
Total	396	59	14.9

Source: Statistics Sweden

Nordbanken's share of lending to households, SEK, September 30, 1996

	Total market SEK Bn	Nordbanken SEK Bn	%
Bank lending	179	29	16.3
Mortgage institutions	482	53	11.0
Total	661	82	12.4

Source: Statistics Sweden and Central Bank of Sweden

Financing



Manager Anders Biström

Loans to private individuals

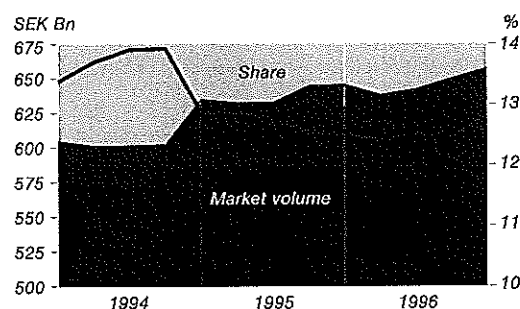
Nordbanken offers its customers a full range of loan products, for example for housing and the purchase of cars or other consumer durable goods.

Demand for housing loans increased, in pace with the decline in market interest rates. The total volume for housing mortgages increased by 5.6% in 1996. Nordbanken strengthened its position in this market in 1996, and accounted for 42% of the volume growth in mortgage loans, although the Bank still has a lower proportion in this market segment than in the total market. In the autumn, Nordbanken launched the Kloka Bolån concept, which combines housing loans with supplementary services – loan security, loan commitments, interest-rate safeguards and loan monitoring. In conjunction with the Bank's PLUS Customer and Priority Customer concepts, this should encourage many Nordbanken customers with some or all their mortgage credit from other financial institutions to switch to Nordbanken.

Nordbanken's promotion of the NB Medlemslån concept for trade union members has continued to yield good results.

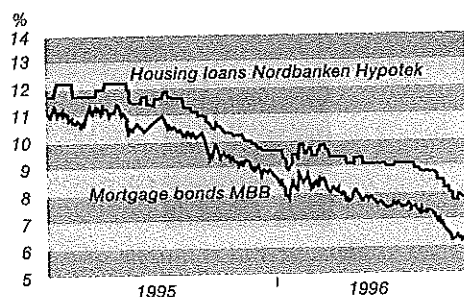
The market share for other types of bank lending has declined, in a falling market.

Lending to households (from banks and mortgage institutions), SEK, and Nordbanken's market share



Bond and mortgage interest rates

Five-year interest rates



Corporate lending

Demand for credit increased in 1996. Expectations of greater household consumption led companies with a focus on the domestic market to increase their level of investment. There was a high level of activity in the export sector throughout 1996, and this led to higher market volumes. The interest-rate situation encouraged an increase in real-estate financing. Municipalities and county authorities continued to exercise restraint, both in terms of consumption and investment.

Lending trend

The market for corporate lending remained stable in 1996, in terms of the total credit volumes supplied by the banks and credit-market companies. Nordbanken's lending developed positively. Lending to the corporate sector, including publicly-owned companies, increased by 29% during the year. Market shares increased by 2 percentage units in the 12-month period prior to September 30, 1996. The volume of loans in foreign currency declined in 1996, while loans in Swedish kronor increased.

Real estate financing

Nordbanken finances a high percentage of Sweden's housing property. Housing construction continued to be at a low level, although the interest-rate trend was favorable and a number of major holdings were changing owners. A number of mortgage portfolios were restructured in the light of the prevailing interest rates. Towards the end of the year, many companies with loans at floating interest rates chose to switch to fixed rates for longer periods. Competition continued to be heavy in this market and margins declined, although Nordbanken Hypotek's and Nordbanken Kommunlån's mortgage volumes expanded.

Finance company products

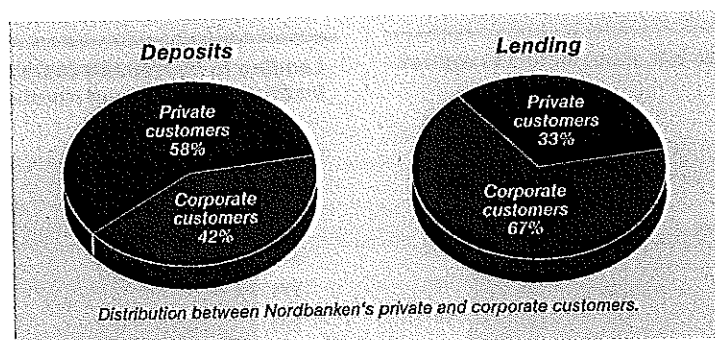
Sales of finance company products through branch offices continued to develop well. Proximity to customer companies in the local market enabled branches to understand customers' investment plans and to participate in the decision-making process at an early stage. In combination with a high degree of competence regarding finance company products, this enabled branch offices to offer customers attractive financing solutions with minimum delay.

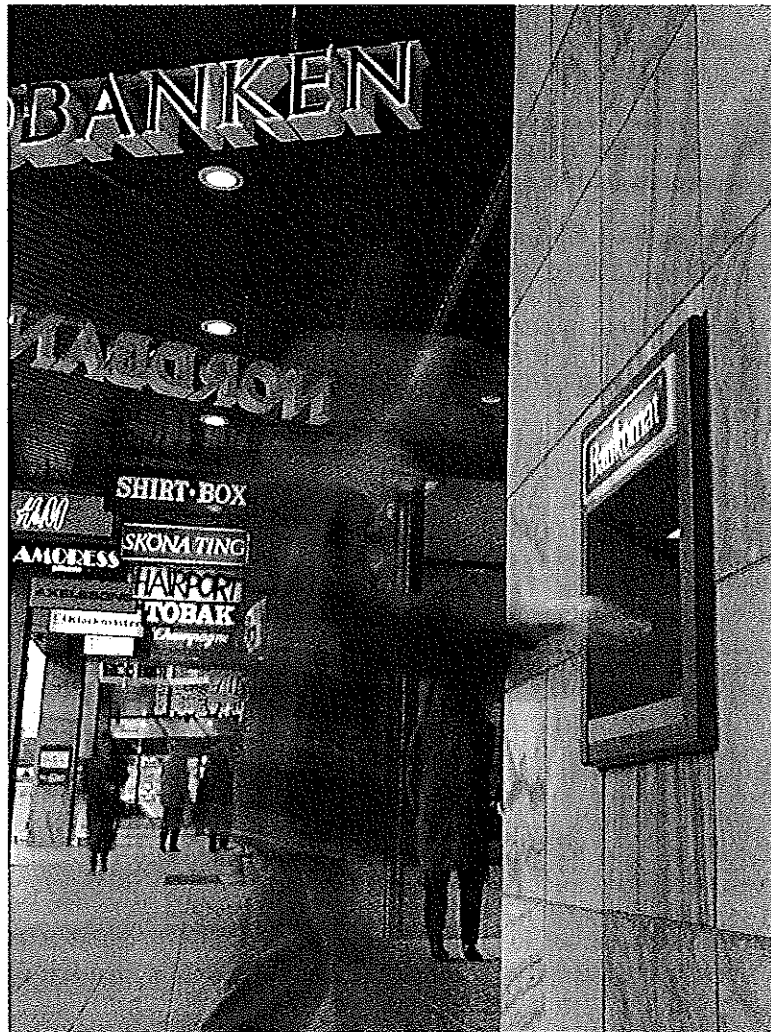
There was also greater cooperation with companies which offer their customers financing solutions; this trend is expected to continue in 1997. ■ ■ ■

Lending to corporate customers, SEK and other currencies, September 30, 1996

	Total market SEK Bn	Nordbanken SEK Bn	%
Public sector	62	11	17.7
Companies	973	143	14.7
Foreign	149	14	9.4
Leasing	41	5	12.2
Total	1,225	173	14.1

Source: Statistics Sweden





*Self-service is an increasingly important form of distribution.
Customers can choose from Giro, telephone,
the Internet and Bankomat ATMs. Trials of the NB Cash
cash card began during 1996.*

Distribution

Nordbanken is Sweden's most accessible bank, with its own nationwide network of branch offices, Sweden Post's offices, the country's largest telephone bank, and other increasingly sophisticated forms of self-service.

To offer superior service in close proximity to its customers, Nordbanken has several forms of distribution: branch offices that provide a full range of services to all customers and Sweden Post's offices, which increase accessibility, notably for private customers and the telephone bank, which handles most banking transactions. Card-operated ATMs provide additional self-service opportunities, improving the Bank's accessibility and the customer's freedom of choice. A growing number of services offered via the Internet are also being developed.

Nordbanken branch offices have total responsibility for profitability and customer relations in their geographical areas, regardless of which distribution form is used. Delegation of such responsibility is intended to promote effective development of various customer services and gradually involve the branch offices in this program.

Branch offices

As of December 31, 1996, Nordbanken's nationwide network of branch offices, comprised 281 branches. Branch offices provide all of the Group's products and services in their local markets and have principal responsibility for relations with all customers, except those handled by the Corporate Group and International units. Responsibilities of branch offices include promoting the use of Nordbanken Direkt's facilities and other forms of self-service by their customers. Every office comprises a separate profit center with responsibility for development of its loan portfolio. The offices are also responsible for coordination of marketing programs and other activities with post offices in their areas.

During 1996, Nordbanken introduced a new business form for branch offices designed to increase the bank's accessibility at places where customers make their purchases. These bank outlets will be established in stores and shopping centers with large customer flows and ample parking facilities. Banking hours will be adapted to the hours of business establishments in

the area, including evening hours and business as usual on Saturdays and Sundays. The new banking establishments will cater exclusively to private individuals.

The first branch is being opened in Åhléns City in Stockholm, the largest department store in Sweden, with more than 500,000 customers per week. Operations in Åhléns City will be started in early March 1997. Nordbanken plans to establish similar outlets in other strategic locations during 1997.

Post offices

Nordbanken has long had a comprehensive program of cooperation with Sweden Post. Post offices provide many of the Bank's products, including savings and salary accounts, pension savings products, loan processing, currency exchange services and other transactions for private individuals.

The Bank is responsible for all credit approvals and provides financing for the loans.

During 1996, the Bank's compensation to Sweden Post amounted to SEK 906 M for services rendered, including its share in Nordbanken's income for the year.

Nordbanken is responsible for all Bank products marketed through Sweden Post.

Nordbanken and Sweden Post signed a new agreement in the beginning of 1996. Among other effects, the Postbanken trademark was introduced in conjunction with Nordbanken.

Nordbanken Direkt

The Nordbanken Direkt telephone bank offers subscribers a full-service concept. Since it was started in 1990, Nordbanken Direkt has become Sweden's largest telephone bank, providing personal service 24 hours a day.

Nordbanken Direkt is an integral part of banking operations. Customers are always afforded freedom of choice to select the most convenient form of service for his or her banking transactions. Nordbanken Direkt reduces the workload on branch offices, thereby providing favorable effects on the levels of service and costs.

The accessibility of telephone bank services, combined with active concern for customer welfare, are creating long-term and profitable full-service customer relations. Customer surveys have shown that Nordbanken Direkt's subscribers are among the Bank's most satisfied customers.

**Nordbanken and Sweden Post,
number of offices**

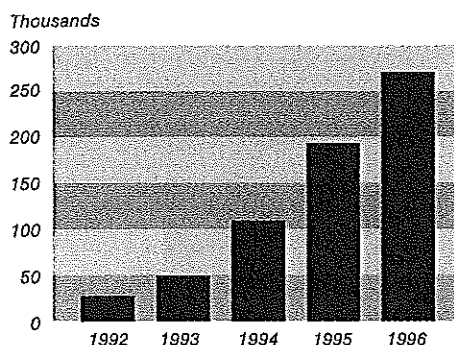
	1996	1995	1994	1993	1992
Branch offices	281	323	345	400	204
Post offices	1,177	1,290	1,341	1,473	1,773

Through applications of advanced technology, a high degree of self-service facilities and efficient processing of customer business transactions, Nordbanken Direkt is a highly cost-efficient supplier of financial services.

Nordbanken Direkt's services are used by 270,000 customers, comprising approximately 250,000 private individuals and more than 16,000 companies. The latter group is offered FöretagDirekt, a package of services that enables corporate customers, using a "smart card" and scanner, to process several types of sophisticated transactions by telephone around the clock.

The Bank's objective for 1997 is to substantially increase the number of Nordbanken Direkt customers by further improving the level of services and market information.

Number of customers connected to Nordbanken Direkt



Self-service

Nordbanken strives to provide its customers with better access to self-service facilities. Nordbanken's customers have access to postal and bank giro payment services, for example. The Bank also owns 547 ATMs throughout Sweden. Through contracts with other commercial banks, customers have access to slightly more than 1,300 ATMs. In the beginning of 1996, an agreement in principle was reached with Swedbank covering co-operation in the ATM sector. As a result, Nordbanken's customers will also be able to withdraw funds from Swedbank's approximately 1,000 "Minuten" ATMs. Approximately two-thirds of all cash withdrawals from salary and wage accounts are now made via automatic teller machines. Self-service is convenient for the customers and efficient for the bank since the service level can be increased and costs reduced.

Nordbanken's cooperation with Sweden Post

New agreement with Sweden Post in 1996 for private sector

For Nordbanken, the new agreement is an opportunity to strengthen its market position despite increased competition. For Sweden Post, in turn, it offers the potential to improve financial results through increased sales. In addition it strengthens Sweden Post's ability to maintain nationwide service.

The agreement became effective on April 1, 1996 and has a notice-of-termination period of five years. During the period from April 1 to September 30, 1999, however, Sweden Post may give notice to terminate the agreement, effective March 31, 2001. The agreement was approved by the Swedish Financial Supervisory Authority and the Swedish Competition Board.

Continued service for Nordbanken customers

Nordbanken customers may continue to make full use of all post offices and mail carriers to carry out transactions involving Nordbanken's regular line of products.

The launch of Postbanken

Postbanken is registered as a trademark and operates as a secondary name of Nordbanken. Bank products are marketed under this trademark by both parties through a jointly owned marketing company.

The product range comprises simple, standardized and packaged products sold under the following names:

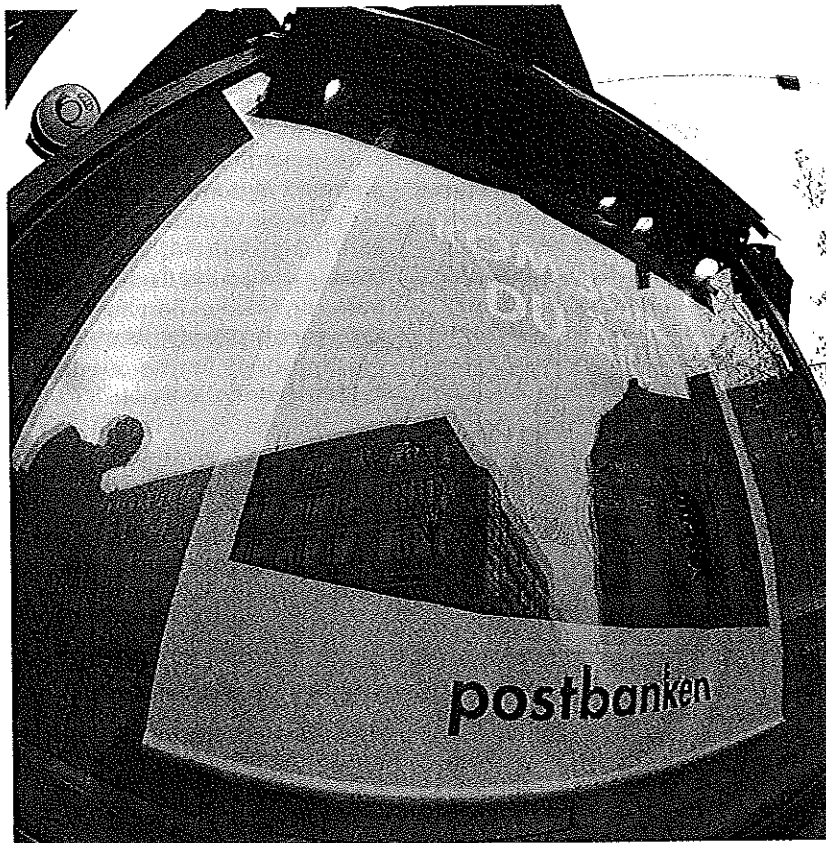
- Live* – for customer payment services
- Save* – for customer savings requirements
- Loan* – for customer financial needs

The range includes all self-service products, such as giro services, bank cards, Datasvar (a voice response service) and others. A telephone bank service is also available for simple bank transactions by telephone.

Postbanken was launched in October 1996 at all post offices in Sweden and, by year-end 1996, 35,000 private individuals had become customers of Postbanken.

New compensation model

The new compensation model for cooperation between Nordbanken and Sweden Post places a premium on profitable sales and customer service by introducing a profit sharing model for the product ranges of Nordbanken and Postbanken. The two principals are also making substantial market investments to build up the new, jointly owned business structure known as Postbanken. The new compensation model also includes a clause whereby Sweden Post is responsible for ATMs adjacent to post offices and formerly managed on behalf of Nordbanken.



Nordbanken and Sweden Post signed a cooperation agreement at the beginning of 1996. Postbanken, offering simple and priceworthy bank services, was launched in October. At year-end, Postbanken had more than 35,000 customers.

Regional Banks/Corporate Group

The regional banks are responsible for development of banking activities in their respective geographical areas. The Corporate Group conducts business operations with a variety of large corporations.

Nordbanken has nearly 300 branch offices in Sweden, distributed among five regional banks with management based in Sundsvall, Uppsala, Stockholm, Gothenburg and Malmö. The regional banks are headed by regional bank managers who report directly to the President of Nordbanken. Regional banks have

their own Boards of Directors comprising persons with local ties, a further reflection of the Bank's efforts to decentralize decision-making processes. For the same reason, most branch offices also have their own Boards of Directors.

Northern Sweden Regional Bank, Sundsvall



Manager Göran Karlsson, Executive Vice President

Northern Sweden Regional Bank's operating area comprises Norrland, which contains 58% of Sweden's land area, with 54 municipalities, 1.2 million inhabitants and 60,000 companies. Industry and population bases in the region are expanding at moderate growth rates.

Nordbanken has commercial relationships with most municipalities and about 21,000 companies in the region. One of every two inhabitants of northern Sweden has some type of account in the Bank. The market is concentrated in the coastal area of northern Sweden, where Nordbanken is well established with relatively large branches. The regional bank has a total of 35 offices.

Sweden Post is an important partner that provides banking services, primarily in rural areas.

Technological development and the great geographical distances in the region are strong motivating factors for increased utilization of self-service products. Sales of such products are strong in the region.

Strong volume growth for deposits and lending was achieved during the year. Long-term marketing efforts, as reflected in the form of a new organization of branch offices and personnel training programs, are now beginning to yield results. A continued organizational review last year resulted in expansion of the regional trading unit and start-up of a telephone service unit in Sundsvall. In parallel with this expansion, the regional bank's labor force was reduced by 5%. Operations at two branch offices were discontinued during the year and a new branch was opened in Gällivare.

Central Sweden Regional Bank, Uppsala



Manager Magnus Falk, Executive Vice President

The area covered by Central Sweden Regional Bank extends across the country, from Dalsland in the west to Gotland in the east, and borders on Dalarna to the north and Östergötland to the south. The region comprises 87 municipalities with 2.2 million inhabitants and approximately 100,000 companies. The provincial capitals, as well as Norrköping and Eskilstuna, account for nearly 50 percent of the region's total market.

Nordbanken offers high accessibility in the area, with 72 branch offices and 275 post offices. The operations of Nordbanken Direkt have expanded rapidly, and its customer base increased 70% in 1996.

Comprehensive structural changes were made during the year in cooperation with Sweden Post. Nordbanken transferred bank activities to the postal service in more than 20 smaller communities in Värmland and Dalarna, creating long-term potential for good banking services for customers in rural areas.

About 40% of the region's inhabitants have some form of customer relations with Nordbanken. The corporate market is dominated by small and medium-sized companies, a sector in which Nordbanken advanced its positions during 1996, conducting customer relations with 32,000 companies in the region. Nordbanken's strong market position in the public sector is illustrated by its customer relations with 64 of the 87 municipalities in central Sweden.

Stockholm Regional Bank, Stockholm



Manager Roland Larson, Executive Vice President

Stockholm Regional Bank covers most of Stockholm County, from Södertälje in the south to Sigtuna in the north, from Åkersberga in the east to Kungsängen in the west. The region has a population of approximately 1.7 million and about 100,000 companies in 25 municipalities.

Stockholm Regional Bank serves approximately one million private customers and commands a market share of about 40% of all salary accounts. Its market share of the corporate sector is approximately 25%, with about 30,000 commercial customers.

The region comprises 53 branch offices. Nordbanken has an efficient branch office structure in the Stockholm region, and the average branch office has about 16 employees. Placements of ATMs and the Bank's close cooperation with Sweden Post provides a prominent market position in terms of accessibility and operating efficiency.

Efforts concentrated on developing the Bank's existing customer base continued during the year, and the Bank plans further development in 1997. Nordbanken places increasing strategic importance on more sophisticated services to provide customers with self-service products such as Nordbanken Direkt and FöretagDirekt.

Western Sweden Regional Bank, Gothenburg



Manager Sten Lindblad, Executive Vice President

Western Sweden Regional Bank comprises Halland, Bohuslän and Västergötland, with 55 municipalities and four county councils. There are 1.7 million inhabitants and 95,000 companies in the region. Industry and commerce in western Sweden is dominated by the engineering industry, real estate and construction companies, trading and transport. Western Sweden relies heavily on foreign trade, which noted only marginal growth during the first half of 1996 due to unfavorable economic conditions. A sharp increase in new loans was

achieved during the year, primarily in the housing sector, to private individuals and corporations.

Nordbanken has a strong market position in the region. It is particularly strong in southern Halland, parts of Skaraborg County and the Gothenburg area. Nordbanken has 680,000 private customers and conducts business with about 25,000 companies in the region. With 65 branch offices and cooperation with Sweden Post's 215 post offices in the region, the Bank's services and products are easily accessible to customers. The operations of about 10 branch offices were merged during 1996 to create more efficient and competitive bank branches. In January 1997, Nordbanken opened a new branch office in Laholm.

During the past year, a uniform organizational format and common operating methods were introduced throughout the branch office network that call for more active sales efforts. Customer utilization of self-service products increased more than 20% during 1996.

Southern Sweden Regional Bank, Malmö



Manager Arne Bernroth, Executive Vice President

The operating area of Southern Sweden Regional Bank comprises Skåne, Blekinge, Småland and the island of Öland. It includes five counties with 71 municipalities and about two million inhabitants. The corporate sector consists of 43,300 companies with more than one employee. There are approximately 1,300 companies with more than 50 employees in the region.

The region's southern part is dominated by agricultural, food products, distribution and trading companies. Skåne County is Sweden's most important agricultural county. Industry in the northern areas are dominated by engineering, wood processing and high technology companies as well as forestry operations. Jönköping County is the most heavily industrialized county in Sweden. Construction of the Öresund bridge linking Malmö and Copenhagen, combined with Sweden's membership in the European Union, are providing the region with growth opportunities, particularly in the southern part.

Competition in the region remained strong last year.

Nordbanken's network of branch offices was reduced by two units in 1996 and now total 53 offices. Sweden Post continued to close post offices in smaller communities. To meet market demand for services, the postal service has introduced a new concept called "Postal services in stores." The network of ATMs was expanded through new installations of a number of machines in small communities.

The regional bank successfully continued its long-

tern
Stru
the
fro
ger
No:
tic
Bar

Th
of
ope

Rej
—
NL
Le
De
En
(N
Dat

term program designed to improve customer relations. Strong demand was noted from private individuals for the services of Nordbanken Direkt and housing loans from Nordbanken Hypotek. Commercial customers also generated strong demand for financial solutions from Nordbanken Finans. Credit demand also rose, with particular emphasis on the corporate sector, where the Bank has about 18,000 customers.

Corporate Group



Manager Björn Carlsson

The Corporate Group meets the special requirements of large corporations in their relations with banks. Its operations are conducted through departments in

Stockholm, Gothenburg and Malmö. The unit is responsible for customer relations with – and loans to – approximately 90 large corporate customers, and the Bank's shipping customers.

Corporate Group operations are conducted in market groups, each of which focuses on a particular industrial sector to meet demands for special expertise. It also includes groups for so-called structured financing (Special Financing), which concentrate on financing of infrastructure projects, primarily in the energy sector, where the unit ranks as the market leader.

Working in cooperation with the Bank's specialists in payment flows, securities, trading, international services, other specialized bank services and Nordbanken's IT technicians, customer teams are formed to meet the specific needs of individual customers.

During 1996, the Corporate Group assisted in securing external financing for Castellum, a Swedish real estate company that initiated privatization procedures during the year, and the Special Financing unit was commissioned by Incentive to serve as advisor in the sale of Skandinaviska Elverk.

The Corporate Group has 85 employees. Lending amounts to approximately SEK 60 billion, including long-term commitments and guarantees. Particularly strong business growth was noted during 1996 in the energy, IT and shipping sectors. ■ ■ ■

Regional bank	Northern Sweden	Central Sweden	Stockholm	Western Sweden	Southern Sweden	Corporate Group	Total
Number of branch offices	35	72	53	65	53	3	281
Lending, SEK Bn	29	41	62	38	32	48	250
Deposits, SEK Bn	19	31	46	26	20	6	148
Employees (Number of positions)	576	894	941	927	644	85	4,067

Data as of December 31, 1996

Board of Directors of the Regional Banks

Northern Sweden Regional Bank

Lars Näsman,
Executive, Sundsvall,
Chairman
Lars Enslöf,
Executive, Bollstabruk,
Vice Chairman
Kjell Apelquist,
Executive, Örnsköldsvik
Margareta Hansson,
Division manager, Umeå
Thomas Hedlund,
Bank employee, Hudiksvall
Alf Jonsson,
Executive, Sundsvall
Göran Karlsson,
Regional Bank Manager,
Sundsvall
Börje Nordenö,
Executive, Sundsvall
Walther Rasteby,
Executive, Östersund
Gunilla Sundström,
Bank employee, Sundsvall
Ulla Wallerstedt-Molén,
Pharmacy executive, Sundsvall

Deputies:

Sonja Mildton,
Bank officer, Gävle
Stig Nillbrand,
Bank executive, Sundsvall
Sonja Otterstedt,
Bank employee, Härnösand

Central Sweden Regional Bank

Arne Forsell,
Executive, Saltsjöbaden,
Chairman
Göran Bergholtz,
Executive, Örebro
Magnus Falk,
Regional Bank Manager,
Saltsjöbaden
Karl Hedin,
Executive, Smedjebacken
Karin Larsson,
Bank employee, Ludvika
Monika Lekander,
Executive, Karlskoga
Gunnar Lundh,
Former bank executive,
Uppsala
Göran Lundin,
Executive, Åby
Görel Oscarsson,
University executive, Uppsala

Tomas Ulfborg,
Bank employee, Örebro
Sören Öberg,
Executive, Stockholm

Deputies:

Brita Nilsson
Bank employee, Västerås
Ann Margret Nilvemark
Bank employee, Uppsala
Johan Sylvén,
Bank executive, Sigtuna

Stockholm Regional Bank

Lars Hjorth,
Executive, Stockholm,
Chairman
Fred Andersson,
Executive, Stockholm,
Vice Chairman
Hans-Jacob Bonnier,
Publishing executive,
Stockholm,
Second Vice Chairman
Åsa Gustafsson,
Bank employee, Hågersten
Roland Larson,
Regional Bank Manager,
Sollentuna
Monica Müller-Lundqvist,
Bank employee, Huddinge
Hans Nergårdh,
Consultant, Åkersberga
Kurt Norberg,
Financial Manager, Stockholm
Jan Olov Sundström,
Executive, Åkersberga
Anders Ullberg,
Executive, Danderyd

Deputies:

Lars Almberg,
Bank officer, Hågersten
Karl Ekenger,
Bank executive, Saltsjö-Duvnäs
Sofia Finnman,
Bank employee, Älvsjö

Western Sweden Regional Bank

Sten Langenius,
Executive, Askim, Chairman
Jan Walldorf,
Executive, Gothenburg,
Vice Chairman
Göran Axell,
Nol

Archibald Dickson,
Land owner, Alingsås
Jack Forsgren,
Executive, Gothenburg
Bjarne Holmqvist,
Executive, Gothenburg
Gildi Kajbrink,
Bank employee, Vå Frölunda
Inga-May Karlsson,
Bank employee, Mölnlycke
Sten Lindblad,
Regional Bank Manager,
Gothenburg
Carl Lindgren,
Executive, Alingsås
Sture Perfjell,
Executive, Gothenburg
Jörgen Sköld,
Executive, Halmstad
Sture Öster,
Executive, Götene

Deputies:

Marie Lindblad,
Bank employee, Mölndal
Klas-Åke Persson,
Bank employee, Mariestad
Christer Svensson,
Bank executive, Hårryda

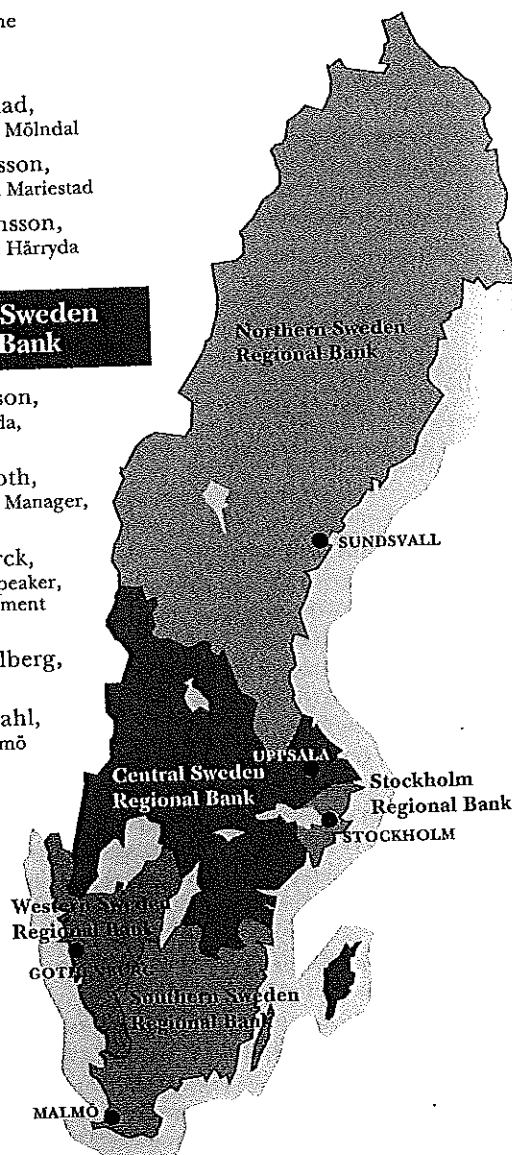
Southern Sweden Regional Bank

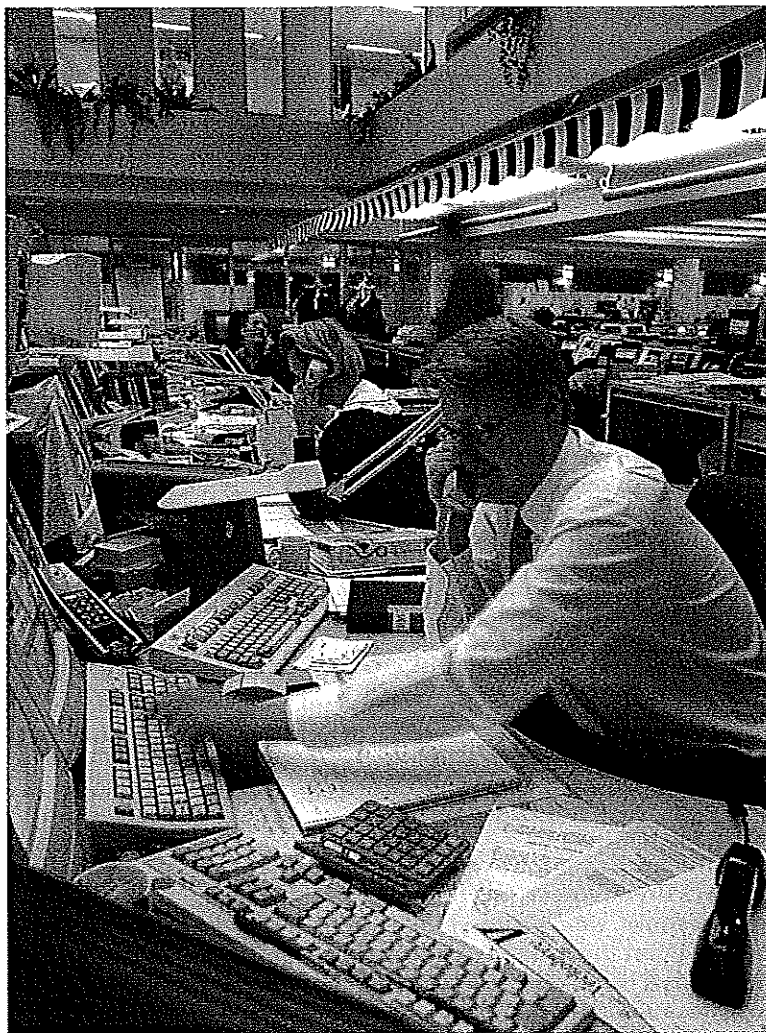
Lars Johansson,
Executive, Åseda,
Chairman
Arne Bernroth,
Regional Bank Manager,
Malmö
Anders Björck,
First Deputy Speaker,
Swedish Parliament
Stockholm
Håkan Dahlberg,
Malmö
Mikael Ekdahl,
Attorney, Malmö

Anders Frick,
Executive, Malmö
Anders Holmberg,
Executive, Smålandsstenar
Bengt Johansson,
Bank employee, Anderstorp
Ulla-Britt Johansson,
Bank employee, Huskvarna
Claes Ljung,
Executive, Trelleborg

Deputies:

Thomas Jäderlind,
Bank employee, Helsingborg
Göran Hasselgren,
Bank executive, Jönköping





The trading room in Stockholm is open for business from 5:30 a.m. to 9:30 p.m. Traders deal in interest rates, currencies and shares on behalf of customers or on their own account.

Other Operating Units

The Bank's other operating units are separate profit centers that specialize in their respective business areas with certain responsibility for customer relations.

Trading



Manager Christer Serenhov

Trading is responsible for all Nordbanken trading operations in the foreign exchange, interest and equity markets. Its share of Sweden's interest-rate and bond market is about 10% and approximately 15% for currency trading. Nordbanken's share of the turnover of the stock exchange was about 2%. The share of the number of closed deals rose during the year to about 6%. Accordingly, Nordbanken was the fourth largest player on the exchange in terms of the number of transactions.

In addition to providing high-quality and reliable service to its customers, the Trading unit also maintains its own positions in fixed-income and currency markets within the framework of special risk mandates.

Trading activities are conducted through a central unit in Stockholm with about 110 employees, and trading units in the five regional banks, which employ 60 persons. The regional units support the Bank's branch offices in their respective regional bank, while the central unit provides service to institutional customers and Corporate Group customers.

Competition remained strong in all areas of Trading operations. Margins and brokerage commissions are under pressure from the emergence of new trading techniques, the Internet for example, and greater numbers of market players. To meet constantly growing competition, Trading strives to maintain its profitability while providing customers with better, high-quality service. Advisory services are becoming increasingly important in foreign-exchange and money market trading as well as equity trading. Nordbanken's large customer base, consisting primarily of small and medium-sized companies, comprises the foundation for continued growth of Trading operations.

Foreign-exchange trading

Nordbanken specializes in trading in Scandinavian currencies as well as the U.S. dollar and German mark and was the first bank in Sweden to introduce extended

trading hours. Trading in Stockholm is now open for business from 5:30 a.m. to 9:30 p.m.

Money market trading

Money market trading pertains to fixed-income securities issued by the Swedish Government and mortgage institutions as well as bonds and commercial paper issued by the Bank's customers. The Money Market trading group is also responsible for Nordbanken's operations in derivative markets, excluding shares. Determined efforts in swap trading have yielded favorable results, and the Bank strengthened its position during 1996.

Equity trading

Nordbanken's equity trading operations are designed primarily to meet the service needs of customers in the Bank's network of branch offices. The expansion of research and analysis activities continued during the year and yielded favorable results. Nordbanken does not trade in equities on its own account.

Trading also operates an institutional equity trading unit in Stockholm, which strengthened Nordbanken's presence as a player in the Swedish stock market during 1996, albeit from a weak starting position.

Corporate Finance



Manager Anders Nyrén

Nordbanken Corporate Finance serves small and medium-sized companies and offers qualified advisory services related to the market for risk capital. The unit conducts risk capital procurement operations – issues of shares and related instruments, ownership spreads, stock market listings and consulting services in conjunction with mergers and acquisitions.

International



Manager KG Lindvall

Focus

With Sweden as its base, Nordbanken offers various services to customers with international operations linked with Swedish business. Customers are offered a broad range of products through the Bank's conventional customer organization with the support of specialist units, for example International, Payments, Treasury and Trading.

Many of the Bank's commercial customers conduct business operations outside Sweden. Export and import activities are increasing, creating greater transaction volumes and, accordingly, a growing need for other financial services. A very significant part of the operations are conducted satisfactorily by the Bank's traditional customer service organization in Sweden, with the support of regional and central specialist units, a structure that defines the fundamental focus of Nordbanken's international activities.

In certain cases, there is also a need for more local expertise, and Nordbanken has established specific forms of cooperation.

International presence

Nordbanken has an international network of correspondent banks that offers cooperation with 2,500 banks and other financial institutions that take part in customer transactions.

Close cooperation has also been established with local banks in ten major markets to provide customers with local expertise.

To facilitate customer contacts, Nordbanken also has representative offices and agents in 14 countries to serve Swedish industry in key export markets.

Commercial financing

Commercial financing is a special unit responsible for development, market support and production of services to promote export and import operations of the Bank's corporate customers. Its operations are conducted through operative departments in Stockholm,

Gothenburg and Malmö. A special department serves large export companies.

Nordbanken has a strong position in commercial financing, with higher market shares than the Bank's share of the corporate market.

Foreign markets

The Foreign Markets unit is responsible for coordination of Nordbanken's cooperation and business transactions with banks and financial institutions outside Sweden. The unit is concentrated in Sweden, but operations are also conducted from some of the most interesting markets for Swedish foreign trade. Operations abroad are managed by the Bank's local representative offices and agents.

In 1996, a representative office was opened in Johannesburg, Republic of South Africa. Nordbanken is the first Swedish bank to establish operations in South Africa, a major market for Swedish export companies.

International corporate services – bank services outside Sweden

Nordbanken's customers also need local bank services in countries where they conduct business operations. Services may include so-called collection accounts for export payments, normal business accounts, operating credit and other forms of financing and guarantees.

Nordbanken offers local bank services through its correspondent banks in all parts of the world. In some of the most important EU markets – Germany and France – Nordbanken has established representative offices with its cooperation partners – Vereinsbank group and Crédit du Nord. In other countries important to Swedish business, Nordbanken also has specific cooperation arrangements, namely in the Nordic countries, Belgium, the Netherlands and Great Britain in Europe as well as in the U.S. and Hong Kong. These countries account for about two-thirds of Sweden's foreign trade. An important advantage to customers, compared with having a branch office or subsidiary bank, is direct access to a local bank that offers a complete range of bank services and an extensive network of branch offices. In Western Europe alone, Nordbanken offers customers a network comprising about 4,500 branch offices.

Inter-Alpha Group

Nordbanken is a member of the Inter-Alpha Group of Banks. In principle, the group comprises a leading bank from each of the countries in the European Union.

■ ■ ■



With Sweden as its base, Nordbanken is developing its foreign services through active business relations with cooperating banks, correspondent banks and its own representatives in many important markets.

Product and Service Units

Nordbanken's Product and Service units are responsible – via the branch offices – for providing customers with competitive products, and for making services available to other Group units. Certain units have direct responsibility for customer relations.

Nordbanken Finans AB (publ)



President Stefan Källström

Nordbanken Finans is responsible for finance company products within the Group. The products are marketed mainly through the Bank's branch office network and via suppliers and retailers who offer financing in connection with their sales. The company's principal products are leasing, hire-purchase loans, factoring, contract financing and credit cards. The number of employees at year-end 1996 was 206.

Most of the traditional finance company agreements are handled by the branch offices with support from Nordbanken Finans. On the other hand, Nordbanken Finans' own market organization works more independently in handling agreements on supplier cooperation, in the financing of primarily major investments such as railway cars, aircraft, telecommunications equipment and ships and in agreements regarding selective credit cards for stores and retail chains.

Nordbanken Finans is one of the leading finance companies in the Swedish market and the largest of those owned by banks. During the past year, its volumes increased substantially. The increase corresponds to 40% of the total increase for all finance companies.

This can be explained partly by the branch offices' favorable sales and partly by successful sales with respect to export-related operations, primarily larger items.

Nordbanken Finans borrows in the open market through a commercial paper program with a limit of SEK 8 billion.

At year-end 1996 Nordbanken Finans had total assets of SEK 13 billion. The company's operating profit in 1996 was SEK 267 M.

Nordbanken Hypotek AB (publ)

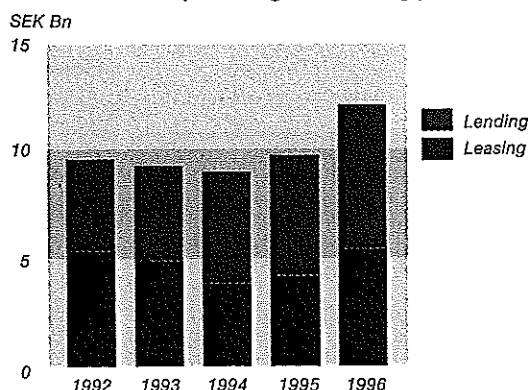


President Eva Andersson

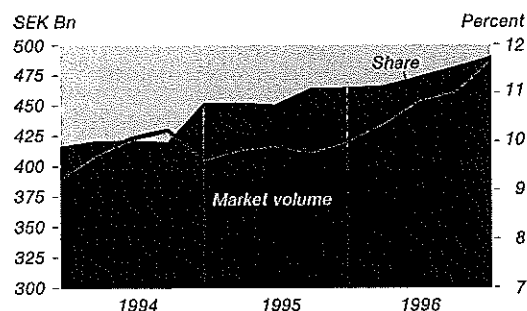
Nordbanken Hypotek is a mortgage company that provides long-term loans for the financing of properties and tenant-owners' rights for up to 75% and 60%, respectively, of market value. The company's operations also include lending to municipalities and to private companies with guarantees provided by municipalities.

A merger took place during the year between Nordbanken Kredit, which financed companies and

Nordbanken Finans, Lending and leasing portfolio



Lending to households (from mortgage institutions) in SEK and Nordbanken Hypotek's market share



the public sector, and Nordbanken Hypotek, which financed private individuals' housing. With the merger, all long-term financing in the housing sector is grouped in one company, giving advantages in terms of efficiency and enhancing cooperation with the Nordbanken branch offices. Comparisons with the preceding year are pro forma for both companies combined.

The company continued to perform well in terms of volume and profit in 1996. The market share increased during the year by 1.2 percentage points to 10.2%. In the market segment of mortgage loans to households, the market share rose to 11.7%.

Lending increased during the year by SEK 15 billion, amounting at year-end to SEK 104 billion. Of the company's total volume of lending, 70% consisted of lending against collateral in residential property. Lending to municipalities, including lending against municipal or national government guarantees, accounted for 28%, and other lending for 2%.

Borrowing is mainly through bond issues and commercial paper programs. Bonds outstanding at year-end were SEK 69 billion.

The number of employees at year-end was 65.

Operating profit was SEK 1,229 M, an increase by 8%.

Nordbanken Kommunlån AB (publ)



President Torgny Wistedt

Nordbanken Kommunlån was formed to achieve high credit worthiness, resulting in low financing costs, in order to be able to offer long-term competitive financing to municipalities, counties and companies whose obligations are guaranteed by municipalities. A prerequisite for obtaining a loan, is that the customer is financially sound and makes a deposit with the company. Nordbanken Kommunlån is the only company of this type in Sweden.

Marketing is carried out primarily by the network of branch offices, with the necessary business support being provided by the company.

Nordbanken Kommunlån began its operations in 1995. Lending increased in 1996 from slightly more than SEK 2 billion to slightly more than SEK 5 billion. Operating profit in 1996 amounted to SEK 15 M.

AB Industrikredit (publ)



President Rolf Melin

Early in 1996, Nordbanken purchased the slightly more than 80 percent of the shares in Industrikredit that the Bank did not already own. Industrikredit added about 4,000 new customers and approximately SEK 10 billion in lending.

Industrikredit then purchased the portfolio of loans in Nordbanken Företagskredit.

Industrikredit focuses on providing long-term financing of property and machinery, with particular emphasis on small and medium-sized companies. Industrikredit is marketed through the Bank's network of branch offices and through its own marketing organization. The latter is divided into five regions and represented in ten of the country's more important communities. The number of employees in Industrikredit amounted at year-end to 50.

As a result of coordination with Nordbanken, the company can offer its customers an even broader and more competitive product range. Nordbanken's focus on small and middle-sized companies is strengthened by the acquisition of Industrikredit.

Lending from Industrikredit expanded sharply in 1996, amounting at year-end to SEK 17 billion. Operating profit for 1996 amounted to SEK 178 M.

Nordbanken Kapitalförvaltning AB (publ)



President Karl-Olof Hammarkvist

Nordbanken Kapitalförvaltning is one of Sweden's largest asset managers. Operations consist of the management of mutual funds and investment portfolios. Fund management comprises 35 funds in Sweden and Luxembourg. The number of employees is 69.

Portfolio management, of the so-called discretionary type, involves management of the securities portfolios of individual customers. Customers are mainly companies and institutions. At year-end Nordbanken Kapitalförvaltning was managing more than SEK 84 billion in assets for nearly a million private and institutional investors. Of this amount, SEK 59 billion was placed in various funds and SEK 25 billion was in discretionary accounts.

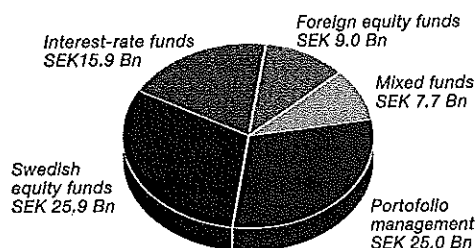
In 1996, Nordbanken Kapitalförvaltning announced a policy for the management of ownership questions.

Three new mutual funds were launched within the framework of the Postbanken cooperation. In addition, an Eastern Europe fund was launched. All developed favorably.

Revenues from these operations constitute an important part of Nordbanken's total commission income.

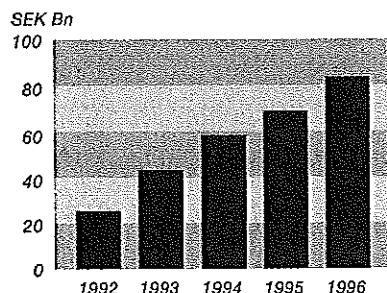
Nordbanken Kapitalförvaltning

Assets under management, December 31, 1996



Nordbanken Kapitalförvaltning

Assets managed



Livförsäkringsaktiebolaget Livia (publ)



President Gunnar Andersson

Nordbanken's wholly owned Livia subsidiary provides life and pension insurance programs.

Livia's products are sold through Nordbanken's distribution network. Since 1996, Livia is also established on the Internet. Livia's products are characterized by their simplicity and cost-effectiveness, which is reflected in low operating costs. Nordbanken Kapitalförvaltning manages the company's investment assets on the basis of a market-level fee. Nordbanken's branch offices receive commissions for policies sold.

During the past few years, the tax rules for pension insurance programs have become less advantageous. As a result, the market share of pension insurance programs in the total pension savings market decreased. Instead, in 1996 the market share for endowment insurance programs increased markedly. Consequently, Livia suffered somewhat with respect to market share in the total pension savings market, since Livia does not sell endowment insurance programs.

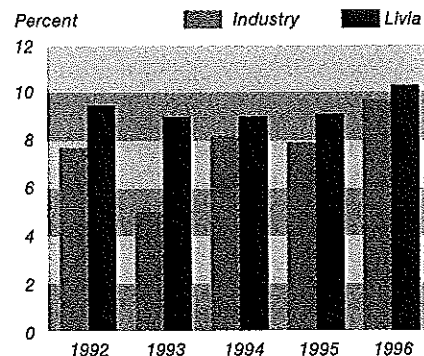
To counteract this decline, the company is working intensively on developing its product range. An active focus on marketing has been initiated to attract new customers. The number of customers at year-end 1996 was 242,000.

In 1996, Livia gave its policyholders one of the largest bonuses of all the life insurance companies, since the company's has maintained a very high total yield for a long time.

Any surplus earnings in the company accrue to the policyholders in the form of bonuses, and thus cannot be disposed of by the parent company.

Livia

Bonus to policyholders



Nordbanken Direkt



Manager Bo Eriksson

Nordbanken Direkt, the Bank's telephone bank, was established in 1990. It is the leading telephone bank and the largest in Sweden offering personal service. The telephone bank is open every day, all year round, has 75 employees and is based in Uppsala. Nordbanken Direkt contributes greatly to increasing the Bank's accessibility.

Through Nordbanken Direkt, private customers are offered a full-service concept; that is, all the customer's banking needs can be handled by the telephone bank. In 1996, the number of private customers increased by 75,000 to over 250,000 at year-end. The high rate of increase is expected to continue.

For private business owners, there are specific services provided in Nordbanken FöretagDirekt. The number of businesses subscribing was about 17,000 at year-end. Here, too, the increase is expected to continue.

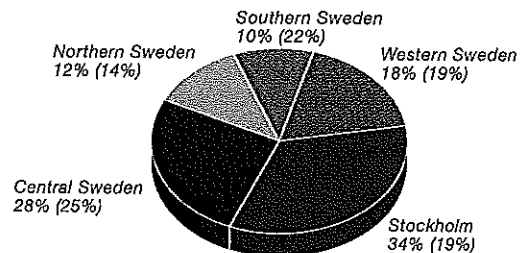
For customers who are particularly active in securities trading, a new telephone-based service – Nordbanken Värdepapper Direkt – was introduced during the autumn. By means of interactive voice-response (IVR) technology, the customers could place their orders by themselves, at a lower brokerage rate than in traditional equity trading. More than 3,500 customers signed up during the last six weeks of the year.

In September, Nordbanken Direkt opened a site on the Internet. All telephone bank customers can carry out their banking directly from their own PC. In the first version, the customers can check their account balance and transactions involving their own bank and mutual fund accounts, and monitor the status of their loans. Transfers can be carried out from the customers' own accounts to other accounts in the Bank. Further

services of high value to the customer are to be developed soon.

Nordbanken Direkt, which is an integrated part of the Bank's operations, reduces the workload of the branch offices, which has a positive effect on service and costs. Customers have full freedom to choose the channel by which they wish to conduct their business. In 1996 the telephone bank handled 6.3 million customer calls, of which half a million calls were handled with personal service.

Nordbanken Direkt, distribution of customers by region (region's percentage of Sweden's population)



Securities Administration



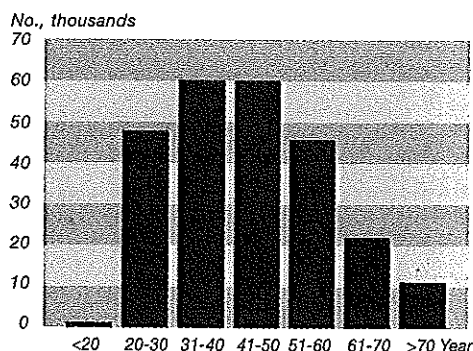
Manager Lars Jonasson

Securities Administration is responsible for the back-office handling and custody of capital market products, such as stocks, bonds, money market instruments and currencies, and for the handling of the Bank's transactions with the Central Bank, including clearing transactions. The unit is also responsible for the management of certain products in the Savings product area, for example, retail bonds.

The Custodial unit, which manages the custody of securities and the handling of payment flows in securities transactions, focuses on service to both Swedish and international customers. At year-end 1996 the Custodial unit had custody of assets amounting to SEK 234 billion. Securities Administration's share of the market for stock transactions in 1996, as reported by VPC (Swedish Securities Register Center), was 12%. The comparable figure for money market transactions was 16%.

Securities Administration has 116 employees.

Nordbanken Direkt, age structure, private customers, December 31, 1996



Computer Systems



Manager Bengt-Åke Eriksson

The Computer Systems unit is responsible for ensuring – through coordinated strategy, development and production – that the Group's computer services are of the highest class in terms of competitiveness and cost. The unit is responsible for providing support to the business operations and is serving all Nordbanken units.

The unit has 468 employees as well as a number of external consultants.

The development of the computer operations is described in more detail in the section on "Information Technology," page 52.

Nordbanken Post



Manager Thomas Neckmar

The Nordbanken Post unit is responsible for Nordbanken's cooperation with Sweden Post and for monitoring the agreements in effect with Sweden Post.

The unit's task is to ensure that the Bank's market positions, competitiveness and profitability are developed in those markets in which cooperation with Sweden Post plays a key role.

The unit has five employees.

Nordbanken Furunäset



Manager Roland Ekerlin

The Nordbanken Furunäset unit began operations in 1991 when a new central vault was constructed in the Furunäset industrial park in Piteå. In 1996 the storage capacity was expanded to include, today, a total of 27 endless-chain conveyors. The storage system is based on modern computer technology and the total storage capacity is 2,362 meters.

In 1996 the Nordbanken Hypotek vault was transferred to the unit, which means that all of Nordbanken's 1.1 million loan files relating to private customers are now stored and handled by Nordbanken Furunäset. The administration and storage of the loan files of Postbanken customers have been added during the year.

Nordbanken Furunäset also administers the Bank's product "Medlemslån" and "Medlemslån/auto purchase," and manages all loans to employees of the Nordbanken Group. The unit has 103 employees.

Nordbanken Fastigheter AB



President Maj-Charlotte Wallin

Nordbanken Fastigheter owns and manages buildings used in the Bank's operations. The composition of the company's real-estate holdings is determined by the Bank's need of buildings for its operations in various locations and areas in which ownership and effective administration are expected to give the Group lower property costs in the long term compared with the rental of comparable premises. This means that the real-estate holdings are continually being restructured and concentrated to larger communities, and central locations where the Bank needs relatively spacious premises.

In 1996, this restructuring resulted in 23 properties being sold for a total of SEK 282 M. Further property sales are planned for 1997, with the objective of achieving a well-structured real-estate portfolio at the beginning of 1998.

During the year, project operations were very extensive. A new building was erected in central Örebro in the Prästgården block. The rentable space of the property is 4,245 square meters. The new branch office took up occupancy in mid-October at the same time as it was inaugurated.

In Stockholm the extensive renovation of the head

office on Hamngatan – begun in 1995 and scheduled to be finished in 1998 – continued. Renovation of the office level of the property on the corner at Mäster Samuelsgatan/Regeringsgatan, acquired in 1995, was begun in order to provide new office space for the Bank near the head office. The street level of the property will house a shopping mall. The renovation project will continue in 1997 here as well, also to be concluded in 1998.

In November, the Southern Sweden Regional Bank was able to move into the new regional office on Södergatan in Malmö. The property was acquired at the end of 1995, to give the Bank better premises for its Malmö operations. The renovation of the property will continue in 1997, when the branch office on Södergatan will take up occupancy of the new premises.

Apart from the sale of properties and new construction and renovation projects, the company's 1996 operations focused on property-renting. The vacancy rate fell from 8.4% to 5.7%.

Nordbanken Fastigheter also manages properties owned by the Nordbanken Pension Fund, Livia and Fastighets AB Stämjärnet. At the close of 1996, the company managed a total of 265 properties, with rentable space of 606,906 square meters and a combined 1996 rental revenues of SEK 584 M.

Nordbanken Fastigheter AB

December 31, 1996

Rentable space, m ²	238,424
of which, external tenants, m ²	123,084
• Offices, %	54
• Stores, %	24
• Residential, %	9
• Other, %	13
Vacant space, m ²	16,244
Vacant space, %	6
Rental revenue, SEK M	380
of which, from external tenants, SEK M	109
Direct yield, %	6.5
Book value, SEK M	2,988 ¹⁾
Estimated market value, SEK M	4,244
Tax value, SEK M	1,599

¹⁾ Book value in Group balance sheet SEK 2,717 M.

Fastighets AB Stämjärnet

President Maj-Charlotte Wallin

The company's task is to take over properties mortgaged for foreclosed loans, and to manage, develop and sell these properties. The purpose is to reduce the Bank's loan losses to a level lower than they would have been with an immediate selling of the mortgaged property on the market. Since Stämjärnet began its operations in 1993, the company has acquired properties in Sweden and abroad, at a total acquisition value of SEK 1,550 M. In 1996, properties, as well as shares and convertible debentures in real-estate companies were purchased for a total of SEK 591 M. The acquisitions

were carried out mainly during the first half-year, of which the acquisition of Industrikredit accounted for SEK 368 M.

According to the work-out plan adopted in autumn 1995, the active selling of properties would begin in 1996. During the year, 30 properties were sold for a total price of SEK 90 M. The sales were carried out unit-by-unit or in smaller sections. A clear increase in demand during the second half-year led to most properties being sold during the period from September to December. At year-end, the portfolio included 184 properties.

In 1997, sales activity will be intensified, while the number of acquisitions is expected to be low, or none. Trends in the real-estate markets of the communities where the company owns real-estate will decide how quickly the work-out can proceed. The goal is that the sale price should at least cover the acquisition value and any negative payment net that may have arisen during the holding period. It is presumed that the properties will have been liquidated by the year 2000.

Fastighets AB Stämjärnet

December 31, 1996

Rentable space, m ²	276,167
of which, external tenants, m ²	29,096
• Offices, %	39
• Stores, %	12
• Residential, %	26
• Other, %	22
Vacant space, m ²	56,346
of which, outside Sweden	10,685
Vacant space, %	20
of which, outside Sweden	37
Direct yield, %	4.9
Rental revenue, SEK M	158
of which, outside Sweden, SEK M	28
Book value, SEK M	1,350
of which, outside Sweden	320
Estimated market value, SEK M	1,367
Tax value in Sweden, SEK M	734

Nordbanken Inkasso AB (publ)



President Nils Wiberg

Nordbanken Inkasso is a service company within the Nordbanken Group, and is responsible for handling the formal collection process for the Group's operating units as cost-effectively as possible.

The company currently manages all forms of non-performing loans, unsecured loans, guarantee loans, overdrafts, tenant-rights, properties and corporate matters.

The company, whose head office is in Gothenburg, has 17 employees. ■ ■ ■

Nordbanken Large subsidiaries (SEK M)	Total assets	Loans to the public	Shareholders' equity	Operating profit	No. of full-time positions
Nordbanken Finans	12,999	12,048 ¹⁾	1,690	267	206
Nordbanken Hypotek	109,682	104,003	4,759	1,229	65
Nordbanken Kommunlån	5,490	5,094	107	15	2
Industrikredit	17,794	17,373	1,993	178	50
Nordbanken Kapitalförvaltning	242	..	79	57	69
Livförsäkringsaktiebolaget LIVIA	7,158	..	85	..	23
Nordbanken Fastigheter	3,286	..	907	25	57
Fastighets AB Stämjärnet	1,739	..	63	- 107	.. ²⁾

¹⁾ Including equipment leased to customers.

²⁾ Operations coordinated with Nordbanken Fastigheter.

The above subsidiaries publish their own annual reports which can be ordered from each company (addresses on page 111) or from Nordbanken, Group Information.

Closely Related Company

Nordisk Renting AB (publ)



President Göte Dahlin

Nordbanken owns shares in Nordisk Renting AB corresponding to 5% of the voting rights and almost 20% of the share capital.

In addition, Nordbanken holds options on the remaining shares. This enables the Bank to restructure ownership in Nordisk Renting, without establishing a subsidiary company relationship. The Bank intends to retain ownership in accordance with its investment interests, within the framework approved at any given time by the Financial Supervisory Authority.

Financing of and cooperation with Nordisk Renting enables Nordbanken to offer customers capital for strategic real estate investments.

Nordisk Renting's business concept is based on acquiring the properties of privately owned companies, municipalities and other public sector organizations, thus enabling them to increase their liquid capital. The properties, which are then owned by a number of subsidiaries, are leased back via long-term contracts, often in combination with the right to acquire the subsidiary at a later date on terms agreed in advance.

Nordisk Renting's tenants and business partners are mainly major corporations and municipalities which, combined, account for 90% of revenues.

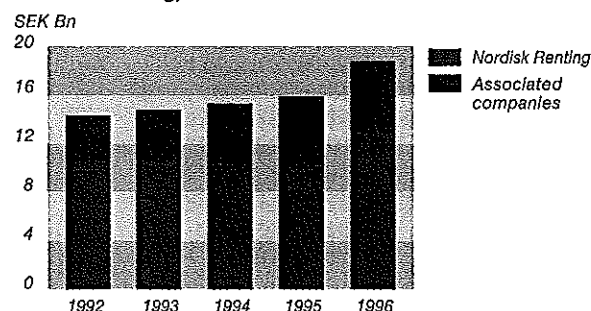
Contracted rents produce a direct return that fully covers capital costs and depreciation. Contracted rents are currently generating a positive cash flow of more than SEK 300 M on an annual basis. The parent company had 24 employees.

Together with the National Pension Fund Boards (1-3), Nordisk Renting is an equal owner of Svenskt Fastighetskapital AB, which combines property acquisitions with long-term leasing in the public sector. The National Pension Fund is the primary financier. Nordisk Renting is responsible for management and administration of the properties. At year-end 1996, Svenskt Fastighetskapital owned properties valued at SEK 4.8 billion.

■ ■ ■

	1996 Mkr	1995 Mkr
Revenues	1,572	1,408
Operating income	141	102
Shareholders' equity	776	635
Total assets	12,316	10,261

Nordisk Renting, Total assets



Personnel

The professionalism of Nordbanken's personnel is the Bank's most important competitive asset. The Bank's employees must have a sense of commitment and the requisite skills and know-how to give the Bank's customers satisfactory service and expert assistance. Nordbanken therefore gives high priority to the development of employee skills and competence.

At year-end 1996, Nordbanken had 7,317 employees, of whom 4,385 were women and 2,932 were men. This represents the equivalent of 6,291 full-time employees, compared with 6,465 on the same date a year earlier.

Investments in technology have made it possible to devote more time to active development of customer relationships and an increased focus on customers. At the same time, there is less call for employees who perform routine work which has led to cost savings. This trend will continue.

Daily operations within Nordbanken should be characterized by a strong emphasis on profit. This profit orientation is being reinforced by setting clearly defined objectives for the Group's profit centers, breaking objectives down at group and individual-employee levels, and following up performance on a regular basis. Programs that will result in better performance and

personal development are planned on the basis of annual "development interviews" between managers and individual employees.

At the end of 1995, an agreement was reached with local union branches of the Financial Employees' Federation concerning a major initiative for personal development and retraining, and also a gradual reduction in employment, representing a reduction of about 600 jobs by the end of 1997. Practical implementation of this "New Start" program commenced in January 1996. About 300 employees expressed an interest in the program and 217 started participation, of whom 107 have now completed the program and received new positions, either with the Bank or elsewhere, or have embarked on longer training programs or set up their own businesses, etc.

Skills development

All training should support the Bank's business operations. Accordingly, training programs in branch offices focus on giving employees job training which is related to customers' needs. The collective term for these programs is "Nordbanken's skills ladder." Great emphasis is placed on customer-oriented work methods, improved relations with customers and enhanced customer benefit. All Group employees participate in the basic phase of the training program, giving them an overall view of Nordbanken's objectives, corporate culture and business operations.

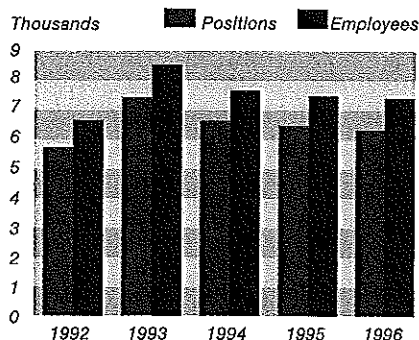
The Bank's training program for teller services, which was redesigned in a multimedia environment, was implemented in 1996, following test-training and positive evaluation. A customer-contact training program, totally based on interactive teaching methods, was developed in 1996.

During the year, 74 employees were trained to serve as Personal Bankers, making a total of 800 Personal Bankers. This program takes six months, and concludes with an examination.

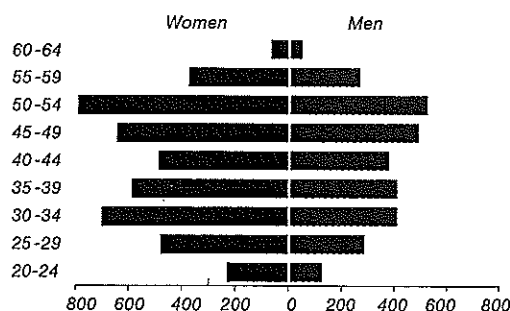
At the end of the year, employees were offered an opportunity to purchase a PC for home use through Nordbanken. More than 3,200 employees chose through the purchase to complete a training program for a so-called computer driver's license.

The comprehensive training program to improve credit-operation skills which commenced in 1993, continued according to plan during the year. Approximately 650 employees participated in training programs in the private and corporate areas.

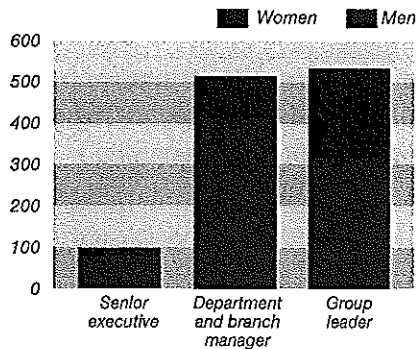
Number of full-time positions and employees in Nordbanken, December 31 each year



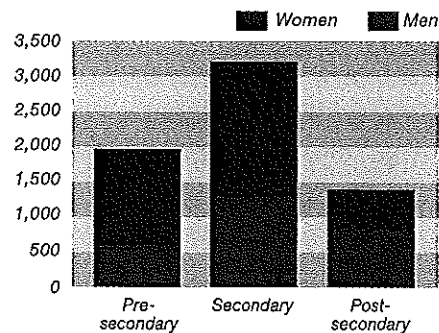
Distribution of Nordbanken employees, by age groups, December 31 1996



Managers in Nordbanken - distribution of men and women, December 31, 1996



Nordbanken employee level of education December 31, 1996



Nordbanken has implemented a program for employees in the corporate market area, primarily designed to improve advisory services and sales activities directed at small and medium-sized companies.

The development of managers is a priority area. This activity is conducted on a continuing basis through on-the-job training programs. The pool of potential

future managers is being broadened as a result of a development program for candidates for management positions, which offers opportunities for personal career planning. As a result of a group-wide co-determination agreement with local branches of the Finance Employees' Federation, entered into during the year, all unit managers were trained in co-determination matters.

■ ■ ■

Profit-sharing foundation

A decision by Nordbanken's owners at the 1992 Annual General Meeting enabled employees to become part-owners of the Bank via a profit-sharing foundation.

An allocation is made to the foundation in years when the return on shareholders' equity exceeds a target which is established for each year by the Board of Directors. These funds are used to purchase Nordbanken shares. Employee participations in the foundation are blocked for

periods of at least five years. The first allocation to the profit-sharing foundation was made in 1994. In 1996 SEK 101 M was allocated, which, before deduction of wage tax, is equivalent to approximately SEK 18,100 per full-time employee. The foundation's holdings of Nordbanken shares amounted at year-end to 1,781,400 shares corresponding to about 1.0% of the number of shares outstanding. At year-end, the value of these shares was SEK 367.9 M.

Information Technology

Nordbanken's computer operations have special strategic importance to its service levels, accessibility and cost efficiency. Comprehensive efforts and investments will be focused on IT as the Bank approaches EMU and the year 2000.

Computer development during 1996 was characterized by the incorporation of Nordbanken's new customer system into the branch offices of the former Gota Bank, integration of Industrikredit and the creation of Postbanken.

The former Gota Bank's systems have been linked gradually with Nordbanken's and, in May 1996, the final connection was made by including the large ledgers for deposits, loans, customer registers, etc. A total of 810,000 customers and 1,240,000 accounts were affected.

At year-end 1996, the coordination of Industrikredit was finalized and all accounts are now integrated in the Bank's computer system.

New systems

A completely new product line with total computer support was placed on-line when Postbanken was launched in October.

Several new self-service products featuring sophisticated computer technologies were introduced during 1996. In cooperation with Telia, bank services were developed for Telia's Autograf, a telephone with built-in card scanners that guarantee security with the help of a smart card. A telephone-based system for purchases and sales of securities was also introduced.

Comprehensive efforts were made in cooperation with Swedbank to develop the new smart card, NB Cash, for small cash payments. The card was introduced in November in Halmstad, Uppsala and, on a limited scale, in Stockholm.

NB Axess, another Internet-based service, was launched on a pilot basis toward year-end 1996. The service, offered primarily to commercial customers, provides a broad spectrum of simple, easy and accessible bank services.

Development work will be continued during 1997 on new business systems for the Bank's large corporation customers and commercial business operations outside Sweden. Efforts to develop a new system for mortgage loans have also been started. A system designed to manage the Bank's own card issues and card payments will be placed in production during the spring of 1997.

A new system for sales support for the Bank's personal bankers and customer liaison personnel will be developed throughout 1997. The first version was delivered to a number of branch offices at the beginning of the year.

Improved communications

In today's competitive market, which features a large range of IT support products and services, strong demand is placed on accessibility to systems 24 hours a day, seven days a week. There is also a growing need to transfer increasingly large amounts of information between the Bank's personnel that, in turn, place greater demands on more powerful computers. Nordbanken plans to invest in new PCs for its branch offices in 1997. Its communications network will also be upgraded in terms of bandwidth and function. Internet accessibility will be available at most workplaces, for many employees in the form of Intranet. Investments are also being made in the Bank's central computer system, including new technologies and hardware to further satisfy demands on reliable accessibility. Total investment in equipment and acquired software during 1997 is estimated to exceed SEK 400 M.

Particularly strong focus will be placed on three specific areas during the next few years: EMU, the year 2000 and new distribution forms for bank services made available by the Internet.

The European Monetary Union will require extensive adaptations, regardless of whether or not Sweden is affiliated. The new millennium in the 2000 will also create greater needs for new resources. Adaptations to existing computer systems alone are expected to cost SEK 500 M, divided evenly between the two projects. A special organizational unit comprising about 100 persons is established for these projects.

The Internet and EMU are creating new competitive conditions with opportunities that will place renewed demands on IT support and business structures. Work is now in progress to capitalize on opportunities and potentials presented by future technologies.

■ ■ ■

The Environment

Although bank operations are not generally linked with environmental impact, an in-house survey has shown that Nordbanken consumes large amounts of materials and energy. Consistent, long-term efforts to improve environmental awareness, accordingly, will lead to environmental gains and cost savings.

General awareness of the significance of environmental issues has increased sharply during recent years. Growing numbers of people have realized that private individuals and corporations must adapt to a long-term, sustainable program of development to protect and improve the environment. A carefully formulated environmental profile has also started to be a competitive weapon for banks, and an important part of their commercial success.

Knowledge of the Group's environmental situation is a fundamental element in Nordbanken's environmental work, as well as the effects of its operations on the environment. During 1995, accordingly, a special study was conducted to determine the environmental impact of Nordbanken's business operations. The study showed various examples of the Bank's awareness of the importance of determined environmental work. Locally initiated programs of improvement had been started at many workplaces and environmentally-conscious routines were applied in many areas. Environmental criteria for suppliers, for example, were prescribed in the Group's purchasing policies and environmental considerations were shown in disposing of obsolete equipment. The study also showed that Nordbanken has made considerable progress in recycling paper and using environmentally marked paper.

Total concept

During 1996, the Bank formulated its "Guidelines for Nordbanken's Environmental Work" to establish more integrated environmental management in the Group. Nordbanken's objectives in the area of environmental preservation have been made known to all employees. The guidelines are intended to serve as a point of departure for local environmental improvement mea-

sures. They are also designed to form the foundation for a training program that will provide opportunities for all employees to improve their knowledge of environmental issues. A special unit was also formed in 1996 to coordinate the Group's environmental improvement measures.

Low risk for future demands

Active environmental work should be based on the commitment of all employees, customer demands and the Bank's financial growth as well as laws and regulations governing environmental concerns. Within this framework, it is only natural for Nordbanken to accept responsibility for the environmental impact of its operations. Nordbanken should act in such a manner whereby the Bank has little or no risk of being exposed to future demands arising from the environmental impact of its operations. Environmental responsibility should be reflected in material management policies, as expressed in energy and waste management, purchasing and various other aspects of bank operations. It also encompasses due consideration for all environmental concerns in the development of new services and products offered to customers.

Environmental risk evaluation in credit grants

In conjunction with commercial loans, environmental risks may play a greater role in repayment capabilities of borrowers. For this reason, environmental risk evaluations must be included in the loan process and, in a constructive manner, be incorporated in Nordbanken's credit policy. Efforts to meet this objective were initiated during the year. ■ ■ ■



During the autumn, Minister for Taxation Thomas Östros and Urban Bäckström, Governor of the Bank of Sweden, were among the participants in a panel discussion on the EMU which took place at Nordbanken. During 1996, Nordbanken intensified its preparations for the EMU during the year.

Economic and Monetary Union (EMU)

EU efforts to establish an economic and monetary union, EMU, progressed largely in accordance to plan during 1996. In all likelihood, a monetary union will be established effective January 1, 1999. Sweden's Parliament is expected to reach a decision in the autumn of 1997 to determine whether or not Sweden will desire to participate in the monetary union from its inception.

Neither economic demands for the establishment of a common currency union – convergence criteria – nor inadequate technical readiness seem to present impediments to establishing the EMU.

When EMU takes effect, the national currencies of member countries will be replaced by a single currency, the Euro. Fixed exchange rates between the Euro and former national currencies will be determined.

The Euro will not gain complete, immediate penetration, however. Euro notes and coins will not be introduced until the expiration of a prolonged transition period, and are expected to be placed in circulation not later than January 1, 2002. National currency notes and coins of member countries will then be exchanged for a period not to exceed six months. All cash payments will be made in national notes and coins until Euro notes and coins are made available.

Transition period

During the transition period from 1999 to 2001, economic players will be free to reach agreements regarding whether transactions other than cash payments shall be carried out in Euro or national currencies. For financial purposes, the choice of currency units is immaterial, since fixed exchange rates have been established; for practical purposes, however, the choice of currency units will be extremely important, particularly for banks. Two examples: the retail trade in member countries will probably use their respective national currencies for pricing purposes throughout the transition period leading up to the introduction of Euro notes and coins. Invoices for deliveries of goods between EMU countries, on the other hand, will probably be quoted in Euro much sooner.

A regularly recurring characteristic of the currency union's transition period is that large companies will quickly adopt the Euro for most transactions, while small companies and households, in particular, will not convert to Euro until the transition period's final stages.

Nordbanken's preparations for the introduction of EMU are designed to secure the Bank's readiness for Sweden's participation in EMU, and for non-Swedish participation. Uncertainties surrounding Sweden's political approach to EMU have made preparations more expensive than would be the case if greater clarity prevailed.

Regardless of whether or not Sweden joins the

single currency union, its emergence will place significant demands on adjustments to the product ranges of all banks. On the practical plane, EMU membership will require banks to convert all bank services from SEK to Euro by the year 2002. An important part of all preparations, accordingly, involves studies and evaluations of the most advantageous conversion date from SEK to Euro for certain products, within the prescribed 1999-2001 time frame. If Sweden does not join EMU, Swedish banks will have to determine what products will be exposed to large-scale demand for Euro services, which may be expected for certain payment transfers and financing products. On the strategic plane, studies and analyses of EMU effects on competitive conditions must be conducted to determine which measures should be implemented by Swedish banks.

Nordbanken's preparations for EMU are being conducted wherever possible within the Bank's regular line organization. A control group and EMU secretariat have been formed to manage and coordinate overall preparations.

For Nordbanken, EMU will necessitate comprehensive analytical work to evaluate its consequences on the Bank's product range and subsequent future development, testing and implementation of required IT solutions. EMU will also create the need for substantial investments to train Bank employees and to produce information for customers, particularly if Sweden decides to join. There will be especially strong demands for information during the period before the currency union's official start on January 1, 1999 and, again, before the introduction of Euro notes and coins not more than three years later. Continuous information will also be required throughout the entire transition period.

Costs

According to the Bank's evaluations, Nordbanken's IT costs for preparations leading up to the establishment of EMU will total SEK 250 M, based on the premise that Sweden will join the currency union. Based on international evaluations of IT costs in relation to total conversion costs, accordingly, Nordbanken's total costs for EMU preparations will amount to nearly SEK 500 M.

SEK 120 M was allocated in the 1996 year-end accounts for decided and contracted projects which corresponds to the minimum level through year-end 1998.

■ ■ ■

Profit and Profitability

In terms of earnings, 1996 was the best year ever for Nordbanken.

Return on equity: 28%

Net income from financial operations improved sharply and this, together with reduced operating costs, offset a decline in net interest income. Net commissions also developed favorably while other income declined. Accordingly, profit before loan losses was 1% higher than in the preceding year. At the same time, loan losses declined substantially and *operating profit* rose by 10%, to SEK 7,432 M.

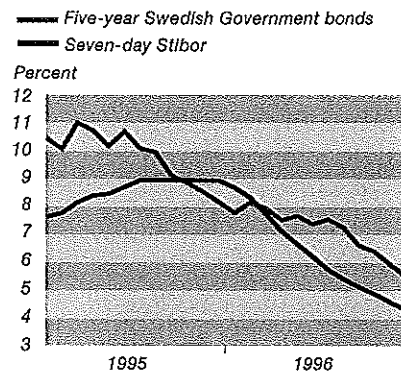
Net profit for the year amounted to SEK 5,375 M (4,869), equal to SEK 29.41 per share (22.65). The return on average shareholders' equity during the year was 27.8% (26.8).

Declining interest rates strengthened profits

The decline in long-term market interest rates had a favorable impact on the trend of earnings through the higher prices for bonds. An advantageous positioning of securities portfolios contributed to the sharply higher income from financial operations. The lower interest

rates also had a beneficial effect on the continuing restructuring of nonperforming loans. Net interest income was also affected favorably by increased lending to companies and the decline in funding costs for fixed-income securities portfolios. However, due to the rapid fall of interest rates during the year it was not

Trend of interest rates, 1995-1996



Nordbanken/Condensed income statement

SEK M		1996	1995	Change percent	4th Q 1996	3rd Q 1996	2nd Q 1996	1st Q 1996
Interest income	Note 1	26,805	29,731	- 10	6,009	6,545	7,246	7,005
Leasing income	Note 1	1,061	1,065	0	266	261	264	270
Interest expense	Note 1	- 16,470	- 18,613	- 12	- 3,388	- 3,937	- 4,646	- 4,499
Net commission income		2,188	2,096	4	651	524	508	505
Net income from financial operations	Note 2	1,427	678	110	284	458	440	245
Other income		565	632	- 11	180	108	211	66
Total operating income		15,576	15,589	0	4,002	3,959	4,023	3,592
Personnel costs		- 2,846	- 2,947	- 3	- 722	- 695	- 716	- 713
Other operating costs		- 4,647	- 4,627	0	- 1,421	- 1,104	- 1,084	- 1,038
Total operating costs		- 7,493	- 7,574	- 1	- 2,143	- 1,799	- 1,800	- 1,751
Profit before loan losses		8,083	8,015	1	1,859	2,160	2,223	1,841
Loan losses ¹⁾		- 651	- 1,269	- 49	- 162	- 229	20	- 280
Operating profit		7,432	6,746	10	1,697	1,931	2,243	1,561
Pension adjustment		- 172	- 186	- 8	- 42	- 44	- 40	- 46
Taxes		- 1,885	- 1,691	11	- 430	- 491	- 573	- 393
Net profit for the period		5,375	4,869	10	1,225	1,396	1,630	1,122
Note 1								
Net interest income ²⁾		10,655	11,481	- 7	2,690	2,685	2,681	2,599
Note 2								
Net income from financial operations								
Debt extinguishment		- 595	- 51		- 393	- 8	- 84	- 110
Other realized gains/losses		858	- 284		250	163	- 19	464
Unrealized gains/losses ³⁾		882	856		373	237	454	- 182
Foreign exchange gains/losses		282	157		54	66	89	73
		1,427	678		284	458	440	245

¹⁾ Including changes in value of property taken over for protection of claims.

²⁾ After deduction for depreciation according to plan on equipment leased to customers.

³⁾ Pertains to immediately realizable gains/losses.

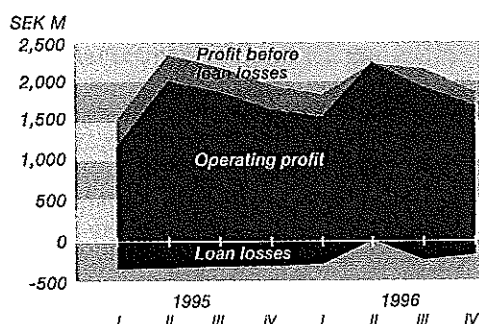
Note. Compared with previously published information, the quarterly figures have been adjusted similarly with regard to interest income/expense and net income from financial operations, and with regard to net commission income and other operating costs. In addition, taxes per quarter have been adjusted to reflect actual tax for the full year.

possible to reduce deposit rates to the fullest extent; this caused a substantial decrease in deposit margins and contributed to the decline in net interest income.

Income

Total operating income was largely unchanged and amounted to SEK 15,576 M. *Net interest income*, which accounted for approximately 72% of revenues, after deduction of leasing depreciation, decreased by 7%, despite the fact that average total assets were 4% higher than in the preceding year. The continuing gradual decline in deposit margins during the year was the largest negative factor. Lending margins also declined, but to a much lesser extent. Net interest income was also affected by Nordbanken's payment of SEK 5 billion

Trend of results



to redeem shares at the end of October and by the charge for the Government's deposit guarantee that was introduced during the year. In Nordbanken's case, this program resulted in a charge of slightly more than SEK 200 M against net interest income. The overall interest margin was 3.0% (3.3).

Net commission income rose 4% compared with the preceding year. Among commission income, which rose a total of 7% to SEK 2,722 M, the trend was favorable for securities commissions and commissions related to restructuring transactions in the power industry, in which Nordbanken played an active role. Commission expense rose 16%, to SEK 534 M, due mainly to higher transaction volumes.

Net income from financial operations developed very favorably. Declining market interest rates created the environment for realized and unrealized gains totaling SEK 1,740 M (572) in the holdings of financial current assets. In addition, the unrealized gain on holdings of financial fixed assets increased by SEK 839 M to SEK 845 M, but this increase is not included in the income statement since the securities are held to maturity. Foreign exchange gains also developed favorably, amounting to SEK 282 M, compared with SEK 157 M a year earlier.

The low interest rates justified an increase in early extinguishments of Group borrowing, mainly through the purchase of subsidiaries' outstanding bonds. The costs for this debt extinguishment which amounted to SEK 595 M (51), will be offset in the future by lower

borrowing costs. In all, net income from financial operations amounted to SEK 1,427 M (678).

Other income declined slightly, compared with the preceding year, due in part to lower capital gains on the sale of fixed assets.

Costs

Strict cost control and continuing programs to improve productivity were contributing factors in reducing costs despite the acquisition of Industri kredit at the beginning of the year. *Personnel costs* declined 3% due mainly to the year-earlier result being charged with a cost provision of SEK 215 M for a special personnel dimensioning program. Adjusted for this, personnel costs increased 4%, including contractual increases in wages and salaries, the effect of the acquisition of Industri kredit and the effect of taking back the handling of salary accounts from Sweden Post. *Other costs* were largely unchanged despite a provision of SEK 120 M for IT-related EMU costs. Excluding this provision, other costs declined by 2%.

Loan losses

Loan losses declined 49% to SEK 651 M. Excluding value changes in property taken over (decline SEK 1 M), the total of incurred losses, net, plus new provisions for possible losses, fell 23% to SEK 1,860 M. Concurrently, recoveries and reversals of provisions rose 5% and represented 65% of losses compared with 48% a year earlier. During the second quarter, the net result was positive due to reversal of single reserve of slightly more than SEK 300 M.

Losses in the corporate sector amounted to SEK 323 M (898). In the real estate sector, which accounted for two thirds of losses in the preceding year, a positive result of SEK 162 M was posted due to the aforementioned reversal. The losses for the remainder of the corporate sector was SEK 485 M (293). The trading and service segment accounted for the greatest losses.

Net loan losses in the private sector amounted to SEK 328 M, of which SEK 78 M pertained to losses in mortgage loans. The comparable figures for 1995 were SEK 371 M and SEK 90 M, respectively.

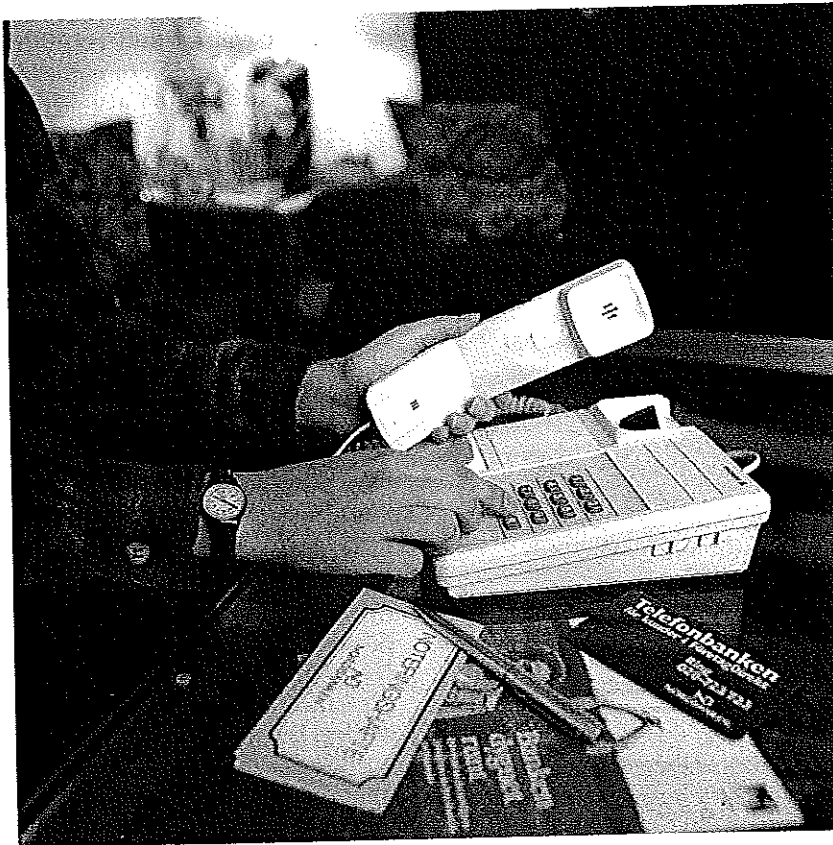
The loan loss level was 0.3% (0.5). Excluding the single reversal of slightly more than SEK 300 M, referred to above, the loan loss level was 0.4%.

Net profit

After costs of SEK 172 M (186) for pension adjustments, profit before taxes amounted to SEK 7,260 M (6,560). Tax expense amounted to SEK 1,885 M (1,691) and net profit for the year was SEK 5,375 M (4,869).

Dividend

The Board of Directors proposes that a dividend of SEK 9.50 (7.50) per share be paid for the year 1996, or SEK 1,736 M (1,613).



Since autumn 1996, buy and sell orders on stocks and confirmation of completion of the transactions can be keyed in by telephone using the new Nordbanken Securities Direct service. The range of telephone banking services available, now including many via Internet, is constantly expanding.

Financial Structure

Focus and levels of risk

At December 31, 1996, Nordbanken's assets amounted to SEK 368 billion, of which SEK 266 billion, or 72%, pertained to loans and leasing.

Of the total lending, SEK 139 billion (52%) consisted largely of long-term loans made via subsidiaries. Most of this lending is financed through borrowing in the open market, mainly in the form of bonds and commercial paper. The borrowing is structured in such a way that it matches lending in terms of currencies and fixed-interest-rate periods. Market risks are thereby kept at a very low level. In those cases in which the Parent Company purchases subsidiaries' securities, the market risks are managed by the Parent Company.

Of the other lending – SEK 127 billion (48%) in the Parent Company – SEK 28 billion consisted of loans in foreign currencies. These loans were also financed through matching borrowing. Lending in Swedish kronor – SEK 99 billion – is financed through deposits amounting to SEK 156 billion.

Surplus deposits

Surplus deposits combined with the subordinated debt and equity capital constitute the financial platform for the Parent Company's long-term and short-term investment activity.

Interest-bearing securities

Book value Dec 31, SEK Bn	Group		Parent Company	
	1996	1995	1996	1995
Long-term portfolios	17	15	35	25
Medium and short-term portfolios	21	10	27	21
Subtotal	38	25	62	46
Trading portfolios	8	8	8	8

Excluding Trading's holdings of SEK 8 billion and a smaller hedging portfolio, holdings of interest-bearing securities amounted to SEK 38 billion, equal to 10% of total assets. In addition, the Parent Company had securities issued by subsidiaries amounting to SEK 24 billion, which are eliminated in the consolidated accounts. Securities in the long-term portion of the portfolio are held to maturity and classified as financial fixed assets. They are equal in size to 1.5 times the cap-

ital base. Surplus deposits are generally used for medium- and short-term investments so that they will be available for expansion of the Bank's lending operations. These investments are classified as financial current assets.

Benchmark for risk levels

Losses in the loan portfolio over a business cycle should not exceed 0.5% of lending, corresponding to about SEK 1.3 billion; that is, in the range of 15% of operating profit before loan losses, or to about a 5% return on equity.

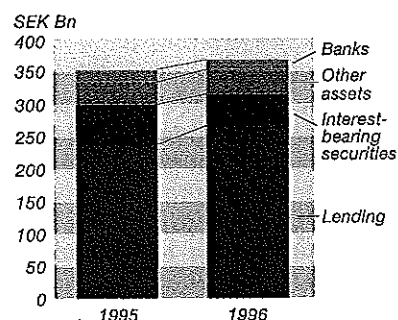
Nor should the risk exposure in the securities portfolio exceed SEK 1.3 billion under normal market conditions.

Expansion is possible

To summarize, lending to companies and private individuals, together with the securities portfolios, totaled approximately 85% of total assets. Nordbanken's substantial surplus deposits and strong capital base will permit a significant increase in lending.

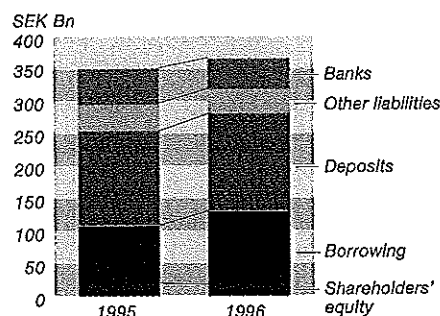
Balance sheet

Assets



Balance sheet

Liabilities and shareholders' equity



Assets

Lending

The volume of lending, excluding reverse repos, increased by 17% during the year. Most of the increase occurred during the last months of the year.

Customer structure of loan portfolio¹⁾

Dec. 31, SEK Bn	1996	%	1995	%
Corporate	164.1	61.7	127.2	53.8
Private individuals	85.8	32.3	81.9	34.7
Public sector	9.8	3.7	9.4	4.0
Securum/Retriva	5.8	2.2	8.7	3.7
	265.5	99.9	227.2	96.2
Reverse repos	0.3	0.1	8.9	3.8
Total	265.8	100.0	236.1	100.0

¹⁾ Loans comprise loans to the public and financial institutions other than banks, as well as leasing. Loans also include loans through so-called reverse repos: spot purchases of securities linked with sales on forward contracts. This constitutes a short-term trading product and is shown separately in the table.

Corporate market

Lending to the corporate market, including State and municipal companies, rose by 29% in 1996. Loan volume was larger in all industries shown in the accompanying table except Other companies. The greater part of the increase in volume was attributable to a small number of large companies. The increase in Construction was attributable to infrastructural investments. The Real Estate sector is still the single largest industry, but its share of total borrowing was reduced during the year. A large part of the real estate loans pertained to State and municipal companies.

Households

Lending to households increased 5%. During the year there was a striking shift from unsecured credits to housing loans. As a result, the quality of the portfolio of loans to private individuals improved.

Lending to households

Dec. 31, SEK Bn	1996
Mortgage loans	71.0
Loans secured by other collateral	3.7
Sureties and unsecured loans	11.1
Total	85.8

Comparison with 1995 is not relevant since the coding of the loan ledger of the former Gota Bank was different.

Public sector

Lending to the public sector, mainly to municipalities, increased 4% during the year.

Lending to the public sector

Dec. 31, SEK Bn	1996	1995
Municipalities	9.2	8.5
Swedish Government	0.1	0.1
Other public institutions	0.5	0.8
Total	9.8	9.4

Distribution of corporate customers, by industry

Dec. 31, SEK Bn	1996	%	1995	%
Real estate management ¹⁾	52.8	32.2	45.5	35.8
Construction ¹⁾	19.1	11.6	6.8	5.3
Transport	15.9	9.7	13.6	10.7
Trading and service	16.9	10.3	13.9	10.9
Engineering industry	22.4	13.7	14.9	11.7
Financial operations	11.3	6.9	8.1	6.4
Renting, consulting and other company services	18.9	11.5	16.0	12.6
Other companies	6.8	4.1	8.4	6.6
Total	164.1	100.0	127.2	100.0
¹⁾ Of which, State and municipal companies	32.3	19.7	21.3	16.6

Credit risks

Risk-classified commitments

For each customer, there is a specific unit responsible for granting credit and dealing with those undertakings which become problem loans.

In cases where the unit judges that there is a risk of future loss, the customer undertaking is evaluated and classified. Such a risk classification is carried out for company commitments and for large loans to private individuals. Accordingly, the greater part of loans to private households are not classified individually.

Loans that require special attention are placed in Class 1. The closer monitoring should result in measures to eliminate or reduce the risk.

A loan that a borrower is still handling well but where the customer's earnings and/or liquidity are weak, and there is a risk of significant deterioration in financial condition, is designated a Class 2 risk. The responsible unit must prepare a plan of action for commitments of this type.

If a company or corporate group, or a private individual, can no longer fulfill their respective obligations, or if other circumstances (an application to suspend payments or bankruptcy, for example) cause uncertainty with respect to repayment, the commitment is designated a Class 3 risk. A reserve is established for such commitments. To reduce the risk of loss, the responsible unit must prepare a plan of action to restructure or liquidate the loan.

The total volume of risk-classified commitments declined by 33% in 1996. The volume of Class 3 risks was reduced by 40%. A special program designed to reduce risk-classified commitments contributed to this trend, as did the continuing decline in interest rates.

Risk-classified commitments

Dec. 31, SEK M	1996	%	1995	%
Class 1	6,219	37	7,520	30
Class 2	4,510	27	7,394	30
Class 3	5,897	36	9,751	40
Total	16,626	100	24,665	100

A smaller number of large commitments are responsible for much of the volume of risk-classified commitments; 9% of the number of Class 2 and 3 commitments accounted for 71% of the volume.

Risk class 2 and 3 by size of commitment, corporate

Dec. 31, 1996, SEK M Interval	Number	%	Commitment	%
< 1	2,650	68	1,027	10
1 - 5	904	23	1,948	19
5 - 25	300	8	3,353	32
25 - 100	54	1	2,391	23
> 100	9	0	1,688	16
Total	3,917	100	10,407	100

Distribution of the risk-classified volume in Classes 2 and 3 by industry show that real estate and other companies are overly represented among the risk credits compared with the corresponding portion of total corporate lending. Trading and service was also disproportionately represented but to a less degree.

Distribution of Class 2 and 3 risks, by industry

Dec. 31, SEK M	1996	%	1995	%
Real estate management	5,889	57	8,794	51
Construction	608	6	975	6
Transport	322	3	1,155	7
Trading and service	1,269	12	2,293	13
Engineering industry	717	7	1,043	6
Financial operations	237	2	427	3
Renting, consulting and other company services	223	2	327	2
Other companies	1,142	11	2,133	12
Total	10,407	100	17,147	100

Problem loans

"Problem loans" include - in addition to "net nonperforming loans" (that is, after deducting for reserves) - loans with interest deferments. The total volume of problem loans at year-end amounted to SEK 3,120 M, a decline of 19%.

Problem loans and property taken over

Dec. 31, SEK M	1996	1995
Nonperforming loans, gross	7,359	9,444
Reserve for possible loan losses	- 5,128	- 6,290
Net nonperforming loans	2,231	3,154
Loans with interest deferments	889	711
Total problem loans	3,120	3,865
Reserve as percentage of gross nonperforming loans	70	67
Net nonperforming loans as percentage of lending	0.8	1.3
Property taken over for protection of claims	1,477	1,035

Nonperforming loans

Nonperforming loans are loans on which payments of interest or principal are more than 60 days overdue, or where other circumstances cause uncertainty as to repayment of the loan, and the value of the collateral does not cover the principal and accrued interest by an adequate margin.

The gross volume of nonperforming loans at year-end amounted to SEK 7,359 M, a reduction of 22%.

Nonperforming loans and reserves

December 31, SEK M	1996	1995
Corporate		
Nonperforming loans, gross	4,981	6,867
Reserves for possible loan losses	- 3,621	- 4,677
Nonperforming loans, net	1,360	2,190
Private individuals		
Nonperforming loans, gross	2,378	2,577
Reserves for possible loan losses	- 1,507	- 1,613
Nonperforming loans, net	871	964

An analysis by industry of the volume of nonperforming loans in corporate lending shows that 4.1% of total lending to the real estate sector is classified as nonperforming while the corresponding amount for the trading and service sector was 4.5%.

Nonperforming loans, corporate, by industry

December 31, SEK M	Percent of lending
Real estate management	2,386 4.1
Construction	258 1.4
Transport	262 1.7
Trading and service	782 4.5
Engineering industry	415 1.8
Financial operations	396 2.7
Renting, consulting and other company services	195 1.0
Other companies	287 4.1
Total	4,981 2.9

Nonperforming loans in the household sector are distributed in the table below into three categories: mortgage loans, loans with other collateral as well as unsecured loans. The table shows that risk-taking is considerably lower in granting housing mortgages than in other loans.

Nonperforming loans, households

December 31, SEK M	Percent of lending
Mortgage loans	1,057 1.5
Loans against other collateral	51 1.1
Liabilities and unsecured loans	1,270 10.3
Total	2,378 2.7

In the case of nonperforming loans, a loss reserve established in an amount equal to the amount that it is estimated would not be covered by the collateral if the

loan was liquidated. Individual evaluations are made of corporate commitments and large loans to private individuals. The total credit-risk is estimated statistically for each category of household nonperforming loans.

The reserve for corporate commitments was reduced during the year as a result of a decline in nonperforming loans. This portion of the total reserve at year-end amounted to SEK 3,621 M, which corresponds to a reserve ratio of 73%. The reserve for nonperforming loans to household was also reduced in nominal figures, amounting at year-end to SEK 1,507 M, corresponding to an unchanged level of 63%.

In connection with the acquisition of Industri-kredit, the volume of nonperforming loans increased in a gross amount of SEK 774 M and a net amount of SEK 460 M. These volumes were reduced gradually during the year. The acquisition also resulted in an increase of SEK 367 M in the volume of "property taken over for the protection of claims."

The table below illustrates how the volume of nonperforming loans changed during the year. From and including the second quarter of the year "additions" of nonperforming loans gradually declined and they were lower than reductions of loans.

Nonperforming loans, additions and reductions gross, in 1996

SEK Bn	Corporate	Private	Total
First quarter			
Additions	0.7	0.3	1.0
Reductions	- 0.6	- 0.1	- 0.7
Second quarter			
Additions	0.8	0.4	1.2
Reductions	- 1.4	- 0.4	- 1.8
Third quarter			
Additions	0.6	0.3	0.9
Reductions	- 0.8	- 0.4	- 1.2
Fourth quarter			
Additions	0.4	0.2	0.6
Reductions	- 1.0	- 0.5	- 1.5
Change in remaining balance	- 0.6	0.0	- 0.6

Interest-bearing securities

Current assets

The greater part of Nordbanken's interest-bearing securities are managed in the *Parent Company's* investment portfolio, based on a short- to medium-term investment horizon. In the trading portfolio, readily marketable positions are handled on customer or proprietary accounts to take advantage of short-term fluctuations in interest rates.

T.
by the
these]
T
Gover
but al
swaps,
T
growth
and a
invest
holdin
ment
age m
with a
(effec
invest
billio
portfo
T
terest
the c
est-be
31, th
exclu
incor
grow
dura
portf
than
holm
Inte
Group
Dec.
Cur
Inve
Trac
Hed
Tot
Fin
Tot
Sect
exte
resu
finar
at a
Incl
liabi
Fin
A n
ing
bea
firr
inn
cla