

Svenska Handelsbanken

23 April 2001

Press release

Handelsbanken's interim report January – March 2001

Summary

- *Profits were SEK 3 121m (2 905), an increase of over 7 %*
- *Income increased by more than 5 % to SEK 5 419m*
- *Net interest income rose by 12 %*
- *Net trading income went up by 20 %*
- *Expenses were SEK 2 376m (2 278), an increase of 4 %*
- *Recoveries exceeded reported loan losses by SEK 78m (32)*
- *Handelsbanken became the first Nordic bank to open a branch in Vienna*
- *Handelsbanken made a public bid for Midtbank A/S worth SEK 2.5bn*

The Group

Profits continue to rise

Profits were SEK 3 121m (2 905). The rise in profits was slightly more than 7 % and return on shareholders' equity was 21.7 % (22.4). For the full year 2000, return on shareholders' equity was 21.5 %, excluding the one-off effect of the sale of the Bank's shares in Svensk Exportkredit. The cost/income ratio before loan losses improved to 43.8 % (44.2) and after loan losses to 42.4 % (43.6). Earnings per share were SEK 3.38 (3.10) and as a 12-month moving total SEK 13.17 (10.21).

Net interest income rose sharply – small increase in expenses

Net interest income rose by 12 % to SEK 3 240m (2 904) while net trading income went up by 20 % to SEK 813m (676). The increase in net interest income was due mainly to a sharp increase in business volumes. The Bank's trading income continued to develop well. Almost all trading income derives from customer-related transactions. In particular, foreign exchange-related and interest rate-related trading developed very well during the period. Commission income went down, particularly equity-related commission in the branch office operation.

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Expenses were SEK 2 376m (2 278). This is an increase of 4 %, of which one percentage point is explained by changes in exchange rates. Staff costs rose by 6 %. This was mainly due to contractual salary increases, expansion in the Nordic countries and exchange rate changes. The average number of employees in the Swedish branch office operation decreased by 34 while the number in the Group as a whole rose by 273. Other expenses went up by 1 %.

Recoveries higher than loan losses

Recoveries, including the change in value of repossessed property, exceeded loan losses by SEK 78m (32). The proportion of bad debts amounted to 0.33 % (0.29) of lending. The volume of collateral taken over was SEK 140m (131).

Capital ratio, share buybacks and rating

The Group's capital ratio was 9.3 % (9.3). The Tier 1 capital ratio was 5.9 % (6.4). Profits for the period are not included in the calculation of capital ratio. Including these, the capital ratio was 9.5 % (9.7) and the Tier 1 ratio 6.1 % (6.7). The Annual General Meeting in 2000 authorised repurchases of shares. Handelsbanken has repurchased a total of 26.9 million shares at an average share price of SEK 141.48. The number of outstanding shares is now 687.8 million.

Handelsbanken's ratings from the leading rating agencies remained unchanged. In Europe, only two of the thirty largest universal banks have a higher rating from Moody's than Handelsbanken.

Internet – opportunities for further decentralisation

The branch offices can now create their own home pages. Each branch can adapt its pages and markets its products according to local conditions. The 'church spire principle' has gone digital, and the branches now have their own web-masters. This is an example of the practical use of the Internet at Handelsbanken, where new technology is utilised to strengthen the branches' position in the market.

Another example of the practical use of the Internet is e-bud™. This is an open service where buyers and sellers of private housing, and all other interested parties, can follow bidding for properties via the Internet.

Handelsbanken opens a branch in Vienna

Handelsbanken has become the first Nordic bank to open a branch in Vienna. The branch, organised under the Bank's Frankfurt unit, will serve Nordic companies in Austria and Austrian companies with operations in the Nordic region. The initiative has been very well received by the local market.

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Handelsbanken makes a bid for Midtbank A/S

On 11 April 2001, Handelsbanken made a public offer for Midtbank A/S, a bank with its head office in Jutland in Denmark. Midtbank has total assets of approximately SEK 12bn and around 25 branches. The total value of the bid is approximately SEK 2.5bn. The objective is to combine Handelsbanken's operations in Denmark with those of Midtbank. Through the acquisition, Handelsbanken will be able to add to the range of products it offers its customers e.g. mutual funds via a Danish fund management company.

Including planned new branches, Handelsbanken and Midtbank will have 35 branches all told. The Bank will be represented in every region in Denmark, with the emphasis on Jutland. After the acquisition, Handelsbanken will be the fifth largest bank in Denmark. Handelsbanken is already the fifth largest player on the Copenhagen Stock Exchange.

Stockholm, 23 April 2001



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This interim report has not been examined by the company's auditors

The interim report for the second quarter of 2001 will be published on 21 August 2001. Handelsbanken's interim reports and other publications are also available on the Internet (<http://www.handelsbanken.se/ir>).

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Profit and loss account – Svenska Handelsbanken Group

The profit and loss account on page 21 is prepared in accordance with Finansinspektionen's directives. In order to illustrate the development of operations more clearly, the profit and loss account is shown below with the various income categories, excluding that which is generated in the trading operation. The "Net result on financial operations" (equity, interest rate and currency-related) and trading-related income from other income categories are reported under "Trading, net". Performance-related staff costs are reported separately. The result of insurance operations has been allocated to the respective income/expense categories as shown in Note 5 on page 23. Participations in the result of associated companies are reported under "Other income".

SEK m	2001	2000	Change %	Full year 2000
Net interest income	3 240	2 904	12	11 791
Commission, net Note 1a	1 213	1 498	-19	5 455
Trading, net	813	676	20	2 633
Other income	153	73	110	801
Total income	5 419	5 151	5	20 680
Staff costs excl. performance-related	1 292	1 170	10	4 844
Performance-related staff costs	129	165	-22	464
Other expenses	955	943	1	3 756
Total expenses	2 376	2 278	4	9 064
Profit before loan losses	3 043	2 873	6	11 616
Net recoveries incl. change in value of repossessed property	78	32	144	67
Operating profit	3 121	2 905	7	11 683
Pension settlement	162	172	-6	797
Taxes	-946	-852	11	-3 353
Minority interests	-6	-6	0	-22
Net profit for the period	2 331	2 219	5	9 105

Note to the Profit and Loss Account

SEK m	2001	2000	Change %	Full year 2000
Note 1a Commission, net				
Brokerage	310	568	-45	1 668
Mutual funds and custody	385	427	-10	1 646
Payments	295	261	13	1 194
Lending and deposits	217	208	4	876
Other	279	297	-6	1 172
Commission income	1 486	1 761	-16	6 556
Commission expense	-273	-263	4	-1 101
Commission, net	1 213	1 498	-19	5 455

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Financial ratios for Svenska Handelsbanken Group

	2001	2000	Full year 2000
Return on shareholders' equity	21.7 %	22.4 %	22.3 %
Return on shareholders' equity *	21.7 %	22.4 %	21.5 %
Return on shareholders' equity, operating profit after standard tax *	20.7 %	21.0 %	19.9 %
Cost/Income (C/I ratio)			
- before loan losses	43.8 %	44.2 %	43.8 %
- after loan losses	42.4 %	43.6 %	43.5 %
- before loan losses *	43.8 %	44.2 %	44.6 %
- after loan losses *	42.4 %	43.6 %	44.2 %
Earnings per share, SEK			
- January – March	3.38	3.10	
- 12 mth moving total	13.17	10.21	12.89
Number of shares, end of period	714 746 940	714 746 940	714 746 940
- of which repurchased	26 923 525		21 505 900
Average number of outstanding shares	689 363 042	714 746 940	706 420 876
Adjusted equity per share, SEK	64.18	53.72	61.35
Tier 1 capital	33 366	31 234	34 596
Risk-weighted volume	575 730	490 077	541 556
Capital ratio **	9.5 %	9.7 %	9.5 %
Tier 1 ratio **	6.1 %	6.7 %	6.4 %
Average number of employees	8 703	8 430	8 574
Number of branches in Nordic countries, 31 March	515	509	512

* Excluding items affecting comparability

** Including profit for the period

Quarterly performance of Svenska Handelsbanken Group

SEK m	2001:1	2000:4	2000:3	2000:2	2000:1
Net interest income	3 240	3 010	2 893	2 984	2 904
Commission, net	1 213	1 288	1 320	1 349	1 498
Trading, net	813	665	671	621	676
Other income	153	157	63	508	73
Total income	5 419	5 120	4 947	5 462	5 151
Staff costs excl. performance-related	1 292	1 278	1 212	1 184	1 170
Performance-related staff costs	129	5	120	174	165
Other expenses	955	985	904	924	943
Total expenses	2 376	2 268	2 236	2 282	2 278
Profit before loan losses	3 043	2 852	2 711	3 180	2 873
Net recoveries incl. change in value of repossessed property	78	-42	64	13	32
Operating profit	3 121	2 810	2 775	3 193	2 905
Pension settlement	162	304	160	161	172
Taxes	-946	-839	-773	-889	-852
Minority interests	-6	-5	-6	-5	-6
Net profit for the period	2 331	2 270	2 156	2 460	2 219

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Business areas

Profit and loss account by business area - Group

SEK m	Branch offices	Markets	Investm- Banking	Asset Mgmt.	Finans	Pens & Insur.	S-hyp Bank	Treasury	Other	Total 2001	Total 2000
Net interest income	2 898	158	-60	39	120	1	19	58	-35	3 198	2 814
Commission, net	610	50	199	191	65	44	12	-9	51	1 213	1 498
Net result on financial operations	140	432	194	6	0	-15	0	-14	84	827	746
Other income	2	2	31	8	5	2	0	3	128	181	93
Total income	3 650	642	364	244	190	32	31	38	228	5 419	5 151
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<i>Net internal remuneration included in income</i>	216				1						
<i>Net internal remuneration deducted from income</i>		7	11	129		67	3	-			
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Total expenses	1 472	281	246	134	108	23	27	8	77	2 376	2 278
Profit before loan losses	2 178	361	118	110	82	9	4	30	151	3 043	2 873
Net recoveries incl. change in value of repossessed property	23	48			7		0			78	32
Operating profit	2 201	409	118	110	89	9	4	30	151	3 121	2 905
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Return on equity, %	21.0	26.7	47.0	21.7	29.8	8.3	15.4	11.6		21.7	22.4

The net amount of received/paid remunerations between the business areas is included in/deducted from the income categories for the business areas. The net amount of received/paid remuneration is shown above. The internal remuneration is credited to the business area which is responsible for the customer and reduces the income of the unit paying the remuneration. The remuneration is intended to cover expenses and also to distribute the profit arising on market terms.

Expenses also include the distribution of costs made internally within the Group for services rendered by business support operations.

Return on shareholders' equity for the business areas is computed after standard tax while for the whole Group it is computed after appropriations and full tax. The shareholders' equity, on which calculation of return on equity is based, is mainly distributed in accordance with the requirements of the Act on Capital Adequacy.

"Other" includes capital gains, dividends, amortisation of goodwill and Group adjustments, which are not attributable to an individual business area.

Handelsbanken Liv Fondförsäkrings AB and commission income from the mutual company, Handelsbanken Liv Försäkrings AB, are reported in the business area "Pension and Insurance".

The result of insurance operations and associated companies is reported as shown on page 4.

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Branch office operations

Handelsbanken is a Nordic universal bank with a strongly decentralised organisation. The branch is responsible for all customers within its geographic area - including the largest companies. The branch office co-ordinates all services for each and every customer. Where necessary, this is done in close co-operation with the Bank's subsidiaries and with specialists at regional and central levels.

Handelsbanken conducts complete universal banking operations in the whole of the Nordic area. Branch office operations consist of ten regional banks - seven in Sweden and one each in Norway, Finland and Denmark.

The regional banks are responsible for their own profits and are run using the same concept – to deliver universal banking services with a higher service level for customers compared with other banks in the Nordic area, at the same time as Handelsbanken aims to have the lowest expenses. It is on this foundation that the Bank will be able to grow in the whole of the Nordic area. Handelsbanken has 460 branches in Sweden, 25 in Norway, 23 in Finland and 7 in Denmark. Handelsbanken is the largest bank in Sweden, the fourth largest commercial bank in Finland, fifth in Norway and seventh in Denmark.

Profit and loss account

SEK m	2001	2000	Change %	Full year 2000
Net interest income	2 898	2 583	12	10 609
Commission, net	610	801	-24	2 979
Net result on financial operations	140	102	37	434
Other income	2	9	-78	49
Total income	3 650	3 495	4	14 071
<i>Net internal remuneration included in income</i>				
	216	262		1 072
Total expenses	1 472	1 363	8	5 538
Profit before loan losses	2 178	2 132	2	8 533
Net recoveries incl. change in value of repossessed property	23	2		172
Operating profit	2 201	2 134	3	8 705
Return on equity, %	21.0	22.4		22.8
Average number of employees	5 149	5 118		5 190

The profits of branch office operations continued to rise and amounted to SEK 2 201m (2 134), an increase of 3 %. Net interest income rose by 12 % while commission income decreased. It was mainly equities commission that decreased in the branch office operation. Mutual fund commission also decreased, but to a much lesser extent. Payment commission continued to grow.

Deposit and lending volumes developed well. Deposits in Swedish kronor rose by 8 % (average volume). Household deposits actually decreased, but market share continued to rise since the total market contracted. The launch of e-bud™ continued and there was intensified cooperation with many Swedish estate agents. Mortgage volumes continued to rise. There was a sharp increase in lending volumes. Swedish kronor lending increased by 8 % and lending in the Nordic region outside Sweden by 30 %.

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Handelsbanken Markets

Handelsbanken Markets' operations are organised into three business areas: Trading, Financial Institutions and Trade Finance, and Banking operations outside the Nordic countries. From an organisational point of view, Handelsbanken Investment Banking is also part of Handelsbanken Markets, but as from the second half of 2000, Investment Banking is reported as a separate business area in the interim and annual reports. The Bank's economic research unit is also included in Handelsbanken Markets as a resource. Handelsbanken Markets has just over 700 employees in 16 countries.

Profit and loss account

SEK m	2001	2000	Change %	Full year 2000
Net interest income	158	73	116	155
Commission, net	50	54	-7	215
Net result on financial operations	432	337	28	1 623
Other income	2	1	100	8
Total income	642	465	38	2 001
<hr/>				
<i>Net internal remuneration deducted from income</i>	7	8		39
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Total expenses	281	270	4	1 065
Profit before loan losses	361	195	85	936
Net recoveries incl. change in value of repossessed property	48	28	71	17
Operating profit	409	223	83	953
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Return on equity, %	26.7	18.1		18.5
Average number of employees	719	720		703

Performance

Operating profit increased by 83 % to SEK 409m (223). Income rose by 38 % to SEK 642m (465), due mainly to higher market share and volume growth. Expenses were up by 4 % to SEK 281m (270).

Trading

The first quarter was characterised by a number of somewhat surprising rate cuts in the USA. This resulted in falling stockmarkets, lower interest rates and volatile foreign exchange markets. Handelsbanken was able to take advantage of the fluctuations in the market so that the result for the first quarter was considerably higher than for the corresponding period last year. All business areas, including international units, made a strong contribution to the result.

During the first quarter, Handelsbanken participated in a number of issues in the capital market. These included a syndicated loan for Vin & Sprit and a subordinated loan of 750 million euro for the Handelsbanken Group arranged by Handelsbanken Markets.

During the first quarter, Handelsbanken continued to widen its international customer base. In recognition of this, Handelsbanken was once again acclaimed number one bank in Scandinavian currencies by the Journal of Foreign Exchange & Money Markets.

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Financial Institutions and Trade Finance

The business area reported unchanged costs and higher income, and has consequently continued to improve its profits.

Financial Institutions is responsible for business with foreign banks and foreign governments. The area reported higher income, thanks mainly to increasing volumes in its clearing operation. During the period, the Bank was commissioned to handle clearing in Swedish kronor for a number of major banks.

Trade Finance is responsible for documentary payments, short and long-term trade finance and for project finance. In the last quarter, Handelsbanken participated in the financing of a Malaysian mobile phone operator which had purchased Nordic telecommunication equipment. The volume of documentary payments for exports fell slightly.

Banking operations outside the Nordic countries

The result of banking operations outside the Nordic countries improved from an already healthy level.

In the UK, retail banking operations directed at both private customers and British companies continued to develop well. In accordance with previously announced plans, branches will be opened during the year in Reading and Leeds.

In Poland, Handelsbanken is the first Nordic bank to establish a wholly-owned subsidiary bank - Bank Svenska Handelsbanken (Polska) S.A. Operations are expected to start up towards the end of the second quarter.

Starting in the second quarter, banking operations directed at companies in the rest of Europe have been concentrated to the Frankfurt unit. Thus the units in Hamburg, Vienna, Luxembourg, Zurich and Paris now report directly to the Frankfurt unit, which in connection with this organisational change has been redesignated "Mid-Europe".

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Handelsbanken Investment Banking

Handelsbanken Investment Banking is responsible for corporate finance and equity sales and trading. Apart from its activities aimed at companies and institutional investors, Investment Banking also provides support to the branches in the field of equity-related products for small institutional investors and private customers. This support comprises research, development of new products, IT support and back-office services. Operations are run in seven countries with a focus on the Nordic markets. Marketing aimed at international investors is mainly done via the units in Stockholm, Paris, London and New York. Investment Banking had some 450 employees at the year-end.

Profit and loss account

SEK m	2001	2000	Change %	Full year 2000
Net interest income	-60	-47	28	-145
Commission, net	199	264	-25	948
Net result on financial operations	194	219	-11	807
Other income	31	22	41	84
Total income	364	458	-21	1 694
<i>Net internal remuneration deducted from income</i>	<i>11</i>	<i>19</i>		<i>80</i>
Total expenses	246	271	-9	940
Profit before loan losses	118	187	-37	754
Net recoveries incl. change in value of repossessed property				
Operating profit	118	187	-37	754
Return on equity, %	47.0	82.6		83.5
Average number of employees	454	381		425

Handelsbanken Investment Banking reported an operating profit of SEK 118m (187) and return on equity of 47.0 % (82.6). Against the background of the slowdown in its sphere of operations, the business area's result was satisfactory. The decrease in profits is attributable to lower activity in customer sales and Corporate Finance. The result for the trading operation, where the emphasis is on structured equity products, continued to achieve good results. The units outside Sweden upheld results and market shares satisfactorily. The performance in Norway was particularly strong – Handelsbanken advanced from a tenth position last year to become the fourth largest player in the market.

There was relatively large interest in the market for incentive programmes and structured equity products such as equity-linked bonds. Handelsbanken Investment Banking affirmed its position as a leading advisor and arranger of equity-related incentive programmes with assignments from Telia, WM-data, Ratos, AU System and Trelleborg, among others.

During the first quarter, five public offers were launched in the structured products area via the Swedish branch office operation, including two reverse convertibles.

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Transactions performed by Corporate Finance included Stena's bid for Stena Line, the IPO of Dimension, new share issues for Decim and Getinge, the sales of Graphium's printing operation and Calor VVS, and German EON's ongoing bid for Sydkraft.

Falling share prices and lower stockmarket turnover lead automatically to lower earnings from equity trading. Unfavourable market sentiment also means poorer market conditions for Corporate Finance. Corporate Finance hopes however to take advantage of a generally weaker market to advance its position within this business area. The focus is on strengthening the overall credibility of Handelsbanken in its role as advisor and negotiator of risk capital. Handelsbanken's relative market position in the field of Investment Banking benefits from the generally weaker market conditions thanks to the Bank's wide branch office network and strong financial position.

During the period, the Stockholm Stock Exchange introduced extended opening hours for a trial period. For Handelsbanken, which has efficiently adapted to the extra demands this makes on human resources, the extended trading hours led to only a small surplus in the branch offices' transactions with private customers. Interest from institutional investors was extremely limited.

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Handelsbanken Asset Management

Handelsbanken Asset Management comprises Fund Management, Discretionary Management and Institutional Custody Services. Operations are conducted in the four Nordic countries as well as in Luxembourg and the UK.

Profit and loss account

SEK m	2001	2000	Change %	Full year 2000
Net interest income	39	38	3	177
Commission, net	191	225	-15	860
Net result on financial operations	6	10	-40	32
Other income	8	6	33	9
Total income	244	279	-13	1 078
<i>Net internal remuneration deducted from income</i>	<i>129</i>	<i>151</i>		<i>621</i>
Total expenses	134	98	37	431
Profit before loan losses	110	181	-39	647
Net recoveries incl. change in value of repossessed property		1		0
Operating profit	110	182	-40	647
Return on equity, %	21.7	42.2		37.8
Average number of employees	362	303		327

Due to the weak stockmarket trend, income decreased by 13 % over the period. Expenses rose by 37 % due mainly to increased costs for training staff and system development. The volume of assets managed by Handelsbanken Asset Management was SEK 145bn (158) as at 31 March. The total volume of assets under management by the Group amounted to SEK 196bn.

Mutual fund management

As from March, SPP Fonder AB is part of Handelsbanken's fund management company.

The Bank's fund management company managed 83 mutual funds at the end of the quarter, of which 16 were SPP Fonder mutual funds. The assets under management amounted to SEK 91bn, of which SEK 9bn in SPP Fonder.

New savings in Handelsbanken's mutual funds, excluding SPP Fonder, on the Swedish mutual fund market amounted to SEK 12bn net. This means that Handelsbanken had a market share of 17.7 %, somewhat higher than the previous year. Net inflows during the quarter came mainly in the shape of institutional deposits to fixed-income funds, while equity funds and mixed funds reported net outflows. The number of unit-holders increased by 15 000 during the period.

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In March, a new mutual fund, Chalmers Globalfond, was launched in collaboration with the Chalmers University of Technology in Göteborg. Each year, 2 % of the value of the Globalfond will be distributed in order to further strengthen Chalmers' position as a leading international university of technology. The fund is an actively-managed global equity fund.

Discretionary management

Due to the weak global equities market, the volume of assets under discretionary management decreased in the first quarter of the year by SEK 4bn (net) and was SEK 47bn (53) as at 31 March. The number of customers increased by 10 during the quarter.

Towards the end of the quarter, a great deal of work went into transferring SPP Liv's assets to Handelsbanken. The total volume of these assets was around SEK 80bn (excluding mutual funds) as at the end of the first quarter. The management of these assets was taken over by Handelsbanken on 1 April 2001.

Operations outside the Nordic countries

Outside the Nordic countries, asset management is conducted at units in London and Luxembourg. The units in Marbella, Côte d'Azur, Zurich and Brussels are representative offices whose main task is to support asset management in Luxembourg. Assets managed were SEK 13bn (14).

Custody services

The number of custody accounts has continued to grow. As at 31 March, there were 168 000 accounts with a total value of SEK 700bn. More than 90 % of newly-opened custody accounts and 51 % of the total number of accounts were linked to the Internet.

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Handelsbanken Finans

Handelsbanken Finans offers a full range of local finance company services in four Nordic countries: leasing, conditional sales, financing in collaboration with vendors of investment assets, company car financing and associated administration services, factoring and collection services, consumer credits and private label cards for retailer partners.

Profit and loss account

SEK m	2001	2000	Change %	Full year 2000
Net interest income	120	132	-9	483
Commission, net	65	51	27	239
Net result on financial operations	0	0	0	12
Other income	5	4	25	19
Total income	190	187	2	753
<hr/>				
<i>Net internal remuneration included in income</i>	1			
<i>Net internal remuneration deducted from income</i>		11		15
<hr/>				
Total expenses	108	102	6	408
Profit before loan losses	82	85	-4	345
Net recoveries incl. change in value of repossessed property	7	1		-14
Operating profit	89	86	3	331
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Return on equity, %	29.8	22.6		24.8
Average number of employees	440	419		423

The result was SEK 89m (86) implying return on equity of 29.8 % (22.6). Credit volumes rose by 24 % to SEK 21.3bn.

New sales continued to develop extremely well. Handelsbanken Finans' share of the finance company market in Sweden increased in the second half of 2000 and this trend appears to have continued in the first quarter of 2001.

The work continued of facilitating and improving routines at Handelsbanken's branch offices for leasing and conditional sales transactions. A new IT solution was launched in the Swedish branch office network. Credit volumes rose by 22 % in Sweden and Denmark. In Sweden, for example, a deal was concluded with Länstrafiken in the city of Jönköping for the financing of rolling stock worth SEK 350m. In Finland and Norway, credit volume went up by 32 % and 9 % respectively during the period.

At Factoring & Collection, new customers continued to stream to the factoring with finance and factoring credit services. On the collections side, the volume of collected funds increased, which allowed the branch offices to recover non-performing loans faster than was previously possible.

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In the past six months competition within Retail Financial Services has become even tougher. A number of important retailers decided to extend their collaboration with Handelsbanken Finans. In the Leisure sector, financing of boats increased significantly. The number of Köpkort cards continued to increase and there are now 163 000 cards. Credit volumes in Sweden increased by 26 %.

In Finland, Handelsbanken started several collaborations in the motorcycle sector. Credit volumes at Retail Financial Services in Finland increased by 4 %. In Norway, a number of new collaborations in the boat sector were initiated. Apart from credit volumes for cars, taken over from Bergensbanken, credit volumes increased by 20 %. In Denmark the acquisition of Spartacus A/S increased credit volumes.

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Handelsbanken Pension and Insurance

The business area called Handelsbanken Pension and Insurance comprises Handelsbanken Liv and SPP. A complete range of life insurance products is marketed under the name Handelsbanken Liv via Handelsbanken's branch office network. These products include occupational and private pensions, asset protection schemes and labour market pension insurance for companies, private customers and organisations. SPP is one of the leading players in the Swedish pensions market and has large market shares in the areas of occupational pensions, labour market pensions (exposed to competition) and also in private pension savings. SPP sells its services via its own sales force, franchisees and independent brokers. The traditional life insurance operations in Handelsbanken Liv Försäkrings AB and SPP's operations are run on mutual principles where the whole surplus on operations goes back to policy-holders in the form of bonuses and collective risk capital. These units are not included in Handelsbanken's consolidated accounts.

Profit and loss account

SEK m	2001	2000	Change %	Full year 2000
Net interest income	1	3	-67	12
Commission, net	44	45	-2	176
Net result on financial operations	-15	13	-215	-6
Other income	2	1	100	5
Total income	32	62	-48	187
<hr/>				
<i>Net internal remuneration deducted from income</i>	67	69		303
<hr/>				
Total expenses	23	19	21	85
Profit before loan losses	9	43	-79	102
Net recoveries incl. change in value of repossessed property				
Operating profit	9	43	-79	102
<hr/>				
Return on equity, %	8.3	39.2		23.2
Average number of employees	11	9		11

Handelsbanken Liv Fondförsäkrings AB and commission income from the mutual company, Handelsbanken Liv Försäkrings AB, are included in the Handelsbanken Pension and Insurance business area.

Handelsbanken Liv

The result for the profit-distributing unit-linked operation within Handelsbanken Liv was SEK 9m (43). This lower result is mainly due to lower return on the company's equity (investments in shares). The result for insurance business (excluding return on the company's own investments) was SEK 21m (26).

Total premium income for Handelsbanken Liv was SEK 1 636m (3 282), of which unit-linked insurance represented SEK 997m (2 649). Premium income in the traditional life insurance company was more or less unchanged at SEK 639m (633). Total insurance assets managed were SEK 35bn (37). The solvency margin was 105 %.

The decrease in premium income for the unit-linked company is due to a sharp drop in sales of insurance with an investment orientation as a result of stockmarket trends. This applied particularly to unit-linked endowment insurance. Premium income in the area of occupational and private pensions increased by 33 %. The substantial increase in labour market pensions (exposed to competition) contributed to this positive performance.

Svenska Handelsbanken

Handelsbanken Liv Försäkrings AB Profit and loss account

SEK m	2001	2000	Full year 2000
Premium income	639	633	2 260
Investment income	-754	860	34
Insurance claims	-291	-268	-1 186
Change in life insurance provisions	-338	-321	-1 873
Bonus	-63	-107	-103
Operating expenses	-77	-57	-270
Other			33
Result on technical account – life insurance business	-884	740	- 1 105
Non-technical account			
Taxes	-48	-45	-156
Net profit for the period	-932	695	-1 261

Handelsbanken Liv Försäkrings AB is a mutual life insurance company and is not consolidated.

SPP

For SPP, premium income was SEK 4 078m (2 115), which was an increase of 93 %. Traditional insurance represented SEK 2 964m (1 742) and unit-linked insurance SEK 1 115m (377). The increase was mainly due to continued sales of insurance of a non-recurrent type, such as early retirement pensions and also increased sales of unit-linked insurance. The PFA municipal pensions selection process, which allows municipal employees to choose where to invest part of their pension, also contributed to the increase in premium income.

New sales were SEK 1 837m (1 228) of which SEK 520m originated from the municipal pensions selection process. Unit-linked insurance continued its good performance with sales of SEK 643m (212).

Assets managed in traditional insurance operations were SEK 80.0bn (83.5). SPP's solvency margin was 113 %.

SPP Group Profit and loss account

SEK m	2001	2000	Full year 2000
Premium income	4 078	2 115	10 011
Investment income	-3 919	3 956	2 785
Insurance claims	-771	-678	-3 003
Change in life insurance provisions	-3 719	-2 620	-8 884
Operating expenses	-243	-159	-911
Other			-2
Result on technical account – life insurance business	-4 574	2 614	-4
Non-technical account			
Other operations	-4	10	16
Taxes	-140	-123	-509
Net profit for the period	-4 718	2 501	-497

The parent company, SPP Liv AB, is a mutual life insurance company and the Group is therefore not consolidated.

Svenska Handelsbanken

Stadshypotek Bank

Stadshypotek Bank is one of the leading Internet and telephone banks in Sweden. It is active under its own brand name and provides its own range of services. The Bank specialises in tailored offers of basic banking and insurance services.

Profit and loss account

SEK m	2001	2000	Change %	Full year 2000
Net interest income	19	14	36	65
Commission, net	12	18	-33	59
Net result on financial operations	0	0	0	0
Other income	0	1	-100	2
Total income	31	33	-6	126
<hr/>				
<i>Net internal remuneration deducted from income</i>	3	4		14
<hr/>				
Total expenses	27	29	-7	111
Profit before loan losses	4	4	0	15
Net recoveries incl. change in value of repossessed property	0	0	0	0
Operating profit	4	4	0	15
<hr/>				
Return on equity, %	15.4	17.1		17.1
Average number of employees	111	105		106

Results

Profits were SEK 4m (4). Increased income from FondSpar (mutual funds), the VISA payment card and higher net interest income mainly compensated for significantly lower income from retail bonds and almost halved commission on stockmarket transactions. Return on equity was 15.4 % (17.1).

Business trends

The Internet banking service continued to perform very well. Over 21 000 customers can now do their banking business with Stadshypotek Bank via the Internet, an increase of more than 100 %. The customers who are linked to the service are active users. Over 60 % of all private payments made by Stadshypotek Bank's customers are done via the Internet.

During the period, Stadshypotek Bank introduced the opportunity for private customers to make individual purchases or monthly savings in equity baskets via the Internet. These baskets are based on the OM Stockholm Stock Exchange's new industrial sector index and contain a selection of shares in the largest companies in value terms in each area. It is also possible to make purchases by phone and the baskets are 'packaged' in advance with the shares in question.

Svenska Handelsbanken

In the face of increasing competition, Stadshypotek Bank has taken a leading position in the market for the new card concept introduced last year in collaboration with various sports associations: AIK Fotboll, Helsingborgs IF, Örgryte IS and Djurgården Fotboll. New participants during the period were IFK Norrköping, Halmstad BK, Plannja Basket and IF Björklöven.

The cards, which show the emblem of the association in question, have a VISA link which means that cardholders have access to retail outlets worldwide. The special benefits and attractive profile distinguish this card from other payment cards available in the market. For example, customers can divide up the cost of season tickets. The number of customers with a VISA payment card increased by 75 % compared to the previous year.

Svenska Handelsbanken

Handelsbanken Treasury

Handelsbanken Treasury manages the Group's liquidity in Swedish kronor (the internal bank) funding in the capital market, and funding and clearing with the Riksbank. It also measures and controls financial risks within the Group. The activity that has a direct and tangible effect on the profit and loss account is cash management in Swedish kronor.

Profit and loss account

SEK m	2001	2000	Change %	Full year 2000
Net interest income	58	61	-5	243
Commission, net	-9	-2	350	-12
Net result on financial operations	-14	-5	180	-55
Other income	3	3	0	11
Total income	38	57	-33	187
<hr/>				
<i>Net internal remuneration deducted from income</i>	-	-		-
<hr/>				
Total expenses	8	6	33	14
Profit before loan losses	30	51	-41	173
Net recoveries incl. change in value of repossessed property				
Operating profit	30	51	-41	173
<hr/>				
Return on equity, %	11.6	11.4		10.2
Average number of employees	38	38		39

Result

Handelsbanken Treasury's result was SEK 30m (51). In the first quarter of 2001, the difference between interest rates with different fixing periods was very small. The opportunities for generating net interest income are much worse in a market with small differences in interest rates over various time periods. The prevailing interest rate relationships had a negative impact on the result compared with the first quarter of last year.

Svenska Handelsbanken

Profit and loss account – Svenska Handelsbanken Group

In accordance with Finansinspektionen's regulations

SEK m	2001	2000	Change %	Full year 2000
<i>Interest income</i>	17 905	15 553	15	66 308
<i>Interest expense</i>	-14 684	-12 745	15	-55 024
Net interest income	3 221	2 808	15	11 284
Dividends received	140	48	192	504
<i>Commission income</i>	1 411	1 637	-14	6 048
<i>Commission expense</i>	-242	-184	32	-770
Commission, net	1 169	1 453	-20	5 278
Net result on financial operations	861	725	19	3 049
Other operating income	23	33	-30	343
Total income	5 414	5 067	7	20 458
General administrative expenses				
- Staff costs	1 419	1 333	6	5 300
- Other expenses	739	709	4	2 928
Depreciation and write-down in value of tangible and intangible fixed assets	183	218	-16	753
Total expenses	2 341	2 260	4	8 981
Profit before loan losses	3 073	2 807	9	11 477
Net loan losses	-78	-31	152	-66
Change in value of repossessed property	-	-1	-100	-1
Participations in the result of associated companies	9	8	13	32
Result of banking operations	3 160	2 847	11	11 576
Result of insurance operations	-39	58		107
Operating profit	3 121	2 905	7	11 683
Pension settlement	162	172	-6	797
Taxes	-946	-852	11	-3 353
Minority interests	-6	-6	0	-22
Net profit for the period	2 331	2 219	5	9 105

Svenska Handelsbanken

Notes to the profit and loss account in accordance with Finansinspektionen's regulations

SEK m	2001	2000	Full year 2000
Note 1 Commission, net			
Payments	295	218	1 014
Lending	134	122	544
Deposits	21	24	79
Guarantees	62	62	253
Securities	620	914	2 988
Other	279	297	1 170
Commission income	1 411	1 637	6 048
Commission expense	-242	-184	-770
Commission, net	1 169	1 453	5 278
Note 2 Net result on financial operations			
Shares and participations	-210	445	1 371
Interest-bearing securities	109	-1 301	-2 175
Realised profit	-101	-856	-804
Shares and participations	605	-206	-271
Interest-bearing securities	164	1 316	2 572
Unrealised changes in value	769	1 110	2 301
Changes in exchange rates	193	471	1 552
Net result on financial operations	861	725	3 049
Note 3 Other administrative expenses			
Property and premises	194	164	706
External IT costs	189	183	690
Communication	104	102	394
Travel and marketing	83	68	324
Purchased services	111	90	433
Supplies	42	41	178
Other expenses	16	61	203
Other administrative expenses	739	709	2 928
Note 4 Loan losses			
Individually valued claims:			
The period's write-down for actual loan losses	145	107	449
Writeback of previous provisions for possible loan losses which are reported as actual loan losses in the period's accounts	-121	-82	-347
The period's provision relating to possible loan losses	107	85	630
Recovered from actual credit losses in previous years	-127	-55	-258
Write-back of provisions for possible loan losses which are no longer necessary	-77	-85	-553
Net expense for the period for individually valued claims	-73	-30	-79
Claims valued as a group:			
The period's write-down for actual loan losses	7	7	39
Recovered from actual credit losses in previous years	-13	-8	-14
Allocation to/dissolution of reserve for loan losses	1	0	-12
Net expense for the period for claims valued as a group	-5	-1	13
Total loan losses	-78	-31	-66

Svenska Handelsbanken

Notes to the profit and loss account in accordance with Finansinspektionen's regulations (cont.)

SEK m	2001	2000	Full year 2000
Note 5 Result of insurance operations			
Net interest income	-23	6	22
Dividends received	6	1	3
Commission, net	44	45	177
Net result on financial operations	-33	21	-20
Other operating income	2	3	8
Total income	-4	76	190
Staff costs	2	2	8
Other expenses	20	16	75
Depreciation and write-down in value of tangible and intangible fixed assets	13		
Total expenses	35	18	83
Result of insurance operations	-39	58	107

Result of insurance operations in accordance with the Swedish Annual Accounts Act for Insurance Companies

SEK m	2001	2000	Full year 2000
Technical account - insurance business			
Premium income	1 001	2 654	6 751
Investment income	254	156	194
Change in value of investments for which policyholders bear the investment risk	-2 304	452	-2 039
Insurance claims	-395	-287	-1 110
Change in insurance provisions	1 692	-2 765	-3 479
Operating expenses	-16	-11	-57
Result on technical account - insurance business	232	199	260
Non-technical account			
Investment income	-39	18	7
Other	-13		
Yield tax	-219	-159	-160
Profit before company taxes	-39	58	107
Taxes	14	-5	-1
Net profit for the period	-25	53	106

Svenska Handelsbanken

Balance sheet – Svenska Handelsbanken Group

SEK m		2001	2000	31 Dec 2000
Lending to the general public	Note 1	713 613	640 359	689 106
Lending to credit institutions		104 794	125 369	94 677
Interest-bearing securities				
- Financial fixed assets		5 889	1 730	5 126
- Financial current assets		106 411	78 606	83 136
Other assets		180 233	144 428	148 318
Total assets		1 110 940	990 492	1 020 363
Deposits and funding from the general public		255 001	242 083	255 350
Liabilities to credit institutions		209 597	164 916	155 414
Issued securities etc		413 559	375 836	401 489
Subordinated liabilities		25 040	17 937	19 066
Other liabilities		163 709	151 311	146 578
Shareholders' equity		44 034	38 409	42 466
Total liabilities and shareholders' equity		1 110 940	990 492	1 020 363

Notes to the balance sheet

SEK m		2001	2000	31 Dec 2000
Note 1 Lending to the general public				
SEK lending				
- to households		239 040	220 730	234 650
- to companies etc *		297 847	285 905	296 746
		536 887	506 635	531 396
Foreign currency lending				
- to households		27 675	19 847	25 024
- to companies etc		152 266	117 208	135 875
		179 941	137 055	160 899
Reserve for possible loan losses		-3 215	-3 331	-3 189
Total lending to the general public		713 613	640 359	689 106
*) of which National Debt Office		0	0	0

Svenska Handelsbanken

Other information

Some minor reclassifications have been made in the balance sheet and the profit and loss account.
The comparative figures have been recalculated

SEK m	2001	2000	Full year 2000
Cash flow statement			
Cash flow on operating activities	-613	-3 457	5 278
Cash flow on investing activities	-5 229	3 875	-506
Cash flow on financing activities	5 110	-1 917	-5 878
Cash flow for the period	-732	-1 499	-1 106
Liquid funds at beginning of year	5 258	6 285	6 285
Cash flow for the period	-732	-1 499	-1 106
Exchange rate difference on liquid funds	108	-54	79
Liquid funds at end of period	4 634	4 732	5 258
Capital base and requirement			
Tier 1 capital	33 366	31 234	34 596
Total capital base	53 006	45 691	51 695
Risk-weighted volume	575 730	490 077	541 556
Capital ratio	9.3 %	9.3 %	9.5 %
Tier 1 ratio	5.9 %	6.4 %	6.4 %
Capital ratio *	9.5 %	9.7 %	9.5 %
Tier 1 ratio *	6.1 %	6.7 %	6.4 %
* Including profit for the period			
Problem loans			
Bad debts	5 527	5 292	5 532
Reserve for possible loan losses	-3 148	-3 378	-3 219
Bad debts, net	2 379	1 914	2 313
Reduced rate loans without a provision for possible loan losses	54	129	55
Total problem loans	2 433	2 043	2 368
Bad debt reserve ratio	57.0 %	63.8 %	58.2 %
Proportion of bad debts	0.33 %	0.29 %	0.33 %
Problem loans before write-down for possible loan losses	5 581	5 421	5 587
Loan loss level	-0.04 %	-0.02 %	-0.01 %
Non-performing loans for which interest is accrued	1 423	1 123	1 321
Collateral taken over:			
- Buildings and land	0	0	0
- Shares and other participations	55	55	55
- Other	85	76	93
Total collateral taken over	140	131	148

Svenska Handelsbanken

Derivative instruments

SEK m	Interest rate-related		Currency-related		Equity-related	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Positive values	39 707	36 103	66 064	66 077	3 396	3 372
Negative values	37 725	33 829	49 749	49 874	2 458	2 419

The above table is compiled in accordance with Finansinspektionen's regulations and includes all derivative instruments in the Group. For derivative instruments which are part of trading operations, the book value is the same as the market value. The differences between market value and book value reported in the table correspond to the reversed differences between market value and book value in that part of the Group's operations which is subject to hedge accounting.

Value-at-Risk

During the period 1 April 2000 - 31 March 2001, Handelsbanken Markets' exposure to interest rate and exchange rate risk (incl. option risk), measured as Value-at Risk (VaR), was on average SEK 37m. During the period, this risk varied between SEK 19m and SEK 51m. During the same period, Handelsbanken Markets' exposure to equity price risks, measured as VaR, was on average SEK 11m. This risk varied between SEK 2m and SEK 26m.

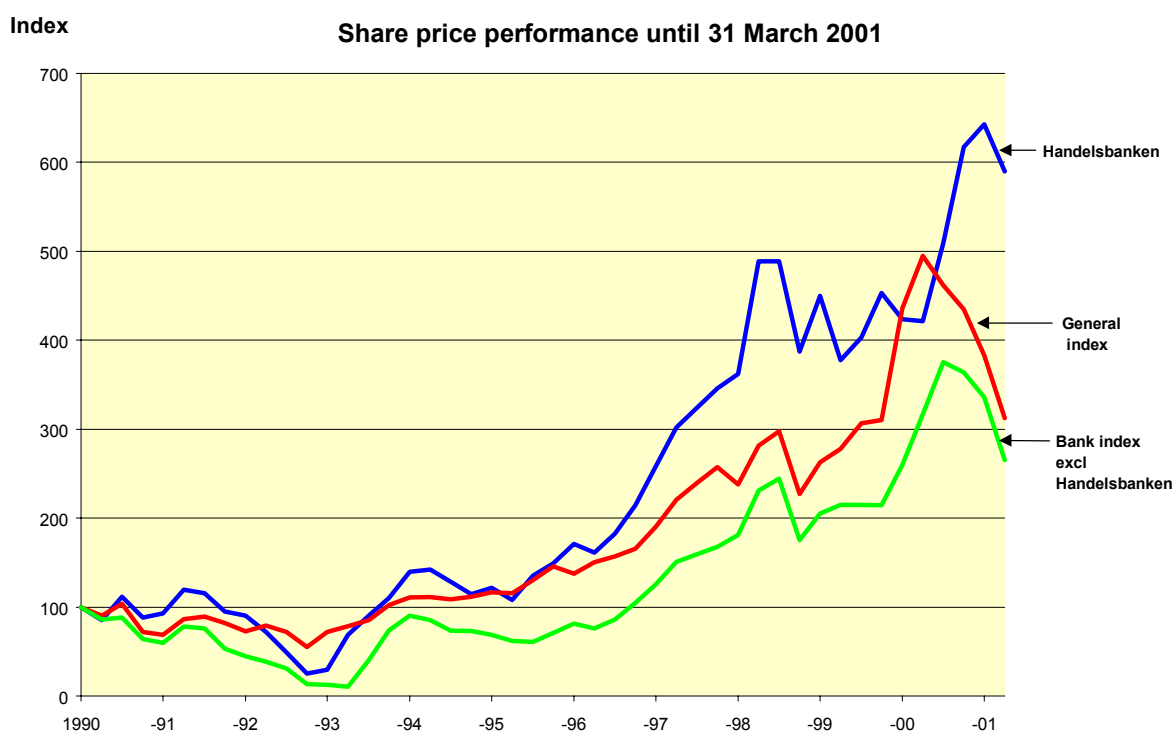
Svenska Handelsbanken

Handelsbanken's shares

The fall on the Swedish stock market during the first quarter of the year was 18 %, measured in the Affärsvärlden general index. Handelsbanken's share price fell by 8 % and was thus the share which performed best of the major banks on the OM Stockholm Stock Exchange.

As at 31 March 2001, Handelsbanken had a total market value of SEK 102bn. The fact that the percentage changes in the market value and the share price differ is due to the number of outstanding shares having been reduced through buyback of shares.

	31 March 2001	31 December 2000
Share price ordinary class A, SEK	148.50	161.50
Number of outstanding shares, million	687.8	693.2
Market capitalisation SEK bn	102	112



Handelsbanken's rating as at 31 March 2001

	Financial strength	Short-term	Long-term
Moody's	B+	P-1	Aa2
S&P		A-1	A+
Fitch	B	F1+	AA-