

# Svenska Handelsbanken

24 August 1999

## Press release

### Svenska Handelsbanken's interim report January - June 1999

#### Summary

- *The result was SEK 4.4 billion, an increase of 9 % compared with the first six months of 1998 excluding items affecting comparability*
- *Net interest income rose by 5 %*
- *Net commission income rose by 4 %*
- *Expenses rose by 1 %*
- *Raised rating from Moody's. Handelsbanken now has a higher rating than any other bank in the Nordic countries. Only two banks in Europe have a higher rating*
- *For the tenth consecutive year, Handelsbanken has the most satisfied customers according to an official survey, Svenskt kvalitetsindex. The Bank's lead over the other banks has increased on both corporate and private markets since the last survey*
- *Bid for Bergensbanken accepted by shareholders representing 97 % of the capital*
- *Handelsbanken starts bank in Poland*

#### The Group

##### Result continues to be strong

The Handelsbanken Group's profits for January – June 1999 amounted to SEK 4 393m (4 384). The result for the first quarter of 1998 included a capital gain of SEK 338m from sales of properties. Excluding this, the result improved by 9 %.

Return on shareholders' equity was 17.7 % (18.5). Return on shareholders' equity is calculated as operating profit in relation to average shareholders' equity after standard tax and with an adjustment made for items affecting comparability. The corresponding figure for the whole of 1998 was 16.4 %.

##### Income and expenses

Operating income amounted to SEK 8 674m (8 766), an increase of 3 %, excluding the capital gain in the first quarter of 1998.

Net interest income increased by 5 % to SEK 6 050m. A fee of SEK 154m (143) to the Swedish government for the deposit protection guarantee has been charged to net interest income.

The spread between lending rates and deposit rates in the Handelsbanken Group was slightly improved.

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Net commission income increased by 4 % to SEK 1 810m (1 735). Securities commission in the shape of brokerage and fund management fees developed well. The net result on financial operations fell by SEK 190m to SEK 384m. This decrease is compensated for by higher income in the form of net interest income and dividends, mainly from the trading operation.

Expenses increased by 1 % compared with the first half of 1998 to SEK 4 293m (4 248) but decreased by 6 % compared with the second half of 1998.

The I/E ratio after loan losses rose to 2.03 (1.92).

## **Loan losses still at low level**

Loan losses, including changes in the value of repossessed property, continued to fall and recoveries on previously reported loan losses exceeded loan losses by SEK 12m.

The proportion of bad debts fell to 0.3 % (0.5) of lending. The volume of collateral taken over fell to SEK 277m (375).

## **Capital ratio and rating**

The Handelsbanken Group's capital ratio was 9.7 % (9.8). The Tier 1 capital ratio increased to 6.5 % (6.1).

During the period, Handelsbanken's long-term rating was raised to Aa2 by Moody's Investors Services. Handelsbanken has a higher long-term rating than any other Nordic bank. In Europe, only two listed universal banks have received a higher rating from Moody's.

## **Bid for Bergensbanken accepted by shareholders**

By the end of the stipulated offer period, Handelsbanken's bid for the shares in Bergensbanken, made public on 3 May, had been accepted by shareholders representing 97 % of the share capital. Handelsbanken has applied to the authorities for permission to carry through the acquisition. A decision is expected before the end of the year.

## **Large proportion of active Internet users**

Handelsbanken has offered Internet services to private customers since autumn 1997 and to corporate customers since autumn 1998. It is now possible to access account information, make payments and transfers, and buy and sell shares and mutual fund units over the Internet. Handelsbanken has grown faster than any other Swedish bank on the Internet in the past year – by 225 % - and 150 000 customers are now linked to the Bank's Internet service. But more important than the number of subscribers is the high proportion of customers who actually use the service. It is only if the customer is an active user that it leads to savings in costs for the Bank. According to a SIFO survey, 13 % of Handelsbanken's customers are active users of the Bank's Internet services. This means that Handelsbanken has the second highest proportion of active Internet users among the Swedish banks. Around 12 % of the total number of payments and 14 % of share transactions at the Bank are made via the Internet.

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Handelsbanken's Internet service is not a separate operation but an integral part of the branch office operations. The customer remains a customer of his or her branch office and, via the Internet service, has rapid, simple and effective access to the branch and his/her accounts. For the Bank, the Internet is a highly cost-effective means of carrying out customer transactions.

## **Most satisfied customers**

An official survey, Svenskt kvalitetsindex for 1998/99, has once again identified Handelsbanken as the major bank with the most satisfied customers in both private and corporate markets. The survey is organised by Statistics Sweden and the Stockholm School of Economics, among others. It is carried out in co-operation with the leading European quality organisations and with the support of the European Commission.

It is the tenth consecutive year that Handelsbanken has more satisfied customers than the average in the Swedish banking sector, both for corporate and private customers. The Bank's lead over the other banks, which narrowed after the financial crisis, has again begun to increase on both the corporate and private markets.

## **Best bank in Sweden and the Nordic region**

Handelsbanken has been nominated the best bank in the Nordic region, as well as the best bank in Sweden, by the international magazine Euromoney and awarded the "Euromoney Award for Excellence 1999".

Euromoney's decision was based on the fact that Handelsbanken is the only bank with a significant pan-Nordic presence and has the strongest brand name in Nordic banking. The magazine also points out that Handelsbanken has succeeded in expanding outside Sweden mainly through organic growth, without any major acquisitions, and with good, long-term profitability on all its markets. They also point out that the Bank's branch office network covers almost all towns in the four Nordic countries with a population of over 50 000.

Euromoney also emphasises the fact that Handelsbanken has lower expenses than most other banks and never sacrifices quality to achieve lending volumes.

The finance magazine Global Finance has also recently named Handelsbanken the best bank in Sweden.

## **Handelsbanken starts bank in Poland**

In mid-1997, Handelsbanken was the first Swedish bank to start a representative office in Warsaw. On the basis of its experience in Poland, Handelsbanken has now decided to start full banking operations there. Handelsbanken will therefore be the first Nordic bank to apply to the Polish authorities for permission to start a wholly-owned banking operation.

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## **The millennium shift**

The Bank's preparations for year 2000 are running according to plan. In June, more than 99 % of the central application systems, technical platforms, PC systems and embedded systems that will be used over and after the millennium shift had been analysed, adapted, tested and launched into production. A far-reaching contingency plan for dealing with unforeseen interruptions has been drawn up.

Due to the ongoing extensive development of the Bank's Internet service, supplementary tests will be made on the systems that handle the Internet. It is expected that these will be completed during October.

Information about Handelsbanken's year 2000 project is published and regularly updated at the Bank's Internet site.

Stockholm, 24 August 1999



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*The interim report for the first nine months of 1999 will be published on 26 October 1999. Handelsbanken's interim reports and other publications are also available on the Internet ([www.handelsbanken.se](http://www.handelsbanken.se))*

# Svenska Handelsbanken

## Business areas

### Result per business area

January - June 1999 - Svenska Handelsbanken Group

| SEK m   | Branch<br>offices | Markets       | Asset<br>Mgmt. | Finans        | Liv          | S-hyp<br>Bank | Central<br>Treasury | Other      | Total<br>1999 | Total<br>1998 | Full year<br>1998 |
|---|-------------------|---------------|----------------|---------------|--------------|---------------|---------------------|------------|---------------|---------------|-------------------|
| Net interest income                                       | 4 771             | 759           | 34             | 242           | 3            | 24            | 305                 | -88        | 6 050         | 5 771         | 11 430            |
| Commission, net   | 977               | 358           | 280            | 105           | 44           | 39            | -3                  | 10         | 1 810         | 1 735         | 3 408             |
| Net result on financial<br>operations                     | 149               | 287           | 13             | 0             | 8            |               | -57                 | -16        | 384           | 574           | 1 242             |
| Other income  | 11                | 76            | 3              | 7             | 2            | 2             | 4                   | 325        | 430           | 686           | 757               |
| <b>Total income</b>                                       | <b>5 908</b>      | <b>1 480</b>  | <b>330</b>     | <b>354</b>    | <b>57</b>    | <b>65</b>     | <b>249</b>          | <b>231</b> | <b>8 674</b>  | <b>8 766</b>  | <b>16 837</b>     |
| <i>Net internal remuneration<br/>included in income</i>   | 467               |               |                |               |              |               |                     |            |               |               |                   |
| <i>Net internal remuneration<br/>deducted from income</i> |                   | 122           | 241            | 20            | 78           | 6             | -                   |            |               |               |                   |
| <b>Total expenses</b>                                     | <b>2 648</b>      | <b>948</b>    | <b>152</b>     | <b>211</b>    | <b>37</b>    | <b>59</b>     | <b>13</b>           | <b>225</b> | <b>4 293</b>  | <b>4 248</b>  | <b>8 807</b>      |
| <b>Result before<br/>loan losses</b>                      | <b>3 260</b>      | <b>532</b>    | <b>178</b>     | <b>143</b>    | <b>20</b>    | <b>6</b>      | <b>236</b>          | <b>6</b>   | <b>4 381</b>  | <b>4 518</b>  | <b>8 030</b>      |
| Loan losses   | 29                | -34           |                | -7            |              |               |                     |            | -12           | 134           | 319               |
| <b>Operating result</b>                                   | <b>3 231</b>      | <b>566</b>    | <b>178</b>     | <b>150</b>    | <b>20</b>    | <b>6</b>      | <b>236</b>          | <b>6</b>   | <b>4 393</b>  | <b>4 384</b>  | <b>7 711</b>      |
| <b>Return on equity</b>                                   | <b>20.1 %</b>     | <b>18.8 %</b> | <b>23.7 %</b>  | <b>21.7 %</b> | <b>9.8 %</b> | <b>15.2 %</b> | <b>17.9 %</b>       |            | <b>17.7 %</b> | <b>18.5 %</b> | <b>16.4 %</b>     |

The net amount of received/paid remuneration 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 is computed after standard tax and adjusted for items affecting comparability. The shareholders' equity on which the 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.

Handelsbanken Liv Fondförsäkrings AB and commission income from the mutual company are included under the business area "Liv".

# Svenska Handelsbanken

## Branch office operations

Handelsbanken is a Nordic universal bank with a strongly decentralised organisation. The heart of the Bank is its large branch office network. Each 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 level.

Handelsbanken conducts complete universal banking operations in the whole of the Nordic area. The branch office operation consists of 10 regional banks – seven in Sweden and one each in Norway, Finland and Denmark.

At the end of the period, Handelsbanken had 470 branches in Sweden, 16 in Norway, 15 in Finland and 3 in Denmark. Operations in Sweden and the other Nordic countries are run using the same concept – to deliver universal banking services with a higher service level and at lower cost than competitors. It is on this base that the Bank will be able to grow in the whole of the Nordic area. Handelsbanken is already the largest bank in the Nordic countries and locally is the fourth largest commercial bank in Finland and fifth in Norway.

### Result, January - June

#### Branch office operations

| SEK m   | 1999          | 1998          | +/- %    | Full year<br>1998 |
|---|---------------|---------------|----------|-------------------|
| Net interest income                                 | 4 771         | 4 655         | 2        | 9 414             |
| Commission, net                                     | 977           | 965           | 1        | 1 938             |
| Net result on financial operations                  | 149           | 156           | -4       | 388               |
| Other income  | 11            | 7             | 57       | 23                |
| <b>Total income</b>                                 | <b>5 908</b>  | <b>5 783</b>  | <b>2</b> | <b>11 763</b>     |
| <i>Net internal remuneration included in income</i> | <i>467</i>    | <i>506</i>    |          | <i>1 031</i>      |
| <b>Total expenses</b>                               | <b>2 648</b>  | <b>2 535</b>  | <b>4</b> | <b>5 409</b>      |
| <b>Result before<br/>loan losses</b>                | <b>3 260</b>  | <b>3 248</b>  | <b>0</b> | <b>6 354</b>      |
| Loan losses   | 29            | 136           | -79      | 394               |
| <b>Operating profit</b>                             | <b>3 231</b>  | <b>3 112</b>  | <b>4</b> | <b>5 960</b>      |
| <b>Return on equity</b>                             | <b>20.1 %</b> | <b>20.5 %</b> |          | <b>20.0 %</b>     |

The profits of branch office operations rose by 4 % to SEK 3 231m (3 112).

Net interest income increased by 2 % to SEK 4 771m (4 655). A fee of SEK 145m (134) to the Swedish government for the deposit protection guarantee has been charged to net interest income.

Net commission income rose by 1 %.

Expenses increased by 4 % compared with the corresponding period last year but decreased by 3 % compared with the first quarter of 1999.

Loan losses were still low and amounted to SEK 29m (136).

The regional banks in Denmark, Norway and Finland all reported higher profits.

# Svenska Handelsbanken

During the period, demand increased for household lending, particularly mortgage loans. The demand for mortgage loans from the corporate market is instead decreasing, due among other things to the sharp fall in interest rates in recent years, which has made it possible to amortise loans.

Growing liquidity in the market has also resulted in an increase in deposits made by households.

In the middle of 1997, the work commenced of installing new workstations consisting of PCs and sales support software throughout Handelsbanken's branch office network. By the end of the year, the new workstations will be installed at all the branches. However, most of the branches already have access to the workstations and can implement the new way of working. Since 1997, the Bank's staff have had the opportunity to borrow a PC with an Internet subscription for use at home. About 90 % of them have utilised this opportunity and have thereby quickly become computer literate. When the PC workstations are installed at the branches, the staff are already familiar with them, and thus there is no need for any large-scale training programme. Using the new workstations, the branches can become more active in marketing, provide better service and make their routines more efficient. New information technology is now a natural feature of operations at Handelsbanken. For example, about 65 000 e-mail messages are exchanged each day at the Bank, of which 30 000 are external mails.

# Svenska Handelsbanken

## Handelsbanken Markets

Handelsbanken Markets is responsible for corporate finance, trading in the equity, money and foreign exchange markets, debt capital financing, correspondent banking and trade finance. It also includes the Bank's unit for economic research and banking operations outside the Nordic countries. Operations are conducted in nineteen countries and are organised in four main areas: Investment Banking, Trading, Trade Finance and Financial Institutions, and Banking operations outside the Nordic countries. Operations are focused on the Bank's Nordic customer base. The Bank also offers services to Nordic companies with operations abroad and non-Nordic companies with operations in the Nordic countries.

### *Result, January – June* *Handelsbanken Markets*

| SEK m   | 1999          | 1998          | +/- %     | Full year<br>1998 |
|---|---------------|---------------|-----------|-------------------|
| Net interest income                                   | 759           | 547           | 39        | 957               |
| Commission, net                                       | 358           | 347           | 3         | 671               |
| Net result on financial operations                    | 287           | 361           | -21       | 791               |
| Other income  | 76            | 7             | 986       | 32                |
| <b>Total income</b>                                   | <b>1 480</b>  | <b>1 262</b>  | <b>17</b> | <b>2 451</b>      |
| <i>Net internal remuneration deducted from income</i> | <i>122</i>    | <i>190</i>    |           | <i>402</i>        |
| <b>Total expenses</b>                                 | <b>948</b>    | <b>976</b>    | <b>-3</b> | <b>2 019</b>      |
| <b>Result before<br/>loan losses</b>                  | <b>532</b>    | <b>286</b>    | <b>86</b> | <b>432</b>        |
| Loan losses   | -34           | -8            | 325       | -100              |
| <b>Operating profit</b>                               | <b>566</b>    | <b>294</b>    | <b>93</b> | <b>532</b>        |
| <b>Return on equity</b>                               | <b>18.8 %</b> | <b>10.7 %</b> |           | <b>9.4 %</b>      |

The result increased by 93 % to SEK 566m (294). Income increased by 17 % to SEK 1 480m (1 262) due mainly to improved income in the trading operation. Expenses decreased by 3 % to SEK 948m, also attributable mainly to the trading operation.

### **Investment Banking**

Handelsbanken initiated a strong drive in investment banking at the beginning of last year. In the first half of 1999, Handelsbanken increased its market share on the Nordic stockmarkets, mainly in Stockholm. Handelsbanken is for example the leading trader in Ericsson and Nokia shares. The Bank also enjoys a strong position in structured products, particularly an outstanding position in equity-linked bonds. As regards the corporate finance area, Investment Banking has acted as advisor in the ongoing restructuring of the Nordic forestry industry.

Higher turnover and increased market share contributed to a rise in income from equity-related operations. For Investment Banking as a whole, however, income has slightly decreased due to somewhat lower income from the corporate finance operation.



# Svenska Handelsbanken

## **Trading**

Handelsbanken has reinforced its leading position on the Nordic foreign exchange and money markets. The introduction of the euro and the low level of interest rates have given impetus to the corporate bond market. Handelsbanken is at the forefront in this area and is the leading player in the Nordic market.

The trading operation improved its result from positions taken in the market particularly at the beginning of the year. In combination with lower costs, this has given an improved result compared with the first half of 1998.

## **Trade Finance and Financial Institutions**

By further developing its documentary credit services, Handelsbanken has been able to offer its customers enhanced support in connection with these transactions. This has meant that income levels could be retained despite the Asian crisis, which led to a decrease in documentary credit volumes.

Thanks to an increased volume of financial payments from foreign banks, higher profitability was achieved on clearing services to these banks.

## **Banking operations outside the Nordic countries**

The operation continues to develop well, with higher lending volumes and increased commission income. Combined with lower costs, this led to an improved result compared with the corresponding period last year.

Handelsbanken is currently investigating the possibility of developing its universal banking concept in the UK.

# Svenska Handelsbanken

## Handelsbanken Asset Management

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

### Result, January – June

#### Handelsbanken Asset Management

| SEK m   | 1999          | 1998          | +/- %     | Full year<br>1998 |
|---|---------------|---------------|-----------|-------------------|
| Net interest income                                   | 34            | 26            | 31        | 59                |
| Commission, net                                       | 280           | 240           | 17        | 481               |
| Net result on financial operations                    | 13            | 5             | 160       | 11                |
| Other income  | 3             | 4             | -25       | 16                |
| <b>Total income</b>                                   | <b>330</b>    | <b>275</b>    | <b>20</b> | <b>567</b>        |
| <i>Net internal remuneration deducted from income</i> | <i>241</i>    | <i>238</i>    |           | <i>455</i>        |
| <b>Total expenses</b>                                 | <b>152</b>    | <b>134</b>    | <b>13</b> | <b>267</b>        |
| <b>Result before<br/>loan losses</b>                  | <b>178</b>    | <b>141</b>    | <b>26</b> | <b>300</b>        |
| Loan losses   |               |               |           |                   |
| <b>Operating profit</b>                               | <b>178</b>    | <b>141</b>    | <b>26</b> | <b>300</b>        |
| <b>Return on equity</b>                               | <b>23.7 %</b> | <b>43.9 %</b> |           | <b>46.7 %</b>     |

Net interest income for the period increased by 26 % to SEK 178m (141). Income increased by 20 % from SEK 275m for the first half of 1998 to SEK 330m for the same period in 1999, after the deduction of SEK 241m (238) which was paid in net internal compensation. The volume of assets managed by Handelsbanken Asset Management was SEK 114bn (105) as at 30 June.

### Fund management

The Bank's fund management company managed 51 mutual funds as at the end of June. The assets managed rose from SEK 55bn at 31 December to SEK 67bn, an increase of more than 21 %. Handelsbanken's proportion of total net new savings in the Swedish mutual fund market was 13 %. The number of unit holders increased by about 50 000 and there are now around 707 000.

Three new funds were launched during the period: Värdefonden, Europa Aggressiv and Svenska Selection Fund Euro Aktiv. The latter fund invests solely in the euro area.

### Custody services

Handelsbanken offers its own institutional custody services in all of the Nordic countries.

The number of custody accounts opened via the branches continued to grow fast, topping 80 000 at the end of the period. This is an increase of 50 % compared with the end of June last year. More than 20 000 of the custody accounts are linked to the Internet, and every other new customer who opens a custody account chooses to link it to Handelsbanken's Internet service. Custody account customers with an Internet link can see their holdings and carry out securities transactions and mutual fund transactions via the Internet.

# Svenska Handelsbanken

## Handelsbanken Finans

Handelsbanken Finans offers a full range of finance company services in all the Nordic countries. Finance company services are an established feature of the branch offices' range of products.

### *Result, January – June*

#### *Handelsbanken Finans*

| <b>SEK m</b>  | <b>1999</b>   | <b>1998</b>   | <b>+/- %</b> | <b>Full year 1998</b> |
|---|---------------|---------------|--------------|-----------------------|
| Net interest income                                   | 242           | 228           | 6            | 464                   |
| Commission, net                                       | 105           | 97            | 8            | 201                   |
| Net result on financial operations                    | 0             | -             |              | -1                    |
| Other income  | 7             | 12            | -42          | 20                    |
| <b>Total income</b>                                   | <b>354</b>    | <b>337</b>    | <b>5</b>     | <b>684</b>            |
| <i>Net internal remuneration deducted from income</i> | <i>20</i>     | <i>18</i>     |              | <i>39</i>             |
| <b>Total expenses</b>                                 | <b>211</b>    | <b>208</b>    | <b>1</b>     | <b>429</b>            |
| <b>Result before loan losses</b>                      | <b>143</b>    | <b>129</b>    | <b>11</b>    | <b>255</b>            |
| Loan losses   | -7            | 6             |              | 25                    |
| <b>Operating profit</b>                               | <b>150</b>    | <b>123</b>    | <b>22</b>    | <b>230</b>            |
| <b>Return on equity</b>                               | <b>21.7 %</b> | <b>19.9 %</b> |              | <b>19.2 %</b>         |

The result increased by 22 % to SEK 150m (123).

Total income increased by 5 % to SEK 354m (337).

Expenses rose by only 1 % despite a rise in credit volumes of 17 %.

Credit volumes for leasing and conditional sales to companies increased by 13 % in Sweden, 16 % in Norway and a full 27 % in Finland. In the spring, Handelsbanken Finans concluded its largest ever leasing contract, with a company called Alholmen. The contract is for equipment for the construction of the world's largest biofuel power plant in Pietarsaari in Finland. The plant will supply the town of Pietarsaari with district heating, the UPM-Kymmene plant with process steam and the power grid with electricity. The power plant is scheduled for completion by autumn 2001 at a cost of SEK 1.8bn, of which 1.4bn will be financed by Handelsbanken Finans.

An Internet service called 'Netsale' is due to be launched soon in Sweden. Netsale will allow interactive communication over the Internet between Handelsbanken Finans and its retail partners. Netsale will facilitate the handling and profiling of retailer services, and all communication with the retailers will be carried out over the Internet. Among other things, it will be possible to send retailers completed contracts over the Internet.

Retail Financial Services, which provides financing via retailers for private individuals' purchases of capital goods, increased credit volumes by 16 %.

Aktiiviraha, Handelsbankens Finans' card operation in Finland, with roughly 20 % of the card market, increased credit volumes by 12 %.

# Svenska Handelsbanken

In the factoring and collection services area, Volvo Penta have decided to use the services of Handelsbanken Finans not only in Sweden but in all of the Nordic countries. By co-ordinating these services, Volvo Penta will be able to reduce capital tied up in receivables and benefit in general from improved cash management routines. Handelsbanken Finans has thereby gained its first pan-Nordic customer in the factoring and collection services area. Turnover in this business area increased by 26 %.

# Svenska Handelsbanken

## Handelsbanken Liv

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 employee pension insurance for companies, private customers and organisations.

Handelsbanken Liv also offers a small range of life insurance products in the other Nordic countries.

For legal reasons, the traditional life insurance operations in Handelsbanken Liv Försäkrings AB are run on mutual principles where the whole surplus on operations goes back to policy-holders in the form of bonuses.

### **Result, January – June** **Handelsbanken Liv**

| <b>SEK m</b>  | <b>1999</b>  | <b>1998</b>  | <b>+/- %</b> | <b>Full year 1998</b> |
|---|--------------|--------------|--------------|-----------------------|
| Net interest income                                   | 3            | 2            | 50           | 5                     |
| Commission, net                                       | 44           | 22           | 100          | 54                    |
| Net result on financial operations                    | 8            | 23           | -65          | 22                    |
| Other income  | 2            | 1            | 100          | 1                     |
| <b>Total income</b>                                   | <b>57</b>    | <b>48</b>    | <b>19</b>    | <b>82</b>             |
| <i>Net internal remuneration deducted from income</i> | <i>78</i>    | <i>56</i>    |              | <i>125</i>            |
| <b>Total expenses</b>                                 | <b>37</b>    | <b>30</b>    | <b>23</b>    | <b>62</b>             |
| <b>Result before loan losses</b>                      | <b>20</b>    | <b>18</b>    | <b>11</b>    | <b>20</b>             |
| Loan losses   |              |              |              |                       |
| <b>Operating result</b>                               | <b>20</b>    | <b>18</b>    | <b>11</b>    | <b>20</b>             |
| <b>Return on equity</b>                               | <b>9.8 %</b> | <b>8.9 %</b> |              | <b>5.2 %</b>          |

Handelsbanken Liv Fondförsäkrings AB and commission income from the mutual company are included under the business area "Liv".

The result of the profit-distributing operation, Handelsbanken Liv Fondförsäkring AB, was SEK 20m (18). Due to an increase in new sales of unit-linked insurance, net commission income increased by 100 % to SEK 44m (22). However, due to a weaker trend in the financial markets compared with last year, the net result on financial operations decreased to SEK 8m (23). Total income increased by 19 % to SEK 57m (48). Net internal remuneration of SEK 78m (56) has been deducted from income. Expenses rose by 23 % from SEK 30m to 37m due to increased investments in information technology and lower capitalised acquisition costs.

Total premium income for traditional insurance and unit-linked insurance in the first six months of 1999 was SEK 3 488m, an increase of 16 %. Traditional insurance represented SEK 1 152m and unit-linked insurance SEK 2 336m of this amount. Traditional insurance increased by 22 %, and unit-linked insurance by 13 %. The acceleration in the sale of traditional insurance is a sign that customers are increasingly aware of the need for insurance solutions with a strong element of security in the shape of guaranteed return and risk protection.

Premium income as a 12-month moving total amounted to SEK 5 542m (5 128).

# Svenska Handelsbanken

As at 30 June, the capital managed amounted to SEK 26 300m (20 800).

Traditional insurance represented SEK 17 200m (15 300) of this amount.

At the end of the period, the bonus interest rate was 11 % before tax and operating expenses.

A new law on insurance company operations was passed by the Riksdag in June this year, and will come into force on 1 January 2000. It will then be possible to also distribute profits from traditional insurance company operations.

It will also be possible to conduct unit-linked insurance and traditional insurance operations in the same company. Handelsbanken Liv is preparing to set up a profit-distributing operation, and plans to implement this on 1 January 2001.

## **Result January – June**

### **Handelsbanken Liv Försäkrings AB**

| <b>SEK m</b>   | <b>1999</b> | <b>1998</b>  |
|--|-------------|--------------|
| Premium income   | 1 152       | 948          |
| Investment income  | 906         | 1 859        |
| Insurance claims   | -507        | -440         |
| Changes in life insurance provisions                         | -661        | -489         |
| Bonus  | -88         | -76          |
| Operating expenses   | -107        | -89          |
| <b>Result on technical account – life insurance business</b> | <b>695</b>  | <b>1 713</b> |

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

# Svenska Handelsbanken

## Stadshypotek Bank

Stadshypotek Bank is the largest independent telebank in Sweden with some SEK 21bn in customer funds. Stadshypotek Bank is active under its own brand name and provides its own range of services. Stadshypotek Bank offers a limited selection of bank and insurance services to customers who do not require the full range of services and individually adapted services offered by the branch offices.

### Result, January - June Stadshypotek Bank

| SEK m   | 1999          | 1998          | +/- %      | Full year<br>1998 |
|---|---------------|---------------|------------|-------------------|
| Net interest income                                   | 24            | 22            | 9          | 48                |
| Commission, net                                       | 39            | 48            | -19        | 99                |
| Net result on financial operations                    | -             | -             |            | -                 |
| Other income  | 2             | -             |            | 1                 |
| <b>Total income</b>                                   | <b>65</b>     | <b>70</b>     | <b>-7</b>  | <b>148</b>        |
| <i>Net internal remuneration deducted from income</i> | <i>6</i>      | <i>2</i>      |            | <i>10</i>         |
| <b>Total expenses</b>                                 | <b>59</b>     | <b>51</b>     | <b>16</b>  | <b>121</b>        |
| <b>Result before<br/>loan losses</b>                  | <b>6</b>      | <b>19</b>     | <b>-68</b> | <b>27</b>         |
| Loan losses   |               |               |            |                   |
| <b>Operating result</b>                               | <b>6</b>      | <b>19</b>     | <b>-68</b> | <b>27</b>         |
| <b>Return on equity</b>                               | <b>15.2 %</b> | <b>51.0 %</b> |            | <b>37.2 %</b>     |

Profits fell to SEK 6m (19). Net interest income, which amounted to SEK 24m (22) has been charged with a fee of SEK 9m (9) to the Swedish government for the deposit protection guarantee. Commission fell by 19 % from SEK 48m to 39m, due mainly to a fall in the sale of retail bonds as long-term yields declined.

Sales of FondSpar, a savings product comprising a selection of Handelsbanken mutual funds, have continued to go very well. About 16 000 customers were saving in mutual funds via Stadshypotek Bank at the end of June. The volume of managed funds went up by 60 % to more than SEK 350m.

Stadshypotek Bank has made it easier for customers to save each month in shares. Customers are now able to save in shares quoted on the SBI list and Aktietorget as well as some 30 unofficially listed shares. Stadshypotek Bank is the only bank in Sweden that can offer such a wide selection of shares for monthly savings.

The newly-launched Internet Service continued to do well, and more than 4 000 customers are now able to conduct their banking business at Stadshypotek Bank over the Internet. Customers can thereby carry out most of their transactions over the Internet, e.g. make payments and transfers to accounts with Stadshypotek Bank and other banks, access account information and buy and sell shares.

# Svenska Handelsbanken

## Handelsbanken Central Treasury

Central Treasury manages the Group's liquidity in Swedish kronor, the internal bank, funding in the capital market, and funding and clearing at the Riksbank, as well as measuring and controlling 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.

### Quarterly performance, January – June Handelsbanken Central Treasury

| SEK m   | 1999          | 1998          | +/- %      | Full year<br>1998 |
|---|---------------|---------------|------------|-------------------|
| Net interest income                                   | 305           | 327           | -7         | 616               |
| Commission, net                                       | -3            | -1            | -200       | -4                |
| Net result on financial operations                    | -57           | 26            |            | 21                |
| Other income  | 4             | -             |            | -                 |
| <b>Total income</b>                                   | <b>249</b>    | <b>352</b>    | <b>-29</b> | <b>633</b>        |
| <i>Net internal remuneration deducted from income</i> | -             | -             |            | -                 |
| <b>Total expenses</b>                                 | <b>13</b>     | <b>9</b>      | <b>44</b>  | <b>16</b>         |
| <b>Result before<br/>loan losses</b>                  | <b>236</b>    | <b>343</b>    | <b>-31</b> | <b>617</b>        |
| Loan losses   |               |               |            |                   |
| <b>Operating profit</b>                               | <b>236</b>    | <b>343</b>    | <b>-31</b> | <b>617</b>        |
| <b>Return on equity</b>                               | <b>17.9 %</b> | <b>29.4 %</b> |            | <b>29.9 %</b>     |

The Central Treasury's result fell to SEK 236m (343). The lower result was due to a decline in the return on the Bank's liquidity at the current low interest rates.



# Svenska Handelsbanken

## Financial ratios for the Svenska Handelsbanken Group

|   | January – June |             | Full year   |
|---|----------------|-------------|-------------|
|   | 1999           | 1998        | 1998        |
| Return on shareholders' equity after standard tax * | 17.7 %         | 18.5 %      | 16.4 %      |
| Return on shareholders' equity                      | 17.9 %         | 22.0 %      | 18.6 %      |
| Income/expenses (I/E ratio)*                        |                |             |             |
| - before loan losses                                | 2.02           | 1.98        | 1.87        |
| - after loan losses                                 | 2.03           | 1.92        | 1.81        |
| Earnings per ordinary share, SEK ***                |                |             |             |
| - January – June ***                                | 4.43           | 4.83        | 8.41        |
| - 12 mth moving total, July – June ***              | 8.01           | 9.08        |             |
| No. of ordinary shares **                           | 714 746 940    | 238 248 980 | 238 248 980 |
| Adjusted equity per share, SEK ***                  | 49.16          | 43.89       | 47.56       |
| Average number of employees                         | 8 498          | 8 398       | 8 546       |
| Number of branches in Nordic countries, 30 June     | 504            | 512         | 513         |

\* Excl items affecting comparability

\*\* Split

\*\*\* Adjusted for split

## Quarterly performance of Svenska Handelsbanken Group

| SEK m                              | 1999:2       | 1999:1       | 1998:4       | 1998:3       | 1998:2       |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net interest income                | 3 096        | 2 954        | 2 857        | 2 802        | 2 882        |
| Commission, net                    | 942          | 868          | 854          | 819          | 950          |
| Net result on financial operations | 53           | 331          | 370          | 298          | 317          |
| Other income                       | 230          | 200          | 60           | 11           | 185          |
| <b>Total income</b>                | <b>4 321</b> | <b>4 353</b> | <b>4 141</b> | <b>3 930</b> | <b>4 334</b> |
| Staff costs                        | 1 200        | 1 215        | 1 195        | 1 169        | 1 108        |
| Other administrative expenses      | 751          | 760          | 1 043        | 804          | 886          |
| Depreciation and write-downs       | 187          | 180          | 184          | 164          | 171          |
| <b>Total expenses</b>              | <b>2 138</b> | <b>2 155</b> | <b>2 422</b> | <b>2 137</b> | <b>2 165</b> |
| <b>Profit before loan losses</b>   | <b>2 183</b> | <b>2 198</b> | <b>1 719</b> | <b>1 793</b> | <b>2 169</b> |
| Loan losses                        | -37          | 25           | 108          | 77           | 69           |
| <b>Operating profit</b>            | <b>2 220</b> | <b>2 173</b> | <b>1 611</b> | <b>1 716</b> | <b>2 100</b> |
| Minority interests                 | -5           | -6           | -5           | -6           | -6           |
| Pension provisions                 | -40          | -            | 56           | 151          | 149          |
| Tax on the period's profit         | -583         | -585         | -535         | -420         | -586         |
| <b>Net result for the period</b>   | <b>1 592</b> | <b>1 582</b> | <b>1 127</b> | <b>1 441</b> | <b>1 657</b> |

# Svenska Handelsbanken

## Profit and loss account - Group

| SEK m   | January - June |              | Change    | Full year     |
|---|----------------|--------------|-----------|---------------|
|   | 1999           | 1998         | %         | 1998          |
| <i>Interest income</i>  | 31 319         | 31 403       | 0         | 61 940        |
| <i>Interest expense</i>   | -25 269        | -25 632      | -1        | -50 510       |
| Net interest income   | 6 050          | 5 771        | 5         | 11 430        |
| Dividends received  | 243            | 138          | 76        | 139           |
| <i>Commission income</i>  | 2 163          | 2 063        | 5         | 4 077         |
| <i>Commission expense</i>   | -353           | -328         | 8         | -669          |
| Net commission income   | 1 810          | 1 735        | 4         | 3 408         |
| Net result on financial operations  | 384            | 574          | -33       | 1 242         |
| Other operating income  | 187            | 548          | -66       | 618           |
| <b>Total income</b>   | <b>8 674</b>   | <b>8 766</b> | <b>-1</b> | <b>16 837</b> |
| General administrative expenses   |                |              |           |               |
| - Staff costs   | 2 415          | 2 215        | 9         | 4 579         |
| - Other   | 1 511          | 1 696        | -11       | 3 543         |
| Depreciation and write-down in value of<br>tangible and intangible fixed assets | 367            | 337          | 9         | 685           |
| <b>Total expenses</b>   | <b>4 293</b>   | <b>4 248</b> | <b>1</b>  | <b>8 807</b>  |
| <b>Profit before loan losses</b>  | <b>4 381</b>   | <b>4 518</b> | <b>-3</b> | <b>8 030</b>  |
| Net loan losses   | -12            | 134          |           | 330           |
| Change in value of repossessed property   | 0              | 0            |           | -11           |
| <b>Operating profit</b>   | <b>4 393</b>   | <b>4 384</b> | <b>0</b>  | <b>7 711</b>  |
| Minority interests  | -11            | -11          | 0         | -22           |
| Pension provisions  | -40            | 298          |           | 505           |
| Taxes   | -1 168         | -1 213       | -4        | -2 168        |
| <b>Net profit for the period</b>  | <b>3 174</b>   | <b>3 458</b> | <b>-8</b> | <b>6 026</b>  |

# Svenska Handelsbanken

## Profit and loss account – Group (cont.)

| SEK m  | January – June |              | Full year    |
|--|----------------|--------------|--------------|
|  | 1999           | 1998         | 1998         |
| <b>Note 1 Commission</b>   |                |              |              |
| Payments   | 352            | 357          | 736          |
| Lending  | 203            | 175          | 352          |
| Deposits   | 37             | 55           | 92           |
| Guarantees   | 108            | 78           | 160          |
| Securities   | 1 027          | 976          | 1 892        |
| Other  | 436            | 422          | 845          |
| <b>Commission income</b>   | <b>2 163</b>   | <b>2 063</b> | <b>4 077</b> |
| <b>Commission expense</b>  | <b>-353</b>    | <b>-328</b>  | <b>-669</b>  |
| <b>Net commission income</b>   | <b>1 810</b>   | <b>1 735</b> | <b>3 408</b> |
| <b>Note 2 Net result on financial operations</b>   |                |              |              |
| Shares and participations  | 58             | 266          | 229          |
| Interest-bearing securities  | 61             | -417         | -525         |
| <b>Capital gain/loss</b>   | <b>119</b>     | <b>-151</b>  | <b>-296</b>  |
| Shares and participations  | 30             | -77          | 21           |
| Interest-bearing securities  | -413           | 423          | 720          |
| <b>Unrealised changes in value</b>   | <b>-383</b>    | <b>346</b>   | <b>741</b>   |
| <b>Changes in exchange rates</b>   | <b>648</b>     | <b>379</b>   | <b>797</b>   |
| <b>Net result on financial operations</b>  | <b>384</b>     | <b>574</b>   | <b>1 242</b> |
| <b>Note 3 Other administrative expenses</b>  |                |              |              |
| Property and premises  | 370            | 366          | 757          |
| External computer costs  | 409            | 583          | 1 165        |
| Communication  | 204            | 194          | 394          |
| Travel and marketing   | 138            | 175          | 357          |
| Purchased services   | 227            | 229          | 486          |
| Supplies   | 74             | 73           | 157          |
| Other expenses   | 89             | 76           | 227          |
| <b>Other administrative expenses</b>   | <b>1 511</b>   | <b>1 696</b> | <b>3 543</b> |
| <b>Note 4 Loan losses</b>  |                |              |              |
| <b>Individually valued claims:</b>   |                |              |              |
| The period's write-down for actual loan losses   | 350            | 485          | 1 005        |
| Write-back of previous provisions for possible loan losses which are reported as actual loan losses in the period's accounts | -256           | -407         | -759         |
| The period's provision relating to possible loan losses  | 163            | 312          | 719          |
| Recovered from actual loan losses in previous years  | -143           | -129         | -355         |
| Write-back of provisions for possible loan losses which are no longer necessary  | -369           | -135         | -306         |
| General reserve for possible but non-identified loan losses  | 240            | -            | -            |
| <b>Net expense for the period for individually valued claims</b>   | <b>-15</b>     | <b>126</b>   | <b>304</b>   |
| <b>Claims valued as a group:</b>   |                |              |              |
| The period's write-down for actual loan losses   | 12             | 14           | 30           |
| Recovered from actual loan losses in previous years  | -9             | -11          | -22          |
| Allocation to/dissolution of reserve for loan losses   | 0              | 5            | 18           |
| <b>Net expense for the period for claims valued as a group</b>   | <b>3</b>       | <b>8</b>     | <b>26</b>    |
| <b>Total loan losses</b>   | <b>-12</b>     | <b>134</b>   | <b>330</b>   |

# Svenska Handelsbanken

## Balance sheet - Group

| SEK m   |        | 1999<br>30 Jun | 1998<br>30 Jun | 1998<br>31 Dec |
|---|--------|----------------|----------------|----------------|
| Lending to the general public                     | Note 1 | 609 100        | 616 543        | 587 405        |
| Lending to credit institutions                    |        | 119 719        | 138 350        | 139 823        |
| Interest-bearing securities                       |        |                |                |                |
| - Financial fixed assets                          |        | 1 204          | 6 897          | 1 388          |
| - Financial current assets                        |        | 94 291         | 80 317         | 106 438        |
| Other assets                                      |        | 105 735        | 74 255         | 91 396         |
| <b>Total assets</b>                               |        | <b>930 049</b> | <b>916 362</b> | <b>926 450</b> |
| Deposits and funding from the general public      |        | 209 531        | 200 230        | 206 524        |
| Liabilities to credit institutions                |        | 192 374        | 241 768        | 261 146        |
| Issued securities etc                             |        | 350 676        | 330 218        | 299 378        |
| Subordinated liabilities                          |        | 19 490         | 23 270         | 23 135         |
| Other liabilities                                 |        | 122 868        | 89 089         | 101 836        |
| Shareholders' equity                              |        | 35 110         | 31 787         | 34 431         |
| <b>Total liabilities and shareholders' equity</b> |        | <b>930 049</b> | <b>916 362</b> | <b>926 450</b> |
| <b>Note 1 Lending to the general public</b>       |        |                |                |                |
| SEK lending                                       |        |                |                |                |
| - to households                                   |        | 197 149        | 191 840        | 194 573        |
| - to companies etc *)                             |        | 296 758        | 304 244        | 287 583        |
|   |        | <b>493 907</b> | <b>496 084</b> | <b>482 156</b> |
| Foreign currency lending                          |        |                |                |                |
| - to households                                   |        | 14 185         | 10 893         | 12 970         |
| - to companies etc                                |        | 104 536        | 113 371        | 95 985         |
|   |        | <b>118 721</b> | <b>124 264</b> | <b>108 955</b> |
| Reserve for possible loan losses                  |        | -3 528         | -3 805         | -3 706         |
| <b>Total lending</b>                              |        | <b>609 100</b> | <b>616 543</b> | <b>587 405</b> |
| *) Of which National Debt Office                  |        | 913            | 7 241          | 0              |

# Svenska Handelsbanken

## Cash flow statement - Group

| SEK m                                    | January – June |            |
|--|----------------|------------|
|  | 1999           | 1998       |
| Cash flow on operating activities        | 8 832          | 4 558      |
| Cash flow on investing activities        | -212           | -605       |
| Cash flow on financing activities        | -6 008         | -3 981     |
| <b>Cash flow for the period</b>          | <b>2 612</b>   | <b>-28</b> |
| Liquid funds at beginning of period      | 4 053          | 3 025      |
| Cash flow for the period                 | 2 612          | -28        |
| Exchange rate difference on liquid funds | -230           | -29        |
| Liquid funds at end of period            | 6 435          | 2 968      |

## Other information

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

| SEK m  | January – June |              | Full year    |
|--|----------------|--------------|--------------|
|  | 1999           | 1998         |              |
| <b>Capital base and requirement</b>                                |                |              |              |
| Tier 1 capital   | 29 461         | 26 231       | 27 736       |
| Total capital base   | 44 038         | 42 134       | 43 643       |
| Risk-weighted volume   | 455 149        | 427 829      | 443 198      |
| Capital ratio  | 9.7 %          | 9.8 %        | 9.8 %        |
| Tier 1 ratio   | 6.5 %          | 6.1 %        | 6.3 %        |
| <b>Problem loans</b>   |                |              |              |
| Bad debts  | 5 752          | 7 094        | 6 682        |
| Reserve for possible loan losses                                   | -3 696         | -4 012       | - 3 926      |
| <b>Bad debts, net</b>  | <b>2 056</b>   | <b>3 082</b> | <b>2 756</b> |
| Reduced-rate loans without a provision<br>for possible loan losses | 141            | 241          | 231          |
| <b>Total problem loans</b>   | <b>2 197</b>   | <b>3 323</b> | <b>2 987</b> |
| Bad debt reserve ratio   | 64.3 %         | 56.5 %       | 58.8 %       |
| Proportion of bad debts  | 0.33 %         | 0.48 %       | 0.45 %       |
| Problem loans before write-down<br>for possible loan losses        | 5 893          | 7 335        | 6 913        |
| Loan loss ratio  | 0 %            | 0.04 %       | 0.05 %       |
| Non-performing loans for which interest<br>is reported as income   | 1 396          | 2 618        | 1 617        |
| <b>Collateral taken over:</b>                                      |                |              |              |
| - Buildings and land   | 51             | 100          | 64           |
| - Shares and other participations                                  | 152            | 268          | 120          |
| - Other  | 74             | 7            | 9            |
| <b>Total collateral taken over</b>                                 | <b>277</b>     | <b>375</b>   | <b>193</b>   |

# Svenska Handelsbanken

## Derivative instruments

SEK m

Interest-rate related

Currency-related

Equity-related

|                        | Market value | Booked value | Market value | Booked value | Market value | Booked value |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Positive values</b> | 31 459       | 26 230       | 33 846       | 30 934       | 1 894        | 1 894        |
| <b>Negative values</b> | 34 132       | 30 575       | 32 046       | 31 392       | 2 509        | 2 509        |

The above table is compiled in accordance with the Swedish Financial Supervisory Authority'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 July 1998 - 30 June 1999, Handelsbanken Markets' exposure to interest rate and exchange rate risk (incl. option risk), measured as Value-at-Risk (VaR) was on average SEK 35m. During the period, this risk varied between SEK 17m and SEK 58m. During the same period, Handelsbanken Markets' exposure to equity price risks, measured as VaR, was on average SEK 11m. This risk varied between SEK 6m and SEK 16m.

# Svenska Handelsbanken

## Profit and loss account – Parent company

| SEK m  | January - June |              | Change     | Full year     |
|--|----------------|--------------|------------|---------------|
|  | 1999           | 1998         | %          | 1998          |
| <i>Interest income</i>   | 20 389         | 17 627       | 16         | 38 273        |
| <i>Interest expense</i>  | -17 111        | -14 688      | 16         | -32 514       |
| Net interest income  | 3 278          | 2 939        | 12         | 5 759         |
| Dividends received   | 240            | 136          | 76         | 2 552         |
| <i>Commission income</i>   | 1 881          | 1 871        | 1          | 3 656         |
| <i>Commission expense</i>  | -358           | -295         | 21         | -614          |
| Net commission income  | 1 523          | 1 576        | -3         | 3 042         |
| Net result on financial operations   | 334            | 541          | -38        | 1 211         |
| Other operating income   | 139            | 576          | -76        | 648           |
| <b>Total income</b>  | <b>5 514</b>   | <b>5 768</b> | <b>-4</b>  | <b>13 212</b> |
| General administrative expenses  |                |              |            |               |
| - Staff costs  | 2 197          | 1 989        | 10         | 4 108         |
| - Other  | 1 272          | 1 439        | -12        | 2 991         |
| Depreciation and write-down in value of tangible and intangible fixed assets | 213            | 177          | 20         | 370           |
| <b>Total expenses</b>  | <b>3 682</b>   | <b>3 605</b> | <b>2</b>   | <b>7 469</b>  |
| <b>Profit before loan losses</b>   | <b>1 832</b>   | <b>2 163</b> | <b>-15</b> | <b>5 743</b>  |
| Net loan losses  | 232            | 48           | 383        | 131           |
| Change in value of repossessed property                                      | -              | -            | -          | -             |
| <b>Operating profit</b>  | <b>1 600</b>   | <b>2 115</b> | <b>-24</b> | <b>5 612</b>  |
| Appropriations   |                |              |            |               |
| - Pension provisions   | -40            | 300          |            | 511           |
| - Other  | 50             | -225         |            | -323          |
| Taxes  | -400           | -501         | -20        | -771          |
| <b>Net profit for the period</b>   | <b>1 210</b>   | <b>1 689</b> | <b>-28</b> | <b>5 029</b>  |

# Svenska Handelsbanken

## Profit and loss account – Parent company (cont.)

| SEK m  | January – June |              | Full year    |
|--|----------------|--------------|--------------|
|  | 1999           | 1998         | 1998         |
| <b>Note 1 Commission income</b>  |                |              |              |
| Payments   | 351            | 356          | 734          |
| Lending  | 108            | 89           | 176          |
| Deposits   | 37             | 55           | 92           |
| Guarantees   | 108            | 77           | 159          |
| Securities   | 798            | 777          | 1 497        |
| Other  | 479            | 517          | 998          |
| <b>Commission income</b>   | <b>1 881</b>   | <b>1 871</b> | <b>3 656</b> |
| <b>Commission expense</b>  | <b>-358</b>    | <b>-295</b>  | <b>-614</b>  |
| <b>Net commission income</b>   | <b>1 523</b>   | <b>1 576</b> | <b>3 042</b> |
| <b>Note 2 Net result on financial operations</b>   |                |              |              |
| Shares and participations  | 46             | 258          | 219          |
| Interest-bearing securities  | 59             | -421         | -532         |
| <b>Capital gain/loss</b>   | <b>105</b>     | <b>-163</b>  | <b>-313</b>  |
| Shares and participations  | 26             | -88          | 15           |
| Interest-bearing securities  | -406           | 419          | 717          |
| <b>Unrealised changes in value</b>   | <b>-380</b>    | <b>331</b>   | <b>732</b>   |
| <b>Changes in exchange rates</b>   | <b>609</b>     | <b>373</b>   | <b>792</b>   |
| <b>Net result on financial operations</b>  | <b>334</b>     | <b>541</b>   | <b>1 211</b> |
| <b>Note 3 Other administrative expenses</b>  |                |              |              |
| Property and premises  | 340            | 323          | 678          |
| External computer costs  | 315            | 512          | 1 029        |
| Communication  | 175            | 145          | 302          |
| Travel and marketing   | 106            | 139          | 283          |
| Purchased services   | 168            | 202          | 411          |
| Supplies   | 66             | 64           | 139          |
| Other expenses   | 102            | 54           | 149          |
| <b>Other administrative expenses</b>   | <b>1 272</b>   | <b>1 439</b> | <b>2 991</b> |
| <b>Note 4 Loan losses</b>  |                |              |              |
| <b>Individually valued claims:</b>   |                |              |              |
| The period's write-down for actual loan losses   | 228            | 359          | 763          |
| Write-back of previous provisions for possible loan losses which are reported as actual loan losses in the period's accounts | -205           | -310         | -595         |
| The period's provision relating to possible loan losses  | 145            | 194          | 528          |
| Recovered from actual loan losses in previous years  | -56            | -118         | -380         |
| Write-back of provisions for possible loan losses which are no longer necessary  | -120           | -77          | -184         |
| General reserve for possible but non-identified loan losses  | 240            | -            | -            |
| <b>Net expense for the period for individually valued claims</b>   | <b>232</b>     | <b>48</b>    | <b>132</b>   |
| <b>Claims valued as a group:</b>   |                |              |              |
| The period's write-down for actual loan losses   | 1              | 1            | 2            |
| Recovered from actual loan losses in previous years  | 0              | -            | -1           |
| Allocation to/dissolution of reserve for loan losses   | -1             | -1           | -2           |
| <b>Net expense for the period for claims valued as a group</b>   | <b>0</b>       | <b>0</b>     | <b>-1</b>    |
| <b>Total loan losses</b>   | <b>232</b>     | <b>48</b>    | <b>131</b>   |



# Svenska Handelsbanken

## Balance sheet – Parent company

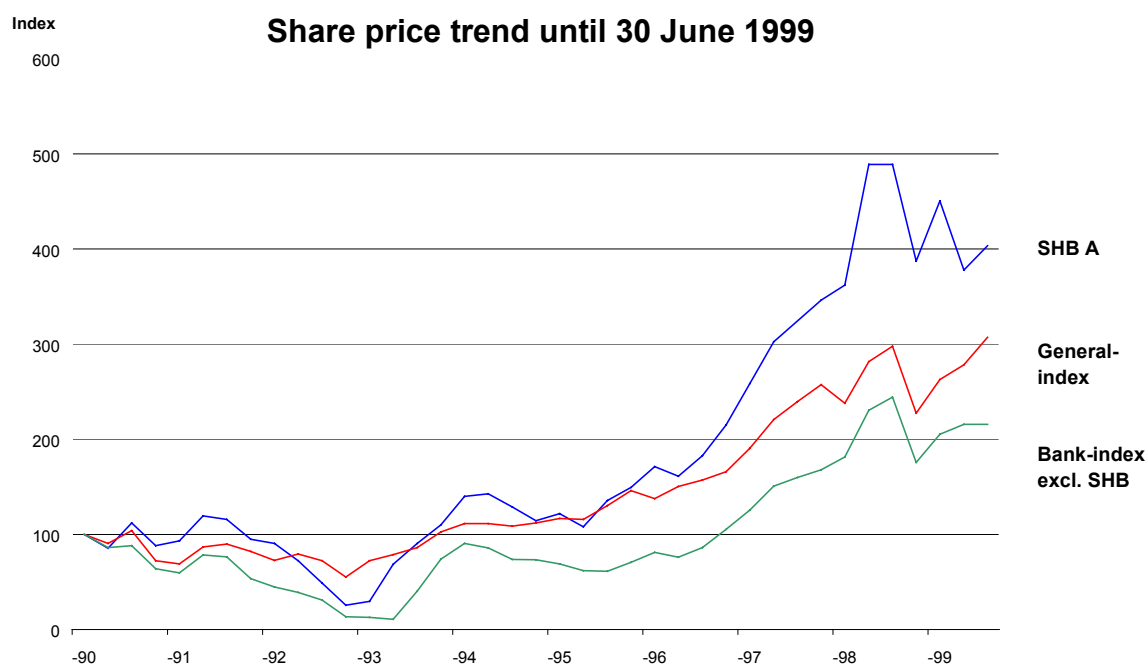
| SEK m   |        | 1999<br>30 Jun | 1998<br>30 Jun | 1998<br>31 Dec |
|---|--------|----------------|----------------|----------------|
| Lending to the general public                     | Note 1 | 268 448        | 261 706        | 242 056        |
| Lending to credit institutions                    |        | 191 809        | 195 581        | 215 541        |
| Interest-bearing securities                       |        |                |                |                |
| - Financial fixed assets                          |        | 10 110         | 20 604         | 12 857         |
| - Financial current assets                        |        | 89 508         | 79 821         | 102 699        |
| Other assets                                      |        | 119 480        | 89 784         | 110 934        |
| <b>Total assets</b>                               |        | <b>679 355</b> | <b>647 496</b> | <b>684 087</b> |
| Deposits and funding from the general public      |        | 216 404        | 227 543        | 212 187        |
| Liabilities to credit institutions                |        | 161 183        | 190 077        | 215 730        |
| Issued securities etc                             |        | 148 005        | 109 888        | 119 501        |
| Subordinated liabilities                          |        | 15 326         | 15 727         | 15 742         |
| Other liabilities                                 |        | 107 104        | 74 851         | 88 342         |
| Untaxed reserves                                  |        | 6 232          | 6 184          | 6 282          |
| Shareholders' equity                              |        | 25 101         | 23 226         | 26 303         |
| <b>Total liabilities and shareholders' equity</b> |        | <b>679 355</b> | <b>647 496</b> | <b>684 087</b> |
| <b>Note 1 Lending to the general public</b>       |        |                |                |                |
| SEK lending                                       |        |                |                |                |
| - to households                                   |        | 33 040         | 31 152         | 32 924         |
| - to companies *)                                 |        | 128 181        | 116 660        | 111 825        |
|   |        | <b>161 221</b> | <b>147 812</b> | <b>144 749</b> |
| Foreign currency lending                          |        |                |                |                |
| - to households                                   |        | 11 645         | 8 679          | 10 567         |
| - to companies etc                                |        | 97 423         | 107 011        | 88 470         |
|   |        | <b>109 068</b> | <b>115 690</b> | <b>99 037</b>  |
| Reserve for possible loan losses                  |        | -1 841         | -1 796         | -1 730         |
| <b>Total lending</b>                              |        | <b>268 448</b> | <b>261 706</b> | <b>242 056</b> |
| *) Of which National Debt Office                  |        | 913            | 7 241          | 0              |

# Svenska Handelsbanken

## Handelsbanken's shares

The rise for the Swedish stock market during the second quarter of the year, measured by the Affärsvärlden general index (AFGX) was 10 %. During the same period, the Bank's ordinary shares (SHB A) rose by 7 %. The market capitalisation of Handelsbanken's shares thereby increased to SEK 72bn from SEK 68bn as at 31 March.

|   | 30 June 1999 | 31 March 1999 |
|---|--------------|---------------|
| Share price<br>ordinary<br>class A, SEK | 102          | 95            |
| Market<br>capitalisation<br>SEK bn      | 72           | 68            |



## Handelsbanken's rating as at 30 June 1999

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

# Svenska Handelsbanken

## Auditors' report

I have carried out a summary examination of this interim report in accordance with the recommendation which the Swedish Institute of Authorised Public Accountants (FAR) has issued. A summary examination is considerably limited compared to a full audit.

There is nothing to indicate that the interim report does not fulfil the regulations of the Act governing Securities Exchanges and Clearing Operations and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 24 August 1999

Åke Danielsson  
Authorised Public Accountant