

22 February 2000

Press release

Highlights of Annual Report 1999

Summary

Record result for Handelsbanken

- *The Handelsbanken Group result was SEK 8.6 billion, an increase of 17 % excluding items affecting comparability. This result is the best ever – both on a yearly and quarterly basis*
- *Return on shareholders' equity was 18.4 %*
- *Income increased by over 3 %, excluding items affecting comparability*
- *Net commission income rose by 17 %*
- *Expenses fell by 2 % – 20 % of the Bank's transactions go via the Internet*
- *The surplus value in the Bank's pension foundation and pension fund increased by 90 % to SEK 19 billion*
- *The Board proposes that the dividend be raised to SEK 3.00 per share*
- *The Board proposes buy-back of up to 50 million shares*

The Group

Best result ever

The Handelsbanken Group's operating profit was SEK 8 607m (7 712) an increase of 17 % excluding items affecting comparability. Both the annual and quarterly results were the best ever for the Bank. Income increased by over 3 % while expenses fell by 2 %. Return on shareholders' equity was 18.4 % (18.6).

Favourable income performance

Income increased by 3 % excluding items affecting comparability. Net interest income went up by 1 % in spite of the fact that generally lower interest rates reduced the return on the Bank's liquid funds. The interest spread in the Handelsbanken Group was slightly improved. Net commission income rose by 17 %. The increase was particularly strong in the last quarter of the year. It mainly originates from products relating to equities and mutual funds.

Svenska Handelsbanken

The lowest expenses in the Swedish banking sector fell even more

Expenses fell by 2 %. Staff costs rose by 7 % and other expenses fell by 11 %. The rise in staff costs includes contractual salary increases and also refers to an increase in the number of employees in the IT area as a result of a decrease in the number of consultants.

The total number of employees in the Group fell by 112 during the year in spite of the addition of 189 employees through the acquisition of Bergensbanken. The main part of the decrease was in the Swedish regional banks – 235 employees. An important reason for this is the increased use of the Internet service.

More Internet transactions than branch transactions this year

The Bank currently offers Internet services in the four Nordic countries with two separate services in Sweden (Handelsbanken and Stadshypotek Bank). In 1999, Internet services were introduced for corporate customers in Sweden. They were given a very good reception. Less than one year after these services were launched, 25 % of the Bank's corporate customers are using them. Internet services will be launched in the UK in 2000.

Approximately 20 % of the Bank's business is done via the Internet and during 2000, the number of Internet transactions will exceed the number of transactions carried out at branch offices. Use of Internet banking services at Handelsbanken is one of the highest of the European banks.

Handelsbanken has the lowest costs among European listed universal banks. Since the early 1990s, Handelsbanken has put around 25 % of its total expenses into the IT field. This is very high in an international perspective and more than the average for the major Swedish banks. The Bank's long-term investments in IT are a contributory factor to its low level of expenses.

Loan losses at historically low levels

Loan losses are now down at very low levels and in 1999, recoveries including changes in value of repossessed property exceeded the year's loan losses by SEK 219m (-319).

The proportion of bad debts fell to 0.27 % (0.45) of lending. The bad debt reserve ratio rose to 66.8 % (58.8 %). The volume of collateral taken over fell to SEK 152m (193).

Capital ratio and rating

The Handelsbanken Group's capital ratio was 9.4 % (9.8) at the year-end. The Tier 1 capital ratio rose to 6.5 % (6.3). Handelsbanken has the highest long-term rating of the Nordic banks and in Europe, only two of the thirty largest listed universal banks have received a higher rating from Moody's.

Svenska Handelsbanken

Surplus value of SEK 19bn in the Bank's pension foundation and pension fund

The Bank's pension commitments are secured through the pension foundation and through insurance in the pension fund. For many years, the market value of the assets which secure these commitments has well exceeded the actual insurance liabilities. The rise in the stockmarket in 1999 increased the surplus by 90 % and at the end of the year the surplus was SEK 19bn. It is possible to transfer this surplus to the Bank by each year taking out a maximum amount corresponding to the Bank's pension expense for that particular year. In 1999, this amount was SEK 750m. This sum has been transferred to the Bank from the pension foundation. This does not affect the Bank's operating profit but is reported as an appropriation which has a positive impact on return on equity and earnings per share. It is the Bank's intention to continue transferring the maximum permitted amount from the pension foundation in future years.

Earnings per share and dividend

Net earnings per share were SEK 9.31 (8.41). The Board recommends a dividend on the ordinary shares, class A and B of SEK 3,00 (2.67).

Buy-back of shares

The Bank has a sufficiently strong capital situation and earnings capacity to permit repurchase of the Bank's shares. The Board is therefore proposing that the Annual General Meeting authorises the Board to repurchase a maximum of 50 million shares. The Board also states that it does not intend to buy back shares for an amount in excess of SEK 4bn. It is the Bank's intention to continue working on its capital base in the years ahead, so that it is at all times optimal from the point of view of the company and the shareholders.

Best service and most satisfied customers

In the annual survey of various business sectors carried out by Svenskt Kvalitetsindex, Handelsbanken again had the most satisfied customers, both private and corporate. The business periodical Privata Affärer acclaimed Handelsbanken the customers' favourite bank. Handelsbanken was considered to have the best service and was the bank most people – as many as 29 % - would change to if they were changing banks. Handelsbanken also topped the list of banks which customers had already transferred to and was the major bank which by far the greatest number of people had confidence in.

The same result was reported in the leading Swedish consumer periodical Råd och Rön. Handelsbanken has more satisfied customers than the other major banks and no fewer than 35 % of those who had Handelsbanken as their main bank had changed to the Bank in the past five years. The same survey reported that 84 % of the Bank's customers would recommend Handelsbanken to acquaintances.

In another business magazine's (Veckans Affärer) brand name survey, Handelsbanken came top of the banks and is the only major bank with an upward trend.

Svenska Handelsbanken

Growth in the Nordic countries

In 1999, Handelsbanken purchased Bergensbanken, a Norwegian bank. The acquisition represents a substantial increase in Handelsbanken's Norwegian operations. Following the acquisition, the Bank's market share in Bergen, the second largest city in Norway, became 15 %. Bergensbanken's operating profit for 1999 was SEK 237m, which was considerably higher than the previous year. Through the purchase of Bergensbanken and growth elsewhere, the Bank's lending in the Nordic countries excluding Sweden has increased by 80 % to SEK 54bn.

Successful asset management

In 1999, the Bank's asset management was successful. Most of the Bank's mutual funds performed better than their benchmark indexes. Total yield on Handelsbanken Liv's traditional life insurance portfolio outperformed the sector average: 21.6 % compared to the average of 20.2 %. In 1999, Handelsbanken's market share of the net inflow to the Swedish mutual fund market was 13.2 %, which is higher than the Bank's total share of this market.

Stockholm, 22 February 2000



Arne Mårtensson
President and Group Chief Executive

For further information please contact:

Arne Mårtensson, Group Chief Executive

tel: +46 8 – 22 92 20
e-post arma01@handelsbanken.se

Sven Grevelius, Head of Accounting and Control

tel: +46 8 – 22 92 20
e-post svgr01@handelsbanken.se

Lars Lindmark, Head of Corporate Communications

tel: +46 8 – 701 10 36
e-post lali12@handelsbanken.se

Bengt Ragnå, Head of Investor Relations

tel: +46 8 – 701 12 16
e-post bera02@handelsbanken.se

The interim report for the first quarter of 2000 will be published on 13 April 2000. Handelsbanken's interim reports and other publications are also available on the Internet (www.handelsbanken.se).

The Annual General Meeting of Svenska Handelsbanken AB (publ) will take place at 10 a.m. on 14 April 2000 in Stockholm.

Svenska Handelsbanken

Business areas

Result per business area

January - December 1999

Svenska Handelsbanken Group

SEK m	Branch offices	Markets	Asset Mgmt.	Finans	Liv	S-hyp Bank	Central Treasury	Other	Total 1999	Total 1998
Net interest income	9 353	1 295	91	481	7	53	456	-228	11 508	11 430
Commission, net	2 168	878	601	203	100	74	-4	-42	3 978	3 408
Net result on financial operations	339	586	47	0	27	0	-100	70	969	1 242
Other income	44	72	6	29	2	2	13	433	601	757
Total income	11 904	2 831	745	713	136	129	365	233	17 056	16 837
Net internal remuneration included in income	1 000									
Net internal remuneration deducted from income	-	254	518	41	173	14	-	-		
Total expenses	5 281	1 968	339	419	73	114	25	449	8 668	8 806
Result before loan losses	6 623	863	406	294	63	15	340	-216	8 388	8 031
Loan losses	-126	-82	-	-11	-	-	-	-	-219	319
Operating result	6 749	945	406	305	63	15	340	-216	8 607	7 712
Return on equity, %	20.7	16.0	26.8	22.0	15.6	18.1	14.2		18.4	18.6

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 (unit-linked) and commission income from the mutual company are included under the business area "Handelsbanken Liv".

Svenska Handelsbanken

Branch office operations

Handelsbanken is a Nordic universal bank with a strongly decentralised organisation. The branches are responsible for all customers within their 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 465 branches in Sweden, 22 in Norway, 16 in Finland and 5 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 do. It is on this base that the Bank will be able to grow in the whole of the Nordic area. Handelsbanken is the largest bank in Sweden, the fourth largest commercial bank in Finland, the fifth in Norway and the ninth in Denmark.

Quarterly performance

SEK m	1999:4	1999:3	1999:2	1999:1	Total 1999	Total 1998
Net interest income	2 365	2 217	2 472	2 299	9 353	9 414
Commission, net	693	498	508	469	2 168	1 900
Net result on financial operations	106	84	70	79	339	388
Other income	32	1	4	7	44	23
Total income	3 196	2 800	3 054	2 854	11 904	11 725
<i>Net internal remuneration included in income</i>	<i>282</i>	<i>251</i>	<i>257</i>	<i>210</i>	<i>1 000</i>	<i>1 032</i>
Total expenses	1 399	1 234	1 303	1 345	5 281	5 371
Result before loan losses	1 797	1 566	1 751	1 509	6 623	6 354
Loan losses	-142	-13	-29	58	-126	394
Operating profit	1 939	1 579	1 780	1 451	6 749	5 960
Return on equity, %	23.4	19.3	22.1	18.1	20.7	20.0

The branch operation's profits rose to SEK 6 749m (5 960). Net interest income fell by 1 %. The branch office operations' net interest income includes the fee of SEK 289m (268) to the Swedish government for the deposit protection guarantee. Lending to the general public rose by 7 %. Expenses decreased by 2 % compared with the corresponding period last year, mainly as an effect of the increased use of Handelsbanken's Internet services for corporate and private customers.

Standardised PC-based workstations have now been installed at all the Swedish branch offices. These workstations, together with newly developed customer information tools and other sales support systems, make it possible to provide enhanced services and lead to considerable efficiency improvements in the work of the branches; this is of benefit for both the customers and the Bank.

Customers' increasing use of Handelsbanken's Internet service means that routine tasks can be gradually eliminated and that more time can be devoted to advisory services.

Svenska Handelsbanken

Continued expansion in the Nordic countries

In Norway, the number of branches has increased by 6 in the Bergen region as a result of the acquisition of Bergensbanken. The Bank now has 22 branches in Norway. Handelsbanken made an offer to Bergensbanken's shareholders of 125 Norwegian kroner per share on 3 May 1999, corresponding to a total bid value of NOK 1 550 m. Bergensbanken was consolidated with Handelsbanken as from 1 November 1999. With the acquisition of Bergensbanken, Handelsbanken now has a market share in Bergen – the second largest city in Norway – of 15 %.

During the year a further 4 branches have been established in the Nordic countries outside Sweden – Fredrikstad in Norway, Kuopio in Finland and Odense and Kolding in Denmark.

Internet, WAP and other electronic self-service products

The development of Internet services for private customers continued through the year, including comprehensive information services concerning the securities market. The number of new private customers on the Internet rose significantly and at a steady pace. A large proportion of the customers who have subscribed to the Internet service utilise the service. Internet-based services for companies were subscribed to on a wide front and the number of new corporate customers increased sharply, particularly towards the end of the year. 25 % of corporate customers already use these services.

During the year, the Bank introduced a number of WAP services (Wireless Application Protocol), which are now being used by a test group of customers. Handelsbanken was the first bank to demonstrate these types of service where mobile phones are in direct contact with the Bank's central computer. In the spring, a number of new WAP services will be launched.

The number of card transactions, both via retailers and ATMs, continued to increase markedly. During the year, the functionality of the Bank's cards was enhanced – in particular the Allkort and Corporate cards.

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.

Quarterly performance

SEK m	1999:4	1999:3	1999:2	1999:1	Total 1999	Total 1998
Net interest income	188	348	390	369	1 295	957
Commission, net	343	177	186	172	878	671
Net result on financial operations	322	-23	-4	291	586	791
Other income	1	-5	58	18	72	32
Total income	854	497	630	850	2 831	2 451
<i>Net internal remuneration included in income</i>	<i>66</i>	<i>66</i>	<i>64</i>	<i>58</i>	<i>254</i>	<i>403</i>
Total expenses	559	461	482	466	1 968	2 019
Result before loan losses	295	36	148	384	863	432
Loan losses	-1	-47	-12	-22	-82	-100
Operating profit	296	83	160	406	945	532
Return on equity, %	20.5	5.7	10.6	27.0	16.0	9.4

Handelsbanken Markets' operating profit was SEK 945m, an increase of 78 %. Income increased by 16 % to SEK 2 831m due mainly to a stronger market share and a marked increase in volumes in the Nordic stockmarkets. Expenses were cut by 3 % mainly as an effect of the measures initiated the previous year in the trading operation.

Commission income was particularly high during the fourth quarter, due mainly to a large volume of equity transactions.

Investment Banking

Over the past few years, Handelsbanken has made a powerful drive in the field of Investment Banking - corporate finance, equity research, institutional equity sales and equity trading. The effort has borne fruit, and led to a much-improved result for the business area, particularly in the fourth quarter.

Svenska Handelsbanken

Handelsbanken was the largest individual player on the Stockholm Stock Exchange in the second half of 1999. The Bank achieved a market share of 9.9 %, having gained more market share than any other major player last year. Performance was also good in the other Nordic countries. According to figures from the Nordic stock exchanges – with the exception of Denmark, where statistics are not currently available – Handelsbanken is now the second largest player in the Nordic region.

The corporate finance operation also performed well throughout the year, and a very large number of deals were concluded. Of these, very many were IT-related. Handelsbanken Markets has made a conscious effort in this market segment in the past few years, and has been rewarded with a good result.

Trading

Profitability improved markedly. Thanks to measures initiated in 1998 to raise the efficiency of the operation, the expenses for the fourth quarter decreased by 18 % compared with the last quarter in 1998. This has occurred at the same time that income has increased and the Bank has reinforced its position as the largest trading bank in Sweden and the entire Nordic region. The work of adapting the trading organisation to new market conditions is continuing e.g. via centralisation and development of new IT solutions. The conditions for achieving a level of satisfactory and sustainable profitability in this area have thereby been considerably improved.

Trade Finance and Financial Institutions

The operation continued to develop well during the year, and both income and volumes increased. In the last quarter, the result was slightly lower than in the previous year.

Banking operations outside the Nordic countries

The operation has continued to develop well. The work of developing retail banking operations in the UK and of starting a bank in Poland is going according to plan.

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.

Quarterly performance

SEK m	1999:4	1999:3	1999:2	1999:1	Total 1999	Total 1998
Net interest income	30	27	16	18	91	59
Commission, net	169	152	141	139	601	481
Net result on financial operations	3	31	7	6	47	11
Other income	4	-1	2	1	6	16
Total income	206	209	166	164	745	567
<i>Net internal remuneration included in income</i>	<i>148</i>	<i>129</i>	<i>139</i>	<i>102</i>	<i>518</i>	<i>455</i>
Total expenses	108	79	80	72	339	267
Result before loan losses	98	130	86	92	406	300
Loan losses	-	-	-	-	-	-
Operating profit	98	130	86	92	406	300
Return on equity, %	25.7	34.2	23.2	24.3	26.8	46.7

The profit for the period increased by 35 % to SEK 406m (300). Income increased by 31 % to SEK 745m (567). The volume of assets managed by Handelsbanken Asset Management as at 31 December 1999 was just over SEK 140bn.

Fund management

The Bank's fund management company managed 48 mutual funds as at the end of the year. The assets managed rose from SEK 55bn at the beginning of the year to SEK 88bn at the end of the year, an increase of more than 60 %. Net flow into the funds in 1999 amounted to SEK 7.6bn. Handelsbanken's share of total net investments in the mutual funds market was 13.2 % (9.2). The number of unit holders increased in 1999 by around 100 000 and there are now slightly more than 750 000 savers in mutual funds.

Four new funds were launched during the period: Värdefonden, Europa Aggressiv, Lux Avkastning and Euro Active. The latter fund invests solely in the euro area.

Discretionary management

Discretionary Management made a breakthrough in 1999 with respect to customised management assignments. During the year, the Bank received new assignments with a value of SEK 5.3bn, including several from municipalities and county councils. Managed assets amount to a total of SEK 45bn, an increase of 30 %. Performance has been better than the relevant benchmark indexes, despite a relatively cautious allocation between equities and interest-bearing investments during the year.

Svenska Handelsbanken

Custody services

For the eighth consecutive year, Institutional Custody Services has been "Top Rated" by Global Custodian. Handelsbanken was the only Swedish bank to receive this grade in 1999. The Bank won subcustodian mandates in Sweden from several international customers, in competition with the other major Swedish banks.

The Bank's concept of offering integrated custody services in the Nordic region has met with success. Demand for this service is growing among international customers.

The Bank's custody service continues to attract customers. At the end of the year, the number of custody accounts was more than 100 000 with a total value of more than SEK 650bn. This implies an increase in the number of custody accounts by 53 % in 1999. More than 60 % of the newly opened custody accounts have an Internet link, while 32 % of the total number of custody accounts are linked to the Internet. All custody account customers have access to the Market Information on the Internet service, which was launched in the third quarter of 1999. The service was given a very warm reception.

Svenska Handelsbanken

Handelsbanken Finans

Handelsbanken Finans is the only bank-owned finance company in the Nordic area with an extensive range of local finance company services in the four major Nordic countries: leasing, conditional sales, financing in collaboration with vendors of investment assets, car financing and administration services, factoring and collection services, consumer credits and selective cards for retailer partners.

Quarterly performance

SEK m	1999:4	1999:3	1999:2	1999:1	Total 1999	Total 1998
Net interest income	115	124	123	119	481	464
Commission, net	50	48	53	52	203	201
Net result on financial operations	-	-	-1	1	0	-1
Other income	5	17	1	6	29	20
Total income	170	189	176	178	713	684
<i>Net internal remuneration included in income</i>	<i>11</i>	<i>10</i>	<i>10</i>	<i>10</i>	<i>41</i>	<i>39</i>
Total expenses	111	97	105	106	419	429
Result before loan losses	59	92	71	72	294	255
Loan losses	-2	-2	4	-11	-11	25
Operating profit	61	94	67	83	305	230
Return on equity, %	17.9	26.8	19.4	24.0	22.0	19.2

The result increased by 33 % to SEK 305m (230). Return on shareholders' equity went up to 22 % (19.2).

Income increased by 4 % to SEK 713m (684). Expenses decreased by 2 % to SEK 419m (429) at the same time that average credit volumes rose by just over 17 %.

At Handelsbanken, finance company services are an established feature of the branch offices' range of products. At the end of the year, yet another important step was taken in this direction when the branches were assigned greater responsibility for finance company services. The branches now make all credit decisions with respect to leasing and conditional sales; this is in line with their overall responsibility for their own customers.

Handelsbanken Finans' collaboration with vendors and retailers has played an important role in attracting key corporate customers to the Group. As yet another means of deepening the relationship with customers, Handelsbanken Finans has developed special Internet tools, such as finance support for retailers of consumer goods.

Svenska Handelsbanken

There was a large inflow of new business in connection with leasing and conditional sales services for companies both via the bank branches and also from existing and new vendor collaboration agreements in Finland, Norway and Sweden. In the Structured Lease Finance Service area, Handelsbanken Finans is financing 75 new subway carriages for Stockholm Transport for an amount of SEK 1.8bn. This is Handelsbanken Finans' biggest contract ever.

In the retail finance area in Sweden, sales reached an all time high, bringing the total credit volume at Retail Financial Services to SEK 2.4bn.

A new retail finance services unit was established at Handelsbanken Finans in Norway. In the first few months, collaboration agreements were entered into with 15 new retailers. In Finland, the Aktiiviraha Privat credit card was launched in co-operation with Handelsbanken's Finnish branches. The total number of cards in Finland rose by 13 % in 1999.

Factoring & Collection Services offers services ranging from invoice processing to claims and debt collection. Factoring services have aroused interest as they are regarded not only as a financing solution but also as a cash management product. Simple and clearly advantageous services for customers have made Handelsbanken Finans a market leader in this area as well.

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 personal 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.

Quarterly performance

SEK m	1999:4	1999:3	1999:2	1999:1	Total 1999	Total 1998
Net interest income	2	2	1	2	7	5
Commission, net	32	24	24	20	100	54
Net result on financial operations	23	-4	2	6	27	22
Other income	-	-	1	1	2	1
Total income	57	22	28	29	136	82
<i>Net internal remuneration is included in income</i>	<i>53</i>	<i>42</i>	<i>41</i>	<i>37</i>	<i>173</i>	<i>125</i>
Total expenses	16	20	19	18	73	62
Result before loan losses	41	2	9	11	63	20
Loan losses	-	-	-	-	-	-
Operating profit	41	2	9	11	63	20
Return on equity, %	40.4	2.0	8.9	10.3	15.6	5.2

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

The result of the profit-distributing operation was SEK 63m (20). Income went up by 66 % to SEK136m (82) as a result of increased volumes in the unit-linked company. As a result of IT investments to make insurance administration more efficient, expenses rose to SEK 73m (62). The result for the fourth quarter is mainly due to higher profits in treasury operations and increased commission income.

Performance

The companies' total premium income continued to increase substantially and was SEK 6.9bn (5.1), an increase of 36 %. Premium income for unit-linked insurance rose by 44 % to SEK 4.7bn in 1999 (3.2). Premium income for traditional insurance increased by 21 % to SEK 2.2bn (1.8).

Svenska Handelsbanken

This substantial increase in total premium income combined with a good increase in value meant that assets managed increased from SEK 22.4bn to 33.5bn. The unit-linked company more than doubled the value of assets managed to SEK 13.5bn (6.4).

1999 was also a good year for asset management in the traditional life insurance company. Total yield was 21.6 % (18.5). The average for the sector was 20.2 % (16). In 1999 the average bonus was 11.3 % (14.0). The solvency margin was 130 % at the end of the year.

Result January – December **Handelsbanken Liv Försäkrings AB**

SEK m	1999	1998
Premium income	2 203	1 819
Investment income	3 496	2 513
Insurance claims	-1 174	-967
Changes in life insurance provisions	-1 721	-1 204
Bonus	-96	-72
Operating expenses	-224	-185
Result on technical account – life insurance business	2 484	1 904

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 20bn in customer funds. Stadshypotek Bank is active under its own brand name and provides its own range of services. Stadshypotek Bank offers a limited range of bank and insurance services to customers who do not require the full range of services and individually adapted services offered by the Handelsbanken branch offices.

Quarterly performance

SEK m	1999:4	1999:3	1999:2	1999:1	Total 1999	Total 1998
Net interest income	16	13	12	12	53	48
Commission, net	18	17	19	20	74	99
Net result on financial operations	0	0	0	0	0	0
Other income	-	-	-	2	2	1
Total income	34	30	31	34	129	148
<i>Net internal remuneration included in income</i>	<i>4</i>	<i>4</i>	<i>3</i>	<i>3</i>	<i>14</i>	<i>10</i>
Total expenses	29	26	29	30	114	121
Result before loan losses	5	4	2	4	15	27
Loan losses	-	-	-	-	-	-
Operating profit	5	4	2	4	15	27
Return on equity, %	20.6	20.1	9.8	18.6	18.1	37.2

The result amounted to SEK 15m (27). Commission income decreased during the year, due mainly to a decline in the volume of retail bonds. Expenses have continued to fall and were almost 6 % lower than in 1998.

Stadshypotek Bank has more than 300 000 customers.

New interactive customer service

As the first bank in the Nordic region and one of the first in the world, Stadshypotek Bank has established a full-scale contact centre. This is an entirely new type of interactive customer service, in which telephony and data are integrated. With this solution, customers can be provided with more service, and Stadshypotek Bank takes a leading position in providing remote customer services. Apart from personal service, the customers gain access to a number of entirely new electronic services, for example, buying and selling shares via mobile and touch tone phones.

Svenska Handelsbanken

Business trends

Stadshypotek Bank has continued to develop its Internet service and the customers now have access to most of its products via the Internet. Stadshypotek Bank's system for securities management has been further improved. AktieSpar was developed to include shares quoted on the SBI list, Aktietorget and unofficial lists. Monthly savings in individual shares continued to go well, and Stadshypotek Bank is the only bank in Sweden that can offer such a wide selection of shares via monthly savings.

Deposits to accounts were on average SEK 5.7bn and remained at a stable level. The market share for retail bonds did not change despite large volumes maturing. FondSpar, a savings product comprising a selection of Handelsbanken mutual funds, performed very well during the year. The number of savers increased by 73 % to over 19 000.

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. The Central Treasury 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.

Quarterly performance

SEK m	1999:4	1999:3	1999:2	1999:1	Total 1999	Total 1998
Net interest income	61	90	138	167	456	616
Commission, net	-1	-	-2	-1	-4	-4
Net result on financial operations	-18	-25	-20	-37	-100	21
Other income	8	1	4	-	13	-
Total income	50	66	120	129	365	633
<i>Net internal remuneration included in income</i>	-	-	-	-	-	-
Total expenses	7	5	9	4	25	16
Result before loan losses	43	61	111	125	340	617
Loan losses	-	-	-	-	-	-
Operating profit	43	61	111	125	340	617
Return on equity, %	8.2	10.7	17.4	18.5	14.2	29.9

The Central Treasury's result fell to SEK 340m (617). The lower result was due to a decline in the return on the Bank's liquidity as a result of low interest rates.

The increase in expenses was due to the merger of the treasury functions at Handelsbanken and Stadshypotek. The merged unit is the second largest borrower on the Swedish money and bond markets.

Svenska Handelsbanken

Financial ratios for the Svenska Handelsbanken Group

	January – December	
	1999	1998
Return on shareholders' equity after standard tax *	17.0 %	16.3 %
Return on shareholders' equity	18.4 %	18.6 %
Income/expenses (I/E ratio)*		
- before loan losses	1.97	1.87
- after loan losses	2.02	1.81
Net earnings per ordinary share, SEK		
- January – December **	9.31	8.41
No. of ordinary shares **	714 746 940	714 746 940
Adjusted equity per share, SEK **	53.97	47.56
Tier 1 capital	31 177	27 736
Risk-weighted volume	482 266	443 198
Capital ratio	9.4 %	9.8 %
Average number of employees	8 520	8 546
Number of branches in Nordic countries, 31 Dec	508	513

* Excl items affecting comparability

** 1998 adjusted for 3:1 split

Quarterly performance of Svenska Handelsbanken Group

SEK m	1999:4	1999:3	1999:2	1999:1	1998:4
Net interest income	2 708	2 750	3 096	2 954	2 857
Commission, net	1 234	934	942	868	854
Net result on financial operations	526	59	53	331	370
Other income	63	108	230	200	60
Total income	4 531	3 851	4 321	4 353	4 141
Staff costs	1 307	1 166	1 200	1 215	1 195
Other administrative expenses	855	664	751	760	1 043
Depreciation and write-downs	202	181	187	180	184
Total expenses	2 364	2 011	2 138	2 155	2 422
Profit before loan losses	2 167	1 840	2 183	2 198	1 719
Loan losses	-145	-62	-37	25	108
Operating profit	2 312	1 902	2 220	2 173	1 611
Minority interests	-7	-4	-5	-6	-5
Pension provisions	669	-26	-40	-	56
Taxes	-827	-530	-583	-585	-535
Net result for the period	2 147	1 342	1 592	1 582	1 127

Svenska Handelsbanken

Profit and loss account - Group

	January – December		Change %
	1999	1998	Exc. items affecting comparability
SEK m			
<i>Interest income</i>	58 048	61 940	-6
<i>Interest expense</i>	-46 540	-50 510	-8
Net interest income	11 508	11 430	1
Dividends received	245	139	76
<i>Commission income</i>	4 693	4 077	15
<i>Commission expense</i>	-715	-669	7
Net commission income Note 1	3 978	3 408	17
Net result on financial operations Note 2	969	1 242	-22
Other operating income	356	618	27
Total income	17 056	16 837	3
General administrative expenses			
- Staff costs	4 888	4 579	7
- Other Note 3	3 030	3 543	-14
Depreciation and write-down in value of Tangible and intangible fixed assets	750	684	10
Total expenses	8 668	8 806	-2
Profit before loan losses	8 388	8 031	9
Net loan losses Note 4	-203	330	
Change in value of repossessed property	-16	-11	45
Operating profit	8 607	7 712	17
Minority interests	-22	-22	0
Pension provisions	603	505	19
Taxes	-2 525	-2 168	18
Profit for the year	6 663	6 027	16

Svenska Handelsbanken

Profit and loss account – Group (cont.)

SEK m	January - December	
	1999	1998
Note 1 Commission		
Payments	759	736
Lending	426	353
Deposits	69	92
Guarantees	209	160
Securities	2 281	1 892
Other	949	845
Commission income	4 693	4 077
Commission expense	-715	-669
Net commission income	3 978	3 408
Note 2 Net result on financial operations		
Shares and participations	-469	229
Interest-bearing securities	-907	-525
Realised profit	-1 376	-296
Shares and participations	835	21
Interest-bearing securities	10	720
Unrealised changes in value	845	741
Changes in exchange rates	1 500	797
Net result on financial operations	969	1 242
Note 3 Other administrative expenses		
Property and premises	715	757
Information technology	812	1 165
Communication	404	394
Travel and marketing	281	357
Purchased services	430	486
Supplies	155	157
Other expenses	233	227
Other administrative expenses	3 030	3 543
Note 4 Loan losses		
A. Individually valued claims:		
The year's write-down for actual loan losses	709	1 005
Write-back of previous provisions for possible loan losses which are reported as actual loan losses in the year's accounts	-530	-759
The year's write-down relating to possible loan losses	610	719
Recovered from actual loan losses in previous years	-347	-355
Write-back of provisions for possible losses which are no longer necessary	-642	-306
Net expense for the year for Individually valued claims	-200	304
B. Claims valued as a group:		
The year's write-down for actual loan losses	26	30
Recovered from actual loan losses in previous years	-24	-22
Allocation to/dissolution of reserve for loan losses	-5	18
Net expense for the year for claims valued as a group	-3	26
Total loan losses	-203	330

Svenska Handelsbanken

Balance sheet - Group

		1999	1998
SEK m		31 Dec	31 Dec
Lending to the general public	Note 1	626 206	587 405
Lending to credit institutions		98 859	139 823
Interest-bearing securities			
- Financial fixed assets		6 470	1 388
- Financial current assets		86 945	106 438
Other assets		104 319	91 396
Total assets		922 799	926 450
Deposits and funding from the general public		221 483	206 524
Liabilities to credit institutions		186 503	261 146
Issued securities etc		359 540	299 378
Subordinated liabilities		19 850	23 135
Other liabilities		96 853	101 836
Shareholders' equity		38 570	34 431
Total liabilities and shareholders' equity		922 799	926 450

Note 1 Lending to the general public

SEK lending			
- to households		202 161	194 573
- to companies etc *)		292 600	287 583
		494 761	482 156
Foreign currency lending			
- to households		19 289	12 970
- to companies etc		115 572	95 985
		134 861	108 955
Reserve for possible loan losses		-3 416	-3 706
Total lending		626 206	587 405
*) Of which National Debt Office		0	0

Svenska Handelsbanken

Cash flow statement - Group

SEK m	January – December	
	1999	1998
Cash flow on operating activities	15 008	258
Cash flow on investing activities	-6 419	3 985
Cash flow on financing activities	-6 187	-3 333
Cash flow for the year	2 402	910
Liquid funds at beginning of year	4 054	3 025
Cash flow for the year	2 402	910
Exchange rate difference on liquid funds	-171	119
Liquid funds at end of year	6 285	4 054

Other information

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

SEK m	January – December	
	1999	1998
Capital base and requirement		
Tier 1 capital	31 177	27 736
Total capital base	45 451	43 643
Risk-weighted volume	482 266	443 198
Capital ratio	9.4%	9.8%
Tier 1 capital ratio	6.5%	6.3%
Problem loans		
Bad debts	5 186	6 682
Reserve for possible loan losses	-3 463	-3 926
Bad debts, net	1 723	2 756
Reduced rate loans without a provision for possible loan losses	128	231
Total problem loans	1 851	2 987
Bad debt reserve ratio	66.8%	58.8%
Proportion of bad debts	0.27%	0.45%
Problem loans before write-down for possible loan losses	5 314	6 913
Loan loss ratio	-0.03%	0.05%
Non-performing loans for which interest is reported as income	1 372	1 617
Collateral taken over:		
- Buildings and land	21	64
- Shares and other participations	55	120
- Other	76	9
Total collateral taken over	152	193

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	20 994	15 648	34 397	31 609	5 224	5 201
Negative values	21 383	18 108	31 298	30 446	5 704	5 657

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 fair value. The differences between fair value and book value reported in the table correspond to the reversed differences between fair 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 January 1999 -31 December 1999, Handelsbanken Markets' exposure to interest rate and exchange rate risk (incl. option risk), measured as Value-at Risk (VaR) was on average SEK 30m. During the period, this risk varied between SEK 58m and SEK 12m. During the same period, Handelsbanken Markets' exposure to equity price risks, measured as VaR, was on average SEK 12m. This risk varied between SEK 19m and SEK 7m.

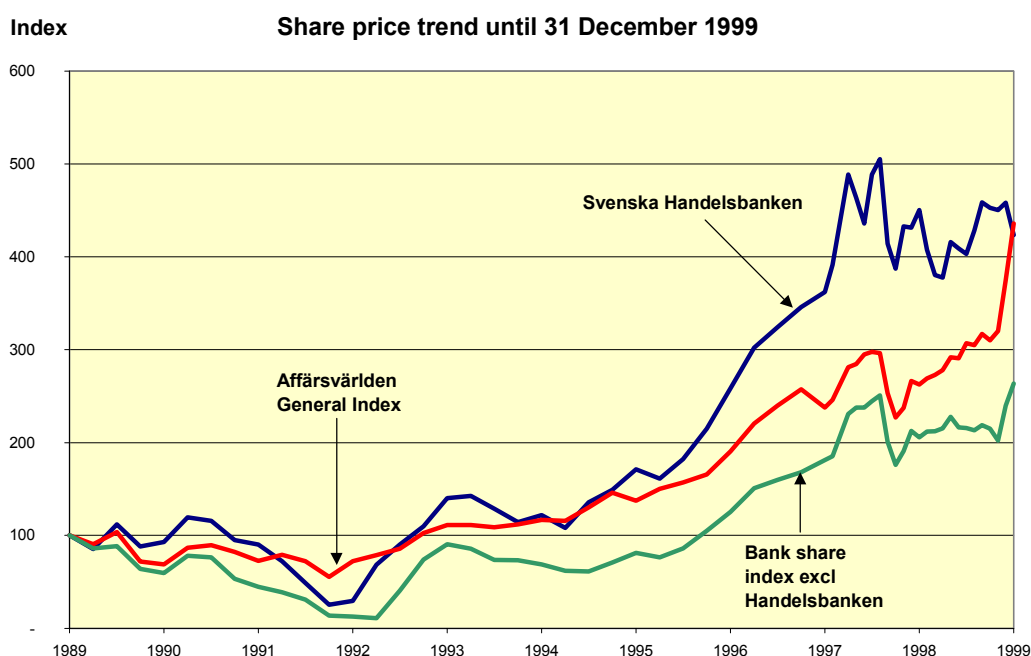
Svenska Handelsbanken

Handelsbanken's shares

In 1999, the rise on the Stockholm Stock Exchange, measured by the Affärsvärlden Share Index, was 66 %. Bank shares put in a poor performance however. The drop in the price of Handelsbanken's share was 5.9 %. Nevertheless, during the 1990s, Handelsbanken's shares have risen at the same pace as the general index and almost twice as fast as the bank index excluding Handelsbanken.

	31 December 1999	31 December 1998
Share price Ordinary class A, SEK	107	114 *)
Market capitalisation SEKbn	76	81

*) adjusted for split 3:1



Handelsbanken's rating as at 31 December 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	

Handelsbanken has the best rating of the Nordic banks.