

Annual Report 2000



Svenska Handelsbanken

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THE ANNUAL GENERAL MEETING OF SVENSKA HANDELSBANKEN

will be held at the Grand Hôtel, Vinterträdgården, Royal entrance, Stallgatan 4, Stockholm, at 10.00 a.m. on Tuesday, 24 April 2001.

NOTICE OF ATTENDANCE AT ANNUAL GENERAL MEETING

Shareholders wishing to attend the Meeting must

- be recorded in the register of shareholders kept by VPC AB (Swedish Central Securities Depository and Clearing Organisation), on or before Thursday, 12 April 2001,
- and give notice of attendance to the Chairman's office at the Head Office of the Bank, Kungsträdgårdsgatan 2, 106 70 Stockholm, telephone +46 8 701 19 84, or via the Internet www.handelsbanken.se/bolagsstamma (Swedish only), by 3 p.m. on Wednesday, 18 April 2001.

Any shareholders whose shares are nominee-registered must also, in order to be entitled to take part in the Meeting, request a temporary entry in the register of shareholders kept by VPC. Shareholders must notify the nominee about this well before 12 April 2001, when this entry must have been effected.

DIVIDEND

The Board of Directors recommends that the record day for the dividend be Friday, 27 April 2001. If the Annual General Meeting votes in accordance with this recommendation, VPC expects to be able to send the dividend to shareholders on Thursday, 3 May 2001.

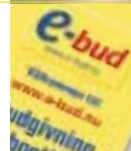
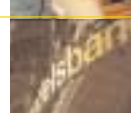
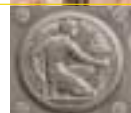
PUBLICATION DATES FOR INTERIM REPORTS

January – March	23 April 2001
January – June	21 August 2001
January – September	23 October 2001

Svenska Handelsbanken AB (publ)
Registered No. 502007-7862
www.handelsbanken.se

Highlights of the year

- Profits for 2000 were SEK 11.7 billion, an increase of 36%
- Return on shareholders' equity was 22.2%, compared to 18.4% the previous year
- Handelsbanken acquired SPP Liv
- The Bank sold its share in Svensk Exportkredit
- The Bank repurchased a total of 21.5 million of its shares during the year
- According to the Svenskt Kvalitetsindex survey, Handelsbanken again had the greatest proportion of satisfied customers – both corporate and private – of the major Swedish banks
- Almost 45% of corporate customers and around one-quarter of private customers were linked to the Bank's Internet services
- Handelsbanken had the highest level of Internet penetration of all the Nordic banks, according to a survey by an American investment bank
- Handelsbanken started retail banking operations in the UK
- Eight new branches were started outside Sweden: one in Norway, four in Finland, two in Denmark and one in the UK
- Handelsbanken Liv's customers voted to demutualise the life insurance company. Almost 80% of those who were entitled to vote participated, and 98% of them were in favour of demutualisation
- The Bank's mortgage company, Stadshypotek, launched e-bid, an Internet-based service for making bids when buying and selling private property



The group chief executive's comments

The Handelsbanken Group's profits for 2000 were SEK 11.7 billion, an increase of 36%. Return on shareholders' equity was 22.2%, which means that for the twenty-ninth consecutive year we have achieved our overall corporate goal – higher return on equity than the average for the other Swedish and Nordic banks. Handelsbanken's class A share rose by 51% in 2000, which was more than any other Swedish bank.

Not only have we had higher return on equity than other banks for a long period of time – our earnings growth has also been much larger over the past ten years. During the last decade, our earnings per share have risen by almost 11% per year, excluding extraordinary items. This is considerably higher than any other major bank. During the second half of the decade – 1996 to 2000 – our growth in earnings accelerated to an average of 15% per annum, excluding extraordinary items. This is more than twice as much as the major bank with the second best increase. Handelsbanken's more rapid growth in earnings is also reflected in its share price, which went up almost twice as fast as the bank index excluding Handelsbanken since 1990.

Some of this growth derives from our geographical expansion. Today we earn more than one billion Swedish kronor in the Nordic countries outside Sweden. These operations started ten years ago. Nevertheless, the majority of our earnings growth comes from our Swedish operation – very much due to our significantly higher market share during the last decade.

Best service – 38% would like to change to Handelsbanken

Our better profitability and quicker earnings growth are a result of customers perceiving that we offer better service than other major Swedish banks. At the same time, our expenses are much lower.

During the past decade we have had the highest proportion of satisfied private customers every single year, and every year but one where corporate customers are concerned. This is the entire period in which the Svenskt Kvalitetsindex survey has measured customer satisfaction on the Swedish market. For many years, our share of the complaints to the National Board for Consumer Complaints has been much lower than our proportionate share of the Swedish banking market. In 2000, Handelsbanken represented only 7% of these complaints, which is the lowest figure for the major Swedish banks. It is also much lower than our share of the banking market, which is 15–30% for the main banking products.

This superior service is the result of our firm focus on our branch office network. For many years, we have augmented the competence level at our branches. Competence is the single most important factor for good service in the service sector. It is also our policy to sell what is best for the customer at all times, not what is most profitable for the Bank. We strive to create permanent relationships with good customers. We aim to have customers who are satisfied with the Bank long-term. Our branches and our skilled staff are the core element in the service we offer and will remain so.

The annual survey by Privata Affärer – a Swedish periodical for private finances – also revealed that Handelsbanken is the bank which most people would

change to if they changed banks. As many as 38% of Swedes said they would change to Handelsbanken. This is a full 9 percentage points more than the previous year when we were also in the top position. Handelsbanken is also regularly reported to be the strongest brand name in the Swedish banking market and the brand name in which people have the largest confidence.

It is the strong confidence which the Swedish people have in us that has enabled us to derive so much benefit from our acquisition of Stadshypotek,

the mortgage company. At the time of the acquisition in 1997, 30% of Stadshypotek's customers were also customers of Handelsbanken. Today, almost 60% are customers of the Bank. We hope to be able to do the same thing with the insurance company SPP Liv which we bought at the end of 2000. At present, 30% of SPP Liv's customers are also customers of Handelsbanken. We hope to be able to double this figure within the next few years. In view of the high level of confidence which the market has in us, this should be possible provided that we continue to offer better service than our competitors. If anyone else had bought Stadshypotek, they would have found it more difficult to achieve these positive effects. Thus, Handelsbanken was the ideal purchaser of Stadshypotek – and for the same reason it is the ideal purchaser of SPP Liv.

Lower costs and no fees for basic services

It is the dream of all service companies to combine superior service with lower costs. Handelsbanken has managed this for a long time. In fact, our competitive ability is founded on this.

Our expenses as a percentage of total assets are 0.9% as compared to the Nordic average of 1.6%. Thus, our cost level is only 60% of the average for our most important competitors. If we instead compare ourselves with the 30 largest banks in Europe, our lead is about the same. Handelsbanken has the lowest expenses of the 30 largest universal banks in Europe.

“Since 1996 our earnings growth has accelerated”



In 2000, our expenses – excluding Bergensbanken, which was acquired at the end of 1999, and performance-related salaries at Investment Banking – were more or less unchanged. This is excellent if we bear in mind that volumes increased by two-digit figures during the year.

It is Handelsbanken's low expenses which allow us to offer our basic services – withdrawing money, paying bills, taking out mortgage loans – free of charge to our customers. Customers of Handelsbanken pay nothing for giro payments in the Privatgiro system, for Internet banking or ATM withdrawals. Nor do we charge arrangement fees on our mortgage loans.

Flat network type of organisation, internal market and strong corporate culture

Handelsbanken's long-standing lead in the expenses league is mainly due to our organisation. For several decades, the Bank has developed a non-hierarchical, network type of organisation where the individual branches that meet the customers have a large degree of independence in business and administrative matters. This very flat organisation – with only three levels – functions mainly via an internal market, which has replaced hierarchical decision-making. Our branches buy and sell services on this internal market. A product for which there is no demand will disappear. The glue which keeps the organisation together is a very strong corporate culture. In the new economy, flat network type of organisations have become fashionable. Handelsbanken has an advantage here. For several decades we have streamlined this way of working and it has given us major competitive advantages. Our experience is that it takes a very long time to create and to reap all the benefits of this type of organisation. It has to be done gradually for the control mechanisms to function correctly and for the organisation to mature.

The Internet helps us to increase efficiency even more

Thus, the foundation of our lead where expenses are concerned is our organisation. And it is the competence level at our branches which makes Handelsbanken an organisation with superior service.

But on top of this, technical progress has led to more efficient routines and has therefore been helping us to improve our level of service and reduce our costs for a long time. In pre-Internet days during the 1990s, the Bank's routines were already being heavily automated through various electronic payment systems for companies – plastic cards, the Privatgiro payment system, ATMs etc. Back in 1990, 80% of the Bank's transactions were manual and 20% automatic from a branch office perspective. But by 1998 – before the Internet had made a major impact – the reverse situation applied. 80% of transactions were automatic and 20% were manual.

In the last few years, the Internet has enabled us to further increase the Bank's productivity. It allows us to remove some of the remaining manual routines and also cuts the price of some routines which are already automated. The beneficial cost impact of this first became clear in 1999 and the trend continued in 2000. The number of

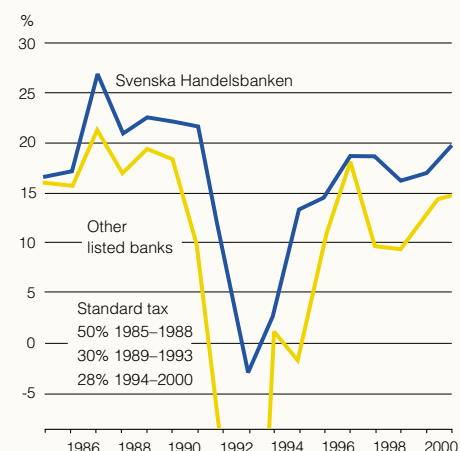
COST EFFECTIVENESS OF SOME NORDIC BANKING GROUPS

31 December

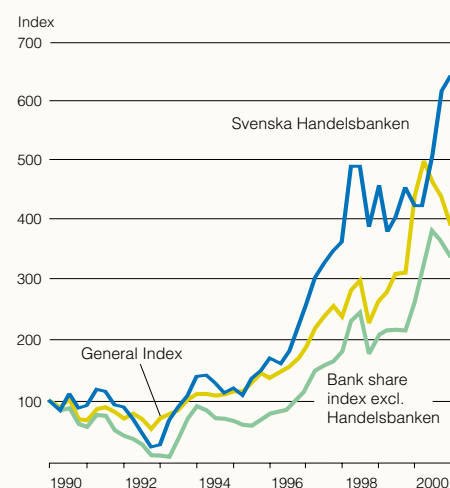
	Cost/ Income	Expenses expressed as a percentage of total assets
Handelsbanken	45	0.9
Danske Bank	51	1.3
Nordea	58	1.4
Kreditkassen	58	1.7
FöreningsSparbanken	60	1.5
Den norske Bank	61	2.2
SEB	73	2.0
Average excl. Handelsbanken	61	1.6

Excl. loan losses and adjusted for items affecting comparability.

RETURN ON SHAREHOLDERS' EQUITY AFTER STANDARD TAX



HANDELSBANKEN'S SHARE PERFORMANCE



employees in the Swedish branch office operations fell by 4% in 2000. This was the second year running that the number of employees fell, despite much higher volumes. The Internet enables us to reduce the number of employees per branch office. On the other hand, we do not believe that there will be any significant reduction in the number of branches due to Internet banking.

For customers who have a PC, the Internet implies an improvement in the level of service where routine transactions are concerned. Of course, it is easier for someone who has a PC to pay their bills at home than to go to the bank. But far from all customers have a PC, and even those who do need the bank for more complex transactions. For example, if I need to renew my mortgage loan, I talk to my branch. Although I work with banking products every single day, I cannot keep myself sufficiently informed of the latest situation. I need to talk to my contact person at the branch to decide whether to fix my mortgage rate in advance, to determine the fixing period etc. This is why the branches are still needed in the Internet world.

Europe's best corporate Internet according to Global Finance

Handelsbanken is right at the top worldwide in terms of the proportion of bank customers who use Internet services.

In 2000, the number of private customers using our Internet services increased by 65%. Today 25% of all Handelsbanken's private customers use our Internet services. Usage is fairly evenly divided among age groups. We have 150 users who are over 90 years old, the oldest of them more than 100 years of age. 29% of all private payments and 34% of equity transactions are done via the Internet. Half of all custody accounts are linked to the Internet.

On the corporate side, our Internet services have had even greater impact. The number of users increased by 121% last year. Today, 43% of Handelsbanken's corporate customers use our Internet services. This is a broader product than the equivalent for private customers since companies have more complex transactions. More people need to be able to use the services, which makes the authorisation procedures more complex, and companies are more internationally-oriented. For this reason, it is a credit to the Bank that our corporate services on the Internet are so much appreciated by our customers. In autumn 2000, Global Finance acclaimed Handelsbanken's corporate Internet services best in Europe alongside four other non-Nordic banks.

“Branches are still needed, even in the Internet world”



For a more perfect property market in Sweden...

It is now four years since we bought Stadshypotek for SEK 23 billion – the biggest acquisition in the history of the Bank. This purchase has turned out to be a major success. When all the acquisition costs have been taken into account, it has generated profits for the Handelsbanken Group of around SEK 2 billion each year. We have also been able to benefit from all the rationalisation profits we calculated on at the time of the acquisition.

So far we have reduced Stadshypotek's costs by as much as 70%.

Through the acquisition, Handelsbanken became very large in the Swedish mortgage market, with a market share of around 30%. When operating in this market, collaboration with estate agents plays an important role. Last year we thought a great deal about how we could contribute to making this collaboration even better and more effective. The solution we found was e-bid, a product for Internet-based house bids.

One of the advantages of the Internet is that it allows us to create more perfect markets than in the past. It is already used for this purpose around the world. Many companies and business sectors have created business-to-business exchanges (B2B) on the Internet. These are marketplaces on the Internet where buyers and sellers can for example meet to make purchasing for a business sector or group of companies more efficient.

The bidding process involved in property deals has long been a problem for many estate agents all over Sweden. We believe that by means of the Internet, this process can be made much more efficient.

We felt that for this type of market place to work, it is absolutely vital to gain the acceptance of all estate agents in the country. Therefore, it seemed impossible that one could be set up and run by an individual chain of estate agents. The job had to be done by someone who is interested in a well-functioning market but who at the same time has a neutral position vis-à-vis estate agents. We felt that Handelsbanken and Stadshypotek would be the right kind of initiator for this type of market place since we have never been linked to a specific estate agent. We are not ourselves estate agents, nor do we have a nationwide collaboration with any particular chain. Each branch of Handelsbanken chooses which estate agent they wish to work with at a local level.

In order to be able to run a nationwide market place, a local presence is needed all over the country. Although everything is Internet-based, someone always has to be available to answer questions. Here, too, Handelsbanken fitted the bill with its 460 branches around Sweden.



...home buyers should demand e-bid!!!

E-bid was ready for launch in December 2000. The response from estate agents and buyers was enthusiastic and by the end of the year over 350 agents had joined. This is a very large proportion of the total number working in the markets where bidding occurs. We already have nearly 500 properties on the website. Estate agents, buyers and sellers are all very pleased with the service.

On the Internet, potential buyers can enter bids for properties they are interested in and at all times see how the bidding is progressing. The seller can also monitor the bidding process. This will create a more perfect housing market than we have previously seen in Sweden.

If I were going to sell my own property in the future, I would definitely insist that e-bid was used. I would not use an estate agent who is not linked to Handelsbanken's e-bid. More and more customers in the property market are demanding e-bid to be sure that they get the best price when selling their properties.

Handelsbanken restructures the life insurance market

Anyone who believes in the market economy will agree that, for society and customers alike, the best way to run companies is for profit. They become more efficient, more transparent and better adapted to the market. Pressure is put on them by the owners who demand return on their capital.

For this reason, mutual and other "ownerless" companies have gradually disappeared over a number of years in the face of competition or have been converted to public companies with owners who demand that they produce results. An obvious example of this is the savings banks.

The life insurance business in Sweden has been an exception. For many years, by law, life insurance companies have had to be mutual. Our legislation has lagged behind other European countries. In 2000, however, the law was finally changed so that restructuring is possible in Sweden as well.

Handelsbanken has taken the lead in this restructuring process. We are the first major company to start a demutualisation process. Last year, a vote was held among Handelsbanken Liv's customers where almost 80% of them replied. This response level exceeded all expectations. 98% of them voted in favour of demutualisation. Thus, Handelsbanken received an enormously positive response from its customers. Now we are awaiting permission from Finansinspektionen and the government.

When Handelsbanken Liv is restructured, the old collective reserve will be paid out to the customers. This is currently over SEK 2 billion. After this, the Handelsbanken Group will inject new risk capital. In the future, the investment return will be shared by the customers and the owner, with 90% to the customers and 10% to the Bank. In the period 1995–1999, customers of the mutual companies received on average only 65% of the investment return. The remainder stayed in the companies to build up the collective reserve. When a company is demutualised, not only do customers receive a lump sum, in the years to come they will also receive a greater proportion of the regular income than they have received from the mutual companies in the last few years.



Acquisition of SPP Liv

Until 1991, when the law was changed, Swedish banks were not allowed to own life insurance companies. We immediately entered the insurance market with our sights set on being as strong here as in the banking market. In 1992, Handelsbanken bought RKA which was renamed Handelsbanken Liv. Even at that time we were convinced that profit-distributing life insurance companies would eventually also be permitted in Sweden. It actually took ten years before this happened.

At the time of the acquisition, Handelsbanken Liv had 5% of the Swedish life insurance market. Over the next few years, the Bank's branches became more and more skilled in insurance and by 2000, the Bank's market share for new business was 12%. We were particularly strong in the area of endowment insurance. Our weakest point is occupational pensions where our market share is only 3%. For this reason, we were interested in buying SPP Liv which, with 33% of the market, is largest in Sweden for occupational pensions.

Together with SPP Liv, the Handelsbanken Group will have 20% of the Swedish life insurance market – on a par with the sector leader – and will be strong in all its segments. This means that we will have achieved our long-standing target of becoming as strong in life insurance as in banking.

It would be wrong to regard the acquisition of SPP Liv as an asset management assignment. The company has not been bought for its mutual fund operation, either. Its fund management company was only started in 1996 and is making a loss. Handelsbanken is ten times as big as SPP Liv in this field. Instead, we bought SPP Liv because we were interested in its genuine life insurance business. Our intention is to demutualise SPP Liv sometime between 2004 and 2006, as we are now demutualising Handelsbanken Liv. Due to this latter process we know more about demutualisation than anyone else in Sweden. This knowledge will be very useful.

We see life insurance as an important future growth area for Handelsbanken.

Handelsbanken Markets and Investment Banking – doubled result

Handelsbanken Markets and Handelsbanken Investment Banking are reported as separate business areas in our accounts. From an organisational point of view, they are run as one unit. Together they have almost doubled their result.

For the last few years, Handelsbanken has made a focused effort to expand these operations, particularly at Investment Banking. We have been particularly successful in creating new products in the field of equity-linked

bonds, warrants and equity baskets for private customers. Handelsbanken is market leader in these areas and this success is based on the excellent interaction between our branches and Investment Banking. For the corporate sector, too, Investment Banking has developed sophisticated products or techniques such as share buybacks, corporate incentive programmes and strategies for managing equity risk. In these areas we are also the leading player in the Nordic countries.

The trading unit also reported a much higher result. This was mainly due to the fact that we succeeded in lowering our expenses significantly. We have reduced our expenses by SEK 400 million in the past two years, while income has increased substantially.

“ We have achieved our goal: to be as big in life insurance as in banking ”



In the face of increasing competition, we have established a large number of new client relationships in the international financial markets, not least in the US and Asia, by taking advantage of the Bank's good reputation and high rating. The Bank has simultaneously advanced its market position and share with respect to Nordic companies. We have been very successful in helping our customers access the growing European debt capital market.

In order to meet international competition, the Bank started a restructuring programme a couple of years ago and we are now reaping the benefits. Pricing and risk-taking have been centralised to Stockholm, New York and Singapore. At the same time, local units for customer sales at the Bank's regional banks have been reinforced. Trading is concentrated in three units, while customer sales are at 18 different locations worldwide.

Continued Nordic expansion

The Bank has continued to expand in the Nordic countries outside Sweden at an undiminished pace. The Bank's total result in these countries was over SEK 1 billion. For an operation which did not exist ten years ago, this is a good result.

Our largest operation outside Sweden is in Norway where we now have 25 branches! We started a new branch in Tromsø in 2000 – Handelsbanken's sixth branch north of the Arctic Circle and the northernmost branch in the Group. At the end of the year, we decided to start a second branch in the Trondheim area, in Heimdal. The work of integrating Bergensbanken, acquired at the end of 1999, has gone very well. Handelsbanken now has a very strong position in three major cities in Norway – Oslo, Bergen and Stavanger.

In Finland, Handelsbanken now has 20 branches. Four new branches were started during the year – in Hyvinge, Kouvola, Jyväskylä and Helsinki Östra Centrum.

We have seven branches in Denmark, of which two were opened last year – Kgs Lyngby in northern Copenhagen and Ålborg.

We also have complete Internet banking services in all the Nordic countries.

Our finance company, Handelsbanken Finans, also continued its Nordic expansion during the year. In Denmark, it acquired Spartacus A/S – a finance company which is active in retail sales finance and which enjoys a strong position in the caravan financing market. In Norway, it acquired Kronos AS with factoring services. Handelsbanken Finans now has a complete range of finance company services in all four Nordic countries.

Breaking into the UK market

We have been doing corporate business in the UK for many years. Apart from our London operation, we have had a branch in Manchester for twelve years, and in Birmingham for seven. These branches have also focused on corporate business.

Last year we started to break into the retail banking market from our branches in London, Manchester and Birmingham. We also opened a completely new branch in Nottingham which will target the corporate and individual banking markets.

This means that we are now working in the UK using the same concept as in the Nordic countries. We also offer Internet services in the UK.

We aim to continue gradually expanding our branch network in the UK, using the same pattern we have used in the Nordic countries over the past ten years. It can therefore be said that our European expansion has begun. The UK will be a vital growth area for Handelsbanken in the years to come. Better service and lower costs should work here too.

I would like to thank all our employees for their great efforts during the past year. It is your hard work that has led to us achieving our corporate goal for the twenty-ninth year running – higher return on shareholders' equity than comparable banks. With our satisfied customers, committed employees, first-class Internet services, superior creditworthiness and the fact that as many as 38% of the Swedish people want to change to Handelsbanken, we have a very good starting point for the years to come.

Now that I am leaving my position as chief executive at the Annual General Meeting and am being proposed as Chairman, I would like to thank Tom Hedelius – who after ten years as Chairman is leaving the Bank – for our excellent and constructive collaboration.

I would also like to wish my successor, Lars O Grönstedt, every success as chief executive of this great company. Being President and Group Chief Executive of Handelsbanken for the past ten years has truly been a pleasure.

Stockholm, February 2001

ARNE MÅRTENSSON



Handelsbanken Group performance

PROFIT AND LOSS ACCOUNT –GROUP

SEK m	2000	1999	Change %
Net interest income	11 791	10 690	10
Commission, net	5 455	3 978	37
Trading, net	2 633	1 855	42
Other income	801	533	50
Total income	20 680	17 056	21
Staff costs excl. performance-related	4 844	4 596	5
Other expenses	3 756	3 780	–1
Total expenses excl performance-related staff costs	8 600	8 376	3
Performance-related staff costs	464	292	59
Total expenses	9 064	8 668	5
Result before loan losses	11 616	8 388	38
Net recoveries incl. change in value of repossessed property	67	219	–69
Operating profit	11 683	8 607	36
Pension settlement	797	603	32
Taxes	–3 366	–2 525	33
Minority interests	–22	–22	0
Profit for the year	9 092	6 663	36

In order to illustrate the development of operations more clearly, the profit and loss account is shown below with the various income categories, excluding that which is generated in the trading operation. The "Net result on financial operations" (equity-, interest rate- and currency-related) and trading-related income from other income categories are reported under "Trading, net". Provision for performance-related staff costs is reported separately.

PROFIT AND LOSS ACCOUNT BY BUSINESS AREA –GROUP

SEK m	Branch offices	Handelsbanken Markets	Handelsbanken Investment Banking	Handelsbanken Asset Management	Handelsbanken Finans	Handelsbanken Liv	Stads-hypotek Bank	Central Treasury	Other	Total 2000	Total 1999	Change %
Net interest income	10 609	155	–145	177	483	12	65	243	–293	11 306	11 508	–2
Commission, net	2 979	215	948	860	239	176	59	–12	–9	5 455	3 978	37
Net result on financial operations	434	1 623	807	32	12	–6	0	–55	182	3 029	969	213
Other income	49	8	84	9	19	5	2	11	703	890	601	48
Total income	14 071	2 001	1 694	1 078	753	187	126	187	583	20 680	17 056	21
Net internal remuneration included in income	1 072											
Net internal remuneration deducted from income		39	80	621	15	303	14	—				
Total expenses	5 538	1 065	940	431	408	85	111	14	472	9 064	8 668	5
Profit before loan losses	8 533	936	754	647	345	102	15	173	111	11 616	8 388	38
Net recoveries incl. change in value of repossessed property	172	17		0	–14		0		–108	67	219	–69
Operating profit	8 705	953	754	647	331	102	15	173	3	11 683	8 607	36
Return on equity, %	22.8	18.5	83.5	37.8	24.8	23.2	17.1	10.2		22.2	18.4	

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

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

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

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

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

QUARTERLY PERFORMANCE – GROUP

SEK m	2000:4	2000:3	2000:2	2000:1	1999:4
Net interest income	3 010	2 893	2 984	2 904	2 623
Commission, net	1 288	1 320	1 349	1 498	1 234
Trading, net	665	671	621	676	610
Other income	157	63	508	73	64
Total income	5 120	4 947	5 462	5 151	4 531
Staff costs	1 283	1 332	1 358	1 335	1 307
Other administrative expenses	837	706	735	725	855
Depreciations and write-down	148	198	189	218	202
Total expenses	2 268	2 236	2 282	2 278	2 364
Profit before loan losses	2 852	2 711	3 180	2 873	2 167
Net recoveries incl. change in value of repossessed property	–42	64	13	32	145
Operating profit	2 810	2 775	3 193	2 905	2 312
Pension settlement	304	160	161	172	669
Taxes	–842	–776	–892	–856	–827
Minority interests	–5	–6	–5	–6	–7
Profit for the period	2 267	2 153	2 457	2 215	2 147

KEY FIGURES FOR THE HANDELSBANKEN GROUP

	2000	1999	1998	1997	1996
Profit before loan losses, SEK m	11 616	8 388	8 031	8 123	8 526
Loan losses, SEK m	–67	–219	319	302	1 806
Operating profit, SEK m	11 683	8 607	7 712	7 821	6 720
Total assets, SEK m	1 020 353	936 256	932 845	862 448	571 116
Shareholders' equity, SEK m	42 631	38 570	34 431	32 353	27 549
Return on shareholders' equity, %	22.2	18.4	18.6	20.2	19.8
Return on shareholders' equity after standard tax, % ¹⁾	19.8	17.0	16.3	18.8	18.8
Cost/income ratio before loan losses, %	43.8	50.8	52.3	48.6	41.4
Cost/income ratio after loan losses, %	43.5	49.5	54.2	50.6	53.8
Cost/income ratio before loan losses ¹⁾ , %	44.6	50.8	53.4	48.6	43.2
Cost/income ratio after loan losses ¹⁾ , %	44.2	49.5	55.3	50.6	56.2
Loan loss ratio, %	–0.01	–0.03	0.05	0.05	0.60
Bad debt reserve ratio, %	58.2	66.8	58.8	52.6	65.2
Proportion of bad debts, %	0.33	0.27	0.45	0.64	0.76
Capital ratio, %	9.5	9.4	9.8	10.4	12.2
Tier 1 capital ratio, %	6.4	6.5	6.3	6.2	10.0
Return on total assets, %	1.17	0.93	0.85	0.95	1.20
Average number of employees	8 574	8 520	8 546	8 184	7 398
Number of branches in Sweden	460	465	480	485	480
Number of branches in other Nordic countries	52	43	33	30	24

1) Adjusted for items affecting comparability.
For definitions see fold-out inside back cover.

Handelsbanken's shares

KEY FIGURES PER SHARE

	2000	1999	1998	1997	1996
Net earnings per share, SEK	12.87	9.31	8.41	8.38	7.11
Dividend per share, SEK	4.00 ¹⁾	3.00	2.67	2.17	1.67
Dividend growth, %	33.3	12.4	23.0	30.0	33.3
Adjusted shareholders' equity per share, SEK	61.59	53.97	47.56	44.66	38.15
Price of class A share, 31 Dec, SEK	161.50	107.00	114.00	91.00	65.00
Average daily turnover on Stockholm Stock Exchange					
Class A, number of shares	1 482 206	1 317 270	1 141 320	1 205 370	1 179 120
Class B, number of shares	121 059	63 101	57 434	78 078	86 160
Highest/lowest price paid, class A shares, SEK	173/94	132/91	131/83	100/61	67/40
Direct yield, %	2.5	2.8	2.3	2.4	2.6
P/E ratio	12.5	11.5	13.6	10.9	9.2
Stock exchange price/Equity, %	262	198	240	205	171

1) Dividend as recommended by the Board.

Figures for 1998 and previous years have been adjusted for the 3:1 split carried out during 1999.

Adjusted to take account of current accounting principles and definitions.

For definitions see fold-out inside back cover.

SHARES PER SHAREHOLDER 31 DECEMBER 2000

Number of shares	Shareholders		Shareholdings		
	Number	Percentage of all shareholders	Number of shares in thousands	Percentage of share capital	Average number per holder
1 – 500 shares	43 085	51.9	7 827	1.1	181
501 – 2 500 shares	27 710	33.4	32 536	4.6	1 174
2 501 – 25 000 shares	11 400	13.8	67 385	9.4	5 910
25 001 – 250 000 shares	588	0.7	40 683	5.7	69 189
250 001 – shares	197	0.2	545 547	76.3	2 769 273
Shares repurchased by Handelsbanken ²⁾			20 769	2.9	
Total	82 980	100.0	714 747	100.0	8 613

2) At the end of December 2000, the Bank had repurchased an additional 737 100 B shares, which is not reflected in the register of shareholders until 2001.

THE MAJOR SWEDISH SHAREHOLDERS 31 DECEMBER 2000

	% of votes
The Oktogonen Foundation	10.2
Industrivärden	7.6
Robur securities funds (26)	7.6
4th AP fund ³⁾	6.0
Nordea funds (31)	2.8
AMF-Pension	2.6
Alecta (formerly SPP ömsesidigt)	2.4

3) From 1 January 2001, the shareholding is divided among the 1st-4th AP funds.

SHARES DIVIDED INTO SHARE CLASSES 31 DECEMBER 2000

Share class	Number	% of capital	% of votes	Average prices Repurchased amount	Nominal value
Class A	649 949 619	90.93	99.01		2 599 798 476
Class B	64 797 321	9.07	0.99		259 189 284
	714 746 940	100.00	100.00		2 858 987 760
Repurchases					
Class A	1 664 400	0.23	0.25	SEK 120.30	6 657 600
Class B	19 841 500	2.78	0.30	SEK 138.60	79 366 000
	21 505 900	3.01	0.55	2 950 157 204	86 023 600
After repurchases					
Class A	648 285 219	93.52	99.31		2 593 140 876
Class B	44 955 821	6.48	0.69		179 823 284
Total after repurchases	693 241 040	100.00	100.00		2 772 964 160

The average number of outstanding shares in 2000 was 706 420 876.

SHARE PRICE PERFORMANCE AND DIVIDEND

In 2000, the Stockholm Stock Exchange fell by 12%, measured by the Affärsvärlden General Index. Handelsbanken's class A share rose by 51%, which was the biggest increase of all the shares included in the Affärsvärlden bank and insurance index. Handelsbanken's share price also performed well in a European perspective, with only four out of Europe's sixty largest banks performing better than Handelsbanken's shares.

With last year's substantial rise, the increase in Handelsbanken's share price since the beginning of the 1990s has been much larger than the rise in the general index. An investment in Handelsbanken made at the beginning of the 1990s was worth almost 70% more than an investment which had tracked the Affärsvärlden General Index, and almost twice as much as the bank index excluding Handelsbanken.

Handelsbanken's long-term dividend policy reflects the ambition to raise dividends at a pace which is above the average for the banking sector. The Board recommends a dividend of SEK 4.00 for 2000, which is an increase of 33% compared with the previous year.

MARKET CAPITALISATION

As at 31 December 2000, the market capitalisation of Handelsbanken's shares was SEK 112bn, an increase of just over 47%. This figure is less than the increase in the share price as a result of the number of outstanding shares being reduced through the Bank's current share buyback programme. The Bank's market capitalisation was almost seven times more than at the start of 1990.

THE SHARES

The Annual General Meeting in April 2000 resolved on a buyback of shares. The meeting authorised repurchase of up to 50 million shares. The Board limited this so that in amount terms it could not exceed SEK 4bn. Up to 31 December 2000, a total of 21 505 900 shares had been repurchased, 1 664 400 of them being class A shares and 19 841 500 class B shares. Shares were repurchased for a total of SEK 2 950m. At the beginning of this year, the total number of outstanding shares was 714 746 940. In 2000, the average number of outstanding shares was 706 420 876.

All shares have been unrestricted since 1 January 1993. Ordinary class A shares each carry one vote and ordinary class B shares carry one-tenth of a vote each. At the Annual General Meeting, no shareholder is allowed to vote for more than 10% of the total number of votes in the Bank. Handelsbanken's shares are listed on the OM Stockholm Stock Exchange. One trading unit is equivalent to 100 shares.

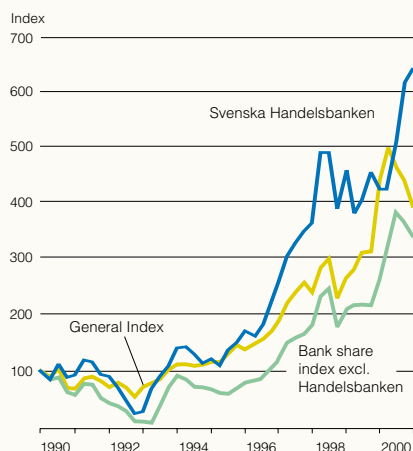
THE SHAREHOLDERS

At the end of 2000, Handelsbanken had around 83 000 shareholders, most of them private individuals. As shown in the adjoining table, the majority of shareholders owned only a small number of shares. Of the 197 shareholders with more than 250 000 shares, there were a number of asset managers representing foreign private individuals and legal entities. At the end of 1999, around 28% of the shares were owned by investors outside Sweden.

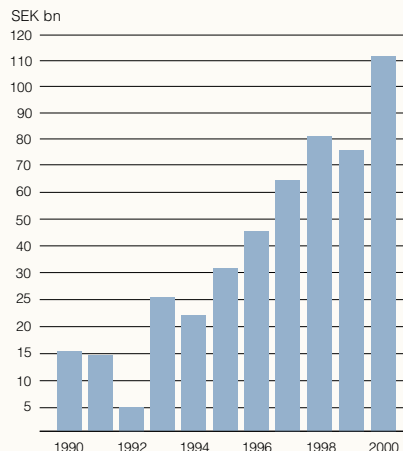
Just over 50% of the total number of shares were owned by Swedish institutional holders. These mainly include insurance companies, investment companies and equity funds representing a large number of private individuals.

Seven of the Swedish shareholders each held more than 2% of the number of votes, as shown in the adjoining table.

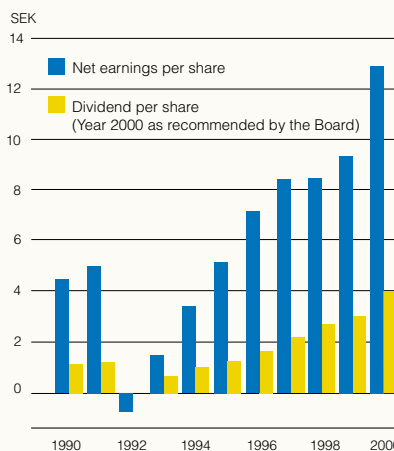
HANDELSBANKEN'S SHARE PERFORMANCE



MARKET CAPITALISATION 31 DECEMBER 1990-2000



NET EARNINGS AND DIVIDEND PER SHARE



Objectives, policy and organisation

OBJECTIVES AND PRINCIPLES

Handelsbanken's overall objective is to have higher profitability than a weighted average of the other listed Nordic banks.

The quality of the Group's services should meet the expectations of demanding customers. Handelsbanken should charge a fair price for its services. The cost level should be lower than in other banks.

Profitability must always be given higher priority than volumes. When granting credit, this also implies that the quality of the credits must never be neglected in favour of a large lending volume.

Higher profitability should benefit the shareholders via greater growth in dividends than the average for other Swedish banks.

Handelsbanken aims to have more satisfied customers than other banks.

The Bank seeks to employ young, well-educated staff and train them within the Group. As far as possible, managers should be recruited internally.

The Bank should work such that it is of benefit to its customers, the Bank itself and society as a whole.

Employees of Handelsbanken must work within the formal and ethical framework which applies to banking operations, taking into account environmental responsibility.

POLICY

Overall customer responsibility close to the customer

The business operations of the Handelsbanken Group are strongly decentralised. The most important means of control is a basic corporate policy which is deeply rooted throughout the entire Group and an efficient financial control system.

The main concept is that the organisation and methods of work should be based on the branches' responsibility for individual customers and not on central units' responsibility for product areas or market segments.

For each individual customer there is an overall responsibility at one place in the Group, as close to the customer as possible – at the customer's local branch. Responsibility for providing the customer with expert and co-ordinated services from all units in the Handelsbanken Group lies there, as does the responsibility for

all loans held in the Group by each individual person, company or group of companies. There, too, lies the responsibility for profitability within the Group for the overall business relationship with the customer.

This also means that the responsibility for the Group's marketing is held by the individual branch. There is no central marketing department. The Bank does not make central marketing plans or control the branches' marketing activities at central level by giving priority to customer categories or product areas.

For many years, Handelsbanken has consistently and successfully applied and developed this basic concept. It has proved to work flexibly and efficiently during major changes in the conditions affecting banking operations.

Universal banking operations expand gradually

Handelsbanken aims to be a universal bank, i.e. to cover the entire banking area: traditional corporate transactions, investment banking, as well as consumer banking including life insurance.

With 460 branches, Handelsbanken is strong in the Swedish market. During the past ten years, the Bank has expanded universal banking operations into the other Nordic countries. Handelsbanken has a total of 52 branches in the Nordic countries outside Sweden. Norway, Finland and Denmark are natural domestic markets where Handelsbanken can apply its experience of running profitable universal banking operations.

The Bank will gradually be able to continue using its experience from the Nordic countries in markets outside the region. In the UK, operations have been extended to offer retail banking services to individual customers.

Apart from this, the Bank's network of units outside the Nordic countries is adapted to give Nordic customers good service and to do Nordic-related business with international customers.

ORGANISATION

Handelsbanken's organisation is aimed at promoting the interplay between strong branches, highly-trained specialists and efficient support functions. On the next page, the Group's organisation is presented as a combined unit focusing on the individual customer and with the branch office at the forefront.



THE HANDELSBANKEN GROUP'S ORGANISATION



Central Head Office

GROUP MANAGEMENT

BUSINESS OPERATION DEPARTMENTS

Asset Management
Markets

BUSINESS SUPPORT DEPARTMENTS

Administration
Asset Management
Auditing
Business Development
Central Treasury
Control and Accounting
Corporate Communications
Credits
Human Resources
IT Operations
Legal
Markets

Subsidiaries

Handelsbanken Finans
Handelsbanken Fonder
Handelsbanken Liv
Stadshypotek
– Handelsbanken
Hypotek
Stadshypotek Bank

Regional Head Offices

NORTHERN NORRLAND

Umeå

SOUTHERN NORRLAND

Gävle

STOCKHOLM CITY

Stockholm

CENTRAL SWEDEN

Stockholm

EASTERN SWEDEN

Linköping

WESTERN SWEDEN

Göteborg

SOUTHERN SWEDEN

Malmö

DENMARK

Copenhagen

FINLAND

Helsinki

NORWAY

Oslo

Branches in Sweden

460

The other Nordic countries

Denmark (7)
Finland (20)
Norway (25)

Units outside the Nordic countries

Austria
Belgium
China
Estonia
France (2)
Germany (2)
Hong Kong
Luxembourg
Poland
Russia
Singapore
Spain
Switzerland
Taiwan
U.K. (4)
U.S.A

See inside back cover for addresses.



OUR STAFF

Many companies stress that their employees are their most important asset. The truth of this is particularly evident in a service company which is as strongly decentralised as Handelsbanken. Handelsbanken's basic philosophy, which focuses on the individual customer's requirements, is dependent on every employee taking responsibility for the customer relationship and the quality of the service offered. An overview of the Handelsbanken Group's range of products is also vital. This not only places great demands on the skills and judgement of the staff but also on the interaction between and within the various units of the Bank.

Handelsbanken defines competence as the ability to acquire, use, develop and exchange knowledge, skills and experience. All employees must take responsibility for their own competence and skills development and also take responsibility for sharing their own competence with both colleagues and customers. We stress the importance of learning in one's daily work. The working organisation and tasks should be designed to facilitate natural development of the employees' skills. The Bank's various skills development programmes are considered very important. There is a continuous process of finding solutions to employees' development requirements where courses are just one of many learning methods.

Managers should be leaders with the ability to delegate responsibility to their colleagues. Apart from development programmes for current managers, the Bank has also implemented programmes for employees who are prepared to take on managerial responsibility in the future. Almost all activities for enhancing competence take place within the Bank and 90% of all managers are recruited through internal promotion.

The planning dialogues/performance reviews between manager and employee are a central element where discussions are held concerning the employee's skills and competence, fulfilment of their individual action plan and future personal development. These dialogues are an important investment which the Bank considers to have very high priority. The Bank views the individual salary discussions introduced in 2000 as a means of increasing motivation for employees to work and develop. Here, the key words are a professional attitude, a proactive approach and sound judgement and quality.

Last year marked the start of an increased focus on how Handelsbanken can promote equality between women and men. A tangible result of this is that the Bank now offers the opportunity for subsidised household and family services for all staff who have children under the age of eight and also the opportunity to have flexible working hours.

A means of motivation for Handelsbanken's staff which has become increasingly important over the years is the Bank's profit-sharing system. The funds which have been allocated are managed on behalf of the employees by the Oktogonen Foundation. The profit-sharing system includes all staff in Sweden, Norway, Finland and from 2001, staff in Denmark.

However, the most important source of motivation and personal development can be found in the decentralised customer and profit responsibility itself. The Bank places great emphasis on always keeping this basic philosophy alive in its daily work and making sure that it is applied in all activities.





Review of operations

GENERAL

Handelsbanken is a Nordic universal bank with a highly decentralised organisation. The heart of the Bank is its large branch office network. The branches are responsible for all customers within their geographic area – including very large companies. The branch office co-ordinates the central and/or regional resources which are sometimes needed to offer customers the best service. Handelsbanken prioritises high-quality service combined with the lowest expenses among the Nordic banks.

Handelsbanken conducts complete universal banking operations in the whole of the Nordic area.

BRANCH OFFICE OPERATIONS consist of ten regional banks – seven in Sweden and one each in Norway, Finland and Denmark.

HANDELSBANKEN MARKETS is responsible for trading in the money and foreign exchange markets, debt capital and trade finance, correspondent banking and banking operations outside the Nordic countries. It also includes the Bank's unit for economic research.

HANDELSBANKEN INVESTMENT BANKING is responsible for corporate finance and equity sales and trading. Investment Banking is organisationally part of Handelsbanken Markets but its results are reported separately.

HANDELSBANKEN ASSET MANAGEMENT comprises fund management, discretionary management and institutional custody services.

HANDELSBANKEN LIV markets a complete range of life insurance products.

HANDELSBANKEN FINANS offers a full range of finance company services in all the Nordic countries.

STADSHYPOTEK BANK offers a limited selection of bank and insurance services for customers who do not need the branches' broad range of products and customised service.

HANDELSBANKEN CENTRAL TREASURY manages the Group's Swedish kronor liquidity, funding in the capital markets, and clearing through the Swedish central bank.

RESULT AND PROFITABILITY

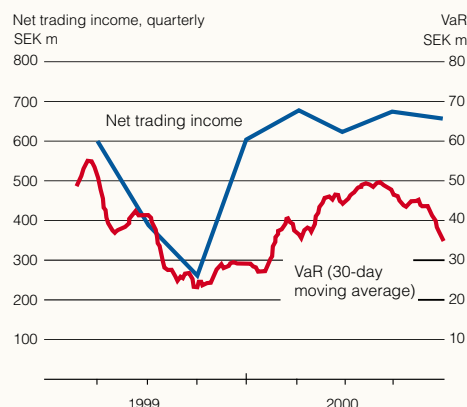
Result

Operating profit increased by 36% to SEK 11 683m (8 607). In the second quarter, the Bank sold its share in Svensk Exportkredit, which generated income of SEK 343m. Excluding this item which affects comparability, operating profits went up by 32%. All categories of income reported increases. Expenses were mainly unchanged, excluding performance-related remuneration and the effect of Bergensbanken being included in the accounts since 1 November 1999. Total income increased by 4.6% to SEK 9 064m. The profit and loss accounts for 1996–2000 are shown on pages 72–73.



OPERATING PROFIT

SEK m	2000	1999	Change %
Net interest income	11 791	10 690	10
Commission, net	5 455	3 978	37
Trading, net	2 633	1 855	42
Other income	801	533	50
Total income	20 680	17 056	21
Staff costs excl. performance-related	4 844	4 596	5
Other expenses	3 756	3 780	–1
Total expenses excl. performance-related staff costs	8 600	8 376	3
Performance-related staff costs	464	292	59
Total expenses	9 064	8 668	5
Result before loan losses	11 616	8 388	38
Net recoveries incl. change in value of repossessed property	67	219	–69
Operating profit	11 683	8 607	36

NET TRADING INCOME AND VALUE-AT-RISK**COST/INCOME RATIO**

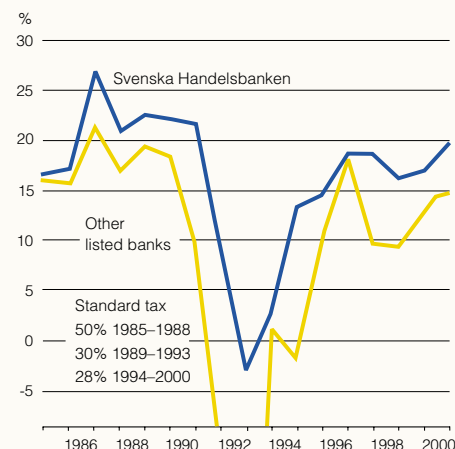
	2000	1999
Before loan losses	43.8%	50.8%
After loan losses	43.5%	49.5%

C/I RATIO ADJUSTED FOR ITEMS AFFECTING COMPARABILITY

Before loan losses	44.6%	50.8%
After loan losses	44.2%	49.5%

SENSITIVITY ANALYSIS OF THE HANDELSBANKEN GROUP'S RESULT

	Change	Impact on operating profit	Impact on earnings per share SEK
Commission, net	+/- 1%	+/- 55	0.06
Number of employees	+/- 100	-/+ 62	0.06
Salaries	+/- 1%	-/+ 48	0.05
Other general administrative expenses	+/- 1%	-/+ 30	0.03

RETURN ON SHAREHOLDERS' EQUITY AFTER STANDARD TAX**Income**

Income went up by 21%. All categories of income increased. Commission and net trading income represented the largest rises. This was mainly due to the high level of activity on the equity markets, particularly in the first half of the year.

Net interest income rose by 10%. Net interest income includes the fee of SEK 310m (308) to the Swedish government for the deposit protection guarantee. Margins were more or less unchanged and the large rise was mainly due to increased volumes.

Net trading income improved markedly. Net trading income includes the net result on financial operations as well as dividends and net interest income which are attributable to trading operations (fixed income, foreign exchange and equities). The adjoining diagram shows Value-at-Risk (see page 41) and net trading income performance. As would be expected, it shows that there is a correlation between results and risk exposure. Recently, however, net trading income has been at a high level, while risk utilisation has fallen.

Expenses

For comparable parts of the Group and excluding performance-related remuneration, expenses increased by just over 0.5%. This very small rise in expenses is mainly due to a continued reduction in the number of employees in the Swedish branch office operations. Including the effect of performance-related remuneration and the acquisition of Bergensbanken, expenses increased by 4.6% to SEK 9 064m (8 668). IT costs were unchanged at around SEK 2.3bn. This is in spite of the fact that new investments have been made in a number of areas, not least the Internet. The cost/income ratio before loan losses was 43.8% (50.8) and 43.5% (49.5) after loan losses.

Profitability

Return on shareholders' equity calculated after full tax was 22.2% (18.4), while return on equity after standard tax and adjusted for items affecting comparability was 19.8% (17.0).

Appropriations and tax

The Bank has taken out the maximum possible compensation from the pension foundation. The amount was SEK 974m (750). The Bank's pension foundation had assets of SEK 7.8bn (11.2) in excess of its pension commitments. In the pension fund, the value of the assets exceeded the fund's commitments by SEK 6.9bn (7.7).

The Group's tax expense was SEK 3 366m (2 525). This is equivalent to an effective tax rate for the Group of 27.0%. A specification of deviations from the nominal tax rate is reported under Note 13, page 56.

BUSINESS VOLUME TREND

Balance sheet, lending and deposits

The Handelsbanken Group's total assets increased by 9% to SEK 1 020bn (936). On the assets side, the increase was mainly due to increased lending volume, which was almost entirely funded by increased deposits from the general public and issues of securities. The portfolio of interest-bearing securities further decreased to SEK 88bn (93). Securities in the portfolio which are classified as fixed assets represent only SEK 5bn (6).

Lending to the general public increased by 10% to SEK 689bn (626). There was large demand for loans from both companies and households. Mortgage lending increased by SEK 7bn to SEK 326bn, an increase of 2%. Mortgage lending to companies was SEK 135bn and to households SEK 191bn. The average volume of lending to the general public increased by 9% to SEK 658bn (601). Average volumes in the Nordic countries outside Sweden rose by 70% to SEK 63bn (37). There were higher volumes in all countries. A table shows the geographical distribution of the lending, which in most cases is where the borrowers are domiciled.

The Bank's operations focus on its Nordic customer base. Total lending to the general public and to credit institutions which are not banks was SEK 708bn. SEK 654bn of this represented operations in the Nordic countries. The Group's exposure to emerging markets was SEK 4.8bn.

Special attention was paid to the Bank's exposure to telecoms operators and manufacturers of telecommunication equipment, particularly during the latter part of 2000. The Bank's outstanding credits to these sectors were SEK 13.4bn, comprising 1.9% of the Bank's total lending. Most of this lending comprised 3 commitments. The credit portfolio included 5 (8) exposures which exceeded 10% of the Group's capital base. The table shows lending to the general public by various borrower categories.

Deposits from the general public rose by 3% to SEK 191bn (185). Average volumes rose by 15% to SEK 241bn (209). Handelsbanken continued to win market share for household deposits. The Bank's market share was 17.2%. This occurred at the same time as Handelsbanken was the only major Swedish bank to increase its share of net savings in the mutual fund market.

ASSETS

31 December

SEK m	2000	1999	Change %
Interest-bearing securities	88 262	93 291	- 5
Lending to the general public	689 106	626 206	10
Lending to credit institutions	94 677	98 859	- 4
Other assets	148 308	117 900	26
Total assets	1 020 353	936 256	9

LIABILITIES AND SHAREHOLDERS' EQUITY

31 December

SEK m	2000	1999	Change %
Deposits and funding from the general public	255 350	221 483	15
Liabilities to credit institutions	155 414	186 503	- 17
Issued securities etc.	401 489	359 540	12
Other liabilities	146 403	110 310	33
Subordinated loans	19 066	19 850	- 4
Shareholders' equity	42 631	38 570	11
Total liabilities and shareholders' equity	1 020 353	936 256	9

LENDING TO THE GENERAL PUBLIC, HANDELSBANKEN GROUP

31 December

SEK m	2000	1999	Change %
Lending in Swedish kronor			
to households	234 650	218 134	8
to companies etc.	296 746	276 627	7
	531 396	494 761	7
Foreign currency lending			
to households	25 024	19 289	30
to companies etc.	135 875	115 572	18
	160 899	134 861	19
Provision for possible loan losses	- 3 189	- 3 416	- 7
Total lending	689 106	626 206	10

LENDING – MARKET SHARES IN SWEDEN, SWEDISH KRONOR AND FOREIGN CURRENCY

31 December

	2000 %	1999 %
Lending – market shares in Sweden		
to households	27.2	27.2
to companies etc.	26.8	27.1
Total	27.0	27.1

GEOGRAPHICAL DISTRIBUTION OF LENDING

31 December

	GROUP	
	2000	1999
Sweden	573 767	530 168
Norway	35 226	29 171
Finland	25 837	20 969
Denmark	11 605	3 734
Rest of Europe	21 555	19 833
North America	19 066	19 613
Asia	2 050	2 718
Total	689 106	626 206

The distribution shows where lending operations are conducted. This mainly corresponds to the domicile of the borrowers.

DEPOSITS FROM THE GENERAL PUBLIC, HANDELSBANKEN GROUP

31 December

SEK m	2000	1999	Change %
Deposits in Swedish kronor			
from households	67 179	68 778	- 2
from companies etc.	76 001	70 409	8
	143 180	139 187	3
Foreign currency deposits			
from households	8 312	8 014	4
from companies etc.	39 524	38 093	4
	47 836	46 107	4
Total deposits	191 016	185 294	3

LOANS AND LOAN LOSSES BY CATEGORY

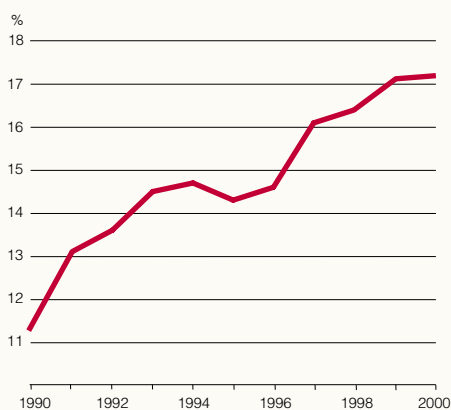
31 December

	2000				1999			
	Loans SEK m	%	Loan losses SEK m	% ¹⁾	Loans SEK m	%	Loan losses SEK m	% ¹⁾
Industrial, trading and service companies, etc.	215 671	27.5	200	0.11	178 099	24.6	372	0.26
Households	259 674	33.1	91	0.04	237 423	32.7	85	0.04
Construction and property companies	154 284	19.7	10	0.01	150 725	20.8	- 9	- 0.01
Housing co-operative associations	52 236	6.7	42	0.08	51 802	7.1	0	—
Local authorities	7 241	0.9	0	—	8 157	1.1	0	—
Lending to the general public	689 106				626 206			
Banks	76 095	9.7	- 7	- 0.01	78 729	10.9	5	0.00
Other credit institutions	18 582	2.4	0	—	20 130	2.8	- 40	- 0.14
Lending to credit institutions	94 677				98 859			
Less amounts recovered but not categorised			- 402	—			- 616	—
Change in value of repossessed property			- 1	—			- 16	—
Total	783 783	100.0	-67	-0.01²⁾	725 065	100.0	-219	-0.03²⁾

1) As a percentage of loans per category at beginning of year.

2) As a percentage of lending to the general public and credit institutions excl. banks at beginning of year.

HOUSEHOLD DEPOSITS – MARKET SHARE IN SWEDEN, SWEDISH KRONOR



LOAN LOSSES AND BAD DEBTS

Loan losses

The strong business cycle in 2000 meant that credit risks continued to be low. There were slightly more bankruptcies in Sweden compared to 1999. Handelsbanken's recoveries from previously reported losses exceeded loan losses, including changes in value of repossessed property, by SEK 67m. In 1999, net recoveries were SEK 219m. The loan losses included a recovery of SEK 1m (16) with respect to changes in value of repossessed property.

Amounts recovered from previous actual losses were SEK 272m (371) and provisions written back were SEK 565m (647).

Six of the year's loan losses were in excess of SEK 10m. The table below shows loan losses according to borrower category.

Bad debts

Bad debts, after deduction of provision for possible loan losses, were SEK 2 313m (1 723). They represented 0.33% (0.27) of lending at year-end.

The reserve for possible loan losses was SEK 3 219m (3 463), which is 58% (67) of gross bad debts.

A full report is given in Note 16, page 59.

CAPITAL RATIO

The Group's capital ratio was 9.5% (9.4) and the Tier 1 capital ratio was 6.4% (6.5).

Tier 1 capital, which mainly consists of shareholders' equity, increased by 11%. The increase is due to profits generated during the year, reduced by the proposed dividend and the effect of the ongoing buyback programme.

CAPITAL BASE AND REQUIREMENT

SEK m	2000	1999
CAPITAL BASE		
Tier 1 capital	34 596	31 177
Tier 2 capital	16 724	14 478
Less shareholdings in insurance companies and 5–50% in companies which conduct banking operations	– 675	– 874
Total tier 1 and tier 2 capital	50 645	44 781
Enlarged capital base	1 050	670
Total capital base	51 695	45 451
CAPITAL REQUIREMENT		
Risk-weighted amount		
Credit risks	518 185	461 947
Market risks	23 371	20 319
Total	541 556	482 266
Capital ratio	9.5%	9.4%
Tier 1 capital ratio	6.4%	6.5%

NORDIC BANK RATINGS

31 December

	MOODY'S			S&P		FITCH			
	Financial strength	Long term	Short term	Long term	Short term	Individual	Support	Long term	Short term
Handelsbanken	B+	Aa2	P-1	A+	A-1	B	2	AA–	F1+
Nordbanken	B	Aa3	P-1	A+	A-1	B	2	A+	F1
SEB	C	A2	P-1	A–	A-2	B/C	2	A+	F1
FöreningsSparbanken	B	Aa3	P-1	A	A-1	B	2	A+	F1
Merita Bank	B	Aa3	P-1	A+	A-1	B	2	A+	F1
Danske Bank	B	Aa3	P-1	A+	A-1	B	2	AA–	F1+
Unibank	B	Aa3	P-1	A+	A-1	B/C	2	A+	F1
Den norske Bank	C+	A1	P-1	A	A-1	C	—	A+	F1
Christiania Bank	C+	A1	P-1	—	A-1	B	2	A+	F1

Apart from Tier 1 capital, the total capital base also includes Tier 2 capital and the enlarged capital base. These types of capital are obtained by funding in the market.

Rating

The costs of the Bank's funding in the international markets are affected by the rating agencies' assessments. In 2000, Handelsbanken's rating was unchanged. No Nordic bank has a higher rating than Handelsbanken.

ACQUISITION OF SPP

At the end of December, Handelsbanken acquired the parts of the SPP insurance group which are exposed to competition. The seller was Försäkringsbolaget SPP, ömse-sidigt. The acquisition of SPP Liv AB will make the Handelsbanken Group the second biggest player in the Swedish life insurance market. Handelsbanken will be the biggest in the area of occupational pensions. The acquisition included the rights to the SPP brand name, one of the strongest brand names in the life insurance market.



SCANPIX

IT DEVELOPMENT

In 2000, the Group's IT expenses were SEK 2.3bn, which was the same level as the previous year. An increasingly large proportion of the IT costs are Internet-related. This is partly in order to develop new services and partly because of the continued enormous growth in the number of customers and transactions performed via the Internet. Continual upgrading of the hardware is necessary because of this.

The changeover to the new millennium caused no particular disruptions to the Bank's computer systems. The basic quality of the systems and a meticulously implemented year 2000 project were the main factors behind this successful transfer to the new millennium. Major efforts were made during 2000 to develop the

Bank's own staff in areas such as systems architecture, project management, pre-study methodology and new IT technology. A number of people who had been internally recruited to the Bank's IT departments were retrained as programmers.

Several major development projects were initiated during the year. One of the largest projects is to replace the three loan systems in the Group with a single system. This is expected to take almost five years. A loan collateral system will also be developed within this project. It is expected to lead to savings in costs due to reduced manual work and more efficient systems operations.

The current branch office terminal system is to be replaced by a new system. Some parts of the present system have already been replaced by new applications such as a new customer overview which shows the customer's total business with the Bank. The work of replacing all remaining parts of the branch terminal system began with development of new infrastructure based on Java technology, which will also be used for new Internet applications. This technology offers increased flexibility, scalability, enhanced performance and channel-independence.

The enormous increase in equity trading volumes has prompted enhancement of the equity trading systems. The systems are sufficiently flexible that very little preparation will be needed for the extended opening hours on the Stockholm Stock Exchange.

It was decided that the regional bank in Finland would no longer use Ålandsbanken for maintaining and developing its base systems. During 2001, IT operations, maintenance and development will be taken over by TietoEnator, a service provider. This changeover is the first step in a long-term strategy to replace the current systems with a new generation.

In the area of data production, continuous efforts are being made to make operations more efficient. Large investments were made to improve the efficiency of print and envelope machine processing, with the aim of raising quality and lowering the cost of output production. Several account statements for the same customer can now be sorted into the same envelope.



ENVIRONMENTAL ISSUES

Environmental responsibility and work organisation

For a long time, environmental issues have been a vital element in the Handelsbanken Group's operations. This applies both to the Bank's responsibility for the environment in its own operations and taking into account environmental risks when granting credits.

Handelsbanken has signed the ICC Business Charter for Sustainable Development and the UN Environment Programme called Banks and the Environment.

The responsibility for environmental issues on a practical level is decentralised. All managers have the primary responsibility for environmental issues

at their units and all employees have a responsibility for the environment as part of their duties.

At all regional banks, subsidiaries and at various units at the Central Head Office, an environmental manager has been appointed who is responsible for these issues at the unit in question. For the Group as a whole, internal environmental issues are co-ordinated by the Central Administration Department and business-related environmental issues by the Central Credit Department.

Internal environmental work

As far as technically and financially possible and to the extent that it is compatible with the Bank's undertakings, Handelsbanken aims to promote ecologically sustainable development and to take measures to minimise any negative effect on the environment. Consistent and long-term improvements will generate benefit to the environment and cost savings. In this way, using resources wisely is a condition for good profitability.

An important principle is to reduce environmental damage from the Bank's operations and purchased goods and services. Assessments are always made in a life cycle perspective: "production-life-destruction" where the key concepts are "thrift-renewability-biodegradability-recyclability".

The opportunity for customers to do banking transactions over the Internet and for employees of the Bank to use IT tools has helped to make work more efficient, to reduce usage of paper, transport and thus reduce negative impact on the environment.

Environmental requirements are always made on suppliers when procuring goods and services, and environmental considerations are always taken into account when making decisions on investments and purchasing.

Environmentally-adapted guidelines have been established when planning the Bank's buildings, premises and furnishings. The Bank demands declarations of environmental and material content.

The Bank saves energy by optimising operations for computer equipment and heat and cooling plants, recycling energy and using low-energy products.

Energy utilisation is continuously monitored. In order to reduce the amount of energy used in cooling plants and to comply with the Swedish Environmental Protection Agency's requirements for removing freon, the Bank has signed nationwide service agreements for its cooling plants.

In support of the local measures, the Bank has entered into a number of central nationwide agreements on waste-sorting, recycling and destruction. These cover electronic equipment – PCs and office machines – toner cassettes, paper, plastic packaging, light sources and other environmentally harmful materials.

During the year, the Bank's suppliers in the environmental service area were visited in order to follow up how they comply with their undertakings and to develop collaboration.

An internal environmental group was started from various business areas at the Bank. The purpose of this is to have a co-ordinated and joint strategy for handling, sorting, recycling and destroying waste, paper and environmentally-hazardous waste.

Environmental issues are considered very important at the Bank's conference centre, Södergarn. This conference centre, together with nine others, is a member of an environmental group on the island of Lidingö, Stockholm, where it is situated.

The principle of sustainability steers the choice of products, services and suppliers. All deliveries should be made in returnable or eco-friendly packaging. Disposable material and items are used as little as possible, glass and paper are recycled, and batteries, fluorescent lights and chemicals are returned to be destroyed.

Only ecological cleaning materials, floor-cleaning products, paper and returnable cassettes are used.

Environmental issues associated with granting loans

When granting loans, it is the customer's repayment capacity which is in focus. When forming an opinion of the company's sustainable repayment capacity, the Bank first of all considers business factors. Alongside traditional factors such as earnings capacity, equity ratios, business plans and goal achievement, the company's situation in an environmental perspective is nowadays an important factor in the analysis.

While some business sectors have very little impact on the environment, companies in other sectors affect the environment to a large extent and are dependent on permits from the public authorities and have legal requirements in order to conduct their operations. Ignorance, carelessness and gross negligence can affect

the company's income and expenses. A lack of respect for environmental requirements may lead to difficulty in selling the product as a result of adverse customer reaction. Companies which do not comply with environmental regulations may have to pay fines and incur an environmental liability which may jeopardise the company's repayment capacity and future existence.

This is why environmental issues are an important element in the business evaluation which the Bank performs once a year for large corporate customers and which is the basis for granting loans.

In this context it is important to stress that the responsibility for environmental issues, applications for permits and compliance with legislation lies with the company in question. Ignoring environmental issues leads to problems in raising loans, which is how the Bank indirectly promotes greater awareness of environmental issues among companies.

Environmental training

Using internal material based on information from Nutek and the Swedish Environmental Protection Agency, the staff of the Bank and subsidiaries have been systematically trained in environmental issues during the last few years. Environmental issues are now included in the introduction programme for new employees.

THE OKTOGONEN FOUNDATION

Every year since 1973, the Bank has allocated part of its profit to a profit-sharing system for its employees. The only exception was 1992 when no dividend was paid to the shareholders. The funds are managed by the Oktogonen Foundation. The main condition for an allocation to be made is that the Handelsbanken Group has higher return on shareholders' equity after standard tax than other banks in accordance with the overall goal laid down for operations. Some of the extra earnings can then be allocated to the employees in accordance with certain regulations. The upper limit for the allocation is 25% of the dividend to the shareholders. All employees receive an equal part in the allocated amount. Disbursement can be made when the employee reaches the age of 60. One of the fundamental concepts in managing the foundation is that a large part of the funds is invested in the Bank's shares. Today, Oktogonen is the Bank's largest shareholder, with 10.2% of the voting power and over 9.3% of the capital.

The profit-sharing system is based on the idea that the Bank's employees should receive a portion of the extra earnings which they have played such a large part in generating. Over the years, this has increased in importance as an incentive to the staff of the Bank.

Apart from all staff in Sweden, the profit-sharing system has included staff in Norway since 1995 and from 1997, the staff in Finland. From 2001 it also covers all employees in the Nordic countries since employees in Denmark are now included.

Review of business areas



Business area

BRANCH OFFICE OPERATIONS

QUARTERLY PERFORMANCE

SEK m	2000:4	2000:3	2000:2	2000:1	Total 2000	Total 1999	Change %
Net interest income	2 742	2 620	2 664	2 583	10 609	9 353	13
Commission, net	759	717	702	801	2 979	2 168	37
Net result on financial operations	129	87	116	102	434	339	28
Other income	17	8	15	9	49	44	11
Total income	3 647	3 432	3 497	3 495	14 071	11 904	18
Income includes net internal remuneration	266	268	276	262	1 072	843	27
Total expenses	1 522	1 330	1 323	1 363	5 538	5 281	5
Profit before loan losses	2 125	2 102	2 174	2 132	8 533	6 623	29
Net recoveries incl. change in value of repossessed property	96	60	14	2	172	126	37
Operating profit	2 221	2 162	2 188	2 134	8 705	6 749	29
Return on equity, %	23.2	22.4	23.1	22.4	22.8	20.7	
Average number of employees	5 136	5 404	5 102	5 118	5 190	5 164	

BALANCE SHEET

31 December

SEK m	2000	1999
Lending to credit institutions	37 454	71 895
Lending to the general public	622 699	559 986
Bonds	8 206	15 558
Other assets	26 987	23 917
Total assets	695 346	671 356
Liabilities to credit institutions	190 712	181 145
Deposits and funding from the general public	182 741	165 033
Issued securities	182 002	230 345
Other liabilities	110 033	69 165
Shareholders' equity	29 858	25 668
Total liabilities and shareholders' equity	695 346	671 356

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

Handelsbanken conducts complete universal banking operations in the whole of the Nordic area. Branch office operations consist of ten regional banks – seven in Sweden and one each in Norway, Finland and Denmark. The regional banks are responsible for their own profits and are run using the same concept – to deliver universal banking services with a higher service level for customers, compared with other

banks in the Nordic area, at the same time as Handelsbanken aims to have the lowest expenses. It is on this foundation that the Bank will be able to grow in the whole of the Nordic area.

Handelsbanken has 460 branches in Sweden, 25 in Norway, 20 in Finland and 7 in Denmark. Handelsbanken is the largest bank in Sweden, the fourth largest commercial bank in Finland, fifth in Norway and seventh in Denmark.

Income and expenses trend

Handelsbanken's branch office operations represented almost 75% of the Group's total profits. Income increased by 18%, and expenses by 5%. For comparable units expenses increased by just over 1.5%. Profits increased by 29% to SEK 8 705m. All categories of income increased significantly, not least net interest income, which went up by 13%. Handelsbanken continued to gain market share for both household deposits and lending in Swedish kronor. Commission income was dominated by equity-related income. Other kinds of commission income, such as payment commission, also rose sharply.

Branch office operations in Sweden

Handelsbanken continued to reap success in the Swedish market. It was the only major Swedish bank to increase its share of net deposits to mutual funds more than its share of the total outstanding volume. The Bank also increased its share of the market for household deposits. Privata Affärer, a periodical for private finances, acclaimed the Bank "Best bank with a branch office network" in its annual survey of the Swedish banks. The same survey reported that Handelsbanken is still

the Bank which the Swedish people would prefer to change to. The latest survey showed that 38% would choose Handelsbanken if they were changing banks, compared to 29% in the previous survey. In the same survey Handelsbanken had the most satisfied customers of any bank in Sweden. The Bank was also best in the Svenskt Kvalitetsindex annual survey of how private and corporate customers perceive the services offered by their banks. In the last few years, no other bank has seriously been able to threaten Handelsbanken's leading position where service is concerned.

Branch office operations in Norway, Finland and Denmark

The Bank has 52 branches in the Nordic countries excluding Sweden, compared to 43 at the previous year-end. In general, the period of time before a branch starts to report a surplus is very short. This period is even shorter in the other Nordic countries than in Sweden.

In Norway, the work of integrating Bergensbanken with Handelsbanken progressed. This process has been successful and the operation will be converted into a branch this year. In May, Handelsbanken opened its northernmost branch – in Tromsø. Branch office operations in Norway reported a surplus of SEK 573m with total assets of SEK 52bn.

Four new branches were opened in Finland. There was a very large increase in the number of new customers during the year. Operating profit was SEK 189m and total assets were SEK 51bn.

Two new branches were established in Denmark, one in Kgs Lyngby (northern Copenhagen) and one in Ålborg. During the year, a number of new products were launched for the private market such as mortgage loans, credit cards and Internet-based equity trading directly with the Copenhagen Stock Exchange. Total assets were SEK 15bn and operating profit was SEK 30m.

KEY FIGURES –NORDIC BRANCH OPERATIONS OUTSIDE SWEDEN

	Total
Number of branches	52
Number of customers, private, 1 000s	102
Number of customers, corporate, 1 000s	19
Internet penetration %, private	28
Average number of employees	758
Total assets, SEK bn	118
Lending to the general public, private, SEK bn	20
Lending to the general public, corporate, SEK bn	57
Deposits from the general public, SEK bn	28
Mutual fund volumes, SEK bn	4
Income, SEK m	1 561
Expenses, SEK m	769
Operating profit, SEK m	792

The Group's profit in the Nordic countries outside Sweden totalled SEK 1 074m.

Internet and other electronic services

The Bank's Internet concept continued to be very successful. Almost 45% of corporate customers and 25% of private customers now do banking transactions via the Bank's website. According to a study by an American investment bank, Handelsbanken had the second highest Internet penetration in Europe and highest in the Nordic countries. Usage of basic services such as private payments and equity orders continued to increase. Private customers in Sweden made more than one-third of their equity transactions and almost one-third of all payments via the Internet. The latter implies an increase of almost 70% compared to the previous year. Handelsbanken also offers its customers Internet services in the other Nordic countries, where almost 30 000 customers had access to these services. The Bank has six different websites and almost 400 000 customers had access to the Bank via the Internet. The Internet trend and the way the branches marketed these services was an important reason why the number of staff at the Swedish branch offices could be reduced for the second year running.

The process of developing and offering more sophisticated electronic services for companies continued. Euro Cash Pools linked to local payment systems were implemented. This gave corporate customers in Sweden and abroad the opportunity of making and receiving local payments in most EU countries and of collecting the liquidity in euro accounts in Sweden.

Together with four non-Nordic banks, Handelsbanken was mentioned by Global Finance for its sophisticated range of corporate Internet services.

The work continued of enabling the branches to create and update their own homepages. A number of branches set up their own homepages at the end of 2000 and all branches will be able to do so by the end of 2001. This will offer new opportunities for branches to market themselves and will further enhance the Bank's local presence and image as a local bank.

A number of new Internet services were launched during 2000. The Bank's customers can now do almost all their banking transactions via the Internet if they so wish. Nevertheless, Handelsbanken sees the Internet as a complement to the branches' other services. The Internet will never suit all customers. Internet is just one of many ways of keeping in touch with the branch office.

Plastic cards

The Bank introduced a new bank card called Maestro. This is an online card which means that purchases are approved by the point of sale terminal contacting Handelsbanken's computer system to check the balance. This makes for a high level of security in avoiding overdrafts and unauthorised use of cards. For many customers, Maestro cards can replace cash dispenser cards so that they can make purchases directly in retail outlets without withdrawing money in ATMs first.

Bank charges

In 2000, there were heated discussions in Sweden on the subject of bank charges. Some banks raised the subject of charging for ATM withdrawals. Handelsbanken did not participate in this debate. For a long time it has been the Bank's policy for customers to access their current accounts, pay bills via the Privatgiro payment system or the Internet, access the Datasvar telephone banking system and withdraw money from ATMs, all free of charge. Nor does the Bank charge for arranging mortgage loans.

Mortgage lending

Handelsbanken offers mortgage loans mainly through Stadshypotek AB and its subsidiary Handelsbanken Hypotek AB.

The growth in lending to the private sector increased during the autumn. For the first time in a long period, the monthly increase in new loans approached the same proportion as Stadshypotek's overall share of mortgage loans in Sweden. The healthy development on the private side combined with smaller decreases on the corporate market meant that Stadshypotek's volumes increased during the year for the first time since Handelsbanken acquired Stadshypotek. At the end of the year, lending in the group was SEK 326bn (319), an increase of SEK 7bn. The total volume of mortgage loans in the Swedish market was SEK 1 069bn (1 048). Stadshypotek's share of this market was 30.4%, with 31.4% in private lending and 29.2% in corporate lending. Overall margins – both private and corporate – were unchanged for the mortgage group.

e-bid

In early December, e-bid (e-bud in Swedish) was presented. E-bid is an Internet-based marketplace where bids can be made on private property. This service is based on collaboration with estate agents who continue to have contact with and full responsibility with respect to their customers. Stadshypotek merely provides an independent marketplace.

For sellers of property, e-bid means that more potential buyers can participate in the bidding process which results in a better price. For buyers, e-bid means that they can follow the bidding process and see for themselves the status of their own bid. For estate agents, e-bid implies a considerable reduction in administration. They can use the time saved for giving advice or seeking new properties. Many estate agents say that e-bid has helped to increase their customers' faith in the entire bidding process. There is greater transparency, customers' financing requirements are met at an earlier stage in the process, transactions are speeded up and have a higher level of security. For Stadshypotek, the benefit lies in early entry to a process where customers are choosing a mortgage lender and possibly even a bank. E-bid is the mortgage operation's focus on a very important business partner – estate agents.





Business area

HANDELSBANKEN MARKETS

QUARTERLY PERFORMANCE

SEK m	2000:4	2000:3	2000:2	2000:1	Total 2000	Total 1999	Change %
Net interest income	87	-39	34	73	155	1 304	-88
Commission, net	52	61	48	54	215	148	45
Net result on financial operations	441	478	367	337	1 623	336	383
Other income	3	2	2	1	8	6	33
Total income	583	502	451	465	2 001	1 794	12
Net internal remuneration deducted from income	10	10	11	8	39	45	-13
Total expenses	265	278	252	270	1 065	1 268	-16
Result before loan losses	318	224	199	195	936	526	78
Net recoveries incl. change in value of repossessed property	-21	7	3	28	17	82	-79
Operating profit	297	231	202	223	953	608	57
Return on equity, %	22.4	18.1	15.2	18.1	18.5	11.7	
Average number of employees	716	722	676	720	703	821	

BALANCE SHEET

31 December

SEK m	2000	1999
Lending to credit institutions	198 197	102 365
Lending to the general public	48 560	46 401
Bonds	59 645	49 922
Other assets	138 516	90 552
Total assets	444 918	289 240
Liabilities to credit institutions	198 076	144 234
Deposits and funding from the general public	54 954	45 803
Issued securities	182 374	93 323
Other liabilities	5 495	2 073
Shareholders' equity	4 019	3 807
Total liabilities and shareholders' equity	444 918	289 240

Handelsbanken Markets' operations are organised into three business areas: Trading, Financial Institutions and Trade Finance, and Banking operations outside the Nordic countries. From an organisational point of view, Handelsbanken Investment Banking is also part of Handelsbanken Markets. As from the second half of 2000, Investment Banking is reported as a separate business area in the interim and annual reports. The Bank's economic research unit is also included in Handelsbanken Markets as a resource. Handelsbanken Markets has some 750 employees in 16 countries.

Performance

Handelsbanken Markets' operating profit was SEK 953m – up 57% compared to 1999.

Income increased by 12% to SEK 2 001m, mainly due to larger market share and growth in volumes. It was possible to lower expenses by 16% mainly due to the action programme initiated a few years ago in the area of trading.

The three business areas which are part of Handelsbanken Markets reported higher results. Trading increased its income by 11%, while lowering expenses by 24%. This means that a higher level of sustainable profitability has been established in this area.

Financial Institutions and Trade Finance, and Banking operations outside the Nordic countries also reported higher profits.

Economic and market trends

One of the biggest risk factors ahead of 2000 was whether the millennium shift would cause computer systems to crash, causing serious disruptions to the global economy. We now know that the preparations for the new millennium were sufficient to avoid computer problems. But did this mean that the millennium shift had no impact at all on the global economy? The answer is no. In fact, the reason why 2000 was probably more dramatic than a normal year is partly due to the efforts to prevent problems. For example, central banks worldwide, in a major preventive action, pumped liquidity into their countries' economies so as to reduce the risk of a cash deficit at the millennium shift. This probably contributed to a general rise in people's desire to spend money and a slightly bigger upswing in retail trade than normal. Some of the keenness to spend was channelled into the financial markets and contributed to higher values, particularly on more speculative investments.

The reinforcement of liquidity in preparation for 2000 was never intended to be permanent and the strong upturn in the global economy after the year-end made it all the more urgent for the central banks to turn off the liquidity tap. For this reason, they hiked interest rates during the spring, which paved the way for two trends. One was that the financial markets

sobered up after the millennium frenzy. The high values on certain types of assets were no longer such a certainty and the air started to go out of the bubbles which had been blown up in various quarters. This trend was exacerbated when the second effect of the interest rate hikes set in – the cooling-off of the economies.

Both in the USA and EMU area, it was apparent that cooling-off was necessary. The capacity situation was starting to become very tight and inflation was rising more than expected. This was also because oil prices were increasing as a result of accelerating growth. The economic slowdown which started in the summer should therefore not have come as a great surprise.

The climate on the financial markets is dramatically different compared to spring 2000. Both stockmarkets and bond yields have fallen. Some of the downturn is because the central banks succeeded in cooling off the situation but part of the explanation may be that the efforts to ensure a smooth millennium shift also led to rather too high rises in prices on many types of assets.

One of the few areas where there was no break in the trend during the year was the dollar rate against the euro. In spite of efforts to intervene on the part of the central banks, the dollar continued to be strong.

Economic research

It is always difficult to predict periods of great drama on major financial markets. For this reason, 2000 was a great challenge for the economic research unit. The Bank's efforts to enhance its international forecasts meant that the slowdown in Europe came as no surprise. Nor did the substantial rise in inflation and key interest rates in the EMU area. The peak for European bond yields also occurred approximately as expected. For the second year running, Handelsbanken's macro-economists were among the very few who predicted a significant weakening of the euro against the dollar.

Assessments of the domestic economic situation in late autumn 1999 were made in the light of concerns that the economy was on the verge of a slowdown. Few experts foresaw the boost in investments which Handelsbanken's economists pointed to as the strongest motor in the Swedish economy in 2000. Nor did many believe that taxes would continue to be lowered, resulting in a significant boost for consumption. In spite of these misgivings, 2000 turned out to be a year with the biggest growth for a very long time. The most difficult area to predict turned out to be inflation and thus the action of the Riksbank. During the spring and summer, inflation was unexpectedly low in view of the strong business cycle but by the autumn domestic inflationary pressures began to increase markedly.

Trading

Handelsbanken Trading is responsible for the Bank's trading on the foreign exchange, money and fixed-income markets and also for the Bank's activities in the

public debt capital markets. Operations were conducted in Stockholm, Luxembourg, New York and Singapore. As a consequence of trading being centralised to these units, expenses were reduced while income grew. Trading's results were therefore significantly improved. By taking advantage of the Bank's excellent reputation and high rating, the unit could establish a large number of customer relationships in the international financial markets.

FOREIGN EXCHANGE AND MONEY MARKETS

Trading in foreign exchange and money market instruments performed well during 2000. Handelsbanken succeeded in its aim of becoming one of the leading players for the euro, both in the foreign exchange and money markets. The Bank also reinforced its position in Nordic currencies. The Bank's trading in emerging markets was successful. Risk Magazine acclaimed Handelsbanken one of the most active banks in the short-term money market for Polish zlotys.

Internationally, Handelsbanken was able to advance its positions in both the USA and Asia. Greenwich Associates, an independent firm of analysts, said that Handelsbanken was one of the thirty largest banks in New York in the field of trading. Their assessment was that Handelsbanken's turnover in Scandinavian currencies in New York was as large as that of the other Nordic banks combined.

FIXED INCOME

The result for trading in bonds and interest-rate derivatives was higher than in 1999. Measures were taken to further increase profitability in this area.

The corporate bond market continued to grow during the year. Good relations with borrowers and investors, combined with the Bank's good rating, meant that Handelsbanken could advance its positions. In 2000, loans arranged by Handelsbanken included Volvofinans and General Electric Capital Corporation.

During the autumn, Handelsbanken was sole agent in the repurchase and exchange of some of Stora Enso's outstanding private placement in Swedish kronor. This was the first time an industrial company launched a Swedish krona benchmark bond.

Handelsbanken also performed loan transactions under existing programmes for companies such as Industrivärden, Skanska, Atlas Copco, Birka Energi and Scania. In the third quarter, the Bank successfully managed its first public euro issue (EUR 300m). More than 90% of the issue was placed with non-Nordic investors. This is a good example of how the European capital market has changed since the introduction of the euro. Nowadays, investors see the European market as a single market.

Handelsbanken was one of the leading banks for syndicated loans to Nordic companies, arranging loans for companies such as ICA, Birka Energi and Industrivärden. In Denmark, the Bank arranged a loan for Danisco and in Finland for Rautaruukki.

Financial Institutions and Trade Finance

Income rose by 9% while expenses fell slightly, leading to a continued improvement in the result.

Financial Institutions is responsible for business with foreign banks and governments. The main products offered are clearing services and cash management solutions for foreign banks. The operation generated slightly lower income than the previous year when turbulence in connection with the introduction of the euro led to income from clearing transactions.

Trade Finance is responsible for documentary payments, short- and long-term trade finance and for project finance. In 2000, Handelsbanken participated in financing for a French telecoms operator which purchased Nordic telecommunication equipment and for an Argentine network company which bought services from a Nordic construction company. This operation reported an increased result due to higher commission income and lower costs. Volumes for export credits continued to develop well.

Banking operations outside the Nordic countries

Banking operations outside the Nordic countries are conducted through branches in Frankfurt, Hamburg, London, Manchester, Birmingham, Nottingham, Luxembourg, New York, Singapore and Hong Kong and via representative offices in Beijing, Taipei, Moscow, Tallinn, Warsaw and Zurich. Around 280 people are employed in these operations.

Handelsbanken is starting banking operations in Poland. Staff have been recruited and new premises are in use. The target group is Nordic companies active in Poland and Polish companies with business in any of the Nordic countries. Handelsbanken received a bank licence in February 2001 and operations will begin as soon as possible.

For many years, Handelsbanken has been successfully expanding its operations in the UK with units in London, Manchester and Birmingham. The focus has been on Nordic-related corporate business. In autumn 1999, the Bank made the decision to offer a complete range of services to corporate and private customers on the UK market. This expansion started in 2000 and developed well. Individual customers are offered a basic range of banking services, including telephone banking and bank cards.

In December, Internet banking services were introduced. As part of this expansion, a new branch was opened in Nottingham in October. The intention is to open more branches in cities such as Reading, Bristol, Cambridge, Leeds and Edinburgh.

The Bank identified Austria as a very attractive market for Nordic-related corporate business. A branch will therefore be opened in Vienna in the first quarter of 2001.





Business area

HANDELSBANKEN INVESTMENT BANKING

QUARTERLY PERFORMANCE

SEK m	2000:4	2000:3	2000:2	2000:1	Total 2000	Total 1999	Change %
Net interest income	-34	-24	-40	-47	-145	-9	
Commission, net	191	183	310	264	948	730	30
Net result on financial operations	188	179	221	219	807	250	223
Other income	3	-2	61	22	84	66	27
Total income	348	336	552	458	1 694	1 037	63
Net internal remuneration deducted from income	21	12	28	19	80	52	54
Total expenses	165	213	291	271	940	700	34
Result before loan losses	183	123	261	187	754	337	124
Net recoveries incl. change in value of repossessed property							
Operating profit	183	123	261	187	754	337	124
Return on equity, %	81.1	54.7	115.7	82.6	83.5	46.2	
Average number of employees	442	430	425	381	425	360	

BALANCE SHEET

31 December

SEK m	2000	1999
Lending to credit institutions	113	0
Lending to the general public	54	32
Bonds	—	—
Other assets	14 808	12 573
Total assets	14 975	12 605
Liabilities to credit institutions	2 093	0
Deposits and funding from the general public	305	0
Issued securities	—	—
Other liabilities	11 893	12 058
Shareholders' equity	684	547
Total liabilities and shareholders' equity	14 975	12 605

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

In recent years, Handelsbanken has made special efforts to put focus on its Investment Banking business area, the underlying reason for this being strong growth in the investment banking market. Investment Banking's competitiveness is based on the Bank's generally strong

position in the market. Among the most important cornerstones are credibility, financial strength and access to a strong distribution network, aimed at Nordic private and corporate customers.

For 2000, Handelsbanken Investment Banking reported profits of SEK 754m, an increase of 124%. The rise in profits was particularly large during the first half of the year when the market situation was most favourable.

Equity sales and trading

Handelsbanken Investment Banking substantially strengthened its market position in the area of equity sales and trading in all the Nordic countries. In order to ensure long-term credibility and profitability, it is important that positions are further advanced. By merging equities and research into one unit in 2000, it was possible to improve services to customers while simultaneously improving internal efficiency. There are currently 235 employees, of which 133 in Sweden.

In the equities field there is no direct correlation between market share and profitability since a large part of stock exchange turnover is proprietary trading. For Handelsbanken's equity trading, profitability is more important than market share. In spite of this and much tougher international competition, Handelsbanken was one of the leading players on the Nordic stock exchanges. In Sweden, the Bank's market share was 8.6%.

Handelsbanken has a large operation in the area of equity sales and trading. For several years, the Bank has focused on creating new products based on changed demand from customers such as equity-linked bonds, warrants and equity baskets. In these areas, the Bank acts as both issuer and as a market place.

As market leader, Handelsbanken can create the best liquidity and thus the best price for corporate customers

for the sale of non-standardised products. Corporate customers also benefit from Handelsbanken's leading position in the market for products such as share buybacks, incentive programmes and hedging instruments. Equity loan operations are primarily oriented at large institutional investors.

Handelsbanken's market share for these new products was often over 60% and the Bank was a leading Nordic player, with a profit being reported every single month during the turbulent year 2000.

In 2000, it became possible for Swedish companies to buy back their own shares. Handelsbanken was the leading participant for share buybacks.

Outside Sweden, Handelsbanken Investment Banking had a prominent position in Finland and Denmark. In Norway, traditionally a difficult market for Swedish players, the position gradually improved and thus profitability. New, more sophisticated products were launched which had an immediate impact on market position and led to a better result.

Equity operations in France were previously focused on advising Nordic institutional investors about the French equity market. An increasingly pan-European and global equity market gives less scope for a local profile. Institutional investors seek either a European/global advisor or strong discussion partners in different industrial sectors. In order to enhance Handelsbanken's profile in the TMT sector (telecoms, media, technology), the research department in Paris was restructured so that it now only analyses companies and stocks in this sector in an international perspective. The French team thus complements the Nordic team in this sector.

Handelsbanken's research department – comprising around 70 analysts – monitors companies in 19 industrial sectors and covers some 85% of the total market value of the Nordic stock exchanges.

Corporate Finance

Handelsbanken is one of the leading players in Sweden in the area of corporate finance. The Bank aims to strengthen its position in a Nordic perspective and major investments were made in Denmark, Finland and Norway. Corporate finance is another area where customers are increasingly demanding specific industrial competence. For this reason, the department is divided into a number of different business sectors with many employees having a background from the industry in question. Operations are similarly organised in the other Nordic countries, France and the UK. Staff in these countries work together to offer professional advisory services in cross-border business.



The corporate finance market is dominated by a few international players. These competitors win mandates on the strength of their size and good name. In order to enhance its ability to compete, Handelsbanken Investment Banking has started collaborating with a number of international players with a strong local presence and credibility in some of the most important international markets. This collaboration currently includes CIBC World Markets covering the USA and Canada, Sal Oppenheim jr. & Cie in Germany, in

France, La Compagnie Financière Edmond de Rothschild and Euromobiliare Corporate Finance in Italy. Here the Bank aims to offer its customers a trustworthy alternative to the major global players.

Just as for equity sales and trading, the year 2000 offered two quite different market situations for Corporate Finance. In the first half of the year, the focus was on public offerings and private placements for companies in the TMT sector, and also trade-related companies.

Handelsbanken Investment Banking was adviser in the IPOs of C Technologies, Mekonomen and JC. A large number of new issues and private placements were carried out including Switch Core, Ticket Travel and Precise Biometrics.

Other major mandates included Ahold's 50-percent acquisition of ICA, Skandia's buyout of Diligentia, the bid for Stena Line and advisory services to Handelsbanken in connection with the acquisition of SPP Liv.

The units outside Sweden were involved in a number of major deals including ISS's acquisition of Klinos in France, Strålfors's public bid for the French company Siaco, and the sale of the Norwegian Centra Gruppen's supermarket chain.

During the autumn, interest in TMT sector companies waned and consequently there was a significant drop in the general level of activity at Corporate Finance. Specialised products such as share buybacks and incentive programmes meant, however, that the department had a good result for the second half of the year. In total, Investment Banking, working closely together with the branch office network and regional customer desks, carried out 33 issues of structured equity products such as equity-linked bonds, warrants, equity basket certificates and reverse convertibles. Invested capital exceeded SEK 4.5bn and there were some 56 000 customers.

A total of 27 incentive programmes were arranged for the Bank's corporate customers. Handelsbanken Investment Banking acted as adviser to companies such as Skanska, Munters, Ångpanneföreningen, Adcore, Segerström & Svensson, Atle, WM-data and Axfood.



Business area

HANDELSBANKEN ASSET MANAGEMENT

QUARTERLY PERFORMANCE

SEK m	2000:4	2000:3	2000:2	2000:1	Total 2000	Total 1999	Change %
Net interest income	46	45	48	38	177	91	95
Commission, net	202	207	226	225	860	601	43
Net result on financial operations	5	6	11	10	32	47	-32
Other income	1	1	1	6	9	6	50
Total income	254	259	286	279	1 078	745	45
Net internal remuneration deducted from income	157	168	145	151	621	518	20
Total expenses	124	109	100	98	431	339	27
Result before loan losses	130	150	186	181	647	406	59
Net recoveries incl. change in value of repossessed property	—	—	-1	1	0	—	
Operating profit	130	150	185	182	647	406	59
Return on equity, %	30.2	35.8	42.6	42.2	37.8	26.8	
Average number of employees	339	341	325	303	327	267	

BALANCE SHEET

31 December

SEK m	2000	1999
Lending to credit institutions	2 975	187
Lending to the general public	2 080	0
Bonds	—	—
Other assets	4 348	4 182
Total assets	9 403	4 369
Liabilities to credit institutions	253	1
Deposits and funding from the general public	7 719	3 186
Issued securities	—	—
Other liabilities	96	16
Shareholders' equity	1 335	1 166
Total liabilities and shareholders' equity	9 403	4 369

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.

Higher volumes of managed assets and increased transaction intensity led to a rise in income of 45% during the year. Expenses rose by 27%, which is mainly due to higher staff costs. The volume of assets managed by Handelsbanken Asset Management was SEK 149bn (147). The total amount of assets managed by the Handelsbanken Group was SEK 211bn.

Mutual fund management

At the end of 2000, the Bank's fund management company managed 66 mutual funds worth approximately SEK 90bn (88). There were some 680 000 unit-holders (590 000). The amount of new savings in the Swedish mutual fund market was large – around SEK 100bn (58). Premium pensions savings represented SEK 39bn of this. Handelsbanken's share of net deposits was 11.4%,

which was higher than the Bank's share of total fund holdings. Excluding deposits to premium pension savings, the Bank's share of new savings was 14.1% (13.2). Handelsbanken was the only major bank to increase its proportion of new savings in 2000.

The net inflow to the Bank totalled SEK 11.7bn (7.7), of which 2.4bn were premium pension savings. The Bank's increase was partly due to successful sales of mutual funds to major customers and also due to continued healthy performance for sales of unit-linked insurance and traditional mutual funds.

The premium pension selection process dominated the year. Handelsbanken's share of invested funds was some 6.3%. The main target group was the Bank's customers and it was therefore the branch offices which did most of the marketing. Seven new funds were started specifically for premium and occupational pensions savings. The most popular funds in the premium pension selection process were the newly-started generation funds. Handelsbanken offers 19 funds in its premium pension range. The premium pension selection process was a success for Handelsbanken. Handelsbanken was in second place among the four major banks, calculated as a proportion of the invested amount, even though the Bank's share of total fund volume is less than that of the other major banks.

Handelsbanken Asset Management reported a good result for managing its fixed income funds. On the equities side, performance was not as good with several of the main mutual funds underperforming their benchmark indexes.

Sparöversikt magazine acclaimed Handelsbanken Mutual Funds best manager of Nordic funds in its annual review of the mutual fund market.

Apart from the new premium pension funds mentioned above, another eleven new mutual funds were started. The most popular launch during the year was Handelsbanken's IT fund. Two other sector funds were started

in 2000 – Handelsbanken's Läkemedelsfond (pharmaceuticals) and Svenska Selection Fund Global IT. Other new funds which attracted large deposits were Norden Aggressiv (Nordic Aggressive) and Mega Avkastning (Mega Yield).

As in 1999, the largest deposits in 2000 were to multimarket funds and international equity funds. Fixed income funds had good net inflows, while Swedish equity funds received smaller net amounts of new capital.

Discretionary management

Discretionary management continued its strong growth. Handelsbanken Asset Management received new assignments worth SEK 5.6bn from a number of local authorities and county councils. Assets under management in Sweden continued to have a strong inflow, amounting to SEK 51bn as at 31 December, an increase of 3%.

Return on customer equity portfolios underperformed the benchmark indexes while fixed-income investments outperformed their benchmarks.

Handelsbanken Asset Management continued to develop products for institutional customers and is the leading asset manager in Sweden for index funds. Assets totalling SEK 14bn were managed in this way. The expansion will continue during 2001.

In the latter part of the year, the Finnish organisation for discretionary management was changed. Organisationally, it was moved to the Discretionary Management business area at Handelsbanken Asset Management. In Finland, assets of some SEK 1bn are managed.

During the year a decision was taken to start operations in Norway.

Operations outside the Nordic countries

Outside the Nordic countries, Asset Management has units in London and Luxembourg. The units in Marbella, Côte d'Azur, Zurich and Brussels are representative offices whose main task is to support asset management in Luxembourg. Operations continued their substantial expansion and profits increased significantly.

Custody services

The strong growth in the number of custody accounts continued. Handelsbanken had a total of 161 000 custody accounts with a total value of SEK 667bn. This is an increase of 56% in the number of accounts. More than 90% of newly-opened custody accounts and almost half of the total number of accounts are now linked to the Internet. During the second quarter, legal entities were also given access to the custody accounts service via the Internet.

Institutional custody services

In 2000, there was an increase in the number of remote members on the Nordic stock exchanges, particularly in Finland and Sweden. Handelsbanken in Finland was particularly successful and has a market share of some 40% for remote members and around 15% for ordinary custody services.





Business area HANDELSBANKEN FINANS

QUARTERLY PERFORMANCE

SEK m	2000:4	2000:3	2000:2	2000:1	Total 2000	Total 1999	Change %
Net interest income	121	112	118	132	483	481	0
Commission, net	68	63	57	51	239	203	18
Net result on financial operations	-5	17	0	0	12	0	
Other income	10	0	5	4	19	29	-34
Total income	194	192	180	187	753	713	6
Net internal remuneration deducted from income	-1	1	4	11	15	41	-63
Total expenses	111	92	103	102	408	419	-3
Result before loan losses	83	100	77	85	345	294	17
Net recoveries incl. change in value of repossessed property	-9	-3	-3	1	-14	11	
Operating profit	74	97	74	86	331	305	9
Return on equity, %	26.1	31.9	20.1	22.6	24.8	22.0	
Average number of employees	426	424	423	419	423	417	

BALANCE SHEET

31 December

SEK m	2000	1999
Lending to credit institutions	8 236	917
Lending to the general public	15 179	17 042
Bonds	—	—
Other assets	1 200	963
Total assets	24 615	18 922
Liabilities to credit institutions	16 252	12 887
Deposits and funding from the general public	345	332
Issued securities	2 196	519
Other liabilities	4 919	4 053
Shareholders' equity	903	1 131
Total liabilities and shareholders' equity	24 615	18 922

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

Profits were SEK 331m (305), an increase of 9%. Income continued to grow due to increased business volumes and expenses were still very much under control. Major investments were made in computer systems and new markets during the year and efficiency was increased. Return on shareholders' equity went up to 24.8% (22.0). Credit volumes rose by 20% to SEK 20.3bn.

Satisfied customers

An independent company, Image Survey International, investigated Swedish decision-makers' opinions of the twelve largest finance companies in Sweden during the

year, the first time a survey of this kind has been performed. Handelsbanken Finans was rated highest of all the companies. The survey reported that Handelsbanken Finans is considered to have much more competent staff, better customer services and greater reliability than the average.

Retail financial services

Retail financial services provides financial services that will help boost the sales of its business partners: retailers of consumer and capital goods. Retail financial services provides easy-to-use IT-based services in combination with tailored sales support material and training.

Several new partnerships combined with strong sales figures in the capital goods sector led to substantially increased business volumes.

In 2000, a comprehensive package of financial services was launched for the auto trade, consisting of conditional sales, leasing, pledging of conditional sales and leasing contracts and credit card financing.

Two new market areas were created within Retail Financial Services: E-trade and Affinity Cards. E-trade covers financing where the point of sale is either on the Internet or in the mail order business. Affinity Cards work together with organisations and their members who have special interests, with the purpose of offering them cards and other financial services.

In the autumn, Netpay was launched. This is a totally electronic financing service for e-trade companies which allows the consumer to make an on-line credit application with an immediate response, in combination with a secure method of payment. This is a unique service and has already attracted many users.

At the end of 1999, the Köpkort credit card was re-launched. By the end of 2000, there were almost 150 000 cards with the Köpkort symbol. The card is valid in

Sweden at all 75 000 retail outlets where MasterCard and VISA are accepted and also in ATMs.

In the field of retail financial services, Handelsbanken Finans has a leading position in Sweden. In Finland the Aktiiviraha card has a leading position among private label cards. This card offers consumer finance in close co-operation with retailers in the capital goods sector. Operations in Norway expanded mainly in the motor-cycle business and in Denmark, a strong foothold was gained through the acquisition of the Danish finance company Spartacus A/S.

Spartacus mainly operates in the field of consumer finance services via collaboration with retailers. The company was founded in 1983 and today has around 20% of the market for caravan financing in Denmark as well as major operations for financing agricultural machinery and cars. It had a credit volume of over SEK 500m.

Leasing, conditional sales and car administration

Handelsbanken Finans is one of the leading finance companies in the Nordic area in the field of investment finance. Via Handelsbanken's branch office network in the Nordic countries, corporate customers are offered local skills in all types of financing. For larger and more complex leasing transactions, specialists are available. The branches make all credit decisions regarding leasing and conditional sales, which is in line with their overall responsibility for their own customers.

For vendors of equipment and plants, being able to offer appropriate financing is often a decisive success factor in the negotiation process.

A number of major deals were concluded during the year. In Sweden, the Öresund Bridge Consortium decided to use Handelsbanken Finans to finance the purchase of trains, a deal worth SEK 800m.

Factoring and collection services

Factoring and collection services provide services which increase the profitability of corporate customers' invoicing process such as administration, credit, monitoring payments, reminders and debt collection.

Investments in new computer systems resulted in more efficient business and administration processes. In Sweden, the Bank's corporate customers were given free-of-charge access to debt collection services via the Internet. In order to make communication simpler and more efficient, customers using factoring services were also offered electronic file transfer of their ledger information.

In Bergen, Norway, Handelsbanken Finans acquired Kronos AS. Through this acquisition, Handelsbanken Finans gained a foothold on the Norwegian market for factoring services. The range of products was expanded during the autumn and the Bank's Norwegian branches now offer factoring services.





Business area HANDELSBANKEN LIV

QUARTERLY PERFORMANCE

SEK m	2000:4	2000:3	2000:2	2000:1	Total 2000	Total 1999	Change %
Net interest income	4	3	2	3	12	7	71
Commission, net	47	44	40	45	176	100	76
Net result on financial operations	-10	-2	-7	13	-6	27	
Other income	2	1	1	1	5	2	150
Total income	43	46	36	62	187	136	38
Net internal remuneration deducted from income	77	73	84	69	303	173	75
Total expenses	28	20	18	19	85	73	16
Result before loan losses	15	26	18	43	102	63	62
Net recoveries incl. change in value of repossessed property							
Operating profit	15	26	18	43	102	63	62
Return on equity, %	13.7	23.7	16.5	39.2	23.2	15.6	
Average number of employees	11	11	9	9	11	21	

BALANCE SHEET

31 December

SEK m	2000	1999
Lending to credit institutions	—	154
Lending to the general public	178	321
Bonds	—	124
Other assets	17 556	14 418
Total assets	17 734	15 017
Liabilities to credit institutions	2	0
Deposits and funding from the general public	1 994	1 023
Issued securities	—	—
Other liabilities	15 396	13 678
Shareholders' equity	342	316
Total liabilities and shareholders' equity	17 734	15 017

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. The traditional life insurance operations in Handelsbanken Liv Försäkrings AB are run on mutual principles where the whole surplus from operations goes back to policy-holders in the form of bonuses and collective risk capital.

Performance

The result for the profit-distributing unit-linked operation rose by 62% to SEK 102m (63). Income developed well. Most of the income originates from fees related to asset management. In 2000, assets managed in unit-

HANDELSBANKEN LIV FÖRSÄKRINGS AB RESULTS

SEK m	2000	1999
Premium income	2 260	2 203
Investment income	34	3 496
Insurance claims	-1 186	-1 174
Change in life insurance provisions	-1 873	-1 721
Bonus	-103	-96
Operating expenses	-270	-224
Other	33	
Result on technical account – life insurance business	-1 105	2 484

Handelsbanken Liv Försäkrings AB is a mutual life insurance company and is not included in the consolidated accounts

linked insurance went up from just over SEK 13bn to SEK 17bn. The increase in expenses of 16% is mainly due to the need for extra resources in the sales organisation.

The result in the traditional life insurance company fell due to lower investment return. Total return was 0.2% (21.6). The average total return during the past 15 years was 12.7%. The healthy amount of surplus funds meant that the bonus rate could be retained at a high level. The average bonus rate, before operating expenses and tax, was 13.5% (11.3) in 2000. At year-end, the solvency margin was 113% (130). Premium income for traditional insurance increased slightly to SEK 2.3bn (2.2).

Total premium income for both companies continued to increase significantly during the year and amounted to SEK 9bn, an increase of 31%. In 2000, unit-linked insurance again represented the largest increase, with premium income rising from SEK 4.7bn to 6.7bn. At year-end, the insurance assets managed amounted to SEK 37bn (33).

One of Handelsbanken Liv's goals is to have a market share which is equivalent to Handelsbanken's normal share of the financial markets. In 1992, when Handelsbanken Liv became a subsidiary of Handelsbanken, its market share was 5%, measured as premium income from new business. During 2000, the market share had risen to 11%. For traditional insurance, the market share in 2000 was 6% (7) and for unit-linked insurance 13% (13).

Yes to demutualisation

On 1 January 2000, the Swedish legislation on insurance operations was changed. The new law enables traditional life insurance operations to be demutualised and for unit-linked and traditional insurance operations to be run in the same company. Customers can now also transfer their funds to a different company.

Handelsbanken Liv is of the opinion that demutualisation is beneficial for both customers and the company. Handelsbanken Liv therefore informed all customers who were entitled to vote – some 260 000 – of the consequences of demutualisation. The rate of response was high. Around 80% of all customers made an active choice by voting, with 97.8% of them in favour of the proposed change. If the government approves the change, it will come into force on 1 January 2002.

In the demutualised company, around 90% of the total return will go to the individual customer. Total return is the company's actual return on its investment assets. In a mutual company, some of the total return is used to build up the collective reserve. Since Handelsbanken will instead be injecting this risk capital, existing customers do not need to miss out on return in favour of future policyholders, which is a fairer situation.

Handelsbanken Liv will also be the first insurance company in Sweden to allow customers to move their insurance funds. Private customers will be able to change to another company and all customers will be able to swap between unit-linked and traditional insurance.



Continued strong growth in sales

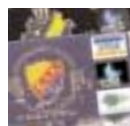
Sales of endowment insurance got off to a good start at the beginning of the year. The reason for this large increase was the good performance on the stock-market and also that a large proportion of the retail bonds maturing during the first quarter were invested in unit-linked insurance. New sales declined during the year when the stock-market turbulence set in.

Sales of Handelsbanken's Private Insurance Plan increased significantly during the year. This was due to the interest and greater awareness caused by the Premium Pension selection process and also to the fact that the Bank's product is very much a part of the branches' insurance advice.

The Swedish market for employee pension insurance received another SEK 8bn when local authority and county council employees were given the opportunity to choose insurance companies for their occupational pensions. Handelsbanken Liv carried out several focused marketing activities during the year which yielded good results. Of those who made an active selection, 5.4% chose Handelsbanken Liv.

Handelsbanken Liv signed an agreement with the Swedish Automobile Association which resulted in the first joint product – the Driving Licence Fund. This is aimed at people who wish to save money for their children and grandchildren to help pay for driving lessons.

A more specialised sales force was needed because of customers' increasing requirements and knowledge. Large corporate customers are themselves very skilled in insurance matters, which means that high demands are placed on our advisory functions. Several of Handelsbanken Liv's regions started the process of increasing the specialisation of their sales staff.



Business area STADSHYPOTEK BANK

QUARTERLY PERFORMANCE

SEK m	2000:4	2000:3	2000:2	2000:1	Total 2000	Total 1999	Change %
Net interest income	17	17	17	14	65	53	23
Commission, net	14	12	15	18	59	74	-20
Net result on financial operations	0	0	0	0	0	0	0
Other income	0	1	0	1	2	2	0
Total income	31	30	32	33	126	129	-2
Net internal remuneration deducted from income	2	4	4	4	14	14	0
Total expenses	28	26	28	29	111	114	-3
Result before loan losses	3	4	4	4	15	15	0
Net recoveries incl. change in value of repossessed property	0	0	0	0	0	0	0
Operating profit	3	4	4	4	15	15	0
Return on equity, %	15.8	16.1	19.5	17.1	17.1	18.1	
Average number of employees	112	102	105	105	106	121	

BALANCE SHEET

31 December

SEK m	2000	1999
Lending to credit institutions	1 567	1 360
Lending to the general public	88	28
Bonds	4 102	4 498
Other assets	120	36
Total assets	5 877	5 922
Liabilities to credit institutions	551	21
Deposits and funding from the general public	5 242	5 440
Issued securities	—	—
Other liabilities	17	402
Shareholders' equity	67	59
Total liabilities and shareholders' equity	5 877	5 922

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

Profits were SEK 15m (15). Although the income from retail bonds fell sharply, Stadshypotek Bank was able to report an unchanged result. This is mainly due to higher net interest income and increased income from FondSpar (savings in mutual funds), AktieSpar (savings in individual shares) and the VISA payment card. Expenses have fallen each year since Handelsbanken acquired the company in 1997.

Business trends

Stadshypotek Bank continued the work of expanding its contact centre which was installed in late 1999. This offers customers a more personalised service when they contact the Bank and the opportunity to do banking transactions themselves by automated telephone services or the Internet.

The number of customers with a VISA payment card increased by 61% during the year. Stadshypotek Bank was the first Swedish bank to offer a bonus on all card purchases. This, combined with other benefits for the Privatkonto account with VISA card, made Stadshypotek Bank an attractive bank for salary accounts and regular outgoings.

During the autumn, the Swedish business daily Dagens Industri acclaimed Stadshypotek Bank's VISA card a winner among Swedish payment cards.

Stadshypotek Bank introduced a new card concept in collaboration with various sports clubs: AIK Fotboll, Helsingborgs IF, Örgryte IS and Djurgården Fotboll. The cards are offered to members, supporters and other private individuals. The cards have a VISA link which means that cardholders have access to around 18 million retail outlets worldwide. The special benefits and attractive profile distinguish this card from other payment cards available on the market.

The Bank's Internet service grew significantly. Over 18 500 customers were linked up to it at year-end, which is an increase of 134%. At the end of the year, over 50% of all Stadshypotek Bank's customers did their private payments over the Internet.

During the year, collaboration was initiated with Industrivärden, a Swedish investment company, for saving in shares. This savings scheme means that private individuals who are shareholders in Industrivärden are offered a custody account with Stadshypotek Bank free of charge. Industrivärden views the scheme as a service to its present and future shareholders with the purpose of offering a simple and inexpensive way of saving in Industrivärden's shares.

Sales of FondSpar, a savings product comprising a selection of Handelsbanken's mutual funds, continued to do very well. The number of accounts increased by 73% to 33 000 at year-end. Assets managed as at 31 December were SEK 723m, an increase of 35%.



Business area

HANDELSBANKEN CENTRAL TREASURY

QUARTERLY PERFORMANCE

SEK m	2000:4	2000:3	2000:2	2000:1	Total 2000	Total 1999	Change %
Net interest income	47	66	69	61	243	456	-47
Commission, net	-5	-2	-3	-2	-12	-4	
Net result on financial operations	-23	-7	-20	-5	-55	-100	
Other income	3	2	3	3	11	13	-15
Total income	22	59	49	57	187	365	-49
Net internal remuneration deducted from income	—	—	—	—	—	—	—
Total expenses	-5	6	7	6	14	25	-44
Result before loan losses	27	53	42	51	173	340	-49
Net recoveries incl. change in value of repossessed property							
Operating profit	27	53	42	51	173	340	-49
Return on equity, %	6.3	12.4	10.7	11.4	10.2	14.2	
Average number of employees	39	39	40	38	39	40	

BALANCE SHEET

31 December

SEK m	2000	1999
Lending to credit institutions	148 770	101 499
Lending to the general public	1	4
Bonds	21 325	33 704
Other assets	8 079	8 551
Total assets	178 175	143 758
Liabilities to credit institutions	46 561	23 204
Deposits and funding from the general public	2 114	7 422
Issued securities	40 835	46 122
Other liabilities	87 231	65 202
Shareholders' equity	1 434	1 808
Total liabilities and shareholders' equity	178 175	143 758

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. 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 liquidity management in Swedish kronor.

Result

Central Treasury's result fell by 49% to SEK 173m. The reason for this is that the department profited in the first half of 1999 from fixed-term lending at the higher interest rates which prevailed in previous years. From the second quarter of 1999, when the majority of the securities which had two-digit interest rates matured, the quarterly results stabilised. Since the surplus liquidity is transferred to other parts of the Bank, the internal bank's result is mainly the effect of varying maturities on borrowing and lending.

The internal bank and liquidity management

The internal bank's task is to match flows within the Group. Internal units which want to borrow or invest funds utilise the internal bank, which applies market rates to the transactions. By keeping the business flow within the Group, transaction costs are reduced.

The internal bank also aims to earn money on the Group's cash flows. This is achieved by taking certain positions in connection with internal transactions. One example is fixed-term lending to Stadshypotek which can be funded with liabilities with shorter interest adjustment periods. Central Treasury manages surplus liquidity from the regional banking operations, on average SEK 20.9bn (29.7) in 2000. This is transferred to the Group's units which need liquidity, mainly Stadshypotek. Fluctuations in the Group's liquidity are managed by Central Treasury on the overnight market. In order to carry out clearing, the Bank must pledge securities with the Riksbank. They consist of bonds and Commercial Paper from issuers who have at least an A rating from Moody's and Standard & Poor's.

The securities are managed in a trading portfolio, which yielded a positive result in 2000. The collateral portfolio may be regarded as Handelsbanken's liquidity reserve or cash funds in Swedish kronor. It is maintained in order to manage short-term fluctuations in liquidity.

Capital market funding

Most capital market funding consists of issuing securities in the name of Stadshypotek. In 2000, Handelsbanken/Stadshypotek was again the second largest issuer in the Swedish bond market.

The Group also borrows in foreign currencies. This is done in the name of Handelsbanken and usually for the purpose of funding Stadshypotek. When necessary, foreign currency loans are converted into Swedish kronor through swaps.

Risk and risk control

Credit risk, financial risk and operational risk arise in the Bank's operations. Credit risks depend on whether individual customers can fulfil their commitments to the Bank, while financial risks arise when there are changes in interest rates or market prices of currencies and securities which have an impact on the value of the Bank's positions. Operational risks refer to errors which may lead to losses. Credit risk mainly arises in branch office operations and financial risk mainly at Handelsbanken Markets, while operational risks can occur in the whole Group.

The Bank aims to delegate to the individual employee the responsibility for transactions and the risks which those transactions give rise to. The person who best knows the customer and the market conditions is also in the best position to evaluate the risk. In this way, full responsibility is taken for the business operations and it is done as close to the customer as possible. In order for decentralised risk-taking to work, centralised management and follow-up of risks is necessary.

Credit risks and financial risks must always be restricted through credit or limit decisions. Individual employees have a personal limit within which they take full responsibility for their decision. If a larger limit is needed, a decision is required at a higher level of the Bank. The Bank's method means that everyone who does transactions which entail risk learns the established way of assessing what is an acceptable level of risk for the Bank.

Total exposure to credit risks and financial risks is measured and reported to Finansinspektionen. This exposure leads to requirements on the size of the Bank's equity and gives an overall measure of how large the Bank's risks are in relation to the capital base.

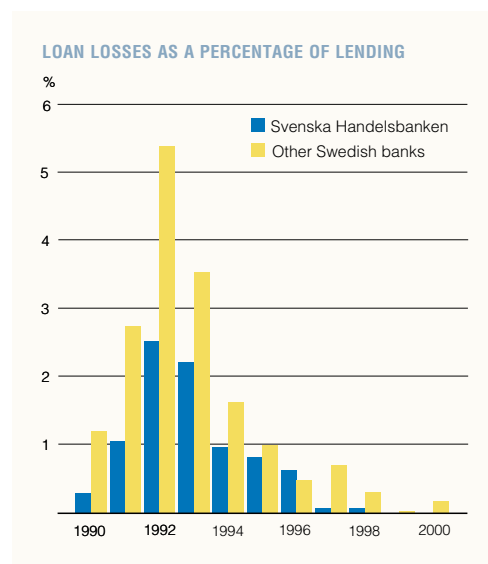
Nevertheless, the capital adequacy requirement for credit risks is an insufficient measure of the actual exposure. A better picture of Handelsbanken's credit risks is obtained by looking at the actual outcome. For a long time – and particularly during the financial crisis in the early 1990s – the Bank's method of analysing and managing credit risk and bad debts has led to significantly lower loan losses than for competitors in relation to outstanding loan volumes.

CREDIT RISK

Credit risk arises in lending and in issuing guarantees, but also include risks arising when customers do transactions with the Bank on the foreign exchange and securities markets. The latter is usually referred to as counterparty risk.

Credit risk in lending operations

The responsibility for the Handelsbanken Group's credit exposure lies with the branches which are responsible for the customer in question¹. The day-to-day business relationship gives the branch a clear, continuous picture



of how the customer's operations are progressing and it can quickly identify possible problems which might change the degree of credit risk in the Bank's exposure.

For all commitments over SEK 1m – for mortgages over SEK 3m – the branch establishes a limit. The Bank has 20 000 customers with limits. The limit documentation contains information about the customer's current and maximum commitment with the Handelsbanken Group and also what security is required for the maximum exposure. A business evaluation of the customer is performed in order to make the limit decision. This consists of a description of the customer's operation, an analysis of accounts and an evaluation of the company's future prospects. An assessment is also made of the degree of credit risk in the Bank's exposure where the customer's repayment capacity is analysed and graded using a credit risk index (internal rating) which the Bank has applied for 20 years. The internal rating of repayment capacity is done in two stages: first an assessment is made of the probability of financial strain for the customer and then the customer's financial powers of resistance. After this, a written assessment is made of facts and assumptions which must be well-documented in the business evaluation. Finally, the value of the collateral is estimated in the event of insolvency. The business evaluation concludes with a description of the Bank's financial benefit from the customer and the future strategy for working with the customer. This business evaluation is performed at least once a year for all customers with a limit. Depending on the size of the limit and the type of collateral, the credit decision is

1) Certain types of lending are not subject to this principle. These are the Bank's exposure to other banks and outright export credits, for which Handelsbanken Markets assumes the credit responsibility, and some small consumer credits at Handelsbanken Finans and Stadshypotek Bank.

made by the branch, regional head office, the Central Board of the Bank and its credit committee.

Apart from this, each branch performs a quarterly review of its credit commitments to identify and report those which are considered to entail an abnormally large credit risk. For each commitment of this type, the possible (lesser) or likely (greater) risk of loan loss is assessed and whether a provision needs to be made for a possible loss. The risk reports are compiled by the credit department at the regional bank in question, Handelsbanken Markets and each subsidiary and by the Central Credit Department for the whole Group.

These quarterly reports are presented to the boards of the regional banks and subsidiaries and to the Central Board.

Counterparty risk

Counterparty risk can be divided into two categories: risk of change in value and payment risk.

Value change risks arise when the Bank has as its counterparty customers who have issued some kind of derivative instrument. There is a risk that issuers will not meet their obligations. If such a situation arises, the Bank must acquire a new equivalent contract in the market to replace the old one. This may entail a cost for the Bank, depending on price trends in the foreign exchange, money and equity markets. The risk of this cost arising is calculated by the Bank for each contract and is regarded as a risk on the counterparty for the contract. In terms of limits, credit decision and follow-up, the counterparty risk is managed in the same way as credit risk in lending. This implies that the value change risk for derivative contracts is part of the Bank's credit limit and total exposure for a specific customer.

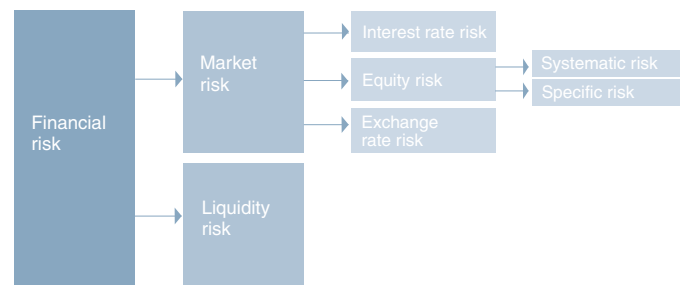
Payment risks arise in transactions where the Bank fulfils its obligations in the form of foreign exchange conversion, payments or delivery of securities, but where for some reason the counterparty does not meet his/her commitments. On these occasions, the Bank's risk is 100% of the value of the transactions. Payment risks arise in all transactions where the Bank cannot check that the counterparty has fulfilled its obligations at the same time as the Bank.

Unlike value change risks, payment risks are not included in the Bank's credit limit for the customer. Payment risks are instead part of a separate limit called a *settlement limit* which is intended to cover the payment risks described above as well as the very short-term value change risks which may arise when customers buy and sell securities (for example, shares) through the Bank.

Where limits, decisions and follow-up are concerned, settlement risks follow the same pattern as credit risks. Normally, the settlement limit for a customer is approved at the same time as the credit limit.

FINANCIAL RISK

In the Bank's operations, various types of financial risk arise. These are classified as follows.



Market risk

Market risk mainly arises at Handelsbanken Markets but also within other parts of the Group.

Handelsbanken Markets is market maker for fixed income products, currencies and equity instruments. The role of market maker implies continually quoting buying and selling rates/prices and also that the Bank must assume a certain level of financial risk. This risk is contained in a trading portfolio which is accounted for at market value on a continual basis. The variations in result arising when making a valuation have an impact on the Bank's profit and loss account. The financial supervisory authority in Sweden – Finansinspektionen – has stipulated the capital adequacy requirements for market risks arising in the trading portfolios. This means that the Group must provide capital in proportion to the market risks arising in the trading portfolios. At year-end, this capital requirement was SEK 1.9bn.

The market risks which arise outside Handelsbanken Markets are smaller. In practice, all foreign exchange and equity price risk is concentrated to Handelsbanken Markets. This is done by means of units in the Group which want to do a foreign exchange or equity transaction having Handelsbanken Markets as their counterparty for the transaction. Handelsbanken Markets then makes a fully or partly matching transaction in the market. As at 31 December 2000, the Group's equity risk was a maximum of SEK 30m if all share prices were to change by 10%. A five-percent change in exchange rates would have a net effect on the result of SEK 7.5m.

Interest rate risks arise in other parts of the Bank than Handelsbanken Markets. Interest rate risk arises because of differences in the duration of assets and liabilities. This type of risk is not subject to capital adequacy requirements.

Outside Handelsbanken Markets, interest rate risk is mainly managed by Central Treasury, which functions as the Group's internal bank at the same time as managing the Group's liquidity.

INTEREST RATE ADJUSTMENT PERIODS FOR THE GROUP'S ASSETS AND LIABILITIES

SEK m	-3 mths	3-6 mths	6-12 mths	1-5 yrs	5 yrs–	Total
ASSETS						
Lending	421 952	42 118	41 406	164 344	38 336	708 156
Banks and other financial institutions	98 694	17 234	9 725	210	54	125 917
Bonds etc	34 325	11 705	8 516	10 753	1 892	67 191
Total assets	554 971	71 057	59 647	175 307	40 282	901 264
LIABILITIES						
Deposits	251 761	3 255	2 056	5 492	6 897	269 461
Banks and other financial institutions	157 246	11 904	6 697	3 416	1 425	180 688
Issued securities	179 997	78 068	55 216	89 642	16 225	419 148
Total liabilities	589 004	93 227	63 969	98 550	24 547	869 297
Off-balance-sheet items	– 16 757	47 890	22 568	– 16 961	– 22 890	13 850
Difference between assets and liabilities including off-balance-sheet items	– 50 790	25 720	18 246	59 796	– 7 155	45 817

The table shows the interest rate adjustment periods for the Group's interest-related assets and liabilities as at 31 December 2000, reported as at the transaction date. Non-interest-bearing assets and liabilities have been excluded.

INTEREST RATE RISK

The interest rate risk measure used by Handelsbanken calculates the impact on the market value of all assets and liabilities both on and off the balance sheet in the event of a rise in all interest rates of one percentage point. At year-end, the Group's interest rate risk was SEK 462m (395).

The table above shows the interest rate adjustment periods for the Group's assets and liabilities on the balance sheet and off-balance-sheet items for all currencies at the end of 2000.

The whole impact of changes in market value in the trading portfolio over time goes immediately to the profit and loss account. In other parts of the Group where items are not reported at market value, changed interest rates only have an impact on net interest income. This is sometimes called the net interest income risk.

Thus, the impact on the result of a rise in all interest rates by one percentage point comes from two sources: from net interest income and from the impact on the trading portfolios. The latter are reported at market value.

The change in net interest income is explained by the Group having more interest-bearing assets than liabilities. This can be seen in the table showing interest rate adjustment periods. The difference between the volume of interest-bearing assets and interest-bearing liabilities is mainly explained by the shareholders' equity. When interest rates rise, the return on these assets increases as they are gradually re-invested at a higher rate of interest. Net interest income is also affected by the incomplete matching between the interest rate adjustment periods of the assets and liabilities. Normally, the Bank's assets have longer interest rate adjustment periods than the liabilities. If interest rates then rise, net interest income falls. The overall effect of the above two factors was positive at year-end. Thus, rising interest rates lead to higher net interest income.

Liquidity risk

Liquidity risk arises when the Bank's lending has longer maturities than its funding. In this case, the lending must be re-financed once or several times during its life. Normally, this is not a problem. If, however, the financial markets are turbulent at the time the Bank needs to do large amounts of re-financing, it may be expensive. For this reason, the Bank tries to limit its need for re-financing in the financial markets, and to spread it as evenly as possible over time.

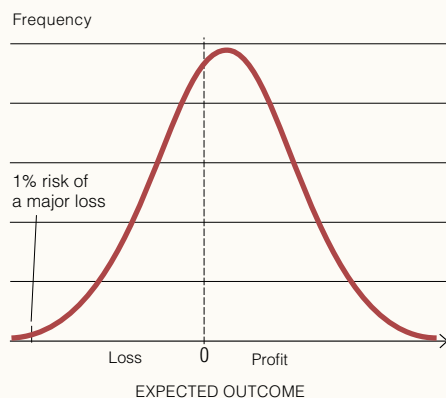
The Bank also ensures that its funding in the financial markets is divided over as many markets as possible, i.e. that the sources of funding are diversified, so as to spread the liquidity risk.

Value-at-Risk (VaR)

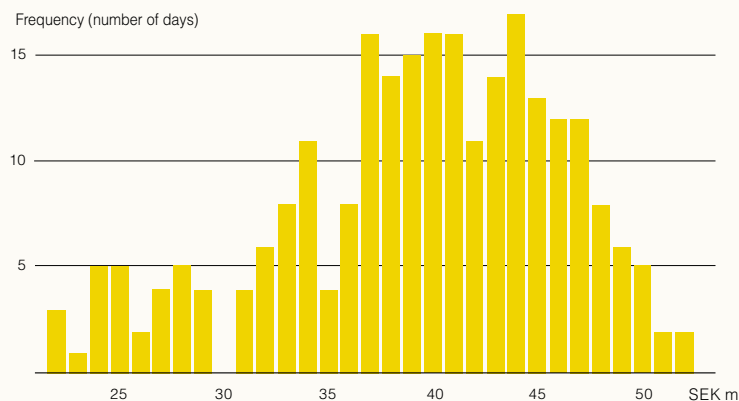
VaR is a method of measuring market risks. During the last few years, this method has become increasingly used by banks and other participants on the financial markets. Handelsbanken has used VaR for a number of years.

There are several reasons for VaR being established as a standard for measuring market risk. First, VaR is a more realistic measure of market risk than previously used measures. This is partly because VaR measures the impact of realistic price changes in the market instead of using standard figures and partly because it captures correlations between the various prices, for example between interest rate and foreign exchange rate movements. Second, VaR shows how much the Bank risks to lose with a certain probability. This makes it easy to understand and communicate risk measured with the VaR method. Third, the VaR method implies that the different risk categories, i.e. equity risk, interest rate risk and foreign exchange risk, are handled in a homogenous way, which means that the risks can be aggre-

HOW VALUE-AT-RISK WORKS



DAILY VALUE-AT-RISK IN 2000 FOR HANDELSBANKEN MARKETS, INTEREST-RATE RISKS, EXCHANGE RATE AND EQUITY PRICE RISKS



gated into a total market risk. This is not possible using traditional risk measurements.

The above diagram demonstrates the VaR method. VaR is the value on the horizontal axis where the probability of a major loss is only a certain percentage, e.g. 1%, while the probability of a smaller loss than this value is 99%. Since the VaR model is a probability-based model for risk measurement, it is possible to verify whether it is correct or not. Handelsbanken uses a 99-percent confidence interval. Using this, the actual trading loss will exceed VaR on one day out of 100 if the model is correct. Back-testing of this kind is regularly carried out at Handelsbanken.

Major losses can sometimes occur in the case of exceptional and rare disruptions in the market. The stockmarket in autumn 1987 and the interest rate situation in Sweden in autumn 1992 are frequently used examples. The VaR model does not capture these risks. For this reason, Handelsbanken supplements VaR with calculations of possible losses in the case of exceptional market turbulence, using historic examples. This procedure is called stress-testing and is performed on a regular basis.

The VaR level in the Bank's equity, fixed-income and exchange rate positions was on average SEK 39m, in other words with 99% probability, the Bank could not lose more than SEK 39m in a single day. During the year, the VaR level was SEK 51m at its highest and SEK 21m at its lowest.

The VaR level in Handelsbanken Markets' equity risk was on average SEK 14m. At its highest, the equity risk was SEK 27m and at its lowest SEK 3m. Value-at-Risk for interest and exchange rate risk was on average SEK 37m. It was SEK 51m at its highest and SEK 16m at its lowest.

The largest risk in trading operations is interest rate risk. It is possible to measure market risks with VaR

without taking into account the correlation between interest rate, exchange rate and equity risk. This type of measurement revealed that interest rate risks comprise 67%, equity risks 25% and exchange rate risks 8% of the total risk.

Limiting financial risk

The change in value of a portfolio or balance sheet, when there is a simultaneous change of one percentage point in all market rates is used as a measure to limit interest rate risks at trading and at other units of the Group. For interest rate risks, Value-at-Risk is used as a complement.

Equities trading is controlled by measuring and restricting systematic and specific risk. Systematic risk is defined as the largest negative change in value in a risk matrix, consisting of index change on one axis and volatility change on the other. The risk matrix covers all option risks and both probable and improbable events. Specific risk is defined as that part of the change in value of a share which is not affected by the general market but only by the specific share. VaR is calculated daily as a complement to the limit.

The Bank's exchange rate risks are controlled by limits which restrict the various units' exchange rate risk exposure. For the trading units, exchange rate risk is limited by both VaR and exposure limits, while other units' exchange rate risk is limited by exposure limits. There are two kinds of exposure limits. One refers to the net position, i.e. the maximum exposure in an individual currency. The other refers to the aggregate net position and is intended to limit the Bank's total risk in foreign currencies.

Interest and exchange rate options are controlled by means of a limit of maximum losses allowed when there are extreme fluctuations in volatility and prices or rates. These are called risk matrices and limit the risks in the

Bank's options portfolios. Liquidity risks are measured with a cash flow forecast of various currencies over all maturities. The limit restricts the liquidity deficit for up to seven days.

In order to limit the Group's exposure to liquidity risk, Central Treasury has set a target so that medium- and long-term foreign currency funding must be at least 25% of medium- and long-term foreign currency lending. This department also manages a foreign currency liquidity reserve, which can be used to bridge temporary disturbances in the foreign exchange markets.

Derivative instruments and options risk

Derivatives, such as options, swaps and futures, are financial contracts whose value is dependent on an underlying asset. Examples of underlying assets are equities, equity indexes, bonds and currencies. The main groups of derivative instruments held by the Bank are shown in the table.

Since derivatives are dependent on how an underlying asset performs, they can be used to reduce the risk in the underlying asset. This is done by entering into a derivative contract which has the opposite effect to the asset held by the Bank. An example of a contract entered into to reduce risks is an interest rate swap, where the Bank wants to reduce the impact on its result of changes in interest rates.

Options are derivative instruments which differ slightly from other instruments with respect to risk. The value of an option depends not only on the level of interest rates and prices (the underlying asset) but also on changes and expected changes in the pace of interest rate and price fluctuations (volatility).

In order to measure the risk in these instruments, the Bank has created a risk matrix model. Other derivative instruments are measured using the same methods as for the underlying instruments.

The capital adequacy requirement for the credit risks in off-balance-sheet items – where derivative instruments are included – are shown in the Other information regarding capital requirement on page 70.

Organisation of the Group's financial risk control

The Board of Directors establishes the total market risk and liquidity risk limits for the entire Group within each type of risk. These are allocated to the various business areas by the Chief Executive. The overall responsibility for financial risks and further allocation of limits lies with the head of Central Treasury. Within the allocated limits, the Group units are responsible for follow-up and control of the financial risks.

The internal bank's maximum risk exposure and types of transactions are restricted by rules established by the Chief Executive of the Bank.

The financial risks and limit utilisation for trading operations, the internal bank and the mortgage business

FOREIGN CURRENCY FUNDING

31 December

SEK m	2000	1999	Change %
General public	82 140	63 709	29
Certificates of deposits	201 796	120 704	67
Credit institutions	113 696	115 004	- 1
Bonds	27 883	34 279	- 19
Subordinated loans	15 165	11 848	28
Total	440 680	345 544	28

DERIVATIVE VOLUME

31 December

SEK m	Total 2000	Total 1999
Currency forwards	983	1 442
Interest rate and currency swaps	1 381	1 373
Interest rate futures and FRAs	1 819	2 583
Interest rate and currency options	115	109
Equity derivatives	135	36
Total	4 433	5 543

COUNTERPARTY RISK IN DERIVATIVES

31 December

SEK m	Nominal amount	Converted amount
Class A	172 854	4 602
Class B	2 912 698	25 372
Class C	582 318	15 968
Total	3 667 870	45 942

are checked on a daily basis. In practice, the risk in the trading portfolio fluctuates more frequently and more widely than in the mortgage companies and the internal bank. There is, however, potential for considerable fluctuations in interest rate risks in the latter two portfolios. The Board receives a monthly report of the Group's exposure to financial risks.

At Central Treasury, there is a unit which works exclusively on independent risk control. This unit has the overall responsibility for measurement methods, setting limits and examining financial risks, regardless of whether the risk is trading-related or arises in business with customers in the regional bank operations or the subsidiaries. Apart from continuous analysis of the Group's exposure to market fluctuations, regular reviews are also performed on the local risk control. These reviews include the unit's positions, measurement methods, limit structure, administrative controls and risk reports. In addition, the Central Auditing Department carries out independent examinations.

OPERATIONAL RISK

A definition of operational risk which is becoming widely accepted is the risk of direct or indirect loss due to inappropriate or inadequate internal routines, human error and erroneous systems or due to external events. In its general guidelines for steering, internal information and internal control, Finansinspektionen specifies IT risks, other technical, administrative and legal risk as operational risks, to which banks should pay special attention. An assessment of these four types of risk is made twice yearly to the central board of the Bank.

In the Handelsbanken Group, the responsibility for steering and internal control with the purpose of minimising operational risks is an integral part of managerial responsibility at all levels. When the Bank issues instructions, special attention is always paid to how internal control is organised. It is the duty of managers who are responsible for the various functions at the central head office to deal adequately with the issue of risks in the Bank's internal set of instructions, paying attention to appropriate division of work and responsibilities, the control structure of routines and the information and reporting systems. The set of instructions, therefore, contains adequate instructions on how the organisation should manage and report operational risks. A separate section on security contains instructions regarding physical security, information security and special instructions for staff working in the IT area. Finally one of the main tasks of the Bank's auditing organisation is to evaluate and ensure that the internal control is appropriately designed. For many years, Handelsbanken has had low costs for operational risk losses.

The increasing dependence on IT support in the Bank's work means that there is a increased risk of disruptions and other errors. The most tangible threats are errors in program code or equipment and problems relating to provision of electric power, cooling and similar factors. Other threats may be overloading, manual errors, unforeseen effects of changes, violation attempts and the risk of errors when launching new systems. The overall view of the Bank's IT security is that it is high in relation to the threat level.

The aim of the Basel committee is for banks to measure their operational risks so that adequate capital adequacy requirements can be imposed for these risks. If adequate measurement techniques are introduced and Finansinspektionen requires that measurements be made, the Bank will be able to comply with this very rapidly.

Directors' report

A well-integrated universal bank

Handelsbanken is a universal bank, covering all types of banking services for both corporate and private customers.

At Handelsbanken, customer responsibility rests with the local branch. This is where the services for each customer are co-ordinated, in collaboration with regional and central specialists when necessary.

Handelsbanken's objectives, policy and organisation are described in more detail on page 12 onwards.

Total assets and shareholders' equity

The Handelsbanken Group's total assets were SEK 1 020bn (936) and shareholders' equity was SEK 42 631m (38 570). Balance sheets for 1996–2000 are shown on pages 72–73 and key figures for the same years on page 9.

Capital ratio

At the end of 2000, the Handelsbanken Group's capital ratio was 9.5% (9.4). The Tier 1 capital ratio was 6.4% (6.5).

Result

The Group's operating profit increased by 36% to SEK 11 683m (8 607). Income increased by 21% to SEK 20 680m (17 056). Expenses rose by 5%. The cost/income ratio (C/I ratio) after loan losses fell to 43.5% (49.5). Profit and loss accounts for 1996–2000 are shown on pages 72–73.

Profitability

Return on equity after full tax was 22.2% (18.4). Handelsbanken's profitability, expressed as operating profit after standard tax and adjusted for items affecting comparability, was 19.8% (17.0). Handelsbanken's return on equity has been higher than the average for the other banks since 1972.

Appropriations and tax

Compensation from the Bank's pension foundation was SEK 974m (750). The Group's tax expense for 2000 was SEK 3 366m (2 525).



Dividend

The Board recommends a dividend of SEK 4.00 (3.00) on the class A and B shares. The dividend will require SEK 2 745m.

Buyback of own shares

The Annual General Meeting authorised the Board to resolve on repurchase of a maximum of 50 million Handelsbanken class A or B shares. The Board resolved that a repurchase could be made for a maximum amount of SEK 4bn until the Annual General Meeting in 2001. Repurchases have been made on a continuous basis.

The Board is proposing to the Annual General Meeting in 2001 to resolve on a new authorisation, this time for buyback of a maximum of 20 million shares. Buyback is a flexible method of adapting the capital structure continually throughout the year. For further details, please see page 11.

Acquisition of SPP

In December, Handelsbanken acquired the mutual life insurance company SPP Liv AB, SPP Fonder and the SPP brand name for a total of SEK 7.1bn.

Sale of Svensk Exportkredit

As at 30 June 2000, Handelsbanken sold its share in AB Svensk Exportkredit. This had a positive impact of SEK 343m on the operating profit.

The Board's activities during the year

Please see page 82 for a description of the Central Board's activities during the year.

Competent staff

Handelsbanken's decentralised organisation and the increasing complexity of banking make high demands on the skills of our staff. Handelsbanken therefore consistently channels a great deal of resources and effort into training and development of managers and employees at all levels.

More information about our employees can be found on page 14.

Accounting principles

The accounting follows the regulations of the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Financial Accounting Standards Council's recommendations and the directives issued by the Finansinspektionen – the Swedish Financial Supervisory Authority (FFFS 1999:14).

Changed accounting principles

In previous years, assets in the unit-linked insurance operations, where the policy-holder bears the investment risk, were set off against the corresponding liability. From 1 January 2000, these assets are reported gross in the balance sheet as a total together with other assets in the insurance operations. Liabilities in insurance operations are also reported gross as a total on the liabilities side of the balance sheet. The comparative figures have been revised using the new accounting principle, in accordance with the Swedish Financial Accounting Standards Council's recommendation No. 5. This change of principle has no impact on shareholders' equity.

Certain other minor reclassifications have been made. The comparative figures have been recalculated accordingly.

Consolidated Accounts

The Consolidated Accounts have been prepared in accordance with the acquisition accounting method. The Consolidated Accounts comprise all companies in which Handelsbanken directly or indirectly holds more than 50% of the voting power. Associated companies are reported in the Consolidated Accounts in accordance with the equity method. Companies taken over to protect claims are not included in the Consolidated Accounts.

Handelsbanken Liv, which is a mutual life insurance company, is not consolidated, since any surplus of the life insurance operation accrues to the policy-holders in the form of bonuses.

Holdings of intra-Group bonds classified as financial fixed assets are eliminated on consolidation. The difference thus arising between the book value of the intra-Group bonds and that of the corresponding liabilities is credited/charged to net interest income.

All foreign operations have been classified as independent. This classification is based on the fact that each operation is run independently in accordance with the Group's decentral-

ised organisation and that transactions between the parent company and the respective unit are only part of their operations. The foreign units also conduct their own funding and the parent company is only affected indirectly by each operation's cash flows. Salary payments and purchases are normally made in local currency.

When converting the foreign subsidiaries' balance sheets and profit and loss accounts, the current method has been used. Assets, liabilities and minority interests in equity have been converted at the closing day rate. Shareholders' equity is translated at the rate applicable at the time of investment or earning. The Profit and Loss Account has been translated at the average annual rate. Liabilities in foreign currencies which refer to financing of shares in subsidiaries are recorded at the rate on the balance sheet date. The resulting translation differences have been classed as shareholders' equity.

Valuation of assets and liabilities in foreign currencies

Assets and liabilities in foreign currencies have been recorded at the average of the end-of-day buying and selling price. Foreign banknotes have been recorded at the buying rates applicable to the general public on the balance sheet date.

In the parent company, liabilities which refer to financing of shares in subsidiaries are recorded at the rate applicable on acquisition. Holdings of subordinated loans issued by subsidiaries are also recorded in the parent company at the rate applicable on acquisition (hedge accounting).

Forward contracts in foreign currencies are recorded at present value.

Unrealised gains or losses which have arisen as a result of these translation methods, are credited or charged to the operating result.

Financial instruments

On the Balance Sheet, *interest-bearing securities* are reported either as Instruments eligible as collateral with central banks or as Bonds, depending on the category of issuer. Both the trading book and securities which are held long-term but not with the purpose of being held until maturity are classified as Financial current assets. Securities in the trading book are valued at market value, while other financial current assets are valued at the lower of cost

or market. Realised and unrealised gains/losses are reported under Net result on financial operations.

Interest-bearing securities which have been acquired with the intention of being held to maturity are classified as Financial fixed assets and reported at acquisition value. For securities where the value has fallen and this decline in value is considered to be permanent, a write-off is made. Realised price gains are reported under Other operating income, while realised price losses are reported under Other operating expenses.

By acquisition value of discount and coupon instruments (held and issued) is meant the accrued acquisition value. This value is the discounted present value of future payments where the discount interest rate represents the effective interest rate at the time of acquisition. This implies that acquired premiums and discounts on coupon instruments are amortised over the bond's remaining period to maturity or, for loans with interest rate adjustments, until the next time the interest rate is adjusted.

Purchases and sales of money market and capital market instruments on the spot market are subject to trade date accounting. Forward transactions are registered on the transaction date but until the date of settlement, they are regarded as commitments off the Balance Sheet. On the date of settlement, they are reported on the Balance Sheet.

Equities which are held on a permanent basis are classified as Financial fixed assets and are reported at acquisition value. For equities where the value has fallen and this decline in value is considered to be permanent, a write-down is made.

Other equities are classified as Financial current assets and are recorded at the lower of cost or market unless they are in the trading book. Equities in the trading book are recorded at market value.

Short positions in both interest-bearing securities and equities are reported as a liability at their market value.

Derivative instruments are valued at market value. An exception is made for derivative transactions which are hedging balance-sheet items that have not been given a market value. If the hedge is considered to represent an effective protection against unfavourable changes in value, i.e. the changes

in value of the hedged instrument are balanced by corresponding changes in value of the hedging instrument, the derivative transaction is reported using the accounting principles which apply to the hedged transaction. Where unrealised losses arise in the case of hedge reporting according to the acquisition method, these are reported on the Balance sheets and Profit and loss accounts. Derivative transactions with a positive market value at the balance sheet date are reported under Other assets, and transactions with a negative market value are reported under Other liabilities. Receivables and payables with the same counterparty which can be set off, i.e. where a contractual relationship exists implying that there are legal grounds for applying set-off, are reported net on the Balance Sheet in those cases where there is an intention to settle the obligations by netting or simultaneously.

Index-linked bonds are reported on the balance sheet divided into debt instruments and derivative instruments. No segregation is made for the Bank's own holdings in the trading book.

Lending and deposits

Lending to the general public and credit institutions is classified as financial fixed assets and is reported on the Balance Sheet on the settlement date at acquisition value. Leasing agreements in which the lessee substantially bears the economic risks and acquires the rewards associated with the ownership of the asset are also reported as lending. Loans which represent bad debts are reported on the Balance Sheet at their net amount, i.e. after deduction of the provision for possible and actual loan losses. Undrawn loans (including the risk related to fixed advance interest rates) are regarded as an off-balance-sheet commitment until the settlement date. If a loan is redeemed ahead of time, the early redemption charge received is allocated over the remaining period of the loan.

Lending and deposits are reported on the Balance Sheet at their acquisition value.

Pension costs

A pension cost computed on an actuarial basis, relating to pension commitments which are backed by Handelsbanken's pension foundation, is

reported as an operating expense. Premiums paid for pension insurance are also reported under Operating expenses.

The actuarial pension premium is recovered as an appropriation under Settlement of pensions, where settlement is made against disbursed pensions and any compensation from the pension foundation.

Development costs

Investment in software developed by the Bank and also software acquired externally are reported as expenses on a regular basis.

Depreciation

EQUIPMENT

Personal computers are depreciated over 3 years and investments in bank vaults and similar investments in premises are depreciated over 10 years.

PROPERTY CONTAINING BANK PREMISES

Property containing the Bank's premises is depreciated at the highest percentage rate allowed for taxation purposes.

REPOSSESSED PROPERTY

Reposessed properties for protection of claims are reported at the lower of cost or market at the balance-sheet date. Consequently, there is no depreciation of these properties.

GOODWILL

Goodwill arising in 1997 in connection with the acquisition of Stadshypotek and in 1999 in connection with the acquisition of Bergensbanken is amortised over 20 years. The amortisation period chosen is justified by the long-term significance of the acquisitions since the customer base of the respective branch office network and relative competitiveness have been strengthened. Other goodwill is amortised over 10 years.

Loan losses

Actual loan losses for the year and write-offs in respect of possible losses for loan receivables are reported as loan losses. Also reported as loan losses are write-offs of interest shown as income in previous annual accounts.

Provisions for country risks are made on the basis of an individual assessment in amounts which are considered necessary.

In the accounts, the reserve is allocated to the asset items in the balance sheet to which the reserve refers.

Reported as *actual loan losses* are losses where the amounts have been finally determined or are more than likely as a result of an official receiver providing an estimation of bankruptcy dividends, the acceptance of composition recommendations or the reduction of claims in some other way.

Write-offs of *possible loan losses* are made in respect of bad debts if the borrower's ability to repay is not considered likely to improve sufficiently within two years and the value of the collateral does not cover the loan amount.

Write-offs are made down to the amount which is expected to be realised, taking into account the value of the collateral. If the collateral is a listed asset, the valuation is based on the list price, otherwise the valuation is based on the yield value or the market value estimated in some other manner.

If the collateral consists of a mortgage on a property, the valuation of the underlying security is made in the same way as for reposessed properties (see below).

Unpaid interest on non-performing loans where the value of the collateral does not cover the principal amount and the accrued interest by a satisfactory margin is not taken up as income. Interest on these claims which was reported as income but not paid during the accounting year has been reversed. Interest payments received thereafter in respect of this type of credit are reported in the year of receipt.

Valuation of reposessed property

Reposessed property is a current asset and is valued at the lower of cost or market. By market value is meant the market value after deduction of costs of sale. This value is based upon an individual valuation by a firm of valuers with the required skills in the field. When reposessed, the properties are written down to market value. If this value is less than that of the Bank's original collateral, the difference is reported as an actual loan loss. Changes in value after the property has been reposessed are reported under Changes in value of reposessed property.

Profit and Loss Accounts

SEK m		GROUP		PARENT COMPANY	
		2000	1999	2000	1999
Interest income	Note 1	66 330	58 048	47 935	38 924
Interest expense	Note 1	–55 024	–46 540	–42 118	–32 678
Net interest income		11 306	11 508	5 817	6 246
Dividends received	Note 2	507	245	584	1 490
Commission income	Note 3	6 226	4 693	5 275	4 078
Commission expense	Note 4	–771	–715	–746	–736
Net result on financial operations	Note 5	3 029	969	2 987	859
Other operating income	Note 6	383	356	341	278
Total income		20 680	17 056	14 258	12 215
General administrative expenses					
Staff costs	Note 7	5 308	4 888	4 814	4 443
Other administrative expenses	Note 8	3 003	3 030	2 332	2 488
Depreciation and write-down in value of tangible and intangible fixed assets	Note 9	753	750	402	437
Total expenses before loan losses		9 064	8 668	7 548	7 368
Profit before loan losses		11 616	8 388	6 710	4 847
Loan losses, net	Note 10	–66	–203	129	182
Change in value of repossessed property	Note 11	–1	–16	–1	–1
Operating profit		11 683	8 607	6 582	4 666
Appropriations	Note 12	797	603	4 274	4 177
Profit before taxes		12 480	9 210	10 856	8 843
Taxes	Note 13	–3 366	–2 525	–2 873	–2 101
Minority interests		–22	–22		
Profit for the year		9 092	6 663	7 983	6 742

Balance Sheets

31 December

		GROUP		PARENT COMPANY	
SEK m		2000	1999	2000	1999
ASSETS					
Cash and balance with central banks		5 258	6 285	5 109	5 735
Instruments eligible as collateral with central banks	Note 14	12 662	13 187	11 710	12 392
Lending to credit institutions	Note 15	94 677	98 859	240 637	189 725
Lending to the general public	Note 16	689 106	626 206	327 240	272 110
Bonds and other interest-bearing securities	Note 14	75 600	80 104	76 511	85 992
Shares and participations	Note 17	13 883	9 350	13 733	9 240
Shares and participations in associated companies	Note 18	271	266	246	233
Shares and participations in Group companies	Note 19	247	247	29 821	29 828
Assets in insurance operations	Note 20	17 762	13 731		
Intangible fixed assets					
Goodwill	Note 21	4 970	5 171	—	11
Tangible assets					
Equipment	Note 22	744	785	615	633
Buildings and land	Note 23	1 014	1 074	921	956
Other assets	Note 24	95 073	71 294	96 371	71 797
Prepayments and accrued income	Note 25	9 086	9 697	7 900	7 514
Total assets		1 020 353	936 256	810 814	686 166
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY					
Liabilities to credit institutions	Note 26	155 414	186 503	195 337	174 886
Deposits and funding from the general public					
Deposits	Note 27	191 016	185 294	178 916	180 356
Funding	Note 28	64 334	36 189	61 332	33 815
Issued securities etc					
Issued debt instruments	Note 29	401 489	359 540	197 164	159 463
Liabilities in insurance operations	Note 30	17 276	13 649		
Other liabilities	Note 31	109 391	80 339	107 036	78 172
Accruals and deferred income	Note 32	14 720	11 583	11 274	5 876
Provisions					
Provisions for taxes		4 755	4 478	140	233
Subordinated liabilities	Note 33	19 066	19 850	18 089	15 489
Total liabilities and provisions		977 461	897 425	769 288	648 290
Minority interest in shareholders' equity		261	261		
Untaxed reserves	Note 34			9 248	7 570
Share capital	Note 35	2 859	2 859	2 859	2 859
Other reserves					
Statutory reserve	Note 35	2 748	2 754	2 682	2 682
Reserve for unrealised profits	Note 35	425	633	421	602
Other restricted reserves	Note 35	10 541	8 263	—	—
Profit brought forward	Note 35	16 966	17 398	18 333	17 421
Profit for the year	Note 35	9 092	6 663	7 983	6 742
Total shareholders' equity		42 631	38 570	32 278	30 306
Total liabilities, provisions and shareholders' equity		1 020 353	936 256	810 814	686 166
Collateral pledged for own debt	Note 36	52 545	85 007	51 682	84 188
Contingent liabilities	Note 37	67 162	61 927	120 156	72 739
Pension commitments	Note 38	—	—	—	—
Other commitments	Note 39	4 770 643	5 713 401	4 460 217	5 695 990

Cash flow statement

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
OPERATING ACTIVITIES				
Operating profit	11 683	8 607	6 582	4 666
Adjustment for items in the operating result which do not affect the cash flow:				
Loan losses	206	167	265	376
Unrealised changes in value	-2 256	-841	-2 313	-830
Depreciation and write-downs	753	750	402	437
Paid income tax	-1 716	-2 313	-2 547	-1 089
Changes in the assets and liabilities of operating activities:				
Lending to credit institutions	4 182	40 258	-50 912	24 604
Lending to the general public	-63 106	-28 292	-55 395	-31 227
Financial current assets	2 800	14 176	2 379	15 497
Liabilities to credit institutions	-31 088	-80 714	20 451	-41 409
Deposits and funding from the general public	33 867	10 444	26 077	2 759
Issued securities	41 949	53 196	37 701	38 513
Other	8 004	-430	9 296	-852
Cash flow on operating activities	5 278	15 008	-8 014	11 445
INVESTING ACTIVITIES				
Acquisition of subsidiaries	—	255	—	—
Change in shares	-1 397	-231	-1 397	-1 631
Change in interest-bearing securities	1 344	-5 082	6 997	-4 283
Change in tangible fixed assets	-329	-527	-338	-389
Change in intangible fixed assets	-124	-834	—	—
Cash flow on investing activities	-506	-6 419	5 262	-6 303
FINANCING ACTIVITIES				
Subordinated loans	-784	-3 781	2 600	-620
Paid dividend	-2 144	-1 922	-2 144	-1 922
Disbursement for redeemed index and preference shares		-484		-484
Group contribution			4 536	-264
Repurchase of own shares	-2 950		-2 950	
Cash flow on financing activities	-5 878	-6 187	2 042	-3 290
Cash flow for the year	-1 106	2 402	-711	1 852
Liquid funds at beginning of year	6 285	4 054	5 735	4 050
Cash flow on operating activities	5 278	15 008	-8 014	11 445
Cash flow on investing activities	-506	-6 419	5 262	-6 303
Cash flow on financing activities	-5 878	-6 187	2 042	-3 290
Exchange rate difference on liquid funds	79	-171	84	-167
Liquid funds at end of year	5 258	6 285	5 109	5 735

Notes to the Profit and Loss Accounts

Amounts in SEK million unless otherwise stated

Note 1 Interest

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
INTEREST INCOME				
Interest income in Swedish kronor				
Credit institutions	1 919	3 838	6 209	6 463
General public	31 259	31 349	9 917	8 262
Interest-bearing securities, fixed assets	715	108	707	620
Interest-bearing securities, current assets	1 507	1 914	1 361	1 771
Other interest income	5 984	1 569	5 968	3 002
Total interest income in Swedish kronor	41 384	38 778	24 162	20 118
Interest income in foreign currency				
Credit institutions	5 960	5 061	6 566	5 451
General public	9 609	6 213	7 997	5 448
Interest-bearing securities, fixed assets	63	16	63	16
Interest-bearing securities, current assets	2 798	1 905	2 746	1 896
Other interest income	6 516	6 075	6 401	5 995
Total interest income in foreign currency	24 946	19 270	23 773	18 806
Total interest income	66 330	58 048	47 935	38 924
INTEREST EXPENSE				
Interest expense in Swedish kronor				
Credit institutions	2 385	6 432	1 878	3 684
General public	3 664	2 667	3 321	2 358
Issued securities	11 598	11 742	827	633
Subordinated loans	312	417	213	220
Other interest expense	8 545	4 352	8 157	5 160
Total interest expense in Swedish kronor	26 504	25 610	14 396	12 055
Interest expense in foreign currency				
Credit institutions	8 869	6 521	10 162	6 575
General public	3 822	2 403	3 437	3 016
Issued securities	12 305	6 926	10 719	6 050
Subordinated loans	926	797	890	789
Other interest expense	2 598	4 283	2 514	4 193
Total interest expense in foreign currency	28 520	20 930	27 722	20 623
Total interest expense	55 024	46 540	42 118	32 678
Net interest income	11 306	11 508	5 817	6 246
AVERAGE VOLUMES				
Assets				
Lending credit institutions in Swedish kronor	48 733	65 261	146 265	133 268
Lending general public in Swedish kronor	508 102	484 958	174 856	152 101
Interest-bearing securities, fixed assets in Swedish kronor	2 427	1 583	13 754	11 598
Interest-bearing securities, current assets in Swedish kronor	33 699	43 953	29 875	39 354
Average volume in Swedish kronor	592 961	595 755	364 750	336 321
Lending credit institutions in foreign currency	106 279	118 320	116 197	125 052
Lending general public in foreign currency	149 791	116 412	127 557	105 266
Interest-bearing securities, fixed assets in foreign currency	708	229	708	229
Interest-bearing securities, current assets in foreign currency	46 950	50 981	46 057	50 828
Average volume in foreign currency	303 728	285 942	290 519	281 375
Liabilities				
Liabilities credit institutions in Swedish kronor	58 470	101 887	48 537	69 616
Deposits and funding general public in Swedish kronor	165 723	149 981	158 680	143 160
Issued securities in Swedish kronor	203 791	205 580	19 180	18 286
Average volume in Swedish kronor	427 984	457 448	226 397	231 062
Liabilities credit institutions in foreign currency	148 940	154 143	160 991	156 144
Deposits and funding general public in foreign currency	74 553	59 493	76 136	71 618
Issued securities in foreign currency	197 700	151 197	171 203	135 060
Average volume in foreign currency	421 193	364 833	408 330	362 822
Average lending rate general public	6.21%	6.25%	5.92%	5.33%
Average deposit and funding rate general public	3.12%	2.42%	2.88%	2.50%
Interest income received from Group companies			8 803	5 244
Interest expense paid to Group companies			5 219	2 949
Insurance premiums paid to Group companies	104	91	104	91

Note 2 | Dividends received

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Dividends on shares and participations and from associated companies	507	245	502	242
Dividends from Group companies			82	1 248
	507	245	584	1 490

Note 3 | Commission income

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Payments	1 014	759	960	746
Lending	544	426	355	239
Deposits	79	69	78	69
Guarantees	253	209	242	209
Securities	3 095	2 281	2 434	1 779
Other commission	1 241	949	1 206	1 036
	6 226	4 693	5 275	4 078
Commission income received from Group companies			403	387

Note 4 | Commission expense

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Payments	511	469	483	453
Securities	162	120	117	94
Other commission	98	126	146	189
	771	715	746	736
Commission expense paid to Group companies			48	76

Note 5 | Net result on financial operations

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Shares and participations	1 395	-469	1 343	-520
Interest-bearing securities	-2 174	-907	-2 182	-907
Realised profit	-779	-1 376	-839	-1 427
Shares and participations	-312	835	-259	817
Interest-bearing securities	2 568	10	2 572	13
Unrealised changes in value	2 256	845	2 313	830
Currency changes	1 552	1 500	1 513	1 456
Net result on financial operations	3 029	969	2 987	859

Note 6 | Other operating income

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Realised share price gains, not trading book	94	191	86	190
Surplus on sales on properties	—	42	—	—
Profit before depreciation on repossessed property	0	3	0	4
Rental income	29	16	26	14
Other operating income	260	104	229	70
	383	356	341	278
Specification of net operating surplus on repossessed property				
External income	0	7	0	5
Operating expenses	0	4	0	1
Net operating surplus	0	3	0	4

Note 7 | Staff costs

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Salaries and fees	3 519	3 243	3 159	2 934
Social security costs	1 001	943	922	865
Pension costs ¹⁾	328	321	309	288
Appropriation to profit-sharing foundation	167	147	150	133
Other staff costs	293	234	274	223
	5 308	4 888	4 814	4 443

1) SEK 234m (217) of pension costs are calculated costs and SEK 94m (104) are pension premiums.

The calculated pension cost, which is charged to the operating result, is based on the number of employees in active service.

Insurance premiums paid to Group companies	4	4	4	4
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Salaries and other remuneration**Board, CEO and EVPs**

Sweden	59	47	49	40
Norway	6	3	2	2
Finland	4	4	2	2
Denmark	3	4	2	2
France	4	2		
Luxembourg	2	2		
USA	3	3		
	81	65	55	46

Other

Sweden	2 575	2 403	2 358	2 222
Norway	169	139	162	132
Finland	206	174	175	142
Denmark	123	95	110	82
UK	133	160	133	160
Luxembourg	48	45	19	14
Germany	19	20	19	20
USA	104	81	76	71
Singapore	25	23	25	23
Hong Kong	9	19	9	19
Other countries	27	19	18	3
	3 438	3 178	3 104	2 888
Total	3 519	3 243	3 159	2 934

Number of employees

Average during year	2000	1999	Women	Men
Sweden	7 004	7 115	3 922	3 082
Norway	504	320	221	283
Finland	465	422	284	181
Denmark	150	144	51	99
UK	145	203	52	93
Luxembourg	83	81	32	51
Germany	39	41	18	21
USA	82	88	25	57
Singapore	37	43	20	17
Hong Kong	24	35	7	17
Other countries	41	28	16	25
	8 574	8 520	4 648	3 926

Information about companies when staff are not included in the Consolidated Accounts

The average number of employees at Handelsbanken Liv was 232 (220).

SEK 2.5m (2.3) was paid in salary and other remuneration to the CEO and board.

Loans to Senior Management

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
CEO and EVPs	88	70	64	49
Board members	29	26	8	7
	117	96	72	56

Terms and remuneration of the Bank's senior management and the Chairman and Vice Chairman of the Board

CONDITIONS

The Bank has no agreements on severance pay. For many years, the Bank has had an agreement with the Chief Executive Officer, whereby if he is not re-appointed, up to and including the fifth annual general meeting thereafter, he is to be offered other work and to be paid as if he had been CEO. If he takes up employment outside the Bank, no compensation will be paid to him.

Arne Mårtensson, like his predecessors, has a retirement age of 55. This has been considered desirable both for the Bank and for the CEO in view of the Bank's tradition of often appointing relatively young people to the position of Chief Executive Officer. The retirement pension is 75% of the salary up to the age of 65 and 65% thereafter. The pension is earned gradually during the years up to the age of retirement and is fully earned by the age of 55. The Bank is charged annually for the cost at the same rate as the pension is earned. An earned pension commitment is guaranteed by the Bank's pension foundation. If the CEO leaves the Bank before the age of 55, a paid-up policy is issued for the pension earned.

The basic principle is that Executive Vice Presidents retire at the age of 60. The retirement pension is 65% of the annual salary in the age band 60-64. From the age of 65, the retirement pension is 10% of the annual salary up to 7.5 index-linked base amounts and 65% of the yearly salary between 7.5 and 40 index-linked base amounts. A retirement pension of 32.5% is paid on the portion of the annual salary in excess of 40 base amounts.

For the Chairman of the Board of Handelsbanken, Tom Hedelius, there is a CEO agreement as described above. Since November 1994, when Tom Hedelius reached the contracted age of retirement and a pension was payable, a supplementary agreement has applied. This agreement implies that Tom Hedelius, as in the previous agree-

ment, did not serve on any other boards than those desired by the Bank and that the fees were paid to the Bank. In return, Tom Hedelius received a fee during the period of the agreement which was the difference between the pension and the remuneration prior to retirement.

Since the Annual General Meeting 2000, the supplementary agreement has ceased to apply, and consequently Tom Hedelius has received the standard fee for board members. The remuneration of the CEO is reviewed annually by the Compensation Committee of the Central Board of Directors.

REMUNERATION

In 2000, Tom Hedelius received remuneration and benefits from the Bank amounting to SEK 1 513 829. A pension was paid under the agreement described above. No regular bonus is paid. The CEO, Arne Mårtensson, has received remuneration and benefits from the Bank amounting to SEK 7 698 902. Fees from serving on other boards have been paid to the Bank. No regular bonus is paid.

PENSION COMMITMENTS

Increased pension commitments and paid pension insurance premiums for the present and previous boards, CEOs and EVPs amount to SEK 85m (66) for the Group and SEK 69m (58) for the Parent Company. Pension commitments for the same people are SEK 585m (533) for the Group and SEK 528m (482) for the Parent Company. The number of people in the Group covered by these commitments is 68 (64), of whom 27 (26) are pensioners. The commitments are covered by the Bank's pension foundation.

OPTIONS OFFER

In 1999 branch managers and other senior managers were invited to acquire synthetic options with Handelsbanken class A shares as the underlying securities. The options offer runs for five years, from November 1999 until November 2004. By means of hedging transactions the Bank has limited its maximum cost. The cost in 2000 is SEK 29m.

Note 8 | Other administrative expenses

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Property and premises	707	715	643	654
External IT costs	709	812	466	610
Communication	395	404	335	348
Travel and marketing	325	281	241	213
Purchased services	480	430	314	320
Supplies	178	155	156	136
Other expenses	209	233	177	207
	3 003	3 030	2 332	2 488

Leasing costs paid to Group companies

47 58

Fees paid to auditors

	GROUP		PARENT COMPANY	
	Audits	Consultancy	Audits	Consultancy
KPMG Bohlins AB	3.5	0.1	2.3	0.1
Ernst & Young AB	0.5	0.0	0.5	0.0
Deloitte & Touche AB	0.8	0.0	0.4	0.0

Note 9 | Depreciation and write-down in value of tangible and intangible fixed assets

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Equipment	395	407	357	376
Property	33	33	33	33
Goodwill	318	305	10	27
Other depreciation/write-downs	7	5	2	1
	753	750	402	437

Note 10 | Loan losses

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
A. INDIVIDUALLY VALUED CLAIMS				
The year's write-down for actual loan losses	449	709	368	504
Write-back of previous provisions for possible loan losses which have been reported as actual losses in this year's accounts	-347	-530	-288	-426
The year's write-down relating to possible loan losses	630	610	571	558
Recovered from actual losses in previous years	-258	-347	-134	-193
Write-back of provisions for possible losses which are no longer necessary	-553	-642	-386	-260
Net expense for the year for individually valued claims	-79	-200	131	183
B. CLAIMS VALUED AS A GROUP				
The year's write-down for actual loan losses	39	26	1	2
Recovered from actual losses in previous years	-14	-24	-2	-1
Allocation to/dissolution of reserve for loan losses	-12	-5	-1	-2
Net expense for the year for claims valued as a group	13	-3	-2	-1
C. PROVISION TO GENERAL RESERVE FOR COUNTRY RISK	—	—	—	—
Total loan losses (A+B+C)	-66	-203	129	182
Both actual and possible loan losses reduce the corresponding claim amount on the assets side of the Balance Sheet. The reserve for possible loan losses decreased by SEK 22m for the Group and increased by SEK 11m for the Parent Company in the form of foreign currency translation differences.				
Write-downs:				
Claims on credit institutions	4	18	4	18
Claims on the general public	767	797	648	620
Total write-downs	771	815	652	638
Write-backs:				
Claims on credit institutions	6	50	6	50
Claims on the general public	559	597	381	212
Total write-backs	565	647	387	262

Note 11 | Change in value of repossessed property

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Reposessed buildings	-1	-2	-1	-2
Other reposessed property	0	-19	0	—
Realised change in value	-1	-21	-1	-2
Reposessed buildings	—	1	—	1
Other reposessed property	—	4	—	—
Unrealised change in value	—	5	—	1
Change in value of reposessed property	-1	-16	-1	-1

Note 12 | Appropriations etc

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Settlement of pensions				
Calculated pension premiums in the bank	234	217	234	217
Pensions paid by the bank	-411	-364	-411	-364
Compensation from pension foundation	974	750	974	750
	797	603	797	603
Change in tax equalisation reserve K			456	457
Change in tax allocation reserve			-2 087	-1 725
Change in other untaxed reserves			-46	-20
Group contribution			5 154	4 862
	797	603	4 274	4 177

Note 13 | Taxes

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Current tax	3 249	1 917	2 945	1 834
Deferred tax	85	564	–92	233
Other taxes	32	44	20	34
	3 366	2 525	2 873	2 101
Nominal tax rate in Sweden	28.0%	28.0%		
Deviations				
Non-taxable income/non-deductible expenses	–0.5%	0.0%		
Utilised deficit deduction in associated Group companies	–0.3%	–0.5%		
Amortisation of goodwill	0.7%	0.9%		
Effects of foreign taxation and other	–0.9%	–0.9%		
The Group's effective tax rate	27.0%	27.5%		

Notes to the Balance Sheets

Amounts in SEK million unless otherwise stated

Note 14 Interest-bearing securities

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
INSTRUMENTS ELIGIBLE AS COLLATERAL WITH CENTRAL BANKS				
Government instruments eligible as collateral	12 336	12 741	11 384	11 946
Other securities eligible as collateral	326	446	326	446
Instruments eligible as collateral with Central Banks	12 662	13 187	11 710	12 392
Instruments eligible as collateral with Central Banks				
Remaining maturity: maximum one year	3 460	10 077	2 508	9 355
Remaining maturity: over one year but maximum five years	5 545	2 056	5 545	2 029
Remaining maturity: over five years but maximum ten years	2 373	1 049	2 373	1 008
Remaining maturity: over ten years	1 284	5	1 284	0
Total	12 662	13 187	11 710	12 392
Average remaining maturity	3.4	1.9	3.7	2.0
BONDS AND OTHER INTEREST-BEARING SECURITIES				
Issued by public bodies	—	—	—	—
Issued by other borrowers	75 600	80 104	76 511	85 992
Bonds and other interest-bearing securities	75 600	80 104	76 511	85 992
Of which unlisted securities	31 350	33 690	27 268	29 212
Of which subordinated	—	—	—	—
Of which claims on Group companies	—	—	5 017	10 670
Of which claims on associated companies	—	—	—	—
BONDS AND OTHER INTEREST-BEARING SECURITIES				
Remaining maturity: maximum one year	36 277	61 737	36 858	67 080
Remaining maturity: over one year but maximum five years	23 678	11 798	24 009	12 313
Remaining maturity: over five years but maximum ten years	15 426	6 553	15 427	6 594
Remaining maturity: over ten years	219	16	217	5
Total	75 600	80 104	76 511	85 992
Average remaining maturity	2.4	1.5	2.4	1.6
CURRENT ASSETS				
Current assets acquisition price				
Swedish government	8 155	10 354	8 155	10 354
Swedish local authorities	—	102	—	102
Swedish mortgage institutions	23 527	23 086	21 711	19 639
Other Swedish issuers:				
non-financial companies	5 801	4 586	5 801	4 524
other financial companies	8 231	7 424	5 945	6 177
Foreign governments	3 995	2 300	3 043	1 506
Other foreign issuers	33 157	39 137	33 153	39 132
Total	82 866	86 989	77 808	81 434
Of which subordinated (debenture loans)	—	—	—	—
Current assets fair value				
Swedish government	8 230	10 340	8 230	10 340
Swedish local authorities	—	102	—	102
Swedish mortgage institutions	23 577	22 950	21 761	19 515
Other Swedish issuers:				
non-financial companies	5 768	4 600	5 768	4 504
other financial companies	8 245	7 424	5 959	6 176
Foreign governments	4 106	2 300	3 154	1 506
Other foreign issuers	33 210	39 105	33 207	39 102
Total	83 136	86 821	78 079	81 245
Of which subordinated (debenture loans)	—	—	—	—
Difference between acquisition price and fair value	270	-168	271	-189

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Current assets book value				
Swedish government	8 230	10 340	8 230	10 340
Swedish local authorities	—	102	—	102
Swedish mortgage institutions	23 577	22 950	21 761	19 515
Other Swedish issuers:				
non-financial companies	5 764	4 600	5 764	4 504
other financial companies	8 245	7 424	5 959	6 176
Foreign governments	4 106	2 300	3 154	1 505
Other foreign issuers	33 214	39 105	33 210	39 102
Total	83 136	86 821	78 078	81 244
Of which subordinated (debenture loans)	—	—	—	—
FIXED ASSETS				
Fixed assets acquisition price				
Swedish mortgage institutions	200	6 143	5 217	16 813
Other Swedish issuers:				
non-financial companies	4 450	293	4 450	293
other financial companies	100	—	100	—
Other foreign issuers	376	34	376	34
Total	5 126	6 470	10 143	17 140
Of which subordinated (debenture loans)	—	—	—	—
Fixed assets fair value				
Swedish mortgage institutions	200	6 160	5 261	16 797
Other Swedish issuers:				
non-financial companies	4 547	286	4 547	286
other financial companies	90	—	90	—
Other foreign issuers	378	28	378	28
Total	5 215	6 474	10 276	17 111
Of which subordinated (debenture loans)	—	—	—	—
Book value higher than nominal value	861	745	966	1 082
Book value lower than nominal value	282	402	267	387

Note 15 | Lending to credit institutions

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
FIXED ASSETS				
Banks, in Swedish kronor	27 120	34 768	26 838	34 448
Banks, in foreign currencies	49 001	43 999	53 760	47 915
Other credit institutions, in Swedish kronor	4 607	11 630	139 013	85 777
Other credit institutions, in foreign currencies	13 975	8 500	21 052	21 623
	94 703	98 897	240 663	189 763
Possible loan losses	–26	–38	–26	–38
	94 677	98 859	240 637	189 725
Of which subordinated	—	—	43	260
Of which claims on Group companies			148 037	83 179
Of which claims on associated companies	1 689	1 511	—	—
Information concerning maturities:				
Payable upon demand	22 915	18 894	36 765	35 667
Remaining maturity: maximum three months	42 268	58 490	95 278	76 663
Remaining maturity: over three months but maximum one year	25 798	17 515	81 117	48 628
Remaining maturity: over one year but maximum five years	2 089	2 368	25 127	25 916
Remaining maturity: over five years	1 607	1 592	2 350	2 851
Total	94 677	98 859	240 637	189 725
Average remaining maturity	0.4	0.3	0.6	0.7

Note 16 | Lending to the general public

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
FIXED ASSETS				
Lending SEK				
Households	234 650	218 134	40 097	35 192
Companies etc	296 746	276 627	150 330	127 566
Total	531 396	494 761	190 427	162 758
Lending foreign currency				
Households	25 024	19 289	17 619	13 085
Companies etc	135 875	115 572	120 883	98 038
Total	160 899	134 861	138 502	111 123
Possible loan losses	-3 189	-3 416	-1 689	-1 771
Total lending to the general public	689 106	626 206	327 240	272 110
Of which subordinated	2	5	2	2
Of which claims on Group companies			900	470
Of which claims on associated companies	1	1	1	1

Gross investments referring to financial leasing agreements concluded since 1 January 1997 have been calculated to be SEK 12 686m (8 210).
Unearned financial income according to the same calculation is SEK 2 088m (1 580).

Information concerning maturities:

Payable upon demand	112 368	76 716	22 968	24 077
Remaining maturity: maximum three months	126 823	102 512	84 112	64 303
Remaining maturity: over three months but maximum one year	132 332	109 711	83 892	62 361
Remaining maturity: over one year but maximum five years	211 004	245 977	67 905	65 970
Remaining maturity: over five years	106 579	91 290	68 363	55 399
Total	689 106	626 206	327 240	272 110
Average remaining maturity	2.3	2.0	2.6	1.8

Bad debts etc

(For definitions see fold-out inside back cover)

Bad debts	5 532	5 186	3 121	2 556
Reserve for possible loan losses	-3 219	-3 463	-1 715	-1 809
Bad debts, net	2 313	1 723	1 406	747
Reduced rate loans without a provision for possible loan losses	55	128	47	85
Total loan losses	2 368	1 851	1 453	832
Bad debt reserve ratio	58.2%	66.8%	55.0%	70.8%
Proportion of bad debts	0.33%	0.27%	0.29%	0.20%
Problem loans before write-down for possible loan losses	5 587	5 314	3 168	2 641
Income on problem loans during the year	254	340	35	51
Annual interest rate on problem loans	10.73	18.34	2.38	6.12
Annual interest rate on loans which are not problem loans	6.16	6.09	5.89	5.23
Non-performing loans for which interest is accrued	1 321	1 372	307	250

COLLATERAL TAKEN OVER

Book value

Buildings and land	0	21	0	4
Shares and other participations	55	55	34	34
Other	93	76	—	—
Total collateral taken over	148	152	34	38

Note 17 | Shares and participations

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Trading book	11 306	7 738	11 044	7 517
For protection of claims	55	55	34	34
Other shares	648	1 075	782	1 208
Current assets	12 009	8 868	11 860	8 759
Shares in credit institutions	1	171	1	171
Other shares and participations	1 873	311	1 872	310
Fixed assets	1 874	482	1 873	481
Shares and participations	13 883	9 350	13 733	9 240
Of which unlisted	133	282	245	393

Fv Fastighetsvärden AB, a wholly-owned subsidiary of the Bank, is included in the parent company. The shares in the company are regarded as investment shares and as such are current assets. In the Group, this holding has been eliminated by SEK 133m.

CURRENT ASSETS**Acquisition value**

Trading book	11 196	5 638	10 917	5 425
For protection of claims	55	55	34	34
Other shares	652	1 075	785	1 209
Total	11 903	6 768	11 736	6 668

Fair value

Trading book	11 306	7 738	11 044	7 517
For protection of claims	55	55	34	34
Other shares	1 140	1 727	1 273	1 901
Total	12 501	9 520	12 351	9 452

FIXED ASSETS**Acquisition value**

Shares in credit institutions	3	74	3	74
Other shares and participations	1 940	311	1 940	310
Total	1 943	385	1 943	384

Fair value

Shares in credit institutions	1	171	1	171
Other shares and participations	2 204	579	2 202	576
Total	2 205	750	2 203	747

Note 18 | Shares and participations in associated companies

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
FIXED ASSETS				
Credit institutions	39	37	30	30
Other associated companies	232	229	216	203
	271	266	246	233

All shares in associated companies are unlisted.

Shares and participations, associated companies 31 December 2000

	No. of shares	Book value Group	Book value Parent company	Parent company proportion of equity %
CREDIT INSTITUTIONS				
Svensk Bostadsfinansiering AB BOFAB (Stockholm)	25 000	39	30	50.0
Total		39	30	
OTHER ASSOCIATED COMPANIES				
VPC AB (Stockholm)	443 700	216	200	24.7
Various companies	—	16	16	—
Subtotal		232	216	
Total		271	246	

The associated company's name, registered number, registered office, equity, profit/loss, proportion of equity, number of participations and their value according to the balance sheet have not been included since this information is not considered to be of major importance in providing a fair view.

Note 19 | Shares and participations in Group companies

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
FIXED ASSETS				
Shares in Swedish credit institutions			27 376	27 376
Shares in foreign credit institutions			1 834	1 856
Shares in other Swedish companies ¹⁾	247	247	460	445
Shares in other foreign companies			151	151
	247	247	29 821	29 828

All shares in Group companies are unlisted.

1) Handelsbanken Liv Försäkrings AB is not included in the Consolidated Accounts.

Shares and participations, Group companies 31 December 2000

	No. of shares	Book value Group	Book value Parent company	Parent company proportion of equity %
SWEDISH CREDIT INSTITUTIONS				
Handelsbanken Finans AB (Stockholm)	1 550 000		145	100
Stadshypotek AB (Stockholm)	162 000 000		26 870	100
Stadshypotek Bank AB (Stockholm)	3 000 000		361	100
Subtotal			27 376	
FOREIGN CREDIT INSTITUTIONS				
Handelsbanken Norge Holding AS (Oslo)	1 550 000		1 682	100
Svenska Handelsbanken S.A. (Luxembourg)	1 000 000		147	100
Various companies ¹⁾	—		5	—
Subtotal			1 834	
OTHER SWEDISH COMPANIES				
Handelsbanken Liv Försäkrings AB (Stockholm)	1 500	247	300	100
Handelsbanken Liv Fondförsäkrings AB (Stockholm)	100 000		139	100
Various companies ¹⁾	—		21	—
Subtotal		247	460	
OTHER FOREIGN COMPANIES				
Svenska Re S.A. (Luxembourg)	19 999		35	99.99
Svenska International (London)	8 000 000		92	100
Various companies ¹⁾	—		24	—
Subtotal			151	
Total		247	29 821	

Particulars of subsidiaries' registered numbers can be found on the inside back cover.

1) The subsidiary's name, registered number, registered office, equity, profit/loss, proportion of equity, number of participations and their value according to the balance sheet have not been included since this information is not considered to be of major importance in providing a fair view.

Note 20 | Assets in insurance operations

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Investment assets	715	226		
Investment assets for which the life insurance policy-holder bears the investment risk	16 951	13 456		
Other claims and assets	96	49		
	17 762	13 731		

Note 21 | Goodwill

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
FIXED ASSETS				
Acquisition value at beginning of year	6 235	5 419	274	274
Acquisition value of future goodwill	109	832	—	—
Acquisition value of past goodwill	–11	–16	—	—
Total acquisition value	6 333	6 235	274	274
Accumulated amortisation at beginning of year	–1 055	–771	–259	–232
Accumulated amortisation of past goodwill	6	16	—	—
Amortisation for the year according to plan	–318	–300	–10	–27
Accumulated amortisation at year-end	–1 367	–1 055	–269	–259
Accumulated write-downs at beginning of year	–5	—	—	—
Accumulated amortisation of past goodwill	5	—	—	—
Write-downs for the year	—	–5	—	—
Accumulated write-downs at year-end	0	–5	—	—
Foreign currency effect	4	–4	–5	–4
	4 970	5 171	—	11

The acquisition value for 2000 of future goodwill in the Group is SEK 109m.
SEK 46m of this amount refers to adjustment of the acquisition balance with respect to Bergensbanken ASA.

Note 22 | Equipment

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
FIXED ASSETS				
Residual value according to plan on 1 January	785	693	633	597
New acquisitions, net during the year	261	423	339	412
The year's depreciation according to plan	–395	–407	–357	–376
Book value of leasing assets taken over	93	76	—	—
Residual value according to plan	744	785	615	633

Apart from owned equipment, the Bank also has equipment which is subject to leasing contracts. The book residual value of leased equipment in the Group was SEK 99m (97). For the Parent Company, the equivalent value was SEK 198m (231).

Note 23 | Buildings and land

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
FIXED ASSETS				
Containing bank premises	1 014	1 053	921	952
CURRENT ASSETS				
For protection of claims etc	0	21	0	4
	1 014	1 074	921	956
Containing bank premises				
Acquisition value at beginning of year	1 034	971	928	928
New acquisitions during the year	2	101	—	—
Capitalised new and rebuilding costs	2	0	2	0
Acquisition value of properties sold during the year	0	–38	—	—
Total acquisition value	1 038	1 034	930	928
Accumulated depreciation at beginning of year	–298	–280	–293	–275
Accumulated depreciation of acquired properties	–10	—	—	—
Depreciation during the year	–18	–18	–18	–18
Total accumulated depreciation	–326	–298	–311	–293
Acquisition value, revaluations	436	436	436	436
Accumulated depreciation on revaluation	–119	–104	–119	–104
Depreciation for the year	–15	–15	–15	–15
Total revaluation	302	317	302	317
Residual value according to plan	1 014	1 053	921	952
Tax assessment value	1 576	1 344	1 576	1 344

Note 24 | Other assets

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Pre-paid tax	173	916	29	14
Claims on investment banking settlements	12 645	7 187	11 673	4 698
Derivative contracts with a positive value	77 704	58 444	76 028	57 282
Possible loan losses	-4	-9	—	—
Other	4 555	4 756	8 641	9 803
	95 073	71 294	96 371	71 797

Note 25 | Prepayments and accrued income

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Accrued interest income	8 232	7 563	7 328	6 301
Other accrued income	790	1 081	505	1 131
Prepayments	64	1 053	67	82
	9 086	9 697	7 900	7 514

Note 26 | Liabilities to credit institutions

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Banks, in Swedish kronor	31 258	59 608	29 781	55 841
Banks, in foreign currencies	110 224	105 710	111 283	103 203
Other credit institutions, in Swedish kronor	10 460	11 891	5 113	5 795
Other credit institutions, in foreign currencies	3 472	9 294	49 160	10 047
	155 414	186 503	195 337	174 886
Of which liabilities to Group companies			51 737	6 766
Of which liabilities to associated companies	405	184	0	0
Information concerning maturities:				
Payable upon demand	26 846	28 398	30 268	31 563
Remaining maturity: maximum three months	106 344	130 830	140 253	126 658
Remaining maturity: over three months but maximum one year	16 223	15 509	24 670	16 134
Remaining maturity: over one year but maximum five years	4 341	9 001	87	465
Remaining maturity: over five years	1 660	2 765	59	66
Total	155 414	186 503	195 337	174 886
Average remaining maturity	0.2	0.1	0.1	0.1

Note 27 | Deposits from the general public

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Deposits, Swedish kronor				
Households	67 179	68 778	62 572	64 043
Companies etc	76 001	70 409	74 795	69 074
Total	143 180	139 187	137 367	133 117
Deposits, foreign currencies				
Households	8 312	8 014	5 529	5 477
Companies etc	39 524	38 093	36 020	41 762
Total	47 836	46 107	41 549	47 239
Total deposits	191 016	185 294	178 916	180 356
Of which liabilities to Group companies			392	8 321
Of which liabilities to associated companies	127	15	127	15
Information concerning maturities:				
Payable upon demand	159 802	154 182	152 183	144 672
Remaining maturity: maximum three months	30 078	27 682	25 772	31 762
Remaining maturity: over three months but maximum one year	1 001	310	923	943
Remaining maturity: over one year but maximum five years	107	3 099	10	2 958
Remaining maturity: over five years	28	21	28	21
Total	191 016	185 294	178 916	180 356
Average remaining maturity	0.1	0.1	0.2	0.1

Note 28 | Funding from the general public

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Funding from the general public				
in Swedish kronor	30 030	18 587	28 926	17 642
in foreign currencies	34 304	17 602	32 406	16 173
	64 334	36 189	61 332	33 815
Of which liabilities to Group companies			328	42
Of which liabilities to associated companies	—	—	—	—
Information concerning maturities:				
Payable upon demand	6 432	2 712	6 444	2 754
Remaining maturity: maximum three months	51 386	28 217	48 641	25 937
Remaining maturity: over three months but maximum one year	5 681	3 816	5 423	3 698
Remaining maturity: over one year but maximum five years	550	808	539	793
Remaining maturity: over five years	285	636	285	633
Total	64 334	36 189	61 332	33 815
Average remaining maturity	0.1	0.2	0.1	0.2

Note 29 | Issued securities

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Certificates				
in Swedish kronor	49 420	36 136	8 965	10 617
in foreign currencies	201 796	120 704	156 244	113 292
Total certificates	251 216	156 840	165 209	123 909
Bond loans				
in Swedish kronor	122 390	168 421	7 715	5 935
in foreign currencies	27 883	34 279	24 240	29 619
Total bond loans	150 273	202 700	31 955	35 554
	401 489	359 540	197 164	159 463
Information concerning maturities:				
Remaining maturity: maximum one year	297 605	193 389	185 225	144 175
Remaining maturity: over one year but maximum five years	92 858	159 720	11 196	14 828
Remaining maturity: over five years but maximum ten years	11 026	6 431	743	460
Remaining maturity: over ten years	—	0	—	0
Total	401 489	359 540	197 164	159 463
Average remaining maturity	1.0	1.3	0.4	0.4

Note 30 | Liabilities in insurance operations

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Technical provisions	94	27		
Technical provisions for life insurance where the policy-holder bears the investment risk	16 951	13 456		
Other provisions and liabilities	231	166		
	17 276	13 649		

Note 31 | Other liabilities

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Tax liabilities	1 588	768	1 176	744
Liabilities on investment banking settlements	10 510	3 942	9 714	3 817
Derivative contracts with a negative value	77 223	58 168	75 530	56 621
Short-term positions	17 930	12 889	17 930	12 889
Other	2 140	4 572	2 686	4 101
	109 391	80 339	107 036	78 172

A number of legal disputes concerning tax cases are currently being processed in Swedish tax courts.

The tax liabilities include a provision of SEK 271m for claims from the tax authorities which, if admitted, will lead to tax payments for the same amount. The Bank considers it less than likely that the amount will need to be paid. The Bank has also appealed against other taxation decisions. The Bank has not reported a claim corresponding to its claim on the authorities.

Note 32 | Accruals and deferred income

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Accrued interest expense	12 491	9 162	9 749	4 700
Other accrued expenses	1 626	1 333	1 473	1 127
Deferred income	603	1 088	52	49
	14 720	11 583	11 274	5 876

Note 33 | Subordinated liabilities

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Subordinated loans in Swedish kronor	3 901	8 002	3 401	4 115
Subordinated loans in foreign currencies	15 165	11 848	14 688	11 374
Total subordinated loans	19 066	19 850	18 089	15 489

Specification, subordinated loans, Parent company 31 December 2000

Year of issue/conv./ maturity	Original nominal amount in each currency (million)	Interest rate %	Outstanding amount SEK m
IN SWEDISH KRONOR			
Other Swedish ¹⁾		3 401	
Total		3 401	
IN FOREIGN CURRENCY			
1997/perpetual ²⁾	USD 350	variable	3 322
1997/perpetual ³⁾	USD 360	7.125	3 417
2000/2010 ⁴⁾	EUR 300	variable	2 650
Other foreign ¹⁾			5 299
Subtotal			14 688
Total			18 089

1) Other subordinated loans which are not specified here are issued in the form of fixed-term or perpetual subordinated loans.

2) Perpetual subordinated loan with 3-month variable coupon linked to Libor. Premature redemption may occur in the case of changed tax regulations or from 3 March 2002. The interest rate is adjusted if the right to redeem the loan in advance is used. Premature redemption requires the approval of the Swedish Financial Supervisory Authority.

3) Perpetual subordinated loan at fixed interest rate paid semi-annually. Premature redemption may occur in the case of changed tax regulations or on the interest due dates starting on 7 March 2007, provided that the Swedish Financial Supervisory Authority gives its approval. In connection with the right of redemption, the interest rate becomes variable, linked to Libor.

4) Fixed-term subordinated loan with 3-month variable coupon, linked to Euribor. Premature redemption may occur in the case of changed tax regulations. Premature redemption requires the approval of the Swedish Financial Supervisory Authority.

Note 34 | Untaxed reserves

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Accumulated depreciation on property in excess of plan			10	11
Tax equalisation reserve K				456
Tax allocation reserve			9 105	7 018
Other untaxed reserves			132	85
			9 248	7 570

Note 35 | Shareholders' equity

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
RESTRICTED SHAREHOLDERS' EQUITY:				
Share capital	2 859	2 859	2 859	2 859
Statutory reserve	2 748	2 754	2 682	2 682
Reserve for unrealised profits	425	633	421	602
Other restricted reserves	10 541	8 263	—	—
UNRESTRICTED SHAREHOLDERS' EQUITY:				
Profit brought forward	16 966	17 398	18 333	17 421
Profit for the year	9 092	6 663	7 983	6 742
	42 631	38 570	32 278	30 306
Reserve for unrealised profits by balance sheet item:				
Bonds and other interest-bearing securities	4	—	—	—
Shares and participations	421	633	421	602
	425	633	421	602

GROUP	Share capital	Restricted reserves	Unrestricted reserves	Profit for the year	Total
Shareholders' equity carried forward	2 859	11 650	24 061		38 570
Cash dividend			-2 144		-2 144
Repurchase of own shares			-2 950		-2 950
Transfer between restricted and unrestricted equity		2 020	-2 020		0
Change of foreign currency component		34	44		78
Change in price difference on financing of subsidiaries' shares		10	-25		-15
Profit for the year				9 092	9 092
Shareholders' equity at year-end 2000	2 859	13 714	16 966	9 092	42 631

The accumulated amount of the Group's unrealised foreign exchange differences is SEK 218m (140). The accumulated exchange rate difference on matching hedging instruments is SEK -92m (-77).

PARENT COMPANY	Share capital	Restricted reserves	Unrestricted reserves	Profit for the year	Total
Shareholders' equity carried forward	2 859	3 284	24 163		30 306
Cash dividend			-2 144		-2 144
Repurchase of own shares			-2 950		-2 950
Group contribution paid			-936		-936
Transfer between restricted and unrestricted equity		-181	181		0
Change of foreign currency component			19		19
Profit for the year				7 983	7 983
Shareholders' equity at year-end 2000	2 859	3 103	18 333	7 983	32 278

The share capital comprises:

Class A shares	2 600	649 949 619 shares at SEK 4.00
Class B shares	259	64 797 321 shares at SEK 4.00
	2 859	714 746 940

Note 36 | Collateral pledged for own debt

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Pledged bonds	37 968	72 874	37 109	72 059
Repledged securities	14 120	11 506	14 120	11 506
Other	457	627	453	623
	52 545	85 007	51 682	84 188

Note 37 | Contingent liabilities

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Guarantees, loans	9 684	9 392	63 308	21 281
Guarantees, other	22 062	18 551	21 468	17 823
Special guarantees	0	62	0	62
Irrevocable letters of credit	31 295	28 493	31 272	28 476
Own acceptances	1 129	927	1 129	927
Other	2 992	4 502	2 979	4 170
Guarantees	67 162	61 927	120 156	72 739

Note 38 | Pension commitments

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Market value of assets in the Bank's pension foundation	16 597	19 399	16 597	19 399
Pension liability	-8 797	-8 200	-8 797	-8 200
Surplus	7 800	11 199	7 800	11 199

The pension commitments in the Bank's pension fund (Pensionskassan SHB, försäkringsförening) are SEK 1 618m (1 499) and the market value of the assets is SEK 8 467m (9 246). The surplus in the fund is thus SEK 6 849m (7 747).

Note 39 | Other commitments

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Certificate programmes	6 319	6 466	6 319	6 466
Other commitments	1 899	3 309	313	3 283
Commitments regarding future payments	8 218	9 775	6 632	9 749
Interest rate swaps	1 250 728	1 237 170	1 247 480	1 233 920
FRA/Futures	1 818 581	2 583 496	1 592 586	2 583 496
Interest rate options	50 721	56 861	44 619	51 822
Interest-rate related instruments	3 120 030	3 877 527	2 884 685	3 869 238
Forward currency contracts	983 302	1 441 665	976 349	1 440 911
Currency swaps	129 790	135 437	128 735	134 052
Currency options	64 697	52 381	64 697	52 381
Currency-related instruments	1 177 789	1 629 483	1 169 781	1 627 344
Equity futures	1 305	3 405	1 305	3 405
Equity swaps	3 980	1 486	3 980	1 486
Equity options	129 618	30 786	129 601	30 786
Equity-related instruments	134 903	35 677	134 886	35 677
Credits granted but not yet drawn	168 355	87 323	102 885	80 366
Unutilised part of overdraft facilities granted	161 348	73 616	161 348	73 616
Other commitments	329 703	160 939	264 233	153 982
Total commitments	4 770 643	5 713 401	4 460 217	5 695 990

Agreed future leasing fees distributed by the year they fall due for payment

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
403	317	214	124	82	38	17	9	7	3	3	2	1 219

OTHER INFORMATION

Geographical distribution of income

GROUP	Nordic countries	Rest of Europe	Rest of world
Interest income	56 074	4 140	6 116
Dividends received	506	1	0
Commission income	5 763	288	175
Net result on financial operations	2 371	133	525
Other operating income	369	10	4
Total	65 083	4 572	6 820
PARENT COMPANY	Nordic countries	Rest of Europe	Rest of world
Interest income	39 204	3 889	4 842
Dividends received	584	0	0
Commission income	4 994	179	102
Net result on financial operations	2 333	129	525
Other operating income	335	2	4
Total	47 450	4 199	5 473

The distribution of income is based on in which country the Group's various units are located.

Assets and liabilities in foreign currency

GROUP	USD	EUR	DKK	NOK	GBP	Other currencies
Assets						
Lending to credit institutions	37 520	12 546	7 669	1 399	1 174	2 668
Lending to the general public	41 275	53 043	14 702	33 645	10 988	7 246
Bonds and other interest-bearing securities	30 067	11 290	1 411	985	316	1 288
Liabilities						
Liabilities to credit institutions	84 004	11 779	5 338	3 520	5 345	3 710
Deposits and funding from the general public	21 399	27 546	4 786	20 128	6 154	2 127
Issued securities	195 783	28 588	355	2 913	1 001	1 039
Subordinated liabilities	10 966	3 512		380		307
Other assets and liabilities, including derivative positions	203 565	-5 846	-13 044	-8 907	8	-4 177
Net position in foreign currency	275	-392	259	181	-14	-158

Information concerning fair value, Group

	Book value 2000	Adjustment to fair value 2000
ASSETS		
Lending to credit institutions, fixed assets	94 677	206
Lending to the general public, fixed assets	689 106	1 875
Interest-bearing securities		
fixed assets	5 126	89
current assets	83 136	—
Other assets		
fixed assets	9 120	2 179
current assets	139 188	10 909
Total assets	1 020 353	15 258
LIABILITIES		
Liabilities to credit institutions	155 414	–34
Deposits and funding from the general public	255 350	282
Issued securities	401 489	–2 202
Other liabilities	146 142	5 308
Subordinated liabilities	19 066	306
Total liabilities	977 461	3 660
Total surplus value		11 598

In accordance with Finansinspektionen's (the Swedish Financial Supervisory Authority) directives (1999:14), a comparison is to be made between fair value and book value for both assets and liabilities in the Balance Sheet and also financial items which are not reported in the Balance Sheet. Values which are based on customer relations are not to be taken into account, although they may be of importance in valuing, for example, deposit accounts and mortgage and customer credits. The directives allow scope for choice of method and various assumptions. Thus, the methods applied and the assumptions made may vary among the credit institutions. Information concerning fair value is not a corporate valuation and therefore cannot constitute the basis of a comparison between credit institutions.

For means of payment, current claims and liabilities and also for claims and liabilities with a variable interest rate, the fair value is considered to be the same as the book value. Claims and liabilities with final maturity or date for next interest-rate fixing within 30 days are considered to be short-term.

Current assets and liabilities which are traded on liquid markets have been valued at the average price on the balance sheet day. Market-listed off-balance-sheet items are valued in the same way.

Items which are not traded on liquid markets, irrespective of whether these are current assets, fixed assets, issued liabilities or off-balance-sheet financial items are valued at the current market rate for the corresponding maturity adjusted to take into account the credit and liquidity risk. The credit and liquidity risk premium by which the market rate has been adjusted when making the valuation is assumed to be the same as the average margin for new lending at the time of the measurement.

Properties are valued on the basis of an external valuation.

With the method applied, the interest risk in the Balance Sheet gives rise to surplus value if short-term rates are falling and losses if interest rates are rising. A surplus value also occurs when margins decrease and a loss when margins increase.

In those cases where fair value on assets is less than the book value and for liabilities, the book value is less than fair value, this is due to these items being a) subject to hedge accounting and b) that they are to be regarded as fixed assets where the fall in value has been considered temporary.

Derivative instruments

GROUP	REPORTED AT MARKET VALUE			REPORTED AS HEDGES				
	Nominal value	Book value		Nominal value	Market value		Book value	
		Positive	Negative		Positive	Negative	Positive	Negative
Interest rate-related instruments								
Options	44 619	120	89	6 103	39	1	92	1
FRA/Futures	1 809 491	2 609	2 465	9 090	63	47	—	—
Swaps	1 069 291	19 633	21 371	181 437	9 342	6 435	5 982	2 717
Total	2 923 400	22 362	23 925	196 630	9 444	6 483	6 074	2 718
Of which cleared	419 981	576	549	—	—	—	—	—
Currency-related instruments								
Options	64 698	458	418	—	—	—	—	—
Futures	977 239	31 193	30 239	6 063	91	313	—	—
Swaps	125 738	7 748	10 040	4 051	7 049	1 099	209	–49
Total	1 167 675	39 399	40 697	10 114	7 140	1 412	209	–49
Of which cleared	—	—	—	—	—	—	—	—
Equity-related instruments								
Options	128 405	2 138	1 882	1 213	66	117	84	35
Futures	1 305	164	38	—	—	—	—	—
Swaps	3 483	—	415	497	132	—	–3	—
Total	133 193	2 302	2 335	1 710	198	117	81	35
Of which cleared	108 010	667	1 833	—	—	—	—	—

Capital base 31 December 2000

	GROUP	PARENT COMPANY
TIER 1 CAPITAL		
Shareholders' equity ¹⁾	39 529	29 540
Funds allocated to tax allocation reserve of which 72%		6 555
Minority interest	261	
Less goodwill	-5 194	-225
Total tier 1 capital	34 596	35 870

TIER 2 CAPITAL

Subordinated loans after reduction, maximum	8 427	8 108
Adjustment write-up	8 297	8 185
Total tier 2 capital	16 724	16 293

Less shareholdings in insurance companies and 5-50% in companies which conduct banking operations

	-675	-703
Total tier 1 and tier 2 capital	50 645	51 460

Enlarged capital base	1 050	1 050
Total capital base	51 695	52 510

1) The Group's equity includes 72% of untaxed reserves.

Capital requirement 31 December 2000

	GROUP	PARENT COMPANY
RISK-WEIGHTED AMOUNT		
Credit risks	518 185	308 661
Market risks	23 371	22 997
Total	541 556	331 658
Capital ratio	9.5%	15.8%
Tier 1 capital ratio	6.4%	10.8%

Capital requirement 31 December 2000

FOR CREDIT RISKS

			GROUP		PARENT COMPANY	
			Investments	Risk-weighted amount	Investments	Risk-weighted amount
Balance sheet items						
Group	A	0	378 202		544 540	
	B	20	92 309	18 462	90 070	18 014
	C	50	344 237	172 119	65 633	32 816
	D	100	278 340	278 340	208 691	208 691
Total A-D			1 093 088	468 921	908 934	259 521

Off-balance-sheet items

			GROUP			PARENT COMPANY		
			Nominal amount	Converted amount	Risk-weighted amount	Nominal amount	Converted amount	Risk-weighted amount
Group	A	0	25 954	9 541		158 153	61 715	
	B	20	208 544	9 856	1 971	199 185	9 203	1 841
	C	50	108 944	2 208	1 104	98 856	1 884	942
	D	100	84 798	46 189	46 189	84 643	46 357	46 357
Total A-D			428 240	67 794	49 264	540 837	119 159	49 140
Total credit risks				1 160 882	518 185		1 028 093	308 661

FOR MARKET RISKS

			GROUP			PARENT COMPANY		
			Specific risk	General risk	Risk-weighted amount	Specific risk	General risk	Risk-weighted amount
Interest rate risks			4 337	6 637	10 974	4 337	6 637	10 974
Equity risks			183	162	344	183	160	343
Settlement risks					162			162
Counterparty and other risks					11 548			11 503
Exchange rate risks					343			15
Total market risks					23 371			22 997

The Board's recommendation for appropriations and distribution of profits has had an impact on tier 1 capital.

Handelsbanken Liv Försäkrings AB

PROFIT AND LOSS ACCOUNT

	2000	1999
Technical account –life insurance business		
Premium income	2 260	2 203
Investment income	34	3 496
Insurance provisions	–1 186	–1 174
Changes in technical provisions	–1 873	–1 721
Bonus	–103	–96
Operating expenses	–270	–224
Other	33	—
Balance on technical account –life insurance business	–1 105	2 484
Non-technical account		
Tax	–156	–176
Surplus for the year	–1 261	2 308

BALANCE SHEET

	2000	1999		2000	1999
Assets			Liabilities, provisions and equity		
Buildings and land	535	535	Equity	150	150
Shares and participations	8 767	10 444	Bonuses	7 446	5 412
Bonds and other securities	9 390	8 476	Surplus for the year	–1 261	2 308
Other investment assets	10	6	Technical provisions for life insurance	13 966	12 012
Claims	166	212	Provisions for taxes	79	84
Other assets	1 854	754	Liabilities	573	744
Prepayments and accrued income	303	327	Accruals and deferred income	72	44
Total assets	21 025	20 754	Total liabilities, provisions and equity	21 025	20 754

Comments:

The accounts have been prepared in accordance with the Accounting Act for Insurance Companies and also with the instructions issued by the Swedish Financial Supervisory Authority.

The profit and loss account and balance sheet for Handelsbanken Liv Försäkrings AB are based on preliminary information and may differ from the final figures published in Handelsbanken Liv's annual report.

Handelsbanken Liv Försäkrings AB is run on mutual principles. According to the Insurance Companies Business Act, dividends may not be paid to the shareholders of a traditional life insurance company. The entire surplus shall accrue to the policy-holders.

Five-year review

GROUP

PROFIT AND LOSS ACCOUNT (SEK m)	2000	1999	1998	1997	1996
Interest income	66 330	58 048	61 940	57 209	40 179
Interest expense	-55 024	-46 540	-50 510	-46 040	-30 798
Dividends received	507	245	139	150	107
Commission income	6 226	4 693	4 077	4 024	3 294
Commission expense	-771	-715	-669	-687	-666
Net result on financial operations	3 029	969	1 242	593	2 143
Other operating income	383	356	618	566	290
Total operating income	20 680	17 056	16 837	15 815	14 549
General administrative expenses					
Staff costs	5 308	4 888	4 579	4 150	3 477
Other administrative expenses	3 003	3 030	3 543	2 926	2 237
Depreciation and write-downs in value of tangible and intangible fixed assets	753	750	684	616	309
Total expenses	9 064	8 668	8 806	7 692	6 023
Profit before loan losses	11 616	8 388	8 031	8 123	8 526
Net loan losses incl. change in value of repossessed property	-67	-219	319	302	1 806
Operating profit	11 683	8 607	7 712	7 821	6 720
Pension settlement	797	603	505	532	201
Profit before taxes	12 480	9 210	8 217	8 353	6 921
Taxes	-3 366	-2 525	-2 168	-2 326	-1 829
Minority interest	-22	-22	-22	-19	-1
Profit for the year	9 092	6 663	6 027	6 008	5 091

BALANCE SHEET (SEK m)	2000	1999	1998	1997	1996
Cash	5 258	6 285	4 054	3 025	7 487
Interest-bearing securities	88 262	93 291	107 709	65 858	107 875
Lending to credit institutions	94 677	98 859	139 823	134 472	119 166
Lending to the general public	689 106	626 206	587 405	586 824	277 790
Shares and participations	14 401	9 863	3 326	2 226	4 429
Assets in insurance operations	17 762	13 731	6 644	3 182	1 204
Tangible assets	1 758	1 859	1 778	9 329	1 937
Other assets	109 129	86 162	82 106	57 532	51 228
Total assets	1 020 353	936 256	932 845	862 448	571 116
Liabilities to credit institutions	155 414	186 503	261 146	241 436	170 974
Deposits and funding from the general public	255 350	221 483	206 524	204 747	167 507
Issued securities etc	401 489	359 540	299 378	284 051	129 284
Liabilities in insurance operations	17 276	13 649	6 541	3 135	1 160
Other liabilities	128 866	96 400	101 429	73 227	62 333
Subordinated liabilities	19 066	19 850	23 135	23 231	12 302
Total liabilities	977 461	897 425	898 153	829 827	543 560
Minority interest in shareholders' equity	261	261	261	268	7
Shareholders' equity	42 631	38 570	34 431	32 353	27 549
Total liabilities and shareholders' equity	1 020 353	936 256	932 845	862 448	571 116
MEMORANDUM ITEMS					
Collateral pledged for own debt	52 545	85 007	93 782	59 437	48 650
Contingent liabilities	67 162	61 927	76 731	81 921	58 984
Pension commitments	—	—	—	—	—
Other commitments	4 770 643	5 713 401	6 304 560	5 452 935	4 445 388

The profit and loss accounts and balance sheets have been adjusted to take into account the accounting principles now applied.

PARENT COMPANY

PROFIT AND LOSS ACCOUNT (SEK m)	2000	1999	1998	1997	1996
Interest income	47 935	38 924	38 273	28 976	28 822
Interest expense	-42 118	-32 678	-32 514	-22 941	-21 864
Dividends received	584	1 490	2 552	1 729	1 839
Commission income	5 275	4 078	3 656	3 736	3 389
Commission expense	-746	-736	-614	-608	-576
Net result on financial operations	2 987	859	1 211	570	2 093
Other operating income	341	278	648	2 037	244
Total operating income	14 258	12 215	13 212	13 499	13 947
General administrative expenses					
Staff costs	4 814	4 443	4 108	3 520	3 183
Other administrative expenses	2 332	2 488	2 991	2 347	2 045
Depreciation and write-downs in value of tangible and intangible fixed assets	402	437	370	321	249
Total expenses	7 548	7 368	7 469	6 188	5 477
Profit before loan losses	6 710	4 847	5 743	7 311	8 470
Loan losses incl. change in value of repossessed property	128	181	131	-123	1 638
Operating profit	6 582	4 666	5 612	7 434	6 832
Appropriations	4 274	4 177	188	-129	-882
Profit before taxes	10 856	8 843	5 800	7 305	5 950
Taxes	-2 873	-2 101	-771	-1 050	-1 344
Profit for the year	7 983	6 742	5 029	6 255	4 606
Dividend for the year	2 745 *	2 144	1 922	3 515	1 208

*) Recommended by the Board

BALANCE SHEET (SEK m)	2000	1999	1998	1997	1996
Cash	5 109	5 735	4 050	3 023	7 347
Interest-bearing securities	88 221	98 384	115 556	90 166	122 262
Lending to credit institutions	240 637	189 725	215 541	175 771	133 517
Lending to the general public	327 240	272 110	242 056	223 426	160 451
Shares and participations	43 800	39 301	31 505	30 385	8 023
Tangible assets	1 536	1 589	1 612	1 788	1 732
Other assets	104 271	79 322	73 767	47 829	49 806
Total assets	810 814	686 166	684 087	572 388	483 138
Liabilities to credit institutions	195 337	174 886	215 730	172 855	177 362
Deposits and funding from the general public	240 248	214 171	212 187	222 161	175 827
Issued securities etc	197 164	159 463	119 501	72 311	38 264
Other liabilities	118 450	84 281	88 342	58 441	57 033
Subordinated liabilities	18 089	15 489	15 742	15 609	8 934
Total liabilities	769 288	648 290	651 502	541 377	457 420
Untaxed reserves	9 248	7 570	6 282	5 959	5 298
Shareholders' equity	32 278	30 306	26 303	25 052	20 420
Total liabilities and shareholders' equity	810 814	686 166	684 087	572 388	483 138

MEMORANDUM ITEMS

Collateral pledged for own debt	51 682	84 188	93 758	59 193	47 573
Contingent liabilities	120 156	72 739	79 081	83 648	65 736
Pension commitments	—	—	—	—	—
Other commitments	4 460 217	5 695 990	6 290 006	5 408 299	4 482 371

Recommendation for distribution of profits

The Handelsbanken Group's unrestricted equity is SEK 26 058m. SEK 35m are required for transfer to restricted reserves. In accordance with the Balance Sheet for Handelsbanken, profits totalling SEK 26 316m are at the disposal of the Annual General Meeting.

The Board of Directors recommends that the profits be distributed as follows:

	SEK m
Dividend to shareholders SEK 4.00 per share (SEK 3.00 for 1999)	2 745.0
Balance carried forward	23 570.9
Total allocated	26 315.9

Stockholm, 20 February 2001

TOM HEDELIUS

BO RYDIN

PIRKKO ALITALO
LOTTY BERGSTRÖM
TOMMY BYLUND

GÖRAN ENNERFELT
PER-OLOF ERIKSSON
HANS LARSSON

OLLE PERSSON
CLAS REUTERSKIÖLD
BENGT SAMUELSSON

ARNE MÅRTENSSON
President and Group Chief Executive

Audit report

To the General Meeting of the Shareholders of Svenska Handelsbanken AB (publ)
Registered No. 502007-7862

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Svenska Handelsbanken AB (publ) for the year 2000. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. During the year, the auditing department of Svenska Handelsbanken has continuously examined the internal controls and accounts. We have received the reports that have been prepared. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the financial statements. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the President. We also examined whether any Board Member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and thereby give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the General Meeting of Shareholders that the profit and loss accounts and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report, and that the Members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 7 March 2001

KPMG Bohlins AB

THOMAS THIEL STEFAN HOLMSTRÖM
Authorised Public Accountant Authorised Public Accountant

Ernst & Young AB

ÅKE HEDÉN
Authorised Public Accountant

ULF DAVÉUS
Authorised Public Accountant
Appointed by the Swedish
Financial Supervisory
Authority

Branches in the Nordic countries

In **SWEDEN**, operations at five branches were transferred to nearby branches. At the end of the year there were 460 branches in Sweden.

In **DENMARK**, branches were started in Kgs Lyngby and Ålborg, making a total of seven branches there.

In **FINLAND**, branches were started in Hyvinge, Kouvola, Helsinki Östra Centrum and Jyväskylä. The total number of branches there is now 20.

In **NORWAY**, a branch was opened in Tromsø. It has been decided to open branches in Minde, Bergen and in Heimdal, Trondheim. There will then be 25 branches.

Western Sweden

Alingsås	- Första Långgatan	Kristinehamn	
Ambjörnarp	- Gårda	Kungsbacka	
Arvika	- Hisingrs Kärra	Kungälv	Tibro
Blidsberg	- Hjällbo	Landvetter	Tidaholm
Bollebygd	- Högsbo	Lerum	Torsby
Borås	- Kortedala	Lidköping	Trollhättan
- Hulsta	- Lilla Bommen	Lilla Edet	Trädet
- Norrby	- Majorna	Mariestad	Uddevalle
- Stora torget	- Marieholm	Mellerud	Ulricehamn
Falkenberg	- Odinsgatan	Mölnådal	Vara
Falköping	- Sisjön	Nödinge	Varberg
Filipstad	- Volvo PVB	Partille	Värgårda
Fristad	- Vågmästare-platsen	Skara	Vänersborg
Färgelanda	- Örgryte	Skövde	Ämål
Gällstad	Hagfors	Sollebrunn	Ärjäng
Göteborg	Herrljunga	Stenungsund	Älvängen
- Almedal	Hjo	Sunne	
- Avenyn	Karlskoga	Surte	
- Backa Ringön	Karlstad	Svenljunga	
- Brunngatan	- Stora torget	Säffle	
- City	- Växnäs		
- Frölunda Torg			

Central Sweden

Alviks Torg	Hökarängen	Stockholm	
Arboga	Jakobsberg	- Arbetargatan	
Axelsberg	Järna	- Fleminggatan	
Blackeberg	Kolbäck	- Fridhemsplan	
Brommaplan	Kumla	- Globen	Vällingby
Bålsta	Kungsängen	- Götgatsbacken	Värmdö
Dalarö	Kungsör	- Hornsberg	Västerhaninge
Enköping	Käratorp	- Hornsgatan	Västertorp
Farsta	Köping	- Hornstull	Västerås
Fellingsbro	Lindesberg	- Kungsholmstorg	- Emausgatan
Finnerödja	Marievik	- Marieberg	- Köpingsvägen
Fjögsta	Nacka Forum	- Renstiernas gata	- Stora gatan
Frövi	Norrköping	- Skanstull	- Vasagatan
Hallsberg	Nynäshamn	Stuvsta	Årsta
Hallstavik	Pålsboda	Södertälje	Älvsjö
Hallunda	Rimbo	Trosa	Örebro
Hammarby	Saltsjö-Boo	Trångsund	- Drottninggatan
Haninge Centrum	Skultuna	Tullinge	- Ekersgatan
Huddinge Centrum	Skårholmen	Tyresö	- Våghustorget
Hässelby Gård	Sköndal	Ulvunda	Ösma
Högdalen	Spånga	Uppsala	Österbybruk
		- City	Östhammar
		- Eriksberg	
		- Industriområdet	
		- Luthagen	

Northern Norrland

Arvidsjaur	Gammelstad	Lugnvik	Ramsele	
Backe	Gällivare	Luleå	Robertsfors	Vilhelmina
Bjurholm	Haparanda	- Storgatan	Råneå	Vindeln
Bjåsta	Holmsund	- Örnåset	Skellefteå	Vännäs
Björna	Hoting	Lycksele	Sollefteå	Ånåset
Boden	Husum	Löfvånger	Sorsele	Åsele
Bredbyn	Härnösand	Malå	Storuman	Älvsbyn
Bureå	Jokkmokk	Nordingrå	Trehörningsjö	Örnsköldsvik
Burträsk	Junsele	Nordmaling	Ullånger	Överkalix
Byske	Kalix	Norsjö	Umeå	Övertorneå
Domsjö	Kiruna	Näsåker	- Storgatan	
Dorotea	Kramfors	Pajala	- Teg	
		Piteå	- Västerslåt	

Southern Norrland

Alfta	Föllinge	Kopparberg	Orsa	
Arbrå	Gagnef	Krokoms	Rättvik	
Avesta	Gnarps	Kvissleby	Sala	
Bergby	Grangårde	Leksand	Sandviken	Tierp
Bergsjö	Grängesberg	Liden	Skinnskatteberg	Timrå
Bispgården	Gällö	Lima	Skönsberg	Torsåker
Bjursås	Gävle City	Lit	Skutskär	Vansbro
Bjuråker	Hammarstrand	Ljusdal	Skärplinge	Västanafors
Björbo	Hammerdal	Ljusne	Skönsberg	Ånge
Bollnäs	Heby	Ludvika	Stora Tuna	Åre
Borlänge	Hede	Malung	Storvik	Östersund
Bräcke	Hedemora	Matfors	Strömsund	Östervåla
Delsbo	Hedesunda	Mockfjärd	Sundsvall	
Edsbyn	Hudiksvall	Mora	Sveg	
Fagersta	Insjön	Mörsil	Svenstavik	
Falun	Järpen	Norberg	Säter	
Fränsta	Järvsö	Ockelbo	Söderhamn	
Furudal	Kilafors	Offerdal	Sörberge	

Eastern Sweden

Alvesta	Gislaved	Linköping	Nässjö	
Anderstorp	Hemse	- City	Oskarshamn	
Bankeryd	Hultsfred	- Tornby	Rörvik	Virserum
Borensberg	Huskvarna	Mjölby	Slite	Visby
Borgholm	Högsby	Motala	Strängnäs	- Adelsgatan
Eksjö	Jönköping	Mönsterås	Sävsjö	- Öster
Emmaboda	Kalmar	Mörbylånga	Söderköping	Vislanda
Eskilstuna	- Berga	Mörlanda	Tingsryd	Värnamo
- Fristadstorget	- Kvarnholmen	Norrköping	Torsås	Västervik
- Östermalm	Katrineholm	- Drottninggatan	Tranås	Växjö
Finspång	Klintehamn	- Eneby Centrum	Vaggeryd	Ålem
Flen	Lammhult	- Hageby	Vetlanda	Åseda
Fårösund	Landsbro	Nybro	Vimmerby	Åtvidaberg
Färjestaden		Nyköping		

Southern Sweden

Arlöv	Karlshamn	Lomma	Osby	
Broby	Karlskrona	Lund	Ronneby	
Båstad	Kivik	Malmö	Simrishamn	Vittsjö
Eslov	Klippan	- Amiralsgatan	Sjöbo	Vollsjo
Halmstad	Knislinge	- City	Staffanstorps	Ystad
Helsingborg	Kristianstad	- Dalaplan	Svedala	Åhus
- Norr	Kävlinge	- Fosie	Sölvesborg	Älmhult
- Stortorget	Laholm	- Fridhemstorget	Sösåla	Ängelholm
- Söderport	Landskrona	- Köpenhamns-vägen	Tomeilla	
Hässleholm	Liatörp	- Lundavägen	Trelleborg	
Höganäs	Limhamn	- Triangeln	Tyringe	
Höllviken	Ljungby	- Värnhem	Veberöd	
Höör	Ljungbyhed	Markaryd	Vellinge	
		Olofström		

Norway

Bergen
- Strømgaten
Bergensbanken
- Sentrum
- Fana
- Flesland
- Fyllingsdalen
- Minde
- Vest
- Åsane
Fredrikstad
Haugesund
Kristiansand
Lysaker
Oslo
- Fyrstikktorget
- Kirkegaten
- Olav V's gate
- Skøyen
Sandnes
Ski
Skårer
Stavanger
- Sentrum
- Løkkeveien
Tromsø
Trondheim
- Sentrum
- Heimdal
Tønsberg

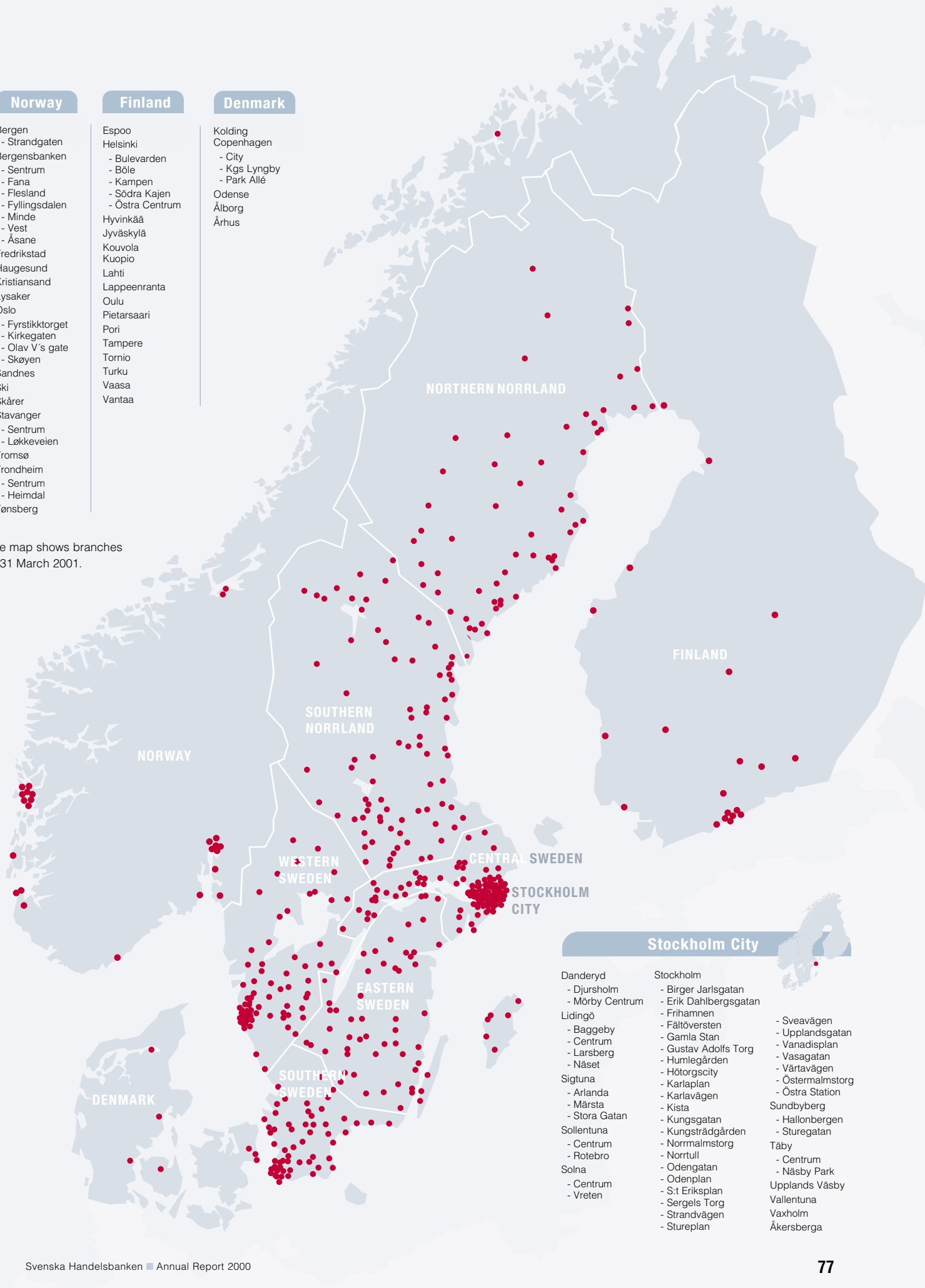
Finland

Espoo
Helsinki
- Bulevarden
- Böle
- Kampen
- Södra Kajen
- Östra Centrum
Hyvinkää
Jyväskylä
Kouvola
Kuopio
Lahti
Lappeenranta
Oulu
Pietarsaari
Pori
Tampere
Tornio
Turku
Vaasa
Vantaa

Denmark

Kolding
Copenhagen
- City
- Kgs Lyngby
- Park Allé
Odense
Ålborg
Århus

The map shows branches
at 31 March 2001.



Stockholm City

Danderyd	Stockholm	
- Djursholm	- Birger Jarlgatan	
- Mörby Centrum	- Erik Dahlbergsgatan	
Lidingö	- Frihamnen	- Sveavägen
- Baggeby	- Fältöversten	- Upplandsplan
- Centrum	- Gamla Stan	- Vanadisplan
- Larsberg	- Gustav Adolfs Torg	- Vasagatan
- Näset	- Humlegården	- Värtavägen
Sigtuna	- Hötorgscity	- Östermalmstorg
- Arlanda	- Karlavägen	- Östra Station
- Märsta	- Kista	Sundbyberg
- Stora Gatan	- Kungsgatan	- Hallonbergen
Sollentuna	- Kungsträdgården	- Sturegatan
- Centrum	- Norrmalmstorg	Täby
- Rotebro	- Norrtull	- Centrum
Solna	- Odengatan	- Näsby Park
- Centrum	- Odenplan	Upplands Väsby
- Vreten	- S:t Eriksplan	Vallentuna
	- Sergels Torg	Vaxholm
	- Strandvägen	Åkersberga
	- Stureplan	

Regional Head Offices in the Nordic countries

The Nordic branch network is organised into ten regional banks – seven in Sweden and one each in Norway, Finland and Denmark. Branch managers report directly to the Head of the Regional Bank.

At the regional head offices there are various specialists to support the work of the branch offices, for example: Regional Area Managers, specialists for credits, international business, payments, finance company, asset management, insurance and legal matters. There are also internal functions for finance and control, administration, human resources and auditing.



The regional head office on Rådhusgaten, Oslo.

Norway

BOARD:

DAG MEJDELL, Oslo, *Chairman*

JON FREDRIK BAKSAAS, Sandvika

HANS CHRISTOFFERSON, Åkersberga

STEIN PETTERSEN, Fana

KARIN JOYS VABØ, Nesttun

BJÖRN-ÅKE WILSENIUS, *Head of Regional Bank*

Southern Norrland

BOARD:

ULF BERGKVIST, Insjön, *Chairman*

OVE ANONSEN, Gävle

ÅKE RYDÉN, Sveg

ANDERS WIKLANDER, Sundsvall

GÖTHE ÖSTLUND, Mora

JAN LARSSON, Gävle (E)

HÅKAN SANDBERG, *Head of Regional Bank*

Western Sweden

BOARD:

FINN JOHNSON, Göteborg, *Chairman*

BENGT BENGTSOON, Hovås

STIG-ARNE BLOM, Hökerum

THOMAS DAFGÅRD, Källby

SVANTE CARLSSON, Göteborg

ANDERS LÖFBERG, Karlstad

SÖREN MANNHEIMER, Göteborg

EVA PERSSON, Västra Frölunda

LENA LINDÉN, Edsvala (E)

M. JOHAN WIDERBERG, *Head of Regional Bank*

Denmark

BOARD:

HANS CHRISTOFFERSON, Åkersberga, *Chairman*

HANS-OLOF HARRISON, Linköping

THOMMY MOSSINGER, Malmö

PÄR BOMAN, *Head of Regional Bank*



Northern Norrland

BOARD:

BJÖRN KUMLIN, Skellefteå, *Chairman*
BJÖRN FRANKLIN, Lycksele
BENGT-OVE HÖGSTRÖM, Härnösand
MARGARETA JONSSON, Älvsbyn
ERIK ORRING, Umeå
INGER ANDERSSON, Dorotea (E)
STEFAN NILSSON, *Head of Regional Bank*

Finland

BOARD:

STIG-ERIK BERGSTRÖM, Esbo, *Chairman*
KAJ JANSSON, Söderkulla
SEIJA TURUNEN, Helsinki
HANS CHRISTOFFERSON, Åkersberga
CARL-AXEL OLSSON, *Head of Regional Bank*

Central Sweden

BOARD:

PER SORTE, Saltsjöbaden, *Chairman*
PER JOHAN BEHRN, Örebro
ESKIL FLORVALL, Saltsjöbaden
ESBJÖRN OLSSON, Stockholm
GUSTAV OHLSSON, Västerås
OLOF G WIKSTRÖM, Järfälla
JURGEN KLEFELT, Stockholm (E)
CURT KÄLLSTRÖMER, *Head of Regional Bank*

Stockholm City

BOARD:

JAN BLMBERG, Stockholm, *Chairman*
CARL-OLOF BY, Saltsjöbaden
EVA FÄRNSTRAND, Bromma
GÖRAN LARSSON, Stockholm
GÖRAN NORD, Bromma
LENNART SVENSSON, Stockholm
MAINE GRÄNS, Vallentuna (E)
MAGNUS UGGLA, *Head of Regional Bank*

Southern Sweden

BOARD:

JAN EKBERG, Åhus, *Chairman*
BENGT ADOLFSSON, Hästveda
PER ANDERSSON, Lund
ROLAND BENGTTSSON, Viken
KURT J JOHANSSON, Sölvesborg
SVEN LANDELIUS, Lund
MIKAEL ROOS, Malmö
ANN-CHRESTIN SAEDÉN, Ystad (E)
THOMMY MOSSINGER,
Head of Regional Bank

Eastern Sweden

BOARD:

ANDERS HULTMAN, Växjö, *Chairman*
LENNART BOHLIN, Linköping
JAN CEDWALL, Nyköping
JAN-ERIC NILSSON, Visby
KENNETH STÅHL, Jönköping
KENNETH SYNNERSTEN, Västerås
LARS HULTMAN, Tranås (E)
HANS-OLOF HARRISON,
Head of Regional Bank

(E) = Employee representative

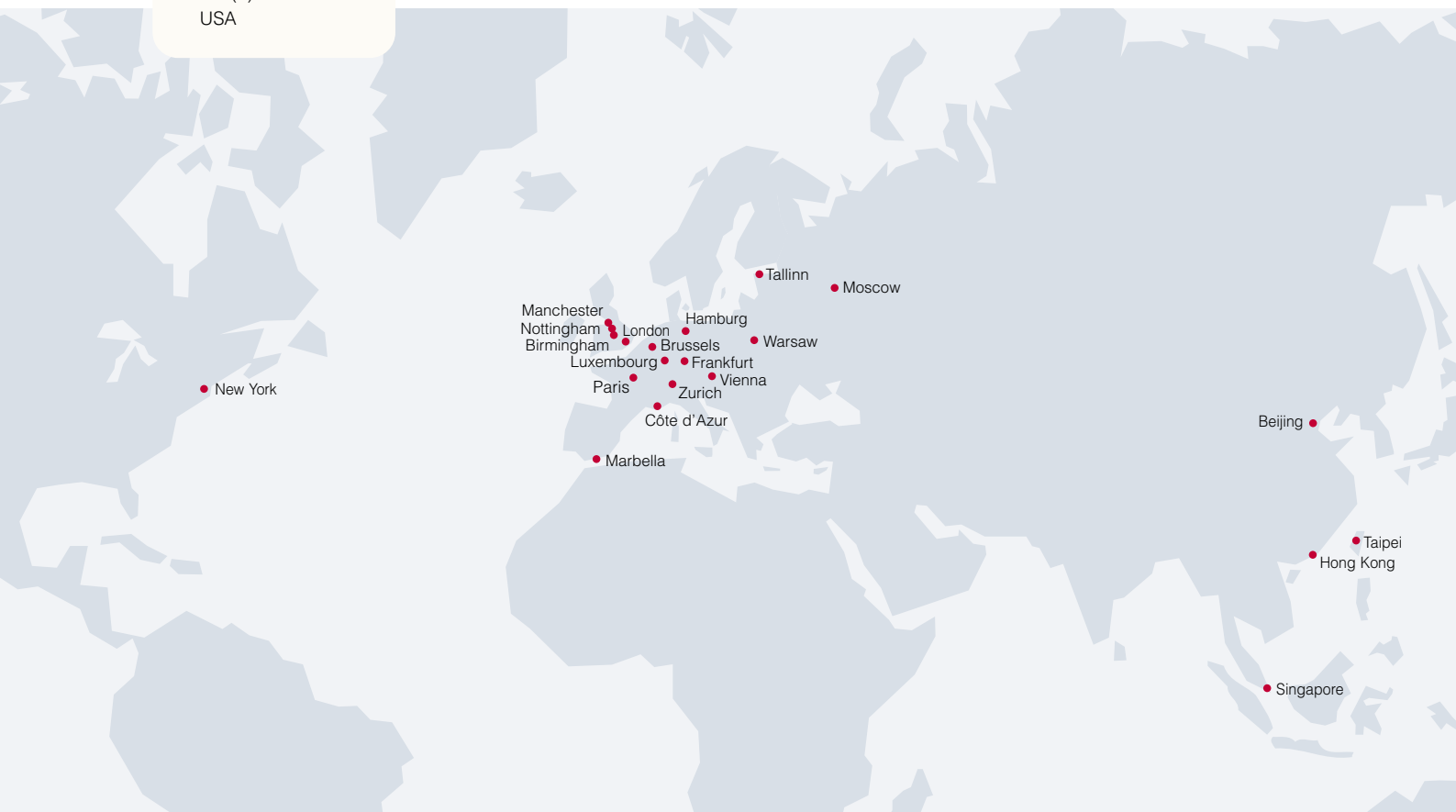
Units outside the Nordic countries

Operations outside the Nordic countries are part of Handelsbanken Markets' organisation. There are units in other European countries, Asia and the USA. These units mainly focus their operations on Nordic companies with operations abroad and non-Nordic companies with operations in the Nordic region. They also do investment banking and trading. Concerning

operations in the UK, see Banking operations outside the Nordic countries on page 28. Handelsbanken in Luxembourg and London also offer asset management services to Nordic citizens living abroad. These operations are organised under Handelsbanken Asset Management. Early in 2001, a unit will be opened in Vienna.

Units outside the Nordic countries:

Austria
Belgium
China
Estonia
France (2)
Germany (2)
Hong Kong
Luxembourg
Poland
Russia
Singapore
Spain
Switzerland
Taiwan
UK (4)
USA



Central Head Office

The Central Head Office departments provide support to the branches with development work, day-to-day services and specialist skills. Our Swedish subsidiaries, which are integrated in the Bank's business operations, are also shown here.



ADMINISTRATION DEPARTMENT

Head: **JANITA THÖRNER-LEHRMARK**

Responsible for managing the Bank's premises, investments in premises, equipment and machines, physical security as well as insurance and environmental matters.

This responsibility includes general purchasing and building matters and also the Head Office's telephone switchboard, distribution and mail services.

HANDELSBANKEN ASSET MANAGEMENT

Head: **BJÖRN C ANDERSSON**

Responsible for asset management and fund management and also custodian and capital investment services.

AUDITING DEPARTMENT

Head: **TORD JONEROT**

Overall responsibility for internal auditing. Co-ordinates auditing issues within the Group. Responsible for evaluating and reviewing internal control. Audits accounts and annual reports.

BUSINESS DEVELOPMENT

Head: **BJÖRN G OLOFSSON**

Responsible for overall development issues within the Group. Responsible for developing payment and cash management services, deposits and lending services, electronic services, branch office systems, development and maintenance of the Group's IT systems and information security.

Responsible for investments in IT systems.

CENTRAL TREASURY

Head: **PEHR WISSÉN**

Responsible for Group funding in Swedish and international capital markets. Responsible for the Group's liquidity management. Overall responsibility for the Group's exposure to interest rate, exchange rate, liquidity and equity risks. Operates the internal bank and central bank clearing.

CONTROL AND ACCOUNTING DEPARTMENT

Head: **LENNART FRANCKE**

Responsible for accounting, Group accounts, annual accounts, financial and administrative control systems, internal cash management and tax analysis.

CORPORATE COMMUNICATIONS DEPARTMENT

Head: **LARS LINDMARK**

Overall responsibility for the Group's marketing policy, internal/external information, advertising, investor relations, complaints and contact with the media. Publishes the Group's house journal.

CREDIT DEPARTMENT

Head: **BJÖRN BÖRJESSON**

Overall responsibility for the Group's lending policies, credit procedures and risk assessment of the lending portfolio.

Prepares credits to be presented to the Central Board.

HUMAN RESOURCES

Head: **ANNA RAMBERG**

Overall responsibility for the Group's human resources strategy, personnel and management recruitment, management and skills development, personnel administration, and negotiations on salaries and employment conditions. Also responsible for working environment, corporate health care, pension matters and the Bank's Conference Centre at Södergarn on Lidingö, near Stockholm.

IT OPERATIONS

Head: **ANDERS JOHANSSON**

Responsible for operation of the Group's IT systems, workstations and communication networks.

LEGAL DEPARTMENT

Head: **LARS KINANDER**

Overall responsibility for legal matters in the Group. Provides legal support for all units within the Group.

HANDELSBANKEN MARKETS

Head: **GÖRAN BJÖRLING**

Operations comprise corporate finance, debt capital markets, money market, foreign exchange and equity trading, correspondent banking, trade finance and economic research. Handelsbanken Markets also includes the Group's units outside the Nordic countries.

Subsidiaries

HANDELSBANKEN FINANS

Head: **ULF RIESE**

Offers leasing, conditional sales, finance collaboration with suppliers of investment assets, car finance and administration, factoring (with and without financing), debt collection and sales finance in collaboration with vendors.

Conducts operations in Sweden, Norway, Finland and Denmark.

HANDELSBANKEN LIV

Head: **BARBRO JOHANSSON**

Offers a complete range of life insurance products, such as individual pension insurance, occupational pension schemes, group life insurance, unit-linked insurance, health and accident insurance and international endowment insurance.

Conducts operations in Sweden, Norway, Finland and Denmark.

HANDELSBANKEN FONDER

Head: **JOACHIM SPETZ**

Manages and administers the Bank's mutual funds and administers funds for corporate customers.

Conducts operations in Sweden, Norway and Finland.

STADSHYPOTEK GROUP

Head: **MICHAEL ZELL**

STADSHYPOTEK and its subsidiary **HANDELSBANKEN HYPOTEK** provide first-mortgage loans for single-family houses, second homes, shares in housing co-operatives, multi-family dwellings and office and commercial buildings.

STADSHYPOTEK BANK

Head: **YONNIE BERGQVIST**

A telephone and Internet bank which offers a limited selection of standardised and packaged banking and insurance services for private customers.

Board of Directors

CHAIRMAN AND GROUP CHIEF EXECUTIVE

Handelsbanken's Chairman, Tom Hedelius, has announced that he wishes to leave the Board at the Annual General Meeting in spring 2001. After almost 25 years at the Bank, first as Group Chief Executive and since 1991 as Chairman, he feels that the time is right to leave as the Bank is doing well and there are no problems finding a successor.

In view of this, the Board has decided to propose Arne Mårtensson, Group Chief Executive of the Bank since 1991, as Chairman after Tom Hedelius, and Lars O Grönstedt, Executive Vice President since 1997, as new Group Chief Executive after Arne Mårtensson.

BOARD OF DIRECTORS

At the Annual General Meeting on 14 April 2000, the Bank's board was re-elected apart from Sven Ågrup, who resigned having reached the age of 70, and Lennart Claesson, Vice President of the Bank, who had declined re-election.

New members elected to the Board were Pirkko Alitalo, business graduate, and Tommy Bylund, Vice President of the Bank.

In January 2001, Roland Fahlin announced that he would leave the Board, due to a commitment in a competing operation.

THE BOARD'S ACTIVITIES

The Board held eleven meetings during 2000. At each meeting, the Board has discussed the financial situation and the Bank's strategy. It has made decisions concerning major credit issues, major investments and strategic issues. The Board has issued working instructions for itself, instructions for the Group Chief Executive, and credit instructions. The Board has also appointed members of the credit committee, the election committee and the compensation committee.

Committees

Credit committee. This committee makes decisions on behalf of the Central Board of Directors on the majority of the credit matters which the Board has to determine and prepares matters which, because of their size and importance, must be presented to the whole Board. Ten meetings of the Credit Committee were held in 2000.

MEMBERS: Tom Hedelius, Chairman, Bo Rydin, Vice Chairman, Tommy Bylund, Roland Fahlin, Lennart Francke, Hans Larsson, Arne Mårtensson, Olle Persson, Clas Reuterskiöld and Bengt Samuelsson

DEPUTY MEMBERS: Lotty Bergström and Göran Ennerfelt

Election committee. Each year since 1988, the Central Board of Directors of Handelsbanken has appointed an election committee which nominates members of the Board and auditors before the Annual General Meeting.

MEMBERS: Tom Hedelius, Chairman, Tommy Bylund, Hans Larsson, Bo Rydin and Bengt Samuelsson.

Compensation Committee. This committee reviews the Chairman's remuneration and benefits in accordance with his contract; it adjusts the salary and benefits of the Group Chief Executive in accordance with his contract; it also establishes the principles and overall policy for the salaries, benefits and pensions of the Executive Vice Presidents.

MEMBERS: Clas Reuterskiöld, Chairman, Roland Fahlin and Hans Larsson.

Board Members



TOM HEDELIUS, *Chairman*



BO RYDIN, *Vice Chairman*



LOTTY BERGSTRÖM



TOMMY BYLUND



ROLAND FAHLIN



HANS LARSSON



ARNE MÅRTENSSON



PIRKKO ALITALO



GÖRAN ENNERFELT



PER-OLOF ERIKSSON



OLLE PERSSON



CLAS REUTERSKIÖLD



BENGT SAMUELSSON

TOM HEDELIUS, Chairman

* 1939, Stockholm
Member since 1977
Chairman of Bergman & Beving AB;
Vice Chairman of AB Industrivärden,
Telefon AB L M Ericsson; Director
of Svenska Cellulosa AB SCA,
AB Volvo, SAS
Shareholding: 26 400

BO RYDIN, Vice Chairman

* 1932, Stockholm
Member since 1973
Chairman of Svenska Cellulosa AB
SCA, AB Industrivärden, Skanska AB,
Gräninge AB, SAS
Shareholding: 40 000

ARNE MÅRTENSSON

* 1951, *President and Group
Chief Executive,*

Danderyd
Member since 1990
Chairman of Holmen AB, Sandvik AB,
V&S Vin & Sprit AB, Swedish ICC,
Industry and Commerce Stock
Exchange Committee, Council of
World Economic Forum
Shareholding: 0,
synthetic options: 80 000

PIRKKO ALITALO

* 1949, Helsinki
Member since 2000
Member of the Foundation for Finnish
Medical Science
Shareholding: 1 500

LOTTY BERGSTRÖM

* 1949, Ekerö
Member since 1996
Shareholding: 0

TOMMY BYLUND

* 1959, Ljusdal
Member since 2000
Chairman of the Oktogonen
foundation
Shareholding: 944,
synthetic options: 5 000

GÖRAN ENNERFELT

* 1940, President and Group CEO
of Axel Johnson Group, Upplands
Väsby
Member since 1985
Director of Spirent plc
Shareholding: 34 000

PER-OLOF ERIKSSON

* 1938, Sandviken
Member since 1986
Chairman of Svenska Kraftnät;
Director of Assa Abloy AB,
AB Custos, Preem Petroleum AB,
Sandvik AB, Skanska AB, SSAB
Svenskt Stål AB, AB Volvo
Shareholding: 22 000

ROLAND FAHLIN (until 31 January 2001)

* 1938, Chairman and CEO of ICA
Ahold AB, Stockholm
Member since 1993
Director of ICA Förbundet
Shareholding: 6 000

HANS LARSSON

* 1942, Stockholm
Member since 1990
Chairman of NCC AB, Biolight
International AB, Nobia AB;
Director of Bilia AB, Holmen AB,
Nordstjernan AB
Shareholding: 18 600

OLLE PERSSON

* 1935, Östersund
Member since 1989
Chairman of Byggelit AB, Z-Invest
Shareholding: 21 000

CLAS REUTERSKIÖLD

* 1939, President and CEO of
AB Industrivärden, Danderyd
Member since 1994
Director of Sandvik AB, Skanska AB,
Svenska Cellulosa AB SCA,
Telefon AB L M Ericsson
Shareholding: 16 527

BENGT SAMUELSSON

* 1934, Professor, Danderyd
Member since 1989
Chairman of the Nobel Foundation
Director of Pharmacia Corp., USA,
Nicox S.A., France, Biostratum Inc., USA,
Pyrosequencing AB
Shareholding: 3 000

Honorary Chairmen

TORE BROWALDH

* 1917, Stockholm

JAN WALLANDER

* 1920, Drottningholm

For members of the Board who were previously
Deputies, the year stated for election to the Board
is the year the person was elected Deputy.

Senior Management

President and Group Chief Executive

ARNE MÅRTENSSON, * 1951
Employed: 1974
Shareholding: 0, options 80 000

From 24 April 2001:

LARS O GRÖNSTEDT, * 1954
Employed: 1983
Shareholding: 600, options 80 000

Executive Vice Presidents at the Central Head Office

BJÖRN C ANDERSSON, * 1946
Head of Handelsbanken Asset Management
Employed: 1985
Shareholding: 12 500, options 40 000

GÖRAN BJÖRLING, * 1942
Head of Handelsbanken Markets
Employed: 1977
Shareholding: 0, options 40 000

BJÖRN BÖRJESSON, * 1951
Head of Central Credit Department
Employed: 1981
Shareholding: 0, options 40 000

LENNART FRANCKE, * 1950
Head of Central Control and Accounting Department
Employed: 1972
Shareholding: 1 284, options 40 000

ANDERS JOHANSSON, * 1955
Head of Central IT Operations
Employed: 1999
Shareholding: 0, options 5 000

BJÖRN G OLOFSSON, * 1950
Head of Central Business Development Department
Employed: 1986
Shareholding: 0, options 10 000

ANNA RAMBERG, * 1952
Head of Human Resources
Employed: 1971
Shareholding: 909, options 40 000

PEHR WISSÉN, * 1951
Head of Central Treasury Department
Employed: 1983
Shareholding: 0, options 18 000

Executive Vice Presidents at the Regional Banks

STEFAN NILSSON, * 1957
Head of Regional Bank Northern Norrland
Employed: 1980
Shareholding: 0, options 40 000

HÅKAN SANDBERG, * 1948
Head of Regional Bank Southern Norrland
Employed: 1969
Shareholding: 509, options 40 000

MAGNUS UGGLA, * 1952
Head of Regional Bank Stockholm City
Employed: 1983
Shareholding: 30 000, options 40 000

CURT KÄLLSTRÖMER, * 1941
Head of Regional Bank Central Sweden
Employed: 1961
Shareholding: 55 287, options 40 000

HANS-OLOF HARRISON, * 1943
Head of Regional Bank Eastern Sweden
Employed: 1964
Shareholding: 10 336, options 40 000

M JOHAN WIDERBERG, * 1949
Head of Regional Bank Western Sweden
Employed: 1972
Shareholding: 3 540, options 40 000

THOMMY MOSSINGER, * 1951
Head of Regional Bank Southern Sweden
Employed: 1982
Shareholding: 0, options 25 000

PÅR BOMAN, * 1961
Head of Regional Bank Denmark
Employed: 1991
Shareholding: 0, options 40 000

CARL-AXEL OLSSON, * 1938
Head of Regional Bank Finland
Employed: 1958
Shareholding: 8 000

BJÖRN-ÅKE WILSENIUS, * 1944
Head of Regional Bank Norway
Employed: 1961
Shareholding: 2 310, options 40 000

All options are synthetic.

Chief Executives of Subsidiaries

YONNIE BERGQVIST, * 1961
Head of Stadshypotek Bank
Employed: 1979
Shareholding: 29, options 40 000

BARBRO JOHANSSON, * 1944
Head of Handelsbanken Liv
Employed: 1961
Shareholding: 0, options 40 000

ULF RIESE, * 1959
Head of Handelsbanken Finans
Employed: 1983
Shareholding: 18 657, options 40 000

MICHAEL ZELL, * 1950
Head of Stadshypotek/
Handelsbanken Hypotek
Employed: 1978
Shareholding: 2 000, options 40 000

Others

JAN HÄGGSTRÖM, * 1949
Head of Handelsbanken Markets Research
Employed: 1988
Shareholding: 0, options 40 000

LARS LINDMARK, * 1945
Head of Corporate Communications
Employed: 1992
Shareholding: 5 000, options 40 000

BENGT RAGNÅ, * 1950
Head of Investor Relations
Employed: 1982
Shareholding: 1 000, options 40 000

Changes

Björn Börjesson, Executive Vice President, was appointed head of the Central Credit Department. He was previously head of the Regional Bank Southern Sweden. Lennart Francke, Executive Vice President, was appointed head of the Central Control and Accounting Department. He was previously head of the Central Credit Department. Anders Johansson, head of Central IT Operations, was appointed Executive Vice President. Tommy Mossinger was appointed Executive Vice President and head of the Regional Bank Southern Sweden. He was previously Manager of the Jönköping branch. Björn G Olofsson was appointed Executive Vice President and head of the Central Business Development Department. He was previously head of strategic infrastructure at the same department.

Auditors

Appointed by the Annual General Meeting

KPMG Bohlins AB

THOMAS THIEL, *Chairman, Auditor in charge*
Authorised Public Accountant, Stockholm

STEFAN HOLMSTRÖM

Authorised Public Accountant, Täby

Ernst & Young AB

ÅKE HEDÉN, *Auditor in charge*
Authorised Public Accountant, Enköping

Appointed by Finansinspektionen

ULF DAVÉUS

Authorised Public Accountant,
Deloitte & Touche AB, Åkersberga

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Registered No. 556070-0683

Handelsbanken Liv

Torsgatan 12
Box 1325
SE-111 83 Stockholm
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Registered No. 516401-8326

Stadshypotek/

Handelsbanken Hypotek

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[®] = Branch [®] = Representative office [®] = Subsidiary

General definitions

ADJUSTED SHAREHOLDERS' EQUITY PER ORDINARY SHARE. Shareholders' equity as reported in the balance sheet adjusted for the capital part of the difference between the book value and market value of interest-bearing securities which are classified as financial fixed assets divided by the number of ordinary shares after full conversion of convertible subordinated notes. An adjustment has been made where preference and index share capital is calculated at current redemption value.

BAD DEBTS. A non-performing loan, or a loan where other circumstances lead to doubt concerning its value and where the value of the collateral does not cover the principal amount and the accrued interest by a satisfactory margin. Net bad debts are bad debts minus the reserve for possible loan losses.

BAD DEBT RESERVE RATIO. Reserve for possible credit losses as a percentage of gross bad debts.

CAPITAL BASE. The capital base is the sum of tier 1 (primary) and tier 2 (supplementary) capital. Tier 1 capital comprises shareholders' equity less goodwill plus 72% of untaxed reserves in the parent company. Tier 2 capital includes subordinated loans with some reduction when the residual maturity is under five years. This part of the supplementary capital may not exceed 50% of tier 1 capital. With specific permission from the Government or, following authorisation by the Government, from the Financial Supervisory Authority, other instruments may also be included in tier 1 or tier 2 capital. However, tier 2 capital must never exceed tier 1 capital. The capital base is obtained by reducing the total of tier 1 and tier 2 capital by the book value of holdings in insurance and financial operations not included in the Consolidated Accounts. In order to cover the capital requirement on the market risks, subordinated loans with an original maturity of at least two years can be included in the capital base.

CAPITAL RATIO. Capital ratio or the total capital ratio is the capital base in relation to risk-weighted volume. The Act on Capital Adequacy and Large Exposures of Credit Institutions and Securities Companies stipulates that it should be at least 8%.

C/I RATIO. Total expenses in relation to total income. The C/I ratio is computed before and after loan losses incl. changes in value of repossessed property.

DIRECT YIELD. Dividend per ordinary share divided by the share price at year-end.

LOAN LOSS RATIO. Loan losses and changes in value of repossessed property as a percentage of the opening balance for the period for lending to the general public, lending to credit institutions (excl. banks), repossessed property and credit guarantees.

NET EARNINGS PER ORDINARY SHARE. The result for the period after appropriations and tax divided by the average number of ordinary shares. An adjustment has been made to take into account preference shares, index shares and full conversion of convertible subordinated notes.

NON-PERFORMING LOANS. Loans where interest, repayments or overdrafts have been due for payment for more than 60 days.

P/E RATIO. The share price at year-end divided by net earnings per ordinary share.

PROBLEM LOANS. The total of bad debts (net) and reduced rate loans.

PROFITABILITY. See Return on equity.

PROPORTION OF BAD DEBTS. Bad debts (net) in relation to total lending to the general public and credit institutions (excl. banks).

REDUCED RATE LOANS. Loans for which the interest rate has been reduced relative to market rates.

RETURN ON EQUITY. The result for the period after appropriations and tax in relation to average shareholders' equity adjusted for rights issues and dividend.

RETURN ON TOTAL ASSETS. Operating profit before tax in relation to average total assets.

RISK-WEIGHTED VOLUME. The risk-weighted volume is determined by the assets and off-balance-sheet items being placed in varying risk classes, in accordance with the Act on Capital Adequacy and Large Exposures of Credit Institutions and Securities Companies. The volumes are weighted taking into account the assessed risk such that they are included in the risk-weighted volume by 0%, 20%, 50% or 100%.

TIER 1 CAPITAL RATIO. Primary capital in relation to risk-weighted volume. (See Capital base and Risk-weighted volume.)

Explanation of concepts concerning risk

BACK-TESTING. In order to evaluate statistical models, back-testing is one method of checking whether that which the model is intended to calculate statistically agrees with the actual outcome.

DERIVATIVE INSTRUMENTS. An instrument whose value is linked to the value of an underlying commodity. Options, swaps and forward contracts are examples of derivatives. An option is a derivative instrument which gives the holder the right to buy or sell a share at certain price (the exercise price) within a certain period of time (the maturity). They can be used to increase or decrease the risk level of a portfolio. A forward contract is an agreement to buy an underlying commodity at a predetermined price and with delivery and payment at a predetermined future date. Unlike options, forward contracts are binding on both parties.

EQUITY RISK. The Bank's exposure to equity risk is divided into systematic and specific risk. The systematic risk originates in the price movements of the entire stock market. The specific risk originates in the price variation of each individual share compared to the index.

EXCHANGE RATE RISK. Exchange rate risks arise when there is a difference between the present value of assets and liabilities in foreign currencies –including the effects of derivative positions. When this is the case, the Group's profit is affected by fluctuations in exchange rates.

FINANCIAL RISK. Financial risks are divided into market and liquidity risks. Market risks consist in their turn of interest rate risks, exchange rate risks and equity risks. They constitute the changes in value which arise as a result of a change in price, exchange rate or volatility. Liquidity risk is the risk that the Bank's costs increase because the funding requirement on a particular day is too large in relation to the supply of funding.

INTEREST RATE RISK. Interest rate risks arise because the interest rate adjustment periods of the Group's assets and liabilities or off-balance-sheet items do not coincide. A change in the yield curve may lead to a deterioration in net interest income and/or fall in value when the adjustment periods for assets and liabilities are different.

INTEREST RATE SWAPS. Derivative instruments where a swap of interest payments from a floating to a fixed interest rate or vice versa is agreed.

LIQUIDITY RISK. Liquidity risks arise when assets and liabilities have differing maturities. When assets mature later than liabilities, the assets must be refinanced once or several times during their lifetime. The risk is that the funding cost may increase, if on a particular day the refinancing requirement in an individual currency is large.

RISK MATRIX. A risk matrix shows how much the market value of a position in an option changes when the price of the underlying asset and the volatility changes by certain predetermined values.

SPOT CONTRACT. Spot contracts are contracts concerning physical instruments or commodities which unlike derivative instruments, require immediate delivery. Spot contracts may refer to purchase and sale of shares, currencies etc.

TRADING BOOK. The trading book is a concept which is defined in the Act on the Capital Adequacy and Large Exposures of Credit Institutions and Securities Companies (1994:2004). The trading book includes positions in financial instruments which have been taken for the purpose of short-term profit on the money, foreign exchange and equity markets. The trading book is subject to capital adequacy requirements for market risks.

VAR. Value-at-Risk is a probability-based method of measuring market risks. VaR indicates the maximum loss which can be expected to occur on the basis of a certain confidence interval and for a certain holding period. When a 99-percent confidence interval is used, this means that the probability of a larger loss than the VaR amount is only 1%.

VOLATILITY. Volatility expresses the expected change in the price of the underlying asset for an option. Volatility is one of the variables in theoretical option valuation models. In statistical terms, the volatility is measured by the standard deviation of the change in market price.

YIELD CURVE. The yield curve is a graph showing the yield which the fixed income market agrees on depending on the maturity per credit risk. Credit risk is often split into the following types of risk: government, bank, mortgage institutions and corporate.

◀ Definitions

◀ Explanation of concepts

Produced by: Ulla Jansson Information AB

Photographs: Victor Brott/Global Reporting,
unless otherwise stated

Cover photos: Tiofoto (flags), Scanpix (SPP)

Repro: Typografen Text&Bild

Printing: Tryckcentra AB





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