

21 August 2001

Press release

Handelsbanken's interim report January – June 2001

Summary

- *Profits were SEK 6 005m (5 755), an increase of 4 % excluding last year's one-off income from the sale of the shares in Svensk Exportkredit*
- *Income increased by 6 % to SEK 10 837m*
- *Net interest income rose by 10 %*
- *Equity-market related commission fell but payment and lending commission rose*
- *Net trading income went up by 13 %*
- *Comparable expenses, excluding exchange rate effects, were up by 3 %*
- *The acquisition of Danish Midtbank A/S was completed*

The Group

Profits higher

Profits were SEK 6 005m (5 755), an increase of 4 %. During the second quarter of last year, the Bank sold its holding in Svensk Exportkredit which had a positive one-off impact on the result amounting to SEK 343m. All comparisons with last year exclude this one-off effect. Return on shareholders' equity was 20.9 % (21.9). For the whole of 2000, return on shareholders' equity was 21.6 %. The cost/income ratio before loan losses was 45.2 % (44.4) and 44.6 % (44.0) after loan losses. Earnings per share were SEK 6.59 (6.12) and as a 12-month moving total SEK 12.91 (10.99) per share.

Income continued to rise – strong growth in lending

Net interest income rose by 10 % to SEK 6 464m (5 888). The increase was mainly due to higher lending volumes. Margins remained more or less unchanged. Lending to the general public rose by 16 %. The rate of increase was almost identical for households and companies. Net commission income fell by just over 9 % and was SEK 2 579m (2 847).

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Brokerage income fell by 38 % to SEK 590m while both lending and payment commission increased substantially. Payment commission was higher than brokerage income. Net trading income continued to be stable and was SEK 1 462m (1 297), an increase of 13 %. Total income rose by 6 %.

Expenses well under control

Expenses were SEK 4 897m (4 560), an increase of 7 %. Comparable expenses increased by 3 % which was mainly due to investments in the branch office network in the Nordic countries outside Sweden, and IT development. The acquisitions of SPP and Midtbank and exchange rate effects represented four percentage points of the increase in costs. The average number of employees in the Swedish branch office operations was marginally lower while for the whole Group, the number increased by 471. Of these, 131 are Midtbank employees.

Low loan losses

Recoveries, including the change in value of repossessed property, exceeded loan losses and the net figure was SEK 65m (45). The proportion of bad debts amounted to 0.31 % (0.24) of lending. The proportion of bad debts fell compared to the previous quarter. The volume of collateral taken over was SEK 135m (132).

Capital ratio, buy-back of shares and rating

The Group's capital ratio was 9.3 % (9.4). The Tier 1 capital ratio was 5.9 % (6.6). At the Annual General Meeting in 2001, the board of the Bank was authorised to repurchase up to 20 million shares during the year until the next AGM and to sell shares which had already been repurchased for the purpose of financing possible acquisitions. Handelsbanken has not repurchased any shares since the 2001 AGM, but has sold 5.5 million shares in connection with the acquisition of Midtbank. The number of outstanding shares is 693.4 million.

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

Handelsbanken - best bank in the Nordic region

As long as independent surveys of customer satisfaction have been made in Sweden, Handelsbanken has been at the top. Having the most satisfied customers is of utmost importance to Handelsbanken and is one of the pillars on which the Bank's strategy is based. During the year, a couple of business journals have also drawn attention to Handelsbanken. Euromoney and The Banker have acclaimed Handelsbanken best bank. Euromoney has given the Bank the "Euromoney Awards for Excellence" as the best bank in the Nordic and Baltic regions, and also in Sweden. The Banker has acclaimed Handelsbanken "Bank of the Year" in Sweden. Among the motivations for these awards are the Bank's consistent philosophy of decentralisation, its well thought-out Internet strategy, the e-bud (electronic house bidding) drive, the fact that all branches have their own home pages and strategic acquisitions such as SPP and Midtbank.

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Acquisition of SPP

The acquisition of the life insurance company, SPP, was completed in March. The impact of cross-sales - mainly of bank products to SPP customers - represented a significant part of the calculation on which the acquisition was based. One of the assumptions in the acquisition calculation was that approximately 30 % of SPP's customers were also customers of Handelsbanken.

A detailed examination revealed that of all private individuals who are customers of SPP, 34 % were also customers of the Handelsbanken Group. Of private individuals in the high-income bracket (over SEK 370 000 per annum), as many as 44 % were customers of Handelsbanken. Handelsbanken had a customer relationship with almost 30 % of SPP's corporate customers. The overall assessment of SPP's customer base provides good support for the calculation regarding cross-sales on which the acquisition was based. The information confirms Handelsbanken's strong market position among white-collar workers, and not least among high-income earners.

The work on cross sales is currently being carried out and organised by all branches. In general, this work follows the same pattern as the successful sale of banking services to the customers of Stadshypotek who did not already have a relationship with the Bank when Stadshypotek was acquired.

Midtbank A/S

On 11 April, Handelsbanken made a bid for Midtbank A/S, a medium-sized regional bank in Denmark, based in Jutland. The total value of the bid was around SEK 2.5bn. The bid was well-received and on 10 July, Handelsbanken had 100 % of the votes at its disposal. Midtbank A/S was delisted from the Copenhagen Stock Exchange on 23 July. Midtbank's result is included in the Group from 15 May.

Handelsbanken has conducted banking operations in Denmark since 1992 and at the time of the acquisition had seven branches, total assets of around SEK 18bn and 175 employees. Through the acquisition of Midtbank, the Bank gained a very strong position in the Jutland region with a total of 26 branches, a strong brand name and customers within a profitable and expanding market segment. The acquisition also gave Handelsbanken access to the Danish mutual fund market via the fund management company Midtinvest.

Following the acquisition, Handelsbanken has 31 branches in Denmark, around 600 employees and total assets of some SEK 30bn.

Government gives go-ahead for demutualisation of Handelsbanken Liv

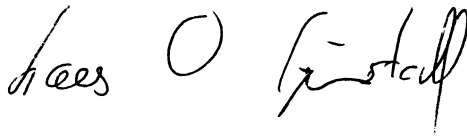
At the end of April, the government made a resolution to approve the demutualisation of the Bank's life insurance company, Handelsbanken Liv. As a result of the resolution, all the formal requirements for demutualisation have been fulfilled.

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Handelsbanken acquired real estate

The Bank acquired two properties in central Stockholm, where most of the Bank's head office is situated. The sellers were Alecta and SEB and the purchase price for both properties was SEK 452m. The Bank is already one of the main tenants in the acquired properties.

Stockholm, 21 August 2001



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The interim report for the third quarter of 2001 will be published on 23 October 2001. Handelsbanken's interim reports and other publications are also available on the Internet (<http://www.handelsbanken.se/ireng>).

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Profit and loss account – Svenska Handelsbanken Group

The profit and loss account on page 23 is prepared in accordance with Finansinspektionen's directives. In order to illustrate the development of operations more clearly, the profit and loss account is shown below with the various income categories, excluding that which is generated in the trading operation. The "Net result on financial operations" (equity-, interest rate- and currency-related) and trading-related income from other income categories are reported under "Trading, net". Performance-related staff costs are reported separately. The result of insurance operations has been allocated to the respective income/expense categories as shown in Note 5 on page 25. Participations in the result of associated companies are reported under "Other income".

| SEK m | 2001 | 2000 | Change % | Full year 2000 |
|---|---------------|---------------|-------------|-------------------|
| Net interest income | 6 464 | 5 888 | 10 | 11 791 |
| Commission, net Note 1a | 2 579 | 2 847 | -9 | 5 455 |
| Trading, net | 1 462 | 1 297 | 13 | 2 633 |
| Other income | 332 | 581 | -43 | 801 |
| Total income | 10 837 | 10 613 | 2 | 20 680 |
| Staff costs excl. performance-related | 2 659 | 2 354 | 13 | 4 844 |
| Performance-related staff costs | 259 | 339 | -24 | 464 |
| Other expenses | 1 979 | 1 867 | 6 | 3 756 |
| Total expenses | 4 897 | 4 560 | 7 | 9 064 |
| Profit before loan losses | 5 940 | 6 053 | -2 | 11 616 |
| Net recoveries incl. change in value of repossessed property | 65 | 45 | 44 | 67 |
| Operating profit | 6 005 | 6 098 | -2 | 11 683 |
| Pension settlement | 346 | 333 | 4 | 797 |
| Taxes | -1 798 | -1 742 | 3 | -3 353 |
| Minority interests | -11 | -11 | - | -22 |
| Net profit for the period | 4 542 | 4 678 | -3 | 9 105 |

Note to the Profit and Loss Account

| SEK m | 2001 | 2000 | Change % | Full year 2000 |
|--------------------------------|--------------|--------------|-------------|-------------------|
| Note 1a Commission, net | | | | |
| Brokerage | 590 | 957 | -38 | 1 668 |
| Mutual funds and custody | 750 | 852 | -12 | 1 646 |
| Payments | 633 | 544 | 16 | 1 194 |
| Lending and deposits | 550 | 411 | 34 | 876 |
| Other | 622 | 622 | 0 | 1 172 |
| Commission income | 3 145 | 3 386 | -7 | 6 556 |
| Commission expense | -566 | -539 | 5 | -1 101 |
| Commission, net | 2 579 | 2 847 | -9 | 5 455 |

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Financial ratios for Svenska Handelsbanken Group

| | 2001 | 2000 | Full year 2000 |
|--|-------------|-------------|-------------------|
| Return on shareholders' equity | 20.9 % | 23.5 % | 22.3 % |
| Return on shareholders' equity * | 20.9 % | 21.9 % | 21.6 % |
| Return on shareholders' equity, operating profit after standard tax * | 19.8 % | 20.7 % | 19.9 % |
| Cost/Income (C/I ratio) | | | |
| - before loan losses | 45.2 % | 43.0 % | 43.8 % |
| - after loan losses | 44.6 % | 42.5 % | 43.5 % |
| - before loan losses * | 45.2 % | 44.4 % | 44.6 % |
| - after loan losses * | 44.6 % | 44.0 % | 44.2 % |
| Earnings per share, SEK | | | |
| - January – June | 6.59 | 6.57 | |
| - 12 mth moving total | 12.91 | 11.44 | 12.89 |
| - January – June * | 6.59 | 6.12 | |
| - 12 mth moving total * | 12.91 | 10.99 | 12.44 |
| Number of shares, end of period | 714 746 940 | 714 746 940 | 714 746 940 |
| - of which repurchased | 21 359 525 | 10 379 700 | 21 505 900 |
| Average number of outstanding shares | 688 986 804 | 712 222 216 | 706 420 876 |
| Adjusted equity per share, SEK | 64.02 | 56.26 | 61.35 |
| Tier 1 capital | 36 050 | 33 539 | 34 596 |
| Risk-weighted volume | 611 961 | 508 387 | 541 556 |
| Capital ratio | 9.3 % | 9.4 % | 9.5 % |
| Tier 1 ratio | 5.9 % | 6.6 % | 6.4 % |
| Average number of employees | 8 898 | 8 427 | 8 574 |
| Number of branches in Nordic countries, 30 June | 539 | 508 | 512 |

* Excluding items affecting comparability

Quarterly performance of Svenska Handelsbanken Group

| SEK m | 2001:2 | 2001:1 | 2000:4 | 2000:3 | 2000:2 |
|---|--------------|--------------|--------------|--------------|--------------|
| Net interest income | 3 224 | 3 240 | 3 010 | 2 893 | 2 984 |
| Commission, net | 1 366 | 1 213 | 1 288 | 1 320 | 1 349 |
| Trading, net | 649 | 813 | 665 | 671 | 621 |
| Other income | 179 | 153 | 157 | 63 | 508 |
| Total income | 5 418 | 5 419 | 5 120 | 4 947 | 5 462 |
| Staff costs excl. performance-related | 1 367 | 1 292 | 1 278 | 1 212 | 1 184 |
| Performance-related staff costs | 130 | 129 | 5 | 120 | 174 |
| Other expenses | 1 024 | 955 | 985 | 904 | 924 |
| Total expenses | 2 521 | 2 376 | 2 268 | 2 236 | 2 282 |
| Profit before loan losses | 2 897 | 3 043 | 2 852 | 2 711 | 3 180 |
| Net recoveries incl. change in value of repossessed property | -13 | 78 | -42 | 64 | 13 |
| Operating profit | 2 884 | 3 121 | 2 810 | 2 775 | 3 193 |
| Pension settlement | 184 | 162 | 304 | 160 | 161 |
| Taxes | -852 | -946 | -839 | -773 | -889 |
| Minority interests | -5 | -6 | -5 | -6 | -5 |
| Net profit for the period | 2 211 | 2 331 | 2 270 | 2 156 | 2 460 |

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Business areas

Profit and loss account by business area - Group

| SEK m | Branch offices | Markets | Investm- Banking | Asset Mgmt. | Finans | Pens & Insur. | S-hyp Bank | Treasury | Other | Total 2001 | Total 2000 |
|--|-------------------|--------------|---------------------|----------------|-------------|------------------|---------------|-------------|------------|---------------|---------------|
| Net interest income | 5 829 | 548 | -89 | 89 | 241 | 3 | 38 | 121 | -143 | 6 637 | 5 663 |
| Commission, net | 1 348 | 115 | 424 | 434 | 144 | 87 | 23 | -20 | 24 | 2 579 | 2 847 |
| Net result on financial operations | 260 | 531 | 297 | 13 | 0 | -11 | 0 | 9 | 104 | 1 203 | 1 434 |
| Other income | 12 | 4 | 116 | 9 | 10 | 4 | 1 | 6 | 256 | 418 | 669 |
| Total income | 7 449 | 1 198 | 748 | 545 | 395 | 83 | 62 | 116 | 241 | 10 837 | 10 613 |
| <hr/> | | | | | | | | | | | |
| <i>Net internal remuneration included in income</i> | 465 | | | | 1 | | | | | | |
| <i>Net internal remuneration deducted from income</i> | | 27 | 25 | 274 | | 135 | 5 | - | | | |
| <hr/> | | | | | | | | | | | |
| Total expenses | 3 005 | 558 | 484 | 277 | 224 | 50 | 55 | 15 | 229 | 4 897 | 4 560 |
| Profit before loan losses | 4 444 | 640 | 264 | 268 | 171 | 33 | 7 | 101 | 12 | 5 940 | 6 053 |
| Net recoveries incl. change in value of repossessed property | 22 | 43 | | | 0 | | 0 | | | 65 | 45 |
| Operating profit | 4 466 | 683 | 264 | 268 | 171 | 33 | 7 | 101 | 12 | 6 005 | 6 098 |
| <hr/> | | | | | | | | | | | |
| Return on equity, % | 21.2 | 21.6 | 52.7 | 27.3 | 29.1 | 15.4 | 16.7 | 21.2 | | 20.9 | 23.5 |

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 Capital Adequacy Act.

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

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

The result of insurance operations and associated companies is reported as shown on page 5.

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Branch office operations

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

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

The regional banks are responsible for their own profits and are run using the same concept – to deliver universal banking services with a higher service level for customers compared with other banks in the Nordic area, at the same time as Handelsbanken aims to have the lowest expenses. It is on this foundation that the Bank will be able to grow in the whole of the Nordic area. Handelsbanken has 459 branches in Sweden, 25 in Norway, 24 in Finland and 31 in Denmark. Handelsbanken is the largest bank in Sweden, the fourth largest commercial bank in Finland, fifth in Norway and fifth in Denmark.

Profit and loss account

| SEK m | 2001 | 2000 | Change % | Full year 2000 |
|--|--------------|--------------|-----------|----------------|
| Net interest income | 5 829 | 5 247 | 11 | 10 609 |
| Commission, net | 1 348 | 1 503 | -10 | 2 979 |
| Net result on financial operations | 260 | 218 | 19 | 434 |
| Other income | 12 | 24 | -50 | 49 |
| Total income | 7 449 | 6 992 | 7 | 14 071 |
| <i>Net internal remuneration included in income</i> | <i>465</i> | <i>538</i> | | <i>1 072</i> |
| Total expenses | 3 005 | 2 686 | 12 | 5 538 |
| Profit before loan losses | 4 444 | 4 306 | 3 | 8 533 |
| Net recoveries incl. change in value of repossessed property | 22 | 16 | 38 | 172 |
| Operating profit | 4 466 | 4 322 | 3 | 8 705 |
| Return on equity, % | 21.2 | 22.7 | | 22.8 |
| Average number of employees | 5 265 | 5 111 | | 5 190 |

Branch office profits were SEK 4 466m (4 322), an increase of 3 %. This corresponded to almost 75 % of the Group's total surplus. Increased demand for credits meant that net interest income rose by 11 % to SEK 5 829m (5 247) while net commission income decreased by almost as much. Total income was SEK 7 449m (6 992), an increase of 7 %. Expenses rose by almost 12 %. The Nordic expansion and Midtbank acquisition represented three percentage points of this. Branch office operations also bore most of the higher IT costs.

The number of branches in Sweden totalled 459. The period was characterised by large demand for credits and an influx of new customers. Since the beginning of the year, lending in the Bank has increased by around SEK 70bn. Household lending in Swedish kronor represented some SEK 15bn of this, large individual corporate deals the same amount, the increase in the Nordic countries (including Midtbank) almost SEK 20bn and exchange rate effects over SEK 4bn.

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Mortgage lending was still strong and in the second quarter the Bank's market share for new mortgages was higher than the Bank's share of total mortgage volume, both for lending to companies and to households. It is the first time this has occurred since the Bank acquired Stadshypotek in 1997.

Marketing was started to SPP customers who were not already customers of the Bank. An analysis of the customer registers revealed that 34 % of SPP customers were also customers of Handelsbanken. The proportion of high-income SPP customers (incomes over approx. SEK 370 000 per annum) who were also customers of the Bank was 44 %. Sales of banking products to SPP's private customers who did not previously have any connection with Handelsbanken are an important part of the cross sales. But there is also great potential in extra sales to existing customers and marketing to companies with which the Bank does not have a relationship. On the corporate side, detailed material has been produced at branch office level. Marketing to new corporate customers will be based on this. The work is being organised by the branch managers in close co-operation with SPP staff.

Branch office operations in the other Nordic countries developed well. The surplus increased in Norway and Denmark but fell in Finland. The latter is mainly due to increased IT costs and the rapid expansion in Finland. Eight new branches have been opened there over a period of one year. In Norway, operations developed favourably. The Bank has received permission from the Norwegian Financial Supervisory Authority to transfer the operations of Bergensbanken ASA to Handelsbanken's Norwegian branch. This implies that all banking operations are run under the same legal entity which will facilitate future integration work. This change will make it easier to continue the work of organising Bergensbanken according to Handelsbanken's traditional model. In Denmark the work continued of integrating Midtbank A/S with Handelsbanken's existing operations in the country. Midtbank's result is included in the Group from 15 May.

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Handelsbanken Markets

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

Profit and loss account

| SEK m | 2001 | 2000 | Change % | Full year 2000 |
|--|--------------|-------------|-----------|----------------|
| Net interest income | 548 | 107 | 412 | 155 |
| Commission, net | 115 | 102 | 13 | 215 |
| Net result on financial operations | 531 | 704 | -25 | 1 623 |
| Other income | 4 | 3 | 33 | 8 |
| Total income | 1 198 | 916 | 31 | 2 001 |
| <hr/> | | | | |
| <i>Net internal remuneration deducted from income</i> | 27 | 19 | | 39 |
| <hr/> | | | | |
| Total expenses | 558 | 522 | 7 | 1 065 |
| Profit before loan losses | 640 | 394 | 62 | 936 |
| Net recoveries incl. change in value of repossessed property | 43 | 31 | 39 | 17 |
| Operating profit | 683 | 425 | 61 | 953 |
| <hr/> | | | | |
| Return on equity, % | 21.6 | 16.6 | | 18.5 |
| Average number of employees | 717 | 698 | | 703 |

Performance

Operating profit increased by 61 % to SEK 683m (425). Income rose by 31 % to SEK 1 198m (916), due mainly to higher market share and volume growth. Expenses were up by 7 % to SEK 558m (522).

Trading

The result for the Trading business area developed well. The restructuring of recent years has led to lower costs and higher income. Trading operations are today concentrated to Stockholm, New York and Singapore. The Bank also has 16 customer desks which are organised outside Trading.

Trading in foreign exchange and money market products continued to perform very well during the year and profits increased. Trading operations continued to take advantage of the Bank's strong market position in the Nordic countries and of its high rating internationally.

For the third year running Handelsbanken was appointed best global bank for trading in Scandinavian currencies by FX&MM magazine.

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Trading in bonds and derivatives developed very well. The result was satisfactory. Handelsbanken advanced its positions, particularly in the market for corporate bonds. For example, the Bank arranged loans for Nordic Investment Bank in euro and for Stora Enso in Swedish kronor. Handelsbanken is now the leading player in the Nordic region for new issues in debt capital finance.

Financial Institutions and Trade Finance

Financial Institutions is responsible for business with foreign banks and foreign governments. The area continued to have stable income, thanks mainly to increasing volumes in its clearing operation. Expenses increased somewhat as a result of increased system development costs.

Trade Finance is responsible for documentary payments, short and long-term trade finance and for project finance. The demand for long-term export finance was good. For example, Handelsbanken participated in financing Nordic telecoms equipment for a Philippine company. The volume of export documentary credits fell slightly.

Banking operations outside the Nordic countries

Banking operations outside the Nordic countries reported a more or less unchanged result.

In the UK, a branch was opened in Reading during the second quarter. The Leeds branch was opened in July, and the bank thus now has six branches in the UK. New customers continued to stream to our retail banking services which are directed at both private customers and British companies.

Handelsbanken's wholly-owned subsidiary in Poland, Bank Svenska Handelsbanken (Polska) S.A., continued the extensive preparations for the start of its operations. It is now expected to start during the third quarter.

In the second quarter, corporate banking operations in the rest of Europe were concentrated to Frankfurt. So far, this change has proved to be successful. The newly-opened branch in Vienna, which thus reports to the Frankfurt branch, has already generated attractive business with Austrian corporate customers with a Nordic connection.

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Handelsbanken Investment Banking

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

Profit and loss account

| SEK m | 2001 | 2000 | Change % | Full year 2000 |
|---|-------------|--------------|-------------|-------------------|
| Net interest income | -89 | -87 | 2 | -145 |
| Commission, net | 424 | 574 | -26 | 948 |
| Net result on financial operations | 297 | 440 | -32 | 807 |
| Other income | 116 | 83 | 40 | 84 |
| Total income | 748 | 1 010 | -26 | 1 694 |
| <i>Net internal remuneration deducted from income</i> | <i>25</i> | <i>47</i> | | <i>80</i> |
| Total expenses | 484 | 562 | -14 | 940 |
| Profit before loan losses | 264 | 448 | -41 | 754 |
| Net recoveries incl. change in value of repossessed property | | | | |
| Operating profit | 264 | 448 | -41 | 754 |
| Return on equity, % | 52.7 | 99.1 | | 83.5 |
| Average number of employees | 461 | 392 | | 425 |

Investment Banking reported an operating profit of SEK 264m (448) and return on equity of 53 % (99). A substantial drop in activity on the equity market and smaller flow of corporate business caused income to fall by 26 %. Expenses fell by 14 % as a result of a lower provision for performance-related remuneration. The average number of employees increased by 18 % to 461. In view of the extremely high level of activity which characterised the previous year in the field of equity operations, the result can be regarded as satisfactory. When assessing the Bank's position in Investment Banking it should be taken into account that a great deal of the Bank's equity-related income is reported under the result of branch office operations.

For a number of years, Handelsbanken has been making special efforts to put focus on its Investment Banking business area. The Bank has not yet achieved a position corresponding to its market position in most other areas. It has been decided to intensify the drive in Investment Banking. The goal is not to be biggest – profitability is more important than volume. The aim is that both institutions and companies will see Handelsbanken Investment Banking as their first choice when selecting advisers.

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In the first half of 2001, Handelsbanken defended its position on the Swedish stock exchange and also its positions in Finland and Denmark, which were already strong. There was a particularly strong advance in Norway, where in the first half of 2001, Handelsbanken was the third largest player on the Oslo Stock Exchange.

In the area of structured products, which include equity-linked bonds, warrants, incentive programs, equity loans and equity swaps, Handelsbanken was the biggest Nordic player. Financial strength, creativity and strong distribution capacity via the branch offices are the cornerstones in this drive. There is a relatively small amount of proprietary position-taking. Most of the trading at Handelsbanken Investment Banking is related to genuine customer demand.

For Corporate Finance the market was very different compared to the previous year. The first half of last year was characterised by an extremely high level of interest in IPOs with focus on IT shares. The situation so far this year has been the opposite. Very few companies were launched onto the Nordic stock exchanges. Instead the business climate was characterised by acquisitions and attempts to secure new venture capital for IT companies in trouble.

Despite the very difficult business climate during the first half of 2001, Corporate Finance managed to achieve a satisfactory result. A contributory reason is that Handelsbanken Investment Banking participated as adviser in a number of cross-border corporate transactions. For example: German E.ON Energie AG's acquisition of Sydkraft AB, Telia AB's purchase of Danish Powercom A/S, French Vivendi Enviroment's acquisition of Danish Marius Pedersen A/S, Cloetta Fazer AB's sale of Consiva Holding A/S to Swiss Valora Holding A/G and the sale of 50 % of Finnish Marioff Corporation OY to Nordic Capital.

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Handelsbanken Asset Management

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

Profit and loss account

| SEK m | 2001 | 2000 | Change % | Full year 2000 |
|--|-------------|-------------|-------------|-------------------|
| Net interest income | 89 | 86 | 3 | 177 |
| Commission, net | 434 | 451 | -4 | 860 |
| Net result on financial operations | 13 | 21 | -38 | 32 |
| Other income | 9 | 7 | 29 | 9 |
| Total income | 545 | 565 | -4 | 1 078 |
| <hr/> | | | | |
| <i>Net internal remuneration deducted from income</i> | 274 | 296 | | 621 |
| <hr/> | | | | |
| Total expenses | 277 | 198 | 40 | 431 |
| Profit before loan losses | 268 | 367 | -27 | 647 |
| Net recoveries incl. change in value of repossessed property | | | | 0 |
| Operating profit | 268 | 367 | -27 | 647 |
| <hr/> | | | | |
| Return on equity, % | 27.3 | 42.4 | | 37.8 |
| Average number of employees | 373 | 314 | | 327 |

Due to the continued weak stockmarket trend, income decreased by 4 %. Expenses rose by 40 % due mainly to increased costs for personnel and system development and costs in connection with the acquisition of SPP. The volume of assets managed by Handelsbanken Asset Management was SEK 237bn (154). The total volume of assets under management by the Group amounted to SEK 288bn.

Mutual fund management

As from March, SPP Fonder AB is part of Handelsbanken.

The Bank's fund management company managed 83 mutual funds. The capital managed was SEK 99bn. New savings in the Group's funds on the Swedish mutual fund market were SEK 6.1bn net. This means that Handelsbanken had a market share of 14.8 % of the total net inflow to the Swedish mutual fund market, including new savings in the premium pension system. The corresponding market share excluding premium pension savings was approximately 14 %. The Bank's share of total new savings in the premium pension system was approximately 17 %. There was increased interest in fixed income funds from both private customers and institutions during the period.

There were strong fluctuations in stockmarket prices. Due to the difficulty of predicting movements in the market, fund managers applied a somewhat lower level of risk than normal in the actively managed mutual funds.

Svenska Handelsbanken

Discretionary management

The volume of assets under discretionary management increased by approximately SEK 80bn net. The major part of this volume was represented by SPP Liv. The net number of new customers was twelve. The volume of assets under management was SEK 131bn, of which around 60 % in interest-bearing instruments and 40 % in shares. SEK 6bn of the assets were invested in Handelsbanken's mutual funds.

The market for discretionary management in Finland is believed to have good potential and marketing efforts were therefore augmented.

Investment Management

Several changes were made within the management organisation. In view of the large number of new mutual funds launched in autumn 2000, and the taking over of SPP Liv's management assignments in March, several analysts and portfolio managers were recruited. New heads were appointed for our Swedish and European equities management operations. Changes were also made in the allocation of responsibilities for several major portfolios. A new management group was set up to focus on a new product area, hedge fund management.

Operations outside the Nordic countries

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

Custody services

The number of custody accounts has grown by around 1 500 a month since March. All in all, there were 172 300 custody accounts with a total value of SEK 786bn. Almost 95 % of newly-opened custody accounts and 52 % of the total number of accounts were linked to the Internet.

Svenska Handelsbanken

Handelsbanken Finans

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

Profit and loss account

| SEK m | 2001 | 2000 | Change % | Full year 2000 |
|--|-------------|-------------|----------|----------------|
| Net interest income | 241 | 250 | -4 | 483 |
| Commission, net | 144 | 108 | 33 | 239 |
| Net result on financial operations | 0 | 0 | 0 | 12 |
| Other income | 10 | 9 | 11 | 19 |
| Total income | 395 | 367 | 8 | 753 |
| <hr/> | | | | |
| <i>Net internal remuneration included in income</i> | 1 | | | |
| <i>Net internal remuneration deducted from income</i> | | 15 | | 15 |
| <hr/> | | | | |
| Total expenses | 224 | 205 | 9 | 408 |
| Profit before loan losses | 171 | 162 | 6 | 345 |
| Net recoveries incl. change in value of repossessed property | 0 | -2 | -100 | -14 |
| Operating profit | 171 | 160 | 7 | 331 |
| <hr/> | | | | |
| Return on equity, % | 29.1 | 21.3 | | 24.8 |
| Average number of employees | 440 | 421 | | 423 |

The result was SEK 171m, an increase of SEK 11m. Return on shareholders' equity went up to 29.1 % (21.3). Average credit volumes increased by 26 % to SEK 21.9bn. The increase in income is related to the increase in volumes. The increase in expenses should be seen against the background of extensive investments in IT in Finland and the expansion of operations in Denmark and Norway.

In the areas of leasing and conditional sales to companies, new sales continue to grow. Credit volumes in Sweden rose by 24 %, in Denmark by 33 %, in Finland by 34 % and in Norway by 16 %. Industry statistics indicate that Handelsbanken Finans took market shares in the first quarter. There is reason to believe that this trend continued through the second quarter. A number of major leasing transactions were concluded, including a SEK 2bn deal to provide Stockholms Lokaltrafik with rolling stock, a SEK 350m deal to provide Jönköpings Länstrafik with finance for a regional railway and a NOK 200m deal with Jernbaneverket in Norway.

Factoring and Collection Services launched an Internet service that allows customers who use the factoring credits, factoring with finance and invoice administration services to check the status of their customers' invoices and order credit information via the Internet.

Svenska Handelsbanken

Retail Financial Services improved an already strong position in the capital goods sector. Sales volumes increased by 26 % despite the decline in sales registered in several important sectors. Several new collaboration agreements have been established, including one for the Nordic region with bed manufacturer Hästens Sängar.

In Finland, several new collaborations with retailers were initiated, including one with Bauhaus OY (builders suppliers). Credit volumes at Retail Financial Services in Finland rose by 9 % in an otherwise receding market. Conditions continued to be favourable in Norway, where new collaboration agreements were initiated and credit volumes doubled. In Denmark, the work of integrating Spartacus A/S continued. Despite a declining market, the company has increased its credit volumes for caravan financing by 10 %.

Some 177 000 Köpkort cards have been issued, and the number grew on average by around 6 000 new cards a month.

Svenska Handelsbanken

Handelsbanken Pension and Insurance

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

Profit and loss account

| SEK m | 2001 | 2000 | Change % | Full year 2000 |
|--|-------------|-------------|-------------|-------------------|
| Net interest income | 3 | 5 | -40 | 12 |
| Commission, net | 87 | 85 | 2 | 176 |
| Net result on financial operations | -11 | 6 | | -6 |
| Other income | 4 | 2 | 100 | 5 |
| Total income | 83 | 98 | -15 | 187 |
| <hr/> | | | | |
| <i>Net internal remuneration deducted from income</i> | <i>135</i> | <i>153</i> | | <i>303</i> |
| <hr/> | | | | |
| Total expenses | 50 | 37 | 35 | 85 |
| Profit before loan losses | 33 | 61 | -46 | 102 |
| Net recoveries incl. change in value of repossessed property | | | | |
| Operating profit | 33 | 61 | -46 | 102 |
| <hr/> | | | | |
| Return on equity, % | 15.4 | 27.8 | | 23.2 |
| Average number of employees | 11 | 9 | | 11 |

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

Handelsbanken Liv

The result for the profit-distributing unit-linked operation at Handelsbanken Liv was SEK 33m (61). This lower result is mainly due to lower return on shareholders' equity (investments in shares). The result for insurance business, excluding return on equity, was SEK 37m (48).

Total premium income for Handelsbanken Liv was SEK 3 453m (5 621), of which unit-linked insurance represented SEK 2 204m (4 422). Premium income in the traditional life insurance company increased by 4 % to SEK 1 249m (1 199). Total insurance assets managed were SEK 37bn (38). The solvency margin was 107 %.

The sale of investment-based insurance policies declined sharply due to the situation on the stockmarket. This applied particularly to unit-linked endowment insurance. Premium income in the area of occupational and private pensions increased by 164 %. A substantial increase in employee pensions contributed to this positive performance.

Svenska Handelsbanken

On 27 April, the Swedish government granted Handelsbanken Liv permission to convert the traditional life insurance operation into a profit-distributing one. In a ballot held at the end of last year, 98 % of the policyholders voted in favour of demutualisation. Almost 80 % of the policyholders entitled to vote participated in the ballot. Demutualisation will be carried out on 1 January 2002.

Handelsbanken Liv Försäkrings AB Profit and loss account

| SEK m | 2001 | 2000 | Full year 2000 |
|--|-------------|------------|-------------------|
| Premium income | 1 249 | 1 199 | 2 260 |
| Investment income | -203 | 606 | 34 |
| Insurance claims | -598 | -556 | -1 186 |
| Change in life insurance provisions | -721 | -688 | -1 873 |
| Bonus | -63 | -107 | -103 |
| Operating expenses | -164 | -118 | -270 |
| Other | | | 33 |
| Result on technical account – life insurance business | -500 | 336 | - 1 105 |
| Non-technical account | | | |
| Taxes | -96 | -90 | -156 |
| Net profit for the period | -596 | 246 | -1 261 |

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

SPP

The total premium income for SPP rose by 40 % to SEK 7 194m (5 136). The increase in premium income was due partly to increased sales of unit-linked insurance and to continued sales of non-recurrent insurance for early retirement pensions. Traditional insurance represented SEK 5 419m (4 350) and unit-linked insurance SEK 1 775m (786). Total insurance assets managed were SEK 87bn (88). SPP's solvency margin was 113 %.

SPP is one of the largest insurance companies in the Swedish occupational pensions market. New sales, measured in annual premiums, amounted to SEK 3 536m (2 281), an increase of 55 %. Of this, SEK 591m originated from PFA, the municipal pensions selection process. Unit-linked insurance continued to perform well. Sales were SEK 902m, an increase of 108 %. SPP Liv Fondförsäkring gained almost 10 000 new ITPK customers.

Svenska Handelsbanken

SPP Group

Profit and loss account

SEK m

| | 2001 | 2000 | Full year 2000 |
|--|---------------|--------------|-------------------|
| Premium income | 7 194 | 5 136 | 10 011 |
| Investment income | -1 916 | 3 970 | 2 785 |
| Insurance claims | -1 543 | -1 465 | -3 003 |
| Change in life insurance provisions | -6 518 | -5 126 | -8 884 |
| Operating expenses | -631 | -466 | -911 |
| Other | 0 | | -2 |
| Result on technical account – life insurance business | -3 414 | 2 049 | -4 |
| Non-technical account | | | |
| Other operations | 14 | 9 | 16 |
| Taxes | -310 | -285 | -509 |
| Net profit for the period | -3 710 | 1 773 | -497 |

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

Svenska Handelsbanken

Stadshypotek Bank

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

Profit and loss account

| SEK m | 2001 | 2000 | Change % | Full year 2000 |
|--|-------------|-------------|-------------|-------------------|
| Net interest income | 38 | 31 | 23 | 65 |
| Commission, net | 23 | 33 | -30 | 59 |
| Net result on financial operations | 0 | 0 | 0 | 0 |
| Other income | 1 | 1 | 0 | 2 |
| Total income | 62 | 65 | -5 | 126 |
| <hr/> | | | | |
| <i>Net internal remuneration deducted from income</i> | 5 | 8 | | 14 |
| <hr/> | | | | |
| Total expenses | 55 | 57 | -4 | 111 |
| Profit before loan losses | 7 | 8 | -12 | 15 |
| Net recoveries incl. change in value of repossessed property | 0 | 0 | 0 | 0 |
| Operating profit | 7 | 8 | -12 | 15 |
| <hr/> | | | | |
| Return on equity, % | 16.7 | 18.3 | | 17.1 |
| Average number of employees | 110 | 105 | | 106 |

Results

Profits were SEK 7m (8). Increased income from FondSpar (mutual funds), the VISA payment card and higher net interest income more or less compensated for significantly lower income from retail bonds and halved commission on stockmarket transactions.

Business trends

Stadshypotek Bank's InternetService was developed further to include transfers to optional accounts and monthly standing transfers. The accounts, which the customer pre-selects via the InternetService, also allow withdrawals to be made via the Teleservice. The Bank also offered customers the opportunity to fetch money from their accounts with other banks, on a monthly basis or via a single transfer.

In order to make it easier for customers to order Stadshypotek Bank Insurance, a new function was launched on Stadshypotek Bank's website. Via the website, the customer registers his details and receives an offer that can be accepted directly on-line.

Stadshypotek Bank's VISA payment card continued to gain ground. The number of accounts increased by 66 %, the number of purchases by 105 % and purchase volumes by 85 %.

Svenska Handelsbanken

Handelsbanken Treasury

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

Profit and loss account

| SEK m | 2001 | 2000 | Change % | Full year 2000 |
|--|-------------|-------------|-------------|-------------------|
| Net interest income | 121 | 130 | -7 | 243 |
| Commission, net | -20 | -5 | 300 | -12 |
| Net result on financial operations | 9 | -25 | | -55 |
| Other income | 6 | 6 | 0 | 11 |
| Total income | 116 | 106 | 9 | 187 |
| <hr/> | | | | |
| <i>Net internal remuneration deducted from income</i> | - | - | | - |
| <hr/> | | | | |
| Total expenses | 15 | 13 | 15 | 14 |
| Profit before loan losses | 101 | 93 | 9 | 173 |
| Net recoveries incl. change in value of repossessed property | | | | |
| Operating profit | 101 | 93 | 9 | 173 |
| <hr/> | | | | |
| Return on equity, % | 21.2 | 11.1 | | 10.2 |
| Average number of employees | 38 | 39 | | 39 |

Result

Handelsbanken Treasury's result was SEK 101m (93). Return on equity rose to 21.2 % (11.1).

Long-term interest rates rose in the second quarter. Consequently, the difference between short-term and long-term interest rates increased. Handelsbanken Treasury's opportunities for generating net interest income thereby improved.

Handelsbanken Treasury's active management of the Group's collateral portfolio and the internal bank in Swedish kronor contributed to the increase in the result.

Svenska Handelsbanken

Profit and loss account – Svenska Handelsbanken Group

In accordance with Finansinspektionen's regulations

| SEK m | 2001 | 2000 | Change % | Full year 2000 |
|--|---------------|---------------|-------------|-------------------|
| <i>Interest income</i> | 38 311 | 32 196 | 19 | 66 308 |
| <i>Interest expense</i> | -31 625 | -26 545 | 19 | -55 024 |
| Net interest income | 6 686 | 5 651 | 18 | 11 284 |
| Dividends received | 290 | 501 | -42 | 504 |
| <i>Commission income</i> | 2 992 | 3 139 | -5 | 6 048 |
| <i>Commission expense</i> | -501 | -377 | 33 | -770 |
| Commission, net | 2 491 | 2 762 | -10 | 5 278 |
| Net result on financial operations | 1 228 | 1 425 | -14 | 3 049 |
| Other operating income | 73 | 143 | -49 | 343 |
| Total income | 10 768 | 10 482 | 3 | 20 458 |
| General administrative expenses | | | | |
| - Staff costs | 2 914 | 2 689 | 8 | 5 300 |
| - Other expenses | 1 508 | 1 428 | 6 | 2 928 |
| Depreciation and write-down in value of tangible and intangible fixed assets | 376 | 407 | -8 | 753 |
| Total expenses | 4 798 | 4 524 | 6 | 8 981 |
| Profit before loan losses | 5 970 | 5 958 | 0 | 11 477 |
| Net loan losses | -65 | -44 | | -66 |
| Change in value of repossessed property | - | -1 | -100 | -1 |
| Participations in result of associated companies | 25 | 19 | 32 | 32 |
| Result of banking operations | 6 060 | 6 022 | 1 | 11 576 |
| Result of insurance operations | -55 | 76 | | 107 |
| Operating profit | 6 005 | 6 098 | -2 | 11 683 |
| Pension settlement | 346 | 333 | 4 | 797 |
| Taxes | -1 798 | -1 742 | 3 | -3 353 |
| Minority interests | -11 | -11 | - | -22 |
| Net profit for the period | 4 542 | 4 678 | -3 | 9 105 |

Svenska Handelsbanken

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

| SEK m | 2001 | 2000 | Full year 2000 |
|---|--------------|--------------|-------------------|
| Note 1 Commission, net | | | |
| Payments | 633 | 457 | 1 014 |
| Lending | 372 | 241 | 544 |
| Deposits | 44 | 50 | 79 |
| Guarantees | 133 | 120 | 253 |
| Securities | 1 189 | 1 649 | 2 988 |
| Other | 621 | 622 | 1 170 |
| Commission income | 2 992 | 3 139 | 6 048 |
| Commission expense | -501 | -377 | -770 |
| Commission, net | 2 491 | 2 762 | 5 278 |
| Note 2 Net result on financial operations | | | |
| Shares and participations | 171 | 798 | 1 371 |
| Interest-bearing securities | 186 | - 1 766 | -2 175 |
| Realised profit | 357 | -968 | -804 |
| Shares and participations | 283 | -285 | -271 |
| Interest-bearing securities | -752 | 1 556 | 2 572 |
| Unrealised changes in value | -469 | 1 271 | 2 301 |
| Exchange rate fluctuations | 1 340 | 1 122 | 1 552 |
| Net result on financial operations | 1 228 | 1 425 | 3 049 |
| Note 3 Other administrative expenses | | | |
| Property and premises | 401 | 333 | 706 |
| External IT costs | 373 | 351 | 690 |
| Communication | 197 | 198 | 394 |
| Travel and marketing | 178 | 144 | 324 |
| Purchased services | 250 | 202 | 433 |
| Supplies | 84 | 90 | 178 |
| Other expenses | 25 | 110 | 203 |
| Other administrative expenses | 1 508 | 1 428 | 2 928 |
| Note 4 Loan losses | | | |
| Individually valued claims: | | | |
| The period's write-down for actual loan losses | 246 | 184 | 449 |
| Writeback of previous provisions for possible loan losses which are reported as actual loan losses in the period's accounts | -193 | -147 | -347 |
| The period's provision relating to possible loan losses | 237 | 155 | 630 |
| Recovered from actual credit losses in previous years | -186 | -108 | -258 |
| Write-back of provisions for possible loan losses which are no longer necessary | -173 | -128 | -553 |
| Net expense for the period for individually valued claims | -69 | -44 | -79 |
| Claims valued as a group: | | | |
| The period's write-down for actual loan losses | 16 | 14 | 39 |
| Recovered from actual credit losses in previous years | -14 | -12 | -14 |
| Allocation to/dissolution of reserve for loan losses | 2 | -2 | -12 |
| Net expense for the period for claims valued as a group | 4 | 0 | 13 |
| Total loan losses | -65 | -44 | -66 |

Svenska Handelsbanken

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

| SEK m | 2001 | 2000 | Full year 2000 |
|--|------------|------------|-------------------|
| Note 5 Result of insurance operations | | | |
| Net interest income | -49 | 12 | 22 |
| Dividends received | 7 | 2 | 3 |
| Commission, net | 88 | 85 | 177 |
| Net result on financial operations | -25 | 9 | -20 |
| Other operating income | 23 | 4 | 8 |
| Total income | 44 | 112 | 190 |
| Staff costs | 4 | 4 | 8 |
| Other expenses | 45 | 32 | 75 |
| Depreciation and write-down in value of tangible and intangible fixed assets | 50 | | |
| Total expenses | 99 | 36 | 83 |
| Result of insurance operations | -55 | 76 | 107 |

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

| SEK m | 2001 | 2000 | Full year 2000 |
|---|------------|------------|-------------------|
| Technical account - insurance operations | | | |
| Premium income | 2 213 | 4 432 | 6 751 |
| Investment income | 261 | 153 | 194 |
| Change in value of investments for which policyholders bear the investment risk | -1 407 | -211 | -2 039 |
| Insurance claims | -734 | -575 | -1 110 |
| Change in insurance provisions | -37 | -3 551 | -3 479 |
| Operating expenses | -38 | -27 | -57 |
| Result on technical account - insurance operations | 258 | 221 | 260 |
| Non-technical account | | | |
| Investment income | -62 | 15 | 7 |
| Other | -33 | 0 | 0 |
| Yield tax | -218 | -160 | -160 |
| Profit before company taxes | -55 | 76 | 107 |
| Taxes | 26 | -5 | -1 |
| Net profit for the period | -29 | 71 | 106 |

Svenska Handelsbanken

Balance sheet – Svenska Handelsbanken Group

| SEK m | | 2001 | 2000 | 31 Dec 2000 |
|---|--------|------------------|------------------|------------------|
| Lending to the general public | Note 1 | 762 305 | 659 389 | 689 106 |
| Lending to credit institutions | | 95 215 | 114 491 | 94 677 |
| Interest-bearing securities | | | | |
| - Financial fixed assets | | 6 280 | 3 126 | 5 126 |
| - Financial current assets | | 132 771 | 67 185 | 83 136 |
| Other assets | | 190 419 | 163 189 | 148 318 |
| Total assets | | 1 186 990 | 1 007 380 | 1 020 363 |
| Deposits and funding from the general public | | 275 411 | 250 095 | 255 350 |
| Liabilities to credit institutions | | 221 678 | 164 760 | 155 414 |
| Issued securities etc | | 476 423 | 377 222 | 401 489 |
| Subordinated liabilities | | 25 630 | 16 481 | 19 066 |
| Other liabilities | | 143 514 | 159 083 | 146 578 |
| Shareholders' equity | Note 2 | 44 334 | 39 739 | 42 466 |
| Total liabilities and shareholders' equity | | 1 186 990 | 1 007 380 | 1 020 363 |

Notes to the balance sheet

| SEK m | | 2001 | 2000 | 31 Dec 2000 |
|---|--|----------------|----------------|----------------|
| Note 1 Lending to the general public | | | | |
| SEK lending | | | | |
| - to households | | 246 755 | 218 617 | 234 650 |
| - to companies etc * | | 313 132 | 300 864 | 296 746 |
| | | 559 887 | 519 481 | 531 396 |
| Foreign currency lending | | | | |
| - to households | | 28 802 | 21 095 | 25 024 |
| - to companies etc | | 176 958 | 122 112 | 135 875 |
| | | 205 760 | 143 207 | 160 899 |
| Reserve for possible loan losses | | -3 342 | -3 299 | -3 189 |
| Total lending to the general public | | 762 305 | 659 389 | 689 106 |
| *) of which National Debt Office | | 275 | 59 | 0 |

Note 2 Change in shareholders' equity

| | | | |
|--|---------------|---------------|---------------|
| Opening shareholders' equity | 42 631 | 38 570 | 38 570 |
| Effect of changed principles on reporting income taxes | -165 | -178 | -178 |
| Opening shareholders' equity after adjustment | 42 466 | 38 392 | 38 392 |
| Dividend | -2 751 | -2 144 | -2 144 |
| Buyback of own shares | -49 | -1 151 | -2 950 |
| Change of foreign currency component | 126 | -36 | 63 |
| Net profit for the period | 4 542 | 4 678 | 9 105 |
| Closing shareholders' equity | 44 334 | 39 739 | 42 466 |

Svenska Handelsbanken

Other information

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

| SEK m | 2001 | 2000 | Full year 2000 |
|---|---------------|--------------|-------------------|
| Cash flow statement | | | |
| Cash flow on operating activities | 1 582 | 4 100 | 5 278 |
| Cash flow on investing activities | -8 002 | 2 417 | -506 |
| Cash flow on financing activities | 3 765 | -6 664 | -5 878 |
| Cash flow for the period | -2 655 | -147 | -1 106 |
| Liquid funds at beginning of year | 5 258 | 6 285 | 6 285 |
| Cash flow for the period | -2 655 | -147 | -1 106 |
| Exchange rate difference on liquid funds | 101 | -101 | 79 |
| Liquid funds at end of period | 2 704 | 6 037 | 5 258 |
| Capital base and requirement | | | |
| Tier 1 capital | 36 050 | 33 539 | 34 596 |
| Total capital base | 56 648 | 47 944 | 51 695 |
| Risk-weighted volume | 611 961 | 508 387 | 541 556 |
| Capital ratio | 9.3 % | 9.4 % | 9.5 % |
| Tier 1 ratio | 5.9 % | 6.6 % | 6.4 % |
| Problem loans | | | |
| Bad debts | 5 768 | 4 982 | 5 532 |
| Reserve for possible loan losses | -3 371 | -3 337 | -3 219 |
| Bad debts, net | 2 397 | 1 645 | 2 313 |
| Reduced rate loans without a provision for possible loan losses | 80 | 96 | 55 |
| Total problem loans | 2 477 | 1 741 | 2 368 |
| Bad debt reserve ratio | 58.4 % | 67.0 % | 58.2 % |
| Proportion of bad debts | 0.31 % | 0.24 % | 0.33 % |
| Problem loans before write-down for possible loan losses | 5 848 | 5 078 | 5 587 |
| Loan loss level | -0.02 % | -0.01 % | -0.01 % |
| Non-performing loans for which interest is accrued | 1 980 | 1 354 | 1 321 |
| Collateral taken over: | | | |
| - Buildings and land | 0 | 0 | 0 |
| - Shares and other participations | 55 | 55 | 55 |
| - Other | 80 | 77 | 93 |
| Total collateral taken over | 135 | 132 | 148 |

Svenska Handelsbanken

Derivative instruments

| SEK m | Interest rate-related | | Currency-related | | Equity-related | |
|------------------------|-----------------------|------------|------------------|------------|----------------|------------|
| | Fair value | Book Value | Fair value | Book value | Fair Value | Book value |
| Positive values | 30 490 | 26 522 | 76 781 | 76 500 | 4 604 | 4 489 |
| Negative values | 30 629 | 27 986 | 56 001 | 55 921 | 3 195 | 3 126 |

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

Value-at-Risk

During the period 1 July 2000 - 30 June 2001, Handelsbanken Markets' exposure to interest rate and exchange rate risk (incl. option risk), measured as Value-at Risk (VaR) was on average SEK 38m. During the period, this risk varied between SEK 19m and SEK 61m.

During the same period, Handelsbanken Markets' exposure to equity price risks, measured as VaR, was on average SEK 10m. This risk varied between SEK 2m and SEK 26m.

Svenska Handelsbanken

Profit and loss account – Parent company

In accordance with Finansinspektionen's regulations

| SEK m | 2001 | 2000 | Change % | Full year 2000 |
|---|--------------|--------------|-------------|-------------------|
| <i>Interest income</i> | 30 267 | 22 638 | 34 | 47 935 |
| <i>Interest expense</i> | -26 473 | -19 820 | 34 | -42 118 |
| Net interest income | 3 794 | 2 818 | 35 | 5 817 |
| Dividends received | 312 | 574 | -46 | 584 |
| <i>Commission income</i> | 2 569 | 2 733 | -6 | 5 275 |
| <i>Commission expense</i> | -472 | -361 | 31 | -746 |
| Commission, net | 2 097 | 2 372 | -12 | 4 529 |
| Net result on financial operations | 1 169 | 1 404 | -17 | 2 987 |
| Other operating income | 80 | 141 | -43 | 341 |
| Total income | 7 452 | 7 309 | 2 | 14 258 |
| General administrative expenses | | | | |
| - Staff costs | 2 632 | 2 447 | 8 | 4 814 |
| - Other | 1 147 | 1 149 | 0 | 2 332 |
| Depreciation and write-down in value of tangible and intangible fixed assets | 192 | 233 | -18 | 402 |
| Total expenses | 3 971 | 3 829 | 4 | 7 548 |
| Profit before loan losses | 3 481 | 3 480 | 0 | 6 710 |
| Net loan losses | 30 | 24 | 25 | 129 |
| Change in value of repossessed property | - | -1 | -100 | -1 |
| Participations in result of associated companies | | | | |
| Result of banking operations | 3 451 | 3 457 | 0 | 6 582 |
| Result of insurance operations | | | | |
| Operating profit | 3 451 | 3 457 | 0 | 6 582 |
| Appropriations | | | | |
| - Pension settlement | 346 | 333 | 4 | 797 |
| - Other | -15 | -366 | -96 | 3 477 |
| Taxes | -1 042 | -912 | 14 | -2 860 |
| Net profit for the period | 2 740 | 2 512 | 9 | 7 996 |

Svenska Handelsbanken

Notes to Profit and loss account – Parent Company (cont.)

| SEK m | 2001 | 2000 | Full year 2000 |
|--|--------------|--------------|-------------------|
| Note 1 Commission, net | | | |
| Payments | 604 | 429 | 960 |
| Lending | 259 | 148 | 355 |
| Deposits | 44 | 49 | 78 |
| Guarantees | 127 | 114 | 242 |
| Securities | 902 | 1 287 | 2 327 |
| Other | 633 | 706 | 1 313 |
| Commission income | 2 569 | 2 733 | 5 275 |
| Commission expense | -472 | -361 | -746 |
| Commission, net | 2 097 | 2 372 | 4 529 |
| Note 2 Net result on financial operations | | | |
| Shares and participations | 183 | 787 | 1 343 |
| Interest-bearing securities | 143 | -1 769 | -2 182 |
| Capital gain/loss | 326 | -982 | -839 |
| Shares and participations | 279 | -283 | -259 |
| Interest-bearing securities | -757 | 1 559 | 2 572 |
| Unrealised changes in value | -478 | 1 276 | 2 313 |
| Exchange rate fluctuations | 1 321 | 1 110 | 1 513 |
| Net result on financial operations | 1 169 | 1 404 | 2 987 |
| Note 3 Other administrative expenses | | | |
| Property and premises | 372 | 302 | 643 |
| External computer costs | 245 | 241 | 466 |
| Communication | 168 | 169 | 335 |
| Travel and marketing | 134 | 104 | 241 |
| Purchased services | 164 | 148 | 314 |
| Supplies | 72 | 80 | 156 |
| Other expenses | -8 | 105 | 177 |
| Other administrative expenses | 1 147 | 1 149 | 2 332 |
| Note 4 Loan losses | | | |
| Individually valued claims: | | | |
| The period's write-down for actual loan losses | 139 | 152 | 368 |
| Write-back of previous provisions for possible loan losses which are reported as actual loan losses in the period's accounts | -123 | -125 | -288 |
| The period's provision relating to possible loan losses | 191 | 131 | 571 |
| Recovered from actual loan losses in previous years | -110 | -68 | -134 |
| Write-back of provisions for possible loan losses which are no longer necessary | -66 | -65 | -386 |
| Net expense for the period for individually valued claims | 31 | 25 | 131 |
| Claims valued as a group: | | | |
| The period's write-down for actual loan losses | 1 | 0 | 1 |
| Recovered from actual loan losses in previous years | -1 | -1 | -2 |
| Allocation to/dissolution of reserve for loan losses | -1 | 0 | -1 |
| Net expense for the period for claims valued as a group | -1 | -1 | -2 |
| Total loan losses | 30 | 24 | 129 |

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Balance sheet – Parent company

| SEK m | | 2001 | 2000 | 31 Dec 2000 |
|---|--------|----------------|----------------|----------------|
| Lending to the general public | Note 1 | 377 167 | 304 189 | 327 240 |
| Lending to credit institutions | | 246 445 | 233 067 | 240 637 |
| Interest-bearing securities | | | | |
| - Financial fixed assets | | 11 219 | 14 844 | 10 143 |
| - Financial current assets | | 126 858 | 63 153 | 78 078 |
| Other assets | | 187 061 | 161 128 | 154 726 |
| Total assets | | 948 750 | 776 381 | 810 824 |
| Deposits and funding from the general public | | 291 769 | 245 455 | 240 249 |
| Liabilities to credit institutions | | 210 038 | 156 497 | 195 337 |
| Issued securities etc | | 267 430 | 196 253 | 197 164 |
| Subordinated liabilities | | 25 079 | 15 520 | 18 089 |
| Other liabilities | | 113 426 | 125 392 | 118 624 |
| Untaxed reserves | | 9 267 | 7 930 | 9 248 |
| Shareholders' equity | Note 2 | 31 741 | 29 334 | 32 113 |
| Total liabilities and shareholders' equity | | 948 750 | 776 381 | 810 824 |

Notes to Balance sheet

| SEK m | | 2001 | 2000 | 31 Dec 2000 |
|---|--|----------------|----------------|----------------|
| Note 1 Lending to the general public | | | | |
| SEK lending | | | | |
| - to households | | 41 480 | 37 864 | 40 097 |
| - to companies etc *) | | 165 835 | 146 505 | 150 330 |
| | | 207 315 | 184 369 | 190 427 |
| Foreign currency lending | | | | |
| - to households | | 20 578 | 14 677 | 17 619 |
| - to companies | | 150 981 | 106 861 | 120 883 |
| | | 171 559 | 121 538 | 138 502 |
| Reserve for possible loan losses | | -1 707 | -1 718 | -1 689 |
| Total lending | | 377 167 | 304 189 | 327 240 |
| *) Of which National Debt Office | | 275 | 59 | 0 |

Note 2 Change in shareholders' equity

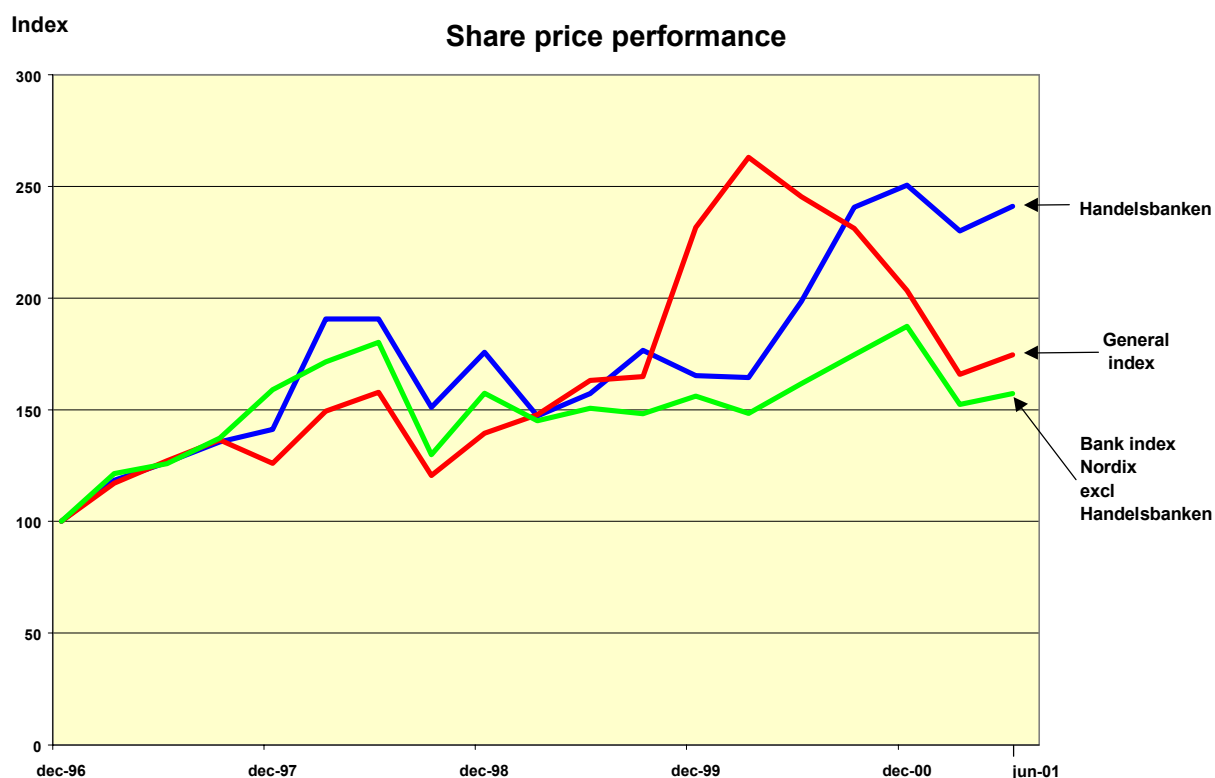
| | | | |
|--|---------------|---------------|---------------|
| Opening shareholders' equity | 32 278 | 30 306 | 30 306 |
| Effect of changed principles on reporting income taxes | -165 | -178 | -178 |
| Opening shareholders' equity after adjustment | 32 113 | 30 128 | 30 128 |
| Dividend | -2 751 | -2 144 | -2 144 |
| Group contribution | -354 | - | -936 |
| Buyback of own shares | -49 | -1 151 | -2 950 |
| Change of foreign currency component | 42 | -11 | 19 |
| Net profit for the period | 2 740 | 2 512 | 7 996 |
| Closing shareholders' equity | 31 741 | 29 334 | 32 113 |

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Handelsbanken's shares

The fall on the Swedish stock market during the first half of the year was 14 %, measured in the Affärsvärlden general index. In the same period, Nordic bank shares, measured in the Nordix bank index, fell by 16 %. Handelsbanken's share, however, fell by just 4 %. As at 30 June 2001, Handelsbanken had a total market value, after buybacks, of SEK 108bn.

| | 29 June 2001 | 31 December 2000 |
|---------------------------------------|--------------|------------------|
| Share price ordinary class A, SEK | 155.50 | 161.50 |
| Number of outstanding shares, million | 693.4 | 693.2 |
| Market capitalisation SEK bn | 108 | 112 |



Handelsbanken's rating as at 30 June 2001

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

Svenska Handelsbanken

Auditors' report

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

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

Stockholm, 21 August 2001

KPMG Bohlins AB

THOMAS THIEL
Authorised Public
Accountant

STEFAN HOLMSTRÖM
Authorised Public
Accountant

Ernst & Young AB

ÅKE HEDÉN
Authorised Public
Accountant

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