

12 February 2002

Press release

Highlights of Annual Report 2001

Summary

- *Profits were SEK 11.2bn - essentially unchanged, excluding last year's one-off income from the sale of the Bank's shares in Svensk Exportkredit*
- *Return on equity was 18.4% (21.6)*
- *Total income rose by 6%*
- *Net interest income increased by 14%*
- *Comparable expenses were almost 7% higher*
- *The Board proposes an increase in dividend to SEK 4.50 (4.00)*
- *Handelsbanken was acclaimed Bank of the Year*
- *Handelsbanken Liv was demutualised with the right for customers to transfer their insurance funds*
- *Another successful year for sales of mutual funds*
- *Handelsbanken has the most satisfied customers in the Nordic region*

The Group

Essentially unchanged result

Handelsbanken's result was essentially unchanged at SEK 11 208m (11 340). All comparisons with the previous year exclude the one-off gain from the sale of the Bank's shares in Svensk Exportkredit AB (Swedish Export Credit Corporation) in 2000. This one-off effect was SEK 343m. Return on equity was 18.4% (21.6).

Net interest income up 14% - total income up 6%

Net interest income at Handelsbanken increased by 14% to SEK 13 385m (11 791). This is due mainly to an increase in business volumes, where lending to the general public was significantly higher. The rate by which lending increased culminated around the middle of the year. During the fourth quarter, lending increased by nearly 2% and total lending to the general public was SEK 800bn (689). Lending margins increased during the second half of the year which compensated for decreasing margins early in the year. Margins were essentially unchanged. During the fourth quarter, net interest income increased by 17% compared to the equivalent period in the previous year. Net commission income fell by 8% to SEK 5 028m (5 455). Net trading income remained at a stable level, increasing by 1% to SEK 2 656m (2 633). Total income was SEK 21 654m (20 337), an increase of over 6%.

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Midtbank and SPP affected expenses

The Group's total expenses were SEK 10 294m (9 064), which was an increase of just under 14%. During the year, the Bank acquired SPP and Midtbank A/S, which together had a five percentage point impact on the cost increase. Another two percentage points are due to the weaker Swedish krona. This means that the underlying increase in expenses was just over 6.5%. This increase was the result of a rapid expansion of branch office operations outside Sweden and increased costs for IT investments. Total IT costs for 2001 were approximately SEK 2.6bn (2.3). During the year, 16 branches were opened outside Sweden, at an added expense of SEK 87m. Total staff costs increased by 11% to SEK 5 918m (5 308).

Performance-related remuneration decreased. The average number of employees in the Group rose by 665 to 9 239, with Midtbank representing 274 of this increase.

Loan losses still at a very low level

The Bank's loan losses, including changes in value of repossessed property, amounted to SEK 152m, compared to the previous year's recoveries of SEK 67m. The proportion of bad debts decreased to 0.18% (0.33). The volume of collateral taken over totalled SEK 170m (148).

Capital ratio, buy-back of shares and rating

The Handelsbanken Group's capital ratio was 9.9% (9.5) at year-end. The Tier 1 capital ratio was 6.1% (6.4).

The Bank repurchased 5.4 million shares in 2001. At the Annual General Meeting in 2001, the Board of the Bank was authorised to repurchase a maximum of 20 million shares and to sell repurchased shares for the purpose of financing possible acquisitions. Handelsbanken did not buy back any shares after the 2001 Annual General Meeting. However, the bank sold 5.6 million shares in connection with the acquisition of Midtbank. At year-end, the Bank held 21.4 million of its own shares, almost all Class B shares. The number of outstanding shares was 693.4 million. The Board is requesting that the Annual General Meeting authorises the Board to repurchase a maximum of 20 million shares up until the 2003 Annual General Meeting. The Board also states that the maximum amount for the repurchase of shares is SEK 2bn. It is also proposed that the Annual General Meeting authorises the Board to use repurchased shares to finance any future acquisitions.

Handelsbanken's rating from all three rating agencies was unchanged.

Earnings per share and dividend

Net earnings per share were SEK 11.99 (12.89). When calculating the earnings per share, the average number of outstanding shares has been used. The Board recommends that the General Meeting resolves on a dividend of SEK 4.50 per share (4.00) for the class A and B shares.

Bank of the Year

Handelsbanken was acclaimed Bank of the Year by Privata Affärer, a Swedish periodical for private finances. This was the first time in the history of the prize that the award has gone to a so-called "major bank". The jury said that its decision was based on the fact that Handelsbanken – unlike other banks – does not close down branches, that it focuses on personal service at branch offices and does not charge for its Internet services. The jury also observed that Handelsbanken has introduced the right for customers of Handelsbanken Liv to transfer their insurance funds.

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Demutualisation of Handelsbanken Liv

On 1 January 2002, Handelsbanken Liv Försäkrings AB was converted from a mutual life insurance company into a profit-distributing company. This company's insurance stock was merged with that of the unit-linked company, Handelsbanken Fondförsäkrings AB and all operations are now run under the name of Handelsbanken Liv Försäkrings AB. In connection with the demutualisation, Handelsbanken injected new shareholder's equity, bringing the total equity to SEK 1.5bn. As of 1 April, Handelsbanken Liv is also introducing the right for private customers to transfer their insurance funds. The right of transfer applies to both new and existing private customers and between traditional and unit-linked insurance. Handelsbanken is alone on the Swedish insurance market in permitting such extensive transfer of insurance funds.

Handelsbanken moves forward in the mutual fund market

Handelsbanken's share of the total volume in the Swedish mutual fund market was over 11%. The Bank's share of new savings in mutual funds was 19%, in other words, considerably more than its share of total volume. Excluding new savings in the premium pension system, Handelsbanken's market share was 19.3% - the highest of the players in the Swedish mutual fund market. This was the third year running that Handelsbanken's market share for new mutual fund savings was considerably higher than its share of the total volume.

Customer satisfaction surveys in the Nordic countries outside Sweden

In Sweden, customer satisfaction is measured by Svenskt Kvalitetsindex. Since customer satisfaction is an important means for Handelsbanken to achieve its overall corporate goal – higher return on equity than its competitors – the results of these surveys are of great interest. The Bank has therefore been eager for equivalent surveys to be performed in the other Nordic countries. In the autumn, the Danish Centre for Management, in collaboration with the Århus School of Business, carried out a survey of how the private customers of Danish banks judge their banks. In other words, this was a survey of the same type as Svenskt Kvalitetsindex conducts in Sweden. Handelsbanken (Midtbank) had the highest customer satisfaction of the six largest Danish banks with an index of 79, while the average for the other banks was an index of 70. A similar survey was performed in Finland by a different company. For Handelsbanken, the survey was performed separately but by the same company using the same methods. In Finland too, Handelsbanken's result was very encouraging and well above the average – much higher than for the largest bank in Finland. In Norway, no survey of this type has yet been conducted, but one is planned for the autumn.

In view of the results in Denmark and Finland presented last autumn and the results previously presented in Sweden, there is good reason for claiming that Handelsbanken has the most satisfied bank customers in the Nordic countries.

SPP customers become Handelsbanken customers

When the insurance company, SPP, was acquired, an important component in the planned acquisition was that the Bank would be able to sell banking services to SPP customers who were not already customers of the Bank.

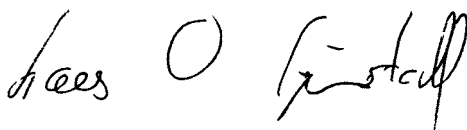
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When the Bank acquired the mortgage company Stadshypotek, some 70% of Stadshypotek's customers did not bank with Handelsbanken. Now, five years after the acquisition, around half of these customers are also customers of the Bank. The same successful working methods will be used to approach the SPP customers who are not already Handelsbanken customers. This work started with corporate customers in 2001, while for private customers, more systematic marketing efforts are starting in the first quarter of this year. Marketing aimed at these customers so far has generated almost SEK 5bn in increased business volumes.

Handelsbanken Hypotek redeems preference shares

When Handelsbanken acquired Stadshypotek AB, the shareholders of Stadshypotek had the option of receiving preference shares issued by Handelsbanken Hypotek instead of cash payment. The Articles of Association of Handelsbanken Hypotek permit the Board to redeem all preference shares as of 1 July 2002. The Board of Directors of Handelsbanken Hypotek intends to adopt a resolution on redemption of preference shares at its meeting on 16 April 2002. There are a total of 1.3 million preference shares and the redemption amount is SEK 252.6m. Handelsbanken's Tier 1 capital will be only marginally affected by this transaction.

Stockholm, 12 February 2002



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The Annual General Meeting of Svenska Handelsbanken AB (publ) will take place at 10 a.m. on 23 April 2002 in Stockholm.

The interim report for the first quarter of 2002 will be published on 22 April 2002. Handelsbanken's interim reports and other publications are also available on the Internet (<http://www.handelsbanken.se/ireng>).

Svenska Handelsbanken

Profit and loss account – Svenska Handelsbanken Group

The profit and loss account on page 25 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 transactions) 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 27. Participations in associated companies' results are reported under "Other income".

SEK m	2001	2000	Change %
Net interest income	13 385	11 791	14
Commission, net Note 1	5 028	5 455	-8
Trading, net	2 656	2 633	1
Other income	585	801	-27
Total income	21 654	20 680	5
Staff costs excl. performance-related	-5 580	-4 844	15
Performance-related staff costs	-338	-464	-27
Other expenses	-4 376	-3 756	17
Total expenses	-10 294	-9 064	14
Profit before loan losses	11 360	11 616	-2
Loan losses incl. change in value of repossessed property	-152	67	
Operating profit	11 208	11 683	-4
Pension settlement	306	797	-62
Taxes	-3 202	-3 353	-5
Minority interests	-22	-22	-
Net profit for the year	8 290	9 105	-9

Note to the Profit and Loss Account

SEK m	2001	2000	Change %
Note 1 Commission, net			
Brokerage	1 072	1 668	-36
Mutual funds and custody	1 417	1 646	-14
Payments	1 311	1 194	10
Lending and deposits	1 168	876	33
Other	1 226	1 172	5
Commission income	6 194	6 556	-6
Commission expense	-1 166	-1 101	6
Commission, net	5 028	5 455	-8

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Financial ratios for Svenska Handelsbanken Group

	2001	2000
Return on shareholders' equity	18.4%	22.3%
Return on shareholders' equity *	18.4%	21.6%
Return on shareholders' equity, operating profit after standard tax *	17.8%	19.9%
Cost/Income (C/I ratio)		
- before loan losses	47.5%	43.8%
- after loan losses	48.2%	43.5%
- before loan losses *	47.5%	44.6%
- after loan losses *	48.2%	44.2%
Earnings per share, SEK		
- January – December	11.99	12.89
- January – December *	11.99	12.43
- October - December	2.81	3.25
Number of shares, end of year	714 746 940	714 746 940
- of which repurchased	21 359 525	21 505 900
Average number of outstanding shares		
- Accumulated	691 205 879	706 420 876
- October - December	693 387 415	698 349 823
Adjusted equity per share, SEK	69.50	61.35
Tier 1 capital	37 188	34 596
Risk-weighted volume	610 769	541 556
Capital ratio	9.9%	9.5%
Tier 1 ratio	6.1%	6.4%
Average number of employees	9 239	8 574
Number of branches in Nordic countries, 31 Dec	545	512

* Excluding items affecting comparability

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Quarterly performance of Svenska Handelsbanken Group

SEK m	2001:4	2001:3	2001:2	2001:1	2000:4
Net interest income	3 529	3 392	3 224	3 240	3 010
Commission, net	1 299	1 150	1 366	1 213	1 288
Trading, net	662	532	649	813	665
Other income	155	98	179	153	157
Total income	5 645	5 172	5 418	5 419	5 120
Staff costs excl. performance-related	-1 472	-1 449	-1 367	-1 292	-1 278
Performance-related staff costs	-20	-59	-130	-129	-5
Other expenses	-1 298	-1 099	-1 024	-955	-985
Total expenses	-2 790	-2 607	-2 521	-2 376	-2 268
Profit before loan losses	2 855	2 565	2 897	3 043	2 852
Loan losses incl change in value of repossessed property	-203	-14	-13	78	-42
Operating profit	2 652	2 551	2 884	3 121	2 810
Pension settlement	-26	-14	184	162	304
Taxes	-672	-732	-852	-946	-839
Minority interests	-5	-6	-5	-6	-5
Net profit for the period	1 949	1 799	2 211	2 331	2 270

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Business areas

Profit and loss account by business area - Group

SEK m	Branch offices	Markets	Securi- ties	Asset Mgmt.	Finans	Pens. & Insur.	S-hyp. Bank	Treasury	Other	Total 2001	Total 2000
Net interest income	12 355	1 506	-121	186	499	15	87	215	-320	14 422	11 306
Commission, net	2 646	218	767	900	285	171	32	-42	51	5 028	5 455
Net result on financial operations	274	690	499	23	-1	-18	0	-33	107	1 541	3 029
Other income	106	15	158	23	17	8	14	13	309	663	890
Total income	15 381	2 429	1 303	1 132	800	176	133	153	147	21 654	20 680
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Net internal remuneration included in income	906										
Net internal remuneration deducted from income		41	63	518	3	259	22	-			
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Total expenses	-6 441	-1 071	-947	-572	-450	-110	-110	-15	-578	-10 294	-9 064
Profit before loan losses	8 940	1 358	356	560	350	66	23	138	-431	11 360	11 616
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Loan losses inc. change in value of repossessed property	-232	88		-10	-5		-1		8	-152	67
Operating profit	8 708	1 446	356	550	345	66	22	138	-423	11 208	11 683
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Return on equity, %	20.6	23.6	35.6	28.4	29.4	15.6	30.6	14.6		18.4	22.3
Average number of employees	5 549	768	447	372	436	11	109	38	1 509	9 239	8 574

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 major corporations. The branch office co-ordinates all services for each individual 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 throughout 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 pursue the same goals – to deliver universal banking services with a higher service level for customers compared with other banks in the Nordic area, combined with the lowest expenses. This strategy will enable the Bank to grow throughout the Nordic area. Handelsbanken has 458 branches in Sweden, 27 in Norway, 28 in Finland and 32 in Denmark. Handelsbanken is the fourth largest bank in Finland, fifth in Norway and fifth in Denmark in terms of total assets.

Profit and loss account

SEK m	2001:4	2001:3	2001:2	2001:1	Total 2001	Total 2000	Change %
Net interest income	3 414	3 112	2 931	2 898	12 355	10 609	16
Commission, net	713	585	738	610	2 646	2 979	-11
Net result on financial operations	-10	24	120	140	274	434	-37
Other income	27	67	10	2	106	49	116
Total income	4 144	3 788	3 799	3 650	15 381	14 071	9
<i>Net internal remuneration included in income</i>	238	203	249	216	906	1 072	-15
Total expenses	-1 852	-1 584	- 1 533	-1 472	-6 441	-5 538	16
Profit before loan losses	2 292	2 204	2 266	2 178	8 940	8 533	5
Loan losses incl. change in value of repossessed property	-233	-21	-1	23	-232	172	
Operating profit	2 059	2 183	2 265	2 201	8 708	8 705	0
Return on equity, %	19,3	20,5	21,5	21,0	20,6	22,8	
Average number of employees	5 670	5 927	5 452	5 149	5 549	5 190	

The result of branch office operations was unchanged at SEK 8 708m (8 705). This corresponded to almost 78% of the Group's total operating profit. Underlying the unchanged result was a significant increase in net interest income which compensated a decrease in net commission income, an increase in loan losses, and increased expenses. Net interest income rose by 16% to SEK 12 355m (10 609). Net commission income fell by 11% to SEK 2 646m (2 979) and loan losses were SEK 232m, which is SEK 404m higher than the previous year. Expenses were up by 16% to SEK 6 441m (5 538). This was mainly due to continued expansion in the Nordic countries outside Sweden and higher costs for IT investments.

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Branch office operations in Sweden

The total interest margin in Swedish kronor, which includes funding of the lending surplus, was lower than the previous year. However, the quarterly trend showed a considerable recovery in the margin in the last two quarters. During the last quarter, the total margin was at the same level as the average for 2000. Average volumes for household lending increased by 10% and for corporate lending by 8%.

Customer surveys in Sweden show that Handelsbanken has more satisfied customers than any other major Swedish bank. Thus it was no great surprise - but nevertheless very welcome - that Privata Affärer, a periodical for private finances, acclaimed Handelsbanken "Bank of the Year". It is the first time a major Swedish bank has received this award. The jury explained their decision by describing Handelsbanken as "...a bank which offers good personal service at branch offices and combines an extensive branch network with free banking services over the Internet".

Branch office operations in the other Nordic countries

The increase in net interest income for branch office operations in the Nordic countries outside Sweden was almost entirely the result of substantially increased volumes.

Margins remained more or less unchanged. The average volume of lending to the general public rose by 43% to SEK 96bn, of which Midtbank represented SEK 5bn. Household lending rose by 40% and corporate lending by 45%. A total of 12 new branches were started in the Nordic countries outside Sweden, of which 8 are in Finland, 2 in Norway and 2 in Denmark, in addition to the branches from the acquisition of Midtbank. In all the Nordic countries, the Bank gained market share among both companies and private individuals.

Bergensbanken is completely integrated with Handelsbanken, both formally and in terms of working methods. From a legal point of view, the whole Norwegian operation is run as a branch of Handelsbanken. At the end of 2001, Bergensbanken ceased to be a brand name. In Denmark, the year started with work on the acquisition of Midtbank and later with the integration of Midtbank and Handelsbanken. This process was successful and Handelsbanken in Denmark is now organised in the same way as the other regional banks. In Finland, the changeover to a new IT service provider was started, which led to increased costs.

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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. The Bank's economic research unit is also included in Handelsbanken Markets as a resource. Handelsbanken Markets has just over 850 employees in 17 countries. From an organisational point of view, Handelsbanken Securities is also part of Handelsbanken Markets. Handelsbanken Securities is reported as a separate business area in the interim and annual reports.

Profit and loss account

SEK m	2001:4	2001:3	2001:2	2001:1	Total 2001	Total 2000	Change %
Net interest income	498	455	404	149	1 506	145	
Commission, net	81	48	45	44	218	166	31
Net result on financial operations	-7	168	101	428	690	1 625	-58
Other income	7	2	-1	7	15	10	50
Total income	579	673	549	628	2 429	1 946	25
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<i>Net internal remuneration deducted from income</i>	7	7	20	7	41	39	5
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Total expenses	-238	-294	-263	-276	-1 071	-1 010	6
Profit before loan losses	341	379	286	352	1 358	936	45
Loan losses incl. change in value of repossessed property	44	1	-5	48	88	17	-418
Operating profit	385	380	281	400	1 446	953	52
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Return on equity, %	27,2	24,7	17,2	26,1	23,6	18,5	
Average number of employees	878	759	717	718	768	703	

Handelsbanken Markets' operating profit was SEK 1 446m (953) - a rise of 52%.

Income increased by 25% to SEK 2 429m, mainly due to strong growth in trading volumes. Expenses rose by 6%, which is entirely due to exchange rate fluctuations. Increased expenses as a result of investments in banking in the UK and Mid-Europe and the subsidiary in Poland were compensated by lower expenses through efficiency gains in trading operations.

All three business areas at Handelsbanken Markets increased their results, with Trading reporting the largest increase.

In October, a joint back office function was started. Since then, money and bond market, currency, equity and Swedish custody operations are all gathered in one department called Handelsbanken Markets Operations. This department carries out all back office operations for Handelsbanken Markets, Handelsbanken Securities, the Swedish branch offices and to some extent, the Nordic branches.

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Trading

Handelsbanken Trading is responsible for the Bank's trading on foreign exchange markets, money and fixed income markets and also for the Bank's activities in public debt capital markets. Profits continued to develop well. Operations have become highly centralised in recent years. Previously, interbank trading was conducted in twelve locations around the world, but is now only in Stockholm, New York and Singapore. Customer sales remain as a natural part of business operations in those places where the bank had been previously engaged in interbank trading. Customer sales are carried out as close to the customer as possible, in total accordance with Handelsbanken's traditional working methods.

In foreign exchange and money market trading, Handelsbanken maintained its strong position in Nordic currencies. However, trading in international and emerging markets represented an increasing share of this business area's result.

The result for trading in bonds and interest derivatives increased. Efforts to expand the number of financially strong counterparties continued successfully. During the year, Handelsbanken received a number of awards from various financial publications, for example "Best Bank in the Nordic and Baltic Regions" (Euromoney, July 2001), Corporate Finance and FX&MM.

Handelsbanken reinforced its position in fixed income markets as a leading Nordic bank for public corporate issues and syndicated loans. This was confirmed when the specialist periodical EuroWeek put Handelsbanken in first place for Eurobonds in Swedish kronor. The Bank completed a number of public loan transactions and arranged syndicated loans for several Nordic corporations, for example Volvo and Copenhagen Airports.

Financial Institutions and Trade Finance

The operation continues to develop well and the result increased by 14%. 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 Bank increased the number of customers using its Swedish krona clearing services. Trade Finance is responsible for export documentary credits, short- and long-term export finance, and project finance. The result increase was primarily due to higher commission income. During the fourth quarter, Handelsbanken participated in financing a Mexican telecom operator that purchased Nordic telecommunications equipment and the Bank also arranged financing for a water purification project in China with a Swedish supplier.

Banking operations outside the Nordic countries

Banking operations outside the Nordic countries employ some 280 staff at units in ten countries. The year was characterised by geographic and business expansion in the UK and Mid-Europe. In the UK, where the Bank has conducted retail banking operations for almost two years, branches were opened in Leeds and Reading. Two new branches will be opened in 2002, one of them in Newcastle. Operations in Continental Europe have been organised under the name Mid-Europe with their base located at Frankfurt. Handelsbanken will enhance its European presence in 2002 by opening an office in Amsterdam.

Handelsbanken received authorisation to start banking operations for its subsidiary bank in Warsaw in early October. The number of new customers and completed transactions has so far exceeded even the best expectations.

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Handelsbanken Securities

Handelsbanken Securities is responsible for corporate finance and equity sales and trading. Apart from its activities aimed at companies and institutional investors, Securities 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 and IT support. Operations are run in seven countries with a focus on the Nordic markets. International investors are mainly serviced by the units in Stockholm, London and New York.

Profit and loss account

SEK m	2001:4	2001:3	2001:2	2001:1	Total 2001	Total 2000	Change %
Net interest income	-2	-29	-38	-52	-121	-130	7
Commission, net	181	147	241	198	767	980	-22
Net result on financial operations	106	93	101	199	499	804	-38
Other income	5	40	87	26	158	83	90
Total income	290	251	391	371	1 303	1 737	-25
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<i>Net internal remuneration deducted from income</i>	31	7	14	11	63	80	-21
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Total expenses	-234	-220	-244	-249	-947	-982	-4
Profit before loan losses	56	31	147	122	356	755	-53
Loan losses incl. Change in value of Repossessed property							
Operating profit	56	31	147	122	356	755	-53
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Return on equity, %	22,4	12,4	58,8	48,8	35,6	83,6	
Average number of employees	392	474	467	454	447	425	

On 1 January 2002, Handelsbanken Investment Banking changed its name to Handelsbanken Securities, which is the conventional name for this kind of business. Handelsbanken Securities reported operating profit of SEK 356m (755), down by 53%. Corporate Finance and Sales/Trading both reported a lower result. For Corporate Finance, the decrease was much less than for equities trading, which is more dependent on volumes. The lower result was mainly due to dramatically worse market conditions. Expenses including performance-related staff costs rose, mainly due to an increase in the average number of employees by 22, and to the negative impact caused by the falling krona. Although Handelsbanken Securities was considerably smaller than its major Nordic competitors in terms of sales, the business area reported a competitive result. In terms of value added per employee, Handelsbanken was one of the top companies.

Equity sales and trading

Handelsbanken reinforced its market position in traditional equity business, that is, research-driven advice to institutional customers and private individuals. Continuous expansion of technology and research products has also made Handelsbanken a major Internet broker. Almost one-half of all equity trading in branch office operations is currently done over the Internet.

Svenska Handelsbanken

Overall, Handelsbanken strengthened its market position and was the third largest participant in the Nordic stock exchanges. Handelsbanken dominated in the area of structured equity products, such as equity-linked bonds. Handelsbanken has issued approximately 50% of the outstanding volume of equity-linked bonds and represents 70% of the turnover on the Stockholm Stock Exchange for these securities. Handelsbanken Securities decided to develop two main areas: to offer customers an even better research product and to focus more effectively on the international customer base outside the Nordic countries. Equities trading is becoming increasingly global and customers are seeking a cross-border, sector-based research product.

Corporate Finance

The market for Corporate Finance services was much weaker than the previous year. The market for IPOs was generally weak and transaction volumes for mergers and acquisitions also dropped significantly. This trend was accentuated after the summer and was further reinforced after the terrorist attacks in the US. Handelsbanken was affected by the generally dismal market situation, but all in all it was a good year with profitability still at a good level. A fall in profits in Sweden was to a high degree countered by increases in other Nordic countries, particularly Denmark. In sector terms, the technology sector brought in by far the largest income, as in the previous year.

During the year, Corporate Finance carried out seven public acquisitions in the equity market and several cross-border transactions involving unlisted companies. Three new companies were launched on the Stockholm Stock Exchange. New issues were carried out for a number of listed companies. Handelsbanken was market leader in the market for incentive programmes for listed companies.

Svenska Handelsbanken

Handelsbanken Asset Management

Handelsbanken Asset Management comprises Fund Management, Discretionary Management and Institutional Custody Services. Apart from services aimed at companies, institutions and private individuals, Asset Management provides support to the branch offices regarding investments, portfolio systems and accounting for foundations. Operations are conducted in four Nordic countries, Luxembourg and the UK.

Profit and loss account

SEK m	2001:4	2001:3	2001:2	2001:1	Total 2001	Total 2000	Change %
Net interest income	48	53	45	40	186	172	8
Commission, net	225	230	247	198	900	878	3
Net result on financial operations	8	2	8	5	23	32	-28
Other income	0	14	1	8	23	8	188
Total income	281	299	301	251	1 132	1 090	4
<i>Net internal remuneration deducted from income</i>	<i>126</i>	<i>118</i>	<i>145</i>	<i>129</i>	<i>518</i>	<i>621</i>	<i>-17</i>
Total expenses	-144	-141	-151	-136	-572	-444	29
Profit before loan losses	137	158	150	115	560	646	-13
Loan losses incl. change in value of repossessed property	-10	-	-	-	-10	-	
Operating profit	127	158	150	115	550	646	-15
Return on equity, %	26,1	33,2	31,8	22,7	28,4	37,7	
Average number of employees	346	397	383	362	372	327	

Operating profits were SEK 550m (646). Lower volumes of managed assets, resulting from a weak stock market, were compensated by new management assignments so that income rose by 4%. Expenses rose by 29% which is partly the result of increased costs for systems development and boosting the asset management organisation. The volume of assets managed by Handelsbanken Asset Management was SEK 236bn (149). The total volume of assets under management by the Group was SEK 284bn (211).

Mutual fund management

The Bank's mutual fund management company managed 84 mutual funds with a total value of SEK 99bn (90). Sixteen funds came from the acquisition of SPP Fonder, and have been managed by Handelsbanken Asset Management since April 2001.

New savings in the Swedish mutual fund market were SEK 57bn (100), of which premium pensions savings represented SEK 12bn. Handelsbanken's share of net deposits in the Swedish mutual fund market was 19%. This was the third year running that Handelsbanken's market share for net mutual fund savings was higher than its share of the total volume. New savings in the Group's funds in the Swedish mutual fund market were SEK 10.9bn (11.7), of which SEK 2.1bn represented premium pension savings. The largest net deposits in 2001 were in fixed income funds.

Svenska Handelsbanken

In October, Handelsbanken Hedgefond Aktie Europa was started, a hedge fund of the “equity long/short” category, i.e. an equity fund with flexible investment rules. The fund aims to achieve positive performance even when share prices are falling. The investment focus is European equities. On the three sales occasions in 2001, SEK 0.6bn was invested in the fund.

During the autumn, customers who had private pension savings, alternative ITP or ITPK supplementary pension schemes with SPP Liv, were given the opportunity to invest in 15 of Handelsbanken’s funds. These funds complement SPP’s mutual fund range in areas where SPP previously lacked investment opportunities.

Discretionary management

Despite the weak capital market, assets under discretionary management increased by SEK 80bn to a total of SEK 131bn at year-end. Discretionary management services received new assignments amounting to SEK 83bn, primarily from Handelsbanken’s acquisition of SPP but also from new customer assignments such as Norges Bank. SEK 7bn of the assets under discretionary management were invested in Handelsbanken’s mutual funds.

Asset management 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 and Zurich are representative offices whose main task is to support asset management in Luxembourg. The subsidiary in Luxembourg received authorisation to start a branch in Zurich. Operations are expected to start in spring 2002. Assets managed were SEK 12bn.

Institutional custody services

In Sweden, market share increased for institutional custody services, primarily due to new assignments from major pension managers. In the other Nordic countries, market share went up for both domestic and international customers. The unit’s income was based in part on the total value of accounts and in part on the number of transactions. Despite falling market values, the total value of custody accounts increased. The number of transactions was up by 48%.

Svenska Handelsbanken

Handelsbanken Finans

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

Profit and loss account

SEK m	2001:4	2001:3	2001:2	2001:1	Total 2001	Total 2000	Change %
Net interest income	126	132	121	120	499	483	3
Commission, net	69	72	79	65	285	239	19
Net result on financial operations	-1	0	0	0	-1	12	-108
Other income	4	3	5	5	17	19	-11
Total income	198	207	205	190	800	753	6
<i>Net internal remuneration deducted from income</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>1</i>	<i>3</i>	<i>15</i>	<i>-80</i>
Total expenses	-118	-108	-116	-108	-450	-408	10
Profit before loan losses	80	99	89	82	350	345	1
Loan losses incl. change in value of repossessed property	-3	-2	-7	7	-5	-14	-64
Operating profit	77	97	82	89	345	331	4
Return on equity, %	25,9	33,9	28,6	29,8	29,4	24,8	
Average number of employees	425	438	441	440	436	423	

The result was SEK 345m (331), an increase of 4%. Return on equity was 29.4% (24.8). Income rose by 6% to SEK 800m (753), mainly due to higher business volumes. Expenses rose by 10% which was due to major IT investments in the Finnish operations and to the expansion of retail sales finance in the Nordic countries outside Sweden. Total credit volumes increased by 31% to SEK 26.5bn, which means that Handelsbanken Finans has taken market share from its competitors.

Leasing, conditional sales and car administration

Last year, a new model was introduced for the branch offices' responsibility and authority concerning finance company services. It proved to work well. A new transaction management system guides the Bank's staff efficiently and securely through new deals. More than 80% of all transactions are arranged in real-time at the branch together with the customer. New sales in Sweden increased by 31% despite the economic downturn. Handelsbanken Finans' share of the leasing market increased to over 15%. A large number of major leasing deals were made with, for example, Jönköpings Lokaltrafik and Linjebuss for financing trains and buses.

Svenska Handelsbanken

Factoring and collection services

Factoring and collection services enable customers to release working capital. Various debt collection services also help customers to administer payment demands and monitoring of overdue invoices.

A factoring service was established in Norway through the acquisition of Kronos AS and extensive product development was implemented together with a major customer. It was decided to sell the debt collection company, Nordan AS in Denmark. This was in order to streamline operations and focus resources for further expansion of the core business. The sale of Nordan AS is expected to be completed during the first quarter of 2002.

Retail financial services

Handelsbanken Finans has a strong position in Sweden and Finland in the field of Retail financial services. In the last two years, positions have advanced in Norway and Denmark so that Handelsbanken Finans can now meet customers' demands for a local presence in the whole Nordic region.

A survey was carried out in the autumn to determine the level of customer satisfaction among the Swedish retail partners of Retail financial services. The survey was divided into sales, credit assessment, customer service and sales support. The overall result gave an index of 80%, which means that customers in general were very satisfied with Retail financial services.

Just over two years ago, the Swedish credit card called Köpkort was relaunched. By the end of 2001, there were over 200 000 cardholders. The reason for this rapid expansion is the concept of a card for financing goods via an account combined with validity as a purchase card. During the autumn, Handelsbanken Finans signed an agreement with the Swedish Automobile Association to offer its members a car loan and credit card.

One of the world's largest IT companies, IBM, chose Handelsbanken Finans' Netpay, which is a secure solution for retail finance over the Internet.

Via the Aktiiviraha credit card in Finland, consumer finance is offered in close co-operation with retailer partners in the capital goods sector. A number of new partners have led to growth and good profitability. A new card system was launched and 150 000 customers have converted to the new system.

Svenska Handelsbanken

Handelsbanken Pension and Insurance

The Handelsbanken Pension and Insurance business area comprises Handelsbanken Liv and SPP. Together these companies are a market leader, offering a complete range of life insurance products for occupational and private pensions, asset protection schemes and employee pension insurance, which are available to companies, private customers and organisations. Both companies sell their services via Handelsbanken's branch offices. SPP also uses its own sales force, franchisees, independent brokers, and direct sales and telemarketing. The traditional life insurance operations in Handelsbanken Liv Försäkrings AB and SPP's operations were run on mutual principles where the whole surplus on operations was returned to policyholders in the form of bonuses and collective risk capital. These units were not included in Handelsbanken's consolidated accounts. From 1 January 2002, Handelsbanken Liv Försäkrings AB is a demutualised company which distributes profits.

Profit and loss account

SEK m	2001:4	2001:3	2001:2	2001:1	Total 2001	Total 2000	Change %
Net interest income	8	4	2	1	15	12	25
Commission, net	44	40	43	44	171	176	-3
Net result on financial operations	11	-18	4	-15	-18	-6	-200
Other income	3	1	2	2	8	5	60
Total income	66	27	51	32	176	187	-6
<hr/>							
<i>Net internal remuneration deducted from income</i>	60	64	68	67	259	303	-15
<hr/>							
Total expenses	-31	-29	-27	-23	-110	-85	29
Profit before loan losses	35	-2	24	9	66	102	-35
<hr/>							
Loan losses incl. change in value of repossessed property							
Operating profit	35	-2	24	9	66	102	-35
<hr/>							
Return on equity, %	33,2	-1,9	22,7	8,3	15,6	23,2	
Average number of employees	11	11	11	11	11	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 was SEK 66m (102). The lower result was caused by higher expenses and reduced yield on the company's own investments. The increase in expenses is mainly due to the need for extra resources in administration and the sales organisation. Since some of the company's own investments have been in shares, the stock market slump had a negative impact on profits. During the year, the portfolio was reallocated in favour of fixed-income investments. Since the end of 2001, the company's own assets are mainly invested in fixed-income securities.

Svenska Handelsbanken

Total premium income for traditional and unit-linked insurance was SEK 5.9bn (9.0). The decrease was reported in unit-linked insurance. For traditional insurance, premium income increased slightly to SEK 2.4bn (2.3). The slump in equity markets led to a fall in the value of the assets but was compensated by new sales. Insurance assets managed were therefore unchanged at SEK 37bn (37), of which unit-linked insurance represented SEK 17bn (17).

Total return was -2.1% (0.2) and the average bonus rate was 5.8%. The solvency margin was 102% (113). The expenses ratio was 7% (4).

The slump in global equity markets had an impact on sales of endowment insurance. Unit-linked insurance, focused on investment, fell by 48%. Traditional endowment insurance and inheritance planning solutions were not affected, however. Nor were pensions savings negatively affected. Premium income increased for private pension insurance, occupational pensions and employee pensions.

As of 1 January 2002, Handelsbanken Liv's occupational group life insurance was transferred to SPP, which then became the insurer.

Handelsbanken Liv Försäkrings AB Profit and loss account

SEK m	Jan - Dec	
	2001	2000
Premium income	2 350	2 260
Investment income	-439	34
Insurance claims	-1 331	-1 186
Change in life insurance provisions	-1 338	-1 873
Bonus	-60	-103
Operating expenses	-331	-264
Other	-	33
Result on technical account – life insurance business	-1 149	- 1 099
Non-technical account		
Taxes	-152	-156
Net profit for the year	-1 301	-1 255

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

Svenska Handelsbanken

SPP

Premium income increased for the eighth year running to SEK 12.6bn (10.0), an increase of 26%. Traditional insurance represented SEK 9.6bn (8.2) and unit-linked insurance SEK 3.0bn (1.8). Regular premiums were SEK 7.4bn (5.9) and single premiums were SEK 5.2bn (4.1). SPP retained its strong position as one of the biggest insurance companies in the Swedish occupational pensions market. SPP is the biggest unit-linked company in the ITPK market (supplementary retirement pensions).

Total insurance assets managed were SEK 87.2bn (87.4), of which traditional life insurance represented SEK 80.7bn (83.5). Total return was -2.8% (3.3). The expenses ratio was 9.7% (9.1).

At year-end, the solvency margin was 108% (119). The average bonus rate was 5.8% (10.9).

SPP Group Profit and loss account

SEK m	Jan - Dec	
	2001	2000
Premium income	12 627	10 011
Investment income	-2 693	2 785
Insurance claims	-3 872	-3 003
Change in life insurance provisions	-10 734	-8 884
Operating expenses	-1 223	-911
Other	58	-2
Result on technical account – life insurance business	-5 837	-4
Non-technical account		
Other operations	18	16
Taxes	-780	-509
Net profit for the year	-6 599	-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 a leading Internet and telephone bank in Sweden. It operates under its own brand name and provides its own range of services. The bank specialises in offering basic banking and insurance services with a unique profile. It aims for private customers to see it as their basic bank for day-to-day finances.

Profit and loss account

SEK m	2001:4	2001:3	2001:2	2001:1	Total 2001	Total 2000	Change %
Net interest income	28	21	19	19	87	65	34
Commission, net	6	3	11	12	32	59	-46
Net result on financial operations	0	0	0	0	0	0	0
Other income	2	11	1	0	14	2	
Total income	36	35	31	31	133	126	6
<hr/>							
<i>Net internal remuneration deducted from income</i>	8	9	2	3	22	14	57
<hr/>							
Total expenses	-28	-27	-28	-27	-110	-111	-1
Profit before loan losses	8	8	3	4	23	15	53
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Loan losses incl. change in value of repossessed property	-1	0	0	0	-1	0	
Operating profit	7	8	3	4	22	15	47
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Return on equity, %	44,8	51,2	19,2	15,4	30,6	17,1	
Average number of employees	108	107	108	111	109	106	

Profits were SEK 22m (15). Increased income from the VISA payment card and higher net interest income compensated for significantly lower income from retail bonds and a 50% drop in commission on equity transactions. Expenses have fallen each year since Handelsbanken acquired the company in 1997.

The VISA card has been enhanced so that one of the best travel insurance policies on the market can now be included with the card. It is a combined assistance, travel and accident insurance, which also includes travel cancellation insurance. Card services continued to go from strength to strength. The number of accounts increased by 39%, the number of purchases by 85% and purchase volume by 72%.

At the Stockholm Boat Show in early November, Stadshypotek Bank launched a Rescue Card in collaboration with the Swedish Sea Rescue Society. In tough competition with other banks and finance companies, the bank also entered into an agreement with Save the Children. This is based on a VISA card with a unique profile, which is expected to be launched soon.

At year-end, over 28 000 customers could do their banking business with Stadshypotek Bank via the Internet, an increase of 49%. The customers who registered for the service were active users. Over 61% of all private payments made by Stadshypotek Bank's customers went via the Internet.

Stadshypotek Bank was the first niche bank to remove charges for making bank and postal giro payments via the Privatgiro system. Payment of bills over the Internet was already free of charge.

Svenska Handelsbanken

Handelsbanken Treasury

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

Profit and loss account

SEK m	2001:4	2001:3	2001:2	2001:1	Total 2001	Total 2000	Change %
Net interest income	31	63	63	58	215	243	-12
Commission, net	-10	-12	-11	-9	-42	-12	-250
Net result on financial operations	-14	-28	23	-14	-33	-55	40
Other income	4	3	3	3	13	11	18
Total income	11	26	78	38	153	187	-18
<hr/>							
<i>Net internal remuneration deducted from income</i>	-	-	-	-	-	-	-
<hr/>							
Total expenses	7	-7	-7	-8	-15	-14	7
Profit before loan losses	18	19	71	30	138	173	-20
Loan losses incl. change in value of repossessed property							
Operating profit	18	19	71	30	138	173	-20
<hr/>							
Return on equity, %	7,6	8,4	32,8	11,6	14,6	10,2	
Average number of employees	38	38	38	38	38	39	

Handelsbanken Treasury's result was SEK 138m (173). Most of Treasury's earnings arise through fixed-rate lending which is funded by borrowing with shorter interest rate adjustment periods. In previous years, Treasury could take advantage of the slope of the yield curve. In 2001, there was only a small difference between short- and long-term interest rates. Maturing transactions were therefore not extended. The decreased result was due to lower business volumes.

The internal bank and liquidity management

The internal bank's task is to match various flows within the Group. Internal units needing to borrow or invest funds utilise the internal bank, which applies market rates to the transactions. To earn money on the Group's cash flows, the internal bank can take positions in connection with internal transactions. One example is fixed-term lending to the Bank's subsidiaries, which can be funded with liabilities with shorter interest rate adjustment periods.

The regional banking operations had a surplus of Swedish kronor in 2001, which on average was SEK 20.9bn (20.9). The internal bank is responsible for ensuring that this surplus is efficiently transferred to units within the Group which need liquidity, mainly Stadshypotek. Fluctuations in the Bank's liquidity are regulated on the overnight market. The internal bank is responsible for overnight trading.

Svenska Handelsbanken

To carry out clearing, the Bank must pledge securities with the Riksbank. These comprise Swedish government bonds, bonds and certificates of deposit from issuers with a high rating (at least A) from Moody's and Standard & Poor's. The securities are managed in a separate trading portfolio, which yielded a positive result in 2001. The collateral portfolio represents Handelsbanken's liquidity reserve for the purpose of managing short-term market fluctuations.

Capital market funding

The Handelsbanken Group is an active borrower in Swedish and international capital markets. On the Swedish market, the main funding sources were bonds and commercial paper issued in the name of Stadshypotek. Internationally, commercial paper funding in the US and deposits funding were the main sources. When necessary, foreign currency loans were converted into Swedish kronor through swaps.

Svenska Handelsbanken

Profit and loss account – Svenska Handelsbanken Group

In accordance with Finansinspektionen's regulations

SEK m	2001	2000	Change %
<i>Interest income</i>	57 667	66 308	-13
<i>Interest expense</i>	-43 141	-55 024	-22
Net interest income	14 526	11 284	29
Dividends received	309	504	-39
<i>Commission income</i>	5 894	6 048	-3
<i>Commission expense</i>	-1 038	-770	35
Commission, net Note 1	4 856	5 278	-8
Net result on financial operations Note 2	1 577	3 049	-48
Other operating income	219	343	-36
Total income	21 487	20 458	5
General administrative expenses			
- Staff costs	-5 909	-5 300	11
- Other expenses Note 3	-3 346	-2 928	14
Depreciation and write-down in value of tangible and intangible fixed assets	-805	-753	7
Total expenses	-10 060	-8 981	12
Profit before loan losses	11 427	11 477	0
Net loan losses Note 4	-160	66	
Change in value of repossessed property	8	1	
Participations in result of associated companies	82	32	156
Result of banking operations	11 357	11 576	-2
Result of insurance operations Note 5	-149	107	
Operating profit	11 208	11 683	-4
Pension settlement	306	797	-62
Taxes	-3 202	-3 353	-5
Minority interests	-22	-22	-
Net profit for the year	8 290	9 105	-9
 Earning per share (SEK)	 11.99	 12.89	

Svenska Handelsbanken

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

SEK m	2001	2000
Note 1 Commission, net		
Payments	1 311	1 014
Lending	790	544
Deposits	76	79
Guarantees	301	253
Securities	2 189	2 988
Other	1 227	1 170
Commission income	5 894	6 048
Commission expense	-1 038	-770
Commission, net	4 856	5 278
Note 2 Net result on financial operations		
Shares and participations	947	1 371
Interest-bearing securities	-233	-2 175
Realised profit	714	-804
Shares and participations	-325	-271
Interest-bearing securities	-85	2 572
Unrealised changes in value	-410	2 301
Exchange rate fluctuations	1 273	1 552
Net result on financial operations	1 577	3 049
Note 3 Other administrative expenses		
Property and premises	-867	-706
External IT costs	-856	-690
Communication	-405	-394
Travel and marketing	-377	-324
Purchased services	-499	-433
Supplies	-181	-178
Other expenses	-161	-203
Other administrative expenses	-3 346	-2 928
Note 4 Loan losses		
Individually valued claims:		
The year's write-down for actual loan losses	-665	-449
Writeback of previous provisions for possible loan losses which are reported as actual loan losses in the year's accounts	445	347
The year's provision relating to possible loan losses	-1 200	-630
Recovered from actual credit losses in previous years	545	258
Write-back of provisions for possible loan losses which are no longer necessary	722	553
Net expense for the year for individually valued claims	-153	79
Claims valued as a group:		
The year's write-down for actual loan losses	-36	-39
Recovered from actual credit losses in previous years	29	14
Allocation to/dissolution of reserve for loan losses	0	12
Net expense for the year for claims valued as a group	-7	-13
Total loan losses	-160	66

Svenska Handelsbanken

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

SEK m	2001	2000
Note 5 Result of insurance operations		
Net interest income	-103	22
Dividends received	7	3
Commission, net	173	177
Net result on financial operations	-36	-20
Other operating income	44	8
Total income	85	190
Staff costs	-8	-8
Other expenses	-101	-75
Depreciation and write-down in value of tangible and intangible fixed assets	-125	-
Total expenses	-234	-83
Result of insurance operations	-149	107

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

SEK m	2001	2000
Technical account - insurance operations		
Premium income	3 537	6 751
Investment income transferred from financial operations	-5	-2
Investment income	344	196
Other technical income	50	0
Change in value of investments for which policyholders bear the investment risk	-2 490	-2 039
Insurance claims	-1 321	-1 110
Change in insurance provisions	288	-3 479
Operating expenses	-82	-57
Other technical expenses	-125	-
Result on technical account - insurance operations	196	260
Non-technical account		
Investment income (incl unrealised changes in value)	31	50
Unrealised gains on investments	9	8
Investment charges	-151	2
Unrealised losses on investments	-18	-53
Yield tax	-216	-160
Profit before company taxes	-149	107
Taxes	53	-1
Net profit for the year	-96	106

Svenska Handelsbanken

Balance sheet – Svenska Handelsbanken Group

SEK m		2001	2000
Lending to the general public	Note 1	800 068	689 106
Lending to credit institutions		70 857	94 677
Interest-bearing securities			
- Financial fixed assets		8 219	5 126
- Financial current assets		120 128	83 136
Other assets		175 249	148 308
Total assets		1 174 521	1 020 353
Deposits and funding from the general public		283 692	255 350
Liabilities to credit institutions		220 126	155 414
Issued securities etc		440 981	401 489
Subordinated liabilities		28 976	19 066
Other liabilities		152 634	146 568
Shareholders' equity	Note 2	48 112	42 466
Total liabilities and shareholders' equity		1 174 521	1 020 353

Notes to the balance sheet

SEK m	2001	2000
Note 1 Lending to the general public		
SEK lending		
- to households	258 579	234 650
- to companies etc *	336 849	296 746
	595 428	531 396
Foreign currency lending		
- to households	36 163	25 024
- to companies etc	171 953	135 875
	208 116	160 899
Reserve for possible loan losses	-3 476	-3 189
Total lending to the general public	800 068	689 106
*) of which National Debt Office	13 857	0
Note 2 Change in shareholders' equity		
Opening shareholders' equity	42 631	38 570
Effect of changed principles on reporting income taxes	-165	-178
Opening shareholders' equity after adjustment	42 466	38 392
Dividend	-2 751	-2 144
Buyback of own shares	-46	-2 950
Change of foreign currency component	153	63
Net profit for the year	8 290	9 105
Closing shareholders' equity	48 112	42 466

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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
Cash flow statement		
Cash flow on operating activities	9 681	5 278
Cash flow on investing activities	-11 802	-506
Cash flow on financing activities	7 113	-5 878
Cash flow for the year	4 992	-1 106
Liquid funds at beginning of year	5 258	6 285
Cash flow for the year	4 992	-1 106
Exchange rate difference on liquid funds	364	79
Liquid funds at end of the year	10 614	5 258
Capital base and requirement		
Tier 1 capital	37 188	34 596
Total capital base	60 617	51 695
Risk-weighted volume	610 769	541 556
Capital ratio	9.9%	9.5%
Tier 1 ratio	6.1%	6.4%
Problem loans		
Bad debts	5 039	5 532
Reserve for possible loan losses	-3 571	-3 219
Bad debts, net	1 468	2 313
Reduced rate loans without a provision for possible loan losses	58	55
Total problem loans	1 526	2 368
Bad debt reserve ratio	70.9%	58.2%
Proportion of bad debts	0.18%	0.33%
Problem loans before write-down for possible loan losses	5 097	5 587
Loan loss level	0.02%	-0.01%
Non-performing loans for which interest is accrued	2 084	1 321
Collateral taken over:		
- Buildings and land	16	0
- Shares and other participations	71	55
- Other	83	93
Total collateral taken over	170	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	37 256	32 712	39 403	38 849	7 764	7 662
Negative values	35 950	33 791	30 904	30 902	8 131	8 077

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 corresponded to the fair value. The differences between fair value and book value reported in the table correspond to the reversed differences between fair value and book value in that part of the Group's operations which is subject to hedge accounting.

Value-at-Risk

During the period 1 January 2001 - 31 December 2001, Handelsbanken Markets' exposure to interest rate and exchange rate risk (including option risks), measured as Value-at Risk (VaR) was on average SEK 39m. During the period, this risk varied between SEK 19m and SEK 66m. During the same period, Handelsbanken Securities' exposure to equity price risks, measured as VaR, was on average SEK 6m. This risk varied between SEK 1m and SEK 16m.

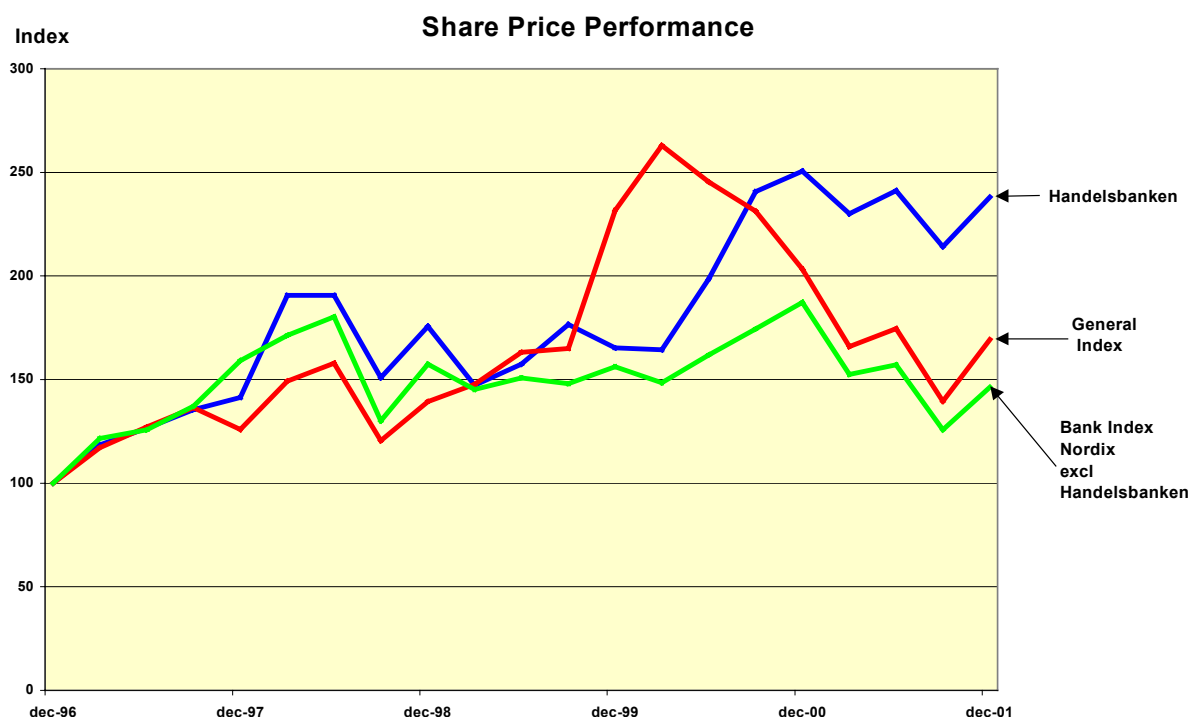
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Handelsbanken's shares

In 2001, the Swedish stock market fell by 17%, measured by the Affärsvärlden General Index. In the same period, Nordic bank shares, measured by the Nordix bank index, fell by 18%. Excluding Handelsbanken, the decrease was 22%. Handelsbanken's Class A shares, however, fell by only 5%, which was better than any of the other major Nordic banks.

As at 31 December 2001, the total market capitalisation of Handelsbanken's shares was SEK 106bn, a decrease of 5%.

	31 December 2001	31 December 2000
Share price SHB class A, SEK	154.00	161.50
Number of outstanding shares, million	693,4	693.2
Market capitalisation SEK bn	106	112



Handelsbanken's rating as at 31 December 2001

During the year, Handelsbanken's ratings from the three major rating agencies were unchanged.

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